



Winning Chemistry at Work

**RANBAXY**  
LABORATORIES LIMITED

Annual Report 2003

There is a winning chemistry working ceaselessly at Ranbaxy. Much more than creating new products, it is creating new possibilities.

This is the chemistry of Team Ranbaxy. A fascinating amalgamation of Thought and Effort, Aspirations and Commitment, Man and Technology.

It is this unique chemistry that has made us what we are... India's first transnational. The largest Indian Pharma Company ranked among the top 10 global generic pharma companies. A vibrant, research-based global player, surpassing the US\$ 1 Bn turnover mark in February 2004 (on a MAT\* basis).

Our ability to transform ourselves and constantly rise up the value chain is driven by a strong emphasis on employee empowerment at every level. Encouraging entrepreneurship, practicing delegation, rewarding commitment and creating opportunities for every single team member... a family of around 9000 individuals with a common Vision for 2012.

\*Moving Annual Total





# Milestones 2003

## January 2003

- Ranbaxy launched Co-Amoxyclav (Enhancin/Moxclav) in the US.
- Bayer, the licensing collaborator for Cipro once-a-day product, launched its 500mg dosage forms in the US market.

## February 2003

- Ranbaxy launched a high end advanced Cephalosporin, Cefprozil, under the brand name Refzil O (Cefprozil).
- Ranbaxy launched its second branded product, Sotret (Isotretinoin), in the US.

## April 2003

- Ranbaxy rolls-out the Company's Vision for 2012.

- Ranbaxy gains USFDA approval for commercialization of Riomet™ (Metformin HCl) oral solution 100 mg/ml.
- Ranbaxy launches the latest Cholesterol Reducing Agent, Rosuvas (Rosuvastatin) in India.
- Ranbaxy receives prestigious National Safety Awards for the Year 2001 & 2002.

## October 2003

- Ranbaxy receives The Economic Times Award for Corporate Excellence - for the "Company of the Year".
- Ranbaxy and GlaxoSmithKline plc (GSK) entered into a drug discovery and clinical development collaboration covering a wide range of therapeutic areas signifying the recognition of Ranbaxy's research capabilities.

## December 2003

- Ranbaxy signed an agreement to acquire RPG (Aventis) SA along with its fully owned subsidiary, OPIH SARL, in France.

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## June 2003

- Ranbaxy enters into Collaborative Research with 'Medicines for Malaria Venture' (MMV), Geneva, for the development of Anti-Malarial Drug.

## September 2003

- Bayer, Ranbaxy's licensing collaborator for Cipro once-a-day product (developed by Ranbaxy), launched the 1gm dosage form in the US market.
- Ranbaxy launches high-end Anti-Infective Injectable, Cilanem, for the first time in India.

- Ranbaxy signs an agreement with The William Jefferson Clinton Foundation to supply HIV/AIDS drugs to millions of people in developing countries at a significantly reduced price.
- Ranbaxy & Anna University sign an agreement to collaborate for New Drug Discovery.

## November 2003

- President Bill Clinton visits Ranbaxy's R&D centre to thank Ranbaxy and the other four partner companies of the Clinton Foundation who had signed an agreement to supply HIV/AIDS drugs.



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## The Chemistry of Vision

The ability to envision the future,  
the acumen to inspire corporate  
evolution and the commitment to  
grow intellectual wealth...

These are the forces that drive  
Ranbaxy's management towards  
ever-higher goals.

# Chairman's Message

*"Global corporate community requires that a Company like Ranbaxy which aims at benchmarking its business processes on "Best of Class" basis, should continuously upgrade its own Corporate Governance systems."*

Dear Shareholders,

I am happy to highlight certain salient aspects of your Company's performance during the Business Year 2003. In line with the vision articulated by Late Dr. Parvinder Singh, the former Chairman & Managing Director, to achieve US\$ 1 Bn in sales by the year 2004, the Company successfully increased its global sales turnover from US\$ 764 Mn in 2002 to US\$ 972 Mn in 2003. While the United States, which accounted for an aggregate turnover during the year of US\$ 412 Mn registered a very commendable step up from its 2002 performance of US\$ 296 Mn, it was particularly encouraging that sales in Region-II, comprising Europe, CIS and Africa, rose even faster and touched the level of US\$ 159 Mn in 2003, showing an increase of nearly 50% over the previous year. The acquisition by your Company of the generics business of Aventis Life Sciences under the rubric of Rhone-Poulenc Generics (RPG) at the end of 2003, has been a very notable step aimed at the expansion of its European operations. In strategic terms, the increasing share of the Company's European operations in its overall global sales constitutes a valuable counter poise to the commendable successes achieved by it in the US market. This is specially pertinent because putting too much store by the sales performance in a particular region can lead to greater chances of volatility because of the relatively rapid price erosions which characterize the generics market.

I am also glad to underscore the healthy turn-around in your Company's performance in the important India market (Region I) during the year. In the preceding four years since 1999, Ranbaxy's performance had trailed behind the performance of some of the prominent Indian peer group pharmaceutical companies, like Cipla, Sun Pharma and Dr. Reddy's Labs. But in 2003, Ranbaxy's secondary sales bettered the average for its peer group and contributed to an increase in the overall market share of your Company in domestic pharmaceutical formulations sales. This improvement was achieved by a more focused marketing effort on the one hand and the introduction of new products, especially, in the chronic-disease segments, on the other. Consequently, the share contributed by Antibiotics in total sales which had been 62% in 2002 came down to 61% in 2003, while the proportion contributed by other therapeutic products rose from 38% in 2002 to 39% in 2003. It is also noteworthy that while delivering this improved performance, the quality of sales has been further tightened, with the result that the average days outstanding in respect of domestic sales came down to 30 days in 2003 from 36 days in 2002.

As far as the Company's performance in some other key markets, like Germany, China, Brazil and Russia is

concerned, while there was evidence of distinct improvement in both top line and bottom line numbers in Russia and Germany, the performance in Brazil and China showed need for further improvements in terms of both new products as well as better management of cost and price parameters.

## Research & Development

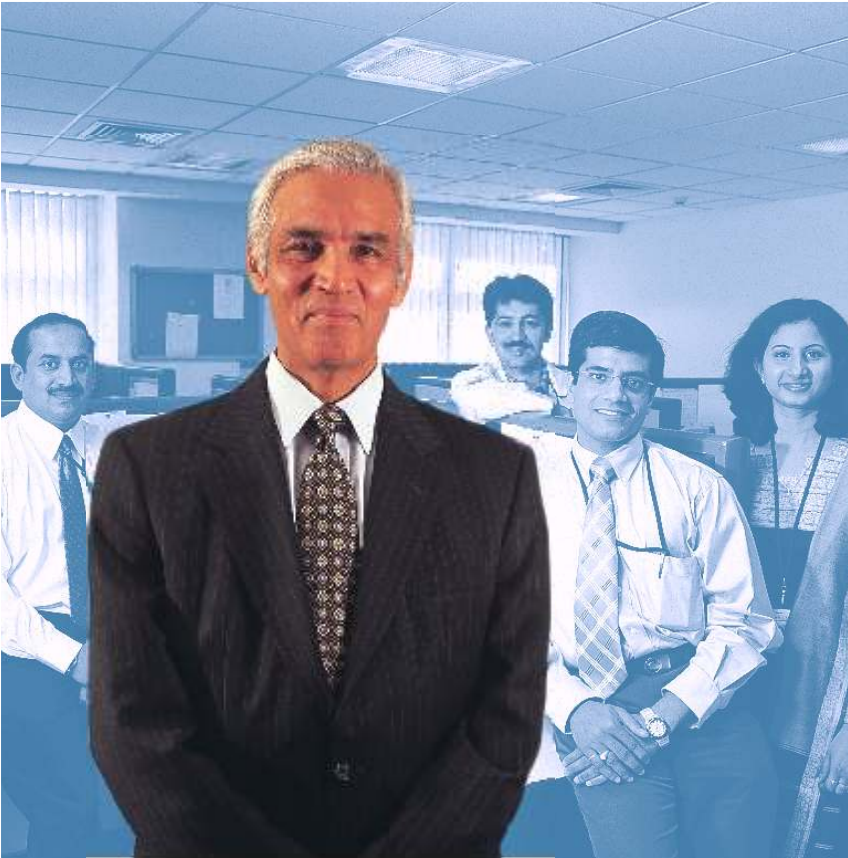
Recognizing the vital role played by R&D in the overall operations and the future progress of your Company, great emphasis has continued to be accorded to this function. Against the overall expenditure of US\$ 40 Mn in 2002, the outlay was increased to US\$ 59 Mn in 2003. This included increase in the provisions for capital expenditure for US\$ 8 Mn in 2003 against US\$ 5 Mn in 2002. Likewise, the strength of trained scientific staff with Post-Graduate qualifications deployed in R&D went up from 583 in 2002 to 799 in 2003. Construction of a third building to house the expanding R&D activities was also initiated early in the year. The number of Abbreviated New Drug Application (ANDA) filings by the end of the year cumulatively stood at 121 in the USA. Of these, the ANDA filings in 2003 totaled 26 against 25 such filings in 2002. The number of new marketing approvals received from Regulatory Authorities in the US rose to 24 in 2003, as compared to 11 in 2002.

In order to synergize the strength in early drug discovery research possessed by leading multinationals with the second stage drug discovery capabilities of your Company including carrying out of in-vitro and in-vivo trials along with early stage clinicals, a research collaboration was arrived at with GlaxoSmithKline (GSK) during the latter half of the year.

## Human Resources

Since people constitute the most precious resource of a company like Ranbaxy, greater emphasis is being focused not only on recruiting personnel in the first instance, who combine professional domain competence with high ethical commitment, but also on the regular training of Ranbaxy staff, across the whole organization. During 2003, a total number of 23,616 man days of training were imparted at the managerial and shop floor levels, compared to 13,662 man days of training at these levels in the preceding year. Besides, in order to get independent feedback regarding the level of employees' satisfaction, some surveys were conducted during the year through external agencies. Efforts are underway to take remedial actions to overcome deficiencies which have been revealed during these surveys, so that the workforce at all levels perceives an environment of nurturing and growth and is, thereby, motivated to contribute optimally to the Company's performance. Benchmarking of salary levels of a number of key management positions





### Corporate Governance

The clear move aimed at tightening up of Corporate Governance across the global corporate community requires that a Company like Ranbaxy which aims at benchmarking its business processes on "Best of Class" basis, should continuously upgrade its own Corporate Governance systems. Independent, Non-Executive Directors are now expected to play a much more significant oversight role for ensuring that all key functions of the Company are discharged in a manner that safeguards and enhances stakeholders' and shareholders' interests. As an Associate Member of the New York Conference Board, your Company has been able to access very useful information regarding the evolution of Corporate Governance guidelines in principal markets like USA and has stepped up its efforts to comply with those standards. Corporate Governance Committees of the Board, viz., Management Committee, Finance Committee, Audit Committee, Compensation Committee, Science Committee and Shareholders/Investors Grievance and Share Transfer Committee, have been working diligently, in tandem with the Operating Management, to provide meaningful guidance on matters impacting the Company's overall performance. Further details in this behalf appear in the Chapter on Corporate Governance appearing subsequently in the Annual Report. In this connection, it is particularly pertinent to mention that the scope of work of the Audit Committee is being expanded to cover not only issues concerning accurate financial reporting and financial disclosure but also that of careful assessment of the adequacies of systems which are in place to address various areas of potential risk for the Company. A comprehensive mapping of the Company's risk landscape is also underway.



against global levels of compensation have also been put in place to retain high performing staff in critical positions.

### Code of Conduct

I have been stressing from the beginning of my tenure as Chairman that your Company has to maintain the highest standards of ethical conduct throughout the organization. While all Ranbaxians are expected to autonomously adhere to such conduct and maintain complete ethical integrity while dealing with Company's affairs, organizational mechanisms have also to be instituted and appropriate practices put in place to exercise alert oversight and meaningful surveillance. In this context, the Operating Management has been asked to institute such an effective ethical oversight mechanism, including formalization of a Code of Conduct. I would urge all Ranbaxians to not only conduct themselves in an ethically unimpeachable manner at all times but also remain alert about any indications of impropriety which may come to their notice, for appropriate evaluation and action by the Company's supervisory authorities.

In the middle of June 2003, an unfortunate incident occurred in one of the solvent recovery units at the Mohali- API (Active Pharmaceutical Ingredients) facility of your Company. This mishap occurred despite relevant precautions having been taken and led to the loss of the precious lives of four

Ranbaxians as well as one employee of a transport company whose vehicle had been parked in the vicinity. The injured were immediately moved to the neighboring state-of-the-art Fortis hospital where they were provided with the best possible emergency and indoor treatment. Close liaison was maintained with the families of victims. Independent feedback given by their next of kin was that the Company had earnestly done its best to alleviate the adverse consequences of the mishap. The Department of Environment, Health and Safety of your Company has further intensified its efforts to ensure that all possible precautionary measures remain in place at all production sites of the Company so that occurrence of such incidents can be prevented as far as possible.

### Management Changes

Towards the end of the year, on December 22, 2003, the Board of Directors met to consider whether at the expiry of the present five-year term of the CEO & Managing Director, Mr. D. S. Brar, on July 4, 2004, he would be available to serve for a further term of the office beyond that date. On being informed by Mr. D. S. Brar that he would not be available to serve for a further tenure in that capacity and, in accordance with his advice, the Board of Directors decided that Dr. Brian W. Tempest, who had been serving as President (Pharmaceuticals) of your Company since January 2000, should be designated as his successor w.e.f. July 5, 2004. Dr. Brian W. Tempest brings with him over 32 years of experience in the pharmaceutical sector in the global arena, of which the last nearly nine years have been spent with your Company. He has contributed very commendably to developing the Company's product-portfolios and businesses in key markets.

It was also decided at this meeting, in accordance with Mr. D. S. Brar's recommendation, that in the vacancy caused by Dr. Brian W. Tempest's elevation, his position as President (Pharmaceuticals) should be filled by Mr. Malvinder Mohan Singh, Regional Director, Region I (India). It was noted that Mr. Malvinder Mohan Singh had conducted himself with commendable efficiency in both his crucial assignments as Director, Global Licensing during 2001 and 2002 and as Regional Director, India Region, during 2003 and had displayed robust leadership and team building qualities as well as high degree of industriousness and dedication.

It was also decided that in order to smooth the transition in the Company's stewardship from Mr. Brar to Dr. Tempest, the latter should be designated as Jt. Managing Director & CEO - Designate, w.e.f. January 1, 2004.

On behalf of the Board of Directors and on your behalf, I wish to place on record our sincere appreciation of the very competent and focused leadership provided to your Company by Mr. D. S. Brar during his tenure as CEO & Managing Director, which has resulted in the Company's sure-footed progression from a turnover of less than US\$ 500 Mn in 1999 to nearly US\$ 1 Bn in 2003. In his efforts, Mr. Brar received the cooperation of a professionally competent and motivated core team of senior executives looking after the Company's principal regional markets as well as its key functions, such as R&D, Finance, Legal and Corporate Affairs.

Dr. Brian Tempest who will take on the mantle of the Company's leadership as CEO & Managing Director in early

July this year holds a Ph.D in Chemistry from Lancaster University. He understands the strengths of our R&D both in developing generics as well as in developing new chemical entities and new drug delivery systems. He fully shares the Vision GARUDA adopted by your Company in late 2002 to strive to attain US\$ 5 Bn in global sales by the year 2012. More importantly, he has deep insight and knowledge of the business processes of your Company. He is a seasoned leader as well as a team builder and believes in transparency and open communications inter-se between all professionals working for the Company. With this combination of high ethical commitment and professional domain competence and remarkable capacity for rigorous hard work, the Board of Directors is confident that your Company's future will rest in good hands when Dr. Tempest takes up the reins thereof later this year.

At the end of 2003, Mr. V.K. Kaul, Executive Vice President-Finance, laid down office as CFO of the Company, on retirement. His successor, Mr. Ram S. Ramasundar, had joined the Company as CFO-Designate in the middle of October, 2003. Mr. Kaul served your Company with great distinction, dedication and industriousness, coupled with the highest standards of integrity for 28 years and has left an indelible mark in corporate financial circles with his acumen and insight.

His successor, Mr. Ramasundar, comes with strong credentials both in terms of academics and corporate experience as a former CFO of Pepsi Foods and a former CEO of Electrolux India, before taking up his assignment at Ranbaxy Laboratories Ltd. I have no doubt that Mr. Ramasundar will add great value to the Company's overall operations and will carry forward the robust tradition of sound and insightful financial management set by his predecessor. On behalf of the Board of Directors and all of you, I wish to formally offer him our best wishes for his professional success and personal happiness while serving the Company.

### Closing Remarks

In closing, I would like to warmly thank the nearly 9000 Ranbaxians working in the various inter-related functions of Production, R&D, Supply Chain Management, Marketing, Regulatory Compliances, Quality Assurance, Human Resource and Development, Legal and Corporate Affairs, right from the level of shop-floor workers upwards for the dedicated work put in by them which has led to the Company returning a strong business performance during 2003. I am sure that by their continued efforts under the new leadership of Dr. Brian Tempest and his Core Corporate Team including the critical leadership being provided by our Regional Directors and Country Managers, and fully supported by our focused R&D efforts and world-class manufacturing competencies, your Company will continue to add value to all its stakeholders during the years ahead and progress diligently towards its Vision GARUDA goals.



Tejendra Khanna  
Chairman

April 26, 2004