

Thank you!



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**Internal Environment Analysis**

**Strengths**

- 1. High quality products
- 2. Strong R&D capabilities
- 3. Excellent customer service
- 4. Strong brand reputation
- 5. High employee loyalty
- 6. Strong financial performance
- 7. Strong market position
- 8. Strong intellectual property
- 9. Strong distribution network
- 10. Strong regulatory compliance

**Weaknesses**

- 1. High R&D costs
- 2. High marketing costs
- 3. High sales costs
- 4. High distribution costs
- 5. High regulatory costs
- 6. High legal costs
- 7. High tax costs
- 8. High currency costs
- 9. High interest costs
- 10. High debt costs

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**External Environment Analysis**

**Opportunities**

- 1. New markets
- 2. New products
- 3. New technologies
- 4. New regulations
- 5. New partnerships
- 6. New acquisitions
- 7. New mergers
- 8. New alliances
- 9. New collaborations
- 10. New joint ventures

**Threats**

- 1. New competitors
- 2. New entrants
- 3. New substitutes
- 4. New suppliers
- 5. New distributors
- 6. New regulators
- 7. New legislators
- 8. New courts
- 9. New governments
- 10. New international organizations

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**Internal Financial Analysis**

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**External Analysis**

Year	2010	2011	2012	2013	2014
Revenue	100	110	120	130	140
Profit	20	25	30	35	40
Assets	50	55	60	65	70
Liabilities	30	35	40	45	50
Equity	20	20	20	20	20

- Available Strategic Options**
- 1) Sell ELR
  - 2) Maintain the current operation
  - 3) Eli Lilly to Purchase Ranbaxy Stake

**Sell ELR**

Both companies drop ELR from their company portfolio

**Benefits**

- 1. High cash flow
- 2. High return on investment
- 3. High liquidity
- 4. High flexibility
- 5. High control
- 6. High autonomy
- 7. High independence
- 8. High security
- 9. High stability
- 10. High predictability

**Costs**

- 1. High R&D costs
- 2. High marketing costs
- 3. High sales costs
- 4. High distribution costs
- 5. High regulatory costs
- 6. High legal costs
- 7. High tax costs
- 8. High currency costs
- 9. High interest costs
- 10. High debt costs

**Maintain Current Operation**

Both companies focus on their core business

**Benefits**

- 1. High cash flow
- 2. High return on investment
- 3. High liquidity
- 4. High flexibility
- 5. High control
- 6. High autonomy
- 7. High independence
- 8. High security
- 9. High stability
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**Costs**

- 1. High R&D costs
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**Eli Lilly to Purchase Ranbaxy Stake**

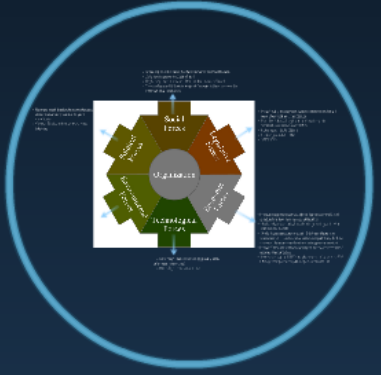
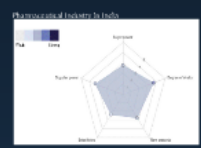
Both companies can attain personal objectives

**Benefits**

- 1. High cash flow
- 2. High return on investment
- 3. High liquidity
- 4. High flexibility
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- 6. High autonomy
- 7. High independence
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**Our Recommendation**

**Decision Matrix**

	High	Low	High	Low
Low to Opportunity (20)	3	1	1	1
High to Low (75)	1	1	1	1
High (20)	3	4	3	3
Low to Opportunity (10)	1	1	1	1
Low to Opportunity (10)	1	1	1	1
<b>Total</b>	<b>5*</b>	<b>2*</b>	<b>2*</b>	<b>2*</b>

**Implementation Plan**

0-1 years

~~1-3 years~~

3+ years



*Lilly*

Should Ranbaxy Launch  
an Energy Candy in India?

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**RANBAXY**



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## General Environment

- 1.027 billion people (2001)  
with 1.4% growth/year
- 30% are middle class, higher demand for healthcare
- Unemployment level at 9.2%(2000)  
from 9.7% (1992)

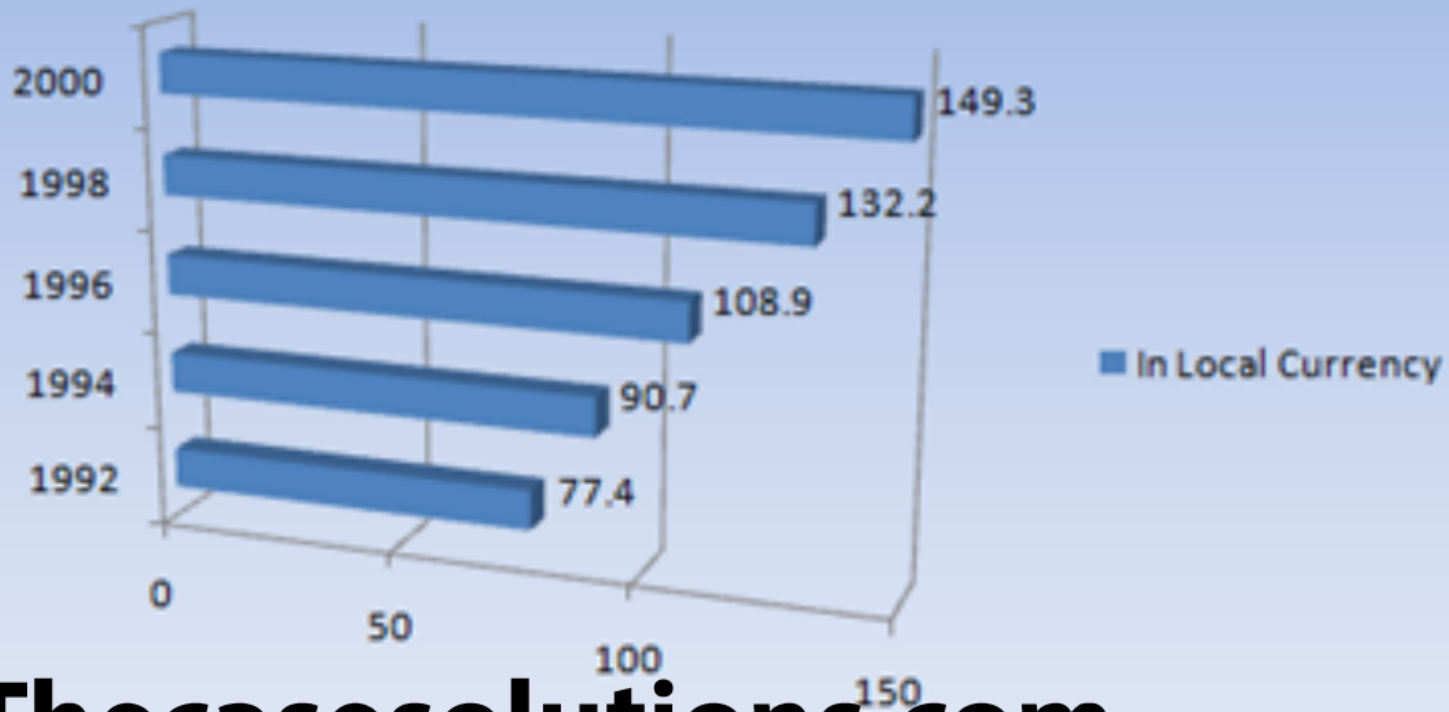
**INDIAN GDP \$US**

Unemployment level at 9.2% (2000)  
from 9.7% (1992)



Consumer Price Index (1982=100)

### Consumer Price Index (1982=100)



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## Internal Environment Analysis

### Strengths

- Eli Lilly is a well respected brand that is committed 'scientific and managerial excellence', which extends to JV.
- Exceptional R&D capabilities which have made many products internationally successful (Prozac)
- Leader in injectible antibiotics, insulin and diabetic medications
- Joint Venture currently has a good mixture of local knowledge from Ranbaxy with international expertise from Lilly

### Weaknesses

- Periodic cash flow constraints
- Late entry into the Indian market (losing first mover advantages)
  - Currently Ranbaxy's value to the JV is limited in scope
  - Unable to leverage successfulness of Prozac in India due to generics selling at 1/60 price

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- Joint Venture currently has a good mixture of local knowledge from Ranbaxy with international expertise from Lilly.

# Internal Financial Analysis

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**Figure 1**

<u><i>For Joint Venture</i></u>	<b>98-99</b>	<b>99-00</b>	<b>00-01</b>
(In '000s)			
Sales	559,766	632,188	876,266
Profit	5,898	12,301	11,999
<b>Profit %</b>	<b>1.05%</b>	<b>1.95%</b>	<b>1.37%</b>
Current Assets	272,635	353,077	466,738
Current Liabilities	239,664	297,140	471,635
<b>Current Ratio</b>	<b>1.1376</b>	<b>1.1883</b>	<b>0.9896</b>

**Figure 2**

<u><i>For Eli Lilly</i></u>	<b>1992</b>	<b>1994</b>	<b>1996</b>	<b>1998</b>	<b>2000</b>
(In Millions)					
All Sales	7,170	8,421	10,585	12,637	14,720
Profit	709	1,286	1,524	2,097	3,058

Current Assets	3,006	3,962	3,891	5,407	7,943
Current Liabilities	2,399	5,679	4,222	4,697	4,961
<b>Current Ratio</b>	<b>1.253</b>	<b>0.6977</b>	<b>0.9216</b>	<b>1.1512</b>	<b>1.6011</b>

Eli Lilly Ranbaxy  
JV

in '000s	98-99	99-00	change	00-01	change
<b>Sales</b>	559766	632188	112%	876266	138%
<b>Marketing Expense</b>	37302	61366	164%	96854	157%
<b>Other Expenses</b>	157907	180364	114%	254822	141%
<b>Profit After Tax</b>	5898	12301	208%	11999	-2.50%

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## External Environment Analysis

# Opportunities

- Growing global demand for pharmaceuticals and better health care (2001- 10% growth)
- India seen as an emerging economy with 25% of population considered "middle class"
- Foreign Direct Investment increased to 100% (2001)
- India patent protection in 2005
- Increase in Pricing Index - More room for profitability
- India GDP growth - (avg 11.7% 1992-2000)

# Threats

- Entry of large firms into the Generic Market increases competition for branded products
- Shift toward Chronic Therapies
- Escalating costs due to R&D/high turnover
- Price controls inhibited growth in the market

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