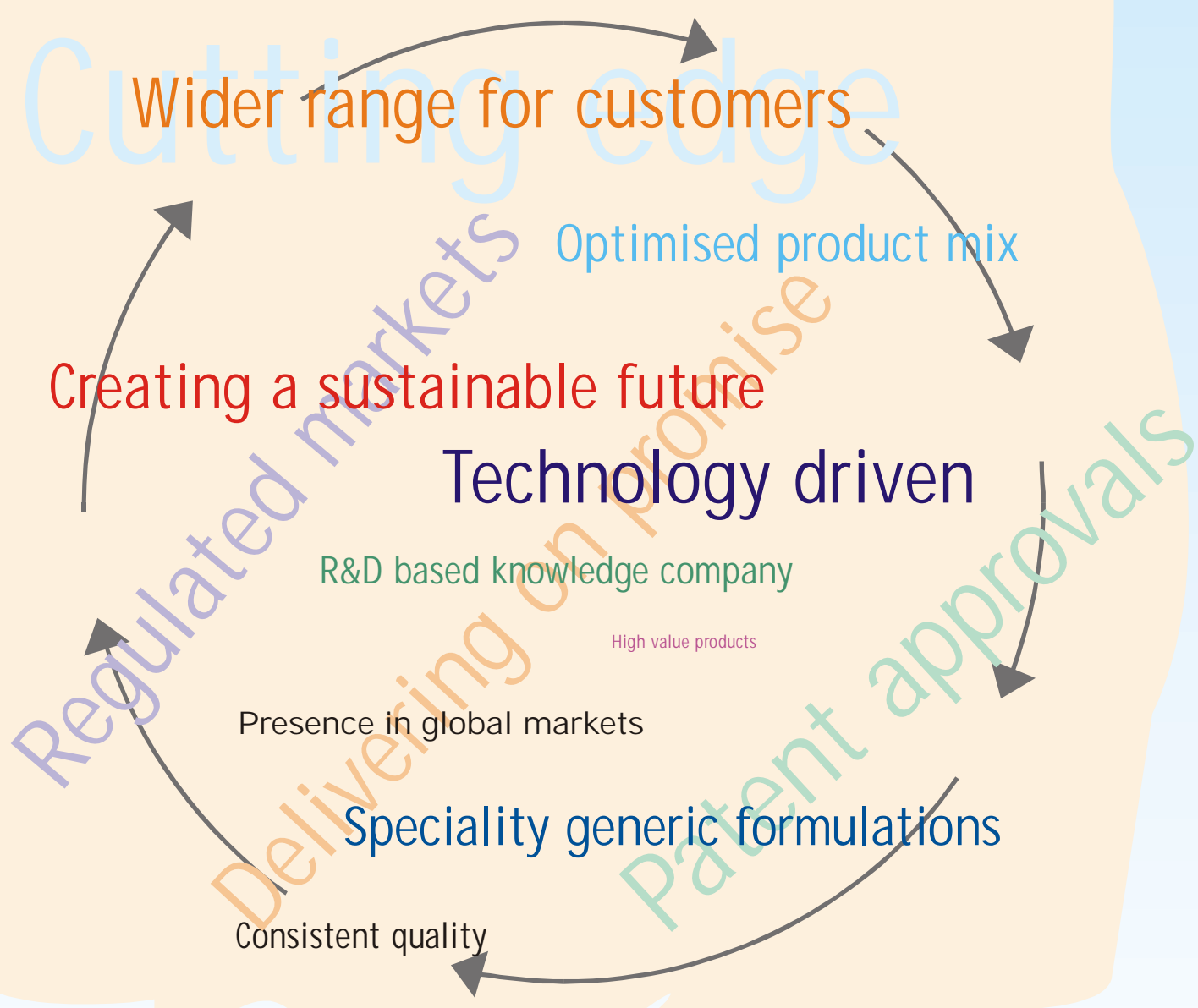
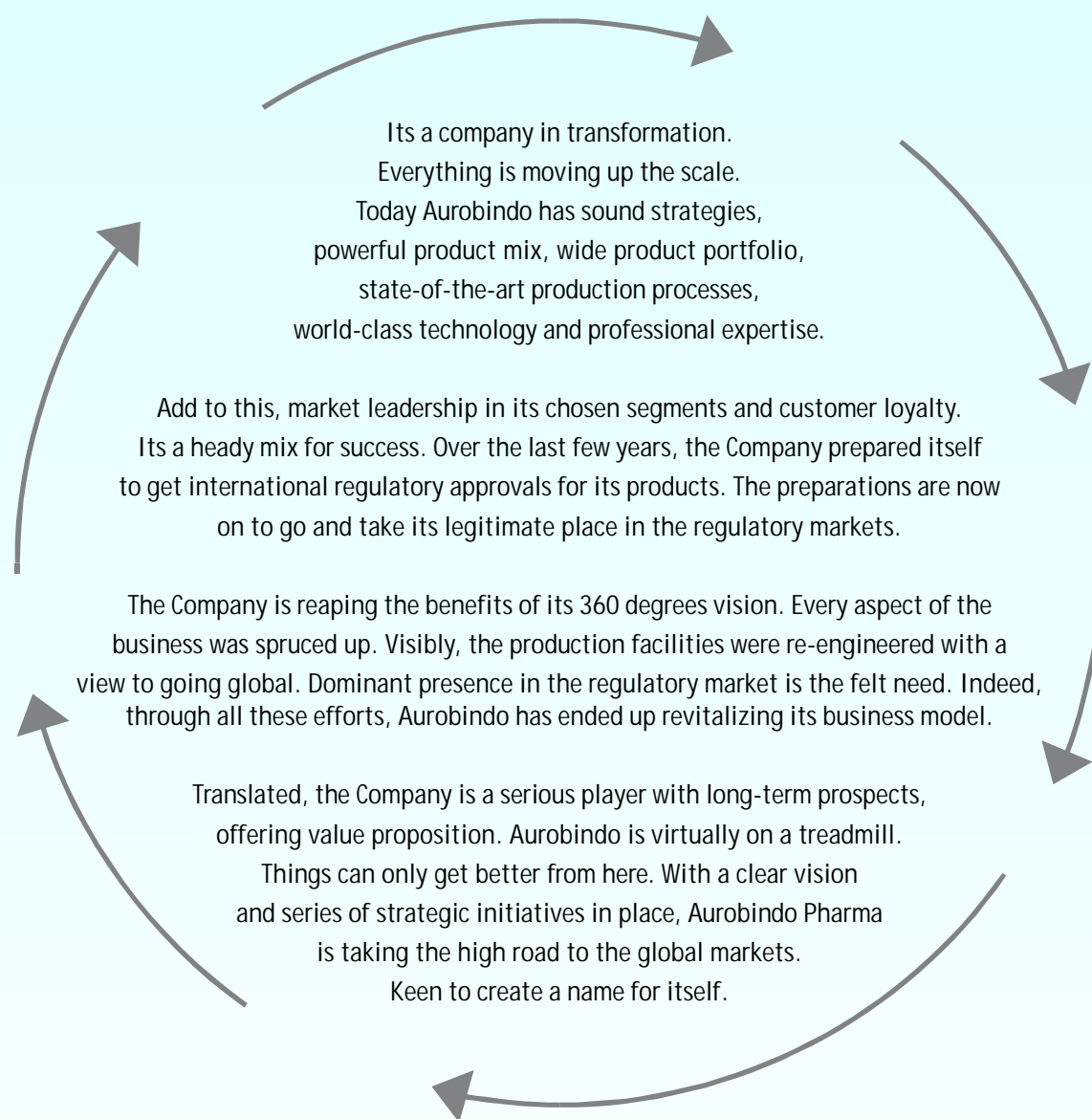


Transforming into a global player

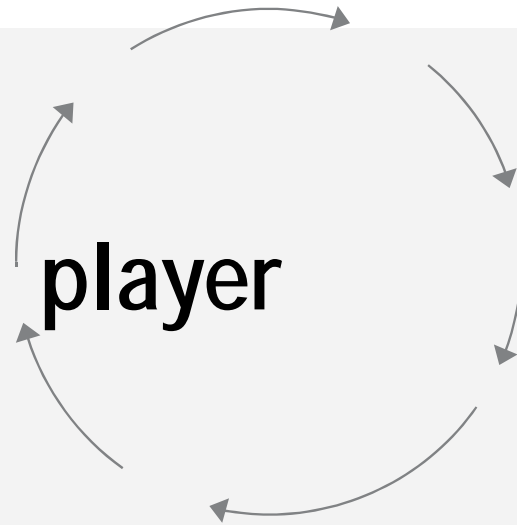


CONTENTS

1		Theme
2		Transforming into a global player Message from the Chairman
4		What we said we'd do...and what we did
6		Creating a sustainable future From the Desk of the Managing Director
8		Insight into product range
10		Insight into production facilities - an appreciation of the new projects
11		The transformation...the dynamics
12		Where are we heading....
13		Board of Directors
14		Directors' Report
20		Management Discussion and Analysis
26		Report on Corporate Governance
35		Auditors' Report
38		Balance Sheet
39		Profit & Loss Account
40		Schedules
68		Consolidated Financial Statements
100		Statement Regarding Subsidiary Companies
101		Subsidiary Companies
IBC		Forward Looking Statements
BC		Epilogue



Transforming into a global player



Its a different Aurobindo that emerges from 2002. Taking decisive and thoughtful actions. Accelerating with technology as its driver. Moving faster towards premium markets and growth. Capitalizing on world-class capabilities. Possessing technological prowess, a strong product line up, and a thirst to improve. In short, Aurobindo is serious about success.

The pace of business has changed. Information moves faster. Products are redefined. The market place is global. With many products going off patent in the near future, these changes have created tremendous new opportunities. We anticipated the changing dynamics of the market place and have got ready by improving our fundamentals over the past few years.

Today, our capacity and expertise in large scale manufacturing of bulk actives and formulations using the complex chemistry route are unmatched in the industry and provide us with a unique and powerful competitive advantage.

As we advance into our next phase of growth, our opportunities are greater than ever. We have the fundamentals of excellent science, pipeline, products and people in place, with the potential to consistently deliver strong top and bottom line results, produce innovative cutting-edge work and create exciting opportunities for individual progress.

We at Aurobindo are very clear about our goals, and equally, we recognise our strengths. Your Company is single minded about its focus on global generics business supported by a strong presence in APIs. This is our *mantra*. In pursuit of this goal, we will develop non-infringing processes, resolve complex chemistry and build a challenging manufacturing environment.

We remain committed to making substantial and productive investments in R&D. Our business is increasingly science and technology driven. Massive amount of new information coming out of our research laboratories holds promise of new pharmaceuticals and other therapeutics.

In the short term, however, we are concentrating on non-infringing processes and patents. Our radar will always remain focused on profitable goals that will add value to human health.

As we go along, you will discover a company intensely focusing on its strengths, concentrating on its products, markets and capabilities. With an eye on quality, Aurobindo continues to make productivity gains. We are a leader in each of our market segments; we know these businesses; and, we have demonstrated abilities to operate and grow with them.

We are simplifying and decentralizing our management structure to make decisions faster, encouraging impatience and a greater sense of urgency and redefining expectations. Our strength remains our people, their expertise, integrity, drive and hunger to continually serve the market.

Our measure of success is multi dimensional. It is measured through the lives of patients, powered by experience, fuelled by passion, strengthened by strategic partnerships and ultimately delivered in results. The momentum gain within Aurobindo is making the climb easier.

Fundamentally our future is only as secure as our ability to perform in the present. We continue to refine our customer-centric business model and are committed to making market share with our existing customers our core growth engine. Our future will be leveraged on an aggressive entry into the regulated markets.

Our strategic focus is on emphasizing technology advancement, innovative products, operational excellence, and financial discipline. We are also about being the best in our business and enhancing shareholder value. This is Aurobindo going forward.

We are focusing on increasingly profitable growth and as such have replaced the absolute top line goals with more appropriate growth oriented measure, a year-on-year EPS growth rate. We will work with ambitious targets consistent with the performance of a successful growth company, one with a potential to generate strong returns for stock owners.

From the subsequent pages of this annual report, you will get a sense of what Aurobindo accomplished in the previous year, and also of who we are, why we do what we do and why we will go on doing it.

With warm regards,
Yours sincerely,



P. V. Ramaprasad Reddy
Chairman



What we said we'd do....

.....and, what we did

Aurobindo takes pride in delivering on its promises. This is true of all commitments, whether to customers, associates, investors or for that matter anyone else. A quick glance at the assertions made in the previous Annual Report would help confirm this perception.

One.

All the manufacturing facilities were being upgraded. Some of them are being exclusively dedicated to servicing the regulatory markets. They are being made compliant ready.

This was achieved. As planned, five units Nos. 1, 2, 3, 6 and 8 are compliant ready and meet international regulatory standards. It is estimated that international regulatory authorities will do inspections in 2004. We however, are ready even as of now.

Two.

The rest of the facilities, earmarked for the price sensitive global markets, are also being upgraded. The production facilities have been made cost effective.

This was another achievement. Not only have they become quality conscious production facilities, they have improved on the yield factor, lowered consumption of utilities, and can take up bigger batches. In short, they have brought significant economies in production.

Three.

Rationalise the product mix and move into every generation of select therapeutic segments. Wider range of cephalosporins and semi synthetic penicillins are to be added. At the same time, unconnected products are to be shed.

The Company has moved into third generation therapeutic segments, thereby ensuring complete presence through the vertical chain. The shift in emphasis from low margin semi synthetic penicillins to the new generation cephalosporins has improved the product mix.

Increasingly, the Company focuses on high value products in the cardio vascular, anti ulcer, anti virals, anti depressants and the CNS segments. During the year, Aurobindo has, further added to its portfolio of high value products.

The emphasis has also shifted from bulk actives to generic/speciality generic formulations.

Four.

Increase the presence in the generics market.

The Company recognised its core competence in this area. Adding to the product basket of generic/speciality generic formulations has brought a cutting edge to the product mix. It offers a wider range to customers, making Aurobindo a one-stop shop.

Five.
Eliminate inefficient plants, processes and overheads.

Sale of plant or realignment of the equipments is part of this action. The new and rejuvenated plants have added to the muscle to do volume business in the Company's 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.

This will now remain an on-going process.

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

The plant at China was commissioned in 2002-03. The Company sees consistent quality, assured supplies and at lower cost for its needs of critical raw materials.

Eight.
Our Research & Development initiatives would give 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.

The Company's strength is largely built on strong foundations, and its ability to meet the needs of complex chemistry. Aurobindo has scaled up its technology to global standards, upgraded its processes and is manned by skilled professionals. Patent applications for non-infringing processes have met with success.

Nine.
Aurobindo is chiseling its cost structure, with intent to work within defined parameters of cost. Improving margins on an increasing topline, would create excitement amongst our stakeholders.

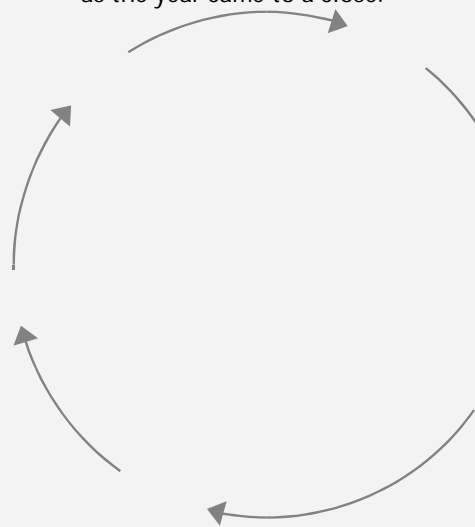
Aurobindo is witnessing the benefits of action taken earlier. The full benefits are likely to be visible from the financial year 2003-04 and onwards.

Seen in perspective, the Company is once again delivering on its promises. Indeed, credibility matters a lot to the entire team at Aurobindo.



Creating a **sustainable future**

We challenged ourselves to do well, and came good despite trying conditions. Topline growth of nearly 15 per cent and bottom line growth of 50 per cent was achieved during the year 2002-03, despite the excitement of revamping at almost all production units. Its a much stronger Aurobindo, as the year came to a close.



We have optimised all our facilities. Two API hubs and two formulation hubs are geared up for approvals from regulated markets. The green field API project at Pydhibhimavaram, and the revamped unit at Hyderabad shall be the backbone of Aurobindo with global scale of manufacturing.

The Company has committed significant resources to becoming an R&D led pharma company with presence in regulated and semi-regulated markets. Our strong in-house R&D center has achieved important breakthroughs, such as filing several process/product patents as well as obtaining patents approvals.

Aurobindo has filed its maiden US DMF in CNS segment and is poised to filing a significant number of DMFs and ANDAs during the current year in its efforts to create a robust and broad product portfolio for a successful presence in regulated markets.

The Company today has the size and scale to compete aggressively in the changing landscape. Our product pipeline is broad, deep and diverse. We will continue to focus our energies on building our business through internal development combined with selective acquisitions that strengthen our productive abilities or technological position.

We are proud of our product quality. Mindset of the frontline managers and the crew on the production process is tuned to deliver

quality, better than that sought by the most demanding customers. At the same time, there is reduced process variation, a better comprehension of customer needs and lower costs.

Our employees are busy cultivating the company's future and setting the stage for renewed growth and profitability and richer shareholder rewards. This new but rapidly expanding continuous improvement initiative is a critical part of a drive to further develop a high performing Aurobindo culture.

This energized work force will ensure successful deployment of the company's three other strategic imperatives.

- Be a cost effective producer;
- Deliver industry leading customer value;
- Grow the core businesses globally and above industry averages.

We are focused on the long term. We are determined and tenacious in building new businesses, and many of our products have grown into significant leadership positions. We will keep these going relentlessly.

Over a period, we have derisked our business. We are working to ensure a sustainable growth for the Company. Our belief is that this approach improves our value proposition, reduces investor risk and yields higher long-term growth opportunities.

As we approach the market in 2003-04 from a position of strength and a well-founded expectation for growth, our share owners can continue to look forward to the future with optimism.

INSIGHT INTO PRODUCT RANGE

Aurobindo has a strong presence in semi synthetic penicillins, cephalosporins and life style drugs – both in active pharmaceutical ingredients (APIs) and speciality generic formulations.

We believe our Members would value a brief description of some of the product range:

SEMI SYNTHETIC PENICILLINS

Discovered by Sir Alexander Fleming, penicillins were the first antibiotics that were put into large-scale production.

The pharma industry has developed over the last few decades, many new antibiotics, with different and better antibacterial and pharmacological properties. These discoveries are the result of changes made to the lateral chain within the penicillin compound.

The elimination of the original lateral chain, via an enzymatic process, enabled researchers to obtain a very important downstream intermediate called 6-amino penicillanic acid (6APA).

Several side chain modifications of penicillin have been made to provide enhanced activity of the broad spectrum penicillins. Such modified penicillins provide for greater stability, broader anti-bacterial activity and oral administration. SSPs have made penicillins a versatile group of antibiotics.

Some of the best known penicillin derivatives are:

Amoxicillin is primarily indicated for oral use because of its pharmacokinetic properties. It is a broad spectrum antibiotic active against various penicillin susceptible organisms. It is used both in oral and parenteral forms and is on the list of the essential drugs suggested by World Health Organization.

Ampicillin is a broad spectrum antibiotic active against various penicillin susceptible organism. It is used both in oral and parenteral form. Aurobindo has a strong presence in amoxicillin, ampicillin, cloxacillin and a host of ten other SSP segments.

CEPHALOSPORINS

Cephalosporins are often identified with the Italian microbiologist, Guiseppe Brotzer. These are medicines that kill bacteria or prevent their growth. They are highly effective antibiotics and have low toxicity. They are used to treat infections in different parts of the body, for instance, the ears, nose, throat, lungs, sinuses, and skin.

They are a sub group of betalactam antibiotics, and are widely used for treating bacterial infection. For instance, they are also used in treating throat infections in patients who have developed allergies to the penicillins. Physicians may prescribe these drugs to treat pneumonia, tonsillitis, bronchitis, gonorrhea and so on. These drugs are *not* known to work against colds, flu, and other infections caused by viruses.

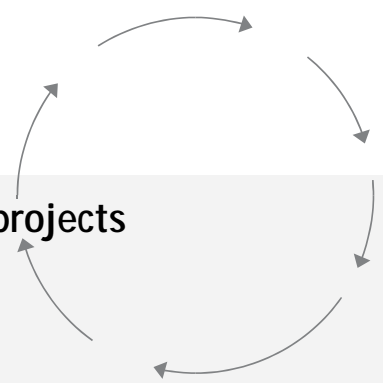
Examples of cephalosporins are cefadroxil, cefazolin, cefixime, ceftazidime, cefuroxime and cefalexin. These medicines are available only with a physician's prescription. They are sold in tablet, capsule, liquid, and injectable forms.

A major part of the cephalosporins are obtained from the intermediate 7-amino cephalosporanic acid (7 ACA). This, in turn, is derived from Cephalosporin C, which is obtained through fermentation. All medically used cephalosporins are semi synthetic, usually being made chemically from 7-amino cephalosporanic acid [7ACA], or 7-amino deacetoxy cephalosporanic acid [7-ADCA]

Cephalosporins are grouped into "generations" by their antimicrobial properties. They may be classified by their betalactamase resistance and their anti bacterial spectrum. Commonly they are classified into three groups or "generations". Quite a good number of cephalosporins in all these generations are being manufactured at Aurobindo.

INSIGHT INTO PRODUCTION FACILITIES

- an appreciation of the new projects



CHINA OPERATIONS

Aurobindo (Datong) Bio-Pharma Company Limited has setup at Datong in China, fermentation facility to manufacture Penicillin G Potassium and 6-APA, key raw materials for large number of semi synthetic penicillins.

Aurobindo is presently importing large quantity of Pen.G. This new capacity will supplement its import. The project was taken up in association with a few leading consultants in China and was completed in record time.

The new facility is able to achieve standard yield, quantity and recovery. New innovative process modification taken up has further enhanced its cost effectiveness. Availability of water, fuel and continued power supply at a lower cost as per Chinese standard is a significant advantage and adds to cost effectiveness.

Part of the finished products are transferred to Aurobindo Tongling (Datong) Pharmaceutical Company Limited, another Chinese venture, for the manufacture of various semi synthetic penicillins. This cGMP compliant plant, caters to the domestic market of China.

PYDIBHIMAVARAM UNIT

The greenfield API unit at Pydibhimavaram, near Srikakulam went on stream during the year. The unit spread over 112 acres of land, is a cost effective mega production facility. Constructed with an investment of Rs.1150 million, it adds muscle to the Company's product line up, improves economics of production and has made Aurobindo a volume player.

Part of the facilities is in full swing production. When the entire unit goes on stream, it will produce some of the finest quality bulk drugs apart from significant quantities of intermediates. The product range at the unit include, 7ADCA, Amoxicillin, Cloxacilin, CMIC acid, DiCMIC acid, FCMIC acid, etc.

By virtue of its better design, the unit gives a better yield, has lower utility consumption, and equally important, the unit can take up bigger batches of production. Captive generation of power has kept the energy cost at enviable levels. Recovery of solvents and reactants not only reduces the load of effluents, but also adds to the economies of scale. The effluent discharges are treated before release, to pro-actively remain within pollution control norms.

The transformation - the dynamics

Its not just infrastructure. Its not market leadership. Its not only the power packed product list. Its more than that. The aggregate strengths of Aurobindo make it a potent player. The refashioning of the manufacturing facilities and the readiness to take on the regulatory markets, has added to the vibrancy of the Company.

Some of its strengths, and the changed dynamics can be briefly iterated as follows:

Width of product portfolio

with leadership in many segments of semi synthetic penicillins, cephalosporins, anti virals and anti depressants. This makes it easier for the customers. They see a one-stop shop with a vertically integrated product range.

World class mega facilities, conforming to cGMP standards. A select few are being readied for servicing the regulatory markets.

Technology driven company, meeting the challenges of complex chemistry. Every production facility has been scaled up to meet the most stringent customer needs.

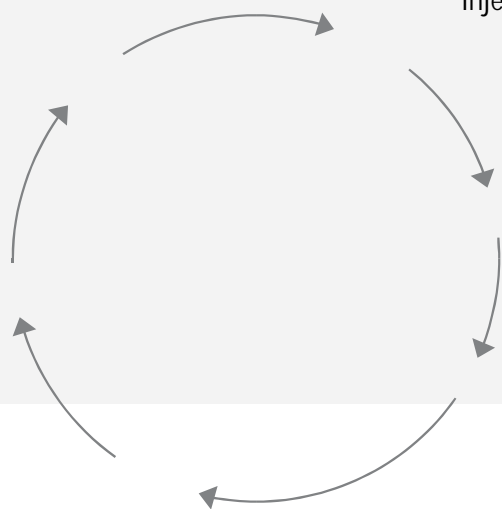
Intellectual properties of the Company have inspired the Company to work for the next levels. Research & Development wing is out to improve product characteristics, enhance quality assurance standards, develop new non-infringing processes and apply for patents, lower the cost of manufacture and reduce environmental impact.

Ability to offer competitive pricing to customers for the volume they need. Every unit is capable of supplying in any dosage forms viz., tablets, capsules, soft gelatine capsules, dry syrup, liquid syrup, ointments and injectibles.

Build on the **strong international presence** (currently spread over 70 countries) and leverage the experience to carve a significant market share in the regulatory markets in the foreseeable future.

Skilled and committed professionals, helping to translate the corporate vision into shareholder wealth. The Company is lead by hands-on management that is single minded in delivering results. They have speed, healthy confidence in their abilities and have organisational drive to achieve leadership in their area of competence.

Each of them adds up. The amalgam will drive share owner value consistent with top-tier performance.



Where are we heading.....

We are investing in the future. We are investing in science, technology and quality systems. We are creating a significant milestone in repositioning and strengthening Aurobindo, on its road map, and are transforming the Company into a leading player in the global markets. We have a sense of where we must go as a company, and have drawn up a clear path to reach there.

Aurobindo would like to play a significant role in both regulated and other global markets. This ambitious programme is being fast tracked by addressing a series of action plans that together will help shift gear for the Company. Some of the key elements that are helping to gain momentum are detailed below:

Develop a broad portfolio of Drug Master Files (DMFs) and Abbreviated New Drug Applications (ANDAs) through non-infringing processes and intellectual properties and become a significant player in the generics market, especially in the regulated markets. These will be filed selectively. Priority is being given to fast moving products that can seize opportunities in the post product patent regime. Filing ANDAs for products for which process patents have been granted, would add to the marketing muscle.

Manage cost efficiently in a mega-manufacturing environment approved by US FDA/European regulatory authorities; and in the process, enhance the attractiveness of Aurobindo Pharma to alliance partners. This also means provide **quality conscious** health care at affordable costs to end-users.

Resolve complex chemical challenges and offer advanced drugs to the global markets.

Globalise and further penetrate through joint ventures/subsidiaries/organic means into China, Brazil and other Latam countries. The manufacturing and marketing joint ventures will add to the cutting edge of the Company. The manufacturing units will help source raw materials and intermediates

Emerge as a leading player in global high quality innovative formulations and domestic brand segments.

Provide value to its customers and the medical profession by ensuring that the Company's strategic growth plan responds proactively to the changing requirements of the medical profession, and thereby enables its core customers to meet their market needs.

Aurobindo shall continuously exert itself to **add value** for its stakeholders – customers, associates and investors.

Chairman

P.V. Ramaprasad Reddy

Managing Director

K. Nityananda Reddy

Whole-time Directors

Dr. M. Sivakumaran

B. Siva Prasad Reddy

Non-Executive Directors

Srinivas Lanka

Dr. I. Sathyamurthy

V.S. Janardhanam

Dr. S. Bimal Singh

Dr. K.A. Balasubramanian

Company Secretary

B. Adi Reddy

Auditors

S.R. Batliboi & Co.
Chartered Accountants
205, 2nd Floor,
Ashok Bhoopal Chambers,
S.P. Road, Secunderabad - 500 003.

Internal Auditors

K. Nagaraju & Associates
Chartered Accountants
Chikkadpally, Hyderabad.

Bankers

Andhra Bank

Canara Bank

HDFC Bank Limited

HSBC Bank

ICICI Bank Limited

Standard Chartered Bank

State Bank of Hyderabad

State Bank of India

Dear Members,

Your Directors have pleasure in presenting the 16th Annual Report of the Company together with the Audited Accounts for the financial year ended 31st March, 2003.

FINANCIAL RESULTS

	(Rs. Million)	
	2002-03	2001-02
Gross Turnover	11903.8	10377.2
Profit before Depreciation, Interest and Tax including Extraordinary income	2058.6	1470.4
Depreciation	231.8	158.1
Interest	425.9	423.9
Provision for Tax/Deferred tax	369.5	203.3
Net Profit	1031.4	685.1
Balance brought forward from Previous year	125.3	25.8
Profit & Loss Account Debit balance Transferred on amalgamation	(5.8)	--
APPROPRIATIONS		
Debentures Redemption Reserve	172.1	--
Dividend on Equity Shares	79.4	60.6
Tax on Dividend	10.2	--
General Reserve	750.0	525.0
Balance carried to Balance Sheet	139.2	125.3

REVIEW OF OPERATIONS AND OUTLOOK

The past year has seen your Company achieve advances across all areas of its operations, and also record a strong financial performance. Gross turnover improved by 14.7 per cent, while the pre-tax profit of Rs.1276.6 million, net of exceptional items, showed a healthy 61.9 per cent growth.

As Members are aware, your Company had earned a pre-tax profit of Rs.788.4 million from operations in the previous year, and in comparison the pre tax profits are Rs.1400.9 million in the year under review. This growth is despite the increased provision for depreciation in the current year, consequent to a larger asset base of the Company.

The financial strength continues to successfully sustain your Company's business model, which is centered on attaining

market leadership in its chosen areas of competence at an internationally competitive level. Your Company will always endeavour to leverage its product, technological and people strength to enhance share owner value. This sustainable growth model is being further strengthened with new initiatives that will add to the Company's fundamentals.

Looking to the future needs, your Company has made strategic investments in upgrading its production facilities both at Hyderabad and Pydhibhimavaram (Srikakulam district) added to its offshore infrastructure for sourcing raw materials and has extended its reach through its marketing subsidiaries and joint ventures. Significant improvement already made and those in the pipeline will transform your Company into a serious player in the regulated and other global markets.

The restructuring process of upgradation and modernization of existing units and construction of new units, initiated in the year 2001-02 are being completed as per schedule. Most of these facilities have already gone live and your Company sees the benefits accruing in the forward years. Part of the gains are already visible in the current financial year.

Substantial progress has already been made by continuing with the Company's development pipeline. Your Company's Research & Development wing has initiated steps to file dossiers and prepare Drug Master Files, as well as seek non-infringing process patent approvals.

Approvals from international regulatory authorities are expected in the near future. Two patent approvals have already been received and the Company will pursue its efforts to seek exclusivity with its non-infringing processes.

Your Company is addressing large market opportunities both in active pharmaceutical ingredients (API) and generic/speciality generic formulations in the regulated markets. The world class manufacturing facilities in place, compliance with Good Manufacturing Practices as a routine, consistently best quality production and adherence to approved production systems is supporting this effort.

The endeavour is to become a large volume player in the generics market, on the back of the Company's strong presence in the API segment. Your Company sees potential, and is building a strong platform in global generics business.

Your Company is also ensuring that its marketing efforts stay tuned to the needs of the customers and has initiated steps

to develop its presence in quality conscious premium markets. Subsidiaries and joint ventures will help reduce marketing lag and improve the reach for your Company's products.

The present initiatives also include converting the Company into a cost effective producer. This will enable your Company to meet the challenges of competitive global markets in the future, especially in the generics markets. Only stronger players with basket of quality products and financial muscle are expected to deliver, and your Company is ensuring to be one of the few leading players.

Your Company is working towards accelerated growth, both in revenues as well as its earnings. Sustainable medium and long-term goals are being pursued. Our customer focus will always be matched by our efforts to meet the stakeholder interest. Investors in Aurobindo can look forward to robust growth.

MANAGEMENT DISCUSSION AND ANALYSIS

A detailed discussion on the Company's financial results, opportunities available, risks and concerns, quality, cost management, internal controls, subsidiaries, joint ventures, human resources and outlook forms part of this report.

AMALGAMATION OF RANIT PHARMA & CALAC

During the year Ranit Pharma Limited (RPL) and Calac Private Limited amalgamated with your Company with effect from 1st April, 2002 and the Company's audited financial results are inclusive of results of both the companies. Calac was a wholly owned subsidiary of RPL and RPL, in turn, had become a wholly owned subsidiary of the Company during the year. As per the Scheme of Amalgamation, no equity shares of your Company were allotted to the erstwhile shareholders of RPL and Calac.

INCREASE IN SHARE CAPITAL

As you are aware, the Company has successfully completed its private placement issue and allotted 2,000,000 equity shares of Rs.10 each to Promoters/Directors and Templeton Strategic Emerging Markets Fund LDC at Rs.226 per share and equal number of convertible share warrants. The warrants of Templeton have been converted into equity shares of the Company by exercising its option in the month of September 2002. Part of the promoter's warrants have also been converted into equity shares during the year.

The funds so mobilized were used mainly for construction of new facilities and for upgradation of existing facilities and investment in the Company's wholly owned subsidiary companies. Consequent to the private placement, the paid up equity share capital of the Company was increased from 2,0670,000 equity shares of Rs.10 each to 23,250,000 equity shares of Rs.10 each.

DIVIDEND

Your Directors are pleased to recommend for approval of Members at the ensuing Annual General Meeting dividend of 35% for the year ended 31st March, 2003 on the expanded capital of Rs.232.5 million. The dividend will be paid on pro rata basis subject to the approval of the Members, to the registered members as on the book closure date.

RESEARCH & DEVELOPMENT

Your Company's state-of-the-art R&D Centre concentrates on two categories of reverse engineering processes. The focus of research is anti-infectives and drugs for the central nervous system and cardiovascular system.

The emphasis has been to help create a strong presence in the global generics business. Hence research efforts are directed towards creating non-infringing processes, resolving complex chemistry and building challenging manufacturing environment. In the long term, your Company will explore opportunities in biotechnology, bioinformatics and new chemical entities.

Productivity at your Company's APL Research Centre is high. Aurobindo is able to rapidly scale up and commercialise products because of its process skills and research capabilities.

Your Company will continue to strengthen its knowledge base and intellectual property, and add to its product strengths. Investments in R&D efforts were stepped up during the year under review. This trend will continue.

INVESTMENTS

During the year, your Company has made the following investments in its wholly owned subsidiary companies. The total investment made during the year is Rs.846.7 million.

	Rs. Millions
Aurobindo (H.K.) Limited, Hong Kong	93.2
Aurobindo (Datong) Bio-Pharma Co. Limited, China	585.9
Aurobindo Tongling (Datong) Pharmaceutical Co. Limited, China	58.9
APL Holdings, Inc., USA,	69.8
AB Farmo Quimica Limitada, Brazil	38.9

There has been diminution in the value of investments in Aurobindo (H.K.) Limited, Hong Kong and the Brazil based Aurobindo Farmaceutica Do (Brasil) Limitada. The subsidiary at Brazil has been amalgamated with another subsidiary AB Farmo Quimica Limitada, Brazil. Rs.57.9 million has been provided for diminution in the value of the above mentioned two subsidiaries.

Aurobindo Tongling (Datong) Pharmaceutical Company Limited, a joint venture company, is a 100% subsidiary with

effect from 31st October 2002 by virtue of acquisition of 50 per cent share held by JV Partner by Aurobindo (Datong) Bio-pharma Company Limited.

Aurobindo (Datong) Bio-Pharma commenced commercial production in November 2002. This subsidiary is expected to increase its operations in the coming years and report improved results.

Your Company's joint venture in the country, Citadel Aurobindo Biotech Limited has been a source of strength to your Company's efforts in marketing formulations in the domestic markets. The joint venture company has stabilized and is making enviable progress.

Brief financials of the subsidiaries and joint ventures are given in the table below. The figures are exclusive of minority interest and the interest of the respective joint venture partners.

Name of Subsidiary	Total Income	Rs. Millions	
		Profit/(Loss) before Tax	Net Profit/(Loss) after tax
APL Pharma Thai Limited	422.8	4.8	3.6
Aurobindo (H.K.) Limited	455.4	(43.3)	(43.3)
APL Chemi Natura Limited	330.2	(10.3)	(6.5)
AB Farmo Quimica Limitada	173.2	(15.3)	(15.3)
APL Holdings Inc	0.9	(3.3)	(3.3)
Aurobindo (Datong) Bio-Pharma Company Limited	305.8	(73.7)	(73.7)
Aurobindo Tongling (Datong) Pharmaceutical Company Limited	853.8	14.5	14.5
Name of Joint Venture			
Aurosol Pharma LLC	0.03	(1.7)	(1.7)
Cephazone Pharma Inc	0.2	(15.4)	(15.4)
Citadel Aurobindo Biotech Limited	233.8	(90.5)	(90.5)

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

V.S. Janardhanam, Dr. S. Bimal Singh and Dr. K.A. Balasubramanian have been inducted into the Board as

Independent Non-executive Directors of the Company. V.S. Janardhanam, M.Sc. (Ag.), is a senior banker retired as Asst. General Manager, Allahabad Bank. He has an extensive knowledge and experience in industrial finance and banking. His association in the Board is expected to benefit the Company in its financial planning.

Dr. S. Bimal Singh, M.B.B.S., D.M.RD, is a Consultant Radiologist in Hyderabad. His expertise as a healthcare practitioner is expected to help the Company in certain areas of research and development etc.

Dr. K.A. Balasubramanian, Ph.D., is a Scientist worked in India and Canada for about 14 years. He was associated as Technical Director and Chief Consultant with a number of Chemical Companies. Dr. K.A. Balasubramanian, has also been the promoter and Technical Director of Calac Private Limited, a company which has been now merged with Aurobindo Pharma Ltd. With extensive chemical and technology knowledge and experience in the Chemical Industry in various capacities, is expected to contribute to the benefit of the Company in the technology area.

With the induction of new additional directors, your Company's Board comprises of 9 Directors of which 5 are independent non executive directors and 4 are executive directors.

In accordance with the provisions of the Companies Act, 1956, read with the Articles of Association of the Company, Lanka Srinivas & Dr. I. Sathyamurthy retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

DELISTING OF COMPANY'S EQUITY SHARES FROM AHMEDABAD AND MADRAS STOCK EXCHANGES

The equity shares of your Company are presently listed on the following stock Exchanges:

The Hyderabad Stock Exchange Ltd
The Stock Exchange, Mumbai (BSE)
The Stock Exchange, Ahmedabad
The Madras Stock Exchange Limited
The National Stock Exchange of India Limited

Trading pattern of your company's shares on Ahmedabad and Madras Stock Exchanges, shows that the Company's shares are not traded in material volumes in both these exchanges during the last few years. The Board of Directors of your Company at its meeting held on 30th June, 2003 recommended the voluntarily delisting of shares from Ahmedabad and Madras Stock Exchanges subject to Members and other necessary approvals. The Company's shares will however continue to be listed on the Stock Exchange, Mumbai, the National Stock Exchange of India Limited and the Hyderabad Stock Exchange.

A Special Resolution seeking your approval for such delisting is included in the Agenda of the ensuing Annual General Meeting.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions of Section 217 (2AA) of the Companies Act, 1956 as amended, the Board of Directors confirms that in the preparation of the Profit & Loss Account for the year ended 31st March 2003 and the Balance Sheet as at that date:

- i) in the preparation of the annual accounts, the applicable Accounting Standards issued by the Institute of Chartered Accountants of India have been followed;
- ii) appropriate accounting policies have been applied consistently. Judgement and estimates which are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profits of the Company for the year;
- iii) proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- iv) the annual accounts have been prepared on a going concern basis.

CORPORATE GOVERNANCE

Your Company has been making every endeavor to put in place a formalized system of Corporate Governance. As per the requirements of the Listing Agreement with the stock exchanges, a report on Corporate Governance, duly certified, is given in the Annexure.

AUDIT COMMITTEE

The Company has formed an Audit Committee comprising Srinivas Lanka as the Chairman, with V.S. Janardhanam and Dr. S. Bimal Singh as its Members. All of them have rich and varied experience in managing companies and are conversant with the intricacies of the global pharma industry.

AUDITORS

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

The statutory auditors have reported on the Consolidated Financial Statements based on the unaudited accounts of the subsidiaries as at 31st March 2003. All the seven subsidiaries referred by them in their report close their respective books of account as at 31st December every year and the accounts are duly audited. In order to facilitate consolidation of the accounts as at 31st March 2003, the books of account of all the seven subsidiaries are compiled and certified by the management as on that date. Reliance has been made by the statutory auditors on the audited accounts as at 31st December 2002 and on the unaudited accounts as at 31st March 2003.

The comments of the statutory auditors in their report on the accounts of the Company and on the Consolidated Financial Statements are self-explanatory.

COST AUDITORS

The Cost Auditors, Messrs. R.R. Sharma & Co., Cost Accountants, Secunderabad 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 2003-04.

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.

PATICULARS OF EMPLOYEES

None of the employees drew remuneration of Rs.2.4 million or more per annum / Rs.0.2 million or more per month during the year. This information is furnished as required under Section 217 (2A) of the Companies Act , 1956 read with the Companies (Particulars of Employees) Rules, 1975.

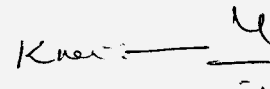
ACKNOWLEDGEMENTS

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.

For and on behalf of the Board



Dr. M. Sivakumaran
Whole-time Director



K. Nityananda Reddy
Managing Director

Place : Hyderabad
Date : 30th June, 2003

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

FORM – A

	31.03.2003	31.03.2002
CONSERVATION OF ENERGY		
1. Power & Fuel Consumption		
a) Electricity Purchased:		
Units (Nos. in Millions)	58.91	33.88
Total Amount (Rs. Millions)	231.29	143.85
Unit Rate (Rs.)	3.93	4.25
b) Own Generation:		
i) Through Diesel Generator		
(No.of units in Millions)	5.55	12.73
Units per litre of diesel	3.00	3.36
Oil Cost per Unit (Rs.)	6.05	5.24
ii) Through Steam Turbine/ Generator		
(No.of units in Millions)	5.69	–
Units per litre of Oil/Gas	5.78	–
Cost per Unit (Rs.)	4.91	–
2. Coal		
Quantity (M.T)	30,685.17	4,426.25
Cost (Rs. Millions)	62.79	9.27
Average Rate/M.T.(Rs.)	2,046.21	2,092.29
3. Furnace Oil		
Quantity (K.Litres)	7,112.66	9,430.17
Total Cost (Rs. Millions)	69.88	101.05
Average Rate/K.Litres (Rs.)	9,824.31	10,715.99

CONSUMPTION PER UNIT OF PRODUCTION

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

FORM - B

**TECHNOLOGY ABSORPTION
RESEARCH AND DEVELOPMENT**

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)	
	2002-2003	2001-2002
a) Capital	75.13	49.3
b) Recurring	145.33	80.1
	220.46	129.4
c) Total R&D expenditure as a percentage of total turnover	1.82%	1.23%

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

- a) 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.
- b) Foreign exchange earned and out-go during the year ended 31st March, 2003.

	(Rs. Millions)	
	2002-03	2001-02
Foreign exchange earned	5,651.70	4,868.86
Foreign exchange outgo		
Raw materials	4,925.93	3,351.16
Other expenses	121.27	99.26
	5,047.20	3,450.42

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 generic/speciality generic formulations.

It ranks among the top five 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. Exports accounts for approximately 48 per cent of the gross turnover.

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 the 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 around 34 per cent of its business. Sterile cephalosporins, which involve complex chemistry and are known to have entry barriers, constitute 17 per cent of the revenues. The Company has launched newer drugs like cephalosporins (contributing to about 36 per cent 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)

	1999-00	2000-01	2001-02	2002-03
Sales	7,456.0	9,961.0	1,0377.2	11,903.8
Other Income	34.7	116.5	143.7	240.5
Gross Profit (PBDIT)	1,207.1	1,398.8	1,470.4	2,058.6
Interest	294.0	416.8	423.9	425.9
Depreciation	95.2	147.8	158.1	231.8
Tax	71.9	151.1	203.3	369.5
Net Profit	746.0	683.1	685.1	1,031.4

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 generic/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 Limited is leading the marketing and distribution of domestic

formulations. Manufacturing for the joint venture would continue to be with your Company.

Aurobindo's objective is to be a high growth technology company that achieves profitable growth with a strong cash flow and sustainable market leadership position, thus creating increased shareholder value.

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.

ABRIDGED BALANCE SHEET

(Rs. Millions)

	1999-00	2000-01	2001-02	2002-03
Fixed Assets				
Gross Block	1548.0	2090.6	2750.8	4944.0
Less: Depreciation	209.0	376.0	490.5	806.3
Net Block	1339.0	1714.6	2260.3	4137.7
Investments	24.0	237.6	737.3	1523.1
Current Asset, Loans & Advances	3122.3	4440.1	5859.0	7568.9
Less: Current Liabilities & Provisions	879.2	1367.1	1545.0	2260.1
Bank Borrowings (incl. CP)	519.6	902.1	799.3	--
Net Working Capital	1723.5	2170.9	4314.0	5308.8
Net Tangible Assets	3086.5	4123.1	7311.6	10969.6
Less: Secured Term Loans	615.2	872.4	1927.6	4065.7
Unsecured Loans	274.2	484.5	1545.1	1189.0
Net Worth	2197.1	2766.2	3838.9	5714.9
Represented by				
Share Capital				
- Equity Shares	100.0	200.0	206.7	232.5
- Preference Shares	90.0	--	--	--
Share Capital Suspense/Share Warrants	--	2.0	10.6	21.5
Reserves & Surplus	2007.1	2564.2	3406.9	5101.4
Total	2197.1	2766.2	3624.2	5355.4
Less: Misc. Expenditure not written off	--	--	6.5	--
Deferred tax liability	--	--	221.2	359.5
Net Worth	2197.1	2766.2	3838.9	5714.9
Net Worth (excl. Preference Shares)	2107.1	2766.2	3838.9	5714.9

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.

Your Company has submitted registration dossiers pharmaceutical raw materials (Drug Master Files) for a total of 10 products, and has started registration procedures for 17 more products.

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 cost effective 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 has 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.

Awareness both in quality control and production departments stands enhanced. Investment in equipments and practical training has made it easier. Consistent quality is routinely achieved.

Capacity increases have been achieved with improvements in efficiencies. At every unit, the yields are better. Indeed, the Pydhibhimavaram unit (Unit 11) is setting a very high benchmark in this regard.

SALES MIX

Particulars	2000-01		2001-02		2002-03	
	Rs. Millions	%	Rs. Millions	%	Rs. Millions	%
SSP Bulk Drugs	3224.9	32	3613.6	35	3990.3	34
SSP Steriles	378.7	4	566.3	5	612.4	5
Cephalosporin - Orals	1620.0	16	1577.2	15	2265.8	19
Cephalosporin - Steriles	1157.9	12	1626.2	16	2026.4	17
Other Drugs	1030.6	10	853.6	8	1435.4	12
Formulations	511.9	5	873.3	9	627.3	5
Miscellaneous	2037.0	21	1267.0	12	946.2	8
Total	9961.0	100	10377.2	100	11903.8	100

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.

As in the previous year, there are certain events or transactions during the year that need mention. Your Company shed assets, facilities, equipments and products where the returns are not commensurate with the investments or effort.

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 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.

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 (H.K.) Limited, Hong Kong
APL Holdings Inc., USA
AB Farmo Quimica Limitada, Brazil
Aurobindo (Datong) Bio-Pharma Limited, China
Aurobindo Tongling (Datong) Pharmaceutical Co. Limited, China
Shangai Widetex Chemical Co. Limited, 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 and started commercial operations

in the year 2000-01. The Company achieved a turnover of Rs.330.2 million during the year 2002-03 and incurred a loss of Rs.6.5 million. The main reasons for incurring losses were the fluctuations in international price and pressure on margins in the trading business.

APL Pharma Thai Ltd

This subsidiary registered sales of Thai Baht 377.7 million in the year 2002 against Baht 370.0 million in the previous year and earned a profit of Baht 5.4 million against Baht 2.9 in the previous year. It has become a subsidiary by virtue of majority of Directors on the Board being representatives of your Company. Your Company is holding 48% of the paid-up capital of the Company.

Aurobindo (H.K.) Limited

During the year, this Hong Kong based subsidiary has registered a turn over of HK \$ 58.1 million against HK\$ 235.5 million in the previous year and earned a loss of HK \$ 6.1 million as against a net profit of HK\$ 0.3 million in the previous year. There has been diminution in the value of investments in Aurobindo H.K. Limited, Hong Kong. Rs.44 million has been provided in the books of the parent company for diminution in the value of the subsidiary.

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 \$ 0.02 million as against US \$ 0.04 million in the previous year. The Company incurred a loss of US \$ 0.03 million, the same as in the earlier year.

Your Company had entered into agreements to form joint venture companies called Cephazone Pharma LLC, USA in association with Geravi Inc., a subsidiary of Medpharmex, USA to make sterile and non-sterile cephalosporins and Aurosol Inc. in association with Salus Pharmaceuticals Inc. The investment in these JVs is met by your Company's wholly owned subsidiary viz., APL Holdings Inc.

Aurosol has yet not started commercial production and the pre-operative expenditure of the year of US \$ 0.07 million was taken as loss. Cephazone has registered a total income of US \$ 0.009 million and incurred a loss of US \$ 0.6 million during the same period.

Aurobindo Farmaceutica Do Brasil Limitada

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. It was considered appropriate that this subsidiary be amalgamated with another subsidiary AB Farmo Quimica Limitada, Brazil and the process was completed during the year under review.

AB Farmo Quimica Limitada

It was incorporated as Limited Liability Company in the State of Gois, Brasil on 27th February, 2001 and commenced its commercial operations in December, 2001. For the period under report, it has registered a turnover of Reais 8.4 million as compared to Reais 0.04 million in the previous year. The loss for the year was higher at Reais 0.4 million as against a marginal loss in the previous year.

As mentioned earlier, Aurobindo Farmaceutica Do Brasil Limitada was amalgamated with this Company. There has been diminution in the value of investments. Rs.13.9 million has been provided in the books of the parent company for diminution in the value of the subsidiary.

Aurobindo (Datong) Bio-Pharma Company Limited

During the year under review, an amount of Rs.585.9 million has been invested in Aurobindo (Datong) Bio-Pharma Company Limited, a 100% subsidiary of your Company. Your Company has started benefiting by the project going on schedule.

This company started as a wholly owned subsidiary company with an investment of Rs.1057.3 million for manufacture of 7ACA and other fermentation products and commenced commercial production during the year under report. The quality of product is satisfactory and the management is confident that it will register good returns in the years to come. During the year your Company has registered a total turnover of RMB 4.7 million and incurred a loss of RMB14.6 million.

Import of low cost Pen G from captive production in China is a bottomline story. Your Company has now assured, consistent quality supplies of key raw material, helping the Company become one of the large, and possibly, the most cost effective producers.

Aurobindo Tongling (Datong) Pharmaceutical Co. Ltd, China

Originally incorporated as a 50:50 Joint Venture Company between Aurobindo Pharma Ltd and Shanxi Tongling Pharmaceuticals Co., Ltd for manufacture of pharmaceutical products for the local market. Later, in October 2002, the JV partner's stake has been acquired by Aurobindo (Datong) Bio-Pharma Company Limited and this Company became a wholly owned subsidiary of Aurobindo Pharma Ltd.

During the year, it registered a total turnover of RMB 233.1 million as compared to RMB 110.7 million. The company has posted a net profit of RMB 11.5 as against RMB 5.3 million in the corresponding period in the previous year.

Shanghai Widetex Chemical Company Limited, China

80 per cent shares of Shanghai Widetex Chemical Company Limited, are held by another subsidiary of your Company, Aurobindo (H.K.) Limited. Therefore, it is a subsidiary to your Company. During the year it registered a turnover of RMB 6.5 million against RMB 5.3 million in the previous year, and incurred a loss of RMB 2 million as against a loss of RMB 1.2 million in the earlier year.

JOINT VENTURES

As you are aware, 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 focuses 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. CABL is well positioned to achieve high growth rates given the combined strengths that the two partners bring to this joint venture.

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, qualified and experienced 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 now an empowered team of 2,450 personnel.

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 motivates the staff.

Your Company continued to strengthen its employee and management team. There is a reservoir of skilled professionals holding advanced degrees, including Ph.D.'s and Master's degrees. The expansion of the experienced and innovative management team has enabled the Company to accelerate its program and reduce the risks inherent in the business.

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.

OUTLOOK

Aurobindo will face challenges, both anticipated and unanticipated, because the goals are high. However, Aurobindo is poised to meet those challenges. Your Company's employees and customers remain happy, the balance sheet is in great shape, and the Company has proved its ability to deliver the best in product quality supported by state-of-the-art technology.

Therefore there is a good foundation for growth. The set of changes being implemented will transform the Company into a significant world player, working to create good health. Aurobindo's shareholders can look forward to solid visibility in line with current earnings expectations.



A view of the Pydhibhimavaram Unit

Rs. Millions

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 are 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. The Company updates its website on an on-going basis www.aurobindo.com with all relevant information.

BOARD OF DIRECTORS

As on date, the Board consists of nine directors with thorough insight into the functioning of the pharmaceutical industry. Four of them are executive and five are non-executive independent directors. The Board has taken all necessary steps to strengthen its constitution with optimum combination of executive and non-executive independent directors. In line with the requirements of the listing agreement, the Board comprises of majority of independent directors.

• 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. Siva Prasad Reddy	1	2
K. Nityananda Reddy	Executive/Promoter	-	2	2
Dr. M. Sivakumaran	Executive	-	-	-
B. Siva Prasad Reddy	Executive	Related to P.V. Ramaprasad Reddy	2	1 ^a
Srinivas Lanka	Non-executive Independent	-	-	3
Dr. I. Sathyamurthy	Non-executive Independent	-	-	2 ^a
V.S. Janardhanam ^b	Non-executive Independent	-	-	1
Dr. S. Bimal Singh ^b	Non-executive Independent	-	-	2
Dr.K. Balasubramanian ^c	Non-executive Independent	-	-	-

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

a. Audit Committee members upto 28th March, 2003

b. Appointed with effect from 28th March, 2003

c. Appointed with effect from 13th June, 2003

Rs. Millions

- Attendance at the Board Meetings during the financial year 2002-03 and last Annual General Meeting

Director	No. of Board Meetings	Attendance Board Meetings	AGM
P. V. Ramaprasad Reddy	18	10	Yes
K. Nityananda Reddy	18	18	Yes
Dr. M. Sivakumaran	18	17	Yes
B. Siva Prasad Reddy	18	18	Yes
Srinivas Lanka	18	2	Yes
Dr. I. Sathyamurthy*	11	2	Yes
V.S. Janardhanam^	-	-	N.A
Dr. Bimal Singh^	-	-	N.A
Dr. K.A. Balasubramanian#	-	-	N.A

* Appointed w.e.f 29th April, 2002

^ Appointed with effect from 28th March, 2003

Appointed with effect from 13th June, 2003

- Number of meetings of the Board of Directors held during the financial year 2002-03 and the dates on which held

Sl.No	Date	Board Strength	Directors Present
1	3rd April, 2002	5	4
2	4th April, 2002	5	4
3	8th April, 2002	5	3
4	11th April, 2002	5	3
5	12th April, 2002	5	4
6	14th April, 2002	5	4
7	29th April, 2002	6	4
8	30th June, 2002	6	5
9	31st July, 2002	6	3
10	9th September, 2002	6	3
11	27th September, 2002	6	6
12	31th October, 2002	6	4
13	15th November, 2002	6	3
14	5th December, 2002	6	4
15	17th December, 2002	6	3
16	31st January, 2003	6	4
17	26th March, 2003	6	3
18	28th March, 2003	6	3

Details of Directors proposed for reappointment

Srinivas Lanka and Dr. I. Sathyamurthy retire by rotation and being eligible, offer themselves for reappointment. Further, Dr. S. Bimal Singh, V.S. Janardhanam and Dr. K.A. Balasubramanian are being proposed to the office of Director under Section 257 of the Companies Act, 1956. A brief bio-data of the Directors are as follows:

Srinivas Lanka is an alumni of Indian Institute of Management and a member of Institute of Cost and Works Accountants of India and has over 21 years of rich experience at senior management level in multinational and Indian pharmaceutical companies. Earlier, he was working as a Wholetime Director of the Company. He is not a director in any other company.

Dr. I. Sathyamurthy, MD, DM (Cardiology), received his post-doctoral training in USA and France. He is an eminent cardiologist and is a Director of Department of Cardiology, Apollo Hospitals, Chennai and also honorary cardiologist to the President of India. He was conferred Padma Shri in January 2000 for his outstanding contribution in the field of cardiology. He is also a recipient of the prestigious Dr. B.C. Roy National Award (2001) and was recognised as the 'The best talent in encouraging the development of specialty of Cardiology'. He is not a director in any other company.

V.S. Janardhanam, M.Sc. (Ag.), aged 63 years, is a senior banker and retired as Assistant General Manager, Allahabad Bank. He has extensive knowledge and experience in industrial finance and banking. His association with the Board benefits the Company in its financial planning. He is not a director in any other company.

Dr. S. Bimal Singh, M.B.B.S., D.M.RD., aged 44 years, is a Consultant Radiologist in Hyderabad. His expertise as a healthcare practitioner helps the Company in the area of research and development. He is not a director in any other company.

Dr. K.A. Balasubramanian, Ph.D., is a scientist and worked in India and Canada for about 14 years. He was associated as Technical Director and Chief Consultant with a number of chemical companies. Dr. Balasubramanian, has been the promoter and Technical Director of Calac Private Limited, a company which has been now merged with the Company. He is not a director in any other company.

With extensive knowledge of chemicals and technology and vast experience in the chemical industry in various capacities,

Rs. Millions

Dr. Balasubramanian contributes to the Company in the area of technology.

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 well as those of the Listing Agreements.

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 review, the Audit Committee met four times.

Composition

The Audit Committee comprises three Non-Executive Directors, all them being Independent Directors. The Director responsible for the head of Internal Audit and the representative of the Statutory Auditors are permanent invitees to the Audit Committee. The Company Secretary is the Secretary to the Committee. The representative of the Cost Auditors is invited to meetings of the Audit Committee whenever matters relating to cost audit are considered. The Chairman of the Committee is a Non-Executive Independent Director having expertise in accounting and financial management. The Committee met 3

times during the year on 30th June 2002, 31st October 2002 and 30th January 2003.

- Attendance at the Audit Committee Meetings during the financial year 2002-03 and last Annual General Meeting

Member	No. of Meetings	Attendance Audit Committee Meeting	AGM
Srinivas Lanka	3	3	Yes
Dr. I.Sathyamurthy	3	1	Yes
B. Siva Prasad Reddy	3	3	Yes

REMUNERATION COMMITTEE

The composition of the committee comprises three independent directors. The Chairman of the Committee is a Non-Executive Independent Director.

Remuneration Policy: 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 Whole-time 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 salary, house rent allowance, perquisites, contribution to provident fund, gratuity and leave salary.

During the year, the Committee has not met. However, the remuneration paid to the Whole-time Directors was consistent with the established norms of the Remuneration Committee, were within the limits laid down by the Companies Act and approvals granted by the Members of the Company.

Details of remuneration to Directors during the financial year 2002-2003.

a) Executive Directors

Name of Director	Salary	Perquisites	Contribution to P.F	Total
P.V. Ramaprasad Reddy	1.44	0.91	0.01	2.36
K. Nityananda Reddy	1.44	0.18	0.01	1.63
Dr. M. Sivakumaran	1.44	0.18	0.01	1.63
B. Siva Prasad Reddy	1.44	0.18	0.01	1.63
Total	5.76	1.45	0.04	7.25

b) Non executive Directors: Sitting fee of Rs.5,000 is paid for attending each meeting of the Board of Directors. During the year, the sitting fees paid were as follows:

Name of Director		Sitting fee (Rs in full)
Srinivas Lanka	Non-executive Independent	5,000
Dr. I. Sathyamurthy	Non-executive Independent	10,000

SHAREHOLDERS/INVESTORS GRIEVANCE COMMITTEE

The Committee was constituted with two executive directors as its members and one Non-Executive Independent Director as its Chairman with the main object of strengthening the Company's investors relations. The main functions of the Committee are to look in to the matters of investors' grievance pertaining to:

- Transfer, transmission, split and consolidation of holdings by investors
- Dematerialisation of shares
- Non receipt of dividend and other corporate benefits
- Replacement of lost/mutilated/stolen share certificates
- 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 a summary of complaints received and attended to by the Committee during the year:

Nature of Complaints	Received	Resolved	Pending
A. Complaints received from Share owners			
Share Certificates	187	187	–
Dividend	68	68	–
Loss/Duplicate Shares	4	4	–
Annual Reports	10	10	–
B. Complaints of Share owners forwarded by			
SEBI	3	3	–
Stock Exchanges	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.

VENUE AND TIME OF THE LAST THREE ANNUAL GENERAL BODY MEETINGS

Year	Location	Date	Time
2000	Hotel Green Park	28.09.2000	3.00 P.M
2001	ITC Hotel Grand Kakatiya	29.09.2001	3.00 P.M
2002	Hotel Viceroy	27.09.2002	3.00 P.M

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

Registered Office

Aurobindo Pharma Limited,
Plot No.2, Maitri Vihar, Ameerpet,
HYDERABAD – 500 038 Andhra Pradesh
Tel No. 91-40-5572 5000
Fax Nos. 91-40-2374 1080 / 2374 6833

Name & Designation of Compliance Officer

B. Adi Reddy,
Company Secretary,
Aurobindo Pharma Limited,
Plot No.2, Maitri Vihar, Ameerpet,
HYDERABAD – 500 038, Andhra Pradesh
Tel No. 91-40-5572 5333
Fax Nos. 91-40-2374 1080 / 2374 6833
E-mail: cs@aurobindo.com

Address for correspondence/Investor Service Centre

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

Karvy Consultants Limited
Attn. : Mr. K. Sreedharamurthy
46, Avenue – 4, Street No.1,
Banjara Hills,
HYDERABAD – 500 034.
Tel Nos. 91-40-2337 6715/2331 2454
Fax No. 91-40-2331 1968
E-mail: sreedharamurthy@karvy.com

MEANS OF COMMUNICATION

The quarterly and half yearly financial statements are not sent to the individual house-holds of the shareholders. However the same are placed on the Company's website for the information of shareholders and general public and generally published in Business Standard and Andhra Bhoomi newspapers. Further all material information which have some bearing on the operations of the Company is sent to all stock exchanges concerned and also placed on the Company's website.

The annual financial Statements and other official news releases are placed on the Company's website www.aurobindo.com for the information of shareholders and general public.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The Management Discussion and Analysis report forms part of this Annual Report.

GENERAL SHAREHOLDER INFORMATION

16th Annual General Meeting

As mentioned in the Notice, the 16th Annual General Meeting of the Company will be held on Friday the 12th September, 2003 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 2003-2004 is as follows:

Un-audited Financial Results for

1st Quarter	July, 2003
2nd Quarter	October, 2003
3rd Quarter	January, 2004
4th Quarter	April, 2004*

* In case the Company prefers to provide audited results instead of unaudited results for the last quarter and financial year, the same will be announced on or before 30th June 2004.

Book closure

From September 10, 2003 to September 12, 2003 (both days

inclusive) for the purpose of Annual General Meeting and payment of dividend, subject to approval of shareholders.

Payment of Dividend

(subject to the approval of members) - 16th September 2003.

Listing Details

The Company's shares are listed on the following stock exchanges and the listing fee for the financial year 2003-04 has been paid to all the Stock Exchanges.

The Hyderabad Stock Exchange Limited
Administrative Office, 6-3-654, Somajiguda
Hyderabad - 500 082.
Company Code - ABD.

The Stock Exchange, Mumbai
Phiroze Jeejeebhoy Towers, 25th Floor
Dalal Street, Mumbai - 400 001.
Company Code - 524804.

The Stock Exchange, Ahmedabad
Kamdhenu Complex, Near Polytechnic,
Panjarapole, Ahmedabad - 380 015.
Company Code - 06577 Aurobindo.

The Madras Stock Exchange Limited
Exchange Building, Post Box No.183
11, Second Line Beach, Chennai - 600 001.

The Executive Director
National Stock Exchange of India Limited
Exchange Plaza, Bandra Kurla Complex
Bandra (East), Mumbai - 400 051.
Company code - AUROPHARMA

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

Further, considering the volumes and frequency of transaction at Ahmedabad and Madras Stock Exchanges, the Board at its meeting held on 30th June, 2003 approved the delisting from these stock exchanges. However, the Company's shares continue to be listed in The Hyderabad Stock Exchange Limited, The Stock Exchange, Mumbai (BSE) and the National Stock Exchange of India Limited (NSE), as required by the SEBI (Delisting) Regulations.

Rs. Millions

Monthly High & Low quotations and volume of shares traded on NSE during the year:

Share Price Performance

Month 2002	High Rs.P.	Low Rs.P.	Close Rs.P.	Volume (Qty)
April	262.90	217.15	227.50	287,295
May	244.95	201.00	216.65	146,625
June	255.00	217.95	236.75	201,090
July	239.50	175.00	210.90	155,915
August	234.95	212.10	226.65	80,293
September	234.00	210.00	215.70	50,941
October	225.00	207.00	210.75	58,504
November	221.00	206.00	215.25	84,017
December	224.80	206.10	209.35	216,458
2003				
January	276.25	208.10	247.70	1638,262
February	255.00	232.40	236.40	393,026
March	249.45	208.10	211.80	232,594

(Source:NSE)

Distribution Schedule as on 30th June, 2003

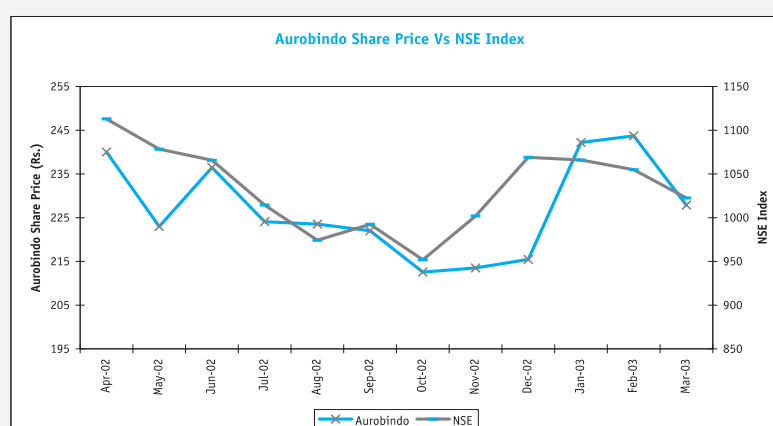
Shareholding From	To	Share Owners		Share Amount	
		Number	%	Amount	%
Upto -	5000	31,101	96.70	15,853,340	6.82
5001 -	10000	517	1.60	3,986,600	1.71
10001 -	20000	256	0.80	4,012,880	1.73
20001 -	30000	86	0.27	2,164,500	0.93
30001 -	40000	37	0.12	1,304,090	0.56
40001 -	50000	35	0.11	1,613,380	0.70
50001 -	100000	54	0.17	4,187,780	1.80
100001 and above		75	0.23	199,377,430	85.75
		32,161	100.00	232,500,000	100.00

Categories of Shareholders as on 30th June, 2003

S.No.	Category	No. of Shares	% of Shareholding
1	Promoters, Directors, Associates & their relatives	14,271,527	61.38
2	NRIs/FIIs/OCBs	2,662,521	11.45
3	Govt/Banks/FIs	1,067,998	4.59
4	UTI/Mutual Funds	1,475,228	6.35
5	Bodies Corporate	555,287	2.39
6	General Public	3,073,106	13.22
7	Others	144,333	0.62

Top Ten Shareholders of the Company as on 30th June, 2003

S.No.	Name	No. of Shares	% of Shareholding
1	P. V. Ramaprasad Reddy	6,449,002	27.74
2	P. Suneela Rani	3,322,002	14.29
3	Templeton Strategic Emerging Markets Fund LDC	2,323,090	9.99
4	K. Nityananda Reddy	1,809,735	7.78
5	K. Rajeswari	1,215,275	5.23
6	Life Insurance Corporation of India	838,311	3.61
7	Dr. M. Sivakumaran	708,568	3.05
8	Unit Trust Of India- Unit Scheme 1964	665,615	2.86
9	P. Saratchandra Reddy	306,639	1.32
10	Unit Trust Of India – MIP	268,133	1.15



Rs. Millions

Dividend & Bonus History (Last 5 years)

Year	%	Bonus
1997-1998	50	1:1
1998-1999	50	
1999-2000	50	
2000-2001	30	1:1
2001-2002	30	

Share Transfer System and Dematerialization & Liquidity

The Company's shares are covered under the compulsory dematerialization system and are transferable through depositories. The Company has appointed M/s. Karvy Consultants Limited 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 Share Transfer/ Investor Grievance Committee reviews the same.

Further, the Company has signed a tripartite agreement with NSDL/CDSL and Karvy Consultants Limited to facilitate dematerialization of shares. The shareholders may contact for the redressal of their grievances either M/s. Karvy Consultants Limited or the Company Secretary, Aurobindo Pharma Ltd, Plot No.2, Maitri Vihar, Ameerpet, Hyderabad – 500 038. Phone: 91-40-5572 5333, e-mail: cs@aurobindo.com

Outstanding ADRs/GDRs/Warrants, etc.

As you are aware, during the previous year the Company has allotted 2 million 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 allotted to Templeton have been converted into equity shares of the Company on 27th September, 2002. The promoters have also converted part of warrants allotted to them and the balance 9,50,000 warrants are to be converted into equity shares of the Company on one to one basis on or before 11th October, 2003.

PLANT LOCATIONS

Unit 1

Borapatla Village,
Hatnoora Mandal,
Medak District, Andhra Pradesh

Unit 2

103/A, S.V.C.I.E.,
Industrial Development Area, Bollaram,
Jinnaram Mandal, Medak District, Andhra Pradesh

Unit 3

Survey No.313 & 314, Bachupally Village,
Outhubullapur Mandal,
Ranga Reddy District, Andhra Pradesh

Unit 4

Plot No.32&33, Block A, phase I,
Industrial Development Area,
Pashamylaram, Patancheru Mandal,
Medak District, Andhra Pradesh

Unit 5

Plot No.79-91, Chemical Zone,
Industrial Development Area,
Pashamylaram, Patancheru Mandal,
Medak District, Andhra Pradesh

Unit 6

Survey Nos.329/39 & 329/47,
Chitkul Village, Patancheru Mandal,
Medak District, Andhra Pradesh

Unit 7

Survey No.10,
Gaddapotharam Village,
Jinnaram Mandal,
Medak District, Andhra Pradesh

Unit 8

Survey No.13
Industrial Development Area, Kazipally,
Gaddapotharam Village,
Jinnaram Mandal,
Medak District, Andhra Pradesh

Unit 9

Survey No.374,
Gundlamachunoor Village, Hatnoora Mandal,
Medak District, Andhra Pradesh

Unit 10

B-2, SIPCOT Industrial Complex,
Kudikadu Village,Cuddalore, Tamilnadu

Unit 11

Survey No.61-66, Industrial Development Area,
Pydhibhimavaram, Ranasthalam Mandal,
Srikakulam District, Andhra Pradesh

Rs. Millions

RELATED PARTY TRANSACTIONS

Nature of Transactions	Subsidiaries	Joint Ventures	Companies over which Significant Influence exists	Key Management personnel	Total
Purchase of Goods	233.0	-	148.3	-	381.3
	(52.1)	-	(535.9)	-	(588.0)
Sale of Goods	740.8	-	28.9	-	769.7
	(1,072.6)	(34.5)	(86.1)	-	(1,193.2)
Purchase of fixed assets	-	-	43.7	-	43.7
	(0.5)	-	(43.5)	-	(44.0)
Sale of fixed assets	-	-	3.6	-	3.6
	-	-	(40.5)	-	(40.5)
Sale of Brands	-	4.0	-	-	4.0
	-	(100.0)	-	-	(100.0)
Non- Compete Fees received	-	-	-	-	-
	-	300.0	-	-	(300.0)
Rendering services	1.6	7.9	0.1	-	9.6
	-	-	-	-	-
Transfer of current assets	-	-	-	-	-
	-	(172.9)	-	-	(172.9)
Receipt of services	-	-	13.7	7.3	21.0
	-	-	(129.6)	(7.6)	(137.2)
Transfer of current liabilities	-	3.1	-	-	3.1
	-	(24.4)	-	-	(24.4)
Interest/Dividend received	14.7	15.1	0.3	-	30.1
	(2.6)	(5.6)	(13.4)	-	(21.6)
Finance (including loans and equity contributions in cash or in kind)	1,209.2	180.0	24.1	-	1,413.3
	(5,11.6)	(351.0)	(0.6)	-	(863.2)
Diminution in value of Investment	57.9	-	-	-	57.9
	-	-	-	-	-
Guarantees and collaterals	432.3	460.0	-	-	892.3
	(5.2)	-	-	-	(5.2)
Sale of Investments	-	-	-	3.2	3.2
	-	-	-	-	-
Receipt against Loans	0.9	300.0	24.1	2.9	327.9
	-	-	-	-	-
Total	2,690.4	970.1	286.8	13.4	3,960.7
	(1,644.5)	(988.4)	(849.6)	(7.6)	(3,490.2)
Balance as on 31st March 2003					
Debit/(Credit)	2,587.3	506.7	18.9	-	
	(1,562.1)	(1,105.9)	(15.6)		

Rs. Millions

Names of related parties and description of relationships

Subsidiaries

APL Chemi Natura Limited, India
APL Pharma Thai Limited, Thailand
Aurobindo (H.K.) Limited, Hong Kong
APL Holdings Inc., USA
A B Farmo Quimica Limitada, Brazil
Aurobindo (Datong) Bio-Pharma Company Limited, China
Aurobindo Tongling (Datong) Pharmaceutical Company Limited, China
Shanghai Widetex Chemical Company Limited, China

Joint Ventures

Citadel Aurobindo Biotech Limited, India
Aurosai, USA
Cephazone, USA

Companies over which significant influence exists

Pravesha Machine Works (Private) Limited, India
Andhra Organics Limited, India
Sharp Organics Private Limited, India
Ranit Agro Private Limited, India

Auditors' Certificate

To
The Members of Aurobindo Pharma Limited

We have examined the compliance of conditions of corporate governance by Aurobindo Pharma Limited, for the year ended on 31st March, 2003, as stipulated in Clause 49 of the Listing Agreement of the said Company with stock exchanges.

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, subject to the following :

1. the requirement of the minimum number of non-executive and independent Directors in the composition of the Board of Directors was complied with effect from 28th March, 2003; and
2. the requirement of the composition of the audit committee in terms of all the members being non-executive was complied with effect from 28th March, 2003;

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

We state that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Shareholders/Investors Grievance Committee.

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.


S. R. BATLIBOI & Co.,
Chartered Accountants

Per 
Utkarsh Palnitkar

Partner
Membership No.:40030
Place : Hyderabad
Date : 30th June, 2003

The Members

Aurobindo Pharma Ltd.

1. We have audited the attached Balance Sheet of Aurobindo Pharma Limited, as at 31st March 2003 and also the Profit and Loss Account and Cash Flow Statement 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) 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 and Cash Flow Statement dealt with by this report are in agreement with the books of account;
 - iv) in our opinion, the Balance Sheet and Profit and Loss Account and Cash Flow Statement 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, 2003, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March 2003 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;
 - vi) 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 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, 2003;
 - b) in the case of the Profit and Loss Account, of the profit for the year ended on that date; and
 - c) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.



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



Per
Utkarsh Palnitkar
Partner
Place: Hyderabad
Date: 30th June, 2003.

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) or from the companies under the same management as defined under Sub-section (1B) of Section 370 of the Act.
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 Act or to the companies under the same management as defined under sub-section (1B) of Section 370 of the Act.
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, 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, 2003, for a period of more than six months from the date they became payable, *except for sale tax of Rs.23,904 which has since been paid.*
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.



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




Per
Utkarsh Palnitkar
Partner
Place : Hyderabad
Date : June 30, 2003.

Aurobindo Pharma Limited
Balance Sheet as at 31st March, 2003

		Schedule	As at 31st March, 2003	As at 31st March, 2002
Rs. Millions				
I. SOURCES OF FUNDS				
SHAREHOLDERS' FUNDS				
	Share Capital	1	232.5	206.7
	Reserves & Surplus	2	5,101.4	3,406.9
			5,333.9	3,613.6
EQUITY SHARE WARRANTS - UPFRONT CONSIDERATION				
		3	21.5	10.6
LOAN FUNDS				
	Secured Loans	4	4,065.7	1,927.6
	Unsecured Loans	5	1,189.0	1,545.1
			5,254.7	3,472.7
	TOTAL		10,610.1	7,096.9
II. APPLICATION OF FUNDS				
FIXED ASSETS				
	Gross Block	6	3,789.1	2,191.2
	Less : Depreciation		806.3	490.5
	Net Block		2,982.8	1,700.7
	Capital Work-in-progress		1,154.9	559.6
			4,137.7	2,260.3
INVESTMENTS				
		7	1,523.1	737.3
CURRENT ASSETS, LOANS AND ADVANCES				
	Inventories	8	2,035.2	1,254.6
	Sundry Debtors	9	4,076.5	3,375.7
	Cash & Bank Balances	10	331.5	224.1
	Loans and Advances	11	1,125.4	1,004.5
	Interest accrued on Investments		0.3	0.1
			7,568.9	5,859.0
LESS : CURRENT LIABILITIES AND PROVISIONS				
	Current Liabilities	12	2,064.9	1,424.5
	Provisions	13	195.2	120.6
			2,260.1	1,545.1
	NET CURRENT ASSETS		5,308.8	4,313.9
	DEFERRED TAX LIABILITY (Net)	14	(359.5)	(221.1)
	MISCELLANEOUS EXPENDITURE (to the extent not written off or adjusted)	15	-	6.5
	TOTAL		10,610.1	7,096.9
	Notes to Accounts	23		

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



S.R. BATLIBOI & CO.,
Chartered Accountants

Per 
UTKARSH PALNITKAR
Partner
Place : Hyderabad
Date : 30th June, 2003


B. ADI REDDY
Company Secretary

For and on behalf of the Board of Directors


K. NITYANANDA REDDY
Managing Director


DR. M. SIVAKUMARAN
Whole-time Director

Profit & Loss Account for the year ended 31st March, 2003

		Rs. Millions	
	Schedule	2002-2003	2001-2002
INCOME			
	Sales (Gross)	11,903.8	10,377.2
	Less : Excise Duty	764.6	623.7
	Sales (Net)	11,139.2	9,753.5
	Other Income	240.5	143.7
	Increase/(Decrease) in Stocks	318.9	(170.5)
	TOTAL	11,698.6	9,726.7
EXPENDITURE			
	Raw Materials Consumed	7,341.4	6,024.5
	Purchase of Trading Goods	206.3	647.2
	Excise Duty	34.7	16.6
	Other Manufacturing Expenses	1,173.7	987.0
	Payments to and Provisions for Employees	335.2	251.8
	Administrative and Selling Expenses	548.7	429.2
	Interest and Finance Charges	425.9	423.9
	Depreciation	231.8	158.1
	TOTAL	10,297.7	8,938.3
PROFIT BEFORE EXTRA ORDINARY ITEM & TAXATION		1,400.9	788.4
	Extra Ordinary Item	-	100.0
PROFIT BEFORE TAXATION		1,400.9	888.4
	Provision for Taxation	253.0	153.7
	Deferred Tax	112.1	38.0
	Tax adjustments of previous years	4.4	11.6
PROFIT AFTER TAXATION		1,031.4	685.1
	Balance brought forward from last year	125.3	25.8
	Balance of Profit & Loss Account taken over on amalgamation	(5.8)	-
PROFIT AVAILABLE FOR APPROPRIATION		1,150.9	710.9
APPROPRIATIONS			
	Proposed Dividend @ Rs. 3.50 (Rs.3.00) on Equity Shares	79.4	60.6
	Tax on Dividend	10.2	-
	Debenture Redemption Reserve	172.1	-
	General Reserve	750.0	525.0
	Surplus carried to Balance Sheet	139.2	125.3
		1,150.9	710.9
	Basic and Diluted earnings per share	45.46	33.89
	Nominal value per share	10.00	10.00
	Notes to Accounts	23	

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

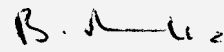
For and on behalf of the Board of Directors



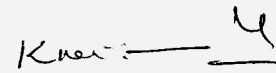
S.R. BATLIBOI & CO.,
Chartered Accountants



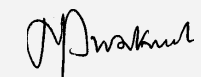
Per
UTKARSH PALNITKAR
Partner
Place : Hyderabad
Date : 30th June, 2003



B. ADI REDDY
Company Secretary



K. NITYANANDA REDDY
Managing Director



DR. M. SIVAKUMARAN
Whole-time Director

		Rs. Millions	
		As at 31st March, 2003	As at 31st March, 2002
1. SHARE CAPITAL	<i>(Refer Note 5 on Schedule 23)</i>		
AUTHORISED	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>
ISSUED, SUBSCRIBED AND PAID-UP	23,250,000 (Previous Year - 20,670,000) Equity Shares of Rs.10 each fully paid-up	232.5	206.7
	TOTAL	<u>232.5</u>	<u>206.7</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 (670,500) Equity Shares were allotted for consideration other than cash.
- c) 580,000 (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 31st March, 2003	As at 31st March, 2002
2. RESERVES & SURPLUS	<i>(Refer Note 5 on Schedule 23)</i>		
CAPITAL RESERVE	As per last Balance Sheet	379.3	79.3
	Add: Non-Compete Fees	-	300.0
	Add: On amalgamation		
	State Subsidy	1.3	-
	Capital Reserve	9.6	-
		<u>10.9</u>	<u>300.0</u>
		390.2	379.3
CAPITAL REDEMPTION			
RESERVE	As per last Balance Sheet	90.0	90.0
SHARE PREMIUM	As per last Balance Sheet	380.9	279.4
	Add: On amalgamation	0.3	-
	Received during the year	557.2	101.5
		<u>938.4</u>	<u>380.9</u>
DEBENTURE REDEMPTION			
RESERVE	As per last Balance Sheet	89.1	89.1
	Add: Transferred from Profit & Loss Account	172.1	-
		<u>261.2</u>	<u>89.1</u>
GENERAL RESERVE	As per last Balance Sheet	2,342.3	2,000.5
	Add: On amalgamation	244.3	-
	Transferred from Profit & Loss Account	750.0	525.0
	Less: Accumulated deferred tax liability as at 1st April, 2001	-	183.2
		<u>3,336.6</u>	<u>2,342.3</u>
	Less: Adjustment on amalgamation	54.3	-
		<u>3,282.3</u>	<u>2,342.3</u>
PROFIT & LOSS ACCOUNT		139.3	125.3
	TOTAL	<u>5,101.4</u>	<u>3,406.9</u>
3. EQUITY SHARE WARRANTS - UPFRONT CONSIDERATION			
	Upfront consideration received towards preferential allotment of 950,000 (470,000) Equity Share Warrants of Rs.226 each to be converted into 950,000 (470,000) Equity Shares of Rs.10 each at a premium of Rs.216 per equity share on exercise of option by warrant holders by 11th October, 2003.	21.5	10.6

				Rs. Millions	
				As at 31st March, 2003	As at 31st March, 2002
4. SECURED LOANS (Refer Note 6 on Schedule 23)					
DEBENTURES					
Coupon Rate	Face Value	Numbers	Terms of Redemption		
15.25%	Rs.100	500,000	In 3 annual installments by 12/02/03	-	16.7
15.25%	Rs.100	500,000	In 3 annual installments by 29/03/03	-	16.7
15%	Rs.100	500,000	In 3 annual installments by 10/06/04	33.3	50.0
11.75%	Rs.100	2,700,000	In 3 annual installments by 10/08/05	270.0	270.0
7.8%	Rs.100	2,500,000	In single installment by 16/12/05	250.0	-
8.5%	Rs.100	2,500,000	In single installment by 26/03/06	250.0	-
8.5%	Rs.100	2,250,000	In seven half-yearly installments by 26/09/07	225.0	-
Note: All the above debentures are redeemable at par.					
				1,028.3	353.3
TERM LOANS		From Banks			
		[(Payable within one year - Rs.630.7) (Rs.213.4)]		1,803.3	1,062.3
OTHER LOANS		From Banks - Working Capital Loans (Payable within one year)		1,234.1	512.0
TOTAL				4,065.7	1,927.6
5. UNSECURED LOANS (Refer Note 7 on Schedule 23)					
SHORT TERM LOANS		From Banks - Commercial Paper			
		[(Maximum amount outstanding at any time during the year Rs.400.0) (Rs.400.0)]		100.0	400.0
		Other Loans		534.5	780.0
				634.5	1,180.0
OTHER LOANS		Sales Tax Deferment Loan		554.5	365.1
		Payable within one year Rs.Nil (Rs.Nil)			
TOTAL				1,189.0	1,545.1

6. FIXED ASSETS

Particulars	Rs. Millions											
	Gross Block					Depreciation					Net Block	
	As at 1st April, 2002	Acquired on Amalgamation	Additions	Sales/ Adjustments	As at 31st March, 2003	Up to 1st April, 2002	Acquired on Amalgamation	For the year	On Sales/ adjustments	Up to 31st March, 2003	As at 31st March, 2003	As at 31st March, 2002
Land ^(a & b)	89.6	5.7	2.6	46.7	512	-	-	-	-	-	512	89.6
Buildings ^(c)	404.8	81.0	272.8	(14.1)	772.7	36.1	7.3	20.5	0.3	63.6	709.1	368.7
Plant & Machinery ^(d)	1,659.6	339.4	905.6	1.7	2,902.9	445.3	83.6	204.9	5.6	728.2	2,174.7	1,214.3
Furniture & Fittings	20.3	2.2	16.5	(0.1)	39.1	5.1	0.6	4.3	-	100	29.1	15.2
Vehicles	16.9	2.2	8.1	4.0	232	4.0	0.7	2.1	2.3	45	18.7	12.9
Total	2,191.2	430.5	1,205.6	38.2	3,789.1	490.5	92.2	231.8	8.2	806.3	2,982.8	1,700.7
Previous year's Total	1,981.9	-	333.6	124.3	2,191.2	375.9	-	158.1	43.5	490.5	1,700.7	-
Capital Work-in-progress ^(e)											1,154.9	559.6

Notes:

- The title deeds of Land and Buildings aggregating to Rs.43.9 (Rs.38.2) acquired on amalgamation are pending transfer to the Company's name .
- Land acquired on amalgamation includes leasehold land of Rs.0.3 (Rs.Nil).
- Buildings include Rs.0.3 (Rs.0.3) being the value of shares in co-operative housing societies.
- Includes Foreign Exchange Fluctuations capitalised Rs.0.3 (Rs.0.04).
- Capital Work-in-progress includes capital advances of Rs.89.5 (Rs.48.9).
- Capital Work-in-progress amount of Rs.80.3 (Rs.Nil) acquired on amalgamation.
- Includes expenditure during construction period Rs.51.2 (Rs.23.9) (Refer Note 8 on Schedule 23)

		Rs. Millions			
		Face value	As at		As at
		per	31st March, 2003		31st March, 2002
		Share	No. of	Rs	No. of
			Shares		Shares
					Rs.
7. INVESTMENTS (Refer Note 9 on Schedule 23)					
LONG TERM (Unquoted and at Cost)					
TRADE INVESTMENTS					
A. 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	1,000 0.1
				1.2	1.2
B. Other than Trade					
Government Securities					
	Kisan Vika Patra			1.0	0.4
	(Rs.0.6 acquired on amalgamation)				
	National Savings Certificate *			0.2	0.2
	(Rs.0.04 acquired on amalgamation)				
	*includes Rs.0.07 held by income tax authorities (Rs.0.07)				
				1.2	0.6
C. In Subsidiaries					
Equity Shares (Fully Paid-up)					
	Aurobindo USA LLC, Miami	\$1		0.8	300,000 12.8
	(company under liquidation)				
	Less: Consideration received on liquidation			0.8	12.0
				-	0.8
	Aurobindo (H.K.) Limited, Hong Kong	\$1	1,999,999	96.6	80,000 3.4
	(Purchased during the year 1,919,999 shares)				
	APL Pharma Thai Ltd, Thailand	100			
		Baht	19,200	2.2	19,200 2.2
	Aurobindo Farmaceutica Do (Brasil) Ltda, Brazil	100			
	(Amalgamated with AB Farmo Quimica Brazil Ltda. Brazil during the year)				
	APL Holdings Inc. California	\$100	33,000	157.5	18,650 87.7
	(Purchased during the year-14,350 shares)				
	APL Chemi Natura Limited	Rs.10	5,000,000	50.0	5,000,000 50.0
	Aurobindo (Datong) Bio-Pharma Ltd, China		100% of		100% of
	(Purchased during the year)		Paid-in-Capital	1,057.3	Paid-in-Capital 471.4
	AB Farmo Quimica Ltda, Brazil	100			
	(Purchased 15,549 shares during the year and 579 shares received on amalgamation)				
	Aurobindo Tongling (Datong) Pharmaceutical Co. Ltd. China (Purchased during the year)		50% of		50% of
			Paid-in-Capital	154.1	Paid-in-Capital 95.2
				1,566.3	735.0

		Rs. Millions				
		Face value per Share	As at 31st March, 2003	As at 31st March, 2002		
			No. of Shares	Rs.	No. of Shares	Rs.
D. In Joint Venture						
	Citadel Aurobindo Biotech Limited (Purchased during the year)	Rs.100	100,000	10.0	--	--
			100,000	10.0	--	--
CURRENT INVESTMENTS (At lower of cost or market value)						
E. Quoted - Trade						
	Equity Shares (Fully Paid-up)					
	Andhra Bank (Sold during the year)	Rs.10	--	--	57,000	0.5
Unquoted - Trade						
	Advance Waste Management Pvt. Limited (Acquired on amalgamation)	Rs.10	462,400	2.4	--	--
				2.4		0.6
	(A)+(B)+(C)+(D)+(E)			1,581.1		737.3
	Less : Provision for diminution in value of Investments			58.0		--
	TOTAL			1,523.1		737.3
	Aggregate value of quoted investments			--		0.6
	Aggregate value of unquoted investments			1,523.1		736.7
				As at 31st March, 2003		As at 31st March, 2002
8. INVENTORIES						
(at lower of cost or net realisable value)						
	Raw Materials *			910.0		574.3
	Stores, Spares, Consumables & Packing Materials			58.4		48.3
	Work-in-process			946.1		489.2
	Finished Goods *			120.7		142.8
	TOTAL			2,035.2		1,254.6
* includes material in transit and lying with third parties.						
9. SUNDRY DEBTORS (Refer Note 10 on Schedule 23)						
UNSECURED						
	Debts outstanding for a period exceeding six months					
	Considered good		1,377.3		578.3	
	Considered doubtful		60.6		56.6	
				1,437.9		634.9
	Other debts - Considered good			2,699.2		2,797.4
				4,137.1		3,432.3
	Less: Provision for doubtful debts			60.6		56.6
	TOTAL			4,076.5		3,375.7

	Rs. Millions	
	As at 31st March, 2003	As at 31st March, 2002
10. CASH & BANK BALANCES (Refer Note 11 on Schedule 23)		
Cash & Cheques on Hand	15.7	1.4
Balance with Scheduled Banks on:		
Current Accounts	276.1	201.4
Margin Money Deposit Accounts	36.6	18.0
Unpaid Dividend Accounts	1.7	1.6
	314.4	221.0
Balance with other Banks on Current accounts	1.4	1.7
TOTAL	331.5	224.1
11. LOANS & ADVANCES (Refer Note 5(e) & 12 on Schedule 23) (Unsecured, considered good except stated otherwise)		
Loans to Subsidiaries	445.9	–
Loans to Joint Ventures	30.0	436.5
Loans to Employees	6.2	3.7
Advances recoverable in cash or in kind or for value to be received or pending adjustments		
Considered good	285.1	282.3
Considered doubtful	1.2	0.8
	286.3	283.1
Export Incentives Receivable	109.0	141.1
Trade and Other Deposits	83.2	54.0
Balances with Customs and Excise Authorities	166.0	86.9
	1,126.6	1,005.3
Less: Provision for doubtful advances	1.2	0.8
TOTAL	1,125.4	1,004.5
12. CURRENT LIABILITIES (Refer Note 13 on Schedule 23)		
Sundry Creditors for goods, services and expenses		
Due to small scale industrial undertakings	4.4	4.9
Dues to other	1,967.3	1,374.1
	1,971.7	1,379.0
Dues to Subsidiaries	46.8	1.4
Trade Deposits	3.6	8.9
Unclaimed Dividends	1.8	1.6
Other Liabilities	27.8	19.2
Interest Accrued but not due on Loans	13.2	14.4
TOTAL	2,064.9	1,424.5

		Rs. Millions	
		As at 31st March, 2003	As at 31st March, 2002
13. PROVISIONS	For Taxation (net of advance payments)	54.7	28.5
	For Retirement Benefits	50.9	31.5
	For Proposed Dividend	79.4	60.6
	For Tax on Proposed Dividend	10.2	-
	TOTAL	195.2	120.6
14. DEFERRED TAX LIABILITY (Net)	<i>(Refer Note 14 on Schedule 23)</i>		
	Deferred Tax assets/(liabilities)	(359.5)	(221.1)
	TOTAL	(359.5)	(221.1)
15. MISCELLANEOUS EXPENDITURE			
	(to the extent not written off or adjusted)		
	Product Development Expenses	6.5	9.8
	Add: Taken over on amalgamation		
	- Effluent treatment expenses	1.1	-
		7.6	9.8
	Less: Written off during the year	7.6	3.3
		-	6.5
		2002-2003	2001-2002
16. OTHER INCOME	Interest on		
	Loans to Subsidiaries and Joint Ventures	32.2	5.9
	Deposits and overdue bills	9.9	8.1
	Investments	0.1	0.1
	Other Advances	1.9	17.2
		44.1	31.3
	[Tax deducted at source - Rs.4.7 (Rs.4.7)]		
	Processing Charges	23.6	7.5
	Dividends from a subsidiary company	0.8	2.3
	Dividends from Non-trade Investments	-	0.1
	Exchange Fluctuation gain (Net)	3.4	77.8
	Liabilities no longer required written back	-	4.3
	Profit/(Loss) on sale of Fixed Assets	124.0	(3.1)
	[includes profit on sale of land Rs.124.3 (Rs. Nil)]		
	Profit on sale of investments	5.6	-
	Miscellaneous Income	39.0	23.5
	TOTAL	240.5	143.7

	Rs. Millions	
	2002-2003	2001-2002
17. INCREASE/(DECREASE) IN STOCKS		
Opening Stocks		
Finished Goods	142.8	321.5
Work-in-Process	489.2	519.7
	<u>632.0</u>	<u>841.2</u>
Less: Reversal of excise duty on opening stocks	<u>9.8</u>	<u>38.7</u>
	622.2	802.5
Add: Acquired on Amalgamation		
Finished Goods	22.1	-
Work-in-Process	103.6	-
	<u>125.7</u>	<u>-</u>
	747.9	802.5
Less: Closing Stocks		
Finished Goods	120.7	142.8
Work-in-Process	946.1	489.2
	<u>1,066.8</u>	<u>632.0</u>
TOTAL	<u>318.9</u>	<u>(170.5)</u>
18. RAW MATERIALS CONSUMED		
Opening Stock	574.3	822.2
Add: Acquired on Amalgamation	<u>90.6</u>	<u>-</u>
	664.9	822.2
Add: Purchases	<u>7,586.4</u>	<u>5,776.6</u>
	8,251.3	6,598.8
Less: Closing Stock	<u>909.9</u>	<u>574.3</u>
TOTAL	<u>7,341.4</u>	<u>6,024.5</u>
19. OTHER MANUFACTURING EXPENSES		
Conversion charges	272.1	398.3
Packing Materials consumed	108.6	96.1
Consumption of Stores & Spares	77.6	42.6
Chemicals consumed	72.0	43.2
Carriage Inward	86.0	55.6
Factory Maintenance	34.4	13.1
Power & Fuel	399.3	265.6
Effluent Treatment Expenses	26.8	14.9
Repairs & Maintenance		
Plant & Machinery	47.6	11.2
Buildings	0.2	5.8
Others	<u>0.9</u>	<u>7.5</u>
	48.7	24.5
Miscellaneous expenses	<u>48.2</u>	<u>33.1</u>
TOTAL	<u>1,173.7</u>	<u>987.0</u>

	Rs. Millions	
	2002-2003	2001-2002
20. PAYMENTS TO AND PROVISIONS FOR EMPLOYEES		
Salaries, Wages and Bonus	285.7	218.3
Contribution to Provident and other funds	16.5	13.8
Retirement Benefits	21.0	12.2
Staff Welfare expenses	12.0	7.5
TOTAL	335.2	251.8
21. ADMINISTRATIVE & SELLING EXPENSES <i>(Refer Note 15 on Schedule 23)</i>		
Rents	5.8	3.5
Rates & Taxes	5.5	15.7
Printing & Stationery	10.9	10.0
Postage, Telegram & Telephones	14.8	17.7
Insurance	39.0	31.0
Legal & Professional Charges	31.4	12.8
Directors sitting fees	-	-
Remuneration to Auditors	2.8	1.3
Commission to other Selling Agents	59.4	53.3
Carriage Outwards	157.4	110.5
Selling Expenses	28.9	37.5
Rebates & Discounts	4.1	15.9
Travel & Conveyance	37.2	58.0
Vehicle Maintenance Expenses	4.4	1.6
Prior Period Adjustments (Net)	1.0	3.6
Provision for diminution in value of Investments	58.0	-
Software License and implementation expenses	15.3	-
Miscellaneous Expenditure Written Off	7.6	3.3
Provision for Doubtful Debts	4.0	27.5
Bad debts and advances written off	28.4	-
Assets written off	1.3	-
Donation	0.4	0.4
Miscellaneous Expenses	31.1	25.6
TOTAL	548.7	429.2
22. INTEREST AND FINANCE CHARGES		
Interest on Fixed Period Loans and debentures	349.3	333.9
Interest on Other loans	27.3	49.4
Bank Charges	49.3	40.6
TOTAL	425.9	423.9

Rs. Millions

23. NOTES ANNEXED TO AND FORMING PART OF THE ACCOUNTS AS AT AND FOR THE YEAR ENDED 31st MARCH, 2003

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 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 a period of three years, considering the expected duration of accrual of related benefits. The benefits are reassessed at the end of every year.

Rs. Millions

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 & Loss Account, while capital expenditure is added to the 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 & 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.174.0 (Rs.158.2).

Rs. Millions

3. Contingent Liabilities not provided for		
	2002-03	2001-02
a) Outstanding Bank Guarantees on account of:		
i) Subsidiary Company	432.3	5.2
ii) Guarantee given for Citadel Aurobindo Biotech Ltd., 50% Joint Venture	460.0	–
iii) Others	27.3	75.6
b) Bills discounted with Banks	604.2	1,443.2
c) Outstanding letters of credit for imports of materials	236.5	357.9
d) Income tax matters	13.9	2.5

4. Share Capital

- a) The Company has received an amount of Rs.593.9 (Rs.116.8) on account of preferential allotment of 2,580,000 (470,000) Equity Shares and upfront consideration towards 530,000 (470,000) share warrants allotted during the year. The details of utilisation/investment of the said amount is as under:

	2002-03	2001-02
For Investment in Wholly Owned Subsidiaries / Joint Ventures	348.1	48.9
For capital purchases	245.8	50.6
Unutilised amount lying with Banks	–	17.4
TOTAL	593.9	116.9

- b) 950,000 (470,000) Equity share warrants issued to the promoters are to be converted into Equity shares by 11th October, 2003 at the option of warrant holders

5. Amalgamation of Ranit Pharma Limited (RPL) and Calac Private Limited (Calac) with the Company

- a) The scheme of amalgamation of RPL and Calac with the Company was approved by the shareholders in the Court convened meeting held on 2nd January, 2003. The said scheme of amalgamation was approved by the Hon'ble High Courts of Andhra Pradesh on 9th April, 2003, and by the Hon'ble High Court of Madras on 25th April, 2003 respectively. Accordingly, the erstwhile RPL and Calac have amalgamated with the Company with effect from 1st April, 2002. All the assets and liabilities of the erstwhile RPL and Calac, were transferred to and vested in the Company. The Company has since made the necessary filings with the Registrars of Companies, Andhra Pradesh and Tamil Nadu.
- b) RPL and Calac were both primarily engaged in the business of manufacturing, processing and marketing of pharmaceuticals.
- c) The amalgamation has been accounted for under the "pooling of interests" method as prescribed under Accounting Standard 14 issued by the Institute of Chartered Accountants of India. Accordingly, the assets, liabilities and other reserves of the erstwhile RPL and Calac as at 1st April, 2002, have been taken over at their respective book values, subject to adjustments made for the differences in Accounting Policies between the companies. The changes in the Accounting Policies related to:
- Change to the Straight Line method from the Written Down Value method of depreciation followed by Calac on certain block of assets.
 - Accounting for taxes on income as per Accounting Standard 22 issued by the Institute of Chartered Accountants of India, for RPL and Calac.

Accordingly Rs.16.1 (Net) has been reduced from the General Reserve taken over.

Rs. Millions

- d) Calac being a wholly owned subsidiary of RPL and RPL, in turn being a wholly owned subsidiary of the Company, no equity shares were issued by the Company.
- e) The erstwhile RPL was the beneficiary of 219,800 equity shares of the Company held in trust by Ranit Pharma Securities Trust. Pursuant to the scheme of amalgamation, the Company has become the beneficiary of the said shares held by Ranit Pharma Securities Trust. Accordingly, the book value of the shares held in trust amounting to Rs.56.0 has been disclosed under loans and advances in Schedule 11.
- f) Adjustments on amalgamation relate to the difference between the value of the investments and the underlying net assets of the amalgamating companies taken over.

6. Secured Loans

- a) Debentures are secured by:
 - ✓ first charge 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 situated at Hyderabad, Rangareddy and Medak districts, Andhra Pradesh, ranking pari-passu with Term Loans.
 - ✓ second charge ranking pari-passu with Term Loans on the movable assets (save and except book debts), both present and future subject to charges created in favour of the Company's Bankers to secure Working Capital requirements.
- b) Term loans are secured by:
 - ✓ first charge ranking pari-passu with Debentures on the immovable properties both present and future, and joint mortgage by deposit of title deeds of the Company's lands at Hyderabad, Rangareddy and Medak districts, Andhra Pradesh.
 - ✓ second charge ranking pari-passu with Debentures on the movable assets (save and except book debts), both present and future subject to charges created in favour of the Company's Bankers to secure working capital requirements.
 - ✓ personal guarantees given by the Chairman and the Managing Director of the Company aggregating to Rs.1,803.3 (Rs.1,062.3).
- c) The Working capital loans taken over from the erstwhile Ranit Pharma Limited on amalgamation are secured by first charge on the whole of the movable properties and further secured by second charge by mortgage by deposit of title deeds of immovable properties taken over.
- d) Other working capital loans from Banks are secured by
 - ✓ first charge, ranking pari-passu by way of hypothecation of all the stocks, book debts and other current assets (both present and future).
 - ✓ second charge on all the immovable properties of the Company subject to charges created in favour of term lenders and debenture holders.
 - ✓ personal guarantees given by the Chairman and the Managing Director of the Company aggregating to Rs.1,234.1 (Rs.512.0)

7. Unsecured loans

Other loans aggregating to Rs.534.5 (Rs.Nil) are personally guaranteed by the Chairman and the Managing Director of the Company.

Rs. Millions

8. Expenditure during construction period

Particulars	2002-03	2001-02
Balance brought forward	23.9	0.8
Add: Expenditure incurred during construction period	42.3	11.0
Borrowing cost capitalised	60.0	13.1
	0126.2	24.9
Less: Consumption of intermediates (trial run)	12.3	--
Allocated to fixed assets	62.7	1.0
Balance carried forward	51.2	23.9

9. Investments

a) During the year, the Company has purchased /acquired on amalgamation and sold/redeemed the following investments:

Description	2002-03 Nos.	2001-02 Nos.
Mutual Fund Units		
Prudential ICICI Liquid plan	15,944,051	12,476,228
IDBI Mutual Fund – Liquid option	47,627,316	14,846,928
Zurich Mutual Fund	4,238,294	--
HDFC Mutual Fund	10,640,813	--
IL & FS Mutual Fund	12,323,325	--
Franklin Templeton Treasury Management	23,992	--
Birla Cash Plus	2,215,891	--
SBI Magnum – Insta Cash Fund	--	2,980,576
UTI Money Market Fund	--	617,686
Shares		
Canara Bank	40,600	--
Andhra Bank *	284,900	--
Sharp Organics (P) Ltd *	320,000	--
Debentures redeemed		
Lyka Labs*	2,500	--
* Acquired on amalgamation		

b) There has been a diminution in the value of long-term investments assessed on the basis of net asset value of the following subsidiaries as at 31st March, 2003. Due provision has been made to recognise this diminution.

Name of the Subsidiary	2002-03	2001-02
AB Farmo Quimica Ltda, Brazil	14.0	--
Aurobindo (H.K.) Ltd, Hong Kong	44.0	--
	58.0	--

		Rs. Millions			
		Closing Balance as at 31st March		Maximum outstanding at any time during the year ended 31st March	
		2003	2002	2003	2002
10. Sundry Debtors include					
Dues from companies under the same management					
Name of the Company					
	Andhra Organics Limited	0.2	--	0.2	--
	Sharp Organics Private Limited	-	--	0.1	--
11. Cash & Bank balances include					
Balances with other banks on current account					
Name of the Bank					
	Vietcom Bank, Vietnam	0.4	0.4	0.4	0.4
	Vheshtorg Bank, Moscow	0.3	0.4	0.5	0.5
	Bank of Nova Scotia, Costarica	0.4	0.8	1.0	0.8
	Citibank N.A. Tanzania	0.3	0.1	0.7	0.8
12. Loans and Advances include					
Dues from companies under the same management					
Name of the Company					
	Andhra Organics Limited	17.1	10.4	24.7	10.4
	Sharp Organics Private Limited	8.1	--	10.4	--
	Pravesha Machine Works (P) Ltd.,	0.7	--	4.3	--
13. Sundry Creditors include					
a) The names of the small scale industrial undertakings to whom the Company owes amounts outstanding for more than 30 days are					
Champion Industries Corporation		Global Electronics		Khemas Engineers	
LG Thermoflo Systems (P) Ltd		Lakshmi Engg. Enterprises		Lance Engineering	
Navya engineering Company		Polymer House		Power Tech (Hyd) Ltd	
Ravi Industries		Rolon Seals		S V R Industries	
Siflon Polymers		Southern Plantaids (P) Ltd		Vaiktro Enterprises	
Cooling People Pune (P) Ltd		Amar Roto Prints		Hyderabad Packaging	
Lisa Ampoules & Vials (P) Ltd		Milan Art Printers		Paper Pack Industries	
Plastic Shapers		Sai Roto Coverters		Singhania Offset Printers	
Sree Krishna Prasad Graphic Pvt. Ltd.					
b) Gain on account of exchange differences on export bills discounted to be recognised in the Profit & Loss Account of subsequent accounting period - Rs.3.3 (Rs.12.5).					
c) In respect of the amounts mentioned under Section 205 C of the Companies Act, 1956 no dues are to be credited to the Investor Education and Protection Fund as at 31st March, 2003.					

Rs. Millions

14. Deferred Taxes

Deferred Tax assets/(liabilities) consist of :-

Particulars	31st March, 2003	31st March, 2002
On account of depreciation	(398.4)	(254.3)
Provision for doubtful debts	22.9	21.2
Provision for leave encashment	9.0	6.4
Provision for gratuity	7.0	4.8
Disallowances under section 43B of Income Tax Act, 1961	-	0.8
Total	(359.5)	(221.2)

15. Software License and Implementation expenses

During the year the Company is graduating over to an ERP system, which is under implementation. The Company has incurred Rs.15.3 towards such implementation. As a conservative measure, the management has charged off the expenditure incurred.

16. Export Incentives

Sales include export incentives of Rs.100.5 (Rs.297.6).

17. Research and Development Expenses

Research & Development expenses included under various heads of expenses are Rs.145.3 (Rs.80.1).

18. Remuneration to Whole-time Directors (included in Schedule 21)

Particulars	2002-03	2001-02
Salary	5.8	4.7
Contribution to Provident Fund	-	0.1
Perquisites	1.5	2.8
Total	7.3	7.6

Note : 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 Statutory Auditors included in Schedule 21 (including service tax)

Particulars	2002-03	2001-02
Statutory Audit	1.62	0.95
Other Audit Services	1.07	0.21
Certification charges	0.10	0.08
Reimbursement of out of pocket expenses	0.04	0.03
Total	2.83	1.27

20. Donation

Donation of Rs.0.04 disclosed under Schedule 21 includes contribution made to Bharatiya Janata Party Rs.0.025 and Telangana Rashtra Samithi Rs.0.005 [Communist Party of India (Marxist)-Rs.0.1]

Rs. Millions

21. Earnings per share

Earnings per share is computed based on the following:

Particulars	31st March, 2003	31st March, 2002
a) Profit after taxation considered for calculation of basic and diluted earnings per share (Rs.)	1,031.4	685.1
b) Weighted average number of Equity Shares considered for calculation of basic earnings per share	22,687,217	20,215,397
Add: Effect of dilution on account of convertible Share warrants issued on number of shares	2,268	268
c) Weighted average number of Equity Shares considered for calculation of diluted earnings per share	22,689,485	20,215,665

22. Interest in Joint venture

The Company holds 50% of the paid up equity capital of the Citadel Aurobindo Biotech Limited, incorporated in India, which is involved in manufacturing and marketing of formulations.

The Company's share of the assets, liabilities, income and expenses of the jointly controlled entity are as follows at 31st March, 2003. (Based on unaudited financial statements certified by the Board of Directors of Citadel Aurobindo Biotech Limited)

Particulars	31st March, 2003	31st March, 2002
Assets	683.2	160.0
Liabilities	683.2	160.0
Revenue	233.6	0.1
Depreciation	15.9	–
Other expenses	307.5	0.3
Profit/(Loss) before tax	(89.9)	(0.2)
Capital Commitments	–	–

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, 2003 are presented in the following table:

Nature of Transactions	Rs. Millions									
	Subsidiaries		Joint Ventures		Companies over which significant influence exists		Key Management Personnel		TOTAL	
	2002-03	2001-02	2002-03	2001-02	2002-03	2001-02	2002-03	2001-02	2002-03	2001-02
Purchase of Goods	232.9	52.1	-	-	148.3	535.9	-	-	381.2	588.0
Sale of Goods	740.8	1,072.6	-	34.5	29.0	86.1	-	-	769.7	1,193.2
Purchase of fixed assets	-	0.6	-	-	43.7	43.5	-	-	43.7	44.0
Sale of fixed assets	-	-	-	-	3.6	40.5	-	-	3.6	40.5
Sale of Brands	-	-	4.0	100.0	-	-	-	-	4.0	100.0
Non- Compete Fees received	-	-	-	300.0	-	-	-	-	-	300.0
Rendering services	1.6	-	8.0	-	-	-	-	-	9.6	-
Transfer of current assets	-	-	-	172.9	-	-	-	-	-	172.9
Receipt of services	-	-	-	-	13.7	129.6	7.3	7.6	21.0	137.2
Transfer of current liabilities	-	-	3.0	24.4	-	-	-	-	3.1	24.4
Interest/Dividend received	14.7	2.6	15.1	5.6	0.3	13.4	-	-	30.1	21.7
Finance (including loans and equity contributions in cash or in kind)	1,209.2	511.6	180.0	351.0	24.1	0.6	-	-	1,413.3	863.2
Diminution in Value of investments	57.9	-	-	-	-	-	-	-	57.9	-
Guarantees and collaterals	432.3	5.1	460.0	-	-	-	-	-	892.3	5.2
Sale of Investments	-	-	-	-	-	-	3.2	-	3.2	-
Receipt against Loans/Equity	0.9	-	300.0	-	24.1	-	3.0	-	328.0	-
Total	2,690.3	1,644.6	970.1	988.4	286.8	849.6	13.5	7.6	3,960.7	3,490.3
Balance as on 31st March, 2003										
Debit/(Credit)	2,587.3	1,562.1	506.7	1,105.9	18.9	15.6	-	-	-	-

b) Names of related parties and description of relationships

Subsidiaries

APL Chemi Natura Limited, India
APL Pharma Thai Limited, Thailand
Aurobindo USA LLC, USA
Aurobindo (H.K.) Limited, Hongkong
APL Holdings Inc., USA
AB Farmo Quimica Ltda, Brazil
Aurobindo (Datong) Bio-Pharma Co. Ltd, China
Shangai Widetex Chemical Co. Ltd, China
Aurobindo Farmaceutica Do Brasil Ltda, Brazil
Aurobindo Tongling (Datong) Pharmaceutical Co Ltd, China

Joint Ventures

Citadel Aurobindo Biotech Limited, India

Companies over which significant influence exists

Pravesha Machine Works (P) Ltd, India
Andhra Organics 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
Dr. M. Sivakumaran, Whole-time Director
B. Siva Prasad Reddy, Whole-time Director
Lanka Srinivas, Non - Executive Director

Rs. Millions

- c) Loans/advances and Investments in its own shares by the Company, their subsidiaries, associates etc.,
I. Loans and Advances in the nature of Loans to Subsidiaries and Associates.

Name of the Company	Closing Balance as at 31st March		Maximum outstanding at any time during the year ended 31st March	
	2003	2002	2003	2002
Subsidiaries				
Aurobindo (Datong) Bio-Pharma Ltd	266.5	–	266.4	–
Aurobindo Tongling (Datong) Pharmaceutical Co. Ltd.	75.6	135.8	135.8	135.8
APL Holding Inc.	78.8	–	78.8	–
APL Pharma Thai Ltd	–	–	–	10.0
APL Chemi Natura Ltd	25.0	–	25.0	–

- II. Investment by the loanees in the shares of the Company.

None of the loanees have made investments in shares of the Company.

24. Leases

Leases entered by the Company are operating leases. Operating leases are mainly in the nature of lease of office premises with no restrictions and are renewable at mutual consent.

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

25. Installed Capacity and Actual Production

Category	Unit of measurement	Installed capacity		Actual production	
		2002-03	2001-02	2002-03	2001-02
Bulk Drugs and Drug Intermediates	Tonnes	12,115	6,962	8,050	5,230
Formulations					
Tablets & Capsules	Nos. (in lakhs)	11,310	7,620	4,767	6,270
Syrups	Ltrs.	270,000	270,000	152,876	138,330
Injectibles	Nos.	180,000,000	60,000,000	10,122,757	4,678,781

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 include capacities taken over from erstwhile Ranit Pharma Limited and Calac private limited. These are as certified by the management and not verified by the Auditors, being a technical matter.
- In respect of licenses standing in the name of the erstwhile Ranit Pharma Limited and Calac Private Limited, the Company is in the process of making necessary applications to obtain endorsement of the same in favour of the Company.
- Production includes quantities processed by loan licensees.

Rs. Millions

26. Opening Stock, Closing Stock and Sales of Finished Goods

Category	Unit of Measurement	Opening Stock		Closing Stock		Captive Consumption	Sales	
		Qty.	Rs.	Qty.	Rs.		Qty.	Rs.
Bulk Drugs and Drug Intermediates								
Manufactured	Tonnes	41	125.9	26	68.6	4,476	3,589	10,904.8
		(83)	(245.3)	(38)	(103.9)	(2,016)	(3,259)	(8,578.5)
Traded	Tonnes	Nil	Nil	15	3.1	Nil	2,226	191.8
		(Nil)	(Nil)	(Nil)	(Nil)	(Nil)	(1,030)	(534.0)
Others		Nil	Nil	Nil	Nil			180.2
			(Nil)		(Nil)			(354.0)
Formulations: Manufactured								
Tablets & Capsules	Nos. (lakhs)	527	27.0	599	30.5	50	4,645	371.3
		(466)	(33.3)	(527)	(27.0)	(182)	(6,027)	(575.2)
Syrups	Ltrs.	19,283	2.0	23,836	3.0	7,948	140,375	27.4
		(28,658)	(2.9)	(19,283)	(2.0)	(16,830)	(130,875)	(17.7)
Injectibles	Nos.	648,516	9.8	723,505	5.7	2,644,544	7,403,224	179.7
		(941,838)	(7.6)	(648,516)	(9.8)	(1,161,831)	(3,810,272)	(52.6)
Others			0.1		Nil			36.4
			(Nil)		(0.1)			(35.4)
Formulations : Traded								
Tablets & Capsules	Nos. (lakhs)	Nil	Nil	17	9.8	4	18	12.2
		(168)	(23.5)	(Nil)	(Nil)	(117)	(756)	(137.7)
Syrups	Ltrs.	Nil	Nil	Nil	Nil	Nil	Nil	Nil
		(16,088)	(3.2)	(Nil)	(Nil)	(7,466)	(63,668)	(14.8)
Injectibles	Nos.	Nil	Nil	Nil	Nil	Nil	Nil	Nil
		(346,519)	(5.8)	(Nil)	(Nil)	(128,478)	(3,365,659)	(77.3)
Total			164.8		120.7			11,903.8
			(321.6)		(142.8)			(10,377.2)

Notes :

- Closing stock quantities are after adjustment of samples, transit claims/ losses etc.,
- Opening Stock of Bulk drugs & Drug Intermediates includes 2.95 Tonnes of Bulk Drugs of Rs.22.1 acquired on amalgamation (Refer Note 5).

Rs. Millions

27. Purchase of Finished Goods

Category	Unit of measurement	2002-03		2001-02	
		Qty.	Rs.	Qty.	Rs.
Bulk Drugs and Drug Intermediates					
Bulk Drugs and Drug Intermediates	Tonnes	2,241	186.6	1,385	465.6
Formulations					
Tablets & Capsules	Nos. (in Lakhs)	39	19.7	705	99.3
Syrups	Ltrs.	-	-	55,046	12.5
Injectibles	Nos.	-	-	3,147,588	69.8
Total			206.3		647.2

28. Raw Material Consumed

Pencillin.G. Potassium	BOUs	4,951,312	2,640.0	4,695,106	2,469.7
PG Base	Tonnes	448,575	103.3	488	136.9
PHPG Base	Tonnes	709,770	293.7	603	346.1
7ACA	Tonnes	129,503	822.2	94,779	560.7
Others			3,482.2		2,511.1
Total			7,341.4		6,024.5

- Notes:** 1. The Consumption figures are ascertained on the basis of Opening Stock plus Purchases less Closing Stock.
2. Consumption includes interest on import bills Rs.31.1 (Rs.43.9)

29. Consumption of Raw Materials & Stores and Spares

	%	Rs.	%	Rs.
Raw Materials				
Imported	68	4,957.5	57	3,418.6
Indigenous	32	2,383.9	43	2,605.9
Total	100	7,341.4	100	6,024.5
Stores & Spares				
Imported	2	1.6	-	-
Indigenous	98	76.0	100	42.6
Total	100	77.6	100	42.6


	Rs. Millions	
	2002-03 Rs.	2001-02 Rs.
30. Value of imports calculated on CIF Basis		
Raw materials	4,768.6	3,303.0
Packing Materials	16.7	7.7
Capital goods	138.1	40.4
Stores, Spares & Consumables	2.5	-
Total	4,925.9	3,351.1
31. Expenditure in foreign Currency (Cash basis)		
Travelling	8.8	8.2
Commission on Sales	41.2	59.0
Books & Periodicals	2.4	2.2
Product Registration and Filing fee	5.0	7.6
Overseas Office expenses	21.3	7.1
Others	42.6	15.1
Total	121.3	99.2
32. Earnings in Foreign Exchange		
Exports on F.O.B. Basis	5,637.4	4,865.4
Interest	13.5	1.2
Dividend	0.8	2.3
Total	5,651.7	4,868.9

33. Figures in brackets represent those relating to the previous year.

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

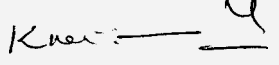
SIGNATURES TO SCHEDULES 1 TO 23
In terms of our report of even date



S.R. BATLIBOI & CO.,
Chartered Accountants


Per
UTKARSH PALNITKAR
Partner
Place : Hyderabad
Date : 30th June, 2003


B. ADI REDDY
Company Secretary

For and on behalf of the Board of Directors


K. NITYANANDA REDDY
Managing Director


DR. M. SIVAKUMARAN
Whole-time Director

	Rs. Millions	
	2002-2003	2001-2002
A. CASH FLOW FROM		
OPERATING ACTIVITIES		
Net Profit before tax and Extraordinary items	1,400.9	788.4
Adjustments for :		
Depreciation	231.8	158.1
Miscellaneous Expenditure written off	7.6	3.3
Provision for Doubtful Debts	4.0	27.5
Bad debts written off	28.4	-
Provision for Diminution in value of investments	58.0	-
Export incentives accrued	(63.2)	(97.0)
Claims written off	-	0.2
Assets written off	1.3	-
Excess provision written back	(1.8)	(4.3)
Provision for Retirement Benefits	19.2	10.4
Interest Paid	457.0	467.8
Interest Received	(44.1)	(31.3)
Dividends Received	(0.8)	(2.4)
Foreign Exchange gain/loss	18.4	(34.5)
Net (Profit)/Loss on Sale of Fixed Assets	(124.0)	3.0
Net (Profit)/Loss on Sale of Long Term Investments	(5.6)	-
Operating Profits before Working Capital Changes	1,987.1	1,289.2
Adjustments for :		
Inventories	(537.3)	420.0
Sundry Debtors	(678.0)	(899.0)
Loans & Advances	168.6	76.2
Sundry Creditors	366.0	144.5
Cash generated from Operations	1,306.4	1,030.9
Income Tax Paid	(231.7)	(122.7)
Interest paid	(34.0)	(44.3)
Product Development Expenditure paid	-	(9.8)
NET CASH FROM OPERATING ACTIVITIES (A)	1,040.7	854.1
B. CASH FLOW FROM		
INVESTING ACTIVITIES		
Acquisition of Fixed Assets	(1,651.7)	(740.5)
Sale of Fixed Assets	153.9	46.7
Investments (Refer Note 3)	(2,121.6)	(867.2)
Proceeds from sale of investments	1,155.7	367.5
[(includes Rs.0.9 (Previous Year Rs.12.0) as consideration in liquidation of a subsidiary)]		
Loans to Joint ventures & Subsidiaries	(48.2)	(341.2)
Interest Received	40.4	25.5
Dividend Received	0.8	2.4
NET CASH USED IN INVESTING ACTIVITIES (B)	(2,470.7)	(1,506.8)

	Rs. Millions	
	2002-2003	2001-2002
C. CASH FLOW FROM		
FINANCING ACTIVITIES		
Proceeds from Issue of Share Capital	583.1	106.2
Proceeds from issue of Share Warrants	10.8	10.6
Proceeds from Long Term borrowings	1,758.4	762.7
Repayment of Long Term borrowings	(748.6)	(106.8)
Other Short Term borrowings (Net)	370.4	557.7
Interest Paid	(487.1)	(432.4)
Dividend and Dividend tax	(60.6)	(66.8)
NET CASH FROM FINANCING ACTIVITIES (C)	1,426.4	831.2
NET INCREASE / (DECREASE) IN CASH		
AND CASH EQUIVALENTS (A+B+C)	(3.6)	178.5
Cash and Cash Equivalents-Opening Balance	224.1	45.6
Transferred on Amalgamation	111.5	-
Imprest balances transferred to the Joint		
Venture - Citadel Aurobindo Biotech Limited	-	(3.0)
Cash and Cash Equivalents-Closing Balance	331.9	221.1
NET INCREASE/DECREASE) IN CASH AND CASH EQUIVALENTS	(3.6)	178.5


Notes to the Cash Flow Statement for the year ended 31st March, 2003

- Cash and Cash equivalents include :

Cash and Bank Balances	293.0	204.5
Margin Money Deposit Accounts	36.7	18.0
Unpaid dividend Accounts	1.8	1.6
Cash and Cash Equivalents as per Balance Sheet	331.5	224.1
Unrealised gain on Foreign currency cash and cash equivalents	0.4	(3.0)
Cash and Cash Equivalents considered for cash flows	331.9	221.1
- The amalgamation of the erstwhile Ranit Pharma Limited and Calac Private Limited with the Company is non-cash transaction (Refer Note 5 on Schedule 23).
- Investments include investment in subsidiaries Rs.846.8 (Rs.511.6) and in companies subsequently amalgamated Rs.137.4 (Rs.Nil)
- Figures in brackets represent those relating to the previous year.
- Previous year's figures have been regrouped/rearranged to conform to those of the current year.

This is the Cash Flow Statement referred to in our report of even date

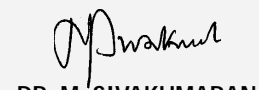

S.R. BATLIBOI & CO.,
Chartered Accountants

Per 
UTKARSH PALNITKAR
Partner
Place : Hyderabad
Date : 30th June, 2003


B. ADI REDDY
Company Secretary

For and on behalf of the Board of Directors


K. NITYANANDA REDDY
Managing Director


DR. M. SIVAKUMARAN
Whole-time Director

(As per Schedule VI, Part IV of the Companies Act, 1956)

I. Registration Details
 Registration No. 15190 State Code 01
 Balance Sheet Date 31 03 2003
 Date Month Year

II. Capital raised during the year (Rs. in Thousands)
 Public Issue Nil Rights Issue Nil Bonus Issue Nil Private Placement 25800

III. Position of Mobilisation and Deployment of Funds (Rs. in Thousands)
 Total Liabilities 10610144 Total Assets 10610144
Sources of Funds
 Paid-up Capital 232500 Reserves & Surplus 5101439 Equity Share Warrants 21470 Secured Loans 4065723
 Unsecured Loans 1189012
Application of Funds
 Net Fixed Assets 4137664 Investments 1523154 Net Current Assets 5308861
 Deferred Tax Liabilities (359535) Miscellaneous Expenditure Nil Accumulated Loss Nil

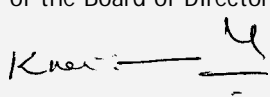

IV. Performance of Company (Rs. in Thousands)
 Turnover & Other Income 11379671 Total Expenditure 9978741 Profit before Tax 1400930 Profit after Tax 1031436
 Earnings per Share (Rs.) 45.46 Dividend Rate (%) 35

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	Amoxicillin Trihydrate
294110.04	Cloxacillin Sodium

Place : Hyderabad
 Date : 30th June, 2003

B. Adireddy
B ADI REDDY
 Company Secretary

For and on behalf of the Board of Directors

K NITYANANDA REDDY
 Managing Director

DR. M. SIVAKUMARAN
 Whole-time Director



A bird's eye view of the Pydhibhimavaram Unit

AUDITORS' REPORT TO THE BOARD OF DIRECTORS OF AUROBINDO PHARMA LIMITED ON THE CONSOLIDATED FINANCIAL STATEMENTS OF AUROBINDO PHARMA LIMITED

1. We have examined the attached Consolidated Balance Sheet of Aurobindo Pharma Limited as at 31st March, 2003, the Consolidated Profit and Loss Account and Consolidated Cash Flow Statement for the year then ended prepared in accordance with accounting principles generally accepted in India.
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 and joint ventures, whose financial statements reflect total assets of Rs.6,058.7 million as at 31st March, 2003 and total revenues of Rs.2,779.9 million 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, in so far as it relates to the amounts included in respect of such subsidiaries and joint ventures, is based solely on the report of such other auditors.*
4. *These Consolidated Financial Statements for the year ended 31st March, 2003 include the unaudited financial statements of the following entities:-, consolidated on the basis of management certification;*

- a) *APL Pharma Thai Limited, Thailand*
- b) *AB Farmo Quimica Limitada, Brazil*
- c) *Aurobindo Farmaceutica Do (Brazil) Limitada, Brasil*
- d) *Aurobindo (Datong) Bio-Pharma Co. Limited, China*
- e) *Shanghai Widetex Chemicals Co. Limited, China*
- f) *Aurobindo Tongling (Datong) Pharmaceutical Co. Limited, and,*
- g) *Citadel Aurobindo Biotech Limited*

These Consolidated Financial Statements reflect total assets of Rs.4,903.2 million as at 31st March, 2003 and total revenues of Rs.2,149.7 million for the year then ended in respect of the aforesaid consolidated entities.

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" and Accounting Standard 27 "Financial Reporting of Interest in Joint Venture" 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 and joint ventures, 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 22:
 - a) *Note no. 2(b) regarding inventories of finished goods of Rs.594.3 million as considered in the Consolidated Financial Statements, which include Rs.122.2 million relating to a subsidiary 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;*
 - b) *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 and joint venture companies, whose impact on the Consolidated Financial Statements is not presently ascertainable;

- c) *Note no. 3(b) regarding non-conformity with Accounting Standard- 16 "Borrowing Costs" issued by the Institute of Chartered Accountants of India, in the preparation of the Consolidated Financial Statements in the case of certain subsidiary and joint venture companies, whose impact on the Consolidated Financial Statements is not presently ascertainable;*
7. *In the absence of audited financial statements in respect of the entities referred to in Para 4 above, we are unable to express an opinion to the extent balances, results from operation and cash flows pertaining to such entities are included respectively in the Consolidated Balance Sheet as at 31st March, 2003, Consolidated Profit and Loss Account and Consolidated Cash Flow for the year ended 31st March, 2003.*
8. On the basis of the information and explanations given to us and on consideration of the separate audit reports on individual audited financial statements of Aurobindo Pharma Limited and its aforesaid subsidiaries and joint ventures and *subject to our observations in Para 6 and*

7 above, we are of the opinion that in conformity with the accounting principles generally accepted in India:

- a) the Consolidated Balance Sheet, gives a true and fair view of the Consolidated State of Affairs of Aurobindo Pharma Limited and its consolidated entities as at 31st March, 2003;
- b) the Consolidated Profit and Loss Account, gives a true and fair view of the Consolidated results of operations of Aurobindo Pharma Limited and its consolidated entities for the year then ended; and
- c) the Consolidated Cash Flow Statement, gives a true and fair view of the Consolidated cash flows of Aurobindo Pharma Limited and its consolidated entities for the year then ended.



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



Per
Utkarsh Palnitkar
Partner

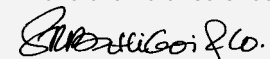
Place: Hyderabad
Date: 30th June, 2003

Consolidated Balance Sheet as at 31st March, 2003


			Rs. Millions	
	Schedule	As at 31st March, 2003	As at 31st March, 2002	
I. SOURCES OF FUNDS				
SHAREHOLDERS' FUNDS				
Share Capital	1	232.5	206.7	
Reserves & Surplus	2	4,727.1	3,352.8	
		4,959.6	3,559.5	
EQUITY SHARE WARRANTS- UPFRONT CONSIDERATION	3	21.5	10.6	
MINORITY INTEREST		8.3	9.6	
LOAN FUNDS				
Secured Loans	4	4,705.2	2,702.3	
Unsecured Loans	5	2,260.1	1,563.1	
		6,965.3	4,265.4	
TOTAL		11,954.7	7,845.1	
II. APPLICATION OF FUNDS				
FIXED ASSETS	6			
Gross Block		6,600.7	2,212.4	
Less: Depreciation		915.4	494.0	
Net Block		5,685.3	1,718.4	
Capital Work-in-Progress		1,727.4	926.9	2,645.3
GOODWILL		7.6	4.6	
INVESTMENTS	7	11.7	165.1	
CURRENT ASSETS, LOANS AND ADVANCES				
Inventories	8	2,555.7	1,519.2	
Sundry Debtors	9	4,347.8	3,909.4	
Cash & Bank Balances	10	497.5	315.5	
Loans and Advances	11	803.4	1,116.8	
Interest Accrued on Investments		0.6	0.1	
		8,205.0	6,861.0	
LESS: CURRENT LIABILITIES AND PROVISIONS				
Current Liabilities	12	3,381.1	1,510.0	
Provisions	13	176.8	121.2	
		3,557.9	1,631.2	
NET CURRENT ASSETS		4,647.1	5,229.8	
DEFERRED TAX LIABILITY (Net) (Refer Note 18 on Schedule 22)		(353.2)	(218.7)	
MISCELLANEOUS EXPENDITURE	14	228.8	19.0	
(to the extent not written off or adjusted)				
TOTAL		11,954.7	7,845.1	
Notes to Accounts	22			

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



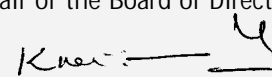
S.R. BATLIBOI & Co.,
Chartered Accountants

Per 

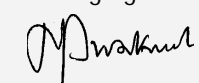
UTKARSH PALNITKAR
Partner

Place : Hyderabad
Date : 30th June, 2003

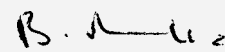
For and on behalf of the Board of Directors



K. NITYANANDA REDDY
Managing Director



DR. M. SIVAKUMARAN
Whole-time Director

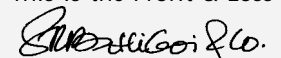


B. ADI REDDY
Company Secretary

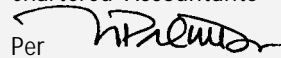
		Rs. Millions	
	Schedule	2002-2003	2001-2002
INCOME	Sales (Gross)	13,365.8	11,635.4
	Less: Excise Duty	767.1	627.7
	Sales (Net)	12,598.7	11,007.7
	Other Income	15 253.8	179.4
	Increase/(Decrease) in Stocks	16 403.5	(672.7)
	TOTAL	13,256.0	10,514.4
EXPENDITURE	Raw Materials Consumed	17 8,026.9	5,996.1
	Purchase of Trading Goods	649.8	1,277.9
	Excise duty/VAT	81.0	16.6
	Other Manufacturing Expenses	18 1,260.7	1,017.3
	Payments to and Provisions for Employees	19 434.4	267.0
	Administrative and Selling Expenses	20 776.7	492.9
	Interest and Finance Charges	21 478.1	453.7
	Depreciation	310.9	159.4
	TOTAL	12,018.5	9,680.9
	PROFIT BEFORE EXTRA ORDINARY ITEM & TAXATION	1,237.5	833.5
	Extra ordinary item	-	100.0
	PROFIT BEFORE TAXATION	1,237.5	933.5
	Provision for Taxation	255.5	155.5
	Deferred Tax Expenses	108.3	35.4
	Tax adjustments of previous years	4.4	11.7
	Total Tax Expense	368.2	202.6
	PROFIT FOR THE YEAR BEFORE MINORITY INTEREST	869.3	730.9
	Minority Interest	0.5	1.0
	PROFIT FOR THE YEAR	868.8	729.9
	Balance Brought Forward from Last Year	107.1	(36.3)
	Share in the Profits of jointly controlled entities as at 1st April, 2002	30.6	-
	Debit Balance in Profit & Loss Account transferred on Amalgamation	(5.8)	-
	PROFIT AVAILABLE FOR APPROPRIATION	1,000.7	693.6
APPROPRIATIONS	Proposed Dividend	79.4	61.5
	Tax on Dividend	10.2	-
	Debenture Redemption Reserve	172.1	-
	General Reserve	750.0	525.0
	(Deficit) / Surplus carried to Balance Sheet	(11.0)	107.1
		1,000.7	693.6
	Basic and Diluted earnings per share (Refer Note 23 on Schedule 22)	38.29	36.21
	Nominal value per share	10.00	10.00
	Notes to Accounts	22	

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



S.R. BATLIBOI & Co.,
Chartered Accountants

Per 

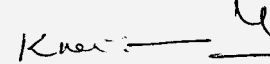
UTKARSH PALNITKAR

Partner

Place : Hyderabad

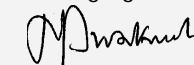
Date : 30th June, 2003

For and on behalf of the Board of Directors



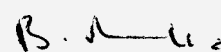
K. NITYANANDA REDDY

Managing Director



DR. M. SIVAKUMARAN

Whole-time Director



B. ADI REDDY
Company Secretary

		Rs. Millions	
		As at 31st March, 2003	As at 31st March, 2002
1. SHARE CAPITAL			
AUTHORISED	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>
ISSUED, SUBSCRIBED AND PAID-UP	23,250,000 (20,670,000) Equity Shares of Rs.10 each fully paid-up	232.5	206.7
	TOTAL	<u>232.5</u>	<u>206.7</u>

Notes:

Of the above Equity Shares

- (a) Nil (670,500) Equity Shares were allotted for consideration other than cash.
- (b) 5,80,000 (4,70,000) Equity Shares of Rs.10 each at premium of Rs.216 each were issued to the promoters during the year.

		Rs. Millions	
		As at 31st March, 2003	As at 31st March, 2002
2. RESERVES & SURPLUS			
	<i>(Refer Note 4 & 8 on Schedule 22)</i>		
CAPITAL RESERVE	As per last Balance Sheet	379.3	79.3
	Add: On Amalgamation		
	- State Subsidy	1.3	-
	- Capital Reserve	9.6	-
	Non-Compete Fees	-	300.0
	On Acquisition of a Subsidiary	7.1	-
	On Consolidation of Joint Venture	(150.0)	-
		<u>247.3</u>	<u>379.3</u>
CAPITAL REDEMPTION RESERVE	As per last Balance Sheet	90.0	90.0
SHARE PREMIUM	As per last Balance Sheet	380.9	279.4
	Add: On Amalgamation	0.3	-
	Received During the Year	557.3	101.5
		<u>938.5</u>	<u>380.9</u>
DEBENTURE REDEMPTION RESERVE	As per last Balance Sheet	89.1	89.1
	Add: Transferred from Profit & Loss Account	172.1	-
		<u>261.2</u>	<u>89.1</u>
GENERAL RESERVE	As per last Balance Sheet	2,345.8	2,004.0
	Less: Accumulated Deferred Tax Liability as at 1st April	-	183.2
	Less: On Consolidation of Joint Venture	50.0	-
	Add: On Amalgamation	244.3	-
	Less: Adjustment on Amalgamation	54.3	-
	Add: Transferred from Profit & Loss Account	750.0	525.0
	Add: Debit Balance in the Profit & Loss Account	(11.0)	-
		<u>3,224.8</u>	<u>2,345.8</u>
EXCHANGE RESERVE ACCOUNT		(34.7)	(39.4)
BALANCE IN PROFIT AND LOSS ACCOUNT		-	107.1
	TOTAL	<u>4,727.1</u>	<u>3,352.8</u>
3. EQUITY SHARE WARRANTS - UPFRONT CONSIDERATION			
	Upfront consideration received towards preferential allotment of 950,000 (470,000) Equity Share Warrants of Rs.226 each to be converted into 950,000 (470,000) Equity Shares of Rs.10 each at a premium of Rs.216 per Equity Share on exercise of option by warrant holders.	<u>21.5</u>	<u>10.6</u>
	Note: During the year the Company has allotted 530,000 (470,000) equity share warrants to promoters.		

				Rs. Millions	
				As at 31st March, 2003	As at 31st March, 2002
4. SECURED LOANS					
<i>(Refer Note 10 on Schedule 22)</i>					
DEBENTURES					
NON-CONVERTIBLE DEBENTURES					
Coupon Rate	Face Value	Numbers	Terms of Redemptions		
15.25%	Rs.100	500000	In 3 annual installments by 12/02/03	-	16.7
15.25%	Rs.100	500000	In 3 annual installments by 29/03/03	-	16.6
15.00%	Rs.100	500000	In 3 annual installments by 10/06/04	33.3	50.0
11.75%	Rs.100	2700000	In 3 annual installments by 10/08/05	270.0	270.0
7.80%	Rs.100	2500000	In single installment by 16/12/05	250.0	-
8.50%	Rs.100	2500000	In single installment by 26/03/06	250.0	-
8.50%	Rs.100	2250000	In seven half-yearly installments by 26/09/07	225.0	-
				1,028.3	353.3
TERM LOANS	From Financial Institutions			1,803.3	1,062.3
(Payable within one year - Rs. 630.8)					
(Rs.213.4)					
From Banks				150.0	-
OTHER LOANS	From Banks - Working Capital Loans			1,722.2	1,276.9
(Payable within one year)					
Other Short term Loans				-	8.3
(Payable within one year)					
				1,722.2	1,285.2
Interest Accrued				0.2	-
Hire Purchase Loans				1.2	1.5
[(Payable within one year - Rs.0.5) (Rs.0.8)]					
				1,723.6	1,286.7
TOTAL				4,705.2	2,702.3
5. UNSECURED LOANS					
<i>(Refer Note 11 on Schedule 22)</i>					
SHORT TERM LOANS	From Banks - Commercial Paper			100.0	400.0
[(Maximum amount outstanding at any time during the year- Rs.400.0) (400.0)]					
From Banks - Other Loans				550.2	340.0
From Promoters				16.4	-
OTHER LOANS	From Banks			480.6	451.8
Interest Accrued and Due				1.7	0.3
From Others				556.7	5.9
Sales Tax Deferment Loan				554.5	365.1
TOTAL				2,260.1	1,563.1

6. FIXED ASSETS

Rs. Millions

Particulars	Gross Block					Depreciation					Net Block	
	As at 1st April, 2002	Additions	Additions Merger/ JVs Consolidation	Sales/ Adjustments	As at 31st March, 2003	As at 1st April, 2002	For the Year	Added on Merger/ JVs Consolidation	Sales/ Adjustments	As at 31st March, 2003	As at 31st March, 2003	As at 31st March, 2002
Land ^{(a) & (b)}	89.6	3.5	10.9	46.7	57.3	-	-	-	-	-	57.3	89.6
Building ^{(a) & (c)}	420.9	838.6	266.2	1.6	1,524.1	36.1	37.1	16.0	0.7	88.5	1,435.6	384.8
Brands	-	8.4	160.0	-	168.4	-	4.9	-	-	4.9	163.5	-
Plant & Machinery ^(d)	1,658.8	2,483.1	623.5	1.9	4,763.5	447.1	259.9	104.4	8.7	802.7	3,960.8	1,211.7
Vehicles ^(h)	21.3	21.6	8.9	5.4	46.4	5.5	4.7	1.1	2.5	8.8	37.6	15.8
Furniture & Fixtures	21.8	17.3	2.3	0.4	41.0	5.3	4.6	0.6	-	10.5	30.5	16.5
Total	2,212.4	3,372.5	1,071.8	56.0	6,600.7	494.0	311.2	122.1	11.9	915.4	5,685.3	1,718.4
Previous Year	1,989.4	335.1	13.3	125.4	2,212.4	377.4	159.4	1.2	44.1	494.0	1,718.4	1,612.0
Capital work in progress ^{(e), (f), (g) & (i)}	926.9	-	-	-	1,727.4	-	-	-	-	-	1,727.4	926.9

Notes:

- (a) The title deeds of Land and Buildings aggregating to Rs.44.0 (Rs.38.2) acquired on amalgamation are pending transfer to the APL's name.
- (b) Land acquired on amalgamation includes leasehold land of Rs.0.3 (Rs.Nil).
- (c) Buildings include Rs.0.3 (Rs.0.3) being the value of shares in Co-operative housing societies
- (d) Includes foreign exchange fluctuation capitalised Rs.0.3 (Rs.0.04)
- (e) Capital work-in-progress includes capital advances of Rs.89.5 (Rs.48.9)
- (f) Capital work-in-progress amount of Rs.80.3 (Rs.Nil) acquired on amalgamation.
- (g) Includes expenditure during construction period Rs.51.2 (Rs.23.9) (Refer Note 12 on Schedule 22)
- (h) Include Vehicles acquired on hire purchase Rs.1.8 (Rs.1.7)
- (i) Capital work-in-progress includes Rs.0.2 transferred from depreciation for the year ended 31st March, 2003 (Rs.Nil)

			Rs. Millions	
	Face Value Per Share	No. of shares	As at 31st March, 2003	As at 31st March, 2002
7. INVESTMENTS (at Cost)				
UNQUOTED				
LONG TERM				
TRADE INVESTMENTS	Equity Shares (Fully Paid-up)			
	Rs.100	753	0.1	0.1
	Rs.10	103,709	1.0	1.0
	Rs.100	1,000	0.1	0.1
	Rs 10	187,000	3.3	0.9
		(a)	4.5	2.1
IN JOINT VENTURES	Equity Shares (Fully Paid-up)			
	\$100	13,640	-	66.6
		50% of Paid-in Capital	-	95.2
		(b)	-	161.8
OTHER THAN TRADE	Government Securities			
			1.0	0.4
			5.5	-
			0.5	-
			0.2	0.2
			*includes Certificates of Rs.0.07 held by income tax authorities	
		(c)	7.2	0.6
QUOTED				
CURRENT INVESTMENTS	Equity Shares (Fully Paid-up)			
	Rs.10	57,000	-	0.6
		[Market Value as at 31st March 2002, Rs.0.5]		
		(d)	-	0.6
TOTAL		(a)+(b)+(c)+(d)	11.7	165.1

	Rs. Millions	
	As at 31st March, 2003	As at 31st March, 2002
8. INVENTORIES		
(at lower of cost or net realisable value)		
Raw Materials *	934.5	580.0
Stores, Spares, Consumables & Packing Materials	64.2	48.3
Work-in-Process	962.7	494.8
Finished Goods*	594.3	396.1
TOTAL	2,555.7	1,519.2
*includes in transit and lying with third parties.		
9 SUNDRY DEBTORS (Refer Note 13 on Schedule 22)		
UNSECURED		
Debts Outstanding for a Period Exceeding Six months		
Considered Good	1,564.0	818.9
Considered Doubtful	61.2	56.6
Other Debts - Considered Good	2,783.8	3,090.5
Less: Provision for Doubtful Debts	61.2	56.6
TOTAL	4,347.8	3,909.4
10. CASH & BANK BALANCES (Refer Note 14 on Schedule 22)		
Cash, Cheques & Drafts on Hand	48.4	2.0
Cash-in-Transit	29.3	21.3
Balances with Scheduled Banks on		
Current Accounts	297.3	212.6
Deposit Accounts	43.7	29.7
Unpaid Dividend Accounts	1.8	1.6
Balances with Non-scheduled Banks on		
Current Accounts	26.3	48.3
Deposit Accounts	50.7	-
TOTAL	497.5	315.5
11. LOANS & ADVANCES (Refer Note 8(e) & 15 on Schedule 22)		
(Unsecured, considered good except stated otherwise)		
Loans and Advances to Joint Ventures	44.3	463.4
Loans to Employees	6.2	3.8
Advances Recoverable in Cash or in kind or for Value to be Received or Pending Adjustments		
Considered Good	387.2	260.1
Considered Doubtful	1.2	0.8
Trade and Other Deposits	83.9	54.3
Export Incentives Receivable	109.0	141.2
Balances with Customs and Excise Authorities	172.8	194.0
	804.6	1,117.6
Less: Provision for Doubtful Advances	1.2	0.8
TOTAL	803.4	1,116.8

		Rs. Millions	
		As at 31st March, 2003	As at 31st March, 2002
12. CURRENT LIABILITIES			
<i>(Refer Note 16 on Schedule 22)</i>			
	Sundry Creditors for Goods, Services and Expenses	2,346.4	1,430.8
	Trade Deposits	28.0	8.8
	Unclaimed Dividends	1.7	1.6
	Other Liabilities	991.0	54.4
	Interest Accrued but not Due on Loans	14.0	14.4
	TOTAL	3,381.1	1,510.0
13. PROVISIONS			
<i>(Refer Note 24 on Schedule 22)</i>			
	For Taxation (net of advance payments)	33.1	28.1
	For Retirement Benefits	53.2	31.5
	For Proposed Dividend	80.3	61.6
	For Tax on Proposed Dividend	10.2	-
	TOTAL	176.8	121.2
14. MISCELLANEOUS EXPENDITURE			
<i>(to the extent not written off or adjusted)</i>			
	Product Development & Registration Expenses	9.5	14.5
	Less:Written Off During the Year	7.5	3.3
	(a)	2.0	11.2
	Preliminary Expenses	0.4	0.3
	Less:Written Off During the Year	0.1	0.1
	(b)	0.3	0.2
	Deferred Revenue Expenditure	226.5	7.6
	(c)	226.5	7.6
	TOTAL	228.8	19.0
	(a+b+c)	228.8	19.0

	Rs. Millions	
	Year ended 31st March, 2003	Year ended 31st March, 2002
15. OTHER INCOME		
Interest		
On Loans to Joint Ventures	18.5	7.6
On Deposits and Overdue Bills	11.8	10.9
On Investments	0.1	0.1
Tax Refund	0.1	–
On Advances	1.9	17.2
[Tax Deducted at Source Rs.5.0 (Rs.5.1)]		
Processing Charges	23.6	7.5
Profit / (Loss) on Sale of Fixed Assets	123.9	(3.0)
[Include profit on sale of land Rs.124.3 (Rs.Nil)]		
Dividends from Non-Trade Investments	–	0.1
Exchange Fluctuation Gain (Net)	2.8	61.1
Liabilities no longer required, Written Back	–	4.3
Miscellaneous Income	66.6	73.6
Profit on Sale of Investments	4.5	–
TOTAL	253.8	179.4
16. INCREASE / (DECREASE) IN STOCKS		
Opening Stocks		
Finished Goods	396.1	1,041.1
Work-in-Process	494.8	519.7
	890.9	1,560.8
Less: Reversal of Excise Duty on Opening Stocks	9.7	38.7
	881.2	1,522.1
Adjustments Due to Consolidation of Joint Venture Entities, Acquisition of Subsidiaries and Amalgamation		
Finished Goods	176.3	16.0
Work-in-Process	103.6	6.3
	279.9	22.3
Less: Closing Stocks		
Finished Goods	594.3	396.1
Work-in-Process	962.7	494.8
	1,557.0	890.9
Decrease in Stocks	395.9	(653.5)
Adjustment for Fluctuation in Exchange Rates	(7.6)	(19.2)
ADJUSTED INCREASE / (DECREASE) IN STOCKS	403.5	(672.7)

	Rs. Millions	
	Year ended 31st March, 2003	Year ended 31st March, 2002
17. RAW MATERIALS CONSUMED		
Opening Stocks	580.0	822.4
Add: Acquired on Amalgamation	90.5	–
Acquired on Acquisition	–	1.4
Purchases	8,291.5	5,752.3
	<u>8,962.0</u>	<u>6,576.1</u>
Less: Closing Stock	934.5	580.0
Raw Materials Consumed	8,027.5	5,996.1
Adjustment for Fluctuation in Exchange Rates	(0.6)	–
ADJUSTED RAW MATERIALS CONSUMED	<u>8,026.9</u>	<u>5,996.1</u>
18. OTHER MANUFACTURING EXPENSES		
Conversion Charges	282.7	426.6
Packing Materials Consumed	108.9	96.1
Stores, Spares & Consumables	83.5	42.6
Chemicals Consumed	72.1	43.2
Carriage Inward	87.1	56.9
Factory Maintenance	34.4	13.1
Power & Fuel	466.5	265.6
Effluent Treatment Expenses	26.8	14.9
Repairs & Maintenance		
Plant & Machinery	47.6	11.2
Buildings	0.2	5.8
Others	1.0	7.5
Miscellaneous Expenses	49.9	33.8
TOTAL	<u>1,260.7</u>	<u>1,017.3</u>
19. PAYMENTS TO AND PROVISIONS FOR EMPLOYEES		
Salaries, Wages and Bonus	369.7	231.2
Contribution to Provident Fund and other funds	20.3	13.9
Retirement Benefits	22.8	12.9
Staff Welfare	21.6	9.0
TOTAL	<u>434.4</u>	<u>267.0</u>

	Rs. Millions	
	Year ended 31st March, 2003	Year ended 31st March, 2002
20. ADMINISTRATIVE & SELLING EXPENSES		
<i>(Refer Note 17 & 21 on Schedule 22)</i>		
Lease Rents	12.2	5.8
Rates & Taxes	48.9	16.0
Printing & Stationery	12.9	10.3
Postage, Telegram & Telephones	18.5	19.6
Insurance	43.2	32.5
Legal & Professional Charges	39.5	15.5
Remuneration to Auditors	3.9	1.4
Commission to other Selling Agents	80.5	73.6
Carriage Outwards	176.4	132.8
Selling Expenses	61.7	39.0
Rebates & Discounts	4.1	16.8
Travel & Conveyance	67.6	59.9
Vehicle Maintenance Expenses	5.9	1.9
Claims/ Bad debts written off	42.2	2.1
Prior Period Adjustments (Net)	1.3	3.6
Miscellaneous Expenditure Written Off	58.0	3.3
Safety & Security	0.3	-
Office Expenses	4.5	-
Repairs & Maintenance	5.1	-
Software License & ERP Expense	15.3	-
Provision for Bad and Doubtful Debts and Advances	4.0	27.5
Assets Written Off	1.3	-
Donation	0.4	0.5
Management Fees	4.0	-
Miscellaneous Expenses	65.0	30.8
TOTAL	776.7	492.9
21 INTEREST AND FINANCE CHARGES		
Interest on Fixed Period Loans	354.7	333.9
Interest on Other Loans	66.9	62.2
Finance Charges	56.5	57.6
TOTAL	478.1	453.7

Rs. Millions

1. Statement of Significant Accounting Policies

a. Basis of Consolidation

The Consolidated Financial Statements of Aurobindo Pharma Limited (APL) together with its subsidiaries and jointly controlled entities (Collectively termed as "the Company" or "Consolidated Entities") has been prepared under historical cost convention on accrual basis to comply in all material respect with the mandatory Accounting Standards issued by the Institute of Chartered Accountants of India.

Investments in subsidiaries, except where the investments in the subsidiaries is held exclusively with a view to its subsequent disposal in the immediate near future, have been accounted in accordance with accounting principles as defined in the Accounting Standard – 21 " Consolidated Financial Statements", issued by The Institute of Chartered Accountants of India (ICAI).

Effective from 1st April, 2002 the investment in the Jointly controlled entities has been accounted using the proportionate consolidation method of accounting as prescribed in the Accounting Standard – 27 "Financial Reporting of Interests in joint ventures". The Company's share in the profit or losses of the jointly controlled entities as at 1st April, 2002 has been adjusted against the opening consolidated profit and loss account of the Company.

All material inter-company balances and inter-company transactions and resulting unrealized profits or losses are eliminated in full on consolidation.

The Consolidated Financial Statements for the year ended 31st March, 2003, have been prepared on the basis of the financial statements of the following subsidiaries and jointly controlled entities:

Name of the Consolidated Entities	Country of Incorporation	Nature of Interest	% of Interest	Accounting Year
Aurobindo (H.K.) Ltd.	Hong Kong	Subsidiary	100%	31st March
APL Pharma Thai Limited	Thailand	Subsidiary	48%	31st March
Aurobindo USA LLC	USA	Subsidiary	100%	31st December
APL Holdings Inc	USA	Subsidiary	100%	31st March
AB Farmo Quimica Ltda.	Brazil	Subsidiary	100%	31st March
Aurobindo Farmaceutica Do Brasil Ltda.	Brazil	Subsidiary (up to 31st October, 2002)	100%	31st March
Aurobindo (Datong) Bio-Pharma Co Ltd.	China	Subsidiary	100%	31st March
Aurobindo Tongling (Datong) Pharmaceutical Co Ltd.	China	Subsidiary (effective from 1st November, 2002)	100%	31st March
Shanghai Widetex Chemical Co Ltd.	China	Subsidiary	80%	31st March
APL Chemi Natura Ltd.	India	Subsidiary	100%	31st March
Citadel Aurobindo Biotech Limited	India	Joint Venture	50%	31st March
Cephazone Pharma LLC	USA	Joint Venture	50%	31st March
Aurosal Pharmaceuticals LLC	USA	Joint Venture	50%	31st March
Aurobindo Tongling (Datong) Pharmaceutical Co Ltd.	China	Joint Venture (up to 31st October, 2002)	50%	31st March

Rs. Millions

b. Revenue Recognition

- i) Revenue from sale of goods (other than export sales) is recognised on dispatch 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 shipment of goods.
- 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) Depreciation on fixed assets is provided under the "Straight Line Method", at the rates and in the manner as prescribed under Schedule XIV of the Companies Act, 1956, except as stated hereunder:
 - ✓ Fixed assets of overseas subsidiaries & overseas jointly controlled entities are depreciated over the estimated useful lives using the "Straight Line Method", except in case of a subsidiary where the fixed assets are depreciated as per the written down value method.
 - ✓ Brands are amortized over a period of 14 years.
 - ✓ Depreciation on fixed assets acquired under a finance lease is provided using the straight-line method over the shorter of estimated useful lives of the assets or the lease period.

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, except in case of certain consolidated entities where the interest costs have been expensed in the year in which the same has been incurred.

e. Investments

- i) Investments that are not readily realisable and which 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) Hitherto, the Company use to measure its investments in jointly controlled entities at cost. However, effective from 1st April, 2002 the Company has changed its method of accounting of investments in jointly controlled entities to comply with the requirements of Accounting Standard – 27 "Financial Reporting of Interests in Joint Ventures".
- iii) Investments in subsidiaries are carried at lower of cost or net realisable value, where such investments are held exclusively with a view to subsequent disposal in the immediate near future.

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 a subsidiary where it is calculated on weighted average basis.

Rs. Millions

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 consolidated entities are amortised over a period of ten years from the date of commencement of commercial operations of such consolidated entities. The benefits are reassessed at the end of every year.
- ii) Deferred revenue expenditure incurred in respect of overseas consolidated entities is amortised over a period of five years from the date of commencement of commercial operations of such consolidated entities.
- iii) Non-compete fees are amortized on a straight-line basis over a period of 10 years from the date of expenses incurred.

h. Retirement Benefits

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

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 substantively 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 or loss, if any, is recognised in the Profit & 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 & jointly controlled entity. However, the functional currencies of overseas subsidiaries & jointly controlled entities 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 and surplus, minority interest and goodwill), using the exchange rate as at the balance sheet date, for revenues, costs and expenses using weighted 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 or loss is carried as exchange reserves in reserves and surplus.

Rs. Millions

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. Leases

Finance Leases

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.

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.

2. Differences in Accounting Policies

- a. Depreciation on fixed assets relating to a subsidiary 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 (Rs.0.1) calculated on such basis and the aggregate net block of assets of this subsidiary as at 31st March, 2003 amounts to Rs.0.3 (Rs.0.3).
- b. Inventories of finished goods include Rs.122.2 (Rs.179.9) relating to a subsidiary, valued at weighted average cost method as against the FIFO method followed by other consolidated entities.

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 ICAI, has not been provided for by certain consolidated entities. The impact in this respect on the consolidated profits for the year ended and financial position of the group as at 31st March, 2003 has not been ascertained.
- b. As required under the Accounting Standards 16 "Borrowing Costs" issued by the ICAI, interest costs incurred towards acquisition of qualifying assets have not been capitalized by certain consolidated entities. The impact of such non-compliance on the consolidated profits for the year ended and financial position of the Company as at 31st March, 2003 has not been ascertained.

4. Acquisition of a Subsidiary

- a. On 31st October, 2002, Aurobindo (Datong) Bio-Pharma Co Ltd., China, a Wholly owned subsidiary of APL has acquired 50% voting rights in Aurobindo Tongling (Datong) Pharmaceutical Co Ltd., China ("acquired entity"), a 50:50 Joint Venture between APL and Shanxi Tongling Pharmaceuticals Ltd. By virtue of the said acquisition, acquired entity has become a wholly owned subsidiary of APL.
- b. Acquisition of interest in the acquired entity has been accounted under the "Pooling of interest method" for the purpose of consolidation. Accordingly, excess of book values of net assets as on the date of acquisition over the purchase price, has been recorded as capital reserve in the Consolidated Financial Statements. Transactions relating to Profit & Loss Account of the acquired entity have been included in the Consolidated Profit & Loss Account from the effective date of acquisition.

Rs. Millions

- c. The interest of Aurobindo (Datong) Bio-Pharma Co Ltd., in the net assets of the acquired entity and resulting capital reserve as on the date of acquisition is given hereunder:

Purchase Consideration	a	180.7
Net Assets of the Acquired Entity as on the Date of Acquisition	b	375.6
Aurobindo (Datong) Bio-Pharma's Share in the Net Assets of the Acquired Entity	c	187.8
Capital Reserve	d=c-a	7.1

- d. Summary of the post acquisition profits of the acquired entity included in the Consolidated Profit & Loss Account for the year ended 31st March, 2003:

Revenues	413.6
Expenses	412.8
Net Profit considered in the Consolidated Financial Statements	0.8

5. Acquisition of Minority Interest

During the year ended 31st March, 2003 Aurobindo (H.K.) Limited, a wholly owned subsidiary of APL, has acquired 20% equity interest from the existing minority shareholders of Shanghai Widetex Chemicals Limited (SWCL). The interest in SWCL as at 31st March, 2003 has increased to 80% from 60% as at 31st March, 2002. The excess of purchase consideration over net interest acquired has been recorded as goodwill.

6. Capital Commitments

Estimated amount of contracts (net of advances) remaining to be executed on capital account and not provided for Rs.336.2 (Rs.789.1).

7. Contingent Liabilities

	As at 31st March, 2003	As at 31st March, 2002
a. Outstanding Bank Guarantees	259.9	80.8
b. Bills Discounted with Banks	307.3	762.3
c. Outstanding Letters of Credit for Imports of Materials	384.6	370.6
d. Income Tax Matters	13.9	2.5

Outstanding bank guarantees as at 31st March, 2003 includes Rs.230.0 towards guarantee provided by APL in respect of a jointly controlled entity.

8. Amalgamation of Subsidiaries

- a. The scheme of amalgamation of Ranit Pharma Limited (RPL) and Calac Private Limited (Calac) with the Company was approved by the shareholders in the Court convened meeting held on 2nd January, 2003. The said scheme of amalgamation was approved by the Hon'ble High Courts of Andhra Pradesh on 9th April, 2003, and by the Hon'ble High Court of Madras on 25th April, 2003 respectively. Accordingly, the erstwhile RPL and Calac have amalgamated with the Company with effect from 1st April, 2002. All the assets and liabilities of the erstwhile RPL and Calac, were transferred to and vested in the Company. The Company has since made the necessary filings with the Registrars of Companies, Andhra Pradesh and Tamil Nadu.

Rs. Millions

- b. RPL and Calac were both primarily engaged in the business of manufacturing, processing and marketing of pharmaceuticals.
- c. The amalgamation has been accounted for under the "pooling of interests" method as prescribed under Accounting Standard 14 issued by the Institute of Chartered Accountants of India. Accordingly, the assets, liabilities and other reserves of the erstwhile RPL and Calac as at 1st April, 2002, have been taken over at their respective book values, subject to adjustments made for the differences in Accounting Policies between the companies. The changes in the Accounting Policies related to:
- Change to the Straight Line method from the Written Down Value method of depreciation followed by Calac on certain block of assets.
 - Accounting for taxes on income as per Accounting Standard 22 issued by the Institute of Chartered Accountants of India, for RPL and Calac.
- Accordingly Rs.16.1 (Net) has been reduced from the General Reserve taken over.
- d) No equity shares were issued on amalgamation as RPL and Calac, both being wholly own subsidiaries of APL.
- e) The erstwhile RPL was the beneficiary of 219,800 equity shares of the Company held in trust by Ranit Pharma Securities Trust. Pursuant to the scheme of amalgamation, the Company has become the beneficiary of the said shares held by Ranit Pharma Securities Trust. Accordingly, the book value of the shares held in trust amounting to Rs.56.0 has been disclosed under loans and advances.
- f) The excess of purchase consideration over net assets acquired on amalgamation has been adjusted against the reserves and surplus of RPL and Calac.
- g) Effective from 31st October, 2002 Aurobindo Farmaceutica Do Brasil Ltda and AB Farmo Quimica Ltda, the wholly owned subsidiaries of APL, were merged. The merger was accounted based on pooling of interest method. Effective from the said date, Aurobindo Farmaceutica Do Brasil Ltda cease to exist as a subsidiary of APL.

9. Leases

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:

As at 31st March, 2003	Vehicles
Cost	3.4
Accumulated Depreciation	1.6
Net Carrying Amount	1.8
Future Minimum Lease Rents Payables	1.2
Less: Interest included in the above	0.2
Present Value of Future Minimum Lease Rents Payable	1.0

Rs. Millions

As at 31st March, 2002	Vehicles	Furniture & Fixtures	Total
Cost	3.4	0.1	3.6
Accumulated Depreciation	1.0	–	1.1
Net Carrying Amount	2.4	0.1	2.5
Future Minimum Lease Rents Payables	1.5	–	1.5
Less: Interest included in the above	0.2	–	0.2
Present Value of Future minimum Lease Rents Payable	1.3	–	1.3

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

	Minimum Lease payments as at 31st March,		Present value of Future lease payments as at 31st March,	
	2003	2002	2003	2002
Not later than one year	0.5	0.8	0.4	0.7
Later than one year and not later than five years	0.7	0.7	0.6	0.6
Total	1.2	1.5	1.0	1.3

10. Secured Loans

a. Debentures are secured by:

- ✓ first charge 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 situated at Hyderabad, Rangareddy and Medak districts, Andhra Pradesh, ranking pari-passu with Term Loans.
- ✓ second charge ranking pari-passu with Term Loans on the movable assets (save and except book debts), both present and future subject to charges created in favour of the Company's Bankers to secure Working Capital requirements.

b. Term loans are secured by:

- ✓ first charge ranking pari-passu with Debentures on the immovable properties both present and future, and joint mortgage by deposit of title deeds of the APL's lands at Hyderabad, Rangareddy and Medak districts, Andhra Pradesh.
- ✓ second charge ranking pari-passu with Debentures on the movable assets (save and except book debts), both present and future subject to charges created in favour of the APL's Bankers to secure working capital requirements.
- ✓ personal guarantees given by the Chairman and the Managing Director of APL aggregating to Rs.1,803.3 (Rs.1,062.3).
- ✓ Further the term loan of a jointly controlled entity is secured by way of charge on the brand and all the intellectual property rights relating to the brands.

c. The Working capital loans taken over from the erstwhile Ranit Pharma Limited on amalgamation are secured by first charge on the whole of the movable properties and further secured by second charge by mortgage by deposit of title deeds of immovable properties taken over.

Rs. Millions

- d. Other working capital loans are secured by
- ✓ first charge, ranking pari-passu by way of hypothecation of the stocks, book debts and other current assets (both present and future);
 - ✓ second charge on the immovable properties of the Company subject to charges created in favour of term lenders and debenture holders; and
 - ✓ personal guarantees given by the Chairman and the Managing Director and other Directors of the Company aggregating to Rs.1,818.4 (Rs.1,160.9)
- e. Hire purchase loans are secured by way of hypothecation of respective assets acquired under Hire Purchase arrangements.

11. Unsecured loans

Other loans aggregating to Rs.534.5 (Rs.Nil) are personally guaranteed by the Chairman and the Managing Director of the Company.

12. Expenditure During Construction Period

Particulars	Year ended 31st March, 2003	Year ended 31st March, 2002
Balance Brought Forward	23.9	0.8
Add: Expenditure Incurred During Construction Period	42.3	11.0
Borrowing Cost Capitalized	60.1	13.1
	126.3	24.9
Less: Consumption of Intermediates (trial run)	12.3	–
Allocated to Fixed Assets	62.7	1.0
Balance Carried Forward	51.3	23.9

13. Sundry Debtors include

Dues from companies under the same management

Name of the Company	Closing Balance as at 31st March,		Maximum outstanding at any time during the year ended 31st March,	
	2003	2002	2003	2002
Ranit Pharma Limited	–	2.4	–	173.4
Sharp Organics	–	0.4	0.4	2.3
Andhra Organics Limited	67.0	0.4	71.9	0.4
Vamsi Organics Private Limited	–	–	–	1.0

Rs. Millions

14. Cash & Bank Balances include

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

Name of the Bank	Closing Balance as at 31st March,		Maximum outstanding at any time during the year ended 31st March,	
	2003	2002	2003	2002
Citibank – Tanzania	0.3	0.1	0.7	0.8
Vheshtorg Bank – Moscow	0.3	0.5	0.5	0.5
Vietcom Bank – Vietnam	0.4	0.4	0.3	0.4
Bank of Nova Scotia - Costa Rica	0.4	0.8	1.0	0.8
Industrial and Commercial Bank (ICB) of China, Datong, China	1.2	33.2	173.7	33.2
ICB of China Datong, China	–	1.1	–	73.1
Bank of China	3.9	–	239.9	24.4
Agricultural Bank	0.3	–	5.0	–
Farm Bank Capital	–	–	–	–
Farm Bank Foreign Loans	–	–	–	–
Farm Bank RMB	1.1	–	1.1	–
Mingsheng Bank	–	–	–	–
Agricultural Bank of China	–	0.6	–	7.3
Wells Fargo Bank NA, USA	7.0	0.2	17.7	7.5
Banco Do Brasil	2.5	–	16.2	–
Hong Kong Shanghai Banking Corporation (HSBC), Thailand-Savings Account	–	–	–	–
HSBC, Thailand-Savings Account	–	–	–	0.5
HSBC Brazil	0.3	1.1	0.8	5.7
HSBC Brazil	0.5	–	1.0	–
HSBC Brazil	–	–	0.8	–
ITAU	0.2	–	10.6	–
Banco Do Brasil	0.9	3.8	6.5	5.8
Nossa Caixa	2.6	–	13.2	–
Bharat Overseas Bank	1.9	–	37.5	–
SIAM Commercial Bank, Thailand	–	0.2	0.3	0.6
National Bank USA	–	1.3	–	15.8
Standard Chartered Bank Hong Kong - Foreign Currency Account	0.5	0.9	57.0	74.1
Standard Chartered Bank - HKD Account	2.0	0.1	27.9	10.9
Standard Chartered Bank, Hong Kong - Current Account	–	4.1	–	59.4
Catholic Syrian Bank	–	–	–	–
Total	26.3	48.2		

Rs. Millions

b. Balances with Non-scheduled banks on deposit accounts

Name of the Bank	Closing Balance as at 31st March,		Maximum outstanding at any time during the year ended 31st March,	
	2003	2002	2003	2002
Bank of China	48.1	--	48.1	--
Bharat Overseas Bank	2.6	--	2.6	--
SIAM Commercial Bank, Thailand	--	--	--	0.1
Total	50.7	--	--	--

15. Loans and Advances include:

Dues from companies under the same management

Name of the Company	Closing Balance as at 31st March,		Maximum outstanding at any time during the year ended 31st March,	
	2003	2002	2003	2002
Calac Pvt. Limited	--	--	--	2.1
Pravesha Machine Works (P) Limited	0.6	--	4.3	3.0
Sharp Organics Pvt. Limited	8.1	--	10.4	--
Ranit Agro Pvt. Limited	3.7	--	3.7	--
Andhra Organics Limited	17.1	10.4	24.7	10.4

16. Sundry Creditors include:

Gain on account of exchange differences on export bills discounted to be recognised in the Profit & Loss Account of subsequent accounting period - Rs.3.3 (Rs.12.5).

17. Software License and Implementation Expenses

During the year ended 31st March, 2003 APL has initiated implementation of "Oracle Financials". The expenses amounting to Rs.15.3 incurred towards purchase of software and implementation cost has been charged to the Profit & Loss Account.

18. Deferred Taxes

Deferred Tax Assets/(Liabilities) consist of :

Particulars	31st March, 2003	31st March, 2002
Unabsorbed Depreciation	0.2	0.1
Carried Forward Business Losses	6.2	2.5
Provision for Doubtful Debts	22.9	21.2
Provision for Leave Encashment	9.0	6.4
Provision for Gratuity	7.0	4.8
Disallowances under Section 43B of Income Tax Act, 1961	--	0.8
Depreciation	(398.5)	(254.4)
Total	(353.2)	(218.7)

Rs. Millions

19. Export Incentives

Sales include export incentives of Rs.101.1 (Rs.314.6).

20. Research and Development Expenses

Research & Development expenses included under various heads of expenses are Rs.150.5 (Rs.80.1).

21. Donation

Donation of Rs.0.4 (Rs.0.5) disclosed under Schedule 20 includes contribution made to the following political parties:

- Bharatiya Janata Party Rs.0.03 (Rs.Nil);
- Telangana Rashtra Samithi Rs.0.005 (Rs.Nil) and
- Communist Party of India (Marxist) Rs.Nil (Rs.0.1)

22. Directors' Remuneration included under various heads of accounts

Particulars	Year ended 31st March, 2003	Year ended 31st March, 2002
Salary	9.0	6.3
Contribution to Provident Fund	-	0.1
Perquisites	2.3	3.0
Commission	-	0.3
Total	11.3	9.7

23. Earnings Per Share

Earnings per share is computed based on the following:

Particulars	Year ended 31st March, 2003	Year ended 31st March, 2002
a) Profit after taxation and minority interest considered for calculation of basic and diluted earnings per share	868.8	729.9
b) Weighted average number of Equity Shares considered for calculation of basic earnings per share	22,687,217	20,215,397
Add: Effect of weighted average dilutive equity shares – Convertible Share Warrants	2,268	268
c) Weighted average number of Equity Shares considered for calculation of diluted earnings per share	22,689,485	20,215,665

24. Dividends

Provision for dividends as at 31st March, 2003 include dividends due to minority shareholders of a subsidiary company Rs.0.9 (Rs.0.9).

Rs. Millions

25. Related Party Transactions

a. During the year ended 31st March, 2003, the Company has entered into transactions with related parties. The transactions together with the related balances as at 31st March, 2003 are presented in the following table:

Nature of Transactions	Joint Ventures		Companies over which significant influence exists		Key Management Personnel		Total	
	2003	2002	2003	2002	2003	2002	2003	2002
Purchase of Goods	25.9	--	169.8	536.0	--	--	195.7	536.0
Sale of Goods	8.2	42.7	96.2	96.9	--	--	104.4	139.6
Purchase of Fixed Assets	--	--	50.5	43.5	--	--	50.5	43.5
Sale of Fixed Assets	--	0.3	3.6	40.7	--	--	3.6	41.0
Sale of Brands	2.0	100.0	--	--	--	--	2.0	100.0
Non Compete Fees Received	--	300.0	--	--	--	--	--	300.0
Services Availed	--	--	13.7	129.6	7.3	10.5	21.0	140.1
Rendering of Services	3.7	--	--	--	--	--	3.7	--
Transfer of Current Assets	--	172.9	--	0.2	--	--	--	173.1
Transfer of Current Liabilities	1.5	24.4	--	--	--	--	1.5	24.4
Interest/Dividend Received	8.4	7.6	3.0	13.4	--	--	11.4	21.0
Finance (including loans and equity contributions in cash or in kind)	29.3	377.8	24.1	0.6	22.1	116.8	75.5	495.2
Guarantees and Collaterals	230.0	--	--	--	--	--	230.0	--
Sale of Investments	--	--	--	--	3.2	--	3.2	--
Balance as at 31st March, 2003								
Debit / (Credit)	277.7	1,046.0	93.0	(12.5)				

Rs. Millions

b. Names of related parties and description of relationships

Joint Ventures

Aurobindo Tongling (Datong) Pharmaceutical Co Limited, China (up to 31st October, 2002).
Citadel Aurobindo Biotech Limited, India
Aurosal Pharmaceuticals LLC, USA
Cephazone Pharma LLC, USA

Companies over which significant influence exists

Pravesha Machine works (P) Limited, India
Andhra Organics Limited, India
Sharp Organics Private limited, India
Ranit Agro Private Limited, India

Key Management Personnel

Aurobindo Pharma Limited

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

APL Chemi Natura Limited

Ajay Kumar, Managing Director

Aurobindo (H.K.) Limited

M.V. Sastry, Director

26. 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.

Rs. Millions

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 is as given below

i. Information about Business Segments

For the year ended and as at 31st March, 2003

	Bulk Drugs	Formulations	Research & Development	Other Operations	Eliminations	Consolidated Total
REVENUE						
External Sales	11,541.3	605.9	--	451.6	--	12,598.7
Inter - Segment Sales	869.3	0.1	--	113.4	982.9	--
Total Revenue	12,410.6	606.0	--	565.0	982.9	12,598.7
RESULTS						
Segment Result	1,820.2	(53.2)	(129.5)	(153.7)	--	1,483.8
Unallocated Corporate Expenses	--	--	--	--	--	(24.0)
Operating Profit	--	--	--	--	--	1,459.8
Interest Expense	--	--	--	--	--	(478.1)
Interest Income	--	--	--	--	--	30.4
Other Income	--	--	--	--	--	225.4
Income Tax	--	--	--	--	--	(368.2)
Net Profit Before Minority Interest	--	--	--	--	--	869.4
OTHER INFORMATION						
Segment Assets	14,730.6	1,761.6	276.1	863.9	1,855.6 ⁽¹⁾	15,776.5
Unallocated Corporate Assets	--	--	--	--	--	134.5
Total Assets	--	--	--	--	--	15,911.0
Segment Liabilities	3,330.5	1,123.8	421.4	538.0	1,857.6 ⁽¹⁾	3,556.1
Unallocated Corporate Liabilities	--	--	--	--	--	7,365.6
Total Liabilities	--	--	--	--	--	10,921.7
Capital Expenditure	3,823.9	88.4	93.8	11.2	--	--
Depreciation	250.1	31.2	15.4	5.5	--	--
Non-cash Expenses Other than Depreciation	12.2	10.8	--	35.0	--	--

Rs. Millions

For the year ended and as at 31st March, 2002

	Bulk Drugs	Formulations	Research & Development	Other Operations	Eliminations	Consolidated Total
REVENUE						
External Sales	9,590.0	873.0	--	544.7	--	11,007.7
Inter-Segment Sales	1,391.9	43.4	--	48.5	1,483.8	--
Interest Income	--	--	--	2.0	--	2.0
Other Income	--	7.5	--	--	--	7.5
Total Revenue	10,981.9	923.9	--	595.2	--	11,017.2
RESULT						
a) Segment Result	1,374.4	(28.0)	(70.2)	(17.0)	--	1,259.2
b) Unallocated Corporate Expenses	--	--	--	--	--	(141.9)
Operating Profit	--	--	--	--	--	1,117.3
c) Interest Expense	--	--	--	--	--	(453.7)
d) Interest Income	--	--	--	--	--	33.8
e) Other Income	--	--	--	--	--	136.1
f) Income Taxes	--	--	--	--	--	(202.6)
Profit from Ordinary Activities	--	--	--	--	--	630.9
g) Extra-ordinary Item	--	--	--	--	--	100.0
Net Profit Before Minority Interest	--	--	--	--	--	730.9
OTHER INFORMATION						
a) Segment Assets	8,075.1	1,288.6	186.5	299.5	993.5 ⁽¹⁾	8,856.2
b) Unallocated Corporate Assets	--	--	--	--	--	874.6
Total Assets	--	--	--	--	--	9,730.8
c) Segment Liabilities	2,058.3	810.6	271.3	45.3	993.5 ⁽¹⁾	2,192.0
d) Unallocated Corporate Liabilities	--	--	--	--	--	4,081.4
Total Liabilities	--	--	--	--	--	6,273.4
e) Capital Expenditure	1,016.0	50.3	38.6	1.3	--	--
f) Depreciation	112.3	27.5	12.6	0.3	--	--
g) Non-cash Expense Other than Depreciation	--	3.3	--	0.1	--	--

Notes

⁽¹⁾ The difference between inter segment assets and liabilities is on account of Currency Translation Adjustment.

Rs. Millions

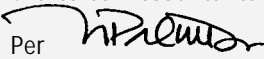
ii. Segment Revenue by Geographical Location		
Geographical Location	Year ended 31st March, 2003	Year ended 31st March, 2002
India	6,302.5	5,295.6
Rest of the World	6,296.2	5,712.0
Total	12,598.7	11,007.6
iii. Segment Assets by Geographical Location		
Geographical Location	Carrying amount of Segment Assets as at 31st March, 2003	31st March, 2002
India	9,070.4	6,800.9
China	3,737.4	766.4
Rest of the World	3,103.2	2,163.5
Total	15,911.0	9,730.8
iv. Additions to Fixed Assets by Geographical Location		
Geographical Location	Additions to fixed assets during the year ended	
	31st March, 2003	31st March, 2002
India	1,731.9	754.1
China	2,162.4	361.6
Rest of the World	141.4	2.4
Total	4,035.7	1,118.1

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

28. Current year figures are not comparable with the previous year figures on account of proportionate consolidation of joint venture entities.

Signatures to Schedules 1 to 22
Interms of our report of even date

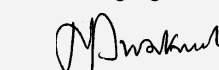

S.R. BATLIBOI & Co.,
Chartered Accountants

Per 
UTKARSH PALNITKAR
Partner
Place : Hyderabad
Date : 30th June, 2003


B. ADI REDDY
Company Secretary

For and on behalf of the Board of Directors


K. NITYANANDA REDDY
Managing Director


DR. M. SIVAKUMARAN
Whole-time Director

Consolidated Cash Flow Statement for the Year Ended 31st March, 2003

	Rs. Millions	
	2002-2003	2001-2002
A. CASH FLOWS FROM OPERATING ACTIVITIES		
Net Profit before Extra ordinary item and Taxation	1,237.5	833.5
Adjustments for:		
Depreciation	310.9	159.4
Miscellaneous Expenditure Written off	58.0	3.3
Provision for Doubtful Debts	4.0	27.5
Export Incentives Accrued	(63.2)	(97.0)
Debts and other Advances Written off	42.2	2.1
Excess Provision Written Back	(1.8)	(4.3)
Provision for Retirement Benefits	21.5	10.4
Interest Expense	510.7	504.9
Interest Income	(32.4)	(35.8)
Dividends Received	-	(0.1)
Unrealized Foreign Exchange Loss (Gain)	9.6	(34.2)
(Gain) Loss on Sale of fixed Assets	(123.9)	3.0
Gain on sale of investments	(4.5)	-
Fixed Assets Written off	1.3	-
Operating Profit before Working Capital Changes	1,969.9	1,372.6
Adjustments for:		
Inventories	(663.7)	898.9
Sundry Debtors	(400.1)	(1,009.1)
Loans & Advances	129.1	10.6
Sundry Creditors	1,120.2	19.9
Cash Generated from Operations	2,155.4	1,292.9
Income Tax Paid	(255.4)	(127.2)
Interest Paid	(34.2)	(51.6)
Miscellaneous Expenditure	(13.4)	(22.1)
NET CASH FROM OPERATING ACTIVITIES (A)	1,852.4	1,092.0
B. CASH FLOWS FROM INVESTING ACTIVITIES		
Payments for Net Assets acquired of Subsidiaries and Jointly Controlled entities	(328.0)	(13.8)
Minority interest in a subsidiary acquired	(3.9)	-
Purchase of Fixed Assets	(3,925.6)	(1,106.7)
Proceeds from sale of Fixed Assets	154.0	47.2
Purchase of Investments	(1,133.4)	(382.3)
Loans to Joint ventures	187.4	(351.0)
Proceeds from sale of Investments	1,139.0	355.5
Interest received	31.2	27.4
Dividend received	-	0.1
NET CASH USED IN INVESTING ACTIVITIES (B)	(3,879.3)	(1,423.6)

	Rs. Millions	
	2002-2003	2001-2002
C. CASH FLOWS FROM		
FINANCING ACTIVITIES		
Proceeds from issue of Share Capital	583.1	106.2
Proceeds from issue of Share warrants	10.8	10.6
Proceeds from Long Term borrowings	2,179.2	780.6
Repayment of Long Term borrowings	(757.7)	(114.0)
Proceeds from Short Term borrowings, net	655.3	328.5
Interest Paid	(539.3)	(461.9)
Dividend and Dividend tax	(61.6)	(66.8)
NET CASH FROM FINANCING ACTIVITIES (C)	2,069.8	583.2
EFFECT OF EXCHANGE RATE CHANGES ON CASH & CASH EQUIVALENTS (D)	3.0	(36.6)
NET INCREASE IN CASH AND CASH EQUIVALENTS A+B+C+D	45.9	215.0
Cash and Cash Equivalents - Opening Balance	315.5	97.9
Acquired on acquisitions of subsidiaries & consolidation of Joint Ventures	136.5	2.6
Imprest balances transferred to the Joint Venture- Citadel Aurobindo Biotech Limited	-	3.0
Cash and Cash Equivalents - Closing Balance	497.9	312.5
NET INCREASE IN CASH AND CASH EQUIVALENTS	45.9	215.0

Notes to the Cash Flow Statement for the year ended 31st March, 2003

1. Cash and Cash equivalents include :

Cash and Bank balances	401.4	284.2
Deposit accounts	94.4	29.7
Unpaid dividend Accounts	1.8	1.6
Cash and Cash equivalents as per balance sheet	497.5	315.5
Effect of unrealized exchange loss/(gain) as on the balance sheet date	0.3	(3.0)
Cash and Cash equivalents considered for cash flows	497.9	312.5

2. Amalgamation of subsidiaries, consolidation of jointly controlled entities and acquisition of subsidiary are considered as non-cash transaction for the purpose of consolidated cash flow statement (Refer Note No. 4 & 8 on Schedule 22).

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

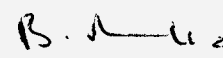
This is the Cash Flow Statement referred to in our report of even date



S.R. BATLIBOI & Co.,
Chartered Accountants



Per
UTKARSH PALNITKAR
Partner
Place : Hyderabad
Date : 30th June, 2003




B. ADI REDDY
Company Secretary

For and on behalf of the Board of Directors



K. NITYANANDA REDDY
Managing Director



DR. M. SIVAKUMARAN
Whole-time Director

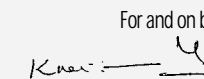
Statement pursuant to Section 212 of the Companies Act, 1956 relating to Subsidiary Companies

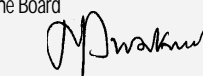
Name of the Subsidiary	APL Pharma Thai Ltd, Thailand Refer Note.1	Aurobindo (H.K.) Ltd, Hong Kong	APL Holdings, Inc, USA	AB Farmo Quimica Ltda, Brasil, Refer Note.6	Aurobindo (Datong) Bio-Pharma Co. Ltd, China	Aurobindo Tongling (Datong) Co. Ltd., China	APL Chemi Natura Ltd, Hyderabad	Shanghai Widetex Chemical Co. Ltd, China
The Financial Year of the subsidiary ended on	31.12.2002	31.03.2003	31.12.2002	31.12.2002	31.12.2002	31.12.2002	31.03.2003	31.12.2002
No. of shares in the Subsidiary Company held by Aurobindo Pharma Ltd								
(a) Equity Holding	19,200	1,999,999	33,000	21,248	Refer Note.3&5	Refer Note.3&4	5,000,000	Refer Note.2&3
(b) Equity Holding %	48	100	100	99.8	100	100	100	80
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	Nil	Nil	Nil	Nil	Nil	Nil	Nil	Nil
(b) Not dealt with in the accounts of Aurobindo Pharma Ltd. for the year ended 31st March, 2003	2,585,796.13 (Baht)	(6,074,998) (Hong Kong \$)	(33,914) (USD)	(365,699.23) (Reais)	(14,661,701) (RMB)	11,522,549.08 (RMB)	(6,467,460) (Rs)	(1,580,814.51) (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.					Refer Note.5	N.A.		
The financial year of the Subsidiary Company ended on	31.12.2001	31.03.2002	31.12.2001	31.12.2001	31.12.2001	N.A.	31.03.2002	31.12.2001
(a) Dealt with in the accounts of Aurobindo Pharma Ltd. for the year ended 31st March, 2002	Nil	Nil	Nil	Nil	Nil	N.A.	Nil	Nil
(b) Not dealt with in the accounts of Aurobindo Pharma Ltd. for the year ended 31st March, 2002	1,430,717.78 (Baht)	345,947 (Hong Kong \$)	28,805.95 (USD)	(1989.99) (Reais)	Nil	N.A.	(4,611,774) (Rs)	(1,717,698.31) (RMB)
Changes in the interest of Aurobindo Pharma Ltd between the end of the financial year of the subsidiary and 31st March, 2003.	Nil	Nil	Nil	Nil	Nil	N.A.	Nil	Nil
Material changes between the end of financial year of subsidiary and 31st March, 2003	Nil	Nil	Nil	Nil	Nil	N.A.	Nil	Nil

- Notes:
1. APL Pharma Thai Limited is a subsidiary by virtue of the composition of the Board of Directors of the company.
 2. It is subsidiary to Aurobindo(H.K.) Ltd with effect from 21st December, 2001 which in turn is a wholly owned subsidiary of Aurobindo Pharma Ltd.
 3. As per the local laws, there is no concept of number of shares in these companies.
 4. Aurobindo Tongling (Datong) Pharmaceutical Co Ltd is a subsidiary with effect from 31st October, 2002 by virtue of 50% share held by Aurobindo (Datong) Bio Pharma Co Ltd which in turn is a wholly owned subsidiary of Aurobindo Pharma Ltd.
 5. This being the first year of operation of Aurobindo (Datong) Bio-Pharma Co Ltd. no previous year figures are given.
 6. The current year figures include the figures of Aurobindo Farmaceutica Do (Brasil) Ltda, a WOS which has been amalgamated with the Company.

Place: Hyderabad
Date: 30th June, 2003


B. Adi Reddy
Company Secretary

For and on behalf of the Board

K. Nityananda Reddy
Managing Director

For and on behalf of the Board

Dr. M. Sivakumaran
Whole-time Director

The Directors present their report and the audited financial statements for the year ended 31st December 2002.

REVIEW OF OPERATIONS

During the period under report, your Company has registered a total turnover of Baht 377,657,309 and earned a profit of Baht 5387075.

AUDITORS

During the year the accounts were examined by Mr. Attachai Boonchalaksi, Certified Public Accountant.

DIRECTORS

The Directors at the date of this report are:

1. P. V. Ramaprasad Reddy
2. A. Siva Rama Prasad
3. A. J. Kamath
4. V. M. Gopalakrishnan
5. Thirachai Chanthaveesarp

ISSUE OF SHARES AND DEBENTURES

There is no fresh issue of shares or debentures during the year under report. Further, your Directors confirm that none of the Directors holding office at the end of the financial year had

any interest in the shares in or debentures of the Company.

UNUSUAL ITEMS AFTER THE FINANCIAL YEAR

No item, transaction or event of a material nature has arisen during the period between the end of the financial year and the date of this report, which would affect substantially the operations of the Company during the current year.

STATEMENT BY DIRECTORS

In the opinion of the Directors, the accompanying financial statements were drawn up so as to give a true and fair view of the state of affairs of the Company as at 31st December 2002 and of the results of the business for that period. Your Directors have taken all reasonable steps to prepare these financial statements on a going concern basis and that suitable accounting policies have been adopted consistently. Further, your directors are confident that with the support and guidance of the holding Company, your Company can achieve better results in the future.

By Order of the Board

V.M. Gopalakrishnan
Director
Date: 17th April, 2003

Thirachai Chanthaveesarp
Director

To The Board of Directors and
Shareholders of APL Pharma Thai Ltd.

I have audited the accompanying Balance Sheet of APL Pharma Thai Ltd. as at 31st December, 2002 and the related statements of income, changes in shareholders' equity and cash flows for the year then ended. These financial statements are the responsibility of the Company's management as to their correctness and completeness of the presentation. My responsibility is to express an opinion on these financial statements based on my audits. The financial statements of the company for the year ended 31st December, 2001 were examined by another independent auditor, whose report dated 12th April, 2002 expressed no qualifications or exceptions in respect of those statements.

I conducted my audits in accordance with generally accepted auditing standards. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether

the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. I believe that my audit provides a reasonable basis for my opinion.

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of APL Pharma Thai Ltd. as at 31st December, 2002 and the results of its operations and its cash flows for the year then ended in conformity with generally accepted accounting principles.

Bangkok
Dated: 17th April, 2003

ATTACHAI BOONCHALAKSI
Certified Public Accountant
(Thailand) No. 3605
Prime Management

Balance Sheet as at 31st December, 2002

			Baht	
			2002	2001
	Notes			
ASSETS				
CURRENT ASSETS				
Cash on hand and at bank	3	463,719.87	15,917,604.56	
Trade accounts receivable - other companies		119,016,938.13	155,278,872.16	
Trade accounts receivable - related companies		482,430.90	3,401,893.20	
Inventories		20,660,690.57	20,058,775.21	
Value added tax		1,799,539.61	1,359,979.24	
Other current assets	4	125,236.53	-	
Total Current Assets		142,548,555.61	196,017,124.37	
NON-CURRENT ASSETS				
Property and equipment (net)	5	2035,445.81	3,051,795.57	
Other assets	6	85,081.81	85,885.55	
Total Non-Current Assets		2,120,527.62	3,137,681.12	
TOTAL ASSETS		144,669,083.23	199,154,805.49	
LIABILITIES AND SHAREHOLDERS' EQUITY				
CURRENT LIABILITIES				
Trade accounts payable - related companies		126,943,044.05	182,672,351.63	
Trade accounts payable - other companies		-	441,695.10	
Other accounts payable		-	729,603.43	
Liability under hire purchase contract due within one year	9	400,009.20	539,976.04	
Income tax payable		899,589.87	1,030,657.16	
Accrued dividend		1,600,000.00	1,600,000.00	
Accrued expenses	7	4,125,379.14	5,092,897.82	
Other current liabilities	8	449,989.71	195,772.12	
Total Current Liabilities		134,418,011.97	192,302,953.30	
NON-CURRENT LIABILITIES				
Liability under hire purchase contract	9	389,858.12	777,714.32	
Total Non-Current Liabilities		389,858.12	777,714.32	
TOTAL LIABILITIES		134,807,870.09	193,080,667.62	
SHAREHOLDERS' EQUITY				
Share Capital				
Registered issued and paid up : 40,000 ordinary shares of Baht 100 each, Baht 100 paid up		4,000,000.00	4,000,000.00	
Retained earnings				
Appropriated - Legal reserve		400,000.00	200,000.00	
Unappropriated		5,461,213.14	1,874,137.87	
Total Shareholders' equity		9,861,213.14	6,074,137.87	
TOTAL LIABILITIES AND SHAREHOLDER'S EQUITY		144,669,083.23	199,154,805.49	

V.M. GOPALAKRISHNAN
Director

THIRACHAI CHANTHAVEESARP
Director

Statement of Income for the year ended 31st December, 2002

		Baht	
		2002	2001
REVENUES	Sales	377,657,308.99	369,985,660.37
	Gain on exchange rate	3,402,229.90	-
	Other Income	35,209.95	42,627.66
	TOTAL REVENUES	381,094,748.84	370,028,288.03
EXPENSES	Cost of sales	360,476,531.40	351,559,145.85
	Selling and administrative expenses	13,011,955.47	13,162,341.65
	TOTAL EXPENSES	373,488,486.87	364,721,487.50
PROFIT BEFORE INTEREST AND INCOME TAX		7,606,261.97	5,306,800.53
	Interest	(5,198.76)	(1,030,241.78)
	Income tax	(2,213,987.94)	(1,295,896.71)
NET PROFIT FOR THE YEAR		5,387,075.27	2,980,662.04
EARNINGS PER SHARE			
	Net Profit for the year	134.68	74.52

Statement of changes in Shareholders' Equity for the year ended 31st December, 2002

SHARE CAPITAL - ORDINARY SHARES			
	Balance at beginning of year	4,000,000.00	4,000,000.00
	Balance at end of year	4,000,000.00	4,000,000.00
RETAINED EARNINGS			
	Appropriated retained earnings		
	Legal reserve		
	- Balance at beginning of year	200,000.00	-
	- Add: Legal reserve	200,000.00	200,000.00
	Balance at end of year	400,000.00	200,000.00
	Unappropriated retained earnings		
	Balance at beginning of year	1,874,137.87	693,475.83
	Add: Net profit for the year	5,387,075.27	2,980,662.04
	Less: Legal reserve	(200,000.00)	(200,000.00)
	Less: Dividend	(1,600,000.00)	(1,600,000.00)
	Balance at end of year	5,461,213.14	1,874,137.87
	TOTAL SHAREHOLDERS' EQUITY	9,861,213.14	6,074,137.87

V.M. GOPALAKRISHNAN
Director

THIRACHAI CHANTHAVEESARP
Director

Cash Flow Statement for the year ended 31st December, 2002

	Baht	
	2002	2001
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit before taxation	7,601,063.21	4,276,558.75
Adjustments for :		
Depreciation	783,732.21	574,914.29
(Gain) Loss on disposal assets	(6,879.52)	2,798.31
Others	-	(5,567.81)
Operating profit before working capital changes	8,377,915.90	4,848,703.54
Decrease (increase) in trade accounts receivable-other companies	36,261,934.03	(49,455,861.17)
Decrease (increase) in trade accounts receivable-related companies	2,919,462.30	(3,401,893.20)
Decrease (increase) in inventories	(601,915.36)	(1,703,615.40)
Decrease (increase) in value added tax	(439,560.37)	320,207.76
Decrease (increase) in other current assests	(125,236.53)	-
Increase (decrease) in trade accounts payable-related companies	(55,729,307.58)	60,783,198.87
Increase (decrease) in trade accounts payable-other companies	(441,695.10)	441,695.10
Increase (decrease) in other accounts payable	(729,603.43)	729,603.43
Increase (decrease) in accrued expenses	(967,518.68)	5,044,946.77
Increase (decrease) in other current liabilities	254,217.59	195,772.12
Cash generated from (used in) operations	(11,221,307.23)	17,802,757.82
Income tax	(2,345,055.23)	(328,173.26)
Net cash from (used in) operating activities	(13,566,362.46)	17,474,584.56
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase equipment	(114,394.40)	(1,853,325.03)
Proceeds from sale of equipment	353,891.47	1,730.42
Proceeds from (payment for) other assets	803.74	1,965,425.88
Net cash generated from (used in) investing activities	240,300.81	113,831.27
CASH FLOWS FROM FINANCING ACTIVITIES		
Payment of dividends	(1,600,000.00)	-
Increase (decrease) in liability under hire purchahse contract	(527,823.04)	341,672.48
Increase (decrease) in loan from parent company	-	(8,758,692.50)
Net cash generated from (used in) financing activities	(2,127,823.04)	(8,417,020.02)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(15,453,884.69)	9,171,395.81
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	15,917,604.56	6,746,208.75
CASH AND CASH EQUIVALENTS AT END OF YEAR	463,719.87	15,917,604.56

V.M. GOPALAKRISHNAN
Director

THIRACHAI CHANTHAVEESARP
Director

1. BUSINESS ACTIVITY

The company was incorporated on 18th March, 1999 to engage in the business of distribution, sales agent, import, export, retailing of pharmaceutical and chemical products, which are used in producing of modern medicine, health care products, herbal, cosmetics, and other products used by veterinary for animals.

2. SIGNIFICANT ACCOUNTING POLICIES**2.1 Revenue recognition**

Sale of goods are recognised as income upon issuing invoice and delivery of goods to customer.

2.2 Trade accounts receivable

Trade receivables are carried at anticipated realisable value. An estimate is made for doubtful receivables based on a review of all outstanding amounts at the year end. Bad debts are written off during the year in which they are identified.

2.3 Inventories

Inventories are stated at the lower of cost or net realizable value, cost being determined on the first-in first-out basis.

2.4 Property and equipment and depreciation

Property and equipment is stated at cost less depreciation. Depreciation is provided for on all assets using the straight-line method over their estimated useful lives as follows :-

Office furniture and fixtures	5 years
Office equipment	5 years
Tools	5 years
Motor vehicles	5 years

Expenditures for additions, renewals and betterment are capitalised. Repair and maintenance costs are recognised as expenses when incurred.

2.5 Foreign currency transactions

Transactions denominated in foreign currencies are translated into Baht at the approximate exchange rates prevailing on the transaction dates, except when the transactions are hedged by a forward contract in which the forward rate is used. Realised gains and losses on foreign exchange transactions are recognised in income as incurred. Monetary assets and liabilities at the balance sheet date denominated in foreign currencies are translated into Baht at the rate ruling at year end. However, if a transaction is hedged by a forward contract, the contract rate is used for the translation purpose. Unrealised gains and losses on exchange are recognised in the statement of income as incurred.

2.6 Related company

Companies are considered to be related when one of them has either the ability to control the other, or can exercise significant influence over the other in making financial and operating decisions. In addition, companies are also considered to be related when most of the shareholders or executive management of the companies are the same persons or relatives.

Baht

2.7 Earnings per share

An earnings per share is computed by dividing the net profit (loss) for the year by the weighted average number of paid-up ordinary shares in issue during the year.

2.8 Legal reserve

In accordance with the Civil and Commercial Code, 5% of the net profit is appropriated to a legal reserve, each distribution of dividend, until the amount of the reserve reaches one-tenth of the registered share capital.

3. CASH ON HAND AND AT BANKS

Cash on hand and at banks as at 31st December, 2002 and 2001 are comprised as follows :

	2002	2001
Cash on hand	3,000.00	1,338.10
The Siam Commercial Bank Plc.	23,910.67	163,645.70
The Bharat Overseas Bank	436,809.20	15,752,620.76
	463,719.87	15,917,604.56

4. OTHER CURRENT ASSETS

Other current assets as at 31st December, 2002 and 2001 are comprised as follows :

Loans to employees	3,400.00	--
Advance for expense and others	14,609.43	--
Prepaid expenses	101,102.68	--
Others	6,124.42	--
	125,236.53	--

Baht

5. PROPERTY AND EQUIPMENT

	Balance at 31st December 2001	Addition during the year	Disposal during the year	Balance at 31st December 2002
COST				
Office furniture and fixtures	991,764.41	–	(308,868.78)	682,895.63
Office equipment	569,010.25	114,394.40	(45,327.10)	638,077.55
Tools	28,120.51	–	–	28,120.51
Motor vehicles	2,606,742.45	–	–	2,606,742.45
	<u>4,195,637.62</u>	<u>114,394.40</u>	<u>(354,195.88)</u>	<u>3,955,836.14</u>
ACCUMULATED DEPRECIATION				
Office furniture and fixtures	133,847.20	136,566.49	(676.97)	269,736.72
Office equipment	211,969.17	120,196.03	(6,506.96)	325,658.24
Tools	14,023.95	5,621.15	–	19,645.10
Motor vehicles	784,001.73	521,348.54	–	1,305,350.27
	<u>1,143,842.05</u>	<u>783,732.21</u>	<u>(7,183.93)</u>	<u>1,920,390.33</u>
NET BOOK VALUE				
Office furniture and fixtures	857,917.21	(136,566.49)	(308,191.81)	413,158.91
Office equipment	357,041.08	(5,801.63)	(38,820.14)	312,419.31
Tools	14,096.56	(5,621.15)	–	8,475.41
Motor vehicles	1,822,740.72	(521,348.54)	–	1,301,392.18
	<u>3,051,795.57</u>	<u>(669,337.81)</u>	<u>(347,011.95)</u>	<u>2,035,445.81</u>
Depreciation charge for the year	574,914.29			783,732.21

6. OTHER ASSETS

Other assets as at 31st December, 2002 and 2001 are comprised as follows :

	2002	2001
Other deposits	31,081.81	31,885.55
Rental deposits	54,000.00	54,000.00
	<u>85,081.81</u>	<u>85,885.55</u>

7. ACCRUED EXPENSES

Accrued expenses as at 31st December, 2002 and 2001 are comprised as follows :

Accrued commission	3,722,270.15	4,954,560.46
Accrued services	–	120,000.00
Accrued professional fee	55,000.00	15,000.00
Others	348,108.99	337.36
	<u>4,125,379.14</u>	<u>5,092,897.82</u>

Baht

8. OTHER CURRENT LIABILITIES

Other current liabilities as at 31st December, 2002 and 2001 are comprised as follows :

	2002	2001
Withholding income tax	443,515.71	175,374.86
Social security	6,474.00	3,051.00
Others	-	17,346.26
	<u>449,989.71</u>	<u>195,772.12</u>

9. LIABILITY UNDER HIRE PURCHASE CONTRACT

Liability under hire purchase contract	789,867.32	1,317,690.36
Less : Amount due within one year	(400,009.20)	(539,976.04)
	<u>389,858.12</u>	<u>777,714.32</u>

10. FINANCIAL INSTRUMENTS

Forward foreign exchange contracts

At 31st December, 2002, the company had forward foreign exchange contracts in US Dollars amount of USD 3,377,231.75 (Baht 145,978,669.53) to manage exposure to fluctuations in foreign currency exchange rates on specific transactions. The settlement dates on open forward contracts ranged between 3 months and 6 months.

In addition, the bank has sole right to consider either extending delivery date or canceling the contract if the bank deems appropriate. In case of company cannot take delivery of the amount of foreign currency from the bank, as per forward contract in whole or in part, with the agreed period, under any circumstances and notwithstanding force majeure, the company agrees to accept penalty charges imposed by the bank.

11. RELATED COMPANY TRANSACTION

During the year ended 31st December, 2002 and 2001, the company had significant expense transactions with the related company as follows :

	2002	2001
Purchases	333,537,805.39	337,063,576.95
Interest on loan	-	1,030,241.78

12. BANK GUARANTEE

As at 31st December, 2002 there were outstanding bank guarantees of Baht 89,880 issued by the Bank on behalf of the company in respect of certain performance bonds as required in the normal course of business of the company.

13. RECLASSIFICATION

Certain items in the company's 2001 financial statements have been reclassified for comparative purposes and to coincide with the classification presented in the 2002 financial statements.

14. APPROVAL OF FINANCIAL STATEMENTS

The financial statements for the year ended 31st December, 2002 were approved by the company's directors on 17th April, 2003.

The directors have pleasure in submitting their annual report together with the audited accounts for the year ended 31st March, 2003.

PRINCIPAL ACTIVITY

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

ACCOUNTS

The loss of the Company for the year ended 31st March 2003 and the state of its affairs at that date are set out in the attached accounts.

DIVIDENDS AND RESERVES

The directors do not recommend any payment of dividend and to 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.

SHARE CAPITAL

Movements in share capital during the year are shown in note 10 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

In accordance with the Company's Articles of Association, all 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

Dated : 19th June, 2003
Hong Kong

P.V. Ramaprasad Reddy
Director

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 Companies 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, 2003 and of its loss and cash flows for the year then ended and have been properly prepared in accordance with Companies Ordinance.

Dated : 19th June, 2003
Hong Kong

Willis Cheng & Company
Certified Public Accountants

Aurobindo (H.K.) Limited
Income Statement for the year ended 31st March, 2003
(Expressed in Hong Kong Dollars)

	Note	Year ended 31st March, 2003	Year ended 31st March, 2002
\$			
TURNOVER	2	58,123,327	235,467,875
Less : Cost of sales		(60,209,950)	(230,038,976)
Gross (loss)/profit		(2,086,623)	5,428,899
Other income	2	2,236,045	2,458,751
Other operating expenses		(5,884,955)	(7,109,743)
(Loss)/Profit from operations	3	(5,735,533)	777,907
Finance costs	4	(339,465)	(431,960)
(LOSS)/PROFIT BEFORE TAXATION		(6,074,998)	345,947
Taxation	5	-	-
(LOSS)/PROFIT FOR THE YEAR		(6,074,998)	345,947
Retained profit brought forward		1,167,197	1,195,650
(Accumulated losses)/Retained profits available for distribution		(4,907,801)	1,541,597
Interim dividend paid - Nil (2002:US\$ 0.6) per share		-	(374,400)
(Accumulated losses)/Retained profit carried forward		(4,907,801)	1,167,197

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

Balance Sheet As at 31st March, 2003

		31st March, 2003	31st March, 2002
ASSETS			
NON-CURRENT ASSETS			
Fixed assets			
- furniture and equipment	6	56,378	58,595
Interest in subsidiary	7	4,313,400	3,658,200
		4,369,778	3,716,795
CURRENT ASSETS			
Accounts and bills receivable		53,797,446	87,409,663
Amount due from a director	8	10,000	5,000
Amount due from a related company	8	5,534,100	512,460
Amount due from a fellow subsidiary	8	-	87,750
Deposits, sundry debtors and prepayments		3,099,886	2,186,084
Cash at bank and in hand		416,139	827,341
Inventories		11,787,194	20,807,893
TOTAL CURRENT ASSETS		74,644,765	111,836,191
CURRENT LIABILITIES			
Accounts and bills payable		59,056,207	110,138,997
Accruals and sundry creditors		54,361	1,629,006
Amount due to related companies	9	631,033	-
Amount due to a holding company	9	8,680,743	1,997,778
TOTAL CURRENT LIABILITIES		68,422,344	113,765,781
NET CURRENT ASSETS/(LIABILITIES)		6,222,421	(1,929,590)
NET ASSETS			
CAPITAL AND RESERVES		10,592,199	1,787,205
Share Capital	10	15,500,000	620,008
(Accumulated losses)/Retained profits		(4,907,801)	1,167,197
SHAREHOLDERS' FUNDS		10,592,199	1,787,205

Approved by the board of directors

P.V. Ramaprasad Reddy
Director

Mudigonda Veerabhadra Sastry
Director

Aurobindo (H.K.) Limited

Cash Flow Statement for the year ended 31st March, 2003

(Expressed in Hong Kong Dollars)

	\$	
	31st March, 2003	31st March, 2002
(Loss) / profit before taxation	(6,074,998)	345,947
Adjustments for :		
Bank charges and interest	339,465	431,960
Depreciation	12,688	14,273
Loss on disposal of fixed assets	-	17,310
Interest Income	(162)	(151,858)
Operating (loss) / profit before working capital changes	(5,723,007)	657,632
Decrease in accounts and bills receivable	33,612,217	2,172,539
(Increase) in deposits, sundry debtors and prepayment	(913,802)	(2,111,194)
(increase) in amount due from a director	(5,000)	(2,560)
(increase) in amount due from a fellow subsidiary	87,750	(63,072)
(increase) in amount due from a subsidiary company	-	(1,414,920)
(increase) in amount due from a related company	(5,021,640)	(512,460)
Decrease in inventories	9,020,699	22,665,911
(Decrease) in accounts and bills payable	(51,082,790)	(21,293,913)
(Decrease) / increase in amounts due to related companies	631,033	(14,114)
Increase in amount due to holding company	6,682,965	1,995,402
(Decrease) in accruals and sundry creditor	(1,574,645)	(1,885,494)
Cash generated (used in)/from operations	(14,286,220)	193,757
Interest received	162	151,858
Bank charges and interest	(339,465)	(431,960)
Tax paid	-	(150,561)
Dividend Paid	-	(374,400)
Net cash used in operating activities	(14,625,523)	(611,306)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of furniture and equipment	(10,471)	(1,839)
Increase in interest in a subsidiary	(655,200)	(2,243,280)
Net cash used in investments activities	(665,671)	(2,245,119)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of share capital	14,879,992	-
Net cash from financing activity	14,879,992	-
NET DECREASE IN CASH AND CASH EQUIVALENTS	(411,202)	(2,856,425)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	827,341	3,683,766
CASH AND CASH EQUIVALENTS AT END OF PERIOD	416,139	827,311
Analysis of the Balances of cash and cash equivalents		
Cash at banks and in hand	416,139	827,341

P.V. Ramaprasad Reddy
Director

Mudigonda Veerabhadra Sastry
Director

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 plant and equipment, 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 rendered 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.

		\$	
		Year ended 31st March, 2003	Year ended 31st March, 2002
2. TURNOVER AND OTHER INCOME			
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 :-			
TURNOVER	Sales	58,123,327	235,467,875
OTHER INCOME	Bank interest income	162	151,858
	Commission income	1,990,755	2,262,000
	Sundry income	156,755	44,893
	Exchange gain	88,373	-
		<u>2,236,045</u>	<u>2,458,751</u>
		60,359,372	237,926,626
3. (LOSS)/PROFIT FROM OPERATING			
(Loss)/Profit from operations is arrived at			
After charging			
	Auditors' remuneration	14,000	14,000
	Bad debts written off	2,129,400	-
	Depreciation	12,688	14,273
	Exchange loss	-	340,281
	Fixed assets written off	-	17,310
	Staff cost	315,959	568,721
	Operating lease		
	Hire of property	42,943	164,927
	Directors' remuneration	130,791	-
	And after crediting		
	Bank interest received	162	151,858
	Exchange gain	88,373	-
4. FINANCE COSTS	Bank charges and interest on bills	339,461	431,960
	Bank over draft interest	4	-
		<u>339,465</u>	<u>431,960</u>
5. TAXATION			
1) No provision for Hong Kong profits tax has been made as the Company incurred a loss for taxation purpose during the year.			
2) No deferred taxation has been set up, as it is uncertain that future taxable profits, if any, will sufficient to absorb the available tax losses in the foreseeable future.			

\$

6. FIXED ASSETS		
Furniture & Equipment		
COST	At 31st March, 2002	97,875
	Additions	10,471
	At 31st March, 2003	108,346
DEPRECIATION	At 31st March, 2002	39,280
	Charge for the year	12,688
	At 31st March, 2003	51,968
NET BOOK VALUE	At 31st March, 2003	56,378
	At 31st March, 2002	58,595

	2003	2002
7. INTEREST IN SUBSIDIARY		
Unlisted shares, at cost	2,898,480	2,243,280
Amount due from a subsidiary	1,414,920	1,414,920
	4,313,400	3,658,200

Details of the subsidiary company are as follows :-

Name	: Shanghai Widetex Chemical Co Ltd
Place of incorporation	: People's Republic of China
Percentage of shares held	: 80%
Nature of Business	: Manufacturing of pharmaceutical raw material

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

8. AMOUNT DUE FROM A DIRECTOR/RELATED COMPANY / A FELLOW SUBSIDIARY

Details of loan to a director/related company / a fellow subsidiary disclosed pursuant to Section 161 B of the Companies Ordinance are as follows :-

Name of Director		31.03.2003	31.03.2002	Maximum amount outstanding during the year
Mudigonda Veerabhadra Sastry		10,000	5,000	10,000
Name of related company	Related Director	31.03.2003	31.03.2002	Maximum amount outstanding during the year
APL Pharma Thai Ltd	P. V. Ramaprasad Reddy and Aluru Siva Rama Prasad	-	512,460	512,460
Aurobindo (Datong) Bio-Pharma Co. Limited	P. V. Ramaprasad Reddy	5,534,100	-	5,534,100
Name of fellow Subsidiary	Related Director	31.03.2003	31.03.2002	Maximum amount outstanding during the year
APL USA LLC	P. V. Ramaprasad Reddy	-	87,750	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, 2003

	Note	Year ended March 31, 2003	Year ended March 31, 2002
\$			
9. AMOUNTS DUE TO RELATED COMPANIES / HOLDING COMPANY			
These amounts are unsecured, interest free and repayable on demand			
10. SHARE CAPITAL			
AUTHORIZED :			
2,000,000 ordinary shares of US \$1 each		15,500,000	15,500,000
ISSUED AND FULLY PAID :			
2,000,000 (2002 - 80,001) ordinary shares of US \$ 1 each		15,500,000	620,008
During the year, 1,919,999 ordinary shares were issue at par for cash to provide additional working capital to the company.			
11. DIRECTORS' REMUNERATION			
Remuneration of the directors disclosed pursuant to section 161 of the Companies Ordinance is as follow :-			
Fee		-	--
Other emoluments		130,791	--
12. RELATED PARTY TRANSACTIONS			
During the year, the Company had substantial business transactions with its following related companies			
Name of Related Companies	Directors connected	Nature	
Aurobindo Pharma Ltd	Penaka Venkata Ramprasad Reddy and Aluru Sivarama Prasad	Purchase	2003
		Sales	2002
			41,298,328
			201,710,265
APL Pharma Thai Ltd	Penaka Venkata Ramaprasad Reddy and Aluru Sivarama Prasad	Sales	892,125
		Purchase	87,633
			2,622,048
			--
13. ULTIMATE HOLDING COMPANY			
The directors consider the ultimate holding company to be Aurobindo Pharma Ltd, a company incorporated in India			

P.V. Ramaprasad Reddy
Director

Mudigonda Veerabhadra Sastry
Director

Aurobindo (H.K.) Limited

Detailed Income Statement for the year ended 31st March, 2003

(Expressed in Hong Kong Dollars)

	\$	
	31st March, 2003	31st March, 2002
SALES	58,123,327	235,467,875
Less : Cost of Goods Sold		
Opening inventories	20,807,893	43,473,804
Purchases	51,189,251	207,373,065
Less : closing inventories	11,787,194	20,807,893
	60,209,950	230,038,976
GROSS (LOSS)/PROFIT	2,086,623	5,428,899
Add : Other Income		
Bank interest received	162	151,858
Sundry income	156,755	44,893
Commission income	1,990,755	2,262,000
Exchange gain	88,373	-
	2,236,045	2,458,751
	149,422	7,887,650
Less : Expenses (Schedule I)	6,224,420	7,541,703
(Loss)/Profit before Taxation	(6,074,998)	345,947

Aurobindo (H.K.) Limited

Schedule Annexed to detailed Income Statement for the year ended 31st March, 2003

(Expressed in Hong Kong Dollars)

	\$	
	31st March, 2003	31st March, 2002
EXPENSES		
Auditors' remuneration	14,000	14,000
Bad debts written off	2,129,400	–
Bank charges and interest on bills	339,461	431,960
Bank interest overdraft	4	–
Book, magazines, subscriptions	–	378
Business promotion expenses	6,767	7,111
Cleaning	–	3,300
Commission paid	1,361,437	1,874,880
Consultancy charges	187,778	93,437
Depreciation	12,688	14,273
Directors' remuneration	130,791	–
Electricity and water	11,536	15,954
Exchange loss	–	340,281
Freight and transportation on Hong Kong sales	968,386	1,483,280
Handling, freight and transportation on Montevideo sales	46,705	2,095,775
Insurance	995	1,064
Legal and professional fee	16,655	59,320
Licence fee	6,694	19,325
Fixed assets written off / Loss on disposal of fixed assets	–	17,310
MPF contribution	6,641	18,107
Office supplies	139	2,130
Postage	6,619	9,833
Printing and stationery	4,965	9,348
Recruitment and training expenses	–	13,000
Rent and rates	42,943	164,927
Repair and maintenance	2,746	2,508
Salaries and allowance	136,060	439,397
Shrinkage and spoilage	478,588	24,751
Staff messing and welfare	100,013	111,217
Sundry expenses	16,469	30,626
Telephones and fax	93,888	98,326
Travelling	102,052	145,885
	6,224,420	7,541,703

P.V. Ramaprasad Reddy
Director

Mudigonda Veerabhadra Sastry
Director

The Directors present their report and the audited financial statements for the year ended 31st December, 2002.

PRINCIPAL ACTIVITY

The Company's main business is to identify opportunities available in USA and to enter into JV agreements for manufacture and sale of the holding company's products.

REVIEW OF OPERATIONS

During the period under report, your Company has registered a total turnover of US \$ 24,622 and incurred a loss of US \$ 33,914.

AUDITORS

The Auditors Brian Saylor, CPA have expressed their willingness to accept re-appointment.

DIRECTORS

The Directors at the date of this report are:

P. V. Ramaprasad Reddy

K. Nityananda Reddy

ISSUE OF SHARES AND DEBENTURES

During the year, the holding company's investment in the Company has been raised by Rs.69.8 million thus making a total investment of Rs.157.5 million. 14,350 shares of US \$ 100 each were issued to the holding company. Further, your

Directors confirm that neither of the Directors holding office at the end of the financial year had any interest in the shares in or debentures of the Company.

UNUSUAL ITEMS AFTER THE FINANCIAL YEAR

No item, transaction or event of a material nature has arisen during the period between the end of the financial year and the date of this report which would affect substantially the operations of the Company during the current year.

STATEMENT BY DIRECTORS

In the opinion of the Directors, the accompanying financial statements were drawn up so as to give a true and fair view of the state of affairs of the Company as at 31st December 2002 and of the results of the business for that period. Your Directors have taken all reasonable steps to prepare these financial statements on a going concern basis and that suitable accounting policies have been adopted consistently. Further, your directors are confident that with the support and guidance of the holding Company, your Company can achieve better results in the future.

By Order of the Board

P.V. Ramaprasad Reddy

Director

Date: 25th June, 2003

K. Nityananda Reddy

Director

The Board of Directors
APL Holdings, Inc

We have audited the accompanying Balance Sheet of APL Holdings, Inc. (the Company) as of 31st December, 2002, and the related Statements of Income, and Cash Flows for the twelve months ended 31st December, 2002. These financial statements are the responsibility of the Company management. Our responsibility is to express an opinion on these financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of APL Holdings, Inc. as of 31st December, 2002, and the results of operations and cash flows for the 12 months ended 31st December, 2002 in conformity with accounting principles generally accepted in the United States of America.

Brian Saylor
Certified Public Accountant

Balance Sheet as at 31st December, 2002

		\$	
		As at 31st December, 2002	As at 31st December, 2001
ASSETS			
CURRENT ASSETS			
Checkings		27,598	3,426
Bank Charges Receivable		40	--
Prepaid Taxes		1,902	--
Interest Receivable - Cephazone		66,684	42,500
Interest Receivable - Aurosal		438	--
Total Current Assets		<u>96,662</u>	<u>45,926</u>
OTHER ASSETS			
Loan Receivable - Cephazone		794,000	500,000
Loan Receivable - Aurosal		200,000	--
Investments - Cephazone Equity		3,000,000	914,000
Investments - Aurosol Equity		25,000	--
Total Other Assets		<u>4,019,000</u>	<u>1,414,000</u>
TOTAL ASSETS		<u>4,115,662</u>	<u>1,459,926</u>
LIABILITIES AND EQUITY			
CURRENT LIABILITIES			
Interest Payable - Med-Pharmex & Geravi		5,176	--
Interest Payable - Aurobindo Pharma		4,474	--
Taxes Payable		8,435	9,468
Total Current Liabilities		<u>18,085</u>	<u>9,468</u>
LONG TERM LIABILITIES			
Loan Payable - Aurobindo Pharma		360,000	--
Loan Payable - Med-Pharmex		400,000	800
Loan Payable - Geravi		35,000	--
Total Term Liabilities		<u>795,000</u>	<u>10,268</u>
EQUITY			
Additional Share Capital		--	65,000
Common Stock		3,300,000	1,350,000
Retained Earnings		36,491	5,852
Current Income (Loss)		(33,914)	28,806
Total Equity		<u>3,302,577</u>	<u>1,449,658</u>
TOTAL LIABILITIES & EQUITY		<u>4,115,662</u>	<u>1,459,926</u>

APL Holdings, Inc., USA

Income Statement for the year ended 31st December, 2002

		\$	
		As at 31st December, 2002	As at 31st December, 2001
REVENUE	Interest Income	24,621	42,500
	Tax refund	-	60
	TOTAL REVENUE	24,621	42,560
OPERATING EXPENSES	Banks Service Charges	119	-
	Taxes	2,742	860
	Professional Fees	46,025	1,150
	Interest Expense	9,649	3,309
	TOTAL EXPENSES	58,535	5,319
	Operating Income	(33,914)	(37,241)
	Provision for tax	-	8,435
	Net Income (Loss)	(33,914)	(28,806)

The Directors present their report and the audited financial statements for the year ended 31st December, 2002.

REVIEW OF OPERATIONS

During the period under report, M/s. Aurobindo Farmaceutica Do (Brasil) Limitada, Brazil has been amalgamated with your Company, another wholly owned subsidiary company of your Company's holding company viz. Aurobindo Pharma Ltd. During the year, your Company has registered a total turnover of Reais 8,385,096 and incurred a loss of Reais 365,699.

AUDITORS

The Auditor, Mr.Hilton Resende, Independent Accountant, has reviewed the enclosed financial statements for the year ended 31st December, 2002.

STATEMENT BY DIRECTORS

In the opinion of the Directors, the accompanying financial statements were drawn up so as to give a true and fair view of the state of affairs of the Company as at 31st December, 2002 and of the results of the business for that period. Your Directors have taken all reasonable steps to prepare these financial statements on a going concern basis and that suitable accounting policies have been adopted consistently. Further, your directors are confident that with the support and guidance of the holding Company, your Company can achieve better results in the future.

By Order of the Board

PREMANANDAM MODAPOHALA

Director General

Date: 20th May, 2003

The Members
AB Farmo Quimica Limitada
Anapolis, Gois Brasil

We have audited the Balance Sheet of AB Farmo Quimica Limitada as at 31st December, 2002 and the Profit & 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, 2002 in case of Balance Sheet
 - (ii) The loss of the company for the period ended 31st December, 2002 in the case of Profit & 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
20th May, 2003

Balance Sheet as at 31st December, 2002

		Schedule	In Reais As at 31st December, 2002
I. SOURCES OF FUNDS			
PARTNERS' FUNDS	Partners' Share Capital	1	2,129,000
LOAN FUNDS	Unsecured Loans	2	755,019
	TOTAL		2,884,019
II. APPLICATION OF FUNDS			
FIXED ASSETS	Gross Block	3	216,479
	Less : Depreciation		25,252
	Net Block		191,227
	Capital Work-in Progress		2,207,735
			2,398,963
CURRENT ASSETS, LOANS & ADVANCES	Inventories	4	1,099,416
	Sundry Debtors	5	3,310,824
	Cash & Bank Balances	6	1,709,226
	Loans & Advances	7	627,882
			6,747,348
LESS : CURRENT LIABILITIES AND PROVISIONS			
	Current Liabilities	8	6,297,429
	Provisions	9	359,026
			6,656,455
NET CURRENT ASSETS			90,893
	Profit & Loss Account	10	367,689
	Miscellaneous Expenditure	11	26,474
	(to the extent not written off or adjusted)		
	TOTAL		2,884,019
	Notes to Accounts	19	

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 AB Farmo Quimica Limitada

HILTON RESENDE
Independent Accountant

Place : Anapolis, Goias State, BRAZIL
Date : 20th May, 2003

PREMANANDAM MODAPOHALA
Director General

Profit & Loss Account for the year ended 31st December, 2002

		In Reais
		Year ended 31st December, 2002
	Schedule	
INCOME	Sales (Gross)	8,385,096
	Other Income	90,366
	Increase / (Decrease) in Stocks	1,099,416
	TOTAL	9,574,878
EXPENDITURE	Purchase of Trading Goods	7,881,950
	PIS on Sales	54,503
	COFFINS on Sales	251,553
	PIS on Other Income	587
	COFFINS on Other Income	2,711
	ICMS on Sales	688,132
	Payment to and provision for employees	87,155
	Administrative & Selling Expenses	246,201
	Interest and Finance Charges	463,675
	Federal & Other Taxes	263,813
	Depreciation	298
	TOTAL	9,940,578
PROFIT / (LOSS) BEFORE TAXATION		(365,699)
	Loss brought forward from previous year	(1,990)
	Loss carried to Balance Sheet	(367,689)
	Notes to Accounts	19

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 AB Farmo Quimica Limitada

HILTON RESENDE
Independent Accountant

Place : Anapolis, Goias State, BRAZIL
Date : 20th May, 2003

PREMANANDAM MODAPOHALA
Director General

		In Reais
		As at 31st December, 2002
1. PARTNER'S SHARE CAPITAL		
ISSUED & PAID-UP	21,290 (Previous Year - 5,120)	
	Equity Shares of R\$ 100 each fully paidup	2,129,000
	TOTAL	2,129,000
Notes :		
Of the above Equity Shares		
a) 579 Equity Shares of R\$ 100 each fully paid-up were allotted in pursuant to the scheme of merger with erstwhile Aurobindo Farmaceutica Do Brasil Limitada. Of the total amount R\$57,871 received for consideration other than cash and the remaining R\$29 received in cash.		
As on 31st December, 2002 the Partners' Share Capital is		
Aurobindo Pharma Ltd.	21,248 Equity Shares of R\$ 100 each fully paid-up	2,124,800
Premanandam Modapohala	42 Equity Shares of R\$ 100 each fully paid-up	4,200
	TOTAL	2,129,000
2. UNSECURED LOANS		
OTHER LOANS	ICMS Deferment Loan	745,019
	Laob Bioquimica Ltda.	10,000
	TOTAL	755,019
4. INVENTORIES		
(at lower of cost or net realisable value)		
	Trading Goods	1,099,416
5. SUNDRY DEBTORS		
UNSECURED	Debts outstanding for a period exceeding six months	-
	other debts-Considered good	3,310,824
	TOTAL	3,310,824
6. CASH & BANK BALANCES		
	Cash on Hand	4,763
	Balances with Banks on	
	Current Accounts	1,678,966
	Short Term Deposits	16,497
	TOTAL	1,709,226

3. FIXED ASSETS

Particulars	Gross Block				Depreciation				In Reais	
	As At 1st Jan., 2002	Additions	Additions from Merger	As at 31st Dec., 2002	As at 1st Jan., 2002	For the Year	Additions from Merger	As at 31st Dec., 2002	Net Block	
									As at 31st Dec., 2002	As at 1st Dec., 2001
Freehold land	--	57,512	--	57,512	--	--	--	--	57,512	--
Buildings	--	9,964	--	9,964	--	33	--	33	9,930	--
Furniture & Fixtures	4,348	13,642	15,989	33,980	--	1,254	2,161	3,415	30,565	4,348
Lab Equipments	5,449	--	--	5,449	--	863	--	863	4,586	5,449
Computers	--	11,704	--	11,704	--	951	--	951	10,752	--
Office Equipment	--	6,881	4,975	11,856	--	212	378	590	11,266	--
Vehicles	--	60,618	25,397	86,015	--	5,008	14,391	19,399	66,616	--
Total	9,797	160,321	46,362	216,479	--	8,322	16,930	25,252	191,228	9,797
Capital Works-in-Progress	66,599	2,141,136	--	2,207,735					2,207,735	66,599

Notes :

The total depreciation for the year includes R\$ 16,930 of the assets acquired on merger with Aurobindo Farmaceutica Do Brasil Limitada. Of the total depreciation of R\$ 8,322 provided for the year R\$ 8,024 transferred to Capital work-in-progress.

		In Reais
		As at 31st December, 2002
7. LOANS & ADVANCES		
(Unsecured, considered good except stated otherwise)	Advances recoverable in cash or kind or for value to be received or pending adjustments	
	Considered good	79,745
	Balances with ICMS credit	548,137
	TOTAL	627,882
8. CURRENT LIABILITIES	Sundry creditors :	
	Goods	6,045,451
	Expenses & services	91,793
	Capital works	160,185
	TOTAL	6,297,429
9. PROVISIONS	INSS	20,338
	FGTS	1,654
	IRRF	11,672
	PIS	10,152
	COFFINS	46,855
	Federal Tax on presumed profits	50,196
	Contribution social on presumed profits	42,292
	ICMS on Importation	175,867
	TOTAL	359,026
10. PROFIT & LOSS ACCOUNT	Loss as per last Balance Sheet	1,990
	Loss transferred from current Balance Sheet	365,699
	TOTAL	367,689
11. MISCELLANEOUS EXPENDITURE		
(to the extent not written off or adjusted)	Licenses & Patents	26,474

		In Reais
		Year ended 31st December, 2002
12. OTHER INCOME	Discounts obtained	153
	Interest on Bank short term deposits	49,838
	Interest on overdue bills	1,573
	Profit on foreign exchange fluctuations	38,802
	TOTAL	90,366
13. INCREASE/(DECREASE) IN STOCKS	Opening stocks - Trading goods	-
	Less : Closing stocks - Trading goods	1,099,416
	TOTAL	1,099,416
14. PURCHASES - TRADING GOODS	Cost of purchases	6,913,430
	Customs duties	630,742
	Other duties & customs expenses	174,680
	Warehousing charges	110,953
	Freight charges	38,190
	Clearing agents expenses	12,293
	Cost of samples	1,082
	Other Expenses	578
	TOTAL	7,881,950
15. PAYMENTS TO PROVISIONS FOR EMPLOYEES	Salaries & Wages	65,239
	Contribution to FGTS & INSS	19,111
	Staff Welfare	2,805
	TOTAL	87,155
16. ADMINISTRATIVE & SELLING EXPENSES	Lease Rents	45,628
	Rates & Taxes	2,169
	Printing & Stationery	3,090
	Postage, Telegrams & Telephones	7,455
	Insurance	1,163
	Legal & Professional charges	48,633
	Electrical Charges	284
	Travelling & Conveyance	85,779
	Vehicle Maintenance	9,097
	Selling Expenses	29,822
	Carriage Outwards	7,551
	Partner's Honarium	4,800
	Magazines & Subscriptions	180
	Miscellaneous Expenses	550
	TOTAL	246,201

		In Reais
		Year ended 31st December, 2002
17. INTEREST &		
FINANCE CHARGES	Bank charges & Commissions	3,687
	Foreign Exchange expenses	2,202
	Loss on Foreign Exchange	457,786
	TOTAL	463,676
18. FEDERAL &		
OTHER TAXES	Municipal Taxes	677
	State Taxes	199
	Federal Taxes	40,552
	Annual Regional Councils taxes	229
	Trade Union charges	634
	Federal Tax on Presumed Profits	122,840
	Contribution Social	98,692
	TOTAL	263,813

19. NOTES ANNEXED TO AND FORMING PART OF THE ACCOUNTS AS AT AND FOR THE YEAR ENDED 31ST DECEMBER, 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.
- b) **Revenue Recognition** : Revenue from sale of goods is recognised on despatch and is inclusive of ICMS and net of discounts and Sales returns.
- c) **Fixed Assets and Depreciation**
 - i) Fixed assets and stated at cost less accumulated depreciation. Cost includes freight, duties, 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 as prescribed by the Income-Tax laws.
- d) **Inventories** : Trading goods are valued at lower of cost or net realisable value
- e) **Retirement Benefits** : The Firm's contribution to FGTS and INSS is recognised on accrual basis.
- f) **Deferred Tax Liability** : 70% of the ICMS payable on Import of goods deposited in to ITAU bank and will be paid to the Goias State Government after completion of five years from 31st December, 2004 in monthly instalments as per the agreement with the State Government is shown under Unsecured Loans.
- g) **Foreign Exchange Transactions** : Foreign currency transactions arising during the year are recorded at the exchange rates prevailing at the transaction dates. Profits and losses on foreign currency transactions are shown separately in the Profits & Loss account.

2. Leases

The Firm 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.

3. Partners' Share Capital

The partner's liability is limited by subscription to capital 99.8% of the paid up Share Capital is being held by Aurobindo Pharma Limited. India and the remaining 2% is being held by Premanandam Modapohala.

SIGNATURES TO SCHEDULES 1 TO 19
In terms of our report of even date

For AB Farmo Quimica Limitada

HILTON RESENDE
Independent Accountant

Place : Anapolis, Goias State, BRAZIL
Date : 20th May, 2003

PREMANANDAM MODAPOHALA
Director General

Dear Members,

Your Directors have pleasure in presenting the third annual report together with the Audited Accounts of the Company for the year ended 31st March 2003.

FINANCIAL RESULTS

Particulars	Rs. in lakhs	
	2002-03	2001-02
Sales	3245.84	5838.54
Profit before Depreciation, Interest and Tax	2.74	133.80
Depreciation	1.46	1.96
Interest	104.10	203.61
Tax	-	-
Net Profit/Loss	(102.82)	(71.76)

REVIEW OF OPERATIONS AND FUTURE OUTLOOK

For the year the company has achieved a sales Turnover of Rs.3245.84 lakhs compared to the previous year, which has shown a sale of Rs.5838.54 lakhs. The company earned an operating profit of Rs.2.74 lakhs before depreciation, interest and tax. However, due to the interest cost of Rs.104.10 lakhs, the company's financial results ended in a loss of Rs.102.82 lakhs.

During the year, the business scenario continued to be erratic affecting the margins. The scale and level of operations have in fact been scaled down substantially to Rs.1697.24 lakhs from Rs.4747.76 lakhs by reducing the imports. The FOB value of exports was Rs.245.88 lakhs compared to Rs.629.52 lakhs (2001-2002). During the year, the interest cost of the operations have been drastically reduced to Rs.104.10 lakhs.

BUSINESS PLANS

During the current year, the Company has started doing a fresh business and is further concentrating on the imports and exports through the export-processing zone at Vizag. The Company is also importing certain raw materials by tying up with international manufacturers for supplies and major domestic buyers for sale. The Company plans to achieve better results

during the year by giving major thrust to Exports through Special Economic Zone, Visakhapatnam. The Company is continuing its efforts in reduction of overall costs to maximise the profits.

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 P.V. Rama Prasad Reddy and K. Nityananda Reddy retire by rotation at the ensuing Annual General Meeting and being eligible offer themselves for re appointment.

CORPORATE GOVERNANCE

Your Company is in the process of further expanding the Board to induct independent directors into the Board.

AUDITORS

The Auditors, M/s. K. Nagaraju & Associates, Chartered Accountants, Hyderabad, retire at the ensuing Annual General Meeting and, being eligible, offer themselves for re-appointment.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION ETC.

Being a non-manufacturing 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 out-goes during the year ended 31st March, 2003.

	Rs. in lakhs	
	2002-03	2001-02
Foreign exchange earned	245.88	629.52
Foreign exchange outgo		
Raw materials	121.87	129.00
Trading Goods	1575.37	4618.76
Total	1697.24	4747.76

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:

M. Ajaya Kumar - Managing Director		Rs.in lakhs
Designation	Particulars	31st March, 2003
Managing Director	Salary	8.40
	Perquisites	0.70
Total		9.10

DIRECTORS' RESPONSIBILITY STATEMENT

- a) The Board of Directors confirm that in the preparation of the Profit & Loss Account for the year ended 31st March, 2003 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 31st March, 2003;
 - 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 31st March, 2003 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 : 9th May, 2003

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, 2003, the Profit & Loss Account for the year ended on that date annexed thereto and the Cash Flow Statement for the year ended on that date, which we have signed under reference to this report. 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 have 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, the Profit & Loss Account and Cash Flow Statement referred to in the report are in agreement with the Books of Accounts.
 - d) In our opinion, the Balance Sheet, the Profit & Loss Account and Cash Flow Statement 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 31st March, 2003 and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on 31st March, 2003 from being appointed as Director in terms of clause (g) of sub-section (i) 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, 2003,
 - ii) In case of Profit & Loss Account, of the loss of the Company for the year ended on that date, and,
 - iii) In the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For K. Nagaraju & Associates
Chartered Accountants

Place : Hyderabad
Date : 9th May, 2003

K. Nagaraju
Proprietor

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, 2003
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 realisation 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 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 : 9th May, 2003.

K. Nagaraju
Proprietor

APL Chemi Natura Limited
Balance Sheet as at 31st March, 2003

			Rs. in thousand	
	Schedule		As at 31st March, 2003	As at 31st March, 2002
I. SOURCES OF FUNDS				
SHAREHOLDER'S FUNDS	Equity Share Capital	A	50,000	50,000
	Reserves & Surplus	B	3,455	53,455
				3,455
LOANS FUNDS	Secured Loans	C	15,108	107,064
			68,563	160,519
II. APPLICATION OF FUNDS				
FIXED ASSETS	Gross Block	D	1,354	1,353
	Less : Depreciation		334	188
	Net Block		1,020	1,165
INVESTMENT		E	935	935
CURRENT ASSETS & LOANS & ADVANCES		F		
	Inventories		10,864	84,182
	Sundry Debtors		137,723	64,683
	Cash & Bank Balances		9,097	17,080
	Other Current Assets		252	1,104
	Loans & Advances		16,660	32,017
			174,596	199,066
LESS : CURRENT LIABILITIES AND PROVISIONS		G		
	Current Liabilities		122,897	45,384
	Provisions		2,591	2,555
			125,488	47,939
NET CURRENT ASSETS			49,108	151,127
	Deffered Tax Asset		6,402	2,587
	Less : Deffered Tax Liability		67	67
			6,335	2,520
	Miscellaneous Expenditure	H	148	221
	(to the extent not written off or adjusted)			
	Profit & Loss Account		11,017	4,551
			68,563	160,519
	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 : 9th May, 2003

For and on behalf of the Board of Directors

M. AJAYA KUMAR
Managing Director

B. SIVA PRASAD REDDY
Director

Profit & Loss Account for the year ended 31st March, 2003

		Rs. in thousand	
	Schedule	Year ended 31st March, 2003	Year ended 31st March, 2002
INCOME	Sales	324,584	583,854
	Less : Excise Duty	6,666	7,698
	Other Income	12,252	37,676
	Increase / (Decrease) in Stocks	(68,029)	31,852
	TOTAL INCOME	262,141	645,684
EXPENDITURE	Materials Consumed	39,412	19,076
	Purchase of Trading Goods	201,052	555,505
	Salaries, Wages & Benefits to		
	Employees	2,522	3,785
	Other Manufacturing & Administrative	18,880	53,939
	Selling Expenses		
	Interest	10,410	20,361
	Depreciation	147	196
	TOTAL EXPENDITURE	272,423	652,862
	PROFIT / (LOSS) BEFORE TAXATION	(10,282)	(7,178)
	Provision for Taxation-Current Deferred Tax	3,816	2,565
	PROFIT / (LOSS) AFTER TAXATION	(6,466)	(4,613)
	Balance brought forward from last year	(4,551)	62
APPROPRIATIONS			
	Transfer to General Reserve	-	-
	Balance Carried to Balance Sheet	(11,017)	(4,551)
	Notes to Accounts	0	

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 : 9th May, 2003

For and on behalf of the Board of Directors

M. AJAYA KUMAR
Managing Director

B. SIVA PRASAD REDDY
Director

		Rs. in thousand	
		As at 31st March, 2003	As at 31st March, 2002
A. SHARE CAPITAL			
AUTHORISED CAPITAL	Equity Share Capital		
	50,00,000 Equity Shares of		
	Rs.10 each	<u>50,000</u>	<u>50,000</u>
ISSUED, SUBSCRIBED AND PAID-UP CAPITAL			
	Equity share capital		
	50,00,000 Equity Shares of		
	Rs.10 each Fully Paid	<u>50,000</u>	<u>50,000</u>
		<u>50,000</u>	<u>50,000</u>
B. RESERVES & SURPLUS	General Reserves	3,455	3,500
	Less : Deferred Tax Liability		
	on Opening Balance	<u>-</u>	<u>45</u>
		3,455	3,455
	Balance in Profit & Loss Account	<u>-</u>	<u>-</u>
		<u>3,455</u>	<u>3,455</u>
C. SECURED LOANS	Working Capital Loans From		
	Banks	15,108	98,552
	Short Term Loan From Banks		
	(Maximum amount outstanding		
	at any time	-	8,300
	during the year - Rs.Nil)		
	(Rs.8,300)		
	Amount due under Hire		
	Purchase Agreements		
	for Purchase of Vehicles	<u>-</u>	<u>212</u>
		<u>15,108</u>	<u>107,064</u>

D. FIXED ASSETS										Rs. in thousand	
Particulars	Gross Block				Depreciation				Net Block		
	As At 1st April, 2002	Additions	Deletions	As at 31st March, 2003	As at 1st April, 2002	For the Year	Deletions	As at 31st March, 2003	As at 31st March, 2003	As at 31st March, 2002	
Computers	345	1	--	346	59	56	--	115	231	286	
Furniture & Fixtures	8	--	--	8	1	0	--	1	7	8	
Office Equipment	95	--	--	95	5	5	--	10	85	90	
Vehicles	905	--	--	905	123	85	--	208	697	781	
Total	1,353	1	--	1354	188	146	--	334	1,020	1,165	

		Rs. in thousand	
		As at 31st March, 2003	As at 31st March, 2002
E. INVESTMENTS			
	Unquoted - Non Trade (1,87,000 Equity Shares of Rs.10 each in Advanced Waste Management Ltd)	935	935
		935	935
F. CURRENT ASSETS, LOANS & ADVANCES			
	CURRENT ASSETS		
	INVENTORIES (As certified by the Management)		
	Raw Material	19	5,308
	Finished Goods	513	3,761
	Trading Goods	10,332	10,864
	Sundry Debtors (Un Secured but considered good) Debts Outstanding for More Than Six Months	80,638	16,119
	Others	57,085	48,564
	CASH & BANK BALANCES		
	Cash in Hand	17	430
	Balance with Scheduled Banks		
	(a) Incurrent Accounts	2,019	6,650
	(b) In Margin Money Deposits Account	7,061	10,000
	Accured Interest	252	1,104
	LOANS & ADVANCES (unsecured but considered good and receivable in cash or kind)		
	Deposits	308	229
	Staff Advances	13	42
	Prepaid Expenses	146	998
	Other receivbles	2,053	10,140
	Advance Others	11,781	16,249
	Advance Tax	2,359	4,359
		174,596	1,99,066
G. CURRENT LIABILITIES & PROVISIONS			
	CURRENT LIABILITIES		
	Sundry Creditors for Suppliers	117,652	9,382
	Sundry Creditors for Expenses	928	3,264
	Other Liabilities	3,043	20,100
	Advance from Customers	1,274	12,638
	PROVISIONS		
	Provisions for Income Tax	2,480	2,480
	Provisions for Gratuity	111	75
		2,591	2,555
		125,488	47,939
H. MISCELLANEOUS EXPENDITURE			
	(to the extent not written off or adjusted)		
	Preliminary Expenses	148	221
		148	221

		Rs. in thousand			
		Year ended 31st March, 2003		Year ended 31st March, 2002	
I. OTHER INCOME	Other Income	9,307		35,423	
	Foreign Exchange Difference	2,378		--	
	Insurance Claims Received	155		435	
	Interest Received on FD's	412	12,252	1,818	
	(Tax deducted at Source Rs.348,530)				
			12,252		37,676
J. INCREASE / (DECREASE) IN STOCKS	Closing Stock				
	Trading Goods	10,332		75,113	
	Finished Goods	513	10,845	3,761	78,874
	Less : Opening Stock				
	Trading Goods	75,113		47,022	
	Finished Goods	3,761	78,873	--	47,022
			(68,029)		31,852
K. MATERIAL CONSUMED	Opening Stock	5,308		261	
	Add : Purchase	34,123		24,123	
		39,431		24,384	
	Less : Closing Stock	19		5,308	
			39,412		19,076
L. SALARIES, WAGES & BENEFITS TO EMPLOYEES	Salaries & Wages	2,062		3,335	
	Staff Welfare	145		132	
	Other Benefits	315		318	
			2,522		3,785
M. OTHER MANUFACTURING EXPENSES & ADMINISTRATIVE & SELLING EXPENSES	Conversion Charges	10,588		28,336	
	Carriage Inward	227		243	
	Rent	207		545	
	Printing & Stationery	40		122	
	Postage, Telegram & Telephone	18		43	
	Insurance	824		1,340	
	Registration, Rates & Taxes	10		30	
	Foreign Exchange Difference	--		7,199	
	Legal & Professional Charges	29		54	
	Remuneration to auditors				
	Audit fee	16		15	
	Tax audit fee	8		8	
	Other services	2	26	2	25

		Rs. in thousand	
		Year ended 31st March, 2003	Year ended 31st March, 2002
M.	OTHER MANUFACTURING EXPENSES & ADMINISTRATIVE & SELLING EXPENSES (Contd.)		
	Commission on Sales	1,894	3,312
	Carriage Outward	310	320
	Bank Charges	1,738	5,588
	Travelling & Conveyance	68	978
	Shortage & Evaporation Loss	715	629
	Bad Debts	414	1,912
	Other Expenses	1,772	3,263
		18,880	53,939
N.	INTEREST		
	Interest on Working Capital	7,978	10,668
	Interest on Bill Discounting	286	1,941
	Other Interest	2,146	7,752
		10,410	20,361

O. NOTES FORMING PART OF THE ACCOUNTS FOR THE PERIOD ENDED 31ST MARCH, 2003.

I. SIGNIFICANT ACCOUNTING POLICIES

- 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.
- Investments are shown at cost.
- 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.
- Depreciation is provided on Straight Line Method on prorata basis in accordance with the rates prescribed under Schedule XIV of the Companies Act, 1956.
- 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.
- Sales are exclusive of Excise Duty and net of Sales returns and sales tax, where applicable.
- 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 & Loss Account.
- Retirement Benefits:
The accruing liability towards Gratuity and leave encashment is calculated according to actuarial valuation and fully provided.
- Miscellaneous Expenditure is written off over a period of five years.
- Deferred Taxation
Deferred 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
SEGMENT REVENUE						
Net Sales	265,808	58,776	--	--	--	324,584
Other Income	2,380	--	--	9,872	--	12,252
INTER SEGMENT REVENUE						
Stock Transfer Issues	--	--	--	--	--	--
TOTAL SEGMENT REVENUE	268,186	58,776	--	9,872	--	336,836
Segment Expenses						
Total Material Consumed/						
Purchase	201,052	39,412	--	--	--	240,464
Add : Stock Transfer Issues (considered above)	--	--	--	--	--	--
	201,052	39,412	--	--	--	240,464
(Increase /Decrease in stocks)	68,029	--	--	--	--	68,029
	269,081	39,412	--	--	--	308,493
Excise Duty	--	6,666	--	--	--	6,666
OTHER MANUFACTURING OVERHEADS						
Conversion Charges	--	10,588	--	--	--	10,588
Carriage Inwards	36	191	--	--	--	227
Power & Fuel	2	--	--	--	--	2
Other Overheads						
SALARIES & WAGES						
Salaries Wages & Bonus	--	--	--	--	2,062	2,062
Staff Welfare	--	--	--	--	145	145
Other Benefits	--	--	--	--	315	315
DEPRECIATION						
Depreciation	--	--	--	--	147	147
Other Administrative Overheads	--	--	--	--	8,064	8,064
Finance Charges	--	--	--	--	10,410	10,410
	269,118	56,857	--	--	21,143	347,119
Profit/(Loss) before tax	(931)	1,919	--	9,872	(21,143)	(10,283)

Rs. in thousand

Working Notes for Capital Employed

Particulars	Trading	Loan Licence Manufacturing	Assets	Excluded Liabilites	Total
ASSETS					
Fixed Assets (Net Block)	--	--	1,020	--	1,020
Capital Work in Progress	--	--	--	--	--
Investments	--	--	935	--	935
Current Assets					
-Inventory	10,864	--	--	--	10,864
- Sundry Debtors	136,431	1,292	--	--	137,723
-Cash & Bank Balances	--	--	9,097	--	9,097
-Interest on Investments	--	--	252	--	252
Loans & Advances					
- Balance with Central Excise	--	--	--	--	--
- Export Incentives Receivables	--	716	--	--	716
Other Advances	--	--	15,944	--	15,944
Deferred Tax Assets/Liabilities	--	--	6,335	--	6,335
Profit & Loss Account	--	--	11,017	--	11,017
Miscellaneous Expenses	--	--	148	--	148
	147,295	2,008	44,748	--	194,051
LIABILITIES					
Share Capital	--	--	--	50,000	50,000
Reserves & Surplus	--	--	--	3,455	3,455
Secured Loans	--	--	--	15,108	15,108
Current Liabilities & Provisions	--	--	--	125,488	125,488
	--	--	--	194,051	194,051
Capital Employed	147,295	2,008	44,748	(194,051)	--

Rs. in thousand

2. During the year, the Company has entered into transactions with related parties. The transactions together with the related balances as at 31st March 2003 are presented in the following table.

Name of Transactions	Holding Company	Associates	Total
Purchase of Goods	10,035	--	10,035
Sales of Goods	153,457	13,958	167,414
Sale of Fixed Assets	--	--	--
Transfer of Current Assets	--	--	--
Total	163,491	13,958	177,449
Balance as on			
31st March, 2003	23,183	68,400	

Name of related parties and description of relationships

Holding Company	Aurobindo Pharma Limited
Associates	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 deferred tax asset (Net) accruing during the year aggregating to Rs.3,815 has been recognised in the profit & loss account.

4. The Components of deferred tax assets and liabilities arising on account of timing differences are:

	Assets	Liabilities
Unabsorbed depreciation	90	--
Business Loss	3,689	--
Others	37	--
Total	3,816	--

5. 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.

6. Remuneration to directors

		31st March, 2003 (Rs. in Lakhs)	31st March, 2002 (Rs. in Lakhs)
Managing Director	Salary	8.40	14.40
	Perquisites	0.70	1.20
	Total	9.10	15.60

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

Rs. in thousand

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	2656.85	3,761	57414.25	39,412	69806.1	58,776	265.0	513

10. Quantitative details of Trading Goods

Acetic Acid	--	--	--	--	--	--	--	--
Aniline Oil	111.952	6,709	--	--	69.977	2,210	--	--
Butyl Acetate	605.304	26,992	--	--	609.763	18,757	40.541	1,779
I.P.A.	38.40	185	249.498	10,099	255.061	11,047	32.837	1,313
C.S.LYE	187.464	2,760	--	--	138.840	1,116	48.624	883
C.P.A	--	--	--	--	--	--	--	--
N-Butanol	2.638	88	--	--	2.638	118	--	--
Phenol	382.807	11,526	--	--	382.807	12,301	--	--
Others	--	26,853	--	190,953	--	220,259	--	6,357
TOTAL		75,113		201,052		265,808		10,332

11. Details of Raw Materials

Consumed Material Name	2002-2003		2001-2002	
	Kgs.	Rs.	Kgs.	Rs.
EMME	30173	10,483	50380	7,588
Toluene	73967	1,808	90281	2,132
Methanol	178276	2,690	138529	771
DMF	36428	2,289	71001	2,439
LLP	126584	3,423	42113	1,195
Others	--	18,719	--	4,951
TOTAL		39,412		19,075

12. Raw Material Consumed Imported and Indigenous

	2002-2003		2001-2002	
	Rs.	%	Rs.	%
Imported	18,387	46.65	1,1,053	57.94
Indigenous	21,022	53.35	8,023	42.06

13. Foreign Exchange Transactions

	Rs.	Rs.
(a) Value of Imports (C.I.F. Basis)		
i Trading Goods	157,537	461,877
ii Raw Material	12,187	12,900
TOTAL	169,724	474,777
(b) F.O.B. Value of Exports	24,588	62,953

14. Contingent Liabilities

i Letter of Credit	126,581	12,694
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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. The previous year figures have been regrouped and reclassified wherever applicable.

Signatures to Schedules A to O

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 : 9th May, 2003

B. Siva Prasad Reddy
Director

Cash Flow Statement for the year ended 31st March, 2003

	Rs. in thousand	
	31st March, 2002	31st March, 2001
CASH FLOWS FROM OPERATING ACTIVITIES		
Net profit / loss before tax & extra ordinary items	(10,282)	(7,178)
Adjustments for :		
Depreciation	147	196
Interest (Net)	9,998	18,544
Operating profit / (loss) before working capital changes	(137)	11,562
Adjustments for :		
Increase (decrease) in inventories	73,319	(36,899)
Increase (decrease) in sundry debtors	(84,794)	106,737
Increase (decrease) in other current assets	852	(824)
Increase (decrease) in loans and advances	15,357	(12,742)
Increase (decrease) in current liabilities	89,266	(137,645)
Increase (decrease) in provisions	36	6
Increase (decrease) in working capital loans	(83,444)	76,214
Increase (decrease) in misc. expenditure written off	74	74
Cash generated from operations	10,528	6,483
Interest paid	(10,410)	(20,361)
Cash flow before extra ordinary activities	118	(13,878)
Extra ordinary items	-	-
Net cash used from operating activities	118	(13,878)
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(1)	(992)
Purchase of investments	-	-
Interest received	412	1,818
Sale of fixed assets	-	771
Net cash used in investment activities	411	1,597
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long term and other borrowings	(8,512)	8,151
Net cash used in financial activities	(8,512)	8,151
NET INCREASE IN CASH AND CASH EQUIVALENTS	(7,983)	(4,130)
CASH AND BANK BALANCES AT THE BEGINNING OF THE YEAR	17,080	21,211
CASH AND BANK BALANCES AT THE END OF THE YEAR	9,097	17,080

As per our attached report of even date

For and on behalf of the Board of Directors

For K. NAGARAJU & ASSOCIATES
Chartered AccountantsM. AJAYA KUMAR
Managing DirectorK. NAGARAJU
ProprietorB. SIVA PRASAD REDDY
DirectorPlace : Hyderabad
Date : 9th May, 2003

(As per Schedule VI, Part IV of the Companies Act, 1956)

I. Registration Details

Registration No. 01 - 35038 State Code 01
 Balance Sheet Date 31 03 2003
 Date Month Year

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

Public Issue Nil Rights Issue Nil Bonus Issue Nil Private Placement Nil

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

Total Liabilities 68563 Total Assets 68563

Sources of Funds

Paid-up Capital 50000 Reserves & Surplus 3455 Secured Loans 15108 Unsecured Loans Nil

Application of Funds

Net Fixed Assets 1020 Investments 935 Net Current Assets 49108 Miscellaneous Expenditure 148
 Accumulated Losses 11017

IV. Performance of Company (Rs. in Thousands)

Turnover & Other Income 330170 Total Expenditure 340452 Loss before Tax 10282 Loss after Tax 10282
 Earnings per Share (Rs.) Nil Dividend Rate (%) Nil

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.butylacetate
291719.07	EMME

As per our attached report of even date

For K. NAGARAJU & ASSOCIATES
 Chartered Accountants

K. NAGARAJU
 Proprietor

Dated : 9th May, 2003

For and on behalf of the Board of Directors

M. AJAYA KUMAR
 Managing Director

B. SIVA PRASAD REDDY
 Director

The Directors present their report and the audited financial statements for the year ended 31st December, 2002.

PRINCIPAL ACTIVITY REVIEW OF OPERATIONS

Started as a wholly owned subsidiary company with an investment of Rs.1057.3 million for manufacture of 7ACA and other fermentation products and commenced commercial production during the year under report. The quality of product is satisfactory and the management is confident that it will register good returns in the years to come. During the year your Company has registered a total turnover of RMB 4,716,627 and incurred a loss of RMB 11,683,781.

AUDITORS

The Auditors, Datong Beiyue Accountant Office, Chinese Registered Accountant have audited the financial statements of the Company.

DIRECTORS

The Directors at the date of this report are:

Mr. P. V. Ramaprasad Reddy

Mr. K. Nityananda Reddy

Dr. M. Sivakumaran

Mr. M. Ajaya Kumar

Mr. G. P. Prasad

Mr. Han Yanlin

ISSUE OF SHARES AND DEBENTURES

During the year under report Aurobindo Pharma Ltd, the holding Company has increased its capital to RMB 136,540,075 which constitutes 100% of the capital.

UNUSUAL ITEMS AFTER THE FINANCIAL YEAR

No item, transaction or event of a material nature has arisen during the period between the end of the financial year and the date of this report which would affect substantially the operations of the Company during the current year.

STATEMENT BY DIRECTORS

In the opinion of the Directors, the accompanying financial statements were drawn up so as to give a true and fair view of the state of affairs of the Company as at 31st December, 2002 and of the results of the business for that period. Your Directors have taken all reasonable steps to prepare these financial statements on a going concern basis and that suitable accounting policies have been adopted consistently. Further, your directors are confident that with the support and guidance of the holding company, your Company can achieve better results in the future.

By Order of the Board

P.V. Ramaprasad Reddy
Director

G. P. Prasad
Director

Date: 7th March, 2003

We undertook your entrust and audited your Balance Sheet on 31st December, 2002 and the Profit Statement & Cash Flow Sheet 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 Accountant. 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.

We think that the above accounting report accords with relative stipulations in *Enterprise Account Standard and Foreign Invested Enterprise Account Discipline* and reflects objectively in all important aspects the financial situation of your company

on 31st December, 2002 and capital change situation of the same year. The selection of accounting treatment method abides by consistence principle.

Datong Beiyue Accountant Office

Chinese Registered Accountant
Hang Jun Code : 140200800001

Chinese Registered Treasurer Li Livia : 140200800005

Address : No. 146 Yu River North Road, Datong.

Attachment : Balance Sheet of 31st December, 2002. Profit Statement and Cash Flow Sheet is same year.

2. Supplementary record of accounting report

Aurobindo (Datong) Bio-Pharma Co. Ltd.
Balance Sheet as at 31st December, 2002

Assets	RMB	
	At beginning of year	At end of year
CURRENT ASSETS		
Currency capital	7,431,082	1,809,001
Accounts receivable	–	3,518,454
Other receivables	191,857	3,520,130
Prepayment to Suppliers	–	1,765,792
Inventories	7,940	5,487,162
Deferred and prepaid expenses	–	556,500
Total current assets	<u>7,630,879</u>	<u>16,657,038</u>
Long-term investments :		
Long-term equity capital investment	–	31,466,000
Total	–	31,466,000
Fixed Assets :		
Fixed assets cost	–	339,579,089
Less : accumulated depreciation	–	2,701,183
Fixed assets net value	–	<u>336,877,906</u>
Net value of fixed assets	–	336,877,906
Construction in progress	30,764,389	54,247,822
Total	<u>30,764,389</u>	<u>391,125,728</u>
Intangible Assets :		
Organization expenses	250,548	–
Long-term deferred and repaid expenses	27,104	–
Total	<u>277,652</u>	<u>30,000</u>
TOTAL ASSETS	<u>38,672,922</u>	<u>439,278,767</u>

Addition Reference

1. Processed material consigned
2. Consignment Commodity consigned to sell
3. Commodity material consigned to manage
4. Discount of bill payable by corporation
5. Rent fixed assets
6. Foreign currency usable
7. Tariff and unify tax paid in this year

Liabilities & Equity	RMB	
	At beginning of year	At end of year
CURRENT LIABILITIES		
Short term loans	-	30,000,000
Accounts payable	-	3,884,900
Advances from customers	-	5,872,602
Accrued payroll	-	111
Welfare payable	-	212,973
Taxes payable	-	1,071,207
Other payables	(4,745,000)	16,105,262
Forecast liabilities	-	110,446,176
Other current liabilities	-	110,446,176
Total current liabilities	(4,745,000)	165,450,817
Long Term Liabilities :		
Long term loans	-	108,466,680
Total	-	108,466,680
Deferred tax	(4,745,000)	273,917,497
Paid in capital	43,417,921	179,957,995
Capital accumulation fund		64,974
Retained earnings		(14,661,701)
Total Capital	43,417,921	165,361,269
TOTAL LIABILITIES & CAPITAL	38,672,921	439,278,766

Profit Statement as at 31st December, 2002

Item No.	RMB	
	This period	Accumulated of this year
Major operation income	4,716,627	4,716,627
Major operation cost	12,717,495	12,717,495
Major operation profit (loss marks)	(8,000,868)	(8,000,868)
Management expenses	2,823,520	5,607,347
Financial expenses	860,994	1,055,079
Operation profit (loss marks)	(11,685,382)	(14,663,294)
Non-operation income	1,600	1,600
Less : Non-operation expenses	-	752
Total profit (loss marks)	(11,683,781)	(14,661,701)
Net profit (Net loss marks)	(11,683,781)	(14,661,701)

Aurobindo (Datong) Bio-Pharma Co. Ltd.

Cash Flow Statement as at 31st December, 2002

Item	RMB Amount
Cash from sale & service	6,372,602
Cash receiving concerned with operating	2,944,371
Subtotal of cash flow-in	9,316,974
Cash payment for purchase & service	5,526,986
Cash payment to and payment for employee	410,258
Other cash payment concerned with operating	715,773
Subtotal of cash flow-out	6,653,018
Net cash flow in operating activities	2,663,955
Cash payment for investing activities	57,842
Subtotal of cash flow-in	57,842
Cash payment for purchase fixed assets, intangible assets and other long term assets	8,371,516
Cash payment for investing	12,000,000
Other cash payment concerned with investing	751
Subtotal of cash flow-out	20,372,267
Net value of cash flow from investing activities	(20,314,425)
Cash from absorb investment	10,470,366
Subtotal of cash flow-in	10,470,366
Cash payment for distributing dividend and profit or repaying interest	883,917
Subtotal of cash flow-out	883,917
Net value of cash flow in financing activities	9,586,449
Influence to cash in variation of exchange rate	(21,588)
Net increase of cash and equivalent	(8,085,609)

I. OUTLINE OF ENTERPRISE

This company obtained No. 000168 enterprise legal corporate business license of Shanxi Datong Sole Capital Enterprise 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 20th September, 2001 with a registered capital of 180 million RMB. The nature of its business is industry. Its business scope covers the production of medical raw material active composition, end product medicine, biologic product, bacterin, intermediate, active material, including penicillin G, 6-APA, Cephalosporin, 7-ACA or any chemical synthesize products and carve out another medical products market by investing to build new company & filiale or holding existing company and empolder new product. The organization of company is including Finance department, ministry of personnel, Administration department, Purchase department, Production department, Utility department.

II. PRINCIPAL ACCOUNTING POLICY

1. This company implements the accounting system of enterprise and the financial management discipline of foreign capital enterprise of the People's Republic of China.
2. From 1st January to 31st December of every year is the accounting period.
3. Accounting principle and price basis : The principle of rights & responsibility is the accounting principle use the way of credit & debit to accounting, RMB is the natural currency use the actual cost as the price basis.
4. The way of foreign currency measuring : At the time of foreign currency payout, according to rate of the time we change the foreign currency to RMB and account. Period end we will adjust the foreign currency deposit and the creditor's rights & debt according to the rate of the period end and enter the difference to the loss & profit of exchange.
5. The measuring way of bad debts : Making allowance for doubtful account.
6. The measuring way of stock : Stock includes raw material, wrapper, finished products, work in process, Low-value and perishable articles, etc. Raw material will be accounted according to plan cost, wrapper, finished product and semi-finished goods will be accounted according to actual cost and issued according to weighted average: and the lower value consumption will be amortized once.
7. Fixed assets and depreciation :
 1. Fixed assets will be priced at their actual cost following is the standard :
 - a. Houses, buildings, machinery, mechanism, conveyance and other equipments, wares, tools concerned with production operation which using term are more than one year.
 - b. Others are used by enterprise but not belong to main equipment for production & operation. Their value are more than two thousand RMB and their using term are more than two years.
 2. The fixed assets will be depreciated by the sum-of-the-years-digits method. Houses, buildings, machinery equipments weren't made the estimated residual value and the net rate of residual value for vehicle is 10%. Following are the depreciation rates & classification :

Classification of fixed assets	Fixed number of year	Depreciation rate
Houses & buildings	30 years	3.33%
Machinery equipments	20 years	5%
Conveyance	5 years	18%

RMB

8. Intangible assets and the way of amortization : Intangible assets include financial software priced at the actual cost and amortized by average in 6 years.
9. Tax : The company applies the main tax and tax rate, VAT rate is 17%.

III. THE EXPLANATION OF ACCOUNTING REPORTS ITEM

1. Currency capital

Item	Currency	At beginning of year	At end of year
Cash in hand	RMB	50,847	6,789
Cash in bank	RMB	7,380,235	1,802,213
Total		74,131,082	1,809,001

2. Account receivable : Account period is less than one year and the figure at end of year is 3,518,454 RMB
3. Advance to supplier : Account period is less than one year and the figure at end of year is 1,765,792 RMB
4. Other receivables : Account period is less than one year and the figure at the beginning is 191,857 RMB in figure at end of year is 3,520,130 RMB.
5. Deferred and prepaid expenses

Item	Amortized	At end of year	Amortizing period
Employer's liability insurance	3,557	39,122	one year
Property insurance	43,925	483,177	one year
Circuitry maintenance fee	20,000	20,000	half year
Road maintain fee	--	14,202	one year
Total	67,482	556,500	

6. Stock

Item	At beginning of year	At end of year
Raw material	--	4,407,689
Wrapper	--	15,345
Low value and preishable articles	7,940	112,264
Work in process	--	930,533
Finished products	--	21,330
Total	7,940	5,487,162

7. Long-term investment of equity capital : The figure at beginning of year is zero and the figure at end of year is 31,466,000 RMB

Enterprise invested	Ratio of equity capital	Original investing sum	At end of year
Aurobindo Tongling (Datong) Pharmaceutical Co. Ltd	50%	31,466,000	31,466,000

RMB

8. Fixed assets

a. Actual value of fixed assets (Provision)

Classification	Increase in the year	At end of year
Houses, Buildings	77,189,502	77,189,502
Machinery equipments	256,930,290	256,930,289
Others	5,459,297	5,459,297
Total	339,579,089	339,579,088

b. Accumulative depreciation

Classification	Increase in the year	At end of year
Houses, Buildings	452,111	452,111
Machinery equipments	2,141,086	2,141,086
Others	107,986	107,986
Total	2,701,183	2,701,183

c. Net value of fixed assets

Classification	Increase in the year	Decrease in the year	At end of year
Houses, Buildings	77,189,502	452,111	76,737,391
Machinery equipments	256,930,289	2,141,086	254,789,204
Others	5,459,297	107,986	5,351,311
Total	339,579,088	2,701,183	336,877,906

9. Construction in progress

Item	At beginning of year	At end of year
Deferred & prepaid investment	688,747	5,523,097
Equipments	265,300	171,716
Current accounts	29,810,342	272,732,612
Civil		682,700
Fixed assets needn't install		448,938
Land		2,000,000
Fixed assets for Adm.		775,894
Deferred & prepaid investment (6-APA)		1,043,339
Deferred & prepaid investment (7-ACA)		2,437
Provision for fixed assets		(229,132,913)
Total	30,764,389	54,247,822

10. Intangible assets

Classification	Original value	Provision for amortization	At end of year
Langehoa software	36,000	6,000	30,000

RMB

11. Long term deferred & prepaid expenses

Item	At beginning of year	At end of year
Difference of foreign currency converting	27,105	--
Pre-operative expenses	250,548	--
Total	277,653	--

12. Short term loan

Lender	Loan term	Loan period	P.A. Rate	At beginning of year	At end of year
Bank of China	Guarantee	12 months	5.31%	--	30,000,000

13. Account payables & other payables

Item	At beginning of year	At end of year
Account payables	--	3,884,900
Other payables	(4,745,000)	16,105,262
Total	(4,745,000)	19,990,162

14. Advance form customers : The figure at end of year is 5,872,602

15. Tax payable

Item	At end of year
VAT	(1,151,671)
Stamp duty	70,345
Personal income tax	10,119
Total	(1,071,207)

16. Salary payable : The figure at end of year is 111

17. Welfare payable

Item	At end of year
Endowment insurance jobless insurance, hospitalisation insurance	212,973

18. Intending liabilities

Item	At end of year
Make provision for fixed assets	110,446,176

19. Long term loan

Lender	Loan period	P.A. Rate	At end of year	Loan term
Singapore DBS Bank	4 years & 6 months	(about) 3.14%	74,398,239	Documents mortgage
Aurobindo Pharma Ltd.	5 years	(about) 6.34%	33,065,884	Guarantee
Ajusting of exchange rate			140,777	
Loan interest			861,780	
Total			108,466,680	

RMB

20. Paid-up capital

Item	At beginning of year	Increasing in the year	At end of year
Aurobindo Pharma Ltd.	43,417,921	136,540,074	179,957,996

21. Capital surplus

Item	At end of year
Difference from foreign currency capital converting	64,975

22. Profit un-distributive

Increasing in the year : -14,661,701
At end of year : -14,661,701

23. Income from major operating

Item	Income in the year
6-APA	4,716,627

24. Financial expenses

Item	In the period
Interest payout	1,025,277
Minus : Interest income	28,988
Loss of exchange	51,636
Others	7,154
Total	1,055,079

25. Non-operating expenses

Item	In the period
Others	1,600

26. Total profit in 2002 is -14,661,701 RMB

The Directors present their report and the audited financial statements for the year ended 31st December, 2002.

REVIEW OF OPERATIONS

During the period under report, your Company's holding Company viz., Aurobindo (H.K.) Limited has further acquired 20% stake in the Company thus increasing its control to 80%. Your Company has registered a total turnover of RMB 6.5 million and incurred a loss of RMB 2 million.

AUDITORS

The auditors M/s. Shanghai Hubo Accounting Office Co., Ltd have reviewed the enclosed financial statements for the year ended 31st December, 2002.

STATEMENT BY DIRECTORS

In the opinion of the Directors, the accompanying financial statements were drawn up so as to give a true and fair view of the state of affairs of the Company as at 31st December, 2002 and of the results of the business for that period. Your Directors have taken all reasonable steps to prepare these financial statements on a going concern basis and that suitable accounting policies have been adopted consistently. Further, your directors are confident that with the support and guidance of the holding company, your Company can achieve better results in the future.

by Order of the Board

Date: 31st March, 2003

Director

Auditor's Report

We accept your entrustment and finish auditing the Balance Sheet, Income Statement and Cash Flow Statement for the year of 2002 of your company. These statements should be responsible by your company, our liability is just to audit the statements and give our opinions on them. We proceed the auditing independently according to the Independent Auditing Principles of China Certified Public Accountant. During the procedure, we combine the principles with the actual situation of your company and execute some necessary auditing procedure including random examination of the accounting booking.

We think the above mentioned Accounting Statements complies with the relative stipulation of Corporation Accounting Principles and Corporation Accounting Rules, and these statement show objectively the financial situation and yearly business status and capital flow for 31st December, 2002 in all the important aspects. The consistency principle is used in the accounting method.

On the other hand, we find that the company's ownership rights are alternated on 22 November, 2001 approved by Shanghai Jiading district People's government with archives No. Jiafu Shenpi 566 of 2001, and by Shanghai Municipal People's government with archives No. Waijinmao Hujiahezi 1660 of 1998. The company's registered capital is USD 0.6 million. Before alteration, the ownership right is as follows : Shanghai Jiading Xinhang Medical and chemical Co., Ltd. USD 0.30 million with 50% share, Taiwan Huaide Dye Co. Ltd. USD 0.24 million with 40%, Lin Junhui from Taiwan USD 0.06 million accounting for 10%. After restructure, the company's share is as follows: Shanghai Jiading Xinxing Medical and chemical Co. Ltd USD 0.24 million with 40% share, Aurobindo

(Hang Kong) Co. Ltd. USD 0.36 million accounting for 60%. On the other hand, on 28th January, 2003, ownership rights is transferred again under the approval of Shanghai Municipal Government with archive No. Waijinmao Hujia Hezi 1660 of 1998, after the alternation, Shanghai Jiading Xinhang Medical and chemical Co., Ltd own 20% share with USD 0.12 million and Aurobindo (Hang Kong) Co. Ltd. own 80% with USD 0.48 million. As on 31st March, 2003, for the above mentioned restructure of ownership. The related assets auditing report haven't been shown.

Appendix :

1. Balance Sheet of Shanghai Widetex Chemical Company Ltd. as at 31st December, 2002
2. Income Statement of Shanghai Widetex Chemical Company Ltd. 31st December, 2002
3. Cash Flow Statement of Shanghai Widetex Chemical Company Ltd. 31st December, 2002
4. Remarks on the 2002 Accounting Statement

Shanghai Hubo Accounting Office Co., Ltd.

China Certified Public Accountant

China Certified Public Accountant

Address : No. 4, Zhengdan East Road, Shanghai Datong.
4th Floor of Luodian Nonghang Building.

Dated : 31st March, 2003

Shanghai Widetex Chemical Company Limited
Balance Sheet as at 31st December, 2002

		RMB	
ASSETS		Beginning of year	End of year
CURRENT ASSETS			
	Cash on hand	403,088	577,999
	Accounts receivable	958,296	3,217,050
	Prepayment to suppliers	–	336,500
	Other receivables	207,727	174,153
	Inventories	4,067,615	2,085,821
	Total Current Assets	5,636,726	6,391,523
LONG TERM INVESTMENTS			
FIXED ASSETS	Fixed assets cost	2,254,870	2,452,245
	Less : accumulated depreciation	197,851	420,201
	Fixed assets net value	2,057,019	2,032,044
	Construction in progress	784,155	6,598,542
	Total Fixed Assets	2,841,174	8,630,586
INTANGIBLE ASSETS			
	Long term deferred and prepaid expenses	604,192	265,956
	Total Intangible Assets	604,192	265,956
	TOTAL ASSETS	9,082,092	15,288,065
LIABILITIES AND EQUITY		Beginning of year	End of year
CURRENT LIABILITIES			
	Short term loans	2,000,000	2,000,000
	Accounts Payable	1,568,971	5,197,085
	Accrued payroll	123,153	–
	Taxes payable	(548,150)	(75,560)
	Other payables	160,847	4,215,288
	Total Current Liabilities	3,304,821	11,336,813
LONG TERM LIABILITIES			
	Long term loans	1,509,198	1,599,198
	Long term payable	1,010,000	1,070,000
	Total Long Term Liabilities	2,519,198	2,669,198
	TOTAL LIABILITIES	5,824,020	14,006,011
OWNER'S EQUITY			
	Paid in capital	4,961,718	4,961,718
	Retained earnings	(1,703,646)	(3,679,664)
	TOTAL OWNER'S EQUITY	3,258,072	1,282,054
	TOTAL LIABILITIES AND OWNER'S EQUITY	9,082,092	15,288,065

Shanghai Widetex Chemical Company Limited

Income Statement for the year ended 31st December, 2002

	RMB	
	Current year	Previous year
Operating business sales	6,494,444	5,292,910
Cost of Operating business sales	6,681,136	5,635,754
Gross profit on Operating business sales	(186,692)	(342,844)
Add : Profit from other operations	(70,353)	5,629
Less : Selling expenses	84,366	7,068
General and administrative expenses	1,450,945	674,234
Financial expenses	194,303	194,426
Operating profit	(1,986,659)	(1,212,943)
Non-operating income	10,541	657
Less Non-operating expenses	-	600
TOTAL PROFIT	<u>(1,976,018)</u>	<u>(1,218,268)</u>
NET PROFIT	<u>(1,976,018)</u>	<u>(1,218,268)</u>

Shanghai Widetex Chemical Company Limited
Cash Flow Statement as at 31st December, 2002

	RMB
CASH FLOW DUE TO BUSINESS OPERATION	
Cash inflow from sales of goods and providing service	7,015,203
Cash inflow related with business operation	619,888
SUB TOTAL OF CASH FLOW	7,635,091
Cash outflow for purchase of goods and receiving service	4,025,621
Cash outflow paid to staff or for staff	1,391,078
Other cash outflow related with business operation	210,545
Net flow due to business operation	2,007,847
Cash outflow due to purchase of Fixed Assets, Intangible Assets and Other Long Term Assets	4,686,247
SUB TOTAL OF CASH OUTFLOW	4,686,247
Net cash flow due to investments	(4,686,247)
CASH FLOW DUE TO FINANCING	
Cash inflow due to borrowing	5,000,000
SUB TOTAL OF CASH IN FLOW	5,000,000
Cash outflow due to repaying debts	2,000,000
Cash outflow due to distribution of dividend, profits or repaying of interest	146,688
SUB TOTAL OF CASH OUT FLOW	2,146,688
Net flow due to financing	2,853,312
NET INCREASE OF CASH AND ITS EQUIVALENT	174,911
ADDITIONAL DOCUMENTS	
Net Profits	(1,976,018)
Fixed Assets depreciation	222,350
Amortization of long term deferred and prepaid expenses	373,892
Finance expenses	196,688
Inventories decrease (less: increase)	1,981,794
Decrease of operating receivables (less: increase)	(2,561,681)
Increase of operating receivables (less : decrease)	3,770,822
Net flow due to business operation	2,007,847
Closing balance of cash	577,999
Opening balance of cash	403,088
Increase of cash and its equivalent	174,911

1. Company brief

Shanghai Widetex Chemical Co., Ltd. (hereafter simplified as the company), a Sino-foreign joint venture by Shanghai Jiading Xinxing Medical and Chemical Co., Ltd and Aurobindo (H.K.) Co., Ltd. is established on 21st January, 1999 with registered capital of USD 0.6 million and commercial license of No. Qihehuzong 025723 (Jiading) under approval of Shanghai Municipal People's Government with archives No. Waijinmao hujia hezi 1660 of 1998. The company is valid from 21st January, 1999 to 20th January, 2019 with its legal representative P.V. Ramaprasad Reddy. Its business scopes includes producing and selling D-phenylglycine Chloride hydrochloride, D-dihydro phenylglycine Chloride hydrochloride, D-hydroxy phenylglycine and D-hydroxy phenylglycine Dane salt, the company bulk medicine of cephalosporin, B-lactam and Injective powder.

2. Main accounting policy and accounting evaluation

The company is in line with P.R of China Corporation Accounting Principles and Corporation Accounting Stipulation and the following accounting policy and evaluation is based on above stipulation.

1. Accounting stipulation, the company executes Corporation Accounting Stipulation and its additional stipulation.
2. Accounting period is from 1st January to 31st December.
3. Accounting principle and practice, using accrual basis, considering actual cost as basis for accounting price.
4. Standard currency and foreign currency accounting base
 The basic monetary unit is RMB, for foreign currency business it will be exchanged into RMB according to the exchange rate issued by People's Bank on the first day of the current month. In the end of year, the balance of foreign currency shall be adjusted according to the market intermidium exchange rate, the difference will be transferred to the current month finance expenses.
5. Bad debts accounting method
 The company prepares bad debts provision according to the actual bad debts risk, it has no bad debts risk after analysis, so it has no bad debts provision.
6. Inventory
 Its accounting method is figured by planed cost, the mateials cost difference rate in the end of the year is 5% which basically complies with market without the risk of devaluation, the provision of inventory devaluation loss is not been prepared this year.
7. Fixed assets & depreciation method
 Depreciation method for fixed assets is by straight-line method with estimated net salvage rate of 10% their depreciation grade is as follows :

Fixed Assets	Life expectancy (year)	Yearly depreciative rate %
House and buildings	20	4.5
Machinery	10	9
Vehicles	5	18

8. Deferred asset and its amortization : Deferred asset due to factory renovation and other capital expenditure is amortized in 5 years.
9. Taxation VAT 17%, Income tax 30%

RMB

3. Accounting statement explanation 31st December, 2002

1. Monetary

Fund : 577,999
Cash : 9,602
Cash in bank : 568,396
RMB 562,657
USD 693 equals RMB 5,740 Yuan

2. Account Receivables : 3,217,050

Aurobond Tangling (Datong) Pharmaceutical Co., Ltd. 3,123,000 with accounting age less than one year Nanhai Beisha Medical Co., Ltd. 94,050 with accounting age less than one year.

3. Prepaid account 336,500 to Hunan Changde Fine Chemical Co., Ltd and the invoice is not been issued by the company.

4. Other receivables 174,153 Yuan

Including : Lianming village 100,000 for equipment with 3 accounting year

Shanghai Dongrui Chemical Co., Ltd. 7,072 for power supplies with one accounting year Jiading Power supplier bureau 60,000 for power charge with one accounting year Staff 7,081 for four fund with one accounting year.

5. Inventories : 2,085,821

Including Raw materials : 575,852
Packing materials : 6,503
Consumable stores : 740,355
Self semi manufactured goods : 1,430
Finished products : 396,615
Cost of products : 466,761
Materials cost difference : 101,695

6. Fixed assets net value: 2,032,045

Including : Fixed assets cost 2,452,242, less: accumulated depreciation 420,201

Fixed Assets	Opening balance	Increase this year	Decrease this year	Closing balance
House and buildings	64,813	10,310	–	75,123
Machinery	2,190,057	5,563	–	2,195,620
Vehicles	–	181,502	–	181,502
Total	2,254,870	197,375	–	2,452,245

Fixed Assets accumulated depreciation	Opening balance	Increase this year	Decrease this year	Closing balance
House and buildings	–	3,226	–	3,226
Machinery	197,851	197,344	–	395,195
Vehicles	–	21,780	–	21,780
Total	197,851	222,350	–	420,201

RMB

7. Construction in progress : 6,598,541 for the not finished project including building and machinery

8. Deferred assets : 265,956

Including: Boiler renovation expenditure 34,781
Building renovation expenditure 144,230
Lyophilisation workshop maintaining 86,944

9. Short-term loans 2,000,000

Agriculture Bank, Shanghai Jiading Branch 200,000 with yearly interest rate 6.8605% from 21st March, 2002 to 15th March, 2003, 800,000 with yearly interest rate 6.8605% from 28th May, 2002 to 27th May, 2003, 1,000,000 with yearly interest rate 6.8605% from 19th November, 2002 to 18th November, 2003.

10. Accounts payable: 5,197,085

Accounting age	Closing balance	Proportion %
1 year	4,054,670	78.02
1-3 year	1,082,932	20.84
More than 3 year	59,483	1.14
Total	5,197,085	100

11. Accrued payroll : -
Opening Balance : 123,153
Accrued in this year : 821,591
Expenditure this year : 944,744
Balance : -

12. Welfare Payable : -
Opening Balance : -
Accrued in this year : 2,883
Expenditure this year : 2,883
Balance : -

13. Taxes Payable : 75,560
Including VAT : 75,600

14. Other payables : 4,215,288
Including :

Accounting age	Closing balance	Proportion %
1 year	4,184,320	99.27
1-3 year	5,960	0.14
More than 3 year	25,008	0.59
Total	4,215,288	100

RMB

15. Long term loans 1,599,198 borrowed from Aurobindo (H.K.) Co. Ltd.
Principal : (181,400 USD) 1,501,502
Interest : (11,803 USD) 97,696
16. Long term payable : 1,070,000 borrowed from Shanghai Jiading Xinxing Medical and Chemical (Group) Co. Ltd.
Principal : 1,000,000
Interest : 70,000
17. Paid up Capital : 5,014,936

Share holders	Opening balance	Increase this year	Decrease this year	Closing balance	Proportion
Shanghai Jiading Xinxing Medical and Chemical (Group) Co. Ltd.	1,984,687	–	–	1,984,687	40%
Aurobindo (H.K.) Co. Ltd	2,977,031	–	–	2,977,031	60%
Total	4,961,718	–	–	4,961,718	100%

18. Undistributed Profits : (3,679,664)

Opening balance	Opening balance	Increase this year	Appropriation	Closing balance
(3,679,664)	(1,703,646)	(1,976,018)	–	(3,679,664)

19. Sales : 6,494,444
20. Cost of Sales : 6,681,136
21. Profits for other operation (70,353) losses due to sales of raw materials in 2002
22. Operating expense : 84,366 for transportation expenditure
23. General and administrative expenses : 1,450,945
Including business reception expenses 12,133 (max limit is 32,472 according to related stipulation)
24. Financial expense : 194,303
Including interest expenses : 196,688
25. Non-operating expenses : 10,641
26. Income Tax provision is nil in book, the company is calculating it on Tax Bureau's instruction.

The Directors present their report and the audited financial statements for the year ended 31st December, 2002.

PRINCIPAL ACTIVITY

Originally incorporated as a 50:50 joint venture company between Aurobindo Pharma Ltd and Shanxi Tongling Pharmaceuticals Co., Ltd for manufacture of pharmaceutical products for the local market. Later, in October 2002, the JV partner's stake has been acquired by Aurobindo (Datong) Bio-Pharma Co., Ltd and the Company became a wholly owned subsidiary to Aurobindo Pharma Ltd.

REVIEW OF OPERATIONS

During the year, the Company registered a total turnover of RMB 233.1 million and profit before tax of RMB 11.5 million and profit after tax of RMB 14.5 million.

AUDITORS

The Auditors, Datong Beiyue Accounting Office, China Certified Public Accountant have audited the financial statements of the Company.

DIRECTORS

The Directors at the date of this report are:

P.V. Ramaprasad Reddy
M. Ajaya Kumar
G.P. Prasad
Han Yanlin
Ko Feising
Han Bowlin

ISSUE OF SHARES AND DEBENTURES

During the year under report Aurobindo Pharma Ltd, the holding company has increased its capital by RMB 10.0 million to RMB 27.0 million which constitutes 50% of the capital. The rest was acquired by Aurobindo Datong Bio-Pharma Co. Ltd from Shanxi Tongling Pharmaceutical Co. Ltd.

UNUSUAL ITEMS AFTER THE FINANCIAL YEAR

No item, transaction or event of a material nature has arisen during the period between the end of the financial year and the date of this report which would affect substantially the operations of the Company during the current year.

STATEMENT BY DIRECTORS

In the opinion of the Directors, the accompanying financial statements were drawn up so as to give a true and fair view of the state of affairs of the Company as at 31st December, 2002 and of the results of the business for that period. Your Directors have taken all reasonable steps to prepare these financial statements on a going concern basis and that suitable accounting policies have been adopted consistently. Further, your directors are confident that with the support and guidance of the holding Company, your Company can achieve better results in the future.

by Order of the Board

P.V. Ramaprasad Reddy
Director

G. P. Prasad
Director

Date: 17th February, 2003

Auditor's Report

We accept your entrustment and finish auditing the Balance Sheet, Income Statement and Cash Flow Statement as on 31st December, 2002 for your company. These statements are responsible by your company, our liability is just to audit and express our opinions on them. We proceed the audit independently according to the Independent Auditing Principles of China Certified Public Accountant. During the procedure, we combine the principles with the actual situation of your company and execute some necessary auditing procedure including random examination of the accounting booking.

We think the above mentioned Accounting Statements comply with the relative stipulation of Corporation Accounting Principles and Corporation Accounting Rules, and these statement express objectively the financial situation and yearly business status and Capital Change for 31st December, 2002

in all the important aspects. The consistency principle is used in the accounting method.

Appendix :

1. Balance Sheet, Income Statement and Cash Flow Statement for 31st December, 2002
2. Remarks on the Accounting Statements

Datong Beiyue Accounting Office

China Certified Public Accountant

China Certified Public Accountant

Address : No. 146, Yuhe North Road, Datong

Dated : 17th February, 2003

Aurobindo Tongling (Datong) Pharmaceutical Co., Ltd.
Balance Sheet as at 31st December, 2002

		RMB	
ASSETS		Beginning of year	End of year
CURRENT ASSETS			
	Cash on hand	998,779	4,528,085
	Notes receivable	–	1,013,965
	Accounts Receivables	33,533,594	32,370,290
	Other receivables	–	722,296
	Deferred and prepaid expenses	5,833	156,656
	Inventories	14,896,505	19,953,745
	Total Current Assets	49,434,712	58,745,037
LONG TERM INVESTMENTS			
FIXED ASSETS	Fixed assets cost	62,793,382	77,064,320
	Depreciation	2,656,600	7,087,578
	Fixed assets net value	60,136,775	69,976,741
	Materials for project	–	493,975
	Construction in progress	4,000,297	14,081,724
	Total Fixed Assets	64,137,072	84,552,440
	INTANGIBLE ASSETS	10,297,222	4,622,162
OTHER ASSETS	Organisation Expenses	–	209,701
	Total Intangible Assets & Other Assets	10,297,222	4,831,863
	TOTAL ASSETS	123,869,006	148,129,340
LIABILITIES AND EQUITY			
LIABILITIES AND EQUITY		Beginning of year	End of year
CURRENT LIABILITIES			
	Short term loans	25,000,000	40,870,000
	Accounts Payable	10,699,148	9,352,919
	Accrued payroll	1,609,000	437,420
	Taxes payable	585,738	(1,018,065)
	Advances from customers	3,164,811	4,257,252
	Other payables	18,124,977	9,108,890
	Provision for expenses	2,494,422	39,000
	Total Current Liabilities	61,936,194	65,250,106
LONG TERM LIABILITIES			
	Long term loans	23,028,932	13,028,932
	Total Long Term Liabilities	23,028,932	13,028,932
	TOTAL LIABILITIES	84,965,126	78,279,038
OWNER'S EQUITY			
	Paid in capital	34,000,009	54,000,009
	Profits Surplus	516,197	1,668,452
	Reserve Fund	258,098	834,226
	Enterprise expansion fund	258,098	834,226
	Retained earnings	4,387,674	14,181,841
	TOTAL OWNER'S EQUITY	38,903,880	69,850,302
	TOTAL LIABILITIES AND OWNER'S EQUITY	123,869,006	148,129,340

Aurobindo Tongling (Datong) Pharmaceutical Co., Ltd.

Income Statement for the year ended 31st December, 2002

ITEM	RMB	
	Current year	Previous year
Operating business sales	233,138,425	110,755,444
Including Export sales	17,011,908	–
Cost of Operating business sales	190,725,030	89,669,582
Including Cost of Export sales	16,010,234	–
Gross profit on Operating business sales	42,413,395	21,085,859
Add : Profit from other operations	864,919	164,805
Less : Selling expenses	11,404,610	5,119,482
General and administrative expenses	17,826,949	8,654,341
Financial expenses	3,491,685	2,093,012
Including Interest expneses (less: interest income)	3,366,030	2,032,606
Operating profit	10,555,069	5,383,828
Allowance Income	870,000	–
Add: Non-operating income	231,963	546
Less: Non-operating expenses	131,184	75,646
TOTAL PROFIT	11,522,519	5,308,728
NET PROFIT	11,522,549	5,308,728

Aurobindo Tongling (Datong) Pharmaceutical Co., Ltd.
Cash Flow as at 31st December, 2002

	RMB
CASH FLOW DUE TO BUSINESS OPERATION	
Cash inflow from sales of goods and providing service	174,580,776
Received drawback	870,000
Cash inflow related with business operation	38,631,950
SUBTOTAL OF CASH INFLOW	214,082,726
Cash outflow for purchase of goods and receiving service	146,125,881
Cash outflow paid to staff or for staff	6,717,370
Taxes and expenses paid	11,650,250
Other cash outflow related with business operation	43,337,292
SUBTOTAL OF CASH OUTFLOW	207,830,793
Net flow due to business operation	6,251,933
Cash outflow due to purchase of Fixed Assets, Intangible Assets and Other Long Term Assets	15,301,767
SUBTOTAL OF CASH OUTFLOW	15,301,767
Net cash flow due to investments	(15,301,767)
CASH FLOW DUE TO FINANCING	
Cash inflow due to borrowing	40,000,000
SUBTOTAL OF CASH FLOW	40,000,000
Cash outflow due to repaying debts	24,130,000
Cash outflow due to distribution of dividend, profits or repaying of interest	3,290,860
SUBTOTAL OF CASH FLOW	27,420,860
Net flow due to financing	12,579,140
NET INCREASE OF CASH AND ITS EQUIVALENT	3,529,306
ADDITIONAL DOCUMENTS	
Net Profits	11,522,549
Fixed Assets depreciation	4,433,341
Amortization of Intangible assets	675,060
Amortization of long term deferred and prepaid expenses	32,264
Decrease of deferred and prepaid expense (less: increase)	(150,822)
Provision for expenses (Less: decrease)	(2,455,422)
Loss due to disposal of fixed assets, Intangible assets and other Long term assets (Less: yield)	(219,070)
Finance expenses	3,366,030
Inventories decrease (less: increase)	(5,057,240)
Decrease of operating receivables (less: increase)	(3,737,768)
Increase of operating receivables (less : decrease)	(2,156,990)
Net flow due to business operation	6,251,933
Closing balance of cash	4,528,085
Less : Opening balance of cash	998,779
Net Increase of cash and its equivalent	3,529,306

RMB

1. Company brief

This company, registered by Datong Industrial & Commercial Administration Bureau according to P.R. of China Sino-foreign Joint Venture Law, gets Corporation Business License No. 000158 Jintong Zhongzi on 7th August, 2000 with registered capital of 54,000,000 Yuan. It belongs to medical industry with business scope of bulk medicine of cephalosporin, B-lactam and Injective powder. The corporation organization structure, Finance Dept, Project Dept, Production & Tech. Dept., Purchase Dept. and Quality Dept.

2. Main accounting policy

1. The Company follows Corporation Accounting Rules and Foreign Investment Corporation Financial Rules.
2. Accounting period is from 1st January to 31st December.
3. Accounting principle and practice : Using accrual basis, Using Debit and Credit accounting form; The basic monetary unit is RMB; Considering actual cost as basis for accounting price.
4. Bad debts accounting method is allowance method
5. Inventory (including raw materials, packing materials and finished product in store) accounting method is figured by actual cost, while they are used by the user, they are figured by moving weighted average method.
6. Fixed assets & depreciation method :
 - A. Fixed assets that includes (a) House, buildings, machinery, vehicles and other equipment, appliance and tools used in production and marketing with expected life time more than one year; (b) The equipment used by company valued more than 2000 Yuan with more than 2 years of expected life time; is figured by the actual cost.
 - B. Depreciation method for fixed assets is by straight-line method with estimated net salvage rate of 10% their depreciation grade is as follows :

Fixed Assets	Life expectancy (year)	Yearly depreciative rate %
House and buildings	20	4.5
Machinery	10	9
Vehicles	10	9

7. Taxation Item : the company is fit for main taxation items and rate; VAT 17%.
8. Profit Distribution : it is in following mentioned order and proportion to distribute.
 - A. Adjustment of the previous year's loss
 - B. Transfer 5% of profit to Reserve Fund
 - C. Transfer 5% of profit to staff Bountry & Welfare Fund
 - D. Transfer 5% of profit to expansion Fund

3. Accounting statement explanation

1. Monetary Fund

Items	Opening balance	Closing balance
Cash on hand	20,902	49,652
Cash in bank	977,877	4,478,433
Total	998,779	4,528,085

RMB

2. Receivables with accounting age less than one year; Opening balance is 33,533,594 Yuan, Closing balance is 32,370,290 Yuan.
3. Other receivables with accounting age less than one year; Closing balance is 722,296 Yuan.
4. Deferred and prepaid expenses: Insurance closing balance is 156,656 Yuan.
5. Inventories

Items	Opening balance	Closing balance
Raw materials and Finished Goods	4,797,341	13,615,677
WIP	10,064,164	6,155,231
Low value consumables	35,000	182,837
Total	14,896,505	19,953,745

6. Fixed assets and depreciation

A. Original Value

Fixed Assets	Opening balance	Increase this year	Decrease this year	Closing balance
House and buildings	21,306,777	3,949,748	–	22,256,524
Machinery	41,486,605	12,995,594	2,674,404	51,807,795
Total	62,793,382	16,945,342	2,674,404	77,064,319

B. Accumulated Depreciation

Fixed Assets	Opening balance	Increase this year	Decrease this year	Closing balance
House and buildings	750,626	1,004,368	–	1,754,993
Machinery	1,905,981	3,667,370	240,766	5,332,585
Total	2,656,607	4,671,738	240,766	1,087,578

C. Net Fixed Assets

	Opening balance	Increase this year	Decrease this year	Closing balance
	60,136,775	12,273,604	2,433,638	69,976,741

7. Construction in progress

Item	Opening balance	Closing balance
Cephalexin Project	2,079,376	18,500
Infusion Project	1,451,578	6,000
New Amoxy Project	–	1,228,434
No.3 Infusion Project	–	9,424,443
Cephadrin	–	354,300
Other Project	469,343	3,544,022
Total	4,000,297	14,575,699

8. Intangible assets

Intangible Assets	Opening balance	Currently Amortized	Currently Transferred	Closing balance
Formulation Production				
Licence rights	10,297,222	675,060	5,000,000	4,622,162

RMB

9. Deferred & other assets

Item	Original value	Amortized value	Closing balance
Long term deferred and prepaid expenses	241,965	32,264	2,097,001

10. Short-term loans

Classification	Interest rate (monthly)	Opening balance	Closing balance
Nanjiao Credit Association	7.3125%	25,000,000	870,000
Bank of China	4.4250%	–	40,000,000
Total		25,000,000	40,870,000

11. Accounts payable & Other payables

Items	Opening balance	Closing balance
Accounts Payable	10,699,148	9,352,919
Other Payables	18,124,977	910,889
Total	28,824,125	18,461,808

12. Taxes Payable : VAT payable with Opening balance of 585,738 and Closing Balance of -1,018,065.

13. Accrued Payroll

Items	Opening balance	Closing balance
Welfare Payable	237,554	–
Unemployment Insurance	34,529	–
Staff Training and Education	47,978	–
Retirement pension	425,724	–
Subsidy for staff's Housing	863,215	–
Staff Salary	–	437,420
Total	1,609,000	437,420

Note : In the Accrued Payroll, the reason why all the closing balance is nil except for Staff Salary, is that according to the Stipulation of National Finance Bureau, the closing balance original in Accrued Payroll including Insured Welfare 261,947, Unemployment Insurance 87,874 and Retirement Pension 1,018,700 has been transferred to Welfare Payable, and other closing balance including Subsidy for Staff's Housing, Staff Training and Education has been transferred to Other Payables.

14. Welfare Payable

Items	Closing balance
Insured Welfare	261,947
Unemployment Insurance	87,874
Retirement pension	1,018,700
Staff Bounty & Welfare Fund	834,169
Total	2,202,690

Note : In this account, according to the Stipulation of National Finance Bureau, the Insured Welfare 261,947, Unemployment Insurance 87,874 and Retirement Pension 1,018,700 is transferred from Welfare Payable.

RMB

15. Accrued Expense

Items	Opening balance	Closing balance
Water	197,266	--
Rent	406,977	--
Salary	1,598,832	--
Others	291,346	39,000
Total	2,494,422	39,000

16. Long-term Loans

Borrower	Duration	Year Interest Rate	Opening balance	Closing balance
Aurobindo Pharma Ltd.	5 year	Libor plus 2%	23,028,932	13,028,932

17. Paid up capital

Items	Opening balance	Proportion	Increase this year	Decrease this year	Closing balance	Proportion
Shanxi Tongling Pharmaceutical Co. Ltd.	17,000,000	50%	10,000,000	27,000,000	--	--
Aurobindo Pharm Ltd.	17,000,000	50%	10,000,000	--	27,000,000	50%
Aurobindo (Datong) Bio-Pharm Co. Ltd.	--	--	27,000,000	--	27,000,000	50%
Total	34,000,000	100%	47,000,000	27,000,000	54,000,000	100%

18. Profit Surplus

Items	Opening balance	Increase this year	Closing balance
Reserved Fund	258,098	576,127	834,226
Company Expansion Fund	258,098	576,127	834,226
Total	516,196	1,152,254	1,668,452

19. Undistributed Profits

	Opening balance	Increase this year	Appropriation	Closing balance
	4,387,674	11,522,549	1,728,382	14,181,840

RMB

20. Operating Income

Items	Current year income	Last year income
Formulation		
Mezlocillin	19,465,074	51,584,953
Paperacillin Sodium (injection)	1,845,409	10,898,919
Others	10,701,070	32,503,705
Bulk		
Bulk of Amoxy	138,077,556	15,767,867
Bulk of Cephalexin	24,142,051	
Others	26,341,299	
Infusion		
5% 250 ml Glucose	1,715,987	
0.9% Sodium Chloride 250 ml	2,779,249	
Others	8,070,730	
Total	233,138,425	110,755,444

21. Finance Expenses

Items	Current year	Last year
Expenses for Interest	3,383,591	2,060,058
Less : Interest Income	17,561	27,453
Add : Exchange Loss	84,108	20,785
Add : Others (Commission)	41,547	29,622
Total	3,491,685	2,093,012

22. Profits for other operation

Business	Income	Cost	Profits from other operation
Materials trade	14,953,180	14,088,261	864,919

23. Non-operating Income

Items	Current year income
Penalty Receivable	7,559
Income from Fixed assets sales	220,888
Others	3,517
Total	231,964

24. Total Profits for 2002 : RMB 11,522,549 Yuan.



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.

Aurobindo Pharma has set out to....

.....build a solid infrastructure

..... execute with precision

ensure customer loyalty.....

.....meet challenges head on.....

.....strengthen partnerships.....

.....create strong presence in global markets.....

exploit emerging opportunities.....

.....pursue excellence.....

.....drive profitable growth.....



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