Annual Report 2007

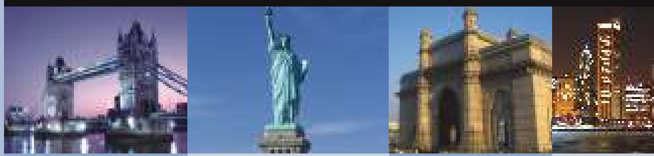
Focused on today... Poised for tomorrow...

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.

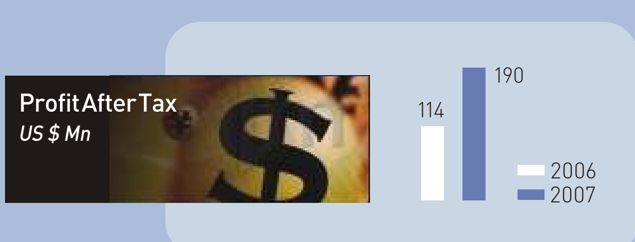
Key Markets - Dosage Form Sales (2007) US $ Mn



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

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

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 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.

Harpal Singh, *Non-Executive Chairman*

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 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.

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.

Harpal Singh

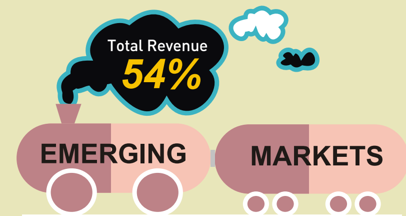
Harpal Singh
Non-Executive Chairman

March 29, 2008

NEW FACETS OF GROWTH

CEO & MANAGING DIRECTOR's MESSAGE

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



Emerging markets now account for more than half of our global revenues and are a key growth driver of the business

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.

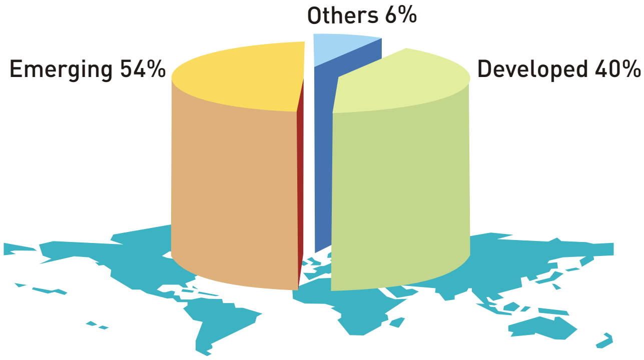
As you are aware, towards the end of 2005, we had already begun to re-orient the geographic mix of our business in favour of the emerging markets. These markets offer a higher growth with the attendant benefit of healthier and sustained profitability. During the year, we worked aggressively on optimising 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.

> 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.

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.

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.

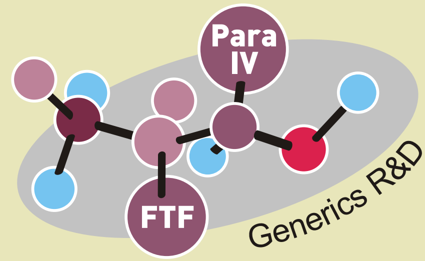
Growth Frontiers for Tomorrow

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.

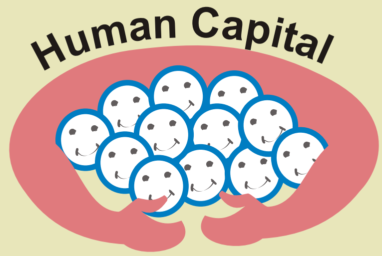
In this direction, we have expanded our partnership with Zenotech Laboratories Limited to work on the two key therapy areas of Oncology and Bio-generics, that hold immense potential. The global biopharmaceuticals market is valued at approximately US $ 65 Bn, at innovator prices, of which products over 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.



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 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.

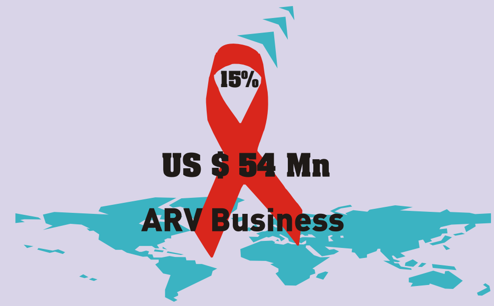
I would also like to thank all our shareholders for their enduring support and look forward to jointly celebrating many more successful years.

Malvinder Mohan Singh
CEO & Managing Director

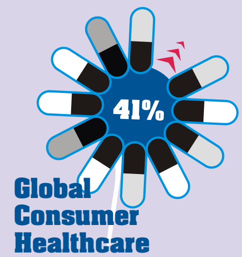
March 29, 2008

LEVERAGING
FORESIGHT

COO's Message



Ranbaxy'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

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 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*

an impressive performance with Germany and UK recording sales growth of 69% and 36% respectively.

Romania, our largest market in EU, registered a 22% growth in sales to US $ 121 Mn. Impending healthcare reforms in the market place is leading to a delay in the government's product and price approval list, and adding to the uncertainty amongst the customers and suppliers. This impacted our growth plans and more specifically, our new product introductions. We expect clarity and certainty to emerge through the course of the current year, and provide us with a more stable and conducive business environment.

The India business continued with its strong growth momentum, and recorded sales of US $ 301 Mn, a growth of 22 %. New product introductions, a shift towards the faster growing Chronic therapy product segment, robust performance in Novel Drug Delivery System (NDDS) products, an increasing number of in-licensing arrangements, and new initiatives taken in the retail and extra-urban market, have enabled us to be amongst the leading companies in the domestic market. Amongst "New Product Introductions," we had the highest number of brands in the Top 30 leading launches over the last 2 years, specifically Volix, Synasma, Volitra and Gembax. Some significant recent launches include Caldrink, Osonase Nasal Spray and Coviro.

Other key markets such as Russia, Ukraine, Brazil and South Africa have added to the growth momentum in our emerging markets. In South Africa, not only have we grown well, we have also effectively integrated the acquired Be-Tabs business and initiated plans for capacity expansion and upgradation. We are now ranked No. 5 in South Africa.

In Japan, there is considerable excitement on the prospect for high generic growth, following an expected policy initiative in March/April 2008.

The Company's **Global Anti-retroviral (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. The International Over-the-Counter (OTC) business grew by 57%, registering sales of US $ 25 Mn. India registered a sales growth of 32% to US $ 37 Mn. Revital, the flagship brand, garnered 84% market share (ORG-SSA Nov.' 07) in India. A key addition to the portfolio was the launch of Volini cream during the year. The division also introduced a sugar free Chyawanprash under the brand name 'Chyawan Active'.

We have consolidated well in 2007 with a strong performance on all key financial and operating parameters. Looking ahead at 2008, we expect to build further on the momentum in our business while retaining an emphasis on margins and cash.

Our **Active Pharmaceutical Ingredients (API) business** contributed US $ 105 Mn, with a clear shift towards developed markets, and contribution from key supply agreements.

With a view to enhance our presence in the specialty products segment, we have increased our stake in Zenotech Laboratories Limited from the previous 7% to approximately 47% at present. Zenotech, with its requisite skill sets and capabilities in the development and manufacture of Bio-similars, Oncology and general injectable products, provides us a strategic fit to further leverage our existing marketing and regulatory expertise across developed and emerging countries. We have already initiated plans to commercialise the existing Bio-similars portfolio in select emerging markets. This will be followed by the developed markets of Europe and US. In addition, we have filed 7 general injectable Abbreviated New Drug Applications (ANDAs) in 2007, for the US market.

Our in-house capabilities in Penems, Limuses and non-oral high potency Cytotoxic products will further bolster our presence in the fast growing and highly profitable specialty products segment.

To meet our increasing requirements on account of new products and higher volumes, **Global Manufacturing** undertook the modernisation and capacity expansion of a number of plants during the year. In India, Paonta Sahib, Himachal Pradesh (HP) and Dewas, Madhya Pradesh (MP), capacities were upgraded; a multi-function API facility was set up at Toansa, Punjab. In Malanpur, MP, the API facility was upgraded; a Bio-Equivalence facility at Terapia Ranbaxy, Romania, was set up; and capacity enhancement projects were also initiated in Malaysia, Nigeria and South Africa. To enter markets for select specialty products, a new facility at our Batamandi, HP, plant is also under way.

The manufacturing facilities at Ohm, USA, were enhanced to increase their solid and liquid dosage form capacities. Ohm is now the second largest dosage form manufacturing operation in Ranbaxy's global network.

We have also received all necessary approvals from the Government of India for our Special Economic Zone (SEZ) at Mohali in Punjab.

As a testimony to our Good Manufacturing Practice (GMP) standards, our key API plants at Toansa and Mohali in Punjab, received ISO 14001 certification in 2007.

During the year, we discontinued operations at Mohali 1, Punjab and Jejuri, Maharashtra, with orderly redeployment/separation packages for the employees.

Our **Global Supply Chain** supported growth by ensuring the on-time delivery of products to meet varied customer requirements. Many new products were launched across the world. APO (Advance Planner and Optimiser) was implemented in many countries and across select manufacturing locations. Various other initiatives such as harmonisation of product packs, enhanced focus on inventories, projects to reduce overall logistic costs, were also carried out during the year.

Global Material Sourcing enhanced its focus on e-Sourcing, sourcing from low cost countries, introduction of new sources for key intermediates and APIs - all of which have helped us in optimising costs, and minimising risk, on a consistent basis. This was despite extremely high prices prevailing for PenG.

In **Research & Development**, the Company made significant progress in its developmental programmes. We filed 28 ANDAs in the US, and received 18 approvals. The cumulative ANDA filings stood at 239 with 141 approvals as on December 31, 2007. From the ANDAs pending approval, we believe that we have a potential First-to-File opportunity on 18 products, valued at an innovator market size of around US $ 27 Bn.

In the European Union, the Company received 50 National approvals in 8 EU Reference Member States and 4 Mutual Recognition Procedure (MRP) approvals in 21 EU Concerned Member States. The Company also received 3 approvals under de-centralised procedure in 24 EU Concerned Member States in a record time of 10-14 months, thereby reflecting the quality of submissions.

On a global basis, the Company made 526 product filings, comprising various drug formulations across multiple therapies, and received approval for 457.

The cumulative ANDA filings stood at 239 with 141 approvals as on December 31, 2007

Our Global Supply Chain supported growth by ensuring on-time delivery of products to meet varied customer requirements

The Company continued with its effort to develop safe and effective herbal drugs that comply with international quality standards. During 2007, the Company launched two herbal products viz. Chericof Herbal and Chyawan Active, in the Indian market and three other products in the international market.

The power of technology was harnessed to further improve productivity, automate functions and enable business growth. The **Information Technology** efforts also focused on accelerating product speed to market, while improving compliance.

Over half of the ANDA submissions to the US FDA in 2007 were electronic, utilising the industry approved eCTD format. It is a significant achievement as FDA has stated, that electronically submitted ANDAs will get priority treatment. Additionally, the upgradation of our global pharmacovigilance platform is facilitating the streamlining and automation of the function, while at the same time, helping to ensure continued product safety compliance with the most current FDA and EMEA regulations. Ranbaxy is one of the first 8 companies worldwide to implement E2B gateway for electronic submission of Adverse Events to FDA. Ranbaxy was a recipient of the SAP "Ace" Award for the "Best Pharmaceutical" implementation of SAP in India and was recognised as one of the 12 companies globally to receive a SAP Customer Competency Center of the Quarter award.

On the **Human Resources** front, a Global Employee Engagement Survey was undertaken. A significant amount of organisational energy has been devoted to ensure that the talent within is optimally engaged and developed. Hence there has been emphasis on continuous learning and development and on-going recognition and appreciation has been well imbibed across geographies and functions.

In summary, we have consolidated well in 2007 with a strong performance on all key financial and operating parameters. Looking ahead at 2008, we expect to build further on the momentum in our business while retaining an emphasis on margins and cash. We are also working on strategic initiatives related with our geographic and therapeutic mix. These coupled with our consistent focus on improving operational performance, should see the organisation build steadily towards a leadership position in the global generics industry.

Atul Sobti
Chief Operating Officer

March 29, 2008

BUSINESS BEYOND BOUNDARIES...

Key Markets Review

Ranbaxy announced three major litigation settlements with innovator companies on Para IV FTF products. These products will be launched in 2008 (Sumatriptan), 2009 (Valacyclovir) and 2010 (Tamsulosin), on an exclusive basis

It was the second year in a row that Ranbaxy had the highest number of brands featuring amongst the Top 30 leading launches in the Indian pharmaceutical industry

In the year 2007, all key markets recorded strong performances, with North America recording sales of US $ 419 Mn, Asia garnering US $ 425 Mn and Europe (including CIS) achieving sales of US $ 455 Mn. Rest of the World contributed US $ 215 Mn to the overall formulations business which was at US $ 1514 Mn.

North America

The North American business, covering USA and Canada, constituted around 26% of Ranbaxy's global revenues. The Company further consolidated and enhanced its position in this highly competitive and dynamic market, primarily due to a greater number of product offerings being commercialised, enhanced customer satisfaction, stronger partnerships and aggressive filings with the US FDA. The Company's sales in this region grew by approx. 7% to US $ 419 Mn in 2007 with US contributing US $ 390 Mn and Canada operations delivering US $ 29 Mn. Human capital remained the core business strength of Ranbaxy's North America operations. In 2007, the human resources in the region exceeded 600 employees. Investing in people and facilities has been a focus and the Company's emphasis in its corporate value will continue in North America to further expand its business.

Peter Burema, *President, Global Pharmaceutical Business*

USA

In the US, the core business under the Ranbaxy Pharmaceuticals Inc. (RPI), celebrated its 10th anniversary since gaining the first Abbreviated New Drug Application (ANDA) approval in 1997. RPI's product portfolio now includes 54 molecules in diversified formulations, mapping individualised customer needs. Year 2007 marked the launch of 11 new FDA approved formulations, to further strengthen Ranbaxy's product portfolio in the generic, branded and Over-the-Counter (OTC) segment.

K Venkatachalam,
Vice President & Regional Director, North America

Amidst more competition and pricing pressures, generic products continued to gain traction in the US. Factors like ageing demographics, the drive to reduce escalating government healthcare costs, attractive margins and broader acceptance of generic drugs, facilitated the expansion of the generics market. In all, around 63% of all prescriptions written in the US, used generic formulations and these drugs constituted nearly 70% of our total sales in the US.

A key milestone for RPI was the commercialisation of **Pravastatin 80 mg** tablets that represented a First-to-File (FTF) approval, entailing 180 days of sales exclusivity.

In the branded segment, Ranbaxy Laboratories' Inc. flagship product **Sotret** (Isotretinoin capsules), achieved impressive growth, becoming a market leader in October 2007, with a market share that exceeded 50%. The segment experienced strong growth with an increase of 14% in total prescriptions written during 2007. In line with our commitment to Dermatology, Ranbaxy emerged as a major player with an impressive product range. During the year, the Company acquired a total of 13 established Dermatology brands from Bristol Myers Squibb. These brands were re-launched under the Ranbaxy label with a renewed and expanded marketing effort.

The sales and marketing team of Ohm Laboratories Inc. (Ohm) made focused efforts to boost the sales in the OTC private label segment. Further inroads were made into the OTC market with the launch of two Anti-histamine products, **Loratadine** orally disintegrating tablets and **Cetirizine** tablets. Ohm also provided crucial manufacturing support, played a pivotal role in new launches and added further strength to our solid and liquid dosage form capabilities.

As on December 2007, Ranbaxy made cumulative filings of 239 ANDAs with a total of 141 approvals. The Company made 28 ANDA filings during the year and received 18 approvals from the US FDA.

Ranbaxy announced three major litigation settlements with innovator companies on Para IV FTF products. These products have a combined market size of over US $ 3.5 Bn (at innovator prices) and will be launched in 2008 **(Sumatriptan)**, 2009 **(Valacyclovir)** and 2010 **(Tamsulosin)**, on an exclusive basis. We believe that the Company has one of the largest product pipeline in the US that includes 18 potential FTF opportunities commanding a market size of around US $ 27 Bn, at innovator prices.

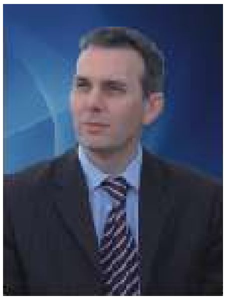
In a business arrangement with Zenotech Laboratories Ltd., 7 ANDAs for injectibles were filed and 2 filings were made through a business agreement with IPCA Pharmaceuticals Inc. The year also marked the entry into the authorised generic space with the commercialisation of **Isoptin SR** in an agreement with FSC Laboratories.

In the US, Ranbaxy's product portfolio now includes 54 molecules in diversified formulations, mapping individualised customer needs. Year 2007 marked the launch of 11 new FDA approved formulations, to further strengthen Ranbaxy's product portfolio in the generic, branded and OTC segment.

Canada

Since its inception in 2005, Ranbaxy Pharmaceuticals Canada Inc. (RPCI) has played a vital role in providing Canadian patients with affordable generic alternatives. The Company has achieved vibrant growth in a short span of time, having attained the 9th rank in the generics market, in terms of sales. The total sales during 2007 more than doubled to US $ 29 Mn, exceeding the growth rate of the Canadian generic market. The key products that contributed to RPCI's growth were **Cefprozil, Pravastatin,** and **Lisinopril** and all of them achieved noteworthy market shares for their respective molecules. RPCI received approval for 6 ANDAs from Health Canada in 2007, adding further depth to its product portfolio which now comprises 14 products.

European Union



Nick Haggar,
Regional Director, Europe

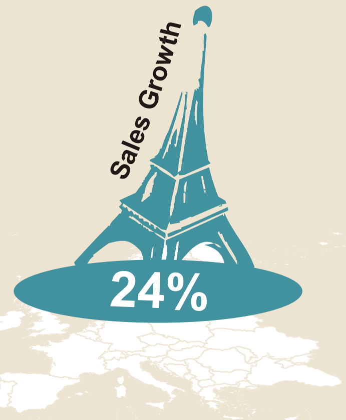
The year 2007 was a transformational year for Ranbaxy's European business as the region recorded robust sales growth of 24% at US $ 365 Mn. The key markets of Western Europe comprising UK, Germany and France delivered a robust performance, accounting for 47% of the total EU sales. The Company revitalised its EU business by further strengthening the product portfolio, stepping up Day-1 launches, intensifying its focus on the tendering business and restructuring sales and marketing operations in some countries. This has set the momentum and will certainly lead to an improved performance in the coming years.

UK

Ranbaxy UK accomplished a strong turnaround during the year and is confidently poised for 2008. The total sales registered an impressive growth of 36% at US $ 47 Mn which was significantly higher than the overall UK generic market growth of less than 10%. Ranbaxy launched 8 new products during the year and achieved a noteworthy market share for some of its existing and new key products such as **Gabapentin 600 mg, Risperidone Plain** and **OD**, **Simvastatin 40 mg**, and **Ferrous Sulphate**. The branded business led by the Easyhaler range of dry powder inhalers, registered an increase in sales by 27% with the Easyhaler range doubling its turnover. **Formoterol Easyhaler** was launched in 2007.

Germany

This market clocked sales of US $ 49 Mn with a growth of 69 % over the previous year's sales of US $ 29 Mn. The German healthcare system during the year witnessed dynamic changes that resulted in regulatory amendments and price erosion. Pre-empting this scenario, the Company had earlier restructured its sales and marketing operations that allowed us to mitigate any negative impact. Ranbaxy won 11 products in the



The year 2007 was a transformational year for Ranbaxy's European business as the region recorded robust sales growth of 24% at US $ 365 Mn

Terapia Ranbaxy attained the No. 1 slot amongst the generic companies with a market share of 11.2% in Romania

AOK (Germany's largest general local health insurance) tender during the year and launched six new products **Alendorate, Lamotrigin, Lansoprazol, Tamsulosin, Tranadol MR** and **Risperisone** (Day-1 launch).

France

Ranbaxy's performance in France reflected a marked improvement over the previous year and registered sales of US $ 74 Mn, a growth of 7%. The Company introduced a total of 20 products and closed the year on a positive note with 6 Day-1 launches. A realigned management structure, a diverse product basket and manufacturing switch to India, helped the business operations in France to record a superior performance.

Romania

Sales in Romania touched a new high at US $ 121 Mn, achieving a growth of 22%. Terapia Ranbaxy attained the No. 1 slot amongst the generic companies with a market share of 11.2% and was ranked No. 6 among all the pharma companies. During 2007, the Company received manufacturing and import authorisation as per EU norms and standards, thereby getting the go ahead for batch testing and release activities for products manufactured outside the EU. Subsequently, the Bucharest based production facility received a renewal of Certification for Good Manufacturing Practice (GMP) standards of all manufacturing flows. Maintaining a steady product flow, Terapia Ranbaxy was granted 47 new market authorisations and launched 13 new products during the year. The Company has the largest sales force in Romania and serves over 5000 retail pharmacies and 400 hospitals. The headquarters of Terapia Ranbaxy was relocated to a new location, situated in Pipera area, Bucharest.

Rest of Europe

Ranbaxy's sales in the Rest of Europe region was up at US $ 74 Mn, reflecting a buoyant 20% growth. Contributing to the growth were the notable performances from Portugal, Italy and Spain that jointly contributed US $ 22 Mn to the total sales. Ranbaxy successfully launched 10 new molecules in the Italian market including the Day-1 launch of **Simvastatin, Loratadine** and **Finasteride**. The Company's wide product portfolio that now comprises 32 molecules, including 20 products acquired from Allen, is one of its key strengths in Italy.

India

Sanjeev I Dani,
Sr. Vice President & Regional Director, Asia & CIS

The vigorous momentum in the Indian business led to a significant upside, with sales touching US $ 301 Mn. The overall business grew by 22% despite a slow down in the domestic market. Demonstrating strong marketing and selling capabilities, Ranbaxy's branded product portfolio registered a fast paced growth at 32% with 18 brands in the Top 300 list and 9 brands in the Top 100 list. It was the second year in a row that Ranbaxy had the highest number of brands featuring amongst the Top 30 leading launches in the industry.

Both the chronic franchise and acute ailments segment showed impressive growth with contribution of chronic therapy to total sales rising to 24% against 21% in 2006. Novel Drug Delivery Systems (NDDS) and in-licensing opportunities emerged as the key to sustainable competitiveness and profitability. The NDDS segment contributed 9% of the total sales. Ranbaxy launched 13 new NDDS formulations in 2007 and further consolidated its position among the top companies in this segment with a 7% market share (November, 2007 MAT). The Urology segment was further augmented with the launch of three NDDS products, **Niftran** (extended release Nitrofurantoin), **Roliflo OD** (Tolterodine and Tamsulosin) and **Eligard** (Depot Leuprolide).

Ranbaxy had many 'Firsts' to its credit. The Company launched **Osovair** (Formoterol and Ciclesonide) dry powder inhaler, a unique combination drug meant for the treatment of Asthma; **Osonase** (Ciclesonide), an Anti-allergic aqueous nasal spray and **Caldrink** (Calcium Pidolate and Vitamin D3) for the calcium supplementation therapy. The Anti-infective segment witnessed the launch of two advanced generation antibiotics, **Tevran** (Tigecycline) and **Zivator** (Ertapenem).

The Company entered into nine in-licencing agreements, encompassing various therapeutic areas and filled therapy gaps in Oncology, Dermatology, Cosmetology, Orthopedics and Gastro-intestinal segments. **Leviosa 299 v** (Probiotic), **Fleet Phosphosoda** (Phosphosoda) and **Eligard** (Depot Leuprolide) were some of the new/differentiated products launched during the period.

One of the Company's leading brands, **Volix** (Voglibose) received the award for 'Marketing Excellence' in the 'New Pharmaceutical Products' category from the Organisation of Pharmaceutical Producers in India (OPPI).

India is today grappling with the emergence of endemic diseases like AIDS. Committed to develop innovative Anti-retroviral (ARV) medicines at affordable cost, Ranbaxy launched **Coviro-LS kid** and **Coviro-LS kid DS**, both double ARV and fixed dose combination dispersible tablets for children.

Asia Pacific (excluding India)

The Asia Pacific region witnessed a robust 24% growth in sales at US $ 88 Mn. The performance in the region was led by China, Thailand and Malaysia. In China, the focus was to expand market coverage by identifying new markets and enabling deeper penetration of the products manufactured by Ranbaxy Guangzhou China Limited. Sales in China saw an upward trend growing by 33% to US $ 17 Mn with strong performances from leading brands such as **Cifran** (Ciprofloxacin), **Keflor** (Cefaclor) and **Simcor** which emerged as the No. 1 generic Simvastatin. Sales of Ranbaxy Malaysia grew by 12% at US $ 24 Mn. It was primarily driven by government supplies for **Oseltamivir** Capsules (Fluhalt), eight new product launches and four first to launch products. In Thailand, sales grew by 48% at US $ 14 Mn.

Middle East and Sri Lanka

Ranbaxy's operations in Middle East and Sri Lanka recorded sales of US $ 23 Mn, outperforming the market. The Company expanded its operations in the Middle East by making an entry into Yemen. In Oman, a major in-licensing agreement was signed with a local manufacturing company and five agreements were made that will ensure an incremental revenue stream. Ranbaxy further consolidated its position as the top generic company in the UAE. During 2007, 19 new products were launched including **Storvas** in Oman, which has in a short span of time become a leading statin brand. **Lovir** emerged as the No. 1 Antiviral drug in the UAE.

Russia & Ukraine belt

Russia and Ukraine belt, achieved sales of US $ 90 Mn, reflecting a growth of 22%. Ranbaxy Russia closed the year with sales of US $ 52 Mn as against US $ 44 Mn in 2006. The Company moved up by two ranks to occupy the 11th position in the Russian generic market (IMS MAT Q3'07) that registered a growth of 19% at US $ 5.4 Bn (Pharmexpert MAT Q3'07). The performance was led by ethical and OTC segments with products like **Ketanov** (Ketorolac), **Faringosept** (Ambazone) and **Coldact Flu Plus** (Paracetamol+Phenylephrine+Chlorphenamine), playing a vital role. Sales of Ranbaxy Ukraine belt grew by 28% at US $ 38 Mn. The Company achieved market leadership for its top selling brands - **Loxof** (Levofloxacin), **Ketanov** (Ketorolac) & **Cifran** (Ciprofloxacin).

Japan

Ranbaxy's joint venture in Japan, Nihon Pharmaceuticals Industry Co. Ltd. (with Nippon Chemiphar) further consolidated its presence in the market, achieving sales of US $ 25 Mn. Though the world's second largest pharma market, Japan still has a predominantly low generics penetration. However in view of the rapidly ageing population and spiraling healthcare costs, the government is now taking active steps to promote the use of generic drugs. Japan's generics market is expected to reach 30% in volumes in the next five years. This augurs well and supports Ranbaxy's business expansion plans as the Company already has a strong foothold in the market.

Africa

The African continent recorded vibrant sales growth of 42% at US $ 126 Mn. All key countries in Africa grew strongly, led by South Africa, Central and South East Africa and the French West Region. The South African business achieved sales of US $ 53 Mn. Be-Tabs was successfully integrated, strengthening Ranbaxy's basket of products, especially in the acute and OTC product streams. It marked a sales contribution US $ 25 Mn to the total revenues.

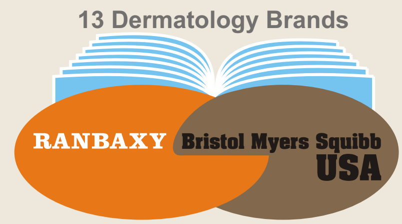
Ranjan Chakravarti,
Vice President & Regional Director, Africa & Latin America

Be-Tabs was successfully integrated, strengthening Ranbaxy's basket of products in Africa

EXTENDING THE HEALING TOUCH

Therapy Focus

Co-amoxyclav was the top-selling product with sales of over US $ 89 Mn



The Dermatological franchise received a major thrust in 2007 with the acquisition of 13 Dermatology brands from Bristol Myers Squibb, USA

Anti-infectives

The global Anti-infectives market is estimated to grow at a Compound Average Growth Rate (CAGR) of 4.8% (2005-2011), and Ranbaxy is well positioned to leverage and monetise this opportunity. The Anti-infectives segment sustained its dynamic momentum and remained the largest therapeutic segment for the Company during 2007, generating 42% of global dosage form sales. **Co-amoxyclav** was the top-selling product with sales of over US $ 89 Mn. Adding depth to the Company's product line of Anti-infectives in the US was **Clarithromycin Oral Suspension**. Being the first to receive approval for this product, Ranbaxy is one of the few companies that now offers the complete range of this molecule in the US market. The Company has further expanded its generic product portfolio in Canada after receiving approval for tablets and powder for oral suspension of **Cefprozil**.

During the year, Ranbaxy also entered into a settlement with GlaxoSmithKline (GSK) in the US for **Valacyclovir Hydrochloride** tablets, paving the way for the launch of the product in the US market in 2009 with a 180 days marketing exclusivity.

In India, Ranbaxy continued to enjoy its dominant position in the Penems' portfolio and captured a market share of around 30%. During the year **Gembax** (Gemifloxacin) featured in the Top 30 new product launches in the Indian market while **Zivator** (Ertapenem), a new addition to the Penems segment, further strengthened the Company's market leadership position in this area. **Cilanem** (Imipenem + Cilastatin), first launched in India in 2003, has now been filed in international markets such as Europe, Canada, South Africa, Thailand and Russia.

Cardiovasculars

Cardiovasculars continued to be a leading therapeutic segment during the year. **Simvastatin** was the second best-selling product for Ranbaxy in this segment, with sales of about US $ 86 Mn. The Company launched **Pravastatin 80 mg** in the US, generating over 30% of the prescription market share during the 180 days marketing exclusivity period. Ranbaxy also acquired the New Drug Application (NDA) of **Isoptin SR** (Verapamil SR) and commercialised it in the US. Further, approvals were received for **Pravastatin** and **Lisinopril** tablets in Canada. The Company also launched the first generic version of **Atorvastatin** in Europe, in Denmark.

Musculoskeletal

This therapeutic segment posted a robust growth of 26%. Rheumatology & Musculoskeletal drugs grossed about US $ 111 Mn with **Diclofenac** and its combination being the primary contributor. The Company received approval for the combination of **Hydrocodone** and **Acetaminophen** in the US. In the Indian market, topical **Volitra** performed well featuring amongst the Top 30 brands of the year.

Central Nervous System (CNS)

The CNS segment recorded a healthy growth of 23%, contributing US $ 104 Mn to the total sales. **Gabapentin** and **Sertraline** were the key products in this segment. The Company launched **Risperidone** on Day-1 in major markets of Europe. **Sertraline** and **Zolpidem** were also launched in the US. Tentative approval was received from the US FDA to manufacture and market **Galantamine** tablets for which a 180 days shared exclusivity period is anticipated.

Respiratory

Ranbaxy's growing presence in the Respiratory segment received a boost, registering a double-digit growth of 10%. The Company once again achieved the distinction of being the first in the world to commercialise the ICS/LABA combination, **Osovair** (Formoterol and Ciclesonide) inhalation capsules. In this segment, Ranbaxy's product portfolio was further strengthened with the launch of **Osonase** (Ciclesonide) nasal spray. The branded division in UK received a strong push with the introduction of **Easyhaler Formoterol**. The approval of **Cetrizine Hydrochloride** underscored Ranbaxy's OTC presence in the US. The Company also received tentative approval from the US FDA to manufacture and market **Fexofenadine Hydrochloride** Tablets.

Dermatologicals

The Dermatological franchise received a major thrust this year with the acquisition of 13 Dermatology brands from Bristol Myers Squibb, USA. This aided Ranbaxy in capitalising on the existing strong franchise of **Isotretinoin**. The Company's flagship brand in this segment, **Sotret** attained market leadership position by garnering more than 50% market share, with the 30 mg dosage strength capturing 68% share in the US.

Other Milestones

Ranbaxy signed an exclusive in-licensing agreement with Sirtex Medical, Australia, to promote and market **SIR-Spheres** in India. The biocompatible radio-active micro-spheres, employs Selective Internal Radiation Therapy for treatment of liver cancer and will strengthen Ranbaxy's foothold in the Oncology segment.

Simvastatin was the second best-selling product for Ranbaxy in the Cardiovascular segment, with sales of about US $ 86 Mn. Ranbaxy launched Pravastatin 80 mg in the US generating over 30% of the prescription market share during the 180 day marketing exclusivity period.

DESTINATION DISCOVERY...

Research & Development

Global Regulatory Filings & Approvals (Dosage Forms)		
Countries	Jan-Dec 2007	
	Approvals	Filings*
USA	18	29**
European Union	57	66
– National	50@	49***
- Mutual Recognition Procedure	4@@	13****
- De-centralized Procedure	3@@@	4*****
BRICS Total	75	98
- Brazil	11	9
- Russia (including CIS)	22	35
- India	27	30
- China	-	03
- South Africa	15	21
Rest of the World (ROW)	307	333
- Australia & New Zealand	9	6
- Canada	6	9
- Japan	1	3
- Others	291	315
Total	457	526

@ Approvals for 13 products in 8 RMS
@@ Approvals for 4 products in 21 CMS
@@@ Approvals for 3 products in 24 CMS
* Incl fresh / new filings only; incl OTC & ARV products; incl filings for 2 Out-sourced products
** Incl. 1 ANDA filing under PEPFAR
*** Filings for 10 products in 12 RMS
**** Filings for 13 products in 26 CMS
***** Filings for 4 products in 25 CMS

New Drug Discovery Research (NDDR)

Ranbaxy's commitment to New Chemical Entity (NCE) research, received a boost with the proposed de-merger of its NDDR unit into a separate entity, Ranbaxy Life Science Research Limited (subject to requisite approvals). The move will create an independent pathway for Drug Discovery Research (DDR), with dedicated resources. This fortifies the Company's will to emerge as a leading research based international pharmaceutical company. The new entity will have operational freedom and greater flexibility to carry out path breaking innovative research with more room to explore synergistic partnerships and alliances. Further, it will be able to leverage the existing state-of-the-art research infrastructure and the highly skilled scientific talent pool that Ranbaxy possesses. It will also result in cost savings for Ranbaxy.

Ranbaxy continued to progress on its Anti-malarial molecule. After successfully completing the Phase-I trials of **Arterolane (RBx-11160)** in combination with Piperaquine, the Phase-II trials have been initiated in Thailand and India. The Company also filed an application with the respective regulatory agency of Tanzania and Kenya for initiating the pediatric efficacy/pharmacokinetics trials. **RBx-11160** in combination with Piperaquine, is expected to be an effective Anti-malarial molecule that will reduce the onset of resistance and will be developed as a combination product. Being a synthetic compound, supply issues will not be a hindrance to meet the potential large demand.

Ranbaxy received a milestone payment from PPD Inc., USA, for the completion of the Phase-I clinical trials of its out-licensed novel statin molecule, **RBx-10558**.

The Company also completed exploratory toxicity studies and initiated Investigational New Drug (IND) enabling studies on three molecules, developed in-house, viz, a PDE-4 Inhibitor for Chronic Obstructive Pulmonary Disease (COPD) and Asthma, a Muscarinic Receptor Antagonist for COPD and a Ketolide for Community Acquired Respiratory Tract Infection. In the area of Oncology, screens for two new programmes are in place and screening of the Ranbaxy Compound Library is in progress. Several early hits have been identified and are currently being profiled.

Ranbaxy made significant progress on its two collaborative research programs with GlaxoSmithKline in the Anti-infective and Respiratory segments. In this direction, selection of a clinical candidate in the Respiratory segment was a major landmark that also resulted in milestone payment to Ranbaxy. The alliance was enhanced during the year, providing Ranbaxy with expanded drug development responsibilities and further financial opportunities. It now envisages potential work on a range of therapeutic areas, including Oncology and Inflammation areas.

During the year, the drug discovery team filed 23 patent applications in India.

Dr Pradip Kumar Bhatnagar,
Sr Vice President, New Drug Discovery Research

Global DMF Filings and Approvals APIs (Jan-Dec 2007)*

Markets	Approvals	Filings*
USA	06	13@
Europe	32#	245##
Brazil	03	02
Russia (incl Ukraine)	01	09
China	-	-
South Africa	01	13
ROW	09	48
Total	52	330

* Doesn't include re-registrations & outsourced APIs
@ Includes DMF on 1 Intermediate
\# Include approval for 3 APIs under MRP
\## Include Filings for 5 APIs under MRP
DMF: Drug Master File
MRP: Mutual Recognition Procedure

Patent Applications Filings and Approvals (Jan-Dec 2007)

	Filings*			Accepted / Granted / Patents**		
Area	**India**	**USA**	**Total**	**India**	**USA**	**Total**
APIs	37	-	37	01	01	02
Dosage Forms	34	-	34	02	-	02
NDDS	15	-	15	-	-	-
Herbal	11	-	11	-	-	-
NDDR	23	-	23	-	03	03
Packaging	02	-	02	-	-	-
Total	122	-	122	03	04	07

* These are first time (fresh) filings; not international or national filings of earlier applications filed in India

** These are unique patents - meaning any equivalent patents granted in other countries or published under PCT have not been counted.

Pharmaceutical Research (Immediate Release and Value added Drug Delivery Systems)

During the year, Ranbaxy made a record submission of 29 Abbreviated New Drug Applications (ANDAs) with the US FDA, including 4 Oral Controlled Release products and one President's Emergency Plan for Aids Relief (PEPFAR)-ANDA. For the first time, Ranbaxy filed 9 ANDAs in a newly identified specialised area of general injectables (7 of these injectables through Zenotech). These ANDAs also included 3 potential Para-IV First-to-File (FTF) Products. Filings in Canada were significantly ramped up from 1 in 2006 to 9 in 2007.

In the European Union (EU), the Company made filings for 10 products, resulting in 49 National Filings in 12 EU Reference Member States and 4 filings under De-Centralised Procedure in 25 EU Concerned Member States. In addition, 13 products were filed under Mutual Recognition Procedure in 26 EU Concerned Member States.

In line with the increasing focus on Japan, the Company filed 2 products. In the emerging markets covering Brazil, Russia, India, China & South Africa, a total of 98 filings were made, including 9 in Brazil, 35 in Russia (including CIS Countries), 30 in India, 3 in China and 21 in South Africa. 6 products were filed in Australia and New Zealand.

Ranbaxy launched 58 products in India, including 7 Oral Controlled Release Products (OCRS).

Novel Drug Delivery Systems (NDDS)

Ranbaxy filed 4 OCRS with the US FDA and introduced 7 OCRS in India **(Budesonide ER, Didanosine SR, Gabapentin SR, Metoprolol XR, Nitrofurantoin ER, Rabeprazole + Itopride OD, Tamsulosin SR + Tolterodine SR caps)**.

Going forward, the Company intends to bring in greater value addition to its generics portfolio through enhanced emphasis on Complex 'difficult-to-make' products including OCRS, Para IV FTFs and specialised segments such as Biosimilars, Oncology/ Cytotoxics Oral Contraceptives, Respiratory and Dermatology.

During the year, the Company filed 49 patents including 15 patents in the OCRS segment in India, through Pharmaceutical Research alone.

Chemical and Fermentation Research (Active Pharmaceutical Ingredients)

During the year, scale-up and technology transfer was completed for 14 new Active Pharmaceutical Ingredients (APIs). The emphasis has been on developing novel (patentable), safe and environment friendly processes for the production of APIs meeting International quality specifications. The Company also filed 330 Drug Master Files comprising 54 APIs and a key drug intermediate across various countries, and 37 patents in India.

Herbal Drug Research

The Herbal Drug Research division of Ranbaxy successfully launched two products viz. **Chericof Herbal** and **Chyawan Active** (sugar free based traditional Chyawanprash) in the Indian market and three products in the international market viz. **Olesan** Cough syrup for adults and Olesan Cough syrup for kids in Malaysia and **Leav** (a natural sweetener) in UAE.

Ranbaxy continued with the biological activity guided fractionation of medicinal plants through an alliance with Anna University, India. As a result, it has identified two single-plant extracts for Diabetes and Inflammation and has isolated and characterised biologically active compounds. Although none of these compounds is a candidate for further lead optimisation, but they will be used as chemical markers for standardisation of the extracts as well as pharmacodynamic studies. These two extracts show pronounced activities in relevant in-vitro, ex-vivo and in-vivo assays for Diabetes and Inflammation and are currently being profiled for pharmacology and safety. Plans are underway to initiate clinical studies on these extracts.

Ranbaxy has been selected as a Member of the IPC USP Dietary Supplements-Botanicals Advisory Panel for the development of monographs on Indian medicinal plants.

The Company's Herbal Drug Research team has filed 11 patents in 2007.

Dr Himadri Sen,
President, R&D (Generics & NDDS)

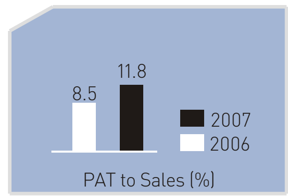
Dr Vijay Kumar Batra,
Sr Vice President, Generics/NDDS/Drug Development

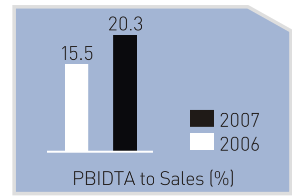
BANKING UPON A NEW VISION

Key Parameters Consolidated

Particulars	UoM	2007	2006	2005
PBIDTA to Sales	%	**20.3**	15.5	7.2
PAT to Sales	%	**11.8**	8.5	5.0
ROCE	%	**16.2**	13.2	5.3
RONW	%	**28.8**	20.3	10.6
Earnings Per Share (Fully diluted)	Rs.	**15.2**	13.2	6.9

PBIDTA -Profit before Interest, Depreciation, Tax and Amortisation
PAT - Profit after Tax
ROCE - Return on Capital Employed
RONW - Return on Net Worth





Financial Review

The year 2007 was another successful year, witnessing robust growth in sales, profits and an all round improvement in the key operating parameters.

Consolidated sales during the year stood at US $ 1,619 Mn (Rs 66,927 Mn), a growth of 21% in dollar terms. Consolidated Profit before Interest, Depreciation, Tax & Amortisation was at Rs 13,581 Mn, reflecting a growth of 45% over 2006. Profit before Tax stood at Rs 9,985 Mn which grew by 53% and Profit after Tax and Minority Interest registered a growth of 52% at Rs 7,745 Mn. Return on Capital employed increased from 13.2% in 2006 to 16.2% in 2007.

Ranbaxy's sales growth was a result of an all-round performance from key geographies comprising North America, Europe and the Asia Pacific region. US remained the largest market with a healthy growth in the base business (excluding First-to-File product sales). Europe recorded a strong performance led by the key markets of Romania, Germany and UK. Growth in the Asia Pacific region was led by India and CIS countries. The performance in the Rest of the World markets was driven by business operations in the African and Latin American continent.

The improved financial performance was also a result of the Company's focused efforts on improving productivity and optimising cost structures across the entire value chain. These are the crucial factors that would enable further growth and strengthen the Company's competitive positioning and market standing in the fast changing and dynamic generics landscape.

The year witnessed stronger cash flows from the business vis-à-vis the prior years. This was led by the higher profits and improved working capital position. Better receivables and inventory management, reflected in gross working capital, reduced by more than 3% of total sales.

Ranbaxy's foreign exchange management strategy enabled the Company to mitigate the impact of significant appreciation in the Rupee vis-à-vis the US dollar. We continue to evaluate and undertake various measures to manage the impact of currency fluctuations as they relate to the business operations.

The momentum of Company's M&A initiatives continued in 2007. Besides concluding its acquisition of Be-Tabs in South Africa, which makes Ranbaxy the 5th largest generic pharmaceutical company in South Africa, the Company acquired 13 Dermatalogy products from Bristol Myers Squibb in the USA. This acquisition further strengthens and extends the franchise of Ranbaxy in the Dermatology arena. Further to consolidate the Company's position in Biologics and specialty injectables, Ranbaxy increased its stake in Zenotech Laboratories Limited from 7% to around 47% currently. The Company also acquired a strategic stake of 14.9% in Jupiter Biosciences Limited, which would provide access to the fast growing and niche therapeutic segment of Peptides.

Ranbaxy will continue to make efforts to strengthen its systems and processes across all key functions, so as to enhance the control and risk management environment across the organisation.

To summarise, we believe that Ranbaxy is in a stronger position with a well spread market presence and good product portfolio. Going forward, the Company's planned investments and judicious resource allocation will help in achieving robust growth.

Omesh Sethi,
Vice President & Head, Global Finance

CREATING AN ENABLING CULTURE

Global Human Resources

At Ranbaxy, we believe in creating a culture of performance and excellence to continually keep our workforce truly engaged and committed. Today the Company has a strong multi-cultural representation of over 12,000 people, from more than 50 nationalities, across 49 countries, working concurrently in different time zones. The combined efforts of Ranbaxy's Global Human Resource team, plays a critical role in the strategic and business growth of the Company. Building on the foundation of robust systems and processes, our goal is to build a shared vision and create an energised organisation by enabling, enriching and empowering our workforce.

The Ranbaxy Human Resources team plays a critical role in this strategic endeavour, focusing on eliciting synergies for effective performance through team engagement initiatives.

Appreciation of talent, respect of human dignity and celebration of success, is core to the Ranbaxy Human Resource philosophy. We encourage our people to think differently. This independence given to our employees early in their careers also sets the base for the expression of individual abilities and creates a culture of recognition and appreciation.

The commitment for perseverance and performance is a key value instilled in our culture. The year 2007 saw the streamlining of our reward philosophy, with the senior leadership moving to a 'Partners in Performance' plan. Significant emphasis has also been placed on managing the career of our people, increasing their ownership in the success of the Company.

In 2007, the Global Appreciate Program was inaugurated with an aim to formalise the Company's approach to recognising achievement and employee contributions in all aspects of business. This program was rolled out globally and now serves as a benchmark to simultaneously communicate with and nurture our people across the world. Going forward, we aim to make appreciation a way of life at Ranbaxy.

In tandem, we have also made a paradigm shift in our philosophy by moving from a mere training intervention approach to a learning solution oriented organisation, where efforts are directed towards acquiring strategic future critical skills.

In order to focus on the need for better work-life balance and facilitate the awareness of well-being, we are inculcating a practice of felicitating moments of joy. Several initiatives such as Fun@Work, *Jadoo ki Jhappi*, get-togethers and other events were organised to encourage employee participation.

Great companies are built by the efforts of resolute and passionate individuals. Our aim is to leverage our human assets and prepare our dynamic talent pool to face the challenges and emerge victorious in their quest for success.

Bhagwat Yagnik,
Vice President & Head, Global Human Resources

TAKING SMILES ACROSS MORE MILES

CORPORATE SOCIAL RESPONSIBILITY AND ENVIRONMENT, HEALTH & SAFETY

RCHS, the company's apex CSR vehicle, provides integrated healthcare at the doorsteps of about 1,75,000 people in 83 villages

The Company's manufacturing sites continued to remain fully compliant with regards to the applicable Environmental Regulations

Corporate Social Responsibility (CSR)

We at Ranbaxy firmly believe that Corporate Social Responsibility is the key towards enhancing the deep symbiotic relationship that exists between us and the communities we constantly engage with.

Ranbaxy Community Health Care Society (RCHS), the Company's apex CSR vehicle, provides free integrated healthcare at the doorstep of about 175000 people in 83 villages, largely identified as 'unserved'.

Ranbaxy today offers a range of curative, preventive and health promotive services, ably supported by laboratory facilities covering areas of maternal child health, family planning, adolescent health, reproductive health and health education including AIDS awareness. The services are delivered through six well-equipped mobile healthcare vans operating in the Indian states of Punjab, Haryana, Himachal Pradesh and Madhya Pradesh.

During the year, community health was monitored through regular mobile field clinics and home visits. The twilight (old) areas witnessed a further reduction in the Birth Rate (BR) and Infant Mortality Rates (IMR) and no maternal death was reported. In the intensive (new) areas too, IMR showed a further decline and the Maternal Mortality Rate (MMR) came down to nil, although there was not much change in the Birth Rate.

Environment, Health & Safety (EHS)

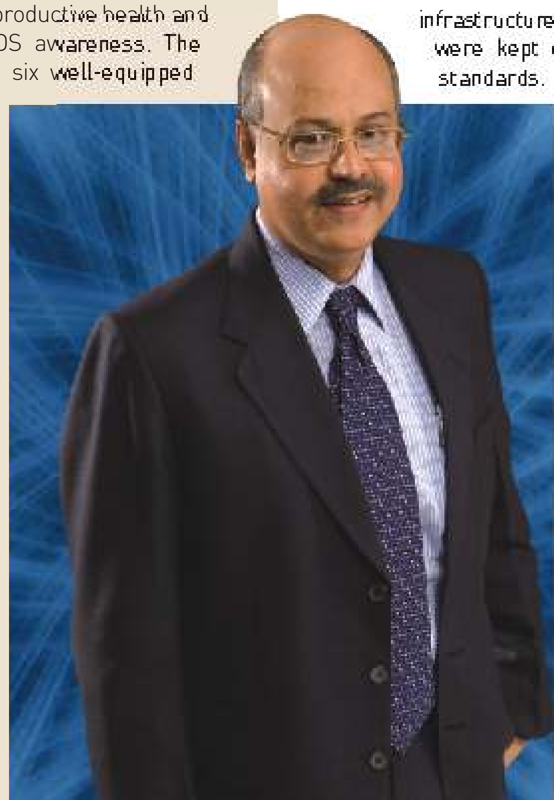
In line with the Company's value statement, 'Managing our operations with a high concern for safety and environment' and to 'Be a responsible corporate citizen,' EHS has been extensively promoted at Ranbaxy with the prime objective of protecting the environment and all internal and external stakeholders including the communities in and around our operating sites.

Environment

The Company's manufacturing sites continued to remain fully compliant with regards to the applicable Environmental Regulations. The equipments and infrastructure for environmental management were kept operational and met regulatory standards.

Occupational Health and Safety

Ranbaxy strongly believes that all workplace illnesses and injuries are preventable and walks the extra mile to ensure that its work centers are safe and protected at all times. Some of the initiatives include round-the-clock safety surveillance and workplace monitoring at key manufacturing sites. External safety audits by the National Safety Council were also successfully conducted at Dewas and Mohali.



Ramesh L Adige,
Executive Director, Corporate Affairs & Global Corporate Communications

1. THE COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

In order to ensure sustainable returns to all stakeholders of the business, it is imperative, especially for large organizations, to adopt and follow certain policies, procedures and processes, which together constitute a "Code of Corporate Governance". It is important that such a Code is institutionalized, to ensure transparency, consistency and uniformity of decision making processes and actions. Ranbaxy has always believed in such a "Sound" Code of Corporate Governance, as a tool for highest standards of management and business integrity and as a result started implementing a series of voluntary initiatives as early as 1999.

Some of these measures included :

– Composition of the Board of Directors (eg. Majority Independent Directors).
– Constitution of various Board Committees for oversight and guidance concerning key decisions and soundness of decision making processes connected with the functioning of the Company.
– Timely dissemination of information to shareholders.
– Code of Conduct.

2. BOARD OF DIRECTORS

Composition as on December 31, 2007

The Board comprises fifteen Directors including Non-Executive Chairman.

Name of the Director	Category / Position	No. of Directorships held in other companies @	No. of Board Committee memberships held in other companies ^
Mr. Harpal Singh, Chairman *	Non-Executive-Non-Independent	5	2
Mr. Vivek Bharat Ram	Non-Executive-Independent	3	1
Mr. Gurcharan Das	-do-	5	-
Dr. P. S. Joshi	- do -	6	2
Mr. Nimesh N. Kampani	- do -	6	4
Mr. Vivek Mehra	- do -	-	-
Mr. Surendra Daulet-Singh	-do-	1	1
Mr. Ravi Mehrotra	-do-	-	-
Mr. V.K. Kaul	-do-	3	1
Mr. Sunil Godhwani **	Non-Executive-Non-Independent	10	5
Mr. Shivinder Mohan Singh	Non-Executive-Non-Independent (Promoter)	10	2
Dr. Brian W. Tempest Chief Mentor and Executive Vice Chairman ***	Executive	-	-
Mr. Malvinder Mohan Singh Chief Executive Officer and Managing Director	Executive (Promoter)	13	8
Mr. Atul Sobti # Chief Operating Officer and Whole-time Director	Executive	-	-
Mr. Ramesh L. Adige Whole-time Director Corporate Affairs & Global Corporate Communications	Executive	1	1

* Elected as Non-Executive Chairman effective April 27, 2007.

** Mr. Sunil Godhwani was appointed as a Director of the Company on April 27, 2007 in the casual vacancy caused by resignation of Mr. Tejendra Khanna and held office of Director upto the conclusion of the Annual General Meeting (AGM) held on May 31, 2007. Subsequent to the AGM, the Board appointed him as an Additional Director of the Company effective May 31, 2007.

*** Retired effective close of business hours on December 31, 2007 on completion of his term. Appointed as an Additional Director (Non-executive) of the Company on January 17, 2008.

\# Appointed on January 18, 2007.

@ Excludes private, foreign companies and companies registered under section 25 of the Companies Act, 1956.

^ Includes Membership of Audit and Shareholders/Investors Grievance and Share Transfer Committees.

3. BOARD MEETINGS

Dates of Board meetings are fixed in advance and agenda papers are circulated to Directors one week before the meeting.

Meetings and Attendance

During the year 2007, **seven** Board Meetings were held : January 18, March 29, April 27, May 31, July 19, October 3 and October 18.

Attendance of Directors at Board Meetings and at the Annual General Meeting (AGM)		
Name of the Director	No. of Board Meetings attended	Whether Attended the AGM held on May 31, 2007
Mr. Tejendra Khanna *	2	-
Mr. Vivek Bharat Ram	7	Yes
Mr. Gurcharan Das	5	No
Mr. Sunil Godhwani	1	No
Dr. P.S. Joshi	7	Yes
Mr. Nimesh N. Kampani	3	No
Mr. V.K. Kaul	7	Yes
Mr. Vivek Mehra	5	No
Mr. Harpal Singh	7	Yes
Mr. Ravi Mehrotra	3	No
Mr. Shivinder Mohan Singh	6	No
Mr. Surendra Daulet-Singh	5	No
Dr. Brian W. Tempest	7	Yes
Mr. Malvinder Mohan Singh	7	Yes
Mr. Atul Sobti	7	Yes
Mr. Ramesh L. Adige	6	Yes

* Resigned w.e.f. April 8, 2007.

4. COMMITTEES OF THE BOARD

(i) Audit Committee

The Audit Committee has been constituted as per Section 292 A of the Companies Act, 1956 and the guidelines set out in the Listing Agreements with the Stock Exchanges. The terms of reference include -

- Overseeing financial reporting processes.
- Reviewing periodic financial results, financial statements and adequacy of internal control systems.
- Approving internal audit plans and reviewing efficacy of the function.
- Discussion and review of periodic audit reports and
- Discussions with external auditors about the scope of audit including the observations of the auditors.

Minutes of meetings of the Audit Committee are circulated to members of the Committee and the Board.

Composition and Attendance

During the year 2007, **five** meetings of the Audit Committee were held : January 17, March 28, April 26, July 18, and October 17.

Name of the Member	No. of Meetings attended
Mr. Tejendra Khanna *	2
Mr. V.K. Kaul, Chairman **	5
Mr. Nimesh N. Kampani	3
Mr. Vivek Mehra	3
Mr. Ravi Mehrotra	3
Mr. Harpal Singh	4
Permanent Invitees	
Dr. Brian W. Tempest	4
Mr. Malvinder Mohan Singh	5
Mr. Atul Sobti ***	2

* Resigned w.e.f. April 8, 2007.

** Appointed as Chairman of the Committee w.e.f. April 27, 2007

*** Inducted as a Permanent Invitee of the Committee w.e.f. April 27, 2007.

Members of the Audit Committee have requisite financial and management expertise and have held or hold senior positions in reputed organizations.

The Statutory Auditors, Internal Auditor and the Chief Financial Officer/Vice President & Head Global Finance are invited to attend and participate at meetings of the Committee.

The Company Secretary acts as the Secretary to the Committee.

(ii) Management Committee

Terms of Reference of the Management Committee include -

- Review and approval of business strategies and policies, merger and acquisition proposals, medium terms plans and annual budgets.
- Review operating performance for the global organization.
- Approval of processes and practices relating to human resources, succession planning for senior management personnel.
- Review policies, processes and systems on Environment, Safety and Ecology.

Minutes of meetings of the Management Committee are circulated to members of the Committee and the Board.

Composition and Attendance

During the year 2007, **five** meetings of the Management Committee were held: January 17, March 16, April 26, July 18 and October 17.

Name of the Member	No. of Meetings attended
Mr. Tejendra Khanna *	2
Mr. Harpal Singh, Chairman **	5
Mr. Vivek Bharat Ram	5
Mr. Gurcharan Das	3
Mr. Nimesh N. Kampani	2
Mr. Surendra Daulet-Singh	3
Permanent Invitees	
Dr. Brian W. Tempest	4
Mr. Malvinder Mohan Singh	5
Mr. Atul Sobti ***	5

* Resigned w.e.f. April 8, 2007

** Appointed as Chairman of the Committee w.e.f. April 27, 2007

*** Inducted as a Permanent Invitee of the Committee w.e.f. April 27, 2007

(iii) Compensation Committee

Terms of Reference of the Compensation Committee include:

- Administration and superintendence of Employees Stock Option Schemes (ESOS).
- Formulation of the detailed terms and conditions of the ESOS.
- Grant of stock options.
- Recommendation for fixation and periodic revision of compensation of the Managing Director and Executive Directors to the Board for approval and Review and approve compensation policy (including performance bonus, incentives, perquisites and benefits) for senior management personnel.

Minutes of meetings of the Compensation Committee are circulated to members of the Committee and the Board.

Composition and Attendance

During the year 2007, **two** meetings of the Compensation Committee were held : January 17 and March 28.

Name of the Member	No. of Meetings attended
Mr. Tejendra Khanna *	2
Mr. Vivek Bharat Ram, Chairman**	2
Mr. Nimesh N. Kampani	2
Mr. V.K. Kaul	2
Mr. Harpal Singh	2
Mr. Surendra Daulet-Singh	2
Permanent Invitees	
Dr. Brian W. Tempest	1
Mr. Malvinder Mohan Singh	2

* Resigned w.e.f. April 8, 2007.

** Appointed as Chairman of the Committee w.e.f. April 27, 2007

Remuneration Policy

The Remuneration Policy of the Company for managerial personnel is primarily based on the following criteria :

- Performance of the Company, its divisions and units.
- Track record, potential and performance of individual managers and
- External competitive environment.

Remuneration of Directors

Remuneration of Executive Directors is decided by the Board based on recommendations of the Compensation Committee as per the remuneration policy of the Company, within the ceilings fixed by the shareholders. Remuneration of the Executive Directors for the year ended December 31, 2007 was as follows :

Executive Directors

Name of the Director	Salary & Allowances	Commission	Perquisites	Retiral Benefits*	Stock Options ** (granted on 17-1-2007)	Service Contract	
						Tenure	Notice Period
	———— Rs.Lacs ————						
Dr. Brian W. Tempest	322.04	255.00	64.92	27.91	40,000	Up to 31.12.07	12 months
Mr. Malvinder Mohan Singh	900.18	1000.00	9.21	49.19	–	Up to 17.01.11	12 months
Mr. Atul Sobti	201.75	150.00	0.52	8.81	20,000	Up to 17.01.12	12 months
Mr. Ramesh L. Adige	71.01	35.00	0.42	3.30	10,000	Up to 17.01.10 subject to super annuation policy of the Company.	12 months

* Exclusive of provision for future liabilities in respect of retirement benefits (which are based on actuarial valuation done on overall Company basis).

** Each vested option is exercisable into one fully paid-up Equity Share against payment of Rs. 430 per share. Market price of the share on January 16, 2007 was Rs. 429.65 per share; hence stock options were not at a discount. The options granted are exercisable till expiry of ten years from the date of grant. Vesting period will commence on the expiry of one year from the date of grant of options and the entitlement will be in the graduated scale over a period of five years as provided in the Employees Stock Option Scheme of the Company.

Remuneration to Non-executive Directors

Remuneration to Non-Executive Directors comprises commission and sitting fees.

Commission is paid on the basis of

a. Membership of the Board and

b. The number of Committees of the Board that they serve as members.

Remuneration paid to the Non-Executive Directors for the year ended December 31, 2007 was as follows:

Name of the Director	Commission (Rs.Lacs)	Sitting Fees (Rs.Lacs)
Mr. Harpal Singh	17.00	4.00
Mr. Vivek Bharat Ram	14.00	3.40
Mr. Gurcharan Das	11.00	1.80
Mr. Sunil Godhwani	2.50	0.25
Dr. P.S. Joshi	8.00	1.80
Mr. Nimesh N. Kampani	14.00	2.00
Mr. V.K. Kaul	14.00	4.40
Mr. Vivek Mehra	8.00	1.60
Mr. Shivinder Mohan Singh	5.00	1.20
Mr. Surendra Daulet-Singh	11.00	2.00

Mr. Ravi Mehrotra does not accept payment of commission / sitting fee in view of the policy of his organization.

Details of Shareholding of Non-Executive Directors as on December 31, 2007

Name of the Director	No. of Shares held
Mr. Harpal Singh	–
Mr. Vivek Bharat Ram	–
Mr. Gurcharan Das	–
Mr. Sunil Godhwani	–
Dr. P.S. Joshi	–
Mr. Nimesh N. Kampani	–
Mr. Ravi Mehrotra	–
Mr. V.K. Kaul	200
Mr. Vivek Mehra	–
Mr. Shivinder Mohan Singh	2,120,742
Mr. Surendra Daulet-Singh	9348

(iv) Science Committee

Terms of Reference of Science Committee include -

- Approval of focus areas of research, especially New Drug Discovery Research (NDDR) and Novel Drug Delivery Systems (NDDS), R&D organizational structure and policies for the research and development function of the Company; and
- Monitoring progress of NDDR and NDDS programmes and laying down a policy framework for collaborative R&D programmes.

Minutes of meetings of the Science Committee are circulated to members of the Committee and the Board.

Composition and Attendance

During the year 2007, **two** meetings of the Science Committee were held : April 26 and October 17.

Name of the Member	No. of Meetings attended
Dr. P.S. Joshi, Chairman	2
Mr. Tejendra Khanna *	-
Dr. Brian W. Tempest	2
Mr. Vivek Bharat Ram	2
Mr. Gurcharan Das	1
Mr. V.K. Kaul	2
Mr. Malvinder Mohan Singh	2
Mr. Harpal Singh **	1
Permanent Invitees	
Dr. Nityanand	2
Mr. Atul Sobti ***	1

* Resigned w.e.f. April 8, 2007

** Co-opted as member of the Committee w.e.f. April 27, 2007

*** Inducted as a Permanent Invitee of the Committee w.e.f. April 27, 2007

(v) Shareholders/Investors Grievance and Share Transfer Committee

Composition and Attendance

During the year 2007, **seven** meetings of the Committee were held - February 5, March 14, May 8, June 12, August 13, October 10 and December 21.

Name of the Member	No. of Meetings attended
Mr. Tejendra Khanna *	2
Mr. Harpal Singh, Chairman **	5
Mr. Vivek Bharat Ram	5
Mr. V.K. Kaul	7
Mr. Malvinder Mohan Singh ***	5

* Resigned w.e.f. April 8, 2007.

** Co-opted as a member and appointed as Chairman of the Committee w.e.f. April 27, 2007

*** Co-opted as a member of the Committee w.e.f. April 27, 2007

The Company addresses all complaints, suggestions and grievances expeditiously and replies have been sent/ issues resolved usually within 15 days except in case of dispute over facts or other legal constraints.

The Company received 73 shareholders' complaints which inter-alia include non-receipt of dividend, annual report, split shares, etc. The complaints were duly attended to and the Company has furnished necessary documents/information to the shareholders.

The Shareholders/Investors Grievance and Share Transfer Committee reviews complaints received and action taken by the Company in this regard.

No requests for share transfers are pending except those that are disputed or sub-judice.

Mr. S.K. Patawari, Company Secretary is the Compliance Officer of the Company.

5. GENERAL BODY MEETINGS

Details of the Annual General Meetings held in the last three years :

Year	Date	Day	Time	Venue	Special Resolutions Passed
2005	30-6-2005	Thursday	11.00 A.M.	The National Institute of Pharmaceutical Education & Research, Sector 67, S.A.S. Nagar, Punjab	- Approval under Section 81(1A) of the Companies Act, 1956 for issuance up to 40 lacs stock options under Employees' Stock Option Scheme of the Company. - Sub-division of Equity Shares of the face value of Rs. 10 each into 2 equity shares of Rs.5 each and consequent amendments to the Memorandum and Articles of Association of the Company.
2006	28-6-2006	Wednesday	11.00 A.M.	The National Institute of Pharmaceutical Education & Research, Sector 67, S.A.S. Nagar, Punjab	No Special Resolution
2007	31-5-2007	Thursday	11.00 A.M.	The National Institute of Pharmaceutical Education & Research, Sector 67, S.A.S. Nagar, Punjab	No Special Resolution

6. CODE OF CONDUCT

The Code of Conduct for the Directors and Employees of the Company is posted on the website of the Company.

Declaration as required under Clause 49 of the Listing Agreement

All Directors and Senior Management personnel of the Company have affirmed compliance with the provisions of the Ranbaxy's Code of Conduct for the financial year ended December 31, 2007.

Malvinder Mohan Singh
CEO & Managing Director

Gurgaon, Haryana
March 28, 2008

7. Certificate from CEO and Vice President & Head Global Finance

Certificate from CEO and Vice President & Head Global Finance for the financial year ended December 31, 2007 has been provided elsewhere in the Annual Report.

8. DISCLOSURES

A. Related Party Transactions

The Company has not entered into any transaction of material nature with the promoters, the Directors or the management, their subsidiaries or relatives etc. that may have any potential conflict with the interests of the Company.

B. Compliances by the Company

During the last three years, no penalties or strictures have been imposed on the Company by the Stock Exchanges or SEBI or any other statutory authorities on matters related to capital markets.

C. The Company has complied with all the mandatory requirements and has adopted non-mandatory requirements as per details given below :

(1) **The Board**

The Company maintains the Office of the Non-Executive Chairman at its Corporate Office at Plot No. 90, Sector 32, Gurgaon-122001 (Haryana) and also reimburses the expenses incurred in performance of his duties.

There is no fixed tenure for Independent Directors.

(2) **Remuneration Committee**

The Company has constituted Compensation Committee as detailed in 4(iii) hereinabove. The Chairman of the Compensation Committee is an Independent Director and was present at the last Annual General Meeting.

(3) **Shareholders' Rights**

The quarterly financial results are published in the newspapers as mentioned under the heading "Means of Communication" at Sl. No. 9 hereinbelow and also displayed on the website of the Company. The results are not separately circulated to the shareholders.

(4) **Audit qualifications**

There are no audit qualifications in the Company's financial statements for the year under reference.

(5) **Training of Board Members**

No specific training programme was arranged for Board members. However, at the Board/ Committee meetings detailed presentations are made by Professionals, Consultants as well as Senior Executives of the Company on the business related matters, risk assessment, strategy, effect of the regulatory changes etc.

(6) **Mechanism for evaluating non-executive Board Members**

The Company has not adopted any mechanism for evaluating individual performance of Non-Executive Directors.

(7) **Whistle Blower Policy**

The Company has laid down a Code of Conduct for all its employees across the organisation. The Code of Conduct of the Company lays down that the employees shall promptly report any concern or breach and suggests not to hesitate in reporting a violation or raising a policy concern to the Code Compliance Cell or concerned superior. The Code provides that the Company shall support and protect employees for doing so. The Company does not have Whistle Blower Policy.

9. MEANS OF COMMUNICATION

(a) The Company regularly intimates unaudited as well as audited financial results to the Stock Exchanges immediately after these are taken on record by the Board. These financial results are normally published in the Business Standard/Financial Express, the Tribune (Punjabi Edition) and are displayed on the website of the Company www.ranbaxy.com and simultaneously posted on the Electronic Data Information Filing and Retrieval website namely www.sebiedifar.nic.in. The website is also accessible through a hyperlink 'EDIFAR' from SEBI's official website, www.sebi.gov.in. Further in compliance of Clause 52 of the Listing Agreement, the above information and other communications sent to Stock Exchanges have also been filed under Corporate Filing Dissemination System (CFDS) and are available at website, www.corpfiling.com.

The official news releases and the presentations made to the investors/analysts are also displayed on the Company's website.

(b) Management Discussion and Analysis Report forms part of the Report of the Directors.

10. SHAREHOLDER INFORMATION

Annual General Meeting

Date	:	May 30, 2008
Time	:	11.00 A.M.
Venue	:	The National Institute of Pharmaceutical Education and Research (NIPER) Sector-67, S.A.S. Nagar (Mohali) - 160 062 (Punjab)

No Special resolution is proposed to be passed by Postal ballot at the aforesaid Annual General Meeting.

Financial Calendar -

Adoption of Quarterly Results for the quarter ending	**3rd / 4th week of**
June 30, 2008	July 2008
September 30, 2008	October 2008
December 31, 2008	January 2009
March 31, 2009	April 2009

Book Closure Dates

May 23, 2008 to May 30, 2008
(both days inclusive)

Dividend Payment Date

On or before June 4, 2008

LISTING ON STOCK EXCHANGES

The Equity Shares of the Company are listed on the Bombay Stock Exchange Ltd. and National Stock Exchange of India Ltd. at Mumbai. Global Depository Receipts (GDRs) are listed on the Stock Exchange at Luxembourg. Foreign Currency Convertible Bonds (FCCBs) have been listed with the Singapore Exchange Securities Trading Limited.

The Company has paid annual listing fees due to the Stock Exchanges for the year 2007-2008.

STOCK CODE

1.	The National Stock Exchange of India Ltd.	-	Ranbaxy
2.	Bombay Stock Exchange Ltd.	-	359 (Physical) 500359 (Demat)

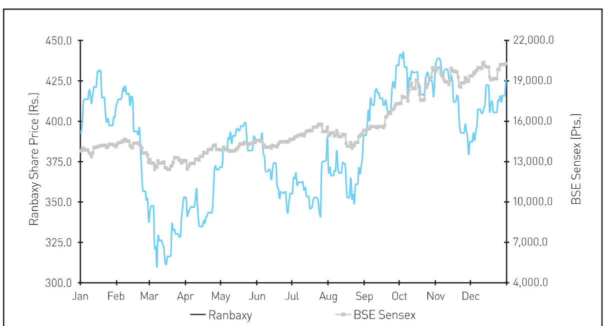
REGISTRAR AND TRANSFER AGENT

M/s Alankit Assignments Ltd. (Alankit), 2E/8, 1st Floor, Jhandewalan Extension, New Delhi-110 055 are the Registrar and Share Transfer Agent for physical shares of the Company. Alankit is also the depository interface of the Company with both National Securities Depository Ltd. (NSDL) and Central Depository Services (India) Ltd. (CDSL).

However, keeping in view the convenience of shareholders, documents relating to shares will continue to be received by the Company at Corporate Office of the Company at Plot No. 90, Sector 32, Gurgaon-122001 (Haryana) Tel No. 91-124-4135000, Registered Office at A-11, Industrial Area, Sahibzada Ajit Singh Nagar (Mohali)-160055, (Punjab) and Head Office at 12th Floor, Devika Tower, 6, Nehru Place, New Delhi-110019 Tel No. +91-11-26237508;
email address: secretarial@ranbaxy.com.

Market Price Data (Rs.)				
Month	**Bombay Stock Exchange (BSE)**		**National Stock Exchange (NSE)**	
	High	**Low**	**High**	**Low**
January 2007	445.00	390.00	444.90	383.35
February 2007	426.00	335.00	426.00	325.25
March 2007	355.05	305.50	359.80	304.50
April 2007	376.00	330.00	376.40	329.15
May 2007	406.50	372.15	406.95	372.00
June 2007	394.00	341.50	394.90	341.95
July 2007	392.80	339.50	392.70	339.25
August 2007	393.85	342.25	393.90	342.00
September 2007	436.40	391.00	435.50	392.00
October 2007	459.15	390.00	459.80	391.10
November 2007	490.00	376.00	457.85	370.05
December 2007	428.50	385.00	449.95	360.40

Stock Price Performance - Ranbaxy Vs BSE Sensex
Year 2007



Note : Based on daily closing data of the BSE Sensex (Pts.) and Ranbaxy (Rs. Per share)

SHARE TRANSFER SYSTEM

With a view to expedite the process of share transfers, the Board of Directors of the Company has delegated the power of share transfer to some of the Directors with appropriate individual limits. The delegated Director(s) attend(s) to the share transfer formalities at least once in a fortnight. The shares for transfers received in physical form are transferred expeditiously, provided the documents are complete and the shares under transfer are not under any dispute. The share certificates duly endorsed are returned immediately to shareholders. Confirmation in respect of the requests for dematerialisation of shares is sent to the respective depositories i.e. NSDL and CDSL expeditiously.

DEMATERIALIZATION OF SHARES

The shares of the Company are in compulsory demat segment and are available for trading in the depository systems of both NSDL and CDSL. As on December 31, 2007, 362,497,986 Equity Shares of the Company, forming 97.17% of the Share Capital of the Company, stand dematerialised.

International Securities Identification Number - INE015A01028 (with NSDL and CDSL)

Shareholding Pattern as on December 31, 2007

Category	No. of Shares held	Percentage of Shareholding (%)
Promoters	129936214	34.83
Mutual Funds & UTI	18927418	5.07
Banks, Financial Institutions, Insurance Companies	75196255	20.16
FIIs	52041745	13.95
Private Corporate Bodies	11339626	3.04
Indian Public	69103724	18.52
Foreign Nationals	5136	0.00
NRIs/OCBs	5711969	1.53
GDRs	10808742	2.90
Grand Total	**373070829**	**100.00**

Distribution of Shareholding as on December 31, 2007

From To	No. of Shareholders		No. of Shares	
	Number	**% Total**	**Number**	**% Total**
1 - 50	98990	50.40	2589898	0.69
51 - 100	33765	17.19	3005522	0.80
101 - 200	20237	10.30	3307571	0.89
201 - 300	7858	4.00	2064492	0.55
301 - 400	6316	3.21	2228301	0.60
401 - 500	4453	2.27	2110661	0.57
501 - 600	2760	1.40	1549235	0.41
601 - 700	2352	1.20	1537595	0.41
701 - 800	1682	0.86	1288371	0.34
801 - 900	1165	0.59	1001584	0.27
901 - 1000	2218	1.13	2170345	0.58
1001 - 2000	7142	3.64	10395924	2.79
2001 - 3000	2801	1.43	6938212	1.86
3001 - 4000	1469	0.75	5057543	1.36
4001 - 5000	771	0.39	3494017	0.94
5001 & above	2434	1.24	324331558	86.94
Total	**196413**	**100.00**	**373070829**	**100.00**

Liquidity of Shares

The Equity Shares of the Company have been included in the Sensex of the leading Stock Exchanges.

Outstanding Stock Options

Number of Stock Options outstanding as on December 31, 2007 - 7,168,956 *

Out of which 82,830 Stock Options exercised were pending allotment.

* Options granted upto October 3, 2002 are entitled for additional shares on a proportionate basis in view of issue of bonus shares by the Company in the ratio of 3 for 5 in October 2002.

There are no outstanding warrants as on December 31, 2007.

The Company had raised US$ 440,000,000 in the year 2006 through Zero Coupon Convertible Bonds. The Bonds are convertible any time on or after April 27, 2006 upto March 8, 2011 by the holders into fully paid Equity Shares of Rs. 5 each of the Company, which may subject to certain conditions, be represented by Global Depository Shares (GDS) with each GDS representing one share at a conversion price of Rs. 716.32 per share, which is subject to adjustment in certain circumstances. In case if the Bonds are not converted into shares, the Company will redeem each Bond at 126.765% of its principal amount on the maturity date i.e. March 18, 2011.

10,808,742 GDRs representing 10,808,742 Equity Shares of Rs. 5 each constituting 2.90% of the issued subscribed and paid-up share capital of the Company, were outstanding as on December 31, 2007.

Plant Locations of the Company

1. A-8, A-9, A-10 & A-11, Industrial Area, Phase - III, Sahibzada Ajit Singh Nagar, (Mohali) – 160 055 (Punjab)
2. Village Toansa, P.O. Railmajra, Distt. Nawansahar (Punjab), 144 533
3. A-41, Industrial Area Phase VIII-A, Sahibzada Ajit Singh Nagar, (Mohali) – 160 072 (Punjab)
4. Industrial Area 3, A.B. Road, Dewas – 450 001, Madhya Pradesh
5. Village & PO Ganguwala Teh. Paonta Sahib 173 025, Distt. Sirmour (H.P.)
6. Village Batamandi Tehsil Paonta Sahib - 173 025, Distt. Sirmour (H.P.)
7. E-47/9, Okhla Industrial Area Phase-II, Okhla, New Delhi - 110 020
8. Plot No. B-2, Madkaim Industrial Estate, Ponda, Goa
9. K-5, 6, 7, Ghirongi, Malanpur, Distt. Bhind - 477 116, (M.P.)

Address for Correspondence

Shareholders are requested to contact -
Mr. S. K. Patawari
Company Secretary
Ranbaxy Laboratories Ltd.
Plot No. 90, Sector 32, Gurgaon – 122 001, Haryana
Tel. No. : 91-124-4185888, 4135000.
Fax No.: 91-124-4106490
Email address : secretarial@ranbaxy.com

Auditors' certificate on compliance with the conditions of corporate governance under clause 49 of the listing agreements

To the members of
Ranbaxy Laboratories Limited

We have examined the compliance of conditions of corporate governance by Ranbaxy Laboratories Limited ("the Company") for the year ended on December 31, 2007, as stipulated in clause 49 of the listing agreements of the Company with the stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company, for ensuring the compliance of the conditions of corporate governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of corporate governance as stipulated in the abovementioned listing agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For Walker, Chandiok & Co
Chartered Accountants

Vinod Chandiok
Partner
Membership No. 10093

Place : Gurgaon
Dated : March 28, 2008

CERTIFICATE FROM CEO AND VICE PRESIDENT & HEAD-GLOBAL FINANCE

To the Board of Directors of Ranbaxy Laboratories Ltd.

We, Malvinder Mohan Singh, CEO & Managing Director and Omesh Sethi, Vice President & Head-Global Finance certify that :

(a) We have reviewed financial statements and the cash flow statement for the year ended December 31, 2007 and that to the best of our knowledge and belief :

   (i) these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

   (ii) these statements together present a true and fair view of the Company's affairs and are in compliance with existing Accounting Standards, applicable laws and regulations.

(b) There are, to the best of our knowledge and belief, no transactions entered into by the Company during the year which are fraudulent, illegal or violative of the Company's Code of Conduct.

(c) We accept responsibility for establishing and maintaining internal controls for financial reporting and have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.

(d) We have indicated to the Auditors and the Audit Committee that -

   (i) there has not been any significant changes in internal control over financial reporting during the year under reference;

   (ii) there has not been any significant changes in accounting policies during the year requiring disclosure in the notes to the financial statements; and

   (iii) there has not been any instances during the year of significant fraud of which we had become aware and the involvement therein, if any, of the management or an employee having a significant role in the Company's internal control system over financial reporting.

Malvinder Mohan Singh *CEO & Managing Director*	Omesh Sethi *Vice President & Head* *Global Finance*

Place : Gurgaon
Date : March 28, 2008

Mr. Harpal Singh
Non-Executive Chairman

Mr. Vivek Bharat Ram

Mr. Gurcharan Das

Mr. Sunil Godhwani

Dr. P.S. Joshi

Mr. Nimesh N. Kampani

Mr. V.K. Kaul

Mr. Vivek Mehra

Mr. Ravi Mehrotra

Mr. Shivinder Mohan Singh

Mr. Surendra Daulet-Singh

Dr. Brian W. Tempest

Mr. Malvinder Mohan Singh
Chief Executive Officer and Managing Director

Mr. Atul Sobti
Chief Operating Officer & Whole-time Director

Mr. Ramesh L. Adige
Whole-time Director – Corporate Affairs &
Global Corporate Communications

SECRETARY
Mr. S. K. Patawari

REGIONAL HEADQUARTERS
Gurgaon (India), London (UK), Johannesburg (South Africa), New Jersey (USA)
Rio de Janerio (Brazil), Singapore (Singapore)

MARKETING OFFICES
Doula (Cameroon), Kiev (Ukraine), Moscow (Russia), Ho Chi Minh City (Vietnam), Kaunas (Lithuania), Nairobi (Kenya)
Abidjan (Ivory Coast), Warsaw (Poland), Yangon (Myanmar), Almaty (Kazakhstan), Dubai (UAE),
Harare (Zimbawe), Casablanca (Morocco), Sofia (Bulgaria)

STATUTORY AUDITORS
Walker, Chandiok & Co, L-41, Connaught Circus, New Delhi - 110 001

INDEPENDENT AUDITORS (US GAAP)
Grant Thornton, L-41, Connaught Circus, New Delhi - 110 001

SOLICITORS
Khaitan Jayakar Sud & Vohra, D-41, Defence Colony, New Delhi-110024

BANKERS
ABN AMRO Bank NV, Bank of America NA, Calyon Bank, Citibank NA, Deutsche Bank AG
Hong Kong & Shanghai Banking Corporation, Punjab National Bank, Standard Chartered Bank

REGISTERED OFFICE
A-11, Industrial Area, Sahibzada Ajit Singh Nagar (Mohali) - 160 055, Punjab (India)
Ph : (91-172) 2271450. Fax : (91-172) 2226925

CORPORATE OFFICE
Plot No. 90, Sector 32, Gurgaon – 122 001, Haryana (India) Ph : (91-124) 4135000. Fax : (91-124) 4135001

HEAD OFFICE
12th Floor, Devika Tower, 6, Nehru Place, New Delhi - 110 019 (India) Ph : (91-11) 26452666. Fax : (91-11) 26225987

Your Directors have pleasure in presenting this 47th Annual Report and Audited Accounts for the year ended 31st December, 2007.

WORKING RESULTS

Rs. in Million

	Year ended December 31, 2007	Year ended December 31, 2006
Net Sales	**40,712.87**	39,720.51
Profit before Interest, Depreciation, Amortization and Impairment	**9,865.63**	6,081.70
Interest	**934.26**	584.44
Depreciation, Amortization and Impairment	**1,187.31**	1,067.50
Profit before Tax	**7,744.06**	4,429.76
Provision for Tax	**1,566.86**	624.33
Profit After Tax	**6,177.20**	3,805.43
Tax - earlier years	**–**	145.84
Balance as per last balance sheet	**471.18**	560.34
Transfer from Foreign projects reserve	**24.87**	22.95
Balance available for appropriation	**6,673.25**	4,534.56
Appropriations:		
Dividend		
Interim	**932.12**	3,168.94
Final	**2,239.42**	–
Tax on Dividend	**539.02**	444.44
Transfer to :		
General Reserve	**800.00**	450.00
Surplus carried forward	**2,162.69**	471.18
	6,673.25	4,534.56

CONSOLIDATED WORKING RESULTS (UNDER INDIAN GAAP)

	Year ended December 31, 2007	Year ended December 31, 2006
Net Sales	**66,926.74**	60,652.24
Profit before Interest, Depreciation, Amortization and Impairment	**13,580.64**	9,389.54
Interest	**1,411.88**	1,036.32
Depreciation, Amortization and Impairment	**2,183.41**	1,842.88
Profit before Tax	**9,985.35**	6,510.34
Provision for Tax	**2,118.86**	1,356.74
Profit After Tax	**7,866.49**	5,153.60
Add: Share in profit & loss of associates (Net)	**2.10**	–
Less: Minority Interests	**123.74**	50.21
Profit After Tax and Minority Interests	**7,744.85**	5,103.39
Tax - earlier years	**1.01**	148.06
Balance as per last balance sheet	**2,464.96**	1,253.94
Transfer from Foreign projects reserve	**24.87**	22.95
Balance available for appropriation	**10,235.69**	6,528.34
Appropriations:		
Dividend		
Interim	**932.13**	3,168.94
Final	**2,239.42**	–
Tax on Dividend	**539.02**	444.44
Transfer to :		
General Reserve	**800.00**	450.00
Surplus carried forward	**5,725.12**	2,464.96
	10,235.69	6,528.34

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Financial Statements for the year ended December 31, 2007, under Indian GAAP and US GAAP form part of the Annual Report.

OPERATIONS

The Company had a successful year registering an improved performance on the key parameters. Consolidated net sales at Rs. 66,927 millions grew by 10.3% in 2007, while Profit After Tax registered a robust growth of 53% over the previous year. The performance during the year was driven by growth in sales of dosage forms across developed and emerging markets, increased operating efficiencies, a continuing focus on cost optimization and better management of working capital.

Dosage form sales constituted 94% of global sales in 2007 (91% in 2006) reflecting the Company's focus on moving up the value curve. Overseas markets contributed 78% of total sales.

DIVIDEND

Interim Dividend of Rs.2.50 per share was paid in November, 2007. Your Directors now recommend a final dividend of Rs. 6.00 per share for the year ended December 31, 2007, taking the total dividend to Rs. 8.50 per share of par value of Rs. 5 each (2006 - total dividend Rs.8.50 per share).

CHANGES IN CAPITAL STRUCTURE

Issue of shares on exercise of Employees' Stock Options

The Company allotted Equity Shares (on pari-passu basis) pursuant to exercise of Stock Options by eligible employees, as summarized below:

Date of Allotment	No. of Shares
April 13, 2007	81,658
July 12, 2007	95,384
October 10, 2007	114,966
January 10, 2008	82,830

SUBSIDIARIES AND JOINT VENTURES

A statement pursuant to section 212 of the Companies Act, 1956, relating to subsidiary companies is attached to the accounts. In terms of approval granted by the Central Government under section 212(8) of the Companies Act, 1956, the audited accounts of the subsidiary companies are not attached to this Annual Report. However, the consolidated financial statements prepared in accordance with Accounting Standard 21 of the Institute of Chartered Accountants of India presented in this Annual Report includes the financial information of subsidiary companies.

MERGER & ACQUISITIONS

1. Demerger of New Drug Discovery Research Unit

The Board of Directors of the Company at its meeting held on February 19, 2008, approved a Scheme of Arrangement for Demerger (Scheme) of New Drug Discovery Research (NDDR) Unit of the Company into Ranbaxy Life Sciences Research Limited ("RLS"), a subsidiary of the Company, subject to requisite approvals. The Appointed Date for the purpose of demerger has been fixed as 1st January 2008. Under the Scheme, shareholders of the Company will be entitled to receive one equity share of Re. 1.00 each of RLS without any payment for every four equity shares of Rs. 5.00 each held in the Company as on the Record Date to be fixed for this purpose. This is a significant step in creating an independent pathway for NDDR with dedicated resources and an enhanced focus for long-term growth. In terms of the Listing Agreements with the stock exchanges, The National Stock Exchange of India Ltd. and Bombay Stock Exchange Limited have conveyed their "No Objection" to the Scheme.

2. Zenotech Laboratories Limited

The Company increased its equity stake in Zenotech Laboratories Ltd., Hyderabad, from 6.94% to 46.95%. This would provide a strong platform in high growth areas like Biologics and Speciality injectables including Oncology products, across emerging and developed markets to the Company.

3. Jupiter BioSciences Limited

The Company acquired a strategic stake of 14.9% in Jupiter Biosciences Limited, Hyderabad, through equity warrants. The total investment for this would be Rs. 470 million. This would provide the Company access to the fast growing and niche therapeutic segment of Peptides.

4. Be-Tabs Pharmaceuticals (Proprietary) Limited (South Africa)

The Company concluded the acquisition of Be-Tabs in South Africa through Ranbaxy Netherlands B.V (RNBV), a wholly owned subsidiary of the Company. This has resulted in making Ranbaxy the fifth largest generic pharmaceutical company in South Africa.

5. Dermatalogy Brands of Bristol Myers Squibb(USA)

The Company, through RNBV acquired 13 dermatalogy products from Bristol Myers Squibb (BMS) in the USA for consideration of US $ 26 Mn. This has further strengthened and extended the franchise of the Company in the dermatology arena.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

Management Discussion and Analysis Report, as required under the Listing Agreements with the Stock Exchanges, is enclosed at Annexure 'A'.

EMPLOYEES' STOCK OPTION SCHEME

Information regarding the Employees' Stock Option Scheme is enclosed at Annexure 'B'.

LISTING AT STOCK EXCHANGE

The Equity Shares of the Company continue to be listed on Bombay Stock Exchange Ltd. and The National Stock Exchange of India Ltd. Global Depository Shares are listed on the Stock Exchange at Luxembourg and Foreign Currency Convertible Bonds are listed on the Singapore Exchange Securities Trading Limited. The annual listing fees for the year 2007-2008 have been paid to these Exchanges.

DISCLOSURE OF PARTICULARS

As required by the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules 1988, the relevant information and data is given at Annexure 'C'.

FIXED DEPOSITS

The Company has not invited / received any fixed deposits during the year.

DIRECTORS' RESPONSIBILITY STATEMENT

In terms of provisions of Section 217(2AA) of the Companies Act, 1956, (Act) your Directors confirm that:

(i) In the preparation of the annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departures, wherever applicable.

(ii) The Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at the end of the accounting year and of the profit of the Company for the year.

(iii) The Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of this Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.

(iv) The Directors have prepared the annual accounts on a going concern basis.

DIRECTORS

Mr. Harpal Singh was elected as Non-Executive Chairman of the Board of Directors effective April 27, 2007 consequent to resignation of Mr. Tejendra Khanna from the position of Chairman and Director on his appointment as Lieutenant Governor of Delhi.

Dr. Brian W. Tempest retired as Chief Mentor and Executive Vice Chairman of the Board of Directors of the Company effective close of business hours on December 31, 2007 on completion of his term. He was subsequently appointed as an Additional Director (Non-executive) of the Company effective January 17, 2008 and holds office upto the date of this Annual General Meeting.

Mr. Shivinder Mohan Singh was appointed as a Director of the Company effective January 18, 2006 in the casual vacancy caused by resignation of Mr. J.W. Balani and holds office upto the date of this Annual General Meeting.

Mr. Sunil Godhwani was appointed as a Director of the Company on April 27, 2007 in the casual vacancy caused by resignation of Mr. Tejendra Khanna and held office of Director upto the conclusion of the Annual General Meeting (AGM) held on May 31, 2007. Subsequent to the AGM, the Board appointed him as an Additional Director of the Company effective May 31, 2007.

The Company has received Notices along with requisite fee from members under Section 257 of the Companies Act, 1956 proposing the candidatures of Dr. Brian W. Tempest, Mr. Shivinder Mohan Singh and Mr. Sunil Godhwani as Directors of the Company.

In accordance with the Articles of Association of the Company, Mr. Surendra Daulet-Singh, Mr. Nimesh N. Kampani, Mr. Harpal Singh and Mr. V. K. Kaul, retire by rotation as Directors at the ensuing Annual General Meeting and are eligible for re-appointment.

CORPORATE GOVERNANCE

Report on Corporate Governance along with the Certificate of the Auditors, M/s Walker, Chandiok & Co. confirming compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreements with the stock exchanges form part of the Annual Report.

COST AUDIT

The reports of M/s R.J. Goel & Co., Cost Accountants, in respect of audit of the cost accounts relating to formulations and bulk drugs for the year ended December 31, 2007, will be submitted to the Central Government in due course.

AUDITORS

M/s Walker, Chandiok & Co., Chartered Accountants, retire as Auditors of the Company at the conclusion of the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept the office of the Auditors, if re-appointed.

STATEMENT OF EMPLOYEES

Statement of particulars of employees as required under Section 217(2A) of the Companies Act, 1956 ("the Act") and Rules framed there under forms part of this Report. However, in terms of the provisions of Section 219(1)(b)(iv) of the Act, this Report and Accounts are being sent to all the shareholders excluding the Statement of particulars of employees under Section 217(2A) of the Act. Any shareholder interested in obtaining a copy of the statement may write to the Company Secretary at the Registered Office of the Company.

ACKNOWLEDGEMENTS

Your Company continues to occupy a place of respect amongst the many publics it is associated with, most of all our valuable customers. The Directors commend the continued commitment and dedication of employees at all levels. The Directors also wish to acknowledge with thanks all other stakeholders for their valuable sustained support and encouragement. It is this unity of purpose that breeds success and your Directors look forward to receiving similar support and encouragement from the larger Ranbaxy family in the years ahead.

On behalf of the Board of Directors

Harpal Singh

Gurgaon
March 29, 2008

HARPAL SINGH
CHAIRMAN

ANNEXURE A

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

INDUSTRY STRUCTURE & DEVELOPMENTS

The Global Pharmaceutical market audited sales grew by approximately 6.1% (at constant exchange rates) to reach US $ 663.5 Bn in 2007. North America, Europe and Japan continued to remain the key markets, accounting for 86% of the worldwide pharmaceutical sales in 2007. The world's largest market, the United States recorded prescription sales of US$ 286.5 Bn, a growth of 3.8%. This slower growth was due to fewer new product approvals, loss of exclusivity of branded medicines and the year on year impact of the Medicare Part D program. The emerging economies further consolidated their position in the global landscape with growth in countries like India, Russia, Brazil and Turkey exceeding that in the developed markets.

The North American pharmaceutical sales grew by approximately 4.2% to reach US $ 304.5 Bn, constituting 46% of the global sales in 2007. Europe clocked sales of US$ 206 Bn, a growth of 6.7% and contributed 31% to total global pharmaceutical sales. Pharmaceutical sales in Japan, the world's second largest market stood at US $ 58.5 Bn, and recorded a growth of 4.2%. Sales in Latin America, led by the key markets of Brazil and Mexico grew by 12% to reach US $ 32 Bn while Asia, Africa and Australia grew by 13% to US$ 62 Bn.

The Top 10 leading products contributed approximately 10% to Global Pharmaceutical Sales in 2007 with combined sales of US$ 64Bn. The top 3 selling products worldwide were Atorvastatin (Lipitor US $13.5 Bn) followed by Clopidogrel (Plavix US$ 7.3 Bn and Esomeprazole (Nexium US$ 7.2 Bn). The top three therapeutic categories in 2007 were Oncologics, Lipid regulators and Respiratory agents with combined sales of US$ 104 Bn. The Top 10 therapeutic segments contributed 36% to Global Pharmaceutical Sales in 2007, with combined sales of US$ 242 Bn.

Generics

The generics market registered buoyant growth with the fundamental drivers of demand continuing to emanate from increasing burden of healthcare costs in developed countries and wider access to healthcare in developing economies. With over US$ 80 Bn of drugs going off patent by 2012 and higher penetration across developed and emerging markets, the generics market will continue to provide attractive growth opportunities in future. Generics represented more than half of the volume of pharmaceutical products sold in 7 key markets globally, viz. USA, Canada, France, Spain, Italy, Germany and UK.

Consolidation in the industry intensified with companies increasingly realising the need to further enhance their competitive advantages and trying to attain the right balance amongst cost leadership, product portfolio, geographic reach and specialty products and technologies.

In order to optimise value at various points across the pharmaceutical value curve, Innovator Pharmaceutical and Generic Companies are exploring ways to move from a competing business model to a collaborative one. With Innovator Companies facing issues in terms of R&D productivity, costs, product safety and patent expiries and Generic Companies involved with their own set of challenges, there seems to be a clear focus on leveraging each others' strengths to form symbiotic relationships. With competitive advantages in terms of research and development, manufacturing and marketing, Indian Companies today stand at the forefront to partner with Innovator Pharmaceutical Companies.

An emerging trend in the generic landscape is the focus on specialty therapeutic segments such as Bio-similars, Peptides, Limuses and others. With difficult entry barriers characterised by complex technologies and large resource requirements for development, manufacturing and marketing, these therapeutic areas are expected to witness lesser competition and higher sustainable margins in future. Opportunities for growth in these segments are being witnessed both through a mix of organic and inorganic efforts as companies try to supplement product gaps in their portfolios and significantly reduce their time to market.

An important segment is that of Bio-similars, a fast growing area wherein bio-products, which today account for approximately 10% of the worldwide pharmaceutical market, are opening up to generic competition over the next few years. Bio-similar products are expected to lead the growth in the specialty therapeutic segments.

In a bid to ascend the value chain and to create their own Intellectual Property, some Indian Pharmaceutical Companies have taken strategic step of de-merging their New Drug Discovery Research (NDDR) Unit's business into separate entities. This is a long term value proposition to bring about a sharper and enhanced focus on drug discovery research in the Indian industry.

The three largest markets for Ranbaxy today are USA, Europe and India. The prevailing market environment in these geographies is as discussed below -

United States : In 2007, the proportion of generic prescriptions dispensed to total prescriptions stood at a robust 65% (61% in 2006). Although volumes rose across a number of therapeutic areas, the emergence of generic forms of Lipid regulators, Anti-depressants and Calcium blockers resulted in significant growth for these classes of medications.Sales in 2007 were driven by blockbuster products such as Amlodopine, Zolpidem and Carvedilol going off patent. Generics continue to play an increasingly prominent role in the US healthcare market.

According to the baseline forecast of IMS Health, the US generics market is expected to deliver a CAGR in excess of 14% in value terms over the period from 2005 to 2010. Generics will have a greater prescription market share compared to 2007 as the market realises the full impact of the US$ 12 Bn in branded products that were genericised in the course of 2007. Further, an additional US$ 13 Bn worth of branded products are expected to be genericised in 2008.

Europe : The key markets in Western Europe witnessed a relatively stable year vis-à-vis the challenging conditions witnessed in 2006. While the markets of UK, France and Germany performed better than last year, Romania, a key market in Central Europe was subject to certain proposed healthcare reforms consequent to it joining the EU from January 1, 2007. The other markets in Central, Eastern and Southern Europe, including the CIS belt continued to experience buoyant growth led by a higher per capita pharmaceutical expenditure and an increasing utilisation of generic drugs, driven by the government's efforts to reduce healthcare spends.

India : The Indian Pharmaceutical market in 2007 was valued at Rs 310 Bn (US$ 7.6 Bn), recording a growth of 13%. The Top 10 Companies registered a combined market share of 36% and grew at a pace similar to that of the market. While the Chronic therapy segments continued their robust momentum, recording a growth of approximately 20% during the year, the Acute therapy categories grew by 11%.

The overall market growth was a mix of higher volumes of existing products, new product introductions and price increases with all three witnessing a positive trend. Approximately 75% of the overall market growth was led by volume increases in existing products, while the balance was attributed to new product introductions, price increases and other factors.

Semi-urban and rural markets are becoming an important driver for growth (+23% in 2007) in the Indian market. With higher per capita income and increasing access to modern medicine, this segment is expected to continue its strong growth momentum.

The emergence of an organised pharmaceutical retail segment and the fast growing area of medical insurance are likely to be other important factors that would positively impact the sector in the coming years.

OUTLOOK ON OPPORTUNITIES

The Generic Industry is expected to witness buoyant growth with blockbuster patent expiries, increasing generic penetration and healthcare cost pressures.

Ranbaxy, today is amongst the leading generic companies with a widespread presence across markets of North America, Europe and the Asia Pacific region. It has a balanced revenue mix with developed markets contributing 40% to total revenues, the emerging markets 54% and the balance being the Active Pharmaceutical Ingredients (API) business. With its brand building capabilities in the emerging markets, First-to-File (FTF) product pipeline in the US market and an increasing presence in the specialty products segment, the Company is well placed to capitalise on the generics growth opportunity.

The Company's potential for revenue growth from generic products is closely related to its product pipeline. As of December 31, 2007, the Company had 239 ANDAs filed with the FDA, of which 141 have been approved. The Company believes that its pending pipeline of 98 ANDAs is one of the largest in the generics industry representing an innovator market size of approximately US$ 54 Bn. Of these, based on the Company's own analysis of publicly available US FDA data, it believes that it has a FTF on 18 of these ANDA applications, which relate to brand-name drugs having aggregate sales in the United States of around US $ 27 Bn.

The Company entered into settlements with innovator companies for 3 key FTF products .i.e. Sumatriptan and Valacyclovir with GlaxoSmithKline (brand name Imitrex and Valtrex respectively) and Tamsulosin with Boehringer Ingelheim / Astellas Pharma (brand name Flomax). These products have a combined innovator market size exceeding US $ 3.5 Bn and the Company is expected to launch these on an exclusive basis in 2008, 2009 & 2010 respectively. The settlements provide certainty of revenue flows and enhance product visibility for the Company going forward.

Europe posted good performance in 2007 and is expected to continue to perform well. The Company's operations across Europe recorded strong growth led by improved performances in UK, France and Germany. Rest of Europe and Romania, the Company's largest market in Europe performed well despite the uncertainty due to the proposed healthcare reforms.

Outlook on the Indian pharma market continues to be good. It is expected that the growth in the market would be driven by higher volume consumption led by economic growth providing increased affordability of pharmaceutical products coupled with a rising awareness of modern medicine. Added to that, the emerging new market segments of rural and semi-urban areas, the initiation of organised pharmaceutical retailing and the growing medical insurance area are all set to favorably impact the Indian pharmaceutical industry. With product patent regulations in force, the Indian market has become an attractive option for research and drug delivery system based products. In-licensing would also provide a lucrative option for companies with strong distribution reach and excellent brand recognition. Ranbaxy, the leading pharmaceutical Company in India, is well entrenched across the metro and extra urban areas and has a strong distribution and brand building skill sets. With a robust product pipeline, a number of existing and potential in-licensing product arrangements and a strong drug delivery system based product presence, the Company is well placed to capture the opportunity in the market place.

OUTLOOK ON THREATS, RISKS AND CONCERNS

The global generics business remains challenging due to increased competition from companies in emerging markets and government led healthcare reforms that lead to short term fluctuations. On the other hand, in developed economies Innovator Pharmaceutical companies are continually evolving ways to delay entry of generic drugs. The generic segment as such has inherent risks with regard to patent litigation, product liability, increasing regulations and compliance related issues.

The manufacturing of generic pharmaceuticals is heavily regulated by governmental authorities around the world, including the US FDA. Any material non-compliance could potentially have adverse affect on manufacturing operations at the concerned facility, on approvals of drug products in the market and for grant of approvals of new products.

In regard to some of our manufacturing facilities, the US FDA has made certain observations, most of which have been responded to, while a few are in the process of being addressed. Specifically in regard to the facility at Poanta Sahib (Himachal Pradesh, India), we have fulfilled our commitments made to the US FDA and await their final clearance pending which, we could continue to face delays for new product approvals from this plant. We continue to cooperate fully with the concerned authorities.

SEGMENT-WISE PERFORMANCE

Ranbaxy recorded global sales of US $ 1,619 Mn, a 21% growth over last year. Dosage form sales constituted 94% of global sales as against 91% in 2006. Overseas market constituted 78% of the total sales of the Company.

INTERNAL CONTROL SYSTEMS AND ADEQUACY

There are documented and well established operating procedures in the Company and its subsidiaries in India and overseas.

The Internal Audit function at Ranbaxy, headed by a Vice President, reports to the CEO and to the Audit Committee. The function comprises of a team of well qualified and experienced professionals who conduct regular audits covering the Company's operations in India and overseas. The Finance function of the Company is also adequately staffed with professionally qualified and experienced personnel.

FINANCIAL PERFORMANCE

For the year, the Company recorded consolidated global sales of Rs. 66,927 Mn, 10% higher than prior year. Profit before interest, depreciation and amortization was Rs. 13,581 Mn, higher than prior year by 45%. Profit before tax at Rs. 9,985 Mn, was up by 53%. Profit after tax was Rs. 7,866 Mn, 53% higher than last year. While at the operating level, the Company recorded a strong performance, the foreign exchange gains on traslation arising out of significant rupee appreciation witnessed in 2007 added to the profits for the year.

Consolidated sales in dollar terms stood at US $ 1619 Mn, an increase of 21 %. The Company's sales mix skewed further towards the more profitable emerging markets which grew 32% and now contribute 54% of global sales. Developed markets at 40% of global sales recorded a growth of 13%.

HUMAN RESOURCES

Human Resources are a valuable asset for Ranbaxy and the Company seeks to attract and retain the best talent available. Human Resource management incorporates a process driven approach that invests regularly in the training and development needs of employees through succession planning, job rotation, on the job training and extensive training workshops and programs.

During the year, the Company held various employee engagement programs in order to bolster employee morale, inculcate a feeling of team work and camaraderie and create a mechanism to recognise individual and team contributions to the organisation. Programs such as Appreciate Awards and Fun@ Work encompassed employees across locations and departments and were well received by all.

The total number of employees of the Company and its subsidiaries as on December 31, 2007 stood at 11,843.

CAUTIONARY STATEMENT:

Statements in the "Management Discussion and Analysis" describing the Company's objectives, estimates, expectations or projections may be "forward looking statements" within the meaning of applicable laws and regulations. Actual results could differ materially from those expressed or implied. Important factors that could make a difference to the Company's operations, include Government regulations, patent laws, tax regimes, economic developments within India and countries in which the Company conducts business, litigation and other allied factors.

Note : Global Pharmaceutical sales, Country / Region-wise sales, product and therapeutic category data (Source: IMS Health)

ANNEXURE B

Information regarding the Employees' Stock Option Scheme
(As on December 31, 2007)

S. No.	Details	Nos.
1.	Total No. of Options in force at the beginning of the year	6,850,980
2.	Options granted in the year 2007	1,331,575
3.	No. of Options vested during the year (cumulative)	15,13,005
4.	No. of Options exercised during the year	281,954
5.	No. of shares arising as a result of exercise of options during the year	383,865
6.	No. of Options lapsed and forfeited during the year	731,645
7.	Variance in terms of options	N A
8.	Money realized by exercise of options during the year	Rs. 89,372,903
9.	Total No. of Options in force at the end of the year	7,168,956

Notes :

1. The Grant/ Exercise and number of Stock Options outstanding as on June 30, 2005, have been proportionately adjusted in view of the sub-division of equity shares of the Company from the face value of Rs. 10 each into 2 equity shares of Rs. 5 each.
2. Options granted upto October 3, 2002, are entitled for additional shares keeping in view of bonus shares in the ratio of 3 for 5.

Pricing formula: Closing price of the Equity Shares of the Company prior to the date of meeting of the Compensation Committee (CC) in which stock options are granted on the stock exchange on which the shares of the Company are listed. The closing price of the shares of the Company at the National Stock Exchange of India Limited on January 16, 2007 was Rs. 429.65 per share. Accordingly, exercise price of the options granted by the CC at the meeting held on January 17, 2007 was fixed at Rs. 430 per Share of Rs. 5 each.

(i) Options granted in the year 2007 to senior managerial personnel*:

Name	Designation (Present)	No. of Options granted
Mr. Atul Sobti	Chief Operating Officer and Whole-time Director	20,000
Mr. Ramesh L Adige	Whole-time Director Corporate Affairs & Global Corporate Communications	10,000
Mr. Dipak Chattaraj	President-Corporate Development	8,000
Mr. Peter Burema	President-Global Pharmaceutical Business	15,000
Mr. Sanjeev I Dani	Senior Vice President & Regional Director-Asia & CIS	8,000
Dr. Pradip Kumar Bhatnagar	Sr. Vice President-New Drug Discovery Research	5,000
Mr. Ramesh Parekh	Senior Vice President-Global Pharma Manufacturing	5,000
Dr. Vijay Kumar Batra	Senior Vice President-Generics/NDDS/Drug Development	5,000
Dr. Naresh Kumar	Senior Vice President-API Research, Manufacturing & Business	5,000
Mr. Jay Deskmukh	Senior Vice President-Intellectual Property	8,000
Mr. Omesh Sethi	Vice President & Head-Global Finance	4,000
Mr. Amitabh Gupta	Vice President-M&A and Business Analysis	4,000
Dr. Arun K. Purohit	Vice President & Head- Global Therapy Management	3,000
Mr. David Briskman	Vice President and Chief Information Officer	5,000
Dr. R.Gowrishankar	Vice President-Medical affairs & Clinical Research	3,000
Mr. Maninder Singh	Vice President-Global Treasury and Insurance	5,000
Mr. Govind K. Jaju	Vice President-Global Material Sourcing & Supply Chain	4,000
Mr. S.K. Chawla	Vice President-Global Internal Audit	5,000
Mr. S.C. Agrawal	Vice President-Global Taxation	4,000
Mr. Bhagwat Yagnik	Vice President & Head Global Human Resources	4,000
Dr. T.G. Chandrashekhar	Vice President-Global Quality	5,625
Dr. Tausif Monif	Vice President-Clinical Pharmacology and Pharmacokinetics	2,250
Mr. V.K. Arora	Vice President-PDR	2,250
Mr. Debashish DasGupta	Vice President & Head of Finance Global Pharmaceutical Business	3,000
Mr. K.Venkatachalam	Vice President & Regional Director-North America	5,000
Ms. Abha Pant	Vice President-Regulatory Affairs	3,000

Name	Designation (Present)	No. of Options granted
Mr. Lalit Ahluwalia	Vice President & Chief Financial Officer-(Region IV)	3,000
Mr. Stephen Kaplan	Vice President-HR Global Pharmaceutical Business	3,000
Mr. James Meehan	Vice President, Generic Sales and Marketing (Region IV)	5,000
Mr. Ranjan Chakravarti	Vice President & Regional Director-Africa & LATAM	5,000

* Excludes the Senior Managerial personnel who ceased to be in employment with the Company.

(ii)	Employees who have been granted 5% of more of the options granted during the year	:	Nil
(iii)	Employees who have been granted options during any one year equal to or exceeding 1% of the issued capital of the Company at the time of grant	:	Nil
(iv)	Diluted earnings per share (EPS)	:	Rs. 11.31
(v) (a)	Method of calculation of employee compensation cost	:	The Company has calculated the employee compensation cost using the *intrinsic value* of the stock options
(b)	Difference between the employee compensation cost so computed at (a) above and the employee compensation cost that shall have been recognized if it had used the *fair value* of the options	:	Rs. 285.80 Mn
(c)	The impact of this difference on profits and on EPS of the Company	:	Profit after tax : Rs. 6,177.20 Mn Less : additional employee compensation cost based on *fair value* : Rs. 285.80 Mn (net of tax) Adjusted PAT : Rs. 5,891.40 Mn Adjusted EPS (diluted) : Rs. 10.59

(vi) Weighted-average exercise price and fair value of Stock Options granted :
(Post split adjusted price)

Stock Options granted on	Weighted average exercise price (in Rs.)	Weighted average Fair value (in Rs.)	Closing market price at NSE on the date of grant (in Rs.)
12.01.2001	336.50	145.00	324.15
03.12.2001	297.50	188.50	369.48
01.04.2002	372.50	226.00	449.48
07.02.2003	283.50	132.50	317.45
22.01.2004	496.00	212.50	503.10
17.01.2005	538.50	215.68	534.33
17.01.2006	392.00	194.07	391.15
17.01.2007	430.00	232.57	429.65

(vii)	Description of the method and significant assumptions used during the year to estimate the fair value of the options, including the following weighted average information :	:	The Black Scholes option pricing model was developed for estimating fair value of traded options that have no vesting restrictions and are fully transferable. Since Option pricing models require use of substantive assumptions, changes therein can materially affect fair value of Options. The option pricing models do not necessarily provide a reliable measure of fair value of options.

The main assumptions used in the Black-Scholes option pricing model during the year were as follows :

Risk free interest rate	:	7.97%
Expected life of options from the date(s) of grant	:	6.5 years
Expected volatility	:	44.95%
Dividend yield	:	1.98%

ANNEXURE C

Information pursuant to Companies (Disclosure of Particulars in Report of Board of Directors) Rules, 1988, forming part of the Report of the Directors

1. CONSERVATION OF ENERGY AND ITS IMPACT

Measures for Conservation of Energy	Impact resulting into saving of Rs. Million
– Rebate in power tariff by maintaining unity power factor through automatic and manual control	12.55
– Re-engineering of cooling tower and chiller water pumps in Utilities on the basis of head and flow requirements	2.69
– Replacement of old chiller water and cooling pumps with energy efficient pumps	2.38
– Replacement of old chilled water compressors with new efficient Screw Chillers	1.17
– Improvement in efficiency of boilers by fuel addititives, resulting net gain of steam to fuel ratio from 12.04 to 12.52 kg/ltrs. This has resulted fuel savings of 3.8 %.	1.15
– Replacement of Old equipments:	
1) CHW / CW pumps with energy efficient pumps	0.53
2) 55 kW, 300 M3 / Hrs pump with 30 kW, 180 M3/Hr capacity pumps	0.32
3) Submersible pumps of bore wells of 30 kw motor with 22 kw motor	0.20
– All AHUs, Chillers & Cooling tower fans were provided with variable frequency drives to control speed as per requirements leading to lesser wattage on part loads	1.00
– Automation of plant lighting voltage by installing Automatic Voltage regulators	0.70
– Reduction in compressed air system pressure at generation point by modifying distribution header and plugging of leakage / wastage of distribution network	0.70
– Power saving achieved by installing variable frequency drives on chilled water pumps	0.58
– Replacement of old reciprocating type air compressor with new efficient screw air compressor	0.45
– Reduction in fuel consumption by providing De-Super heater in CHB-6A machine to heat the feed water of boiler	0.22
– Water ring vacuum pumps were replaced with efficient Vane type oil ring pumps leading to a better vacuum and lesser energy consumption	0.20
– New distribution panel for street lights at Paonta Sahib was installed for 8 different zones so as only critical lights are switched on.	0.17

2. RESEARCH & DEVELOPMENT

a) Specific areas in which R&D is carried out

- Develop technology for Active Pharmaceutical Ingredients (APIs), key drug intermediates and, conventional & value added innovative dosage forms - complying to international quality & regulatory norms
- Develop "Platform Technologies" and "Products" in the area of Novel Drug Delivery Systems
- Discovery and Development of new drug molecules in select areas: Infectious Diseases, Metabolic Diseases, Inflammatory/ Respiratory Diseases and Oncology
- Develop herbal drugs with rationale scientific backing, involving standardization of botanical Actives, followed by their toxicity and clinical studies
- GLP/cGCP complying Bioavailability / Bioequivalence, Toxicology and Clinical Studies (Phase - I, II & III)
- Innovation in packaging for improved patient convenience & compliance
- Up-gradation of existing technologies / products on ongoing basis

b) Benefits derived as result of R&D activities

- Technology to manufacture APIs and Dosage Forms
- Oral Controlled Release Dosage Forms leading to better patient convenience and compliance
- Generation of high quality data that comply with international regulatory requirements, for registration of APIs and generic dosage forms in India and abroad leading to speedy approvals
- Improved productivity / process efficiencies
- Internationally competitive prices and product quality
- Safe and environment friendly processes
- Generation of Intellectual wealth for the Company in key potential markets
- Grant of process patents for Active Pharmaceutical Ingredients (APIs) as well as dosage forms (both conventional & novel drug delivery systems)
- Product patents in the areas of drug discovery research
- Self reliance and import substitution for conservation of Foreign Exchange
- Foreign exchange earnings / savings
- Speed to marketplace
- Enhanced business through Licensing arrangements / strategic alliances / custom synthesis
- Enhanced Global presence / visibility

c) Future plan of action

- Continue augmenting R&D capabilities & productivity through technological innovations, use of modern scientific and technological techniques, training and development, benchmarking and global networking
- Greater thrust on Novel Drug Delivery Systems
- Enhanced emphasis on Complex 'difficult-to-make' products including OCRS, P-IV FTFs, and specialized segments such as Biosimilars, Oncology/Cytotoxics, Oral Contraceptives, Respiratory and Dermatology.
- Continue developing innovative, commercially viable process know-how for both APIs and dosage forms
- Continue emphasis on Custom Synthesis to draw a greater leverage on the built-in Chemical Research infrastructure & capabilities
- Demerger of 'New Drug Discovery Research Unit' as separate entity.
- Continue strengthening the Clinical Research infrastructure and capabilities complying international GLP/cGCP norms.
- Continue improvements in packaging for pharmaceuticals to ensure shelf-life/stability, quality and, better patient convenience and compliance
- Enhance national and international research networking and strategic alliances

d) Expenditure on R&D

Rs. Million

	Year ended December 31, 2007	Year ended December 31, 2006
Capital	**465.74**	974.86
Revenue	**4,139.44**	3,863.34

3. TECHNOLOGY, ABSORPTION, ADAPTATION AND INNOVATION

a) Efforts in brief, made towards technology absorption and innovation
- As per 2(a) above

b) Benefit derived as a result of the above efforts, e.g. product improvement, cost reduction, product development
- As per 2(b) above

Future course of action

a) To continue developing innovative and commercially viable process know-how for APIs and Dosage Forms(Conventional and Noval Drug Delivery System)

b) Information in case of imported technology (imports during the last five years)
- Not applicable

4. FOREIGN EXCHANGE EARNINGS AND OUTGO

Overseas sales (excluding sales to Nepal) were Rs. 26,341.35 Mn for the financial year December 31, 2007

- 496 product dossiers were filed with various international regulatory authorities and regulatory approvals were received for 430 product dossiers
- Drug Master Files (DMFs) for APU were filed with the regulatory authorities in several markets
- Continued to receive income by way of royalty, technical and management service fee and dividend from overseas subsidiaries/ affiliates

Rs. Million

	Year ended December 31, 2007	Year ended December 31, 2006
Earnings	**26,608.64**	27,558.67
Outgo	**11,188.13**	11,010.31

FORM - A

Form for disclosure of particulars with respect to conservation of energy

	Current Year 2007	Previous Year 2006
A. Electricity and Fuel Consumption		
1. Electricity		
(a) Purchased Units (KWH)	**121,271,482**	106,937,832
Total Amount (Rs. Million)	**481.04**	428.26
Rate/Unit (Rs.)	**Rs. 3.97**	Rs. 4.00
(b) Own Generation		
i) Through Diesel Generator Unit (KWH)	**10,144,913**	10,421,072
Unit per Ltr. of Diesel Oil	**3.54**	3.53
Cost/Unit	**Rs. 8.29**	Rs. 8.42
ii) Through Steam Turbine/Generator	**Not Applicable**	Not Applicable
2. Coal (Specify quality and where used)	**Not Applicable**	Not Applicable
3. Furnace Oil Qty. (K. Ltrs.)	**16,780**	14,903
Total Amount (Rs Million)	**329.99**	274.36
Average Rate (Rs. per Ltr.)	**Rs. 19.67**	Rs. 18.41
4. Others/internal generation	**Not Applicable**	Not Applicable

B. Consumption per unit of production

	Units	Standards (if any)	Current Year	Previous Year
Electricity				
Active Pharmaceutical Ingredients	(kwh per kg)	No specific standards - consumption per unit depends on product mix	**58.71**	54.19
Dosage Forms	(kwh per 1000 packs)		**92.76**	83.94
Furnace Oil				
Active Pharmaceutical Ingredients	(Ltrs per Kg)		**8.40**	8.03
Dosage Forms	(K.Ltrs per 1000 packs)		**0.01**	0.01
Coal			**Not Applicable**	Not Applicable
Others			**Not Applicable**	Not Applicable

TEN YEARS AT A GLANCE

Rs. Million

	1998 **	1999	2000	2001	2002	2003	2004	2005	2006	2007
Results for the year										
Sales	10,640.5	15,598.3	17,366.6	20,545.4	28,197.9	35,334.9	36,143.4	35,366.5	40,587.1	**41,844.9**
Index	1.0	1.1	1.2	1.4	2.0	2.5	2.5	2.5	2.9	**2.9**
Exports	4,414.1	7,323.7	8,019.6	10,290.8	18,502.9	24,674.6	24,562.4	23,371.1	27,175.7	**26,411.2**
Index	1.0	1.2	1.4	1.7	3.1	4.2	4.2	4.0	4.6	**4.5**
Gross Profit	1,552.1	2,562.5	3,177.1	3,924.1	7,304.8	10,061.4	7,211.7	3,178.8	6,081.7	**9,865.6**
Index	1.0	1.2	1.5	1.9	3.5	4.9	3.5	1.5	2.9	**4.8**
Profit before Tax	1,240.4	2,103.8	1,945.4	2,777.7	7,133.8	9,563.7	6,283.4	2,013.6	4,429.8	**7,744.1**
Index	1.0	1.3	1.2	1.7	4.3	5.8	3.8	1.2	2.7	**4.7**
Profit after Tax	1,170.0	1,968.8	1,824.4	2,519.6	6,235.8	7,947.8	5,284.7	2,237.0	3,805.4	**6,177.2**
Index	1.0	1.3	1.2	1.6	4.0	5.1	3.4	1.4	2.4	**4.0**
Equity Dividend	560.1	869.2	869.2	1,158.9	2,434.0 $	3,156.3	3,162.6	3,166.7	3,168.9	**3,171.5**
Index	1.0	1.6	1.6	2.1	4.3	5.6	5.6	5.7	5.7	**5.7**
Equity Dividend (%)	50	75	75	100	150	170	170	170	170	**170**
Earning per share (Rs.)	13.46 ***	16.99	15.74	21.86	28.86	42.61	28.26	5.68 ^	9.87 ^	**11.31 ^**
Year-end Position										
Gross Block+	8,045.6	8,675.9	9,241.5	9,278.2	10,448.8	12,470.6	16,669.4	22,321.6	24,354.5	**25,889.0**
Index	1.0	1.1	1.1	1.2	1.3	1.5	2.1	2.8	3.0	**3.2**
Net Block	6,135.5	6,319.0	6,443.7	6,130.5	6,753.9	8,017.9	11,417.4	16,328.1	17,359.1	**17,969.4**
Index	1.0	1.0	1.1	1.0	1.1	1.3	1.9	2.7	2.8	**2.9**
Net Current Assets	8,320.5	8,157.5	8,257.7	7,454.5	9,564.4	13,302.9	9,466.8	11,281.0	12,630.0	**12,588.2**
Index	1.0	1.0	1.0	0.9	1.1	1.6	1.1	1.4	1.5	**1.5**
Net Worth	14,008.3	14,979.3	15,826.5	16,069.7	18,828.1	23,217.8	25,095.1	23,773.0	23,500.1	**25,383.9**
Index	1.0	1.1	1.1	1.1	1.3	1.7	1.8	1.7	1.7	**1.8**
Share Capital	1,158.9 ***	1,158.9	1,158.9	1,158.9	1,854.5	1,855.4	1,858.9	1,862.2	1,863.4	**1,865.4**
Reserve & Surplus	12,849.4	13,820.4	14,667.6	14,910.8	16,973.6	21,362.3	23,236.2	21,910.8	21,636.7	**23,518.6**
Book value per share (Rs.)	120.9 ***	129.25	136.56	138.66	101.52 $$	125.13	135.00	63.84 ^	63.05 ^	**68.04 ^**
No. of Employees	5469	5347	5784	6424	6297	6797	7195	7174	8020	**8141**

Index : No. of times

+ Includes Capital Work-in-Progress
** 9 months Apr-Dec. Indexation based on annualised figures for 9 months ended 31.12.98
*** After 1:1 Bonus Issue and conversion of outstanding warrants.
$ Includes Interim Dividend Rs 5 per share, prior to issue of bonus shares and Final Dividend of Rs 10 per share
$$ Post issue of Bonus shares in the ratio of 3 for 5 in October, 2002.
^ After Share split

Sales are stated net of excise duty recovered from 2002 onwards
Earning per share are stated on fully diluted basis from 2002 onwards

To the Members of Ranbaxy Laboratories Limited

1. We have audited the attached Balance Sheet of Ranbaxy Laboratories Limited, (the "Company") as at December 31, 2007 and also the Profit and Loss account and the Cash Flow Statement for the year ended on the date annexed thereto (hereinafter collectively referred to as the 'financial statements'). These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Companies (Auditor's Report) Order, 2003 (the 'Order'), as amended, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of The Companies Act, 1956 (the 'Act'), we enclose in the Annexure, a statement on the matters specified in paragraph 4 and 5 of the Order.

4. Further to our comments in the Annexure referred to above, we report that :

   a) We have obtained all the information and explanation, which to the best of our knowledge and belief were necessary for the purpose of our audit;

   b) In our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;

   c) The financial statements dealt with by this report are in agreement with the books of account;

   d) On the basis of written representation received from the directors, as on December 31, 2007 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on December 31, 2007 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 ot the Act;

   e) In our opinion and to the best of our information and according to the explanations given to us, the financial statements, dealt with by this report, comply with the accounting standards referred to in the Companies (Accounting Standard) Rules, 2006, issued by Central Government in exercise of the power conferred under sub-section (1)(a) of Section 642 of the Act, read together with section 211 (3C) of the Act, give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, in the case of :

      1) the Balance Sheet, of the state of affairs of the Company as at December 31, 2007;

      2) the Profit and Loss Account, of the profit for the year ended on that date; and

      3) the Cash Flow Statement, of the cash flows for the year ended on that date.

For Walker, Chandiok & Co
Chartered Accountants

Per **Vinod Chandiok**
Partner
Membership No. 10093

Place : Gurgaon
Dated : March 28, 2008

ANNEXURE TO THE AUDITORS' REPORT

Annexure to the Auditors' Report of even date to the members of Ranbaxy Laboratories Limited on the financial statements for the year ended December 31, 2007

Based on the audit procedures performed for the purpose of reporting a true and fair view of the financial statements of the Company and taking into consideration the information and explanations given to us and the books and other records examined by us in the normal course of audit, we report that:

(i) (a) The Company has maintained proper records showing full particulars including quantitative details and situation of fixed assets.

(b) The Company has a regular programme of physical verification of its fixed assets by which fixed assets are verfied in a phased manner over a period of three years. In our opinion, this periodicity of physical verfification is reasonable having regard to the size of the Company and the nature of its fixed assets. No material discrepancies were noticed on such verification.

(c) In our opinion, a substantial part of fixed assets have not been disposed off during the year.

(ii) (a) Inventory has been physically verified by the management during the year. In our opinion, the frequency of verification is reasonable.

(b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.

(iii) (a) The Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Act. Accordingly, the provisions of clauses 4(iii) (b) to (d) of the Order are not applicable.

(b) The Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under section 301 of the Act. Accordingly, the provisions of clauses 4(iii) (f) and 4(iii) (g) of the Order are not applicable.

(iv) In our opinion, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.

(v) (a) The Company has not entered into contracts or arrangements referred to in section 301 of the Act. Accordingly, the provisions of clause 4(v) of the Order are not applicable.

(vi) The Company has not accepted any deposits from the public within the meaning of Section58A and 58AA of the Act, and the Companies (Acceptance of Deposits) Rules, 1975. Accordingly, the provisions of clause 4 (vi) of the Order are not applicable.

(vii) In our opinion, the Company has an internal audit system commensurate with its size and nature of its business.

(viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government under clause 209 (1) (d) of the Act for the maintenance of cost records in respect of Company's products and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However, we have not made a detailed examination of the records with a view to determine whether they are accurate or complete.

(ix) (a) The Company is regular in depositing the undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service-tax, customs duty, excise duty, cess and other material statutory dues as applicable with the appropriate authorities. No undisputed amounts payable in respect thereof were outstanding at the year end for a period of more than six months from the date they became payable.

(b) There are no amounts in respect of sales-tax, income-tax, customs duty, wealth-tax, service-tax, excise duty and cess that have not been deposited with the appropriate authorities on account of any dispute, other than those mentioned below:

Name of the statute	Nature of the dues	Amount Rs. in Million	Period to which the amount relates	Forum where dispute is pending
Punjab General Sales Tax Act, 1948	Purchase tax, interest and penalty dispute	2.48 (of which Rs. 0.23 million has been deposited under protest)	1989-1990 1990-1991 & 2004-2005	Sales tax Tribunal
Himachal Pradesh General Sales Tax Act, 1968	Sales tax demand	0.11 (of which Rs. 0.11 million has been deposited under protest)	1994-1996	Sales tax Tribunal
Himachal Pradesh General Sales Tax Act, 1968	Sales tax demand	1.04 (of which Rs. 1.04 million has been deposited under protest)	1994-1996	Himachal Pradesh High Court
Central Excise Act 1944	CENVAT credit dispute	59.69 (of which Rs. 30 million has been deposited under protest)	2004-2005	CESTAT

(x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.

(xi) The Company has not defaulted in repayment of dues to any financial institution or bank. The Company did not have any debentures outstanding during the year. Accordingly, the provisions of clause 4 (xi) of the Order are not applicable.

(xii) The Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities. Accordingly, the provisions of clause 4 (xii) of the Order are not applicable.

(xiii) The Company is niether a chit fund nor a nidhi / mutual benefit fund / society. Accordingly, the provisions of clause 4 (xiii) of the Order are not applicable.

(xiv) The Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4 (xiv) of the Order are not applicable.

(xv) The Company has not given any guarantee for loans taken by others from banks or financial institutions. Accordingly, the provisions of clause 4 (xv) of the Order are not applicable.

(xvi) The Company has applied the term loans for the purpose for which the loans were obtained.

(xvii) Based on an overall examination of the balance sheet and cash flow statement of the Company, we report that no funds raised on short-term basis have been used for long-term investment.

(xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under section 301 of the Act. Accordingly, the provisions of clause 4 (xviii) of the Order are not applicable.

(xix) The Company has neither issued nor had any outstanding debentures during the year. Accordingly, the provisions of clause 4 (xix) of the Order are not applicable.

(xx) The Company has not raised any money by a public issue during the year. Accordingly, the provisions of clause 4 (xx) of the Order are not applicable.

(xxi) No fraud on or by the Company has been noticed or reported during the period covered by our audit.

For Walker, Chandiok & Co
Chartered Accountants

Per **Vinod Chandiok**
Partner
Membership No. 10093

Place : Gurgaon
Dated : March 28, 2008

STANDALONE BALANCE SHEET
AS AT DECEMBER 31, 2007

	Schedule	2007	Rs. Million 2006
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share capital	1	1,865.35	1,863.43
Reserves and surplus	2	23,506.81	21,627.91
		25,372.16	23,491.34
SHARE APPLICATION MONEY PENDING ALLOTMENT		11.76	8.79
LOAN FUNDS			
Secured loans	3	3,650.68	2,242.90
Unsecured loans	4	31,379.60	29,543.10
		35,030.28	31,786.00
DEFERRED TAX LIABILITY (NET)	5	2,518.92	1,502.38
		62,933.12	56,788.51
APPLICATION OF FUNDS			
FIXED ASSETS	6		
Gross block		22,614.80	21,335.74
Less : Depreciation		7,919.59	6,995.43
Net block		14,695.21	14,340.31
Capital works-in-progress		3,274.20	3,018.79
INVESTMENTS	7	32,375.51	26,799.45
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	8	9,760.71	9,549.12
Sundry debtors	9	8,829.07	10,137.45
Cash and bank balances	10	1,804.50	711.51
Other current assets	11	1,020.25	780.85
Loans and advances	12	6,886.29	3,911.01
		28,300.82	25,089.94
Less:			
CURRENT LIABILITIES AND PROVISIONS			
Current liabilities	13	8,331.20	7,233.30
Provisions	14	7,381.42	5,226.68
		15,712.62	12,459.98
NET CURRENT ASSETS		12,588.20	12,629.96
		62,933.12	56,788.51
SIGNIFICANT ACCOUNTING POLICIES	25		
NOTES TO THE FINANCIAL STATEMENTS	26		

The schedules referred to above form an integral part of the financial statements

This is the balance sheet referred to in our report of even date.

On behalf of the Board of Directors

For WALKER, CHANDIOK & CO *Chartered Accountants*	HARPAL SINGH *Chairman*	MALVINDER MOHAN SINGH *CEO & Managing Director*	ATUL SOBTI *Chief Operating Officer & Whole-time Director*
Per VINOD CHANDIOK *Partner* Membership No. 10093	OMESH SETHI *Vice President & Head-Global Finance*		SUSHIL K. PATAWARI *Secretary*

Place : Gurgaon
Dated : March 28, 2008

STANDALONE PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2007

Rs. Million

	Schedule	2007	2007	2006	2006
INCOME					
Operating income	15	43,908.35		40,140.95	
Less : Excise duty		446.90	43,461.45	481.72	39,659.23
Other income	16		4,321.77		500.36
			47,783.22		40,159.59
EXPENDITURE					
Materials	17		17,813.13		16,323.82
Manufacturing	18		2,216.52		1,997.09
Personnel	19		4,216.14		3,310.85
Selling, general and administration	20		9,532.36		8,582.78
Research and development	21		4,139.44		3,863.35
			37,917.59		34,077.89
PROFIT BEFORE INTEREST, DEPRECIATION, AMORTISATION AND IMPAIRMENT			9,865.63		6,081.70
Interest			934.26		584.44
Depreciation, amortisation and impairment	22		1,187.31		1,067.50
PROFIT BEFORE TAX			7,744.06		4,429.76
Provision for tax	23		1,566.86		624.33
PROFIT AFTER TAX			6,177.20		3,805.43
Tax - earlier years			–		145.84
Balance as per last balance sheet			471.18		560.34
Transfer from foreign projects reserve			24.87		22.95
BALANCE AVAILABLE FOR APPROPRIATION			6,673.25		4,534.56
APPROPRIATIONS					
Dividend					
Interim			932.12		3,168.94
Final (proposed)			2,239.42		–
Tax on dividend			539.02		444.44
Transfer to General reserve			800.00		450.00
Surplus carried forward			2,162.69		471.18
			6,673.25		4,534.56
EARNINGS PER SHARE (Rs.)	24				
Basic			16.56		10.60
Diluted			11.31		9.87
SIGNIFICANT ACCOUNTING POLICIES	25				
NOTES TO THE FINANCIAL STATEMENTS	26				

The schedules referred to above form an integral part of the financial statements

This is the profit and loss account referred to in our report of even date.

On behalf of the Board of Directors

For WALKER, CHANDIOK & CO
Chartered Accountants

HARPAL SINGH
Chairman

MALVINDER MOHAN SINGH
CEO & Managing Director

ATUL SOBTI
Chief Operating Officer & Whole-time Director

Per VINOD CHANDIOK
Partner
Membership No. 10093

OMESH SETHI
Vice President & Head-Global Finance

SUSHIL K. PATAWARI
Secretary

Place : Gurgaon
Dated : March 28, 2008

STANDALONE CASH FLOW STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2007

Rs. Million

	2007	2006
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net profit before taxes	**7,744.06**	4,429.76
Adjustments for :		
Depreciation, amortisation and impairment	**1,187.31**	1,067.50
Assets written off	**146.21**	2.14
Deferred employees compensation	**15.71**	26.35
Unrealised foreign exchange (gain)	**(2,514.73)**	(270.74)
Dividend income	**(9.89)**	(10.25)
Profit on disposal of investments	**–**	(0.01)
Profit on sale of assets (net)	**(572.57)**	(3.54)
Provision for diminution in value of long term investments	**239.00**	–
Interest expense	**934.26**	584.44
Interest income	**(92.14)**	(201.05)
Amounts written off	**37.66**	18.16
Provision/ (reversal) for doubtful debts and advances	**(298.72)**	44.74
	(927.90)	1,257.74
Operating profit before working capital changes	6,816.16	5,687.50
Adjustments for :		
Inventories	**(211.59)**	(639.79)
Sundry debtors / receivables	**911.68**	(2,283.67)
Loans and advances	**(1,151.37)**	(451.01)
Trade/other payables	**1,354.26**	122.66
Other current assets	**46.91**	513.23
	949.89	(2,738.58)
Net cash generated from operating activity	**7,766.05**	2,948.92
Direct taxes paid (net of refunds)	**(908.32)**	205.94
Net cash from operating activities	**6,857.73**	3,154.86
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets / capital works-in-progress	**(2,221.79)**	(2,158.19)
Sale proceeds of assets	**850.54**	61.11
Other investments	**(2,439.20)**	(202.00)
Investment in Subsidiaries	**(3,375.86)**	(18,969.70)
Sale proceeds of investments	**–**	0.01
Short term deposits / Secured loans	**11.75**	16.35
Interest received	**82.83**	204.81
Dividend received	**9.89**	10.25
Net cash used in investing activities	**(7,081.84)**	(21,037.36)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of capital (including premium)	**92.34**	63.32
Increase in bank borrowings	**5,696.59**	2,153.73
Proceeds from FCCB	**–**	19,553.60
Increase in other borrowings	**70.58**	38.56
Interest paid	**(896.05)**	(573.73)
FCCB issue expenses adjusted against securities premium	**–**	(227.50)
Dividend paid	**(3,169.35)**	(3,167.27)
Tax on dividend	**(472.20)**	(444.20)
Net cash from financing activities	**1,321.91**	17,396.51
INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS	**1,097.80**	(485.99)
Cash and cash equivalents at the beginning	**623.57**	1,109.56
Cash and cash equivalents at the close	**1,721.37**	623.57
Notes :		
Cash and cash equivalents include :		
Cash and cheques in hand and remittances in transit	**344.23**	80.48
With banks in :		
Current accounts [net of dividend accounts Rs. 82.42 Mn (previous year Rs. 87.06 Mn)]	**267.14**	103.09
Deposit accounts [net of pledged Rs.0.71 Mn (previous year Rs 0.88 Mn)]	**1,110.00**	440.00
	1,721.37	623.57

This is the cash flow statement referred to in our report of even date

On behalf of the Board of Directors

For WALKER, CHANDIOK & CO
Chartered Accountants

HARPAL SINGH
Chairman

MALVINDER MOHAN SINGH
CEO & Managing Director

ATUL SOBTI
Chief Operating Officer & Whole-time Director

Per VINOD CHANDIOK
Partner
Membership No. 10093

OMESH SETHI
Vice President & Head-Global Finance

SUSHIL K. PATAWARI
Secretary

Place : Gurgaon
Dated : March 28, 2008

SCHEDULES FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

Rs. Million

	2007	2006
SCHEDULE 1		
SHARE CAPITAL		
Authorised		
598,000,000 (Previous year 598,000,000) Equity shares of Rs. 5 each	**2,990.00**	2,990.00
100,000 (Previous year 100,000) Cumulative preference shares of Rs 100 each	**10.00**	10.00
	3,000.00	3,000.00
Issued, subscribed and paid up		
373,070,829 (Previous year 372,686,964) Equity shares of Rs. 5 each fully paid	**1,865.35**	1,863.43
	1,865.35	1,863.43
SCHEDULE 2		
RESERVES AND SURPLUS		
Capital reserve	**5.41**	5.41
Amalgamation reserve	**43.75**	43.75
Securities premium		
As per last balance sheet	**5,599.60**	6,235.31
Add : Received during the year *	**101.79**	64.69
	5,701.39	6,300.00
Less : Expenses on issuing of FCCB (Net of taxes)	**–**	150.93
Less : Premium payable on redemption of FCCB (Net of taxes)	**690.89**	549.47
	5,010.50	5,599.60
* Includes Rs. 14.35 million (previous year Rs. 8.59 million) transferred from Employees Stock Options Outstanding		
Foreign projects reserve		
As per last balance sheet	**62.72**	85.67
Less: Transfer to profit and loss account	**24.87**	22.95
	37.85	62.72
General reserve		
As per last balance sheet	**15,351.24**	14,901.24
Add : Transfer from profit and loss account	**800.00**	450.00
	16,151.24	15,351.24
Employees stock option		
Employees stock options outstanding	**104.94**	127.96
Less: Deferred employee compensation	**9.57**	33.95
	95.37	94.01
Surplus in profit and loss account	**2,162.69**	471.18
Total	**23,506.81**	21,627.91
SCHEDULE 3		
SECURED LOANS		
Loans from banks	**3,650.68**	2,242.90
Secured against stocks, book debts and receivables, both present and future.	**3,650.68**	2,242.90
SCHEDULE 4		
UNSECURED LOANS		
Short term loans		
Banks	**8,547.48**	7,611.62
Long term loans		
Zero coupon Foreign Currency Convertible Bonds (FCCB)	**17,344.80**	19,474.40
Banks	**5,358.42**	2,398.76
Others	**118.80**	44.30
Deferred sales tax credit	**10.10**	14.02
	31,379.60	29,543.10
SCHEDULE 5		
DEFERRED TAX LIABILITY (NET)		
Deferred tax liability arising on account of :		
Depreciation, amortisation and impairment	**2,775.82**	2,622.37
FCCB loan revaluation	**500.51**	–
Tax credit received	**165.94**	164.33
	3,442.27	2,786.70
Less: Deferred tax asset arising on account of :		
Provision for:		
Doubtful debts and advances	**213.88**	199.63
Leave encashment	**67.64**	54.66
FCCB redemption premium charged to securities premium account	**638.69**	278.79
Tax losses carried forward	**–**	747.79
Others	**3.14**	3.45
	923.35	1,284.32
	2,518.92	1,502.38

SCHEDULES FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

SCHEDULE 6

FIXED ASSETS **Rs. Million**

	Gross block				Accumulated Depreciation, amortisation & impairment	Net Block	
Description	2006	Additions*	Deletions	**2007**	**2007**	**2007****	2006
Tangibles							
Land	421.89	18.93	39.20	**401.62**	**–**	**401.62**	421.89
Buildings	3,055.43	234.47	296.93	**2,992.97**	**483.21**	**2,509.76**	2,541.20
Plant and machinery	15,097.74	1,205.98	264.87	**16,038.85**	**5,918.71**	**10,120.14**	9,931.16
Furniture and fixtures	788.62	120.34	39.04	**869.92**	**238.66**	**631.26**	580.57
Vehicles	321.98	79.07	47.29	**353.76**	**79.51**	**274.25**	257.55
Intangibles							
Product development	283.30	49.71	–	**333.01**	**30.42**	**302.59**	283.30
Patent, trade marks, designs and licences	654.86	104.65	–	**759.51**	**646.80**	**112.71**	47.61
Software	500.92	153.24	–	**654.16**	**341.91**	**312.25**	226.06
Non compete fee	211.00	–	–	**211.00**	**180.37**	**30.63**	50.97
Total	21,335.74	1,966.39	687.33	**22,614.80**	**7,919.59**	**14,695.21**	14,340.31
Previous Year	17,993.15	3,467.83	125.24	21,335.74	6,995.43	14,340.31	11,999.68

* Additions to fixed assets during the year include Rs. 465.74 million (previous year Rs. 974.86 million) used for research and development.
** The above includes the following assets held for disposal, which are being carried at the lower of their net book value and net realisable value :
- Land Rs. 1.71 million, Building Rs. 24.24 million, Furniture and fixture Rs. 8.12 million, Plant and machinery Rs. 26.71 million and Vehicles Rs. 0.41 million.

SCHEDULE 7

Rs. Million

INVESTMENTS					**2007**	2006
CURRENT						
Trust securities						
Other than trade - unquoted						
41,089 US64 Bonds of Rs. 100 each (6.75% Tax Free) of the Unit Trust of India					**4.11**	4.11
					4.11	4.11
LONG TERM						
Investments in shares of companies (fully paid)						
	Nature of	**Face**	**Numbers**			
Trade :	**investment**	**value**	**2007**	2006		
Quoted						
Zenotech Laboratories Limited	Equity shares	Rs. 10	**7,489,536**	2,000,000	**1,078.33**	200.00
Krebs Biochemicals & Industries Limited	Equity shares	Rs. 10	**1,050,000**	–	**89.25**	–
					1,167.58	200.00
Unquoted						
Shimal Research Laboratories Limited	Equity shares	Rs. 10	**9,340,000**	–	**934.00**	–
Shivalik Solid Waste Management Ltd	Equity shares	Rs. 10	**20,000**	–	**0.20**	–
Biotech Consortium India Ltd.	Equity shares	Rs. 10	**50,000**	50,000	**0.50**	0.50
Nimbua Greenfield (Punjab) Limited	Equity shares	Rs. 10	**250,000**	250,000	**2.50**	2.50
Jupiter Bioscience Limited	Equity Warrants	Rs. 10	**3,177,500**	–	**93.42 @**	–
					1,030.62	3.00
Other than trade :						
Quoted						
Fortis Healthcare Limited ##	Equity shares	Rs. 10	**14,097,660**	14,097,660	**140.98**	140.98
The Great Eastern Shipping Company Ltd.	Equity shares	Rs. 10	**500**	500	**0.03**	0.03
					141.01	141.01
Unquoted						
Religare Insurance Holding Company Ltd.	Equity shares	Rs. 10	**4,400,000**	–	**44.00**	–
					44.00	–
Subsidiary companies						
Domestic						
Vidyut Investments Ltd.	Equity shares	Rs. 10	**25,008,400**	25,008,400	**250.08**	250.08
Ranbaxy Drugs Ltd.	Equity shares	Rs. 10	**3,100,020**	3,100,020	**31.00**	31.00
	10% NCRP	Rs. 10	**250**	250	*****	*
Ranbaxy Drugs and Chemicals Company (A public company with unlimited liability)	Equity shares	Rs. 10	**3,100,000**	3,100,000	**17.25**	17.25
Solus Pharmaceuticals Ltd.	Equity shares	Rs. 10	**7,000,700**	3,000,700	**230.01**	30.01
Rexcel Pharmaceuticals Ltd.	Equity shares	Rs. 10	**5,000,000**	1,000,000	**210.00**	10.00
Gufic Pharma Ltd.	Equity shares	Rs. 100	**4,900**	4,900	**535.22**	535.22
Ranbaxy Life Sciences Research Ltd.	Equity shares	Re. 1	**500,000**	–	**0.50**	–
Overseas						
Ranbaxy (Netherlands)BV., The Netherlands	Shares	EUR 100	**3,939,716**	3,939,716	**25,294.52 #**	21,919.16
Ranbaxy (Hongkong) Ltd., Hongkong	Equity shares	HK $ 1	**2,400,000**	2,400,000	**9.84**	9.84
Ranbaxy Pharmacie Generiques SAS, France	Equity shares	€9	**800,000**	800,000	**3,400.02**	3,400.02
Ranbaxy (Guangzhou China) Ltd., China	Capital contribution	US $ 5,900,000			**193.95**	193.95
Ranbaxy (Malaysia) Sdn. Bhd., Malaysia	Ordinary shares	RM 1	**3,189,248**	3,189,248	**36.56**	36.56
Ranbaxy (Nigeria) Ltd.,Nigeria	Ordinary shares	Naira 1	**13,070,648**	13,070,648	**7.40**	7.40
Ranbaxy Unichem Co. Ltd., Thailand	Ordinary shares	Bahts 100	**206,670**	206,670	**21.20**	21.20
					30,237.55	26,461.69
					32,624.87	26,809.81
Less: Provision for diminution in value of long term investments					**(249.36)**	(10.36)
					32,375.51	26,799.45

NOTES

1. * Rounded off to Nil.
2. NCRP denotes Non convertible redeemable preference shares.
3. @ Paid 20% towards preferential allotment of 3,177,500 equity warrants.
4. ## Previous year unquoted.
5. # include Rs. 3,375.36 million paid as share application money pending allotment.

SCHEDULES FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

Rs. Million

	2007	2006
SCHEDULE 8		
INVENTORIES		
Stores and spares	**94.90**	80.09
Raw materials	**3,679.82**	3,835.11
Packaging materials	**369.74**	424.24
Finished goods		
Own manufactured	**3,029.95**	3,098.49
Others	**395.77**	359.98
Work-in-process	**2,190.53**	1,751.21
	9,760.71	9,549.12
SCHEDULE 9		
SUNDRY DEBTORS		
(Considered good except where provided for)		
Debts outstanding for a period exceeding six months		
Secured	**0.73**	0.84
Unsecured		
Good	**1,581.23**	1,675.47
Doubtful	**222.70**	156.26
	1,804.66	1,832.57
Other debts		
Secured	**208.74**	231.13
Unsecured	**7,038.37**	8,231.01
	7,247.11	8,462.14
	9,051.77	10,294.71
Less : Doubtful and provided for	**222.70**	157.26
	8,829.07	10,137.45
SCHEDULE 10		
CASH AND BANK BALANCES		
Cash and cheques in hand	**62.63**	19.00
Remittances in transit	**281.60**	61.48
With scheduled banks in:		
Current accounts	**69.55**	67.01
Deposit accounts	**1,110.71**	440.88
Unclaimed dividend accounts	**82.42**	87.06
With non-scheduled banks in:		
Current accounts	**197.59**	36.08
	1,804.50	711.51
SCHEDULE 11		
OTHER CURRENT ASSETS		
(Unsecured, considered good except where provided for)		
Export incentives accrued	**660.85**	463.23
Exchange gain accrued on forward contracts	**277.85**	184.35
Insurance claims	**23.40**	77.48
Interest accrued but not due	**14.13**	4.82
Others	**62.10**	80.89
	1,038.33	810.77
Less : Doubtful and provided for	**18.08**	29.92
	1,020.25	780.85
SCHEDULE 12		
LOANS AND ADVANCES		
(Considered good except where provided for)		
Secured	**45.59**	57.34
Unsecured		
Advances recoverable in cash or in kind or for value to be received	**2,933.12**	2,694.74
Advance for purchase of shares of associate	**1,274.82**	–
Due from subsidiary companies	**33.02**	394.68
MAT credit receivable	**1,179.00**	381.50
Prepaid income-tax	**1,474.32**	788.65
	6,939.87	4,316.91
Less : Doubtful and provided for	**53.58**	405.90
	6,886.29	3,911.01

SCHEDULES FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

Rs. Million

	2007	2006
SCHEDULE 13		
CURRENT LIABILITIES		
Acceptances	**0.55**	7.18
Interest accrued but not due on loans	**51.13**	12.92
Sundry creditors	**5,424.50**	4,701.42
Dues to micro and small enterprises	**11.15**	–
Unclaimed dividend *	**82.42**	87.06
Other liabilities	**2,761.45**	2,424.72
	8,331.20	7,233.30
* Not due for deposit to Investor education & protection fund		
SCHEDULE 14		
PROVISIONS		
Employee benefits	**1,443.84**	1,174.18
Income-tax	**1,438.52**	673.25
Premium payable on redemption of FCCB	**1,879.05**	828.26
Final dividend (proposed)	**2,239.42**	–
Interim dividend	**–**	2,237.22
Tax on dividend	**380.59**	313.77
	7,381.42	5,226.68
SCHEDULE 15		
OPERATING INCOME		
SALES		
Domestic	**15,880.58**	13,893.14
Export	**26,411.23**	27,175.65
	42,291.81	41,068.79
Less : Trade discounts	**1,578.94**	1,348.28
	40,712.87	39,720.51
OTHERS		
Royalty and technical know-how	**127.15**	338.26
Export incentives	**688.04**	479.09
Exchange Gain / (Loss) (Net)	**2,043.39**	(700.56)
Sundries	**336.90**	303.65
	3,195.48	420.44
	43,908.35	40,140.95
SCHEDULE 16		
OTHER INCOME		
Interest	**92.14**	201.05
Exchange gain (Net) on foreign currency borrowings	**3,120.28**	118.45
Dividend	**9.89**	10.25
Profit on sale of assets	**675.07**	31.03
Profit on sale of long term investments	**–**	0.01
Unclaimed balances / excess provisions written back	**354.63**	47.55
Miscellaneous	**69.76**	92.02
	4,321.77	500.36
SCHEDULE 17		
MATERIALS		
Raw materials consumed	**13,288.63**	12,274.26
Packaging materials consumed	**1,844.76**	1,703.97
Finished goods purchased	**3,086.31**	2,792.58
Increase in work in process and finished goods		
Opening stock		
Work-in-process	**1,751.21**	1,732.17
Finished goods		
Own manufactured	**3,098.49**	2,704.77
Others	**359.98**	325.75
	5,209.68	4,762.69
Less :		
Closing stock		
Work-in-process	**2,190.53**	1,751.21
Finished goods		
Own manufactured	**3,029.95**	3,098.49
Others	**395.77**	359.98
	5,616.25	5,209.68
Increase	**(406.57)**	(446.99)
	17,813.13	16,323.82

SCHEDULES FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

Rs. Million

	2007	2006
SCHEDULE 18		
MANUFACTURING		
Stores and spares consumed	**391.97**	311.49
Power and fuel	**903.53**	806.98
Repairs and maintenance		
Factory buildings	**28.26**	26.51
Plant and machinery	**72.18**	67.32
Analytical charges	**35.68**	26.59
Processing charges	**718.13**	701.31
Excise duty	**66.77**	56.89
	2,216.52	1,997.09
SCHEDULE 19		
PERSONNEL		
Salaries,wages and bonus	**3,686.44**	2,876.10
Contribution to provident and other funds	**262.28**	232.77
Workmen and staff welfare	**251.71**	175.63
Amortisation of deferred employees compensation	**15.71**	26.35
	4,216.14	3,310.85
SCHEDULE 20		
SELLING, GENERAL AND ADMINISTRATION		
Rentals	**158.46**	151.32
Rates and taxes	**136.89**	116.13
Regulatory filing fee	**77.85**	153.90
Printing and stationery	**59.91**	62.51
Electricity and water	**67.16**	59.97
Insurance	**253.23**	327.66
Communication	**152.50**	141.05
Legal and professional charges	**1,545.01**	1,318.90
Travel and conveyance	**799.05**	665.45
Running and maintenance of vehicles	**68.76**	59.77
Repairs and maintenance	**256.89**	177.48
Discounts	**30.43**	51.19
Claims paid	**477.25**	826.54
Freight, clearing and forwarding	**1,435.61**	1,438.73
Advertising and sales promotion	**1,636.61**	1,487.10
Market research expenses	**757.46**	572.70
Conferences and meetings	**79.51**	81.20
Commission	**578.55**	423.53
Recruitment and training	**81.43**	71.94
Assets written off	**146.21**	2.14
Loss on sale of assets	**98.28**	10.23
Amounts written off	**37.66**	17.90
Provision for doubtful debts and advances	**31.28**	44.74
Provision for diminution in value of long term investments	**239.00**	–
Others	**327.37**	320.70
	9,532.36	8,582.78

SCHEDULES FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

Rs. Million

	2007	2006
SCHEDULE 21		
RESEARCH AND DEVELOPMENT EXPENDITURE		
Salaries, wages and bonus	**1,140.22**	910.22
Contribution to provident and other funds	**63.13**	51.84
Workmen and staff welfare	**51.55**	56.38
Raw materials consumed	**1,080.05**	1,078.87
Consumables	**508.31**	427.95
Power and fuel	**179.86**	159.41
Clinical trials	**362.67**	510.05
Rentals	**61.53**	61.85
Printing and stationery	**21.95**	20.82
Insurance	**27.02**	26.88
Communication	**33.80**	38.11
Legal and professional charges	**34.60**	74.59
Travel and conveyance	**86.42**	70.22
Running and maintenance of vehicles	**19.87**	15.11
Analytical testing and processing charges	**118.77**	44.23
Repairs and maintenance		
Machinery	**32.04**	36.58
Buildings	**10.59**	7.49
Others	**68.30**	56.77
Recruitment and training	**13.13**	31.15
Others	**225.63**	184.83
	4,139.44	3,863.35
SCHEDULE 22		
DEPRECIATION, AMORTISATION AND IMPAIRMENT		
Depreciation		
Buildings	**82.77**	75.16
Plant and machinery	**869.51**	772.82
Furniture and fixtures	**46.30**	44.59
Vehicles	**31.37**	26.10
	1,029.95	918.67
Amortisation		
Patents, trade marks and designs	**39.55**	83.43
Software	**67.06**	45.37
Non-compete fee	**20.33**	20.03
	126.94	148.83
Impairment		
Product development	**30.42**	–
	1,187.31	1,067.50
SCHEDULE 23		
PROVISION FOR TAX		
Current income-tax	**863.12**	351.47
MAT credit entitlement	**(797.50)**	(331.50)
Deferred tax	**1,376.44**	527.61
Fringe benefit tax	**124.80**	76.75
	1,566.86	624.33

SCHEDULES FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

Rs. Million

SCHEDULE 24	2007	2006
EARNINGS PER SHARE		
Net profit attributable to equity shareholders		
Profit after tax	**6,177.20**	3,805.43
Tax-earlier years	**–**	145.84
Net profit available for basic earnings per share	**6,177.20**	3,951.27
Net profit attributable to equity shareholders		
Net profit available for basic earnings per share	**6,177.20**	3,951.27
Less:		
Exchange gain on Foreign Currency Convertible Bonds (Net of taxes)	**(1,647.03)**	(52.54)
Net profit available for dilutive earnings per share	**4,530.17**	3,898.73
No. of weighted average equity shares		
Basic	**372,906,747**	372,595,730
Effect of dilutive equity shares on account of :		
– Employees stock options outstanding	**682,473**	746,412
– Foreign Currency Convertible Bonds	**27,119,165**	21,546,734
Diluted	**400,708,385**	394,888,876
Nominal value of equity share (Rs.)	**5.00**	5.00
EARNINGS PER SHARE (Rs.)		
Basic	**16.56**	10.60
Diluted	**11.31**	9.87

SCHEDULES FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

SCHEDULE 25

SIGNIFICANT ACCOUNTING POLICIES

[a] Basis of preparation

The financial statements of Ranabxy Laboratories Limited ("the Company") have been prepared to comply with the Accounting Standards referred to in the Companies (Accounting standards) Rule 2006 issued by the Central Government in exercise of the power conferred under sub-section (I) (a) of section 642 and the relevant provisions of the Companies Act, 1956 (the 'Act'). The financial statements have been prepared under the historical cost convention on accrual basis. The accounting policies have been consistently applied by the Company unless otherwise stated.

[b] Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses. Cost comprises the purchase price and any attributable costs of bringing the asset to their working condition for their intended use.

Borrowing costs directly attributable to acquisition or construction of fixed assets, which necessarily take a substantial period of time to get ready for their intended use are capitalised.

[c] Intangibles

Patents, Trademarks, Designs and licenses

Costs relating to patents, trademarks, designs and licenses, which are acquired, are capitalised and amortised on a straight-line basis over a period of five years.

Computer software

Software which is not an integral part of the related hardware, is classified as an intangible asset and is being amortised over a period of 6 years, being its estimated useful life.

Non-compete fee

Non compete fee is capitalised and amortised on a straight-line basis over the term of the non-compete agreement.

Product Development

Cost incurred for acquiring rights for product under development are recognised as intangible assets and amortised on a straight-line basis over a period of five years from the date of regulatory approval. Subsequent expenditures on development of such products are also added to the cost of intangibles.

[d] Depreciation

Depreciation on fixed assets is provided on straight-line method at the rates and in the manner prescribed in Schedule XIV to the Act.

[e] Leases

Operating lease payments are recognised as an expense on a straight-line basis over the term of the lease.

[f] Investments

Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long-term investments.

Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost, however, provision for diminution in value, other than temporary, is made.

Profit/ loss on sale of investments is computed with reference to their average cost.

[g] Inventories

Inventories are valued as follows:

Raw materials, stores and spares and packaging materials

Lower of cost and net realisable value. However, materials and other items held for use in the production of finished goods are not written down below cost if the products in which they will be used are expected to be sold at or above cost. Cost is determined on a weighted average basis.

Finished goods

Lower of cost and net realisable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty.

Work-in-process

At cost upto estimated stage of completion. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

SCHEDULES FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

SCHEDULE 25

SIGNIFICANT ACCOUNTING POLICIES (Contd.)

Where duty paid/ indigenous materials are consumed, in manufacture of products exported prior to duty-free import of materials under the Advance License Scheme, the estimated excess cost of such materials over that of duty free materials is carried forward and charged to profit and loss account on consumption of such duty-free materials.

[h] Revenue recognition

Revenue is recognised to the extent that it can be reliably measured and is probable that the economic benefits will flow to the Company.

Sale of Goods:

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods are transferred to the customer and is stated net of trade discounts, excise duty, sales returns and sales tax.

Royalties, Technical Know-how and Licensing income:

Revenue is recognised on accrual basis in accordance with the terms of the relevant agreement.

Interest:

Revenue is recognised on a time proportion basis taking into account the amount outstanding and the applicable rate of interest.

Dividends:

Revenue is recognised when the right to receive is established.

[i] Research and development costs

Revenue expenditure incurred on research and development is charged to profit and loss account in the year it is incurred.

Capital expenditure is included in the respective heads under fixed assets and depreciation thereon is charged to depreciation account.

[j] Expenditure on regulatory approvals

Expenditure incurred for obtaining regulatory approvals and registration of products developed in-house is charged to profit and loss account.

[k] Employee stock option plan

The accounting value of stock options representing the excess of the market price on the date of grant over the exercise price of the shares granted under "Employees Stock Option Scheme" of the Company, is amortised as "Deferred employees compensation" on a straight-line basis over the vesting period in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and guidance note 18 "Share Based Payments" issued by Institute of Chartered Accountants of India.

[l] Foreign currency transactions

Investments in foreign entities are recorded at the exchange rate prevailing on the date of making the investment.

Transactions in foreign currencies are recorded at the rates prevailing on the date of the transaction. Monetary items denominated in foreign currency are restated at the rate prevailing on the balance sheet date.

Exchange differences arising on the settlement of monetary items or on reporting company's monetary items at rates different from those at which they were initially recorded during the year, or reported in the previous financial statements, are recognised as income or expense in the year in which they arise.

The exchange differences arising on the forward contracts to hedge the foreign currency risk of an underlying asset or liability existing on the date of the contract are recognised in the profit and loss account of the period in which the exchange rates change, based on the difference between i) foreign currency amount of the forward contract translated at the exchange rates at the reporting date, or the settlement date where the transaction is settled during the reporting period, and ii) the same foreign currency amount translated at the latter of the date of the inception of the contract and the last reporting date, as the case may be. The premium or discount on all such contracts arising at the inception of each contract is amortised as expense or income over the life of the contract.

In case of forward exchange contracts which are entered into to hedge the foreign currency risk of firm commitments or highly probable forecast transactions, the premium or discount arising at the inception of the forward foreign currency contracts is amortised as an expense or income over the life of the contract.

Any profit or loss arising on cancellation or renewal of forward foreign exchange contracts is recognised as income or expense for the year.

In respect of foreign currency option contracts which are entered into to hedge highly probable forecasted transactions the cost of these contracts, if any, is expensed over the period of the contract. Any profit or loss arising on settlement or cancellation of currency options is recognised as income or expense for the period in which settlement or cancellation takes place. The effect of these currency option contracts outstanding at the year-end, in the form of unrealised gains/losses, is not recognised.

SCHEDULES FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

SCHEDULE 25

SIGNIFICANT ACCOUNTING POLICIES (Contd.)

Representative offices

In translating the financial statements of representative offices, the monetary assets and liabilities are translated at the rate prevailing on the balance sheet date; non monetary assets and liabilities are translated at exchange rates prevailing at the date of the transaction and income and expense items are converted at the respective monthly average rates.

[m] Employees benefits

Liabilities in respect of defined benefit plans other than provident fund schemes are determined based on actuarial valuation made by an independent actuary as at the balance sheet date. The actuarial gains or losses are recognised immediately in the profit and loss account. In respect of provident fund schemes, administered by the trusts, liability is recognised for any shortfall in the plan assets vis-à-vis the fund obligation.

Contribution towards the defined contribution plans are recognised in the profit and loss account on accrual basis.

[n] Taxes on income

Tax expenses comprises current tax, deferred tax and fringe benefit tax.

The provision for current income tax is the aggregate of the balance provision for tax for three months ended March 31, 2007 and the estimated provision based on the taxable profit of remaining nine months up to December 31, 2007, the actual tax liability, for which, will be determined on the basis of the results for the period April 1, 2007 to March 31, 2008.

Deferred income tax reflects the impact of current year timing differences between taxable income/ losses and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In respect of carry forward losses and unabsorbed depreciation, deferred tax assets are recognised only to the extent there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

Provision for Fringe Benefit Tax for the year has been determined in accordance with the provisions of section 115 WC of the Income Tax Act, 1961.

[o] Export benefits/ incentives

Export entitlements under the Duty Entitlement Pass Book ("DEPB") Scheme are recognised in the profit and loss account when the right to receive credit as per the terms of the scheme is established in respect of the exports made.

Obligation / entitlements on account of Advance License Scheme for import of raw materials are accounted for on purchase of raw materials and / or export sales.

[p] Contingent liabilities and provisions

The Company makes a provision when there is a present obligation as a result of a past event where the outflow of economic resources is probable and a reliable estimate of the amount of obligation can be made. A disclosure is made for possible or present obligations that may but probably will not require outflow of resources or where a reliable estimate cannot be made, as a contingent liability in the financial statements.

[q] Use of estimates

In preparing Company's financial statements in conformity with accounting principles generally accepted in India, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Any revisions to accounting estimates is recognised prospectively in current and future periods.

[r] Earnings per share

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The weighted average number of equity shares outstanding during the period are adjusted for events of bonus issue and share split.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

[s] Impairment of assets

The Company on an annual basis tests the carrying amount of assets for impairment so as to determine :

a) the provision for impairment loss, if any, or

b) the reversal, if any, of impairment loss recognised in previous periods. Such impairment loss or reversal is recognised in the profit and loss account for the year.

SCHEDULES FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

SCHEDULE 26

NOTES TO THE FINANCIAL STATEMENTS

1. **Share capital**

a] Share capital includes :

[i] 293,698,988 (Previous year 293,698,988) Equity shares of Rs. 5 each allotted as fully paid bonus shares by capitalisation out of securities premium and reserves.

[ii] 6,562,308 (Previous year 6,562,308) Equity shares of Rs. 5 each allotted as fully paid up pursuant to contract without payment being received in cash.

b] Outstanding stock options for equity shares of the Company under the "Employees' Stock Option Scheme" :

Date of grant	Exercise price		2007		2006	
	Rs.	Rs.	Numbers		Numbers	
January 12, 2001*	336.50	(210.31)	**72,887**	**(116,619)**	101,397	(162,235)
December 3, 2001*	297.50	(185.94)	**161,551**	**(258,482)**	233,532	(373,651)
April 1, 2002*	372.50	(232.81)	**291,027**	**(465,643)**	383,180	(613,088)
February 7, 2003	283.50	–	**833,919**	**–**	997,739	–
January 22, 2004	496.00	–	**1,547,602**	**–**	1,735,742	–
January 17, 2005	538.50	–	**2,034,100**	**–**	2,288,440	–
January 17, 2006	392.00	–	**982,120**	**–**	1,110,950	–
January 17, 2007	430.00	–	**1,245,750**	**–**	–	–
			7,168,956	**(840,744)**	6,850,980	(1,148,974)

* The figures in parenthesis represents adjusted exercise price in accordance with the Employees Stock Option Scheme of the company on account of issue of bonus shares in the ratio of 3:5 on October 11, 2002.

2. **Fixed assets**

a] Land includes :

(i) cost of leasehold land Rs. 226.19 million (Previous year Rs. 207.92 million).

(ii) freehold land, valued at Rs. 12.24 million (Previous year Rs. 12.24 million) purchased alongwith building etc.

(iii) cost of land Rs. 26.56 million (Previous year Rs. 27.06 million) pending registration in the name of the Company.

b] Buildings include Rs. 500 (Previous year Rs. 500) representing unquoted fully paid shares of Rs. 50 each in a co-operative housing society.

c] Capital works-in progress includes:

(i) advances to vendors Rs. 50.38 million (Previous year Rs. 45.86 million).

(ii) pre-operative expenses Rs. 305.39 million (Previous year Rs. 217.60 million) as detailed below :

Rs. Million

Description	2007	2006
Opening balance	**217.60**	156.79
Add : Addition during the year		
Salaries, wages and bonus	**62.08**	38.54
Contributions to provident and other funds	**5.08**	3.03
Workmen and staff welfare	**1.64**	1.45
Raw materials	**7.65**	2.03
Power and fuel	**19.53**	37.23
Insurance	**1.70**	2.48
Others	**19.58**	13.11
	334.86	254.66
Less : Capitalised during the year	**29.47**	37.06
Balance	**305.39**	217.60

SCHEDULES FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

SCHEDULE 26

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

3. Cash and bank balances :

(i) Includes deposit receipts of Rs. 0.71 million (Previous year Rs 0.88 million) pledged with Government Authorities.

(ii) Balances with non scheduled banks in current accounts :

	Rs. Million		Maximum balance Rs. Million	
	2007	2006	**2007**	2006
AB Vilnius Bankas, Kaunas, Lithuania	**5.76**	7.97	**19.55**	15.02
ABN AMRO BANK, Bucharest, Romania	**-***	2.45	**2.45**	3.43
ABN AMRO Bank, Moscow, Russia	**158.07**	4.17	**263.52**	36.94
Banque Internationale Pour Le Commerce Et L'industrie du Cameroun, Doula, Cameroon	**2.89**	0.43	**5.15**	4.78
Barclays Bank of Kenya Ltd, Nairobi Kenya	**1.17**	1.32	**1.32**	1.34
Bank Handlowy W Warszawie SA, Warsaw, Poland	**0.41**	0.42	**0.42**	0.60
Calyon Corporate, HO Chi Minh, Vietnam	**1.17**	2.68	**2.73**	6.69
Calyon Corporate, Kiev, Ukraine	**0.73**	0.06	**39.02**	20.35
Citi Bank, Almaty, Kazakhstan	**1.76**	2.88	**12.91**	14.25
Citi Bank, Sofia, Bulgaria	**0.94**	1.02	**2.39**	3.76
Credit Du Maroc, Boulevard Mohammed V. Casablanca, Morocco.	**0.17**	0.14	**6.74**	11.06
HSBC Bital, Mexico Del Miguel Hidalgo, Mexico	**–***	1.97	**1.97**	18.20
Myanmar Investment and Commercial Bank Yangon, Myanmar	**1.68**	2.08	**7.11**	3.60
Societe Generale De Banques Au Cameroun Doula, Ivory Coast	**1.17**	3.62	**3.76**	3.62
The Hongkong & Shanghai Banking Corporation, Singapore	**2.70**	1.65	**3.40**	12.13
Standbic Bank, Nairobi, Kenya	**4.32**	2.88	**11.03**	6.31
Standbic Bank Zimbabwe Limited Causeway Zimbabwe, Harare	**2.47**	0.34	**2.47**	0.59
The Hongkong & Shanghai Banking Corporation, UAE, Dubai	**12.18**	–	**13.89**	–
Total	**197.59**	36.08		

* Closed during the year

4. Amounts due from :

	Rs. Million		Maximum balance Rs. Million	
An officer of the Company	**0.43**	0.53	**0.53**	0.63

	Rs. Million	
	2007	2006
5. Investments		
Quoted		
Aggregate book value (Net of provision)	**1,308.59**	200.02
Market value	**2,804.59**	142.70
Unquoted		
Aggregate book value (Net of provision)	**31,066.92**	26,599.43
6. Interest accrued on investments	**0.04**	0.06
7. Sundry debtors include debts due from subsidiary companies	**4,826.34**	6,128.38

SCHEDULES FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

SCHEDULE 26

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

		Rs. Million 2007	2006
8.	**Loans and advances include :**		
	Secured loans to employees	**45.59**	57.34
	Unsecured loans/advances to subsidiary companies	**33.02**	394.68
	Advances recoverable in cash or in kind or for value to be received include dues from :		
	Employees	**107.00**	83.36
	Suppliers	**144.84**	148.87
	Security deposits with government department	**58.21**	55.76
9.	**Loans due for repayment within one year**	**9,265.06**	7,615.53
10.	**Sundry creditors include due to :**		
	a] Subsidiary companies	**381.38**	188.53
	b] Small scale industrial undertakings	**197.76**	141.08

Total outstanding dues of small scale industrial undertakings have been determined to the extent such parties have been identified on the basis of information available with the Company. The parties to whom the Company owes amounts greater than Rs. 100,000/- outstanding for more than 30 days as at the balance sheet date are:

Aegis Ampoules & Vials Ltd.	Ammonia Supply Co.	Arpit Plastics Pvt. Ltd.	Aakas Plastics Pvt. Ltd.
Best Laboratories Ltd.	Bhasin Packwell Pvt. Ltd.	ESPI Industries & Chemicals	Glide Chem Pvt. Ltd.
Kab Corporation	K K Alufoil	Maral Labs.	Mayura Offset
Metakaps Engg. Co.	NBZ Pharma Ltd.	NEC Packaging Ltd.	Nitin Lifesciences Ltd.
Noble Printing Press	NPP Printing -N-Packaging	Orient Pack & Prints	Pragti Pack India Pvt. Ltd.
Pro Laboratories Pvt. Ltd.	Promed Laboratories Pvt. Ltd.	Rexcin Pharmaceuticals Pvt. Ltd.	Shree Packers
Sidmak Laboratories (India) Pvt. Ltd.	Sri Venkatesa Packaging Industry	Themis Laboratories Pvt. Ltd.	Treveni Polymers Pvt. Ltd.
Update Prints	Vectra Pharmaceuticals Pvt. Ltd.	Viral Rondo Form Trays Industries	Vyankatesh Packaging

11. The Company has identified Micro, Small and Medium Enterprises on the basis of information made available. As at December 31, 2007 there are no dues to Micro, Small and Medium Enterprises that are reportable under the MSMED Act, 2006.

		Rs. Million 2007	2006
12.	**Interest income :**		
	Interest on		
	Current investments - other than trade	**0.28**	0.28
	Income-tax refunds	**14.11**	56.88
	Loans and deposits:		
	Short term deposits	**59.32**	108.91
	Long term deposits	**10.50**	10.50
	Subsidiary companies	**4.32**	15.37
	Employees loans	**3.52**	4.18
	Others	**0.09**	4.93
		92.14	201.05
13.	**Dividend from investments :**		
	Long term		
	Other than trade	**0.01**	0.01
	Subsidiary companies	**9.88**	10.24
		9.89	10.25
14.	**Tax deducted at source on :**		
	Interest received	**15.99**	24.29
	Dividend received	**0.48**	0.42
15.	**Interest paid on fixed period loans**	**874.37**	499.12

SCHEDULES FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

SCHEDULE 26

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

		Rs. Million	
		2007	2006
16.	**Donation to political parties:**		
a]	Shiromani Akali Dal	**4.00**	–
b]	Punjab Pradesh Congress Committee	**4.00**	–
17.	**Premium on outstanding forward exchange contracts to be recognised in the subsequent year**	**86.27**	216.36
18.	**Payment to auditors**		
a]	Statutory auditors		
	Audit fee		
	Statutory	**6.00**	5.50
	Tax	**2.68**	2.08
	Other matters		
	Taxation	**0.09**	0.01
	Certification	**2.03**	1.72
	Travel and out of pocket	**1.57**	0.27
	Service tax	**1.48**	1.24
		13.85	10.82
b]	Cost auditors		
	Audit fee	**0.47**	0.45
	Certification	**0.48**	–
	Travel and out of pocket	**0.07**	0.01
	Service tax	**0.12**	0.06
		1.14	0.52
19.	**Taxes earlier years includes:**		
	Current tax	**–**	(310.17)
	Deferred tax	**–**	164.33
		–	(145.84)

20. Dividend

Final dividend (proposed) includes Rs. 0.99 million on 165,660 shares (previous year Rs.1.10 million on 183,714 shares) estimated to be allotted under the Employees Stock Option Scheme.

21. Share-based compensation

In accordance with the guidance note - 18 "Employees share base payment" the following information relates to the stock options granted by the Company.

				2007
	Stock options (numbers)	**Range of exercise prices (Rs.)**	**Weighted-average exercise price (Rs.)**	**Weighted-average remaining contractual life (years)**
Outstanding, beginning of the year	**6,850,980**	**283.50-538.50**	**446.35**	**7.35**
Granted during the year	**1,331,575**	**430.00**	**430.00**	**9.05**
Forfeited during the year	**(437,184)**	**283.50-538.50**	**472.46**	**–**
Exercised during the year	**(281,954)**	**283.50-538.50**	**317.05**	**–**
Lapsed during the year	**(294,461)**	**283.50-538.50**	**459.64**	**–**
Outstanding, end of the year	**7,168,956**	**283.50-538.50**	**446.52**	**6.87**
Exercisable at the end of the year	**3,238,112**	**283.50-538.50**	**435.42**	**6.00**

SCHEDULES FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

SCHEDULE 26

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

2006

	Stock options (numbers)	Range of exercise prices (Rs.)	Weighted-average exercise price (Rs.)	Weighted-average remaining contractual life (years)
Outstanding, beginning of the year	6,704,838	283.50 – 538.50	456.13	8.01
Granted during the year	1,221,300	392.00	392.00	9.05
Forfeited during the year	(676,430)	283.50 – 538.50	472.42	–
Exercised during the year	(181,883)	283.50 – 538.50	315.26	–
Lapsed during the year	(216,845)	283.50 – 538.50	471.18	–
Outstanding, end of the year	6,850,980	283.50 – 538.50	446.35	7.35
Exercisable at the end of the year	2,282,437	283.50 – 538.50	417.60	6.52

The following table summarises information about stock options outstanding as at December 31, 2007:

	Options outstanding			Options exercisable	
Range of exercise prices	**Number of outstanding**	**Weighted average remaining contractual life**	**Weighted average exercise price**	**Number of outstanding**	**Weighted average exercise price**
Upto Rs 283.50	833,919	5.10	283.50	606,453	283.50
Rs 284.00-Rs 392	1,507,585	6.63	375.43	746,292	359.36
Rs 393.00-Rs 538.50	4,827,452	7.24	496.88	1,885,367	514.39
	7,168,956	**6.87**	**446.52**	**3,238,112**	**435.42**

The following table summarises the assumptions used in calculating the fair value in the year ended December 31, 2007 and 2006:

	2007	2006
Dividend yield	**1.98 percent**	2.17 percent
Expected life	**6.5 years**	6.5 years
Risk free interest rate	**7.97 percent**	7.55 percent
Volatility	**44.95 percent**	40.55 percent

22. Employee benefits

During the year, the Company has adopted Accounting Standard 15 (Revised 2005) 'Employees Benefits'. Since the Company was already using the Projected Unit Credit Method and other assumptions as per the market, hence no change has been adjusted to the opening balance of reserves and surplus.

For the below mentioned defined benefits schemes :

a. Pension

b. Contribution to Gratuity Fund Trust

c. Provident Fund

d. Leave Encashment

Actuarial valuation of pension, leave encashment and gratuity have been done with the following assumptions.

Particulars	**Pension** (Unfunded)	**Leave Encashment** (Unfunded)	**Gratuity** (Funded)
Discount rate	8%	8%	8%
Rate of increase in Compensation levels	5.5%	5.5%	5.5%
Rate of return of plan assets	N.A.	N.A.	8%
Expected Average remaining working lives of employees (years)	21.43	21.38 - 24.35	21.43 - 24.34

SCHEDULE 26

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

Rs. Million

Change in the present value of obligation :	**Pension** (Unfunded)	**Leave Encashment** (Unfunded)	**Provident Fund** (Funded)	**Gratuity** (Funded)
Present value of obligation as at January 1,2007	957.65	153.70	1,579.71	314.57
Interest Cost	76.61	12.30	143.19	24.42
Current Service Cost	158.86	31.61	Nil	29.90
Contribution				
Employeer	Nil	Nil	88.29	Nil
Employee	Nil	Nil	184.87	Nil
Benefits paid	(25.70)	(48.38)	(176.92)	(27.46)
Actuarial (gain)/loss on obligations	38.07	37.55	Nil	37.45
Present value of obligation as at December 31,2007	**1,205.49**	**186.78**	**1,819.14**	**378.88**

Change in the Fair value of Plan Assets :	**Provident Fund** (Funded)	**Gratuity** (Funded)
Fair value of Plan Assets at January 1,2007	1,625.65	314.57
Actual Return on Plan Assets	141.70	24.35
Contributions	273.16	43.06
Benefits paid	(176.92)	(27.46)
Fair value of Plan Assets at December 31,2007	**1,863.59**	**354.52**

The fair value of the plan assets under the provident fund schemes has been determined at amounts based on their value at the time of redemption, assuming a constant rate of return to maturity.

Reconciliation of present value of defined benefit obligation and the fair value of assets	**Gratuity** (Funded)
Present value of funded obligation as at December 31, 2007	378.88
Fair value of Plan Assets as at the end of the period funded status	354.52
Present value of unfunded obligation as at December 31, 2007	24.36
Unfunded Net Liability recognised in Balance Sheet	24.36

Expenses recognised in the Profit and Loss Account	**Pension** (Unfunded)	**Leave Encashment** (Unfunded)	**Gratuity** (Funded)
Current Service Cost	158.86	39.80	29.90
Interest Cost	76.61	12.30	24.42
Expected Return on Plan Assets	–	–	(25.50)
Settlement Cost/Credit	(9.57)	(3.96)	(1.75)
Net actuarial (gain)/loss recognised in the period	38.07	37.55	38.61
Total Expenses recognised in the Profit & Loss Account	**263.97**	**85.69**	**65.68**

Duirng the year the Company has recognised an expense of Rs.137.99 million towards Provident Fund schemes.

The major categories of plan assets as a percentage of total plan assets are as under:

Particulars	**Provident Fund**	**Gratuity**
Central Government secutiries	10%	15%
State Government securities	12%	10%
Bonds and securities of public sector / Financial Institutions	61%	56%
Deposit with Reserve Bank of India	17%	19%

SCHEDULES FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

SCHEDULE 26

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

23. Derivatives

The Company uses Forward Contracts, Options and Swaps to hedge its risks associated with fluctuations in Foreign currencies and Interest rates relating to foreign currency liabilities, certain firm commitments and some forecasted transactions related to foreign currency trade. The use of Forward Contracts, Options and Swaps is governed by Company's overall strategy. The Company does not use forward Contracts, Options and Swaps for speculative purposes. The following are outstanding forward contracts, options and swaps as on December 31, 2007:

	Rs. Million 2007
1] For hedging currency risks	
Forward covers :	
Receivables	**13,062.37**
Payables	**567.81**
Loans	**6,399.80**
Options & Swaps	
Receivables	**11,352.96**
Loans	**4205.26**

2) During the year 2007 the Company has entered into floating to fixed interest rate swap to hedge its exposure on JPY LIBOR related to its external commercial borrowing aggregating to JPY 9.35 billion.

The year end foreign currency exposures that have not been hedged by a derivative instrument or otherwise are given below :

	Rs. Million 2007
Receivables	**167.36**
Payables	**1,370.59**
Loans (including FCCB)	**25,790.44**

	Rs. Million 2007	2006
24. a] Directors' remuneration*		
Salaries and allowances	**149.50**	77.76
Contribution to provident and other funds	**8.92**	5.76
Directors' fee	**2.42**	2.91
Commission	**144.00**	38.90
Perquisites	**7.51**	7.77
	312.35	133.10

* Exclusive of provision for future liabilities in respect of gratuity, leave encashment (which are based on actuarial valuation done on overall Company basis) and amortisation of deferred employees compensation on grant of stock options under "Employees Stock Option Scheme" of the Company.

Exclusive of pension paid/ payable to a non-executive director for the services rendered in earlier years as a whole time director/ employee Rs. 2.29 Million (Previous year Rs. 2.29 Million)

Excludes Rs.2.55 million (Previous year Nil) paid as gratuity to a director upon his separation by the gratuity trust set up by the Company.

SCHEDULE 26

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

b] Determination of net profits in accordance with the provisions of section 349 of the Companies Act, 1956 and commission payable to directors.

		Rs. Million
		2007
Profit before tax as per profit and loss account		**7,744.06**
Less:		
Profit on sale of fixed assets		**675.07**
		7,068.99
Add:		
Directors' remuneration (including commission)	**312.35**	
Other payments		
Pension	**2.29**	
Loss on sale of fixed assets	**102.50**	
Assets written off	**146.21**	
		563.35
Net Profit		**7,632.34**
Commission to directors :		
(As determined by the Board of Directors)		
Whole-time		**144.00**
Others		**10.45**
		154.45

		Rs. Million	
		2007	2006
25.	**Contingent liabilities**		
	Claims not acknowledged as debts *	**1,460.46**	1,145.80
	Indirect taxes*	**234.22**	216.45
	Bills purchased/discounted under letters of credit	**1.76**	–
	* Includes Rs. 348.57 million (Previous year Rs.334.44 million) deposited under protest.		
	Interest on certain claims may be payable as and when the outcome of the related claim is determined and has not been included above.		
26.	Estimated amount of contracts remaining to be executed on capital account and investments not provided for, net of advances.	**662.08**	232.19
27.	**Leases**		
	Operating Lease		
	The Company has leased facilities under non-cancelable operating leases. The future lease payments in respect these leases as at December 31, 2007 and December 31, 2006 are:		
	Minimum lease payments :		
	a. not later than one year	**17.60**	16.35
	b. later than one year but not later than five years	**80.77**	77.26
	c. later than five years	**42.11**	63.22
		140.48	156.83

SCHEDULES FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

SCHEDULE 26

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

28. Related party disclosures

a] Relationship :

i) Subsidiary companies

Domestic

Ranbaxy Drugs and Chemicals Company (A public company with unlimited liability)
Solus Pharmaceuticals Limited
Rexcel Pharmaceuticals Limited
Gufic Pharma Limited
Ranbaxy Life Sciences Research Limited #
Ranbaxy Drugs Limited
Vidyut Investments Limited
Solrex Pharmaceuticals Company # (A Partnership firm)

Overseas

Ranbaxy (Netherlands) BV, The Netherlands
Ranbaxy (Hong Kong) Limited, Hong Kong
Ranbaxy Inc., USA
Ranbaxy Egypt (L.L.C.), Egypt
Ranbaxy (Guangzhou China) Limited, China
Ranbaxy Farmaceutica Ltda, Brazil
Ranbaxy Signature, LLC. USA
Ranbaxy Panama SA, Panama *
Ranbaxy PRP(Peru) SAC
Ranbaxy Australia Pty Ltd., Australia
Lapharma GmbH, Germany
Ranbaxy Unichem Company Ltd., Thailand
Ranbaxy USA, Inc.
Ranbaxy Italia S.p.A
Ranbaxy (Malaysia) Sdn. Bhd., Malaysia
Terapia S.A., Romania
Be-Tabs Investments (Proprietary) Ltd. #
Ranbaxy NANV, The Netherlands
Ranbaxy (Poland) S. P. Zoo, Poland
Ranbaxy Nigeria Limited, Nigeria
Ranbaxy Europe Limited, U.K.
Ranbaxy (UK) Limited, U.K
Basics GmbH , Germany.
ZAO Ranbaxy, Russia
Unichem Distributors Ltd., Thailand *
Office Pharmaceutique Industriel et Hospitalier SARL
Unichem Pharmaceuticals Ltd., Thailand *
Ranbaxy Pharmaceuticals, Inc. USA
Ranbaxy Laboratories Inc., USA
Ohm Laboratories, Inc, USA
Ranbaxy Hungary Gyogyszereszet Kft, Hungary
Mundogen Farma S.A., Spain $
Terapia Distributie S.R.L., Romania
Ranbaxy Pharma AB, Sweden
Ranbaxy Pharmaceuticals BV, The Netherlands*
Ranbaxy Ireland Limited, Ireland
Ranbaxy (S.A.) Proprietary Limited, South Africa
Ranbaxy Holdings (UK) Ltd., U.K
Ranbaxy Do Brazil Ltda, Brazil
Laboratorios Ranbaxy, S.L., Spain
Ranbaxy Vietnam Company Ltd., Vietnam
Ranbaxy Pharmacie Generiques SAS, France
Ranbaxy Pharmaceuticals Canada Inc., Canada
Sonke Pharmaceuticals (Pty) Ltd., South Africa
Bounty Holdings Company Limited, Thailand *
Ranbaxy Mexico S.A.de C.V.
Ranbaxy Portugal - Com E Desenvolv De Prod Farmaceuticos Unipessoal Lda, Portual
Ranbaxy Beligium N.V., Belgium
Be-Tabs Pharmaceuticals (Proprietary) Ltd. #

New entities in 2007
* Liquidated during the year
$ Merged with Laboratorios Ranbaxy, S.L.Spain effective October 1, 2007

ii) Joint venture
Overseas
Nihon Pharmaceuticals Industry Co. Ltd., Japan

iii) Associate
Zenotech Laboratories Limited effective November 23, 2007
Shimal Research Laboratories Limited effective February 5, 2007

iv)

Key management personnel	Relatives*	Entities over which significant influence is exercised
Mr. Malvinder Mohan Singh	Mrs. Nimmi Singh, mother	Fortis Healthcare Ltd. (Including its subsidiaries) SRL Ranbaxy Ltd. International Hospitals Ltd. Religare Securities Ltd. Ran Air Services Ltd. Religare Travels (India) Ltd. (Formerly known as Spectrum Travels (India) Ltd. Escorts Heart Institute and Research Center Ltd. Fortis Clinical Research Limited
Dr. Brian W. Tempest		–
Mr. Ramesh L Adige		–
Mr. Atul Sobti **		–
Mr. Ram S. Ramasundar **		–

* Relatives of key management personnel with whom the Company had transactions during the year.
** For part of the year

SCHEDULE 26

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

b] The following transactions were carried out with related parties in the ordinary course of business.

i) Subsidiary companies, joint ventures and associates.

Rs. Million

	2007	2006
Purchase of materials/finished goods	**52.41**	16.69
Sale of finished goods	**15,889.43**	15,774.68
Services rendered/other receipts	**6.51**	–
Market authorisation fee received	**70.00**	63.40
Sale of raw, packaging materials and stores & spares	**9.26**	–
Services availed and sharing of expenses	**0.12**	110.88
Market research expenses	**744.67**	559.84
Business support expenses	**–**	301.65
Sale of assets	**2.56**	–
Analytical testing charges	**42.37**	1.57
Procurement cost of exhibit batches	**129.93**	127.86
Product quality claim	**279.89**	393.49
Clearing and forwarding charges	**0.62**	2.22
Loans/advances given	**54.60**	52.44
Interest received	**4.32**	15.37
Rent received	**0.17**	–
Investments made/pending allotment during the year	**3,775.86**	18,969.70
Royalty paid	**0.24**	0.24
Royalty and technical know-how fee received	**51.65**	90.40
Dividend received	**9.89**	10.24
Provision written back (net of provision for diminution in value of investments)	**91.00**	–
Balance at the end of the year :		
Loans/advances given (net of provision)	**33.02**	44.68
Other receivables	**4,846.37**	6,128.38
Payables	**388.68**	188.53
ii) Key management personnel and their relatives		
Remuneration to key management personnel	**317.71**	147.26
House rent allowance	**2.40**	2.40
Pension	**2.03**	2.03
Medical reimbursement	**0.03**	0.02
iii) Entities over which significant influence is exercised		
Purchase of materials/finished goods	**–**	1.19
Sale of finished goods	**13.38**	25.13
Other payments	**261.08**	159.14
Services rendered/Other receipts	**9.46**	3.11
Purchase of assets	**2.95**	–
Balance at the end of the year :		
Receivables	**3.96**	10.95
Payables	**12.14**	7.80

SCHEDULES FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

SCHEDULE 26

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

29. Events occurring after the balance sheet date :

De-merger of New Drugs Discovery Research Unit

The Board of Directors of the Company in their meeting held on February 19, 2008, approved the Scheme of Arrangement for de-merger of New Drug Discovery Research (NDDR) Unit of the Company into Ranbaxy Life Sciences Research Limited ("RLS"), a wholly owned subsidiary of the Company. The appointed date for the purpose of de-merger has been fixed as January 01, 2008. Under the aforementioned scheme, all the shareholders of the Company on the record date, without any payment, will be entitled to receive one equity share of Re. 1 each of RLS, for every four equity shares of Rs. 5 each held in the Company.

As at December 31, 2007, the Company's financial statements include net assets of Rs. 272.7 million and net expenses Rs. 657.3 million of the NDDR unit.

Further Stake increase in Zenotech Laboratories Limited

The Company further increased its equity stake in Zenotech Laboratories Limited (Zenotech) by purchase of shares from promoters of Zenotech and acquisition of shares through Open Offer made under SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997. The details are as follows:

Particulars	Date of acquisition	No. of Shares	Consider-ration Rs. million	% of equity share capital of Zenotech
Share acquired from promoters of Zenotech	31.1.2008	7,878,906	1,260.62	22.94%
Shares acquired under Open Offer made under SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997	4.2.2008	758,851	121.41	2.21%

Post acquisition of these shares, the shareholding of the Company in Zenotech became 46.95% of Zenotech's capital base.

30. Additional information pursuant to paragraphs 3 & 4 of part II of schedule VI to the Companies Act,1956.

(As certified by the management and accepted by the auditors)

a] Particulars of installed capacities and actual production

		2007		2006	
	Unit of measure	Installed capacity	Actual production	Installed capacity	Actual production
Dosage forms					
Tablets	Nos./Millions	9,424.00	6,413.29	6,518.00	5,236.71
Capsules	Nos./Millions	2,992.00	2,025.27	2,540.00	1,970.14
Dry syrups/Powders	Bottles /Millions	43.80	42.32	27.20	41.11
Ampoules	Nos./Millions	48.00	99.47	74.40	100.11
Vials	Nos./Millions	39.00	35.55	39.00	33.80
Liquids	Kilolitres	–	1,372.73	–	1,266.27
Drops	Kilolitres	–	46.56	–	40.60
Active pharmaceuticals ingredients and drugs intermediates	Tonnes	2,001.25	1,547.02	2,014.23	1,517.58
Ointments	Tonnes	*	317.80	*	327.48

** In different denominations than actual production*

Notes :

1. Installed capacity being effective operational capacity has been calculated on a double shift basis for dosage forms facilities and on a three shift basis for active pharmaceuticals ingredients and drug intermediates.
2. Actual production includes production at loan licensee locations.

SCHEDULE 26

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

b] Stocks and sales of finished goods

		Sales		Opening stock		Closing stock	
	Unit of measure	Quantity@	Rs. Million	Quantity	Rs. Million	Quantity	Rs. Million
Dosage forms							
Tablets	Nos./Millions	**7,901.19**	**20,154.39**	**741.94**	**1,030.98**	**669.87**	**820.53**
		6,421.75	*18,619.60*	*549.44*	*784.89*	*741.94*	*1,030.98*
Capsules	Nos./Millions	**2,291.48**	**6,130.58**	**188.72**	**254.83**	**212.06**	**293.77**
		2,246.57	*4,715.94*	*154.85*	*183.74*	*188.72*	*254.83*
Dry syrups/Powders	Bottles/Millions	**50.05**	**2,801.23**	**4.15**	**80.81**	**5.42**	**77.14**
		49.02	*2,883.31*	*5.36*	*76.09*	*4.15*	*80.81*
Ampoules	Nos./Millions	**104.37**	**794.69**	**17.76**	**47.78**	**16.24**	**74.80**
		94.25	*709.51*	*8.58*	*43.15*	*17.76*	*47.78*
Vials	Nos./Millions	**103.09**	**2,536.60**	**12.70**	**209.63**	**12.30**	**197.11**
		93.04	*2,150.97*	*9.22*	*158.73*	*12.70*	*209.63*
Liquids	Kilolitres	**3259.35**	**851.53**	**495.16**	**77.41**	**587.53**	**92.71**
		3,055.80	*750.80*	*384.98*	*69.74*	*495.16*	*77.41*
Drops	Kilolitres	**46.86**	**69.99**	**6.12**	**4.93**	**5.82**	**5.46**
		40.33	*59.23*	*4.04*	*3.80*	*6.12*	*4.93*
Active pharmaceuticals ingredients and drugs intermediates	Tonnes	**1,819.07**	**9,694.69**	**126.57**	**1,664.18**	**130.00**	**1,778.30**
		1,980.34	*12,396.71*	*140.10*	*1,616.21*	*126.57*	*1,664.18*
Ointments	Tonnes	**983.84**	**1,331.50**	**139.27**	**67.24**	**128.10**	**74.31**
		882.23	*1,121.93*	*99.95*	*52.41*	*139.27*	*67.24*
Others (Chemicals etc.)			**866.83**		**20.68**		**11.59**
			377.22		*41.76*		*20.68*
Inter unit transfers			**(4,966.06)**				
			(4,546.43)				
TOTAL			**40,265.97**		**3,458.47**		**3,425.72**
			39,238.79		*3,030.52*		*3,458.47*

@ Inclusive of physician samples.

Figures in italics are for 2006.

	Unit of measure	2007 Quantity	2007 Rs. Million	2006 Quantity	2006 Rs. Million
c] Purchases of finished goods for resale					
Tablets	Nos./Millions	**1,415.83**	**832.77**	1,377.54	792.53
Capsules	Nos./Millions	**289.55**	**300.81**	310.30	319.56
Dry Syrups/Powders	Bottles/Millions	**9.00**	**65.67**	6.69	41.78
Ampoules	Nos./Millions	**3.38**	**24.29**	3.32	12.41
Vials	Nos./Millions	**67.14**	**501.89**	62.72	403.33
Liquids	Kilolitres	**1,978.99**	**201.01**	1,899.71	197.09
Drops	Kilolitres	**–**	**–**	1.81	1.53
Bulk drugs / chemicals	Tonnes	**275.48**	**804.07**	449.23	789.17
Ointments	Tonnes	**654.87**	**285.63**	594.07	192.73
Others			**70.17**		42.45
TOTAL			**3,086.31**		2,792.58
d] Consumption of raw materials @					
Erythromycin 'A'95	Metric tonnes	**220.97**	**522.42**	202.53	500.73
Compactin	Metric tonnes	**20.12**	**284.03**	13.38	317.19
Pencillin G Potassium First Crystals	Metric tonnes	**–**	**–**	59.95	31.08
6APA	Metric tonnes	**316.45**	**536.89**	292.63	343.52
3 - Cl - 7 - ACCA	Metric tonnes	**84.99**	**972.68**	65.98	719.73
D-Alpha Phenyl Glycine and its Salts	Metric tonnes	**190.04**	**106.98**	221.13	130.17
Others			**11,945.68**		11,310.71
TOTAL			**14,368.68**		13,353.13

SCHEDULES FORMING PART OF THE STANDALONE FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

SCHEDULE 26

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

e] Consumption of raw materials, components and spares @

		2007		2006	
		Raw materials	**Components, Spares & Packaging materials ***	Raw materials	Components, Spares & Packaging materials
Indigenous	Rs. Million	**6,949.10**	**2,308.58**	5,985.05	2,038.90
	As % of total	**48.36%**	**84.10%**	44.82%	83.44%
Imported	Rs. Million	**7,419.58**	**436.46**	7,368.08	404.51
	As % of total	**51.64%**	**15.90%**	55.18%	16.56%

** Inclusive of components and spares used for maintenance of plant and machinery*

@ Inclusive of raw materials consumed for research and development

Rs. Million

		2007	2006
f]	**Imports on C. I. F. basis:**		
	Raw materials	**4,949.49**	5,212.37
	Components and spares	**57.65**	82.33
	Capital goods	**400.85**	343.16
g]	**Expenditure in foreign currencies**		
	Interest	**547.36**	289.11
	Royalty paid	**2.03**	2.34
	Legal and professional charges	**1,352.20**	1,420.59
	Others	**3,878.15**	3,660.01
h]	**Dividend paid to non-resident shareholders** (in foreign currency)		
	Interim		
	No. of shareholders	**28**	30
	No. of shares held	**47,206**	47,326
	Dividend remitted (Rs. Million)	**0.12**	0.12
	Year to which it relates	**2007**	2006
	2nd Interim		
	No. of shareholders	**28**	–
	No. of shares held	**47,206**	–
	Dividend remitted (Rs. Million)	**0.28**	–
	Year to which it relates	**2006**	–
	Final		
	No. of shareholders	**–**	29
	No. of shares held	**–**	46,296
	Dividend remitted (Rs. Million)	**–**	0.28
	Year to which it relates	**–**	2005
i]	**Earnings in foreign exchange**		
	F.O.B. value of exports (excluding Nepal)	**25,172.80**	25,891.78
	Royalty/Technical consultancy fees	**129.01**	335.83
	Dividends	**9.89**	10.24
	Others (freight, insurance etc.)	**1,296.94**	1,320.82

SCHEDULE 26

NOTES TO THE FINANCIAL STATEMENTS (Contd.)

31. Information pursuant to clause 32 of the listing agreements with stock exchanges

	Rs. Million		Maximum balance Rs. Million	
	2007	2006	**2007**	2006
Loans and advances in the nature of loans to :				
Wholly-owned subsidiary companies with no specified payment schedule				
Vidyut Investments Limited	**–**	350.08	**350.08**	361.08
Ran Air Services Limited #	**–**	–	**–**	51.45
Ranbaxy Drugs Limited *	**3.10**	3.10	**3.60**	3.10
Rexcel Pharmaceuticals Limited *	**8.00**	–	**38.60**	–
Solus Pharmaceuticals Limited *	**9.89**	–	**15.50**	–
Ranbaxy Netherlands B.V.* The Netherlands	**12.04**	41.50	**41.51**	41.51

* Interest free.

Ceased to be subsidiary during 2006.

32. Previous year figures

Previous year figures have been regrouped/recasted wherever considered necessary to make them comparable with those of the current year.

Signatories to schedules 1 to 26

On behalf of the Board of Directors

HARPAL SINGH
Chairman

MALVINDER MOHAN SINGH
CEO & Managing Director

ATUL SOBTI
Chief Operating Officer & Whole-time Director

OMESH SETHI
Vice President & Head-Global Finance

SUSHIL K. PATAWARI
Secretary

Place : Gurgaon
Dated : March 28, 2008

RANBAXY LABORATORIES LIMITED

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. REGISTRATION DETAILS :

Registration No.	003747	State Code :	16
Balance Sheet Date :	31 (Date) 12 (Month) 2007 (Year)		

II. CAPITAL RAISED DURING THE YEAR (AMOUNT IN RS. THOUSANDS)

Public Issue :	NIL	Rights Issue :	NIL
Employees Stock Options :	1915	Private Placement :	NIL
Bonus Issue :	NIL		

III. POSITION OF MOBILISATION AND DEPLOYMENT OF FUNDS (AMOUNT IN RS. THOUSANDS)

Total Liabilities :	78645736	Total Assets :	78645736
Source of Funds			
Paid-up-Capital :	1865350	Reserves & Surplus :	23506806
	11760	*	
Secured Loans :	3650680	Unsecured Loans :	31379600
Deferred tax liability :	2518920		
Application of Funds			
Net Fixed Assets :	17969409	Investments :	32375511
Net Current Assets :	12588204	Misc. Expenditure :	NIL
Accumulated Losses :	NIL		

* Share application money pending allotment

IV. PERFORMANCE OF COMPANY (AMOUNT IN RS. THOUSANDS)

Turnover :	40712870	Total Expenditure :	40039165
Profit / Loss before Tax :	+ ✓ − 7744057	Profit / Loss after tax :	+ ✓ − 6177197
Earning Per Share in Rs.	17	Dividend Rate (%) :	170

V. GENERIC NAMES OF THREE PRINCIPAL PRODUCTS OF THE COMPANY

Item Code No.	294190
Product Description	CEFACLOR
Item Code No.	294200
Product Description	CEPHALEXIN
Item Code No.	294110
Product Description	AMOXYCILLIN

On behalf of the Board of Directors

HARPAL SINGH
Chairman

MALVINDER MOHAN SINGH
CEO & Managing Director

ATUL SOBTI
Chief Operating Officer &
Whole-time Director

OMESH SETHI
Vice President &
Head-Global Finance

SUSHIL K. PATAWARI
Secretary

Place : Gurgaon
Dated : March 28, 2008

Statement Regarding Subsidiary Companies Pursuant to Section 212(3) and 212(5) of the Companies Act, 1956

Name of Subsidiary Company	Financial year to which accounts relates	Holding Company's interest as at close of financial year of subsidiary company: i) Shareholding	ii) Extent of Holding %age	Net aggregate amount of subsidiary company's profits after deducting its losses or vice-versa, so far as it concerns members of Holding Company which are not dealt within the Company's account: **For the current financial year Rs. Million**	For the previous financial years Rs. Million	Net aggregate amount of Subsidiary Company's profit after deducting its losses or vice-versa, dealt within the Company's account: **For the current financial year Rs. Million**	For the previous financial years Rs. Million	Holding Company's interest as at December 31, 2007 incorporating changes since close of financial year of Subsidiary Company
Domestic :								
Solus Pharmaceuticals Ltd.	2007	7,000,700 Equity shares of Rs. 10 each	100 $	**1.66 (Profit)**	6.96 (Loss)	**Nil**	Nil	No change
Rexcel Pharmaceuticals Ltd.	2007	5,000,000 Equity shares of Rs. 10 each	100 $$	**1.14 (Loss)**	32.02 (Profit)	**Nil**	Nil	No change
Vidyut Investments Ltd.	2007	25,008,400 Equity shares of Rs. 10 each	100	**331.99 (Loss)**	94.35 (Profit)	**Nil**	78.45	No change
Ranbaxy Drugs and Chemical Company (A public company with unlimited liability)	2007	6,200,000 Equity shares of Rs. 10 each	100 @	**2.40 (Profit)**	3.54 (Profit)	**Nil**	Nil	No change
Ranbaxy Drugs Ltd.	2007	i) 3,100,020 Equity shares of Rs. 10 each ii) 250 10% Non-Cumulative Redeemable Preference shares of Rs. 10 each	100	**0.01 (Loss)**	0.39 (Loss)	**Nil**	Nil	No change
Gufic Pharma Ltd.	2007	4900 Equity shares of Rs. 100 each	98	**0.34 (Profit)**	1.50 (Profit)	**Nil**	Nil	No change
Ranbaxy Life Sciences Research Ltd.	2007	500,000 Equity shares of Re.1 each	100	**0.03 (Loss)**	Nil	**Nil**	Nil	New entity in 2007
Overseas :								
Ranbaxy (Guangzhou China) Ltd., China	2007	Investment Certificate of US $ 6,225,000	83 @	**3.80 (Profit) #**	216.29 (Loss) #	**Nil**	Nil	No change
Ranbaxy (Netharlands) B.V., The Netherlands	2007	3,939,716 shares of Eur 100 each	100	**966.62 (Profit) #**	1,851.48 (Profit) #	**Nil**	Nil	No change
Ranbaxy Nigeria Ltd., Nigeria	2007	33,956,284 Ordinary shres of Naira 1 each	84.89 @	**47.29 (Profit) #**	129.31 (Profit) #	**2.11**	13.91	No change
Ranbaxy (Hong Kong) Ltd. (Consolidated), Hong Kong	2007	2,400,000 Equity shares of HK $ 1 each	100	**18.45 (Profit) #**	42.51 (Loss) #	**Nil**	Nil	No change
Ranbaxy (Malaysia) Sdn. Bhd. Malaysia	2007	5,446,865 Ordinary shares of RM 1 each	68.09 @	**64.64 (Profit) #**	215.84 (Profit) #	**5.97**	20.13	No change
Ranbaxy Unichem Company Limited, Thailand	2007	885,570 Ordinary shares of Baht 100 each	88.56 @	**39.73 (Profit) #**	56.35 (Profit) #	**1.81**	2.72	No change
Ranbaxy Pharmacie Generiques SAS (Consolidated), France	2007	827,600 Equity shares of Euro 9 each	100 @	**3.45 (Profit) #**	84.48 (Loss) #	**Nil**	Nil	No change

$ Previous year 3,000,700 Equity shares of Rs 10 each

$$ Previous year 1,000,000 Equity shares of Rs 10 each

@ Inclusive of shares held through wholly owned subsidiaries.

Exchnage rates conversion as on the year end.

Previous year figures have been regrouped/ recasted wherever considered necessary.

On behalf of the Board of Directors

HARPAL SINGH
Chairman

MALVINDER MOHAN SINGH
CEO & Managing Director

ATUL SOBTI
Chief Operating Officer & Whole-time Director

OMESH SETHI
Vice President & Head-Global Finance

SUSHIL K. PATAWARI
Secretary

Place : Gurgaon
Dated : March 28, 2008

Auditors' report to the Board of Directors of Ranbaxy Laboratories Limited

We have audited the attached consolidated balance sheet of Ranbaxy Laboratories Limited, (the "Company") its subsidiaries, joint venture and associates (as per list appearing in Note 24 on Schedule 26) (hereinafter collectively referred to as the 'Group'), as at December 31, 2007 and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on the date annexed thereto (hereinafter collectively referred to as the 'consolidated financial statements'). These consolidated financial statements are the responsibility of the Group's management and have been prepared by the management on the basis of separate financial statements of the entities of the Group. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with the auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of some consolidated entities, whose financial statements reflect total assets of Rs. 14,841.59 million as at December 31, 2007, total revenue of Rs. 26,465.18 million and cash flows amounting to Rs. 287.06 million for the year then ended and associates whose financial statements reflect the Group's share of profit of Rs. 2.10 million for the year then ended as considered in the consolidated financial statements. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us and our opinion in respect thereof is based solely on the report of such other auditors.

We report that the consolidated financial statements have been prepared by Group's management in accordance with the requirements of Accounting Standard 21, Consolidated Financial Statements, Accounting Standard 23, Accounting for Investments in Associates in Consolidated Financial Statements and Accounting Standard 27, Financial Reporting of Interests in Joint Venture, issued by the Institute of Chartered Accountants of India.

Based on our audit and consideration of reports of other auditors on separate financial statements of the entities and to the best of our information and according to the explanations given to us, we are of the opinion that the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India; in case of :

(a) the consolidated balance sheet, of the state of affairs of the Group as at December 31, 2007;

(b) the consolidated profit and loss account, of the profit for the year ended on that date; and

(c) the consolidated cash flow statement, of the cash flows for the year ended on that date.

For Walker, Chandiok & Co
Chartered Accountants

Per **Vinod Chandiok**
Partner
Membership No. 10093

Place : Gurgaon
Dated : March 28, 2008

CONSOLIDATED BALANCE SHEET

AS AT DECEMBER 31, 2007

Rs. Million

	Schedule	2007	2006
SOURCES OF FUNDS			
SHAREHOLDERS' FUNDS			
Share capital	1	1,865.35	1,863.43
Reserves and surplus	2	26,156.77	23,986.48
		28,022.12	25,849.91
SHARE APPLICATION MONEY PENDING ALLOTMENT		11.76	8.79
MINORITY INTERESTS		570.54	334.43
LOAN FUNDS			
Secured loans	3	4,102.55	3,369.62
Unsecured loans	4	37,313.17	36,186.57
		41,415.72	39,556.19
DEFERRED TAX LIABILITY	5	2,728.07	1,636.03
		72,748.21	67,385.35
APPLICATION OF FUNDS			
FIXED ASSETS	6		
Gross block		55,690.25	51,173.89
Less : Depreciation		13,645.14	12,220.55
Net block		42,045.11	38,953.34
Capital works-in-progress		3,573.89	3,580.98
INVESTMENTS	7	2,403.17	362.35
DEFERRED TAX ASSET	5	1,293.58	981.16
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	8	16,408.60	16,115.52
Sundry debtors	9	14,930.60	15,716.33
Cash and bank balances	10	4,378.93	2,951.16
Other current assets	11	1,615.83	1,299.59
Loans and advances	12	7,425.81	5,343.03
		44,759.77	41,425.63
Less:			
CURRENT LIABILITIES AND PROVISIONS			
Current liabilities	13	13,624.23	12,449.40
Provisions	14	7,703.08	5,468.71
		21,327.31	17,918.11
NET CURRENT ASSETS		23,432.46	23,507.52
		72,748.21	67,385.35
SIGNIFICANT ACCOUNTING POLICIES	25		
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	26		

The schedules referred to above form an integral part of the consolidated financial statements.
This is the consolidated balance sheet referred to in our report of even date.

On behalf of the Board of Directors

For WALKER, CHANDIOK & CO
Chartered Accountants

Per VINOD CHANDIOK
Partner
Membership No. 10093

Place : Gurgaon
Dated : March 28, 2008

HARPAL SINGH
Chairman

OMESH SETHI
Vice President & Head-Global Finance

MALVINDER MOHAN SINGH
CEO & Managing Director

ATUL SOBTI
Chief Operating Officer & Whole-time Director

SUSHIL K. PATAWARI
Secretary

CONSOLIDATED PROFIT AND LOSS ACCOUNT

FOR THE YEAR ENDED DECEMBER 31, 2007

Rs. Million

	Schedule	2007	2007	2006	2006
INCOME					
Operating income	15	70,269.36		61,797.33	
Less : Excise duty		446.90	69,822.46	481.72	61,315.61
Other income	16		4,433.53		682.80
			74,255.99		61,998.41
EXPENDITURE					
Materials	17		27,216.78		23,733.09
Manufacturing	18		3,353.27		3,098.76
Personnel	19		8,918.39		7,955.29
Selling, general and administration	20		16,906.79		13,866.94
Research and development	21		4,280.12		3,954.79
			60,675.35		52,608.87
PROFIT BEFORE INTEREST, DEPRECIATION, AMORTISATION AND IMPAIRMENT			13,580.64		9,389.54
Interest			1,411.88		1,036.32
Depreciation, amortisation and impairment	22		2,183.41		1,842.88
PROFIT BEFORE TAX			9,985.35		6,510.34
Provision for tax	23		2,118.86		1,356.74
PROFIT AFTER TAX			7,866.49		5,153.60
Add: Share in profit and loss of associates (Net)			2.10		–
Less : Minority interests			123.74		50.21
PROFIT AFTER TAX AND MINORITY INTERESTS			7,744.85		5,103.39
Tax - earlier years			1.01		148.06
Balance as per last balance sheet			2,464.96		1,253.94
Transfer from Foreign projects reserve			24.87		22.95
BALANCE AVAILABLE FOR APPROPRIATION			10,235.69		6,528.34
APPROPRIATIONS					
Dividend					
Interim			932.13		3,168.94
Final (proposed)			2,239.42		–
Tax on dividend			539.02		444.44
Transfer to General reserve			800.00		450.00
Surplus carried forward			5,725.12		2,464.96
			10,235.69		6,528.34
EARNINGS PER SHARE (RS.)	24				
Basic			20.77		14.09
Diluted			15.22		13.17
SIGNIFICANT ACCOUNTING POLICIES	25				
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS	26				

The schedules referred to above form an integral part of the consolidated financial statements.
This is the consolidated profit and loss account referred to in our report of even date.

On behalf of the Board of Directors

For WALKER, CHANDIOK & CO
Chartered Accountants

HARPAL SINGH
Chairman

MALVINDER MOHAN SINGH
CEO & Managing Director

ATUL SOBTI
Chief Operating Officer & Whole-time Director

Per VINOD CHANDIOK
Partner
Membership No. 10093

OMESH SETHI
Vice President & Head-Global Finance

SUSHIL K. PATAWARI
Secretary

Place : Gurgaon
Dated : March 28, 2008

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED DECEMBER 31, 2007

Rs. Million

		2007	2006
A.	**CASH FLOW FROM OPERATING ACTIVITIES**		
	Net profit before minority interests and share of profits in associates	**9,985.35**	6,510.34
	Adjustments for :		
	Depreciation, amortisation & impairment	**2,183.41**	1,842.88
	Assets written off	**301.74**	10.04
	Deferred employees compensation	**15.71**	26.35
	Unrealised exchange Gain (net)	**(2,465.70)**	(270.74)
	Dividend income	**(1.02)**	(1.01)
	Profit on disposal of investments	**–**	(12.89)
	Profit on sale of assets (net)	**(575.94)**	(41.12)
	Reversal in the value of current investments	**–**	(2.36)
	Interest expense	**1,411.88**	1,036.32
	Interest income	**(218.72)**	(211.22)
	Amounts written off	**143.18**	60.48
	Provision for doubtful debts and advances	**62.06**	142.50
		856.60	2,579.23
	Operating profit before working capital changes	**10,841.95**	9,089.57
	Adjustments for :		
	Inventories	**(293.08)**	(2,491.50)
	Sundry debtors / receivables	**258.44**	(4,667.75)
	Loans and advances	**(867.54)**	(537.58)
	Trade/other payables	**1,373.94**	471.61
	Other current assets	**330.16**	2,733.46
		801.92	(4,491.76)
	Net cash generated from operating activity	**11,643.87**	4,597.81
	Direct taxes paid (net of refunds)	**(1,411.43)**	694.56
	Net cash from operating activity	**10,232.44**	5,292.37
B.	**CASH FLOW FROM INVESTING ACTIVITIES**		
	Purchase of fixed assets / capital works-in-progress	**(5,227.26)**	(4,358.14)
	Sale of assets	**865.85**	156.18
	Purchase of investments	**(226.87)**	(202.76)
	Sale proceeds of investments	**–**	27.38
	Investment in associates	**(1,812.33)**	–
	Investment in subsidiary company	**(2,232.30)**	(15,784.01)
	Short term deposit / secured loans	**11.71**	16.35
	Interest received	**211.91**	213.08
	Dividend received	**1.02**	1.01
	Net cash used in investing activities	**(8,408.27)**	(19,930.91)
C.	**CASH FLOW FROM FINANCING ACTIVITIES**		
	Proceeds from issue of capital (including premium)	**92.34**	63.32
	Minority interest	**236.11**	168.52
	Proceeds from bank and other borrowings (net)	**4,333.39**	217.90
	Proceeds from FCCB	**–**	19,553.60
	FCCB issue expenses	**–**	(227.50)
	Interest paid	**(1,411.88)**	(1,036.32)
	Dividend paid	**(3,169.35)**	(3,167.27)
	Tax on dividend	**(472.20)**	(444.20)
	Net cash (used) in / from financing activities	**(391.59)**	15,128.05
	INCREASE IN CASH AND CASH EQUIVALENTS	**1,432.58**	489.51
	Cash and cash equivalents at the beginning	**2,863.22**	2,373.71
	Cash and cash equivalents at the end	**4,295.80**	2,863.22
Notes :			
	Cash and cash equivalents include :		
	Cash and cheques in hand and remittances in transit	**403.06**	170.04
	With banks in :		
	Current accounts [Net of dividend accounts Rs. 82.42 Mn (Previous year Rs. 87.06 Mn)]	**1,822.06**	1,122.68
	Deposit accounts [Net of pledged Rs.0.71 Mn (Previous year Rs 0.88 Mn)]	**2,070.68**	1,570.50
		4,295.80	2,863.22

On behalf of the Board of Directors

For WALKER, CHANDIOK & CO
Chartered Accountants

HARPAL SINGH
Chairman

MALVINDER MOHAN SINGH
CEO & Managing Director

ATUL SOBTI
Chief Operating Officer & Whole-time Director

Per VINOD CHANDIOK
Partner
Membership No. 10093

OMESH SETHI
Vice President & Head-Global Finance

SUSHIL K. PATAWARI
Secretary

Place : Gurgaon
Dated : March 28, 2008

SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

Rs. Million

		2007	2006
SCHEDULE 1			
SHARE CAPITAL			
Authorised			
598,000,000 (Previous year 598,000,000) Equity shares of Rs. 5 each		**2,990.00**	2,990.00
100,000 (Previous year 100,000) Cumulative preference shares of Rs. 100 each		**10.00**	10.00
		3,000.00	3,000.00
Issued, subscribed and paid up			
373,070,829 (Previous year 372,686,964) Equity shares of Rs. 5 each fully paid		**1,865.35**	1,863.43
		1,865.35	1,863.43
SCHEDULE 2			
RESERVES AND SURPLUS			
Capital reserve		**70.90**	66.58
Amalgamation reserve		**43.75**	43.75
Revaluation reserve			
As per last balance sheet		**189.51**	105.07
Add: Addition during the year		**–**	86.64
		189.51	191.71
Less: Utilised during the year		**(2.20)**	(2.20)
		187.31	189.51
Securities premium			
As per last balance sheet		**5,599.60**	6,235.31
Add : Received during the year *		**101.80**	64.69
		5,701.40	6,300.00
Less : Expenses on issue of FCCB (Net of taxes)		–	(150.93)
Less : Premium payable on redemption of FCCB (Net of taxes)		**(690.89)**	(549.47)
		5,010.51	5,599.60
Foreign projects reserve			
As per last balance sheet		**62.72**	85.67
Less: Transfer to profit and loss account		**(24.87)**	(22.95)
		37.85	62.72
Employee stock options outstanding			
Employees stock options outstanding		**104.94**	127.96
Less: Deferred employee compensation		**(9.57)**	(33.95)
		95.37	94.01
General reserve			
As per last balance sheet		**15,351.24**	14,901.24
Add : Transfer from profit and loss account		**800.00**	450.00
		16,151.24	15,351.24
Surplus carried forward	**5,725.12**		
Goodwill written off on merger of subsidiary	**(242.49)**	**5,482.63**	2,464.96
Foreign currency translation reserve		**(922.79)**	114.11
		26,156.77	23,986.48
* Includes Rs. 14.35 million (previous year Rs 8.59 million) transferred from Employees Stock Options Outstanding			
SCHEDULE 3			
SECURED LOANS			
Loan from banks		**3,650.68**	2,806.31
Deferred payment credit		**451.87**	563.31
		4,102.55	3,369.62
SCHEDULE 4			
UNSECURED LOANS			
Short term loans			
Banks		**10,762.56**	9,939.74
		10,762.56	9,939.74
Long term loans			
Zero coupon Foreign Currency Convertible Bonds (FCCB)		**17,344.80**	19,474.40
Banks		**9,076.91**	6,714.11
Others		**118.80**	44.30
Deferred sales tax credit		**10.10**	14.02
		26,550.61	26,246.83
		37,313.17	36,186.57
SCHEDULE 5			
DEFERRED TAX LIABILITY / ASSET			
Deferred tax liability arising on account of :			
Depreciation		**3,011.37**	2,554.52
FCCB loan revaluation		**500.51**	17.95
Tax credit received		**165.94**	164.33
		3,677.82	2,736.80
Deferred tax asset arising on account of :			
Provision for doubtful debts and advances		**228.66**	209.55
Employee benefits		**121.80**	134.99
Carried forward tax losses		**860.07**	1,062.24
FCCB redemption premium charged to securities premium account		**638.69**	278.79
Others		**394.11**	396.36
		2,243.33	2,081.93
Net liability		**1,434.49**	654.87
Aggregated of net deferred tax liabilities jurisdictions		**2,728.07**	1,636.03
Aggregated of net deferred tax assets jurisdictions		**1,293.58**	981.16
		1,434.49	654.87

SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

SCHEDULE 6

FIXED ASSETS — Rs. Million

Description	Gross block 2006	Additions	Deletions	Translation	2007	Accumulated Depreciation/ Amortization & Impairment 2007	Net block* 2007	2006
Intangibles								
Goodwill	18,236.00	1,955.00	278.87	(96.13)	**19,816.00**	**517.58**	**19,298.42**	17,657.94
Patent, trade marks, designs and licences	2,924.70	1,610.72	191.93	(156.91)	**4,186.58**	**2,008.27**	**2,178.31**	1,148.21
Software	542.84	199.25	15.24	(3.82)	**723.03**	**397.00**	**326.03**	226.07
Product development	283.30	49.71	–	–	**333.01**	**30.42**	**302.59**	283.30
Non compete fee	211.00	–	–	–	**211.00**	**180.37**	**30.63**	50.97
Tangibles								
Land	992.04	161.01	56.34	(45.79)	**1,050.92**	**–**	**1,050.92**	992.04
Buildings	5,742.17	597.67	326.79	(234.02)	**5,779.03**	**886.70**	**4,892.33**	4,847.51
Plant and machinery	19,553.93	1,919.51	528.26	(364.11)	**20,581.07**	**8,495.30**	**12,085.77**	11,903.24
Furniture and fixtures	1,231.10	505.27	51.32	(48.15)	**1,636.90**	**638.88**	**998.02**	789.88
Vehicles	698.39	164.09	69.61	(28.70)	**764.17**	**298.08**	**466.09**	480.26
Assets taken on lease								
Building	674.02	–	–	(73.65)	**600.37**	**189.77**	**410.60**	526.95
Plant and machinery	50.52	–	49.88	(0.64)	**–**	**–**	**–**	32.33
Furniture and fixtures	4.78	–	4.35	(0.43)	**–**	**–**	**–**	0.44
Vehicles	29.09	2.65	22.57	(1.00)	**8.17**	**2.77**	**5.40**	14.20
Total	**51,173.88**	**7,164.88**	**1,595.16**	**(1,053.35)**	**55,690.25**	**13,645.14**	**42,045.11**	**38,953.34**
Previous year	29,920.31	21,242.35	279.08	290.31	51,173.89	12,220.55	38,953.34	

* The above includes the following assets held for disposal, which are being carried at the lower of their book value and net realisable value :
- Land Rs. 193.72 million, Building Rs. 24.24 million, Furniture and fixture Rs. 8.12 million, Plant and machinery Rs. 27.11 million and Vehicles Rs. 0.41 million.

SCHEDULE 7

INVESTMENTS — Rs. Million

	Nature of investment	Face value	Numbers 2007	Numbers 2006	2007	2006
CURRENT						
Trust securities						
Other than trade - unquoted						
41,089 US64 Bonds of Rs. 100 each (6.75% Tax Free)					**4.11**	4.11
					4.11	4.11
LONG TERM						
Investments in shares of companies (fully paid)						
Trade :						
Quoted						
Krebs Biochemicals & Industries Limited	Equity shares	Rs. 10	**1,050,000**	–	**89.25**	–
Sawai Pharmaceutical Co.,Ltd #	Equity shares		**1,500**	1,500	**1.87**	1.24
Unquoted						
Nimbua Greenfield (Punjab) Limited	Equity shares	Rs. 10	**250,000**	250,000	**2.50**	2.50
Jupiter Bioscience Limited	Equity Warrants	Rs. 10	**3,177,500**	–	**93.42** @	–
Shivalik Solid Waste Management Ltd.	Equity shares	Rs. 10	**20,000**	–	**0.20**	–
Biotech Consortium India Ltd.	Equity shares	Rs. 10	**50,000**	50,000	**0.50**	0.50
Tomita Pharmaceutical Co.,Ltd #	Equity shares		**2,500**	2,500	**1.28**	1.44
Sidmak Laboratories (India) Limited	Equity shares	Rs. 10	**167,330**	167,330	**10.54**	10.54
					199.56	16.22
Associates						
Quoted						
Zenotech Laboratories Limited	Equity shares	Rs. 10	**7,489,536**	2,000,000	**1,077.62** *	200.00
					1,077.62	200.00
Other than trade :						
Quoted						
The Great Eastern Shipping Company Ltd.	Equity shares	Rs. 10	**500**	500	**0.03**	0.03
Fortis Healthcare Limited @@	Equity shares	Rs. 10	**14,097,660**	14,097,660	**140.98**	140.98
Autobacs Seven Co., Ltd #	Equity shares		**871**	871	**0.57**	1.52
Unquoted						
Associates						
Shimal Research Laboratories Ltd.	Equity shares	Rs. 10	**9,340,000**	–	**936.81** **	–
Others						
Religare Insurance Holding Company Ltd.	Equity shares	Rs. 10	**4,400,000**	–	**44.00**	–
					1,122.39	142.53
					2,403.68	362.86
Less: Provision for diminution in value of long term investments					**0.51**	0.51
					2,403.17	362.35

\# Held by Nihon Pharmaceuticals Industry Co. Ltd., Japan.
@@ previous year unquoted.
** Include goodwill Rs. 681.67 Million.

@ Paid 20% towards preferential allotment of 3,177,500 equity warrants.
* Include goodwill Rs. 816.11 Million.

SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

Rs. Million

	2007	2006
SCHEDULE 8		
INVENTORIES		
Stores and spares	**181.44**	185.03
Raw materials	**5,328.82**	5,079.93
Packaging materials	**667.11**	725.38
Finished goods	**7,485.66**	7,915.91
Work-in-process	**2,745.57**	2,209.27
	16,408.60	16,115.52
SCHEDULE 9		
SUNDRY DEBTORS		
(Considered good except where provided for)		
Secured	**210.19**	231.97
Unsecured	**15,164.49**	15,837.94
	15,374.68	16,069.91
Less : Doubtful and provided for	**444.08**	353.58
	14,930.60	15,716.33
SCHEDULE 10		
CASH AND BANK BALANCES		
Cash and cheques in hand	**118.64**	83.65
Remittances in transit	**284.42**	86.39
Balances with banks:		
Current accounts	**1,904.48**	1,209.74
Deposit accounts	**2,071.39**	1,571.38
	4,378.93	2,951.16
SCHEDULE 11		
OTHER CURRENT ASSETS		
(Unsecured, considered good except where provided for)		
Export incentives accrued	**660.85**	463.23
Exchange gain accrued on forward contracts	**277.85**	184.35
Insurance claims	**23.73**	78.58
Interest accrued	**14.33**	7.52
Others	**659.28**	598.87
	1,636.04	1,332.55
Less : Doubtful and provided for	**20.21**	32.96
	1,615.83	1,299.59
SCHEDULE 12		
LOANS AND ADVANCES		
(Considered good except where provided for)		
Secured	**45.63**	57.34
Unsecured		
Advances recoverable in cash or in kind or for value to be received	**3,538.72**	3,941.51
Advance for purchase of shares of associate	**1,274.82**	-
Mat credit receivable	**1,179.00**	381.50
Prepaid Income tax	**1,785.08**	1,375.81
	7,823.25	5,756.16
Less : Doubtful and provided for	**397.44**	413.13
	7,425.81	5,343.03
SCHEDULE 13		
CURRENT LIABILITIES		
Acceptances	**59.07**	73.38
Sundry creditors	**8,556.36**	8,376.22
Other liabilities	**5,008.80**	3,999.80
	13,624.23	12,449.40
SCHEDULE 14		
PROVISIONS		
Employee benefits	**1,541.48**	1,276.75
Income-tax	**1,662.54**	812.71
Premium payable on redemption of FCCB	**1,879.05**	828.26
Final dividend (proposed)	**2,239.42**	–
Interim dividend	**–**	2,237.22
Tax on dividend	**380.59**	313.77
	7,703.08	5,468.71

SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

Rs. Million

SCHEDULE 15	2007	2006
OPERATING INCOME		
Sales and services		
Sales	**66,926.74**	60,652.24
Services	**–**	12.73
	66,926.74	60,664.97
Others		
Export incentives	**688.10**	479.14
Royalty and technical know-how	**148.00**	350.62
Exchange Gain / (Loss) (net)	**2,012.69**	(9.74)
Sundries	**493.83**	312.34
	3,342.62	1,132.36
	70,269.36	61,797.33

SCHEDULE 16	2007	2006
OTHER INCOME		
Interest	**218.72**	211.22
Dividend	**1.02**	1.01
Exchange Gain/ (Loss) (Net) on loans	**3,071.25**	118.45
Profit on sale of assets	**683.78**	72.12
Profit on sale of investments	**–**	12.89
Reversal of provision for diminution in the value of investments	**–**	2.36
Bad debts / advances recovered	**0.27**	0.07
Unclaimed balances and excess provisions	**229.08**	91.05
Miscellaneous	**229.41**	173.63
	4,433.53	682.80

SCHEDULE 17	2007	2006
MATERIALS		
Raw materials consumed	**16,339.32**	15,229.11
Packaging materials consumed	**2,891.05**	2,620.96
Finished goods purchased	**8,092.46**	7,510.93
Increase in work-in-process and finished goods		
Opening stock		
Work-in-process	**2,209.27**	1,987.35
Finished goods	**7,915.91**	6,509.92
	10,125.18	8,497.27
Less :		
Closing stock		
Work-in-process	**2,745.57**	2,209.27
Finished goods	**7,485.66**	7,915.91
	10,231.23	10,125.18
Increase	**(106.05)**	(1,627.91)
Materials consumed	**27,216.78**	23,733.09

SCHEDULE 18	2007	2006
MANUFACTURING		
Power and fuel	**973.67**	850.67
Excise duty	**66.77**	56.89
Stores and spares consumed	**601.61**	510.92
Analytical charges	**86.35**	50.14
Processing charges	**1,169.26**	1,071.71
Royalty paid	**220.08**	389.07
Repairs and maintenance		
Factory buildings	**36.14**	33.91
Plant and machinery	**199.39**	135.45
	3,353.27	3,098.76

SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

Rs. Million

SCHEDULE 19	2007	2006
PERSONNEL		
Salaries,wages and bonus	**7,675.77**	6,812.55
Contribution to provident and other funds	**733.66**	618.83
Workmen and staff welfare	**493.25**	497.56
Amortisation of deferred employees compensation	**15.71**	26.35
	8,918.39	7,955.29

SCHEDULE 20	2007	2006
SELLING, GENERAL AND ADMINISTRATION		
Rentals	**501.24**	452.87
Rates and taxes	**340.06**	272.71
Regulatory filing fee	**537.90**	533.18
Printing and stationery	**124.09**	105.80
Insurance	**442.13**	540.28
Communication	**309.00**	281.62
Legal and professional charges	**1,874.55**	1,733.21
Travel and conveyance	**1,129.70**	929.18
Discounts	**217.54**	209.55
Freight, clearing and forwarding	**2,185.42**	2,140.43
Advertising and sales promotion	**3,956.46**	2,826.69
Market research expenses	**757.46**	572.20
Repairs and maintenance	**389.48**	274.46
Running and maintenance of vehicles	**261.36**	197.61
Recruitment and training	**188.56**	123.03
Conferences and meetings	**168.70**	143.22
Commission	**1,222.45**	1,008.07
Amounts written off	**143.18**	60.48
Assets written off	**301.74**	10.04
Provision for doubtful debts and advances	**62.06**	142.50
Loss on sale of assets	**103.62**	13.73
Others	**1,690.09**	1,296.08
	16,906.79	13,866.94

SCHEDULE 21	2007	2006
RESEARCH AND DEVELOPMENT EXPENDITURE		
Salaries, wages and bonus	**1,187.51**	932.56
Contribution to provident and other funds	**77.32**	58.93
Workmen and staff welfare	**53.41**	57.10
Materials and consumables	**1,614.36**	1,514.03
Power and fuel	**181.06**	159.92
Clinical trials & Bioequivalence studies	**375.22**	516.49
Rentals	**63.03**	61.91
Repair and maintenance	**112.23**	88.59
Recruitment and training	**14.48**	31.84
Printing and stationery	**22.08**	20.82
Insurance	**27.50**	27.17
Communication	**34.90**	38.54
Analytical and processing charges	**124.80**	44.23
Legal and professional charges	**53.11**	88.70
Travel and conveyance	**90.06**	71.77
Others	**249.05**	242.19
	4,280.12	3,954.79

SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

Rs. Million

SCHEDULE 22	2007	2006
DEPRECIATION, AMORTISATION AND IMPAIRMENT		
Depreciation		
Buildings	161.43	151.29
Plant and machinery	1,252.54	1,068.94
Furniture and fixtures	124.72	72.36
Vehicles	118.15	59.87
Assets taken on lease		
Buildings	61.61	113.81
Plant and machinery	–	17.96
Furniture and fixtures	–	4.52
Vehicles	5.32	7.86
	1,723.77	1,496.61
Less : Transfer from revaluation reserves	(2.20)	(2.20)
	1,721.57	1,494.41
Amortisation		
Patent, trade marks, designs, licences and software	411.09	328.44
Non compete fee	20.33	20.03
	431.42	348.47
Impairment		
Product development	30.42	–
	2,183.41	1,842.88

SCHEDULE 23	2007	2006
PROVISION FOR TAX		
Current income-tax	1,728.09	788.29
Mat credit entitlement	(797.50)	(331.50)
Deferred tax	1,063.36	822.03
Fringe benefit tax	124.91	77.92
	2,118.86	1,356.74

SCHEDULE 24	2007	2006
EARNINGS PER SHARE		
Net profit attributable to equity shareholders		
Profit after tax and minority interests	7,744.85	5,103.39
Tax-earlier years	1.01	148.06
Net Profit available for basic earnings per share	7,745.86	5,251.45
Exchange gain on Foreign Currency Convertible Bonds (Net of taxes)	(1,647.03)	(52.54)
Net Profit available for dilutive earnings per share	6,098.83	5,198.91
No. of weighted average equity shares		
Basic	372,906,747	372,595,730
Effect of dilutive equity shares on account of		
– stock options outstanding	682,473	746,412
– Foreign Currency Convertible Bonds	27,119,165	21,546,734
Diluted	400,708,385	394,888,876
Nominal value of equity share (Rs.)	5.00	5.00
EARNINGS PER SHARE (Rs.)		
Basic	20.77	14.09
Diluted	15.22	13.17

SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

SCHEDULE 25

SIGNIFICANT ACCOUNTING POLICIES

1. Nature of operations

Ranbaxy Laboratories Limited ("Parent Company"), a public limited company, together with its subsidiaries, joint venture and associates (hereinafter collectively referred to as the "Group") operates as an integrated international pharmaceutical organisation with businesses encompassing the entire value chain in the marketing, production and distribution of dosage forms and active pharmaceutical ingredients. The Group is also engaged in the business of consumer healthcare products.

The Group presently has manufacturing facilities in eleven countries, namely India, the United States of America, Brazil, China, Ireland, Japan, Malaysia, Nigeria, Romania, South Africa and Vietnam. The Group's major markets include the United States of America, India, Europe, Russia/CIS, and South Africa. The United States of America is the largest market and major products are Simvastatin, CoAmoxyclav, Amoxycillin, Ciprofloxacin, Isotretinon and Cephalexin. The research and development activities of the Group are principally carried out at its facilities in Gurgaon, near New Delhi, India.

The Parent Company's shares are listed for trading on the National Stock Exchange and the Bombay Stock Exchange in India and its Global Depository Receipts (covering equity shares of Parent Company) are listed on the Luxembourg Stock Exchange and Foreign Currency Convertible Bonds are listed on Singapore Stock Exchange.

2. Basis of presentation

The financial statements have been prepared to comply with the Accounting Standards referred to in the Companies (Accounting Standards) Rule 2006 issued by the Central Government in exercise of the power conferred under sub-section (I) (a) of section 642 and the relevant provisions of the Companies Act, 1956 (the 'Act'). The financial statements have been prepared under the historical cost convention on accrual basis. The accounting policies have been consistently applied by the Group unless otherwise stated.

3. Use of estimates

In preparing Group's financial statements in conformity with accounting principles generally accepted in India, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent liabilities on the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Any revision to accounting estimates is recognised in the period the same is determined.

4. Principles of consolidation

The consolidated financial statements include the financial statements of the Parent Company, its subsidiaries, joint venture and share of profits in associate.

The consolidated financial statements have been combined on a line-by-line basis by adding the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances/transactions and unrealised profits in full. The amounts shown in respect of reserves comprise the amount of the relevant reserves as per the balance sheet of the Parent Company and its share in the post-acquisition increase/ decrease in the reserves of the consolidated entities.

Proportionate share of interest in joint ventures has been accounted for by the proportionate consolidation method in accordance with Accounting Standard - 27 - "Financial Reporting of Interests in Joint Ventures".

An investment in an associate has been accounted for by the equity method of consolidation from the date on which it falls within the definition of associate in accordance with Accounting Standard - 23 - "Accounting for Investments in Associates in Consolidated Financial Statements".

The excess/deficit of cost to the Parent Company of its investment over its portion of net worth in the consolidated entities at the respective dates on which the investment in such entities was made is recognised in the financial statements as goodwill/capital reserve. The Parent Company's portion of net worth in such entities is determined on the basis of book values of assets and liabilities as per the financial statements of the entities as on the date of investment and if not available, the financial statements for the immediately preceding period adjusted for the effects of significant changes.

Entities acquired during the year have been consolidated from the respective dates of their acquisition.

The consolidated financial statements are presented, to the extent possible, in the same format as that adopted by the Parent Company for its separate financial statements.

SCHEDULE 25

SIGNIFICANT ACCOUNTING POLICIES (Contd.)

5. Intangibles

Patents, Trademarks, Designs and licences

Cost relating to patents, trademarks, designs and licences, which are acquired, are capitalised and amortised on a straight -line basis over the estimated useful life which is generally upto a period of 10 years except in cases where based on available evidence the economic benefit is reasonably expected to accrue beyond 10 years.

Computer software

Software which is not an integral part of the related hardware, is classified as an intangible asset and is amortised over a period of 6 years, being its estimated useful life.

Non-compete

Non-compete compensation is capitalised and amortised on a straight-line basis over the term of the non-compete agreement.

Goodwill

Goodwill reflects the excess of cost of acquisition over the book value of net assets acquired on the date of the acquisition. Goodwill is tested for impairment on an annual basis.

Product Development

Cost incurred for acquiring rights for products under development are recognised as intangible assets and amortised on a straight-line basis over a period of five years from the date of regulatory approval. Subsequent expenditures on development of such products are also added to the cost of intangibles.

6. Fixed assets

Fixed assets are stated at cost less accumulated depreciation and impairment losses. Cost comprises the purchase price and any attributable cost of bringing the asset to their working condition for their intended use.

Borrowing costs directly attributable to acquisition or construction of fixed assets which necessarily take a substantial period of time to get ready for their intended use are capitalised.

7. Depreciation

Depreciation on fixed assets is provided on straight-line method over useful life estimated by the management or on the basis of depreciation rates prescribed under respective local laws.

8. Investments

Investments that are readily realisable and intended to be held for not more than one year are classified as current investments. All other investments are classified as long-term investments.

Current investments are carried at lower of cost and fair value determined on an individual investment basis. Long-term investments, other than investments in associates, are carried at cost, however, provision for diminution in value, other than temporary, is made.

Profit/ loss on sale of investments is computed with reference to their average cost.

9. Inventories

Inventories are valued as follows:

Raw materials, stores and spares and packaging materials

Lower of cost and net realisable value. However, materials and other items held for use in the production of finished goods are not written down below cost if the products in which they will be used are expected to be sold at or above cost. Cost is determined on a weighted average basis.

SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

SCHEDULE 25

SIGNIFICANT ACCOUNTING POLICIES (Contd.)

Finished goods

Lower of cost and net realisable value. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty, wherever applicable.

Work-in-process

At cost upto estimated stage of completion. Cost includes direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

Where duty paid imported materials / indigenous materials are consumed, in manufacture of products for export, prior to receipt of duty-free materials under the Advance License Scheme, the estimated excess cost of such materials over that of duty free materials is carried forward and charged to revenue on consumption of such duty-free materials.

10. Expenditure on regulatory approvals

Expenditure incurred for obtaining regulatory approvals and registration of products developed in-house is charged to profit and loss account.

11. Employees stock option plan

The accounting value of stock options representing the excess of the market price on the date of grant over the exercise price of the shares granted under "Employees Stock Option Scheme" of the Company, is amortised as "Deferred employees compensation" on straight-line basis over the vesting period in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and guidance note 18 "Share Based Payments" issued by Institute of Chartered Accountants of India.

12. Revenue recognition

Revenue is recognised to the extent that it can be reliably measured and is probable that the economic benefits will flow to the Company.

Sale of Goods

Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods are transferred to the customer and is stated net of trade discounts, excise duty, sales returns and other levies.

Royalties, Technical Know-how and Licensing income

Revenue is recognised on accrual basis in accordance with the terms of the relevant agreement.

Interest

Revenue is recognised on a time proportion basis taking into account the amount outstanding and the applicable rate of interest.

Dividends

Revenue is recognised when the right to receive is established.

Chargebacks

In the United States, large customers are the major wholesalers who resell products to third party customers like managed care organisations, drug store chains and pharmacies. A significant part of the gross revenues from such wholesalers are subject to various forms of rebates and allowances (referred to as "Chargebacks"), which are recorded as reductions from the gross revenues. The computation of the estimate for expected chargebacks is complex and involves significant judgment based on historical experience and estimated wholesaler inventory levels, as well as expected sell-through levels by the wholesalers to indirect customers. The primary factors considered in developing and evaluating provision for chargbacks include the average historical chargeback credits and an estimate of the inventory held by such wholesalers, based on internal analysis of wholesaler's historical purchases and contract sales.

SCHEDULE 25

SIGNIFICANT ACCOUNTING POLICIES (Contd.)

13. Export benefits / incentive

Export entitlements in respect of the exports made under the Duty Entitlement Pass Book ("DEPB") Scheme are recognised in the profit and loss account when the right to receive credit as per the terms of the scheme is established.

Obligations / entitlements under the Advance Licence Scheme for import of raw materials are accounted for on purchase of raw materials / export sales.

14. Research and development

Revenue expenditure incurred on research and development is charged to profit and loss account in the year it is incurred.

Capital expenditure is included in the respective heads under fixed assets and depreciation thereon is charged to depreciation account.

15. Foreign exchange transactions

Indian Rupee is the reporting currency for the Group. However, the local currencies of non-integral overseas subsidiaries and joint venture are different from the reporting currency of the Group. The translation of local currencies into Indian Rupee is performed for assets and liabilities (excluding share capital, opening reserves and surplus), using the exchange rate as at the balance sheet date, for revenues, costs and expenses using weighted average exchange rate during the reporting period. Share capital, opening reserves and surplus are carried at historical cost. Resultant currency translation exchange gain/loss is carried as foreign currency translation reserve under reserves and surplus. Investments in foreign entities are recorded at the exchange rate prevailing on the date of making the investment.

Income and expenditure items of integral foreign operations are translated at the monthly average exchange rate of their respective foreign currencies. Monetary items at the balance sheet date are translated using the rates prevailing on the balance sheet date. Non- monetary assets are recorded at the rates prevailing on the date of the transaction.

Transactions in foreign currencies are recorded by the reporting entities in their local currency at the rates prevailing on the date of the transaction. Monetary items denominated in foreign currency are restated at the rates prevailing on the balance sheet date.

Exchange differences arising on the settlement of monetary items or on reporting company's monetary items at rates different from those at which they were initially recorded during the year, or reported in the previous financial statements, are recognised as income or expense in the year in which they arise.

The exchange differences arising on the forward contracts to hedge the foreign currency risk of an underlying asset or liability existing on the date of the contract are recognised in the profit and loss account of the period in which the exchange rates change, based on the difference between i) foreign currency amount of the forward contract translated at the exchange rates at the reporting date, or the settlement date where the transaction is settled during the reporting period, and ii) the same foreign currency amount translated at the latter of the date of the inception of the contract and the last reporting date, as the case may be. The premium or discount on all such contracts arising at the inception of each contract is amortised as expense or income over the life of the contract.

In case of forward exchange contracts which are entered into to hedge the foreign currency risk of firm commitments or highly probable forecast transactions, the premium or discount arising at the inception of the forward foreign currency contracts is amortised as an expense or income over the life of the contract.

Any profit or loss arising on cancellation or renewal of forward foreign exchange contracts is recognised as income or expense for the year.

In respect of foreign currency option contracts which are entered into to hedge highly probable forecasted transactions the cost of these contracts, if any, is expensed over the period of the contract. Any profit or loss arising on settlement or cancellation of currency options is recognised as income or expense for the period in which settlement or cancellation takes place. The effect of these currency option contracts outstanding at the year-end, in the form of unrealised gains/ losses, is not recognised.

SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS

FOR THE YEAR ENDED DECEMBER 31, 2007

SCHEDULE 25

SIGNIFICANT ACCOUNTING POLICIES (Contd.)

16. Employee benefits

Liabilities in respect of defined benefit plans other than provident fund schemes are determined based on actuarial valuation made by an independent actuary as at the balance sheet date. The actuarial gains or losses are recognised immediately in the profit and loss account. In respect of provident fund schemes, administered by trust, liability is recognised for any shortfall in the plan assets vis-à-vis fund obligation.

Contribution towards the defined contribution plans are recognised in the profit and loss account on accrual basis.

17. Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period. The weighted average numbers of equity shares outstanding during the period are adjusted for events of bonus issue and share split.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

18. Taxes on income

Provision for tax for the year comprises estimated current income-tax determined to be payable in respect of taxable income and deferred tax being the tax effect of temporary timing differences representing the difference between taxable and accounting income that originate in one period and are capable of reversal in one or more subsequent periods and is calculated in accordance with the relevant domestic tax laws. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted as at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In respect of carry forward losses and unabsorbed depreciation, deferred tax assets are recognised only to the extent there is virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

19. Contingent liabilities and provisions

The Group creates a provision when there is a present obligation as a result of a past event where the out flow of economic resources is probable and a reliable estimate of the amount of obligation can be made. A disclosure is made for possible or present obligations that may, but probably will not, require out flow of resources or where a reliable estimate of a present obligation cannot be made, as a contingent liability in the financial statements.

20. Impairment of assets

The Group on an annual basis tests the carrying amount of assets for impairment so as to determine a) the provision for impairment loss, if any, or b) the reversal, if any, of impairment loss recognised in previous periods. Such impairment loss or reversal is recognised in the profit and loss account for the year.

21. Lease accounting

i) Assets acquired on lease where the Group has substantially all the risks and rewards of ownership are classified as finance leases. Such assets are capitalised at the inception of the lease at the lower of fair value or the present value of minimum lease payments and a liability is created for an equivalent amount. Each lease rental paid is allocated between the liability and the interest cost, so as to obtain a constant periodic rate of interest on the outstanding liability for each period. The resultant interest cost is charged to profit and loss account on accrual basis.

ii) Operating lease payments are recognised as an expense on a straight-line basis over the term of the lease.

SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

SCHEDULE 26

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Share capital

a] Share capital includes:

[i] 293,698,988 (Previous year 293,698,988) Equity shares of Rs. 5 each allotted as fully paid bonus shares by capitalisation out of securities premium and reserves.

[ii] 6,562,308 (Previous year 6,562,308) Equity shares of Rs. 5 each allotted as fully paid up pursuant to contract without payment being received in cash.

b] Outstanding stock options for equity shares of the parent company under the "Employees Stock Option Scheme":

Date of grant	Exercise price Rs.		2007 Numbers		2006 Numbers	
January 12, 2001*	336.50	(210.31)	**72,887**	**(116,619)**	101,397	(162,235)
December 3, 2001*	297.50	(185.94)	**161,551**	**(258,482)**	233,532	(373,651)
April 1, 2002*	372.50	(232.81)	**291,027**	**(465,643)**	383,180	(613,088)
February 7,2003	283.50	–	**833,919**	**–**	997,739	–
January 22,2004	496.00	–	**1,547,602**	**–**	1,735,742	–
January 17, 2005	538.50	–	**2,034,100**	**–**	2,288,440	–
January 17, 2006	392.00	–	**982,120**	**–**	1,110,950	–
January 17, 2007	430.00	–	**1,245,750**	**–**	–	–
			7,168,956	**(840,744)**	6,850,980	(1,148,974)

* The figures in parenthesis represents adjusted exercise price in accordance with the Employees Stock Option Scheme of the company on account of issue of bonus shares in the ratio of 3:5 on October 11, 2002.

2. Secured loans:

Loans under different categories are secured against certain assets, property, equipment and other immovable property, inventories and receivable of the Parent Company or concerned subsidiary.

	Rs. Million 2007	2006
3. Loans repayable within one year	**12,397.08**	13,991.24
4. Fixed assets		
Land includes:		
a] cost of leasehold land Rs. 231.56 million (Previous year Rs. 213.43 million).		
b] cost of freehold land Rs. 52.36 million (Previous year Rs. 66.03 million) pending registration in the name of the Parent Company and the concerned subsidiaries.		
5. Investments – Net of provision		
Quoted		
Associates:		
Aggregate book value	**1,077.62**	200.00
Market value	**1,177.73**	142.60
Others:		
Aggregate book value	**232.69**	2.78
Market value	**1,629.30**	2.86
Unquoted		
Associates:		
Aggregate book value	**936.81**	–
Others:		
Aggregate book value	**156.05**	159.57
6. Premium on outstanding forward exchange contracts to be recognised in the subsequent year	**86.27**	216.36
7. Cash and bank balances:		
Includes deposit receipts pledged with the Government Authorities	**0.71**	0.88

SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

SCHEDULE 26

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

8. Share-based compensation

In accordance with the guidance note - 18 "Share based payments" the following information relates to the stock options granted by the Parent Company.

				2007
	Stock options (numbers)	**Range of exercise prices (Rs.)**	**Weighted-average exercise price (Rs.)**	**Weighted-average remaining contractual life (years)**
Outstanding, beginning of the year	**6,850,980**	**283.50-538.50**	**446.35**	**7.35**
Granted during the year	**1,331,575**	**430.00**	**430.00**	**9.05**
Forfeited during the year	**(437,184)**	**283.50-538.50**	**472.46**	**–**
Exercised during the year	**(281,954)**	**283.50-538.50**	**317.05**	**–**
Lapsed during the year	**(294,461)**	**283.50-538.50**	**459.64**	**–**
Outstanding, end of the year	**7,168,956**	**283.50-538.50**	**446.52**	**6.87**
Exercisable at the end of the year	**3,238,112**	**283.50-538.50**	**435.42**	**6.00**

				2006
	Stock options (numbers)	Range of exercise prices (Rs.)	Weighted-average exercise price (Rs.)	Weighted-average remaining contractual life (years)
Outstanding, beginning of the year	6,704,838	283.50 - 538.50	456.13	8.01
Granted during the year	1,221,300	392.00	392.00	9.05
Forfeited during the year	(676,430)	283.50 - 538.50	472.42	–
Exercised during the year	(181,883)	283.50 - 538.50	315.26	–
Lapsed during the year	(216,845)	283.50 - 538.50	471.18	–
Outstanding, end of the year	6,850,980	283.50 - 538.50	446.35	7.35
Exercisable at the end of the year	2,282,437	283.50 - 538.50	417.60	6.52

The following table summarises information about stock options outstanding as at December 31, 2007:

	Options outstanding			**Options exercisable**	
Range of exercise prices	**Numbers**	**Weighted-average remaining contractual life**	**Weighted-average exercise price**	**Numbers**	**Weighted-average exercise price**
Upto Rs 283.50	833,919	5.10	283.50	606,453	283.50
Rs 284.00 - Rs 392.00	1,507,585	6.63	375.43	746,292	359.36
Rs 393.00 - Rs 538.50	4,827,452	7.24	496.88	1,885,367	514.39
	7,168,956	**6.87**	**446.52**	**3,238,112**	**435.42**

The following table summarises the assumptions used in calculating the fair value in the year ended December 31, 2007 and 2006:

	2007	2006
Dividend yield	**1.98 percent**	2.17 percent
Expected life	**6.5 years**	6.5 years
Risk free interest rate	**7.97 percent**	7.55 percent
Volatility	**44.95 percent**	40.55 percent

SCHEDULE 26

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

9. **Employee benefits**

During the year, the Group has adopted Accounting Standard 15 (Revised 2005) 'Employees Benefits'. Since the Group was already using the Projected Unit Credit Method and other assumptions as per the market, hence no change has been adjusted to the opening balance of reserves and surplus.

For the below mentioned defined benefits schemes :

a. Pension
b. Contribution to Gratuity Fund Trust
c. Provident Fund
d. Leave Encashment

Actuarial valuation of pension, leave encashment and gratuity have been done with the following assumptions.

Particulars	**Pension** (Unfunded)	**Leave Encashment** (Unfunded)	**Gratuity** (Funded)
Discount rate	8%	8%	8%
Rate of increase in Compensation levels	5.5%	5.5%	5.5%
Rate of return of plan assets	N.A.	N.A.	8%
Expected Average remaining working lives of employees (years)	21.43	21.38 - 24.35	21.43 - 24.34

Rs. Million

Change in the present value of obligation :	**Pension** (Unfunded)	**Leave Encashment** (Unfunded)	**Provident Fund** (Funded)	**Gratuity** (Funded)	**Gratuity** (Unfunded)
Present value of obligation as at January 1,2007	957.65	153.70	1,579.71	314.57	–
Interest Cost	76.61	12.30	143.19	24.42	–
Current Service Cost	158.86	31.61	–	29.90	4.12
Contribution					
Employer	–	–	88.29	–	–
Employee	–	–	184.87	–	–
Benefits paid	(25.70)	(48.38)	(176.92)	(27.46)	–
Actuarial (gain)/loss on obligations	38.07	37.55	–	37.45	–
Present value of obligation as at December 31,2007	**1,205.49**	**186.78**	**1,819.14**	**378.88**	**4.12**

Change in the Fair value of Plan Assets :	**Provident Fund** (Funded)	**Gratuity** (Funded)
Fair value of Plan Assets at January 1,2007	1,625.65	314.57
Actual Return on Plan Assets	141.70	24.35
Contributions	273.16	43.06
Benefits paid	(176.92)	(27.46)
Fair value of Plan Assets at December 31,2007	**1,863.59**	**354.52**

The fair value of the plan assets under the provident fund schemes has been determined at amounts based on their value at the time of redemption, assuming a constant rate of return to maturity.

Reconciliation of present value of defined benefit obligation and the fair value of assets	**Gratuity** (Funded)
Present value of funded obligation as at December 31, 2007	378.88
Fair value of Plan Assets as at the end of the period funded status	354.52
Present value of unfunded obligation as at December 31, 2007	24.36
Unfunded Net Liability recognised in Balance Sheet	24.36

SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
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SCHEDULE 26

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

Expenses recognised in the Profit and Loss Account	**Pension** (Unfunded)	**Leave Encashment** (Unfunded)	**Gratuity** (Funded and unfunded)
Current Service Cost	158.86	39.80	34.02
Interest Cost	76.61	12.30	24.42
Expected Return on Plan Assets	–	–	(25.50)
Settlement Cost/Credit	(9.57)	(3.96)	(1.75)
Net actuarial (gain)/loss recognised in the period	38.07	37.55	38.61
Total Expenses recognised in the Profit & Loss Account	**263.97**	**85.69**	**69.80**

Duirng the year the Group has recognised an expense of Rs.137.99 million towards Provident Fund schemes.

The major categories of plan assets as a percentage of total plan assets are as under:

Particulars	**Provident Fund**	**Gratuity**
Central Government secutiries	10%	15%
State Government securities	12%	10%
Bonds and securities of public sector / Financial Institutions	61%	56%
Deposit with Reserve Bank of India	17%	19%

	Rs. Million 2007	2006
10. Remuneration to Directors of Parent Company*		
Salaries and allowances	**149.50**	77.76
Contribution to provident and other funds	**8.92**	5.76
Directors' fee	**2.42**	2.91
Commission	**144.00**	38.90
Perquisites	**7.51**	7.77
	312.35	133.10

* Exclusive of provision for future liabilities in respect of gratuity, leave encashment (which are based on actuarial valuation done on overall Company basis) and amortisation of deferred employees compensation on grant of stock options under "Employees Stock Option Scheme" of the Parent Company.

Exclusive of pension paid/ payable to a non-executive director for the services rendered in earlier years as a whole time director/employee Rs. 2.29 million (Previous year Rs. 2.29 million).

Excludes Rs. 2.55 million (previous year nil) paid as gratuity to a director upon his separation by the gratuity trust set up by the Company.

	Rs. Million 2007	2006
11. Contingent liabilities and provisions		
Claims not acknowledged as debts*	**1,463.46**	1,172.69
Indirect taxes*	**234.22**	216.45
Guarantees to banks on behalf of others	**–**	71.68
Bills purchased/discounted under letters of credit	**1.76**	–
*Rs. 348.57 million (Previous year 334.44 million) deposited under protest.		
Interest on certain claims may be payable as and when the outcome of the related claim is determined and has not been included above.		
12. Estimated amount of contracts remaining to be executed on capital account and investments, net of advances.	**761.75**	491.44
13. Tax earlier years includes:		
Current-tax	**(1.01)**	(312.39)
Deferred tax expense	**–**	164.33

SCHEDULE 26

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

14. Derivatives

The Group uses Forward Contracts, Options and Swaps to hedge its risks associated with fluctuations in foreign currencies and Interest rates relating to foreign currency liabilities, certain firm commitments and some forecasted transactions related to foreign currency trade. The use of Forward Contracts, Options and Swaps is governed by Group's overall strategy. The Group does not use Forward Contracts, Options and Swaps for speculative purpose. The following are outstanding Forward Contracts, Options and Swaps as on December 31, 2007:

	Rs. Million
For Hedging currency risks	**2007**
Forward covers:	
Receivables	**13,062.37**
Payables	**654.02**
Loans	**6,399.80**
Options & Swaps	
Receivables	**11,352.96**
Loans	**4,205.26**

During the year 2007 the Group has entered into floating to fixed interest rate swap to hedge its exposure on JPY LIBOR related to its external commercial borrowing aggregating to JPY 9.35 billion.

15. Leases

Finance lease :

a] The Group has acquired assets under finance lease comprising mainly of buildings and vehicles. The minimum lease rentals and the present value of minimum lease payments as at December 31, 2007 and 2006 are as under:

Rs. Million

		2007	2006
a)	Minimum lease payments outstanding	**525.34**	667.55
b)	Present value of minimum lease payments	**451.87**	561.93

c) **Amounts due**

		Minimum lease payments Rs. Million		Present value of minimum lease payments Rs. Million	
		2007	2006	**2007**	2006
i)	not later than one year	**67.08**	77.24	**48.23**	57.91
ii)	later than one year but not later than five years	**278.17**	307.82	**231.31**	250.86
iii)	later than five years	**180.09**	282.49	**172.33**	253.17

Operating lease :

b] The Group has leased various commercial premises and other facilities under non-cancellable operating lease. The future lease payments in respect of these are as follows:

Minimum lease payments:		**Rs. Million**
a.	not later than one year	105.58
b.	later than one year but not later than five years	170.19
c.	later than five years	58.71
	Total	**334.48**

c] The Lease expense recognised during the year amounted to Rs. 501.24 million (Previous year Rs. 452.52 million)

16. Related party disclosures

a] Joint Venture :

M/s. Nihon Pharmaceuticals Industry Co. Ltd. Japan

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SCHEDULE 26

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

b] Relationship:

Key management personnel	Relatives*	Entities over which significant influence is exercised
Mr. Malvinder Mohan Singh	Mrs. Nimmi Singh, mother	Fortis Healthcare Ltd. (Including its subsidiaries) SRL Ranbaxy Ltd. International Hospitals Ltd. Religare Securities Limited Ran Air Services Limited Religare Travels (India) Ltd. (Formerly Spectrum Travels (India) Ltd.) Escorts Heart Institute and Research Center Ltd. Fortis Clinical Research Ltd.
Dr. Brian W Tempest		
Mr. Ramesh L Adige		
Mr. Atul Sobti **		
Mr. Ram S. Ramasundar **		

* Relatives of key management personnel with whom the Company had transactions during the year.
** For part of the year

c] Associates:

M/s. Zenotech Laboratories Limited, India

M/s. Shimal Research Laboratories Limited, India

The following transactions were carried out with related parties in the ordinary course of business.

	Rs. Million 2007	2006
(i) Joint Venture:		
Sale of finished goods	**107.56**	165.86
Product quality claims	**3.32**	–
Balance at the end of the year:		
Receivables	**20.02**	24.64
(ii) Relationship:		
a) Key management personnel and their relatives		
Remuneration to key management personnel	**317.71**	147.26
House rent allowance	**2.40**	2.40
Pension	**2.03**	2.03
Medical reimbursement	**0.03**	0.02
b) Entities over which significant influence is exercised		
Purchase of materials/finished goods	**–**	1.19
Sale of finished goods	**13.38**	25.13
Service availed	**261.08**	159.14
Services rendered/other receipts	**9.46**	3.11
Purchase of assets	**2.95**	–
Balance at the end of the year:		
Receivables	**3.96**	10.95
Payables	**12.14**	7.80
(iii) Associates:		
Project cost of exhibit batches	**17.65**	–
Balance outstanding at the end of the year :		
Payables	**7.30**	–

17. Segment information

Business segments

For management purposes, the Group reviews the performance on the basis of business units identified as Pharmaceuticals and Other businesses, which are reportable segments.

Pharmaceuticals segment comprise of manufacture and trading of Formulations, Active Pharmaceuticals Ingredients (API) and Intermediate, Generics, Drug discovery and Consumer Health Care products.

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SCHEDULE 26

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

Other businesses comprise of chartering of aircrafts (discontinued during the previous year) and rendering of financial services.

Geographic Segments

The Group's business is organised into four key geographic segments. Revenues are attributable to individual geographic segments based upon the location of the customers.

Other Information

All segment revenues, expenses, assets and liabilities are directly attributable to the segments and disclosed accordingly.

Segment revenues, expenses and results include transfers between business segments. Inter-segment transfers are accounted for at selling price to the transferring segment. Such transfers are eliminated on consolidation.

The accounting policies consistently used in the preparation of the financial statements are also applied to revenues and expenditure of individual segments.

Segment information disclosures as required under accounting standard on "Segment Reporting" issued by Institute of Chartered Accountants of India.

a] Primary segment information

Rs. Million

	Pharmaceuticals		Others		Segment Total		Elimination		Total	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006	**2007**	2006
REVENUE										
External revenue	**69,822.46**	61,302.88	**–**	12.73	**69,822.46**	61,315.61	**–**	–	**69,822.46**	61,315.61
Inter segment revenue	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–
Total revenue	**69,822.46**	61,302.88	**–**	12.73	**69,822.46**	61,315.61	**–**	–	**69,822.46**	61,315.61
RESULTS										
Total segment results	**7,297.20**	6,842.41	**(333.50)**	21.45	**6,963.70**	6,863.86	**–**	–	**6,963.70**	6,863.86
Interest expense									**(1,411.88)**	(1,036.32)
Interest income									**218.72**	211.22
Exceptional items									**–**	–
Income from sale of undertaking									**–**	–
Unallocated corporate income (net of expense)									**4,214.81**	471.58
Income taxes									**(2,118.86)**	(1,356.74)
Profit after tax									**7,866.49**	5,153.60
OTHER INFORMATION										
Segment assets	**85,729.01**	79,460.75	**15.65**	765.22	**85,744.66**	80,225.96	**–**	–	**85,744.66**	80,225.96
Unallocated assets									**8,330.86**	5,077.51
Total assets									**94,075.53**	85,303.48
Segment liabilities	**17,890.57**	14,950.37	**3.21**	411.81	**17,893.27**	15,362.18	**–**	–	**17,893.78**	15,362.18
Unallocated liabilities									**48,147.86**	44,082.58
Total liabilities									**66,041.63**	59,444.76
Capital Expenditure	**7,157.79**	19,727.83	**–**	0.01	**7,157.79**	19,727.84	**–**	–	**7,157.79**	19,727.84
Depreciation, amortisation & Impairment	**2,183.40**	1,841.90	**0.01**	0.98	**2,183.41**	1,842.88	**–**	–	**2,183.41**	1,842.88
Non cash expenses other than depreciaton/ amortisation & impairment	**255.68**	226.74	**354.92**	0.01	**610.60**	226.75	**–**	–	**610.60**	226.75

b] Secondary segment information - Geographical

Rs. Million

	India		Europe		North America		Asia Pacific	
	2007	2006	**2007**	2006	**2007**	2006	**2007**	2006
Segment revenue	**16,658.86**	12,412.62	**16,865.84**	14,327.80	**17,507.99**	18,753.29	**4,764.19**	4,608.02
Segment assets	**37,047.08**	29,096.89	**36,568.71**	32,494.04	**12,410.89**	14,265.88	**2,457.82**	2,584.99
Capital expenditure	**2,617.31**	2,158.30	**875.89**	16,544.31	**1,419.42**	318.49	**122.03**	94.39

18. Major Acquisitions

a] Be-Tabs, South Africa

On December 1, 2006, the Group had announced the acquisition of Be-Tabs Pharmaceuticals (Proprietary) Ltd. and Be-Tabs Investment (Proprietary) Ltd. ("Be-Tabs"), in South Africa. During May 2007, the Group acquired 100% stake and subsequently sold off 25% stake thereby resulting in 75% stake in Be-Tabs Pharmaceuticals (Proprietary) Ltd. and

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NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

Be-Tabs Investment (Proprietary) Ltd. These aforementioned acquisitions were made through Ranbaxy (Netherlands) B.V., The Netherlands, for a total cash consideration of Rs. 2,218.97 million. At the date of the acquisition, the Group recorded the cost of the acquisition as Rs. 2,232.30 million, consisting of cash paid and the direct acquisition costs.

The Group has accounted for this acquisition under the purchase method. Accordingly, the financial results for the post acquisition period have been included in the consolidated financial statements of the Group.

The purchase cost of Rs. 2,232.30 million has been allocated as follows:	**Rs. Million**
Goodwill	1,791.24
Property, plant and equipment, net	139.29
Other current assets	485.42
Total assets acquired	**2,415.95**
Less: Liabilities	183.65
Purchase cost	**2,232.30**

b] **Additional stake in Zenotech Laboratories Limited, India:**

On November 23, 2007, the parent Company acquired an additional stake in Zenotech Laboratories Limited through preferential allotment, representing 16 percent of equity share capital for Rs 878.33 million. Post this acquisition the total holding stands at 21.84% of its paid up capital, at a total cost of Rs. 1,078.33 million.

The Group has accounted this as an investment in associate as per AS-23 "Accounting for Investments in associates in Consolidated Financial Statements".

On December 31, 2007, investment value in Zenotech Laboratories Limited includes goodwill of Rs 816.11 million representing excess of purchase price paid over share in net assets on acquisition date.

c] **Stake in Shimal Research Laboratories Limited**

During the year ended December 31, 2007, the Parent Company acquired 24.91% of the equity shares of Shimal Reasearch Laboratories Limited for Rs. 934 million.

The Group has accounted this as an investment in associate as per AS-23 "Accounting for Investments in Consolidated Financial Statements".

On December 31, 2007, investment value in Shimal Research Laboratories Limited includes goodwill of Rs 681.67 million representing excess of purchase price paid over share in net assets on acquisition date.

19. **Merger of Mundogen Farma S.A. with Laboratorios Ranbaxy S.L.**

Mundogen Farma S.A., subsidiary of Laboratorios Ranbaxy S.L. merged with Laboratorios Ranbaxy S.L. with effect from October 1,2007. This merger has been accounted for on the basis of pooling of interest method in accordance with Accounting Standard 14, "Accounting for Amalgamations".

20. During the year, Ranbaxy Pharmaceuticals, Inc (RPI). a wholly owned subsidiary of the Group acquired the product rights of 13 dermatological products from Bristol Myers Squibb in USA for a total consideration of Rs. 1,065.88 million (US $ 26.25 Million). Based on the report of a professional valuation company engaged by RPI as well as considering the market potential for these products, the useful economic life of these brands have been estimated at 15 years.

21. **Food and Drug Administration (FDA) proceedings**

Federal Officials, led by the FDA, conducted a search on February 14, 2007, at the US subsidiary's New Jersey premises, and subpoenas for various categories of documents were issued. The Group is cooperating with the officials in connection with the investigation. This includes production of documents in response to queries. The investigation continues and the outcome and related impact remain uncertain; therefore, no amounts related to potential losses or potential impacts of an unfavourable outcome of the investigation have been recorded in the financial statements.

22. **Serious Fraud Office (SFO) case**

In April, 2006, SFO, UK instituted criminal proceeding against several defendants including Ranbaxy (UK) Limited ("RUKL") for conspiracy to defraud the Secretary of State for Health and others by fixing and maintaining price etc. of medicinal products during April 1, 1998 to September 30, 2000.

In March, 2008, an Appellate Court in UK held that price fixing by itself could not be termed as conspiracy to defraud.

No date has been set for the trial to commence. If found guilty, RUKL could be subjected to fine. The Management does not deem it necessary to make any provision in this regard.

23. **Scottish & Northern Ireland Proceedings - civil claims**

"In 2005, the Scottish and Northern Irish Health Authorities initiated proceedings by filing civil claims against a number of pharmaceutical companies, including RUKL on the alleged grounds relating to anti-competitive conduct. RUKL filed defence to both the proceedings in 2006.

SCHEDULE 26

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

The Authorities in the year 2007 proposed for a settlement offer of £1.5 million in order to settle the cases. RUKL is defending the cases and does not deem it necessary to make any provision in this regard."

24. Consolidated financial statements comprise the financial statements of the Parent Company and its subsidiaries, joint ventures and associate listed below:

Subsidiary	Country of incorporation	Effective group shareholding (%)
Ranbaxy Drugs and Chemicals Company	India	100.00%
Ranbaxy Drugs Limited	India	100.00%
Rexcel Pharmaceuticals Limited	India	100.00%
Solus Pharmaceuticals Limited	India	100.00%
Vidyut Investments Limited	India	100.00%
Ranbaxy Life Sciences Research Ltd.*	India	100.00%
Solrex Pharmaceuticals Company #	India	100.00%
Ranbaxy N.A.N.V.	Antilles, The Netherlands	100.00%
Ranbaxy Australia Pty. Ltd.	Australia	100.00%
Ranbaxy Belgium N.V.	Belgium	100.00%
Ranbaxy Do Brazil Ltda	Brazil	100.00%
Ranbaxy Pharmaceuticals Canada Inc.	Canada	100.00%
Ranbaxy Egypt (L.L.C.)	Egypt	100.00%
Ranbaxy Pharmacie Generiques SAS	France	100.00%
Office Pharmaceutique Industriel Et Hospitalier SARL ("OPIH SARL ")	France	100.00%
Basics GmbH	Germany	100.00%
Lapharma GmbH	Germany	100.00%
Ranbaxy (Hong Kong) Limited	Hong Kong	100.00%
Ranbaxy Hungary Gyogyszereszet Kft	Hungary	100.00%
Ranbaxy Ireland Ltd.	Ireland	100.00%
Ranbaxy Italia S.p.A	Italy	100.00%
Ranbaxy Mexico S.A. de C.V.	Mexico	100.00%
Ranbaxy Panama, S.A.**	Panama	100.00%
Ranbaxy-PRP (Peru) S.A.C.	Peru	100.00%
Ranbaxy Poland S.P. Z.o.o.	Poland	100.00%
Ranbaxy Portugal - Com E Desenvolv De Prod Farmaceuticos Unipessoal Lda	Portugal	100.00%
ZAO Ranbaxy	Russia	100.00%
Ranbaxy (S.A.) (Proprietary) Ltd.	South Africa	100.00%
Laboratorios Ranbaxy, S.L.	Spain	100.00%
Mundogen Farma S.A.***	Spain	100.00%
Ranbaxy Pharma AB	Sweden	100.00%
Ranbaxy Pharmaceuticals BV**	The Netherlands	100.00%
Ranbaxy (Netherlands) B.V. ("RNBV")	The Netherlands	100.00%
Ranbaxy Holdings (U.K.) Ltd.	United Kingdom	100.00%
Ranbaxy (U.K.) Ltd.	United Kingdom	100.00%
Ranbaxy Europe Ltd.	United Kingdom	100.00%
Ranbaxy Inc.	United States of America	100.00%
Ranbaxy Pharmaceuticals, Inc.	United States of America	100.00%
Ranbaxy USA, Inc.	United States of America	100.00%
Ohm Laboratories, Inc.	United States of America	100.00%
Ranbaxy Laboratories, Inc.	United States of America	100.00%
Ranbaxy Vietnam Company Ltd.	Vietnam	100.00%
Unichem Distributors Ltd.**	Thailand	99.96%
Unichem Pharmaceuticals Ltd.**	Thailand	98.50%
Gufic Pharma Limited	India	98.00%
S.C. Terapia SA	Romania	96.70%
Terapia Distributie S.R.L.	Romania	96.70%
Ranbaxy Farmaceutica Ltda	Brazil	95.30%
Bounty Holdings Co. Ltd.**	Thailand	89.08%
Ranbaxy Unichem Company Ltd.	Thailand	88.56%

SCHEDULES FORMING PART OF THE CONSOLIDATED FINANCIAL STATEMENTS
FOR THE YEAR ENDED DECEMBER 31, 2007

SCHEDULE 26

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (Contd.)

Subsidiary	Country of incorporation	Effective group shareholding (%)
Ranbaxy Nigeria Ltd.	Nigeria	84.89%
Ranbaxy (Guangzhou China) Limited	Republic of China	83.00%
Be-Tabs Pharmaceuticals (Proprietary) Ltd. *	South Africa	75.00%
Be-Tabs Investments (Proprietary) Ltd.*	South Africa	75.00%
Sonke Pharmaceuticals (Proprietory) Ltd	South Africa	68.40%
Ranbaxy Malaysia Sdn. Bhd.	Malaysia	68.09%
Ranbaxy Signature L.L.C	United States of America	67.50%
Joint Venture		
Nihon Pharmaceutical Industry Co., Ltd	Japan	50.00%
Associates@		
Zenotech Laboratories Limited *	India	21.84%
Shimal Research Laboratories Limited *	India	24.91%

* New entities in 2007
\# New partnership firm in 2007
** Liquidated during the year
*** Merged with Laboratorios Ranbaxy, S.L. effective October 1, 2007

25. Events occurring after the balance sheet date :

De-merger of New Drugs Discovery Research Unit

The Board of Directors of the Parent Company in their meeting held on February 19, 2008, approved the Scheme of Arrangement for de-merger of New Drug Discovery Research (NDDR) Unit of the Parent Company into Ranbaxy Life Sciences Research Limited ("RLS"), a wholly owned subsidiary of the Parent Company. The Appointed Date for the purpose of de-merger has been fixed as 1st January 2008. Under the aforementioned Scheme, all the shareholders of the Parent Company on record date will be entitled to receive,without any payment, one equity share of Re. 1 each of RLS for every four equity shares of Rs. 5 each held in the Parent Company.

As at December 31, 2007 the Parent Company's financials statements include net assets of Rs. 272.7 million and net expenses Rs. 657.3 million of the NDDR unit.

Further Stake increase in Zenotech Laboratories Limited

The Parent Company further increased its equity stake in Zenotech Laboratories Limited (Zenotech) by purchase of shares from Promoters of Zenotech and through Open Offer made under SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997. The details are as follows:

Particulars	Date of acquisition	No. of shares	Consideration (in Rs. million)	% of equity share capital of Zenotech
Shares acquired from promoters of Zenotech.	31.1.2008	7,878,906	1,260.62	22.94 %
Shares acquired under Open Offer made under SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.	4.2.2008	758,851	121.41	2.21 %

Post acquisition of these shares, the shareholding of the Parent Company in Zenotech increase to 46.95% of Zenotech's capital base.

26. Previous year figures

Previous year figures have been regrouped / recasted wherever considered necessary to make these comparable with those of the current year.

Signatories to schedules 1 to 26

On behalf of the Board of Directors

HARPAL SINGH
Chairman

MALVINDER MOHAN SINGH
CEO & Managing Director

ATUL SOBTI
Chief Operating Officer & Whole-time Director

OMESH SETHI
Vice President & Head-Global Finance

SUSHIL K. PATAWARI
Secretary

Place : Gurgaon
Dated : March 28, 2008

FOR THE YEAR ENDED DECEMBER 31, 2007

Rs. in Million

Name of the Subsidiary	Closing exchange rate against Indian Rupee as on December 31, 2007	Capital	Reserves	Total assets	Total liabilities	Investments (except in case of investment in subsidiaries)*	Turnover	Profit before tax	Provision for tax	Profit after tax	Proposed dividend
Solus Pharmaceuticals Ltd.	**1.0000**	70.01	154.70	234.90	10.19	205.05	–	0.33	(1.33)	1.66	–
Rexcel Pharmaceuticals Ltd.	**1.0000**	50.00	190.88	283.00	42.12	205.05	–	(0.06)	1.08	(1.14)	–
Vidyut Investments Ltd.	**1.0000**	250.08	(237.64)	15.65	3.21	–	5.84	(333.44)	(1.45)	(333.91)	–
Ranbaxy Drugs and Chemicals Company (A public company with unlimited liability)	**1.0000**	62.00	5.94	69.85	1.91	67.30	–	3.13	0.73	2.40	–
Ranbaxy Drugs Ltd.	**1.0000**	31.00	(0.40)	33.71	3.11	31.00	–	(0.01)	–	(0.01)	–
Gufic Pharma Ltd.	**1.0000**	0.50	1.88	2.54	0.16	–	0.24	0.39	0.04	0.35	–
Ranbaxy Life Sciences Research Limited	**1.0000**	0.50	(0.03)	0.48	0.01	–	–	(0.03)	–	(0.03)	–
Ranbaxy (Guangzhou China) Ltd., China	**5.3971**	352.16	(264.33)	358.06	270.23	–	555.69	4.57	–	4.57	–
Ranbaxy (Netherlands) B.V. (Consolidated), The Netherlands	**39.4200**	19,710.12	6,919.82	42,969.21	16,339.27	418.44	36,272.26	1,801.66	582.64	1,051.04 #	–
Ranbaxy Nigeria Ltd., Nigeria	**0.3332**	13.33	216.79	517.36	287.24	–	826.03	78.14	22.43	55.71	6.66
Ranbaxy (Hong Kong) Ltd., (Consolidated) Hongkong	**39.4200**	12.25	(24.13)	43.68	55.56	–	180.27	18.45	–	18.45	–
Ranbaxy Malaysia Sdn. Bhd., Malaysia	**11.9112**	95.29	415.16	1,018.28	507.53	–	974.45	126.38	31.45	94.93	–
Ranbaxy Unichem Company Ltd., Thailand	**1.1690**	116.90	108.50	284.35	58.95	–	448.74	64.47	19.60	44.87	–
Ranbaxy Pharmacie Generiques SAS, (Consolidated), France	**57.5217**	428.42	23.58	2,339.98	1,887.98	–	3,038.87	(53.50)	(56.95)	3.45	–

After adjustment of Rs. 167.98 million towards Minority interest.

***Detail of Investments**

Name of the subsidiary	Particulars	Nature of investments	Face value	Numbers	Amount (Rs. Million)
Solus Pharmaceuticals Ltd.	Solrex Pharmaceuticals Company (A partnership firm)	Capital contribution			205.05
Rexcel Pharmaceuticals Ltd.	Solrex Pharmaceuticals Company (A partnership firm)	Capital contribution			205.05
Ranbaxy Drugs and Chemicals Company (A public company with unlimited liability)	Sidmak Laboratories (India) Limited	Equity shares	Rs. 10	167,330	34.30
	Rexcel Pharmaceuticals Ltd.	Optionally Convertible Debentures	Rs. 1000	33,000	33.00
Ranbaxy Drugs Ltd.	Ranbaxy Drugs and Chemicals Company (A public company with unlimited liability)	Equity shares	Rs. 10	3,100,000	31.00
Ranbaxy (Netherlands) B.V. (Consolidated), The Netherlands	Nihon Pharmaceticals Industry Co. Ltd., Japan	Equity shares	Yen 500	160,000	305.38
	Ranbaxy (Guangzhou China) Limited, China	Capital contribution			15.12
	Ranbaxy Pharmacie Generiques, SAS, France	Equity shares	€ 9	27,600	97.94

Note:

In terms of approval granted by the Central Government under Section 212(8) of the Companies Act, 1956, a copy of the Balance Sheet, Profit and Loss Account, Report of the Board of Directors and the Report of the Auditors of the subsidiary companies have not been attached with Annual Report of the Company. The Company will make available these document and the related details upon request by any investor of the Company and of its subsidiary. These documents will also be available for inspection by any investor at the Head Office of the Company at 12th Floor, Devika Tower, 6, Nehru Place, New Delhi-110019, and that of the subsidiary companies concerned.

REPORT OF INDEPENDENT CERTIFIED PUBLIC ACCOUNTANTS

Board of Directors and Stockholders
Ranbaxy Laboratories Limited (the "Company") and Subsidiaries ("the Group")

We have audited the accompanying consolidated balance sheets of Ranbaxy Laboratories Limited and subsidiaries as of December 31, 2007 and 2006, and the related consolidated statements of income, stockholders' equity and comprehensive income and cash flows for the years then ended. These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audits. We did not audit the financial statements as of December 31, 2006 of Terapia S.A., a wholly owned Subsidiary of the Company, which statements reflect total assets, revenues and net income consituting 7.23 percent, 4.46 percent and 11.82 percent respectively, of the related consolidated totals as of December 31, 2006. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, insofar as it relates to the amounts included for Terapia S.A. is based solely upon the report of the other auditors.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America as established by the Auditing Standards Board of the American Institute of Certified Public Accountants. These standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal controls over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statement, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, based on our audit and the report of other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Ranbaxy Laboratories Limited and its subsidiaries as of December 31, 2007 and 2006, and the consolidated results of their operations and cash flows for the years then ended, in conformity with accounting principles generally accepted in the United State of America.

As discussed in Note Q to the financial statements, in 2007, the Company has adopted Financial Accounting Standards Board Interpretation No. 48, Accounting for Uncertainty in Income Taxes-an interpretation of FASB Statement No. 109.

GRANT THORNTON

New Delhi, India
March 28, 2008

RANBAXY LABORATORIES LIMITED AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(All amounts in Rupees Million, unless otherwise stated)

	As at December 31,	
	2007	2006
ASSETS		
Current assets		
Cash and cash equivalents	**4,122.30**	2,762.81
Restricted cash	**86.20**	108.18
Accounts receivable, net of allowances	**14,759.91**	15,599.43
Inventories	**16,284.88**	15,992.42
Deferred income taxes	**700.72**	1,091.14
Income taxes recoverable	**1,792.07**	1,757.31
Other current assets, net of allowances	**6,959.65**	3,619.99
Total Current Assets	**44,705.73**	40,931.28
Property, plant and equipment, net	**19,619.57**	19,538.60
Deferred income taxes	**1,034.30**	1,792.04
Investment securities	**2,648.31**	600.24
Goodwill, net	**11,855.29**	10,262.79
Intangible assets, net	**8,249.75**	8,012.42
Other assets	**1,491.86**	1,042.63
Total Assets	**89,604.81**	82,180.00
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities		
Borrowings from banks and financial institutions	**14,384.88**	13,600.74
Current portion of long term debt	**3,820.86**	3,490.11
Trade accounts payable	**8,512.11**	7,889.38
Income taxes payable	**1,653.65**	830.59
Deferred income	**128.54**	57.83
Accrued expenses	**2,251.36**	2,159.19
Other current liabilities	**2,225.52**	1,285.30
Total Current Liabilities	**32,976.92**	29,313.14
Long-term debt, excluding current portion	**23,093.40**	22,432.96
Deferred income taxes	**2,163.59**	1,697.08
Deferred income	**48.79**	101.65
Other liabilities	**3,289.08**	1,848.35
Total Liabilities	**61,571.78**	55,393.18
Minority interest	**564.56**	334.28
Commitments and contingencies (See Note K and U)		
Stockholders' equity		
Common stock, Rs. 5.00 par value, (598,000,000 equity shares authorised,	**1,865.35**	1,863.43
100,000 cumulative preference shares authorised, 373,070,829 and 372,686,964 equity shares issued and outstanding as at December 31, 2007 and 2006 respectively)		
Additional paid in capital	**7,059.99**	6,735.13
Retained earnings	**19,703.71**	17,486.04
Accumulated other comprehensive (loss)/income	**(1,160.58)**	367.94
Total stockholders' equity	**27,468.47**	26,452.54
Total Liabilities and Stockholders' equity	**89,604.81**	82,180.00

The accompanying notes are an integral part of these consolidated financial statements

RANBAXY LABORATORIES LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME

(All amounts in Rupees Million, unless otherwise stated)

	Year ended December 31,	
	2007	2006
Revenues		
Product sales	**66,621.23**	60,275.75
Service income	**514.16**	406.47
Other operating revenue	**3,782.12**	1,302.83
	70,917.51	61,985.05
Cost of revenues (excluding depreciation, amortisation and impairment)	**33,706.73**	29,465.74
Gross profit	**37,210.78**	32,519.31
Operating expenses		
Selling, general and administrative expenses	**22,908.21**	19,651.83
Research and development expenses	**4,281.96**	3,982.42
Depreciation, amortisation and impairment	**3,840.47**	2,894.31
Total operating expenses	**31,030.64**	26,528.56
Operating income	**6,180.14**	5,990.75
Share of profit and loss of affiliates (net)	**42.74**	50.30
Interest expense	**(2,516.61)**	(1,789.20)
Interest income	**220.54**	207.05
Other income	**4,269.06**	548.58
Income before income taxes and minority interest	**8,195.87**	5,007.48
Income taxes	**2,225.57**	889.58
Income before minority interest	**5,970.30**	4,117.90
Minority interest	**(111.08)**	(57.31)
Net income	**5,859.22**	4,060.59
Earnings per equity share		
Basic	**15.71**	10.90
Diluted	**12.17**	10.88
Weighted average number of equity shares used in computing earnings per equity share		
Basic	**372,906,747**	372,595,730
Diluted	**400,254,324**	373,342,142

The accompanying notes are an integral part of these consolidated financial statements.

RANBAXY LABORATORIES LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF STOCKHOLDERS' EQUITY AND COMPREHENSIVE INCOME

(All amounts in Rupees Million, unless otherwise stated)

	Common stock							
	No. of shares	**Amount**	**Additional paid in capital**	**Deferred stock-based compen-sation**	**Retained earnings**	**Compre-hensive income**	**Accu-mulated other compre hensive income / (loss)**	**Total stock-holders' equity**
Balance as at January 1, 2006	**372,442,190**	**1,862.21**	**6,388.29**	**(73.93)**	**17,036.85**	**–**	**208.50**	**25,421.92**
Receipt on exercise of stock options	244,774	1.22	56.08	–	–	–	–	57.30
Receipt of share application money pending allotment	–	–	6.01	–	–	–	–	6.01
Amortisation of deferred stock based compensation	–	–	358.68	–	–	–	–	358.68
Reclassification from Deferred Stock based compensation to additional paid in capital	–	–	(73.93)	73.93	–	–	–	–
Cash dividend paid	–	–	–	–	(3,611.40)	–	–	(3,611.40)
Comprehensive income								
Net income	–	–	–	–	4,060.59	4,060.59	–	4,060.59
Unrealised holding gain on marketable equity securities	–	–	–	–	–	(55.05)	(55.05)	(55.05)
Deferred tax on unrealised holding gain on marketable equity securities	–	–	–	–	–	19.32	19.32	19.32
Translation adjustment	–	–	–	–	–	195.17	195.17	195.17
Total comprehensive income	–	–	–	–	–	4,220.03	–	–
Balance as at December 31, 2006	**372,686,964**	**1,863.43**	**6,735.13**	**–**	**17,486.04**	**–**	**367.94**	**26,452.54**
Receipt on exercise of stock options	383,865	1.92	87.45	–	–	–	–	89.37
Receipt of share application money pending allotment	–	–	2.97	–	–	–	–	2.97
Amortisation of deferred stock based compensation	–	–	234.44	–	–	–	–	234.44
Cash dividend paid	–	–	–	–	(3,641.55)	–	–	(3,641.55)
Comprehensive income								
Net income	–	–	–	–	5,859.22	5,859.22	–	5,859.22
Unrealised holding gain on marketable equity securities	–	–	–	–	–	1,454.00	1,454.00	1,454.00
Deferred tax on unrealised holding gain on marketable equity securities	–	–	–	–	–	(335.79)	(335.79)	(335.79)
Translation adjustment	–	–	–	–	–	(2,646.73)	(2,646.73)	(2,646.73)
Total comprehensive income	–	–	–	–	–	4,330.70	–	–
Balance as at December 31, 2007	**373,070,829**	**1,865.35**	**7,059.99**	**–**	**19,703.71**	**–**	**(1,160.58)**	**27,468.47**

The accompanying notes are an integral part of these consolidated financial statements.

RANBAXY LABORATORIES LIMITED AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(All amounts in Rupees Million, unless otherwise stated)

	Year ended December 31,	
	2007	2006
Cash flows from operating activities		
Net income	**5,859.22**	4,060.59
Adjustments to reconcile net income to net cash and cash equivalents provided by operating activities		
Depreciation, amortisation and impairment	**3,840.47**	2,894.31
Deferred income tax expense	**1,192.35**	764.42
Allowance for doubtful assets and amounts written off	**205.23**	192.07
Gain on disposal of property, plant and equipment	**(427.00)**	(100.53)
Loss on sale of investments	**–**	5.57
Share of profit and loss of affiliates (net)	**(42.74)**	(50.30)
Amortisation of deferred stock based compensation	**234.44**	358.68
Minority interest	**111.08**	57.31
Unrealised gain on forward foreign exchange contracts and options	**(979.81)**	(817.71)
Changes in operating assets and liabilities		
Accounts receivable	**407.37**	(2,623.75)
Inventories	**(636.60)**	(1,750.46)
Other current assets	**(3,533.66)**	(760.58)
Other non-current assets	**(443.66)**	(376.93)
Accounts payable	**1,064.24**	1,160.95
Accrued expenses and other current liabilities	**2,025.49**	(702.06)
Other non-current liabilities	**1,757.17**	989.14
Net cash provided by operating activities	**10,633.59**	3,300.72
Cash flows from investing activities		
Purchase of property, plant and equipment	**(2,996.91)**	(2,778.24)
Cash paid for acquisition of minority interest in subsidiary	**(103.32)**	(181.23)
Acquisition of stake in associates	**(1,812.33)**	–
Proceeds from sale of property, plant and equipment	**897.20**	119.65
Acquisition of subsidiary*	**(2,490.75)**	(14,438.73)
Purchase of intangible assets	**(1,762.43)**	(690.76)
Purchase of investment securities	**(226.87)**	(202.00)
Proceed from sale of investments	**–**	33.30
Amount invested in restricted cash balances	**–**	(17.25)
Maturity of restricted cash balances	**20.76**	–
Net cash used in investing activities	**(8,474.65)**	(18,155.26)
Cash flows from financing activities		
Proceeds from borrowings from banks and financial institutions, net	**2,173.70**	856.26
Proceeds from issue of foreign currency convertible bonds	**–**	19,553.60
Principal payment on long term debt	**–**	(1,396.61)
Principal payments on capital lease obligations	**(72.55)**	(165.63)
Proceeds from issuance of term loans	**610.18**	–
Payment of dividend, including tax on dividend of Rs 472.20 million and Rs 444.14 million, respectively	**(3,641.55)**	(3,611.40)
Receipt from employees on exercise of stock options	**92.34**	63.31
Payment of dividend to minority stockholders in subsidiaries	**(7.00)**	(7.62)
Net cash provided by/(utilised in) financing activities	**(844.88)**	15,291.91
Effect of exchange rate changes on cash and cash equivalents	***45.43***	*39.11*
Net increase in cash and cash equivalents during the year	**1,314.06**	437.37
Cash and cash equivalents at the beginning of the year	**2,762.81**	2,286.33
Cash and cash equivalents at the end of the year	**4,122.30**	2,762.81
Supplemental disclosures		
Cash paid during the year for interest	**1,578.35**	1,008.91
Cash paid during the year for income taxes	**1,517.08**	845.82
Assets under capital leases capitalised during the year	**–**	86.26
***Acquisition of subsidiary**		
Assets and liabilities of the subsidiaries upon acquisition		
Working capital	**334.96**	893.09
Long-lived assets other than goodwill	**899.54**	7,893.97
Goodwill arising on acquisition	**1,242.79**	5,651.67
Cost of investment in shares	**2,477.29**	14,311.42
Direct cost	**13.46**	127.31
Cash paid	**2,490.75**	14,438.73

The accompanying notes are an integral part of these consolidated financial statements.

RANBAXY LABORATORIES LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies applied in the preparation of the accompanying consolidated financial statements follows:

1. Organisation and Nature of operations

Ranbaxy Laboratories Limited ("RLL" or the "Company"), a public limited company, was incorporated in India on June 16, 1961. RLL alongwith its subsidiaries and associates (hereinafter collectively referred to as "the Group") operates as an integrated international pharmaceutical organisation with businesses encompassing the entire value chain in the production, marketing and distribution of dosage forms and active pharmaceutical ingredients.

The Group presently has manufacturing facilities in eleven countries, namely Brazil, China, India, Ireland, Japan, Malaysia, Nigeria, Romania, South Africa, the United States of America and Vietnam. The Group's major markets include the United States of America (being the largest), India, Europe, Russia / CIS, Brazil and South Africa. The major products include, inter alia, Simvastatin, CoAmoxyclav, Amoxycillin, Ciprofloxacin, Isotretinon and Cephalexin. The research and development activities of the Group are principally carried out at its facilities in Gurgaon, near New Delhi, India.

The Company's shares are listed for trading on the Bombay Stock Exchange and the National Stock Exchange (NSE) in India and its Global Depository Receipts (representing equity shares of the Company) are listed on the Luxembourg Stock Exchange. Further Company's Foreign Currency Convertible Bonds are listed on the Singapore Stock Exchange.

2. Principles of consolidation

The consolidated financial statements include the financial statements of RLL and all its subsidiaries, which are more than 50 percent owned and controlled.

In case of investments where the Group exercises significant influence over the operating and financing policies of the investee, such investments are accounted for using the equity method of accounting. The Group's equity in the income or loss of these affiliates is included in the consolidated statement of income.

All inter-company transactions and balances, between the entities included in the consolidated financial statements, have been eliminated.

Details of the entities, which presently form part of the Group and are consolidated alongwith RLL are as follows:

Name of entity	Country of incorporation	Shareholding
Ranbaxy Drugs and Chemicals Company	India	100.00%
Ranbaxy Drugs Limited	India	100.00%
Rexcel Pharmaceuticals Limited	India	100.00%
Solus Pharmaceuticals Limited	India	100.00%
Solrex Pharmaceuticals Company #	India	100.00%
Vidyut Investments Limited	India	100.00%
Ranbaxy Life Sciences Research Ltd. #	India	100.00%
Ranbaxy N.A.N.V.	Antilles, The Netherlands	100.00%
Ranbaxy Australia Pty Ltd.	Australia	100.00%
Ranbaxy Belgium N.V.	Belgium	100.00%
Ranbaxy Do Brasil Ltda	Brazil	100.00%
Ranbaxy Pharmaceutical Canada Inc	Canada	100.00%
Ranbaxy Egypt (L.L.C.)	Egypt	100.00%
Rexcel Egypt (L.L.C.)	Egypt	100.00%
Ranbaxy Pharmacie Generiques SAS	France	100.00%
Office Pharmaceutique Industriel Et Hospitalier SARL	France	100.00%
Basics GmbH	Germany	100.00%
Lapharma GmbH	Germany	100.00%
Ranbaxy (Hong Kong) Limited	Hong Kong	100.00%
Ranbaxy Hungary Gyogyszereszeti Kft	Hungary	100.00%
Ranbaxy Ireland Ltd.	Ireland	100.00%
Ranbaxy Italia S.p.A	Italy	100.00%
Ranbaxy Mexico, S.A. de C.V.	Mexico	100.00%
Ranbaxy Panama S.A.*	Panama	100.00%
Ranbaxy PRP (Peru) S.A.C.	Peru	100.00%
Ranbaxy Poland Sp Zoo	Poland	100.00%
Ranbaxy Portugal -Com E Desenvolv De Prod Farmaceuticos Unipessoal Lda	Portugal	100.00%
ZAO Ranbaxy	Russia	100.00%
Ranbaxy (S.A.) (Proprietary) Ltd.	South Africa	100.00%
Laboratorios Ranbaxy S.L.	Spain	100.00%
Mundogen Farma S.A. @	Spain	100.00%

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NOTE A *(continued)*

Name of entity	Country of incorporation	Shareholding
Ranbaxy Pharma AB	Sweden	100.00%
Ranbaxy Pharmaceuticals B.V.*	The Netherlands	100.00%
Ranbaxy (Netherlands) B.V. ("RNBV")	The Netherlands	100.00%
Ranbaxy (U.K.) Ltd.	United Kingdom	100.00%
Ranbaxy Holdings (U.K.) Ltd.	United Kingdom	100.00%
Ranbaxy Europe Ltd.	United Kingdom	100.00%
Ranbaxy, Inc.	United States of America	100.00%
Ranbaxy Pharmaceuticals, Inc.	United States of America	100.00%
Ranbaxy USA, Inc.	United States of America	100.00%
Ohm Laboratories, Inc.	United States of America	100.00%
Ranbaxy Laboratories, Inc.	United States of America	100.00%
Ranbaxy Vietnam Company Ltd.	Vietnam	100.00%
Unichem Distributors Ltd.*	Thailand	99.96%
Unichem Pharmaceuticals Ltd.*	Thailand	98.50%
Gufic Pharma Limited	India	98.00%
Terapia S.A.	Romania	96.70%
Terapia Distributie S.R.L.	Romania	96.70%
Ranbaxy Farmaceutica Ltda.	Brazil	95.30%
Bounty Holdings Company Ltd.*	Thailand	89.08%
Ranbaxy Unichem Company Ltd.	Thailand	88.56%
Ranbaxy Nigeria Ltd.	Nigeria	84.89%
Ranbaxy (Guangzhou China) Limited	Republic of China	83.00%
Be-Tabs Pharmaceuticals (Proprietary) Ltd #	South Africa	75.00%
Be-Tabs Investments (Proprietary) Ltd #	South Africa	75.00%
Sonke Pharmaceuticals (Proprietary) Ltd	South Africa	68.40%
Ranbaxy Malaysia Sdn. Bhd.	Malaysia	68.09%
Ranbaxy Signature LLC	United States of America	67.50%

#new entities in 2007
*entities liquidated during the year
@entity merged with Laboratorios Ranbaxy, S.L. during the year

The Group does not consider liquidation of the entities as per the table given above to have a material impact on the financial statements.

In addition to above, the Group holds 50% equity stake in Nihon Pharmaceutical Industry Co. Ltd, Japan, a 21.84% equity stake in Zenotech Laboratories Limited, India and a 24.91% equity stake in Shimal Research Laboratories Limited, India. Such investments in these affiliates are accounted for using the equity method.

3. **Basis of presentation**

The accompanying consolidated financial statements have been prepared on the accrual basis of accounting in conformity with accounting principles generally accepted in the United States of America ("US GAAP"), to reflect the financial position, results of operations and cash flows of the Group.

4. **Use of estimates**

In preparing the Group's financial statements in conformity with US GAAP, the Group's management ("Management"} is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses; actual results could differ from those estimates. Any revision to accounting estimates is recognised in the period the same is determined. Management's estimates represent, inter alia, particularly sensitive estimates for charge-backs, rebates, discounts and returns, future obligations under employee benefit plans, inventory reserve, provision for doubtful debts, the useful life of tangible and intangible assets and the realisation of deferred tax assets.

5. **Exchange rate translation**

The functional currency of the Company, including its consolidated domestic and foreign subsidiaries, has been determined in accordance with the primary economic environment in which the respective entities operate. The functional currency for Ranbaxy (Netherlands) B.V. (RNBV), Ranbaxy Hong Kong Ltd. and Ranbaxy Holding (U.K.) Ltd. is the US Dollar.

In respect of entities for which the functional currency is other than the Indian Rupee, the reporting currency of RLL, the assets and liabilities are translated into Indian Rupees at the appropriate year-end exchange rates. For the aforementioned entities income and expenses are translated using the monthly average exchange rates for the year. The resulting translation adjustments are reported as a component of "Accumulated other comprehensive income".

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NOTE A *(continued)*

Transactions in foreign currency are translated into the functional currency of the respective Group's entity at the rates prevailing on the date of the transaction. Monetary assets and liabilities in foreign currency are translated into the functional currency of the respective Group's entity at the rate of exchange prevailing at the balance sheet date. All operating foreign exchange gains and losses are recorded under "other operating revenue" in the accompanying consolidated financial statements. Such foreign currency exchange (gain)/ loss included in the consolidated statements for the years ended December 31, 2007 and December 31, 2006 amounted to Rs. (2,961.08) million and Rs. (564.76) million, respectively.

The foreign exchange gain on borrowings amounting to Rs. (3,213.58) million and Rs (117.30) million for the years ended December 31, 2007 and December 31, 2006 respectively, and is included in "Other income".

6. Cash and cash equivalents (see Note C)

Cash and cash equivalents include all highly liquid investments with an original maturity of three months or less.

7. Restricted Cash

Restricted cash includes deposits that have been pledged with banks and will mature within one year.

8. Inventories (see Note E)

Inventories consist of raw materials, work-in-process, stores and spares, finished goods and packaging materials, and are stated at the lower of cost or market value. Cost is determined using the weighted average and first-in-first-out methods for raw materials, packaging materials, stores and spares, work-in-process and finished goods and includes the purchase price and attributable direct costs, less trade discounts. The cost of work-in-process and finished goods comprises of direct labor, material costs and appropriate share of production overheads.

Allowance for potentially obsolete or slow moving inventory is made on the basis of Management's analysis of inventory levels, expiration dates and prevailing market conditions as a part of cost of revenue.

9. Property, plant and equipment (see Note F)

Property, plant and equipment, including assets acquired under capital lease agreements are stated at historical cost less accumulated depreciation. Depreciation is calculated on a straight-line method over the estimated useful life of the respective assets. Assets under capital leases and leasehold improvements are amortised over the lower of their estimated useful lives or the term of the lease.

Advances paid for the acquisition of property, plant and equipment outstanding at the balance sheet date and the cost of property, plant and equipment not put to use before such date are disclosed as 'Capital work-in-progress'. The interest cost incurred for funding a qualifying asset during its construction period is capitalised based on the actual investment in the asset and the average cost of funds (such amounts were not material during the years ended December 31, 2007 and December 31, 2006). The capitalised interest is included in the cost of the relevant asset and is depreciated over the estimated useful life of the asset.

The Group has determined the estimated useful lives of assets for depreciation purposes as follows:

Buildings	30-50 years
Plant and machinery	5-15 years
Furniture and fixtures	5-10 years
Office equipment	3-10 years
Vehicles	5 years

Expenditure for maintenance and repairs are expensed as incurred and amounted to Rs. 625.01 million and Rs. 443.82 million for the years ended December 31, 2007 and December 31, 2006, respectively. When assets are retired or otherwise disposed, the cost of the asset and related accumulated depreciation are eliminated. Any gain or loss on disposal is recognised in the satement of income.

10. Goodwill (see Note H)

Goodwill reflects the excess of the cost of acquisition over the fair value of net assets acquired in a business acquisition. Pursuant to Statement of Financial Accounting Standards (SFAS) No. 142 "Goodwill and Other Intangible Assets", the Group does not amortise goodwill, and instead tests goodwill for impairment annually.

11. Intangible assets (see Note I)

Intangible assets primarily include acquired license agreements, non compete, brands, trademarks, technical know-how, product dossiers and other intangibles identified on acquisition and are amortised over the expected useful life or the contractual life, whichever is shorter.

12. Revenue Recognition

<u>Product sales</u>

Revenue from sales of active pharmaceutical ingredients and formulation products is recognised when title and risk of loss of products are transferred to the customer, on shipment of products for Free-on-Board ("FOB") shipping point sales and upon delivery to the customers for FOB destination point sales and when the following criteria are met:

RANBAXY LABORATORIES LIMITED AND SUBSIDIARIES

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NOTE A *(continued)*

- Persuasive evidence of an arrangement exists;
- The price to the buyer is fixed and determinable; and
- Collectibility of the sales consideration is reasonably assured.

Provisions for sales discounts, medicaid and other rebates, damaged product returns and exchanges for expired products are recognised as a reduction of sales revenues. These revenue reductions are established based on best estimates at the time of sale based on historical experience, adjusted to reflect known changes in the factors that impact such reserves. These reductions are reflected either as a direct reduction to accounts receivable or through an allowance.

In the United States, some of the large customers are major wholesalers who resell the products to third party customers like managed care organisations, drug store chains and pharmacies. A significant part of gross revenues from such wholesalers are subject to various forms of rebates and allowances (known as "chargebacks"), which are recorded as reductions from gross revenues. The computation of the estimate for expected chargebacks is complex and involves significant judgment based on historical experience and estimated wholesaler inventory levels, as well as expected sell-through levels by the wholesalers to indirect customers. The primary factors considered in developing and evaluating provision for chargeback includes the average historical chargeback credits and an estimate of the inventory held by the wholesalers, based on internal analysis of wholesaler's historical purchases and contract sales.

Actual experience associated with any of these items may be different to the Group's estimates and the Group regularly reviews the factors that influence its estimates and, if necessary, makes adjustments when it believes that actual product returns, credits, rebates, chargebacks and other allowances may differ from established provisions.

At December 31, 2007 and December 31, 2006, the Group had reserves for chargebacks of Rs. 2,244.37 million and Rs. 2,910.39 million, respectively.

<u>Service income</u>

License fees

The Group receives payments under various development, manufacturing, supply and distribution agreements. Under the terms of these agreements, certain amounts may be received by the Group prior to the commercial launch of a product and fulfillment of the Group's obligations under such agreements. These amounts are recorded as deferred revenue and are amortised in the statement of income from the date of commercial launch through the term of the related agreement. These arrangements are generally for a period of 3 to 5 years.

Non-refundable upfront payments received are deferred and recognised in the consolidated statements of income on a straight-line basis over the estimated development period. Other milestone payments received are recognised in accordance with the terms prescribed in the license agreement and where the Group has no future obligations or continuing involvement pursuant to such milestone payment.

Royalty

Royalty income is based on sales made by third parties and is recognised on an accrual basis, in accordance with the terms of the respective agreements.

<u>Other revenues</u>

Other revenues include claim settlements and export incentives. Revenues from claim settlements are recognised in accordance with the terms of related agreements in the period in which the claim is established. Export incentives are recognised on an accrual basis when the right to receive the incentives is established in accordance with the applicable laws.

13. Investment securities (see Note G)

Investment securities comprise primarily of available-for-sale equity securities, non- marketable equity securities and equity affiliates securities.

Available-for-sale securities are recorded at fair value based on quoted market prices, resultant unrealised gains and losses, net of income taxes are reported as a part of Accumulated other comprehensive income till realised. Decline in the fair value of any available-for-sale security below cost that is determined to be other than temporary is charged to the statements of income. Realised gains and losses from the sale of available-for-sale securities are determined on the average cost method and are included in the statement of income.

Non-marketable equity securities are accounted for by the cost method and are stated at cost, less provision for any decline other than a temporary decline in value.

Investments in equity affiliates are accounted for by equity method of accounting.

Interest and dividend income is recognised when earned.

14. Shipping and handling costs

Shipping and handling expenses of Rs. 1,493.80 million and Rs. 1,519.96 million for the years ended December 31, 2007 and December 31, 2006, respectively, incurred to transport products to customers, have been classified under selling, general and administrative expenses.

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NOTE A *(continued)*

15. Advertising costs

Costs associated with advertising are expensed as incurred. Such costs amounted to Rs. 2,287.97 million and Rs 2,426.81 million for the years ended December 31, 2007 and December 31, 2006, respectively.

16. Income taxes (see Note Q)

The provision for current income tax expense is estimated by the respective entities in accordance with the relevant domestic tax laws. The Group accounts for deferred income taxes under the liability method, in accordance with SFAS No. 109 "Accounting for Income Taxes". Deferred income tax assets and liabilities are recognised for the future tax consequences attributable to differences between carrying amounts of existing assets and liabilities in the financial statements and their respective tax basis. Deferred income tax assets and liabilities are measured using enacted tax rates for the respective tax jurisdictions as on the date of the financial statements. The effect on deferred income tax assets and liabilities of a change in tax rates is recognised in the statement of income in the period of change. Based on management's judgment, the measurement of deferred income tax assets is reduced, if necessary, by a valuation allowance for any tax benefits where it is more likely than not that some portion or all of such benefits will not be realised.

17. Research and development costs

Research and development costs are expensed as incurred, and amounted to Rs 4,281.96 million and Rs 3,982.42 million for the years ended December 31, 2007 and December 31, 2006, respectively. Costs incurred for equipment and facilities acquired or constructed for research and development activities and having alternative future uses, are capitalised as property, plant and equipment when acquired or constructed.

18. Impairment of long-lived assets

The Group follows the guidance of SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets". The Group reviews long-lived assets and certain identifiable intangibles held and used, for possible impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. Under SFAS 144, an impairment loss is recognised when estimated undiscounted future cash flows expected to result from the use of the assets and its eventual disposition are less than the carrying value. Impairment if any, is assessed using discounted cash flows. Such losses amounted to Rs 20.07 million for the year ended December 31, 2007. There were no such losses in the year ended December 31, 2006.

19. Leases

Operating leases - lessee accounting (see Note U)

Lease rental expenses on operating leases are charged to expense over the lease term as they become payable. Certain operating lease agreements provide for scheduled rent increases over the lease term. Rental expense for these leases is recognised on a straight-line basis over the lease term.

Capital lease- lessee accounting

Leases that transfer substantially all of the risks and rewards of ownership in an asset to the Group are capitalised and classified as capital leases. An asset under a capital lease is stated at an amount equal to the lower of its fair value or the present value of the minimum lease payments at inception of the lease, less accumulated depreciation. Finance charges on capital leases are expensed over the term of the lease to give a constant periodic rate of interest charge in proportion to the capital balances outstanding. The rental obligations, net of interest charges, are reflected in borrowings.

20. Other comprehensive income

SFAS No. 130, "Reporting Comprehensive Income", establishes rules for the reporting of comprehensive income and its components. Comprehensive income is defined as all changes in equity from non-owner sources. For the Group, comprehensive income consists of net earnings, changes in the cumulative foreign currency translation adjustments and unrealised gains and losses on available-for-sale securities. The Group reports comprehensive income in the consolidated statement of stockholders' equity.

21. Earnings per share (see Note N)

In accordance with SFAS No. 128, "Earnings per share", basic earnings per share is computed using the weighted average number of common shares outstanding during the period. Diluted earnings per share is computed using the weighted average number of common and dilutive equivalent common shares outstanding during the period.

22. Stock-based compensation (see Note O)

The Group accounts for share based payments in accordance with SFAS 123(R), "Accounting for Stock-Based Compensation", which requires cost relating to such payments to be accounted for based on the fair value of the options granted. The Group uses the Black-Scholes option-pricing model to estimate the fair value of the options granted.

23. Derivative financial instruments

The Group enters into forward foreign exchange and option contracts where the counterparty is generally a bank. The Group purchases forward foreign exchange contracts and option contracts to mitigate the risk of changes in foreign exchange rates on

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NOTE A *(continued)*

accounts receivable and trade and loans payable. These contracts do not qualify for hedge accounting under SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities" as amended. Any derivative that is either not designated as a hedge, or is so designated but is ineffective per SFAS No. 133, is marked to market and recognised in statement of income immediately.

The Group recognised a mark-to-market gain under "foreign exchange (gain) / loss" and/or "other income" in the income statement on non-designated hedges of Rs. 979.81 million and Rs. 817.71 million for the years ended December 31, 2007 and December 31, 2006, respectively.

24. Dividend

Dividends paid on common stock is recorded as a reduction of equity when approved by the stockholders.

25. Reclassification

Certain previous year figures have been reclassified to conform to the current year presentation.

26. Recent Accounting Pronouncements

In February 2007, the Financial Accounting Standards Board ("FASB") issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities, providing the Group with an option to report selected financial assets and liabilities at fair value. If the fair value option is elected, changes in fair value would be recorded in earnings at each subsequent reporting date. SFAS 159 is effective for the Group's 2008 fiscal year. The Group is currently evaluating the impact the adoption of this statement on its Consolidated Financial Statements.

In December 2007, the FASB issued SFAS No. 141(R), *Business Combinations*. ("SFAS 141(R)" replaced SFAS No. 141, *Business Combinations*, originally issued in June 2001). SFAS 141R will change the manner in which business acquisitions are accounted for and will impact financial statements both on the acquisition date and in subsequent periods. Key changes include: acquired in-process research and development will no longer be expensed on acquisition, but capitalised and amortised over its useful life; fair value will be based on market participant assumptions; acquisition costs will generally be expensed as incurred; and restructuring costs will generally be expensed in periods after the acquisition date. SFAS 141(R) requires prospective application for business combinations consummated in years beginning on or after December 15, 2008. This statement does not allow for early adoption. The Group is currently evaluating the potential impact of adopting this Statement on its Consolidated Financial Statements.

In December 2007, the FASB issued SFAS 160 ("SFAS 160"), *Noncontrolling Interests in Consolidated Financial Statements*, an amendment of Accounting Research Bulletin No.51(ARB 51), *Consolidated Financial Statements*. SFAS 160 provides guidance for the accounting, reporting and disclosure of noncontrolling interests, also referred to as minority interest. A minority interest represents the portion of equity (net assets) in a subsidiary not attributable, directly or indirectly, to a parent. This amendment of ARB No. 51 requires noncontrolling interest in subsidiaries initially to be measured at fair value and then to be classified as a separate component of equity. This statement is effective for years and interim periods within those years beginning on or after December 15, 2008. This statement does not allow for early adoption, however, application of SFAS 160 disclosure and presentation requirements is retroactive. The Group is currently evaluating the potential impact of adopting this Statement on its Consolidated Financial Statements.

In June 2007, the FASB ratified the consensus reached by the Emerging Issues Task Force on Issue No. 07-3 (EITF 07-3), Accounting for Nonrefundable Advance Payments for Goods or Services to be used in future research and development activities. Pursuant to EITF 07-3, nonrefundable advance payments for goods or services that will be used or rendered for future research and development activities should be deferred. Such amounts should be recognised as an expense as the related goods are delivered or services are performed, or when the goods or services are no longer expected to be received. This issue is effective for accounting periods beginning January 1, 2008, and is to be applied prospectively for contracts entered into on or after the effective date. The Group does not expect that the adoption of EITF 07-3 will have a significant impact on its Consolidated Financial Statements.

In December 2007, the Emerging Issues Task Force (EITF) issued EITF Issue No. 07-1, *Accounting for Collaborative Arrangements*. EITF 07-1 provides guidance concerning: determining whether an arrangement constitutes a collaborative arrangement within the scope of the Issue; how costs incurred and revenue generated on sales to third parties should be reported in the income statement; how an entity should characterise payments on the income statement; and what participants should disclose in the notes to the financial statements about a collaborative arrangement. The provisions of EITF 07-1 will be adopted in fiscal 2009. The Group is currently evaluating the potential impact of adopting this Statement on its Consolidated Financial Statements.

NOTE B - SIGNIFICANT BUSINESS COMBINATIONS

The Company accounts for business combinations under the guidelines of SFAS No. 141, "Business combinations", which requires that the purchase method of accounting be used for all business combinations consummated after June 30, 2001. SFAS No. 141 also specifies that intangible assets acquired in a business combination that meet the specified criteria and be recognised and reported separately from goodwill.

Acquisition of Be-Tabs, South Africa

On December 1, 2006, the Group had announced the acquisition of Be-Tabs Pharmaceuticals (Proprietary) Ltd. and Be-Tabs

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NOTE B *(continued)*

Investment (Proprietary) Ltd. ("Be-Tabs"), in South Africa. These transactions were consummated in May 2007, whereby, the Group first acquired 100% stake and simultaneously sold a 25% stake. The Group recorded the cost of the acquisition as Rs. 2,232.30 million, consisting of cash paid and the associated transaction costs.

The Group has accounted for this acquisition under the purchase method. Accordingly, the financial results for the post acquisition period have been included in the consolidated financial statements of the Group.

The purchase cost of Rs. 2,232.30 million has been allocated as follows:

Goodwill	1,119.89
Amounts assigned to Intangible assets	
Customer relationship*	243.29
Brands*	421.36
Non compete**	6.61
Property, plant and equipment, net	139.32
Other current assets	485.52
Total assets acquired	**2,415.99**
Less: Liabilities assumed	183.69
Purchase cost	**2,232.30**

* Expected life 15 years

** Expected life 3 years

Acquisition of additional stake in Zenotech Laboratories Limited

In November 2007, the Group acquired an additional stake in Zenotech Laboratories Limited ("Zenotech") through a preferential allotment, representing 16 percent of the expanded equity share capital base of Zenotech, for Rs. 878.33 million, resulting in a total holding of 21.84 percent, at a total cost of acquisition of Rs. 1078.33 million. The Group has accounted for this acquisition using the equity method.

The purchase price allocation based on preliminary estimates is as follows:

Net tangible assets	306.76
Goodwill	481.77
Amounts assigned to Intangible assets	
Customer relationships	1.51
Non-compete	53.94
In process R&D*	207.92
Brands	26.43
Purchase cost	**1,078.33**

*fully charged off on acquisition

The Group is in the process of making a final purchase price allocation which may result in changes in the carrying value of these net assets. The exercise is expected to be completed in the year 2008.

Acquisition of stake in Shimal Research Laboratories Limited

During February 2007, the Company acquired 24.91% of the equity shares of Shimal Reasearch Laboratories Limited for a total consideration of Rs. 934 million. This acquisition has been accounted for using the equity method and goodwill amounting to Rs. 598.25 million and intangibles (Supplier relationships) amounting to Rs. 83.42 million have been recorded as excess of the purchase price paid over the aggregate of the proportionate fair value of the net assets acquired.

NOTE C - CASH AND CASH EQUIVALENTS

At December 31, 2007 and December 31, 2006, cash and cash equivalents consisted of the following:

	2007	2006
Cash and cheques in hand	**118.25**	83.65
Remittances in transit	**284.42**	86.39
Balances with banks and financial institutions		
Time deposits	**2,071.41**	1,496.60
Foreign currency bank balances	**197.59**	36.08
Other balances	**1,450.63**	1,060.09
	4,122.30	2,762.81

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NOTE D - ACCOUNTS RECEIVABLE

Accounts receivable as at December 31, 2007 and Decembr 31, 2006 are stated net of allowance for doubtful accounts and chargebacks. The Group maintain an allowance for doubtful accounts on all accounts receivable, based on the present and prospective financial condition of the customer and ageing of the accounts receivable, after considering historical experience and the current economic environment. Accounts receivable are generally not secured.

As of December 31, 2007 and Decembr 31, 2006, the analysis of accounts receivable is as follows:

	2007	2006
Gross debtors	**17,446.04**	18,888.07
Less : Allowance for chargebacks	**2,244.37**	2,910.39
Less : Allowance for doubtful debts	**441.76**	378.25
Balance at the end of the year	**14,759.91**	15,599.43

NOTE E - INVENTORIES

As of December 31, 2007 and Decembr 31, 2006, inventories (net of allowances) consisted of the following:

	2007	2006
Finished goods	**7,449.99**	7,865.63
Work-in-process	**2,698.01**	2,146.79
Stores & Spares	**181.18**	184.22
Raw materials	**5,295.17**	5,078.33
Packaging materials	**660.53**	717.45
	16,284.88	15,992.42

NOTE F - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment comprise of the following:

	2007	2006
Freehold land	**777.45**	746.80
Leasehold land and improvements	**237.08**	208.34
Buildings	**6,021.39**	6,008.08
Plant and machinery	**17,866.66**	16,993.08
Furniture and fixtures	**1,021.05**	719.36
Office equipment	**2,435.41**	2,227.33
Vehicles	**772.28**	727.30
Capital work-in-progress	**3,519.22**	3,538.07
	32,650.54	31,168.36
Less: Accumulated depreciation and impairment	**(13,030.97)**	(11,629.76)
	19,619.57	19,538.60

Capital lease assets (included in the above) comprise of the following:

	2007	2006
Buildings	**599.74**	673.38
Plant and machinery	–	50.53
Office equipment	**3.24**	4.78
Vehicles	**8.18**	27.42
	611.16	756.11
Less: Accumulated depreciation and impairment	**(195.48)**	(183.60)
	415.68	572.51

The Group has an option to purchase the buildings recorded under capital lease assets during the term of the lease, as long as the option is excercised at the latest eighteen months prior to the expiration of the lease term.

Depreciation expense for assets acquired under capital lease for the years ended December 31, 2007 and December 31, 2006 was Rs 91.03 million and Rs 125.78 million, respectively.

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NOTE F *(continued)*

The minimum lease rentals and the present value of minimum lease payments as at December 31, 2007 and December 31, 2006 are as follows:

		2007	2006
a)	Minimum lease payments outstanding	**525.34**	667.55
b)	Present value of minimum lease payments	**451.86**	561.44

c) Amounts due	Minimum lease payments		Present value of minimum lease payments	
	2007	2006	**2007**	2006
i) not later than one year	**67.08**	77.24	**48.24**	56.05
ii) later than one year but not later than five years	**278.17**	307.82	**231.31**	252.22
iii) later than five years	**180.09**	282.49	**172.31**	253.17

NOTE G - INVESTMENT SECURITIES

Investment securities comprise of the following:

	As at December 31, 2007			As at December 31, 2006		
	Carrying value	**Gross unrealised gain/(losses)**	**Fair value**	Carrying value	Gross unrealised gain/(losses)	Fair value
Equity securities	**230.26**	**1,396.60**	**1,626.86**	200.03	(57.40)	142.63
Non-marketable equity securities	**151.16**	**(0.51)**	**150.65**	154.51	(0.51)	154.00
Equity affiliate	**866.69**	**–**	**866.69**	299.50	–	299.50
Readily marketable debt securities	**4.11**	**–**	**4.11**	4.11	–	4.11
	1,252.22	**1,396.09**	**2,648.31**	658.15	(57.91)	600.24

NOTE H - GOODWILL

The Group accounts for goodwill and other intangible assets under provisions of Statement of Financial Accounting Standards No. 142, "Goodwill and Other Intangible Assets" ("SFAS No. 142"). Accordingly, the Group does not amortise goodwill but instead tests goodwill for impairment at least annually. During the years ended December 31, 2007 and December 31, 2006, the Group (through its estimate) concluded that no impairment of goodwill is required.

The following table represents the changes in goodwill during the years ended December 31, 2007 and December 31, 2006:

	2007	2006
Balances at the beginning of the period	**10,571.58**	4,685.42
Translation adjustment	**(793.28)**	(195.69)
Acquired during the period	**2,363.57**	6,081.85
	12,141.87	10,571.58
Less: Accumulated amortisation (net of translation adjustment)	**(286.58)**	(308.79)
Balance at the end of the year	**11,855.29**	10,262.79

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NOTE I - INTANGIBLE ASSETS

Acquired and amortised intangible assets comprise:

	Expected useful life	2007	2006
Brands and trademarks	Upto 15 years	**2,114.72**	1,522.31
Licenses	Upto 15 years	**2,744.30**	2,208.47
Non-compete	Upto 10 years	**271.31**	211.00
Technical know-how	Upto 15 years	**1,010.51**	264.00
Customer/supplier relationships	Upto 15 years	**5,691.19**	6,036.12
Software	Upto 6 years	**763.89**	572.90
		12,595.92	10,814.80
Less: Accumulated amortisation and impairement		**(4,346.17)**	(2,802.38)
		8,249.75	8,012.42

On May 23, 2007, the Group acquired the right to 13 dermatological products from a third party. The purchase price of Rs. 1,065.88 million ($ 26.25 million) has been allocated as Rs. 245.97 million ($6.06 million) for trademarks, Rs. 696.92 million ($17.16 million) for technical know-how and Rs. 122.99 million ($3.03 million) towards supplier relationships. All three components are being amortised over a period of 15 years from the date of acquisition.

The aggregate amortisation charge for the years ended December 31, 2007 and December 31, 2006 was Rs. 1,734.25 million and Rs. 992.20 million, respectively.

The estimated amortisation charge for the above intangibles over the next five years is given below:

Year ending December 31,	
2008	1,671.96
2009	1,492.41
2010	1,410.02
2011	1,244.90
2012	974.55

NOTE J - OTHER ASSETS

Other assets comprise of the following:

	2007	2006
Prepaid expenses	**306.94**	392.79
Advance for purchase of shares of associates	**1,274.82**	–
Loans and advances, net of allowances	**469.97**	442.44
Balances with statutory authorities	**1,465.02**	1,483.16
Export incentives accrued	**660.85**	463.23
Deposits, net of allowances	**497.64**	571.73
Minimum Alternate tax credit	**1,179.00**	381.50
Others, net of allowances	**2,597.27**	927.77
	8,451.51	4,662.62
Other current assets	**6,959.65**	3,619.99
Other non current assets	**1,491.86**	1,042.63

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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(All amounts in Rupees Million, unless otherwise stated)

NOTE K - BORROWINGS FROM BANKS AND FINANCIAL INSTITUTIONS

The Company and certain other companies in the Group ("the Group companies") have availed overdrafts, short-term and long term loans from banks and financial institutions. The Company, together with its Group companies, has an aggregate borrowing capability of approximately Rs 32,000 million primarily to finance working capital requirements. The interest rates for these borrowings are usually based on the London Inter-bank Offer Rate ("LIBOR") or the Euro Inter-bank Offer Rate or country specific benchmark rates for other local currency borrowings. Accordingly, interest rates ranged from 0.70 percent to 17.0 percent, with the majority averaging approximately 4.5 percent. Details of the borrowings from banks and/ or financial institutions are given below:

SHORT TERM LOANS & OVERDRAFTS:

	2007	2006
Overdraft facilities	**4,872.11**	2,996.64
Short term loans	**9,512.77**	10,604.10
Total	**14,384.88**	13,600.74

The details of secured/ unsecured/ supported short term borrowings are as under:

	2007	2006
Secured through:		
Corporate guarantee issued by RNBV and Letter of comfort from RLL	**554.08**	429.59
Letter of comfort/ Letter of awareness from RLL	**1,632.64**	1,866.03
Secured by Charge over assets	**3,650.68**	2,808.31
Unsecured:		
Loan from banks	**8,547.48**	8,496.81
Total	**14,384.88**	13,600.74

The secured borrowings carry a charge over stock, book debts and receivables both present and future and some of the borrowing may contain financial and negative covenants. Some of the borrowings are supported by Guarantee and/ or Letter of Comfort.

LONG-TERM DEBT:

Long-term debt comprise of the following:

	2007	2006
Unsecured term loans from banks	**8,988.70**	5,828.91
Other unsecured loans	**128.90**	58.32
Zero Coupon Foreign Currency Convertible Bonds (FCCB)	**17,344.80**	19,474.40
Capital lease obligations	**451.86**	561.44
	26,914.26	25,923.07
Current portion of long term debt	**3,820.86**	3,490.11
Non current portion of long term debt	**23,093.40**	22,432.96

The aggregate of Corporate guarantees issued by RNBV in respect of the overdraft facilities, short term and long term loans from banks and/ or Financial Institution is Rs. 5,847.56 million. The terms of the guarantees are in accordance with the tenure of the facilities and loans. The guarantees can be invoked only in the event of default in repayment by the borrowing entity.

The maturity profile of long-term debt outstanding is given below:

Year ending December 31,	**Unsecured loans from banks**	**Unsecured loans from others**	**FCCB**	**Capital lease obligation**	**Total**
2008	3,763.21	9.41	–	48.24	3,820.86
2009	191.75	13.85	–	52.97	258.57
2010	383.48	14.15	–	55.06	452.69
2011	1,575.67	11.88	17,344.80	59.44	18,991.79
2012	2,089.09	11.88	–	63.84	2,164.81
Thereafter	985.50	67.73	–	172.31	1,225.54

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NOTE L - OTHER LIABILITIES

Other liabilities comprise of the following:

	2007	2006
Interest accrued	137.57	26.68
Interest accrued on FCCB	1,704.24	751.20
Acceptances	0.55	7.18
Unclaimed dividends	82.42	97.71
Statutory dues	735.88	547.01
Employees benefits	1,501.90	1,267.35
Other liabilities	1,352.04	436.52
	5,514.60	3,133.65
Other current liabilities	2,225.52	1,285.30
Other non current liabilities	3,289.08	1,848.35

NOTE M - STOCKHOLDERS' EQUITY

a) Common Stock

The Company presently has issued only one class of common stock. For all matters submitted to vote in the stockholders' meeting, every holder of common stock, as reflected in the records of the Company on the date of the stockholders' meeting has one vote in respect of each share held.

b) Dividends

During the years ended December 31, 2007 and December 31, 2006, the Company distributed dividends of Rs. 3,169.35 million and Rs. 3,167.26 million (including corporate dividend tax), at the rate of 170 percent of common stock in each year respectively.

During the year Ranbaxy Malaysia Sdn. Bhd., Ranbaxy Unichem Company Ltd. and Ranbaxy Nigeria Ltd. distributed dividends to stockholders, other than RNBV and RLL, of Rs 4.92 million (2006 - Rs 4.74 million) at the rate of 16 percent (2006 - 15 percent) of common stock, and Rs 1.08 million (2006 - Rs 1.03 million) at the rate of 7.50 percent (2006 - 7.50 percent) and Rs 0.99 million (2006 - Rs 1.07 million) at the rate of 50 percent (2006 - 50 percent) of common stock, respectively.

NOTE N - EARNINGS PER COMMON SHARE

A reconciliation of net income and number of shares of the basic and diluted earnings per share computation from continuing operations is as follows:

	2007	2006
Net Income	5,859.22	4,060.59
Exchange gain on FCCB (net of tax)	(1,647.03)	–
FCCB issue costs (net of tax)	29.99	–
Interest(net of exchange gain) on FCCB (net of tax)	629.10	–
Adjusted net income	4,871.28	4,060.59
Number of shares		
Weighted average number of common shares outstanding	372,906,747	372,595,730
Effect of dilutive securities		
– Employee stock options	228,412	746,412
– FCCB	27,119,165	–*
Diluted weighted average number of shares outstanding	400,254,324	373,342,142

*In the year 2006, the option under Foreign Currency Convertible Bonds was antidilutive.

(All amounts in Rupees Million, unless otherwise stated)

NOTE O - EMPLOYEE STOCK INCENTIVE SCHEMES

Share-Based Compensation

The Company's Employee Stock Option Schemes ("ESOSs") provide for the grant of stock options to eligible Management employees and Directors of the Company and subsidiaries. The ESOSs are administered by the Compensation Committee of the Board of Directors of the Company ("Committee"). Options are granted on the basis of performance and the grade of the employee. Presently there are three ESOSs ("ESOS I", "ESOS II" and "ESOS 2005"). Options can be distributed at the discretion of the Committee to select employees depending upon (i) Criticality of the position held, (ii) Potential of the Manager and (iii) Significant contribution made during the year.

The ESOSs limits the maximum grant of options to an employee at 25,000 for ESOS I and 40,000 for ESOS II and ESOS 2005 in any given year. ESOS I and II provide that the grant price of options is to be determined at the average of the daily closing price of the Company's equity shares on the NSE during a period of 26 weeks preceding the date of the grant. ESOS 2005 provides that the grant price of options will be the latest available closing price on the stock exchange on which the shares of the Company are listed, prior to the date of the meeting of the Committee in which the options are granted. If the shares are listed on more than one stock exchange, then the stock exchange where there is highest trading volume on the said date shall be considered. The options vest evenly over a period of five years from the date of grant. Options lapse if they are not exercised prior to the expiry date, which is ten years from the date of the grant.

As the number of shares that an individual employee is entitled to receive and the price of the option is known on the grant date, the grants made pursuant to the ESOSs are considered fixed grants.

Stock option activity under the ESOS Schemes is as follows:

	Year ended December 31, 2007			
	Stock options (numbers)	**Range of exercise prices (Rs.)**	**Weighted-average exercise price (Rs.)**	**Weighted-average remaining contractual life (years)**
Outstanding, beginning of the year	**6,850,980**	**283.50-538.50**	**446.35**	**7.35**
Granted during the year	**1,331,575**	**430.00**	**430.00**	**9.05**
Forfeited during the year	**(437,184)**	**283.50-538.50**	**472.46**	**–**
Exercised during the year	**(281,954)**	**283.50-538.50**	**317.05**	**–**
Lapsed during the year	**(294,461)**	**283.50-538.50**	**459.64**	**–**
Outstanding, end of the year	**7,168,956**	**283.50-538.50**	**446.52**	**6.87**
Exercisable at the end of the year	**3,238,112**	**283.50-538.50**	**435.42**	**6.00**

	Year ended December 31, 2006			
	Stock options (numbers)	Range of exercise prices (Rs.)	Weighted-average exercise price (Rs.)	Weighted-average remaining contractual life (years)
Outstanding, beginning of the year	6,704,838	283.50 - 538.50	456.13	8.01
Granted during the year	1,221,300	392.00	392.00	9.05
Forfeited during the year	(676,430)	283.50 - 538.50	472.42	–
Exercised during the year	(181,883)	283.50 - 538.50	315.26	–
Lapsed during the year	(216,845)	283.50 - 538.50	471.18	–
Outstanding, end of the year	6,850,980	283.50 - 538.50	446.35	7.35
Exercisable at the end of the year	2,282,437	283.50 - 538.50	417.60	6.52

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NOTE O *(continued)*

The following table summarises information about stock options outstanding at December 31, 2007 :

	Options outstanding			Options exercisable	
Range of exercise prices	**Stock options (numbers)**	**Weighted-average remaining contractual life (year)**	**Weighted-average exercise price Rs.**	**Stock options (numbers)**	**Weighted-average exercise price Rs.**
Upto Rs 283.50	833,919	5.10	283.50	606,453	283.50
Rs 284.00-Rs 392	1,507,585	6.63	375.43	746,292	359.36
Rs 393.00-Rs 538.50	4,827,452	7.24	496.88	1,885,367	514.39
	7,168,956	**6.87**	**446.52**	**3,238,112**	**435.42**

The weighted average fair value of the options granted during 2007 and 2006 were Rs. 232.57 and Rs. 194.07 respectively.

During 2007, there were 281,954 options exercised with a total intrinsic value of Rs. 89.39 million. During 2006, there were 181,883 options exercised with a total intrinsic value of Rs. 57.34 million.

The total fair value of options vested during 2007 and 2006 was Rs. 980.57 million and Rs. 933.09 million, respectively.

The following is a summary of the changes in non-vested shares for the year ended December 31, 2007:

	Shares	**Weighted-average exercise price**	**Weighted-average fair value**
Non-vested options at January 1, 2007	4,509,289	462.65	663.92
Granted during the year	1,331,575	430.00	662.57
Vested during the year	(1,513,005)	448.82	648.10
Forfeited during the year	(437,184)	459.64	668.05
Non-vested options at December 31, 2007	3,890,675	457.19	669.15

Pursuant to the issue of bonus shares on October 11, 2002, the employees to whom options were granted until October 4, 2002 are entitled for additional shares on exercise of options in the ratio of 3:5.

The fair value of instruments issued under the share-based compensation plans is calculated using a Black-Scholes model. The following table summarises the assumptions used in calculating the fair value for the year ended December 31, 2007 and 2006:

	2007	2006
Dividend yield	**1.98 percent**	2.17 percent
Expected life	**6.5 years**	6.5 years
Risk free interest rate	**7.97 percent**	7.55 percent
Volatility	**44.95 percent**	40.55 percent

The expected forfeiture rate, computed by the external valuer, is taken as 11.38%. The Black-Scholes option-pricing model was developed for estimating fair value of traded options that have no vesting restrictions and are fully transferable. Since options pricing models require use of subjective assumptions, changes therein can materially affect fair value of the options. The options pricing models do not necessarily provide a reliable measure of fair value of the options.

The Group recognised an expense towards share based compensation amounting to Rs. 234.44 million and Rs. 358.68 million for the years ended December 31, 2007 and December 31, 2006 respectively. The future charge amounting to Rs 505.64 million shall be recorded over the remaining weighted-average period of 2.6 years, assuming no changes to the underlying assumptions.

The shareholders Committee from time to time have approved for issuance of shares under the Employees Stock Options Scheme(s) as per details given below:

Date of approval	**No. of shares**
June 30, 2005	4,000,000
June 25, 2003	4,000,000
June 29, 2000	2,500,000

Notes:

- The stock options outstanding as on June 30, 2005 are to be proportionately adjusted in view of the sub-division of equity shares of the Company from the face value of Rs.10 each into 2 equity shares of Rs. 5/- each.
- Options granted upto October 3, 2002 are entitled for additional shares keeping in view the subsequent bonus issue of shares in the ratio of 3:5 on October 11, 2002.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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NOTE P - RELATED PARTY TRANSACTIONS

In the ordinary course of business the Group has entered into transactions for purchase and sale of goods and services with some of the related parties in which the directors exercise significant influence, hereinafter referred as "Significant Interest Entities". The Company has also made payments for remuneration to its key Management personnel and their relatives in accordance with their employment contracts.

The following is a summary of related party transactions during the year:

		2007	2006
a)	**Entities over which significant influence is exercised**		
	Purchase of materials/finished goods	**–**	1.19
	Sale of finished goods	**13.38**	25.13
	Service availed	**261.08**	159.14
	Services rendered/other receipts	**9.46**	3.11
	Purchase of assets	**2.95**	–
	Balance at the end of the year:		
	Receivables	**3.96**	10.95
	Payables	**12.14**	7.80
b)	**Associates:**		
	Project cost of exhibit batches	**17.65**	–
	Product quality claims	**3.32**	–
	Sale of finished goods	**107.56**	165.86
	Balance at the end of the year:		
	Receivables	**20.02**	24.64
	Payables	**7.30**	–

NOTE Q - INCOME TAXES

The income taxes expense comprises of the following:

	2007	2006
Income before income taxes		
Domestic	**6,335.03**	3,377.43
Foreign	**1,860.84**	1,630.05
	8,195.87	5,007.48
Current income tax expense/ (benefit)		
Domestic taxes	**189.57**	(213.64)
Foreign taxes	**843.65**	338.80
Deferred income tax expense/ (benefit)		
Domestic taxes	**1,433.63**	382.78
Foreign taxes	**(241.28)**	381.64
Total	**2,225.57**	889.58

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NOTE Q *(continued)*

The reported income tax expense differed from amounts computed by applying the enacted tax rates to income before income taxes as a result of the following:

	2007	2006
Income before income taxes and minority interest	**8,195.87**	5,007.48
Enacted tax rate for India	**33.99%**	33.66%
Computed expected tax expense	**2,785.78**	1,685.52
Effect of :		
Valuation allowance	**(32.63)**	141.36
Expenses not deductible for tax purposes	**243.92**	163.57
Differences between Indian and foreign tax rates	**(154.58)**	(60.51)
Income exempt from income taxes	**(29.77)**	(56.94)
Incremental deduction allowed for research and development expenses	**(729.98)**	(884.54)
Tax rate change	**19.74**	0.14
Earlier year tax	**(1.02)**	(154.20)
Others	**124.11**	55.18
Income tax expense	**2,225.57**	889.58

The tax effect of significant temporary differences that resulted in deferred income tax assets and liabilities and their description are given below. The classification of the deferred tax assets and liabilities is determined based on the transaction from which the timing difference arises. Non-current deferred tax assets and liabilities are shown separately due to the tax jurisdiction in which the timing difference arises.

	2007	2006
Current deferred income tax assets, net		
Allowance for accounts receivable	**232.20**	119.51
Inventory related	**774.15**	761.06
Other current assets	**(225.03)**	332.87
Current liabilities	**(66.61)**	(114.32)
Accounts payable	**(13.99)**	(7.98)
Total current deferred income tax asset	**700.72**	1,091.14
Non-current deferred income tax assets		
Intangibles	**68.46**	194.74
Net operating losses carried forward	**941.10**	1,495.90
Other non-current liabilities	**105.46**	318.04
Other non-current assets	**75.83**	60.18
Investments	**–**	19.49
Less: Valuation allowance in respect of net operating losses carried forward	**(156.55)**	(296.31)
Total non-current deferred income tax asset	**1,034.30**	1,792.04
Non-current deferred income tax liabilities		
Investments	**(225.43)**	–
Property, plant and equipment	**(1,938.16)**	(1,697.08)
	(2,163.59)	(1,697.08)
Net non-current deferred income tax asset/(liability)	**(1,129.29)**	94.96

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NOTE Q *(continued)*

The enacted tax rate in India is 33.99 percent but the effective tax rate for the Group is 27.15 percent. The reduction in the effective tax rate is mainly on account of incremental deductions available under Indian tax laws for research and development activities.

In assessing the realisability of deferred income tax assets, Management considers whether it is more likely than not that some portion or all of the deferred income tax assets will be realised.

The ultimate realisation of deferred income tax assets is dependent upon the generation of future taxable income during the periods in which the temporary differences become deductible. The amount of the deferred income tax assets considered realisable, however, could be reduced in the future if estimates of future taxable income during such future periods are reduced.

A valuation allowance has been established against the deferred income tax assets on account of the tax effects of the operating losses carried forward of certain subsidiaries. As at December 31, 2007 and December 31, 2006, the value of net operating losses considered realisable and correspondingly the minimum level of future taxable income required to realise these losses were Rs. 1,838.83 million and Rs. 2,633.10 million, respectively.

Deferred income taxes on undistributed earnings of the Group's overseas operations have not been recognised as such earnings are considered to be indefinitely reinvested and it is not practicable to calculate the deferred taxes associated with these earnings. The aggregate undistributed earnings considered to be indefinitely reinvested are approximately Rs. 8,523.45 million and Rs. 8,757.19 million as of December 31, 2007 and December 31, 2006, respectively.

The Group adopted the provisions of FASB Interpretation No. 48 ("FIN 48"), Accounting for Uncertainty in Income Taxes," on January 1, 2007. FIN 48 clarifies the accounting for uncertainty in income taxes in an enterprise's financial statements in accordance with FAS 109, "Accounting for Taxes." A reconciliation of the beginning and ending amounts of total unrecognised tax benefits is as follows:

	2007
Balance as at January 1, 2007	**136.61**
Increase related to prior year tax position	**18.79**
Decrease related to prior year tax position	**–**
Increase related to current year tax position	**13.54**
Settlements during the year	**(37.33)**
Lapse of statute of limitations	**–**
Balance as at December 31, 2007	**131.61**

Included in the unrecognised tax benefits as of December 31, 2007, Rs. 39.02 million relates to net unrecognised tax positions that, if recognised, would affect the effective tax rate, none of which is expected to change during the next twelve months December 31, 2007. In addition, the Group recognises interest and penalties related to unrecognised tax benefits in interest expense and selling and general administrative expenses respectively. As of January 1, 2007 (the date of adoption of FIN 48) and as of December 31, 2007 Group had an accrual of Rs. 2.62 million and Rs. 24.30 million respectively for payment of such interest and penalties.

The Group's two major tax jurisdictions are India and the United State of America (USA), though the Group also files tax returns in other foreign jurisdictions. In India, the assessment is not yet completed for the tax year 2004-05 and onwards. In the U.S, during 2007, the Internal Revenue Services ("IRS") completed examination of the income tax return's for the 2003 and 2004 financial years. Further, in respect of USA, the financial years 2005 and 2006 are currently under examination by the IRS. The examination is still at the initial stage and is expected to be completed in the near future.

NOTE R - EMPLOYEE BENEFIT PLANS

a) Gratuity

In accordance with applicable Indian laws, the Company and its Indian subsidiaries provide for gratuity, a defined benefit retirement plan covering eligible employees ("the Gratuity Plan"). This Plan provides for a lump sum payment to vested employees on retirement, death, incapacitation or termination of employment of amounts that are based on last drawn salary and tenure of employment. Liabilities with regard to the Gratuity Plan are determined by actuarial valuation and contributed to the Gratuity Fund Trust ("the Trust"). Trustees administer contributions made to the Trust and invest in specific designated securities as mandated by law, which generally comprise Central and State government bonds and debt instruments of government-owned corporations.

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NOTE R *(continued)*

The following table sets out the funded status of the Gratuity Plan and the amounts recognised in the Group's consolidated financial statements:

	2007	2006
Change in the benefit obligations		
Projected Benefit Obligations ("PBO") at the beginning of the year	305.17	263.31
Service cost	32.58	26.89
Interest cost	24.41	23.20
Actuarial loss	37.46	15.97
Benefits paid	(27.46)	(24.20)
PBO at the end of the year	372.16	305.17
Change in plan assets		
Fair value of plan assets at the beginning of the year	305.17	267.15
Actual return on plan assets	24.36	19.96
Employer contributions	76.81	51.67
Benefits paid	(27.46)	(24.20)
Benefits payable	(6.72)	(9.41)
Fair value of plan assets at the end of the year	372.16	305.17
Net gratuity cost for the years ended December 31, 2007 and December 31, 2006 included the following components:		
Service cost	32.58	26.89
Interest cost	24.41	23.20
Actuarial loss	37.46	15.97
Net gratuity cost	94.45	66.06
The actuarial assumptions used in accounting for the Gratuity Plan were as follows:		
Discount rate	8.0%	8.0%
Rate of increase in compensation levels	5.50%	5.50%
Rate of return on plan assets	8.0%	8.0%

The expected long-term return on plan assets is based on the expectation of the average long-term rate of return expected to prevail over the next 15 - 20 years on classes of investments prescribed as per the statutory pattern of investment.

The asset allocations in the Gratuity Plan as at December 31, 2007 and December 31, 2006 are fully in the category of debt instuments.

The expected contribution to the Gratuity Plan during the year ending December 31, 2008 is Rs. 70.00 million. The following benefit payments, based on future services of employees, as appropriate, are expected to be paid:

Year ending December 31,	
2008	36.00
2009	38.00
2010	41.50
2011	45.00
2012	50.50
Thereafter	335.00

In respect of certain other employees of the Indian subsidiaries, the gratuity benefit is provided based on actuarial valuation as on the date of the balance sheet and annual contribution is provided accordingly. The settlement obligation remains with the subsidiaries. Expenses incurred in respect of these employees for the year ended December 31, 2007 approximated Rs.0.64 million.

(All amounts in Rupees Million, unless otherwise stated)

NOTE R *(continued)*

b) Superannuation benefit

Apart from being covered under the Gratuity Plan described earlier, certain employees of the Company participate in a superannuation benefit; a defined contribution plan administered by Life Insurance Corporation ("LIC"). The Company makes contributions based on a specified percentage of salary of each covered employee. The Company does not have any further obligation to the superannuation plan beyond making such contributions. Upon retirement or separation (only after completion of 5 years of service) an employee becomes entitled for superannuation benefit, as determined by LIC, which is paid directly to the concerned employee. The Company contributed Rs 59.29 million and Rs. 61.56 million to the superannuation plan during the years ended December 31, 2007 and December 31, 2006 respectively.

In addition to the aforementioned one of the Group entities in India also participate in a similar superannuation benefit; a defined contribution plan. The contribution made by the entity towards the plan was Rs. 0.18 million during the year ended December 31, 2007.

c) Pension plan

The Company also has a retirement pension plan ("A defined benefit Pension Plan") which is linked to superannuation benefits described above. This Pension Plan is applicable for certain management employees who retire after completion of 10 years of service or are separated after completion of 20 years of service. The benefits under this plan are based on last drawn salary and tenure of employment. Such pension amount is reduced by the amount payable by LIC under the superannuation plan and is payable as additional pension. The liability for such additional pension is determined and provided on the basis of actuarial valuation.

The following table sets out the status of the pension plan and the amounts recognised in the Group's consolidated financial statements:

	2007	2006
Change in the benefit obligations		
Projected Benefit Obligations ("PBO") at the beginning of the year	**957.65**	845.23
Service cost	**158.86**	55.31
Interest cost	**76.61**	76.61
Actuarial loss	**38.07**	1.34
Benefits paid	**(25.70)**	(20.84)
PBO at the end of the year	**1,205.49**	957.65
Net pension cost for the years ended December 31, 2007 and December 31, 2006 included the following components:		
Service cost	**158.86**	55.31
Interest cost	**76.61**	76.61
Actuarial loss	**38.07**	1.34
Net pension cost	**273.54**	133.26
The actuarial assumptions used in accounting for the Pension Plan were as follows:		
Discount rate	**8.0%**	8.0%
Rate of increase in compensation levels	**5.5%**	5.5%

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

Year ending December 31,	
2008	28.00
2009	30.00
2010	33.50
2011	39.00
2012	45.00
Thereafter	350.00

RLL has contributed Rs 263.97 million and Rs 126.74 million to the pension scheme during the years ended December 31, 2007 and December 31, 2006, respectively.

RANBAXY LABORATORIES LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2007 and 2006

(All amounts in Rupees Million, unless otherwise stated)

NOTE R *(continued)*

d) Deferred compensation plan

Ranbaxy Inc., one of the overseas subsidiaries, maintains a nonqualified, deferred compensation plan for certain executive employees. Each participating employee may elect to defer upto 100 percent of their compensation. The employees' contributions to the plan are invested in certain funds based on each employee's investment election and the fair market value of those funds are recorded as a long-term asset with a corresponding liability recorded representing future benefits payable to the employees.

e) Vacation pay plan

RLL and its Indian subsidiaries permit encashment of leave accumulated by their employees on retirement, separation and during the course of service (the "Vacation Pay Plan" - a defined benefit plan). The liability for encashment of such leave is determined and provided on the basis of actuarial valuation performed by an independent actuary at the balance sheet date.

The following table sets out the status of the Vacation Pay Plan of RLL and the corresponding amounts recognised in the Group's consolidated financial statements:

	2007	2006
Change in the benefit obligations		
Projected Benefit Obligations ("PBO") at the beginning of the year	**159.82**	138.07
Service cost	**27.20**	22.61
Interest cost	**12.30**	11.05
Actuarial loss	**37.55**	23.66
Benefits paid	**(54.49)**	(35.57)
PBO at the end of the year	**182.38**	159.82
Net vacation pay cost for the years ended December 31, 2007 and December 31, 2006 included the following components:		
Service cost	**27.20**	22.61
Interest cost	**12.30**	11.05
Actuarial loss	**37.55**	23.66
Net vacation pay cost	**77.05**	57.32
The actuarial assumptions used in accounting for the Vacation pay plan were as follows:		
Discount rate	**8.0%**	8.0%
Rate of increase in compensation levels	**5.5%**	5.5%

RLL and its Indian subsidiaries provided Rs 86.12 million and Rs 94.33 million towards the liability for leave encashment for the years ended December 31, 2007 and December 31, 2006 respectively.

f) Other benefit plans

1. RLL and certain Group Companies also have other defined contribution plans, which are largely governed by local statutory laws of the respective countries and cover the eligible employees of the subsidiary. These plans are funded generally by both employer and employee by way of monthly contributions, primarily based on a specified percentage of the employees' salary. The total contribution to these schemes during the years ended December 31, 2007 and December 31, 2006, were Rs. 300.26 million and Rs. 212.32 million, respectively.
2. Further Ranbaxy Inc., one of the overseas subsidiaries, participates in a savings plan under Section 401(k) of the Internal Revenue Code ("Code") covering substantially all eligible employees. The plan allows for employees to defer up to 15% of their annual earnings (within limitations, as adjusted by Section 415(b)(1)(A) of the Code) on a pre-tax basis through voluntary contributions to the plan.

   The plan provides that Ranbaxy Inc., can make optional contributions in an amount up to the maximum allowable by Section 404 of the Code. Employees achieve a 25 percent vested status after one year of service and a fully vested status after three years of service. During the years ended December 31, 2007 and December 31, 2006, the contributions to the plan were Rs 33.72 million and Rs 30.56 million, respectively.
3. Terapia, S.A. (Terapia) provides post retirement benefit plan under which employees receive an amount equal to a gross average salary on retirement, in compliance with the provisions of the collective labour agreement.

   Both Terapia and its employees have the obligation to contribute to the National Retirement Fund. Terapia has no obligation of paying future benefits other than to the National Retirement Fund. The obligation amounting to Rs 144.67 million and Rs. 103.49 million has been provided in the books for the year ended December 31, 2007 and December 31, 2006 respectively.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2007 and 2006

(All amounts in Rupees Million, unless otherwise stated)

NOTE R *(continued)*

4. During the year Basics GmbH(Basics), one of the overseas subsidiary has introduced, a contribution to pension relief fund effective November 1, 2007 based on specified percentage of salary. Basics does not have any further obligation to the pension relief fund beyond making such contribution. The benefit of this fund will be given to those employees who have completed 5 years of service. If the employee leaves the service before completing 5 years of service the contribution made will be refunded to Basics. The employee will get the contribution made by Basics in one instalment upon reaching the retirement age. A contribution amounting to Rs. 4.82 million has been provided in the books for the year December 31, 2007.

NOTE S - SEGMENT REPORTING

SFAS No. 131 "Disclosures about Segments of an Enterprise and Related Information", sets out the standards for the way that business enterprises report information about operating segments and related disclosures about products and services, geographical areas and major customers.

The Chief Operating Decision Maker evaluates the Group's performance and allocates resources based on review of financial information on the following main disaggregated components of the Group's business:

a) Pharmaceuticals: global sales, detailed by regions and countries and global operating income data. The Group's pharmaceutical business operates in four main regions: India, North America, Europe and Rest of the world.

b) Research and development: expenses incurred on research and development, and

c) Administration: corporate expenses.

The Group's reportable segments are strategic businesses aggregated by the nature of their products, customers, production technologies and marketing methods. Accordingly, the Group provides information regarding its Pharmaceuticals segment (dosage forms, active pharmaceutical ingredient and drug intermediates), trading in pharmaceutical products, drug discovery research and novel drug delivery systems research, which is collectively referred to as the "Pharmaceuticals" business.

The Company is also engaged in operations relating to financial services, referred to as "Others" businesses. The Group had divested the business of charter of aircraft during the year 2006.

Revenue and expenditure in relation to segments is categorised based on items that are individually identifiable to that segment.

Information by business segments for the year ended December 31, 2007:

Particulars	Pharmaceuticals	Others	Total
Revenues	**70,917.51**	**–**	**70,917.51**
Less: Inter-segment revenue	–	–	–
Net revenues	**70,917.51**	**–**	**70,917.51**
Operating expenses			
Cost of revenues	**33,706.73**	**–**	**33,706.73**
Selling, general and administrative expenses	**22,553.19**	**355.02**	**22,908.21**
Depreciation and amortisation	**3,840.45**	**0.02**	**3,840.47**
Research and development	**4,281.96**	**–**	**4,281.96**
	64,382.33	**355.04**	**64,737.37**
Less: Inter-segment expenses	–	–	–
Net operating expenses	**64,382.83**	**355.04**	**64,737.37**
Net income before unallocated items	**6,535.18**	**(355.04)**	**6,180.14**
Reconciliation to net income			
Financial expenses, net	**–**	**–**	**(2,296.07)**
Other income, net	**–**	**–**	**4,269.06**
Income tax expense	**–**	**–**	**(2,225.57)**
Share of profit and loss of affiliates (net)	**–**	**–**	**42.74**
Minority interest	**–**	**–**	**(111.08)**
Net income as per consolidated statement of Income	**–**	**–**	**5,859.22**

RANBAXY LABORATORIES LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2007 and 2006

(All amounts in Rupees Million, unless otherwise stated)

NOTE S *(continued)*

Information relating to assets	Pharmaceuticals	Others	Total
Total assets	81,258.31	15.64	81,273.95
Less: Inter-segment assets			
Accounts receivable, net of allowances	–	–	–
Other current assets, net of allowances	–	–	–
	–	–	–
Net assets employed	81,258.31	15.64	81,273.95
Unallocated corporate assets			8,330.86
Total assets			89,604.81

Information by business segments for the year ended December 31, 2006

Particulars	Pharmaceuticals	Others	Total
Revenues	61,972.18	12.87	61,985.05
Less: Inter-segment revenue	–	–	–
Net revenues	**61,972.18**	**12.87**	**61,985.05**
Operating expenses			
Cost of revenues	29,465.74	–	29,465.74
Selling, general and administrative expenses	19,641.68	10.15	19,651.83
Depreciation and amortisation	2,892.56	1.75	2,894.31
Research and development	3,982.42	–	3,982.42
	55,982.40	11.90	55,994.30
Less: Inter-segment expenses	–	–	–
Net operating expenses	**55,982.40**	**11.90**	**55,994.30**
Net income before unallocated items	**5,989.78**	**0.97**	**5,990.75**
Reconciliation to net income			
Financial expenses, net	–	–	(1,582.15)
Other income, net	–	–	548.58
Income tax expense	–	–	(889.58)
Share of profit and loss of affiliates (net)	–	–	50.30
Minority interest	–	–	(57.31)
Net income as per consolidated statement of Income	–	–	**4.060.59**
Information relating to assets	**Pharmaceuticals**	**Others**	**Total**
Total assets	**76,400.25**	**702.24**	**77,102.49**
Less: Inter-segment assets			
Accounts receivable, net of allowances	–	–	–
Other current assets, net of allowances	–	–	–
	–	–	–
Net assets employed	**76,400.25**	**702.24**	**77,102.49**
Unallocated corporate assets			**5,077.51**
Total assets			**82,180.00**

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2007 and 2006

(All amounts in Rupees Million, unless otherwise stated)

NOTE T - FINANCIAL INSTRUMENTS AND CONCENTRATIONS

Financial instruments that potentially subject the Group to concentrations of credit risk consist principally of cash equivalents, accounts receivables, other receivables, investment securities and deposits. By their nature, all such financial instruments involve risk including the credit risk of non-performance by counter parties. The Group's cash equivalents and time deposits are invested with the banks. The Group monitors the credit worthiness of its customers to which it grants credit terms in the normal course of the business.

The carrying amounts of cash and cash equivalents, accounts receivables, other receivables, accrued liabilities, and accounts payable approximate fair value, because of the short-term maturities of these financial instruments. The carrying amounts of capital lease obligations, long-term debt and time deposits approximate their fair values as these carry interest rates which reflect market rate for borrowings, with similar terms and maturities, currently available to the Group. The fair value of the long term deposits cannot be estimated as the maturity of these deposits is presently not known.

RLL and Ranbaxy Inc., accounted for approximately 38 percent and 24 percent respectively (40 percent and 28 percent respectively in 2006) of the Group's consolidated revenues in the year 2007. At December 31, 2007 and December 31, 2006, three customers of RPI accounted for approximately 16 percent and 20 percent respectively of the Group's gross accounts receivable.

The Company enters into certain forward foreign exchange contracts and options where the counter party is generally a bank. The Company does not consider the risk of non-performance by the counterparty to be significant. The currency-hedged items are mainly denominated in United States Dollar and Japanese Yen. The aggregate contracted principal of the Company's derivative financial instruments outstanding as at December 31, 2007 and December 31, 2006, are Rs. 35,674.41 million and Rs. 28,045.89 million respectively. Additionally, during year 2007 the Company has entered into floating to fixed interest rate swap to hedge its exposure on JPY LIBOR related to its external commercial borrowings aggregating to JPY 9.35 billion (2006 - Nil).

NOTE U - COMMITMENTS AND CONTINGENCIES

RLL and the Group companies lease office premises and residential facilities under both cancelable and non cancelable operating leases. Rent expense for the years ended December 31, 2007 and December 31, 2006 was Rs. 520.18 million and Rs. 462.28 million, respectively.

The minimum rental commitments under non cancelable operating leases are approximately as follows:

Year ending December 31,	
2008	105.62
2009	52.49
2010	44.10
2011	39.39
2012	34.31
Thereafter	58.73

Other Contingencies

RLL and some Group companies are involved in certain claims, tax assessments and litigations arising in the ordinary course of business, primarily related to alleged patent infringement for products that the Group currently manufactures, sells or distributes or intends to manufacture, sell or distribute. In certain claims and litigations, the Group companies are named as a co-defendant, along with others, including RLL. Further, certain of the Group's products have a higher regulatory risk profile, and accordingly the Group has increased its product liability coverage. The Group evaluates the requirements for establishing provisions for such claims, assessments and litigation in accordance with SFAS No. 5 - Accounting for Contingencies. Management believes that these matters, taken individually or in the aggregate, will not have material adverse impact on the Group's financial position or results of operations.

A summary of the contingencies existing at December 31, 2007 and December 31, 2006 is as follows:

	2007	2006
Claims against the Company not acknowledged as debts*	**1,463.46**	1,172.69
Guarantees to banks on behalf of others	**–**	71.68
Bills purchased/discounted under letter of credit	**1.76**	–
Indirect taxes	**234.22**	216.45
	1,699.44	1,460.82

* Includes Rs 348.75 million (2006 - Rs 334.44 million) deposited under an appeal.

RANBAXY LABORATORIES LIMITED AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

December 31, 2007 and 2006

(All amounts in Rupees Million, unless otherwise stated)

NOTE U *(continued)*

Interest may be payable on certain claims as and when the outcome of the related claim is determined and has not been included above.

Capital purchase commitments on capital account and investments, net of advances by the Group at December 31, 2007 and December 31, 2006 are Rs. 761.75 million and Rs. 491.44 million, respectively.

NOTE V - ASSETS HELD FOR SALE

During 2007 the assets, consisting of mainly land, buildings, plant and equipment amounting to Rs. 253.68 million were classified as held for sale, because the carrying amount of these assets and liabilities were expected to be recovered through a sale transaction rather than through continuing use. Non-current assets held for sale are stated at the lower of carrying amount and fair value less costs to sell.

NOTE W - SERIOUS FRAUD OFFICE CASE

In April, 2006, SFO, UK instituted criminal proceeding against several defendants including Ranbaxy (UK) Limited ("RUKL") for conspiracy to defraud the Secretary of State for Health and others by fixing and maintaining price etc. of medicinal products during April 1, 1998 to September 30, 2000.

In March, 2008, an Appellate Court in UK held that price fixing by itself could not be termed as conspiracy to defraud.

No date has been set for the trial to commence. If found guilty, RUKL could be subjected to fine. The Management does not deem it necessary to make any provision in this regard.

NOTE X - SCOTTISH & NORTHERN IRELAND PROCEEDINGS - CIVIL CLAIMS

In 2005, the Scottish and Northern Irish Health Authorities ("the Authorities") initiated proceedings by filing civil claims against a number of pharmaceutical companies, including RUKL on the alleged grounds relating to anti-competitive conduct. RUKL filed defence to both the proceedings in 2006.

The Authorities during the year 2007 proposed for a settlement offer of £1.5 million in order to settle the cases. RUKL is defending the cases and does not deem it necessary to make any provision in this regard.

NOTE Y - FOOD AND DRUG ADMINISTRATION ("FDA") INVESTIGATION

Federal Officials, led by the FDA, conducted a search on February 14, 2007, at the US subsidiary's New Jersey premises, and subpoenas for various categories of documents were issued. The Group is co-operating with the officials in connection with the investigation. This includes production of documents in response to queries. The investigation continues and the outcome and related impact remains uncertain and cannot be determined. Therefore, no amounts related to potential losses or potential impacts of an unfavourable outcome of the investigation have been recorded in the financial statements.

NOTE Z - SUBSEQUENT EVENTS

Demerger of New Drugs Discovery Research Unit

The Board of Directors of RLL, in their meeting held on February 19, 2008, approved the Scheme of Arrangement for Demerger of New Drug Discovery Research ("NDDR") Unit of the RLL into Ranbaxy Life Sciences Research Limited ("RLS"), a wholly owned subsidiary of the RLL. The Appointed Date for the purpose of demerger has been fixed as 1st January 2008. Under the aforementioned Scheme, all the shareholders of RLL, on the Record Date, will be entitled to receive, without any payment, one equity share of Re. 1 each of RLS, for every four equity shares of Rs. 5 each held in RLL.

As at December 31, 2007 the Group's financials included net expenses of Rs. 651.55 million for the NDDR unit.

Further Stake increase in Zenotech Laboratories Limited

RLL further increased its equity stake in Zenotech Laboratories Limited ("Zenotech") by purchase of shares from Promoters of Zenotech and through Open Offer made under SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

NOTE Z *(continued)*

The details are as follows:

Particulars	Date of acquisition	No. of shares	Consideration (Rs. million)	% of equity share capital of Zenotech
Shares acquired from promoters of Zenotech.	January 31, 2008	7,878,906	1,260.62	22.94 %
Shares acquired under Open Offer made under SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.	February 4, 2008	758,851	121.41	2.21 %

Post acquisition of these shares, the shareholding of the Parent Company in Zenotech became 46.95% of Zenotech's capital base.

RECONILIATION BETWEEN THE FINANCIAL STATEMENTS UNDER INDIAN GAAP AND U.S. GAAP

A reconciliation of net income as per Indian GAAP ("IGAAP") and U.S. GAAP is set out below:

	Rs. Million	
	2007	2006
Net income after minority interest as per U.S. GAAP	**5,859**	4,061
Add:		
Additional depreciation, amortisation and impairment	**1,657**	1,051
Costs incurred for acquiring product under development including subsequent expenditures	**24**	51
Issue costs of foreign currency convertible bonds	**45**	36
Interest(net of exchange gain) on foreign currency convertible bonds payable at the time of redemption	**953**	751
Costs of employee stock incentive scheme i.e. fair value vs. intrinsic value	**219**	332
Translation gain on integral operation taken to income statement in IGAAP	**–**	455
Others	**129**	–
Less:		
Translation loss on integral operation taken to income statement in IGAAP	**262**	–
Forward foreign exchange contracts & currency options at fair value at year end	**750**	1,092
Taxes(deferred tax and tax earlier years)	**129**	420
Others	**–**	122
Net income after minority interest as per Indian GAAP	**7,745**	5,103

Notes

Focused on Today... Poised for Tomorrow...

It is indeed a pleasant surprise when you discover something valuable and priceless in something as ordinary as an Oyster. But at Ranbaxy, we have always sensed it was there. The 'Pearl of Success' veiled beyond sight in markets yet untapped and in those wonderfully elusive niche areas, untouched.

It took dogged pursuit, and an uncanny sense for business to unravel the marvel and prize it open, discovering along the way, the joys of first mover advantage.

With a determined eye squarely on the future, we are ready for today and are well poised to bathe in the pearly glow of success, beyond tomorrow.

RANBAXY
LABORATORIES LIMITED

Plot No. 90, Sector 32, Gurgaon – 122 001, Haryana (India)
Tel.: +91-124-4135000. Fax : +91-124-4135001

www.ranbaxy.com

Edited & Published by Global Corporate Communications at Ranbaxy; Concept & Design by United Advertising; Photography by Aditya Arya; Printed by Thomson Press