



Vision beyond tomorrow

RANBAXY

Global Sales-2005:

Sales in Key Markets:

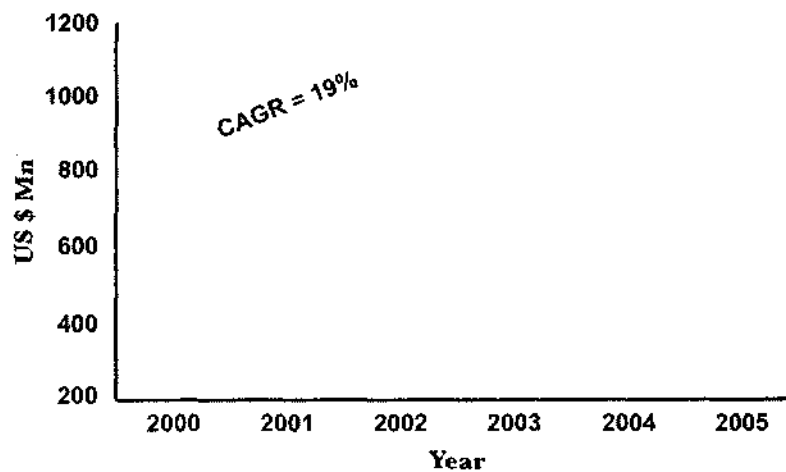


Global Sales of Top 10 Molecules

Molecule	(US \$ Mn)
Co-amoxiclav	82.6
Amoxicillin	65.2
Ciprofloxacin	43.5
Cephalexin	41.9
Simvastatin	40.4
Isotretinoin	36.8
Cefaclor	25.3
Clarithromycin	25.0
Cefpodoxime Proxetil	22.9
Ketorolac Tromethamine	22.1



Global Sales 2000-2005



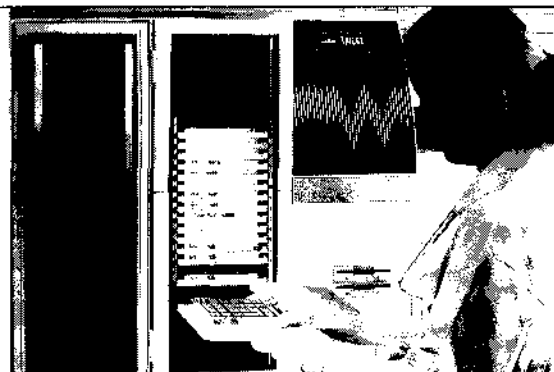
Expanding the leadership horizon

From total quality to total integration. From an Indian multinational to a global corporate.
And from generic products, to a series of differentiated products...

At Ranbaxy, the ability to foresee and consequently capitalize on change, has enabled us to constantly expand the sphere of leadership. The year gone by has been a time of strategic consolidation and preparation for manifold growth and transformation, through scientific breakthroughs and strategic acquisitions & alliances. As the global pharmaceutical industry gears up to accelerate once again, Ranbaxy, with its thrust on end-to-end integration, is better prepared than ever before, to convert emerging opportunities into transformational successes.

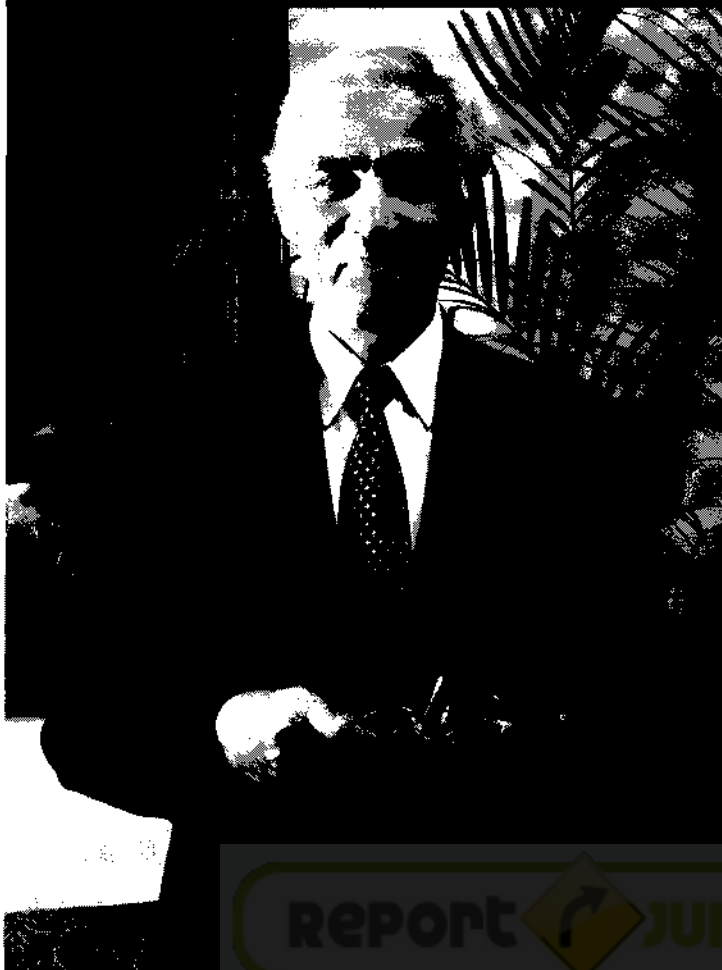
Today, Ranbaxy is India's largest pharmaceutical company; a Top 10 global generic player with a growing presence in 23 of the Top 25 pharma markets and is among the largest ANDA filers with the USFDA. But tomorrow is more promising, with a wide range of products in the pipeline, new acquisitions in strategic markets on the anvil and a clear target to achieve global sales of US \$ 3 Bn by 2007. To attain a size of US \$ 5 Bn by 2012 is within the realms of possibility. Ranbaxy is driven by passion and led by a vision that extends beyond tomorrow...

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Chairman's Message



Tejendra Khanna, Chairman

New dimensions of generic leadership

"In order to pursue its global vision and to achieve size and scale of operations, it is imperative for the Company to expand its global footprint."

Research & Development

A major recognition of Ranbaxy's contribution to the world of science was the inauguration of its new Research & Development Center by the Hon'ble President of India, Dr. A. P. J. Abdul Kalam. During his address, the President appreciated the progress made by Ranbaxy and recognized the value brought by its research community to the world of science. He expressed his desire to see Ranbaxy as the first Indian Company to launch its own molecule in the global pharma space. He also expressed his confidence in Ranbaxy's ability as a pharma leader to bring glory to the nation, by placing India as a 'shining star' on the global firmament.

Our commitment to fight the diseases of the developing world, is reflected through the progress our scientists have made on our anti-malarial molecule, RBx 11160, which is being developed jointly with Medicines for Malaria Venture (MMV), Geneva. During the year, this molecule successfully completed Proof of Concept Phase II (a) studies and the activities for Phase II (b) studies are underway, with trials in India, Thailand and Africa scheduled to commence by mid-2006.

Scaling up Operations

The Company accelerated its internal initiatives on cost optimization, productivity enhancement, and also built a robust and secure work environment, that will lead to the sound management of the Company's information assets. Going forward, achieving improved productivity and cost efficiency in all departments will be the priorities of the Management. The Company has also realigned and strengthened its business units, and is

Dear Shareholders,

During 2005, the global generics pharmaceutical industry underwent dynamic changes in the business environment. On the one hand, the developed markets led by the US were subjected to severe price erosion, while on the other hand, emerging markets witnessed further increase in generic penetration, providing newer opportunities to companies such as Ranbaxy. The industry experienced consolidation amongst key generic players, a trend which is expected to gain momentum in the future.

Performance

The Company's global performance during the year, was impacted primarily by the adverse pricing pressures in our key market, the US. However, despite this, we gained in market share for our products in the US, reflecting our commitment to fortify our existing presence in this market.

It is important to note that the Company's

performance in other global markets, such as BRICS (Brazil, Russia, India, China, South Africa) and Asia, has been buoyant. This has helped the Company maintain its global sales at the same level as last year, at US \$ 1178 Mn. I would like to mention here, that globally, the outlook for 2006 is promising for generics in general, as a greater number of branded products lose patent protection and face genericization.

During 2005, the Company demonstrated its commitment to bring value to its shareholders by implementing several projects company-wide, which are expected to yield results in the coming years. In this regard, the Company's foray into new markets, such as Canada & Italy, and the increase of its stake in its Japanese Joint Venture from 10% to 50%, will help improve the Company's performance in the long term. Several beneficial projects, related to capacity augmentation, modernization and automation, at its manufacturing locations in India and overseas, have also been implemented.

actively pursuing various options to augment its global operations. The Company has also decided to pursue a more active policy of forging both business and research alliances, so that risks and rewards can be shared. In-licensing, co-marketing, as well as research collaborations in New Drug Discovery Research (NDDR), are some of the areas which are being pursued actively.

During the year the Company divested its Allied Businesses, namely Animal Healthcare, Diagnostics and Fine Chemicals.

Overall, the Company stays committed to move up the pharma value chain, in order to pursue its vision of being amongst the Top 5 global generic players, with a turnover of US \$ 5 Bn by 2012.

In order to pursue its global vision and to achieve size and scale of operations, it is imperative for the Company to expand its global footprint. To facilitate this action, a decision has been taken to evaluate opportunities for further acquisition of pharmaceutical assets, which, in addition to building size and scale, can expand the Company's therapeutic width by entering into new segments which are not already a part of the Company's portfolio. This will also strengthen the existing therapeutic areas. In order to seek statutory approvals to be able to mobilize funds required for financing such acquisitions, an Extraordinary General Meeting of shareholders (EGM) was held on October 21, 2005, in Mohali. During this meeting, a series of concomitant resolutions were passed by the shareholders present, to allow the Company to raise up to US \$ 1.5 Bn through a suitable mix of equity and debt, as may be decided by the Board from time-to-time.

Global Best Practices

With the Company acquiring high global visibility, the Directors have mandated the Operating Management to see that business and work processes in all departments of activity, match the standards of global best practices in the relevant areas. The Vice President, Strategy Planning & Development, Vice President, Global Internal Audit, and the President & CFO, have been asked to pool their efforts and work convergently

towards this objective. The Independent Directors of the Company have been working diligently through Corporate Governance Committees, viz., Compensation Committee, Audit Committee, Science Committee, Share Transfer and Shareholders' Grievances Committee, to scrutinize policies and proposals mooted by the Operating Management, as well as provide independent inputs to strengthen the Company's 'road-worthiness' on a long-term basis.

Succession Planning

At the meeting of the Board of Directors held in mid-January 2006, as part of a carefully thought-out succession planning strategy, it was decided to promote the CEO & Managing Director, Dr. Brian Tempest, to the position of Chief Mentor & Executive Vice Chairman. His place as Head of the Executive Team in the capacity of CEO & Managing Director was assigned to Mr. Malvinder Mohan Singh, President, Pharmaceuticals. The Company hopes to derive great benefit from the rich global pharmaceutical experience of Dr. Brian Tempest, as it proceeds on its journey towards becoming a US \$ 2 Bn Company by 2007, and a US \$ 5 Bn Company by 2012.

People Focus

Ranbaxy's Human Resources are its most important assets. It is the people, who by their robust professionalism, ethical commitment and devotion to duty, have been adding value to the Company in the years gone by, and continue to do so with zeal and tenacity. The Human Resources Division is making sincere efforts to create an environment in which our people can feel motivated and perform to their best potential. We continue to pursue individual training and career planning

The Company's performance in global markets such as BRICS (Brazil, Russia, India, China, South Africa) and Asia has been buoyant

Going forward, achieving improved productivity and cost-efficiency in all departments will be the priorities of the management

The Company remains committed to pursue its vision of being amongst the Top 5 global generic players with a turnover of US \$ 5 Bn by 2012

efforts. The elaborate Code of Conduct of the Company prepared in 2004, and progressively rolled out to the Management cadre as a whole during 2005, has set out clear standards of DOs and DON'Ts, directed at both, observing complete ethical integrity and propriety, and undertaking effective discharge of assigned duties.

Promising Future

With the various initiatives underway and the new product launches planned for 2006, the Company should be able to record an improved performance in 2006, capitalizing on the overall, newly-emerging generic opportunity.

I sincerely thank all of you for continuing to repose confidence in the Company's Directors, as well as in the Operating Management. Collectively, we will certainly do our best to discharge your trust and make Ranbaxy a greater force to reckon with, in the global pharmaceutical space.

Tejendra Khanna

Tejendra Khanna

Chairman

April 24, 2006

CEO & MD's Message

**Malvinder M. Singh, CEO & Managing Director**

Focused on promising possibilities

"Ranbaxy follows a balanced business strategy and continuously evaluates risk-reward options to choose a course of action that is in the best interests of the Company and its shareholders."

healthcare costs through the use of generics. While the growth of the generics industry will be spurred by the ageing demographic profile of the world, we see significant opportunity in the immediate future, due to the large number of patent expiries, worldwide.

The genericization of the developed markets continues to exhibit an upward trend. Simultaneously, the emerging markets have also been gaining in momentum. This presents to us new prospects in the so far underdeveloped markets.

Dear Shareholders,

As we progress into 2006, we see a world of new opportunities. Based on our strong fundamentals of innovation, entrepreneurship and aggressive marketing skills, we are determined to capitalize upon them and remain committed to enhancing shareholder value, as we actively pursue our strategy of growth through organic and inorganic means.

Our recent acquisition of Terapia, the largest independent generic company in Romania, is a step towards realizing our aspiration of being amongst the Top 5 generics companies of the world, by 2012.

Today, we are already amongst the Top 10 global generics companies and have delivered a compounded annual growth rate of 19%, in revenue terms, in the last 5 years. As we move into our next phase of growth, I feel great optimism. I also take on the role of the CEO & MD at

Ranbaxy, with all humility.

I would like to thank the Board for giving me this opportunity to serve the Company and re-dedicate myself to the task of building a trusted and reliable organization that stands ready to invest in the growth of its people and its business.

Armed with your support and driven by the passion of the organization and the commitment of its people, I remain confident that we will be at the forefront in capitalizing upon the generics opportunity as it unfolds.

I am sanguine and remain committed to our revenue target of US \$ 2 Bn for 2007, and our aspiration to achieve US \$ 5 Bn in revenues by 2012.

Global Generics Industry

The global generics industry is poised to grow rapidly in the coming years, as most governments look at balancing their

The field undoubtedly is very competitive and speed to market is critical. At the same time, our customers are becoming more discerning, and therefore, a robust future product line comprising differentiated products, is necessary to attain greater market share. The legal and regulatory environment is also becoming more complex. All these factors are contributing to the building up of cost pressures.

However, our Company is well placed to capitalize on the changing scenario due to its inherent strengths. These include a truly global footprint and the India advantage. We are confident of leveraging the lead we have in terms of cost of innovation and manufacturing, our strong chemistry skills and the marketing prowess that we possess, to deliver superior returns to our shareholders.

The Year 2005 has been challenging for

the entire industry due to fewer patent expiries. These resulted in a lesser number of new product introductions for the year. We also saw an increase in the number of big pharma companies looking to bring in their own authorized generics, in an attempt to slow down the commoditization of their brands.

Global Operations

During the year, the Company registered global sales of US \$ 1178 Mn, of which the US contributed 28% (US \$ 328 Mn), Europe 17% (US \$ 204 Mn) and the BRICS (Brazil, Russia, India, China, South Africa) countries 31% (US \$ 364 Mn).

In the **US**, the world's largest pharma market and also our largest market, we strengthened our presence with more products and an increased market share. We were able to capture a generics market share of 2.3% (YTD Dec'05), up from 2.0% last year (YTD Dec'04). Currently, we have over 110 Abbreviated New Drug Applications (ANDAs) in the US, with 59 pending approvals from the United States Food & Drug Administration (US FDA). We believe, we have the second largest product pipeline pending with the USFDA.

During the year, Ranbaxy also commenced its operations in **Canada**, the 8th largest pharma market of the world, with the introduction of 8 products.

In **Europe**, we consolidated our business further during the year. In France, we extended our product portfolio with the launch of 12 new products. This led to 100% coverage of the Top 20 molecules.

Our operations in **Germany** and the Rest of Europe (ROE) continued to perform well, registering a growth of over 20% with sales of US \$ 31 Mn and US \$ 54 Mn, respectively.

Our business in the emerging markets also continued to register a strong performance, led by the **BRICS** countries, exhibiting a growth of 12% at US \$ 364 Mn during the year.

We continued to forge ahead in **India**, growing faster than the market, while clocking sales of US \$ 238 Mn (including the consumer healthcare business) and registering a growth of over 9%. This was an outcome of our focus on the chronic disease segment (contributing 19% to the business) and the Novel Drug Delivery System based differentiated products (contributing 9% to the business), which also led to 20 of our brands featuring in the Top 300 list.

As a result of our business model realignment in 2004, our **China** operations performed well. The year saw the launch of the first generic injectable product **Imipenem + Cilastatin**. The first once-a-day (OD) formulation of **Ciprofloxacin** in the country, was also introduced in 2006.

Business in **Russia** and **South Africa** continued to outperform the respective markets, registering a growth of over 25%, further consolidating and strengthening our presence in these countries.

Our operations in the **Rest of the World**, including the Active Pharmaceutical Ingredients (APIs) business, continued to perform well, with a combined sales of US \$ 282 Mn, up by

21% compared to the year before.

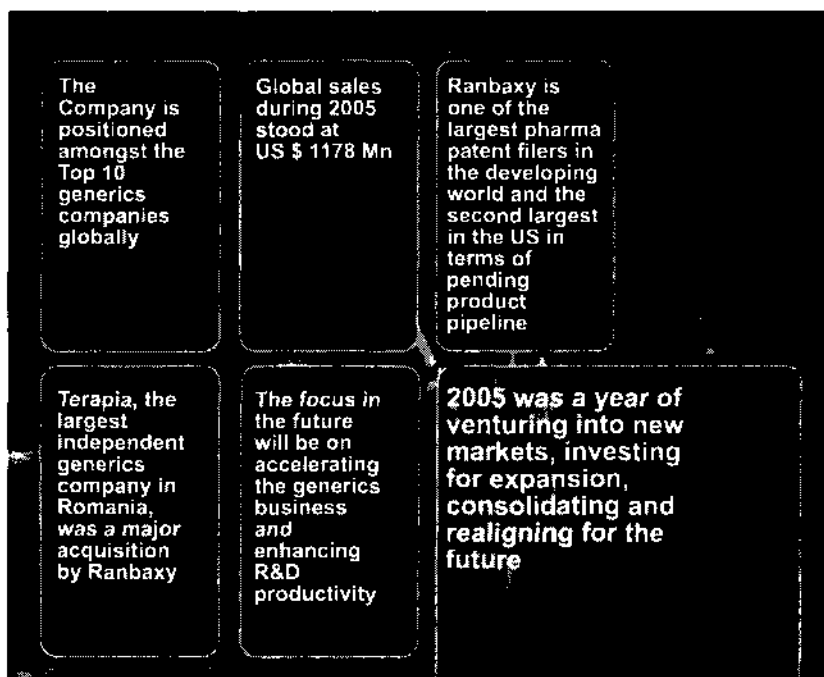
Japan

During the year, our Company successfully launched its first product in the world's 2nd largest pharma market, spearheading our entry into the Japanese generic market. Generics currently constitute only 5% of the overall Japanese pharma market, representing considerable headroom for growth. Ranbaxy is the first company from India to meet the most stringent quality standards of the Japanese regulatory agencies. This clearly reflects the global quality standards practised at Ranbaxy.

We further consolidated our presence in Japan, by increasing our stake in the Joint Venture (JV), Nihon Pharmaceutical Industry Co. Ltd (NPI) to 50%. The first product of the JV, **Vogseal (Voglbose)**, an anti-diabetic, is already a market leader and is likely to garner better market share in the coming months. We continue to make filings in Japan to build a healthy product flow for the future.

Enhancing Manufacturing Capabilities

During 2005, large investments were directed towards enhancing our manufacturing strengths. In addition to



CEO & MD's Message



Pushing new frontiers... (L-R) **Dr. Brian W. Tempest**, Chief Mentor & Executive Vice Chairman and **Malvinder M. Singh**, CEO & Managing Director

expansion and modernization of the existing facilities, we invested significantly in building substantial capacities for new molecules, targeted to drive growth in key geographies in the coming years. Today, our US manufacturing capability is the 2nd largest in terms of oral solid dosage forms manufacturing, after India.

In India, we also built a dedicated, world-class, sterile injectables facility to create in-house capabilities and infrastructure for new therapeutic areas.

As we look ahead over the next couple of years, we are confident that our investments will come to fruition, leading to a strong product flow into our markets.

Leveraging Intellectual Property and 180-day Exclusivities

Pursuing the mission of being a research-led organization, Ranbaxy has focused on building its Intellectual Property and has been at the forefront in using innovation to create value. Ranbaxy filed 185 patent applications in India during 2005, becoming one of the largest pharma

patent filers in the developing world.

Our Company is confident of the strength of its scientific and legal rationale and corresponding intellectual property strategies, and has challenged patents where we are confident of the merits of the case. We have 19 potential First to File (FTF) Para IV ANDAs, of which only 7 are under litigation.

During the year, Ranbaxy faced first instance decisions on **Atorvastatin**, one of its key FTF products in the key countries of the US and the UK. While we were successful in invalidating one of the two patents under challenge, in the UK, the US District Court decided against us on both patents. We however, stand by what we believe are meritorious defenses and have appealed to the higher courts in both these countries. Decisions by the appeals courts in the UK and the US are expected around the end of the year.

Ranbaxy follows a balanced business strategy and continuously evaluates risk-reward options to choose a course of action that is in the best interests of the

Company and its shareholders.

Our settlement with Cephalon Inc (USA) in the Para IV litigation surrounding the generic version of **Provigil** (Registered Trademark of Cephalon Inc.), reflects our balanced litigation perspective.

Strong Research Focus

Research has been the driving force for Ranbaxy. We have well-defined programs in the areas of generics research as well as new drug discovery, which continued to progress well during the year.

Our overall research endeavours are ably supported by a world-class infrastructure; during 2005, further investments were made to enhance our R&D capabilities.

Our new, state-of-the-art Drug Discovery Center, was inaugurated by the Hon'ble President of India, Dr. A. P. J. Abdul Kalam, in 2005. With the addition of this Center, our Company now has over 1100 people dedicated to path-breaking research.

We also invested in creating new in-house capacities for Bio-equivalence and Bio-analytical studies. This move, we believe, will considerably reduce the overall cost of innovation and will help us further accentuate our India advantage, in this area.

Our Company's Drug Discovery program is progressing well, with 10 active drug candidates at various stages of development in its New Chemical Entity (NCE) pipeline.

Our malaria molecule, RBx 11160, being developed jointly with Medicines for Malaria Venture (MMV), Geneva, has successfully completed Phase II (a) studies, and the activities for Phase II (b) studies are currently underway, with trials in India, Thailand and Africa, scheduled to commence by mid-2006.

Our collaborative research program with Glaxo Smithkline (GSK) is also progressing well, with two drug candidates having progressed towards meeting the development criteria.

On the generics front, during the year we successfully maintained a steady flow of