“Ranbaxy Laboratories Limited Q4 FY14 Earnings Conference Call”

February 5, 2014

MANAGEMENT: MR. ARUN SAWHNEY – CHIEF EXECUTIVE OFFICER & MANAGING DIRECTOR
MR. INDRAJIT BANERJEE – CHIEF FINANCIAL OFFICER & PRESIDENT
MR. UMANG KHURANA – HEAD, INVESTOR RELATIONS, RANBAXY LABORATORIES

Moderator: Ladies and gentlemen, good day and welcome to the Ranbaxy Laboratories Limited Q4FY14 Earnings Conference Call. As a reminder, all participants' lines will be in the listen-only mode and there will be an opportunity for you to ask questions after the presentation concludes. Should you need assistance during the conference, please signal an operator by pressing '*' then '0' on your touchtone telephone. Please note that this conference is being recorded.

I now hand the conference over to Mr. Umang Khurana – Head, Investor Relations of Ranbaxy Laboratories. Thank you. And over to you, sir.

Umang Khurana: Thank you, everyone for coming on the call. You are welcome to the Ranbaxy Post Results Conference Call for Q4 i.e. October-December 2013 and YTD December 31, 2013. Earlier, the company issued a press release detailing the financial results for the quarter and YTD December 31, 2013. The press release and the presentation that the management will discuss with you now will be updated on the company website for your reference. We have on the call with us today Mr. Arun Sawhney- CEO and Managing Director of Ranbaxy who will be the first speaker; he will discuss the highlights of the company performance during the quarter. Mr. Indrajit Banerjee- CFO and President of Ranbaxy will be the next speaker; he will detail the financial performance of the company for the quarter. After the presentation we will be happy to take your questions. We have budgeted an hour for this call. Over to you, Mr. Sawhney.

Arun Sawhney: Thank you, Umang and good day to everyone on the call. You are aware that on January 23rd the USFDA notified Ranbaxy prohibiting the company from manufacturing and distributing API from its facility in Toansa, India for USFDA regulated drug products. The Toansa facility is now subject to certain terms of Consent Decree that Ranbaxy signed in January 2012. Earlier on January 11, 2013 the USFDA had issued a Form 483 to our Toansa API plant with certain observations following an inspection. Ranbaxy has responded to the USFDA in accordance with the agency's procedure, and will closely work with them to resolve the concerns as soon as possible.

We are maintaining a transparent and constructive engagement with all the other regulators around the world including India. We are disappointed with this happening, and in all sincerity apologize to all stakeholders on this unfortunate development. What transpired at the plant is clearly unacceptable to us and we will take appropriate strict action upon completion of our internal investigation which is currently underway. The Ranbaxy management takes the responsibility to correct the situation. We will not compromise on integrity and compliance. While we have done improvements in our systems and processes over the last few years there is no question that more needs to be done. We will continue to build a culture where quality is the outcome of all our actions. We want to ensure that there is no doubt in the mind of everyone- patients, doctors, customers and stakeholders that our paradigm of quality and patience first is at the core of everything we do. Ranbaxy is fully dedicated to quality compliance and patient welfare and we will always stand by our philosophy.

While we continue to assess the overall business impact on all aspects in our value chain our direct sales impact because of Toansa facility issue will be limited. In 2013, more than 85% of Ranbaxy business was not dependent on APIs from Toansa. Ranbaxy has been working on a de-risking strategy during the last few years where many of our APIs have more than one approved source and manufacturing site. This has and will help us in ensuring continuous supply of most of our drug products to the global markets. A new subcommittee of the board has been constituted as quality and integrity committee. It will provide oversight to manufacturing and quality functions to give increased assurance to all stakeholders.

With this I will dive into the results for the fourth quarter. Sales during the quarter were Rs.28.6 billion. Sales excluding FTF and AGs continue to grow over the corresponding quarter last year. The company continued to focus on Branded business in the emerging market as well as strengthen its presence in the US market. EBITDA margin in the quarter was over 9%. EBITDA margin improvement continued during the quarter. Focus on performance of key products and measures to control costs continued during the quarter, and we will see a reflection of this in our financial performance.

Absorica™- the novel drug launched by Ranbaxy at the end of 2012 continues its strong growth with more than 17% market share in the US. Branded sales including OTC were Rs.14.8 billion while Generic sales including API were Rs.13.8 billion. Sales in the major markets including USA, India and East Europe grew over a corresponding quarter. The overall sales growth was impacted by weaker performance in West Europe, Asia-Pacific and LATAM and Africa and Middle East. Primary sales in India grew over the corresponding quarter in the first quarter post implementation of the new pricing policy. Trade-related challenges settled during the quarter. East Europe sales grew by 7% on the back of good performance from Romania. Business performance in the USA was helped by a strong growth in Absorica™ a sales. West Europe, on the other hand, was adversely affected by the difficult market conditions.

The Toansa development has already been covered. With regards to the Consent Decree related to Dewas, Paonta Sahib and Mohali facilities the progress is as per plan. I assure you that we will do whatever is necessary to ensure that Ranbaxy emerges as an even stronger, trusted and respected company as we go through the Consent Decree.

With regards to the other significant developments during the quarter, three ANDAs were filed for the USA market. During the quarter company received final approval from USFDA to manufacture and market Felodipine Extended-Release tablets in the USA.

On the financial side with respect to derivatives position, the total leverage position at the end of the Q4 2014 was $665 million, down from $763 million from the preceding quarter. On an average $33 million was of derivative mature every month. The run rate is expected to contract further in the coming quarters. The net debt for the quarter was $758 million.

The new entity established in Thailand started its operations during the quarter. Earlier in January 2013, Ranbaxy and Daiichi Sankyo had announced their intention to integrate their business operations in Thailand to leverage and maximize the synergies of the hybrid business model.

I will now go to sales performance region wise. Sales for the quarter were Rs.28.6 billion, base business sales i.e. excluding FTF grew by over 10% over the corresponding period on actual forex for the quarter and on YTD December 2013. Sales growth was led by India, Europe and USA. Sales growth during the quarter was impacted by weaker performance in West Europe, Asia-Pacific, LATAM and Africa.

Coming to North America, North American sales were Rs.10.2 billion, growth of 5% over the corresponding quarter previous year. USA business sales for the quarter were Rs.9.09 billion, up from Rs.7.37 billion due to high traction from Absorica™. Market share of Absorica™ is currently over 17% as per IMS. The USA base business sales grew by more than 30% over the corresponding quarter previous year.

Coming to India, sales were Rs.5.8 billion during the quarter, growth of 8% over the corresponding quarter previous year. Post the implementation of the new DPCO, trade bodies have demanded higher margins to be continued as per the old structure and had restricted off-take from companies including Ranbaxy. For the year 2013, India sales grew by 5% to Rs.22.4 billion. In East Europe and CIS, Ranbaxy continues to witness growth and maintain leadership position in its represented markets of Romania and Russia. During the quarter sales in the region were Rs.4.6 billion. Of this Romania sales for the quarter were Rs.2 billion, growth of 5% over the corresponding quarter previous year. Russia sales for the same period were Rs.1.5 billion. In the core business, Russia sales grew by 19% over the corresponding quarter previous year. Sales in West Europe were Rs.2.3 billion for the quarter. Sale in the region was lower. The company is focusing on improving its profitability in the region even as macro-economic indicators continue to be a challenge for the business environment in the region. We are exploring changes in the business model to address the financial and environmental challenges in the region.

Coming to Asia-Pacific and LATAM, the region had sales of Rs.1.7 billion for quarter 4 FY2014. Sales in APAC including Sri Lanka was Rs.1.1 billion, LATAM was Rs.564 million. Quarterly sales are not like-to-like as the current quarter is the first quarter with change in business model in Thailand where Ranbaxy will now work with Daiichi Sankyo front end team. The quarter saw strong sales growth in Australia and Brazil. Sales in Japan and China were Rs.101 million for the quarter.

Now, I move on to Africa and Middle East. Sales for Africa and Middle East region for the quarter were Rs.2.6 billion impacted by reduced quantities from tenders in the region. We will continue to invest in manufacturing facilities in the region as manufacturing is declared as our core strategy. In case of API and others the sales stood at Rs.1.4 billion for the quarter. With

this I will request Indrajit now to take you through the financial performance for the quarter. Over to you, Indrajit.

Indrajit Banerjee: Thank you, Arun. Good day to everyone on the call. I will take you through the salient highlights of the results. Sales for Q4 as was mentioned earlier Rs.28.6 billion compared to Rs.26.7 billion in the corresponding period of the previous year. Sales in the Branded business including in the US, Europe, CIS countries grew well. Sales for YTD December 2013 were Rs.106 billion which is lower than the corresponding period, mainly due to the higher FTF sales that was recorded in the previous year. Base business grew by about 13% during the quarter and about 12% during YTD December 2013. Other operating income was Rs.350 million in the quarter while on an YTD basis it was Rs.1,975 million. Material consumption was Rs.10.46 billion in Q4 2013, and Rs.39 billion in YTD December 2013. Total consumption as a percentage of sales in Q4 is 36.6% which is lower compared to earlier period. Stronger performance in the Branded market including stronger sales of Absorica™ in the US helped reduce material consumption as a percentage of sales. Employee costs were at Rs.5,943 million in the quarter against Rs.4,933 million in the corresponding quarter of the previous year. For the YTD December 2013 employee costs were at Rs.20.8 billion against Rs.19.3 billion in the cumulative December 2012 previous year. This expense line this year is 19.2% of sales in the quarter which is lower than the previous quarters during the year. On an YTD basis the employee cost is 19.6% of sales. Increase in absolute expense is mainly on account of inflation. Depreciation, amortization and impairment for the quarter were higher at Rs.915 million versus Rs.805 million in the corresponding quarter of the previous year. Other operating expenses and claims paid amounted to Rs.10.39 billion in the quarter and Rs.39.11 billion for the YTD December 2013, which when compared to the percentage of sales is in the range of 36-37% in both periods. This includes higher CD related remediation expenses incurred during the quarter and during the year till December 2013. Other income was lower at Rs.352 million in the quarter versus Rs.767 million in the corresponding quarter of the previous year, mainly on account of interest income on lower deposit level. For the same reason, other income for YTD December 2013 was down to Rs.1,591 million from Rs.2,732 million in the previous year. The above-mentioned other income for the quarter and 12-months ended 31st December 2013 also includes a gain of Rs.96 million arising out of integration of our subsidiary- Ranbaxy Unichem Company Limited, (RUCL) that is our subsidiary in Thailand with Daiichi Sankyo Thailand Ltd. Finance costs for the quarter were lower at Rs.1,206 million vs. Rs.1,357 million in the corresponding quarter, mainly because of the lower exchange loss. FOREX loss as you know is apportioned to financing costs in accordance with the current accounting standards. However, finance costs for YTD December 2013 was higher at Rs.4,437 million versus Rs.3,036 million in the corresponding period of the previous year, mainly because of higher exchange loss on a cumulative basis and on higher borrowing levels. The closing dollar/ rupee exchange rate was 61.81 as on 31st December vs 62.66 as on 30th September 2013. Average dollar/ rupee for the quarter was 62.05 versus 62.17 in the preceding quarter. Foreign exchange gain of Rs.1,036 million in the current quarter and the loss of Rs.483 million in the YTD December 2013 that is shown below the EBITDA line under the exceptional item is mainly because of the impact of foreign exchange on outstanding derivatives. The operation of foreign exchange is a gain of Rs.101 million in the current

quarter and a loss of Rs.830 million in the YTD December 2013 recorded above the EBITDA line. Exceptional items during the quarter ended December 2013 includes Toansa stock write-off and other related costs of Rs.2,574 million. This is an exceptional item in the current quarter. The company recorded a net loss before taxes of Rs.0.6 billion that is Rs.60 crores after providing for stock write-off and other costs of Rs.2.6 billion pursuant to the inclusion of the Toansa plant under certain provisions of the Consent Decree by the USFDA. On YTD basis net loss before taxes is Rs.7.7 billion due to stock write-off, impairment of goodwill which was in the previous quarter and gain/ loss on account of foreign currency options derivatives net of Rs.4.8 billion. Although we had a gain in the current quarter we had lost in the preceding quarters. Tax for the current quarter and YTD December 2013 represents tax paid by our profitable entities in US, Romania, and certain other entities outside India. And this is a very unique position because we have profits in the overseas subsidiaries but losses in India, and therefore we have to bear with tax in those entities although on a consolidated basis we have a loss. EBITDA for the quarter was recorded at Rs.2703 million and Rs.8240 million as the figure for the YTD December. The quarter's EBITDA was about 9% of sales and on a cumulative year basis it is about 8% of sales. While explaining EBITDA I must also mention of the remediation expenses that we have been incurring in various plants. If you were to adjust for that, then on a normalized basis our EBITDA would be somewhere in the region of about 12%. With that I hand it back to Umang.

Umang Khurana: Thank you, sir. We will now open the call for questions.

Moderator: Thank you very much sir. Ladies and gentlemen, we will now begin the question and answer session. Our first question is from Anmol Ganjoo of JM Financial. Please go ahead.

Anmol Ganjoo: My first question is that last week or so we have been hearing commentary both from the parent as well as Mr. Sawhney that whatever will be required to set this regulatory stuff in order will be done, we have heard words like 'drastic' etc. So I was just wondering that if you could give us some color on what the prognosis is, and what are the specifics which are being put in place to address most of these regulatory issues? And also by the way of history if we get some kind of handle as on to what were the misses in this specific case and why it is so repetitive in nature?

Arun Sawhney: To answer the first part of the question first, I have said in my opening remarks that there is an investigation currently underway. We are doing this investigation, although we call it internal investigation it is being done with the help of a third-party so that there is no bias, and we will wait till the investigation is complete, and based on the outcomes of the investigation we will take appropriate and I can assure you very strict action. As to the efforts that have already been invested, so we have invested substantial sums of money in building the infrastructure providing training, we have perhaps one of the best consultants in the world come on site, there are also numerous training sessions we have undertaken, there have been very long duration visits from Daiichi Sankyo to our sites. All this was an investment in strengthening the systems the existed at Ranbaxy. Clearly, a lot more needs to be done over and above what we have

done so far. I accept that in the coming period we will have to do a lot more than what we have done up till now.

Anmol Ganjoo: And the second part of my question was with regard to commentary on hinting on drastic measures. If you could just give us some color on what those could be?

Arun Sawhney: That is what I said. We will have to wait till the complete investigation is over both internal and the third-party. Once those investigations are over we will take the measures that are required to address what comes out of the investigation.

Anmol Ganjoo: My follow-up question to Mr. Sawhney, in the past you have alluded to the fact that we will do whatever it takes to preserve some of our high value opportunities, unfortunately we are closer to that situation where we might actually have to put Plan 'B' and 'C' into account. So if you could just kind of give us some color on what those possibilities might be to at least salvage some of the high opportunities which we have been waiting for a long time, I think that again would be helpful?

Arun Sawhney: We believe that we still have and maintain exclusivities of the key products and Ranbaxy as a part of its strategy evaluates all the time alternate viable sourcing of materials on regular basis and takes decisions based on the best value that can be derived for the company without compromising any safety, quality or efficacy of the product. So we will continue evaluating all of these on a continuous basis.

Moderator: Thank you. The next question is from Balaji Prasad of Barclays. Please go ahead.

Balaji Prasad: Firstly, if I could just start with your non-US part of the business, a few of the emerging markets seem to be going through some pressure of some kind, could you please highlight what is needed to revive growth in these regions and maybe your outlook for these geographies too?

Arun Sawhney: Let us say, beginning in the home turf in India we have seen a good reversal of business performance in India. We have a very strong solid team with the relationships with customers. We have a very good portfolio of products after the NLEM declaration in the fourth calendar quarter of 2013 we have seen a healthy reversal of sales especially in November and December. I am very optimistic that in India we will continue the improvement in our performance and in the year 2014 we should see Ranbaxy in India turning in performance that is better than the growth of the market. There are other key geographies which we have identified as our core market, let us say, Russia, Ukraine, Romania and Poland. In all these countries, 2013 was a good year and we are expecting in 2014 to continue delivering good performance. We struggled a bit in 2013 in Malaysia and South Africa. We have taken measures to address the field force needs, training needs, portfolio needs in these countries in the latter part of 2013, and we should see a good trend in sales in 2014 in these countries. These would comprise bulk of our emerging markets business. In Thailand, we have Daiichi Sankyo as our front end. In Brazil, we have our own establishment as well as Daiichi Sankyo

as our partner. And the other last key emerging market would be Venezuela where we have Daiichi Sankyo as our partner in that market. So all these markets we expect again in 2014 to deliver good results.

Balaji Prasad: And if you could probably maybe give some sense of what kind of growth should we look forward to? An adjunct to the question is are there incremental investments needed to revive growth in these geographies and get it to the level that you desire to see?

Arun Sawhney: We will wait till the quarter following the 15-month period ending March we will guidance of our future business. As to the incremental investment we have identified manufacturing to be an integral core part of our strategy. I think we are pretty widespread in manufacturing and that we are leveraging quite to our advantage today. We will continue making those incremental investments in manufacturing to strengthen the back ends locally in some of our key markets and we will continue making investments in development of products that strengthen the portfolio in these markets in addition to the investments that are required to develop skills, knowledge, training, etc., So yes, these investments we will continue making to build the Ranbaxy business in emerging markets.

Balaji Prasad: Any number at all on the CAPEX requirements for 2014?

Arun Sawhney: I think we will wait for the 15-month period ending March 2014 and then we will assess the investments, CAPEX and things like that.

Moderator: Thank you. The next question is from Prakash Agarwal of CIMB. Please go ahead.

Prakash Agarwal: First one clarification on the statement that you made that 85% of the sales is not dependent on Toansa. So, basically if we see the 15% of total sales comes to around $250 million, how much of this do you think would be US sales; API sales and Formulations if you could give us a breakup?

Arun Sawhney: Let us say in case of US between 10-12% of our total sales in the US would be dependent on APIs that come out of Toansa, and at a global level I have already shared with you that more than 85% of our sales for 2013 came from APIs that are not sourced from Toansa. So these would be the figure at global and at the US level there.

Prakash Agarwal: And the remaining API sourcing is from which facilities, do we have other facilities or do we outsources already or do we see some raw materials cost going up due to higher outsourcing now?

Arun Sawhney: Ranbaxy as a part of its strategy always evaluates alternate sourcing of materials as I clarified earlier, and we have in the recent past years we actively worked on a de-risking plan where we have for most of our Formulations an alternate source of API. So wherever we have alternate sources of API the business for those drug products are protected.

Prakash Agarwal: Another clarification of what you just said, so you are saying 10-15% of the US Formulations were from Toansa for the US piece itself?

Arun Sawhney: For 2013, 10-12% of our business was dependent on APIs that originated in Toansa, yes, that is what is said.

Prakash Agarwal: My second question is on Diovan®, where we had said earlier that we protect the FTF. Now, seeing the current trends the scene is that we would have to shift to a third-party. Could you explain us the math there, would it be only profit share to the extent of API or could also be a Formulation, if you could give some color how we are doing it?

Arun Sawhney: We will obviously not give out our strategic measures that we are taking, but like I told you in the recent years we have very actively worked on de-risking plan and we believe we keep the FTF.

Prakash Agarwal: Do we expect other inspections or observations by other regulatory bodies like EU or India or other countries?

Arun Sawhney: We have engaged with the regulators from around the world and we will be active as our ongoing business enterprise remain engaged with the regulators around the world. We welcome any regulator who would want to come to Toansa. We are in the status of preparedness to deal with any regulatory inspection.

Moderator: Thank you. The next question is from Girish Bakhru of HSBC. Please go ahead.

Girish Bakhru: Following on the Diovan® question, can you clarify on the de-risking strategy, you have been talking on this de-risking strategy, if you have submitted with USFDA your plan where you are roping in a third partner for Diovan®?

Arun Sawhney: Obviously, a strategic plan I would not be discussing till after the strategic plan benefits have been realized.

Girish Bakhru: But, in terms of timeline, is there a period where USFDA will have to return to you in giving a response regarding the exclusivity? I am just trying to gauge where one can see the launch of Generic Diovan®. As per Novartis they have commented they probably would see in the second quarter.

Arun Sawhney: I have maintained and I will continue to maintain that we believe we have the exclusivity on Diovan®, and at the moment I leave it at that.

Girish Bakhru: And just a question link to that, in this de-risking strategy, are you evaluating options to buy new facilities like maybe purchase new assets which would have USFDA approval?

Arun Sawhney: In our normal course of business as well, we continue evaluating options that best fit the strategy that Ranbaxy have for the future. So in a normal course we would do that.

Girish Bakhru: And just second question was on the new filings, you have filed 3 ANDAs. It would be fair to assume that the new filings would not emerge from API sourcing from Toansa, right?

Arun Sawhney: You can assume that.

Moderator: Thank you. The next question is from Anubhav Agarwal of Credit Suisse. Please go ahead.

Anubhav Agarwal: Mr. Sawhney, just a question on US sales. US sales from September to December quarter have almost moved up by $19 million. Just a clarity, would you attribute most of this $19 million delta between September and December to Absorica™ or ex-Absorica™ some products have also seen sales increase?

Arun Sawhney: I think even products other than Absorica™ have done very well in the US, it is a portfolio of products, and it is not just one product.

Anubhav Agarwal: Would that be because of seasonality or in general you gain market share on this product?

Arun Sawhney: Except Absorica™ we do not talk product wise market shares and so on, but a portfolio of the base business products in the US did very well in the fourth quarter 2014.

Anubhav Agarwal: Since we talk about Absorica™, Medicare and Medicaid, your market share seems to have stabilized now at around 18% at least for the last one and a half months. What will be your market share now in Medicare and Medicaid? Because I remember your comment two quarters back you do not want to talk about Absorica™ now but when the market share stabilizes you could mention that in the Insurance segment in Medicare and Medicaid what market share do you have there?

Arun Sawhney: We do not disclose segment wise market shares and that comment of mine was at the initial time of launch of Absorica™. I think we can now see that our market share is stabilizing at around 17-18%.

Anubhav Agarwal: Mohali and Toansa now are part of the Consent Decree. What Consent Decree terms at Mohali is part of I am not aware of, but just as a ballpark, how much time do you think that resolution at Mohali will take, can you roughly say, will it be like let us say less than 50% of the time it will take for Paonta and Dewas to come out or it will be more than 50% of the time it takes for Paonta and Dewas?

Arun Sawhney: I do not have the calculated timeline but it would be substantially less and the time that it will take Dewas and Paonta for obvious reasons - the volume of business, the scale of activity, etc., was much less at Mohali, but we will have to go through certain obligations as are spelt out under the CD and the CD is a public document and anybody can read it.

Moderator: Thank you. The next question is from Bino Pathiparampil of IIFL. Please go ahead.

Bino Pathiparampil: Clarifying on an earlier question, if I heard rightly, you said only 10-12% of the US business dependent on Toansa API. So why I was wondering despite having an in-house Toansa facility, why was Ohm Lab depending significantly more on third-party sources before?

Arun Sawhney: It is a question of portfolio, it is a question of how you want to run your business. We had de-risked a lot of the APIs in-house by qualifying additional sources of supply. And it was a chosen strategy on the company. We focused a lot more on expanding manufacturing base of our Formulations business in the past.

Bino Pathiparampil: On the FTF opportunities, suppose none of your alternate strategies work out and you do not come out of these issues in the manufacturing facility in the near-term, how long can you hold on to the right to the exclusivity in each product, how long can you go – is it like 2 years, 4 years or each product has a specific date in your mind?

Arun Sawhney: At the moment on that I can say is that we believe we have the exclusivity. I cannot say beyond that.

Bino Pathiparampil: Finally, the Forex derivative position you put at $665 million. May I also know what is the accumulated loss in rupee or dollar terms on that?

Indrajit Banerjee: We mentioned that the total year-end rupee position was Rs.61.81, that is what we have taken, it is a difference between Rs.61.81 and about Rs.43 on the $665 million, so that is the amount which has been accumulated in the liability as of now.

Bino Pathiparampil: And that is a straight line, there is no further leverage on that, right, so that was the right estimate of the accumulated loss?

Indrajit Banerjee: Because the way the working goes is that one has to relate it to swap rate, etc., but by and large it will be somewhere in that region.

Moderator: Thank you. The next question is from Surjit Pal of Prabhudas Lilladher. Please go ahead.

Surjit Pal: The first question is that generally when you already have a problem with legacy of earlier management issue on the three plants, I believe that you definitely recruited consultants when you signed Consent Decree to establish and ensure your current source of income and the future including Mohali and Toansa. Now, I believe that those findings definitely to be positive. What went wrong that despite having all those consultants, both the plants are ultimately caught in the way of USFDA inspection? That is one. Second is that the domino impact. Because what we are saying is that there are growing harmonization between the regulators and we have already experienced in one of the peers in Indian company. Now, does it also harbinger of similar kind of scenario could be seen from European regulator for your plant?

Arun Sawhney: We are actively engaging with all the regulators of the countries we are doing business in. We remain engage with them in regular course of our business. And we will offer clarifications, explanations as we will invite them to our facilities to do their own inspections. So that is one. To answer your first question I clearly said I think we need to do a lot more. So we are committed to doing what additional steps we have to take based on the investigations that we will complete very soon.

Surjit Pal: That is well accepted. I just want to put a case in point in a sense that if I take that the incident related to Lipitor® issues of manufacturing happened last year say October-November and that time, if I go by the global journal, there was a splinter issues not in the formulations either in Ohm or in Mohali, but in Toansa plant. That happened in October-November 2012, now this is 2014 January when the visit has happened. So12-14 months have already gone by. So I just wonder was there any kind of investigation or activity undertaken by the management to find out what went wrong, because had those steps been taken then these days would not be same?

Arun Sawhney: Like I told you after that incident in 2012 we did take a lot of measures- starting from training, starting from counseling to engaging with perhaps one of the most renowned consultants in the world, to inviting people from Daiichi Sankyo to visit our Toansa plant to have yet another set of eyes looking at the facilities, etc. At the end we believe we have to do a lot more.

Surjit Pal: I think Pristiq® launched last year April and it has gone by quite a good number of months. So the key issue is that inclusion in the formularies of the insurance companies or Pharmacy Benefit Managers, do you really believe that there is a possibility with 505(b)(2) kind of product to inclusion over there and then complete with the Pristiq® brand and get some significant sales going forward say next one year before it goes off patent?

Arun Sawhney: Pristiq® is one product where our performance has been below our expectations. So in the portfolio of products, yes, it has not done as well as we had anticipated the product to deliver, and I think it will continue that way.

Moderator: Thank you. The next question is from Saion Mukherjee of Nomura. Please go ahead.

Saion Mukherjee: Just one clarification on the impact of Toansa that you said. You mentioned 10-12% of your US sales last year is impacted because of Toansa, so that is around $50-60 million. And then how much of the Toansa sales was directed to US customers or customers who are using it for the US market?

Arun Sawhney: The percentages that I have shared with you would not change.

Saion Mukherjee: I am just trying to arrive at the immediate impact. So one is the Formulations sales dependent on Toansa plus the API sales that you are doing from Toansa to third parties.

Arun Sawhney: And I told you that as our total composition of US business that percentage would not significantly change. I am including in that sale of APIs to customers outside the US or inside the US who maybe making drug products that go into the US.

Saion Mukherjee: Basically what I am saying is your total US sales, so one is your Formulations of around 500 million plus API directed towards US. So can you share that number? So this 10-12% we can use it on that base.

Arun Sawhney: I do not have that number right now in that kind of granularity.

Saion Mukherjee: This would also include the Nexium® supplies to AstraZeneca both API and Formulation?

Arun Sawhney: We do not give customer wise, product wise splits of our business.

Saion Mukherjee: But sir, this Toansa would impact that part of the settlement that you have?

Arun Sawhney: That is why I said, we are talking about the total.

Saion Mukherjee: On the exclusivities, you mentioned you would realize them, do you see it is a practical possibility that the three large exclusivities that you have can potentially get realized in this calendar year?

Arun Sawhney: At the moment I will limit my comments to what I have already said. I do not want to speculate on anything. We believe that we maintain the exclusivities on all three.

Saion Mukherjee: Particularly, on Nexium® settlement that you have, is there a royalty payment involve there as part of the licensing deal that you have with AstraZeneca?

Arun Sawhney: Whatever is confidential in the agreement will remain confidential and whatever is in the public domain is under public domain. I would not want to discuss the details of the agreements now.

Saion Mukherjee: There were some timelines which were mentioned in the Consent Decree related to the FTF. So have we met those timelines, in the sense that to establish that the filings were substantially complete at the time of first filing, I think we have gone past that stage and is that a reason you feel confident about your exclusivities being maintained?

Arun Sawhney: I have maintained that we have fulfilled all the obligations on a Consent Decree so far. So whatever were our obligations under the Consent Decree timeline so far we have fulfilled all of those obligations.

Saion Mukherjee: And you got a response from the USFDA as per what they think about your response in relation to all this establishing that it was a substantially complete application at the time of filing, etc.?

Arun Sawhney: We have fulfilled all our obligations under the CD.

Moderator: Thank you. The next question is from Shashikiran Rao of Standard Chartered Securities. Please go ahead.

Shashikiran Rao: You mentioned only 12% of your US business is related to Toansa. So, what would be the remaining 88%, it is just in the broad nature of it, would it be in-house supplies or other API plants in India, just to get a feeling of is there a possibility of those also facing investigation in the near future.

Arun Sawhney: We do not disclose the individual business transactions or product wise sources, etc. As a part of our strategy we have always followed a very good strategy on de-risking and creating wide sources of materials to keep our business stable. So, the only comment that I can offer you is 88% of the business in the US in 2013 did not depend on the APIs that came from Toansa. Where and which product dependent on what sources, etc., we will obviously will not disclose.

Moderator: Thank you. The next question is from Sameer Baisiwala of Morgan Stanley. Please go ahead.

Sameer Baisiwala: On Nexium® just wanted to check that in case there is a delay beyond May 24, 2014, would you still be able to maintain 180-day exclusivity. Or would this get lower and lower simply because the other players have settled to enter post-180 days?

Arun Sawhney: At the moment, we believe we have the exclusivity and we will maintain it. Beyond that I cannot comment at the moment and I think whatever information is in the public domain you have as much as I do.

Sameer Baisiwala: Sir, the second question here is that we have seen three major episodes with the USFDA referring to 2008, then 2013 September and 2014, every time the management had high conviction, commitment to resolve it and not to let it happen again. This time what is it different from what we had seen earlier?

Arun Sawhney: I have admitted that we took a lot of measures to deal with the situation after our previous experience. Clearly, I am admitting that we need to do more than what we have done until now.

Sameer Baisiwala: On Consent Decree, when it was signed which was Jan 2012, it was related to two facilities- Dewas and Paonta and we had paid penalties $500 million. Subsequent to that, two more facilities have got party to that Consent Decree. Does that anyway would give rise to further penalties?

Arun Sawhney: The Consent Decree was signed by Ranbaxy in December 2011 and it has entered into the court in January 2012. And at that time the covered facilities under the Consent Decree were Dewas and Paonta. All the other facilities of Ranbaxy, as defined in the Consent Decree were not the covered facilities. So that was relating to USFDA. So this is USFDA matter. The

settlement that we did was with the Department of Justice (DoJ). That was a separate matter that was not a matter relating to Consent Decree.

Sameer Baisiwala: But some of these observations in 483 for Toansa are actually of the nature that raises questions on the conduct and the integrity of the conduct. So therefore do you think that this could give rise to further penalties though at the moment it is an USFDA issue?

Arun Sawhney: I have not yet taken any attorney advice on it. So I would not be able to comment.

Sameer Baisiwala: On Absorica™, you had mentioned that in the September quarter that your market share was 19% and you have mentioned now that it is 17%. Has this come off?

Arun Sawhney: We are mentioning the market shares as reflected in the IMS. But I think even if it stabilizes somewhere between 17% to 20% we will be very happy for Absorica™.

Moderator: Thank you. The next question is from Chirag Dagli of HDFC Mutual Fund. Please go ahead.

Chirag Dagli: I have two questions. The absolute value of the inventory write-off $41 million approximately, in context of the $500 odd million that we probably have in the US including API, it just seems very high. Is there anything more beyond the base business that we were probably planning some FTF launches and had manufactured material, is there some element of that or is it usual in business to have such large inventory?

Indrajit Banerjee: Quite a bit of inventory which we have written off does in fact relate to some of the FTF opportunities that we have had. So while we will not be able to in a position to segregate it but it does contain FTFs. That is why you will find it difficult to match the statement made earlier about the 10-12% with the amount of inventory that we have written-off.

Chirag Dagli: Secondly, on the tax, all these Forex derivative-related exceptional items, if one were to adjust for that, what would be the normalized taxation levels that one would want to sort of pencil in for Ranbaxy?

Indrajit Banerjee: No, that would not give a fair picture. All the derivative losses, etc., they are in India. The derivative losses are in India, the R&D expenditures in India, and all the remediation expenses accounted in India. And the overseas businesses which are US, Romania, South Africa, Russia, etc., so they have got different tax rate. It normally ranges in those countries between 20% and 36-37% different from country-to-country. So that is the thing. In the long-term as the India profitability situation changes the it may be possible for us to give overall global tax long-term rate at that point in time but as of now it is a little exceptional situation because the expenses are all in Ranbaxy India and therefore it is difficult to give one number which can reflect the average tax rate for the whole company.

Chirag Dagli: And sir, last question, Mr. Sawhney, Ohm Laboratories have been fairly above the USFDA's issues and over the near-term, say, 12-18 months, as we try and resolve some of the Consent

Decree issues, what should investors expect from the Ohm Laboratories approvals, how many are pending and how many approvals should we expect to come through over the near-term?

Arun Sawhney: I cannot forecast that. We have a lot of pending approvals but I would not like to speculate as to how many approvals will come in next quarter or how many approvals quarter after that and so on. But yeah, there is a slew of approvals pending from submissions that we have made from Ohm Laboratories.

Chirag Dagli: So there would be upwards of 20 odd pending approvals from Ohm?

Arun Sawhney: I would not know off hand, but there would be interesting number of pending applications from Ohm.

Chirag Dagli: What I am trying to understand is what should investors expect from the US business while we resolve some of these Consent Decree issues with the three larger plants, what should we expect out of the Ohm facility?

Arun Sawhney: We have mentioned in the past that there are two or three dimensions to our strategy in the US. One is trying to develop differentiated products. Second, the controlled substances would be key part of our portfolio. We have made investments in the manufacturing outlets in the last two years on the controlled substances manufacturing infrastructure in the US. So these two would be primarily the interesting part of our future portfolio. And of course, we would continue to remain focused on our normal generic business as well.

Moderator: Thank you. Ladies and gentlemen, due to time constraints we will be able to take one last question, that would be from Krishna Prasad of Kotak. Please go ahead.

Krishna Prasad: If we have to look at beyond your FTF approval which could play out in the near-term, can you talk a little bit about the R&D investments that have happened for the US maybe in the last 3-4 years, what have been first there, has some of these issues with your manufacturing, have there been a distraction for the R&D efforts which have happened, maybe if you could talk a little bit about what is happening on that front and maybe provide us some granularity on what kind of opportunities that one could expect in the medium term from your base business?

Arun Sawhney: R&D would be an independent activity from manufacturing. So developing products for our business needs of the future will continue at the same pace as we did it in the past. Identifying which products which will be commercialized from which location would be core to our manufacturing side going ahead. Yes, there would be some adjustments that we will have to make on the strategy.

Krishna Prasad: And then finally, on the commentary about manufacturing being a strategic focus, could you just talk a little bit about that… what do you really mean by that? I would assume that would have anyway been the case for you to begin with.

Arun Sawhney: This would be global spread. If you look at generic companies, you would find very few are matched in this respect compared to Ranbaxy. For example, we have manufacturing locations in US, Ireland, Romania, Morocco, Nigeria, we are setting one in Egypt, South Africa, Malaysia, so many in India. This kind of a spread in manufacturing is a part of core Ranbaxy strategy. And manufacturing will remain dispersed, manufacturing will remain a core part of Ranbaxy's business strategy.

Moderator: Ladies and gentlemen, that was the last question. I now hand the floor to Mr. Umang Khurana for closing comments.

Umang Khurana: Thank you everyone. We will be uploading the presentation in sometime on the website and happy to take your comments and questions after that. Have a good day.

Moderator: Thank you. On behalf of Ranbaxy Laboratories Limited that concludes this conference. Thank you for joining us and you may now disconnect your lines.