




Focused on today... Poised for tomorrow...

RANBAXY

Emerging markets, niche and specialty segments, First-to-File (FTF) products in the US, the NDDR de-merger...indeed, there's a lot new on Ranbaxy's horizon this year. And while change is already underway, this is just the beginning, with several new initiatives lined up for the immediate future.

As your Company pushes the frontiers of possibility, both horizontally and vertically, growth through scientific breakthroughs and strategic initiatives is just around the corner. The clear aspiration is to achieve global sales of US \$ 5 Bn by 2012 and position Ranbaxy among the top 5 global generic companies.



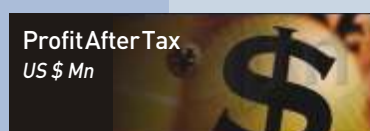
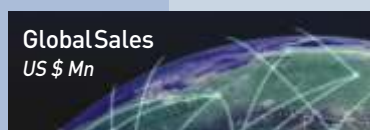
Key Markets - Dosage Form Sales (2007)			US \$ Mn
			
Europe*	North America	Asia	ROW
455	419	425	215
↑37%	↑7%	↑16%	↑62%

*Including CIS

ROW : Rest of the World

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EXPLORING A BROADER SPECTRUM

CHAIRMAN'S MESSAGE

Dear Shareholder,

It gives me pleasure to say that the year 2007 has been a year of positive change for the Company. On several parameters starting with financial performance, your Company has improved outcomes and simultaneously undertaken several initiatives to better position itself for the future.

For an international company, it is prudent to diversify its market base as well as balance it from a financial standpoint, so that exigencies in one do not have a sweeping impact on the overall earnings. At Ranbaxy, we have diligently pursued this strategy and are today at a stage where our geographic mix of global sales is better balanced, substantially de-risked and not overtly dependant on any single region or country.

It is evident that India, given its strengths in science, will play a pivotal role in the pharmaceutical R&D space. Ranbaxy clearly sees this as a thrust area and has committed itself to a strategy to fastrack efforts in New Drug Discovery Research (NDDR). The Board has accordingly approved the scheme of de-merger for the NDDR into a separate entity, Ranbaxy Life Science Research Limited (RLSRL). We strongly believe that this will result in generating greater commitment with dedicated resources for path-breaking research by better aligning assets with priorities. The operational



Harpal Singh, Non-Executive Chairman



We have put in place robust business and work processes that are benchmarked against the world's best



The Management undertook special programmes during the year with the objective of achieving greater engagement, better communication and an appreciation driven culture in the Company

freedom and flexibility available to RLSRL will open up new growth opportunities.

Pursuant to the emergence of specialty and niche segments in several therapy areas, we see tremendous scope for alliances and partnerships at the cutting edge of technology. Your Company is seeking and has entered into several such alliances to expand its therapeutic range, acquire new competencies and to access new markets. As early entrants, we see this as an important growth driver which will deliver handsome gains in the years ahead.

As a true multinational company, Ranbaxy is exposed to the operating and regulatory complexities of an intensely competitive and global environment. We have put in place robust business and work processes that are benchmarked against the world's best. A strong Board with independent Directors, guides and works through Corporate Governance Committees that focus on aspects like Audit, Compensation, Science, Share Transfer, Shareholder Grievances etc. The Committees regularly scrutinise the policies and proposals made by the Operating Management and also provide an unbiased independent assessment of the state of robustness of the business processes in place. They also guide management to continuously upgrade standards and proactively address potential vulnerability areas.



Board of Directors

left to right : Mr Ramesh L Adige, Mr Sunil Godhwani, Dr P S Joshi, Mr Vivek Bharat Ram, Dr Brian W Tempest, Mr Gurcharan Das, Mr Atul Sobti, Mr Harpal Singh, Mr Malvinder Mohan Singh, Mr Surendra Daulet-Singh, Mr Ravi Mehrotra, Mr Shivinder Mohan Singh, Mr Vinay K Kaul, Mr Nimesh N Kampani, Mr Vivek Mehra

The year saw the Management's focus on efficiency, productivity, cost containment and quality improvement through a variety of initiatives lead by the senior management team. Processes and systems were reviewed with rigour, as were departments and businesses. Plans and actions have been taken in many areas including decisions on outsourcing lower value-add activities, embedding best practices, streamlining processes and focusing on profit maximisation. These actions will help tone the organisation and will, over time, help consolidate the competitive advantage for the sustained growth of the Company.

Consistently over the years, your Board of Directors have emphasised the need for creating an enabling culture in the organisation in which performance with ethical practices receives the highest emphasis. To push the envelope on enablement, the Management undertook special programmes during the year with the objective of achieving greater engagement, better communication and an appreciation driven culture in the Company. This focus on the softer side of culture, has led to greater team spirit, motivation and sincerity with which employees approach their tasks in meeting corporate objectives.

No company functions in an isolated environment. The final flavour of our Corporate Citizenship will be significantly defined by how well we pursue causes that are beyond our immediate business concerns. It is a matter of pride that your Company is well recognised for performance in the complex world of global pharma and has earned accolades from diverse quarters for itself and the Country. Somewhat less known, are our efforts in Community Health and our support of research through the Ranbaxy Science Foundation. In the coming years, we hope to further enhance these efforts and extend such contributions to other areas as well.

It is common practice to refer to human resources as one amongst other resources such as land, equipment and capital that are needed for the production and sale of any product or service. Whilst this has been the well-acknowledged view, may I suggest a slight change in

We are today at a stage where our geographic mix of global sales is better balanced, substantially de-risked and not overtly dependant on any single region or country.

emphasis to highlight the importance and distinctive character of human resources. I do this partly to appreciate the special efforts being put in by the Management to recognise the importance of human resources but more importantly to draw attention to the unique position that human resources must enjoy as compared with the other resources mentioned above. Whilst land, equipment and capital can be termed as "Resources", I do believe that when it comes to "Humans" we should not refer to them as resources but as "the Source" of all economic activity. It is only when we accord our human assets this level of prominence, can we recognise their true contribution to the success of our endeavours. The Ranbaxy family has been the source of all our successes to date and it goes without saying that we cannot, but depend upon them for our future successes as well. I make these comments to acknowledge our appreciation for the dedication and commitment of every member of the Ranbaxy team, and to each one of them and their families, I wish good tidings on behalf of the Board.

Whilst thanking all our well wishers, stakeholders and our Board of Directors for their whole-hearted support through the year, I must also thank my predecessor, Mr Tejendra Khanna, for having held the helm of the Company with such calm and dignity during his tenure as Chairman. His emphasis on value based leadership was the natural corollary to the path set by the Late Dr Parvinder Singh, to whom we owe a deep debt of gratitude for giving us the opportunity to be partners of a great enterprise called Ranbaxy.

By any standard, this will be a hard act to follow. But with your continued support and the confidence you have placed in the Management and in the Company's Directors, I have no doubt that we will surpass your expectations and resolutely stay on course to achieving the Company's Vision. Earning global respect will be our guiding principle.

Harpal Singh

Harpal Singh
Non-Executive Chairman

March 29, 2008

NEW FACETS OF GROWTH

CEO & MANAGING DIRECTOR'S MESSAGE

Dear Shareholder,

Ranbaxy made strong progress during the year 2007, scaling new heights and achieving new milestones. Our energies and efforts throughout the year were focused on delivering the twin objectives of a strong operating performance and securing the growth drivers of the future.

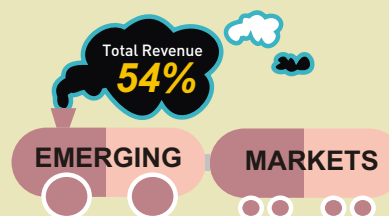
Global Sales recorded a robust growth of 21% and exceeded US \$ 1.6 Bn for the year. The Profit after Tax grew 67% to US \$ 190 Mn, on the back of well rounded growth, across geographies.

Our emerging markets portfolio continued to perform well, led by strong growth in India, CIS, Romania, South Africa and Brazil. These markets now account for more than half of our global revenues and are a key growth driver of the business. The developed markets progressed well on the back of a strong year for the European business with the markets of UK, Germany and France recording a strong performance for the year. The US business was bolstered by the launch of our second consecutive First-to-File (FTF) product, Pravastatin 80mg, and good growth in the branded portfolio, led by performance of the flagship brand, Sotret and consolidation of the acquired dermatological products range.

As you are aware, towards the end of 2005, we had



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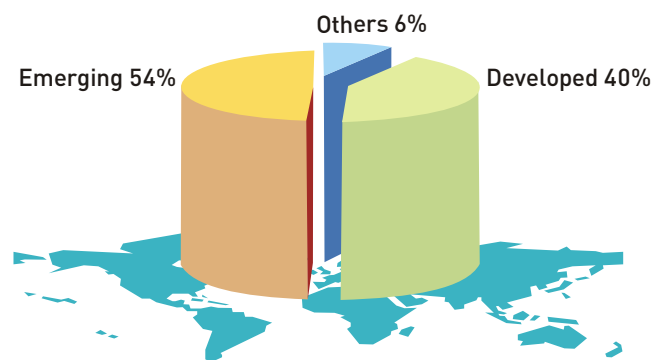
already begun to re-orient the geographic mix of our business in favour of the emerging markets. These markets offer a higher growth with the attendant benefit of healthier and sustained profitability. During the year, we worked aggressively on optimising resource allocation, leading to a significant reduction of over 3% in gross working capital, which was utilised to further stimulate the core generics engine of the business. This tightening of the overall resource allocation, coupled with higher operating profits, led to a stronger cash flow position.

At the beginning of 2007, a new operating structure headed by Mr Atul Sobti, was crafted to further strengthen the operations of the business. This new structure has evolved comprehensively and is now firmly established. In this process, leadership in certain critical functions like Generics R&D, Quality and Regulatory has been strengthened and with some structural realignment and consolidation of functions, the overall efficiency of the organisation has been enhanced.

New Operating Models

The operating models of the pharmaceuticals industry are undergoing a significant change emanating from the altered fundamental dynamics of a highly fragmented value chain. Some of the key factors

Malvinder Mohan Singh,
CEO & Managing Director



Global Markets Mix 2007

that are contributing to this change are rising costs, falling success rates of innovation, expanding proportion of biologics in the new drugs pipeline, an expanding footprint of generics enabled by regulatory changes and the emerging markets becoming the key growth drivers of future. As an outcome of these and related factors, pharmaceutical companies globally are re-defining the business models to focus on their core competencies while entering into strategic alliances and collaborations to effectively capture the growth opportunities and address the key gaps in their value chain. As the new operating models evolve further, we expect to see broader and deeper strategic partnerships become the order of the day.

Ranbaxy, as an industry leader, has been highly conscious of these emerging trends in the pharmaceuticals industry. We have been proactive in our approach to gain from these changes and in the process have undertaken strategic initiatives, which include partnering with companies focused on research and manufacturing in specialty and niche areas.

Specifically, in the Indian context, a significant initiative in terms of a new operating model was also seen in the area of innovation, wherein the New Drug Discovery Research (NDDR) activities are being segregated and organised into a separate entity. This is an outcome of an assessment to identify the set of assets or strategic units that have a significantly high potential for growth and value creation, which can be better leveraged through a different organisational structure. In this

direction, Ranbaxy has set in process, the de-merger of its NDDR unit into a separate entity, Ranbaxy Life Science Research Limited. The move will create an independent pathway for our NDDR and is expected to result in long-term value building by providing flexibility and operational freedom to our drug discovery programmes. The separate listing of the entity, as planned, while delivering commensurate value to the shareholders, will fuel the investment plans essential for realising the opportunity for substantial growth and value creation in the long term.

India: Emerging as a Hub for Global Pharma

Over the last many years the Indian pharma industry has been extensively engaged in honing its skills and competencies to fructify and accentuate the sustainable 'India Advantage' in the space of Contract Manufacturing, Drug Development and Drug Discovery and Research. India has arguably one of the strongest streams of scientific talent flow, an established reputation

of compliance with the highest quality and regulatory standards, distinct cost advantages in manufacturing and drug development, a large naive patient pool with some of the fastest patient recruitment rates and an innovation and original research engine, which has exhibited success in its research collaborations with the global innovator companies. Related to each of these three segments of the pharma industry, India's set of competitive advantages are being increasingly recognised by the global industry as distinct and sustainable.

We strongly believe that our entry into high potential segments, such as Bio-generics, Oncology, Penems, Limuses, Peptides, etc. holds the key to the future. Our intent now will be to deploy our regulatory expertise and front-end infrastructure to introduce and leverage the potential of these products across geographies.

Looking into the future, one feels confident of the fact that the Indian industry is well poised to re-define and significantly expand its role in the global pharma space by emerging as the global hub for Manufacturing, Drug Discovery and Development.

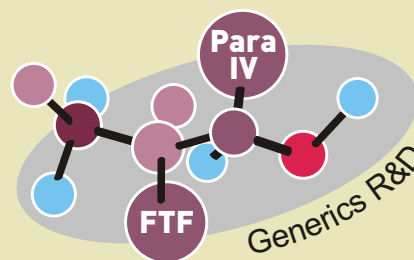
Growth Frontiers for Tomorrow

Your Company has been focusing on future growth drivers that can propel the business towards the stated aspirations of 2012. During the year, we concentrated on entering the specialty and niche therapeutic areas that offer high growth potential, sustainable earnings and healthy margins. We strongly believe that our entry into high potential segments, such as Bio-generics, Oncology, Penems, Limuses, Peptides, etc. holds the key to the future. Our intent now will be to deploy our regulatory expertise and front-end infrastructure, to introduce and leverage the potential of these products across geographies.

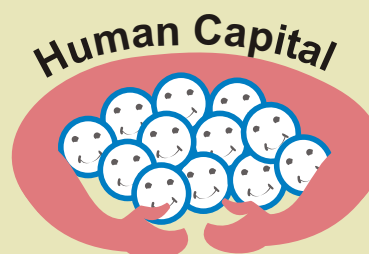
In this direction, we have expanded our partnership with Zenotech Laboratories Limited to work on the two key therapy areas of Oncology and Bio-generics, that hold immense potential. The global biopharmaceuticals market is valued at approximately US \$ 65 Bn, at innovator prices, of which products over US \$ 21 Bn are expected to go off patent in the next 4-5 years. Similarly, the global Oncology market also offers a huge opportunity and is worth over US \$ 35 Bn. We have entered into a global supply agreement for Peptides and have also identified a basket of high-value drugs that come under the category of Penems and Limuses. These complex segments add significant depth to our existing product pipeline and we plan to roll-out these niche products in the developed and emerging markets in the coming years.

Our innovation engine in the generics R&D space continues to create significant value for the business in the form of Para IV and FTF pipeline. We effectively optimised our FTF opportunities and entered into 3 independent litigation settlements with innovator companies, GlaxoSmithKline (GSK) for Valacyclovir (Valtrex) and Sumatriptan (Imitrex) and with Boehringer Ingelheim / Astellas Pharma for Tamsulosin (Flomax). This provides assured visibility and certainty of revenue flows, 2008 onwards. Based on the available US FDA data and our internal analysis, we believe that Ranbaxy today has one of the largest product pipeline in the US that includes 18 potential FTF opportunities with a commanding market size of around US \$ 27 Bn, at innovator prices. While on the one hand, we will step up our innovation efforts to ensure that high value opportunities are created for the future, on the other, we will evolve a strategy to address the opportunities presented by our existing pipeline of FTF products, to maximise the potential of our Intellectual Property assets.

The right mix of global markets plays a very important role in garnering and sharpening the pace of growth going into the future. We will optimise our market related resource allocation strategy in line with the growth opportunities, as they unfold across developed and emerging markets. Our endeavour will be to continuously evaluate and align the flow of resources in a manner that best enables us to sustain a premium over the growth rate afforded by the local market environment.



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We have focused on comprehensive talent management and development and are systematically investing in our people to strengthen the foundations of human capital

While aggressively pursuing organic growth across all our markets in the coming years, we intend to employ the route of inorganic activities to supplement the organic growth momentum. We will be actively looking at opportunities in the high potential emerging markets like India. At the same time, we will also be looking at building further, our portfolio of specialty products and niche technologies to strengthen the future growth potential.

Witnessing significant traction in the above set of levers, gives us the confidence that we are well on our way to ensuring sustained and profitable growth for the Company in the future.

People Development

The success of our organisation is fundamentally linked to our people. To build resources and





competencies required for the future and realise our aspirations, we have focussed on comprehensive talent management and development and are systematically investing in our people to strengthen the foundations of human capital. The Company has institutionalised a process of recognising, appreciating and rewarding individuals and teams who have excelled in their respective areas.

Gearing up for the future challenges and exciting opportunities, we are reinvigorating our work culture, enriching it through a more open and conducive environment for sharing ideas and propagating teamwork. While at the same time we are re-enforcing our unique organisational trait of providing a highly empowered environment to all employees, thereby propagating out-of-box thinking along with a strong sense of ownership and accountability. Synergistic benefits derived from the pooling of knowledge and experience from within the organisation will be our cornerstone for the future.

Conclusion

I am happy that we have emerged as a Company that is focused on the present with an eye on the future. A company that is Focused on Today and Poised for Tomorrow.

On the one hand, we have the benefit of strong momentum behind us, built over the past two years through consistently high double-digit top line growth. While on the other, is our well honed strategy for sustaining and expanding this growth momentum in the future.

Our steady investments in high potential therapy areas and specialty portfolios in value-added and differentiated products, in an appropriate combination of in-house investments and strategic partnerships and in a balanced geographic business structure, will guide and enable our progress to being among the top 5 Global Generic companies, by 2012.

Let me take the opportunity to thank my global team who constantly strive to achieve excellence and set new benchmarks.

I would also like to thank all our shareholders for their enduring support and look forward to jointly celebrating many more successful years.

Malvinder Mohan Singh
CEO & Managing Director

March 29, 2008

LEVERAGING FORESIGHT

COO's MESSAGE

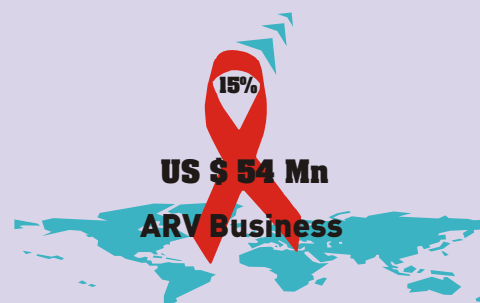
Ranbaxy has had a very good year, with strong growth in revenues, profits and key operational and financial parameters. The year was also an important one, in terms of certain strategic initiatives, that will hold us in good stead for the future, and further improve our operational performance.

Ranbaxy achieved Global Sales of US \$ 1,619 Mn, a growth of 21%. Emerging markets strengthened their presence in the Company's overall sales mix, and comprised 54% of the total sales (49% in 2006). These markets, primarily branded generic in nature, and therefore potentially more profitable, grew a robust 32%, driven by performance in India, CIS, Romania, South Africa and Brazil.

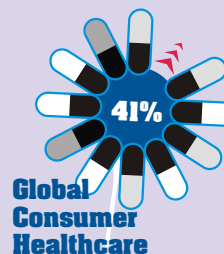
The developed markets saw a much improved performance from UK, Germany, France and Canada and on an overall basis, grew by 13%. The US base business achieved good growth, despite severe constraints.

The consolidated Profit before Interest, Depreciation, Amortisation and Impairment, grew by 59%, to US \$ 329 Mn. Profit before Tax was US \$ 242 Mn, reflecting a growth of 68%. Profit after Tax was US \$ 190 Mn, a growth of 67%.

Focused efforts towards reducing Working Capital have resulted in a stronger cash flow position for the Company. Better receivables and inventory



Ranbaxy's Global ARV business continued to perform well with sales of US \$ 54 Mn during the year, recording a growth of 15%



The Global Consumer Healthcare business registered excellent growth at 41%, with sales of US \$ 62 Mn globally

management helped in the reduction in Working Capital by more than 3% of total sales.

Within our **Global Pharmaceutical Business**, the US continued to be the largest market of the Company, generating sales of US \$ 390 Mn. We also launched Pravastatin tablets, 80mg, which represented a First-to-File (FTF) opportunity, providing us 180 days of marketing exclusivity. While approximately two-thirds of the business comprises the commodity Generics segment, the Branded Generics and Over-the-Counter (OTC) segments helped us achieve a more balanced business and profit mix in the US market.

The base generics business (excluding the impact of FTF product revenues in 2007 and 2006) witnessed a growth of 20%.

Ranbaxy Pharmaceuticals Canada Inc. is today ranked 9th in the Canadian market, with sales of approximately US \$ 29 Mn in 2007 (US \$ 12 Mn in 2006). Our business in Canada continues to be on a high growth trajectory and it has emerged as one of the most successful new operations of the Company.

The Company's operations in the European Union (EU) markets also saw a significant improvement, recording a sales growth of 24% (US \$ 365 Mn including Romania). The key western markets of UK, Germany and France turned in

Atul Sobti, Chief Operating Officer

