

# Annual Report

2001-2002

Metamorphosis in action



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## THE COVER

There is vibrancy in the organisation. The metamorphosis is taking the Company to a new era of growth. The coordinated attempt, the electric and exciting undercurrent in Aurobindo is symbolized on the cover.

Planned change initiates growth. Implemented well, and on time, it would sustain the growth. Corporations accelerate growth by managing the change, moving the trajectory, and generating value added solutions to customers.

Aurobindo Pharma is authoring a paradigm shift in its future level of operations. A period of exponential growth has been engineered, driven on the back of a multi layer strategy.

While simultaneous changes are being made, it is yet being seamlessly done, without either disturbing the bread-and-butter lines or the delivery schedules to the customers.

What's the Company up to? Just a few headlines. Upgrading manufacturing facilities. Effecting production efficiencies. Adding commercially strong product lines. Establishing backward and forward integration. Work having started in the previous year, all these are going live in 2002.



Add to that. Improving raw material sourcing. The facilities are being made regulatory compliant. Products are being submitted for global regulatory approvals. Marketing tie-ups being made in quality conscious developed markets. All the while remaining a research based knowledge company.

The objective is simple. Power pack the Company and guarantee a future that will make Aurobindo Pharma a significant world player. The present change is so enormous, the Aurobindo of yesterday cannot be extrapolated to assess the Aurobindo of tomorrow. The Company is getting fast tracked. It is a metamorphosis.

# Metamorphosis

## in action



Dear friends,

Aurobindo Pharma is getting ready for tomorrow. Every segment of the business is being refashioned, with intent to dominate the generics market of the future. The Company would like to retain its leadership, even as it ventures into the competitive global markets.

We at Aurobindo can take a wider view of the future, largely because of the preparatory work done so far. A blue print was made mapping the future plans. This contained multi tasking of activities, most of them being simultaneously implemented. Some of the major initiatives would need mention.

**One.** All the manufacturing facilities are being upgraded. Some of them are being exclusively dedicated to servicing the regulatory markets. Hence, they are being made compliant ready.

**Two.** The rest of the facilities would produce for the price sensitive global markets. The production facilities have been made cost effective. The Company has equipped itself with machinery, talented people with skill sets, and created systems and procedures that can handle both volume and quality.

**Three.** The Company rationalised its product mix and moved into every generation of select therapeutic segments. More number of cephalosporins and semi synthetic penicillins have been added. At the same time, unconnected products have been shed.

**Four.** There was rationalisation in management thinking, as well. There is far greater clarity in the business plan. The focus was restated, and the Company is increasing its presence in the generics market. This is where the core competence is, and the plans are to provide a cutting edge to the products and business strategies.

**Five.** Inefficient plants, processes and overheads have been eliminated. Sale of plant or realignment of the equipment is part of this action. The new and rejuvenated plant facilities will give us the strength to do volume business, in our areas of core competence.

**Six.** Non-performing business models have been shed. Aurobindo will not be present in low earners or products with long gestation period.

**Seven.** The plant at China will provide us with key raw materials with certainty of supplies and price advantage.

**Eight.** Our Research & Development initiatives are giving us re-engineered processes with appropriate chemistry. We will have better technology and non-infringing processes. We are also patenting some of them, to retain the exclusivity with the Company.

**Nine.** Aurobindo is chiseling its cost structure, with intent to work within defined parameters of cost. Our objective is to contain raw material costs and all the other costs including overheads. Improving margins on an increasing topline, would create excitement amongst our stakeholders.

These planned set of activities would effectively derisk the business. Along the way, during the year, low margin products have been shed, and the business model spruced up. All the changes are being put through simultaneously even as the existing strengths in products and markets are being consolidated.

Of course, there was a price attached to such massive change process. Aurobindo decided to charge off the costs to the revenue, with the result the year end showed a flat bottom line. We at Aurobindo are treating the last two financial years as periods of investment, when we changed gear, and are metamorphosing into a strong business enterprise.

We will be controlling many levers of performance. We will have strategies that will improve the rate of growth. Product renewals, volume expansion and strong self sustaining bottom line should result in predictable value creation.

One thing is certain. While the past has been solid on strong foundations, we cannot extrapolate the past into the future. Aurobindo of tomorrow will be totally different and growing at a faster clip.

Aurobindo Pharma is busy creating excitement in the interest of its stakeholders. Wealth creation for our stakeholders will always remain our priority. The metamorphosis now taking place is an essential part of this agenda.

With warm regards,

Yours sincerely,



**P.V. Ramaprasad Reddy**  
Chairman

# Managing the change

The year ended on predictable lines. Our Members will recall in the previous annual report, we had taken a conservative view of 2001-02. Re-engineering of the entire organisation was expected to be an investment in more ways than one.

To quote, "Going forward, the Company is re-engineering its infrastructure and gearing itself to meet the challenges that lie ahead of the pharma industry. Some of our plants are being prepared for approval by the global regulatory authorities. There would certainly be some, although minimum, interruption in production while the necessary revamping is being done". We had indeed forecast, "a slower or flat growth when the facilities are being revamped".

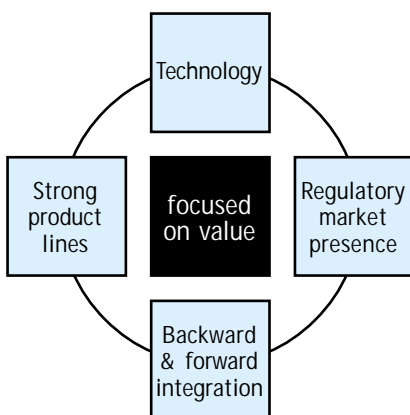
The year did show a very marginal rise in both top and bottom line, with the top line being a touch better. As has been the practice, the Company chose to be prudent and report a performance after absorbing all relevant costs. We would not like to carry forward costs in the balance sheet.

Management of the year had its own excitement. Aurobindo has become the largest manufacturer of sterile cephalosporins. We have established a leadership, and have become the preferred source for all major customers.

We introduced new products, and saw immediate acceptance. The launch of new generation of cephalosporins and their acceptance not only confirms our quality standing, but also adds a vertical range to the product mix.

The formulations business was spun off, and a joint venture now runs the brands. They are focused better, than we could ever be.

It was also a year when we placed the Company's shares in the market, and received a favourable response from major international firm of investors.



Our Members would be interested to know that we could progress as planned in our endeavour to restructure the business. Today, we have production facilities that are the pride of the Company. **Unit 6** is entirely dedicated to the cephalosporins business, and will be ready for regulatory inspection by early 2003.

The erstwhile Sri Chakra plant, redefined as **Unit 1**, has its utilities optimized and has a block for intermediate and APIs and another that can exclusively meet USFDA standards.

The new state-of-the-art plant being put up near Srikakulam, the **Unit 4**, is a mega cost efficient unit that will go on stream in two phases, the first in September/October 2002 and the second in January 2003. It will manufacture products like ciprofloxacin, enrofloxacin, amoxycillin and a number of critical intermediates like 7ADCA that would help reduce the overall cost of production. This plant will give a healthy contribution to the profitability of the Company.

The 100 per cent subsidiary being set up in China will help procure a key raw material 6 APA at far more economical cost, but also ensure there is certainty of supplies. Lower RM cost would add further excitement to the bottom line. This unit is expected to go on stream by end of 2002.

The Company in the meantime has stepped up its quality control and quality assurance systems, added to its skill sets, decentralized and professionalised the team, empowered the operating managers and has meticulously executed change management.

The set of managerial actions now being put in place, would add to top and bottom line, create economical and quality sources of supply and make available a window to the regulatory markets.

It is a resurgent Aurobindo that is looking ahead. There is a winning team that is spearheading this resurgence.

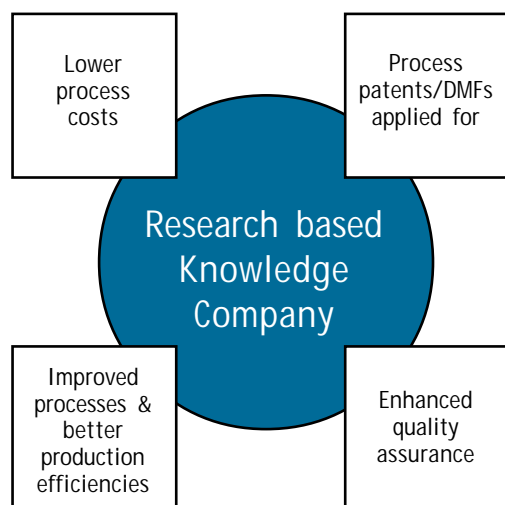


# Getting ready for the future

- a retrospective

Numbers alone do not tell the full story. Many milestones were crossed during 2001-02. New initiatives taken have made Aurobindo a different company, than it was at the beginning of the financial year.

Structural changes to the production facilities are only one of them. Some of the other notables need to be inventorised.



During the year, Aurobindo did reverse engineering and commercialized 5 anti-viral compounds. Research and Development Centre have also synthesised certain complicated molecules for the first time in India and the same has been successfully commercialised.

The Company have identified 12 products in the first phase for entry into generics market. For some of these products, the R&D Centre has identified and standardised non-infringing processes in the fields of Cephalosporins, anti-depressant, anti-hypertensive drugs etc. Impurity profiling and validation studies are in progress.

Aurobindo has already filed for 14 process patents. Two of them have been approved and the rest are under consideration. 4 more process patents have been filed under the Paris Convention Treaty, which would help marketing in Europe. When approved, Aurobindo will have exclusivity on those process patents. Holding process patents in combination with US FDA approval for any generic product, makes for a strong presence.



Drug Master Files for 3 products have been submitted and are being prepared for 12 more products. Inspection by the authorities would precede approval, and the Company has ensured that the facilities, systems and validation processes are ready.

Products of Aurobindo give the customers a wider choice. This is a unique strength that is often unmatched. The product list has a chain of APIs and generics, offering a complete spectrum from bulk actives to intermediates, from first generation antibiotics to the latest molecules, from oral to steriles, both lyophilized and crystalline.

Indeed, Aurobindo Pharma is often considered a one-window source by many customers. This also makes the Company a preferred vendor for many. During the year, keeping the customer needs in mind, the Company continued its systematic process of adding to the product mix.

Being customer centric, during the year, the Company invested further in quality. Analytical research has helped create a library of 300 impurities. The result is the customer today gets better quality than he got in the past. The results are far more consistent. Seen in perspective, Aurobindo meets every stringent specification.

The initiatives of the year have further reinforced Aurobindo and helped it to continue offering the most competitive price to its customers. This is helped by a number of factors: larger volumes in place, more efficient processes, faster time cycles, higher yields, and better recoveries.

Indeed, Aurobindo treats the waste, recovers by-products and sells them to raw material manufacturers. While the pollution load is minimised, there is lower cost of production.

During the year 2001-02, the Company carried out custom synthesis for two Japanese customers. Aurobindo is capable of synthesizing and giving them their products, as they want.

The year also saw the teeth-to-tail ratio improve further. About 40 senior managers joined in technical and marketing functions, with top-of-the-line skills and experience. The net result is, the Company's approach to quality received a shot in the arm.

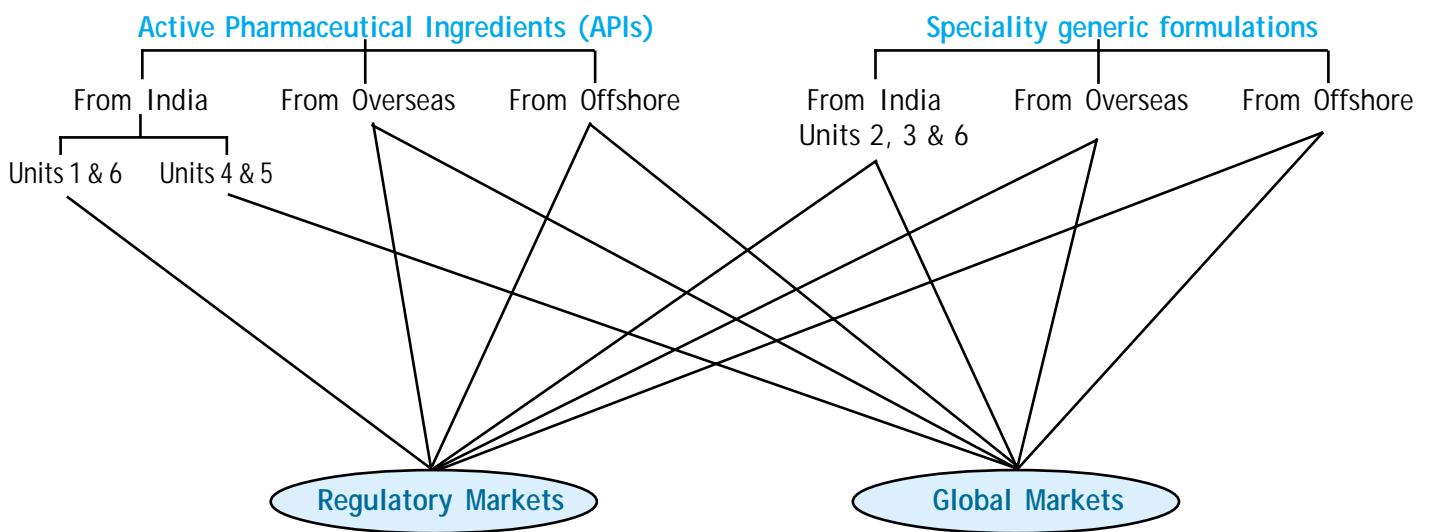
The domestic formulations business was transferred to a joint venture. Although the business volume was moving up, it needed special attention and a thrust. It was found prudent, to transfer the growing business to a joint venture, where the partner has 40 years of standing. The products are expected to reach out better in the market.

Aurobindo will continue to manufacture the brands owned by the Company, and transfer them to the joint venture at agreed prices, on an arms length basis.

All the major initiatives, especially the restructuring process was done and customers provided with what they want. Care was taken to continue shipments, and pre-empt any sign of uncertainty for the customer. This approach helped maintain relationships and the annual turnover.

Of course, at a price. The impact was on the bottom line. Charging off of additional expenditure and temporary shifting of production sources meant higher outflow. As usual, conservative accounting practices were followed.

**In short, the year saw the Company improve its focus and core competence, move up the value chain, add to its reach and redesign itself to face the future.**



# Mapping

## the transition

Aurobindo has again changed. This is a Company that has changed from a small scale unit to a technology lead growth company. From low value products to the present high value added products. The list is endless.

Yet the present shift, will metamorphose Aurobindo. What will change?

There are two real differences between the Aurobindo of the past, and that of the future. The strategic difference is in the business getting derisked. The past involved uncertainty of the price sensitive commodity market with prices and margins under constant pressure. The controls did not remain with commodity players.

Aurobindo could play it well because of the niche it created for itself in semi synthetic penicillins and cephalosporins. The Company did volume business, and low margins combined with large volumes helped report attractive bottom line. The ever expanding mode ensured that the profits grew year-on-year.

This strategy is not being abandoned. It is being reinforced with the new initiatives. While the Company will endeavour to improve its leadership in its areas of competence, it will now become regulatory compliant with facilities and products approved by global authorities. Aurobindo would make a strategic entry in the quality conscious western markets. These will add to the revenues, and much of it straight to the bottom line.

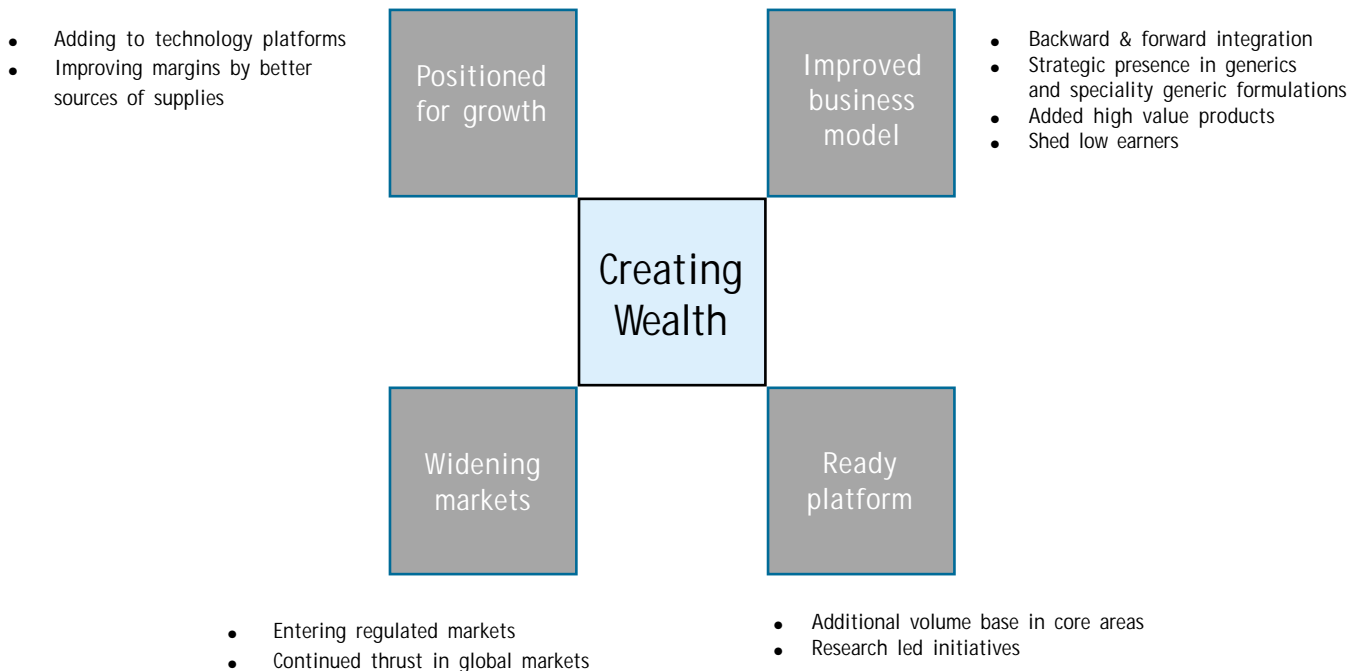
Given the foray into China to manufacture 6 APA, a key raw material, and the expanded cost efficient production capacities, Aurobindo would be able to leverage itself better in the price elastic markets.

This is another important facet of derisking. Aurobindo will be able to compete better with expanded capacities, assured supplies of key raw materials and lower cost of production are all part of this strategy to step up the earnings potential and minimise the possibilities of tapering profits.

The second strategic difference is the entry into the regulatory markets. The joint venture in USA will make the initial breakthrough. As soon as the Company gets US FDA approval for any product, Aurobindo would make an aggressive entry in the developed markets. Normally, manufacturers find a lag between approvals and the time interval to cashing the approval.

Aurobindo will be a quick entrant in the regulatory markets. This adds a powerful dimension to the marketing plan. Armed with product and facility approvals, backed up with process patents, Aurobindo will emerge a leading player in the generics market.

The Company will get fast tracked. Aurobindo is known to take a larger share of the cake in whatever segment of business it enters. The clear cut strategies will help straddle the market.



# What's on the anvil

Indeed the Company has set for itself a series of new milestones, starting September/October 2002. The co-ordinated arrangement facilitates attention to detail by the top management, and attempts at fail-safe solutions.

Metamorphosis of the business has been undertaken simultaneous to all areas of activity. Yet, the culmination of most initiatives is sequential on a time scale.

The earnings potential are intended to grow quarter on quarter, smoothening the stresses and strains of new ventures. Specifics of the changing variables need to be considered. They would help appreciate the evolving Aurobindo.

The Unit 4 at Pydhibhimavaram in Srikakulam District (A P) would commence production in two phases, partly in September/October 2002 and partly in January 2003. At around the same time, the 100 per cent subsidiary, Aurobindo (Datong) Biopharma will commence manufacturing 6 APA. The imported but self manufactured raw material will change the economics of the business.

The Company would have the option on pricing, and would be considerably protected from the vagaries of the commodity markets.

In the beginning of 2003, the joint venture in USA would start production. The units in India, designed for the regulatory markets are being readied, and the last of them would be ready by December 2002. US FDA inspection can be expected in the foreseeable future, and the Company would be able to make shipments in the financial year 2003-2004.

The joint venture in USA would help crunch the time involved between FDA approvals and commercialising them. A ready made market in tandem with approved product lists and production facilities would actualise new income streams. The quality conscious developed markets are also high value markets.

Aurobindo recognises the significance of the FDA norms and has hence not only upgraded the facilities and checked out the processes, systems and validation procedures. While Aurobindo always guaranteed quality, today the Company can meet the most stringent specifications.

## Strategy for Regulatory Markets

The Company's competitive advantage is in capturing a large portfolio of approvals. This is being backed up by a global standard R&D effort that offers several patented non-infringing processes and intellectual properties. These are being supported by a cost efficient mega manufacturing environment complying to US FDA and EU authorities

## Strategy for Global Markets

In global markets, the Company shall retain and enhance cost efficient quality leadership in semi synthetic penicillins, cephalosporins, newer anti infectives and lifestyle disease drugs. It is the endeavour of the Company to achieve this by resolving complex chemistry challenges, improving process efficiencies, adopting global scale manufacturing and using cost effective market networks throughout South East Asia, Africa and Latin America.

The entire exercise of re-engineering the Company adds to the assurance levels for the customers. Health of the ultimate consumer remains the driver. Every transaction shall meet the core expectation.

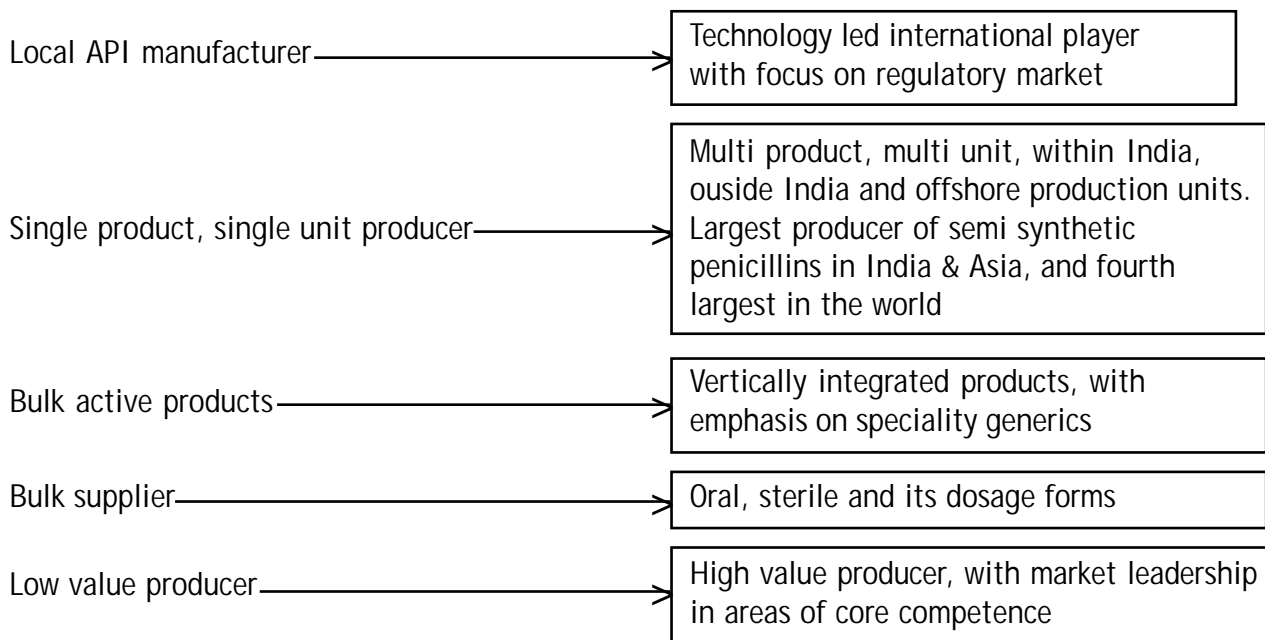
In the process, the organisational health improves. There is improved performance and all the stakeholders stand to gain. The Company believes in creating wealth, and thereby meet its corporate responsibility.

In fact, all the capabilities now being acquired/enhanced would help Aurobindo Pharma double its turnover in three years (2004-05). The cost leadership now being instituted, combined with normal margin on sales, would help report a substantial growth in net profit during the same period.

The Aurobindo team is clear. The measure of success will be in the value that the Company creates for the shareholders.

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## Metamorphosis process



# Board of Directors

**P.V. Ramaprasad Reddy**  
Chairman

**K. Nityananda Reddy**  
Managing Director

**Dr. M. Sivakumaran**  
Whole-time Director

**B. Siva Prasad Reddy**  
Whole-time Director

**Lanka Srinivas**  
Non-Executive Director

**Dr. I. Sathyamurthy**  
Non-Executive Director

**Company Secretary**  
B. Adi Reddy

**Auditors**  
S.R. Batliboi & Co.  
Chartered Accountants  
205, 2nd Floor,  
Ashoka Bhoopal Chambers,  
S.P. Road, Hyderabad.

**Bankers**  
Andhra Bank  
Canara Bank  
HDFC Bank Limited  
ICICI Bank Limited  
IDBI Bank Limited  
Standard Chartered Grindlays Bank  
State Bank of Hyderabad  
State Bank of India

**Internal Auditors**  
K. Nagaraju & Associates  
Chartered Accountants  
Chikkadpally, Hyderabad.

## Works

**Unit 1**  
Survey No. 388 & 389,  
Borapatla Village, Hatnoora Mandal,  
Medak Dist., A.P.

**Unit 2**  
103/A, S.V.C.I.E., I.D.A., Bollaram  
Jinnaram Mandal, Medak Dist., A.P.

**Unit 3**  
Survey No. 313 & 314, Bachupally Village,  
Outhubullapur Mandal, R.R. Dist., A.P.

**Unit 4**  
Survey No. 61 - 66, IDA  
Pydibhimavaram, Ranasthalam Mandal  
Srikakulam Dist., A.P.

**Unit 5**  
Plot No. 79-91, Chemical Zone, I.D.A.,  
Pashamylaram, Patancheru Mandal,  
Medak Dist., A.P.

**Unit 6**  
Survey Nos. 329/39 & 329/47,  
Chitkul Village, Patancheru Mandal,  
Medak Dist., A.P.

**APL Research Centre**  
Survey No. 313, Bachupally Village,  
Outhubullapur Mandal, R.R. Dist., A.P.

# DIRECTORS' REPORT

Dear Members,

Your Directors are pleased to present the 15th Annual Report of the Company together with the Audited Accounts for the financial year ended March 31, 2002.

## FINANCIAL RESULTS

	(Rs. Million)	
	2001-02	2000 - 01
Sales/Total income (net of Sales tax)	10,524.0	10,064.7
Profit before Depreciation, Interest and Tax including extraordinary income	1,470.4	1,398.9
Depreciation	158.1	147.8
Interest	423.9	416.8
Tax	203.3	151.2
Net Profit	685.1	683.1
Balance brought forward from previous year	25.8	4.2
Profit & Loss Account Debit balance Transferred on Amalgamation	-	(22.1)
<b>APPROPRIATIONS</b>		
Debentures Redemption Reserve	-	29.5
Preference Share Redemption Reserve	-	11.0
Dividend on Equity Shares	60.6	60.6
Dividend on Preference Shares	-	1.9
Tax on Dividend	-	6.4
General Reserve	525.0	530.0
Balance carried to Balance Sheet	125.3	25.8

## REVIEW OF OPERATIONS

It is a matter of gratification that under very challenging situation, your Company performed well. In a year in which your Company undertook major restructuring of production facilities, there was marginal growth in turnover and profits.

During 2001-02, your Company registered a gross turnover of Rs.10,524 million against Rs.10,064.7 million in the previous year. Net profit including an item of extraordinary income and tax is Rs.685.1 million against 683.1 million during the previous year.

The marginal increase in turnover, despite odds while the revamping was undertaken, demonstrates your Company's ability, to cater to customer needs. While growth was inhibited, the Company maintained its customer relationships.

As Members are aware, with a view to ensure sustainable growth in the forward years, your Company has initiated enterprise

wide restructuring that involved setting up new facilities, as well as expanding/revamping the existing units. Major part of the activity affected operations in the year under review.

Aurobindo's team did a creditable job, not only in keeping to the time and cost schedule of the projects, but also ensured that the customers never had to feel any level of uncertainty as regards supplies. Your Company is working to its estimated schedules, and during the financial year 2002-03, in a phased manner, all units would be going live on the expanded capacities.

Your Company is pursuing the goal of becoming a leading quality producer of generics in the developed western markets. The production facilities are hence being readied to cater to global regulatory approvals, and the processes, systems and validations are being suitably improved to cater to the needs of stringent customer demands.

Your Company has been filing Drug Master Files as well as applying for process patents to global regulatory authorities. While today, your Company provides the quality that customer wants, the approvals will add to the credibility and recognition.

Aurobindo received Brazilian GMP certification for its formulations unit (Unit 3) located in Hyderabad. This is expected to give a major boost to the Company's efforts to penetrate that market. The Company's two formulation units (Unit 3 & Unit 6) have already received regulatory approvals from MCC, South Africa. The MCA, UK approval for Formulations Unit 3 is expected shortly. A new formulation production facility (Unit 2) is under construction and will cater to the requirements of regulatory markets.

Aurobindo is also working towards USFDA approvals for two of its Active Pharmaceutical Ingredients plants (Unit 1 and Unit 6).

During the year, Aurobindo formed a 50:50 joint venture with Citadel Group for marketing of branded formulations in the domestic market. The joint venture, Citadel Aurobindo Biotech Ltd. focuses on specific therapeutic areas like cardiovascular, diabetology, gastroenterology, infection, nutrition and pain management.

During the year under review, your Company acquired 79.37% equity in Ranit Pharma, a profit making, dividend paying, unlisted company under the same management. This Company has been extending manufacturing facility for Aurobindo's requirement of anti virals, anti fungals and anti emetics. Your Company will benefit with this acquisition.



Marketing efforts are being reinforced by working for product and process approvals. With enhanced presence in non-regulated markets and eventual entry into regulated markets, Aurobindo Pharma is well placed to become a generics player of global standing. Your Company would believe in a wider reach, and shall pursue aggressive growth in all key markets.

Aurobindo is changing. The change is improving the fundamentals of the Company. Products are being strengthened with strategic repositioning of production, systems and processes. Over the foreseeable future, these are expected to make a positive impact on the Company's marketing abilities and thereby the revenue models.

### DIVIDEND

The Board is pleased to recommend for approval of Members at the Annual General Meeting, a pro rata dividend of 30% for the year ended March 31, 2002 on the enhanced capital of Rs.206.7 million.

### PREFERENTIAL ISSUE & INCREASE IN SHARE CAPITAL

As you are aware, the Company has successfully completed its private placement issue and allotted 20,00,000 equity shares of Rs.10 each at Rs.226 per share and an equal number of convertible share warrants to the Promoters/Directors and Templeton Strategic Emerging Markets Fund LDC and mobilised a sum of Rs.497.2 million.

The funds so mobilised were used for construction of new manufacturing facility at Visakhapatnam, which would be operational by the end of, 2002 and for upgradation of existing facilities and investment in the Company's wholly owned subsidiary, Aurobindo (Datong) Bio-Pharma Co. Ltd.

Consequent to the above issue, the paid up Equity Share capital of the Company increased from 20,200,000 Equity Shares of Rs.10 each to 22,200,000 Equity Shares of Rs.10 each.

### RESEARCH & DEVELOPMENT

Your Company made fresh investments and expanded the activities at Research & Development Centre. More stress has been laid on our future plan of entering into the generics market. Satisfactory progress has been made in developing non-infringing processes for some of the drug molecules. In pursuance of this objective, the Centre has already filed 12 patents during the course of the year.

### INVESTMENTS

During the year, your Company has invested Rs.511.5 million in its wholly owned subsidiary companies as follows:

	Rs. Million
Aurobindo (Datong) Bio-Pharma Co. Ltd, China	471.4
APL Holdings, Inc., USA,	24.9
Aurobindo Farmaceutica Do Brazil Ltda,	5.6
A B Farmo Quimica Ltda, Brazil	9.6

Your Company has entered into an agreement to form a joint venture company called Cephazone Pharma LLC, USA in association with Geravi Inc, a subsidiary of Medpharmex, USA to make sterile and non-sterile cephalosporin. The investment in the joint venture will be made by your Company's wholly owned subsidiary viz., APL Holdings Inc.

### ENVIRONMENT

Your Company is giving utmost priority to the environmental considerations. The Company is continuously upgrading effluent treatment facilities and waste disposal methods to safeguard the environs. As reported in the last year's review, the reverse osmosis technology in the production process has helped reduce pollution load.

### DIRECTORS

During the year, **Mr. A. Siva Rama Prasad, Mr. A.J. Kamath** and **Mr. Srinivas Lanka** resigned from the Board. Your Board places on record its appreciation for the services rendered by them during their tenure as Directors.

Mr.Srinivas Lanka was reinducted as an Non-executive Independent Director of the Company. **Dr. I. Sathyamurthy**, MD DM, an eminent cardiologist and a Director of Department of Cardiology, Apollo Hospitals has been inducted into the Board as a Non-executive Independent Director.

In accordance with the provisions of the Companies Act, 1956, read with the Articles of Association of the Company, **Mr. B. Sivaprasad Reddy** and **Dr. M. Sivakumaran** retire by rotation at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

### DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions of Section 217 (2AA) of the Companies Act, 1956 as amended, the Directors' Responsibility statement forming part of this Report has been given in the Annexure.

### CORPORATE GOVERNANCE

Your Company believes in creating wealth for its stakeholders. In pursuit of this objective, the policies of the Company are designed to strengthen the ability of the Board of Directors to supervise the management and to enhance long term shareholder value.

Your Company constantly reviews, evaluates and modifies its governance practices to ensure ongoing effectiveness. It is in the process of expanding the Board to induct non-executive independent directors into the Board. In this connection Dr.I.Satyamurthy and Mr.Srinivas Lanka have been inducted as independent Directors.

Your Company's Board however, is conscious that it has to formally put in place a few more improvements. The Board will be further strengthened with industry experienced non-executive independent directors. Committees of Directors will be appointed. These initiatives will be put into practice during the financial year 2002-03.

#### **AUDIT COMMITTEE**

The Company has formed an Audit Committee comprising Mr. Srinivas Lanka as the Chairman, with Dr.I.Satyamurthy and Mr.B.Sivaprasad Reddy as its Members. All of them have rich and varied experience in professionally managing pharma companies and are conversant with the intricacies of the industry.

#### **AUDITORS**

The Auditors, Messrs. S.R.Batliboi & Co., Chartered Accountants, Hyderabad, a member firm of Ernst & Young International, retire at the ensuing Annual General Meeting and, being eligible, offer themselves for re-appointment.

#### **COST AUDITORS**

The Cost Auditors, Messrs. R.R.Sharma, have been re-appointed with the consent of the Government of India to conduct cost audit of both the bulk drug and formulations divisions of the Company for the year 2001-02.

#### **AUDIT REPORT**

The Board has taken cognizance of the comments made by the Statutory Auditors. While the Board accepts the comments and commits itself to improve the standards of reporting on an on-going basis, the following clarificatory remarks are offered:

As regards the capital receipt of non-compete fee of Rs.300 million, the notes to the accounts are self explanatory. A chartered accountant in practice carries out internal audit of the Company. The internal audit reports are considered for assessing the systems in force and to take corrective actions. The comments of the Statutory Auditors however, will be viewed constructively for necessary action.

The comments of the Statutory Auditors in their report on the consolidated financial statements are self explanatory.

#### **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION ETC.**

Information in accordance with the provisions of Sec. 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in Annexure I forming part of this Report.

#### **FIXED DEPOSITS**

Your Company has not accepted any fixed deposits during the year under review. As such no amount of principal or interest was outstanding on the date of the Balance Sheet.

#### **INDUSTRIAL RELATIONS**

The Company enjoyed cordial relations with its employees at all levels. Your Directors record their appreciation of the support and co-operation of all employees in the accelerated growth of the Company.

#### **PARTICULARS OF EMPLOYEES**

As per the Companies (Particulars of Employees) Rules, 1975 as amended, the details under Sec.217 (2A) of the Companies Act, 1956 are required to be published only in respect of employees who were in receipt of monthly remuneration of Rs.2 lakhs and above during the year 2001-2002. The Company had no employee receiving a monthly remuneration of Rs.2 lakhs and above during the year. As such furnishing the particulars under Sec.217 (2A) does not arise.

#### **ACKNOWLEDGEMENTS**

Your Directors wish to place on record their appreciation and acknowledge with gratitude the support and co-operation extended by banks, financial institutions, central and state governments, customers, medical fraternity and others and thank the shareholders for their continued confidence reposed in the Company.

For and on behalf of the Board



**P.V. Ramaprasad Reddy**  
Chairman

Place : Hyderabad  
Date : June 30, 2002

# ANNEXURE TO THE DIRECTORS' REPORT

Information required under the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

## FORM - A

	31.03.2002	31.03.2001
<b>CONSERVATION OF ENERGY</b>		
1. Power & Fuel Consumption		
a) Electricity Purchased:		
Units (Nos.Millions)	33.88	27.05
Total Amount (Rs.Millions)	143.85	114.10
Unit Rate (Rs.)	4.25	4.22
b) Own Generation:		
i) Through Diesel Generator		
(No.of units in Millions)	2.73	12.73
Units per litre of diesel	3.25	3.36
Oil Cost per Unit (Rs.)	5.31	5.24
ii) Through Steam Turbine/Generator		
Units per litre of Oil/Gas	-	-
Cost per Unit	-	-
2. Coal		
Quantity (M.T)	11653.83	4426.25
Cost (Rs.Millions)	22.04	9.27
Average Rate/M.T.(Rs.)	1891.22	2092.29
3. Furnace Oil		
Quantity (K.Litres)	8278.82	9430.17
Total Cost (Rs.Millions)	68.75	101.05
Average Rate/K.Litres (Rs.)	8304.08	10715.99
4. Others (Wood)		
Quantity (M.T.)	-	375.66
Total Cost (Rs.Millions)	-	0.30
Average Rate/M.T.(Rs.)	-	790.62

## CONSUMPTION PER UNIT OF PRODUCTION

Electricity	}	Since the Company manufactures different types of bulk drugs, drug intermediaries and formulations, it's not practical to give consumption per unit of production.
Coal		
Furnace		
Oil Wood		

## FORM - B

### DISCLOSURE OF PARTICULARS WITH RESPECT TO TECHNOLOGY ABSORPTION

#### RESEARCH AND DEVELOPMENT (R&D)

#### Specific Areas in which Research and Development carried out by the Company:

The Company carried out process development and commercialized various products in the segment of cephalosporin antibiotics and antiviral compounds. Further it continued process research for maximizing the yield with improved quality.

#### Benefits derived as a result of the above R&D:

The Company's continuing efforts to become a strong knowledge based and technology oriented R&D driven health care Company have yielded results by way of improved processes in the commercial production.

#### Future Plan of Action:

Your Company has ambitious plans to invest further for enhancing its R&D capabilities.

#### Expenditure on Research and Development:

	(Rs. Millions)	
	2001-2002	2000-2001
a) Capital	49.3	28.0
b) Recurring	80.1	57.9
	129.4	85.9
c) Total R&D expenditure as a percentage of total turnover	1.23%	0.86%

### TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

Efforts, in brief, made towards technology absorption, adaptation and innovation:

Technology absorption is not involved as the process for manufacture of bulk drug is being developed in-house by the Company.

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

The Processes were simplified and thereby reduction in cost and products improvement.

Particulars of Imported Technology : Nil

#### Foreign Exchange Earning & Outgo :

Activities relating to exports, initiatives taken to increase exports. Registration of more product dossiers with global authorities, setting up of foreign subsidiaries, and commencement of activities at subsidiaries and joint ventures.

Foreign exchange earned and out-go during the year ended March 31, 2002.

	(Rs.Million)	
	2001-02	2000-01
Foreign exchange earned	4,866.6	5,451.8
Foreign exchange outgo		
Raw materials	3,351.2	3,159.6
Other expenses	99.3	63.1
	3,450.5	3,222.7

#### MANAGEMENT RESPONSIBILITY STATEMENT

The Board of Directors confirm that in the preparation of the Profit & Loss Account for the year ended March 31, 2002 and the Balance Sheet as at that date:

the applicable Accounting Standards issued by the Institute of Chartered Accountants of India and the Companies Act, 1956 have been followed as a going concern basis and on accrual basis for the financial year ended March 31, 2002;

that the Directors selected such accounting policies which would give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the company for the year under review;

Directors have taken sufficient and proper care for maintenance of accounting records;

the accounts for the year ended March 31, 2002 were prepared on a going concern basis.

For and on behalf of the Board



P.V. Ramaprasad Reddy  
Chairman

Place : Hyderabad

Date : June 30, 2002

# MANAGEMENT DISCUSSION & ANALYSIS

## OVERVIEW

Aurobindo Pharma is a fast track integrated pharmaceutical company headquartered in Hyderabad, producing and marketing some of the most quality conscious Active Pharmaceutical Ingredients (bulk actives), intermediates and speciality generic formulations.

It ranks among the top 5 pharma companies in India and is a multi product, multi technology, transnational company. Today the Company's products are serving consumers in India and over 70 other countries.

Aurobindo Pharma is an R&D driven chemistry business house, with a very broad product portfolio. The Company has a presence in fast growing life style disease drugs, anti infective drugs and key speciality therapeutics.

The Company is a known leader in the semi synthetic penicillins (SSPs) and cephalosporins. Indeed, Aurobindo seeks to attain significant market presence in every area of its business. After creating a name in producing APIs and intermediates, Aurobindo Pharma sees major growth in its speciality generic formulations business.

Aurobindo Pharma values its contribution to its customers and the medical profession. The Company has accordingly planned its strategic growth, proactively responded to the changing requirements of the medical profession, and enabled its core customers to meet their market needs.

The customers of the Company benefit from the most modern and state-of-the-art manufacturing facilities and a quality conscious approach to business. Aurobindo Pharma believes in delivering value in every transaction.

The Company sees its potential both in regulated and other global markets. In regulated markets, Aurobindo Pharma visualises profits aided by the thrust in building intellectual property. In the large growth segments of other global markets, the Company will succeed by virtue of its cost efficient production.

Expanding presence in the remunerative/demand pull segments has ensured volumes. In turn, this has provided economies of scale. Aurobindo Pharma takes care to remain a quality conscious cost efficient producer.

APIs contribute a major portion of the Company's business. The product portfolio is wide and caters to different therapeutic segments. Aurobindo Pharma is a major player in segments like SSPs, cephalosporins, antivirals and certain lifestyle disease drugs.

The Company has grown rapidly by resolving complex chemistry challenges and by launching new generation drugs in every category. Over a period, it has reduced its dependence on any single category or older drugs.

The Company has retained its leadership in SSPs, but has reduced its dependence on this segment to one-third of its business. Sterile cephalosporins, which involve complex chemistry and are known to have entry barriers, constitute over 15 per cent of the revenues. The Company has launched newer drugs like cephalosporins (contributing to a quarter of total revenues), life style disease drugs and anti-HIV drugs which constitute the balance.

Your Company enjoys world's largest product portfolio in anti-AIDS, and ranks among the top in the world in SSPs and cephalosporins, both oral and sterile.

## ABRIDGED PROFIT & LOSS ACCOUNT

(Rs. Millions)

	1998-99	1999-00	2000-01	2001-02
<b>Sales</b>	<b>5,500.3</b>	<b>7,456.0</b>	<b>9,961.0</b>	<b>1,0377.2</b>
Other Income	27.9	34.7	116.5	146.8
Gross Profit (PBDIT)	787.2	1,207.1	1,398.8	1,470.4
Interest	171.0	294.0	416.8	423.9
Depreciation	62.9	95.2	147.8	158.1
Tax	51.9	71.9	151.1	203.4
<b>Net Profit</b>	<b>501.4</b>	<b>746.0</b>	<b>683.1</b>	<b>685.1</b>

Presently over 70 drugs in the area of SSPs, cephalosporins, anti AIDS and speciality anti-infectives and over 30 drugs in the area of life style diseases drive the API business and its growth.

The speciality generic formulations business has made Aurobindo a truly diversified and integrated pharma major. In addition to broad basing its activities, the speciality generic formulations business has helped the Company climb the value chain and optimise the synergies.

Your Company's presence in speciality generic formulations gives an increased visibility with the attendant benefits of long and sustainable business. The joint venture company, Citadel Aurobindo Biotech Ltd is leading the marketing and distribution. Manufacturing for the joint venture would continue to be with your Company.

## INDUSTRY DEVELOPMENTS

Pharma industry is undergoing a major shake-up. The excitement in the industry is to meet the challenge of the WTO requirements and the changes in the patent regimes. It will become easier for the well organised enterprises to carve a share of the open market. The weaker players are likely to face extremely difficult days.

Those who are committed to stringent quality, possessing regulatory approvals and are research led technology companies would be able to ride the market. They would need a basket of products that keep pace with the latest generation drug discovery. Only players ready to face competition in the regulatory markets will survive.

## ABRIDGED BALANCE SHEET

(Rs. Millions)

	1998-99	1999-00	2000-01	2001-02
Fixed Assets				
Gross Block	1022.2	1548.0	2090.6	2750.8
Less: Depreciation	115.2	209.0	376.0	490.5
Net Block	907.0	1339.0	1714.6	2260.3
Investments	18.6	24.0	237.6	737.3
Current Asset, Loans & Advances	2528.4	3122.3	4440.1	5746.3
Less: Current Liabilities & Provisions	1100.1	879.2	1367.1	1545.0
Bank Borrowings (incl. CP)	380.9	519.6	902.1	799.3
Net Working Capital	1047.4	1723.5	2170.9	3402.0
Net Tangible Assets	1973.0	3086.5	4123.1	6399.6
Less: Secured Term Loans	548.6	615.2	872.4	1415.6
Unsecured Loans	180.1	274.2	484.5	1145.1
Net Worth	1244.3	2197.1	2766.2	3838.9
Represented by				
Share Capital				
- Equity Shares	94.5	100.0	200.0	206.7
- Preference Shares	90.0	90.0	--	--
Share Capital Suspense/Share Warrants	--	--	2.0	10.6
Reserves & Surplus	1062.8	2007.1	2564.2	3406.9
Total	1247.3	2197.1	2766.2	3624.2
Less: Misc. Expenditure not written off	3.0	--	--	6.5
Deferred tax liability	--	--	--	221.2
Net Worth	1244.3	2197.1	2766.2	3838.9
<b>Net Worth (excl. Preference Shares)</b>	<b>1154.3</b>	<b>2107.1</b>	<b>2766.2</b>	<b>3838.9</b>



## RISKS AND CONCERNS

Aurobindo has sensed the threats that face the industry, and has already gone about derisking its business. The re-engineering of the production facilities, new direction in marketing, efforts to source more economically produced raw materials are part of this endeavour to overcome risks, and gain advantage in the changing market place.

The Company recognises that the facilities may be ready much earlier for catering to regulatory markets, and there could be a wait before the roll out of products commence. The investment in facility upgradation is being made in advance, and it is possible that regulatory approvals and ANDAs may take additional time.

The Company has preferred to make the investment, demonstrate its capabilities and remain enabled to meet the requirements of regulatory inspectors and customer visits. Aurobindo will gain with favourable approvals obtained with facilities ready. The risk of loss of interest in the interim is far less than the risk of delayed approvals.

Aurobindo has planned its strategic entry in the regulatory markets, and is converting the challenges of the future into opportunities. The Company plans to cash them by being ready.

## QUALITY AND COST MANAGEMENT

Aurobindo is a low cost producer, and this cost leadership in conjunction with the reputation for quality has enabled the

Company to improve its reach in the global markets. After the restructuring of the facilities, the Company would have further improved its cost of production.

The quality control and quality assurance systems have been strengthened. The Company meets the needs of method development and validations, impurity profiling, process optimization and has a wealth of trained team that enforces the systems.

## FINANCIAL MANAGEMENT & INTERNAL CONTROLS

The Company has a disciplined approach to costs and follows prudential norms. Systems are strictly enforced, and costs are held to budgets.

There are certain events or transactions during the year that need mention. Your Company decided to shed facilities, equipments and products where the returns are not commensurate with the investments or effort. The Pondicherry unit had become unviable and it was considered prudent to sell the same.

Similarly, products, which gave low returns, have been shed. At the same time, addition to product portfolio has been made where there is competitive advantage.

Your Company adopted a conservative approach in accounting for the capital receipt of Rs.300 million as non-compete fee. This inflow is of an exceptional item and of a capital nature. It was considered prudent to disclose it as such, so maintain the integrity of the revenue and recurring incomes and profits.

## SALES MIX

Particulars	1999-2000		2000-2001		2001-2002	
	Rs.Millions	%	Rs.Millions	%	Rs.Millions	%
SSP Bulk drugs	3304.8	44.3	3224.9	32.4	3613.6	35.0
Cephalosporins - Oral	894.6	12.0	1620.0	16.3	1577.2	15.0
Quinolones	466.4	6.3	373.1	3.8	322.4	3.0
High Value Bulk Drugs	445.2	6.0	657.5	6.6	531.2	7.0
SSP Sterile	356.5	4.8	378.7	3.8	566.3	5.0
Cephalosporins - Sterile	952.8	12.8	1157.9	11.6	1626.2	15.0
Intermediates	279.5	3.7	328.6	3.3	341.5	3.0
Formulations	270.7	3.6	511.9	5.1	873.3	8.0
Others	485.5	6.5	1708.4	17.1	925.5	9.0
<b>Total</b>	<b>7456.0</b>	<b>100</b>	<b>9961.0</b>	<b>100</b>	<b>10377.2</b>	<b>100</b>

Your Company works on tight controls and hence the borrowings and therefore interest costs are pegged to the required minimum. Borrowings are made at competitive rates, and utilization is monitored for end use.

Inventories have been reduced. The holding at year end was Rs.1,254.6 million, as against Rs.1,729.9 million as at the beginning of the year. Due to timely sourcing and efficient use of raw materials, the inventory cost has come down.

## SUBSIDIARIES

The annual accounts of the subsidiary companies have been attached to this report for your reference. The following information may be read with the consolidated financial statements enclosed with the accounts and prepared in accordance with the Accounting Standard 21 and the statement pursuant to Section 212 of the Companies Act, 1956.

Your Company has the following subsidiaries:

- APL Chemi Natura Limited, India
- APL Pharma Thai Limited, Thailand
- Aurobindo USA LLC, Miami, USA
- Aurobindo (HK) Limited, Hongkong
- APL Holdings Inc. California, USA
- Aurobindo Farmaceutica Do Brasil Ltda, Brazil
- A B Farmo Quimica Ltda, Brazil
- Aurobindo (Datong) Biopharma Co. Ltd, China

Working of these subsidiary companies, in brief, is given below:

### APL Chemi Natura Limited

It was incorporated in the year 2000 to focus on trading of pharmaceutical products. It started its commercial operations in the year 2000-01. It achieved a turnover of Rs.621.5 million during the year 2001-02 against Rs.233.3 million in the previous year and incurred a loss of Rs.4.6 million. The main reasons for incurring losses was the international price fluctuations and pressure on margins available in the trading business.

### APL Pharma Thai Ltd

Registered a sales of Thai Baht 369,988,142 in the year 2001

against 293,051,451 in the previous year and earned a profit of 2,980,662 baht against 382,684 Bahts in the previous year. It has become a subsidiary by virtue of majority of Directors in the Board being representatives of your Company. Your Company is holding 48% of the paid-up capital of the Company.

### Aurobindo USA LLC

The Aurobindo USA LLC, Miami, has gone into liquidation during the year. Your Company has entered into an agreement to form a joint venture company called Cephazone Pharma LLC, USA in association with Geravi Inc, a subsidiary of Medpharmex, USA to make sterile and non-sterile cephalosporin. Considering this development, your Company felt that it is prudent to dissolve the subsidiary.

### Aurobindo (HK) Limited

During the year it has registered a turn over of US \$ 235,467,875 against 283,088,920 in the previous year and earned a net profit of US \$ 345,947 against US \$ 228,005 in the previous year.

### APL Holdings Inc.

It was incorporated as an investment company for setting up subsidiaries and joint ventures in USA and other neighboring countries. It has earned an interest income of US \$ 42,500 and a net profit of US \$ 28,806 during the year under review.

### Aurobindo Farmaceutica Do Brasil Ltda

The Company's business activity was confined to promoting and selling the products of the parent company. Trading activity as envisaged by your company could not be taken up for various reasons. Hence, there is no income and the expenditure of R\$ 330807 incurred during the year is shown as loss against a profit of R\$ 7079 earned in the previous year. Your company is confident that the setback is of temporary nature and in the years to come, the workings of the company will substantially improve.

### A B Farmo Quimica Ltda

It was incorporated as Limited Liability Company in the State of Gois, Brasil on 27th February, 2001. It has commenced its commercial operations in the month of December, 2001. For the period under report, it has registered a turnover of Reis 42,207 and incurred a loss of Reis 1,990.



## Aurobindo (Datong) Biopharma Co.Ltd

During the year under review, an amount of Rs.471.4 million has been invested in Aurobindo (Datong) Bio-Pharma Co. Ltd, a 100% subsidiary of your Company. The project is for manufacture of 6APA product, which is the main and basic ingredient for manufacture of your company's products. The management is confident that on implementation of the said project, the price fluctuations in the said product would be overcome by your Company and the project would become one of the largest cost effective producers of the product.

## JOINT VENTURES

During the year under review, your Company has formed a 50:50 joint venture with M/s.Citadel Group called Citadel Aurobindo Biotech Limited (CABL) to which the Company's ethical allopathic branded formulations business was transferred. CABL would focus on specific therapeutic areas like cardiovascular, diabetology, gastroenterology, infection, nutrition and pain management.

The joint venture commenced operations with four lines of branded formulations for the domestic ethical markets. The Citadel Division will take over identified branded formulations for a consideration of Rs.100 million. Citadel brands shall contribute around 70% of the turnover and your Company will contribute to the rest. CABL is well positioned to achieve high growth rates given the combined strengths that the two partners bring to this joint venture.

Further, a sum of Rs.300 million will be paid by the joint venture company to your Company as non-compete fee. The non-compete fee has been directly taken to Capital Reserves considering it as capital receipt contrary to Accounting Standard (AS) 9 "Revenue Recognition" issued by the Institute of Chartered Accountants of India. Had the said amount of Rs.300 million been taken to Profit & Loss Account, the profit for the year would have been higher by Rs.300 million. This was because of adoption of a conservative policy for revenue recognition. The same has been commented by the auditors in their report to the Members of the Company.

Aurobindo Tongling (Datong) Pharmaceutical Co. Ltd another 50:50 joint venture company was formed with Shanghai Xiaghang Jiading Che. & Med. Co. Ltd, China for manufacture of bulk drugs and intermediates for cephalosporin and has registered a total turnover of RMB 110,755,114 for the year ended on 31st December, 2001 against RMB 5,612,698 in the previous year. The company has posted a net profit of RMB 5,322,314 against a loss of RMB 160,345.

Your Company has entered into an agreement to form a joint venture company called Cephazone Pharma LLC, USA in association with Geravi Inc, a subsidiary of Medpharmex, USA to make sterile and non-sterile cephalosporin. Further, the investment in the said J.V will be met by the Company's Wholly Owned Subsidiary viz., APL Holdings Inc.

## HUMAN RESOURCES

A knowledge company is built on the strength of the people. Aurobindo has been consciously adding skilled and experienced professionals on a regular basis. In the year under review, resources were added to the technical and research teams. They function in a decentralised environment, and are encouraged to produce the best results. It is an empowered team.

Aurobindo is a result oriented organisation, with tasks and milestones set in consultation with the team members. Results are achieved almost always on time, and the satisfaction of challenges and being part of a winning team has motivated the staff.

Your Company recognises the need for formal human resources planning and strategy, and has initiated steps to create systems and procedures that will further enhance the work environment. Your Company values the resources and will add to their satisfiers.

## OUT LOOK

The set of changes being implemented will metamorphous the Company into a significant world player, working to create good health. In the process, the Company itself is designed to be financially healthy, and thereby enable all its stakeholders to perceive value.

# REPORT ON CORPORATE GOVERNANCE

## COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Your Company believes in creating wealth for all its stakeholders. In pursuit of this objective, the policies of the Company are designed to strengthen the ability of the Board of Directors to supervise the management and to enhance long term shareholder value.

All decisions are taken in the interest of the share owners. The Board and the management is aware and conscious of minority share owner interest, and everything is done to enhance share owner value in totality. Hence, considerable emphasis is placed on accountability in decision making and ethics in implementing them.

Adequate and timely information is critical to accountability. Aurobindo believes in sharing all the information about its

operations with its share owners. The objective is achieved by communication through the Annual Report or through appropriate press releases issued from time to time.

## 1. BOARD OF DIRECTORS

As on date the Board is consisting of 6 directors. Four of them are executive and two are non-executive independent directors. The Board is taking all necessary steps to further strengthen the Board with optimum combination of executive and non-executive independent directors. As per the amended listing agreement, at least fifty percent of the Board shall comprise of independent directors, where there is a executive Chairman. The Board has already identified persons to be inducted into the Board as independent non executive directors and awaiting their consents.

### ● Composition and category of Board of Directors

Director	Executive/ Non-executive/ Independent/ Promoter	Relationship with other Director	Number of other directorship(s) held*	Total number of Membership(s) in other Board Committees
P.V.Ramaprasad Reddy	Executive/Promoter	Related to B.Sivaprasad Reddy	2	2
K.Nityananda Reddy	Executive/Promoter		3	2
Dr.M.Sivakumaran	Executive		--	1
B.Sivaprasad Reddy	Executive	Related to P.V.Ramaprasad Reddy	2	1
Srinivas Lanka	Non-executive Independent		--	3
A.J.Kamath**	Non-executive		1	2
A.Siva Rama Prasad**	Executive			
Dr.I.Sathyamurthy	Non-executive Independent		--	2

\* Exclusive of directorships in Indian Private Limited companies and Foreign Companies.

\*\* Resigned with effect from 19.03.2002.

- Attendance at the Board Meetings during the financial year 2001-02 and last annual General Meeting

Director	No. of Board Meetings	Attendance	
		Board Meeting	AGM held on 29.09.2001
P.V.Ramaprasad Reddy	22	22	Yes
K.Nityananda Reddy	22	22	Yes
Dr.M.Sivakumaran	22	22	Yes
B.Sivaprasad Reddy	22	22	Yes
Srinivas Lanka	22	3	Yes
A.J.Kamath	19	19	Yes
A.Siva Rama Prasad	19	18	Yes
Dr.I.Sathyamurthy*	-	-	N.A

\* Appointed w.e.f 29.04.2002

- Number of meetings of the Board of Directors held during the financial year 2001-02 and the dates on which held

Sl.No	Date	Board Strength	No.of Directors Present
1	24.04.2001	7	5
2	01.06.2001	7	6
3	29.06.2001	7	7
4	05.07.2001	7	6
5	31.07.2001	7	7
6	16.08.2001	7	6
7	15.09.2001	7	6
8	22.09.2001	7	6
9	03.10.2001	7	6
10	17.10.2001	7	6
11	31.10.2001	7	6
12	15.11.2001	7	6
13	13.12.2001	7	6
14	09.01.2002	7	6
15	31.01.2002	7	6
16	05.03.2002	7	6
17	08.03.2002	7	6
18	11.03.2002	7	6
19	14.03.2002	7	6
20	20.03.2002	4	4
21	21.03.2002	5	5
22	27.03.2002	5	4

## Details of Directors proposed for reappointment

Dr.M. Sivakumaran and Mr.B. Sivaprasad Reddy retire by rotation and being eligible, offer themselves for reappointment. Further, Mr. Srinivas Lanka and Dr.I. Sathyamurthy are being proposed as Director under Section 257 of the Companies Act, 1956. Their bio-data in brief, is as follows:

**Dr.M. Sivakumaran** holds a Masters degree in Science and has been awarded a Ph.D in Organic Chemistry. He has about 30 years of experience in the pharmaceutical industry. He is responsible for the technological evolution of the Company. Dr.M. Sivakumaran looks after research and development, new product development and total quality management

**Mr. B. Sivaprasad Reddy** is Qualified as a Bachelor of Engineering (Mechanical), he has over 26 years of working experience and looks after execution of projects in the matter of design, fabrication, erection and commissioning, in addition to overall procurement of plant & machinery and engineering materials and is also a Director in APL Chemi Natura Ltd., Andhra Organics Ltd., Sharp Organics (P) Ltd. and Pravesha Machine Works (P) Ltd. and not a member in any Committee of Board of Directors thereof.

**Mr. Srinivas Lanka** is an alumni of IIM - Ahmedabad, and a Member of the Institute of Cost & Works Accountants of India and is having rich experience in the pharmaceutical industry. He has over 20 years of experience at senior management levels in multinational and Indian pharma companies. Earlier he was working as a wholtime director of the Company. Therefore, the Board felt that his association as a Director of the Company would be beneficial to the Company. On appointment, he will become an Independent Non-Executive Director.

**Dr. I.Sathyamurthy** is an MD, DM (Cardiology), received his post-doctoral training in USA and France He is an eminent cardiologist and is a Director of Dept. of Cardiology, Apollo Hospitals, Chennai and also honorary Cardiologist for the President of India. He was conferred Padma Sri in January 2000 for his outstanding contribution in the filed of Cardiology. Therefore, the Board felt that his association as a Director of the Company would be beneficial to the Company. On appointment, he will become the independent non-executive director.

## 2. AUDIT COMMITTEE

The Company has an independent audit committee. The composition, procedures, powers and role/functions of the audit committee constituted by the Company comply with

requirements of the Companies Act, 1956 as those of the Listing Agreement.

The audit committee has the following responsibilities/powers:

- ☛ Overseeing the Company's overall financial reporting process.
- ☛ Reviewing with management the half year and annual financial statements with primary focus on accounting policies and practices and compliance therewith, stock exchange requirements and other legal requirements concerning financial statements.
- ☛ Reviewing the internal control system, internal audit and the reports

During the year under report the Audit Committee has met 4 times.

### 3. REMUNERATION COMMITTEE

The composition of the committee comprises two independent directors and one executive director. The Chairman of the Committee is a Non-executive Independent Director.

The remuneration committee of the Company recommends the compensation package and other terms and conditions of Executive Directors and other senior management level. The Chairman and Managing Director and other Wholetime Directors are paid remuneration as per the resolutions approved by the members at their meetings and such other authorities as may be required. Their remuneration comprises of Basic, house rent allowance, perquisites, contribution to Provident Fund, gratuity and leave salary.

Details of remuneration to directors during the financial year 2001-2002:

Rupees in full

Name of Director	Salary	Perquisites	Contribution to P.F	Total
P.V. Ramaprasad Reddy	792,000	367,000	9,360	1,168,360
K. Nityananda Reddy	792,000	316,000	9,360	1,117,360
Dr.M. Sivakumaran	768,000	336,000	9,360	1,113,360
B. Sivaprasad Reddy	768,000	336,000	9,360	1,113,360
Srinivas Lanka*	862,258	561,419	9,360	1,433,037
A. Siva Rama Prasad*	730,258	956,650	9,360	1,696,268
Total	4,712,516	2,873,069	56,160	7,641,745

\*Up to 18th March, 2002.

### 4. SHAREHOLDERS/INVESTORS GRIEVANCE & TRANSFER COMMITTEE

The committee was constituted with two executive directors as its members and one independent director as its Chairman with the main object of strengthening the investors relations. The main functions of the Committee are to look in to the matters of investors' grievance pertaining to:

- a. Transfer, transmission, split and consolidation of investors holding
- b. Dematerialisation of shares
- c. Non receipt of dividends and other corporate benefits
- d. Replacement of lost/mutilated/stolen share certificates
- e. Non receipt of annual reports and change of addresses, etc.,.

The Committee meets for every fortnight for effecting transfers, transmissions, split, consolidation, etc. The following is the list of complaints received and attended by the Committee during the year:

Nature of Complaints	Received	Resolved	Pending
<b>A. Complaints received from Shareholders</b>			
Share Certificates	205	205	--
Dividend	60	60	--
Loss/Duplicate Shares	27	27	--
Dematerialisation	39	39	--
Others	17	17	--
<b>B. Complaints of Shareholders forwarded by:</b>			
SEBI	2	2	--
Stock Exchanges	1	1	--
Depositories	2	2	--

There are some pending cases relating to disputes over title to shares in which the Company has been made a party. However, these cases are not material in nature.

#### 5. VENUE AND TIME OF THE LAST THREE ANNUAL GENERAL BODY MEETINGS

Year	Location	Date	Time
1999	Hotel Green Park	30.06.1999	3.00 P.M
2000	Hotel Green Park	28.09.2000	3.00 P.M
2001	ITC Hotel Grand Kakatiya	29.09.2001	3.00 P.M

No special resolutions were put through postal ballot last year and there is no such proposal for this financial year also. There is no non-compliance by the Company and no penalty was imposed by Stock Exchanges, SEBI or any other statutory authority during the last three years on any matter relating to capital markets.

#### 6. RELATED PARTY TRANSACTIONS

Rupees in full

Nature of Transactions	Subsidiaries	Joint Ventures	Companies over which Significant Influence exists	Total
Purchase of Goods	52,053,880	–	535,879,039	587,932,919
Sale of Goods	1,072,579,483	34,549,243	86,074,118	1,193,202,844
Purchase of Fixed Assets	551,994	–	43,494,763	44,046,757
Sale of Brands	–	100,000,000	–	100,000,000
Non Compete Fee	–	300,000,000	–	300,000,000
Transfer of Current assets	–	172,876,541	–	172,876,541
Receiving of Services	–	–	129,605,796	129,605,796
Transfer of Current Liabilities	–	24,410,691	–	24,410,691
Interest/Dividend Received	2,626,128	5,604,202	13,430,973	21,661,303
Finance (incl. Loans & equity in cash or in kind)	511,599,525	350,996,660	644,000	863,240,185
Guarantees & Collaterals	5,164,016	–	–	5,164,016
Total	1,644,575,026	988,437,337	849,608,263	3,482,620,626

Names of related parties and description of relationships

##### Subsidiaries

Aurobindo USA LLC, Miami, USA  
 APL Pharma Thai Limited, Thailand  
 Aurobindo (HK) Limited, Hongkong  
 APL Holdings Inc. California, USA  
 Aurobindo Farmaceutica Do Brasil Ltda, Brazil  
 A B Farmo Quimica Ltda, Brazil  
 Aurobindo (Datong) Biopharma Co. Ltd, China  
 APL Chemi Natura Limited, India

##### Joint Ventures

Aurobindo Tongling (Datong) Pharmaceutical Co. Ltd. China  
 Citadel Aurobindo Biotech Limited, India

Companies over which significant influence exists

Ranit Pharma Limited, India  
 Pravesha Machine Works (p) Ltd, India  
 Andhra Organics Limited, India  
 Calac Private Limited, India  
 Sharp Organics Private Limited, India  
 Ranit Agro Private Limited, India

#### 7. MEANS OF COMMUNICATION

The Company has a website viz. [www.aurobindo.com](http://www.aurobindo.com). The quarterly, half yearly and annual financial statements are placed on the Company's website for the information of shareholders and general public. Further all material information which

will have some bearing on the operations of the Company is sent to all stock exchanges concerned and also placed on the Company's website.

## **8. THE MANAGEMENT DISCUSSION AND ANALYSIS REPORT FORMS PART OF THE DIRECTORS' REPORT**

The Management Discussion and Analysis forms part of this Report and is provided elsewhere in this report.

## **9. GENERAL SHAREHOLDER INFORMATION**

### **15th Annual General Meeting**

As mentioned in the Notice, the 15th Annual General Meeting of the Company will be held on Friday the 27th September, 2002 at 3.00 P.M at Hotel Viceroy, Opp. Hussain Sagar Lake, Lower Tank Bund Road, Hyderabad - 500 080.

### **Quarterly Results**

Financial Calendar (tentative and subject to change) of the financial year 2002-2003 is as follows:

Un-audited Financial Results for

1st Quarter	July, 2002
2nd quarter	October, 2002
3rd Quarter	January, 2003
4th Quarter	April, 2003*

\* In case Company prefers to give audited results instead of unaudited for the last quarter and financial year, the same will be given on or before 30th June, 2003.

### **Book closure**

From September 24, 2002 to September 27, 2002 (both days inclusive) for the purpose of Annual general Meeting and payment of dividend, subject to approval of shareholders.

### **Registered Office**

Aurobindo Pharma Limited,  
Plot No.2, Maitrivihar, Ameerpet,  
HYDERABAD - 500 038., A.P.  
Tel Nos. 040- 663 1083 / 84  
Fax Nos. 040 - 374 1080 / 374 6833

### **Address for correspondence/Investor Service Centre**

M/s Karvy Consultants Limited have been appointed as Registrars & Share Transfer Agents and Depository Transfer Agents of the Company. Any request pertaining to investors relations may be addressed to the following address:

Mr.K.Sreedharamurthy,  
Karvy Consultants Limited  
46, Avenue - 4, Street No.1  
Banjara Hills,  
HYDERABAD - 500 034.  
Tel Nos. 040- 337 6715/331 2454  
Fax Nos. 040 - 331 1968  
E-mail: sreedharamurthy@karvy.com

### **Listing Details**

The Company's shares are listed on the following stock exchanges and the listing fee for the financial year 2002-2003 is already paid.

THE HYDERABAD STOCK EXCHANGE LTD.  
3-6-275, Himyat Nagar, HYDERABAD - 500 029.  
Company Code No.ABD.

THE STOCK EXCHANGE, MUMBAI  
Phiroze Jeejeebhoy Towers,  
25th Floor, Dalal Street, MUMBAI - 400 001.  
Company Code No.24804.

THE STOCK EXCHANGE AHMEDABAD  
Kamdhe Complex, Near Polytechnic,  
Panjarapole, AHMEDABAD - 380 015.  
Company Code No.06577 Aurobindo.

THE MADRAS STOCK EXCHANGE LTD.  
Exchange Building, Post Box No.183,  
11, Second Line Beach, CHENNAI - 600 001.

NATIONAL STOCK EXCHANGE OF INDIA LIMITED  
Exchange Plaza, Bandra Kurla Complex,  
Bandra (E), MUMBAI - 400 051.  
Company code No. AUROPHARMA

Reuters Code : ARBN.BO  
Bloomberg Code: ARBP.IN

## High & Low quotations during the year

### Share Price Performance

Month 2001	High Rs.P.	Low Rs.P.	Close Rs.P.	Volume (Qty)
April	295.00	183.50	206.55	1310262
May	296.00	203.50	281.40	1917865
June	284.10	181.25	184.60	1402294
July	212.00	180.00	182.40	349098
August	189.65	160.00	175.50	280782
September	188.00	136.00	172.75	2070029
October	184.60	146.10	174.60	287270
November	224.00	165.00	218.45	465240
December	243.90	203.40	228.95	412457
<b>2002</b>				
January	250.00	221.25	232.10	365873
February	259.85	233.00	235.55	611166
March	249.00	210.00	214.45	207477

(Source: NSE)

### Distribution Schedule as on 30.06.2002

Shares Held From	To	Share Holders		Share Amount	
		Number	%	Amount	%
Upto -	5000	33,711	96.96	17,662,390	7.96
5001 -	10000	579	1.67	4,440,860	2.00
10001 -	20000	252	0.72	3,873,830	1.74
20001 -	30000	75	0.22	1,893,330	0.85
30001 -	40000	33	0.09	1,174,670	0.53
40001 -	50000	22	0.06	998,680	0.45
50001 -	100000	50	0.14	3,624,690	1.63
100001 and above		48	0.14	188,331,550	84.84
		34,770	100.00	222,000,000	100.00

### Categories of Shareholders as on 30.06.2002

S.No.	Category	No. of Shares	% of Shareholding
1	Promoters, Directors, Associates & their relatives	14,236,502	64.13
2	NRIs/FIIs/OCBs	1,418,628	6.39
3	Govt/Banks/FIs	1,028,305	4.63
4	UTI / Mutual Funds	1,613,451	7.27
5	Bodies Corporate	673,119	3.03
6	General Public	3,229,995	14.55

### Share Transfer System and Dematerialization & Liquidity

The Company's shares are covered under the compulsory dematerialization list and are transferable through the depository system. The Company has appointed M/s Karvy Consultants Ltd as its Registrars and Share Transfer Agents and also Depository Transfer Agent. Shares received for physical transfer are generally registered within a period of 15 days from the date of receipt, subject to fulfillment of other legal formalities and the same will be reviewed by the Share Transfer/ Investor Grievance Committee. Further, the Company has signed a tripartite agreement with NSDL/CDSL and Karvy Consultants Ltd to facilitate dematerialization of shares. The shareholders may contact for the redressal of their grievances either to M/s **Karvy Consultants Ltd** or the **Company Secretary, Aurobindo Pharma Ltd**, Plot No.2, Maitrivihar, Ameerpet, Hyderabad - 500 038, Ph: 040 - 663 1083, e-mail: [cs@aurobindo.com](mailto:cs@aurobindo.com).

### Outstanding ADRs/GDRs/Warrants, etc.

During the period under report the Company has allotted 20,00,000 equity shares of Rs.10 each at a premium of Rs.216 to Promoters/Directors and Templeton Strategic Emerging Markets Fund LDC and also equal number of convertible share warrants to them. The warrants are to be converted into equity shares of the Company on one to one basis with in 18 months from the date of allotment.



# AUDITORS' CERTIFICATE

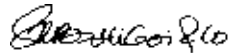
To  
The Members of Aurobindo Pharma Limited

Directors, to the extent of names of companies in which the proposed appointee also holds the directorship and the membership of the committees of the Board,

1. We have examined the compliance of conditions of Corporate Governance by Aurobindo Pharma Limited, for the year ended on 31st March, 2002, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchanges.
2. The compliance of conditions of Corporate Governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.
3. In our opinion, and to the best of our information and according to the explanations given to us, except for non-compliance in respect of -
  - i) the requirement of the minimum number of non-executive and independent Directors in the composition of the Board of Directors;
  - ii) the requirement of the composition of the audit committee in terms of all the members being non-executive and majority being independent;
  - iii) the requirement of providing the shareholders with the necessary information, concerning the proposed appointment and re-appointment of the

we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

- 4) We state that no investor grievances, other than certain pending cases relating to disputes over title to shares in which the Company has been made a party, are pending for a period exceeding one month against the Company as on 30th June, 2002 as per the records maintained by the Shareholders/Investors Grievance Committee.
- 5) We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.



For S.R. Batilibo & Co.,  
Chartered Accountants



Per  
**Utkarsh Palnitkar**  
Partner

Place: Hyderabad  
Date: June 30, 2002.



# AUDITORS' REPORT

The Members  
Aurobindo Pharma Ltd.

1. We have audited the attached Balance Sheet of Aurobindo Pharma Limited, as at 31st March 2002 and also the Profit and Loss Account for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

3. As required by the Manufacturing and Other Companies (Auditor's Report) Order, 1988 issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Companies Act, 1956, we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.

4. Further to our comments in the Annexure referred to above, we report that

i) we have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit;

ii) *the Company has included non-compete fee of Rs.300,000,000 under capital reserve in Reserves and Surplus in Schedule 2 as referred to in Note no.10 c) of Schedule 24. This is contrary to Accounting Standard (AS) 9 "Revenue Recognition" issued by the Institute of Chartered Accountants of India. Had the said amount been taken to Profit and Loss Account, the profit for the year would have been higher by Rs.300,000,000.*

*subject to the above, in our opinion, proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;*

iii) the Balance Sheet and Profit and Loss Account dealt with by this report are in agreement with the books of account;

iv) *subject to 4 (ii) supra, in our opinion, the Balance Sheet and Profit and Loss Account dealt with by this report comply with the accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956;*

v) on the basis of written representations received from the directors, as on 31st March, 2002, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2002 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;

vi) attention is drawn to the following notes on schedule 24

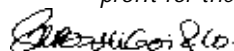
*a) Note no.8, regarding disposal/transfer of assets of the Company's manufacturing unit at Pondicherry, which is subject to the approval of shareholders as required under the provisions of Section 293(1)(a) of the Companies Act, 1956;*

*b) Note no. 10 a) and b), regarding the values, of specified brands taken over at Rs. 100,000,000 and non-compete fee of Rs. 300,000,000, comprising in the consideration payable for the takeover of the Company's ethical allopathic branded formulations business by the joint venture company, are as mutually agreed to between the parties to the joint venture and are relied upon by the Auditors.*

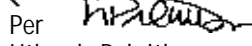
vii) *in our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required, and subject to para 4 (ii) and (vi) a) and b) above, give a true and fair view in conformity with the accounting principles generally accepted in India*

*a) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March, 2002; and*

*b) in the case of the Profit and Loss Account, of the profit for the year ended on that date.*



For S.R. Batilibo & Co.,  
Chartered Accountants

Per   
Utkarsh Palnitkar

Partner

Place: Hyderabad

Date: June 30, 2002.

## ANNEXURE TO THE AUDITORS' REPORT

1. The Company has maintained proper records to show full particulars including quantitative details and situation thereof of its fixed assets. As explained to us, physical verification of a substantial part of the fixed assets was conducted by the management during the year, under a phased programme, which in our opinion is reasonable having regard to the size of the Company and the nature of its assets. The discrepancies noticed on such verification, which were not material, have been properly dealt with in the books of account.
2. None of the fixed assets have been revalued during the year.
3. The stocks of finished goods, stores, spare parts and raw materials have been physically verified during the year by the management. In our opinion, the frequency of such verification is reasonable.
4. The procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
5. The discrepancies noticed on such verification between the physical stocks and the book records, which were not material, have been properly dealt with in the books of account.
6. On the basis of our examination, we are of the opinion that the valuation of stocks is fair and proper in accordance with the normally accepted accounting principles and is on the same basis as in the preceding year.
7. The Company has not taken any loans, secured or unsecured, from companies, firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 (the Act). In terms of Sub-section (6), the provisions of Section 370 (1B) are not applicable on or after 31st October 1998.
8. The Company has not granted any loans, secured or unsecured, to firms or other parties listed in the register maintained under Section 301 of the Companies Act, 1956 (the Act). As regards unsecured loans granted to a Company listed in the register maintained under Section 301 of the Act, the rate of interest and terms and conditions of such loans are not prima facie prejudicial to the interest of the Company. In terms of Sub-section (6), the provisions of Section 370 (1B) are not applicable on or after 31st October 1998.
9. The parties to whom loans and advances in the nature of loans have been given are repaying the principal amounts as stipulated and are also regular in payment of interest where applicable.
10. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business with regard to purchases of stores, raw materials including components, plant and machinery, equipment and other assets and for the sale of goods.
11. In our opinion and according to the information and explanations given to us, the transactions of purchase of goods and materials and sale of goods, materials and services made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Act and aggregating during the year to Rs.50,000 or more in respect of each party, have been made at prices which are reasonable having regard to prevailing market price for such goods, materials or services or the prices at which transactions for similar goods, materials or services have been made with other parties.
12. As explained to us, the Company has a regular procedure for the determination of unserviceable or damaged stores, raw materials and finished goods and adequate provision for loss thereon has been made in the accounts.
13. The Company has not accepted any deposits from public, in terms of Section 58A of the Act.
14. In our opinion, reasonable records have been maintained by the Company for the sale and disposal of realisable by-products and scrap.

15. *The Company has an internal audit system, which needs further strengthening in certain areas so as to be commensurate with its size and nature of its business.*
16. We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under Section 209(1)(d) of the Act, and are of the opinion that prima facie the prescribed accounts and records have been maintained. We have not, however, made a detailed examination of the records with a view to determining whether they are accurate or complete.
17. According to the records of the Company Provident Fund and Employees' State Insurance dues have been regularly deposited during the year with the appropriate authorities.
18. There are no undisputed amounts payable in respect of income tax, wealth tax, customs duty and excise duty and sales tax which have remained outstanding as at 31st March, 2002, for a period of more than six months from the date they became payable.
19. According to the information and explanations given to us, no personal expenses of employees or Directors have been charged to revenue account, other than those payable under contractual obligations or in accordance with the generally accepted business practice.
20. The Company is not a sick industrial company within the meaning of clause (o) of sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provision) Act, 1985.
21. In respect of trading activity, damaged goods have been determined and provision for loss thereof has been made in the accounts, where necessary.



S.R. Batliboi & Co.,  
Chartered Accountants



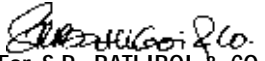
Per  
Utkarsh Palnitkar  
Partner

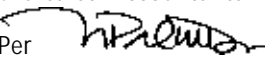
Place : Hyderabad  
Date : June 30, 2002.

## BALANCE SHEET AS AT MARCH 31, 2002

			Rs. Millions	
	Schedule	As at March 31, 2002	As at March 31, 2001	
<b>I. SOURCES OF FUNDS</b>				
<b>SHAREHOLDERS' FUNDS</b>				
Share Capital	1	206.7	200.0	
Reserves & Surplus	2	<u>3,406.9</u>	<u>2,564.2</u>	
		<b>3,613.6</b>	<b>2,764.2</b>	
<b>SHARE CAPITAL SUSPENSE</b>	3	-	2.0	
<b>EQUITY SHARE WARRANTS - UPFRONT CONSIDERATION</b>	4	10.6	-	
<b>LOAN FUNDS</b>				
Secured Loans	5	1,814.9	1,374.5	
Unsecured Loans	6	<u>1,545.1</u>	<u>884.5</u>	
		<b>3,360.0</b>	<b>2,259.0</b>	
TOTAL		<u><b>6,984.2</b></u>	<u><b>5,025.2</b></u>	
<b>II. APPLICATION OF FUNDS</b>				
<b>FIXED ASSETS</b>				
Gross Block	7	2,191.2	1,981.9	
Less : Depreciation		<u>490.5</u>	<u>375.9</u>	
Net Block		1,700.7	1,606.0	
Capital Work-in-progress		<u>559.6</u>	<u>108.6</u>	
		<b>2,260.3</b>	<b>1,714.6</b>	
<b>INVESTMENTS</b>	8	737.3	237.6	
<b>CURRENT ASSETS,</b>				
<b>LOANS AND ADVANCES</b>				
Inventories	9	1,254.6	1,729.9	
Sundry Debtors	10	3,675.7	2,013.0	
Cash & Bank Balances	11	111.3	45.5	
Loans and Advances	12	704.5	637.5	
Interest accrued on Investments		<u>0.2</u>	-	
		<b>5,746.3</b>	<b>4,425.9</b>	
<b>LESS : CURRENT LIABILITIES</b>				
<b>AND PROVISIONS</b>				
Current Liabilities	13	1,424.5	1,279.2	
Provisions	14	<u>120.6</u>	<u>73.7</u>	
		<b>1,545.1</b>	<b>1,352.9</b>	
<b>NET CURRENT ASSETS</b>		<b>4,201.2</b>	<b>3,073.0</b>	
<b>DEFERRED TAX LIABILITY (Net)</b>	15	(221.1)	-	
<b>MISCELLANEOUS EXPENDITURE</b> (to the extent not written off or adjusted)	16	6.5	-	
TOTAL		<u><b>6,984.2</b></u>	<u><b>5,025.2</b></u>	
Notes to Accounts	24			

The Schedules referred to above form an integral part of the Balance Sheet. This is the Balance Sheet referred to in our report of even date

  
For S.R. BATLIBOI & CO.,  
Chartered Accountants

Per   
UTKARSH PALNITKAR  
Partner  
Place : Hyderabad  
Date : June 30, 2002

  
B ADI REDDY  
Company Secretary

For and on behalf of the Board of Directors

  
P V RAMAPRASAD REDDY  
Chairman

  
K NITYANANDA REDDY  
Managing Director

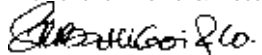
# PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2002

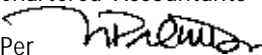
		Rs. Millions	
	Schedule	Year ended March 31, 2002	Year ended March 31, 2001
<b>INCOME</b>			
	Sales (Gross)	10,377.2	9,961.0
	Less : Excise Duty	623.7	469.1
	Sales (Net)	9,753.5	9,491.9
	Other Income	17	103.7
	Increase/(Decrease) in Stocks	18	472.4
	<b>TOTAL</b>	<b>9,729.8</b>	<b>10,068.0</b>
<b>EXPENDITURE</b>			
	Raw Materials Consumed	19	5,812.1
	Purchase of Trading Goods	647.2	1,156.3
	Excise Duty	16.6	72.8
	Other Manufacturing Expenses	20	963.1
	Payments to and Provisions for Employees	21	216.2
	Administrative and Selling Expenses	22	448.6
	Interest and Finance Charges	23	416.8
	Depreciation	158.1	147.8
	<b>TOTAL</b>	<b>8,941.4</b>	<b>9,233.7</b>
<b>PROFIT BEFORE EXTRA ORDINARY ITEM &amp; TAXATION</b>		<b>788.4</b>	<b>834.3</b>
	Extra Ordinary Item <i>(Refer Note 21 on Schedule 24)</i>	100.0	-
<b>PROFIT AFTER EXTRA ORDINARY ITEM &amp; BEFORE TAXATION</b>		<b>888.4</b>	<b>834.3</b>
	Provision for Taxation	153.7	150.9
	Deferred Tax	38.0	-
	Tax adjustments of previous years	11.6	0.3
<b>PROFIT AFTER TAXATION</b>		<b>685.1</b>	<b>683.1</b>
	Balance brought forward from last year	25.8	4.2
	Profit and Loss Account debit balance transferred on amalgamation	-	(22.0)
<b>PROFIT AVAILABLE FOR APPROPRIATION</b>		<b>710.9</b>	<b>665.3</b>
<b>APPROPRIATIONS</b>			
	Dividend Paid on Preference Shares	-	1.9
	Proposed Dividend @ Rs. 3 on Equity Shares (Subject to deduction of tax at source)	60.6	60.6
	Tax on Dividend	-	6.4
	Debenture Redemption Reserve (Net)	-	29.5
	Preference Share Redemption Reserve	-	11.1
	General Reserve	525.0	530.0
	Surplus carried to Balance Sheet	125.3	25.8
		<b>710.9</b>	<b>665.3</b>
	Basic and Diluted earnings per share <i>(Refer Note 22 on Schedule 24)</i>	<b>33.89</b>	<b>33.82</b>
	Nominal value per share	<b>10.00</b>	<b>10.00</b>
	Notes to Accounts	24	

The Schedules referred to above form an integral part of the Profit & Loss Account.

This is the Profit & Loss Account referred to in our report of even date

For and on behalf of the Board of Directors

  
For S.R. BATLIBOI & CO.,  
Chartered Accountants

Per   
UTKARSH PALNITKAR  
Partner

Place : Hyderabad  
Date : June 30, 2002

  
P V RAMAPRASAD REDDY  
Chairman

  
B ADI REDDY  
Company Secretary

  
K NITYANANDA REDDY  
Managing Director

## SCHEDULES

		Rs. Millions	
		As at March 31, 2002	As at March 31, 2001
<b>1. SHARE CAPITAL</b>	<i>(Refer Note 5 on Schedule 24)</i>		
<b>AUTHORISED</b>	50,000,000 Equity Shares of Rs.10 each	500.0	500.0
	1,000,000 Preference Shares of Rs.100 each	100.0	100.0
		<u>600.0</u>	<u>600.0</u>
<b>ISSUED, SUBSCRIBED AND PAID-UP</b>	20,670,000 (Previous Year - 20,002,000) Equity Shares of Rs.10 each fully paid-up	206.7	200.0
	<b>TOTAL</b>	<u>206.7</u>	<u>200.0</u>

**Notes:**

Of the above Equity shares

- a) 17,351,600 Equity Shares of Rs.10 each fully paid-up were allotted as bonus shares by capitalisation of Share Premium Account.
- b) 670,500 (Previous year - 472,500) Equity Shares of Rs.10 each fully paid-up were allotted for consideration other than cash. These include 198,000 Equity Shares allotted during the year pursuant to the scheme of amalgamation with the erstwhile Sri Chakra Remedies Limited.
- c) 470,000 Equity shares of Rs.10 each at a premium of Rs.216 each were issued to the promoters during the year.

		Rs. Millions	
		As at March 31, 2002	As at March 31, 2001
<b>2. RESERVES &amp; SURPLUS</b>	<i>(Refer Note 6 &amp; 10(c) on Schedule 24)</i>		
<b>CAPITAL RESERVE</b>	As per last Balance Sheet	79.3	14.5
	Add: Non-Compete Fees	300.0	--
	Add: On amalgamation of erstwhile Sri Chakra Remedies Limited		
	Central Subsidy	-	0.9
	Capital Reserve	-	64.0
		<u>300.0</u>	<u>64.9</u>
		379.3	79.4
<b>CAPITAL REDEMPTION RESERVE</b>	As per last Balance Sheet	90.0	78.9
	Add: Transferred from Profit and Loss Account	-	11.1
		<u>90.0</u>	<u>90.0</u>
<b>SHARE PREMIUM</b>	As per last Balance Sheet	279.4	379.4
	Add: Received during the year	101.5	--
		<u>380.9</u>	<u>379.4</u>
	Less: Adjusted towards issue of 10,001,000 Equity Shares of Rs.10 each as fully paid Bonus Shares in the ratio of 1:1	-	100.0
		<u>380.9</u>	<u>279.4</u>
<b>DEBENTURE REDEMPTION RESERVE</b>	As per last Balance Sheet	89.1	59.7
	Add: Transferred from Profit and Loss Account	-	29.4
		<u>89.1</u>	<u>89.1</u>
<b>GENERAL RESERVE</b>	As per last Balance Sheet	2,000.5	1,470.5
	Less: Accumulated deferred tax liability as at 1st April, 2001	183.2	--
		<u>1,817.3</u>	<u>1,470.5</u>
	Add: Transferred from Profit and Loss Account	525.0	530.0
		<u>2,342.3</u>	<u>2,000.5</u>
<b>BALANCE IN PROFIT AND LOSS ACCOUNT</b>		125.3	25.8
	TOTAL	<u>3,406.9</u>	<u>2,564.2</u>
<b>3. SHARE CAPITAL SUSPENSE</b>	Nil (Previous year -198,000) Equity shares of Rs.10 each fully paid to be issued pursuant to the scheme of amalgamation of erstwhile Sri Chakra Remedies Limited.	-	2.0
<b>4. EQUITY SHARE WARRANTS - UPFRONT CONSIDERATION</b>	Upfront consideration received towards preferential allotment of 470,000 Equity Share Warrants of Rs.226 each to be converted into 470,000 Equity Shares of Rs.10 each in the company at a premium of Rs.216 each on exercise of option.	10.6	--

Rs. Millions

		As at March 31, 2002	As at March 31, 2001
<b>5. SECURED LOANS</b> (Refer Note 7 on Schedule 24)			
<b>DEBENTURES</b>			
	500,000 15.25% Redeemable Non-Convertible Debentures of Rs.100 each (Residual Value Rs. 33.34 each) (Redeemable at par at the end of 3rd, 4th and 5th year from the date of allotment i.e., 13th February, 1998)	16.7	33.4
	500,000 15.25% Redeemable Non-Convertible Debentures of Rs.100 each (Residual Value Rs. 33.34 each) (Redeemable at par at the end of 3rd, 4th and 5th year from the date of allotment i.e., 30th March, 1998)	16.7	33.3
	500,000 15% Redeemable Non-Convertible Debentures of Rs.100 each (Redeemable at par at the end of 4th, 5th and 6th year from the date of allotment i.e., 11th June, 1998)	50.0	50.0
	2,700,000 11.75% Redeemable Non-Convertible Debentures of Rs.100 each (Redeemable at par at the end of 3rd, 4th and 5th year from the date of allotment i.e., 11th August, 2000)	270.0	270.0
		<u>353.4</u>	<u>386.7</u>
<b>TERM LOANS</b>	From Financial Institutions (Payable within one year - Rs.213.4) (Previous year - Rs.73.4)	1,062.3	485.7
<b>OTHER LOANS</b>	From Banks - Working Capital Loans (Payable within one year)	399.2	502.0
	From Others - Hire Purchase Loans (Payable within one year Rs. Nil) (Previous year - Rs.0.06)	<u>-</u>	<u>0.1</u>
	TOTAL	<u>1,814.9</u>	<u>1,374.5</u>
<b>6. UNSECURED LOANS</b>			
<b>SHORT TERM LOANS</b>			
	From Banks - Commercial Paper [(Maximum amount outstanding at any time during the year Rs.400.0) (Previous year - Rs.400.0)]	400.0	400.0
	From Banks - Other Loans	<u>340.0</u>	<u>250.0</u>
		740.0	650.0
<b>OTHER LOANS</b>	From Banks	440.0	-
	Sales Tax Deferment Loan	<u>365.1</u>	<u>234.5</u>
		805.1	234.5
	TOTAL	<u>1,545.1</u>	<u>884.5</u>



## 7. FIXED ASSETS

Particulars	Gross Block				Depreciation				Net Block	
	As at	Additions	Sales/ Adjustments	As at	As at	For the	On Sales/ adjustments	As at	As at	As at
	April 1, 2001			March 31, 2002	April 1, 2001	year		March 31, 2002	March 31, 2002	March 31, 2001
Freehold Land (a)	84.9	4.8	0.2	<b>89.5</b>	--	--	--	--	<b>89.5</b>	84.9
Buildings (c)	342.8	85.6	23.6	<b>404.8</b>	<b>25.3</b>	12.5	1.8	<b>36.0</b>	<b>368.8</b>	317.5
Plant & Machinery	1,523.1	235.7	99.1	<b>1,659.7</b>	<b>343.8</b>	142.3	40.7	<b>445.4</b>	<b>1,214.3</b>	1,179.3
Furniture & Fixtures	16.1	4.9	0.7	<b>20.3</b>	<b>3.6</b>	1.8	0.3	<b>5.1</b>	<b>15.2</b>	12.5
Vehicles	15.0	2.7	0.8	<b>16.9</b>	<b>3.2</b>	1.5	0.7	<b>4.0</b>	<b>12.9</b>	11.8
Total	1,981.9	333.7	124.4	<b>2,191.2</b>	375.9	158.1	43.5	<b>490.5</b>	<b>1,700.7</b>	1,606.0
Previous year's Total	1,681.7	336.0	35.8	<b>1,981.9</b>	235.2	147.8	7.1	<b>375.9</b>	<b>1,606.0</b>	--
Capital Work-in-progress									<b>559.6</b>	108.6

### Notes:

- The title deeds of Land and Buildings aggregating to Rs.38.2(Previous year - Rs.38.2) acquired on amalgamation are pending transfer in the Company's name.
- Includes Rs.0.7(Previous year - Rs.1.4) towards land development costs.
- Include a property acquired in a co-operative housing society, shares in respect of which are pending transfer in the Company's name.
- Includes foreign exchange fluctuations capitalised Rs.04 (Previous year - Rs.0.5)
- Include vehicles acquired on hire purchase Rs.Nil (Previous year - Rs.0.5)
- Includes expenses incidental to construction Rs.23.9 (Previous year - Rs.0.8)
- Additions and Capital Work-in-progress include borrowing costs in respect of qualifying assets Rs.13.1 (Previous year - Rs. Nil)
- Sales/Adjustments under gross block include transfer of assets of Rs.47.5 (Previous year - Rs. Nil) to Capital Work-in-progress and sales/adjustments under depreciation include transfer of related Depreciation Reserve of Rs.16.4 (Previous year - Rs.Nil) to Capital Work-in-progress.

Rs. Millions

	Face value per Share	As at March 31, 2002		As at March 31, 2001	
		No. of Shares	Rs	No. of Shares	Rs.
<b>8. INVESTMENTS (at Cost)</b> (Refer Note 9 on Schedule 24)					
<b>UNQUOTED</b>					
<b>LONG TERM</b>					
<b>TRADE INVESTMENTS</b>					
Equity Shares (Fully Paid-up)					
Jeedimetla Effluent Treatment Limited	Rs.100	753	0.1	753	0.1
Patancheru Envirotech Limited	Rs.10	103,709	1.0	103,709	1.0
Progressive Effluent Treatment Ltd	Rs.100	1,000	0.1	--	--
(Purchased during the year)					
	(a)		<u>1.2</u>		<u>1.1</u>
<b>IN SUBSIDIARIES</b>					
Equity Shares (Fully Paid-up)					
Aurobindo USA LLC, Miami	\$1	300,000	12.8	300,000	12.8
(company under liquidation)					
Less: Received as part consideration					
in liquidation			<u>12.0</u>		<u>--</u>
			<u>0.8</u>		<u>12.8</u>
Aurobindo (H.K.) Limited, Hongkong	\$1	80,000	3.4	80,000	3.4
APL Pharma Thai Ltd , Thailand	100				
	Baht	19,200	2.2	19,200	2.2
Aurobindo Farmaceutica Do (Brasil)					
Ltda, Brazil	100				
	Reis	6,642	14.7	3,710	9.1
(Purchased during the year-2,932 shares)					
APL Holdings Inc. California	\$100	18,650	87.7	13,500	62.7
(Purchased during the year-5,150 shares)					
APL Chemi Natura Limited	Rs.10	5,000,000	50.0	5,000,000	50.0
Aurobindo (Datong) Bio Pharma Co. Ltd, China		100% of			
(Purchased during the year)		Paid-in-Capital	471.4	--	--
AB Farmo Quimica Ltda, Brazil	100				
(Purchased during the year)	Reis	5,120	9.6	--	--
	(b)		<u>639.8</u>		<u>140.2</u>
<b>IN JOINT VENTURE</b>					
Aurobindo Tongling (Datong)					
Pharmaceutical Co Ltd, China		50% of		50% of	
		Paid-in-Capital	95.2	Paid-in-Capital	95.2
	(c)		<u>95.2</u>		<u>95.2</u>

		Rs. Millions			
	Face value per Share	As at March 31, 2002		As at March 31, 2001	
		No. of Shares	Rs.	No. of Shares	Rs.
<b>OTHER THAN TRADE</b>					
Government Securities					
Kisan Vikas Patra			0.4		0.4
National Savings Certificates* (Purchased during the year - Rs.0.005)			0.1		0.1
	(d)		<u>0.5</u>		<u>0.5</u>
<b>QUOTED CURRENT INVESTMENTS</b>					
Equity Shares (Fully Paid-up)					
Andhra Bank	Rs.10	57,000	0.6	57,000	0.6
[Market Value as at 31st March 2002, Rs 0.5]					
	(e)		<u>0.6</u>		<u>0.6</u>
<b>TOTAL (a)+(b)+(c)+(d)+(e)</b>			<u>737.3</u>		<u>237.6</u>
*includes certificates of Rs 0.07 held by income tax authorities (Previous Year - Rs.0.07)					
			As at March 31, 2002		As at March 31, 2001
<b>9. INVENTORIES</b>					
(at lower of cost or net realisable value)					
Raw Materials *			574.3		822.2
Stores, Spares, Consumables & Packing Materials			48.3		66.4
Work-in-process			489.2		519.7
Finished Goods *			142.8		321.6
TOTAL			<u>1,254.6</u>		<u>1,729.9</u>
* includes in transit and lying with third parties.					
<b>10. SUNDRY DEBTORS</b> (Refer Note 11 on Schedule 24)					
<b>UNSECURED</b>					
Debts outstanding for a period exceeding six months					
Considered good			578.3		241.1
Considered doubtful			56.6		50.8
			634.9		291.9
Other debts - Considered good			3,097.4		1,771.9
			<u>3,732.3</u>		<u>2,063.8</u>
Less: Provision for doubtful debts			56.6		50.8
TOTAL			<u>3,675.7</u>		<u>2,013.0</u>

Rs. Millions

	As at March 31, 2002	As at March 31, 2001
<b>11. CASH &amp; BANK BALANCES</b> <i>(Refer Note 12 on Schedule 24)</i>		
Cash, Cheques & Drafts on Hand	1.4	6.1
Balance with Scheduled Banks on:		
Current Accounts	88.7	13.8
Margin Money Deposit Accounts	18.0	24.6
Unpaid Dividend Accounts	1.5	0.9
	<u>108.2</u>	<u>39.3</u>
Balance with Non-scheduled Banks on Current accounts	1.7	0.1
<b>TOTAL</b>	<b>111.3</b>	<b>45.5</b>
<b>12. LOANS &amp; ADVANCES</b> <i>(Refer Note 13 on Schedule 24)</i> (Unsecured, considered good except stated otherwise)		
Loans to Subsidiaries	–	9.9
Loans and Advances to Joint Ventures	136.5	85.4
Loans to Employees	3.7	5.2
Advances recoverable in cash or in kind or for value to be received or pending adjustments		
Considered good	178.5	136.0
Considered doubtful	0.8	–
	<u>179.3</u>	<u>136.0</u>
Export Incentives Receivable	141.1	202.3
Trade and Other Deposits	54.0	60.1
Balances with Customs and Excise Authorities	190.7	138.6
	<u>705.3</u>	<u>637.5</u>
Less: Provision for doubtful advances	0.8	–
<b>TOTAL</b>	<b>704.5</b>	<b>637.5</b>
<b>13. CURRENT LIABILITIES</b> <i>(Refer Note 14 on Schedule 24)</i>		
Sundry Creditors for goods, services and expenses		
Due to small scale industrial undertakings	4.9	3.4
Dues to other than small scale industrial undertakings	1,374.1	1,222.0
	<u>1,379.0</u>	<u>1,225.4</u>
Dues to Subsidiaries	1.4	27.3
Trade Deposits	8.9	3.7
Unclaimed Dividends	1.6	0.9
Other Liabilities	19.2	12.1
Interest Accrued but not due on Loans	14.4	9.8
<b>TOTAL</b>	<b>1,424.5</b>	<b>1,279.2</b>

Rs. Millions

		As at March 31, 2002	As at March 31, 2001
<b>14. PROVISIONS</b>			
	For Taxation (net of advance payments)	28.5	(14.2)
	For Retirement Benefits	31.5	21.1
	For Proposed Dividend	60.6	60.6
	For Tax on Proposed Dividend	-	6.2
	TOTAL	120.6	73.7
<b>15. DEFERRED TAX LIABILITY (Net)</b>	<i>(Refer Note 15 on Schedule 24)</i>		
	Deferred Tax assets/(liabilities) on account of -		
	Provision for doubtful debts	21.2	-
	Provision for leave encashment	6.4	-
	Provision for gratuity	4.8	-
	Disallowances under Section 43B of the Income Tax Act, 1961	0.8	-
	Depreciation	(254.3)	-
		(221.1)	-
<b>16. MISCELLANEOUS EXPENDITURE</b>			
	(to the extent not written off or adjusted)		
	Product Development Expenses	9.8	-
	Preliminary Expenses	-	0.2
	Public Issue Expenses	-	2.3
	Research & Development Expenses	-	1.2
		9.8	3.7
	Less: Written off during the year	3.3	3.7
		6.5	-
		2001-2002	2000-2001
<b>17. OTHER INCOME</b>			
	Interest		
	on Loans to Subsidiaries and Joint Ventures	5.9	1.7
	on deposits and overdue bills	8.1	20.9
	on Investments	0.1	-
	on Advances	17.2	11.5
		31.3	34.1
	[Tax deducted at source - Rs.4.7 (Previous year Rs.5.6)]		
	Processing Charges	7.5	45.4
	Dividends from a subsidiary company	2.3	-
	Dividends from Non-trade Investments	0.1	-
	Exchange Fluctuation gain (Net)	77.8	16.2
	Liabilities no longer required written back	4.3	-
	Miscellaneous Income	23.5	8.0
	TOTAL	146.8	103.7

Rs. Millions

	2001-2002	2000-2001
<b>18. INCREASE/(DECREASE) IN STOCKS</b>		
Opening Stocks		
Finished Goods	321.5	83.5
Work-in-Process	519.7	232.2
	841.2	315.7
Less: Reversal of excise duty on opening stocks	38.7	--
	802.5	315.7
Add: Acquired on Amalgamation		
Finished Goods	--	11.7
Work-in-Process	--	41.5
	--	53.2
	802.5	368.9
Less: Closing Stocks		
Finished Goods	142.8	321.6
Work-in-Process	489.2	519.7
	632.0	841.3
TOTAL	(170.5)	472.4
<b>19. RAW MATERIALS CONSUMED</b>		
Opening Stock	822.2	630.1
Add: Acquired on Amalgamation	--	40.6
	822.2	670.7
Add: Purchases*	5,776.6	5,963.6
	6,598.8	6,634.3
Less: Closing Stock	574.3	822.2
TOTAL	6,024.5	5,812.1
* Including interest on import bills - Rs.43.9 (Previous Year - Rs.42.7)		
<b>20. OTHER MANUFACTURING EXPENSES</b>		
Conversion charges	398.3	318.0
Packing Materials consumed	96.1	105.5
Stores, Spares & Consumables	42.6	63.9
Chemicals consumed	43.2	21.8
Carriage Inward	55.6	54.3
Factory Maintenance	13.1	18.6
Power & Fuel	265.6	291.3
Effluent Treatment Expenses	14.9	16.6
Repairs & Maintenance		
Plant & Machinery	11.2	18.8
Buildings	5.8	10.2
Others	7.5	10.2
	24.5	39.2
Miscellaneous expenses	33.1	33.9
TOTAL	987.0	963.1

		Rs. Millions
	2001-2002	2000-2001
<b>21. PAYMENTS TO AND PROVISIONS FOR EMPLOYEES</b>		
Salaries, Wages and Bonus	218.3	178.0
Contribution to Provident and other funds	13.8	10.0
Retirement Benefits	12.2	19.5
Staff Welfare	7.5	8.7
<b>TOTAL</b>	<b>251.8</b>	<b>216.2</b>
<b>22. ADMINISTRATIVE &amp; SELLING EXPENSES</b>		
Lease Rents	3.5	3.9
Rates & Taxes	15.7	23.1
Printing & Stationery	10.0	9.0
Postage, Telegram & Telephones	17.6	13.8
Insurance	31.0	32.4
Legal & Professional Charges	12.8	12.8
Remuneration to Auditors	1.3	0.9
Commission to other Selling Agents	53.3	81.4
Carriage Outwards	110.5	116.3
Selling Expenses	37.5	18.2
Rebates & Discounts	15.9	6.8
Travel & Conveyance	58.0	45.5
Vehicle Maintenance Expenses	1.6	3.1
Claims Written Off	0.2	24.0
Prior Period Adjustments (Net)	3.6	(12.8)
Miscellaneous Expenditure Written Off	3.3	3.7
Provision for Bad and Doubtful Debts and Advances	27.5	33.0
Loss /(Profit) on Sale of Long Term Investments	-	2.3
Loss on Sale of Fixed Assets (Net)	3.1	3.8
Donation	0.4	-
Miscellaneous Expenses	25.5	27.4
<b>TOTAL</b>	<b>432.3</b>	<b>448.6</b>
<b>23. INTEREST AND FINANCE CHARGES</b>		
Interest on Fixed Period Loans	333.9	323.0
Interest on Other loans	49.4	42.6
Finance Charges	40.6	51.2
<b>TOTAL</b>	<b>423.9</b>	<b>416.8</b>

**24. NOTES ANNEXED TO AND FORMING PART OF THE ACCOUNTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2002****1. Statement of Significant Accounting Policies****a. Basis of Preparation**

The financial statements have been prepared under the historical cost convention on accrual basis to comply in all material respects with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956.

**b. Revenue Recognition**

- i) Revenue from sale of goods (other than export sales) is recognised on despatch and is inclusive of excise duty and net of discounts, sales returns and sales tax, where applicable. Revenue from export sales is recognised on the date of bill of lading.
- ii) Dividend is recognised as and when the right to receive its payment is established.

**c. Fixed Assets and Depreciation**

- i) Fixed assets are stated at cost less accumulated depreciation. Cost includes freight, duties (net of MODVAT), taxes and any attributable cost of bringing the asset to its working condition for its intended use.
- ii) Depreciation is provided on straight-line method, at the rates and in the manner prescribed under Schedule XIV to the Companies Act, 1956.

**d. Borrowing Cost**

Borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset are capitalised as a part of the cost of that asset.

**e. Investments**

- i) Investments that are not readily realisable and are intended to be held for more than a year are classified as long term investments. All other investments are classified as current investments.
- ii) Long term investments are carried at cost. However, due provision is made to recognise a decline, other than temporary, in the value of the investments. Current investments are carried at lower of cost and fair value determined on individual investment basis.

**f. Inventories**

- i) Raw materials, packing materials, stores, spares and consumables are valued at cost, calculated on "First-in-First out" basis, which is either equal to or less than the realisable value.
- ii) Finished goods and Work-in-process are valued at lower of cost and net realisable value. In respect of finished goods, cost includes materials, labour and a proportion of appropriate overheads.
- iii) Trading goods are valued at lower of cost and net realisable value.

**g. Miscellaneous Expenditure**

Expenses incurred on registration of patents in overseas markets are deferred and are amortised over three years, considering the expected duration of accrual of related benefits.



**h. Retirement Benefits**

- i) The Company's contribution to Provident Fund is recognised on accrual basis.
- ii) Gratuity and Leave encashment liability is provided on the basis of actuarial valuation as at the end of each financial year.

**i. Deferred Taxes**

Deferred tax is provided, on all temporary differences at the Balance Sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or subsequently enacted at the Balance Sheet date.

**j. Research and Development**

Research and Development expenditure, which is of revenue nature is charged to the Profit and Loss Account, while capital expenditure is added to the cost of fixed assets in the year in which these are incurred.

**k. Foreign Exchange Transactions**

- i) Foreign currency transactions (other than those relating to foreign branches) arising during the year are recorded at the exchange rates prevailing at the transaction dates. Expenditure of foreign branches is recorded at the average exchange rate of the month in which such expenses are incurred.
- ii) Monetary assets and liabilities related to foreign currency transactions remaining unsettled at the end of the year are translated at contract rates and/or at year-end rates. The resultant gain/loss, if any, is recognised in the Profit and Loss Account, except exchange differences on liabilities incurred for acquisition of fixed assets, which are adjusted to the carrying amounts of respective assets. Non-monetary assets and liabilities related to foreign currency transactions are reported at the rate on the date of the transaction.

**l. Export Benefits/Incentives**

- i) Benefits on account of entitlement to import of goods free of duty under the "Duty Entitlement Pass Book under Duty Exemption scheme" are accrued and accounted in the year of export.
- ii) Benefits on account of Advance Licenses for imports are accounted for on purchase of imported materials.

**m. Leases**

Leases, where the lessor effectively retains substantially all the risks and rewards incidental to ownership are classified as operating leases. Operating lease payments are recognised as an expense in the Profit & Loss account on a straight-line basis over the lease term.

**2. Capital Commitments**

Estimated amount of Contracts (net of advances) remaining to be executed on capital account and not provided for Rs.158.2 (Previous Year - Rs.35.8).

**3. Contingent Liabilities**

	Current Year Rs.	Previous Year Rs.
a) Outstanding Bank Guarantees on account of:		
A subsidiary Company	5.2	4.9
Others	75.6	65.6
b) Bills discounted with Banks	1,443.2	1,347.1
c) Outstanding letters of credit for imports of materials	357.9	106.4
d) Income tax matters	2.5	7.3

**4. Leases**

The Company has no finance leases. Operating leases are mainly in the nature of lease of office premises with no restrictions and are renewable at mutual consent. As at the Balance Sheet date, the Company is committed to make the following payments in respect of operating leases:

	Current Year Rs.	Previous Year Rs.
a) Not later than one year	0.7	3.5
b) Later than one year and not later than five years	0.3	Nil
c) Later than five years	0.07	Nil

**5. Share Capital**

- a) The Company has received an amount of Rs.116.8 on account of preferential allotment of 470,000 Equity Shares and upfront consideration towards 470,000 share warrants during the year. The details of utilisation/investment of the said amount is as under:

	Rs.
For Investment in Joint Ventures	48.9
For capital purchases	50.6
Unutilised amount lying with Banks	17.4
Total	<u>116.9</u>

- b) 470,000 Equity Shares of Rs.10 each (relating to 470,000 Equity share warrants to be converted into Equity Shares within eighteen months from the respective dates of allotment of warrants at the option of warrant holders) are to be issued to the promoters.

**6. Debenture Redemption Reserve**

In terms of circular No. 9/2002 dated 18th April 2002 of the Department of Company Affairs, in the case of privately placed debentures, 25% of the value of the privately placed debentures is required to be maintained in Debenture Redemption Reserve. As the balance in the Debenture Redemption Reserve of the Company as at 1st April 2001 is higher than the above prescribed minimum, no amounts have been transferred to such reserve during the year.

**7. Secured Loans**

- a) Term loans are secured by a first charge on the immovable properties both present and future and joint mortgage by deposit of title deeds by way of constructive delivery of the Company's lands, immovable properties and fixed assets

situated in Hyderabad, Rangareddy and Medak districts, Andhra Pradesh and second charge on all other movable assets (save and except book debts), both present and future subject to charges created in favour of Company's bankers to secure working capital requirements and also personally guaranteed by the Managing Director of the Company.

- b) Debentures are secured by a first charge ranking pari passu on the immovable property situated at Thane, Maharashtra and further joint mortgage by deposit of title deeds by way of constructive delivery of the Company's lands, immovable properties and fixed assets situated in Hyderabad, Rangareddy and Medak districts, Andhra Pradesh and second charge on all other movable assets, both present and future, subject to charges created in favour of Company's bankers to secure working capital requirements.
- c) The Working capital loans from banks are secured by first charge by way of hypothecation of all the stocks, book debts and other current assets (both present and future) ranking pari passu and second charge on all the immovable properties, certain current assets and personally guaranteed by some of the Directors.

#### 8. Manufacturing unit at Pondicherry

During the year, as a part of the Company's restructuring programme, in respect of the Company's manufacturing unit located at Pondicherry, some of the assets were transferred to other units of the Company and the rest were disposed off. Such sale/disposal is subject to shareholders' approval as required under the provisions of Section 293(1)(a) of the Companies Act, 1956.

#### 9. Investments

- a) During the year, the Company has purchased and sold the following units of Mutual funds -

Description	Number of Units
SBI Magnum-Insta Cash Fund	2,980,575.78
Prudential ICICI Liquid plan	12,476,228.07
IDBI Mutual Fund - Liquid option	14,846,928.17
UTI Money Market Fund	317,686.23

- b) There has been a diminution in the value of investment made in one of the subsidiary companies, namely Aurobindo Farmaceutica Do Brasil Ltda., Brazil to the tune of Rs.9.6 on the basis of net asset value of the said subsidiary as at 31st March 2002. As the subsidiary was set up only in the year 2001 and considering the strategic nature of this investment, the diminution in value is considered temporary in nature and hence no provision is considered necessary for such diminution as at 31st March 2002.

#### 10. Setting up of a Joint Venture

- a) In terms of the agreement for Joint venture dated 27th March 2002, and as approved by the Board of Directors, the Company's ethical allopathic branded formulations business was transferred to Citadel Aurobindo Biotech Limited ("CABL or joint venture"), a joint venture Company. The transfer consisted of sale of specified brands, transfer of current assets and assets & liabilities relating to the employees, to be taken over, of the said business. The assets and liabilities were agreed to be transferred at actual historical cost as at 27th March 2002. The statutory and regulatory benefits relating to the said employees in the form of gratuity, provident fund and leave encashment accruals have not been identified and transferred and continue to be part of the liabilities of the Company as at 31st March 2002. Necessary documentation in respect of assignment of debts and liabilities transferred is pending.

Rs. Millions

- b) The values of specified brands taken over at Rs.100.0 and non-compete fee of Rs.300.0, covering the designated markets, comprising in the consideration payable for takeover of the related formulations business by the joint venture Company, are as mutually agreed to between the parties to the joint venture and have been relied upon by the Auditors.
- c) Non-compete fee of Rs.300.0 has been directly taken to Capital Reserves in Schedule 2, as in the opinion of the management, this is in the nature of a capital receipt.
- d) As per the terms of the joint venture agreement referred to above, the Company as at 31st March 2002, has an obligation to make an investment of Rs.10.0 in the form of 100,000 Equity shares of Rs.100 each in the joint venture.

		Closing Balance as at 31st March		Maximum outstanding at any time during the Year Ended 31st March	
		2002	2001	2002	2001

**11. Sundry Debtors include**

Dues from companies under the same management

**Name of the Company**

Ranit Pharma Limited	Nil	0.8	<b>168.8</b>	8.1
Vamsi Organics Private Limited	Nil	1.0	<b>Nil</b>	71.1
Sharp Organics Private Limited	Nil	0.4	<b>1.9</b>	0.5

**12. Cash & Bank balances include**

Balances with Non- scheduled banks on current account

**Name of the Bank**

Vietcom Bank, Vietnam	<b>0.4</b>	0.1	<b>0.4</b>	0.5
Vheshtorg Bank, Moscow	<b>0.5</b>	0.0	<b>0.5</b>	1.0
Bank of Nova Scotia, Costarica	<b>0.8</b>	Nil	<b>0.8</b>	0.9
Citibank N.A. Tanzania	<b>0.1</b>	0.0	<b>0.8</b>	0.3
Catholic Syrian Bank	<b>Nil</b>	0.0	<b>0.0</b>	0.0

**13. Loans and Advances include**

Dues from companies under the same management

**Name of the Company**

Calac Private Limited	Nil	2.1	<b>Nil</b>	17.4
Pravesha Machine Works (P) Ltd.,	Nil	3.0	<b>Nil</b>	17.6
Andhra Organics Limited	<b>10.4</b>	Nil	<b>10.4</b>	Nil

**14. Sundry Creditors include**

- a) Total amount due to Small Scale Industrial Undertakings - Rs.4.9 (Previous year - Rs.3.4). The names of the small scale industrial undertakings to whom the Company owed and outstanding for more than 30 days are

Name of the Party	Rupees in full	
	As at 31st March, 2002	As at 31st March, 2001
Champion Industries Corporation	2,238	2,238
Global Electronics	418,344	--
Khemas Engineers	128,721	138,773
LG Thermoflo Systems (P) Ltd	20,000	88,264
Lakshmi Engg. Enterprises	10,869	12,793
Lance Engineering	31,821	31,961
Navya engineering Company	9,903	--
Polymer House	3,072	11,474
Power Tech (Hyd) Ltd	770	770
Ravi Industries	175,356	172,241
Rolon Seals	15,771	93,852
S V R Industries	34,900	--
Siflon Polymers	52,294	89,800
Southern Plantaids (P) Ltd	29,050	1,000
Vaiktro Enterprises	17,991	--
Cooling People Pune (P) Ltd	--	533,064
Amar Roto Prints	122,804	13,644
Hyderabad Packaging	15,686	140,279
Lisa Ampoules & Vials (P) Ltd	262,947	--
Milan Art Printers	69,905	576,421
Paper Pack Industries	300,707	152,704
Plastic Shapers	137,324	88,538
Sai Roto Coverters	376	3,684
Singhania Offset Printers	178,953	237,863
Sree Krishna Prasad Graphic Pvt. Ltd.	795,110	6,914
<b>Total</b>	<b>2,834,912</b>	<b>2,396,277</b>

- b) Gain on account of exchange differences on export bills discounted to be recognised in the Profit and Loss Account of subsequent accounting period - Rs.12.5 (Previous Year - Rs.12.2)

**15. Deferred Taxes**

In compliance with Accounting Standard (AS-22) relating to "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India, the Company has adjusted the deferred tax liability (net) arising out, of timing differences for the period up to 31st March 2001 of Rs.183.2 in General Reserves. Deferred Tax Liability accruing during the year aggregating to Rs.38.0 has been recognised in the Profit & Loss Account.

**16. Export Incentives**

Sales include export incentives of Rs.297.6 (Previous Year - Rs.235.8).

**17. Research and Development Expenses**

Research & Development expenses included under various heads of expenses are Rs.80.1 (Previous Year- Rs. 57.9).

**18. Directors' Remuneration included in Schedule 21**

Rs.

Particulars	Year Ended 2001-2002	Year Ended 2000-2001
Salary	4.7	4.8
Contribution to provident fund	0.1	0.1
Perquisites	2.9	1.1
Total	7.7	6.0

**Notes:**

- Commission, to the Chairman and the Managing Director, payable as per their respective terms of appointment has been waived by the said Directors for the period up to which it was payable (i.e. upto 28th June, 2001) and hence no provision has been made for the same in the accounts. Accordingly, the statement showing the computation of net profits in accordance with Section 349 of the Companies Act, 1956 has not been furnished.
- The above figures do not include provision for gratuity and leave encashment payable to the Directors, as the same is actuarially determined for the Company as a whole.

**19. Remuneration to Auditors included in Schedule 22 (including service tax)**

Rupees in full

Particulars	Year Ended 2001-2002	Year Ended 2000-2001
Audit fee	945,000	735,000
Other Services	210,000	157,500
Certification charges	84,520	–
Reimbursement of out of pocket expenses	35,398	10,567
Total	1,274,918	903,067

**20. Donation**

Donation of Rs.0.4 disclosed under Schedule 22 includes contribution made to Communist Party of India (Marxist)-Rs.0.1.

**21. Extraordinary Item**

Extraordinary item represents consideration towards sale of brands made to the joint venture company as referred in note 10 (b) above.

## 22. Earnings per share

Earnings per share is computed based on the following:

Particulars	Rupees in full	
	Year Ended 31st March 2002	Year Ended 31st March 2001
a) Profit after taxation considered for calculation of basic and diluted earnings per share	685,088,657	683,133,341
b) Weighted average number of Equity Shares considered for calculation of basic earnings per share	20,215,397	20,200,000
Add: Effect of dilution on account of convertible Share warrants issued on number of shares	268	-
c) Weighted average number of equity Shares considered for calculation of diluted earnings per share	20,215,665	20,200,000

## 23. Related Party Transactions

a) During the year, the Company has entered into transactions with related parties. The transactions together with the related balances as at 31st March 2002 are presented in the following table:

Nature of Transactions	Subsidiaries	Joint Ventures	Companies Over which Significant Influence exists	Key Management Personnel	Rs. Millions
					Total
Purchase of Goods	52.1	--	535.9	--	588.0
Sale of Goods	1,072.6	34.5	86.1	--	1,193.2
Purchase of fixed assets	0.6	--	43.5	--	44.1
Sale of fixed assets	--	--	40.5	--	40.5
Sale of Brands	--	100.0	--	--	100.0
Non- Compete Fees received	--	300.0	--	--	300.0
Receiving of services	--	--	129.6	7.6	137.2
Transfer of current assets	--	172.9	--	--	172.9
Transfer of current liabilities	--	24.4	--	--	24.4
Interest/Dividend received	2.6	5.6	13.4	--	21.6
Finance (including loans and equity contributions in cash or in kind)	511.6	351.0	0.6	--	863.2
Guarantees and collaterals	5.2	--	--	--	5.2
Total	1,644.7	988.4	849.6	7.6	3,490.3
Balance as on 31st March 2002- Debit/(Credit)	1,562.1	1,105.9	(15.6)	--	--

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b) Names of related parties and description of relationships

**Subsidiaries**

APL Chemi Natura Limited, India  
APL Pharma Thai Limited, Thailand  
Aurobindo USA LLC, Miami, USA  
Aurobindo (HK) Limited, Hongkong  
APL Holdings Inc. California, USA  
Aurobindo Farmaceutica Do Brasil Ltda, Brazil  
A B Farmo Quimica Ltda, Brazil  
Aurobindo (Datong) Bio-pharma Co. Ltd, China

**Joint Ventures**

Aurobindo Tongling (Datong) Pharmaceutical Co Ltd, China  
Citadel Aurobindo Biotech Limited, India

**Companies over which significant influence exists**

Ranit Pharma Limited, India  
Pravesha Machine Works (P) Ltd, India  
Andhra Organics Limited, India  
Calac Private Limited, India  
Sharp Organics Private limited, India  
Ranit Agro Private Limited, India

**Key Management Personnel**

P.V. Ramaprasad Reddy, Chairman  
K. Nityananda Reddy, Managing Director  
M. Sivakumaran, Whole-time Director  
A. Sivaram Prasad, Whole-time Director (Resigned from the Board on 19th March, 2002)  
B. Siva Prasad Reddy, Whole-time Director  
A.J. Kamath, Director (Resigned from the Board on 19th March, 2002)  
Lanka Srinivas, Whole-time Director (up to 19th March, 2002) and  
Additional Director (effective from 21st March, 2002 )



Additional information pursuant to the provisions of paragraph 3, 4C and 4D of part II of Schedule VI to the Companies Act, 1956.

#### 24. Installed Capacity and Actual Production

Category	Unit of measurement	Installed Capacity for the Year Ended 31st March		Actual Production for the Year Ended 31st March	
		2002	2001	2002	2001
<b>Bulk Drugs and Drug Intermediates</b>					
Bulk Drugs and Drug Intermediates	Tonnes	<b>6,962</b>	4,679	<b>5,230</b>	4,974
<b>Formulations</b>					
Tablets & Capsules	Nos. (in lakhs)	<b>7,620</b>	11,340	<b>6,270</b>	3,190
Syrups*	Ltrs.	<b>270,000</b>	270,000	<b>138,330</b>	187,446
Injectibles	Nos.	<b>60,000,000</b>	60,000,000	<b>4,678,781</b>	3,575,668

\* Refer note (c) of para 25.

#### Notes :

- Licensed Capacities not stated in view of abolition of industrial licensing for all of the above Bulk Pharmaceutical Substances (including intermediates) and Dosage Forms vide Notification No. F. No 10(11)/92-LP dated 25th October 1994 issued by the Government of India.
- The Capacity mentioned above is annual capacity based on maximum utilisation of plant and machinery.
- The Annual installed capacities are as certified by the management and not verified by the Auditors, being a technical matter.
- Production includes quantities processed by third parties.

## 25. Opening Stock, Closing Stock and Sales of Finished Goods

Category	Unit of Measurement	Opening Stock		Closing Stock		Captive Consumption	Sales	
		Quantity	Rs.	Quantity	Rs.		Quantity	Quantity
<b>Bulk Drugs and Drug Intermediates</b>								
Manufactured	Tonnes	83	245.3	38	103.9	2,016	3,259	8,578.5
		(32)	(73.2)	(83)	(245.3)	(1,631)	(3,292)	(7,740.7)
Traded	Tonnes	Nil	Nil	Nil	(Nil)	Nil	1,385	539.0
		(Nil)	(Nil)	(Nil)	Nil	(Nil)	(9,861)	(1,390.9)
Others			Nil		Nil			349.0
			(0.02)		(Nil)			(317.6)
<b>Formulations: Manufactured</b>								
Tablets & Capsules	Nos. (lakhs)	466	33.3	527	27.0	182	6,027	575.2
		(209)	(19.8)	(466)	(33.3)	(60)	(2,873)	(385.9)
Syrups (Refer note c) below)	Ltrs.	28,658	2.9	19,283	2.0	16,830	130,875	17.7
		(9,001)	(1.0)	(28,658)	(2.9)	(356)	(167,433)	(15.4)
Injectibles	Nos.	941,838	7.6	648,516	9.8	1,161,831	3,810,272	52.6
		(218,962)	(1.1)	(941,838)	(7.6)	(30,230)	(2,822,562)	(31.8)
Others			Nil		0.1			35.4
			(Nil)		(Nil)			(Nil)
<b>Formulations : Traded</b>								
Tablets & Capsules	Nos. (lakhs)	168	23.5	Nil	Nil	117	756	137.7
		(Nil)	(Nil)	(168)	(23.5)	(Nil)	(2)	(38.8)
Syrups	Ltrs.	16,088	3.2	Nil	Nil	7,466	63,668	14.8
		(Nil)	(Nil)	(16,088)	(3.2)	(Nil)	(27,502)	(7.5)
Injectibles	Nos.	346,519	5.8	Nil	Nil	128,478	3,365,659	77.3
		(Nil)	(Nil)	(346,519)	(5.8)	(Nil)	(1,306,626)	(32.5)
Total			321.6		142.8			10,377.2
			(95.1)		(321.6)			(9,961.1)

**Notes :**

- Closing stock quantities are after adjustment of samples, transit claims/ losses etc.,
- Figures in brackets indicate previous year's figures.
- Quantitative figures of previous year have been restated consequent to the completion of reconciliation of stock records with the sales depots.

Rs. Millions

**26. Purchase of Finished Goods**

	Unit of measurement	Year Ended 31st March, 2002		Year Ended 31st March, 2001	
		Quantity	Rs.	Quantity	Rs.
<i>Category</i>					
<b>Bulk Drugs and Drug Intermediates</b>					
Bulk Drugs and Drug Intermediates	Tonnes	1385	465.6	9861	1,025.6
<b>Formulations</b>					
Tablets & Capsules	Nos. (in Lakhs)	705	99.3	170	74.0
Syrups	Ltrs.	55,046	12.5	43,590	11.3
Injectibles	Nos.	3,147,588	69.8	1,653,145	45.4
Total			<u>647.2</u>		<u>1,156.3</u>

**27. Raw Material Consumed***Materials*

Pencillin.G. Potassium	BOUs	4,695,106	2,469.7	4,315,095	2,073.9
PG Base	Tonnes	488	136.9	548	161.8
PHPG Base	Tonnes	603	346.1	555	407.3
Others			3,071.8		3,169.1
Total			<u>6,024.5</u>		<u>5,812.1</u>

**28. Consumption of Raw Materials & Stores and Spares**

	Year Ended 31st March, 2002		Year Ended 31st March, 2001	
	%	Rs.	%	Rs.
<b>Raw Materials</b>				
Imported	57	3,418.6	56	3,237.0
Indigenous	43	2,605.9	44	2,575.1
Total	<u>100</u>	<u>6,024.5</u>	<u>100</u>	<u>5,812.1</u>
<b>Stores &amp; Spares</b>				
Imported	–	–	2	1.5
Indigenous	100	42.6	98	62.4
Total	<u>100</u>	<u>42.6</u>	<u>100</u>	<u>63.9</u>

Rs. Millions

**29. Value of imports calculated on CIF Basis**

	Year Ended 31st March, 2002 Rs.	Year Ended 31st March, 2001 Rs.
Raw materials	3,303.0	3,077.1
Packing Materials	7.7	17.5
Capital goods	40.4	65.0
Total	<u>3,351.1</u>	<u>3,159.6</u>

**30. Expenditure in foreign Currency  
(Cash basis)**

Travelling	8.2	11.0
Commission on Sales	59.0	31.9
Books & Periodicals	2.2	0.1
Product Registration and Filing fee	7.6	5.9
Overseas Office expenses	7.1	5.9
Others	15.1	8.3
Total	<u>99.2</u>	<u>63.1</u>

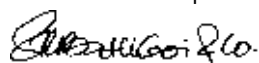
**31. Earnings in Foreign Exchange**

Exports on F.O.B. Basis	4,865.4	5,448.6
Interest	1.2	1.9
Professional and consultation fees	Nil	1.4
Total	<u>4,866.6</u>	<u>5,451.9</u>

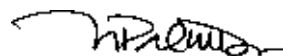
32. Previous year's figures have been regrouped/rearranged to conform to those of the current year.

SIGNATURES TO SCHEDULES 1 TO 24

In terms of our report of even date



For S.R. BATLIBOI & CO.,  
Chartered Accountants



Per  
UTKARSH PALNITKAR  
Partner  
Place : Hyderabad  
Date : June 30, 2002



B ADI REDDY  
Company Secretary

For and on behalf of the Board of Directors



P V RAMAPRASAD REDDY  
Chairman



K NITYANANDA REDDY  
Managing Director

**BALANCE SHEET ABSTRACT AND COMPANY BUSINESS PROFILE**

**I. Registration Details**

Registration No.  State Code   
 Balance Sheet Date     
 Date Month Year

**II. Capital raised during the year (Rs. in Thousands)**

Public Issue   
 Rights Issue   
 Bonus Issue   
 Private Placement

**III. Position of Mobilisation and Deployment of Funds (Rs. in Thousands)**

Total Liabilities   
 Total Assets

**Sources of Funds**

Paid-up Capital   
 Reserves & Surplus   
 Equity Share Warrants   
 Secured Loans   
 Unsecured Loans

**Application of Funds**

Net Fixed Assets   
 Investments   
 Net Current Assets   
 Miscellaneous Expenditure   
 Deferred Tax Liabilities   
 Accumulated Loss

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

Turnover & Other Income   
 Total Expenditure   
 Profit before Tax   
 Profit after Tax   
 Earnings per Share (Rs.)   
 Dividend Rate (%)

**V. Generic Names of three principal products of the Company (As per monetary terms)**

Item Code No.	Product Description
294110.02	Ampicillin Trihydrate
294110.03	Amoxycillin Trihydrate
294110.04	Cloxacillin Sodium

For and on behalf of the Board of Directors

  
**P V RAMAPRASAD REDDY**  
 Chairman

  
**K NITYANANDA REDDY**  
 Managing Director

  
**B ADI REDDY**  
 Company Secretary

Place : Hyderabad  
 Date : June 30, 2002

## CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2002

Rs. Millions

	2001-2002	2000-2001
<b>A. CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit before tax and Extraordinary items	788.4	834.3
Adjustments for :		
Depreciation	158.1	147.8
Miscellaneous Expenditure written off	3.3	3.7
Provision for Doubtful Debts	27.5	33.1
Export incentives accrued	(97.0)	(127.2)
Claims written off	0.2	24.0
Balances written back	(4.2)	--
Provision for Retirement Benefits	10.4	17.6
Interest Paid	467.8	459.5
Interest Received	(31.4)	(34.0)
Dividends Received	(2.4)	--
Foreign Exchange gain	(34.4)	(5.2)
Net (Profit)/Loss on Sale of Fixed Assets	3.0	3.8
Net (Profit)/Loss on Sale of Long Term Investments	--	2.3
<b>Operating Profits before Working Capital Changes</b>	<b>1,289.3</b>	<b>1,359.7</b>
Adjustments for :		
Inventories	419.7	(634.8)
Sundry Debtors	(898.9)	(560.3)
Loans & Advances	76.2	(182.5)
Sundry Creditors	144.5	404.5
<b>Cash generated from Operations</b>	<b>1,030.8</b>	<b>386.6</b>
Income Tax Paid	(122.7)	(167.3)
Interest paid	(44.3)	(37.8)
Product Development Expenditure paid	(9.8)	--
<b>NET CASH FROM OPERATING ACTIVITIES (A)</b>	<b>854.0</b>	<b>181.5</b>
<b>B. CASH FLOW FROM INVESTING ACTIVITIES</b>		
Purchase of Fixed Assets	(740.5)	(431.8)
Sale of Fixed Assets	46.7	24.8
Investments	(867.2)	(217.9)
Loans to Joint Ventures	(341.2)	86.1
Proceeds from investments	367.5	2.3
[(includes Rs.12.0 (Previous Year - Nil) as part consideration in liquidation of a subsidiary)]		
Interest Received	25.5	35.5
Dividend Received	2.4	--
<b>NET CASH USED IN INVESTING ACTIVITIES (B)</b>	<b>(1,506.8)</b>	<b>(501.0)</b>

	2001-2002	2000-2001
Rs. Millions		
<b>C. CASH FLOW FROM FINANCING ACTIVITIES</b>		
Proceeds from Issue of Share Capital	106.2	-
Proceeds from issue of Share Warrants	10.6	-
Preference Shares redeemed	-	(90.0)
Proceeds from Long Term borrowings	650.0	437.5
Repayment of Long Term borrowings	(106.8)	(222.6)
Other Short Term borrowings (Net)	557.7	564.3
Interest Paid	(432.3)	(419.8)
Dividend and Dividend tax	(66.7)	(50.9)
<b>NET CASH FROM FINANCING ACTIVITIES (C)</b>	<b>718.7</b>	<b>218.5</b>
<b>NET INCREASE / (DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)</b>	<b>65.9</b>	<b>(101.0)</b>
<b>Cash and Cash Equivalents-Opening Balance</b>	<b>45.5</b>	<b>140.2</b>
Transferred on Amalgamation	-	6.2
Imprest balances transferred to the Joint Venture - Citadel Aurobindo Biotech Limited	(3.0)	-
<b>Cash and Cash Equivalents-Closing Balance</b>	<b>108.4</b>	<b>45.4</b>
<b>NET INCREASE/DECREASE) IN CASH AND CASH EQUIVALENTS</b>	<b>65.9</b>	<b>(101.0)</b>

**Notes :**

1. Cash and Cash equivalents include :

Cash and Bank Balances	91.8	20.0
Margin Money Deposit Accounts	18.0	24.6
Unpaid dividend Accounts	1.6	0.9
Unrealised gain on Foreign currency cash and cash equivalents	(3.0)	(0.1)
	<b>108.4</b>	<b>45.4</b>

2. Consequent to the setting up of a Joint Venture Company - (Citadel Aurobindo Biotech Limited) transactions in the form of transfer of certain assets (excluding imprest balances) liabilities, non-complete fee receivable and consideration receivable for transfer of specified brands are treated as non cash transactions (Refer Note 10 on Schedule 24).
3. Previous year's figures have been regrouped / rearranged to conform to those of the current year.

  
**B ADI REDDY**  
 Company Secretary

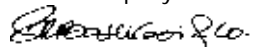
  
**P V RAMAPRASAD REDDY**  
 Chairman

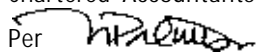
For and on behalf of Board of Directors

  
**K NITYANANDA REDDY**  
 Managing Director

**AUDITORS' CERTIFICATE**

We have examined the attached Cash Flow Statement of Aurobindo Pharma Limited for the year ended March 31, 2002. The statement has been prepared by the Company in accordance with the requirements of Clause 32 of the listing agreement with the Stock Exchanges and is based on and is in agreement with the corresponding Balance Sheet and Profit and Loss Account of the Company for the year ended March 31, 2002 covered by our report dated June 30, 2002 to the Members of the Company.

  
 For **S.R. BATLIBOI & CO.**  
 Chartered Accountants

Per   
**UTKARSH PALNITKAR**  
 Partner  
 Place : Hyderabad  
 Date : June 30, 2002

# AUDITORS' REPORT

## AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF AUROBINDO PHARMA LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AUROBINDO PHARMA LIMITED AND ITS SUBSIDIARIES

1. We have examined the attached Consolidated Balance Sheet of Aurobindo Pharma Limited and its subsidiaries as at 31st March 2002, the Consolidated Profit and Loss Account for the year then ended.
2. These financial statements are the responsibility of Aurobindo Pharma Limited's management. Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Generally Accepted Auditing Standards in India. These Standards require that we plan and perform the audit to obtain reasonable assurance whether the financial statements are prepared, in all material respects, in accordance with an identified financial reporting framework and are free of material misstatements. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statements. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of any of the subsidiaries, whose financial statements reflect total assets of Rs.1,731,160,347 as at 31st March, 2002 and total revenues of Rs.2,437,092,734 for the year then ended. These financial statements, except to the extent mentioned in para (4) below, have been audited by other auditors whose reports have been furnished to us, and our opinion, insofar as it relates to the amounts included in respect of such subsidiaries, is based solely on the report of the other auditors.
4. The accounting year of the following subsidiaries is 31st December. For the purpose of these Consolidated Financial Statements, the management has prepared the financial statements of these subsidiaries for the year ended 31st March, 2002 and hence such financial statements are unaudited-

- a) APL Pharma Thai Limited, Thailand;
- b) APL Holdings Inc, USA;
- c) AB Farmo Quimica Ltda, Brazil;
- d) Aurobindo (Datong) Bio Pharma Co. Ltd, China;
- e) Aurobindo Farmaceutica Do (Brasil) Ltda, Brazil; and
- f) Shanghai Widetex Chemicals Co Limited, China.

The Consolidated Financial Statements reflect total assets of Rs.798,315,177 as at 31st March, 2002 and total revenues of Rs. 441,634,074 for the year then ended in respect of the aforesaid subsidiaries.

5. We report that the Consolidated Financial Statements have been prepared by the Company in accordance with the requirements of Accounting Standard 21, "Consolidated Financial Statements", issued by the Institute of Chartered Accountants of India, and on the basis of the separate audited financial statements of Aurobindo Pharma Limited and audited & unaudited financial statements of its subsidiaries, as referred to in para (3) and (4) above, included in the Consolidated Financial Statements.
6. Further, attention is drawn to the following notes on Schedule 24
  - a) Note no. 3(a) regarding non-conformity with Accounting Standard- 22 "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India, in the preparation of the Consolidated Financial Statements in the case of certain subsidiary companies, whose impact on the Consolidated Financial Statements is not presently ascertainable;
  - b) Note no. 3(b) regarding capitalisation of interest on assets acquired under finance lease contrary to the requirements of Accounting Standard - 19 "Leases" issued by the Institute of Chartered Accountants of India;
  - c) The adjustments for unrealized profits pertaining to unsold inventories out of sale of goods between group companies as at 1st April, 2001 and 31st



March 2002 of Rs. 73,080,559 and Rs. 17,878,727 respectively, are as estimated by the management. In the absence of adequate basis to independently confirm the amounts of such adjustments, the same have been relied upon by us;

- d) Note no. 2(c) regarding inventories of finished goods of Rs. 396,122,504 as considered in the Consolidated Financial Statements, which include Rs. 179,903,701 relating to the subsidiaries, APL Pharma Thai Limited and Aurobindo (H.K) Limited, valued at weighted average cost method as against the First-in-First Out method followed by other companies in the group. The impact of such differing accounting policies on the Consolidated Financial Statements is not presently ascertainable;
- e) Note no. 11 regarding disposal/transfer of assets of Aurobindo Pharma Limited's manufacturing unit at Pondicherry, which is subject to the approval of shareholders as required under the provisions of Section 293(1)(a) of the Companies Act, 1956;
- f) Note no. 13(a) and (b), regarding values, of specified brands taken over at Rs. 100,000,000 and non-compete fee of Rs. 300,000,000, comprising in the consideration payable for the takeover of the Aurobindo Pharma Limited's ethical allopathic branded formulations business by the joint venture company, are as mutually agreed to between the parties to the joint venture and have been relied upon by us;
- g) Note no. 13(c) regarding, Aurobindo Pharma Limited including non- compete fee of Rs. 300,000,000 under capital reserve in Reserves and Surplus in schedule 2. This is contrary to Accounting Standard - 9 "Revenue Recognition" issued by the Institute of Chartered Accountants of India. Had the said amount been taken to the Profit and Loss Account, the consolidated profit for the year would have been higher by Rs. 300,000,000;

7. On the basis of the information and explanations given to us and on the consideration of the separate audit reports on individual audited financial statements of Aurobindo Pharma Limited and its aforesaid subsidiaries, except to the extent mentioned in para 4 above, and subject to para 6 above:

- a) the Consolidated Balance Sheet, except to the extent of amounts included in respect of the subsidiaries mentioned in para 4 above, gives a true and fair view of the Consolidated State of Affairs of Aurobindo Pharma Limited and its Subsidiaries as at 31st March 2002. In view of para 4 above, and in the absence of audit reports covering such financial statements, we are unable to express an opinion insofar as it relates to the amounts included in respect of the said subsidiaries in the Consolidated Balance Sheet;
- b) the Consolidated Profit and Loss Account, except to the extent of amounts included in respect of the Subsidiaries mentioned in para 4 above, gives a true and fair view of the Consolidated results of operations of Aurobindo Pharma Limited and its Subsidiaries for the year then ended. In view of para 4 above, and in the absence of audit reports covering such financial statements, we are unable to express an opinion insofar as it relates to the amounts included in respect of the said subsidiaries in the Consolidated Profit and Loss Account.

Chartered Accountants

Per  
Utkarsh Palnitkar  
Partner

Place: Hyderabad  
Date: June 30, 2002.

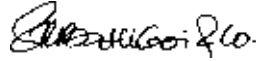
# CONSOLIDATED BALANCE SHEET AS AT MARCH 31, 2002

Rs. Millions


	Schedule		As at March 31, 2002
<b>I. SOURCES OF FUNDS</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share Capital	1		206.7
Reserves & Surplus	2		3,352.8
			3,559.5
<b>EQUITY SHARE WARRANTS - UPFRONT CONSIDERATION</b>	3		10.6
<b>MINORITY INTEREST</b>	4		9.6
<b>LOAN FUNDS</b>			
Secured Loans	5		2,589.6
Unsecured Loans	6		1,563.1
			4,152.7
<b>TOTAL</b>			7,732.4
<b>II. APPLICATION OF FUNDS</b>			
<b>FIXED ASSETS</b>	7		
Gross Block			2,213.8
Less: Depreciation			494.0
			1,719.8
Capital Work-in-progress			925.5
			2,645.3
<b>GOODWILL</b>			4.6
<b>INVESTMENTS</b>	8		165.1
<b>CURRENT ASSETS, LOANS AND ADVANCES</b>			
Inventories	9		1,519.2
Sundry Debtors	10		4,209.4
Cash & Bank Balances	11		202.7
Loans and Advances	12		816.8
Interest accrued on Investments			0.1
			6,748.2
<b>LESS: CURRENT LIABILITIES AND PROVISIONS</b>			
Current Liabilities	13		1,510.0
Provisions	14		121.1
			1,631.1
<b>NET CURRENT ASSETS</b>			5,117.1
<b>DEFERRED TAX LIABILITY (Net)</b>	15		(218.7)
<b>MISCELLANEOUS EXPENDITURE</b>	16		19.0
(to the extent not written off or adjusted)			
<b>TOTAL</b>			7,732.4
Notes to Accounts	24		

The Schedules referred to above form an integral part of the Balance sheet.

This is the Balance Sheet referred to in our report of even date



Chartered Accountants

Per 

UTKARSH PALNITKAR  
Partner

Place : Hyderabad

Date : June 30, 2002

For and on behalf of the Board of Directors



P V RAMAPRASAD REDDY  
Chairman



B ADI REDDY  
Company Secretary



K NITYANANDA REDDY  
Managing Director

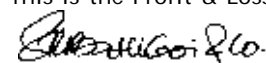
## CONSOLIDATED PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2002

		Rs. Millions
		Year ended March 31, 2002
	Schedule	
<b>INCOME</b>	Sales (Gross)	11,635.4
	Less: Excise Duty	627.7
	Sales (Net)	11,007.7
	Other Income	17
	Decrease in Stocks	18
	TOTAL	10,517.4
<b>EXPENDITURE</b>	Raw Materials Consumed	19
	Purchase of Trading Goods	1,277.9
	Excise duty	16.6
	Other Manufacturing Expenses	20
	Payments to and Provisions for Employees	21
	Administrative and Selling Expenses	22
	Interest and Finance Charges	23
	Depreciation	159.4
	TOTAL	9,683.9
<b>PROFIT BEFORE EXTRA ORDINARY ITEM &amp; TAXATION</b>		833.5
	Extra ordinary item (Refer Note 23 on Schedule 24)	100.0
<b>PROFIT AFTER EXTRA ORDINARY ITEM &amp; BEFORE TAXATION</b>		933.5
	Provision for Taxation	155.5
	Deferred Tax Expenses	35.4
	Tax adjustments of previous years	11.7
<b>PROFIT FOR THE YEAR BEFORE MINORITY INTEREST</b>		730.9
	Minority Interest	(1.0)
<b>PROFIT FOR THE YEAR</b>		729.9
	Loss as at 1 <sup>st</sup> April 2001	36.3
<b>PROFIT AVAILABLE FOR APPROPRIATION</b>		693.6
<b>APPROPRIATIONS</b>	Proposed Dividend (Refer Note 26 on Schedule 24)	61.5
	(Subject to deduction of tax at source)	
	General Reserve	525.0
	Surplus carried to Balance Sheet	107.1
		693.6
	Basic and Diluted earnings per share (Refer Note 25 on Schedule 24)	36.11
	Nominal value per share	10.00
	Notes to Accounts	24

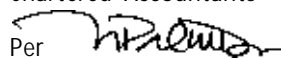
The Schedules referred to above form an integral part of the Profit & Loss Account.

This is the Profit & Loss Account referred to in our report of even date

For and on behalf of the Board of Directors



Chartered Accountants

Per 

UTKARSH PALNITKAR  
Partner

Place : Hyderabad

Date : June 30, 2002



B ADI REDDY  
Company Secretary



P V RAMAPRASAD REDDY  
Chairman



K NITYANANDA REDDY  
Managing Director

# SCHEDULES TO CONSOLIDATED BALANCE SHEET

Rs. Millions

Year ended  
March 31, 2002

## 1. SHARE CAPITAL

*(Refer Note 8 on Schedule 24)*

<b>AUTHORISED</b>	50,000,000 Equity Shares of Rs.10 each	500.0
	1,000,000 Preference Shares of Rs.100 each	100.0
		600.0
<b>ISSUED, SUBSCRIBED AND PAID-UP</b>	20,670,000 Equity Shares of Rs.10 each fully paid-up	206.7
	<b>TOTAL</b>	<b>206.7</b>

### Notes:

Of the above Equity shares-

- (a) 670,500 Equity shares of Rs. 10/-each fully paid were allotted for Consideration other than cash. These include 198,000 Equity Shares allotted during the year pursuant to the scheme of amalgamation with the erstwhile Sri Chakra Remedies Limited.
- (b) 4,70,000 Equity shares of Rs. 10/-each at a premium of Rs. 216/-were issued to the promoters during the year.

## 2. RESERVES & SURPLUS

*(Refer Note 9 & 13(c) on Schedule 24)*

<b>CAPITAL RESERVE</b>	Balance as at 1 <sup>st</sup> April, 2001	79.3
	Add: Non-Compete fees	300.0
		379.3
<b>CAPITAL REDEMPTION RESERVE</b>	Balance as at 1 <sup>st</sup> April, 2001	90.0
<b>SHARE PREMIUM</b>	Balance as at 1 <sup>st</sup> April, 2001	279.4
	Add: Received during the year	101.5
		380.9
<b>DEBENTURE REDEMPTION RESERVE</b>	Balance as at 1 <sup>st</sup> April, 2001	89.1
<b>GENERAL RESERVE</b>	Balance as at 1 <sup>st</sup> April, 2001	2,004.0
	Less: Accumulated deferred tax liability as at 1st April, 2001	183.2
	Add: Transferred from Profit and Loss Account	525.0
		2,345.8
<b>EXCHANGE RESERVE ACCOUNT</b>		(39.4)
<b>BALANCE IN PROFIT AND LOSS ACCOUNT</b>		107.1
	<b>TOTAL</b>	<b>3,352.8</b>

Rs. Millions

Year ended  
March 31, 2002

<b>3. EQUITY SHARE WARRANTS-UPFRONT CONSIDERATION</b>			
	Upfront consideration received towards preferential allotment of 470,000 Equity Share Warrants of Rs.226 each to be converted into 470,000 Equity Shares of Rs.10 each in the company at a premium of Rs.216 each on exercise of option.		10.6
<b>4. MINORITY INTEREST</b>			
<b>SHARE CAPITAL</b>			13.8
<b>RESERVES AND SURPLUS</b>	Balance as at 1 <sup>st</sup> April, 2001	(5.2)	
	Add: Transferred from Profit and Loss Account	1.0	
			(4.2)
	<b>TOTAL</b>		<b>9.6</b>
<b>5. SECURED LOANS</b>	<i>(Refer Note 10 on Schedule 24)</i>		
<b>DEBENTURES</b>	500,000 15.25% Redeemable Non-Convertible Debentures of Rs.100 each (Residual Value Rs.33.34 each) (Redeemable at par at the end of 3rd, 4th and 5th year from the date of allotment i.e., 13th February, 1998)		16.7
	500,000 15.25% Redeemable Non-Convertible Debentures of Rs.100 each (Residual Value Rs.33.34 each) (Redeemable at par at the end of 3rd, 4th and 5th year from the date of allotment i.e., 30th March, 1998)		16.7
	500,000 15 % Redeemable Non-Convertible Debentures of Rs.100 each (Redeemable at par at the end of 4th, 5th and 6th year from the date of allotment i.e., 11th June, 1998 )		50.0
	2,700,000 11.75% Redeemable Non-Convertible Debentures of Rs.100 each (Redeemable at par at the end of 3rd, 4th and 5th year from the date of allotment i.e., 11th August, 1998)	270.0	353.4
<b>TERM LOANS</b>	From Financial Institutions (Payable within one year - Rs 213.4)		1,062.3
<b>OTHER LOANS</b>	From Banks - Working Capital Loans (Payable within one year)	1,164.1	
	Other Short term loans (Payable within one year)	8.3	
	From others - Hire Purchase Loans (Payable within one year - Rs.0.8)	1.5	
	<b>TOTAL</b>		<b>1,173.9</b>
			<b>2,589.6</b>

Rs. Millions

Year ended  
March 31, 2002

6. UNSECURED LOANS		
<b>SHORT TERM LOANS</b>	From Banks - Commercial Paper	400.0
	(Maximum amount outstanding at any time during the year- Rs.400.0)	
	From Banks - Other Loans	<u>340.0</u>
		740.0
<b>OTHER LOANS</b>	From Banks	451.8
	Interest accrued and due	<u>0.3</u>
		452.1
	From Others	5.9
	Sales Tax Deferment Loan	<u>365.1</u>
		823.1
	<b>TOTAL</b>	<b><u>1,563.1</u></b>

## 7. FIXED ASSETS

(Refer Note 2(a) and 2(b) on Schedule 24)

Rs. Millions											
Particulars	Gross Block					Depreciation					Net Block
	As at April 1, 2001	Acquisition	Additions	Sales/ Adjustments	As at March 31, 2002	As at April 1, 2001	For the year	Added on Acquisition	On Sales/ adjustments	As at March 31, 2002	As at March 31, 2002
Freehold Land (a)	85.0	–	4.8 (b)	0.2	<b>89.6</b>	–	–	–	–	–	<b>89.6</b>
Buildings (c)	344.4	–	85.6	23.6	<b>406.4</b>	25.3	12.5	–	1.8	<b>36.0</b>	<b>370.4</b>
Plant & Machinery	1,523.3	13.3	235.8 (d)	99.1	<b>1,673.3</b>	343.8	142.3	1.2	40.7	<b>446.6</b>	<b>1,226.7</b>
Furniture & Fixtures	18.1	–	6.5	1.4	<b>23.2</b>	4.3	2.2	–	0.6	<b>5.9</b>	<b>17.3</b>
Vehicles	18.6	–	3.8 (e)	1.1	<b>21.3</b>	4.0	2.4	–	0.9	<b>5.5</b>	<b>15.8</b>
	1,989.4	13.3	336.5	125.4	<b>2,213.8</b>	377.4	159.4	1.2	44.0	<b>494.0</b>	<b>1,719.8</b>
Capital Work-in progress (f)											<b>925.5</b>

### Notes:

- (a) The title deeds of Land and Buildings aggregating to Rs.38.2 acquired on amalgamation are pending transfer in the Company's name.
- (b) Includes Rs.0.7 towards land development costs.
- (c) Include a property acquired in a Co-operative Housing Society, shares in respect of which are pending transfer in the Company's name.
- (d) Includes foreign exchange fluctuations capitalised Rs.0.03.
- (e) Include Vehicles acquired on hire purchase Rs.1.7.
- (f) Includes expenses incidental to construction Rs.23.9.
- (g) Additions and Capital Work-in-progress include borrowing costs in respect of qualifying assets Rs.13.1.
- (h) Sales/Adjustments under gross block include transfer of assets of Rs.47.5 to Capital Work-in-progress and sales/adjustments under depreciation include transfer of related Depreciation Reserve of Rs.16.4 to Capital Work-in-progress.

Rs. Millions

Year ended  
March 31, 2002**8. INVESTMENTS (at Cost)** (Refer Note 12 on Schedule 24)**UNQUOTED****LONG TERM****TRADE INVESTMENTS**

Equity Shares (Fully Paid-up)

Jeedimetla Effluent Treatment Limited	Rs.100	753	0.1
Patancheru Envirotech Limited	Rs.10	103,709	1.0
Progressive Effluent Treatment Ltd	Rs.100	1,000	0.1
Advanced Waste Management Ltd	Rs.10	187,000	1.0
	(a)		<u>2.2</u>

**IN JOINT VENTURES**

Equity Shares (Fully Paid-up)

Cephazone Pharma LLC, USA.	\$100	13,640	66.6
Aurobindo Tongling (Datong) Pharmaceutical Co Ltd, China.		50% of Paid-in Capital	95.2
	(b)		<u>161.8</u>

**OTHER THAN TRADE**

Government Securities

Kisan Vikas Patra			0.4
National Savings Certificates*			0.1
	(c)		<u>0.5</u>

**QUOTED****CURRENT INVESTMENTS**

Equity Shares (Fully Paid-up)

Andhra Bank	Rs.10	57,000	0.6
[Market Value as at 31 <sup>st</sup> March 2002, Rs.0.5]			
	(d)		<u>0.6</u>

**TOTAL (a)+(b)+(c)+(d)** 165.1

\*includes Certificates of Rs.0.07 held by income tax authorities

**9. INVENTORIES**

(at lower of cost or net realisable value)

Raw Materials *	580.0
Stores, Spares, Consumables & Packing Materials	48.3
Work-in-process	494.8
Finished Goods*	396.1
<b>TOTAL</b>	<u>1,519.2</u>

\* includes in transit and lying with third parties.



Rs. Millions

Year ended  
March 31, 2002**10. SUNDRY DEBTORS** (Refer Note 14 & 18 on Schedule 24)**UNSECURED**

Debts outstanding for a period exceeding Six months

Considered good	818.9
Considered doubtful	<u>56.6</u>

875.5

Other debts - Considered good	<u>3,390.5</u>
-------------------------------	----------------

4,266.0

Less: Provision for doubtful debts	<u>56.6</u>
------------------------------------	-------------

TOTAL	<u>4,209.4</u>
-------	----------------

**11. CASH & BANK BALANCES** (Refer Note 15 on Schedule 24)

Cash, Cheques & Drafts on Hand	2.0
--------------------------------	-----

Cash- in- transit	<u>21.3</u>
-------------------	-------------

23.3

Balances with Scheduled Banks on:

Current Accounts	99.9
------------------	------

Deposit Accounts	29.7
------------------	------

Unpaid Dividend Accounts	<u>1.6</u>
--------------------------	------------

131.2

Balances with Non-scheduled Banks on Current Accounts	<u>48.2</u>
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TOTAL	<u>202.7</u>
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**12. LOANS & ADVANCES** (Refer Note 16 & 18 on Schedule 24)

(Unsecured, considered good except stated otherwise)

Loans and Advances to Joint Ventures	163.4
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Loans to employees	3.8
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Advances recoverable in cash or in kind or for value to be  
received or pending adjustments

Considered good	260.1
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Considered doubtful	<u>0.8</u>
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260.9

Trade and Other Deposits	54.3
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Export incentives receivable	141.2
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Balances with Customs and Excise Authorities	<u>194.0</u>
--	--------------

817.6

Less: Provision for doubtful advances	<u>0.8</u>
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TOTAL	<u>816.8</u>
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Rs. Millions

Year ended  
March 31, 2002**13. CURRENT LIABILITIES** *(Refer Note 17 & 18 on Schedule 24)*

Sundry Creditors for goods, services and expenses	1,430.8
Trade Deposits	8.8
Unclaimed Dividends	1.6
Other Liabilities	54.4
Interest accrued but not due on loans	14.4
<b>TOTAL</b>	<b>1,510.0</b>

**14. PROVISIONS**

For Taxation (net of advance payments)	28.0
For Retirement Benefits	31.5
For Proposed Dividend	61.6
<b>TOTAL</b>	<b>121.1</b>

**15. DEFERRED TAX LIABILITY (Net)** *(Refer Note 19 on Schedule 24)*

Deferred Tax assets / (liabilities) on account of	
Provision for doubtful debts	21.2
Provision for leave encashment	6.4
Provision for gratuity	4.7
Disallowances under Section 43B of the Income Tax Act, 1961	0.8
Unabsorbed depreciation	0.1
Carried forward Business losses	2.5
Depreciation	(254.4)
<b>TOTAL</b>	<b>(218.7)</b>

**16. MISCELLANEOUS EXPENDITURE**

(to the extent not written off or adjusted)

Product Development & Registration Expenses	14.5
Less: Written off during the year	3.3
	11.2
Preliminary expenses	0.3
Less: Written off during the year	0.1
	0.2
Deferred Revenue Expenditure	7.6
<b>TOTAL</b>	<b>19.0</b>

Rs. Millions

Year ended 2001-2002

17. OTHER INCOME		
Interest		
	on loans to Joint Ventures	7.6
	on deposits and overdue bills	10.9
	on Investments	0.1
	on Advances	<u>17.2</u>
		35.8
	[Tax deducted at source Rs.5.1]	
	Processing Charges	7.5
	Dividends from Non-trade Investments	0.1
	Exchange Fluctuation gain (Net)	61.1
	Liabilities no longer required, written back	4.3
	Miscellaneous Income	<u>73.6</u>
	TOTAL	182.4
18 DECREASE IN STOCKS		
Opening Stocks		
	Finished Goods	1,041.1
	Work-in-Process	<u>519.7</u>
		1,560.8
	Less: Reversal of excise duty on opening stocks	<u>38.7</u>
		1,522.1
Acquired on Acquisition		
	Finished Goods	16.0
	Work-in-Process	<u>6.4</u>
		22.4
		1,544.5
Less: Closing Stocks		
	Finished Goods	396.1
	Work-in-Process	<u>494.8</u>
		890.9
	Decrease in Stocks	(653.6)
	Adjustment for fluctuation in exchange rates	<u>(19.1)</u>
	<b>ADJUSTED DECREASE IN STOCKS</b>	<b>(672.7)</b>

Rs. Millions

Year ended 2001-2002

**19. RAW MATERIALS CONSUMED**

Opening Stocks	822.4	
Add: Acquired on Acquisition	1.4	
		823.8
Purchases*		5,752.3
		6,576.1
Less: Closing Stock		580.0
Raw Materials Consumed		5,996.1
Adjustment for fluctuation in exchange rates		-
<b>ADJUSTED RAW MATERIALS CONSUMED</b>		<b>5,996.1</b>

\* Including interest on import bills-Rs.51.2

**20. OTHER MANUFACTURING EXPENSES**

Conversion charges		426.6
Packing Materials consumed		96.0
Stores, Spares & Consumables		42.6
Chemicals consumed		43.2
Carriage Inward		57.0
Factory Maintenance		13.1
Power & Fuel		265.6
Effluent Treatment Expenses		14.9
Repairs & Maintenance		
Plant & Machinery	11.2	
Buildings	5.8	
Others	7.5	
		24.5
Miscellaneous Expenses		33.8
TOTAL		1,017.3

**21. PAYMENTS TO AND PROVISIONS FOR EMPLOYEES**

Salaries, Wages and Bonus		231.2
Contribution to Provident Fund and other funds		13.9
Retirement Benefits		12.9
Staff Welfare		9.0
TOTAL		267.0

Year ended 2001-2002

**22. ADMINISTRATIVE & SELLING EXPENSES**

Lease rents	5.8
Rates & Taxes	16.0
Printing & Stationery	10.3
Postage, Telegram & Telephones	19.6
Insurance	32.5
Legal & Professional Charges	15.5
Remuneration to Auditors	1.4
Commission to other Selling Agents	73.6
Carriage Outwards	132.8
Selling Expenses	39.0
Rebates & Discounts	15.9
Travel & Conveyance	60.9
Vehicle Maintenance Expenses	1.9
Claims/ Bad debts written off	2.1
Prior Period Adjustments (Net)	3.6
Miscellaneous Expenditure Written Off	3.3
Provision for Bad and Doubtful Debts and Advances	27.5
Loss on Sale of Fixed Assets (net)	3.0
Donation	0.5
Miscellaneous expenses	30.7
<b>TOTAL</b>	<b>495.9</b>

**23. INTEREST AND FINANCE CHARGES**

Interest on Fixed Period Loans	333.9
Interest on Other loans	62.2
Finance Charges	57.6
<b>TOTAL</b>	<b>453.7</b>

## 24. NOTES ANNEXED TO AND FORMING PART OF THE CONSOLIDATED ACCOUNTS AS AT AND FOR THE YEAR ENDED 31ST MARCH, 2002.

## 1. Statement of Significant Accounting Policies

## a. Basis of consolidation

The Consolidated Financial Statements of Aurobindo Pharma Limited (APL) and its majority owned & controlled domestic and foreign subsidiaries (Collectively termed as 'the Company' or "Group") are prepared under historical cost convention in accordance with the Accounting Principles Generally Accepted in India and the Accounting Standard - 21 " Consolidated Financial Statements" issued by the Institute of Chartered Accountants of India. All material inter-company balances and inter-company transactions and resulting unrealised profits are eliminated on consolidation.

The following are the Subsidiary Companies considered for consolidation:

Name of the Subsidiary Company	Country of Incorporation	% Ownership interest/ Voting power held as at 31st March, 2002.	Reporting currency	Accounting Year
APL Chemi Natura Limited	India	100%	Indian Rupee	31st March
Aurobindo (H. K.) Limited	Hong Kong	100%	HK dollars	31st March
Aurobindo USA LLC <sup>1</sup>	USA	100%	US dollars	31st December
APL Holdings Inc	USA	100%	US dollars	31st March <sup>2</sup>
Aurobindo Farmaceutica Do (Brasil) Ltda	Brazil	100%	Reis	31st March <sup>2</sup>
A B Farmo Quimica Ltda	Brazil	100%	Reis	31st March <sup>2</sup>
Aurobindo (Datong) Biopharma Co. Ltd	China	100%	RMB	31st March <sup>2</sup>
Shanghai Widetex Chemical Co Limited	China	60%	RMB	31st March <sup>2</sup>
APL Pharma Thai Limited <sup>3</sup>	Thailand	48%	Bahts	31st March <sup>2</sup>

<sup>1</sup> The reporting date of Aurobindo USA LLC is 31st December. The financial statements as considered in the consolidation relate to the year ended and as at 31st December, 2001. Accordingly, difference between the reporting date that of the parent and subsidiary is three months.

<sup>2</sup> The accounting year of these subsidiary companies is 31st December. For the purpose of consolidated financial statements, the management has prepared the financial statements of these subsidiary companies for the year ended 31st March, 2002 and hence the financial statements of such subsidiaries are unaudited for the year ended 31st March, 2002.

<sup>3</sup> Subsidiary by virtue of APL having control over the composition of the Board of Directors.

## b. Revenue Recognition

- i) Revenue from sale of goods (other than export sales) is recognised on despatch of goods and is inclusive of excise duty and net of discounts, sales returns, sales tax and VAT, where applicable. Revenue from export sales is recognised on the date of bill of lading/other documents of delivery.
- ii) Income from dividends is recognised as and when the right to receive its payment is established.

**c. Fixed Assets and Depreciation**

- i) Fixed assets are stated at cost less accumulated depreciation. Cost includes freight, duties (net of duties recoverable), taxes and any attributable cost of bringing the asset to its working condition for its intended use.
- ii) Finance leases, which effectively transfer to the lessee, substantially all the risks and rewards incidental to ownership of the leased assets, are capitalised at the present value of minimum lease payments at the inception of the lease term and are disclosed as part of fixed assets.
- iii) Depreciation on own and leased assets is provided on "Straight Line Method" (except in the case of one of the subsidiaries, Aurobindo (HK) Limited, at rates based on the estimated useful lives of the respective assets, as determined by the management or on the basis of minimum depreciation rates as prescribed under the respective domestic laws of the Company. Depreciation in respect of Aurobindo (HK) Limited is provided on written down value method at rates based on the estimated useful lives of the respective assets.

**d. Borrowing Cost**

Borrowing costs that are attributable to the acquisition, construction or production of a qualifying asset are capitalised as a part of the cost of that asset.

**e. Investments**

- i) Investments that are not readily realisable and are intended to be held for more than a year are classified as long-term investments. All other investments are classified as current investments.
- ii) Long-term investments are carried at cost. However, due provision is made to recognise a decline, other than temporary, in the value of the investments. Current investments are carried at lower of cost and fair value determined on individual investment basis.

**f. Inventories**

- i) Raw materials, packing materials, stores, spares and consumables are valued at cost, calculated on "First-in-First Out (FIFO)" basis, which is either equal to or less than the realisable value.
- ii) Finished goods and Work-in-process are valued at lower of cost and net realisable value. In respect of finished goods, cost includes materials, labour and a proportion of appropriate overheads.
- iii) Trading goods are valued at lower of cost and net realisable value. Cost is calculated on FIFO basis except in the case of subsidiaries, Aurobindo (HK) Limited and APL Pharma Thai Limited, where it is calculated on weighted average basis.

**g. Miscellaneous Expenditure**

- i) Product development expenses are amortised over three years, considering the expected duration of accrual of related benefits. Product registration expenses incurred in respect of overseas subsidiary companies are amortised over a period of ten years from the date of commencement of commercial operations of such subsidiaries.
- ii) Preliminary expenses are amortised over a period of five years
- iii) Deferred revenue expenditure incurred in respect of overseas subsidiary companies is amortised over a period of five years from the date of commencement of commercial operations of such subsidiaries.

**h. Retirement benefits**

The Company provides for its liabilities towards employee retirement benefits such as gratuity, leave encashment, provident fund etc in compliance with the requirements of domestic laws of the respective countries.

**i. Deferred Taxes**

- i) Deferred tax is provided on all temporary differences at the Balance Sheet date between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.
- ii) Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled, based on the tax rates (and tax laws) that have been enacted or subsequently enacted at the Balance Sheet date.
- iii) Deferred tax assets in respect of unabsorbed depreciation and carry forward losses are measured and recognised only to the extent of virtual certainty of future taxable profits to adjust such depreciation and losses.

**j. Research and Development**

Research and Development expenditure, which is of revenue nature, is charged to the Profit and Loss Account, while capital expenditure is added to the cost of fixed assets in the year in which these are incurred.

**k. Foreign Exchange Transactions**

- i) Foreign currency transactions (other than those relating to foreign branches) arising during the year are recorded at the exchange rates prevailing at the transaction dates. Expenditure of foreign branches is recorded at the average exchange rate of the month in which such expenses are incurred.
- ii) Monetary assets and liabilities related to foreign currency transactions remaining unsettled at the end of the year are translated at contract rates and/or at year-end rates. The resultant gain/loss, if any, is recognised in the Profit and Loss Account, except exchange differences on liabilities incurred for acquisition of fixed assets, which are adjusted to the carrying amounts of respective assets. Non-monetary assets and liabilities related to foreign currency transactions are reported at the rate on the date of the transaction.

**l. Foreign Currency Translation**

Indian Rupees is the reporting currency for APL and its domestic subsidiary companies. However, the functional currencies of overseas subsidiaries are different from the functional currencies of APL. The translation of functional currencies into Indian Rupees is performed for assets and liabilities, (excluding share capital, opening reserves & surplus, minority interest and goodwill), using the exchange rate as at the balance sheet date, for revenues, costs and expenses using average exchange rates prevailing during the reporting period. Share capital, opening reserves & surplus, minority interest and goodwill are carried at historical cost. Resultant currency translation exchange gain/loss is carried as Exchange Reserves in Reserves and Surplus.

**m. Export Benefits/Incentives**

- i) Benefits on account of entitlement to import of goods free of duty under the "Duty Entitlement Pass Book under Duty Exemption scheme" are accrued and accounted in the year of export.
- ii) Benefits on account of Advance Licenses for imports are accounted for on purchase of imported materials.



**n. Operating Leases**

Leases, where the lessor effectively retains substantially all the risks and rewards incidental to ownership are classified as operating leases. Operating lease payments are recognised as an expense in the Profit & Loss account on a straight-line basis over the lease term.

**2. Differences in Accounting policies**

- a) Depreciation on fixed assets relating to a subsidiary, Aurobindo (HK) Limited has been provided on the written down value method as against the straight-line method followed by other companies in the group. Depreciation for the year includes Rs.0.1 calculated on such basis and the aggregate net block of assets of this subsidiary as at 31st March 2002 amounts to Rs.0.4.
- b) The following subsidiaries, although are applying straight line method of providing for depreciation on fixed assets, have adopted rates of depreciation which are different from those followed by the group in respect of the assets mentioned herein-

Rs.

Name of the Subsidiary Company	Net block as at 31st March, 2002		Rate of Depreciation	
	Furniture & Fixtures	Vehicles	Furniture & Fixtures	Vehicles
APL Pharma Thai Limited, Thailand	1.3	1.9	20%	20%
Aurobindo Farmaceutica Do (Brasil) Ltda., Brazil	0.4	0.3	10%	20%

- c) Inventories of finished goods include Rs.179.9 relating to the subsidiaries, APL Pharma Thai Limited and Aurobindo (H.K) Limited, valued at weighted average cost method as against the FIFO method followed by other companies in the group.

**3. Conformity with Mandatory Accounting Standards as applicable under Indian GAAP**

- a) Deferred taxes as required under Accounting Standard 22 "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India, has not been provided for in case of Companies in the group except for APL; APL Chemi Natura Limited and Aurobindo (HK) Limited. The impact in this respect on the profits for the year ended and financial position of the group as at 31st March, 2002 has not been ascertained.
- b) Capitalisation of interest amounting to Rs.0.5 in respect of assets acquired under finance leases by one of the subsidiary companies, APL Pharma Thai Limited does not conform to the requirements of Accounting Standard 19 "Leases" issued by the Institute of Chartered Accountants of India.

**4. Acquisition of a Subsidiary**

- a) Aurobindo (H.K.) Limited, a Wholly Owned Subsidiary company has acquired 60% voting rights in Shanghai Wide Tex Chemical Co Limited, China ("acquired entity") on 21st December, 2001 which is the effective date of acquisition.
- b) Acquisition of controlling interest in the above company has been accounted under "Pooling of interest method" for the purpose of consolidation. Accordingly, excess of the purchase price over the book values of net assets as on

Rs. Millions

the date of acquisition, has been recorded as goodwill in the Consolidated Financial Statements. Transactions relating to Profit and Loss Account of the acquired entity have been included in the Consolidated Profit and Loss Account from the effective date of acquisition.

- c) The interest of Aurobindo (HK) Limited in the net assets of the acquired entity and resulting goodwill as on the date of acquisition is given hereunder.

		Rs.
Purchase consideration	(A)	13.8
Net assets as on the date of acquisition	(B)	15.3
Aurobindo (HK) Limited's share in the Equity	(C)	9.2
Goodwill	(D)=(A)-(C)	4.6

- d) Summary of the post acquisition losses of the acquired entity included in the Consolidated Profit and Loss Account for the year ended 31st March, 2002

		Rs.
Revenues		7.4
Expenses		9.8
Net loss considered in the Consolidated Financial Statements, net of minority interest		1.4

- e) The assets and liabilities of the acquired entity included in the Consolidated Balance Sheet as at 31st March, 2002 are

		Rs.
<b>Liabilities</b>		
Minority interest		5.2
Unsecured loans		17.7
<b>Assets</b>		
Fixed assets (including capital work-in-progress)		31.6
Net current assets		8.1
Goodwill		4.6
Debit balance in Profit and Loss account		1.4

## 5. Capital Commitments

Estimated amount of Contracts (net of advances) remaining to be executed on capital account and not provided for Rs. 789.1.

## 6. Contingent Liabilities

		Rs.
Outstanding Bank Guarantees		80.8
Bills discounted with Banks		762.3
Outstanding letters of credit for imports of materials		370.6
Income tax matters		2.5

## 7. Leases

### a) Finance Leases

- i) The Company's fixed assets include assets acquired under finance lease arrangements. The future lease rents payable and other related information in respect of such assets is as follows:

	Rupees in full		
	Vehicles	Furniture & Fixtures	Total
Cost	3,445,596	106,766	3,552,362
Accumulated depreciation	1,038,905	29,667	1,068,572
Net carrying amount	2,406,691	77,099	2,483,790
Future minimum lease rents payables	1,499,598	35,589	1,535,187
Less: Interest included in the above	195,782	9,421	205,203
Present value of future minimum lease rents payable	1,303,816	26,168	1,329,984

- ii) Future Minimum lease payments and their present value at the Balance Sheet date for each of the following periods.

	Rupees in full	
	Minimum Lease payments	Present value of future lease payments
Not later than one year	803,107	704,539
Later than one year and not later than five years	732,080	625,445
Total	1,535,187	1,329,984

### b) Operating Leases

Operating leases are mainly in the nature of lease of office premises with no restrictions and are renewable at mutual consent. As at the balance sheet date, the company is committed to make the following payments in respect of operating leases:

	Rupees in full
Not later than one year	824,458
Later than one year and not later than five years	1,049,402
Later than five years	280,493
Total	2,154,353

## 8. Share Capital

470,000 Equity shares of Rs. 10 each (relating to 470,000 Equity share warrants, in respect of which the upfront consideration was received during the year, to be converted into Equity shares within eighteen months from the respective dates of allotment of warrants at the option of warrant holders) are to be issued to the promoters.

## 9. Debenture Redemption Reserve

In terms of circular No. 9/2002 dated 18th April 2002 of the Department of Company Affairs, in the case of privately placed debentures, 25% of the value of the privately placed debentures is required to be maintained in Debenture

Redemption Reserve. As the balance in the Debenture Redemption Reserve of the Company as at 1st April, 2001 is higher than the above prescribed minimum, no amounts have been transferred to such reserve during the year.

## 10. Secured Loans

- a) Term loans are secured by a first charge on the immovable properties both present and future and joint mortgage by deposit of title deeds by way of constructive delivery of APL's lands, immovable properties and fixed assets situated in Hyderabad, Rangareddy and Medak districts, Andhra Pradesh and second charge on all other movable assets (save and except book debts), both present and future subject to charges created in favour of APL's bankers to secure working capital requirements and also personally guaranteed by the Managing Director of APL.
- b) Debentures are secured by a first charge ranking pari passu on the immovable property situated at Thane, Maharashtra and further joint mortgage by deposit of title deeds by way of constructive delivery of APL's lands, immovable properties and fixed assets situated in Hyderabad, Rangareddy and Medak districts, Andhra Pradesh and second charge on all other movable assets, both present and future, subject to charges created in favour of APL's bankers to secure working capital requirements.
- c) The Working Capital Loans (WCL's) from banks are secured by first charge by way of hypothecation of stocks, book debts and other current assets (both present and future) ranking pari passu and personally guaranteed by some of the Directors. WCL of parent are further secured by way of second charge on all the immovable properties and certain current assets.
- d) Short-term loans from Banks are secured by way of pledge of fixed deposit receipts worth Rs.9.5.
- e) Hire purchase loans are secured by way of hypothecation of respective assets acquired under Hire Purchase arrangements.

## 11. Manufacturing unit at Pondicherry

During the year, as a part of the restructuring programme, in respect of APL's manufacturing unit located at Pondicherry, some of the assets were transferred to other units of APL and the rest were disposed off. Such sale/disposal is subject to shareholders' approval as required under the provisions of Section 293(1)(a) of the Companies Act, 1956.

## 12. Investments

During the year, the Company has purchased and sold the following units of Mutual funds-

Description	Number of Units
SBI Magnum-Insta Cash Fund	2,980,575.78
Prudential ICICI Liquid plan	12,476,228.07
IDBI Mutual Fund - Liquid option	14,846,928.17
UTI Money Market Fund	317,686.23

## 13. Setting up of a Joint Venture

- a) In terms of the agreement for Joint venture dated 27th March, 2002, and as approved by the Board of Directors, APL's ethical allopathic branded formulations business was transferred to Citadel Aurobindo Biotech Limited ("CABL or joint venture"), a joint venture Company. The transfer consisted of sale of specified brands, transfer of current assets and assets & liabilities relating to the employees, to be taken over, of the said business. The assets and liabilities were agreed to be transferred at actual historical cost as at 27th March, 2002. The statutory and regulatory

benefits relating to the said employees in the form of gratuity, provident fund and leave encashment accruals have not been identified and transferred and continue to be part of the liabilities of APL as at 31st March, 2002. Necessary documentation in respect of assignment of debts and liabilities transferred is pending.

- b) The values of specified brands taken over at Rs.100.0 and non-compete fee of Rs.300.0, covering the designated markets, comprising in the consideration payable for takeover of the related formulations business by the joint venture Company, are as mutually agreed to between the parties to the joint venture and have been relied upon by the Auditors.
- c) Non-compete fee of Rs.300.0 has been directly taken to Capital Reserves in Schedule 2, as in the opinion of APL's management, this is in the nature of a capital receipt.
- d) As per the terms of the joint venture agreement referred to above, APL as at 31st March, 2002, has an obligation to make an investment of Rs.10.0 in the form of 100,000 Equity shares of Rs.100 each in the joint venture.

#### 14. Sundry Debtors include

Dues from companies under the same management

Rs.

Name of the Company	Closing Balance as at 31st March, 2002	Maximum Outstanding at any time during the year Ended 31st March, 2002
Ranit Pharma Limited	2.4	173.4
Sharp Organics Private Limited	0.4	2.3
Andhra Organics Limited	0.4	0.4
Vamsi Organics Private Limited	-	1.0

#### 15. Cash & Bank balances include

- a) Balances with Non- scheduled banks on current & savings accounts

Rs.

Name of the bank	Closing Balance as at 31st March, 2002	Maximum Outstanding at any time during the year Ended 31st March, 2002
Vietcom Bank, Vietnam	0.4	0.4
Vheshtorg Bank, Moscow	0.5	0.5
Bank of Nova Scotia, Costa Rica	0.8	0.8
Citi Bank N.A. Tanzania	0.6	0.8
Catholic Syrian Bank	--	0.0
SIAM Commercial Bank, Thailand	0.2	0.6
Hong Kong Shanghai Banking Corporation (HSBC), Thailand-Savings account	--	0.0
HSBC, Thailand-Savings account	--	0.5

Rs. Millions

Name of the bank	Closing Balance as at 31st March, 2002	Maximum Outstanding at any time during the year ended 31st March, 2002
Standard Chartered Bank (SCB), Hong Kong-Current account	4.1	59.4
SCB, Hong Kong-Savings account	0.1	10.9
SCB, Hong Kong-Foreign Currency Account	0.8	74.1
National Bank USA	1.3	15.8
HSBC, Brazil	1.1	5.7
Banco do Brasil, Brazil	3.8	5.8
Wells Fargo Bank NA, USA	0.2	7.5
Industrial and Commercial Bank (ICB) of China Datong, China-Current account	33.2	33.2
ICB of China Datong, China -Current account	1.1	73.1
Bank of China Datong, China	0.0	24.4
Agricultural Bank of China, China	0.6	7.3

b) Balances with Non- scheduled banks on deposit accounts

Rs.

Name of the bank	Closing Balance as at 31st March, 2002	Maximum Outstanding at any time during the year ended 31st March, 2002
SIAM Commercial Bank, Thailand	--	0.1

**16. Loans and Advances include**

Dues from companies under the same management

Rs.

Name of the bank	Closing Balance as at 31st March, 2002	Maximum Outstanding at any time during the year ended 31st March, 2002
Calac Private Limited	--	2.1
Pravesha Machine Works (P) Limited	--	3.0
Andhra Organics Limited	10.4	10.4

**17. Sundry Creditors include**

Gain on account of exchange differences on export bills discounted to be recognised in the Profit and Loss Account of subsequent accounting period - Rs.12.5.

**18. Balance Confirmations**

Sundry Debtors, Sundry Creditors and Loans &amp; Advances of Rs.64.7, Rs.45.4, Rs.32.0 respectively, in respect of a subsidiary, APL Chemi Natura Limited, are subject to confirmations to be received from some of the parties.

**19. Deferred Taxes**

In compliance with Accounting Standard (AS-22) relating to "Accounting for Taxes on Income" issued by the Institute of Chartered Accountants of India, the Company has adjusted the deferred tax liability (net) arising out, of timing differences for the period up to 31st March, 2001 of Rs.183.2 in General Reserves. Deferred Tax Liability accruing during the year aggregating to Rs.35.4 has been recognised in the Profit & Loss Account.

**20. Export Incentives**

Sales include export incentives of Rs.314.6

**21. Research and Development Expenses**

Research & Development expenses included under various heads of expenses are Rs.80.1

**22. Donation**

Donation of Rs.0.5 disclosed under Schedule 22 includes contribution made to Communist Party of India (Marxist)-Rs.0.1.

**23. Extraordinary Item**

Extraordinary item represents consideration towards sale of brands made to the joint venture company as referred in note 13 (b) above.

**24. Directors' Remuneration included under various heads of accounts**

Rs.

Particulars	Year Ended 31st March, 2002
Salary	6.4
Contribution to provident fund	0.1
Perquisites	3.0
Commission	0.3
Total	9.7

**25. Earnings per share**

Earnings per share is computed based on the following

Rupees in full

Particulars	Year Ended 31st March, 2002
a) Profit after taxation and minority interest considered for calculation of basic and diluted earnings per share	Rs. 729,882,369
b) Weighted average number of Equity Shares considered for calculation of basic earnings per share	20,215,397
Add: Effect of dilution on account of convertible Share warrants issued on number of shares	268
c) Weighted average number of equity Shares considered for calculation of diluted earnings per share	20,215,665

**26. Dividends**

Proposed dividends for the year include dividends due to minority shareholders of a subsidiary company-Rs.0.9

**27. Related Party Transactions**

a) During the year, the Company has entered into transactions with related parties. The transactions together with the related balances as at 31st March, 2002 are presented in the following table:

Rs.

Nature of Transactions	Joint Ventures	Companies Over which Significant Influence exists	Companies having Significant Influence	Key Management Personnel	Total
Purchase of Goods	--	536.0	--	--	536.0
Sale of Goods	42.7	96.9	--	--	139.6
Purchase of fixed assets	--	43.5	--	--	43.5
Sale of fixed assets	0.3	40.7	--	--	41.0
Sale of Brands	100.0	--	--	--	100.0
Non- Compete Fees received	300.0	--	--	--	300.0
Receiving of services	--	129.6	--	10.5	140.1
Transfer of current assets	172.9	0.2	--	--	173.1
Transfer of current liabilities	24.4	--	--	--	24.4
Interest/Dividend received	7.7	13.4	--	--	21.1
Finance (including loans and equity contributions in cash or in kind)	377.8	0.6	--	--	378.4
Balance as on 31st March 2002-Debit/(Credit)	1,207.8	(12.5)	(5.9)		

b) Names of related parties and description of relationships

**Joint Ventures**

Aurobindo Tongling (Datong) Pharmaceutical Co Limited, China  
Citadel Aurobindo Biotech Limited, India  
Cephazone Pharma LLC, USA

**Companies over which significant influence exists**

Ranit Pharma Limited, India  
Pravesha Machine Works (P) Limited, India  
Andhra Organics Limited, India  
Calac Private Limited, India  
Sharp Organics Private limited, India  
Ranit Agro Private Limited, India



**Companies having significant influence**

Shanghai Xinghang Jiading Che. & Med.Co.Limited, China

**Key Management Personnel*****Aurobindo Pharma Limited***

P.V. Ramaprasad Reddy, Chairman

K. Nityananda Reddy, Managing Director

M. Sivakumaran, Whole-time Director

A. Sivaram Prasad, Whole-time Director (Resigned from the Board on 19th March, 2002)

B. Siva Prasad Reddy, Whole-time Director

A.J. Kamath, Director (Resigned from the Board on 19th March, 2002)

Lanka Srinivas, Whole-time Director (up to 19th March, 2002) and

Additional Director (effective from 21st March, 2002)

***APL Chemi Natura Limited***

M. Ajay Kumar, Managing Director

Aurobindo (H.K.) Limited

G.P. Prasad, Director (Up to 30th June, 2001) and consultant (effective from 1st July, 2001)

M.V. Sastry, Director (effective from 30th June, 2001)

**28. Segment Information**

The Company has adopted the Accounting Standard 17 "Segment Reporting" issued by the Institute of Chartered Accountants of India, for the purpose of disclosure of financial information about its reportable segments.

**a) Identification of Reportable Segments**

The reportable segments of the Company have been identified based on the internal organization & management structure and also based on certain other factors as discussed hereunder-

The manufacturing activities of the Company are managed from Independent units, each of these units are considered as strategic businesses that are managed separately, because each unit develops, manufactures and sells distinct products. However, each of these operating units are further aggregated based on the similarities in relation to (a) the nature of products; (b) the nature of production process; (c) the type or class of customers for their products; and (d) the method used to distribute its products etc.

Accordingly, the following have been identified as operating and reportable segments: (a) "Bulk Drugs", (b) "Formulations" (c) "Research and Development activities (R&D)", and (d) Other Operations.

**b) Nature of activities**

- i) **Bulk Drugs:** business mainly comprises of manufacture of semi-synthetic penicillins, and high value added products like cephalosporins, quinolones, macrolides and other bulk actives.
- ii) **Formulations:** business comprises of manufacture of finished dosages mainly in the categories of - a) Gastro Respiratory Infection Pain; b) Cardio Neuro Diabetes Psychiatry; c) AIDS and d) Analgesics, Anti infectives and Cough & Cold Injectables.

iii) **Research & Development Activities:** comprise of activities intended towards optimizing the manufacturing processes; bringing in quality awareness; obtaining the patents for processes; and working towards new drug discovery.

iv) **Other Operations:** comprise of trading and investing activities.

c) **Method of pricing inter segment transfers**

Inter segment sales are generally accounted at fair values and the same have been eliminated in consolidation. The accounting policies of the segments are substantially the same as those described in the "Statement of Significant Accounting Policies" as under para 1" above.

d) Financial information as required in respect of operating and reportable Segments for the year ended and as at 31st March, 2002 is as given below

a) **Information about Business Segments**

Rs.

	Bulk Drugs	Formulations	Research & Development	Other Operations	Eliminations	Consolidated Total
<b>REVENUE</b>						
External Sales	9,590.0	873.0	--	544.7	--	11,007.7
Inter-Segment Sales	1,391.9	43.5	--	48.5	1,483.9	--
Interest Income	--	--	--	2.0	--	2.0
Other Income	--	7.4	--	--	--	7.4
Total revenue	<u>10,981.9</u>	<u>923.9</u>	<u>--</u>	<u>595.2</u>		<u>11,017.1</u>
<b>RESULT</b>						
Segment result	1,371.4	(28.0)	(70.2)	(17.0)		1,256.2
Unallocated corporate expenses						(141.9)
Operating profit						1,114.3
Interest expense						(453.7)
Interest income						33.8
Other Income						139.1
Income taxes						(202.6)
Profit from ordinary activities						630.9
Extra-ordinary item						100.0
Net profit before minority interest						730.9
<b>OTHER INFORMATION</b>						
Segment assets	7,962.4	1,288.6	186.5	299.5	993.5 <sup>1</sup>	8,743.5
Unallocated Corporate assets						874.6
Total assets						9,618.1
Segment liabilities	2,058.3	810.6	271.3	45.3	993.5 <sup>1</sup>	2,192.0
Unallocated Corporate Liabilities						3,856.0
Total liabilities						6,047.9
Capital expenditure	1,016.0	50.3	38.6	1.3		
Depreciation	112.3	27.5	12.6	0.3		
Non-cash expense other than depreciation	--	3.3	--	0.1		

**Notes :**

<sup>1</sup> The difference between inter segment assets and liabilities is on account of Currency Translation Adjustment.

Rs. Millions

## b) Segment Revenue by geographical location

Rs.

Geographical location	For the year ended 31st March, 2002
India	5,295.6
Rest of the World	5,712.1
Total	11,007.7

## c) Segment assets by geographical location

Rs.

Geographical location	Carrying amount of Segment assets as at 31st March, 2002
India	6,688.2
Rest of the World	2,929.9
Total	9,618.1

## d) Additions to fixed assets by geographical location

Rs.

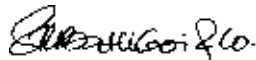
Geographical location	Additions to fixed assets during the year ended 31st March, 2002
India	754.1
China	361.6
Rest of the World	2.4
Total	1,118.1

29. Comparative figures for the previous year are not furnished as the Consolidated Financial Statements have been prepared for the first time.

## SIGNATURES TO SCHEDULES 1 TO 24

In terms of our report of even date

For and on behalf of the Board of Directors



Chartered Accountants


Per  
UTKARSH PALNITKAR

Partner

Place : Hyderabad

Date : June 30, 2002


B ADI REDDY  
Company Secretary

P V RAMAPRASAD REDDY  
Chairman

K NITYANANDA REDDY  
Managing Director

## CONSOLIDATED CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2002

Rs. Millions

	2001-2002
<b>1. CASH FLOWS FROM OPERATING ACTIVITIES</b>	
Net Profit before Extra ordinary item and Taxation	833.5
Adjustments for:	
Depreciation	159.4
Miscellaneous expenditure written off	3.3
Provision for doubtful debts and advances	27.5
Export incentives accrued	(97.0)
Claims/ Bad debts written off	2.1
Balances written back	(4.3)
Provision for retirement benefits	10.4
Interest paid	504.9
Interest received	(35.8)
Dividends Received	( 0.1)
Foreign exchange gain	(34.3)
Net loss on sale of fixed Assets	3.0
<b>Operating Profit before Working Capital Changes</b>	<b>1,372.6</b>
Adjustments for:	
Inventories	898.9
Sundry Debtors	(1,009.1)
Loans & Advances	10.6
Sundry Creditors	20.0
<b>Cash Generated from Operations</b>	<b>1,293.0</b>
Income Tax Paid	(127.3)
Interest paid	( 51.6)
Miscellaneous Expenditure	( 22.1)
<b>NET CASH FROM OPERATING ACTIVITIES (A)</b>	<b>1,092.0</b>
<b>2. CASH FLOWS FROM INVESTING ACTIVITIES</b>	
Payments made for net assets acquired of a subsidiary	( 13.8)
Purchase of Fixed Assets	(1,106.6)
Proceeds from sale of Fixed Assets	47.2
Purchase of Investments	( 382.4)
Loans to Joint ventures	(351.0)
Proceeds from sale of Investments	355.5
Interest received	27.4
Dividend received	0.1
<b>NET CASH USED IN INVESTING ACTIVITIES (B)</b>	<b>(1,423.6)</b>

Rs. Millions

	2001-2002
<b>3. CASH FLOWS FROM FINANCING ACTIVITIES</b>	
Proceeds from issue of Share Capital	106.2
Upfront consideration on issue of Share warrants	10.6
Proceeds from Long Term borrowings	650.0
Repayment of Long Term borrowings	(114.0)
Other Short Term borrowings (Net)	346.3
Interest Paid	(461.9)
Dividend and Dividend tax	(66.8)
<b>NET CASH FROM FINANCING ACTIVITIES (C)</b>	<b>470.4</b>
<b>Effect of exchange rate changes on Cash &amp; Cash equivalents (D)</b>	<b>(36.6)</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS (A+B+C+D)</b>	<b>102.2</b>
<b>Cash and Cash Equivalents - Opening Balance</b>	<b>97.9</b>
Acquired on acquisition	2.6
Imprest balances transferred to the Joint Venture- Citadel Aurobindo Biotech Limited	2.9
<b>Cash and Cash Equivalents - Closing Balance</b>	<b>199.8</b>
<b>NET INCREASE IN CASH AND CASH EQUIVALENTS</b>	<b>102.2</b>

**Notes:**

- Cash and Cash equivalents include :
 

Cash and Bank balances	171.5
Deposit accounts	29.7
Unpaid dividend Accounts	1.6
Unrealised gain on foreign currency cash and cash equivalents	(3.0)
	<u>199.8</u>
- Consequent to the setting up of a Joint Venture Company-(Citadel Aurobindo Biotech Limited) transactions in the form of transfer of certain assets (excluding imprest balances) liabilities, non-compete fee receivable and consideration receivable for transfer of specified brands are treated as non-cash transactions (Refer Note 13 on Schedule 24)
- Comparative figures for previous year are not furnished as the Consolidated Cash Flow Statement has been prepared for the first time.

For and on behalf of Board of Directors

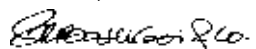
  
**B ADI REDDY**  
 Company Secretary


  
**P V RAMAPRASAD REDDY**  
 Chairman

  
**K NITYANANDA REDDY**  
 Managing Director

**AUDITORS' CERTIFICATE**

We have examined the attached Consolidated Cash Flow Statement of Aurobindo Pharma Limited and its subsidiaries for the year ended 31st March 2002. The Statement has been prepared by the Company and is in agreement with the corresponding Balance Sheet and Profit and Loss Account of the Company for the year ended 31st March 2002 covered by our report dated June 30, 2002 to the Board of Directors of the Company and has to be read in conjunction therewith.

  
 Chartered Accountants

Per   
**Utkarsh Palnitkar**  
 Partner  
 Place : Hyderabad  
 Date : June 30, 2002

## Statement pursuant to Section 212 of the Companies Act, 1956 relating to Subsidiary Companies

Name of the Subsidiary	Aurobindo USA LLC, Miami, Florida, USA	APL Pharma Thai Ltd, Bangkok, Thailand	Aurobindo (H.K.) Ltd, Hongkong	APL Holdings, Inc, California, USA	Aurobindo Farmaceutica Do Brasil Ltda, Sao Paulo, Brasil	AB Farmo Quimica Ltda, Anapolis, Gois, Brasil	Aurobindo (Datong) Bio-pharma Co. Ltd, China	APL Chemi Natura Ltd, Hyderabad	Shanghai Widetex Chemical Co. Ltd, China
The Financial Year of the subsidiary ended on	31.12.2001	31.12.2001	31.03.2002	31.12.2001	31.12.2001	31.12.2001	31.12.2001	31.03.2002	31.12.2001
No. of shares in the Subsidiary Company held by Aurobindo Pharma Ltd									
Equity Shares	300,000	19,200	80,000	18,650	6,642	5,120	Refer Note.6	5,000,000	Refer Note.6&7
Equity Holding %	100	48	100	100	100	100	100	100	60
The net aggregate of Profits / (Losses) of the Subsidiary Company for its financial year so far as they concern the members of Aurobindo Pharma Ltd.									
(a) Dealt with in the accounts of Aurobindo Pharma Ltd.									
for the year ended 31.03.2002	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(b) Not dealt with in the accounts of Aurobindo Pharma Ltd.	(6345.91)	1430717.78	345947	28805.95	(336304.41)	(1989.99)	Nil	4,611.77	(1717698.31)
for the year ended 31.03.2002	(USD)	(Baht)	(Hongkong \$)	(USD)	(Reals)	(Reals)		(Rs.,000s)	(RMB)
The net aggregate of Profits / (Losses) of the Subsidiary Company for its previous financial year so far as they concern the members of Aurobindo Pharma Ltd.									
The financial year of the Subsidiary Company ended on	31.12.2000	31.12.2000	31.03.2001	31.12.2000	31.12.2000	N.A.	N.A.	31.03.2001	N.A.
(a) Dealt with in the accounts of Aurobindo Pharma Ltd.									
for the year ended 31.03.2001	Nil	Nil	Nil	Nil	Nil	N.A.	N.A.	Nil	
(b) Not dealt with in the accounts of Aurobindo Pharma Ltd.	1453	183688.32	228005	5852	7079	N.A.	N.A.	3561.61	N.A.
for the year ended 31.03.2001	(USD)	(Baht)	(Hongkong \$)	(USD)	(Reals)			(Rs:000)	
Changes in the interest of Aurobindo Pharma Ltd between the end of the financial year of the subsidiary and 31.03.2002	Refer Note.5	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Material changes between the end of financial year of subsidiary and 31.03.2002	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil

- Notes:
1. This being the first year of operation for AB Farmo Quimica Ltda, Brazil and Aurobindo (Datong) Bio-pharma Co.Ltd, China, no previous year figures are given.
  2. The figures of AB Farmo Quimica Ltda, Brazil are for the period February 27, 2001 to December 31, 2001.
  3. The figures of Aurobindo (Datong) Bio-pharma Co.Ltd, China are for the period September 20, 2001 to December 31, 2001.
  4. APL Pharma Thai Limited is a Subsidiary by virtue of the composition of the Board of Directors of the company.
  5. An application for voluntary dissolution of Aurobindo USA LLC., was filed and is pending with the concerned authorities.
  6. As per the local laws, there is no concept of number of shares in this company.
  7. It is subsidiary to Aurobindo(H.K.) Ltd with effect from December 21, 2001 which in turn is a wholly owned subsidiary of Aurobindo Pharma Ltd

For and on behalf of the Board

Place:Hyderabad  
Date :June 30, 2002

  
B. Adi Reddy  
Company Secretary

  
P.V. Ramaprasad Reddy  
Chairman

  
K. Nityananda Reddy  
Managing Director

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**AUDITORS' REPORT**

The Members  
Aurobindo USA LLC  
Miami, Florida, USA

We have audited the Balance Sheet of Aurobindo USA LLC as at 31st December, 2001 and the Profit and Loss Account for the period ended on that date and report that in our position.

- (A) The Accounts are properly drawn in accordance with the provisions applicable to Limited Liability Corporations in the State of Florida and give a true and fair view of
- i) The state of affairs of the company as at 31st December, 2001 in case of Balance Sheet.
  - ii) The profit of the company for the period ended 31st December, 2001 in the case of Profit and Loss Account.
- (B) The accounting and other records have been properly kept by the Company in accordance with the provisions applicable to Limited Liability Corporations in the State of Florida.

For *Cabanas & Associates, P.A.*

*Joseph F. Cabanas*

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# AUROBINDO USA LLC

## BALANCE SHEET AS AT DECEMBER 31, 2001

USD

	PARTICULARS		
<b>ASSETS</b>			
<b>FIXED ASSETS</b>	Gross Block	--	
	Less: Depreciation	--	--
<b>CURRENT ASSETS</b>	Cash Balance	--	
	Bank Balance	26,073.24	
	Inventory	--	
	Receivables	49,995.00	76,068.24
	<b>TOTAL</b>		<u>76,068.24</u>
<b>LIABILITIES</b>			
<b>CAPITAL &amp; RESERVES</b>	Equity Share Capital		20,000.00
	Reserves & Surplus	51,629.15	
	Less: Tax Paid	340.00	
	<b>TOTAL</b>	51,289.15	
	Less : Current Year Loss	6,345.91	44,943.24
<b>UNSECURED LOANS</b>			--
<b>CURRENT LIABILITIES</b>			11,125.00
			<u>76,068.24</u>

As per our Report attached  
For *Cabanas & Associates, P.A.*

*Joseph F. Cabanas*

Manager

## PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2001

<b>SALES</b>		--
<b>OTHER INCOME</b>	Miscellaneous Income	3,159.21
<b>LESS : COST OF GOODS SOLD</b>		--
		<u>3,159.21</u>
<b>OPERATING EXPENSES</b>	Discounts	2,285.30
	Legal & Professional Charges	850.00
	Consultancy Charges	1,000.00
	Bank Charges	5,245.51
	Miscellaneous Expenses	124.31
		<u>9,505.12</u>
<b>NET LOSS</b>		(6,345.91)

As per our Report attached  
For *Cabanas & Associates, P.A.*

*Joseph F. Cabanas*

Manager



# APL PHARMA THAI LIMITED

## BALANCE SHEET AS AT DECEMBER 31, 2001

		Baht	
		2001	2000
<b>ASSETS</b>			
<b>CURRENT ASSETS</b>			
	Cash in Hand	1,338.10	6,165.86
	Cash at banks	15,916,266.46	6,740,042.89
	Accounts receivable - Trade	158,680,765.36	105,823,010.99
	Inventories	20,058,775.21	18,355,159.81
	Vat Refundable	1,359,979.24	1,680,187.00
	Prepaid - Provision for Income-Tax	265,239.55	105,947.79
	Total Current Assets	<u>196,282,363.92</u>	<u>132,710,514.34</u>
	<b>PROPERTY, PLANT, AND EQUIPMENT - NET</b>	3,051,795.57	1,778,986.88
	<b>OTHER ASSETS - DEPOSITS</b>	85,885.55	2,051,311.43
	<b>TOTAL ASSETS</b>	<u>199,420,045.04</u>	<u>136,540,812.65</u>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>			
<b>CURRENT LIABILITIES</b>			
	Account payable - Trade	188,815,360.62	121,889,152.76
	Leasing Payable	1,317,690.36	976,017.88
	Accrued provision for Income Tax	1,295,896.71	168,881.50
	Accrued dividend	1,600,000.00	--
	Accrued expenses	316,959.48	47,951.05
	Total Current Liabilities	<u>193,345,907.17</u>	<u>123,082,003.19</u>
	<b>LOAN LIABILITIES FROM SUBSIDIARY &amp; ASSOCIATED COMPANIES</b>	-	8,758,692.50
	<b>TOTAL LIABILITIES</b>	<u>193,345,907.17</u>	<u>131,840,695.69</u>
<b>SHAREHOLDERS' EQUITY</b>			
	Capital and Reserves		
	Registered 40,000 ordinary shares of Baht 100.00 each	<u>4,000,000.00</u>	<u>4,000,000.00</u>
	Issued and fully paid 40,000 Baht ordinary Shares of Baht 100.00 each	4,000,000.00	4,000,000.00
	Retained earnings		
	Appropriated - Statutory reserve	200,000.00	--
	Unappropriated	1,874,137.87	700,116.96
	Total Shareholders' equity	<u>6,074,137.87</u>	<u>4,700,116.96</u>
	<b>TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY</b>	<u>199,420,045.04</u>	<u>136,540,812.65</u>

V.M. GOPALAKRISHNAN  
Director

KIATTISAK POLYADESH  
Director

# APL PHARMA THAI LIMITED

## PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2001

Baht

		2001	2000
<b>INCOME</b>	Sales	369,988,142.46	293,051,450.79
	Other Income	1.66	2,954.63
	Less : Stock Returned & Paid Discount	(2,482.09)	(23,604.31)
	Received Interest	42,627.66	53,532.91
	<b>TOTAL INCOME</b>	<b>370,028,289.69</b>	<b>293,084,334.02</b>
<b>EXPENSES</b>	Cost of goods sold	351,588,395.85	284,803,104.40
	Administrative Overheads	12,391,503.66	7,398,940.41
	Provision for Income Tax	1,295,896.71	168,881.50
	Paid Interest	1,030,241.78	1,023,583.35
	<b>TOTAL EXPENSES</b>	<b>366,306,038.00</b>	<b>293,394,509.66</b>
<b>PROFIT FOR THE YEAR BEFORE SALE ASSET, EXCHANGE PROFIT/LOSS</b>		<b>3,722,251.69</b>	<b>(310,175.64)</b>
	Exchange Profit (Loss)	(738,791.34)	692,859.94
	Sold Assets Profit (Loss)	(2,798.31)	--
<b>NET PROFIT</b>		<b>2,980,662.04</b>	<b>382,684.30</b>
	Net Profit for the year before sale of asset, exchange profit (loss) per share	<b>93.06</b>	<b>(7.75)</b>
	Net Profit per share	<b>74.52.</b>	<b>9.57</b>
<b>RETAINED EARNINGS</b>			
	Retained Earning, Beginning of the year	700,116.96	372,224.66
	Add(Less) : Depreciation adjust	0.94	--
	Add(Less) : Purchase VAT adjust	(1642.07)	--
	Add(Less) : Office rental 2000 adjust	(3,000.00)	--
	Add(Less) : Deposit adjust	(2,000.00)	--
	Add(Less) : Setting office adjust	-	(54,792.00)
	Add : Net Profit	2,980,662.04	382,684.30
	Less : Dividend	(1,600,000.00)	--
	<b>Total Retained Earning</b>	<b>2,074,137.87</b>	<b>700,116.96</b>

V.M. GOPALAKRISHNAN  
Director

KIATTISAK POLYADESH  
Director

# APL PHARMA THAI LIMITED

## SCHEDULE TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2001

Baht

		2001	2000
<b>COST OF SALES</b>	Purchase	337,063,576.95	243,483,837.49
	Less : Received Discount	-	(19,288.44)
	Add : Inventory, Beginning of the year	18,355,159.81	43,252,601.00
	Less : Closing inventory, 31 December, 2001	(20,058,775.21)	(18,355,159.81)
	Cost of Goods sold	335,359,961.55	268,361,990.24
	Custom Duty	15,206,027.00	15,506,456.00
	Shipping & Clearing Charge	602,100.00	540,520.00
	Transportation expense of import	39,700.00	76,100.00
	Clearing Expense	351,357.30	288,671.16
	Other Fees	29,250.00	29,367.00
	Cost of Sales	<u>351,588,395.85</u>	<u>284,803,104.40</u>
<b>ADMINISTRATIVE OVERHEADS</b>	Salary	2,920,688.36	3,301,466.00
	Bonus	194,450.00	201,343.75
	Overtime Working	10,318.88	57,807.87
	Pharmacist Consultant	240,000.00	437,050.67
	Incentive and Commission	5,141,995.14	175,466.00
	Advertising & Sale Promotion	221,372.25	584,147.95
	Chemical Analysis	-	17,000.00
	Chemical Samples	892.00	9,126.64
	Labour	6,400.00	7,070.00
	Vehicle & Petrol	295,667.89	155,198.48
	Travel & Conveyance	96,072.00	412,795.00
	Transportation	25,400.00	39,988.50
	Medical Insurance	71,889.00	68,332.00
	Bank Fee	594,851.14	428,740.44
	Other Fees	31,126.70	19,662.22
	Consultant expenses and others	347,744.92	166,267.37
	Books & Periodicals	10,084.00	10,950.00
	Office Maintenance	16,077.02	3,021.25
	Electric & Water	93,532.80	83,090.73
	Telephone	280,083.79	271,943.25
	Office Rental	158,400.00	159,000.00
	Office Equipment Rental	-	30,600.00
	Post & Courier	26,505.57	36,351.30
	Stationery	66,100.77	120,492.53
	Staff Welfare	52,525.06	61,216.70
	Car-Insurance	104,374.27	74,017.96
	Miscellaneous Expenses	32,813.53	40,623.74
	Entertain Expense	667,228.69	34,027.31

## APL PHARMA THAI LIMITED

### SCHEDULE TO PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2001

Baht

	2001	2000
Unclaimable Vat	41,611.34	11,372.53
Audit Expense	15,000.00	15,000.00
Other Expense	46,484.25	--
Donation	6,900.00	--
Depreciation	574,914.29	365,770.22
<b>TOTAL</b>	<b>12,391,503.66</b>	<b>7,398,940.41</b>

### THE APPROVAL OF AUDIT REPORT

To  
The Shareholders of  
APL Pharma Thai Ltd

I have audited the Balance Sheet, Profit and Loss and equity Report of APL PHARMA THAI LTD for the period 1st January - 31st December, 2001. The company executives are responsible for the correctness and completeness of this financial statement data. I am responsible for the financial statements of the audited account.

I have audited with the general account audit and the financial statements show correctness including the amount of money and financial statement data.

I believe that the audit shows the suitable standard in my opinion

Under the above limit, I agree with the financial statements of APL PHARMA THAI LTD for the period 1st January - 31st December, 2001 and it matches completely and correctly with the accounting principle

Mr. Meechai Prasertsri  
Auditor  
Regd Number : 2791

# APL PHARMA THAI LIMITED

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS AS AT DECEMBER 31, 2001

Baht

### THE IMPORTANT ACCOUNTING POLICY

#### 1. ACCOUNTING POLICY

- 1 The company was registered on 18th March, 1999. The Law Juristicentity register No. (5) 373/2542 to produce, sell and represent, Import, Export, Retail, Finished Product Medicine, Raw Materials and Chemical for producing medicine product for health care, herb, cosmetics, include the other products that the verterinarian use for animals.
- 2 Accounting method. The Company account by remain method
- 3 The Depreciation. The Company calculates the depreciation by straight method in the maximum rate follows the national revenue specification
- 4 The Balance stock. The Company calculate the price of balance stock from cost price or market price, which ever is lower.
- 5 Loan liability from subsidiary and associated companies. The company availed loan from Aurobindo Pharma Ltd., India the associate 6% interest per year.
- 6 Account payable trade. The Company import goods from Aurobindo Pharma Ltd., India
- 7 The Profit per shares. Calculated by net profit divide by amount of shares on the last instalment.

$$\frac{\text{Net Profit (Yearly)}}{\text{Amount of shares on the last installment}}$$

<b>2. CASH IN BANK</b>	The Siam Commercial Bank, Saving Account	64,226.99
	The Siam Commercial Bank, Fixed Account	99,418.71
	Bharat Overseas Bank, Fixed Account	1,901,904.14
	Bharat Overseas Bank, Saving Account	184,923.50
	Bharat Overseas Bank, Current Account	13,665,793.12
		<u>15,916,266.46</u>
<b>3. PREPAID PROVISION FOR INCOME TAX</b>	Withholding provision for Income Tax - Last Year	57.45
	Withholding provision for Income Tax - This Year	186,387.82
	Prepaid provision for Income Tax	78,794.28
		<u>265,239.55</u>
<b>4. INCOME TAX CALCULATE</b>	Net Profit before adjust transaction	4,276,558.75
	Add : Unclaimable vat	41,611.34
	Add : Other Expenses	1,485.61
	Net Income Before Income Tax	4,319,655.70
	Income Tax	1,295,896.71
	Less : prepaid provision for Income Tax	265,182.10
	Income Tax have to be paid	<u>1,030,714.61</u>
<b>5. VAT REFUNDABLE</b>	Vat Refundable	1,358,949.03
	Vat Refundable (Before due date of voucher)	1,030.21
		<u>1,359,979.24</u>

V.M. GOPALAKRISHNAN  
Director

KIATTISAK POLYADESH  
Director

## REPORT OF THE DIRECTORS

The directors have pleasure in submitting their annual report together with the audited accounts for the year ended 31st March, 2002.

### PRINCIPAL ACTIVITY

The principal activity of the Company during the year was trading of medicines.

### ACCOUNTS

The profit of the Company for the year ended 31st March 2002 and the state of its affairs at that date are set out in the attached accounts.

### DIVIDENDS AND RESERVES

Interim Dividend of US\$ 0.6 per ordinary share, totalling US\$ 48,000 was paid during the year. The directors do not recommend the payment of final dividend and propose no transfer to reserves for the year.

### FIXED ASSETS

Movements in fixed assets during the year are shown in note 6 on the accounts.

### DIRECTORS

The directors during the financial year and up to the date of this report are :-

Penaka Venkata Ramaprasad Reddy  
Aluru Siva Rama Prasad  
Mudigonda Veerabhadra Sastry  
(appointed on 30.06.2001)

Gorla Phaneendra Prasad  
(resigned on 30.06.2001)

In accordance with the Company's Articles of Association, all the directors shall continue to hold office for the ensuing year.

### DIRECTORS' INTEREST IN CONTRACT

Details of related party transactions and directors connected therein are set out in the note 12 on the accounts.

Apart from the above and save as disclosed in the notes 8 and 9 on the accounts, no contract of significance to which the Company, its subsidiary or its holding company was a party and in which a director of the company had a material interest subsisted at the of the year or at any time during the year.

At no time during the year was the Company, its subsidiary or its holding company a party to any arrangements to enable the directors of the company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any body corporate.

### AUDITORS

A resolutions for the re-appointment by Messrs. Willis Cheng & Company, Certified Public Accountants, as auditors of the Company is to be proposed at the forthcoming annual general meeting.

on behalf of the board

**P.V. Ramaprasad Reddy**  
Chairman

HongKong

## REPORT OF THE AUDITORS TO THE MEMBERS

We have audited the accounts which have been prepared in accordance with accounting principles generally accepted in Hong Kong.

### RESPECTIVE RESPONSIBILITIES OF DIRECTORS AND AUDITORS

The Company Ordinance requires the directors to prepare the accounts which give a true and fair view. In preparing the accounts which give a true and fair view it is fundamental that appropriate accounting policies are selected and applied consistently.

It is our responsibility to form an independent opinion, based on our audit, on those accounts and to report our opinion to you.

### BASIS OF OPINION

We conducted our audit in accordance with Statements of Auditing Standards issued by the Hong Kong Society of Accountants. An audit includes examination, on a test basis, of evidence relevant to the amounts and disclosures in the accounts. It also includes an assessment of the significant estimates and judgments made by the directors in the preparation of the accounts, and of whether

the accounting policies are appropriate to the company's circumstances, consistently applied and adequately disclosed.

We planned and performed our audit so as to obtain all the information and explanations which we considered necessary in order to provide us with sufficient evidence to give reasonable assurance as to whether the accounts are free from material misstatement. In forming our opinion we also evaluated the overall adequacy of the presentation of information in the accounts. We believe that our audit provides a reasonable basis for our opinion.

### OPINION

In our opinion the accounts give a true and fair view, in all material respects, of the state of the company's affairs as at 31st March, 2002 and of its profit and cash flows for the year then ended and have been properly prepared in accordance with Companies Ordinance.

**Willis Cheng & Company**

HongKong

Certified Public Accountants

# AUROBINDO (H.K.) LIMITED

## INCOME STATEMENT FOR THE YEAR ENDED MARCH 31, 2002

(Expressed in Hong Kong Dollars)

			\$
	Note	Year ended March 31, 2002	Year ended March 31, 2001
<b>TURNOVER</b>	2	235,467,875	283,088,920
Less : Cost of sales		(230,038,976)	(276,304,200)
Gross profit		5,428,899	6,784,720
Other income	2	2,458,751	465,066
Other operating expenses		(7,109,743)	(6,158,980)
Profit from operations	3	777,907	1,090,806
Finance costs	4	(431,960)	(862,801)
<b>PROFIT BEFORE TAXATION</b>		345,947	228,005
Taxation	5	-	-
<b>PROFIT FOR THE YEAR</b>		345,947	228,005
Retained profit brought forward		1,195,650	967,645
Retained profits available for distribution		1,541,597	1,195,650
Interim dividend paid-US\$ 0.6 (2001:NIL) per share		(374,400)	-
Retained profit carried forward		1,167,197	1,195,650

There were no recognised gains or losses other than the profit for the year.

## BALANCE SHEET AS AT MARCH 31, 2002

<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Fixed assets			
- furniture and equipment	6	58,595	88,339
Interest in subsidiary	7	3,658,200	-
		3,716,795	88,339
<b>CURRENT ASSETS</b>			
Accounts and bills receivable		87,409,663	89,582,202
Amount due from a director	8	5,000	2,440
Amount due from a related company	8	512,460	-
Amount due from a fellow subsidiary	8	87,750	24,678
Deposits, sundry debtors and prepayments		2,186,084	74,890
Cash at bank and in hand		827,341	3,683,766
Inventories		20,807,893	43,473,804
TOTAL CURRENT ASSETS		111,836,191	136,841,780
<b>CURRENT LIABILITIES</b>			
Accounts and bills payable		110,138,997	131,432,910
Accruals and sundry creditors		1,629,006	3,514,500
Amount due to related companies	9	-	14,114
Amount due to a holding company	9	1,997,778	2,376
Taxation		-	150,561
TOTAL CURRENT LIABILITIES		113,765,781	135,114,461
<b>NET CURRENT (LIABILITIES)/ASSETS</b>		(1,929,590)	1,727,319
<b>NET ASSETS</b>		1,787,205	1,815,658
<b>CAPITAL AND RESERVES</b>			
Share Capital	10	620,008	620,008
Retained profits		1,167,197	1,195,650
<b>SHAREHOLDERS' FUNDS</b>		1,787,205	1,815,658

Approved by the Board of Directors

P.V. Ramaprasad Reddy  
Director

A. Siva Rama Prasad  
Director

# AUROBINDO (H.K.) LIMITED

## CASH FLOW STATEMENT FOR THE YEAR ENDED MARCH 31, 2002

(Expressed in Hong Kong Dollars)

	March 31, 2002	March 31, 2001
		\$
<b>NET CASH (OUTFLOW) / INFLOW FROM OPERATING ACTIVITIES</b> - Note 1	193,757	(10,168,433)
Returns on investments and servicing of finance		
Interest received	151,858	392,163
Bank charges and interest	(431,960)	(862,801)
Dividend Paid	(374,400)	-
<b>NET CASH OUTFLOW FROM RETURNS ON INVESTMENTS AND SERVICING OF FINANCE</b>	(460,745)	(10,639,071)
<b>TAXATION</b>		
Tax paid	(150,561)	-
	(611,306)	(10,639,071)
Investing Activities		
Purchase of fixed assets	(1,839)	(41,769)
Purchase of subsidiary	(2,243,280)	-
Sales proceeds of fixed assets	-	6,000
<b>NET CASH OUTFLOW FROM INVESTING ACTIVITIES AND BEFORE FINANCING</b>	(2,856,425)	(10,674,840)
<b>CASH AND CASH EQUIVALENTS AT 1ST APRIL</b>	3,683,766	14,358,606
<b>CASH AND CASH EQUIVALENTS AT 31ST MARCH</b>	827,341	3,683,766
Analysis of the Balances of cash and cash equivalents		
Cash and bank balances	827,341	3,683,766
<b>1. RECONCILIATION OF OPERATING PROFIT TO NET CASH (OUTFLOW) / INFLOW FROM OPERATING ACTIVITIES :</b>		
Operating profit	626,049	698,643
Depreciation	14,273	17,530
Loss on disposal of fixed assets	17,310	3,598
Decrease in accounts and bills receivable	2,172,539	4,435,846
(Increase)/decrease in deposits, sundry debtors and prepayment	(2,111,194)	7,320
(increase) in amount due from a director	(2,560)	(2,440)
(increase) in amount due from a fellow subsidiary	(63,072)	(24,678)
(increase) in amount due from a subsidiary company	(1,414,920)	-
(increase) in amount due from a related company	(512,460)	-
Decrease / (increase) in inventories	22,665,911	(33,854,398)
(Decrease) / increase in accounts and bills payable	(21,293,913)	15,230,091
(Decrease) / increase in amounts due to related companies	(14,114)	14,114
Increase in amount due to holding company	1,995,402	2,376
(Decrease) / increase in accruals and sundry creditor	(1,885,494)	3,303,565
	193,757	(10,168,433)

P.V. Ramaprasad Reddy  
Director

A. Siva Rama Prasad  
Director



# AUROBINDO (H.K.) LIMITED

## NOTES TO THE ACCOUNTS (Expressed in Hong Kong Dollars)

### SIGNIFICANT ACCOUNTING POLICIES

(a) Depreciation

Where the recoverable amount of fixed assets has declined below their carrying amount, the carrying amount is written down to the recoverable amount.

In determining the recoverable amount of fixed assets, expected future cash flows have not been discounted to their present values. No residual values are assumed for the fixed assets by the directors when considering their depreciation charges.

Depreciation is calculated to write off the cost of fixed assets on the following basis :-

Furniture and equipment	20% on reducing balance per annum.
-------------------------	------------------------------------

(b) Taxation

The charge for taxation is based on the results for the period as adjusted for items which are non-assessable or disallowed. Timing differences arise from the recognition for tax purposes of certain items of income and expense in a different accounting period from that in which they are recognised in the accounts. The tax effect of timing differences, computed under the liability method, is recognised as deferred taxation in the accounts to the extent that it is probable that a liability or asset will crystallise in the foreseeable future.

(c) Translation of foreign currencies

Transactions in foreign currencies are translated at exchange rates ruling on the transaction dates. Monetary assets and liabilities expressed in foreign currencies at the balance sheet date are translated at rates of exchange ruling on the balance sheet date. Exchange differences arising in these cases are dealt with in the income statement.

(d) Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the company and when the revenue can be measured reliably, on the following bases :

- on the sale of goods, when the significant risks and rewards of ownership have been transferred to the buyer; provided that the company maintains neither managerial involvement to the degree usually with ownership, or effect control over the goods sold;
- commission income, upon relevant services provided on accrual basis; and
- interest, on date of credit

(e) Subsidiary Company

A subsidiary is a company in which more than 50% of its equity capital is held long term by the company. Interest in subsidiaries is stated at cost less any provisions for permanent diminution in value as determined by the directors in the company's balance sheet. The results of the subsidiary are accounted for to the extent of dividends received and receivable.

(f) Inventories

Inventories are stated at the lower of cost and net realisable value. Net realisable value is determined by reference to the sales proceeds of items sold in the ordinary course of business subsequent to the balance sheet date or to management estimates based on prevailing market conditions.

(g) Operating leases

Rentals payable under operating leases are accounted for on a straight line basis over the periods of the respective leases.

# AUROBINDO (H.K.) LIMITED

		\$	
		Year ended March 31, 2002	Year ended March 31, 2001
<b>2. TURNOVER AND OTHER INCOME</b>			
Turnover represents invoiced value of goods sold less discounts and returns in the normal course of business during the year.			
Details of turnover and other income recognised during the year are as follows :-			
<b>TURNOVER</b>	Sales	235,467,875	283,088,920
<b>OTHER INCOME</b>	Bank interest income	151,858	392,163
	Commission income	2,262,000	---
	Sundry income	44,893	72,903
		<u>2,458,751</u>	<u>465,066</u>
		<u>237,926,626</u>	<u>283,553,986</u>
<b>3. PROFIT FROM OPERATIONS</b>			
Profit from operations is arrived at			
	After charging		
	Auditors' remuneration	14,000	13,000
	Depreciation	14,273	17,530
	Exchange loss	340,281	719,852
	Fixed assets written off	17,310	--
	Loss on disposal of fixed assets	-	3,598
	Staff cost	568,721	975,187
	Operating lease		
	Hire of properties	164,927	248,745
	And after crediting		
	Bank interest received	<u>151,858</u>	<u>392,163</u>
<b>4. FINANCE COSTS</b>	Bank charges and interest on bills	<u>431,960</u>	<u>862,801</u>
<b>5. TAXATION</b>			
Taxation in the income statement represents :			
	Provision for Hong Kong profits tax at 16% for the year	-	--
No provision for Hong Kong profits tax has been made in the accounts as the company did not earn income subject to tax during the year.			
Taxation in the balance sheet represents :			
	Balance of provision for prior period	-	<u>150,561</u>
No deferred taxation has been set up as it is uncertain that the future profits, if any, will be sufficient to absorb the available losses in the foreseeable future.			

# AUROBINDO (H.K.) LIMITED

		2002	2001
\$			
<b>6. FIXED ASSETS</b>			
Furniture & Equipment			
<b>COST</b>	At March 31, 2001		121,893
	Additions		1,839
	Disposal		25,857
	At March 31, 2002		97,875
<b>DEPRECIATION</b>	At March 31, 2001		(33,554)
	Charge for the year		14,273
	Written back		8,547
	At March 31, 2002		39,280
<b>NET BOOK VALUE</b>	At March 31, 2002		(58,595)
	At March 31, 2001		88,339

## 7. INTEREST IN SUBSIDIARY

Unlisted shares, at cost	2,243,280	--
Amount due from the subsidiary company	1,414,920	--
	<b>3,658,200</b>	--

Details of the subsidiary company are as follows :-

Name : Shanghai Widetex Chemical Co Ltd

Place : People's Republic of China

Percentage of shares held : 60%

Nature of Business : Manufacturing of pharmaceutical ram material

(a) Consolidated accounts are not prepared as the company is a wholly owned subsidiary of another body corporate

(b) Post-acquisition loss of the subsidiary attributable to the Company is as follows:-

Amount not dealt with in the accounts of the company	334,296	--
Amount dealt with in the accounts of the company	--	--

## 8. AMOUNT DUE FROM A DIRECTOR/RELATED COMPANY

Details of loan to a director/related company disclosed pursuant to Section 161 B of the Companies Ordinance are as follow

Name of Director		31.03.2002	31.03.2001	Maximum balance outstanding during the year
Gorla Phaneendra Prasad		--	2,440	2,440
Mudigonda Veerabhadra Sastry		5,000	--	5,000
Name of related company	Related Director	31.03.2002	31.03.2001	Maximum balance outstanding during the year
APL Pharma Thai Ltd	Mr. P. V. Ramaprasad Reddy and Mr. Aluru Siva Rama Prasad	512,460	--	512,460
Name of fellow Subsidiary	Related Director	31.03.2002	31.03.2001	Maximum balance outstanding during the year
APL USA LLC	Mr. Penaka Venkata Ramaprasad Reddy	87,750	24,678	87,750

These amounts are unsecured, interest free and repayable on demand

There was no interest due but unpaid or any provisions made against these loans at 31st March, 2002

# AUROBINDO (H.K.) LIMITED

	Note	Year ended March 31, 2002	Year ended March 31, 2001	
\$				
<b>9. AMOUNTS DUE TO RELATED COMPANIES / HOLDING COMPANY</b>				
These amounts are unsecured, interest free and repayable on demand				
<b>10. SHARE CAPITAL</b>				
<b>AUTHORIZED :</b>				
2,000,000 (2001 : 1,50,000) ordinary share of US \$ 1 each		15,500,000	1,162,500	
<b>ISSUED AND FULLY PAID :</b>				
80,001 ordinary shares of US \$ 1 each		620,008	620,008	
By an ordinary resolution passed on 23rd June 2001, the Company's authorised capital was increased from US \$ 150,000 to US\$ 2,000,000 by the creation of 1,850,000 additional ordinary shares of US \$ 1 each ranking pari passu in all respects with the existing shares in the capital of the company				
<b>11. DIRECTORS' REMUNERATION</b>				
Remuneration of the directors disclosed pursuant to section 161 of the Companies Ordinance is as follow :-				
Fee		--	--	
Other emoluments		--	--	
<b>12. RELATED PARTY TRANSACTIONS</b>				
During the year, the Company had substantial business transactions with its following related companies				
<b>Name of Companies</b>	<b>Directors connected</b>	<b>Nature</b>	<b>2002</b>	<b>2001</b>
Aurobindo Pharma Ltd	Mr. Penaka Venkata Ramaprasad Reddy and Mr. Aluru Sivarama Prasad	Purchase	201,710,265	306,987,733
		Sales	4,285,593	1,532,660
APL Pharma Thai Ltd	Mr. Penaka Venkata Ramaprasad Reddy and Mr. Aluru Sivarama Prasad	Sales	2,622,048	1,071,709
<b>13. OPERATING LEASE COMMITMENTS</b>				
Operating lease commitments at 31st March, 2002 payable in the next one year, in respect of land and building, analysed according to the periods in which the leases expire are as follows				
Lease expiring				
		<b>2002</b>		2001
Within 1 year		--		181,500
2nd to 5th years		--		102,000
		--		283,500
<b>14. ULTIMATE HOLDING COMPANY</b>				
The directors consider the ultimate holding company to be Aurobindo Pharma Ltd, a company incorporated in India				

P.V. Ramaprasad Reddy  
Director

A. Siva Rama Prasad  
Director

# APL HOLDINGS, INC.

## BALANCE SHEET AS AT DECEMBER 31, 2001

	As at December 31, 2001	\$
<b>I. ASSETS</b>		
<b>CURRENT ASSETS</b>		
Checking /Savings		
Checking	3,426.05	
Total Checking/ Savings	3,426.05	
<b>OTHER CURRENT ASSETS</b>		
Interest Receivable - Cephalone	42,500.00	
Total Other Current Assets	42,500.00	
Total Current Assets	45,926.05	
<b>OTHER ASSETS</b>		
Investment - Cephalone Equity	914,000.00	
Loan Receivable -Cephalone	500,000.00	
<b>TOTAL OTHER ASSETS</b>	1,414,000.00	
<b>TOTAL ASSETS</b>	1,459,926.05	
<b>II. LIABILITIES &amp; EQUITY</b>		
<b>LIABILITIES</b>		
Current Liabilities		
Other Current Liabilities		
Taxes Payable	9,468.10	
Total Other Current Liabilities	9,468.10	
<b>TOTAL CURRENT LIABILITIES</b>	9,468.10	
Long Term Liabilities		
Loan Payable - Cephalone	800.00	
<b>TOTAL LONG TERM LIABILITIES</b>	800.00	
<b>TOTAL LIABILITIES</b>	10,268.10	
<b>EQUITY</b>		
Additional Share Capital	65,000.00	
Common Stock	1,350,000.00	
Retained Earnings	5,852.00	
Net Income	28,805.95	
<b>TOTAL EQUITY</b>	1,449,657.95	
Total Liabilities & Equity	1,459,926.05	

# APL HOLDINGS, INC.

## PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2001

		\$
		January - December 01
<b>INCOME</b>	Interest Income	42,500.00
	Tax Refund	60.00
	<b>TOTAL INCOME</b>	<u>42,560.00</u>
<b>EXPENSE</b>	Books	1,318.95
	Miscellaneous	1,990.00
	Professional Fees	
	Accounting	750.00
	Professional Fees - Other	400.00
	<b>Total Professional Fees</b>	<u>1,150.00</u>
	Taxes	860.00
	<b>TOTAL EXPENSE</b>	<u>5,318.95</u>
	Net Ordinary Income	37,241.05
<b>OTHER INCOME/EXPENSE</b>		
	Other Expense	
	Provision for California Income Tax	3,351.69
	Provision for Federal Income Tax	5,083.41
	<b>TOTAL OTHER EXPENSE</b>	<u>8,435.10</u>
	Net Other Income	- 8,435.10
	<b>Net Income</b>	<u>28,805.95</u>

### AUDITORS' REPORT

We have examined the attached Balance Sheet of APL Holdings Inc. As at 31st December 2001 and Profit & Loss Account for the period ended on that date. Our examination consisted of verifying transactions were in compliance with United States income tax rules and regulation.

To the best of our knowledge, the statement are in compliance with the United States income tax code

**Strayer & Associates Inc.**

**SAO PAULO BRASIL**

**MANAGERS' REPORT**

The Members  
Aurobindo Farmaceutica Do Brasil Ltda  
Sao Paulo, Brasil

We take pleasure in presenting the 2nd Annual report of the Company for the year ended 31st December, 2001

The company was Incorporated as LLC (Limited Liability Company) in the State of Sao Paulo, Aurobindo Pharma Ltd., Hyderabad, India has invested in the Entire Share Capital of the Company and the company is a wholly owned subsidiary of the Indian Parent Company.

During the year the company business activity is confined to promoting and selling the products of the parent company and no business with other companies. Trading activity as envisaged could not be taken up yet. Hence no income during this year and expenses incurred are charged as loss.

Mr. Jose Francisco Bezelga Certified Public Accountant who is the Auditor of the Company for the year 2001 has expressed his willingness to accept reappointment as Auditor

On behalf of the board

**M. Premanandam**  
Director

**AUDITORS' REPORT**

The Members  
Aurobindo Farmaceutica Do Brasil Ltda  
Sao Paulo, Brasil

We have audited the Balance Sheet of Aurobindo Farmaceutica Do Brasil Ltda as at 31st December, 2001 and the Profit and Loss Account for the period ended on that date and report that in our position

(A) The Accounts are properly drawn in accordance with the provisions applicable to Limited Liability Corporations in the State of Sao Paulo and give a true and fair view of

- (i) The state of affairs of the company as at 31st December, 2001 in case of Balance Sheet
- (ii) The profit of the company for the period ended 31st December, 2001 in the case of Profit and Loss Account.

(B) The accounting and other records have been properly kept by the Company in accordance with the provisions applicable to Limited Liability Corporations in the State of Sao Paulo, Brasil

**Jose Francisco Bezelga**  
Auditor

# AUROBINDO FARMACEUTICA DO BRASIL LTDA

## BALANCE SHEET AS AT DECEMBER 31, 2001

		Reis
	As at 31st December, 2001	As at 31st December, 2000
<b>I. SOURCES OF FUNDS</b>		
<b>SHARE CAPITAL</b>		
Paid up share Capital	664,200.00	371,000.00
Reserves & Surplus	7,079.31	7,079.31
	<u>671,279.31</u>	<u>378,079.31</u>
<b>II. APPLICATION OF FUNDS</b>		
<b>FIXED ASSETS</b>		
Gross Block - Fixed Assets	46,361.50	31,221.96
Less : Depreciation	<u>10,536.00</u>	-
	35,825.50	31,221.96
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>		
Cash	950.70	477.65
Bank - HSBC	128,244.57	194,055.57
Sundry Debtors - Others	171,203.42	186,200.00
	<u>300,398.69</u>	<u>380,733.22</u>
<b>LESS : CURRENT LIABILITIES</b>		
Other Liabilities	<u>1,249.29</u>	33,875.87
	299,149.40	346,857.35
Loss for the period	<u>336,304.41</u>	-
	<u>671,279.31</u>	<u>378,079.31</u>

As per our Report attached

For Aurobindo Farmaceutica Do Brasil Ltda

Jose Francisco Bezelga  
Auditor

M. Premanandam  
Director

## PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED DECEMBER 31, 2001

<b>INCOME</b>			
<b>OTHER INCOME</b>			
Commission	1,407.09	186,200.00	
	<u>1,407.09</u>	<u>186,200.00</u>	
<b>EXPENDITURE</b>			
Rates & Taxes	10,985.41	2,004.53	
Legal & Prof. Charges	56,351.34	8,522.20	
Membership & Subscription fee	4,572.59	2,174.12	
Salaries & other Benefits to Employees	108,601.39	11,799.45	
Travel & Conveyance	49,869.44	27,908.16	
Office Expenditure	20,371.98	17,232.61	
Telephone & Telex charges	39,183.98	23,675.35	
Ware Housing Charges	28,049.55	76,068.71	
Business Promotion Exp	4,422.46	7,134.46	
Financial Charges	4,767.36	1,351.81	
Depreciation	10,536.00	-	
	<u>337,711.50</u>	<u>177,871.40</u>	
<b>NET PROFIT/LOSS BEFORE TAX</b>	<u>(336,304.41)</u>	<u>8,328.60</u>	
<b>PROVISION FOR TAX</b>	-	1,249.29	
<b>NET PROFIT / LOSS AFTER TAX</b>	<u>(336,304.41)</u>	<u>7,079.31</u>	

As per our Report attached

For Aurobindo Farmaceutica Do Brasil Ltda

Jose Francisco Bezelga  
Auditor

M. Premanandam  
Director



# AUROBINDO FARMACEUTICA DO BRASIL LTDA

## SCHEDULES TO FINANCIAL STATEMENTS AS AT DECEMBER 31, 2001

			Reis	
	As at		As at	
	31st December, 2001		31st December, 2000	
<b>SHARE CAPITAL</b>	664,200.00		371,000.00	
<b>RESERVES SURPLUS</b>	7,079.31		7,079.31	
<b>CURRENT ASSETS, LOANS &amp; ADVANCES</b>				
Cash	950.70		477.65	
Bank - HSBC	128,244.57		194,055.57	
Sundry Debtors - Others	171,203.42		186,200.00	
<b>CURRENT LIABILITIES</b>				
Provision for Tax	-		1,249.29	
Advance from customers	-		32,626.58	
			33,875.87	
<b>RATES &amp; TAXES</b>				
Registration & Filing Fee	6,074.08		162.00	
Rates & Taxes	4,911.33		1,842.53	
	10,985.41		2004.53	
<b>LEGAL &amp; PROF. CHARGES</b>				
Consultancy Charges	30,536.22		8,158.41	
Legal & Prof Charges	25,815.12		363.79	
	5,635.14		8,522.20	
<b>MEMBERSHIP &amp; SUBSCRIPTION FEE</b>	4,572.59		2,174.12	
<b>SALARIES &amp; OTHER BENEFIT TO EMPLOYEES</b>				
Salaries	61,920.04		8,573.76	
Staff Welfare	2,790.68		773.82	
SSC/FGTS/DARF	43,890.67		2,451.87	
	108,601.39		11,799.45	
<b>TRAVEL &amp; CONVEYANCE</b>				
Conveyance	4,632.74		3,056.37	
Tour Travel/Visa Expenses	39,785.89		22,253.21	
Vehicle Maintenance - Others	1,127.34		236.00	
Vehicle Maintenance - Oils	4,323.47		2,362.58	
	49,869.44		27,908.16	
<b>OFFICE EXPENDITURE</b>				
Books & Periodicals	2,247.00		1,002.19	
Office Expenses	9,304.81		1,270.28	
Postage & Courier Charges	4,876.46		1,800.42	
Printing & Stationery	2,890.26		2,517.38	
Insurance	1,053.45		330.03	
Sub-contract exp	-		10,312.31	
	20,371.98		17,232.61	
<b>TELEPHONE &amp; TELEX CHARGES</b>	39,183.98		23,675.35	
Clearing charges			10,101.44	
Freight charges			51,135.15	
Ware Housing Rent	23,683.90		10,470.85	
Ware House Expenses	2,228.62		3,961.06	
Analytical charges	1,003.90		200.00	
Samples expenditure			200.00	
Miscellaneous Expenditure	1,133.13		0.21	
	28,049.55		76,068.71	
<b>BUSINESS PROMOTION EXPENSES FINANCIAL CHARGES</b>	4,422.46		7,134.46	
Bank charges	4,767.36		1,351.81	

Jose Francisco Bezelga  
Saopaulo, Brasil

M. Premanandam  
Director

# **A B FARMO QUIMICA LTDA**

## **ANAPOLIS, GOIS BRASIL**

### **MANAGERS' REPORT**

The Members  
AB Farmo Quimica Ltda  
Anapolis, Gois Brasil

We take pleasure in presenting the 1st Annual Report of the Company for the year ended 31st December, 2001

The Company has been Incorporated as LLC (Limited Liability Company) in the State of Gois, Brasil on 27th February 2001. Aurobindo Pharma Ltd., Hyderabad, India has invested in the Entire Share Capital of the Company and the Company is a wholly owned subsidiary of the Indian Parent Company.

During the year the company has constructed the Ware Hose in Dry port and has made all the applications for Registration of Products. We have done our first Invoice in the month of Dec.2001

Mr. Hilton Resende Certified Public Accountant are appointed as the Auditors for the company.

On behalf of the Board

**M. Premanandam**  
Director

### **AUDITORS' REPORT**

The Members  
AB Farmo Quimica Ltda  
Anapolis, Gois Brasil

We have audited the Balance Sheet of AB Farmo Quimica Ltda as at 31st December, 2001 and the Profit and Loss Account for the period ended on that date and report that in our position.

- (A) The Accounts are properly drawn in accordance with the provisions applicable to Limited Liability Corporation in the State of Gois and give a true and fair view of
- (i) The state of affairs of the company as at 31st December, 2001 in case of Balance Sheet
  - (ii) The profit of the company for the period ended 31st December, 2001 in the case of Profit and Loss Account
- (B) The accounting and other records have been properly kept by the Company in accordance with the provisions applicable to Limited Liability Corporations in the State of Gois, Brasil

**For Hilton Resende**

**Hilton Resende**  
31st December, 2001

# A B FARMO QUIMICA LTDA

ANAPOLIS, GOIS BRASIL

## BALANCE SHEET AS AT DECEMBER 31, 2001

	In Reiss
	As at 31st December, 2001
<b>I. SOURCES OF FUNDS</b>	
<b>SHARE CAPITAL</b>	512,000.00
Paid up share capital	<u>512,000.00</u>
<b>II. APPLICATION OF FUNDS</b>	
<b>FIXED ASSETS</b>	76,395.82
Gross Block - Fixed Assets	
<b>CURRENT ASSETS,   LOANS &amp; ADVANCE</b>	
Cash	14.95
Bank - HSBC	219,677.40
Sundry Debtors - Sales	42,207.37
Other Assets	<u>6,000.00</u>
	267,899.72
<b>LESS : CURRENT LIABILITIES</b>	
Other Liabilities	<u>59,774.91</u>
	208,124.81
<b>MISCELLANEOUS EXPENDITURE</b> (to the extent not written off)	225,489.38
Loss for the period	<u>1,989.99</u>
	<u>512,000.00</u>

As per our report attached

For A B FARMO QUIMICA LTDA

Hilton Resende  
Auditor

M. Premanandam  
(Director)

## PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED 31 DECEMBER, 2001

<b>INCOME</b>	Sales	42,207.37
		<u>42,207.37</u>
<b>EXPENDITURE</b>	ICMS	5,064.88
	PIS & COFFINS	1,540.57
	Purchases	<u>37,591.91</u>
		441,97.36
<b>NET PROFIT/LOSS BEFORE TAX</b>		<u>(1,989.99)</u>
<b>PROVISION FOR TAX</b>		-
<b>NET PROFIT/LOSS AFTER TAX</b>		<u>(1,989.99)</u>

As per our report attached

For A B FARMO QUIMICA LTDA

Hilton Resende  
Auditor

M. Premanandam  
(Director)

We undertook your entrust and audited your Balance Sheet on December 31st 2001 and the Cash Flow Sheet of the Construction preparation period of the same year. Your company is in charge of these accounting reports and our responsibility is to comment on the audit of these accounting reports. Our audit was conducted according to the independent audit standard of Chinese Registered Treasurer. During the audit process, combining your actual situation, we went through some audit procedures that we thought were necessary including sample inspection of accounting records.

Through audit its learned that the accounting report of your company till December 31st 2001 reflects that actual income Capital is 43417921.25 RMB. And the capital audited by Chinese registered treasurer is g 33080387.90 RMB. The rest 10337533.35 RMB is not audited. We also learn that the audit report day (March 5th 2002) the unchecked 10337533.35 RMB of the actual income capital reflected in the above accounting report is in audit process.

We think that besides the above issues the above accounting report accords with relative stipulations is Enterprise Account Standard and Foreign Invested Enterprise Account Discipline and reflects objectively in all important aspects the financial situation of your company on December 31 2001 and capital change situation of the same year. The selection of accounting treatment method abides by consistence principle.

Datong Beiyue Treasurer Office

Chinese Registered Treasure Qiao Wenzhong Code : 140200800003

Chinese Registered Treasurer Wen Jinhui Code : 140200800021

Address : No. 1146, YU River North Road, Datong March 5th 2002

Attachment : Balance Sheet of December 31st 2001 and the Cash Flow Sheet of construction preparation period of the same year.

2. Supplementary record of accounting report

# AUROBINDO (DATONG) BIO-PHARMA CO. LTD

## BALANCE SHEET AS AT DECEMBER 31, 2001

RMB

	Items	At End of Year
<b>CURRENT ASSETS</b>	Cash on hand	50,847.00
	Cash in Bank	7,380,235.30
	Other receivable	191,857.14
	Inventories	7,940.00
	Total Current Assets	7,630,879.44
<b>FIXED ASSETS</b>	Construction in progress	30,764,389.10
	Organisation expenses	250,548.33
	Losses before operation	27,104.38
	Total other assets	277,652.71
	<b>TOTAL ASSETS</b>	<b>38,672,921.25</b>
<b>CURRENT LIABILITIES</b>	Other payables	-4,745,000.00
	Total current Liabilities	-4,745,000.00
<b>OTHER LIABILITIES</b>	Total Liabilities	-4,745,000.00
	Joint Venture Participant	43,417,921.25
	Total Capital	43,417,921.25
	<b>TOTAL LIABILITIES &amp; CAPITAL</b>	<b>38,672,921.25</b>

## CASH FLOW STATEMENT FOR YEAR ENDED DECEMBER 31, 2001

Item	RMB
Cash for purchasing fixed assets, intangible assets and other long term assets	30,764,389.10
Cash for others related to investment	5,195,345.47
<b>Subtotal of cash flow</b>	<b>35,959,734.57</b>
Net cash flow incurred in investment	-35,959,734.57
Cash from absorption of equity investment	43,390,816.87
<b>Subtotal of Flow in cash</b>	<b>43,390,816.87</b>
Net cash flow incurred in financing	43,390,816.87
Net increasing value in cash and cash equivalent	7,431,082.30
Closing balance	7,431,082.30
Net increment value	7,431,082.30

## SUPPLEMENTARY RECORD OF ACCOUNTING REPORT

### I. OUTLINE OF ENTERPRISE

This company obtained No. 000168 enterprise legal corporate business license of Shanxi Datong Sole Capital Enterprises after its registration in Datong Industry & Commerce Bureau according to Foreign Enterprise Law of The People's Republic of China and was founded formally on September 20th, 2001 with a registered capital of 120 million RMB. The nature of its business is medicine. Its business scope covers the production of medical raw material active composition and end product medicine. Now it's in the process of construction preparation.

### II. PRINCIPLE ACCOUNTING POLICY

This company implements the financial and accounting discipline of foreign invested enterprise. By December 31st, 2001 it mainly implements the financial stipulations of construction preparation period of foreign invested enterprise.

### III. DIRECTION OF ACCOUNTING REPORT ITEMS

#### 1. Currency capital

Item	Currency	End of Year Sum
Cash	RMB	50847.00
Bank Saving	RMB	7380235.30
Total		7431082.30

2. Other fund that should be received. End of year sum is 191857.14 RMB, which covers 100%.

3. Storage goods; low value and consumptive substance. End of year sum is 7940 RMB.

4. In construction process project

Construction Project	End of Year Surplus Sum
Construction Preparation of Plant Building Equipment	30764389.10

5. Long-term expenses pending for taking a share in : End of year sum in 27104.38 RMB.

6. Setting up expenses

Item	End of Year Sum
Entertainment, boarding	45921.10
Salary	53844.95
Travel Expenses	46542.96
Other	104239.32
Total	250548.33

7. Other account payable : End of year sum is 4745000 RMB.

8. Actual income capital

Project	Increase of This Year	End of Year Sum
India Aurobindo Biopharma Co. Ltd.	4341792.25	43417921.25

## DIRECTORS' REPORT

Dear Members,

Your Directors have pleasure in presenting the 2nd Annual Report of your Company together with the Audited Accounts of the Company for the year ended 31st March 2002.

### FINANCIAL RESULTS

Rs. in lakhs

Particulars	2001-02	2000-01
Sales	5838.54	2277.31
Profit before Depreciation, Interest And Tax	133.80	98.62
Depreciation	1.96	0.49
Interest	203.61	37.72
Tax	-	24.80
Net Profit/Loss	(46.12)	60.41

### REVIEW OF OPERATIONS AND FUTURE OUTLOOK

#### Review of Operations

For the year, the company achieved sales turn over of Rs.5838.54 lakhs with a profit before depreciation and interest of Rs.133.80 lakhs.

During the year, the business scenario was quite volatile with the demand and supply of some of the products have been inconsistent globally. The pricing behaviour of some of the solvents imported by the company have been very erratic, which affected the operating margins adversely. As a result, your company has suffered a loss after tax of Rs.46.12 lakhs. The company exported drug intermediates worth of Rs.632.80 lakhs. Efforts to export plant extracts and natural products are under progress.

#### Business Plans

During the year 2002-2003, the company aims to consolidate and improve the business based on the past performance with focus for imports through Chennai for Dry cargo and Vizag for solvent cargo. Your

company is also aiming to export more drug intermediates during the year.

### DIVIDEND

As the company suffered losses during the year, Directors do not recommend payment of any dividend during the year.

### DIRECTORS

In accordance with the provisions of the Companies Act, 1956 read with the Articles of Association of the Company Sri B.Siva Prasad Reddy, retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for re appointment and the Board recommends for the same.

### AUDITORS

M/s. Nagaraju & Associates retire at the forthcoming Annual General Meeting and being eligible offer themselves for reappointment.

### CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, ETC.

Being a non manufactured Company the details required to be given as per the provisions of Sec. 217 (1) (e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are not applicable.

Foreign exchange earned and expended during the year ended March 31, 2002 is as under.

	(Rs.in Lakhs)	
	2001-02	2000-01
Foreign exchange earned	629.53	266.71
Foreign exchange outgo		
Raw materials	129.00	45.57
Trading Goods	4,618.77	2,072.84
Total	4,747.77	2,118.41

## FIXED DEPOSITS

Your Company has not accepted any fixed deposits during the year under review. As such no amount of principal or interest was outstanding on the date of the Balance Sheet.

## INDUSTRIAL RELATIONS

The Company enjoyed cordial relations with its employees at all levels. Your Directors record their

appreciation of the support and co-operation of all employees in the accelerated growth of the Company.

## PARTICULARS OF EMPLOYEES

The particulars of employees as required to be disclosed in accordance with the provisions of Sec.217 (2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975 as amended are as under

**Mr. M. Ajaya Kumar - Managing Director**

(Rs.in lakhs)

Designation	Particulars	31st March 2002
Managing Director	Salary	14.40
	Perquisites	1.20
	Total	15.60

## DIRECTORS' RESPONSIBILITY STATEMENT

a) The Board of Directors confirm that in the preparation of the Profit & Loss Account for the year ended March 31, 2002 and the Balance Sheet as at that date:

- i) the applicable Accounting Standards issued by the Institute of Chartered Accountants of India and the Companies Act, 1956 have been followed as a going concern basis and on accrual basis for the financial year ended March 31, 2002;
- ii) that the Directors selected such accounting policies which would give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the company for the year under review;
- iii) the Directors have taken sufficient and proper care for maintenance of accounting records;

- iv) the accounts for the year ended March 31, 2002 were prepared on a going concern basis.

## ACKNOWLEDGEMENTS

Your Directors wish to place on record their appreciation and acknowledge with gratitude the support and co-operation extended by banks, financial institutions, central and state governments, customers, medical fraternity and others and thank the shareholders for the confidence reposed in the Company.

By Order of the Board.

**M. AJAYA KUMAR**  
MANAGING DIRECTOR

**B. SIVA PRASAD REDDY**  
DIRECTOR

Place : Hyderabad

Date : 21st June, 2002



## AUDITORS' REPORT

To  
The Members of  
**APL Chemi Natura Limited**

1. We have audited the attached Balance Sheet of APL Chemi Natura Limited as at 31st March, 2002 and the Profit and Loss Account for the year ended on that date annexed there to. These financial statements are the responsibility of the management of the company. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatements. An audit includes, examining on test basis, evidence supporting the amounts and disclosure in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the over all presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Manufacturing and other Companies (Auditors Report) Order, 1988, issued by the Company Law Board in terms of Section 227(4A) of the Companies Act, 1956, we enclose in the annexure a statement on the matters specified in paragraphs 4 and 5 of the said order
4. Further to the comments in the annexure referred to in paragraph 1 above, we report that :
  - a) We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of the audit.
  - b) In our opinion proper books of accounts, as required by law have been kept by the

company so far as appears from the examination of the books.

- c) The Balance Sheet and the Profit and Loss Account referred to in the report are in agreement with the Books of Accounts.
- d) In our opinion, the Balance Sheet and the Profit and Loss Account comply with the mandatory accounting standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
- e) On the basis of written representations received from the directors as on 31-03-2002 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31-03-2002 from being appointed as Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
- f) In our opinion and to the best of our information and according to the explanations given to us, the said Balance Sheet and Profit & Loss Account read together with the notes thereon give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view :
  - i) In case of Balance Sheet , of the state of affairs of the Company as at 31st March, 2002 and
  - ii) In case of Profit and Loss Account, of the loss of the Company for the year ended on that date.

**For K. Nagaraju & Associates**  
Chartered Accountants

Place : Hyderabad  
Date : June 21, 2002

**K. Nagaraju**  
Proprietor

## ANNEXURE TO THE AUDITORS' REPORT

Referred to in paragraph 1 of our Report of even date.

1. The Company has maintained proper records showing full particulars including quantitative details of fixed assets. The fixed assets have been physically verified by the management periodically and no serious discrepancies have been noticed on such verification.
2. None of the fixed assets have been revalued during the year.
3. The stocks raw materials and trading materials have been physically verified by the management on 31st March, 2002
4. In our opinion, the procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the company and nature of its business.
5. No significant discrepancies have been noticed on such verification as compared to the book records.
6. In our opinion, the valuation of stocks is fair and proper and in accordance with the normally accepted accounting principles.
7. The company has not taken any loans, secured or unsecured, from the companies, firms or other parties listed in the Register maintained under Section 301 of the companies Act, 1956.
8. The company has not given any loans to Companies and other parties as listed in the register maintained under Section 301 of the Companies Act, 1956.
9. The loans and advances in the nature of loans given to employees are free of interest. The repayment of principal amount is regular as stipulated.
10. In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the company and the nature of its business with regard to purchase of store, raw materials including components, plants & Machinery, equipment and other assets and for the sale of goods.
11. The purchase of goods and materials and sale of goods and materials made in pursuance of the contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956, the value of such transactions during the year aggregating Rs 50,000 or more in respect of each party, have been made at prices which are reasonable having regard to the prevailing market prices of such goods and materials.
12. As explained to us, the company has regular procedure for the determination of unserviceable or damaged stores, raw materials or finished goods. However, no unserviceable or damaged stores or raw materials have been determined by the company during the year under audit.
13. The Company has not accepted any deposits from the public.
14. In our opinion, reasonable records have been maintained by the Company for the sale and disposal of by-products and realisable scrap.
15. In our opinion, the company has an internal audit system commensurate with its size and nature of business.
16. We have broadly reviewed, without making a detailed examination, the books of accounts and records maintained by the company pursuant to the Rules made by the Central Government for maintenance of cost records under Section 209 (1) (d) of the Companies Act, 1956, and we are of the opinion that prima facie the prescribed accounts and records have been maintained.
17. As at the last day of the Financial year, there were no undisputed amounts payable in respect of the income tax, wealth Tax, Sale Tax, Customs duty and Excise duty outstanding for a period of more than six months from the day they became payable.
18. During the course of our examination of books of accounts of the Company carried out in accordance with the generally accepted accounting practices, we have not come across any personal expenses which have been charged to employees or in accordance with the generally accepted business practices.
19. The Company is not a Sick Industrial Company within the meaning of Clause (o) of Sub-section (1) of Section 3 of the Sick Industrial Companies (Special Provisions) Act, 1985.
20. In respect of trading activities, there was no stock of damaged goods lying with the company at the end of the period.
21. In my opinion, clause (xvii) of para 4 (A) of the said order is not applicable to the Company for the period under report.

**K.Nagaraju & Associates**  
Chartered Accountants

Place : Hyderabad  
Date : June 21, 2002

**K. Nagaraju**  
Proprietor

# APL CHEMI NATURA LIMITED

## BALANCE SHEET AS AT MARCH 31, 2002

Rupees in full

	Schedule		As at March 31, 2002	As at March 31, 2001
<b>I. SOURCES OF FUNDS</b>				
<b>SHAREHOLDER'S FUNDS</b>				
Equity Share Capital	A		50,000,000	50,000,000
Reserves & Surplus	B		3,455,042	53,455,042
				3,561,608
			<u>107,063,806</u>	<u>22,698,310</u>
			<u>160,518,848</u>	<u>76,259,918</u>
<b>LOANS FUNDS</b>				
<b>II. APPLICATION OF FUNDS</b>				
<b>FIXED ASSETS</b>				
Gross Block	D		1,352,749	1,188,345
Less : Depreciation			<u>187,502</u>	<u>48,557</u>
Net Block			1,165,247	1,139,788
<b>INVESTMENT</b>				
	E		935,000	935,000
<b>CURRENT ASSETS &amp; LOANS &amp; ADVANCES</b>				
Inventories			84,182,057	47,282,620
Sundry Debtors			64,682,794	171,419,385
Cash & Bank Balances			17,080,437	21,210,642
Other Current Assets			1,104,376	280,242
Loans & Advances			32,017,287	19,275,176
			<u>199,066,951</u>	<u>259,468,065</u>
<b>LESS : CURRENT LIABILITIES AND PROVISIONS</b>				
G				
Current Liabilities			45,383,852	183,028,717
Provisions			2,555,680	2,549,470
			<u>47,939,532</u>	<u>185,578,187</u>
<b>NET CURRENT ASSETS</b>				
			151,127,419	73,889,878
Deffered Tax Asset			2,586,880	--
Less : Deffered Tax Liability			<u>67,303</u>	--
			2,519,577	--
Miscellaneous Expenditure	H		221,441	295,252
(to the extent not written off or adjusted)				
Profit and Loss Account			4,550,164	--
			<u>160,518,848</u>	<u>76,259,918</u>
Notes to Accounts	O			

The schedules referred to above form an integral part of the Balance Sheet  
As per our attached report of even date

For K. NAGARAJU & ASSOCIATES  
Chartered Accountants

K. NAGARAJU  
Proprietor

Place : Hyderabad  
Date : June 21, 2002

For and on behalf of the Board of Directors

M. AJAYA KUMAR  
Managing Director

B. SIVAPRASAD REDDY  
Director

# APL CHEMI NATURA LIMITED

## PROFIT & LOSS ACCOUNT FOR THE YEAR ENDED MARCH 31, 2002

Rupees in full

	Schedule		As at March 31, 2002	As at March 31, 2001
<b>INCOME</b>				
Sales			583,854,478	227,731,156
Less : Excise Duty			7,698,066	576,156,412
Other Income	I		37,675,646	5,617,795
Increase / (Decrease) in Stocks	J		31,851,841	47,021,618
<b>TOTAL INCOME</b>			<b>645,683,899</b>	<b>278,587,689</b>
<b>EXPENDITURE</b>				
Materials Consumed	K		19,075,326	10,581,652
Purchase of Trading Goods			555,504,595	240,546,142
Salaries, Wages & Benefit to Employees	L		3,784,851	1,277,593
Other Manufacturing & Administrative	M		53,939,133	16,320,569
Selling Expenses				
Interest	N		20,360,614	3,771,778
Depreciation			195,689	48,557
<b>TOTAL EXPENDITURE</b>			<b>652,860,208</b>	<b>272,546,291</b>
<b>PROFIT / (LOSS) BEFORE TAXATION</b>			<b>(7,176,309)</b>	<b>6,041,398</b>
Provision for Taxation - Current			-	2,479,790
Deffered Tax			2,564,535	2,564,535
<b>PROFIT / (LOSS) AFTER TAXATION</b>			<b>(4,611,774)</b>	<b>3,561,608</b>
Balance brought forward from last year			61,610	--
<b>APPROPRIATIONS</b>				
Transfer to General Reserve			-	3,500,000
Balance Carried to Balance Sheet			(4,550,164)	61,608
Notes to Accounts	O			

The schedules referred to above form an integral part of the Profit & Loss Account  
As per our attached report of even date

For **K. NAGARAJU & ASSOCIATES**  
Chartered Accountants

**K. NAGARAJU**  
Proprietor

Place : Hyderabad  
Date : June 21, 2002

For and on behalf of the Board of Directors

**M. AJAYA KUMAR**  
Managing Director

**B. SIVAPRASAD REDDY**  
Director

# APL CHEMI NATURA LIMITED

## SCHEDULES TO THE BALANCE SHEET

Rupees in full

	As at March 31, 2002	As at March 31, 2001
<b>A. SHARE CAPITAL</b>		
<b>AUTHORISED CAPITAL</b>		
Equity Share Capital		
50,00,000 Equity Shares of		
Rs.10 each	<u>50,000,000</u>	<u>50,000,000</u>
<b>ISSUED, SUBSCRIBED AND PAID-UP CAPITAL</b>		
Equity share capital		
50,00,000 Equity Shares of		
Rs.10 each Fully Paid	<u>50,000,000</u>	<u>50,000,000</u>
	<u>50,000,000</u>	<u>50,000,000</u>
<b>B. RESERVES &amp; SURPLUS</b>		
General Reserves	3,500,000	3,500,000
Less : Differed Tax Liability on Opening Balance	<u>44,958</u>	--
	3,455,042	3,500,000
Balance in Profit & Loss Account	<u>–</u>	<u>61,608</u>
	<u>3,455,042</u>	<u>3,561,608</u>
<b>C. SECURED LOANS</b>		
Working Capital Loans From Banks	98,552,126	22,337,398
Short Term Loan From Banks (Maximum Amount Outstanding at any time during the year - Rs.8300000) (Previous year - Nil)	8,300,000	--
Amount due under Hire Purchase Agreements for Purchase of Vehicles	<u>211,680</u>	<u>360,912</u>
	<u>107,063,806</u>	<u>22,698,310</u>

**D. FIXED ASSETS**

Rupees in full

Particulars	Gross Block				Depreciation			Net Block		
	As At April 1, 2001	Additions	Deletions	As at March 31, 2002	As at April 1, 2001	For the Year	Deletions	Asat March 31, 2002	Asat March 31, 2002	As at March 31, 2001
Computers	210,883	133,494	--	<b>344,377</b>	8,919	49,149	--	<b>58,068</b>	<b>286,309</b>	201,964
Furniture & Fixtures	8,000	42,002	41,628	<b>8,374</b>	129	2,143	1,578	<b>694</b>	<b>7,680</b>	7,871
Office Equipment	64,746	226,800	196,264	<b>95,282</b>	2,068	11,790	8,506	<b>5,352</b>	<b>89,930</b>	62,678
Vehicles	904,716	589,373	589,373	<b>904,716</b>	37,440	132,607	46,659	<b>123,388</b>	<b>781,328</b>	867,276
Total	1,188,345	991,669	827,265	<b>1,352,749</b>	48,556	195,689	56,743	<b>187,502</b>	<b>1,165,247</b>	1,139,788

		Rupees in full			
		As at March 31, 2002		As at March 31, 2001	
<b>E. INVESTMENTS</b>					
	Unquoted - Non Trade (1,87,000 Equity Shares of Rs.10 each in Advanced Waste Management Ltd)		935,000		935,000
			<u>935,000</u>		<u>935,000</u>
<b>F. CURRENT ASSETS, LOANS &amp; ADVANCES</b>					
	<b>CURRENT ASSETS</b>				
	INVENTORIES (As certified by the Management)				
	Raw Material	5,308,596		--	
	Finished Goods	3,760,686		--	
	Trading Goods	<u>75,112,775</u>	<u>84,182,057</u>	<u>47,282,620</u>	47,282,620
	Sundry Debtors (Unsecured but considered good)				
	Debts Outstanding for More Than Six Months	16,119,433		177,550	
	Others	<u>48,563,361</u>	<u>64,682,794</u>	<u>171,241,835</u>	171,419,385
	<b>CASH &amp; BANK BALANCES</b>				
	Cash in Hand	430,804		11,827	
	Balance with Scheduled Banks				
	(a) Incurrent Accounts	6,649,633		74,401	
	(b) In Margin Money Deposits Account	<u>10,000,000</u>	<u>17,080,437</u>	<u>21,124,414</u>	21,210,642
	Accrued Interest		1,104,376		280,242
	<b>LOANS &amp; ADVANCES</b> (unsecured but considered good and receivable in cash or kind)				
	Deposits	228,533		895,621	
	Staff Advances	43,161		129,652	
	Prepaid Expenses	998,230		861,151	
	Other receivables	10,139,670		8,088,752	
	Advance Others	16,248,915		8,100,000	
	Advance Tax	<u>4,358,778</u>	<u>32,017,287</u>	<u>1,200,000</u>	19,275,176
			<u>199,066,951</u>		<u>259,468,065</u>
<b>G. CURRENT LIABILITIES &amp; PROVISIONS</b>					
	<b>CURRENT LIABILITIES</b>				
	Sundry Creditors for Suppliers	9,382,365		158,734,044	
	Sundry Creditors for Expenses	3,263,753		1,144,213	
	Other Liabilities	20,099,942		22,615,946	
	Advance from Customers	<u>12,637,792</u>	<u>45,383,852</u>	<u>534,514</u>	183,028,717
	<b>PROVISIONS</b>				
	Provision for Income Tax	2,479,790		2,479,790	
	Provision for Gratuity	75,890	2,555,680	69,680	2,549,470
			<u>47,939,532</u>		<u>185,578,187</u>
<b>H. MISCELLANEOUS EXPENDITURE</b> (to the extent not written off or adjusted)					
	Preliminary Expenses		221,441		295,252
			<u>221,441</u>		<u>295,252</u>

				Rupees in full	
		Year ended March 31, 2002		Year ended March 31, 2001	
<b>I. OTHER INCOME</b>	Other Income	35,423,317		5,617,795	
	Insurance Claims Received	434,367		--	
	Interest Received on FD's (Tax deducted at Source Rs.348530)	1,817,961		--	
			37,675,645		5,617,795
<b>J. INCREASE / (DECREASE) IN STOCKS</b>	Closing Stock				
	Trading Goods	75,112,775		47,021,618	
	Finished Goods	3,760,686	78,873,461	--	47,021,618
	Less : Opening Stock				
	Trading Goods	47,021,620		--	
	Finished Goods	--	47,021,620	--	--
			31,851,841		47,021,618
<b>K. MATERIAL CONSUMED</b>	Opening Stock	261,002		--	
	Add : Purchase	24,122,920		10,842,654	
		24,383,922		10,842,654	
	Less : Closing Stock	5,308,596		261,002	
			19,075,326		10,581,652
<b>L. SALARIES, WAGES &amp; BENEFITS TO EMPLOYEES</b>	Salaries & Wages		3,335,038		1,046,842
	Staff Welfare		131,795		200,822
	Other Benefits		318,018		29,929
			3,784,851		1,277,593
<b>M. OTHER MANUFACTURING EXPENSES &amp; ADMINISTRATIVE &amp; SELLING EXPENSES</b>	Conversion Charges		28,336,490		10,466,550
	Carriage Inward		242,850		74,549
	Rent		544,600		295,129
	Printing & Stationery		121,881		33,987
	Postage, Telegram & Telephone		43,359		231,431
	Insurance		1,340,064		222,945
	Registration, Rates & Taxes		29,980		76,677
	Foreign Exchange Difference		7,199,370		595,131
	Legal & Professional Charges		54,040		32,385
	Remuneration to auditors				
	Audit fee	15,120		12,000	
	Tax audit fee	7,560		6,000	
	Other services	2,520	25,200	2,000	20,000



		Year ended March 31, 2002	Rupees in full Year ended March 31, 2001
<b>M.</b>	<b>OTHER MANUFACTURING EXPENSES &amp; ADMINISTRATIVE &amp; SELLING EXPENSES (Contd.)</b>		
	Commission on sales	3,312,120	818,500
	Carriage outward	319,673	148,606
	Bank Charges	5,588,079	1,545,560
	Travelling & Conveyance	977,653	198,219
	Shortage & Evaporation Loss	628,933	372,054
	Bad Debts	1,911,980	-
	Other expenses	3,262,861	1,188,846
		<b>53,939,133</b>	<b>16,320,569</b>
<b>N.</b>	<b>INTEREST</b>		
	Interest on working capital	10,668,170	676,510
	Interest on Bill Discounting	1,940,548	-
	Other Interest	7,751,896	3,095,268
		<b>20,360,614</b>	<b>3,771,778</b>

#### **O. NOTES FORMING PART OF THE ACCOUNTS FOR THE YEAR ENDED 31ST MARCH, 2002.**

##### **I. SIGNIFICANT ACCOUNTING POLICIES**

1. The accounts are prepared under historical cost basis in accordance with Indian Generally Accepted Accounting Principles, the accounting standards issued by the Institute of Chartered Accountants of India and as per the provisions of Companies Act, 1956 and as going concern. All the income and expenditure are recognised on accrual basis. Accounting policies not referred to otherwise are consistent with generally accepted accounting principles.
2. Investments are shown at cost.
3. Fixed Assets are stated at their cost of acquisition comprising of the purchase price and any attributable cost of bringing the asset to working condition for the intended use.
4. Depreciation is provided on Straight Line Method on prorata basis in accordance with the rates prescribed under Schedule XIV of the Companies Act, 1956.
5. Inventories are valued as follows :  
Materials Consisting of Raw Materials and Trading Materials are valued at Cost, under FIFO method or realisable Value, which ever is less.
6. Sales are exclusive of Excise Duty and net of Sales returns and sales tax, where applicable.
7. Foreign Exchange transactions are accounted at contract rates when covered by forward contract or at the prevailing rates on the date of the transaction where such transactions are not covered by forward contracts, and in such cases, exchange fluctuations are accounted for at time of realisation/payment wherever the said transactions remaining unsettled at the end of the year are translated at year end rates and the resultant gains and losses are recognised in the Profit and Loss Account.
8. Retirement Benefits :  
The accruing liability towards Gratuity and leave encashment is calculated according to actuarial valuation and fully provided.
9. Miscellaneous Expenditure is written off over a period of five years.
10. Deferred Taxation  
Deffered tax resulting from timing difference between book and tax profit is accounted for under the liability method, at the current rate of tax, to the extent that the timing differences are excepted to crystallise.

**II. NOTES TO ACCOUNTS****I. Segment Revenue/ Results**

During the year, the company operated through two segments namely Trading and Loan Licence Manufacturing.  
The relevant information about these segments is given in the following table :-

Particulars	Trading	Loan Licence Manufacturing	Interest Income/Exp	Unallocable Income	Unallocable Expenditure	Total
<b>SEGMENT REVENUE</b>						
Net Sales	425,611,752	158,242,726	--	--	--	583,854,478
Other Income	29,678,052	4,843,777	--	3,153,816	--	37,675,645
<b>INTER SEGMENT REVENUE</b>						
Stock Transfer Issues	--	--	--	--	--	--
<b>TOTAL SEGMENT REVENUE</b>	<b>455,289,804</b>	<b>163,086,502</b>	<b>--</b>	<b>3,153,816</b>	<b>--</b>	<b>621,530,123</b>
<b>Segment Expenses</b>						
Total Material Consumed/						
Purchase	555,504,595	19,075,326	--	--	--	574,579,921
Add : Stock Transfer Issues (considered above)	--	--	--	--	--	--
	555,504,595	19,075,326	--	--	--	574,579,921
(Increase /Decrease in stocks)	31,851,841	--	--	--	--	31,851,841
	<b>523,652,754</b>	<b>19,075,326</b>	<b>--</b>	<b>--</b>	<b>--</b>	<b>542,728,080</b>
Excise Duty	--	7,698,066	--	--	--	7,698,066
<b>OTHER MANUFACTURING OVERHEADS</b>						
Conversion Charges	--	28,336,487	--	--	--	28,336,487
Carriage Inwards	117,121	125,729	--	--	--	242,850
Power & Fuel	125,186	--	--	--	--	125,186
Other Overheads	--	--	--	--	--	--
<b>SALARIES &amp; WAGES</b>						
Salaries Wages & Bonus	--	--	--	--	3,349,201	3,349,201
Staff Welfare	--	--	--	--	117,631	117,631
Other Benefits	--	--	--	--	318,018	318,018
<b>DEPRECIATION</b>						
Depreciation	--	--	--	--	195,689	195,689
Other Administrative Overheads	--	--	--	--	25,234,610	25,234,610
Finance Charges	--	--	--	--	20,360,614	20,360,614
	523,895,061	55,235,608	--	--	49,575,763	628,706,432
Profit/Loss before tax	-68,605,257	107,850,895	--	3,153,816	-49,575,764	-7,176,310

**Working Notes for Capital Employed**

Particulars	Trading	Loan Licence Manufacturing	Assets	Excluded Liabilites	Total
<b>ASSETS</b>					
Fixed Assets (Net Block)	--	--	1,165,247	--	1,165,247
Capital Work in Progress	--	--	--	--	--
Investments		--	935,000	--	935,000
Current Assets					
-Inventory	78,873,461	5,308,593	--	--	84,182,054
- Sundry Debtors	64,682,794	--	--	--	64,682,794
-Cash & Bank Balances	--	--	17,080,437	--	17,080,437
-Interest on Investments	--	--	1,104,376	--	1,104,376
Loans & Advances					
- Balance with Central Excise	--	60,140	--	--	60,140
- Export Incentives Receivables	--	8,645,009	--	--	8,645,009
Other Advances	--	--	23,312,138	--	23,312,138
Deffered Tax Assets/Liabilities	--	--	2,519,580	--	2,519,580
Profit & Loss A/c	--	--	4,550,164	--	4,550,164
Miscellaneous Expenses	--	--	221,441	--	221,441
	143,556,255	14,013,742	50,888,383	--	208,458,380
<b>LIABILITIES</b>					
Share Capital	--	--	--	50,000,000	50,000,000
Reserves & Surplus	--	--	--	3,455,042	3,455,042
Secured Loans	--	--	--	107,063,806	107,063,806
Current Liabilities & Provisions	--	--	--	47,939,532	47,939,532
	--	--	--	208,458,380	208,458,380
Capital Employed	143,556,255	14,013,742	50,888,383	-208,458,380	--

2. During the year, the company has entered into transactions with related parties. The transactions together with the related balances as at 31st March 2002 are presented in the following table.

Name of Transactions	Holding Company	Associates	Total
Purchase of Goods	2,468,762	88,558	2,557,320
Sales of Goods	52,053,879	10,780,884	62,834,764
Sale of Fixed Assets	551,994	227,807	779,801
Transfer of Current Assets	--	181,681	181,681
Total	55,074,636	11,278,930	66,353,566
Balance as on			
31st March, 2002	-620,001	3,166,263	

**Name of related parties and description of relationships**

Holding Company	Aurobindo Pharma Limited
Associates	Ranith Pharma Limited
	Andhra Organics Limited
	Sharp Organics Pvt Ltd

3. In Compliance with the Accounting standard - as per relating to "Accounting for Taxes on Income" issued by the The Institute of Chartered accountants of India, the Company has adjusted the deferred tax liability arising out of timing differences for the period up to 31st March, 2001 of Rs.44,958 in General reserves and deferred tax asset (Net) accruing during the year aggregating to Rs. 2,564,535 has been recognised in the profit and loss account.
4. The Components of deferred tax assets and liabilities arising on account of timing differences are :

	Assets	Liabilities
Depreciation	--	67,303
Un absorbed depreciation	94,798	--
Business Loss	2,492,081	--
Total	2,586,880	67,303

5. (a) The Working Capital loans from banks are secured by hypothecation of present and future stocks of Raw Materials, Finished Goods and Books Debts of the Company and personally guaranteed by two of the Directors
- (b) Short Term Loans from Banks's are secured by Pledge of FDR's worth Rs. 95 Lakhs

6. Remuneration to directors (Rs. in Lakhs)

		31st March, 2002	September, 2000 March, 2001
Managing Director	Salary	14.40	7.20
	Perquisites	1.20	0.60
	Total	15.60	7.80

7. The Company has recognised deferred tax asset by convincing that sufficient taxable income will be available on the basis of prevailing market conditions, the market support the parent company extends and on the basis of future projections and estimates of the management.
8. Annual capacities :  
Since the company has no manufacturing unit of its own, the details regarding annual capacities are not applicable

9. Details of Productions under Loan Licence :

Description of goods	Opening Balance		Production		Sales		Closing Stock	
	Qty. (MT)	Value (Rs.)	Qty. (MT)	Value (Rs.)	Qty. (MT)	Value (Rs.)	Qty. (MT)	Value (Rs.)
Bulk Drugs	--	Nil	54.71	19,075,326	52.05	76,31,8128	2.66	3,760,686

10. Quantitative details of Trading Goods

Description of goods	Opening Balance		Purchase		Sales		Closing Stock	
	Qty. (MT)	Value (Rs.)	Qty. (MT)	Value (Rs.)	Qty. (MT)	Value (Rs.)	Qty. (MT)	Value (Rs.)
Acetic Acid	Nil	Nil	2246.34	34,807,207	2,23,96.52	35,355,536	Nil	Nil
Aniline Oil	Nil	Nil	1864.553	55,019,421	1752.601	56,801,822	111.952	5,314,343
Butyl Acetate	394.582	10,574,016	1989.425	66,545,109	1733.703	62,005,970	650.304	18,677,089
Methanol	Nil	Nil	6997.936	49,782,551	6997.936	19,061,817	10.000	Nil
EMME	32	8,063,414	90.000	18,897,365	106.000	4,110,292	16.000	2,422,661
Toluene	100.502	2,940,531	175.204	4,463,181	275.706	6,690,102	Nil	Nil
I.P.A.	Nil	Nil	1107.903	26,612,213	1102.674	29,553,642	5.229	171,982
C.S.LYE	Nil	Nil	2499.582	42,539,677	2312.118	29,259,504	187.464	3,520,292
C.P.A	Nil	Nil	23.400	13,538,235	23.400	15,207,487	Nil	Nil
N-Butanol	Nil	Nil	3116.003	77,273,486	3113.365	79,330,353	2.638	63,737
Phenol	Nil	Nil	999.140	20,292,301	616.333	16,009,955	382.807	8,450,517
Others	Nil	Nil	Nil	145,733,849		161,766,856	Nil	36,492,154
<b>TOTAL</b>		<b>21,577,961</b>		<b>555,504,595</b>		<b>515,153,336</b>		<b>75,112,775</b>

11. Details of Raw Materials

Consumed Material Name	Kgs.	2001-2002		2000-2001	
		Rs.		Kgs.	Rs.
EMME	50380	7,587,537		20800	5,680,440
Toluene	90281	2,132,273		39390	1,526,740
Methanol	138529	770,839		39390	1,460,940
DMF	71001	2,438,716		--	--
LLP	42113	1,194,634		--	--
Others	--	4,951,327		--	1,913,540

12. Raw Material Consumed Imported and Indigenous

	Rs.	2001-2002		2000-2001	
		%		Rs.	%
Imported	11,052,769	57.94		5,407,550	51.67
Indigenous	8,022,557	42.06		5,174,010	48.33

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13. Foreign Exchange Transactions

	2001-2002	2000-2001
	Rs.	Rs.
(a) Value of Imports (C.I.F. Basis)		
i Trading Goods	46,18,76,686	20,72,83,800
ii Raw Material	1,29,00,400	42,57,220
(b) F.O.B. Value of Exports	6,29,52,547	2,66,71,190
14. Contingent Liabilities		
i Letter of Credit	1,26,93,970	4,24,34,890

15. As regards compliance of provisions relating to dues to the Small Scale Industries in terms of the Companies (Amendment) Act, 1999, the company has sent letters to the creditors to intimate whether they are small scale industries Units. The company is yet to receive the required information from them, Hence the Company could not quantify the dues, if any, to the small Scale units.

16. Balances under Sundry Debtors, Sundry Creditors, Loans & Advances, Payables or Receivable are subject to confirmations to be received from some of the Parties

17. The previous year figures have been regrouped and reclassified wherever applicable.

**Signatures to Schedules A to N**

As per our attached report of even date

For and on behalf of the Board

**For K. Nagaraju & Associates**

Chartered Accountants

**M. Ajayakumar**

Managing Director

**K. Nagaraju**

Proprietor

Place : Hyderabad

Date : June 21, 2002

**B. Siva Prasad Reddy**

Director

# APL CHEMI NATURA LIMITED

## CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH, 2002

Rupees in full

2001-2002

A. CASH FLOW FROM OPERATING ACTIVITIES:		
Net Profit/Loss before Tax & extra ordinary items		(7,176,309)
Adjustment for :		
Depreciation		195,689
Interest (net)		18,542,653
Foreign Exchange Gain/Loss		219,566
Operating Profit(Loss) before Working Capital Charges		11,342,467
Adjustment for :		
(Increase)/Decrease in Inventories		(36,899,437)
(Increase)/Decrease in Sundry Debtors		106,736,596
(Increase)/Decrease in Other Current Assets		(8,241,136)
(Increase)/Decrease in Loans & Advances		(12,742,107)
(Increase)/Decrease in Current Liabilities		137,425,302
(Increase)/Decrease in Provisions		6,212
(Increase)/Decrease in Working Capital Loans		76,214,726
(Increase)/Decrease in Misc. Expenditure not written off		73,809
Cash Generated from Operations		6,482,828
Interest Paid		(20,360,614)
Cash Flow before Extraordinary Items		(13,877,786)
Extraordinary Items		--
Net Cash used from Operating Activities		(13,877,786)
B. CASH FLOW FROM INVESTMENT ACTIVITIES		
Purchase of Fixed Assets		(991,670)
Purchase of Investments		--
Interest Received		1,817,961
Sale of Fixed Assets		770,522
Net Cash used in Investment Activities		1,596,813
C. CASH FLOW FROM FINANCIAL ACTIVITIES		
Proceeds from Long term and other Borrowings		8,150,770
Net Cash used in Financial Activities		8,150,770
Net Increase in Cash and Cash Equivalents		(41,30,203)
Cash & Bank balances at the beginning of the year		21,210,640
Cash & Bank balances at the end of the year		17,080,437

As per our report of even date  
For **K. NAGARAJU & ASSOCIATES**  
Chartered Accountants

For and on behalf of the Board of Directors

**K. NAGARAJU**  
Proprietor

**M. AJAYA KUMAR**  
Managing Director

Place : Hyderabad  
Date : June 21, 2002

**B. SIVAPRASAD REDDY**  
Director

## BALANCE SHEET ABSTRACT AND COMPANY BUSINESS PROFILE

### I. Registration Details

Registration No.  State Code

Balance Sheet Date     
Date Month Year

### II. Capital raised during the year (Rs. in Thousands)

Public Issue   
Rights Issue   
Bonus Issue   
Private Placement

### III. Position of Mobilisation and Deployment of Funds (Rs. in Thousands)

Total Liabilities   
Total Assets

#### Sources of Funds

Paid-up Capital   
Reserves & Surplus   
Secured Loans   
Unsecured Loans

#### Application of Funds

Net Fixed Assets   
Investments   
Net Current Assets   
Miscellaneous Expenditure   
Accumulated Losses

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

Turnover & Other Income   
Total Expenditure   
Profit before Tax   
Profit after Tax   
Earnings per Share (Rs.)   
Dividend Rate (%)

### V. Generic Names of three principal products of the Company (As per monetary terms)

Item Code No.	Product Description
290230.00	Toluene
291533.00	N.butyacetate
291719.07	EMME

As per our report of even date

**For K. NAGARAJU & ASSOCIATES**  
Chartered Accountants

**K. NAGARAJU**  
Proprietor

Dated : June 21, 2002

For and on behalf of the Board of Directors

**M. AJAYA KUMAR**  
Managing Director

**B. SIVA PRASAD REDDY**  
Director



## AUDIT REPORT

Huguanghuizi (2002) di 0502 hao

Shanghai Widetex Chemical Company Limited

We here by agree to receive the authorization of above company for financial auditing. We have audited balance sheet, annual (2001) profitability statement and cash flow of this company until December 31, 2001. Above mentioned company is responsible for the content of those financial reports and we are responsible for the opinion made after auditing of those reports. Our audit is done in accordance with the "independent auditing norms for People's Republic of China's certified public accountants". While making the auditing we also considered the present situation of the company, test checking of records and the things which we considered to be required.

Through the inspection it came to know that the amortisation of office start up expenses and depreciation of fixed assets is not continuous due to stoppage of production. The classification of fixed assets is not rational. Hence the differences of the depreciation occurs. Due to the stop of the production and installation of the new production line which is in progress it has effected the verification of fixed assets.

We think that, apart from the above mentioned situation the accounts reports of above company are in conformity with the "accounting norms for enterprises" and "accounting norms for the foreign enterprises", and reflect the financial situation of the above company as at December 31, 2001, annual business results and the cash flow for the year ending December 31, 2001. The accounting policy in this company is in conformity with the norms.

Apart from this we also noticed that the foreign investors have changed to Aurobindo (HK) Limited. Investment from chinese part is usd 0. 24 million, which is 40% of the total investment; investment from foreign part is usd0.36 million, which is 60% of the total investment.

### Supplementary of this report:

1. Balance sheet of Shanghai Widetex Chemical Company Ltd. as at December 31, 2001
2. Income statement of Shanghai Widetex Chemical Company Ltd. For the year 2001
3. Cash flow statement of Shanghai Widetex Chemical Company Ltd. For the year 2001
4. Supplementary for the accounting statement of Shanghai Widetex Chemical Company Ltd.
5. Statement for adjustment of tax payment of Shanghai Widetex Chemical Company Ltd.

Guanghua Certified Public Accountants Co. Ltd.

Seal  
Registered Auditor of PRC

MR. JINWEI

MR. XUYAPING  
28th January, 2002  
Address: Shanghai City, No.681 Sichuan Zhong Lu, Bld. 7

#### Supplementary 4:

Supplementary for the accounting statement of Shanghai Widetex Chemical Company Ltd. (year 2001)

#### 1. Basic situation of the company

Shanghai Widetex Chemical Company Ltd. (here by considered as this company) was established on 21/01/1999 through the approval of Shanghai City moftec and is a sino-foreign joint venture between Shanghai Jiading Xinhang Medical and Chemical (Group) Co. Ltd. And Aurobindo (HK) Limited. The business license no. Is qihehuzongzidi 025723 hao (Jiading). Total investment is USD 0.80 million, registered capital is USD 0.60 million, actual capital arrived in the account is USD 0.60 million. This capital is inspected by Shanghai Hubo Certified Public Accountant Company and given the inspected certificate no. Hubokuaiyanzi (2000) 397 HAO. Business validity is 20 years, and the business starts from October 4, 1999.

The production and selling of :

- D-Phenylglycine Chloride Hydrochloride
- D-Hydroxy Phenylglycine
- D-Dihydro Phenylglycine Chloride Hydrochloride
- D-Hydroxy Phenylglycine Dane Salt

#### 2. Major Accounting Policy

1. Accounting policy: This company has implemented the "accounting policy for foreign investors" and related supplementary rules.
2. Accounting year: The accounting year of this company is from January 1 to December 31 of the solar calendar.
3. Accounting principle & base of fixing price: This company follows debit credit system on accrual basis in order to keep the accounting record. While calculating the value of the capital items this company takes the historical costing as the base.
4. The currency for the accounting record is RMB. If there is any foreign currency dealings then the foreign currency conversion rate proclaimed by People's Bank of China on the 1st date of current month (or on that day) is considered and according to that accounting statement is recorded in RMB. In the month end according to the foreign currency conversion rate proclaimed by People's Bank of China the adjustment of balance is done, in this the differences is recorded as "financial expenses - conversion loss."
5. Calculation of inventories: The price for the despatched material and products is recorded as per FIFO method. Low value consumable goods are recorded as straight line method.
6. Fixed assets and depreciation: The depreciation of fixed assets is calculated as per straight line method based on the average number of years process. According to the rule the classifications, estimations, life period and pre-estimated remaining price (10% of original value) is fixed, the depreciation rate is as follows:

S.no.	Type Fixed Assets	Period of Dep.(yr)	Annual Dep(%)
1.	Buildings & civil Works	20	4.5
2.	Machinery & equip	10	9

#### 7. Other assets : Amortised

1. Office start exp. From Feb 2001, divided into 5 year;
2. Other handed over and extended assets expenditure from March 2001, divided into 5 year;

8. Fixation of business income:

1. Economic benefits through which enterprise can get the income
2. Related income and costs which can be reliable and measurable.

9. Tax

VAT, tax rate is 17%.

3. Explanatory note regarding some items of accounting statement:

1. Explanation regarding some items of Balance Sheet Statement:-

1. The bank balance in the end of the year is RMB 398,200.49.

Between this RMB balance is RMB 392,479.79 and USD balance is 691.19 which is equivalent to RMB 5,720.70.

2. Accounts receivables in the end of the year is RMB 958,295.77, validity of this record is 1 year out of this Aurobindo Tongling (Datong) Pharmaceutical Co. Ltd. Is RMB 1419835.20; Shanghai Lianmin Chemical Factory is (-)529539.43; Shandong University Heze Chemical Factory RMB 68000.00
3. Other receivables at the end of the year is RMB 207727.00 out of this, Shanghai Lianmin Chemical Factory (Lianmin village) 100000.00; Jiading district electric bureau RMB 60000.00; Gaoyonggen RMB 20000.00; personal balance - 2273.00; Shanghai Gongda Scientific area environmental co. Ltd. RMB 30000.00.
4. Balance of the inventories at the end of the year RMB 4067615.06 among these raw material RMB 233112.98; low value consumable goods RMB 740480.52; packing materials RMB 6502.94; products in process RMB 172422.57; finished product RMB 1532167.61; self manufactured products in the half stage of the process RMB 1429.96; material purchased from outside RMB 1381498.48.
5. Fixed assets and accumulated depreciation
  1. Original value of fixed assets

Type of fixed assets	Bal. at the beg of year	Increase in this year	Decrease in this year	Bal. at the end of year
Machinery & equip.	2219842.27	35027.50	--	2254869.77
Total	2219842.27	35027.50	--	2254869.77

2. Accumulated depreciation

Type of fixed assets	Bal. at the beg of year	Increase in this year	Decrease in this year	Bal. at the end of year
Machinery & equip.	106460.76	105442.29	--	211903.05
Total	106460.76	105442.29	--	211903.05

3. Year end Balance of the capital works in progress is RMB 784155.45

Among this, project material is of RMB 23042.40; equipment(DHPG workshop) RMB 49005.10; Dense Salt Workshop exp. RMB 103373.13; expenses of DHPG 15734.82; advanced paid for specialized items RMB 587575.00.

6. Year end balance of short term borrowings is RMB 2000000.00

Loan from bank	Date of borrowing	Period of borrowing	Value	Annual Interest %
Agricul. Bank jiading br.	March 2001	1 year	200000.00	6.045
Agricul. Bank jiading br.	May 2001	1 year	800000.00	6.1035
Agricul. Bank jiading br.	Nov 2001	1 year	1000000.00	6.24

7. Accounts payable year end balance RMB 1568971.10.

Among this Shaxi Huayin Ranhua Co. Ltd. RMB 520360.40; Shijiazhuang Longtai Chemical Co. Ltd. RMB 474075.02; Shanghai Jingfei Shiye Co. Ltd. RMB 88898.00; Zhangjiagang Light Equipment Factory RMB 79320.00; Nanyumeiyao Co. Ltd. RMB 74739.50; Shanghai Shiye Chemical Co. Ltd. RMB 59590.10; others are 39 parties of which total is RMB 271988.08.

8. Year end balance of VAT tax not payed is RMB (-)548150.39.

9. Other accounts paybles RMB 160847.47

Among this Shanghai Jiading Medical & Chemical Co. Ltd. RMB 112218.27; Deposits received RMB 28500.00; Guyongjie RMB 13953.00; other 5 parties total RMB 6176.20.

10. Long term accounts payable balance at the end of the year RMB 2519198.44.

Party	Time of the borrowing	Period for this borrowing	Value	Interest %
Aurobindo (HK) Cm. Limited	2001.11.20 to 2004.11.19	3	1499198.44	--
Shanghai Jinhgang Jiading che. & med. Co. Ltd	2001.11.30 to 2004.11.30	3	1000000.00	--
Prepaid interest			20000.00	6

Note: Long term accounts payable: Aurobindo (HK) Co. Limited USD 181400.00.

11. Year end balance of actual capital received RMB 4961718.00.

Investors name	amount invest.		% of investment
	USD	RMB	
Shanghai Xinhang Jiading Ch. & Med. Co.	0.24 m	1984687.20	40
Aurobindo (HK) Co. Ltd	0.36 m	2977030.80	60

12. Division of profit at the end of the year

Balance at the beginning of the year was RMB -485378.05, the net increase of this year is RMB -1232320.26, balance at the end of the year is RMB -1717698.31.

13. Explanation regarding the profit

Items	This year	Last year
Sales income	5292909.61	1593203.58
Other incomes	1339820.96	289659.18
Income from out of business	675	10697.00

Supplementary 5.

Statement for adjustment of tax payment of Shanghai Widetex Chemical Company Ltd.(year 2001)

Adjusted item	Increased figure	Decreased figure	Remarks
Recorded depreciation value is more than tax regulated dep. Vale	14052.33	--	--
Total	14052.33	--	--

1. The total profit from all the statement is	RMB	1232320.26
2. Adjusted increased value	RMB	14052.33
3. Adjusted decreased value		--
4. Value for tax payment after adjustment	RMB	1218267.93

**INCOME STATEMENT FOR THE YEAR ENDED DECEMBER 31, 2001**

RMB

ITEMS	Current Year	Previous Year
<b>SALES</b>	5,292,909.61	1,593,243.58
NET SALES	5,292,909.61	1,593,243.58
Cost of sales	5,635,754.02	1,634,421.84
GROSS PROFIT	-342,844.41	-41,178.26
Less : Selling expenses	7,068.00	54.00
General and administrative expenses	688,285.84	354,174.72
Financial expenses	194,425.61	48,433.23
Including : Interest expenses (Less : Interest income)	193,955.83	47,811.09
INCOME FROM MAIN OPERATION	-1,232,623.86	-443,840.21
Add : Income from other operation	5,628.60	-7,694.34
<b>OPERATING INCOME</b>	-1,226,995.26	-451,534.55
Non-operating Income	675.00	10,697.00
Less : Non-operating Expenses	6,000.00	5,000.00
<b>INCOME BEFORE TAX</b>	-1,232,320.26	-445,837.55
NET INCOME	-1,232,320.26	-445,837.55

# SHANGHAI WIDETEX CHEMICAL COMPANY LIMITED

## BALANCE SHEET AS OF DECEMBER 31, 2001

RMB

ASSETS	At Beg. of Year	At End of Period
<b>CURRENT ASSETS</b>		
Cash in Hand	2,360.67	4,887.43
Cash in Bank	428,637.05	398,200.49
Accounts receivable	838,918.53	958,295.77
Other receivables	676,565.91	207,727.00
Inventories	2,480,889.89	4,067,615.06
TOTAL CURRENT ASSETS	4,427,372.05	5,636,725.75
<b>FIXED ASSETS</b>		
Fixed assets cost	2,219,842.27	2,254,869.77
Less : Accumulated depreciation	106,460.76	211,903.05
Fixed assets net value	2,113,381.51	2,042,966.72
TOTAL FIXED ASSETS	2,113,381.51	2,042,966.72
<b>CONSTRUCTION IN PROGRESS</b>		
Construction in progress		784,155.45
<b>OTHER ASSETS</b>		
Organization expenses	404,079.11	343,467.26
Other deferred expenses	312,002.47	260,724.28
TOTAL OTHER ASSETS	716,081.58	604,191.54
TOTAL ASSETS	7,256,835.14	9,068,039.46

LIABILITIES AND OWNER'S EQUITY	At Beg. of Year	At End of Period
<b>CURRENT LIABILITIES</b>		
Short-term loans	2,000,000.00	2,000,000.00
Accounts payable	1,090,037.10	1,568,971.10
Accrued payroll	--	123,153.15
Taxes payable	-363,878.21	-548,150.39
Other payables	52,775.00	160,847.47
Staff and workers bonus and welfare fund	1,561.30	--
TOTAL CURRENT LIABILITIES	2,780,495.19	3,304,821.33
Payables due after one year	--	2,519,198.44
TOTAL LIABILITIES	2,780,495.19	5,824,019.77
<b>OWNER'S EQUITY</b>		
Paid-in capital	4,961,718.00	4,961,718.00
Including Chinese investment	2,480,859.00	1,984,687.20
Foreign investments	2,480,859.00	2,977,030.80
Undistributed profits	-485,378.05	-1,717,698.31
TOTAL OWNERS' EQUITY	4,476,339.95	3,244,019.69
TOTAL LIABILITIES AND OWNER'S EQUITY	7,256,835.14	9,068,039.46

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## **FORWARD LOOKING STATEMENTS**

This communication contains statements that constitute “forward looking statements” including, without limitation, statements relating to the implementation of strategic initiatives, and other statements relating to our future business developments and economic performance.

While these forward looking statements represent our judgements and future expectations concerning the development of our business, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from our expectations.

These factors include, but are not limited to, general market, macro-economic, governmental and regulatory trends, movements in currency exchange and interest rates, competitive pressures, technological developments, changes in the financial conditions of third parties dealing with us, legislative developments, and other key factors that we have indicated could adversely affect our business and financial performance.

Aurobindo undertakes no obligation to publicly revise any forward looking statements to reflect future events or circumstances.

## Epilogue

What makes any change? Why would it be implemented, and more important, be effective or profitable? Why and how will it get accepted? Simple questions.

Perhaps, every change takes place because there is a felt need for it. The change on most occasions is desired by the person(s) concerned by the situation. But what matters most is the level of passion or zeal involved. In believing what the change would bring with it.

There are then two things that matter. One, the passion to make the change or be a part of the change process. Two, the impact it would make to the lives of people. The change is permanent when there is a tangible benefit to all associated with it.

Aurobindo Pharma applied the same logic. The change now being implemented with dedication and commitment, will not just change the gear, but will further accelerate the pace of growth of the Company. The stakeholders, whether the customers, investors, employees or any one associated with it will be part of this winning process.

When there is a paradigm shift, and the trajectory changes, there is a new orbit. There will be a new platform, a new equilibrium. The present change will then demand and create the need for the next level of change. From a higher plane, it is easier to move to another higher level. Yet another attainable level of growth.

That's how the next process of metamorphosis will begin .....



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Hyderabad - 500 038.