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Ranbaxy Lab. Ltd. —STRONG BUY—380—INR

Sector— Pharmaceuticals
Regd.off— Alembic Road, Vadodara, Gujarat -390003
Listed— BSE, NSE

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Company overview—

Ranbaxy Laboratories Limited, headquartered in India was incorporated in 1961 and went public in 1973. Ranbaxy is an integrated, research based, international pharmaceutical company, producing a wide range of quality, affordable generic medicines, trusted by healthcare professionals and patients across geographies. The Company is ranked amongst the top ten global generic companies and has a presence in 23 of the top 25-pharma markets of the world. The Company with a global footprint in 49 countries, world class manufacturing facilities in 11 and a diverse product portfolio, is rapidly moving towards global leadership, riding on its success in the world's emerging and developed markets. The Company is moving towards a well-balanced mix of revenues from developed and emerging markets and is currently well positioned to leverage the varied growth potential offered by these markets. The Company has successfully pursued its inorganic growth strategy and concluded over 15 acquisitions since 2004, including the latest 9 acquisitions valued at US\$ 450 Mn (4 in Europe, 1 in the US, 3 in India and 1 in South Africa). These acquisitions have significantly expanded its business in emerging and profitable markets. The Company will continue to evaluate acquisition options in US, Europe, India and emerging markets to accentuate its business and competitiveness in these markets. Driven by the passion of its over 11,000 strong multicultural workforce comprising 51 nationalities, Ranbaxy continues to aggressively pursue its mission to become a Research-based International Pharmaceutical Company and attain a true global leadership position.

Products & Services—

Company has one of the finest R&D and Manufacturing facilities in the world. It manufactures and markets generic pharmaceuticals, value added generic pharmaceuticals, branded generics, active Pharmaceuticals (API) and intermediates. The Company remains focused on ascending the value chain in the marketing of pharmaceutical substances and is determined to bring in increased revenues from dosage forms sales. Ranbaxy's diverse product basket of over 5,000 SKUs available in over 125 countries worldwide encompasses a wide therapeutic mix covering a majority of the chronic and acute segments. Healthcare trends project that the chronic treatment segments will outpace the acute treatment segments, primarily driven by a growing aging population and dominance of lifestyle diseases. Strong performance in Cardiovasculars, Central Nervous System, Respiratory, Dermatology, Orthopedics, Nutritionals and Urology segments, clearly indicates that the Company has strengthened its presence in the fast growing chronic and lifestyle disease segments. Ranbaxy's top 20 products, ranging from Anti-infectives to Dermatologicals, account for revenues of over US \$ 600 Mn.

Research & Development—

Strong R&D capabilities are a vital component of its business strategy that will provide the company with a sustainable, long-term competitive advantage. The Company today has strength of 1,200 scientists who are engaged in path-breaking research. Ranbaxy is among the few Indian pharmaceutical companies in India to have initiated its research program in the late 70's. To support its global ambition a first of its kind world class R&D center was commissioned in 1994. Today, the Company's multi-disciplinary R&D center at Gurgaon, in India, houses dedicated facilities for generics research and innovative research. The Company's robust R&D environment for both drug discovery & development reflects the Company's commitment to be a leader in the generics space and offer value added formulations based on its Novel Drug Delivery System (NDDS) and New Chemical Entity (NCE) research outcomes. The company's NDDS focus is mainly on the development of NDA/ ANDAs of oral controlled- release products for the regulated markets. The research areas for drug discovery at Ranbaxy are anti-infectives, inflammatory / respiratory, metabolic diseases and Oncology. In addition, the Company also has a number of other pre-clinical leads in various segments. Ranbaxy also has a global alliance in the area of drug discovery and development with GlaxoSmithKline Plc. Presently two research programs have been initiated under this alliance.

Financials—

Financials for 3rd quarter (jul-sep) 2007

Financial Results	Rs. Lakhs
Net Sales/Income from Operations	103812.00
Other Income	11371.00
Total Income	115183.00
Increase/Decrease in Stock & work in progress	-1741.00
Consumption of Raw Materials	38687.00
Purchase of traded goods	7961.00
Employees Cost	10511.00
Depreciation	3252.00
Other Expenditure	37680.00
Total Expenditure	96350.00
Interest	-2295.00
Profit from Ordinary Activities before tax	21128.00
Tax Expense	4312.00
Net Profit from Ordinary Activities after tax	16816.00
Net Profit for the period	16816.00
Dividend (%)	50.00
Face Value (in Rs.)	5.00
Basic EPS before Extraordinary items (in Rs.)	4.01

Recent Developments—

Ranbaxy Laboratories announced that Zenotech Laboratories (Zenotech) allotted on preferential basis 5,489,536 equity shares of Rs 10 each at a premium of Rs 150 a share for cash (being 16% of the equity share capital of Zenotech as increased by the above-mentioned preferential issue) to Ranbaxy Laboratories on Nov. 23, 2007.

Ranbaxy Laboratories expects to complete the process of listing its research and development (R&D) arm within the next calendar year. From Jan. 01, 2008, the company's R&D arm will operate as a separate entity. Earlier this month, the company had announced the demerger of its R&D operations to unlock the value for its shareholders. It had last year spent about USD 100 million on R&D operations. The company employs 1,400 people in R&D operations.

Ranbaxy recently announced that it received approval in Canada to manufacture and market tamsulosin hydrochloride capsules 0.4 mg from Health Canada, Therapeutic Products Directorate (TPD). Ranbaxy also received tentative approval from the U.S. Food and Drug Administration (FDA) to manufacture and market Valsartan Tablets, 40 mg, 80 mg, 160 mg and 320 mg. The total annual market sales for Valsartan Tablets stood at USD 1.3 billion. This is for the treatment of hypertension alone or in combination with other anti-hypertensive agents. It is also indicated for the treatment of heart failure. Ranbaxy also launched its branded Novel once-a-day product, Osonase (Ciclesonide) aqueous nasal spray in India. The product introduced as a nasal spray, will be used for the treatment of seasonal and perennial allergic rhinitis in adults and adolescents. Company also received approval in Canada to manufacture and market Ran - Lisinopril 5, 10 and 20 mg oral tablets from Health Canada, Therapeutic Products Directorate (TPD).

Valuation—

Company is planning to achieve significant business in proprietary prescription products by 2012 with a strong presence in developed markets. It aspires to be amongst the Top 5 global generic players and aims at achieving global sales of US \$5 Billion by 2012. At CMP, stock is trading at attractive valuation of 15.9 X multiple of its FY2008 Estimated earnings. We recommend investors "Strong Buy" on "Ranbaxy Laboratories Limited" with medium to long-term investment horizon.

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