

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	<ul style="list-style-type: none"> - 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 become 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

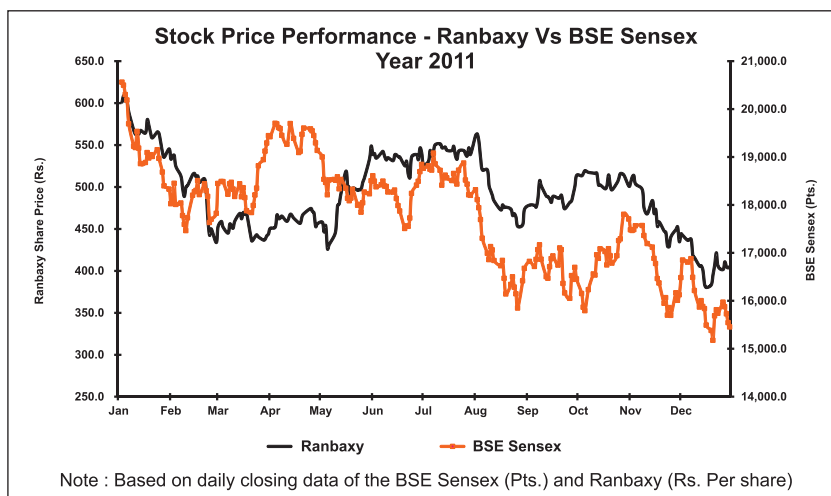
Identification Number - INE015A01028
(with NSDL and CDSL)

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
FII's	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



Ranbaxy Laboratories Limited

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 - 7,018,818*
as on December 31, 2011

* 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. Raimajra
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
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