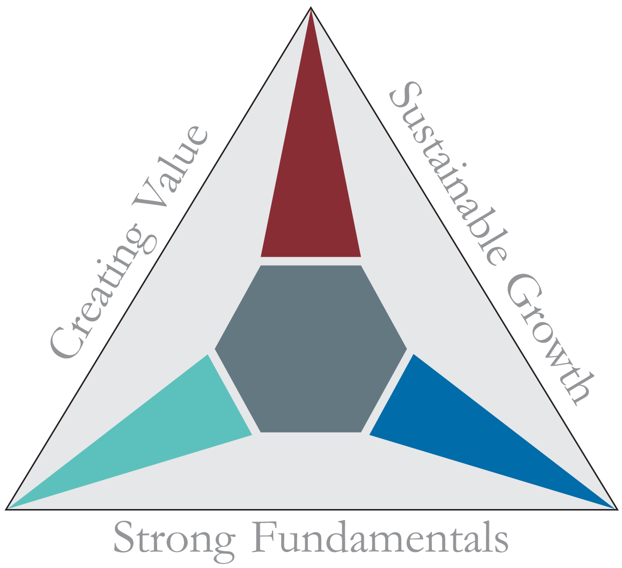
AUROBINDO



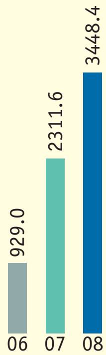
Making the right moves

AUROBINDO PHARMA LIMITED

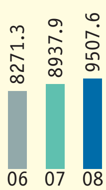
Annual Report 2007-2008

Standalone Financial

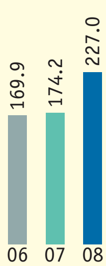
Highlights 2007-2008



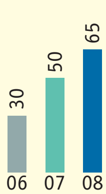
PBT
Rs.Millions



Net Fixed Assets
Rs.Millions



Book Value
Rupees

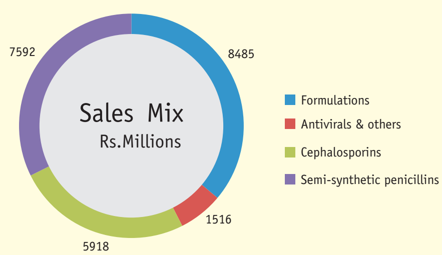


Dividend
Per cent

A Snapshot

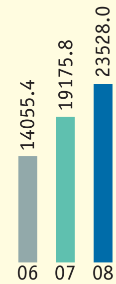
	2007-2008	2006-2007	Growth %
Net Sales	22347.3	18785.7	▲ 19.0
Other Income	1180.7	390.1	▲ 202.7
Total Income	23528.0	19175.8	▲ 22.7
PBIDT	4355.5	3217.3	▲ 35.4
Interest (Net)	161.1	187.3	▼ -13.9
Depreciation	746.0	718.4	▲ 3.9
Profit before Tax	3448.4	2311.6	▲ 49.2
Income Tax	540.6	20.8	▲ 2499.0
Net Income	2907.8	2290.8	▲ 26.9

Rs.Millions

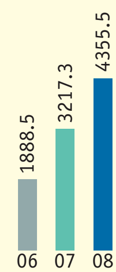


Key Ratios

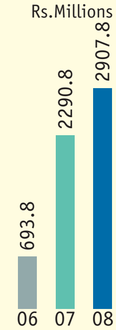
	2007-2008	2006-2007
PBIDT / Total Income %	18.5	16.8
PBIT / Total Income %	15.3	13.0
PBT / Total Income %	14.7	12.0
PAT / Total Income %	12.4	11.9
Interest cover (PBDIT) / Interest	27.0	17.2
Return on Equity %	22.5	23.0
Return on Capital Employed %	9.7	8.9
Debt:Equity	1.4	2.0



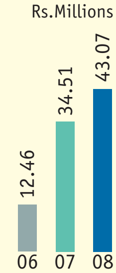
Total Income
Rs.Millions



EBITDA
Rs.Millions



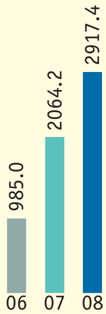
Net Income
Rs.Millions



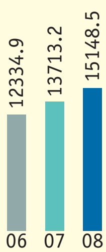
EPS
Rupees

Contents

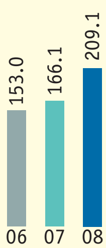
Consolidated Financial Highlights 2007-2008



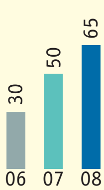
PBT
Rs.Millions



Net Fixed Assets
Rs.Millions



Book Value
Rupees

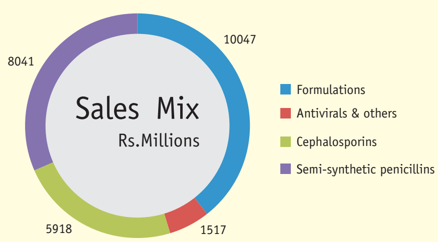


Dividend
Per cent

A Snapshot

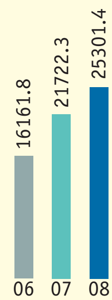
	2007-2008	2006-2007	Growth %
Net Sales	24359.0	21229.2	▲ 14.7
Other Income	942.4	493.1	▲ 91.1
Total Income	25301.4	21722.3	▲ 16.5
PBIDT	4353.6	3515.0	▲ 23.9
Interest (Net)	432.4	453.6	▼ -4.7
Depreciation	1003.8	997.2	▲ 0.7
Profit before Tax	2917.4	2064.2	▲ 41.3
Income Tax	536.0	43.6	▲ 1129.4
Minority Interest	-3.4	11.0	▼ -130.9
Net Income	2384.8	2009.6	▲ 18.7

Rs.Millions

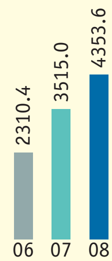


Key Ratios

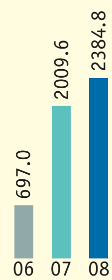
	2007-2008	2006-2007
PBIDT / Total Income %	17.2	16.2
PBIT / Total Income %	13.2	11.6
PBT / Total Income %	11.5	9.5
PAT / Total Income %	9.4	9.3
Interest cover (PBDIT) / Interest	10.1	7.7
Return on Equity %	19.9	21.0
Return on Capital Employed %	7.8	7.6
Debt:Equity	1.5	2.2



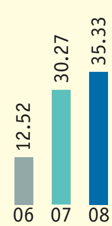
Total Income
Rs.Millions



EBITDA
Rs.Millions



Net Income
Rs.Millions



EPS
Rupees

Contents

About Aurobindo..

Aurobindo Pharma was born of a vision. Founded in 1986 by Mr. P.V. Ramprasad Reddy, Mr. K. Nithyananda Reddy and a small, highly committed group of professionals, the Company became a public venture in 1992. It commenced operations in 1988-1989 with a single unit manufacturing active pharmaceutical ingredients.

Aurobindo Pharma went public in 1995 by listing its shares in various stock exchanges in the country. Over the years, Aurobindo Pharma has evolved into a knowledge driven company. It is R&D focused, has a multi-product portfolio with multi-country manufacturing facilities, and is becoming a marketing conglomerate across the world.

Aurobindo Pharma created a name for itself in the manufacture of bulk actives, its area of core competence. After ensuring a firm foundation of cost effective production capabilities and a clutch of loyal customers, the company has entered the high value speciality generic formulations segment, with a global marketing network.

Eminent Board

Corporate governance, accountability and protecting shareholder interests have always guided the Company. There is an eminent board with considerable knowledge and experience in pharmaceutical and healthcare, administration, teaching, banking and consulting to guide and supervise the Company. They are adequately supported by a large team of professional managers.

Vision

To become Asia's leading and one among the top 15 generic pharma companies in the world by 2015.

Mission

To become the most valued pharma partner for the world pharma fraternity by continuously researching, developing & manufacturing a wide range oF products complying to the highest regulatory standards.

Aurobindo has a global footprint

Scope of operations is large in the U.S. and Europe with considerable presence in Latin America and emerging markets.

Developmental activity is on-going in Japan and Australia.

Domestic market remains an area of strength.

Facilities

- 14 state-of-the-art manufacturing facilities in India (10), USA (2) China (1) & Brazil (1) covering 5 million sq. meters.
- Accounts for ~10% of US FDA approved manufacturing base in India.

Approved formulation facilities in India		
Unit III	**Unit VIB**	**Unit XII**
Multi-purpose non-betalactums	Cephalosporins	Semi-synthetic penicillins
US FDA, UK MHRA, Health Canada, MCC (SA), ANVISA (Brazil)	US FDA, Health Canada, MCC (SA), ANVISA (Brazil) NAM (Finland)	US FDA, WHO, UK MHRA, Health Canada, MCC (SA), ANVISA (Brazil)

Approved active ingredient facilities in India					
Unit I	**Unit IA**	**Unit VA**	**Unit VI**	**Unit VIII**	**Unit XIA**
CVS, CNS, Anti-allergic	Cephalosporins	Semi-synthetic penicillins	Cephalosporins	CNS, CVS, Gastro-intestinal	Anti-retroviral
US FDA, WHO, UK MHRA	US FDA	US FDA	US FDA, WHO, Health Canada	US FDA, WHO, UK MHRA	US FDA, WHO, UK MHRA

Complete list of domestic facilities are in page 47 of this Annual Report.

Products

The Company has one of the widest product portfolio of 300+ products

Major therapeutic segments covered:

- Cardio vascular
- Neuroscience
- Anti-retroviral
- Gastro-intestinal
- Anti-infective
- Pain management
- Osteoporosis

Capacities

There are large capacities for manufacturing formulations. This is supported by huge manufacturing capacity for intermediates and active ingredients. There is considerable head room even as formulations sales have been showing secular rise quarter-on-quarter.

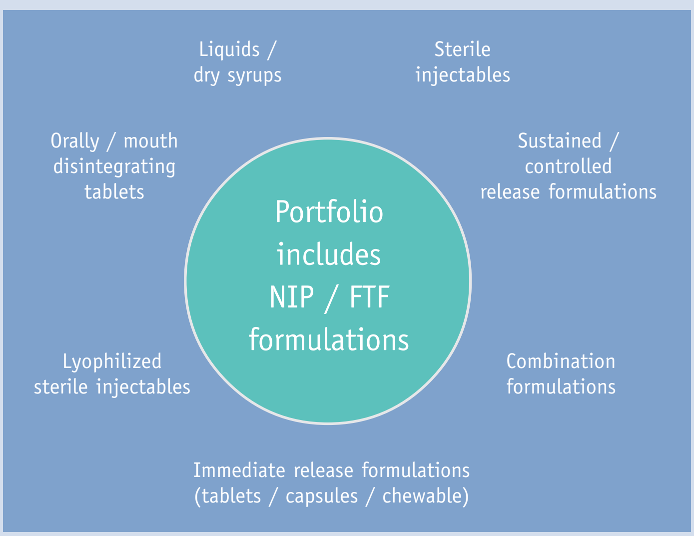
Regulatory approvals

		As on March 31, 2008	Approved
Generics NDA / ANDAs	US FDA	128	67
	Europe	55	13
	WHO	23	9
	South Africa	107	22
	T0tal	313	111
Active ingredients Drug Master Filings	US FDA	122	
	Europe New Registrations	57	
	Multiple Registrations	594	
	Others*	178	
	CoS	66	
	Total	1017	
Patent Applications	India	192	
	US	32	
	PCT	58	
	Europe	11	
	Others	25	
	Total	318	

* Australia, Canada, China, Korea, Russia, South Africa, WHO & Others.
US-DMF filings include 4 veterinary master files.
Europe filings include submission in multiple countries.

- Aurobindo filed highest number of ANDAs from India in 2007
- Highest number of DMF from India, 2nd largest globally
- Highest CoS approval from India in 2007
- Portfolio includes 25 Para IV filings and 9 NDAs

Portfolio of dosages



Performance track record

For over two decades, Aurobindo has successfully sought and worked for leadership position in its product category. Product knowledge, manufacturing capabilities, sensitivity to the market and relationship with customers are the bedrock for the healthy momentum in the business.

The Company has reported profits every year and is a consistent dividend paying company. More important, shareholder value has been increased while meeting customer needs.

R&D strengths

Aurobindo is a research led powerhouse with over 700 talented scientists leveraging the intellectual resources and experience to quicken the pace of growth. Such efforts have widened the product offering through intelligent research and fast tracked the Company.

IP capabilities

Aurobindo is a knowledge based company with intellectual property skills and has earned patents and product/plant approvals primarily due to the human energy within the organisation. Aurobindo has targeted the first-mover advantage with its first-to-file and Para IV applications in its bid to accelerate revenues and net earnings.

Pharmaceutical industry is people business, and Aurobindo has responded positively to the changing needs of the customers and the market. The team has faced challenges well and taken the opportunities that are on offer.

Reputation

The pre-eminent position of the Company in active ingredients has been established for several years. This strength is being further developed by building new capacities to support the growing formulations business.

The formulations business, which commenced in 2000-2001, has been gaining ground right from the Day One. In a few product segments, Aurobindo has leadership position and in a few others there is significant market share.

In antiretrovirals, the Company has been the largest supplier to programmes such as the President's Emergency Plan for AIDs Relief (PEPFAR) initiated by the Government of U.S.A. as well as other projects of World Health Organization (WHO).

Aurobindo was invited to participate in a conference held in July 2006 by UN Secretary General Mr. Kofi Annan to review the progress in expanding access to HIV prevention, treatment, care and support to low-and-middle income countries. Mr. P. V. Ramprasad Reddy, Chairman and Dr. M. Sivakumaran, Whole-time Director represented the Company. The Chairman addressed the august audience.

Dr. M. Sivakumaran, Whole-time Director, was invited to the White House at Washington to discuss with Mrs. Laura Bush, the First Lady of the United States, and explore the prospects of addressing the needs of HIV affected people.

Skill sets

The Company has skilled professionals manning all the functional areas, and always delivered results ahead of time. The work environment encourages individuals to generate their own steam, and perform better their own expectations.

The employee strength has doubled in the last three years, and the attrition rate is way below the industry average.

Publicly held

The scrip is actively traded in both National Stock Exchange as well as the Bombay Stock Exchange. The free float is over 44% and about 45,000 investors hold the share capital.

EHS commitment

Proactive commitment to safety and health is ensuring that the Company meets its own and society's norms. Aurobindo keeps its standards very simple. There is nothing more important than worker safety and health as well as being environment friendly. Systems and processes are administered to ensure this objective is met.

It is a moving target, and hence efforts are continuously made to improve work practices and train people accepting that tomorrow needs to be better for all of us.

Aurobindo is special because..

This high energy pharmaceutical company has a passion to succeed in the most competitive markets. Aurobindo's commitment to create good health acts as a constant driver for improvement.

The Company straddles key strategies from fermentation to formulation and is one of the most cost effective producers in the world. Vertically integrated manufacturing process and captive raw material source makes an impact in end product marketing. Ability to control quality and power to price has helped Aurobindo to offer quality pharmaceuticals at affordable prices.

All projects are completed within budgeted time without cost overruns. Value creation and cost effectiveness start early at Aurobindo.

There is an excitement across the organization driving the change to become a global resource in the pharmaceutical industry. In this journey, as in the past, care is taken to create value for all stakeholders, and in particular to the customers and investors.

MESSAGE FROM THE CHAIRMAN

Committed to

continuous profitable growth

Dear friends,

In 2007-2008, Aurobindo gained good visibility and a strong order book position throughout the year. Our profitability improved largely due to volume growth together with continued strict cost control and programs to enhance our operational excellence.

We have been seeing momentum in the market place with favorable demand for our formulations and active ingredients. As in the past, we pursued profitable growth in the established markets. The success of the transformation into a more global company is in our ability to meet the needs of the market, while enhancing our competitiveness.

During the year, despite challenging conditions, Aurobindo recorded satisfactory results. Revenues were higher by 18.76%, net income rose by 26.93% and the EPS climbed to Rs.43.07 from Rs.34.51 in the previous year. This performance was achieved with larger basket of approved products and thrust into European markets of both formulations and active ingredients. We shortened the time to market and could convert regulatory approvals into revenue streams.

We improved revenues by 51% in the U.S. market and by 56% in Europe. Several products gained market share and despite competitive pressures, we succeeded in increasing operating margins. Aurobindo is able to manage the pressures better primarily because of its vertically integrated operations and cost effective manufacturing capabilities.

We shall consolidate these gains by adding products to existing markets and grow by widening the market reach. We see considerable traction in the market for our products, and while we shall retain the momentum of growth, care is being taken to derisk our business.

On our growth trajectory, we shall revisit our assumptions and strategies, examine the progress and build a platform for a higher level of growth. For instance, we will reassess the potential in our raw material strategy and strengthen our sourcing; we shall develop and be present in every market that offers higher value; we would sweat all our assets before we invest further in capital expenditure; we would augment our cash flow even as we improve our bottom line; and overall, we shall grow at a faster clip than the industry.

We are well positioned for the future. We expect to see a further improvement in the ratios in 2008-2009. We are driving ahead to strong global presence, supported by larger product portfolio, state-of-the-art-technology and dedicated human energy. We will continue our operational excellence programs in areas such as quality, productivity, sourcing, supply chain optimization and marketing management.

As Members are aware, we have always done what we set out to do. We scaled up the Company on several fronts. From a domestic player we converted ourselves into a quality conscious source for the established markets; from a large active ingredient manufacturer, we have become a sizeable generic player in the formulations sector; from an anti-infectives supplier to life style drug manufacturer; from a Para I, II and III ANDA applicant with US FDA to Para IV filer after careful analysis of the Orange Book and as allowed by the Hatch Waxman Act. We have built global asset base, with world class manufacturing facilities, effective marketing infrastructure and proven intellectual property resources.

We have come a long way. Yet, I believe there is a large market out there and there is considerable headroom to grow. We will use our past success as a platform for future growth. In fact, our past is an inspiration for us to do better. We will make the right moves and strive for sustainable growth with the best interests of all our stakeholders.

At every stage, so far, we have kept to our commitments, worked with the market players and taken care not to compete with our customers in the same product range. We have respected the market, competitors, vendors and indeed, all stakeholders. This shall remain our mantra as we consolidate and grow the business. We shall ensure that the foundation is strong and build ahead on the central pillars of ethics, accountability, trust and high values.

The challenges we face are great and we believe we are well prepared. Our efforts will continue to benefit both our customers and investors alike. We are confident that Aurobindo will continue to transform its special strengths into success and meet all stakeholder expectations.

We are fortunate and deem it a privilege to have an eminent Board, supportive customers, dependable vendors and prudent financial associates encouraging us to perform better. Evidently our shareholders can count on me and my global team of 6,300+ strong dedicated employees at Aurobindo to meet their expectations as we keep raising the bar.

Warm regards

P. V. Ramprasad Reddy

FROM THE DESK OF THE MANAGING DIRECTOR

Making the
right moves

Against a very challenging backdrop, we at Aurobindo turned in a satisfactory performance. We reported new highs in revenues, net income and EPS. Total Income reached Rs.23528.0 million which was a record for the Company. Net earnings totaled Rs.2907.8 million or Rs.43.07 per fully diluted share, also new highs.

In today's environment, we are satisfied with these performance results. Rising interest rates, volatile dollar-rupee exchange fluctuations, uncertain raw material availability and price movements, tighter liquidity and slowing down of global economies impacted the market. We at Aurobindo did better testifying the robustness of our business strategies.

We made the right moves in 2007-08, by stepping up sales of both formulations and active ingredients, with focused marketing in Europe and the U.S. We did well on our antiretrovirals (ARVs) business and we believe we are today one of the largest manufacturers of ARVs. We have been receiving repeat orders from agencies connected to multilateral organizations such as WHO and today we have 21 products in the WHO pre-qualification list and hold 19 ANDAs for ARVs approved by US FDA (4 final and 15 tentative).

Our costs were under control and economies of scale added to the improvement in margins. In challenging times, we reduced raw material and interest costs, improved operating margins, reduced debt and strengthened the balance sheet. Although the gains are visible now, these are the result of strategic decisions and investments made in earlier years.

Our production ratios improved with higher capacity utilization, better productivity and yields and savings in utilities. This trend is expected to continue.

Aurobindo's business portfolio is characterized by a strong vertical integration, which allows for efficient long term planning. This advantage is essential in the uncertain scenario of international material availability and reduces the impact of price volatility.

Looking ahead, the Special Economic Zone (SEZ) project at Jedcherla in Andhra Pradesh is expected to go live in the second half of the financial year 2008-2009, adding to our manufacturing capacity. Around the same time, the production facility at Dayton in U.S.A., which has been inspected by the regulatory authorities, is set to commence production.

	2007-2008		2006-2007	
	Rs.	%	Rs.	%
Material Cost	13525.5	57.4	11660.3	60.9
Employee Costs	1487.0	6.3	1128.8	5.9
Other Expenses	4160.0	17.7	3169.4	16.5
Interest	161.1	0.7	187.3	1.0
Depreciation	746.0	3.2	718.4	3.7
Income Tax	540.6	2.3	20.8	0.1
Profit after Tax	2907.8	12.4	2290.8	11.9
Total Income	23528.0	100.0	19175.8	100.0

Standalone financials

Rs.Millions

We will continue to file for approvals and aggressively add to our portfolio of products. We will pursue first-to-file status and attempt 180 day exclusive marketing rights. Considering the success with our ARVs, we are filing application for second-line products under the PEPFAR programmes.

We at Aurobindo have real capability to handle cGMP operations, have strength of chemistry and have the conviction on our deliverables. We have best-in-class infrastructure and hence are able to comply with all the regulatory norms. We have well established and tested systems and we adhere to them. Nothing is taken for granted. We give our customers what they want, and on most occasions they seek standards far too stringent than pharmacopoeia. These are no ordinary strengths.

Beyond all these, our forte is execution capabilities, time after time. We are able to put it together. Our highest priority shall always remain to serve the interests of our shareholders, customers, employees and the society.

The road map is in our hands: improving our bottomline, maintaining our technological advance and being responsible for the good health of our consumers. It will guide each of our decisions for the common good of our stakeholders, including our customers, our shareholders, our employees and the society.

We will keep one eye on the road map and one eye on the road. While our core strategies will not change, we will continually refine and adjust our operations to meet conditions and increase our profitability. Recent productivity improvements will begin to pay off in lower costs and higher margins. We would ensure shareholder value is enhanced.

We are doing what we need to do to lead change, to profit from it, and to build our value. We will follow the road we are on today, through all the twists and turns found in competitive global markets. We have the strategy and infrastructure to get ahead despite the uncertainties in our business environment. This commitment remains as strong as ever.

K. Nithyananda Reddy

Nine Major Commitments

Platform for sustainable development

CONTINUOUS IMPROVEMENT

Implement a continuous improvement initiative based on experiences and best practices shared throughout the Company.

FINANCIAL PERFORMANCE

Ensure the Company's sustainability through long term profitable growth.

RESEARCH INITIATIVES

Develop and harness effective technologies to anticipate customer needs and increase our cost competitiveness while complying with regulatory norms.

CONSUMER SATISFACTION

Listen to our customers, add value to them, anticipate the needs of the market and support the health care industry.

GOOD GOVERNANCE

Manage our operations responsibly in accordance with Company's values and correctly and conservatively report on our performance to shareholders and all stakeholders.

ENVIRONMENTAL COMMITMENT

Limit our environmental impact by controlling the releases and optimizing our waste management.

TRUST

Establish stakeholder relations based on trust.

RISK MANAGEMENT AND PREVENTION

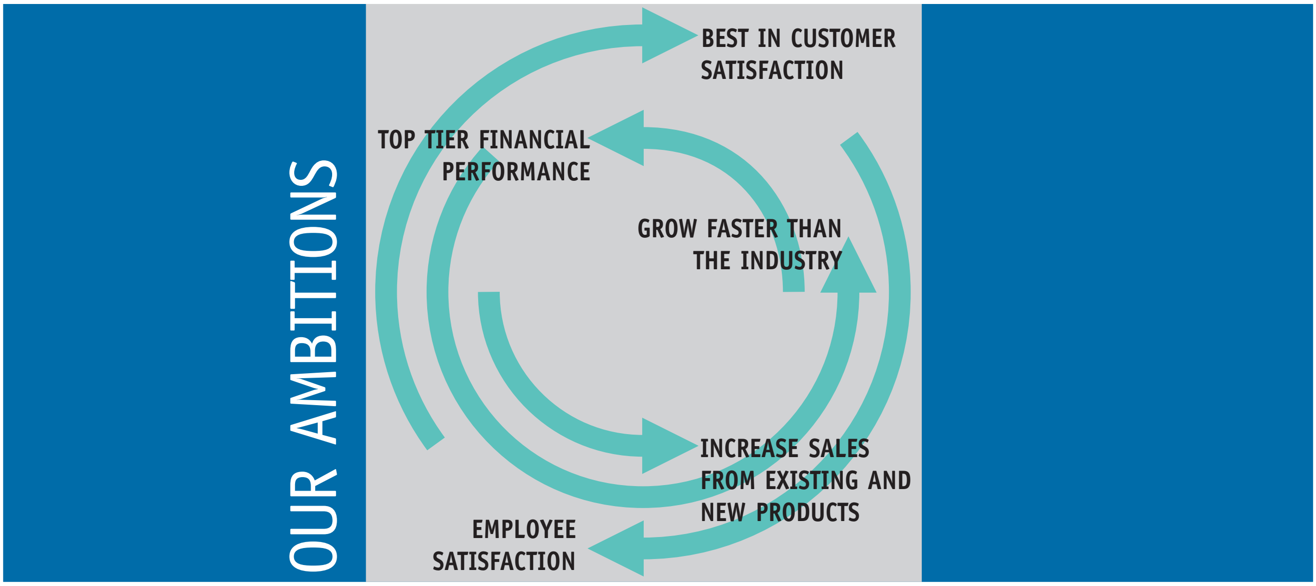
Establish and maintain the highest level of safety in all of the Company's operations to preserve public and worker health and protect the environment.

COMMITMENT TO EMPLOYEES

Promote the professional development of employees and provide good working conditions.

Agenda for

action



Sustainability, responsibility and profitable growth are the most important targets at Aurobindo. This strategy is built on the platform of growth that we have created in the past. We are very well prepared to take on the new challenges that are being presented by the market.

Team Aurobindo believes that it needs to ensure strong earnings in the face of rising raw material and commodity prices, intense competitive pressures, volatility of currencies, tighter liquidity and a possible slow down of global economic growth.

Wherever the products have been launched, Aurobindo has already made an impact in the markets. This success is being replicated and institutionalized in other premium markets, especially in most of Europe. Each market is indeed distinctive but all of them hold potential.

Across the world, four focus areas that will effectively execute the agenda and actualize the strategy are:

✓ **Build a credible, unique positioning for Aurobindo brand**

Build a powerful and unique positioning leveraging on effectiveness and quality of the products.

✓ **Focus marketing effort on select countries**

Identify the potential country and strive to improve market share and get volume-value mix. After successful entry into the United States, foray into European countries is being carefully calibrated.

✓ **Build credibility with customers through partnerships**

Build partnership with potential customers with well-established service providers in those markets (leverage partners' customer relationships to create own client base and establish brand equity). Work collaboratively with customers and seize opportunity. Jointly map out roles and execute them.

✓ **Develop domain expertise**

Ensure that the professionals in all functional areas align with the needs of the market. Map the demand for professionals in specific areas with specific skill requirements for today and in the future.

Considerable progress has been made in each of these four actionable areas. Marketing teams have been strengthened both at Europe and in the U.S. Out-licensing arrangements are being explored in major markets of Europe. 12 new offices have been opened in Europe and 6 more are being opened to improve the geographical reach with the customers.

In Japan, a subsidiary has been incorporated which would take the business forward with local ANDAs and marketing of generic formulations.

Australia is another thrust area for Aurobindo. Applications for product approvals have been filed and the marketing team is examining the options for participating in this premium market.

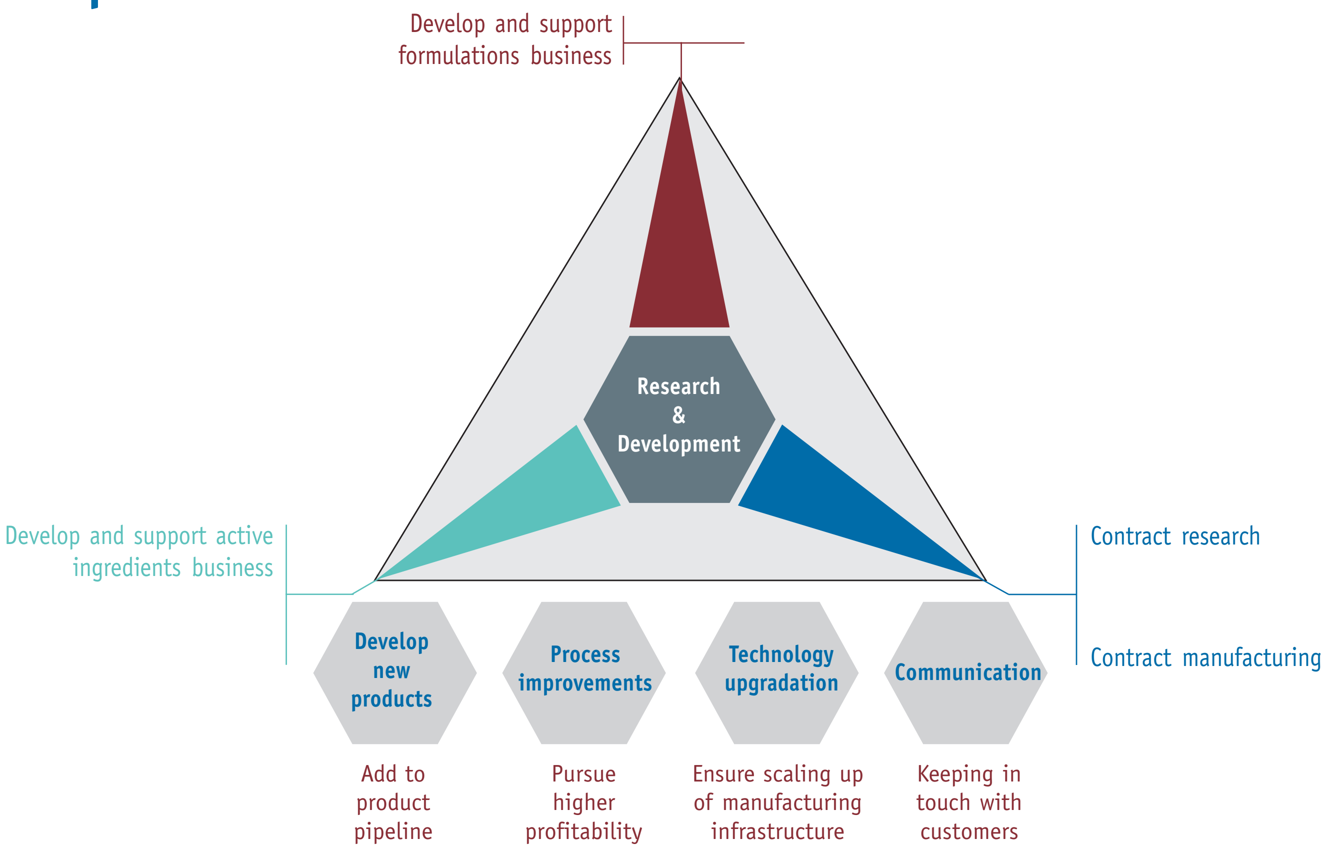
Rest of the World (ROW) consisting of Middle East, South East Asian countries and Africa have always held potential for the Company. Aurobindo is increasing its registrations and for speedier inroads is exploring additional business opportunities in markets such as Saudi Arabia.

Seen from the Company perspective, there have been a large number of product approvals in recent times, adding to the portfolio of products. Investment made in the past on ensuring speed-to-market arrangements are now paying off. These include robust marketing infrastructure and the ability of the manufacturing plants to scale up and deliver. Converting approvals into invoices in the shortest possible time is a significant strength at Aurobindo.

Product pipeline is being further strengthened with fresh applications for regulatory approvals. Newer products, widening the reach at existing markets and developing new geographies will enable Aurobindo to cross the planned milestones.

R&D

capabilites



It is like the mind in a human being. It is there, but you don't see it. Similar it is for a knowledge based pharmaceutical company.

Research is the guarantor of success. Aurobindo has evolved from a pharmacy laboratory into a pharmaceutical chemical factory. The guiding principle has been high purity of preparations.

The economic success of Aurobindo has been achieved by intensive research work in the area of pharmaceuticals and subsequent expansion and increasing internationalization. Today, R&D consistently addresses the responsive needs of the customers and the global market.

The in-house R&D Centre has helped develop products both for active ingredients and formulations businesses, and in particular, construct and form new generics for soon to be off-patent products. Process improvements positively impact costs and bottomline. Technology upgradation and scaling up of manufacturing infrastructure is another significant area that influences business.

Support for customers in contract research and in the area of contract manufacturing has been a key input. R&D team's open, transparent communication with customers adds value to the marketing efforts.

At the back of it all, there is R&D.

Human energy

The team at Aurobindo continues to demonstrate great enthusiasm and a positive approach in whatever they do. Skilled professionals man the Company. Over a period, Aurobindo has become a reservoir of trained personnel, who are committed to the best interests of the Company. This is a strong team and they will drive up the value chain.

All our improvement initiatives are directly dependant on our people across the world especially on their skills and commitment. The market situation does have an impact on the Company's operations but Aurobindo's future and success will be built by the continuously improving job performance of our 6,300 plus employees.

Presently, the Company has an experienced pool of human energy that powers the operational excellence. There are 40 PhDs, 1,800 plus post graduates and 3,400 graduates who make each day count and align with the needs of the customers. Their success is the motivation to do better and the reason behind much lower attrition rate than the industry average.

Increasingly global nature of our operations sets new demands for our talent and performance management. Our business strategy is built around identifying, retaining and attracting competent and high performing employees. New business competencies and mindset are also required to meet our strategic goals.

Aurobindo's training inputs and people development programmes are engineered to ensure that all employees have the prerequisite to perform up to his or her potential. We are also placing more focus on talent management and human resource planning to ensure that we have right people at right places at right times.

The Company is also exercised with and is revisiting compensation management and performance recognition so that individual and business targets are clearly linked to strategy and good performance gets properly rewarded.

EHS

Being a responsible corporate citizen

Ensuring the safety of employees, preserving the environment and advancing the well-being of the neighborhood are top priorities at Aurobindo.

In the work place, while ensuring that all regulatory standards of the state and central governments are met; manufacturing operations are maintained at the highest levels of industrial safety. The Company continues to work rigorously on improving safety every day with a goal of achieving OSHA recordable rates that are world class.

A core team has been vested with the responsibility for defining, assessing and implementing EHS management. They also update the guidelines, and follow up with systems audit to determine the effectiveness of EHS management in the business areas.

The system aims to encourage continuous improvement and is based on a process that includes planning, implementation, control, corrective actions and review.

Overall, the EHS team aims to guarantee the health and safety of employees, neighbourhood, customers and contractors.
Some of the critical action points are:

- Manufacturing activities are managed in strict compliance with regulations and operating procedures established;
- The principles, standards and solutions adopted follow the best international practices covering EHS and public safety;
- Implement systematic benchmarking processes;
- Operational management are based on state-of-the-art criteria in terms of environmental protection;
- Improve health and safety conditions according to the best-in-class practices;
- Technological processes aim at promoting products which are compatible with the environment and support the health and safety of consumers and employees;
- Training and open communication are fundamental to achieve the EHS objectives;
- Employees and contractors are actively involved on EHS safeguards in the interest of their colleagues, general public and themselves.

Aurobindo is a responsible corporate citizen and believes that commitment to Environment, Health and Safety are as important as economic rewards.

Board of

Directors

Mr. P.V. Ramprasad Reddy, born 1958

Chairman of the Board and a promoter of the Company. He is a postgraduate in Commerce and prior to promoting Aurobindo Pharma in 1986, he held management positions in various pharmaceutical companies. He leads the strategic planning of the Company and pilots the successful implementation of the Company's ventures.

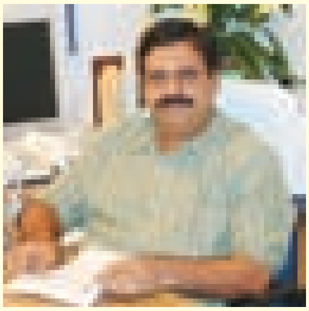
Recently in 2008 the widely read, World Pharmaceutical Frontiers, announced he is among the top 35 most influential people in the pharmaceutical industry.

Mr. K. Nithyananda Reddy, born 1958

Managing Director and a promoter of the Company. He holds a Masters Degree in Science (Organic Chemistry) and has been associated with the Company from the initial days. He is versatile with the manufacturing technology and supervises the overall affairs of the Company.

Dr. M. Sivakumaran, born 1943

Whole-time Director, he holds a Masters Degree in Science and has been awarded Ph.D in Organic Chemistry. He has about 35 years of experience in the pharmaceutical industry and is responsible for the technological evolution of the Company. He looks after research and development, new product development and total quality management.



Mr. M. Madan Mohan Reddy, born 1960

Whole-time Director, he has a Masters Degree in Science (Organic Chemistry) and has held top managerial positions in leading pharmaceutical companies. He commands valuable experience in regulatory affairs of the industry. Earlier, he was the Managing Director of M/s. Sri Chakra Remedies Limited. He looks after formulations manufacturing.

Dr. S. Bimal Singh, born 1959

Non-executive Director, he is a qualified doctor with M.B.B.S., D.M.RD. Presently, he is a Consultant Radiologist at Hyderabad. His expertise as a healthcare practitioner helps the Company in certain key areas of research and development.

Dr. K. Ramachandran, born 1955

Non-executive Director, was awarded Ph.D by the Cranfield School of Management, U.K. Since 1986, he has been teaching in IIM, Ahmedabad / Indian School of Business, Hyderabad and his strong areas of knowledge include entrepreneur opportunities, growth strategies, resource management, innovation, corporate entrepreneurship, new enterprise management, venture capital industry, and family business and SME policies. He has been a consultant to a number of Indian and international organisations on entrepreneurship and strategy. His international consultancy includes ILO, World Bank, DFID (UK), Swiss Development Agency and ATI (USA).

Dr. P.L. Sanjeev Reddy, born 1940

Non-executive Director, after his Masters in Economics, did postgraduate Diploma in Development of Studies from the University of Cambridge U.K., and has a Doctorate in Industrial Management. He belongs to the Indian Administrative Service, Andhra Pradesh Cadre (1964 batch) and retired in 2000, as Secretary to Government of India, Department of Company Affairs, Ministry of Law, Justice and Company Affairs.

Mr. M. Sitarama Murthy, born 1943

Non-Executive Director, did his Masters in Electronics. He is professionally qualified banker. He has over three decades of experience as a banker and has held various positions in nationalised banks and retired as Managing Director & CEO of State Bank of Mysore, Bangalore, in 2003.

His specialised areas of interest are International Banking, Foreign Exchange, Money Markets, Funds Management, Credit Management, Rural Development, Computerisation, Commercial Law and Systems and Procedures. He has authored several books on banking systems and contributes regular articles to financial magazines / newspapers.

Mr. P. Sarath Chandra Reddy, born 1985

Non-executive Director, he is a graduate in Business Administration. He is a second generation entrepreneur and has established his business acumen after he took over the management of Trident Life Sciences Ltd, as Managing Director in 2005. He has gained experience in general management and expertise in project executions.

Mr. K. Ragunathan, born 1963

Non-executive Director, he is a Chartered Accountant by profession and a leading management consultant. He has over 24 years of experience in consulting services.

Chief Financial Officer

Mr. Sudhir B. Singhi

Company Secretary

Mr. A. Mohan Rami Reddy

Statutory Auditors

M/s. S.R. Batliboi & Co.
Chartered Accountants
205, Ashoka Bhoopal Chambers,
Sardar Patel Road,
Secunderabad – 500 003

Internal Auditors

M/s. K. Nagaraju & Associates
Chartered Accountants
1-8-197, Chikkadpally,
Hyderabad - 500 020

Bankers

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

Registrars & Share Transfer Agents

M/s. Karvy Computershare Pvt. Ltd.
Plot No. 17-24, Vittal Rao Nagar,
Madhapur, Hyderabad - 500 081
Tel Nos. +91 40 2342 0818 to 0825
Fax Nos. +91 40 2342 0814
E-mail: einward@karvy.com

Management Discussion and

Analysis

Industry perspective

India's pharmaceutical industry is a US$ 8 bn opportunity and is expected to grow by 8% per annum and cross the US$ 10 bn mark in 2010. Indian pharmaceutical industry ranks 4th in terms of volume with an 8% share in global sales.

In terms of value, it ranks 13th (with a share of 1% in global sales) and produces 22% of the world's generic drugs (in terms of value). India is also one of the top five active pharmaceutical ingredients (API) producers (with a share of about 6.5%).

The industry today is in the front rank of India's science-based industries with wide ranging capabilities in the complex field of drug manufacture and technology. Almost all the country's demand for formulations is met from domestic manufacture and only 30% of demand for active ingredients is imported.

The pharmaceutical industry ranks 17th with respect to exports from India with sizable products in active ingredients and dosage forms. Several distinctive factors make the Indian pharmaceuticals a powerful engine of growth. Some of them are iterated below:

- Self-reliance displayed by the production of 70% of bulk actives and almost the entire requirement of formulations within the country
- Low cost of production
- Low R&D costs
- Innovative scientific manpower
- Strength of national laboratories

These features have resulted in exports constituting nearly 40% of the production, with formulations contributing 55% and bulk actives 45%. The industry comprises large, medium and small-scale operators out of which about 300 companies together account for nearly 90% of the domestic market, while the rest is accounted for by a large number of small companies which total about 9,000 units.

According to the Pharmaceutical Export Promotion Council (Pharmexcil), the pharmaceutical exports in 2007-08 stood at US$ 6.68 bn against US$ 5.73 bn in 2006-07, recording a growth rate of 16%. The industry has been clocking export growth rate, recording 18%, 23% and 17% growth rates during 2006-07, 2005-06, and 2004-05, respectively.

The industry has shown robust growth in terms of infrastructure development, technology base creation and a wide range of production capabilities and have created global presence.

India today has the distinction of producing high quality generic medicines that are sold around the world. Further, India is poised to be one of the fastest growing pharmaceutical markets in the world. The following factors have fuelled the growth for the drugs and pharmaceutical market:

- A huge patient base
- Increasing incomes
- Improving healthcare infrastructure
- An increase in lifestyle-related diseases
- Penetration of health insurance
- Adoption of patented products
- Patent expiries and aging population in the US, Europe, and Japan

Generics - overview

Global pharmaceutical market intelligence company IMS Health believes the Indian generic manufacturers will grow at a faster clip as drugs worth approximately US$ 20 bn in annual sales will face patent expiry in 2011. In fact, with nearly US$ 80 bn worth of patent-protected drugs to go off-patent (including 30 of the best selling US patent-protected drugs) by 2012, Indian generic manufacturers are positioning themselves to offer generic versions of these drugs.

Also, there is global shift towards use of generics as governments worldwide are under tremendous pressure to curtail steeply escalating healthcare budgets. Consequently, the generics industry in India after capturing the US markets, is gradually making its foray into Japan, South Africa, Europe and the Commonwealth.

Indian pharmaceutical companies with their reverse-engineering expertise, abundant investment in research facilities and availability of skilled manpower are favorably placed in the global generic market.

Already, Indian drug companies account for over 25% of the total generic drug applications made to the US FDA, which accounts for over half of the US$ 60 bn market. The US FDA's latest generic initiative GIVE (Generic Initiative for Value and Efficiency) aimed at increasing the number and variety of generic medicines available to consumers and healthcare providers is expected to further fuel the export plans of Indian pharmaceutical companies.

Trend in CRAMS business

Contract research and manufacturing services (CRAMS) has become a promising medium for the Indian pharma industry, with India increasingly being viewed as global hub for CRAMS. Over the last 5 years, the CRAMS industry has been contributing close to 8% of the total Indian pharmaceutical business. Developed countries are expected to further propel the CRAMS industry to grow at a CAGR of nearly 32% from 2008 to 2013 as India offers global pharma companies both quality and cost advantage.

Contract research - including both drug discovery research and clinical research - has been growing at a phenomenal rate. While clinical trials represent 65% of this market, new drug discovery makes up the remaining 35%. Indian companies are playing an important role in early drug discovery processes due to their substantial experience in the field of generic drugs with India becoming an established venue for chemistry and drug discovery developments than China.

Frost and Sullivan estimates outsourced contract research in India to reach US$ 2 billion by 2012. Similarly, according to a McKinsey report, the global clinical trial outsourcing to India in the pharmaceutical industry is estimated to be worth US$ 1.23 billion by 2010.

Over 15 prominent contract research organizations (CROs) are now operating in the country. Contract manufacturing is another new opportunity for the Indian pharmaceutical industry. Already, India has the largest number of US Food and Drug Administration (US FDA) approved plants outside the US, with over 100 facilities. And now even small and medium scale pharmaceutical companies are setting up new and upgraded high-quality manufacturing plants to take part in this growing segment. The Boston Consulting Group estimates that the contract manufacturing market for global companies in India would touch US$ 900 million by 2010.

The potential is huge for capable and dedicated players.

Company Perspective

The investments made in the earlier years are paying off. The year saw higher volume sales as well as improved margins. Formulation sales was higher by 48.1% primarily because of the larger approved product portfolio, speed-to-market systems and the marketing infrastructure that has been created. Aurobindo has been able to gain visibility, presence and market share for large runners in the formulations market.

The core competence in manufacturing, cost effectiveness and quality have been supplemented by the geographical reach and marketing channels. Aurobindo is able to deliver better than the earlier years, and has created a platform for aggressive product launches.

Keeping the forward requirements in mind, Team Aurobindo has filed for product approvals in all relevant categories. The table below shows the new filing in the past two years for select markets:

		2007-2008	2006-2007
ANDAs	US FDA	**46**	31
	Europe	**20**	15
	WHO	**2**	4
DMF	US FDA	**12**	43
Patents		**69**	69

The approvals have been received at rapid pace, and the Company will continue to seek such product approvals, and when received shall make suitable marketing arrangements.

CRAMS is a thrust area that is being pursued. These are potentially attractive businesses with possible long term customer relationship. With the technology platform and skilled professionals available both at R&D Centre and in the production facilities, Aurobindo is able to offer products and services the way the customers want. Multinational pharmaceutical companies have perceived Aurobindo's facilities as extensions of their own labs and manufacturing plants.

Threats and challenges

The greatest challenge and threat in the pharmaceutical industry is too many players focused on similar bio-equivalent products in the same market. Price elasticity is tested and margins get eroded.

Aurobindo faces such high level of competition in its formulations business, from a large number of global players. The challenges are greater from Indian manufacturers who have similar production facilities. It is also common to find managers with similar talents and experiences in the industry. Indian manufacturers have made an impact on the global stage and have worked to get shelf space.

This threat however, does not affect Aurobindo primarily because of its control over raw material sourcing. Aurobindo is a dominant player in the active ingredients business and has been able to control its quality, save on timelines, control costs and has the ability to deliver at the short notice. Pricing power i.e. the ability to price lower, and yet manage to get higher return on sales than the competitors, is a potent strength. This is a unique advantage that Aurobindo enjoys over manufacturers across the world.

Aurobindo has been timing its launches to take advantage of products going off-patent and the opportunities available in a first-mover market. This strategy is built around the in-house R&D capabilities, technology strength in manufacturing facilities and the marketing infrastructure. The Company has worked on its speed-to-market abilities and is quick to convert product approvals into invoices.

The ability to anticipate market needs, plan for product launches with supportive documentation, create products that meet regulatory norms, and execute plans within tight cost and time budgets are unmatched strengths. The professionals within the

Company have been trained to create opportunities, replicate the successes and drive business growth.

Financial performance and internal controls

The Company established new peaks in volume sales, revenues, margins and profits.

The marketing team got closer to the customers, and geographical reach was increased. Larger number of products were on offer resulting in better formulation sales, and existing products earned higher market share. The Company reported its highest ever sales at Rs.23511.2 million as against Rs.19797.2 million in the previous year. Exports constituted Rs.14016 million as against Rs.11477 million. Exports as a percentage of total sales were 59.6%, an improvement from 58% in 2006-2007.

Formulation sales were Rs.8485.6 million in year ending March 2008 as against Rs.5728.5 million in the earlier year. Formulation exports were Rs.7675 million as against Rs.5187 million in the previous year.

Raw material consumption as a percentage of Total Income was lower by 350 basis points, to 57.4% in 2007-2008 from 60.9% in the previous year. Overall borrowings were brought down despite larger volume of throughput, which kept the debt-equity ratio lower and impacting interest costs favorably.

Higher margins, lower raw material costs and savings in interest costs helped step up the Profit before Tax by 270 basis points at 14.7% on Total Income as compared to 12.0% in the previous year. Net income was also the highest ever in the history of Aurobindo at Rs.2907.8 million as compared to Rs.2290.8 million.

The EPS at Rs.43.07 as against Rs.34.51 was another record high and dividend was stepped up to Rs.3.25 per share from Rs.2.50 per share.

Some of the key ratios are listed below:

Per cent

	2007-2008	2006-2007
PBIDT / Total Income	**18.5**	16.8
PBIT / Total Income	**15.3**	13.0
PBT / Total Income	**14.7**	12.0
PAT / Total Income	**12.4**	11.9

During 2007-2008, China operations were streamlined and there was improvement in yields and quality of strains. With Pen-G prices remaining stable, there was a marked rise in revenues from the subsidiary at China, and Profit before Tax was Rs.295.4 million as against loss of Rs.209.3 million in 2006-2007.

Internal Control

The Company has implemented Oracle based ERP which not only adds to the controls, but has led to faster information, analysis and improved decision making.

Aurobindo has a well-defined and documented internal control system and are adequately monitored. Checks and balances and control systems have been established to ensure that assets are safe guarded, utilized under proper authorization and recorded in the books of account.

There are proper definition of roles and responsibilities across the organization to ensure information flow and monitoring. These are supplemented by internal audit carried out by a firm of Chartered Accountants. The Company has an Audit Committee consisting of four Directors, all of whom are independent Directors. This Committee reviews the internal audit reports, statutory audit reports, the quarterly and annual financial statements and discusses all significant audit observations and follow up actions arising from them.

Human Resources

The Company has been careful to recruit quality professionals who have the skill to deliver results in line with customer needs and corporate plans and where necessary are trained keeping the future requirements.

Aurobindo has fashioned human resource management systems and processes, which aim to create a responsive, customer-centric and market-focused culture that enhances organizational capability and vitality. These systems and processes operating in an enabling and empowering work environment support winning performance.

The collective dedication of over 6,300 employees worldwide is helping Aurobindo to deliver superior customer and shareholder value.

Outlook

Aurobindo is at an inflexion point having organized its entire business infrastructure. Initially, the Company leveraged its knowledge base and process chemistry strengths to become a significant player in active ingredients. Later, by a process of metamorphosis, the Company shifted paradigm and became a sizable player with inspected/approved manufacturing facilities and product approvals for generics.

All the strengths have been tested from the perspective plan to manufacturing plant and later in the market place. There is now a powerful marketing infrastructure that is driving the business. Looking ahead, Aurobindo is determined to create a significant market presence and offer quality products and services, to meet both customer and stakeholder expectations.

Today, the Company has proven competence and expertise. There is a strong balance sheet that supports the business plan. The professionals in the Company have a defining role in significantly accelerating its growth and transformation, and enhance its position as one of the most valuable companies. The stakeholders in the Company can look forward to the future with confidence.

Management of

Risks

Proactive	Preventive	Protective	Reactive
Map the risk Define risk management principles & responsible persons	Assess & evaluate the risk Take corrective measures Initiate steps to improve systems & procedures	Use quality & environmental systems Correct deviations Ensure reliability of operating controls, general guidelines, cGMP & legislative requirements	Insure as required Ensure safety of employees & Company assets

Risk management secures the continuity of our business. The objective is to facilitate attainment of our goals, and ensure sustainable growth. In the pursuit of our goals, risks can be either perceived threats or untapped opportunities.

While there are several risks associated with a pharmaceutical manufacturing company, some of them need to be examined to appreciate the steps taken to mitigate them. A select few are presented below:

Risk related to economic and political conditions in the world

An economic slowdown in the U.S. or Europe could adversely affect the Company's business and results of operations.

The Company holds regulatory approvals for large number of products in US and Europe in a bid to widen the geographical reach. The product portfolio and the pipeline are being further strengthened, with a view to gaining new market presence. Slowdown in any one economy will not have a major influence on the industry. Overall, the healthcare industry is not price elastic, and is reasonably insulated from recessionary trends.

Competitive pressure

Our products face intense competition from products developed, or under development, by other companies in India and abroad. Competition could be from major pharmaceutical and chemical companies, specialized contract research organizations and research and development firms.

Aurobindo has unique strengths which enable the Company to face its competitive pressures better than its peers. This risk perception would not apply to Aurobindo since it is vertically integrated. For most of its generic formulations, the Company

has captive manufacture of active ingredients. This helps keep the cost under control, and improve margins. In a price sensitive industry, Aurobindo is able to offer products at competitive prices. This is one of the major strengths of the Company.

Risk relating to regulatory approvals

Some of our competitors especially multinational pharmaceutical companies have greater experience in clinical testing and human clinical trials of pharmaceutical products and in obtaining international regulatory approvals. This could render our technologies and products uncompetitive or limit our ability to introduce new products impacting adversely our business.

Aurobindo has a talent pool of scientists who have considerable experience in handling complex chemistry as well as filing applications with the regulatory authorities. They have applied for over 300 ANDAs/NDAs/formulation dossiers out of which 128 are with US FDA. Approvals received from US FDA total 67.

Similarly, they have filed over 1,017 DMFs including 122 with US FDA. 318 patent applications have been filed with various authorities.

The capabilities of the research scientists have been proved by the aggressive filing and the speed at which the approvals have been received. The research team has demonstrated its ability to scale up and commercialise the products.

Risk related to lack of pricing power

Certain of our products are subject to price controls or other pressures on pricing. Price controls limit the financial benefits of growth in the life sciences market and the introduction of new products.

With near perfect competition in the generic industry, prices are a function of supply and demand. Prices do trend in response to supplies as well as competitive pressures. Domestic pricing is also influenced by global trends that affect availability and price of imported active ingredients.

Industry players with marked presence in segments with demand are able to differentiate themselves and offer value proposition. In some segments, the brand value and offer has enabled players to price the products appropriately. Aurobindo is able to cope with pricing pressures and the emphasis on quality has minimised the possibilities of commoditization.

Aurobindo strives to protect margins and has been responsive to the needs of growth as well as profitability.

Risk relating to protecting patents

Our success will depend on our ability in future to obtain patents, protect trade secrets and other proprietory information and operate without infringing on the proprietory rights of others.

We have a dedicated IPR team of trained scientists whose primary task is to ensure that our products are manufactured using only non-infringing processes. We have been filing for patents and so far have filed for 318 patents. We have also been granted 42 non-infringing process patents.

We honour trade secrets, knowhow and other proprietory information as well as require our employees, vendors and suppliers to sign confidentiality agreements.

Risk related to high dependence on specific markets

We depend on the US market for a significant part of our future operating results. Failure to develop profitable operations in that market could adversely affect our business, results of operations, financial condition or prospects.

The Company has been consciously spreading its risks. Formulations business is growing as a proportion of the revenues, which has reduced the dependence on active ingredients. While the initial thrust for the generic business was made to gain foothold in U.S.A., the Company is making significant inroads into the European markets, especially in U.K. and The Netherlands. Aurobindo would be further accelerating with its marketing strategy to gain business volume in 18 more countries of Europe.

Ongoing efforts are to widen the geographical spread by foraying into markets with large potential such as South Africa, Brazil, Australia and Japan. In order to improve the business, results of operations and financial condition, the strategy is being implemented with a time bound action plan.

Risk related to exposure to the Rupee-US dollar exchange rate

Currency exchange rates could undergo change with Indian rupee gaining strength. This could reduce earnings.

The rupee is showing signs of strength in relation to the USD and the Company is conscious of the possibility of weakening dollar impacting earnings. This is being mitigated by the following actions:

Hedging of the dollar is likely to minimise the adverse impact of rupee appreciation. Need based forward cover is being taken on a selective basis.

The Company enters foreign exchange contract only on a limited basis to hedge assets, liabilities and anticipated future fund flows denominated in foreign currency. Natural hedge in relation to underlying contracts help minimize the risk.

Operating margins are being improved by larger proportion of formulations sales. This will help drive the margins mitigating the possible currency exchange loss.

In the ultimate analysis, Aurobindo is in the business of manufacturing and marketing APIs and formulations and will always make effort to mitigate the temporary shading of profits.

Risk related to Human Resources

Aurobindo's success depends largely upon the highly-skilled professionals and the ability to attract and retain competent managerial personnel. The industry is human capital intensive with a high rate of attrition.

The Company has a proactive approach to human resource management and the employees are given responsibility with authority. Emphasis is on accountability and they are encouraged to raise the bar and perform to their potential. The professional approach in day to day management has enabled the staff to stay motivated.

Aurobindo has been fine tuning its HR practices with the objective of providing an environment that encourages people to deliver results. The current phase of accelerated growth is backed by systems that meet future needs. Second-in-command in each key function and decentralized management style has developed a much stronger organization culture.

The attrition in the Company is much lower than the industry average.

Notice

NOTICE is hereby given that the Twenty First Annual General Meeting of the Company will be held on **Wednesday, the 20th day of August, 2008 at 11.00 a.m. at Katriya Hotel & Towers, 8, Rajbhavan Road, Somajiguda, Hyderabad-500 082** to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2008 and Profit and Loss Account and Cash Flow Statement for the year ended on that date and the report of the Board of Directors and the Auditors thereon.

2. To declare dividend for the year ended March 31, 2008 on Equity Shares.

3. To appoint a Director in place of Dr. S. Bimal Singh who retires by rotation and being eligible, offers himself for re-appointment.

4. To appoint a Director in place of Dr. K. Ramachandran who retires by rotation and being eligible, offers himself for re-appointment.

5. To appoint Auditors and to fix their remuneration and in this regard to consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution:**

   "RESOLVED that M/s. S.R.Batliboi & Associates, Chartered Accountants be and are hereby appointed as Auditors of the Company, to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting in place of the retiring Auditors M/s. S.R. Batliboi & Co., who are not seeking re-appointment, on such remuneration as shall be fixed by the Board of Directors."

SPECIAL BUSINESS

6. To consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution:**

   "RESOVLED that Mr. K. Ragunathan, who was appointed as an Additional Director of the Company by the Board of Directors pursuant to Section 260 of the Companies Act, 1956 and Article 37 of the Articles of Association of the Company and who holds office upto the date of the ensuing Annual General Meeting be and is hereby appointed as a Director of the Company liable to retire by rotation."

By Order of the Board

Hyderabad
June 18, 2008

A. MOHAN RAMI REDDY
Company Secretary

Notes

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ENTITLED TO APPOINT A PROXY TO ATTEND AND VOTE ON A POLL INSTEAD OF HIMSELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. In order to become valid, the proxy forms should be deposited at the Registered Office of the Company not less than 48 hours before the time fixed for holding the Meeting.**

2. The Explanatory Statement pursuant to Section 173 (2) of the Companies Act, 1956, in respect of the Special Business is annexed hereto.

3. The Register of Members and Share Transfer Books of the Company will remain closed from August 13, 2008 to August 20, 2008 (both days inclusive).

4. The Dividend on Equity Shares @ 65% as recommended by the Board of Directors, if declared at the ensuing Annual General Meeting, will be payable to those shareholders whose names appear on the Company's Register of Members on August 12, 2008; in respect of shares held in electronic form, the Dividend will be paid to the Members whose names are furnished by NSDL & CDSL as beneficial owners as on that date.

5. Pursuant to the provisions of Section 205C of the Companies (Amendment) Act, 1999, the amount of Dividend remaining unclaimed for the financial year 2000-2001 will be transferred to the Investors Education & Protection Fund on the due date.

6. Members holding shares in physical form are requested to notify immediately any change in their address to the Company's Registrars and Transfer Agents M/s. Karvy Computershare Private Limited. Members holding shares in electronic form may intimate any such changes to their respective Depository Participants (DPs).

7. Pursuant to the amalgamation of Sri Chakra Remedies Ltd (formerly Gold Star Remedies Ltd) with Aurobindo Pharma Ltd, the erstwhile shareholders of Sri Chakra Remedies Ltd, who have not yet exchanged their shares with shares of Aurobindo Pharma Ltd, are hereby requested to do so by surrendering the original share certificates of Sri Chakra Remedies Ltd/Gold Star Remedies Ltd to the Company's Registrars and Transfer Agents, M/s. Karvy Computershare Private Limited.

8. The Dividend is proposed to be disbursed by way of ECS (Electronic Clearance Services). For this purpose, the details such as, name of the bank, name of the branch, 9-digit code number appearing on the MICR band of the cheque supplied by the bank, account type, account number etc. are to be furnished to your DP if the shares are in electronic form or to the Registrars & Transfer Agents if they are held in physical mode.

Explanatory Statement

(Pursuant to Section 173 (2) of the Companies Act, 1956)

Item 6

Mr. K. Ragunathan was appointed as an Additional Director of the Company on 30th January, 2008. As per the provisions of Section 260 of the Companies Act, 1956, Mr. K. Ragunathan holds office as a Director up to the date of the ensuing Annual General Meeting of the Company.

Notice in writing under Section 257 of the Companies Act, 1956, has been received from a Member signifying his intention to propose Mr. K. Ragunathan as a Director of the Company along with a deposit of Rs.500 as required under the provisions of Section 257 of the Act, which will be refunded to the Member if Mr. K. Ragunathan is elected as a Director.

The Board, accordingly, commends the Resolution for approval of the Members as an Ordinary Resolution.

None of the Directors except Mr. K. Ragunathan are in any way concerned or interested in the Resolution.

A brief profile of Mr. K. Ragunathan and names of companies in which he holds directorships and memberships/ chairmanships of Board/Committees, as stipulated under Clause 49 of Listing Agreement with the stock exchanges are provided in the Report on Corporate Governance forming part of the Annual Report.

By Order of the Board

Hyderabad
June 18, 2008

A. MOHAN RAMI REDDY
Company Secretary

Directors' Report

Dear Members,

Your Directors are pleased to present the Twenty First Annual Report of the Company together with the Audited Accounts for the financial year ended March 31, 2008.

FINANCIAL RESULTS

Rs. Millions

	2007-2008	2006-2007
Gross Sales	**23511.2**	19797.2
Profit before Depreciation, Interest and Tax		
including Extraordinary Income	**4355.5**	3217.3
Depreciation/Amortisation	**746.0**	718.4
Interest (Net)	**161.1**	187.3
Profit before Tax	**3448.4**	2311.6
Provision for Tax/Deferred Tax	**540.6**	20.8
Net Profit	**2907.8**	2290.8
Balance brought forward from previous year	**3207.9**	1303.1
Balance of Profit and Loss Account taken over on amalgamation	**–**	0.1
Balance available for appropriation	**6115.7**	3594.0
Appropriations		
Dividend on Equity Shares	**175.7**	133.4
Tax on Dividend	**29.8**	22.7
Transfer to General Reserve	**290.8**	230.0
Balance carried to Balance Sheet	**5619.4**	3207.9

DIVIDEND

Your Directors have proposed a dividend of 65% on the equity shares of Rs.5 each for the financial year 2007-08 against 50% paid in the previous year.

REVIEW OF OPERATIONS

Members would be happy to know that the revenues and net earnings were the highest in the history of the Company. Revenues were higher by 18.76% at Rs.23511.2 million over the previous year, while the net earnings were Rs.2907.8 million as compared to Rs.2290.9 million in the previous year. The impact of the volatility in the dollar affected both the top and bottom line, despite the hedging done to cushion the movements.

The financial results, however, do not reflect all the strides the business has made and the improvements in the product mix. Most of the initiatives have been in the nature of creating a marketing infrastructure as well as launching of large product portfolio built over a decade of R&D efforts.

Your Company made significant progress during the year under review gaining market presence, volume growth and visibility for its formulation products in all the addressable markets. Larger number of products were launched and there was good traction for most of them. Formulation revenues were higher by approximately 40% over the previous year and more important, a platform was created for future growth. Your Company's growth in U.S. and Europe was heartening considering the competitive pressures.

Marketing efforts during the year were focused on widening the reach as well as deepening them in the established markets. Indeed, for several products your Company improved market shares both in the U.S. and in Europe. Your Company's ARV products have gained leadership in the market and are now the preferred source for prestigious agencies under the PEPFAR and WHO programs.

Generally, the prices tended to be lower primarily on account of the competitive pressures, as well as due to increasing efforts by several governments to procure drugs under the health care programs. There was a marked preference for the generic products, a market segment in which your Company has been successful.

The challenges of the market were managed better by Aurobindo because of the vertically integrated manufacturing platform. The ability to support formulations from the fermentation stage in some of the key products, and the strategically built manufacturing strength in active pharma ingredients added to certainty of supplies, improved flexibility, shortened the time to market and kept the costs lower. Orders from customers with short lead times were accepted and executed.

Your Company also coped satisfactorily with the volatility in the raw material availability and price movements. Productivity improvements and better yields helped to moderate the price impact. The facility at China showed huge improvement with better quality strains and larger production. The year also saw higher capacity utilization at all the manufacturing facilities while maintaining top end product quality.

OUTLOOK

The Company has begun to see the benefits of its investment in R&D, technology and manufacturing facilities. There are larger product approvals on hand, and your Company is able to transfer the technology and commercialise the products at significantly rapid rate. The timelines from approval to launch in the market have been reduced, offering enormous strength to the marketing team. The pipeline is being further strengthened with the recent approvals and large product portfolio on hand.

Your Company has a well structured marketing team that is able to convert approvals into invoicing. The investment made in the market place and the expertise of the team will be leveraged to differentiate Aurobindo from competition. Channels to market have been broadened to increase revenue. These efforts allow the marketing team to better anticipate opportunities and shifts in the market and understand changing customer and market needs. With such knowledge, your Company is able to effectively manage the product mix to achieve highest possible market share and margins.

At the same time, your Company is reducing the time it takes to realize returns by participating aggressively in the most advantageous markets and generating revenue more quickly. Your Company uses fewer resources and spends less money to generate more value than the competition.

At the market level, Aurobindo is building long term relationships with customers who rely on the Company for consistent supply of high quality products and services. All such efforts are creating sustainable long term growth and a more focused, more strategic and more profitable company of the future.

RESEARCH & DEVELOPMENT

The strengths of research at Aurobindo are primarily in its ability to offer what the market wants. Your Company has filed and received approvals for a very large number of products across several countries. With its research based chemistry capabilities and expertise in developing various dosage forms, your Company has product offers in six key therapeutic segments that have demand pull.

The R&D Centre continues to file fresh ANDAs on an on-going basis, and strives to file for Paragraph IV challenges and seeks first to file status. Your Company has a technically competent team which ensures that all process controls and compliances are met.

As soon as the approvals are received, your Company will continue to scale up and commercialize them. Product basket will continue to grow and your Company is presently focused on offering high value, high growth products.

INVESTMENTS

Your Company made fresh investments during the year to add value to its business operations. The details of additional investments made during the financial year 2007-2008 were as follows:

Rs. Millions

Subsidiary	Country	Form	Amount
Helix Healthcare B.V.	The Netherlands	Equity	299.4
Aurobindo Pharma Produtos Farmaceuticos Limitada	Brazil	Equity	2.1
APL Holdings (Jersey) Limited	Jersey	Equity	12.2
Aurobindo Shanghai (Trading) Co. Limited	China	Equity	20.5
APL Reasearch Centre Limited	India	Equity	1.0

SUBSIDIARIES/JOINT VENTURES

The reports and accounts of the subsidiary companies are not annexed to this Report. The Company has obtained in writing an exemption in this regard from the relevant authority. A statement pursuant to Section 212(8) of the Companies Act, 1956 is annexed.

Annual accounts of the subsidiary companies are kept for inspection by any investor at the Registered Office of your Company as well as at the Registered Office of the respective subsidiary companies. Any investor interested in a copy of the accounts of the subsidiaries may write to the Company Secretary at the Registered Office of the Company.

ENVIRONMENT & SAFETY

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.

Regular safety audits are carried out in the plants. No major incidents have occurred at any of the plants that have led to any environmental liabilities.

Your Company as a responsible corporate citizen has been not only protecting the health of the employees but also safeguarding the environment. Health and safety of the employees are primary concern, and adequate training inputs as well as counseling are done to retain the awareness levels of the operating staff. Dedicated officials have been vested with the authority to follow through to ensure that employees protect themselves and those around them.

DIRECTORS

Mr. Srinivas Lanka ceased to be Director due to his resignation from the Board of the Company w.e.f. October 17, 2007. The Board places on record its appreciation for the services rendered by him as a Director during his association with the Company.

Mr. K. Ragunathan has been appointed as Additional Director of the Company during the year. As per Article 37 of the Articles of Association of the Company, the appointment of Mr. K. Ragunathan requires approval of the Members at the ensuing Annual General Meeting.

In accordance with the provisions of the Companies Act, 1956, read with the Articles of Association of the Company, Dr. S. Bimal Singh and Dr. K. Ramachandran, Directors retire at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

A brief profile of Dr. S. Bimal Singh, Dr. K. Ramachandran and Mr. K. Ragunathan are provided in the Report on Corporate Governance.

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 and Loss Account for the year ended March 31, 2008 and the Balance Sheet as at that date:

i. the applicable accounting standards have been followed;

ii. had selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent 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; and,

iv. the annual accounts have been prepared on a going concern basis.

CORPORATE GOVERNANCE

The certificate of the Practicing Company Secretaries M/s. S. Chidambaram & Associates confirming compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the stock exchanges is annexed.

AUDITORS

M/s. S.R. Batliboi & Co., Chartered Accountants are not seeking re-appointment as Statutory Auditors of the Company. M/s. S.R. Batliboi & Associates, Chartered Accountants, have expressed their willingness to act as Statutory Auditors of the Company. The Audit Committee and the Board of Directors recommend M/s. S.R. Batliboi & Associates as Statutory Auditors of the Company for the financial year 2008-2009.

COST AUDITORS

M/s. Sagar & Associates, Cost Accountants, have been re-appointed as Cost Auditors of the Company with the consent of the Central Government of India to conduct cost audit of both the bulk drug and formulations divisions of the Company for the year 2007-2008.

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.

HUMAN RESOURCES

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

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

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

There was cordial relationship with employees at all levels.

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 annexed to the Directors' Report. However, as per the provisions of Sec. 219 (1)(b)(iv) of the Companies Act, 1956, the Report and Accounts are being sent to all the shareholders of the Company excluding the aforesaid information. Any shareholder interested in obtaining such particulars may write to the Company Secretary.

EMPLOYEE STOCK OPTION SCHEME

At the Annual General Meeting of the Company held on July 31, 2004 the Memebrs approved formulation of 'Employee Stock Option Scheme - 2004 (ESOP 2004)' for the eligible employees and Directors of the Company and its subsidiaries.

Further, the Members at the Annual General Meeting of the Company held on September 18, 2006 approved formulation of 'Employee Stock Option Scheme - 2006' (ESOP 2006) for the eligible employees and Directors of the Company and its subsidiaries.

During the year 23000 options were granted under ESOP- 2006. Under ESOP - 2004, total of 42,060 options were exercised and 42,585 Equity Shares were issued and allotted (including 525 shares allotted for the options exercised last year) under the Scheme.

Details of the options granted upto March 31, 2008 are set out in the Annexure-II to this Report, as required under Clause 12 of the Securities and Exchange Board of India (Employee Stock Options Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.

ACKNOWLEDGEMENTS

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

For and on behalf of the Board

Hyderabad — **P. V. RAMPRASAD REDDY**
June 18, 2008 — Chairman

Annexure-I to the Directors' Report

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

FORM – A

CONSERVATION OF ENERGY	2007-2008	2006-2007
Power & Fuel Consumption		
a. Electricity Purchased		
Units (Nos. in Millions)	156.10	139.25
Total amount (Rs. Millions)	520.37	460.21
Unit rate (Rs.)	3.33	3.30
b. Own Generation		
Through Diesel Generator		
No. of units (in Millions)	6.90	6.19
Units per litre of diesel	3.15	3.28
Oil cost per unit (Rs.)	10.36	7.80
Through Steam Turbine/Generator		
No. of units (in Millions)	30.97	29.63
Units per litre of oil/gas	0.34	0.31
Cost per unit (Rs.)	1.67	1.77
Coal		
Quantity (MT)	126,550	114,634
Cost (Rs.Millions)	332.22	252.11
Average rate/MT (Rs.)	2,625.22	2,199.29
Furnace Oil		
Quantity (KL)	1,757.25	2,778.21
Cost (Rs.Millions)	30.03	46.84
Average rate/KL (Rs.)	17,091.50	16,860.67
Others (Wood)		
Quantity (MT)	1,866.53	1,114.69
Cost (Rs.Millions)	2.89	1.52
Average rate/MT (Rs.)	1,545.95	1,360.47

CONSUMPTION PER UNIT OF PRODUCTION

Electricity Coal Furnace Oil Wood	Since the Company manufactures different types of bulk drugs, drug intermediaries and formulations, its 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 several products in life style and antiretroviral segments. Further, it continued process research for maximising 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 that enabled scaling up products and speed up the time-to-market.

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

	2007-2008	2006-2007
Capital	**47.8**	154.9
Recurring	**1127.3**	812.2
Total R&D expenditure	**1175.1**	967.1
as a percentage of total turnover	**5.00**	4.89

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

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

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

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

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

Particulars of Imported Technology: Nil

Foreign Exchange Earning & Outgo

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

Foreign exchange earned and out-go during the year ended March 31, 2008

Rs. Millions

	2007-2008	2006-2007
Foreign exchange earned		
Exports (FOB)	**13395.0**	10968.3
Others	**982.9**	644.6
	14377.9	11612.9
Foreign exchange outgo		
Materials	**10377.2**	9869.7
Other expenses	**698.7**	520.6
	11075.9	10390.3

For and on behalf of the Board

Hyderabad
June 18, 2008

P. V. RAMPRASAD REDDY
Chairman

Annexure-II to the Directors' Report

DETAILS OF STOCK OPTIONS PURSUANT TO SEBI GUIDELINES ON STOCK OPTIONS

DESCRIPTION	PLAN 2004	PLAN 2006
Number of Options available under the Scheme	507,700	799,050
Total number of Options granted	507,700	58,000
Options granted during the year	Nil	23,000
Pricing formula	The market price of the share quoted on a day prior to the grant date quoted on the Bombay Stock Exchange or National Stock Exchange, wherever volumes traded are higher.	
Options vested during FY 2007-08	94,087	3,500
Options exercised during FY 2007-08	42,060	Nil
The total number of shares arising as a result of exercise of option	42,060	Nil
Options lapsed during FY 2007-08 which are subject to reissue	35,523	3,000
Variation of terms of options	Nil	Nil
Money realized by exercise of options excluding FBT	Rs.1,52,50,956	Nil
Grant price (Face Value of Rs.5)		
August 1, 2004	Rs.362.60	N.A.
July 28, 2005	Rs.362.60	N.A
October 30, 2006	N.A	Rs.603.50
July 31, 2007	N.A.	Rs.661.75
October 31, 2007	N.A	Rs.572.50
Total number of options in force as on March 31, 2008 (Cumulative)	233,094	55,000
Grant details of members of senior management team during the year 2007-08	Nil	Mr. Scott White - 5,000
		Ms. Corrine Hogan - 5,000
		Mr. Stuart Blake - 3,000
		Mr. Ashish Menocha - 5,000
		Ms. Pat O'Malley - 2,000
Number of other employees who receive a grant in any one year of options amounting to 5% or more of options granted during that year	Nil	Nil
Number of employees who were granted options, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	Nil	Nil
Diluted Earnings per Share (EPS) pursuant to issue of shares on exercise of option calculated in accordance with Accounting Standard AS - 20	Rs.43.07	Rs.43.07

DESCRIPTION	PLAN 2004	PLAN 2006
i. Method of calculation of employee compensation cost	The Company has calculated the employee compensation cost using the intrinsic value of the stock options. The grant price is the market price prevailing on the grant date. Therefore, there will be no compensation cost as per Intrinsic Value Basis.	
ii. Difference between the employee compensation cost so computed at (i) above and the employee compensation cost that shall have been recognised if it had used the fair value of the options	Rs.1,046,058	Rs.474,207
iii. The impact of the difference on profits and		
on EPS of the Company	PAT	Rs.2,907,778,499
	Less: Additional cost	
	based on Fair Value	Rs.1,520,265
	Adjusted PAT	Rs.2,906,258,234
	Adjusted EPS	Rs.54.08
iv. Weighted average exercise price and fair value of stock options granted:		
Stock options granted on	Nil	5,000 Options on 31.07.2007
		18,000 options on 31.10.2007
Weighted Average Exercise Price (Rs.)	362.60	598.90
Weighted average Fair Value (Rs.)	375.14	720.63
Closing market price at NSE on the date of grant (Rs.)	362.55	On 30.10.2006 - 603.45
		On 31.07.2007 - 661.75
		On 31.10.2007 - 572.50
v. Description of the method and significant assumptions used during the year to estimate the fair value of the options, including the following weighted average information	The Black - Scholes option-pricing model was developed for estimating fair value of traded options that have no vesting restrictions and are fully transferable. Since, option-pricing models require use of substantive assumptions, changes therein can materially affect the fair value of options. The option-pricing models do not necessarily provide a reliable measure of the fair value of options.	
vi. The main assumptions used in the Black - Scholes option-pricing model during the year were as follows:		
Risk-free interest rate (%)	7%	8%
Expected Life of options from the date(s) of grant (Years)	5	6
Expected volatility (%)	Grant on July 31, 2007 - 7.12%	
	Grant on October 31, 2007 - 7.01%	
Dividend yield	0.30	0.30

For and on behalf of the Board

Hyderabad
June 18, 2008

P. V. RAMPRASAD REDDY
Chairman

Report on Corporate Governance

Company's Philosophy on Corporate Governance

The spirit and practice of Corporate Governance in Aurobindo Pharma Limited is about commitment to values and ethical business conduct, and aimed at best practices, timely compliances and correct disclosures of financial information on performance, ownership and governance of the Company.

The key elements of Corporate Governance are transparency, disclosure, accountability, supervision and internal controls, risk management, internal and external communications, and high standards of safety, health, environment, accounting fidelity, product and service quality. The Board has empowered responsible persons to implement its broad policies and guidelines and has set up adequate review process.

The Company is committed to optimizing long term value for its stakeholders with a strong emphasis on the transparency of its operations and instilling pride of association. The Company follows the best practices of Corporate Governance and reporting systems.

Board of Directors

The Board of Directors guides, directs and oversees the management and protects long term interests of shareholders, employees and the society at large. The Board also ensures the compliance of the applicable provisions, code of ethical standards of all other countries wherever the Company's subsidiaries do exist.

Size and Composition of the Board

The present strength of the Board consists of ten Directors, four of them are Executive and six are Non-Executive Directors. Your Company has taken all necessary steps to strengthen the Board with optimum combination of executive and non-executive/ independent directors.

Composition of Board of Directors as on March 31, 2008

Name	Category	Number of Memberships in other companies		Attendance at	
		Board	Committees	Board Meetings	AGM
Mr. P.V. Ramprasad Reddy	Promoter and Executive	–	–	3	Yes
Mr. K. Nithyananda Reddy	Promoter and Executive	3	–	5	Yes
Dr. M. Sivakumaran	Executive	2	–	4	Yes
Mr. M. Madan Mohan Reddy	Executive	–	–	4	Yes
Dr. K. Ramachandran	Non-Executive Independent	2	–	3	No
Dr. S. Bimal Singh	Non-Executive Independent	–	–	5	Yes
Dr. P.L. Sanjeev Reddy	Non-Executive Independent	1	1	2	No
Mr. P. Sarath Chandra Reddy	Non-Executive Non-Independent	3	–	1	Yes
Mr. M. Sitarama Murthy	Non-Executive Independent	1	–	2	No
Mr. K. Ragunathan	Non-Executive Independent	–	–	1	NA

Note

1. Other directorships are exclusive of Indian private limited companies and foreign companies.
2. Dr. P.L. Sanjeev Reddy, Mr. M. Sitarama Murthy and Mr. P. Sarath Chandra Reddy were appointed as Directors at the AGM held on Septmber 27, 2007. Mr. K. Ragunathan was appointed as an Additional Director on January 30, 2008.
3. Mr. V.S. Janardhanam retired by rotation and did not offer himself for re-appointment as Director at the last AGM held on September 27, 2007 and attended two out of three Board Meetings held upto that date.
4. Dr. K.A. Balasubramanian retired by rotation and did not offer himself for re-appointment as Director at the last AGM held on September 27, 2007 and was granted leave of absence for not attending any of the three Board Meetings held upto that date.
5. Mr. B. Sivaprasad Reddy retired by rotation and did not offer himself for re-appointment as Director at the last AGM held on September 27, 2007 and attended all the three Board Meetings held upto that date.
6. Mr. Srinivas Lanka who resigned w.e.f. October 17, 2007 attended two out of the three Board Meetings held upto that date.
7. Mr. Karamjit Singh Bhutalia, who resigned w.e.f. June 11, 2007 attended one Board Meeting held upto that date.

During the year, five Board Meetings were held on the following dates:

Date	Board Strength	No. of Directors Present
May 1, 2007	11	9
June 30, 2007	10	7
July 31, 2007	10	7
October 31, 2007	9	7
January 30, 2008	10	8

Details of Directors proposed for appointment:

Dr. S. Bimal Singh and Dr. K. Ramachandran retire by rotation and being eligible, seek re-appointment.

Mr. K. Ragunathan is proposed to be appointed as a Director of the Company.

Dr. S. Bimal Singh, M.B.B.S., D.M.RD., aged 48 years, is a consultant radiologist in Hyderabad. His expertise as a healthcare practitioner helps the Company in certain areas of Research and Development etc. He is not a director in any other company and he does not hold any shares in the Company.

Dr. K. Ramachandran, aged 52 years, soon after obtaining his PhD from Cranfield School of Management in UK, joined IIM, Ahmedabad in 1986. Since then he has been teaching at IIMA/Indian School of Business, Hyderabad. His strong areas of knowledge include entrepreneur opportunities, growth strategies, resource management, innovation, corporate entrepreneurship, new enterprise management, venture capital industry, family business and SME policies.

He has been a consultant to several Indian and international organizations on entrepreneurship and strategy. Further, he has been involved on several committees of Government of India including National Advisory Committee on Science and Technology Entrepreneurship Parks/Technology Business Incubators, Government of India (since 2003), National Advisory Committee on Entrepreneurship Development, Government of India (since 2004); Editorial Board, Venture Capital, U.K. (1999-03); Task force on Information Technology, Confederation of Indian Industry, Gujarat (1999); Advisor, Union Public Service Commission, Government of India (2000) and Co-Convener, Vision for Venture Capital Industry, Committee of SEBI (1999).

He is a director of Vimta Labs Limited, APITCO Limited and Richcore Private Limited and he does not hold any shares in the Company.

Mr. K. Ragunathan, aged 45 years, is a Bachelor of Commerce from Madras University, and Member of the Institute of Chartered Accountants of India. He holds a post graduate diploma in computerized financial management and specialized in ERP design and development and is a Certified Management Consultant.

He is one of the leading management consultants possessing expertise in management consulting, enterprise software processes, business transaction structuring, corporate law procedures and compliances, capital market and depository operation related consulting and the like.

He has over 24 years of experience in consulting, having started as a consultant at a very young age of 19 years. During the course of his career, he has been exposed to various business transaction structuring and intricacies in business negotiation. He has contributed articles on various issues concerning business transactions and legal compliances thereto in leading Indian corporate law magazines.

He was awarded as a topper in the examination at all India level for the 'CMC' certification course during the year 2000. He was elected as the Chairman for the Hyderabad chapter of International Fiscal Association.

He is a Director of Sathguru Management Consultants Pvt. Ltd and he does not hold any shares in the Company.

Audit Committee

The primary objective is to monitor and provide effective supervision of the management's financial reporting process with a view to ensure accurate timely and proper disclosures and transparency, integrity and quality financial reporting. The composition, procedures, powers and role/functions of the Audit Committee constituted by the Company comply with the requirements of Clause 49 of the Listing Agreement.

Role of Audit Committee

Overseeing the Company's financial reporting process and disclosure of financial information to ensure that the financial statement is correct, sufficient and credible;

reviewing with management the quarterly and annual financial statement before submission to the Board for approval;

recommending the appointment and removal of statutory auditor, fixation of audit fee and approval for payment of any other services;

discussing with statutory auditors before the audit commences on the nature and scope of audit, as well as having post-audit discussion to ascertain any area of concern;

reviewing the qualifications, if any, in the draft audit report;

reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;

reviewing the adequacy of internal audit function;

discussing with internal auditors any significant findings and follow-up thereon;

reviewing the findings of internal investigation by the internal auditors in matters where there is suspected fraud or irregularity, or a failure of internal control systems of a material nature, and then reporting such matters to the Board;

reviewing the financial statements of material unlisted subsidiary companies, in particular, the investments if any made by the unlisted subsidiary companies;

reviewing the Company's financial and risk management policies; and,

examining reasons or substantial default, if any in the payment to depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors.

Composition and other details of Audit Committee

The Audit Committee comprises of four Non-Executive Directors, all of them being Independent Directors.

The heads of Finance & Accounts, Internal Auditor and the representative of the Statutory Auditors are the permanent invitees to the Audit Committee.

The Company Secretary is the Secretary to the Committee.

The representative of the Cost Auditors is also invited to the meetings of Audit Committee whenever matters relating to Cost Audit are considered.

Dr. K. Ramachandran, Chairman of the Committee is a Non-Executive Independent Director having expertise in accounting and financial management.

During the year under report, the Audit Committee met four times on June 30, 2007, July 31, 2007, October 31, 2007 and January 30, 2008. The attendance at the Audit Committee Meetings during the financial year 2007-2008 is as given alongside:

Member	No. of Meetings*	Attendance
Mr. Srinivas Lanka - Chairman[1]	2	1
Mr. V.S. Janardhanam - Member[2]	2	2
Dr. K. Ramachandran - Chairman	4	2
Dr. S. Bimal Singh - Member	2	2
Mr. M. Sitarama Murthy - Member	2	2
Mr. K. Ragunathan - Member	1	1

*Number of Meetings held during the tenure of Members.

[1]Mr. Srinivas Lanka ceased to be the Chairman/Member of the Audit Committee due to his resignation as a Director of the Company with effect from October 17, 2007.

[2]Mr. V.S. Janardhanam ceased to be the Member of the Audit Committee due to his retirement as a Director of the Company with effect from September 27, 2007.

Dr. K. Ramachandran was appointed as member of the Audit Committee with effect from June 30, 2007 and is Chairman of the Audit Committee.

Mr. M. Sitarama Murthy and Mr. K. Ragunathan were appointed as members of the Audit Committee with effect from October 31, 2007 and January 30, 2008 respectively.

Compensation Committee

Role of the Compensation Committee

The Compensation/Remuneration Committee of the Company recommends the compensation package and other terms and conditions of Executive Directors, grant of options to eligible employees and directors and administers the Employee Stock Option Scheme from time to time.

The remuneration of Chairman, Managing Director and other Wholetime Directors is recommended by the Compensation Committee and the remuneration is paid based on the resolutions approved by the members at their meetings and such other authorities as may be required. This Committee reviews annually the performance of all Executive Directors.

Composition and other details of Compensation Committee

The composition of the Compensation Committee comprises of three Non-Executive Directors. The Chairman of the Committee is a Non-Executive Independent Director.

During the year the Compensation Committee met two times on July 31, 2007 and October 31, 2007. The attendance at the Compensation Committee Meetings during the financial year 2007-2008 is as under:

Member	No. of Meetings*	Attendance
Mr. Srinivas Lanka - Chairman[1]	1	–
Dr. S. Bimal Singh - Chairman	2	2
Dr. K. Ramachandran, Member	2	1
Mr. P. Sarath Chandra Reddy	1	1

*Number of Meetings held during the tenure of Members.

[1]Mr. Srinivas Lanka ceased to be the Chairman/Member of the Audit Committee due to his resignation as a Director of the Company with effect from October 17, 2007.

Dr. S. Bimal Singh was appointed as Chairman of the Committee.

Dr. K. Ramachandran and Mr. P. Sarath Chandra Reddy were appointed as Members of the Committee with effect from June 30, 2007 and October 31, 2007 respectively.

Details of remuneration paid to directors during the financial year 2007-2008

a. Executive Directors

Rs.

Name	Salary	Perquisites	Contribution to P.F	Total
Mr. P.V. Ramprasad Reddy	6,000,000	906,575	9,360	6,915,935
Mr. K. Nithyananda Reddy	6,000,000	906,927	9,360	6,916,287
Dr. M. Sivakumaran	6,000,000	906,004	9,360	6,915,364
Mr. M. Madan Mohan Reddy	6,000,000	627,758	9,360	6,637,118
Mr. B. Siva Prasad Reddy[1]	975,000	538,967	3,120	1,517,087
Total	24,975,000	3,886,231	40,560	28,901,791

[1]Part of the year

b. Non-Executive Directors

Sitting fee of Rs.15,000 is being paid w.e.f. August 1, 2007 (prior to this Rs.10,000) for attending each meeting of the Board of Directors and sitting fee of Rs.5,000 is being paid w.e.f. August 1, 2007 for attending each meeting of Committees of Board of Directors. During the year, the sitting fees paid was as follows:

Rs.

Name	Designation	Sitting fee
Mr. Srinivas Lanka	Non-Executive Independent	20,000
Mr. V.S. Janardhanam	Non-Executive Independent	20,000
Dr. S. Bimal Singh	Non-Executive Independent	75,000
Dr. K. Ramachandran	Non-Executive Independent	30,000
Dr. K.A. Balasubramanian	Non-Executive Independent	Nil
Mr. B. Sivaprasad Reddy[1]	Non-Executive Non-Independent	10,000
Dr. P.L. Sanjeev Reddy	Non-Executive Independent	30,000
Mr. M. Sitarama Murthy	Non-Executive Independent	40,000
Mr. P. Sarath Chandra Reddy	Non-Executive Non-Independent	20,000
Mr. K. Ragunathan	Non-Executive Independent	20,000

[1]Mr. B. Sivaprasad Reddy relinquished his executive responsibilities w.e.f. July 1, 2007 and continued on the Board as a Non-Executive Director upto September 27, 2007.

The Central Government has approved under Section 309(4) of the Companies Act, 1956 for payment of remuneration of Rs.36 lakhs per annum plus applicable service tax for a period of three years w.e.f. April 1, 2006 to Mr. Srinivasa Lanka and was paid accordingly up to his date of resignation.

Shareholders'/Investors' Grievance Committee

The main functions of the Committee are to consider all matters connected to transfer of shares of the Company, review and redress shareholders'/investors' grievances pertaining to:

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

The Committee meets every fortnight.

Constitution of the Committee

Mr. P. Sarath Chandra Reddy - Chairman
Mr. K. Nithyananda Reddy - Member
Mr. M. Madan Mohan Reddy - Member

Mr. Srinivas Lanka ceased to be the Chairman/Member of the Shareholders'/Investors' Grivance Committee due to his resignation as a Director of the Company with effect from October 17, 2007.

Mr. B. Sivaprasad Reddy ceased to be the Member of the Shareholders'/Investors' Grievance Committee due to his retirement as a Director of the Company with effect from September 27, 2007.

Mr. M. Madan Mohan Reddy and Mr. P. Sarath Chandra Reddy were appointed as Members of the Committee with effect from October 31, 2007.

Status of complaints received during the financial year 2007-2008

Nature of Complaints	Received	Resolved	Pending
Complaints received from Shareholders:			
• Share Certificates	127	127	Nil
• Dividend	70	70	Nil
• Annual Reports	9	9	Nil
Complaints of Shareholders forwarded by:			
• SEBI	4	4	Nil
• Stock Exchanges	1	1	Nil

Mr. A. Mohan Rami Reddy, Company Secretary is the Compliance Officer of the Company.

General Body Meetings

Details of the last three AGMs are given as follows:

Year	Location	Date	Time	No. of Special Resolutions passed
2005	Sri Sathya Sai Nigamagamam, Hyderabad	27.09.2005	3.00 p.m.	Nil
2006	Fortune Katriya Hotel, Hyderabad	18.09.2006	3.00 p.m.	2
2007	Fortune Katriya Hotel, Hyderabad	27.09.2007	3.00 p.m.	1

The Company proposed a special resolution through postal ballot to amend the Articles of Association by inserting provision of buy back of its shares/other securities. The notice under Section 192A dated March 29, 2008 and postal ballot papers were sent to the Members of the Company on March 31, 2008. The postal ballot results were declared on May 8, 2008 and the special resolution was passed with requisite majority.

Disclosures

CEO and CFO Certification

The Managing Director and Chief Financial Officer have given a certificate to the Board as contemplated in Clause 49 of the Listing Agreement.

Related Party Transactions

No transaction of material nature has been entered into by the Company with its Directors/management and their relatives, etc. that may have a potential conflict with the interests of the Company. The Register of Contracts containing transactions, in which Directors are interested, is placed before the Board regularly.

Transactions with related parties were disclosed in Note No.23 of Schedule 22 to the Accounts in the Annual Report.

Details of Non Compliance and Penalties

No penalties have been imposed on the Company by the stock exchanges where the Company's shares are listed or SEBI or any other statutory authority on any matter during the last three years.

Code of Conduct

The Board of Directors has laid down a 'Code of Conduct' (code) for all the Board members and the senior management of the Company and this code is posted on the website of the Company. Annual declaration is obtained from every person covered by the Code.

The Company has established a mechanism for employees to report to the management, concerns about unethical behavior, actual or suspected fraud or violation of the Company's code of conduct or ethics policy. The employees have been appropriately communicated within the organization about the mechanism and have been provided direct access to the Chairman of the Audit Committee. The mechanism also lays emphasis on making enquiry into whistle blower complaint received by the Company.

Risk Management

The Board regularly discusses the significant business risks identified by the management and the mitigation process being taken up.

Details of compliance with mandatory requirements and adoption of the non-mandatory requirements:

The Company has complied with the mandatory requirements of Clause 49 and is in the process of implementation of non-mandatory requirements.

Means of Communication

The Company has a website viz. www.aurobindo.com. 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 also published in leading news papers in English and Telugu (regional language). Further all material information which will have some bearing on the operations of the Company is sent to all stock exchanges concerned and also placed on the Company's website.

The Management Discussion and Analysis Report

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

GENERAL SHAREHOLDERS INFORMATION

21st Annual General Meeting

As mentioned in the Notice, the 21st Annual General Meeting of the Company will be held on Wednesday, the August 20, 2008 at 11.00 a.m. at Katriya Hotel & Towers, 8, Rajbhavan Road, Somajiguda, Hyderabad 500 082.

Quarterly Results

The financial year of the Company is April to March.

Financial Calendar (tentative and subject to change) of the financial year 2008-2009 is as follows:

Un-audited Financial Results for	
1st Quarter	July 2008
2nd quarter	October 2008
3rd Quarter	January 2009
4th Quarter	June 2009 (audited)

Book Closure

From August 13, 2008 to August 20, 2008 (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, the dividend if declared, will be paid within 30 days from the date of the Annual General Meeting to all eligible shareholders.

Registered Office

Aurobindo Pharma Limited
Plot No.2, Maitrivihar, Ameerpet
Hyderabad - 500 038, Andhra Pradesh
Tel Nos. +91 40 5572 5000
Fax Nos. +91 40 2374 1080 / 2374 6833
E-mail: info@aurobindo.com

Name & Designation of Compliance Officer

Mr. A. Mohan Rami Reddy
Company Secretary
Aurobindo Pharma Limited
Plot No.2, Maitrivihar, Ameerpet
Hyderabad - 500 038, Andhra Pradesh
Tel Nos. +91 40 6672 5333
Fax Nos. +91 40 2374 1080 / 2374 6833
E-mail: cs@aurobindo.com

Contact details for investor grievances
E-mail: investorgrievances@aurobindo.com

Address for correspondence/Investor Service Centre

M/s. Karvy Computershare Private Limited are Registrars & Share Transfer Agents and Depository Transfer Agents of the Company. Any request pertaining to investor services may be addressed to the following address:

M/s. Karvy Computershare Pvt. Ltd
Plot No. 17-24, Vittal Rao Nagar,
Madhapur, Hyderabad - 500 081
Tel Nos. +91 40 2342 0815 - 825
Fax No. +91 40 2342 0814
E-mail: einward@karvy.com

Listing Details

The Company's shares are at present listed on the following stock exchanges and the listing fee for the financial year 2008-2009 has been paid to both the stock exchanges:

Stock Exchanges	Stock Code
Bombay Stock Exchange Limited Phiroze Jeejeebhoy Towers 25th Floor, Dalal Street Mumbai - 400 001	524804
National Stock Exchange of India Limited Exchange Plaza, Bandra-Kurla Complex Bandra (East), Mumbai - 400 051	AUROPHARMA

Depositories	ISIN
National Securities Depository Limited (NSDL)	INE406A01029
Central Depository Services (India) Limited (CDSL)	

Note: In terms of Section 5(2) of the Securities Contracts (Regulation) Act, 1956, Securities and Exchange Board of India had withdrawn the permanent recognition granted to Hyderabad Stock Exchange Limited w.e.f. August 29, 2007.

Reuters Code ARBN.BO

Bloomberg Code ARBP.IN

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

		National Stock Exchange (Rs.)				S & P CNX Nifty	
	Month	High	Low	Close	Volume	High	Low
2007	April	712.20	655.25	660.30	1,168,448	4217.90	3617.00
	May	745.00	653.00	684.45	1,994,491	4306.75	3981.15
	June	825.00	690.00	810.30	5,468,701	4362.95	4100.80
	July	825.00	646.00	650.80	3,771,450	4647.95	4304.00
	August	649.90	537.00	603.95	2,531,219	4532.90	4002.20
	September	646.50	565.25	601.25	2,017,642	5055.80	4445.55
	October	611.50	522.20	583.65	2,598,621	5976.00	5000.95
	November	599.90	485.00	493.25	1,635,536	6011.95	5394.35
	December	557.90	495.05	542.95	3,404,180	6185.40	5676.70
2008	January	554.80	223.70	292.85	7,366,138	6357.10	4448.50
	February	333.00	277.00	329.70	4,686,020	5545.20	4803.60
	March	347.50	240.65	291.30	3,641,288	5222.80	4468.55

Monthly High & Low quotations and Volume of shares traded on BSE during the year

		Bombay Stock Exchange (Rs.)				BSE Sensex	
	Month	High	Low	Close	Volume	High	Low
2007	April	713.00	657.00	692.05	250,334	14383.72	12425.52
	May	732.00	641.60	684.25	785,295	14576.37	13554.34
	June	819.00	690.05	809.05	2,878,652	14683.36	13946.99
	July	820.00	632.10	652.00	966,249	15868.85	14638.88
	August	649.80	536.00	604.20	2,788,098	15542.40	13779.88
	September	647.00	579.00	601.50	696,047	17361.47	15323.05
	October	609.00	525.75	583.30	768,323	20238.16	17144.58
	November	600.00	486.00	494.70	589,204	20204.21	18182.83
	December	558.00	495.00	542.80	977,991	20498.11	18886.40
2008	January	554.05	223.00	294.40	2,698,972	21206.77	15332.42
	February	332.00	279.00	329.75	2,042,649	18895.34	16457.74
	March	348.50	241.00	291.35	1,460,621	17227.56	14677.24

Distribution of shareholding as on March 31, 2008

Shareholding Nominal value		Shareholders		Share Amount Nominal Value	
From	To	No.	%	Rs.	%
Upto -	5,000	44,226	98.17	16,695,435	6.21
5,001 -	10,000	375	0.83	2,853,410	1.06
10,001 -	20,000	209	0.46	3,128,455	1.16
20,001 -	30,000	62	0.14	1,546,350	0.58
30,001 -	40,000	36	0.08	1,297,475	0.48
40,001 -	50,000	25	0.06	1,177,385	0.44
50,001 -	100,000	38	0.08	2,730,415	1.02
100,001 and above		82	0.18	239,397,415	89.05
TOTAL		45,053	100.00	268,826,340	100.00

Categories of shareholding as on March 31, 2008

Category	No. of Shares	%
Promoters, Directors & their relatives	29,727,843	55.29
NRIs/FIIs/FDIs/OCBs	13,463,546	25.04
Govt/Banks/FIs	500,937	0.93
Mutual Funds	2,523,366	4.70
Bodies Corporate	1,247,147	2.32
General Public	4,714,923	8.77
Others	1,587,506	2.95
TOTAL	53,765,268	100.00

Top Ten Shareholders of the Company as on March 31, 2008

Shareholders	Category	No. of Shares	%
Mr. P.V. Ramprasad Reddy	Promoter	15,699,088	29.20
Mrs. P. Suneela Rani	Promoter	5,966,110	11.10
Mr. K. Nithyananda Reddy	Promoter	3,752,470	6.98
FID Funds (Mauritius) Limited	FII	2,828,377	5.26
Mrs. K. Rajeswari	Promoter	2,427,550	4.52
Sophia Growth - A Share Class of			
Somerset India Fund	FII	1,958,119	3.64
Merrill Lynch Capital Markets Espana S.A. S.V.	FII	1,817,883	3.38
Reliance Capital Trustee Co. Ltd			
A/c Reliance Equity Opportunities Fund	Mutual Fund	1,583,240	2.94
Dr. M. Sivakumaran	Director	1,469,136	2.73
Life Insurance Corporation Of India	Insurance Company	1,175,614	2.19

Mr. B. Sivaprasad Reddy, Mr. Srinivas Lanka and Mr. M. Madan Mohan Reddy, Directors were given options for 5,000 shares each under ESOP Scheme - 2004. So far 3,000 options have been vested to each and Mr. B. Sivaprasad Reddy has exercised 3,000 shares, Mr Srinivas Lanka 3,000 shares and Mr. M. Madan Mohan Reddy 1,750 shares. Mr. M.Madan Mohan Reddy is also holding 1 share in the Company. Consequent to the resignation of Mr. B. Sivaprasad Reddy and Mr. Srinivas Lanka, the unvested options for 2,000 shares of each have lapsed.

The Non Executive - Independent Directors viz. Dr. S. Bimal Singh, Dr. K. Ramachandran, Dr. P.L. Sanjeev Reddy, Mr. M. Sitarama Murthy and Mr. K. Ragunathan do not hold any shares in the Company. Mr. P. Sarath Chandra Reddy, Non-Executive Non-Independent Director is holding 3,278 Shares.

Dividend & Bonus History

Year	Rate of Dividend %	Bonus
1997-98	50	–
1998-99	50	1:1
1999-00	50	–
2000-01	30	1:1
2001-02	30	–
2002-03	35	–
2003-04	45	–
2004-05	10	–
2005-06	30	–
2006-07	50	–

Share Transfer System and Dematerialisation & Liquidity

The Company's shares are covered under the compulsory dematerialization and are transferable through the depository system. The Company has appointed M/s. Karvy Computershare Private Ltd as its Registrars and Share Transfer Agents and also Depository Transfer Agent. Shares received for physical transfer are generally registered within a period of 15 days from the date of receipt, subject to fulfillment of other legal formalities. The Share Transfer/ Investor Grievance Committee reviews the same at regular intervals. Further, the Company has signed a tripartite agreement with NSDL/CDSL and Karvy Computershare Private Ltd to facilitate dematerialization of shares. The shareholders may contact for the redressal of their grievances to either M/s. Karvy Computershare Private Ltd or to the Company Secretary, Aurobindo Pharma Ltd.

Outstanding ADRs/GDRs/Warrants, etc.

During the year 2005-06, the Company issued FCCBs amounting to USD 60 Million in August 2005 and are due for conversion into equity shares on or before August 8, 2010. Further, during the year 2006-2007, the Company has issued FCCBs amounting to USD 200 Million in May 2006 and are due for conversion into equity shares on or before May 10, 2011.

Subsidiary Companies

APL Healthcare Limited, India

APL Research Centre Limited, India

APL Pharma Thai Limited, Thailand

A B Farmo Industria Farmaceutical Limitada, Brazil

Aurobindo (Datong) Bio-Pharma Company Limited, China

Helix Healthcare B.V., The Netherlands

Aurobindo Pharma USA Inc., U.S.A.

Auropharma Inc., Canada

Aurex Generics Limited, U.K.

Aurobindo Pharma (Pty) Limited, South Africa

Milpharm Limited, U.K.

ZAO Aurobindo Pharma, Russia

Aurobindo Pharma (Australia) Pty. Limited, Australia

Aurobindo Pharma, Hungary, Kft.

Agile Pharma B.V., The Netherlands

Aurobindo Switzerland AG, Switzerland

Pharmacin International B.V., The Netherlands

Pharmacin Products B.V., The Netherlands

Pharmacin B.V., The Netherlands

Auro Healthcare (Nigeria) Limited, Nigeria

Aurobindo Pharma Produtos Farmaceuticos Limitada, Brazil

All Pharma (Shanghai) Trading Co. Limited, China (Formerly Aurobindo Shanghai Trading Company Limited)

Aurobindo Pharma Japan KK, Japan

Agile Malta Holdings Limited, Malta

Aurobindo Pharma (Malta) Limited, Malta

APL Holdings (Jersey) Limited, Jersey

APL IP Company Limited, Jersey

APL Swift Services (Malta) Limited, Malta

Agile Pharma (Malta) Limited, Malta

Aurobindo Pharma (Italia) S.r.l., Italy

Laboratorios Aurobindo Sociedad Limitada, Spain

Aurobindo Pharma (Ireland) Limited, Ireland

Plant Locations

Unit No.	Address
Unit - I	Survey Nos.269, 385, 388 to 396, Borapatla Village - 502 251, Hathnoora Mandal, Medak District, Andhra Pradesh
Unit - II	Plot No. 103/A & 104/A, SVCIE, IDA, Bollaram, Jinnaram (Mandal) Medak District, Andhra Pradesh
Unit - III	Survey Nos. 313 & 314, Bachupally Village - 500 072, Qutbullapur Mandal, Ranga Reddy District, Andhra Pradesh
Unit - V	Plot Nos. 68 to 70, 73 to91, 95, 96, 260 & 261, Chemical Zone, IDA, Pashamylaram - 502 307, Patancheru Mandal, Medak District, Andhra Pradesh
Unit - VI	Survey Nos. 329/39 & 329/40, Chitkul Village - 502 307, Patancheru Mandal, Medak District, Andhra Pradesh
Unit - VII (SEZ)	Formulation Division, Plot No. S1 (Part), APIIC, Green Industrial Park, Polepally Village, Jadcherla Mandal, Mahaboob Nagar District, Andhra Pradesh
Unit - VIII	Survey No. 10 & 13, IDA, Gaddapothram Village - 502 319, Jinnaram Mandal, Medak District, Andhra Pradesh
Unit - IX	Survey No. 371 & 374, Gundlamachanoor Village - 502 251, Hathnoora Mandal, Medak District, Andhra Pradesh
Unit - X	B-2, Sipcot, Industrial Complex, Kudikadu, Cuddalore - 607 005, Tamilnadu
Unit - XI	Survey No. 61-66, Industrial Development Area, Pydibhimavaram Village - 532 409, Ranasthalam Mandal, Srikakulam District, Andhra Pradesh
Unit - XII	Survey No.314, Bachupally Village - 500 072, Qutubullapur Mandal, Medak District, Andhra Pradesh
Bhiwadi Unit	No.1122, RIICO Phase III, Bhiwadi - 301 019, Alwar District, Rajasthan

Declaration

I, K. Nithyananda Reddy, Managing Director, hereby declare that as provided under Clause 49 of the Listing Agreements with the stock exchanges, the board members and the senior management personnel have confirmed compliance with the Code of Conduct and Ethics for the year ended March 31, 2008.

For Aurobindo Pharma Ltd.

K. NITHYANANDA REDDY
Managing Director

Hyderabad, June 18, 2008.

Certificate on compliance with the conditions of Corporate Governance under Clause 49 of the Listing Agreement

The Members of
Aurobindo Pharma Limited

We have examined the compliance of conditions of corporate governance by Aurobindo Pharma Limited, ('the Company') for the year ended March 31, 2008, as stipulated in Clause 49 of the Listing Agreement of the said Company with the stock exchanges.

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

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of corporate governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For **S. CHIDAMBARAM & ASSOCIATES**
Company Secretaries

Hyderabad,
June 18, 2008.

S. CHIDAMBARAM
Partner

Auditors' Report

The Members of
Aurobindo Pharma Limited

1. We have audited the attached Balance Sheet of Aurobindo Pharma Limited as at March 31, 2008 and also the Profit and Loss Account and the 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 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 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 Companies (Auditor's Report) Order, 2003 (as amended) 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 and proper returns adequate for the purposes of our audit have been received from the branches not visited by us;

   iii. the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account and with the returns from the branches;

   iv. in our opinion, the Balance Sheet, 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 the written representations received from the Directors, as on March 31, 2008, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on March 31, 2008 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;

   vi. without qualifying our opinion, we draw attention to Note 3(g) and Note 3(h) of Schedule 22 to the financial statements. Management is of the view that the liability to pay premium on redemption if any, of Foreign Currency Convertible Bonds is contingent. As the ultimate outcome of the matter cannot be presently determined, no provision has been made for liability if any, that may arise on resolution of the contingency;

   vii. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and 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 March 31, 2008;

      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
RAHUL ROY
Partner
Membership No. 53956
Kolkata, June 18, 2008.

Annexure referred to in paragraph [3] of our report of even date

Re: **Aurobindo Pharma Limited**

i. a. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

b. All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. As informed no material discrepancies were noticed on such verification.

c. There was no substantial disposal of fixed assets during the year.

ii. a. The management has conducted physical verification of inventory at reasonable intervals during the year.

b. The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

c. The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.

iii. a. As informed, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, the provisions of clauses 4 (iii) (b), 4(iii) (c), 4 (iii) (d) of the Companies (Auditor's Report) Order 2003 (as amended) are not applicable to the Company.

b. As informed, the Company has not taken any loans, secured or unsecured from companies, firms or other parties covered in the register maintained under Section 301 of the Companies Act, 1956. Accordingly, the provisions of clauses 4(iii)(f) and 4(iii)(g) of the Companies (Auditor's Report) Order 2003 (as amended) are not applicable to the Company.

iv. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, no major weakness has been noticed in the internal control system in respect of these areas.

v. a. According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 that need to be entered into the register maintained under Section 301 of the Companies Act, 1956 have been so entered.

b. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements exceeding value of Rupees five lakhs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time.

vi. The Company has not accepted any deposits from the public.

vii. In our opinion, the Company has an internal audit system commensurate with the size and nature of its business.

viii. 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 Companies Act, 1956, and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.

ix. a. Undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess have generally been regularly deposited with the appropriate authorities *though there has been a slight delay in a few cases.*

b. According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other undisputed statutory dues were outstanding, at the year end, for a period of more than six months.

c. According to the records of the Company, the dues outstanding of income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty and cess on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount (Rs.)	Period to which the amount relates	Forum where dispute is pending
Income Tax Act, 1961	Tax and interest	23,533,225	2003-04	Commissioner of Income Tax (Appeals)
Central Excise Act, 1944	Duty	1,023,093	2002-03	Joint Commissioner - Hyderabad
Central Excise Act, 1944	Duty	6,633,718	2004-05	Joint Commissioner - Hyderabad
Central Excise Act, 1944	Duty	396,698	2005-06	Asst. Commissioner - Hyderabad
Central Excise Act, 1944	Duty	10,360,039	2007-08	Commissioner - Hyderabad
Central Excise Act, 1944	Duty	2,459,058	2006-07	Asst. Commissioner - Hyderabad
Central Excise Act, 1944	Duty	666,083	2006-07	Joint Commissioner - Hyderabad
Central Excise Act, 1944	Duty	7,185,910	2006-08	Addl. Commissioner - Hyderabad
Central Excise Act, 1944	Duty	605, 759	2003-04	Addl. Director General DRI, Delhi
Central Excise Act, 1944	Duty	4,910,442	2006-07	Deputy Commissioner - Hyderabad
Central Excise Act, 1944	Duty	193,248	2007-08	Asst. Commissioner - Hyderabad
Central Excise Act, 1944	Duty	41,931,459	2002-06	Commissioner - Chennai

x. The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.

xi. Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution, bank or debenture holders.

xii. According to the information and explanations given to us and based on the documents and records produced to us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

xiii. In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

xiv. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

xv. According to the information and explanations given to us, the Company has given guarantee for loans taken by others from bank or financial institutions, the terms and conditions whereof in our opinion are not prima-facie prejudicial to the interest of the Company.

xvi. Based on information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.

xvii. According to the information and explanations given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.

xviii. The Company has not made preferential allotment of shares to parties and companies covered in the register maintained under Section 301 of the Companies Act, 1956.

xix. The Company does not have any outstanding debentures during the year.

xx. The Company has not raised any money by way of public issue during the year.

xxi. Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the course of our audit.

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

Per
RAHUL ROY
Partner
Membership No. 53956
Kolkata, June 18, 2008.

Balance Sheet as at March 31, 2008

Rs. Millions

			Schedule	As at March 31, 2008		As at March 31, 2007	
I.	**SOURCES OF FUNDS**						
	SHAREHOLDERS' FUNDS	Share Capital	1	**268.8**		266.7	
		Share Application money		**–**		0.2	
		Reserves & Surplus	2	**11,937.2**		9,026.3	
					12,206.0		9,293.2
	LOAN FUNDS	Secured Loans	3	**5,818.7**		6,859.5	
		Unsecured Loans	4	**11,737.8**		12,903.9	
					17,556.5		19,763.4
	DEFERRED TAX LIABILITY (Net)		5		**724.6**		672.2
		TOTAL			**30,487.1**		29,728.8
II.	**APPLICATION OF FUNDS**						
	FIXED ASSETS	Gross Block	6	**11,310.0**		9,424.6	
		Less: Accumulated Depreciation		**3,049.3**		2,318.1	
		Net Block		**8,260.7**		7,106.5	
		Capital Work-in-progress including capital advances		**1,246.9**		1,831.4	
					9,507.6		8,937.9
	INTANGIBLE ASSETS		7		**10.1**		18.3
	INVESTMENTS		8		**2,879.5**		2,027.3
	CURRENT ASSETS, LOANS AND ADVANCES	Interest accrued on Investments		**0.8**		0.5	
		Inventories	9	**6,512.3**		5,472.8	
		Sundry Debtors	10	**7,989.7**		6,244.1	
		Cash & Bank Balances	11	**2,393.2**		5,000.7	
		Loans and Advances	12	**5,651.2**		5,492.0	
				22,547.2		22,210.1	
	LESS: CURRENT LIABILITIES AND PROVISIONS	Current Liabilities	13	**4,140.2**		3,228.5	
		Provisions	14	**317.1**		236.3	
				4,457.3		3,464.8	
	NET CURRENT ASSETS				**18,089.9**		18,745.3
		TOTAL			**30,487.1**		29,728.8
		Notes to Accounts	22				

The schedules referred to above and notes to accounts form an integral part of the Balance Sheet.

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

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

Per
RAHUL ROY
Partner
Membership No. 53956

Kolkata, June 18, 2008.

SUDHIR B. SINGHI
Chief Financial Officer

A. MOHAN RAMI REDDY
Company Secretary

For and on behalf of the Board of Directors

K. NITHYANANDA REDDY
Managing Director

Dr. M. SIVAKUMARAN
Director
Hyderabad, June 18, 2008.

Profit and Loss Account for the year ended March 31, 2008

Rs. Millions

		Schedule	2007-2008	2006-2007
INCOME	Sales (Gross)		**23,511.2**	19,797.2
	Less: Excise Duty		**1,163.9**	1,011.5
	Sales (Net)		**22,347.3**	18,785.7
	Other Income	15	**1,180.7**	390.1
	Increase in Stocks	16	**347.0**	744.2
	TOTAL		**23,875.0**	19,920.0
EXPENDITURE	Materials Consumed	17	**13,754.6**	11,923.7
	Purchase of Trading Goods		**117.9**	480.8
	Other Manufacturing Expenses	18	**2,553.6**	2,064.4
	Payments to and Provisions for Employees	19	**1,487.0**	1,128.8
	Administrative and Selling Expenses	20	**1,606.4**	1,105.0
	Interest and Finance Charges (Net)	21	**161.1**	187.3
	Depreciation/Amortisation		**746.0**	718.4
	TOTAL		**20,426.6**	17,608.4
PROFIT BEFORE TAXATION			**3,448.4**	2,311.6
PROVISION FOR TAXATION				
	Current Tax		**483.5**	180.5
	Less: MAT credit entitlement		**–**	(145.5)
	Deferred Tax		**52.4**	(40.6)
	Fringe Benefit Tax		**4.7**	4.0
	Tax adjustments of previous years		**–**	22.4
PROFIT AFTER TAXATION			**2,907.8**	2,290.8
	Balance brought forward from last year		**3,207.9**	1,303.1
	Balance of Profit and Loss Account taken over on amalgamation		**–**	0.1
PROFIT AVAILABLE FOR APPROPRIATION			**6,115.7**	3,594.0
APPROPRIATIONS	Proposed Dividend @ Rs.3.25 (Rs.2.50) on Equity Shares of Rs.5 each		**175.7**	133.4
	Tax on Dividend		**29.8**	22.7
	Transfer to General Reserve		**290.8**	230.0
	Surplus carried to Balance Sheet		**5,619.4**	3,207.9
			6,115.7	3,594.0
EARNINGS PER SHARE	Basic Rs.		**54.21**	42.98
	Diluted Rs.		**43.07**	34.51
	Nominal value per Share Rs.		**5.00**	5.00
	Notes to Accounts	22		

The schedules referred to above and notes to accounts form an integral part of the Profit and Loss Account.

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

For and on behalf of the Board of Directors

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

K. NITHYANANDA REDDY
Managing Director

Per
RAHUL ROY
Partner
Membership No. 53956

SUDHIR B. SINGHI
Chief Financial Officer

A. MOHAN RAMI REDDY
Company Secretary

Dr. M. SIVAKUMARAN
Director

Kolkata, June 18, 2008.

Hyderabad, June 18, 2008.

Cash Flow Statement for the year ended March 31, 2008

Rs. Millions

			2007-2008	2006-2007
1.	CASH FLOW FROM			
	OPERATING ACTIVITIES	Net Profit before tax and Extraordinary Items	**3,448.4**	2,311.6
		Adjustments for:		
		Depreciation and Amortisation	**746.0**	718.4
		Provision for Doubtful Debts and Advances	**10.6**	78.8
		Bad Debts written off	**45.1**	36.7
		Investments written off/diminution	**–**	13.6
		Export incentives accrued	**(124.1)**	(45.0)
		Fixed Assets written off	**–**	1.0
		Balances/Provisions no longer required written back	**(55.9)**	(52.8)
		Provision for Retirement Benefits	**32.4**	14.4
		Interest Paid	**590.2**	760.7
		Interest Received	**(429.1)**	(573.4)
		Dividends Received	**(0.8)**	(0.8)
		Foreign Exchange (gain)/loss	**(764.8)**	(257.5)
		(Profit)/Loss on Sale of Fixed Assets	**0.5**	(41.2)
		Miscellaneous Expenditure written off	**–**	0.1
		Sales Tax availed as deferment loan	**19.2**	19.5
		Operating Profit before Working Capital Changes	**3,517.7**	2,984.1
		Adjustments for:		
		Inventories	**(1,039.5)**	(1,569.2)
		Sundry Debtors	**(1,727.4)**	(564.1)
		Loans & Advances	**(215.6)**	(302.7)
		Sundry Creditors	**953.0**	206.5
		Cash Generated from Operations	**1,488.2**	754.6
		Income Tax Paid	**(433.5)**	(259.8)
	NET CASH FROM OPERATING ACTIVITIES (A)		**1,054.7**	494.8
2.	CASH FLOW FROM			
	INVESTING ACTIVITIES	Acquisition of Fixed Assets	**(1,325.6)**	(1,521.8)
		Sale of Fixed Assets	**16.8**	155.3
		Investments (Net)	**857.5**	(3,201.3)
		Loans to Subsidiaries (Net)	**49.2**	(1,740.2)
		Interest Received	**281.3**	528.4
		Dividend Received	**0.8**	0.8
		Intangible Assets	**–**	(287.6)
	NET CASH USED IN INVESTING ACTIVITIES (B)		**(120.0)**	(6,066.4)

Rs. Millions

		2007-2008	2006-2007
3. CASH FLOW FROM			
FINANCING ACTIVITIES	Proceeds from issue of Share Capital	**15.3**	28.3
	Repayment of Long Term borrowings	**(970.0)**	(1,637.0)
	Proceeds from Foreign Currency Convertible Bonds	**–**	9,102.0
	Other Short Term borrowings (Net)	**(155.8)**	739.9
	Interest Paid	**(586.8)**	(772.1)
	Foreign Currency Convertible Bond issue expenses	**–**	(135.6)
	Dividend and Dividend tax	**(157.2)**	(91.2)
NET CASH FROM FINANCING ACTIVITIES (C)		**(1,854.5)**	7,234.3
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)		**(919.8)**	1,662.7
	Cash and Cash Equivalents - Opening Balance	**2,989.9**	1,420.7
	Add: On Amalgamation	**–**	20.6
	Cash and Cash Equivalents - Closing Balance	**2,070.1**	3,104.0
Notes to the Cash Flow Statement for the year ended March 31, 2008			
1. Cash and Cash equivalents include :			
Cash and Bank Balances		**31.2**	146.7
Fixed Deposit Accounts		**2,359.0**	4,851.2
Unpaid Dividend Accounts		**3.0**	2.8
Cash and Cash equivalents as per Balance Sheet		**2,393.2**	5,000.7
Less Fixed Deposits considered as Investments		**301.0**	2,010.8
		2,092.2	2,989.9
Unrealised (loss)/gain on foreign currency cash and cash equivalents		**(22.1)**	114.0
Cash and Cash equivalents considered for cash flows		**2,070.1**	3,104.0

2. Investments include investment made in subsidiaries Rs.335.1 (Rs.1,190.5).
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.

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

Per
RAHUL ROY
Partner
Membership No. 53956

Kolkata, June 18, 2008.

For and on behalf of the Board of Directors

K. NITHYANANDA REDDY
Managing Director

SUDHIR B. SINGHI
Chief Financial Officer

A. MOHAN RAMI REDDY
Company Secretary

Dr. M. SIVAKUMARAN
Director

Hyderabad, June 18, 2008.

Schedules to Balance Sheet

Rs. Millions

			As at March 31, 2008		As at March 31, 2007
1. SHARE CAPITAL (Refer Note 4 on Schedule 22)					
AUTHORISED	100,000,000 Equity Shares of Rs.5 each		**500.0**		500.0
	1,000,000 Preference Shares of Rs.100 each		**100.0**		100.0
			600.0		600.0
ISSUED, SUBSCRIBED AND PAID-UP	53,765,268 (53,348,637) Equity Shares of Rs.5 each fully paid-up		**268.8**		266.7
	TOTAL		**268.8**		266.7
Notes:					
Of the above Equity Shares -					
a. 34,703,200 Equity Shares of Rs.5 each were allotted as bonus shares by capitalisation of Securities Premium Account.					
b. 1,341,000 Equity Shares of Rs.5 each were allotted for consideration other than cash.					
2. RESERVES & SURPLUS (Refer Note 6 on Schedule 22)					
CAPITAL RESERVE	As per last Balance Sheet	**90.3**		90.2	
	Add: On Amalgamation	**–**		0.1	
			90.3		90.3
CAPITAL REDEMPTION RESERVE	As per last Balance Sheet		**90.0**		90.0
SECURITIES PREMIUM	As per last Balance Sheet	**956.7**		2,860.3	
	Add: Premium on conversion of FCCB and exercise of ESOPs	**208.6**		28.1	
		1,165.3		2,888.4	
	Less: Utilisation pursuant to High Court Order	–		1,796.1	
	Less: Foreign Currency Convertible Bonds issue expenses	**–**		135.6	
			1,165.3		956.7
GENERAL RESERVE	As per last Balance Sheet	**4,681.4**		4,444.1	
	Add: On amalgamation	**–**		18.5	
	Less: Adjustments for employee benefits provision net of tax of Rs.Nil (Rs.5.8)	**–**		11.2	
	Add: Transferred from Profit and Loss Account	**290.8**		230.0	
			4,972.2		4,681.4
PROFIT AND LOSS ACCOUNT BALANCE			**5,619.4**		3,207.9
	TOTAL		**11,937.2**		9,026.3

Rs. Millions

			As at March 31, 2008		As at March 31, 2007
3.	**SECURED LOANS** (Refer Note 9 on Schedule 22)				
	TERM LOANS	From Banks		**481.2**		1,497.5
		[Payable within one year Rs. 320.8 (Rs.975.9)]				
	OTHER LOANS	From Banks - Working Capital Loans	**5,336.3**		5,360.2	
		From Banks - Hire Purchase Loan	**1.2**		1.8	
				5,337.5		5,362.0
		TOTAL		**5,818.7**		6,859.5
4.	**UNSECURED LOANS** (Refer Note 10 on Schedule 22)					
	SHORT TERM LOANS	From Banks		**771.9**		900.0
	OTHER LOANS	Zero Coupon Foreign Currency Convertible Bonds		**10,245.6**		11,299.6
		Sales Tax Deferment Loan		**720.3**		704.3
		[Payable within one year Rs.6.2 (Rs.3.2)]				
		TOTAL		**11,737.8**		12,903.9
5.	**DEFERRED TAX LIABILITY** (Net)					
		Deferred Tax liabilities on account of fixed assets		**(920.4)**		(867.9)
		Deferred Tax Asset on account of:				
		Debtors		**120.3**		116.7
		Retirement benefits		**38.3**		27.8
		FCCB issue expenses		**37.2**		51.2
		TOTAL		**(724.6)**		(672.2)

6. FIXED ASSETS (Refer Note 11 on Schedule 22)

Rs. Millions

Particulars	Gross Block				Depreciation/Amortisation				Net Block	
	As at April 1, 2007	Additions	Sales/ Adjustments	**As at March 31, 2008**	Up to April 1, 2007	For the year	On Sales/ adjustments	**Up to March 31, 2008**	**As at March 31, 2008**	As at March 31, 2007
Leasehold Land	42.4	–	–	**42.4**	1.9	0.5	–	2.4	**40.0**	40.5
Freehold Land[a]	125.6	6.4	–	**132.0**	–	–	–	–	**132.0**	125.6
Leasehold Buildings	64.8	–	–	**64.8**	8.8	2.6	–	11.4	**53.4**	56.0
Freehold Buildings[a, b]	1,545.4	285.4	–	**1,830.8**	215.4	56.2	–	271.6	**1,559.2**	1,330.0
Plant and Machinery	7,436.4	1,570.5	17.8	**8,989.1**	2,027.7	660.0	3.8	2,683.9	**6,305.2**	5,408.7
Furniture and Fittings	159.5	32.6	1.3	**190.8**	51.0	13.2	0.8	63.4	**127.4**	108.5
Vehicles	50.5	14.3	4.7	**60.1**	13.3	5.3	2.0	16.6	**43.5**	37.2
TOTAL	9,424.6	1,909.2	23.8	**11,310.0**	2,318.1	737.8	6.6	3,049.3	**8,260.7**	7,106.5
Previous year	8,803.3	1,120.8	499.5	**9,424.6**	1,964.1	618.5	264.5	2,318.1	**7,106.5**	–
Capital Work-in-progress[c]									**1,246.9**	1,831.4

Notes

a. The title deeds of Land and Buildings aggregating to Rs.90.0 (Rs.90.0) are pending transfer to the Company's name.

b. Include Rs.0.3 (Rs.0.3) being the value of shares in co-operative housing societies.

c. Include capital advances of Rs.126.3 (Rs.76.9) and expenditure during construction period Rs.20.5 (Rs.11.1) (Refer Note 11 on Schedule 22).

d. Additions during the year include Rs.47.8 (Rs.154.9) towards Reasearch Centre capital expenditure.

7. INTANGIBLE ASSETS

Rs. Millions

Particulars	Gross Block				Amortisation				Net Block	
	As at April 1, 2007	Additions	Adjustments	**As at March 31, 2008**	Up to April 1, 2007	For the year	On Sales/ adjustments	**Up to March 31, 2008**	**As at March 31, 2008**	As at March 31, 2007
Licenses	34.8	–	–	**34.8**	16.5	8.2	–	24.7	**10.1**	18.3
TOTAL	34.8	–	–	**34.8**	16.5	8.2	–	24.7	**10.1**	18.3
Previous year	409.5	287.7	662.4	**34.8**	42.1	99.9	125.5	16.5	**18.3**	367.4

Rs. Millions

	Face value per Share	As at March 31, 2008 No. of Shares	Rs.	As at March 31, 2007 No. of Shares	Rs.
8. INVESTMENTS (Refer Note 7 on Schedule 22)					
I. 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 Limited	Rs.100	**1,000**	**0.1**	1,000	0.1
			1.2		1.2
B. Other than Trade					
Government Securities					
Kisan Vikas Patra			**1.0**		1.0
National Savings Certificates*			**0.2**		0.2
*includes Rs.0.07 held by income					
tax authorities (Rs.0.07)			**1.2**		1.2
C. In Subsidiaries					
Equity Shares (Fully paid-up)					
Aurobindo Pharma USA Inc.	–	**100% of**		100% of	
		Paid-in-Capital	**772.0**	Paid-in-Capital	772.0
APL Pharma Thai Limited, Thailand	100				
	Baht	**19,200**	**2.2**	19,200	2.2
Aurobindo (Datong) Bio-Pharma		**100% of**		100% of	
Company Limited, China	–	**Paid-in-Capital**	**799.8**	Paid-in-Capital	799.8
AB Farmo Industria Farmaceutica Ltda, Brazil					
(formerly known as AB Farmo Quimica Ltda,)	1Real	**3,413,942**	**75.4**	3,413,942	75.4
Helix Healthcare B.V., The Netherlands	–	**100% of**		100% of	
		Paid-in-Capital	**603.0**	Paid-in-Capital	303.7
APL Research Centre Limited	Rs.10	**150,000**	**1.5**	50,000	0.5
APL Healthcare Limited	Rs.10	**50,000**	**0.5**	50,000	0.5
All Pharma (Shanghai) Trading Co. Limited, China	–	**100% of**	**20.5**	–	–
		Paid-in-Capital			
APL Holdings (Jersey) Limited	1Euro	**210,824**	**12.2**	–	–
Aurobindo Pharma Produtos					
Farmaceuticos Limitada, Brazil	1Real	**99,000**	**2.1**	–	–
			2,289.2		1,954.1
Sub Total (A)+(B)+(C) = I			**2,291.6**		1,956.5

Rs. Millions

	Face value per Share	As at March 31, 2008 No. of Shares	As at March 31, 2008 Rs.	As at March 31, 2007 No. of Shares	As at March 31, 2007 Rs.
INVESTMENTS (Contd.)					
II. CURRENT INVESTMENTS (At lower of cost or market value)					
QUOTED - TRADE					
Equity Shares (Fully paid-up)					
Andhra Bank	Rs.10	**4,520**	**0.3**	4,520	0.3
UNQUOTED - NON TRADE					
Citadel Aurobindo Biotech Limited	Rs.100	**70,000**	**7.0**	70,000	7.0
Aurobindo TongLing (Datong) Pharmaceutical	–			50% of	
Company Limited, China		**–**	**–**	Paid-in-Capital	84.4
1Y USD Yield Enhancement Certificate	USD				
	50,000	**300**	**601.5**	–	–
Sub Total II			**608.8**		91.7
TOTAL (I) + (II)			**2,900.4**		2,048.2
Less: Provision for diminution in					
value of investments			**20.9**		20.9
TOTAL			**2,879.5**		2,027.3
Notes					
1. Aggregate value of unquoted investments			**2,879.2**		2,027.0
2. Aggregate and market value of quoted investments			**0.3**		0.3

	As at March 31, 2008		As at March 31, 2007	
9. INVENTORIES				
(at lower of cost or net realisable value)				
Raw Materials*		**3,167.8**		2,533.6
Work-in-process		**2,457.4**		2,066.3
Stores, Spares, Consumables & Packing Materials		**548.1**		454.6
Finished Goods*		**339.0**		418.3
TOTAL		**6,512.3**		5,472.8
*includes material in transit and lying with third parties.				
10. SUNDRY DEBTORS (Refer Note 12 on Schedule 22)				
Unsecured Debts outstanding for a period exceeding six months				
Considered Good	**870.4**		921.5	
Considered Doubtful	**317.8**		307.1	
		1,188.2		1,228.6
Other debts - Considered Good		**7,119.3**		5,322.6
		8,307.5		6,551.2
Less: Provision for Doubtful Debts		**317.8**		307.1
TOTAL		**7,989.7**		6,244.1

Rs. Millions

		As at March 31, 2008		As at March 31, 2007
11. CASH & BANK BALANCES (Refer Note 13 on Schedule 22)				
Cash on Hand		**4.3**		4.0
Balance with Scheduled Banks on				
Current Accounts	**14.9**		93.6	
Fixed Deposit Accounts	**2,359.0**		4,851.2	
Unpaid Dividend Accounts	**3.0**		2.8	
		2,376.9		4,947.6
Balance with Non-Scheduled Banks on				
Current Accounts		**12.0**		49.1
TOTAL		**2,393.2**		5,000.7
12. LOANS AND ADVANCES (Refer Note 14 on Schedule 22)				
(Unsecured, considered good except stated otherwise)				
Loans to subsidiaries *		**3,142.0**		3,415.4
Loans to employees		**26.0**		18.4
Insurance claims receivable		**6.8**		16.0
Advances recoverable in cash or in kind or for				
value to be received or pending adjustments				
Considered Good	**1,019.3**		685.1	
Considered Doubtful	**36.3**		36.3	
		1,055.6		721.4
Export incentives receivable		**521.3**		476.0
Trade and other deposits		**283.6**		254.7
MAT credit entitlement		**231.9**		231.9
Advance income tax and				
tax paid on appeals (Net of Provision)		**137.3**		192.0
Balances with Customs and Excise Authorities		**283.0**		202.5
		5,687.5		5,528.3
Less: Provision for Doubtful Advances		**36.3**		36.3
TOTAL		**5,651.2**		5,492.0
*Includes share application money Rs.24.5 (Rs.24.5)				

Rs. Millions

			As at March 31, 2008		As at March 31, 2007
13. CURRENT LIABILITIES					
	Sundry Creditors for goods, services and expenses				
	Dues to Micro and Small Enterprises*		**22.4**		–
	Dues to others		**3,543.2**		2,840.8
			3,565.6		2,840.8
	Dues to Subsidiaries		**470.9**		307.2
	Trade Deposits		**1.0**		1.0
	Unclaimed Dividends		**3.0**		2.8
	Other Liabilities		**63.2**		44.0
	Book Overdraft		**12.0**		11.6
	Interest Accrued but not due on Loans		**24.5**		21.1
	TOTAL		**4,140.2**		3,228.5
*(Refer Note 15 on Schedule 22)					
14. PROVISIONS	For Retirement Benefits				
	Gratuity	**18.4**		19.8	
	Leave encashment	**94.3**	**112.7**	60.4	80.2
	For Proposed Dividend		**174.7**		133.4
	For Tax on Proposed Dividend		**29.7**		22.7
	TOTAL		**317.1**		236.3

Schedules to Profit and Loss Account

		2007-2008	2006-2007
15. OTHER INCOME			
	Processing charges	**–**	0.4
	Dividends from a subsidiary company	**0.8**	0.8
	Dividends from current investments - trade	**0.0**	0.0
	Balances/provisions no longer required written back	**56.0**	52.8
	Exchange fluctuation gain (Net)	**481.3**	174.8
	Dossier sales	**581.6**	112.7
	Miscellaneous income	**61.0**	48.6
	TOTAL	**1,180.7**	390.1

Rs. Millions

	2007-2008		2006-2007	
16. INCREASE IN STOCKS				
Opening Stocks				
Finished Goods	**418.3**		229.2	
Work-in-Process	**2,066.3**		1,530.5	
	2,484.6		1,759.7	
Less: Reversal of excise duty on opening stocks	**35.2**		19.3	
		2,449.4		1,740.4
Less: Closing Stocks				
Finished Goods	**339.0**		418.3	
Work-in-Process	**2,457.4**		2,066.3	
		2,796.4		2,484.6
TOTAL		**347.0**		744.2
17. MATERIALS CONSUMED				
Raw material consumed				
Opening stock		**2,533.6**		1,691.7
Add: Purchases		**13,676.9**		12,325.3
		16,210.5		14,017.0
Less: Closing stock		**3,167.8**		2,533.6
		13,042.7		11,483.4
Packing materials consumed		**711.9**		440.3
TOTAL		**13,754.6**		11,923.7
18. OTHER MANUFACTURING EXPENSES				
Conversion charges		**128.4**		131.8
Consumption of stores and spares		**315.5**		276.3
Chemicals consumed		**549.2**		323.9
Carriage inward		**176.4**		139.8
Factory maintenance		**77.3**		77.5
Power and fuel		**963.2**		827.2
Effluent treatment expenses		**28.0**		19.0
Excise duty others		**36.2**		44.7
Repairs and maintenance				
Plant and machinery	**87.2**		56.3	
Buildings	**36.1**		20.6	
Others	**46.6**		39.7	
		169.9		116.6
Miscellaneous expenses		**109.5**		107.6
TOTAL		**2,553.6**		2,064.4

Rs. Millions

		2007-2008		2006-2007
19. PAYMENTS TO AND PROVISIONS FOR EMPLOYEES				
Salaries, wages and bonus		**1,336.3**		1,012.8
Contribution to provident and other funds		**56.4**		47.2
Retirement benefits		**60.5**		42.1
Staff welfare expenses		**33.8**		26.7
TOTAL		**1,487.0**		1,128.8
20. ADMINISTRATIVE & SELLING EXPENSES				
Rent		**7.2**		7.1
Rates and taxes		**22.8**		15.6
Printing and stationery		**52.8**		41.8
Postage, telegram and telephones		**33.0**		23.7
Insurance		**95.6**		76.1
Legal and professional charges		**176.3**		86.6
Directors sitting fees		**0.3**		0.2
Remuneration to auditors		**6.1**		6.0
Sales commission		**143.7**		130.1
Carriage outwards		**462.6**		318.0
Selling expenses		**27.3**		18.1
Rebates and discounts		**26.2**		8.7
Travel and conveyance		**48.4**		49.3
Vehicle maintenance expenses		**2.6**		1.9
Analytical charges		**187.3**		83.3
Investments written off/diminution	**0.1**		158.9	
Less: Provision for diminution	**–**	**0.1**	145.3	13.6
Provision for doubtful debts and advances		**10.6**		78.8
Bad debts written off		**45.1**		36.7
Fixed assets written off		**–**		1.0
Loss on sale of fixed assets (Net)		**0.5**		(41.2)
Donation		**2.1**		1.6
Registration and filing charges		**186.2**		35.8
Miscellaneous expenses		**69.6**		112.2
TOTAL		**1,606.4**		1,105.0
21. INTEREST AND FINANCE CHARGES (Net)				
Interest on fixed period loans	**119.4**		328.9	
Interest on other loans	**407.9**		374.7	
Bank charges	**62.8**		57.1	
		590.1		760.7
Less:Interest received				
Loans to subsidiaries*	**198.5**		178.9	
Deposits**	**229.2**		384.6	
Other investments	**–**		0.1	
Income tax refunds	**–**		6.0	
Other advances	**1.3**	**429.0**	3.8	573.4
TOTAL		**161.1**		187.3
* TDS Rs.Nil (Rs.15.8)				
** TDS Rs.2.3 (Rs.3.1)				

Notes

22. NOTES ANNEXED TO AND FORMING PART OF THE ACCOUNTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2008

1. Statement of Significant Accounting Policies

a. Basis of Preparation

These financial statements have been prepared under the historical cost convention on accrual basis to comply in all material respects with the notified Accounting Standards by Companies Accounting Standards Rules, 2006 and the relevant provisions of the Companies Act, 1956. The accounting policies have been consistently applied by the Company with those used in the previous year.

b. Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

i. Revenue from sale of goods (other than export sales) is recognised on dispatch which coincides with transfer of significant risks & rewards to customer and is inclusive of excise duty and net of trade discounts, sales returns and sales tax, where applicable. Revenue from export sales is recognised on the date of the bill of lading.

ii. Interest is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

iii. Dividend is recognised as and when the Company's right to receive payment is established.

iv. Revenue on dossier sales is accounted on the delivery of underlying dossiers.

v. Revenue from contract research is accounted as per terms of the contract as and when work is executed.

c. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

d. Fixed Assets and Depreciation

i. Fixed assets are stated at cost less accumulated depreciation, impairment losses and specific grant/subsidies if any. Cost comprise of purchase price, freight, duties (net of CENVAT), taxes and any attributable cost of bringing the asset to its working condition for its intended use. Finance costs relating to acquisition of fixed assets which take substantial period of time to get ready for use are included to the extent they relate to the period till such assets are ready for intended use.

ii. Expenditure directly relating to construction activity is capitalised. Indirect expenditure is capitalised to the extent those relate to the construction activity or is incidental thereto. Income earned during construction period is deducted from the total expenditure relating to construction activity.

iii. Assets retired from active use and held for disposal are stated at their estimated net realisable values or net book values, whichever is lower.

iv. Assets under finance leases, where there is no reasonable certainty that the company will obtain the ownership by the end of the lease term are capitalised. Capitalised leased assets are depreciated over the lease term or estimated useful life of the asset whichever is shorter.

v. The carrying amount of fixed assets are reviewed at each balance sheet date when required to assess whether they are recorded in excess of their recoverable amounts, and where carrying values exceed the estimated recoverable amount, assets are written down to their recoverable amount.

vi. Premium paid on leasehold land is amortised over the lease term.

vii. Depreciation is provided on the straight-line method, based on the useful life of the asset as estimated by management which generally coincides with rates prescribed under Schedule XIV to the Companies Act, 1956. Unless otherwise stated, useful life for assets acquired at the Bhiwadi unit, Rajasthan, are lower and consequently the rates of depreciation are higher than the rates prescribed under Schedule XIV of the Companies Act, 1956. In this case, the rates are as under:

Building	: 5%
Plant & Machinery	: 20%

viii. Assets costing below Rs.5,000 are depreciated fully in the year of purchase.

e. Intangibles

Cost relating to licenses, which are acquired, are capitalized and amortised on a straight-line basis over their useful life not exceeding ten years.

f. Government Grants and Subsidies

Grants and subsidies are recognised when there is a reasonable assurance that the grant or subsidy will be received and that all underlying conditions thereto will be complied with. When the grant or subsidy relates to an asset, its value is deducted in arriving at the carrying amount of the related asset.

g. Investments

i. Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long term investments.

ii. Long-term investments are carried at cost. However, provision for diminution in value 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.

h. 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 net realisable value. Items held for use in the production of inventories are not written down below cost if the finished product in which they will be incorporated are expected to be sold at or above cost.

ii. Finished goods and work-in-process are valued at lower of cost and net realisable value. Cost includes materials, labour and a proportion of appropriate overheads and excise duty.

iii. Trading goods are valued at lower of cost and net realisable value.

iv. Net realisable value is the estimated selling price in the ordinary course of business, reduced by the estimated costs of completion and costs to effect the sale.

i. Retirement and other employee benefits

i. Retirement benefits in the form of provident fund is a defined contribution scheme and the contributions are charged to the Profit and Loss Account of the year when the contributions to the respective funds are due. There are no other obligations other than the contribution payable to the respective authorities.

ii. Gratuity is a defined benefit obligation and is provided for on the basis of an actuarial valuation on project unit credit method made at the end of each financial year.

iii. Short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation. The actuarial valuation is done as per projected unit credit method

iv. Actuarial gains/losses are immediately taken to Profit and Loss Account and are not deferred.

j. Income Taxes

Tax expense comprises of current, deferred and fringe benefit tax. Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the Indian Income Tax Act, 1961. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

Unrecognised deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain or virtually certain, as the case may be that future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

Minimum Alternative Tax (MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognized as an asset in accordance with the recommendations contained in Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the Profit and Loss Account and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal income tax during the specified period.

k. Foreign Exchange Transactions

Initial Recognition

i. Foreign currency transactions (other than those relating to foreign branches) are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and foreign currency at the date of the transaction.

Conversion

ii. Foreign currency monetary items are reported at year-end rates. Non-monetary items which are carried in terms of historical cost denominated in foreign currency are reported using the exchange rate at the date of the transaction.

Exchange Differences

iii. Exchange differences arising on the settlement of monetary items or on reporting monetary items of company at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise. The financial statements of an integral foreign operation are translated as if the transactions of the foreign operation have been those of the Company itself.

Forward Exchange contracts not intended for trading or speculation purposes

iv. In case of forward exchange contracts, difference between the forward rate and the exchange rate on the date of transaction is recognised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.

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' and benefits on account of export promotion schemes included in revenues 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 substantial risks and benefits incidental to ownership of the leased item are transferred to the Company, are classified as Finance Leases. Assets under finance leases, where there is no reasonable certainty that the Company will obtain the ownership by the end of the lease term, such capitalized assets are depreciated over the tenure of the lease or estimated useful life of the asset whichever is shorter.

Rs. Millions

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item are classified as operating leases. Operating lease payments are recognised as an expense in the Profit and Loss Account on a straight-line basis over the lease term.

n. Earnings per Share

Basic earnings per share is calculated by dividing the net profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted earnings per share, the net profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

o. Provisions

A provision is recognised when the Company has a present obligation as a result of past event i.e., it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

p. Cash and cash equivalents

Cash and cash equivalents in the cash flow statements comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

q. Employee Stock Compensation Cost

Measurement and disclosure of the employee share-based payment plans is done in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Guidance Note on Accounting for Employee Share-based Payments, issued by the Institute of Chartered Accountants of India. The Company measures compensation cost relating to employee stock options using the intrinsic value method. Compensation expense, if any, is amortized over the vesting period of the option on a straight line basis.

2. Capital Commitments

Estimated amount of contracts (net of advances) remaining to be executed on capital account and not provided for Rs.1,212.2 (Rs.178.6).

3. Contingent Liabilities

		2007-2008	2006-2007
a.	Claims against the company not acknowledged as debts	**4.9**	4.9
b.	Outstanding bank guarantees on account of:		
	i. Subsidiary Company	**–**	4.6
	ii. Others	**256.2**	64.0
c.	Bills discounted with banks	**323.5**	400.5
d.	Outstanding letters of credit for import of materials	**444.9**	518.3
e.	Direct and Indirect Taxes	**263.5**	210.7
f.	Dossier sales	**131.3**	110.9

g. During the financial year 2005-2006, the Company had issued 60,000 Zero Coupon Foreign Currency Convertible Bonds of USD 1,000 each. The bonds are redeemable at a premium of 39.954% of its principal amount on the maturity date, or in whole at any time on or after February 25, 2008 and on or prior to August 1, 2010 at a minimum of 130% of the accreted principal amount if the bonds are not converted earlier. There are 55,500 FCCB Bonds outstanding as at the date of the Balance Sheet. The payment of premium on redemption is contingent in nature, the outcome of which is dependant on uncertain future events. Hence, no provision is considered in the accounts in respect of such premium for the year amounting to USD 3.85 million (USD 4.79 million) equivalent to Rs.128.2 (Rs.204.7) and the cumulative premium amounts to USD 11.7 million (USD 7.85 million) equivalent to Rs.469.4 (Rs.341.2) at the prevailing exchange rate as at the Balance Sheet date.

Rs. Millions

h. During the financial year 2006-2007, the Company has issued 150,000 Zero Coupon Foreign Currency Convertible Bonds due 2011 (Tranche A Bonds) of USD 1,000 each and 50,000 Forward Conversion Convertible Bonds due 2011 (Tranche B Bonds) of USD 1000 each. Tranche A Bonds and Tranche B Bonds are redeemable at 146.285% and 146.991% respectively of its principal amount on the maturity date. Accordingly, the payment of premium on redemption is contingent in nature, the outcome of which is dependant on uncertain future events. Hence, no provision is considered in the accounts in respect of such premium for the year amounting to USD 18.60 million (USD 16.27 million) equivalent to Rs.691.4 (Rs.706.9) and the cumulative premium amounts to USD 34.87 million equivalent to Rs.1,398.3 at the prevailing exchange rate as at the Balance Sheet date.

4. Share Capital

i. Employee Stock Option Scheme

a. Employee Stock Option Plan 'ESOP-2004'

The Company instituted an Employee Stock Option Plan 'ESOP-2004' as per the special resolution passed in the 17th Annual General Meeting held on July 31, 2004. This scheme has been formulated in accordance with the Securities Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 to grant options of 507,700 to eligible employees on August 1, 2004 and July 28, 2005. Each option comprises of one underlying Equity Share of Rs.5 each. The said options vest on an annual basis at 15%, 20%, 25% and 40% over a period of four years and can be exercised over a period of six years from the date of grant of options. The options have been granted at the then prevailing market price of Rs.362.60 per share and hence the question of accounting for employee deferred compensation expenses does not arise as the Company follows intrinsic value method.

The details of options outstanding of ESOP 2004 Scheme

	2007-2008 Nos.	2006-2007 Nos.
Options outstanding at the beginning of the year	**310,677**	461,325
Granted during the year	**–**	–
Vested/exercisable during the year	**94,087**	74,473
Exercised during the year	**42,060**	78,187
Forfeited during the year subject to reissue	**35,523**	72,461
Options outstanding at end of the year	**233,094**	310,677
Weighted Average Exercise Price (Rs.)	**362.60**	362.60
Weighted Average Fair Value of option (Rs.)	**62.60**	62.60

b. Employee Stock Option Plan 'ESOP-2006'

The Company instituted an Employee Stock Option Plan 'ESOP-2006' as per the special resolution passed in the 19th Annual General Meeting held on September 18, 2006. This scheme has been formulated in accordance with the Securities Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. The compensation committee accordingly, granted total 58,000 options under three grants of 35,000, 5,000 and 18,000 options to eligible employees on October 30, 2006, July 31, 2007 and October 31, 2007 respectively. Each option comprises of one underlying Equity Share of Rs.5 each. The said options vest on an annual basis at 10%, 15%, 25% and 50% over a period of four years and can be exercised over a period of six years from the date of grant of options. The options have been granted at the then prevailing market price of Rs.603.50, Rs.661.75 and Rs.572.50 per share respectively and hence the question of accounting for employee deferred compensation expense does not arise as the Company follows intrinsic value method.

Rs. Millions

The details of options outstanding of ESOP 2006 Scheme

	2007-2008 Nos.	2006-2007 Nos.
Options outstanding at the beginning of the year	**35,000**	–
Granted during the year	**23,000**	35,000
Vested/exercisable during the year	**3,500**	–
Exercised during the year	**–**	–
Forfeited during the year subject to reissue	**3,000**	–
Options outstanding at end of the year	**55,000**	35,000
Weighted Average Exercise Price (Rs.)	**598.90**	603.50
Weighted Average Fair Value of option (Rs.)	**122.76**	127.50

c. Disclosures as per Fair Value Method

The Company's net profit and earnings per share would have been as under, had the compensation cost for employees' stock options been recognized based on the fair value at the date of grant in accordance with "Black Scholes" model.

Particulars	**2007-2008**	2006-2007
Profit after Taxation		
- As reported in Profit and Loss Account	**2,907.8**	2,290.9
Less: Additional Employee Compensation cost based on Fair Value	**1.5**	1.0
- Profit after Taxation as per Fair Value Method	**2,906.3**	2,289.9
Earnings per Share		
Basic		
- No. of shares	**53,638,611**	53,302,309
- EPS as reported	**54.21**	42.98
- EPS as per Fair Value Method	**54.18**	42.96
Diluted		
- No. of shares	**67,506,428**	66,381,236
- EPS as reported	**43.07**	34.51
- EPS as per Fair Value Method	**43.05**	34.50

The following assumptions were used for calculation of fair value of grants:

	2007-2008		2006-2007	
	ESOP 2004	**ESOP 2006**	ESOP 2004	ESOP 2006
Risk-free interest rate (%)	**7**	**8**	7	8
Expected life of options (years)	**5**	**6**	5	6
Expected volatility (%)	**5.62**	**5.64**	5.62	5.64
Dividend yield	**0.30**	**0.30**	0.50	0.30

Rs. Millions

ii. During the financial year 2005-2006, the Company issued 60,000 Zero Coupon Foreign Currency Convertible bonds due 2010 of USD 1,000 each. Each bond is convertible into 83.12 fully paid equity shares with par value of Rs.5 per share at a fixed price of Rs.522.036 per share, on or after September 20, 2005 but prior to close of business hours on August 8, 2010. There are 55,500 outstanding bonds as at March 31, 2008.

iii. During the financial year 2006-07, the Company has issued 150,000 Zero Coupon Foreign Currency Convertible bonds (Tranche A bonds) and 50,000 Forward Conversion Convertible Bonds (Tranche B Bonds) due 2011 of USD 1,000 each. Each Tranche A bond is convertible into 44.52 fully paid equity share with par value of Rs.5 per share at a fixed price of Rs.1014.06 per share, on or after June 27, 2006 but prior to close of business hours on May 10, 2011. Each Tranche B bond is convertible into fully paid equity share with par value of Rs.5 per share at an initial conversion price to be determined on conversion price setting date on or after May 17, 2007 but prior to close of business hours on May 10, 2011.

5. Amalgamation of APL Life Sciences Limited (Life Sciences) and Senor Organics Private Limited (Senor) with the Company during the financial year 2006-2007

a. Pursuant to the approval of the shareholders of the Company at the Extra-ordinary General Meeting held on February 20, 2007, the Hon'ble High Court of Judicature Andhra Pradesh at Hyderabad vide its Order passed on June 21, 2007 sanctioned the Scheme of Arrangement (Scheme) under Sections 391 to 394 read with Section 78 and Section 100 of the Companies Act, 1956 between Life Sciences and Senor, wholly owned subsidiaries of the Company, with the Company, with effect from April 01, 2006, and confirmed the utilisation of Securities Premium Account towards adjustment of the reduction in the carrying value of certain assets. Accordingly, the erstwhile Life Sciences and Senor have amalgamated with the Company with effect from April 1, 2006. All the assets, liabilities and reserves of the erstwhile Life Sciences and Senor, were transferred to and vest with the Company. The Company has since made the necessary filings with the Registrar of Companies, Andhra Pradesh.

b. Life Sciences was engaged in the business of trading in pharmaceuticals, chemicals and solvent products. Senor was engaged in the business of active pharmaceutical ingredients and drug intermediates.

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 reserves of the erstwhile Life Sciences and Senor as at April 1, 2006, have been taken over at their respective book values.

d. Erstwhile Life Sciences and Senor, being Wholly Owned Subsidiaries of the Company, no equity shares were issued by the Company to effect the amalgamation.

e. The difference between the value of the investments and the underlying net assets of the amalgamating companies taken over amounting to Rs.0.7 adjusted against Securities Premium Account as per the scheme during 2006-2007.

6. Utilisation of Securities Premium Account during the financial year 2006-2007

The High Court of Judicature, Andhra Pradesh at Hyderabad vide its Order dated June 21, 2007, has confirmed the utilization of the Securities Premium Account to an extent of Rs.1,795.4 in accordance with the provisions of Section 78 read with Section 100 of the Companies Act, 1956. Details are as under:

Particulars	For the Year Ended March 31, 2007
Certain receivables, loans and advances not recoverable written off	313.2
Product development cost under the head 'Intangible Assets'	536.9
Diminution in value of investments in Chinese subsidiaries	825.3
Reduction in value of fixed assets	120.0
TOTAL	1,795.4

Rs. Millions

7. Investments

The movement in investments during the year

Particulars	2007-2008	2006-2007
Investments made during the year		
Aurobindo Pharma USA Inc.	–	483.6
Aurobindo (H.K.) Limited, Hong Kong	–	12.2
Aurobindo (Datong) Bio-Pharma Company Limited, China	–	499.5
Helix Healthcare B.V., The Netherlands	299.4	151.6
AB Farmo Industria Farmaceutica Ltda, Brazil	–	26.8
APL Research Centre Limited, India	1.0	0.5
APL Healthcare Limited, India	–	0.5
All Pharma (Shanghai) Trading Co. Limited, China	20.5	–
Aurobindo Pharma Produtos Farmaceoticos Ltda, Brazil	2.1	–
APL Holdings (Jersey) Limited, Jersey	12.2	–
National Saving Certificate	–	0.1
1 Year USD Yield enhancement certificate	601.5	–
Investments written off during the year		
Aurobindo Tongling (Datong) Pharmaceutical Company Limited, China	–	1.4
Aurobindo (H.K.) Limited, Hong Kong	–	154.5
Citadel Aurobindo Biotech Limited	–	3.0
Investments adjusted against Securities Premium Account		
Aurobindo (Datong) Bio-Pharma Company Limited, China	–	757.0
Aurobindo Tongling (Datong) Pharmaceutical Company Limited, China	–	68.3
Investment sold during the year		
Aurobindo Tongling (Datong) Pharmaceutical Company Limited, China	84.4	–

8. Gratuity

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days last drawn salary for each completed year of service. The scheme is funded with an insurance company in the form of a qualifying insurance policy.

The following tables summarise the components of net benefit expense recognised in the Profit and Loss Account and the funded status and amounts recognised in the Balance Sheet:

Profit and Loss Account

	2007-2008	2006-2007
Net employee benefit expense (recognised in employee cost)		
Current service cost	13.7	13.8
Interest cost on benefit obligation	4.9	3.7
Expected return on plan assets	(3.4)	(2.4)
Net actuarial (gain)/loss recognised in the year	(2.7)	(2.8)
Past service cost	–	–
Net benefit expense	12.5	12.3
Actual return on plan assets	5.3	3.1

Rs. Millions

Balance Sheet

	2007-2008	2006-2007
Details of Provision for gratuity		
Defined benefit obligation	**75.4**	62.1
Fair value of plan assets	**57.0**	42.2
Net Plan (asset)/liability	**18.4**	19.9

Changes in the present value of the defined benefit obligation for gratuity are as follows:

	2007-2008	2006-2007
Opening defined benefit obligation	**62.1**	49.5
Current service cost	**13.7**	13.8
Interest cost	**5.0**	3.7
Benefits paid	**(4.6)**	(2.7)
Actuarial (gains)/losses on obligation	**(0.8)**	(2.2)
Closing defined benefit obligation	**75.4**	62.1

Changes in the fair value of plan assets

	2007-2008	2006-2007
Opening fair value of plan assets	**42.2**	28.8
Expected return	**3.5**	2.4
Contributions by employer	**14.0**	13.1
Benefits paid	**(4.6)**	(2.7)
Actuarial gains/(losses)	**1.9**	0.6
Closing fair value of plan assets	**57.0**	42.2

The plan assets as a percentage of the fair value of total plan assets

Investments with insurer	100%	100%

The expected rate of return on assets is based on the expectation of the average long term rate of return expected on investments of the fund during the estimated term of the obligations.

The principal assumptions used in determining gratuity obligations for the Company's plans are shown below:

	2007-2008		2006-2007	
Discount rate (p.a.)	**8.40%**		7.70%	
Expected rate of return on assets (p.a.)	**7.50%**		7.50%	
Employee turnover	**Age (years)**	**Rate**	Age (years)	Rate
	21-30	**11%**	21-30	11%
	31-40	**4%**	31-40	4%
	41-57	**1%**	41-57	1%

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

The Company expects to contribute Rs.18.0 to gratuity in 2008-2009.

Rs. Millions

9. Secured Loans

a. Term loans are secured by:

- first charge on the immovable properties both present and future, by equitable mortgage by deposit of title deeds by way of constructive delivery of the Company's lands wherever situated.
- first charge on all the movable assets (save and except book debts), both present and future subject to prior 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.Nil (Rs.802.1).

b. Other working capital loans from banks are secured by:

- first charge by way of hypothecation of all the stocks, book debts and other current assets (both present and future).
- second charge on all the fixed assets of the Company both present and future subject to charges created in favour of term lenders.
- personal guarantees given by the Chairman and the Managing Director of the Company aggregating to Rs.4,275.3 (Rs.5,183.7).

c. Hire purchase loans from banks are secured by hypothecation of the related assets.

10. Unsecured loans

a. Short Term Loan

Short term loans from banks aggregating to Rs.370.9 (Rs.900.0) are personally guaranteed by the Chairman and the Managing Director of the Company.

b. Foreign Currency Convertible Bonds

1. 60,000 Zero Coupon Foreign Currency Convertible Bonds (bonds) due 2010 of USD 1,000 each issued in financial year 2005-06 are:

   i. either convertible by the holders at any time on or after September 20, 2005 but prior to close of business (at the place the bonds are deposited for conversion) on August 8, 2010. Each bond will be converted into 83.12 fully paid up equity share with par value of Rs.5 per share at a fixed price of Rs.522.036 per share at a fixed exchange rate conversion of Rs.43.3925 = USD 1.

   ii. or redeemable in whole but not in part at the option of the Company at any time on or after February 25, 2008 and on or prior to August 1, 2010 as per the terms and conditions of the bonds mentioned in the Offering Circular.

   iii. redeemable on maturity date at 139.954% of its principal amount if not redeemed or converted earlier.

   iv. in the opinion of the Company, bonds are convertible into equity shares, the creation of Debenture Redemption Reserve is not required.

   v. out of the above 4,500 bonds of USD 1,000 each were converted into 374,046 equity shares of Rs.5 each at premium of Rs.517.036 during the year, and the total FCCB bonds outstanding as at March 31, 2008 are 55,500.

2. During the financial year 2006-07, the Company has issued 150,000 Zero Coupon Foreign Currency Convertible Bonds due 2011 (Tranche A Bonds) of USD 1,000 each and 50,000 Forward Conversion Convertible Bonds due 2011 (Tranche B Bonds) of USD 1000 each, which are:

   i. either convertible by the Tranche A bondholders at any time on or after June 27, 2006 but prior to close of business (at the place the bonds are deposited for conversion) on May 10, 2011 and by the Tranche B bondholders at any time on or after May 17, 2007 (Conversion price setting date) but prior to close of business (at the place the bonds are deposited for conversion) on May 10, 2011. Each Tranche A bond will be converted into 44.52 fully paid up equity share with par value of Rs.5 per share at a fixed price of Rs.1,014.06 per share at a fixed exchange rate conversion of Rs.45.145 = USD 1. Each Tranche B bond will be converted into share of Rs.5 per share at an initial conversion price to be determined on Conversion Price Setting Date with a fixed rate of exchange on conversion of Rs.45.145 = USD 1.

   ii. or redeemable by the Company in respect of Tranche A bonds at the relevant Accreted Principal Amount, in whole but not in part at any time on or after November 16, 2008 and on or prior to May 10, 2011 and in respect of Tranche B bonds at the relevant Accreted Principal Amount, in whole but not in part at any time on or after May 17, 2009 and on or prior to May 10, 2011 as per the terms and conditions of the bonds mentioned in the Offering Circular.

Rs. Millions

iii. redeemable at 146.285% of its principal amount on maturity date in respect of Tranche A bonds and at 146.991% of its principal amount on maturity date in respect of Tranche B bonds if not redeemed or converted earlier.

iv. in the opinion of the Company, bonds are convertible into equity shares, the creation of Debenture Redemption Reserve is not required.

3. The details of utilization of USD 260 million Foreign Currency Convertible Bonds are as under:

Particulars	2007-2008	2006-2007
Opening balance with banks	**4,716.3**	948.3
Issue proceeds	**–**	8,929.0
Less: Utilised for Investments*	**2,475.4**	5,161.0
Balance with banks and under deposits	**2,240.9**	4,716.3

*includes foreign currency translation and current investment in one year USD Yield enhancement certificate included in Schedule 8.

11. Expenditure during construction period

Particulars	2007-2008	2006-2007
Balance brought forward	**11.2**	11.2
Add: Expenditure incurred during construction period*	**17.1**	11.9
	28.3	23.1
Less: Consumption of intermediates (trial run)	**7.8**	11.9
Balance carried forward	**20.5**	11.2

* includes trial run expenditure of Rs.9.3 (Rs.11.9)

12. Sundry Debtors include dues from companies under the same management

Name of the Company	As at March 31, 2008	As at March 31, 2007
Aurobindo (Datong) Bio-Pharma Company Limited, China	**–**	5.6
Aurobindo Pharma USA Inc., U.S.A.	**1,379.4**	582.2
APL Pharma Thai Limited, Thailand	**68.6**	318.1
AB Farmo Industria Farmaceutica Ltda, Brazil	**398.4**	455.0
ZAO Aurobindo Pharma, Russia	**35.6**	1.8
Auro Pharma Inc, Canada	**0.1**	2.3
Aurex Generics Limited, U.K.	**70.3**	100.0
Cephazone Pharma LLC, U.S.A.	**74.8**	4.6
Pravesha Industries Private Limited, India	**1.5**	1.3
Trident Life Sciences Limited, India	**15.1**	4.9
Aurobindo Pharma (Pty) Limited, South Africa	**27.0**	–
APL IP Company Limited, Jersey	**678.6**	–

Rs. Millions

13. Cash & Bank balances include

Balances with Non-Scheduled banks on current accounts	Closing Balance as at March 31 2008	2007	Maximum outstanding at any time during the year ended March 31 2008	2007
Vietcom Bank, Vietnam	**0.2**	0.2	**1.1**	0.4
Commerce Bank, U.S.A.	**–**	–	**–**	6.1
Wells Fargo Bank, U.S.A.	**0.1**	0.1	**0.1**	0.1
Wegagen Bank Share Company, Ethiopia	**2.3**	0.8	**2.3**	3.7
UBS AG, London	**9.4**	48.0	**211.0**	138.8
TOTAL	**12.0**	49.1		

14. Loans and Advances include

Dues from companies under the same management	Closing Balance as at March 31 2008	2007	Maximum outstanding at any time during the year ended March 31 2008	2007
Subsidiaries				
Aurobindo (Datong) Bio-Pharma Company Limited, China	**1,306.1**	1,415.5	**1,415.6**	1,537.9
Aurobindo Pharma USA Inc., U.S.A.	**1,153.9**	1,250.5	**1,250.5**	1,250.6
Aurobindo Tongling (Datong) Pharmaceutical Company Limited, China#	**–**	84.4	**84.3**	197.4
AB Farmo Industria Farmaceutica Ltda, Brazil	**8.0**	8.7	**8.7**	8.9
Helix Healthcare B.V., The Netherlands	**649.4**	630.6	**649.4**	638.1
APL Research Centre Limited, India	**0.1**	1.2	**1.2**	1.2
APL Healthcare Limited, India	**24.5**	24.5	**24.5**	24.5
Total	**3,142.0**	3,415.4		

not a subsidiary during the year.

15. Sundry Creditors

a. In respect of the amounts mentioned under Section 205C of the Companies Act, 1956 no dues are to be credited to the Investor Education and Protection Fund as at March 31, 2008.

b. The Company has accrued interest of Rs.1.6 (Rs.0.3) on principal amount of Rs.22.4 overdue to Micro, Small and Medium enterprises to the extent identified and the unpaid amount as at year end is Rs.1.9 (Rs.0.3).

16. Export Incentives

Sales include export incentives on account of various schemes amounting to Rs.164.0 (Rs.86.3).

Rs. Millions

17. Research and Development Expenses

Details of Research and Development Expenses incurred during the year, debited under various heads of Profit and Loss Account:

Particulars	2007-2008	2006-2007
Materials consumed	**403.9**	250.7
Power and Fuel	**14.8**	17.3
Personnel costs	**286.7**	222.2
Others	**421.9**	322.0
TOTAL	**1,127.3**	812.2
Less: Transferred to Intangible assets	**–**	273.4
	1,127.3	538.8

18. Remuneration to Directors (included in Schedule 19)

Particulars	2007-2008	2006-2007
Salary	**25.0**	22.0
Contribution to Provident Fund	**0.1**	0.1
Perquisites	**3.9**	3.7
	29.0	25.8

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 (including service tax where applicable)

Particulars	2007-2008	2006-2007
Statutory audit	**5.0**	4.8
Other audit services	**0.9**	0.9
Certification charges	**0.1**	0.2
Reimbursement of out of pocket expenses	**0.1**	0.1
	6.1	6.0

Note: Remuneration towards other audit services in the previous year of Rs.2.0 is charged to Securities Premium Account being in the nature of expenses incurred for issue of Foreign Currency Convertible Bonds.

20. Donation to political parties (included in Schedule 20)

Particulars	2007-2008	2006-2007
Andhra Pradesh Congress Committee	**–**	0.5
Communist Party of India (Marxist)	**0.3**	0.2
Communist Party of India	**0.1**	0.1
	0.4	0.8

21. Miscellaneous Expenses under Schedule 20 include an amount of Rs.Nil (Rs.59.4) incurred towards claim for invocation of corporate guarantee given to a bank on behalf of erstwhile joint venture.

Rs. Millions

22. Earnings per Share

Earnings per Share is computed based on the following:

Particulars	2007-2008	2006-2007
Profit after Taxation considered for calculation of basic and diluted Earnings per Share Rs.	**2,907.8**	2,290.8
Weighted average number of Equity Shares considered for calculation of basic Earnings per Share	**53,638,611**	53,302,309
Add: Effect of dilution on account of Foreign Currency Convertible Bonds into shares	**13,858,708**	13,067,574
Add: Effect of dilution on account of Employee Stock Options granted	**9,109**	11,353
Weighted average number of Equity Shares considered for calculation of diluted Earnings per Share	**67,506,428**	66,381,236

23. Related Party Disclosures

a. Names of related parties and description of relationship

Subsidiaries

APL Pharma Thai Limited, Thailand
ALL Pharma (Shanghai) Trading Company Limited
(Formerly Aurobindo (Shanghai) Trading Co. Limited, China
AB Farmo Industria Farmaceutica Ltda, Brazil (formerly AB Farmo Quimica Ltda)
Aurobindo (Datong) Bio-Pharma Company Limited, China
Helix Healthcare B.V., The Netherlands
APL Holdings (Jersey) Limited, Jersey
Aurobindo Pharma Produtos Farmaceuticos Limitada
APL Research Centre Limited, India
APL Healthcare Limited, India
Aurobindo Pharma USA Inc.
Auro Pharma Inc., Canada
Aurobindo Pharma (Australia) Pty Limited, Australia
Aurobindo Switzerland AG, Switzerland
Agile Pharma B.V., The Netherlands
Pharmacin International B.V., The Netherlands
Pharmacin Products B.V., The Netherlands
Pharmacin B.V., The Netherlands
Aurex Generics Limited, U.K.
Milpharm Limited, U.K.
Aurobindo Pharma Hungary Kereskedelmi, KFT, Hungary
Auro Healthcare (Nigeria) Limited, Nigeria
ZAO Aurobindo Pharma, Russia
Aurobindo Pharma PTY Limited, South Africa
Aurobindo Pharma Japan KK, Japan
Laboratorios Aurobindo Sociedad Limitada, Spain
Agile Malta Holdings Limited, Malta
Aurobindo Pharma (Ireland) Limited
Aurobindo Pharma (Italia) S.r.l., Italy
Agile Pharma (Malta) Limited, Malta
Aurobindo Pharma (Malta) Limited, Malta
APL IP Company Limited, Jersey
APL Swift Services (Malta) Limited

Rs. Millions

Joint Ventures
Aurosal Pharmaceuticals LLC, U.S.A. (Joint venture of a subsidiary)
Cephazone Pharma LLC, U.S.A. (Joint venture of a subsidiary)

Enterprises over which significant influence exists
Pravesha Industries (Private) Limited, India (formerly Pravesha Machine Works (Private) Limited)
Trident Life Sciences Limited, India
Sri Sai Packaging, India
Trident Chemphar Limited, India

Key Management Personnel
Mr. P.V. Ramprasad Reddy, Chairman
Mr. K. Nithyananda Reddy, Managing Director
Dr. M. Sivakumaran, Wholetime Director
Mr. B. Sivaprasad Reddy, Non-executive Director[1]
Mr. M. Madan Mohan Reddy, Wholetime Director
Mr. Lanka Srinivas, Non-executive Director[2]

Key Management Person Relative
Mrs. P. Suneela Rani (Wife of Mr. P.V. Ramprasad Reddy, Chairman)
Mrs. K. Rajeswari (Wife of Mr. K. Nithyananda Reddy, Managing director)
Mrs. B. Shilpa (Daughter of Mr. B. Sivaprasad Reddy, Wholetime Director)
Mrs. Shilpa Sivakumaran (Daughter of Dr. M. Sivakumaran, Wholetime Director)
Mr. P. Sarath Chandra Reddy (Son of Mr. P.V. Ramprasad Reddy, Chairman)[3]
Mr. P. Rohit Reddy (Son of Mr. P.V. Ramprasad Reddy, Chairman)
Ms. Kirthi Reddy (Daughter of Mr. K. Nithyananda Reddy, Managing Director)
Mr. K. Suryaprakash Reddy (Brother of Mr. K. Nithyananda Reddy, Managing Director)
Mr. K. Prasad Reddy (Brother of Mr. K. Nithyananda Reddy, Managing Director)

1 Wholetime Director upto July 1, 2007 and resigned from directorship w.e.f. September 27, 2007
2 Resigned from directorship w.e.f. October 17, 2007
3 Appointed as Non-executive Director w.e.f. September 27, 2007

b. The Company had the following transactions with related parties during the year:

	2007-2008	2006-2007
i. Subsidiaries		
APL Pharma Thai Limited, Thailand		
Sale of Goods	**282.1**	546.0
Dividend received	**0.8**	0.8
Guarantees and collaterals	**–**	4.6
AB Farmo Industria Farmaceutica Ltda, Brazil		
Sale of Goods	**325.3**	621.7
Interest received	**1.1**	1.2
Finance (including loans and equity contribution in cash or in kind)	**–**	26.8
Aurobindo (Datong) Bio-Pharma Company Limited, China		
Purchase of goods	**2,479.4**	1,465.1
Sale of goods	**5.3**	5.8
Interest received	**80.8**	89.3
Finance (including loans and equity contribution in cash or in kind)	**–**	839.7
Investment adjusted against Securities Premium Account	**–**	757.0

Rs. Millions

	2007-2008	2006-2007
Aurobindo Pharma USA Inc.		
Sale of goods	**2,275.6**	1,400.6
Product development expenses incurred on behalf of APL	**–**	28.9
Finance (including loans and equity contribution in cash or in kind)	**–**	1,553.9
Interest received	**75.1**	47.0
Reimbursement of expenses	**24.2**	–
Helix Healthcare B.V., The Netherlands		
Interest received	**41.5**	28.3
Finance (including loans and equity contribution in cash or in kind)	**330.9**	386.6
Aurex Generics Limited, U.K.		
Sale of goods	**144.2**	104.4
ZAO Aurobindo Pharma Limited		
Sale of goods	**33.9**	10.6
Auro Pharma Inc., Canada		
Sale of goods	**17.2**	22.7
APL Research Centre Limited, India		
Finance (including loans and equity contribution in cash or in kind)	**1.0**	1.7
Receipt against loan given	**1.2**	–
APL Healthcare Limited, India		
Finance (including loans and equity contribution in cash or in kind)	**–**	25.0
ALL Pharma (Shanghai) Trading Co. Limited, China		
Purchase of goods	**0.1**	–
Finance (including loans and equity contribution in cash or in kind)	**20.5**	–
Aurobindo Pharma Produtos Farmaceuticos		
Finance (including loans and equity contribution in cash or in kind)	**2.1**	–
APL Holdings (Jersey) Limited, Jersey		
Finance (including loans and equity contribution in cash or in kind)	**12.2**	–
APL IP Company Limited, Jersey		
Sale of Dossiers	**485.6**	–
Reimbursement of expenses	**136.3**	–
Aurobindo Pharma (PTY) Limited, South Africa		
Sale of goods	**33.8**	–
Pharmacin B.V., The Netherlands		
Sale of goods	**1.5**	–
Milpharm Limited, U.K.		
Sale of goods	**123.7**	–
Purchase of goods	**10.4**	–
ii. Enterprises over which company has significant influence exists		
Pravesha Industries (Private) Limited		
Purchase of goods	**381.9**	185.1
Sale of goods	**2.3**	10.5
Trident Life Sciences Limited		
Services Received	**208.3**	102.4
Sale of Goods	**2.3**	0.1
Rent paid	**4.2**	2.6
Sale of fixed assets	**13.1**	26.0
Advance transferred	**–**	3.9
Sri Sai Packaging		
Purchase of goods	**4.2**	1.7
Sale of goods	**0.1**	0.1

Rs. Millions

	2007-2008	2006-2007
Trident Chemphar Limited		
Purchase of goods	**115.7**	–
Sale of goods	**46.0**	–
Other services	**2.0**	–
iii. Joint Ventures		
Cephazone Pharma LLC, U.S.A.		
Sale of goods	**73.1**	2.3
iv. Key Management Personnel		
Mr. P. V. Ramprasad Reddy		
Managerial Remuneration	**6.9**	5.9
Proposed Dividend	**51.0**	39.2
Guarantees and Collaterals	**4,646.3**	6,885.8
Mr. K. Nithyananda Reddy		
Managerial Remuneration	**6.9**	5.9
Proposed Dividend	**12.2**	9.4
Guarantees and Collaterals	**4,646.3**	6,885.8
Dr. M. Sivakumaran		
Managerial Remuneration	**6.9**	5.9
Proposed Dividend	**4.8**	3.7
Mr. B. Sivaprasad Reddy		
Managerial Remuneration	**1.5**	4.1
Proposed Dividend	**0.1**	0.1
Mr. M. Madan Mohan Reddy		
Managerial Remuneration	**6.6**	4.1
Proposed Dividend	**0.1**	0.1
Mr. Lanka Srinivas		
Sitting Fees	**0.1**	0.1
Professional Fees	**2.0**	3.6
Proposed Dividend	**0.1**	0.1
v. Relatives of Key Management Personnel		
Mrs. P. Suneela Rani		
Proposed Dividend	**19.4**	14.9
Mrs. K. Rajeswari (Partner Sri Sai Packaging)		
Proposed Dividend	**7.9**	6.1
Mrs. B. Shilpa		
Salary	**–**	0.2
Proposed Dividend	**0.1**	0.1
Mrs. Shilpa Sivakumaran		
Salary	**–**	0.7
Mr. P. Sarath Chandra Reddy		
Proposed Dividend	**0.1**	0.1
Mr. P. Rohit Reddy		
Proposed Dividend	**1.2**	0.9
Mr. K. Suryaprakash Reddy		
Proposed Dividend	**0.1**	0.1
Mr. K. Prasad Reddy		
Proposed Dividend	**0.1**	0.1
Ms. Kirthi Reddy		
Salary	**0.1**	–

Rs. Millions

c. **Balance outstanding debit/(credit) as at**

	March 31, 2008	March 31, 2007
APL Pharma Thai Limited, Thailand	**68.6**	326.6
AB Farmo Industria Farmaceutica Ltda, Brazil	**411.9**	490.7
Aurobindo (Datong) Bio-Pharma Company Limited, China	**1,025.3**	1,198.0
Helix Healthcare B.V., The Netherlands	**702.1**	662.0
Cephazone Pharma LLC, U.S.A.	**74.8**	4.5
Pravesha Industries (Private) Limited, India	**(33.0)**	(20.9)
Aurobindo Pharma USA Inc.	**2,568.1**	1,889.8
Aurex Generics Limited, U.S.A.	**70.3**	100.7
Trident Life Sciences Limited, India	**23.9**	(35.2)
Sri Sai Packaging, India	**(0.1)**	(0.3)
Trident Chemphar Limited	**(59.1)**	–
ZAO Aurobindo Pharma	**35.6**	1.9
Auro Pharma Inc., Canada	**0.1**	2.0
APL Research Centre Limited, India	**0.1**	1.2
APL Healthcare Limited, India	**24.5**	24.5
All Pharma (Shanghai) Trading Co. Limited	**(2.2)**	–
Milpharm Limited, U.K.	**110.5**	–
Pharmacin B.V., The Netherlands	**0.3**	–
Aurobindo Pharma PTY Limited, South Africa	**27.0**	–
APL IP Company Limited	**678.6**	–

d. **Disclosures required as per Clause 32 of Listing Agreement**

i. **Loans and Advances in the nature of loans to subsidiaries and associates**

	Closing Balance as at March 31		Maximum outstanding at any time during the year ended March 31	
Names of the Company	**2008**	2007	**2008**	2007
Subsidiaries				
Aurobindo (Datong) Bio-Pharma Company Limited, China	**1,306.1**	1,415.6	**1,415.6**	1,538.0
Aurobindo Pharma USA Inc.	**1,153.9**	1,250.6	**1,250.6**	1,250.6
AB Farmo Industria Farmaceutica Ltda, Brazil	**8.0**	8.7	**8.7**	8.9
Helix Healthcare B.V., The Netherlands	**649.4**	630.6	**649.4**	638.1
APL Research Centre Limited, India	**0.1**	1.2	**1.2**	1.2
APL Healthcare Limited, India	**24.5**	24.5	**24.5**	24.5

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

a. **Operating Lease**

Operating leases are mainly in the nature of lease of office premises with no restrictions and are renewable/cancelable at mutual consent. There is no escalation clause in the lease agreement. There are no restrictions imposed by lease arrangements. There are no sub-leases.

Rs. Millions

b. Finance Lease

i. Building includes factory buildings acquired on finance lease. The agreement is silent on renewal terms and transfer of legal title at the end of lease term.

ii. The lease agreement did not specify minimum lease payments over the future period. The factory building is acquired on lease at a consideration of Rs.64.7 (Rs.64.7).

iii. The net carrying amount of the buildings obtained on finance lease Rs.53.4 (Rs.56.0).

iv. The Company has not recognised any contingent rent as expense in the statement of Profit and Loss Account.

v. There is no escalation clause in the lease agreement. There are no restrictions imposed by lease arrangements. There are no sub-leases.

25. Disclosure regarding Derivative Instruments

a. Following are the forward contracts outstanding as at March 31, 2008:

Sell US$ 42.3 million	Hedge of debtors collections.
US$ 5.0 million	Hedge of unutilised proceeds from Foreign Currency Convertible Bonds lying under bank deposits.

b. Particulars of unhedged foreign currency exposure are detailed below at the exchange rate prevailing as at the Balance Sheet date:

Particulars	**March 31, 2008**	March 31, 2007
Loan availed	**(5,298.1)**	(2,337.8)
Sundry debtors	**3,696.9**	4,056.8
Loans and advances	**3,732.0**	3,575.6
Sundry creditors	**(2,723.7)**	(1,814.5)
Foreign Currency Convertible Bonds	**(10,245.5)**	(11,299.6)
Investments	**2,888.7**	2,037.5
Bank balances	**2,157.0**	4,736.9

26. In accordance with para 10 of Notified Accounting Standard 9 on Revenue Recognition, excise duty on sales amounting to Rs.1,163.9 (Rs.1,011.5) has been reduced from sales in Profit and Loss Account and excise duty on increase/decrease in stock amounting to Rs.35.1 (Rs.19.4) has been considered as income in Schedule 16 of the financial statements.

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

27. Installed Capacity and Actual Production

Category	Unit of Measurement	Installed Capacity **2007-2008**	Installed Capacity 2006-2007	Actual Production **2007-2008**	Actual Production 2006-2007
Bulk Drugs and Drug Intermediates	Tonnes	**15,344**	15,266	**8,706**	8,637
Formulations					
Tablets & Capsules	Nos. (in lakhs)	**88,112**	31,540	**33,208**	17,695
Injectibles	Nos.	**55,980,000**	46,460,000	**18,653,627**	15,550,304
Syrups	Nos.	**47,800,000**	47,400,000	**4,604,674**	5,049,508

Notes

a. 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 October 25, 1994 issued by the Government of India.

b. The capacity mentioned above is annual capacity based on maximum utilisation of plant and machinery. Based on product mix the quantity of installed capacity may vary.

c. The annual installed capacities are as certified by management and not verified by the Auditors, being a technical matter.

d. Production includes quantities processed by loan licensees.

Rs. Millions

28. 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.	Qty.	Rs.
Bulk & Intermediates								
Manufactured	Tonnes	133	241.2	58	142.2	3,689	5,092	14,386.2
		(104)	(121.8)	(133)	(241.2)	(3,444)	(5,164)	(13,129.7)
Traded	Tonnes	0.70	1.8	0.20	0.1	Nil	350.28	136.9
		(4.0)	(4.1)	(0.70)	(1.8)	(5.7)	(12,500.0)	(542.3)
Others								502.4
								(396.7)
Formulations: Manufactured								
Tablets & Capsules	Nos. (in Lakhs)	1,023	153.9	1,177	152.4	17	33,037	7,740.6
		(458)	(87.9)	(1,023)	(153.9)	(428)	(16,702)	(4,915.6)
Injections	Nos.	646,514	8.1	2,484,299	32.8	516,633	16,299,209	376.0
		(522,128)	(6.2)	(646,514)	(8.1)	(190,560)	(152,235,358)	(400.5)
Syrups	Nos.	297,094	13.3	519,986	11.5	44,749	4,337,033	299.4
		(247,508)	(9.1)	(297,094)	(13.3)	(65,111)	(4,934,811)	(330.6)
Others								69.6
								(81.8)
Formulations: Traded								
Tablets & Capsules	Nos.	Nil	Nil	Nil	Nil	Nil	Nil	Nil
		(39,970)	(0.1)	(–)	(–)	(38,071)	(1,899)	(0.0)
Total			418.3		339.0			23,511.2
			(229.2)		(418.3)			(19,797.2)

Note: a. Closing stock quantities are after adjustment of samples, transit claims/losses etc.

b. Figures in brackets represent previous year figures.

c. Quantitative information with respect to formulation products are stated in Nos. in which they are normally dealt and consist of various strengths.

29. Purchase of Finished Goods

Caregory	Unit of Measurement	**2007-2008**		2006-2007	
		Qty.	**Rs.**	Qty.	Rs.
Bulk Drugs and Drug Intermediates	Tonnes	**349.78**	**117.9**	12,502.11	480.7

Rs. Millions

30. Raw Material Consumed

Name of Material	Unit of Measurement	2007-2008 Qty.	2007-2008 Rs.	2006-2007 Qty.	2006-2007 Rs.
6APA	Tonnes	**1709.488**	**2,449.9**	1368.736	1,521.4
7 ACA	Tonnes	**271.659**	**1,132.6**	272.967	1,035.8
Pencillin G Potassium	Bou's	**1926.040**	**926.3**	3775.522	1,270.2
Beta - Thymidine	Tonnes	**103.951**	**448.1**	140.664	849.6
GCLE	Tonnes	**88.818**	**436.8**	114.159	558.6
PHPG Base	Tonnes	**858.001**	**323.7**	1037.000	441.9
PG Base	Tonnes	**567.900**	**135.1**	603.201	160.1
Pen G Sulphoxide	Tonnes	**–**	**–**	292.085	153.4
Others			**7,190.2**		5,492.4
TOTAL			**13,042.7**		11,483.4

Note: The consumption figures are ascertained on the basis of opening stock plus purchases less closing stock.

31. Consumption of Raw Materials & Stores and Spares

	2007-2008 %	2007-2008 Rs.	2006-2007 %	2006-2007 Rs.
Raw Materials				
Imported	**73**	**9,519.5**	79	9,016.8
Indigenous	**27**	**3,523.2**	21	2,466.6
TOTAL	**100**	**13,042.7**	100	11,483.4
Stores & Spares				
Imported	**3**	**9.5**	2	4.9
Indigenous	**97**	**306.0**	98	271.4
TOTAL	**100**	**315.5**	100	276.3

32. Value of imports calculated on CIF Basis

	2007-2008	2006-2007
Raw Materials	**9,945.2**	9,292.0
Packing Materials	**116.6**	104.2
Capital Goods	**193.8**	381.8
Stores, Spares and Consumables	**121.6**	91.7
TOTAL	**10,377.2**	9,869.7

Rs. Millions

33. Expenditure in foreign currency (Cash basis)

	2007-2008	2006-2007
Travelling	**3.3**	11.3
Commission on Sales	**119.4**	95.0
Product Registration and Filing Fee	**307.1**	86.3
Overseas Office Expenses	**10.8**	23.7
Professional & Consultancy Charges	**122.8**	79.1
Interest	**99.5**	80.8
Others	**35.8**	144.4
TOTAL	**698.7**	520.6

34. Earnings in foreign exchange (Accrual basis)

	2007-2008	2006-2007
Exports on F.O.B. Basis	**13,395.0**	10,968.3
Interest	**400.5**	531.1
Dividend	**0.8**	0.8
Sale of dossiers	**581.6**	112.7
TOTAL	**14,377.9**	11,612.9

35. Segment information is presented on the basis of the consolidated financial statements of the Company.

36. The figures of the previous year have been re-grouped/rearranged, wherever necessary to conform to those of current year.

SIGNATURES TO SCHEDULES 1 TO 22

In terms of our report of even date.

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

Per
RAHUL ROY
Partner
Membership No. 53956

Kolkata, June 18, 2008.

For and on behalf of the Board of Directors

K. NITHYANANDA REDDY
Managing Director

SUDHIR B. SINGHI
Chief Financial Officer

A. MOHAN RAMI REDDY
Company Secretary

Dr. M. SIVAKUMARAN
Director

Hyderabad, June 18, 2008.

Balance Sheet Abstract and Company Business Profile

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

I. Registration Details

Registration No. 15190 State Code 01

Corporate Identification No. L24239AP1986PLC015190

Balance Sheet Date 31 03 2008

Date Month Year

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

Public Issue	Rights Issue	Bonus Issue	Private Placement
NIL	NIL	NIL	2083

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

Total Liabilities	Total Assets
30487018	30487018

Sources of Funds

Paid-up Capital	Reserves & Surplus	Secured Loans	Unsecured Loans
268826	11937159	5818651	11737802

Application of Funds

Net Fixed Assets	Investments	Net Current Assets	Deferred Tax Liabilities
9517683	2879580	18089755	724580

IV. Performance of Company (Rs. in Thousands)

Turnover & Other Income	Total Expenditure	Profit before Tax	Profit after Tax
23528014	20079593	3448421	2907778

Earnings per Share (Rs.)	Dividend Rate (%)
54.21	65

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

Item Code No.	Product Description
2941.10	Amoxycillin Trihydrate
2941.90	Cephalexin
2941.90	Ceftriaxone Sterile

For and on behalf of the Board of Directors

K. NITHYANANDA REDDY
Managing Director

SUDHIR B. SINGHI
Chief Financial Officer

A. MOHAN RAMI REDDY
Company Secretary

Dr. M. SIVAKUMARAN
Director

Hyderabad, June 18, 2008.

Statement pursuant to exemption received under Section 212 (8) of the Companies Act, 1956 relating to subsidiary companies

Rs. Millions

Particulars	Reporting currency	Exchange rate	Capital	Reserves	Total assets	Total liabilities	Investments other than investment in subsidiary	Turnover	Profit Before Taxation	Provision for Taxation	Profit After Taxation	Country
APL Pharma Thai Limited[a]	THB	1.28	5.1	56.0	129.5	68.4	–	392.3	2.8	4.4	(1.6)	Thailand
Aurobindo Pharma USA Inc.	USD	40.10	681.7	(37.6)	2,970.1	2,447.3	121.3	2,307.7	(89.3)	–	(89.3)	U.S.A.
AB Farmo Industria Farmaceutica Ltda[a]	Reais	22.94	78.4	74.7	724.7	571.6	–	606.8	7.1	–	7.1	Brazil
Aurobindo (Datong) Bio–Pharma Co. Limited[a]	RMB	5.73	1,524.2	(341.0)	4,236.7	3,053.5	–	2,963.0	295.4	–	295.4	China
Helix Healthcare B.V.	EURO	63.18	661.8	(16.0)	1,346.5	700.7	–	–	(8.9)	–	(8.9)	The Netherlands
Agile Pharma B.V.	EURO	63.18	261.5	(21.8)	520.4	280.7	–	–	(16.8)	–	(16.8)	The Netherlands
Pharmacin International B.V.	EURO	63.18	1.2	11.0	12.7	0.5	–	–	(1.5)	0.5	(2.0)	The Netherlands
Pharmacin Products B.V.	EURO	63.18	–	–	–	–	–	–	–	–	–	The Netherlands
Pharmacin B.V.	EURO	63.18	1.1	–	137.1	136.0	–	483.0	(4.8)	(1.2)	(3.6)	The Netherlands
Auro Pharma Inc.	CND	39.11	29.0	(19.2)	10.5	0.7	–	21.2	(14.7)	–	(14.7)	Canada
Aurobindo Pharma (Australia) Pty Limited	AUD	36.64	2.9	(2.2)	0.7	–	–	–	(1.4)	–	(1.4)	Australia
Aurobindo Switzerland AG	CHF	40.32	4.0	(12.4)	0.5	8.9	–	–	(8.9)	–	(8.9)	Switzerland
Aurex Generics Limited	GBP	79.55	132.8	21.8	535.2	380.6	–	198.8	(10.2)	(3.0)	(7.2)	U.K.
Milpharm Limited	GBP	79.55	65.4	96.1	814.5	653.0	–	1,046.8	(24.8)	(5.3)	(19.5)	U.K.
Aurobindo Pharma (Pty) Limited	ZAR	4.94	110.0	(38.2)	86.8	15.0	–	22.4	(20.2)	–	(20.2)	South Africa
Aurobindo Pharma Hungary, KFT	HUF	0.25	3.5	(1.7)	2.4	0.6	–	–	(1.0)	–	(1.0)	Hungary
Auro Healthcare (Nigeria) Limited	Naira (NGN)	0.35	2.5	–	2.8	0.3	–	–	–	–	–	Nigeria
ZAO Aurobindo Pharma[a]	Rubles	1.70	5.8	(28.9)	165.7	188.8	–	27.7	(14.3)	–	(14.3)	Russia
Aurobindo Pharma Produtos Farmaceuticos Ltda[a]	Reais	22.94	2.3	(17.0)	12.9	27.6	–	–	(17.0)	–	(17.0)	Brazil

(Contd...)

Statement pursuant to exemption received under Section 212 (8) of the Companies Act, 1956 relating to subsidiary companies

Rs. Millions

Particulars	Reporting currency	Exchange rate	Capital	Reserves	Total assets	Total liabilities	Investments other than investment in subsidiary	Turnover	Profit Before Taxation	Provision for Taxation	Profit After Taxation	Country
All Pharma (Shanghai) Trading Co. Limited[a]	RMB	5.73	22.0	(2.5)	20.1	0.6	–	10.3	(2.5)	–	(2.5)	China
APL Holdings (Jersey) Limited	EURO	63.18	13.3	(0.6)	13.4	0.7	–	–	(0.6)	–	(0.6)	Jersey
APL IP Company Limited	EURO	63.18	6.7	1.6	713.3	705.0	–	–	1.6	–	1.6	Jersey
Aurobindo Pharma Japan KK[a]	JPY	0.40	12.0	(4.9)	7.6	0.5	–	–	(4.8)	–	(4.8)	Japan
Agile Malta Holdings Limited	EURO	63.18	121.3	(0.3)	152.8	31.8	–	–	(0.3)	–	(0.3)	Malta
Aurobindo Pharma (Malta) Limited	EURO	63.18	119.1	(47.7)	103.8	32.4	–	–	(47.7)	–	(47.7)	Malta
APL Swift Services (Malta) Limited	EURO	63.18	0.3	(0.3)	0.3	0.3	–	–	(0.3)	–	(0.3)	Malta
Agile Pharma (Malta) Limited	EURO	63.18	0.3	(0.3)	0.3	0.3	–	–	(0.3)	–	(0.3)	Malta
Laboratorios Aurobindo Sociedad Limitada	EURO	63.18	0.7	(0.3)	0.7	0.3	–	–	(0.3)	–	(0.3)	Spain
Aurobindo Pharma (Ireland) Limited	EURO	63.18	–	–	–	–	–	–	–	–	–	Ireland
Aurobindo Pharma (Italia) S.r.l.	EURO	63.18	46.1	(0.1)	46.7	0.7	–	–	(0.1)	–	(0.1)	Italy
APL Research Centre Limited	INR	–	1.5	–	1.6	0.1	–	–	–	–	–	India
APL Healthcare Limited	INR	–	25.0	–	25.0	–	–	–	–	–	–	India

Notes

1. As required under para (iii) of the approval Letter No. 47/230/2008-CL-III dated April 29, 2008, issued by the Ministry of the Company Affairs, Indian rupee equivalents of the figures given in foreign currencies in the accounts of the subsidiary companies, have been reported based on the prevailing exchange rates as on March 31, 2008.
2. None of the subsidiaries have proposed dividend during the year. However, APL Pharma Thai Limited has paid an amount of Rs.0.8 as dividend during the year.
3. During the year Pharmacin Products B.V. merged with Pharmacin B.V.

[a] The financial year of these companies ends on December 31. However, the results given are as of March 31, 2008.

For and on behalf of the Board of Directors

K. NITHYANANDA REDDY
Managing Director

SUDHIR B. SINGHI
Chief Financial Officer

A. MOHAN RAMI REDDY
Company Secretary

Dr. M. SIVAKUMARAN
Director

Hyderabad, June 18, 2008.

Consolidated Auditors' Report

The Board of Directors,
Aurobindo Pharma Limited

1. We have audited the attached Consolidated Balance Sheet of Aurobindo Pharma Limited and its subsidiaries and joint ventures ("Group"), as at March 31, 2008 and the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date and annexed thereto. These financial statements are the responsibility of the management of Aurobindo Pharma Limited and have been prepared by the management on the basis of separate financial statements and other financial information regarding components. Our responsibility is to express an opinion on these financial statements based on our audit.

2. We conducted our audit in accordance with 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 statements. We believe that our audit provides a reasonable basis for our opinion.

3. We did not audit the financial statements of certain subsidiaries and joint ventures, whose financial statements reflect total assets of Rs.11,669,338,410 as at March 31, 2008, the total revenue of Rs.8,256,749,562 and total net cash outflows amounting to Rs.377,934,447 for the year then ended. These financial statements and other financial information have been audited by other auditors whose reports have been furnished to us, and our opinion is based solely on the report of other auditors.

4. We report that the consolidated financial statements have been prepared by the management of Aurobindo Pharma Limited in accordance with the requirements of Accounting Standards (AS) 21, 'Consolidated Financial Statements' and AS 27, 'Financial Reporting of Interests in Joint Ventures' notified by Companies Accounting Standards Rules, 2006.

5. Without qualifying our opinion, we draw attention to Note 4(g) and Note 4(h) of Schedule 20 to the Consolidated Financial Statements. Management is of the view that the liability to pay premium on redemption if any, of Foreign Currency Convertible Bonds is contingent. As the ultimate outcome of the matter cannot be presently determined and no provision has been made for liability if any, that may arise on resolution of the contingency.

6. *Attention is drawn to Note 2 on Schedule 20 regarding non-conformity with AS 22 "Accounting for Taxes on Income" notified by Companies Accounting Standards Rules, 2006, 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; this has also resulted in issuance of a qualified opinion on the consolidated financial statements for the year ended March 31, 2007.*

7. *The Auditors' of Pharmacin International B.V., Pharmacin Products B.V. and Pharmacin B.V., ultimate subsidiaries of the Company, whose financial statements as at March 31, 2008 reflect assets of Rs.195,093,136 and liabilities of Rs.181,842,238 has issued a disclaimer of opinion with respect to appropriateness of the composition and the amount of the result for the year ended March 31, 2008. This has also resulted in issuance of a disclaimer of opinion on the Consolidated Financial Statements for the year ended March 31, 2007*.

8. On the basis of the information and explanations given to us and on consideration of sparate 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 the effect of which on these accounts is presently not ascertainable,* we are of the opinion that the attached Consolidated Financial Statements give a true and fair view in conformity with the accounting principles generally accepted in India:

    a. in the case of the Consolidated Balance Sheet, of the state of affairs of Aurobindo Pharma Limited and its consolidated entities as at March 31, 2008;

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

    c. in the case of the Consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

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

Per
RAHUL ROY
Partner
Membership No. 53956
Kolkata, June 18, 2008

Consolidated Balance Sheet as at March 31, 2008

Rs. Millions

			Schedule	As at March 31, 2008		As at March 31, 2007	
I.	**SOURCES OF FUNDS**						
	SHAREHOLDERS' FUNDS	Share Capital	1	**268.8**		266.7	
		Share Application Money		**–**		0.2	
		Reserves & Surplus	2	**10,971.4**		8,593.2	
					11,240.2		8,860.1
	MINORITY INTEREST				**32.0**		35.4
	LOAN FUNDS	Secured Loans	3	**6,334.3**		7,390.7	
		Unsecured Loans	4	**12,135.9**		13,390.7	
					18,470.2		20,781.4
	DEFERRED TAX LIABILITY (Net)		20(13a)		**733.4**		681.9
		TOTAL			**30,475.8**		30,358.8
II.	**APPLICATION OF FUNDS**						
	FIXED ASSETS	Gross Block	5	**17,179.9**		14,681.4	
		Less: Accumulated Depreciation/ Amortization		**4,176.9**		3,155.3	
		Net Block		**13,003.0**		11,526.1	
		Capital Work-in-progress including capital advances		**2,145.5**		2,187.1	
					15,148.5		13,713.2
	INVESTMENTS		6		**604.3**		2.7
	DEFERRED TAX ASSET		20(13b)		**1.2**		–
	CURRENT ASSETS, LOANS AND ADVANCES	Interest Accrued on Investments		**0.6**		0.5	
		Inventories	7	**7,950.3**		6,544.0	
		Sundry Debtors	8	**6,650.1**		6,261.1	
		Cash & Bank Balances	9	**2,825.7**		5,824.6	
		Loans and Advances	10	**3,164.1**		2,718.9	
			(A)	**20,590.8**		21,349.1	
	LESS: CURRENT LIABILITIES AND PROVISIONS	Liabilities	11	**5,546.0**		4,442.4	
		Provisions	12	**323.0**		263.8	
			(B)	**5,869.0**		4,706.2	
	NET CURRENT ASSETS		(A-B)		**14,721.8**		16,642.9
		TOTAL			**30,475.8**		30,358.8
		Notes to Consolidated Accounts	20				

The Schedules referred to above and Notes to Consolidated Accounts form an integral part of the Consolidated Balance Sheet.

As per our report of even date.

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

Per
RAHUL ROY
Partner
Membership No. 53956

Kolkata, June 18, 2008.

For and on behalf of the Board of Directors

K. NITHYANANDA REDDY
Managing Director

SUDHIR B. SINGHI
Chief Financial Officer

A. MOHAN RAMI REDDY
Company Secretary

Dr. M. SIVAKUMARAN
Director
Hyderabad, June 18, 2008.

Consolidated Profit and Loss Account for the year ended March 31, 2008

Rs. Millions

		Schedule	2007-2008	2006-2007
INCOME	Sales (Gross)		**25,522.9**	22,240.7
	Less: Excise Duty		**(1,163.9)**	(1,011.5)
	Sales (Net)		**24,359.0**	21,229.2
	Other Income	13	**942.4**	493.1
	Increase in Stocks	14	**712.2**	890.5
	TOTAL		**26,013.6**	22,612.8
EXPENDITURE	Purchase of Trading Goods		**1,614.7**	1,351.1
	Materials Consumed	15	**12,611.7**	11,755.7
	Other Manufacturing Expenses	16	**3,281.4**	2,846.8
	Payments to and Provisions for Employees	17	**1,930.0**	1,504.2
	Administrative and Selling Expenses	18	**2,222.2**	1,640.0
	Interest and Finance Charges (Net)	19	**432.4**	453.6
	Depreciation and Amortisation	5	**1,003.8**	997.2
	TOTAL		**23,096.2**	20,548.6
PROFIT BEFORE TAX AND MINORITY INTEREST			**2,917.4**	2,064.2
PROVISION FOR TAXATION				
	Current tax		**479.2**	203.3
	Less: MAT credit entitlement		**–**	(145.5)
	Deferred Tax		**52.1**	(40.6)
	Fringe Benefit Tax		**4.7**	4.0
	Tax Adjustments of previous years		**–**	22.4
	Total Tax Expense		**536.0**	43.6
PROFIT AFTER TAX AND BEFORE MINORITY INTEREST			**2,381.4**	2,020.6
	Minority Interest		**3.4**	(11.0)
NET PROFIT			**2,384.8**	2,009.6
	Balance brought forward from last year		**2,405.4**	783.6
	Balance of Profit and Loss Account taken over on Amalgamation		**–**	(1.7)
PROFIT AVAILABLE FOR APPROPRIATION			**4,790.2**	2,791.5
APPROPRIATIONS				
	Proposed Dividend @ Rs.3.25 (Rs.2.50) on			
	Equity Shares of Rs.5 each		**175.7**	133.4
	Tax on Dividend		**29.8**	22.7
	Transfer to General Reserve		**290.8**	230.0
	Surplus carried to Consolidated Balance Sheet		**4,293.9**	2,405.4
			4,790.2	2,791.5
EARNINGS PER SHARE		20 (18)		
	Basic Rs.		**44.46**	37.70
	Diluted Rs.		**35.33**	30.27
	Nominal Value per Share Rs.		**5.00**	5.00
	Notes to Consolidated Accounts	20		

The schedules referred to above and the Notes to Consolidated Accounts form an integral part of the Consolidated Profit and Loss Account.

As per our report of even date.

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

Per
RAHUL ROY
Partner
Membership No. 53956

Kolkata, June 18, 2008.

For and on behalf of the Board of Directors

K. NITHYANANDA REDDY
Managing Director

SUDHIR B. SINGHI
Chief Financial Officer

A. MOHAN RAMI REDDY
Company Secretary

Dr. M. SIVAKUMARAN
Director

Hyderabad, June 18, 2008.

Consolidated Cash Flow Statement for the year ended March 31, 2008

Rs. Millions

			2007-2008	2006-2007
A.	CASH FLOW FROM			
	OPERATING ACTIVITIES			
		Net Profit before Tax, minority interest and prior period items	**2,917.4**	2,064.2
		Adjustments for:		
		Depreciation and Amortisation	**1,003.8**	997.2
		Miscellaneous Expenditure written off	**–**	0.1
		Provision for Doubtful Debts	**4.3**	82.5
		Loss/Gain on sale of Fixed Assets	**3.5**	(41.2)
		Export incentives accrued	**(124.1)**	(45.1)
		Claims/ bad debts written off	**45.1**	39.2
		Balances no longer required written back	**(64.4)**	(52.9)
		Provision for Retirement Benefits	**32.3**	2.3
		Investments written off/diminution	**0.1**	0.1
		Write off/other adjustments of Fixed Assets	**–**	1.0
		Foreign Exchange loss (Net)	**(878.9)**	(327.0)
		Interest income	**(261.8)**	(410.9)
		Sales Tax deferment loan availed	**19.1**	(28.5)
		Profit on sale of Investments in Subsidiary	**–**	(58.5)
		Interest expense	**621.1**	864.5
		Operating Profit before Working Capital changes	**3,317.5**	3,087.0
		Movements in working capital:		
		Increase in Sundry Debtors	**(297.2)**	(796.4)
		Increase in Inventories	**(1,406.3)**	(1,832.2)
		Increase in Loans and Advances	**(692.4)**	(684.5)
		Increase in Current Liabilities	**1,124.2**	645.7
		Cash generated from operations	**2,045.8**	419.6
		Direct taxes paid (net of refunds)	**(458.6)**	(233.1)
	NET CASH (USED IN)/FROM OPERATING ACTIVITIES (A)		**1,587.2**	186.5
B.	CASH FLOW FROM			
	INVESTING ACTIVITIES	Purchase of Fixed Assets and Intangibles	**(2,462.9)**	(3,318.7)
		Proceeds from sale of Fixed Assets	**19.4**	155.3
		Payment for Net Assets acquired of Subsidiary, net of cash	**–**	(284.7)
		Proceeds from sale of Investment in Subsidiary, net of cash	**168.2**	(24.5)
		Proceeds from sale/(purchase) of Investments (Net)	**1,108.2**	(2,026.6)
		Loans to Joint Ventures	**(36.0)**	–
		Interest received	**453.0**	366.0
	NET CASH USED IN INVESTING ACTIVITIES (B)		**(750.1)**	(5,133.2)

Rs. Millions

			2007-2008	2006-2007
C.	**CASH FLOW FROM**			
	FINANCING ACTIVITIES	Proceeds from issuance of Share Capital	**15.3**	28.4
		Proceeds from Long-Term borrowings	**29.8**	382.8
		Proceeds from FCCB	**–**	9,102.0
		Repayment of Long-Term borrowings	**(1,179.8)**	(2,327.6)
		Proceeds from Short Term borrowings (Net)	**(258.8)**	757.0
		Interest paid	**(624.9)**	(875.9)
		FCCB issue expenses	**–**	(135.6)
		Dividends and dividend tax paid	**(157.1)**	(92.3)
	NET CASH FLOW FROM FINANCING ACTIVITIES (C)		**(2,175.5)**	6,838.8
D.	**EFFECT OF EXCHANGE RATE CHANGES ON CASH & CASH EQUIVALENTS (D)**		**(9.7)**	7.6
	NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C+D)		**(1,348.1)**	1,899.7
		Cash and Cash Equivalents at the beginning of the year	**3,747.5**	1,961.7
		Add: On Amalgamation	**–**	0.1
		Cash and Cash Equivalents at the end of the year	**2,399.4**	3,861.5

Components of cash and cash equivalents as at March 31,		2008	2007
Cash and Cheques on hand		**5.0**	9.3
With Banks	- on Current Accounts	**249.1**	765.9
	- on Deposit Accounts	**2,568.6**	5,046.6
	- on Unpaid Dividend Accounts	**3.0**	2.8
Cash and Cash equivalents as per Balance Sheet		**2,825.7**	5,824.6
Less: Overdraft		**(103.6)**	(66.3)
Less: Fixed Deposits considered as Investments		**(301.0)**	(2,010.8)
Effect of unrealized exchange loss as on the Balance Sheet date		**(21.7)**	114.0
Cash and Cash equivalents considered for cash flows		**2,399.4**	3,861.5

Previous year's figures have been re-grouped/re-arranged to conform to those of the current year.

As per our report of even date.

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

Per
RAHUL ROY
Partner
Membership No. 53956

Kolkata, June 18, 2008.

For and on behalf of the Board of Directors

K. NITHYANANDA REDDY
Managing Director

SUDHIR B. SINGHI
Chief Financial Officer

A. MOHAN RAMI REDDY
Company Secretary

Dr. M. SIVAKUMARAN
Director
Hyderabad, June 18, 2008.

Consolidated Schedules to Balance Sheet

Rs. Millions

			As at March 31, 2008	As at March 31, 2007
1.	**SHARE CAPITAL** *(Refer Note 5 on Schedule 20)*			
	AUTHORISED	100,000,000 Equity Shares of Rs.5 each	**500.0**	500.0
		1,000,000 Preference Shares of Rs.100 each	**100.0**	100.0
			600.0	600.0
	ISSUED, SUBSCRIBED			
	AND PAID-UP	53,765,268 (53,348,637) Equity Shares of		
		Rs.5 each fully paid-up	**268.8**	266.7
		TOTAL	**268.8**	266.7
		Note: Of the above 1,341,000 (1,341,000) Equity Shares of		
		Rs.5 each were alloted for consideration other than cash		
2.	**RESERVES & SURPLUS**			
	CAPITAL RESERVE	As per last Balance Sheet	**90.3**	97.3
		Add: On Amalgamation	**–**	0.1
		Less: On disposal of Subsidiary	**–**	(7.1)
			90.3	90.3
	CAPITAL REDEMPTION			
	RESERVE	As per last Balance Sheet	**90.0**	90.0
	SECURITIES PREMIUM *(Refer Note 7 on Schedule 20)*			
		As per last Balance Sheet	**1,713.7**	2,860.3
		Add: Premium on conversion of FCCB and exercise of ESOPs	**208.6**	28.1
			1,922.3	2,888.4
		Less: Utilisation pursuant to High Court Order	**–**	(1,039.1)
		Less: Foreign Currency Convertible Bonds issue expenses	**–**	(135.6)
			1,922.3	1,713.7
	GENERAL RESERVE	As per last Balance Sheet	**4,342.9**	4,124.1
		Add: Transferred from Consolidated Profit and Loss Account	**290.8**	230.0
			4,633.7	4,354.1
		Less: Adjustment for employee benefits provision	**–**	(11.2)
		net of tax of Rs.Nil (Rs.5.8)		
			4,633.7	4,342.9
	FOREIGN CURRENCY TRANSLATION RESERVE			
		As per last Balance Sheet	**(49.1)**	(73.3)
		Add: Current year translation adjustment	**(9.7)**	24.2
			(58.8)	(49.1)
	CONSOLIDATED PROFIT AND LOSS ACCOUNT BALANCE		**4,293.9**	2,405.4
		TOTAL	**10,971.4**	8,593.2

			As at March 31, 2008	As at March 31, 2007
			Rs. Millions	
3.	**SECURED LOANS** *(Refer Note 10 on Schedule 20)*			
	TERM LOANS	From Banks	**996.9**	2,028.5
		[Payable within one year- Rs.320.8 (Rs.975.9)]		
	OTHER LOANS	From Banks - Working capital loans	**5,336.3**	5,360.2
		Interest Accrued	**–**	0.1
		Hire Purchase Loans From Banks	**1.2**	1.9
		TOTAL	**6,334.4**	7,390.7
4.	**UNSECURED LOANS** *(Refer Note 11 on Schedule 20)*			
	SHORT TERM LOANS	From Banks	**771.9**	900.0
	OTHER LOANS	From Banks	**23.5**	158.9
		Interest Accrued and Due	**25.4**	18.0
		Zero Coupon Foreign Currency Convertible Bonds	**10,245.6**	11,299.6
		From Others	**121.0**	99.6
		Sales Tax Deferment Loan	**948.5**	914.6
		[Payable within one year - Rs.6.2 (Rs.3.2)]		
		TOTAL	**12,135.9**	13,390.7

5. **FIXED ASSETS** *(Refer Note 9 on Schedule 20)*

Rs. Millions

Particulars	Gross Block						Depreciation/Amortisation						Net Block	
	As at April 1, 2007	Acquired on Amalgamation/ Acquisitions	Additions	Sales/ Adjustments	Foreign Currency translation adjustment	**As at March 31, 2008**	Up to April 1, 2007	Acquired on Amalgamation/ Acquisitions	For the year	On Sales/ Adjustments	Foreign Currency translation adjustment	**Up to March 31, 2008**	**As at March 31, 2008**	As at March 31, 2007
Leasehold Land	42.4	–	–	–	–	**42.4**	1.8	–	0.6	–	–	**2.4**	**40.0**	40.6
Freehold Land [a]	296.4	–	64.8	–	13.1	**348.1**	–	–	–	–	–	**–**	**348.1**	296.4
Leasehold Buildings	64.8	–	–	–	–	**64.8**	8.8	–	2.6	–	–	**11.4**	**53.4**	56.0
Freehold Buildings [a, b]	2,948.7	–	431.1	–	33.3	**3,346.5**	325.6	–	83.9	–	(3.0)	**412.5**	**2,934.0**	2,623.1
Plant & Machinery	10,019.4	–	1,930.1	25.7	(38.3)	**11,962.1**	2,641.7	–	862.6	6.0	(25.6)	**3,523.9**	**8,438.2**	7,377.7
Vehicles	67.7	–	16.9	4.9	–	**79.7**	26.1	–	7.9	1.7	(0.1)	**32.4**	**47.3**	41.6
Furniture & Fixtures	198.7	–	50.1	1.3	(1.3)	**248.8**	71.0	–	19.4	0.7	(1.4)	**91.1**	**157.7**	127.7
Sub Total	13,638.1	–	2,493.0	31.9	6.8	**16,092.4**	3,075.0	–	977.0	8.4	(30.1)	**4,073.7**	**12,018.7**	10,563.1
Intangibles														
Goodwill	538.6	–	–	13.5	(6.5)	**531.6**	–	–	–	–	–	**–**	**531.6**	538.6
Product Development Cost	192.8	–	2.2	–	10.3	**184.7**	11.9	–	5.5	–	(1.6)	**19.0**	**165.7**	180.9
Licences & Patents	189.3	–	30.3	3.4	10.8	**205.4**	56.8	–	19.0	3.4	2.5	**69.9**	**135.5**	132.5
Land usage Rights	122.6	–	40.1	–	(3.1)	**165.8**	11.6	–	2.3	–	(0.4)	**14.3**	**151.5**	111.0
Sub Total	1,043.3	–	72.6	16.9	11.5	**1,087.5**	80.3	–	26.8	3.4	0.5	**103.2**	**984.3**	963.0
TOTAL	14,681.4	–	2,565.6	48.8	18.3	**17,179.9**	3,155.3	–	1,003.8	11.8	(29.6)	**4,176.9**	**13,003.0**	11,526.1
Capital work in progress [c]													**2,145.5**	2,187.1
Previous Year	13,561.6	79.4	2,797.8	1,806.8	(49.4)	**14,681.4**	2,724.1	36.7	997.2	601.3	1.4	**3,155.3**	**11,526.1**	10,837.5

Notes

a. The title deeds of Land and Buildings aggregating to Rs.90.1 (Rs.90.1) are pending transfer to the Company's name.

b. Include Rs.0.3 (Rs.0.3) being the value of shares in co-operative housing societies.

c. Include capital advances of Rs.126.3 (Rs.76.9) and expenditure during construction period Rs.20.5 (Rs.11.1).

d. Additions during the year include Rs.47.8 (Rs.154.9) towards Research Centre capital expenditure.

Rs. Millions

			As at March 31, 2008	As at March 31, 2007
6.	**INVESTMENTS**			
	UNQUOTED			
	LONG TERM (at Cost)			
	TRADE INVESTMENTS	Equity Shares (Fully Paid-up)		
		753 (753) equity shares of Jeedimetla Effluent Treatment Limited of Rs.100 each	**0.1**	0.1
		103,709 (103,709) equity shares of Patancheru Enviro-Tech Limited of Rs.10 each	**1.0**	1.0
		1,000 (1,000) equity shares of Progressive Effluent Treatment Ltd of Rs.100 each	**0.1**	0.1
			1.2	1.2
	OTHER THAN TRADE	Government securities		
		Kisan Vikas Patra	**1.0**	1.0
		National Savings Certificates*	**0.2**	0.2
			1.2	1.2
		* includes Rs.0.1 held by income tax authorities (Rs.0.1)		
	CURRENT INVESTMENTS	(At lower of cost and market value)		
	QUOTED TRADE	Equity Shares (Fully Paid-up)		
		4,520 (4,520) equity shares of Andhra Bank of Rs.10 each	**0.3**	0.3
	UNQUOTED NONTRADE	Equity shares (fully paid-up)		
		i. 300, 1Y US$ Yield Enhancement Certificate US$ 50,000 each	**601.5**	–
		ii. 70,000 (70,000) shares of Citadel Aurobindo Biotech Limited of Rs.100 each	**7.0**	7.0
		Less: Provision for diminution in the value of investment	**(7.0)**	(7.0)
		TOTAL	**604.2**	2.7
		Aggregate value of unquoted investments	**603.9**	2.4
		Aggregate and market value of quoted investments	**0.3**	0.3
7.	**INVENTORIES**			
	(at lower of cost and	Raw Materials*	**3,483.8**	2,809.7
	net realisable value)	Stores, Spares, Consumables & Packing Materials	**602.2**	480.8
		Work-in-Process	**2,506.6**	2,105.1
		Finished Goods*	**1,357.7**	1,148.4
		TOTAL	**7,950.3**	6,544.0
		* includes material in transit and lying with third parties.		

Rs. Millions

			As at March 31, 2008	As at March 31, 2007
8.	**SUNDRY DEBTORS**			
	Unsecured	Debts outstanding for a period		
		exceeding six months		
		Considered Good	**676.2**	1,093.3
		Considered Doubtful	**325.7**	321.4
			1,001.9	1,414.7
		Other Debts - Considered Good	**5,973.9**	5,167.8
			6,975.8	6,582.5
		Less: Provision for Doubtful Debts	**(325.7)**	(321.4)
		TOTAL	**6,650.1**	6,261.1
9.	**CASH & BANK BALANCES**			
		Cash, Cheques & Drafts on Hand	**5.0**	9.3
		Balances with Scheduled Banks on:		
		Current Accounts	**23.1**	151.1
		Fixed Deposit Accounts	**2,359.0**	4,851.2
		Unpaid Dividend Accounts	**3.0**	2.8
		Balances with Non-Scheduled Banks on:		
		Current Accounts	**226.0**	614.8
		Deposit Accounts*	**209.6**	195.4
		TOTAL	**2,825.7**	5,824.6
		*includes fixed deposit amounting to		
		Rs.21.9 (Rs.Nil) pledged with bank		
10.	**LOANS & ADVANCES**			
	(Unsecured, considered	Loans and Advances to Joint Venture Entities	**156.8**	120.9
	good except stated	Loans to Employees	**37.5**	28.2
	otherwise)	Advances recoverable in cash or in kind or for		
		value to be received or pending adjustments		
		Considered Good	**1,495.7**	1,187.0
		Considered Doubtful	**36.3**	36.3
		Insurance claim receivable	**6.8**	18.0
		Trade and Other Deposits	**290.0**	259.7
		Export Incentives Receivable	**521.3**	476.0
		MAT credit entitlement	**232.2**	231.9
		Advance Income Tax and tax paid on appeals		
		(Net of Provision)	**137.0**	192.0
		Balances with Customs and Excise Authorities	**286.8**	205.2
			3,200.4	2,755.2
		Less: Provision for Doubtful Advances	**(36.3)**	(36.3)
		TOTAL	**3,164.1**	2,718.9

Rs. Millions

		As at March 31, 2008	As at March 31, 2007
11. CURRENT LIABILITIES			
	Sundry Creditors for Goods, Services and Expenses	**4,631.7**	4,205.1
	Trade Deposits	**1.0**	1.0
	Unclaimed Dividends	**3.0**	2.8
	Other Liabilities	**782.2**	146.1
	Interest Accrued but not due on loans	**24.5**	21.1
	Book Overdraft	**103.6**	66.3
	TOTAL	**5,546.0**	4,442.4
12. PROVISIONS			
	For Taxation (Net of advance payments)	**5.9**	27.4
	For Retirement Benefits	**112.7**	80.3
	For Proposed Dividend	**174.7**	133.4
	For Tax on proposed Dividend	**29.7**	22.7
	TOTAL	**323.0**	263.8

Consolidated Schedules to Profit and Loss Account

		2007-2008	2006-2007
13. OTHER INCOME			
	Processing Charges	**–**	0.4
	Dividends from current investments	**–**	0.1
	Gain on sale of Fixed Assets	**–**	41.2
	Exchange Fluctuation Gain (Net)	**693.1**	127.3
	Balances/provisions no longer required written back	**64.4**	52.9
	Sale of Dossiers	**105.8**	132.6
	Miscellaneous Income	**79.1**	80.1
	Profit on sale of Investments in Subsidiary	**–**	58.5
	TOTAL	**942.4**	493.1
14. INCREASE IN STOCKS			
	Opening Stocks		
	Finished Goods	**1,148.4**	857.4
	Work-in-Process	**2,105.1**	1,615.6
		3,253.5	2,473.0
	Less: Reversal of excise duty on opening stocks	**(35.1)**	(19.5)
		3,218.4	2,453.5
	Less: Closing Stocks		
	Finished Goods	**(1,357.7)**	(1,148.4)
	Work-in-Process	**(2,506.6)**	(2,105.1)
		(3,864.3)	(3,253.5)
	Increase in Inventories	**645.9**	800.0
	Adjustment for Fluctuation in Exchange Rates	**66.3**	90.5
	TOTAL	**712.2**	890.5

Rs. Millions

		2007-2008	2006-2007
15. MATERIALS CONSUMED			
	Raw Materials Consumed		
	Opening Stocks	**2,809.7**	1,823.5
	Add: Purchases	**12,566.7**	12,231.8
	Less: Closing Stock	**(3,483.8)**	(2,809.7)
		11,892.6	11,245.6
	Adjustment for fluctuation in Exchange Rates	**(2.6)**	(2.0)
	Packing Materials Consumed	**721.7**	512.1
	TOTAL	**12,611.7**	11,755.7
16. OTHER MANUFACTURING EXPENSES			
	Conversion Charges	**128.4**	131.8
	Consumption of Stores and Spares	**387.3**	330.1
	Chemicals Consumed	**556.5**	326.3
	Carriage Inward	**176.5**	139.8
	Factory Maintenance	**86.6**	81.1
	Power and Fuel	**1,521.7**	1,452.7
	Effluent Treatment Expenses	**41.8**	20.4
	Excise Duty Others	**95.9**	116.7
	Repairs & Maintenance		
	Plant and Machinery	**106.1**	71.8
	Buildings	**39.9**	20.6
	Others	**48.6**	33.0
	Miscellaneous Expenses	**92.1**	122.5
	TOTAL	**3,281.4**	2,846.8
17. PAYMENTS TO AND PROVISIONS FOR EMPLOYEES			
	Salaries, Wages and Bonus	**1,719.4**	1,361.2
	Contribution to Provident Fund and other funds	**84.3**	66.8
	Retirement Benefits	**62.3**	43.5
	Staff welfare Expenses	**64.0**	32.7
	TOTAL	**1,930.0**	1,504.2

Rs. Millions

	2007-2008	2006-2007
18. ADMINISTRATIVE & SELLING EXPENSES		
Rent	**52.6**	45.1
Rates and Taxes	**53.5**	46.7
Printing and Stationery	**64.4**	50.9
Postage, Telegram and Telephones	**50.8**	36.5
Insurance	**132.7**	88.1
Legal and Professional Charges	**223.1**	130.9
Directors sitting fees	**0.4**	0.3
Remuneration to Auditors	**6.1**	6.0
Sales Commission	**180.1**	176.4
Carriage Outwards	**600.8**	372.8
Selling Expenses	**41.5**	110.5
Rebates and Discounts	**62.9**	0.5
Travel and Conveyance	**88.6**	84.9
Vehicle Maintenance Expenses	**5.4**	7.8
Analytical Charges	**187.3**	83.3
Product Development Expenses	**27.1**	6.8
Software License and implementation Expenses	**0.2**	0.3
Provision for Doubtful Debts and Advances	**20.5**	82.5
Claims/Bad Debts written off	**45.1**	39.2
Loss on sale of Fixed Assets (Net)	**3.5**	–
Fixed assets written off	**–**	1.0
Donations	**2.1**	1.8
Investments written off/diminution	**0.1**	–
Registration and Filing Charges	**212.8**	35.8
Safety and Security	**13.4**	2.9
Office Expenses	**21.7**	20.0
Repairs and Maintenance	**15.2**	36.7
Management Fees	**8.1**	21.6
Miscellaneous Expenses	**102.2**	150.7
TOTAL	**2,222.2**	1,640.0
19. INTEREST AND FINANCE CHARGES (Net)		
Interest on fixed period loans	**200.1**	415.1
Interest on other loans	**421.0**	383.4
Finance charges	**73.1**	66.0
	694.2	864.5
Less: Interest Received		
Loans to Joint Ventures entities	**9.5**	7.9
Deposits	**246.7**	385.7
Other investments	**4.3**	7.5
Income Tax Refunds	**–**	6.0
Other advances	**1.3**	3.8
[Tax deducted at source Rs.2.3 (Rs.3.1)]	**261.8**	410.9
TOTAL	**432.4**	453.6

Consolidated Notes

20. NOTES ANNEXED TO AND FORMING PART OF THE CONSOLIDATED ACCOUNTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2008.

1. Statement of Significant Accounting Policies

a. Basis of Consolidation

The Consolidated Financial Statements of Aurobindo Pharma Limited ("APL" or "the Parent Company") together with its subsidiaries and joint venture entities (collectively termed as "the Company" or "the Consolidated Entities") are prepared under historical cost convention on accrual basis to comply in all material respects with the mandatory Accounting Standards ("AS") notified by Companies Accounting Standards Rules, 2006 using uniform accounting policy for like transactions and other events in similar circumstances.

Investments in the consolidated entities, except where investments are acquired exclusively with a view to its subsequent disposal in the immediate near future, are accounted in accordance with accounting principles as defined under AS 21 "Consolidated Financial Statements" on a line by basis and AS 27 "Financial Reporting of Interests in Joint Ventures" using proportionate consolidation method.

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 March 31, 2008 have been prepared on the basis of the financial statements of the following subsidiaries and joint venture entities:

Name of the Consolidated Entities	Country of Incorporation	Nature of Interest	% of Interest as at March 31, 2008	2007
APL Pharma Thai Limited[1]	Thailand	Subsidiary	**48%**	48%
AB Farmo Industria Farmaceutica Ltda				
(formerly known as AB Farmo Quimica Limitada)	Brazil	Subsidiary	**99.8%**	99.8%
Aurobindo (Datong) Bio-Pharma Company Limited	China	Subsidiary	**100%**	100%
Helix Healthcare B.V.	The Netherlands	Subsidiary	**100%**	100%
Aurobindo Pharma USA, Inc.	U.S.A.	Subsidiary	**100%**	100%
Auro Pharma Inc.	Canada	Subsidiary	**100%**	100%
Aurex Generics Limited	U.K.	Subsidiary	**100%**	100%
Aurobindo Pharma (Pty) Limited	South Africa	Subsidiary	**100%**	100%
Zao Aurobindo Pharma	Russia	Subsidiary	**100%**	100%
Milpharm Limited	U.K.	Subsidiary	**100%**	100%
Agile Pharma B.V.	The Netherlands	Subsidiary	**100%**	100%
Aurobindo Pharma (Australia) Pty Limited	Australia	Subsidiary	**100%**	100%
Auro Healthcare (Nigeria) Limited	Nigeria	Subsidiary	**100%**	100%
Aurobindo Switzerland AG, Zug	Switzerland	Subsidiary	**100%**	100%
Aurobindo Pharma Hungary Kereskedelmi, KFT.	Hungary	Subsidiary	**100%**	100%
Pharmacin International B.V.	The Netherlands	Subsidiary	**100%**	100%
Pharmacin Products B.V.	The Netherlands	Subsidiary	**100%**	100%
Pharmacin B.V.	The Netherlands	Subsidiary	**100%**	100%
Aurobindo Pharma Produtos Farmaceuticos Ltda	Brazil	Subsidiary	**100%**	–
All Pharma (Shanghai) Trading Co. Limited	China	Subsidiary	**100%**	–
APL Holdings (Jersey) Limited	Jersey	Subsidiary	**100%**	–
APL IP Company Limited	Jersey	Subsidiary	**100%**	–
Aurobindo Pharma Japan KK	Japan	Subsidiary	**100%**	–
Agile Malta Holdings Limited	Malta	Subsidiary	**100%**	–

(Contd...)

Name of the Consolidated Entities	Country of Incorporation	Nature of Interest	% of Interest as at March 31,	
			2008	2007
Aurobindo Pharma (Malta) Limited	Malta	Subsidiary	**100%**	–
APL Swift Services (Malta) Limited	Malta	Subsidiary	**100%**	–
Agile Pharma (Malta) Limited	Malta	Subsidiary	**100%**	–
Laboratorios Aurobindo Sociedad Limitada	Spain	Subsidiary	**100%**	–
Aurobindo Pharma (Ireland) Limited[2]	Ireland	Subsidiary	**100%**	–
Aurobindo Pharma (Italia) S.r.l.	Italy	Subsidiary	**100%**	–
APL Research Centre Limited	India	Subsidiary	**100%**	100%
APL Healthcare Limited	India	Subsidiary	**100%**	100%
Cephazone Pharma, LLC	U.S.A.	Joint Venture	**50%**	50%
Aurosal Pharmaceuticals, LLC	U.S.A.	Joint Venture	**50%**	50%

[1] APL Pharma Thai Limited is considered to be a subsidiary by virtue of the parent company's control of the composition of the Board of Directors of APL Pharma Thai Limited.

[2] Aurobindo Pharma (Ireland) Limited has been incorporated during the year with nominal investment and there was no activity during the period ended March 31, 2008; hence the same has not been consolidated.

b. Revenue Recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured

i. Revenue from sale of goods (other than export sales) is recognised on dispatch which coincides with transfer of significant risks and rewards to customer and is inclusive of excise duty and net of trade discounts, sales returns, sales tax and VAT, where applicable. Revenue from export sales is recognised on the date of the bill of lading.

ii. Interest is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

iii. Dividend is recognised as and when the Company's right to receive payment is established.

iv. Revenue on dossier sales is accounted on the delivery of underlying dossiers.

c. Use of estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities at the date of the financial statements and the results of operations during the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

d. Fixed Assets and Depreciation

i. Fixed assets are stated at cost less accumulated depreciation, impairment losses and specific grant/subsidies if any. Cost comprise of purchase price, freight, duties (net of refundable duties), taxes and any attributable cost of bringing the asset to its working condition for its intended use. Finance costs relating to acquisition of fixed assets which take substantial period of time to get ready for use are included to the extent they relate to the period till such assets are ready for intended use, except in case of certain consolidated entities where the interest costs have been expensed in the year in which the same have been incurred.

ii. Expenditure directly relating to construction activity is capitalised. Indirect expenditure is capitalised to the extent those relate to the construction activity or is incidental thereto. Income earned during construction period is deducted from the total expenditure relating to construction activity.

iii. Assets retired from active use and held for disposal are stated at their estimated net realisable values or net book values, whichever is lower.

iv. Assets under finance leases, where there is no reasonable certainty that the Company will obtain the ownership by the end of the lease term are capitalised. Capitalised leased assets are depreciated over the lease term or estimated useful life of the asset whichever is shorter.

v. The carrying amount of fixed assets are reviewed at each balance sheet date when required to assess whether they are recorded in excess of their recoverable amounts and where carrying values exceed the estimated recoverable amount, assets are written down to their recoverable amount.

vi. Premium paid on leasehold land is amortised over the lease term.

vii. Depreciation is provided on straight-line method, based on useful life of the asset as estimated by management, which generally coincides with rates prescribed under Schedule XIV to the Companies Act, 1956. Unless otherwise stated, useful life for assets acquired at the Bhiwadi unit, Rajasthan, are lower and consequently the rates of depreciation are higher than the rates prescribed under Schedule XIV of the Companies Act, 1956. In this case, the rates are as under:

Building : 5%
Plant and Machinery : 20%

viii. Assets costing below Rs 5,000 are depreciated fully in the year of purchase.

ix. Fixed assets of overseas subsidiaries and overseas joint venture entities are depreciated over the estimated useful lives using the "Straight Line Method".

e. Intangibles

Intangible Assets consists of goodwill, land usage rights, licenses, patents and product development costs.

Expenditure incurred in respect of purchase of intangible assets are capitalised and amortised on a straight-line basis over the useful life as explained below:

Intangible Assets	Estimated Useful Life
Land usage rights	27 years
Licenses and patents	Useful life not exceeding ten years

Expenditure incurred to acquire land usage rights is being amortised over the period of the contract. Expenditure incurred in respect of internally generated intangible assets such as product development is carried forward when the future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortised over the period of expected future economic benefit from the related project, not exceeding ten years.

The carrying value of intangible assets is reviewed for impairment annually when the asset is not in use and otherwise when events or changes in circumstances indicate that the carrying value may not be recoverable.

Research Costs

Research costs, which are of revenue nature, are charged to revenue, while capital expenditure is included in the respective heads under fixed assets.

f. Government Grants and Subsidies

Grants and subsidies are recognised when there is a reasonable assurance that the grant or subsidy will be received and that all underlying conditions thereto will be complied with. When the grant or subsidy relates to an asset, its value is deducted in arriving at the carrying amount of the related asset.

g. Investments

i. Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long term investments.

ii. Long-term investments are carried at cost. However, provision for diminution in value 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.

h. 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 net realisable value. Items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost.

ii. Finished goods and work-in-process are valued at lower of cost and net realisable value. Cost includes materials, labour and a proportion of appropriate overheads and excise duty.

iii. Trading goods are valued at lower of cost and net realisable value.

iv. Net realisable value is the estimated selling price in the ordinary course of business, reduced by the estimated costs of completion and costs to effect the sale.

i. Retirement and other employee benefits

i. Retirement benefits in the form of Provident Fund is a defined contribution scheme and the contributions are charged to the Profit and Loss Account of the year when the contributions to the respective funds are due.

ii. The Company's contribution towards defined contribution benefit plan is accrued in compliance with the requirements of domestic laws of the countries in which the consolidated entities operate.

iii. Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation on project unit credit method made at the end of each financial year.

iv. Short term compensated absences are provided for based on estimates. Long term compensated absences are provided for based on actuarial valuation. The actuarial valuation is done as per projected unit credit method.

v. Actuarial gains/losses are immediately taken to Profit and Loss Account and are not deferred.

j. Income Taxes

i. Tax expense consists of current, deferred and fringe benefit tax. Current income tax and fringe benefit tax is measured at the amount expected to be paid to the tax authorities in accordance with the domestic tax laws of the countries in which the consolidated entities operate. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years. Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date.

ii. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the company has carry forward of unabsorbed depreciation and tax losses, deferred tax assets are recognized only if there is virtual certainty that such deferred tax assets can be realized against future taxable profits.

iii. Unrecognised deferred tax assets of earlier years are re-assessed and recognised to the extent that it has become reasonably certain or virtually certain, as the case may be that future taxable income will be available against which such deferred tax assets can be realised.

iv. Deferred tax assets and liabilities pertaining to consolidated entities are not set off against each other as the Company does not have a legal right to do so.

v. The carrying amount of deferred tax assets are reviewed at each balance sheet date. The company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

vi. Minimum Alternative Tax (MAT) credit is recognised as an asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified period. In the year in which the MAT credit becomes eligible to be recognized as an asset in accordance with the recommendations Contained in Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the Consolidated Profit and Loss Account and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

k. Foreign Exchange Transactions

Initial Recognition

Foreign currency transactions (other than those relating to foreign branches) are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and foreign currency at the date of the transaction.

Conversion

Foreign currency monetary items are reported at year-end rates. Non-monetary items which are carried in terms of historical cost denominated in foreign currency are reported using the exchange rate at the date of the transaction.

Exchange Differences

Exchange differences arising on the settlement of monetary items or on reporting monetary items of company at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expenses in the year in which they arise. The financial statements of an integral foreign operation are translated as if the transactions of the foreign operation have been those of the Company itself.

Forward Exchange contracts not intended for trading or speculation purposes

In case of forward exchange contracts, difference between the forward rate and the exchange rate on the date of transaction is recognised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.

l. Foreign Currency Translation

In accordance with the accounting principles as prescribed under the AS-11 (Revised) and based on the analysis of relevant criteria, as explained below, the Company has designated the operations of following overseas consolidated entities viz AB Farmo Industria Farmaceutica Ltda, APL Pharma Thai Limited, Helix Healthcare B.V., ZAO Aurobindo Pharma, Auro Pharma Inc, Aurobindo Pharma (Pty), Aurobindo Switzerland AG, Aurobindo Pharma (Australia) Pty Limited, Auro Healthcare (Nigeria) Limited, Aurobindo Pharma Hungary KFT, Agile Pharma B.V., Aurex Generics Limited, Aurobindo Pharma Produtos Farmaceuticos Limitada, All Pharma (Shanghai) Trading Co. Limited, APL Holdings (Jersey) Limited, Aurobindo Pharma Japan KK, Agile Malta Holdings Limited, Agile Pharma (Malta) Limited, Laboratorios Aurobindo Sociedad Limitada, Aurobindo Pharma (Ireland) Limited and Aurobindo Pharma (Italia) S.r.l. as 'integral foreign operations':

a. These foreign operations are under the direct supervision and control of the parent company's management;

b. There are high proportions of inter-company transactions;

c. These foreign operations are mainly financed by the parent company; and

d. Cash flows of these foreign operations have direct impact on the cash flows of the parent company.

In accordance with AS-11, the financial statements of integral foreign operations, including foreign branches, have been translated as if the transactions of foreign operations had been those of the parent company.

In respect of non-integral operations, the translation of functional currencies of such foreign operations, into Indian Rupees is performed for assets and liabilities (excluding Share Capital, Reserves & Surplus and Minority Interest), using the exchange rate as at the balance sheet date, for revenues, costs and expenses using average exchange rates prevailing during the reporting period. Share Capital, Reserves & Surplus and Minority Interest are carried at historical cost. Resultant currency translation exchange gain or loss is carried as Foreign Currency Translation Reserve Account in the Consolidated Balance Sheet.

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' and benefits on account of export promotion schemes 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

Leases, where the substantial risks and benefits incidental to ownership of the leased item are transferred to the Company, are classified as Finance Leases. Assets under Finance Leases, where there is no reasonable certainty that the Company will obtain the ownership by the end of the lease term, such capitalised assets are depreciated over the tenure of the lease or estimated useful life of the asset whichever is shorter.

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item are classified as operating leases. Operating lease payments are recognised as an expense in the Consolidated Profit and Loss Account on a straight-line basis over the lease term.

o. Earnings per Share

Basic Earnings per Share is calculated by dividing the net consolidated profit or loss for the period attributable to equity shareholders by the weighted average number of equity shares outstanding during the period.

For the purpose of calculating diluted Earnings per Share, the net consolidated profit or loss for the period attributable to equity shareholders and the weighted average number of shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

Rs. Millions

p. Provisions

A provision is recognised when the Company has a present obligation as a result of past event i.e., it is probable that an outflow of resources will be required to settle the obligation in respect of which a reliable estimate can be made. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the balance sheet date. These are reviewed at each balance sheet date and adjusted to reflect the current best estimates.

q. Cash and cash equivalents

Cash and cash equivalents in the cash flow statements comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

r. Employee Stock Compensation Cost

Measurement and disclosure of the employee share-based payment plans is done in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Guidance Note on Accounting for Employee Share-based Payments, issued by the Institute of Chartered Accountants of India. The Company measures compensation cost relating to employee stock options using the intrinsic value method. Compensation expense if any, is amortized over the vesting period of the option on a straight line basis.

2. Conformity with Mandatory Accounting Standards as applicable under Indian GAAP

a. Deferred taxes as required under AS-22 'Accounting for Taxes on Income' 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 March 31, 2008 has not been ascertained.

b. Deferred tax assets Rs.1.2 and deferred tax liabilities include Rs.8.8 (Rs.9.7) in respect of certain consolidated entities, which have been determined in accordance with accounting principles of the respective countries instead of in accordance with AS-22. The management believes that presently it is not practicable to measure deferred tax in respect of the said entities using the measurement principles prescribed under AS-22.

3. Capital Commitments

Estimated amount of contracts (net of advances) remaining to be executed on capital account and not provided for Rs.1,212.2 (Rs.178.6).

4. Contingent Liabilities

		2007-2008	2006-2007
a.	Claims against the company not acknowledged as debts	**4.9**	4.9
b.	Outstanding bank guarantees on account of:		
	i. Guarantee given to banks	**–**	4.6
	ii. Others	**278.1**	74.1
c.	Bills discounted with banks	**299.9**	241.6
d.	Outstanding letters of credit for import of materials	**444.9**	518.3
e.	Direct and Indirect Taxes	**361.6**	210.7
f.	Dossier sales	**131.3**	110.9

g. During the financial year 2005-2006, the parent company had issued 60,000 Zero Coupon Foreign Currency Convertible Bonds of US$ 1,000 each. The bonds are redeemable at a premium of 39.954% of its principal amount on the maturity date, or in whole at any time on or after February 25, 2008 and on or prior to August 1, 2010 at a minimum of 130% of the accreted principal amount if the bonds are not converted earlier. There are 55,500 FCCB Bonds outstanding as at the date of Balance Sheet. The payment of premium on redemption is contingent in nature, the outcome of which is dependant on uncertain future events. Hence, no provision is considered in the accounts in respect of such premium for the year amounting to US$ 3.9 million (US$ 4.8 million) equivalent to Rs.128.2 (Rs.204.7) and the cumulative premium amounts to US$ 11.7 million (US$ 7.9 million) equivalent to Rs.469.4 (Rs.341.2) at the prevailing exchange rate as at the Balance Sheet date.

h. During the financial year 2006-2007, the parent company has issued 150,000 Zero Coupon Foreign Currency Convertible Bonds due 2011 (Tranche A Bonds) of US$ 1,000 each and 50,000 Forward Conversion Convertible Bonds due 2011 (Tranche B Bonds) of US$ 1,000 each. Tranche A Bonds and Tranche B Bonds are redeemable at 146.285% and 146.991% respectively of its principal amount on the maturity date. Accordingly, the payment of premium on redemption is contingent in nature, the outcome of which is dependant on uncertain future events. Hence, no provision is considered in the accounts in respect of such premium for the year amounting to US$ 18.6 million (US$ 16.3 million) equivalent to Rs.691.4 (Rs.707.0) and the cumulative premium amounts to US$ 34.9 equivalent to Rs.1,398.3 at the prevailing exchange rate as at the Balance Sheet date.

5. Share Capital

i. Employee Stock Option Scheme

a. Employee Stock Option Plan 'ESOP-2004'

The parent company instituted an Employee Stock Option Plan 'ESOP-2004' as per the special resolution passed in the 17th Annual General Meeting held on July 31, 2004. This scheme has been formulated in accordance with the Securities Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 to grant options of 507,700 to eligible employees on August 1, 2004 and July 28, 2005. Each option comprises of one underlying Equity Share of Rs.5 each. The said options vest on an annual basis at 15%, 20%, 25% and 40% over a period of four years and can be exercised over a period of six years from the date of grant of options. The options have been granted at the then prevailing market price of Rs.362.60 per share and hence the question of accounting for employee deferred compensation expenses does not arise as the Company follows intrinsic value method.

The details of options outstanding of ESOP 2004 Scheme

	2007-2008 Nos.	2006-2007 Nos.
Options outstanding at the beginning of the year	**310,677**	461,325
Granted during the year	–	–
Vested/exercisable during the year	**94,087**	74,473
Exercised during the year	**42,060**	78,187
Forfeited during the year subject to reissue	**35,523**	72,461
Options outstanding at end of the year	**233,094**	310,677
Weighted Average Exercise Price (Rs.)	**362.60**	362.60
Weighted Average Fair Value of option (Rs.)	**62.60**	62.60

b. Employee Stock Option Plan 'ESOP-2006'

The parent company instituted an Employee Stock Option Plan 'ESOP-2006' as per the special resolution passed in the 19th Annual General Meeting held on September 18, 2006. This scheme has been formulated in accordance with the Securities Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. The compensation committee accordingly, granted total 58,000 options under three grants of 35,000, 5,000 and 18,000 options to eligible employees on October 30, 2006, July 31, 2007 and October 31, 2007 respectively. Each option comprises of one underlying Equity Share of Rs.5 each. The said options vest on an annual basis at 10%, 15%, 25% and 50% over a period of four years and can be exercised over a period of six years from the date of grant of options. The options have been granted at the then prevailing market price of Rs.603.50, Rs.661.75 and Rs.572.50 per share respectively and hence the question of accounting for employee deferred compensation expense does not arise as the parent company follows intrinsic value method.

The details of options outstanding of ESOP 2006 Scheme

	2007-2008 Nos.	2006-2007 Nos.
Options outstanding at the beginning of the year	**35,000**	–
Granted during the year	**23,000**	35,000
Vested/exercisable during the year	**3,500**	–
Exercised during the year	**–**	–
Forfeited during the year subject to reissue	**3,000**	–
Options outstanding at end of the year	**55,000**	35,000
Weighted Average Exercise Price (Rs.)	**598.90**	603.50
Weighted Average Fair Value of option (Rs.)	**122.76**	127.50

Rs. Millions

c. **Disclosures as per Fair Value Method**

The Company's net consolidated profit and earnings per share would have been as under, had the compensation cost for employees' stock options been recognized based on the fair value at the date of grant in accordance with "Black Scholes" model.

Particulars	2007-2008	2006-2007
Consolidated Profit after Taxation		
- As reported in Consolidated Profit and Loss Account	**2,384.8**	2,009.6
Less: Additional Employee Compensation cost based on Fair Value	**1.5**	1.0
- Consolidated Profit after Taxation as per Fair Value Method	**2,383.3**	2,008.6
Earnings per Share		
Basic		
- No. of shares	**53,638,611**	53,302,309
- EPS as reported	**44.46**	37.70
- EPS as per Fair Value Method	**44.43**	37.68
Diluted		
- No. of shares	**67,506,428**	66,381,236
- EPS as reported	**35.33**	30.27
- EPS as per Fair Value Method	**35.31**	30.26

The following assumptions were used for calculation of fair value of grants:

	2007-2008		2006-2007	
	ESOP 2004	ESOP 2006	ESOP 2004	ESOP 2006
Risk-free interest rate (%)	**7**	**8**	7	8
Expected life of options (years)	**5**	**6**	5	6
Expected volatility (%)	**5.62**	**5.64**	5.62	5.64
Dividend yield	**0.30**	**0.30**	0.50	0.30

ii. During the financial year 2005-2006, the parent company issued 60,000 Zero Coupon Foreign Currency Convertible bonds due 2010 of US$ 1,000 each. Each bond is convertible into 83.12 fully paid equity share with par value of Rs.5 per share at a fixed price of Rs.522.036 per share, on or after September 20, 2005 but prior to close of business hours on August 8, 2010. The outstanding bonds as at March 31, 2008 is 55,500.

iii. During the financial year 2006-2007, the parent company has issued 150,000 Zero Coupon Foreign Currency Convertible Bonds (Tranche A bonds) and 50,000 Forward Conversion Convertible Bonds (Tranche B Bonds) due 2011 of US$ 1,000 each. Each tranche A bond is convertible into 44.52 fully paid equity share with par value of Rs.5 per share at a fixed price of Rs.1,014.06 per share, on or after June 27, 2006 but prior to close of business hours on May 10, 2011. Each tranche B bond is convertible into fully paid equity share with par value of Rs.5 per share at an initial conversion price to be determined on conversion price setting date on or after May 17, 2007 but prior to close of business hours on May 10, 2011.

6. **Amalgamation of APL Life Sciences Limited (Life Sciences) and Senor Organics Private Limited (Senor) with the parent company during the financial year 2006-2007.**

a. Pursuant to the approval of the shareholders of the parent company at the Extra-ordinary General Meeting held on February 20, 2007, the Hon'ble High Court of Judicature Andhra Pradesh at Hyderabad vide its Order passed on June 21, 2007 sanctioned the Scheme of Arrangement (Scheme) under Sections 391 to 394 read with Section 78 and Section 100 of the Companies Act, 1956 between Life Sciences and Senor, wholly owned subsidiaries of the parent company, with the parent company, with effect from April 1, 2006 and confirmed the utilisation of Securities Premium Account towards adjustment of the reduction in the carrying value of certain assets. Accordingly, the erstwhile Life Sciences and Senor have amalgamated with the parent company with effect from April 01, 2006. All the assets, liabilities and reserves of the erstwhile Life Sciences and Senor, were transferred to and vest with the parent company. The parent company has since made the necessary filings with the Registrar of Companies, Andhra Pradesh.

Rs. Millions

b. Life Sciences was engaged in the business of trading in pharmaceuticals, chemicals and solvent products. Senor was engaged in the business of active pharmaceutical ingredients and drug intermediates.

c. The amalgamation has been accounted for under the "pooling of interests" methods as prescribed under AS-14. Accordingly, the assets, liabilities and reserves of the erstwhile Life Sciences and Senor as at April 1, 2006, have been taken over at their respective book values.

d. Erstwhile Life Sciences and Senor, being Wholly Owned Subsidiaries of the parent company, no equity shares were issued by the parent company to effect the amalgamation.

e. The difference between the value of the investments and the underlying net assets of the amalgamating companies taken over amounting to Rs.0.7 adjusted against Securities Premium Account as per the scheme during the financial year 2006-2007.

7. Utilisation of Securities Premium Account during the financial year 2006-2007

The High Court of Judicature, Andhra Pradesh at Hyderabad vide its Order dated June 21, 2007, has confirmed the utilization of the securities premium account in accordance with the provisions of Section 78 read with Section 100 of the Companies Act, 1956. Details are as under:

Particulars	For the Year Ended March 31, 2007
Certain receivables, loans and advances not recoverable written off	313.2
Product development cost under the head 'Intangible Assets'	536.9
Diminution in value of investments in Chinese subsidiaries	68.3
Reduction in value of fixed assets	120.0
TOTAL	1,038.4

8. Gratuity

The parent company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days last drawn salary for each completed year of service. The scheme is funded with an insurance company in the form of a qualifying insurance policy.

The following tables summarise the components of net benefit expense recognised in the Consolidated Profit and Loss Account and the funded status and amounts recognised in the Consolidated Balance Sheet.

Consolidated Profit and Loss Account

	2007-2008	2006-2007
Net employee benefit expense (recognised in employee cost)		
Current service cost	**13.7**	13.8
Interest cost on benefit obligation	**4.9**	3.7
Expected return on plan assets	**(3.4)**	(2.4)
Net actuarial (gain)/loss recognised in the year	**(2.7)**	(2.8)
Past service cost	**–**	–
Net benefit expense	**12.5**	12.3
Actual return on plan assets	**5.3**	3.1

Consolidated Balance Sheet

	2007-2008	2006-2007
Details of Provision for gratuity		
Defined benefit obligation	**75.4**	62.1
Fair value of plan assets	**57.0**	42.2
Net Plan (asset)/liability	**18.4**	19.9

Rs. Millions

Changes in the present value of the defined benefit obligation for gratuity are as follows

	2007-2008	2006-2007
Opening defined benefit obligation	**62.1**	49.5
Interest cost	**5.0**	3.7
Current service cost	**13.7**	13.8
Benefits paid	**(4.6)**	(2.7)
Actuarial (gains)/losses on obligation	**(0.8)**	(2.2)
Closing defined benefit obligation	**75.4**	62.1

Changes in the fair value of plan assets

	2007-2008	2006-2007
Opening fair value of plan assets	**42.2**	28.8
Expected return	**3.5**	2.4
Contributions by employer	**14.0**	13.1
Benefits paid	**(4.6)**	(2.7)
Actuarial gains/(losses)	**1.9**	0.6
Closing fair value of plan assets	**57.0**	42.2

The plan assets as a percentage of the fair value of total plan assets

Investments with insurer	100%	100%

The expected rate of return on assets is based on the expectation of the average long term rate of return expected on investments of the fund during the estimated term of the obligations.

The principal assumptions used in determining gratuity obligations for the parent company's plans are shown below:

	2007-2008		2006-2007	
Discount rate (p.a.)	**8.40 %**		7.70%	
Expected rate of return on assets (p.a.)	**7.50 %**		7.50%	
Employee turnover	**Age (years)**	**Rate**	Age (years)	Rate
	21-30	**11%**	21-30	11%
	31-40	**4%**	31-40	4%
	41-57	**1%**	41-57	1%

The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.

The Company expects to contribute Rs.18.0 to gratuity in 2008-2009.

9. Leases

a. Operating Lease

Operating leases are mainly in the nature of lease of office premises with no restrictions and are renewable/cancelable at mutual consent. There is no escalation clause in the lease agreement. There are no restrictions imposed by lease arrangements. There are no sub-leases.

b. Finance Leases

i. Buildings include factory buildings acquired on finance lease. The agreement is silent on renewal terms and transfer of legal title at the end of lease term.

ii. The lease agreement did not specify minimum lease payments over the future period. The factory building is acquired on lease at a consideration of Rs.64.7 (Rs.64.7).

iii. The net carrying amount of the buildings obtained on finance lease Rs.53.4 (Rs.56.0).

iv. The Company has not recognised any contingent rent as expense in the statement of Consolidated Profit and Loss Account.

v. There is no escalation clause in the lease agreement. There are no restrictions imposed by lease arrangements. There are no sub-leases.

10. Secured Loans

a. Term Loans

The term loans of APL are fully secured by:

i. first charge on the immovable properties both present and future, by equitable mortgage by deposit of title deeds by way of constructive delivery of the APL's lands wherever situated;

ii. first charge on all the movable assets (save and except book debts), both present and future subject to prior charges created in favour of the APL's bankers to secure working capital requirements;

iii. personal guarantees given by the Chairman and the Managing Director of APL aggregating to Rs.Nil (Rs.802.1).

The term loan of wholly owned subsidiary namely Aurobindo (Datong) Bio-Pharma Company Limited in China is secured by way of charge on plant and machinery.

b. Other working capital loans from banks are secured by:

i. first charge by way of hypothecation of the stocks, book debts and other current assets (both present and future) of APL;

ii. second charge on all the fixed assets of APL both present and future subject to charges created in favour of term lenders;

iii. personal guarantees given by the Chairman and the Managing Director of APL aggregating to Rs.4,275.3 (Rs.5,183.7); and

c. Hire purchase loans of APL from banks are secured by hypothecation of the related assets.

11. Unsecured Loans

a. Short Term Loans

Short term loans of APL from banks aggregating to Rs.370.9 (Rs.900.0) are personally guaranteed by the Chairman and the Managing Director of APL.

b. Foreign Currency Convertible Bonds

1. 60,000 Zero Coupon Foreign Currency Convertible Bonds (bonds) due 2010 of US$ 1,000 each issued by APL in financial year 2005-2006 are:

   i. either convertible by the holders at any time on or after September 20, 2005 but prior to close of business (at the place the bonds are deposited for conversion) on August 8, 2010. Each bond will be converted into 83.12 fully paid up equity share with par value of Rs.5 per share at a fixed price of Rs.522.036 per share at a fixed exchange rate conversion of Rs. 43.3925=US $1;

   ii. or redeemable in whole but not in part at the option of APL at any time on or after February 25, 2008 and on or prior to August 1, 2010 as per the terms and conditions of the bonds mentioned in the Offering Circular;

   iii. redeemable on maturity date at 139.954% of its principal amount if not redeemed or converted earlier;

   iv. in the opinion of APL, bonds are convertible into equity shares, the creation of Debenture Redemption Reserve is not required;

   v. out of the above 4,500 bonds of US$ 1,000 each were converted into equity shares of Rs.5 each at premium of Rs.517.036 during the year and the total FCCB bonds outstanding as at March 31, 2008 are 55,500.

2. During the financial year 2006-2007, APL has issued 150,000 Zero Coupon Foreign Currency Convertible Bonds due 2011 (Tranche A Bonds) of US$ 1,000 each and 50,000 Forward Conversion Convertible Bonds due 2011 (Tranche B Bonds) of US$ 1,000 each, which are:

   i. either convertible by the Tranche A bondholders at any time on or after June 27, 2006 but prior to close of business (at the place the bonds are deposited for conversion) on May 10, 2011 and by the Tranche B bondholders at any time on or after May 17, 2007 (Conversion price setting date) but prior to close of business (at the place the bonds are deposited for conversion) on May 10, 2011. Each Tranche A bond will be converted into 44.52 fully paid up equity share with par value of Rs.5 per

Rs. Millions

share at a fixed price of Rs.1,014.06 per share at a fixed exchange rate conversion of Rs.45.145 = US$ 1. Each Tranche B bond will be converted into share of Rs.5 per share at an initial conversion price to be determined on Conversion Price Setting Date with a fixed rate of exchange on conversion of Rs.45.145 = US$ 1;

ii. or redeemable by APL in respect of Tranche A bonds at the relevant Accreted Principal Amount, in whole but not in part at any time on or after November 16, 2008 and on or prior to May 10, 2011 and in respect of Tranche B bonds at the relevant Accreted Principal Amount, in whole but not in part at any time on or after May 17, 2009 and on or prior to May 10, 2011 as per the terms and conditions of the bonds mentioned in the Offering Circular;

iii. redeemable at 146.285% of its principal amount on maturity date in respect of Tranche A bonds and at 146.991% of its principal amount on maturity date in respect of Tranche B bonds if not redeemed or converted earlier;

iv. in the opinion of APL bonds are convertible into equity shares, the creation of Debenture Redemption Reserve is not required.

The details of utilization of US$ 260 million Foreign Currency Convertible Bonds are as under:

	2007-2008	2006-2007
Opening balance with banks	**4,716.3**	948.3
Issue proceeds	**–**	8,929.0
Less: Utilised for Investments*	**2,475.4**	5,161.0
Balance with banks under deposits	**2,240.9**	4,716.3

*Includes Foreign Currency translation and current investment in one year US$ Yield enhancement certificate included in Schedule 6.

12. Sundry Debtors include dues from companies under the same management

Particulars	As at March 31, 2008	As at March 31, 2007
Pravesha Industries Private Limited, India	**1.5**	1.3
Trident Life Sciences Limited, India	**15.1**	4.9

13. Deferred Taxes

Particulars	As at March 31, 2008	As at March 31, 2007
a. Deferred Tax Liability (Net) consists of:		
Debtors	**(120.3)**	(116.7)
Fixed Assets (Depreciation)	**929.2**	875.5
Retirement Benefits	**(38.3)**	(25.7)
FCCB Issue Expenses	**(37.2)**	(51.2)
	733.4	681.9
b. Deferred Tax Assets consists of		
Carried Forward Business Losses	**1.2**	–
	1.2	–

14. Export Incentives

Sales include export incentives on account of various schemes Rs.164.0 (Rs.87.5).

Rs. Millions

15. Research and Development Expenses

Research and Development expenses incurred by APL during the year, debited under various heads of Consolidated Profit and Loss Account:

Particulars	2007-2008	2006-2007
Materials consumed	**403.9**	250.7
Power and Fuel	**14.8**	17.3
Personnel costs	**286.7**	222.2
Others	**421.9**	322.0
TOTAL	**1,127.3**	812.2
Less: Transferred to Intangible assets	**–**	273.4
	1,127.3	538.8

16. Directors' Remuneration included under various head of accounts

Particulars	2007-2008	2006-2007
Salary	**25.0**	22.0
Contribution to provident fund	**0.1**	0.1
Perquisites	**3.9**	3.7
TOTAL	**29.0**	25.8

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 parent company as a whole.

17. Miscellaneous Expenses under Schedule 18 include an amount of Rs.Nil (Rs.59.4) incurred towards claim for invocation of corporate guarantee given to a bank on behalf of erstwhile joint venture.

18. Earnings per Share

Earnings per Share is computed based on the following:

Particulars	2007-2008	2006-2007
Profit after tax and minority interest considered for calculation of basic and diluted Earnings per Share (Rs.)	**2,384.8**	2,009.6
Weighted average number of Equity Shares considered for calculation of basic Earnings per Share	**53,638,611**	53,302,309
Add: Effect of dilution on account of stock options granted under the ESOP Scheme	**9,109**	11,353
Add: Effect of dilution on account of Foreign Currency Convertible Bonds into shares	**13,858,708**	13,067,574
Weighted average number of Equity Shares considered for calculation of diluted Earnings per Share	**67,506,428**	66,381,236

19. Interest in Joint Ventures

The Company has joint control over the following joint venture entities:

i. Cephazone Pharma LLC incorporated in United States of America for production of sterile and non-sterile cephalosporins.

ii. Aurosal Pharmaceuticals LLC incorporated in United States of America, is engaged in the development, manufacturing and distribution of pharmaceuticals products.

Rs. Millions

The aggregate amount of the assets, liabilities, income and expenses related to the Company's share in the JVs included in these financial statements as of and for the year ended March 31, 2008 are given below:

	As at March 31, 2008	As at March 31, 2007
Consolidated Balance Sheet		
Unsecured loans	**146.4**	109.2
Total Liabilities	**146.4**	109.2
Fixed assets (Net block)	**193.4**	197.4
Inventories	**33.0**	1.8
Sundry Debtors	**13.9**	–
Cash and bank balances	**0.4**	0.6
Loans and advances	**0.7**	0.3
Current liabilities	**(9.0)**	(1.8)
Total Assets	**232.4**	198.3

	2007-2008	2006-2007
Consolidated Profit and Loss Account		
Sales	**19.0**	–
Other income	**2.3**	0.6
Increase in stocks	**9.3**	–
Total Revenue	**30.6**	0.6
Materials consumed	**15.4**	21.3
Other manufacturing expenses	**27.6**	11.6
Payments to and provisions for employees	**26.5**	16.9
Administrative and selling expenses	**6.3**	2.1
Interest and finance charges	**8.8**	7.4
Total Expenses	**84.6**	59.3

20. Related Party Transactions

During the year ended March 31, 2008 the Company has entered into several commercial transactions with its related parties. The details of such transactions, balances as at March 31, 2008 and names of related parties and the nature of relationship is given below:

A. Details of transactions with the related parties:

	2007-2008	2006-2007
a. Enterprises over which significant influence exists		
Pravesha Industries Private Limited		
Purchase of goods	**381.9**	185.1
Sale of goods	**2.3**	10.5
Trident Life Sciences Limited		
Services Received	**208.3**	102.4
Sale of Goods	**2.3**	0.1
Rent paid	**4.2**	2.6
Sale of Fixed Assets	**13.1**	26.0
Advance transferred	**–**	3.9
Purchases of Dossiers	**82.2**	–

Rs. Millions

	2007-2008	2006-2007
Sri Sai Packaging		
Purchase of goods	**4.2**	1.7
Sale of goods	**0.1**	0.1
Trident Chemphar Limited		
Purchase of goods	**115.7**	–
Sale of goods	**46.0**	–
Other services	**2.0**	–
b. Joint Venturer		
Geravi Inc.		
Interest paid	**8.8**	7.4
Loan Received	**37.1**	14.7
c. Joint Ventures		
Cephazone Pharma LLC		
Sale of goods	**36.6**	1.1
d. Key Management Personnel		
Mr. P. V. Ramprasad Reddy		
Managerial remuneration	**6.9**	5.9
Proposed dividend	**51.0**	39.2
Guarantees and collaterals	**4,646.3**	6,885.8
Mr. K. Nithyananda Reddy		
Managerial remuneration	**6.9**	5.9
Proposed dividend	**12.2**	9.4
Guarantees and collaterals	**4,646.3**	6,885.8
Dr. M. Sivakumaran		
Managerial remuneration	**6.9**	5.9
Proposed dividend	**4.8**	3.7
Mr. B. Sivaprasad Reddy		
(Whole-time director upto July 01, 2007 and resigned from		
directorship w.e.f. September 27, 2007)		
Managerial remuneration	**1.5**	4.1
Proposed dividend	**0.1**	0.1
Mr. M. Madan Mohan Reddy		
Managerial Remuneration	**6.6**	4.1
Proposed Dividend	**0.1**	0.1
Mr. Lanka Srinivas		
(Resigned from directorship w.e.f. October 17, 2007)		
Sitting fees	**0.1**	0.1
Professional fees	**2.0**	3.6
Proposed Dividend	**0.1**	0.1
e. Relatives of Key Managerial Personnel		
Mrs. P. Suneela Rani		
Proposed Dividend	**19.4**	14.9

Rs. Millions

	2007-2008	2006-2007
Mrs. K. Rajeswari (Partner Sri Sai Packaging)		
Proposed Dividend	**7.9**	6.1
Mrs. B. Shilpa		
Salary	**–**	0.2
Proposed Dividend	**0.1**	0.1
Mrs. Shilpa Sivakumaran		
Salary	**–**	0.7
Mr. P. Sarath Chandra Reddy		
Proposed Dividend	**0.1**	0.1
Mr. P. Rohit Reddy		
Proposed Dividend	**1.2**	0.9
Mr. K. Suryaprakash Reddy		
Proposed Dividend	**0.1**	0.1
Ms. Kirthi Reddy		
Salary	**0.1**	–
Mr. K. Prasad Reddy		
Proposed Dividend	**0.1**	0.1

B. Balance Outstanding Debit/(Credit)

	As at March 31, 2008	As at March 31, 2007
Pravesha Industries Private Limited, India	**(33.0)**	(20.9)
Trident Life Sciences Limited, India	**50.1**	(35.2)
Trident Chemphar Limited	**(59.1)**	–
Sri Sai Packaging, India	**(0.1)**	(0.3)
Cephazone Pharma LLC	**37.4**	2.3
Geravi, Inc	**(146.4)**	(109.2)

21. Remuneration to Parent Company's Statutory Auditors (including service tax where applicable)

	2007-2008	2006-2007
Statutory audit	**5.0**	4.8
Other audit services	**0.9**	0.9
Certification charges	**0.1**	0.2
Reimbursement of out of pocket expenses	**0.1**	0.1
TOTAL	**6.1**	6.0

Note: Remuneration towards other audit services in previous year of Rs.2.0 is charged to Securities Premium Account being in the nature of expenses incurred for issue of Foreign Currency Convertible Bonds.

Rs. Millions

22. Disclosure regarding Derivative Instruments:

a. Following are the forward contracts outstanding as at March 31, 2008:

Sell	
US$ 42,250,000	Hedge of debtors collections.
US$ 5,000,000	Hedge of unutilised proceeds from Foreign Currency Convertible Bonds lying under bank deposits.

b. Particulars of unhedged foreign currency exposure are detailed below at the exchange rate prevailing as at Balance Sheet date:

	March 31, 2008	March 31, 2007
Loan availed	**(5,298.1)**	(2,337.8)
Sundry debtors	**887.1**	2,589.9
Loans and advances	**335.4**	248.2
Sundry creditors	**(2,250.8)**	(1,510.8)
Foreign Currency Convertible Bonds	**(10,245.6)**	(11,299.6)
Investments	**601.5**	–
Bank balances	**2,157.0**	4,736.9

23. In accordance with Para 10 of AS 9 on "Revenue Recognition", excise duty on sales amounting to Rs.1,163.9 (Rs.1,011.5) has been reduced from sales in profit and loss account and excise duty on increase/decrease in stock amounting to Rs.35.1 (Rs.19.4) has been considered as income in Schedule 14 of Consolidated Financial Statements.

24. Segment Information

a. Identification of Reportable Segments:

Segments are identified in line with AS-17 'Segment Reporting', taking into consideration the internal organization and management structure as well as the differential risk and returns of the segment.

i. Based on the Company's business model of vertical integration, pharmaceuticals have been considered as the only reportable business segment and hence no separate financial disclosures provided in respect of its single business segment.

ii. Operations of the Company are managed from independent locations, which are located in different geographical locations. However each of these operating locations are further aggregated based on the following factors: (a) similarity of economic and political conditions; (b) relationships between operations in different geographical areas; (c) proximity of operations; (d) special risks associated with operations in a particular area; (e) exchange control regulations; and (f) the underlying currency risk. Accordingly, the following have been identified as operating and reportable segments: (a) 'India', (b) 'China', and (c) 'Rest of the World'.

b. 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.

Rs. Millions

c. Financial information as required in respect of operating and reportable segments is as given below:

Particulars	For the year ended and as at March 31, 2008				
	India	China	Rest of the World	Eliminations	Consolidated
Revenue					
External sales	19,058.3	285.8	5,014.9	–	24,359.0
Inter - segment sales	3,288.8	2,511.7	14.3	(5,814.8)	–
Total revenue	**22,347.1**	**2,797.5**	**5,029.2**	**(5,814.8)**	**24,359.0**
Results					
Segment result	3545.1	525.9	(332.4)	(453.6)	3,285.0
Interest expense					(693.8)
Interest income					261.8
Other income					64.4
Income tax					(536.0)
Minority interest					3.4
Profit for the year					**2,384.8**
Other information					
Segment assets	26,453.6	4,253.5	6,651.3	(4,325.3)	33,033.1
Other assets					3,311.7
Total assets					36,344.8
Segment liabilities	15,688.4	1,095.4	3,769.9	(3,496.6)	17,057.1
Other liabilities					8,047.5
Total liabilities					25,104.6
Capital expenditure	1,322.2	494.2	707.8		2,524.2
Depreciation/amortization	746.0	225.4	77.6	(45.2)	1,003.8
Non-cash expenses other than depreciation	55.7	4.6	9.9		70.2

Rs. Millions

Particulars	India	China	Rest of the World	Eliminations	Consolidated
	For the year ended and as at March 31, 2007				
Revenue					
External sales	16,023.4	976.0	4,229.8	–	21,229.2
Inter - segment sales	2,762.5	1,714.2	–	(4,476.7)	–
Total revenue	**18,785.9**	**2,690.2**	**4,229.8**	**(4,476.7)**	**21,229.2**
Results					
Segment result	2,450.4	(129.0)	(18.1)	139.1	2,442.4
Interest expense					(836.0)
Interest income					404.9
Other income					52.9
Income tax					(43.6)
Minority interest					(11.0)
Profit for the year					**2,009.6**
Other information					
Segment assets	23,206.2	3,841.5	5,091.6	(2,312.9)	29,826.4
Other assets					5,238.6
Total assets					35,065.0
Segment liabilities	15,717.6	1,075.2	2,779.7	(2,679.5)	16,893.0
Other liabilities					9,311.9
Total liabilities					26,204.9
Capital expenditure	1,801.3	191.4	1,494.8		3,487.5
Depreciation/amortization	718.4	258.9	19.9		997.2
Non-cash expenses other than depreciation	116.4	–	6.3		122.7

25. The figures of the previous year have been re-grouped/rearranged, wherever necessary to conform to those of current year.

SIGNATURES TO SCHEDULES 1 TO 20

As per our report of even date
For **S.R. BATLIBOI & CO.**
Chartered Accountants

Per
RAHUL ROY
Partner
Membership No. 53956

Kolkata, June 18, 2008.

SUDHIR B. SINGHI
Chief Financial Officer

A. MOHAN RAMI REDDY
Company Secretary

For and on behalf of the Board of Directors

K. NITHYANANDA REDDY
Managing Director

Dr. M. SIVAKUMARAN
Director
Hyderabad, June 18, 2008.

ADMISSION SLIP

AUROBINDO PHARMA LIMITED

AUROBINDO

Registered Office : Plot No.2, Maitrivihar, Ameerpet, HYDERABAD – 500 038.

DP ID* :

Client ID* : Sr. No.

Reg. Folio No. :

No. of shares :
*Applicable if shares are held in electronic form

Name & Address of Member

I certify that I am a registered shareholder/proxy for the registered shareholder of the Company.

I hereby record my presence at the TWENTY FIRST ANNUAL GENERAL MEETING of the Company on Wednesday the 20th day of August, 2008 at 11.00 a.m. at Katriya Hotel & Towers, 8, Rajbhavan Road, Somajiguda, Hyderabad 500 082.

Signature of Member/Proxy

NOTE : Please fill this admission slip and hand it over at the entrance of the hall duly signed.

FORM OF PROXY

AUROBINDO PHARMA LIMITED

AUROBINDO

Registered Office : Plot No.2, Maitrivihar, Ameerpet, HYDERABAD – 500 038.

DP ID* :

Client ID* :

Reg. Folio No. :

No. of shares :
*Applicable if shares are held in electronic form

I/We ______________________________

of ______________________ in the district of ______________________

being a Member/Members of **AUROBINDO PHARMA LIMITED** hereby appoint ______________________

of ______________________ in the district of ______________________ or failing him

____

of ______________________ in the district of ______________________

as my/our Proxy to attend and vote for me/us on my/our behalf at the TWENTY FIRST ANNUAL GENERAL MEETING of the Company to be held at 11.00 a.m. on Wednesday, August 20, 2008 or at any adjournment thereof.

Signed this ______________________ day ______________________ 2008.

NOTE:
This form in order to be effective should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company, not less than 48 hours before the time of the meeting.

Signature

Affix
30P.
Revenue
Stamp

Glossary

Some of the terms used in the annual report are briefly explained below:

ANDA	Abbreviated New Drug Application (to the FDA)
ANVISA	Agência Nacional de Vigilância Sanitária (National Health Surveillance Agency Brazil)
API	Active Pharmaceutical Ingredient
ARD	Analytical Research Department
ART	Antiretroviral Therapy (HIV)
ARV	Antiretroviral
Bioequivalence	performs in the same manner as the innovator drug
CNS	Central nervous system
CoS	Certificate of Suitability
CPD	Clinical Pharmacology Department
CRD	Chemical Research Department
CVS	Cardiovascular system
DMF	Drug Master File
EBITDA	Earnings before Interest, Taxes, Depreciation and Amortization
EDQM	European Directorate for the Quality of Medicines
EHS	Environmental Health and Safety
EPS	Earnings per Share
ERP	Enterprise Resource Planning
FCCB	Foreign Currency Convertible Bond
FDF	Finished dosage form
HIV	Human Immunodeficiency Virus
IPR	Intellectual Property Rights
MCC	Medicines Control Council, South Africa
NAM	National Authority on Medicines, Finland
NDA	New Drug Application
PEPFAR	President's Emergency Plan for AIDs Relief
QA/QC	Quality assurance/Quality control
SSP	Semi-synthetic penicillins
UK MHRA	The Medicines and Healthcare products Regulatory Agency, U.K.
UNICEF	United Nations Children's Fund
UNDP	United Nations Development Program
US FDA	U. S. Food and Drug Administration
USP	United States Pharmacopeia
WHO	World Health Organization

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 LIMITED

Plot No. 2, Maitri Vihar, Ameerpet,
Hyderabad - 500 038
Andhra Pradesh, India
www.aurobindo.com

Concept, Research & Production - CAPRICORN