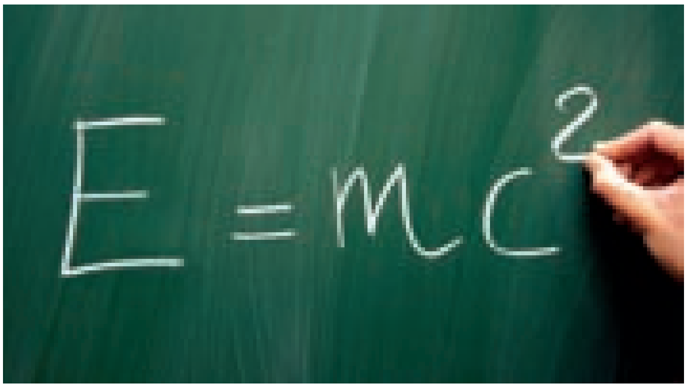


We make it simple.

AUROBINDO PHARMA LIMITED

Annual Report 2009-2010

Contents

ON THE COVER

$E=mc^2$

Albert Einstein's famous equation $E=mc^2$ can overwhelm most people. It does not however, hold the same level of difficulty for the scientists.

Aurobindo stands inspired. The team at Aurobindo has simplified the more difficult aspects of pharmacopoeia and has converted them into manageable chemistry to create products that serve the needs of good health. We can translate any complex equation into a simple formula for success.

We make it simple.

We make it simple.

We understand pharmacopoeia, complex chemistry and product approval. We are committed to supplying regulatory compliant products. We understand every single aspect of our business and follow through to execute well, possibly on par with the best in the industry.

Our execution capabilities are founded on a simple premise. Right from concept, we understand what needs to be done; how it needs to be executed; and when it needs to be delivered. In short, we make the most difficult aspects of the business, easy to understand. And soon enough, we do it.

Give us the most complex equation and we will tell you how it can be converted into a simple formula for success. We have done it. We will do it. Simple.

Aurobindo in brief

Aurobindo Pharma Limited, headquartered at Hyderabad, India, with a consolidated revenue of ₹36513 million, manufactures generic pharmaceuticals and active pharmaceutical ingredients. The Company's manufacturing facilities have been inspected and approved by several leading regulatory agencies such as US FDA, UK MHRA, WHO, Health Canada, MCC South Africa, ANVISA Brazil.

Approximately 53.6% of the gross consolidated turnover comes from the formulations business. The Company's robust product portfolio is spread over 6 major therapeutic/product areas encompassing Antibiotics, Anti-Retrovirals, CVS, CNS, Gastroenterologicals, and Anti-Allergics, supported by an outstanding R&D set-up. The Company has marketing footprints in over 125 countries and employs over 8,000 professionals.

Vision

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

Mission

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

Eminent Board

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

Our Strengths

Possess profound knowledge of complex chemistry and manufacturing processes.

Sustain a good understanding of the markets and customers, especially of the emerging patent expiry opportunities in the formulations market.

Retain customer confidence by delivering what they want at the time they need.

Build quality from concept-to-lab-to-manufacturing since our products work to restore good health of the consumers.

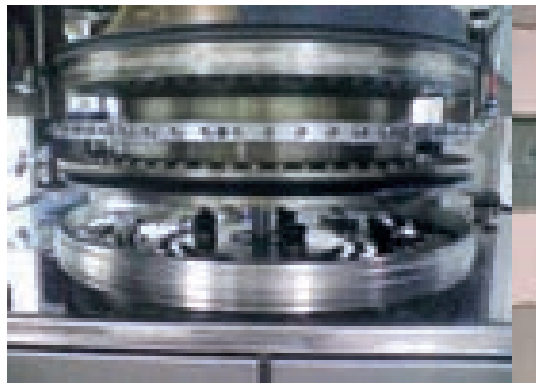
Vertically integrate manufacturing processes that enable us to offer cost effective products.

Have a strong balance sheet with high operating cash flow.

Deliver on promise, come what may.

Aurobindo in brief





Main themes in our business

Formulations

Aurobindo has one of the widest portfolio of 300+ products. Major therapeutic segments covered:

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

The portfolio includes non-infringing processes and first-to-file formulations. The dosages cover liquids/dry syrups, oral/mouth disintegrating tablets, sterile injectables, lyophilized sterile injectables, sustained/controlled release formulations, combination formulations and immediate release formulations (tablets/capsules/chewable).

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

Active pharmaceutical ingredients

One of the largest Active Pharmaceutical Ingredients (API or Bulk Actives) manufacturers in Asia, Aurobindo has commercialized over 200 APIs. Mammoth capabilities and uncompromising product quality underline the core competence of the Company.

Total Quality Management is the very essence of Aurobindo Pharma. Every detail is subjected to scrutiny - be it cGMP compliance, validation, stability studies, documentation, safety, health or environmental issues. This steadfast adherence to TQM has been highly rewarding and ensures that all products are truly world class.

CRAMS

AuroSource, the Custom Research and Manufacturing Division of Aurobindo offers the global biotech and pharmaceutical community a refreshing approach to outsourcing. The in-house team is dedicated to simplifying the outsourcing experience with exceptional customer service, while ensuring transparency, accountability and reliability. We operate close to our customers and compromise nothing to provide an efficient and unparalleled experience.

AuroSource offers comprehensive outsourcing options, including one of Asia's largest solid oral sterile API facilities, five sophisticated R&D centers and strategic warehousing locations globally for shorter order-to-delivery time.

Our portfolio includes several specialized R&D capabilities, with particular expertise in customized APIs, intermediates, pre-formulations, and formulations. With the experience of over 1,000 regulatory filings, exports to over 125 countries and commercializing over 300 products, Aurobindo offers solutions to manage the complete product life cycle, including extensions and regulatory support.

Core mantra of our business

Customers

Our customers make our business. We continually strive to maximize our supply chain and provide them with the products that they need on time, every time, at quality consistent with regulatory standards.

Costs

Our vertically integrated manufacturing systems enable us to manage our costs closely and save wherever we can, without compromising on the quality of our products and services. At all times, we are cost conscious to make our rupee go the longer distance.

Cash

We conserve liquidity and maintain a strong operating cash flow while strengthening our risk profile. We continually liquidate debt and have consequently become free of long-term debts. While the balance sheet is strong, our debt:equity ratio stands improved and interest costs have turned lower.

From the desk of the Chairman

We make it simple

Our good results show the Company's resilience under a challenging environment.

Dear friends,

We did well, despite the challenges. Aurobindo continued to display sustained growth momentum despite the economic slowdown in several markets. In 2009-10, the consolidated revenue rose to ₹36513 million, an increase of 15.3% compared to the previous year, with net profit rising by over 4.6 times. These good results show the Company's resilience under a challenging environment.

Our success demonstrates the robustness of Aurobindo's business model, which draws on a diverse and balanced customer and product portfolio, in terms of geography and therapeutic segments. Our accomplishment is also based on a mix of products which has broadened considerably over the past decade, as well as long term contractual relations with our customers based on perfect understanding and integrity.

I must also highlight that my colleagues and I stayed focused throughout the year on our simple approach to business. Our core mantra is: customers, costs and cash. We progressed well through the storm around us, better for the past experience of keeping things simple and reported a good set of numbers for the year.

Our earnings have provided us with a solid cash flow which together with rigorous control over capital expenditure has enabled Aurobindo to improve its already healthy balance sheet by significantly reducing debt.

I hasten to add that none of these would have been possible without the encouragement of our partners and customers, hard work of our employees and the support of our investors.

Before looking ahead, it is worth examining our recent past. Over the years, we have grown volumes in a highly competitive environment, both in the premium and emerging markets. I believe that it is possible for us to succeed in tougher environments, whether new challenges come from our own evolving standards or from customer requirements. We can and will grow if our positioning and strategy are simple and right. I believe we are on track for relentless growth in the future with a good understanding of our markets, by aligning well with our customers and by producing regulatory compliant products. Our customer and product portfolio is growing as is evident by rising volume and revenue.

In addition to the opportunities for top line growth, there are very significant prospects to make cost savings through our productivity initiatives. Our experience is the more work we do in this area, the more we identify further savings. We also believe that we have the right responsibility strategies for both the short and the long term. For instance, we have invested significantly in R&D and environment, health and safety.

I believe the future market represents a volume and profit pool for those who are better positioned. There is a lot of room for growth for players like us who have a strong product basket, competence to deal with complex chemistry, enormous manufacturing capacity, marketing expertise, cost savings potential, presence in premium and emerging markets and the ability to build on the existing formidable distribution channels.

While we are charting our growth with confidence in our capabilities, there is still a great deal that we need to achieve. I am optimistic about the future because we have proven ourselves under challenging conditions. We will do it again, partnering with some of the best names in the business. We will continue to follow our successful strategy and actively shape our future. In the medium term, we will stay focused on the following four strategies:

- ✓ Accelerate top line growth
- ✓ Accelerate efficiencies
- ✓ Accelerate speed of implementation
- ✓ Focus on select opportunities

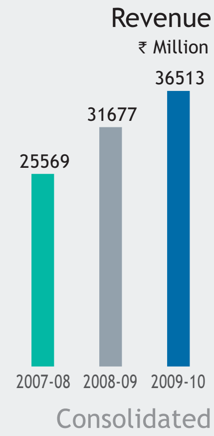
I am sure, executing on these strategies will enable us to add traction on all our core fundamental matrices. We aim to generate increased revenue through targeted investments in R&D, ramping up production volume through manufacturing capabilities and sustained efforts in select markets to underline our competitive strengths.

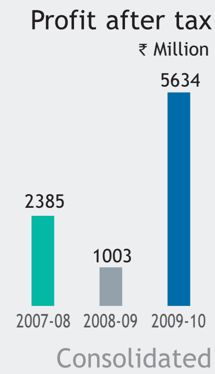
At Aurobindo, we wish to be known as a growth company that attracts and retains the best customers, vendors and employees. We look to the future with energy and determination and shall build on the rich foundations that my colleagues - all 8,000 plus employees - have created. All of us are highly motivated and proud to work as a team and shall continue to make valuable progress towards our Company's growth and success. We work with a simple truth; we are trustees of investor confidence and we shall do whatever is necessary to grow faster than the industry.

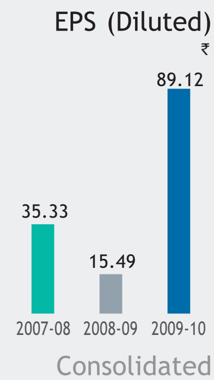
Warm regards

P. V. Ramprasad Reddy

AUROBINDO







From the desk of the Managing Director

Another successful year

We have a better visibility of our revenue stream and are approaching the future with determination and confidence in the strength of our model.

For Aurobindo, it was another successful year of performance. The past year placed extraordinary demands on us given the economic turmoil in our key markets in North America and Europe. We understood the situation and acted quickly and decisively and accelerated our programs to increase efficiency and reduce costs. The efforts through the year paid off with EBITDA excluding foreign exchange adjustments was ₹7723.6 million higher by 47.9% over ₹5223.3 million earned in 2008-09. EBITDA margin excluding foreign exchange adjustments was 23.3% in the year under review compared to 18.1% in the previous year.

We progressed because we stayed focused on executing our strategy and following through on our commitment to becoming bigger, better and stronger year-on-year. As in earlier years, we filed for a very large number of product approvals, broadened our portfolio, launched new products as soon as the approvals were on hand and the regulatory compliances were met, improved efficiency of our manufacturing operations, reduced our cost of production, strengthened our customer relationships, sold more volumes, stepped up our revenues and cash flow and significantly increased our profit after tax.

Our dedicated focus on execution resulted in numerous accomplishments during the year:

- ✓ The SEZ unit has initiated manufacturing of exhibit batches for global submissions at an unprecedented pace; On an average, exhibit batches for 5-8 products for global markets are being taken each month.
- ✓ The SEZ unit was inspected successfully twice by the US FDA, INFARMED (Portugal), ANVISA (Brazil), NMRC (Namibia) and MCC (SA) during this period. We also hold a GMP clearance certificate for this facility from TGA (Australia);
- ✓ The Dayton plant at New Jersey, USA has been commissioned adding substantial manufacturing strength;

AUROBINDO

- ✓ New production modules were commissioned within other existing facilities in India to add further to the capacities;
- ✓ Process engineering driven initiatives have led the way for ramping up the capacities in the existing set up. De-bottlenecking enabled scaling up capacities to cater to the enhanced requirement of API;
- ✓ Launched a number of single and double drug combinations in tablet form for the pediatric patients;
- ✓ Continued to lead the way in providing cost effective medicines especially ARV products to various procurement agencies and countries in need;
- ✓ Increased the registrations by almost 30% in several countries over the earlier years. Currently, Aurobindo's antiretroviral products in the HIV segment are being exported to over 100 countries;
- ✓ On the environment front, production units have been equipped with energy efficient waste treatment systems such as multiple effect evaporator and thin film dryers;
- ✓ Improved the thrust of EHS systems; areas such as process safety have been strengthened;
- ✓ In order to cater to the expansionary needs, considerable input was given to talent management and manpower increase. Another thrust area was training and development, performance management and review of compensation and benefits management;
- ✓ Despite pressure on prices, Aurobindo has been doing well due to the confidence the customers have in the quality despite the competition.

These accomplishments represent the tangible results of our strategies to invest for growth, provide for scaling up of volumes, ensure consistent quality, and improve margins and cash flow. We are conscious that our customers rely on Aurobindo to provide high quality products and solutions and our employees around the world respond and deliver on that promise every day.

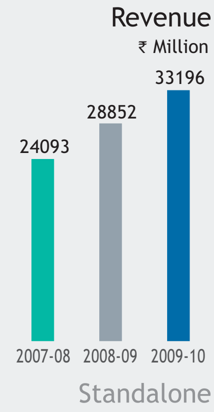
We combine economic success with social responsibility and environmental protection. Our commitment to sustainable management minimizes risks, promotes existing business and helps create new opportunities.

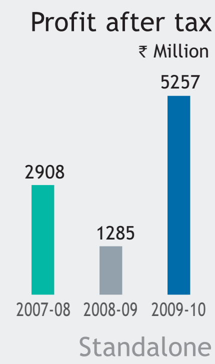
Enhancing our competitiveness is vital to our future. In 2010-11, we shall examine and review processes, systems, productivity and procurement. Priority will be given to people empowerment and excellence, increased efforts in improving efficiencies, cost containment, greater selectiveness in building pipelines and launch of new products. We shall strive to secure and finance growth in our revenue and enhance net profit and cash management. We have a better visibility of our revenue stream and are approaching the future with determination and confidence in the strength of our model.

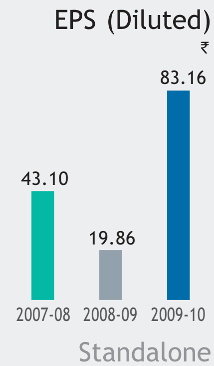
We believe we are well prepared. You can be certain that we shall work at full strength for the success of Aurobindo.

Warm regards

K. Nithyananda Reddy







Strong financials

Over the years, Aurobindo has built up a well balanced business model, a robust and growing market position and a strong balance sheet. We are conservative and prudent in our financial policies. This approach has helped us to manage potential risks, overcome external economic turmoil and challenges of the market.

The emphasis has been on converting good business into a good balance sheet. Our goal has been to safeguard the availability of funds at all times; one of our first measures when the economic crisis hit the US and the European market was to maintain a strong financial position. We not only improved our operating margins, but also focused on improving our free cash flow. As a result of these initiatives and our strong operating cash flow, our liquidity was good throughout the year.

One of our key targets in the financial year 2009-10 was to release working capital. We initiated programs to decrease inventories and improved efficiency in the collection of receivables. Over the year, our operating cash flow (standalone) increased by ₹3397.8 million.

Even as we were expanding our asset base and production capacity, we repaid entire amount of term loan and had zero long term secured debt (on the standalone account) as at end of March 2010 from ₹750 million as at the corresponding date a year ago. On the consolidated level, the term loans were reduced to ₹676.9 million as at March 31, 2010. A year ago, the corresponding debt was ₹1635.1 million.

Book Value
As at March 31 ₹

2009	2010
230.9	328.2

Consolidated
(Face Value ₹5)

In 2005, the Company had issued 60,000 Zero Coupon Foreign Currency Convertible Bonds (FCCBs) and raised $60 million. These were due for conversion/repayment in 2010. By early August 2010, FCCBs worth $57.88 million have been converted/repurchased. The balance amount of $2.12 million (2,118 bonds of $1,000 each) is due for redemption in the second week of August 2010 and arrangements have been made to meet the commitment on due date.

Aurobindo not only improved effective cost of funds, but reduced the absolute cost to the Company. As a regular practice, the interest rates are renegotiated wherever possible and during 2009-10 they were revised downwards. Reduced debt, lower interest rates, improved cash flow and better utilization helped bring down the interest and finance charges for the year at ₹523.3 million (on the standalone account) as compared to ₹550.6 million in the previous year. Similarly, the interest and finance charges at the consolidated level was reduced from ₹838.6 million for 2008-09 to ₹678 million in 2009-10.

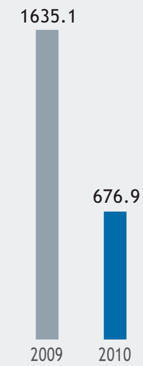
The reduction in debt and lower costs were achieved when the volumes and turnover climbed, especially at a time when there was a trend towards lower inventory, higher receivables and tighter financial control in several importing countries.

In line with Aurobindo's conservative corporate policy, risks and exposures were managed to mitigate all known risks. On foreign exchange transactions, need based forward cover was taken on a selective basis. The Company ordinarily enters into foreign exchange contract only on a limited basis to hedge assets, liabilities and anticipated future fund flows denominated in foreign currency. Natural hedge in relation to underlying contracts help minimize the risk.

At the same time, 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. Aurobindo does not use the foreign exchange forward contracts for trading or speculative purposes.

Term loans

₹ Million

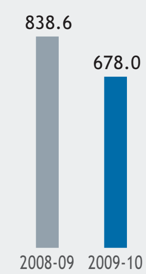


Consolidated

As at March 31

Interest and finance charges (Net)

₹ Million



Consolidated

During times of economic uncertainty, Aurobindo's balance sheet has remained as strong as ever. As we continue to grow, we stress the importance of working capital efficiency and focus our efforts on controlling the growth of current assets and liabilities. Our target is to keep our net working capital turnover intact when we gain momentum. Indeed, the present condition of the balance sheet creates a great deal of financial flexibility as we move forward.

We managed our costs and profitability. On a standalone basis, EBITDA margin was 23.3% in the year under review compared to 18.1% in the previous year. EBITDA excluding foreign exchange adjustments was ₹7723.6 million in 2009-10 higher by 47.9% over ₹5223.3 million earned in 2008-09.

Operating profit before tax (excluding foreign exchange adjustments) was ₹6245.7 million in 2009-10, approximately 62.3% higher than ₹3848.6 reported in 2008-09.

In 2009-10, the Company earned an exchange gain of ₹855.8 million. Profit after tax and exceptional item was hence ₹5257.6 million. Net of the exchange gain, the profit after tax can be normalized as ₹4401.8 million. Correspondingly, in 2008-09 the exchange loss was ₹2278.2 million and the normalized profit after tax was ₹3563.6 million. Performance result in 2009-10 excluding such non-recurring adjustments was hence 23.5% higher at ₹4401.8 million compared to ₹3563.6 million in 2008-09.

At the consolidated level as well, Aurobindo reported encouraging financials. Consolidated earnings in 2009-10 can be better appreciated from two indicators. The Return on Equity (ROE) in 2009-10 was 34.7% while it was 8.0% in 2008-09. Similarly, Return on Capital Employed (ROCE) was 21.2% in 2009-10 while it was 4.6% in 2008-09.

The Company would strive to improve on these performance results in 2010-11 and beyond.

Dividend

%

2008-09	2009-10*
90	100

* including 60% interim paid and 40% proposed.

Return on Equity

%

8.0	34.7
2008-09	2009-10

Consolidated

Return on Capital Employed

%

4.6	21.2
2008-09	2009-10

Consolidated

Net Fixed Assets

As at March 31 ₹ Million

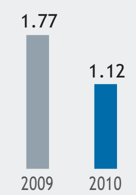
19350.7	22809.3
2009	2010

Consolidated

The emphasis has been on converting good business into a good balance sheet.

Debt/Equity Ratio

As at March 31



Consolidated

Targeted R&D adds to the edge

We want to continue to offer the best of pharmacopoeia that creates value for our customers, partners and our shareholders.

Aurobindo is committed to product stewardship. For us, that means offering our customers a wide range of products certified according to global regulatory compliant standards. We have steadfastly worked to get product approvals and manufacturing systems inspected by all the global authorities. With these certifications and our scrupulous adherence to laid down systems, we can affirm that every step in our supply chain from the lab to the customer has been rigorously assessed and is responsibly managed.

We continued to increase our R&D expenditure. This is a long term investment for the future and is an integral part of our business strategy. We want to continue to offer the best of pharmacopoeia that creates value for our customers, partners and our shareholders.

Notable accomplishments during 2009-10 included:

- ✓ Filed 22 ANDAs, of these 7 were "Paragraph IV" applications;
- ✓ The new formulation facility in SEZ (Unit VII) has been formally inaugurated and commenced filing of ANDAs/Dossiers from the facility;
- ✓ Commenced development work to enter into non-penicillin and non-cephalosporin (NPNC) based injectable market;
- ✓ Initiated plan to enter oral contraceptives and ophthalmic market;

Regulatory approvals - Products

		As on August 5, 2010	Approved
Generics	US FDA	173	121
NDA / ANDAs	Europe	87	51
	South Africa	244	68
	TOtal	504	240
Active ingredients	US FDA	148	
Drug Master Filings	Europe New Registrations	48	
	Multiple Registrations	1025	
	Others*	355	
	CoS	82	
	Total	1658	
Patent and Designs	Filed	439	
	Registered	52	

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

Approved formulation facilities in India

Unit III	Unit VIB	Unit VII	Unit XII
Multi-purpose non-betalactums	Cephalosporins	Multi-purpose non-betalactums	Semi-synthetic penicillins
US FDA, MHRA (UK), WHO, Health Canada, MCC (SA), ANVISA (Brazil), TGA (Australia)	US FDA, Health Canada, MCC (SA), ANVISA (Brazil) NAM (Finland)	US FDA, EU-GMP, ANVISA (Brazil) , TGA-GMP (Australia)	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-allergics	Cephalosporins (Non-Sterile)	Semi-synthetic penicillins	Cephalosporins (Sterile)	Gastro enterologicals, Anti-retrovirals	Anti-retrovirals
US FDA , WHO, MHRA (UK), TGA (Australia)	US FDA MHRA (UK), TGA (Australia)	US FDA, TGA (Australia)	US FDA, WHO, Health Canada, NAM (Finland)	US FDA, WHO, MHRA (UK), TGA (Australia)	US FDA, WHO, MHRA (UK)

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

Complete list of domestic facilities are in page 49 of this Annual Report.

- ✓ Filed 3 ANDAs from the R&D facility in the Dayton, New Jersey facility for controlled substances;
- ✓ Progressed well on securing a good presence in the CRAMS business segment.

The in-house R&D team is focused on the following activities:

a. Product development - searching for promising products to meet customer needs and improve profitability for the Company;

b. Quality development - continuously improving the quality of existing products;

c. Process development - optimizing costs and process design, operation and efficiency;

d. Customer support - helping customers to optimise their operations;

e. Support and service - internal support and troubleshooting at the production facilities;

f. External research management - maximizing the return to the Company while executing research contract for pharmaceutical companies and sale of dossiers;

g. Knowledge-sharing - transferring and applying know-how from one part of the Company to another.

The simple truth is the team is able to convert its knowledge of complex chemistry and pharmacopoeia into a key competitive advantage of Aurobindo. R&D works as a profit centre and adds an edge to the operations.

R&D adds an edge to the operations.

R&D Spend

₹ Million

2008-09	2009-10
1032.3	1014.8

Standalone

We provide an assurance to our customers that they get their products from a responsible business partner.

Investing in EHS

At Aurobindo, safety of our employees is non-negotiable. It is both a moral and business issue. We engage them in looking after themselves and their colleagues because we want our employees to go home after a safe working day.

As a responsible organization, Aurobindo believes in conducting its activities in a way that balances respect for the environment with economic and social development that is sustainable in the long term. This is a continuing process, with no time lines.

Environmental issues are part of the customer quality requirements. In the process, we provide an assurance to our customers that they get their products from a responsible business partner.

AUROBINDO

During the financial year 2009-10, all the basics in safety management were revisited and validated in areas such as,

- Nitrogen blanketing system for fresh solvent storage tanks in tank farm;
- Earth-Rite system for solvent tanker unloading;
- Fire detection, alarm and hydrant system for production blocks; and,
- Water sprinkler system for fresh solvent storage tanks

New programs were initiated which include,

- Industrial hygiene program to assess employee exposures;
- More focus on process safety for manufacturing units with planning for process safety lab; and,
- Comprehensive safety improvement and capacity building program by internationally reputed third party.

Respect for environment was translated into action with several initiatives. Some of them are iterated below:

- ✓ Embraced state-of-the-art technologies for integrated wastewater management for effective and efficient treatment, recycle and disposal of treated wastewater excelling beyond regulatory norms;
- ✓ Established environmental management infrastructure across all production facilities;
- ✓ Streamlined the process of disposal of hazardous wastes through alternate destruction and reuse technologies, by disposal of wastes to cement units, etc.
- ✓ Promoted and encouraged innovative emerging technologies of water treatment and hazardous waste management;
- ✓ Progressed towards achieving zero liquid discharge from three production facilities;
- ✓ Harmonized environment, safety and occupational health activities across the Company's units;
- ✓ Invested in state-of-the-art equipment in process operations to minimize process losses and environmental emissions;
- ✓ Committed towards eco-development and community welfare as part of the Company's continued commitment towards environment protection and social responsibility.

We want our employees to go home after a safe working day.

We at Aurobindo wish to be known as a growth company that attracts and retains the best employees.

$E=mc^2$

Effectiveness when Motivation, Commitment and open Communication are targeted to delivering results.

We at Aurobindo wish to be known as a growth company that attracts and retains the best employees. Higher productivity is a function of talented professionals working to deliver what the customer wants while ensuring that we add value to our investors.

As an effective organization, over the years, our efforts have been to improve productivity per person. We are developing a high performance culture in which all employees are aware of what is expected of them. Our products and services need to meet the most stringent regulatory standards as well as meet the needs of consumers seeking good health. There is no room for any compromise and hence whatever we do needs to be the best. This is a reality that our employees live with and breathe every day.

As a learning organization, they are encouraged to make a qualitative difference in delivering results. This approach is enabling the Company to nurture competent and committed employees in an environment that is conducive for growth of individual skills and aligns them with the corporate goals.

Aurobindo provides room for dedicated employees to generate new ideas and act responsibly towards stakeholder expectations. Each day our people are putting in place the behaviors, practices, assets and skills to help us become the best in our industry. Their dedicated work has translated into larger business volume, growing order book, increasing revenues, rising profits, healthy earnings, strong balance sheet or improving return on net assets.

Such results have not come easily. To achieve them, we have made tough decisions over the past few years. We streamlined and restructured our operations. We focused on costs, productivity and improved the procurement chain. We have made transformatory changes to ensure sustainable growth.

Our people are our strength from the marketing team, through the scientists, the administrators and all the other functions up to the top management. Success of Aurobindo so far has been underwritten by the committed, honest and hard working team and their know-how, dreams and values. They are our driving force to go forward and achieve challenging targets and timelines.

We as a team make effective use of our resources to create shareholder value. Our investment in employees includes establishing safer and healthier working environment, enhancing their skills and capabilities and ensuring fair and ethical work practices. We focus on systematic employee development, team culture and open dialogue.

We at Aurobindo compete with the best in the industry across the globe and have earned the respect of our customers, vendors and more important, that of our competitors. Wherever possible, we partner with some of the best names in the industry and see synergy in execution.

Our planning takes into account the changing dynamics of the industry and we will strive to make Aurobindo the best in class. We know we can deliver because we have the necessary assets, in particular, our people, their determination and expertise.

We are a performance driven company. Finding skilled professionals is one of our greatest challenges regardless of economic trends. We foresee major recruitment needs in the next few years. Equally, encouragement and retention of all our talented and valuable employees is central to the organizational growth. Hence, we have put in place a few initiatives that will facilitate planned growth. Some of them are as follows:

- ✓ A^2CE initiative (Aurobindo Achieving Competitive Edge) to build a strong and a learning organization;
- ✓ Manpower excellence program;
- ✓ KRA based performance matrix;
- ✓ Training to upgrade skills of employees as a focus area; and,
- ✓ Recognition and reward schemes.

Today, Aurobindo is an attractive employer primarily due to our corporate culture built around reliability and fast tracked growth combined with focus, simplicity and responsibility. These traits have made us a high energy organization, and we shall continue to encourage newcomers to see Aurobindo as a preferred employer.

At all times, come what may, we at Aurobindo shall remain effective as a team and deliver on promises to all our stakeholders.

We as a team make effective use of our resources to create shareholder value.

Outlook

We are on the move and are forging ahead. Aurobindo is focused on increasing the presence of existing products, launching new products, creating footprints in untapped growth market segments in North America, Europe and Japan, and forging strong relationship with customers, laying thereby a robust foundation for sustainable growth.

We shall pool our proven expertise in product and service quality, execution capabilities and cost competitiveness and exploit our potential and enhance our market presence. Our goal is to make Brand Aurobindo a reference point in execution capabilities, customer satisfaction, reliability and professionalism. We shall continue to look for ways to improve our visibility, grow our revenues, improve our margins and generate shareholder value. A strong balance sheet provides Aurobindo the flexibility to increase its leverage when required.

Going ahead, we have set for ourselves the following nine priorities for medium term growth:

- ✓ Repurposing and rationalizing capacity to respond to increasing demand for Aurobindo's products and services;
- ✓ Increasing operating efficiency and improving productivity;
- ✓ Investing to enhance environmental performance;
- ✓ Strengthening and deepening our relationship and joint business planning with our strategic partners;
- ✓ Expanding presence in emerging markets and deepening them in the premium markets;

- ✓ Enhancing R&D productivity and ensuring speed-to-market for all regulatory approved products;
- ✓ Supplementing the current product portfolio with a robust pipeline of new products;
- ✓ Improving operating cash flow and leveraging on financial flexibility for future growth; and
- ✓ Building a competitive edge through an excellence program that will build a learning organization and excellence and professionalism amongst the employees across the organization.

Aurobindo will leverage seamlessly on the capacity expansions made in the recent past to step up volumes and revenues. The Dayton manufacturing unit in US has also gone into commercial production. The Unit VII (SEZ) has also started commercial production in June 2010 and in the quarter beginning January 2011, the unit is expected to reach 50% capacity utilization. Full capacity utilization at this mega unit in the first half of 2011-12, would add traction to the performance results. Full benefit of the investment is expected in the financial year 2011-12.

While enhancing capacity we are not only ramping up volumes and revenues, Aurobindo would considerably upgrade its product and service level, ensure due date delivery, improve speed to market immediately after product gets approved for launch, reduce costs of manufacture and other deliverables and take customer satisfaction to a new level.

The present momentum and organizational energy is directed to achieve revenue of $2 billion within three years; but more important, the Company is striving to improve efficiencies, manage costs better and expand margins.

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 37 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	General Manager (Legal) & Company Secretary	Statutory Auditors	Internal Auditors
Mr. Sudhir B. Singhi	Mr. A. Mohan Rami Reddy	M/s. S.R. Batliboi & Associates Chartered Accountants 205, Ashoka Bhoopal Chambers, Sardar Patel Road, Secunderabad – 500 003	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 Limited (since merged with the Company), as Managing Director in 2005. Presently, he is the Managing Director of Axis Clinicals Limited. 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 26 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 26 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 Private Limited
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

Economic background

The year 2009-10 was a year of resurgence of confidence and optimism in the Indian economy. The broader economy managed the global financial turbulence fairly well and demonstrated its inherent strength and growth potential. After a mild setback, the domestic economy promises a period of sustained growth driven by the robust fundamentals. The economy's strength has highlighted the systemic strengths especially of the Indian banking system, capabilities of the workforce, entrepreneurial skills and reliable agricultural, industrial and service sectors.

At a time when the US and European economies showed the sensitivities, a reliable Indian pharmaceutical industry stands further energized to meet the needs of both the developed and emerging markets. The challenges of the global markets have worked as additional opportunities for Indian manufacturers and the opportunities have been seized by almost all the major players in the country.

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. India's pharmaceutical industry is now the third largest in the world in terms of volume and 14th in terms of 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.

According to data published by the Department of Pharmaceuticals, Ministry of Chemicals and Fertilizers, total turnover of India's pharmaceuticals industry between September 2008 and September 2009 was $ 21.04 billion. Of this, the domestic market was worth $ 12.3 billion.

According to an Ernst & Young and an industry body study released in September 2009, the increasing population of the higher-income group in the country will by 2015 open a potential $ 8 billion market. Besides, the report said the domestic pharma market is likely to touch $ 20 billion by 2015, making India a lucrative destination for clinical trials for global giants.

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

Pharmaceutical industry in India 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 pharmaceutical ingredients (APIs), as also entering into the highly opportune area of contract research and manufacturing (CRAM) and clinical trials.

Export of pharmaceutical products from India showed a combined annual growth rate (CAGR) of 21.25% during three consecutive years ending 2008-09 but grew only by 13% in 2009-10. India tops the world in exporting generic medicines worth of $ 11 billion.

According to a report published by PricewaterhouseCoopers (PwC) in April 2010, India will join the league of top 10 global pharmaceuticals markets in terms of sales by 2020 with the total value reaching $ 50 billion.

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 USA, Germany, Russia, UK and Brazil amongst a large basket of countries, India's imports emanate mainly from China, Switzerland, USA and Italy. India currently exports drug intermediates, APIs, Finished Dosage Formulations (FDFs), bio-pharmaceuticals, clinical services to various parts of the world.

Generics - an intro

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 USA, 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 ago. 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.

India is a globally acknowledged source of high quality affordable generic medicine with rich vendor base. It is not only an API and formulation manufacturing base, the country is poised to become a manufacturing hub for pharmaceutical industry of the world and an emerging hub for contract research, bio-technology clinical trials and clinical data management.

Indian pharmaceutical industry has shown significant progress in terms of infrastructure development, technology base creation and a wide range of production, covering almost all therapeutic categories and dosage forms. This fact is firmly demonstrated by the trends in global exports of pharmaceuticals from India and the number of product approvals received from various global regulatory authorities. Other important features include the cost advantage India offers in comparison with developed markets and the technical strengths of India in development and production of pharmaceuticals.

Global pharmaceutical market intelligence company IMS Health believes the Indian generic manufacturers will grow at a faster clip as drugs worth approximately $ 20 bn in annual sales will face patent expiry in 2011. In fact, with nearly $ 105 bn worth of patent-protected drugs to go off-patent (including 30 of the best selling US patent-protected drugs) by 2012, Indian generic manufacturers are positioning themselves to offer generic versions of these drugs.

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

Indian pharmaceutical companies with their reverse-engineering expertise, 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 bn market. The US FDA's latest generic initiative GIVE (Generic Initiative for Value and Efficiency) aimed at increasing the number and variety of generic medicines available to consumers and healthcare providers. 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 USA, bioequivalence as the basis for approving generic copies of drug products was established by the 'Drug Price Competition and Patent Term Restoration Act, 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.

CRAMS in brief

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 faster clip 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.

The global market for contract manufacturing of prescription drugs is estimated to increase from a value of $ 26.2 billion to $ 43.9 billion. India could potentially capture 20% to 40% of the outsourced market share for active pharmaceutical ingredients, finished dosage formulations and intermediates.

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.

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.

Established generic companies would like to outsource or buy services in formulation development, bioequivalence testing, stability studies centers, etc . India is significantly ahead in chemistry services such as analog preparation, analytical chemistry, combinatorial chemistry, structural chemistry, structural drug design, computer aided drug design, high throughput screening and assay development.

There are opportunities such as licensing deals with MNCs for New Chemical Entities and New Drug Delivery Systems, marketing alliances for MNC products in domestic and international markets and contract manufacturing arrangements with MNCs. There is enormous potential for developing India as a centre for international clinical trials. The country can become a niche player in global pharmaceutical R&D and there are possibilities for expansion of bio-similars and bio-pharmaceuticals.

Company Perspective

Aurobindo's commitment to create good health, manufacture and deliver high-end quality products and be a value creator for its stakeholders 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 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 substantial 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 2009-10 saw higher volume sales year-on-year as well as higher revenues. Formulation sales in revenue terms were higher by 33.8% over the previous year, which is a significant growth given that there was a 41.7% and 48.1% rise in the immediately two preceding years.

The volume sold was also higher 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 gain of ₹855.8 million while there was a loss of ₹2278.2 million in the previous year.

Aurobindo has invested in the future and worked hard to build a large portfolio and sought product approvals in all relevant categories. Necessary 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 businesses with possible long term relationships. 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 that the customers want. Multinational pharmaceutical companies have perceived Aurobindo's facilities as extensions of their own labs and manufacturing plants.

Across the organization, there is an excitement driving the change to become a global resource in the pharmaceutical industry. In this journey, as in the past, care is being taken to create value for all stakeholders, and in particular, 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 hard 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.

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 which is adequately monitored. Checks and balances and control systems have been established to ensure that assets are safe guarded, utilized with proper authorization and recorded in the books of account.

There is a 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

At Aurobindo, people are a key driver of success. Employees stay fully engaged to achieve customer engagement. Recent recruitments undertaken and the management of the economic downturn continue to underscore the need for effective talent planning and management. Our focus is on intensifying our efforts to become a centre of operational excellence as an employer, and on investing in the development of a skilled, engaged and proud talent pool around the globe.

The Company provides a safe and rewarding environment that attracts and retains a talented team and where employees are engaged in delivering exceptional results to the customers and investors. Aurobindo is strengthening the motivation and engagement of employees by examining, developing and introducing a consistent employment value proposition to the existing and prospective employees. The key objective is to align the selection, talent management, employee engagement and recognition processes to drive the corporate growth objectives.

As at March 31, 2010, there were 8,066 employees creating momentum and driving the Company's competitive advantage. They have been striving to meet the expectations of the customers and creating wealth for investors by delivering superior shareholder value.

Outlook

Aurobindo has a proven and tested business model, a prudent strategy and competent people with expertise to deliver planned results. 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 enhancing its position as one of the most valuable companies.

Key strengths of the Company include its manufacturing infrastructure, the knowledge base at the research centres and the ability to deal successfully with its process chemistry strengths. 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 is an integral part of the Company's plans, the business strategies, monitoring systems and results. Aurobindo has embedded risk management activities in the operational responsibilities of management and made them an integral part of overall governance, organizational and accountability structure.

One of the priorities in the Company's growth trajectory is active risk management, to build further on the current successful practices and learn from experiences. It also provides the basis to select risks that drive value while proactively mitigating, managing or transferring risks that do not create value. While Aurobindo has a proven ability to successfully take on challenges, the efforts are to become even more proactive in recognizing and managing risks through a more structured framework. The magnitude of the recent financial crisis, as well as its significant repercussions on the world economy and on many of the customers and suppliers highlighted more than ever the need to have a broad and comprehensive risk management approach.

Aurobindo is adopting a broad and strategic approach to risk management taking into account both internal and external risks, and strengthening the governance process to respond swiftly to changing dynamics.

The Company has taken cognisance of the compliance and operational risks to be addressed involving the people, the processes, technology and outsourcing of products and services. A structural framework to identify, mitigate and manage all the risks on an ongoing basis is being put in place in the current year.

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 and 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 approximately 49% of its formulations revenues from the U.S., another 25% from the European Union and the balance 26% from the emerging markets. 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 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 not apply to Aurobindo since it is vertically integrated. For most of its generic formulations, the Company has captive manufacture of active ingredients. This helps keep the cost under control, and improve margins. In a price sensitive industry, 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 517 approvals for ANDAs out of which 173 are with the US FDA. Approvals received from US FDA total 121.

Similarly, the team has filed over 1,658 DMFs including 148 with US FDA. 439 patent and 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 439 patents and designs and has been granted 52 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 US $ and the Company is conscious of the possibility of weakening dollar impacting earnings. This is being mitigated by the following actions:

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

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

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

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

Risk related to Human Resources

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

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 Third Annual General Meeting of the Members of Aurobindo Pharma Limited will be held on **Thursday, the 23rd day of September, 2010 at 11.45 a.m. at Katriya Hotel & Towers, 8, Rajbhavan Road, Somajiguda, Hyderabad - 500 082** to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2010 and Profit and Loss Account and Cash Flow Statement for the year ended on that date and the report of the Board of Directors and the Auditors thereon.
2. To declare dividend on the Equity Shares.
3. To appoint a Director in place of Dr. K. Ramachandran who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Dr. P.L. Sanjeev Reddy who retires by rotation and being eligible, offers himself for re-appointment
5. To appoint a Director in place of Mr. P. Sarath Chandra Reddy who retires by rotation and being eligible, offers himself for re-appointment
6. To appoint M/s. S.R. Batliboi & Associates (Registration No.101049W) 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.

By Order of the Board

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

Hyderabad
August 5, 2010

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 Register of Members and Share Transfer Books of the Company will remain closed from September 15, 2010 to September 23, 2010 (both days inclusive).
3. The Board of Directors of the Company has declared an interim dividend @ 60% i.e. ₹3 per share of Face Value ₹5 for the year 2009-10 on January 30, 2010 and has been paid to the eligible shareholders on February 13, 2010.

   The final dividend on equity shares @ 40% i.e. ₹2 per share of ₹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 September 14, 2010; 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.
4. Pursuant to the provisions of Section 205A of the Companies Act, 1956, the unpaid/unclaimed Dividend for the year 2002-03 will be transferred to the Investor Education and Protection Fund of the Central Government on the due date.
5. 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).
6. 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.
7. 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.

Directors' Report

Dear Members,

Your Directors are pleased to present the 23rd Annual Report of the Company together with the Audited Accounts for the financial year ended March 31, 2010.

FINANCIAL RESULTS

₹ Million

	2009-2010	2008-2009
Gross Turnover	**33196.0**	28852.5
Profit before Depreciation, Interest, Tax and exceptional items	**8579.4**	2945.1
Depreciation/Amortization	**954.6**	824.1
Interest (Net)	**523.3**	550.6
Profit before tax	**7101.5**	1570.4
Provision for tax/Deferred tax	**1865.8**	321.2
Profit after tax before exceptional item	**5235.7**	1249.2
Exceptional items	**21.9**	36.2
Net Profit after exceptional items	**5257.6**	1285.4
Balance brought forward from previous year	**6493.2**	5619.4
Balance available for appropriation	**11750.8**	6904.8
APPROPRIATIONS		
Dividend on Equity Shares	**277.4**	242.0
Tax on Dividend	**46.7**	41.1
General Reserve	**525.8**	128.5
Surplus carried to Balance Sheet	**10900.9**	6493.2

DIVIDEND

Your Directors have proposed a final dividend of 40% i.e., ₹2 per equity share and together with the interim dividend of 60% i.e. ₹3 per equity share, the total dividend for the financial year 2009-10 amounts to 100% i.e. ₹5 per share on the equity shares of ₹5 against 90% i.e. ₹4.50 per share paid in the previous year.

FINANCIAL HIGHLIGHTS

Your Company achieved all-time high revenues, operating income, EBITDA, operating profit before tax and profit after tax. New highs were also recorded in several other parameters such as volume sold and Earnings per Share, while your Company became long-term debt free and holds its net assets free of all encumbrances.

The gratifying part of the performance was the accomplishment in a year which saw recessionary conditions in several countries, where your Company has a presence, at a time of high volatility in raw material prices and exchange rate.

The revenues at ₹33196 million for the year under review was higher by 15% over ₹28852.5 million reported in 2008-09. Volume sold was higher year-on-year and more significantly, with higher average realization per product sold.

Earnings before Interest, Taxes, Depreciation and Amortization (EBITDA) excluding foreign exchange adjustments was ₹7723.6 million in 2009-10 higher by 47.9% over ₹5223.3 million earned in 2008-09. EBITDA margin excluding foreign exchange adjustments was 23.3% in the year under review compared to 18.1% in the previous year. It is relevant to mention that your Company had an exchange gain of ₹855.8 million during the year, while there was a foreign exchange fluctuation loss of ₹2278.2 million in 2008-09.

Profit after Tax after exceptional items was ₹5257.6 million during the year under review, a significant improvement over ₹1285.4 million reported in 2008-09. The diluted Earnings per Share for the year is hence ₹83.16 as compared to ₹19.86 for the previous year.

REVIEW OF OPERATIONS

In the face of global recessionary conditions and the consequent severe competitive pressures, your Company strengthened its presence in all its geographies and improved its marketing reach. The expanded product portfolio and the investments made to augment manufacturing capacities were leveraged to gain market share, strengthen distribution channels and build further on the existing relationships with customers.

Formulations sales (Consolidated) during the year under review were up by 32.6% to ₹18520 million from ₹13971 million in 2008-09. Formulations sales constituted 53.6% of gross sales, while it accounted for 46.2% in the previous year.

As in the earlier years, your Company continued to pursue newer product offerings to respond to market needs. While Aurobindo has a presence in several therapeutic segments in the formulations business, the focus has been to increase the offerings in six segments in all the addressable markets, both in the premium and emerging markets. In order to ensure a sustainable growth, the product pipelines were further expanded by filing 22 more ANDAs covering both Indian and US facilities.

Your Company has a mutually rewarding relationship with all its multinational customers including some of the best pharmaceutical majors across the globe and strives to meet their exacting demands. Volume sales have been rising and your Company has been working to keep to their expectations, especially quality and timelines.

Manufacturing capacity stands optimized with the commissioning of the Unit VII (SEZ) at Jedcherla as well as de-bottlenecking at other units. The manufacturing facility at Dayton, New Jersey, U.S.A. commenced commercial production during the year under review. Capacities were added both at the active ingredient units as well as in the formulation units. While some of them were commissioned in the course of the year, the full benefits at both revenue and profitability levels are anticipated in the financial year 2010-11.

There has been improvement in efficiencies, increase in power generation and moderate increase in operating margins. While productivity and yields have increased, focused efforts are being made to improve on the key parameters at the manufacturing units.

EVENTS AFTER THE BALANCE SHEET DATE

As Members are aware, your Company in 2006 had issued 60,000 Zero Coupon Foreign Currency Convertible Bonds (bonds) due in 2010 of $ 1,000 each on the following terms:

- either convertible by the holders at any time on or after September 20, 2005 but prior to close of business on August 1, 2010. Each bond will be converted into 83.12 fully paid up equity share with par value of ₹5 per share at a fixed price of ₹522.036 per share at a fixed exchange rate conversion of ₹43.3925 = $ 1; 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;
- redeemable on maturity date at 139.954% of its principal amount if not redeemed or converted earlier.

The bonds have been since determined and crystallized and all except 2,118 bonds of $ 1,000 each have been converted/ repurchased. The balance bonds are due for repayment as per the terms of the Offering Circular.

OUTLOOK

Going ahead, your Company will continue to focus on higher capacity utilization and augmenting the existing large portfolio of generic products. The marketing plans are also tailored to becoming more geographically diversified in the emerging markets and deepen the presence in the premium markets in order to have a more balanced and derisked growth.

Your Company is well-positioned for the long term with its proven business strategy that has withstood the challenges of global economic environment, regulatory compliant product basket, sound financials and dedicated team of people working together to achieve superior results.

However, in the recent past, raw material prices have tended to rise leading to cost push and supply-demand mismatch. Your Company is cognizant of such challenges and is geared to face them. Aurobindo's vertically integrated manufacturing facilities enable producing and delivering on due dates as well as managing margin pressures.

In order to ensure sourcing reliability and provide for growth requirements, your Company will continue to invest in manufacturing systems and add to capacity of both intermediates and active ingredients. Similarly, investment will continue to be made to add to product pipeline as well launch products soon after they are approved by regulatory authorities. Today, your Company is managed by competent and experienced people and initiatives are being taken to add to resources, equip them for present and future needs and enable them to face the challenges of a high energy organization on a fast track.

In the ultimate analysis, your Company will maintain its momentum to grow sustainably and reach the stated objective of $ 2 billion revenues by 2012-13.

RESEARCH & DEVELOPMENT

Your Company's research and development (R&D) activities are focused on developing new products and new non-infringing processes, as well as maintaining and improving the quality of the existing products. Research is also being carried out on risk characterization, patenting new process patents, creating a framework for ensuring regulatory compliance and for understanding the future needs of the markets.

Efforts are on to launch a focused program of 'Quality by Design' to ensure and improve assurance standards in processes and products. Risk reduction such as developing technologies that have the potential to ensure valence and conform to regulatory requirements is a central part of the R&D program.

Aurobindo's strength is its research based chemistry capabilities and expertise in developing dosage forms that meet compliance standards and market needs. On an on-going basis, your Company continues to invest in high-end talents to identify new products and non-infringing processes and improve process controls.

During the year under review, the R&D Centre filed 22 ANDAs including 7 'Paragraph IV' applications. The R&D facility in the U.S.A. filed 3 ANDAs for controlled substances. The new formulation facility in SEZ has been formally inaugurated and has commenced filing ANDAs /Dossiers.

Further, 49 more patent applications covering improved processes for various active pharmaceutical ingredients and pharmaceutical compositions were filed. Your Company is proud to report that the patent Appreciation Award was received for its API process from the Indian Drug Manufacturers Association, Mumbai.

SUBSIDIARIES/JOINT VENTURES

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

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

ENVIRONMENT & SAFETY

Your Company places considerable emphasis on its commitment and responsibility towards the health and safety of its employees as well as on its environmental footprint. Considerable care is taken to not only meet the regulatory standards, but also to become best-in-class in the pharmaceutical industry.

Large investments have been made in competent and experienced supervisory human resources, state-of-the-art hardware, latest technologies, updated systems and processes and focused training of employees. Site visits were made by the supervisory teams to familiarize themselves and train to get a hands-on understanding of the international practices.

The team at Aurobindo is upgrading the facilities to implement a comprehensive safety improvement and capacity building program.

On the environmental front, some of the initiatives taken during the year include:

- establishing environmental management infrastructure across all units;
- streamlining the process of disposal of certain categories of hazardous wastes through alternate destruction and reuse technologies;
- promoting and encouraging innovative emerging technologies of water treatment; and
- progressing towards achieving zero liquid discharge.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956, read with the Articles of Association of the Company, Dr. K. Ramachandran, Dr. P.L. Sanjeev Reddy and Mr. P. Sarath Chandra Reddy, Directors retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment.

A brief profile of Dr. K. Ramachandran, Dr. P.L. Sanjeev Reddy and Mr. P. Sarath Chandra Reddy are provided in the Report on Corporate Governance.

DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions of Section 217 (2AA) of the Companies Act, 1956 as amended, the Board of Directors confirms that in the preparation of the Profit and Loss Account for the year ended March 31, 2010 and the Balance Sheet as at that date:

i. the applicable accounting standards have been followed;

ii. had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profits of the Company for the year;

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

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

CREDIT RATING

Fitch Ratings has upgraded and assigned a National Long Term Issuer rating of 'AA-(ind)' with a Stable Outlook to your Company.

The upgrades reflect an improvement in your Company's financial and credit profile during 2009-10. The ratings also factor in Fitch's expectation of a further improvement in Aurobindo's capacity utilization, strong visibility of business growth and profitability as well as a reduction in its financial risks despite the additional capital expenditure planned during 2010-11.

GROUP

Pursuant to an intimation from the promoters, the names of the promoters and entities comprising 'group' as defined under the Monopolies and Restrictive Trade Practices ('MRTP') Act, 1969 are disclosed in the Annual Report for the purpose of the SEBI (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

CORPORATE GOVERNANCE

The certificate of the Practicing Company Secretary 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 2010-11.

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 2009-10.

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

Aurobindo's 8,066 (as at March 31, 2010) employees bring their skills and motivation to their workplace and their specialized knowledge is valuable to steer the future growth. Employees play a major role in putting Aurobindo's strategy into practice and are being encouraged to innovate, improve and measurably contribute to creating a strong and successful pharmaceutical company.

Your Company's goals include instilling the organization's values and commitments, recruiting and maintaining skills tuned to present needs and future growth, providing employees with a continually safe, stimulating and satisfying work environment.

Your Board would like to thank all of the employees of Aurobindo for the role that they have played in 2009-10 to build a stronger, fitter organization.

PARTICULARS OF EMPLOYEES

The particulars of employees as required to be disclosed in accordance with the provisions of Section 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 Section 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 at the Registered Office.

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, no options were granted under ESOP-2004 and ESOP-2006. 150,030 equity shares were issued and allotted under the ESOP-2004 scheme.

Details of the options granted up to March 31, 2010 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.

ACKNOWLEDGEMENT

Your Directors place on record their sincere appreciation for significant contribution made by the employees at all levels through their dedication, hard work and commitment and look forward to their continued support. Your Company has hugely benefited by the encouragement and patronage of its large number of customers and is deeply indebted to them. Your Directors are grateful to the central and state governments for their continued support for the Company's expansion plans and wish to place on record their appreciation and acknowledge with gratitude the co-operation extended by regulatory authorities, banks, financial institutions and shareholders and look forward to having their support in the future.

For and on behalf of the Board

P. V. RAMPRASAD REDDY
Chairman

Hyderabad
August 5, 2010

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	2009-2010	2008-2009
Power & Fuel Consumption		
a. Electricity Purchased		
Units (Nos. in Million)	**182.95**	162.17
Total amount (₹ Million)	**622.96**	541.27
Unit rate (₹)	**3.41**	3.34
b. Own Generation		
Through Diesel Generator		
No. of units (in Million)	**17.38**	9.97
Units per litre of diesel	**2.87**	2.69
Oil cost per unit (₹)	**11.93**	13.04
Through Steam Turbine/Generator		
No. of units (in Million)	**31.13**	31.19
Units per litre of oil/gas	**0.38**	0.34
Cost per unit (₹)	**2.37**	3.25
Coal		
Quantity (MT)	**140,140.49**	127,003.68
Cost (₹ Million)	**457.87**	481.86
Average rate/MT (₹)	**3267.20**	3,794.03
Furnace Oil		
Quantity (KL)	**1980.17**	946.92
Cost (₹ Million)	**51.81**	25.60
Average rate/KL (₹)	**26166.10**	27,039.58
Others (Wood)		
Quantity (MT)	**1483.53**	1237.47
Cost (₹ Million)	**3.03**	2.21
Average rate/MT (₹)	**2045.34**	1782.40

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

RESEARCH AND DEVELOPMENT

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

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

Development work was started to enter into Non-penicillin and non-Cephalosporin (NPNC) based injectable market. The Company also initiated development work to enter oral contraceptives and ophthalmic products.

Significant work was initiated to enter into the CRAMS business segment.

The table below shows the new filings for regulatory approval of products in the past two years for select markets:

		2009-2010	2008-2009
ANDAs	US FDA	**22**	19
	Europe	**13**	15
DMF	US FDA	**12**	11
Patents & Designs		**49**	55

Benefits derived as a result of R&D

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

Newer products and processes have facilitated Aurobindo to expand its market.

Future plan of action

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

Expenditure on Research and Development

₹ Million

	2009-2010	2008-2009
Capital	**42.1**	80.3
Recurring	**972.7**	952.0
Total R&D expenditure	**1014.8**	1032.3
as a percentage of total turnover	**3.06**	3.58

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, 2010:

₹ Million

	2009-2010	2008-2009
Foreign exchange earned		
Exports (FOB)	**20863.7**	17466.5
Others	**1258.8**	1003.8
	22122.5	18470.3
Foreign exchange outgo		
Materials	**13287.9**	12766.2
Other expenses	**589.9**	553.8
	13877.8	13320.0

For and on behalf of the Board

P. V. RAMPRASAD REDDY
Chairman

Hyderabad,
August 5, 2010

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 2009-10	29,360	11,450
Options exercised during FY 2009-10	150,030	Nil
The total number of shares arising as a result of exercise of option	150,030	Nil
Options lapsed during FY 2009-10 which are subject to reissue	2,573	5,000
Variation of terms of options	Nil	Nil
Money realized by exercise of options (₹)	54,400,878	Nil
Grant price (Face Value of ₹5) Prevailing on grant date		
August 1, 2004	₹362.60	N.A.
July 28, 2005	₹362.60	N.A
October 30, 2006	N.A	₹603.50
July 31, 2007	N.A.	₹661.75
October 31, 2007	N.A	₹572.50
Total number of options in force as on March 31, 2010 (Cumulative)	46,554	50,000
Grant details of members of senior management team during the year 2009-10	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	₹83.16	₹83.16

(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 (₹)	Nil	3,247,324
iii. The impact of the difference on profits and		
on EPS of the Company (₹)	PAT	5,257,563,946
	Less: Additional cost	
	based on Fair Value	3,247,324
	Adjusted PAT	5,254,316,622
	Adjusted EPS	97.03
iv. Weighted average exercise price and fair value of stock options granted:		
Stock options granted on	Nil	Nil
Weighted Average Exercise Price (₹)	362.60	598.90
Weighted average Fair Value (₹)	375.14	720.63
Closing market price at NSE on the date of grant (₹)	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	0.85 (85%)	0.85 (85%)

For and on behalf of the Board

Hyderabad
August 5, 2010

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, 2010

Name	Category	Number of memberships in other companies		Attendance at	
		Board	Committees	Board Meetings	AGM
Mr. P.V. Ramprasad Reddy	Promoter and Executive	1	–	5	Yes
Mr. K. Nithyananda Reddy	Promoter and Executive	3	–	5	Yes
Dr. M. Sivakumaran	Executive	2	–	6	Yes
Mr. M. Madan Mohan Reddy	Executive	1	–	5	Yes
Dr. K. Ramachandran	Non-Executive Independent	2	1	5	No
Dr. P.L. Sanjeev Reddy	Non-Executive Independent	1	1	6	No
Mr. P. Sarath Chandra Reddy	Non-Executive Non-Independent	5	–	5	Yes
Mr. M. Sitarama Murty	Non-Executive Independent	2	2	6	Yes
Mr. K. Ragunathan	Non-Executive Independent	–	–	6	No
Dr. D. Rajagopala Reddy	Non-Executive Independent	–	–	3	No

Note: 1. Other directorships are exclusive of Indian private limited companies and foreign companies.
2. Dr. S. Bimal Singh, who resigned from the Board with effect from October 30, 2009 has attended three Board Meetings held upto that date.
3. Dr. D. Rajagopala Reddy, who was appointed as a Director of the Company with effect from October 30, 2009 has attended three Board Meetings held from that date.

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

Date	Board Strength	No. of Directors Present
April 30, 2009	10	10
July 31, 2009	10	10
August 14, 2009	10	9
October 30, 2009	10	8
November 12, 2009	10	9
January 30, 2010	10	9

Details of Directors proposed for re-appointment:

Dr. K. Ramachandran, Dr. P.L. Sanjeev Reddy and Mr. P. Sarath Chandra Reddy retire by rotation and being eligible, seek re-appointment.

Dr. K. Ramachandran aged 55 years, soon after obtaining his PhD from Cranfield School of Management in UK, joined IIM, Ahmedabad in 1986. Since then he has been teaching in IIMA/Indian School of Business, Hyderabad. His areas of specialization include entrepreneur opportunities, growth strategies, resource management, innovation, corporate entrepreneurship, new enterprise management, venture capital industry, family business and SME policies.

He has been a consultant to a number of Indian and international organizations on entrepreneurship and strategy. Further, he has been involved on several committees of Government of India including National Advisory Committee on Science and Technology Entrepreneurship Parks/Technology Business Incubators (since 2003) and National Advisory Committee on Entrepreneurship Development (since 2004). He has been associated with the Editorial Board, Venture Capital, UK (1999-03); Task force on Information Technology, Confederation of Indian Industry, Gujarat (1999); Advisor, Union Public Service Commission, Government of India (2000) and Co-Convener, Vision for Venture Capital Industry, Committee of SEBI (1999). He is a director of Vimta Labs Limited, APITCO Limited and Richcore Life Sciences Private Limited and he does not hold any shares in in Aurobindo Pharma Limited.

Dr. P.L. Sanjeev Reddy, aged 66 years, is B.A. (Hons.) with Ist Rank, M.A. (Economics) with Ist Rank and holding P.G. Diploma in Development of Studies, University of Cambridge (U.K.) and a Doctorate in Industrial Management. He is from Indian Administrative Service, Andhra Pradesh Cadre (Batch 1964). He has 35 years of experience in various capacities in the Indian Administrative Service and retired in December, 2000 as Secretary, Department of Company Affairs, Ministry of Law, Justice and Company Affairs, Government of India.

During his service, he has held several sensitive, responsible and challenging assignments. He specialized in the fields of industry, finance, international trade and commerce and development administration including social development and has won several national awards for his managerial excellence. In 2002, he was awarded Golden Peacock Award instituted by the Institute of Directors, London for excellence in public service.

During his service with the government, he held various positions viz., District Collector, Secretary to various ministries of central government, Vice Chairman and Managing Director of Andhra Pradesh State Agro Industries Development Corporation Limited, Andhra Pradesh Industrial Development Corporation, Andhra Pradesh State Financial Corporation and Andhra Pradesh State Non-Resident Investment Corporation.

He was the Principal Secretary to the Chief Minister, Government of Andhra Pradesh (1988 - 1989). He was also the Secretary to the erstwhile M.R.T.P. Commission (1990 - 1992); Ex-Officio Additional Secretary to D.G.F.T. (1993 - 1995) Director General - Indian Institute of Foreign Trade (1995 to 1997); Principal Advisor to the Planning Commission, Government of India (1999) and Secretary to the Government of India, Department of Rural Development (1999 - 2000). He is a director of VBC Ferro Alloys Limited and does not hold any shares in Aurobindo Pharma Limited.

Mr. P. Sarath Chandra Reddy, aged 25 years, is a graduate in Business Administration. He is a second generation entrepreneur experienced in general management and has expertise in project executions. He is presently Managing Director of Axis Clinicals Limited and also Director in Trident Chemphar Limited, APL Health Care Limited, APL Research Centre Limited, SARAS Infrastructure and Projects Limited, Auronext Pharma Private Limited and PVR Holdings Private Limited. He is holding 3,278 shares in Aurobindo Pharma Limited.

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 statements 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 be 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 has met five times on April 30, 2009; July 31, 2009; October 30, 2009; November 12, 2009 and January 30, 2010.

The attendance at the Audit Committee Meetings during the financial year 2009-10 is as under:

Member	No. of Meetings[1]	Attendance
Dr. K. Ramachandran - Chairman	5	4
Dr. S. Bimal Singh - Member[2]	2	2
Mr. M. Sitarama Murthy - Member	5	5
Mr. K. Ragunathan - Member	5	5
Dr. D. Rajagopala Reddy - Member[3]	2	2

[1] Number of Meetings held during the tenure of Members

[2] Dr. S. Bimal Singh ceased to be the Member of the Audit Committee due to his resignation as a Director of the Company with effect from October 30, 2009.

[3] Dr. D. Rajagopala Reddy was appointed as a Member of the Audit 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 other 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 the Chairman, the Managing Director and 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 three times on April 30, 2009; October 30, 2009 and December 15, 2009.

Member	No. of Meetings	Attendance
Dr. P.L. Sanjeev Reddy - Chairman	3	3
Dr. K. Ramachandran - Member	3	2
Mr. P. Sarath Chandra Reddy - Member	3	3

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 2009-2010

a. Executive Directors

₹

Name	Salary	Perquisites	Contribution to P.F	Total
Mr. P.V. Ramprasad Reddy	6,875,000	1,108,000	9,360	7,992,360
Mr. K. Nithyananda Reddy	6,875,000	1,108,000	9,360	7,992,360
Dr. M. Sivakumaran	6,875,000	1,108,000	9,360	7,992,360
Mr. M. Madan Mohan Reddy	6,804,167	700,916	9,360	7,514,443
TOTAL	27,429,167	4,024,916	37,440	31,491,523

b. Non-Executive Directors

Sitting fee of ₹20,000 is being paid for attending each meeting of the Board of Directors and sitting fee of ₹10,000 is being paid for attending each meeting of Committees of Board of Directors. During the year, the sitting fees paid was as follows:

₹

Name	Sitting fees
Dr. S. Bimal Singh	90,000
Dr. K. Ramachandran	1,60,000
Dr. P. L. Sanjeev Reddy	1,50,000
Mr. M. Sitarama Murty	1,70,000
Mr. P. Sarath Chandra Reddy	1,30,000
Mr. K. Ragunathan	1,70,000
Dr. D. Rajagopala Reddy	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 2009-10

Nature of Complaints	Received	Resolved	Pending
Complaints received from shareholders:			
• Share certificates	57	57	Nil
• Dividend	80	80	Nil
• Annual reports	12	12	Nil
Complaints of shareholders forwarded by:			
• SEBI	1	1	Nil
• Stock exchanges	2	2	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
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
2009	Katriya Hotel & Towers, Hyderabad	23.12.2009	11.30 a.m.	2

- A meeting of the Members of the Company was convened on May 21, 2009 as per the directions of Hon'ble High Court of Andhra Pradesh at Hyderabad to approve the Scheme of Arrangement between the Company and its shareholders.
- A meeting of the Members of the Company was convened on January 20, 2010 to approve merger of Trident Life Sciences Limited, a wholly owned subsidiary of the Company with the Company.
- There was no Special Resolution passed through postal ballot during the year.

Disclosures

CEO and CFO Certification

The Managing Director and 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 Directors are interested, is placed before the Board regularly.

Transactions with related parties are disclosed in Schedule 23 of 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 households 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 has 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

23rd Annual General Meeting

As mentioned in the Notice, the 23rd Annual General Meeting of the Company will be held on September 23, 2010 at 11.45 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 2010-11 is as follows:

Unaudited Financial Results for	On or before
1st Quarter	August 15, 2010
2nd quarter	November 15, 2010
3rd Quarter	February 15, 2011
4th Quarter	May 15, 2011

Book Closure

From September 15, 2010 to September 23, 2010 (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., ₹3 per share of Face Value of ₹5 at its meeting held on January 30, 2010 for the financial year 2009-2010, which was paid to the eligible shareholders on February 13, 2010. Subject to the approval of Members, the final dividend of 40% i.e. ₹2 per share of Face Value of ₹5, if declared, will be paid within 30 days from the date of the Annual General Meeting to the 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 are the 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 2010-11 has been paid to both the 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 derecognition of Hyderabad Stock Exchange Limited by SEBI with effect from 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 (₹) High	Low	Close	Volume	S & P CNX Nifty High	Low
2009	April	256.15	175.55	217.95	2,521,571	3517.25	2965.70
	May	394.40	225.10	387.95	5,341,812	4509.40	3478.70
	June	529.00	374.00	465.65	4,409,220	4693.20	4143.25
	July	597.80	394.90	590.20	5,740,913	4669.75	3918.75
	August	725.00	512.65	705.30	3,677,334	4743.75	4353.45
	September	794.75	660.00	780.80	2,985,034	5087.60	4576.60
	October	887.80	735.60	750.80	4,173,188	5181.95	4687.50
	November	884.00	735.25	858.05	3,934,882	5138.00	4538.50
	December	931.85	842.00	911.85	4,151,670	5221.85	4942.25
2010	January	944.90	810.00	842.90	3,503,488	5310.85	4766.00
	February	954.40	855.00	912.75	4,041,466	4992.00	4675.40
	March	989.90	916.90	959.40	4,078,074	5329.55	4935.35

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

	Month	Bombay Stock Exchange (₹) High	Low	Close	Volume	BSE Sensex High	Low
2009	April	256.25	181.60	221.60	632,680	11492.10	9546.29
	May	393.00	225.00	387.55	1,812,585	14930.54	11621.30
	June	528.00	374.00	465.50	1,273,007	15600.30	14016.95
	July	598.00	406.00	589.65	1,769,587	15732.81	13219.99
	August	723.00	573.00	704.30	860,242	16002.46	14684.45
	September	794.00	672.05	779.10	765,854	17142.52	15356.72
	October	891.40	737.50	749.25	468,641	17493.17	15805.20
	November	883.40	735.00	855.90	760,649	17290.48	15330.56
	December	930.50	850.10	914.00	694,073	17530.94	16577.78
2010	January	939.00	812.30	845.65	387,123	17790.33	15982.08
	February	973.70	843.00	914.00	600,001	16669.25	15651.99
	March	990.00	886.10	958.80	546,769	17793.01	16438.45

Distribution Schedule as on March 31, 2010

Shareholding Nominal value From	To	Shareholders No.	%	Total Shares	Share Amount Nominal Value ₹	%
1 -	5000	33,678	97.88	2,203,315	11,016,575	3.95
5001 -	10000	277	0.81	414,633	2,073,165	0.74
10000 -	20000	163	0.47	477,756	2,388,780	0.86
20001 -	30000	64	0.19	322,777	1,613,885	0.58
30001 -	40000	35	0.10	244,879	1,224,395	0.44
40001 -	50000	19	0.05	174,877	874,385	0.31
50001 -	100000	44	0.13	660,423	3,302,115	1.19
100001 &	above	128	0.37	51,230,177	256,150,885	91.93
	TOTAL	34,408	100.00	55,728,837	278,644,185	100.00

Note: 2,402 shares are held in the Bonus Transit Pool Account as on March 31, 2010.

Categories of Shareholders as on March 31, 2010

Category	No. of Shares	%
Promoters, Directors & their relatives/associates	31,702,590	56.89
NRIs/FIIs/FDIs/OCBs	13,509,105	24.24
Govt/Banks/FIs	458,306	0.82
Mutual Funds	3,688,886	6.62
Insurance companies	1,557,456	2.79
Bodies corporate	1,092,895	1.96
General public and others	3,719,599	6.68
TOTAL	55,728,837	100.00

Top Ten Shareholders of the Company as on March 31,2010

Shareholders	Category	No. of Shares	%
Mr. P.V. Ramprasad Reddy	Promoter group	15,729,088	28.22
Ms. P. Suneela Rani	Promoter group	6,166,110	11.06
Mr. K. Nithyananda Reddy	Promoter group	2,752,470	4.94
Global Investment Funds a/c HSBC			
Global Investment Funds Mauritius Limited	FII	2,400,000	4.31
Ms. K. Kirthi Reddy	Promoter group	2,150,000	3.86
Artha Emerging Markets Fund (Mauritius) Limited	FII	1,582,593	2.84
Dr. M. Sivakumaran	Promoter group	1,469,136	2.64
Life Insurance Corporation of India	Insurance Company	1,437,080	2.58
Ms. K. Rajeswari	Promoter group	1,277,550	2.29
Trident Chemphar Limited	Promoter group	1,158,000	2.08

Mr. M. Madan Mohan Reddy, Executive Director, was given options for 5,000 shares under ESOP Scheme - 2004 and he has exercised 1,750 options. Mr. M. Madan Mohan Reddy is also holding one share in the Company.

The Non-Executive Independent Directors viz., Dr. D. Rajagopala Reddy, 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.

Group coming within the definition of Group as defined in the Monopolies and Restrictive Trade Practices Act, 1969 (54 of 1969)

The following persons constitute the Group coming within the definition of group as defined in the Monopolies and Restrictive Trade Practices Act, 1969 (54 of 1969), which exercise, or is established to be in a position to exercise control, directly or indirectly, over the Company:

Mr. P.V. Ramprasad Reddy

Ms. P. Suneela Rani

Mr. P. Sarath Chandra Reddy

Mr. Penaka Rohit Reddy

Trident Chemphar Limited

Axis Clinicals Limited

RPR Trust

Pravesha Industries Private Limited, India

Sri Sai Packaging, India (Partnership firm)

Auropro Soft Systems Private Limited, India

Mr. K. Nithyananda Reddy

Ms. K. Rajeswari

Ms. Kambam Kirthi Reddy

Ms. Spoorthi Kambam

Mr. Prasad Reddy Kambam

Mr. K. Suryaprakash Reddy

Dr. M. Sivakumaran

Ms. Sashi S. Kumar

Ms. Shilpa Sivakumaran

Mr. Vishnu M. Sriram

The above disclosure has been made, *inter alia*, for the purpose of Regulation 3(1)(e) of the Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 1997.

Dividend & Bonus History

Year	Rate of Dividend %	Bonus
1997-98	50	–
1998-99	50	1:1
1999-2000	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	–
2008-09	90	–

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/redemption 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/redemption on or before May 10, 2011.

During 2007-08, FCCBs aggregating face value 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 and USD 1.80 Million during 2009-10. FCCBs aggregating face value of USD 21.818 Million were converted into equity shares during 2009-10. The outstanding Foreign Currency Convertible Bonds/ Forward Conversion Convertible Bonds as on March 31, 2010 aggregate to USD 170.982 Million.

Subsidiary Companies

APL Pharma Thai Limited, Thailand	Aurobindo Pharma Hungary Kereskedelmi Kft, Hungary
Aurobindo Pharma Industria Farmaceutica Limitada, Brazil	Agile Pharma B.V., The Netherlands
Aurobindo (Datong) Bio Pharma Company Limited, China	Aurobindo Switzerland A.G., Switzerland
Helix Healthcare B.V., The Netherlands	Pharmacin B.V., The Netherlands
Aurobindo Pharma USA Inc., U.S.A.	Auro Healthcare (Nigeria) Limited, Nigeria
Aurolife Pharma LLC, New Jersey	APL Research Centre Limited, India
Auro Pharma Inc., Canada	APL Health Care Limited, India
Aurex Generics Limited, U.K.	Aurobindo Pharma Produtos Farmaceuticos Limitada, Brazil
Aurobindo Pharma (Pty) Limited, South Africa	All Pharma (Shanghai) Trading Company Limited, China
Milpharm Limited, U.K.	Aurobindo Pharma Japan K.K., Japan
Zao Aurobindo Pharma, Russia	Agile Malta Holdings Limited, Malta
Aurobindo Pharma (Australia) Pty Limited, Australia	

Aurobindo Pharma (Malta) Limited, Malta	Aurobindo Pharma (Portugal) Unipessoal Limitada, Portugal
APL Holdings (Jersey) Limited, Jersey	Aurobindo Pharma ApS, Denmark
APL IP Company Limited, Jersey	SIA Aurobindo Baltics, Latvia
APL Swift Services (Malta) Limited, Malta	Aurobindo Pharma (Bulgaria) EAD, Bulgaria
Agile Pharma (Malta) Limited, Malta	Aurobindo Pharma France SARL, France
Aurobindo Pharma (Italia) S.r.l., Italy	Auronext Pharma Private Limited, India
Laboratorios Aurobindo, Sociedad Limitada, Spain	Aurobindo Pharma GmbH, Germany
Aurobindo Pharma (Ireland) Limited, Ireland	Aurobindo ILAC Sanayi ve Ticaret Limited, Turkey

Plant Locations

Unit No.	Address
Unit - I	Survey No.388/389, Borpatla, Hatnoor Mandal, Medak District, 502 296, 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, Range Reddy District, 500 090, Andhra Pradesh
Unit-IV	Survey No.66 (Part) & 67 (Part), Miyapur, Serilingampally Mandal, Hyderabad, 500 050, Andhra Pradesh
Unit-V	Plot No.79-91, Industrial Development Area, Chemical Zone, Pashamylaram, Patancheru Mandal, Medak District, 502 307, Andhra Pradesh
Unit-VI	Survey No. 329/39 & 329/47, Chitkul Village, Patancheru Mandal, Medak District, 502 307, Andhra Pradesh
Unit-VII (SEZ)	Sy.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, 509 302, Andhra Pradesh
Unit-VIII	Survey No.13, Gaddapothram, Industrial Development Area - Kazipally Industrial Area, Jinnaram Mandal, Medak District, 502 319, Andhra Pradesh
Unit-IX	Survey No.374, Gundlamachanoor, Hatnoora Mandal, Medak District, 502 296, Andhra Pradesh
Unit-X	B-2, Sipcot, Industrial Complex, Kudikadu, Cuddalore 607 005, Tamilnadu
Unit-XI	Survey No.61-66, Industrial Development Area, Pydibhimavaram, Ranasthalam Mandal, Srikakulam, 532 409, Andhra Pradesh
Unit-XII	Survey No.314, Bachupally, Quthubullapur Mandal, Range Reddy District, 500 090, Andhra Pradesh
Bhiwadi Unit	1128, RIICO Phase-III, Bhiwadi, 301 019, Rajasthan (Sub-leased to Auronext Pharma Private Limited, a subsidiary of the Company)

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, 2010.

For Aurobindo Pharma Limited

K. NITHYANANDA REDDY
Managing Director

Hyderabad, August 5, 2010.

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, 2010, 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
Company Secretary in Practice
C.P. No. 2286

Hyderabad, August 5, 2010.

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, 2010 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 6(d) of Schedule 23 to the financial statements with regard to non-provision of premium payable on 162,268 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, 2010, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on March 31, 2010 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, 2010;

      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**
Firm Registration Number: 101049W
Chartered Accountants

per **VIKAS KUMAR PANSARI**
Partner
Membership No. 93649
Hyderabad, May 29, 2010.

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. During the course of our audit, we have not observed any continuing failure to correct major weakness in internal control system of the Company.

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 Act that need to be entered into the register maintained under Section 301 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 depositing of tax deducted at source in few cases.* Furuther, since the Central Government has till date not prescribed the amount of cess payable under Section 441A of the Companies Act, 1956, we are not in a position to comment upon the regularity or otherwise of the Company in depositing the same.

   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 ₹	Period to which the amount relates	Forum where dispute is pending
Central Excise and Customs Act, 1944	Excise Duty	52,136,641	2007-08, 2008-09, 2009-10	The Assistant Commissioner Appeals, Hyderabad
	Excise Duty	18,604,080	2006-07, 2007-08, 2008-09	CESTAT, Bangalore
	Customs Duty and Penalty	42,621,459*	2002-03, 2003-04, 2004-05, 2005-06	CESTAT, Chennai
	Interest	439,770	2007-08	Joint Commissioner of Central Excise
	Interest	5,680,233	2004-05, 2005-06, 2006-07, 2007-08 2008-09	Commissioner of Central Excise
Finance Act, 1994	Service Tax	525,000	2005-06	CESTAT, Bangalore
	Service Tax	64,685	2006-07	CESTAT, Bangalore
	Service Tax	1,524,348	2006-07	CESTAT, Chennai

*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 any preferential allotment of shares to parties or companies covered in the register maintained under Section 301 of the Companies Act, 1956.

xix. The Company has unsecured debentures (Foreign Currency Convertible Bonds) outstanding during the year on which no security or charge is required to be created.

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**
Firm Registration Number: 101049W
Chartered Accountants

per **VIKAS KUMAR PANSARI**
Partner
Membership No. 93649
Hyderabad, May 29, 2010.

Balance Sheet as at March 31, 2010

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

		Schedule	As at March 31, 2010		As at March 31, 2009	
SOURCES OF FUNDS						
SHAREHOLDERS' FUNDS	Share capital	1	**278.6**		268.8	
	Reserves and surplus	2	**18,865.0**		12,939.5	
				19,143.6		13,208.3
LOAN FUNDS	Secured loans	3	**7,022.5**		8,130.2	
	Unsecured loans	4	**12,425.3**		13,016.6	
				19,447.8		21,146.8
DEFERRED TAX LIABILITIES (Net)		5		**950.7**		784.0
	TOTAL			**39,542.1**		35,139.1
APPLICATION OF FUNDS						
FIXED ASSETS	Gross block	6	**15,268.8**		12,617.3	
	Less: Accumulated depreciation/amortization		**4,815.4**		3,888.6	
	Net block		**10,453.4**		8,728.7	
	Capital work-in-progress including capital advances		**4,994.7**		2,859.6	
				15,448.1		11,588.3
INVESTMENTS		7		**3,709.1**		2,694.1
CURRENT ASSETS, LOANS AND ADVANCES	Inventories	8	**9,448.2**		7,355.2	
	Sundry debtors	9	**11,513.5**		11,056.7	
	Cash and bank balances	10	**45.6**		869.4	
	Other current assets	11	**46.5**		174.6	
	Loans and advances	12	**5,729.8**		6,604.1	
			26,783.6		26,060.0	
LESS: CURRENT LIABILITIES AND PROVISIONS	Current liabilities	13	**6,088.3**		4,978.9	
	Provisions	14	**310.4**		224.4	
			6,398.7		5,203.3	
NET CURRENT ASSETS				**20,384.9**		20,856.7
	TOTAL			**39,542.1**		35,139.1
Notes to Accounts		23				

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

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

For and on behalf of the Board of Directors

S.R. Batliboi & Associates

For **S.R. BATLIBOI & ASSOCIATES**
Firm Registration No. 101049W
Chartered Accountants

K. NITHYANANDA REDDY
Managing Director

per **VIKAS KUMAR PANSARI**
Partner
Membership No. 93649

Hyderabad, May 29, 2010.

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

S. B. Singhi

SUDHIR B. SINGHI
Chief Financial Officer

Dr. M. SIVAKUMARAN
Director

AUROBINDO

Profit and Loss Account for the year ended March 31, 2010

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

		Schedule	2009-2010	2008-2009
INCOME	Sales Gross	15	**33,196.0**	28,852.5
	Less: Excise duty		**673.3**	904.2
	Net		**32,522.7**	27,948.3
	Other income	16	**1,083.8**	56.2
	TOTAL		**33,606.5**	28,004.5
EXPENDITURE	(Increase) in work in progress and finished goods	17	**(1,474.8)**	(289.4)
	Materials consumed	18	**18,777.5**	16,416.3
	Purchase of trading goods		**193.6**	94.7
	Other manufacturing expenses	19	**3,185.7**	2,725.0
	Employee costs	20	**2,326.2**	1,771.8
	Administrative, selling and other expenses	21	**2,018.9**	4,341.0
	Interest and finance charges (Net)	22	**523.3**	550.6
	Depreciation/amortisation	6	**954.6**	824.1
			26,505.0	26,434.1
PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEMS			**7,101.5**	1,570.4
PROVISION FOR TAXATION				
	Current tax		**1,674.2**	290.0
	Deferred tax		**166.7**	59.4
	Fringe benefit tax		**–**	5.1
	Tax relating to previous years		**24.9**	(33.3)
PROFIT AFTER TAXATION BUT BEFORE EXCEPTIONAL ITEMS			**5,235.7**	1,249.2
	Exceptional item (Net of taxes)	23(4)	**21.9**	36.2
PROFIT AFTER TAXATION AND EXCEPTIONAL ITEMS			**5,257.6**	1,285.4
	Balance brought forward from last year		**6,493.2**	5,619.4
PROFIT AVAILABLE FOR APPROPRIATION			**11,750.8**	6,904.8
APPROPRIATIONS	On Equity Shares of ₹5 each			
	Proposed dividend @ ₹2 (Previous Year: ₹1.50)		**111.5**	80.7
	Interim dividend paid @ ₹3 (Previous Year: ₹3)		**165.9**	161.3
	Tax on dividend		**46.7**	41.1
	Transfer to General Reserve		**525.8**	128.5
	Balance carried to Balance Sheet		**10,900.9**	6,493.2
			11,750.8	6,904.8
EARNINGS PER SHARE		23(27)		
	Basic Earnings per Share ₹		**97.09**	23.91
	Diluted Earnings per Share ₹		**83.16**	19.86
	Nominal Value per Equity Share ₹		**5.00**	5.00
Notes to Accounts		23		

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.

S.R. Batliboi & Associates
For **S.R. BATLIBOI & ASSOCIATES**
Firm Registration No. 101049W
Chartered Accountants

per **VIKAS KUMAR PANSARI**
Partner
Membership No. 93649

Hyderabad, May 29, 2010.

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

Cash Flow Statement for the year ended March 31, 2010

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

			2009-2010	2008-2009
1.	CASH FLOW FROM			
	OPERATING ACTIVITIES	Net Profit before tax and exceptional items	**7,101.5**	1,570.4
		Adjustments for:		
		Depreciation and amortization	**954.6**	824.1
		Provision for doubtful debts and advances	**(77.2)**	(1.4)
		Bad debts written off	**57.6**	46.4
		Diminution on investment written back	**(0.2)**	0.1
		Export incentives accrued	**(128.1)**	46.9
		Balances no longer required written back	**(8.8)**	(9.5)
		Provision for retirement benefits	**47.9**	17.4
		Interest expense	**542.9**	550.6
		Interest income	**(102.5)**	(261.4)
		Dividends received	**–**	(0.9)
		Unrealized foreign exchange (gain)/loss	**(1,049.0)**	1,022.5
		(Profit)/Loss on sale of fixed assets	**(92.6)**	0.3
		Sales tax availed as deferment loan	**4.2**	15.7
		Operating Profit before working capital changes	**7,250.3**	3,821.2
		Adjustments for:		
		Increase in inventories	**(2,073.6)**	(842.9)
		Increase in sundry debtors	**(757.3)**	(2,814.0)
		Increase in loans and advances	**(588.8)**	(447.0)
		Increase in sundry creditors	**1,091.0**	720.0
		Cash generated from operations	**4,921.6**	437.3
		Direct taxes paid (Net of refunds)	**(1,475.0)**	(388.5)
	NET CASH FROM OPERATING ACTIVITIES (A)		**3,446.6**	48.8
2.	CASH FLOW FROM			
	INVESTING ACTIVITIES	Acquisition of fixed assets	**(3,418.8)**	(2,889.7)
		Proceeds from sale of fixed assets	**177.9**	10.1
		Purchase of investments	**(731.3)**	(692.7)
		Investment in short term deposits (Net)	**73.7**	221.9
		Sale of investments	**–**	259.8
		Loans to subsidiaries (Net)	**(394.4)**	(97.5)
		Interest received	**230.8**	174.7
		Dividend received	**–**	0.9
		Purchase of intangible assets	**–**	(4.8)
	NET CASH USED IN INVESTING ACTIVITIES (B)		**(4,062.1)**	(3,017.3)

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

			2009-2010	2008-2009
3.	CASH FLOW FROM			
	FINANCING ACTIVITIES	Proceeds from issue of share capital	54.4	–
		Proceeds from long term borrowings	–	750.0
		Repayment of long term borrowings	(1,078.8)	(481.2)
		Repurchase of FCCB	(63.9)	(1,397.2)
		Other short term borrowings (Net)	1,798.9	3,685.2
		Interest paid	(563.6)	(554.0)
		Dividend and dividend tax paid	(288.5)	(393.1)
	NET CASH GENERATED/(USED) FROM FINANCING ACTIVITIES (C)		(141.5)	1,609.7
	NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)		(757.0)	(1,358.8)
		Cash and Cash Equivalents - Opening Balance	790.3	2,092.2
		Add: On amalgamation	7.6	–
		Cash and Cash Equivalents - Closing Balance	40.9	733.4
Notes to the Cash Flow Statement for the year ended March 31, 2010				
i.	Cash and cash equivalents include:			
	Cash on hand		5.4	4.7
	Balance with banks:			
	Current accounts		6.2	663.6
	Cash credit accounts		24.0	117.6
	Fixed deposit accounts		5.4	79.1
	Unpaid dividend accounts*		4.6	4.4
	Cash and cash equivalents as per Balance Sheet		45.6	869.4
	Less: Fixed deposits considered as investments		5.4	79.1
			40.2	790.3
	Unrealised gain on foreign currency cash and cash equivalents		0.7	(56.9)
	Cash and cash equivalents considered for cash flows		40.9	733.4
	*These balances are not available for use by the Company as they represent corresponding unpaid dividend liabilities.			
ii.	Purchase of investments include investments made in subsidiaries ₹731.1 (₹692.7).			
iii.	In the current year, the Company acquired 100% share capital of Trident Life Sciences Limited for cash consideration of ₹0.1, which is subsequently amalgamated with the Company. The said amalgamation is considered as non-cash transaction for the purpose of cash flow.			
iv.	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**
Firm Registration No. 101049W
Chartered Accountants

per **VIKAS KUMAR PANSARI**
Partner
Membership No. 93649

Hyderabad, May 29, 2010.

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

S. B. Singhi

SUDHIR B. SINGHI
Chief Financial Officer

K. NITHYANANDA REDDY
Managing Director

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, 2010		As at March 31, 2009
1.	**SHARE CAPITAL**				
	AUTHORISED	132,000,000 (March 31, 2009: 100,000,000)			
		Equity Shares of ₹5 each		**660.0**	500.0
		1,000,000 (March 31, 2009: 1,000,000)			
		Preference Shares of ₹100 each		**100.0**	100.0
				760.0	600.0
	ISSUED, SUBSCRIBED AND PAID-UP	55,728,837 (March 31, 2009: 53,765,268)			
		Equity Shares of ₹5 each fully paid-up		**278.6**	268.8
		TOTAL		**278.6**	268.8
	Notes:				
	i.	Paid-up Equity Shares of the Company include 34,703,200 (March 31, 2009: 34,703,200) Equity Shares of ₹5 each that were allotted as bonus shares by capitalization of Securities Premium Account.			
	ii.	Paid-up Equity Shares of the Company also include 1,341,000 (March 31, 2009: 1,341,000) Equity Shares of ₹5 each that were allotted for consideration other than cash.			
	iii.	Pursuant to a scheme of amalgamation of erstwhile Trident Life Sciences Limited with the Company, the authorized equity share capital of Trident Life Sciences Limited has got merged with the authorized equity share capital of the Company. Refer also Note 5 of Schedule 23.			
	iv.	The Equity Shares allotted during the year represent increase on account of conversion of Foreign Currency Convertible Bonds and employee stock options into Equity Shares. Refer Notes 6 and 7 of Schedule 23.			
2.	**RESERVES AND SURPLUS**				
	CAPITAL RESERVE	As per last Balance Sheet	**90.3**		90.3	
		Add: Pursuant to a Scheme of Amalgamation (Refer Note 5 of Schedule 23)	**0.8**		–	
				91.1		90.3
	CAPITAL REDEMPTION RESERVE			**90.0**		90.0
	SECURITIES PREMIUM ACCOUNT	As per last Balance Sheet	**1,165.2**		1,165.3	
		Add: Premium on conversion of Foreign Currency Convertible Bonds (Refer Note 6 of Schedule 23) and exercise of employee stock options (Refer Note 7 of Schedule 23)	**991.3**		–	
				2,156.5		1,165.3
	GENERAL RESERVE	As per last Balance Sheet	**5,100.7**		4,972.2	
		Add: Transferred from Profit and Loss Account	**525.8**		128.5	
				5,626.5		5,100.7
	PROFIT AND LOSS ACCOUNT BALANCE			**10,900.9**		6,493.2
		TOTAL		**18,865.0**		12,939.5

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

		As at March 31, 2010			As at March 31, 2009
3.	**SECURED LOANS**				
	TERM LOANS FROM BANKS		**–**		750.0
	OTHER LOANS TAKEN				
	FROM BANKS Working capital loans [includes buyers credit of ₹931.1 (March 31, 2009: ₹1,640.7)]	**7,022.5**		7,379.8	
	Hire purchase liabilities	**–**		0.4	
			7,022.5		7,380.2
	TOTAL		**7,022.5**		8,130.2
	Notes:				
	i. Term loans taken from banks repayable within one year - Nil (March 31, 2009: Nil).				
	ii. For details of security given for term loans and other loans, Refer Note 10 of Schedule 23.				
4.	**UNSECURED LOANS**				
	LOANS TAKEN				
	FROM BANKS Short term loans [includes buyers credit of ₹382.7 (March 31,2009: ₹Nil)]		**4,016.5**		2,422.0
	Credit balance in current account		**2.7**		3.6
	OTHER LOANS Zero Coupon Foreign Currency Convertible Bonds		**7,677.1**		9,866.2
	Sales tax deferral liability		**729.0**		724.8
	TOTAL		**12,425.3**		13,016.6
	Note:				
	i. Sales tax deferral repayable within one year - ₹3.4 (March 31, 2009: Nil).				
	ii. Refer Note 6 of Schedule 23 for details of Zero Coupon Foreign Currency Convertible Bonds.				
	iii. Refer Note 11 of Schedule 23 for further details.				
5.	**DEFERRED TAX LIABILITIES** (Net)				
	Deferred tax liability on account of differences in depreciation as per tax books and financial books		**1,111.1**		971.3
	Deferred tax asset arising on account of timing differences relating to:				
	Provision made towards doubtful debts/advances		**91.5**		119.9
	Employee benefits		**59.9**		44.2
	Expenses incurred in relation to issue of Foreign Currency Convertible Bonds		**9.0**		23.2
	TOTAL		**950.7**		784.0

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, 2009	Acquired on Amalga-mation	Additions	On deletions/ adjustments	**As at March 31, 2010**	Up to April 1, 2009	Acquired on Amalga-mation	For the year	On deletions/ adjustments	**Up to March 31, 2010**	**As at March 31, 2010**	As at March 31, 2009
Tangible assets												
Leasehold land	76.7	–	–	28.1	**48.6**	3.9	–	1.3	2.4	**2.8**	**45.8**	72.8
Freehold land	164.8	19.8	42.9	–	**227.5**	–	–	–	–	**–**	**227.5**	164.8
Leasehold buildings	72.1	–	–	22.8	**49.3**	18.5	–	2.3	3.9	**16.9**	**32.4**	53.6
Freehold buildings	1,943.5	–	493.1	18.1	**2,418.5**	337.0	–	82.0	2.8	**416.2**	**2,002.3**	1,606.5
Plant and machinery	10,048.2	6.6	2,152.6	44.8	**12,162.6**	3,402.4	1.1	842.9	23.3	**4,223.1**	**7,939.5**	6,645.8
Furniture and fittings	208.9	–	28.1	–	**237.0**	76.7	–	17.9	–	**94.6**	**142.4**	132.2
Vehicles	63.5	11.3	16.5	5.6	**85.7**	19.8	1.4	6.9	1.6	**26.5**	**59.2**	43.7
Intangible assets												
Licences	39.6	–	–	–	**39.6**	30.3	–	5.0	–	**35.3**	**4.3**	9.3
TOTAL	12,617.3	37.7	2,733.2	119.4	**15,268.8**	3,888.6	2.5	958.3	34.0	**4,815.4**	**10,453.4**	8,728.7
Previous year	11,344.8	–	1,354.3	81.8	**12,617.3**	3,074.0	–	825.2	10.6	**3,888.6**	**8,728.7**	
Capital Work–in–progress											**4,994.7**	2,859.6

Notes

i. The title deeds of land and buildings aggregating to ₹137.6 (March 31, 2009: ₹116.9) are pending transfer to the Company's name.

i. Freehold buildings include value of share in co-operative housing societies aggregating to ₹Nil (March 31, 2009: ₹0.3).

iii. Capital work in progress include capital advances of ₹172.7 (March 31, 2009: ₹424.7) and expenditure during construction period amounting to ₹685.2 (March 31, 2009: ₹65.9). (Refer Note 13 of Schedule 23).

iv. Additions during the year include value of capital expenditure towards Research Centre amounting to ₹42.1 (March 31, 2009: ₹80.3). (Refer Note 19(b) of Schedule 23).

v. Depreciation for the year include ₹3.7 (March 31, 2009: ₹1.1) taken as pre-operative capital expenditure on capital projects pending capitalization.

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

	Face value per share	As at March 31, 2010 No. of shares	₹	As at March 31, 2009 No. of shares	₹
7. INVESTMENTS					
Trade Investments					
a. Long term, Unquoted, in fully paid equity shares at cost					
In Subsidiaries					
Aurobindo Pharma USA Inc., U.S.A.	–	**100% of Paid-in-Capital**	**1,123.8**	100% of Paid-in-Capital	772.0
APL Pharma Thai Limited, Thailand	100 THB	**19,200**	**2.2**	19,200	2.2
Aurobindo (Datong) Bio-Pharma Company Limited, China	–	**100% of Paid-in-Capital**	**1,057.7**	100% of Paid-in-Capital	1,057.7
Aurobindo Pharma Industria Farmaceutica Ltda, Brazil	1 BRL	**4,770,245**	**105.6**	4,770,245	105.6
Helix Healthcare B.V., The Netherlands	–	**100% of Paid-in-Capital**	**1,247.9**	100% of Paid-in-Capital	678.0
APL Research Centre Limited, India	₹ 10	**150,000**	**1.5**	150,000	1.5
APL Health Care Limited, India	₹ 10	**50,000**	**0.5**	50,000	0.5
All Pharma (Shanghai) Trading Company Limited, China	–	**100% of Paid-in-Capital**	**27.5**	100% of Paid-in-Capital	27.5
APL Holdings (Jersey) Limited, Jersey	1 EUR	**1,887,824**	**203.8**	1,887,824	120.7
Aurobindo Pharma Produtos Farmaceuticos Ltda, Brazil	1 BRL	**99,000**	**2.1**	99,000	2.1
Auronext Pharma Private Limited, India	₹ 10	**1,000,000**	**10.0**	–	–
In others					
Jeedimetla Effluent Treatment Limited	100	**753**	**0.1**	753.0	0.1
Patancheru Envirotech Limited	10	**103,709**	**1.0**	103,709.0	1.0
Progressive Effluent Treatment Limited	100	**1,000**	**0.1**	1,000.0	0.1
b. Current, Unquoted, in fully paid equity shares, at lower of cost and market value					
Citadel Aurobindo Biotech Limited	100	**70,000**	**7.0**	70,000.0	7.0
TOTAL (A)			**3,790.8**		2,776.0
Non-trade investments					
a. Long term, unquoted and at cost, in government securities					
Kisan Vikas Patra	–		**1.0**		1.0
National Savings Certificate [includes ₹0.07 held by Income tax authorities (March 31, 2009: ₹0.07)]	–		**0.2**		0.2
b. Current investments, quoted, in fully paid equity shares, at lower of cost and market value					
Andhra Bank	10	**4,520**	**0.4**	4,520.0	0.2
TOTAL (B)			**1.6**		1.4
TOTAL (A+B)			**3,792.4**		2,777.4
Less: Decline, other than temporary, in the value of investments			**83.3**		83.3
			3,709.1		2,694.1
Notes:					
i. Aggregate value of unquoted investments			**3,708.7**		2,693.9
ii. Aggregate value of quoted investments			**0.4**		0.2
iii. Market value of quoted investments			**0.5**		0.2
iv. Refer Note 8 of Schedule 23 for further details.					

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

			As at March 31, 2010		As at March 31, 2009
8.	**INVENTORIES**				
	(at lower of cost or net realizable value)				
		Raw Materials	**3,972.1**		3,529.5
		Work-in-process	**3,472.6**		2,504.6
		Stores, spares, consumables & packing materials	**915.5**		739.9
		Finished goods	**1,088.0**		581.2
		TOTAL	**9,448.2**		7,355.2
	Note: Raw materials and finished goods include materials in transit and lying with third parties.				
9.	**SUNDRY DEBTORS**				
	Unsecured	Debts outstanding for a period exceeding six months			
		Considered good	**1,565.5**	1,672.7	
		Considered doubtful	**239.2**	316.4	
			1,804.7		1,989.1
		Other debts - Considered good	**9,948.0**		9,384.0
			11,752.7		11,373.1
		Less: Provision for doubtful debts	**239.2**		316.4
		TOTAL	**11,513.5**		11,056.7
	Note: For details on dues by companies under the same management, Refer Note 14 of Schedule 23.				
10.	**CASH & BANK BALANCES**				
		Cash on hand	**5.4**		4.7
		Balance with scheduled banks on:			
		Current accounts	**5.2**	389.9	
		Cash credit accounts	**24.0**	117.6	
		Fixed deposit accounts	**5.4**	79.1	
		Unpaid dividend accounts	**4.6**	4.4	
			39.2		591.0
		Balance with non-scheduled banks on:			
		Current accounts	**1.0**		273.7
		TOTAL	**45.6**		869.4
	Note: For details of maximum balance held in non-scheduled banks, Refer Note 15 of Schedule 23.				
11.	**OTHER CURRENT ASSETS**				
		Interest accrued on loans and deposits	**32.5**		174.0
		Interest accrued on investments	**0.6**		0.6
		Unamortised exchange premium on forward contracts	**13.4**		–
		TOTAL	**46.5**		174.6

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

		As at March 31, 2010		As at March 31, 2009
12. LOANS AND ADVANCES				
(Unsecured, considered good except stated otherwise)				
Loans to subsidiaries		**2,809.1**		3,822.9
Loans to employees		**40.2**		28.2
Advances recoverable in cash or in kind or for value to be received or pending adjustments:				
Considered good	**821.4**		715.8	
Considered doubtful	**36.3**		36.3	
		857.7		752.1
Export incentives receivable		**866.8**		514.1
Export incentives licenses		**40.2**		23.5
Trade and other deposits		**127.3**		296.5
Advance income tax and tax paid [(Net of provision for tax: ₹2,352.0 (March 31, 2009: ₹628.0)]		**362.6**		586.8
Balances with customs and excise authorities		**662.2**		616.3
		5,766.1		6,640.4
Less: Provision for doubtful advances		**36.3**		36.3
TOTAL		**5,729.8**		6,604.1
Note i. Loans to subsidiaries includes share application money amounting to ₹18.4 (March 31, 2009: ₹18.2).				
ii. For details on dues from companies under the same management, Refer Note 16 of Schedule 23.				
iii. Advances recoverable in cash or in kind or for value to be received or pending adjustments includes dues from subsidiaries of ₹22.7 (March 31, 2009: ₹3.1).				
13. CURRENT LIABILITIES				
Sundry creditors for goods, services and expenses				
Dues to micro and small enterprises	**45.2**		2.5	
Dues to others	**5,097.5**		4,148.6	
		5,142.7		4,151.1
Dues to subsidiaries		**387.7**		674.3
Trade deposits		**1.0**		1.0
Advances received from customers		**352.4**		28.0
Unclaimed dividends		**4.6**		4.4
Other liabilities		**62.7**		63.3
Book overdraft		**136.8**		35.7
Interest accrued but not due on loans		**0.4**		21.1
TOTAL		**6,088.3**		4,978.9
Note: Refer Note 18 of Schedule 23 for further details.				
14. PROVISIONS				
For employee benefits				
Gratuity		**69.8**		35.4
Compensated absences		**110.6**		94.6
For Proposed dividend		**111.5**		80.7
For Tax on proposed dividend		**18.5**		13.7
TOTAL		**310.4**		224.4
Note: Refer Note 9(b) of Schedule 23 for disclosure relating to gratuity.				

Schedules to Profit and Loss Account

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

		Year ended March 31, 2010		Year ended March 31, 2009
15. SALES				
Sale of goods (Refer Note 12 of Schedule 23)		**32,017.4**		28,064.4
Sale of dossiers/licenses		**1,178.6**		788.1
TOTAL		**33,196.0**		28,852.5
16. OTHER INCOME				
Dividends from a subsidiary company		**–**		0.9
Balances no longer required written back		**8.8**		9.6
Provision no longer required on doubtful debts and advances written back		**77.2**		1.3
Foreign exchange gain (Net)		**855.8**		–
Profit on sale of fixed assets (Net)		**92.6**		–
Diminution on investment written back		**0.2**		–
Miscellaneous income		**49.2**		44.4
TOTAL		**1,083.8**		56.2
17. (INCREASE)/DECREASE IN PROGRESS AND FINISHED GOODS				
Opening stocks				
Finished goods	**581.2**		339.0	
Work-in-process	**2,504.6**		2,457.4	
		3,085.8		2,796.4
Closing stocks				
Finished goods	**1,088.0**		581.2	
Work-in-process	**3,472.6**		2,504.6	
		4,560.6		3,085.8
TOTAL		**(1,474.8)**		(289.4)
18. MATERIALS CONSUMED				
Raw materials consumed				
Opening stock		**3,529.5**		3,167.8
Add: Purchases		**17,817.0**		15,771.1
		21,346.5		18,938.9
Less: Closing stock		**3,972.1**		3,529.5
		17,374.4		15,409.4
Packing materials consumed		**1,403.1**		1,006.9
TOTAL		**18,777.5**		16,416.3

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

	Year ended March 31, 2010	Year ended March 31, 2009
19. OTHER MANUFACTURING EXPENSES		
Conversion charges	**158.0**	104.4
Consumption of stores and spares	**388.7**	324.9
Chemicals consumed	**486.9**	470.5
Carriage inward	**253.5**	201.1
Factory maintenance	**71.5**	50.6
Power and fuel	**1,354.8**	1,183.2
Effluent treatment expenses	**36.7**	29.0
Increase/(decrease) in excise duty on finished goods	**2.1**	(0.7)
(Refer Note 25 of Schedule 23)		
Repairs and maintenance		
Plant and machinery	**198.8**	158.7
Buildings	**85.5**	61.7
Others	**22.8**	23.5
Miscellaneous expenses	**126.4**	118.1
TOTAL	**3,185.7**	2,725.0
20. EMPLOYEE COSTS		
Salaries, wages and bonus	**2,129.2**	1,616.0
Contribution to provident and other funds	**74.0**	63.8
(Refer Note 9(a) on Schedule 23)		
Other employee benefits	**73.0**	49.0
Staff welfare expenses	**50.0**	43.0
TOTAL	**2,326.2**	1,771.8

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

	Year ended March 31, 2010	Year ended March 31, 2009
21. ADMINISTRATIVE, SELLING AND OTHER EXPENSES		
Rent	**15.1**	10.2
Rates and taxes	**29.5**	37.7
Printing and stationery	**58.2**	47.4
Postage, telegram and telephones	**35.6**	30.4
Insurance	**93.0**	84.1
Legal and professional charges	**247.0**	270.4
Directors sitting fees	**1.0**	0.6
Remuneration to auditors (Refer Note 21 of Schedule 23)	**6.2**	6.6
Sales commission	**289.9**	275.9
Carriage outwards	**834.0**	901.6
Selling expenses	**44.6**	32.1
Rebates and discounts	**54.2**	63.3
Travelling and conveyance	**60.1**	51.9
Vehicle maintenance expenses	**2.3**	2.3
Analytical charges	**70.1**	102.2
Investments written off/diminution	**–**	0.1
Bad debts written off	**57.6**	46.4
Loss on sale of fixed assets (Net)	**–**	0.3
Donations (Refer Note 22 of Schedule 23)	**12.8**	2.1
Registration and filing charges	**29.6**	37.5
Foreign exchange loss (Net)	**–**	2,278.2
Miscellaneous expenses	**78.1**	59.7
TOTAL	**2,018.9**	4,341.0
22. INTEREST AND FINANCE CHARGES (Net)		
Interest on fixed period loans	**219.0**	193.0
Interest on other loans	**324.0**	528.7
Less: Interest received on:		
Loans to subsidiaries[1]	**75.7**	193.5
Deposits[2]	**25.9**	66.8
Other advances	**0.9**	1.1
	440.5	460.3
Bank charges	**82.8**	90.3
TOTAL	**523.3**	550.6

[1] [Tax deducted at source: ₹3.4 (Previous Year: ₹3.9)]

[2] [Tax deducted at source: ₹3.0 (Previous Year: ₹5.3)]

Notes to Accounts

23. NOTES ANNEXED TO AND FORMING PART OF THE ACCOUNTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2010

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 the Companies Accounting Standards Rules, 2006 (as amended), other pronouncements of the Institute of Chartered Accountants of India 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. 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.

c. 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.

Revenue from sale of goods is recognized on dispatch (in respect of exports on the date of the bill of lading or airway bill) 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 sale of dossiers/licenses is recognized in accordance with the terms of the relevant agreements as generally accepted and agreed with the customers.

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

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

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

d. Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation, impairment losses and specific grant/subsidies, if any. Cost comprise of purchase price, freight, non refundable taxes and duties 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.

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.

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

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 and are depreciated over the lease term or estimated useful life of the asset, whichever is shorter.

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

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%

Assets costing below ₹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

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.

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

Raw materials, packing materials, stores, spares and consumables are valued at lower of cost, calculated on "First-in-First out" basis, 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.

Finished goods and work-in-progress 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.

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

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. Employee benefits

Employee 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.

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.

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.

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

k. Income taxes

Tax expense comprises of current and deferred tax. Current income 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

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.

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

Exchange differences: Exchange differences arising on the settlement of monetary items or on reporting monetary items of Company at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.

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 and licenses

Export 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.

Other benefits in the form 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.

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 and loss account on a straight-line basis over the lease term.

o. Earnings per Share

Basic earnings per share is calculated by dividing the net 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.

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

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 - ₹1168 (March 31, 2009: ₹709).

3. Contingent Liabilities

Particulars	**March 31, 2010**	March 31, 2009
Premium on potential redemption of Foreign Currency Convertible Bonds	**Refer note 6(d) below**	Refer note 6(d) below
Outstanding bank guarantees	**244.8**	213.3
Bills discounted with banks	**–**	62.8*
Claims arising from disputes relating to direct and indirect taxes not acknowledged as debts	**217.5**	123.6
Dossier sales with refund clause	**1,095.6**	635.3
Claims against the Company not acknowledged as debts	**4.9**	4.9

* secured by personal guarantees of the Chairman and the Managing Director

4. Scheme of Arrangement under Sections 391 to 393 of the Companies Act, 1956

The shareholders of the Company vide a Court convened meeting held on May 21, 2009 approved a Scheme of Arrangement under Sections 391 to 393 read with Sections 100 to 103 and other applicable provisions of the Companies Act, 1956. The said Scheme provides for utilization of capital profit arising on buy-back and cancellation of Foreign Currency Convertible Bonds ('FCCBs'), the balances standing to the credit of Capital Reserve Account and Capital Redemption Reserve Account to adjust certain expenses as determined by the management detailed below. The aforesaid Scheme was filed before the Hon'ble High Court of Andhra Pradesh.

In the current year, the Hon'ble High Court of Andhra Pradesh has dismissed the Scheme filed by the Company. The Company has appealed against the Order of the High Court and the appeal is pending before the appellate body.

In the previous year, pending approval of the High Court, the Company had credited the entire capital profit on buyback and cancellation of FCCBs net of expenses, amounting to ₹36.2 as an exceptional item to the Profit and Loss Account. Similarly the capital profit on buy-back of FCCBs made during the year ended March 31, 2010 amounting to ₹21.9 has been credited to the Profit and Loss Account and has been disclosed as an exceptional item.

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

Details of exceptional items are as under:

Particulars		2009-2010	2008-2009
A.	**Capital profit on buyback and cancellation of FCCBs**	**21.9**	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	–	176.8
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)**	**21.9**	36.2

However, as the aforesaid capital profit net of expense has been accounted in the Profit and Loss Account itself, without giving the effect of the Scheme, the above dismissal has no impact on the financial statements of the Company as of and for the year ended March 31, 2010.

5. Acquisition and amalgamation of Trident Life Sciences Limited ('Trident')

Trident is in the process of setting up a state-of-the-art facility for manufacturing injectables at Medak District in Andhra Pradesh. The Company acquired the entire equity shares of Trident Life Sciences Limited ('Trident') on September 18, 2009. Pursuant to this acquisition, Trident became a wholly owned subsidiary of the Company.

In order to achieve the synergies of consolidation and to achieve cost optimization through reduction of administration and other operational cost, it was decided to amalgamate Trident with the Company with effect from October 1, 2009 ('the appointed date'). Accordingly, a Scheme of Amalgamation ('the Scheme') of Trident with the Company under Sections 391 to 394 of the Companies Act, 1956 was approved by the shareholders of the Company at a Court convened meeting held on January 20, 2010. The Hon'ble High Court of Andhra Pradesh approved the Scheme on March 30, 2010. The salient features of the Scheme are set out below:

- With effect from the appointed date, entire business and whole of the undertaking(s) of Trident including all its properties and assets, investments, licenses, permits, approvals, lease, tenancy rights, permissions, and all its debts, liabilities, contingent liabilities, duties and obligations shall vest with the Company;
- All assets and liabilities of Trident transferred to and vested shall be recorded in the books of the Company at their respective book values;
- The authorized equity share capital of Trident has got merged with the authorized equity share capital of the Company;
- All inter-company balances, if any, including share application money shall be eliminated; and
- The value of investment in the share capital of Trident appearing in the books of the Company shall stand cancelled.

As Trident is a wholly owned subsidiary of the Company, the amalgamation does not involve any consideration.

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

The amalgamation has been accounted under the pooling of interest method prescribed by Accounting Standard 14 - Accounting for amalgamations. The details of assets, liabilities and balances taken over together with adjustments carried out in accordance with the Scheme are set out below:

Description	
Net book value of fixed assets (including capital work-in-progress and capital advance)	1,474.5
Current assets	64.0
Less: Current liabilities and provisions	(91.4)
Less: Share application money	(390.0)
Less: Borrowings	(1,056.1)
Net assets transferred and vested with Aurobindo	1.0
Less: Value of investments in the share capital of Trident, appearing in the books of	
Aurobindo Pharma Limited, cancelled pursuant to the amalgamation	(0.2)
Net credited to Capital Reserve in accordance with the Scheme	0.8

6. Foreign Currency Convertible Bonds

The Company issued Foreign Currency Convertible Bonds ('FCCBs') during the years ended March 31, 2006 and March 31, 2007. The details of such issue are given below:

a. FCCBs issued during the year ended March 31, 2006:

60,000 Zero Coupon Foreign Currency Convertible Bonds (bonds) due in 2010 of USD 1,000 each on the following terms:

- 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 ₹5 per share at a fixed price of ₹522.036 per share at a fixed exchange rate conversion of ₹43.3925= USD 1; 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;
- redeemable on maturity date at 139.954% of its principal amount if not redeemed or converted earlier.

b. FCCBs issued during the year ended March 31, 2007:

150,000 zero coupon FCCBs due in 2011 (Tranche A Bonds) of USD 1,000 each and 50,000 Forward Conversion Convertible Bonds due in 2011 (Tranche B Bonds) of USD 1000 each were issued on the following terms:

- 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 ₹5 per share at a fixed price of ₹1,014.06 per share at a fixed exchange rate conversion of ₹45.145 = USD 1. Each Tranche B bond will be converted into 51.35 fully paid up equity shares with par value of ₹5 per share at a fixed price of ₹879.13 per share at a fixed exchange rate conversion of ₹45.145 = USD 1; 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;
- 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.

c. Outstanding FCCBs

- In respect of the bonds issued during the year ended March 31, 2006, 21,818 bonds of USD 1,000 each were converted into 1,813,539 equity shares of ₹5 each at premium of ₹517.036 during the year. The outstanding FCCBs as at March 31, 2010 is 31,782 bonds (March 31, 2009: 53,600). Subsequent to the Balance Sheet date, 6,714 bonds of USD 1,000 each were converted into equity shares and the conversion of 2,000 bonds of USD 1,000 each lodged with the Company is in progress.

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

- In respect of the bonds issued during the year ended March 31, 2007, 1,800 bonds (March 31, 2009: 59,000 bonds) of USD 1,000 each were cancelled pursuant to a buy back during the year. The outstanding FCCBs as at March 31, 2010 is 139,200 bonds (March 31, 2009: 141,000).

d. **Redemption premium on potential redemption of FCCBs**

- The cumulative premium on potential redemption of FCCBs issued during the years ended March 31, 2006 and March 31, 2007 aggregates to USD 58.6 (March 31, 2009: USD 53.2) equivalent to ₹2,632.6 (March 31, 2009: ₹2,699.4). The payment of premium on redemption is contingent in nature, the outcome of which is dependent on uncertain future events. Hence, no provision is considered in the accounts in respect of such premium for the year.

e. In the opinion of the Company, as the bonds are convertible into equity shares and accordingly, the creation of debenture redemption reserve is not required.

f. The details of utilization of proceeds from issue of Foreign Currency Convertible Bonds aggregating to USD 260 million is given below:

	2009-2010	2008-2009
Opening balance with banks	**272.0**	2,240.9
Issue proceeds	**–**	–
Less: Utilized for investments and capital goods	**272.0**	1,408.9*
Less: Utilized for buyback of FCCBs	**–**	560.0
Balance with banks and under bank deposits	**–**	272.0

*including foreign currency translation

7. Employee stock options

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 01, 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 ₹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 ₹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:

	2009-2010	2008-2009
Options outstanding at the beginning of the year	**199,157**	233,094
Granted during the year	**–**	–
Vested/exercisable during the year	**29,360**	102,480
Exercised during the year	**150,030**	–
Forfeited during the year subject to reissue	**2,573**	33,937
Options outstanding at end of the year	**46,554**	199,157
Exercisable at the end of the year	**46,554**	169,797
Weighted Average Exercise Price (₹)	**362.60**	362.60
Weighted Average Fair Value of options at the date of grant (₹)	**375.14**	375.14

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

	Range of exercise prices (₹)	Number of options outstanding	Weighted average remaining contractual life of options (in years)
Year 2009-10	**362.60**	**46,554**	**0.63**
Year 2008-09	362.60	199,157	1.66

b. Employee Stock Option Plan 'ESOP-2006'

The Company instituted an Employee Stock Option Plan 'ESOP-2006' as per the special resolution passed in the 19th Annual General Meeting held on September 18, 2006. This scheme has been formulated in accordance with the Securities Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. The compensation committee accordingly, granted total 58,000 options under three grants of 35,000, 5,000 and 18,000 options to eligible employees on October 30, 2006, July 31, 2007 and October 31, 2007 respectively. The method of settlement under the scheme is by issue of equity shares of the Company. Each option comprises of one underlying Equity Share of ₹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 ₹603.50, ₹661.75 and ₹572.50 per share respectively 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 2006 Scheme:

	2009-2010	2008-2009
Options outstanding at the beginning of the year	**55,000**	55,000
Granted during the year	**–**	–
Vested/exercisable during the year	**11,450**	7,250
Exercised during the year	**–**	–
Forfeited during the year subject to reissue	**5,000**	–
Options outstanding at end of the year	**50,000**	55,000
Exercisable at the end of the year	**22,200**	10,750
Weighted Average Exercise Price (₹)	**598.90**	598.90
Weighted Average Fair Value of options 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 2009-10	**570 to 670**	**50,000**	**2.89**
Year 2008-09	570 to 670	55,000	3.93

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

c. Disclosure 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:

	2009-2010	2008-2009
Profit after taxation		
As reported in Profit and Loss Account	**5,257.6**	1,285.4
Less: Additional employee compensation cost based on Fair Value	**3.2**	3.7
Profit after taxation as per Fair Value Method	**5,254.4**	1,281.7
Earnings per Share		
Basic		
No. of shares	**54,152,591**	53,765,268
EPS as reported	**97.09**	23.91
EPS as per Fair Value Method	**97.03**	23.84
Diluted		
No. of shares	**63,220,039**	64,733,509
EPS as reported	**83.16**	19.86
EPS as per Fair Value Method	**83.11**	19.80

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

	2009-2010		2008-2009	
	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**	**7.12**	5.62	5.64
Dividend yield	**0.15**	**0.05**	0.48	0.48

8. Investments

Details of movement in investments during the year are given below:

Particulars	2009-2010	2008-2009
Trade investments made during the year		
Helix Healthcare B.V., The Netherlands	**570.0**[a]	289.1
APL Holdings (Jersey) Limited, Jersey	**83.1**	108.4
Trident Life Sciences Limited, India[1]	**0.1**	–
Auronext Pharma Private Limited, India	**10.0**	–
Aurobindo Pharma USA, Inc., U.S.A.	**351.8**	–
Aurobindo Pharma Industria Farmaceutica Ltda, Brazil	**–**	30.1
Aurobindo (Datong) Bio-pharma Company Limited, China	**–**	257.9
All Pharma (Shanghai) Trading Company Limited, China	**–**	7.1
Trade investments written off		
Helix Healthcare B.V., The Netherlands	**–**	214.1
Non-trade investment matured during the year		
National Saving Certificate	**–**	–
1 Year USD Yield Enhancement Certificate	**–**	601.5

[1] Cancelled pursuant to Scheme of Amalgamation (Refer Note 5 above).

[a] includes an amount of ₹283.7 (March 31, 2009: Nil) converted from loans.

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

9. Employee benefits

a. Disclosures related to defined contribution plan

Provident fund contribution recognized as expense in the Profit and Loss Account is ₹57.5 (March 31, 2009: ₹47.5)

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

Profit and Loss Account

	2009-2010	2008-2009
Net employee benefit expense (included under employee cost)		
Current service cost	**21.1**	15.6
Interest cost on benefit obligation	**9.5**	7.5
Expected return on plan assets	**(6.7)**	(4.8)
Net actuarial (gain)/loss recognized in the year	**(3.3)**	16.4
Past service cost	**25.8**	–
Net benefit expense	**46.4**	34.7
Actual return on plan assets	**7.1**	5.7

Balance Sheet

	March 31, 2010	March 31, 2009
Details of provision for gratuity		
Defined benefit obligation	**152.9**	107.7
Fair value of plan assets	**83.1**	72.3
Net plan liability	**69.8**	35.4

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

	2009-2010	2008-2009
Opening defined benefit obligation	**107.7**	75.4
Current service cost	**21.1**	15.6
Interest cost	**9.5**	7.5
Past service cost	**25.8**	–
Benefits paid	**(8.3)**	(8.1)
Actuarial (gains)/losses on obligation*	**(2.9)**	17.3
Closing defined benefit obligation	**152.9**	107.7

* Experience adjustments ₹Nil (March 31, 2009: Nil)

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

Changes in fair value of plan assets

	2009-2010	2008-2009
Opening fair value of plan assets	**72.2**	57.0
Expected return	**6.7**	4.8
Contributions by employer	**12.0**	17.6
Benefits paid	**(8.3)**	(8.1)
Actuarial gains/(losses)	**0.5**	0.9
Closing fair value of plan assets	**83.1**	72.2

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

	March 31, 2010	March 31, 2009
Discount rate (p.a.) (%)	**8.30**	7.60
Expected return on assets (p.a.) (%)	**7.50**	7.50
Employee turnover:		
Age (years)		
21-30 (%)	**8**	8
31-40 (%)	**4**	4
41-57 (%)	**1**	1

Notes:

i. 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.

ii. Percentage of plan assets as investments with insurer is 100%.

iii. 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.

iv. The Company expects to contribute ₹50.0 to gratuity in 2010-11.

10. Details of security given for 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 ₹Nil (March 31, 2009: ₹750.0).

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 ₹Nil (March 31, 2009: ₹7,379.8).
- Hire purchase loans from banks are secured by hypothecation of the related assets.

11. Unsecured loans

Short term loans from banks to the extent of ₹Nil (March 31, 2009: ₹1,115.0) are personally guaranteed by the Chairman and the Managing Director of the Company.

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

12. Export incentives

Sales for the year includes export incentives on account of various schemes amounting to ₹515.7 (March 31, 2009: ₹393.0).

13. Expenditure during construction period pending capitalization:

	March 31, 2010	March 31, 2009
Balance brought forward	**65.9**	20.5
Add: Incurred during the year		
Salaries and employee benefits	**136.3**	20.1
Staff welfare	**1.5**	0.2
Staff recruitment expenses	**4.5**	0.4
Consumption of raw material for testing (Net of transfer to production ₹13.2 and March 31, 2009: ₹7.9)	**117.6**	–
Stores and spares consumption	**50.8**	3.6
Carriage inwards	**12.3**	1.6
Power and fuel	**67.6**	1.8
Job Work charges	**37.3**	2.9
Land development charges	**9.0**	8.3
Rent	**1.3**	3.5
Rates and taxes	**2.7**	0.1
Printing and stationery	**4.9**	0.1
Postage, telegram and telephones	**1.3**	0.4
Insurance	**5.2**	1.3
Legal and professional charges	**18.8**	–
Travel and conveyance	**7.8**	4.3
Depreciation	**3.7**	1.2
Bank charges	**17.2**	0.4
Interest	**100.2**	–
Miscellaneous expenses	**19.3**	4.5
	685.2	75.2
Less: Capitalized to fixed assets during the year	**–**	9.3
Balance carried forward	**685.2**	65.9

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

14. Sundry Debtors includes following dues from companies under the same management:

Name of the company	March 31, 2010	March 31, 2009
Aurobindo Pharma USA Inc., U.S.A.	3,999.3	3,205.0
APL Pharma Thai Limited, Thailand	69.4	62.8
Aurobindo Pharma Industria Farmaceutica Ltda, Brazil	263.5	566.1
Zao Aurobindo Pharma, Russia	–	0.6
Cephazone Pharma LLC., U.S.A.	80.0	204.9
Pravesha Industries Private Limited, India	0.3	13.2
Trident Life Sciences Limited, India*	–	18.5
Aurobindo Pharma (Pty) Limited, South Africa	500.6	98.5
APL IP Company Limited, Jersey	173.3	419.0
Aurobindo Pharma Productos Farmaceuticos Ltda, Brazil	162.8	135.1
Pharmacin B.V., The Netherlands	34.2	6.0
Milpharm Limited, U.K.	183.9	157.6
Trident Chemphar Limited, India	122.6	28.9
Aurolife Pharma LLC, U.S.A.	91.5	9.0
Aurobindo Pharma (Malta) Limited, Malta	10.6	–
Aurobindo Pharma GmbH, Germany	8.2	–

* Amalgamated with the Company with effect from October 1, 2009. Refer Note 5 above.

15. Details of balances with non-scheduled banks

Name of the bank	March 31, 2010	March 31, 2009
Closing balance		
Bank of Foreign Trade of Vietnam	0.2	–
Wells Fargo Bank, U.S.A.	0.1	0.1
Wegagen Bank Share Company, Ethiopia	0.7	1.9
UBS AG Bank, London	–	271.7

Name of the bank	2009-2010	2008-2009
Maximum balance held		
Bank of Foreign Trade of Vietnam	1.5	–
Wells Fargo Bank, U.S.A.	0.1	0.1
Wegagen Bank Share Company, Ethiopia	1.9	2.5
UBS AG Bank, London	271.7	271.7

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

16. Loans and advances includes following dues by companies under the same management

Name of the company	March 31, 2010	March 31, 2009
Closing balance		
Subsidiaries		
Aurobindo (Datong) Bio-Pharma Company Limited, China	**1,014.8**	1,145.9
Aurobindo Pharma USA Inc., U.S.A.	**1,146.5**	1,458.9
Aurobindo Pharma Industria Farmaceutica Ltda, Brazil	**33.9**	48.5
Helix Healthcare B.V., The Netherlands	**595.3**	1,151.3
APL Health Care Limited, India	**18.4**	18.2

Name of the company	2009-2010	2008-2009
Maximum amount outstanding		
Subsidiaries		
Aurobindo (Datong) Bio-Pharma Company Limited, China	**1,145.9**	1,664.4
Aurobindo Pharma USA Inc., U.S.A.	**1,458.9**	1,470.4
Aurobindo Pharma Industria Farmaceutica Ltda, Brazil	**48.5**	48.9
Helix Healthcare B.V., The Netherlands	**1,217.7**	1,151.3
APL Health Care Limited, India	**18.4**	24.5

17. Disclosure regarding derivative financial instruments

a. The aggregate amount of forward contracts entered into by the Company and remaining outstanding at year end is ₹718.4 (USD 16.0) (March 31, 2009: Nil).

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

Particulars	March 31, 2010	March 31, 2009
Loans availed	**(9,621.0)**	(3,222.5)
Sundry debtors	**9,147.9**	8,411.3
Loans and advances	**2,817.7**	4,308.2
Sundry creditors	**(2,229.5)**	(2,156.4)
Foreign Currency Convertible Bonds	**(7,677.1)**	(9,866.2)
Investments	**3,770.5**	2,765.7
Bank balances	**2.2**	731.2

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

18. Sundry creditors

a. In respect of the amounts mentioned under Section 205C of the Companies Act, 1956 there are no dues that are to be credited to the Investor Education and Protection Fund as at March 31, 2010 (March 31, 2009: ₹Nil).

b. Disclosure as per the provisions of Micro, Small & Medium Enterprises Development Act, 2006.

Details	**2009-2010**	2008-2009
The principal amount remaining unpaid as at the end of the year.	**45.2**	2.5
The amount of interest accrued and remaining unpaid at the end of the year.	**2.0**	–
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.	**–**	–
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.	**–**	–
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.	**–**	–

19. Research and Development Expenses

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

Particulars	**2009-2010**	2008-2009
Material and stores & spares consumption	**216.3**	232.1
Power and fuel	**11.3**	10.5
Repairs and maintenance	**34.1**	29.6
Personnel costs	**357.2**	311.1
Depreciation	**49.1**	47.8
Others	**304.7**	320.9
TOTAL	**972.7**	952.0

b. Details of capital expenditure incurred for Research and Development are given below:

Particulars	**2009-2010**	2008-2009
Plant and machinery		
- Lab equipment	**34.6**	68.4
- Factory equipment	**–**	0.2
- Office equipment	**1.0**	1.0
- Data processing equipment	**4.9**	6.3
- Electrical installations	**–**	–
Furniture	**1.6**	2.3
Vehicles	**–**	2.1
TOTAL	**42.1**	80.3

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

20. Remuneration to Directors (included in Schedule 20)

Particulars	2009-2010	2008-2009
Salaries	**27.4**	24.0
Contribution to provident fund	**0.1**	0.1
Perquisites	**4.0**	3.7
TOTAL	**31.5**	27.8

Note: The above figures do not include provision for gratuity and leave encashment payable to the Directors, as the same is actuarially determined for the Company as a whole.

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

Particulars	2009-2010	2008-2009
Statutory audit	**5.0**	4.7
Limited review	**1.2**	1.7
Certification	**–**	–
Out of pocket expenses	**0.1**	0.3
Effect of service tax	**(0.1)**	(0.1)
TOTAL	**6.2**	6.6

22. Donations to political parties (included in Schedule 21)

Particulars	2009-2010	2008-2009
Indian National Congress	**5.5**	–
Telugu Desam Party	**2.0**	–
Communist Party of India	**–**	0.6
TOTAL	**7.5**	0.6

23. Related Party Disclosures

i. Names of related parties and description of relationship

a. Subsidiaries

1. APL Pharma Thai Limited, Thailand
2. ALL Pharma (Shanghai) Trading Company Limited, China
3. Aurobindo Pharma USA Inc., U.S.A.
4. Aurobindo Pharma 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 ILAC Sanayi ve Ticaret Limited, Sirketi
21. Aurobindo Pharma Japan K.K., Japan

22. Pharmacin B.V., The Netherlands
23. Aurobindo Pharma GmbH, Germany
24. Aurobindo Pharma (Portugal) Unipessoal LDA, Portugal
25. Aurobindo Pharma ApS, Denmark
26. Sia Aurobindo Baltics, Latvia
27. Aurobindo Pharma (Bulgaria) EAD, Bulgaria
28. Aurobindo Pharma France SARL, France
29. Laboratorios Aurobindo S L, Spain
30. Agile Malta Holdings Limited, Malta
31. Aurobindo Pharma (Ireland) Limited
32. Aurobindo Pharma (Italia) S.r.l., Italy
33. Agile Pharma (Malta) Limited, Malta
34. Aurobindo Pharma (Malta) Limited, Malta
35. APL IP Company Limited, Jersey
36. APL Swift Services (Malta) Limited, Malta
37. Milpharm Limited, U.K.
38. Aurolife Pharma LLC, U.S.A.
39. Auronext Pharma Private Limited, India
40. Trident Life Sciences Limited, India*

*Amalgamated with the Company with effect from October 1, 2009.

b. Joint ventures

Aurosal Pharmaceuticals LLC, U.S.A. (Joint venture of a subsidiary)
Cephazone Pharma LLC, USA (Joint venture of a subsidiary)
Novagen Pharma (Pty) Limited, South Africa (Joint venture of a subsidiary)

c. Enterprises over which key management personnel or relatives exercise significant influence

Pravesha Industries Private Limited, India
Sri Sai Packaging, India (Partnership firm)
Trident Chemphar Limited, India
Auropro Soft Systems Private Limited, India
Axis Clinicals Limited, India
RPR Trust, India

d. Key managerial 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

e. Relative to key managerial personnel

Ms. P. Suneela Rani (Wife of Mr. P.V. Ramprasad Reddy, Chairman)
Ms. K. Rajeswari (Wife of Mr. K. Nithyananda Reddy, Managing director)
Mr. P. Sarath Chandra Reddy (Son of Mr. P.V. Ramprasad Reddy, Chairman)
Mr. Penaka Rohit Reddy (Son of Mr. P.V. Ramprasad Reddy, Chairman)
Ms. Kambam Kirthi Reddy (Daughter of Mr. K. Nithyananda Reddy, Managing Director)
Ms. Spoorthi Kambam (Daughter of Mr. K. Nithyananda Reddy, Managing Director)
Mr. K. Suryaprakash Reddy (Brother of Mr. K. Nithyananda Reddy, Managing Director)
Mr. Prasad Reddy Kambam (Brother of Mr. K. Nithyananda Reddy, Managing Director)
Ms. Sashi S. Kumar (Wife of Dr. M. Sivakumaran, Whole-time Director)
Ms. Shilpa Sivakumaran (Daughter of Dr. M. Sivakumaran, Whole-time Director)
Mr. Vishnu M. Sriram (Son-in-law of Dr. M. Sivakumaran, Whole-time Director)

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

ii. Transactions with related parties

Particulars	2009-2010	2008-2009
Transactions with subsidiaries		
APL Pharma Thai Limited, Thailand		
Sale of goods	**144.5**	161.5
Dividend received	**–**	0.9
ALL Pharma (Shanghai) Trading Company Limited, China		
Purchase of goods	**257.8**	113.0
Finance (including loans and equity contribution in cash or in kind)	**–**	7.1
Reimbursement of expenses	**6.3**	12.2
Purchase of fixed assets	**108.2**	4.9
Aurobindo Pharma Produtos Farmaceuticos Ltda, Brazil		
Sale of goods	**265.5**	168.3
APL Holdings (Jersey) Limited, Jersey		
Finance (including loans and equity contribution in cash or in kind)	**83.1**	108.4
APL IP Company Limited, New Jersey		
Sale of dossiers	**468.9**	715.7
Reimbursement of expenses paid	**50.4**	28.5
Aurobindo Pharma USA Inc., U.S.A.		
Sale of goods	**5,488.9**	3,965.4
Finance (including loans and equity contribution in cash or in kind)	**351.8**	51.3
Interest received	**28.0**	64.4
Reimbursement of expenses	**36.0**	0.1
Receipt against loan	**154.8**	51.3
Aurobindo Pharma Industria Farmaceutica Ltda, Brazil		
Sale of goods	**232.9**	586.9
Sale of fixed assets	**–**	2.9
Interest received	**1.0**	1.9
Commission paid	**13.7**	13.3
Finance (including loans and equity contribution in cash or in kind)	**–**	67.3
Reimbursement of expenses	**6.3**	–
Receipt against loan	**9.5**	–
Aurobindo (Datong) Bio-pharma Company Limited, China		
Purchase of goods	**2,041.6**	2,676.2
Interest received	**20.3**	66.3
Finance (including loans and equity contribution in cash or in kind)	**–**	257.9
Receipt against loan	**–**	510.4
Reimbursement of expenses paid	**1.0**	0.9
Interest receivable written off	**–**	236.1
Helix Healthcare B.V., The Netherlands		
Interest received	**26.3**	60.8
Finance (including loans and equity contribution in cash or in kind)	**615.2**	755.7
Receipt against loan	**519.3**	–
Provision for diminution in investment	**–**	62.4
Investment written off	**–**	214.2

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

Particulars	2009-2010	2008-2009
APL Health Care Limited, India		
Receipts against share application money given	–	6.3
Finance (including loans and equity contribution in cash or in kind)	0.2	–
APL Research Centre Limited, India		
Receipt against loan given	–	–
Aurex Generics Limited, U.K.		
Sale of goods	–	5.6
Rebates and discounts	–	12.4
Auro Pharma Inc., Canada		
Reimbursement of expenses	1.5	0.6
ZAO Aurobindo Pharma, Russia		
Debtors written off	–	31.5
Aurobindo Pharma (Pty) Limited, South Africa		
Sale of goods	806.4	129.3
Reimbursement of expenses	0.4	–
Commission paid	9.9	2.6
Pharmacin B.V., The Netherlands		
Sale of goods	86.8	5.7
Commission paid	13.1	1.9
Purchase of goods	–	0.4
Milpharm Limited, U.K.		
Sale of goods	400.0	216.6
Reimbursement of expenses	20.6	12.8
Aurolife Pharma LLC, U.S.A.		
Sale of goods	164.1	9.0
Sale of fixed assets	7.9	–
Aurobindo Pharma Japan K.K., Japan		
Reimbursement of expenses	–	0.2
Commission paid	2.0	–
Aurobindo Pharma (Italia) S.r.l., Italy		
Sale of goods	3.5	–
Aurobindo Pharma (Malta) Limited, Malta		
Sale of goods	10.9	–
Aurobindo Pharma GmbH, Germany		
Sale of goods	8.8	–
Auronext Pharma Private Limited, India		
Finance (including loans and equity contribution in cash or in kind)	10.0	–
Rent received	0.4	–

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

Particulars	2009-2010	2008-2009
Transactions with enterprises over which significant influence exists		
Pravesha Industries Private Limited, India		
Purchase of goods	**634.1**	515.0
Rent paid	**–**	0.1
Sale of goods	**4.7**	14.0
Trident Life Sciences Limited, India		
Services received	**27.8**	106.1
Sale of goods	**0.7**	0.7
Purchase of goods	**–**	1.3
Purchase of asset	**–**	6.2
Rent paid	**3.5**	4.7
Sale of fixed assets	**–**	4.2
Finance (including loans and equity contribution in cash or in kind)	**0.2**	–
Electricity paid	**2.1**	–
Proposed dividend	**–**	0.8
Axis Clinicals Limited, India		
Services received	**27.1**	–
Electricity paid	**1.2**	–
Purchase of asset	**1.5**	–
Rent paid	**2.1**	–
Sale of fixed assets	**2.5**	–
Proposed dividend	**1.0**	–
Interim dividend	**1.6**	–
Sri Sai Packaging, India		
Purchase of goods	**74.2**	44.3
Sale of goods	**0.5**	0.3
Trident Chemphar Limited, India		
Purchase of goods	**50.6**	193.7
Sale of goods	**210.5**	54.6
Other services rendered	**–**	2.2
Interim dividend	**3.5**	1.9
Proposed dividend	**2.3**	1.7
Auropro Soft Systems Private Limited, India		
Services received	**17.0**	7.2
Transactions with jointly controlled enterprises		
Cephazone Pharma LLC, U.S.A.		
Sale of goods	**158.2**	108.9
Transactions with key managerial personnel		
Mr. P.V. Ramprasad Reddy		
Managerial remuneration	**8.0**	6.9
Proposed dividend	**31.4**	24.3
Interim dividend	**47.2**	48.7
Guarantees and collaterals	**–**	9,307.6

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

Particulars	2009-2010	2008-2009
Mr. K. Nithyananda Reddy		
Managerial remuneration	**8.0**	6.9
Proposed dividend	**5.5**	4.1
Interim dividend	**8.3**	8.3
Guarantees and collaterals	**–**	9,307.6
Dr. M. Sivakumaran		
Managerial remuneration	**8.0**	6.9
Proposed dividend	**2.9**	2.2
Interim dividend	**4.4**	4.4
Mr. M. Madan Mohan Reddy		
Managerial remuneration	**7.5**	7.1
Proposed dividend	**–**	–
Interim dividend	**–**	–
Mr. P. Sarath Chandra Reddy		
Sitting fees	**0.1**	0.1
Proposed dividend	**–**	–
Interim dividend	**–**	–
Mr. Penaka Rohit Reddy		
Proposed dividend	**0.8**	0.6
Interim dividend	**1.1**	1.1
Mr. K. Suryaprakash Reddy		
Proposed dividend	**–**	–
Interim dividend	**–**	–
Mr. Prasad Reddy Kambam		
Proposed dividend	**0.2**	0.1
Interim dividend	**0.3**	–
Ms. Sashi S. Kumar		
Proposed dividend	**–**	–
Interim dividend	**–**	–
Ms. Kambam Kirthi Reddy		
Remuneration paid	**0.5**	0.1
Proposed dividend	**4.3**	3.2
Interim dividend	**6.4**	6.4
Ms. P. Suneela Rani		
Proposed dividend	**12.3**	9.2
Interim dividend	**18.5**	18.5
Ms. K. Rajeswari		
Proposed dividend	**2.6**	1.9
Interim dividend	**3.8**	3.8
Mr. Vishnu M. Sriram		
Remuneration paid	**2.2**	–

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

(iii) Balances with related parties

Particulars	March 31, 2010	March 31, 2009
Closing balance - receivable from/(payable) to related parties		
APL Pharma Thai Limited, Thailand	**71.6**	65.0
Aurobindo Pharma Industria Farmaceutica Ltda, Brazil	**403.5**	724.3
Aurobindo (Datong) Bio-pharma Company Limited, China	**1,750.2**	1,633.4
Helix Health Care B.V., The Netherlands	**1,844.9**	1,936.8
Cephazone Pharma LLC, U.S.A.	**80.0**	205.0
Aurobindo Pharma USA Inc., U.S.A.	**6,180.9**	5,409.3
Zao Aurobindo Pharma, Russia	**–**	0.6
Auro Pharma Inc., Canada	**(0.1)**	(0.1)
APL Research Centre Limited, India	**1.5**	1.5
APL Health Care Limited, India	**18.9**	18.7
ALL Pharma (Shanghai) Trading Company Limited, China	**40.3**	(8.6)
Milpharm Limited, U.K.	**183.8**	157.6
Pharmacin B.V., The Netherlands	**33.4**	5.0
Aurobindo Pharma (Pty) Limited, South Africa	**500.5**	95.9
Aurolife Pharma LLC, U.S.A.	**91.4**	9.0
Aurobindo Pharma Produtos Farmaceuticos Ltda, Brazil	**164.9**	137.2
Aurobindo Pharma Japan K.K., Japan	**(0.1)**	(0.2)
APL IP Company Limited, Jersey	**173.3**	419.0
APL Holdings (Jersey) Limited, Jersey	**203.8**	120.7
Aurobindo Pharma GmbH, Germany	**8.2**	–
Auronext Pharma Private Limited, India	**10.4**	–
Aurobindo Pharma (Malta) Limited, Malta	**10.6**	–
Auropro Soft Systems Private Limited, India	**(1.3)**	(0.6)
Pravesha Industries Private Limited, India	**92.2**	17.8
Trident Life Sciences Limited, India[1]	**–**	7.0
Axis Clinicals Limited, India	**6.3**	–
Sri Sai Packaging, India	**2.2**	(0.4)
Trident Chemphar Limited, India	**92.3**	48.2

[1]Amalgamated with the Company with effect from October 1, 2009.

(iv) Disclosure pursuant to Clause 32 of Listing Agreement

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	**2010**	2009	**2010**	2009
Subsidiaries				
Aurobindo (Datong) Bio-Pharma Company Limited, China	**1,014.8**	1,145.9	**1,145.9**	1,664.4
Aurobindo Pharma USA Inc., U.S.A.	**1,146.5**	1,458.9	**1,458.9**	1,470.4
AB Farmo Industria Farmaceutica Ltda, Brazil	**34.0**	48.5	**48.5**	48.9
Helix Healthcare B.V., The Netherlands	**595.3**	1,151.3	**1,217.7**	1,151.3
APL Health Care Limited, India	**18.4**	18.2	**18.4**	24.5

Note: None of the loanees listed above have made investments in the shares of the Company.

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

24. Leases

a. Operating lease

Operating leases are mainly in the nature of lease of office premises with no restrictions and are renewable/cancelable at the option of either of the parties. There is no escalation clause in the lease agreement. There are no sub-leases. The aggregate amount of operating lease payments recognized in the Profit and Loss Account ₹15.1 (March 31, 2009: ₹10.2).

b. Finance lease

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.

The lease agreement did not specify minimum lease payments over the future period. The factory building is acquired on lease at a consideration of ₹49.2 (March 31, 2009: ₹72.0).

The net carrying amount of the buildings obtained on finance lease - ₹32.3 (March 31, 2009: ₹53.5).

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

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

25. In accordance with paragraph 10 of Notified Accounting Standard 9 on Revenue Recognition, excise duty on sales amounting to ₹673.3 (March 31, 2009: ₹904.2) has been reduced from sales in Profit and Loss Account and excise duty on increase/decrease in closing stock of finished goods amounting to ₹2.1 (March 31, 2009: ₹0.7) has been debited to (March 31, 2009: credit) in the Profit and Loss Account.

26. Interest in joint ventures

a. Details of interests in jointly controlled entities are given below:

Name of joint venture	Share	Assets	Liabilities	Income	Expenditure	Profit/(Loss) after tax
Aurosal Pharmaceuticals LLC	50%	1.3	13.7	–	0.4	(0.4)
		1.5	*15.1*	–	*0.5*	*(0.5)*
Cephazone Pharma LLC	50%	358.8	491.4	256.3	213.9	42.4
		344.3	*541.9*	*64.9*	*143.4*	*(78.5)*
Novagen Pharma (Pty) Limited	50%	59.6	16.2	81.0	40.9	40.1
		–	–	–	–	–

b. Contingent liabilities of the above joint ventures ₹Nil (March 31, 2009: ₹Nil).

c. Capital commitments of the above joint ventures ₹Nil (March 31, 2009: ₹Nil).

d. Previous year figures have been disclosed in italics.

e. All the aforesaid entities are incorporated in United States of America except Auronext Private Limited which is incorporated in India.

27. Earnings per Share

Particulars	2009-2010	2008-2009
Profit after taxation considered for calculation of basic and diluted Earnings per Share	**5,257.6**	1,285.4
a. Weighted average number of Equity Shares considered for calculation of basic Earnings per Share	**54,152,591**	53,765,268
b. Effect of dilution on account of Foreign Currency Convertible Bonds into shares	**9,063,968**	10,957,653
c. Effect of dilution on account of Employee Stock Options granted	**3,480**	10,588
d. Weighted average number of Equity Shares considered for calculation of diluted Earnings per Share (a+b+c)	**63,220,039**	64,733,509

28. The Company has appointed an employee covered under Section 314 of the Companies Act, 1956. The employment is subject to an approval from the Central Government. The Company has filed an application for obtaining the approval and the same is pending with the Central Government. In the meanwhile, the Company has paid remuneration to the employee. The Company is confident of obtaining approval from the Central Government and believes that the risk of rejection of the employment contract by the Central Government is remote.

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

29. Installed capacity and actual production

Category	Unit of Measurement	Installed Capacity 2009-2010	Installed Capacity 2008-09	Actual Production 2009-2010	Actual Production 2008-09
Bulk drugs and drug intermediates	Tonnes	**12,254**	12,167	**8,411**	8,708
Formulations					
Tablets & Capsules	Nos. in lakhs	**136,024**	99,549	**62,075**	40,198
Injectibles	Nos.	**91,720,000**	85,950,000	**29,520,736**	34,434,795
Syrups	Nos.	**46,853,000**	47,760,000	**11,135,594**	7,589,953

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.

30. Opening stock, closing stock and sales of finished goods

Category	Unit of measurement	Opening stock Qty.	Opening stock ₹	Closing stock Qty.	Closing stock ₹	Captive consumption Qty.	Sales Qty.	Sales ₹
Bulk & intermediates								
Manufactured	Tonnes	94	239.6	358	431.6	2,993	5,155	14,886.8
		(58)	(142.2)	(94)	(239.6)	(4,293)	(4,705)	(15,230.8)
Traded	Tonnes	–	–	–	–	Nil	12,263.67	200.6
		(0.20)	(0.1)	–	–	(Nil)	(791.20)	(145.0)
Others								827.7
								(653.3)
Formulations Manufactured								
Tablets & Capsules	Nos.(in lakhs)	2,324	278.3	3,947	560.2	630	59,822	13,835.8
		(1,177)	(152.4)	(2,324)	(278.3)	(35)	(39,016)	(10,378.3)
Injections	Nos.	2,927,400	38.5	6,898,216	48.4	874,319	24,675,601	887.0
		(2,484,299)	(32.8)	(2,927,400)	(38.5)	(177,960)	(33,813,734)	(748.0)
Syrups	Nos.	855,693	24.8	1,349,127	47.8	286,924	10,355,236	1,041.3
		(519,986)	(11.5)	(855,693)	(24.9)	(145,542)	(7,108,704)	(805.4)
Others								338.2
								(103.6)
Dossier sales								1,178.6
								(788.1)
Total			581.2		1,088.0			33,196.0
Previous year			(339.0)		(581.2)			(28,852.5)

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

b. Figures in brackets represent previous year figures.

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

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

31. Purchase of finished goods

Category	Unit of measurement	2009-2010 Qty.	2009-2010 ₹	2008-2009 Qty.	2008-2009 ₹
Bulk Drugs and Drug Intermediates	Tonnes	**12,264**	**193.5**	791	94.7

32. Raw materials and packing material consumed

Name of material	Unit of measurement	2009-2010 Qty.	2009-2010 ₹	2008-2009 Qty.	2008-2009 ₹
6 APA	Tonnes	**2,197**	**2,899.5**	1,873	2,955.3
7 ACA	Tonnes	**283**	**1,293.0**	283	1,352.0
Beta - Thymidine	Tonnes	**190**	**1,047.0**	158	802.0
GCLE	Tonnes	**118**	**360.4**	90	351.7
PHPG Base	Tonnes	**1,418**	**774.3**	1,043	634.7
Ceftriaxone Sodium	Tonnes	**151**	**803.3**	74	416.0
7 ADCA	Tonnes	**392**	**829.6**	52	158.4
Amino Carbinol	Tonnes	**78**	**680.3**	9	96.0
Others	Tonnes		**10,090.1**		9,650.2
TOTAL			**18,777.5**		16,416.3

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

33. Consumption of raw materials, packing materials and stores and spares

	2009-2010 %	2009-2010 ₹	2008-2009 %	2008-2009 ₹
Raw materials and packing material				
Imported	**69**	**12,899.2**	73	12,006.5
Indigenous	**31**	**5,878.3**	27	4,409.8
TOTAL	**100**	**18,777.5**	100	16,416.3
Stores and Spares				
Imported	**8**	**30.3**	6	18.3
Indigenous	**92**	**358.4**	94	306.6
TOTAL	**100**	**388.7**	100	324.9

34. Value of imports on CIF basis

	2009-2010	2008-2009
Raw materials and packing materials	**12,290.1**	11,976.3
Capital goods	**770.2**	682.5
Stores, spares and consumables	**227.6**	107.4
TOTAL	**13,287.9**	12,766.2

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

35. Expenditure in foreign currency (Cash basis)

	2009-2010	2008-2009
Travelling	**16.2**	13.8
Commission on sales	**209.8**	145.3
Product registration and filing fee	**30.8**	38.6
Overseas office expenses	**7.9**	9.4
Professional and consultancy charges	**209.5**	214.8
Interest	**56.3**	76.8
Others	**59.4**	55.1
TOTAL	**589.9**	553.8

36. Earnings in foreign exchange (Accrual basis)

	2009-2010	2008-2009
Exports on F.O.B. basis	**20,863.7**	17,466.5
Interest	**80.2**	236.7
Dividend from subsidiary	**–**	1.0
Sale of dossiers/licences	**1,178.6**	766.1
TOTAL	**22,122.5**	18,470.3

37. In accordance with Accounting Standard 17 - Segment Reporting, segment information has been provided in the consolidated financial statements of the Company and therefore no separate disclosure on segment information is given in these standalone financial statements.

38. The current year figures include those relating to transferor company viz., Trident Life Sciences Limited and therefore the figures of the previous year are not comparable with those of the current year. Further, the figures of the previous year have been re-grouped/rearranged, wherever necessary to conform to those of the current year.

Signatures to Schedules 1 to 23

In terms of our report

For and on behalf of the Board of Directors

S.R. Batliboi & Associates

For **S.R. BATLIBOI & ASSOCIATES**
Firm Registration No. 101049W
Chartered Accountants

K. NITHYANANDA REDDY
Managing Director

per **VIKAS KUMAR PANSARI**
Partner
Membership No. 93649

S. B. Singhi

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

SUDHIR B. SINGHI
Chief Financial Officer

Dr. M. SIVAKUMARAN
Director

Hyderabad, May 29, 2010.

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 2010

Date Month Year

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

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

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

Total Liabilities	Total Assets
39542211	39542211

Sources of Funds

Paid-up Capital	Reserves & Surplus	Secured Loans	Unsecured Loans
278644	18865049	7022549	12425261

Application of Funds

Net Fixed Assets	Investments	Net Current Assets	Deferred Tax Liabilities
15448105	3709108	20384997	950708

IV. Performance of Company (₹ in Thousands)

Turnover & Other Income	Total Expenditure	Profit before Tax	Profit after Tax
33606533	26504999	7101534	5257563

Diluted Earnings per Share (₹)	Dividend Rate (%)
83.1	100

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

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

SUDHIR B. SINGHI
Chief Financial Officer

Dr. M. SIVAKUMARAN
Director

Hyderabad, May 29, 2010.

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	1.39	5.6	50.0	112.9	57.3	–	135.8	(3.3)	–	(3.3)	Thailand
Aurobindo Pharma Industria												
Farmaceutica Ltda[a]	BRL	25.22	120.4	(12.1)	693.0	584.7	–	590.9	88.4	6.0	82.4	Brazil
Aurobindo (Datong)												
Bio–Pharma Co., Ltd[a]	CNY	6.59	1,976.2	(651.2)	4,309.1	2,984.1	–	1,948.8	(349.9)	–	(349.9)	China
Helix Healthcare B.V.	EUR	60.45	1,427.7	(221.5)	1,798.5	592.3	–	–	(12.5)	–	(12.5)	The Netherlands
Aurobindo Pharma USA, Inc.	USD	44.90	1,100.1	315.3	4,502.7	4,727.3	135.8	6,001.3	178.1	–	178.1	U.S.A.
Aurolife Pharma LLC.,	USD	44.90	1,504.2	(245.7)	2,330.7	1,072.2	–	271.8	(245.6)	–	(245.6)	U.S.A.
Auro Pharma Inc.	CND	44.18	73.6	(60.9)	14.0	1.3	–	–	(22.5)	–	(22.5)	Canada
Aurex Generics Limited	GBP	67.96	113.4	14.9	124.7	341.3	–	0.1	5.8	0.5	5.2	U.K.
Aurobindo Pharma (Pty) Limited	ZAR	6.16	162.6	78.6	773.0	534.9	3.1	963.1	182.2	30.6	151.7	South Africa
Milpharm Limited	GBP	67.96	42.4	62.1	643.7	539.2	–	653.1	18.7	(3.6)	22.3	U.K.
Zao Aurobindo Pharma[a]	RUB	1.53	5.2	(105.7)	113.7	214.2	–	1.8	24.4	–	24.4	Russia
Aurobindo Pharma												
(Australia) Pty Limited	AUD	41.16	12.7	(4.8)	8.6	0.7	–	–	(0.9)	–	(0.9)	Australia
Aurobindo Pharma Hungary												
Kereskedelmi, Kft	HUF	0.23	3.2	(3.9)	0.5	1.2	–	–	(0.3)	–	(0.3)	Hungary
Agile Pharma B.V.	EUR	60.45	715.5	(55.2)	941.0	280.7	–	–	(23.8)	–	(23.8)	The Netherlands
Aurobindo Switzerland AG	CHF	42.33	27.5	(10.1)	27.2	9.8	–	–	(3.2)	–	(3.2)	Switzerland
Pharmacin B.V.	EUR	60.45	1.1	7.2	131.7	123.4	–	395.0	3.4	0.7	2.7	The Netherlands
Auro Healthcare (Nigeria) Limited	NGN	0.30	9.4	(6.9)	2.9	0.4	–	–	–	–	–	Nigeria
APL Research Centre Limited	INR	1.00	1.5	–	1.5	–	–	–	–	–	–	India
APL Health Care Limited	INR	1.00	18.9	–	18.9	–	–	–	–	–	–	India
Aurobindo Pharma Produtos												
Farmaceuticos Ltda[a]	BRL	25.22	2.5	15.0	182.3	164.8	–	317.0	47.4	2.4	44.9	Brazil
All Pharma (Shanghai)												
Trading Co Ltd[a]	CNY	6.59	32.9	13.2	127.0	80.9	–	444.6	17.8	4.8	13.0	China
Aurobindo Pharma Japan K.K.	JPY	0.48	39.6	(41.7)	4.9	7.0	–	–	(24.0)	0.1	(24.1)	Japan
Agile Malta Holdings Limited	EUR	60.45	188.9	142.4	143.7	–	–	–	54.2	9.2	45.0	Malta
Aurobindo Pharma (Malta) Limited	EUR	60.45	187.4	–	589.7	402.3	–	1,178.4	56.3	19.7	36.6	Malta

(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
APL Holdings (Jersey) Limited	EUR	60.45	189.7	4.9	7.0	0.2	–	–	6.0	–	6.0	Jersey
APL IP Company Limited	EUR	60.45	6.4	871.2	1,058.3	180.7	–	–	535.5	–	535.5	Jersey
APL Swift Services (Malta) Limited	EUR	60.45	181.3	(65.1)	135.8	19.6	–	–	(36.3)	–	(36.3)	Malta
Agile Pharma (Malta) Limited	EUR	60.45	0.9	(0.7)	0.3	0.1	–	–	(0.2)	–	(0.2)	Malta
Aurobindo Pharma (Italia) S.r.l.	EUR	60.45	278.1	(118.3)	267.5	107.7	–	25.3	(98.1)	(25.7)	(72.4)	Italy
Laboratorios Aurobindo SL	EUR	60.45	23.6	(16.9)	8.1	1.4	–	–	(11.5)	(3.1)	(8.4)	Spain
Aurobindo Pharma (Ireland) Limited	EUR	60.45	7.9	(10.5)	0.2	2.8	–	–	(3.0)	–	(3.0)	Ireland
Aurobindo Pharma (Portugal) Unipessoal LDA	EUR	60.45	19.6	(16.4)	19.4	16.2	–	–	(8.6)	–	(8.6)	Portugal
Aurobindo Pharma ApS	DKK	8.14	11.3	(10.3)	1.8	0.8	-	-	(6.8)	-	(6.8)	Denmark
SIA Aurobindo Baltics	LVL	85.82	6.6	(6.3)	0.5	0.2	–	–	(4.4)	–	(4.4)	Latvia
Aurobindo Pharma (Bulgaria) EAD	BGN	30.98	9.2	(9.0)	0.2	–	–	–	(8.0)	–	(8.0)	Bulgaria
Aurobindo Pharma France SARL	EUR	60.45	14.2	(11.2)	4.2	1.2	–	–	(7.8)	–	(7.8)	France
Auronext Pharma Private Limited	INR	1.00	60.1	(2.6)	71.3	13.8	–	–	(2.6)	–	(2.6)	India
Aurobindo Pharma GmbH	EUR	60.45	33.9	(28.4)	20.5	15.0	–	5.5	(28.4)	–	(28.4)	Germany
Aurobindo ILAC Sanayi ve Ticaret Limited[a]	TRY	29.47	4.1	(2.7)	2.4	1.0	–	–	(2.7)	–	(2.7)	Turkey

Notes

1. As required under para (iii) of the approval Letter No. 47/341/2010-CL-III dated May 7, 2010, 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.
2. None of the subsidiaries have proposed dividend during the year. However, Aurobindo Pharma (Malta) Limited and APL IP Co. Ltd had paid an amount of ₹36.6 and ₹6.4 respectively as dividend during the year.

[a] The financial year of these companies ends on December 31. However, the results given are as of March 31, 2010.

For and on behalf of the Board of Directors

K. NITHYANANDA REDDY
Managing Director

Dr. M. SIVAKUMARAN
Director

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

SUDHIR B. SINGHI
Chief Financial Officer

Hyderabad, May 29, 2010.

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, 2010 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 ₹22,807,777,360 as at March 31, 2010 (Previous year - ₹22,169,422,883), the total revenue of ₹15,889,341,825 (Previous year - ₹13,327,924,660) and cash flows amounting to ₹280,298,620 (Previous year - ₹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 9(d) of Schedule 22 to the Consolidated Financial Statements with regard to non-provision of premium payable on 162,268 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, 2009.*

7. 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 paragraph 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, 2010;

   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**
Firm Registration No. 101049W
Chartered Accountants

per **VIKAS KUMAR PANSARI**
Partner
Membership No. 93649
Hyderabad, May 29, 2010.

Consolidated Balance Sheet as at March 31, 2010

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

		Schedule	As at March 31, 2010		As at March 31, 2009	
SOURCES OF FUNDS						
SHAREHOLDERS' FUNDS	Share Capital	1	**278.6**		268.8	
	Reserves and surplus	2	**18,012.2**		12,143.8	
				18,290.8		12,412.6
MINORITY INTEREST				**43.3**		31.5
LOAN FUNDS	Secured loans	3	**8,640.5**		9,876.7	
	Unsecured loans	4	**12,905.1**		13,453.0	
				21,545.6		23,329.7
DEFERRED TAX LIABILITIES (Net)		22 (14a)		**953.5**		790.4
	TOTAL			**40,833.2**		36,564.2
APPLICATION OF FUNDS						
FIXED ASSETS	Gross block	5	**24,076.7**		19,736.3	
	Less: Accumulated depreciation/amortization		**6,968.2**		5,748.6	
	Net block		**17,108.5**		13,987.7	
	Capital work-in-progress		**5,700.8**		5,363.0	
				22,809.3		19,350.7
INVESTMENTS		6		**2.8**		2.6
DEFERRED TAX ASSETS		22 (14b)		**41.7**		21.7
CURRENT ASSETS,						
LOANS AND ADVANCES	Inventories	7	**11,024.5**		8,776.3	
	Sundry debtors	8	**9,560.1**		8,897.6	
	Cash and bank balances	9	**728.3**		1,276.5	
	Other current assets	10	**33.4**		70.1	
	Loans and advances	11	**3,713.0**		3,869.2	
	SUB-TOTAL (A)		**25,059.3**		22,889.7	
LESS: CURRENT LIABILITIES						
AND PROVISIONS	Current liabilities	12	**6,728.0**		5,434.6	
	Provisions	13	**351.9**		265.9	
	SUB-TOTAL (B)		**7,079.9**		5,700.5	
NET CURRENT ASSETS	SUB-TOTAL (A-B)			**17,979.4**		17,189.2
	TOTAL			**40,833.2**		36,564.2
Notes to Consolidated Accounts		22				

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

This is the Consolidated Balance Sheet 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**
Firm Registration No. 101049W
Chartered Accountants

K. NITHYANANDA REDDY
Managing Director

per **VIKAS KUMAR PANSARI**
Partner
Membership No. 93649

Hyderabad, May 29, 2010.

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, 2010

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

		Schedule	2009-2010	2008-2009
INCOME	Sales Gross	14	**36,513.4**	31,677.0
	Less: Excise duty		**(759.0)**	(904.2)
	Net		**35,754.4**	30,772.8
	Other income	15	**1,462.0**	166.9
	TOTAL		**37,216.4**	30,939.7
EXPENDITURE	Decrease/(increase) in stocks	16	**(1,849.2)**	89.2
	Materials consumed	17	**17,792.7**	15,237.5
	Purchase of trading goods		**1,267.3**	1,040.7
	Other manufacturing expenses	18	**3,942.8**	3,441.3
	Payments to and provisions for employees	19	**3,272.8**	2,436.7
	Administrative and selling expenses	20	**3,096.1**	5,853.5
	Interest and finance charges (Net)	21	**678.0**	838.6
	Depreciation/amortization	5	**1,493.4**	1,276.0
	TOTAL		**29,693.9**	30,213.5
PROFIT BEFORE TAX, EXCEPTIONAL ITEMS AND MINORITY INTEREST			**7,522.5**	726.2
PROVISION FOR TAXATION				
	Current tax		**1,742.6**	237.7
	Deferred tax		**146.1**	37.5
	Fringe benefit tax		**–**	5.2
	Tax adjustments of previous years		**24.9**	(66.8)
	Total tax expense		**1,913.6**	213.6
PROFIT AFTER TAX AND BEFORE EXCEPTIONAL ITEMS AND MINORITY INTEREST			**5,608.9**	512.6
	Exceptional item (Refer Note 7 on Schedule 22)		**21.9**	489.5
PROFIT AFTER TAX AND EXCEPTIONAL ITEMS AND BEFORE MINORITY INTEREST			**5,630.8**	1,002.1
	Minority interest		**3.2**	0.5
NET PROFIT			**5,634.0**	1,002.6
	Balance brought forward from last year		**4,884.9**	4,293.9
PROFIT AVAILABLE FOR APPROPRIATION			**10,518.9**	5,296.5
APPROPRIATIONS				
	On Equity Shares of ₹5 each			
	Proposed dividend @ ₹2 (Previous year - ₹1.50)		**111.5**	80.7
	Interim dividend @ ₹3 (Previous year - ₹3)		**165.9**	161.3
	Tax on dividend		**46.7**	41.1
	Transfer to General Reserve		**525.8**	128.5
	Surplus carried to Consolidated Balance Sheet		**9,669.0**	4,884.9
			10,518.9	5,296.5
EARNINGS PER SHARE		22(18)		
	Basic ₹		**104.04**	18.65
	Diluted ₹		**89.12**	15.49
	Nominal value per Share ₹		**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.

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

S.R. Batliboi & Associates

For **S.R. BATLIBOI & ASSOCIATES**
Firm Registration No. 101049W
Chartered Accountants

per **VIKAS KUMAR PANSARI**
Partner
Membership No. 93649

Hyderabad, May 29, 2010.

For and on behalf of the Board of Directors

K. NITHYANANDA REDDY
Managing Director

Dr. M. SIVAKUMARAN
Director

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

S. B. Singhi

SUDHIR B. SINGHI
Chief Financial Officer

Consolidated Cash Flow Statement for the year ended March 31, 2010

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

			2009-2010	2008-2009
A.	CASH FLOW FROM			
	OPERATING ACTIVITIES			
		Net profit before tax, minority interest and exceptional items	**7,522.5**	726.2
		Adjustments for:		
		Depreciation and amortization	**1,493.4**	1,276.0
		Provision for doubtful debts and advances	**(71.6)**	126.5
		Bad debts written off	**68.1**	46.4
		Balances no longer required written back	**(8.8)**	–
		Diminution on investment written back	**(0.2)**	0.1
		Export incentives accrued	**(128.1)**	46.9
		Provision for retirement benefits	**47.9**	17.5
		Interest expense	**624.9**	825.7
		Interest income	**(53.0)**	(93.6)
		Unrealised foreign exchange loss/(gain) (Net)	**(1,131.8)**	1,864.3
		Loss/(gain) on sale of fixed assets (Net)	**(92.2)**	(23.7)
		Write off/other adjustments of fixed assets/CWIP	**120.9**	176.6
		Sales tax availed as deferment loan	**35.5**	15.7
		Operating profit before working capital changes	**8,427.5**	5,004.6
		Movements in working capital:		
		Increase in inventories	**(2,228.9)**	(682.5)
		Increase in sundry debtors	**(659.0)**	(1,783.2)
		Increase in loans and advances	**(984.6)**	(807.3)
		Increase/(Decrease) in current liabilities	**1,263.6**	(69.1)
		Cash generated from operations	**5,818.6**	1,662.5
		Direct taxes paid (Net of refunds)	**(1,531.2)**	(302.2)
	NET CASH FROM OPERATING ACTIVITIES		**4,287.4**	1,360.3
B.	CASH FLOWS FROM			
	INVESTING ACTIVITIES	Purchase of fixed assets and intangibles	**(4,198.9)**	(4,830.0)
		Proceeds from sale of fixed assets	**198.2**	41.7
		Proceeds from sale of investments (Net)	**–**	259.8
		Investment in short term deposits (Net)	**(31.1)**	216.6
		Loans to joint ventures	**(61.3)**	24.7
		Interest received	**102.9**	224.4
	NET CASH USED IN INVESTING ACTIVITIES		**(3,990.2)**	(4,062.8)

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

			2009-2010	2008-2009
C.	**CASH FLOW FROM**			
	FINANCING ACTIVITIES	Proceeds from issuance of share capital	**54.4**	–
		Proceeds from long-term borrowings	**–**	926.4
		Repayment of long-term borrowings	**(1,287.0)**	(481.2)
		Repurchase of FCCB	**(63.9)**	(1,488.1)
		Other short term borrowings (Net)	**1,345.7**	3,909.7
		Interest paid	**(636.7)**	(823.7)
		Dividends and dividend tax paid	**(288.5)**	(393.2)
	NET CASH GENERATED/(USED) FROM FINANCING ACTIVITIES		**(876.0)**	1,649.9
D.	**FOREIGN CURRENCY TRANSLATION ADJUSTMENTS**		**16.6**	(334.6)
	NET (DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C + D)		**(562.2)**	(1,387.2)
		Cash and cash equivalents at the beginning of the year	**1,026.5**	2,356.8
		Add: On amalgmation	**7.6**	–
		Cash and cash equivalents at the end of the year	**471.9**	969.6

	2009-2010	2008-2009
Components of cash and cash equivalents as at		
Cash and cheques on hand	**8.1**	6.0
With banks - on current account	**410.5**	873.1
- on cash credit account	**24.0**	117.6
- on deposit account	**281.1**	275.4
- on unpaid dividend account*	**4.6**	4.4
Cash and Cash equivalents as per Balance Sheet	**728.3**	1,276.5
Less: Fixed deposits considered as investments	**(281.1)**	(250.0)
	447.2	1,026.5
Effect of unrealized exchange (loss)/gain as on the Balance Sheet date	**24.7**	(56.9)
Cash and cash equivalents considered for cash flows	**471.9**	969.6

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

i. In the current year, Company acquired 100% share capital of Trident Life Sciences Limited for cash consideration of ₹0.1, which is subsequently amalgamated with the Company. The said amalgamation is considered as non cash transaction for the purpose of cash flow.

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

This is the Consolidated 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**
Firm Registration No. 101049W
Chartered Accountants

K. NITHYANANDA REDDY
Managing Director

per **VIKAS KUMAR PANSARI**
Partner
Membership No. 93649

Hyderabad, May 29, 2010.

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, 2010		As at March 31, 2009
1. SHARE CAPITAL					
AUTHORISED	132,000,000 (100,000,000) Equity Shares of ₹5 each		**660.0**		500.0
	1,000,000 (1,000,000) Preference Shares of ₹100 each		**100.0**		100.0
			760.0		600.0
ISSUED, SUBSCRIBED AND PAID-UP	55,728,837 (53,765,268) Equity Shares of ₹5 each fully paid-up		**278.6**		268.8
	TOTAL		**278.6**		268.8
i. Paid-up Equity Shares of the Company also include 1,341,000 (1,341,000) Equity Shares of ₹5 each that were allotted for consideration other than cash.					
ii. Pursuant to a Scheme of Amalgamation of erstwhile Trident Life Sciences Limited with the parent company, the authorised equity share capital of Trident Life Sciences Limited has got merged with the authorised equity share capital of the parent company. (Refer Note 8 of Schedule 22)					
iii. The Equity Shares allotted during the year represent increase on account of conversion of Foreign Currency Convertible Bonds and employee stock options into Equity Shares. (Refer Notes 9 and 10 of Schedule 22)					
2. RESERVES & SURPLUS					
CAPITAL RESERVE	As per last Balance Sheet	**90.3**		90.3	
	Add: Pursuant to a Scheme of Amalgamation (Refer Note 8 of Schedule 22)	**0.8**		–	
			91.1		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**		1,922.3	
	Add: Premium on conversion of Foreign Currency Convertible Bonds (Refer Note 9 of Schedule 22) and exercise of employee stock options (Refer Note 10 of Schedule 22)	**991.3**		–	
			2,913.6		1,922.3
GENERAL RESERVE	As per last Balance Sheet	**4,762.2**		4,633.7	
	Add: Transferred from Consolidated Profit and Loss Account	**525.8**		128.5	
			5,288.0		4,762.2
FOREIGN CURRENCY TRANSLATION RESERVE					
	As per last Balance Sheet	**394.1**		(58.8)	
	Add: Current year translation adjustment	**(433.6)**		452.9	
			(39.5)		394.1
CONSOLIDATED PROFIT AND LOSS ACCOUNT BALANCE			**9,669.0**		4,884.9
	TOTAL		**18,012.2**		12,143.8

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

			As at March 31, 2010	As at March 31, 2009
3.	**SECURED LOANS** *(Refer Note 12 on Schedule 22)*			
	TERM LOANS	From banks	**676.9**	1,635.1
		[Payable within one year - ₹260.0 (₹Nil)]		
	OTHER LOANS FROM BANKS			
		Working capital loans		
		[includes buyers credit of ₹931.1 (₹1,640.7)]	**7,927.8**	8,189.7
		Short term loans	**35.5**	50.8
		Interest accrued and due	**0.3**	0.7
		Hire purchase loan	**–**	0.4
		TOTAL	**8,640.5**	9,876.7
4.	**UNSECURED LOANS** *(Refer Note 13 on Schedule 22)*			
	FROM BANKS	Short term loans	**4,016.5**	2,422.0
		[includes buyers credit of ₹382.7 (₹Nil)]		
		Current account credit balance	**2.7**	3.6
	OTHER LOANS	Zero coupon Foreign Currency Convertible Bonds	**7,677.1**	9,866.2
		Short term loans	**173.9**	171.0
		Interest accrued and due	**55.1**	45.9
		Sales tax deferment loan	**979.8**	944.3
		[Payable within one year - ₹3.4 (₹Nil)]		
		TOTAL	**12,905.1**	13,453.0

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, 2009	Acquired on Amalgamation /Acquisitions	Additions	Sales/ Adjustments	Foreign Currency translation adjustment	**As at March 31, 2010**	Up to April 1, 2009	Acquired on Amalgamation /Acquisitions	For the year	On Sales/ Adjustments	Foreign Currency translation adjustment	**Up to March 31, 2010**	**As at March 31, 2010**	As at March 31, 2009
Tangible Assets														
Leasehold Land	291.6	–	–	28.1	(24.3)	**239.2**	22.6	–	1.3	2.4	(2.1)	**19.4**	**219.8**	269.0
Freehold Land[a]	364.1	19.8	42.9	–	(22.7)	**404.1**	–	–	1.9	–	(0.1)	**1.8**	**402.3**	364.1
Leasehold Buildings	72.1	–	0.6	22.8	–	**49.9**	18.6	–	2.5	3.9	–	**17.2**	**32.7**	53.5
Freehold Buildings[(a,b)]	3,436.6	–	1,615.2	27.0	(139.6)	**4,885.2**	560.8	–	150.2	2.8	(27.3)	**680.9**	**4,204.3**	2,875.8
Plant and Machinery	14,065.6	6.5	3,054.7	49.0	(444.9)	**16,632.9**	4,835.0	1.1	1,117.3	24.9	(174.6)	**5,753.9**	**10,879.0**	9,230.6
Vehicles	88.5	11.3	23.1	11.1	(2.2)	**109.6**	37.8	1.4	9.1	7.1	(1.5)	**39.7**	**69.9**	50.7
Furniture and Fixtures	268.7	0.1	45.8	0.1	(4.0)	**310.5**	104.9	–	29.3	–	(2.9)	**131.3**	**179.2**	163.8
SUB-TOTAL	18,587.2	37.7	4,782.3	138.1	(637.7)	**22,631.4**	5,579.7	2.5	1,311.6	41.1	(208.5)	**6,644.2**	**15,987.2**	13,007.5
Intangible Assets														
Goodwill	525.5	–	–	–	(44.8)	**480.7**	–	–	–	–	–	**–**	**480.7**	525.5
Product Development Cost	36.2	–	–	–	(3.2)	**33.0**	25.7	–	9.4	–	(2.8)	**32.3**	**0.7**	10.5
Licences and patents	587.4	–	403.5	9.1	(50.2)	**931.6**	143.2	–	176.1	–	(27.6)	**291.7**	**639.9**	444.2
SUB-TOTAL	1,149.1	–	403.5	9.1	(98.2)	**1,445.3**	168.9	–	185.5	–	(30.4)	**324.0**	**1,121.3**	980.2
TOTAL	19,736.3	37.7	5,185.8	147.2	(735.9)	**24,076.7**	5,748.6	2.5	1,497.1	41.1	(238.9)	**6,968.2**	**17,108.5**	13,987.7
Previous Year	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**	
Capital work in progress[c]													**5,700.8**	5,363.0

Notes:

a. The title deeds of land and buildings aggregating to ₹137.6 (₹116.9) are pending transfer to the Company's name.

b. Freehold buildings include value of share in co-operative housing societies aggregating to ₹Nil (₹0.3).

c. Capital work-in-progress include capital advances of ₹202.8 (₹572.4) and expenditure during construction period amounting to ₹690.8 (₹65.9) Refer note 15 of Schedule 22.

d. Additions during the year include value of capital expenditure towards research centre amounting to ₹42.1 (₹80.3).

e. Depreciation for the year include ₹3.7 (₹1.1) taken as pre-operative capital expenditure on capital projects pending capitalization.

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

		As at March 31, 2010	As at March 31, 2009
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 ₹100 each	**0.1**	0.1
	103,709 (103,709) equity shares of Patancheru Enviro-Tech Limited of ₹10 each	**1.0**	1.0
	1,000 (1,000) equity shares of Progressive Effluent Treatment Limited of ₹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 ₹0.1 (₹0.1) held by income tax authorities			
	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 ₹10 each	**0.4**	0.2
UNQUOTED - TRADE	Equity shares (fully paid-up)		
	70,000 (70,000) shares of Citadel Aurobindo Biotech Limited of ₹100 each	**7.0**	7.0
	Less: Provision for diminution in the value of investment	**(7.0)**	(7.0)
	SUB-TOTAL (II)	**0.4**	0.2
	TOTAL (I + II)	**2.8**	2.6
Notes:			
Aggregate value of unquoted investments		**2.4**	2.4
Aggregate value of quoted investments		**0.4**	0.2
Market value of quoted investments		**0.5**	0.2
7. INVENTORIES			
(at lower of cost and net realizable value)			
	Raw materials*	**4,372.3**	3,971.6
	Stores, spares, consumables & packing materials	**958.4**	760.9
	Work-in-process	**3,678.3**	2,599.0
	Finished goods*	**1,134.7**	597.9
	Trading goods	**880.8**	846.9
	TOTAL	**11,024.5**	8,776.3
* 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, 2010	As at March 31, 2009
8.	**SUNDRY DEBTORS**			
	Unsecured	Debts outstanding for a period exceeding six months		
		Considered good	**364.7**	726.3
		Considered doubtful	**256.5**	331.2
			621.2	1,057.5
		Other debts - Considered good	**9,195.4**	8,171.3
			9,816.6	9,228.8
		Less: Provision for doubtful debts	**(256.5)**	(331.2)
		TOTAL	**9,560.1**	8,897.6
9.	**CASH & BANK BALANCES**			
		Cash, cheques and drafts on hand	**8.1**	6.0
		Balances with scheduled banks on:		
		Current accounts	**179.6**	481.0
		Cash credit accounts	**24.0**	117.6
		Deposit accounts*	**92.3**	104.5
		Unpaid dividend accounts	**4.6**	4.4
		Balances with non-scheduled banks on:		
		Current accounts	**230.9**	392.1
		Deposit accounts*	**188.8**	170.9
		TOTAL	**728.3**	1,276.5
	*includes fixed deposit amounting to			
	a. ₹1.1 (₹25.1) pledged with bank.			
	b. ₹184.5 (₹160.8) under lien.			
10.	**OTHER CURRENT ASSETS**			
		Interest accrued on loans and deposits	**19.4**	69.5
		Interest accrued on investments	**0.6**	0.6
		Unamortized exchange premium on forward contracts	**13.4**	–
		TOTAL	**33.4**	70.1
11.	**LOANS & ADVANCES**			
	(Unsecured, considered good except stated otherwise)			
		Dues from joint venture entities	**235.0**	173.6
		Loans to employees	**45.4**	34.6
		Advances recoverable in cash or in kind or for value to be received		
		Considered good	**1,408.9**	1,583.0
		Considered doubtful	**36.3**	148.5
		Trade and other deposits	**155.5**	303.0
		Export incentives receivable	**866.8**	514.1
		Export incentives licenses	**40.2**	23.5
		Advance income tax and tax paid on appeals (Net of provision)	**384.9**	621.1
		Balances with customs and excise authorities	**689.8**	616.3
			3,862.8	4,017.7
		Less: Provision for doubtful advances	**(149.8)**	(148.5)
		TOTAL	**3,713.0**	3,869.2

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

		As at March 31, 2010	As at March 31, 2009
12. CURRENT LIABILITIES			
	Sundry creditors for goods, services and expenses	**6,044.0**	5,147.7
	Trade deposits	**1.0**	1.0
	Advance from customers	**352.4**	28.0
	Unclaimed dividends	**4.6**	4.5
	Other liabilities	**188.8**	116.3
	Interest accrued but not due on loans	**0.4**	21.1
	Book overdraft	**136.8**	116.0
	TOTAL	**6,728.0**	5,434.6
13. PROVISIONS			
	For Taxation (Net of advance payments)	**41.5**	41.5
	For Retirement benefits		
	Gratuity (Refer Note 11(b) on Schedule 22)	**69.8**	35.4
	Leave encashment	**110.6**	94.6
	For Proposed dividend	**111.5**	80.7
	For Tax on proposed dividend	**18.5**	13.7
	TOTAL	**351.9**	265.9

Consolidated Schedules to Profit and Loss Account

		2009-2010	2008-2009
14. SALES (GROSS)			
	Sale of goods	**34,454.9**	30,252.9
	Sale of dossiers/licenses	**1,977.4**	1,424.1
	Sales services rendered	**81.1**	–
	TOTAL	**36,513.4**	31,677.0
15. OTHER INCOME			
	Dividends from current investments - trade	**–**	–
	Gain on sale of fixed assets	**92.2**	23.7
	Exchange fluctuation gain (Net)	**1,072.6**	–
	Balances no longer required written back	**8.8**	–
	Provision no longer required on doubtful debts and advances written back	**71.6**	–
	Diminution on investment written back	**0.2**	–
	Miscellaneous income	**216.6**	143.2
	TOTAL	**1,462.0**	166.9

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

		2009-2010		2008-2009
16. DECREASE/(INCREASE) IN STOCKS				
Opening 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
Less: Closing stock				
Finished goods	**(1,134.7)**		(597.9)	
Trading goods	**(880.8)**		(846.9)	
Work-in-process	**(3,678.3)**		(2,599.0)	
		(5,693.8)		(4,043.8)
Increase in stocks		**(1,650.0)**		(179.5)
Adjustment for fluctuation in exchange rates		**(199.2)**		268.7
TOTAL		**(1,849.2)**		89.2
17. MATERIALS CONSUMED				
Raw materials consumed				
Opening stock		**3,971.6**		3,483.8
Add: Purchases		**16,743.2**		14,662.3
Less: Closing stock		**(4,372.3)**		(3,971.6)
		16,342.5		14,174.5
Adjustment for fluctuation in exchange rates		**(19.6)**		27.0
Packing materials consumed		**1,469.8**		1,036.0
TOTAL		**17,792.7**		15,237.5
18. OTHER MANUFACTURING EXPENSES				
Conversion charges		**158.0**		104.5
Consumption of stores and spares		**399.4**		328.6
Chemicals consumed		**506.8**		483.8
Carriage inward		**324.1**		222.8
Factory maintenance		**85.0**		56.0
Power and fuel		**1,949.1**		1,827.2
Effluent treatment expenses		**83.2**		68.6
Decrease of excise duty on inventory		**4.4**		(0.7)
(Refer Note 22 on Schedule 22)				
Repairs and maintenance				
Plant and machinery		**204.6**		170.9
Buildings		**90.2**		65.4
Others		**32.3**		27.9
Miscellaneous expenses		**105.7**		86.3
TOTAL		**3,942.8**		3,441.3

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

	2009-2010	2008-2009
19. PAYMENTS TO AND PROVISIONS FOR EMPLOYEES		
Salaries, wages and bonus	**2,908.1**	2,165.5
Contribution to provident fund and other funds	**136.3**	113.0
(Refer Note 11(a) on Schedule 22)		
Retirement benefits	**99.3**	71.5
Staff welfare expenses	**129.1**	86.7
TOTAL	**3,272.8**	2,436.7
20. ADMINISTRATIVE & SELLING EXPENSES		
Rent	**110.5**	108.7
Rates and taxes	**82.3**	75.1
Printing and stationery	**77.3**	59.0
Postage, telegram and telephones	**67.7**	58.4
Insurance	**144.6**	132.1
Legal and professional charges	**405.9**	331.2
Directors sitting fees	**1.1**	0.8
Remuneration to auditors	**6.2**	6.6
Sales commission	**315.4**	310.1
Carriage outwards	**961.7**	1,012.9
Selling expenses	**73.3**	54.1
Rebates and discounts	**85.2**	151.6
Travel and conveyance	**107.9**	95.9
Vehicle maintenance expenses	**10.2**	6.2
Analytical charges	**97.7**	102.2
Product development expenses	**28.8**	13.8
Registration and filing charges	**50.2**	59.3
Safety and security	**12.2**	12.5
Office expenses	**31.7**	41.9
Repairs and maintenance	**22.5**	13.8
Management fees	**10.9**	8.6
Liquidated damages	**27.7**	115.7
Donations	**12.9**	2.2
Software license and implementation expenses	**6.9**	14.6
Provision for doubtful debts and advances	**–**	126.5
Bad debts written off	**68.1**	46.4
Fixed assets written off	**–**	176.6
Capital Work-in-progress written off	**120.9**	76.3
Investments written off/diminution	**–**	0.1
Exchange fluctuation loss (Net)	**–**	2,499.9
Miscellaneous expenses	**156.3**	140.4
TOTAL	**3,096.1**	5,853.5

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

		2009-2010		2008-2009
21. INTEREST AND FINANCE CHARGES (Net)				
Interest on fixed period loans	**281.3**		279.4	
Interest on other loans	**343.6**		546.3	
		624.9		825.7
Less: Interest received				
Loans to joint ventures entities	**15.2**		13.0	
Deposits*	**28.8**		74.2	
Income tax refunds	**–**		–	
Others	**8.9**		6.4	
		52.9		93.6
Bank charges		**106.0**		106.5
TOTAL		**678.0**		838.6
*[TDS ₹3.0 (₹5.3)]				

Notes to Consolidated Accounts

22. NOTES ANNEXED TO AND FORMING PART OF THE CONSOLIDATED ACCOUNTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2010.

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 Group" 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 policies except otherwise stated 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 Group. 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 Group.

The financial statements of the entities used for the purpose of consolidation are drawn up to same reporting date as that of the Parent company i.e. year ended March 31, 2010.

The Consolidated Financial Statements for the year ended March 31, 2010 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 March 31,	
			2010	2009
APL Pharma Thai Ltd[1]	Thailand	Subsidiary	**48%**	48%
Aurobindo Pharma Industria Farmaceutica Ltda				
(formerly known as 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 USA Inc.	U.S.A.	Subsidiary	**100%**	100%
Auro Pharma Inc.	Canada	Subsidiary	**100%**	100%
Aurex Generics Limited	U.K.	Subsidiary	**100%**	100%
Aurobindo Pharma (Pty) Limited	South Africa	Subsidiary	**100%**	100%
Zao Aurobindo Pharma	Russia	Subsidiary	**100%**	100%
Milpharm Limited	U.K.	Subsidiary	**100%**	100%
Agile Pharma B.V.	The Netherlands	Subsidiary	**100%**	100%
Aurobindo Pharma (Australia) Pty Limited	Australia	Subsidiary	**100%**	100%
Auro Healthcare (Nigeria) Limited	Nigeria	Subsidiary	**100%**	100%
Aurobindo Switzerland AG	Switzerland	Subsidiary	**100%**	100%
Aurobindo Pharma Hungary Kereskedelmi, Kft	Hungary	Subsidiary	**100%**	100%
Pharmacin International B.V.[2]	The Netherlands	Subsidiary	**–**	–
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%

(Contd...)

Name of the Consolidated Entities	Country of Incorporation	Nature of Interest	% of Interest March 31,	
			2010	2009
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	Ireland	Subsidiary	**100%**	100%
Aurobindo Pharma (Italia) S.r.l.	Italy	Subsidiary	**100%**	100%
Aurobindo Pharma (Portugal) Unipessoal LDA	Portugal	Subsidiary	**100%**	100%
Aurobindo Pharma ApS	Denmark	Subsidiary	**100%**	100%
Sia Aurobindo Baltics	Latvia	Subsidiary	**100%**	100%
Aurobindo Pharma (Bulgaria) EAD	Bulgaria	Subsidiary	**100%**	100%
Aurobindo Pharma France SARL	France	Subsidiary	**100%**	100%
Aurolife Pharma LLC.,	U.S.A.	Subsidiary	**100%**	100%
Aurobindo Pharma GmbH (w.e.f. May 20, 2009)	Germany	Subsidiary	**100%**	–
Aurobindo ILAC Sanayi ve Ticaret Limited Sirketi				
(w.e.f. November 25, 2009)	Turkey	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%
Novagen Pharma (Pty) Limited (w.e.f. April 1, 2009)	South Africa	Joint Venture	**50%**	–
Trident Life Sciences Limited[3]	India	Subsidiary	**100%**	–
Auronext Pharma Private Limited (w.e.f. July 2, 2009)	India	Subsidiary	**75%**	–

[1] APL Pharma Thai Ltd 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 (Refer Note 3 of Schedule 22).

[3] Amalgamated with the parent company with effect from October 1, 2009 (Refer Note 8 of Schedule 22).

b. Revenue Recognition

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

i. Revenue from sale of goods is recognized on dispatch (in respect of exports on the date of the bill of lading or airway bill) 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.

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 Group'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 and 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 management. In these cases the rates are as under:

Leasehold Building : 5%

Plant and Machinery : 20%

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

e. Intangibles

Intangible assets consists 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 on a straight-line basis 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. Employee benefits

i. Employee 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 Group'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 and deferred tax. Current income 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 Group does not have a legal right to do so.

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

Minimum Alternative tax (MAT) credit is recognized as an asset only when and to the extent there is convincing evidence that the Group 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 Group 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 Group will pay normal Income Tax during the specified period.

l. Foreign Exchange Transactions

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.

Conversion

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

Exchange differences

Exchange differences arising on the settlement of monetary items or on reporting monetary items of company at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognized as income or as expenses in the year in which they arise.

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 Group has designated the operations of following overseas consolidated entities viz Aurobindo Pharma Industria Farmaceutica Ltda; APL Pharma Thai Limited; Helix Healthcare B.V.; Zao Aurobindo Pharma; Auro Pharma Inc.; Aurobindo Pharma (Pty) Limited; Aurobindo Switzerland AG; 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 Company Limited; 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; Aurobindo Pharma France SARL, Aurobindo Pharma GmbH, Aurobindo ILAC Sanayi ve Ticaret Limited Sirketi and Novagen Pharma (Pty) Limited as 'integral foreign operations':

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

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

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

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

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 Group, 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.

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 Group 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. The Group 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, 2010 has not been ascertained.

b. Deferred tax assets include ₹41.7 (₹21.7) and deferred tax liabilities include ₹2.7 (₹6.4) 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. Pharmacin International B.V. a wholly owned subsidiary of Agile Pharma B.V. has closed its operations during the previous year ended March 31, 2009. The Consolidated Profit and Loss Account for the previous 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 year ended March 31, 2010	For the period April 1, 2008 to December 22, 2008
Revenues	**–**	0.5
Expenses	**–**	–
Net profit/(loss) considered in the Consolidated Profit and Loss Account	**–**	0.5

	As at March 31, 2010	As at December 22, 2008
Liabilities		
Credit/(debit) balance in Profit and Loss Account	**–**	0.1
Assets		
Net Current Assets	**–**	13.5

4. As of March 31, 2010, Aurobindo Switzerland AG, one of the ultimate subsidiaries of the Group capitalized development costs of ₹24.0 (₹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 ₹1,320.7 (₹709.0).

6. Contingent Liabilities

	March 31, 2010	March 31, 2009
Premium on potential redemption of Foreign Currency Convertible Bonds	**Refer note 9(d) below**	Refer note 9(d) below
Outstanding bank guarantees	**245.9**	238.5
Bills discounted with banks (secured by personnel guarantees of the Chairman and the Managing Director)	**–**	2.6
Claims arising from disputes relating to direct and indirect taxes not acknowledged as debts	**325.3**	217.6
Dossier sales with refund clause	**311.0**	125.3
Claims against the company not acknowledged as debts	**4.9**	4.9

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

7. Scheme of Arrangement under Section 391 to 393 of the Companies Act, 1956.

The shareholders of the parent company vide a Court convened meeting held on May 21, 2009 approved a Scheme of Arrangement under Sections 391 to 393 read with Sections 100 to 103 and other applicable provisions of the Companies Act, 1956. The said Scheme provides for utilization of capital profit arising on buy-back and cancellation of Foreign Currency Convertible Bonds ('FCCBs'), the balances standing to the credit of Capital Reserve Account and Capital Redemption Reserve Account to adjust certain expenses as determined by the management detailed below. The aforesaid Scheme was filed with the Hon'ble High Court of Andhra Pradesh.

In the current year, the Hon'ble High Court of Andhra Pradesh has dismissed the Scheme filed by the parent company. The parent company has appealed against the Order of the High Court and the appeal is pending before the appellate body.

In the previous year, pending approval of the High Court, the parent company had credited the entire capital profit on buyback and cancellation of FCCBs net of expenses, amounting to ₹489.5 as an exceptional item to the Consolidated Profit and Loss Account. Similarly the gain on buy-back of FCCBs made during the year ended March 31, 2010 amounting to ₹21.9 has been credited to the Consolidated Profit and Loss Account and has been disclosed as an exceptional item.

Details of exceptional items are as under:

Particulars	2009-2010	2008-2009
A. Capital profit on buyback and cancellation of FCCBs	**21.9**	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)	**21.9**	489.5

However, as the aforesaid gain net of expenses has been accounted in the Consolidated Profit and Loss Account itself, without giving the effect of the Scheme, the above dismissal has no impact on the financial statements of the Group as of and for the year ended March 31, 2010.

8. Acquisition and amalgamation of Trident Life Sciences Limited ("Trident")

Trident is in the process of setting up a state-of-the-art facility for manufacturing injectables at Medak District in Andhra Pradesh. The parent company acquired the entire equity shares of Trident Life Sciences Limited ('Trident') on September 18, 2009. Pursuant to this acquisition, Trident became a fully owned subsidiary of the parent company.

In order to achieve the synergies of consolidation and to achieve cost optimization through reduction of administration and other operational cost, it was decided to amalgamate Trident with the parent company with effect from October 1, 2009 ('the appointed date'). Accordingly, a Scheme of Amalgamation ('the Scheme') of Trident with the parent company under Sections 391 to 394 of the Companies Act, 1956 was approved by the shareholders of the parent company at a Court convened meeting held on January 20, 2010. The Hon'ble High Court of Andhra Pradesh approved the Scheme on March 30, 2010. The salient features of the Scheme are set out below:

With effect from the appointed date, entire business and whole of the undertaking(s) of Trident including all its properties and assets, investments, licenses, permits, approvals, lease, tenancy rights, permissions, and all its debts, liabilities, contingent liabilities, duties and obligations shall vest with the parent company;

All assets and liabilities of Trident transferred to and vested shall be recorded in the books of the parent company at their respective book values;

The authorized equity share capital of Trident has got merged with the authorized equity share capital of the parent company;

All inter-company balances, if any, including share application money shall be eliminated; and

The value of investment in the share capital of Trident appearing in the books of the parent company shall stand cancelled.

As Trident is a fully owned subsidiary of the parent company, the amalgamation does not involve any consideration.

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

The amalgamation has been accounted under the pooling of interest method prescribed by Accounting Standard 14 - Accounting for amalgamations. The details of assets, liabilities and balances taken over together with adjustments carried out in accordance with the Scheme are set out below:

Description	
Net book value of fixed assets (including capital work-in-progress and capital advance)	1,474.5
Current assets	64.0
Less: Current liabilities and provisions	(91.4)
Less: Share application money	(390.0)
Less: Borrowings	(1,056.1)
Net assets transferred and vested with parent company	**1.0**
Less: Value of investments in the share capital of Trident, appearing in the books of parent company, cancelled pursuant to the amalgamation	(0.2)
Net credited to Capital Reserve in accordance with the Scheme	**0.8**

9. Foreign Currency Convertible Bonds

The Parent Company issued foreign currency convertible bonds ('FCCBs') during the years ended March 31, 2006 and March 31, 2007. The details of such issue are given below:

a. FCCBs issued during the year ended March 31, 2006:

60,000 Zero Coupon Foreign Currency Convertible Bonds (bonds) due in 2010 of USD 1,000 each on the following terms:

- 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 ₹5 per share at a fixed price of ₹522.036 per share at a fixed exchange rate conversion of ₹43.3925 = USD 1; or
- redeemable in whole but not in part at the option of the parent 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;
- redeemable on maturity date at 139.954% of its principal amount if not redeemed or converted earlier.

b. FCCBs issued during the year ended March 31, 2007:

150,000 zero coupon FCCBs due in 2011 (Tranche A Bonds) of USD 1,000 each and 50,000 Forward Conversion Convertible Bonds due in 2011 (Tranche B Bonds) of USD 1,000 each were issued on the following terms:

- 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 ₹5 per share at a fixed price of ₹1,014.06 per share at a fixed exchange rate conversion of ₹45.145 = USD 1. Each Tranche B bond will be converted into 51.35 fully paid up equity shares with par value of ₹5 per share at a fixed price of ₹879.13 per share at a fixed exchange rate conversion of ₹45.145 = USD 1; or
- redeemable by the parent 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;
- 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.

c. Outstanding FCCBs

- In respect of the bonds issued during the year ended March 31, 2006, 21,818 bonds of USD 1,000 each were converted into 1,813,539 equity shares of ₹5 each at premium of ₹517.036 during the year. The outstanding FCCBs as at March 31, 2010 is 31,782 bonds (March 31, 2009: 53,600 bonds). Subsequent to the balance sheet date, 6,714 bonds of USD 1,000 each were converted into equity shares and the conversion of 2,000 bonds of USD 1,000 each lodged with the Group is in progress.

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

- In respect of the bonds issued during the year ended March 31, 2007, 1,800 bonds (March 31, 2009: 59,000 bonds) of USD 1,000 each were cancelled pursuant to a buy back during the year. The outstanding FCCBs as at March 31, 2010 is 139,200 bonds (March 31, 2009: 141,000 bonds).

d. Redemption premium on potential redemption of FCCBs

- The cumulative premium on potential redemption of FCCBs issued during the years ended March 31, 2006 and March 31, 2007 aggregates to USD 58,633,065 (March 31, 2009: USD 53,242,265) equivalent to ₹2,632.6 (March 31, 2009: ₹2,699.4). The payment of premium on redemption is contingent in nature, the outcome of which is dependent on uncertain future events. Hence, no provision is considered in the accounts in respect of such premium for the year.

e. In the opinion of the parent company, as the bonds are convertible into equity shares and accordingly, the creation of debenture redemption reserve is not required.

f. The details of utilization of proceeds from issue of Foreign Currency Convertible Bonds aggregating to USD 260 million is given below:

	2009-2010	2008-2009
Opening balance with banks	**272.0**	2,240.9
Issue proceeds	**–**	–
Less: Utilised for investments and capital goods	**272.0**	1,408.9*
Less: Utilised for buyback of FCCBs	**–**	560.0
Balance with banks and under bank deposits	**–**	272.0

*including foreign currency translation

10. Employee stock options:

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 ₹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 ₹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:

	2009-2010	2008-2009
Options outstanding at the beginning of the year	**199,157**	233,094
Granted during the year	**–**	–
Vested/exercisable during the year	**29,360**	102,480
Exercised during the year	**150,030**	–
Forfeited during the year subject to reissue	**2,573**	33,937
Options outstanding at end of the year	**46,554**	199,157
Exercisable at the end of the year	**46,554**	169,797
Weighted Average Exercise Price (₹)	**362.60**	362.60
Weighted Average Fair Value of options at the date of grant (₹)	**375.14**	375.14

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

	Range of exercise prices (₹)	Number of options outstanding	Weighted average remaining contractual life of options (in years)
Year 2009-10	**362.60**	**46,554**	**0.63**
Year 2008-09	362.60	199,157	1.66

b. Employee Stock Option Plan 'ESOP-2006'

The parent company instituted an Employee Stock Option Plan 'ESOP-2006' as per the special resolution passed in the 19th Annual General Meeting held on September 18, 2006. This scheme has been formulated in accordance with the Securities Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999. The compensation committee accordingly, granted total 58,000 options under three grants of 35,000, 5,000 and 18,000 options to eligible employees on October 30, 2006, July 31, 2007 and October 31, 2007 respectively. 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 ₹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 ₹603.50, ₹661.75 and ₹572.50 per share respectively and hence the question of accounting for employee deferred compensation expense does not arise as the parent company follows intrinsic value method.

The details of options outstanding of ESOP 2006 Scheme:

	2009-2010	2008-2009
Options outstanding at the beginning of the year	**55,000**	55,000
Granted during the year	**–**	–
Vested/exercisable during the year	**11,450**	7,250
Exercised during the year	**–**	–
Forfeited during the year subject to reissue	**5,000**	–
Options outstanding at end of the year	**50,000**	55,000
Exercisable at the end of the year	**22,200**	10,750
Weighted average exercise price (₹)	**598.90**	598.90
Weighted average fair value of options 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 2009-10	**570 to 670**	**50,000**	**2.89**
Year 2008-09	570 to 670	55,000	3.93

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

c. Disclosures as per Fair Value Method

The Group'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:

	2009-2010	2008-2009
Profit after taxation		
As reported in Consolidated Profit and Loss Account	**5,634.0**	1,002.6
Less: Additional Employee compensation cost based on Fair Value	**3.3**	3.8
Profit after taxation as per fair value method	**5,630.7**	998.8
Earnings per Share		
Basic		
No. of shares	**54,152,591**	53,765,268
EPS as reported	**104.04**	18.65
EPS as per Fair Value method	**103.98**	18.58
Diluted		
No. of shares	**63,220,039**	64,733,509
EPS as reported	**89.12**	15.49
EPS as per Fair Value method	**89.07**	15.43

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

	March 31, 2010		March 31, 2009	
	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**	**7.12**	5.62	5.64
Dividend Yield	**0.15**	**0.05**	0.48	0.48

11. Retirement benefits

a. Disclosures related to defined contribution plan

Provident fund contribution recognized as expense in the Consolidated Profit and Loss Account ₹57.5 (₹47.5).

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.

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

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

	2009-2010	2008-2009
Net employee benefit expense (included under employee cost)		
Current service cost	21.1	15.6
Interest cost on benefit obligation	9.5	7.5
Expected return on plan assets	(6.7)	(4.8)
Net actuarial (gain)/loss recognized in the year	(3.3)	16.4
Past service cost	25.8	–
Net benefit expense	46.4	34.7
Actual return on plan assets	7.1	5.7

Consolidated Balance Sheet

	March 31, 2010	March 31, 2009
Details of provision for gratuity		
Defined benefit obligation	152.9	107.7
Fair value of plan assets	83.1	72.3
Net Plan Liability	69.8	35.4

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

	2009-2010	2008-2009
Opening defined benefit obligation	107.7	75.4
Current service cost	21.1	15.6
Interest cost	9.5	7.5
Past service cost	25.8	–
Benefits paid	(8.3)	(8.1)
Actuarial (gains)/losses on obligation*	(2.9)	17.3
Closing defined benefit obligation	152.9	107.7

* Experience adjustments Nil (Nil)

Changes in the fair value of plan assets:

	2009-2010	2008-2009
Opening fair value of plan assets	72.2	57.0
Expected return	6.7	4.8
Contributions by employer	12.0	17.6
Benefits paid	(8.3)	(8.1)
Actuarial gains/(losses)	0.5	0.9
Closing fair value of plan assets	83.1	72.2

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

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

	March 31, 2010	March 31, 2009
Discount rate p.a. (%)	**8.30**	7.60
Expected return on assets p.a. (%)	**7.50**	7.50
Employee turnover:		
Age (years)		
21-30 (%)	**8**	8
31-40 (%)	**4**	4
41-57 (%)	**1**	1

Notes:

i. 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.

ii. Percentage of plan assets as investments with insurer is 100%.

iii. 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.

iv. The parent company expects to contribute ₹50.0 to gratuity in 2010-11.

12. Details of security given for 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 ₹Nil (₹750.0).

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 ₹Nil (₹7,379.8).

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 Company Limited, 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.

13. Unsecured loans

Short term loans of APL from banks aggregating to ₹Nil (₹1,115.0) are personally guaranteed by the Chairman and the Managing Director of APL.

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

14. Deferred taxes

a. Deferred Tax Liability (Net) consists of:

Particulars	March 31, 2010	March 31, 2009
Fixed assets (Depreciation)	**1,113.9**	977.7
Debtors	**(91.5)**	(119.9)
Retirement benefits	**(59.9)**	(44.2)
FCCB issue expenses	**(9.0)**	(23.2)
TOTAL	**953.5**	790.4

b. Deferred Tax Assets consists of:

Particulars	March 31, 2010	March 31, 2009
Carried forward business losses	**35.6**	14.9
Others	**6.1**	6.8
	41.7	21.7

15. Expenditure during construction period pending capitalization

Particulars	2009-2010	2008-2009
Balance brought forward	**65.9**	20.5
Add: Incurred during the year		
Salaries and employee benefits	**139.8**	20.1
Staff welfare	**1.6**	0.2
Staff recruitment expenses	**4.6**	0.4
Consumption of raw material for testing		
(Net of transfer to production ₹13.2 and previous year ₹7.9)	**117.9**	–
Stores and spares consumption	**50.8**	3.5
Carriage inwards	**12.4**	1.6
Power and fuel	**68.1**	1.8
Job work charges	**37.3**	2.9
Land development charges	**9.0**	8.3
Rent	**1.3**	3.6
Rates and taxes	**2.7**	0.1
Printing and stationery	**4.9**	0.1
Postage, telegram and telephones	**1.3**	0.4
Insurance	**5.2**	1.4
Legal and professional charges	**18.8**	0.1
Travel and conveyance	**7.9**	4.3
Depreciation	**3.7**	1.1
Bank charges	**17.2**	0.4
Interest	**100.2**	–
Miscellaneous expenses	**20.2**	4.4
Sub-total	**690.8**	75.2
Less: Capitalized to fixed assets during the year	**–**	9.3
Balance carried forward	**690.8**	65.9

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

16. Export Incentives

Sales include export incentives on account of various schemes amounting to ₹515.7 (₹393.0).

17. Research and Development Expenses

Research and Development expenses incurred by APL during the year debited to Consolidated Profit and Loss Account amounted to ₹829.8 (₹780.5)

18. Earnings per Share

Earnings per Share is computed based on the following:

Particulars			2009-2010	2008-2009
i.	Consolidated Profit after tax and minority interest considered for calculation of basic and diluted Earnings per Share (₹)		5,634.0	1,002.6
ii.	a.	Weighted average number of Equity Shares considered for calculation of basic Earnings per Share	54,152,591	53,765,268
	b.	Effect of dilution on account of Foreign Currency Convertible Bonds into shares	9,063,968	10,957,653
	c.	Effect of dilution on account of Employee Stock Options granted	3,480	10,588
	d.	Weighted average number of Equity Shares considered for calculation of diluted Earnings per Share (a+b+c)	63,220,039	64,733,509

19. Related Party Transactions

During the year ended March 31, 2010 the Group has entered into several commercial transactions with its related parties. The details of such transactions, balances as at March 31, 2010 and names of related parties and the nature of relationship is given below:

A. Details of transactions with the related parties

Particulars	2009-2010	2008-2009
Transactions with enterprises over which significant influence exists		
Pravesha Industries Private Limited, India		
Purchase of goods	634.1	515.0
Rent paid	–	0.1
Sale of goods	4.7	14.0
Trident Life Sciences Limited, India		
Services received	27.8	106.1
Sale of goods	0.7	0.7
Purchase of goods	–	1.3
Purchase of asset	–	6.2
Rent paid	3.5	4.7
Sale of fixed assets	–	4.2
Finance (including loans and equity contribution in cash or in kind)	0.2	–
Electricity paid	2.1	–
Proposed dividend	–	0.7
Purchase of dossiers	–	147.6
Axis Clinicals Limited, India		
Services received	27.1	–
Purchase of asset	1.5	–
Rent paid	2.1	–
Electricity paid	1.2	–
Sale of fixed assets	2.5	–
Proposed dividend	1.0	–
Interim dividend	1.6	–

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

Particulars	2009-2010	2008-2009
Sri Sai Packaging, India (Partnership firm)		
Purchase of goods	**74.2**	44.3
Sale of goods	**0.5**	0.3
Trident Chemphar Limited, India		
Purchase of goods	**50.6**	193.7
Sale of goods	**210.5**	58.1
Other services rendered	**0.1**	2.2
Interim dividend	**3.5**	1.9
Proposed dividend	**2.3**	1.7
Auropro Soft Systems Private Limited, India		
Services received	**17.0**	7.2
Transactions with jointly controlled enterprises		
Cephazone Pharma LLC, U.S.A.		
Sale of goods	**79.1**	54.4
Interest received	**14.8**	12.5
Finance (loans in cash or in kind)	**22.5**	11.4
Aurosal Pharmaceuticals, LLC, U.S.A.		
Interest received	**0.4**	0.5
Auronext Pharma Private Limited, India		
Finance (including loans and equity contribution in cash or in kind)	**10.0**	–
Rent received	**0.4**	–
Transactions with key managerial personnel		
Mr. P. V. Ramprasad Reddy, Chairman		
Managerial remuneration	**8.0**	6.9
Proposed dividend	**31.4**	24.3
Interim dividend	**47.2**	48.7
Guarantees and collaterals	**–**	9,307.6
Mr. K. Nithyananda Reddy, Managing Director		
Managerial remuneration	**8.0**	6.9
Proposed dividend	**5.5**	4.1
Interim dividend	**8.3**	8.3
Guarantees and collaterals	**–**	9,307.6
Dr. M. Sivakumaran, Whole-time Director		
Managerial remuneration	**8.0**	6.9
Proposed dividend	**2.9**	2.2
Interim dividend	**4.4**	4.4
Mr. M. Madan Mohan Reddy, Whole-time Director		
Managerial remuneration	**7.5**	7.1
Proposed dividend	**–**	–
Interim dividend	**–**	–
Transactions with relatives of key managerial personnel		
Mr. P. Sarath Chandra Reddy (Son of Mr. P.V. Ramprasad Reddy, Chairman)		
Sitting fees	**0.1**	0.1
Proposed dividend	**–**	–
Interim dividend	**–**	–
Mr. Penaka Rohit Reddy (Son of Mr. P.V. Ramprasad Reddy, Chairman)		
Proposed dividend	**0.8**	0.6
Interim dividend	**1.1**	1.1

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

Particulars	2009-2010	2008-2009
Mr. K. Suryaprakash Reddy (Brother of Mr. K. Nithyananda Reddy, Managing Director)		
Proposed dividend	**–**	–
Interim dividend	**–**	–
Mr. Prasad Reddy Kambam (Brother of Mr. K. Nithyananda Reddy, Managing Director)		
Proposed dividend	**0.2**	0.1
Interim dividend	**0.3**	–
Ms. Sashi S. Kumar (Wife of Dr. M. Sivakumaran, Whole-time Director)		
Proposed dividend	**–**	–
Interim dividend	**–**	–
Ms. Kambam Kirthi Reddy (Daughter of Mr. K. Nithyananda Reddy, Managing Director)		
Remuneration paid	**0.5**	0.1
Proposed dividend	**4.3**	3.2
Interim dividend	**6.4**	6.4
Ms. P. Suneela Rani (Wife of Mr. P.V. Ramprasad Reddy, Chairman)		
Proposed dividend	**12.3**	9.2
Interim dividend	**18.5**	18.5
Ms. K. Rajeswari (Wife of Mr. K. Nithyananda Reddy, Managing Director)		
Proposed dividend	**2.6**	1.9
Interim dividend	**3.8**	3.8
Mr. Vishnu M. Sriram (Son-in-law of Dr. M. Sivakumaran, Whole-time Director)		
Remuneration paid	**2.2**	–

B. Balance outstanding debit/(credit) as at

	March 31, 2010	March 31, 2009
Cephazone Pharma LLC, U.S.A.	**262.7**	311.4
Aurosal Pharmaceuticals LLC, U.S.A.	**12.3**	12.3
Auropro Soft Systems Private Limited, India	**(1.3)**	(0.6)
Pravesha Industries Private Limited, India	**92.2**	17.8
Trident Life Sciences Limited, India*	**–**	150.0
Axis Clinicals Limited, India	**6.3**	–
Sri Sai Packaging, India	**2.2**	(0.4)
Auronext Pharma Private Limited, India	**10.4**	–
Trident Chemphar Limited, India	**92.3**	48.2

* Amalgamated with the Group with effect from October 1, 2009.

20. Leases

a. Operating Lease

Operating leases are mainly in the nature of lease of office premises with no restrictions and are renewable/cancelable at the option of either of the parties. There is no escalation clause in the lease agreement. There are no sub-leases.

Lease payments recognized in the Consolidated Profit and Loss Account ₹110.5 (₹108.7).

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 ₹49.2 (₹72.0).

iii. The net carrying amount of the buildings obtained on finance lease ₹32.3 (₹53.5).

iv. The Group 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)

21. Disclosure regarding Derivative Instruments

The aggregate amount of forward contracts entered into by the parent company and remaining outstanding at year end is ₹718.4 (USD 16,000,000) (March 31, 2009 : Nil).

22. In accordance with Para 10 of Notified Accounting Standard 9 on Revenue Recognition, excise duty on sales amounting to ₹759.0 (₹904.2) 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 ₹4.4 (₹0.7) has been debited to (Previous year - credit) in the Consolidated Profit and Loss Account.

23. The parent company has appointed an employee covered under Section 314 of the Companies Act, 1956. The employment is subject to an approval from the Central Government of India. The parent company has filed an application for obtaining the approval and the same is pending with the Central Government of India. In the meanwhile, the parent company has paid remuneration to the employee. The parent company is confident of obtaining approval from the Central Government of India and believes that the risk of rejection of the employment contract by the Central Government of India is remote.

24. Interest in joint ventures

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

i. Cephazone Pharma LLC incorporated in United States of America for production of sterile and non-sterile Cephalosporins.

ii. Aurosal Pharmaceuticals LLC incorporated in United States of America, is engaged in the development, manufacturing and distribution of pharmaceuticals products.

iii. Novagen Pharma (Pty) Limited incorporated in South Africa, is engaged in disrtribution of pharmaceuticals products.

The aggregate amount of the assets, liabilities, income and expenses related to the Group's share in the JVs included in these Consolidated Financial Statements as of and for the year ended March 31, 2010 are given below:

Consolidated Balance Sheet	**March 31, 2010**	March 31, 2009
Unsecured loans	**228.9**	216.7
Total Liabilities	**228.9**	216.7
Fixed assets (Net block)	**219.0**	248.2
Inventories	**33.7**	60.5
Sundry debtors	**115.0**	8.2
Cash and bank balances	**46.7**	6.2
Loans and advances	**0.4**	10.8
Current liabilities	**(23.1)**	(14.0)
Total Assets	**391.7**	319.9

Consolidated Profit and Loss Account	**2009-2010**	2008-2009
Sales	**267.0**	63.7
Other income	**81.2**	0.1
Increase in stocks	**5.7**	1.0
Total Revenue	**353.9**	64.8
Raw materials consumed	**102.6**	44.7
Other manufacturing expenses	**36.2**	32.2
Payments to and provisions for employees	**48.8**	34.5
Administrative and selling expenses	**26.6**	8.9
Interest and finance charges	**15.5**	12.6
Depreciation	**13.1**	–
Total Expenses	**242.8**	132.9

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

Capital commitments of the above joint venture entities ₹Nil (₹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.

- Based on the Group'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.
- Operations of the Group 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, 2010					
Particulars	**India**	**China**	**U.S.A.**	**Rest of the World**	**Eliminations**	**Consolidated**
Revenue						
External sales	24,338.6	228.7	6,648.5	4,538.5	–	35,754.3
Inter - segment sales	8,182.9	2,238.2	–	–	(10,421.1)	–
Total revenue	**32,521.5**	**2,466.9**	**6,648.5**	**4,538.5**	**(10,421.1)**	**35,754.3**
Results						
Segment result	7,474.0	(274.3)	11.8	652.4	144.3	8,008.2
Interest expense						(624.9)
Interest income						52.9
Other income						86.3
Income tax						(1,913.6)
Exceptional item						21.9
Minority interest						3.2
Profit for the year						5,634.0
Other information						
Segment assets	39,276.1	4,435.5	6,726.3	4,531.5	(7,786.8)	47,182.6
Other assets						730.6
Total assets						47,913.2
Segment liabilities	15,002.7	634.5	4,252.0	2,039.2	(6,233.5)	15,694.9
Other liabilities						13,927.5
Total liabilities						29,622.3
Capital expenditure	4,951.2	45.4	253.2	273.8	–	5,523.6
Depreciation/amortization	954.7	237.2	83.9	269.9	(52.3)	1,493.4
Non-cash expenses other than depreciation	57.6	0.3	–	137.1	–	195.0

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

Particulars	For the year ended and as at March 31, 2009					
	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

26. Figures in brackets represents those relating to the previous year. Further, the current year figures include those relating to transferor company viz., Trident Life Sciences Limited and therefore the figures of the previous year are not comparable with those of the current year. Further, the figures of the previous year have been re-grouped/rearranged, wherever necessary to conform to those of current year.

Signatures to Schedules 1 to 22

In terms of our report

S.R. Batliboi & Associates

For **S.R. BATLIBOI & ASSOCIATES**
Firm Registration No. 101049W
Chartered Accountants

per **VIKAS KUMAR PANSARI**
Partner
Membership No. 93649

Hyderabad, May 29, 2010.

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

Tear Here

AUROBINDO PHARMA LIMITED

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

ATTENDANCE SLIP

Day	Thursday
Date	23rd September, 2010
Time	11.45 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 23rd ANNUAL GENERAL MEETING of the Company

. . . .
Signature of the Member or Proxy

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 23rd ANNUAL GENERAL MEETING of the Company to be held **at 11.45 a.m. on Thursday, the 23rd September, 2010** 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

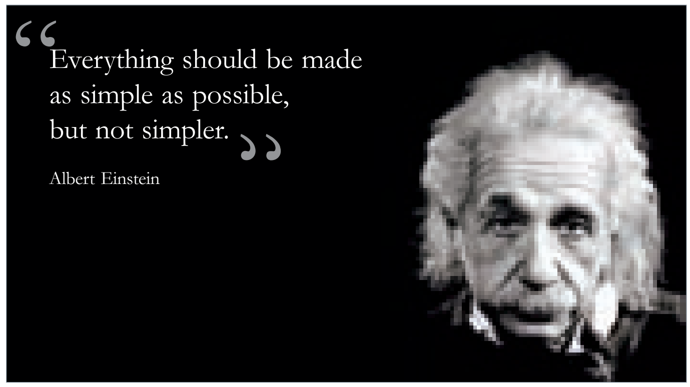
This communication contains statements that constitute "forward looking statements" including, without limitation, statements relating to the implementation of strategic initiatives and other statements relating to our future business developments and economic performance.

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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