Annual Report 2011

Consolidate.
Strengthen.
Grow.

RANBAXY

Trusted medicines.Healthier lives

Consolidate. Strengthen. Grow.

2011 has been a year of challenge and stellar achievements. In the face of adversity, Ranbaxy has shown resilience and capitalised on opportunities.

In November 2011, we received approval from the US Food & Drug Administration (FDA) to launch Atorvastatin in the US, the generic version of the world's largest selling cholesterol reducing drug. This is a giant leap towards bringing trusted, high quality, affordable medicines, within easy reach of all.

Ranbaxy also took the significant step forward in resolving pending matters with the US FDA. While restoring normalcy, this brings greater certainty and clarity to our business in the US.

Over the last three years, we have made significant investments in improving quality systems and processes in R&D and manufacturing operations.

Ranbaxy also crossed the landmark figure of US $ 2 Bn, in sales, in 2011, becoming the first pharmaceutical company of Indian origin, to do so.

Yet another significant achievement in the year has been the approval in India for our new Anti-Malaria Drug. We are the first pharmaceutical company from India to have developed a New Drug. This places Ranbaxy in the illustrious league of innovator pharmaceutical companies, in service of mankind.

Ranbaxy is now ready to move with confidence into a new era of vigorous growth and expansion. The way forward will be to Consolidate, Strengthen and Grow business with a firm commitment to the defined mission of 'Enriching lives globally, with quality and affordable pharmaceuticals'.

contents

mission

Enriching lives globally, with quality and affordable pharmaceuticals

values

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

at a glance

Over a period of five decades, Ranbaxy has transformed itself from a small pharmaceutical company from India to a **multinational** corporation that has **presence in 43 countries** and world-class **manufacturing facilities in 8 countries.** We cover **23** of the Top 25 pharma markets of the world providing a wide range of **quality, affordable medicines to customers in over 125 countries.** Our **multicultural** workforce comprising more than **14,000 people** from over **50 nationalities** gives us the strength to make quality healthcare accessible to all, contributing towards a healthier, happier world.

key performance highlights

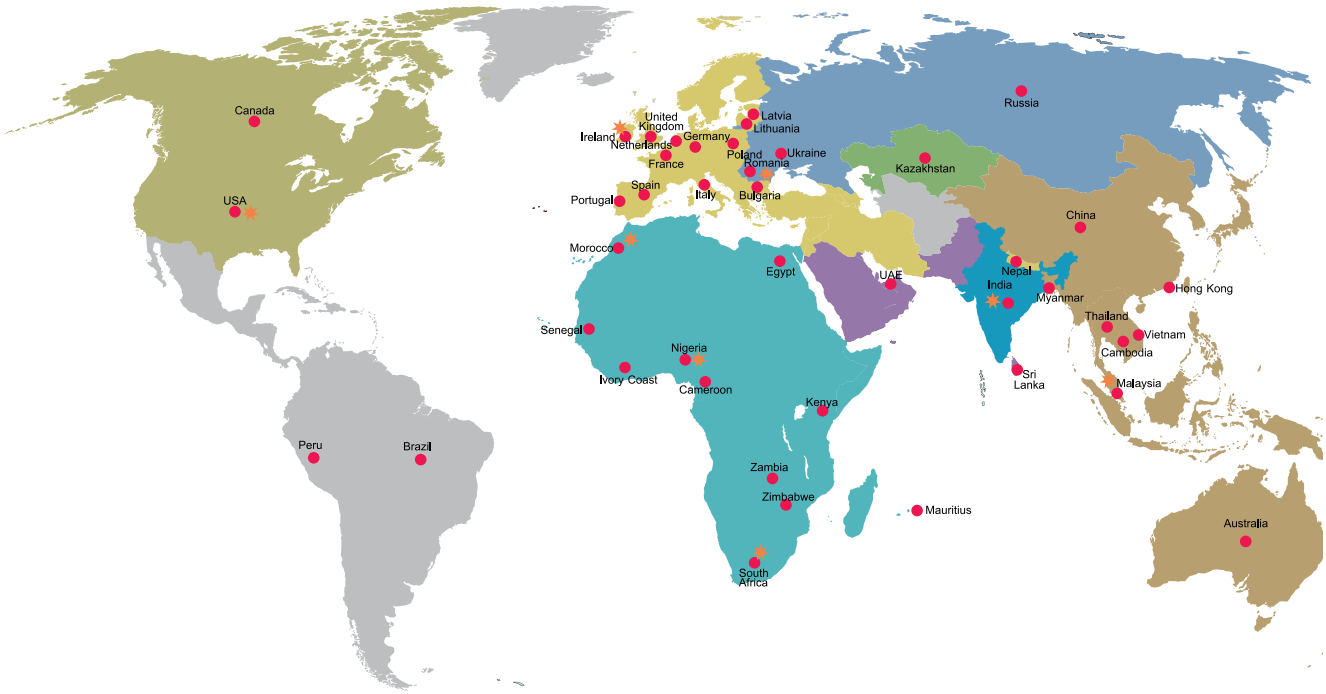
$2 Bn
SALES turnover achieved.
First pharmaceutical company of Indian origin to cross this landmark.

42
INSPECTIONS across 18 manufacturing facilities by 18 International Regulatory Agencies.

47%
EMERGING MARKETS contribution to global sales.

151
ABBREVIATED NEW DRUG APPLICATIONS (ANDAs) approved across different global markets.

global footprint



- Ground Presence in 43 countries
- Manufacturing Facilities in 8 countries

Research

SYNRIAM™, a breakthrough molecule developed by Ranbaxy to treat Malaria. Ranbaxy is the first pharmaceutical company from India to successfully develop a New Drug.

Regulatory

REGULATORY issues resolved in the US opening up several growth possibilities for the company in the region.

Launch

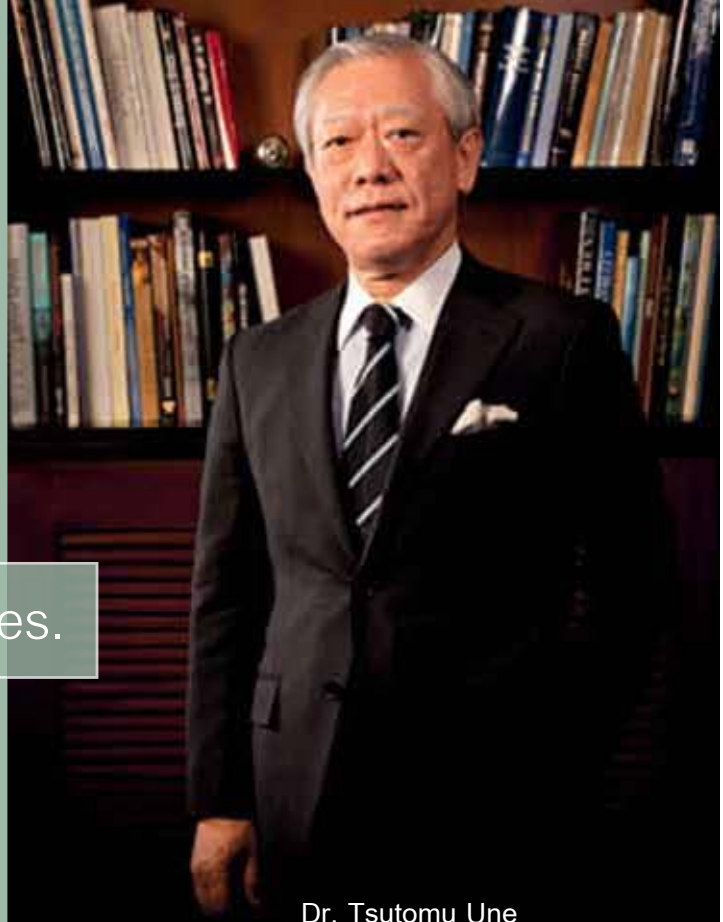
ATORVASTATIN, a generic version of the world's largest drug, launched by Ranbaxy in the US, helping millions of Americans manage healthy cholesterol levels.

Hybrid Business Model

SYNERGIES forged in more than 15 geographies so far across the pharmaceutical value chain.

Chairman's Message

Challenges are opportunities.



Dr. Tsutomu Une
Chairman

Dear Valued Shareholders,

The year 2011 was momentous for Ranbaxy as we crossed many significant milestones and surpassed challenges, emerging as a much stronger company.

I mentioned last year that our topmost priority was to resolve the Regulatory issues in the US. In 2011, Ranbaxy was able to put these behind by committing to the Consent Decree. It is our remediation program to further strengthen procedures and policies. We will continue to cooperate with the US FDA to re-establish the public trust in the company.

Over the last three years since the Application Integrity Policy (AIP) was invoked, we have implemented significant changes and improvements in our systems and processes to comply with good manufacturing practices.

Quality is key in all processes and is the determining factor that kindles the belief patients have in our medicines and ultimately our business. Ranbaxy's new Management Team and Daiichi Sankyo are committed to the utmost levels of professionalism and integrity. We will ensure that all Ranbaxy facilities continue to meet the high standards that are expected from a global pharmaceutical company.

During the year, we made significant progress with global sales of over US $ 2 Bn, becoming the first pharmaceutical company of Indian origin to cross this landmark.

I always refer to Ranbaxy as an Indian diamond. It is truly global in stature and indisputably one of the first multinationals to emerge from India with an aim to make

With a new Mission, "Enriching lives globally, with quality and affordable pharmaceuticals", your company is ready for its next big leap. I can see the new vigour, enthusiasm and passion in all of us and feel that Ranbaxy is poised for growth.

high quality medicines accessible and affordable to people around the world.

The last 50 years have been remarkable for the company. Now we embark on a new chapter and 2011 sets the perfect stage to lay the foundation of a new Ranbaxy.

I believe there cannot be anything more satisfying for a company than making a contribution to the cause of humanity. For Ranbaxy, that moment came alive in 2011, with the approval of its first New Drug (New Chemical Entity for the treatment of Malaria). We are all very proud that Ranbaxy has become the first pharmaceutical company from India to successfully develop a New Drug. This has been truly an extraordinary accomplishment and I applaud all the scientists who have worked incessantly over 8 years and with great diligence to make this a reality.

I am also very happy that this places India in the League of Nations to have successfully developed a New Drug. All efforts will be made to make this new molecule accessible to the world.

We launched a generic version of the world's largest drug, Atorvastatin, in the US, helping millions of Americans manage healthy cholesterol levels. It is an effective, affordable and accessible alternative to the branded Lipitor®.

The resolution with the US authorities frees us considerably, allowing us to concentrate on achieving the full potential of our Hybrid Business Model, that showed progress during the year. Our synergies now extend beyond business to social initiatives. To improve access to medical services, Ranbaxy and Daiichi Sankyo have started mobile healthcare clinics in India. The aim is to reduce child mortality and improve maternal health. These mobile healthcare clinics will provide greater access to medical and primary healthcare and save many lives in areas that lack basic healthcare. These objectives are aligned with the UN Millennium Development Goals.

Strengthening our corporate governance standards, we introduced a Whistle Blower Policy - an extension of Ranbaxy's existing 'Code of Conduct' that aims to promote self-governance at all levels. In order to reinforce compliance to the Global Quality Policy and Pharmacovigilance requirements of the company, the 'Code of Conduct' has been augmented. These efforts will go a long way in promoting the company's culture of ethical conduct, integrity and transparency.

The milestones achieved by us, in the last year, have set in motion, a pace for future progress. A huge credit for this goes to all employees. I would like to thank all of them and specially the Board of Directors for their continued advice and support. All this is a result of our mutual trust, shared knowledge

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

and team spirit. We will endeavour to build upon these strengths and create stronger teamwork across functions and beyond borders to exceed stakeholder expectations.

In the last few years, Ranbaxy has transformed into a company that is more professional with a strong orientation on quality and processes. We are progressing towards a new culture that is open and transparent, driven by harmony, trust and integrity. Trust is very important as it lends credence to the company as a whole.

With a new Mission, "Enriching lives globally, with quality and affordable pharmaceuticals", your company is ready for its next big leap. I can see the new vigour, enthusiasm and passion in all of us and feel that Ranbaxy is poised for growth.

I thank all of you for the trust you have placed in the company. We have embarked on a new journey and I feel confident that under the able leadership of Mr. Arun Sawhney, CEO & Managing Director, Ranbaxy will consolidate its position further, as a global pharmaceutical company focusing on patients, science and integrity.

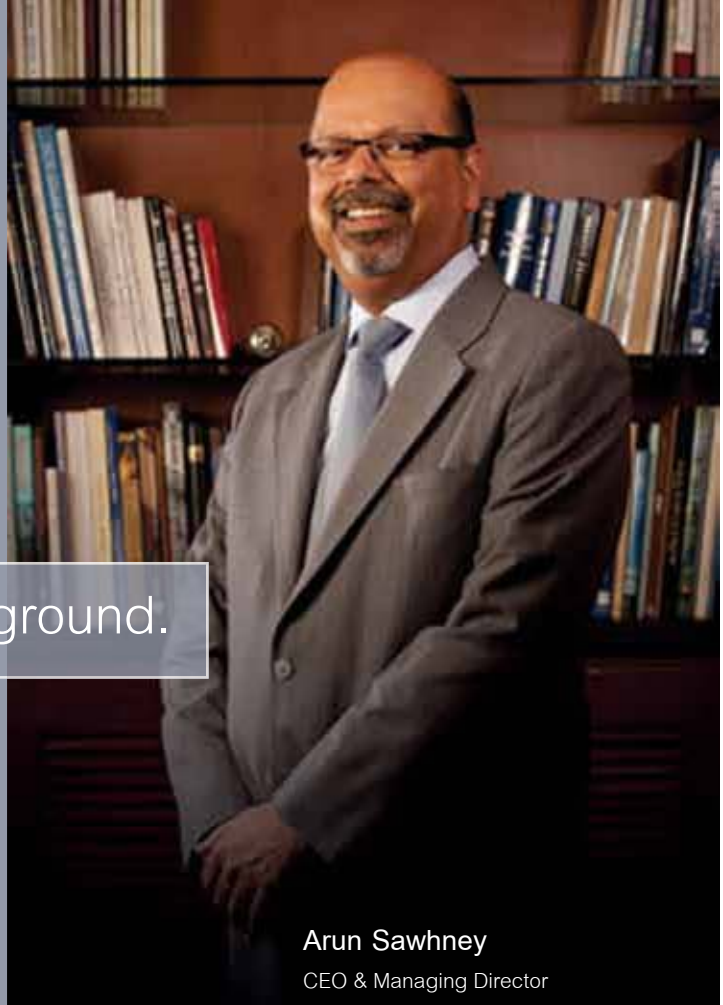
Sincerely,

Dr. Tsutomu Une
Chairman

Ranbaxy's Global Headquarter, Gurgaon, India

CEO & Managing Director's Message

Together towards higher ground.



Arun Sawhney
CEO & Managing Director

Dear Shareholders,

Ranbaxy completed 50 inspiring and glorious years in 2011 and we proudly celebrated this occasion across the company. The company has over the years built a strong foundation that gives us the strength to overcome challenges and conviction to convert possibilities into realities.

Reporting strong overall business performance across major geographies, Ranbaxy in 2011 crossed global sales of US $ 2 Bn. We are the first pharmaceutical company of Indian origin to achieve this milestone. We achieved better operating margins and realised greater efficiencies from our operations. Our Earnings before Interest, Tax, Depreciation & Amortization (EBITDA) were at 18% of sales at US $ 381 Mn (Rs.18,299 Mn).

We recorded growth in most geographies including North America, India, Africa, Asia Pacific and CIS. The markets of Eastern Europe, specifically Romania, Poland and Czech also exhibited strong performances.

Emerging markets contributed sales of US $ 1,003 Mn while developed markets aided by First-To-File exclusivities contributed US $ 966 Mn for the year.

CLOSURE ON REGULATORY ISSUES IN USA

At the beginning of the year we had stated that it was vital for us to resolve our regulatory issues in the US and I am happy to report that we have settled these matters. A Consent Decree has been signed with the

Ranbaxy has a new face and has emerged strongly over the last few years. We have put behind us our regulatory problems, strengthened our processes, restructured our business operations, re-evaluated our marketing strategy and are working towards improving manufacturing efficiencies and costs.

US Food & Drug Administration (FDA) and we have made a provision of US $ 500 Mn for eventual penalties that the Department of Justice (DOJ) may levy. A closure on these aspects brings in greater predictability for our US business, one of our largest markets.

Since 2009, we have taken systematic corrective steps to upgrade and enhance the quality of our business and manufacturing processes and I am pleased with the progress that we have made. As one of the premier global generic pharmaceutical companies, all our efforts are focused on continuing to provide safe, effective and affordable products to consumers around the world.

Encapsulation of Revital at the Ranbaxy Plant, Paonta Sahib, India

LANDMARK ACHIEVEMENTS

We successfully launched Atorvastatin, generic Lipitor® in the US. It was the world's most prescribed cholesterol lowering drug with global sales of US $ 12 Bn. US alone contributed over 60% of the sales. Post our launch, in the US, we captured a market share of over 40% overtaking both, Pfizer (Innovator) and Watson (Authorised Generic).

It also gives me great pleasure to inform you that following years of hard work, Ranbaxy's talented scientists have developed a breakthrough molecule (New Chemical Entity) to treat Malaria. This is India's first successful New Drug development. We have received permission from the Indian Drug Regulator, Drug Controller General of India (DCGI) in 2011, to manufacture and market this drug in India. We all are proud

of this accomplishment as it marks the beginning of successful drug development in India.

With this, we have taken a significant step in our fight against Malaria. After its successful launch in India, Ranbaxy plans to introduce the drug in other malaria endemic zones, predominantly in the African and South-East Asian markets.

WHO Geneva, ANVISA Brazil and TGA Australia. This facility will cater to the developed markets of US, Europe and Japan, among others. Further, our plan is to invest in manufacturing for growth in our chosen markets.

The Hybrid Business Model is progressing well. Various collaborative projects between Ranbaxy and Daiichi Sankyo were implemented during

together we have a compelling value proposition that will be fully deployed in the coming years, to mutual advantage.

THE NEW RANBAXY

Ranbaxy has a new face and has emerged strongly over the last few years. We have put behind us our regulatory problems, strengthened our processes, restructured our business

Scientists conduct experiments at the Dissolution Lab, Ranbaxy R&D Center, Gurgaon, India

OPERATIONS

We made considerable progress on the R&D front, making 230 Abbreviated New Drug Application (ANDA) filings during the year across different global markets, and received 151 approvals.

Several international regulatory agencies inspected and cleared our manufacturing facilities during the year. Amongst these, our new Dosage Form facility in Mohali SEZ, India, received approval from the US FDA,

the year. These include synergies in the area of marketing; collaborative projects in bulk drug manufacturing; supply chain efficiencies and joint procurement of raw materials to save costs besides other initiatives to raise manufacturing productivity. In 2011, marketing synergies were initiated in Singapore, Malaysia and Italy. As part of our global social contribution initiatives, both companies have started a synergistic initiative to sponsor mobile healthcare clinics in India. I believe that

operations, re-evaluated our marketing strategy and are working towards improving manufacturing efficiencies and costs. A clear strategy has emerged and now is the time to unleash our true potential.

You will see us become more focused in execution of our global strategy and our thrust will be to build upon our global strengths in marketing, manufacturing and research, additionally supported by a unique Hybrid Business Model.

Emerging markets will come under greater focus as they are expected to grow in double digits through 2015 and beyond.

GLOBAL MARKETS APPROACH

India remains a key market for us and we will make concerted efforts in brand building and work towards further strengthening our product portfolio and our Over-The-Counter (OTC) business. Moreover, we will capitalise on the growing opportunities in the rural areas and the hospital market, as part of our strategic initiative, "Viraat", that has yielded positive results.

Jacksonville Facility at Florida, USA

In the US, significant strategic investments have been made in manufacturing and with the regulatory issues resolved; our base business is likely to gain momentum in the current year. Clearly, we should see improvements in performance in all segments of our US business including generics, branded and OTC. We are focusing on the Dermatology segment in a significant way to strengthen our presence in the branded business. The plan is to re-launch Sotret (Isotretinoin), our flagship product in this segment, at the earliest.

For Europe, we have calibrated our approach to evolve a robust model for the region. The emphasis will be on the branded markets of Eastern Europe while continuing to serve the commoditised Western European markets. To achieve the necessary focus, the region has been segmented into Western

Europe and Eastern Europe, as part of this strategy. Recently we introduced Atorvastatin in Germany, Italy, Sweden and Netherlands.

In Russia and Ukraine, our endeavour will be to build upon the chronic portfolio segment for a healthy, sustainable and profitable growth.

Africa has been a major growth story for Ranbaxy and we will continue to invest in the region to further expand our business. We are setting up a greenfield manufacturing facility in Nigeria to supplement our manufacturing capability and consolidate our position as a leader. While we have a robust presence in Africa, markets like Morocco represent significant opportunities where the company is taking measures to be present in a big way and good efforts in this direction are already underway.

The Asia Pacific region also holds great promise. A greenfield manufacturing facility is planned for Malaysia. We are clearly seeing that the Australian continent will become a significant market for us. Our plan is to gain critical mass in Australia on the back of the launch of Atorvastatin. Additional significant launches are also planned for the coming period.

We are also leveraging the strength of our Hybrid Business Model. For Japan, a manufacturing and supply framework has been established between Ranbaxy and Daiichi Sankyo Espha Co. Ltd. (DSEP) and we are gearing to supply products to DSEP.

Going forward, as part of the Hybrid Business Model, Ranbaxy will take the lead in markets in which it is strong and in other markets such as Mexico, China, Japan, Daiichi Sankyo will play a larger role, for overall gain.

FOCUS AREAS

Biotech and Vaccines are two new areas that we intend to pursue vigorously and the lead vehicle for these will be Zenotech (Biotech) and Ranbaxy Biologics (Vaccines). Ranbaxy is firmly committed to introducing Biotech products and Vaccines which should start flowing into the market from the current year.

Cost management is an area that we are keenly looking into. The company is trying to rationalise costs wherever possible, across geographies. All of us are aware of the fact that this will be a critical area for all businesses, keeping in mind the precarious global economic outlook.

Our focus this year will be to improve capacity utilisation, further strengthen business processes, launch more products and aim for leadership position in strategic markets. We will spot and capture growth opportunities, scout for new technologies, invest in creating world class infrastructure and in people development.

HARNESSING PEOPLE POWER

Ranbaxy has a stellar team that once again displayed its intense competitive and entrepreneurial spirit, braved all odds and delivered its best to enhance stakeholder value. I would like to thank all employees for their relentless efforts and strong commitment during the year. We place a lot of emphasis on people development and numerous initiatives were taken in this direction. Ranbaxy's large global multicultural workforce is dedicated to meeting organisational goals. We are promoting a 'Culture of Excellence' throughout the company in every area of our operations.

Ranbaxy is going through a transformational phase. The trust you have placed in us through all these years is a source of great strength and inspiration. I take this opportunity to personally thank our customers, suppliers, bankers, auditors and all other stakeholders for their support. I would also particularly like to thank the Board of Directors who have constantly guided the company to take informed decisions that are in the best interest of all stakeholders.

Over the next few years, I see Ranbaxy emerging as a strong and enviable global company known for its best practices in Quality, Compliance and Governance. The journey of a new Ranbaxy has just begun.

I look forward to your continued support in the years ahead.

Warm Regards,

Arun Sawhney
CEO & Managing Director

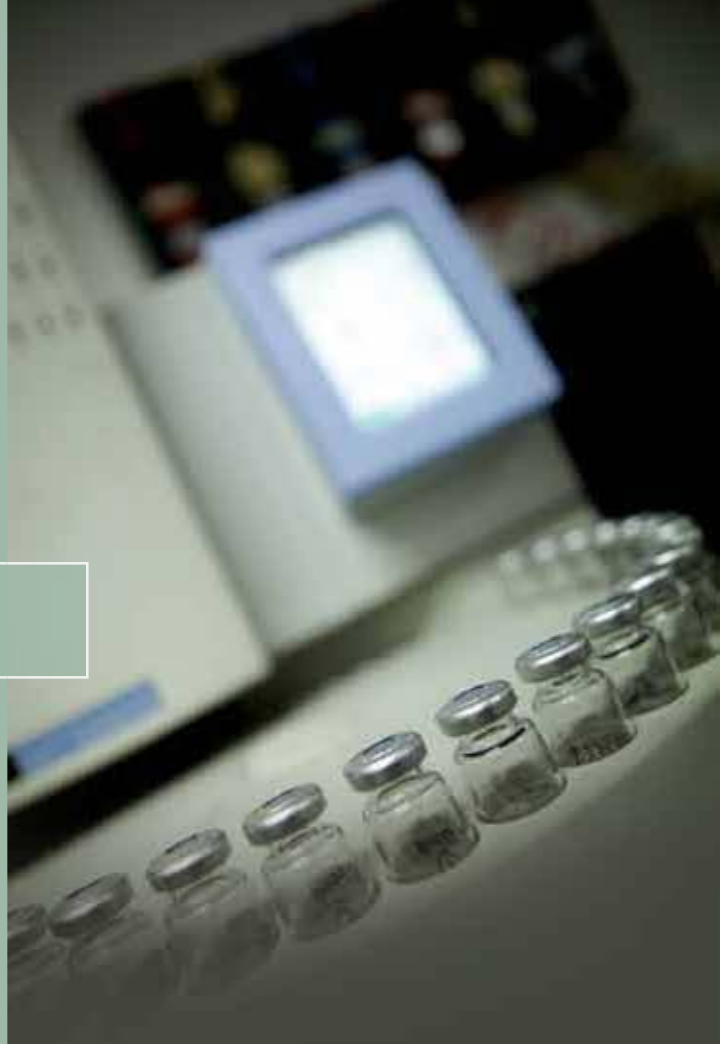
Ranbaxy's Executive Committee

(L to R) **Indrajit Banerjee** (President & CFO), **T. L. Easwar** (Sr. VP - API Manufacturing & EHS), **Dale Adkisson** (Executive VP & Head - Global Quality), **Hiroyuki Okuzawa** (Head - Global Hybrid Business), **Arun Sawhney** (CEO & Managing Director), **Ashwani Malhotra** (Executive VP - Global Pharma Manufacturing & Supply Chain), **Rajiv Gulati** (President - Global Pharmaceuticals Business), **Ranjan Chakravarti** (Sr. VP - Global Strategy), **Dr. Sudershan K. Arora** (President - Research & Development)

State-of-the-art Penems block at the Ranbaxy Plant, Dewas, India

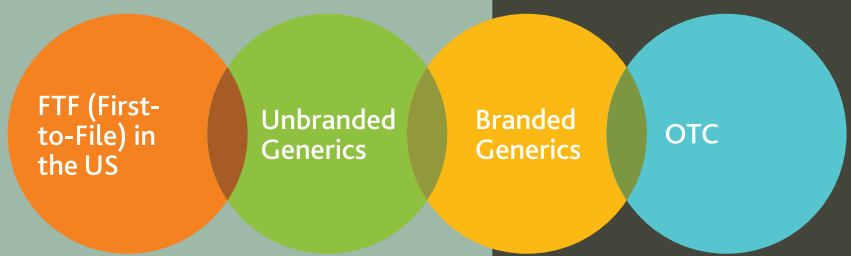
Global Pharmaceuticals Business Overview

A world of opportunities.



Significant efforts were made during the year to consolidate and strengthen our global operations with the intent of sustaining growth in the coming years. One can examine the performance and plans for the business, categorising these under four heads:

We made progress in each of the above areas and put in significant efforts to set the stage for the future.



2011 saw Donepezil continuing to deliver revenue followed by the historical launch of generic Atorvastatin in the US by Ranbaxy. With this, Ranbaxy not only introduced a generic version of the largest pharmaceutical brand ever; but also surpassed Pfizer and Watson in the US, garnering over 40% of the Atorvastatin market.

Apart from the US, we also made good progress in most of other generic markets including Western Europe, Canada and Australia, improving profitability and productivity. We have further invested in people and resources to expand our business to prepare ourselves for significant launches in 2012 including Atorvastatin, Letrozole and Esomeprazole. These products have the potential to contribute significantly to our sales in Australia.

To identify and develop products in an integrated manner for the entire world, we aligned our critical functions of R&D, Manufacturing, Quality and Marketing and strengthened our team-work. We also enhanced our competency for the branded business by creating a global branding function under Global Marketing.

We re-structured Europe into Western and Eastern Europe. Our emphasis in Western Europe has been to increase sales and productivity, reduce fixed cost base and source generics from India to improve profitability. This approach will enable each of our European markets to improve their capabilities and become more profitable. With a strategic focus on the 'Brands', Eastern Europe will enable us to strengthen our market presence and grow our sales steadily in a profitable way, in most emerging markets. We have also leveraged our resources invested in India to further improve productivity and sales growth.

Over-The-Counter (OTC) has been one of our best performing businesses in 2011. Today, Revital is the largest brand for Ranbaxy and grwoing.

Hybrid Business Model

We continued to work very closely with Daiichi Sankyo to extract synergies in various geographies. While Ranbaxy markets Daiichi Sankyo's brands in countries such as Romania and Malaysia thereby increasing the market share of these brands benefiting both the companies, the branded business of Ranbaxy in Mexico was acquired by Daiichi Sankyo so that one single team can maximise the sales benefits for both, to improve profitability.

It is important to note that while Daiichi Sankyo's marketing prowess is at the forefront in the market place, Ranbaxy's product development and manufacturing skills continue to enhance value by supplying branded generics to Mexico. Going forward, we will continue to identify such opportunities judiciously to the benefit of the shareholders.

In 2011, Ranbaxy achieved sales of US $ 2.1 Bn with a growth of 13% over the previous year.

Blister Packing Line, Ranbaxy Plant, Paonta Sahib, India

(Romania, Poland etc.) with Russia and CIS, now constitute a new region. Additional resources and capabilities are being directed towards this region. These capabilities will result in improved business performance in other markets also, like Africa, Middle East and Asia.

Branded business is the core factor that differentiates Ranbaxy from most other Indian generic companies. While many Indian companies elect to sell their products through distributors, we have had the conviction to set up our own teams in more than 40 countries. In the coming years, these investments

Alignment of Functions

To succeed in the market place it is important that all functions work in a synchronized manner. To identify and develop products in an integrated manner for the entire world, we aligned our critical functions of R&D, Manufacturing, Quality and Marketing and strengthened our team-work. We also enhanced our competency for the branded business by creating a global branding function under Global Marketing.

During the year, M&A, Licensing and Corporate Development was aligned under Global Corporate Development.

North America

USA

he year 2011 was challenging as well as rewarding for our North American operations. We successfully introduced Atorvastatin calcium crystalline tablets in the US Healthcare System. The cholesterol reducing medicine is the world's best-selling drug with annual sales of US $ 7.89 Bn (IMS-MAT September 2011). Ranbaxy being the First-To-File (FTF) applicant, launched the product on November 30, 2011 with 180-days marketing exclusivity. This was a culmination of collaborative efforts across the company. The generic version will offer millions of Americans a safe, effective and affordable alternative to Pfizer's branded Lipitor®.

We resolved our outstanding Regulatory issues with the US Food and Drug Administration (FDA) by committing to a Consent Decree. This gives greater clarity to our business in the United States. Under the Consent Decree, we have agreed with the FDA to further strengthen our policies and procedures in order to continue to ensure the integrity of our data and compliance with current good manufacturing practices. Ranbaxy has been cooperating fully with the FDA and is committed to the agreed remediation plan.

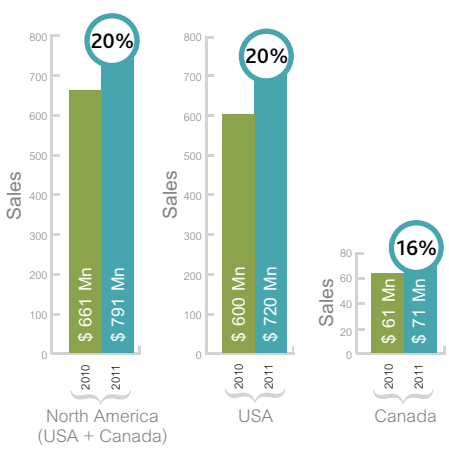
In addition to Atorvastatin, our generic products division, Ranbaxy Pharmaceuticals Inc., successfully launched the fixed dose combination of Amlodipine and Atorvastatin tablets as an Authorized Generic. Other new products included Doxytabs, Chloroquine Phosphate tablets, Allopurinol tablets, Famotidine tablets, Cetirizine tablets (in a new shape) and re-launch of Riomet Liquid.

Our branded division, Ranbaxy Laboratories Inc. (RLI), launched a new Can (100 gm) of the lead brand Kenalog Spray to expand the market from a limited, to a broader, more general indication usage. An important milestone was crossed when the New Drug Application (NDA) for a new oral dermatology product was filed after successful completion of a 900 plus patient trial. This is the first NDA for Ranbaxy USA that has been filed with a clinical study. It marks the transition of the company towards a proprietary brand platform that will fuel the growth of RLI in the future. Increasing cost pressures of healthcare and therefore reimbursement have been big challenges for RLI. However, this was an opportunity to connect with the prescribers and patients and communicate to them the value proposition of our brands.

Our OTC business recorded modest growth. The top five products that are marketed in the private label market include, Loratadine D and Loratadine tablets, Ibuprofen + Pseudoephedrine tablets, Cetirizine tablets and various formulations of Acetaminophen.

Plant capacity at Ohm Laboratories Inc. (Ohm) was expanded in New Jersey to cater to the increased requirements for Atorvastatin. In addition to many client quality audits, Ohm successfully cleared the US FDA pre-approved inspection for Atorvastatin at the Terminal Road facility and a European Union (EU) Audit from the Polish Health Inspectorate. Ohm utilises SAP functionality on performance measurements to its potential.

During the year the Regulatory Team filed 9 Abbreviated New Drug Applications (ANDAs) with the FDA. A significant filing has been that of an "improved" Isotretinoin.



We entered into several patent settlement agreements. This brings in certainty of launch for these products.

The new manufacturing facility at Mohali, Punjab, India was inspected and cleared by the FDA paving the way for products to be shipped from this facility to the US market.

We also received the Excellence Award for Business Expansion from the New Jersey Business and Industries

Association for investment in facilities and creating jobs within the State of New Jersey. The Ohm site at Terminal Road was certified as a business located in an Urban Enterprise Zone that supported the economic vitality of the City of New Brunswick, New Jersey.

Canada

We continued to grow in Canada emerging once again as one of the fastest growing generic pharmaceutical companies. Ranbaxy Canada grew at 16% during the year. This was achieved despite significant pricing pressures as the Provincial Governments legislated price controls on generic products. We launched 5 new products, capturing a significant market share on 3 of the top 10 molecules in the market. The company recorded market leadership on Ramipril (7th largest generic drug) and is ranked number three on Atorvastatin (largest generic product) and Pantoprazole (3rd largest generic product). We also settled two patent

litigations in Canada for Donepezil and Rosuvastatin, bringing certainty of launch to these products.

Europe

Despite a challenging economic climate, our European business grew by 11%. In **Romania**, Ranbaxy operations recorded a strong 17% growth with sales of US $ 106 Mn. We continued to maintain the No. 1 rank in the Generics and OTC markets. Several new products were launched during the year including Atorvastatin, Esomeprazole, Irebesartan and Olanzapine (Day-1 launch). Ascord (Atorvastatin) has seen good momentum in the first year. Ranbaxy has a strong OTC franchise in Romania. This is being further augmented with the introduction of Linea Sante range (Nutritional supplements), Faringotussiv (Herbal cough syrup), Faringonatur Lozenges (Herbal cough lozenges) and Magnestress+B6 (Magnesium+B6).

In October 2011, the Romanian Ministry of Health introduced the Claw-back system for pharmaceutical companies supplying medicines reimbursed by the

Romanian National Health Insurance House (CNAS). This will have a marginal impact on our margins.

The health care environment in **Germany** was difficult, led by intensive tender policies. Basics GmbH, our German subsidiary successfully maintained its position recoding sales of US $ 29 Mn and concluded nearly 1000 new rebate contracts in 2011 with multiple health funds, for 8 molecules. The company was awarded 45 new tenders, the most important being AOK, that covers around 24 Mn patients representing roughly 30 % of German population. Basics managed to be present in AOK with one or more molecules throughout the year, despite increasing competitive pressure by the top 5 players. The new product launches included Anastrazol (Day-1 launch), Olanzapine (Day-1 launch), Valsartan (Day-1 launch) and Ibuprofen.

We launched three new products in the **UK** on Day-1, Anastrazole, Olanzapine, Letrrozole, in addition to Ropinirole and Esomeprazole. Ranbaxy UK was the first company to launch generic Esomeprazole in September 2011 post a successful non infringement High Court ruling and has since notched up a 30% market share by volume. We continued our market leadership in Tamsulosin (30% volume market share), Clarythromycin tablets (28% volume market share) and Chlordiazepoxide (35 % volume market share).

Product Packing Line, Ranbaxy Plant, Paonta Sahib, India

Ranbaxy was the 2nd fastest growing generic company in **France** recording a growth of 25% against the generic market growth of 3%. Esomeprazole and Olanzapine were some of the key products launched during the year on Day-1. We were the first to launch Esomeprazole tablets in France. Other key launches were Valsartan, Venlafaxine and Azithromycin. During the year 23 new Purchase Group contracts were signed.

In **Italy**, the continuing economic crisis led to steep price cuts. In addition, 'pay-back' tax which is almost 3% of the turnover of pharma companies was introduced. However, on a positive note various regions agreed on a minimum threshold of generic prescriptions for key segments (e.g 75% for Sartans and Statins) encouraging pharmacies to dispense generics. These measures are expected to boost volumes of generic medicines.

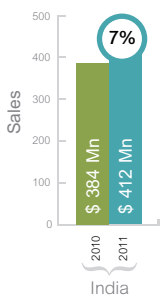
Despite these challenges, we recorded sales of US $ 22 Mn achieving a growth of 49% in Italy, the highest ever. This was contributed by strong sales directly to pharmacies including those of the two Daiichi Sankyo brands (Congescor and Lopresor) and Made-to-Order sales. Ranbaxy became the first generic company in Italy to launch Esomeprazole tablets. In addition, there were 3 other Day-1 launches including Risedronate, Levofloxacin and Valsartan. Other new products launched were Perindopril+Indapamide tablets, Rifaximin tablets and Enalapril tablets.

We recorded robust growth in **Spain**. Our sales grew by 78% on the back of new product launches like Clopidogrel, Valsartan, Olanzapine (Day-1) and Valsartan HCTZ. Efforts made by the Government to reduce public deficit have meant cutting drug prices in terms of health expenses. Effective November 1, 2011, a government ruling promotes direct prescription by International Nonproprietary Name.

In **Southern and Central Europe**, we recorded robust growth of 41% in sales inspite of adverse economic conditions and continuing pricing pressure. Our Statin franchise continues to do well in the region. Key products launched during the year included Olanzapine, Escitalopram, Atorvastatin and Meropenem.

The key products launched in **Poland** were Alfuzosin, Losartan, Olanzapine, Escitalopram, Topiramate and Imipenem+Cilastatin. It is creditable that the Ranbaxy sales force was ranked the most effective amongst the pharma companies in Poland, as per an IMS study conducted during the year.

Ranbaxy was awarded tenders for 12 molecules in **Netherlands** covering more than 20 SKUs for key molecules like Tamsulosin, Pantoprazole, Simvastatin etc. Some of these were on an exclusive basis and some on a shared basis. In **Finland**, Ranbaxy continued to retain more than 76% of the Atorvastatin market through its partners despite the entry of major generic players including Pfizer's own generic.



India

India is a leading emerging market and offers tremendous growth potential. Our strategic initiative, "Viraat" that was launched in 2010 to strengthen our leadership position in India yielded positive results. The objective was primarily to augment our presence through expansion of our product portfolio in chronic therapy areas while maximising our efforts in the acute

therapy products. This was driven primarily by efforts at increasing our customer base and by deeper market penetration. The overall domestic formulation business grew by 15.8% (ORG-IMS, SSA Audit MAT-December 2011) reflecting a gain in market share from 4.65% in 2010 to 4.69% in 2011 (ORG-IMS, SSA Audit MAT December 2010 & 2011).

We witnessed growth among all key therapies including Anti-infectives, Cardiovascular, Gastrointestinal, Nutritionals, Dermatologicals, Orthopedics, Urology, Central Nervous System and Asthmatics in the form of gain in market share or ranks or both.

Various initiatives were taken for improving efficiencies in areas of brand management, customer connect, people development and backend operations.

It is creditable that we have the highest number of brands in 'Top-30' of the Indian pharmaceutical market. Ranbaxy's 9 brands including Revital (Ginseng Combination), Mox (Amoxicillin), Storvas (Atorvastatin), Volini (Diclofenac), Sporidex (Cephalexin), Cifran (Ciprofloxacin), Zanocin (Ofloxacin), Cepodem (Cefpodoxime) and Moxclav (Co-amoxiclav) featured in the 'Top-100' brands in the market.

While the Anti-infective segment witnessed a slowdown in 2011, Ranbaxy braved the sluggishness and recorded a gain in market share for most of its Anti-infective brands like Mox (Amoxycillin), Sporidex (Cephalexin), Cifran (Ciprofloxacin), Zanocin (Ofloxacin), Oframax (Ceftriaxone), Loxof (Levofloxacin), Roscillin (Ampicillin), Refzil-O (Cefprozil) etc. We adopted a comprehensive 'Customer Retention and Expansion' strategy, well supported by new 'Medico Marketing' initiatives.

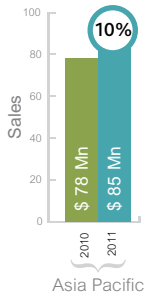
A dedicated business unit, 'Reachout' is ensuring that our important brands such as Sporidex, Zanocin, Silverex, Mobizox etc. are made accessible in the rural markets.

Leveraging synergies from the Hybrid Business Model, we launched two innovator products of Daiichi Sankyo, Olvance and Prasita in 2010 and 2009 respectively. These products have since recorded impressive growth and captured good market share. While Olvance moved from rank 6 to rank 4, Prasita has moved up 6 ranks to occupy the No. 2 slot in its therapy.

We led the new introductions market with a value market share of 6.83%, the highest in market (MAT December 2011). Some of our products that were 'firsts' included, Ramitax (Ramelteon) in the Central Nervous System segment, Tydol (Tapentadol) in the Pain segment, Silodal (Silodosin) in the Urology segment.

Numerous initiatives were taken as part of our 'Medico Marketing Activities' to connect with our stakeholders. These include formation of Advisory Boards with a view to guide and support various medico marketing programs. Other initiatives undertaken were, International Speaker Programs,

Packing of Revital at the Ranbaxy Plant, Paonta Sahib, India



Continuous Medical Education programs, Post Marketing Surveillance Studies etc. Over 60,000 customers were reached through these programs.

During the year several patient centric initiatives were also undertaken with an aim to increase disease awareness/education, diagnosis and treatment. Programs like Dial-a-Diet, Medicall and Caregiver, provided an additional interface with key stakeholders including Doctors, Patients and Retailers.

Asia Pacific

Malaysia

Ranbaxy Malaysia registered sales of US $ 28 Mn. We launched Atorvastatin crystalline, Sildenafil and Alfuzosin on Day-1 in addition to Montelukast, Meropenem and Escitalopram. Storvas (Atorvastatin) emerged as the market leader. As part of our Hybrid Business Model, Malaysia has started marketing Daiichi Sankyo's Cravit® (Levofloxacin) from January 2012.

In the Anti-hypertensive segment, Invoril (Enalapril) and Vamlo (Amlodipine) are leading brands. This is due to the high penetration of these products within the government hospitals in the country, in addition to the private market. With growing demand, the company has plans to set up a new manufacturing plant. This will cater to the growing local market and also to the ASEAN region.

Singapore

The key products being marketed in Singapore are Simvor (Simvastatin), Enhancin (Co-amoxyclav), Crixan (Clarithromycin) and Invoril (Enalapril). We are utilising the fast-track registration approval process to gain an early entry into the market.

The transfer of Daiichi Sankyo's business to Ranbaxy in Singapore was completed in March 2011. Subsequently, the marketing rights for Daiichi Sankyo's flagship product, Cravit® (Levofloxacin) and Tarivid® (Ofloxacin) were transferred to Ranbaxy. This was the first synergistic initiative in the ASEAN region, emerging from our Hybrid Business Model with Daiichi Sankyo.

Thailand

Our Thailand operations recorded robust growth of 16% with sales of US $ 14 Mn. This is a remarkable performance against the backdrop of supply disruptions in many provinces during the latter half of the year due to heavy flooding. Ranbaxy and Daiichi Sankyo are exploring opportunities in Thailand to capitalise on the synergies.

Myanmar

Ranbaxy is the No.1 generic pharmaceutical company in Myanmar and enjoys good brand equity in the market place. We market both branded and OTC drugs. The country recorded a strong performance with sales at US $ 11 Mn, a growth of 47%. During the year, 8 new products were launched including Nuronem (Meropenem), Altraflam (Aceclofenac), Rapidol (Paracetamol), Ralenost (Alendronate), Sirvasc (Tizanidine), Lirnac (Perindopril), Medapine (Adapalene) and Zeteze (Ezetimibe).

Japan

The Japanese market is an attractive proposition for the generic pharma industry in view of the Government's drive to lower healthcare costs. Trends suggest that contribution of generic drugs (including branded drugs) will rise to 30% by volume from just 8% in 2005. Ranbaxy entered into a development and supply agreement with Daiichi Sankyo Espha Co. Ltd. in Japan to co-develop and supply potential generic formulations.

Australia

There is an increasing traction for generic drugs in Australia with trends indicating a rising contribution of generics (including branded drugs) from 9% in 2005 to the current 20%. Our operations in Australia have been growing at a rapid pace as we recorded sales of US $ 14 Mn with 28% growth. The objective is to have a broad product range and leverage all Day-1 patent expiry opportunities. During the year, we successfully launched Valacyclovir, Meropenem, Clopidogrel, Pioglitazone, Exemestane and Ropinirole on Day-1.

A significant development was the registration for Lamivudine, the first Anti-Retroviral (ARV) generic to be registered in Australia by any company. In addition to our direct retail presence, we continue to develop a solid supply agreement business in both Australia and New Zealand.

Middle East

Against the backdrop of political unrest across many countries in the region, our Middle East division recorded growth, achieving sales of US $ 16 Mn. Some of our key products in this region are Imipenem+Cilastatin, Ciprofloxacin, Ranitidine, Ceftriaxone and Omeprazole. A key development was the approval of our Paonta Sahib and Goa manufacturing facilities by Gulf Co-operation Council (GCC) as this would allow commencement of supplies from these sites.

Russia

Ranbaxy is amongst the most respected generic pharmaceutical companies in Russia and continued to be ranked No. 1 in the represented market. We recorded a growth of 13% in Russia with sales of US $ 77 Mn. Three new products were launched in the market including Fosinopril, Zidovudine and Midazolam. We have diversified our business operations in Russia with presence in three branded generic areas namely, OTC, Ethical and Chronic. In line with the Russian governments, "2020 Healthcare Plan", Ranbaxy is working closely in partnership with regional governments. During the year, Ranbaxy and the Government of Yaroslavl signed a Memorandum of Understanding on cooperation in the field of healthcare and medical science. The major areas of cooperation are the development of the healthcare system, new medical technologies in the Yaroslavl region, collaboration in the field of clinical trials as well as the improvement of drug safety monitoring in medical practice.

Ukraine

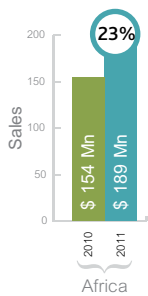
We recorded sales of US $ 30 Mn in Ukraine. This represents significant growth against a backdrop of business disruptions due to several new legislations, most notable being the inclusion of Ukraine as a full member of PIC/S and the product re-registrations, as per EU pharmacopeia.

Most of our leading brands rank amongst the Top 5 brands in their respective market segments including Ketanov (No.1 in Ketorolac segment), Pylobact (No.1 in combinations for eradication of Helicobacter pylori segment), Ranselex (No.1 in Celecoxib segment), Candesar (No.1 in Candesartan segment), Pioglar (No.2 in Glitazone segment), Cifran (No.2 in the Ciprofloxacin segment), and Synerpen (No.2 in Imipenem+Cilastatin segment).

Africa

South Africa

Ranbaxy has a large foot print in Africa and sells products in 47 countries across the region. Ranbaxy is the 5th largest generic pharmaceutical company in South Africa, the largest market in the African continent. We have a diversified portfolio of products and a strong sales force. There is a rising traction for both generic and



OTC drugs in South Africa and we recorded a growth of 23% with sales of US $ 103 Mn. Nine new products were launched during the year including Imipenem+Cilastatin, Valacyclovir and Alfuzosin MR on Day-1. Ranbaxy was the first company to launch generic Atorvastatin in South Africa. During the year, the regulatory authority, Medicines Control Council (MCC) approved Ranbaxy's Roodepoort manufacturing facility.

Nigeria

Operations in Nigeria registered 17% growth with sales of US $ 26 Mn. Gestid (Aluminum Hydroxide, Magnesium Hydroxide, Simethicone), emerged as one of our leading products during the year. We introduced Volini Gel (Diclofenac), Carval/H (Valsartan/Hydrochlorothiazide), Gentalene-C (Betamethasone + Gentamycin + Clotrimazole), Raciper (Esomeprazole), Rodera (Desloratidine) and Neuronem (Meropenem) during the year. To further strengthen our manufacturing capabilities in Nigeria, a greenfield project was commenced.

Rest of Africa (ROA)

The Rest of Africa delivered good growth largely driven by Nigeria, French West Africa and Central Africa. Efforts to strengthen business in North Africa were intensified. Ranbaxy Morocco LLC, was established during the year, with the aim to facilitate local manufacture and supply in the region. Despite disruptions due to political upheaval, Egypt operations grew in double digits.

Terapia Ranbaxy facility, Romania

Robotic unloading of a product at the Ranbaxy Plant, Dewas, India

One-of-its-kind, the Triple Wall Glass reaction system for manufacturing high value products at the Ranbaxy Plant, Toansa, India

Global Consumer Healthcare

Towards a healthier world.

Our Over-The-Counter (OTC) products division, Ranbaxy Global Consumer Healthcare (RGCH) recorded sales of US $ 212 Mn in 2011 registering a growth of 12%, contributing around 11% to Ranbaxy's global sales. India was the highest contributor with US $ 65 Mn sales (growth of 23%). US, Romania, Russia and Nigeria were other important markets. Together these five markets contributed almost 87% of the total RGCH sales in 2011. Revital was the biggest contributor with global sales of US $ 41 Mn (growth of 22%). Volini was the second largest brand. Faringosept (Russia & Romania), Aspenter (Romania) and Coldact (Russia) were some of the other key OTC brands.

Within its participating market, the division currently ranks No. 1, in India. RGCH was recognised as the OTC Company of The Year at the 4th Annual Pharmaceutical Summit 2011 in India.

Revital, our flagship OTC brand continues to be the No. 1 Vitamin & Mineral Supplement (IMS Health SSA MAT December 2011) and it is the 6th largest brand in the Indian Pharmaceutical Market. Within its category of Ginseng based products, it dominates with a market share of 90% (IMS Health SSA MAT December 2011). Revital offers its consumers a well-balanced combination of Vitamins, Minerals and Ginseng and is a great solution for everyday stress, weakness, fatigue and tiredness.

Revital, our flagship OTC brand continues to be the No. 1 Vitamin & Mineral Supplement and it is the 6th largest brand in the Indian Pharmaceutical Market. Within its category of Ginseng based products, it dominates with a market share of 90%.

In 2011, RGCH signed Salman Khan, a Bollywood superstar, as its new brand ambassador for Revital. The megastar was an obvious choice keeping in mind the huge mass appeal he carries and also being a fitness icon. It's a unique bond between India's No.1 health supplement Revital and India's No.1 Superstar.

For the 2nd year in a row, Revital claimed the Indian Pharma Summit Award. Readers Digest felicitated the brand with the Most Trusted Brand of the Year Award for the second successive year. It was also conferred the Starbrands India 2011 Award.

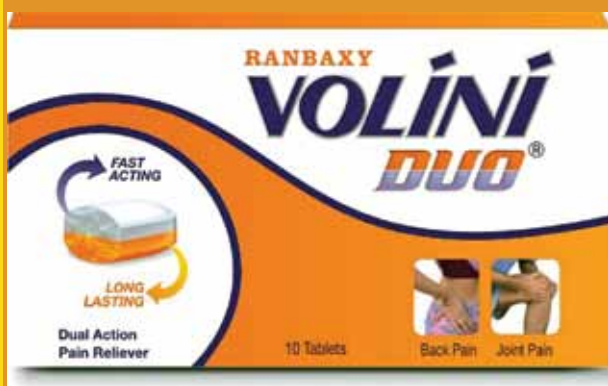
Revital Woman was adjudged as the Best Nutraceutical of the Year at the 4th Annual Pharma Summit 2011.

Volini, the fastest growing pain relief brand crossed the Rs. 1,000 Mn mark in 2011 in India. In the pain relief category, Volini maintained its No. 1 brand status at the chemist level (Nielsen RMS MAT December 2011). Within one year, Volini climbed 16 ranks to become the 11th largest brand in the Indian Pharmaceutical Market. It was adjudged as the best brand at the Indian Pharma Summit consecutively for 2 years. Volini was also conferred the Starbrands India 2011 Award.

During the year we launched "Volini Activ", a transparent Ayurvedic, yet modern Pain Relieving Gel having a unique 'Power of 3' combination of Clove Oil, Shallaki and Capsaicin in India. The product is strong on sensorials, with a warm sensation and strong fragrant smell that connotes efficacy.

RGCH also launched "Volini Duo", India's first approved two-in-one pain killer, a unique bi-layered Acetaminophen tablet, specially formulated to give dual pain relief. It is specifically effective for back and joint pains, which are primarily chronic in nature. Unlike regular pain killers which give relief for upto 4 hours, Volini Duo with its unique matrix formulation, provides relief for double the duration for around 8 hours. Volini Duo marks the entry of Ranbaxy in the Rs. 7,000 Mn OTC Oral Analgesics category.

The other brands Pepfiz, Chericof, Garlic Pearls, Revital Senior, Revitalite and Pepflux also performed well during the year.



Global Hybrid Business

Merging competencies. Emerging stronger.

The 'Global Hybrid Business' team took several initiatives during the year to leverage synergies between Ranbaxy and Daiichi Sankyo, individually and collectively. Our collaboration is maturing with time and the synergies now extend beyond marketing and cover a significant part of the pharmaceutical value chain. A manufacturing and supply framework was established between Ranbaxy and Daiichi Sankyo Espha Co. Ltd. during the year and we are working together to develop products for the Japanese market.

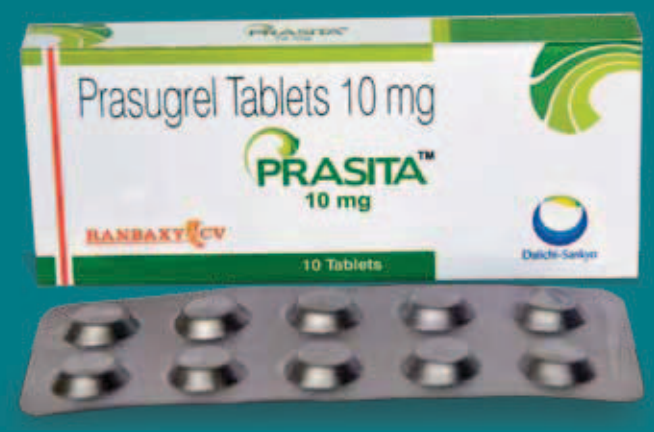
Value Chain

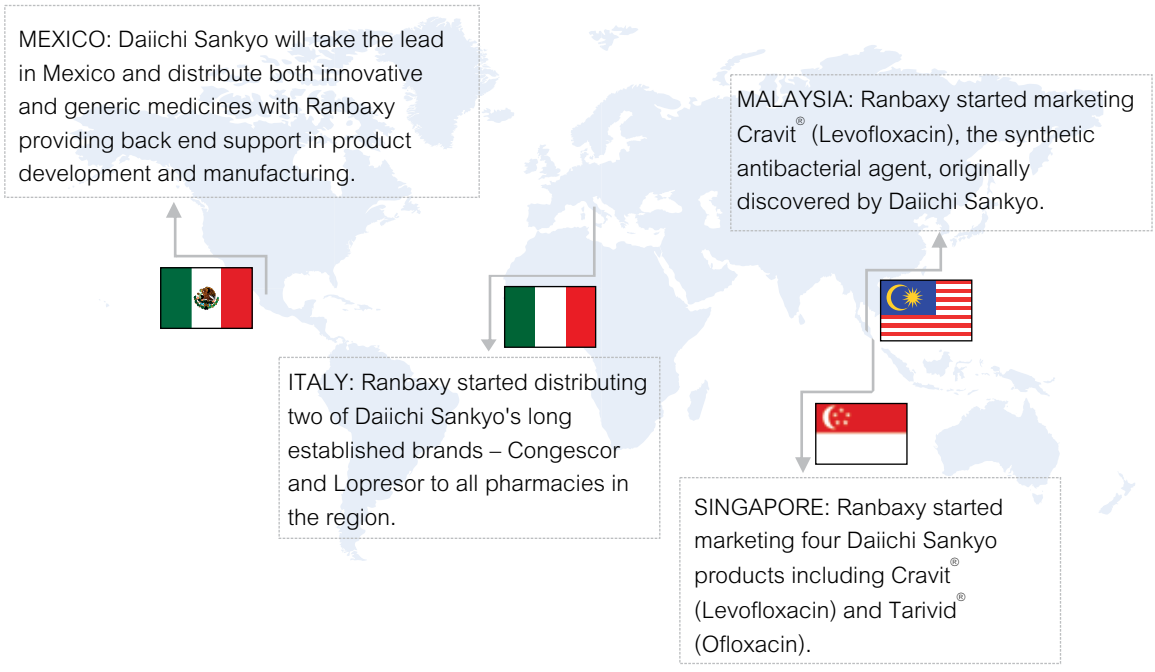
Build synergies by taking advantage of the strengths of Ranbaxy and Daiichi Sankyo

- R&D
- Pharmaceutical Technologies (CMC)
- Supply Chain
- Quality and Safety Management
- Sales and Marketing
- CSR

Global Marketing

At the front end, we used our strong distribution network to introduce Daiichi Sankyo's innovator products in Singapore, Malaysia and Italy. The marketing synergies rolled out earlier in India and also in Romania, have started showing positive results. Olmesartan (Olvance) is now ranked No. 4 in the Indian market and Levofloxacin (Tavanic) and Raloxifene (Evista) too have gained significant market share after Ranbaxy started marketing the products in Romania.





Chemistry, Manufacturing & Control (CMC)

The trial manufacturing of small scale API and Intermediates of some of Daiichi Sankyo's pipeline compounds is ongoing at Ranbaxy's manufacturing facilities. The synergy has demonstrated huge cost savings and efficiencies for Daiichi Sankyo.

Product Development Research (PDR)

Daiichi Sankyo's know how and expertise in this area is helping us to continuously enhance our productivity levels with reduction in OOS (Out of Specification) or deviation rate of products. This collaboration will help develop generic products for the Japan market.

Supply Chain

In order to augment technology and gain competitive advantage, the collaborative project related to supply chain of API and drug products is ongoing. A joint procurement and distribution project has been initiated to promote rationalisation and efficiency to give us a price advantage and mitigate risks.

Social Responsibility

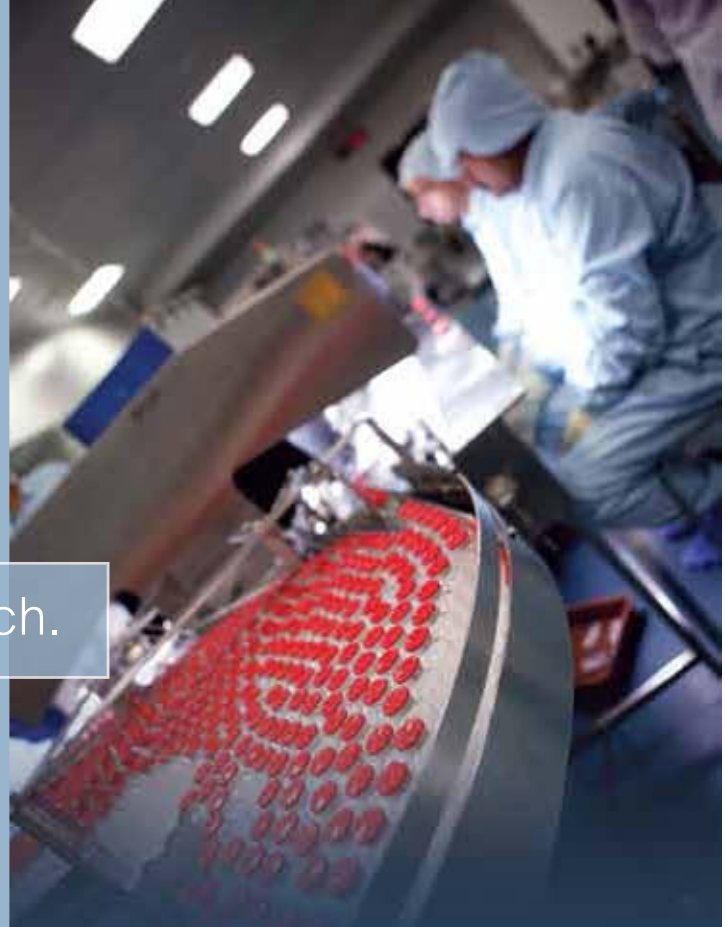
Our synergies now extend beyond business to community initiatives. We jointly introduced mobile healthcare field clinics in India, as part of our global social contribution activities.

The focus is on reducing child mortality, improving maternal health and combating HIV/AIDS, Malaria and other diseases through a joint initiative between Ranbaxy & Daiichi Sankyo. This will contribute towards the achievement of UN Millennium Development Goals.

Processing of API at the Ranbaxy Plant, Toansa, India

Therapy Focus

Enhancing the healing touch.



Cardiovasculars

Cardiovascular emerged as the largest therapeutic segment in the Ranbaxy portfolio in 2011 displacing Anti-infectives. The key molecules under this segment were Atorvastatin, Simvastatin, Rosuvastatin, Fenofibrate and Losartan. Cardiovascular is a key segment in markets like India, Romania, Malaysia and various other branded markets.

Major Day-1 Launches (2011)

Atorvastatin Crystalline (10 / 20 / 40 / 80 mg)	USA, Malaysia*
Esomeprazole Tablets (20 / 40 mg)	UK, France, Italy
Letrozole Tablets (2.5 mg)	France, UK, Romania
Meropenem Injection (500 / 1000 mg)	Australia
Olanzapine Tablets (5 / 10 / 15 / 20 mg)	UK, Netherlands, Germany, France, Spain, Czech, Slovak
Olanzapine OD Tablets (2.5 / 5 / 7.5 / 10 mg)	UK, Netherlands, Germany, France, Sweden, Romania, Poland, Baltics, Spain, Hungary,Czech, Slovak
Pantoprazole Tablets (20 / 40 mg)	France
Ramelteon Tablets (8 mg)	India
Risperidone Tablets (1 / 2 mg)	Malaysia
Sildenafil Tablets (50 / 100 mg)	Malaysia
Tapentadol Tablets (50 / 75 / 100 mg)	India
Valacyclovir Tablets (500 mg)	Australia
Valsartan Tablets (40 / 80 / 160 mg)	Netherlands, Sweden, Germany, France, Italy
Valsartan + HCTZ Tablets (80+12.5 / 160+12.5 / 160+25 mg)	Germany, France, Hungary, Czech, Slovak

* 20/40 mg

Atorvastatin was the largest selling product for Ranbaxy in 2011 further strengthening our leadership position in this segment. The product is marketed by Ranbaxy in over 25 countries, including USA, India, Canada, Romania, South Africa, Malaysia and Poland. Another significant launch was that of an Authorized Generic version of Atorvastatin-Amlodipine besylate fixed dose combination in the US.

Anti-Infectives

Ranbaxy continued to enjoy a prominent position in the Anti-infectives segment in 2011. Valacyclovir was the highest selling product in the segment followed by Co-amoxyclav, Ciprofloxacin and Imipenem+Cilastatin. We are consolidating our penems portfolio and launched Meropenem in 12 more countries.

Central Nervous System

Ranbaxy's Central Nervous System portfolio exhibited healthy sales, primarily driven by Donepezil, the second best performing product. Olanzapine tablets and Orodispersible tablets were launched on Day-1 in key European markets, widening our product portfolio in this area. We also introduced products like Ramelteon for treatment of Insomnia and Lacosamide for treatment of epilepsy in India.

Pain & Musculoskeletal

Musculoskeletal was the fourth largest therapeutic segment with Ketorolac Tromethamine being the largest product. Ranbaxy Global Consumer Healthcare launched "Volini Duo", India's first approved extended release Acetaminophen 650 mg, in a unique bi-layered tablet form. It is a special formulation meant to provide both immediate and extended relief from pain.

Gastrointestinals

Gastroenterology continued to remain a significant therapeutic segment for Ranbaxy. Proton pump inhibitors were the leading drug class in this area. We launched Esomeprazole as the first approved generic option in the UK. Esomeprazole and Pantoprazole were also launched on Day-1 in France.

Anti-Retrovirals (ARV)

The global ARV sales recorded robust growth, largely on account of supplies for the large South Africa ARV tender and increased procurement under various Global Fund programs.

Ranbaxy currently has a range of 20 WHO Prequalified products supplied in over 100 countries. It is estimated that close to a million patients worldwide are using Ranbaxy's ARV products for their daily treatment needs.

During the year, 3 new ARV filings were made with WHO PQ and 1 new ARV was filed with US FDA under PEPFAR program. 32 product dossiers were also filed in various ARV markets. In 2011, Ranbaxy also received marketing approval for first generic of Dispersible Lamivudine and Zidovudine paediatric tablets. This is the only dispersible Lamivudine + Zidovudine fixed dose combination currently available in the market and is also one of the preferred products under treatment guidelines. This product will also be supplied under the UNITAID/CHAI (Clinton Health Access Initiative) paediatric program in various countries. Stavudine, which is no longer recommended by WHO, has been substituted in most of the countries with Zidovudine and Tenofovir based combination therapies. We have a strong presence in Zidovudine based products and the triple drug fixed dose combination, Lamivudine, Zidovudine and Nevirapine, has emerged as one of Ranbaxy's top 10 products.

Ranbaxy signed an agreement with Gilead Sciences for two new ARV compounds (Elvitegravir and Cobicistat). These products are currently under Phase III clinical trials and are expected to be filed in 2012 with FDA by Gilead. Ranbaxy will have the rights to sell the generic versions in defined territories in HIV/AIDS endemic countries.

Other Therapies

We continued to consolidate our presence in the Respiratory, Nutritionals, Dermatology and Urology segments. Antihistamines formed a major part of the respiratory sales with Loratadine being the best selling product in this area. In the Nutritionals segment, we further expanded our offerings for both Over-The-Counter (OTC) and prescription products. Tamsulosin was the largest selling urological product for the company in 2011. Successful launch of Sildenafil in Malaysia, strengthened the Genito-Urinary portfolio.

Ranbaxy's Top 10 Molecules - 2011

- Atorvastatin And Combinations (Cardiovascular)
- Donepezil (CNS)
- Valacyclovir (Anti-Infective)
- Simvastatin (Cardiovascular)
- Ginseng+Vitamins (Nutritional)
- Amoxycillin+Clavulanate Potassium (Anti-Infective)
- Lamivudine+Zidovudine+Nevirapine (ARV)
- Ketorolac Tromethamine (Musculoskeletal)
- Diclofenac And Combinations (Musculoskeletal)
- Ciprofloxacin And Combinations (Anti-Infective)

Ranbaxy's Top 10 Therapy Areas - 2011

- Cardiovasculars
- Anti-infectives
- Central Nervous System
- Pain and Musculoskeletal
- Respiratory
- Gastrointestinals
- Nutritionals
- Dermatologicals
- Genito-Urinary
- Endocrine and Metabolic Agents

Atorvastatin-Significant

	LAUNCH	DAY 1 LAUNCH/ EXCLUSIVITY	MARKET SIZE
USA	November 30, 2011	Day-1 (180 days exclusivity)	US $ 7.89 Bn
Canada	April 2010	Day-1 (Multiple companies)	US $ 1.2 Bn
Romania	December 2010	Day-1	US $ 27 Mn
Malaysia	September 2006	Day-1	US $ 11 Mn
South Africa	June 2010	Day-1	US $ 19 Mn
Australia	February 2012	Day-1	US $ 680 Mn
Italy	March 2012	Day-1	US $ 377 Mn
Netherlands	March 2012	Day-1	US $ 164 Mn
Sweden	March 2012	Day-1	US $ 55 Mn
Germany	March 2012	Day-1	US $ 92 Mn

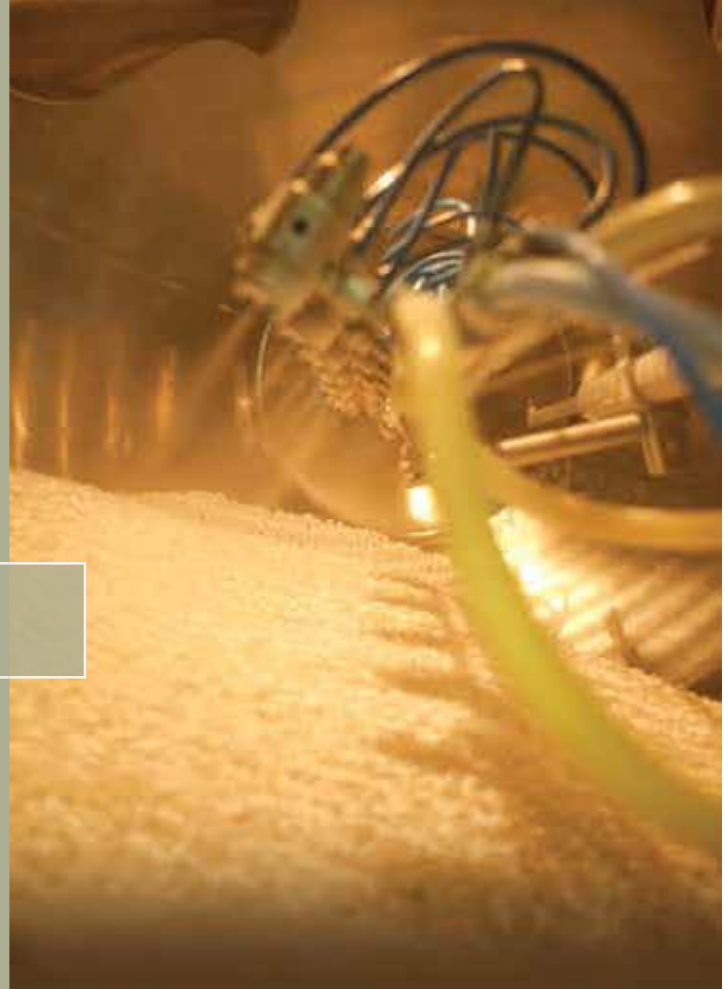
Atorvastatin is world's most prescribed cholesterol reducing drug with global sales of around US $ 12 Bn with over 60% of sales coming from the US. On November 30, 2011, Ranbaxy launched Atorvastatin in the U.S. market with 180 days marketing exclusivity, as it was a First-to-File (FTF) applicant for the product. Ranbaxy markets Atorvastatin in over 25 countries, including USA, India, Canada, Romania, South Africa and Malaysia. It was our largest selling product in 2011.

Global Launch

Ohm Laboratories Inc., New Jersey, USA

Manufacturing

Making life healthier.



Manufacturing - Dosage Form (DF)

During the year, we made significant investments in upgrading our global manufacturing capabilities to enhance capacities, efficiencies and strengthen processes and compliance.

Our Dosage Form facility in the US, Ohm Laboratories Inc. (Ohm), played a vital role to launch Atorvastatin tablets in the US. The plant capacity at Ohm was increased to meet the demand for world's largest generic opportunity, Atorvastatin. Ohm successfully cleared the US FDA Pre-Approved Inspection for Atorvastatin at the Terminal Road facility and a European Union (EU) audit from the Polish Health Inspectorate.

To further strengthen its presence in Africa, Ranbaxy is investing in a greenfield facility in Nigeria. This will be our second manufacturing facility in the country. The new plant is being set up to upgrade liquid manufacturing capacity to produce around 14 Mn units/annum and create manufacturing capacity of Tablets and Capsules up to 100 Mn units/annum. This project will be completed by December 2012 and production will start from Q1, 2013.

A greenfield manufacturing facility is also planned for Malaysia. We are creating a new facility to meet our increased demand for Malaysia and export to other countries like Singapore, Thailand etc. The capacity of new plant will be around 2.5 Bn doses/annum. This project will be completed in 2014.

In India, we started commercial production at our new Mohali Dosage Form facility in the latter part of 2011. The state-of-the-art plant was inspected and approved by US FDA, WHO Geneva, ANVISA Brazil and TGA Australia during the year. It will manufacture Tablets, Capsules and Dry Syrups and cater to the regulated markets of US, Europe and Japan among other markets.

In India, we started commercial production at our new Mohali Dosage Form facility in the latter part of 2011. The state-of-the-art plant was inspected and approved by US FDA, WHO Geneva, ANVISA Brazil and TGA Australia during the year. It will manufacture Tablets, Capsules and Dry Syrups and cater to the regulated markets of US, Europe and Japan among other markets.

During the year, Paonta Sahib facility received approvals from a number of global regulatory authorities including MOH Ukraine, Gulf Corporation Council (GCC), ANVISA Brazil, WHO Geneva, MoH Uganda and MoH Malawi.

A dedicated facility was set up at Paonta Sahib for supplying Esomeprazole. The production commenced last year and supplies are being made to France, Netherlands, UK, Spain, Italy, Portugal and Bulgaria. The plant uses specific technology for processing multi particulate systems and conversion to tablets. Also a special technique of thermal oxidation system is used for scrubbing of solvents in the coating process.

Paonta Sahib facility ensured Day-1 launches of 9 molecules, some of the important ones being Irbesartan, Olanzapine Plain, Olanzapine OD, Valacyclovir and Valsartan.

The production of our flagship nutritional product, Revital, at Paonta Sahib facility was increased during the year to cater to the additional demand.

An Anti-counterfeiting System has been introduced to prevent pilferage and duplication of some of our key products, e.g. Chericof and Revital. 2D bar coding was introduced for export supplies to France.

At our Dewas facility, we enhanced the production capacity for Lansoprazole, Tamsulosin and Imipenem+Cilastatin in view of the increased demand. The productivity of cold form/blister packs improved by 40% as compared to last year. Dewas facility was awarded 'Samman Patra' by Central Excise for Best Exporter of the year - 7th time in a row.

Our Goa facility was inspected and cleared by MoH Ukraine, GCC, Germany, PPB Kenya and NDA Uganda.

Commercial production and deliveries commenced from our Batamandi plant in May 2011. The plant was approved by ANVISA Brazil. A new Ointment Plant has been set up at Batamandi that will start production soon.

Ranbaxy Plant, Mohali, India

Active Pharmaceutical Ingredients (API)

Ranbaxy has 4 API manufacturing facilities across India that manufacture APIs and Intermediates. We supply top-of-the-line APIs to leading innovator and generic pharmaceutical companies in more than 65 countries covering a wide range of therapeutic segments like Cardiovasculars, Anti-infectives, Anti-diabetics, CNS, Anti-virals and Dermatology. During the year our API business grew at 26% with sales of US $ 144 Mn. The business was realigned to create two verticals, Emerging and Regulated markets, to give necessary focus to various product segments in the two distinct markets.

API supplies of Atorvastatin and Nexium

Post the successful pre-approval and GMP inspection by the US FDA of our Toansa site in 2011, we supplied API to launch generic Atorvastatin, the world's largest selling drug, in the US. Toansa facility is catering to the entire API demand for the US and other markets. Currently, Ranbaxy is one of the largest suppliers of API for Atorvastatin in the regulated markets.

As per our agreement, we also supplied API for Esomeprazole, another big global molecule to AstraZeneca for the US market. Although we started initial supplies in September 2010, the majority of demand was met in 2011. Ranbaxy is catering to a substantial part of the API demand for Esomeprazole in the US.

State-of-the-art dedicated lines were established at Toansa to meet the huge demand for Atorvastatin, Esomeprazole, Donepezil etc.

Capacity Enhancement & New Products

Various capacity enhancement projects were undertaken during the year.

particularly for high-value products like Imipenem and Cilastatin Sodium, Donepezil, Valsartan, Irbesartan and Pioglitazone that were supplied or planned to be supplied to different geographies. The Toansa plant was upgraded for the expected US launch of Valsartan in September 2012.

We successfully met the demand for new products like Esomeprazole, Venlafaxine, Lacosamide, Orlistat, Irbesartan, Candesartan, Meropenem and Olanzapine in various markets globally.

Ranbaxy has established global scale capacities for various APIs to cater to international demand for Atorvastatin, Esomeprazole, Imipenem+Cilastatin, Valacyclovir, Isotretinoin, Donepezil, Tamsulosin and Orlistat that are among the leading global molecules.

Blister sealing and inspection of tablets at the Ranbaxy Plant, Dewas, India

Our flexible multipurpose manufacturing facilities enable us to de-risk our business and utilise production capacities optimally. In 2011, Ranbaxy aided the supply of an advanced intermediate for Olmesartan for Daiichi Sankyo, when the earthquake in Japan disrupted its operations at one of its manufacturing facilities.

We will continue to leverage our strengths in scale and technology to cater to the increasingly complex demands of the global marketplace.

Successful External Audits

The year witnessed successful external audits of our API facilities by various regulatory agencies and customers including the US FDA (Toansa), approval of Meropenem for Australia, in addition to Orlistat DMF approval in 21 European countries.

Cost Efficiencies

There was a sharper focus on introduction of innovative technologies and business processes for operational excellence aimed at achieving cost efficiencies. A new cross functional Innovation Group has been set up that is working on different technologies to further bring in cost efficiencies and develop cost competitive products. In addition, numerous positive initiatives were undertaken including improvement in conversion efficiencies, solvent and catalyst recoveries, energy savings and better asset utilisation.

Toansa facility was awarded the Economic Times India Manufacturing Excellence Award 2011- 'Gold Award - Pharmaceutical Sector, Large Business'.

Research & Development

Inspired by new possibilities.

With the transfer of New Drug Discovery Research to Daiichi Sankyo, Ranbaxy now has a clear focus on generics research with a strong emphasis on developing complex and value added medicines.

However, Ranbaxy retained and continued the development of select new molecules as these were ongoing projects. Most significant of these has been the development of the new Anti-malaria NCE (New Chemical Entity), Synriam™ (Arterolane maleate + Piperaquine phosphate).

Development of New Chemical Entity

Synriam™ [Arterolane maleate + Piperaquine phosphate] – A New Anti-malarial Combination

Malaria is one of the most prevalent parasitic diseases in the world, with an extremely high global burden. According to the WHO Malaria Report 2011, there are 106 malaria-endemic countries and approximately 3.3 Bn of the world's population is at risk for infection. Of these, 2.1 Bn people live in low risk areas and the rest 1.2 Bn in high risk areas. There were an estimated 216 Mn cases of malaria and 655,000 deaths worldwide in 2010. Currently, 80% of the population of India lives in malaria risk areas and official figures indicate about 1.6 Mn confirmed cases and about 1,000 deaths annually.

During the last two decades, resistance to most classes of Anti-malarial drugs has emerged. In response to this, WHO in 2003, recommended Artemisinin based combination therapy for Malaria,

Ranbaxy has developed Synriam™ in line with the WHO recommendations on combination therapy for the treatment of uncomplicated *P. falciparum* malaria. Synriam™ is a combination of Arterolane maleate and Piperaquine phosphate.

a shift away from oral monotherapy. Since Artemisinin and its derivatives have very short half-lives, a second drug with longer half-life is used in combination to maintain the clearance of parasitemia and the combination of drugs would delay the development of resistance. Recently, however there have been a few reports of reduced *in-vivo* susceptibility to Artemether. The problem of Anti-malarial resistance is more pronounced with *P. falciparum.* Resistance in *P. vivax* has emerged comparatively later and is seen mostly in South East Asia.

Chemical Research Lab, Ranbaxy R&D Center, Gurgaon, India

Malaria, which predominantly affects people in the developing countries, does not fall under the priority research areas of New Drug Research companies. This is reflected in the fact that over the past several decades, only a handful of new drugs for malaria have been developed.

Therefore, to effectively treat malaria and reduce socio-economic burden of disease and deaths, a highly effective and a well tolerated drug which is not only from a synthetic source but also affordable to common masses, has been much awaited.

In this endeavor to introduce a new Anti-malaria drug, Ranbaxy developed Synriam™ in line with the WHO recommendations on combination therapy for the treatment of uncomplicated *P. falciparum* malaria. Synriam™ is a combination of Arterolane maleate and Piperaquine phosphate.

Arterolane maleate is the first fully synthetic and a novel, oral Anti-malarial compound developed by Ranbaxy. In initial studies, it was found to be more potent than the standard reference Anti-malarial drugs. Arterolane maleate is presumed to have a rapid onset of action and rapid elimination, whereas Piperaquine has a slower onset of action and is eliminated slowly and is expected to provide long term cure rate after short treatment course.

Hence, the combination, Synriam™ provides rapid clearance of parasitemia and most malaria-related symptoms, coupled with prevention of recrudescence.

Efficacy and safety of Synriam™ have been evaluated in male and female adult patients with uncomplicated *P. falciparum* infection in Asia in a comparative study conducted in India, Thailand and Bangladesh. The results obtained so far indicate confirmation of efficacy of Synriam™ with rapid fever and parasite clearance.

During the year, a report on the efficacy and safety of Synriam™ in adult patients with *P. falciparum* malaria at 7 sites in India, Thailand and Bangladesh was submitted to CDSCO, India. The expert committee constituted by Drug Controller General of India (DCGI) on new drug evaluation recommended the product for consideration for marketing. Thereafter, the DCGI granted approval, allowing Ranbaxy to manufacture and market this first NCE in India.

Meanwhile, evaluation of Synriam™ in *P. falciparum* adult patients in Africa has been initiated. This Phase-III trial is expected to be completed by end of this year.

The trial of paediatric Synriam™ with *P. falciparum* malaria is currently being planned to be undertaken in Africa. Several sites in Africa are being evaluated to recruit paediatric patients for the trials. The trial is expected to be completed by end of this year.

The company also commenced Phase- III Trials of Synriam™ in *P. vivax* patients in India after receiving requisite statutory approvals from DCGI. The trial is expected to be completed by end of this year.

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

This molecule is developed under a collaborative research program with GSK. During the year, we initiated a Phase-2A [Proof of Concept] study in COPD patients and received a milestone payment from GSK. The recruitment of the patients in the study is ongoing and is targeted to be completed by 2012.

Pharmaceutical Research (Drug Products)

During the year, we made a total of 230 filings across various markets.

In USA, 9 ANDAs including 1 PEPFAR-ANDA was submitted.

In European Union, we made 4 National Filings for 4 products and also filed 7 products under De-Centralized Procedure and 4 products under Mutual Recognition Procedure.

We also made 7 filings in Russia / CIS countries, 7 in Australia / New Zealand, 4 in Brazil, 11 in Canada, 9 in China and 6 in South Africa (this include 5 outsourced products). In other key markets, the company made 162 filings.

During the year, the team filed 27 patents in India, including 8 patents in Novel Drug Delivery System and 4 in Packaging.

Chemical Research (Active Pharmaceutical Ingredients)

The focus continued on developing commercially viable and novel (non-infringing / patentable) process know-how for APIs. Greater emphasis has been towards development of difficult to make APIs and new polymorphic forms of certain APIs to create a greater value addition.

Table: International Regulatory Filings and Approvals Dosage Forms (January-December 2011)

Markets	Approvals	Filings
USA	4	9#
Europe	21	15
- National	9	4
- MRP	3	4
- DCP	9	7
Other Key Markets		
Australia/ N. Zealand	12	7
Brazil	4	4
Canada	2	11
China	-	9
Russia/CIS	20	7
S. Africa	2	6~
Other markets	86	162
Total	**151**	**230**

including 1 PEPFAR filing
~ including 5 Out-sourced products

Global Quality

Raising the bar.

Ranbaxy continued to drive 'Quality Compliance', 'Quality Improvement' and promote a 'Culture of Excellence' across the organisation. The most significant achievement was the resolution of our legacy issues with the US Food & Drug Administration. On December 20, 2011, Ranbaxy signed a Consent Decree with the FDA to further strengthen procedures and policies to ensure data integrity and comply with current good manufacturing practices. We have already implemented a substantial part of the remediation plan.

During the year 42 inspections across 18 Ranbaxy sites were successfully conducted by 18 different regulatory inspection agencies with zero critical findings. We finished the year 2011 with successful MHRA / IMB inspections.

In addition to the successful inspection of Ranbaxy's global manufacturing sites during the year, we also took various measures to expand and strengthen our quality compliance across the company.

Ranbaxy continued its efforts to reinforce the Global Quality Policy (GQP) by including a clearly defined organisation structure for global quality, quality mission statement, quality management system and GxP document hierarchy. The revised edition of GQP was rolled out during the year for better compliance.

To harmonise the quality systems across the company, Global Quality Standards (GQS) were developed and implemented across our sites. So far 22 GQS have been approved for implementation.

During the year 42 inspections across 18 Ranbaxy sites were successfully conducted by 18 different regulatory inspection agencies with zero critical findings.

5 Consecutive Successful FDA inspections in 2011

May	FDA PV Inspection – USA/Princeton
June	FDA PAI (7 ANDA) – India/SEZ, Mohali
Sept	FDA Atorva PAI – USA/OHM
Oct	FDA GCP Inspection – India/CPP
Dec	FDA PAI (Atorva) – India/Toansa API

These GQS includes quality systems such as Change management, Deviation management, Retention policy, Stability management, Training management and Validation management. R&D Stability Management has been integrated into Global QA Management to ensure quality oversight to stability program for Exhibit Batches.

We now have a strong Quality Management System and GMP compliance profile at our global manufacturing sites. Our current standards reflect the company's commitment to patient safety and product quality. Ranbaxy will constantly strive to strengthen and improve its global quality management standards.

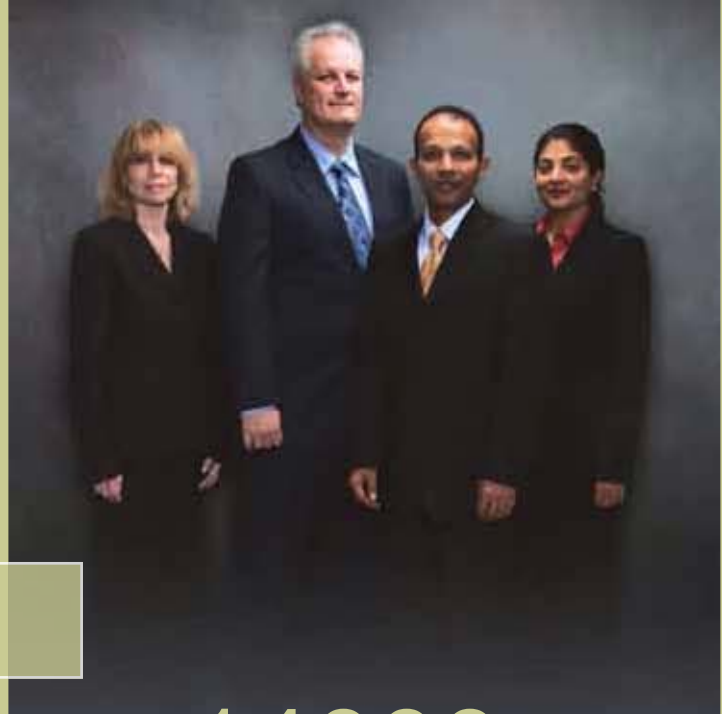
Scientists at a Quality Control Lab at the Ranbaxy Plant, Mohali, India

The Enterprise Wide Quality Management Systems (TrackWise®, Documentum®, LMS, Global Stability Software Management System, RAID/Argus/NuGenesis, Empower & SAP Quality Module etc.) have also been implemented company wide ensuring and expanding Compliance, Transparency and Productivity.

The company wide Quality – Internal Audit Program was strengthened to embrace all Ranbaxy sites including R&D and Regulatory Affairs functions to ensure effectiveness of quality systems across the organisation.

Global Human Resources

One world. One culture.



14000
Employees

1300
R&D and Quality

3000
Manufacturing

9000
Global Pharmaceutical Business

700
Other Functions

1
Unified Team

Human capital is the foundation of a strong organisation. Ranbaxy's strength lies in its successful journey of inducting and nurturing vibrant human assets. The undying spirit of our people and their intense competitive and entrepreneurial energy has enabled us to sustain and overcome many challenges.

We have succeeded in creating multicultural Human Resource skills and we will continue to build on this foundation. During the year, a Ranbaxy Daiichi Sankyo Talent exchange program was initiated in order to create cultural synergies and skill enhancement. As a part of this initiative, 13 expatriates from Daiichi Sankyo joined the Ranbaxy fraternity in the year 2011.

Development of Human Capital, is one of the most critical component of our growth. We re-structured our Management Training program to develop a highly motivated, innovative, alert, forward looking and ethically committed team to play a key role in ensuring the company's future progress. The program provides a unique learning experience where trainees are rotated through various departments and activities so that they are suitably equipped to deal with inter-related, complex and critical business activities. We hired 18 Management Trainees from 13 premier business schools who are currently undergoing development on various projects in different functions and locations.

Developing "Global Leaders" for a new global market place is an area of importance for Ranbaxy . Best performing employees from across businesses and regions are continually identified and rotated through

international assignments. As part of the Global Leadership Development Program, employees are selected to undergo training sessions to acquire global leadership skill sets. This is in partnership with a premier global business school.

establish a culture of trust, courage and transparency, while maintaining an ethical way of conducting business at Ranbaxy.

We have also initiated a Global Job Leveling process that offers a flexible means to communicate career paths,

Recent initiatives have also been taken in changing the Performance Management System (PMS) to make it more interactive and better gauge the achievements and potential of employees. Special PMS workshops equipped with a PMS Reference Guide, Train the Trainer Kit, Participation Training Material and Video driven communication have been undertaken across Ranbaxy divisions. Further, in order to drive a Quality Performance Culture at Ranbaxy inclusion of Shared Quality KRAs has been implemented.

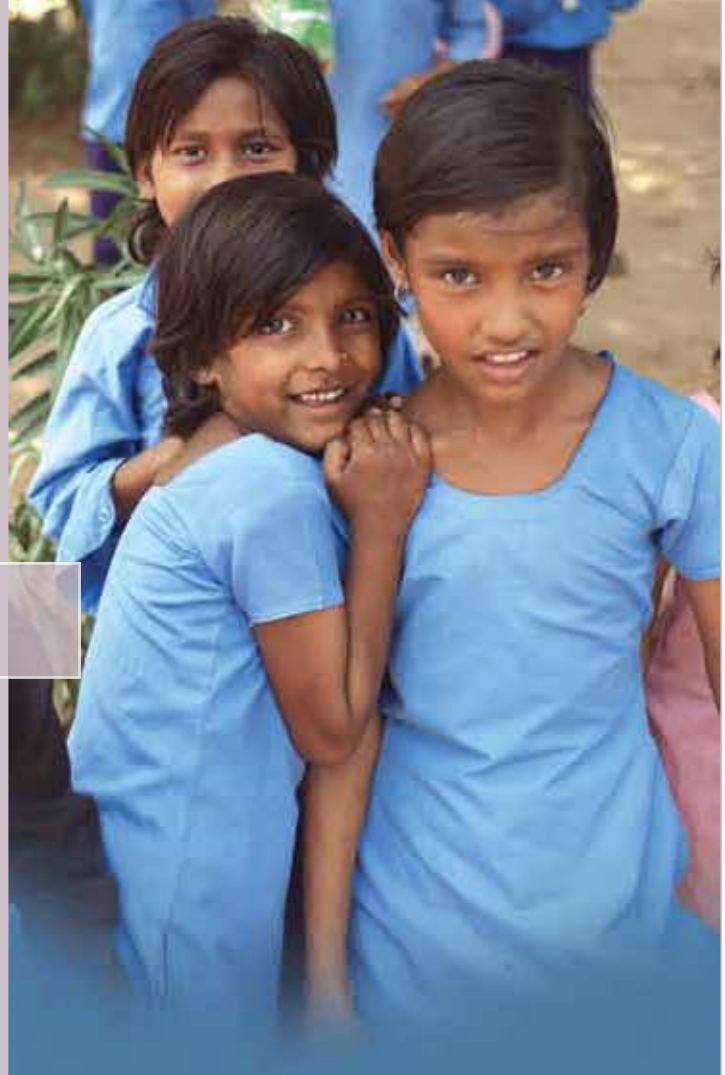
Today, Ranbaxy has emerged as a leading pharmaceutical company with an enviable reputation. In order to reinforce compliance with Global Quality and Pharmacovigilance requirements, our Code of Conduct has been updated. Additionally we introduced the Whistle Blower Policy with the objective of strengthening the framework for ethical standards and business integrity. Ranbaxy's Whistle Blower Policy is yet another medium through which we reinforce the robust implementation of the Company's Code of Conduct. We expect that this will facilitate talent mobility and deliver competitive rewards. It aims to align jobs located in multiple regions or across different lines of business to create a framework that addresses business needs of attracting, engaging and retaining talent.

Ranbaxy is a pioneer in the market to have started a Long Term Incentive scheme (ESOPs) applicable to people in 43 countries and multiple nationalities. It creates a sense of ownership, retains critical talent and motivates employees to give their best in creating value for the company. The innovative implementation mechanism, including the cashless exercise option, is the first of its kind, in India.

Ranbaxy offers diversity in a fast-paced entrepreneurial environment constituting over 14000 employees, worldwide of which 1300 are in R&D and Quality, 3000 are in Manufacturing, and 9000 employees are in the Global Pharmaceutical Business. It is our goal to ensure that all employees are given ample opportunities to grow and are empowered to take decisions, promoting a 'Culture of Excellence'.

Social Responsibility and Environment, Health & Safety

Towards a better world.



Corporate Social Responsibility

As a responsible Global company, Ranbaxy firmly believes in contributing actively to improve lives and create a healthier world. We remain committed to our Corporate Social Responsibility (CSR) objectives.

In the last three decades, we have come a long way in evolving novel ways to deliver healthcare at the doorstep of the needy communities.

While the scope of intervention has increased manifold, the focus remains on promoting facilities through a blend of preventive, health promotive and curative services, supported by field laboratory and referral services. A core group of 93 persons including 33 Medical Officers, 37 Auxiliary Nurse Midwives and other Paramedics and 19 support staff enable the Ranbaxy Community Healthcare Services (RCHS), our main delivery vehicle, to operate 18 mobile healthcare vans and 1 Urban Family Welfare Centre, providing services to over to 650,000 people in the northern and central parts of India.

In 2011, our targeted efforts delivered the desired outcome in the new areas. The percentage of pregnant women who availed antenatal care improved from 65.9% in 2010 to 78% in 2011 whereas Tetanus Toxoid coverage of women who had delivered, increased from 98.3% in 2010 to 100% in 2011. Similarly, the percentage of institutional deliveries has also gone up from 66.9% in 2009 to 70% in 2011. Educational and motivational efforts for family planning have also yielded the desired results. The contraceptive prevalence rates among eligible couples have gone up from 54.6% in

Ranbaxy Community Healthcare Services (RCHS), our main delivery vehicle, to operate 18 mobile healthcare vans and 1 Urban Family Welfare Centre, providing services to over to 650,000 people in the northern and central parts of India.

2009 to 65% in 2011. The percentage of completely immunized children in the age group of 12-18 months has also increased from 78.3% in 2009 to 94.5% in 2011. Malnutrition, one of the major health problems, has been addressed successfully. The percentage of malnourished children in the age group of 0-1 years has decreased from 20.1% in 2009 to 11.4% in 2011.

The impact is very positive in the previously served (old areas) too. The Infant Mortality Rate (IMR) fell sharply from 44.5 in 1998 to 9.9 per 1000 live births in 2011. The Maternal Mortality Ratio (MMR) has also been reduced from 450 in 1998 to 110 per 100,000 live births in 2011. The birth rate also shows a steady decline from 23 in 1998 to 14 per 1000 population in 2011. Infant mortality while showing a marked reduction in the RCHS areas continued to remain an area of concern due to slow down of the declining rate of IMR which is attributed mainly to neonatal issues like low birth weight, pneumonia, sepsis and lack of essential newborn care like hypothermia and asphyxia. RCHS is focusing on these critical issues to achieve further reduction of IMR & MMR in its service areas.

We also stepped up our intervention in HIV/AIDS, Tuberculosis, Malaria and other chronic non-communicable diseases like Diabetes, Hypertension, Coronary heart disease, Stroke, Cancer etc, in all our service areas to reduce the burden of these diseases.

Ranbaxy Sanjeevan Swasthya Sewa

Initiated in 2010, Ranbaxy Sanjeevan Swasthya Sewa, a public private partnership between Ranbaxy and the Punjab State Government, continues to do good work. The focus is mainly on primary healthcare and prevention and early detection of commonly found cancers of cervix, breast and oral cavity. The program now covers a total population of about 450,000 in around 180 villages in districts Mansa, Bathinda, Muktsar, Nawanshehar and Mohali in Punjab. A total of 10 mobile healthcare vans managed by a team of 1 project manager, 20 doctors and 20 paramedicals cover villages to provide quality integrated healthcare services to the underserved rural population of Punjab.

A baseline data survey carried out at the beginning revealed a high incidence of anaemia in pregnancy, low reproductive child health indicators, low female sex ratio and very low awareness about HIV/AIDS and cancers, pointing to the need of interventions in these areas. During the

year, a total of 135,050 patients availed the benefits of clinical and diagnostic services for acute and chronic illness and free medicines were also given to them. A total of 2011 pregnant women received complete antenatal care and 5703 eligible couples were motivated to accept family planning methods. Besides extending a helping hand to the government, in conducting immunization sessions, 200 children with missed doses of vaccines were also identified and immunized. The activities covered 98 villages.

Since the level of awareness in prevention and early detection of common cancers was extremely

low, information dissemination, education efforts and communication activities were intensified which showed a positive response from the community. 5146 women were screened for cancer cervix through Pap smear cytological examination and 7508 women were clinically examined for presence of breast lumps. In addition, oral cavity examination of 4751 individuals from the vulnerable population group was also carried out. Those found positive were counseled and referred to approved centres for further investigations and treatment. RCHS is also contributing significantly

towards the Cancer Registry Programme of the Punjab State Government for determining the magnitude of the cancer problem and its control. As many as 93 cases of cancer of various organs were registered from RCHS service areas.

Besides these activities, flood relief camps and special camps for Hypertension, Diabetes, Cancer and prevention of female foeticide were also held in various villages.

Maatra Shishu Swasthya Sewa (Mother & Child Healthcare Services)

One of the most significant activities during 2011, was the launch of two Mobile Rural Healthcare Service Vans for District Dewas in Madhya Pradesh, India. This was the first CSR programme undertaken jointly by Ranbaxy and Daiichi Sankyo as part of our commitment towards global social contribution activities.

The program is being run under the banner “Maatra Shishu Swasthya Sewa”. Our focus is on reducing child mortality, improving maternal health and combating HIV/AIDS, malaria and other diseases, which are clearly aligned with the UN Millennium Development Goals (MDGs). The project covers about 100 underserved villages of Vijay Ganj Mandi and Sunwania Gopal Primary Health Centre (PHC) areas in District Dewas with a population of approximately 100,000. Both the vans initially started with clinical and diagnostic services to provide medical relief to the needy. A baseline survey of the area was also started to determine the true profile of the community and to identify the main health issues.

This initiative is being implemented through RCHS, which is already running mobile healthcare services in the district. This joint project will extend the reach and further reinforce and strengthen the medical services being provided by Ranbaxy in this region.

As part of our philanthropic contribution, Ranbaxy South Africa continued its principal sponsorship of the Children's Unit at the Centurion Hospice, which houses children who are HIV positive or are suffering from a terminal illness.

In March 2011, Japan was hit by Earthquake and Tsunami. In this moment of crisis, employees of Ranbaxy extended a helping hand by contributing US $ 155,734 towards the relief efforts.

Ranbaxy Brazil joined hands with Red Cross and donated several antibiotics like Cephalexin and Amoxicillin amounting to a total value of about US $ 150,000, through the Red Cross.

Enviornment, Health & Safety (EHS)

At Ranbaxy, we conduct our business operations in a safe and environmentally responsible manner that protects our people, customers and communities. Our sharp focus on EHS supports business continuity and we strive for continual improvement towards the goal of EHS excellence. Our business decision making process integrates the ethical, social and environmental considerations. EHS compliance is owned by employees through participative management that fosters teamwork, open communication, innovation and accountability.

EHS Management System (EHSMS)

Ranbaxy's Corporate EHS Standards support the implementation of Corporate EHS Policy and provides the foundation for the EHSMS in areas of:

- Management of EHS Improvement
- Process and Equipment EHS
- Employee / Contractor Occupational Health and Safety
- Pollution Prevention
- Community Awareness and Emergency Response (CAER)
- Product Stewardship

Ranbaxy Plant, Paonta Sahib, India

The EHSMS provides a framework and platform for risk management through EHS risk assessment and development, prioritisation and implementation of EHS improvement plans. Our EHS programs and positive initiatives ensure that the products are manufactured in compliance with national and local regulations.

A cross-functional Innovation Team comprising members from R&D, Technology Development, Technology Transfer, Projects, Manufacturing and EHS constantly makes efforts to improve the efficiency of our processes with an objective to lower raw material and energy consumption, lower emissions and waste generation, thereby reducing the environmental footprint.

During the year the Corporate EHS Committee reviewed the EHS performance. Additionally, as part of the organisational risk assessment review, Risk Matrix of EHS function was completed and mitigation plans were submitted to the Internal Audit Department.

Environment

All our manufacturing sites remained fully compliant with applicable environmental regulations.

In compliance with the new European CLP (Classification, Labelling and Packaging) and REACH (Registration, Evaluation, Authorisation and Restriction of Chemicals) Regulations, the development of REACH / CLP compliant standardised Material Safety Data Sheet (MSDS) and labels of all Active Pharmaceutical Ingredients (APIs) filed in the European Union was completed. Additionally, the MSDS of all products manufactured at our Ohm Laboratories in USA were completed and released during the year.

Our Paonta Sahib Dosage Form manufacturing plant underwent a successful audit of ISO14001:2004

compliant Environmental Management System (EMS) by M/s TUV NORD. Additionally, our key API manufacturing facilities at Toansa, Dewas and Malanpur also ensured continuity of ISO 14001 certification.

The year witnessed significant investment in up-gradation/creation of infrastructure for environmental management at our various manufacturing plants. For arresting solvent emissions (VOCs) from Wurster Coating Machine exhaust, a new state-of-the-art Regenerative Thermal Oxidation System for thermal destruction of Acetone and IPA from five Wurster outlets was installed at Paonta Sahib facility. A new Thermal System (MEE & ATFD) to treat High TDS/COD effluents was installed and commissioned at Malanpur site. At Toansa, third ATFD was procured. Further, strengthening the effluent management infrastructure, significant progress was made in replacing the underground effluent transfer system with above-ground pumping system at Toansa and Dewas plants. This is expected to be completed in a phased manner.

The sub-committee of the Ministry of Environment and Forests (MoEF) visited our Toansa site in October 2011 to review the Environmental management setup and has recommended granting of Environmental Clearance for capacity expansion at the site.

Our Ireland site switched from diesel oil to natural gas, thereby reducing carbon footprint.

Occupational Health and Safety

Our Dewas and Malanpur API manufacturing facilities in Madhya Pradesh were successfully audited by M/s TUV NORD for Occupational Health and Safety Management System (OHSMS) and obtained the BS OHSAS18001:2007 certification. Additionally, our key API manufacturing site at Toansa also continued to retain its OHSAS18001 certification.

Under the Chemical Industry category, Ranbaxy Toansa received the First prize from the Punjab Industrial Safety Council, Chandigarh for “Largest reduction in Accident frequency rate” (more than 0.5 Mn man-hours worked) for the year 2010.

Expanding the EHS training and education, an EHS e-learning system was launched through Sum-Total Learning Management System (LMS) at all API manufacturing locations in India. Extensive safety training programs, both by internal as well as external specialists, were conducted at all manufacturing plants.

Environment friendly, state-of-the-art Zero Discharge System at the Ranbaxy Plant, Toansa, India

Technologically Advanced Powder Coating System, “Granurex” at the Ranbaxy Plant, Mohali, India

REPORT ON CORPORATE GOVERNANCE

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, 2011, 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, CEO & 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) Mr. Arun Sawhney, Managing Director was re-designated as CEO & Managing Director by the Board of Directors effective August 5, 2011.

2) None of the Directors are related inter-se.

3. BOARD MEETINGS

Dates of Board meetings are fixed in advance. Agenda papers are circulated to Directors in advance through a specifically designed portal for the Board of Directors and hard copies are also made available to the Directors.

Meetings and Attendance

During the year 2011, **five** Board Meetings were held: January 24, February 22, May 10, August 5 and November 9, 2011.

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 9, 2011
Dr. Tsutomu Une	5	Yes
Mr. Takashi Shoda	5	Yes
Dr. Anthony H. Wild	4	Yes
Mr. Akihiro Watanabe	5	Yes
Mr. Percy K. Shroff	5	Yes
Mr. Rajesh V. Shah	5	Yes
Mr. Arun Sawhney	5	Yes

Note - Mr. Akihiro Watanabe attended Board meeting held on August 5, 2011 through videoconference.

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 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 2011, **four** meetings of the Audit Committee were held on February 21, May 9, August 4 and November 8, 2011. 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	3
Mr. Percy K. Shroff	4
Mr. Rajesh V. Shah	4
Permanent Invitee	
Mr. Arun Sawhney	4

Notes:

1. Mr. Akihiro Watanabe attended the Audit Committee meeting held on August 4, 2011 through video-conference.
2. Mr. Takashi Shoda attended the meetings of the Audit Committee as an invitee.

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 Head of Finance 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 9, 2011.

(ii) Compensation Committee

The Company has constituted a Compensation Committee whose 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 2011, **One** meeting of the Compensation Committee was held on February 21, 2011. The composition of the Committee and details of the meeting attended by the members during the year are as under:

Name of the Member	No. of Meetings attended
Mr. Rajesh V. Shah, Chairman	1
Dr. Tsutomu Une	1
Mr. Percy K. Shroff	1
Dr. Anthony H.Wild	–
Permanent Invitee	
Mr. Arun Sawhney	1

Note: Mr. Takashi Shoda attended the above Compensation Committee meeting as an invitee.

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 to Managing Director

Remuneration has been paid to Mr. Arun Sawhney, CEO & Managing Director of the Company, pursuant to the approvals of the Shareholders, Board of Directors and Compensation Committee. In view of the losses incurred by the Company for the year ended December 31, 2011, the remuneration paid to Mr. Arun Sawhney is subject to requisite approvals under the provisions of the Companies Act, 1956.

Name of the Director	Salary, Allowances & Bonus	Commission	Perquisites	Retiral Benefits	Stock Options	Service Contract	
						Tenure	Notice Period & Severance Fee
	---------- Rs. Lacs ----------						
Mr. Arun Sawhney	509.82	–	13.67*	24.30	13, 051	3 years	6 months

* Includes perquisite value of stock options.

Notes:

1. During the year Mr. Arun Sawhney was granted 13,051 stock options pursuant to Employee Stock Option Plan-2011 of the Company, which will vest over a period of three years from the date of grant. Under the said plan, each option is exercisable for one equity share at face value of Rs.5/- each.
2. Retiral benefits are exclusive of provisions for future liabilities in respect of retirement benefits (which are based on actuarial valuation done on overall Company basis).

Remuneration to Non-Executive Directors

Sitting fees was paid to the Non-Executive Directors for attending meetings of Board/Committees for the year ended December 31, 2011 as under:

Name of the Director	Sitting Fees (Rs. Lacs)
Dr. Tsutomu Une	2.40
Mr. Takashi Shoda	1.20
Mr. Rajesh V. Shah	2.00
Mr. Percy K. Shroff	2.40
Dr. Anthony H. Wild	1.60
Mr. Akihiro Watanabe	1.80

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 2011, **one** meeting of the Science Committee was held on November 8, 2011. The composition of the Committee and details of the meeting attended by the members during the year are 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	1
Permanent Invitee	
Dr. Sudershan K. Arora- President-R&D	1

(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 2011, **eight** meetings of the Committee were held on January 6, February 21, March 17, April 21, July 18, September 6, November 7 and December 21, 2011. The composition of the Committee and details of the meeting attended by the members during the year are as under:

Name of the Member	No. of Meetings attended
Mr. Percy K. Shroff, Chairman	8
Dr. Tsutomu Une	4
Mr. Arun Sawhney	8

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

The Company received 41 shareholders' complaints which inter-alia included non-receipt of dividend, annual report, share certificates etc. The complaints were duly attended to and the Company has furnished necessary documents/information to the shareholders. There are no complaints pending as on December 31, 2011.

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
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.
2011	9-5-2011	Monday	11.00 A.M.	The National Institute of Pharmaceutical Education & Research, Sector 67, S.A.S. Nagar, Punjab	- Approval under Section 81(1A) of the Companies act, 1956 for allotment of 3,000,000 Equity shares to the eligible employees, including any Director of the Company under Ranbaxy Employee Stock Option Plan-2011. - Approval under Section 81(1A) of the Companies Act, 1956 for allotment of Equity shares within the overall ceilings of 3,000,000 equity shares to the eligible employees including any Director of any current or future subsidiaries of the Company under Ranbaxy Employee Stock Option Plan-2011.

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, 2011.

Arun Sawhney
CEO & Managing Director

Gurgaon (Haryana)
February 6, 2012

7. Certificate from CEO and CFO

Certificate from CEO & CFO of the Company, for the financial year ended December 31, 2011, forms part of 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 Board of Directors is apprised about Risk management framework, methodology for categorization of risk and mitigation plans.

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.

(4) Audit qualifications

With regard to qualifications contained in the Auditors' Report, explanations are given below:

i) Long term funds lower than long term assets- Note no. 2 of Schedule 24 to the financial statements.

The Company has made a provision of Rs. 26,480 million for settlement with the Department of Justice(DOJ) of U.S.A., which the Company believes will be sufficient to resolve all potential civil and criminal liability. This has resulted into long-term funds being lower by Rs. 21,754.09 million compared to long-term assets as at 31 December 2011. The Company believes that the abovementioned shortfall is temporary in nature.

ii) Excess managerial remuneration paid by the Company – Note No. 14(a) of Schedule 24 to the financial statements.

The remuneration paid to Mr. Arun Sawhney, CEO & Managing Director was approved by the shareholders of the Company. However, on account of provision made by the Company for settlement with the DOJ as detailed above and sharp depreciation of rupee, the Company incurred losses for the year, which were not determinable on the date of approval by the shareholders. In view of this, remuneration paid to Mr. Arun Sawhney requires approvals of the shareholders and the Central Government under the provisions of the Companies Act, 1956 for which necessary steps are being taken by the Company.

(5) Training of Board Members

Presentations on business segments, operations, key markets, strategy, regulatory frameworks, risk assessment & management are made to the Board of Directors from time to time. Further, Directors are updated about the major developments related to the Company. The Directors also visit important locations of the Company for understanding and review of the Company's operations.

(6) Mechanism for evaluating Non-Executive Board Members

The Company benefits from diverse professional expertise and experience of Non-executive Directors. The Directors make contributions at the Board/Committee meetings, review the operations and advise on the major issues and strategy of the Company from time to time. The Company also benefits from the advice of Non-executive Directors sought by the management on critical issues from time to time. The contributions made and the time devoted by the Non-executive Directors are recognised by the Company. The Company has not adopted a formal mechanism for evaluating individual performance of Non-executive Directors.

(7) Whistle Blower Policy

The Company has adopted Whistle Blower Policy and launched it globally effective August 1, 2011. This policy is intended to govern reporting and investigation of allegations on violations of the Code of Conduct of the Company, for which a dedicated e-mail id ombudsperson.whistleblower@ranbaxy.com has been established. Mr. Akihiro Watanabe, Chairman of the Audit Committee of the Company has been nominated by the Board as Ombudsperson for this purpose. No employee was denied access to the Audit Committee during the year.

9. CORPORATE GOVERNANCE VOLUNTARY GUIDELINES, 2009

In December 2009, the Ministry of Corporate Affairs had issued the Guidelines on the voluntary adoption of Corporate Governance Practices. The Company has endeavored to adopt these Guidelines and follows the Guidelines such as separation of office of Chairman and Managing Director, taking certificate of independence from Independent Directors, constitution of Compensation Committee which determines remuneration policy, providing timely information to Board of Directors for quality decision making, identification of risks, review of internal controls, constitution and functioning of Audit Committee, adoption of Whistle Blower Policy and training to Directors by way of presentations on business segments, key markets, strategy, regulatory frameworks, risk assessment & management. While some of these Guidelines like maximum tenure of independent directors, rotation of audit firm etc. have not yet became due, the Guidelines on remuneration to Non-Executive Directors and payment of sitting fees would require amendment to the Companies Act.

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.

In accordance with the Circulars issued by the Ministry of Corporate Affairs on the Green Initiatives and amendment in Clause 32 of the Listing Agreements with the Stock Exchanges, the Company will send Annual Reports and Notice of ensuing Annual General Meetings alongwith Proxy Forms electronically. Further, the Company has started communicating quarterly results to the shareholders through e-mails.

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 8, 2012

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, 2012	1st/2nd week of August 2012
– September 30, 2012	1st/2nd week of November 2012
– December 31, 2012	3rd/4th week of February 2013
– March 31, 2013	1st/2nd week of May 2013

Book Closure Dates

April 28, 2012 to May 8, 2012
(Both days inclusive)

LISTING ON STOCK EXCHANGES

The Equity Shares of the Company as on December 31, 2011 were listed on the Bombay Stock Exchange Limited and National Stock Exchange of India Limited. Global Depository Receipts (GDRs) are listed on the Stock Exchange at Luxembourg.

The Company confirms that it has paid annual listing fees due to the Stock Exchanges for the year 2011-2012.

STOCK CODE

1. The 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 its Corporate Office at Plot No. 90, Sector 32, Gurgaon-122001 (Haryana) Tel No. 91-124-4135000, Registered Office at A- 41, Industrial Area Phase-VIII-A, Sahibzada Ajit Singh Nagar, Mohali – 160 071 (Punjab) Tel. No. 0172-6678666 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 2011	611.75	523.50	611.70	493.70
February 2011	553.00	428.95	548.00	428.75
March 2011	475.90	430.40	475.80	430.60
April 2011	479.00	442.05	478.30	444.55
May 2011	551.00	414.00	554.70	414.00
June 2011	555.60	504.10	556.40	504.05
July 2011	564.00	523.40	562.90	524.00
August 2011	570.00	445.00	570.00	445.20
September 2011	520.90	466.00	520.00	466.25
October 2011	530.00	485.45	530.55	484.95
November 2011	519.00	413.24	519.90	412.20
December 2011	483.95	366.50	483.40	365.50

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, 2011, 415,500,423 Equity Shares of the Company, forming 98.46 % of the Share Capital of the Company, stand dematerialised.

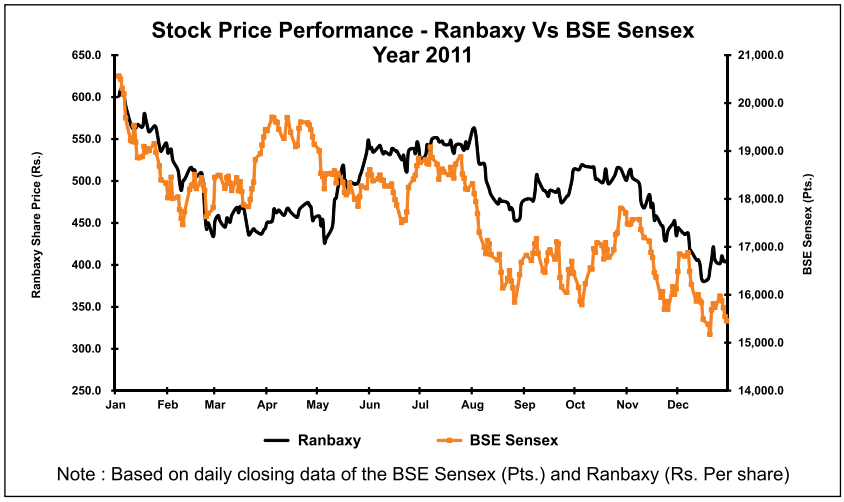
International Securities Identification Number - INE015A01028
(with NSDL and CDSL)

Shareholding Pattern as on December 31, 2011

Category	No. of Shares held	Percentage of Shareholding (%)
Promoters-Daiichi Sankyo Company, Ltd., Japan	268,711,323	63.68
Mutual Funds & UTI	9,939,049	2.35
Insurance Companies	37,576,094	8.90
FIIs	35,735,814	8.47
Banks & Financial Institutions	971,557	0.23
Bodies Corporate	13,464,736	3.19
Public shareholding	48,140,309	11.41
GDRs	7,460,842	1.77
Grand Total	**421,999,724**	**100.00**

Distribution of Shareholding as on December 31, 2011

From To	No. of Shareholders		No. of Shares	
	Number	% Total	Number	% Total
1 - 1000	163,827	94.22	17,458,485	4.14
1001 - 2000	5,223	3.00	7,493,956	1.78
2001 - 4000	2,816	1.62	7,849,670	1.86
4001 - 6000	851	0.49	4,152,752	0.98
6001 - 8000	331	0.19	2,294,827	0.54
8001 - 10000	199	0.11	1,792,986	0.43
10001 - 20000	307	0.18	4,141,715	0.98
20001& above	322	0.19	376,815,333	89.29
Total	**173,876**	**100.00**	**421,999,724**	**100.00**



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

Liquidity of Shares

The Equity Shares of the Company are listed at both BSE & NSE and form part of Nifty of NSE.

Outstanding Stock Options

Number of Stock Options outstanding as on December 31, 2011 - 7,018,818*

* 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.

7,460,842 GDRs representing 7,460,842 Equity Shares of Rs.5 each constituting 1.77% of the issued subscribed and paid-up share capital of the Company were outstanding as on December 31, 2011.

Unclaimed Shares

During the year, three reminders were issued to the holders of Unclaimed Equity Shares of the Company at their registered addresses available with the Company, pursuant to Clause 5A(II) of the Listing Agreements with the Stock Exchanges. As the Company continues to receive responses from the shareholders, these shares will be transferred into one consolidated folio in due course.

Plant Locations of the Company

1 Village Toansa, P.O. Railmajra
Distt. Nawansahar-144533 (Punjab)

2. A-41, Industrial Area Phase VIII-A
Sahibzada Ajit Singh Nagar
Mohali-160 071 (Punjab)

3. Industrial Area 3
A.B. Road, Dewas-455 001
Madhya Pradesh

4. Village & PO Ganguwala
Teh. Paonta Sahib-173 025
Distt. Sirmour (H.P.)

5. Village Batamandi
Tehsil Paonta Sahib-173 025
Distt. Sirmour (H.P.)

6. E-47/9, Okhla Industrial Area
Phase-II, Okhla, New Delhi-110 020

7. Plot No. B-2
Madkaim Industrial Estate,
Ponda, Goa

8. K-5, 6,7, Ghirongi Malanpur,
Dist. Bhind - 477 116 (M.P.)

9. 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, 2011, 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 : 23 February, 2012

CEO AND CFO CERTIFICATE

To the Board of Directors of Ranbaxy Laboratories Ltd.

We, Arun Sawhney, CEO & Managing Director and Indrajit Banerjee , President & CFO certify that:

(a) We have reviewed financial statements and the cash flow statement for the year ended December 31, 2011 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 have not been any significant changes in internal control over financial reporting during the year under reference;

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

  (iii) there have 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	Indrajit Banerjee
CEO & Managing Director	*President & CFO*

Place : Gurgaon
Date : February 23, 2012

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 CEO & Managing Director
COMPANY SECRETARY Mr. S. K. Patawari

REGIONAL HEADQUARTERS

Gurgaon [India], Johannesburg [South Africa], Sao Paulo [Brazil]
London [UK], Princeton [USA], Kuala Lumpur [Malaysia]

MARKETING OFFICES

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

BANKERS

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

REGISTERED OFFICE

A-41, Industrial Area Phase-VIII-A, Sahibzada Ajit Singh Nagar [Mohali] - 160 071, Punjab [India]
Ph : [91-172] 6678666

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 51st Annual Report and Audited Accounts for the year ended December 31, 2011.

STANDALONE WORKING RESULTS UNDER INDIAN GAAP

	Rs. in Million	
	Year ended December 31, 2011	**Year ended December 31, 2010**
Net Sales	**74,949.44**	52,667.09
Expenditure	**73,127.67**	47,217.71
Profit before exceptional items and tax	**7,236.15**	13,106.60
Exceptional Items		
- Settlement provision	**26,480.00**	–
- Provision for diminution in the value/(profit) on sale of investments	**–**	1,822.97
- Loss/ (gain) on foreign currency option derivatives, net (other than on loans)	**11,242.85**	(4,368.82)
(Loss)/ Profit Before Tax	**(30,486.70)**	15,652.45
Tax charge	**33.79**	4,165.19
(Loss)/ Profit After Tax	**(30,520.49)**	11,487.26
Balance as per last Balance Sheet	**6,828.68**	(2,532.23)
Transfer from foreign projects reserve	**–**	4.59
(Loss)/ profit available for appropriation	**(23,691.81)**	8,959.62
Appropriations:		
Proposed Dividend	**0.65**	842.08
Tax on Proposed dividend	**(3.15)**	139.86
Transfer to general reserve	**–**	1,149.00
(Deficit)/ surplus transferred to Reserves and Surplus	**(23,689.31)**	6,828.68
CONSOLIDATED WORKING RESULTS UNDER INDIAN GAAP		
Net Sales	**99,768.93**	85,506.73
Expenditure	**95,474.21**	75,549.97
Profit before exceptional items, tax and share in loss of associates (net) and minority interest	**10,480.04**	18,259.56
Exceptional Items		
- Settlement provision	**26,480.00**	–
- Loss/(gain) on foreign currency option derivatives, net (other than on loans)	**11,242.85**	(4,368.82)
- (Profit)/loss on sale of subsidiaries and long term investments	**(377.99)**	(2,404.19)
- Impairment of goodwill	**–**	1,815.36
- Provision for diminution in the value of investments in associates	**–**	2,216.20
(Loss)/ profit before tax, share in loss of associates (net) and minority interest	**(26,864.82)**	21,001.01
Tax Charge, net	**1,969.34**	5,848.76
(Loss)/ profit after tax and before share in loss of associates (net) and minority interest	**(28,834.16)**	15,152.25
Share in loss/(profit) of associates (net)	**65.90**	59.15
Minority Interest in the profit for the year (net)	**97.23**	125.59
(Loss)/ profit for the year	**(28,997.29)**	14,967.51
Balance as per last Balance Sheet	**11,809.92**	(1,031.24)
Transfer from foreign projects reserve	**–**	4.59
Net (loss)/ profit available for appropriation	**(17,187.37)**	13,940.86
Proposed dividend	**0.65**	842.08
Tax on proposed dividend	**(3.15)**	139.86
Transfer to general reserve	**–**	1,149.00
(Deficit)/ surplus transferred to Reserves and Surplus	**(17,184.87)**	11,809.92

CONSOLIDATED FINANCIAL STATEMENTS

Consolidated Financial Statements for the year ended December 31, 2011, under Indian GAAP form part of the Annual Report.

OPERATIONS

The Company recorded consolidated sales of Rs. 99,769 million against Rs. 85,507 million in the previous year, registering a growth of 17%. The growth in turnover was mainly on account of revenues from First to File product, Atorvastatin, in the US market in December 2011. Profit before exceptional items and tax stood at Rs. 10,480 million against Rs. 18,260 million for the previous year.

During the year, the Company resolved its legacy issues with U.S. Food and Drug Administration ("FDA") and signed a Consent Decree with FDA in which the Company committed to further strengthen its procedures and policies to ensure data integrity and to comply with current good manufacturing practices. The said Consent Decree has since been approved by the United States District Court of Maryland. This is a positive development for the Company as it will provide greater clarity around the outlook for the business in the U.S. The Company has made a provision of Rs. 26,480 million ($500 million) for settlement with the U.S. Department of Justice, which the Company believes will be sufficient to resolve all potential civil and criminal liability. Further, due to sharp depreciation of rupee foreign exchange charge of Rs. 16,584.08 million was made during the year. The combined impact of these two exceptional items on the performance of the Company was Rs. 43,064.08 million. Due to the above exceptional items, the Company incurred a loss (after tax) of Rs. 28,834.16 million for the current year.

The Company continues to focus on sustaining growth in the emerging markets, cost optimization and efficient management of working capital. The Company and Daiichi Sankyo Company, Ltd. (DS), its Holding Company, continue to pursue the Hybrid Business Model to leverage their mutual strengths. As a part of Ranbaxy-DS integration projects, Ranbaxy is promoting DS innovator products in various markets where Ranbaxy has strong presence.

DIVIDEND

In view of the losses incurred by the Company, no dividend has been proposed for the year ended December 31, 2011.

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 11, 2011	211,615
April 11, 2011	110,922
July 12, 2011	143,696
October 12, 2011	167,798

The Allotment Committee of Directors on October 4, 2011, also allotted 325,000 Equity Shares of Rs.5 each for cash at par to Ranbaxy ESOP Trust (Trust), set up to administer Ranbaxy Employee Stock Option Plan-2011(ESOP-2011). The Trust would allocate the shares to the employees of the Company and of its subsidiaries on exercise of stock options from time to time under ESOP- 2011.

SUBSIDIARIES AND JOINT VENTURES

In continuation of the pursuit of Hybrid Business Model and rationalization of the operations, the Company has divested its wholly owned subsidiaries namely Ranbaxy Mexico S.A. de C.V. & Ranbaxy Mexico Servicios S.A. de C.V., and is in the process of liquidating Ranbaxy Pharma AB Sweden.

A statement pursuant to Section 212 of the Companies Act, 1956, relating to subsidiary companies is attached to the accounts. In terms of the general exemption granted by the Ministry of Corporate Affairs vide its circular no. 02/2011 dated February 8, 2011, 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 Company has complied with the requirements as prescribed under the said circular. The consolidated financial statements prepared in accordance with Accounting Standard – 21 issued by the Institute of Chartered Accountants of India forming part of 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 SCHEMES

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. The annual listing fees for the year 2011–2012 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 loss 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. Percy K. Shroff who was appointed as a Director in casual vacancy on March 27, 2009, 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. Percy K. Shroff as Director of the Company.

In accordance with the Articles of Association of the Company, Mr. Takashi Shoda, Director retires by rotation at the ensuing Annual General Meeting and is eligible for re-appointment.

The Board of Directors has re-appointed Mr. Arun Sawhney as CEO & Managing Director of the Company for a period of five years effective January 1, 2012, subject to the requisite approvals.

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 Board of Directors of the Company appointed M/s. R.J. Goel & Co., Cost Accountants, as the Cost Auditor of the Company for audit of cost accounts relating to formulations and bulk drugs for the year ended December 31, 2011. The Audit report of the Cost Accounts for the year ended December 31, 2011, will be submitted to the Central Government in due course.

The last date for filing the Cost Audit Report for the year ended December 31, 2010, with the Central Government was June 29, 2011. However, the Company had filed the Report with the Central Government on May 20, 2011.

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.

AUDITORS REPORT

With regard to qualifications contained in the Auditors' Report, explanations are given below:

i) Long term funds lower than long term assets- Note no. 2 of Schedule 24 to the financial statements.

The Company has made a provision of Rs. 26,480 million for settlement with the Department of Justice (DOJ) of U.S.A., which the Company believes will be sufficient to resolve all potential civil and criminal liability. This has resulted into long-term funds being lower by Rs. 21,754.09 million compared to long-term assets as at 31 December 2011. The Company believes that the abovementioned shortfall is temporary in nature.

ii) Excess managerial remuneration paid by the Company – Note No. 14(a) of Schedule 24 to the financial statements.

The remuneration paid to Mr. Arun Sawhney, CEO & Managing Director was approved by the shareholders of the Company. However, on account of provision made by the Company for settlement with the DOJ as detailed above and sharp depreciation of rupee, the Company incurred losses for the year, which were not determinable on the date of approval by the shareholders. In view of this, remuneration paid to Mr. Arun Sawhney requires approvals of the shareholders and the Central Government under the provisions of the Companies Act, 1956 for which necessary steps are being taken by the Company.

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

Gurgaon
February 23, 2012

Dr. Tsutomu Une
Chairman

ANNEXURE A

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

INDUSTRY STRUCTURE & DEVELOPMENTS

The Global Pharmaceutical market for 2011 is expected to be around $900 Bn[1] which reflects a growth of 4-5%. On a consolidated basis, the market is expected to grow at a CAGR of 3-6% over 2011-15 to cross $1.1 Tn in sales by 2015. More than 60% of this increase in the Pharmaceutical market is expected to be contributed by the Pharmerging[2] markets forecasted to grow at 13-16%, while the rest is expected to come from the Developed[3] markets which are forecast to grow at a much lower rate of 0-5% p.a.

For 2012, the forecast value of the Pharmaceuticals market is $920-950 Bn with a growth rate of 3-5%. The Pharmaceutical sales in the largest market the United States of America (USA) is expected to be in the range of $310-330 Bn during 2011-13, with a growth rate of 1-4%. Sales in Japan, the second largest Pharma market after the USA is expected to be in the range of $105-135Bn by 2015 reflecting a CAGR of 2-5% over 2011-15. Top 5 European markets are expected to grow at a CAGR of 0-3% till 2015 to achieve sales in the range of $140-170 Bn. Sales in the Pharmerging markets is expected to grow at an impressive CAGR of 13-16% to reach a size in the range of $315-345 Bn by 2015.

The global Pharma industry continues to remain fragmented and fiercely competitive; and faces increased genericization. The Generics industry on the other hand has the opportunity to capitalize on the products going off patent in the coming years. As a part response to cope with the challenges effectively, the industry has witnessed consolidation at high valuations; this may be replicated across the Global Pharma especially in the Generics.

Chart 1: **MNC Pharma gaining a foothold in India**

Important Deals in the Indian Pharma Industry			
Period	**MNC**	**Indian Company**	**Deal Details/ Value ($ Mn)**
December 2010	Reckitt Benckiser	Paras Pharma	726
May 2010	Abbott Laboratories	Piramal Healthcare	3,720
December 2009	Hospira	Orchid Chemicals (Injectable Business)	400
July 2009	Sanofi Aventis	Shantha Biotech	784
August 2008	Fresenius Kabi AG	Dabur Pharma	337
June 2008	Daiichi Sankyo	Ranbaxy	4,600
		Major Supply Agreements	
April 2011	Merck	Sun Pharma	JV for product development & commercialization in Emerging Markets
June 2009	GSK	Dr Reddy's	Exclusive rights to license & supply more than 100 branded products manufactured by Dr Reddy's

Sources: Various publications/ media

Mature markets contribute to ~56% of the world Generics market currently, which is expected to go down to 50% by 2020. Here too, the Pharmerging markets are expected to grow at a significantly higher rate than the rest of the world; specifically by 2020, it is estimated that China, India and the USA will account for half of the global Generics market.

Generics

The Generics segment of the Global Pharmaceutical market contributed 28% in 2010 and is expected to reach 40% of

[1] *Source: The Global Use of Medicines: Outlook Through 2015: October 2011 (IMS)*

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

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

the total global pharma spending by 2015 growing with a CAGR of 13%, compared with a 1% CAGR in the patented branded market.This trend is visible not only in the Developing markets but also in the Developed markets; volume contribution from the USA and the top 5 European markets crossed the half line mark.The market has expanded due to the increase in genericization ($140 Bn drugs, now patented, 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 over 1/3rd of the sales in the Generics industry.

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 by value and over two thirds by volume. 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 markets for Generic companies.

Europe: The major EU 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 was expected to slow down to 4% CAGR between 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 others, where branded Generics continue to be patronized.

India: The Indian Pharmaceutical Market (IPM) grew at ~18% to ~$13 Bn in 2010 and is expected to touch $15 Bn in 2011. The IPM is forecasted to continue to grow at a CAGR of~15% till 2015 to cross $25 Bn in 2015. The key factors driving growth in the IPM are economic growth, increase in healthcare access and increased penetration in underpenetrated/ 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 grow in volume with the cut-off for top 300 products now at $5.5 Mn.

OUTLOOK ON OPPORTUNITIES

The global Generics industry has grown at 11% CAGR (2007-10), which is double the growth of Global Pharma and is expected to continue on its growth path aided by multiple factors including (a) Opportunity of $140 Bn drugs going off patent by 2015; (b) Increasing burden of healthcare in Developed markets, especially during current challenging 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 Japan and parts of Europe; (d) Increasing access of healthcare in developing economies; and (e) Increasing competition in the industry and consolidation.

Ranbaxy has ground presence in over 43 countries and sells in over 100 countries across the developed and emerging parts of the world. These markets have their unique characteristics and value drivers such as branded generics and quality connect by end-customer for the emerging markets and commoditized, genericization, in the form of FTFs or FTLs, in the developed part of the world. With a strong presence in terms of marketing access, local manufacturing presence and trained, multi-cultural manpower, the Company is well positioned to grow across these markets. The unique characteristic of Ranbaxy is its solid presence across various developed, emerging and lesser developed markets whereby it can not only adjust and adapt to changes in the macro-environment but also prepare for the evolution of the sector *per se*.

Ranbaxy and Daiichi Sankyo (DS) worked further on the Hybrid Business Model adopted by both the companies to explore and capitalize for mutual benefit. On the front end, Ranbaxy continues to engage to promote DS' innovator products other than its own generic products in global markets where Ranbaxy has a strong presence; these include the larger markets such as India and Romania as well as Singapore, Malaysia, Italy and some African countries. Accordingly, for other markets DS will be the face for the group to promote its own innovator as well as Ranbaxy generics products providing both innovative and affordable high quality medicines; examples will include markets such as Mexico and Japan where DS will capitalize on Ranbaxy's cost advantage and relative business knowledge of the generics space. Both the companies will also work together on supply chain efficiencies including API and intermediates procurement and distribution as well as promote technology efficiency and develop stronger risk management. As matter of ample disclosure, such transactions form part of 'related party transactions' and follow a strict arm's length policy for both companies. Multiple other front-end and back-end opportunities were explored during the year.

Chart 2: **Products launched through Daiichi Sankyo- Ranbaxy Hybrid Business Model**

Molecule	Region
Olmesartan	India
Olmesartan Medoxomil + Amlodipine Besylate	India, Ukraine
Levofloxacin	India, Singapore, Middle East, Myanmar, Russia, Ukraine, Romania, Africa, LATAM, France, Italy
Prasugrel	India
Pravastatin	Middle East, Australia, LATAM, Germany, France, Italy, Poland, Portugal, UK
Bisoprolol	Italy
Metoprolol	Italy
Raloxifene	Romania

The United States of America: The USA, with more than one-third of the world's Pharmaceutical market and the largest Generics market is vital to the growth of Ranbaxy. Ranbaxy USA returned strong performance with its highest ever sales of over $0.7 Bn despite the continued regulatory troubles with the largest plants supplying to the USA from India. The business in the USA has grown, aided by base business strength and successful capitalization of large FTFs. Base business in the USA has grown with the focus on generics, branded and OTC segments. Generics segment has been a major contributor to growth in base business sales; this segment has been aided by post exclusivity contribution of FTF products for the Company. Post successful launch of Donepezil (November 2010) and Valacyclovir (November 2009), the Company has maintained over 30% market share adding to Ranbaxy USA sales.

Ranbaxy successfully launched Atorvastatin, the largest drug by sales value in the USA and world-wide, a cholesterol-reducing medicine, the generic equivalent of brand Lipitor® (Innovator: Pfizer), which generated total annual sales of $7.89 Bn in the United States of America.

Europe: The Europe Pharma market is marred by economic austerity measures that have led to instability in the Pharma sector in the region; as a response to the developments, countries have worked out unique approaches to contain the healthcare costs. Pharmaceutical Companies in the region have had to adapt to such changes in their attempt to protect their business' market share and profitability.

Europe market is of strategic importance for Ranbaxy. As a market it has the characteristics of both Developed and Emerging markets along with several unique country level nuances. Romania, Poland and Eastern Europe constitute the Emerging markets' portfolio in Europe which constitutes focus area for investment and growth for Ranbaxy in the region. Ranbaxy has a significant presence in Romania through Terapia, as the largest OTC+Generic Company in the country. In line with the investment plans for Eastern Europe, Terapia will cater to a larger portion of the manufacturing requirements for Europe and the CIS. The Company will also revisit in detail its way forward for the developed parts of Europe.

India: The Indian Pharmaceutical Market (IPM) is 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 in line with socio-economic growth in the country. In the meanwhile, on the macro front, the IPM has undergone consolidation where large MNC companies have aligned in various measures to work with Indian companies.

Ranbaxy addressed the home market through measures that helped the Company's growth momentum and aid in participating in IPM's growth story. Ranbaxy's sales growth in India in 2011,was in line with the IPM despite a surprise slow-down in the Anti-infectives, largest segment for Ranbaxy and IPM, during the monsoons, which is peak season for infections and thus the segment. With a stronger base: (i) More number of medical representatives, (ii) Greater focus on chronic, with a strong acute base, (iii) Depth in market penetration geographically; Ranbaxy is in place to take next steps towards its strategy for the home market.

Emerging countries: Ranbaxy will focus on establishing a stronger presence in the Emerging countries, which are expected to grow at over twice the rate when compared with a CAGR of 5-6% for the entire world. While historically, Ranbaxy has been growing in such markets, it is now in the process of further sharpening its focus towards these countries which are also 'Branded Generics' market, as elaborated under section 'Global Pharmaceuticals Business Overview'. Currently, over half of Ranbaxy Dosage Form sales are from the Emerging Markets (EMs) that include the high growth countries in the Asia-Pacific, Africa region, the CIS etc. As Ranbaxy has been present in most of the EMs for some time and is largely well invested, it is in an enviable position to benefit from the market growth.

OUTLOOK ON THREATS, RISKS AND CONCERNS

Other than the risks faced by the Pharmaceuticals industry at large, global Generics companies face additional risks associated with patent litigations, regulatory issues and product liability. On the one hand the generic companies have an opportunity to genericise patented products in the developed markets. Such opportunities reflect the "patent cliff" of products going off-patent and are not being replaced by newer patent opportunities. The Innovator pharmaceutical companies also continuously work to develop unique ways to enhance lifecycle of their patented drugs to delay entry of generic versions. In addition, due to growth opportunities in off-patent products, the innovator companies have also started to play in this segment, despite the price erosion on products, with a view to retain market share. Further, competition in generics is not just in the developed world, but also in the emerging countries; not just from generic companies but also from innovator companies trying to keep their position post genericization of patented products.

Manufacture of pharmaceuticals is strictly regulated and controlled by authorities across the world. Should Ranbaxy, or its suppliers/ contractors fail to fully comply with such regulations, there could be a regulator-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.

Ranbaxy signed a Consent Decree ("CD") with the United States Food & Drug Administration ("US FDA") in December 2011 to resolve the existing administrative actions taken by the US FDA against the Company's Poanta Sahib, Dewas and Gloversville facilities. The CD was subsequently approved by the United States District Court for the Court of Maryland on January 25, 2012. The CD establishes certain requirements intended to further strengthen the Company's procedures for ensuring the integrity of data in the US applications and good manufacturing practices at its Poanta Sahib and Dewas facilities.

Specifically, the CD requires that Ranbaxy comply with detailed data integrity provisions before FDA will resume reviewing drug applications containing data or other information from the afore-mentioned plants. These provisions include:

1. Hire a third party expert to conduct a thorough review at the facilities and audit applications containing data from affected plants;
2. Implement procedures and controls sufficient to ensure data integrity in the Company's drug applications; and
3. Withdraw any applications found to contain untrue statements of material fact and/ or a pattern or practice of data irregularities that could affect approval of the application.

The Company will have to relinquish 180 days exclusivity for 3 pending generic drug applications. This will not have material impact on the performance of the Company. The Company could also be liable for liquidated damages to cover potential violations of the law and CD.

The implementation of CD, is expected to put to rest the legacy issue that impacted Ranbaxy, and requires strict adherence.

The Company separately announced a provision of $500 Mn in connection with the investigation of the Department of Justice, which the Company believes will be sufficient to resolve all potential civil and criminal liabilities. The Company has taken corrective actions to address the CD concerns and is confident of working together with the regulators towards its satisfactory closure.

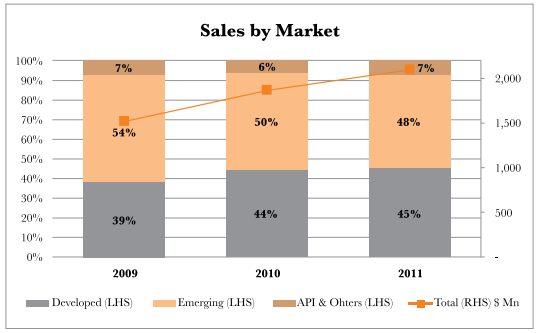
In 2011, over 42 national level regulatory agency inspections were conducted at 18 Ranbaxy locations across the world by 18 different regulatory agencies with Zero critical findings. The agencies that visited Ranbaxy include those from the USA, WHO, EU countries/ EMEA, India, Malaysia, Romania, various African countries etc. and covered Ranbaxy units that manufacture Dosage Form, Active Pharmaceutical Ingredient ("API") and PV.

In the Indian pharmaceuticals market, prices of certain pharmaceutical products are 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 obtained orders from the respective Courts in its favor so far.

Over three-fourths of Ranbaxy's turnover comes from overseas. Thus, any sharp movements in the foreign exchange rates may have a significant impact on the Company's financial results, elaborated under the head Financial Performance of this report.

SALES BY MARKET

The Company recorded global sales of $2.1 Bn in 2011, a 13% growth over the preceding year. Ranbaxy's growth strategy is in line with the growth areas for global generics, with a focused approach on its Branded portfolio. Accordingly, on a larger base, Emerging markets contributed 48%, while Developed markets, helped by strong sales due to First to Files (2011: Atorvastatin and Donepezil; 2010: Donepezil and Valacyclovir) contributed 44% of total sales. Dosage form sales accounted for 93% of total sales. The remaining revenue is made of API and others.



INTERNAL CONTROL FRAMEWORK

The Company believes that sound internal control systems are necessary prerequisite to good governance in that management authority should be exercised within a framework of appropriate checks and balances. The management is committed to ensuring an effective internal control environment, commensurate with the size and complexity of the business, which provides assurance on the efficiency of the Company's operations and the security of its assets.

A robust and independent Global Internal Audit (GIA) function at the corporate office carries out risk focused audits across all businesses (India, Overseas and functions), enabling identification of areas where process controls may need to be improved. The reviews include financial, operational and compliance controls and measures taken to mitigate risks. The Audit Committee of the Board periodically reviews GIA's findings and provides guidance with regards to its reviews. The operating management of the Company closely monitors the internal control environment and ensures that GIA's recommendations are effectively implemented.

Being a subsidiary of a Japanese Company – Daiichi Sankyo, Ranbaxy has established rules with respect to internal controls related to financial reporting obligations under the Financial Instruments and Exchange Law (commonly known as J-SOX). The Company's GIA annually reviews compliance to all such rules, in close consultation with the corporate accounts department, the holding company and the auditors.

Ranbaxy's GIA function is certified as complying with ISO 9001:2008 quality standards in its processes.

FINANCIAL PERFORMANCE

During the year, the Company recorded consolidated global sales of Rs.98,139 Mn ($ 2.1 Bn), thus registering a growth of 15% in rupee terms. Ranbaxy is the first Indian Pharma company to have registered sales of over $ 2 Bn in a year. Operating profits on base business improved when compared with previous year on account of higher volumes and focus on operations on each of its operations. Further, the Company was able to capitalize on the First to File Opportunity on Atorvastatin during the year.

Chart 3: **Strong First to File monetization**

2009	2010	2011
Valacyclovir/Valtrex®:GSK	**Donepezil/Aricept®: Eisai**	**Atorvastatin/Lipitor®: Pfizer**
Valtrex Brand sales: ~$1.3 Bn	*Aricept Brand sales: $2.6 Bn*	*Lipitor brand sales: $7.9Bn*
Ranbaxy peak MS: 74%	Ranbaxy peak MS: 36%	Ranbaxy MS: 44%(as of Mar'12)
2011, retained ~30% market share of Valacyclovir and Donepezil		
In addition to the above opportunities capitalized as First to Files, Ranbaxy also monetized other large opportunities viz. Flomax®, OxyContin® and Caduet®		
Source: IMS, Internal		

Profitability improvement from operations was driven across markets in various ways, as described below:

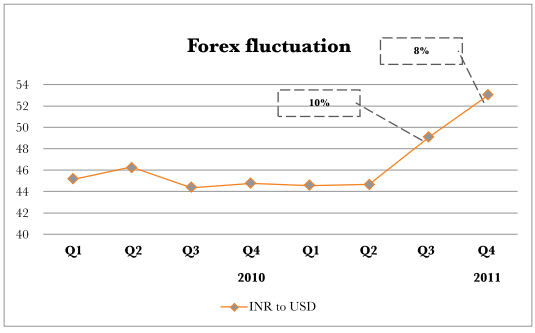
- Strategic focus was given to our 'brand' markets, thereby improving the mix of our product basket.
- Effort was made to attaining global leadership in certain chosen generic products.
- Product rationalization was carried out in certain markets, aimed at ensuring that each market generates positive value.
- Realigning the organization structure to allow greater marketing synergies.
- Relentless drive to ensure cost-efficiency in every operation in the Company.
- Continuous improvement of manufacturing efficiencies aimed at providing products of superior quality at affordable cost.

During 2011, the Company had to pick up some exceptional items of charges which weighed down the reportable profit:

- The sharp movement of the INR:USD exchange rate during the second half of the year necessitated the Company to revalue its relatively significant position in the derivatives (sell of call options) that were contracted by the Company in 2008 and which mature in a gradual manner continuously till 2016. These are largely marked-to market charges and not realized loss.

- The Company made a provision of $500 Mn for settlement with the DOJ, which the Company believes will be sufficient to resolve all potential civil and criminal liability. While this paves the way for the Company to expand its business in the USA in future, the provisioning is required to be made in 2011 on grounds of conservative accounting.

The loss situation prevailing in RLL standalone meant that no tax provision is required. However, certain subsidiaries of the Company needs to make a provision for tax as these companies earned profit applying the normal arm's-length transfer pricing principles.



The Company duly met its liability arising out of the redemption of the FCCB of $440 Mn in March 2011. Further capital mobilization was made during the year through issuance of commercial paper of INR 880 Crores.

The net debt (i.e. after adjusting for marketable liquid securities and cash) position improved from $ 283 Mn at the beginning of the year, to $ 267 Mn at the end.

The availability of long term funds to fund the long term assets of the group showed an unfavourable movement during the year, primarily owing to the exceptional provision that was accounted for in 2011, as mentioned earlier. The Company believes that this situation is temporary in nature and effort would be made to alter the situation favourably in a short period of time.

As the Company continues to drive growth in its businesses across geographies, flexibility to finance the potential growth is being maintained to facilitate such opportunity as these arise. The Company continues to maintain its good relation with its financial partners.

The Company has implemented robust financial controls through extensive use of technology and it continues to further strengthen its processes to meet the needs of expanding operations across the globe and the emerging competitive environment.

HUMAN RESOURCES

Ranbaxy's strength lies in its successful journey of inducting and nurturing human assets. Development of human capital is one of the most critical components of Ranbaxy's growth. This purpose is being significantly served via certain initiatives such as the Vector for enhancing internal opportunities for employees and the Management Trainee Program for developing a highly motivated team to play a key role in ensuring the Company's future progress. Similarly, developing leaders for the new global marketplace is an area of importance for Ranbaxy and the recently launched Global Leadership Development Program is crucial for this purpose. We have also succeeded in creating multicultural Human Resource skills and continue to build on this foundation via the DS – RLL Talent Exchange program in order to create cultural synergies and skill enhancement.

To better gauge the achievements and potential of employees, the Performance Management System is made more interactive and in order to drive a Quality Performance Culture inclusion of Shared Quality KRAs has also been implemented. Similarly, to align jobs across different lines of business and to create a framework that addresses business needs of attracting, engaging and retaining talent, the Global Job Level project was initiated.

Additionally, Ranbaxy introduced the Whistle Blower Policy for a robust implementation of the Company's Code of Conduct and strengthening the framework for ethical standards and business integrity.

The total number of employees of the Company and its subsidiaries as on December 31, 2011 stood at 14,042.

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.

ANNEXURE B

I. Information regarding Employees' Stock Option Schemes and Plan (As on December 31, 2011)

A. Employees Stock Option Schemes

S. No.	Details	Nos.
1.	Total no. of options in force at the beginning of the year	7,401,143
2.	No. of options vested during the year	984,878
4.	No. of options exercised during the year	600,949
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 no. 1 below)	634,031
6.	No. of options lapsed and forfeited during the year	547,094
7.	Variance in terms of options	N.A.
8.	Money realized by exercise of options during the year	Rs. 207,270,861.50
9.	Total no. of options in force at the end of the year	6,253,100

Notes:

1. Options granted upto October 3, 2002, are entitled for additional shares on account of bonus shares in the ratio of 3 for 5.
2. Pricing formula: Closing price of the Equity Shares of the Company prior to the date of meeting of the Compensation Committee in which stock options were granted, on the stock exchange on which the shares of the Company are listed.
3. The shareholders at the Annual General Meeting held on May 9, 2011, approved Ranbaxy Employee Stock Option Plan-2011 (ESOP-2011) of the Company. Hence the Company has discontinued granting of stock options under earlier Schemes.

B. Employee Stock Option Plan -2011

S. No.	Details	Nos.
1.	Total no. of options in force at the beginning of the year	Nil
2.	Options granted in the year 2011	802,612
3.	No. of options vested during the year	4,933
4.	No. of options exercised during the year	Nil
5.	No. of shares arising as a result of exercise of options during the year	Nil
6.	No. of options lapsed and forfeited during the year	36,894
7.	Variance in terms of options	N.A.
8.	Money realized by exercise of options during the year	Nil
9.	Total no. of options in force at the end of the year	765,718

Exercise Price: Rs.5/- each.

II. Options granted in the year 2011 to Senior Managerial Personnel[@]:

Name	Designation (Present)	No. of Stock Options
Mr. Arun Sawhney	CEO & Managing Director	13,051
Dr. Sudershan K. Arora	President- Research & Development	11,340
Mr. Ashwani Kumar Malhotra	Exec. Vice President – Global Pharma Manufacturing & Supply Chain	7,800
Mr. Ranjan Chakravarti	Sr. Vice President – Global Strategy	7,493
Mr. Govind K. Jaju	Sr. Vice President – Global Material Sourcing & API Business	5,460
Mr. T. L. Easwar	Sr. Vice President – API Manufacturing	5,460
Mr. David Briskman	Vice President and Chief Information Officer	5,460
Mr. S. K. Patawari	Vice President and Company Secretary	5,460

[@] Excludes the Senior Managerial Personnel who ceased to be in employment with the Company.

III. Employees who have been granted 5% or more of the options granted during the year : Nil

IV. 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

V. Diluted earnings per share (EPS) : Rs. (72.42)

VI. (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. 142.16 Mn

(c) The impact of this difference on profits and on EPS of the Company :

Loss after tax	: Rs. 30,520.49 Mn
Less: additional employee compensation cost based on *fair value* (net of tax)	: Rs. 142.16 Mn
Adjusted Loss after Tax	: Rs.30,662.65 Mn
Adjusted EPS (diluted)	: Rs. (72.76)

VII. 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
		Term of Option			
01.07.2011	5.00	1.25 years	2.25 years	3.25 years	541.35
		534.36	532.74	531.09	

VIII. 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 01.07.2011**
Dividend yield			0.37%
Term of Option	1.25 years	2.25 years	3.25 years
Risk free interest rate	8.57%	8.49%	8.42 %
Expected volatility			49.07%

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)
- Increase in Steam to fuel ratio from 10.2 to 11.4 by increasing the condensate recovery.	3.00
- Rationalization of potable water supply by operating one system instead of earlier practice of two systems.	2.04
- Operational optimization of process air compressor by supplying air from instrument air compressor.	1.55
- Fuel emulsification system for furnace oil to improve the combustion efficiency in boiler by 3%.	1.40
- Installation of Solar heating system for boiler feed water.	1.20
- Modifications in cooling towers by replacing the fans and pumps with low energy consuming & efficient fans and pumps in old utilities for pilot plant & Lovastatin plant.	0.99
- Flexibility was built into the system to facilitate operation of a single chiller unit at night time.	0.63
- Reconditioning of the cooling towers resulting in bringing down the cooling water cooling water temperature by 4°C thereby improving the chiller efficiency.	0.47
- Re-engineering of air flow in AHU's in two production blocks thus saving energy.	0.26
- Replacement of old window ACs with energy efficient split ACs, and installing new ACs in 2 Conference Rooms thereby avoiding operation of centralized cooling during weekend meetings.	0.17

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.
- Development of New Chemical Entities.
- 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)
- 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 and differentiated products.
- Continue developing innovative, commercially viable process know-how for both Active Pharmaceutical Ingredients (APIs) and dosage forms.
- Continue strengthening the 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. in Millions

	Year ended December 31, 2011	Year ended December 31, 2010
– Capital	**172.85**	198.20
– Revenue	**4529.22**	4,780.70
– **Total**	**4,702.07**	4,978.90
– % to turnover	**6.29**	9.48

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.
– As per 2(b) above

Future course of action

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

b) Information in case of imported technology (imports during the last five 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 were Rs. 78,722 Mn for the financial year ended December 31, 2011. This is the highest overseas sales by any Indian Pharma Company in history.
- The Company continued to file Drug Master Files (DMF's) for APIs and continued filing for Dosage Forms in the USA, Europe and Rest of the World with the respective regulatory authorities in the aforesaid markets.
- The Company 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 the Company and initiatives include alliances in international markets.
- Company successfully launched First to File product Atorvastatin, largest product in the US Market in current year. In addition, the Company successfully launched Esomeprazole, Olanzapine and Letrozole in many European Countries.
- Several new Dosage formulations / Product launches like Levofloxacin, Risedronate in France, Atorvastatin in Czech and Bulgaria, Meropenem in Australia took place during the year.
- Company in pursuit of the Hybrid Business Model with Daiichi Sankyo Company, Limited, Japan (DS), started marketing four products of DS, including Cravit® (levofloxacin) tab and Cravit® IV in Singapore during the year. The Company already supplies various DS products in other international markets such as Africa and Romania.

Rs. in Millions

	Year ended December 31,2011	Year ended December 31,2010
Earnings	**55,815.16**	37,866.43
Outgo	**56,000.30**	11,997.48

FORM - A

Form for disclosure of particulars with respect to conservation of energy

		Current Year 2011	Previous Year 2010
A.	**Electricity and Fuel Consumption**		
1	Electricity		
(a)	Purchased Units (KWH)	**150,971,815**	146,945,800
	Total Amount (Rs. Million)	**741.03**	655.65
	Rate/Unit (Rs.)	**Rs. 4.91**	Rs. 4.46
(b)	Own Generation		
i)	Through Diesel Generator Unit (KWH)	**8,200,188**	9,401,043
	Unit per Ltr. of Diesel Oil	**3.21**	3.40
	Cost/Unit	**Rs. 11.07**	Rs. 10.12
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.)	**11,270**	11,478
	Total Amount (Rs Million)	**413.22**	336.22
	Average Rate (Rs. per Ltr.)	**Rs. 36.66**	Rs. 29.29
(b)	LNG Qty (1000's SCM)	**7,539**	6,604
	Total Amount (Rs Million)	**200.60**	127.40
	Average Rate (Rs. per SCM.)	**Rs. 26.61**	Rs. 19.29
(c)	HSD Qty (K. Ltrs.)	**1,311**	1,072
	Total Amount (Rs Million)	**47.04**	32.44
	Average Rate (Rs. per Ltr.)	**Rs. 35.89**	Rs. 30.25
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	**109.46**	88.51
Dosage Forms	(kwh per 1000 packs)		**130.96**	104.03
Furnace Oil				
Active Pharmaceutical Ingredients	(Ltrs per Kg)		**10.13**	8.26
Dosage Forms	(K.Ltrs per 1000 packs)		**0.01**	0.005
LNG				
Active Pharmaceutical Ingredients	(1000's SCM per Kg)		**5.57**	3.48
Dosage Forms	(1000's SCM per 1000 packs)		**0.01**	0.01
Coal			**Not Applicable**	Not Applicable
Others			**Not Applicable**	Not Applicable

TEN YEARS AT A GLANCE

Rs. Millions

Result for the year	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Sales	28197.9	35334.9	36143.4	35366.5	40587.1	41844.9	43083.6	45211.8	52514.9	**74759.0**
Index	1.0	1.3	1.3	1.3	1.4	1.5	1.5	1.6	1.9	**2.7**
Exports	18502.9	24674.6	24562.4	23371.1	27175.7	26411.2	28109.8	28377.5	34435.5	**54996.5**
Index	1.0	1.3	1.3	1.3	1.5	1.4	1.5	1.5	1.9	**3.0**
Gross Profit	7304.8	10061.4	7211.7	3178.8	6081.7	9865.6	(5713.3)	11002.7	17070.9	**(22642.7)**
Index	1.0	1.4	1.0	0.4	0.8	1.4	(0.8)	1.5	2.3	**(3.1)**
Profit before Tax	7133.8	9563.7	6283.4	2013.6	4429.8	7744.1	(16190.8)	10619.2	15652.5	**(30486.7)**
Index	1.0	1.3	0.9	0.3	0.6	1.1	(2.3)	1.5	2.2	**(4.3)**
Profit after Tax	6235.8	7947.8	5284.7	2237.0	3805.4	6177.2	(10448.0)	5719.8	11487.3	**(30520.5)**
Index	1.0	1.3	0.8	0.4	0.6	1.0	(1.7)	0.9	1.8	**(4.9)**
Equity Dividend	2434.0 $	3156.3	3162.6	3166.7	3168.9	3171.5	–	–	842.1	**0.7**
Index	1.0	1.3	1.3	1.3	1.3	1.3	–	–	0.3	**–**
Equity Dividend (%)	150	170	170	170	170	170	–	–	40	**–**
Earning per share (Rs.)	28.86	42.61	28.26	5.68 ^	9.87 ^	11.31	–27.29	10.74	23.75	**(72.42)**
Year-end Position										
Gross Block+	10448.8	12470.6	16669.4	22321.6	24354.5	25889.0	28155.1	30358.4	31878.2	**33166.9**
Index	1.0	1.2	1.6	2.1	2.3	2.5	2.7	2.9	3.1	**3.2**
Net Block	6753.9	8017.9	11417.4	16328.1	17359.1	17969.4	18854.4	20083.2	20423.0	**20946.2**
Index	1.0	1.2	1.7	2.4	2.6	2.7	2.8	3.0	3.0	**3.1**
Net Current Assets	9564.4	13302.9	9466.8	11281.0	12630.0	12588.2	8493.6	12210.7	35463.7	**7529.5**
Index	1.0	1.4	1.0	1.2	1.3	1.3	0.9	1.3	3.7	**0.8**
Net Worth	18828.1	23217.8	25095.1	23773.0	23500.1	25383.9	37167.7	41346.1	51323.9	**19248.3**
Index	1.0	1.2	1.3	1.3	1.2	1.3	2.0	2.2	2.7	**1.0**
Share Capital	1854.5	1855.4	1858.9	1862.2	1863.4	1865.4	2101.9	2102.1	2105.2	**2110.0**
Reserve & Surplus	16973.6	21362.3	23236.2	21910.8	21636.7	23518.6	35065.8	39244.0	49218.7	**17138.3**
Book value per share (Rs.)	101.52 $$	125.13	135.00	63.84 ^	63.05 ^	68.04	88.42	98.35	121.90	**45.61**
No. of Employees	6297	6797	7195	7174	8020	8141	8536	9655	9933	**10435**

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

AUDITORS' REPORT

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 2011 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) *As stated in Note 14(a) of Schedule 24 of the financial statements, the managerial remuneration paid by the Company to its Chief Executive Officer and Managing Director during the year ended 31 December 2011 exceeded the limits specified in relevant provisions of the Companies Act, 1956 ("the Act") by Rs. 47.55 million. We are informed that as required by the relevant provisions of the Act, the Company is taking necessary steps to seek approval from the Shareholders of the Company and the Central Government for excess remuneration paid. Pending the said approvals in this regard, the impact thereof on the financial statements cannot be determined.*

e) 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, the Profit and Loss Account and the Cash Flow Statement dealt with by this report are in agreement with the books of account;

   (iv) in our opinion, the Balance Sheet, the Profit and Loss Account and the 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 2011, and taken on record by the Board of directors, we report that none of the directors is disqualified as at 31 December 2011 from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Act;

f) Without qualifying our opinion, we draw attention to note 2 of schedule 24 of the financial statements, wherein it has been stated that the management is negotiating towards a settlement with the Department of Justice ("DOJ") of the United States of America for resolution of potential civil and criminal allegations by the DOJ. Accordingly, a provision of Rs. 26,480 million has been recorded which the management believes will be sufficient to resolve all potential civil and criminal liability.

g) *Subject to our comments in paragraph (d) above, the effect of which is not ascertainable*, 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 2011;

   ii) in the case of the Profit and Loss Account, of the loss 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
Registration No. 101248W

Vikram Aggarwal
Partner
Membership No. 089826

Place : Gurgaon
Dated : 23 February 2012

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 inventories, except goods-in-transit, have 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 inventories 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 inventories. The discrepancies observed 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 ('the Act').

(iv) In our opinion, and according to the information and explanations given to us, and having regard to the explanation that purchase of certain items of inventories and fixed assets are for the Company's specialised requirements and similarly certain goods sold 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 the sale of goods and services. In our opinion, and according to the information and explanations given to us, we have not observed any major weakness during the course of the audit.

(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 Act.

(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 Act, 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.

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 2011 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 dues	Amount (Rs. in million)	Periods to which the amount relates to	Forum where the dispute is pending
Central Excise Act,1944	Excise duty	1.42	January 2004 to December 2005	Customs, Excise & Service Tax Appellate Tribunal (CESTAT), Delhi
Central Excise Act,1944	Excise duty	0.05	January 2006 to December 2006	Commissioner (Appeals), Chandigarh
Central Excise Act,1944	Excise duty	3.13	January 2007 to December2007	CESTAT, Delhi
Central Excise Act,1944	Excise duty	4.51	2001-02	CESTAT, Delhi
Central Excise Act,1944	Excise duty	1.51	2005-07	Commissioner (Appeals), Chandigarh
Central Excise Act,1944	Service tax	11.65	2006-10	CESTAT, Delhi
Bihar Value Added Tax Act, 2005	Value added tax	10.47	2005-06	Commercial Tax Authority, Patna
Madhya Pradesh Value Added Tax, 2010	Value added tax	0.02	2008-09	Additional Commissioner of Commercial Tax, Indore
U.P. Sales Tax Act, 1948	Sales tax	3.70	2008-09	Member Tribunal, Commercial Tax, Lucknow

(x) *The accumulated losses of the Company at the end of the year are not less than fifty percent of its net worth. Further, the Company has incurred cash losses in the current financial year.* No cash losses were incurred 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 and financial institutions. There were no dues to debenture holders.

(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, for loans taken by 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, except term loans lying unutilised as at year end, the term loans taken by the Company have been applied for the purpose for which they were raised.

(xvii) *According to the information and explanations given to us, the provisions created for FDA/DOJ for Rs. 26,480 million (as explained in Note 2 of Schedule 24) by the Company has resulted into long-term funds being lower by Rs. 21,754.09 million compared to long-term assets as at 31 December 2011. Accordingly, on an overall examination of the balance sheet of the Company as at 31 December 2011, it appears that short term funds of Rs. 21,754.09 million have been used for long-term purposes during the current year (without considering the impact of excess remuneration paid to Chief Executive Officer and Managing Director as explained in paragraph (d) of the audit report). As represented to us by the management, the shortfall is temporary in nature, hence resulting in long-term funds being lower.*

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

(xix) The Company did not have any outstanding debentures during the year.

(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 fraud on or by the Company has been noticed or reported during the course of our audit.

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

Vikram Aggarwal
Partner
Membership No. 089826

Place : Gurgaon
Dated : 23 February 2012

Balance Sheet as at 31 December 2011

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

	Schedule (Note)	As at 31 December 2011	As at 31 December 2010
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	**1**	**2,110.00**	2,105.20
Share application money pending allotment		**6.66**	65.96
Reserves and surplus	**2**	**35,301.67**	49,152.76
		37,418.33	51,323.92
Loan funds			
Secured loans	**3**	**2,295.89**	1,953.85
Unsecured loans	**4**	**41,039.43**	40,653.30
		43,335.32	42,607.15
		80,753.65	93,931.07
APPLICATION OF FUNDS			
Fixed assets	**5**		
Gross block		**30,940.72**	28,576.34
Less: Accumulated depreciation, amortisation and impairment		**12,220.71**	11,455.16
Net block		**18,720.01**	17,121.18
Capital work-in-progress	**24(8)**	**2,226.21**	3,301.82
		20,946.22	20,423.00
Investments	**6**	**34,107.93**	38,044.37
Deferred tax assets (net)	**7**	**–**	–
Current assets, loans and advances			
Inventories	**8**	**16,552.31**	14,899.06
Sundry debtors	**9**	**36,899.46**	12,926.32
Cash and bank balances	**10**	**19,380.39**	27,122.82
Loans and advances	**11**	**12,677.12**	11,498.55
Other current assets	**12**	**2,704.53**	3,205.97
		88,213.81	69,652.72
Less: Current liabilities and provisions			
Current liabilities	**13**	**51,576.79**	24,910.82
Provisions	**14**	**29,107.55**	9,278.20
		80,684.34	34,189.02
Net current assets		**7,529.47**	35,463.70
Profit and Loss Account	**2(h)**	**18,170.03**	–
		80,753.65	93,931.07
Significant accounting policies	**23**		
Notes to the financial statements	**24**		

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 : 23 February 2012

For and on behalf of the Board of Directors

Dr. Tsutomu Une
Chairman

Arun Sawhney
CEO and Managing Director

Indrajit Banerjee
President and Chief Financial Officer

Sushil K. Patawari
Company Secretary

Place : Gurgaon
Dated : 23 February 2012

Profit and Loss Account for the year ended 31 December 2011

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

	Schedule (Note)	For the year ended 31 December 2011	For the year ended 31 December 2010
INCOME			
Operating income	**15**	**77,091.69**	56,873.25
Less: Excise duty		**190.48**	152.23
		76,901.21	56,721.02
Other income	**16**	**3,462.61**	3,603.29
		80,363.82	60,324.31
EXPENDITURE			
Materials consumed	**17**	**23,861.06**	21,709.34
Personnel expenses	**18**	**8,647.87**	7,761.38
Operating and other expenses	**19**	**31,842.33**	14,921.52
Financial expenses	**20**	**6,035.58**	541.94
Depreciation, amortisation and impairment	**5**	**2,740.83**	2,283.53
		73,127.67	47,217.71
Profit before exceptional items and tax		**7,236.15**	13,106.60
Exceptional items:			
Settlement provision	**24(2)**	**26,480.00**	–
Provision for diminution in the value of investments/ (profit) on sale of investments	**24(5)**	**–**	1,822.97
Loss/ (gain) on foreign currency option derivatives, net (other than on loans)		**11,242.85**	(4,368.82)
(Loss)/ profit before tax		**(30,486.70)**	15,652.45
Tax charge (net)	**21**	**33.79**	4,165.19
(Loss)/ Profit after tax		**(30,520.49)**	11,487.26
Balance brought forward		**6,828.68**	(2,532.23)
Transfer from foreign projects reserve		**–**	4.59
Net (loss)/ profit available for appropriation		**(23,691.81)**	8,959.62
APPROPRIATIONS			
Proposed dividend	**24(3b)**	**0.65**	842.08
Tax on proposed dividend	**24(3b)**	**(3.15)**	139.86
Transfer to general reserve		**–**	1,149.00
(Deficit)/ surplus transferred to Reserves and Surplus	**2(h)**	**(23,689.31)**	6,828.68
(Loss)/ Earnings per share (Rs.)	**22**		
Basic - Par value of Rs. 5 per share		**(72.42)**	27.30
Diluted - Par value of Rs. 5 per share		**(72.42)**	23.75
Significant accounting policies	**23**		
Notes to the financial statements	**24**		

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 : 23 February 2012

For and on behalf of the Board of Directors

Dr. Tsutomu Une
Chairman

Arun Sawhney
CEO and Managing Director

Indrajit Banerjee
President and Chief Financial Officer

Sushil K. Patawari
Company Secretary

Place : Gurgaon
Dated : 23 February 2012

Cash Flow Statement for the year ended 31 December 2011
(Rupees in millions, except for share data, and if otherwise stated)

	For the year ended 31 December 2011	For the year ended 31 December 2010
A. CASH FLOW FROM OPERATING ACTIVITIES		
(Loss)/ Profit before taxes	**(30,486.70)**	15,652.45
Adjustments for :		
Depreciation, amortisation and impairment	**2,740.83**	2,283.53
Fixed assets written off	**22.98**	86.04
Charge/ (reversal) of deferred employees stock options compensation	**78.32**	(3.45)
Foreign exchange loss/ (gain), net#	**2,840.06**	(856.52)
Unrealised foreign exchange loss/ (gain) on currency options	**9,355.14**	(5,473.50)
Dividend income	**(11.83)**	(13.06)
Profit on sale of current investments	**(0.23)**	(2,255.03)
Unclaimed balances/ excess provision written back	**(238.56)**	(225.79)
Profit on sale of assets (net)	**(74.36)**	(260.59)
Provision for diminution in value of long term investments	**–**	4,078.00
Provision/ (reversal) for diminution in value of current investments	**13.23**	(4.36)
Interest expense	**694.35**	541.94
Interest income	**(898.61)**	(1,451.70)
(Reversal)/ provision / write-off of doubtful debts, advances and other current assets	**(29.47)**	166.80
	14,491.85	(3,387.69)
Operating (loss)/ profit before working capital changes	**(15,994.85)**	12,264.76
Adjustments for :		
Increase in inventories	**(1,653.25)**	(2,594.24)
(Increase)/ decrease in sundry debtors	**(21,495.85)**	2,050.68
(Increase)/ decrease in loans and advances	**(776.70)**	171.05
Increase in other current assets	**(218.69)**	(496.19)
Increase in current liabilities and provisions	**41,814.23**	4,524.89
	17,669.74	3,656.19
Cash generated from operating activities before taxes	**1,674.89**	15,920.95
Direct taxes paid (net of refunds)	**(293.49)**	(4,232.08)
Net cash generated from operating activities	**1,381.40**	11,688.87
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	**(3,460.48)**	(3,283.58)
Proceeds from sale of fixed assets	**237.18**	769.65
Decrease/ (increase) in fixed deposits with a maturity more than 90 days	**8,502.28**	(18,820.15)
Purchase of investments	**–**	(3,922.74)
Sale proceeds of investments	**3,923.44**	2,396.66
Decrease in loans and advances to subsidiaries	**13.72**	1,494.18
(Increase)/ decrease in secured loans to employees	**(8.82)**	2.41
Interest received	**1,728.19**	672.51
Dividend received	**11.83**	13.06
Net cash generated from/ (used in) investing activities	**10,947.34**	(20,678.00)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of capital (including premium)	**147.98**	267.20
Increase in short term bank borrowings (net)	**3,835.78**	7,607.29
Proceeds from issue of commercial paper	**8,355.01**	–
Proceeds from long term bank borrowings	**4,023.41**	3,733.15
Re-payment of long term borrowings (including premium paid on redemption of zero coupon foreign currency convertible bonds)	**(27,506.56)**	(1,172.49)
Short term borrowings from non convertible debentures	**–**	1,600.00
Re-payment of short term borrowings of non convertible debentures	**–**	(1,600.00)
Interest paid	**(565.97)**	(520.32)
Dividend paid	**(842.73)**	–
Tax on dividend	**(136.71)**	–
Net cash (used in)/ generated from financing activities	**(12,689.79)**	9,914.83
(DECREASE)/ INCREASE IN CASH AND CASH EQUIVALENTS	**(361.05)**	925.70
Cash and cash equivalents at the beginning of the year	**1,618.31**	689.31
Effect of exchange loss on cash and cash equivalents	**9.75**	3.30
Cash and cash equivalents at the end of the year	**1,267.01**	1,618.31
Notes :		
Cash and cash equivalents include:		
Cash and cheques in hand and remittances in transit	**114.06**	101.74
With banks in :		
Current accounts	**502.95**	66.57
Deposit accounts	**650.00**	1,450.00
Cash and cash equivalents at the end of the year	**1,267.01**	1,618.31
Add: Restricted cash		
Fixed deposits pledged (restricted cash)	**0.86**	0.86
Unclaimed dividend	**51.97**	56.04
Fixed deposits more than 90 days	**18,060.55**	25,447.61
Cash and bank balances at the end of the year	**19,380.39**	27,122.82

Includes realised loss/(gain) on items in investing and financing activities

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 : 23 February 2012

For and on behalf of the Board of Directors

Dr. Tsutomu Une
Chairman

Arun Sawhney
CEO and Managing Director

Indrajit Banerjee
President and Chief Financial Officer

Sushil K. Patawari
Company Secretary

Place : Gurgaon
Dated : 23 February 2012

Schedules forming part of the financial statements for the year ended 31 December 2011

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

	As at 31 December 2011	As at 31 December 2010
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		
421,999,724 (previous year 421,040,693) equity shares of Rs. 5 each fully paid (Refer to note 6 of Schedule 24)	**2,110.00**	2,105.20
	2,110.00	2,105.20

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] 7,460,842 Global Depository Shares (GDSs) (previous year 6,332,219) representing 7,460,842 (previous year 6,332,219) equity shares of Rs. 5 each constituting 1.77% (previous year 1.50%) 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.
3. 325,000 (previous year nil) equity shares of Rs. 5 each issued for cash at par to Ranbaxy ESOP Trust (Trust), set up to administer Employees Stock Option Plan (ESOP - 2011). The Trust would allocate the shares to the employees upon exercise of stock options from time to time under ESOP-2011.

SCHEDULE - 2		
Reserves and surplus		
(a) Capital reserve		
Balance at the beginning of the year	**1,762.00**	5.41
Add: Forfeiture of equity share warrants (Refer to note 7 of Schedule 24)	**–**	1,756.59
	1,762.00	1,762.00
(b) Amalgamation reserve	**43.75**	43.75
(c) Share premium account		
Balance at the beginning of the year	**34,818.69**	35,564.74
Add: Received during the year	**204.10**	200.08
Add: Transferred from employees stock option outstanding	**7.06**	8.21
	35,029.85	35,773.03
Less: Premium payable on redemption of Zero Coupon Foreign Currency Convertible Bonds (FCCBs)	**297.34**	954.34
	34,732.51	34,818.69
(d) Foreign projects reserve		
Balance at the beginning of the year	**–**	4.59
Less: Transfer to Profit and Loss Account	**–**	4.59
	–	–
(e) Hedging reserve *(net of tax)*		
Balance at the beginning of the year	**134.41**	(28.73)
(Reversal)/ addition during the year (Refer to foot note of Schedule 7)	**(1,488.21)**	163.14
	(1,353.80)	134.41

Schedules forming part of the financial statements for the year ended 31 December 2011

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

	As at 31 December 2011	As at 31 December 2010
(f) Employees stock option outstanding		
Balance at the beginning of the year	**45.95**	57.61
Add: Charge/ (reversal) of deferred employee stock options compensation	**406.54**	(3.45)
Less: Transferred to share premium on exercise of stock options	**7.06**	8.21
Less: Deferred employees stock options compensation (Refer to note 6 of Schedule 24)	**328.22**	–
	117.21	45.95
(g) General reserve		
Balance at the beginning of the year	**5,519.28**	4,370.28
Add: Transfer from Profit and Loss Account	**–**	1,149.00
Less: Debit balance in Profit and Loss Account per contra	**5,519.28**	–
	–	5,519.28
(h) (Deficit)/ surplus brought forward from Profit and Loss Account	**(23,689.31)**	6,828.68
Less: Adjusted against General Reserve per contra	**5,519.28**	–
Net debit balance in Profit and Loss Account taken to Balance Sheet	**18,170.03**	–
	–	6,828.68
	35,301.67	49,152.76

SCHEDULE – 3

Secured loans

Loans from banks	**2,295.89**	1,953.85
	2,295.89	1,953.85

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	**18,214.13**	11,638.38
From others #	**8,800.00**	–
Zero coupon foreign currency convertible bonds (FCCBs) *##	**–**	19,672.40
Other loans ##		
From banks	**13,992.30**	9,184.83
From others	**33.00**	157.69
	41,039.43	40,653.30

Notes :

\# Related unamortised interest of Rs. 333.16 (previous year Rs. nil) is included in 'Advances recoverable in cash or in kind or for value to be received - considered good' in Schedule 11.

* The Company had outstanding FCCBs aggregating to US Dollar (USD) 440 million with an option with the bondholders to convert these 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 USD at any time on or after 27 April 2006 but before 9 March 2011. Further, as these FCCBs were neither converted, purchased or cancelled, they have been redeemed during the current year on 18 March 2011, at a premium of 26.765 percent (net of withholding tax) of their principal amount.

Loans due for repayment within one year:

Zero coupon foreign currency convertible bonds (FCCBs)	**–**	19,672.40
Other loans:		
From banks	**4,495.69**	1,239.65
From others	**5.50**	19.78

Schedules forming part of the financial statements for the year ended 31 December 2011
(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 2011	Additions*	Deletions/ adjustments	As at 31 December 2011**	As at 1 January 2011	For the year	Deletions/ adjustments	As at 31 December 2011**	As at 31 December 2011**	As at 31 December 2010
Tangible assets										
Land										
– Freehold #	**248.97**	–	–	**248.97**	**–**	–	–	**–**	**248.97**	248.97
– Leasehold	**264.07**	–	–	**264.07**	**8.57**	13.83	–	**22.40**	**241.67**	255.50
Buildings @	**4,597.42**	824.42	23.77	**5,398.07**	**796.36**	340.88	23.77	**1,113.47**	**4,284.60**	3,801.06
Plant and machinery @	**19,930.77**	3,244.88	2,044.31	**21,131.34**	**9,006.95**	1,994.24	1,897.21	**9,103.98**	**12,027.36**	10,923.82
Furniture and fixtures @	**1,098.55**	161.86	27.81	**1,232.60**	**368.00**	86.70	17.84	**436.86**	**795.74**	730.55
Vehicles	**421.59**	89.11	45.08	**465.62**	**113.08**	43.15	24.86	**131.37**	**334.25**	308.51
Intangible assets										
Patent rights, trade marks, designs and licences@@	**892.67**	2.06	9.04	**885.69**	**551.74**	104.51	2.10	**654.15**	**231.54**	340.93
Computer software@@	**1,122.30**	203.12	11.06	**1,314.36**	**610.46**	157.52	9.50	**758.48**	**555.88**	511.84
Total	**28,576.34**	**4,525.45**	**2,161.07**	**30,940.72**	**11,455.16**	**2,740.83**	**1,975.28**	**12,220.71**	**18,720.01**	**17,121.18**
Previous year	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	

Notes:

* Additions to fixed assets include Rs. 172.85 (previous year Rs. 198.20) towards assets used for research and development.

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

Description	As at 31 December 2011			As at 31 December 2010		
	Gross block	Accumulated depreciation	Net block	Gross block	Accumulated depreciation	Net block
Building	**48.39**	**13.21**	**35.18**	48.48	12.51	35.97
Plant and machinery	**569.04**	**554.45**	**14.59**	253.74	253.73	0.01
Furniture and fixture	**49.14**	**48.86**	**0.28**	13.81	13.81	-
Vehicles	**0.01**	**0.01**	**–**	0.06	0.06	-

@@ Remaining useful lives of intangible assets as at 31 December 2011 is as under:

Description	Remaining useful lives
Patent rights, 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 current and previous year for each class of asset is given hereunder:

Description	As at 31 December 2010				As at 31 December 2010			
	Gross block	Accumulated depreciation	Impairment recognised during the year	Net block	Gross block	Accumulated depreciation	Impairment recognised during the year	Net block
Building	**271.37**	**25.60**	**190.48**	**55.29**	**110.94**	**19.35**	**74.09**	**17.50**
Plant and machinery	**910.88**	**232.00**	**630.68**	**48.20**	**738.57**	**257.88**	**463.40**	**17.29**
Furniture and fixture	**10.30**	**4.90**	**5.13**	**0.27**	**8.00**	**4.23**	**3.56**	**0.21**

The impairment loss has been determined on the basis of net selling price (determined of the basis of expected salvage value) in respect of cash generating units representing specific process plants and other individual assets. The impairment loss has been recognized owing to the prevalent market conditions of the product which was manufactured/ to be manufactured from the specific process plants and conditions of the other individual assets.

Schedules forming part of the financial statements for the year ended 31 December 2011

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

	Class of Shares	Face value per shares	Number of Shares 2011	Number of Shares 2010	As at 31 Dec. 2011	As at 31 Dec. 2010
SCHEDULE – 6						
Investments*						
CURRENT						
Trade:						
Quoted (fully paid-up)						
Krebs Biochemicals & Industries Limited	Equity shares	Rs. 10	**1,050,000**	1,050,000	**26.46**	39.69
					26.46	39.69
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 (an associate upto 30 June 2011)	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	**140,625**	187,500	**1.41**	1.88
					936.11	936.58
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 shares	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	EUR 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
					38,425.43	42,361.87
Less: Provision for diminution in value of long term investments (Refer to note 5 of Schedule 24)					**(4,317.50)**	(4,317.50)
					34,107.93	38,044.37
Aggregate book value of quoted investments (net of provision for diminution)					**1,045.99**	1,059.22
Market value of quoted investments					**636.07**	926.69
Aggregate book value of unquoted investments (net of provision for diminution)					**33,061.94**	36,985.15

Notes:

* No investments purchased and sold during the year.

** 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 2011

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

	As at 31 December 2011	As at 31 December 2010
SCHEDULE - 7		
Deferred tax assets (net)		
Deferred tax asset arising on account of :		
Provision for doubtful debts, advances and other current assets	**157.15**	176.18
Provision for employee retirement benefits	**133.19**	181.00
Revaluation of external commercial borrowings	**193.96**	163.61
Provision for diminution in value of long term investments	**621.54**	636.34
Tax losses carried forward	**7,305.74**	2,867.81
Others	**1.70**	2.08
	8,413.28	4,027.02
Less: Deferred tax liabilities arising on account of :		
Depreciation, amortisation and impairment	**2,541.12**	2,601.67
Others	**158.40**	162.17
	2,699.52	2,763.84
Less: Deferred tax assets not carried forward	**5,713.76**	1,263.18
Deferred tax assets (net)	**–**	–

Note:

In view of accumulated tax losses and absence of virtual certainty, deferred tax assets have been recognised only to the extent of deferred tax liabilities as at 31 December 2011 and 31 December 2010.

Deferred tax assets not carried forward include Rs. 1,929 (previous year Rs. nil) relating to premium on redemption of FCCBs recorded through securities premium account which has been claimed as allowable deduction in the current year on payment basis. Accordingly, utilization/ recognition thereof in future period will be recorded by crediting securities premium account.

Further, deferred tax assets are net off Rs. nil (previous year Rs. 66.86) relating to effective portion of forward exchange contract recorded through hedging reserve.

SCHEDULE - 8		
Inventories		
Stores and spares	**83.48**	73.63
Raw materials	**5,044.37**	4,788.80
Packaging materials	**474.74**	444.13
Work-in-progress	**6,175.94**	4,826.21
Finished goods		
– Own manufactured	**3,772.56**	3,639.14
– Traded	**1,001.22**	1,127.15
	16,552.31	14,899.06
SCHEDULE - 9		
Sundry debtors *		
(Unsecured and considered good, except where provided for)		
Debts outstanding for a period exceeding six months		
– Considered good	**1,698.22**	1,062.72
– Considered doubtful	**319.62**	370.60
	2,017.84	1,433.32
Other debts		
– Against letter of credit	**141.86**	198.29
– Others	**35,059.38**	11,665.31
	35,201.24	11,863.60
	37,219.08	13,296.92
Less: Provision for doubtful debts	**319.62**	370.60
	36,899.46	12,926.32

***** Refer to note 17 of Schedule 24 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 2011

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

	As at 31 December 2011	As at 31 December 2010
SCHEDULE - 10		
Cash and bank balances		
Cash balance on hand	**5.95**	5.33
Cheques in hand	**21.15**	–
Remittances in transit	**86.96**	96.41
Balances with scheduled banks in:		
- Current accounts	**436.94**	18.83
- Deposit accounts #	**18,711.41**	26,898.47
- Unclaimed dividend accounts	**51.97**	56.04
Balances with banks other than scheduled banks in:		
- Current accounts $	**66.01**	47.74
	19,380.39	27,122.82

Include deposits of Rs. 0.86 (previous year Rs 0.86) 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 2011	As at 31 December 2010	31 December 2011	31 December 2010
1	AB Vilnius Bankas, Kaunas, Lithuania	**5.62**	5.24	**15.68**	11.51
2	ABN AMRO Bank, Moscow, Russia	**17.69**	7.48	**129.85**	119.51
3	Banque Internationale Pour Le Commerce Et L'industrie du Cameroun, Doula, Cameroon	**12.59**	7.18	**14.41**	10.45
4	Bank Handlowy W Warszawie SA, Warsaw, Poland	**0.42**	0.45	**0.45**	0.52
5	Calyon Corporate, HO Chi Minh, Vietnam	**1.42**	2.11	**3.6**	5.72
6	Calyon Corporate, Kiev, Ukraine	**8.07**	1.23	**68.8**	50.27
7	Citibank, Almaty, Kazakhstan	**5.56**	9.72	**15.86**	18.22
8	Citibank, Sofia, Bulgaria	**0.61**	0.55	**2.31**	3.47
9	Credit Du Maroc, Boulevard Mohammed V. Casablanca, Morocco	**0.12**	0.15	**1.26**	0.77
10	Myanmar Investment and Commercial Bank Yangon, Myanmar	**0.04**	0.04	**5.09**	3.88
11	Societe Generale De Banques Au Cameroun Doula, Ivory Coast		0.69	**6.09**	6.51
12	Standbic Bank, Nairobi, Kenya	**9.32**	6.85	**15.12**	12.85
13	Standbic Bank Zimbabwe Limited Causeway Zimbabwe, Harare	**0.93**	1.41	**2.41**	3.79
14	The Hongkong & Shanghai Banking Corporation, Dubai, UAE	**1.84**	2.43	**7.86**	6.74
15	Bank of China, China	**1.78**	2.21	**6.16**	4.16
		66.01	47.74		

Schedules forming part of the financial statements for the year ended 31 December 2011

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

	As at 31 December 2011	As at 31 December 2010
SCHEDULE - 11		
Loan and advances		
(Considered good, except where provided for)		
Secured loans to employees *	**58.76**	49.94
Unsecured loans and advances:		
Loans to employees	**104.73**	90.00
Advances recoverable in cash or in kind or for value to be received		
– Considered good	**2,674.63**	1,716.33
– Considered doubtful	**164.75**	143.42
Balances with central excise and customs authorities	**1,409.85**	1,294.34
Loans and advances to subsidiaries #	**25.88**	39.60
Minimum alternate tax (MAT) credit entitlement	**8,363.86**	8,308.34
Advance income-tax (net of provision for tax Rs. 8,445.51)	**39.41**	–
	12,841.87	11,641.97
Less: Provision for doubtful advances	**164.75**	143.42
	12,677.12	11,498.55

* Include amount due from an officer of the Company of Rs. 3.76 (previous year Rs. 3.98). The maximum balance at any time during the year was Rs. 3.98 (previous year Rs. 4.07).

\# Refer to note 21 of Schedule 24 for loans and advances to parties under the same management as defined under Section 370 (1-B) of the Companies Act, 1956.

SCHEDULE - 12		
Other current assets		
(Unsecured, considered good, except where provided for)		
Export incentives accrued	**1,151.88**	799.71
Exchange gain accrued on forward contracts	**1,349.85**	1,252.51
Insurance claims receivable	**20.57**	8.61
Interest accrued but not due	**182.23**	1,016.05
Others		
– Considered good	**–**	129.09
– Considered doubtful	**–**	16.35
	2,704.53	3,222.32
Less: Provision for doubtful other current assets	**–**	16.35
	2,704.53	3,205.97
SCHEDULE - 13		
Current liabilities		
Sundry creditors ^		
– Dues to micro and small enterprises (Refer to note 19 to Schedule 24)	**20.51**	22.36
– Others #@	**27,830.29**	12,425.40
Book overdraft	**342.56**	294.39
Interest accrued but not due on loans	**74.84**	58.29
Unclaimed dividend *	**51.97**	56.04
Payable towards unrealised loss on currency options	**22,268.69**	11,261.14
Advance from customers	**345.10**	209.61
Other liabilities $	**642.83**	583.59
	51,576.79	24,910.82
^ Include due to subsidiary companies / entities.	**1,808.46**	1,769.56
# Include payable to employees such as salary, bonus etc.	**803.55**	711.43
@ Include deferred income	**210.00**	630.00
$ Include payable in respect of employees benefits such as provident fund, Employees State Insurance (ESI) etc.	**49.21**	48.20
* Not due for deposit to Investor Education and Protection Fund.		

Schedules forming part of the financial statements for the year ended 31 December 2011

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

	As at 31 December 2011	As at 31 December 2010
SCHEDULE - 14		
Provisions		
Employee benefits (Refer to note 11 of Schedule 24)	**2,482.55**	2,416.52
Income-tax (net of advance tax Rs. 8,191.45 in previous year)	**–**	231.62
Premium payable on redemption of FCCBs*	**–**	5,648.12
Settlement provision#	**26,625.00**	–
Proposed dividend	**–**	842.08
Tax on proposed dividend	**–**	139.86
	29,107.55	9,278.20

* Provision created during the year Rs. 297.34 (previous year Rs. 954.34) and provision utilised during the year is Rs. 5,945.46 (previous year Rs. nil).
# Refer to note 2 of Schedule 24. Also, includes unrealised foreign exchange loss of Rs. 145 (previous year Rs. Nil) on restatement as at the year-end.

	Year ended 31 December 2011	Year ended 31 December 2010
SCHEDULE - 15		
Operating income		
Sales		
Domestic	**19,952.90**	18,231.58
Export	**54,996.54**	34,435.51
	74,949.44	52,667.09
Royalty, technical know-how and product development *	**613.16**	790.14
Export incentives	**999.36**	786.57
Income from settlement agreements	**–**	2,292.59
Non-compete fee	**420.00**	210.00
Others	**109.73**	126.86
	2,142.25	4,206.16
	77,091.69	56,873.25

* Includes prior period income Rs. Nil (previous year Rs. 136.90)

SCHEDULE - 16		
Other income		
Interest* [gross of tax deducted at source Rs. 65.94 (previous year Rs. 135.25)]	**898.61**	1,451.70
Net foreign exchange and derivatives gain on loans	**–**	1,406.98
Net foreign exchange gain (others)	**1,965.14**	–
Dividend from overseas subsidiaries [gross of tax deducted at source Rs. 0.38 (previous year Rs. 0.38)]	**11.83**	13.06
Profit on sale of assets [net of loss Rs. 66.73 (previous year Rs. 30.55)]#	**74.36**	260.59
Profit on sale of trade investments	**0.23**	–
Unclaimed balances / excess provision written back	**238.56**	225.79
Reversal of provision/write-off of doubtful debts, advances and other current assets	**29.47**	–
Reversal of provision for diminution in the value of current investment (trade)	**–**	4.36
Lease rental [gross of tax deducted at source Rs. 12.63 (previous year Rs. 6.30)] [Refer to note (10)(b) of Schedule 24]	**126.30**	63.00
Reversal of deferred employees compensation	**–**	3.45
Miscellaneous	**118.11**	174.36
	3,462.61	3,603.29
Notes :		
* Represents Interest on:		
Current investments - non trade	**94.21**	133.05
Income-tax refunds	**5.62**	5.50
Loans and deposits:		
- Short term deposits with banks	**792.98**	1,307.52
- Subsidiary companies	**–**	0.16
- Employee loans	**5.70**	5.34
- Others	**0.10**	0.13
	898.61	1,451.70

Previous year amount included profit of Rs. 131.81 from sale of New Drug Discovery Research Centre to Daiichi Sankyo India Pharma Private Limited.

Schedules forming part of the financial statements for the year ended 31 December 2011

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

		Year ended 31 December 2011		Year ended 31 December 2010
SCHEDULE - 17				
Material consumed				
Raw materials consumed #		**15,636.51**		13,671.12
Stores and spares consumed		**1,014.37**		939.04
Packaging materials consumed		**2,212.62**		1,961.13
Finished goods purchased		**6,367.31**		6,520.52
Increase in work-in-progress and finished goods				
Opening 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	
Less :				
Closing stock				
Work-in-progress	**6,175.94**		4,826.21	
Finished goods				
– Own manufactured	**3,772.56**		3,639.14	
– Traded	**1,001.22**		1,127.15	
	10,949.72		9,592.50	
Net increase		**(1,357.22)**		(1,614.25)
(Decrease)/ increase in excise duty		**(12.53)**		231.78
		23,861.06		21,709.34
# Include Rs. 285.59 (previous year Rs. 219.35) paid to subsidiaries in respect of material consumed by them on behalf of the Company.				
SCHEDULE - 18				
Personnel expenses				
Salaries, wages and bonus*		**7,645.46**		6,850.45
Contribution to provident and other funds (Refer to note 11 of Schedule 24)		**544.97**		571.78
Workmen and staff welfare		**379.12**		339.15
Amortisation of deferred employees stock options compensation		**78.32**		–
		8,647.87		7,761.38
* Include a prior period expense amounting to Rs. 117.20 (previous year Rs. nil)				
SCHEDULE - 19				
Operating and other expenses				
Advertising and sales promotion		**3,125.96**		2,287.52
Power and fuel		**1,949.80**		1,642.43
Net foreign exchange loss (others)		**–**		209.32
Legal and professional (Refer to note 9 of Schedule 24)		**2,238.94**		1,579.54
Freight, clearing and forwarding		**1,623.49**		1,480.71
Travel and conveyance		**1,388.24**		1,258.76
Processing charges		**912.93**		821.11
Repairs and maintenance				
– Buildings		**48.79**		44.68
– Plant and machinery		**213.97**		156.53
– Others		**484.37**		405.07
Market research		**420.63**		570.10
Rent [Refer to note (10)(a) of Schedule 24]		**569.99**		531.83
Clinical trials		**313.92**		515.05
Commission		**402.78**		413.82
Regulatory filing fee		**343.34**		301.37
Communication		**293.22**		282.83

Schedules forming part of the financial statements for the year ended 31 December 2011

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

	Year ended 31 December 2011	Year ended 31 December 2010
Insurance	**333.67**	294.85
Rates and taxes	**168.44**	219.21
Recruitment and training	**191.85**	159.73
Running and maintenance of vehicles	**153.37**	137.77
Conferences and meetings	**194.17**	137.44
Analytical charges	**408.36**	310.66
Printing and stationery	**108.78**	99.24
Claims and contractual payments (Refer to note 4 of Schedule 24)	**15,183.23**	153.57
Excise duty	**47.87**	25.59
Cash discounts	**15.16**	12.88
Fixed assets written off	**22.98**	86.04
Provision / write–off of doubtful debts, advances and other current assets	**–**	166.80
Provision for diminution in value of current investment	**13.23**	–
Miscellaneous	**670.85**	617.07
	31,842.33	14,921.52
SCHEDULE - 20		
Financial expenses		
Interest		
On fixed period loans	**645.38**	309.96
On others	**48.97**	231.98
Net foreign exchange and derivatives loss on loans	**5,341.23**	–
	6,035.58	541.94
SCHEDULE - 21		
Tax charge, net		
Current income-tax	**55.52**	3,625.03
Minimum alternative tax credit entitlement	**(55.52)**	(3,587.69)
Deferred tax charge	**66.86**	4,117.42
Tax - earlier years #	**(33.07)**	10.43
	33.79	4,165.19
# Net of debit adjusted of Rs. 2.88 (previous year net of credit adjusted of Rs. 23.34)		
SCHEDULE - 22		
Earnings per share		
Net (loss)/ profit attributable to equity shareholders		
Net (loss)/ profit available for equity shareholders **(A)**	**(30,520.49)**	11,487.26
Less: Exchange gain on FCCBs	**–**	(803.00)
(B)	**(30,520.49)**	10,684.26
Number of weighted average equity shares		
Basic **(C)**	**421,432,388**	420,731,680
Effect of dilutive equity shares on account of *		
- Employees stock options outstanding	**–**	2,071,594
- FCCBs	**–**	27,119,165
Diluted **(D)**	**421,432,388**	449,922,439
Nominal value of equity share (Rs.)	**5.00**	5.00
(Loss)/ Earning per share (Rs.) **(A/C)**		
Basic **(A/C)**	**(72.42)**	27.30
Diluted **(B/D)**	**(72.42)**	23.75
* 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:		
- Employees stock options outstanding	**6,755,211**	1,306,730

Schedules forming part of the financial statements for the year ended 31 December 2011

SCHEDULE - 23

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 and as adopted consistently by the Company.

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 transfer pricing related adjustments, provisions of future obligation under employee 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. Advances paid towards acquisition of fixed assets outstanding at each balance sheet date and cost of assets not ready for intended use before the year end, are shown as capital work in progress.

Borrowing costs directly attributable to acquisition, construction or erection of fixed assets, which necessarily take a substantial period of time to be ready for the intended use, are capitalized. Capitalisation of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying assets for their intended uses are complete. Borrowing costs include exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. Other borrowing costs are recognised as an expense in the Profit and Loss Account in the year in which they are incurred.

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 (included in furniture and fixture) are depreciated over their estimated useful life, or the remaining period of lease from the date of capitalization, whichever is shorter.

Depreciation on additions is provided on a pro-rata basis from the date of acquisition/installation. Depreciation on sale/deduction from fixed assets is provided for upto the date of sale/adjustment, as the case may be. Modification or extension to an existing asset, which is of capital nature and which becomes an integral part thereof is depreciated prospectively over the remaining useful life of that asset.

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 and computer software 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

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 recognised on transfer of significant risks and rewards of ownership to the customers. Revenue includes excise duty and is 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 2011

SCHEDULE - 23

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 recognised on an 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 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 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 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 and spares are carried at cost. Cost includes purchase price, taxes (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 the price of 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. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

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 equivalents

Cash and cash equivalents comprise cash balances on hand, cash balance with bank, and highly liquid investments with original 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 follows Securities and Exchange Board of India (SEBI) guidelines for accounting of employee stock options. The cost is calculated based on the intrinsic value method i.e. the excess of value of underlying equity shares as of the date

Schedules forming part of the financial statements for the year ended 31 December 2011

SCHEDULE - 23

SIGNIFICANT ACCOUNTING POLICIES

of the grant of options over the exercise price of such options is recognised and amortised on a straight line basis over the aggregate vesting period of the entire option (i.e. vesting period of the last separately vesting portion of the option). The cost recognised at any date at least equals the intrinsic value of the vested portion of the option at that date.

Foreign currency transactions, 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 exchange rate that approximates the actual exchange rate on date of the transaction. 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 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 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') which is transferred to the Profit and Loss Account in the same period in which the hedged item affects the Profit and Loss Account. If the hedging instrument no longer meets the criteria for hedge accounting, expire or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in hedging reserve is reclassified in the Profit and Loss Account. 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. In respect of gratuity, the Company fully contributes all ascertained liabilities in the respective employee trusts. Trustees administer contributions made to the Trusts and contributions are invested in specific instruments, as permitted by the law.

Schedules forming part of the financial statements for the year ended 31 December 2011

SCHEDULE - 23

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 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. Till previous year, pending the issuance of the guidance note from the Actuarial Society of India, the Company's actuary had expressed an inability to reliably measure provident fund liabilities. Accordingly, the Company was unable to recognize the expected shortfall in future, if any and exhibit the related information. During the year ended 31 December 2011, the guidance note has been issued by the Actuarial Society of India. Pursuant to the same, liability in respect of provident fund schemes (as a defined benefit plan) has been determined on the basis of actuarial valuation.

The liability in respect of all defined benefit plans is accrued in the books of account on the basis of actuarial valuation carried out by an independent actuary 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.

Past service cost

Past service cost is recognised as an expense the Profit and Loss Account on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are already vested immediately following the introduction of, or changes to, a defined benefit plan, the past service cost is recognised immediately in the Profit and Loss Account. Past service cost may be either positive (where benefits are introduced or improved) or negative (where existing benefits are reduced).

Defined contribution plans

The employees' superannuation fund scheme and employee state insurance scheme of the Company are defined contribution plans. The Company's contribution paid/payable under the scheme is recognised as an expense in the Profit and Loss Account during the year in which the employee render the related service i.e. on an 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 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.

Schedules forming part of the financial statements for the year ended 31 December 2011

SCHEDULE - 23

SIGNIFICANT ACCOUNTING POLICIES

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.

Deferred tax charge or credit in Profit and Loss Account 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.

Further, tax effect in respect of timing differences originated from items adjusted against reserves are recognised with a corresponding adjustment to such reserves.

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. Deferred tax consequences of timing differences that originate in the tax holiday period and reverse after the tax holiday period are recognised in the period in which the timing differences originate. Timing differences that originate and reverse within tax holiday period are not considered for deferred tax purposes.

Minimum alternate tax payable under the provisions of the Income Tax Act 1961 is recognised 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 and it is more likely than not that there will be an outflow of resources embodying economic benefits to settle such obligation and the amount of such obligation can be reliably estimated. Provisions are not discounted to its present value, and are determined based on the management's best estimate of the amount of obligation required at the year end. These are reviewed at each Balance Sheet date and adjusted to reflect current management estimates.

Contingent liabilities are disclosed in respect of possible obligations that have arisen from past events and the existence of which will be confirmed only by the occurrence or non occurrence of future events not wholly within the control of the Company. 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 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 recognised 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 recognised in the Profit and Loss Account on a straight-line basis over the lease period.

Earnings per share

Basic earnings/(loss) per share are calculated by dividing the net profit/ 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 period is adjusted for events of bonus issue and share split. For the purpose of calculating diluted earnings/(loss) 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 2011
(Rupees in millions, except for share data, and if otherwise stated)

SCHEDULE - 24

Notes to the Financial Statements

1. Background

Ranbaxy Laboratories Limited ('the Company') together with its subsidiaries and associate, 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.

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

On 20 December 2011, the Company agreed to enter into a Consent Decree with the Food and Drug Administration ("FDA") of United States of America ("USA") to resolve the existing administrative actions taken by FDA against the Company's Paonta Sahib and Dewas facilities. The Consent Decree was approved by the United States District Court for the District of Maryland on 26 January 2012. The Consent Decree establishes certain requirements intended to further strengthen the Company's procedures for ensuring the integrity of data in its US applications and good manufacturing practices at its Paonta Sahib and Dewas facilities. Successful compliance with the terms of the Consent Decree is required for the company to resume supply of products from the Dewas and Paonta Sahib facilities to USA.

Further, the Company is negotiating towards a settlement with the Department of Justice ("DOJ") of USA for resolution of potential civil and criminal allegations by DOJ. Accordingly, the Company has recorded a provision of Rs. 26,480 (USD 500 million) which the Company believes will be sufficient to resolve all potential civil and criminal liability.

3. a) Significant sales outside India for the year ended 31 December 2011 and 2010 include sales relating to First-To-File (FTF) products in the USA. Pursuant to the accounting policy followed by the Company, sales outside India for aforesaid period includes transfer pricing adjustment with group companies for materials already supplied to its subsidiary determined on the basis of significant judgment and estimates.

b) The Board of Directors in a meeting held on 22 February 2011 had proposed a dividend of Rs. 2 per share for the year ended 31 December 2010. Accordingly, the Company had recorded a provision of Rs. 842.08 in the year ended 31 December 2010.

Proposed dividend for the current year represents dividend paid to shareholders to whom shares were allotted between 1 January 2011 till the record date (prior to Annual General Meeting). Further, tax on proposed dividend in the current year represents the reversal due to decrease in dividend distribution tax rate applicable at the date of payment.

4. The Company has accrued an expense as claims and contractual payment towards a portion of profit payable to another party in relation to sales of a product. The costs incurred on account of aforesaid profit-sharing are included in 'Claims and contractual payments' under Schedule 19.

5. During the previous year, the Company had created a provision of Rs. 4,078 for diminution in the value of long-term investments in Zenotech Investments Limited, Shimal Research Laboratories Limited and Ranbaxy Pharmacie Generiques SAS, France.

Further, during the previous year, the Company had earned a profit of Rs. 2,255.03 on sale of current investments.

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

Schedules forming part of the financial statements for the year ended 31 December 2011
(Rupees in millions, except for share data, and if otherwise stated)

SCHEDULE - 24

Notes to the Financial Statements

discretion of the committee to selected employees depending upon certain criterion. As at 31 December 2010, there were 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, 40,000 for ESOS II and 300,000 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 grant.

During the current year, the Company has introduced a new ESOP scheme namely Ranbaxy Employees Stock Option Plan 2011 "ESOP 2011" with effect from 1 July 2011. This scheme limits the maximum grant of options to an employee or a director at 30,000 in any given year. ESOP 2011 provides that the grant price will be the face value of the equity share. The options vests evenly over a period of three years from the date of grant. Options lapse, if they are not exercised prior to the expiry date, which is three months from the date of the vesting.

The Shareholders 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
09 May 2011	3,000,000

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) granted under ESOS I, ESOS II and ESOS 2005 for the year ended 31 December 2011 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	7,401,143	216.00-561.00	415.42	5.99
Granted during the year	-	-	-	-
Forfeited during the year	(249,482)	216.00-450.00	372.68	-
Exercised during the year**	(600,949)	216.00-538.50	344.91	-
Lapsed during the year	(297,612)	216.00-538.50	438.96	-
Outstanding, end of the year*	6,253,100	216.00-561.00	422.78	5.01
Exercisable at the end of the year*	4,222,511	216.00-561.00	447.99	3.95

* Includes options exercised, pending allotment.

** excluding 33,082 shares issued towards bonus entitlement.

Schedules forming part of the financial statements for the year ended 31 December 2011
(Rupees in millions, except for share data, and if otherwise stated)

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Notes to the Financial Statements

The movement of the options (post split) granted under ESOP 2011 for the year ended 31 December 2011 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	–	–	–	–
Granted during the year	802,612	5.00	5.00	1.74
Forfeited during the year	(36,894)	5.00	5.00	–
Exercised during the year	–	–	–	–
Lapsed during the year	–	–	–	–
Outstanding, end of the year*	765,718	5.00	5.00	1.74
Exercisable at the end of the year*	4,933	5.00	5.00	0.74

*Includes options exercised, pending allotment.

The movement of the options (post split and without adjustment for bonus shares) granted under ESOS I, ESOS II and ESOS 2005 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

*Includes options exercised, pending allotment.
** excluding 33,396 shares issued towards bonus entitlement.

7. On 28 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 stood lapsed and the amount of Rs. 73.70 per warrant aggregating to Rs. 1,756.59 paid by Daiichi Sankyo had been forfeited and taken to the Capital Reserve Account.

8. Capital work-in progress includes:

	Particulars	As at 31 December 2011	2010
[i]	Capital advances to vendors	**134.97**	64.74
[ii]	Project related expenses (directly allocable)		
	Opening balance	**324.31**	277.68
	Additions during the year		
	Salaries, wages and bonus	**55.71**	104.64

Schedules forming part of the financial statements for the year ended 31 December 2011
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SCHEDULE - 24

Notes to the Financial Statements

Particulars	As at 31 December 2011	2010
Contributions to provident and other funds	**3.26**	10.90
Workmen and staff welfare	**0.87**	2.49
Raw materials consumed	**–**	5.18
Power and fuel	**3.18**	15.92
Insurance	**0.58**	0.14
Others	**19.19**	45.79
	407.10	462.74
Less: Capitalised during the year	**346.35**	138.43
Balance as at the year end	**60.75**	324.31
[iii] Other assets	**2,030.49**	2,912.77
Total of [i], [ii] and [iii]	**2,226.21**	3,301.82

9. Payment to auditors (exclusive of service tax)

	For the year ended 31 December 2011	2010
a] Statutory auditors		
Statutory audit fee	**13.00**	13.00
Tax audit fee	**3.50**	2.88
Limited review fee	**18.60**	17.40
Other matters	**6.15**	8.40
Out of pocket expenses	**1.85**	1.12
	43.10	42.80
b] Cost auditors		
Audit fee	**0.80**	0.94
Certification	**0.50**	0.80
Out of pocket expenses	**0.06**	0.06
	1.36	1.80

10. Leases

(a) The Company has taken on lease certain facilities under cancellable and non-cancellable operating leases arrangements with lease term ranging from 11 months 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. 569.99 (previous year Rs. 531.83). The future minimum lease payments in respect of non-cancellable operating leases as at 31 December 2011 and 31 December 2010 are:

	As at 31 December 2011	2010
i) not later than one year	**133.92**	166.55
ii) later than one year but not later than five years	**325.04**	340.15
ii) later than five years	**37.90**	64.36
	496.86	571.06

(b) The Company has given a part one of its premises under cancellable operating lease arrangement to a related party. Lease rentals amounting to Rs. 126.30 (previous year Rs. 63) 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 2011
(Rupees in millions, except for share data, and if otherwise stated)

SCHEDULE - 24

Notes to the Financial Statements

11. Employee benefits

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

(a) Pension
(b) Gratuity
(c) Provident fund

During the year, the Company has recognised an expense of Rs. 113.34 (previous year Rs. 98.34) pertaining to employers' contribution to superannuation fund, Employees State Insurance Scheme and other defined contribution schemes which is included in "Personnel cost" in Schedule 18. Further, the Company has recognised an expense of Rs. 128.29 (previous year Rs. 90.37) in various fund schemes for overseas representative offices.

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

Change in the present value of obligations:	**Pension (Unfunded)**	**Provident fund (Funded)**	**Gratuity (Funded)**
Present value of obligation as at 1 January 2011	**1,992.95** *1,756.50*	**2,975.90** *2,547.72*	**734.19** *525.07*
Add: Current service cost	**94.05** *134.94*	**156.74** *136.87*	**57.79** *48.64*
Add: Interest cost	**152.09** *125.55*	**233.85** *197.63*	**53.48** *36.03*
Less: Benefits paid/settlements	**76.33** *69.58*	**470.03** *195.99*	**47.78** *58.64*
Add: Employees' contribution	**–** –	**295.83** *252.08*	**–** –
Add: Transfers in	**–** –	**69.01** *61.35*	**–** –
Add: Actuarial (gain)/ loss on obligations	**(94.10)** *45.54*	**(64.90)** *(23.76)*	**45.21** *183.09*
Present value of obligation as at 31 December 2011	**2,068.66** *1,992.95*	**3,196.41** *2,975.90*	**842.90** *734.19*

Change in the fair value of plan assets:	**Provident fund (Funded)**	**Gratuity (Funded)**
Fair value of plan assets as of 1 January 2011	**2,931.95** *2,462.26*	**665.86** *439.29*
Add: Expected return on plan assets	**247.87** *216.72*	**66.08** *43.48*
Add: Company's contributions	**142.57** *118.63*	**163.66** *238.77*
Add: Employees' contributions	**295.83** *252.08*	**–** –
Add: Transfer in fund	**69.01** *61.35*	**–** –
Less: Benefits paid/settlements	**470.03** *195.99*	**47.78** *58.64*
Add: Actuarial gain/ (loss) on plan assets	**11.66** *16.90*	**(1.06)** *2.96*
Fair value of plan assets as of 31 December 2011	**3,228.86** *2,931.95*	**846.77** *665.86*

Return on plan assets:	**Provident fund (Funded)**	**Gratuity (Funded)**
Expected return on plan assets	**247.87** *216.72*	**66.08** *43.48*
Add: Actuarial gain/ (loss) on plan assets	**11.66** *16.90*	**(1.06)** *2.96*
Actual return on plan assets	**259.54** *233.62*	**65.03** *46.44*

Schedules forming part of the financial statements for the year ended 31 December 2011
(Rupees in millions, except for share data, and if otherwise stated)

SCHEDULE - 24

Notes to the Financial Statements

Reconciliation of present value of defined benefit obligation and the fair value of plan assets:	**Provident fund (Funded)**	**Gratuity (Funded)**
Present value of funded obligation as of 31 December 2011	**3,196.41**	**842.90**
	2,975.90	*734.19*
Less: Fair value of plan assets as at 31 December 2011	**3,228.86**	**846.77**
	2,931.95	*665.86*
Funded status as at 31 December 2011 - (asset)/ liability	**(32.45)**	**(3.87)**
	43.95	*68.33*
Net (asset)/ liability recognised in Balance Sheet as at 31 December 2011	**(32.45)**	**(3.87)**
	43.95	*68.33*

Gratuity and provident fund contribution expected to be paid in the next year is Rs. 152 (previous year Rs. 110) and Rs. 163.6 (previous year Rs. 135.3) respectively.

Expenses recognised in the Profit and Loss Account:	**Pension (Unfunded)**	**Provident fund (Funded)**	**Gratuity (Funded)**
Current service cost	**94.05**	**156.74**	**57.79**
	134.94	*136.87*	*48.64*
Add: Interest cost	**152.09**	**233.85**	**53.48**
	125.55	*197.63*	*36.03*
Add: Expected return on plan assets	**–**	**(247.87)**	**(66.08)**
	–	*(216.72)*	*(43.48)*
Add: Net actuarial loss/(gain) recognised	**(94.10)**	**(76.56)**	**46.27**
	45.54	*(40.66)*	*163.82* *
Expense to be recognised in the Profit and Loss Account	**152.04**	**66.16**	**91.46**
	306.03	*77.12*	*205.01*
Less: Amount capitalised on projects	**1.23**	**–**	**(0.30)**
	15.69	*–*	*2.78*
Expense recognised in the Profit and Loss Account	**150.81**	**66.16** #	**91.76**
	290.34	*77.12*	*202.23*

* includes impact of change in actuary.

Further, during the year, the Company has recognised an expense of Rs. 209.39 (previous year Rs. 179.92) pertaining to employers' contribution to provident fund including portion paid to the statutory authorities, which is included in "Personnel cost" in Schedule 18.

Represents employer's contribution to provident fund made by the Company to provident fund trust administered by the Company, net for reversal of unrecognized deficit of Rs. 43.95 (previous year Rs. 85.45) as at the beginning of the year (this being first year of actuarial valuation) and unrecognized surplus of Rs. 32.45 (previous year Rs. Nil) as at 31 December 2011 (in absence of any right to claim the surplus), both being considered in actuarial valuation.

Figures in italics are for the year ended 31 December 2010

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

Particulars	**Provident fund**	**Gratuity**
Central Government securities	**20%**	**3%**
	17%	*9%*
State Government securities	**12%**	**1%**
	11%	*4%*
Bonds and securities of public sector / Financial Institutions	**66%**	**96%**
	70%	*87%*
Deposit with Reserve Bank of India	**2%**	**0%**
	2%	*0%*
Insurer managed funds	**0%**	**1%**
	0%	*1%*

Schedules forming part of the financial statements for the year ended 31 December 2011
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SCHEDULE - 24

Notes to the Financial Statements

The following table sets out the assumptions used in valuation of provident fund, pension and gratuity:

Particulars	Provident fund (Funded)	Pension (Unfunded)	Gratuity (Funded)
Actuarial assumptions			
Discount rate	**8.50%**	**8.50%**	**8.50%**
	7.90%	*7.90%*	*7.90%*
Rate of increase in compensation levels #	**N.A.**	**7-10%**	**7-10%**
	N.A.	*7-10%*	*7-10%*
Interest rate guarantee	**8.50%**	**N.A.**	**N.A.**
	8.50%	*N.A.*	*N.A.*
Rate of return of plan assets*	**9%**	**N.A.**	**9%**
	8.50%	*N.A.*	*9%*
Expected average remaining working lives of employees (years)	**19.93-23.94**	**18.82**	**19.81-24.41**
	19.99-24.28	*20.00*	*20.09-24.72*

10% for the first two years and 7% thereafter (previous year 10% for the first three years and 7% thereafter). The salary increase takes account of inflation, seniority, promotion and other relevant factors on long term basis.
*On the basis of average rate of earnings expected on the funds invested.

Demographic assumptions

Mortality	**Indian assured lives mortality (1994-96) modified ultimate**
	Indian assured lives mortality (1994-96) modified ultimate
Disability	**5% of mortality rate**
	5% of mortality rate
Withdrawal	**15% - 18%**
	15%
Retirement age	**58 years**
	58 years

Amount for the current year and previous four years are as follows##:

Pension plan:

	For the year ended 31 December				
	2011	**2010**	**2009**	**2008**	**2007**
Present value of defined benefit obligation	**(2,068.66)**	(1,992.95)	(1,756.50)	(1,571.19)	(1,205.49)
Experience adjustment (gain)/ loss for plan liability	**78.93**	(17.89)	23.29	(27.10)	(5.34)

Gratuity plan:

	For the year ended 31 December				
	2011	**2010**	**2009**	**2008**	**2007**
Present value of defined benefit obligation	**(842.90)**	(734.19)	(525.07)	(482.17)	(378.88)
Fair value of plan assets	**846.77**	665.86	439.29	439.19	354.52
Surplus/(deficit)	**3.87**	(68.33)	(85.78)	(42.98)	(24.36)
Experience adjustment (gain)/ loss for plan liability	**65.87**	117.66	52.30	72.38	32.96
Experience adjustment gain/ (loss) for plan assets	**(1.06)**	2.95	-	0.40	0.67

not given for provident fund scheme, as this is the first year of actuarial valuation.

The liability for compensated absences as at 31 December 2011 was Rs. 410.52 (previous year Rs. 355.24).
Figures in italics are for the year ended 31 December 2010

Schedules forming part of the financial statements for the year ended 31 December 2011
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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 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 2012 to July 2013 years which also approximates/ coincides with maturity of hedging instruments. The ineffectiveness arising from cash flow hedges which is 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 2011					
Forward contracts*	USD	INR	USD 195.00	Sell	Hedging
Forward contracts	EUR	USD	EUR 1.00	Sell	Hedging
Forward contracts (for loans)	USD	INR	USD 54.00	Buy	Hedging
Currency options**	USD	INR	USD 654.50	Sell	Hedging
Currency swaps (for loans)	JPY	USD	JPY 5,900	Buy	Hedging
Interest rate swap (JPY LIBOR)	JPY		JPY 2,900		Hedging
Cumulative mark to market loss on above instruments, net #			Rs. (20,855.04)		
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 (for loans)	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)		

determined based on valuation provided by banks i.e counter party.
* Designated as cash flow hedge instruments.
** Structured options @ 2.00 to 2.50 times.

c) The Company's unhedged foreign currency exposures on account of payables/ receivables are as follows**:

	As at 31 December 2011		As at 31 December 2010	
	[in original currency (in millions)]	(in Rupees)	[in original currency (in millions)]	(in Rupees)
Receivables				
– EURO *	**23.73**	**1,635.11**	17.16	1,026.55
– BRL	**–**	**–**	8.71	234.00
– ZAR ^	**191.49**	**1,244.36**	43.24	291.00
– RUB	**978.82**	**1,622.02**	980.81	1,434.34
– GBP	**1.80**	**147.74**	2.56	178.00
– AUD	**9.65**	**521.12**	5.52	252.00
– SEK	**8.40**	**64.71**	1.81	12.00

Schedules forming part of the financial statements for the year ended 31 December 2011
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Notes to the Financial Statements

	As at 31 December 2011		As at 31 December 2010	
	[in original currency (in millions)]	(in Rupees)	[in original currency (in millions)]	(in Rupees)
– NZD	**0.30**	**12.50**	0.08	3.00
– MYR	**1.99**	**33.34**	1.04	15.00
– JPY	**0.09**	**0.06**	41.78	23.00
– THB	**50.08**	**83.98**	36.80	55.00
– MXN	**8.56**	**32.50**	8.36	30.00
– RMB	**0.56**	**4.71**	0.56	4.00
– NGN	**9.44**	**3.21**	8.86	3.00
– MMK	–	–	0.11	1.39
– CHF	–	–	0.01	0.37
– USD #	–	–	–	–
* Net of forward contracts of EURO 1 million (previous year EURO 5 million) irrespective of the maturity.				
^ Net of forward contracts of ZAR nil (previous year ZAR 40.75 million) irrespective of the maturity.				
# Net of currency options of USD 654.50 million (previous year USD 846.50 million) irrespective of the maturity.				
Payables				
– USD	**866.02**	**46,115.36**	71.94	3,216.40
– EURO	**6.94**	**478.07**	6.60	394.59
– CAD	**0.08**	**4.26**	0.92	41.02
– GBP	**0.48**	**39.27**	0.39	27.26
– JPY	**63.71**	**43.76**	41.77	23.01
– RUB	**30.71**	**50.94**	61.69	90.22
– UAH	**1.71**	**11.36**	1.65	9.23
– AED	**0.32**	**4.66**	0.52	6.31
– KZT	**7.26**	**2.60**	15.94	4.84
Others@		**41.55**		11.38
Bank balances				
– USD	**103.32**	**5,500.85**	80.27	3,588.29
– LTL	**0.28**	**5.62**	0.30	5.23
– CFR	**99.18**	**10.36**	88.78	7.87
– RUB	**6.51**	**10.79**	4.80	7.02
– PLN	**0.03**	**0.42**	0.03	0.45
– UAH	**0.68**	**4.52**	0.20	1.13
– RMB	**0.21**	**1.78**	0.33	2.21
– AED	**0.13**	**1.84**	0.20	2.43
– KZT	**0.78**	**0.28**	13.85	4.20
– KES	**2.94**	**1.84**	8.42	4.65
Others@		**1.31**		0.26
Loans				
– USD	**508.01**	**27,051.72**	957.93	42,828.98

@ Exposures in other currencies which are not significant has been aggregated for this disclosure.
** Includes representative office payable balances.
For derivatives refer to note 12(a) above.

13. The Board of Directors has approved transfer of the shares held by the Company in Ranbaxy Drugs and Chemicals Company, Ranbaxy Life Sciences Research Limited, Ranbaxy SEZ Limited, Solus Pharmaceuticals Limited and Rexcel Pharmaceuticals Limited (subsidiaries of the Company) to Ranbaxy Drugs Limited (RDL), another subsidiary of the Company. Thereafter these subsidiary companies are proposed to be merged with RDL, subject to requisite approvals.

Schedules forming part of the financial statements for the year ended 31 December 2011
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SCHEDULE - 24

Notes to the Financial Statements

14. a) Directors' remuneration *

	For the year ended 31 December	
	2011	**2010**
Salaries, allowances and bonus	**50.98**	43.96
Contribution to provident and other funds*	**2.43**	1.84
Directors' fee	**1.15**	1.04
Commission	**–**	71.00
Perquisites	**1.37**	0.53
	55.93	118.37

* Does not include the following:

i) Liabilities in respect of gratuity, pension and compensated absences as the same is determined on an actuarial basis for the Company as a whole.

ii) In the previous year, Mr. Arun Sawhney was appointed as the Managing Director of the Company w.e.f. 20 August 2010 for a period of three years. The appointment and remuneration of Mr. Arun Sawhney as the Managing Director was approved by the Board of Directors, however the requisite approval from shareholders was not obtained till the date of the financial statements for the year ended 31 December 2010. In accordance with the remuneration determined by the Board of Directors, Rs. 32.91 (including commission) had been accounted for as an expense in the Profit and Loss Account for the year ended 31 December 2010. During the current year, the requisite approval has been obtained from the shareholders.

iii) The remuneration paid to Mr. Arun Sawhney, CEO and Managing Director was approved by the shareholders of the Company. However, owing to the losses during the year, not determinable on the date of such approval, the remuneration paid during the year ended 31 December 2011 is in excess of the limits specified under the provisions of the Companies Act, 1956 by Rs. 47.55. The Company is taking necessary steps to seek approval from the shareholders and Central Government for excess remuneration paid.

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
Profit before tax as per Profit and Loss Account	15,652.45
Less:	
Profit on sale of assets (net)	260.59
Profit on sale of investments	2,255.03
	13,136.83
Add:	
Directors' remuneration (including commission)	118.37
Fixed assets written off	86.04
Provision for diminution in value of long term investments	4,078.00

Schedules forming part of the financial statements for the year ended 31 December 2011
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Notes to the Financial Statements

	For the year ended 31 December 2010
Net profit	17,419.24
Maximum remuneration which can be paid to whole-time directors as per Companies Act, 1956	1,741.92
Remuneration paid to whole-time directors	67.33
Maximum commission which can be paid to other Directors as per Companies Act, 1956	174.19
Commission paid to other Directors (as determined by the Board of directors)	50.00

Determination of net profits for current year in accordance with the provisions of section 349 of the Companies Act, 1956 has not been given since no commission is payable to directors.

15. Commitments and Contingent liabilities

	As at 31 December 2011	2010
i) Claims against the Company not acknowledged as debts, under dispute:		
(a) Letter of comfort on behalf of subsidiaries, to the extent of limits	**3,681.02**	2,450.84
(b) DPCO *	**2,114.94**	1,952.90
(c) Octroi tax matters **	**171.00**	171.00
(d) Other matters ***	**198.53**	187.30

* 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. 325.59) 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 has received a draft assessment order for the Assessment Year 2008-09 from the Income Tax authorities proposing some additions/ disallowances to its taxable income. The Company has not accepted the same and has filed its objections before the Dispute Resolution Panel. Pending disposal of these objections, the amount of tax liability is not ascertainable.

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.

v) Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	**816.10**	775.67

Schedules forming part of the financial statements for the year ended 31 December 2011
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SCHEDULE - 24

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	
	2011	**2010**
Salaries, wages and bonus	**1,331.36**	1,531.59
Contribution to provident and other funds	**93.61**	92.82
Workmen and staff welfare	**52.97**	54.15
Raw materials consumed	**1,082.10**	854.11
Stores and spares consumed	**428.76**	425.52
Power and fuel	**351.53**	314.96
Clinical trials	**302.83**	510.02
Rent	**214.73**	211.50
Printing and stationery	**20.46**	19.32
Insurance	**38.98**	37.38
Communication	**54.12**	73.51
Legal and professional	**19.19**	16.27
Travel and conveyance	**79.78**	81.47
Running and maintenance of vehicles	**30.54**	30.64
Analytical and processing charges	**86.91**	67.64
Repairs and maintenance		
- Buildings	**6.06**	10.82
- Plant and machinery	**32.07**	36.71
- Others	**125.61**	104.02
Recruitment and training	**7.50**	12.81
Others	**170.11**	295.44
	4,529.22	4,780.70

* Excluding depreciation, amortisation and impairment.

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)
2 Daiichi Sankyo Development Limited, United Kingdom ('U.K.')
3 Daiichi Sankyo, Inc., USA

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

1 Ranbaxy Drugs and Chemicals Company (Company with unlimited liability)
2 Solus Pharmaceuticals Limited
3 Ranbaxy SEZ Limited
4 Rexcel Pharmaceuticals Limited
5 Gufic Pharma Limited
6 Ranbaxy Life Sciences Research Limited

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Notes to the Financial Statements

7 Ranbaxy Drugs Limited
8 Vidyut Investments Limited
9 Solrex Pharmaceuticals Company (a Partnership firm)

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 Farmaceutica Ltda., Brazil
6 Ranbaxy Signature LLC, USA
7 Ranbaxy PRP (Peru) SAC
8 Ranbaxy Australia Pty Ltd., Australia
9 Lapharma GmbH, Germany (upto 16 December 2010)
10 Ranbaxy Unichem Co. Ltd., Thailand
11 Ranbaxy USA, Inc., USA
12 Ranbaxy Italia S.p.A, Italy
13 Ranbaxy (Malaysia) Sdn. Bhd., Malaysia
14 Be-Tabs Investments (Proprietary) Ltd., South Africa
15 Ranbaxy Japan KK, Japan (upto 16 September 2010)
16 Ranbaxy NANV, The Netherlands (upto 17 November 2010)
17 Ranbaxy (Poland) S. P. Zoo, Poland
18 Ranbaxy Nigeria Limited, Nigeria
19 Ranbaxy Europe Limited, U.K.
20 Ranbaxy (U.K.) Limited, U.K.
21 Basics GmbH, Germany.
22 ZAO Ranbaxy, Russia
23 Terapia S.A., Romania
24 Ranbaxy Pharmaceuticals, Inc., USA
25 Ranbaxy Laboratories Inc., USA
26 Ohm Laboratories, Inc., USA
27 Terapia Distributie S.R.L., Romania
28 Ranbaxy Pharma AB, Sweden
29 Office Pharmaceutique Industriel et Hospitalier SARL, France
30 Ranbaxy Ireland Limited, Ireland
31 Ranbaxy (S.A.) Proprietary Limited, South Africa
32 Ranbaxy Holdings (U.K.) Ltd., U.K.
33 Ranbaxy Do Brazil Ltda., Brazil
34 Laboratorios Ranbaxy, S.L., Spain
35 Ranbaxy Pharmacie Generiques SAS, France
36 Ranbaxy Pharmaceuticals Canada Inc., Canada
37 Sonke Pharmaceuticals (Pty) Ltd., South Africa
38 Ranbaxy Mexico S.A.de C.V., Mexico (upto 29 July 2011)
39 Ranbaxy Mexico Servicios S.A.de C.V., Mexico (upto 29 July 2011)
40 Ranbaxy Portugal - Com E Desenvolv De Prod Farmaceuticos Unipessoal Lda, Portugal
41 Ranbaxy Beligium N.V., Belgium
42 Be-Tabs Pharmaceuticals (Proprietary) Ltd., South Africa
43 Rexcel Egypt (L.L.C.), Egypt
44 Ranbaxy Morocco LLC, Morocco (from 4 February 2011)

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Notes to the Financial Statements

v) Associates (domestic)

1 Zenotech Laboratories Limited
2 Shimal Research Laboratories Limited (upto 30 June 2011)

vi) Key management personnel

1 Mr. Atul Sobti, CEO and Managing Director (upto 19 August 2010)
2 Mr. Arun Sawhney, Managing Director (from 20 August 2010 to 4 August 2011) and CEO and Managing Director (from 5 August 2011)

b] Transactions with the related parties

Transactions	Holding company	Fellow subsi-diaries	Subsi-diaries	Associates	Key manage-ment personnel#	Total
Sales	139.95	–	41,297.88	–	–	41,437.83
	(19.39)	–	(22,194.25)	–	–	(22,213.64)
Royalty, technical know-how and product development (income)	–	–	182.17	–	–	182.17
	(207.25)	–	(153.14)	–	–	(360.39)
Non-compete fee (income recognised)	–	420.00	–	–	–	420.00
	–	(210.00)	–	–	–	(210.00)
Non-compete fee received	–	–	–	–	–	–
	–	(840.00)	–	–	–	(840.00)
Dividend from overseas subsidiaries	–	–	11.83	–	–	11.83
	–	–	(13.06)	–	–	(13.06)
Sale of fixed assets	–	–	–	–	–	–
	–	(589.38)	(142.72)	–	–	(732.10)
Unclaimed balances/ excess provision written back	–	–	–	–	–	–
	–	–	(30.57)	–	–	(30.57)
Interest income	–	–	–	–	–	–
	–	–	(0.16)	–	–	(0.16)
Lease rental income	–	126.30	–	–	–	126.30
	–	(63.00)	–	–	–	(63.00)
Operating income - others	21.67	3.50	–	–	–	25.17
	(6.86)	(8.10)	–	–	–	(14.96)
Other income - miscellaneous	–	49.16	20.31	–	–	69.47
	–	(42.09)	–	–	–	(42.09)
Finished goods purchased	–	–	1,104.90	18.10	–	1,123.00
	(0.02)	–	(1,035.79)	(70.54)	–	(1,106.35)
Market research expenses	–	–	402.08	–	–	402.08
	–	–	(564.48)	–	–	(564.48)

Schedules forming part of the financial statements for the year ended 31 December 2011
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Notes to the Financial Statements

Transactions	Holding company	Fellow subsi-diaries	Subsi-diaries	Associates	Key manage-ment personnel#	Total
Procurement cost of exhibit	–	–	285.59	–	–	285.59
batches	–	–	(219.35)	–	–	(219.35)
Regulatory filing expenses (including other fees)	–	–	299.27	–	–	299.27
	–	–	(310.44)	–	–	(310.44)
Analytical and processing charges	–	–	121.00	–	–	121.00
	–	–	(143.24)	–	–	(143.24)
Clinical trials	–	–	118.64	–	–	118.64
	–	–	(105.11)	–	–	(105.11)
Product quality claim	–	–	150.52	–	–	150.52
	–	–	(13.41)	–	–	(13.41)
Business support expenses	4.54	–	173.07	–	–	177.61
	(4.15)	–	(0.81)	–	–	(4.96)
Travel and conveyance	8.86	0.02	0.57	–	–	9.45
	(5.46)	–	(0.80)	–	–	(6.26)
Royalty expenses	1.28	–	0.24	–	–	1.52
	(1.09)	–	(1.14)	–	–	(2.23)
Personnel expenses	–	–	–	–	54.78	54.78
	–	–	–	–	(67.33)	(67.33)
Technical services availed	55.89	26.77	0.97	–	–	83.63
	(18.76)	–	(20.65)	–	–	(39.41)
Repacking charges	–	–	3.99	–	–	3.99
	–	–	–	–	–	–
Loans and advances given	–	–	0.98	–	–	0.98
	–	–	(6.80)	–	–	(6.80)
Loans and advances received back	–	–	14.70	–	–	14.70
	–	–	(1,500.98)	–	–	(1,500.98)
Purchase of fixed assets	–	–	6.00	–	–	6.00
	–	–	(11.65)	–	–	(11.65)
Security deposit received	–	–	–	–	–	–
	–	(63.00)	–	–	–	(63.00)
Letter of comforts given on behalf of subsidiaries	–	–	835.26	–	–	835.26
	–	–	(134.68)	–	–	(134.68)
Withdrawal of letter of comforts given on behalf of subsidiaries	–	–	–	–	–	–
	–	–	(2,254.92)	–	–	(2,254.92)

Note: Figures in brackets are for previous year

Schedules forming part of the financial statements for the year ended 31 December 2011
(Rupees in millions, except for share data, and if otherwise stated)

SCHEDULE - 24

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 2011	For the year ended 31 December 2010
1	**Sales**			
	Ohm Laboratories, Inc., USA	Subsidiary company	29,657.91	12,632.65
	ZAO Ranbaxy, Russia	Subsidiary company	2,242.42	2,578.14
2	**Royalty, Technical know-how and product development (income)**			
	Daiichi Sankyo Co. Ltd., Japan	Holding company	–	207.25
	Ranbaxy Pharmaceuticals, Inc., USA	Subsidiary company	122.16	80.18
	Ranbaxy (Malaysia) Sdn. Bhd., Malaysia	Subsidiary company	42.65	53.94
3	**Non-compete fee (Income recognised)**			
	Daiichi Sankyo India Pharma Private Limited, India	Fellow subsidiary	420.00	210.00
4	**Non-compete fee received**			
	Daiichi Sankyo India Pharma Private Limited, India	Fellow subsidiary	–	840.00
5	**Dividend from overseas subsidiaries**			
	Ranbaxy (Malaysia) Sdn. Bhd., Malaysia	Subsidiary company	8.04	9.28
	Ranbaxy Unichem Company Ltd., Thailand	Subsidiary company	2.28	2.15
	Ranbaxy Nigeria Limited, Nigeria	Subsidiary company	1.51	1.63
6	**Sale of fixed assets**			
	Ranbaxy Unichem Company Ltd., Thailand	Subsidiary company	–	142.72
	Daiichi Sankyo India Pharma Private Limited, India	Fellow subsidiary	–	589.38
7	**Unclaimed balances/ excess provision written back**			
	Ohm Laboratories, Inc., USA	Subsidiary company	–	30.57
8	**Interest income**			
	Ranbaxy Drugs and Chemicals Company, India	Subsidiary company	–	0.16
9	**Lease rental income**			
	Daiichi Sankyo India Pharma Private Limited, India	Fellow subsidiary	126.30	63.00
10	**Operating income - others**			
	Daiichi Sankyo Co. Ltd., Japan	Holding company	21.67	6.86
	Daiichi Sankyo India Pharma Private Limited, India	Fellow subsidiary	3.50	8.09
11	**Other income - miscellaneous**			
	Daiichi Sankyo India Pharma Private Limited, India	Fellow subsidiary	49.16	42.09
12	**Finished goods purchased**			
	Solrex Pharmaceuticals Company, India (A Partnership firm)	Subsidiary company	1,064.69	972.29
13	**Market research expenses**			
	Ranbaxy Inc., USA	Subsidiary company	62.25	269.65
	Ranbaxy Europe Limited, U.K.	Subsidiary company	269.36	217.59
	Ranbaxy (Malaysia) Sdn. Bhd., Malaysia	Subsidiary company	70.48	77.25
14	**Procurement cost of exhibit batches**			
	Ohm Laboratories, Inc., USA	Subsidiary company	285.59	217.26
15	**Regulatory filing expenses (including other fees)**			
	Ranbaxy (UK) Limited, U.K	Subsidiary company	121.31	127.10
	Ranbaxy Inc., USA	Subsidiary company	–	43.49
	Basics GmbH , Germany.	Subsidiary company	36.65	35.06
	Ranbaxy Pharmacie Generiques SAS, France	Subsidiary company	25.09	32.26

Schedules forming part of the financial statements for the year ended 31 December 2011
(Rupees in millions, except for share data, and if otherwise stated)

SCHEDULE - 24

Notes to the Financial Statements

Sr. No.	Transactions	Related party relationship	For the year ended 31 December 2011	For the year ended 31 December 2010
16	**Analytical and processing charges**			
	Ranbaxy Ireland Limited, Ireland	Subsidiary company	90.88	73.44
	Terapia S.A., Romania	Subsidiary company	30.12	37.38
17	**Clinical trials**			
	Terapia S.A., Romania	Subsidiary company	118.64	105.11
18	**Product quality claim**			
	Ranbaxy Farmaceutica Ltda, Brazil	Subsidiary company	53.86	6.10
	Ranbaxy Ireland Limited, Ireland	Subsidiary company	–	3.88
	ZAO Ranbaxy, Russia	Subsidiary company	–	2.06
	Ranbaxy Pharmacie Generiques SAS, France	Subsidiary company	–	1.38
	Ohm Laboratories, Inc., USA	Subsidiary company	86.33	–
19	**Business support expenses**			
	Daiichi Sankyo Co. Limited, Japan	Holding company	4.54	4.15
	Ranbaxy Inc., USA	Subsidiary company	163.64	–
20	**Travel and conveyance**			
	Daiichi Sankyo Co. Limited, Japan	Holding company	8.86	5.46
21	**Royalty expense**			
	Daiichi Sankyo Co. Limited , Japan	Holding company	1.28	1.09
	Terapia S.A., Romania	Subsidiary company	–	0.90
	Gufic Pharma Limited, India	Subsidiary company	0.24	0.24
22	**Personnel expenses (Also refer to note 14)**			
	Mr. Atul Sobti (Upto 19th August 2010)	Key management personnel	–	34.42
	Mr. Arun Sawhney (From 20th August 2010)	Key management personnel	54.78	32.91
23	**Technical services availed**			
	Daiichi Sankyo Co. Limited , Japan	Holding company	55.89	18.76
	Daiichi Sankyo, Inc., USA	Fellow subsidiary	26.77	–
	Solrex Pharmaceuticals Company, India (A Partnership firm)	Subsidiary company	–	14.83
24	**Loans and advances given**			
	Ranbaxy Drugs and Chemicals Company, India	Subsidiary company	0.40	–
	Ranbaxy Life Sciences Research Limited, India	Subsidiary company	–	6.50
	Ranbaxy Drugs Limited, India	Subsidiary company	0.38	–
	Solus Pharmaceuticals Limited, India	Subsidiary company	0.20	0.30
25	**Loans and advances received back**			
	Rexcel Pharmaceuticals Ltd, India	Subsidiary company	6.30	728.98
	Solus Pharmaceuticals Ltd, India	Subsidiary company	8.00	761.70
26	**Purchase of fixed assets**			
	ZAO Ranbaxy, Russia	Subsidiary company	–	11.65
	Ranbaxy Ireland Limited, Ireland	Subsidiary company	6.00	–
27	**Security deposit received**			
	Daiichi Sankyo India Pharma Private Limited, India	Fellow subsidiary	–	63.00

Schedules forming part of the financial statements for the year ended 31 December 2011
(Rupees in millions, except for share data, and if otherwise stated)

SCHEDULE - 24

Notes to the Financial Statements

Sr. No.	Transactions	Related party relationship	For the year ended 31 December 2011	For the year ended 31 December 2010
28	**Letter of comforts given on behalf of subsidiaries**			
	Ranbaxy (Nigeria) Limited, Nigeria	Subsidiary company	490.43	–
	Ranbaxy Pharmacie Generiques SAS, France	Subsidiary company	344.83	–
	Ranbaxy (Netherlands) BV, The Netherlands	Subsidiary company	–	134.68
29	**Withdrawal of letter of comforts given on behalf of subsidiaries**			
	Ranbaxy Pharmaceuticals, Inc., USA	Subsidiary company	–	930.23
	Ranbaxy Pharmacie Generiques SAS, France	Subsidiary company	–	666.67
	Terapia S.A., Romania	Subsidiary company	–	444.00

d] Balances due from/to the related parties

Sr. No.	Transactions	Holding company	Subsi–diaries*	Associates	Key manage–ment personnel#	Total
1	**Debtors**					
(i)	Ranbaxy (Malaysia) Sdn. Bhd.,	–	224.34	–	–	224.34
	Malaysia	–	(35.97)	–	–	(35.97)
(ii)	Ranbaxy (UK) Limited, U.K	–	229.19	–	–	229.19
		–	(32.25)	–	–	(32.25)
(iii)	ZAO Ranbaxy, Russia	–	1,599.60	–	–	1,599.60
		–	(1,433.59)	–	–	(1,433.59)
(iv)	Ranbaxy Nigeria Limited,	–	111.55	–	–	111.55
	Nigeria	–	(64.34)	–	–	(64.34)
(v)	Ranbaxy Ireland Limited,	–	134.18	–	–	134.18
	Ireland	–	(120.88)	–	–	(120.88)
(vi)	Ranbaxy PRP(Peru) SAC, Peru	–	154.46	–	–	154.46
		–	(168.39)	–	–	(168.39)
(vii)	Ranbaxy (S.A.) Proprietary	–	1,253.53	–	–	1,253.53
	Limited, South Africa	–	(565.43)	–	–	(565.43)
(viii)	Ranbaxy Egypt (L.L.C.), Egypt	–	–	–	–	–
		–	(9.49)	–	–	(9.49)
(ix)	Ranbaxy Farmaceutica Ltda,	–	329.98	–	–	329.98
	Brazil	–	(425.00)	–	–	(425.00)
(x)	Ranbaxy Australia Pty Ltd.,	–	457.80	–	–	457.80
	Australia	–	(178.92)	–	–	(178.92)
(xi)	Ranbaxy Italia S.p.A, Italy	–	205.37	–	–	205.37
		–	(111.58)	–	–	(111.58)
(xii)	Ranbaxy Portugal - Com	–	19.52	–	–	19.52
	E Desenvolv De Prod Farmaceuticos Unipessoal Lda, Portugal	–	(7.68)	–	–	(7.68)

Schedules forming part of the financial statements for the year ended 31 December 2011
(Rupees in millions, except for share data, and if otherwise stated)

SCHEDULE - 24

Notes to the Financial Statements

Sr. No.	Transactions	Holding company and Fellow subsidiaries	Subsi–diaries*	Associates	Key manage–ment personnel	Total
(xiii)	Ranbaxy Pharmacie	–	376.02	–	–	376.02
	Generiques SAS, France	–	(116.51)	–	–	(116.51)
(xiv)	Ranbaxy Pharma AB, Sweden	–	–	–	–	–
		–	(12.07)	–	–	(12.07)
(xv)	Ranbaxy Beligium N.V.,	–	–	–	–	–
	Belgium	–	(33.17)	–	–	(33.17)
(xvi)	Ohm Laboratories, Inc, USA	–	26,399.59	–	–	26,399.59
		–	(4,631.73)	–	–	(4,631.73)
(xvii)	Basics GmbH , Germany.	–	33.37	–	–	33.37
		–	(63.80)	–	–	(63.80)
(xviii)	Laboratorios Ranbaxy, S.L.,	–	111.46	–	–	111.46
	Spain	–	(15.17)	–	–	(15.17)
(xix)	Ranbaxy Unichem Co. Ltd.,	–	83.98	–	–	83.98
	Thailand	–	(65.92)	–	–	(65.92)
(xx)	Terapia S.A., Romania	–	19.73	–	–	19.73
		–	(220.43)	–	–	(220.43)
(xxi)	Ranbaxy Pharmaceuticals, Inc.	–	32.43	–	–	32.43
	USA	–	(67.28)	–	–	(67.28)
(xxii)	Rexcel Egypt (L.L.C.), Egypt	–	1.12	–	–	1.12
		–	–	–	–	–
(xxiii)	Ranbaxy Morocco LLC,	–	2.56	–	–	2.56
	Morocco	–	–	–	–	–
(xxiv)	Daiichi Sankyo Co., Ltd. ,Japan	98.00	–	–	–	98.00
		(8.13)	–	–	–	(8.13)
(xxv)	Daiichi Sankyo India Pharma	4.79	–	–	–	4.79
	Private Limited, India $	(11.34)	–	–	–	(11.34)
(xxvi)	Zenotech Laboratories Limited,	–	–	1.89	–	1.89
	India	–	–	(0.17)	–	(0.17)
(xxvii)	Solrex Pharmaceuticals	–	6.96	–	–	6.96
	Company, India	–	–	–	–	–
	(A Partnership firm)					
2	**Creditors**	111.17	1,808.46	–	–	1,919.63
		(11.37)	(1,769.56)	(8.58)	–	(1,789.51)
3	**Loans and advances to**	–	25.88	–	–	25.88
	subsidiaries	–	(39.60)	–	–	(39.60)
	(Refer to note 21 of Schedule 24)					
4	**Payable to whole-time**	–	–	–	–	–
	director (commission)	–	–	–	(21.00)	(21.00)
5	**Letter of comfort on behalf**	–	3,681.02	–	–	3,681.02
	of subsidiaries	–	(2,450.84)	–	–	(2,450.84)

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.

During the year, the Company has granted stock options to Arun Sawhney, key management personnel in respect of which Rs. 1.18 (previous year Rs. nil) has recognised as an expense included in 'Amortisation of deferred employees stock compensation' in Schedule 18. The deferred stock option compensation in respect of such stock options as at 31 December 2011 is Rs. 5.82 (previous year Rs. nil).

$ Represents fellow subsidiary and also a party 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 2011
(Rupees in millions, except for share data, and if otherwise stated)

SCHEDULE - 24

Notes to the Financial Statements

18. Segment information

In accordance with Accounting Standard -17, "Segment Reporting", segment information has been given in the consolidated financial statements of the Company, 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	
	2011	**2010**
The principal amount remaining unpaid to any supplier as at the end of the year	**20.51**	22.36
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	**–**	–

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

Class of goods	**Unit of measure**	**Installed capacity as at 31 December 2011**	**Actual production for the year ended 31 December 2011**	**Installed capacity as at 31 December 2010**	**Actual production for the year ended 31 December 2010**
Tablets	Nos. in million	**11,992.70**	**4,592.10**	9,863.60	4,878.10
Capsules	Nos. in million	**3,698.00**	**1,625.66**	3,078.00	1,593.77
Dry syrups/Powders	Bottles in million	**78.00**	**26.97**	78.00	34.32
Ampoules	Nos. in million	**48.00**	**93.23**	48.00	107.82
Vials	Nos. in million	**35.00**	**44.76**	35.00	46.61
Liquids $	Kilolitres	**–**	**762.16**	–	898.82
Drops $	Kilolitres	**–**	**32.66**	–	42.68
Active pharmaceuticals ingredients and drugs intermediates (API)	Tonnes	**1,376.73**	**885.20** #	2,019.18	1,119.80 #
Ointments (including sprays)	Tonnes	*****	**532.56**	*	428.20

** In different denominations than actual production.*

 # Inclusive of production used for captive consumption.

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

Schedules forming part of the financial statements for the year ended 31 December 2011
(Rupees in millions, except for share data, and if otherwise stated)

SCHEDULE - 24

Notes to the Financial Statements

Notes :

1 In terms of press Note no. 4 (1994 series) dated 25 October 1994 issued by the department of Industrial Development, Ministry of Industry, Government of India and Notification no. S.O. 137 (E) dated 01 March 1999 issued by the Department of Industrial Policy and Promotion, Ministry of Industry, Government of India, Industrial licensing 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 except in respect of certain plants for which installed capacity for production of Tablets has been calculated on a single shift/triple shift 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 goods produced at loan licensees and contract manufacturers.

3 Actual production includes production at loan licensee and contract manufacturers locations.

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./ Million**	**1,139.72**	**1,489.85**	**4,592.10**	**2,718.57**	**1,864.12**	**7,270.09**	**21,213.62**	**1,180.30**	**1,807.03**	
		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*	
Capsules	**Nos./ Million**	**299.82**	**385.80**	**1,625.66**	**398.68**	**391.11**	**2,089.93**	**5,941.68**	**234.23**	**303.84**	
		177.42	*289.95*	*1,593.77*	*432.13*	*361.09*	*1,903.50*	*5,703.50*	*299.82*	*385.80*	
Dry syrups/ Powders	**Bottles/ Million**	**11.85**	**202.03**	**26.97**	**20.80**	**164.35**	**51.37**	**1,625.81**	**8.25**	**145.12**	
		7.86	*91.20*	*34.32*	*24.75*	*199.80*	*55.08*	*1,585.51*	*11.85*	*202.03*	
Ampoules	**Nos./ Million**	**18.85**	**83.61**	**93.23**	**4.16**	**41.72**	**102.86**	**970.36**	**13.38**	**66.13**	
		11.42	*65.26*	*107.82*	*4.05*	*36.72*	*104.44*	*1,007.75*	*18.85*	*83.61*	
Vials	**Nos./ Million**	**14.26**	**371.94**	**44.76**	**101.47**	**842.52**	**141.90**	**3,883.87**	**18.59**	**461.21**	
		8.81	*261.12*	*46.61*	*87.34*	*830.41*	*128.50*	*3,566.81*	*14.26*	*371.94*	
Liquids	**Kilolitres**	**799.02**	**161.57**	**762.16**	**2,866.23**	**382.03**	**3,855.09**	**1,173.56**	**572.32**	**110.18**	
		331.57	*59.80*	*898.82*	*3,217.28*	*471.14*	*3,648.65*	*1,097.00*	*799.02*	*161.57*	
Drops	**Kilolitres**	**7.02**	**5.81**	**32.66**	**0.08**	**0.18**	**31.53**	**74.35**	**8.23**	**9.40**	
		4.84	*3.01*	*42.68*	*4.30*	*0.98*	*44.80*	*77.15*	*7.02*	*5.81*	
Active pharmaceuticals ingredients and drugs intermediates	**Tonnes**	**305.84**	**3,918.53**	**885.20**	**288.38**	**1,727.78**	**753.32 #**	**36,930.51**	**262.61**	**3,597.69 ***	
		269.41	*2,675.48*	*1,119.80*	*303.73*	*2,069.99*	*849.52 #*	*18,339.70*	*305.84*	*3,918.53 **	
Ointments	**Tonnes**	**319.03**	**201.22**	**532.56**	**1,272.54**	**720.83**	**1,772.82**	**2,411.74**	**351.31**	**237.95**	
		171.59	*108.71*	*428.20*	*1,253.43*	*675.35*	*1,534.19*	*2,028.18*	*319.03*	*201.22*	
Others			**46.89**			**232.67**		**533.47**		**65.30**	
			77.36			*210.11*		*341.40*		*46.89*	
			6,867.25			**6,367.31**		**74,758.96**		**6,803.85**	
			4,711.87			*6,520.52*		*52,514.86*		*6,867.25*	

Notes:

@ Inclusive of physician samples.

Excludes 463.49 (previous year 537.58) tonnes used for captive consumption.

Figures in italics are for the year ended 31 December 2010.

* Includes active pharmaceutical ingredients lying at plant for captive consumption amounting to Rs. 2,030.07 in closing stock (previous year Rs.2,100.96) and Rs. 2,100.96 in opening stock (previous year Rs. 1,511.95).

Sales are exclusive of excise duty and trade discount.

Schedules forming part of the financial statements for the year ended 31 December 2011
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SCHEDULE - 24

Notes to the Financial Statements

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

Raw material	For the year ended 31 December 2011		For the year ended 31 December 2010	
	Quantity	**Amount**	**Quantity**	**Amount**
Zidovudine	**90.67**	**1,193.94**	67.92	922.62
Lamivudine	**137.53**	**1,075.79**	48.39	390.23
Nevirapine	**64.50**	**462.50**	42.14	306.31
3 - CI - 7 - ACCA	**72.49**	**835.68**	86.42	976.02
Erythromycin 'A'95	**203.35**	**641.59**	125.35	399.07
Cefuroxime Axetil Crystalline	**35.71**	**257.06**	34.06	294.16
7 ADCA	**49.91**	**125.69**	110.39	263.45
6APA	**93.04**	**119.93**	109.12	147.96
Others		**10,924.33**		9,971.30
		15,636.51		13,671.12

d] Consumption of raw materials, components and spares

		For the year ended 31 December 2011		For the year ended 31 December 2010	
		Raw materials	**Components, spares & Packaging materials ***	**Raw materials**	**Components, spares & Packaging materials***
Indigenous	Rs. Million	**6,451.15**	**2,713.99**	6,745.41	2,582.55
	As % of total	**41.26%**	**84.10%**	49.34%	89.05%
Imported	Rs. Million	**9,185.36**	**513.00**	6,925.71	317.62
	As % of total	**58.74%**	**15.90%**	50.66%	10.95%

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

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

	For the year ended 31 December	
	2011	**2010**
Raw materials	**7,592.69**	6,426.47
Components and spares	**134.29**	101.29
Capital goods	**560.78**	166.75
	8,287.76	6,694.51

f] Expenditure in foreign currencies

Interest	**422.17**	236.44
Royalty paid	**47.18**	1.67
Legal and professional charges	**1,363.52**	745.99
Settlement provision	**26,480.00**	-
Others *	**19,399.60**	4,318.87
	47,712.47	5,302.97

* *Other includes claims and contractual payments (refer note 4 of Schedule 24), overseas personnel expenses, advertisement and sales promotion, regulatory filling fee, commission, market research expenses, rent, travel and conveyance, etc.*

Schedules forming part of the financial statements for the year ended 31 December 2011
(Rupees in millions, except for share data, and if otherwise stated)

SCHEDULE - 24

Notes to the Financial Statements

g] Dividend paid to non-resident shareholders

	For the year ended 31 December	
	2011	**2010**
Final dividend*		
Number of shareholders	**25**	–
Number of shares held	**44,224**	–
Dividend remitted	**88,448**	–
Year to which it relates	**2010**	–

* Excluding corporate dividend tax.

h] Earnings in foreign exchange

F.O.B. value of exports (excluding Nepal)	**54,114.79**	33,603.18
Royalty / Technical know-how and product development	**613.16**	790.14
Dividend	**11.83**	13.06
Others (interest, freight, insurance, settlement income, provision written back etc.)	**1,075.38**	3,460.05
	55,815.16	37,866.43

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	
	2011	**2010**	**2011**	**2010**
Interest free with no specified payment schedule:				
a) Ranbaxy Drugs Limited	**3.54**	3.16	**3.54**	3.16
b) Rexcel Pharmaceuticals Limited	**17.94**	24.24	**24.24**	753.22
c) Solus Pharmaceuticals Limited	**2.40**	10.20	**10.40**	771.90
d) Ranbaxy Life Sciences Research Limited	**2.00**	2.00	**2.00**	6.50
	25.88	39.60	**40.18**	1,534.78
Interest bearing with no specified payment schedule:				
a) Ranbaxy Drugs and Chemicals Company	**–**	–	**0.40**	5.50
	–	–	**0.40**	5.50
	25.88	39.60	**40.58**	1,540.28

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

22. Previous year figures have been regrouped/ reclassified, wherever necessary to conform to current year's classification.

For and on behalf of the Board of Directors

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

Vikram Aggarwal
Partner
Membership No. 089826

Place : Gurgaon
Dated : 23 February 2012

Dr. Tsutomu Une
Chairman

Indrajit Banerjee
President and Chief Financial Officer

Place : Gurgaon
Dated : 23 February 2012

Arun Sawhney
CEO and Managing Director

Sushil K. Patawari
Company Secretary

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 : 3 1 (Date) 1 2 (Month) 2 0 1 1 (Year)

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

Public Issue :	N I L	Rights Issue :	N I L
Employees Stock Options :	4 7 9 5	Preferential Allotment :	N I L
Bonus Issue :	N I L	Private Placement :	N I L

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

Total Liabilities :	1 6 1 4 3 7 9 9 5	Total Assets :	1 6 1 4 3 7 9 9 5

Source of Funds

Paid-up-Capital :	2 1 0 9 9 9 9	Reserves & Surplus :	3 5 3 0 1 6 7 0
Equity share warrant money	N I L		
Share application money pending allotment	6 6 6 3		
Secured Loans :	2 2 9 5 8 8 6	Unsecured Loans :	4 1 0 3 9 4 2 5
Deferred tax liability :	N I L		

Application of Funds

Net Fixed Assets :	2 0 9 4 6 2 2 5	Investments :	3 4 1 0 7 9 3 5
Net Current Assets :	7 5 2 9 4 6 6	Deferred Tax Asset :	N I L
Accumulated Losses :	1 8 1 7 0 0 3 2	Misc. Expenditure :	N I L

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

Turnover :	7 4 9 4 9 4 4 2	Total Expenditure :	1 1 0 8 5 0 5 2 3
Profit / Loss Before Tax : (+ / - ✔)	3 0 4 8 6 7 0 2	Profit / Loss After tax : (+ / - ✔)	3 0 5 2 0 4 8 9
Earning Per Share in Rs. (+ / - ✔)	7 2 . 4 2	Dividend Rate % :	N I L

V. Generic Names of Three Principal Products of the Company

Item Code No.	2 9 4 1 9 0
Product Description	C E F A C L O R
Item Code No.	2 9 4 2 0 0
Product Description	C E P H A L E X I N
Item Code No.	2 9 4 1 1 0
Product Description	A M O X Y C I L L I N

For and on behalf of the Board of Directors

Dr. Tsutomu Une
Chairman

Arun Sawhney
CEO and Managing Director

Indrajit Banerjee
President and Chief Financial Officer

Sushil K. Patawari
Company Secretary

Place : Gurgaon
Dated : 23 February 2012

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

Name of Subsidiary Company	Financial year to which accounts relate	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, 2011 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	2011	100.00	**156.13**	(0.14)	**Nil**	Nil	No change
Vidyut Investments Limited	2011	100.00	**1.14**	1.79	**Nil**	Nil	No change
Ranbaxy Drugs and Chemicals Company (A public company with unlimited liability)	2011	100.00	**5.63**	23.49	**Nil**	Nil	No change
Ranbaxy Drugs Limited	2011	100.00	**(0.08)**	(0.05)	**Nil**	Nil	No change
Ranbaxy SEZ Limited	2011	100.00	**(0.03)**	(0.02)	**Nil**	Nil	No change
Rexcel Pharmaceuticals Limited	2011	100.00	**155.24**	(0.09)	**Nil**	Nil	No change
Gufic Pharma Limited	2011	98.00	**0.26**	0.61	**Nil**	Nil	No change
Ranbaxy Life Sciences Research Ltd.	2011	80.07	**16.35**	13.82	**Nil**	Nil	No change
Overseas :							
Ranbaxy Malaysia Sdn. Bhd. Malaysia	2011	70.17	**91.74**	127.64	**8.04**	9.28	70.17
Ranbaxy (Hong Kong) Limited Hong Kong	2011	100.00	**12.95**	48.57	**Nil**	Nil	No change
Basics GmbH Germany	2011	100.00	**(145.12)**	63.05	**Nil**	Nil	No change
Ranbaxy (S.A.) (Proprietory) South Africa	2011	100.00	**123.71**	103.60	**Nil**	Nil	No change
Sonke Pharmaceuticals (Pty) Ltd South Africa	2011	68.40	**(43.88)**	30.25	**Nil**	Nil	No change
Ranbaxy Mexico SE.S.A.DE Mexico	2011	Nil	**16.18**	(20.30)	**Nil**	Nil	$
Ranbaxy Egypt (L.L.C.) Egypt	2011	100.00	**30.86**	27.76	**Nil**	Nil	No change
Rexcel Egypt (L.L.C.) Egypt	2011	100.00	**7.53**	5.12	**Nil**	Nil	No change
Ranbaxy (U.K.) Ltd. United Kingdom	2011	100.00	**(216.92)**	(9.08)	**Nil**	Nil	No change
Ranbaxy Poland S.P. Z.o.o. Poland	2011	100.00	**23.47**	10.61	**Nil**	Nil	No change
Ranbaxy Do Brazil Ltda Brazil	2011	100.00	**-**	(2.81)	**Nil**	Nil	No change
Ranbaxy Nigeria Ltd. Nigeria	2011	85.31	**94.99**	124.95	**1.51**	1.63	No change
Ranbaxy Unichem Company Ltd. Thailand	2011	89.09	**(1.78)**	14.94	**2.28**	2.15	No change
Ranbaxy Morocco LLC Morocco	2011	100.00	**(11.08)**	NA	**Nil**	Nil	Incorporated during the year
Ranbaxy Farmaceutica Ltda. Brazil	2011	100.00	**39.16**	271.48	**Nil**	Nil	No change

Name of Subsidiary Company	Financial year to which accounts relate	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, 2011 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	2011	100.00	**12.45**	(5.27)	**Nil**	Nil	No change
Ranbaxy Europe Ltd. United Kingdom	2011	100.00	**13.99**	15.34	**Nil**	Nil	No change
Ranbaxy Pharmaceutical, Inc. USA	2011	100.00	**1473.51**	1,453.66	**Nil**	Nil	No change
Ranbaxy, Inc, USA	2011	100.00	**(1.54)**	7.83	**Nil**	Nil	No change
Ranbaxy USA, Inc. USA	2011	100.00	**10.15**	2.05	**Nil**	Nil	No change
Ohm Laboratories Inc. USA	2011	100.00	**1402.23**	756.50	**Nil**	Nil	No change
Ranbaxy Laboratories Inc. USA	2011	100.00	**(262.96)**	(683.30)	**Nil**	Nil	No change
Ranbaxy Signature LLC, USA USA	2011	67.50	**(4.73)**	(19.97)	**Nil**	Nil	No change
Ranbaxy (Netherlands) B.V. ("RNBV") The Netherlands	2011	100.00	**(875.50)**	225.06	**Nil**	Nil	No change
Ranbaxy Holdings (U.K.) Ltd. United Kingdom	2011	100.00	**(0.48)**	(0.39)	**Nil**	Nil	No change
Ranbaxy Ireland Ltd. Ireland	2011	100.00	**55.73**	51.99	**Nil**	Nil	No change
ZAO Ranbaxy Russia	2011	100.00	**(29.32)**	(104.00)	**Nil**	Nil	No change
Ranbaxy Pharmacie Generiques SAS France	2011	100.00	**(315.51)**	(342.11)	**Nil**	Nil	No change
Ranbaxy Portugal - Com E Desenvolv De Prod Farmaceuticos Unipessoal Lda Portugal	2011	100.00	**(71.89)**	(10.86)	**Nil**	Nil	No change
Laboratorios Ranbaxy, S.L. Spain	2011	100.00	**29.08**	17.13	**Nil**	Nil	No change
Office Pharmaceutique Industriel Et Hospitalier SARL ("OPIH SARL ") France	2011	100.00	**(13.84)**	(8.57)	**Nil**	Nil	No change
Ranbaxy Australia Pty. Ltd. Australia	2011	100.00	**(143.50)**	(104.78)	**Nil**	Nil	No change
Ranbaxy Pharmaceuticals Canada Inc. Canada	2011	100.00	**188.59**	77.77	**Nil**	Nil	No change
Ranbaxy Italia S.p.A Italy	2011	100.00	**(76.39)**	(365.76)	**Nil**	Nil	No change
Ranbaxy Mexico S.A. de C.V. Mexico	2011	Nil	**(48.57)**	(54.97)	**Nil**	Nil	$
Terapia S.A. Romania	2011	96.70	**1,470.07**	1,025.45	**Nil**	Nil	No change

Name of Subsidiary Company	Financial year to which accounts relate	Holding Company's interest as at close of financial year of subsidiary company Shareholding %age	Net aggregate amount of subsidiary company's profits after deducting its losses or vice-versa, so far as it concerns members of Holding Company which are not dealt within the Company's account		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, 2011 incorporating changes since close of financial year of Subsidiary Company
			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	
Terapia Distributie SRL Romania	2011	96.70	**12.73**	8.83	**Nil**	Nil	No change
Ranbaxy Belgium N.V. Belgium	2011	100.00	**(5.51)**	(24.64)	**Nil**	Nil	No change
Ranbaxy Pharma AB Sweden	2011	100.00	**-**	(4.28)	**Nil**	Nil	No change
Be-Tabs Pharmaceuticals (Proprietary) Ltd. South Africa	2011	100.00	**(466.17)**	(213.48)	**Nil**	Nil	No change
Be-Tabs Investments (Proprietary) Ltd. South Africa	2011	100.00	**19.22**	10.01	**Nil**	Nil	No change

Note:

In terms of general exemption granted by the Ministry of Corporate Affairs vide its circular no. 02/2011 dated February 8, 2011 and approval of the Board of Directors of the Company at its meeting held on February 23, 2012, 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.

$ Divested during the year.

Ranbaxy Mexico S.A. de C.V.

Ranbaxy Mexico SE.S.A.DE

On behalf of the Board of Directors

Dr. Tsutomu Une
Chairman

Arun Sawhney
CEO and Managing Director

Indrajit Banerjee
President and Chief Financial Officer

Sushil K. Patawari
Company Secretary

Place : Gurgaon
Dated : 23 February 2012

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

1. We have audited the attached consolidated Balance Sheet of Ranbaxy Laboratories Limited, ('the Company') its subsidiaries and associate (collectively referred to as 'the Group') as at 31 December 2011, 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 associate (interests in which have been incorporated in these consolidated financial statements). These subsidiaries and associate account for 20% of total assets, 30% of total income and profit included in exceptional items and 18% of net cash flows generated from operating activities (on a stand-alone entity basis), 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 18% of total assets, 27% of total income and profit included in exceptional items and 14% of net cash flows generated from operating activities (on a standalone entity basis) 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 associate have not been subjected to audit either by us or by other auditors, and therefore, unaudited financial statements for the year ended 31 December 2011 of these entities have been furnished to us by the management. These subsidiaries and associate account for 2% of total assets, 3% of total income and profit included in exceptional items and 4% of net cash flows generated from operating activities (on a stand-alone entity basis) 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. *As stated in Note 9(iii) of Schedule 24 of the consolidated financial statements, the managerial remuneration paid by the Company to its Chief Executive Officer and Managing Director during the year ended 31 December 2011 exceeded the limits specified in relevant provisions of the Companies Act, 1956 ("the Act") by Rs. 47.55 million. We are informed that as required by the relevant provisions of the Act, the Company is taking necessary steps to seek approval from the Shareholders of the Company and the Central Government for excess remuneration paid. Pending the said approvals in this regard, the impact thereof on the consolidated financial statements cannot be determined.*

6. Without qualifying our opinion, we draw attention to Note 2 of Schedule 24 of the consolidated financial statements, wherein it has been stated that the management is negotiating towards a settlement with the Department of Justice ("DOJ") of the United States of America for resolution of potential civil and criminal allegations by the DOJ. Accordingly, a provision of Rs. 26,480 million has been recorded which the management believes will be sufficient to resolve all potential civil and criminal liability.

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, *subject to our comments in paragraph (5) above, the effect of which is not ascertainable*, 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 2011;
   (b) the Consolidated Profit and Loss Account, of the loss 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 : 23 February 2012

Consolidated Balance Sheet as at 31 December 2011

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

	Schedule (Note)	As at 31 December 2011	As at 31 December 2010
SOURCES OF FUNDS			
Shareholders' funds			
Share capital	**1**	**2,110.00**	2,105.20
Share application money pending allotment		**6.66**	65.96
Reserves and surplus	**2**	**38,242.76**	53,876.00
		40,359.42	56,047.16
Minority interests		**809.66**	647.12
Loan funds			
Secured loans	**3**	**3,373.41**	2,369.38
Unsecured loans	**4**	**41,533.88**	40,978.67
		44,907.29	43,348.05
Deferred tax liability (net)	**5**	**76.57**	170.67
		86,152.94	100,213.00
APPLICATION OF FUNDS			
Fixed assets	**6**		
Gross block		**73,266.48**	67,050.08
Less: Accumulated depreciation, amortisation and impairment		**24,679.94**	21,571.04
Net block		**48,586.54**	45,479.04
Capital work-in-progress	**24(7)**	**2,641.27**	3,817.77
		51,227.81	49,296.81
Investments	**7**	**982.20**	4,984.54
Deferred tax asset (net)	**5**	**451.67**	398.07
Current assets, loans and advances			
Inventories	**8**	**26,107.14**	21,926.05
Sundry debtors	**9**	**30,065.29**	16,052.47
Cash and bank balances	**10**	**30,681.23**	32,644.38
Loans and advances	**11**	**14,303.79**	12,695.77
Other current assets	**12**	**3,424.88**	3,613.13
		104,582.33	86,931.80
Less: Current liabilities and provisions			
Current liabilities	**13**	**53,188.92**	31,864.68
Provisions	**14**	**29,567.74**	9,533.54
		82,756.66	41,398.22
Net current assets		**21,825.67**	45,533.58
Profit and Loss Account	**2**	**11,665.59**	–
		86,152.94	100,213.00
Significant accounting policies	**23**		
Notes to the financial statements	**24**		

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 : 23 February 2012

For and on behalf of the Board of Directors

Dr. Tsutomu Une
Chairman

Arun Sawhney
CEO and Managing Director

Indrajit Banerjee
President and Chief Financial Officer

Sushil K. Patawari
Company Secretary

Place : Gurgaon
Dated : 23 February 2012

Consolidated Profit and Loss Account for the year ended 31 December 2011

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

	Schedule (Note)	For the year ended 31 December 2011	For the year ended 31 December 2010
INCOME			
Operating income	**15**	**101,804.62**	89,759.94
Less: Excise duty		**190.48**	152.23
		101,614.14	89,607.71
Other income	**16**	**4,340.11**	4,201.82
		105,954.25	93,809.53
EXPENDITURE			
Materials consumed	**17**	**35,068.04**	31,527.65
Personnel expenses	**18**	**16,448.61**	15,059.78
Operating and other expenses	**19**	**33,908.00**	24,631.33
Financial expenses	**20**	**6,109.39**	613.89
Depreciation, amortisation and impairment	**6**	**3,940.17**	3,717.32
		95,474.21	75,549.97
Profit before exceptional items, tax, share in loss of associates (net) and minority interest		**10,480.04**	18,259.56
Exceptional items:			
- Settlement provision	**24(2)**	**26,480.00**	–
- Loss/(gain) on foreign currency options derivatives, net (other than on loans)		**11,242.85**	(4,368.82)
- (Profit)/ loss on sale of subsidiaries and long term investments, net	**24(18)**	**(377.99)**	(2,404.19)
- Impairment of goodwill	**24(5)**	**–**	1,815.36
- Provision for diminution in the value of investments in associates	**24(5)**	**–**	2,216.20
(Loss)/profit before tax, share in loss/(profit) of associates (net) and minority interest		**(26,864.82)**	21,001.01
Tax charge, net	**21**	**1,969.34**	5,848.76
(Loss)/profit after tax and before share in loss/(profit) of associates (net) and minority interest		**(28,834.16)**	15,152.25
Less:			
Share in loss/ (profit) of associates (net)	**24(16)**	**65.90**	59.15
Minority interest in profit for the year (net)	**24(15)**	**97.23**	125.59
(Loss)/profit for the year		**(28,997.29)**	14,967.51
Balance brought forward		**11,809.92**	(1,031.24)
Transfer from foreign projects reserve		**–**	4.59
Net (loss)/profit available for appropriation		**(17,187.37)**	13,940.86
APPROPRIATIONS			
Proposed dividend	**24(17)**	**0.65**	842.08
Tax on proposed dividend	**24(17)**	**(3.15)**	139.86
Transfer to general reserve		**–**	1,149.00
(Deficit)/surplus transferred to Reserve and Surplus	**2**	**(17,184.87)**	11,809.92
(Loss)/ Earnings per share (Rs.)	**22**		
Basic - Par value of Rs 5 per share		**(68.81)**	35.57
Diluted - Par value of Rs 5 per share		**(68.81)**	31.48
Significant accounting policies	**23**		
Notes to the consolidated financial statements	**24**		

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 : 23 February 2012

For and on behalf of the Board of Directors

Dr. Tsutomu Une
Chairman

Arun Sawhney
CEO and Managing Director

Indrajit Banerjee
President and Chief Financial Officer

Sushil K. Patawari
Company Secretary

Place : Gurgaon
Dated : 23 February 2012

Consolidated Cash Flow Statement for the year ended 31 December 2011
(Rupees in millions, except for share data, and if otherwise stated)

	For the year ended 31 December 2011	For the year ended 31 December 2010
A. CASH FLOW FROM OPERATING ACTIVITIES		
(Loss)/ Profit before taxes	**(26,864.82)**	21,001.01
Adjustments for:		
Depreciation, amortisation and impairment	**3,940.17**	5,532.68
Fixed assets written off	**110.06**	90.29
Charge/ (reversal) of deferred employees stock options compensation	**78.32**	(3.45)
Foreign exchange loss/ (gain) (net) #	**3,749.49**	(1,180.67)
Unrealised foreign exchange loss/ (gain) on currency options	**9,355.14**	(5,473.50)
Dividend income	**–**	(91.70)
Profit on sale of current investments	**(378.27)**	(2,404.19)
Unclaimed balances/ excess provision written back	**(256.37)**	(464.10)
Profit on sale of assets (net)	**(153.14)**	(124.88)
Provision for diminution in value of investments in associates	**–**	2,216.20
Provision for diminution in value of current investments	**13.23**	(4.36)
Interest expense	**768.16**	613.89
Interest income	**(1,127.18)**	(1,585.67)
Provision/ write-off of doubtful debts, advances and other current assets	**151.48**	465.91
	16,251.09	(2,413.55)
Operating (loss)/ profit before working capital changes	**(10,613.73)**	18,587.46
Adjustments for:		
Increase in inventories	**(3,096.88)**	(3,805.05)
(Increase)/ decrease in sundry debtors	**(11,929.89)**	755.90
(Increase)/ decrease in loans and advances	**(818.20)**	352.65
Increase in other current assets	**(377.94)**	(870.87)
Increase in current liabilities and provisions	**35,301.03**	6,554.63
	19,078.12	2,987.26
Cash generated from operating activities before taxes	**8,464.39**	21,574.72
Direct taxes paid (net of refunds)	**(2,172.09)**	(6,188.77)
Net cash generated from operating activities	**6,292.30**	15,385.95
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	**(4,739.27)**	(4,983.41)
Proceeds from sale of fixed assets	**287.23**	720.68
Purchase of investments	**–**	(4,080.97)
Sale proceeds of investments	**3,923.44**	4,638.53
Cash paid for acquisition of minority interest	**(18.72)**	(0.79)
Decrease/ (increase) in fixed deposits with a maturity more than 90 days	**7,531.16**	(18,885.09)
Proceeds from sale of subsidiaries (net of withholding tax and cash transferred)	**241.53**	–
Interest received	**1,935.32**	791.81
Dividend received	**–**	91.70
Net cash generated from/ (used in) investing activities	**9,160.69**	(21,707.54)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issue of capital (including premium)	**147.98**	267.20
Increase in short term bank borrowings (net)	**4,485.43**	6,697.49
Proceeds from issue of commercial paper	**8,355.01**	–
Proceeds from long term bank borrowings	**4,023.41**	–
Re-payment of long term borrowings (including premium paid on redemption of zero coupon foreign currency convertible bonds)	**(27,506.56)**	1,550.58
Short term borrowings from non convertible debentures	**–**	1,600.00
Re-payment of short term borrowings of non convertible debentures	**–**	(1,600.00)
Interest paid	**(640.91)**	(597.90)
Dividend paid	**(842.73)**	(9.17)
Tax on dividend	**(136.71)**	–
Net cash (used in)/ generated from financing activities	**(12,115.08)**	7,908.20
INCREASE IN CASH AND CASH EQUIVALENTS	**3,337.91**	1,586.61
Cash and cash equivalents at the beginning of the year	**6,812.10**	5,476.24
Effect of exchange gain/ (loss) on cash and cash equivalents	**1,118.98**	(250.75)
Cash and cash equivalents at the end of the year	**11,268.99**	6,812.10
Notes:		
Cash and cash equivalents include :		
Cash, cheques in hand and remittances in transit	**121.37**	121.63
With banks in:		
Current accounts	**7,761.06**	3,389.52
Deposit accounts	**3,386.54**	3,300.95
Cash and cash equivalents at the end of the year	**11,268.97**	6,812.10
Add: Restricted cash		
Fixed deposits pledged (restricted cash)	**40.10**	18.18
Unclaimed dividend	**51.97**	56.04
Fixed deposits more than 90 days	**19,320.19**	25,758.06
Cash and bank balances at the end of the year	**30,681.23**	32,644.38

Includes realised loss/ (gain) on items in investing and financing activities

Note: The above Consolidated 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 : 23 February 2012

For and on behalf of the Board of Directors

Dr. Tsutomu Une
Chairman

Arun Sawhney
CEO and Managing Director

Indrajit Banerjee
President and Chief Financial Officer

Sushil K. Patawari
Company Secretary

Place : Gurgaon
Dated : 23 February 2012

Schedules forming part of the consolidated financial statements for the year ended 31 December 2011

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

	As at 31 December 2011	As at 31 December 2010
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		
421,999,724 (previous year 421,040,693) equity shares of Rs. 5 each fully paid (Refer to note 6 of Schedule 24)	**2,110.00**	2,105.20
	2,110.00	2,105.20

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] 7,460,842 Global Depository Shares (GDSs) (previous year 6,332,219) representing 7,460,842 (previous year 6,332,219) equity shares of Rs. 5 each constituting 1.77% (previous year 1.50%) of the issued subscribed and paid-up share capital.
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.
3. 325,000 (previous year nil) equity shares of Rs. 5 each issued for cash at par to Ranbaxy ESOP Trust (Trust), set up to administer Employee Stock Option Plan (ESOP - 2011). The Trust would allocate the shares to the employees upon exercise of stock options from time to time under ESOP-2011.

SCHEDULE - 2		
Reserves and surplus		
(a) Capital reserve		
Balance at the beginning of the year	**1,828.36**	71.77
Add: Forfeiture of equity share warrants (Refer to note 4 of Schedule 24)	**–**	1,756.59
Add: Created upon acquisition of minority interest	**2.70**	–
	1,831.06	1,828.36
(b) Amalgamation reserve	**43.75**	43.75
(c) Revaluation reserve		
Balance at the beginning of the year	**68.65**	71.16
Less: Utilised during the year	**(2.67)**	(2.51)
	65.98	68.65
(d) Share premium account		
Balance at the beginning of the year	**34,818.70**	35,564.75
Add: Received during the year	**204.10**	200.08
Add: Transferred from employees stock options outstanding	**7.06**	8.21
	35,029.86	35,773.04
Less: Premium payable on redemption of Zero Coupon Foreign Currency Convertible Bonds (FCCBs)	**297.34**	954.34
	34,732.52	34,818.70
(e) Foreign projects reserve		
Balance at the beginning of the year	**–**	4.59
Less: Transferred to Consolidated Profit and Loss Account	**–**	4.59
	–	–

Schedules forming part of the consolidated financial statements for the year ended 31 December 2011

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

	As at 31 December 2011	As at 31 December 2010
(f) Hedging reserve *(net of tax)*		
Balance at the beginning of the year	**134.41**	(28.73)
(Reversal)/additions during the year	**(1,488.21)**	163.14
(Refer to foot note of schedule 5)	**(1,353.80)**	134.41
(g) Employee stock options outstanding		
Balance at the beginning of the year	**45.95**	57.61
Add: Charge/(reversal) of deferred employees stock options compensation	**406.54**	(3.45)
Less: Transferred to share premium on exercise of stock options	**7.06**	8.21
Less: Deferred employees stock options compensation (Refer to note 6 of Schedule 24)	**328.22**	–
	117.21	45.95
(h) Foreign currency translation reserve		
Balance at the beginning of the year	**(393.02)**	449.35
Add: Addition/(deduction) during the year	**3,199.06**	(842.37)
	2,806.04	(393.02)
(i) General reserve		
Balance at the beginning of the year	**5,519.28**	4,370.28
Add: Transferred from Consolidated Profit and Loss Account	**–**	1,149.00
Less: Debit balance in Consolidated Profit and Loss Account per contra	**(5,519.28)**	–
	–	5,519.28
(j) (Deficit)/surplus brought forward from Consolidated Profit and Loss Account*	**(17,184.87)**	11,809.92
Less: Adjusted against General Reserve per contra	**5,519.28**	–
Net debit balance in Profit and Loss Account taken to Consolidated Balance Sheet	**11,665.59**	–
	–	11,809.92
	38,242.76	53,876.00

* Includes legal reserve amounting to Rs. 8.71 (previous year Rs.7.86) created in Ranbaxy Unichem Company Limited as per the requirements of local regulations. This reserve is not available for distribution.

SCHEDULE - 3

Secured loans

Short term loans from banks ^	**3,069.02**	2,055.31
Finance lease liability **	**304.39**	314.07
	3,373.41	2,369.38

Notes :

^ Loans in Ranbaxy Laboratories Limited ("the Company") 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. Loan taken by Ranbaxy (UK) Ltd. is secured against inventories and sundry debtors (both present and future). Further, loan taken by Ranbaxy Pharmacie Generiques SAS is secured against sundry debtors.

** Secured against assets taken on finance lease by Ranbaxy Pharmaceuticals Inc, United States of America [Refer to note 8(a) of Schedule 24].

Schedules forming part of the consolidated financial statements for the year ended 31 December 2011

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

	As at 31 December 2011	As at 31 December 2010
SCHEDULE - 4		
Unsecured loans		
Short term loans		
From banks	**18,708.58**	11,963.75
From others #	**8,800.00**	–
Zero Coupon Foreign Currency Convertible Bonds (FCCBs) *##	**–**	19,672.40
Other loans ##		
From banks	**13,992.30**	9,184.83
From others	**33.00**	157.69
	41,533.88	40,978.67
Notes:		
# Related unamortised interest of Rs. 333.16 (previous year Rs. nil) is included in "Advance recoverable in cash or in kind or for value to be received" in Schedule 11.		
* The Company had an outstanding FCCBs aggregating to US Dollar (USD) 440 million with an option with the bondholders to convert these 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 USD at any time on or after 27 April 2006 but before 9 March 2011. Further, as these FCCBs were neither converted, purchased or cancelled, they have been redeemed during the year on 18 March 2011, at a premium of 26.765 percent (net of withholding tax) of their principal amount.		
## Loans due for repayment within one year:		
Zero coupon foreign currency convertible bonds (FCCBs)	**–**	19,672.40
Other loans:		
From banks	**4,495.69**	1,239.65
From others	**5.50**	19.78
SCHEDULE - 5		
Deferred taxes		
Deferred tax assets arising on account of:		
Provision for doubtful debts, advances and other current assets	**814.45**	199.43
Provision for employee retirement benefits	**133.19**	181.00
Revaluation of external commercial borrowings	**193.96**	–
Tax losses carried forward	**2,261.84**	2,406.87
Others	**310.52**	693.43
	3,713.96	3,480.73
Less: Deferred tax liabilities arising on account of:		
Depreciation, amortisation and impairment	**3,114.32**	3,063.00
Others	**224.54**	190.33
	3,338.86	3,253.33
Deferred tax assets (net)	**375.10**	227.40
Aggregate of net deferred tax assets jurisdictions	**451.67**	398.07
Aggregate of net deferred tax liabilities jurisdictions	**(76.57)**	(170.67)
Deferred tax assets (net)	**375.10**	227.40

Notes : In respect of entities with accumulated tax losses as at year end, no deferred tax asset (net) is recognized as at 31 December 2011 in excess of amount arrived at on test of virtual certainty.

Deferred tax assets not recognised include Rs. 1,929 (previous year Rs. Nil) relating to premium on redemption of FCCBs recorded through securities premium account which has been claimed as allowable deduction in the current year on payment basis. Accordingly, utilization/ recognition thereof in future period will be recorded by crediting securities premium account.

Further, deferred tax assets are net off Rs. nil (previous year Rs.66.86) relating to effective portion of forward exchange contract recorded through hedging reserve.

Schedules forming part of the consolidated financial statements for the year ended 31 December 2011
(Rupees in millions, except for share data, and if otherwise stated)

SCHEDULE - 6

Fixed assets

Description	Gross block					Accumulated depreciation, amortisation and impairment				Net block		
	As at 1 January 2011	Additions	Deletions/ adjustments	Translation	As at 31 December 2011 **	As at 1 January 2011	For the year	Deletions/ adjustments	Translation	As at 31 December 2011 **	As at 31 December 2011 **	As at 31 December 2010
Tangible assets												
Land												
- Freehold#	**821.85**	–	24.42	55.31	**852.74**	–	–	–	–	–	**852.74**	821.85
- Leasehold	**273.49**	10.46	–	1.46	**285.41**	**9.88**	16.94	–	0.25	**27.07**	**258.34**	263.61
Buildings @	**8,719.97**	1,076.78	27.77	620.80	**10,389.78**	**1,424.61**	484.02 ##	24.70	111.91	**1,995.84**	**8,393.94**	7,295.36
Plant and machinery @	**26,481.02**	4,162.31	2,297.00	918.60	**29,264.93**	**12,215.17**	2,622.01	2,085.65	547.66	**13,299.19**	**15,965.74**	14,265.85
Furniture and fixtures @	**1,992.78**	249.45	56.11	118.78	**2,304.90**	**907.05**	182.51	45.57	74.88	**1,118.87**	**1,186.03**	1,085.73
Vehicles	**808.64**	157.38	90.80	47.76	**922.98**	**404.87**	79.76	51.73	36.62	**469.52**	**453.46**	403.77
Assets taken on lease												
- Building	**557.13**	–	0.14	106.41	**663.40**	**328.31**	54.22	0.14	70.33	**452.72**	**210.68**	228.82
- Plant and machinery @	**7.18**	2.32	–	1.64	**11.14**	**1.03**	1.64	–	0.42	**3.09**	**8.05**	6.15
- Vehicles	**1.37**	–	1.29	0.06	**0.14**	**0.91**	0.16	0.97	0.04	**0.14**	–	0.46
Intangibles assets					–							
Goodwill @	**21,323.21**	–	–	224.69	**21,547.90**	**2,314.09**	–	–	69.36	**2,383.45**	**19,164.45**	19,009.12
Patent rights, trade marks, designs and licences @ $	**4,817.74**	96.35	16.71	669.97	**5,567.35**	**3,253.20**	334.16	4.55	465.90	**4,048.17**	**1,518.64**	1,564.54
Computer software $	**1,245.70**	207.84	11.52	13.79	**1,455.81**	**711.92**	167.42	9.69	11.69	**881.34**	**574.47**	533.78
Total	**67,050.08**	**5,962.89**	2,525.76	**2,779.27**	**73,266.48**	**21,571.04**	3,942.84	2,223.00	1,389.06	**24,679.94**	**48,586.54**	45,479.04
Previous year	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	

Notes:

* Previous year figure includes impairment of goodwill amounting to Rs.1,815.36 which is presented as exceptional item in the consolidated Profit and Loss Account (Refer to note 5 of Schedule 24).

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

Description	As at 31 December 2011			As at 31 December 2010		
	Gross block	Accumulated depreciation	Net block	Gross block	Accumulated depreciation	Net block
Land	**195.83**	–	**195.83**	–	–	–
Building	**129.22**	**56.14**	**73.08**	48.48	12.51	35.97
Plant and machinery	**805.90**	**720.90**	**85.00**	253.74	253.73	0.01
Furniture and fixture	**117.66**	**86.91**	**30.75**	13.81	13.81	–
Equipment	**3.77**	**3.13**	**0.64**	–	–	–
Vehicles	**49.95**	**30.79**	**19.16**	0.06	0.06	–

\# 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 current and previous year for each class of asset is given hereunder:

Description	As at 31 December 2010				As at 31 December 2011			
	Gross block	Accumulated depreciation/ amortisation	Impairment recognised during the year	Net block	Gross block	Accumulated depreciation/ amortisation	Impairment recognised during the year	Net block
Building	**331.11**	**41.32**	**192.48**	**97.31**	122.17	20.99	83.68	17.50
Plant and machinery	**1,074.18**	**348.46**	**677.45**	**48.27**	779.71	274.80	487.62	17.29
Furniture and fixtures	**11.39**	**5.70**	**5.35**	**0.34**	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 24)	–	–	–	–	3,005.31	44.27	1,815.36	1,145.68
Patent rights, trade marks, designs and licences	**46.44**	**14.84**	**16.30**	**15.30**	223.93	43.05	180.88	–

The impairment loss has been determined on the basis of net selling price (determined on the basis of expected salvage value) in respect of each cash generating units representing specific process plants and other individual assets. The impairment loss has been recognised owing to the prevalent market conditions of the product which was manufactured/ to be manufactured from the specific process plants and conditions of the other individual assets.

$ Remaining useful lives of intangible assets as at 31 December 2011 is as under:

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

\## Includes Rs. 2.67 which has been adjusted against revaluation reserve (previous year Rs. 2.51).

Schedules forming part of the consolidated financial statements for the year ended 31 December 2011

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

SCHEDULE – 7

Investment

	Class of shares	Face value per share	Number of Shares 2011	Number of Shares 2010	As at 31 Dec. 2011	As at 31 Dec. 2010
CURRENT						
Trade:						
Quoted (fully paid up)						
Krebs Biochemicals & Industries Limited	Equity shares	Rs. 10	**1,050,000**	1,050,000	**26.46**	39.69
					26.46	39.69
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:						
Unquoted						
Nimbua Greenfield (Punjab) Limited	Equity shares	Rs. 10	**140,625**	187,500	**1.41**	1.88
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
Shimal Research Laboratories Limited	Equity shares	Rs. 10	**9,340,000**	–	**986.62**	–
					988.73	2.58
Associates						
Quoted						
Zenotech Laboratories Limited	Equity shares	Rs. 10	**16,127,293**	16,127,293	**2,183.71**	2,249.61
Unquoted						
Shimal Research Laboratories Limited (an associate upto 30 June 2011)	Equity shares	Rs. 10	**–**	9,340,000	**–**	986.62
					2,183.71	3,236.23
					3,198.90	7,201.24
Less: Provision for diminution in value of long term investments (Refer to note 5 of Schedule 24)					**2,216.70**	2,216.70
					982.20	4,984.54
Aggregate book value (net of impairment) of quoted investments in associate					**954.13**	1,020.03
Market value of quoted investments of associate					**609.61**	887.00
Aggregate market and book value of quoted investments of others					**26.46**	39.69
Book value of unquoted investments in others					**1.61**	3,924.82
Aggregate book value (net of impairment) of unquoted investments of associate					**–**	–

Schedules forming part of the consolidated financial statements for the year ended 31 December 2011

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

	As at 31 December 2011	As at 31 December 2010
SCHEDULE – 8		
Inventories		
Stores and spares	**221.20**	160.05
Raw materials	**5,831.42**	5,912.90
Packaging materials	**808.43**	764.99
Work-in-progress	**8,021.97**	6,018.17
Finished goods	**11,224.12**	9,069.94
	26,107.14	21,926.05
SCHEDULE – 9		
Sundry debtors		
(Unsecured and considered good, except where provided for)		
– Considered good	**30,065.29**	16,052.47
– Considered doubtful	**1,273.62**	1,093.88
	31,338.91	17,146.35
Less: Provision for doubtful debts	**1,273.62**	1,093.88
	30,065.29	16,052.47
SCHEDULE – 10		
Cash and bank balances		
Cash balance on hand	**7.39**	25.22
Cheques in hand	**21.20**	–
Remittances in transit	**92.78**	96.41
Balances with banks in:		
– Current accounts	**7,761.06**	3,389.52
– Deposit accounts #	**22,746.83**	29,077.19
– Unclaimed dividend accounts	**51.97**	56.04
	30,681.23	32,644.38
# Includes deposits pledged with Government Authorities	**40.10**	18.18
SCHEDULE – 11		
Loan and advances		
(Considered good, except where provided for)		
Secured loans to employees	**66.79**	49.94
Unsecured loans and advances:		
Advances recoverable in cash or in kind or for value to be received		
– Considered good	**5,600.11**	4,234.94
– Considered doubtful	**167.92**	146.51
Minimum alternate tax (MAT) credit entitlement	**8,363.86**	8,308.34
Advance income tax *	**273.02**	102.55
	14,471.71	12,842.28
Less: Provision for doubtful advances	**167.92**	146.51
	14,303.79	12,695.77

*net of provison for tax of respective tax jurisdictions to the extent permissible.

Schedules forming part of the consolidated financial statements for the year ended 31 December 2011

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

	As at 31 December 2011	As at 31 December 2010
SCHEDULE - 12		
Other current assets		
(Unsecured, considered good, except where provided for)		
Export incentives accrued	**1,151.95**	799.71
Exchange gain accrued on forward contracts	**1,349.85**	1,252.51
Insurance claims receivable	**45.74**	8.72
Interest accrued but not due	**228.35**	1,035.11
Others		
– Considered good	**648.99**	517.08
– Considered doubtful	**–**	16.35
	3,424.88	3,629.48
Less: Provision for doubtful other current assets	**–**	16.35
	3,424.88	3,613.13
SCHEDULE - 13		
Current liabilities		
Sundry creditors	**29,086.33**	18,976.67
Book overdraft	**344.55**	470.64
Interest accrued but not due on loans	**74.84**	58.29
Unclaimed dividend *	**51.97**	56.04
Payable towards unrealised loss on currency options	**22,268.69**	11,261.13
Other liabilities	**1,362.54**	1,041.91
	53,188.92	31,864.68
* Not due for deposit to Investor Education and Protection Fund		
SCHEDULE - 14		
Provisions		
Employee benefits (Refer to note 11 of Schedule 24)	**2,547.95**	2,547.59
Income-tax *	**394.79**	355.89
Premium payable on redemption of FCCBs**	**–**	5,648.12
Settlement provision#	**26,625.00**	–
Proposed dividend	**–**	842.08
Tax on proposed dividend	**–**	139.86
	29,567.74	9,533.54
* Net of advance tax of respective tax jurisdictions to the extent permissible.		
** Provision created during the year Rs. 297.34 (previous year Rs. 954.34) and provision utilised during the year is Rs. 5,945.46 (previous year Rs. nil).		
# Refer to note 2 of Schedule 24, Also, includes unrealised foreign exchange loss of Rs. 145 (Previous year Rs. Nil) on restatement as at the year end.		

Schedules forming part of the consolidated financial statements for the year ended 31 December 2011

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

	Year ended 31 December 2011		Year ended 31 December 2010
SCHEDULE - 15			
Operating income	**99,768.93**		85,506.73
Sales	**999.39**		786.63
Export incentives	**483.39**		799.14
Royalty, technical know-how and product development*	**–**		2,292.59
Income from settlement agreements	**420.00**		210.00
Non-compete fee	**132.91**		164.85
Others	**101,804.62**		89,759.94
* Include prior period income Rs. nil (previous year Rs.136.90)			
SCHEDULE - 16			
Other income			
Interest	**1,127.18**		1,585.67
Dividend	**–**		91.70
Profit on sale of assets [net of loss Rs. 69.59 (previous year Rs. 37.23)]	**153.14**		124.88
Net foreign exchange and derivatives gain on loans	**–**		1,406.98
Net foreign exchange gain (others)	**2,109.87**		–
Reversal of deferred employee compensation	**–**		3.45
Unclaimed balances/ excess provisions written back	**256.37**		464.10
Reversal of provision for diminution in the value of current investment (trade)	**–**		4.36
Lease rental [Refer to note 8(c) of Schedule 24]	**126.30**		63.00
Miscellaneous	**567.25**		457.68
	4,340.11		4,201.82
SCHEDULE - 17			
Materials consumed			
Raw materials consumed	**19,556.64**		17,031.78
Stores and spares consumed	**1,541.18**		1,410.08
Packaging materials consumed	**3,641.79**		3,171.59
Finished goods purchased	**13,220.11**		13,046.29
Increase in work-in-progress and finished goods			
Opening stock			
Work-in-progress	**6,018.17**	5,692.12	
Finished goods	**9,069.94**	6,258.61	
	15,088.11	11,950.73	
Less :			
Closing stock			
Work-in-progress	**8,021.97**	6,018.17	
Finished goods	**11,224.12**	9,069.94	
	19,246.09	15,088.11	
Net increase	**(4,157.98)**		(3,137.38)
Foreign currency translation impact on movement in work-in-progress and finished goods	**1,278.83**		(226.49)
(Decrease)/ increase in excise duty	**(12.53)**		231.78
	35,068.04		31,527.65
SCHEDULE - 18			
Personnel expenses			
Salaries,wages and bonus *	**14,086.82**		12,918.94
Contribution to provident and other funds (Refer to note 11 of Schedule 24)	**1,201.06**		1,194.14
Workmen and staff welfare	**1,082.41**		946.70
Amortisation of deferred employees stock options compensation	**78.32**		–
	16,448.61		15,059.78
* Includes a prior period expense amounting to Rs. 117.20 (previous year Rs. nil)			
SCHEDULE - 19			
Operating and other expenses			
Advertising and sales promotion	**6,182.60**		4,438.02
Freight, clearing and forwarding	**2,645.10**		2,257.12
Power and fuel	**2,346.80**		2,004.98
Net foreign exchange loss (others)	**–**		263.38
Legal and professional	**3,073.54**		2,400.14
Travel and conveyance	**1,708.09**		1,514.67

Schedules forming part of the consolidated financial statements for the year ended 31 December 2011

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

	Year ended 31 December 2011	Year ended 31 December 2010
Clinical trials	**269.33**	1,209.96
Commission	**1,081.21**	1,159.09
Processing charges	**1,346.90**	1,071.51
Rent [Refer to note 8(b) of Schedule 24]	**908.73**	860.61
Regulatory filing fee	**653.25**	671.07
Market research	**190.31**	570.10
Communication	**474.88**	472.65
Analytical charges	**424.69**	459.85
Insurance	**574.90**	452.65
Claims and contractual payments (Refer to note 3 of Schedule 24)	**7,226.21**	437.12
Rates and taxes	**463.17**	424.79
Running and maintenance of vehicles	**432.82**	356.72
Conferences and meetings	**332.36**	253.95
Recruitment and training	**283.57**	250.86
Printing and stationery	**174.98**	176.09
Repairs and maintenance		
– Buildings	**81.74**	79.19
– Plant and machinery	**447.49**	314.86
– Others	**602.80**	501.68
Cash discounts	**146.26**	56.13
Fixed assets written off	**110.06**	90.29
Excise duty	**47.87**	25.59
Provisions/ write-off of doubtful debts, advances and other current assets	**151.48**	465.91
Provision for diminution in value of current investment	**13.23**	–
Miscellaneous	**1,513.63**	1,392.35
	33,908.00	24,631.33

	For the year ended 31 December 2011	For the year ended 31 December 2010
SCHEDULE - 20		
Financial expenses		
Interest	**768.16**	613.89
Net foreign exchange and derivatives loss on loans	**5,341.23**	–
	6,109.39	613.89
SCHEDULE - 21		
Tax charge, net		
Current income-tax	**2,183.10**	5,016.26
Minimum alternative tax credit entitlement	**(55.52)**	(3,587.69)
Deferred tax charge	**9.72**	4,401.29
Tax - earlier years #	**(167.96)**	18.90
	1,969.34	5,848.76
# Net of debit adjusted of Rs. 4.49 (previous year net of credit adjusted Rs. 23.34)		
SCHEDULE - 22		
Earnings per share		
Net (loss)/profit attributable to equity shareholders		
Net (loss)/profit available for equity shareholders **(A)**	**(28,997.29)**	14,967.51
Less: Exchange gain on FCCBs	**–**	(803.00)
(B)	**(28,997.29)**	14,164.51
Number of weighted average equity shares		
Basic **(C)**	**421,432,388**	420,731,680
Effect of dilutive equity shares on account of *		
– Employees stock options outstanding	**–**	2,071,594
– FCCBs	**–**	27,119,165
Diluted **(D)**	**421,432,388**	449,922,439
Nominal value of equity share (Rs.)	**5.00**	5.00
(Loss)/Earning per share (Rs.)		
Basic **(A/C)**	**(68.81)**	35.57
Diluted **(B/D)**	**(68.81)**	31.48
* 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:		
– Employees stock options outstanding	**6,755,211**	1,306,730

Schedules forming part of the consolidated financial statements for the year ended 31 December 2011

SCHEDULE - 23

SIGNIFICANT ACCOUNTING POLICIES

Basis of accounting

These consolidated 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, to the extent applicable and as adopted consistently by the Company.

Principles of consolidation

The consolidated financial statements include the financial statements of Ranbaxy Laboratories Limited, ("the Company" or "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
Ranbaxy (Hong Kong) Limited	Hong Kong	100.00
Ranbaxy Drugs and Chemicals Company (Company with unlimited liability)	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 (Malaysia) Sdn. Bhd. *	Malaysia	70.17
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
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

Schedules forming part of the consolidated financial statements for the year ended 31 December 2011

SCHEDULE - 23

SIGNIFICANT ACCOUNTING POLICIES

Name of subsidiaries / associates	Country of incorporation	Effective group shareholding (%)
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 Unichem Co. Ltd.	Thailand	89.09
Ranbaxy (UK) Limited.	United Kingdom	100.00
Ranbaxy Holdings (UK) Ltd.	United Kingdom	100.00
Ranbaxy Europe Limited	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 (upto 29 July 2011)	Mexico	100.00
Ranbaxy Mexico Servicios.de C.V.,Mexico (upto 29 July 2011)	Mexico	100.00
Ranbaxy Morocco LLC (w.e.f. 4 February 2011)	Morocco	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.
* 68.09% till 24 May 2011
** Ceased to be an associate w.e.f. 30 June 2011 as the Group no longer has a significant influence over the entity.

The following subsidiaries were closed / sold during the previous year:

Lapharma GmbH (upto 16 December 2010)
Ranbaxy Japan KK (upto 16 September 2010)
Ranbaxy NANV (upto 17 November 2010)

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 unrealized 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.

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 recognized 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.

Schedules forming part of the consolidated financial statements for the year ended 31 December 2011

SCHEDULE - 23

SIGNIFICANT ACCOUNTING POLICIES

Entities acquired/ sold during the year have been consolidated from/ up to 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 standalone financial statements.

Use of estimates

The preparation of consolidated 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 consolidated financial statements, and reported amounts of revenues and expenses for the year. Examples of such estimates include provisions of future obligation under employee 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 etc.

Further, in the United States of America, certain rebates and allowances including charge-backs and price equalization etc. which are given to customers 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 its working condition for intended use. Advances paid towards acquisition of fixed assets outstanding at each balance sheet date and cost of assets not ready for intended use before the year end, are shown as capital work in progress.

Borrowing costs directly attributable to acquisition, construction or erection of fixed assets, which necessarily take a substantial period of time to be ready for their intended use, are capitalised. Capitalization of borrowing costs ceases when substantially all the activities necessary to prepare the qualifying assets for their intended uses are complete. Borrowing costs include exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. Other borrowing costs are recognised as an expense in the Consolidated Profit and Loss Account in the year in which they are incurred.

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, not lower than the minimum rates subscribed by respective local laws. Leasehold improvements (included in furniture and fixture) are depreciated over their estimated useful life, or the remaining period of lease from the date of capitalization, whichever is shorter.

Depreciation on additions is provided on a pro-rata basis from the date of acquisition/installation. Depreciation on sale/deduction from fixed assets is provided for upto the date of sale/adjustment, as the case may be. Modification or extension to an existing asset, which is of capital nature and which becomes an integral part thereof is depreciated prospectively over the remaining useful life of that asset.

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 for the year ended 31 December 2011

SCHEDULE - 23

SIGNIFICANT ACCOUNTING POLICIES

Intangible assets and amortisation

Intangible assets comprise goodwill, patents, trademarks, designs and licenses and computer software, and are stated at cost less accumulated amortisation and impairment losses, if any, except in respect of goodwill.

These assets are amortized 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
Computer software	1 – 6

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 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. 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.

Revenue recognition

Revenue from sale of goods is recognised on transfer of significant risks and rewards of ownership to the customers. Revenue includes excise duty and is 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 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 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 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.

Schedules forming part of the consolidated financial statements for the year ended 31 December 2011

SCHEDULE - 23

SIGNIFICANT ACCOUNTING POLICIES

Inventories

Raw material, packaging material and stores and spares are carried at cost. Cost includes purchase price, taxes (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 the price of materials and finished products in which these 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 realizable value. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale.

Work-in-progress includes Active Pharmaceutical Ingredients lying at plants for captive consumption. The comparison of cost and net realizable 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 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 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 as stated above.

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 equivalents

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 follows Securities and Exchange Board of India "SEBI" guidelines for accounting of employee stock options. The cost is calculated based on the intrinsic value method i.e. the excess of value of underlying equity shares as of the date of the grant of options over the exercise price of such options is recognised and amortised on a straight line basis over the aggregate vesting period of the entire option (i.e. vesting period of the last separately vesting portion of the option). The cost recognised at any date at least equals the intrinsic value of the vested portion of the option at that date.

Foreign currency transactions, derivatives and hedging

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.

Schedules forming part of the consolidated financial statements for the year ended 31 December 2011

SCHEDULE - 23

SIGNIFICANT ACCOUNTING POLICIES

Foreign currency transactions, 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 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.

Profit and Loss items at representative offices located outside India are translated at the exchange rate that approximates the actual exchange rate on date of the transaction. 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 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') which is transferred to the Profit and Loss Account in the same period in which the hedged item affects the Profit and Loss Account. If the hedging instrument no longer meets the criteria for hedge accounting, expire or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in hedging reserve is reclassified in the Consolidated Profit and Loss Account. 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.

Schedules forming part of the consolidated financial statements for the year ended 31 December 2011

SCHEDULE - 23

SIGNIFICANT ACCOUNTING POLICIES

- Profit and Loss items, except opening and closing inventories and depreciation, are translated at the respective quarterly 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.
- 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 quarterly average rates or the exchange rate that approximates the actual exchange rate on date of specific transaction.
- Contingent liabilities are translated at the closing rate.
- The resulting net exchange difference is credited or debited to the foreign currency translation reserve.

The items of Cash Flow Statement are translated at the respective average rates or the exchange rate that approximates the actual exchange rate on date of specific transaction. The effect of changes in exchange rates on cash and cash equivalents held in a foreign currency is reported separately as part of the reconciliation of the changes in cash and cash equivalents during the period.

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 a trust. In respect of gratuity, these entities fully contribute all ascertained liabilities in the respective employee trusts. Trustees administer contributions made to the Trusts and contributions are invested in specific instruments, as permitted by the law.

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 Parent Company. The minimum interest payable by the provident fund trust to the beneficiaries every year is notified by the Government. The Company have an obligation to make good the

Schedules forming part of the consolidated financial statements for the year ended 31 December 2011

SCHEDULE - 23

SIGNIFICANT ACCOUNTING POLICIES

shortfall, if any, between the return on receptive investments of the trust and the notified interest rate.

Pension

The Company 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 company in France also has a retirement pension payments plan as per collective agreement. The payment is made at the time of retirement.

Legal severance payment plan

Ranbaxy Unichem Company Limited in Thailand is required to comply with a legal severance payment plan as per local regulation. It is required to provide legal severance payment benefits for their employees upon termination of employment. The severance benefits are payable on retirement at a fixed retirement age and involuntary leaving service.

Actuarial Valuation

The contributions made to provident fund trust are charged to Consolidated Profit and Loss Account as and when they 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 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. Till previous year, the Company's actuary had expressed an inability to reliably measure provident fund liabilities. Accordingly, the Company was unable to recognize the expected shortfall in future, if any and exhibit the related information. During the year ended 31 December 2011, the liability in respect of provident fund schemes (as a defined benefit plan) has been determined on the basis of actuarial valuation.

The liability in respect of all defined benefit plans is accrued in the books of accounts 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 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.

Past service cost

Past service cost is recognised as an expense in the Consolidated Profit and Loss Account on a straight-line basis over the average period until the benefits become vested. To the extent that the benefits are already vested immediately following the introduction of, or changes to, a defined benefit plan, the past service cost is recognised immediately in the Consolidate Profit and Loss Account. Past service cost may be either positive (where benefits are introduced or improved) or negative (where existing benefits are reduced).

Defined contribution plans

The employees' superannuation fund scheme and employee state insurance scheme of the Group are defined contribution plans. Further, the employees' provident fund scheme of subsidiary(s) is a defined contribution plan. The Group's contribution paid/payable under the scheme is recognised as an expense in the Consolidated Profit and Loss Account during the year in which the employee render the related service i.e. on an accrual basis.

Schedules forming part of the consolidated financial statements for the year ended 31 December 2011

SCHEDULE - 23

SIGNIFICANT ACCOUNTING POLICIES

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 utilized 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 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.

Actuarial 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.

Taxes on income

Income tax expense comprises current and deferred tax 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 in the Consolidated Profit and Loss Account 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.

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.

Further, tax effect in respect of timing differences originated from items adjusted against reserves are recognised with a corresponding adjustment to such reserves.

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. Deferred tax consequences of timing differences that originate in the tax holiday period and reverse after the tax holiday period are recognized in the period in which the timing differences originate. Timing differences that originate and reverse within tax holiday period are not considered for deferred tax purposes.

Minimum alternate tax payable under the provisions of the Income-tax Act 1961 is recognised as an assets 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 and it is more likely than not that there will be an outflow of resources embodying economic benefits to settle such obligation and the amount of such obligation can be reliably estimated. Provisions are not discounted to its present value, and are determined based on the

Schedules forming part of the consolidated financial statements for the year ended 31 December 2011

SCHEDULE - 23

SIGNIFICANT ACCOUNTING POLICIES

management's best estimate of the amount of obligation required at the year end. These are reviewed at each Balance Sheet date and adjusted to reflect current management estimates.

Contingent liabilities are disclosed in respect of possible obligations that have arisen from past events and the existence of which will be confirmed only by the occurrence or non occurrence of future events not wholly within the control of the Company. 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, 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

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/ (loss) 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/ (loss) 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 for the year ended 31 December 2011 (Rupees in millions, except share data, and if otherwise stated)

SCHEDULE - 24

Notes to the consolidated financial statements

1. Background

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

The Group presently has manufacturing facilities in seven countries, namely India, the United States of America, 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 20 December 2011 the Company agreed to enter into a Consent Decree with the Food and Drug Administration ("FDA") of United States of America ("USA") to resolve the existing administrative actions taken by FDA against the Company's Paonta Sahib, Dewas and Gloversville facilities. The Consent Decree was approved by the United States District Court for the District of Maryland on 26 January 2012. The Consent Decree establishes certain requirements intended to further strengthen the Company's procedures for ensuring the integrity of data in its US applications and good manufacturing practices at its Paonta Sahib and Dewas facilities. Successful compliance with the terms of the Consent Decree is required for the Company to resume supply of products from the Dewas and Paonta Sahib facilities to USA.

Further, the Company is negotiating towards a settlement with the Department of Justice ("DOJ") of USA for resolution of potential civil and criminal allegations by DOJ. Accordingly, the Company has recorded a provision of Rs. 26,480 (USD 500 million) which the Company believes will be sufficient to resolve all potential civil and criminal liability.

3. The Company has accrued an expense as claims and contractual payment towards a portion of profit payable to another party in relation to sales of a product. The costs incurred on account of aforesaid profit–sharing are included in 'claims and contractual payments' under Schedule 19.

4. On 28 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.

5. Impairment of investments and goodwill

During the previous year, a combined provision of Rs. 2,216.20 was created in the value of long term investment held in Zenotech Investments Limited and Shimal Research Laboratories Limited as this diminution was considered to be other than temporary. Further, goodwill impairment was also recorded for Rs. 1,700 for Ranbaxy Pharmacie Generiques SAS (a separate cash generating unit under Pharmaceutical segment). The recoverable amount of cash generating unit had been derived on the basis of value in use using projected cash flows discounted at 10.50%.

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

Schedules forming part of the consolidated financial statements for the year ended 31 December 2011 (Rupees in millions, except share data, and if otherwise stated)

SCHEDULE - 24

Notes to the consolidated financial statements

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. As at 31 December 2010, there were 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, 40,000 for ESOS II and 300,000 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 grant.

During the current year, the Company has introduced a new ESOP scheme namely Ranbaxy Employees Stock Option Plan 2011 "ESOP 2011" with effect from 1 July 2011. This scheme limits the maximum grant of options to an employee or a director at 30,000 in any given year. ESOP 2011 provides that the grant price will be the face value of the equity share. The options vests evenly over a period of three years from the date of grant. Options lapse, if they are not exercised prior to the expiry date, which is three months from the date of the vesting.

The Shareholders 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
09 May 2011	3,000,000

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) granted under ESOS I, ESOS II and ESOS 2005 for the year ended 31 December 2011 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	7,401,143	216.00–561.00	415.42	5.99
Granted during the year	–	–	–	–
Forfeited during the year	(249,482)	216.00–450.00	372.68	–
Excercised during the year**	(600,949)	216.00–538.50	344.91	–
Lapsed during the year	(297,612)	216.00–538.50	438.96	–
Outstanding, end of the year*	6,253,100	216.00–561.00	422.78	5.01
Exercisable at the end of the year*	4,222,511	216.00–561.00	447.99	3.95

*Includes options exercised, pending allotment.

** excluding 33,082 shares issued towards bonus entitlement.

Schedules forming part of the consolidated financial statements for the year ended 31 December 2011
(Rupees in millions, except share data, and if otherwise stated)

SCHEDULE - 24

Notes to the consolidated financial statements

The movement of the options (post split) granted under ESOP 2011 for the year ended is 31 December 2011 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	–	–	–	–
Granted during the year	802,612	5.00	5.00	1.74
Forfeited during the year	(36,894)	5.00	5.00	–
Exercised during the year	–	–	–	–
Lapsed during the year	–	–	–	–
Outstanding, end of the year*	765,718	5.00	5.00	1.74
Exercisable at the end of the year*	4,933	5.00	5.00	0.74

*Includes options exercised, pending allotment.

The movement of the options (post split and without adjustment for bonus shares) granted under ESOS I, ESOS II and ESOS 2005 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

*Includes options exercised, pending allotment.

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

7. Capital work–in progress includes:

[i] Project related expenses (directly allocable)

	As at 31 December	
Particulars	**2011**	**2010**
Opening balance	**345.92**	299.28
Addition during the year		
Salaries, wages and bonus	**55.71**	140.79
Contributions to provident and other funds	**3.26**	10.90
Workmen and staff welfare	**0.87**	3.39

Schedules forming part of the consolidated financial statements for the year ended 31 December 2011
(Rupees in millions, except share data, and if otherwise stated)

SCHEDULE - 24

Notes to the consolidated financial statements

	Raw materials	–	5.18
	Power and fuel	**3.18**	15.92
	Insurance	**0.57**	0.14
	Others	**19.19**	61.66
		428.70	537.26
	Less : Capitalised during the year	**367.94**	191.34
	Balance as at year end	**60.76**	345.92
[ii]	Capital advance to vendors	**371.38**	154.60
[iii]	Other assets	**2,209.13**	3,317.25
	Total of [i],[ii] and [iii]	**2,641.27**	3,817.77

8. 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 2011 and 31 December 2010 are as under:

	Minimum lease payments		Present value of minimum lease payments	
	As at 31 December		**As at 31 December**	
	2011	**2010**	**2011**	**2010**
i) not later than one year	**100.73**	83.68	**78.96**	60.46
ii) later than one year but not later than five years	**248.97**	291.71	**225.43**	253.61
Total	**349.70**	375.39	**304.39**	314.07

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. 908.73 (previous year Rs. 860.61). The future minimum lease payments in respect of non–cancellable operating leases as at 31 December 2011 and 31 December 2010 are:

	As at 31 December	
	2011	**2010**
i) not later than one year	**363.25**	274.07
ii) later than one year but not later than five years	**740.48**	576.08
iii) later than five years	**37.90**	64.36
Total	**1,141.63**	914.51

c] Premises given on operating lease

The Company has given a part one of its premises under cancellable operating lease arrangement to a related party. Lease rentals amounting to Rs. 126.30 (previous year Rs. 63) 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.

Schedules forming part of the consolidated financial statements for the year ended 31 December 2011 (Rupees in millions, except share data, and if otherwise stated)

SCHEDULE - 24

Notes to the consolidated financial statements

9. Directors' remuneration *

	For the year ended 31 December	
	2011	**2010**
Salaries and allowances	**50.98**	43.96
Contribution to provident and other funds *	**2.43**	1.84
Directors' fee	**1.15**	1.04
Commission	**–**	71.00
Perquisites	**1.37**	0.53
	55.93	118.37

* Does not include the following:

i) Liabilities in respect of gratuity, pension and compensated absences as the same is determined on an actuarial basis for the Company as a whole.

ii) In the previous year, Mr. Arun Sawhney was appointed as the Managing Director of the Company w.e.f. 20 August 2010 for a period of three years. The appointment and remuneration of Mr. Arun Sawhney as the Managing Director was approved by the Board of Directors, however the requisite approval from shareholders was not obtained till the date of the financial statements for the year ended 31 December 2010. In accordance with the remuneration determined by the Board of Directors, Rs. 32.91 (including commission) had been accounted for as an expense in the Profit and Loss Account for the year ended 31 December 2010. During the current year, the requisite approval has been obtained from the shareholders.

iii) The remuneration paid to Mr. Arun Sawhney, CEO and Managing Director was approved by the shareholders of the Company. However, owing to the losses during the year, not determinable on the date of such approval, the remuneration paid during the year ended 31 December 2011 is in excess of the limits specified under the provisions of the Companies Act, 1956 by Rs. 47.55. The Company is taking necessary steps to seek approval from the Central Government for excess remuneration paid.

10. Hedging and Derivatives

a) The Group 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 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 2012 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.

The following are the outstanding derivative contracts entered into by entities of the Group:

As at 31 December 2011

Category	Currency	Cross Currency	Amount (in millions)	Buy/ Sell	Purpose
Forward contracts*	USD	INR	USD 195.00	Sell	Hedging
Forward contracts	EUR	USD	EUR 1.00	Sell	Hedging
Forward contracts (for loans)	USD	INR	USD 54.00	Buy	Hedging
Currency options**	USD	INR	USD 654.50	Sell	Hedging
Currency swaps (for loans)	JPY	USD	JPY 5,900	Buy	Hedging
Interest rate swap (JPY LIBOR)	JPY		JPY 2,900		Hedging
Cumulative mark to market loss on above instruments, net #			Rs. (20,855.04)		

Schedules forming part of the consolidated financial statements for the year ended 31 December 2011
(Rupees in millions, except share data, and if otherwise stated)

SCHEDULE - 24

Notes to the consolidated financial statements

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	INR	ZAR 40.75	Sell	Hedging
Currency options**	USD	INR	USD 846.50	Sell	Hedging
Currency swaps (for loans)	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)		

determined based on valuation provided by banks i.e counter party
* Designated as cash flow hedge instruments.
** Structured options @ 2.00 to 2.50 times.

11. Employee benefits

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

(a) Pension
(b) Gratuity
(c) Provident fund
(d) Retirement pension payment plan

The following tables set out the disclosures relating to pension, retirement pension payment plan, provident fund and gratuity benefits as required by Accounting Standard - 15 "Employee Benefits" (Revised):

	Pension (unfunded)	Retirement pension (unfunded)	Provident fund (unfunded)	Gratuity (funded)
Change in the present value of obligation:				
Present value of obligation as at 1 January 2011	**1,992.95**	**38.63**	**2,975.90**	**740.03**
	1,756.50	*70.41*	*2,547.72*	*530.19*
Add: Current service cost	**94.05**	**1.03**	**156.74**	**58.63**
	134.94	*4.42*	*136.87*	*49.36*
Add: Interest cost	**152.09**	**1.98**	**233.85**	**53.96**
	125.55	*2.78*	*197.63*	*36.38*
Less: Benefits paid/settlements	**76.33**	**–**	**470.03**	**48.09**
	69.58	*31.81*	*195.99*	*60.03*
Add: Employees' contribution	**–**	**–**	**295.83**	**–**
	–	–	*252.08*	–
Add: Transfers in	**–**	**–**	**69.01**	**–**
	–	–	*61.35*	–

Schedules forming part of the consolidated financial statements for the year ended 31 December 2011
(Rupees in millions, except share data, and if otherwise stated)

SCHEDULE - 24

Notes to the consolidated financial statements

	Pension (unfunded)	Retirement pension (unfunded)	Provident fund (unfunded)	Gratuity (funded)
Add: Actuarial (gain)/ loss on obligations	**(94.10)**	**0.02**	**(64.90)**	**45.64**
	45.54	*(0.10)*	*(23.76)*	*184.12*
Translation adjustments – (gain)/ loss	**–**	**6.05**	**–**	**–**
	–	*(7.07)*	–	–
Present value of obligation as at 31 December 2011	**2,068.66**	**47.71**	**3,196.41**	**850.16**
	1,992.95	*38.63*	*2,975.90*	*740.03*

Change in the fair value of plan assets:	Provident fund (funded)	Gratuity (funded)
Fair value of plan assets as at 1 January 2011	**2,931.95**	**671.91**
	2,462.26	*444.31*
Add: Expected return on plan assets	**247.87**	**66.57**
	216.72	*43.92*
Add: Group's contributions	**142.57**	**163.66**
	118.63	*239.35*
Add: Employees' contributions	**295.83**	**–**
	252.08	–
Add: Transfer in fund	**69.01**	**–**
	61.35	–
Less: Benefits paid/ settlements	**470.03**	**(47.78)**
	195.99	*(58.64)*
Less: Actuarial gain/ (loss) on plan assets	**11.66**	**(0.97)**
	16.90	*2.97*
Fair value of plan assets as at 31 December 2011	**3,228.86**	**853.39**
	2,931.95	*671.91*

Return on plan assets:	Provident fund	Gratuity (funded)
Expected return on plan assets	**247.87**	**66.57**
	216.72	*43.92*
Add: Actuarial gain/ (loss) on plan assets	**11.66**	**(0.97)**
	16.90	*2.97*
Actual return on plan assets	**259.54**	**65.60**
	233.62	*46.89*

Schedules forming part of the consolidated financial statements for the year ended 31 December 2011
(Rupees in millions, except share data, and if otherwise stated)

SCHEDULE - 24

Notes to the consolidated financial statements

Reconciliation of present value of defined benefit obligation and the fair value of assets	**Provident fund**	**Gratuity (funded)**
Present value of funded obligation as at 31 December 2011	**3,196.41**	**850.17**
	2,975.90	*740.03*
Less: Fair value of plan assets as at the end of the year	**3,228.86**	**853.39**
	2,931.95	*671.91*
Present value of (funded)/ unfunded obligation as at 31 December 2011	**(32.45)**	**(3.22)**
	43.95	*68.12*
Unfunded net (assets)/ liability recognised in the Consolidated Balance Sheet	**(32.45)**	**(3.22)**
	43.95	*68.12*

Gratuity and provident fund contribution expected to be paid in the next year is Rs. 152 (previous year Rs. 110) and Rs. 163.6 (previous year Rs. 135.3) respectively.

Expense recognised in the Consolidated Profit and Loss Account	**Pension (unfunded)**	**Retirement pension payment plan (unfunded)**	**Provident fund (Funded)**	**Gratuity (funded)**
Current service cost	**94.05**	**1.03**	**156.74**	**58.63**
	134.94	*4.42*	*136.87*	*49.36*
Add: Interest cost	**152.09**	**1.98**	**233.85**	**53.96**
	125.55	*2.78*	*197.63*	*36.38*
Add: Expected return on plan assets	**–**	**–**	**(247.87)**	**(66.57)**
	–	*–*	*(216.72)*	*(43.92)*
Add: Net actuarial (gain)/ loss recognised in the year	**(94.10)**	**0.02**	**(76.56)**	**46.60**
	45.54	*(0.10)*	*(40.66)*	*164.84* *
Expenses to be recognised in the Consolidated Profit and Loss Account	**152.04**	**3.03**	**66.16** #	**92.62**
	306.03	*7.10*	*77.12*	*206.66*
Less: Amount capitalised on projects/ settlement credit	**1.23**	**–**	**–**	**(0.30)**
	15.69	*31.81*	*–*	*2.78*
Total expenses recognised in the Consolidated Profit and Loss Account	**150.81**	**3.03**	**66.16**	**92.92**
	290.34	*(24.71)*	*77.12*	*203.88*

***** includes impact of change in actuary.

Provident fund:

Further, during the year, the Company has recognised an expense of Rs. 209.39 (previous year Rs. 179.92) pertaining to employers' contribution to provident fund including portion paid to the statutory authorities, which is included in "Personnel cost" in Schedule 18.

Represents employer's contribution to provident fund made by the Company to provident fund trust administered by the Company, net for reversal of unrecognized deficit of Rs. 43.95 (previous year Rs. 85.45) as at the beginning of the year (this being first year of actuarial valuation) and unrecognized surplus of Rs. 32.45 (previous year Rs. Nil) as at 31 December 2011 (in absence of any right to claim the surplus), both being considered in actuarial valuation.

Figures in italics are for the year ended 31 December 2010

Schedules forming part of the consolidated financial statements for the year ended 31 December 2011 (Rupees in millions, except share data, and if otherwise stated)

SCHEDULE - 24

Notes to the consolidated financial statements

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

Particulars	Provident fund	Gratuity
Central Government securities	**20%**	**3%**
	17%	*9%*
State Government securities	**12%**	**1%**
	11%	*4%*
Bonds and securities of public sector / Financial Institutions	**66%**	**96%**
	70%	*87%*
Deposit with Reserve Bank of India	**2%**	**0%**
	2%	*0%*
Insurer managed funds	**0%**	**1%**
	0%	*1%*

The following table sets out the assumptions used in actuarial valuation of provident fund, pension, retirement pension payment plan and gratuity:

Particulars	Provident fund (funded)	Pension (unfunded)	Retirement pension payment plan (unfunded)	Gratuity (funded)
Actuarial assumptions				
Discount rate	**8.50%**	**8.50%**	**3.85%**	**8.50%**
	7.90%	*7.90%*	*4.45%*	*7.90%-8.00%*
Rate of increase in compensation levels #	**N.A.**	**7%-10%**	**2%-3%**	**7%-10%**
	N.A.	*7%-10%*	*2%-3%*	*7%-10%*
Interest rate guarantee	**8.50%**	**N.A.**	**N.A.**	**N.A.**
	8.50%	*N.A.*	*N.A.*	*N.A.*
Rate of return of plan assets *	**9%**	**N.A.**	**N.A.**	**9%**
	8.50%	*N.A.*	*N.A.*	*8%-9%*
Expected average remaining working lives of employees (years)	**19.93 - 23.94**	**18.82**	**19.4 - 26.90**	**19.81 - 24.81**
	19.99 - 24.28	*20.00*	*20.5 - 31.10*	*20.09 - 25.47*

Demographic assumptions

	Pension, gratuity and provident fund	Retirement pension payment plan
Mortality	**Indian assured lives mortality (1994-96) modified ultimate**	**Table INSEE F 2004 - 2006**
	Indian assured lives mortality (1994-96) modified ultimate	*Table INSEE F 2004 - 2006*
Disability	**5% of mortality rate**	**–**
	5% of mortality rate	*–*
Withdrawal	**7% - 18%**	**0% - 30%**
	7% - 18%	*0% - 30%*
Retirement age	**58 years**	**62 - 65 Years**
	58 years	*60 - 65 Years*

In respect of pension and gratuity, 10% for the first two years and 7% thereafter (previous year 10% for the first three years and 7% thereafter). Further, in respect of retirement pension payment plan, increment rate is 2-3%.The salary increase takes account of inflation, seniority, promotion and other relevant factors on long term basis.

* On the basis of average rate of earnings expected on the funds invested.

Schedules forming part of the consolidated financial statements for the year ended 31 December 2011
(Rupees in millions, except share data, and if otherwise stated)

SCHEDULE - 24

Notes to the consolidated financial statements

Amount for the current and previous four years are as follows ##:

Pension plan:

	For the year ended 31 December				
	2011	**2010**	**2009**	**2008**	**2007**
Present value of defined benefit obligation	**(2,068.66)**	(1,992.95)	(1,756.50)	(1,571.19)	(1,205.49)
Experience adjustment (gain)/loss for plan liability	**78.93**	(17.89)	23.29	(27.10)	(5.34)

Gratuity plan:

	For the year ended 31 December				
	2011	**2010**	**2009**	**2008**	**2007**
Present value of defined benefit obligation	**(850.17)**	(740.03)	(530.19)	(486.74)	(383.00)
Fair value of plan assets	**853.39**	671.91	444.31	439.19	354.52
Surplus/(deficit)	**3.22**	(68.12)	(85.88)	(47.55)	(28.48)
Experience adjustment (gain)/loss for plan liability	**66.25**	117.81	52.44	72.54	33.10
Experience adjustment gain/(loss) for plan assets	**(0.97)**	2.97	0.02	0.40	0.67

not given for provident fund scheme, as this is the first year of actuarial valuation.

Retirement pension payment plan:

The experience adjustment for retirement pension payment plan over current and previous four years have not been given as the amounts are immaterial.

The liability for compensated absences as at 31 December 2011 was Rs. 413.73 (previous year Rs. 447.89).

Figures in italics are for the year ended 31 December 2010

Defined plans

a) The Company and its certain subsidiaries (other than USA based subsidiaries) 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(s). These plans are funded by the members and/ or by the entity(s) contributions, primarily based on a specified percentage of the employees' salary. The total contributions to these schemes during the year ended 31 December 2011 is Rs. 817.22 (previous year Rs. 775.79).

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 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 2011 the contributions to the plan is Rs. 63.86 (previous year Rs. 58.30).

Schedules forming part of the consolidated financial statements for the year ended 31 December 2011
(Rupees in millions, except share data, and if otherwise stated)

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Notes to the consolidated financial statements

12. Commitments and Contingent liabilities

		As at 31 December	
		2011	**2010**
i)	Guarantees issued by subsidiaries	**47.54**	19.08
ii)	Claims against the Group not acknowledged as debts, under dispute:		
	(a) DPCO *	**2,114.94**	1,952.90
	(b) Octroi tax matters **	**171.00**	171.00
	(c) Other matters ***	**366.75**	201.38

* 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. 325.59) 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., tax contingencies and competition council 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 has received a draft assessment order for the Assessment Year 2008–09 from the Income Tax authorities proposing some additions/disallowances to its taxable income. The Company has not accepted the same and has filed its objections before the Dispute Resolution Panel. Pending disposal of these objections, the amount of tax liability is not ascertainable.

v) 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.

vi)	Estimated amount of contracts remaining to be executed on capital account and not provided for (net of advances)	**1,655.85**	899.63

13. 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, Europe
3 Daiichi Sankyo Inc., USA
4 Daiichi Sankyo Mexico S.A. DE C.V., Mexico
5 Daiichi Sankyo Italia S.p.A., Italy

iii] Associates (domestic)

1 Zenotech Laboratories Limited
2 Shimal Research Laboratories Limited (upto 30 June 2011)

Schedules forming part of the consolidated financial statements for the year ended 31 December 2011 (Rupees in millions, except share data, and if otherwise stated)

SCHEDULE - 24

Notes to the consolidated financial statements

iv] Key management personnel

1 Mr. Atul Sobti, CEO and Managing Director (upto 19 August 2010)

2 Mr. Arun Sawhney, Managing Director (from 20 August 2010 to 4 August 2011) and CEO and Managing Director (from 5 August 2011)

b] Transactions with the related parties

Transactions	Holding company	Fellow subsidiaries	Associates	Key management personnel #	Total
Sales	139.95	–	–	–	**139.95**
	(19.39)	(4.28)	–	–	(23.67)
Royalty, technical know–how and product development (income)	–	–	–	–	**–**
	(207.25)	–	–	–	(207.25)
Sale of investment in subsidiary	–	241.53	–	–	**241.53**
	–	–	–	–	–
Non–compete fee (Income recognised)	–	420.00	–	–	**420.00**
	–	(210.00)	–	–	(210.00)
Non–compete fee received	–	–	–	–	**–**
	–	(840.00)	–	–	(840.00)
Sale of fixed assets	–	–	–	–	**–**
	–	(589.38)	–	–	(589.38)
Lease rental – income	–	126.30	–	–	**126.30**
	–	(63.00)	–	–	(63.00)
Operating income – others	21.67	45.21	–	–	**66.88**
	(6.86)	(86.35)	–	–	(93.21)
Other income – miscellaneous	–	50.12	–	–	**50.12**
	–	(42.09)	–	–	(42.09)
Finished goods purchased	93.64	197.27	18.10	–	**309.01**
	(0.02)	(27.54)	(70.54)	–	(98.10)
Business support expenses	4.54	–	–	–	**4.54**
	(4.15)	–	–	–	(4.15)
Travel and conveyance	8.86	0.02	–	–	**8.88**
	(5.46)	–	–	–	(5.46)
Royalty expenses	1.28	–	–	–	**1.28**
	(1.09)	–	–	–	(1.09)
Personnel expenses	–	–	–	54.78	**54.78**
	–	–	–	(67.33)	(67.33)
Technical services availed	55.89	26.77	–	–	**82.66**
	(18.76)	–	(1.84)	–	(20.60)
Security deposit received	–	–	–	–	**–**
	–	(63.00)	–	–	(63.00)

Figures in brackets are for previous year

Schedules forming part of the consolidated financial statements for the year ended 31 December 2011
(Rupees in millions, except share data, and if otherwise stated)

SCHEDULE - 24

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 2011	Year ended 31 December 2010
1	Sales			
	Daiichi Sankyo Co. Ltd., Japan	Holding company	**139.95**	19.39
	Daiichi Sankyo Europe GmbH, Europe	Fellow subsidiary	–	4.28
2	Royalty, technical know–how and product development	Holding company	–	207.25
	Daiichi Sankyo Co. Ltd., Japan			
3	Non compete fee from DSIN			
	Non compete fee (Income recognised)	Fellow subsidiary	**420.00**	210.00
	Non compete fee received	Fellow subsidiary	–	840.00
4	Sale proceeds of fixed assets			
	Daiichi Sankyo India Pharma Private Limited, India	Fellow subsidiary	–	589.38
5	Lease rental – income			
	Daiichi Sankyo India Pharma Private Limited, India	Fellow subsidiary	**126.30**	63.00
6	Operating income – others			
	Daiichi Sankyo Europe GmbH, Europe	Fellow subsidiary	**40.08**	78.25
	Daiichi Sankyo Co. Ltd., Japan	Holding company	**21.67**	–
7	Other income – miscellaneous			
	Daiichi Sankyo India Pharma Private Limited, India	Fellow subsidiary	**49.16**	42.09
8	Finished goods purchased			
	Zenotech Laboratories Limited, India	Associate	**18.10**	70.54
	Daiichi Sankyo Europe GmbH, Europe	Fellow subsidiary	**37.28**	27.54
	Daiichi Sankyo Co. Ltd., Japan	Holding company	**93.64**	0.02
	Daiichi Sankyo Italia S.p.A., Italy	Fellow subsidiary	**159.99**	–
9	Business support expenses			
	Daiichi Sankyo Co. Ltd., Japan	Holding company	**4.54**	4.15
10	Travel and conveyance			
	Daiichi Sankyo Co. Ltd., Japan	Holding company	**8.86**	5.46
11	Royalty expenses			
	Daiichi Sankyo Co. Ltd., Japan	Holding company	**1.28**	1.09
12	Personnel expenses			
	Mr. Atul Sobti	Key Management Personnel	–	34.42
	Mr. Arun Sawhney	Key Management Personnel	**54.78**	32.91

Schedules forming part of the consolidated financial statements for the year ended 31 December 2011
(Rupees in millions, except share data, and if otherwise stated)

SCHEDULE - 24

Notes to the consolidated financial statements

Sr. no	Transactions	Related party relationship	Year ended 31 December 2011	Year ended 31 December 2010
13	Technical services availed			
	Daiichi Sankyo Co. Ltd., Japan	Holding company	**55.89**	18.76
	Daiichi Sankyo Inc. USA	Fellow subsidiary	**26.77**	–
14	Security deposit received			
	Daiichi Sankyo India Pharma Private Limited, India	Fellow subsidiary	–	63.00
15	Sale of investment in subsidiary			
	Daiichi Sankyo Mexico S.A. DE C.V., Mexico	Fellow subsidiary	**241.53**	–

d] Balances due from/to the related parties

Transactions	Holding company	Fellow subsidiaries	Associates	Key management personnel #	Entities over which significant influence is exercised	Total
Debtors	98.00	10.85	1.89	–	–	110.74
	(8.13)	(28.76)	(0.17)	(–)	(–)	(37.06)
Creditors	43.18	202.94	–	–	–	246.12
	(9.09)	(71.96)	(–)	(–)	(–)	(81.05)
Payable to directors	–	–	–	–	–	–
(commission)	(–)	(–)	(–)	(21.00)	(–)	(21.00)
Loan receivable including interest	–	107.94	–	–	–	107.94
	(–)	(–)	(–)	(–)	(–)	(–)

Figures in brackets are for previous year

During the year, the Company has granted stock options to Arun Sawhney, key management personnel in respect of which Rs. 1.18 (previous year Rs. nil) has been recognised as an expense which is included in 'Amortisation of deferred employees stock compensation' in Schedule 18. The deferred stock option compensation in respect of such stock options as at 31 December 2011 is Rs. 5.82 (previous year Rs. nil).

14. 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

Schedules forming part of the consolidated financial statements for the year ended 31 December 2011
(Rupees in millions, except share data, and if otherwise stated)

SCHEDULE - 24

Notes to the consolidated financial statements

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.

Other Information

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

a) Primary Segment information

There are two reportable business segments i.e. 'Pharmaceuticals' and 'others'. The management considers the activities of the 'other' segment as immaterial. Accordingly, segment disclosures have not been given.

b) Secondary Segment information– Geographical

	India	Europe	North America	Asia Pacific	Africa	Others	Total
Segment revenue*	**21,288.43**	**17,825.99**	**38,137.99**	**7,082.10**	**8,849.33**	**8,430.31**	**101,614.15**
	(21,890.27)	(15,423.78)	(30,341.36)	(6,320.41)	(7,132.26)	(8,499.63)	(89,607.71)
Segment assets**	**82,196.37**	**30,147.23**	**31,218.42**	**2,607.86**	**7,748.09**	**3,326.04**	**157,244.01**
	(81,314.09)	(25,867.07)	(20,218.94)	(2,003.44)	(7,405.53)	(4,802.15)	(141,611.22)
Capital expenditure**	**3,514.31**	**291.65**	**420.50**	**74.63**	**363.83**	**121.49**	**4,786.41**
	(3,045.77)	(231.55)	(719.36)	(172.00)	(519.77)	(150.09)	(4,838.54)

Figures in brackets are for the year ended 31 December 2010

* on the basis of location of customers

** on the basis of location of assets

15. 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	**2011**	**2010**
Ranbaxy (Malaysia) Sdn. Bhd.	**27.44**	59.89
Ranbaxy Nigeria Limited	**13.95**	21.51
Terapia S.A	**52.24**	38.89
Ranbaxy Unichem Company Ltd	**0.35**	1.86
Ranbaxy Life Sciences Research Limited	**3.25**	3.44
	97.23	125.59

16. The share of the Group in (loss)/profit of associates is as under:

	For the year ended 31 December	
Name of entity	**2011**	2010
Zenotech Laboratories Limited	**(65.90)**	(64.02)
Shimal Research Laboratories Limited *	**–**	4.87
	(65.90)	(59.15)

* Ceased to be an associate w.e.f 30 June 2011

17. The Board of Directors in a meeting held on 22 February 2011 had proposed a dividend of Rs. 2 per share for the year ended 31 December 2010. Accordingly, the Company had recorded a provision of Rs. 842.08 in the year ended 31 December 2010.

Schedules forming part of the consolidated financial statements for the year ended 31 December 2011
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Notes to the consolidated financial statements

Proposed dividend for the current year represents dividend paid to shareholders to whom shares were allotted between 1 January 2011 till the record date (prior to Annual General Meeting). Further, tax on proposed dividend in the current year represents the reversal due to change in dividend distribution tax rate applicable at the date of payment.

18. With effect from 29 July 2011, the Group disposed off its entire holding in Ranbaxy Mexico S.A. de C.V. & Ranbaxy Mexico Servicios S.A. de C.V. for an agreed consideration of Rs. 241.53 and recognised gain on disposal of subsidiary amounting to Rs. 377.99 which is disclosed as an exceptional item.

19. Previous year figures have been regrouped/ reclassified wherever necessary to conform to current year's classification.

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

Vikram Aggarwal
Partner
Membership No.: 089826

Place : Gurgaon
Dated : 23 February 2012

For and on behalf of the Board of Directors

Dr. Tsutomu Une
Chairman

Arun Sawhney
CEO & Managing Director

Indrajit Banerjee
President & Chief Financial Officer

Sushil K. Patawari
Company Secretary

Place : Gurgaon
Dated : 23 February 2012

FINANCIAL DETAILS OF THE SUBSIDIARY COMPANIES

FOR THE YEAR ENDED DECEMBER 31, 2011

Sr. No.	Name of Subsidiary	Capital	Reserves	Total assets	Total liabilities	Investments (except in case of investments in subsidiaries)*	Turnover	Profit before tax	Provision for tax	Profit after tax	Proposed dividend
		Rs. in Million									
	Domestic :										
1	Solus Pharmaceuticals Limited	149.01	1,418.02	1,569.66	2.63	1,173.17	–	157.92	1.79	156.13	–
2	Vidyut Investments Limited	250.08	(230.24)	20.07	0.22	–	–	1.41	0.27	1.14	–
3	Ranbaxy Drugs and Chemicals Company (A public company with unlimited liability)	62.00	35.41	97.44	0.03	–	–	7.73	2.10	5.63	–
4	Ranbaxy Drugs Limited	31.00	(0.61)	2.96	3.57	–	–	(0.08)	–	(0.08)	–
5	Ranbaxy SEZ Limited	0.50	(0.13)	0.43	0.06	–	–	(0.03)	–	(0.03)	–
6	Rexcel Pharmaceuticals Limited	125.00	1,426.63	1,570.05	18.42	1,173.17	–	156.82	1.57	155.24	–
7	Gufic Pharma Limited	0.50	3.19	3.71	0.03	–	–	0.40	0.13	0.26	–
8	Ranbaxy Life Sciences Research Ltd.	50.60	233.52	286.18	2.05	–	–	24.29	7.94	16.35	–
	Overseas :										
9	Ranbaxy Malaysia Sdn. Bhd. Malaysia	134.00	1,113.58	1,862.75	610.13	–	1,322.05	112.15	20.41	91.74	12.20
10	Ranbaxy (Hong Kong) Limited Hong Kong	16.37	155.70	173.22	1.14	–	141.68	12.95	–	12.95	–
11	Basics GmbH Germany	336.21	218.82	1,742.38	1,187.36	–	1,308.45	(150.38)	5.26	(145.12)	–
12	Ranbaxy (S.A.) (Proprietory) South Africa	2.35	595.54	1,014.39	416.50	–	2,070.18	171.82	48.11	123.71	–
13	Sonke Pharmaceuticals (Pty) Ltd South Africa	13.00	(70.60)	359.23	416.83	–	1,603.73	(43.88)	–	(43.88)	–
14	Ranbaxy Mexico SE.S.A.DE # Mexico	0.19	(4.87)	9.81	14.48	–	83.56	13.35	(2.84)	16.18	–
15	Ranbaxy Egypt (L.L.C.) Egypt	42.82	70.32	157.30	44.15	–	311.17	39.38	8.52	30.86	–
16	Rexcel Egypt (L.L.C.) Egypt	2.12	(8.70)	24.13	30.71	–	30.94	7.53	–	7.53	–
17	Ranbaxy (U.K.) Ltd. United Kingdom	1,782.79	(1,537.95)	1,272.55	1,027.71	–	1,425.09	(216.80)	0.12	(216.92)	–
18	Ranbaxy Poland S.P. Z.o.o. Poland	66.84	61.46	176.93	48.63	–	481.28	34.79	11.33	23.47	–
19	Ranbaxy Do Brazil Ltda Brazil	16.96	(16.96)	–	–	–	–	–	–	–	–
20	Ranbaxy Nigeria Ltd. Nigeria	13.59	762.55	1,027.15	251.01	–	1,043.70	140.05	45.07	94.99	4.80
21	Ranbaxy Unichem Company Ltd. Thailand	167.73	232.20	554.15	154.22	–	654.62	6.45	8.23	(1.78)	11.47
22	Ranbaxy Morocco LLC Morocco	4.95	(11.88)	10.78	17.71	–	–	(11.08)	–	(11.08)	–

		Rs. in Million									
Sr. No.	Name of Subsidiary	Capital	Reserves	Total assets	Total liabilities	Investments (except in case of investments in subsidiaries)*	Turnover	Profit before tax	Provision for tax	Profit after tax	Proposed dividend
23	Ranbaxy Farmaceutica Ltda. Brazil	496.20	142.33	1,254.06	615.54	–	1,682.57	116.28	77.12	39.16	–
24	Ranbaxy-PRP (Peru) S.A.C. Peru	85.81	(17.80)	254.15	186.14	–	386.13	16.06	3.61	12.45	–
25	Ranbaxy Europe Ltd. United Kingdom	0.82	77.77	236.93	158.33	–	496.90	21.54	7.56	13.99	–
26	Ranbaxy Pharmaceutical, Inc. USA	$	5,453.20	85,891.41	80,438.20	–	36,934.94	2,181.08	707.56	1,473.51	–
27	Ranbaxy, Inc. USA	691.49	5,211.64	15,503.77	9,600.64	–	–	3.69	5.22	(1.54)	–
28	Ranbaxy USA, Inc. USA	$	134.06	1,629.93	1,495.86	–	–	16.14	5.99	10.15	–
29	Ohm Laboratories Inc. USA	12.69	5,559.48	82,650.47	77,078.30	–	3,071.29	2,139.20	736.96	1,402.23	–
30	Ranbaxy Laboratories Inc. USA	$	52.71	14,508.08	14,455.36	–	1,983.53	(401.45)	(138.49)	(262.96)	–
31	Ranbaxy Signature LLC, USA USA	$	(666.51)	2.83	669.34	–	–	(4.73)	–	(4.73)	–
32	Ranbaxy (Netherlands) B.V. ("RNBV") The Netherlands	27,123.27	7,668.06	35,119.92	328.59	–	–	(861.44)	(14.06)	(875.50)	–
33	Ranbaxy Holdings (U.K.) Ltd. United Kingdom	2,504.61	115.62	2,623.46	3.24	–	–	(0.48)	–	(0.48)	–
34	Ranbaxy Ireland Ltd. Ireland	490.45	449.67	1,275.23	335.09	–	2,193.85	66.16	10.43	55.73	–
35	ZAO Ranbaxy Russia	4.97	126.60	2,617.19	2,485.61	–	3,894.44	(8.38)	(20.95)	(29.32)	–
36	Ranbaxy Pharmacie Generiques SAS France	513.68	(559.89)	1,944.63	1,990.83	–	2,917.15	(315.51)	–	(315.51)	–
37	Ranbaxy Portugal - Com E Desenvolv De Prod Farmaceuticos Unipessoal Lda Portugal	0.34	(12.96)	69.83	82.45	–	76.88	(70.87)	(1.02)	(71.89)	–
38	Laboratorios Ranbaxy, S.L. Spain	344.83	(276.65)	687.35	619.17	–	650.00	29.08	–	29.08	–
39	Office Pharmaceutique Industriel Et Hospitalier SARL ("OPIH SARL ") France	91.72	(93.69)	138.87	140.83	–	324.35	(13.84)	–	(13.84)	–
40	Ranbaxy Australia Pty. Ltd. Australia	527.33	(960.08)	369.17	801.91	–	315.24	(143.50)	–	(143.50)	–
41	Ranbaxy Pharmaceuticals Canada Inc. Canada	117.19	849.96	2,315.83	1,348.68	–	3,297.88	268.17	79.59	188.59	–
42	Ranbaxy Italia S.p.A Italy	13.79	9.92	1,117.81	1,094.09	–	1,011.57	(74.41)	(1.99)	(76.39)	–

Sr. No.	Name of Subsidiary	Capital	Reserves	Total assets	Total liabilities	Investments (except in case of investments in subsidiaries)*	Turnover	Profit before tax	Provision for tax	Profit after tax	Proposed dividend
		Rs. in Million									
43	Ranbaxy Mexico S.A. de C.V. # Mexico	255.11	(375.26)	117.19	237.35	–	136.25	(32.62)	15.95	(48.57)	–
44	Terapia S.A. Romania	400.98	8,589.38	10,910.77	1,922.00	–	6,460.72	1,835.79	365.72	1,470.07	–
45	Terapia Distributie SRL Romania	0.48	(218.56)	551.22	769.63	–	750.26	12.73	–	12.73	–
46	Ranbaxy Belgium N.V. Belgium	38.75	(10.67)	598.45	570.37	–	313.41	(5.51)	–	(5.51)	–
47	Ranbaxy Pharma AB Sweden	8.47	–7.53	7.59	6.65	–	41.79	–	–	–	–
48	Be-Tabs Pharmaceuticals (Proprietary) Ltd. South Africa	$	1,306.93	2,585.29	1,278.35	–	1,087.64	(466.17)	–	(466.17)	–
49	Be-Tabs Investments (Proprietary) Ltd. South Africa	$	16.35	16.80	0.45	–	–	(1.07)	20.29	19.22	–

$ Rounded off to nil

***Detail of Investments**

Name of the subsidiary	Particulars	Nature of investments	Face value	Amount (Rs. Million)
Solus Pharmaceuticals Limited	Solrex Pharmaceuticals Company	A Partnership Firm	Capital Contribution	1,173.17
Rexcel Pharmaceuticals Limited	Solrex Pharmaceuticals Company	A Partnership Firm	Capital Contribution	1,173.17

Notes:

In terms of general exemption granted by the Ministry of Corporate Affairs vide its circular no. 02/2011 dated February 8, 2011 and approval of the Board of Directors of the Company at its meeting held on February 23, 2012, 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.

\# Divested during the year.

Ranbaxy Mexico S.A. de C.V.

Ranbaxy Mexico SE.S.A.DE

Notes:

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