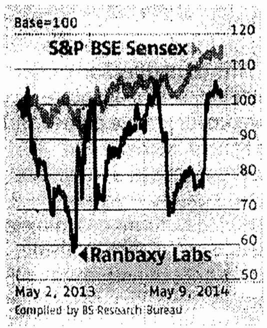
PRESS INFORMATION BUREAU
पत्र सूचना कार्यालय
GOVERNMENT OF INDIA
भारत सरकार

Business Standard, Delhi
Saturday 10th May 2014, Page: 6
Width: 8.17 cms, Height: 22.06 cms, a4, Ref: pmin.2014-05-10.29.48

March quarter numbers raise health worries for Ranbaxy

Sales remain flat, operating margins fall 160 bps to 6.1%, material and personnel costs rise



Ranbaxy's March quarter numbers have been hit by the collapse of supplies from its Toansa plant. While the suspension of shipments from the Toansa plant has impacted sales, the bottom line has been hit by several one-time exceptional items such as goodwill write-off and other impairment charges. Its March quarter sales remained flat at ₹2,404 crore, compared to the corresponding year-ago quarter. The Toansa ban has resulted in sales declining by 18 per cent in constant currency.

The company's India business remained flat even as the pharma industry has reported a six per cent growth in India. While the firm maintains it has met its guidance, analysts say the March quarter numbers were irrelevant as nothing would change till the clean-up happened. Even the over-the-counter (OTC) business declined in India after several quarters. Ranbaxy's operating income has fallen by 50 per cent as top line remained flat and costs, high. The company's core business has been hit by Toansa. Analysts claim Ranbaxy's key market – the US – grew 13 per cent year-on-year (y-o-y) during the quarter.

Ranbaxy's March quarter has also been impacted by several exceptional items. The write-offs during the quarter added up to ₹130 crore. The firm had to provide for a one-time write-off of inventory and goodwill impairment. Analysts say Ranbaxy needs to clean up its act on the operational front as soon as possible. Till the company does that, the view on the stock is expected to remain negative despite the merger with Sun Pharma.

During the quarter, the company's operating margin declined to six per cent levels, which also impacted the net profit. During the March quarter, Ranbaxy's operating margins declined 160 basis points (bps) to 6.1 per cent from 7.7 per cent in the corresponding quarter last year. Both material and personnel costs have risen during the quarter. While material costs increased 120 basis points y-o-y to 37.5 per cent, personnel costs rose 50 bps y-o-y to 20.2 per cent. Interest expenses rose 116 per cent, y-o-y, to ₹113.6 crore. Other income also declined by 62 per cent, while forex loss was lower at ₹1.6 crore, compared with the ₹36.7-crore loss in the corresponding year-ago quarter.

The company reported a net loss of ₹74 crore during the quarter. However, net loss after minority interest stood at ₹139.4 crore against a profit in March 2013. Sarabjit Kour of Angel Broking says: "Ranbaxy posted numbers below the expectations. While the quarterly sales were lower than expected, the company met its annual guidance of sales of ₹13,000 crore for FY14."

MALINI BHUPTA

889

Company