Building a staircase
of growth

AUROBINDO PHARMA LIMITED

Annual Report 2008-2009

Contents

We know good health.

We are committed to healthier life.

We know economics of good health.

We are committed to affordable health for all.

From the desk of the Chairman

Building a staircase of growth

Dear friends,

I am gratified that in an uncertain environment, we at Aurobindo performed well during the financial year 2008-09. All the efforts made in the past stood us well and we in fact used the challenging environment to further streamline operations and reduce costs. We built up a global portfolio of products and healthy customer relationships that has added traction to our business volume and higher revenues. Indeed, the efforts of the year have further improved our revenue streams and competitiveness. Our ability to meet our financial goals and readily adapt to changing market dynamics demonstrated the resilience of our business model.

The year however, hurt all our investors. I was distressed that the economic environment impacted adversely all our investors during latter half of 2008 and early 2009. Market valuations of asset categories across all classes were lower and Aurobindo's investors also had to face the impact of global recessionary trends. Unfortunately, the values dropped even for good quality assets. I am happy that there is much more confidence in the market, and hope our investors would have regained their asset values.

The year witnessed Aurobindo's formal association with Pfizer, a global leader in pharmaceuticals and execution of a licensing and supply agreement for several solid dosage and sterile products. The agreement allows access to Pfizer to exploit the sales potential for these products through its global commercial presence. As you are aware, Aurobindo has a large manufacturing base approved by several regulatory authorities with a strong product portfolio for the manufacture of formulations and such association will strengthen our relationship for mutual benefit.

Such partnerships are an affirmation of our knowledge base, hard work in creating products, world class manufacturing capabilities and compliance standards. Aligning with the best names in the industry provides us an opportunity to widen our global reach, enhance our size and financial resources. Networking with larger players also allows Aurobindo to access and update competencies, know-how and resources necessary to be successful in the industry. Considerable work has already been initiated and my colleagues and I are working hard to create an integrated, project oriented organization that can quickly react to the needs of the market, for both our partners and Aurobindo.

Members will appreciate that our successful track record in converting opportunities throughout the product chain has demonstrated the depth of our skills and expertise. We are confident that we can continue to deliver on our promises underpinning these competencies. Our performance culture will remain the hallmark of our success and an assurance for all our stakeholders.

Our essential strategy and direction continues unchanged. We shall pursue strong growth and solid returns from an integrated and internationally spread pharmaceutical business. The emphasis will continue to be in increasing the formulations business, adding to the product pipeline and gaining meaningful presence in premium as well as emerging markets.

The near term goals for 2009-10 are straight forward: to continue the strong performance in all our addressable markets, shorten the time between product approvals and launch of products, enhance the operating matrix at all our manufacturing facilities and improve cash flow.

At Aurobindo, we have a clear vision on our long range plans. We intend to become one of the leading global pharmaceutical companies with a large portfolio of successful generic formulations. We wish to be a little better than our competitors in whatever we do. We have drawn up a strategy which focuses on the principle competitive parameters to reach our goal. The roadmap for our work in the coming years has been set.

We see a huge market that needs quality conscious and affordable pharmaceutical products. We understand the needs of the market and more important, we know we have the competence and strength to deliver what the market wants. Yet, I believe a lot needs to be done.

Moving forward, our agenda is to further expand our product basket, enhance our competitiveness, widen the geographical reach and improve commercial operations.

Total income

Consolidated Financials — Rs.Million

2008-09	2007-08	2006-07
30,949.3	25,256.1	21,722.3

Dividend

%

2008-09[a]	2007-08	2006-07
90	65	50

[a] including 60% interim paid and 30% proposed.

We propose to achieve our goals by adopting a five-point action plan:

- ✓ Focusing on the major therapeutic segments, including niche products
- ✓ Maximising the value of our product portfolio
- ✓ Entering into partnership agreements
- ✓ Strengthening the organizational set-up
- ✓ Enhancing the earnings stream

We are committed to our business strategies predicated on our ability to deliver the best in human health care and create a sustainable institution for the long-term that shall always remain close to our customers.

Today, we have powerful headlights which are providing clearer visibility in business and earnings. At Aurobindo, we recognize that the best way to influence the future is to create it, rather than be at the mercy of events. We shall therefore continue to expand our R&D and manufacturing competencies - the engines that will secure the long-term success and growth of our business.

In executing our plans, we shall derisk our business and ensure a stable source of cash flow. Sustaining a high level of reliability calls for a strong financial base. Financial viability and cost effectiveness will create the basis for our solid growth. We will maintain our competitiveness and move closer to fulfilling our vision.

We are working hard for building a platform of growth. Can we underwrite growth? Can we work towards consistent growth year-on-year that is better than industry average? My team and I are examining opportunities that will add momentum to our business and grow on several parameters such as market share, geographical reach, volumes, revenues, margins and return on investment.

Most certainly, we are underwriting our best efforts to become an admired pharmaceutical company. We want to be known for the largest basket of products across several therapeutic segments. We want to be well-known for our professional team in R&D which is creating what the medical profession and consumers need. We will always have the best manufacturing technology and processes that will produce large volume of affordable drugs. We will ensure that our quality assurance standards match the best practices across the industry. Indeed, we shall invest and strive to reach a stage when Aurobindo shall spell Quality. We will be present in all the markets with significant volume in our product range. We will be the best partner for all our stakeholders. Aurobindo will underwrite best efforts and best practices and be counted among the select few who are admired in the pharmaceutical industry.

I have a dream for Aurobindo and have the courage and stamina to transform ourselves in the top three pharmaceutical companies in the country aided by our dedicated team of 6,900+ colleagues. We shall continue to shape our organization for the future and promote the interests of all our stakeholders. My colleagues have the expertise and passion to make the difference. They will make a difference for people who need healthier life.

Warm regards

P. V. Ramprasad Reddy

From the desk of the Managing Director

Review of operations

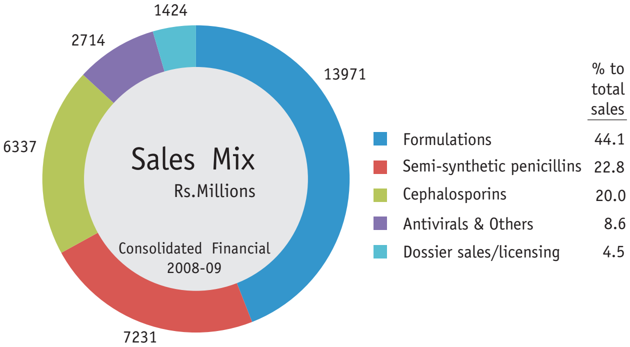
We used the challenging market conditions of 2008-09 and stepped up our generics business in North America, Latin America, European Union and the emerging markets; scaled up and commercialized more products; consolidated our manufacturing capabilities, systems and processes; increased plant utilization; devoted considerable effort and time to get the SEZ formulations Unit VII on-stream due to be commissioned in 2010; controlled costs, improved productivity and increased operating margins. 2008-09 was a better year for Aurobindo on almost all parameters.

The accomplishments of the year were not without a setback. The financials were affected by the mark-to-market losses that we incurred due to the volatility of the dollar. The impact was primarily on re-instatement of FCCBs and was non-cash in nature. We preferred to be conservative and booked all the exchange fluctuation loss of Rs.2278.2 million. In comparison, there was an exchange fluctuation gain of Rs.481.3 million in 2007-08.

Gross revenue for the year at Rs.28852.5 million was 19.75% higher over the previous year and is the highest ever recorded by Aurobindo. The costs were contained with material consumption rising by 19.35% at Rs.16416.3 million as compared to Rs.13754.6 million in the previous year. Similarly the manufacturing expenses were higher by only 9.12% at Rs.2725 million in the same comparative period.

The profit after tax and exceptional items was lower mainly due to exchange fluctuation loss at Rs.1285.4 million as compared to Rs.2907.8 million. Seen in perspective, the core business showed better earnings and was shaded only by exceptional and non-recurring items. The diluted EPS for the year is Rs.19.9 on the face value of Rs.5.

The year 2008-09 brought much more clarity in our business and we created greater cross functional coordination. The activities and operations of the Company were controlled and coordinated to ensure a dynamic and inspiring



AUROBINDO

interplay between research and development, pharmaceutical production, marketing initiatives and commercial administration. At the same time, we stayed customer focused and all the operating processes were tuned to bring out approved products that have demand.

The recessionary conditions in the global markets changed the market dynamics and there was greater demand for affordable drugs with same efficacy as patented drugs i.e. the absorption and pharmacokinetic profile need to be similar to those of the proprietary or patented drugs. Most health services and insurance companies in North America, Europe and Japan seek to lower their budgets and that means, there is increasing need for generics.

The marketing initiatives as well as tailwinds added to the traction in our business. Large basket of products, manufacturing competence, operational excellence, controlled cost atmosphere improved our long-term forward curve. There was 18.6% improvement in volume of generics sold over the previous year while the value climbed by 41.83% at Rs.12,035.3 million year-on-year. The steps we have taken to enhance the liquidity have enabled us to maintain a sound financial position.

Notwithstanding the excellent development of our business, we at Aurobindo are hungry for success and are using our momentum to constantly improve our Company. We realize we have opportunities to grow and are responding by cranking the multiple levers that we have in the Company. In the race to reach the shelf space, we have not taken our foot off the pedal from our focus on quality assurance. We shall not only work to ensure that we meet all the regulatory guidelines and adopt best practices, we shall stay invested in quality of products and processes. We believe our best insurance is in being quality conscious.

Another area that is being addressed is improving the due date performance of orders on hand. We are examining our constraints and are working towards seamlessly executing supply chain needs such as delivering the product to the end customer at the right time, at the right place, in a secure mode and at a competitive operational cost.

Our progress will be deliberate, systematic, well-planned and disciplined to build on our leadership positions in existing markets and expand our presence in important emerging ones. We shall strive for double digit growth per year and attempt to raise the margins. While meeting customer needs we will exceed investor expectations.

Warm regards

K. Nithyanada Reddy

300+

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

Major therapeutic segments:

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

Book value

Consolidated Financials Rs.

2009	2008	2007
230.9	209.1	166.1

as at March 31,

R&D - customer focused

We know what it takes to create good health. This is our strength, inspiration and therefore our agenda to offer consumers affordable products for a healthier life. We stay focused on continual development of technologies and use our knowledge of complex chemistry and expertise for product development and product improvements.

Our every day efforts encompass the development of new marketable products. We focus on molecules and develop products both for active ingredients and formulations businesses. We find the shortest route to synthesis to construct new generics that have the bio-equivalence for soon to be off-patent products. We work hard to develop non-infringing processes for products set to expire in the foreseeable future, presently aimed to launch within the next seven years.

Over the past few years, Aurobindo has intensified its research and development activities and sets aside a significant proportion of its revenues (Rs.952 million in 2008-09). In order to handle all phases of R&D, Aurobindo employs a wide-range of competencies including the ability to identify and validate potential targets, investigate the effect of compounds on the targets, the ability to synthesize compounds, develop new products with shortest route of synthesis and deal with complex chemistry.

The Company has been able to attract highly qualified researchers and scientists and retain competent employees and has a dynamic working environment with fast decision making processes. New technologies have been introduced and integrated in the research process, innovative research specialties have been set-up and the existing facilities have been further upgraded in the state-of-the-art R&D Center.

Intellectual property at Aurobindo is an enabler and differentiator with competence and initiative geared for all markets, with ability to file, seek approval and launch products for respective territories. We have stepped up the number of filings for products and are taking up difficult molecules and those aimed at creating niche products. There is a targeted filing for US and Europe and select emerging markets.

Product improvement efforts are directed to scale up the manufacture from pilot projects to commercialization by simple, rapid and economical route. Aurobindo possesses the right competencies, facilities and organizational structure to optimize the production processes with respect to both time and cost. We have result oriented approach in R&D, which increases the productivity and helps completion of projects on time.

R&D Center

Employee strength
March 31, 2009

PhD	27
Post Graduates	470
Graduates	142
Others	12
TOTAL	651

Aurobindo takes care to reassure regarding the safety of its products and hence compliance with pharmacopeias and meeting the standards set by regulators are given overriding importance. There are no compromises on compliance issues. Equally, the Company has in-house senior managers to monitor patient safety (pharmaco vigilance) and integrity of our products and processes to ensure we are compliant with international guidelines.

The Company keeps the customer health in focus as it moves ahead. What does the customer get? He or she gets products that meet pharmacopeia standards, are regulatory approved, ensure patient safety and are manufactured at world class facilities inspected by global regulators. The customer gets reliability and affordability to good health.

R&D at Aurobindo is hence the driver, enabler and ensurer. For the Company, it works as the guarantor of success.

Generics - a growth area

The business model of Aurobindo Pharma is built around creating a significant presence in the generics market. The Company has found strong acceptance for its products in key premium markets such as USA, Europe and growth markets such as Brazil and South Africa.

Over the past few years, the Company has stepped up its exports of generic formulations as can be seen from the table below:

	2008-09	2007-08
Value (Rs. Million)	12,035.3	8485.6
Generic as a % of revenues	41.7	35.2

The market size and potential needs a quick look. Prescription of generics in the US is estimated to grow from the current 55% to 69% in the next few years and globally is growing annually at approximately 14%. This trend will be replicated in other countries especially in Canada, UK, Japan and European Union primarily because all governments, health services and insurance companies want affordable drugs and generics will play an important role in bringing down the cost to consumer.

Although historically the US market has enjoyed a higher rate of popularity for new generic entrants, due to increased competition, companies now tend to look into expanding into markets with developing growth potential, such as the under-penetrated markets of the EU and the emerging markets in Asia and Africa. Generics formulations business is poised for future growth with upcoming expiries of several blockbuster products.

Over the past few years, Aurobindo anticipated the changing dynamics of the market. The Company was confident that vertically integrated and quality conscious manufacturers with presence through the value chain and with ability to be cost effective will be able to meet the expectations of the market. In addition, if they have a

33.2

Million people living with HIV globally

3.84

Million people receving treatment for HIV

research led approach and can reduce the time-to-market from lab and product approval to consumers, they would have a large pipeline of products. Aurobindo ensured that it would straddle all the levers, and hence organized itself and executed well all its plans.

Aurobindo also recognized that the market will become more competitive and there would be pressure on margins, but estimated that there would be explosive growth in volumes for those manufacturers who are better organized to deliver. The key assumption was the industry will need to offer highest quality drugs at affordable prices. There will be no compromise and expectations will be high on the global pharmaceutical industry. Successful players will be those that have clear strategies, those that plan well, are better focused and organised to execute the strategy.

The mantra is in interplay of high volumes and steady margins. Aurobindo is among the very few manufacturers that have addressed the needs of the market, its consumers and yet is in a position to offer consumers affordable medicines. The Company created large capacities and has been receiving encouraging volume of orders and when Unit VII will go commercial in a few months, there will be larger deliveries and revenues.

Aurobindo has an addressable market estimated at $ 209 billion for its product basket. This buoyant trend for generics is expected to continue and Aurobindo will seek to ride the trend.

209

Aurobindo's addressabale market estimated at $ 209 billion for its product basket.

Sales volume

Million

3,942.5	3,324.3
2008-09	2007-08

Exploit the demand for affordable drugs

Shorten the time to market

Challenges and response

Differentiate by being cost effective

Build a stronger balance sheet

It is getting different. Generic is where the action is. This also means more market pressures. Competition is positive for those that can handle challenges. In a crowded market, it may seem as if the difference is only between consuming blue pills instead of red pills. It is much more than that. The game has changed radically in the pharmaceutical industry.

There is considerable focus on health care costs across the globe; product life cycles have shortened with new generation drugs being made available by more focused research; there is a process of consolidation amongst the various players; there is intense competition in the market for shelf space; and, there are several players who have equally strong capabilities and resources to reach a wider market.

We at Aurobindo respect our competitors and yet find a large market that is waiting to be tapped. We have a portfolio of products, basket of approvals and patents, a state-of-the-art R&D center and talented professionals that will drive us into a future of boundless possibilities.

In a short span of time, Aurobindo has not only become resilient but also has recognized the changing market dynamics. Indeed, the Company has adjusted its strategies and responses to face the challenges and to position itself on becoming a valuable player in the global pharmaceutical market.

We see challenges, but are also energized, since we are up to the challenge. On the next few pages, we discuss briefly the significant challenges of tomorrow and our responses to each of them.

Exploit the demand for affordable drugs

CHALLENGE

To build a strong foundation of resources and a platform for long-term growth with a large product basket.

RESPONSE

Demand for generics is growing year-on-year by 14%. Aurobindo recognizes the market dynamics, the initiatives of the health services of several countries and the pressures on insurance companies. The answer is in having a reservoir of affordable drugs and a continual pipeline of regulatory approved products.

An energetic and responsive marketing infrastructure has been positioned in all vital and strategic locations to improve the reach to the market. Aurobindo's strategy is to exploit and optimize the commercial value of products on hand, fast track the launch of products and increase the product pipeline. The Company holds 109 ANDAs in USA as well as a large number of approvals across Europe, UK, South Africa, Australia and Japan. The objective is to improve and deepen the relationships in the existing markets and gain market share. The business plan is to convert product approvals into invoices as early as possible.

Aggressive steps are now being taken to participate in the emerging markets such as Brazil, Mexico, South Africa, Nigeria, Malaysia, Korea, Middle East and a few others. A focused approach is now being taken to gain a foothold in about 60 markets, increase volume and revenue growth and enhance market share wherever launches have been successfully made.

Several products launched have received encouraging response and given our success rate, augmenting the product pipeline is the mainstay of our business. Continuous effort is being made to add to the pipeline, file dossiers, seek regulatory approvals for an increasing number of products and strengthen our marketing muscle. We will strive to market an increasing number of affordable drugs.

Shorten the time to market

CHALLENGE

To ensure flexibility in manufacturing, scale-up production volumes and fast track from lab to pharmacy shelves.

RESPONSE

As soon as regulatory approvals are received, the Company is able to seize the opportunity, scale up and commercialize the products. Aurobindo has a track record of converting product approvals into invoices at the shortest possible time.

In several instances, there is encouraging response which has put pressure on logistics and manufacturing capacity to execute repeat orders. Care has now been taken to de-bottleneck the operations and, where necessary, manufacturing capacity has been expanded and dedicated facilities earmarked to cater to the needs of the markets in the U.S. and Europe for formulations and active ingredients in specific therapeutic segments. With an eye on the future, additionally, the Company has ensured flexibility to scale up production volumes in each of its facility at short notice.

Wider geographies bring asymmetrical demands. Some of them have continuous but small requirement while several others demand higher volumes. The Company has several products which have presence in multiple markets. A large production batch size for some of the key products enhances the flexibility to offer products to multiple markets and shorten the time lag between order and deliveries. In fact, the Company is able to offer FDA approved quality products to emerging markets.

The ability to shorten the time to market will further improve in the near future. Presently, Unit VII at Jedcherla is being readied to handle formulation exports. This unit would double the formulation capacity of the Company, release capacity constraints on other production units, shorten order cycle times and considerably impact the revenue stream.

Aurobindo strives to enhance the value chain by straddling the formulations market by its control over active ingredients. Efforts will continue to be made to step-up the capacity for active ingredients in tandem with the rise in formulations business.

AUROBINDO

Differentiate by being cost effective

CHALLENGE

To be successful in a highly competitive global pharmaceutical market.

RESPONSE

Margins are made in manufacturing. Economies of scale are giving an edge to Aurobindo's marketing thrusts.

Aurobindo differentiates itself and has developed a business model aimed at providing sufficient manufacturing capacity while maintaining a competitive cost structure. The ability to succeed is leveraged on being the most cost effective producer, since price is a key differentiator. Pricing power is a function of cost effectiveness.

Production process at Aurobindo is vertically integrated since the Company manufactures approximately 95% of the key intermediates and active ingredients needed for its formulation business. The production processes are streamlined and simplified with the result that costs are held in check, raw materials are available when they are required and the Company is able to control quality from end-to-end.

Renewed efforts are being made to maximize recovery of solvents and other raw materials, improve yields, cut down production losses, and conserve the use of resources such as power, water and other utilities. Process waste is being reduced by continuous improvement of our production technology and work practices.

Aurobindo is further streamlining the processes so that decisions are taken more quickly and implemented systematically. We are undertaking a lean strategy to improve operational performance, reduce inventory and improve manufacturing economics.

Every effort is being made to retain the competitive strength and continue to remain the most flexible and cost effective producer. In a highly crowded market, to ensure steady progress, the Company will challenge its own cost structure and strive to grow faster than the industry average.

0

Aurobindo plans to become a zero debt company by 2012-13

Build a stronger balance sheet

CHALLENGE

To generate and conserve cash to further improve the balance sheet.

RESPONSE

The Company sees greater visibility in its marketing efforts as well as higher utilization of production capacities. The operations are being aligned to create a solid balance sheet, conserve liquidity and generate a strong cash flow. There is a calibrated approach to improve the financial strength which would enhance the ability to launch newer products as well as a footprint in potential markets.

Aurobindo is reducing its leverage through internal generation and plans to become a zero debt company by 2012-13.

AUROBINDO

Regulatory approvals - Manufacturing facilities

- 15 state-of-the-art manufacturing facilities in India (11), 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, MHRA (UK), Health Canada, MCC (SA), ANVISA (Brazil), TGA (Australia)	US FDA, Health Canada, MCC (SA), ANVISA (Brazil) NAM (Finland)	US FDA, MHRA (UK), 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 (Non-Sterile)	Semi-synthetic penicillins	Cephalosporins (Sterile)	Gastro enterologicals, Anti-retroviral	Anti-retroviral
US FDA, MHRA (UK), TGA (Australia)	US FDA MHRA (UK), TGA (Australia)	US FDA, TGA (Australia)	US FDA, Health Canada, NAM (Finland)	US FDA, MHRA (UK), TGA (Australia)	US FDA, MHRA (UK)

Approved for Bio-equivalence: US FDA, ANVISA (Brazil)

Complete list of domestic facilities are in page 51 of this Annual Report.

Regulatory approvals - Products

		As on Nov. 12, 2009	Approved
Generics NDA / ANDAs	US FDA	160	109
	Europe	77	30
	South Africa	217	48
	T0tal	454	187
Active ingredients Drug Master Filings	US FDA	143	
	Europe New Registrations	70	
	Multiple Registrations	880	
	Others*	289	
	CoS	79	
	Total	1461	
Patent and Designs	Filed	409	
	Registered	44	

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

18.6

Formulation volume of Aurobindo was higher by 18.6% in 2008-09 over the previous year

This is a 'Will Do' team

The many competent and committed employees have been crucial to the success of Aurobindo. Every year the performance results have been better primarily because of what the employees bring to the table every day. They have made a huge impact in research, manufacturing, raw material procurement, marketing strategies, product launches, logistics and all other support functions.

What distinguishes the Company from several others in the industry can be briefly highlighted. The Aurobindo team:

- ✓ understands the business and capitalizes on emerging opportunities;
- ✓ is responsible for making positive impact by their result oriented approach to tasks;
- ✓ has a grip on the multiple levers that influence business;
- ✓ is often the first mover and takes the initiative to meet customer expectations;
- ✓ helps achieve the corporate objectives.

Aurobindo recognizes that technical specialists are the life blood of the pharmaceutical business and that means giving experts the freedom to concentrate on ideas, solutions and technologies. The Company recognizes and respects the professionals and gives them a free hand to create products that are good for the customers, the pharmaceutical industry, for Aurobindo's growth and thereby challenge themselves and exceed expectations.

AUROBINDO

6,944

Aurobindo has 6,944 multi-skilled employees covering functional areas such as research, manufacturing, sales and marketing

5

Attrition level of 5%

Over the years, Aurobindo has gained from the inspiration and influence individual employees have with their commitment to the organizational goals. They have the 'Will Do' spirit and this is maintained with a hands-on approach from the top management.

Seen from a longer term perspective and given that the organization is on a fast track, we require employees to be in a constant learning mode. It starts at the recruitment stage when they are taken on board for their skills, ability to contribute to the team and openness to learning situations.

The Company provides supplementary inputs regularly by focused training and in 2008-09 covered key areas such as leadership training, quality systems, team building, communication and lifestyle management. The learning curve in the employees makes up the DNA for a high performance organization.

As at March 31, 2009 the Company had 6,944 employees, approximately 9% more than the strength a year earlier. A very large proportion of them are PhDs, post graduates, graduates and skilled workmen. The attrition level is approximately 5% while the industry average is estimated to be 14%.

Employee development and career progression is being given a renewed focus. Every employee has a unique menu for career development and has strengths and weaknesses. Aurobindo is an enabling organization that helps individuals discover their potential, contribute their best efforts and take responsibility for their and Company's growth. They are recognized and rewarded for their achievements.

The fast tracked growth at Aurobindo is a testimony to the competence, mindset and dedication to develop solutions to the many challenges that face a highly competitive pharmaceutical industry. Through these employees, the Company will maintain the momentum. People are the future of Aurobindo - we are in good hands.

"There is no finish line for our commitment and responsibility."

Managing environment and safety

Aurobindo strives for excellence in environment, health and safety performance. This is part of the overall commitment towards sustainable development. This also means that there is no compromise on occupational health and safety and the Company seeks to minimize its environmental impact, its use of natural resources such as water and energy. Aurobindo is committed to dealing with these issues in a responsible, proactive and transparent way.

High priority is given to the Company's manufacturing systems. The processes, procedures and equipments are optimized with respect to process safety, environmental aspect and worker health. Aurobindo aims to minimize its environmental footprint by improvements throughout the value chain.

Some of the critical issues that are being addressed are:

- ✓ Constantly assess the impact of the operations on the environment;
- ✓ Improve the environmental performance by using eco-friendly processes and cleaner technology;
- ✓ Make the best possible use of raw materials and energy;
- ✓ Reduce emissions from each of our production units;
- ✓ Tailor the production technology and objectives after assessing the compliance needs;
- ✓ Be transparent in our environment management systems;
- ✓ Provide training and awareness to the employees to ensure that they are responsible and sensitive to environmental requirements.

The team at Aurobindo is cognizant that policies need to be translated into action by employee involvement and managerial supervision. Wherever required we are presently installing environmental friendly technologies such as multiple effect evaporation systems and agitated thin film driers for the API units. Nitrogen blanketing and water sprinkler system for solvent storage tanks are operational to reduce hazards.

Resource consumption and sources of pollution are monitored on a regular basis and efforts are being made to meet present standards and future needs. Aurobindo is also planning to install reverse osmosis units for re-use of water and reduce net water consumption in all the manufacturing facilities.

Realistic targets for improvement are set and implemented with concrete action plans especially in areas such as CO^2 emissions and waste water management. All effluents, emissions and wastes are monitored strictly and treated appropriately before being safely disposed off. Stack emissions are monitored at regular intervals. This has enabled the Company to reduce the relative environmental burden inspite of rise in production volumes. Prevention, closely coordinated production, care of the environment and vigilance are all natural elements of daily life at Aurobindo.

Safety is both an employee's responsibility as well as a corporate objective. Our goal in safety management is that no harm is suffered by employees, our contractors and visitors to our facilities. The stakeholders in the mission, the employees at all the manufacturing facilities, have been encouraged to handle safely chemical raw materials, intermediates and finished products. Knowledge of chemical procedures and the products manufactured using these procedures is a critical part of our safety management system.

There is no finish line for our commitment and responsibility. New initiatives are being developed and implemented to bring about a step change in our safety performance. Care and concern of the neighborhood and safety of our employees is non-negotiable and integral to our business.

2

The Company targets to reach revenues of $2 billion in 3 years

Moving to the next level

We built the staircase one step at a time. We have world class regulatory inspected/approved facilities and products, a pipeline of new products, marketing architecture in several countries, talented and experienced staff and a growing quality conscious market that needs affordable drugs. We ensured that we had multiple levers to ensure consistent growth.

We have knowledge of the market, a very good understanding of the industry space and are making progress. This is a high energy organization and we have empowered teams and Aurobindo will have more on offer from R&D; several products have been filed and are pending approval; there are also products that are waiting to be launched; manufacturing capacities are being de-bottlenecked; capacity added in the past are waiting for inspection; much more work has been done on product quality and environment and safety, and partnerships with our customers are likely to be impacting our revenues and our cash flows.

Going forward, we will become a more global company. As we grow in North America, Europe, Latin America and emerging markets, we will be driven by finding new ways to position ourselves and shall set even more ambitious goals. We align our business processes around such higher expectations.

Much will be expected from the Aurobindo team from strategic planning to customer value management to developing and engaging our people. One of the most important elements of our success will be creating even more accountability in terms of our performance. Everything we do will be about improving our performance, meeting customer expectations and outpacing the competition.

We will continue our intense focus on improving our performances both in APIs and formulations and our Company in total. We have already made several improvements in this area, but we are clear that we need to improve further every day, every place on an absolute and relative basis. To do this we shall continue to be even more customer driven and continue to be disciplined with our finances. Aurobindo prides itself in being a prudent organization and as we accelerate, the team is conscious to enhance manufacturing productivity, improve the bottomline and generate cash.

Our target is to reach revenues of $ 2 billion in three years. We will make every effort to see that the earnings improve quarter on quarter.

We have the architecture, the formula and dedicated people to build the staircase of growth. We have the momentum. We are moving to the next level.

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.

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 PhD in Organic Chemistry. He has about 36 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 Sri Chakra Remedies Limited. He looks after formulations manufacturing.

Dr. K. RAMACHANDRAN, born 1955

Non-Executive Director, was awarded PhD 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).

Chief Financial Officer

Mr. Sudhir B. Singhi

General Manager (Legal) & Company Secretary

Mr. A. Mohan Rami Reddy

Statutory Auditors

M/s. S.R. Batliboi & Associates
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

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 25 years of experience in consulting services.

Dr. D. RAJAGOPALA REDDY, born 1959

Non-Executive Director, holds Master's Degree in Science and has been awarded a PhD in Organic Chemistry. He has about 25 years of experience in the pharmaceutical industry and is the Chairman and Managing Director of Erithro Pharma Private Limited.

Bankers

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

Industry perspective

The pharmaceutical industry is one of the success stories of India ensuring that good quality essential drugs are made available at affordable prices to the vast population of the country as well as competing with some of the best names in the global markets.

The industry is an intellectual industry and is in the front rank of India's science-based industries with investment in research and development and wide ranging capabilities in the complex field of drug manufacture and technology. It has grown from a mere $0.3 billion turnover in 1980 to about $19 billion in 2008 (combined sales in domestic and export markets). The country now ranks 3rd in terms of volume of production (10% of global share) and 14th largest by value. One reason for lower value share is the lower cost of drugs in India ranging from 5% to 50% less as compared to developed countries.

The accelerated growth has been fuelled by exports to more than 200 countries with a sizeable share in the advanced regulated markets of U.S. and Western Europe. 40% of the world's bulk drug requirement is met by India.

It ranks very high in terms of technology, quality and range of medicines manufactured. From simple headache pills to sophisticated antibiotics and complex cardiac compounds, almost every type of medicine is now made indigenously.

The industry has made significant progress in creation of required infrastructure, meeting global needs for supply of quality medicines and active pharmaceuticals ingredients (APIs), as also entering into the highly opportune area of contract research and manufacturing (CRAM) and clinical trials.

Domestic investment in the pharmaceuticals sector is estimated at Rs.314.30 billion (approximately $6.55 billion). The pharmaceuticals sector has been able to attract FDI amounting to $1.40 billion in the sector during 2000-01 to 2008-09 of which, there has been an inflow of $334.09 million in 2007-08 and $125.30 million during the first half of 2008-09. (Source: Ministry of Commerce & Industry)

The sector is estimated to have so far created 4.2 million employment opportunities with more than 20,000 registered units. Despite the fragmentation and price competition, the leading 250 pharmaceutical companies control 70% of the market with the leader holding nearly 7% of the market share.

While pharmaceutical products are exported primarily to U.S.A., Germany, Russia, UK and Brazil amongst a large basket of countries, India's imports emanate mainly from China, Switzerland, U.S.A. and Italy. India currently exports drug intermediates, APIs, finished dosage formulations (FDFs), bio-pharmaceuticals, clinical services to various parts of the world.

Exports of pharmaceuticals have consistently outstripped the value of corresponding imports between 1996-97 and 2008-09. The trade balance increased from Rs.21.57 billion in 1996-97 to Rs.298.81 billion in 2008-09. Exports of pharmaceuticals at Rs.384.33 billion registered a growth rate of 25% in 2008-09. This is quite impressive, seen in the context of the growth in the country's total exports of all commodities was at 16.9% in the corresponding period.

The share of exports of pharmaceuticals products to the total national exports have been in excess of 2% during each of last 12 years ending 2007-08. It has exhibited a long term upward trend from 2.01% in 1996-97 to 2.55% in 2008-09. In 2008-09, there was a sharp growth at 40% in exports to Brazil, and exports to Asian countries was $1 .38 billion (approximately 19% of India's total pharma exports).

Generics - a perspective

A generic drug product is one that is comparable to an innovator drug product in dosage form, strength, route of administration, quality, performance characteristics and intended use. In U.S.A., all approved products, both innovator and generic, are listed in FDA's Approved Drug Products with Therapeutic Equivalence Evaluations (Orange Book). These drugs also go through a rigorous scientific review to ensure both safety and effectiveness.

The generics business, characterized by volume sales and thin profit margins, was not an attractive business proposition for most innovator companies until a few years earlier. Innovator multinational companies worried over plummeting profits and business due to the dwindling new drug pipeline and existing drugs going off-patent in the near future, are looking at containing costs and additional revenue streams.

The growth in sales of the top 15 multinational pharma companies was just 1.2%, at $369.72 billion, in 2008. And, net profit also grew just by 1.2% to $94 billion, said a study by an industry specialist. The study also said seven of 15 top companies cut their research and development expenditure, last year. It is now believed that the global generics market will grow to $140-150 billion by 2015, thanks to $105 billion worth of drugs going off-patent in the near future.

Global pharmaceutical market intelligence company IMS Health believes the Indian generic manufacturers will grow at a faster clip as drugs worth approximately $20 billion in annual sales will face patent expiry in 2011. In fact, with nearly $105 billion 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, significant 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 $60 billion 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. Having more generic-drug options means more cost-savings to consumers, as generic drugs cost about 30% to 80% less than brand name drugs and is expected to further fuel the export plans of Indian pharmaceutical companies.

In order to seek approval from regulatory authorities, generic applicants must scientifically demonstrate that their product is bioequivalent (i.e., performs in the same manner as the innovator drug). One way scientists demonstrate bioequivalence is to measure the time it takes the generic drug to reach the bloodstream in 24 to 36 healthy volunteers. This gives them the rate of absorption, or bioavailability, of the generic drug, which they can then compare to that of the innovator drug. The generic version must deliver the same amount of active ingredients into a patient's bloodstream in the same amount of time as the innovator drug.

Generic drug applications are termed "abbreviated" because they are generally not required to include preclinical (animal) and clinical (human) data to establish safety and effectiveness.

In U.S.A., bioequivalence as the basis for approving generic copies of drug products was established by the "Drug Price Competition and Patent Term Restoration Act of 1984," also known as the Waxman-Hatch Act. This Act expedites the availability of less costly generic drugs by permitting FDA to approve applications to market generic versions of brand-name drugs without conducting costly and duplicative clinical trials. At the same time, the brand-name companies can apply for up to five additional years longer patent protection for the new medicines they developed to make up for time lost while their products were going through FDA's approval process. Brand-name drugs are subject to the same bioequivalence tests as generics upon reformulation.

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 $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 $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 $ 900 million by 2010.

Company Perspective

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

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.

The investments made in the past are paying off. The Company had built large manufacturing capacities for both active ingredients and formulations, created a large pipeline of approved products and undertaken development work in the market to launch them. Aurobindo's core competence in manufacturing, cost effectiveness and quality consciousness have been supplemented by the geographical reach and marketing channels. Aurobindo was able to deliver better than the earlier years, and now has a platform for aggressive and successful product launches.

As in the past, the financial year 2008-09 saw higher volume sales as well as higher revenues. Formulation sales in revenue terms were higher by 41.83% over the previous year, which is a significant growth given that there was a 48.1% rise in the previous year. The volume sold was also higher by 18.6% primarily because of the focused marketing efforts, larger geographical presence and a large approved product portfolio.

Aurobindo has been able to gain visibility in key markets and ramp up volume shares for large runners in the formulations market. However, the volatility of currencies and uncertain economic environment resulted in exchange fluctuation loss of Rs.2278.2 million and shaded the annual financial results.

Aurobindo has invested in the future and worked hard to build a large portfolio and sought product approvals in all relevant categories. The table below shows the new filings in the past three years for select markets:

		2008-2009	2007-2008	2006-2007
ANDAs	US FDA	19	46	31
	Europe	15	20	15
DMF	US FDA	11	12	43
Patents & Designs		55	69	69

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

Contract research and contract manufacturing (CRAMS) are other areas that are being pursued. These are potentially attractive business with possible long term business 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 as well as the customers want. Multinational pharmaceutical companies have perceived Aurobindo's facilities as extensions of their own labs and manufacturing plants.

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.

Threats and challenges

Price sensitivities get tested in a crowded market where price tends to sag while volume business gets done. Competing pharmaceutical companies have several similar bio-equivalent products in the same market manufactured at facilities that have been approved by the highest regulatory authorities. All of them stay focused on the same markets with the result price elasticity is tested and margins get eroded.

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. The Company is a dominant player in the active ingredients business and has been able to control its quality, save on timelines, control its costs and has the ability to deliver at 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.

In addition to the foregoing, the Company has unmatched strengths to cope with the challenges of the market such as experienced staff with 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. The professionals within the Company have been trained to create opportunities, replicate the successes and drive business growth.

Financial performance

It was another year of new highs in volume sales and revenues for the Company while the profits were shaded by exchange fluctuation loss of Rs.2278.2 million.

The marketing efforts were made to enlarge the geographical spread as well as deepen the relationships with existing customers. The Company had larger product portfolio and got closer to the customers resulting in better formulation sales.

The Company reported its highest ever revenues at Rs.28852.5 million as against Rs.24092.8 million in the previous year. Exports constituted Rs.18232.6 million as against Rs.13976.6 million. Exports as a percentage of total sales were 63.2%, an improvement from 58% in 2007-08. Formulation sales were Rs.12035.3 million in year ended March 2009 as against Rs.8485.6 million in the earlier year.

Raw material consumption as a percentage of sale of goods was maintained at 58.49% as compared to 58.50% in 2007-08. During 2008-09, China operations were streamlined and there was improvement in yields and quality of strains, while Pen-G prices remained volatile. Presently steps are being taken to improve business prospects.

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 result oriented professionals who have consistently delivered results in line with customer needs and corporate plans and where necessary have been trained keeping the growth needs. 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.

As at March 31, 2009, there 6,944 employees and their collective dedication is enabling Aurobindo to meet customer expectations and deliver superior shareholder value.

Outlook

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.

Aurobindo has organized its entire business infrastructure and is leveraging its knowledge base and process chemistry strengths to become a significant player in generics. All the strengths have been tested from the perspective plan to manufacturing plant and later in the market place. There is a powerful marketing infrastructure backed up by state-of-the-art manufacturing systems that are 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.

Risks & their management

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. Some of them 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.

Aurobindo has a product basket that straddles several therapeutic segments and has its revenues spread across the U.S., the European Union and the the rest of the world. Care is taken to grow in each of its product segments and is striving to improve its presence in each of these three markets.

The Company holds regulatory approvals for large number of products in U.S. and Europe and is 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. Efforts are also being made to strengthen presence in potentially large markets such as Brazil, South Africa, Canada, Australia, North and West Africa as well as Middle East to step up business. These initiatives would also help consolidate Aurobindo's volumes and revenues over the long term.

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.

In a highly competitive market between equally competent players, it is critical to have unmatched and unique strengths that improve market share, reduce risks while adding potential value. Aurobindo indeed has unique strengths which enable the Company to face its competitive pressures better than its peers.

This risk perception would be minimal for 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, with its operational efficiencies 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. The in-house team has applied for over 1,068 approvals for ANDAs out of which 160 are with the US FDA. Approvals received from US FDA total 109.

Similarly, the team has filed over 1,461 DMFs including 143 with US FDA. 404 patent & design 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 also demonstrated their 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 in both 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 Company's focus on quality assurance has minimized 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 proprietary information and operate without infringing on the proprietary rights of others.

Aurobindo has a dedicated IPR team of trained scientists whose primary task is to ensure that the Company's products are manufactured using only non-infringing processes. So far the Company has filed for 404 patents and designs and has been granted 44 non-infringing process patents.

Adequate care is taken to respect trade secrets, knowhow and other proprietary information and ensures that the employees, vendors and suppliers 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:

Current objective is to neutralize the forex volatility by maintaining the parity of receivables and payables, and by availing cheaper bank borrowings in foreign currency. Such parity provides a natural hedge and very limited forward cover has been taken to the extent of the gap, if any. Natural hedge in relation to underlying contracts help minimize the risk.

At the same time, operating margins are being improved by larger proportion of formulations sales to drive the margins to mitigate 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 inconsistencies 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.

This is a result oriented Company with a focused approach to customers, markets and products. There is premium attached to completing tasks on time and being cost conscious. Aurobindo is therefore a demanding organization and hence recruits, trains and builds a team of achievers.

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.

There is 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.

As in the past, the attrition in the Company is much lower than the industry average.

Notice

NOTICE is hereby given that the Twenty Second Annual General Meeting of the Members of Aurobindo Pharma Limited will be held on **Wednesday, December 23, 2009 at 11.30 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 31st March 2009 and Profit & 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 on the Equity Shares.

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

4. To appoint a Director in place of Mr. M. Madan Mohan Reddy who retires by rotation and being eligible, offers himself for re-appointment

5. To appoint a Director in place of Mr. M. Sitarama Murthy who retires by rotation and being eligible, offers himself for re-appointment

6. To appoint M/s. S.R. Batliboi & Associates as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to authorize the Board of Directors to fix their remuneration.

SPECIAL BUSINESS

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

   "RESOLVED THAT in partial modification of the resolution passed at the 19th Annual General Meeting held on September 18, 2006 and pursuant to the provisions of Sections 198, 269, 309, 311 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII to the said Act, and subject to such other consents/approvals as may be required, the remuneration payable to Mr. P.V. Ramprasad Reddy who was re-appointed as Whole-time Director of the Company in the capacity of Executive Chairman for a period of 5 years with effect from June 29, 2006 be and is hereby revised with effect from September 1, 2009 with a basic salary of Rs.3,75,000 per month and house rent allowance of Rs.2,50,000 per month whilst other existing terms remain unchanged.

   "RESOLVED FURTHER THAT notwithstanding anything to the contrary herein contained, where in any financial year during the currency of the tenure of Mr. P.V. Ramprasad Reddy, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary, allowances and perquisites within the limits as laid down under Sections 198, 309, 310 and all other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII of the Act as in force from time to time."

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

"RESOLVED THAT in partial modification of the resolution passed at the 19th Annual General Meeting held on September 18, 2006 and pursuant to the provisions of Sections 198, 269, 309, 311 and other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII to the said Act, and subject to such other consents/approvals as may be required, the remuneration payable to Mr. K. Nithyananda Reddy who was re-appointed as Managing Director of the Company for a period of 5 years with effect from June 29, 2006 be and is hereby revised with effect from September 1, 2009 with a basic salary of Rs.3,75,000 per month and house rent allowance of Rs.2,50,000 per month whilst other existing terms remain unchanged.

"RESOLVED FURTHER THAT notwithstanding anything to the contrary herein contained, where in any financial year during the currency of the tenure of Mr. K. Nithyananda Reddy, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary, allowances and perquisites within the limits as laid down under Sections 198, 309, 310 and all other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII of the Act as in force from time to time."

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

"RESOLVED THAT in partial modification of the resolution passed at the 19th Annual General Meeting held on September 18, 2006 and pursuant to the provisions of Sections 198, 269, 309, 311 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII to the said Act, and subject to such other consents/approvals as may be required, the remuneration payable to Dr. M. Sivakumaran, who was re-appointed as Whole-time Director of the Company for three years with effect from January 16, 2007 be and is hereby revised with effect from September 1, 2009 with a basic salary of Rs.3,75,000 per month and house rent allowance of Rs.2,50,000 per month whilst other existing terms remain unchanged.

"RESOLVED FURTHER THAT notwithstanding anything to the contrary herein contained, where in any financial year during the currency of the tenure of Dr. M. Sivakumaran, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary, allowances and perquisites within the limits as laid down under Sections 198, 309, 310 and all other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII of the Act as in force from time to time."

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 311 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII to the said Act and subject to such other consents/ approvals as may be required, Dr. M. Sivakumaran be and is hereby re-appointed as Whole-time Director of the Company for a further period of three years with effect from January 16, 2010, whose term of office shall be liable to determination by retirement of directors by rotation at a remuneration and perquisites as detailed below.

a.	Salary	:	Rs.3,75,000 per month
b.	House Rent Allowance	:	Rs.2,50,000 per month
c.	Medical Reimbursement	:	i. Reimbursement of medical expenses incurred for self and family subject to a ceiling of one month's salary in a year or 3 months' salary over a period of 3 years. ii. Mediclaim insurance as per rules of the Company.
d.	Leave Travel Concession	:	For self & family once in a year as per the rules of the Company.
e.	Personal Accident Insurance	:	Premium not exceeding Rs.25,000 per annum.
f.	Club Fees	:	Fees of clubs subject to a maximum of two clubs. This will not include admission and life membership fee.

g. Provident fund, superannuation benefits and gratuity as per the rules of the Company subject to the ceilings as per the guidelines for managerial remuneration in force from time to time.

h. Provision of Company's car with driver.

i. Provision of free telephone at residence.

j. Encashment of leave as per the rules of the Company.

EXPLANATION:

For the purpose of c & d above, family means, the spouse, the dependent children and dependent parents of the appointee.

"RESOLVED FURTHER THAT notwithstanding any thing to the contrary herein contained, where in any financial year during the currency of the tenure of Dr. M. Sivakumaran, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary, allowances and perquisites within the limits as laid down under Sections 198, 309, 310 and all other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII of the Act as in force from time to time."

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 311 and other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII to the said Act and subject to such other consents/ approvals as may be required, Mr. M. Madan Mohan Reddy be and is hereby re-appointed as Whole-time Director of the Company for a further period of three years with effect from September 18, 2009, whose term of office shall be liable to determination by retirement of directors by rotation at a remuneration and perquisites as detailed below:

a.	Salary	:	Rs.3,75,000 per month
b.	House Rent Allowance	:	Rs.2,50,000 per month
c.	Medical Reimbursement	:	i. Reimbursement of medical expenses incurred for self and family subject to a ceiling of one month's salary in a year or 3 months' salary over a period of 3 years. ii. Mediclaim insurance as per rules of the Company.
d.	Leave Travel Concession	:	For self & family once in a year as per the rules of the Company.
e.	Personal Accident Insurance	:	Premium not exceeding Rs.25,000 per annum.
f.	Club Fees	:	Fees of clubs subject to a maximum of two clubs. This will not include admission and life membership fee.

g. Provident fund, superannuation benefits and gratuity as per the rules of the Company subject to the ceilings as per the guidelines for managerial remuneration in force from time to time.

h. Provision of company's car with driver.

i. Provision of free telephone at residence.

j. Encashment of leave as per the rules of the Company.

EXPLANATION:

For the purpose of c & d above, family means, the spouse, the dependent children and dependent parents of the appointee.

"RESOLVED FURTHER THAT notwithstanding any thing to the contrary herein contained, where in any financial year during the currency of the tenure of Mr. M. Madan Mohan Reddy, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary, allowances and perquisites within the limits as laid down under Sections 198, 309, 310 and all other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII of the Act as in force from time to time."

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

"RESOLVED THAT pursuant to Section 314 (1) and other applicable provisions of the Companies Act, 1956, consent of the shareholders be and is hereby accorded to the appointment of Ms. K. Kirthi Reddy, a relative of Mr. P.V. Ramprasad Reddy, Chairman, Mr. K. Nithyananda Reddy, Managing Director and Mr. P. Sarath Chandra Reddy, Director of the Company, as Assistant Manager (Business Development) from September 1, 2008 to April 30, 2009 with a remuneration of Rs.2,30,000 lakhs per annum and as Sr. Manager (Business Development) with effect from May 1, 2009 with revised remuneration at Rs.5,00,000 lakhs per annum, consisting of monthly salary of Rs.34,600 together with provident fund benefits, leave travel concession, reimbursement of medical expenses and other benefits and perquisites as per the rules of the Company.

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to promote her to higher cadres and/or to sanction her increments and/or accelerated increments within the said cadre or higher cadre as and when the Board of Directors deem fit, subject to the rules and regulations of the Company in force, from time to time, however, the increment shall not exceed 20% of annual salary together with all the benefits and allowances for each completed year of service within the permissible total monthly remuneration that may be prescribed in this behalf from time to time under Section 314 of the Companies Act, 1956."

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

"RESOLVED THAT pursuant to Section 314(1)(B) and other applicable provisions of the Companies Act, 1956 including statutory modification or re-enactment thereof for the time being in force as may be enacted from time to time, the Director's Relatives (Office or Place of Profit) Rules, 2003 and subject to such approvals including approval of the Central Government, as may be required, the consent of the Company be and is hereby accorded to the appointment of Mr. Vishnu M. Sriram a relative of Dr. M. Sivakumaran, Whole-time Director of the Company, as Associate Vice President (Formulations - ROW) with effect from May 1, 2009 at a remuneration of Rs.25,00,000 (Rupees twenty five lakhs) per annum, consisting of monthly salary of Rs.1,86,000 together with provident fund benefits, leave travel concession, reimbursement of medical expenses and other benefits and perquisites as per the rules of the Company with liberty and authority to the Board of Directors to alter and vary the terms and conditions of the said appointment and remuneration from time to time.

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to promote him to higher cadres and/or to sanction his increments and/or accelerated increments within the said cadre or higher cadre as and when the Board of Directors deem fit, subject to the rules and regulations of the Company in force, from time to time, however, the increment shall not exceed 20% of annual salary together with all the benefits and allowances for each completed year of service.

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to take, perform and execute such further steps, acts, deeds and matters, as may be necessary, proper or expedient to give effect to this Resolution.

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to agree to such modification and/or variation as may be suggested by the Central Government while granting its approval."

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

"RESOVLED that Dr. D. Rajagopala Reddy 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 up to the date of the ensuing Annual General Meeting be and is hereby appointed as Director of the Company liable to retire by rotation."

By Order of the Board

A. MOHAN RAMI REDDY
General Manager (Legal) &
Company Secretary

Hyderabad
November 12, 2009

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 December 18, 2009 to December 23, 2009 (both days inclusive).

4. The Board of Directors of the Company has declared an interim dividend @ 60% i.e. Rs.3 per share of Face Value of Rs.5 for the year 2008-09 on January 30, 2009 and has been paid to the eligible shareholders on February 12, 2009.

   The final dividend on equity shares @ 30% i.e. Rs.1.50 per share of Face Value of Rs.5 as recommended by the Board of Directors, if declared at the ensuing Annual General Meeting, will be paid to those shareholders whose names appear on the Company's Register of Members on December 17, 2009; in respect of shares held in electronic form, the dividend will be paid to members whose names are furnished by National Securities Depository Limited and Central Depository Services Limited as beneficial owners as on that date.

5. Pursuant to the provisions of Section 205A of the Companies Act, 1956, the unpaid/unclaimed dividend for the year 2001-02 has been transferred to the Investor Education and Protection Fund of the Central Government 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 Registrar 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 Limited (formerly Gold Star Remedies Limited) with Aurobindo Pharma Limited, the erstwhile shareholders of Sri Chakra Remedies Limited, who have not yet exchanged their shares with shares of Aurobindo Pharma Limited, are hereby requested to do so by surrendering the original share certificates of Sri Chakra Remedies Limited/Gold Star Remedies Limited to the Company's Registrar and Transfer Agents, M/s. Karvy Computershare Private Limited.

8. To avoid loss of dividend warrants in transit and undue delay in respect of receipt of dividend warrants, the Company has provided a facility to the Members for remittance of dividend through the Electronic Clearing System (ECS). 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 Nos. 7, 8 & 9

Mr. P.V. Ramprasad Reddy was re-appointed as Executive Chairman of the Company and Mr. K. Nithyananda Reddy was re-appointed as Managing Director of the Company for a period of 5 years with effect from June 29, 2006. Dr. M. Sivakumaran was re-appointed as a Whole-time Director of the Company for 3 years with effect from January 16, 2007. Presently, each of them is being paid a remuneration of Rs.5 lakhs per month consisting of basic salary of Rs.3 lakhs and Rs.2 lakhs towards HRA with provident fund benefits, leave travel concession, reimbursement of medical expenses and other benefits and perquisites as per the rules of the Company.

The Remuneration/Compensation Committee has, considering their significant and invaluable contribution to the Company, recommended to the Board to revise the remuneration payable to Mr. P.V. Ramprasad Reddy, Mr. K. Nithyananda Reddy and Dr. M Sivakumaran. The Board of Directors of the Company has, subject to the approval of the Members, considered the recommendations of the Remuneration/Compensation Committee and proposed revision of remuneration payable to them with effect from September 1, 2009 on such terms and conditions as set out in the respective proposed Resolutions.

Under the provisions of Sections 198, 269, 309 and all other applicable provisions read with Schedule XIII of the Companies Act, 1956, consent of the members of the Company is required for revision of remuneration payable to them. The Board of Directors, based on the recommendation of the Remuneration/ Compensation Committee, is of the view that the remuneration package is commensurate with the operations of the Company.

The terms of revision of remuneration as set out in Item Nos. 7, 8 & 9 of the Notice may be treated as an abstract of the terms of revision of remuneration of Mr. P.V. Ramprasad Reddy, Mr. K. Nithyananda Reddy and Dr. M. Sivakumaran for the purpose of Section 302 of the Companies Act, 1956.

The Board accordingly, commends the Resolutions set out at Item Nos. 7, 8 & 9 of the Notice for approval of the Members.

Mr. P.V. Ramprasad Reddy, Mr. K. Nithyananda Reddy and Dr. M. Sivakumaran are interested in the Resolutions set out at Item Nos, 7, 8 and 9 respectively of the Notice. Mr. P. Sarath Chandra Reddy, Director, is deemed to be interested in the Resolution Nos. 7 & 8 as he is related to Mr. P.V. Ramprasad Reddy and Mr. K. Nithyananda Reddy. Save and except the above, none of the other Directors of the Company is in any way, deemed to be concerned or interested in the Resolutions.

Item No.10

Dr. M. Sivakumaran was appointed as a Wholetime Director of the Company for a period of 3 years with effect from January 16, 2007. The Board considering his significant and invaluable contribution to the operations and growth of the Company proposes re-appointment of Dr. M. Sivakumaran as a Whole-time Director of the Company for a period of 3 years with effect from January 16, 2010 on such terms and conditions as set out in the proposed resolution.

Under the provisions of Sections 198, 269, 309 and all other applicable provisions read with Schedule XIII of the Companies Act, 1956, consent of the Members of the Company is required for the re-appointment of and fixation of remuneration payable to Dr. M. Sivakumaran as a Whole-time Director. The Board of Directors, based on the recommendation of the Remuneration/ Compensation Committee, is of the view that the remuneration package is commensurate with the operations of the Company.

The terms of re-appointment of Dr. M. Sivakumaran and remuneration payable to him as set out in Item No. 10 of the Notice may be treated as an abstract of the terms re-appointment and remuneration payable to Dr. M. Sivakumaran for the purpose of Section 302 of the Companies Act, 1956.

A brief profile of Dr. M. Sivakumaran and names of the companies in which he holds directorship and membership/Chairmanship of Board/Committees, as stipulated under Clause 49 of the Listing Agreement with the stock exchanges, are provided in the Report on Corporate Governance forming part of the Annual Report.

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

None of the Directors of the Company except Dr. M. Sivakumaran may be deemed to be concerned or interested in the Resolution.

Item No.11

Mr. M. Madan Mohan Reddy was appointed as a Whole-time Director of the Company for a period of 3 years with effect from September 18, 2006. The Board considering his significant and invaluable contribution to the operations and growth of the Company proposes re-appointment of Mr. M. Madan Mohan Reddy as a Whole-time Director of the Company for a period of 3 years with effect from September 18, 2009 on such terms and conditions as set out in the proposed Resolution.

Under the provisions of Sections 198, 269, 309 and all other applicable provisions read with Schedule XIII of the Companies

Act, 1956, consent of the Members of the Company is required for the re-appointment of and fixation of remuneration payable to Mr. M. Madan Mohan Reddy as a Whole-time Director. The Board of Directors, based on the recommendation of the Remuneration/Compensation Committee, is of the view that the remuneration package is commensurate with the operations of the Company.

The terms of reappointment of Mr. M. Madan Mohan Reddy and remuneration payable to him as set out in Item No. 11 of the Notice may be treated as an abstract of the terms re-appointment and remuneration payable to Mr. M. Madan Mohan Reddy for the purpose of Section 302 of the Companies Act, 1956.

A brief profile of Mr. M. Madan Mohan Reddy and names of the companies in which he holds directorship and membership/ Chairmanship of Board/Committees, as stipulated under Clause 49 of the Listing Agreement with the stock exchanges, are provided in the Report on Corporate Governance forming part of the Annual Report.

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

None of the Directors of the Company except Mr. M. Madan Mohan Reddy may be deemed to be concerned or interested in the Resolution.

Item No.12

The Board of Directors of the Company at its meeting held on April 30, 2009 considered the appointment of Ms. K. Kirthi Reddy, working as Assistant Manager (Business Development) with effect from September 1, 2008 as Sr. Manager (Business Development) with revised remuneration with effect from May 1, 2009. Ms. K. Kirthi Reddy is BS in Finance from U.S.A. with around 4 years experience in finance, accounts and sales administration. Ms. K. Kirthi Reddy, is a relative of Mr. P.V. Ramprasad Reddy, Chairman, Mr. K. Nithyananda Reddy, Managing Director and Mr. P. Sarath Chandra Reddy, Director of the Company. As per provisions of Section 314(1) of the Companies Act, 1956, the appointment and payment of remuneration requires consent of the shareholders by way of special resolution. The proposed appointment and the remuneration payable to Ms. K. Kirthi Reddy has been considered and recommended by the Remuneration Committee.

The Board accordingly, commends the Resolution for approval of the Members as a Special Resolution.

Mr. P.V. Ramprasad Reddy, Mr. K. Nithyananda Reddy and Mr. P. Sarath Chandra Reddy being relatives of Ms. K. Kirthi Reddy are deemed to be concerned or interested in the Resolution.

Item No.13

The Board of Directors of the Company at its meeting held on April 30, 2009 appointed Mr. Vishnu M. Sriram as Associate Vice President (Formulations - ROW) with effect from May 1, 2009. Mr. Vishnu M. Sriram is an M.S. and has around 10 years experience in U.S.A. on general marketing and allied activities. Prior to the present appointment, he was employed in Aurobindo Pharma USA Inc., a wholly owned subsidiary of the Company wherein he was responsible for development and implementation of systems for sales & distribution and customer related services. Mr. Vishnu M.Sriram is a relative of Dr. M. Sivakumaran, Whole-time Director of the Company. As per the provisions of Section 314 (1)(B) of the Companies Act, 1956, the appointment requires consent of the Members by way of special resolution and it is further to be approved by the Central Government. The proposed appointment and the remuneration payable to Mr. Vishnu M. Sriram has been considered and recommended by the Remuneration Committee.

The Board accordingly, commends the Resolution for approval of the Members as a Special Resolution.

Dr. M. Sivakumaran being relative of Mr. Vishnu M. Sriram is deemed to be concerned or interested in the Resolution.

Item No.14

Dr. D. Rajagopala Reddy was appointed as an Additional Director of the Company on October 30, 2009. As per provisions of Section 260 of the Companies Act, 1956, Dr. D. Rajagopala Reddy holds office as a Director up to the date of the ensuing Annual General Meeting of the Company.

Pursuant Section 257 of the Companies Act, 1956 the Company has received a notice from one of the Members along with the requisite deposit, proposing the candidature of Dr. D. Rajagopala Reddy as a Director.

A brief profile of Dr. D. Rajagopala Reddy and name of the companies in which he holds directorships and memberships/ chairmanships of Board/Committees, as stipulated under Clause 49 of Listing Agreement with the stock exchanges in India, are provided in Report on Corporate Governance forming part of the Annual Report.

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

None of the Directors except Dr. D. Rajagopala Reddy are in anyway concerned or interested in the Resolution.

By Order of the Board

A. MOHAN RAMI REDDY
General Manager (Legal) &
Company Secretary

Hyderabad
November 12, 2009

Directors' Report

Dear Members,

Your Directors are pleased to present the 22nd Annual Report of the Company together with the Audited Accounts for the financial year ended March 31, 2009.

FINANCIAL RESULTS

Rs. Million

	2008-2009	2007-2008
Gross Turnover	**28852.5**	24092.8
Profit before Depreciation, Interest, Tax and Exceptional Item	**2945.1**	4355.5
Depreciation/Amortization	**824.1**	746.0
Interest (net)	**550.6**	161.1
Profit before Tax	**1570.4**	3448.4
Provision for Tax/Deferred tax	**321.2**	540.6
Profit after tax before Exceptional items	**1249.2**	2907.8
Exceptional items	**36.2**	–
Net Profit after Exceptional items	**1285.4**	2907.8
Balance brought forward from Previous year	**5619.4**	3207.9
Balance available for appropriation	**6904.8**	6115.7
APPROPRIATIONS		
Dividend on Equity Shares	**242.0**	175.7
Tax on Dividend	**41.1**	29.8
General Reserve	**128.5**	290.8
Surplus carried to Balance Sheet	**6493.2**	5619.4

DIVIDEND

Your Directors have proposed a final dividend of 30% i.e. Rs.1.50 per equity share and together with the interim dividend of 60% i.e. Rs.3 per equity share, the total dividend for the financial year 2008-09 comes to 90% i.e. Rs.4.50 per equity share of Face Value of Rs.5 against 65% i.e. Rs.3.25 per equity share of Face Value of Rs.5 paid in the previous year.

REVIEW OF OPERATIONS

Your Company achieved commendable results with larger volume sales and higher revenues. While the environment was challenging with low liquidity and several government health services under pressure with budgetary constraints, Aurobindo stepped its volumes and revenues and introduced larger number of products. The geographical reach was improved with presence in 125 countries and more significantly several products launched in earlier years gained market volume. Your Company therefore witnessed volume growth from existing products and new launches.

One of the key strengths of your Company is the ability to shorten the time-to-market and convert product approvals into invoices. With a large basket of approvals added in the past three years, your Company has built a strong presence in North America, Europe and key markets such as Latin America and South Africa. The vertically integrated manufacturing operations from key intermediates to formulations is a unique strength that brings flexibility, shortens the production cycle and offers consistency in product quality.

Your Company leveraged on its strengths and has been able to report 98.17% improvement in volume of formulations over the previous year while the value climbed by 41.8% at Rs.12035.3 million over the corresponding period.

Gross revenue for the year at Rs.28852.5 million was 19.75% higher over the previous year and is the highest ever recorded by your Company. The costs were contained with material consumption rising by 19.35% at Rs.16416.2 million as compared to Rs.13754.6 million in the previous year. Similarly the manufacturing expenses were higher by only 9.12% at Rs.2725.0 million in the same comparative period.

The profit after tax and extraordinary items was lower at Rs.1285.4 million as compared to Rs.2907.8 million. During the year under review, there was exchange fluctuation loss of Rs.2278.2 million while there was an exchange fluctuation gain of Rs.481.3 million in 2007-08. Members will appreciate that the business has shown better earnings and have been shaded only be extraordinary and non-recurring items.

Your Company has preferred to be conservative and prudent in its accounting and has booked its known losses with the result the diluted EPS for the year is Rs.19.9 on the face value of Rs.5.

LICENSING AND SUPPLY AGREEMENTS WITH PFIZER

Your Company entered into a partnership with Pfizer Inc., a global leader in pharmaceuticals and executed a licensing and supply agreements for several solid dosage and sterile products. The agreement allows access to Pfizer to exploit the sales potential for these products through its global commercial presence. Your Company has a large manufacturing base approved by several regulatory authorities with strong product portfolio for the manufacture of formulations. The partnership alliance hence is mutually beneficial.

The partnership has been initiated with a few products and their execution agreements will pave the way for further strengthening the relationship and accelerate the mutually beneficial strategy for expanding the products portfolio of solids, steriles and product reformulations.

This is an exciting opportunity for your Company and facilitates stability in earnings and accelerates its growth plans. The current agreements are targeted towards the U.S. and European markets and both parties will continue to explore ways to further extend this partnership.

ACQUISITION OF TRIDENT LIFE SCIENCES

During the current financial year the Company has acquired 100% equity stake in Trident Life Sciences Limited at its book value as on June 30, 2009. The total cash-flow for the acquisition was Rs.388.4 million. The acquisition will give your Company fill a critical gap in its manufacturing capabilities and an opportunity to enter the high-growth injectables business and further enhance its capabilities in providing comprehensive pharma manufacturing, distribution, services and solutions to its customers. It is also proposed for merger of Trident with the Company subject to the requisite approval of the shareholders, creditors of the Company and the Stock Exchange, the sanction of the High Court of Judicature at Hyderabad, Andhra Pradesh.

Trident is building liquid injectables facility in Medak District, A.P. which would be made regulatory compliant to supply regulated markets and is set to commence operations in early 2011. The facility being set up on 30.38 acres will manufacture general injectable range of formulation products, including glass vials for lyophilized sterile powder and liquids, ampoules, pre-filled syringes and blow-filled seals.

OUTLOOK

The investments made in research & development, product portfolio, manufacturing facilities, marketing infrastructure and skilled and competent human resources have started paying off. Your Company has been able to put them all together and expand the product offerings and enhance the business volume. This trend will continue.

Your Company has also been building long term relationships with customers and they in turn have reciprocated with large orders for Aurobindo's 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.

The commissioning of the SEZ Unit VII at Jedcherla, Andhra Pradesh will add to manufacturing capacity and optimize the manufacturing capabilities. Aurobindo is recognised by the customers for its ability to deliver on promises and commissioning of the new facility would improve on the due date performance and add to your Company's ability to accept large batch order sizes. The manufacturing economics would be further augmented and your Company's products can be more competitive.

The priorities are to expand volumes, meet expectations of customers and associates and in the process become cash positive, reduce the borrowings, improve cost of funds and make a significant impact on the overall results.

Your Company is conscious of its outstanding FCCBs and believes that improving Company fundamentals will enhance the shareholder value as well as the Company's ability to service commitments with a strong balance sheet.

Research & Development

Your Company is a knowledge led entity with focus on the customer needs. The strengths of Aurobindo commence at its research centre where products and processes are created that meet regulatory standards and address the needs of the consumer.

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

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.

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

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

The manufacturing units comply with all relevant governmental regulations relating to Environment, Safety and Health. The Ministry of Environment and Forests, Government of India has accorded clearance for all the units of your Company. 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

Dr. S. Bimal Singh ceased to be Director due to his resignation from the Board of the Company for his personal reasons with effect from October 30, 2009. The Board places on record its appreciation of the services rendered by him as a Director during his association with the Company.

Dr. D. Rajagopala Reddy has been appointed as an Additional Director of the Company with effect from October 30, 2009 and pursuant to Section 260 of the Companies Act, 1956 and Article 37 of the Articles of Association of the Company, he holds office as such up to the date of the ensuing Annual General Meeting and being eligible, offers himself for re-appointment. In terms of Section 257 of the Companies Act, 1956, the Company has received notice in writing along with a deposit of Rs.500, from a Member signifying his intention to propose the candidature of Dr. D. Rajagopala Reddy as a Non-Executive Director of the Company. A separate Notice of the Annual General Meeting in this regard is being circulated to all the Members.

In accordance with the provisions of the Companies Act, 1956, read with the Articles of Association of the Company, Dr. M. Sivakumaran, Mr. M. Madan Mohan Reddy and Mr. M. Sitarama Murthy, Directors, retire at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment. The re-appointment of Dr. M. Sivakumaran and Mr. M. Madan Mohan Reddy as Whole-time Director(s) of the Company is being proposed at the ensuing Annual General Meeting.

A brief profile of Dr. D. Rajagopala Reddy, Dr. M. Sivakumaran, Mr. M. Madan Mohan Reddy and Mr. M. Sitarama Murthy are furnished 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:

i. in the preparation of the Annual Accounts for the year ended March 31, 2009, the applicable accounting standards have been followed;

ii. appropriate accounting policies had been applied consistently, judgement and estimates that are reasonable and prudent have been made so as to give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profits of the Company for the year;

iii. proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and,

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

CORPORATE GOVERNANCE

The certificate of the Practicing Company Secretary Mr. S. Chidambaram confirming compliance of conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges in India is annexed.

AUDITORS

M/s. S.R. Batliboi & Associates, Chartered Accountants retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment as Statutory Auditors of the Company for the financial year 2009-10.

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 2008-09 and the cost audit reports have been submitted to the Central Government in compliance of the statutory requirements.

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 RELATIONS

Your Directors are pleased to record their sincere appreciation of the contribution by the workmen, staff and managers at all levels. They have worked as a team to build world class manufacturing facilities, develop products that meet the stringent requirements of pharmacopoeia and global regulatory authorities, scale them up to commercialize and successfully launch the products across geographies and climb the value chain. They bring competence, skills and result oriented efforts and Aurobindo's success in the market is a tribute to all the human resources of your Company.

PARTICULARS OF EMPLOYEES

The particulars of employees as required to be disclosed in accordance with the provisions of Sec. 217 (2A) of the Companies Act, 1956 and the Companies (Particulars of Employees) Rules, 1975 as amended are 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 Members of the Company excluding the aforesaid information. Any Member 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 Members 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 under review, no options were granted under ESOP- 2004 and ESOP- 2006. Further, no options were exercised and no shares were allotted under these Schemes.

Details of the options granted up to March 31, 2009 are set out in the annexure 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 Company has hugely benefited by the support and patronage of its large number of customers and is deeply indebted to them for their encouragement. Your Directors also wish to place on record their appreciation and acknowledge with gratitude the support and co-operation extended by vendors, banks, financial institutions, government agencies and shareholders and looks forward to having the same support in all the future endeavors.

For and on behalf of the Board

P. V. RAMPRASAD REDDY
Chairman

Hyderabad
November 12, 2009

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	2008-2009	2007-2008
Power & Fuel Consumption		
a. Electricity Purchased		
Units (Nos. in Million)	**162.17**	156.10
Total amount (Rs. Million)	**541.27**	520.37
Unit rate (Rs.)	**3.34**	3.33
b. Own Generation		
Through Diesel Generator		
No. of units (in Million)	**9.97**	6.90
Units per litre of diesel	**2.69**	3.15
Oil cost per unit (Rs.)	**13.04**	10.36
Through Steam Turbine/Generator		
No. of units (in Million)	**31.19**	30.97
Units per litre of oil/gas	**0.34**	0.34
Cost per unit (Rs.)	**3.25**	1.67
Coal		
Quantity (MT)	**127,004**	126,550
Cost (Rs.Million)	**481.86**	332.22
Average rate/MT (Rs.)	**3,794.03**	2,625.22
Furnace Oil		
Quantity (KL)	**946.92**	1,757.25
Cost (Rs.Million)	**25.60**	30.03
Average rate/KL (Rs.)	**27,039.58**	17,091.50
Others (Wood)		
Quantity (MT)	**1237.47**	1,866.53
Cost (Rs.Million)	**2.21**	2.89
Average rate/MT (Rs.)	**1782.40**	1,545.95

CONSUMPTION PER UNIT OF PRODUCTION

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

FORM - B

TECHNOLOGY ABSORPTION

RESEARCH AND DEVELOPMENT

Specific Areas in which Research and Development (R&D) carried out by the Company

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

Benefits derived as a result of the above R&D

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

Future plan of action

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

Expenditure on R&D

Rs. Million

	2008-2009	2007-2008
Capital	80.3	47.8
Recurring	952.0	1127.3
Total R&D expenditure	1032.3	1175.1
as a percentage of total turnover	3.68	5.00

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, 2009

Rs. Million

	2008-2009	2007-2008
Foreign exchange earned		
Exports (FOB)	17466.5	13395.0
Others	1003.8	982.9
	18470.3	14377.9
Foreign exchange outgo		
Materials	12549.2	10377.2
Other expenses	553.8	698.7
	13103.0	11075.9

For and on behalf of the Board

P. V. RAMPRASAD REDDY
Chairman

Hyderabad,
November 12, 2009

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	Nil
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 2008-09	102,480	7,250
Options exercised during FY 2008-09	Nil	Nil
The total number of shares arising as a result of exercise of option	Nil	Nil
Options lapsed during FY 2008-09 which are subject to reissue	33,937	Nil
Variation of terms of options	Nil	Nil
Money realized by exercise of options excluding FBT during 2008-09	Nil	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, 2009 (Cumulative)	199,157	55,000
Grant details of members of senior management team during the year 2008-09	Nil	Nil
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.19.86	Rs.19.86

(Contd..)

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 recognized if it had used the fair value of the options	Rs.23,91,235	Rs.13,44,441
iii. The impact of the difference on profits and		
on EPS of the Company	PAT	Rs.128,53,93,387
	Less: Additional cost	
	based on Fair Value	Rs.37,35,676
	Adjusted PAT	Rs.128,16,57,711
	Adjusted EPS	Rs.23.84
iv. Weighted average exercise price and fair value of stock options granted:		
Stock options granted on	Nil	Nil
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 (%)	Nil (No grants during the year)	
Dividend yield	0.48	0.48

For and on behalf of the Board

Hyderabad
November 12, 2009

P. V. RAMPRASAD REDDY
Chairman

Report on Corporate Governance

Company's Philosophy on Corporate Governance

Aurobindo Pharma believes that the Company belongs to all the stakeholders and the corporate objective is to maximize shareholder value ethically and legally.

The Company will continue to strive to be a wealth creator to meet stakeholder expectations and be a responsible citizen in its societal commitments. In the achievement of its goals, the Company utilizes its resources to meet the needs of customers and deliver on their expectations; meet the commitments with vendors, partners, employees, governments and the community.

The trust reposed on the Company will always be exercised within a framework of transparency, accountability and professionalism.

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 compliance of the applicable provisions and code of ethical standards wherever the Company and its subsidiaries are present.

Size and Composition of the Board

As on the date of the report, 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, 2009

Name	Category	Number of Memberships in other companies[1]		Attendance at	
		Board	Committees	Board Meetings	AGM
Mr. P.V. Ramprasad Reddy	Promoter and Executive	–	–	5	Yes
Mr. K. Nithyananda Reddy	Promoter and Executive	3	–	7	Yes
Dr. M. Sivakumaran	Executive	2	–	7	Yes
Mr. M. Madan Mohan Reddy	Executive	–	–	7	Yes
Dr. K. Ramachandran	Non-Executive Independent	2	–	4	Yes
Dr. S. Bimal Singh	Non-Executive Independent	–	–	6	Yes
Dr. P.L. Sanjeev Reddy	Non-Executive Independent	1	1	7	Yes
Mr. P. Sarath Chandra Reddy	Non-Executive Non-Independent	3	–	7	Yes
Mr. M. Sitarama Murthy	Non-Executive Independent	2	1	6	Yes
Mr. K. Ragunathan	Non-Executive Independent	–	–	4	Yes

[1] Other directorships are exclusive of Indian private limited companies and foreign companies.

Note: 1. Dr. D. Rajagopala Reddy was appointed as on Additional Director of the Company with effect from October 30, 2009. He is a Non-Executive Independent Director.

2. Dr. S. Bimal Singh resigned from the Board with effect from October 30, 2009.

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

Date	Board Strength	No. of Directors Present
May 12, 2008	10	9
June 18, 2008	10	8
July 30, 2008	10	8
October 31, 2008	10	8
January 16, 2009	10	10
January 30, 2009	10	10
March 31, 2009	10	7

Details of Directors proposed for appointment/ reappointment:

Dr. M. Sivakumaran, Mr. M. Madan Mohan Reddy and Mr. M. Sitarama Murthy, retire by rotation and being eligible, seek re-appointment.

Dr. D. Rajagopala Reddy is proposed to be appointed as a Director of the Company.

Dr. M. Sivakumaran, aged 66 years, is a Whole-time Director of the Company. He holds a Master's Degree in Science and has been awarded a PhD in Organic Chemistry. He has about 37 years of experience in the pharmaceutical industry and has spearheaded the technological evolution of the Company. Dr. M. Sivakumaran looks after research and development, generic product development and total quality management. He is a Director on the Board of Trident Life Sciences Limited, APL Research Centre Limited and APL Healthcare Limited, subsidiaries of the Company. He holds 1,469,136 shares in the Company.

Mr. M. Madan Mohan Reddy, aged 49 years, is a Whole-time Director of the Company. He has a Master's Degree in Science (Organic Chemistry) and has held top managerial positions in leading pharma companies. He commands valuable experience in regulatory affairs of the pharma industry. He is a Director on the board of Pravesha Industries Private Limited. He holds 1,751 shares in the Company.

Mr. M. Sitarama Murthy, aged 66 years, is a Non-Executive Director of the Company. He holds a Master's Degree in Science (Electronics) and is professionally qualified as CAIIB, with all India 1st Rank in Part-II. Mr. Murthy has over three decades of experience as a banker and has held various positions in nationalised banks. He retired as Managing Director & CEO of State Bank of Mysore 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. He is a Director on the Board of Karnataka Bank Limited and GKC Projects Limited. He does not hold any shares in the Company.

Dr. D. Rajagopala Reddy, aged 50 years holds a Master's Degree in Science and has been awarded a PhD in Organic Chemistry. He has about 25 years of experience in the pharmaceutical industry. He is the Chairman and Managing Director of Erithro Pharma Private Limited and does not hold any shares in the Company.

Audit Committee

The scope and function of the Audit Committee is to regularly review the internal control, systems and procedures, accounting policies and other matters that protect the interest of the stakeholders, ensure compliance with the laws of the land, and monitor with a view to provide effective supervision of the management's process to ensure accurate, timely and proper disclosure 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 and provisions of the Companies Act, 1956.

Role of Audit Committee

The Audit Committee's role is briefly described below:

oversee the Company's financial reporting process and disclosure of financial information to ensure that the financial statements are fair, sufficient and credible;

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

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

deliberate 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;

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

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

assess the adequacy of internal audit function;

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

explore the findings of 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 report such matters to the Board;

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

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

analyze the 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 auditors and the representative of the statutory auditors are the permanent invitees to the meetings of 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 five times on May 12, 2008; June 18, 2008; July 30, 2008; October 31, 2008 and January 30, 2009.

The attendance at the Audit Committee Meetings during the financial year 2008-09 is as under:

Member	No. of Meetings	Attendance
Dr. K. Ramachandran, Chairman	5	3
Dr. S. Bimal Singh, Member	5	4
Mr. M. Sitarama Murthy, Member	5	4
Mr. K. Ragunathan, Member	5	3

Note: Dr. S. Bimal Singh ceased to be a Member of Audit Committee and Dr. D. Rajagopala Reddy was appointed as a Member of the Committee with effect from October 30, 2009.

Compensation/Remuneration Committee

Role of the Compensation/Remuneration Committee

The Compensation/Remuneration Committee of the Company recommends the compensation package and other terms and conditions of Executive Directors and senior management personnel including 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 Whole-time 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/Remuneration Committee

The composition of the Compensation/Remuneration 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 on January 30, 2009 and all Members of the Committee viz. Dr. S. Bimal Singh - Chairman, Dr. K. Ramachandran - Member and Mr. P. Sarath Chandra Reddy - Member were present.

Note: Dr. P.L. Sanjeev Reddy was appointed as Chairman of the Committee with effect from April 30, 2009 in place of Dr. S. Bimal Singh.

Details of remuneration paid to Directors during the financial year 2008-2009

a. Executive Directors

Rs.

Name	Salary	Perquisites	Contribution to P.F	Total
Mr. P.V. Ramprasad Reddy	6,000,000	945,500	9,360	6,954,860
Mr. K. Nithyananda Reddy	6,000,000	945,500	9,360	6,954,860
Dr. M. Sivakumaran	6,000,000	945,500	9,360	6,954,860
Mr. M. Madan Mohan Reddy	6,000,000	945,500	9,360	6,954,860
TOTAL	24,000,000	3,782,000	37,440	27,819,440

b. Non-Executive Directors

Sitting fee of Rs.20,000 is being paid with effect from January 30, 2009 (prior to this it was Rs.15,000) for attending each meeting of the Board of Directors and sitting fee of Rs.5,000 is being paid for attending each meeting of Committees of Board of Directors. During the year, the sitting fees paid was as follows:

Rs.

Name	Sitting fee
Dr. S. Bimal Singh	125,000
Dr. K. Ramachandran	85,000
Dr. P.L. Sanjeev Reddy	115,000
Mr. M. Sitarama Murty	120,000
Mr. P. Sarath Chandra Reddy	120,000
Mr. K. Ragunathan	80,000

Shareholders/Investors' Grievance Committee

The main function of the Committee is to review and redress shareholders/Investors' grievance pertaining to:

a. Transfer, transmission, split and consolidation of share holding of investors;

b. Dematerialisation/rematerialisation of shares;

c. Non-receipt of dividends and other corporate benefits;

d. Replacement of lost/mutilated/stolen share certificates;

e. Non-receipt of Annual Reports; and,

f. Registration of change of addresses, etc.

Constitution of the Committee

Mr. P. Sarath Chandra Reddy, Chairman

Mr. K. Nithyananda Reddy, Member

Mr. M. Madan Mohan Reddy, Member

The Committee meets every fortnight for effecting transfers, transmissions, split, consolidation, etc and also reviews/redresses investor complaints and expresses its satisfaction with the Company's performance in dealing with investor grievances and its share transfer system.

Status of complaints received during the financial year 2008-09

Nature of Complaints	Received	Resolved	Pending
Complaints received from Shareholders:			
• Share Certificates	71	71	Nil
• Dividend	82	82	Nil
• Annual Reports	8	8	Nil
Complaints of Shareholders forwarded by:			
• SEBI	4	4	Nil
• Stock Exchanges	1	1	Nil

Mr. A. Mohan Rami Reddy, General Manager (Legal) & Company Secretary is the Compliance Officer of the Company.

General Body Meetings

Details of the last three AGMs are as follows:

Year	Location	Date	Time	No. of Special Resolutions passed
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
2008	Katriya Hotel & Towers, Hyderabad	20.08.2008	11.00 a.m.	None

Disclosures

CEO and CFO Certification

The Managing Director and the Chief Financial Officer have submitted a certificate to the Board as contemplated under 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 the Directors are interested, is placed before the Board regularly.

Transactions with related parties are disclosed in the schedule on Notes to Accounts in the Annual Report.

Details of Non-Compliance and Penalties

There were no instances of non-compliance or penalties/strictures by the Stock Exchanges/SEBI/statutory authorities on any matter related to capital markets 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 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 newspapers in English and Telugu (Regional language). Further all material information which have some bearing on the operations of the Company is sent to the stock exchanges and also placed on the Company's website.

The Management Discussion and Analysis forms part of this Report and is provided separately in the Annual Report.

GENERAL SHAREHOLDERS INFORMATION

22nd Annual General Meeting

As mentioned in the Notice, the 22nd Annual General Meeting of the Company will be held on Wednesday, December 23, 2009 at 11.30 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 2009-10 is as follows:

Unaudited Financial Results for	
1st quarter	July 2009
2nd quarter	October 2009
3rd quarter	January 2010
4th quarter	June 2010 (audited)

Book Closure

From December 18 to December 23 (both days inclusive) for the purpose of Annual General Meeting and payment of dividend, subject to approval of shareholders.

Payment of Dividend

The Board approved interim dividend of 60% i.e. Rs. 3 per share of Face Value of Rs.5 at its meeting held on January 30, 2009 for the financial year 2008-09, which was paid to the eligible shareholders on February 12, 2009. Subject to the approval of Members, the final dividend of 30% i.e. Rs.1.50 per share of Face Value of Rs.5, 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 6672 5000
Fax Nos. +91 40 2374 1080 / 2374 6833
E-mail: info@aurobindo.com

Name & Designation of Compliance Officer

Mr. A. Mohan Rami Reddy
General Manager (Legal) & 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 address for investor grievances

E-mail: investorgrievances@aurobindo.com

Address for correspondence/Investor Service Centre

M/s. Karvy Computershare Private Limited has been appointed as Registrars & Share Transfer Agents and Depository Transfer Agents of the Company. Any request pertaining to investors' relations may be forwarded to the following address:

Mr. K. Sreedharamurthy
Karvy Computershare Private Limited
46, Avenue - 4, Street No.1, Banjara Hills,
Hyderabad - 500 034
Tel Nos. +91 40 2311 4087/2342 0815
Fax No. +91 40 2342 0814
E-mail: sreedharamurthy@karvy.com

Listing Details

The Company's shares are at present listed on the following stock exchanges and the listing fees for the financial year 2009-10 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

Note: In view of derecognisation of Hyderabad Stock Exchange Limited by SEBI w.e.f. August 29, 2007, the shares of the Company are considered to be listed on BSE and NSE only.

ISIN No. : INE406A01029

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

	Month	National Stock Exchange (Rs.) High	Low	Close	Volume	S & P CNX Nifty High	Low
2008	April	347.20	283.20	329.65	3,075,454	6325.09	5656.40
	May	359.95	270.00	303.20	3,346,931	6364.89	5895.41
	June	358.00	260.55	271.55	5,605,237	5778.70	4929.98
	July	310.00	260.10	278.60	2,616,086	5471.01	4661.66
	August	323.30	275.40	315.65	1,617,767	5650.57	5158.55
	September	328.10	256.00	277.25	1,258,093	5514.77	4719.95
	October	284.00	125.00	125.70	2,589,321	4843.43	3095.74
	November	142.35	101.25	110.70	5,290,683	3861.78	3131.78
	December	172.25	104.00	168.40	4,091,219	3775.02	3258.54
2009	January	182.45	130.50	160.35	2,620,922	3835.29	3291.24
	February	163.90	126.25	149.80	3,675,807	3629.83	3366.73
	March	192.85	141.70	188.15	3,350,519	3828.51	3168.76

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

	Month	Bombay Stock Exchange (Rs.) High	Low	Close	Volume	BSE Sensex High	Low
2008	April	347.00	284.00	328.90	1,185,043	17,480.74	15,771.72
	May	360.00	280.10	302.85	1,191,646	17,735.70	17,560.15
	June	358.00	263.05	271.20	2,055,977	16,632.72	16,591.46
	July	315.00	260.00	278.85	789,517	15,130.09	13,480.02
	August	319.95	273.60	314.70	456,032	15,579.78	14,064.26
	September	327.00	262.25	277.35	340,579	15,107.01	14,412.99
	October	281.80	124.25	125.75	609,348	13,203.86	13,006.72
	November	136.00	101.60	110.60	2,205,344	10,945.41	10,209.37
	December	171.20	103.20	167.80	1,794,192	10,188.54	9,162.94
2009	January	182.75	134.05	159.95	802,666	10,469.72	9,720.55
	February	160.10	126.50	149.70	1,754,176	9,724.87	9,340.37
	March	200.00	144.05	189.90	1,244,882	10,127.09	8,762.88

Distribution Schedule as on March 31, 2009

Shareholding Nominal value From		To	Shareholders No.	%	Total Shares	Share Amount Nominal Value Rs.	%
1	-	5000	43,504	98.14	3,346,959	16,734,795	6.22
5001	-	10000	378	0.86	574,790	2,873,950	1.07
10000	-	20000	200	0.45	593,251	2,966,255	1.10
20001	-	30000	64	0.14	316,801	1,584,005	0.59
30001	-	40000	39	0.09	274,988	1,374,940	0.51
40001	-	50000	20	0.04	182,654	913,270	0.34
50001	-	100000	40	0.09	553,728	2,768,640	1.03
100001	&	above	86	0.19	47,922,097	239,610,485	89.14
		TOTAL	44,331	100.00	53,765,268	268,826,340	100.00

Note: 2,402 Shares are held in the Bonus Transit Pool Account as on March 31, 2009.

Categories of Shareholders as on March 31, 2009

Category	No. of Shares	%
Promoters, Directors & their relatives/associates	32,178,785	59.85
NRIs/FIIs/FDIs/OCBs	7,293,821	13.57
Government/banks/FIs	555,229	1.03
Mutual funds	3,025,733	5.63
Insurance companies	1,745,564	3.25
Bodies corporate	3,616,690	6.73
General public and others	5,349,446	9.94
TOTAL	53,765,268	100.00

Top Ten Shareholders of the Company as on March 31,2009

Shareholders	Category	No. of Shares	%
Mr. P.V. Ramprasad Reddy	Promoter group	16,229,088	30.19
Ms. P. Suneela Rani	Promoter group	61,66,110	11.47
Mr. K. Nithyananda Reddy	Promoter group	2,752,470	5.12
Ms. K. Kirthi Reddy	Promoter group	2,150,000	4.00
Centrum Broking Private Limited	Limited company	1,852,405	3.44
Life Insurance Corporation of India	Insurance company	1,625,188	3.02
Reliance Capital Trustee Co. Ltd a/c			
Reliance Equity Opportunities Fund	Mutual Fund	1,550,470	2.88
Dr. M. Sivakumaran	Promoter group	1,469,136	2.73
Ms. K. Rajeswari	Promoter group	1,277,550	2.38
Trident Chemphar Limited	Promoter group	1,158,000	2.19

Mr. M. Madan Mohan Reddy, Executive Director was given options for 5,000 shares under ESOP Scheme - 2004 and he has exercised 1750 options. Mr. M. Madan Mohan Reddy is also holding one share in the Company.

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 share in the Company. Mr. P. Sarath Chandra Reddy, Non-Executive Director holds 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	–
2007-08	65	–

Share Transfer System and Dematerialization & Liquidity

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

Outstanding FCCBs

During the year 2005-06, the Company issued FCCBs amounting to USD 60 Million in August 2005 and is 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 is due for conversion into equity shares on or before May 10, 2011.

During 2007-08, FCCBs aggregating face vaue of USD 4.5 Million were converted into equity shares. Further, as per the RBI circular, the Company has re-purchased and cancelled FCCBs aggregating face value of USD 60.90 Million upto March 31, 2009. The outstanding Foreign Currency Convertible Bonds/Forward Conversion Convertible Bonds as on March 31, 2009 aggregate to USD 194.60 Million.

Subsidiary Companies

Company
APL Pharma Thai Limited, Thailand
Aurobindo Pharma Industria Farmaceutica Limitada, Brazil
Aurobindo (Datong) Bio Pharma Company Limited, China
Helix Healthcare B.V., The Netherlands
Aurobindo Pharma USA Inc., U.S.A.
Aurolife Pharma LLC, New Jersey, 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 Kereskedelmi, KFT, Hungary
Agile Pharma B.V., The Netherlands
Aurobindo Switzerland AG, Switzerland
Pharmacin International B.V., The Netherlands
Pharmacin B.V., The Netherlands
Auro Healthcare (Nigeria) Limited, Nigeria
APL Research Centre Limited, India
APL Healthcare Limited, India
Aurobindo Pharma Produtos Farmaceuticos Limitada, Brazil
All Pharma (Shanghai) Trading Company Limited, China
Aurobindo Pharma Japan K.K., 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
Aurobindo Pharma (Portugal) Unipessoal Limitada, Portugal
Aurobindo Pharma ApS, Denmark
Sia Aurobindo Baltics, Latvia
Aurobindo Pharma (Bulgaria) EAD
Aurobindo Pharma France SARL

Plant Locations

Unit No.	Address
Unit - I	Survey No. 388/389, Borpatla, Hatnoor Mandal, Medak District, 502296, Andhra Pradesh
Unit - II	Plot No. 103/A & 104/A, SVCIE, Industrial Development Area, Bollaram, Jinnaram (Mandal), Medak District, 500 092, Andhra Pradesh
Unit - III	Survey No. 313 & 314 Bachupally, Quthubullapur Mandal, Ranga Reddy District, 500090, Andhra Pradesh
Unit - V	Plot No. 79-91, Industrial Development Area, Chemical Zone, Pashamylaram, Patancheru Mandal, Medak District, 502307, Andhra Pradesh
Unit - VI	Survey No. 329/39 & 329/47, Chitkul Village, Patancheru Mandal, Medak District, 502307, Andhra Pradesh
Unit - VII (SEZ)	Survey Nos. 411/P, 425/P, 434/P, 435/P & 458/P, Plot No.S1(Part), Special Economic Zone (Pharma), APIIC, Green Industrial Park, Polepally Village, Jedcherla Mandal, Mahaboob Nagar, 509302, Andhra Pradesh
Unit - VIII	Survey No.13, Gaddapothram, Industrial Development Area - Kazipally Industrial Area, Jinnaram Mandal, Medak District, 502319, Andhra Pradesh
Unit - IX	Survey No. 374, Gundlamachanoor, Hatnoora Mandal, Medak District, 502296, Andhra Pradesh
Unit - X	B-2, Sipcot Industrial Complex, Kudikadu, Cuddalore 607005, Tamilnadu
Unit - XI	Survey No.61-66, Industrial Development Area, Pydibhimavaram, Ranasthalam Mandal, Srikakulam 532409, Andhra Pradesh
Unit - XII	Survey No. 314, Bachupally, Quthubullapur Mandal, Ranga Reddy District, 500090, Andhra Pradesh
Bhiwadi Unit	No.1128, RIICO Phase III, Bhiwadi - 301 019, Alwar District, Rajasthan

APL Research Center, Survey No.313, Bachupally, Quthubullapur Mandal, Ranga Reddy District, 500090, Andhra Pradesh

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, 2009.

For Aurobindo Pharma Limited

K. NITHYANANDA REDDY
Managing Director

Hyderabad, November 12, 2009.

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, 2009, 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.

S. Chidambaram

S. CHIDAMBARAM
Company Secretary in Practice
C.P. No. 2286

Hyderabad, November 12, 2009.

Auditors' Report

The Members of
Aurobindo Pharma Limited

1. We have audited the attached Balance Sheet of Aurobindo Pharma Limited ('the Company') as at March 31, 2009 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. Without qualifying our opinion, we draw attention to Note 3(f) and 3(g) of Schedule 24 to the financial statements with regard to non-provision of premium payable on 194,600 Zero Coupon Foreign Currency Convertible Bonds of USD 1,000 each issued by the Company. Management is of the view that the liability to pay premium on redemption is contingent and the ultimate outcome of the matter cannot be presently deterrmined. Accordingly, no provision for the above liability that may result in furture has been made in the accompanying financial statements.

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

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

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

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

   iv. in our opinion, the Balance Sheet, 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, 2009, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on March 31, 2009 from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956;

   vi. In our opinion and to the best of our information and according to the explanations given to us, the said accounts give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

      a. in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2009;

      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 the Cash Flow Statement, of the cash flows for the year ended on that date.

S.R. Batliboi & Associates

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

Per

VIKAS KUMAR PANSARI
Partner
Membership No. 93649
Hyderabad, November 12, 2009.

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

Re: **Aurobindo Pharma Limited ('the Company')**

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 from the date they became payable.

c. According to the records of the Company, there are no dues outstanding of income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty and cess on account of any dispute, other than service tax, customs duty and excise duty which are follows:

Name of the statute	Nature of dues	Amount Rs.	Period to which the amount relates	Forum where dispute is pending
Central Excise and Customs Act, 1944	Excise Duty	18,604,080	2006-07, 2007-08, 2008-09	CESTAT, Bangalore
Central Excise and Customs Act, 1944	Excise Duty	150,387	2006-07	The Commissioner Appeals, Hyderabad
Central Excise and Customs Act, 1944	Customs Duty, and Penalty	42,621,459*	2002-03, 2003-04, 2004-05, 2005-06	CESTAT Chennai
Finance Act, 1994	Service Tax	2,225,066	2006-07, 2007-08	The Commissioner Appeals, Hyderabad
Finance Act, 1994	Service Tax	2,430,700	2005-06, 2006-07	The Commissioner Appeals, Hyderabad
Finance Act, 1994	Service Tax	702,619	2006-07, 2007-08	CESTAT, Bangalore

*Stay granted

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 not given any guarantee for loans taken by others from bank or financial institutions.

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 borrowings by way of debentures.

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.

S.R. Batliboi & Associates
For **S.R. BATLIBOI & ASSOCIATES**
Chartered Accountants

Per
VIKAS KUMAR PANSARI
Partner
Membership No. 93649
Hyderabad, November 12, 2009.

Balance Sheet as at March 31, 2009

(All amounts in Indian Rupees million, except share data and where otherwise stated)

			Schedule	As at March 31, 2009		As at March 31, 2008	
I.	**SOURCES OF FUNDS**						
	SHAREHOLDERS' FUNDS	Share capital	1	**268.8**		268.8	
		Reserves and surplus	2	**12,939.5**		11,937.2	
					13,208.3		12,206.0
	LOAN FUNDS	Secured loans	3	**8,130.2**		5,818.7	
		Unsecured loans	4	**13,016.6**		11,737.8	
					21,146.8		17,556.5
	DEFERRED TAX LIABILITY (Net)		5		**784.0**		724.6
		TOTAL			**35,139.1**		30,487.1
II.	**APPLICATION OF FUNDS**						
	FIXED ASSETS	Gross block	6	**12,577.7**		11,310.0	
		Less: Accumulated Depreciation		**3,858.3**		3,049.3	
		Net block		**8,719.4**		8,260.7	
		Capital work-in-progress including capital advances		**2,859.6**		1,246.9	
					11,579.0		9,507.6
	INTANGIBLE ASSETS		7		**9.3**		10.1
	INVESTMENTS		8		**2,694.1**		2,879.5
	CURRENT ASSETS, LOANS AND ADVANCES	Inventories	9	**7,355.2**		6,512.3	
		Sundry debtors	10	**11,056.7**		7,989.7	
		Cash and bank balances	11	**869.4**		2,393.2	
		Other current assets	12	**174.6**		324.0	
		Loans and advances	13	**6,604.1**		5,328.0	
				26,060.0		22,547.2	
	LESS: CURRENT LIABILITIES AND PROVISIONS	Current liabilities	14	**4,978.9**		4,140.2	
		Provisions	15	**224.4**		317.1	
				5,203.3		4,457.3	
	NET CURRENT ASSETS				**20,856.7**		18,089.9
		TOTAL			**35,139.1**		30,487.1
	Notes to Accounts		24				

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.

S.R. Batliboi & Associates
For **S.R. BATLIBOI & ASSOCIATES**
Chartered Accountants

Per
VIKAS KUMAR PANSARI
Partner
Membership No. 93649
Hyderabad, November 12, 2009.

For and on behalf of the Board of Directors

K. NITHYANANDA REDDY
Managing Director

A. MOHAN RAMI REDDY
Company Secretary

S. B. Singhi
SUDHIR B. SINGHI
Chief Financial Officer

Dr. M. SIVAKUMARAN
Director

Profit and Loss Account for the year ended March 31, 2009

(All amounts in Indian Rupees million, except share data and where otherwise stated)

		Schedule	2008-2009	2007-2008
INCOME	Sales (Gross)	16	**28,852.5**	24,092.8
	Less: Excise duty		**904.2**	1,163.9
	Sales (Net)		**27,948.3**	22,928.9
	Other income	17	**56.2**	599.1
	TOTAL		**28,004.5**	23,528.0
EXPENDITURE	(Increase)/decrease in stocks	18	**(289.4)**	(311.8)
	Materials consumed	19	**16,416.3**	13,754.6
	Purchase of trading goods		**94.7**	117.8
	Other manufacturing expenses	20	**2,725.0**	2,497.3
	Payments to and provisions for employees	21	**1,771.8**	1,487.0
	Administrative and selling expenses	22	**4,341.0**	1,627.6
	Interest and finance charges (Net)	23	**550.6**	161.1
	Depreciation/amortization	6 & 7	**824.1**	746.0
	TOTAL		**26,434.1**	20,079.6
PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEMS			**1570.4**	3,448.4
PROVISION FOR TAXATION				
	Current tax		**290.0**	483.5
	Deferred tax		**59.4**	52.4
	Fringe benefit tax		**5.1**	4.7
	Tax adjustments of previous years		**(33.3)**	–
PROFIT AFTER TAXATION BEFORE EXCEPTIONAL ITEMS			**1,249.2**	2,907.8
	Exceptional item, net of taxes		**36.2**	–
	(Refer Note 5 on Schedule 24)			
PROFIT AFTER TAXATION AND EXCEPTIONAL ITEMS			**1,285.4**	2,907.8
	Balance brought forward from last year		**5,619.4**	3,207.9
PROFIT AVAILABLE FOR APPROPRIATION			**6,904.8**	6,115.7
APPROPRIATIONS	Proposed dividend @ Rs.1.50 (Rs.3.25)			
	on Equity Shares of Rs.5 each		**80.7**	175.7
	Interim dividend @ Rs.3 (Rs.Nil)			
	on Equity Shares of Rs.5 each		**161.3**	–
	Tax on dividend		**41.1**	29.8
	Transfer to General Reserve		**128.5**	290.8
	Surplus carried to Balance Sheet		**6,493.2**	5,619.4
			6,904.8	6,115.7
EARNINGS PER SHARE *(Refer Note 20 on Schedule 24)*				
	Basic Earnings per Share		**23.9**	54.2
	Diluted Earnings per Share		**19.9**	43.1
	Nominal value per Share		**5.0**	5.0
Notes to Accounts		24		

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

S.R. Batliboi & Associates

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

K. NITHYANANDA REDDY
Managing Director

Per

VIKAS KUMAR PANSARI
Partner
Membership No. 93649
Hyderabad, November 12, 2009.

A. MOHAN RAMI REDDY
Company Secretary

S. B. Singhi

SUDHIR B. SINGHI
Chief Financial Officer

Dr. M. SIVAKUMARAN
Director

Cash Flow Statement for the year ended March 31, 2009

(All amounts in Indian Rupees million, except share data and where otherwise stated)

			2008-2009	2007-2008
1.	CASH FLOW FROM			
	OPERATING ACTIVITIES	Net Profit before tax and extraordinary items	1,570.4	3,448.4
		Adjustments for:		
		Depreciation and amortization	824.1	746.0
		Provision for doubtful debts and advances	(1.4)	10.6
		Bad debts written off	46.4	45.1
		Investments written off/diminution	0.1	–
		Export incentives accrued	46.9	(124.1)
		Balances no longer required written back	(9.5)	(55.9)
		Provision for retirement benefits	17.4	32.4
		Interest expense	550.6	590.2
		Interest income	(261.4)	(429.1)
		Dividends received	(0.9)	(0.8)
		Unrealized foreign exchange loss/(gain)	1,022.5	(764.8)
		Loss on sale of fixed assets	0.3	0.5
		Sales tax availed as deferment loan	15.7	19.2
		Operating Profit before working capital changes	3,821.2	3,517.7
		Adjustments for:		
		Increase in inventories	(842.9)	(1,039.5)
		Increase in sundry debtors	(2,814.0)	(1,727.4)
		Increase in loans and advances	(447.0)	(215.6)
		Increase in sundry creditors	720.0	953.0
		Cash generated from operations	437.3	1,488.2
		Direct taxes paid (Net of refunds)	(388.5)	(433.5)
	NET CASH FROM OPERATING ACTIVITIES (A)		48.8	1,054.7
2.	CASH FLOW FROM			
	INVESTING ACTIVITIES	Acquisition of fixed assets	(2,889.7)	(1,325.6)
		Proceeds from sale of fixed assets	10.1	16.8
		Purchase of investments	(692.7)	(852.2)
		Investment in short term deposits (Net)	221.9	1,709.7
		Sale of investments	259.8	–
		Loans to subsidiaries (Net)	(97.5)	49.2
		Interest received	174.7	281.3
		Dividend received	0.9	0.8
		Purchase of intangible assets	(4.8)	–
	NET CASH USED IN INVESTING ACTIVITIES (B)		(3,017.3)	(120.0)

(All amounts in Indian Rupees million, except share data and where otherwise stated)

			2008-2009	2007-2008
3.	CASH FLOW FROM			
	FINANCING ACTIVITIES	Proceeds from issue of share capital	–	15.3
		Proceeds from long term borrowings	750.0	–
		Repayment of long term borrowings	(481.2)	(970.0)
		Repurchase of FCCB	(1,397.2)	–
		Other short term borrowings (Net)	3,685.2	(155.8)
		Interest paid	(554.0)	(586.8)
		Dividend and dividend tax paid	(393.1)	(157.2)
	NET CASH GENERATED/(USED) FROM FINANCING ACTIVITIES (C)		1,609.7	(1,854.5)
	NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)		(1,358.8)	(919.8)
		Cash and Cash Equivalents - Opening Balance	2,092.2	2,989.9
		Cash and Cash Equivalents - Closing Balance	733.4	2,070.1
Notes to the Cash Flow Statement for the year ended March 31, 2009				
1.	Cash and cash equivalents include :			
	Cash on hand		4.7	4.3
	Balance with banks:			
	Current accounts		663.6	16.3
	Cash credit accounts		117.6	10.6
	Fixed deposit accounts		79.1	2,359.0
	Unpaid dividend accounts*		4.4	3.0
	Cash and cash equivalents as per Balance Sheet		869.4	2,393.2
	Less: Fixed deposits considered as investments		79.1	301.0
			790.3	2,092.2
	Unrealized gain on foreign currency cash and cash equivalents		(56.9)	(22.1)
	Cash and cash equivalents considered for cash flows		733.4	2,070.1
	*These balances are not available for use by the Company as they represent corresponding unpaid dividend liabilities.			
2.	Purchase of investments include investments made in subsidiaries Rs.692.7 (Rs.335.1).			
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 and on behalf of the Board of Directors

S.R. Batliboi & Associates

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

Per

VIKAS KUMAR PANSARI
Partner
Membership No. 93649
Hyderabad, November 12, 2009.

K. NITHYANANDA REDDY
Managing Director

A. MOHAN RAMI REDDY
Company Secretary

S. B. Singhi

SUDHIR B. SINGHI
Chief Financial Officer

Dr. M. SIVAKUMARAN
Director

Schedules to Balance Sheet

(All amounts in Indian Rupees million, except share data and where otherwise stated)

				As at March 31, 2009		As at March 31, 2008
1.	**SHARE CAPITAL** *(Refer Note 4 on Schedule 24)*					
	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 (53,765,268) Equity Shares of				
		Rs.5 each fully paid-up		**268.8**		268.8
		TOTAL		**268.8**		268.8
	Notes:					
	Of the above Equity Shares -					
	a. 34,703,200 (34,703,200) Equity Shares of Rs.5 each were allotted as bonus shares by capitalisation of Securities Premium Account.					
	b. 1,341,000 (1,341,000) Equity Shares of Rs.5 each were allotted for consideration other than cash.					
2.	**RESERVES AND SURPLUS**					
	CAPITAL RESERVE	As per last Balance Sheet		**90.3**		90.3
	CAPITAL REDEMPTION RESERVE	As per last Balance Sheet		**90.0**		90.0
	SECURITIES PREMIUM	As per last Balance Sheet	**1,165.3**		956.7	
		Add: Premium on conversion of FCCB and exercise of ESOPs	**–**		208.6	
				1,165.3		1,165.3
	GENERAL RESERVE	As per last Balance Sheet	**4,972.2**		4,681.4	
		Add: Transferred from Profit and Loss Account	**128.5**		290.8	
				5,100.7		4,972.2
	PROFIT AND LOSS ACCOUNT BALANCE			**6,493.2**		5,619.4
		TOTAL		**12,939.5**		11,937.2

AUROBINDO

(All amounts in Indian Rupees million, except share data and where otherwise stated)

			As at March 31, 2009		As at March 31, 2008
3.	**SECURED LOANS** *(Refer Note 8 on Schedule 24)*				
	TERM LOANS	From Banks		**750.0**	481.2
		[Payable within one year Rs.Nil (Rs.320.8)]			
	OTHER LOANS	From Banks - Working Capital Loans	**7,379.8**		5,336.3	
		From Banks - Hire Purchase Loan	**0.4**		1.2	
				7,380.2		5,337.5
		TOTAL		**8,130.2**		5,818.7
4.	**UNSECURED LOANS** *(Refer Note 9 on Schedule 24)*				
	FROM BANKS	Short term loans		**2,422.0**		771.9
		Current account credit balance		**3.6**		–
	OTHER LOANS	Zero coupon Foreign Currency Convertible Bonds		**9,866.2**		10,245.6
		Sales tax deferment loan		**724.8**		720.3
		[Payable within one year Rs.Nil (Rs.6.3)]				
		TOTAL		**13,016.6**		11,737.8
5.	**DEFERRED TAX LIABILITY (NET)**					
	Deferred Tax Liability on account of differences in depreciation					
	as per tax books and financial books			**(971.3)**		(920.4)
	Deferred Tax Asset on account of :					
	Provision made for doubtful debtors			**119.9**		120.3
	Retirement benefits			**44.2**		38.3
	FCCB issue expenses			**23.2**		37.2
				(784.0)		(724.6)

6. FIXED ASSETS

(All amounts in Indian Rupees million, except share data and where otherwise stated)

Particulars	Gross Block				Depreciation/Amortization				Net Block	
	As at April 1, 2008	Additions	Sales/ Adjustments	**As at March 31, 2009**	Up to April 1, 2008	For the year	On Sales/ adjustments	**Up to March 31, 2009**	**As at March 31, 2009**	As at March 31, 2008
Leasehold land	42.4	34.3	–	**76.7**	2.4	1.5	–	**3.9**	**72.8**	40.1
Freehold land[a]	131.9	32.9	–	**164.8**	–		–	**–**	**164.8**	131.9
Leasehold buildings	64.8	7.3	–	**72.1**	11.3	7.2	–	**18.5**	**53.6**	53.4
Freehold buildings[a, b]	1,830.8	112.7	–	**1,943.5**	271.5	65.5	–	**337.0**	**1,606.5**	1,559.2
Plant and machinery	8,989.2	1,135.0	76.0	**10,048.2**	2,684.0	726.5	8.1	**3,402.4**	**6,645.8**	6,305.2
Furniture and fittings	190.8	18.1	–	**208.9**	63.5	13.2	–	**76.7**	**132.2**	127.3
Vehicles	60.1	9.2	5.8	**63.5**	16.6	5.7	2.5	**19.8**	**43.7**	43.6
TOTAL	11,310.0	1,349.5	81.8	**12,577.7**	3,049.3	819.6	10.6	**3,858.3**	**8,719.4**	8,260.7
Previous year	9,424.7	1,909.2	23.9	**11,310.0**	2,318.1	737.8	6.5	**3,049.3**	**8,260.7**	–
Capital Work-in-progress[c]									**2,859.6**	1,246.9

Notes

a. The title deeds of land and buildings aggregating to Rs.116.9 (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.424.7 (Rs.126.3) and expenditure during construction period Rs.65.9 (Rs.20.5) *(Refer Note 10 on Schedule 24)*.
d. Additions during the year include Rs.80.3 (Rs.47.8) towards Research Centre capital expenditure.
e. Depreciation for the year includes Rs.1.1 (Rs.Nil) taken to preoperative expenditure pending capitalisation.
f. Amount of borrowing cost aggregating to Rs.6.2 (Rs.Nil) is capitalized during the year.

7. INTANGIBLE ASSETS

(All amounts in Indian Rupees million, except share data and where otherwise stated)

Particulars	Gross Block				Amortization				Net Block	
	As at April 1, 2008	Additions	Adjustments	**As at March 31, 2009**	Up to April 1, 2008	For the year	On Sales/ adjustments	**Up to March 31, 2009**	**As at March 31, 2009**	As at March 31, 2008
Licences	34.8	4.8	–	**39.6**	24.7	5.6	–	**30.3**	9.3	10.1
TOTAL	34.8	4.8	–	**39.6**	24.7	5.6	–	**30.3**	9.3	10.1
Previous year	34.8	–	–	**34.8**	16.4	8.2	**–**	24.6	10.1	

(All amounts in Indian Rupees million, except share data and where otherwise stated)

	Face value per share	As at March 31, 2009 No. of shares	As at March 31, 2009 Rs.	As at March 31, 2008 No. of shares	As at March 31, 2008 Rs.
8. INVESTMENTS *(Refer Note 6 on Schedule 24)*					
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. In Subsidiaries					
Equity Shares (Fully paid-up)					
Aurobindo Pharma USA Inc., U.S.A.	–	**100% of Paid-in-Capital**	**772.0**	100% of Paid-in-Capital	772.0
APL Pharma Thai Limited, Thailand	100 Baht	**19,200**	**2.2**	19,200	2.2
Aurobindo (Datong) Bio-Pharma Company Limited, China	–	**100% of Paid-in-Capital**	**1057.7**	100% of Paid-in-Capital	799.8
Aurobindo Pharma Industria Farmaceutica Ltda, Brazil (Formerly AB Farmo Industria Farmaceutica Ltda)	1Real	**4,770,245**	**105.6**	3,413,942	75.4
Helix Healthcare B.V., The Netherlands	–	**100% of Paid-in-Capital**	**678.0**	100% of Paid-in-Capital	603.0
APL Research Centre Limited, India	Rs.10	**150,000**	**1.5**	50,000	1.5
APL Healthcare Limited, India	Rs.10	**50,000**	**0.5**	50,000	0.5
All Pharma (Shanghai) Trading Co. Limited, China	–	**100% of Paid-in-Capital**	**27.5**	100% of Paid-in-Capital	20.5
APL Holdings (Jersey) Limited, Jersey	1Euro	**1,887,824**	**120.7**	210,824	12.2
Aurobindo Pharma Produtos Farmaceuticos Ltda, Brazil	1Real	**99,000**	**2.1**	99,000	2.1
			2,767.8		2,289.2
Other than Trade					
C. 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
SUB TOTAL (A)+(B)+(C) = (I)			**2,770.2**		2,291.6

(All amounts in Indian Rupees million, except share data and where otherwise stated)

	Face value per Share	As at March 31, 2009 No. of Shares	As at March 31, 2009 Rs.	As at March 31, 2008 No. of Shares	As at March 31, 2008 Rs.
INVESTMENTS (Contd.)					
II. CURRENT INVESTMENTS (At lower of cost or market value)					
QUOTED OTHER THAN TRADE					
Equity Shares (Fully paid-up)					
Andhra Bank	Rs.10	**4,520**	**0.2**	4,520	0.3
UNQUOTED - TRADE					
Citadel Aurobindo Biotech Limited	Rs.100	**70,000**	**7.0**	70,000	7.0
UNQUOTED - OTHER THAN TRADE					
1Y USD Yield Enhancement Certificate	USD 50,000	**–**	**–**	300	601.5
SUB TOTAL (II)			**7.2**		608.8
TOTAL (I) + (II)			**2,777.4**		2,900.4
Less: Provision for diminution in value of investments			**83.3**		20.9
TOTAL			**2,694.1**		2,879.5
Notes:					
1. Aggregate value of unquoted investments			**2,693.9**		2,879.2
2. Aggregate and market value of quoted investments			**0.2**		0.3

	As at March 31, 2009		As at March 31, 2008	
9. INVENTORIES				
(at lower of cost or net realizable value)				
Raw Materials*		**3,529.5**		3,167.8
Work-in-process		**2,504.6**		2,457.4
Stores, spares, consumables & packing materials		**739.9**		548.1
Finished goods*		**581.2**		339.0
TOTAL		**7,355.2**		6,512.3
*includes materials in-transit and lying with third parties.				
10. SUNDRY DEBTORS *(Refer Note 11 on Schedule 24)*				
Unsecured Debts outstanding for a period exceeding six months				
Considered good	**1,672.7**		870.4	
Considered doubtful	**316.4**		317.8	
		1,989.0		1,188.2
Other debts - Considered good		**9,384.0**		7,119.3
		11,373.1		8,307.5
Less: Provision for doubtful debts		**316.4**		317.8
TOTAL		**11,056.7**		7,989.7

(All amounts in Indian Rupees million, except share data and where otherwise stated)

		As at March 31, 2009		As at March 31, 2008
11. CASH & BANK BALANCES *(Refer Note 12 on Schedule 24)*				
Cash on hand		**4.7**		4.3
Balance with scheduled banks on:				
Current accounts	**389.9**		4.3	
Cash credit accounts	**117.6**		10.6	
Fixed deposit accounts	**79.1**		2,359.0	
Unpaid dividend accounts	**4.4**		3.0	
		591.0		2,376.9
Balance with non-scheduled banks on:				
Current accounts		**273.7**		12.0
TOTAL		**869.4**		2,393.2
12. OTHER CURRENT ASSETS				
Interest accrued on loans and deposits		**174.0**		323.4
Interest accrued on investments		**0.6**		0.6
TOTAL		**174.6**		324.0
13. LOANS AND ADVANCES *(Refer Note 13 on Schedule 24)*				
(Unsecured, considered good except stated otherwise)				
Loans to subsidiaries*		**3,822.9**		3,142.0
Loans to employees		**28.2**		26.0
Insurance claims receivable		**–**		6.9
Advances recoverable in cash or in kind or for value				
to be received or pending adjustments				
Considered good	**715.8**		696.0	
Considered doubtful	**36.3**		36.3	
		752.1		732.3
Export incentives receivable		**514.1**		518.3
Export incentives licenses		**23.5**		2.9
Trade and other deposits		**296.5**		283.7
Advance income tax and tax paid on appeals				
(Net of Provision of Rs.628.0)		**586.8**		369.2
Balances with customs and excise authorities		**616.3**		283.0
		6,640.4		5,364.3
Less: Provision for doubtful advances		**36.3**		36.3
TOTAL		**6,604.1**		5,328.0
*Includes share application money Rs.18.2 (Rs.24.5)				

(All amounts in Indian Rupees million, except share data and where otherwise stated)

			As at March 31, 2009		As at March 31, 2008
14. CURRENT LIABILITIES					
	Sundry Creditors for goods, services and expenses				
	Dues to Micro and Small Enterprises		**2.5**		22.4
	Dues to others		**4,148.6**		3,525.8
			4,151.1		3,548.2
	Dues to subsidiaries		**674.3**		470.9
	Trade deposits		**1.0**		1.0
	Advance from customers		**28.0**		17.3
	Unclaimed dividends		**4.4**		3.0
	Other liabilities		**63.3**		63.2
	Book overdraft		**35.7**		12.1
	Interest accrued but not due on loans		**21.1**		24.5
	TOTAL		**4,978.9**		4,140.2
15. PROVISIONS	For Retirement benefits				
	Gratuity *(Refer Note 7(b) on Schedule 24)*	**35.4**		18.4	
	Leave encashment	**94.6**	**130.0**	94.3	112.7
	For Proposed dividend		**80.7**		174.7
	For Tax on proposed dividend		**13.7**		29.7
	TOTAL		**224.4**		317.1

Schedules to Profit and Loss Account

		2008-2009	2007-2008
16. SALES (GROSS)			
	Sale of goods	**28,064.4**	23,511.2
	Sale of dossiers/licenses	**788.1**	581.6
	TOTAL	**28,852.5**	24,092.8
17. OTHER INCOME			
	Dividends from a subsidiary company	**0.9**	0.8
	Balances no longer required written back	**9.6**	56.0
	Provisions no longer required on doubtful debts and advances written back	**1.3**	–
	Exchange fluctuation gain (Net)	**–**	481.3
	Miscellaneous income	**44.4**	61.0
	TOTAL	**56.2**	599.1

(All amounts in Indian Rupees million, except share data and where otherwise stated)

	2008-2009		2007-2008	
18. (INCREASE)/DECREASE IN STOCKS				
Opening stocks				
Finished goods	339.0		418.3	
Work-in-process	2,457.4		2,066.3	
		2,796.4		2,484.6
Less: Closing stocks				
Finished goods	581.2		339.0	
Work-in-process	2,504.6		2,457.4	
		3,085.8		2,796.4
TOTAL		(289.4)		(311.8)
19. MATERIALS CONSUMED				
Raw materials consumed				
Opening stock		3,167.8		2,533.6
Add: Purchases		15,771.1		13,676.9
		18,938.9		16,210.5
Less: Closing stock		3,529.5		3,167.8
		15,409.4		13,042.7
Packing materials consumed		1,006.9		711.9
TOTAL		16,416.3		13,754.6
20. OTHER MANUFACTURING EXPENSES				
Conversion charges		104.4		128.4
Consumption of stores and spares		324.9		315.5
Chemicals consumed		470.5		549.2
Carriage inward		201.1		176.4
Factory maintenance		50.6		77.4
Power and fuel		1,183.2		963.2
Effluent treatment expenses		29.0		28.0
Decrease of excise duty on inventory		(0.7)		(20.2)
(Refer Note 24 on Schedule 24)				
Repairs and maintenance				
Plant and machinery	158.7		87.2	
Buildings	61.7		36.1	
Others	23.5		46.6	
		243.9		169.9
Miscellaneous expenses		118.1		109.5
TOTAL		2,725.0		2,497.3

(All amounts in Indian Rupees million, except share data and where otherwise stated)

		2008-2009		2007-2008
21. PAYMENTS TO AND PROVISION FOR EMPLOYEES				
Salaries, wages and bonus		**1,616.0**		1,336.3
Contribution to provident and other funds		**63.8**		56.4
(Refer Schedule 7(a) on Schedule 24)				
Retirement benefits		**49.0**		60.5
Staff welfare expenses		**43.0**		33.8
TOTAL		**1,771.8**		1,487.0
22. ADMINISTRATIVE & SELLING EXPENSES				
Rent		**10.2**		7.2
Rates and taxes		**37.7**		44.0
Printing and stationery		**47.4**		52.8
Postage, telegram and telephones		**30.4**		33.0
Insurance		**84.1**		95.6
Legal and professional charges		**270.4**		176.3
Directors' sitting fees		**0.6**		0.3
Remuneration to auditors *(Refer Note 18 on Schedule 24)*		**6.6**		6.1
Sales commission		**275.9**		143.7
Carriage outwards		**901.6**		462.6
Selling expenses		**32.1**		27.3
Rebates and discounts		**63.3**		26.2
Travel and conveyance		**51.9**		48.4
Vehicle maintenance expenses		**2.3**		2.6
Analytical charges		**102.2**		187.3
Investments written off/diminution		**0.1**		0.1
Provision for doubtful debts and advances		**–**		10.6
Bad debts written off		**46.4**		45.1
Loss on sale of fixed assets (Net)		**0.3**		0.5
Donation *(Refer Note 19 on Schedule 24)*		**2.1**		2.1
Registration and filing charges		**37.5**		186.2
Exchange fluctuation loss (Net)		**2,278.2**		–
Miscellaneous expenses		**59.7**		69.6
TOTAL		**4,341.0**		1,627.6
23. INTEREST AND FINANCE CHARGES (Net)				
Interest on fixed period loans	**193.0**		119.4	
Interest on other loans	**528.7**		407.9	
Bank charges	**90.3**		62.8	
		812.0		590.1
Less: Interest received				
Loans to subsidiaries*	**193.5**		198.5	
Deposits**	**66.8**		229.2	
Other advances	**1.1**	**261.4**	1.3	429.0
TOTAL		**550.6**		161.1
* TDS Rs.3.9 (Rs.Nil)				
** TDS Rs.5.3 (Rs.2.3)				

Notes to Accounts

24. NOTES ANNEXED TO AND FORMING PART OF THE ACCOUNTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2009

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 (as amended) and the relevant provisions of the Companies Act, 1956. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

b. Revenue recognition

Revenue is recognized 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 recognized 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 recognized on the date of the bill of lading or air way bill.

ii. Revenue from sale of dossiers/licenses is recognized in accordance with the terms of the relevant agreements as generally accepted and agreed with the customers.

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

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

v. Dividend is recognized as and when the Company's right to receive payment is established.

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 capitalized. Indirect expenditure is capitalized 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 realizable 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 capitalized. Capitalized leased assets are depreciated over the lease term or estimated useful life of the asset, whichever is shorter.

v. Premium paid on leasehold land is amortized over the lease term or estimated useful life, which ever is shorter.

vi. Depreciation is provided on the straight-line method, based on the useful life of the assets as estimated by the management which generally coincides with rates prescribed under Schedule XIV to the Companies Act, 1956 except assets acquired at the Bhiwadi unit in Rajasthan for which depreciation is provided on a straight-line basis, at the rates that are higher than those specified in Schedule XIV to the Companies Act, 1956 and are based on useful lives as estimated by management. In these cases the rates are as under

Leasehold buildings	:	5%
Plant & Machinery	:	20%

vii. 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 amortized on a straight-line basis over their useful life not exceeding ten years.

f. Impairment

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/ external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

After impairment, depreciation is based on the revised carrying amount of the asset over its remaining useful life.

g. Government grants and subsidies

Grants and subsidies are recognized 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.

h. Investments

i. Investments that are readily realizable 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. Current investments are carried at lower of cost and fair value determined on individual investment basis.

ii. Long-term investments are carried at cost. However, diminution in value is provided to recognise a decline, other than temporary, in the value of the investments.

i. Inventories

i. Raw materials, packing materials, stores, spares and consumables are valued at cost, calculated on "First-in-First out" basis, which is lower of cost and net realizable 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 realizable value. Cost includes materials, labour and a proportion of appropriate overheads. Cost of finished goods includes excise duty. Cost is determined on a weighted average basis.

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

iv. Net realizable 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.

j. 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.

k. 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 recognized 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 realized. In situations where the company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

Unrecognized deferred tax assets of earlier years are re-assessed and recognized 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 realized.

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 realized. 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 recognized 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.

l. Foreign exchange transactions

i. *Initial Recognition*

Foreign currency transactions 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.

ii. *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.

iii. *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 recognized as income or as expenses in the year in which they arise.

iv. *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 recognized as expense or income over the life of the contract. Exchange differences on such contracts are recognized 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 recognized as income or as expense for the year.

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 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.

n. Leases

Finance leases, where the substantial risks and benefits incidental to ownership of the leased items are transferred to the Company, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalized.

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 depreciated over the tenure of the lease or estimated useful life of the asset, whichever is shorter.

(All amounts in Indian Rupees million, except share data and where otherwise stated)

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 recognized as an expense in the Profit & 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 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 equity shares outstanding during the period are adjusted for the effects of all dilutive potential equity shares.

p. Provisions

A provision is recognized when the Company has a present obligation as a result of past event and 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. Capital commitments

Estimated amount of contracts (net of advances) remaining to be executed on capital account and not provided for Rs.709.0 (Rs.1,212.2).

3. Contingent Liabilities

		2008-2009	2007-2008
a.	Claims against the Company not acknowledged as debts	**4.9**	4.9
b.	Outstanding bank guarantees	**213.3**	256.2
c.	Bills discounted with banks	**62.8**	323.4
	(Secured by personal guarantees of the Chairman and the Managing Director)		
d.	Direct and indirect taxes	**123.6**	263.5
e.	Dossier sales	**125.3**	131.3

f. During the financial year 2005-06, 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 53,600 FCCBs 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 USD 3.9 million (USD 3.9 million) equivalent to Rs.320.8 (Rs.128.2) and the cumulative premium amounts to USD 15.6 million (USD 11.7 million) equivalent to Rs.790.2 (Rs.469.4) at the prevailing exchange rate as at Balance Sheet date.

g. 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. Tranche A Bonds and Tranche B Bonds are redeemable at 146.285% and 146.991% respectively of its principal amount on the maturity date. There are 141,000 FCCBs 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 USD 2.8 million (USD 18.6 million) equivalent to Rs.510.8 (Rs.691.4) and the cumulative premium amounts to USD 37.7 million (USD 34.9) equivalent to Rs.1,909.2 (Rs.1,398.3) at the prevailing exchange rate as at Balance Sheet date.

(All amounts in Indian Rupees million, except share data and where otherwise stated)

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. The method of settlement under scheme is by issue of equity shares of the Company. 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:

	2008-2009 Nos.	2007-2008 Nos.
Options outstanding at the beginning of the year	**233,094**	310,677
Granted during the year	**–**	–
Vested/exercisable during the year	**102,480**	94,087
Exercised during the year	**–**	42,060
Forfeited during the year subject to reissue	**33,937**	35,523
Options outstanding at end of the year	**199,157**	233,094
Exercisable at the end of the year	**169,797**	80,182
Weighted Average Exercise Price (Rs.)	**362.60**	362.60
Weighted Average Fair Value of options at the date of grant (Rs.)	**375.14**	375.14

	Range of exercise prices	Number of options outstanding	Weighted average remaining contractual life of options (in years)
Year 2008-2009	**362.60**	**199,157**	**1.66**
Year 2007-2008	362.60	233,094	2.33

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 December 30, 2006, July 31, 2007 and October 31, 2007 respectively. The method of settlement under scheme is by issue of equity shares of the Company. 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.

(All amounts in Indian Rupees million, except share data and where otherwise stated)

The details of options outstanding of ESOP 2006 Scheme:

	2008-2009 Nos.	2007-2008 Nos.
Options outstanding at the beginning of the year	**55,000**	35,000
Granted during the year	**–**	23,000
Vested/exercisable during the year	**7,250**	3,500
Exercised during the year	**–**	–
Forfeited during the year subject to reissue	**–**	3,000
Options outstanding at end of the year	**55,000**	55,000
Exercisable at the end of the year	**10,750**	3,500
Weighted Average Exercise Price (Rs.)	**598.90**	598.90
Weighted Average Fair Value of options (Rs.) at the date of grant	**720.63**	720.63

	Range of exercise price	Number of options outstanding	Weighted average remaining contractual life of options (in years)
Year 2008-2009	**Rs.570 to Rs 670**	**55,000**	**3.93**
Year 2007-2008	Rs.570 to Rs 670	55,000	4.93

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	2008-2009	2007-2008
Profit after taxation		
As reported in Profit and Loss Account	**1,285.5**	2,907.8
Less: Additional Employee compensation cost based on Fair value	**3.7**	1.5
Profit after taxation as per Fair Value Method	**1,281.8**	2,906.3
Earnings per Share		
Basic		
No. of shares	**53,765,268**	53,638,611
EPS as reported	**23.91**	54.21
EPS as per Fair Value Method	**23.84**	54.18
Diluted		
No. of shares	**64,733,509**	67,506,428
EPS as reported	**19.86**	43.07
EPS as per Fair Value Method	**19.80**	43.05

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

	2008-2009		2007-2008	
	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	**0.48**	**0.48**	0.30	0.30

(All amounts in Indian Rupees million, except share data and where otherwise stated)

ii. During the financial year 2005-06, 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 53,600 outstanding bonds as at March 31, 2009.

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 51.35 fully paid equity share with par value of Rs.5 per share at a fixed price of Rs.879.13 per share, on or after May 17, 2007 but prior to close of business hours on May 10, 2011. There are 141,000 outstanding bonds as at March 31, 2009.

5. Scheme of Arrangement pending High Court Order:

Pursuant to the approval of the shareholders to the Scheme of Arrangement between the Company and its shareholders at the court convened meeting held on May 21, 2009, the Company filed a petition with the Hon'ble High Court of Judicature of Andhra Pradesh at Hyderabad to sanction the said Scheme under Sections 391 to 393 read with Sections 100 to 103 and other applicable provisions of the Companies Act, 1956. In terms of the said Scheme, it is proposed to credit the capital profit arising on buy-back and cancellation of Foreign Currency Convertible Bonds (FCCB) and the amount standing to the credit of Capital Reserve Account as on March 31, 2008 to an account called the "Reconstruction Reserve Account". The Scheme provides for the utilization of the said "Reconstruction Reserve Account" along with "Capital Redemption Reserve Account", outstanding as on March 31, 2008 to adjust certain "Expenses" as defined in the Scheme such as diminution in value of investments, obsolete or unrealizable fixed assets, current assets, loans and advances as determined by the management.

The Hon'ble High Court of Judicature of Andhra Pradesh at Hyderabad heard the Company's petition on July 27, 2009 and the matter is reserved for order. Pending pronouncement of the Order, the Company has credited an amount of Rs.1,044.9 being capital profit on buyback and cancellation of FCCBs and debited certain "Expenses" aggregating to Rs.1,008.7 (net of taxes) as exceptional item in the Profit and Loss Account, aggregating to net of Rs.36.2 as detailed below. The effect to the Scheme will be incorporated in the financial statements of the year in which the Court Order is made effective.

Details of exceptional item:

	Particulars		
A.	**Capital profit on buyback and cancellation of FCCBs**		**1,044.9**
B.	**Less: Expenses**		
i.	Certain unrealizable receivables and other current assets from subsidiaries written off	**267.7**	
	Less tax effect thereof	**(90.9)**	
	Net of taxes	**176.7**	
ii.	Diminution in the value of investment in a subsidiary	**62.4**	
iii.	Investment written off in a subsidiary	**214.1**	
iv.	Loss on maturity of unquoted current investment	**472.4**	
v.	Unrealizable advance written off	**22.3**	
vi.	Obsolete fixed assets written off	**60.7**	**1,008.7**
C.	**Net (A - B)**		**36.2**

(All amounts in Indian Rupees million, except share data and where otherwise stated)

6. Investments

The movement in investments during the year

Particulars	2008-2009	2007-2008
Investments made during the year		
Aurobindo (Datong) Bio-pharma Company Limited, China	**257.9**	–
Helix Healthcare B.V., The Netherlands	**289.1**	299.4
Aurobindo Pharma Industria Farmaceutica Ltda, Brazil		
(formerly AB Farmo Industria Farmaceutica Ltda, Brazil)	**30.1**	–
APL Research Centre Limited, India	**–**	1.0
All Pharma (Shanghai) Trading Company Limited, China	**7.1**	20.5
Aurobindo Pharma Produtos Farmaceoticos Ltda, Brazil	**–**	2.1
APL Holdings (Jersey) Limited, Jersey	**108.4**	12.2
1 Year USD yield enhancement certificate	**–**	601.5
Investments written off during the year (Refer Note 5 above)		
Helix Healthcare B.V., The Netherlands	**214.1**	–
Investment sold during the year		
Aurobindo Tongling (Datong) Pharmaceutical Company Limited, China	**–**	84.4
Current investments matured during the year		
1 Year USD Yield enhancement certificate	**601.5**	–

7. Retirement benefits

a. Disclosures related to defined contribution plan

Provident fund contribution recognized as expense in the Profit and Loss Account Rs.47.5 (Rs.41.1).

b. Disclosures related to defined benefit plan

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 recognized in the Profit and Loss Account, the fund status and Balance Sheet position.

Profit and Loss Account

	2008-2009	2007-2008
Net employee benefit expense (recognized in employee cost)		
Current service cost	**15.6**	13.7
Interest cost on benefit obligation	**7.5**	4.9
Expected return on plan assets	**(4.8)**	(3.4)
Net actuarial (gain)/loss recognized in the year	**16.4**	(2.7)
Past service cost	**–**	–
Net benefit expense	**34.7**	12.5
Actual return on plan assets	**5.7**	5.3

(All amounts in Indian Rupees million, except share data and where otherwise stated)

Balance Sheet

	2008-2009	2007-2008
Details of provision for gratuity		
Defined benefit obligation	**107.7**	75.4
Fair value of plan assets	**72.3**	57.0
Net plan liability	**35.4**	18.4

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

	2008-2009	2007-2008
Opening defined benefit obligation	**75.4**	62.1
Current service cost	**15.6**	13.7
Interest cost	**7.5**	5.0
Benefits paid	**(8.1)**	(4.6)
Actuarial (gains)/losses on obligation*	**17.3**	(0.8)
Closing defined benefit obligation	**107.7**	75.4

* Experience adjustments Rs.Nil. (Rs.Nil)

Changes in the fair value of plan assets:

	2008-2009	2007-2008
Opening fair value of plan assets	**57.0**	42.2
Expected return	**4.8**	3.5
Contributions by employer	**17.6**	14.0
Benefits paid	**(8.1)**	(4.6)
Actuarial gains/(losses)	**0.9**	1.9
Closing fair value of plan assets	**72.2**	57.0

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:

	2008-2009		2007-2008	
Discount rate (p.a.)	**7.60%**		8.40%	
Expected rate of return on assets (p.a.)	**7.50%**		7.50%	
Employee turnover	**Age (years)**	**Rate**	Age (years)	Rate
	21-30	**8%**	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.40.0 to gratuity in 2009-10.

(All amounts in Indian Rupees million, except share data and where otherwise stated)

8. Secured loans

a. Term loans are secured by:

- first *pari passu* charge on the fixed assets of the Company located at various plants of the Company.
- personal guarantees given by the Chairman and the Managing Director of the Company aggregating to Rs.750.0 (Rs.Nil).

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.7,379.8 (Rs.4,275.3).

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

9. Unsecured loans

a. Short term loan

Short term loans from banks to the extent of Rs.1,115.0 (Rs.370.9) 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, since 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 2007-08 and 1,900 bonds were cancelled through FCCB buyback procedure during the year. The total FCCB bonds outstanding as at March 31, 2009 are 53,600.

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 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 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 51.35 fully paid up equity shares with par value of Rs.5 per share at a fixed price of Rs.879.13 per share at a fixed exchange rate 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.

   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.

(All amounts in Indian Rupees million, except share data and where otherwise stated)

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 59,000 bonds of USD 1,000 each were cancelled through FCCB buyback procedure during the year. The total FCCB bonds outstanding as at March 31, 2009 are 141,000.

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

Particulars	2008-2009	2007-2008
Opening Balance with banks	**2,240.9**	4,716.3
Issue proceeds	**–**	–
Less: Utilised for investments and capital goods	**1,408.9***	2,475.4**
Less: Utilised for buyback of FCCB Bonds	**560.0**	–
Balance with banks and under bank deposits	**272.0**	2,240.9

* Includes foreign currency translation.

** Includes foreign currency translation and current investment in one year USD yield enhancement certificate included in Schedule 8 to the financial statements.

10. Expenditure during construction period pending capitalization:

Particulars	2008-2009	2007-2008
Balance brought forward	**20.5**	11.2
Add: Expenditure incurred during construction Period		
Salaries and employee benefits	**20.1**	1.7
Staff welfare	**0.2**	–
Staff recruitment expenses	**0.4**	–
Material consumption (trail run expenditure)	**7.9**	7.8
Rent	**3.6**	0.4
Rates and taxes	**0.1**	0.2
Printing and stationery	**0.1**	–
Postage, telegram and telephones	**0.4**	–
Insurance	**1.4**	–
Travel and conveyance	**4.3**	0.1
Carriage inwards	**1.6**	0.1
Factory maintenance	**2.1**	0.8
Vehicle maintenance expenses	**2.2**	0.4
Power and fuel	**1.8**	0.1
Repairs and maintenance	**2.9**	2.0
Land development charges	**8.3**	3.1
Stores and spares consumption	**3.5**	–
Depreciation	**1.1**	–
Bank charges	**0.4**	–
Miscellaneous expenses	**0.2**	0.4
Sub Total	**83.1**	28.3
Less: Consumption of intermediates (trial run)	**7.9**	7.8
Capitalized to fixed assets during the year	**9.3**	–
Balance carried forward	**65.9**	20.5

(All amounts in Indian Rupees million, except share data and where otherwise stated)

11. Sundry debtors include dues from companies under the same management:

Name of the Company	As at March 31, 2009	As at March 31, 2008
Aurobindo Pharma USA Inc., U.S.A.	**3,205.0**	1,379.4
APL Pharma Thai Limited, Thailand	**62.8**	68.6
Aurobindo Pharma Industria Farmaceutica Ltda, Brazil		
(formerly AB Farmo Industria Farmaceutica Ltda, Brazil)	**566.1**	398.4
Zao Aurobindo Pharma, Russia	**0.6**	35.6
Auro Pharma Inc, Canada	**–**	0.1
Aurex Generics Limited, U.K.	**–**	70.3
Cephazone Pharma LLC., U.S.A.	**204.9**	74.8
Pravesha Industries Private Limited, India	**13.2**	1.5
Trident Life sciences Limited, India	**3.7**	15.1
Aurobindo Pharma (Pty) Limited, South Africa	**98.5**	27.0
APL IP Company Limited, Jersey	**419.0**	678.6
Aurobindo Pharma Productos Farmaceuticos Ltda, Brazil	**135.1**	–
Pharmacin B.V., The Netherlands	**6.0**	0.5
Milpharm Limited, U.K.	**157.6**	111.1
Trident Chemphar Limited, India	**28.9**	4.7
Aurolife Pharma LLC, U.S.A.	**9.0**	–

12. Cash & Bank balances include:

	Closing Balance as at March 31		Maximum outstanding at any time during the year ended March 31	
Balances with Non-Scheduled banks on current accounts	**2009**	2008	**2009**	2008
Vietcom Bank, Vietnam	**–**	0.2	**1.4**	1.1
Bank of Foreign Trade of Vietnam	**–**	–	**–**	–
Commerce Bank, U.S.A.	**–**	–	**–**	–
Wells Fargo Bank, U.S.A.	**0.1**	0.1	**0.1**	0.1
Wegagen Bank Share Company, Ethiopia	**1.9**	2.3	**2.5**	2.3
UBS AG Bank, London	**271.7**	9.4	**271.7**	211.0

13. Loans and advances include:

	Closing Balance as at March 31		Maximum outstanding at any time during the year ended March 31	
Dues from companies under the same management	**2009**	2008	**2009**	2008
Subsidiaries				
Aurobindo (Datong) Bio-Pharma Company Limited, China	**1,145.9**	1,306.1	**1,664.4**	1,415.6
Aurobindo Pharma USA Inc., U.S.A.	**1,458.9**	1,153.9	**1,470.4**	1,250.5
Aurobindo Pharma Industria Farmaceutica Ltda, Brazil				
(formerly AB Farmo Industria Farmaceutica Ltda, Brazil)	**48.5**	8.0	**48.9**	8.7
Helix Healthcare B.V., The Netherlands	**1,151.3**	649.4	**1,151.3**	649.4
APL Research Centre Limited, India	**–**	0.1	**0.1**	1.2
APL Healthcare Limited, India	**18.2**	24.5	**24.5**	24.5

(All amounts in Indian Rupees million, except share data and where otherwise stated)

14. Sundry Creditors

i. 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, 2009.

ii. Disclosure as per the provisions of Micro, Small and Medium Enterprises Development Act, 2006:

Details of dues to Micro, Small and Medium Enterprises as per MSMED Parties	2008-2009	2007-2008
a. The principal amount remaining unpaid as at the end of the year	2.5	22.4
b. The amount of interest accrued and remaining unpaid at the end of the year	–	1.9
c. Amount of interest paid by the company in terms of Section 16, of Micro Small and Medium Enterprise Development Act, 2006 along with the amounts of payments made beyond the appointed date during the year	–	–
d. Amount of interest due and payable for the period of delay in making payment without the interest specified under the Micro, Small and Medium Enterprise Development Act, 2006	–	–
e. The amount of further interest remaining due and payable in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises for the purpose of disallowance as a deductible expenditure under Section 23 of the Micro, Small and Medium Enterprise Development Act, 2006	–	–

15. Export Incentives: Sales include export incentives on account of various schemes amounting to Rs.393.0 (Rs.164.0).

16. Research and Development Expenses

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

Particulars	2008-2009	2007-2008
A. Expenditure		
Material and stores & spares consumption	232.1	370.2
Carriage inward	1.2	0.7
Factory maintenance	0.3	0.4
Power and fuel	10.5	14.8
Effluent treatment expenses	0.4	0.7
Repairs and maintenance		
i. Plant and machinery	26.3	5.3
ii. Buildings	0.7	0.6
iii. Others	2.6	4.5
Salaries, wages and bonus	290.4	267.5
Contribution to provident and other funds	8.2	8.3
Retirement benefits	4.8	4.8
Staff welfare expenses	7.6	6.1
Rent	4.9	4.8
Rates and taxes	0.9	0.6
Printing and stationery	13.5	19.3
Postage, telegram and telephones	11.3	14.8
Insurance	1.5	3.0
Legal and professional charges	213.9	134.0
Carriage outwards	0.3	0.1
Travel and conveyance	4.7	6.3
Vehicle maintenance expenses	0.4	0.4
Analytical charges	7.4	5.4
Provision for doubtful debts and advances	1.0	–
Registration and filing charges	23.3	173.8
Miscellaneous expenses	34.9	34.7
Interest	0.3	–
Bank charges	0.5	1.0
Depreciation	47.8	45.0
Loss on sale of assets	0.3	0.2
TOTAL	952.0	1,127.3

(All amounts in Indian Rupees million, except share data and where otherwise stated)

b. Details of capital expenditure incurred for Research and Development Centre:

Particulars	Additions during 2008-09	Additions during 2007-08
Plant and Machinery		
- Lab equipment	**68.4**	34.2
- Factory equipment	**0.2**	0.2
- Office equipment	**1.0**	1.7
- Data processing equipment	**6.3**	5.7
Furniture	**2.3**	2.1
Vehicles	**2.1**	3.9
TOTAL	**80.3**	47.8

17. Remuneration to Directors (included in Schedule 21)

Particulars	2008-2009	2007-2008
Salary	**24.0**	25.0
Contribution to Provident Fund	**0.1**	0.1
Perquisites	**3.7**	3.9
	27.8	29.0

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.

18. Remuneration to statutory auditors (including service tax where applicable)

Particulars	2008-2009	2007-2008
As auditor:		
Statutory audit	**4.6**	5.0
Limited review	**1.7**	0.9
Out of pocket expenses	**0.3**	0.1
In other manner:		
Certification	**–**	0.1
	6.6	6.1

19. Donation to political parties (included in Schedule 22)

Particulars	2008-2009	2007-2008
Communist Party of India (Marxist)	**–**	0.3
Communist Party of India	**0.6**	0.1
Pattali Makkal Katchi	**–**	–
TOTAL	**0.6**	0.4

(All amounts in Indian Rupees million, except share data and where otherwise stated)

20. Earnings per Share

Earnings per Share is computed based on the following:

Particulars			2008-2009	2007-2008
i.		Profit after taxation considered for calculation of basic and diluted Earnings per Share Rs.	1,285.5	Rs. 2,907.8
ii.	a.	Weighted average number of Equity Shares considered for calculation of basic Earnings per Share	53,765,268	53,638,611
	b.	Effect of dilution on account of Foreign Currency Convertible Bonds into shares	10,957,653	13,858,708
	c.	Effect of dilution on account of Employee Stock Options granted	10,588	9,109
	d.	Weighted average number of equity Shares considered for calculation of diluted earnings per share (a+b+c)	64,733,509	67,506,428

21. Related Party Disclosures

a. Names of related parties and description of relationship

Subsidiaries

1. APL Pharma Thai Ltd, Thailand
2. ALL Pharma (Shanghai) Trading Company Limited, China
3. Aurobindo Pharma USA Inc, U.S.A.
4. Aurobindo Pharma Industria Farmaceutica Ltda, Brazil (formerly AB Farmo Industria Farmaceutica Ltda, Brazil)
5. Aurobindo (Datong) Bio-pharma Company Limited, China
6. Helix Healthcare B.V., The Netherlands
7. APL Holdings (Jersey) Limited, Jersey
8. Aurobindo Pharma Produtos Farmaceuticos Ltda,Brazil
9. APL Healthcare Limited, India
10. APL Research Centre Limited, India
11. Aurex Generics Limited, U.K.
12. Auro Pharma Inc. Canada
13. Zao Aurobindo Pharma, Russia
14. Aurobindo Pharma (PTY) Limited, South Africa
15. Aurobindo Pharma (Australia) PTY Limited, Australia
16. Agile Pharma B.V., The Netherlands
17. Aurobindo Pharma Hungary Kereskedelmi KFT, Hungary
18. Aurobindo Switzerland AG, Switzerland
19. Auro Healthcare (Nigeria) Limited, Nigeria
20. Aurobindo Pharma Japan K.K., Japan
21. Pharmacin B.V., The Netherlands
22. Aurobindo Pharma (Portugal) Unipessoal LDA, Portugal
23. Aurobindo Pharma ApS, Denmark
24. Sia Aurobindo Baltics, Latvia
25. Aurobindo Pharma (Bulgaria) EAD, Bulgaria
26. Aurobindo Pharma France SARL, France
27. Pharmacin International B.V., The Netherlands*
28. Laboratorios Aurobindo S L, Spain
29. Agile Malta Holdings Limited, Malta
30. Aurobindo Pharma (Ireland) Limited
31. Aurobindo Pharma (Italia) S.r.l. Italy
32. Agile Pharma (Malta) Limited, Malta
33. Aurobindo Pharma (Malta) Limited., Malta
34. APL IP Company Limited, Jersey
35. APL Swift Services (Malta) Limited
36. Milpharm Limited, U.K.
37. Aurolife Pharma LLC, U.S.A.

* Liquidated on December 22, 2008

(All amounts in Indian Rupees million, except share data and where otherwise stated)

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

Trident Life Sciences Limited, India

Sri Sai Packaging, India (Partnership firm)

Trident Chemphar Limited, India

Auropro Soft Systems Private Limited, India

Key Management Personnel

Mr. P.V. Ramprasad Reddy, Chairman

Mr. K. Nithyananda Reddy, Managing Director

Dr. M. Sivakumaran, Whole-time Director

Mr. M. Madan Mohan Reddy, Whole-time Director

Mr. B. Sivaprasad Reddy, Non-Executive Director*

Mr. Lanka Srinivas, Non-Executive Director**

* Whole-time director upto July 01, 2007 and resigned from directorship with effect from September 27, 2007.

** Resigned from directorship with effect from October 17, 2007.

Key Management Person Relative

Ms. P. Suneela Rani (Wife of Mr. P.V. Ramprasad Reddy, Chairman)

Ms. K. Rajeswari (Wife of Mr. K. Nithyananda Reddy, Managing director)

Ms. B. Shilpa (Daughter of Mr. B. Sivaprasad Reddy, Whole-time Director)*

Mr. P. Sarath Chandra Reddy (Son of Mr. P.V. Ramprasad Reddy, Chairman)

Mr. P. Rohit Reddy (Son of Mr. P.V. Ramaprasad Reddy, Chairman)

Ms. K. 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)

Ms. Sashi S. Kumar (wife of Dr. M. Sivakumaran, Whole-time Director)

*Not a relative of key management personnel in the current year.

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

	2008-2009	2007-2008
i. Subsidiaries		
APL Pharma Thai Ltd, Thailand		
Sale of goods	**161.5**	282.1
Dividend received	**0.9**	0.8
Aurobindo Pharma Industria Farmaceutica Ltda, Brazil		
(formerly AB Farmo Industria Farmaceutica Ltda, Brazil)		
Sale of goods	**586.9**	325.3
Sale of fixed assets	**2.9**	–
Interest income	**1.8**	1.1
Commission paid	**13.3**	–
Finance (including loans and equity contribution in cash or in kind)	**67.3**	–

(All amounts in Indian Rupees million, except share data and where otherwise stated)

	2008-2009	2007-2008
Aurobindo (Datong) Bio–pharma Company Limited, China		
Purchase of goods	**2,676.2**	2,479.4
Sale of goods	**–**	5.3
Interest income	**66.3**	80.8
Finance (including loans and equity contribution in cash or in kind)	**257.9**	–
Reimbursement of expenses paid	**0.9**	–
Receipt against loan	**510.4**	–
Interest receivable written off	**236.1**	–
Aurobindo Pharma USA Inc., U.S.A.		
Sale of goods	**3,965.4**	2,275.6
Finance (including loans and equity contribution in cash or in kind)	**51.3**	–
Interest income	**62.6**	75.1
Reimbursement of expenses	**0.1**	24.2
Receipt against loan	**51.3**	–
Helix Healthcare B.V., The Netherlands		
Interest income	**60.8**	41.5
Finance (including loans and equity contribution in cash or in kind)	**755.7**	330.9
Provision for diminution in investments	**62.4**	–
Investment written off	**214.2**	–
Aurex Generics Limited, U.K.		
Sale of goods	**5.6**	144.2
Rebates and discount	**12.4**	
Zao Aurobindo Pharma, Russia		
Sale of goods	**–**	33.9
Debts written off	**31.5**	–
Auro Pharma Inc., Canada		
Sale of goods	**–**	17.2
Reimbursement of expenses	**0.6**	–
APL Research Centre Limited, India		
Finance (including loans and equity contribution in cash or in kind)	**–**	1.0
Receipt against loan given	**–**	1.2
APL Healthcare Limited, India		
Receipt against share application money given	**6.3**	–
ALL Pharma (Shanghai) Trading Company Limited, China		
Purchase of goods	**113.0**	0.1
Purchase of fixed assets	**4.9**	–
Finance (including loans and equity contribution in cash or in kind)	**7.1**	20.5
Reimbursement of expenses	**12.2**	–
Aurolife Pharma LLC, U.S.A.		
Sale of goods	**9.0**	–
Aurobindo Pharma Japan K.K., Japan		
Reimbursement of expenses	**0.2**	**–**
Aurobindo Pharma Produtos Farmaceuticos Ltda, Brazil		
Finance (including loans and equity contribution in cash or in kind)	**–**	2.1
Sale of goods	**168.3**	–
APL Holdings (Jersey) Limited, Jersey		
Finance (including loans and equity contribution in cash or in kind)	**108.4**	12.2

(All amounts in Indian Rupees million, except share data and where otherwise stated)

		2008-2009	2007-2008
	APL IP Company Limited, Jersey		
	Sale of dossiers	**715.7**	485.6
	Reimbursement of expenses paid	**28.5**	136.3
	Aurobindo Pharma (PTY) Limited, South Africa		
	Sale of goods	**129.3**	33.8
	Commission paid	**2.6**	–
	Pharmacin B.V., The Netherlands		
	Sale of goods	**5.7**	1.5
	Commission paid	**1.9**	–
	Purchase of goods	**0.4**	–
	Milpharm Limited, U.K.		
	Sale of goods	**216.6**	123.7
	Purchase of goods	**–**	10.4
	Reimbursement of expenses	**12.8**	–
ii.	**Enterprises over which key management personnel or relatives exercise significant influence**		
	Pravesha Industries Private Limited		
	Purchase of goods	**515.0**	381.9
	Rendering of services	**0.1**	–
	Sale of goods	**14.0**	2.3
	Trident Life Sciences Limited		
	Services received	**106.1**	208.3
	Sale of goods	**0.7**	2.3
	Rent paid	**4.7**	4.2
	Purchase of goods	**1.3**	–
	Sale of fixed assets	**4.2**	13.1
	Purchase of assets	**6.2**	–
	Proposed dividend	**0.7**	–
	Sri Sai Packaging		
	Purchase of goods	**44.3**	4.2
	Sale of goods	**0.3**	0.2
	Trident Chemphar Limited		
	Purchase of goods	**193.7**	115.7
	Sale of goods	**54.6**	46.0
	Other services received	**2.2**	2.0
	Interim dividend	**1.9**	–
	Proposed dividend	**1.7**	–
	Auropro Soft Systems Private Limited		
	Services received	**7.2**	–
iii.	**Joint Ventures**		
	Cephazone Pharma LLC, U.S.A.		
	Sale of goods	**108.9**	73.1
iv.	**Key Management Personnel**		
	Mr. P.V. Ramprasad Reddy		
	Managerial remuneration	**6.9**	6.9
	Interim dividend	**48.7**	–
	Proposed dividend	**24.3**	51.0
	Guarantees and collaterals	**9,307.6**	4,646.3

(All amounts in Indian Rupees million, except share data and where otherwise stated)

		2008-2009	2007-2008
	Mr. K. Nithyananda Reddy		
	Managerial remuneration	**6.9**	6.9
	Interim dividend	**8.3**	–
	Proposed dividend	**4.1**	12.2
	Guarantees and collaterals	**9,307.6**	4,646.3
	Dr. M. Sivakumaran		
	Managerial Remuneration	**6.9**	6.9
	Interim dividend	**4.4**	–
	Proposed dividend	**2.2**	4.8
	Mr. M. Madan Mohan Reddy		
	Managerial remuneration	**7.1**	6.6
	Interim dividend	**0.1**	–
	Proposed dividend	**0.1**	0.1
	Mr. B. Sivaprasad Reddy		
	Managerial remuneration	**–**	1.5
	Proposed dividend	**–**	0.1
	Mr. Lanka Srinivas		
	Sitting fees	**–**	0.1
	Professional fees	**–**	2.0
	Proposed dividend	**–**	0.1
v.	**Relatives of Key Management personnel**		
	Ms. P. Suneela Rani		
	Interim dividend	**18.5**	–
	Proposed dividend	**9.2**	19.4
	Ms. K. Rajeswari (Partner, Sri Sai Packaging)		
	Interim dividend	**3.8**	–
	Proposed dividend	**1.9**	7.9
	Ms. B. Shilpa		
	Proposed dividend	**–**	0.1
	Mr. P. Sarath Chandra Reddy		
	Sitting fees	**0.1**	–
	Interim dividend	**0.1**	–
	Proposed dividend	**–**	0.1
	Mr. P. Rohit Reddy		
	Interim dividend	**1.1**	–
	Proposed dividend	**0.5**	1.2
	Mr. K. Suryaprakash Reddy		
	Interim dividend	**0.1**	–
	Proposed dividend	**–**	0.1
	Mr. K. Prasad Reddy		
	Interim dividend	**0.1**	–
	Proposed dividend	**0.1**	0.1
	Ms. Sashi S. Kumar		
	Interim dividend	**–**	–
	Ms. K. Kirthi Reddy		
	Interim dividend	**6.5**	–
	Salary	**0.1**	0.1
	Proposed dividend	**3.2**	–

(All amounts in Indian Rupees million, except share data and where otherwise stated)

c. Balance outstanding debit/(credit) as at

Name of the Companies	March 31, 2009	March 31, 2008
APL Pharma Thai Ltd, Thailand	**65.0**	68.6
Aurobindo Pharma Industria Farmaceutica Ltda, Brazil	**724.3**	411.9
(formerly AB Farmo Industria Farmaceutica Ltda, Brazil)		
Aurobindo (Datong) Bio-pharma Company Limited, China	**1,633.4**	1,025.3
Helix Healthcare B.V., The Netherlands	**1,936.8**	702.1
Cephazone Pharma LLC, U.S.A.	**205.0**	74.8
Aurobindo Pharma USA Inc., U.S.A.	**5,409.3**	2,568.1
Aurex Generics Limited, U.K.	**–**	70.3
Zao Aurobindo Pharma, Russia	**0.6**	35.6
Auro Pharma Inc. Canada	**(0.1)**	0.1
APL Research Centre Limited, India	**0.1**	0.1
APL Healthcare Limited, India	**18.7**	24.5
ALL Pharma (Shanghai) Trading Company Limited, China	**(8.6)**	(2.2)
Milpharm Limited, U.K.	**157.6**	110.5
Pharmacin B.V., The Netherlands	**5.0**	0.3
Aurobindo Pharma (PTY) Limited, South Africa	**95.9**	27.0
Aurolife Pharma LLC, U.S.A.	**9.0**	–
Aurobindo Pharma Produtos Farmaceuticos Ltda, Brazil	**137.2**	–
Aurobindo Pharma Japan K.K., Japan	**(0.2)**	–
APL IP Company Limited, Jersey	**419.0**	678.6
APL Holdings (Jersey) Limited, Jersey	**120.7**	12.2
Auropro Soft Systems Private Limited, India	**(0.6)**	–
Pravesha Industries Private Limited, India	**17.8**	(33.0)
Trident Life Sciences Limited, India	**7.0**	23.9
Sri Sai Packaging, India	**(0.4)**	(0.1)
Trident Chemphar Limited, India	**48.2**	(59.1)

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	
Name of the Companies	**2009**	2008	**2009**	2008
Subsidiaries				
Aurobindo (Datong) Bio-Pharma Company Limited, China	**1,145.9**	1,306.1	**1,664.4**	1,415.6
Aurobindo Pharma USA Inc., U.S.A.	**1,458.9**	1,153.9	**1,470.4**	1,250.6
AB Farmo Industria Farmaceutica Ltda-Brazil	**48.5**	8.0	**48.9**	8.7
Helix Healthcare B.V., The Netherlands	**1,151.3**	649.4	**1,151.3**	649.4
APL Research Centre Limited, India	**–**	0.1	**0.1**	1.2
APL Healthcare Limited, India	**18.2**	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.

(All amounts in Indian Rupees million, except share data and where otherwise stated)

22. 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.

Lease payments recognized in the Profit and Loss Account Rs.10.2 (Rs.7.2).

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.72.0 (Rs.64.7).

iii. The net carrying amount of the buildings obtained on finance lease Rs.53.5 (Rs.53.4).

iv. The Company has not recognized 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.

23. Disclosure regarding derivative instruments

a. There are no forward contracts outstanding as at March 31, 2009:

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

Particulars	**March 31, 2009**	March 31, 2008
Loans availed	**(3,222.5)**	(5,298.1)
Sundry debtors	**8,411.3**	3,696.9
Loans and advances	**4,308.2**	3,732.0
Sundry creditors	**(2,150.3)**	(2,723.7)
Foreign Currency Convertible Bonds	**(9,866.2)**	(10,245.5)
Investments	**2,765.7**	2,888.7
Bank balances	**731.2**	2,157.0

24. In accordance with para 10 of Notified Accounting Standard 9 on Revenue Recognition, excise duty on sales amounting to Rs.904.2 (Rs.1,163.9) has been reduced from sales in Profit and Loss Account and excise duty on increase/decrease in closing stock of finished goods amounting to Rs.0.7 (Rs.20.7) has been considered as income in Schedule 20 to the financial statements.

25. Interest in joint ventures:

a. Company's financial interest in jointly controlled entities is as follows:

Name of joint venture	**Share**	**Assets**	**Liabilities**	**Income**	**Expenditure**	**Profit/(Loss) after tax**
Aurosal Pharmaceuticals LLC	50%	1.5	15.1	–	0.5	(0.5)
		1.2	*11.5*	*13.3*	*14.0*	*(0.6)*
Cephazone Pharma LLC	50%	344.3	541.9	64.9	143.4	(78.5)
		249.6	*338.1*	*30.6*	*101.0*	*(70.4)*

b. Contingent liabilities of the above joint ventures Rs.Nil (Rs.Nil).

c. Capital commitments of the above joint ventures Rs.Nil (Rs.Nil).

d. Previous year figures have been disclosed in italics.

e. Both the aforesaid entities are incorporated in U.S.A.

(All amounts in Indian Rupees million, except share data and where otherwise stated)

26. Installed capacity and actual production:

Category	Unit of Measurement	Installed Capacity 2008-2009	Installed Capacity 2007-2008	Actual Production 2008-2009	Actual Production 2007-2008
Bulk Drugs and drug Intermediates	Tonnes	**15,047**	15,344	**9,033**	8,706
Formulations					
Tablets & capsules	Nos. (in lakhs)	**99,549**	88,112	**40,198**	33,208
Injectibles	Nos.	**85,950,000**	55,980,000	**34,434,795**	18,653,627
Syrups	Nos.	**47,760,000**	47,800,000	**7,589,953**	4,604,674

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.

27. Opening stock, closing stock and sales of finished goods:

Category	Unit of measurement	Opening stock Qty.	Opening stock Rs.	Closing stock Qty.	Closing stock Rs.	Captive consumption Qty.	Sales Qty.	Sales Rs.
Bulk & intermediates								
Manufactured	Tonnes	58	142.2	94	239.6	4,293	4,705	15,230.8
		(133)	(241.2)	(58)	(142.2)	(3,689)	(5,092)	(14,386.2)
Traded	Tonnes	0.20	0.1	–	–	–	791.20	145.0
		(0.70)	(1.8)	(0.20)	(0.1)	(Nil)	(4,163.59)	(136.9)
Others								653.3
								(502.4)
Formulations: Manufactured								
Tablets & capsules	Nos.(in lakhs)	1,177	152.4	2,324	278.3	35	39,016	10,378.3
		(1,023)	(153.9)	(1,177)	(152.4)	(17)	(33,037)	(7,740.6)
Injections	Nos.	2,484,299	32.8	2,927,400	38.5	177,960	33,813,734	748.0
		(646,514)	(8.1)	(2,484,299)	(32.8)	(516,633)	(16,299,209)	(376.0)
Syrups	Nos.	519,986	11.5	855,693	24.9	145,542	7,108,704	805.4
		(297,094)	(13.3)	(519,986)	(11.5)	(44,749)	(4,337,033)	(299.4)
Others								103.6
								(69.6)
Dossier sales								788.1
								(581.6)
Total			339.0		581.2			28,852.5
			(418.3)		(339.0)			(24,092.8)

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

b. Figures in brackets represent previous year's figures.

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

(All amounts in Indian Rupees million, except share data and where otherwise stated)

28. Purchase of finished goods

Caregory	Unit of measurement	2008-2009 Qty.	2008-2009 Rs.	2007-2008 Qty.	2007-2008 Rs.
Bulk Drugs and Drug Intermediates	Tonnes	**791.00**	**94.7**	4,163.09	117.9

29. Raw material consumed

Name of material	Unit of measurement	2008-2009 Qty.	2008-2009 Rs.	2007-2008 Qty.	2007-2008 Rs.
6APA	Tonnes	**1,873.42**	**2,955.3**	1,709.49	2,449.9
7 ACA	Tonnes	**282.67**	**1,352.0**	271.66	1,132.6
Pencillin G Potassium	Bou's	**1,671.04**	**742.7**	1926.04	926.3
Beta - Thymidine	Tonnes	**158.40**	**802.0**	103.95	448.1
GCLE	Tonnes	**89.97**	**351.7**	88.82	436.8
PHPG Base	Tonnes	**1,043.01**	**634.7**	858.00	323.7
PG Base	Tonnes	**524.70**	**233.0**	567.90	135.1
Others			**8,337.9**		7,190.2
TOTAL			**15,409.3**		13,042.7

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

30. Consumption of raw materials & stores and spares

	2008-2009 %	2008-2009 Rs.	2007-2008 %	2007-2008 Rs.
Raw Materials				
Imported	**76**	**11,783.8**	73	9,519.5
Indigenous	**24**	**3,625.5**	27	3,523.2
TOTAL	**100**	**15,409.3**	100	13,042.7
Stores and Spares				
Imported	**6**	**18.3**	3	9.5
Indigenous	**94**	**306.6**	97	306.0
TOTAL	**100**	**324.9**	100	315.5

31. Value of imports calculated on CIF Basis

	2008-2009	2007-2008
Raw materials and packing material	**11,775.9**	10,061.8
Capital goods	**676.2**	193.8
Stores, spares and consumables	**97.1**	121.6
TOTAL	**12,549.2**	10,377.2

(All amounts in Indian Rupees million, except share data and where otherwise stated)

32. Expenditure in foreign currency (Cash basis)

	2008-2009	2007-2008
Travelling	**13.8**	3.3
Commission on sales	**145.3**	119.4
Product registration and filing fee	**38.6**	307.1
Overseas office expenses	**9.4**	10.8
Professional & consultancy charges	**214.8**	122.8
Interest	**76.8**	99.5
Others	**55.1**	35.8
TOTAL	**553.8**	698.7

33. Earnings in foreign exchange (Accrual basis)

	2008-2009	2007-2008
Exports on F.O.B. basis	**17,466.5**	13,395.0
Interest	**236.7**	400.5
Dividend from subsidiary	**1.0**	0.8
Sale/Licensing of dossiers	**766.1**	581.6
TOTAL	**18,470.3**	14,377.9

34. In accordance with Accounting Standard 17 - Segment Reporting, segment information has been given in the Consolidated Financial Statements of the Company and therefore no separate disclosure on segment information is given in these financial statements.

35. 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 24

In terms of our report of even date.

For and on behalf of the Board of Directors

S.R. Batliboi & Associates
For **S.R. BATLIBOI & ASSOCIATES**
Chartered Accountants

Per
VIKAS KUMAR PANSARI
Partner
Membership No. 93649
Hyderabad, November 12, 2009.

K. NITHYANANDA REDDY
Managing Director

A. MOHAN RAMI REDDY
Company Secretary

S. B. Singhi
SUDHIR B. SINGHI
Chief Financial Officer

Dr. M. SIVAKUMARAN
Director

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 2009

Date Month Year

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

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

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

Total Liabilities	Total Assets
35139147	35139147

Sources of Funds

Paid-up Capital	Reserves & Surplus	Secured Loans	Unsecured Loans
268826	12939478	8130254	13016608

Application of Funds

Net Fixed Assets	Investments	Net Current Assets	Deferred Tax Liabilities
11588304	2694088	20856755	783981

IV. Performance of Company (Rs. in Thousands)

Turnover & Other Income	Total Expenditure	Profit before Tax	Profit after Tax
28004582	26434136	1570446	1285393

Diluted Earnings per Share (Rs.)	Dividend Rate (%)
19.86	90

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

Hyderabad, November 12, 2009.

A. MOHAN RAMI REDDY
Company Secretary

SUDHIR B. SINGHI
Chief Financial Officer

Dr. M. SIVAKUMARAN
Director

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

(All amounts in Indian Rupees million, except share data and where otherwise stated)

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 Ltd[a]	THB	1.44	5.7	54.9	124.8	64.2	–	186.1	(5.8)	–	(5.8)	Thailand
Aurobindo Pharma Industria Farmaceutica Ltda[a]	Reais	21.98	104.9	(61.9)	851.6	808.6	–	682.4	(97.1)	1.2	(98.3)	Brazil
Aurobindo (Datong) Bio–Pharma Company Limited[a]	RMB	7.43	2,228.2	(339.7)	5,335.2	3,446.7	–	3,057.1	102.3	–	102.3	China
Helix Healthcare B.V.	EURO	67.14	996.3	(232.1)	2,022.1	1,257.9	–	–	(215.1)	–	(215.1)	The Netherlands
Aurobindo Pharma USA, Inc.	USD	50.70	861.9	154.9	5,117.8	4,254.4	153.4	5,186.5	202.4	–	202.4	U.S.A.
Aurolife Pharma LLC.,	USD	50.70	1,234.2	(0.1)	1,999.5	765.4	–	–	(0.1)	–	(0.1)	U.S.A.
Auro Pharma Inc.	CND	40.17	43.9	(34.9)	9.2	0.2	–	–	(15.2)	–	(15.2)	Canada
Aurex Generics Limited	GBP	72.73	121.4	10.3	498.0	366.3	–	19.3	(10.7)	(1.1)	(9.6)	U.K.
Aurobindo Pharma (Pty) Limited	ZAR	5.32	140.5	(63.1)	190.2	112.8	–	152.0	(22.0)	–	(22.0)	South Africa
Milpharm Limited	GBP	72.73	45.4	42.6	544.2	456.2	–	748.2	62.4	2.7	59.7	U.K.
Zao Aurobindo Pharma[a]	Rubles	1.50	5.1	(127.8)	118.0	240.7	–	(3.0)	(102.3)	–	(102.3)	Russia
Aurobindo Pharma (Australia) Pty Limited	AUD	35.07	4.1	(3.3)	0.9	0.1	–	–	(1.2)	–	(1.2)	Australia
Aurobindo Pharma Hungary Kereskedelmi, KFT.	HUF	0.22	3.1	(3.6)	0.5	1.0	–	–	(2.1)	–	(2.1)	Hungary
Agile Pharma B.V.	EURO	67.14	517.7	(34.8)	1,183.6	700.7	–	–	(11.6)	–	(11.6)	The Netherlands
Aurobindo Switzerland AG, Zug	CHF	44.52	28.9	(7.3)	23.4	1.8	–	–	6.4	–	6.4	Switzerland
Pharmacin International B.V.	EURO	67.14	1.3	12.2	13.5	–	–	–	0.2	(0.4)	0.6	The Netherlands
Pharmacin B.V.	EURO	67.14	1.2	4.9	136.8	130.7	–	393.2	6.2	1.3	4.9	The Netherlands
Auro Healthcare (Nigeria) Limited	Naira (NGN)	0.36	4.7	–	5.1	0.4	–	–	–	–	–	Nigeria
APL Research Centre Limited	INR	–	1.5	–	1.5	–	–	–	–	–	–	India
APL Health Care Limited	INR	–	18.7	–	18.7	–	–	–	–	–	–	India
Aurobindo Pharma Produtos Farmaceuticos Ltda[a]	Reais	21.98	2.2	(26.1)	106.7	130.6	–	189.5	(9.2)	–	(9.2)	Brazil
All Pharma (Shanghai) Trading Co Ltd[a]	RMB	7.43	37.1	0.1	114.4	77.2	–	217.6	3.4	–	3.4	China

(Contd...)

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

(All amounts in Indian Rupees million, except share data and where otherwise stated)

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
Aurobindo Pharma Japan K.K. [a]	JPY	0.51	15.4	(18.8)	1.9	5.3	–	–	(12.4)	0.1	(12.5)	Japan
Agile Malta Holdings Limited	EURO	67.14	209.8	108.2	614.5	296.5	–	–	148.3	39.8	108.5	Malta
Aurobindo Pharma (Malta) Limited	EURO	67.14	208.1	–	597.4	389.3	–	–	50.7	–	50.7	Malta
APL Holdings (Jersey) Limited	EURO	67.14	126.8	(1.2)	126.4	0.8	–	–	(0.5)	–	(0.5)	Jersey
APL IP Company Limited	EURO	67.14	7.1	379.9	946.3	559.3	–	–	378.2	–	378.2	Jersey
APL Swift Services (Malta) Limited	EURO	67.14	118.5	(32.0)	100.1	13.6	–	–	(31.7)	–	(31.7)	Malta
Agile Pharma (Malta) Limited	EURO	67.14	0.3	(0.5)	0.1	0.3	–	–	(0.2)	–	(0.2)	Malta
Aurobindo Pharma (Italia) S.r.l.	EURO	67.14	134.3	(51.0)	300.1	216.8	–	40.1	(68.3)	(17.4)	(50.9)	Italy
Laboratorios Aurobindo SL	EURO	67.14	13.4	(9.3)	6.8	2.7	–	–	(12.2)	(3.3)	(8.9)	Spain
Aurobindo Pharma (Ireland) Limited	EURO	67.14	8.7	(8.3)	1.7	1.3	–	–	(8.3)	–	(8.3)	Ireland
Aurobindo Pharma (Portugal) Unipessoal LDA	EURO	67.14	10.4	(8.6)	4.4	2.6	–	–	(8.6)	–	(8.6)	Portugal
Aurobindo Pharma ApS	Danish Krone	9.23	5.6	(4.0)	2.6	1.0	–	–	(4.0)	–	(4.0)	Denmark
Sia Aurobindo Baltics	Lats (LVL)	98.10	2.7	(2.3)	0.7	0.3	–	–	(2.3)	–	(2.3)	Latvia
Aurobindo Pharma (Bulgaria) EAD	BGN	35.24	0.4	(1.1)	–	0.7	–	–	(1.1)	–	(1.1)	Bulgaria
Aurobindo Pharma France SARL	EURO	67.14	3.4	(3.8)	1.5	1.9	–	–	(3.8)	–	(3.8)	France

Notes

1. As required under para (iii) of the approval Letter No. 47/360/2009–CL–III dated May 20, 2009, 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, 2009.
2. None of the subsidiaries have proposed dividend during the year. However, APL Pharma Thai Ltd has paid an amount of Rs.0.9 and Aurobindo Pharma (Malta) Limited has paid Rs.114.1 as dividend during the year.
3. During the year Pharmacin International B.V. has been liquidated.

[a] The financial year of these companies ends on December 31. However, the results given are as of March 31, 2009.

For and on behalf of the Board of Directors

K. NITHYANANDA REDDY
Managing Director

A. MOHAN RAMI REDDY
General Manager (Legal) & Company Secretary

SUDHIR B. SINGHI
Chief Financial Officer

Dr. M. SIVAKUMARAN
Director

Hyderabad, November 12, 2009.

Auditors' Report
on Consolidated Financial Statements

The Board of Directors,
Aurobindo Pharma Limited

1. We have audited the attached Consolidated Balance Sheet of Aurobindo Pharma Limited ('the Company') and its subsidiaries and joint ventures ("Group"), as at March 31, 2009 and also the Consolidated Profit and Loss Account and the Consolidated Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of management of Aurobindo Pharma Limited and have been prepared by 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 the auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. 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.22,169,422,883 as at March 31, 2009, the total revenue of Rs.13,327,924,660 and cash flows amounting to Rs.29,608,450 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 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 pursuant to the Companies (Accounting Standards) Rules, 2006 (as amended).

5. Without qualifying our opinion, we draw attention to Note 6(f) and 6(g) of Schedule 22 to the Consolidated Financial Statements with regard to non-provision of premium payable on 194,600 Zero Coupon Foreign Currency Convertible Bonds of USD 1,000 each issued by the Company. Management is of the view that the liability to pay premium on redemption is contingent and the ultimate outcome of the matter cannot be presently determined. Accordingly, no provision for the above liability that may result in future has been made in the accompanying Consolidated Financial Statements.

6. *Attention is drawn to Note 2 on Schedule 22 to the Consolidated Financial Statements regarding non-conformity with AS 22 "Accounting for Taxes on Income" notified by Companies Accounting Standards Rules, 2006 (as amended), in the preparation of the Consolidated Financial Statements in the case of certain subsidiaries and joint venture entities, 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, 2008.*

7. *The Auditors of Pharmacin International B.V. and Pharmacin B.V., the 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 had issued a disclaimer of opinion with respect to appropriateness of the composition and the amount of the result for the previous year ended March 31, 2008. These circumstances are not applicable to the current financial year, but do apply to the previous financial year.*

8. Based on our audit and on consideration of reports of other auditors on separate financial statements and on the other financial information of the components and to the best of our information and according to the explanations given to us, *subject to our observations in Para 6 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, 2009;

   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.

S.R. Batliboi & Associates

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

Per

VIKAS KUMAR PANSARI
Partner
Membership No. 93649
Hyderabad, November 12, 2009.

Consolidated Balance Sheet as at March 31, 2009

(All amounts in Indian Rupees million, except share data and where otherwise stated)

			Schedule	**As at March 31, 2009**		As at March 31, 2008	
I.	**SOURCES OF FUNDS**						
	SHAREHOLDERS' FUNDS	Share Capital	1	**268.8**		268.8	
		Reserves and surplus	2	**12,143.8**		10,971.4	
					12,412.6		11,240.2
	MINORITY INTEREST				**31.5**		32.0
	LOAN FUNDS	Secured loans	3	**9,876.7**		6,971.5	
		Unsecured loans	4	**13,453.0**		12,112.5	
					23,329.7		19,084.0
	DEFERRED TAX LIABILITIES (Net)		22 (12a)		**790.4**		733.4
		TOTAL			**36,564.2**		31,089.6
II.	**APPLICATION OF FUNDS**						
	FIXED ASSETS AND		5				
	INTANGIBLE ASSETS	Gross block		**19,736.3**		16,544.4	
		Less: Accumulated depreciation/ amortization		**5,748.6**		4,176.9	
		Net block		**13,987.7**		12,367.5	
		Capital work-in-progress including capital advances		**5,363.0**		2,781.3	
					19,350.7		15,148.8
	INVESTMENTS		6		**2.6**		604.2
	DEFERRED TAX ASSETS		22 (12b)		**21.7**		1.2
	CURRENT ASSETS,						
	LOANS AND ADVANCES	Inventories	7	**8,776.3**		7,950.3	
		Sundry debtors	8	**8,897.6**		6,650.1	
		Cash and bank balances	9	**1,276.5**		2,825.7	
		Other current assets	10	**70.1**		73.4	
		Loans and advances	11	**3,869.2**		3,091.3	
			(A)	**22,889.7**		20,590.8	
	LESS: CURRENT LIABILITIES						
	AND PROVISIONS	Current liabilities	12	**5,434.6**		4,932.4	
		Provisions	13	**265.9**		323.0	
			(B)	**5,700.5**		5,255.4	
	NET CURRENT ASSETS		(A-B)		**17,189.2**		15,335.4
		TOTAL			**36,564.2**		31,089.6
	Notes to Consolidated Accounts		22				

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 and on behalf of the Board of Directors

S.R. Batliboi & Associates

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

K. NITHYANANDA REDDY
Managing Director

Per
VIKAS KUMAR PANSARI
Partner
Membership No. 93649

Hyderabad, November 12, 2009.

A. MOHAN RAMI REDDY
General Manager (Legal) &
Company Secretary

S. B. Singhi

SUDHIR B. SINGHI
Chief Financial Officer

Dr. M. SIVAKUMARAN
Director

Consolidated Profit and Loss Account for the year ended March 31, 2009

(All amounts in Indian Rupees million, except share data and where otherwise stated)

			Schedule	2008-2009	2007-2008
INCOME	Sales (Gross)		14	**31,677.0**	25,568.9
	Less: Excise duty			**(904.2)**	(1,163.9)
	Sales (Net)			**30,772.8**	24,405.0
	Other income		15	**176.5**	851.1
	TOTAL			**30,949.3**	25,256.1
EXPENDITURE	Decrease/(increase) in stocks		16	**89.2**	(677.0)
	Materials consumed		17	**15,237.5**	12,611.7
	Purchase of trading goods			**1,040.7**	1,698.6
	Other manufacturing expenses		18	**3,441.3**	3,159.1
	Payments to and provisions for employees		19	**2,436.7**	1,930.0
	Administrative and selling expenses		20	**5,863.1**	2,165.7
	Interest and finance charges (Net)		21	**838.6**	446.8
	Depreciation/amortization		5	**1,276.0**	1,003.7
	TOTAL			**30,223.1**	22,338.6
PROFIT BEFORE TAX, EXCEPTIONAL ITEMS AND MINORITY INTEREST				**726.2**	2,917.5
PROVISION FOR TAXATION					
	Current tax			**237.7**	479.2
	Deferred tax			**37.5**	52.1
	Fringe benefit tax			**5.2**	4.7
	Tax adjustments of previous years			**(66.8)**	–
	Total tax expense			**213.6**	536.0
PROFIT AFTER TAX AND BEFORE EXCEPTIONAL ITEMS AND MINORITY INTEREST				**512.6**	2,381.5
	Exceptional item (Refer Note 8 on Schedule 22)			**489.5**	–
PROFIT AFTER TAX AND EXCEPTIONAL ITEMS AND BEFORE MINORITY INTEREST				**1,002.1**	2,381.5
	Minority interest			**0.5**	3.3
NET PROFIT				**1,002.6**	2,384.8
	Balance brought forward from last year			**4,293.9**	2,405.4
PROFIT AVAILABLE FOR APPROPRIATION				**5,296.5**	4,790.2
APPROPRIATIONS					
	Proposed dividend @ Rs.1.50 (Rs.3.25) on Equity Shares of Rs.5 each			**80.7**	175.7
	Interim dividend @ Rs.3.00 (Rs.Nil) on Equity Shares of Rs.5 each			**161.3**	–
	Tax on dividend			**41.1**	29.8
	Transfer to General Reserve			**128.5**	290.8
	Surplus carried to Consolidated Balance Sheet			**4,884.9**	4,293.9
				5,296.5	4,790.2
EARNINGS PER SHARE			22(19)		
	Basic	Rs.		**18.65**	44.46
	Diluted	Rs.		**15.49**	35.33
	Nominal value per Share	Rs.		**5.00**	5.00
Notes to Consolidated Accounts			22		

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 and on behalf of the Board of Directors

S.R. Batliboi & Associates
For **S.R. BATLIBOI & ASSOCIATES**
Chartered Accountants

Per
VIKAS KUMAR PANSARI
Partner
Membership No. 93649

Hyderabad, November 12, 2009.

K. NITHYANANDA REDDY
Managing Director

A. MOHAN RAMI REDDY
General Manager (Legal) &
Company Secretary

S. B. Singhi
SUDHIR B. SINGHI
Chief Financial Officer

Dr. M. SIVAKUMARAN
Director

AUROBINDO

Consolidated Cash Flow Statement for the year ended March 31, 2009

(All amounts in Indian Rupees million, except share data and where otherwise stated)

			2008-2009	2007-2008
A.	CASH FLOW FROM			
	OPERATING ACTIVITIES			
		Net profit before tax, minority interest and exceptional items	**726.2**	2,917.5
		Adjustments for:		
		Depreciation and amortization	**1,276.0**	1,003.7
		Provision for doubtful debts and advances	**133.6**	4.3
		Bad debts written off	**46.4**	45.1
		Investments written off/diminution	**0.1**	–
		Export incentives accrued	**46.9**	(124.1)
		Balances no longer required written back	**(9.6)**	(64.4)
		Provision for retirement benefits	**17.5**	32.3
		Interest expense	**825.7**	621.1
		Interest income	**(93.6)**	(247.4)
		Unrealized foreign exchange loss/(gain) (Net)	**1,864.3**	(879.0)
		Loss/(gain) on sale of fixed assets (Net)	**(23.7)**	3.5
		Write off/other adjustments of fixed assets	**176.6**	–
		Sales tax availed as deferment loan	**15.7**	19.2
		Operating profit before working capital changes	**5,002.1**	3,331.8
		Movements in working capital:		
		Increase in inventories	**(682.5)**	(1,406.2)
		Increase in sundry debtors	**(1,790.2)**	(297.2)
		Increase in loans and advances	**(807.3)**	(369.0)
		Increase/(Decrease) in current liabilities	**(59.6)**	1,160.6
		Cash generated from operations	**1,662.5**	2,420.0
		Direct taxes paid (net of refunds)	**(302.2)**	(458.6)
	NET CASH FROM OPERATING ACTIVITIES		**1,360.3**	1,961.4
B.	CASH FLOWS FROM			
	INVESTING ACTIVITIES	Purchase of fixed assets and intangibles	**(4,830.0)**	(2,462.9)
		Proceeds from sale of fixed assets	**41.7**	19.4
		Proceeds from sale of investment in subsidiary, net of cash	**–**	168.2
		Proceeds from sale/(purchase) of investments (Net)	**259.8**	(601.5)
		Investment in short term deposits (Net)	**216.6**	1,728.4
		Loans to joint ventures	**24.7**	(7.4)
		Interest received	**224.4**	86.6
	NET CASH USED IN INVESTING ACTIVITIES		**(4,062.8)**	(1,069.2)

(All amounts in Indian Rupees million, except share data and where otherwise stated)

			2008-2009	2007-2008
C.	CASH FLOW FROM			
	FINANCING ACTIVITIES	Proceeds from issuance of share capital	–	15.3
		Proceeds from long-term borrowings	926.4	29.8
		Repayment of long-term borrowings	(481.2)	(1,179.8)
		Repurchase of FCCB	(1,488.1)	–
		Other short term borrowings (Net)	3,909.7	(257.9)
		Interest paid	(823.7)	(624.9)
		Dividends and dividend tax paid	(393.2)	(157.2)
	NET CASH GENERATED/(USED) FROM FINANCING ACTIVITIES		**1,649.9**	(2,174.7)
D.	**FOREIGN CURRENCY TRANSLATION ADJUSTMENTS**		**(334.6)**	(9.7)
	NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C + D)		**(1,387.2)**	(1,292.2)
		Cash and cash equivalents at the beginning of the year	2,356.8	3,627.3
		Cash and cash equivalents at the end of the year	969.6	2,335.1

		2008-2009	2007-2008
Components of cash and cash equivalents as at		**March 31, 2009**	March 31, 2008
Cash and cheques on hand		6.0	5.0
With banks	- on current account	873.1	230.5
	- on cash credit account	117.6	48.6
	- on deposit account	275.4	2,538.6
	- on unpaid dividend account*	4.4	3.0
Cash and cash equivalents as per balance sheet		1,276.5	2,825.7
Less: Fixed deposits considered as investments		(250.0)	(468.9)
		1,026.5	2,356.8
Effect of unrealized exchange (loss)/gain as on the Balance Sheet date		(56.9)	(21.7)
Cash and Cash equivalents considered for cash flows		**969.6**	2,335.1

*These balances are not available for use by the Company as they represent corresponding unpaid dividend liabilities.

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 and on behalf of the Board of Directors

S.R. Batliboi & Associates
For **S.R. BATLIBOI & ASSOCIATES**
Chartered Accountants

K. NITHYANANDA REDDY
Managing Director

Per
VIKAS KUMAR PANSARI
Partner
Membership No. 93649

Hyderabad, November 12, 2009.

A. MOHAN RAMI REDDY
General Manager (Legal) &
Company Secretary

S. B. Singhi
SUDHIR B. SINGHI
Chief Financial Officer

Dr. M. SIVAKUMARAN
Director

Consolidated Schedules to Balance Sheet

(All amounts in Indian Rupees million, except share data and where otherwise stated)

			As at March 31, 2009		As at March 31, 2008
1.	**SHARE CAPITAL** *(Refer Note 7 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 (53,765,268) Equity Shares of			
		Rs.5 each fully paid-up		**268.8**	268.8
		TOTAL		**268.8**	268.8
	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**	90.3
	CAPITAL REDEMPTION				
	RESERVE	As per last Balance Sheet		**90.0**	90.0
	SECURITIES PREMIUM				
	ACCOUNT	As per last Balance Sheet	**1,922.3**		1,713.7
		Add: Premium on conversion of FCCB and exercise of ESOPs	**–**		208.6
				1,922.3	1,922.3
	GENERAL RESERVE	As per last Balance Sheet	**4,633.7**		4,342.9
		Add: Transferred from Consolidated Profit and Loss Account	**128.5**		290.8
				4,762.2	4,633.7
	FOREIGN CURRENCY TRANSLATION RESERVE				
		As per last Balance Sheet	**(58.8)**		(49.1)
		Add: Current year translation adjustment	**452.9**		(9.7)
				394.1	(58.8)
	CONSOLIDATED PROFIT AND LOSS ACCOUNT BALANCE			**4,884.9**	4,293.9
		TOTAL		**12,143.8**	10,971.4

(All amounts in Indian Rupees million, except share data and where otherwise stated)

			As at March 31, 2009	As at March 31, 2008
3.	**SECURED LOANS** *(Refer Note 10 on Schedule 22)*			
	TERM LOANS	From banks	**1,635.1**	996.9
		[Payable within one year - Rs.Nil (Rs.320.8)]		
	OTHER LOANS FROM BANKS			
		Working capital loans	**8,189.7**	5,973.4
		Short term loans	**50.8**	–
		Interest accrued and due	**0.7**	–
		Hire purchase loan	**0.4**	1.2
		TOTAL	**9,876.7**	6,971.5
4.	**UNSECURED LOANS** *(Refer Note 11 on Schedule 22)*			
	FROM BANKS	Short term loans	**2,422.0**	772.0
		Current account credit balance	**3.6**	–
	OTHER LOANS	Zero coupon Foreign Currency Convertible Bonds	**9,866.2**	10,245.6
		Short term loans	**171.0**	121.0
		Interest accrued and due	**45.9**	25.4
		Sales tax deferment loan	**944.3**	948.5
		[Payable within one year - Rs.Nil (Rs.6.3)]		
		TOTAL	**13,453.0**	12,112.5

5. FIXED ASSETS

(All amounts in Indian Rupees million, except share data and where otherwise stated)

Particulars	Gross Block					Depreciation/Amortization					Net Block	
	As at April 1, 2008	Additions	Sales/ Adjustments	Foreign Currency translation adjustment	**As at March 31, 2009**	Up to April 1, 2008	For the year	On Sales/ Adjustments	Foreign Currency translation adjustment	**Up to March 31, 2009**	**As at March 31, 2009**	As at March 31, 2008
Tangible Assets												
Leasehold land	208.2	34.3	–	49.1	**291.6**	16.8	1.5	–	4.3	**22.6**	**269.0**	191.4
Freehold land[a]	348.0	34.6	–	41.5	**424.1**	–	–	–	–	**–**	**424.1**	348.0
Leasehold buildings	64.8	7.3	–	–	**72.1**	11.4	7.2	–	–	**18.6**	**53.5**	53.4
Freehold buildings[(a,b)]	2,866.2	225.4	–	285.0	**3,376.6**	412.6	107.0	–	41.2	**560.8**	**2,815.8**	2,453.6
Plant and machinery	11,806.7	1,536.5	131.3	817.1	**14,029.0**	3,523.8	1,015.1	8.9	268.4	**4,798.4**	**9,230.6**	8,282.9
Vehicles	79.8	13.8	8.9	3.8	**88.5**	32.4	7.8	5.5	3.1	**37.8**	**50.7**	47.4
Furniture and fixtures	249.0	27.4	10.3	2.6	**268.7**	91.0	21.3	9.3	1.9	**104.9**	**163.8**	158.0
SUB-TOTAL	15,622.7	1,879.3	150.5	1,199.1	**18,550.6**	4,088.0	1,159.9	23.7	318.9	**5,543.1**	**13,007.5**	11,534.7
Intangible Assets												
Goodwill	531.6	–	3.4	(2.7)	**525.5**	–	–	–	–	**–**	**525.5**	531.6
Computer software	–	36.6	–	–	**36.6**	–	33.6	–	3.1	**36.7**	**(0.1)**	–
Product development cost	152.4	–	192.7	40.3	**–**	–	–	–	–	**–**	**–**	152.4
Licences and patents	237.7	403.4	9.3	(8.2)	**623.6**	88.9	83.6	3.0	(0.7)	**168.8**	**454.8**	148.8
SUB-TOTAL	921.7	440.0	205.4	29.4	**1,185.7**	88.9	117.2	3.0	2.4	**205.5**	**980.2**	832.8
TOTAL	16,544.4	2,319.3	355.9	1,228.5	**19,736.3**	4,176.9	1,277.1	26.7	321.3	**5,748.6**	**13,987.7**	12,367.5
Capital work-in-progress[c]											**5,363.0**	2,781.3
Previous year	13,992.7	2,565.7	48.7	34.7	**16,544.4**	3,155.4	1,003.7	11.9	29.7	**4,176.9**	**12,367.5**	

Notes:

a. The title deeds of land and buildings aggregating to Rs.116.9 (Rs.90.0) are pending transfer to the parent 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.572.4 (Rs.255.7) and expenditure during construction period Rs.65.9 (Rs.20.5) (Refer Note 13 on Schedule 22).

d. Additions during the year include Rs.80.3 (Rs.47.8) towards Research Centre capital expenditure.

e. Depreciation for the year includes Rs.1.1 (Rs.Nil) taken to pre-operative expenditure pending capitalization.

f. Amount of borrowing cost aggregating to Rs.6.2 (Rs.Nil) is capitalized during the year.

g. Cephazone Pharma LLC, a joint venture entity, requires Federal Drug Administration (FDA) approval of manufacturing assets before they can be placed into service. Accordingly, the entity has elected to capitalize all depreciation and directly associated manufacturing asset costs. This change in accounting estimate will be accounted for prospectively and will be implemented in the current and future periods. Thus, no adjustments to the entity's retained earnings are required.

(All amounts in Indian Rupees million, except share data and where otherwise stated)

		As at March 31, 2009	As at March 31, 2008
6.	**INVESTMENTS**		
	I. LONG TERM (Unquoted and at Cost)		
	A. 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 Limited of Rs.100 each	**0.1**	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
		1.2	1.2
	*includes Rs.0.1 held by income tax authorities (Rs.0.1)		
	SUB TOTAL (A)+(B) = (I)	**2.4**	2.4
	II. CURRENT INVESTMENTS (At lower of cost and market value)		
	QUOTED - OTHER THAN TRADE		
	Equity shares (fully paid-up)		
	4,520 (4,520) equity shares of Andhra Bank of Rs.10 each	**0.2**	0.3
	UNQUOTED - OTHER THAN TRADE		
	300, 1Y USD Yield Enhancement Certificate of USD 50,000 each	**–**	601.5
	UNQUOTED - TRADE Equity shares (fully paid-up)		
	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)
	SUB TOTAL (II)	**0.2**	601.8
	TOTAL (I + II)	**2.6**	604.2
	Notes:		
	1. Aggregate value of unquoted investments	**2.4**	603.9
	2. Aggregate and market value of quoted investments	**0.2**	0.3
7.	**INVENTORIES**		
	(at lower of cost and net realizable value)		
	Raw Materials*	**3,971.6**	3,483.8
	Stores, Spares, Consumables & Packing Materials	**760.9**	602.2
	Work-in-Process	**2,599.0**	2,506.6
	Finished Goods*	**597.9**	344.3
	Trading Goods	**846.9**	1,013.4
	TOTAL	**8,776.3**	7,950.3
	* includes materials in-transit and lying with third parties.		

(All amounts in Indian Rupees million, except share data and where otherwise stated)

			As at March 31, 2009	As at March 31, 2008
8.	**SUNDRY DEBTORS** *(Refer Note 14 on Schedule 22)*			
	Unsecured	Debts outstanding for a period exceeding six months		
		Considered good	**726.3**	397.2
		Considered doubtful	**331.2**	325.7
			1,057.5	722.9
		Other debts - Considered good	**8,171.3**	6,252.9
			9,228.8	6,975.8
		Less: Provision for doubtful debts	**(331.2)**	(325.7)
		TOTAL	**8,897.6**	6,650.1
9.	**CASH & BANK BALANCES**			
		Cash, cheques and drafts on hand	**6.0**	5.0
		Balances with scheduled banks on:		
		Current accounts	**481.0**	82.3
		Cash credit accounts	**117.6**	48.6
		Deposit accounts*	**104.5**	2,370.8
		Unpaid dividend accounts	**4.4**	3.0
		Balances with non-scheduled banks on:		
		Current accounts	**392.1**	148.2
		Deposit accounts*	**170.9**	167.8
		TOTAL	**1,276.5**	2,825.7
	*includes fixed deposit amounting to			
	a. Rs.25.1 (Rs.21.9) pledged with bank.			
	b. Rs.160.8 (Rs.167.8) under lien.			
10.	**OTHER CURRENT ASSETS**			
		Interest accrued on loans and deposits	**69.5**	72.8
		Interest accrued on investments	**0.6**	0.6
		TOTAL	**70.1**	73.4
11.	**LOANS & ADVANCES**			
	(Unsecured, considered good except stated otherwise)			
		Dues from joint venture entities	**173.6**	128.3
		Loans to employees	**34.6**	37.5
		Advances recoverable in cash or in kind or for value to be received		
		Considered good	**1,583.0**	1,451.5
		Considered doubtful	**148.5**	36.3
		Insurance claim receivable	**–**	6.8
		Trade and other deposits	**303.0**	290.0
		Export incentives receivable	**514.1**	518.3
		Export incentives licenses	**23.5**	2.9
		Advance income tax and tax paid on appeals (net of provision)	**621.1**	369.2
		Balances with customs and excise authorities	**616.3**	286.8
			4,017.7	3,127.6
		Less: Provision for doubtful advances	**(148.5)**	(36.3)
		TOTAL	**3,869.2**	3,091.3

(All amounts in Indian Rupees million, except share data and where otherwise stated)

		As at March 31, 2009	As at March 31, 2008
12. CURRENT LIABILITIES			
	Sundry creditors for goods, services and expenses	**5,147.7**	4,678.7
	Trade deposits	**1.0**	1.0
	Advance from customers	**28.0**	17.3
	Unclaimed dividends	**4.5**	3.0
	Other liabilities	**116.3**	104.3
	Interest accrued but not due on loans	**21.1**	24.5
	Book overdraft	**116.0**	103.6
	TOTAL	**5,434.6**	4,932.4
13. PROVISIONS			
	For Taxation (Net of advance payments)	**41.5**	5.9
	For Retirement benefits		
	Gratuity *(Refer Note 9 on Schedule 22)*	**35.4**	18.4
	Leave encashment	**94.6**	94.3
	For Proposed dividend	**80.7**	174.7
	For Tax on proposed dividend	**13.7**	29.7
	TOTAL	**265.9**	323.0

Consolidated Schedules to Profit and Loss Account

		2008-2009	2007-2008
14. SALES (GROSS)			
	Sale of goods	**30,252.9**	25,463.1
	Sale of dossiers/licenses	**1,424.1**	105.8
	TOTAL	**31,677.0**	25,568.9
15. OTHER INCOME			
	Dividends from current investments - trade	**–**	0.1
	Gain on sale of fixed assets	**23.7**	–
	Exchange fluctuation gain (Net)	**–**	693.1
	Balances no longer required written back	**9.6**	64.4
	Miscellaneous income	**143.2**	93.5
	TOTAL	**176.5**	851.1

(All amounts in Indian Rupees million, except share data and where otherwise stated)

	2008-2009	2007-2008
16. DECREASE/(INCREASE) IN STOCKS		
Opening stock		
Finished goods	**344.3**	390.6
Trading goods	**1,013.4**	757.8
Work-in-process	**2,506.6**	2,105.2
	3,864.3	3,253.6
Less: Closing Stock		
Finished goods	**(597.9)**	(344.3)
Trading goods	**(846.9)**	(1,013.4)
Work-in-process	**(2,599.0)**	(2,506.6)
	(4,043.8)	(3,864.3)
Increase in stocks	**(179.5)**	(610.7)
Adjustment for fluctuation in exchange rates	**268.7**	(66.3)
TOTAL	**89.2**	(677.0)
17. MATERIALS CONSUMED		
Raw materials consumed		
Opening stock	**3,483.8**	2,809.7
Add: Purchases	**14,662.3**	12,566.7
Less: Closing stock	**(3,971.6)**	(3,483.8)
	14,174.5	11,892.6
Adjustment for fluctuation in exchange rates	**27.0**	(2.6)
Packing materials consumed	**1,036.0**	721.7
TOTAL	**15,237.5**	12,611.7
18. OTHER MANUFACTURING EXPENSES		
Conversion charges	**104.5**	128.5
Consumption of stores and spares	**328.6**	381.2
Chemicals consumed	**483.8**	556.5
Carriage inward	**222.8**	176.4
Factory maintenance	**56.0**	86.6
Power and fuel	**1,827.2**	1,521.7
Effluent treatment expenses	**68.6**	41.8
Decrease of excise duty on inventory	**(0.7)**	(20.2)
(Refer Note 23 on Schedule 22)		
Repairs and maintenance		
Plant and machinery	**170.9**	106.1
Buildings	**65.4**	39.9
Others	**27.9**	48.6
Miscellaneous expenses	**86.3**	92.0
TOTAL	**3,441.3**	3,159.1

(All amounts in Indian Rupees million, except share data and where otherwise stated)

		2008-2009	2007-2008
19. PAYMENTS TO AND PROVISIONS FOR EMPLOYEES			
	Salaries, wages and bonus	**2,165.5**	1,719.4
	Contribution to provident fund and other funds	**113.0**	84.3
	Retirement benefits	**71.5**	62.3
	Staff welfare expenses	**86.7**	64.0
	TOTAL	**2,436.7**	1,930.0
20. ADMINISTRATIVE & SELLING EXPENSES			
	Rent	**108.7**	63.5
	Rates and taxes	**75.1**	74.7
	Printing and stationery	**59.0**	64.4
	Postage, telegram and telephones	**58.4**	50.8
	Insurance	**132.1**	132.7
	Legal and professional charges	**331.2**	223.1
	Directors sitting fees	**0.8**	0.4
	Remuneration to auditors *(Refer Note 18 on Schedule 22)*	**6.6**	6.1
	Sales commission	**310.1**	180.2
	Carriage outwards	**1,012.9**	535.6
	Selling expenses	**54.1**	41.5
	Rebates and discounts	**151.6**	62.9
	Travel and conveyance	**95.9**	88.6
	Vehicle maintenance expenses	**6.2**	5.4
	Analytical charges	**102.2**	187.3
	Product development expenses	**13.8**	3.7
	Capital work-in-progress written off	**76.3**	–
	Software license and implementation expenses	**14.6**	0.2
	Provision for doubtful debts and advances	**136.1**	20.5
	Bad debts written off	**46.4**	45.1
	Loss on sale of fixed assets (Net)	**–**	3.5
	Fixed assets written off	**176.6**	–
	Donations	**2.2**	2.1
	Investments written off/diminution	**0.1**	–
	Registration and filing charges	**59.3**	212.8
	Safety and security	**12.5**	13.4
	Office expenses	**41.9**	21.7
	Repairs and maintenance	**13.8**	15.2
	Exchange fluctuation loss (Net)	**2,499.9**	–
	Management fees	**8.6**	8.1
	Liquidated damages	**115.7**	–
	Miscellaneous expenses	**140.4**	102.2
	TOTAL	**5,863.1**	2,165.7

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(All amounts in Indian Rupees million, except share data and where otherwise stated)

	2008-2009		2007-2008	
21. INTEREST AND FINANCE CHARGES (Net)				
Interest on fixed period loans	**279.4**		200.1	
Interest on other loans	**546.3**		421.0	
Finance charges	**106.5**		73.1	
		932.2		694.2
Less: Interest received				
Loans to joint ventures entities	**13.0**		9.5	
Deposits*	**74.2**		232.3	
Other investments	**5.3**		4.3	
Income tax refunds	**–**		–	
Other advances	**1.1**		1.3	
		93.6		247.4
TOTAL		**838.6**		446.8
*[TDS Rs.5.3 (Rs.2.3)]				

Notes to Consolidated Accounts

22. NOTES ANNEXED TO AND FORMING PART OF THE CONSOLIDATED ACCOUNTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2009.

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 (as amended) 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 on consolidation.

Minorities' interest in net profits of consolidated subsidiaries for the year is identified and adjusted against the income in order to arrive at the net income attributable to the shareholders of the Company. Their share of net assets is identified and presented in the Consolidated Balance Sheet separately. Where accumulated losses attributable to the minorities are in excess of their equity in the absence of the contractual obligation on the minorities, the same is accounted for by the Company.

The financial statements of the entities used for the purpose of consolidation are drawn up to same reporting date as that of the Company i.e. year ended March 31, 2009.

As per AS 21 "Consolidated Financial Statements" only the notes involving items which are material need to be disclosed. Materiality for this purpose is assessed in relation to the information contained in the Consolidated Financial Statements. Further, additional statutory information disclosed in separate financial statements of the subsidiary and/or a parent having no bearing on the true and fair view of the Consolidated Financial Statements need not be disclosed in the Consolidated Financial Statements.

The Consolidated Financial Statements for the year ended March 31, 2009 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, 2009	2008
APL Pharma Thai Ltd[1]	Thailand	Subsidiary	**48%**	48%
Aurobindo Pharma Industria Farmaceutica Ltda				
(formerly AB Farmo Industria Farmaceutica Ltda)	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 U.S.A. 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	Switzerland	Subsidiary	**100%**	100%
Aurobindo Pharma Hungary Kereskedelmi, KFT	Hungary	Subsidiary	**100%**	100%
Pharmacin International B.V.[2]	The Netherlands	Subsidiary	**–**	100%

(Contd...)

Name of the Consolidated Entities	Country of Incorporation	Nature of Interest	% of Interest as at March 31, 2009	2008
Pharmacin B.V.	The Netherlands	Subsidiary	**100%**	100%
Aurobindo Pharma Produtos Farmaceuticos Ltda	Brazil	Subsidiary	**100%**	100%
All Pharma (Shanghai) Trading Company Limited	China	Subsidiary	**100%**	100%
APL Holdings (Jersey) Limited	Jersey	Subsidiary	**100%**	100%
APL IP Company Limited	Jersey	Subsidiary	**100%**	100%
Aurobindo Pharma Japan K.K.	Japan	Subsidiary	**100%**	100%
Agile Malta Holdings Limited	Malta	Subsidiary	**100%**	100%
Aurobindo Pharma (Malta) Limited	Malta	Subsidiary	**100%**	100%
APL Swift Services (Malta) Limited	Malta	Subsidiary	**100%**	100%
Agile Pharma (Malta) Limited	Malta	Subsidiary	**100%**	100%
Laboratorios Aurobindo, S.L.	Spain	Subsidiary	**100%**	100%
Aurobindo Pharma (Ireland) Limited[3]	Ireland	Subsidiary	**100%**	100%
Aurobindo Pharma (Italia) S.r.l.	Italy	Subsidiary	**100%**	100%
Aurobindo Pharma (Portugal) Unipessoal LDA				
(w.e.f. June 4, 2008)	Portugal	Subsidiary	**100%**	–
Aurobindo Pharma ApS (w.e.f. August 8, 2008)	Denmark	Subsidiary	**100%**	–
Sia Aurobindo Baltics (w.e.f. September 23, 2008)	Latvia	Subsidiary	**100%**	–
Aurobindo Pharma (Bulgaria) EAD (w.e.f. January 10, 2009)	Bulgaria	Subsidiary	**100%**	–
Aurobindo Pharma France SARL (w.e.f. February 2, 2009)	France	Subsidiary	**100%**	–
Aurolife Pharma LLC (w.e.f. April 1, 2008)	U.S.A.	Subsidiary	**100%**	–
APL Research Centre Limited	India	Subsidiary	**100%**	100%
APL Health Care 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] Liquidated on December 22, 2008. Considered for consolidation upto the date of liquidation.

[3] Aurobindo Pharma (Ireland) Limited was incorporated during the pervious year with nominal investment. There was no activity during the previous year ended March 31, 2008; hence the same was not consolidated in the previous year. It is consolidated in the current year as it has commenced operations.

b. Revenue Recognition

Revenue is recognized 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 recognized 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 recognized on the date of the bill of lading or airway bill.

ii. Revenue from sale of dossiers/licenses is recognized in accordance with the terms of the relevant agreements as generally accepted and agreed with the customers.

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

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

v. Dividend is recognized as and when the Company's right to receive payment is established.

c. Use of estimates

The preparation of consolidated 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 consolidated 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.

ii. Expenditure directly relating to construction activity is capitalized. Indirect expenditure is capitalized 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 realizable 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 capitalized. Capitalized leased assets are depreciated over the lease term or estimated useful life of the asset whichever is shorter.

v. Premium paid on leasehold land is amortized over the lease term or estimated useful life, whichever is shorter.

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

vii. Depreciation on assets other than specified above is provided on the straight-line method, based on the useful life of the assets as estimated by the management which generally coincides with rates prescribed under Schedule XIV to the Companies Act, 1956 except assets acquired at the Bhiwadi unit in Rajasthan for which depreciation is provided on a straight-line basis, at the rates that are higher than those specified in Schedule XIV to the Companies Act, 1956 and are based on useful lives as estimated by the management. In these cases the rates are as under:

Leasehold Building : 5%

Plant and Machinery : 20%

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

e. Intangibles

Intangible assets consist of goodwill, computer software, licenses, patents and product development costs.

Goodwill represents the excess of purchase consideration over the net book value of assets acquired of the subsidiary companies as on the date of investment. Goodwill is not amortized but is tested for impairment on a periodic basis and impairment losses are recognized where applicable.

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

Intangible Assets	Estimated Useful Life
Licenses, patents and product development costs	Useful life not exceeding ten years

Computer software license cost is expensed in the year of purchase as there is no expected future economic benefit.

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

Research costs are expensed as incurred. Development 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 amortized 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.

f. Impairment

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/ external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value at the weighted average cost of capital.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

g. Government grants and subsidies

Grants and subsidies are recognized 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.

h. Investments

i. Investments that are readily realizable 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. Current investments are carried at lower of cost and fair value determined on individual investment basis.

ii. Long-term investments are carried at cost. However, diminution in value is provided to recognize a decline, other than temporary, in the value of the investments.

i. Inventories

i. Raw materials, packing materials, stores, spares and consumables are valued at cost, calculated on "First-in-First out" basis, which is lower of cost and net realizable 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 realizable value. Cost includes materials, labour and a proportion of appropriate overheads. Cost of finished goods includes excise duty. Cost is determined on a weighted average basis.

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

iv. Net realizable 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.

j. 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 Consolidated 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. 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 consolidated Profit and Loss Account and are not deferred.

k. Income taxes

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. Deferred tax assets are recognized 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 realized. In situations where the company has carry forward of unabsorbed depreciation and tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

Unrecognized deferred tax assets of earlier years are re-assessed and recognized 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 realized.

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.

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 realized. 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 recognized 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.

l. Foreign Exchange Transactions

i. *Initial recognition*

Foreign currency transactions 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.

ii. *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.

iii. *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 recognized as income or as expenses in the year in which they arise.

iv. *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 recognized as expense or income over the life of the contract. Exchange differences on such contracts are recognized in the statement of consolidated 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 recognized as income or as expense for the year.

m. Translation of integral and non-integral foreign operation

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 Aurobindo Pharma Industria Farmaceutica Ltda; APL Pharma Thai Ltd; Helix Healthcare B.V.; Zao Aurobindo Pharma; Auro Pharma Inc.; Aurobindo Pharma (Pty) Limited; Aurobindo Switzerland AG, Zug; Aurobindo Pharma (Australia) Pty Limited; Auro Healthcare (Nigeria) Limited; Aurobindo Pharma Hungary Kereskedelmi, KFT; Agile Pharma B.V.; Aurex Generics Limited; Aurobindo Pharma Produtos Farmaceuticos Ltda; All Pharma (Shanghai) Trading Co Ltd; APL Holdings (Jersey) Limited; Aurobindo Pharma Japan K.K.; Agile Malta Holdings Limited; Agile Pharma (Malta) Limited; Laboratorios Aurobindo, S.L.; Aurobindo Pharma (Ireland) Limited; Aurobindo Pharma (Italia) S.r.l; Aurobindo Pharma (Portugal) Unipessoal LDA; Aurobindo Pharma ApS; Sia Aurobindo Baltics; Aurobindo Pharma (Bulgaria) EAD; and Aurobindo Pharma France SARL as "integral foreign operations":

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

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

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

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

The financial statements of an integral foreign operation are translated as if the transactions of the foreign operation have been those of the parent company itself.

In translating the financial statements of a non-integral foreign operation for incorporation in consolidated financial statements, the assets and liabilities, both monetary and non-monetary, of the non-integral foreign operation are translated at the closing rate; income and expense items of the non-integral foreign operation are translated using average exchange rates prevailing during the reporting period. All resulting exchange differences are accumulated in a foreign currency translation reserve until the disposal of the net investment.

On the disposal of a non-integral foreign operation, the cumulative amount of the exchange differences which have been deferred and which relate to that operation are recognized as income or as expenses in the same period in which the gain or loss on disposal is recognized.

When there is a change in the classification of a foreign operation, the translation procedures applicable to the revised classification are applied from the date of the change in the classification.

n. 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.

o. Leases

Finance leases, where the substantial risks and benefits incidental to ownership of the leased item are transferred to the Company, are capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalized.

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 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 recognized as an expense in the consolidated profit and loss account on a straight-line basis over the lease term.

p. 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.

q. Provisions

A provision is recognized when the Company has a present obligation as a result of past event and 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.

r. 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.

s. 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.

(All amounts in Indian Rupees million, except share data and where otherwise stated)

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

a. Deferred taxes as required under AS 22 'Accounting for Taxes on Income' notified by Companies Accounting Standards Rules, 2006 (as amended), 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, 2009 has not been ascertained.

b. Deferred tax assets include Rs.21.7 (Rs.1.2) and deferred tax liabilities include Rs.6.4 (Rs.8.8) 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 'Accounting for Taxes on Income' notified by Companies Accounting Standards Rules, 2006 (as amended). 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 'Accounting for Taxes on Income' notified by Companies Accounting Standards Rules, 2006 (as amended).

3. Effective December 22, 2008 Pharmacin International B.V. a wholly owned subsidiary of Agile Pharma B.V. has closed its operations. The accompanying Consolidated Profit and Loss Account for the year ended March 31, 2009 include items of Profit and Loss Account of Pharmacin International B.V. for the period April 1, 2008 to December 22, 2008. The financial position on the reporting date, the results for the reporting period and the corresponding amounts for the previous year are given below:

	For the period April 1, 2008 to December 22, 2008	For the year ended March 31, 2008
Revenues	**0.5**	0.1
Expenses	**–**	0.5
Net profit/(loss) considered in the Consolidated Profit and Loss Account	**0.5**	(0.4)

	As at December 22, 2008	As at March 31, 2008
Liabilities		
Credit/(debit) balance in Profit and Loss Account	**0.1**	(0.4)
Assets		
Net Current Assets	**13.5**	2.2

4. As of March 31, 2009, Aurobindo Switzerland AG, one of the ultimate subsidiaries of the Company capitalized development costs of Rs.16.5, which represent the costs resulting from the registration of drugs with Swiss Medic. The value of the capitalized development costs is dependent on future cash flows resulting from license income. Aurobindo Pharma (Malta) Limited, the ultimate subsidiary, negotiated licensing agreements with several distribution companies. These licensing agreements will be transferred to Aurobindo Switzerland AG in the near future. Based on the aforementioned licensing agreements, Management of Aurobindo Switzerland AG is of the opinion that the stated amount of the capitalized development costs is fully recoverable and no additional value adjustment is required.

5. Capital Commitments

Estimated amount of contracts (net of advances) remaining to be executed on capital account and not provided for Rs.709.0 (Rs.1,212.2).

6. Contingent Liabilities

		As at March 31, 2009	As at March 31, 2008
a.	Claims against the Company not acknowledged as debts	**4.9**	4.9
b.	Outstanding bank guarantees	**238.5**	278.1
c.	Bills discounted with banks	**2.6**	299.9
	(secured by personal guarantees of the Chairman and the Managing Director)		
d.	Direct and indirect taxes	**217.6**	361.6
e.	Dossier sales	**125.3**	131.3

f. During the financial year 2005-06, the parent 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 53,600 FCCBs 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 USD 3.9 million (USD 3.9 million) equivalent to Rs.320.8 (Rs.128.2) and the cumulative premium amounts to USD 15.6 million (USD 11.7 million) equivalent to Rs.790.2 (Rs.469.4) at the prevailing exchange rate as at balance sheet date.

(All amounts in Indian Rupees million, except share data and where otherwise stated)

g. During the financial year 2006-07, the parent 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 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. There are 141,000 FCCBs 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 2.8 million (USD 18.6 million) equivalent to Rs.510.8 (Rs.691.4) and the cumulative premium amounts to USD 37.7 million (USD 34.9 million) equivalent to Rs.1,909.2 (Rs.1,398.3) at the prevailing exchange rate as at Balance Sheet date.

7. 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. The method of settlement under scheme is by issue of equity shares of the parent company. 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 parent company follows intrinsic value method.

The details of options outstanding of ESOP 2004 Scheme

	2008-2009 Nos.	2007-2008 Nos.
Options outstanding at the beginning of the year	**233,094**	310,677
Granted during the year	**–**	–
Vested/excercisable during the year	**102,480**	94,087
Exercised during the year	**–**	42,060
Forfeited during the year subject to reissue	**33,937**	35,523
Options outstanding at the end of the year	**199,157**	233,094
Exercisable at the end of the year	**169,797**	80,182
Weighted Average Exercise Price (Rs.)	**362.60**	362.60
Weighted Average Fair Value of option (Rs.) at the date of grant	**375.14**	375.14

	Range of exercise prices	Number of options outstanding	Weighted average remaining contractual life of options (in years)
Year 2008-2009	**Rs.362.60**	**199,157**	**1.66**
Year 2007-2008	Rs.362.60	233,094	2.33

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 18th September 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. The method of settlement under scheme is by issue of equity shares of the parent company. 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.

(All amounts in Indian Rupees million, except share data and where otherwise stated)

The details of options outstanding of ESOP 2006 Scheme

	2008-2009 Nos.	2007-2008 Nos.
Options outstanding at the beginning of the year	**55,000**	35,000
Granted during the year	**–**	23,000
Vested/exercisable during the year	**7,250**	3,500
Exercised during the year	**–**	–
Forfeited during the year subject to reissue	**–**	3,000
Options outstanding at the end of the year	**55,000**	55,000
Exercisable at the end of the year	**10,750**	3,500
Weighted Average Exercise Price (Rs.)	**598.90**	598.90
Weighted Average Fair Value of option (Rs.) at the date of grant	**720.63**	720.63

	Range of exercise prices	Number of options outstanding	Weighted average remaining contractual life of options (in years)
Year 2008-2009	**Rs.570 to Rs.670**	**55,000**	**3.93**
Year 2007-2008	Rs.570 to Rs.670	55,000	4.93

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	**2008-2009**	2007-2008
Consolidated Profit after Taxation		
As reported in Consolidated Profit and Loss Account	**1,002.6**	2,384.8
Less: Additional employee compensation cost based on Fair Value	**3.8**	1.5
Consolidated Profit after Taxation as per Fair Value Method	**998.8**	2,383.3
Earnings per Share		
Basic		
No. of shares	**53,765,268**	53,638,611
EPS as reported	**18.65**	44.46
EPS as per Fair Value Method	**18.58**	44.43
Diluted		
No. of shares	**64,733,509**	67,506,428
EPS as reported	**15.49**	35.33
EPS as per Fair Value Method	**15.43**	35.31

(All amounts in Indian Rupees million, except share data and where otherwise stated)

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

	2008-2009		2007-2008	
	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	**0.48**	**0.48**	0.30	0.30

ii. During the financial year 2005-06, the parent 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 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. There are 53,600 outstanding bonds as at March 31, 2009.

iii. During the financial year 2006-07, 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 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.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 51.35 fully paid equity share with par value of Rs.5 per share at a fixed price of Rs.879.13 per share on or after May 17, 2007 but prior to close of business hours on May 10, 2011. There are 141,000 outstanding bonds as at March 31, 2009.

8. Scheme of Arrangement pending High Court Order:

Pursuant to the approval of the shareholders to the Scheme of Arrangement between the parent company and its shareholders at the Court convened Meeting held on May 21, 2009, the parent company filed a petition with the Hon'ble High Court of Judicature of Andhra Pradesh at Hyderabad to sanction the said Scheme under Section 391 to 393 read with Section 100 to 103 and other applicable provisions of the Companies Act, 1956. In terms of the said Scheme, it is proposed to credit the capital profit arising on buy-back and cancellation of Foreign Currency Convertible Bonds (FCCBs) and the amount standing to the credit of Capital Reserve Account as on March 31, 2008 to an account called the "Reconstruction Reserve Account." The Scheme provides for the utilization of the said "Reconstruction Reserve Account" along with "Capital Redemption Reserve Account", outstanding as on March 31, 2008 to adjust certain "Expenses" as defined in the Scheme such as diminution in value of investments, obsolete or unrealizable fixed assets, current assets, loans and advances as determined by the management.

The Hon'ble High Court of Judicature of Andhra Pradesh at Hyderabad heard the parent company's petition on July 27, 2009 and since the matter is reserved for order. Pending pronouncement of the Order, the parent company has credited an amount of Rs.1,044.9 being capital profit on buyback and cancellation of FCCBs and debited certain "Expenses" aggregating to Rs.555.4 as exceptional item in the Profit and Loss Account, aggregating to net of Rs.489.5 as detailed below. The effect to the Scheme will be incorporated in the financial statements of the year in which the Court Order is made effective.

Details of exceptional item:

		Particulars		
A.	**Capital profit on buyback and cancellation of FCCBs**			**1,044.9**
B.	**Less: Expenses**			
	i.	Loss on maturity of unquoted current investment	**472.4**	
	ii.	Unrealizable advance written off	**22.3**	
	iii.	Obsolete fixed assets written off	**60.7**	
				555.4
C.	**Net (A - B)**			**489.5**

(All amounts in Indian Rupees million, except share data and where otherwise stated)

9. Retirement benefits

a. Disclosures related to defined contribution plan

Provident fund contribution recognized as expense in the Consolidated Profit and Loss Account Rs.47.5 (Rs.41.1).

b. Disclosures related to defined benefit plan

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 summarize the components of net benefit expense recognized in the Consolidated Profit and Loss Account the fund status and Consolidated Balance Sheet position.

Consolidated Profit and Loss Account

	2008-2009	2007-2008
Net employee benefit expense (recognized in employee cost)		
Current service cost	**15.6**	13.7
Interest cost on benefit obligation	**7.5**	4.9
Expected return on plan assets	**(4.8)**	(3.4)
Net actuarial (gain)/loss recognized in the year	**16.4**	(2.7)
Past service cost	**–**	–
Net benefit expense	**34.7**	12.5
Actual return on plan assets	**5.7**	5.3

Consolidated Balance Sheet

	As at March 31, 2009	As at March 31, 2008
Details of provision for gratuity		
Defined benefit obligation	**107.7**	75.4
Fair value of plan assets	**72.3**	57.0
Net Plan Liability	**35.4**	18.4

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

	2008-2009	2007-2008
Opening defined benefit obligation	**75.4**	62.1
Current service cost	**15.6**	13.7
Interest cost	**7.5**	5.0
Benefits paid	**(8.1)**	(4.6)
Actuarial (gains)/losses on obligation*	**17.3**	(0.8)
Closing defined benefit obligation	**107.7**	75.4

* Experience adjustments Rs.Nil. (Rs.Nil)

(All amounts in Indian Rupees million, except share data and where otherwise stated)

Changes in the fair value of plan assets:

	2008-2009	2007-2008
Opening fair value of plan assets	**57.0**	42.2
Expected return	**4.8**	3.5
Contributions by employer	**17.6**	14.0
Benefits paid	**(8.1)**	(4.6)
Actuarial gains	**0.9**	1.9
Closing fair value of plan assets	**72.2**	57.0

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:

	2008-2009		2007-2008	
Discount rate (p.a.)	**7.60%**		8.40%	
Expected rate of return on assets (p.a.)	**7.50%**		7.50%	
Employee turnover	**Age (years)**	**Rate**	Age (years)	Rate
	21-30	**8%**	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.40.0 to gratuity in 2009-10.

10. Secured loans

a. Term loans

The term loans of APL are fully secured by

i. first pari passu charge on the fixed assets of APL located at various plants of APL; and

ii. personal guarantees given by the Chairman and the Managing Director of APL aggregating to Rs.750.0 (Rs.Nil).

The term loan of Aurobindo (Datong) Bio-Pharma Company Limited, a wholly owned subsidiary, is secured by way of charge on its plant and machinery and buildings.

b. Working capital loans from banks

Working capital loans from banks of APL are secured by

i. first charge by way of hypothecation of all 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; and

iii. personal guarantees given by the Chairman and the Managing Director of APL aggregating to Rs.7,379.8 (Rs.4,275.3).

The working capital loan of Aurobindo (Datong) Bio-Pharma Company Limited, a wholly owned subsidiary, is secured by way of charge on its plant and machinery and buildings.

c. Short term loans

The short term loan of All Pharma (Shanghai) Trading Co, Ltd, a wholly owned subsidiary, is secured by mortgage of equipment of Aurobindo (Datong) Bio-Pharma Company Limited.

d. Hire purchase loans

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

(All amounts in Indian Rupees million, except share data and where otherwise stated)

11. Unsecured loans

a. Short term loan

Short term loans of APL from banks aggregating to Rs.1,115.0 (Rs.370.9) 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 USD 1,000 each issued by APL in the 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 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, since 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 2007-08 and 1,900 bonds were cancelled through FCCB buyback procedure during the year. The total FCCB bonds outstanding as at March 31, 2009 are 53,600.

2. During the financial year 2006-07, APL 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 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 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 51.35 fully paid up equity shares with par value of Rs.5 per share at a fixed price of Rs.879.13 per share at a fixed exchange rate conversion of Rs.45.145 = USD 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, since bonds are convertible into equity shares, the creation of Debenture Redemption Reserve is not required.

   v. out of the above 59,000 bonds of USD 1,000 each were cancelled through FCCB buyback procedure during the year. The total FCCB bonds outstanding as at March 31, 2009 are 141,000.

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

Particulars	2008-2009	2007-2008
Opening Balance with banks	**2,240.9**	4,716.3
Issue proceeds	**–**	–
Less: Utilised for investments and capital goods	**1,408.9***	2,475.4**
Less: Utilised for buyback of FCCB Bonds	**560.0**	–
Balance with banks and under bank deposits	**272.0**	2,240.9

* Includes foreign currency translation.

** Includes foreign currency translation and current investment in One Year USD Yield enhancement certificate included in Schedule 6 to the Consolidated Financial Statements.

(All amounts in Indian Rupees million, except share data and where otherwise stated)

12. Deferred taxes

a. Deferred Tax Liability (Net) consists of:

Particulars	As at March 31, 2009	As at March 31, 2008
Fixed Assets (Depreciation)	977.7	929.2
Debtors	(119.9)	(120.3)
Retirement benefits	(44.2)	(38.3)
FCCB issue expenses	(23.2)	(37.2)
	790.4	733.4

b. Deferred Tax Assets consists of:

Particulars	As at March 31, 2009	As at March 31, 2008
Carried forward business losses	14.9	1.2
Others	6.8	–
	21.7	1.2

13. Expenditure during construction period pending capitalization:

Particulars	2008-2009	2007-2008
Balance brought forward	20.5	11.2
Add: Expenditure incurred during construction period		
Salaries and employee benefits	20.1	1.7
Staff welfare	0.2	–
Staff recruitment expenses	0.4	–
Material consumption (trail run expenditure)	7.9	7.8
Rent	3.6	0.4
Rates and taxes	0.1	0.2
Printing and stationery	0.1	–
Postage, telegram and telephones	0.4	–
Insurance	1.4	–
Travel and conveyance	4.3	0.1
Carriage inwards	1.6	0.1
Factory maintenance	2.1	0.8
Vehicle maintenance expenses	2.2	0.4
Power and fuel	1.8	0.1
Repairs and maintenance	2.9	2.0
Land development charges	8.3	3.1
Stores and spares consumption	3.5	–
Depreciation	1.1	–
Bank charges	0.4	–
Miscellaneous expenses	0.2	0.4
Sub total	83.1	28.3
Less: Consumption of intermediates (trial run)	7.9	7.8
Capitalized to fixed assets during the year	9.3	–
Balance carried forward	65.9	20.5

(All amounts in Indian Rupees million, except share data and where otherwise stated)

14. Sundry debtors include dues from companies under the same management

Name of the Company	Closing Balance As at March 31, 2009	2008
Pravesha Industries Private Limited, India	**13.2**	1.5
Trident Life Sciences Limited, India	**18.5**	15.1
Trident Chemphar Limited, India	**28.9**	4.7
Cephazone Pharma LLC, U.S.A.	**102.5**	37.4

15. Export Incentives

Sales include export incentives on account of various schemes amounting to Rs.393.0 (Rs.164.0).

16. Research and Development Expenses

Research and Development expenses incurred by APL during the year debited to Consolidated Profit and Loss Account amounted to Rs.780.5 (Rs.774.9).

17. Remuneration to Directors of parent company (included in Schedule 19)

Particulars	2008-2009	2007-2008
Salary	**24.0**	25.0
Contribution to Provident Fund	**0.1**	0.1
Perquisites	**3.7**	3.9
TOTAL	**27.8**	29.0

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.

18. Remuneration to statutory auditors of parent company (including service tax where applicable)

Particulars	2008-2009	2007-2008
As auditor:		
Statutory audit	**4.6**	5.0
Limited review	**1.7**	0.9
Out of pocket expenses	**0.3**	0.1
In other manner:		
Certification	**–**	0.1
TOTAL	**6.6**	6.1

19. Earnings per Share

Earnings per Share is computed based on the following:

Particulars	2008-2009	2007-2008
i. Consolidated Profit after tax and minority interest considered for calculation of basic and diluted Earnings per Share	**1,002.6**	2,384.8
ii. a. Weighted average number of Equity Shares considered for calculation of basic Earnings per Share	**53,765,268**	53,638,611
b. Effect of dilution on account of Foreign Currency Convertible Bonds into shares	**10,957,653**	13,858,708
c. Effect of dilution on account of Employee Stock Options granted	**10,588**	9,109
d. Weighted average number of Equity Shares considered for calculation of diluted Earnings per Share (a+b+c)	**64,733,509**	67,506,428

(All amounts in Indian Rupees million, except share data and where otherwise stated)

20. Related Party Transactions

During the year ended March 31, 2009 the Company has entered into several commercial transactions with its related parties. The details of such transactions, balances as at March 31, 2009 and names of related parties and the nature of relationship is given below:

A. Details of transactions with the related parties:

		2008-2009	2007-2008
i.	**Enterprises over which key management personnel or relatives exercise significant influence**		
	Pravesha Industries Private Limited, India		
	Purchase of goods	**515.0**	381.9
	Rent paid	**0.1**	–
	Sale of goods	**14.0**	2.3
	Trident Life Sciences Limited, India		
	Services received	**106.1**	208.3
	Sale of goods	**0.7**	2.3
	Rent paid	**4.7**	4.2
	Purchase of goods	**1.3**	–
	Sale of fixed assets	**4.2**	13.1
	Purchase of assets	**6.2**	–
	Purchase of dossiers	**147.6**	82.2
	Proposed dividend	**0.7**	–
	Sri Sai Packaging, India (Partnership firm)		
	Purchase of goods	**44.3**	4.2
	Sale of goods	**0.3**	0.2
	Trident Chemphar Limited, India		
	Purchase of goods	**193.7**	115.7
	Sale of goods	**58.1**	46.1
	Services received	**2.2**	2.0
	Interim dividend	**1.9**	–
	Proposed dividend	**1.7**	–
	Auropro Soft Systems Private Limited, India		
	Services received	**7.2**	–
ii.	**Joint Ventures**		
	Cephazone Pharma, LLC, U.S.A.		
	Sale of goods	**54.4**	36.6
	Interest received	**12.5**	8.8
	Finance (loans in cash or in kind)	**11.4**	36.3
	Aurosal Pharmaceuticals, LLC, U.S.A.		
	Interest received	**0.5**	0.6
iii.	**Key Management Personnel**		
	Mr. P. V. Ramprasad Reddy, Chairman		
	Managerial remuneration	**6.9**	6.9
	Proposed dividend	**24.3**	51.0
	Interim dividend	**48.7**	–
	Guarantees and collaterals	**9,307.6**	4,646.3

(All amounts in Indian Rupees million, except share data and where otherwise stated)

		2008-2009	2007-2008
	Mr. K. Nithyananda Reddy, Managing Director		
	Managerial remuneration	**6.9**	6.9
	Proposed dividend	**4.1**	12.2
	Interim Dividend	**8.3**	–
	Guarantees and collaterals	**9,307.6**	4,646.3
	Dr. M. Sivakumaran, Whole–time Director		
	Managerial remuneration	**6.9**	6.9
	Proposed dividend	**2.2**	4.8
	Interim Dividend	**4.4**	–
	Mr. M. Madan Mohan Reddy, Whole–time Director		
	Managerial remuneration	**7.1**	6.6
	Proposed dividend	**0.1**	0.1
	Interim dividend	**0.1**	–
	Mr. B. Sivaprasad Reddy, Non–Executive Director		
	(Whole–time Director upto July 01, 2007 and resigned from directorship		
	with effect from September 27, 2007)		
	Managerial remuneration	**–**	1.5
	Proposed dividend	**–**	0.1
	Mr. Lanka Srinivas, Non–Executive Director		
	(Resigned from directorship with effect from October 17, 2007)		
	Sitting fees	**–**	0.1
	Professional fees	**–**	2.0
	Proposed dividend	**–**	0.1
iv.	**Relatives of Key Managerial Personnel**		
	Ms. P. Suneela Rani (Wife of Mr. P.V. Ramprasad Reddy, Chairman)		
	Interim dividend	**18.5**	–
	Proposed dividend	**9.2**	19.4
	Ms. K. Rajeswari (partner Sri Sai Packaging)		
	(Wife of Mr. K. Nithyananda Reddy, Managing Director)		
	Interim dividend	**3.8**	–
	Proposed dividend	**1.9**	7.9
	Ms. B. Shilpa (Daughter of Mr. B. Sivaprasad Reddy not a relative of		
	key management personnel in the current year)		
	Proposed dividend	**–**	0.1
	Mr. P. Sarath Chandra Reddy (Son of Mr. P.V. Ramprasad Reddy, Chairman)		
	Sitting fees	**0.1**	–
	Interim dividend	**0.1**	–
	Proposed dividend	**–**	0.1
	Mr. P. Rohit Reddy (Son of Mr. P.V. Ramprasad Reddy, Chairman)		
	Interim dividend	**1.1**	–
	Proposed dividend	**0.5**	1.2

(All amounts in Indian Rupees million, except share data and where otherwise stated)

	2008-2009	2007-2008
Mr. K. Suryaprakash Reddy		
(Brother of Mr. K. Nithyananda Reddy, Managing Director)		
Interim dividend	**0.1**	–
Proposed dividend	**–**	0.1
Mr. K. Prasad Reddy		
(Brother of Mr. K. Nithyananda Reddy, Managing Director)		
Interim dividend	**0.1**	–
Proposed dividend	**0.1**	0.1
Ms. Sashi S. Kumar (Wife of Dr. M. Sivakumaran, Whole–time Director)		
Interim dividend	**–**	–
Proposed dividend	**–**	–
Ms. K. Kirthi Reddy		
(Daughter of Mr. K. Nithyananda Reddy, Managing Director)		
Interim dividend	**6.5**	–
Proposed dividend	**3.2**	–
Salary	**0.1**	0.1

B. Balance outstanding debit/(credit) as at

	March 31, 2009	March 31, 2008
Pravesha Industries Private Limited, India	**17.8**	(33.0)
Trident Life Sciences Limited, India	**135.3**	50.2
Trident Chemphar Limited, India	**150.0**	(59.1)
Sri Sai Packaging, India	**(0.4)**	(0.1)
Cephazone Pharma LLC, U.S.A.	**311.4**	184.0
Aurosal Pharmaceuticals LLC, U.S.A.	**12.2**	10.2

21. 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.

Lease payments recognized in the Consolidated Profit and Loss Account Rs.108.7 (Rs.63.5).

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.72.0 (Rs.64.7).

iii. The net carrying amount of the buildings obtained on finance lease Rs.53.5 (Rs.53.4).

iv. The Company has not recognized 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.

(All amounts in Indian Rupees million, except share data and where otherwise stated)

22. Disclosure regarding derivative instruments

There are no forward contracts outstanding as at March 31, 2009.

23. In accordance with Para 10 of Notified Accounting Standard 9 on Revenue Recognition, excise duty on sales amounting to Rs.904.2 (Rs.1,163.9) has been reduced from sales in Consolidated Profit and Loss Account and excise duty on increase/decrease in closing stock of finished goods amounting to Rs.0.7 (Rs.20.2) has been considered as income in Schedule 18 of Consolidated Financial Statements.

24. Interest in joint ventures

The Company has joint control over the following joint venture entities:

i. Cephazone Pharma LLC incorporated in U.S.A. for production of sterile and non-sterile Cephalosporins.

ii. Aurosal Pharmaceuticals LLC incorporated in U.S.A., is engaged in the development, manufacturing and distribution of pharmaceutical products.

The aggregate amount of the assets, liabilities, income and expenses related to the Company's share in the joint ventures included in these Consolidated Financial Statements as of and for the year ended March 31, 2009 are given below:

Consolidated Balance Sheet	**March 31, 2009**	March 31, 2008
Unsecured loans	**216.7**	146.4
Total Liabilities	**216.7**	146.4
Fixed assets (Net block)	**248.2**	193.4
Inventories	**60.5**	33.1
Sundry debtors	**8.2**	13.8
Cash and bank balances	**6.2**	0.4
Loans and advances	**10.8**	0.7
Current liabilities	**(14.0)**	(9.0)
Total Assets	**319.9**	232.4

Consolidated Profit and Loss account	**2008-2009**	2007-2008
Sales	**63.7**	19.0
Other income	**0.1**	2.3
Increase in stocks	**1.0**	9.3
Total Revenue	**64.8**	30.6
Raw materials consumed	**44.7**	15.4
Other manufacturing expenses	**32.2**	27.6
Payments to and provisions for employees	**34.5**	26.5
Administrative and selling expenses	**8.9**	6.3
Interest and finance charges	**12.6**	8.8
Total Expenses	**132.9**	84.6

Contingent liabilities of the above joint venture entities Rs.Nil (Rs.Nil).

Capital commitments of the above joint venture entities Rs.Nil (Rs.Nil).

(All amounts in Indian Rupees million, except share data and where otherwise stated)

25. 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", (c) U.S.A. and (d) "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.

c. Financial information as required in respect of operating and reportable segments is as given below:

	For the year ended and as at March 31, 2009					
Particulars	**India**	**China**	**U.S.A.**	**Rest of the World**	**Eliminations**	**Consolidated**
Revenue						
External sales	21,940.5	176.1	4,770.6	3,885.6	–	30,772.8
Inter segment sales	6,008.9	2,784.9	–	0.5	(8,794.3)	–
Total revenue	**27,949.4**	**2,961.0**	**4,770.6**	**3,886.1**	**(8,794.3)**	**30,772.8**
Results						
Segment result	1,995.3	33.2	122.6	(163.9)	(538.4)	1,448.8
Interest expense						(825.8)
Interest income						93.6
Other income						9.6
Income tax						(213.6)
Exceptional item						489.5
Minority interest						0.5
Profit for the year						**1,002.6**
Other information						
Segment assets	33,322.0	5,441.9	5,714.0	4,164.3	(7,368.5)	41,273.7
Other assets						991.1
Total assets						42,264.8
Segment liabilities	16,032.8	682.4	3,424.7	2,042.5	(5,733.9)	16,448.5
Other liabilities						13,403.6
Total liabilities						29,852.1
Capital expenditure	2,960.7	581.6	681.0	678.0	–	4,901.3
Depreciation/amortization	824.1	308.2	35.6	175.1	(67.0)	1,276.0
Non–cash expenses other than depreciation	45.5	–	176.6	226.8	–	448.9

(All amounts in Indian Rupees million, except share data and where otherwise stated)

Particulars	For the year ended and as at March 31, 2008					
	India	China	U.S.A.	Rest of the World	Eliminations	Consolidated
Revenue						
External sales	19,154.4	285.8	2,337.7	2,627.1	–	24,405.0
Inter segment sales	3,774.3	2,511.7	–	14.4	(6,300.4)	–
Total revenue	**22,928.7**	**2,797.5**	**2,337.7**	**2,641.5**	**(6,300.4)**	**24,405.0**
Results						
Segment result	3,482.3	519.9	(122.1)	(194.6)	(458.9)	3,226.6
Interest expense						(621.0)
Interest income						247.4
Other income						64.5
Income tax						(536.0)
Minority interest						3.3
Profit for the year						**2,384.8**
Other information						
Segment assets	26,177.2	4,256.1	3,280.1	3,425.9	(4,307.8)	32,831.5
Other assets						3,513.3
Total assets						36,344.8
Segment liabilities	15,664.0	481.1	1,495.7	2,274.2	(3,495.9)	16,419.1
Other liabilities						8,685.5
Total liabilities						25,104.6
Capital expenditure	1,322.2	494.2	236.0	471.8	–	2,524.2
Depreciation/amortization	746.0	225.4	1.6	75.9	(45.2)	1,003.7
Non–cash expenses other than depreciation	55.7	4.6	–	9.9	–	70.2

26. 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

As per our report of even date.

S. R. Batliboi & Associates
For **S.R. BATLIBOI & ASSOCIATES**
Chartered Accountants

Per
VIKAS KUMAR PANSARI
Partner
Membership No. 93649

Hyderabad, November 12, 2009.

A. MOHAN RAMI REDDY
General Manager (Legal) &
Company Secretary

S. B. Singhi
SUDHIR B. SINGHI
Chief Financial Officer

For and on behalf of the Board of Directors

K. NITHYANANDA REDDY
Managing Director

Dr. M. SIVAKUMARAN
Director

AUROBINDO PHARMA LIMITED

Registered Office: Plot No.2, Maitrivihar, Ameerpet, HYDERABAD – 500 038.

ATTENDANCE SLIP

Day	Wednesday
Date	23rd December, 2009
Time	11.30 a.m.
Venue	Katriya Hotel & Towers, 8 Rajbhavan Road, Somajiguda, Hyderabad 500 082

Reg. Folio No.

Demat Particulars
DP ID No.

Client ID No.

Mr./Ms. ....

....

....

....

MEMBER ☐ **PROXY** ☐

(Please tick as applicable)

No. of Shares

Note: 1. Only Members of the Company or their proxies will be allowed to attend the Meeting ON PRODUCTION OF ATTENDANCE SLIP duly completed and signed.
2. Please fill this admission slip and hand it over at the entrance of the hall duly signed.
3. Members are requested to bring their copies of Annual Report with them.
4. Members who hold shares in dematerialised form are requested to bring their Client ID and DP ID numbers for easy identification of attendance at the Meeting.

I hereby record my presence at the 22nd ANNUAL GENERAL MEETING of the Company

. . . .
Signature of the Member or Proxy

Tear Here

AUROBINDO PHARMA LIMITED

Registered Office: Plot No.2, Maitrivihar, Ameerpet, HYDERABAD – 500 038.

FORM OF PROXY

Reg. Folio No.

Demat Particulars
DP ID No.

Client ID No.

No. of Shares

I/We ....
(Name of Member)
of...
(Address)
being Member(s) of AUROBINDO PHARMA LIMITED hereby appoint...
(Name of proxy)
of.. or failing him/her
(Address of proxy)
....
(Name of alternate proxy)
of ....
(Address of alternate proxy)
as my/our proxy to vote for me/us on my/our behalf at the 22nd ANNUAL GENERAL MEETING of the Company to be held **at 11.30 a.m. on Wednesday, the 23rd December, 2009** and at any adjournment thereof.

Date.......................... Signature..

Affix a 15 paise Revenue Stamp

Note: The Proxy 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 for holding the aforesaid Meeting. The Proxy need not be a member of the Company.

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.

Concept, Research, Design & Production
CAPRICORN ASSOCIATES
Hyderabad

AUROBINDO
PHARMA LIMITED

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