RANBAXY

Annual Report 2010

YEARS
OF EVOLUTION.

THE START OF A REVOLUTION.

This year, ‘The Golden Jubilee’ is the theme for the Annual Report.

It aptly reflects two distinct time zones – the past and the future.

Leveraging our glorious history of expansion, consolidation and resilience over the last 50 Years, Ranbaxy is now at the cusp of an exciting opportunity.

The future holds great promise with the realisation of the true potential of our unique Hybrid Business Model with Daiichi Sankyo.

The Best is yet to come…

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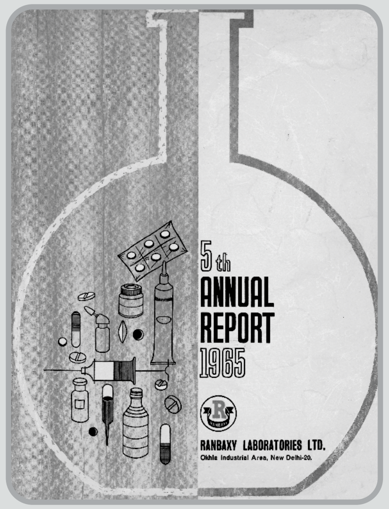
Down memory lane...

Annual Report 1965



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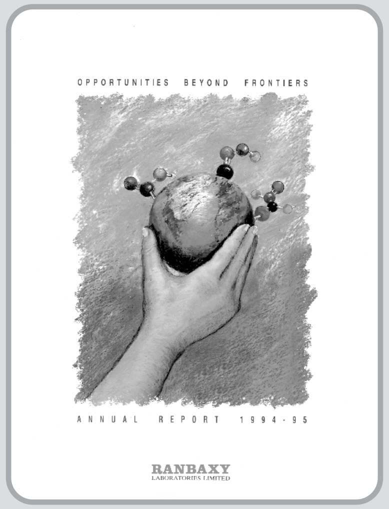

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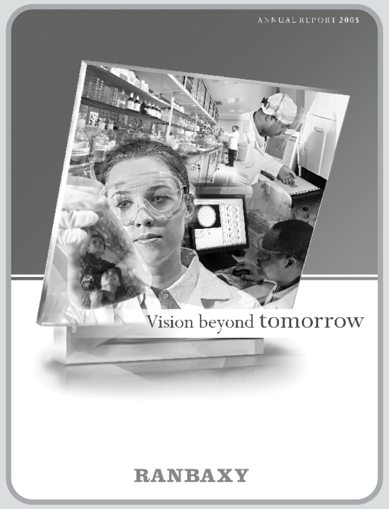

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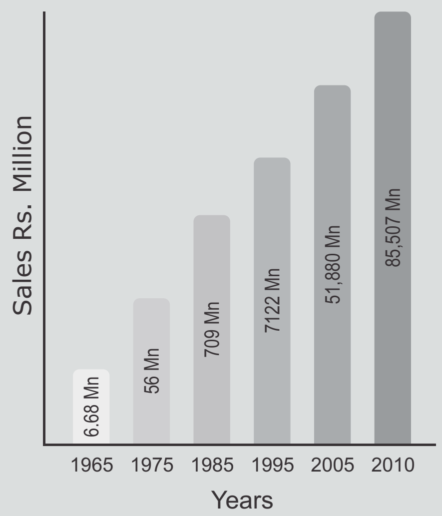
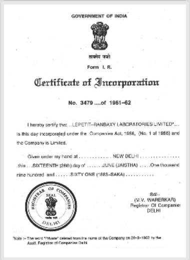
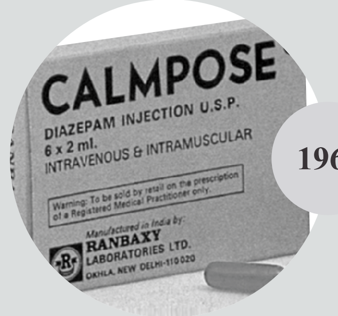


Milestones on the Leadership Path



1961 Incorporated as a Private Limited Company



1969 Ist blockbuster brand Calmpose launched in India

1993 Corporate Mission enunciated - "To become a Research based International Pharmaceutical Company"

1994 State-of-the-art Research Centre at Gurgaon (India) becomes fully operational

CLINTON FOUNDATION

2003 Joins hands with Clinton Foundation on drugs for HIV/AIDS

2003 Ranbaxy bags the 'Economic Times Award' for Best Performing Company of the Year

2004 Global Sales cross US $ 1 Billion; Joins the elite club of Billion Dollar Companies

2007 Business Today recognises Ranbaxy as one of the Most Innovative Companies in an industry survey

2007 Ranbaxy's Drug Discovery Team achieves significant milestone in GSK research collaboration - with the candidate selection of compound for Respiratory Inflammation

2007 Business World ranks Ranbaxy as the Most Respected Company in the pharma industry

1973 IPO (Initial Public Offering) launched; attains Public Limited company status (listed in Feb 1974)

1978 First Joint Venture set up in Nigeria

1983 A modern pharmaceutical plant at Dewas (Madhya Pradesh), India, goes on stream

1995 Acquires Ohm Laboratories Inc., a manufacturing facility in USA

1997

1998 1st product under Ranbaxy label introduced in the US, the world's biggest pharmaceutical market

2004 Makes its first Anti-retroviral (ARV) filing with the US FDA under US President's Emergency plan for AIDS relief program (PEPFAR)

2004 Ranbaxy Brazil bags the prestigious Entrepreneurial Company of the year Award by Frost & Sullivan

2005 Third state-of-the-art R&D facility opens in Gurgaon (India)

RANBAXY

Daiichi-Sankyo

2008 Ranbaxy partners with Daiichi Sankyo (DS) establishing a unique and powerful Hybrid Business Model; DS becomes a majority partner

2009 Ranbaxy launches Daiichi Sankyo's innovative antihypertensive, Olvance (Olmesartan) in India - First synergistic step

2009 Commences Phase-III studies on its anti-malaria combination new drug, Arterolane Maleate + Piperaquine Phosphate

1987 Production starts at the modern API plant, Toansa (Punjab), India, making Ranbaxy, the country's largest manufacturer of Antibiotics

1988 Toansa (Punjab), India, plant gets US FDA approval

1999 Ciprofloxacin OD, Ranbaxy's original NDDS research product, out-licensed to Bayer AG, Germany

1999 Ranbaxy conferred with Rajiv Gandhi National Quality Award

2001 Ranbaxy's Paonta Sahib facility receives CII's National Award for Excellence in Energy Management

2005 Ranbaxy US receives the prestigious Supplier Award from Wal-Mart, for outstanding performance in the first quarter of 2005

2005 Ranbaxy Malaysia Sdn. Bhd. (RMSB) commissions it's new state-of-the-art manufacturing facility in Malaysia

2006 Acquires leading Romanian pharma company Terapia and Be-Tabs pharmaceuticals, 5th largest generics company in South Africa

2010 Project "Viraat" launched in India – a key initiative to strengthen company's leadership position in India

2010 Ranbaxy delivers Quarterly Sales of over US $ 500 Million for the first time

2010 - 2011 The Golden Jubilee Year – 50 Years of an inspiring, pioneering and historic journey!

CHAIRMAN'S MESSAGE

Dr. Tsutomu Une
Chairman

Yesterday…Today… Tomorrow…

Dear Valued Shareholders,

The year 2010 is of special significance as your company entered its 50th year of incorporation. Please allow me to thank you for your wholehearted support in this fascinating journey.

The Golden Jubilee year is a time to celebrate our past successes, of which we have had many, in the last five decades of our existence. It is also the time to utilise our learnings and vast experience to firmly put behind us past challenges, and in doing so, enable the company to move forth with renewed vigour. With the shift in demographic and health factors around the world and with rapid consolidation of the pharmaceutical industry, this new decade will see innovative thinking in the way healthcare solutions are brought within easy reach of millions around the world.

Ranbaxy has a rich heritage and a glorious past.
Your company has over the years achieved a significant presence in India and globally by leveraging its integrated model across many developed, developing and emerging nations. Indeed, it is a matter of great pride that the company is widely acknowledged as the proud flag bearer of the Indian pharmaceutical industry.

Ranbaxy has a rich heritage and a glorious past. Your company has over the years achieved a significant presence in India and globally by leveraging its integrated model across many developed, developing and emerging nations.

I would like to assure you that it will be our endeavour to build upon this glorious past and that Ranbaxy will continue to provide world-class, affordable medicines. In improving access to medicines, it will be recognised as a trusted healthcare partner, not only in India, but also around the world.

Ranbaxy together with Daiichi Sankyo is at the leading edge of a bold new initiative that is progressively changing the company from family owned to professional, in harmonisation with Daiichi Sankyo.

The year 2011 will be both a reflection and an inflection touchstone, a turning point that propels the company to its next level of orbit. While celebrating this historic and enriching journey, we also move forward with determination in our desire to explore new boundaries and new horizons for the company.

Many important and fundamental developments during the year have helped Ranbaxy to strengthen its operating fabric while securing its financial position.

The top priority for Ranbaxy remains to resolve the import ban and the Application Integrity Policy (AIP) in the US within the earliest possible time frame. We continue to cooperate with the authorities and have implemented significant changes and improvements in our systems and processes that will stand us in good stead in the future.

The Hybrid Business Model that Ranbaxy is pursuing along with Daiichi Sankyo makes the company even stronger. I believe the opportunities to leverage strengths individually and collectively are multifaceted. They range from globalisation to extracting greater efficiencies throughout the pharmaceutical value chain; are focused beyond marketing and encompass R&D, production, supply chain, information technology among others. The hybrid model seeks to go far beyond mere synergy and has the potential to transform the business with exponentially beneficial outcomes for both companies.

Ranbaxy and Daiichi Sankyo are now moving towards a culture of harmonisation that will become the bedrock of all future engagement. We have made a good start and Ranbaxy has already introduced

Board of Directors (left to right): Mr. Percy K. Shroff, Mr. Takashi Shoda, Mr. Arun Sawhney, Dr. Tsutomu Une, Mr. Rajesh V. Shah, Mr. Akihiro Watanabe, Dr. Anthony H. Wild

Daiichi Sankyo's flagship innovator products in markets like India and Romania. Your company will be introducing more such products shortly in Mexico, South Africa and Singapore, where it has a strong presence.

Japan is another important market that is opening its doors to generic pharmaceuticals. To enable the efficient and increased penetration of 'Established Pharmaceuticals' in Japan, Daiichi Sankyo Espha will be the lead vehicle ably supported by the global expertise of Ranbaxy in generics.

Taking a strategic position for the future and leveraging natural affinities, Ranbaxy's New Drug Discovery Research (NDDR) was transferred to Daiichi Sankyo India Pharma Pvt. Ltd. This move sharpens Ranbaxy's focus on the R&D of generic pharmaceuticals, while keeping the innovative and competitive excellence.

I am confident that with our around **14000** strong multicultural and multiethnic work force, we are ready to embrace the future.

The hybrid model seeks to go far beyond mere synergy and has the potential to transform the business with exponentially beneficial outcomes for both companies.

In the year gone by, we also made notable progress on our Anti-malaria molecule which is in advanced stages of development.

The dynamics of business are evolving rapidly and the opportunities and challenges of today may be entirely different from the ones in the near future, with change being the only constant. I feel the most important basis for this dynamic change is the individual. In order to deal with this change and stay ahead, we need people who uphold the values of honesty and integrity. Ranbaxy has a pool of such talented individuals. I am confident that with our around 14000 strong multicultural and multiethnic work force, we are ready to embrace the future.

We continued to make sincere efforts to promote good health, social development and better environment, through various company programs that contribute to sustainable, all round growth. The company is also committed to bringing high quality affordable medicines, including medicines for HIV Aids, to the underserved. It was a proud moment when the Access to Medicine (ATM) Foundation, a Netherlands-based non-profit organisation, ranked your company as the industry leader under the generics category for improving access to needed medicines.

Ranbaxy has a highly experienced Board and a strong operational team. In line with the principles laid down in Ranbaxy's "Code of Corporate Governance", the Board has guided the operating management to take informed decisions and establish policies that are in the best interests of the company and its shareholders. We strongly believe reputations are built on the foundation of ethics, transparency and trust and that is the underlying principle followed by the Ranbaxy Board. I would like to thank the Board of Ranbaxy for their continued advice.

With strong teamwork, Ranbaxy will overcome all challenges. My special appreciation and thanks to all our employees at Ranbaxy for their very best efforts.

We see the coming years as years of opportunity. I would like to assure you that we are poised favourably to take the next big leap that will bring with it greater success.

I would like to thank all our valued shareholders for their enduring support. What we have achieved would certainly not have been possible without your unfailing trust.

Best Wishes,

Dr. Tsutomu Une
Chairman

MANAGING DIRECTOR'S MESSAGE

Arun Sawhney
Managing Director

A Legacy of Modernity

Dear Shareholders,

On 16th June 2011, Ranbaxy will complete 50 years of successful operations. It will be a proud moment for all of us. Starting as a small domestic company, Ranbaxy has today transformed itself into a truly global organisation offering products in over 125 nations.

This enriching journey is a tribute to the significant contribution made by the present and past generation of employees and the visionary leadership, the company has been always fortunate to have. In this long journey, your encouragement and support has inspired us to always give our best and we will continue our efforts to further enhance value every day.

Ranbaxy observed strong growth momentum during the year 2010, marked by a financial turnaround and robust operational performance in key geographies.

The company surpassed the guidance for the year recording consolidated sales of US $ 1868 Mn (Rs. 85,507 Mn) in dollar terms. Earnings Before Interest Taxes Depreciation & Amortization (EBITDA) were US $ 402 Mn (Rs. 18,389 Mn), compared to US $122 Mn (Rs. 5,842 Mn) in 2009. Earnings Before Tax, Share in Loss of / Diminution in the value of Investments in Associates and Minority Interest were

Ranbaxy observed strong growth momentum during the year 2010, marked by a financial turnaround and robust operational performance in key geographies.

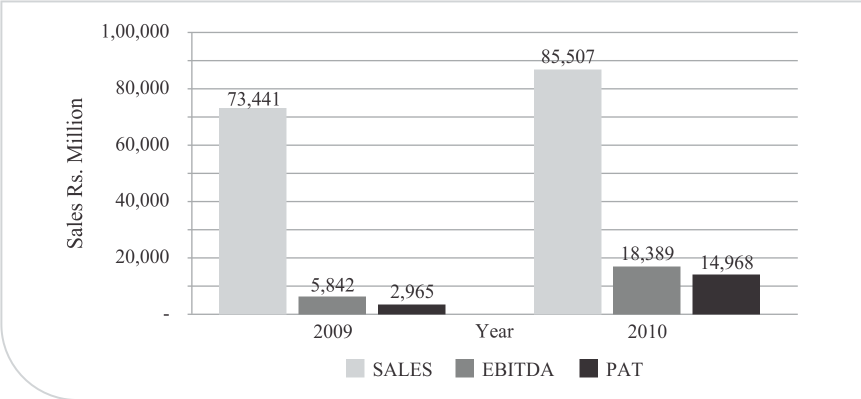
US $ 507 Mn (Rs. 23,217 Mn) compared to US $ 210 Mn (Rs. 10,098 Mn). At the Profit After Tax (PAT) level, the current year profit amounted to US $ 327 Mn (Rs. 14,968 Mn) against US $ 61 Mn (Rs. 2,965 Mn) for the previous year.

Emerging markets recorded sales of US $ 927 Mn (Rs. 42,434 Mn), contributing 50% to global sales and developed markets recorded sales of US $ 828 Mn (Rs. 37,889 Mn), contributing 44%.

We benefited from the launch of First-To-File (FTF) products, in USA, an improvement in working capital utilisation and forex gains.

US emerged as our top market, recording sales of US $ 600 Mn on the back of successful launch of FTF products and improvement in base business. We launched Alzheimer's drug, Donepezil Hydrochloride 5 mg & 10 mg with 180 day market exclusivity. Other FTF products that were successfully monetised included Tamsulosin Hydrochloride, Oxycodone and Valacyclovir (launched in Q4, 2009).

The India business continued its healthy trend of growth as project “Viraat” took shape. This strategic initiative is directed at strengthening our domestic business. A detailed analysis of doctor prescriptions to



assess gaps in supply, careful evaluation of zonal geographies for coverage and focused therapy and customer research, preceded the implementation. The program is moving well and has resulted in the creation of incremental demand in high growth segments and targeted geographies.

Sales in Europe were a shade higher than last year backed by strong performance in Romania.
Other markets that clocked a notable performance include CIS, Africa, Latin America and Malaysia.

We are actively pursuing new growth areas including vaccines and bio-similars and have moved forward in this direction. The company entered the vaccines arena with the acquisition of product rights and a manufacturing facility from Biovel Life-sciences Private Limited. This provides a good platform to grow the vaccines and bio-therapeutics portfolio.

To harness the potential of our Hybrid Business Model, we rolled out synergies in many global markets. Partnerships have been announced for introduction of Daiichi Sankyo's flagship innovator products, Prasugrel (Prasita) in India and Levofloxacin (Tavanic) in Romania and South Africa. We will now see the true benefits of this model with exponential advantages that go beyond mere synergy.

In 2010, Daiichi Sankyo established a new entity Daiichi Sankyo Espha Co. Ltd. (DSEP) in Japan to market generic drugs. Ranbaxy will have the opportunity to develop, manufacture and supply products for marketing by DSEP in Japan, in the years to come. In order to further strengthen the collaboration between Ranbaxy and Daiichi Sankyo, a 'Global Hybrid Business Office' was set up with the objective of maximising synergies throughout the pharmaceutical value chain.

Emerging markets recorded sales of US $ 927 Mn (Rs. 42,434 Mn), contributing **50%** to global sales and developed markets recorded sales of US $ 828 Mn (Rs. 37,889 Mn), contributing **44%**.

Realigning the company's R&D structure, Ranbaxy's New Drug Discovery Research (NDDR), was transferred to Daiichi Sankyo India Pharma Pvt. Ltd. This move will provide a sharper focus to our R&D efforts in our core area of generics and allow us to further explore complex and specialist areas. The hallmark of innovative research practice and a research mindset remain strongly embedded in the DNA of Ranbaxy and will be positively reflected in our future actions.

The company made significant progress on the Anti-malaria molecule. We remain sanguine in bringing this to commercialisation soon.

During the year, 178 Abbreviated New Drug Application (ANDA) filings were made in various global markets with 161 approvals. The company also filed 142 Drug Master Files (DMF) comprising 39 Active Pharmaceutical Ingredients (API) across various countries.

A number of patents originating from our R&D labs have also been filed across the globe. These represent technologies that can be monetised in the future and speak eloquently to the strengths of our R&D team.

In South Africa, we opened a new state-of-the-art manufacturing facility that further underlines our commitment towards the African continent. This is Ranbaxy's second manufacturing facility in South Africa and the third in the African continent.

Ranbaxy's manufacturing facility at the SEZ in Mohali, India, commenced production of exhibit batches.

The hallmark of innovative research practice and a research mindset remain strongly embedded in the DNA of Ranbaxy and will be positively reflected in our future actions.

The company successfully went through four inspections by the US FDA in India, Europe and the United States. In many other countries, Ranbaxy's global sites had successful inspections by Regulatory agencies.

Manufacturing continues to be the backbone of our supply chain. In the coming year we will continue to make investments in infrastructure and technologies that will address our business, in future.

In the US, resolution of the import ban and the Application Integrity Policy (AIP) issue remains our top priority. The joint task force comprising officials from Ranbaxy, Daiichi Sankyo and attorney groups is guiding the process to resolve these issues with FDA/DOJ.

At Ranbaxy, we encourage a culture of teamwork, transparency and trust for superior operational governance.
Our biggest strength lies in our highly committed people who take great pride in their work. With their support, the company has emerged stronger.
We continuously invest in the development of our people to benchmark ourselves externally and internally to stay competitive and become best-in-class.

I am pleased that we have closed 2010 on a positive note, giving us a solid foundation to build upon.

This year you will see many more initiatives aimed at securing our future growth drivers. 2011 will be a year of putting behind challenges, consolidating strengths, honing our skill sets and planning.

Let me also take this opportunity to thank the Ranbaxy Board for entrusting me with the task to lead Ranbaxy into its next phase of growth. I look forward to working with all of you to make Ranbaxy a best-in-class global generics company.

With warm regards,

Arun Sawhney
Managing Director

BUSINESS & OPERATIONS

Focussed on Growth. Everywhere.

Key Markets Overview

Venkatachalam K
Senior Vice President &
Regional Director - North America & Latam

North America

Despite a challenging business environment in the region, Ranbaxy posted its highest revenue and profit figures in North America. This performance was primarily a consequence of the successful monetisation of its First-To-File (FTF) opportunities. Overall, the North America region achieved combined net sales of US $ 660 Mn, representing a growth of 67% over the corresponding year. While sales in the USA totalled US $ 600 Mn, a growth of 80%, Canada recorded sales of US $ 60 Mn.

USA

The robust growth in this market can largely be attributed to a sustained dominant market share for Valacyclovir 500 mg & 1 gm, the successful realisation of a one-time opportunity with Oxycodone ER, and the launch of FTF product, Donepezil Hydrochloride 5 mg & 10 mg. The Over-The-Counter (OTC) business recorded a modest growth. The branded business was impacted by the absence of Sotret resulting in a decline in sales. However, the key dermatology brands recorded impressive growth.

Ranbaxy has 135 approved applications from the US FDA with 70 applications under consideration.

On the manufacturing side, Ohm Laboratories Inc. (Ohm) remained the mainstay for supplies to the US market including the FTF products, Valacyclovir and Donepezil. Capacity and capability expansion was concluded at Ohm, making it Ranbaxy's largest facility in terms of tablets/capsules. Product development at Ohm was also augmented to enable the filing of more Abbreviated New Drug Applications (ANDAs), from the USA. In 2010, Ohm also successfully completed two prior approvals and general cGMP inspections by the U.S. Food and Drug Administration.

Over the past two years, Ohm has undertaken a collaborative, multifunctional approach to employee safety. Changes in equipment and employee practices increased productivity levels significantly. In partnership with the State of New Jersey, employees also attended a variety of skill development programs.

In 2010, Ranbaxy filed a total of 12 ANDAs with the US FDA, of which three, the company believes, may be eligible for FTF exclusivity. To date, Ranbaxy has 135 approved applications from the US FDA with 70 applications under consideration. The product portfolio is also augmented through third party relationships.

During the year, three outstanding patent litigations were settled, bringing certainty to the launch of these products. In March 2010, Ranbaxy entered into an agreement with Takeda for the settlement of litigation surrounding Ranbaxy's FTF ANDA for generic Actos® which enables the company to commercialise the product no later than August 17, 2012 (or earlier, under certain circumstances). In May 2010, Ranbaxy entered into an agreement with Medicis, settling all litigation related to Ranbaxy's ANDA for generic Solodyn®. Under the agreement, Ranbaxy has a license to launch the 45 mg, 90 mg and 135 mg strengths of generic Solodyn®, commencing November 2011 (or earlier, under certain conditions). In August 2010, Ranbaxy settled with Roche on its FTF application for generic Valcyte®. Ranbaxy has received a license to enter the market no later than March 2013.

Ranbaxy continues to fully cooperate with the US FDA and other authorities, including the U.S. Department of Justice and remains optimistic to resolve all outstanding issues at the earliest. The company is determined to make all possible efforts of being fully compliant with all U.S. regulatory standards and work towards offering affordable, quality generic medicines to customers and patients.

Canada

The Canadian business witnessed some significant price cuts in the range of 30-50% affected by the Canadian governments new drug pricing policy. Despite the challenging environment, the product portfolio continued to grow and business was expanded into other areas of the trade segments. Ranbaxy Pharmaceuticals Canada Inc. (RPCI) launched Atorvastatin tablets on Day-1 and captured significant market share. The company also launched three additional products and filed 14 new

Romania, the company's largest market in Europe, bounced back with 19% growth and maintained its No.1 rank in the generic market.

Ranbaxy was ranked No. 9 in Brazil with a market share of **2.8%** in the generics segment.

applications with Health Canada, to further expand the Canadian portfolio. In five years of its existence, RPCI is ranked eighth among generic pharmaceutical companies in Canada. The region will continue to remain an important market for Ranbaxy in the coming decade.

Latin America

In 2010, the Latin America region achieved sales of US $ 83 Mn with a growth of 17%. Brazil was the key market driving the regions performance. Ecuador, Peru and the Caribbean Islands also made healthy contributions. The key products driving the growth were Amoxy Clav, Donepezil, Imipenem and Cilastatin. In September 2010, the company launched Escitalopram in Brazil and this product has been steadily improving its market share. Ranbaxy was ranked No. 9 in Brazil with a market share of 2.8% (IMS MAT Dec 2010) in the generics segment.

In Mexico, the New Antibiotics Law introduced by the Ministry of Health, impacted the company's strong antibiotics portfolio, thereby affecting the company's overall performance in this market.

In Ecuador, Caverta (Sildenafil) maintained the No. 1 rank and Colcibra (Celecoxib) the No. 2 rank in their respective segments.

During the year, out-licensing agreements were signed with several leading companies in the Latam market. Ranbaxy filed 38 new products across Latam, and development of new products was accelerated.

Debashis Dasgupta
Regional Director - Europe

Europe

In Europe, Ranbaxy recorded sales of US $ 272 Mn, achieving marginal growth, inspite of difficult economic conditions and significant exchange rate erosion.

Romania, the company's largest market in Europe, bounced back with 19% growth and maintained its No.1 rank in the generic market.

The state-of-the-art bioequivalence facility in Romania underwent two successful inspections by overseas regulatory agencies.

In UK, Ranbaxy was amongst the leading generic suppliers for several key molecules, particularly Simvastatin, Tamsulosin, Cefaclor, Aciclovir and Cefalexin.

During the year, several new products were launched, to strengthen the company's business in the hospital segment. A new team was tasked to launch products such as Imipenam+ Cilastatin, Piperacillin+Tazobactum, Ceftriaxone and Bicalutamide. The OTC portfolio was also strengthened with the introduction of a range of products. In Romania, Tavanic (Levofloxacin) and Evista (Raloxifene), the two innovator products from Daiichi Sankyo launched last year, continued to perform exceptionally well.

In Germany, Nordics and Benelux, Ranbaxy posted a strong performance despite a changing environment and severe competition in the tender business. The company's market share in Germany doubled. The year saw several important new product launches such as Fluconazole, Fosinopril, Losartan, Omeprazole, including the Day-1 launch of Pramipexole.

In the UK, three products were launched on Day-1 viz. Losartan, Pramipexole and Risedronate, reinforcing the company's position as one of the UK's most reliable suppliers of products, post patent expiry. During the year, Ranbaxy UK secured several major NHS tenders, contributing to over one third of its total sales. The company was awarded its first injectable anti-infective tender by the NHS including Imipenem+ Cilastatin. In UK, Ranbaxy was amongst the leading generic suppliers for several key molecules, particularly Simvastatin, Tamsulosin, Cefaclor, Aciclovir and Cefalexin.

In Italy, the direct sales force was augmented to cover the high potential areas. During the year, 11 new products were introduced in the market. These included the Day-1 launch of Losartan and Nebivilol. Other key products like Co-Amoxiclav, Pantoprazole, Ceftriaxone and Tamsulosin, recorded healthy increase in market share.

The company continued to strengthen its product portfolio in France with successful Day-1 launches of Nebivolol, Losartan and Risedronate.

In addition, several other key products such as Valacyclovir, Pravastatin, Imipenim+Cilastatin were also introduced.

The economic conditions in Southern and Central Europe remained weak. Drastic reforms in Turkey led to disruption in approval and import for foreign generics. Ranbaxy launched Atorvastatin in Bulgaria and Slovakia.

In Finland, the market share for Atorvastatin was further improved despite the launch of generic Atorvastatin by the innovator. Ranbaxy also significantly enhanced its overall market share in the Netherlands by winning competitive tenders for multiple products.

In Poland, besides the launch of Atorvastatin, six other new products

were introduced during the year. These were Quinapril, Isotretnoin, Pantaprzole, Perindopril, Ramipril and Finasteride.

Some of the significant product approvals received by the company in the European market were Meropenam, Pipera+Tzo, Piperacillin, Esomeprazole, Pramipexole, Risedronate, Lercanidipine Hcl, Ceftriaxone and Nebivilol.

India

The Indian market achieved sales of US $ 384 Mn. Various strategy initiatives were undertaken during the year, leading to continued momentum in developing a sustainable and profitable business proposition for India. The domestic formulation business grew by 11.4 % over the last year (ORG-IMS, MAT-Nov 2010).

During the year "Viraat", Ranbaxy's strategic initiative to strengthen the company's leadership position in India, was successfully implemented.
This plan was developed based on prescription research of product portfolio, potential of town class geographies and priority of customer segments, which resulted in the generation of demand in the high growth, yet under-penetrated market segments.

The domestic operations under various Business Units were restructured for greater customer alignment and a focus on high growth segments. This has strengthened the chronic franchise (Life Style Related Therapies) and reinforced the company's leading position in the acute segment.
The contribution of chronic therapy portfolio to total sales stands at 24%.

The Company also launched a number of new products during the year.
Two new products, CeroximXP (Cefuroxime+Clavulanic Acid) and Zifexim (Cefixime+Ofloxacin), feature amongst the "Top-30 launches" by the industry. Many launches are among the 'Firsts' in the Indian Pharma Market. These include Lulifen Cream (Luliconazole) in Dermatology; Solitral Tablets (Solifenacin+ Alfuzosin) in Urology; Mobrine OD Tablets (Cyclobenzaprine) in Muscle Relaxant; Mox 875 mg Tablets (Amoxicillin), Mox BD Suspension (Amoxicillin) and Moxclav XR Tablets (Co-amoxyclav) in the Anti-Infectives segment.

During the year, Ranbaxy launched Prasita (Prasugrel), a new platelet inhibitor for acute coronary syndromes, developed by Daiichi Sankyo. This is the second product from the Daiichi Sankyo research

Sanjeev I Dani
Senior Vice President &
Regional Director - Asia, CIS & Africa

During the year “Viraat”, Ranbaxy's strategic initiative to strengthen the company’s leadership position in India, was successfully implemented.

portfolio, to be introduced in India, by Ranbaxy. It follows the 2009 launch of Olvance (Olmesartan Medoxomil), an Antihypertensive. Both Olvance and Prasita have improved their ranks in their respective segments. Olvance has moved from 20th rank to 5th while Prasita is now ranked 5th, up from the 9th rank, it occupied at the time of launch.

The company's brand for Dyslipidemia, Rosuvas (Rosuvastatin), claimed the Marketing Excellence Award 2010, instituted by the Organisation of Pharmaceutical Producers of India (OPPI), for the existing products category. The award is testimony to Ranbaxy's ethical, professional and innovative marketing practices.

Nine Brands from Ranbaxy, feature in the Top-100 list of the Indian Pharma Industry. These are Revital (Ginseng combination), Mox (Amoxicillin), Storvas (Atorvastatin), Volini (Diclofenac), Sporidex (Cephalexin), Cifran (Ciprofloxacin), Zanocin (Ofloxacin), Cepodem (Cefpodoxime) and Moxclav (Co-amoxiclav).
This illustrates the company's strength in brand marketing and sales.

With the changing business environment, Ranbaxy has also identified Novel Drug Delivery System (NDDS) formulations and in-licensing as strategic focus areas.

The contribution of NDDS portfolio to total Ranbaxy sales stood at 6.6% and the company has a leadership position in this segment. A total of 9 NDDS formulations were launched in 2010.

Ranbaxy's in-licensed portfolio has also gained momentum. The company launched a New Chemical Entity (NCE), Lulifin (Luliconazole), a Dermatology product. This follows a strategic in-licensing agreement with Summit Pharmaceuticals International Corporation, Japan. The arrangement gives Ranbaxy, exclusive marketing rights for India.

There has been an increased emphasis on Knowledge Management and Medico-marketing initiatives. This has led to a closer interface with the Medical Fraternity. As part of this initiative, close to 18,000 interface programs were organised with Doctors. These included Symposia, Panel Discussions, Round Table Meets and Medical Education programmes. Ranbaxy also organised Disease Awareness, Diagnosis and Treatment Camps covering chronic disease areas such as Diabetes, Hypertension, Osteoporosis, Epilepsy etc.

The region also increased operational efficiency through better management of financial resources, working capital, inventory and receivables. Ranbaxy's India operations have been geared towards demand generation in the high growth pharmaceutical segment.

Asia Pacific (excluding India)

The Asia Pacific region recorded sales of US $ 78 Mn, with strong growth from the hospital business in Malaysia, ARV business in Cambodia and generics in Australia. The businesses showed a double digit growth, excluding the brands divested.
The company has refocused its business model and is capitalising on the strengths of Daiichi Sankyo in China, Japan and South Korea to claim a larger share of the market.

Japan

Ranbaxy continued to supply stocks of existing products during the year to its erstwhile JV partner - Nippon Chemiphar, as per its terminal agreement. In 2010, Daiichi Sankyo launched a new entity, Daiichi Sankyo Espha Co., Ltd (DSEP) in Japan to market generics drugs. Ranbaxy will develop products that will be marketed in Japan at a later stage through DSEP.

China

Ranbaxy introduced Voglibose in 2010 and continued to market some products, notably Bacqure - Imipenem+Cilastatn in China.
Ranbaxy has also commenced the development of generic products to be marketed by the field force of Daiichi Sankyo in China.

Ranbaxy Malaysia Sdn. Bhd. (RMSB) did well with regard to Government hospital sales which witnessed high growth during the year.

Australia

Ranbaxy Australia Pvt. Ltd. (RAPL) successfully launched Pantoprazole and Lansoprazole in the Australian market on Day-1 of patent expiry. The leading products during the year were Pantoprazole, Simvastatin, Cephalexin, Fluconazole and Amoxicillin. Other launches in the market were Lamotrigine, Lisinopril and Topiramate.

Malaysia

Ranbaxy Malaysia Sdn. Bhd. (RMSB) did well with regard to government hospital sales which witnessed high growth during the year with products such as Pantoprazole, Clopidogrel and Topiramate. Other major products that performed well were Clavam (Co-amoxyclav) Injection, Atorvastatin and Amlodipine. The company filed 20 new product dossiers for approval. New product launches were Clarithromycin OD, Lamotrigine, Pantoprazole, Cetrizine and Sumatriptan.

Singapore

Ranbaxy is utilising the fast-track registration approval process to launch products earlier in the market. The business of Daiichi Sankyo was transferred to Ranbaxy from March 2011, which will provide new opportunities to Ranbaxy.

Thailand

In Thailand, short term political instability had an impact on the business. However, in the long-term, Thailand holds good potential. Ranbaxy Unichem Company Ltd. (RUCL) and Daiichi Sankyo Thailand are exploring opportunities to capitalise on synergies emanating from the Hybrid Business Model. Leading products in Thailand include Co-amoxiclav, Cefaclor, FBC tablets, Clarithromycin and Gaszym tablets. In addition, Imipenem+Cilastatin was introduced and Ranclav 1gm was re-launched.

Middle East

The key products of Ranbaxy in this region were Imipenem+Cilastatin, Ciprofloxacin, Ranitidine, Ceftriaxone and Omeprazole. During the year, Tamsulosin OD and Fluconazole were introduced in the market. The company received the registration certificate for Dewas (India) facility from the Gulf Co-operation Council (GCC) countries. Consequently, new product dossiers from Dewas are being accepted. Ranbaxy received its first product registration for Enhancin (Co-amoxyclav) tablets 1gm from GCC.

Ranbaxy South Africa was the first company to launch a generic version of Atorvastatin (Lipogen) in South Africa.

Russia

Russia demonstrated healthy growth in 2010. Ranbaxy continues to hold the Number 1 position in the represented market in Russia. The top products were Ketanov, Faringosept (OTC), Coldact (OTC), Cifram and Pylobact (OTC). The company also introduced Atenolol+Chlortalidone and Enalapril, to further strengthen its market position.

New Regulatory Guidelines for Russia have come into effect from September 1, 2010. Under the Russia Pharmaceutical 2020 Policy, several measures to curtail the burgeoning imports of medicines into the Russian Federation have been announced.

Ukraine

Ukraine's economic recovery has been sluggish and this trend is expected to continue into 2011, resulting in subdued domestic demand.

Launch of a number of products was delayed in the year due to changes in requirements of the Ministry of Health. The top products in this market were Ketanov (Ketorolac), Faringosept (OTC), Levofloxacin, Ciprofloxacin and Candesartan.

Africa

The region showed good sales for the year, at US $ 154 Mn, with 23% growth but the ongoing rise in commodity prices pose a major challenge to several African countries.

South Africa

Ranbaxy South Africa was the first company to launch a generic version of Atorvastatin (Lipogen) in South Africa. The company also launched Moxifloxacin during the year. A new facility for oral solids was inaugurated at the Be-Tabs plant. In December 2010, a Government tender for ARV RT71 was awarded to Sonke Pharmaceuticals [a joint venture between Ranbaxy (Pty) Ltd and Community Investment Holdings]. The contract is worth R 913.5 Mn for medicines to be supplied over 2 years, covers 9 products, including Tenofovir 300 mg which was also launched in the private market in the last quarter of 2010. Other products that were introduced for the first time in South Africa include Moxifloxacin, Donepezil, Nifedipine and Fexofenadine. Ranbaxy also won an ARV tender in Namibia where supply started in the last quarter of 2010.

Nigeria

During the year, the company introduced Clopidogrel, Amlodipine, Levocetrizine, Revital liquid and Ranvitol liquid. Ranbaxy's leading products in this market are Gestid (Antacid), Ranferon (Iron Tonic) and

Brustan-N (Ibuprofen). Credit off-take has remained a problem in the country. Ranbaxy has performed well in the ARV tender and the company has several ARV orders for 2011.

Rest of Africa (ROA)

The Rest of Africa delivered robust growth largely from North and South East Africa. This is the first year in which the region crossed the US $ 50 Mn mark. The company won ARV tenders from Cename, Cameroon and Mozambique. Other notable product introductions were Venlafexine in Egypt and Alfuzocin and Pravastatin in Morocco.
In addition, Amlodipine, Chericof liquid, Cefpodoxime Proxetil, Mupirocin ointment, Ramipril, Meloxicam, Secnidazole, Brustan and Desloratidine were introduced in various countries of ROA.

Revital, the flagship brand claimed the "Indian Pharmaceuticals Summit Award 2010" and the "Reader's Digest Most Trusted Brand Award 2010".

Brijesh Kapil
Vice President -
Ranbaxy Global Consumer Healthcare

Global Consumer Healthcare

The company's Global Consumer Healthcare Business recorded sales of US $ 54 Mn, registering a healthy growth of 23% during 2010.
Revital, the flagship brand, continued its leadership position in its category (Ginseng and Rejuvenators) in India as per IMS-Health SSA MAT, Dec 2010, with a dominant market share of 88%. The brand claimed the "Indian Pharmaceuticals Summit Award 2010" and the "Reader's Digest Most Trusted Brand Award 2010", during the year.
Volini, the fastest growing brand in the pain relief category retained the No. 1 brand status at chemist level (AC Nielsen, April - June 2010) and was adjudged as the Best Brand at the "Indian Pharmaceuticals Summit Award 2010". The other brands, Chericof, Chywan Active, Revitalite and Garlic Pearls also performed well during the year.

Govind K Jaju
Senior Vice President -
Global Material Sourcing
& API Business

Global Material Sourcing

The Global Material Sourcing (GMS) function continued its focus on procurement of key materials from countries offering competitive pricing. E-sourcing and the introduction of new sources / alliances for key materials also helped the company in optimising cost and reducing risk. During the year, GMS used the e-commerce platform for sourcing and achieved greater transparency in the procurement process, achieving significant cost reduction. In 2010, Ranbaxy was the No.1 Pharma Company in India by total spend on e-sourcing and the No. 1 Pharma Company across the globe in terms of direct spend, on e-sourcing platforms of service providers.

In September 2010, a new state-of-the-art manufacturing facility, Be-Tabs Pharmaceuticals, was inaugurated in South Africa by Mr. Anand Sharma, Hon'ble Minister for Commerce & Industry, Govt. of India.

Global Manufacturing (API)

Active Pharmaceutical Ingredients (API) manufacturing is synchronous with Ranbaxy's current Hybrid Business Model. API manufacturing remained focused on excellence and continual improvement in Quality, Servicing, Cost and Environment, Health and Safety (EHS).

The year saw significant improvements in the Quality Management System. During the year, external audits of API manufacturing sites by various regulatory agencies and customers were successfully conducted.
These included inspections of BfArm Germany at Toansa and Mohali sites, EU inspection at Dewas site (including Penem facility) and TGA (Australia) inspection at Paonta Sahib (Fermentation) and Dewas sites.

With increased focus on speed to market, servicing efficiency and capacity utilisation improved considerably. Launch quantities for planned new products including Valacyclovir (FTF), Donepezil (FTF), Tamsulosin, Valsartan, Irbesartan, Olanzapine, Pravastatin, Candesartan, Meropenem and Pantoprazole were delivered across various global markets. The company's Toansa site started supplying Esomeprazole to AstraZeneca from September 2010. To meet increasing demands, various capacity enhancement projects were completed during the year. Efforts at improving cost effectiveness in manufacturing continued through numerous positive initiatives including improvement in yields, solvent and catalyst recovery, energy savings and better asset utilisation.

All API sites remained fully compliant with applicable EHS regulations. There were no major safety or environmental incidents at any of the API Manufacturing sites. Extensive EHS training was imparted to employees and contractors during the year.

T L Easwar
Vice President - API Manufacturing

Ashwani Malhotra
Senior Vice President - Global Pharma Manufacturing & Supply Chain

Global Manufacturing (Dosage Form)

In September 2010, a new state-of-the-art manufacturing facility, Be-Tabs Pharmaceuticals, was inaugurated in South Africa by Mr. Anand Sharma, Hon'ble Minister for Commerce & Industry, Govt. of India.
The inspection of the facility has been completed by the Medicines Control Council (MCC), South Africa and approvals are expected soon. The packaging unit has already received the necessary approvals. The new facility will manufacture Analgesics, Cold, Cough and Flu preparations, Anti-Histamines, Anti-Hypertensives, CNS Drugs, Vitamins and Minerals as well as a comprehensive range of Over-the-Counter (OTC) medication.

Ranjan Chakravarti
Senior Vice President -
Global Therapy &
Alliance Management

Anti-infectives continue to remain the largest therapeutic segment for Ranbaxy during 2010 with four molecules featuring among the top ten.

Alliances & Outsourcing

In the past one year, recognising the rapid changes in the business environment and to cater to the changing dynamics of the global pharmaceutical industry, Ranbaxy has aggressively moved to build strong alliances with companies in India and other markets. This model represents a great opportunity for synergy benefits to both Ranbaxy and alliance partners. These partnerships have enabled the company to accelerate the launch of many innovative and affordable quality generics by leveraging the strength of both the partners. At the same time, it has allowed the company to remain focussed and use its considerable strengths in R&D and manufacturing on more significant opportunities.

Leveraging synergies to drive growth in key therapy areas

Anti-Infectives

Anti-infectives continue to remain the largest therapeutic segment for Ranbaxy during 2010 with four molecules featuring among the top ten. Valacyclovir, which was launched in the US, and certain European markets in 2009, continued to perform well to remain the top selling molecule for the company. Co-amoxyclav, Ciprofloxacin and Imipenem+ Cilastatin were other molecules that maintained their leadership positions in the Anti-infectives portfolio of Ranbaxy. Consolidating its Penems portfolio across the markets, Ranbaxy launched Imipenem+ Cilastatin in key European markets in 2010.

Leveraging synergies generated through the Hybrid Business Model, Ranbaxy launched Daiichi Sankyo's innovative antibiotic brand, Tavanic® (Levofloxacin) in Romania.

Cardiovascular

With Simvastatin and Atorvastatin in the list of top five molecules, Cardiovascular was the second leading therapeutic area for Ranbaxy in 2010. Building on its strong statin franchise across a large number of markets, Ranbaxy launched Atorvastatin under the brand name Lipogen® in South Africa. Ranbaxy became the first company to launch generic Atorvastatin in the South African market in 2010 and the only one to introduce all strengths including 80 mg Atorvastatin. The global settlement with Pfizer also enabled the company to launch the product in Canada under the brand name RAN™-Atorvastatin. The product was also launched in Romania, Poland, Bulgaria and Slovakia.

Through its Joint Venture company, Sonke in South Africa, Ranbaxy won a significant portion of the prestigious two year tender, which aims to treat close to 2 million patients over the next couple of years.

In a strategic move to leverage the synergies between Ranbaxy and Daiichi Sankyo, Prasugrel, a novel Anti-Platelet drug, was introduced in India under the brand name Prasita®. This is the second product from the Daiichi Sankyo portfolio to be introduced in India, after Olmesartan Medoxomil, brand Olvance®, a new antihypertensive that belongs to the class of Sartans, and its fixed dose combination with Amlodipine (Ol-Vamlo®).

Ranbaxy capitalised on the Day-1 launch of Losartan and its combination with Hydrochlorothiazide, in France, Italy and Ireland. Losartan was also a Day-1 launch in Germany, Netherlands and UK. Losartan combination was launched on Day-1 in Spain.

Metabolic

During the year, Ranbaxy reached an agreement with Takeda Pharmaceutical Company Limited and Takeda Pharmaceuticals North America, resolving patent litigation related to Ranbaxy's generic equivalent version of Actos® (Pioglitazone Hydrochloride) 15 mg, 30 mg and 45 mg tablets. Under the terms of the agreement, Takeda granted Ranbaxy a non-exclusive royalty free license to its U.S. patents covering Actos®. This allows Ranbaxy to launch its generic equivalent formulation on August 17, 2012 or earlier under certain circumstances.

Risedronate, used for prevention and treatment of Osteoporosis was introduced on Day-1 in France, Netherlands, UK and Sweden.

Central Nervous System (CNS)

Ranbaxy received final approval from the U.S. Food and Drug Administration in November 2010 to manufacture and market Donepezil Hydrochloride Tablets 5 mg and 10 mg with 180 day market exclusivity in the U.S. The drug is indicated for the treatment of dementia of the Alzheimer's type, and in patients with mild to moderate and severe Alzheimer's disease. Donepezil was the third largest-selling molecule for Ranbaxy in 2010 in USA, Brazil, Romania and South Africa.

Some of the other launches in CNS were Venlafexine in Spain, Gabapentin in Romania and Fluoxetine in France.

Dermatology

Ranbaxy bolstered its presence in the Dermatology segment by introducing the New Chemical Entity (NCE), Luliconazole under the brand name Lulifin®, in India, through a strategic in-licensing agreement with Summit Pharmaceuticals International Corporation, Japan. Lulifin, a novel topical Imidazole, available as topical cream has generated encouraging response from the medical fraternity. Ranbaxy will enhance its presence in the Dermatology segment by introducing this NCE in Malaysia, South Africa, Singapore & UAE.

Musculoskeletal

Keteroloac continues to lead this therapy area for Ranbaxy. Other products like Paracetamol, Aceclofenac and combinations contributed to the growth in this therapeutic area. Oxycodone Extended Release tablet was launched in 2010 in the US, following settlement with Purdue Pharmaceuticals.

Volini® has strengthened its presence in the Indian market by garnering a significant share in the OTC segment.

Gastrointestinals

Ranbaxy successfully launched Pantoprazole and Omeprazole in Europe and Omeprazole combination in the US respectively. With introduction of Esomeprazole and Rabeprazole in the emerging markets, Gastroenterology will continue to remain a key therapeutic segment for Ranbaxy.

Anti-Retrovirals

Ranbaxy has a range of WHO Prequalified Anti-Retroviral (ARV) products that are offered in over 80 countries. The global ARV sales showed healthy growth, retaining a presence in the major global funded programs in 2010. In addition, through it's Joint Venture company, Sonke in South Africa, Ranbaxy won a significant portion of the prestigious two year tender, which aims to treat close to 2 million patients over the next couple of years.

During the year, two new ARV filings were made with WHO and the US FDA under the PEPFAR program. The company also has a range of Pediatric and Fixed Dose Combinations based on the new recommendations for ARV treatment in resource limited settings.

The WHO recommendation of D4T Switch to other treatment regimes is now in the roll out phase and offers Ranbaxy a good opportunity to increase its presence in the Zidovudine based Fixed Dose Combination.

As per current estimates, more than 1 Million patients across the world would be using a Ranbaxy drug for their daily need of ART, in 2011.

Top Ten Therapy Areas in 2010	Top Ten Molecules in 2010
1. Anti-infectives	1. Valacyclovir
2. Cardiovasculars	2. Simvastatin
3. Gastroenterology	3. Donepezil
4. Analgesics	4. Atorvastatin and Combinations
5. Central Nervous System	5. Co-amoxyclav and Combinations
6. Dermatology	6. Ciprofloxacin and Combinations
7. Respiratory	7. Ketorolac Tromethamine
8. Endocrinology	8. Imipenem+Cilastatin
9. Orthopedics	9. Ginseng+Vitamins
10. Urology	10. Loratadine and Combinations

David Briskman
Vice President and CIO

Information Technology

Information Technology continued to enable the organisation to implement, manage and improve sustainability and growth programs, as well as, improve business efficiency.

The expansion of the enterprise SAP platform continued with the successful ERP deployment in Russia. More than 90% of Ranbaxy business currently runs on a single global platform.

To strengthen compliance, the pharmaceutical industry standard Trackwise system was implemented for CAPA- Corrective and Preventive Action management to automate key quality processes across the enterprise.

In addition, a global regulated content management solution, "Documentum", was implemented to manage regulated documents across manufacturing, R&D and regulatory functions in India and the US.

During the year, human capital management was also strengthened with the implementation of an e-learning management system across manufacturing locations in India. Enhancing sales force effectiveness, the 'mPrompt' mobile device Sales Force Automation system was successfully deployed across India, Nepal, Middle East, Sri Lanka & Nigeria sales force.

The Hybrid Business Model remains as one of the core strategy elements for Ranbaxy. On the manufacturing side, 'KAIZEN' was introduced, resulting in improvements in productivity, quality and reduction in the Out-Of-Specification rate of products.

Synergies with Daiichi Sankyo

The Hybrid Business Model remains as one of the core strategy elements for Ranbaxy. The year 2010 witnessed momentum in this area. Among the various collaboration projects that were set in motion, the CMC (Chemistry, Manufacturing and Control) represents fast progression. Necessary amendments were made to comply with GMP standards for clinical trial compounds and the pilot manufacturing of some APIs as well as intermediates for innovative drugs, were completed and shipped to Daiichi Sankyo (DS), Japan. Collaboration is expected to further strengthen and expand in these areas.

On the manufacturing side, 'KAIZEN' was introduced, resulting in improvements in productivity, quality and reduction in the Out-Of-Specification rate of products.

One of the most important developments in 2010 was the approval received from the Department of Scientific and Industrial Research, Govt. of India, for the transfer of NDDR assets to Daiichi Sankyo India Pharma Pvt. Ltd.

Many other front-end and back-end opportunities were also explored during the year.

In India, Ranbaxy launched the innovative Anti-platelet drug, Prasita (Prasugrel) after the successful introduction of Olmesartan Medoxomil (Olvance). Collaborative efforts continued in Romania, and some countries of Africa, with Ranbaxy being the front end to market DS innovator products. Market Authorisation for Tavanic® (Levofloxacin), an innovative antibiotic of DS, was transferred from Sanofi-Aventis to Ranbaxy in Romania. Tavanic (Levofloxacin tablets and injections) were launched in Romania in August 2010. In South Africa, a similar arrangement will be made, in January 2012.

The companies are exploring synergistic possibilities in other regions including LATAM and ASEAN.

In Japan, DS established a new entity Daiichi Sankyo Espha Co. Ltd. (DSEP), to market generic medicines. Going forward, Ranbaxy will have the opportunity to develop, manufacture and supply products in Japan through DSEP.

At the back-end, some of the opportunities leveraged included the consolidation of business in Thailand, through an arrangement with a toll manufacturing party. DS Europe and Ranbaxy are also working on possible cost synergy opportunities in procurement. Similar analysis has been made for the Daiichi Sankyo Inc. (U.S. subsidiary of DS) and Ranbaxy. As a function, synergies in Information Technology procurement and implementation were also studied.

The Corporate Social Responsibility (CSR) teams of DS and Ranbaxy are working together to strengthen CSR objectives between the two Companies, for the 2nd Mid Term Plan.

Hiroyuki Okuzawa
Head - Global Hybrid Business

In order to further strengthen the collaboration between Ranbaxy and DS, a 'Global Hybrid Business Office' was set up. This was formerly known as the 'Synergy Office'. The team will work in concert with the Corporate Strategy staff in DS, Tokyo, to explore synergies and implement the Hybrid Business Model.

RESEARCH & DEVELOPMENT

Innovation & Excellence

Dr. Sudershan Arora
President - Research & Development

In July 2010, Ranbaxy realigned its Research & Development activity by transferring its New Drug Discovery Research (NDDR) to Daiichi Sankyo India Pharma Pvt. Ltd.

The strategy will enable the company to increasingly concentrate in R&D of Generics with a sharper focus in developing the much needed complex and value added products. While NDDR will become an integral part of Daiichi Sankyo, Ranbaxy will retain and develop select molecules.

Pharmaceutical Research (Drug Products)

During the year, the company launched 81 products in India of which 24 were developed in-house, 53 were out-sourced and 4 were in-licensed.

In USA, the company submitted 12 ANDAs, including 1 PEPFAR-ANDA.

In European Union, the company made 12 National Filings for 10 products (including 1 in-licensed product), filed 13 products under De-Centralized Procedure and 2 products under Mutual Recognition Procedure.

Ranbaxy also made 16 filings in Russia / CIS countries, 4 in Australia, 8 in Brazil (including 5 branded filings), 13 in Canada and 8 in South Africa. In other key markets, the company made 90 filings.

The company made significant progress in its potential Anti-malarial molecule. The combination product (Arterolane Maleate and Piperaquine Phosphate) is undergoing Phase III studies in adult patients with P.falciparum malaria in India, Thailand and Bangladesh.

During the year, the team filed 25 patents in India, including 6 patents in Novel Drug Delivery Systems (NDDS). In addition, 1 patent was also filed in USA in the area of NDDS.

Chemical Research (Active Pharmaceutical Ingredients)

The emphasis continued to be towards developing novel (non-infringing/ patentable) process know-how and development of new polymorphic forms of APIs. Consequently, technology transfer was completed for 10 new APIs and Key Intermediates, and scale-up studies were completed for 7 other new APIs. The company also filed 142 Drug Master Files comprising 39 APIs across various countries and 42 patents in India.

Development of New Chemical Entities

In the area of NDDR, Ranbaxy continues to develop two molecules viz. Anti-malaria and COPD.

The company made significant progress in its potential Anti-malarial molecule. The combination product (Arterolane Maleate and Piperaquine Phosphate) is undergoing Phase III studies in adult patients with *P.falciparum malaria* in India, Thailand and Bangladesh.

It is also undergoing Phase II studies in pediatric patients in India.

Ranbaxy has also received approval from the Drugs Controller General of India (DCGI) for conducting Phase II studies with *P. vivax* malaria in India. These studies are expected to commence in later part of 2011.

Matrix Metalloproteinase Dual (MMP-9 and MMP-12) Inhibitor for COPD

The company also completed Phase-I Studies in India on RBx-10017609, a potential candidate in the Respiratory segment. The molecule has been found to be well tolerated and safe in elderly male and female subjects.

The company also completed Food Effect study in Romania. The molecule was found to be well tolerated and safe in adult healthy subjects when administered with or without food.

An Investigational New Drug (IND) application with DCGI for initiation of Phase-II clinical studies in India has been filed and the company plans to begin Proof of Concept Study in patients in 2011.

Table-1: International Regulatory Filings and Approvals – Dosage Forms (Jan-Dec 10)

Markets	Approvals	Filings
USA	3	12[#]
Europe	35	27
- National	23[^]	12[*]
- MRP	3	2
- DCP	9	13
Other Key Markets		
Australia/ New Zealand	3	4
Brazil	4	8[##]
Canada	2	13
China	-	-
Japan	-	-
Russia/CIS	4	16
South Africa	11	8
Other markets	99	90
Total	**161**	**178**

including 1 PEPFAR filing

including 5 branded filings

* 10 products corresponds to 12 filings (including 1 in-licensed product filing)

^ 20 products corresponds to 23 approvals (including 5 in-licensed product approvals)

Table-2: International DMF Filings and Approvals – APIs (Jan-Dec 10)*

Markets	Approvals (# of APIs)	Filings (# of APIs)
USA	1 (1)	10 (10)
Canada	3 (3)	3 (3)
Europe	134 (21)	58 (15)
Australia / New Zealand	4 (4)	3 (3)
Brazil	1 (1)	-
Russia (including Ukraine)	2 (2)	3 (3)
South Africa	6 (6)	2 (2)
Other Markets	23 (13)	63 (19)
Total	**174 (33)**	**142 (39)**

* Doesn't include re-registrations & outsourced APIs

DMF: Drug Master File

Table-3: Patent Application Filings and Acceptance/Grant (Jan-Dec 10)

Category	Filings*			Accepted / Granted Patents**		
	India	USA	Total	India	USA	Total
APIs	42	-	42	-	1	1
Dosage Forms	19	-	19	-	-	-
NDDS	6	1	7	-	-	-
NCEs	11	-	11	-	4	4
Packaging	5	-	5	-	-	-
Analytical Development	1	-	1	-	-	-
Total	**84**	**1**	**85**	**0**	**5**	**5**

* These are 1st time (fresh) filings; not international or national filings of earlier applications filed in India

** These are unique patents - means any equivalent patents granted in other countries or patents published under PCT have not been counted (during 2010, 22 patents were published under PCT)

Global Quality

World of Excellence

Dale Adkisson
Senior Vice President - Global Quality

In 2010, Ranbaxy initiated a Working Committee to define, design and implement a new Global Quality Organisation Program and Management Structure. A globally represented joint Quality Assurance (QA) Team of Ranbaxy and Daiichi Sankyo was formed to design and implement an enhanced and strengthened Ranbaxy QA/GMP management system. The re-organised Ranbaxy global quality assurance management structure was implemented in August 2010 along with several other initiatives undertaken during the year to support the global harmonisation of practices for optimising and strengthening our global quality and compliance systems.

The company has completed seven consecutive successful US FDA inspections since 2009 with four of these inspections coming in 2010 in India, Europe and the United States facilities. In addition, more than 47 national level regulatory agency inspections have been successfully completed at various global manufacturing sites by the following regulatory agencies: South Africa, World Health Organization (WHO), European Union Countries/EMEA (Poland, United Kingdom, Ireland, Romania, France, Germany), Brazil, Australia, Korea, China, Malaysia, Singapore, Gulf Cooperation Council (GCC), Canada, Kenya and India.

Ranbaxy, with strong cooperation from Daiichi Sankyo, continues routine and open dialogue with the US FDA to advance the successful, comprehensive resolution of its pending regulatory issues.

GLOBAL HUMAN RESOURCES

Diverse Cultures. One Vision.

Bhagwat Yagnik
President & Head - Global Human Resources

People first. Once this philosophy is woven into the fabric of the organisation, it gives the company inherent resilience to adapt to change. It has been Ranbaxy's endeavour to bring to life, this simple yet powerful belief. During the year, diverse structural and organisational changes were made that led to a reorientation of the company's priorities and the emergence of some new strategies for 2011.

These included:

- Fostering Ranbaxy Culture – Merging cultures to align synergies and perform as ONE TEAM
- Ranbaxy Performance Ecosystem – Raising the BAR
- Enabling Performance – Process driven development

We are at the threshold of carving our place at the forefront of the global pharmaceutical industry and the Daiichi Sankyo-Ranbaxy partnership is a groundbreaking confluence that gives our company extraordinary advantages. It demands cultural and operational integration to avail of individual strengths and to drive synergy, strategic planning and execution with due diligence. Success is defined through evaluation metrics that measure results. Our umbrella strategy to foster a Ranbaxy culture, is crafted on this premise. The central theme is to provide a platform for change in small persistent steps focused on people, performance and process, that will bring about the necessary assimilation of cultures.

It has been Ranbaxy's endeavour to build an enabling culture for people to perform and develop to their full potential. Putting people first is our foremost focus and will remain so in all our initiatives.

In our continuous and conscious effort to celebrate success, we have devised processes to recognise exceptional contributions across the globe.
The Global Appreciate Awards are exemplary in this respect. In their fourth consecutive year, the Global Appreciate Awards are a most important part of recognising individuals and teams for their exceptional contributions, from across the globe. These awards continue to be the mainstay of our reward and recognition policy.

Our global presence gives us the opportunity to develop future leaders through exposure to international complexities, across geographies. This helps us to develop a robust pool of global managers and leaders with an understanding of cross border market dynamics. We also have an active plan to energise key markets with "leaders-in-the-making" having the right potential, skill, experience and attitude. Succession management at Ranbaxy lays special focus on competency mapping for core and critical positions. This helps to identify and build a strong line of leadership. In tandem, we have also instituted leadership development, training and coaching initiatives. To sustain a culture of empowerment and autonomy, we have continued to focus on enriching roles and responsibilities at every position.

We also encourage our people to act in an entrepreneurial manner and take measured risks.

A culture of performance is established by challenging people around a higher sense of purpose. In line with this philosophy, Ranbaxy has increased performance differentiation globally. Our performance ecosystem is an approach that fosters dynamic interaction with different entities to improve and develop adaptive behaviour that is focussed on achieving results and improvement in performance.

It has been the company's goal to be the best in the market through globally consistent processes that respect local requirements. In 2010, Ranbaxy initiated the harmonisation of several global level processes and policies. We re-established benchmark parameters towards compensation, position profiling, to strengthen our reward guidelines. For the year ahead, the company has planned rigorous benchmarking exercises in several functional and operation areas that will be trend setters in the industry.

Ranbaxy's primary focus is on facilitating business goals – however, the crucial aspect is, how we achieve them? What is our code of conduct? Work is a creative process of self-development and working with ethical principles of professionalism stimulates well being both for the individual and the organisation.
It forms the basis of our work culture. During the year, several training and appreciation workshops were conducted on the essence of our Code of Conduct and the need to follow it diligently.

It has been Ranbaxy's endeavour to build an enabling culture for people to perform and develop to their full potential. Putting people first is our foremost focus and will remain so in all our initiatives. This will not just address business challenges and mitigate risk, but will also create a culture of excellence and accountability.

CORPORATE SOCIAL RESPONSIBILITY AND ENVIRONMENT HEALTH & SAFETY

Touching Life with Care

Ramesh L Adige
President - Corporate Affairs &
Global Corporate Communications

At Ranbaxy, we believe that Corporate Social Responsibility is a commitment to contribute to the economic development of the local community and society. Over the years, our level of engagement with the communities has been transformed from charity and dependence to empowerment and partnership. The focus is on people-centric initiatives with active community participation at all levels.

Our endeavour is to touch the lives of many more people by introducing innovative programs and schemes in education, healthcare, rural development and environment protection. Our social initiatives are implemented under the aegis of an independent society, Ranbaxy Community Healthcare Society (RCHS) that traces its roots to 1979.

In 2010, we provided primary healthcare services to communities around our manufacturing facilities, in India. The thrust was on maternal care, newborn and child health, in addition to family planning, reproductive and adolescent health, health education and AIDS awareness. Presently, under this initiative we cover over 200,000 people in 100 rural and urban slum areas in Punjab, Haryana, Himachal Pradesh, Madhya Pradesh and Delhi.

During the year, 24 new service areas were added. There was an improvement in all general health indicators like immunisation and Vitamin A prophylaxis coverage, malnutrition, family planning, tetanus coverage etc. One of the major achievements of RCHS was attainment of zero maternal mortality in the areas served. It has indeed become a turning point in our battle to keep mothers in good health through

Ranbaxy's special efforts and significant focus on reducing Child Mortality, Improving Maternal Health and Combating HIV/AIDS, Malaria and other neglected diseases tie in seamlessly with the Millennium Development Goals set forth by the United Nations Development Programme (UNDP).

periods of pregnancy and child birth. Diarrhoea, which was a killer disease among children, is not a serious threat now. In our area of coverage, there was no infant death due to Diarrhoea during the year. RCHS continued its drive to address issues relating to the prevention of Malaria, Tuberculosis, Dengue, AIDS, Female Foeticide and life style diseases.

The overall impact of services in the old and new areas taken up during the period 1998 to 2010, has been very positive. The Infant Mortality Rate (IMR) has declined substantially from 27.8 per 1000 live births in 1998 to 16.3 in 2010. The Birth Rate (BR) has also shown a steady fall from 18.1 per 1000 population in 1998 to 11.4 in 2010. It is very satisfying that the results in our service areas are much better than the national statistics. This is primarily a result of our scientific approach in targeting issues at the grass root level.

Separately, Ranbaxy's CSR movement was strengthened with the roll out of our Public Private Partnership (PPP) program with the Punjab State Government. It was flagged off on July 17, 2010 by Shri Parkash Singh Badal, Chief Minister of Punjab. As part of this program, Ranbaxy will be offering free medical and primary healthcare services to about 400,000 people in 166 villages through 40 service delivery outlets in the districts of Bathinda, Muktsar and Mansa in Punjab. In the first phase, 8 fully equipped mobile health care vans have been introduced under the banner "Ranbaxy Sanjeevan Swasthya Seva". A total of 43 personnel including 17 Doctors and 16 Paramedics are devoted full time, to this community

healthcare program, which focuses on the prevention and early detection of commonly found cancers in women and men. An awareness campaign on cancer control has also been rolled out and special camps on Hypertension, Diabetes, Skin and Family Welfare are being organised.

It is a matter of pride that Ranbaxy's special efforts and significant focus on reducing Child Mortality, Improving Maternal Health and Combating HIV/AIDS, Malaria and other neglected diseases tie in seamlessly with the Millennium Development Goals set forth by the United Nations Development Programme (UNDP).

In 1994, we unleashed a major initiative to encourage and reward Indian scientists for excellence in medical and pharmaceutical research through the Ranbaxy Science Foundation (RSF). These awards are well accepted in the medical fraternity and as of now, RSF has bestowed the honour on 126 scientists and 17 young and brilliant science scholars. In 2010, RSF felicitated 3 scientists and 4 science scholars. In addition, Symposia and Round Table Conferences were organised on topics related to New Frontiers in Drug Design, Discovery and Development, polio eradication and sleep disorders.

Environment, Health and Safety (EHS)

It is our endeavour to always act in a safe and environmentally responsible manner so that the employees, the community at large and the environment including the natural resources, are well protected.

The company's Corporate Environmental, Health and Safety (EHS) standards and guidelines provide technical advice, support and assistance to all the sites on EHS matters. During the year, the EHS function ensured that the products were manufactured in compliance with national and local regulations. As a prudent practice, the Corporate EHS Committee reviewed the EHS performance for 2010, including new initiatives taken, challenges faced and 'Action Plans' drawn.

Environment

We recognise that preservation of the environment is vital and we remain committed to conserving resources and acting responsibly. All our manufacturing sites remained fully compliant with applicable environmental regulations.

In compliance with the new European CLP (Classification, Labeling and

Packaging) & REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) Regulations, significant progress was made towards the development and issue of CLP & REACH compliant Material Safety Data Sheet and product labels of the Active Pharmaceutical Ingredients for our customers in the European Union.

Our Malanpur API manufacturing site in Madhya Pradesh was granted ISO14001 certification and other key manufacturing sites at Toansa, Dewas and Mohali ensured continuity of ISO14001 certification.

Various initiatives were undertaken to up-grade the infrastructure for environmental management at our manufacturing sites in India.

At Toansa, all Solar Evaporation Ponds were phased out by using the Thermal System (Multi Effect thermal Evaporators / Agitated Thin Film Dryers / Spray Dryers). A similar Thermal System was commissioned at Dewas to treat High TDS/COD effluents. In our efforts to reduce the Carbon Footprint, a fuel switch from Furnace oil to Liquefied Natural Gas (LNG) was done for the Dewas facility.

Making us proud, Ranbaxy Nigeria was awarded the Lagos State "Green Environmental Assessment Award" for excellence in environmental initiatives and practices.

Occupational Health and Safety

The company undertook numerous initiatives to enhance safety at the workplace. As an acknowledgement of our efforts, the Toansa facility received the 2nd prize at the Punjab State Safety Awards. Toansa also successfully completed the Occupational Health and Safety Management System (OHSMS) audit, and received the OHSAS 18001 certification. Our Mohali API manufacturing site underwent a successful external safety audit by the National Safety Council.

A 'Walk Through Survey' was conducted by an external consultant at all our API Manufacturing sites to assess the current status and suggest additional requirements for Respiratory/ Hearing / Eye / Head protection / Spill control and gas detection.

Access to Medicines

The highlight of the year was the recognition we received from Access to Medicine (ATM) Foundation in improving access to medicines. The Foundation, a Netherlands-based non-profit organisation, ranked Ranbaxy as the world-wide industry leader under the generics category for improving access to needed medicines. ATM is a global initiative to improve access to medicines to societies in need, worldwide. It ranks drug makers on their social responsibility with regard to supplying the developing and underdeveloped countries with medicines for key neglected disease areas.

Access to Medicine (ATM) Foundation, a Netherlands-based non-profit organisation, ranked Ranbaxy as the world-wide industry leader under the generics category for improving access to needed medicines.

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.

2. BOARD OF DIRECTORS

The details of Directors on the Board of the Company as on December 31, 2010 are as under:

Name of the Director	Category	Number of Directorships held in other companies @	Number of Board Committee memberships held in other companies ^	Number of Chairmanship of Board Committees held in other companies^
Dr. Tsutomu Une, Chairman	Non-Executive-Non-Independent	–	–	–
Mr. Takashi Shoda	-do-	–	–	–
Dr. Anthony H. Wild	Non-Executive-Independent	–	–	–
Mr. Akihiro Watanabe	-do-	–	–	–
Mr. Percy K. Shroff	-do-	–	–	–
Mr. Rajesh V. Shah	-do-	6	1	–
Mr. Arun Sawhney, Managing Director	Executive	–	–	–

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

^ Includes only the membership of Audit and Shareholders'/Investors' Grievance and Share Transfer Committees of Indian public limited companies.

Notes:

1) At the Board Meeting held on August 12, 2010, Mr. Atul Sobti stepped down as CEO and Managing Director effective August 19, 2010 and Mr. Arun Sawhney was appointed as Managing Director of the Company effective August 20, 2010 subject to the requisite approval of the shareholders.
2) None of the Directors are related inter-se.

3. BOARD MEETINGS

Dates of Board meetings are fixed in advance and agenda papers are circulated to Directors in advance.

Meetings and Attendance

During the year 2010, **four** Board Meetings were held: February 24-25, May 11, August 12 and November 11, 2010.

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 10, 2010**
Dr. Tsutomu Une	4	Yes
Mr. Takashi Shoda	2*	Yes
Dr. Anthony H. Wild	4	Yes
Mr. Akihiro Watanabe	4	Yes
Mr. Percy K. Shroff	3	Yes
Mr. Rajesh V. Shah	4	Yes
Mr. Arun Sawhney	1	N.A.
Mr. Atul Sobti	3	Yes

*Mr. Takashi Shoda participated in the Board meeting held on February 24-25 through tele-conference.

4. COMMITTEES OF THE BOARD

(i) Audit Committee

The Audit Committee has been constituted as per Section 292A 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.
- Discussions with external auditors about the scope of audit including the observations of the auditors.
- Recommend to the Board appointment of the statutory auditors and fixation of audit fees.
- Reviewing with the management, the statement of uses / application of funds raised through an issue (public, rights, preferential issue of securities etc.)
- Reviewing with the management the performance of statutory and internal auditors.

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

Composition and Attendance

During the year 2010, **four** meetings of the Audit Committee were held on February 24, May 10, August 11 and November 10, 2010. The composition of the Committee and details of the meetings attended by the members during the year are as under:

Name of the Member	No. of Meetings attended
Mr. Akihiro Watanabe, Chairman	4
Dr. Tsutomu Une	4
Dr. Anthony H. Wild	4
Mr. Percy K. Shroff	3
Mr. Rajesh V. Shah	4
Permanent Invitees	
Mr. Atul Sobti*	3
Mr. Arun Sawhney**	1

Note: Mr. Takashi Shoda attended 3 meetings as an invitee.

*Ceased w.e.f.. August 19, 2010
**Inducted w.e.f. August 20, 2010

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 are invited to attend and participate at meetings of the Committee.

The Company Secretary acts as the Secretary to the Committee.

The Chairman of the Audit Committee was present at the Annual General Meeting held on May 10, 2010.

(ii) Compensation Committee

The Compensation Committee has been constituted as per the provisions set out in the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. The terms of reference include –

- Administration and superintendence of Employee 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 2010, **Two** meetings of the Compensation Committee were held on February 24 and August 11, 2010. The composition of the Committee and details of the meetings attended by the members during the year are as under:

Name of the Member	No. of Meetings attended
Mr. Rajesh V. Shah, Chairman	2
Dr. Tsutomu Une	2
Mr. Percy K. Shroff	1
Dr. Anthony H.Wild	2
Permanent Invitees	
Mr. Atul Sobti*	2
Mr. Arun Sawhney**	N.A.

*****Ceased w.e.f. August 19, 2010

******Inducted w.e.f. August 20, 2010

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 ceiling fixed by the shareholders. The details of the remuneration of Executive Directors for the year ended December 31, 2010 are as under:

Name of the Director	Salary & Allowances	Commission/ Performance Bonus	Perquisites	Retiral Benefits	Stock Options	Service Contract	
						Tenure	Notice Period & Severance Fee
	------------------- Rs. Lacs ----------------------						
Mr. Atul Sobti	331.19	–	3.58	9.47	50,000	N.A.	N.A.
Mr. Arun Sawhney	219.14	237.75	6.82	19.16	15,000	3 years	6 months

Notes:

1. Remuneration of Mr. Atul Sobti is for the period from 1.1.2010 to 19.8.2010, the day he stepped down as CEO & Managing Director of the Company.
2. Remuneration of Mr. Arun Sawhney is for the period from 1-1-2010 to 19-8-2010 as President-Global Pharmaceutical Business and for the period from 20-8-2010 to 31-12-2010 as Managing Director.
3. Remuneration of Executive Directors consists of fixed component and commission which is linked with the profit of the Company.
4. Retiral benefits are exclusive of provision for future liabilities in respect of retirement benefits (which are based on actuarial valuation done on overall Company basis).
5. The closing market price of the share of the Company listed at National Stock Exchange of India (NSE) on February 23, 2010 was Rs. 449.60. Hence the aforesaid options were not granted at a discount. Further, the said options granted to Mr. Sobti have since lapsed consequent to his stepping down as CEO & Managing Director of the Company.

Remuneration to Non-Executive Directors

Remuneration to Non-Executive Directors comprises commission and sitting fees. The shareholders of the Company at their Annual General Meeting held on May 29, 2009 approved the payment of commission to Non-Executive Directors not exceeding 1% of the net profits of the Company as computed under the relevant provisions of the Companies Act, 1956. The Board of Directors determines the commission payable to the Non-Executive Directors keeping in view the independent status, contribution at the Board and Committee meetings and responsibilities considering the extensive global operations of the Company.

Details of remuneration paid to the Non-Executive Directors for the year ended December 31, 2010 are as under:

Non-Executive Directors

Name of the Director	Commission (Rs. Lacs)	Sitting Fees (Rs. Lacs)
Dr. Tsutomu Une	50	2.30
Mr. Takashi Shoda	50	0.60
Mr. Rajesh V. Shah	100	2.00
Mr. Percy K. Shroff	100	1.75
Dr. Anthony H. Wild	100	2.20
Mr. Akihiro Watanabe	100	1.60

None of the Non-Executive Directors holds any shares in the Company.

(iii) Science Committee

Terms of Reference of Science Committee include review focus areas of research and monitoring progress on generic development.

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

Composition and Attendance

During the year 2010 **one** meeting of the Science Committee was held on August 11, 2010. The composition of the Committee and attendance of the members at the said meeting is as under:

Name of the Member	No. of Meetings attended
Dr. Tsutomu Une, Chairman	1
Mr. Takashi Shoda	1
Dr. Anthony H. Wild	1
Mr. Arun Sawhney*	N.A.
Mr. Atul Sobti**	1
Permanent Invitee	
Dr. Sudershan K. Arora- President-R&D	1

***** Co-opted w.e.f. August 20, 2010

**Ceased w.e.f. August 19, 2010

(iv) Shareholders'/Investors' Grievance and Share Transfer Committee

The Shareholders'/Investors' Grievance and Share Transfer Committee has been constituted as per the provisions set out in the Listing Agreement. The terms of reference include –

- Approve transfers, transmissions, issue of duplicate certificates, transpositions, change of names etc., and to do all such acts, deeds, matters and things as connected therein.
- Review complaints of the shareholders and action taken by the Company.

Minutes of meetings of the Shareholders'/Investors' Grievance and Share Transfer Committee are circulated to members of the Committee and the Board.

Composition and Attendance

During the year 2010, **seven** meetings of the Committee were held on January 18, April 5, July 15, August 3, September 10, October 20 and December 1, 2010. The composition of the Committee and attendance of the members at the said meeting is as under:

Name of the Member	No. of Meetings attended
Mr. Percy K. Shroff, Chairman	7
Dr. Tsutomu Une	2
Mr. Arun Sawhney*	3
Mr. Atul Sobti**	4

***** Co-opted w.e.f. August 20, 2010

**Ceased w.e.f. August 19, 2010

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.

During the year, the Company received 35 shareholders' complaints which inter-alia include non-receipt of dividend, annual report, split shares, non-receipt of share certificates etc. The complaints were duly attended to and the Company has furnished necessary documents/information to the shareholders. As of December 31, 2010, all the complaints have been resolved except one which is sub-judice.

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 General Meetings held in the last three years:

I. Annual General Meeting

Year	Date	Day	Time	Venue	Special Resolutions Passed
2008	30-5-2008	Friday	11.00 A.M.	The National Institute of Pharmaceutical Education & Research, Sector 67, S.A.S. Nagar, Punjab	-Appointment of Dr. Brian W. Tempest as an "Advisor" to Ranbaxy Europe Ltd., a wholly owned subsidiary of the Company for a period of three years effective January 1, 2008. - Approval for amendment in Employees Stock Option Scheme(s) of the Company to provide that Stock Options granted and outstanding in the hands of the employees who may be transferred to any entity affiliated to the Company would vest on the date of transfer of such employees provided one year has elapsed between the date of grant of stock options and date of such transfer.

Year	Date	Day	Time	Venue	Special Resolutions Passed
2009	29-5-2009	Friday	11.00 A.M.	The National Institute of Pharmaceutical Education & Research, Sector 67, S.A.S. Nagar, Punjab	Approval under Section 309(4) of the Companies Act, 1956 for payment of commission to the Non-executive Directors of the Company, not exceeding one percent of net profits of the Company in the aggregate for all the Non-executive Directors in a financial year for a period of five years commencing from January 1, 2009.
2010	10-5-2010	Monday	11.00 A.M.	The National Institute of Pharmaceutical Education & Research, Sector 67, S.A.S. Nagar, Punjab	No Special Resolution passed.

II. Extra-ordinary General Meeting

2008	15-7-2008	Tuesday	9.00 A.M.	Confederation of Indian Industry (CII), Block No. 3, Sector-31 A, Dakshin Marg, Chandigarh	- Approval under Section 81(1A) of the Companies Act, 1956 for issue of Equity Shares and Warrants of the Company on preferential basis to Daiichi Sankyo Company, Limited, Japan. - Approval for amendment to the Employees Stock Option Scheme(s) of the Company to the effect that maximum number of stock options that may be granted to individual management employee in a year be increased from 40,000 to 3,00,000

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 Code of Conduct for the financial year ended December 31, 2010.

Arun Sawhney
Managing Director

Gurgaon (Haryana)
February 11, 2011

7. Certificate from Managing Director and Director-Global Accounts

Certificate from Managing Director & Director-Global Accounts of the Company, for the financial year ended December 31, 2010 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. Disclosure of 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. Disclosure of Accounting Treatment

There have not been any significant changes in the accounting policies during the year.

D. Risk Management

The Company has a procedure to inform the Board about the risk assessment and minimization procedures. The Board of Directors periodically reviews the risk management framework of the Company.

E. 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 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(ii) 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. 10 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 Board of Directors of the Company at its meeting held on November 11, 2010 has approved Whistle Blower Policy of the Company and issuance of the same is under process. Further, no person has approached the Audit Committee of the Company during the year.

The Company has also 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.

9. CORPORATE GOVERNANCE VOLUNTARY GUIDELINES

In December 2009, the Ministry of Corporate Affairs had issued the Guidelines on the voluntary adoption of Corporate Governance Practices. The Company follows the Guidelines such as separation of office of Chairman and Managing Director, taking certificate of independence from Independent Directors, constitution of Remuneration Committee which determines remuneration policy, providing timely information to Board of Directors for quality decision making, identification of risks, review of internal controls and constitution and functioning of Audit Committee. While some of these Guidelines like maximum tenure of independent directors, rotation of audit firm etc. have not yet became due and the Guidelines on payment of remuneration to Independent Directors would require amendment to the Companies Act. Further, evaluation of Directors, conducting their training etc. are yet to be adopted by the Company.

10. 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 Punjabi Tribune and are displayed on the website of the Company www.ranbaxy.com. Further in compliance of Clause 52 of the Listing Agreement, the above information and other communication sent to Stock Exchanges have also been filed under Corporate Filing Dissemination System (CFDS) and are available at website www.corpfiling.co.in.

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.

11. SHAREHOLDER INFORMATION

Annual General Meeting

Date : May 9, 2011

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	**Tentative Schedule**
– June 30, 2011	1st week of August 2011
– September 30, 2011	2nd week of November 2011
– December 31, 2011	4th week of February 2012
– March 31, 2012	2nd week of May 2012

Book Closure Dates

April 30, 2011 to May 9, 2011 (both days inclusive)

Dividend Payment Date

May 16, 2011

LISTING ON STOCK EXCHANGES

The Equity Shares of the Company as on December 31, 2010 were listed on the Bombay Stock Exchange Ltd. and National Stock Exchange of India Ltd. 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 confirms that it has paid annual listing fees due to the Stock Exchanges for the year 2010-2011.

STOCK CODE

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

REGISTRAR AND TRANSFER AGENTS

M/s. Alankit Assignments Ltd. (Alankit), 2E/8, 1st Floor, Jhandewalan Extension, New Delhi-110 055 is 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, the Company's Registered Office at A- 41, Industrial Area Phase VIII-A, Sahibzada Ajit Singh Nagar (Mohali) – 160 071 (Punjab), Tel. No. 91-172-5013655 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 2010	533.50	432.35	533.40	432.00
February 2010	476.00	395.10	478.00	394.00
March 2010	491.60	450.00	490.85	426.40
April 2010	485.00	432.70	485.50	431.70
May 2010	469.50	364.20	494.40	403.15
June 2010	463.00	414.35	463.50	413.50
July 2010	467.95	441.10	467.90	441.00
August 2010	500.60	434.55	500.70	434.25
September 2010	579.90	490.00	580.00	489.35
October 2010	620.55	560.00	616.90	556.35
November 2010	624.90	530.50	624.20	530.05
December 2010	599.75	534.00	600.00	532.85

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 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.

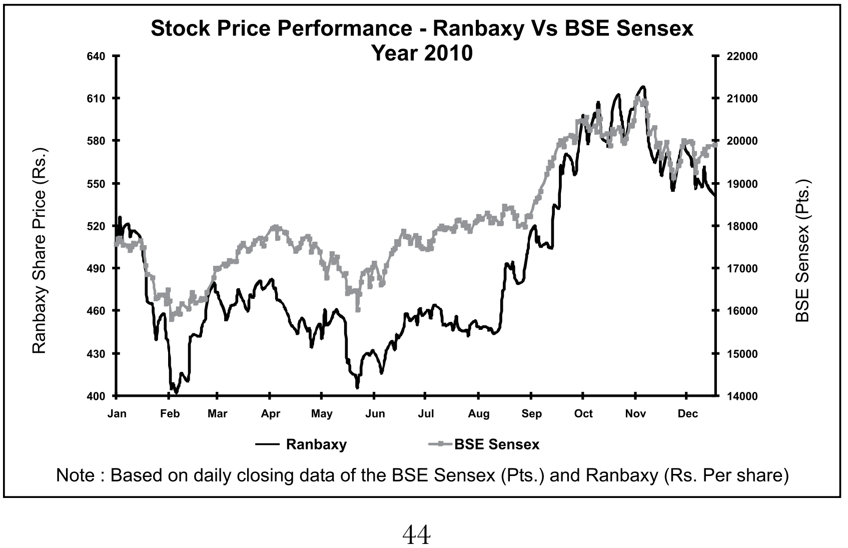
DEMATERIALISATION OF SHARES

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, 2010, 413,876,401 Equity Shares of the Company, forming 98.30 % of the Share Capital of the Company, stand dematerialised.

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

Shareholding Pattern as on December 31, 2010

Category	No. of Shares held	Percentage of Shareholding (%)
Promoters-Daiichi Sankyo Company, Ltd., Japan	268,711,323	63.82
Mutual Funds & UTI	10,407,611	2.47
Insurance Companies	38,348,545	9.11
FIIs	34,647,539	8.23
Banks & Financial Institutions	1,266,269	0.30
Bodies Corporate	12,577,064	2.99
Public shareholding	48,750,123	11.58
GDRs	6,332,219	1.50
Grand Total	**421,040,693**	**100.00**



Distribution of Shareholding as on December 31, 2010

From - To	No. of Shareholders		No. of Shares	
Number of shares	Number	% Total	Number	% Total
1 - 1000	166,502	94.10	18,296,578	4.35
1001 - 2000	5,540	3.13	7,958,146	1.89
2001 - 4000	2,920	1.65	8,164,600	1.94
4001 - 6000	855	0.48	4,185,964	0.99
6001 - 8000	344	0.20	2,388,633	0.57
8001 - 10000	193	0.11	1,747,040	0.42
10001 - 20000	298	0.17	4,062,348	0.96
20001& above	286	0.16	374,237,384	88.88
Total	**176,938**	**100.00**	**421,040,693**	**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, 2010 - 7,401,143*

* 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.

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.

6,332,219 GDRs representing 6,332,219 Equity Shares of Rs.5 each constituting 1.50% of the issued, subscribed and paid-up share capital of the Company, were outstanding as on December 31, 2010.

Plant Locations of the Company

1. A-8-11,
   Industrial Area Phase- III,
   Sahibzada Ajit Singh Nagar
   (Mohali) -160 055 (Punjab)
2. Village Toansa, P.O. Railmajra
   Distt. Nawansahar - 144533 (Punjab)
3. A-41, Industrial Area Phase VIII-A
   Sahibzada Ajit Singh Nagar
   (Mohali) – 160 071 (Punjab)
4. Industrial Area 3
   A.B. Road, Dewas-450 001,
   Madhya Pradesh
5. Village & PO Ganguwala
   Tehsil 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
Dist. Bhind-477 116, (M.P.)

10. Plot No. 1341 & 1342
    EPIP-1, Hill Top Industrial Area,
    Village-Bhatolikalan (Barotiwala)
    Baddi - 174103 (H.P)

Address for Correspondence

Shareholders are requested to contact –
Mr. S.K. Patawari
Company Secretary
Ranbaxy Laboratories Ltd.
Plot No. 90, Sector 32, Gurgaon-122001
Haryana
Tel.No. 91-124-4185888, 4135000
Fax No.91-124-4106490
Email address: secretarial@ranbaxy.com

Certificate

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 31 December, 2010, as stipulated in Clause 49 of the Listing Agreement of the Company with 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 **B S R & Co.**
Chartered Accountants
Registration No.: 101248W

Vikram Aggarwal
Partner
Membership No.: 089826

Place : Gurgaon
Dated : 22 February, 2011

CERTIFICATE FROM
MANAGING DIRECTOR AND DIRECTOR-GLOBAL ACCOUNTS

To the Board of Directors of Ranbaxy Laboratories Ltd.

We, Arun Sawhney, Managing Director and Ranjit Kohli, Director-Global Accounts certify that :

(a) We have reviewed financial statements and the cash flow statement for the year ended December 31, 2010 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.

Arun Sawhney	Ranjit Kohli
Managing Director	*Director-Global Accounts*

Place : Gurgaon
Date : February 22, 2011

BOARD OF DIRECTORS

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

REGIONAL HEADQUARTERS
Gurgaon [India], London [UK], Johannesburg [South Africa]
New Jersey [USA], Sao Paulo [Brazil]

MARKETING OFFICES
Douala [Cameroon], Kiev [Ukraine], Moscow [Russia], Ho Chi Minh City [Vietnam], Kaunas [Lithuania]
Nairobi [Kenya], Abidjan [Ivory Coast], Yangon [Myanmar], Beijing [China], Almaty [Kazakhstan]
Dubai [UAE], Harare [Zimbabwe], Casablanca [Morocco], Sofia [Bulgaria]

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

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

REGISTERED OFFICE
A-41, Industrial Area Phase-VIII-A, Sahibzada Ajit Singh Nagar [Mohali] - 160 071, Punjab [India]
Ph : [91-172] 5013655. Fax : [91-172] 5013376

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] 26237508. Fax : [91-11] 26225987

Your Directors have pleasure in presenting the 50th Annual Report and Audited Accounts for the year ended December 31, 2010.

STANDALONE WORKING RESULTS UNDER INDIAN GAAP

	Rs. in Million	
	Year ended December 31, 2010	**Year ended December 31, 2009**
Net Sales	**52,667.09**	45,359.09
Expenditure	**51,086.39**	43,255.83
Profit Before Tax	**15,652.45**	10,619.17
Tax charge	**4,165.19**	4,899.33
Profit After Tax	**11,487.26**	5,719.84
Balance as per last Balance Sheet	**(2,532.23)**	(8,265.83)
Transfer from Foreign Projects Reserve	**4.59**	13.76
Profit available for Appropriation	**8,959.62**	(2,532.23)
Appropriations:		
Proposed Dividend	**842.08**	–
Tax on Proposed Dividend	**139.86**	–
Transfer to General Reserve	**1,149.00**	–
Surplus/(Deficit) carried forward	**6,828.68**	(2,532.23)
CONSOLIDATED WORKING RESULTS UNDER INDIAN GAAP		
Net Sales	**85,506.73**	73,441.32
Expenditure	**77,101.95**	72,232.55
Profit Before Tax	**23,217.21**	10,097.62
Tax Charge	**5,848.76**	6,990.87
Profit After Tax	**17,368.45**	3,106.75
Share in Loss of Associates(Net)	**(59.15)**	(32.38)
Provision for diminution in the value of long term investment in associates	**2,216.20**	–
Minority Interest	**(125.59)**	(109.45)
Profit For The Year	**14,967.51**	2,964.92
Balance as per last Balance Sheet	**(1,031.24)**	(4,009.92)
Transfer from Foreign Projects Reserve	**4.59**	13.76
Profit Available for Appropriation	**13,940.86**	(1031.24)
Proposed Dividend	**842.08**	–
Tax on Proposed Dividend	**139.86**	–
Transfer to General Reserve	**1,149.00**	–
Surplus/(Deficit) Carried Forward	**11,809.92**	(1031.24)

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Financial Statements for the year ended December 31, 2010, under Indian GAAP form part of the Annual Report.

OPERATIONS

The Company recorded consolidated sales of Rs. 85,507 millions against Rs.73,441 millions in the previous year, registering a growth of 16 %. The growth in turnover was higher than the net growth registered by the Pharma industry in previous year. Profit Before Tax stood at Rs. 23,217.21 millions against Rs. 10,097.62 millions for the previous year registering a growth of 130%. Profit after tax and provision for diminution in value of investments in associates and minority interest stood at Rs.14,967.51 millions against Rs.2,964.92 millions for the previous year. Higher profits in the year are primarily on account of improved gross margin levels due to changes in product mix, revenues from First to File products in the US market, cost optimization and favorable forex movement. Continued focus of the Company on cost optimization and efficient working capital management is reflected in the strong growth in the operating profit.

As the Company and Daiichi Sankyo Company, Ltd. (DS), its holding Company, evolve in their pursuit of the Hybrid Business Model to leverage their mutual strengths, many opportunities in the front and back-end become available. The Company is working on various such initiatives.

The Company is continuously making sincere efforts for an early resolution of the issues raised by USFDA and the Department of Justice, USA and is fully co-operating with the concerned authorities.

DIVIDEND

Your Directors recommend a dividend of Rs. 2.00 per share of par value of Rs. 5/- each for the year ended December 31, 2010.

CHANGES IN CAPITAL STRUCTURE

Allotment of shares on exercise of Employees' Stock Options

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

Date of Allotment	No. of Shares
January 13, 2010	105,888
April 13, 2010	144,956
July 12, 2010	85,955
October 8, 2010	286,536

SUBSIDIARIES AND JOINT VENTURES

In view of the business model of the Company in Japan, Ranbaxy Japan K.K., a wholly owned subsidiary of the Company has been liquidated. Further, during the year, two non–operating wholly owned subsidiaries viz. Lapharma GmbH at Germany and Ranbaxy N.A.N.V, at Antilles, (The Netherlands) were also liquidated.

With a view to create a sustainable business base in North Africa, the Company has set up a wholly owned subsidiary in Morocco under the name of Ranbaxy Morocco LLC.

A statement pursuant to section 212 of the Companies Act, 1956, relating to subsidiary companies is attached to the accounts. In terms of the approval granted by the Central Government vide letter No. 47/718/2010–CL–III dated December 28, 2010 under Section 212(8) of the Companies Act, 1956, the audited accounts and Reports of Board of Directors and Auditors of the Company's subsidiaries have not been annexed to this Annual Report. The consolidated financial statements prepared in accordance with Accounting Standard – 21 issued by the Institute of Chartered Accountants of India presented in this Annual Report include the financial information of the subsidiary companies.

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 Schemes 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 Ltd. The annual listing fees for the year 2010–2011 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, alongwith 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. Atul Sobti stepped down as CEO & Managing Director of the Company effective August 19, 2010. The Director placed on record their appreciation for valuable contribution made by Mr.Sobti during his tenure with the Company. Mr. Arun Sawhney was appointed as Additional Director of the Company and holds office upto the date of the ensuing Annual General Meeting. The Company has received Notice alongwith requisite deposit from a member under Section 257 of the Companies Act, 1956, proposing the candidature of Mr. Arun Sawhney as a Director of the Company. Mr. Sawhney was also appointed as Managing Director of the Company effective August 20, 2010 for a period of three years. Approval of the shareholders is being sought at the ensuing Annual General Meeting for appointment of Mr. Sawhney as the Managing Director of the Company for a period of three years and payment of remuneration to him. Mr. Sawhney being the Managing Director will not be liable to retire by rotation in terms of the Articles of Association of the Company.

Dr. Anthony H. Wild and Mr. Akihiro Watanabe who were appointed as Directors of the Company in the casual vacancies caused by resignation of Dr. Brian W. Tempest and Mr. Surendra Daulet-Singh respectively hold office upto the date of the ensuing Annual General Meeting. The Company has received Notices alongwith requisite deposit from members under Section 257 of the Companies Act, 1956 proposing the candidatures of Dr. Anthony H. Wild and Mr. Akihiro Watanabe as Directors of the Company.

CORPORATE GOVERNANCE

Report on Corporate Governance alongwith the Certificate of the Auditors, M/s. B S R & Co. confirming compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the stock exchanges forms 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, 2010, will be submitted to the Central Government in due course.

AUDITORS

M/s. B S R & Co., Chartered Accountants, retire as Auditors of the Company at the conclusion of 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 ("Act") and Rules framed thereunder 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 Corporate Office of the Company.

ACKNOWLEDGEMENTS

The Directors hereby wish to place on record their appreciation of the significant contribution made by each and every employee of the Company. The Directors also thank all other stakeholders for their support and encouragement. Your Directors look forward to your continued support in the years to come.

On behalf of the Board of Directors

Dr. Tsutomu Une
Chairman

Gurgaon
February 22, 2011

ANNEXURE A

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

INDUSTRY STRUCTURE & DEVELOPMENTS

The Global Pharmaceutical market sales for 2010 is expected to be around $840-850 Bn* which reflects a growth of 4-5%. On a consolidated basis, the market is expected to grow at a CAGR of 4-7% to cross $1 Tn in sales by 2014. More than half of this increase (53%) in the Pharmaceutical market is expected to be contributed by the Pharmerging** markets forecasted to grow at 14-17%, while the rest is expected to come from the Developed*** markets which are forecasted to grow at a CAGR of 2-5%.

For 2011, IMS forecasts value of the Pharmaceuticals market between $880-890 Bn with a growth rate of between 5-7%. The Pharmaceutical sales in the United States of America is expected to be in the range of $320-330 Bn, with a growth rate of between 3-5% which will continue to be the single largest market in the world with ~37% share. Sales in Japan, the second largest Pharma market are expected to be in the range of $90-100 Bn reflecting a growth of 5-7%. Top 5 European markets are expected to have sales in the range of $135-145 Bn, growth of 1-3%. Pharma sales in the Pharmerging markets amounted to $170-180 Bn with a 15-17% growth.

The industry continues to remain highly fragmented and fiercely competitive especially due to increased genericisation. The Generics industry is at a critical point as it has the opportunity to capitalize on the products going off patent, in the short term, and, will thereafter face drying up of the First to File (FTF) Opportunities in the coming years. As a part response to cope with the challenges effectively, the industry has witnessed consolidation; this may be replicated across the Global Pharma and Generics industry.

Mature markets contribute to ~56% of the world Generics market currently, which is expected to go down to 50% by 2020 per IMS. Here too, the Pharmerging markets will grow at a significantly higher rate than the rest of the world; specifically by 2020, it is estimated that half of the Generics market will be between China, India and the United Stated of America.

Generics

The Generics segment of the Global Pharmaceutical market contributed $126 Bn, with a growth of 11% during 2010; this is twice the growth of the total Pharmaceuticals industry. Generics volume share in the world Pharma market also increased to ~50%. This trend is visible not only in the Developing markets but also in the Mature markets; volume contribution from the USA and Top 5 Europe markets crossed the half line mark. The market has expanded due to the increase in genericisation ($170 Bn drugs going off patent by 2015), healthcare cost containment by governments/ payers and relatively low penetration in some major geographies etc.

Contribution from the Pharmerging markets has gone up with China, India, Brazil, Turkey and Russia leading the way from contributing 19% in 2004, to contributing 33% to the Generics industry in 2010.

The United States of America: The prescription sales of branded products continued to decline during the year, while a recovery was seen in value terms. As with the Global Pharma market, the USA is the largest constituent of Generics, with 30% market share in 2010. Growth in the Generics in the country was ahead of Pharma growth for the country at ~9% (CAGR) since 2005. For the next few years, the USA will continue to be one of the most important market for Generic Companies.

Europe: The major European markets contribute to 25% by value to the worldwide Generics industry and have grown at ~9% (CAGR) (2005-09) as compared to low single digit growth for the Total Pharma industry. The Generics market growth is forecasted to slow down to 4% CAGR for 2009-14. Europe is evolving in a manner that it should now be studied in terms of different clusters: one way is to look at the West and East Europe markets separately another is to view some of the markets where INN-Generic penetration is high versus some, where branded Generics continue to be patronized.

India: The Indian pharmaceutical market (IPM) grew at ~18% to $10 Bn in 2010. This reflects a robust CAGR of 15% for 2004-10 period. The IPM is forecasted to continue to grow at 15-17% in the next 5 years. The key reasons for the growth are (i) faster economic growth with Gross Domestic Product growth at over 8%, (ii) increase in healthcare access due to government and private efforts and (iii) increase in penetration to smaller towns. Apart from the macro-factors, growth in the IPM was primarily driven by volume ~60% and new introductions ~40% with minimal price increases. Large products continued to become larger with the cut-off for top 300 products now at $5.5 Mn instead of $3.5 Mn.

OUTLOOK ON OPPORTUNITIES

The Global Generics industry has grown at 11% CAGR (2007-10) 2 times the growth of Global Pharma and is expected to continue on its growth path aided by multiple factors including (a) Opportunity of $170 Bn drugs going off patent by 2015. (b) Increasing burden of healthcare in developed markets, especially during difficult economic times. Countries such as the USA are front runners in this field, others such as the United Kingdom and Germany are following suit. (c) Despite all the focus on Generics, some of the major markets still have low penetration levels. These include parts of Europe and Japan. (d) Increasing access of Healthcare in developing economies and (e) Increasing competition in the industry and consolidation.

With ground presence in 46 countries that cover developed and emerging markets, multiple exclusive FTF opportunities in the United States from among the world's top selling drugs, Ranbaxy is well placed to benefit from this growth.

To capitalize on the Hybrid Business Model pioneered by Ranbaxy and Daiichi Sankyo, both the companies are working together for mutual benefit. On the front end, Ranbaxy continues to engage in promoting DS's innovator products in global markets including Romania, India and some African countries. On the back end, in FY 2010 approval was received from Department for Scientific and Industrial Research (DSIR) to transfer New Drug Discovery Research assets to Daiichi Sankyo India Pharma Pvt. Ltd. Further, Ranbaxy has also begun to collaborate in development and supply of new chemical compounds to Daiichi Sankyo. Many other front-end and back-end opportunities were explored during the year.

The United States of America: The USA, with half the world's Pharmaceuticals market and the largest Generics market is vital to the growth of Ranbaxy. For the first time, Ranbaxy USA crossed $0.5 Bn mark to close the year with sales of $0.6 Bn. The successful monetization of Valacyclovir (launched in November 2009), and launch of Donepezil (November 2010) reassures management's focus on this important market. Ranbaxy has also posted healthy growth in the USA business excluding FTF.

As of December 31, 2010, the Company had 205 ANDAs filed with the USFDA, of which 135 have been approved. Market size at innovator prices, of the pipeline of the Company's pending ANDAs, is ~$41 Bn. Of these, Ranbaxy believes that it has a Paragraph-IV / First to File Status (FTF) on 7 applications.

Europe: The Europe market is increasingly showing a marked difference between the countries that have gone the tender-way and others. This brings to fore buyer power in countries such as Germany, and, to a lesser extent the United Kingdom. Similarly, regionally too, Western Europe and Eastern Europe have different business models. Although Ranbaxy has been impacted by the above-mentioned changes in the region, it has been nimble in adjusting to the ongoing changes.

With respect to Romania, where Terapia Ranbaxy has faced liquidity crunch in the earlier years due to change in regulations etc., it has been able to tide through the difficulties and is in a stronger position today. Furthering Ranbaxy's presence in the region, Terapia Ranbaxy will cater to a larger portion of the manufacturing requirement for Europe and the CIS.

India: Subsequent to the growth witnessed by the IPM, per IMS, it is now the 3rd largest Generics Pharma market in the world.

Key reasons for this growth are the strong economic growth, healthcare infrastructure expansion, rising incidence of chronic diseases and increase in healthcare access in the extra urban and rural markets. Project "Viraat" was conceptualized to accelerate Ranbaxy's growth in the IPM and participate in its growth momentum. "Viraat" is an all encompassing strategy that covers augmenting field force, increasing coverage to the hitherto inadequately catered to markets, including therapies and increase in number of launches. The initiative should start to bear fruit in 2011.

Emerging countries: Ranbaxy has a strong presence in the Emerging markets, with 50% of total sales coming from the segment. The Company reaches out to countries in the Asia-Pacific, Africas, the CIS, LATAM etc. that are generally not as well covered by the Innovator Companies, and gives Ranbaxy an opportunity to enter the market with its 'Branded Generics' portfolio. Ranbaxy is a one of the largest players in world Generics Pharma space, with its understanding of the market specific requirements such as manufacturing practices, marketing expertise and regulations etc; and the associated risks and rewards for mature as well as the Emerging markets. It is this mix of geographies that also work as a natural hedge for the Company's business. This is an opportunity for Ranbaxy, which is well placed in the Pharmerging markets, to benefit from this phase of growth in the industry.

OUTLOOK ON THREATS, RISKS AND CONCERNS

Other than the risks faced by the Pharmaceuticals industry at large, the global Generics business faces risk associated with patent litigation, regulatory issues and product liability, especially in developed markets. Further, Innovator pharmaceutical companies also continuously work on developing new ways to enhance lifecycle of their patented drugs to delay entry of generic versions. As more and more drugs go off-patent, the Generics space is also becoming more competitive not just in the Developed world, but also in the Emerging countries.

Manufacture of pharmaceuticals is strictly regulated and controlled by authorities across the world. Should Ranbaxy, or its third party suppliers fail to fully comply with such regulations, there could be a government-enforced shutdown of concerned production facilities, revocation of drug approvals previously granted, failure or delay in obtaining approvals for new products, product recalls of existing drugs sold in the market, prohibition on the sale or import of non-complying products.

Regulators across the world have become stricter, in respect of compliance to requirements with even more severe consequences for non-compliance.

On its part, Ranbaxy is working with the United States Food & Drug Administration (USFDA) which has invoked its Application Integrity Policy ("AIP") against the Paonta Sahib manufacturing facility. The Company also faces challenges of import alert and warning letters from the USFDA for certain alleged cGMP violations. The Company continues to co-operate fully with the USFDA and the Department of Justice towards a comprehensive resolution.

In the Indian pharmaceuticals market, prices of certain pharmaceutical products is regulated by the Drug Pricing Policy through the Drug Pricing Control Order, 1995 (DPCO). Ranbaxy has some pending legal cases and in all the matters the Company has been granted orders from the respective Courts in its favor so far.

Over three-fourths of Ranbaxy's turnover comes from Overseas. Thus, sharp movements in foreign exchange rates can have a significant impact on the Company's financial results.

The above-mentioned issues are being provided as disclosure in relation to the matters by explaining the position.

SEGMENT-WISE PERFORMANCE

The Company recorded global sales of $1,868 Mn in 2010, a 20% growth at constant foreign exchange rate over the preceding year. Emerging markets contributed 50%, while Developed markets, helped by higher sales due to the First to File opportunity, contributed 44% to total sales. Dosage form sales accounted for 94% of sales.

INTERNAL CONTROL SYSTEMS AND ADEQUACY

There are documented and well established operating procedures in the Company and its subsidiaries in India and overseas. These provide direction and management control to safeguard the Company's interest apart from serving the purpose of adequate compliance commensurate to the size and complexity of Ranbaxy's business.

With regular periodicity, the findings and recommendations of the Internal Audit Team are shared with the Managing Director and the Audit Committee in the form of Internal Audit Reports/ Comments.

FINANCIAL PERFORMANCE

During the year, the Company recorded consolidated global sales of Rs.85,507 Mn ($ 1,868 Mn), a growth of 16% in rupee terms. Operating margins improved when compared with previous year on account of higher overall sales, close management of cost, capitalizing on the FTF Opportunities and foreign exchange earnings. Earnings before tax, share in loss of / diminution in the value of investments in associates and minority interest were Rs. 23,217 Mn ($507 Mn) and Earnings after tax were Rs. 14,968 Mn ($327 Mn).

HUMAN RESOURCES

Human capital is our most valuable asset; we promote a work culture, which facilitates entrepreneurship and innovative thinking by challenging individual potential and rewarding achievements.

Our structured developmental intervention provides the platform for individuals to perform to their full potential. We continue our endeavor to celebrate success at all platforms from local to Global level so as to recognize exceptional performance across the globe.

As an overall philosophy we are driving the process of global harmonization of our HR policies and processes for the benefit of our people. Benchmarking surveys at global level enable us to stand strong against market parameters of pay and reward. There is a strong pay and performance linkage to ensure employees are motivated to work harder and contribute to the overall performance of the organization.

The total number of employees of the Company and its subsidiaries as on December 31, 2010 stood at 13,420.

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.

* *Source IMS Global Pharmaceutical Market Forecast: October 2010*

** *Pharmerging markets: China, Brazil, Russia, India, Mexico, Turkey, Venezuela, Poland, Argentina, Thailand, Romania, Indonesia, South Africa, Egypt, Ukraine, Pakistan and Vietnam*

*** *Developed markets: US, Japan, UK, Spain, Germany, France, Italy and Canada*

ANNEXURE B

Information regarding the Employees' Stock Option Schemes
(As on December 31, 2010)

S. No.	Details	Nos.
1.	Total No. of Options in force at the beginning of the year	7,413,016
2.	Options granted in the year 2010	1,573,669
3.	No. of Options vested during the year	1,245,645
4.	No. of Options exercised during the year	589,939
5.	No. of shares arising as a result of exercise of options during the year (including additional shares allotted on account of bonus shares as explained in Note 2 below)	623,335
6.	No. of Options lapsed and forfeited during the year	995,603
7.	Variance in terms of options	N.A.
8.	Money realized by exercise of options during the year	Rs. 203,195,659
9.	Total No. of Options in force at the end of the year	7,401,143

Note:

Options granted upto October 3, 2002, are entitled for additional shares on account 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 (NSE) on February 23, 2010 was Rs. 449.60 per share. Accordingly, exercise price of the options granted by the CC at the meeting held on February 24, 2010 was fixed at Rs. 450 per Share of Rs. 5 each.

(i) Options granted in the year 2010 to senior managerial personnel@:

Name	Designation (Present)	No. of Stock Options
Mr. Arun Sawhney	Managing Director*	15000
Dr. Sudershan K. Arora	President-R&D	15000
Mr. Ramesh L. Adige	President-Corporate Affairs & Global Corporate Communications	15000
Mr. Rajbeer Sachdeva	Head-Global Legal	4200$
Mr. Bhagwat Yagnik	Head-Global Human Resources	5000$
Mr. Sanjeev I Dani	Senior Vice President & Regional Director-Asia, CIS & Africa	12500
Mr. Ashwani Kumar Malhotra	Senior Vice President-Global Pharma Manufacturing & Supply Chain	12500
Mr. Ranjan Chakravarti	Senior Vice President –Global Therapy & Alliance Management	10000
Mr. K. Venkatachalam	Vice President & Regional Director - North America & LATAM	12500
Mr. Debashish Dasgupta	Vice President & Regional Director-Europe	10000
Mr. T. L. Easwar	Vice President-API Manufacturing	10000
Mr. Govind K. Jaju	Vice President-Global Materials Sourcing & API Business	10000
Mr. S. K. Patawari	Company Secretary	7600$

@ Excludes the Senior Managerial personnel who ceased to be in employment with the Company.
* Granted when he was President-Global Pharmaceutical Business of the Company.
$ Pro-rated based on date of joining/promotion.

(ii)	Employees who have been granted 5% or 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. 23.75

(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. 193.08 Mn
	(c) The impact of this difference on profits and on EPS of the Company	:	Profit after tax : Rs. 11,487.26 Mn Less: additional employee compensation cost based on *fair value* (net of tax) : Rs. 193.08 Mn Adjusted PAT : Rs.11,294.18 Mn Adjusted EPS (diluted) : Rs. 23.32

(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 previous day of the 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
16.01.2008	391.00	107.06	390.75
11.06.2008	561.00	172.89	560.75
19.12.2008	219.00	63.31	218.60
21.01.2009	216.00	92.97	215.15
24.02.2010	450.00	218.64	449.60

(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 :

Particulars	Options granted on 24.02.2010
Dividend yield	3.93%
Expected life of options from the date(s) of grant	6.5 years
Risk free interest rate	7.72%
Expected volatility	40.30%

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 (in Rs. Million)
• Furnace Oil (FO) was replaced with Natural Gas (LNG) for steam generation in boilers & incinerator.	76.80
• Power Trading at tariff lower than that of PSEB, from June to December 2010.	20.91
• Peak load exemption increased from 5200 KVA to 6000 KVA. This has helped to avoid operation of DG Sets during the peak load restriction, thereby resulting in net reduction in HSD consumption by 0.4 Mn Lts of HSD.	18.00
• By good maintenance of steam and condensate system and implementation of energy audit recommendations conducted by M/s Forbes Marshall, there has been improvement in the condensate trapping systems, condensate recovery and overall reduction in usage of furnace oil by 0.3 Mn Lts.	6.00
• Power saving by auto control of general area lighting, HVAC operational controls as per the requirement of the production, installation of motion control in the office and canteen area, better operational control on chillers etc. resulted in reduction in power consumption by 1.3 Mn Units.	5.00
• Power Factor of Unity was maintained from January to December 2010.	4.17
• Re-engineering of cold water pumps in New Utility and cooling tower pump in ETP.	3.82
• Installation of two numbers fan–less cooling towers.	1.71
• Optimized the CHW machines & pumping systems to have suitable loading & adequate flow on return header, thereby reducing 1548 running hours till October 2010.	1.25
• Optimized consumption of air and stopped one air compressor.	0.90
• Replacement of steam traps and better recovery of condensate back to boiler house.	0.70
• Power Factor was maintained at 0.99 & Load Factor maintained above 50%.	0.70
• Optimization of air flow rate in AHUs. This project was done in a phased manner in different plants.	0.65
• Power Factor maintained at Unity and got power factor compensation from PSEB.	0.50
• Automation of boiler to increase the throughput from 2.5 TPH to 3 TPH	0.36
• Installation of electronic expansion valves in place of thermostatic expansion valves to improve the refrigeration chiller efficiency.	0.33
• Chilled Brine and CHW plant return line water fed directly to chiller, thereby eliminating primary pump of 5.5 KW.	0.33
• Control mechanism put in place in Boiler Plants for Furnace oil quality monitoring, TDS management, Blow down management.	0.30
• Provided CHW circulation in place CW in the condenser of CHB–4 & 5A machine for improving the efficiency of machine and to tap the excess chilled water system available. Savings of 11 KW per machine on total running hours of machine.	0.18
• Installation of timer on tube lights (92 nos) of MCC rooms to switch them off automatically when not required	0.18
• Carried out corrections for cooling tower fans for LG ratio. The action required adjustment of fan blade angle based on output & KW drawn.	0.16

2. RESEARCH & DEVELOPMENT

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

- Develop technology for Active Pharmaceutical Ingredients (APIs), conventional & value added innovative dosage forms - complying with 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.
- 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.
- 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 and strategic alliances.
  - 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 in the areas of Novel Drug Delivery Systems.
- Continue developing innovative, commercially viable process know–how for both Active Pharmaceutical Ingredients (APIs) and dosage forms.
- 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. Millions

	Year ended December 31, 2010	Year ended December 31, 2009
– Capital	**198.20**	221.98
– Revenue	**4,780.70**	4,721.84
– Total	**4,978.90**	4,943.82
– % to turnover	**9.48%**	10.90%

3. TECHNOLOGY, ABSORPTION, ADAPTATION AND INNOVATION

a) Efforts in brief, made towards technology absorption and innovation

– As per 2(a)

b) Benefit derived as a result of the above efforts, e.g. product improvement, cost reduction, product development, import substitution etc.

– 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 Novel Drug Delivery System)

b) Information in case of imported technology (imports during the last five year)

– Not applicable

4. FOREIGN EXCHANGE EARNINGS AND OUTGO

Activities relating to exports, initiatives taken to increase exports; development of new export markets of products and export plans -

- Overseas sales (excluding sales to Nepal) were Rs. 34, 435.51 Mn for the financial year ended December 31, 2010.
- Company continued to file Drug Master Files (DMF's) for API 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.
- Exports continued to be key focus for company and initiatives including alliances are initiated in International Markets.
- Company successfully launched First to File product Donepezil in US Market in current year.
- Several new Dosage formulations / Product launches like Atorvastatin in Canada, South Africa, Romania took place during the year,
- Company in pursuit of the Hybrid Business Model with Daiichi Sankyo Company, Limited (DS), its Holding Company, has launched several products of DS in Romania, Mexico and South Africa.

Rs. Millions

	Year ended December 31, 2010	Year ended December 31, 2009
Earnings	**37,866.43**	31,364.51
Outgo	**11,997.48**	13,100.41

FORM - A

Form for disclosure of particulars with respect to conservation of energy

	Current Year 2010	Previous Year 2009
A. Electricity and Fuel Consumption		
1. Electricity		
(a) Purchased Units (KWH)	**146,945,800**	132,372,169
Total Amount (Rs. Million)	**655.65**	561.87
Rate/Unit (Rs.)	**Rs. 4.46**	Rs. 4.24
(b) Own Generation		
i) Through Diesel Generator Unit (KWH)	**9,401,043**	12,308,322
Unit per Ltr. of Diesel Oil	**3.40**	3.48
Cost/Unit	**Rs. 10.12**	Rs. 8.29
ii) Through Steam Turbine/Generator	**Not Applicable**	Not Applicable
2. Coal (Specify quality and where used)	**Not Applicable**	Not Applicable
3. Steam		
(a) Furnace Oil Qty. (K. Ltrs.)	**11,478**	16,364
Total Amount (Rs Million)	**336.22**	378.90
Average Rate (Rs. per Ltr.)	**Rs. 29.29**	Rs. 23.15
(b) LNG Qty. (1000's SCM)	**6,604**	0.00
Total Amount (Rs Million)	**127.40**	0.00
Average Rate (Rs. per SCM)	**Rs. 19.29**	Rs. 0.00
(c) HSD Qty. (K. Ltrs.)	**1,072**	716.00
Total Amount (Rs Million)	**32.44**	20.32
Average Rate (Rs. per Ltr.)	**Rs. 30.25**	Rs. 28.37
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	**88.51**	91.36
Dosage Forms	(kwh per 1000 packs)		**104.03**	105.78
Furnace Oil				
Active Pharmaceutical Ingredients	(Ltrs per Kg)		**8.26**	11.05
Dosage Forms	K. Ltrs per 1000 packs)		**0.005**	0.01
LNG				
Active Pharmaceutical Ingredients	(1000's SCM per Kg)		**3.48**	–
Dosage Forms	(1000's SCM per 1000 packs)		**0.01**	–
Coal			**Not Applicable**	Not Applicable
Others			**Not Applicable**	Not Applicable

TEN YEARS
AT A GLANCE

Rs. Millions

	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010
Results for the year										
Sales	20545.4	28197.9	35334.9	36143.4	35366.5	40587.1	41844.9	43083.6	45211.8	**52514.9**
Index	1.0	1.4	1.7	1.8	1.7	2.0	2.0	2.1	2.2	**2.6**
Exports	10290.8	18502.9	24674.6	24562.4	23371.1	27175.7	26411.2	28109.8	28377.5	**34435.5**
Index	1.0	1.8	2.4	2.4	2.3	2.6	2.6	2.7	2.8	**3.3**
Gross Profit	3924.1	7304.8	10061.4	7211.7	3178.8	6081.7	9865.6	(5713.3)	11002.7	**17070.9**
Index	1.0	1.9	2.6	1.8	0.8	1.5	2.5	(1.5)	2.8	**4.4**
Profit before Tax	2777.7	7133.8	9563.7	6283.4	2013.6	4429.8	7744.1	(16190.8)	10619.2	**15652.5**
Index	1.0	2.6	3.4	2.3	0.7	1.6	2.8	(5.8)	3.8	**5.6**
Profit after Tax	2519.6	6235.8	7947.8	5284.7	2237.0	3805.4	6177.2	(10448.0)	5719.8	**11487.3**
Index	1.0	2.5	3.2	2.1	0.9	1.5	2.5	(4.1)	2.3	**4.6**
Equity Dividend	1158.9	2434.0 $	3156.3	3162.6	3166.7	3168.9	3171.5	0.0	0.0	**842.1**
Index	1.0	2.1	2.7	2.7	2.7	2.7	2.7	0.0	0.0	**0.7**
Equity Dividend (%)	100	150	170	170	170	170	170	–	–	**40**
Earning per share (Rs.)	21.86	28.86	42.61	28.26	5.68 ^	9.87 ^	11.31	–27.29	10.74	**23.75**
Year-end Position										
Gross Block+	9278.2	10448.8	12470.6	16669.4	22321.6	24354.5	25889.0	28155.1	30358.4	**31878.2**
Index	1.0	1.1	1.3	1.8	2.4	2.6	2.8	3.0	3.3	**3.4**
Net Block	6130.5	6753.9	8017.9	11417.4	16328.1	17359.1	17969.4	18854.4	20083.2	**20423.0**
Index	1.0	1.1	1.3	1.9	2.7	2.8	2.9	3.1	3.3	**3.3**
Net Current Assets	7454.5	9564.4	13302.9	9466.8	11281.0	12630.0	12588.2	8493.6	12210.7	**35463.7**
Index	1.0	1.3	1.8	1.3	1.5	1.7	1.7	1.1	1.6	**4.8**
Net Worth	16069.7	18828.1	23217.8	25095.1	23773.0	23500.1	25383.9	37167.7	41346.1	**51323.9**
Index	1.0	1.2	1.4	1.6	1.5	1.5	1.6	2.3	2.6	**3.2**
Share Capital	1158.9	1854.5	1855.4	1858.9	1862.2	1863.4	1865.4	2101.9	2102.09	**2105.2**
Reserve & Surplus	14910.8	16973.6	21362.3	23236.2	21910.8	21636.7	23518.6	35065.8	39244.0	**49218.7**
Book value per share (Rs.)	138.66	101.52 $$	125.13	135.00	63.84 ^	63.05 ^	68.04	88.42	98.35	**121.90**
No. of Employees	6424	6297	6797	7195	7174	8020	8141	8536	9655	**9933**

Index : No. of times

\+ Includes Capital Work-in-Progress

$ 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

Sales are stated net of excise duty and discount from 2008 onwards

Sales are stated net of excise duty, discount and replacement of breakages from 2009

To the Members of
Ranbaxy Laboratories Limited

a) We have audited the attached Balance Sheet of Ranbaxy Laboratories Limited ('the Company') as at 31 December 2010 and also the Profit and Loss Account and the Cash Flow Statement (collectively referred to as 'financial statements') of the Company for the year ended on that date, annexed thereto. 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.

b) We conducted our audit in accordance with 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 statements presentation. We believe that our audit provides a reasonable basis for our opinion.

c) As required by the Companies (Auditor's Report) Order, 2003 ('the Order') 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 paragraphs 4 and 5 of the said Order.

d) Further to our comments in the Annexure referred to above, we report that:
   (i) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;
   (ii) 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;
   (iii) the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account;
   (iv) in our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Act, to the extent applicable;
   (v) on the basis of written representations received from the directors of the Company as at 31 December 2010, and taken on record by the Board of directors, we report that none of the directors is disqualified as at 31 December 2010 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Act;

e) Without qualifying our opinion, we draw attention to note 2 of schedule 23 of the financial statements, wherein it has been stated that the Company continues to cooperate, for an effective resolution, with:
   - the Food and Drug Administration of the United States of America for import alert and warning letters issued primarily relating to Good Manufacturing Practice for some of the products manufactured at certain manufacturing facilities of the Company in India and Application Integrity Policy against one of its manufacturing facility in India; and
   - the Department of Justice of the United States of America regarding certain charges relating to possible issues with data submitted by the Company in support of product filings.

   Due to the inherent uncertainty of the outcome of the above mentioned matters, financial impact, if any, of the outcome cannot be reliably ascertained at this stage, and accordingly, no adjustment has been made to these financial statements.

f) Without qualifying our report, we draw attention to note 14 of schedule 23 of the financial statements, wherein it is stated that the appointment and remuneration of Mr. Arun Sawhney as the Managing Director of the Company with effect from 20 August 2010 has been approved by the Board of Directors, but the requisite regulatory approval from shareholders is yet to be obtained. In accordance with the remuneration determined by the Board of Directors, Rs. 32.91 million (including commission) has been accounted for as an expense in the Profit and Loss Account for the year ended 31 December 2010.

g) in our opinion and to the best of our information and according to the explanations given to us, the said financial statements give the information required by the Act, in the manner so required and gives a true and fair view in conformity with the accounting principles generally accepted in India:
   i) in the case of the Balance Sheet, of the state of the affairs of the Company as at 31 December 2010;
   ii) in the case of the Profit and Loss Account, of the profit of the Company for the year ended on that date; and
   iii) in the case of the Cash Flow Statement, of the cash flows of the Company for the year ended on that date.

For B S R & Co.
Chartered Accountants
Membership No. 101248W

Vikram Aggarwal
Partner
Membership No. 089826

Place : Gurgaon
Dated : 22 February 2011

Annexure to the Auditors' Report

(Referred to in our report of even date)

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

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

(c) Fixed assets disposed off during the year were not substantial, and therefore, do not affect the going concern assumption.

(ii) (a) The inventory, except goods-in-transit, has been physically verified by the management during the year. In our opinion, the frequency of such verification is reasonable.

(b) In our opinion, 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. The discrepancies noticed on verification between the physical stocks and the book records were not material.

(iii) The Company has neither granted nor taken any loans, secured or unsecured, to or from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956.

(iv) In our opinion and according to the information and explanations given to us, and having regard to the explanation that sale of certain items of goods are for the specialised requirements of the buyers and suitable alternative sources are not available to obtain comparable quotations, there is an adequate internal control system commensurate with the size of the Company and the nature of its business with regard to purchase of inventories and fixed assets and for sale of goods and services. Further, on the basis of our examination and according to information and explanations given to us, there has been no continuing failure to correct the weaknesses in the aforesaid internal control system, and adequate action is being taken by the management to rectify any weaknesses, as identified.

(v) In our opinion and according to the information and explanations given to us, there are no contracts and arrangements, the particulars of which need to be entered into the register maintained under section 301 of the Companies Act, 1956.

(vi) The Company has not accepted any deposits from the public.

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

(viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules prescribed by the Central Government for maintenance of cost records under section 209(1)(d) of the Companies Act, 1956, in respect of its products and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained. However, we have not carried out a detailed examination of the records with a view to determine whether these are accurate or complete.

(ix) (a) According to the information and explanations given to us, and on the basis of our examination of the records of the Company, amounts deducted / accrued in the books of account in respect of 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 and other material statutory dues have generally been regularly deposited during the year by the Company with the appropriate authorities.

There were no dues on account of cess under section 441A of the Companies Act, 1956, since the date, from which the aforesaid section comes into force, has not yet been notified by the Central Government.

According to the information and explanations given to us, no undisputed amounts payable in respect of Provident fund, Investor education and protection fund, Employees' state insurance, Income tax, Sales tax, Wealth tax, Service tax, Customs duty, Excise duty and other material statutory dues were in arrears as at 31 December 2010 for a period of more than six months from the date those became payable.

(b) According to the information and explanations given to us, there are no dues of Income tax, Wealth tax, Service tax and Customs duty which have not been deposited with the appropriate authorities on account of any dispute. According to the information and explanations given to us, the following dues of Sales tax and Excise duty have not been deposited by the Company on account of disputes:

Name of the Statute	Nature of the dues	Amount (Rs. in million)	Period to which the amount relates	Forum where disputes are pending
Central Excise Act, 1944	Central Excise (CENVAT, Interest and Penalty)	39.90	2001-2006	Supreme Court / High Court/ CESTAT / Commissioner
Punjab General Sales Tax Act, 1948.	Purchase Tax (Interest and Penalty)	2.25	1989-90 and 1990-91	Sales Tax Tribunal
U.P. Sales Tax Act, 1948.	Sales Tax	13.73	2007-09	High Court, Lucknow / Sales Tax Tribunal / Additional Commissioner

(x) The Company does not have any accumulated losses at the end of the financial year and has not incurred cash losses in the financial year and in the immediately preceding financial year.

(xi) In our opinion and according to the information and explanations given to us, the Company has not defaulted in repayment of dues to its bankers or debenture holders. There were no dues to financial institutions.

(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.

(xiii) In our opinion and according to the information and explanations given to us, the Company is not a chit fund or a nidhi / mutual benefit fund / society.

(xiv) According to the information and explanations given to us, the Company is not dealing or trading in shares, securities, debentures and other investments.

(xv) In our opinion and according to the information and explanations given to us, the terms and conditions on which the Company has issued letters of comfort, in respect of loans taken by its subsidiary companies from banks, are not prejudicial to the interest of the Company.

(xvi) In our opinion and according to the information and explanations given to us, the term loans taken by the company during the year are lying unutilised as at the year end.

(xvii) According to the information and explanations given to us, and on an overall examination of the balance sheet of the Company, we are of the opinion that the funds raised on short-term basis have not been used for long-term investment.

(xviii) The Company has not made any preferential allotment of shares during the year to companies/ firms/ parties covered in the register maintained under section 301 of the Companies Act, 1956.

(xix) The Company has issued non-convertible debentures during the year which were redeemed before the year end. According to the information and explanations given to us, security was not created in respect of these debentures as these were redeemed before expiry of the time limit for creation of security as stipulated in the letters of allotment.

(xx) The Company has not raised any money by public issues during the year.

(xxi) According to the information and explanations given to us, no material fraud on or by the Company has been noticed or reported during the course of our audit. However, as informed to us, a case of misappropriation of funds through falsification of documents resulting in a minor fraud to the extent of approximately Rs. 3 million has been noticed during the year. As further informed to us, the Company has taken adequate follow up action, including strengthening of systems.

For B S R & Co.
Chartered Accountants
Membership No. 101248W

Vikram Aggarwal
Partner
Membership No. 089826

Place : Gurgaon
Dated : 22 February 2011

Balance Sheet as at 31 December 2010

(Rupees in millions, except for share data, and if otherwise stated)

	Schedule/ Note	As at 31 December 2010	As at 31 December 2009
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	**2,105.20**	2,102.09
Equity share warrants	23(3)	–	1,756.59
Share application money pending allotment		**65.96**	1.95
Reserves and surplus	2	**49,152.76**	37,485.42
		51,323.92	41,346.05
Loan funds			
Secured loans	3	**1,953.85**	1,758.27
Unsecured loans	4	**40,653.30**	31,725.53
		42,607.15	33,483.80
		93,931.07	74,829.85
APPLICATION OF FUNDS			
Fixed assets	5		
Gross block		**28,576.34**	26,209.20
Less: Accumulated depreciation, amortisation and impairment		**11,455.16**	10,275.15
Net block		**17,121.18**	15,934.05
Capital work-in-progress	23(8)	**3,301.82**	4,149.16
		20,423.00	20,083.21
Investments	6	**38,044.37**	38,336.90
Deferred tax assets (net)	7	–	4,199.08
Current assets, loans and advances			
Inventories	8	**14,899.06**	12,304.82
Sundry debtors	9	**12,926.32**	15,346.48
Cash and bank balances	10	**27,122.82**	7,541.24
Loans and advances	11	**11,498.55**	9,648.16
Other current assets	12	**3,205.97**	1,558.74
		69,652.72	46,399.44
Less: Current liabilities and provisions			
Current liabilities	13	**24,910.82**	26,558.44
Provisions	14	**9,278.20**	7,630.34
		34,189.02	34,188.78
Net current assets		**35,463.70**	12,210.66
		93,931.07	74,829.85

Significant accounting policies	22
Notes to the financial statements	23

The schedules referred to above form an integral part of the Balance Sheet

As per our report attached

For B S R & Co.
Chartered Accountants
Registration No.: 101248W

Vikram Aggarwal
Partner
Membership No. 089826

Place : Gurgaon
Dated : 22 February 2011

For and on behalf of the Board of Directors

Dr. Tsutomu Une
Chairman

Arun Sawhney
Managing Director

Ranjit Kohli
Director - Global Accounts

Sushil K. Patawari
Company Secretary

Place : Gurgaon
Dated : 22 February 2011

Profit and Loss Account for the year ended 31 December 2010

(Rupees in millions, except for share data, and if otherwise stated)

	Schedule/ Note	For the year ended 31 December 2010	For the year ended 31 December 2009
INCOME			
Operating income	15	56,873.25	47,974.89
Less: Excise duty		152.23	147.29
		56,721.02	47,827.60
Other income	16	10,017.82	6,047.40
		66,738.84	53,875.00
EXPENDITURE			
Materials consumed	17	21,709.34	20,480.28
Personnel expenses	18	7,761.38	7,284.04
Operating and other expenses	19	14,712.20	13,614.82
Provision for diminution in value of long term investments	23(5)	4,078.00	–
Interest expense	23(13)(b)	541.94	394.66
Depreciation, amortisation and impairment	5	2,283.53	1,482.03
		51,086.39	43,255.83
Profit before tax		15,652.45	10,619.17
Tax charge (net)	20	4,165.19	4,899.33
Profit after tax		11,487.26	5,719.84
Balance brought forward		(2,532.23)	(8,265.83)
Transfer from foreign projects reserve		4.59	13.76
Net profit available for appropriation		8,959.62	(2,532.23)
APPROPRIATIONS			
Proposed dividend		842.08	–
Tax on proposed dividend		139.86	–
Transfer to general reserve		1,149.00	–
Surplus/ (deficit) carried forward to Reserves and Surplus (Schedule 2)		6,828.68	(2,532.23)
Earnings per share (Rs.)	21		
Basic - Par value of Rs. 5 per share		27.30	13.61
Diluted - Par value of Rs. 5 per share		23.75	10.74
Significant accounting policies	22		
Notes to the financial statements	23		

The schedules referred to above form an integral part of the Profit and Loss Account

As per our report attached

For B S R & Co.
Chartered Accountants
Registration No.: 101248W

Vikram Aggarwal
Partner
Membership No. 089826

Place : Gurgaon
Dated : 22 February 2011

For and on behalf of the Board of Directors

Dr. Tsutomu Une
Chairman

Arun Sawhney
Managing Director

Ranjit Kohli
Director - Global Accounts

Sushil K. Patawari
Company Secretary

Place : Gurgaon
Dated : 22 February 2011

Cash Flow Statement for the year ended 31 December 2010

(Rupees in millions, except for share data, and if otherwise stated)

	For the year ended 31 December 2010	For the year ended 31 December 2009
A. CASH FLOW FROM OPERATING ACTIVITIES		
Profit before taxes	**15,652.45**	10,619.17
Adjustments for :		
Depreciation, amortisation and impairment	**2,283.53**	1,482.03
Fixed assets written off	**86.04**	12.00
Reversal of deferred employees compensation	**(3.45)**	(8.17)
Unrealised foreign exchange gain	**(856.52)**	(1,818.26)
Fair valuation gain on options	**(5,473.50)**	(8,932.47)
Dividend income	**(13.06)**	(9.54)
Profit on sale of current investments	**(2,255.03)**	(420.33)
Unclaimed balances/ excess provision written back	**(225.79)**	(1,116.76)
Profit on sale of assets (net)	**(260.59)**	(237.34)
Provison for diminution in value of long term investments	**4,078.00**	–
(Reversal)/ provision for diminution in value of current investments	**(4.36)**	53.92
Interest expense	**541.94**	394.66
Interest income	**(1,451.70)**	(945.47)
Provision / write-off of doubtful debts, advances and other current assets	**166.80**	48.71
	(3,387.69)	(11,497.02)
Operating profit/ (loss) before working capital changes	**12,264.76**	(877.85)
Adjustments for :		
Increase in inventories	**(2,594.24)**	(319.64)
Decrease/ (increase) in sundry debtors	**2,050.68**	(5,410.08)
Decrease/ (increase) in loans and advances	**171.05**	(112.09)
Increase in other current assets	**(496.19)**	(14.42)
Increase in current liabilities and provisions	**4,524.89**	2,453.38
	3,656.19	(3,402.85)
Cash generated from/ (used in) operating activities before taxes	**15,920.95**	(4,280.70)
Direct taxes paid (net of refunds)	**(4,232.08)**	(2,373.64)
Net cash generated from/ (used in) operating activities	**11,688.87**	(6,654.34)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	**(3,283.58)**	(2,747.61)
Proceeds from sale of fixed assets	**769.65**	358.56
Purchase of certificates of deposits	**(3,922.74)**	–
Investment in subsidiaries	**–**	(2,404.49)
(Increase)/ decrease in fixed deposit with a maturity more than 90 days	**(18,820.15)**	3,865.19
Sale proceeds of investments (net of expenses)	**2,396.66**	614.28
Decrease in loans/ advances to subsidiaries	**1,494.18**	324.42
Increase/ (decrease) in secured loans to employees	**2.41**	(8.02)
Interest received	**672.51**	849.34
Dividend received	**13.06**	9.54
Net cash (used in)/ generated from investing activities	**(20,678.00)**	861.21
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of capital (including premium)	**267.20**	13.44
Increase/ (decrease) in short term bank borrowings (net)	**7,607.29**	(1,737.94)
Proceeds from long term bank borrowings	**3,733.15**	–
Re-payment of long term bank borrowings	**(1,152.71)**	–
(Decrease)/ increase in other borrowings (net)	**(19.78)**	15.17
Short term borrowings from non convertible debentures	**1,600.00**	2,000.00
Re-payment of short term borrowings of non convertible debentures	**(1,600.00)**	(2,000.00)
Interest paid	**(520.32)**	(432.09)
Net cash (used in)/ generated from financing activities	**9,914.83**	(2,141.42)
INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	**925.70**	(7,934.55)
Cash and cash equivalents at the beginning of the year	**689.31**	8,622.07
Effect of exchange (gain)/ loss on cash and cash equivalents	**3.30**	1.79
Cash and cash equivalents at the end of the year	**1,618.31**	689.31
Notes :		
Cash and cash equivalents include :		
Cash and cheques in hand and remittances in transit	**101.74**	68.05
With banks in :		
Current accounts	**66.57**	121.26
Deposit accounts	**1,450.00**	500.00
Cash and cash equivalents at the end of the year	**1,618.31**	689.31
Add: Restricted cash		
Fixed deposit pledged (restricted cash)	**0.86**	0.79
Unclaimed dividend	**56.04**	66.33
Fixed deposit more than 90 days	**25,447.61**	6,784.81
Cash and bank balances at the end of the year	**27,122.82**	7,541.24

Note: The above cash flow statement has been prepared under the indirect method set out in Accounting Standard 3 'Cash Flow Statement' specified in the Companies (Accounting Standards) Rules, 2006.

As per our report attached

For B S R & Co.
Chartered Accountants
Registration No.: 101248W

Vikram Aggarwal
Partner
Membership No. 089826

Place : Gurgaon
Dated : 22 February 2011

For and on behalf of the Board of Directors

Dr. Tsutomu Une
Chairman

Arun Sawhney
Managing Director

Ranjit Kohli
Director - Global Accounts

Sushil K. Patawari
Company Secretary

Place : Gurgaon
Dated : 22 February 2011

Schedules forming part of the financial statements for the year ended 31 December 2010
(Rupees in millions, except for share data, and if otherwise stated)

	As at 31 December 2010	As at 31 December 2009
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		
421,040,693 (previous year 420,417,358) equity shares of Rs. 5 each fully paid (Refer to note 6 of Schedule 23)	**2,105.20**	2,102.09
	2,105.20	2,102.09

Notes :

1. Issued, subscribed and paid up 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 share 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 a contract without payment being received in cash.
   - [iii] 6,332,219 Global Depository Shares (GDSs) (previous year 5,501,185) representing 6,332,219 (previous year 5,501,185) equity shares of Rs. 5 each constituting 1.50% (previous year 1.31%) of the issued subscribed and paid-up share capital of the Company.
2. 268,711,323 (previous year 268,711,323) equity shares of Rs. 5 each are held by Daiichi Sankyo Co. Ltd., Japan, the holding company, also being the ultimate holding company.

	As at 31 December 2010	As at 31 December 2009
SCHEDULE - 2		
Reserves and surplus		
(a) Capital reserve		
Balance at the beginning of the year	**5.41**	5.41
Add: Forfeiture of equity share warrants (Refer to note 3 of Schedule 23)	**1,756.59**	–
	1,762.00	5.41
(b) Amalgamation reserve	**43.75**	43.75
(c) Share premium account		
Balance at the beginning of the year	**35,564.74**	37,862.17
Add: Received during the year	**200.08**	11.26
Add: Transferred from employees stock option outstanding	**8.21**	1.89
	35,773.03	37,875.32
Less: Premium payable on redemption of Zero Coupon Foreign Currency Convertible Bonds (FCCBs)	**954.34**	1,083.41
Less: Tax reversal for premium payable on redemption of FCCBs	**–**	1,227.17
	34,818.69	35,564.74
(d) Foreign projects reserve		
Balance at the beginning of the year	**4.59**	18.35
Less: Transfer to Profit and Loss Account	**4.59**	13.76
	–	4.59
(e) Hedging reserve *(net of tax)*		
Balance at the beginning of the year	**(28.73)**	(792.58)
Additions during the year	**163.14**	763.85
	134.41	(28.73)

Schedules forming part of the financial statements for the year ended 31 December 2010

(Rupees in millions, except for share data, and if otherwise stated)

	As at 31 December 2010	As at 31 December 2009
(f) Employees stock option outstanding		
Balance at the beginning of the year	**57.61**	67.67
Less: Reversal of deferred employee compensation	**3.45**	8.17
Less: Transferred to share premium on exercise of stock option (Refer to note 6 of Schedule 23)	**8.21**	1.89
	45.95	57.61
(g) General reserve		
Balance at the beginning of the year	**4,370.28**	4,370.28
Add: Transfer from Profit and Loss Account	**1,149.00**	–
	5,519.28	4,370.28
(h) Surplus/ (deficit) brought forward from the Profit and Loss Account	**6,828.68**	(2,532.23)
	49,152.76	37,485.42

SCHEDULE – 3

Secured loans

Loans from banks	**1,953.85**	1,758.27
	1,953.85	1,758.27

Notes :

These loans are borrowed against working capital facilities sanctioned by scheduled banks. The Company has created a charge, on pari–passu basis, by hypothecation of the current assets (both present and future) of the Company.

SCHEDULE – 4

Unsecured loans

Short term loans from banks	**11,638.38**	4,676.95
Zero coupon foreign currency convertible bonds (FCCBs) *#	**19,672.40**	20,475.40
Other loans #		
From banks	**9,184.83**	6,395.71
From others	**157.69**	177.47
	40,653.30	31,725.53

Notes :

* The Company has outstanding FCCBs aggregating to US $ 440 million. The bondholders have an option to convert FCCBs into equity shares of the Company at a price of Rs. 716.32 per share (subject to adjustment, if any) with a fixed exchange rate of Rs. 44.15 per US $ at any time on or after 27 April 2006 but before 9 March 2011. Further, these FCCBs may be redeemed, in whole, at the option of the Company at any time on or after 18 March 2009, but on or before 6 February 2011, subject to the satisfaction of certain conditions. These FCCBs are redeemable on 18 March 2011, at a premium of 26.765 percent (net of withholding tax) of their principal amount unless previously converted, redeemed, purchased or cancelled.

\# Loans due for repayment within one year:

Zero coupon foreign currency convertible bonds (FCCBs)	**19,672.40**	–
Other loans:		
From banks	**1,239.65**	1,112.19
From others	**19.78**	19.78

Schedules forming part of the financial statements for the year ended 31 December 2010
(Rupees in millions, except for share data, and if otherwise stated)
SCHEDULE - 5

Fixed assets

Description	Gross block				Accumulated depreciation, amortisation and impairment				Net block	
	As at 1 January 2010	Additions *	Deletions/ adjustments ^	As at 31 December 2010 **	As at 1 January 2010	For the year	Deletions/ adjustments	As at 31 December 2010 **	As at 31 December 2010 **	As at 31 December 2009
Tangible assets										
Land										
– Freehold #	173.69	76.51	1.23	248.97	–	–	–	–	248.97	173.69
– Leasehold	259.49	4.58	–	264.07	–	8.57	–	8.57	255.50	259.49
Buildings @	3,692.17	905.25	–	4,597.42	603.25	193.11	–	796.36	3,801.06	3,088.92
Plant and machinery @	18,386.24	2,471.05	926.52	19,930.77	7,693.72	1,741.54	428.31	9,006.95	10,923.82	10,692.52
Furniture and fixtures @	1,046.95	150.00	98.40	1,098.55	324.36	79.50	35.86	368.00	730.55	722.59
Vehicles	366.76	101.69	46.86	421.59	96.51	36.88	20.31	113.08	308.51	270.25
Intangible assets										
Product development	361.74	–	361.74	–	361.74	–	361.74	–	–	–
Patent rights, trade marks, designs and licences@@	798.30	94.37	–	892.67	450.36	101.38	–	551.74	340.93	347.94
Computer software@@	912.86	262.31	52.87	1,122.30	534.21	122.55	46.30	610.46	511.84	378.65
Non-compete fee	211.00	–	211.00	–	211.00	–	211.00	–	–	–
Total	26,209.20	4,065.76	1,698.62	28,576.34	10,275.15	2,283.53	1,103.52	11,455.16	17,121.18	15,934.05
Previous year	23,867.45	2,982.52	640.77	26,209.20	9,300.67	1,482.03	507.55	10,275.15	15,934.05	

Notes:

* Additions to fixed assets include Rs. 198.20 (previous year Rs. 221.98) towards assets used for research and development.

^ Deletion/ adjustments includes assets pertaining to New Drug Discovery Research Centre (Refer to note 4 of Schedule 23).

** The above includes the following assets held for disposal, which are being carried at the lower of their net block and net realisable value:

Description	As at 31 December 2010			As at 31 December 2009		
	Gross block	Accumulated depreciation	Net block	Gross block	Accumulated depreciation	Net block
Land	–	–	–	1.23	–	1.23
Building	48.48	12.51	35.97	48.39	11.63	36.76
Plant and machinery	253.74	253.73	0.01	85.03	85.03	–
Furniture and fixture	13.81	13.81	–	–	–	–
Vehicles	0.06	0.06	–	–	–	–

@@ Remaining useful lives of intangible assets as at 31 December 2010 is as under:

Description	Remaining useful lives
Patent, trade marks, designs and licences	1 - 5 years
Computer software	1 - 6 years

\# Freehold land includes land valued at Rs. 25.48 (previous year Rs. 25.48) pending registration in the name of the Company.

@ The impairment loss recognised during the year for each class of asset is given hereunder. No impairment loss was recognised during the previous year.

Description	As at 31 December 2010			
	Gross block	Accumulated depreciation	Impairment recognised	Net block
Building	110.94	19.35	74.09	17.50
Plant and machinery	738.57	257.88	463.40	17.29
Furniture and fixture	8.00	4.23	3.56	0.21

The impairment loss has been determined using net selling price and owing to the prevelant market conditions of the product which was manufactured/ to be manufactured.

Schedules forming part of the financial statements for the year ended 31 December 2010

(Rupees in millions, except for share data, and if otherwise stated)

	Class of Shares	Face value per shares	Number of Shares 2010	Number of Shares 2009	As at 31 Dec. 2010	As at 31 Dec. 2009
SCHEDULE – 6						
Investments						
CURRENT						
Trade:						
Quoted (fully paid up)						
Krebs Biochemicals & Industries Limited	Equity shares	Rs. 10	**1,050,000**	1,050,000	**39.69**	35.33
					39.69	35.33
Non trade:						
Unquoted						
Certificate of deposits					**3,922.74**	–
					3,922.74	–
LONG TERM						
Investments in shares of companies (fully paid-up, except stated otherwise)						
Trade :						
Quoted						
Zenotech Laboratories Limited	Equity shares	Rs. 10	**16,127,293**	16,127,293	**2,463.53**	2,463.53
					2,463.53	2,463.53
Unquoted						
Shimal Research Laboratories Limited	Equity shares	Rs. 10	**9,340,000**	9,340,000	**934.00**	934.00
Shivalik Solid Waste Management Limited	Equity shares	Rs. 10	**20,000**	20,000	**0.20**	0.20
Biotech Consortium India Limited	Equity shares	Rs. 10	**50,000**	50,000	**0.50**	0.50
Nimbua Greenfield (Punjab) Limited	Equity shares	Rs. 10	**187,500**	250,000	**1.88**	2.50
					936.58	937.20
Non trade:						
Quoted						
Fortis Healthcare Limited	Equity shares	Rs. 10	–	14,097,660	–	140.98
The Great Eastern Shipping Company Limited	Equity shares	Rs. 10	–	500	–	0.03
					–	141.01
Subsidiary companies:						
Domestic						
Vidyut Investments Limited	Equity shares	Rs. 10	**25,008,400**	25,008,400	**250.08**	250.08
Ranbaxy Drugs Limited	Equity shares	Rs. 10	**3,100,020**	3,100,020	**31.00**	31.00
Ranbaxy Drugs Limited	10% NCRP **	Rs. 10	**250**	250	*	*
Ranbaxy Drugs and Chemicals Company	Equity shares	Rs. 10	**3,100,000**	3,100,000	**17.25**	17.25
Solus Pharmaceuticals Limited	Equity shares	Rs. 10	**14,900,700**	14,900,700	**783.01**	783.01
Rexcel Pharmaceuticals Limited	Equity shares	Rs. 10	**12,500,000**	12,500,000	**735.00**	735.00
Gufic Pharma Limited	Equity shares	Rs. 100	**4,900**	4,900	**535.22**	535.22
Ranbaxy Life Sciences Research Limited	Equity shares	Re. 1	**24,500,000**	24,500,000	**24.50**	24.50
Ranbaxy Life Sciences Research Limited^	Preference Share	Rs. 1,000	**2,000,000**	2,000,000	**200.00**	200.00
Ranbaxy SEZ Limited	Equity shares	Rs. 10	**50,000**	50,000	**0.50**	0.50
Overseas						
Ranbaxy (Netherlands) BV., The Netherlands #	Ordinary shares	Euro 100	**3,939,716**	3,939,716	**28,947.75**	28,947.75
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	Euro 9	**800,000**	800,000	**3,400.02**	3,400.02
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
					34,999.33	34,999.33
					42,361.87	38,576.40
Less: Provision for diminution in value of long term investments (Refer to note 5 of Schedule 23)					**(4,317.50)**	(239.50)
					38,044.37	38,336.90
Aggregate book value of quoted investments (net of provision for diminution)					**1,059.22**	2,639.88
Market value of quoted investments					**926.69**	3,807.18
Aggregate book value of unquoted investments (net of provision for diminution)					**36,985.15**	35,697.02

Notes:

* Rounded off to Rs. Nil.

** NCRP denotes Non convertible redeemable preference shares.

^ Partly paid-up Rs. 100 per share.

includes Rs. 7,028.59 (previous year Rs. 7,028.59) paid as share premium reserve.

Schedules forming part of the financial statements for the year ended 31 December 2010

(Rupees in millions, except for share data, and if otherwise stated)

	As at 31 December 2010	As at 31 December 2009
SCHEDULE - 7		
Deferred tax asset arising on account of :		
Provision for doubtful debts, advances and other current assets	**176.18**	134.06
Provision for employee retirement benefits	**181.00**	80.91
Revaluation of external commercial borrowings	**163.61**	237.59
Provision for diminution in value of long term investments	**636.34**	54.27
Tax losses carried forward	**2,867.81**	7,960.24
Others	**2.08**	2.46
	4,027.02	8,469.53
Less: Deferred tax liability arising on account of :		
Depreciation, amortisation and impairment	**2,601.67**	2,807.68
Others	**162.17**	165.94
	2,763.84	2,973.62
Less: Deferred tax asset not carried forward	**1,263.18**	1,296.83
Deferred tax assets (net)	**–**	4,199.08

Note:

In view of accumulated tax losses and absence of virtual certainty, no deferred tax asset (net) has been recognised as at 31 December 2010. As at 31 December 2009, on the basis of profit from operations made subsequent to year end, profit on sale of materials relating to a First to File (FTF) product in the United States of America, milestone payment from an exclusivity settlement and certain other factors, the Company believed that there was virtual certainty in respect of the carrying amount of net deferred tax asset.

	As at 31 December 2010	As at 31 December 2009
SCHEDULE - 8		
Inventories		
Stores and spares	**73.63**	74.15
Raw materials	**4,788.80**	3,853.78
Packaging materials	**444.13**	398.64
Work-in-progress	**4,826.21**	4,778.33
Finished goods		
– Own manufactured	**3,639.14**	2,501.85
– Traded	**1,127.15**	698.07
	14,899.06	12,304.82
SCHEDULE - 9		
Sundry debtors *		
(Considered good, except where provided for)		
Debts outstanding for a period exceeding six months		
Secured	**0.06**	0.65
Unsecured		
– Considered good	**1,062.66**	2,167.05
– Considered doubtful	**370.60**	294.75
	1,433.32	2,462.45
Other debts		
– Secured	**198.29**	330.71
– Unsecured, considered good	**11,665.31**	12,848.07
	11,863.60	13,178.78
	13,296.92	15,641.23
Less: Provision for doubtful debts	**370.60**	294.75
	12,926.32	15,346.48

* Refer to note 17 of Schedule 23 for dues from parties under the same management as defined under Section 370 (1-B) of the Companies Act, 1956.

Schedules forming part of the financial statements for the year ended 31 December 2010
(Rupees in millions, except for share data, and if otherwise stated)

	As at 31 December 2010	As at 31 December 2009
SCHEDULE - 10		
Cash and bank balances		
Cash balance on hand	**5.33**	4.75
Cheques in hand	**–**	3.35
Remittances in transit	**96.41**	59.95
Balances with scheduled banks in:		
- Current accounts	**18.83**	53.16
- Deposit accounts #	**26,898.47**	7,285.60
- Unclaimed dividend accounts	**56.04**	66.33
Balances with banks other than scheduled banks in:		
- Current accounts $	**47.74**	68.10
	27,122.82	7,541.24

\# Includes deposits of Rs. 0.86 (previous year Rs 0.79) pledged with Government Authorities.

$ Name of the banks (other than scheduled banks) and balance lying with each such bank on current account alongwith the maximum balance outstanding at anytime during the year is given below:

		Balance		Maximum balance during the year ended	
		As at 31 December 2010	As at 31 December 2009	31 December 2010	31 December 2009
1	AB Vilnius Bankas, Kaunas, Lithuania	**5.24**	10.85	**11.51**	17.73
2	ABN AMRO Bank, Moscow, Russia	**7.48**	10.21	**119.51**	93.14
3	Banque Internationale Pour Le Commerce Et L'industrie du Cameroun, Douala, Cameroon	**7.18**	4.41	**10.45**	7.56
4	Barclays Bank of Kenya Ltd, Nairobi Kenya	**–**	–	**–**	1.44
5	Bank Handlowy W Warszawie SA, Warsaw, Poland	**0.45**	0.54	**0.52**	16.24
6	Calyon Corporate, HO Chi Minh, Vietnam	**2.11**	2.71	**5.72**	3.49
7	Calyon Corporate, Kiev, Ukraine	**1.23**	19.17	**50.27**	63.83
8	Citibank, Almaty, Kazakhstan	**9.72**	0.02	**18.22**	21.36
9	Citibank, Sofia, Bulgaria	**0.55**	1.82	**3.47**	5.10
10	Credit Du Maroc, Boulevard Mohammed V. Casablanca, Morocco	**0.15**	0.49	**0.77**	0.90
11	Myanmar Investment and Commercial Bank Yangon, Myanmar	**0.04**	2.17	**3.88**	6.67
12	Societe Generale De Banques Au Cameroun Douala, Ivory Coast	**0.69**	5.13	**6.51**	9.52
13	The Hongkong & Shanghai Banking Corporation, Singapore	**–**	–	**–**	0.60
14	Standbic Bank, Nairobi, Kenya	**6.85**	5.86	**12.85**	7.47
15	Standbic Bank Zimbabwe Limited Causeway Zimbabwe, Harare	**1.41**	1.77	**3.79**	3.67
16	The Hongkong & Shanghai Banking Corporation, Dubai, UAE	**2.43**	2.95	**6.74**	6.73
17	Bank of China, China	**2.21**	–	**4.16**	–
		47.74	68.10		

Schedules forming part of the financial statements for the year ended 31 December 2010
(Rupees in millions, except for share data, and if otherwise stated)

	As at 31 December 2010	As at 31 December 2009
SCHEDULE - 11		
Loan and advances		
(Considered good, except where provided for)		
Secured loans to employees *	**49.94**	52.35
Unsecured loans and advances:		
Loans to employees	**90.00**	93.30
Advances recoverable in cash or in kind or for value to be received		
– Considered good	**1,716.33**	1,285.43
– Considered doubtful	**143.42**	73.83
Balances with central excise and customs authorities	**1,294.34**	1,962.65
Loans and advances to subsidiaries #	**39.60**	1,533.78
Minimum alternate tax (MAT) credit entitlement	**8,308.34**	4,720.65
	11,641.97	9,721.99
Less: Provision for doubtful advances	**143.42**	73.83
	11,498.55	9,648.16

* Includes amount due from an officer of the Company of Rs. 3.98 (previous year Rs. 4.02). The maximum balance at any time during the year was Rs. 4.07 (previous year Rs. 4.02).

Refer to note 21 of schedule 23 for loans and advances to parties under the same management as defined under Section 370 (1-B) of the Companies Act, 1956.

	As at 31 December 2010	As at 31 December 2009
SCHEDULE - 12		
Other current assets		
(Unsecured, considered good, except where provided for)		
Export incentives accrued	**799.71**	664.09
Payable towards unrealised gain on options/ forward contracts	**1,252.51**	559.63
Insurance claims receivable	**8.61**	12.41
Interest accrued but not due	**1,016.05**	236.86
Others		
– Considered good	**129.09**	85.75
– Considered doubtful	**16.35**	25.84
	3,222.32	1,584.58
Less: Provision for doubtful other current assets	**16.35**	25.84
	3,205.97	1,558.74

	As at 31 December 2010	As at 31 December 2009
SCHEDULE - 13		
Current liabilities		
Sundry creditors ^	**22.36**	21.69
– Dues to micro and small enterprises (Refer to note 19 to Schedule 23)	**12,425.40**	9,053.41
– Others #	**294.39**	49.78
Book overdraft	**58.29**	36.67
Interest accrued but not due on loans	**56.04**	66.33
Unclaimed dividend *	**11,261.14**	16,669.65
Payable towards unrealised loss on currency options/ forward contracts	**209.61**	317.97
Advance from customers	**583.59**	342.94
Other liabilities $	**24,910.82**	26,558.44
^ Includes due to subsidiary companies / entities.	**1,769.56**	371.62
# Includes payable to employees such as salary, bonus etc.	**711.43**	725.52
$ Includes statutory dues payable in respect of employees benefits such as provident fund, ESI etc.	**48.20**	7.54

* Not due for deposit to Investor Education & Protection Fund.

Schedules forming part of the financial statements for the year ended 31 December 2010

(Rupees in millions, except for share data, and if otherwise stated)

	As at 31 December 2010	As at 31 December 2009
SCHEDULE - 14		
Provisions		
Employee retirement benefits #	**2,416.52**	2,108.31
Income-tax [net of advance tax Rs. 7,199.98 (previous year Rs. 2,760.20)]	**231.62**	828.24
Premium payable on redemption of Foreign Currency Convertible Bonds	**5,648.12**	4,693.79
Proposed dividend	**842.08**	–
Tax on proposed dividend	**139.86**	–
	9,278.20	7,630.34
# (Refer to note 11 of Schedule 23)		

	Year ended 31 December 2010	Year ended 31 December 2009
SCHEDULE - 15		
Operating income		
Sales		
Domestic	**18,231.58**	16,981.62
Export	**34,435.51**	28,377.47
	52,667.09	45,359.09
Royalty, technical know-how and product development *	**790.14**	476.68
Export incentives	**786.57**	546.73
Income from settlement agreements	**2,292.59**	1,441.15
Non-compete fee (Refer to note 4 of Schedule 23)	**210.00**	–
Others	**126.86**	151.24
	4,206.16	2,615.80
	56,873.25	47,974.89
* Includes prior period income Rs. 136.90 (previous year Rs. nil)		
SCHEDULE - 16		
Other income		
Interest* [gross of tax deducted at source Rs.135.25 (previous year Rs. 179.58)]	**1,451.70**	945.47
Net foreign exchange gain (other than on loans) [Refer to note (13)(a) of Schedule 23]	**4,159.50**	1,790.40
Exchange gain (net) on loans [Refer to note (13)(a) of Schedule 23]	**1,406.98**	1,493.13
Dividend from overseas subsidiaries [gross of tax deducted at source Rs. 0.38 (previous year Rs. 0.43)]	**13.06**	9.54
Profit on sale of assets [net of loss Rs. 30.55 (previous year Rs. 26.54)] (Refer to note 4 of Schedule 23)	**260.59**	237.34
Profit on sale of current investments	**2,255.03**	–
Profit on sale of investment in subsidiary	**–**	420.33
Unclaimed balances / excess provision written back	**225.79**	1,116.76
Reversal of provision for diminution in the value of current investment	**4.36**	–
Lease rental [gross of tax deducted at source Rs. 6.30 (previous year Rs. nil)] [Refer to note (10)(b) of Schedule 23]	**63.00**	–
Reversal of deferred employees compensation	**3.45**	8.17
Miscellaneous	**174.36**	26.26
	10,017.82	6,047.40
Notes :		
* Represents Interest on:		
Current investments - non trade	**133.05**	–
Income-tax refunds	**5.50**	2.35
Loans and deposits:		
- Short term deposits with banks	**1,307.52**	936.35
- Subsidiary companies	**0.16**	0.36
- Employee loans	**5.34**	5.51
- Others	**0.13**	0.90
	1,451.70	945.47

Schedules forming part of the financial statements for the year ended 31 December 2010

(Rupees in millions, except for share data, and if otherwise stated)

	Year ended 31 December 2010		Year ended 31 December 2009	
SCHEDULE - 17				
Material consumed				
Raw materials consumed #		**13,671.12**		13,693.16
Stores and spares consumed		**939.04**		1,027.31
Packaging materials consumed		**1,961.13**		1,533.43
Finished goods purchased		**6,520.52**		4,812.06
Increase in work in progress and finished goods				
Opening stock				
Work-in-progress	**4,778.33**		3,894.36	
Finished goods				
– Own manufactured	**2,501.85**		2,791.79	
– Traded	**698.07**		719.42	
	7,978.25		7,405.57	
Less :				
Closing stock				
Work-in-progress	**4,826.21**		4,778.33	
Finished goods				
– Own manufactured	**3,639.14**		2,501.85	
– Traded	**1,127.15**		698.07	
	9,592.50		7,978.25	
Net increase		**(1,614.25)**		(572.68)
Increase/(decrease) in excise duty		**231.78**		(13.00)
		21,709.34		20,480.28

Includes site variation cost amounting to Rs. 191.76 (previous year Rs. 412.60) paid to subsidiaries.

	Year ended 31 December 2010	Year ended 31 December 2009
SCHEDULE - 18		
Personnel expenses		
Salaries, wages and bonus	**6,850.45**	6,478.80
Contribution to provident and other funds (Refer to note 11 of Schedule 23)	**571.78**	477.85
Workmen and staff welfare	**339.15**	327.39
	7,761.38	7,284.04
SCHEDULE - 19		
Operating and other expenses		
Advertising and sales promotion	**2,287.52**	2,098.36
Power and fuel	**1,642.43**	1,367.98
Legal and professional (Refer to note 9 of Schedule 23)	**1,579.54**	2,340.90
Freight, clearing and forwarding	**1,480.71**	1,046.52
Travel and conveyance	**1,258.76**	1,055.64
Processing charges	**821.11**	804.81
Repairs and maintenance		
– Buildings	**44.68**	35.92
– Plant and machinery	**156.53**	138.90
– Others	**405.07**	339.74
Market research	**570.10**	661.39
Rent [Refer to note (10)(a) of Schedule 23]	**531.83**	482.99
Clinical trials	**515.05**	454.89
Commission	**413.82**	503.75

Schedules forming part of the financial statements for the year ended 31 December 2010

(Rupees in millions, except for share data, and if otherwise stated)

		Year ended 31 December 2010	Year ended 31 December 2009
Regulatory filing fee		**301.37**	264.23
Communication		**282.83**	222.87
Insurance		**294.85**	298.02
Rates and taxes		**219.21**	182.03
Recruitment and training		**159.73**	124.26
Running and maintenance of vehicles		**137.77**	129.24
Conferences and meetings		**137.44**	77.11
Analytical charges		**310.66**	81.01
Printing and stationery		**99.24**	84.22
Claims paid		**153.57**	100.27
Excise duty		**25.59**	24.74
Cash discounts		**12.88**	54.46
Fixed assets written off		**86.04**	12.00
Provision / write-off of doubtful debts, advances and other current assets		**166.80**	48.71
Provision for diminution in value of current investment		**–**	53.92
Miscellaneous		**617.07**	525.94
		14,712.20	13,614.82
SCHEDULE - 20			
Tax charge (benefit)			
Current income-tax		**3,625.03**	3,546.90
Minimum alternate tax credit entitlement		**(3,587.69)**	(3,501.65)
Deferred tax charge		**4,117.42**	4,807.81
Fringe benefit tax		**–**	35.50
Tax - earlier years #		**10.43**	10.77
		4,165.19	4,899.33
#Net of credit adjusted of Rs. 23.34 (previous year Rs. 6.50)			
SCHEDULE - 21			
Earnings per share			
Net profit attributable to equity shareholders			
Net profit available for equity shareholders	**A**	**11,487.26**	5,719.84
Less: Exchange gain on FCCBs		**(803.00)**	(904.20)
	B	**10,684.26**	4,815.64
Number of weighted average equity shares	**C**		
Basic		**420,731,680**	420,380,856
Effect of dilutive equity shares on account of *			
– Employees stock options outstanding		**2,071,594**	819,480
– Foreign Currency Convertible Bonds	**D**	**27,119,165**	27,119,165
Diluted		**449,922,439**	448,319,501
Nominal value of equity share (Rs.)		**5.00**	5.00
Earning per share (Rs.)	**(A/C)**		
Basic	**(B/D)**	**27.30**	13.61
Diluted		**23.75**	10.74
* Following are the potential equity shares considered to be anti dilutive in nature, hence these have not been adjusted to arrive at the dilutive earning per share:			
– Equity share warrants		**–**	23,834,333
– Employees stock options outstanding		**1,306,730**	5,418,730

Schedules forming part of the financial statements for the year ended 31 December 2010

SCHEDULE - 22

SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

These financial statements have been prepared and presented under the historical cost convention on an accrual basis of accounting and comply with the Accounting Standards as specified in the Companies (Accounting Standards) Rules, 2006, other pronouncements of the Institute of Chartered Accountants of India, the relevant provisions of the Companies Act, 1956 and guidelines issued by the Securities and Exchange Board of India, to the extent applicable.

Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements, and reported amounts of revenues and expenses for the year. Examples of such estimates include provisions of future obligation under employee retirement benefit plans, the useful lives of fixed assets and intangible assets, provision for sales return, customer claims, expiry of exclusivity periods, expiry of drugs and impairment of assets. Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

Fixed assets and depreciation

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

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

Depreciation on fixed assets, except leasehold improvements (included in furniture and fixture), is provided on pro-rata basis, using the straight-line method and at the rates specified in Schedule XIV to the Companies Act, 1956, which in the opinion of the management are reflective of the estimated useful lives of the fixed assets. Leasehold improvements are depreciated over their estimated useful life, or the remaining period of lease from the date of capitalization, whichever is shorter.

Assets costing individually Rs. 5,000 or less are fully depreciated in the year of purchase.

Intangible assets and amortization

Intangible assets comprise patents, trademarks, designs and licenses, computer software, non-compete fee and product development rights, and are stated at cost less accumulated amortization and impairment losses, if any.

These assets are amortized over their estimated useful lives on a straight-line basis, commencing from the date the asset is available to the Company for its use. The management estimates the useful lives for the various intangible assets as follows:

	Years
Patents, Trademarks, Designs and Licenses	5
Computer Software	6
Non-Compete Fee	Term of the respective agreements ranging from 1 to 10 years
Product Development	5

Impairment of assets

The carrying values of assets are reviewed at each reporting date to determine if there is indication of any impairment. If any indication exists, the asset's recoverable amount is estimated. For assets that are not yet available for use, the recoverable amount is estimated at each reporting date. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount and is recognised in the Profit and Loss Account. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortisation, if no impairment loss had been recognised.

Revenue recognition

Revenue from sale of goods is recognized on transfer of significant risks and rewards of ownership to the customers. Revenue includes excise duty and are net of sales tax, value added tax and applicable discounts and allowances. Allowances for sales returns are estimated and provided for in the year of sales.

Schedules forming part of the financial statements for the year ended 31 December 2010

SCHEDULE - 22

SIGNIFICANT ACCOUNTING POLICIES

Service income is recognised as per the terms of contracts with customers when the related services are rendered, or the agreed milestones are achieved.

Income from royalty, technical know-how arrangements, exclusivity and patents settlement, licensing arrangements is recognized on an accrual basis in accordance with the terms of the relevant agreement.

Non-compete fee is recognized over the term of the agreement on a straight line basis.

Export incentive entitlements are recognised as income when the right to receive credit as per the terms of the scheme is established in respect of the exports made, and where there is no certainty regarding the ultimate collection of the relevant export proceeds.

Profit on sale of investments is recognized as income in the period in which the investment is sold/ disposed off.

Dividend income is recognised when the right to receive the income is established. Income from interest on deposits, loans and interest bearing securities is recognised on the time proportion method.

Investments

Investments that are readily realizable 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 the lower of cost or fair value, determined on an individual investment basis. Long-term investments are carried at cost less any other-than-temporary diminution in value, determined, separately in respect of individual investment.

Inventories

Raw materials, packaging materials and stores & spare parts are carried at cost. Cost includes purchase price, (excluding those subsequently recoverable by the enterprise from the concerned revenue authorities), freight inwards and other expenditure incurred in bringing such inventories to their present location and condition. In determining the cost, weighted average cost method is used. The carrying cost of raw materials, packaging materials and stores and spare parts are appropriately written down when there is a decline in replacement cost of such materials and finished products in which these will be incorporated are expected to sold below cost.

Work in progress, manufactured finished goods and traded goods are valued at the lower of cost and net realisable value. Work in progress includes Active Pharmaceutical Ingredients lying at plants for captive consumption. The comparison of cost and net realisable value is made on an item by item basis. Cost of work in progress and manufactured finished goods is determined on the weighted average basis and comprises direct material, cost of conversion and other costs incurred in bringing these inventories to their present location and condition. Cost of traded goods is determined on a weighted average basis.

Excise duty liability is included in the valuation of closing inventory of finished goods.

Cash and cash equivalent

Cash and cash equivalents comprise cash balances on hand, cash balance with bank, and highly liquid investments with remaining maturities, at the date of purchase/investment, of three months or less.

Research and development costs

Revenue expenditure on research and development is expensed off under the respective heads of account in the year in which it is incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised, if the cost can be reliably measured, the product or process is technically and commercially feasible and the Company has sufficient resources to complete the development and to use and sell the asset. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in the Profit and Loss Account as an expense as incurred.

Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses. Fixed assets used for research and development are depreciated in accordance with the Company's policy as stated above.

Materials identified for use in research and development process are carried as inventories and charged to Profit and Loss Account on issuance of such materials for research and development activities.

Employee stock option based compensation

The Company calculates the compensation cost based on the intrinsic value method wherein the excess of value of

Schedules forming part of the financial statements for the year ended 31 December 2010

SCHEDULE - 22

SIGNIFICANT ACCOUNTING POLICIES

underlying equity shares as of the date of the grant of options over the exercise price of such options is recognised and amortised over the vesting period on a straight line basis. The Company follows SEBI guidelines for accounting of employee stock options.

Foreign currency transaction, derivatives and hedging

Transactions in foreign currency are recorded at the exchange rate prevailing at the date of the transaction. Exchange differences arising on foreign currency transactions settled during the year are recognised in the Profit and Loss Account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year end rates. The resultant exchange differences are recognised in the Profit and Loss Account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

Profit and Loss items at representative offices located outside India are translated at the respective monthly average rates. Monetary Balance sheet items at representative offices at the balance sheet date are translated using the year-end rates. Non-monetary Balance Sheet items are recorded at the rates prevailing on the date of the transaction.

The Company uses various forms of derivative instruments such as foreign exchange forward contracts, options, cross currency swaps and interest rate swaps to hedge its exposure on account of movements in foreign exchange and interest rates. These derivatives are generally entered with banks and not used for trading or speculation purposes. These derivative instruments are accounted as follows:

- For forward contracts which are entered into to hedge the foreign currency risk of the underlying outstanding on the date of entering into that forward contract, the premium or discount on such contracts is amortized as income or expense over the life of the contract. Any profit or loss arising on the cancellation or renewal of forward contracts is recognized as an income or expense for the period. The exchange difference on such a forward exchange contract is calculated as the difference between-
  - (a) the foreign currency amount of the contract translated at the exchange rate at the Balance Sheet date, or the settlement date where the transaction is settled during the reporting period, and
  - (b) the same foreign currency amount translated at the later of the date of inception of the forward exchange contract and the last reporting date. Such exchange differences are recognized in the Profit and Loss Account in the reporting period in which the exchange rates change.
- Other derivatives such as forward and option contracts, cross currency swaps and interest rate swaps etc are fair valued at each Balance Sheet date. The resultant gain or loss (except relating to effective portion of cash flow hedges) from these transactions are recognised in the Profit and Loss Account. The gain or loss on effective portion of cash flow hedges is recorded in the Hedging Reserve (reported under the head 'Reserves and Surplus') until occurrence of hedged transaction. Upon occurrence of the hedged transaction, such gain or loss is transferred to the Profit and Loss Account of that period. To designate a derivative instrument as an effective cash flow hedge, the management objectively evaluates and evidences with appropriate supporting documents at the inception of each contract and throughout the period of hedge relationship whether the contract is effective in achieving offsetting cash flows attributable to the hedged risk. The gain or loss on ineffective portion of cash flow hedge is recognised in the Profit and Loss Account.

Employee benefits

Short – term employee benefits

All employee benefits payable / available within twelve months of rendering the service are classified as short-term employee benefits. Benefits such as salaries, wages and bonus etc., are recognised in the Profit and Loss Account in the period in which the employee renders the related service.

Defined benefit plans

Defined benefit plans of the Company comprise gratuity, provident fund and pension plans.

Gratuity:

The Company has an obligation towards gratuity, a defined benefit retirement plan covering eligible employees. The plan provides for a lump sum payment to vested employees at retirement, death while in employment or on termination of employment of an amount based on the respective employee's salary and the tenure of employment. Vesting occurs upon completion of five years of service. The Company makes annual contributions to gratuity fund established as a trust.

Schedules forming part of the financial statements for the year ended 31 December 2010

SCHEDULE - 22

SIGNIFICANT ACCOUNTING POLICIES

Provident fund

In respect of employees, the Company makes specified monthly contribution towards the employees' provident fund to the provident fund trust administered by the Company. The minimum interest payable by the provident fund trust to the beneficiaries every year is notified by the Government. The Company has an obligation to make good the shortfall, if any, between the return on respective investments of the trust and the notified interest rate.

Pension

The Company has an obligation towards pension, a defined benefit retirement plan covering eligible employees. The plan provides for a lump sum payment to vested employees at retirement, death while in employment or on termination of employment of an amount based on the respective employee's salary and the tenure of employment. Vesting occurs upon completion of 20 years of service.

Actuarial valuation

The liability in respect of defined benefit plans, other than provident fund schemes, is accrued in the books of account on the basis of actuarial valuation carried out by an independent actuary primarily using the Projected Unit Credit Method, which recognizes each year of service as giving rise to additional unit of employee benefit entitlement and measure each unit separately to build up the final obligation. The obligation is measured at the present value of estimated future cash flows. The discount rates used for determining the present value of obligation under defined benefit plans, is based on the market yields on Government securities as at the balance sheet date, having maturity periods approximating to the terms of related obligations. Actuarial gains and losses are recognised immediately in the Profit and Loss Account. Gains or losses on the curtailment or settlement of any defined benefit plan are recognised when the curtailment or settlement occurs.

The contributions made to provident fund trust are charged to Profit and Loss Account as and when these become payable. In addition, the Company recognizes liability for shortfall in the plan assets vis-à-vis the fund obligation, if any. The Guidance on implementing AS 15, Employee Benefits (revised 2005) issued by Accounting Standard Board states that benefits involving employer established provident funds, which require interest shortfalls to be recompensed are to be considered as defined benefit plans. Pending the issuance of the guidance note from the Actuarial Society of India, the Company's actuary has expressed an inability to reliably measure provident fund liabilities. Accordingly, the Company is unable to exhibit the related information.

Defined contribution plans

Under the superannuation scheme, a defined contribution plan, the Company pays fixed contributions and has no obligation to pay further amounts. Such fixed contributions are recognized in the Profit and Loss Account on accrual basis.

Other long term employee benefits

Compensated absences

As per the Company's policy, eligible leaves can be accumulated by the employees and carried forward to future periods to either be utilised during the service, or encashed. Encashment can be made during service, on early retirement, on withdrawal of scheme, at resignation and upon death of the employee. The value of benefits is determined based on the seniority and the employee's salary.

Long service award

As per the Company's policy, employees of the Company are eligible for an award after completion of a specified number of years of service with the Company.

Actuarial valuation

The Company accounts for the liability for compensated absences payable in future and long service awards based on an independent actuarial valuation using the projected unit credit method as at the year end. Actuarial gains and losses are recognized immediately in the Profit and Loss Account. Gains or losses on the curtailment or settlement of any defined benefit plan are recognized when the curtailment or settlement occurs.

Taxes on income

Income tax expense comprises current tax (i.e. amount of tax for the year determined in accordance with the Income-tax law) and deferred tax charge or credit.

Schedules forming part of the financial statements for the year ended 31 December 2010

SCHEDULE - 22

SIGNIFICANT ACCOUNTING POLICIES

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed at each balance sheet date and are written-down or written-up to reflect the amount that is reasonably / virtually certain (as the case may be) to be realised.

Minimum alternative tax payable under the provisions of the Income Tax Act 1961 is recognized as an asset in the year in which credit becomes eligible and is set off to the extent allowed in the year in which the Company becomes liable to pay income taxes at the enacted tax rates.

Provisions, contingent liabilities and contingent assets

A provision is created when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provision for onerous contracts, i.e. contracts where the expected unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it, are recognized when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation as a result of an obligating event, based on a reliable estimate of such obligation.

The Company does not recognise assets which are of contingent nature until there is virtual certainty of realisability of such assets. However, subsequently, if it becomes virtually certain that an inflow of economic benefits will arise, asset and related income is recognised in the financial statements of the period in which the change occurs.

Leases

Lease arrangements, where the risks and rewards incidental to ownership of an asset substantially vest with the lessor, are recognised as an operating lease.

Lease payments under operating leases are recognized as expense on a straight-line basis over the lease period.

The assets given under operating lease are shown in the Balance Sheet under fixed assets and depreciated on a basis consistent with the depreciation policy of the Company. The lease income is recognized in the Profit and Loss Account on a straight-line basis over the lease period.

Earnings per share

Basic earnings per share are calculated by dividing the net profit for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. 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 year are adjusted for the effects of all dilutive potential equity shares. The dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date.

Schedules forming part of the financial statements for the year ended 31 December 2010
(Rupees in millions, except for share data, and if otherwise stated)

SCHEDULE - 23

Notes to the Financial Statements

1. Background

Ranbaxy Laboratories Limited ('the Company') together with its subsidiaries and associates, operates as an integrated international pharmaceutical organisation with businesses encompassing the entire value chain in the marketing, production and distribution of pharmaceutical products.

The Company's shares are listed for trading on the National Stock Exchange and the Bombay Stock Exchange in India. Its Global Depository Shares (representing equity shares of the Company) are listed on the Luxembourg Stock Exchange and Foreign Currency Convertible Bonds (FCCBs) are listed on the Singapore Stock Exchange.

2. Food and Drug Administration ("FDA") and Department of Justice ("DOJ") of United States of America ("USA")

On 16 September 2008, the Company received two warning letters and an Import Alert from the USA FDA, covering 30 generic drugs being manufactured at its Paonta Sahib and Dewas manufacturing facilities in India. The issue raised in the warning letters relate to "Current Good Manufacturing Practice" being followed at the said plants and does not in any way raises questions on product's quality, safety or effectiveness.

On 25 February 2009, the Company received a letter from the USA FDA indicating that the Agency had invoked its Application Integrity Policy ('AIP') against the Paonta Sahib facility (the "facility"). The management of the Company believes that there was no falsification of data generated at the facility and also believes that there is no indication of a pattern and practice of submitting untrue statements of material facts and there was no other improper conduct. Accordingly, the Company, based on opinion from its legal council, believes that there is no incremental present obligation existing at the balance sheet date on account of these notices.

In the year 2008, the DOJ, USA had filed certain charges against the Company citing possible issues with the data submitted by the Company, in support of product filing. The Company continues to work diligently with the concerned authorities towards resolution of the issue.

While the Company continues to fully cooperate with the concerned authorities for effective resolution of these matters, due to inherent uncertainty of the related situation, the outcome of the above mentioned matters, including any financial impact, cannot be reliably ascertained at this stage. Accordingly, no adjustment has been made to the financial statements.

3. On 20 October 2008, the Company had issued 23,834,333 equity share warrants to Daiichi Sankyo Co., Ltd., Japan (Daiichi Sankyo). Each equity share warrant was convertible into one equity share of Rs. 5 each at a premium of Rs. 732 per share at any time between six months to eighteen months from the date of allotment of warrants (Rs. 73.70 per warrant being 10% of the exercise price received).

On 20 April 2010, Daiichi Sankyo opted not to convert the warrants into equity shares. Hence, as per the terms of the issue, the said warrants stand lapsed and the amount of Rs. 73.70 per warrant aggregating to Rs.1,756.59 paid by Daiichi Sankyo has been forfeited and taken to the Capital Reserve Account.

4. On 1 July 2010, the Company transferred certain assets pertaining to its New Drug Discovery Research Centre (including fixed assets, intangibles, in-process developments) to Daiichi Sankyo India Pharma Private Limited alongwith a non-compete and non-solicitation agreement for a period of two years commencing from the date of the agreement, for an aggregate consideration of Rs. 1,449.85 millions. Pursuant to this transaction, Rs. 210 million has been recognised as other operating income for non-compete fee and Rs. 131.81 as other income included in profit on sale of assets.

5. Impairment of long-term investments

During the year, the Company against a total value of Rs. 6,797.55 has created a combined provision of Rs. 4,078 in the value of long term investments held in Zenotech Laboratories Limited, Shimal Research Laboratories Limited and Ranbaxy Pharmacie Generiques SAS, France (a wholly owned subsidiary of the Company) as this diminution

Schedules forming part of the financial statements for the year ended 31 December 2010
(Rupees in millions, except for share data, and if otherwise stated)

SCHEDULE - 23

Notes to the Financial Statements

is considered to be other than temporary. The evaluation of provision involves usage of assumptions and significant judgement based on valuation methodologies/judgements. However, keeping the attendant circumstances in view, the management believes it is prudent to impair these investments. These will be evaluated on a going forward basis for any further changes.

6. 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 its subsidiaries. The ESOSs are administered by the Compensation Committee ("Committee") of the Board of Directors of the Company. Options are granted at the discretion of the committee to selected employees depending upon certain criterion. Presently, there are three ESOSs, namely, "ESOS I", "ESOS II" and "ESOS 2005".

The ESOSs limits the maximum grant of options to an employee at 25,000 for ESOS I and 40,000 for ESOS II and 3,00,000 for 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 vests 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.

The Shareholders' Committee have approved issuance of options under the Employees Stock Options Scheme(s) as per details given below:

Date of approval	No. of options
29 June 2002	2,500,000
25 June 2003	4,000,000
30 June 2005	4,000,000

In accordance with the above approval of issuance of options, ESOPs have been granted from time to time.

The stock options outstanding as on 30 June 2005 are 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 3 October 2002 are entitled for additional bonus shares in the ratio of 3:5.

The movement of the options (post split and without adjustment for bonus shares) for the year ended 31 December 2010 is given below:

	Stock options (numbers)	Range of exercise prices (Rs.)	Weighted-average exercise prices (Rs.)	Weighted-average remaining contractual life (years)
Outstanding, beginning of the year	7,413,016	216.00-561.00	401.68	6.30
Granted during the year	1,573,669	450.00-450.00	450.00	9.15
Forfeited during the year	(570,000)	216.00-538.50	358.65	–
Excercised during the year**	(589,939)	216.00-538.50	344.44	–
Lapsed during the year	(425,603)	216.00-538.50	478.32	–
Outstanding, end of the year*	7,401,143	216.00-561.00	415.42	5.99
Exercisable at the end of the year*	4,136,194	216.00-561.00	450.20	4.39

** excluding 33,396 shares issued towards bonus entitlement.

Schedules forming part of the financial statements for the year ended 31 December 2010

(Rupees in millions, except for share data, and if otherwise stated)

SCHEDULE - 23

Notes to the Financial Statements

The movement of the options ((post split and without adjustment for bonus shares) for the year ended 31 December 2009 is given below:

	Stock options (numbers)	Range of exercise prices (Rs.)	Weighted-average exercise prices (Rs.)	Weighted-average remaining contractual life (years)
Outstanding, beginning of the year	7,272,849	219.00-561.00	439.59	6.73
Granted during the year	1,472,725	216.00-216.00	216.00	9.05
Forfeited during the year	(530,760)	216.00-538.50	310.84	–
Exercised during the year**	(36,825)	216.00-372.50	312.03	–
Lapsed during the year	(764,973)	283.50-538.50	471.97	–
Outstanding, end of the year*	7,413,016	216.00-561.00	401.68	6.30
Exercisable at the end of the year*	3,906,091	216.00-561.00	455.98	4.88

*Includes options exercised, pending allotment.

** excluding 10,780 shares issued towards bonus entitlement.

7. During the current year, exchange gain (net) on loans and net foreign exchange gain (other than on loans) is shown as part of other income due to exchange gain in both years presented. Further, inventory of Active Pharmaceuticals Ingredients (API) manufactured and lying at plants for captive consumption has been included under Work in Progress. Accordingly, the related previous year figures have been reclassified.

8. Capital work-in progress includes:

	As at 31 December	
	2010	**2009**
[i] Capital advance to vendors	**64.74**	164.44
[ii] Project related expenses (directly allocable)		
Particulars		
Opening balance	**277.68**	356.86
Additions during the year		
Salaries, wages and bonus	**104.64**	39.35
Contributions to provident and other funds	**10.90**	4.97
Workmen and staff welfare	**2.49**	1.18
Raw materials	**5.18**	4.54
Power and fuel	**15.92**	3.67
Insurance	**0.14**	0.14
Others	**45.79**	15.76
	462.74	426.47
Less: Capitalised during the year	**138.43**	148.79
Balance as at the year end	**324.31**	277.68
[iii] Other assets	**2,912.77**	3,707.04
Total of [i], [ii] and [iii]	**3,301.82**	4,149.16

Schedules forming part of the financial statements for the year ended 31 December 2010
(Rupees in millions, except for share data, and if otherwise stated)

SCHEDULE - 23

Notes to the Financial Statements

9. Payment to auditors (exclusive of service tax)

	For the year ended 31 December 2010	2009	
a] Statutory auditors			
Statutory audit fee	**13.00**	9.50	
Tax audit fee	**2.88**	3.25	#
Limited review fee **	**17.40**	4.50	^
Other matters	**8.40**	6.02	@
Out of pocket expenses	**1.12**	1.07	$
	42.80	24.34	

Paid to previous statutory auditors

^ Includes Rs. 0.50 paid to previous statutory auditors

@ Includes Rs. 2.22 paid to previous statutory auditors

$ Includes Rs. 0.37 paid to previous statutory auditors

** Fee for the current year also includes fee for limited reviews of consolidated financial statements.

	2010	2009
b] Cost auditors		
Audit fee	**0.94**	0.66
Certification	**0.80**	0.29
Out of pocket expenses	**0.06**	0.08
	1.80	1.03

10. Leases

(a) The Company has taken on lease certain facilities under cancellable and non-cancellable operating leases arrangements with lease term ranging from 3 to 17 years, which are subject to renewal at mutual consent thereafter. The cancellable arrangements can be terminated by either party after giving due notice. The lease rent expense recognised during the year amounts to Rs. 531.83 (previous year Rs. 482.99). The future minimum lease payments in respect of non-cancellable operating leases as at 31 December 2010 and 31 December 2009 are:

	As at 31 December 2010	2009
i) not later than one year	**166.55**	135.05
ii) later than one year but not later than five years	**340.15**	311.32
ii) later than five years	**64.36**	107.37
Total	**571.06**	553.74

(b) The Company has given a part of its premises 'Research and Development-III' under cancellable operating lease arrangement to a related party. Lease rentals amounting to Rs. 63 (previous year Rs. Nil) has been recognised in the Profit and Loss Account. As only a portion of these premises has been let out, the gross carrying amount and the accumulated depreciation of leased premises/ assets is not separately identifiable.

Schedules forming part of the financial statements for the year ended 31 December 2010
(Rupees in millions, except for share data, and if otherwise stated)

SCHEDULE - 23

Notes to the Financial Statements

11. Employee benefits

The Company primarily provides the following retirement benefits to its employees:

(a) Pension

(b) Gratuity

(c) Compensated absences

During the year, the Company has recognised an expense of Rs. 271.75 (previous year Rs. 257.09) pertaining to employers' contribution to provident fund schemes and superannuation fund which is included in "personnel cost" in schedule 18.

The following tables sets out the disclosures relating to pension and gratuity benefits as required by Accounting Standard - 15 'Employee Benefits':

	Pension (Unfunded)	Gratuity (Funded)
Change in the present value of obligation:		
Present value of obligation as at 1 January 2010	**1,756.50**	**525.07**
	1,571.19	*482.17*
Add: Interest cost	**125.55**	**36.03**
	117.84	*40.03*
Add: Current service cost	**134.94**	**48.64**
	93.20	*36.40*
Less: Benefits paid	**69.58**	**58.64**
	54.56	*130.15*
Add: Actuarial loss on obligations	**45.54**	**183.09**
	28.83	*96.62*
Present value of obligation as at 31 December 2010	**1,992.95**	**734.19**
	1,756.50	*525.07*

Change in the Fair value of Plan Assets :	Gratuity (Funded)
Fair value of plan assets as of 1 January 2010	**439.29**
	439.19
Add: Actual return on plan assets	**46.44**
	35.89
Add: Contributions	**238.77**
	94.36
Less: Benefits paid	**58.64**
	130.15
Fair value of plan assets as of 31 December 2010	**665.86**
	439.29

Reconciliation of present value of defined benefit obligation and the fair value of assets	Gratuity (Funded)
Present value of funded obligation as of 31 December 2010	**734.19**
	525.07
Less: Fair value of plan assets as at the end of the year	**665.86**
	439.29
Present value of unfunded obligation as of 31 December 2010	**68.33**
	85.78
Unfunded net liability recognised in Balance Sheet	**68.33**
	85.78

Schedules forming part of the financial statements for the year ended 31 December 2010
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SCHEDULE - 23

Notes to the Financial Statements

Expenses recognised in the Profit and Loss Account	**Pension (Unfunded)**	**Gratuity (Funded)**
Current service cost	**134.94**	**48.64**
	93.20	*36.40*
Add: Interest cost	**125.55**	**36.03**
	117.84	*40.03*
Less: Expected return on plan assets		**43.48**
	–	*38.57*
Less: Settlement credit	**15.69**	**2.78**
	2.51	*2.11*
Add: Net actuarial loss recognised	**45.54**	**163.82***
	28.83	*99.30*
Total expenses recognised in the Profit & Loss account	**290.34**	**202.23**
	237.36	*135.05*

* includes impact of change in actuary.

Figures in italics are for the year ended 31 December 2009

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

Particulars	**Gratuity**
Central Government securities	**9%**
	18%
State Government securities	**4%**
	11%
Bonds and securities of public sector / Financial Institutions	**87%**
	60%
Deposit with Reserve Bank of India	**0%**
	11%

The following table sets out the assumptions used in actuarial valuation of compensated absences, pension and gratuity:

Particulars	**Compensated absences (Unfunded)**	**Pension (Unfunded)**	**Gratuity (Funded)**
Discount rate	**7.90%**	**7.90%**	**7.90%**
	7.50%	*7.50%*	*7.50%*
Rate of increase in compensation levels #	**7-10%**	**7-10%**	**7-10%**
	5-10%	*5-10%*	*5-10%*
Rate of return of plan assets	**N.A.**	**N.A.**	**9%**
	N.A.	*N.A.*	*8%*
Expected average remaining working lives of employees (years)	**20.04 - 24.73**	**20.00**	**20.09 - 24.72**
	20.55 - 24.08	*20.58*	*20.58 - 24.08*

The liability for compensated absences as at 31 December 2010 was Rs. 355.24 (previous year Rs. 266.03).

10% for the first three years and 7% thereafter (previous year 10% for the first three years and 5% thereafter).

Figures in italics are for the year ended 31 December 2009

Schedules forming part of the financial statements for the year ended 31 December 2010

(Rupees in millions, except for share data, and if otherwise stated)

SCHEDULE - 23

Notes to the Financial Statements

12. Hedging and Derivatives

a) The Company uses various forms of derivative instruments such as foreign exchange forward contracts, options, cross currency swaps and interest rate swaps to hedge its exposure to movements in foreign exchange and interest rates. These derivatives are not used for trading or speculation purposes.

b) Some of these derivatives are used as hedging instruments to hedge foreign exchange fluctuation risk on highly probable transactions arising during the period upto the date of sales transaction. These sales transactions are expected to occur over a period of January 2011 to July 2013 years which also approximates/ coincides with maturity of hedging instruments. The ineffectiveness arising from cash flow hedges recognized in Profit and Loss Account is not material.

The following are the outstanding derivative contracts entered into by the Company:

Category	Currency	Cross Currency	Amount (in millions)	Buy/ Sell	Purpose
As at 31 December 2010					
Forward contracts*	USD	INR	USD 249.00	Sell	Hedging
Forward contracts	EUR	USD	EUR 5 .00	Sell	Hedging
Forward contracts	ZAR	USD	ZAR 40.75	Sell	Hedging
Currency options	USD	INR	USD 846.50	Sell	Hedging
Currency swaps	JPY	USD	JPY 8,150.00	Buy	Hedging
Interest rate swap (JPY LIBOR)	JPY		JPY 7,400.00		Hedging
Cummulative mark to market loss on above instruments, net #			Rs. (9,996.32)		
As at 31 December 2009					
Forward contracts*	USD	INR	USD 20.00	Sell	Hedging
Forward contracts	EUR	USD	USD 1.44	Sell	Hedging
Currency options	USD	INR	USD 1,038.50	Sell	Hedging
Currency swaps	JPY	USD	JPY 10,350.00	Buy	Hedging
Interest rate swap (JPY LIBOR)	JPY		JPY 11,800.00		Hedging
Cummulative mark to market loss on above instruments, net #			Rs. (16,062.18)		

determined based on valuation provided by banks i.e. counter party or observable market input including currency forward and spot rates, yield curves, currency, volatility etc.

* Designated as cash flow hedge instruments.

c) The Company's unhedged foreign currency exposures on account of payables/ receivables not hedged are as follows:

	As at 31 December 2010		As at 31 December 2009	
	(in original currency)	(in Rupees)	(in original currency)	(in Rupees)
Receivables (net of advances) *				
– EURO	**17.16**	**1,026.55**	22.05	1,469.99
– BRL	**8.71**	**234.00**	24.98	666.21
– ZAR	**43.24**	**291.00**	102.30	640.96
– RUB	**980.81**	**1,434.34**	410.90	267.24
– GBP	**2.56**	**178.00**	2.73	205.53
– AUD	**5.52**	**252.00**	2.04	85.18
– SEK	**1.81**	**12.00**	10.62	68.99
– NZD	**0.08**	**3.00**	1.10	37.18

Schedules forming part of the financial statements for the year ended 31 December 2010
(Rupees in millions, except for share data, and if otherwise stated)

SCHEDULE - 23

Notes to the Financial Statements

	As at 31 December 2010		As at 31 December 2009	
	(in original currency)	(in Rupees)	(in original currency)	(in Rupees)
– MYR	**1.04**	**15.00**	2.73	37.05
– CNY	**–**	**–**	2.99	20.40
– JPY	**41.78**	**23.00**	36.22	18.31
– AED	**–**	**–**	0.65	8.28
– THB	**36.80**	**55.00**	–	–
– MXN	**8.36**	**30.00**	–	–
– RMB	**0.56**	**4.00**	–	–
– NGN	**8.86**	**3.00**	–	–
– MMK	**0.11**	**1.39**		
– CHF	**0.01**	**0.37**		
* USD - INR currency exposure for receivable balances is hedged fully, however USD to above currency is unhedged to the extent stated above.				
Payables (net of advances)				
– USD	**71.94**	**3,216.40**	51.73	2,406.05
– EURO	**6.60**	**394.59**	4.27	284.68
– CAD	**0.92**	**41.02**	2.61	115.30
– GBP	**0.39**	**27.26**	0.44	33.08
– JPY	**41.77**	**23.01**	24.22	12.24
– RUB	**61.69**	**90.22**	12.38	1.50
– UAH	**1.65**	**9.23**	0.07	0.05
– AED	**0.52**	**6.31**	0.05	0.06
– KZT	**15.94**	**4.84**	0.13	0.69
Others#		**11.38**		3.06
Bank balances				
– USD	**80.27**	**3,588.29**	0.62	28.84
– LTL	**0.30**	**5.23**	0.56	10.81
– CFR	**88.78**	**7.87**	94.04	9.55
– RUB	**4.80**	**7.02**	5.90	3.83
– PLN	**0.03**	**0.45**	0.03	0.49
– UAH	**0.20**	**1.13**	0.53	3.04
– RMB	**0.33**	**2.21**	–	–
– AED	**0.20**	**2.43**	0.23	2.95
– KZT	**13.85**	**4.20**	0.05	0.01
– KES	**8.42**	**4.65**	0.93	0.57
Others#		**0.26**		2.39
Loans				
– USD	**957.93**	**42,828.98**	666.86	31,016.74

Exposures in other currencies which are not significant has been aggregated for this disclosure.

For derivatives refer to note 10(a) above.

Schedules forming part of the financial statements for the year ended 31 December 2010

(Rupees in millions, except for share data, and if otherwise stated)

SCHEDULE - 23

Notes to the Financial Statements

13. a) Other income includes net foreign exchange gain (other than on loans)

	For the year ended 31 December	
	2010	**2009**
Foreign exchange loss (net)	**209.32**	1,423.48
Fair valuation gain on derivatives (net)	**(4,368.82)**	(3,213.88)
	(4,159.50)	(1,790.40)

b] Interest expense

Interest expense includes interest paid on fixed period loans amounting to Rs. 172.96 (previous year Rs. 148.04).

14. a) Directors' remuneration *

	For the year ended 31 December	
	2010	**2009**
Salaries and allowances	**43.96**	186.44
Contribution to provident and other funds*	**1.84**	20.67
Directors' fee	**1.04**	1.99
Commission	**71.00**	52.00
Perquisites	**0.53**	4.84
	118.37	265.94

* Does not include the following:

i) Liabilities in respect of gratuity, pension and leave encashment (for one of the directors) as the same is determined on an actuarial basis for the company as a whole.

ii) Compensation cost of Rs. nil for the loss of office to a director (previous year Rs. 481.38).

Mr. Arun Sawhney was appointed as the Managing Director of the Company with effect from 20 August 2010 for a period of three years. The appointment and remuneration of Mr. Arun Sawhney as the Managing Director has been approved by the Board of Directors, but the requisite regulatory approval from shareholders is yet to be obtained. In accordance with the remuneration determined by the Board of Directors, Rs. 32.91 (including commission) has been accounted for as an expense in the Profit and Loss Accounts for the year ended 31 December 2010.

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

	For the year ended 31 December	
	2010	**2009**
Profit before tax as per Profit and Loss Account	**15,652.45**	10,619.17
Less:		
Profit on sale of assets (net)	**260.59**	237.34
Profit on sale of investments	**2,255.03**	420.33
	13,136.83	9,961.50
Add:		
Directors' remuneration (including commission)	**118.37**	265.94

Schedules forming part of the financial statements for the year ended 31 December 2010
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Notes to the Financial Statements

	For the year ended 31 December 2010	2009
Fixed assets written off	**86.04**	12.00
Provision for diminution in value of long term investments	**4,078.00**	–
Net profit	**17,419.24**	10,239.44
Maximum remuneration which can be paid to Whole-time Directors as per Companies Act, 1956	**1741.92**	1023.94
Maximum commission which can be paid to other Directors as per Companies Act, 1956	**174.19**	102.39
Commission to directors :		
(As determined by the Board of Directors)		
Whole-time	**21.00**	35.00
Others	**50.00**	17.00
	71.00	52.00

15. Commitments, contingent liabilities and provisions

	As at 31 December 2010	2009
i) Claims against the Company not acknowledged as debts, under dispute:		
(a) DPCO *	**1,952.90**	1,703.30
(b) Letter of comfort on behalf of subsidiaries, to the extent of limits	**2,450.84**	4,656.88
(c) Octroi tax matters **	**171.00**	171.00
(d) Other matters ***	**187.30**	190.71

* The Company has received demands for payment to the credit of the Drug Prices Equalisation Account under Drugs (Price Control) Order, 1995 (DPCO) which is being contested by the Company in respect of its various products. Further, the Company has deposited Rs. 325.59 (previous year Rs. 319.59) under protest.

** The Company has been contesting a case with the Municipal Corporation of Mohali (MCM) under which MCM is contesting that Octroi has to be paid by the Company at 1% as against 0.5% being paid by the Company. The amount above represents the difference payable.

*** These represent cases pending at various forums on account of employee / worker related cases, State electricity board, Punjab Land Preservation Act, etc.

ii) In respect of matters in (b) to (d) above, the amount represents the demands received under the respective demand/ show cause notices/ legal claims, wherever applicable.

iii) The Company, directly or indirectly through its subsidiaries, severally or jointly is also involved in certain patents and product liability disputes as at the year end. Due to the nature of these disputes and also in view of significant uncertainty of outcome, the Company believes that the amount of exposure cannot be currently determinable.

	2010	2009
v) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	**775.67**	773.85

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Notes to the Financial Statements

16. The aggregate amount of revenue expenditure incurred on research and development is shown in the respective heads of account. The break-up of the amount is as under:

	For the year ended 31 December	
	2010	**2009**
Salaries, wages and bonus	**1,531.59**	1,309.08
Contribution to provident and other funds	**92.82**	81.57
Workmen and staff welfare	**54.15**	68.37
Raw materials consumed	**854.11**	1,135.09
Stores and spares consumed	**425.52**	531.99
Power and fuel	**314.96**	272.27
Clinical trials	**510.02**	451.55
Rent	**211.50**	213.09
Printing and stationery	**19.32**	16.61
Insurance	**37.38**	38.06
Communication	**73.51**	56.37
Legal and professional charges	**16.27**	53.95
Travel and conveyance	**81.47**	85.50
Running and maintenance of vehicles	**30.64**	34.34
Analytical and processing charges	**67.64**	49.32
Repairs and maintenance	**–**	
- Buildings	**36.71**	6.44
- Plant and machinery	**10.82**	44.34
- Others	**104.02**	94.54
Recruitment and training	**12.81**	13.43
Others	**295.44**	165.93
	4,780.70	4,721.84

17. Related party disclosures

a] Relationship :

i) Holding company (also being the ultimate holding company)

1 Daiichi Sankyo Co. Ltd., Japan

ii] Fellow subsidiary with whom transactions have taken place during the year or previous year

1 Daiichi Sankyo India Pharma Private Limited, India (DSIN)

iii) Subsidiaries including step down subsidiaries / partnership firms (domestic):

1 Ranbaxy Drugs and Chemicals Company
2 Solus Pharmaceuticals Limited
3 Ranbaxy SEZ Limited
4 Rexcel Pharmaceuticals Limited
5 Gufic Pharma Limited
6 Ranbaxy Life Sciences Research Limited
7 Ranbaxy Drugs Limited
8 Vidyut Investments Limited
9 Solrex Pharmaceuticals Company (a Partnership firm)

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Notes to the Financial Statements

iv) Subsidiaries including step down subsidiaries (overseas):

1 Ranbaxy (Netherlands) BV, The Netherlands
2 Ranbaxy (Hong Kong) Limited, Hong Kong
3 Ranbaxy Inc., USA
4 Ranbaxy Egypt (L.L.C.), Egypt
5 Ranbaxy (Guangzhou China) Ltd., China (upto 29 December 2009)
6 Ranbaxy Farmaceutica Ltda, Brazil
7 Ranbaxy Signature, LLC. USA
8 Ranbaxy PRP(Peru) SAC
9 Ranbaxy Australia Pty Ltd., Australia
10 Lapharma GmbH, Germany (upto 16 December 2010)
11 Ranbaxy Unichem Co. Ltd., Thailand
12 Ranbaxy USA, Inc., USA
13 Ranbaxy Italia S.p.A, Italy
14 Ranbaxy (Malaysia) Sdn. Bhd., Malaysia
15 Be-Tabs Investments (Proprietary) Ltd., South Africa
16 Ranbaxy Japan KK (from 9 November 2009 to 16 September 2010)
17 Ranbaxy NANV, The Netherlands (upto 17 November 2010)
18 Ranbaxy (Poland) S. P. Zoo, Poland
19 Ranbaxy (Nigeria) Limited, Nigeria
20 Ranbaxy Europe Limited, U.K.
21 Ranbaxy (UK) Limited, U.K.
22 Basics GmbH , Germany.
23 ZAO Ranbaxy, Russia
24 Terapia S.A., Romania
25 Ranbaxy Pharmaceuticals, Inc., USA
26 Ranbaxy Laboratories Inc., USA
27 Ohm Laboratories, Inc., USA
28 Ranbaxy Hungary Kft, Hungary (upto 22 May 2009)
29 Terapia Distributie S.R.L., Romania
30 Ranbaxy Pharma AB, Sweden
31 Office Pharmaceutique Industriel et Hospitalier SARL, France
32 Ranbaxy Ireland Limited, Ireland
33 Ranbaxy (S.A.) Proprietary Limited, South Africa
34 Ranbaxy Holdings (UK) Ltd., U.K.
35 Ranbaxy Do Brazil Ltda, Brazil
36 Laboratorios Ranbaxy, S.L., Spain
37 Ranbaxy Vietnam Company Limited, Vietnam (upto 05 October 2009)
38 Ranbaxy Pharmacie Generiques SAS, France
39 Ranbaxy Pharmaceuticals Canada Inc., Canada
40 Sonke Pharmaceuticals (Pty) Ltd., South Africa
41 Ranbaxy Mexico S.A.de C.V., Mexico (from 13 November 2009)
42 Ranbaxy Mexico Servicios S.A.de C.V., Mexico
43 Ranbaxy Portugal - Com E Desenvolv De Prod Farmaceuticos Unipessoal Lda, Portugal
44 Ranbaxy Beligium N.V., Belgium
45 Be-Tabs Pharmaceuticals (Proprietary) Ltd.
46 Rexcel Egypt (L.L.C.), Egypt

v) Joint Venture (Overseas)

1 Nihon Pharmaceuticals Industry Co. Ltd., Japan (Investment made by Ranbaxy (Netherlands) BV, The Netherlands) (upto 8 December 2009)

Schedules forming part of the financial statements for the year ended 31 December 2010

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Notes to the Financial Statements

vi) Associates (domestic)

1 Zenotech Laboratories Limited
2 Shimal Research Laboratories Limited

vii) Key management personnel

1 Mr. Malvinder Mohan Singh, Chairman, CEO & Managing Director (upto 24 May 2009)
2 Mr. Atul Sobti, CEO & Managing Director (upto 19 August 2010)
3 Mr. Arun Sawhney, Managing Director (from 20 August 2010)

viii) Relatives of Key management personnel with whom transactions were carried out during the previous year

1 Mrs. Nimmi Singh, mother of Mr. Malvinder Mohan Singh (upto 24 May 2009)

ix) Entities over which significant influence was exercised by Mr. Malvinder Mohan Singh and with whom transactions were carried out during the previous year (upto 24 May 2009)

1 Fortis Healthcare Limited (including its subsidiaries)
2 Religare Securities Limited
3 Ran Air Services Limited
4 Religare Travels (India) Limited
5 Religare Capital Markets Limited
6 Super Religare Laboratories Limited
7 Fortis Clinical Research Limited
8 Religare Enterprises Limited
9 Escorts Heart Institute and Research Centre Limited
10 Religare Technova IT Services Limited (formerly Fortis Financial Services Limited)
11 Oscar Investments Limited

b] Transactions with the related parties

Transactions	Holding company	Fellow subsidiary	Subsidiaries, Joint Venture and Associates	Key management personnel	Entities over which significant influence is exercised	Total
Sales	19.39	–	22,194.25	–	–	22,213.64
	–	–	(17,199.19)	–	–	(17,199.19)
Royalty, technical know-how and product development (income)	207.25	–	153.14	–	–	360.39
	–	–	(195.06)	–	–	(195.06)
Non-compete fee (income recognised)	–	210.00	–	–	–	210.00
	–	–	–	–	–	–
Non-compete fee (deferred income)	–	630.00	–	–	–	630.00
	–	–	–	–	–	–
Dividend from overseas subsidiaries	–	–	13.06	–	–	13.06
	–	–	(9.54)	–	–	(9.54)
Sale of fixed assets	–	589.38	142.72	–	–	732.10
	–	–	(204.94)	–	–	(204.94)
Unclaimed balances/ excess provision written back	–	–	30.57	–	–	30.57
	–	–	(928.42)	–	–	(928.42)
Interest received	–	–	0.16	–	–	0.16
	–	–	(0.36)	–	–	(0.36)

Schedules forming part of the financial statements for the year ended 31 December 2010
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Notes to the Financial Statements

Transactions	Holding company	Fellow subsi-diary	Subsi-diaries, Joint Venture and Associates	Key manage-ment personnel	Entities over which significant influence is exercised	Total
Rental income	–	63.00	–	–	–	63.00
	–	–	(1.04)	–	–	(1.04)
Operating income - others	6.86	8.10	–	–	–	14.96
	–	–	–	–	–	–
Other income - miscellaneous	–	42.09	–	–	–	42.09
	–	–	(2.40)	–	(13.73)	(16.13)
Finished goods purchased	0.02	–	1,106.33	–	–	1,106.35
	(0.23)	–	(1,199.32)	–	–	(1,199.55)
Market research expenses	–	–	564.48	–	–	564.48
	(1.46)	–	(656.86)	–	–	(658.32)
Procurement cost of exhibit batches	–	–	219.35	–	–	219.35
	–	–	(412.35)	–	–	(412.35)
Regulatory filing expenses (including other fees)	–	–	310.44	–	–	310.44
	–	–	(193.24)	–	–	(193.24)
Analytical and processing charges	–	–	143.24	–	–	143.24
	–	–	(153.58)	–	–	(153.58)
Clinical trials	–	–	105.11	–	–	105.11
	–	–	(61.02)	–	–	(61.02)
Product quality claim	–	–	13.41	–	–	13.41
	–	–	(57.14)	–	–	(57.14)
Business support expenses	4.15	–	0.81	–	–	4.96
	–	–	(1.30)	–	–	(1.30)
Travel and conveyance	5.46	–	0.80	–	–	6.26
	(2.20)	–	–	–	–	(2.20)
Royalty expense	1.09	–	1.14	–	–	2.23
	(0.36)	–	(1.18)	–	–	(1.54)
Freight, clearing and forwarding	–	–	–	–	–	–
	–	–	(0.68)	–	–	(0.68)
Commission	–	–	–	–	–	–
	–	–	(0.35)	–	–	(0.35)
Personnel expenses	–	–	–	67.33	–	67.33
	–	–	–	(250.64)	–	(250.64)
Technical services availed	18.76	–	20.65	–	–	39.41
	–	–	–	–	(98.03)	(98.03)
Investments made	–	–	–	–	–	–
	–	–	(2,404.49)	–	–	(2,404.49)
Loans and advances given	–	–	6.80	–	–	6.80
	–	–	(5.50)	–	–	(5.50)
Loans and advances received back	–	–	1,500.98	–	–	1,500.98
	–	–	(330.05)	–	–	(330.05)
Purchase of fixed assets	–	–	11.65	–	–	11.65
	–	–	–	–	(97.57)	(97.57)
Security deposit received	–	63.00	–	–	–	63.00
	–	–	–	–	–	–

Note: Figures in brackets are for previous year

Schedules forming part of the financial statements for the year ended 31 December 2010
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Notes to the Financial Statements

c] Transaction in excess of 10% of the total related party transactions

Sr. No.	Transactions	Related party relationship	For the year ended 31 December 2010	For the year ended 31 December 2009
1	**Sales**			
	Ohm Laboratories, Inc, USA	Subsidiary company	12,632.65	8,557.05
	ZAO Ranbaxy, Russia	Subsidiary company	2,578.14	1,318.95
2	**Royalty, Technical know-how and product development (income)**			
	Daiichi Sankyo Co. Ltd.	Holding company	207.25	–
	Ranbaxy Pharmaceuticals, Inc. USA	Subsidiary company	80.18	–
	Ranbaxy (Malaysia) Sdn. Bhd., Malaysia	Subsidiary company	53.94	50.68
	Ohm Laboratories, Inc, USA	Subsidiary company	–	65.86
	Ranbaxy (Guangzhou China) Limited, China	Subsidiary company	–	45.76
	Ranbaxy Unichem Company Ltd., Thailand	Subsidiary company	–	18.46
3	**Non-compete fee (Income recognised)**			
	Daiichi Sankyo India Pharma Private Ltd.	Fellow subsidiary	210.00	–
4	**Non-compete fee (Deferred income)**			
	Daiichi Sankyo India Pharma Private Ltd.	Fellow subsidiary	630.00	–
5	**Dividend from overseas subsidiaries**			
	Ranbaxy (Malaysia) Sdn. Bhd., Malaysia	Subsidiary company	9.28	5.22
	Ranbaxy Unichem Company Ltd., Thailand	Subsidiary company	2.15	2.17
	Ranbaxy Nigeria Limited, Nigeria	Subsidiary company	1.63	2.15
6	**Sale of fixed assets**			
	Ranbaxy Unichem Company Ltd., Thailand	Subsidiary company	142.72	–
	Daiichi Sankyo India Pharma Private Ltd.	Fellow subsidiary	589.38	–
	Basics GmbH , Germany.	Subsidiary company	–	166.89
	ZAO Ranbaxy, Russia	Subsidiary company	–	38.05
7	**Unclaimed balances/ excess provision written back**			
	Ohm Laboratories, Inc, USA	Subsidiary company	30.57	–
	Ranbaxy Pharmaceuticals, Inc. USA	Subsidiary company	–	850.93
8	**Interest received**			
	Ranbaxy Drugs and Chemicals Company, India	Subsidiary company	0.16	0.36
9	**Rent Received**			
	Daiichi Sankyo India Pharma Private Ltd.	Fellow subsidiary	63.00	–
	Solrex Pharmaceuticals Company, India (A Partnership firm)	Subsidiary company	–	1.04
10	**Operating income - others**			
	Daiichi Sankyo Co. Ltd.	Holding company	6.86	–
	Daiichi Sankyo India Pharma Private Ltd.	Fellow subsidiary	8.09	–
	Solrex Pharmaceuticals Company, India (A Partnership firm)	Subsidiary company	–	1.71
	Zenotech Laboratories Limited, India	Associates	–	0.69
11	**Other income - miscellaneous**			
	Daiichi Sankyo India Pharma Private Ltd.	Fellow subsidiary	42.09	–

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Notes to the Financial Statements

Sr. No.	Transactions	Related party relationship	For the year ended 31 December 2010	For the year ended 31 December 2009
12	**Finished goods purchased**			
	Solrex Pharmaceuticals Company, India (A Partnership firm)	Subsidiary company	972.29	1,003.26
	Ranbaxy (Malaysia) Sdn. Bhd., Malaysia	Subsidiary company	–	144.19
13	**Market research expenses**			
	Ranbaxy Inc., USA	Subsidiary company	269.65	339.11
	Ranbaxy Europe Limited, U.K.	Subsidiary company	217.59	268.19
	Ranbaxy (Malaysia) Sdn. Bhd., Malaysia	Subsidiary company	77.25	–
14	**Procurement cost of exhibit batches**			
	Ohm Laboratories, Inc, USA	Subsidiary company	217.26	412.35
15	**Regulatory filing expenses (including other fees)**			
	Ranbaxy (UK) Limited, U.K.	Subsidiary company	127.10	–
	Ranbaxy Inc., USA	Subsidiary company	43.49	–
	Basics GmbH , Germany.	Subsidiary company	35.06	45.16
	Ranbaxy Pharmacie Generiques SAS, France	Subsidiary company	32.26	30.96
	Laboratorios Ranbaxy, S.L., Spain	Subsidiary company	–	22.47
	Ranbaxy Italia S.p.A, Italy	Subsidiary company	–	24.95
	Ranbaxy Beligium N.V., Belgium	Subsidiary company	–	19.85
16	**Analytical and processing charges**			
	Ranbaxy Ireland Limited, Ireland	Subsidiary company	73.44	96.15
	Terapia S.A., Romania	Subsidiary company	37.38	23.37
	Solrex Pharmaceuticals Company, India (A Partnership firm)	Subsidiary company	–	34.06
17	**Clinical trials**			
	Terapia S.A., Romania	Subsidiary company	105.11	61.02
18	**Product quality claim**			
	Ranbaxy Farmaceutica Ltda, Brazil	Subsidiary company	6.10	34.55
	Ranbaxy Ireland Limited, Ireland, India	Subsidiary company	3.88	–
	ZAO Ranbaxy, Russia	Subsidiary company	2.06	5.97
	Ranbaxy Pharmacie Generiques SAS, France	Subsidiary company	1.38	13.10
19	**Business support expenses**			
	Daiichi Sankyo Co. Limited, Japan	Holding company	4.15	–
	Ranbaxy Inc., USA	Subsidiary company	–	1.30
20	**Travel and conveyance**			
	Daiichi Sankyo Co. Limited, Japan	Holding company	5.46	2.20
21	**Royalty paid**			
	Daiichi Sankyo Co. Limited , Japan	Holding company	1.09	0.36
	Terapia S.A., Romania	Subsidiary company	0.90	0.94
	Gufic Pharma Limited	Subsidiary company	0.24	0.24
22	**Freight ,clearing and forwarding**			
	Ranbaxy Ireland Limited, Ireland	Subsidiary company	–	0.68
23	**Commission paid**			
	Ranbaxy Drugs and Chemicals Company, India	Subsidiary company	–	0.35

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Sr. No.	Transactions	Related party relationship	For the year ended 31 December 2010	For the year ended 31 December 2009
24	**Personnel Cost (Also refer to note 12)**			
	Mr. Malvinder Mohan Singh (Upto 24th May 2009)	Key management personnel	–	167.41
	Mr. Atul Sobti (Upto 19th August 2010)	Key management personnel	34.42	79.54
	Mr. Arun Sawhney (From 20th August 2010)	Key management personnel	32.91	–
25	**Technical services availed**			
	Daiichi Sankyo Co. Limited , Japan	Holding company	18.76	
	Solrex Pharmaceuticals Company, India (A Partnership firm)	Subsidiary company	14.83	–
	Fortis Clinical Research Limited, India	Entities over which significant influence is exercised	–	48.54
	Religare Technova IT Services Limited, India	Entities over which significant influence is exercised	–	33.38
26	**Investments made**			
	Ranbaxy (Netherlands) BV, The Netherlands	Subsidiary company	–	2,404.50
27	**Loans and advances given**			
	Ranbaxy Drugs and Chemicals Company, India	Subsidiary company	–	5.50
	Ranbaxy Life Sciences Research Limited	Subsidiary company	6.50	–
28	**Loan and advances received back**			
	Rexcel Pharmaceuticals Ltd, India	Subsidiary company	728.98	164.99
	Solus Pharmaceuticals Ltd, India	Subsidiary company	761.70	165.00
29	**Purchase of fixed assets**			
	ZAO Ranbaxy, Russia	Subsidiary company	11.65	–
	Religare Technova IT Services Limited, India	Entities over which significant influence is exercised	–	97.57
30	**Security deposit received**			
	Daiichi Sankyo India Pharma Private Limited	Fellow subsidiary	63.00	–

d] Balances due from/to the related parties

Sr. No.	Transactions	Holding company and Fellow subsidiary	Subsi-diaries*	Joint venture and associates	Key manage-ment personnel	Total
1	**Debtors**					
(i)	Ranbaxy (Hong Kong) Limited,	–	–	–	–	–
	Hong Kong	–	(101.34)	–	–	(101.34)
(ii)	Ranbaxy (Malaysia) Sdn. Bhd.,	–	35.97	–	–	35.97
	Malaysia	–	(122.98)	–	–	(122.98)
(iii)	Ranbaxy (UK) Limited, U.K.	–	32.25	–	–	32.25
		–	(114.13)	–	–	(114.13)

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Notes to the Financial Statements

Sr. No.	Transactions	Holding company and Fellow subsidiary	Subsi-diaries*	Joint venture and associates	Key manage-ment personnel	Total
(iv)	ZAO Ranbaxy, Russia	–	1,433.59	–	–	1,433.59
		–	(629.11)	–	–	(629.11)
(v)	Ranbaxy Nigeria Limited,	–	64.34	–	–	64.34
	Nigeria	–	(58.75)	–	–	(58.75)
(vi)	Ranbaxy Ireland Limited,	–	120.88	–	–	120.88
	Ireland	–	(329.36)	–	–	(329.36)
(vii)	Ranbaxy PRP(Peru) SAC	–	168.39	–	–	168.39
		–	(150.19)	–	–	(150.19)
(viii)	Ranbaxy (S.A.) Proprietary Ltd.,	–	565.43	–	–	565.43
	South Africa	–	(602.92)	–	–	(602.92)
(ix)	Be-Tabs Investments	–	–	–	–	–
	(Proprietary) Ltd., South Africa	–	(38.15)	–	–	(38.15)
(x)	Ranbaxy Egypt (L.L.C.), Egypt	–	9.49	–	–	9.49
		–	(0.84)	–	–	(0.84)
(xi)	Ranbaxy Farmaceutica Ltda,	–	425.00	–	–	425.00
	Brazil	–	(686.74)	–	–	(686.74)
(xii)	Ranbaxy Australia Pty Ltd.,	–	178.92	–	–	178.92
	Australia	–	(140.13)	–	–	(140.13)
(xiii)	Ranbaxy Italia S.p.A, Italy	–	111.58	–	–	111.58
		–	(182.21)	–	–	(182.21)
(xiv)	Ranbaxy Portugal - Com E	–	7.68	–	–	7.68
	Desenvolv De Prod	–	(5.89)	–	–	(5.89)
	Farmaceuticos Unipessoal Lda,					
	Portugal					
(xv)	Ranbaxy Pharmacie Generiques	–	116.51	–	–	116.51
	SAS, France	–	(53.49)	–	–	(53.49)
(xvi)	Ranbaxy Pharma AB, Sweden	–	12.07	–	–	12.07
		–	(80.16)	–	–	(80.16)
(xvii)	Ranbaxy Beligium N.V.,	–	33.17	–	–	33.17
	Belgium	–	(46.97)	–	–	(46.97)
(xviii)	Ohm Laboratories, Inc, USA	–	4,631.73	–	–	4,631.73
		–	(7,104.67)	–	–	(7,104.67)
(xix)	Basics GmbH , Germany.	–	63.80	–	–	63.80
		–	–	–	–	–
(xx)	Laboratorios Ranbaxy, S.L.,	–	15.17	–	–	15.17
	Spain	–	–	–	–	–
(xxi)	Ranbaxy Unichem Co. Ltd.,	–	65.92	–	–	65.92
	Thailand	–	–	–	–	–
(xxii)	Terapia S.A., Romania	–	220.43	–	–	220.43
		–	–	–	–	–
(xxiii)	Ranbaxy Pharmaceuticals, Inc.	–	67.28	–	–	67.28
	USA	–	–	–	–	–
(xxiv)	Daiichi Sankyo Co., Ltd. , Japan	8.13	–	–	–	8.13
		–	–	–	–	–

Schedules forming part of the financial statements for the year ended 31 December 2010
(Rupees in millions, except for share data, and if otherwise stated)

SCHEDULE - 23

Notes to the Financial Statements

Sr. No.	Transactions	Holding company and Fellow subsidiary	Subsi-diaries*	Joint venture and associates	Key manage-ment personnel	Total
(xxiv)	Daiichi Sankyo India Pharma	11.34	–	–	–	11.34
	Private Limited $	–	–	–	–	–
(xxv)	Zenotech Laboratories Limited	–	–	0.17	–	0.17
		–	–	–	–	–
2	**Creditors**	11.37	1,769.56	8.58	–	1,789.51
		(0.96)	(371.62)	(4.11)	–	(376.69)
3	**Loans and advances to**	–	39.60	–	–	39.60
	subsidiaries (Refer to note 21 of Schedule 23)	–	(1,533.78)	–	–	(1,533.78)
4	**Payable to whole-time**	–	–	–	21.00	21.00
	director (commission)	–	–	–	(35.00)	(35.00)

Note: figures in brackets are for previous year

* Dues from parties under the same management as defined under Section 370 (1-B) of the Companies Act, 1956.

$ Represents fellow subsidiary and also a party under the same management as defined under Section 370 (1-B) of the Companies Act, 1956.

18. Segment information

In accordance with AS-17 "Segment Reporting", segment information has been given in the consolidated financial statements of Ranbaxy Laboratories Limited, and therefore, no separate disclosure on segment information is given in these financial statements.

19. Disclosures as required under the Micro, Small and Medium Enterprises Development Act, 2006 based on the information available with the Company are given below:

	As at 31 December	
	2010	**2009**
The principal amount remaining unpaid to any supplier as at the end of the year	**22.36**	21.69
The interest due on the principal remaining outstanding as at the end of the year	**–**	–
The amount of interest paid under the Act, along with the amounts of the payment made beyond the appointed day during the year	**–**	–
The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Act	**–**	–
The amount of interest accrued and remaining unpaid at the end of the year	**–**	–
The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise, for the purpose of disallowance as a deductible expenditure under the Act	**–**	–

Schedules forming part of the financial statements for the year ended 31 December 2010

(Rupees in millions, except for share data, and if otherwise stated)

SCHEDULE - 23

Notes to the Financial Statements

20. 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

	Unit of measure	Installed capacity as at 31 December 2010	Actual production for the year ended 31 December 2010	Installed capacity as at 31 December 2009	Actual production for the year ended 31 December 2009
Dosage forms					
Tablets	Nos. in million	**9,863.60**	**4,878.10**	9,601.60	4,056.81
Capsules	Nos. in million	**3,078.00**	**1,593.77**	2,862.00	1,218.33
Dry syrups/Powders	Bottles in million	**78.00**	**34.32**	43.80	23.79
Ampoules	Nos. in million	**48.00**	**107.82**	48.00	83.06
Vials	Nos. in million	**35.00**	**46.61**	35.00	41.81
Liquids $	Kilolitres	**–**	**898.82**	–	561.60
Drops $	Kilolitres	**–**	**42.68**	–	38.78
Active pharmaceuticals ingredients and drugs intermediates	Tonnes	**2,019.18**	**1,119.80 #**	1,917.89	1,060.09 #
Ointments (including sprays)	Tonnes	*****	**428.20**	*	633.32

** In different denominations than actual production.*

 # Inclusive of production used for captive consumption.

$ Installed capacity is not given as the same is manufactured by loan licensees.

Notes :

1. In terms of press Note no 4 (1994 series) dated October 25, 1994 issued by the department of Industrial Development, Ministry of Industry, Government of India and Notification no. S.O. 137 (E) dated March 01, 1999 issued by the Department of Industrial Policy and Promotion, Ministry of Industry, Government of India, Industrial licencing has been abolished in respect of bulk drugs and formulations. Hence there are no registered/ Licenced capacities for these bulk drugs and formulations.
2. Installed capacity being effective operational capacity has been calculated on a double shift basis for dosage forms facilities and on a continuous basis for active pharmaceuticals ingredients and drug intermediates, it may vary according to the production mix. In addition, installed capacities does not include the installed capacity in relation to dosage forms manufactured at loan licencees.
3. Actual production includes production at loan licencee locations.

Schedules forming part of the financial statements for the year ended 31 December 2010

(Rupees in millions, except for share data, and if otherwise stated)

SCHEDULE - 23

Notes to the Financial Statements

b] Particulars of Production, Purchases, Sales and Stock of finished goods

Class of Goods	Unit of measure	Opening Stock		Production	Purchases		Sales		Closing Stock	
		Quantity	Value	Quantity	Quantity	Value	Quantity @	Value	Quantity	Value
Tablets	**Nos./**	**786.66**	**1,079.98**	**4,878.10**	**2,306.38**	**1,664.93**	**6,831.42**	**18,767.86**	**1,139.72**	**1,489.85**
	Million	*836.33*	*1,057.82*	*4,056.81*	*2,025.19*	*1,376.06*	*6,131.67*	*17,087.42*	*786.66*	*1,079.98*
Capsules	**Nos./**	**177.42**	**289.95**	**1,593.77**	**432.13**	**361.09**	**1,903.50**	**5,703.50**	**299.82**	**385.80**
	Million	*205.72*	*336.17*	*1,218.33*	*359.27*	*492.87*	*1,605.90*	*5,135.74*	*177.42*	*289.95*
Dry syrups/	**Bottles/**	**7.86**	**91.20**	**34.32**	**24.75**	**199.80**	**55.08**	**1,585.51**	**11.85**	**202.03**
Powders	**Million**	*8.27*	*101.93*	*23.79*	*73.62*	*139.40*	*97.82*	*1,462.41*	*7.86*	*91.20*
Ampoules	**Nos./**	**11.42**	**65.26**	**107.82**	**4.05**	**36.72**	**104.44**	**1,007.75**	**18.85**	**83.61**
	Million	*21.83*	*67.31*	*83.06*	*3.17*	*24.92*	*96.64*	*971.85*	*11.42*	*65.26*
Vials	**Nos./**	**8.81**	**261.12**	**46.61**	**87.34**	**830.41**	**128.50**	**3,566.81**	**14.26**	**371.94**
	Million	*8.63*	*250.27*	*41.81*	*53.92*	*530.97*	*95.55*	*2,879.71*	*8.81*	*261.12*
Liquids	**Kilolitres**	**331.57**	**59.80**	**898.82**	**3,217.28**	**471.14**	**3,648.65**	**1,097.00**	**799.02**	**161.57**
		594.06	*110.28*	*561.60*	*2,312.30*	*358.54*	*3,136.39*	*959.75*	*331.57*	*59.80*
Drops	**Kilolitres**	**4.84**	**3.01**	**42.68**	**4.30**	**0.98**	**44.80**	**77.15**	**7.02**	**5.81**
		8.94	*7.46*	*38.78*	*8.14*	*11.60*	*51.02*	*78.73*	*4.84*	*3.01*
Active	**Tonnes**	**269.41**	**2,675.48**	**1,119.80**	**303.73**	**2,069.99**	**849.52 #**	**18,339.70**	**305.84**	**3,918.53 ***
pharmaceuticals ingredients and drugs intermediates		*273.93*	*2,499.60*	*1,060.09*	*171.54*	*1,177.90*	*789.45*	*14,323.39*	*269.41*	*2,675.48* *
Ointments	**Tonnes**	**171.59**	**108.71**	**428.20**	**1,253.43**	**675.35**	**1,534.19**	**2,028.18**	**319.03**	**201.22**
(including sprays)		*219.14*	*119.22*	*633.32*	*862.16*	*463.44*	*1,543.03*	*1,676.82*	*171.59*	*108.71*
Others			**77.36**			**210.11**		**341.40**		**46.89**
			59.67			*236.36*		*635.98*		*77.36*
			4,711.87			**6,520.52**		**52,514.86**		**6,867.25**
			4,609.73			*4,812.06*		*45,211.80*		*4,711.87*

Notes:

@ Inclusive of physician samples.

Excludes 537.58 (previous year 446.70) tonnes used for captive consumption.

Figures in italics are for 2009.

Sales are exclusive of excise duty and trade discount.

* Includes active pharmaceutical ingredients lying at plants for captive consumption amounting to Rs. 2,100.96 (previous year Rs. 1,511.95).

c] Consumption of raw materials (quantity in metric tonnes)

Raw material	For the year ended 31 December 2010		For the year ended 31 December 2009	
	Quantity	Amount	Quantity	Amount
3 - CI - 7 - ACCA	**86.42**	**976.02**	92.21	1,035.69
Erythromycin 'A'95	**125.35**	**399.07**	121.60	334.02
Cefuroxime Axetil Crystalline	**34.06**	**294.16**	39.81	325.74
7 ADCA	**110.39**	**263.45**	123.94	295.69
6APA	**109.12**	**147.96**	192.10	251.40
Others		**11,590.46**		11,450.62
		13,671.12		13,693.16

Schedules forming part of the financial statements for the year ended 31 December 2010
(Rupees in millions, except for share data, and if otherwise stated)

SCHEDULE - 23

Notes to the Financial Statements

d] Consumption of raw materials, components and spares

		For the year ended 31 December 2010		For the year ended 31 December 2009	
		Raw materials	**Components, spares & Packaging materials ***	**Raw materials**	**Components, spares & Packaging materials***
Indigenous	Rs. Million	**6,745.41**	**2,582.55**	4,837.37	2,218.21
	As % of total	**49.34%**	**89.05%**	35.33%	86.62%
Imported	Rs. Million	**6,925.71**	**317.62**	8,855.79	342.53
	As % of total	**50.66%**	**10.95%**	64.67%	13.38%

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

d] Imports on C. I. F. basis:

	For the year ended 31 December 2010	2009
Raw materials	**6,426.47**	6,076.74
Components and spares	**101.29**	151.53
Capital goods	**166.75**	312.75
	6,694.51	6,541.02

f] Expenditure in foreign currencies

	2010	2009
Interest	**236.44**	314.00
Royalty paid	**1.67**	3.46
Legal and professional charges	**745.99**	1,778.17
Others *	**4,318.87**	4,463.76
	5,302.97	6,559.39

* *Other includes overseas personnel expenses, advertisement and sales promotion, regulatory filling fee, commission, market research expenses, rent, travel and conveyance, etc.*

g] Earnings in foreign exchange

	2010	2009
F.O.B. value of exports (excluding Nepal)	**33,603.18**	27,728.90
Royalty / Technical know-how and product development	**790.14**	265.90
Dividend	**13.06**	9.54
Others (freight, insurance, settlement income, provision written back etc.)	**3,460.05**	3,360.17
	37,866.43	31,364.51

Schedules forming part of the financial statements for the year ended 31 December 2010
(Rupees in millions, except for share data, and if otherwise stated)

SCHEDULE - 23

Notes to the Financial Statements

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

Loans and advances in the nature of loans to wholly-owned subsidiary companies are as under:

	Balance as at 31 December		Maximum balance during the year ended 31 December	
	2010	**2009**	**2010**	**2009**
Interest free with no specified payment schedule:				
a) Ranbaxy Drugs Limited	**3.16**	3.16	**3.16**	3.16
b) Rexel Pharmaceuticals Limited	**24.24**	753.22	**753.22**	918.20
c) Solus Pharmaceuticals Limited	**10.20**	771.90	**771.90**	936.90
d) Ranbaxy Life Sciences Research Limited	**2.00**	–	**6.50**	–
	39.60	1,528.28	**1,534.78**	1,858.26
Interest bearing with no specified payment schedule:				
a) Ranbaxy Drugs & Chemicals Company	**–**	5.50	**5.50**	5.50
	–	5.50	**5.50**	5.50
	39.60	1,533.78	**1,540.28**	1,863.76

The above parties are also companies under the same management as defined under Section 370(I-B) of the Companies Act, 1956.

For and on behalf of the Board of Directors

Dr. Tsutomu Une
Chairman

Arun Sawhney
Managing Director

Ranjit Kohli
Director - Global Accounts

Sushil K. Patawari
Company Secretary

Place : Gurgaon
Dated : 22 February 2011

BALANCE SHEET ABSTRACT AND COMPANY'S GENERAL BUSINESS PROFILE

I. Registration Details :

Registration No.	0 0 3 7 4 7	State Code :	1 6
Balance Sheet Date :	31 (Date) 12 (Month) 2010 (Year)		

II. Capital Raised during the year (Amount in Rs. Thousands)

Public Issue :	NIL	Rights Issue :	NIL
Employees Stock Options :	3117	Preferential Allotment :	NIL
Bonus Issue :	NIL	Private Placement :	NIL

III. Position of Mobilisation and Deployment of funds (Amount in Rs. Thousands)

Total Liabilities :	128120087	Total Assets :	128120087
Source of Funds			
Paid-up-Capital :	2105203	Reserves & Surplus :	49152756
Equity share warrant money	NIL		
Share application money pending allotment	65960		
Secured Loans :	1953855	Unsecured Loans :	40563303
Deferred tax liability :	NIL		
Application of Funds			
Net Fixed Assets :	20422998	Investments :	38044359
Net Current Assets :	35463703	Deferred Tax Asset :	NIL
Accumulated Losses :	NIL	Misc. Expenditure :	NIL

IV. Performance of Company (Amount in Rs. Thousands)

Turnover :	52667085	Total Expenditure :	51086388
Profit / Loss Before Tax :	+ ✔ 15652447	Profit / Loss After tax :	+ ✔ 11487257
Earning Per Share in Rs.	23.75	Dividend Rate % :	40

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

For and on behalf of the Board of Directors

Dr. Tsutomu Une
Chairman

Arun Sawhney
Managing Director

Ranjit Kohli
Director - Global Accounts

Sushil K. Patawari
Company Secretary

Place : Gurgaon
Dated : 22 February 2011

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	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		Net aggregate amount of subsidiary company's profit after deducting its losses or vice-versa, dealt within the Company's accounts		Holding Company's interest as at December 31, 2010 incorporating changes since close of financial year of Subsidiary Company
		Shareholding %age	**For the current financial year {Profit / (Loss)} Rs. Million**	For the previous financial years {Profit / (Loss)} Rs. Million	**For the current financial year Rs. Million**	For the previous financial years Rs. Million	
Domestic :							
Solus Pharmaceuticals Limited	2010	100.00	**(0.14)**	(8.26)	**Nil**	Nil	No change
Vidyut Investments Limited	2010	100.00	**1.79**	(233.19)	**Nil**	Nil	No change
Ranbaxy Drugs and Chemicals Company (A public company with unlimited liability)	2010	100.00	**23.49**	6.29	**Nil**	Nil	No change
Ranbaxy Drugs Limited	2010	100.00	**(0.05)**	(0.48)	**Nil**	Nil	No change
Ranbaxy SEZ Limited	2010	100.00	**(0.02)**	(0.07)			
Rexcel Pharmaceuticals Limited	2010	100.00	**(0.09)**	25.18	**Nil**	Nil	No change
Gufic Pharma Limited	2010	98.00	**0.61**	2.27	**Nil**	Nil	No change
Ranbaxy Life Sciences Research Ltd.	2010	80.07	**13.82**	15.95	**Nil**	Nil	No change
Overseas :							
Ranbaxy Malaysia Sdn. Bhd. Malaysia	2010	68.09	**127.64**	449.10	**9.28**	5.22	No change
Ranbaxy (Hong Kong) Limited Hong Kong	2010	100.00	**48.57**	74.09	**Nil**	Nil	No change
Ranbaxy N.A.N.V. $ Antilles, Netherlands	2010	100.00	**11.21**	(12.79)	**Nil**	Nil	No change
Basics GmbH Germany	2010	100.00	**63.05**	253.14	**Nil**	Nil	No change
Ranbaxy (S.A.) (Proprietory) South Africa	2010	100.00	**103.60**	261.49	**Nil**	Nil	No change
Sonke Pharmaceuticals (Pty) Ltd South Africa	2010	68.40	**30.25**	(24.39)	**Nil**	Nil	No change
Ranbaxy Mexico SE.S.A.DE Mexico	2010	100.00	**(20.30)**	–	**Nil**	Nil	No change
Ranbaxy Egypt (L.L.C.) Egypt	2010	100.00	**27.76**	2.20	**Nil**	Nil	No change
Rexcel Egypt (L.L.C.) Egypt	2010	100.00	**5.12**	(23.37)	**Nil**	Nil	No change
Ranbaxy (U.K.) Ltd. United Kingdom	2010	100.00	**(9.08)**	(1,149.97)	**Nil**	Nil	No change
Ranbaxy Poland S.P. Z.o.o. Poland	2010	100.00	**10.61**	26.70	**Nil**	Nil	No change
Ranbaxy Do Brazil Ltda Brazil	2010	100.00	**(2.81)**	(12.97)	**Nil**	Nil	No change
Ranbaxy Nigeria Ltd. Nigeria	2010	85.31	**124.95**	380.99	**1.63**	2.16	No change
Ranbaxy Unichem Company Ltd. Thailand	2010	89.06	**14.94**	155.99	**2.15**	2.17	No change
Ranbaxy Farmaceutica Ltda. Brazil	2010	100.00	**271.48**	(180.38)	**Nil**	Nil	No change

Name of Subsidiary Company	Financial year to which accounts relates	Holding Company's interest as at close of financial year of subsidiary company	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		Net aggregate amount of subsidiary company's profit after deducting its losses or vice-versa, dealt within the Company's accounts		Holding Company's interest as at December 31, 2010 incorporating changes since close of financial year of Subsidiary Company
		Shareholding %age	**For the current financial year {Profit / (Loss)} Rs. Million**	For the previous financial years {Profit / (Loss)} Rs. Million	**For the current financial year Rs. Million**	For the previous financial years Rs. Million	
Ranbaxy-PRP (Peru) S.A.C. Peru	2010	100.00	**(5.27)**	(16.41)	**Nil**	Nil	No change
Ranbaxy Europe Ltd. United Kingdom	2010	100.00	**15.34**	40.98	**Nil**	Nil	No change
Ranbaxy Pharmaceutical, Inc. USA	2010	100.00	**1,453.66**	1,736.20	**Nil**	Nil	No change
Ranbaxy, Inc, USA	2010	100.00	**7.83**	2,549.35	**Nil**	Nil	No change
Ranbaxy USA, Inc. USA	2010	100.00	**2.05**	66.31	**Nil**	Nil	No change
Ohm Laboratories Inc. USA	2010	100.00	**756.50**	1,939.81	**Nil**	Nil	No change
Ranbaxy Laboratories Inc. USA	2010	100.00	**(683.30)**	(378.53)	**Nil**	Nil	No change
Ranbaxy Signature LLC, USA USA	2010	67.50	**(19.97)**	(357.10)	**Nil**	Nil	No change
Ranbaxy (Netherlands) B.V. (“RNBV”) The Netherlands	2010	100.00	**225.06**	597.21	**Nil**	Nil	No change
Ranbaxy Holdings (U.K.) Ltd. United Kingdom	2010	100.00	**(0.39)**	12.45	**Nil**	Nil	No change
Ranbaxy Ireland Ltd. Ireland	2010	100.00	**51.99**	267.59	**Nil**	Nil	No change
ZAO Ranbaxy Russia	2010	100.00	**(104.00)**	255.55	**Nil**	Nil	No change
Ranbaxy Pharmacie Generiques SAS France	2010	100.00	**(342.11)**	(187.08)	**Nil**	Nil	No change
Ranbaxy Portugal - Com E Desenvolv De Prod Farmaceuticos Unipessoal Lda Portugal	2010	100.00	**(10.86)**	(218.59)	**Nil**	Nil	No change
Laboratorios Ranbaxy, S.L. Spain	2010	100.00	**17.13**	(801.06)	**Nil**	Nil	No change
Office Pharmaceutique Industriel Et Hospitalier SARL (“OPIH SARL ”) France	2010	100.00	**(8.57)**	(48.09)	**Nil**	Nil	No change
Ranbaxy Australia Pty. Ltd. Australia	2010	100.00	**(104.78)**	(488.13)	**Nil**	Nil	No change
Ranbaxy Pharmaceuticals Canada Inc. Canada	2010	100.00	**77.77**	470.26	**Nil**	Nil	No change
Ranbaxy Italia S.p.A Italy	2010	100.00	**(365.76)**	(745.76)	**Nil**	Nil	No change
Ranbaxy Mexico S.A. de C.V. Mexico	2010	100.00	**(54.97)**	(251.73)	**Nil**	Nil	No change
Terapia S.A. Romania	2010	96.70	**1,025.45**	2,802.70	**Nil**	Nil	No change
Terapia Distributie SRL Romania	2010	96.70	**8.83**	(194.61)	**Nil**	Nil	No change

Name of Subsidiary Company	Financial year to which accounts relates	Holding Company's interest as at close of financial year of subsidiary company	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		Net aggregate amount of subsidiary company's profit after deducting its losses or vice-versa, dealt within the Company's accounts		Holding Company's interest as at December 31, 2010 incorporating changes since close of financial year of Subsidiary Company
		Shareholding %age	**For the current financial year {Profit / (Loss)} Rs. Million**	For the previous financial years {Profit / (Loss)} Rs. Million	**For the current financial year Rs. Million**	For the previous financial years Rs. Million	
Lapharma GmbH $ Germany	2010	100.00	**(0.10)**	(0.41)	**Nil**	Nil	No change
Ranbaxy Belgium N.V. Belgium	2010	100.00	**(24.64)**	(17.01)	**Nil**	Nil	No change
Ranbaxy Japan KK $ Japan	2010	100.00	**(13.42)**	(0.41)	**Nil**	Nil	No change
Ranbaxy Pharma AB Sweden	2010	100.00	**(4.28)**	(2.01)	**Nil**	Nil	No change
Be-Tabs Pharmaceuticals (Proprietary) Ltd. South Africa	2010	100.00	**(213.48)**	687.86	**Nil**	Nil	No change
Be-Tabs Investments (Proprietary) Ltd. South Africa	2010	100.00	**10.01**	57.80	**Nil**	Nil	No change

Note:

(i) In terms of approval granted by the Central Government under Section 212(8) of the Companies Act, 1956, the annual accounts of the subsidiary companies and the related detailed information will be made available upon request by the investors of the Company and of its subsidiary companies. 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.

(ii) The Board of Directors at its meeting held on November 11, 2010 approved for seeking exemption from the Government under Section 212(8) of the Companies Act, 1956, in respect of all the subsidiary Companies.

$ Divested/ liquidated during the year.
Ranbaxy N.A.N.V. Antilles, Netherlands
Lapharma Gmbh, Germany
Ranbaxy Japan KK, Japan

On behalf of the Board of Directors

Dr. Tsutomu Une
Chairman

Arun Sawhney
Managing Director

Ranjit Kohli
Director - Global Accounts

Sushil K. Patawari
Company Secretary

Place : Gurgaon
Dated : 22 February 2011

Auditors' report to the Board of Directors of Ranbaxy Laboratories Limited on the consolidated financial statements of Ranbaxy Laboratories Limited and its subsidiaries and associates

1 We have audited the attached consolidated Balance Sheet of Ranbaxy Laboratories Limited, ('the Company') its subsidiaries and associates (collectively referred to as 'the Group') as at 31 December 2010, and also the consolidated Profit and Loss Account and the consolidated Cash Flow Statement (collectively referred to as 'consolidated financial statements') for the year ended on that date, annexed thereto. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

2 We conducted our audit in accordance with 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 consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3 We did not audit the financial statements and other financial information of certain subsidiaries and of certain associates (interests in which have been incorporated in these consolidated financial statements). These subsidiaries and associates account for 18% of total assets, 28% of total income and 12% of net cash flows from operating activities, as shown in these consolidated financial statements. Of the above:

(a) The financial statements and other financial information of some of the subsidiaries incorporated outside India, as drawn up in accordance with the generally accepted accounting principles of the respective countries ('the local GAAP'), have been audited by other auditors duly qualified to act as auditors in those countries. These subsidiaries account for 16% of total assets, 25% of total income and 8% of net cash flows from operating activities as shown in these consolidated financial statements. For the purpose of preparation of the consolidated financial statements, the aforesaid local GAAP financial statements have been restated by the management of the said entities so that these conform to the generally accepted accounting principles in India. This has been done on the basis of a reporting package prepared by the Company which covers accounting and disclosure requirements applicable to consolidated financial statements under the generally accepted accounting principles in India. The reporting packages made for this purpose have been audited by the other auditors and reports of those other auditors have been furnished to us. Our opinion on the consolidated financial statements, insofar as it relates to these entities, is based on the aforesaid audit reports of those other auditors.

(b) The financial statements and other financial information of the remaining subsidiaries and associates have not been subjected to audit either by us or by other auditors, and therefore, unaudited financial statements for the year ended 31 December 2010 of these entities have been furnished to us by the management. These subsidiaries and associates account for 2% of total assets, 3% of total income and 4% of net cash flows from operating activities as shown in these consolidated financial statements, and therefore are not material to the consolidated financial statements, either individually or in the aggregate.

4 We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standards 21- Consolidated Financial Statements and Accounting Standard 23-Accounting for Investments in Associates in Consolidated Financial Statements prescribed by the Companies (Accounting Standards) Rules, 2006.

5 Without qualifying our opinion, we draw attention to note 2 of schedule 23 of the consolidated financial statements, wherein it has been stated that the Company continues to co-operate, for an effective resolution, with:

- the Food and Drug Administration of the United States of America for import alert and warning letters issued primarily relating to Good Manufacturing Practice for some of the products manufactured at certain manufacturing facilities of the Company in India and Application Integrity Policy against one of its manufacturing facility in India; and
- the Department of Justice of the United States of America regarding certain charges relating to possible issues with data submitted by the Company in support of product filings.

Due to the inherent uncertainty of the outcome of the above mentioned matters, financial impact, if any, of the outcome cannot be reliably ascertained at this stage, and accordingly, no adjustment has been made to these consolidated financial statements.

6 Without qualifying our report, we draw attention to note 11 of schedule 23 of the consolidated financial statements, wherein it is stated that the appointment and remuneration of Mr. Arun Sawhney as the Managing Director of the Company with effect from 20 August 2010 has been approved by the Board of Directors, but the requisite regulatory approval from shareholders is yet to be obtained. In accordance with the remuneration determined by the Board of Directors, Rs. 32.91 million (including commission) has been accounted for as an expense in the consolidated Profit and Loss Account for the year ended 31 December 2010.

7 Based on our audit, and to the best of our information and according to the explanations given to us, and on consideration of reports of other auditors on separate financial statements, and on consideration of the unaudited financial statements and on other relevant financial information of the components, in our opinion the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India, in the case of:

(a) the Consolidated Balance Sheet, of the state of affairs of the Group as at 31 December 2010;
(b) the Consolidated Profit and Loss Account, of the profit of the Group for the year ended on that date; and
(c) the Consolidated Cash Flow Statement, of the cash flows of the Group for the year ended on that date.

For B S R & Co.
Chartered Accountants
Registration No.: 101248W

Vikram Aggarwal
Partner
Membership No. 089826

Place : Gurgaon
Dated : 22 February 2011

Consolidated Balance Sheet as at 31 December 2010

(Rupees in millions, except for share data, and if otherwise stated)

	Schedule/ Note	As at 31 December 2010	As at 31 December 2009
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	1	2,105.20	2,102.09
Equity share warrants	23(3)	–	1,756.59
Share application money pending allotment		65.96	1.95
Reserves and surplus	2	53,876.00	39,573.29
		56,047.16	43,433.92
Minority interests		647.12	533.22
Loan funds			
Secured loans	3	2,369.38	2,186.62
Unsecured loans	4	40,978.67	34,108.60
		43,348.05	36,295.22
Deferred tax liability (net)	5	170.67	160.54
		100,213.00	80,422.90
APPLICATION OF FUNDS			
Fixed assets	6		
Gross block		67,050.08	62,785.54
Less: Accumulated depreciation, amortisation and impairment		21,571.04	17,880.49
Net block		45,479.04	44,905.05
Capital work-in-progress	23(8)	3,817.77	6,230.66
		49,296.81	51,135.71
Investments	7	4,984.54	5,407.40
Deferred tax asset (net)	5	398.07	4,906.19
Current assets, loans and advances			
Inventories	8	21,926.05	18,406.99
Sundry debtors	9	16,052.47	18,399.47
Cash and bank balances	10	32,644.38	12,416.34
Loans and advances	11	12,337.89	9,065.26
Other current assets	12	3,971.01	1,797.90
		86,931.80	60,085.96
Less: Current liabilities and provisions			
Current liabilities	13	31,864.68	32,510.83
Provisions	14	9,533.54	8,601.53
		41,398.22	41,112.36
Net current assets		45,533.58	18,973.60
		100,213.00	80,422.90
Significant accounting policies	22		
Notes to the financial statements	23		

The schedules referred to above form an integral part of the Consolidated Balance Sheet

As per our report attached

For B S R & Co.
Chartered Accountants
Registration No.: 101248W

Vikram Aggarwal
Partner
Membership No. 089826

Place : Gurgaon
Dated : 22 February 2011

For and on behalf of the Board of Directors

Dr. Tsutomu Une
Chairman

Arun Sawhney
Managing Director

Ranjit Kohli
Director - Global Accounts

Sushil K. Patawari
Company Secretary

Place : Gurgaon
Dated : 22 February 2011

Consolidated Profit and Loss Account for the year ended 31 December 2010

(Rupees in millions, except for share data, and if otherwise stated)

	Schedule/ Note	For the year ended 31 December 2010	For the year ended 31 December 2009
INCOME			
Operating income	15	89,759.94	76,117.65
Less: Excise duty		152.23	147.29
		89,607.71	75,970.36
Other income	16	10,711.45	6,359.81
		100,319.16	82,330.17
EXPENDITURE			
Materials consumed	17	31,527.65	32,079.98
Personnel expenses	18	15,059.78	14,174.73
Operating and other expenses	19	24,367.95	22,591.29
Depreciation, amortisation and impairment	6	5,532.68	2,676.12
Interest expense	23(10)(b)	613.89	710.43
		77,101.95	72,232.55
Profit before tax, share in loss of / diminution in the value of investments in associates and minority interest		23,217.21	10,097.62
Tax charge (net)	20	5,848.76	6,990.87
Profit after tax and before share in loss of / diminution in the value of investments in associates and minority interest		17,368.45	3,106.75
Less:			
Share in loss of associates (net)	23(19)	59.15	32.38
Diminution in the value of investments in associates	23(5)	2,216.20	–
Minority interest in profit for the year (net)	23(18)	125.59	109.45
Profit for the year		14,967.51	2,964.92
Balance brought forward		(1,031.24)	(4,009.92)
Transfer from foreign projects reserve		4.59	13.76
Net profit available for appropriation		13,940.86	(1,031.24)
APPROPRIATIONS			
Proposed dividend		842.08	–
Tax on proposed dividend		139.86	–
Transfer to general reserve		1,149.00	–
Surplus / (deficit) carried forward to Reserves and Surplus (Schedule 2)		11,809.92	(1,031.24)
Earnings per share (Rs.)	21		
Basic - Par value of Rs 5 per share		35.57	7.05
Diluted - Par value of Rs 5 per share		31.48	4.60
Significant accounting policies	22		
Notes to the consolidated financial statements	23		

The schedules referred to above form an integral part of the consolidated Profit and Loss Account

As per our report attached

For B S R & Co.
Chartered Accountants
Registration No.: 101248W

Vikram Aggarwal
Partner
Membership No. 089826

Place : Gurgaon
Dated : 22 February 2011

For and on behalf of the Board of Directors

Dr. Tsutomu Une
Chairman

Arun Sawhney
Managing Director

Ranjit Kohli
Director - Global Accounts

Sushil K. Patawari
Company Secretary

Place : Gurgaon
Dated : 22 February 2011

Consolidated Cash Flow Statement for the year ended 31 December 2010

(Rupees in millions, except for share data, and if otherwise stated)

	For the year ended 31 December 2010	For the year ended 31 December 2009
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net profit/ (loss) before taxes	**23,217.21**	10,097.62
Adjustments for :		
Depreciation, amortisation and impairment	**5,532.68**	2,676.12
Fixed assets written off	**90.29**	7.97
Deferred employees compensation reversal	**(3.45)**	(8.17)
Unrealised foreign exchange (gain)/ loss (net)	**(976.52)**	(2,013.55)
Foreign exchange (gain)/ loss on integral operations	**(204.15)**	160.53
Fair valuation gain on derivatives	**(5,473.50)**	(8,932.47)
Dividend income	**(91.70)**	(9.78)
Profit on sale of long term investments	**(2,404.19)**	(533.22)
Unclaimed balances/ excess provision written back	**(464.10)**	(858.40)
Profit on sale of assets (net)	**(124.88)**	(137.67)
(Reversal)/ provision for diminution in value of current investments	**(4.36)**	127.78
Interest expense	**613.89**	710.43
Interest income	**(1,585.67)**	(1,106.21)
Provisions/ write-off for doubtful debts, advances and other current assets (net)	**465.91**	353.44
	(4,629.75)	(9,563.20)
Operating profit before working capital changes	**18,587.46**	534.42
Adjustments for :		
(Increase)/ decrease in inventories	**(3,805.05)**	865.11
Decrease/ (increase) in sundry debtors	**1,113.78**	(5,774.95)
Decrease in loans and advances	**(5.23)**	1,166.21
(Increase)/ decrease in other current assets	**(870.87)**	90.59
Increase in trade / other payables	**6,554.63**	3,923.68
	2,987.26	270.64
Cash generated from operating activities before taxes	**21,574.72**	805.06
Direct taxes paid (net of refunds)	**(6,188.77)**	(2,426.31)
Net cash generated from/ (used in) operating activities	**15,385.95**	(1,621.25)
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	**(4,983.41)**	(5,220.51)
Proceed from sale of fixed assets	**720.68**	316.14
Purchase of investments	**(4,080.97)**	(237.46)
Cash paid for acquisition of minority interest	**(0.79)**	(739.54)
Sale proceeds of investments (net of cash transferred)	**4,638.53**	1,499.61
Decrease/ (increase) in fixed deposit with original maturity of more than 90 days	**(18,885.09)**	4,008.56
Interest received	**791.81**	1,015.01
Dividend received	**91.70**	9.78
Net cash (used in)/ generated from investing activities	**(21,707.54)**	651.59
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of capital (including premium)	**267.20**	13.44
Increase/ (decrease) in short term bank borrowings (net)	**6,697.49**	(2,830.91)
Increase/ (decrease) in long term bank borrowings (net)	**1,748.18**	(1,644.52)
(Decrease)/ increase in other borrowings (net)	**(197.61)**	15.17
Short term borrowings from non convertible debentures	**1,600.00**	2,000.00
Re-payment of short term borrowings of non converable debentures	**(1,600.00)**	(2,000.00)
Interest paid	**(597.90)**	(769.59)
Dividend paid to minority shareholders of subsidiaries	**(9.17)**	(6.28)
Net cash generated from (used in) financing activities	**7,908.19**	(5,222.69)
INCREASE IN CASH AND CASH EQUIVALENTS	**1,586.61**	(6,192.35)
Cash and cash equivalents at the beginning of the year	**5,476.24**	11,782.77
Effect of exchange loss on cash and cash equivalents	**(250.75)**	(114.18)
Cash and cash equivalents at the end of the year	**6,812.10**	5,476.24
Notes :		
Cash and cash equivalents include :		
Cash and cheques in hand and remittances in transit	**121.63**	75.79
With banks in :		
Current accounts	**3,389.52**	3,319.44
Deposit accounts	**3,300.95**	2,081.01
	6,812.10	5,476.24
Cash and cash equivalents at the end of the year	**6,812.10**	5,476.24
Add: Restricted cash		
Fixed deposit pledged (restricted cash)	**18.18**	0.79
Unclaimed dividend	**56.04**	66.33
Fixed deposit with original maturity of more than 90 days	**25,758.06**	6,872.98
Cash and bank balances at the end of the year	**32,644.38**	12,416.34

Note: The above cash flow statement has been prepared under the indirect method set out in Accounting Standard 3 'Cash Flow Statement' specified in the Companies (Accounting Standards) Rules, 2006.

As per our report attached

For B S R & Co.
Chartered Accountants

Vikram Aggarwal
Partner
Membership No. 089826

Place : Gurgaon
Dated : 22 February 2011

For and on behalf of the Board of Directors

Dr. Tsutomu Une
Chairman

Arun Sawhney
Managing Director

Ranjit Kohli
Director - Global Accounts

Sushil K. Patawari
Company Secretary

Place : Gurgaon
Dated : 22 February 2011

Schedules forming part of the consolidated financial statements for the year ended 31 December 2010

(Rupees in millions, except for share data, and if otherwise stated)

	As at 31 December 2010	As at 31 December 2009
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		
421,040,693 (previous year 420,417,358) equity shares of Rs. 5 each fully paid (Refer to note 6 of Schedule 23)	**2,105.20**	2,102.09
	2,105.20	2,102.09

Notes :

1. Issued, subscribed and paid up 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 share 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.
   [iii] 6,332,219 Global Depository Shares (GDSs) (previous year 5,501,185) representing 6,332,219 (previous year 5,501,185) equity shares of Rs.5 each constitute 1.50% (previous year 1.31%) of the issued subscribed and paid-up share capital of the Company.
2. 268,711,323 (previous year 268,711,323) equity shares of Rs. 5 each are held by Daiichi Sankyo Co. Ltd., Japan the holding company, also being the ultimate holding company.

	As at 31 December 2010	As at 31 December 2009
SCHEDULE - 2		
Reserves and surplus		
(a) Capital reserve	**71.77**	71.77
Add: Forfeiture of equity share warrants (Refer to note 3 of Schedule 23)	**1,756.59**	–
	1,828.36	71.77
(b) Amalgamation reserve	**43.75**	43.75
(c) Revaluation reserve		
Balance at the beginning of the year	**71.16**	185.11
Less: Utilised during the year	**(2.51)**	(113.95)
	68.65	71.16
(d) Share premium account		
Balance at the beginning of the year	**35,564.75**	37,862.18
Add: Received during the year	**200.08**	11.26
Add: Transfer from employees stock option outstanding	**8.21**	1.89
	35,773.04	37,875.33
Less: Premium payable on redemption of Zero Coupon Foreign Currency Convertible Bonds (FCCBs)	**954.34**	1,083.41
Less: Tax reversal for premium payable on redemption of FCCBs	**–**	1,227.17
	34,818.70	35,564.75
(e) Foreign projects reserve		
Balance at the beginning of the year	**4.59**	18.35
Less: Transfer to consolidated Profit and Loss Account	**4.59**	13.76
	–	4.59
(f) Hedging reserve *(net of tax)*		
Balance at the beginning of the year	**(28.73)**	(792.58)
Additions during the year	**163.14**	763.85
	134.41	(28.73)

Schedules forming part of the consolidated financial statements for the year ended 31 December 2010

(Rupees in millions, except for share data, and if otherwise stated)

	As at 31 December 2010	As at 31 December 2009
(g) Employee stock options outstanding		
Balance at the beginning of the year	**57.61**	67.67
Less: Reversal of deferred employees compensation	**3.45**	8.17
Less: Transferred to share premium on exercise of stock option (Refer to note 6 of Schedule 23)	**8.21**	1.89
	45.95	57.61
(h) General reserve		
Balance at the beginning of the year	**4,370.28**	4,370.28
Add: Transfer from consolidated Profit and Loss Account	**1,149.00**	–
	5,519.28	4,370.28
(i) Foreign currency translation reserve		
Balance at the beginning of the year	**449.35**	1,287.42
Add: Deduction during the year	**(842.37)**	(838.07)
	(393.02)	449.35
(j) Surplus/(deficit) brought forward from the consolidated Profit and Loss Account	**11,809.92**	(1,031.24)
	53,876.00	39,573.29

SCHEDULE - 3

Secured loans

Loans from banks ^	**2,055.31**	1,807.60
Finance lease liability **	**314.07**	379.02
	2,369.38	2,186.62

Notes :

^ Loans in Ranbaxy Laboratories Limited are borrowed against working capital facilities sanctioned by scheduled banks. The Company has created a charge, on pari-passu basis, by hypothecation of the current assets (both present and future) of the Company. Further, loan taken by Ranbaxy (UK) Ltd. is secured against inventories and sundry debtors (both present and future).

** Secured against assets taken on finance lease by Ranbaxy Pharmaceuticals Inc, United States of America [Refer to note 9(a) of Schedule 23].

SCHEDULE - 4

Unsecured loans

Short term loans from banks	**11,963.75**	5,684.54
Zero Coupon Foreign Currency Convertible Bonds (FCCBs) *#	**19,672.40**	20,475.40
Other loans #	**9,184.83**	7,771.19
From banks	**157.69**	177.47
From others	**40,978.67**	34,108.60

Notes :

* The Company has outstanding FCCBs aggregating to US $ 440 million. The bondholders have the option to convert FCCBs into equity shares of the Company at a price of Rs. 716.32 per share (subject to adjustment, if any) with a fixed exchange rate of Rs. 44.15 per US $ at any time on or after 27 April 2006 but before 9 March 2011. Further, these FCCBs may be redeemed, in whole, at the option of the Company at any time on or after 18 March 2009, but on or before 6 February 2011, subject to the satisfaction of certain conditions. These FCCBs are redeemable on 18 March 2011, at a premium of 26.765 percent (net of withholding tax) of their principal amount unless previously converted, redeemed, purchased or cancelled.

\# Loan due for repayment within one year

Zero coupon foreign currency convertible bonds (FCCBs)	**19,672.40**	–
Other loans:		
From banks	**1,239.65**	2,487.67
From others	**19.78**	19.78

Schedules forming part of the consolidated financial statements for the year ended 31 December 2010

(Rupees in millions, except for share data, and if otherwise stated)

	As at 31 December 2010	As at 31 December 2009
SCHEDULE - 5		
Deferred tax asset/ liability (net)		
Deferred tax asset arising on account of:		
Provision for doubtful debts, advances and other current assets	**199.43**	22.54
Provision for employee retirement benefits	**181.00**	23.56
Tax losses carried forward	**2,406.87**	7,222.49
Others	**693.43**	648.22
	3,480.73	7,916.81
Less: Deferred tax liability arising on account of:		
Depreciation, amortisation and impairment	**3,063.00**	3,005.22
Others	**190.33**	165.94
	3,253.33	3,171.16
Deferred tax asset (net)	**227.40**	4,745.65
Aggregate of net deferred tax assets jurisdictions	**398.07**	4,906.19
Aggregate of net deferred tax liabilities jurisdictions	**(170.67)**	(160.54)
Deferred tax asset (net)	**227.40**	4,745.65

Notes :

In respect of entities with accumulated tax losses as at year end, no deferred tax asset (net) is recognized as at 31 December 2010 in excess of amount arrived at on test of virtual certainty. As at 31 December 2009, in the case of Ranbaxy Laboratories Limited, on the basis of profit from operations made subsequent to year end, profit on sale of materials relating to a First to File (FTF) product in the United States of America, milestone payment from an exclusivity settlement and certain other factors, the Company believed that there was virtual certainty in respect of the carrying amount of net deferred tax asset.

Schedules forming part of the consolidated financial statements for the year ended 31 December 2010

(Rupees in millions, except for share data, and if otherwise stated)

SCHEDULE - 6

Fixed assets

Description	Gross block: As at 1 January 2010	Gross block: Additions	Gross block: Deletions/ adjustments ^	Gross block: Translation	Gross block: As at 31 December 2010 **	Accumulated depreciation, amortisation and impairment: As at 1 January 2010	Accumulated depreciation, amortisation and impairment: For the year	Accumulated depreciation, amortisation and impairment: Deletions/ adjustments	Accumulated depreciation, amortisation and impairment: Translation	Accumulated depreciation, amortisation and impairment: As at 31 December 2010 **	Net block: As at 31 December 2010 **	Net block: As at 31 December 2009
Tangible assets												
Land												
- Freehold#	**830.83**	76.51	46.93	(38.56)	**821.85**	**–**	–	–	–	**–**	**821.85**	830.83
- Leasehold	**269.00**	4.58	–	(0.09)	**273.49**	**1.18**	8.62	–	0.08	**9.88**	**263.61**	267.82
Buildings @	**6,983.63**	1,864.33	1.30	(126.69)	**8,719.97**	**1,137.30**	317.81 ##	1.30	(29.20)	**1,424.61**	**7,295.36**	5,846.33
Plant and machinery @	**23,374.45**	4,384.85	1,044.20	(234.08)	**26,481.02**	**10,677.41**	2,244.43	527.07	(179.60)	**12,215.17**	**14,265.85**	12,697.04
Furniture and fixtures @	**1,871.53**	313.05	146.69	(45.11)	**1,992.78**	**821.26**	179.60	68.82	(24.99)	**907.05**	**1,085.73**	1,050.27
Vehicles	**832.48**	114.41	106.90	(31.35)	**808.64**	**428.03**	80.41	76.10	(27.47)	**404.87**	**403.77**	404.45
Assets taken on lease												
- Building	**579.96**	–	–	(22.83)	**557.13**	**287.66**	53.21	–	(12.56)	**328.31**	**228.82**	292.30
- Plant and machinery @	**3.95**	3.47	–	(0.24)	**7.18**	**0.33**	0.73	–	(0.03)	**1.03**	**6.15**	3.62
- Vehicles	**3.86**	–	2.71	0.22	**1.37**	**3.16**	0.41	2.71	0.05	**0.91**	**0.46**	0.70
Intangibles assets					**–**							
Goodwill @	**21,446.32**	–	–	(123.11)	**21,323.21**	**520.70**	1,815.36	–	(21.97)	**2,314.09**	**19,009.12**	20,925.62
Product development	**361.75**	–	361.75	–	**–**	**361.75**	–	361.75	–	**–**	**–**	–
Patent rights, trade marks, designs and licences @ $	**4,985.45**	175.18	40.68	(302.21)	**4,817.74**	**2,823.43**	702.83	68.70	(204.36)	**3,253.20**	**1,564.54**	2,162.02
Computer software $	**1,031.33**	315.06	93.21	(7.48)	**1,245.70**	**607.28**	131.78	20.67	(6.47)	**711.92**	**533.78**	424.05
Non compete fee	**211.00**	–	211.00	–	**–**	**211.00**	–	211.00	–	**–**	**–**	–
Total	**62,785.54**	**7,251.44**	**2,055.37**	**(931.53)**	**67,050.08**	**17,880.49**	**5,535.19**	**1,338.12**	**(506.52)**	**21,571.04**	**45,479.04**	44,905.05
Previous Year	**61,941.64**	**4,158.79**	**2,636.11**	**(678.78)**	**62,785.54**	**17,041.97**	**2,676.12**	**1,569.05**	**(268.55)**	**17,880.49**	**44,905.05**	

Notes:

^ Deletion/ adjustments includes assets pertaining to New Drug Discovery Research Centre (Refer to note 4 of Schedule 23)

** The above includes the following assets held for disposal, which are being carried at the lower of their net block and net realisable value:

Description	As at 31 December 2010: Gross block	As at 31 December 2010: Accumulated depreciation	As at 31 December 2010: Net block	As at 31 December 2009: Gross block	As at 31 December 2009: Accumulated depreciation	As at 31 December 2009: Net block
Land	–	–	–	1.23	–	1.23
Building	**48.48**	**12.51**	**35.97**	48.39	11.63	36.76
Plant and machinery	**253.74**	**253.73**	**0.01**	85.03	85.03	–
Furniture and fixture	**13.81**	**13.81**	–	–	–	–
Vehicles	**0.06**	**0.06**	–	–	–	–

\# Freehold land includes land valued at Rs. 25.48 (previous year Rs. 25.48) pending registration in the name of Ranbaxy Laboratories Limited

@ The impairment loss recognised during the year for each class of asset is given hereunder. No impairment loss was recognised during the previous year.

Description	As at 31 December 2010: Gross block	As at 31 December 2010: Accumulated depreciation	As at 31 December 2010: Impairment recognised	As at 31 December 2010: Net block
Building	**122.17**	**20.99**	**83.68**	**17.50**
Plant and machinery	**779.71**	**274.80**	**487.62**	**17.29**
Furniture and fixtures	**8.70**	**4.90**	**3.59**	**0.21**
Assets taken on lease - Plant and machinery	**0.05**	**0.02**	**0.03**	**–**
Goodwill (Refer to note 5 of Schedule 23)	**3,005.31**	**44.27**	**1,813.66**	**1,147.38**
Patent rights, trade marks, designs and licences	**223.93**	**43.05**	**180.88**	**–**

The impairment loss has been determined using net selling price and owing to the prevelant market conditions of the product which was manufactured/ to be manufactured.

$ Remaining useful lives of intangible assets as at 31 December 2010 is as under:

Description	Remaining useful lives
Patent, trade marks, designs and licences	1 - 10 years
Software	1 - 6 years

\## Includes Rs. 2.51 which has been adjusted against revaluation reserve (previous year Rs. 2.42).

Schedules forming part of the consolidated financial statements for the year ended 31 December 2010

(Rupees in millions, except for share data, and if otherwise stated)

	Nature of investment	Face value	Numbers 2010	Numbers 2009	As at 31 Dec. 2010	As at 31 Dec. 2009
SCHEDULE – 7						
Investments *						
CURRENT						
Trade:						
Quoted (fully paid up)						
Krebs Biochemicals & Industries Limited	Equity shares	Rs. 10	**1,050,000**	1,050,000	**39.69**	35.33
					39.69	35.33
Non trade:						
Unquoted						
Certificate of deposits					**3,922.74**	–
Quoted						
Orchid Chemicals and Pharmaceuticals Limited	Equity shares	Rs. 10	–	9,169,977	–	1,684.98
0% NABARD-2019	Bonds	Rs. 10,000	–	14,545	–	136.81
6.85% IIFCL	Bonds	Rs. 100	–	1,000,000	–	100.65
					3,922.74	1,922.44
LONG TERM						
Investments in shares of companies (fully paid-up)						
Trade :						
Unquoted						
Sidmak Laboratories (India) Limited	Equity shares	Rs. 10	–	167,330	–	10.54
Nimbua Greenfield (Punjab) Limited	Equity shares	Rs. 10	**187,500**	250,000	**1.88**	2.50
Shivalik Solid Waste Management Limited	Equity shares	Rs. 10	**20,000**	20,000	**0.20**	0.20
Biotech Consortium India Limited	Equity shares	Rs. 10	**50,000**	50,000	**0.50**	0.50
					2.58	13.74
Non trade:						
Quoted						
Fortis Healthcare Limited	Equity shares	Rs. 10	–	14,097,660	–	140.98
The Great Eastern Shipping Company Limited	Equity shares	Rs. 10	–	500	–	0.03
					–	141.01
Associates						
Quoted						
Zenotech Laboratories Limited	Equity shares	Rs. 10	**16,127,293**	16,127,293	**2,249.61**	2,313.63
Unquoted						
Shimal Research Laboratories Limited	Equity shares	Rs. 10	**9,340,000**	9,340,000	**986.62**	981.75
					3,236.23	3,295.38
					7,201.24	5,407.90
Less: Provision for diminution in value of long term investments (Refer to note 5 of Schedule 23)					**2,216.70**	0.50
					4,984.54	5,407.40
Aggregate book value (net of impairment) of quoted investments in associate					**1,020.03**	2,313.63
Market value of quoted investments of associate					**887.00**	1,841.74
Aggregate book value of quoted investments of others					**39.69**	1,861.32
Market value of quoted investments of others					**39.69**	3,650.43
Aggregate book value (net of impairment) of unquoted investments of associate					–	981.75
Book value of unquoted investments in others					**3,924.82**	13.24

* Refer to note 12 of Schedule 23

Schedules forming part of the consolidated financial statements for the year ended 31 December 2010

(Rupees in millions, except for share data, and if otherwise stated)

	As at 31 December 2010	As at 31 December 2009
SCHEDULE - 8		
Inventories		
Stores and spares	**160.05**	140.64
Raw materials	**5,912.90**	5,600.07
Packaging materials	**764.99**	715.55
Work-in-progress	**6,018.17**	5,692.12
Finished goods	**9,069.94**	6,258.61
	21,926.05	18,406.99
SCHEDULE - 9		
Sundry debtors		
(Considered good, except where provided for)		
Debts outstanding for a period exceeding six months		
Secured	**0.06**	0.65
Unsecured		
– Considered good	**1,640.08**	2,757.28
– Considered doubtful	**1,093.88**	763.65
	2,734.02	3,521.58
Other debts		
– Secured	**1,360.56**	1,525.24
– Unsecured, considered good	**13,051.77**	14,116.30
	14,412.33	15,641.54
	17,146.35	19,163.12
Less: Provision for doubtful debts	**1,093.88**	763.65
	16,052.47	18,399.47
SCHEDULE - 10		
Cash and bank balances		
Cash balance on hand	**25.22**	12.49
Cheques in hand	**–**	3.35
Remittances in transit	**96.41**	59.95
Balances with banks in:		
– Current accounts	**3,389.52**	3,319.44
– Deposit accounts #	**29,077.19**	8,954.78
– Unclaimed dividend accounts	**56.04**	66.33
	32,644.38	12,416.34
# Includes deposits pledged with Government Authorities/ earmarked for retirement benefit obligations	**18.18**	0.79
SCHEDULE - 11		
Loan and advances		
(Considered good, except where provided for)		
Secured loans to employees	**49.94**	55.32
Unsecured loans and advances:		
Advances recoverable in cash or in kind or for value to be received		
– Considered good	**3,877.06**	4,102.58
– Considered doubtful	**146.51**	77.42
Minimum alternate tax (MAT) credit entitlement	**8,308.34**	4,720.65
Advance income tax (net of provison for tax of respective tax jurisdictions)	**102.55**	186.71
	12,484.40	9,142.68
Less: Provision for doubtful advances	**146.51**	77.42
	12,337.89	9,065.26

Schedules forming part of the consolidated financial statements for the year ended 31 December 2010

(Rupees in millions, except for share data, and if otherwise stated)

	As at 31 December 2010	As at 31 December 2009
SCHEDULE - 12		
Other current assets		
(Unsecured, considered good, except where provided for)		
Export incentives accrued	**799.71**	664.26
Receivable towards unrealised gain on currency options / forward contracts	**1,252.51**	559.63
Insurance claims	**8.72**	12.41
Interest accrued but not due	**1,035.11**	241.38
Others		
– Considered good	**874.96**	320.22
– Considered doubtful	**16.35**	25.84
	3,987.36	1,823.74
Less: Provision for doubtful other current assets	**16.35**	25.84
	3,971.01	1,797.90
SCHEDULE - 13		
Current liabilities		
Sundry creditors *	**18,976.67**	14,393.92
Book overdraft	**470.64**	49.78
Interest accrued but not due on loans	**58.29**	36.37
Acceptances	**–**	1.75
Unclaimed dividend **	**56.04**	66.33
Payable towards unrealised loss on currency options/ forward contracts	**11,261.13**	16,669.65
Other liabilities	**1,041.91**	1,293.03
	31,864.68	32,510.83
* Including advances from customers		
** Not due for deposit to Investor Education & Protection Fund		
SCHEDULE - 14		
Provisions		
Employee retirement benefits #	**2,547.59**	2,342.51
Income-tax (net of advance income tax paid for respective jurisdictions)	**355.89**	1,501.96
Premium payable on redemption of FCCBs	**5,648.12**	4,693.79
Proposed dividend	**842.08**	–
Tax on proposed dividend	**139.86**	–
Provision for contingency	**–**	63.27
	9,533.54	8,601.53
# Refer to note 13 of Schedule 23		

	Year ended 31 December 2010	Year ended 31 December 2009
SCHEDULE - 15		
Operating income		
Sales	**85,506.73**	73,441.32
	85,506.73	73,441.32
Export incentives	**786.63**	546.80
Royalty, technical know-how and product development*	**799.14**	505.92
Income from settlement agreements	**2,292.59**	1,441.15
Non-compete fee (Refer to note 4 of Schedule 23)	**210.00**	–
Others	**164.85**	182.46
	4,253.21	2,676.33
	89,759.94	76,117.65

* Include prior period income Rs. 136.90 (previous year Rs. nil)

Schedules forming part of the consolidated financial statements for the year ended 31 December 2010

(Rupees in millions, except for share data, and if otherwise stated)

		Year ended 31 December 2010		Year ended 31 December 2009
SCHEDULE - 16				
Other income				
Interest		**1,585.67**		1,106.21
Dividend		**91.70**		9.78
Profit on sale of assets [net of loss Rs. 37.23 (previous year Rs. 26.54)]		**124.88**		137.67
Profit on sale of investments [net of loss Rs. 11.06 (previous year Rs. nil)]		**2,404.19**		533.22
Exchange gain on loans (net)		**1,406.98**		1,493.13
Exchange gain (other than on loans) (net) [Refer to note 10(a) of Schedule 23]		**4,105.44**		1,931.23
Reversal of deferred employee compensation		**3.45**		8.17
Unclaimed balances/ excess provisions written back		**464.10**		858.40
Reversal of provision for diminution in the value of current investment		**4.36**		–
Lease rental [Refer to note 9(c) of Schedule 23]		**63.00**		–
Miscellaneous		**457.68**		282.00
		10,711.45		6,359.81
SCHEDULE - 17				
Materials consumed				
Raw materials consumed		**17,031.78**		20,136.53
Stores and spares consumed		**1,410.08**		1,380.63
Packaging materials consumed		**3,171.59**		2,613.08
Finished goods purchased		**12,819.80**		7,020.12
Increase in work-in-progress and finished goods				
Opening stock				
Work-in-progress	**5,692.12**		4,836.53	
Finished goods	**6,258.61**		8,056.82	
	11,950.73		12,893.35	
Less :				
Closing stock				
Work-in-progress	**6,018.17**		5,692.12	
Finished goods	**9,069.94**		6,258.61	
	15,088.11		11,950.73	
(Increase) / decrease		**(3,137.38)**		942.62
Increase/ (decrease) in excise duty		**231.78**		(13.00)
		31,527.65		32,079.98
SCHEDULE - 18				
Personnel expenses				
Salaries, wages and bonus		**12,918.94**		12,197.98
Contribution to provident and other funds (Refer to note 13 of Schedule 23)		**1,194.14**		1,108.23
Workmen and staff welfare		**946.70**		868.52
		15,059.78		14,174.73
SCHEDULE - 19				
Operating and other expenses				
Advertising and sales promotion		**4,438.02**		4,238.28
Legal and professional		**2,400.14**		3,115.02
Freight, clearing and forwarding		**2,257.12**		1,868.36
Power and fuel		**2,004.98**		1,657.75
Travel and conveyance		**1,514.67**		1,268.54
Clinical trials		**1,209.96**		454.89
Commission		**1,159.09**		1,346.12
Processing charges		**1,071.51**		1,125.32
Rent [Refer to note 9(b) of Schedule 23]		**860.61**		840.25
Regulatory filing fee		**671.07**		571.47

Schedules forming part of the consolidated financial statements for the year ended 31 December 2010

(Rupees in millions, except for share data, and if otherwise stated)

		Year ended 31 December 2010	Year ended 31 December 2009
Market research		**570.10**	661.39
Communication		**472.65**	433.20
Analytical charges		**459.85**	152.45
Insurance		**452.65**	471.41
Claims paid		**437.12**	100.27
Rates and taxes		**424.79**	450.42
Running and maintenance of vehicles		**356.72**	397.69
Clawback expense		**339.84**	–
Conferences and meetings		**253.95**	172.18
Recruitment and training		**250.86**	210.31
Printing and stationery		**176.09**	163.39
Repairs and maintenance			
– Buildings		**79.19**	67.15
– Plant and machinery		**314.86**	253.52
– Others		**501.68**	449.86
Cash discounts		**56.13**	273.22
Fixed assets written off		**90.29**	7.97
Excise duty		**25.59**	24.74
Provisions/ write-off for doubtful debts, advances and other current assets		**465.91**	353.44
Provision for diminution in value of current investment		–	127.78
Miscellaneous		**1,052.51**	1,334.90
		24,367.95	22,591.29
SCHEDULE - 20			
Tax charge (net)			
Current income-tax		**5,016.26**	4,558.31
Minimum alternative tax credit entitlement		**(3,587.69)**	(3,501.65)
Deferred tax charge		**4,401.29**	5,888.49
Fringe benefit tax		–	35.50
Tax - earlier years #		**18.90**	10.22
		5,848.76	6,990.87
#Net of credit adjusted of Rs. 23.34 (previous year Rs. 6.50)			
SCHEDULE - 21			
Earnings per share			
Net profit attributable to equity shareholders			
Profit after tax	**A**	**14,967.51**	2,964.92
Less:			
Exchange gain on FCCBs		**(803.00)**	(904.20)
	B	**14,164.51**	2,060.72
Number of weighted average equity shares			
Basic	**C**	**420,731,680**	420,380,856
Effect of dilutive equity shares on account of *			
– Employees stock options outstanding		**2,071,594**	819,480
– FCCBs		**27,119,165**	27,119,165
Diluted	**D**	**449,922,439**	448,319,501
Nominal value of equity share (Rs.)		**5.00**	5.00
Earning per share (Rs.)			
Basic	**(A/C)**	**35.57**	7.05
Diluted	**(B/D)**	**31.48**	4.60
* Following are the potential equity shares considered to be anti dilutive in nature, hence these have not been adjusted to arrive at the dilutive earning per share:			
– Equity share warrants		–	23,834,333
– Employees stock options outstanding		**1,306,730**	5,418,730

Schedules forming part of the consolidated financial statements

SCHEDULE - 22

SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

The consolidated financial statements have been prepared and presented under the historical cost convention on the accrual basis of accounting and comply with the Accounting Standards as specified in the Companies (Accounting Standards) Rules, 2006, other pronouncements of the Institute of Chartered Accountants of India (ICAI) and other generally accepted accounting principles in India and guidelines issued by the Securities and Exchange Board of India, to the extent applicable.

Principles of consolidation

The consolidated financial statements include the financial statements of Ranbaxy Laboratories Limited, ("Parent Company"), its subsidiaries and associates (collectively known as "the Group").

Name of subsidiaries / associates	Country of incorporation	Effective group shareholding (%)
Subsidiaries		
Ranbaxy Australia Pty. Ltd.	Australia	100.00
Ranbaxy Belgium N.V.	Belgium	100.00
Ranbaxy Farmaceutica Ltda.	Brazil	100.00
Ranbaxy Do Brazil Ltda.	Brazil	100.00
Ranbaxy Pharmaceuticals 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 (upto 16 December 2010)	Germany	100.00
Ranbaxy (Hong Kong) Limited	Hong Kong	100.00
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 SEZ Limited	India	100.00
Gufic Pharma Limited	India	98.00
Ranbaxy Life Sciences Research Limited	India	80.07
Ranbaxy Ireland Limited	Ireland	100.00
Ranbaxy Italia S.p.A	Italy	100.00
Ranbaxy Japan KK (from 9 November 2009 to 16 September 2010)	Japan	100.00
Ranbaxy (Malaysia) Sdn. Bhd.	Malaysia	68.09
Ranbaxy Nigeria Limited.	Nigeria	85.31
Ranbaxy PRP (Peru) SAC.	Peru	100.00
Ranbaxy Poland S.P. Zoo	Poland	100.00
Ranbaxy Portugal - Com E Desenvolv De Prod Farmaceuticos Unipessoal Lda	Portugal	100.00

Schedules forming part of the consolidated financial statements

SCHEDULE - 22

SIGNIFICANT ACCOUNTING POLICIES

Name of subsidiaries / associates	Country of incorporation	Effective group shareholding (%)
Terapia S.A.	Romania	96.70
Terapia Distributie S.R.L.	Romania	96.70
ZAO Ranbaxy	Russia	100.00
Ranbaxy (S.A.) Proprietary Limited	South Africa	100.00
Be-Tabs Pharmaceuticals (Proprietary) Ltd.	South Africa	100.00
Be-Tabs Investments (Proprietary) Ltd.	South Africa	100.00
Sonke Pharmaceuticals (Pty.) Ltd.	South Africa	68.40
Laboratorios Ranbaxy, S.L.	Spain	100.00
Ranbaxy Pharma AB	Sweden	100.00
Ranbaxy (Netherlands) BV	The Netherlands	100.00
Ranbaxy NANV (upto 17 November 2010)	The Netherlands	100.00
Ranbaxy Unichem Co. Ltd.*	Thailand	89.09
Ranbaxy (UK) Ltd.	United Kingdom	100.00
Ranbaxy Holdings (UK) 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 Signature LLC	United States of America	67.50
Ranbaxy Mexico S.A.de C.V., Mexico (from 13 November 2009)	Mexico	100.00
Ranbaxy Mexico Servicios S.A.de C.V., Mexico	Mexico	100.00
Associates		
Zenotech Laboratories Limited	India	46.84
Shimal Research Laboratories Limited	India	24.91

A partnership firm, in which two subsidiaries of the Parent Company are partners.
* 88.56% till 15 February 2010

The following subsidiaries / joint venture were closed / sold during the previous year:

Subsidiaries

Ranbaxy (Guangzhou China) Ltd., China (upto 29 December 2009)
Ranbaxy Hungary Kft, Hungary (upto 22 May 2009)
Ranbaxy Vietnam Company Limited, Vietnam (upto 05 October 2009)

Joint venture

Nihon Pharmaceuticals Industry Co. Ltd., Japan (Investment made by Ranbaxy (Netherlands) BV, The Netherlands) (upto 8 December 2009)

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.

Schedules forming part of the consolidated financial statements

SCHEDULE - 22

SIGNIFICANT ACCOUNTING POLICIES

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 associates 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 investment in such entities was made is recognised in the consolidated 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/ sold during the year have been consolidated from/ upto the respective date of their acquisition/ disposal.

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

Use of estimates

The preparation of consolidated financial statements in conformity with generally accepted accounting principles (GAAP) requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the consolidated financial statements, and reported amounts of revenues and expenses for the year. Examples of such estimates include provisions of future obligation under employee retirement benefit plans, the useful lives of fixed assets and intangible assets, provision for sales return and impairment of assets etc.

Further, in the United States of America, certain rebates and allowances including chargebacks and price equalization etc. are given to customers which are recorded as reductions from the gross revenues. The computation of the estimate for these rebates and allowances involves significant judgment based on various factors including historical experience, estimated inventory levels and expected sell-through levels in supply chain.

Actual results could differ from these estimates. Any revision to accounting estimates is recognised prospectively in the current and future periods.

Fixed assets and depreciation

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

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

Depreciation on fixed assets, except leasehold improvements (included in furniture and fixtures), is provided on pro-rata basis using the straight-line method and at the rates reflective of estimate useful lives of fixed assets, unless minimum rates subscribed by respective local laws. Leasehold improvements are depreciated over their estimated useful life, or the remaining period of lease from the date of capitalisation, whichever is shorter.

The management's estimate of the useful lives for various categories of fixed assets are given below

	Years
Building	29 – 61
Plant and machinery	3 – 33
Furniture and fixtures	3 – 17
Vehicles	4 – 10

Assets costing individually Rs. 5,000 or less are fully depreciated in the year of purchase.

Schedules forming part of the consolidated financial statements

SCHEDULE - 22

SIGNIFICANT ACCOUNTING POLICIES

Intangible assets and amortisation

Intangible assets comprise goodwill, patents, trademarks, designs and licenses, software, non-compete fee and product development rights, and are stated at cost less accumulated amortisation and impairment losses, if any.

These are amortised over their estimated useful lives on a straight-line basis, commencing from the date the asset is available to the entities for its use. The management estimates the useful lives for the various intangible assets as follows:

	Years
Patents, trademarks, designs and licenses	5 – 10
Software	6
Non-compete fee	Term of the respective agreements ranging from 1 to 10 years
Product development	5

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.

Impairment of assets

The carrying values of assets other than goodwill are reviewed at each reporting date to determine if there is indication of any impairment. Goodwill is tested for impairment at least once in year. If any indication exists, the asset's recoverable amount is estimated. For assets that are not yet available for use, the recoverable amount is estimated at each reporting date. An impairment loss is recognised whenever the carrying amount of an asset or its cash generating unit exceeds its recoverable amount and is recognised in the Consolidated Profit and Loss Account. An impairment loss (other than impairment loss on goodwill) is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss for goodwill is reversed only if the impairment loss was caused due to specific external events of an exceptional nature, that is not expected to reoccur and subsequent external events have occurred that reverse the effect of that event.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined net of depreciation or amortisation, if no impairment loss had been recognised.

Revenue recognition

Revenue from sale of goods is recognised on transfer of significant risks and rewards of ownership to the customer. Revenue includes excise duty and is shown net of sales tax, value added tax and applicable discounts and allowances. Allowances for sales returns are estimated and provided for in the year of sales.

Service income is recognised as per the terms of contracts with customers when the related services are rendered, or the agreed milestones are achieved.

Income from royalty, technical know-how arrangements, exclusivity and patents settlement, licensing arrangements is recognised on accrual basis in accordance with the terms of the relevant agreement.

Non-compete fee is recognised over the term of the agreement on a straight line basis.

Export entitlements are recognised as income when the right to receive credit as per the terms of the scheme is established in respect of the exports made and where there is no uncertainty regarding the ultimate collection of the relevant export proceeds.

Profit on sale of investments is recognised as income in the period in which the investment is sold/ disposed off.

Dividend income is recognised when the right to receive the income is established. Income from interest on deposits, loans and interest bearing securities is recognised on the time proportionate method.

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.

Schedules forming part of the consolidated financial statements

SCHEDULE - 22

SIGNIFICANT ACCOUNTING POLICIES

Current investments are carried at the lower of cost and fair value, determined on an individual investment basis. Long-term investments are carried at cost less any other-than-temporary diminution in value, determined separately in respect of each individual investment.

Inventories

Raw material, packaging material and stores and spare parts are carried at cost. Cost includes purchase price, other than those subsequently recoverable by the enterprise from the concerned revenue authorities, freight inwards and other expenditure incurred in bringing such inventories to their present location and condition. In determining the cost, weighted average cost method is used. The carrying cost of raw materials, packaging materials and stores and spare parts are appropriately written down when there is a decline in replacement cost of such materials and finished products in which they will be incorporated are expected to be sold below cost.

Work in progress, manufactured finished goods and traded goods are valued at the lower of cost and net realisable value. Work in progress includes Active Pharmaceutical Ingredients manufactured and lying at plants for captive consumption. The comparison of cost and net realisable value is made on an item by item basis. Cost of work in progress and manufactured finished goods is determined on the weighted average basis and comprises direct material, cost of conversion and other costs incurred in bringing these inventories to their present location and condition. Cost of traded goods is determined on a weighted average basis.

Excise duty liability is included in the valuation of closing inventory of finished goods.

Research and development costs

Revenue expenditure on research and development is expensed out under the respective heads of account in the year in which it is incurred.

Expenditure on development activities, whereby research findings are applied to a plan or design for the production of new or substantially improved products and processes, is capitalised, if the cost can be reliably measured, the product or process is technically and commercially feasible and the entity has sufficient resources to complete the development and to use and sell the asset. The expenditure capitalised includes the cost of materials, direct labour and an appropriate proportion of overheads that are directly attributable to preparing the asset for its intended use. Other development expenditure is recognised in the Consolidated Profit and Loss Account as an expense as incurred.

Capitalised development expenditure is stated at cost less accumulated amortisation and impairment losses. Fixed assets used for research and development are depreciated in accordance with the Group's policy.

Materials identified for use in research and development process are carried as inventories and charged to Consolidated Profit and Loss Account on issuance of such materials for research and development activities.

Cash and cash equivalent

Cash and cash equivalents comprise cash balances on hand, cash balance with bank, and highly liquid investments with remaining maturities, at the date of purchase/investment, of three months or less.

Employee stock option based compensation

The Company calculates the compensation cost based on the intrinsic value method wherein the excess of value of underlying equity shares as of the date of the grant of options over the exercise price of the options given to employees under the employee stock option schemes of the Company, is recognised on a straight line basis and amortised over the vesting period on a straight line basis. The Company follows SEBI guidelines for accounting of employee stock options.

Foreign currency transactions

The reporting currency of the Group is the Indian Rupee. However, the local currencies of non-integral overseas subsidiaries are different from the reporting currency of the Group.

Transactions in foreign currency, derivatives and hedging

Transactions in foreign currency are recorded at the exchange rate prevailing at the date of the transaction. Exchange

Schedules forming part of the consolidated financial statements

SCHEDULE - 22

SIGNIFICANT ACCOUNTING POLICIES

differences arising on foreign currency transactions settled during the year are recognised in the Consolidated Profit and Loss Account.

Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date, not covered by forward exchange contracts, are translated at year end rates. The resultant exchange differences are recognised in the Consolidated Profit and Loss Account. Non-monetary assets are recorded at the rates prevailing on the date of the transaction.

The Company uses various forms of derivative instruments such as foreign exchange forward contracts, options, cross currency swaps and interest rate swaps to hedge its exposure on account of movements in foreign exchange and interest rates. These derivatives are generally entered with banks and not used for trading or speculation purposes. These derivative instruments are accounted as follows:

- For forward contracts which are entered into to hedge the foreign currency risk of the underlying outstanding on the date of entering into that forward contract, the premium or discount on such contracts is amortised as income or expense over the life of the contract. Any profit or loss arising on the cancellation or renewal of forward contracts is recognised as an income or expense for the period. The exchange difference on such a forward exchange contract is calculated as the difference between-
  (a) the foreign currency amount of the contract translated at the exchange rate at the Balance Sheet date, or the settlement date where the transaction is settled during the reporting period, and
  (b) the same foreign currency amount translated at the later of the date of inception of the forward exchange contract and the last reporting date. Such exchange differences are recognised in the Consolidated Profit and Loss Account in the reporting period in which the exchange rates change.
- Other derivatives such as forward and option contracts, cross currency swaps and interest rate swaps etc are fair valued at each Balance Sheet date. The resultant gain or loss (except relating to effective portion of cash flow hedges) from these transactions are recognised in the Consolidated Profit and Loss Account. The gain or loss on effective portion of cash flow hedges is recorded in the Hedging Reserve (reported under the head 'Reserves and Surplus') until occurrence of hedged transaction. Upon occurrence of the hedged transaction, such gain or loss is transferred to the Consolidated Profit and Loss Account of that period. To designate a derivative instrument as an effective cash flow hedge, the management objectively evaluates and evidences with appropriate supporting documents at the inception of each contract and throughout the period of hedge relationship whether the contract is effective in achieving offsetting cash flows attributable to the hedged risk. The gain or loss on ineffective portion of cash flow hedge is recognised in the Consolidated Profit and Loss Account.

Integral and non-integral operations

The consolidated financial statements of the foreign integral subsidiaries and representative offices (collectively referred to as the 'foreign integral operations') are translated into Indian Rupees as follows:-

- Non-monetary Balance Sheet items, other than inventories, are translated using the exchange rate at the date of transaction i.e., the date when they were acquired.
- Monetary Balance Sheet items and inventory are translated using year-end rates.
- Profit and Loss items, except opening and closing inventories and depreciation, are translated at the respective monthly average rates. Opening and closing inventories are translated at the rates prevalent at the commencement and close respectively of the accounting period. Depreciation is translated at the rates used for the translation of the values of the assets on which depreciation is calculated.
- Contingent liabilities are translated at the closing rate.
- The net exchange difference resulting from the translation of items in the financial statements of foreign integral operations is recognised as income or expense for the year.

The financial statements of the foreign non integral subsidiaries (collectively referred to as the 'foreign non integral operations') are translated into Indian Rupees as follows:-

- Share capital and opening reserves and surplus are carried at historical cost.

Schedules forming part of the consolidated financial statements

SCHEDULE - 22

SIGNIFICANT ACCOUNTING POLICIES

- All assets and liabilities, both monetary and non-monetary, (excluding share capital, opening reserves and surplus) are translated using the year-end rates.
- Profit and Loss items are translated at the respective monthly average rates.
- Contingent liabilities are translated at the closing rate.
- The resulting net exchange difference is credited or debited to the foreign currency translation reserve.

A reclassification from foreign integral operations to foreign non-integral operations or vice versa is made consequent to change in the way operations of entities are financed and operates. The translated amounts for non-monetary items of reclassified entities on the date of such reclassification are treated as the historical cost for those items in the period of change and subsequent periods. Exchange differences which have been deferred in foreign currency translation reserve are not recognised as income or expenses until the disposal of that entity.

Employee benefits

Short – term employee benefits

All employee benefits payable / available within twelve months of rendering the service are classified as short-term employee benefits. Benefits such as salaries, wages and bonus etc., are recognised in the Consolidated Profit and Loss Account in the period in which the employee renders the related service.

Defined benefit plans

Gratuity

Indian entities of the Group have an obligation towards gratuity, a defined benefit retirement plan covering eligible employees. The plan provides for a lump sum payment to vested employees at retirement, death while in employment or on termination of employment of an amount based on the respective employee's salary and the tenure of employment. Vesting occurs upon completion of five years of service. These entities make annual contributions to gratuity fund established as trust.

Provident fund

In respect of employees, Indian entities of the Group makes specified monthly contribution towards the employees' provident fund to the provident fund trust administered by the Parent Company. The minimum interest payable by the provident fund trust to the beneficiaries every year is notified by the Government. These Indian entities have an obligation to make good the shortfall, if any, between the return on receptive investments of the trust and the notified interest rate.

Pension

The Indian entities have an obligation towards pension, a defined benefit retirement plan covering eligible employees. The plan provides for a lump sum payment to vested employees at retirement, death while in employment or on termination of employment of an amount based on the respective employee's salary and the tenure of employment. Vesting occurs upon completion of 20 years of service.

Retirement pension payment plan

Ranbaxy Pharmacie Generiques SAS and one of its subsidiary companies in France also has a retirement pension payments plan as per collective agreement. The payment is made at the time of retirement.

Valuation

The liability in respect of defined benefit plans, other than provident fund schemes, is accrued in the books of account on the basis of actuarial valuation carried out by an independent actuary primarily using the Projected Unit Credit Method, which recognises each year of service as giving rise to additional unit of employee benefit entitlement and measure each unit separately to build up the final obligation. The obligation is measured at the present value of estimated future cash flows. The discount rates used for determining the present value of obligation under defined benefit plans, is based on the market yields on Government securities as at the Balance Sheet date, having maturity

Schedules forming part of the consolidated financial statements

SCHEDULE - 22

SIGNIFICANT ACCOUNTING POLICIES

periods approximating to the terms of related obligations. Actuarial gains and losses are recognised immediately in the Consolidated Profit and Loss Account. Gains or losses on the curtailment or settlement of any defined benefit plan are recognised when the curtailment or settlement occurs.

The contributions made to provident fund trust are charged to Consolidated Profit and Loss Account as and when they become payable. In addition, the Indian entities recognises liability for shortfall in the plan assets vis-à-vis the fund obligation, if any. The Guidance on implementing Accounting Standard 15- *Employee Benefits (revised 2005)* issued by Accounting Standard Board (ASB) states that benefits involving employer established provident funds, which require interest shortfalls to be recompensed are to be considered as defined benefit plans. Pending the issuance of the guidance note from the Actuarial Society of India, actuary of these entities have expressed an inability to reliably measure provident fund liabilities. Accordingly, the Group is unable to exhibit the related information.

Defined contribution plans

Under certain retirement benefits plans of entities in the Group, there are a defined contribution plans such as superannuation, social security schemes etc. These entities pay fixed contributions and have no obligation to pay further amounts. Such fixed contributions are recognised in the Consolidated Profit and Loss Account on accrual basis.

Other long term employee benefits

Compensated absences

In respect of certain entities of the Group, as per that entity's policy, eligible leaves can be accumulated by the employees and carried forward to future periods to either be utilised during the service, or encashed. Encashment can be made during service, on early retirement, on withdrawal of scheme, at resignation and upon death of the employee. The value of benefits is determined based on the seniority and the employee's salary.

Valuation

These entities account for the liability for compensated absences payable in future and long service awards based on an independent actuarial valuation using the Projected Unit Credit Method as at the year end. Actuarial gains and losses are recognised immediately in the Consolidated Profit and Loss Account. Gains or losses on the curtailment or settlement of any defined benefit plan are recognised when the curtailment or settlement occurs.

Long service award

As per the Parent Company's policy, employees of the Parent Company are eligible for an award after completion of specified number of years of service with the Parent Company.

Taxes on income

Income tax expense comprises current and deferred tax. Income tax expense in Consolidated Profit and Loss Account is the aggregate of the amounts of tax expense appearing in the separate financial statements of the Parent Company and its subsidiaries.

The current charge for income taxes is calculated in accordance with the relevant tax regulations applicable to each entity using tax rates enacted or substantially enacted at the Balance Sheet date.

Deferred tax charge or credit reflects the tax effects of timing differences between accounting income and taxable income for the period of each entity in the Group. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognised using the tax rates that have been enacted or substantively enacted by the Balance Sheet date. Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future; however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets. Deferred tax assets are reviewed at each Balance Sheet date and are written-down or written-up to reflect the amount that is reasonably / virtually certain (as the case may be) to be realised. The break-up of the major components of the deferred tax assets and liabilities as at Balance Sheet date has been arrived at after setting off deferred tax assets and liabilities where the entity has a legally enforceable right to set-off assets against liabilities and where such assets and liabilities relate to taxes on income levied by the same governing taxation laws.

Schedules forming part of the consolidated financial statements

SCHEDULE - 22

SIGNIFICANT ACCOUNTING POLICIES

Minimum alternate tax payable under the provisions of the Income-tax Act 1961 is recognised as an asset in the year in which credit become eligible and is set off to the extent allowed in the year in which the Indian entity becomes liable to pay income tax at the enacted tax rates.

Provisions, contingent liabilities and contingent assets

A provision is created when there is a present obligation as a result of a past event that probably requires an outflow of resources and a reliable estimate can be made of the amount of the obligation. A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. When there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Provision for onerous contracts, i.e. contracts where the expected unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it, are recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation as a result of an obligating event, based on a reliable estimate of such obligation.

The Group does not recognise assets which are of contingent nature until there is virtual certainty of realisability of such assets. However, if it has become virtually certain that an inflow of economic benefits will arise, asset and related income is recognised in the consolidated financial statements of the period in which the change occurs.

Leases

Operating leases

Lease arrangements, where the risks and rewards incidental to ownership of an asset substantially vest with the lessor, are recognised as an operating lease. Lease payments under operating lease are recognised as an expense in the Consolidated Profit and Loss Account on a straight-line basis over the lease period.

The assets given under operating lease are shown in the Consolidated Balance Sheet under fixed assets and depreciated on a basis consistent with the depreciation policy of the Company. The lease income is recognised in the Consolidated Profit and Loss Account on a straight-line basis over the lease period.

Finance leases

Assets taken on a finance lease are capitalised at an amount equal to the fair value of the leased assets or the present value of minimum lease payments at the inception of the lease, whichever is lower. Such leased assets are depreciated over the lease tenure or the useful life, whichever is shorter. The lease payment is apportioned between the finance charges and reduction of outstanding liability. The finance charge is allocated to the periods over the lease tenure to produce a constant periodic rate of interest on the remaining liability.

Earnings per share

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. The weighted average number of equity shares outstanding during the year 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 year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. The dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date.

Schedules forming part of the consolidated financial statements
(Rupees in millions, except for share data, and if otherwise stated)

SCHEDULE - 23

Notes to the consolidated financial statements

1. Background

Ranbaxy Laboratories Limited ("the Company" or "the group") together with its subsidiaries and associates operates as an integrated international pharmaceuticals organisation with businesses encompassing the entire value chain in the marketing, production and distribution of pharmaceuticals products.

The Group presently has manufacturing facilities in eight countries, namely India, the United States of America, Brazil, Ireland, Malaysia, Nigeria, Romania and South Africa. The Group's major markets include the United States of America, India, Europe, Russia/ CIS and South Africa. 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 National Stock Exchange and the Bombay Stock Exchange in India. Its Global Depository Share (representing equity shares of the Company) are listed on the Luxembourg Stock Exchange and Foreign Currency Convertible Bonds (FCCBs) are listed on the Singapore Stock Exchange.

2. Food and Drug Administration ("FDA") and Department of Justice ("DOJ") of United States of America ("USA")

On 16 September 2008, the Company received two warning letters and an Import Alert from the USA FDA, covering 30 generic drugs being manufactured at its Paonta Sahib and Dewas manufacturing facilities in India. The issue raised in the warning letters relate to "Current Good Manufacturing Practice" being followed at the said plants and does not in any way raises questions on product's quality, safety or effectiveness.

On 25 February 2009, the Company received a letter from the USA FDA indicating that the Agency had invoked its Application Integrity Policy ('AIP') against the Paonta Sahib facility (the "facility"). The management of the Company believes that there was no falsification of data generated at the facility and also believes that there is no indication of a pattern and practice of submitting untrue statements of material facts and there was no other improper conduct. Accordingly, the Company, based on opinion from its legal council, believes that there is no incremental present obligation existing at the balance sheet date on account of these notices.

In the year 2008, the DOJ, USA had filed certain charges against the Company citing possible issues with the data submitted by the Company, in support of product filing. The Company continues to work diligently with the concerned authorities towards resolution of the issue.

While the Company continues to fully cooperate with the concerned authorities for effective resolution of these matters, due to inherent uncertainty of the related situation, the outcome of the above mentioned matters, including any financial impact, cannot be reliably ascertained at this stage. Accordingly, no adjustment has been made to the financial statements.

3. On 20 October 2008, the Company had issued 23,834,333 equity share warrants to Daiichi Sankyo Co. Ltd., Japan (Daiichi Sankyo). Each equity share warrant was convertible into one equity share of Rs. 5 each at a premium of Rs. 732 per share at any time between six months to eighteen months from the date of allotment of warrants (Rs. 73.70 per warrant being 10% of the exercise price received).

On 20 April 2010, Daiichi Sankyo opted not to convert the warrants into equity shares. Hence, as per the terms of the issue, the said warrants stand lapsed and the amount of Rs. 73.70 per warrant aggregating to Rs.1,756.59 paid by Daiichi Sankyo has been forfeited and taken to the Capital Reserve Account.

4. On 1 July 2010, the Company transferred certain assets pertaining to its New Drug Discovery Research Centre (including fixed assets, intangibles, in–process developments) to Daiichi Sankyo India Pharma Private Limited alongwith a non–compete and non–solicitation agreement for a period of two years commencing from the date of the agreement, for an aggregate consideration of Rs. 1,449.85 millions. Pursuant to this transaction, Rs. 210 million has been recognised as other operating income for non–compete fee and Rs. 131.81 as other income included in profit on sale of assets.

5. Impairment of investments and Goodwill

During the year, the Company has created a combined provision of Rs. 2,216.20 in the value of long term investment held in Zenotech Laboratories Limited and Shimal Research Laboratories Limited as this diminution is considered to be other than temporary.

Schedules forming part of the consolidated financial statements
(Rupees in millions, except for share data, and if otherwise stated)

SCHEDULE - 23

Notes to the consolidated financial statements

Further, the Company has also recorded goodwill impairment of Rs. 1,700 for Ranbaxy Pharmacie Generiques SAS (a separate cash generating unit under Pharmaceutical segment). The recoverable amount of cash generating unit has been derived on the basis of value in use using projected cash flows discounted at 10.50%.

The evaluation of provision involves usage of assumptions and significant judgement based on valuation methodologies/ judgements. However, keeping the attendant circumstances in view, the management believes it is prudent to impair these investments. These will be evaluated on a going forward basis for any further changes.

6. 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 its subsidiaries. The ESOSs are administered by the Compensation Committee ("Committee") of the Board of Directors of the Company. Options are granted at the discretion of the committee to selected employees depending upon certain criterion. Presently, there are three ESOSs, namely, "ESOS I", "ESOS II" and "ESOS 2005".

The ESOSs limits the maximum grant of options to an employee at 25,000 for ESOS I and 40,000 for ESOS II and 3,00,000 for 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 vests 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.

The Shareholders' Committee have approved issuance of options under the Employees Stock Options Scheme(s) as per details given below:

Date of approval	No. of options
29 June 2002	2,500,000
25 June 2003	4,000,000
30 June 2005	4,000,000

In accordance with the above approval of issuance of options, ESOPs have been granted from time to time.

The stock options outstanding as on 30 June 2005 are 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 3 October 2002 are entitled for additional bonus shares in the ratio of 3:5.

The movement of the options (post split and without adjustment for bonus shares) for the year ended 31 December 2010 is given below:

	Stock options (numbers)	Range of exercise prices (Rs.)	Weighted-average exercise prices (Rs.)	Weighted-average remaining contractual life (years)
Outstanding, beginning of the year	7,413,016	216.00–561.00	401.68	6.30
Granted during the year	1,573,669	450.00–450.00	450.00	9.15
Forfeited during the year	(570,000)	216.00–538.50	358.65	–
Exercised during the year**	(589,939)	216.00–538.50	344.44	–
Lapsed during the year	(425,603)	216.00–538.50	478.32	–
Outstanding, end of the year*	7,401,143	216.00–561.00	415.42	5.99
Exercisable at the end of the year*	4,136,194	216.00–561.00	450.20	4.39

** excluding 33,396 shares issued towards bonus entitlement.

Schedules forming part of the consolidated financial statements
(Rupees in millions, except for share data, and if otherwise stated)

SCHEDULE - 23

Notes to the consolidated financial statements

The movement of the options ((post split and without adjustment for bonus shares) for the year ended 31 December 2009 is given below:

	Stock options (numbers)	Range of exercise prices (Rs.)	Weighted-average exercise prices (Rs.)	Weighted-average remaining contractual life (years)
Outstanding, beginning of the year	7,272,849	219.00-561.00	439.59	6.73
Granted during the year	1,472,725	216.00-216.00	216.00	9.05
Forfeited during the year	(530,760)	216.00-538.50	310.84	–
Exercised during the year#	(36,825)	216.00-372.50	312.03	–
Lapsed during the year	(764,973)	283.50-538.50	471.97	–
Outstanding, end of the year*	7,413,016	216.00-561.00	401.68	6.30
Exercisable at the end of the year*	3,906,091	216.00-561.00	455.98	4.88

*Includes options exercised, pending allotment.
excluding 10,780 shares issued towards bonus entitlement.

7. During the current year, exchange gain (net) on loans and net foreign exchange gain (other than on loans) is shown as part of other income due to exchange gain in both years presented. Further, inventory of Active Pharmaceuticals Ingredients (API) manufactured and lying at plants for captive consumption has been included under Work in Progress. Accordingly, the related previous year figures have been reclassified.

8. **Capital work-in progress includes:**

[i] Project related expenses (directly allocable)

		As at 31 December	
	Particulars	**2010**	**2009**
	Opening balance	**299.28**	356.86
	Addition during the year		
	Salaries, wages and bonus	**140.79**	40.49
	Contributions to provident and other funds	**10.90**	26.62
	Workmen and staff welfare	**3.39**	1.18
	Raw materials	**5.18**	4.54
	Power and fuel	**15.92**	4.40
	Insurance	**0.14**	0.14
	Others	**61.66**	19.78
		537.26	454.01
	Less : Capitalised during the year	**191.34**	154.73
	Balance as at year end	**345.92**	299.28
[ii]	Capital advance to vendors	**154.60**	235.30
[iii]	Other assets	**3,317.25**	5,696.08
	Total of [i],[ii] and [iii]	**3,817.77**	6,230.66

Schedules forming part of the consolidated financial statements
(Rupees in millions, except for share data, and if otherwise stated)

SCHEDULE - 23

Notes to the consolidated financial statements

9. Leases

a] Finance lease

The Group has acquired assets under finance lease comprising mainly of building, plant and machinery and vehicles. The future minimum lease rentals and the present value of future minimum lease payments as at 31 December 2010 and 31 December 2009 are as under:

	Minimum lease payments		Present value of minimum lease payments	
	As at 31 December		**As at 31 December**	
	2010	**2009**	**2010**	**2009**
i) not later than one year	**83.68**	84.45	**60.46**	55.89
ii) later than one year but not later than five years	**291.71**	350.45	**253.61**	287.97
ii) later than five years	–	36.03	–	35.16
Total	**375.39**	470.93	**314.07**	379.02

b] Operating lease

The Group has leased facilities under cancellable and non-cancellable operating leases arrangements with lease terms ranging from 1 to 17 years, which are subject to renewal at mutual consent thereafter. The cancellable arrangements can be terminated by either party after giving due notice. The lease rent expense recognised during the year amounts to Rs. 860.61 (previous year Rs. 840.25). The future minimum lease payments in respect of non-cancellable operating leases as at 31 December 2010 and 31 December 2009 are:

	As at 31 December	
	2010	**2009**
i) not later than one year	**274.07**	248.28
ii) later than one year but not later than five years	**576.08**	537.65
ii) later than five years	**64.36**	120.99
Total	**914.51**	906.92

c] Premises given on operating lease

The Company has given a part of its premises 'Research and Development-III' under cancellable operating lease arrangement to a related party. Lease rentals amounting to Rs. 63 (previous year Rs. Nil) has been recognised in the Consolidated Profit and Loss Account. As only a portion of these premises has been let out, the gross carrying amount and the accumulated depreciation of leased premises/ assets is not separately identifiable.

10. a] Foreign exchange (gain)/ loss other than on loans

	For the year ended 31 December	
	2010	**2009**
Foreign exchange loss (net)	**263.38**	1,282.65
Fair valuation gain on derivatives (net)	**(4,368.82)**	(3,213.88)
	(4,105.44)	(1,931.23)

b] Interest expense

Interest expense includes interest paid on fixed period loans and debentures amounting to Rs. 189.09 (previous year Rs. 288.96).

Schedules forming part of the consolidated financial statements

(Rupees in millions, except for share data, and if otherwise stated)

SCHEDULE - 23

Notes to the consolidated financial statements

11. Directors' remuneration *

	For the year ended 31 December 2010	2009
Salaries and allowances	**43.96**	186.44
Contribution to provident and other funds *	**1.84**	20.67
Directors' fee	**1.04**	1.99
Commission	**71.00**	52.00
Perquisites	**0.53**	4.84
	118.37	265.94

* Does not include the following:

i) Liabilities in respect of gratuity, pension, compensated absences determined (for one of the directors) as the same is determined on an actuarial basis for company as a whole.

ii) Compensation cost Rs. nil for loss of office to a director (previous year Rs. 481.38).

Mr. Arun Sawhney was appointed as the Managing Director of the Company with effect from 20 August 2010 for a period of three years. The appointment and remuneration of Mr. Arun Sawhney as the Managing Director has been approved by the Board of Directors, but the requisite regulatory approval from shareholders is yet to be obtained. In accordance with the remuneration determined by the Board of Directors, Rs. 32.91 (including commission) has been accounted for as an expense in the Consolidated Profit and Loss Account for the year ended 31 December 2010.

12. Details of investment purchased and sold during the year ended 31 December 2010 (previous year Rs. nil) are as follows:

Particulars	Units purchased and sold	Purchase value	Sale value	Loss on sale
6.85% IIFCL - 2014	365,000	37.54	37.34	0.20
9.00% IRFC - 2019	1,000,000	112.72	111.85	0.87

13. Employee benefits

The following tables set out the disclosures relating to pension, gratuity and retirement pension payment plan as required by Accounting Standard - 15 "Employee Benefits":

	Pension	Retirement pension payment plan	Gratuity
Change in the present value of obligation:			
Present value of obligation as at 1 January 2010	**1,756.50**	**70.41**	**530.19**
	1,571.19	*66.05*	*486.74*
Add: Interest cost	**125.55**	**2.78**	**49.36**
	117.84	*2.76*	*40.37*
Add: Current service cost	**134.94**	**4.42**	**36.38**
	93.20	*5.11*	*36.91*
Less: Benefits paid	**69.58**	**31.81**	**60.03**
	54.56	*2.42*	*130.61*
Add: Actuarial (gain)/ loss on obligations	**45.54**	**(0.10)**	**184.12**
	28.83	*0.21*	*96.78*
Translation adjustments - (gain)/ loss	**–**	**(7.07)**	**–**
	–	*(1.30)*	*–*
Present value of obligation as at 31 December 2010	**1,992.95**	**38.63**	**740.03**
	1,756.50	*70.41*	*530.19*

Schedules forming part of the consolidated financial statements
(Rupees in millions, except for share data, and if otherwise stated)

SCHEDULE - 23

Notes to the consolidated financial statements

Change in the fair value of plan assets:	**Gratuity**
Fair value of plan assets as of 1 January 2010	**444.31**
	439.19
Add: Actual return on plan assets	**46.89**
	36.28
Add: Contributions	**239.35**
	98.99
Less: Benefits paid	**(58.64)**
	(130.15)
Fair value of plan assets as of 31 December 2010	**671.91**
	444.31

Reconciliation of present value of defined benefit obligation and the fair value of assets	**Gratuity**
Present value of funded obligation as of 31 December 2010	**740.03**
	530.19
Less: Fair value of plan assets as at the end of the year	**671.91**
	444.31
Present value of unfunded obligation as of 31 December 2010	**68.12**
	85.88
Unfunded net liability recognised in the Consolidated Balance Sheet	**68.12**
	85.88

Expense recognised in the Consolidated Profit and Loss Account	**Pension**	**Retirement pension payment plan**	**Gratuity**
Current service cost	**134.94**	**4.42**	**49.36**
	93.20	*5.11*	*36.91*
Add: Interest cost	**125.55**	**2.78**	**36.38**
	117.84	*2.76*	*40.37*
Add: Expected return on plan assets	**–**	**–**	**(43.92)**
	–	*–*	*(38.95)*
Less: Settlement cost/ credit	**(15.69)**	**(31.81)**	**(2.78)**
	(2.51)	*(2.42)*	*(2.14)*
Add: Net actuarial (gain)/ loss recognised in the year	**45.54**	**(0.10)**	**164.84**
	28.83	*0.21*	*99.47*
Total expenses recognised in the Consolidated Profit and Loss Account	**290.34**	**(24.71)**	**203.88**
	237.36	*5.66*	*135.66*

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

Particulars	**Gratuity**
Central Government securities	**10%**
	19%
State Government securities	**4%**
	11%
Bonds and securities of public sector / Financial Institutions	**86%**
	59%
Deposit with Reserve Bank of India	**0%**
	11%

Schedules forming part of the consolidated financial statements
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SCHEDULE - 23

Notes to the consolidated financial statements

The following table sets out the assumptions used in actuarial valuation of compensated absences, pension and gratuity:

Particulars	Compensated absences	Pension	Retirement pension payment plan	Gratuity
Discount rate	**7.90%-8.00%**	**7.90%**	**4.45%**	**7.90%-8.00%**
	7.50%	*7.50%*	*4.65%*	*7.50%*
Rate of increase in compensation	**7.00%-10.00%**	**7.00%-10.00%**	**2.00%-3.00%**	**7.00%-10.00%**
levels #	*5.00%-10.00%*	*5.00%-10.00%*	*2%-3%*	*5%-10.0%*
Rate of return of plan assets	**Nil**	**Nil**	**Nil**	**8%-9%**
	Nil	*Nil*	*Nil*	*8%-9%*
Expected average remaining working	**20.04-25.48**	**20.00**	**-**	**20.09 - 25.47**
lives of employees (years)	*20.55-26.57*	*20.58*	*-*	*20.58 - 26.57*

The liability for compensated absences as at 31 December 2010 was Rs. 447.89 (previous year Rs. 349.24).
10% for the first three years and 7% thereafter (previous year 10% for the first three years and 5% thereafter).
Figures in italics are for the year ended 31 December 2009

Other plans

a) The Parent Company and certain Group companies also have defined contribution plans, which are largely governed by local statutory laws of the respective countries and cover the eligible employees of the specific entity. These plans are funded both by the members and by the company contributions, primarily based on a specified percentage of the employees' salary. The total contributions to these schemes during the year ended 31 December 2010 is Rs. 680.68 (previous year Rs. 622.13).

b) Further, USA based 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 specified under respective law on a pre-tax basis through voluntary contributions to the plan.

The plan provides that these USA based subsidiaries can make optional contributions in an amount up to the maximum allowable by respective law. Employees achieve a 25 percent vested status after one year of service and fully vested status after three years of service. During the year ended 31 December 2010 the contributions to the plan is Rs. 58.30 (previous year Rs. 47.13).

14. Hedging and Derivatives

a) The Company uses various forms of derivative instruments such as foreign exchange forward contracts, options, cross currency swaps and interest rate swaps to hedge its exposure to movements in foreign exchange and interest rates. These derivatives are not used for trading or speculation purposes.

b) Some of these derivatives are used as hedging instruments to hedge foreign exchange fluctuation risk on highly probable transactions arising during the period upto the date of sales transaction. These sales transactions are expected to occur over a period of January 2011 to July 2013 years which also approximates/ coincides with maturity of hedging instruments. The ineffectiveness arising from cash flow hedges recognized in Consolidated Profit and Loss Account is not material.

Schedules forming part of the consolidated financial statements
(Rupees in millions, except for share data, and if otherwise stated)

SCHEDULE - 23

Notes to the consolidated financial statements

The following are the outstanding derivative contracts entered into by the Company:

As at 31 December 2010

Category	Currency	Cross Currency	Amount (in millions)	Buy/ Sell	Purpose
Forward contracts*	USD	INR	USD 249.00	Sell	Hedging
Forward contracts	EUR	USD	EUR 5 .00	Sell	Hedging
Forward contracts	ZAR	USD	ZAR 40.75	Sell	Hedging
Currency options	USD	INR	USD 846.50	Sell	Hedging
Currency swaps	JPY	USD	JPY 8,150.00	Buy	Hedging
Interest rate swap (JPY LIBOR)	JPY		JPY 7,400.00		Hedging
Cumulative mark to market loss on above instruments, net #			Rs. (9,996.32)		

As at 31 December 2009

Category	Currency	Cross Currency	Amount (in millions)	Buy/ Sell	Purpose
Forward contracts*	USD	INR	USD 20.00	Sell	Hedging
Forward contracts	EUR	USD	USD 1.44	Sell	Hedging
Currency options	USD	INR	USD 1,038.50	Sell	Hedging
Currency swaps	JPY	USD	JPY 10,350.00	Buy	Hedging
Interest rate swap (JPY LIBOR)	JPY		JPY 11,800.00		Hedging
Cumulative mark to market loss on above instruments, net #			Rs. (16,062.18)		

determined based on valuation provided by banks i.e. counter party or observable market input including currency forward and spot rates, yield curves, currency, volatility etc.

* Designated as cash flow hedge instruments.

c) The Company's unhedged foreign currency exposures on account of payables/ receivables not hedged are as follows:

	As at 31 December 2010 (in original currency)	As at 31 December 2010 (in Rupees)	As at 31 December 2009 (in original currency)	As at 31 December 2009 (in Rupees)
Receivables (net of advances) *				
– EURO	**8.17**	**489.19**	11.09	739.33
– AUD	**1.71**	**77.96**	0.45	18.79
– NZD	**0.08**	**3.00**	1.10	37.09
– JPY	**41.78**	**23.00**	16.26	8.22
– AED	**–**	**–**	0.65	8.24
– MXN	**8.36**	**30.00**	–	–
– Others	**–**	**5.80**	–	0.21

*USD - INR currency exposure for receivable balances is hedged fully, however USD to above currency is unhedged to the extent stated above.

	As at 31 December 2010 (in original currency)	As at 31 December 2010 (in Rupees)	As at 31 December 2009 (in original currency)	As at 31 December 2009 (in Rupees)
Payables (net of advances)				
– USD	**44.30**	**1,980.68**	18.16	844.65
– EURO	**4.87**	**291.04**	2.40	160.01
– JPY	**41.77**	**23.01**	24.22	12.24
– KES	**2.67**	**1.48**	4.40	2.70
– RUB	**61.69**	**90.22**	–	–
– UAH	**1.65**	**9.23**	–	–
– AED	**0.52**	**6.31**	–	–

Schedules forming part of the consolidated financial statements

(Rupees in millions, except for share data, and if otherwise stated)

SCHEDULE - 23

Notes to the consolidated financial statements

	As at 31 December 2010 (in original currency)	As at 31 December 2010 (in Rupees)	As at 31 December 2009 (in original currency)	As at 31 December 2009 (in Rupees)
– GBP	**0.05**	**3.68**	–	–
– CFR	**40.28**	**3.57**	–	–
– KZT	**15.94**	**4.84**	–	–
Others #	**–**	**5.40**	–	3.19
Bank balances				
– USD	**80.27**	**3,588.29**	0.62	28.84
– LTL	**0.30**	**5.23**	0.56	10.81
– CFA	**88.78**	**7.87**	94.04	9.55
– RUB	**4.80**	**7.02**	5.90	3.83
– PLN	**0.03**	**0.45**	0.03	0.49
– UAH	**0.20**	**1.13**	0.53	3.04
– RMB	**0.33**	**2.21**	–	–
– AED	**0.20**	**2.43**	0.23	2.95
– KZT	**13.85**	**4.20**	0.05	0.01
– KES	**8.42**	**4.65**	0.93	0.57
Others #		**0.26**		2.39
Loans				
– USD	**957.93**	**42,828.98**	666.86	31,016.74
– EURO	**–**	**–**	6.67	444.68

Exposures in other currencies which are not significant has been aggregated for this disclosure.

For derivatives refer to note 14(a) above.

15. Commitments, contingent liabilities and provisions

	As at 31 December 2010	As at 31 December 2009
i) Guarantees issued by subsidiaries	**19.08**	48.07
ii) Claims against the Group not acknowledged as debts, under dispute:		
(a) DPCO *	**1,952.90**	1,703.30
(b) Octroi tax matters **	**171.00**	171.00
(c) Other matters ***	**201.38**	190.71

* The Company has received demands for payment to the credit of the Drug Prices Equalisation Account under Drugs (Price Control) Order, 1995 (DPCO) which is being contested by the Company in respect of its various products. Further, the Company has deposited Rs. 325.59 (previous year Rs. 319.59) under protest.

** The Company has been contesting a case with the Municipal Corporation of Mohali (MCM) under which MCM is contesting that Octroi has to be paid by the Company at 1% as against 0.5% being paid by the Company. The amount above represents the difference payable.

*** These represent cases pending at various forums on account of employee / worker related cases, State electricity board, Punjab Land Preservation Act, etc.

iii) In respect of matters in (b) and (c) above, the amount represents the demands received under the respective demand/ show cause notices/ legal claims, wherever applicable.

iv) The Company, directly or indirectly through its subsidiaries, severally or jointly is also involved in certain patents and product liability disputes as at the year end. Due to the nature of these disputes and also in view of significant uncertainty of outcome, the Company believes that the amount of exposure cannot be currently determinable.

Schedules forming part of the consolidated financial statements
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SCHEDULE - 23

Notes to the consolidated financial statements

v)	Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	**899.63**	902.94

Certain entities of the Group have created provision towards claims made against these entities in relation to commercial, employees related and leased properties matters. The movement in provision is as follows:

	As at 31 December	
	2010	**2009**
Balance as at the beginning of the year	**63.28**	45.54
Add: Provision made during the year	–	39.37
Less: payment made during the year	**(63.28)**	(27.79)
Translation adjustments	–	6.16
Balance as the end of the year	–	63.28

16. Related party disclosures

a] Relationship :

i] Holding company (also being the ultimate holding company)

1 Daiichi Sankyo Co., Ltd., Japan

ii] Fellow subsidiary (overseas) with whom transactions have taken place during the year or previous year

1 Daiichi Sankyo India Pharma Private Limited, India (DSIN)
2 Daiichi Sankyo Europe GmbH

iii] Joint venture (overseas)

1 Nihon Pharmaceuticals Industry Co. Ltd., Japan (Investment made by Ranbaxy (Netherlands) BV, the Netherlands) (upto 8 December 2009)

iv] Associates (domestic)

1 Zenotech Laboratories Limited
2 Shimal Research Laboratories Limited

v] Key managerial personnel

1 Mr. Malvinder Mohan Singh, Chairman, CEO & Managing Director (upto 24 May 2009)
2 Mr. Atul Sobti, CEO & Managing Director (upto 19 August 2010)
3 Mr. Arun Sawhney, Managing Director (from 20 August 2010)

vi] Relatives of Key managerial personnel with whom transactions were carried out during the previous year (upto 24 May 2009)

1 Mrs. Nimmi Singh, mother of Mr. Malvinder Mohan Singh

vii] Entities over which significant influence was exercised by Mr. Malvinder Mohan Singh with whom transactions were carried out in the previous year (upto 24 May 2009)

1 Fortis Healthcare Limited (Including its subsidiaries)
2 Religare Securities Limited
3 Ran Air Services Limited
4 Religare Travels (India) Limited
5 Religare Capital Markets Limited
6 Super Religare Laboratories Limited
7 Fortis Clinical Research Limited
8 Religare Enterprises Limited
9 Escorts Heart Institute and Research Centre Limited
10 Religare Technova IT Services Limited (formerly Fortis Financial Services Limited)
11 Oscar Investments Limited

Schedules forming part of the consolidated financial statements
(Rupees in millions, except for share data, and if otherwise stated)

SCHEDULE - 23

Notes to the consolidated financial statements

b] Transactions with the related parties

Transactions	Holding company	Fellow subsidiaries	Joint venture and associates	Key management personnel	Entities over which significant influence is exercised	Total
Sales	19.39	4.28	–	–	–	23.67
	–	–	(25.34)	–	–	(25.34)
Royalty, technical know-how and product development (income)	207.25					207.25
	–	–	–	–	–	–
Non-compete fee (income recognised)	–	210.00	–	–	–	210.00
	–	–	–	–	–	–
Non-compete fee (deferred income)	–	630.00	–	–	–	630.00
	–	–	–	–	–	–
Sale proceeds of fixed assets	–	589.38	–	–	–	589.38
	–	–	–	–	–	–
Rent received	–	63.00	–	–	–	63.00
	–	–	–	–	–	–
Operating income - others	6.86	86.35	–	–	–	93.21
	–	–	–	–	–	–
Other income - miscellaneous	–	42.09	–	–	–	42.09
	(40.06)	–	(0.69)	–	(13.73)	(54.48)
Finished goods and materials purchased	0.02	27.54	70.54	–	–	98.10
	(0.23)	(7.49)	(32.30)	–	–	(40.02)
Market research expenses	–	–	–	–	–	–
	(1.46)	–	–	–	–	(1.46)
Product quality claims	–	–	–	–	–	–
	–	–	(0.96)	–	–	(0.96)
Business support expenses	4.15	–	–	–	–	4.15
	–	–	–	–	–	–
Travel and conveyance	5.46	–	–	–	–	5.46
	(2.20)	–	–	–	–	(2.20)
Royalty paid	1.09	–	–	–	–	1.09
	(0.36)	–	–	–	–	(0.36)
Personnel expenses	–	–	–	67.33	–	67.33
	–	–	–	(250.64)	–	(250.64)
Technical services availed	18.76	–	1.84	–	–	20.60
	–	–	–	–	(98.03)	(98.03)
Purchase of fixed assets	–	–	–	–	–	–
	–	–	–	–	(97.57)	(97.57)
Security deposit received	–	63.00	–	–	–	63.00
	–	–	–	–	–	–

Figures in brackets are for previous year

Schedules forming part of the consolidated financial statements
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SCHEDULE - 23

Notes to the consolidated financial statements

c] Transaction in excess of 10% of the total related party transactions

Sr. No.	Transactions	Related party relationship	Year ended 31 December 2010	Year ended 31 December 2009
1	Sales			
	Daiichi Sankyo Co. Ltd., Japan	Holding company	**19.39**	–
	Daiichi Sankyo Europe GmbH	Fellow subsidiary	**4.28**	–
	Nihon Pharmaceuticals Industries Co. Ltd., Japan	Joint Venture	**–**	25.34
2	Royalty, technical know-how and product development	Holding company		
	Daiichi Sankyo Co. Ltd., Japan		**207.25**	–
3	Non compete fee from DSIN:-			
	Non-compete fee (income recognised)	Fellow subsidiary	**210.00**	–
	Non-compete fee (deferred income)	Fellow subsidiary	**630.00**	–
4	Sale proceeds of fixed assets			
	Daiichi Sankyo India Pharma Private Limited, India	Fellow subsidiary	**589.38**	–
5	Rent received			
	Daiichi Sankyo India Pharma Private Limited, India	Fellow subsidiary	**63.00**	–
6	Operating income - others			
	Daiichi Sankyo Europe GmbH	Fellow subsidiary	**78.25**	–
	Daiichi Sankyo Co. Ltd., Japan	Holding company	**–**	40.06
7	Other income - miscellaneous			
	Daiichi Sankyo India Pharma Private Limited, India	Fellow subsidiary	**42.09**	–
	Oscar Investments Limited, India	Entities over which significant influence is exercise	**–**	6.87
	Fortis Clinical Research Limited	Entities over which significant influence is exercise	**–**	6.86
8	Finished goods and materials purchased			
	Zenotech Laboratories Limited, India	Associate	**70.54**	32.30
	Daiichi Sankyo Europe GmbH	Fellow subsidiary	**27.54**	7.49
9	Market research expenses			
	Daiichi Sankyo Co. Ltd., Japan	Holding company	**–**	1.46
10	Product quality claims			
	Nihon Pharmaceuticals Industry Co. Ltd., Japan	Joint venture	**–**	0.96
11	Business support expenses			
	Daiichi Sankyo Co. Ltd., Japan	Holding company	**4.15**	–
12	Travel and conveyance			
	Daiichi Sankyo Co. Ltd., Japan	Holding company	**5.46**	2.20
13	Royalty paid			
	Daichii Sankyo Co. Ltd., Japan	Holding company	**1.09**	0.36

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Notes to the consolidated financial statements

Sr. No.	Transactions	Related party relationship	Year ended 31 December 2010	Year ended 31 December 2009
14	Personnel expenses			
	Mr. Malvinder Mohan Singh	Key Management Personnel	**–**	167.41
	Mr. Atul Sobti	Key Management Personnel	**34.42**	79.54
	Mr. Arun Sawhney	Key Management Personnel	**32.91**	–
15	Technical services availed			
	Daiichi Sankyo Co. Ltd., Japan	Holding company	**18.76**	–
	Fortis Clinical Research Limited, India	Entities over which significant influence is exercise	**–**	48.54
	Religare Technova IT Services Limited, India	Entities over which significant influence is exercise	**–**	33.38
16	Purchase of fixed assets			
	Religare Technova IT Services Limited, India	Entities over which significant influence is exercise	**–**	97.57
17	Security deposit received			
	Daiichi Sankyo India Pharma Private Limited, India	Fellow subsidiary	**63.00**	–

d] Balances due from/to the related parties

Transactions	Holding company	Fellow subsidiaries	Joint venture and associates	Key management personnel	Entities over which significant influence is exercised	Total
Debtors	8.13	28.76	0.17			37.06
	(16.39)	–	–	–	–	(16.39)
Creditors	9.09	8.96	–	–	–	18.05
	(0.96)	(7.40)	(4.11)	–	–	(12.47)
Payable to directors	–	–	–	21.00	–	21.00
(commission)	–	–	–	(35.00)	–	(35.00)

Figures in brackets are for previous year

17. Segment information

Business segments

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

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

Other business comprises rendering of financial services.

Geographic Segments

The Group's business is organized into key geographic segments. Revenues are attributable to individual geographic segments based upon the location of the customers. Assets and liabilities are attributable to individual geographic segments based upon the location of the respective assets / liabilities.

Schedules forming part of the consolidated financial statements
(Rupees in millions, except for share data, and if otherwise stated)

SCHEDULE - 23

Notes to the consolidated financial statements

Other Information

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

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

Segment information disclosures as required under accounting standard on "Segment Reporting" as specified in the Companies (Accounting Standards) Rules, 2006.

a] Primary segment information

	Pharmaceuticals		Others		Segment total	
	2010	**2009**	**2010**	**2009**	**2010**	**2009**
External revenue	**89,605.39**	75,969.46	**2.32**	0.90	**89,607.71**	75,970.36
Total Revenue	**89,605.39**	75,969.46	**2.32**	0.90	**89,607.71**	75,970.36
RESULTS						
Profit before interest income, exchange gain on loans, dividend, profit on sale of investments (net), interest expense and taxation.	**18,342.70**	7,665.86	**2.18**	0.75	**18,344.88**	7,666.61
Interest income					**1,583.35**	1,105.31
Exchange gain on loans (net)					**1,406.98**	1,493.13
Dividend income					**91.70**	9.78
Profit on sale of investments (net)					**2,404.19**	533.22
Interest expense					**(613.89)**	(710.43)
Tax charge					**(5,848.76)**	(6,990.87)
Profit after tax					**17,368.45**	3,106.75
OTHER INFORMATION						
Segment assets	**96,724.45**	96,558.31	**18.86**	9.32	**96,743.31**	96,567.63
Unallocated assets					**44,867.91**	24,967.63
Total assets					**141,611.22**	121,535.26
Segment liabilities	**35,276.83**	34,880.03	**0.18**	0.21	**35,277.01**	34,880.24
Unallocated liabilities					**49,639.93**	42,687.88
Total Liabilities					**84,916.94**	77,568.12
Capital expenditure	**4,838.53**	5,682.08	**–**	–	**4,838.53**	5,682.08
Depreciation / amortisation,	**5,532.66**	2,676.11	**0.01**	0.01	**5,532.67**	2,676.12
Non cash expenses other than depreciation/amortisation	**556.20**	489.19	**–**	–	**556.20**	489.19

b] Secondary segment information - Geographical

	India	Europe	North America	Asia Pacific	Africa	Others	Total
Segment revenue	**21,890.27**	**15,423.78**	**30,341.36**	**6,320.41**	**7,132.26**	**8,499.63**	**89,607.71**
	(19,400.42)	*(15,896.74)*	*(19,574.98)*	*(6,937.96)*	*(4,950.49)*	*(9,209.77)*	*(75,970.36)*
Segment assets	**73,779.49**	**37,489.45**	**18,288.63**	**2,132.68**	**5,645.00**	**4,275.97**	**141,611.22**
	(63,759.22)	*(28,542.63)*	*(15,650.02)*	*(3,202.75)*	*(4,393.93)*	*(5,986.71)*	*(121,535.26)*
Capital expenditure	**3,045.77**	**231.55**	**719.36**	**172.00**	**519.77**	**150.09**	**4,838.54**
	(2,938.13)	*(758.76)*	*(1,349.60)*	*(73.34)*	*(479.14)*	*(83.11)*	*(5,682.08)*

Figures in brackets are for the year ended 31 December 2009

Schedules forming part of the consolidated financial statements
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SCHEDULE - 23

Notes to the consolidated financial statements

18. The share of minority shareholders in profit for the year of respective entities is as under:

	For the year ended 31 December	
Name of entity	**2010**	**2009**
Ranbaxy (Malaysia) Sdn. Bhd.	**59.89**	53.81
Ranbaxy Nigeria Limited	**21.51**	19.15
Ranbaxy (Guangzhou China) Limited	–	16.74
Terapia S.A	**38.89**	14.08
Ranbaxy Unichem Company Ltd	**1.86**	3.84
Ranbaxy Life Sciences Research Limited	**3.44**	2.00
Gufic Pharma Limited	–	0.01
Be-Tabs Pharmaceuticals (Proprietary) Ltd	–	(0.13)
Be-Tabs Investments (Proprietary) Ltd	–	(0.05)
	125.59	109.45

19. The share of the Company in profit / (loss) of associates is as under:

	For the year ended 31 December	
Name of entity	**2010**	**2009**
Zenotech Laboratories Limited	**(64.02)**	(48.19)
Shimal Research Laboratories Limited	**4.87**	15.81
	(59.15)	(32.38)

For and on behalf of the Board of Directors

Dr. Tsutomu Une
Chairman

Arun Sawhney
Managing Director

Ranjit Kohli
Director - Global Accounts

Sushil K. Patawari
Company Secretary

Place : Gurgaon
Dated : 22 February 2011

Place : Gurgaon
Dated : 22 February 2011

FINANCIAL DETAILS OF THE SUBSIDIARY COMPANIES

FOR THE YEAR ENDED DECEMBER 31, 2010

Sr. No.	Name of the Subsidiary	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
		---------- Rs. in Million ----------									
	Domestic :										
1	Solus Pharmaceuticals Limited	149.01	625.60	785.24	10.63	780.05	–	(0.14)	–	(0.14)	–
2	Vidyut Investments Limited	250.08	(231.40)	18.87	0.18	–	–	2.18	0.39	1.79	–
3	Ranbaxy Drugs and Chemicals Company (A public company with unlimited liability)	62.00	29.78	92.78	1.00	–	0.18	24.75	1.26	23.49	–
4	Ranbaxy Drugs Limited	31.00	(0.53)	33.68	3.21	–	–	(0.05)	–	(0.05)	–
5	Ranbaxy SEZ Limited	0.50	(0.10)	0.43	0.03	–	–	(0.02)	–	(0.02)	–
6	Rexcel Pharmaceuticals Limited	125.00	635.10	784.78	24.69	780.05	–	(0.09)	–	(0.09)	–
7	Gufic Pharma Limited	0.50	2.93	3.46	0.03	–	0.24	0.35	(0.26)	0.61	–
8	Ranbaxy Life Sciences Research Ltd.	50.60	217.17	269.81	2.04	–	–	21.84	4.58	17.26	–
	Overseas :										
9	Ranbaxy Malaysia Sdn. Bhd. Malaysia	115.94	897.88	1,357.67	343.84	–	1,360.69	248.30	59.55	187.46	9.28
10	Ranbaxy (Hong Kong) Limited Hong Kong	13.80	118.40	140.14	7.93	–	116.34	48.57	–	48.57	
11	Ranbaxy N.A.N.V. Antilles, The Netherlands #	1.34	(1.34)	–	–	–	0.02	11.21	–	11.21	
12	Basics GmbH Germany	291.92	439.74	1,579.39	847.73	–	1,475.96	99.90	36.85	63.05	
13	Ranbaxy (S.A.) (Proprietory) South Africa	2.44	487.49	1,077.72	587.80	–	1,737.58	143.78	40.18	103.60	–
14	Sonke Pharmaceuticals (Pty) Ltd South Africa	$	(3.40)	378.24	381.64		784.50	42.02	11.77	30.25	–
15	Ranbaxy Egypt (L.L.C.) Egypt	37.34	29.53	133.42	66.55	–	267.32	35.46	7.70	27.76	–
16	Rexcel Egypt (L.L.C.) Egypt	1.85	(14.46)	28.59	41.20	–	36.66	5.12	–	5.12	–
17	Ranbaxy (U.K.) Ltd. United Kingdom	1,520.98	(1,078.50)	888.57	446.09	–	1,411.07	(8.82)	(0.26)	(9.08)	–
18	Ranbaxy Poland S.P. Z.o.o. Poland	64.53	35.38	145.67	45.76	–	410.33	21.71	11.10	10.61	–
19	Ranbaxy Do Brazil Ltda Brazil	16.00	(16.00)	–	–	–	–	3.77	(6.58)	(2.81)	–
20	Ranbaxy Nigeria Ltd. Nigeria	11.99	582.43	805.00	210.58	–	902.21	217.38	70.92	146.46	–
21	Ranbaxy Unichem Company Ltd. Thailand	148.43	218.34	500.85	134.07	–	556.67	30.45	13.68	16.77	–
22	Ranbaxy Farmaceutica Ltda. Brazil	468.11	96.48	1,449.75	885.16	–	2,399.83	405.87	134.39	271.48	–
23	Ranbaxy-PRP (Peru) S.A.C. Peru	65.76	(21.40)	243.61	199.24	–	326.95	(7.56)	(2.29)	(5.27)	–

Sr. No.	Name of the Subsidiary	Rs. in Million 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
24	Ranbaxy Europe Ltd. United Kingdom	0.70	53.24	157.31	103.37	–	464.64	21.89	6.55	15.34	–
25	Ranbaxy Pharmaceutical, Inc. USA	$	3,156.30	7,972.20	4,815.89	–	23,407.57	2,263.05	809.39	1,453.66	–
26	Ranbaxy, Inc. USA	581.23	4,425.35	10,198.38	5,191.80	–	–	11.27	3.44	7.83	–
27	Ranbaxy USA, Inc. USA	$	68.31	128.15	59.84	–	282.50	3.79	1.74	2.05	–
28	Ohm Laboratories Inc. USA	10.67	3,364.87	9,452.67	6,077.13	–	23,524.00	1,136.37	379.87	756.50	–
29	Ranbaxy Laboratories Inc. USA	$	(295.23)	1,786.97	1,491.74	–	1,330.71	(1,079.32)	396.02	(683.30)	–
30	Ranbaxy Signature LLC, USA USA	$	(555.70)	2.39	558.09	–	26.60	(29.59)	–	(29.59)	–
31	Ranbaxy (Netherlands) B.V. (“RNBV”) The Netherlands	22,355.13	7,726.32	30,138.49	57.04	–	199.60	278.47	53.41	225.06	–
32	Ranbaxy Holdings (U.K.) Ltd. United Kingdom	2,136.80	11.19	2,150.39	2.40	–	–	(0.39)	–	(0.39)	–
33	Ranbaxy Ireland Ltd. Ireland	425.84	367.41	1,083.15	289.91	–	1,872.98	55.54	3.55	51.99	–
34	ZAO Ranbaxy Russia	4.39	142.22	2,430.89	2,284.29	–	3,139.36	(116.07)	12.07	(104.00)	–
35	Ranbaxy Pharmacie Generiques SAS France	446.01	(156.32)	1,369.84	1,080.15		2,163.63	(332.38)	(9.73)	(342.11)	–
36	Ranbaxy Portugal - Com E Desenvolv De Prod Farmaceuticos Unipessoal Lda Portugal	232.34	(207.12)	78.34	53.13	–	186.58	(10.26)	(0.60)	(10.86)	–
37	Laboratorios Ranbaxy, S.L. Spain	299.40	(702.48)	284.92	688.01	–	353.20	17.13	–	17.13	–
38	Office Pharmaceutique Industriel Et Hospitalier SARL (“OPIH SARL ”) France	79.64	(61.62)	152.16	134.14	–	0.01	(6.18)	(2.39)	(8.57)	–
39	Ranbaxy Australia Pty. Ltd. Australia	420.09	(645.15)	134.03	359.09	–	177.18	(104.78)	–	(104.78)	–
40	Ranbaxy Pharmaceuticals Canada Inc. Canada	100.90	555.05	1,582.31	926.35	–	2,784.15	118.62	40.85	77.77	–
41	Ranbaxy Italia S.p.A Italy	994.01	(1,033.41)	760.81	800.20	–	683.29	(365.76)	–	(365.76)	–
42	Ranbaxy Mexico S.A. de C.V. Mexico	242.92	(310.52)	138.68	206.28	–	322.69	(69.09)	14.12	(54.97)	–
43	Ranbaxy Mexico Servicios S.A. de C.V. Mexico	0.18	(20.24)	12.21	32.27	–	121.98	(12.64)	(7.66)	(20.30)	–

Sr. No.	Name of the Subsidiary	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
		Rs. in Million									
44	Terapia S.A. Romania	352.41	6,448.72	8,292.49	1,491.36	–	5,543.58	1,356.65	296.20	1,060.45	–
45	Terapia Distributie SRL Romania	0.42	(192.09)	484.47	676.12	–	693.10	9.36	0.23	9.13	–
46	Lapharma GmbH Germany #	0.48	(0.46)	0.08	0.07	–	–	(0.08)	(0.02)	(0.10)	–
47	Ranbaxy Belgium N.V. Belgium	33.64	11.31	170.42	125.47	–	366.84	(36.83)	(12.19)	(24.64)	–
48	Ranbaxy Pharma AB Sweden	7.32	(6.51)	83.07	82.26	–	261.99	(3.58)	(0.70)	(4.28)	–
49	Ranbaxy Japan KK Japan #	14.32	(14.32)	–	–	–	–	(13.37)	(0.05)	(13.42)	–
50	Be-Tabs Pharmaceuticals (Proprietary) Ltd. South Africa	$	511.57	2,772.13	2,260.55	–	1,117.78	(213.48)	–	(213.48)	–
51	Be-Tabs Investments (Proprietary) Ltd. South Africa	$	81.72	624.31	542.59	–	–	1.70	(8.31)	10.01	–

$ Rounded off to nil

***Detail of Investments**

Name of the subsidiary	**Particulars**	**Nature of investments**	**Face value**	**Numbers**	**Amount (Rs. Million)**
Solus Pharmaceuticals Limited	Solrex Pharmaceuticals Company (A partnership firm)	Solrex Pharmaceuticals Company (A partnership firm)	Capital contribution		780.05
Rexcel Pharmaceuticals Limited	Solrex Pharmaceuticals Company (A partnership firm)	Solrex Pharmaceuticals Company (A partnership firm)	Capital contribution		780.05

Notes:

(i) In terms of approval granted by the Central Government under Section 212(8) of the Companies Act, 1956, the annual accounts of the subsidiary companies and the related detailed information will be made available upon request by the investors of the Company and of its subsidiary companies. 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.

(ii) The Board of Directors at its meeting held on November 11, 2010 approved for seeking exemption from the Government under Section 212(8) of the Companies Act, 1956, in respect of all the subsidiary Companies.

(iii) The Company has consolidated the financial statements of subsidiaries as per Accounting Standard (AS) - 21 " Consolidated Financial Statements". Issued by the Institute of Chartered Accountants of India.

\# Divested/ liquidated during the year.
Ranbaxy N.A.N.V. Antilles, The Netherlands
Lapharma GmbH, Germany
Ranbaxy Japan KK, Japan

Notes :

Notes :

Published by Ranbaxy Global Corporate Communications | Design by United Advertising | Printed at Thomson Press

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