

# Sun seals Ranbaxy deal, to invest \$300 mn in R&D

Ranbaxy to be de-listed; integration to deliver \$250-mn synergies in 3 years

BS REPORTER  
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**S**un Pharmaceutical Industries, India's largest drugmaker, on Wednesday announced the closure of its merger with Ranbaxy Laboratories and said the integration would deliver synergies worth \$250 million (about ₹1,500 crore) in three years.

Announcing an operational blueprint to achieve synergies through value-creation across functions, Sun Pharma Managing Director Dilip Shanghvi told reporters here the company would invest about \$300 million (about ₹1,800 crore) in research and development (R&D) this year, six-seven per cent of the combined revenue.

The acquisition of Ranbaxy would not restrict the combined entity from making more large acquisitions, Shanghvi said. He, however, added his "most important focus" was winning the confidence of regulators. "We are committed to bring back confidence of the US FDA (US Food and Drug Administration). We will fix problems and create value for shareholders."

Sun Pharma's third-quarter profit was hit by costs incurred on addressing observations raised by the US FDA, following an inspection of a manufacturing plant of the company.

After the merger, Ranbaxy will be de-listed from Indian bourses and each Ranbaxy shareholder will get 0.8 share of Sun Pharma for each Ranbaxy share.

In April 2014, Sun Pharma had agreed to buy Ranbaxy for \$3.2 billion in stock, along with \$800 million of debt.



## THE MERGED ENTITY

**₹27,900 crore**  
REVENUE

**5th-LARGEST GENERIC**  
DRUG MAKER GLOBALLY

**₹6,820 crore**  
INDIA REVENUE, THE  
MOST IN THE COUNTRY

**9.1% MARKET SHARE**

**30,000 PLUS**  
EMPLOYEES IN 50  
COUNTRIES

**45 MANUFACTURING**  
PLANTS GLOBALLY

**3,000 FORMULATIONS**

## MERGER MECHANICS

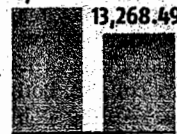
Consolidated figures (in ₹ crore)

### NET SALES

For FY14  
Combine 29,348.85  
16,080.36

### NET PROFIT

For FY14  
Combine 2,056.22  
3,141.47



## MARKET-CAP As on March 25, '15 (₹ cr)

Sun Pharma 21,8159.50 | Ranbaxy Labs 35,453.22 | Combine 25,3612.72

Source: Capitaline | Compiled by BS Research Bureau

DILIP SHANGHVI  
MD, Sun Pharma

## Q&A

COMPANIES P2

"Will regain confidence of US FDA"

DILIP SHANGHVI, tells Abhineet Kumar & Reghu Balakrishnan about the challenges ahead and the strategy the firm has planned

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### **Sun seals...**

The merger will make Sun Pharma the world's fifth-largest maker of generic drugs, after Teva, Sandoz, Activas and Mylan. The combined entity will become the largest pharmaceutical company in India, with a market share of 9.2 per cent and sales of \$1.1 billion a year, ahead of Abbott (which has a market share of 6.5 per cent).

Following Wednesday's announcement, the Sun Pharma stock rose 1.29 per cent to close at ₹1053.3, while Ranbaxy shares closed at ₹863, up by 1.63 per cent on the BSE.

Sun Pharma has said the priorities for the combined entity include achieving 100 per cent compliance in manufacturing, in line with the expectations of regulators; increasing R&D produc-

tivity to introduce new innovative products; and ensuring strong business growth across India, the US and other markets.

Israel Makov, chairman of Sun Pharma, said, "The combined entity will capitalise on the expanded global footprint and enhance our dominance as a world leader in the specialty generics landscape."

On March 23, the Competition Commission of India had given an approval to Sun Pharma and Ranbaxy for the sale of seven brands to Emcure Pharma, to comply with the norms for a conditional nod to their merger. Sun Pharma will sell products marketed and supplied under the Tamlet brand name, while Ranbaxy will sell all products marketed and supplied under the brand names Eligard, Terlibax, Rosuvas EZ, Olanex F, Raciper L and Triolvance.

This week, Sun Pharma had received the approval of the Reserve Bank of India for the issue of equity shares of Sun to non-resident holders of the securities of Ranbaxy, as well as for the transfer of foreign investments held by Ranbaxy in its joint ventures and wholly-owned subsidiaries to Sun Pharma.

Earlier this month, the Punjab and Haryana High Court had approved the merger, while the US Federal Trade Commission had approved it in January this year.

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