Indian drug giant Ranbaxy trims losses but future is bleaker

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Ranbaxy Laboratories, India's biggest generic drugmaker by sales, reported a narrower quarterly loss on Wednesday thanks to rising sales in key markets and currency gains.

But Ranbaxy, majority-owned by Japan's Daiichi Sankyo, faces an uphill battle to repeat the performance next quarter after the US Food and Drug Administration slapped another import ban on the company's products.

The FDA announced the ban last month, citing concerns about "good manufacturing practice" at a plant in northern India. The move is expected to put severe pressure on future earnings.

The regulator has already barred products from three other Ranbaxy plants from entering the United States, which accounts for 40 percent of the company's revenues.

Ranbaxy reported a consolidated net loss of 1.59 billion rupees ($25.6 million) for the quarter ended December, compared with a 4.92 billion rupee loss a year earlier.

"Ranbaxy has been strengthening its base business in key markets including India, Eastern Europe & CIS and the USA which has helped us recover our margins," Arun Sawhney, chief executive officer and managing director, said in a statement.

"We are facing some major regulatory challenges and are disappointed with the developments," said Sawhney, adding that the firm will "do whatever" is needed to address FDA concerns.

Shares of Ranbaxy rose 5.69 percent to end at 340.05 rupees on the Bombay Stock Exchange. The stock has lost 22.7 percent of its value in the past 12 months.

Ranbaxy is more than 60 percent owned by Daiichi Sankyo, which bought the firm in 2008 believing its dominance in cheaper generic medicines and developing markets would help the Japanese firm increase sales as Daiichi's drugs came off patent.

But its foray into the high-growth copycat drugs arena has brought the Japanese drugmaker only financial pain as the Indian firm has come under fire over a string of safety problems.

In January the FDA banned the firm's Toansa plant from sending active ingredients to its laboratories in the United States to make drugs.

The move triggered a stock write-off worth 2.6 billion rupees in the December quarter, Ranbaxy said Wednesday.

Net sales for Ranbaxy, headquartered in Gurgaon near New Delhi, rose 7.04 percent to 28.59 billion rupees in the quarter ended December from a year earlier.