

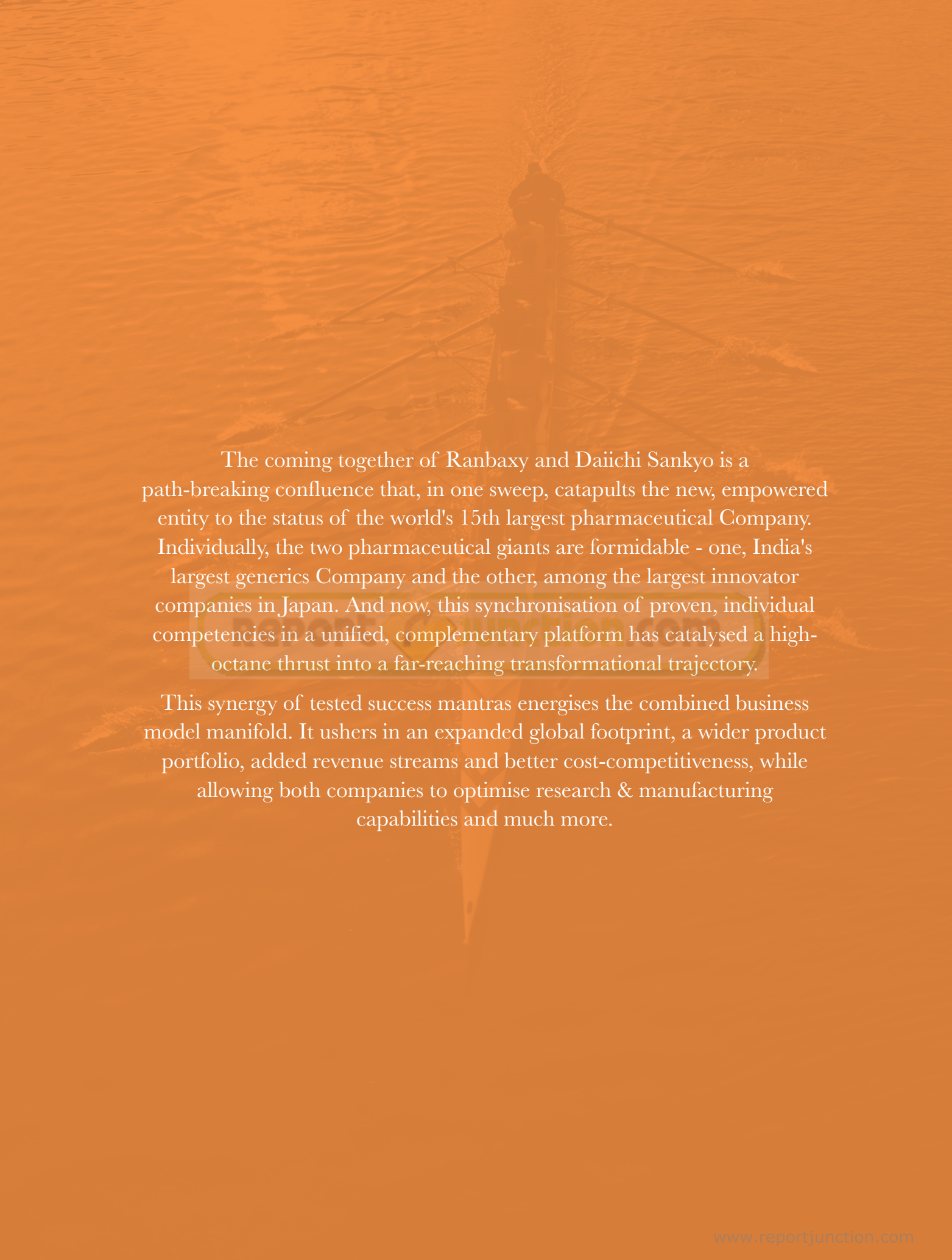
A high-angle, aerial photograph of a rowing team in a long, narrow boat on a body of water. The sun is low on the horizon, creating a strong golden glow and long, shimmering reflections on the water's surface. The rowers are seen from behind, their oars dipping into the water in a synchronized motion. The boat has a white hull with a black chevron pattern on the stern.

Annual Report 2008

# The Energy of Synergy

**RANBAXY**



A background image showing a rowing team in a boat on a body of water, with a large orange overlay. The text is centered over the image.

The coming together of Ranbaxy and Daiichi Sankyo is a path-breaking confluence that, in one sweep, catapults the new, empowered entity to the status of the world's 15th largest pharmaceutical Company. Individually, the two pharmaceutical giants are formidable - one, India's largest generics Company and the other, among the largest innovator companies in Japan. And now, this synchronisation of proven, individual competencies in a unified, complementary platform has catalysed a high-octane thrust into a far-reaching transformational trajectory.

This synergy of tested success mantras energises the combined business model manifold. It ushers in an expanded global footprint, a wider product portfolio, added revenue streams and better cost-competitiveness, while allowing both companies to optimise research & manufacturing capabilities and much more.

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**Malvinder Mohan Singh**  
Chairman, CEO & Managing Director

## CHAIRMAN, CEO & MANAGING DIRECTOR'S MESSAGE

### A BROADER PERSPECTIVE OF LEADERSHIP

Dear Shareholders,

The year 2008 has been a significant one for Ranbaxy. The path-breaking partnership between Ranbaxy and Daiichi Sankyo has been recognised for its visionary and strategic intent and has opened up a new paradigm for the future of the global pharmaceutical industry. This combination has resulted in an innovator and generic powerhouse, which now ranks among the top 15 pharmaceutical companies, globally. The partnership will unlock significant and sustained operational and strategic synergies, thereby elevating Ranbaxy onto a faster growth trajectory.

#### **The Energy of Synergy**

Ranbaxy and Daiichi Sankyo share a common view on the nature of fundamental changes underway in the dynamics of the industry. We strongly believe that the future environment can be successfully leveraged through a hybrid model, combining the capabilities of an innovator and generics pharmaceutical company.

The partnership between Ranbaxy and Daiichi Sankyo has created a powerful hybrid business model, with complementary strengths ranging from excellence in new drug research & development to extensive reach across global markets. There is tremendous growth potential for both organisations which will be driven and realised in the form of synergies across the front and back ends of the pharmaceuticals business.

In November 2008, Daiichi Sankyo completed the acquisition of 63.92% shares of Ranbaxy and in the process infused



US \$ 736 Mn into Ranbaxy's Balance Sheet. The current global business environment is under significant financial strain owing to the turmoil and uncertainty of the economic environment globally. Against this backdrop, Ranbaxy is in a relatively stronger position to supplement its organic growth momentum with inorganic growth opportunities.

### Business Performance

Amidst a challenging business environment, Ranbaxy has achieved a growth of 4% on its top line. This was supported by the Company's focus on emerging markets, that contributed 54% to the business; consolidation in the business in developed markets and continued investment in building a high-value new product pipeline.

Russia, Ukraine, Brazil and India led the growth in the emerging markets. The Company recorded a strong performance in these markets that was higher than the industry averages. Amongst the developed markets, Canada and Japan outperformed while Germany and France delivered good results. For the first time, Ranbaxy launched Authorised Generics, Omeprazole and Felodipine, in USA. On both these products, we performed well and garnered good market positions.

The business in both emerging and developed markets was supported by increased number of new product launches and continuous focus on key emerging therapies.

On the innovation front, R&D saw a series of positive developments during the year. We expanded our Drug Discovery & Development collaboration model by successfully entering into a new collaboration with Merck in the field of anti-infectives. In our GSK alliance,



#### Global Markets Mix 2008

**54%**  
Emerging  
**39%**  
Developed  
**7%**  
Others

“The partnership between Ranbaxy and Daiichi Sankyo has created a powerful hybrid business model, with complementary strengths ranging from excellence in new drug research & development to extensive reach across global markets.”

we maintained steady progress during the year, filing an IND (Investigational New Drug) application in India for Phase I trials on the Respiratory molecule. Our Anti-Malaria combination molecule, Arterolane, progressed well, having successfully completed Phase II studies and obtained approval for Phase III studies in India. On the generics side, we continue to drive a high value pipeline of differentiated and niche products to achieve greater productivity at the business end.

The year 2008 witnessed an unprecedented economic downturn across all markets globally. The volatility and uncertainty in the financial environment was exceptionally high and led to sharp fluctuation in foreign currency rates. Since our business is spread widely across multiple geographies and foreign currencies, the weakened and fluctuating financial and Forex environment created a substantial negative impact on our profitability for the year in spite of sustained performance, at an operating level.



## BOARD OF DIRECTORS

*left to right:* Dr. Anthony H. Wild, Mr. Rajesh V. Shah, Mr. Sunil Godhwani, Mr. Atul Sobti, Mr. Malvinder Mohan Singh, Mr. Takashi Shoda, Dr. Tsutomu Une, Mr. Balinder Singh Dhillon, Mr. Akihiro Watanabe, Mr. Percy K. Shroff

“Ranbaxy's strong multicultural work force has been the bedrock of the Company's glorious past. I am confident that with the commitment and passion of our people, we will shape a bright future for the organisation.”

In addition, the US FDA issued warning letters on two of our dosage form plants in India. As a precautionary measure, the US FDA also imposed an import alert on these facilities, which impacted our business performance in USA. There has however been a renewed and concerted effort by us on the technical and regulatory front to resolve these issues. The internal team along with a set of experts is engaged with a high degree of focus and commitment towards implementing a comprehensive plan of corrective actions. Our multi-pronged strategy currently underway will also enable restore and safeguard the current and future product portfolio in the US market.

### Corporate Governance

Our 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 Board Committees regularly scrutinize 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 the management to continuously upgrade standards and proactively address potential vulnerability areas.

Ranbaxy, in 2008, proactively adopted the latest financial guidelines (AS-30) related with foreign currency instruments and harmonised its financial reporting accordingly. We were amongst the earliest companies in India to adopt these guidelines, ahead of time, thus aligning our Company with the global reporting norms while maintaining high standards of disclosure and complete transparency.



## The Road Ahead

For the year 2009, Ranbaxy has a clear strategy to harness its growth potential in emerging markets, rebuild the US business through a series of actions on products and facilities; actualise significant revenue upsides through First-to-File and Day-1 launches; strengthen the product / therapeutic pipeline and look for M&A opportunities, complementing our geographic and therapeutic basket. Our focus will be to resolve regulatory compliance issues and continue to strengthen cGMP across all locations. Besides this, Ranbaxy and Daiichi Sankyo will identify key projects to realise synergies at both the front and back ends of the business, although, there will be much to contend with, considering that the industry is projected to grow at around 5% in 2009.

## Conclusion

Before closing my remarks, I would like to acknowledge the substantial contribution made by the erstwhile Board in guiding Ranbaxy to its current position of leadership. A special and sincere thanks to my predecessor Chairman, Mr. Harpal Singh, who led the Board in the most exemplary and professional manner. His natural style of heeding business ethics, focusing on corporate governance and above all, taking care of people, has strengthened the very foundation from which the Company aspires to grow.

I also take this opportunity to welcome Mr. Takashi Shoda, Dr. Tsutomu Une, Mr. Balinder Singh Dhillon, Dr. Anthony H. Wild, Mr. Rajesh V. Shah, Mr. Akihiro Watanabe and Mr. Percy K. Shroff to the Board of Ranbaxy. With an enriched, international and experienced Board, Ranbaxy is truly



set to establish itself as a research based international pharmaceutical Company.

Ranbaxy's strong multicultural work force has been the bedrock of the Company's glorious past. I am confident that with the commitment and passion of our people, we will shape a bright future for the organisation.

On behalf of the Board, I would like to thank all our shareholders for their continuous and unstinting support. I also look forward with confidence, as before, to your support in the coming years.



With Best Wishes,

*Malvinder Mohan Singh*

**Malvinder Mohan Singh**  
*Chairman, CEO & Managing Director*

March 29, 2009



Atul Sobti  
Chief Operating Officer

## CHIEF OPERATING OFFICER'S MESSAGE

# EXPANDING THE GROWTH VISION

2008 started very well, and the Half Year operational and financial results were good, and as planned. However, several events thereafter severely impacted the US and global business. On top of that, foreign exchange movements globally (and esp of the Rupee) only made the impact deeper. International business accounts for about 80% of total Ranbaxy business.

For 2008, Ranbaxy achieved Global Sales of US \$ 1682 Mn, a growth of 4%. Emerging markets comprised 54% of the total sales.

The consolidated Loss before Interest, Depreciation, Amortization and Impairment was US \$ 60.55 Mn. Loss before Tax was US \$ 345.84 Mn. Loss after tax was US \$ 215.55 Mn.

The EBITDA was at (3.6%); and excluding Forex gains/losses on translation, it was at 13%. On the same basis, Operational PBT and PAT were at US \$ 143 Mn and US \$ 273 Mn.

Focused efforts towards reducing Working Capital have resulted in a stronger cash flow position for the Company. Better Receivables and Inventory management helped in the reduction in working capital by 5% of total sales, from year end 2007.

Our **Global Pharmaceutical Business** has several pillars. The “big” USA and India, big on performance and potential, on both business and profits; the “diversified” EU, with challenges on business models; the “high potential” Romania within the EU; the consistent growth “mid markets” of Canada, CIS, South Africa, Brazil, and Nigeria, backed well by the Global Consumer Healthcare Business and Global API Business.



Within our Global Pharmaceutical Business, the US continued to be the largest market of the Company, generating sales of US \$ 393 Mn (almost same as 2007, despite severe latter half impact). We also launched our first Authorized Generics in the US - Omeprazole and Felodipine.

We believe that our pending ANDA pipeline is still one of the strongest in the global generics industry, and comprises Niche products, FTFs and commodity generics. During 2008, we achieved some of the biggest and most comprehensive settlements, viz. Atorvastatin and Esomeprazole - the very top of the global drug products.

Canada has grown most impressively and consistently and is today a US \$ 55 Mn business.

In India, we maintained our No. 2 position, and achieved secondary growth on par with the industry. Besides maintaining leadership positions in Anti-infective and other acute therapies, we grew much above industry average in the Cardiovascular and other Chronic therapies, thereby increasing contribution of our Chronic business to approximately 25%.

The European Union is well covered by Ranbaxy, with different market models. A key component is the Romania business, with sales at US \$ 107 Mn, where Ranbaxy has manufacturing set up also. Ranbaxy is the No. 1 generic company in Romania. Other key markets are UK, France, Germany, Poland and Italy.

Asia Pacific (excluding India), CIS countries (Russia, Ukraine etc.), and Africa are each today around US \$ 100 Mn markets for Ranbaxy. CIS is the high growth, and high profit sub-Region, on a consistent basis. In Africa, Nigeria has been a consistent performer. Ranbaxy has also consolidated its presence in



#### Key Market Sales 2008

**111 Mn**  
Russia & Ukraine  
**55 Mn**  
Canada  
**49 Mn**  
Brazil  
(Figures in US \$)

“During 2008, we achieved some of the biggest and most comprehensive settlements, viz. Atorvastatin and Esomeprazole - the very top of the global drug products.”

South Africa, with the acquisition of Be-Tab, and the construction of the new manufacturing facility is on course for a 2009 opening.

Brazil has been another very consistent performer and is a US \$ 49 Mn market for Ranbaxy now.

**Ranbaxy Global Consumer Healthcare** (RGCH) has achieved a distinction for its Revital brand being in the top 15 pharmaceutical brands in India. This is now a US \$ 44 Mn

business, growing well consistently. During 2008, RGCH also launched Volini SR 100 in the Analgesics category and Chyawan Active, a sugar free Chyawanprash.

Finally, the **API Business** is a global US \$ 120 Mn business, with good support from Ranbaxy Chemical Research.

The Company's **Global ARV** business continues to perform well, with sales of US \$ 53 Mn during the year. In this period ARVs were supplied for treatment programs in

“Being now a part of the global Daiichi Sankyo Group, Ranbaxy has a wonderful opportunity to participate in the Japanese generic market, which has the potential to be one of the largest globally...”



various countries across the developing world. Further, the World Health Organization (WHO), Geneva, included three additional ARV products of the company in its pre-qualification list - Abacavir tablets, Fixed Dose Combination (FDC) tablets of Abacavir, Lamivudine and Zidovudine and FDC tablets of Lamivudine, Zidovudine and Nevirapine. This has taken the total number of ARV products on the pre-qualification list to 18.

The opportunity of Biosimilars at Zenotech Laboratories Ltd. has been postponed a while, due to the on-going open offer.

In **Global Manufacturing**, we have progressed well on the Special Economic Zone (SEZ) at Mohali in Punjab as well as our facility in South Africa. Both would be operational in 2009.

Through **Research & Development**, the Company filed 6 (including 1 PEPFAR) ANDAs in the US and received 5 approvals. The cumulative ANDA filings stood at 241 and approvals at 142, as of December 31, 2008. From the ANDAs pending approval, we believe that we have a FTF status on 19 products, valued at an innovator market size of US \$ 27 Bn.

In the European Union, the Company received 51 National approvals for 35 products in 10 EU Reference Member States and 4 MRP approvals in 22 EU Concerned Member States. The Company also received 3 approvals under De-centralized Procedure in 27 EU Concerned Member States.

On a Global basis, the Company made 273 product filings, comprising various drug formulations across multiple therapies and received approval for 278.

In the area of **Information Technology**, we focused our efforts on leveraging our technology base and existing platforms to improve productivity and compliance. This enabled the Company to make a positive difference to its business performance.

Having one source for business critical information enables streamlining of the regulatory management process. Continuing on the path to speed product to market, the e-submission system has also been upgraded. Till date, Ranbaxy has submitted 22 ANDA filings electronically to the US FDA in the eCTD format.

Integral to our strategy for growth and sustainable development, we have made “Going Green” a part of our work culture. Implementing server and storage consolidation has reduced our electricity consumption. As we continue to deploy more energy efficient solutions in our data centers and desktops, the monetary savings and energy efficiency will grow.

Further, in line with technology advances and our commitment to expand, we will continue to upgrade the Company's communications networks to support the business needs.

On the **Human Resource** front, various engagement actions are under way, based on a Global Employee Engagement Survey.