

RANBAXY LABORATORIES LIMITED

Statement of Standalone Audited Financial Results for the quarter and fifteen months ended 31 March 2014

(Rupees in millions except share data, per share data and unless otherwise stated)

PART I

Sr. No.	Particulars	(Audited) Quarter ended 31 March (refer to note 22)	(Unaudited) Quarter ended 31 December	(Unaudited) Quarter ended 31 March	(Audited) (refer to note 18) Fifteen months ended 31 March	(Audited) Year ended 31 December
		2014	2013	2013	2014	2012
1	Income from operations					
	(a) Sales					
	- Within India (net of excise duty)	5,651.24	5,919.23	5,629.10	28,707.33	22,031.54
	- Outside India (refer to note 1)	6,594.62	7,357.15	7,649.67	37,863.06	39,092.89
	Net sales (net of excise duty)	12,245.86	13,276.38	13,278.77	66,570.39	61,124.43
	(b) Other operating income	274.31	389.25	537.59	2,078.98	1,911.01
	Total income from operations (net)	12,520.17	13,665.63	13,816.36	68,649.37	63,035.44
2	Expenses					
	(a) Cost of materials consumed	3,948.66	4,327.52	4,086.05	20,653.28	15,286.61
	(b) Purchases of stock-in-trade	2,247.73	2,193.58	1,906.89	9,826.43	8,090.01
	(c) Changes in inventories of finished goods, work-in-progress and stock-in-trade (refer to note 5)	32.89	(827.02)	(392.07)	(1,751.22)	(492.45)
	(d) Employee benefits expense (refer to note 6)	2,262.74	2,719.14	2,458.01	12,747.28	10,195.89
	(e) Depreciation, amortisation and impairment expense (refer to note 7)	499.80	458.49	452.93	2,801.72	1,861.61
	(f) Claims and contractual expense	8.43	21.64	22.64	173.82	3,842.89
	(g) Legal and professional expense	1,160.90	1,610.36	1,188.97	6,654.16	3,097.24
	(h) Other expenses	3,873.61	4,674.49	4,130.15	21,671.90	17,021.54
	(i) Foreign exchange (gain)/ loss (others), net	(638.18)	(393.61)	96.96	1,918.56	1,388.84
	Total expenses	13,396.58	14,784.59	13,950.53	74,695.93	60,292.18
3	(Loss)/ profit from operations before other income, finance costs and exceptional items (1-2)	(876.41)	(1,118.96)	(134.17)	(6,046.56)	2,743.26
4	Other income (refer to note 10)	6,365.01	205.99	523.26	7,848.20	2,395.98
5	Profit/ (loss) from ordinary activities before finance costs and exceptional items (3+4)	5,488.60	(912.97)	389.09	1,801.64	5,139.24
6	Finance costs (refer to note 16)	1,108.45	1,183.88	506.04	5,470.48	2,969.82
7	Profit/ (loss) from ordinary activities after finance costs but before exceptional items (5-6)	4,380.15	(2,096.85)	(116.95)	(3,668.84)	2,169.42
8	Exceptional items					
	- Settlement provision reversal (refer to note 3)	-	-	-	1,458.05	-
	- Inventory provision/ write off and other costs (refer to note 2)	(159.31)	(2,703.47)	-	(3,557.92)	-
	- Gain/ (loss) on foreign currency option derivatives, net (other than on loans) (refer to note 8)	1,559.89	1,035.66	818.42	(3,279.16)	(412.05)
	- Product recall expenses	-	-	-	-	(2,370.20)
	- Provision in respect of non-current investment in a subsidiary	(111.02)	(194.94)	-	(3,050.96)	(1,030.00)
	- Provision for other-than-temporary diminution in value of non-current investment in an associate	(713.11)	-	-	(713.11)	-
	- Profit on sale of intellectual property rights (refer to note 11)	4,327.69	-	-	4,327.69	-
9	Profit/ (loss) from ordinary activities before tax (7+8)	9,284.29	(3,959.60)	701.47	(8,484.25)	(1,642.83)
10	Tax expense/ (benefit), net	305.70	-	-	305.70	(19.44)
11	Net profit/ (loss) for the period (9-10)	8,978.59	(3,959.60)	701.47	(8,789.95)	(1,662.39)
12	Paid - up equity share capital (Face value of Rs. 5 each) (refer to note 14)	2,116.60	2,115.48	2,112.71	2,116.60	2,114.57
13	Reserves excluding Revaluation Reserves as per Balance Sheet				8,848.27	17,095.10
14	Earning/ (loss) per share (Rs.) - not annualised					
	Basic	21.22	(9.36)	1.66	(20.79)	(3.85)
	Diluted	21.19	(9.36)	1.66	(20.79)	(3.85)
15	Debt service coverage ratio (refer to note 12)				(0.12)	0.08
16	Interest service coverage ratio (refer to note 12)				(0.55)	0.45

See accompanying notes to the standalone audited financial results

PART II

Select information for the quarter and fifteen months ended 31 March 2014						
Sr. No.	Particulars	Quarter ended 31 March	Quarter ended 31 December	Quarter ended 31 March	Fifteen months ended 31 March	Year ended 31 December
		2014	2013	2013	2014	2012
A	PARTICULARS OF SHAREHOLDING					
1	Public shareholding #					
	- Number of shares	148,773,659	148,001,960	145,437,363	148,773,659	145,239,372
	- Percentage of shareholding	35.11%	34.93%	34.38%	35.11%	34.34%
2	Promoters and promoter group shareholding					
	a) Pledged/ encumbered					
	- Number of shares	-	-	-	-	-
	- Percentage of shares (as a % of the total shareholding of promoter and promoter group)	-	-	-	-	-
	- Percentage of shares (as a % of the total share capital of the Company)	-	-	-	-	-
	b) Non - encumbered					
	- Number of shares	268,711,323	268,711,323	268,711,323	268,711,323	268,711,323
	- Percentage of shares (as a % of the total shareholding of promoter and promoter group)	100%	100%	100%	100%	100%
	- Percentage of shares (as a % of the total share capital of the Company)	63.41%	63.41%	63.52%	63.41%	63.54%

Aggregate public shareholding as defined under Clause 40A of the Listing Agreement (excludes shares held by Promoters and Promoter Group Shareholding and Global Depository Shares)

Particulars	Quarter ended 31 March 2014
B INVESTOR COMPLAINTS	
Pending at the beginning of the quarter	Nil
Received during the quarter	2
Disposed off during the quarter	2
Remaining unresolved at the end of the quarter	Nil

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Notes:

- 1 Sales outside India also include sales relating to First-To-File ('FTF') products in the United States of America ('USA') in certain periods. Further, pursuant to the accounting policy followed by the Company, sales outside India for certain periods presented include transfer pricing adjustments with its subsidiaries for materials already supplied to them (including supplied in earlier periods), determined on the basis of significant judgement and estimates.
- 2 a) The Company has, during the fifteen months ended 31 March 2014, received an 'import alert' from the Food and Drug Administration of the USA ('US FDA') on its manufacturing facility located in Mohali consequent to their inspection in 2012, whereby US FDA regulated drugs could not be supplied there from. The US FDA also advised that the Mohali manufacturing facility will be subject to certain terms of the Consent Decree of permanent injunction entered into by the Company in January 2012 ('Consent Decree'). Consequently, stock write off and other costs of Rs. 695.14 has been recognised in these financial results. It is expected that the concerns of US FDA would be resolved within a reasonable period leading resumption of supply to US market.
- b) (i) The US FDA conducted an inspection at the Company's manufacturing facility located in Toansa in January 2014. Consequent to the findings of the inspection, on 23 January 2014, the US FDA invoked the Consent Decree prohibiting the Company from manufacturing and distributing active pharmaceutical ingredients ('APIs') from its Toansa manufacturing facility and finished drug products containing APIs manufactured at this facility into the US regulated market. The Company has since progressed in investigating the findings of the US FDA (as contained in Form 483) and has submitted its response to the US FDA.
- (ii) Subsequent to the imposition of the Consent Decree at the Toansa manufacturing facility as mentioned above, regulators in some jurisdictions including those of European Union ('EU') countries have sought clarifications/ took actions in respect of shipments from Toansa manufacturing facility. The Company is in dialogue with these regulatory agencies and is addressing their concerns. The Company expects to resume API bulk shipments to EU countries from Toansa manufacturing facility upon receipt of clearances from relevant regulatory authorities.
- (iii) The Department of Justice of the USA ('US DOJ'), United States Attorney's Office for the District of New Jersey has issued an administrative subpoena dated 13 March 2014 to the Company seeking information primarily related to the Company's API Toansa manufacturing facility in India for which a Form 483 was issued by US FDA in January 2014 (as explained in (i) above). The Company is fully cooperating with this information request and is in dialogue with the US DOJ for submission of the requisite information.
- (iv) During the quarter ended 31 March 2014, the Company has temporarily put on hold its operations from API manufacturing facilities at Toansa to examine the manufacturing and quality processes and controls, voluntarily as a precautionary measure. The same is expected to be resumed shortly.
- (v) The management is taking all necessary steps to resolve the above matters to the satisfaction of the concerned authorities. However, considering the above matters relating to the Toansa manufacturing facility, provisions (primarily relating to inventories, trade commitments, sales return etc.), amounting to Rs. 2,862.78 have been recognised in these financial results. In calculating these provisions, the management has used the best information and estimates, presently available. Since the matter involves significant judgement and in view of the inherent uncertainty of the present situation, the actual amounts may differ eventually.
- c) During the quarter ended 31 March 2014, the Company has temporarily put on hold its operations from API manufacturing facility at Dewas to examine the manufacturing and quality processes and controls, consequent to receipt of certain internal information. Consequent to the findings of the above exercise, the carrying amount of inventory has been written down by Rs. 424. The attribution of this amount to any particular period/ year is not possible. The Company expects to resume the operations shortly.
- 3 During the fifteen months ended 31 March 2014, the Company has negotiated and settled with the US DOJ for resolution of civil and criminal allegations on 13 May 2013 as per the decree of the court of Maryland. The Company had recorded a provision of Rs. 26,480 (USD 500 million) in the year ended 31 December 2011, to cover all civil and criminal liabilities. The settlement of this liability (along with related interest and other cost) in compliance with the terms of settlement is subject to regulatory/ statutory provisions. The above mentioned decretal amount of liability has been paid by the Company's US subsidiaries including Ranbaxy Pharmaceuticals Inc. ('RPI'), USA, a limited risk distributor. Under the said agreement of distribution, RPI has invoked indemnity for itself and inter alia its affiliates. The settlement amount has, accordingly, been apportioned between the Company and its US subsidiaries. The resultant accounting adjustment for reversal of earlier provision to the extent of apportionment to the US subsidiaries amounting to Rs. 1,458.05 (USD 26.1 million) has been disclosed as an exceptional item in the accompanying financial results for the fifteen months ended 31 March 2014.

4 Standalone Statement of Assets and Liabilities are given below:

Particulars		(Audited) (refer to note 18) As at 31 March	(Audited) As at 31 December
		2014	2012
A EQUITY AND LIABILITIES			
1 Shareholders' funds			
a) Share capital (refer to note 14)		2,116.60	2,114.57
b) Reserves and surplus		8,848.27	17,095.10
	Sub-total - Shareholders' funds	10,964.87	19,209.67
2 Share application money pending allotment		5.03	11.10
3 Non-current liabilities			
a) Long-term borrowings		24,721.88	19,568.10
b) Other long-term liabilities		3,719.44	10,363.48
c) Long-term provisions		1,314.54	2,739.04
	Sub-total - Non-current liabilities	29,755.86	32,670.62
4 Current liabilities			
a) Short-term borrowings		35,188.77	28,067.95
b) Trade payables		9,751.86	8,588.11
c) Other current liabilities		43,495.90	13,320.78
d) Short-term provisions		1,888.08	27,831.11
	Sub-total - Current liabilities	90,324.61	77,807.95
	TOTAL EQUITY AND LIABILITIES	131,050.37	129,699.34
B ASSETS			
1 Non-current assets			
a) Fixed assets		21,957.67	21,531.24
b) Non-current investments		40,789.89	31,281.37
c) Long-term loans and advances		10,779.89	10,107.12
d) Other non-current assets		1,741.14	215.70
	Sub-total - Non-current assets	75,268.59	63,135.43
2 Current assets			
a) Current investments		18.95	30.32
b) Inventories		16,951.44	17,318.39
c) Trade receivables		12,374.65	14,358.88
d) Cash and cash equivalents #		7,905.72	28,347.73
e) Short-term loans and advances		12,732.86	5,041.48
f) Other current assets		5,798.16	1,467.11
	Sub-total - Current assets	55,781.78	66,563.91
	TOTAL ASSETS	131,050.37	129,699.34

include Rs. 3,026.43 (Rs. 27,682.02 as at 31 December 2012) represented by "other bank balances" which are due for realisation within twelve months from the reporting date and unclaimed dividend accounts.

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Notes:

- 5 Changes in inventories of finished goods, work-in-progress and stock-in-trade for the quarter ended 31 March 2013 and fifteen months ended 31 March 2014 include prior period adjustment of Rs. 113.51.
- 6 Employee benefits expense for the quarter ended 31 March 2013 and fifteen months ended 31 March 2014 are net of Rs. 398.21 representing impact of discontinuation of a defined benefit plan applicable to certain employees of the Company.
- 7 Depreciation, amortisation and impairment expense for the fifteen months ended 31 March 2014 includes an impairment loss of Rs. 485.26 recognised for the vaccine plant at Bangalore due to prevalent adverse market conditions.
- 8 The amount represents foreign exchange gain/ (loss), net, on foreign currency option derivatives taken during previous years (other than on option derivatives relating to loans) which are accounted in accordance with Accounting Standard 30, "Financial Instruments: Recognition and Measurement".
- 9 The research and development expenses are classified under respective heads of total expenses according to the nature of expense. The aggregate amount of such expenses (excluding finance costs, depreciation, amortisation and impairment) for all periods presented is set out below:

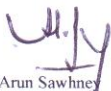
Particulars	(Audited) Quarter ended 31 March (refer to note 22)	(Unaudited) Quarter ended 31 December	(Unaudited) Quarter ended 31 March	(Audited) (refer to note 18) Fifteen months ended 31 March	(Audited) Year ended 31 December
	2014	2013	2013	2014	2012
Research and development expenses	881.02	1,280.14	1,020.19	5,278.77	4,490.41

- 10 Other income for the quarter and fifteen months ended 31 March 2014 includes dividend received from Ranbaxy (Netherlands) B.V., The Netherlands, a subsidiary of the Company, amounting to Rs. 6,113.97.
- 11 During the quarter and fifteen months ended 31 March 2014, the Company has transferred all significant risk and reward of ownership of the Intellectual Property of its branded generic product 'Ketanov' (including technology/ know-how, brand, marketing, authorisations, dossiers etc.) to its subsidiary in Romania. The sales consideration of Rs. 4,327.69 has been determined by the management on the basis of a valuation report by an expert, using best estimate. Pursuant to this transaction, the Company has recognised a gain of Rs. 4,327.69 which has been disclosed as an exceptional item in the accompanying financial results for the quarter and fifteen months ended 31 March 2014.
- 12 Due to issuance of debentures in the year ended 31 December 2012, certain required ratios have been presented. The ratios have been computed as below:
Debt service coverage ratio = Earnings before Interest and Tax/ (Interest expense for the period + Principal Repayment for all the loan funds during the period).
Interest service coverage ratio = Earnings before Interest and Tax / Interest expense for the period.
Earning before Interest and Tax = Earnings from ordinary activity before tax (serial no. 9) + Finance cost (serial no. 6)
- 13 On exercise of Employees Stock Options, 26,747 equity shares have been allotted on 14 April 2014. The total number of Employees Stock Options outstanding as at 31 March 2014 were 4,566,487, out of which 3,685,609 have vested.
- 14 A recent opinion of the Expert Advisory Committee ('EAC') of The Institute of Chartered Accountants of India requires that as on the reporting date, the shares issued to an Employee Stock Option Plan ('ESOP') trust but yet to be allotted to employees be shown as a deduction from the share capital. Accordingly, as at 31 March 2014, the paid-up equity share capital has been disclosed after deduction of Rs. 2.30 in respect of 459,602 such equity shares, with a corresponding adjustment to the loan receivable from the ESOP trust. To conform to this presentation, the paid-up share capital as at 31 December 2013 and 31 March 2013 has also been disclosed after deduction of Rs. 3.23 and Rs. 2.32 in respect of 645,070 and 464,739 such equity shares respectively.
- 15 The Company's business activity falls within a single primary business segment viz. 'Pharmaceutical'.
- 16 Finance costs include exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs. The aggregate amount of such exchange difference for all periods presented is set out below:

Particulars	(Audited) Quarter ended 31 March (refer to note 22)	(Unaudited) Quarter ended 31 December	(Unaudited) Quarter ended 31 March	(Audited) (refer to note 18) Fifteen months ended 31 March	(Audited) Year ended 31 December
	2014	2013	2013	2014	2012
Foreign exchange loss	446.27	662.41	12.70	2,837.12	1,239.74

- 17 In December 2012, the Company had approved the proposal to integrate the business operations and management of Ranbaxy Unichem Co. Ltd. ('Unichem'), its subsidiary, with Daiichi Sankyo (Thailand) Ltd, a subsidiary of Daiichi Sankyo Company Limited, Japan. The said integration has been completed with effect from 1 October 2013. Pursuant to this, Unichem had become an associate of the Company. Subsequently, Unichem has changed its name to Daiichi Sankyo (Thailand) Limited, Thailand.
- 18 The Board of Directors vide resolution dated 29 October 2013 has approved the change of financial year of the Company from January-December to April-March effective 1 April 2014. In view of this, the current financial year is for a period of 15 months i.e. 1 January 2013 to 31 March 2014 and, accordingly, the figures for the fifteen months ended 31 March 2014 are not comparable with figures for the year ended 31 December 2012.
- 19 The Board of Directors at their meeting held on 6 April 2014, approved the Scheme of Arrangement providing inter-alia reduction of capital and merger of the Company with M/s. Sun Pharmaceutical Industries Limited ('SPIL') with effect from the appointed date of 1 April 2014. As per the Scheme, the share exchange ratio has been proposed as 0.8 share of SPIL for each share of the Company. The scheme is subject to requisite approvals from Hon'ble High Courts of Gujarat and Punjab & Haryana and various other statutory authorities, as may be required.
- 20 As at 31 March 2014, the accumulated losses of the Company have exceeded 50% of the peak net worth of the Company in the immediately preceding four financial years. Hence, the Company has become a potentially sick company in terms of the provisions of Sick Industrial Companies (Special Provisions) Act, 1985 and requisite compliances under this Act would be made by the Company.
- 21 Figures pertaining to previous periods have been reclassified to conform to the current period's classification.
- 22 The above results were reviewed by the Audit Committee on 8 May 2014, and approved by the Board of Directors at their meeting held on 9 May 2014. The figures for the quarter ended 31 March 2014 as reported in these financial results are the balancing figures between audited figures in respect of the full fifteen months financial period and the published figures up to the fourth quarter of the fifteen months financial period. The audit report of the Statutory Auditors is being filed with the Bombay Stock Exchange Limited and the National Stock Exchange Limited and is also available on the Company's website at www.ranbaxy.com.

By order of the Board


Arun Sawhney
CEO and Managing Director

Place: Gurgaon
Date: 9 May 2014

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