

RANBAXY

Trusted medicines. Healthier lives

Annual Report 2012

Building for the

Future

Building for the Future

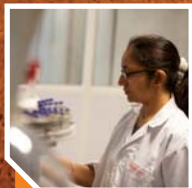
A promising future is emerging for Ranbaxy, as new pathways are being opened up. The philosophy of 'Quality and Patients First' is our guiding inspiration.

Several new initiatives have been put on track. These are designed to further strengthen systems, improve capacity utilisation as well as streamline HR practices. All these would contribute to simplify structures and work processes.

We have broadened the scope of our research and development efforts to cover not just generics research, but also the space between generics and pure innovation. This is a niche area where we have the opportunity to deliver greater value to patients and customers.

The synergies under the hybrid business model will enable us to make available both generic and innovative products in markets around the world.

There is renewed vigour, enthusiasm and passion to emerge as a best-in-class global organisation, nurturing best practices, high quality and good governance.



Contents

Quick Facts & Key Performance Highlights	2
Board of Directors	3
Chairman's Message	4
CEO & Managing Director's Message	8
Report of the Directors	14
Management Discussion & Analysis Report	17
Corporate Governance	36
Business Responsibility Report	46
CEO & CFO Certificate	50
Ten Years at a Glance	51
Auditors' Report	52
Financial Statements of Ranbaxy Standalone	55
Consolidated Indian GAAP	104

Mission

Enriching lives globally, with quality and affordable pharmaceuticals

Values

- Achieving customer satisfaction is fundamental to our business.
- Provide products and services of the highest quality.
- Practice dignity and equity in relationships and provide opportunities for our people to realise their full potential.
- Ensure profitable growth and enhance wealth of the shareholders.
- Foster mutually beneficial relations with all our business partners.
- Manage our operations with high concern for safety and environment.
- Be a responsible corporate citizen.



Quick Facts

Established:	1961
Headquarter:	Gurgaon, Haryana, India
Global Presence:	Ground operations in 43 countries, products sold in over 150 countries, manufacturing facilities in 8 countries
Employees:	Over 14,600 people represented by more than 50 nationalities

Key Performance Highlights

\$2.3 Bn

Highest ever global consolidated sales

28%

Growth in sales in North America

40

Inspections across 19 manufacturing facilities worldwide by 21 Regulatory Agencies

197

Filings made across various global markets

1st

India's first New Chemical Entity (NCE), Synriam™, a synthetic anti-malarial drug launched in India

14

Brands of Ranbaxy featured in the "Top 300" list in India

Global Accolades



Synriam™

Golden Peacock Award, India



Revital

Reader's Digest Trusted Brand, India



Faringosept

National Brand of People's Choice, Russia



Frost & Sullivan

Pharmaceutical Company of the Year, Malaysia

Board of Directors

Dr. Tsutomu Une Chairman
Mr. Akihiro Watanabe
Dr. Anthony H. Wild
Dr. Kazunori Hirokawa
Mr. Percy K. Shroff
Mr. Rajesh V. Shah
Mr. Takashi Shoda
Mr. Arun Sawhney CEO & Managing Director
COMPANY SECRETARY Mr. Sushil K. Patawari

REGIONAL HEADQUARTERS

Mumbai [India], Princeton [USA], London [UK]
Johannesburg [South Africa], Bucharest [Romania], Kuala Lumpur [Malaysia]

MARKETING OFFICES

Cameroon, Ukraine, Russia, Vietnam, Lithuania,
Kenya, Lusaka, Cote de Ivoire, Dakar, Myanmar, China,
Kazakhstan, UAE, Bulgaria

STATUTORY AUDITORS

BSR & Co., Chartered Accountants
Building No. 10, 8th Floor, Tower-B, DLF Cyber City, Phase-II, Gurgaon - 122002, Haryana [India]

BANKERS

Credit Agricole CIB, Royal Bank of Scotland NV, Citibank NA, Deutsche Bank AG
Hong Kong & Shanghai Banking Corporation, Punjab National Bank, Standard Chartered Bank

REGISTERED OFFICE

A-41, Industrial Area Phase- VIII-A, Sahibzada Ajit Singh Nagar [Mohali] -160071, Punjab [India]
Ph : [91-172] 6678666

CORPORATE OFFICE

Plot No.90, Sector 32, Gurgaon-122001, Haryana [India]
Ph: [91-124] 4135000. Fax: [91-124] 4135001

HEAD OFFICE

12th Floor, Devika Tower, 6, Nehru Place, New Delhi-110019 [India]
Ph: [91-11] 26237508. Fax : [91-11] 26225987



Chairman's Message

Widening the spectrum.

Dr. Tsutomu Une
Chairman

“In order to adapt to the rapidly changing business dynamics and meet the growing needs of humanity, we are taking several steps to build a splendid future for Ranbaxy - a future that will be single mindedly driven by one philosophy - ‘Quality and Patients First’.”

Dear Valued Shareholders,

I am happy to communicate with you the progress made by your company during the year 2012. We had our share of achievements, opportunities and challenges. Overall, it was a satisfying year and we achieved consolidated global sales of US\$ 2.3 billion, surpassing our guidance. Ranbaxy will continue with its best efforts to further strengthen the quality assurance and control processes, with the ultimate purpose of delivering quality medicines worldwide. I firmly believe that this must be the bedrock of the pharmaceutical business.

Our performance was good in both, the developed and emerging markets. We believe the emerging markets will continue to offer opportunities in the coming years. With a strong presence in these markets, your company is well poised to capitalise on this trend.

In my last year's message, I had stated that your company will be embarking on a new journey, laying the foundation for a new Ranbaxy. To emerge as a leading global enterprise, we have to be alive to the realities around us and remain relevant and contemporary. In order to adapt to the rapidly changing business dynamics and meet the growing needs of humanity, we are taking several steps to build a splendid future for Ranbaxy - a future that will be single mindedly driven by one philosophy - 'Quality and Patients First'.

It is our global commitment to develop and offer high quality medicines and make them available, accessible and affordable to people around



Packaging operation at Ohm Laboratories, New Jersey, USA



Scientists at a Quality Control Lab, Ranbaxy Plant, Mohali, India

the world. We are encouraging a culture that will foster world class business practices to ensure that our products are safe, effective and compliant with internationally accepted good practices.

I believe that a pharmaceutical company should always explore innovative models to serve the entire spectrum of customers. At Ranbaxy, we relentlessly think about how we can provide both generic and innovative medicines to serve the needs of patients. Our hybrid business model with Daiichi Sankyo is unique as it embraces the strengths of Ranbaxy, a global generic company and Daiichi Sankyo, a leading global innovator. Today, Ranbaxy is among the very few global generic companies that offers a basket of both, generic and innovator medicines. This collaboration is maturing and will emerge even stronger.

One of the defining moments for Ranbaxy in 2012 was the launch of Synriam™, India's first new drug for the treatment of malaria. The drug, currently available in India, has established itself as the preferred option in the hands of doctors to fight malaria, which claims more than half a million lives worldwide each year. Science and innovation is the elixir of our growth and we will continue to develop more such new and novel medicines for the benefit of patients.

After a gap of four years, we resumed supply of drugs from India to the US, from our manufacturing plant at Mohali, Punjab, India. The product exported was Atorvastatin tablets. The resumption

of supplies from India to the US market was an important milestone in rebuilding the business in the US.

Ranbaxy's generic Atorvastatin, launched in November 2011 has helped millions of Americans manage healthy cholesterol levels. Unfortunately, in November 2012, we had to recall the product from the US market due to some quality issues in select batches. Because of our uncompromising commitment to quality and patients, we proactively took the decision to inform the US Food & Drug Administration (FDA) and initiated a voluntary recall of the product. We have since conducted our investigations and shared the findings with the US FDA. Multiple Corrective and Preventive Actions (CAPA) have been implemented to avoid recurrence of such problems in the future. We have now resumed the supply of Atorvastatin to the US market.

Serving the disadvantaged sections of the community has been an important motto of your company. As a responsible corporate citizen, we have been working for over three decades to make a meaningful and lasting positive social impact. '*Maatra Shishu Swasthya Seva*' (Mother & Child Health Service), a joint social initiative of Daiichi Sankyo and Ranbaxy, to reduce child mortality, improve maternal health and combat HIV/AIDS, malaria and other diseases in the rural areas of District Dewas, Madhya Pradesh, India, is progressing in the right direction. This initiative is aligned with the United Nations Millennium Development Goals.



Board of Directors (standing L to R): Percy K. Shroff, Dr. Anthony H. Wild, Akihiro Watanabe, Dr. Kazunori Hirokawa, Rajesh V. Shah
(sitting L to R): Arun Sawhney, Dr. Tsutomu Une, Takashi Shoda

Two well-equipped mobile healthcare vans cover several villages in District Dewas. These vans provide clinical and diagnostic services including free dispensing of medicines.

Additionally, your company, under the aegis of Ranbaxy Community Healthcare Society, operates 16 well-equipped mobile healthcare vans. We are also working closely with the Government and reputed Non-Government Organisations in India to extend our reach and service. Today in our own humble way, we are touching the lives of around 6,50,000 people spread across 345 villages and urban slum areas in the Indian states of Punjab, Haryana, Himachal Pradesh, Madhya Pradesh and Delhi.

The year 2012 marked the 60th anniversary of the establishment of diplomatic relations between India and Japan, the two great nations, that have a rich heritage and culture. To commemorate this historic occasion, Ranbaxy hosted a unique exhibition of Nihonga style paintings by Prof. Kokyo Hatanaka, an eminent Japanese artist whose paintings have a profound Indian influence.

Your company has always believed in a sound Code of Corporate Governance as a tool for establishing the highest standards of

management and business integrity. This Code guides us to make informed decisions and policies in the best interests of the company as well as shareholders and all other stakeholders. As a measure of good corporate governance, Ranbaxy has constituted a Nomination Committee of the Board of Directors. The Committee will formulate, inter-alia, the criteria for determining qualifications, positive attributes and independence of a Director and evaluate the performance of Directors. This will further ensure transparency and uniformity of decision making in all processes and actions.

Employees are one of our critical assets and the cornerstone of our future growth. I deeply appreciate the consistent and sincere hard work of all my fellow Ranbaxians, who have once again risen to the occasion and demonstrated tremendous grit and determination in overcoming the challenges faced by the company and turning the tide in our favour. Going forward, there will be even greater focus on building a high-performance culture that nurtures excellence, collaboration and greater team spirit with a view to shaping an organisation that is more nimble and responsive.



Ranbaxy Plant, Mohali, India

In the coming years, you will see a good measure of strategic changes in Ranbaxy aimed at transforming the company into a more profitable and sustainable global enterprise. We will deploy our resources in building intellectual capital, improving processes and systems, capacities, infrastructure and in exploring markets that will further build and strengthen our future.

I, on behalf of the Board of Directors, would like to take this opportunity to thank all our shareholders for the trust and cooperation extended in making Ranbaxy a leading generic pharmaceutical company. The Board values the interest of all its shareholders and is especially cognizant of the interest of the minority shareholders. I would like to reassure you that the Board remains committed in building a stronger Ranbaxy that will create value for you and all the other stakeholders.

On behalf of the Board, I would like to thank the Ranbaxy leadership team led by Mr. Arun Sawhney for steering the company through these challenging times.

My best wishes to all of you.

Sincerely,

Dr. Tsutomu Une
Chairman



Arun Sawhney
CEO & Managing Director

CEO & Managing Director's Message

**New frontiers,
renewed vision.**

“Our focus on key markets, improvement in manufacturing and R&D productivity helped the company post it's highest ever sales while we had our share of challenges. We firmly believe that these measures will help us shape a sound future for the organisation.”

“By 2017, we aspire to be among the leading global generic pharmaceutical companies and become a best-in-class organisation. There is a clear strategy to secure leadership in select therapeutic areas and emerge as a leading player in certain identified geographies.”

Dear Shareholders,

During the year, Ranbaxy took conscious steps to strengthen the company's business fundamentals and improve its financial health. 2012 was a mixed year for us. Our focus on key markets, improvement in manufacturing and R&D productivity helped the company post it's highest ever sales while we had our share of challenges. We firmly believe that these measures will help us shape a sound future for the organisation.

We posted global consolidated sales of US\$ 2.3 billion (Rs. 122,529 million) in the year. North America underpinned the company's growth, crossing the US\$ 1 billion mark for the first time. Emerging markets recorded sales of US\$ 955 million (Rs. 51,037 million), developed markets contributed US\$ 1,218 million (Rs. 64,187 million) for the year and Active Pharmaceutical Ingredients (API), etc. registered sales of US\$ 137 million (Rs. 7,305 million).

Our cash and bank balances and net debt position improved substantially during the year due to revenues from exclusivity and post-exclusivity of products. The derivatives outstanding as on December 31, 2012 were at US\$ 1.1 billion @2/2.5x, down from peak exposure of US\$ 4.2 billion and from previous year levels of US\$ 1.6 billion. We are taking measures to further prune down our outstanding derivatives position, given the volatility in the Rupee/Dollar movement and based upon the prevailing liquidity situation.