25 *Years*

Focused on quality

AUROBINDO PHARMA LIMITED

Annual Report 2010-2011

Contents

A journey of quality ...

In twenty five years, we scaled new peaks and weathered troughs. We created world class manufacturing systems. We ensured a high level of R&D productivity that provides continuous flow of high quality products in demand. We have 300+ products covering 14 therapeutic segments in our portfolio – generics and active pharmaceutical ingredients - that are gaining volumes in developed and emerging markets.

We earned the enduring confidence of customers. We established strategic partnerships with the topmost names in the pharmaceutical industry. We expanded into 125 markets. We became a USD one billion revenue earning company with a robust business model. We employed the right people and empowered them to connect the dots between product development and customer needs. We have crafted a solid platform for sustained growth.

We have come so far on the strength of quality in whatever we do, in products, processes and transactions. Throughout the journey of 25 years, we stayed focused on quality. Our commitment to quality is our assurance to good health to our ultimate consumers. It's a journey of trust.

We have far greater visibility of the opportunities in the market, and hence shall maintain focus, and enhance our own benchmarks, to demonstrate best-in-class quality, in whatever we do. The next twenty five years hold even greater promise for all those associated with Aurobindo.

... is a journey of trust.

Aurobindo - a profile

Aurobindo is one of the leading global pharmaceutical companies engaged in the development, manufacturing and marketing of active pharmaceutical ingredients (APIs) and finished dosage formulations for 25 years.

The Company has evolved into a knowledge driven, R&D focused, multi-product organization. It has invested significant resources in building a world-class mega infrastructure for APIs and finished dosage formulations to emerge as a vertically integrated pharmaceutical company. Aurobindo's five units for APIs and four units for formulations are designed for the regulated markets.

The manufacturing facilities adhere to stringent quality parameters and assurance procedures. Placing a premium on high quality has enabled Aurobindo to seek and get plant approvals from various global regulatory authorities such as US FDA, EDQM, WHO, MHRA (UK), Health Canada, MCC (South Africa), TGA & PMDA.

The Company's advantage is in capturing a large portfolio of approvals backed up by a global standard R&D effort. Product portfolio of over 300 formulations in various dosage forms and strengths and 200 APIs with diversified product portfolio including life-style diseases, anti-AIDS, anti-infectives and pain management with pediatric products and technologies.

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

The formulation business is systematically organized with a divisional structure, and has a focused team for each key international market. Aurobindo believes in gaining volume and market share in every business/segment it enters.

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, finance, banking and consulting to guide and supervise the Company. They are adequately supported by a large team of professional managers.

VISION

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

MISSION

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

Unit	Segment	Certifications
APPROVED FORMULATION FACILITIES IN INDIA		
Unit III	Multi purpose Non-Betalactum	US FDA, Health Canada, TGA (Australia), MCC (SA), ANVISA (Brazil)
Unit VIB	Cephalosporins (Sterile & non-sterile)	TGA (Australia), MCC (SA), ANVISA (Brazil), NAM (Finland)
Unit VII	Multi purpose Non-Betalactum	US FDA, TGA (Australia), MCC (SA), ANVISA (Brazil)
Unit XII	Semi-synthetic penicillins (Sterile & non-sterile)	US FDA, Health Canada, TGA (Australia), MCC (SA), NAM (Finland), ANVISA (Brazil)
APPROVED ACTIVE INGREDIENT FACILITIES IN INDIA		
Unit 1	CVS, CNS, anti-allergics	US FDA, MHRA (UK), WHO, TGA (Australia)
Unit V	Semi-synthetic penicillins	US FDA, MHRA (UK), TGA (Australia)
Unit VI	Cephalosporins (Sterile)	US FDA, WHO, Health Canada, NAM (Finland)
Unit VIII	Gastro enterologicals, Antiretrovirals	US FDA, MHRA (UK), WHO, TGA (Australia)
Unit XI	CVS, CNS, Antiretrovirals	US FDA, MHRA (UK), WHO, TGA (Australia)
Bio-equivalence		US FDA

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

REGULATORY APPROVALS - PRODUCTS			
		Applied	**Approved**
Generics NDA / ANDAs	US FDA	197	133
	Europe	103	73
	South Africa	279	83
	Total	**579**	**289**
Active ingredients Drug Master Filings	US FDA	154	
	Europe — New Registrations	84	
	Multiple Registrations	1187	
	Others*	426	
	CoS	86	
	Total	**1937**	
Patent and Designs	Filed	464	
	Registered	57	

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

As at March 31, 2011

Focused on quality

FROM THE DESK OF THE CHAIRMAN

We recognize that our products are consumed by patients and they seek good health. Every employee is sensitized to this belief and committed to wellness of our consumers. We believe that we are not only building a robust organization but also working towards shared values and a relationship of mutual trust with all our stakeholders.

I am pleased to report that the corporate goals we set ourselves for the financial year have been achieved. Our business operations gained speed with significant improvement in volumes and turnover and we achieved a record performance in all key business parameters.

The consolidated revenue was higher by 22.7% at ₹44809.8 million in 2010-11, compared to ₹36513.4 million in 2009-10 with much of the growth coming from our addressable markets in the US, Europe and emerging markets. In these regions, we believe our sales growth was better than the industry average. Our manufacturing efficiencies and performance continued to improve which favorably impacted our Earnings before Interest, Tax, Depreciation and Amortization (EBITDA), despite an inflationary environment.

In the year under review, EBITDA was 6.5% higher at ₹10324.8 million as compared to ₹9693.9 million in 2009-10. Profit before tax at ₹7985.2 million was an increase of 6.1% over ₹7522.5 million achieved in 2009-10. Net profit after tax and exceptional item was ₹5634.5 million, almost the same at ₹5634.0 million achieved in the previous year.

The diluted EPS for the year was ₹17.6 as against ₹17.8 in 2009-10.

We continued to stay on a growth trajectory and in fact worked hard to reinforce the future viability of Aurobindo. We are pursuing sustainable growth through people development, higher efficiencies in manufacturing and more effective presence in markets. In the process, I am confident, we shall create the financial headroom we need to systematically invest for our future.

For the longer term, we believe we are building a solid foundation. The Aurobindo of today is not just a company with a very large basket of products, a vertically integrated manufacturing process, presence in some of the premium markets and close working relationship with the topmost global names in the pharmaceutical industry. Indeed, we have all of the above. More significantly, we have imbued the Company with a strong sense of values, an uncompromising attitude towards regulatory compliance, strong commitment to quality systems and processes and a tighter management to ensure safety and environmental safeguards.

Our employees with their professional approach are being encouraged to focus and work towards quality in pursuit of operational excellence. We have been completely quality driven and focused on compliance standards set by regulators as well as by stringent customer expectations. Our qualified and experienced professionals play an active role to monitor performance and ensure oversight of all pharmaceutical products from raw materials to finished product despatches.

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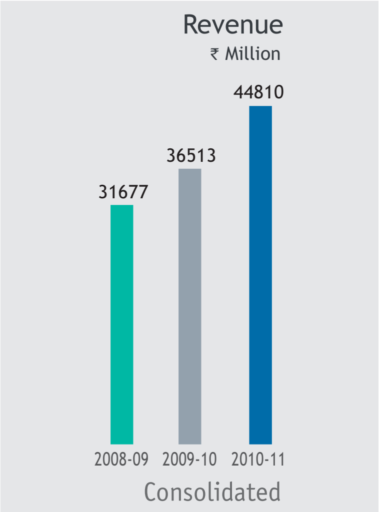
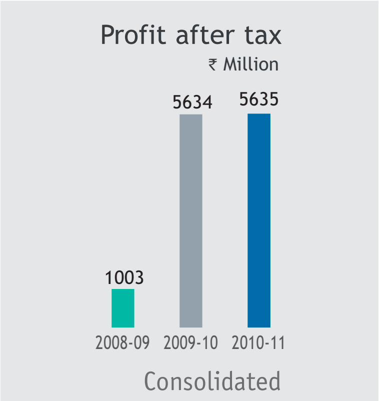
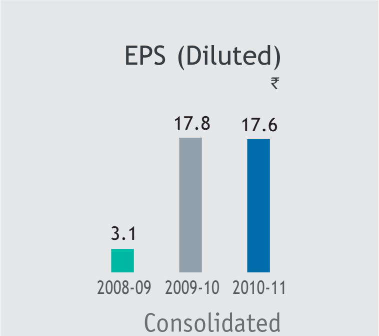






One equity share of ₹5 sub-divided into five equity share of ₹1 each with effect from February 11, 2011 (adjusted)

My team and I look ahead and identify future challenges and reshape our business model in order to take the Company to the next level. We are recalibrating the Company from generic formulations to branded generics. We are stepping up our active ingredients business in Europe, USA and Japan. In a bid to explore accelerated and focused growth, we are examining if the Company needs to be restructured. A Committee of the Board has been formed to study the proposal and suggest appropriate action.

I am convinced that Aurobindo has much potential to do even better and we are pursuing momentum. I believe that we shall gain stronger foothold in markets, increase volumes and ensure top line growth. We are in it for all our stakeholders and for the sustainable long term. Maintaining and enhancing the sustainable performance of Aurobindo takes precedence over maximizing earnings in the short term.

These initiatives will sustain our objective to step up business, revenues and margins in a market that recognizes our commitment to quality and compliance norms.

As we keep raising the volume of business, such commitment to quality and best practices becomes even more imperative. Our team at Aurobindo fully recognizes the importance of sustaining the hard earned reputation. As always, we are committed to doing business in an ethical and correct manner and take compliance with all laws earnestly. Over the years, we have experienced that responsible business is aligned to good business strategy. In short, responsible business makes for good economics.

We are drawing primarily on the strength of our competent and talented employees in all our business units, across all functions. They have been performing to their potential and done so for 25 years. Several of them have been with the company for more than two decades, and indeed all our employees have taken the Company to the present elevated levels. I wish to extend my warmest gratitude to all Aurobindo employees for their diligence and for a job well done. I would also like to thank all customers, business partners and investors for their support and co-operation.

Our journey towards a sustained growth will continue to be built on the trust that we create with all those who deal with us and on the high-end quality that we shall maintain in our products, processes and transactions. My team and I will strive to see that the next 25 years are equally successful in the best interest of all those with whom we are associated.

Warm regards

P. V. Ramprasad Reddy

Return on Equity

%

2009-10	2010-11
34.7	22.5

Consolidated

Return on Capital Employed

%

2009-10	2010-11
21.2	19.0

Consolidated

AUROBINDO

We think quality

FROM THE DESK OF THE MANAGING DIRECTOR

Aurobindo is proud of its commitment to compliance standards and will stay focused in ensuring that it meets norms set by pharmacopeia, regulatory requirements and customers' stringent specifications. This approach also means that there is a constant attempt to keep raising the level of supervision to ensure that the processes and products are on par with the best in the industry.

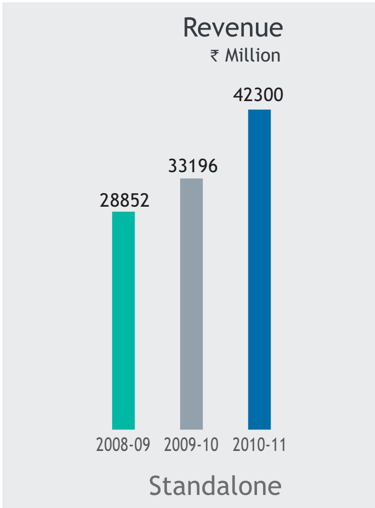
Q. What is your take on the business done in the financial year?

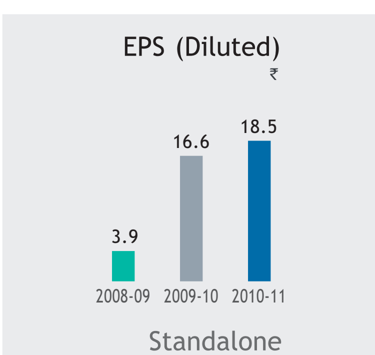
A. 2010-11 was a good year for Aurobindo. Revenue growth and operational efficiencies drove a strong cash performance to enhance the quality of the balance sheet.

We sold significantly larger volumes of formulations in US and emerging markets, while we made steady inroads in Europe for both formulations and active pharmaceutical ingredients.

In the first quarter, raw material prices were highly volatile and at times the availability of certain raw materials was irregular. Despite the constraints, the Company managed to grow and expand its production. With effective monitoring of supplies to all customers and meeting their demands, the Company was able to manage and optimize price realization and increase in sales.

We did well with our manufacturing and delivery to customers because we had primarily worked on our supply chain and logistics. Precisely coordinated flow of raw materials and information has been critical to our integrated supply chain. It calls for effective relationships with all partners in the value chain. With increasing volume of business, our supply chain is structured to be flexible and responsive.





One equity share of ₹5 sub-divided into five equity share of ₹1 each with effect from February 11, 2011 (adjusted)

Despite the traction in volume of business done, our teams maintained their uncompromising attention to detail in complying with regulatory norms and in ensuring that quality was assured in the processes and products. Aurobindo is proud of its commitment to compliance standards and will stay focused in ensuring that it meets norms set by pharmacopeia, regulatory requirements and customers' stringent specifications. This approach also means that there is a constant attempt to keep raising the level of supervision to ensure that the processes and products are on par with the best in the industry.

Q. Were any significant steps initiated?

A. We think quality, in everything we do. In pursuance of this approach, we focused our energies on four areas, took several structural initiatives to reinforce the Company's organizational platform and thereby fortify the foundation for further growth and value creation:

a. technical services & productivity;

b. human resource management processes;

c. compliance norms in practice & quality standards; and,

d. environment, health & safety.

First, the technical services function was strengthened which immediately started showing improvement in productivity, yields and better control on processes.

As Members are aware, our basic strength has been manufacturing capacity, its optimum utilization and production efficiencies. As in the earlier years, we enhanced efficiency and flexibility in our manufacturing facilities in order to remain competitive. We are convinced that our product costs are competitive and compare favorably in the pharmaceutical industry.

Increase in profitability was also a function of close supervision and control of costs, input-output ratios and better utilization of capacity.

We added production blocks in Unit II and Unit XI, which enabled us to launch new products. Unit VII (SEZ unit) started commercial production in the first quarter. In all

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our production facilities, capacity utilization increased and we believe that the investment made in the past is giving a payback with our ability to deliver higher volumes. Indeed, we had planned well and now have adequate headroom to step up volumes for future growth. There are no constraints in enhancing volumes.

As we move forward, we shall be automating our control systems to provide heightened supervision in the production processes and further enhance the reliability of our products. We shall continue to do whatever it takes to offer the best quality products.

Second, our human resource management processes were re-examined and supplemented. The Company did significant work in restructuring management and business processes, upgrading competencies, sharpening the stewardship and controller roles, creating excellence in performance standards, empowering professionals and ensuring accountability in our people across the organization. Training was focused on motivation, ownership and responsibility for results, decision making, quality systems and processes, improving awareness and adherence to regulatory compliance norms, team effort etc.

In the third focus area, we revisited all aspects of the compliance norms in practice and the quality standards that we bring to our processes, products and transactions. We are in the business of providing good health to our ultimate consumer, and hence we took several steps to keep the systems and procedures at the desired levels.

Net Fixed Assets

As at March 31 ₹ Million

2010	2011
22809	24422

Consolidated

Environment, health and safety was the fourth area which received further attention. We have elevated the care and caution that we bring to how we do our business and the impact that it makes on people, assets and the environment. There is an empowered team that is raising the level of awareness amongst the employees, pre-empting incidents and creating systemic corrections to ensure a safe work place and deeper employee engagement. Improving our manufacturing practices is also contributing to our competitive advantage with lower costs, higher productivity and better customer acceptance.

These initiatives have made a perceptible difference in enhancing accountability and excellence in performance. Remarkably, the visible difference is in the commitment level of employees in the manner in which we achieve results as much as in the results itself. The orientation has been on raising the level of awareness, sustainability of operations, derisking the business and strengthening the organizational fiber.

Q. What are the plans for 2011-12?

A. While there are several short and medium term plans, our team is striving to increase volume sold, meet customer expectations, improve service levels, achieve higher market share, step up volume business in US, Europe and Japan, control costs and improve profitability.

Whilst these will be the more numerically visible changes, we shall be ensuring the organizational and business processes are taken to the next higher level. We will continue to think quality, quality in all that we do. We shall prioritize and refocus our people initiatives, increase talent management and leadership, develop capabilities and understanding of the processes, practices, procedures, products and third party expectations and overall, create an atmosphere where people are proud to deliver superior results.

Warm regards

K. Nithyananda Reddy

R&D is integral to our success

We work closely with our customers to ensure the best possible fit for their specific needs. We also partner with our strategic multinational partners who have always valued our extensive internal product development capability, reliability and customer service.

Our scientists and research teams are focused on building a large portfolio of products, optimizing existing processes and creating technologies to secure Aurobindo's position and make it more competitive. Continuous initiatives to increase R&D productivity have resulted in a well-balanced product pipeline in 14 therapeutic segments.

As on date, we have filed 200 ANDAs (including 54 'Paragraph IV' applications) with the US FDA and have received 135 final and 31 tentative approvals. Similarly, the Company has filed over 100 Marketing Authorization applications in the European Union and similarly in several countries. For instance, we have filed over 280 dossiers in one country alone, as in South Africa.

This is in addition to filing 154 Drug Master Files in the US and 1,187 filings in the European Union for active pharmaceutical ingredients (APIs). The filings for APIs total 1,937 across all countries. These demonstrate our proven ability to pursue and monetize attractive product opportunities. The Company presently markets over 300 products across 125 countries.

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Portfolio creation is a date driven exercise. In developing new products, we keep in perspective the needs of our customers, potential size of the market, patent expiry dates and our established competencies in specific therapeutic segments. We work closely with our customers to ensure the best possible fit for their specific needs. We also partner with our strategic multinational partners who have always valued our extensive internal product development capability, reliability and customer service.

Our R&D team initiated work to launch a few oral contraceptive ANDAs. We also filed non-penicillin and non-cephalosporin based injectable products. Development work has also been initiated to enter ophthalmic product market.

Quality is a key driver in our manufacturing process. R&D projects are aligned to improved process efficiencies and reduced environment impact. The team devotes considerable attention to cost reduction by changing routes and reagents after obtaining regulatory compliance approval. R&D is able to make cost effective changes to several molecules, improve process yields, while conforming to regulatory norms.

R&D is integral to our success and we devote significant quantum of resources to build both infrastructure and human capabilities. We have invested in R&D infrastructure ₹338.4 million during the year, while the revenue expenditure amounted to ₹1394.1 million. Together, the capital and revenue expenditure of ₹1732.5 million amounted to 4.1% of the total turnover of the Company. R&D team had 841 professionals including 35 PhDs and 684 post graduates as at March 31, 2011.

Given the high level of skill sets and competencies, R&D team is now handling more complex molecules. With a much stronger and motivated team, the current plans are to introduce more products in US, Europe and Japan for both generics and APIs.

In tune with the environment

We at Aurobindo believe that we have to be in tune with the environment and be responsible for our own future. Our today, should make our tomorrow better.

The manufacturing of pharmaceutical products is inevitably associated with environmental impact in the form of waste and emissions. Reducing these to a minimum is in our organizational interest, as these also bring considerable savings in cost of production. We believe there is no completely satisfactory measure that is used to relate consumption of resources to the size of a complex business such as ours.

We strive to use materials efficiently and maximize reuse and recycling. In the process, we are able to lower the cost of production, while ensuring there is reduced need to dispose of waste to landfill. Where possible, we avoid the use of most hazardous materials. Improved operation of existing production processes, better design of new ones, superior purchasing processes, careful material storage and handling and internal waste awareness programs are the strategies that we have adopted to reduce the waste that we generate.

At Aurobindo, our challenge is to ensure improvement even as we grow our volumes. The management and employees take active responsibility for environmental protection. We adopt production processes which impact the environment as little as possible, make economical use of energy and raw materials and minimize air and water pollution. We have minimized the amount of effluents being released into the atmosphere from our facilities.

We recognize that the handling of highly potent compounds is critical. In a move to protect our people in our facilities, we stipulate and monitor compliance with exposure limits for drug substances. We stay focused on the reinforcement of our prevailing safety culture.

A few of the initiatives undertaken during the year were as follows:

- ✓ Significant investment was made on wastewater treatment systems across the organization;

- ✓ There is a marked reduction in wastewater disposal to common effluent treatment facility;
- ✓ Quality of wastewater after treatment was further improved through integration of existing treatment systems with reverse osmosis systems for wastewater treatment in four API units;
- ✓ Other initiatives include installation of continuous on-line monitoring systems for treated wastewater and on-line emission (SPM) monitoring equipment in three API manufacturing units and two formulation units;
- ✓ Stripper system, multiple effect evaporation, agitated thin film drier systems and reverse osmosis systems were established across all API units;

- ✓ Multiple effect evaporation system was established in three formulation units;
- ✓ Efforts continued towards exploring avenues for disposal of hazardous wastes through alternate destruction and reuse technologies;
- ✓ Participated in an interactive forum involving five major Indian API and formulation manufacturers in order to share and implement best practices in safety, occupational hygiene systems and water conservation; and,
- ✓ Accreditation to ISO 14001:2004 International Standard was a key target of the year. One API unit received ISO 14001:2004 certification and three formulation units are on the verge of certification.

Some of the key highlights in safety management during 2010-11 were as follows:

- Risk assessments to identify all risks in the work area and devise and implement proper controls to mitigate the risks;
- Training given to all new employees and contract workmen belonging to vendors;
- Subjected all manufacturing change proposals to EHS review;
- Identification of process hazards at lab stage itself and usage of reaction calorimetry for the purpose;
- Devising specific handling procedures for hazardous chemicals;
- Formation of departmental safety committees to encourage involvement of all levels of employees in implementation of safety initiatives and promotion of safety;
- Industrial hygiene monitoring started and completed in 3 units. It is proposed to complete the exercise in all formulation and API units in 2011-12; and,
- Introduction of advanced containment systems and respiratory protection systems in some potent compound manufacturing facilities to reduce employee exposure.

In the ultimate analysis, protection of our people, our facilities and our environment from harmful influences, the conservation of natural resources and the promotion of environmental consciousness are central to our operations. We at Aurobindo believe that we have to be in tune with the environment and be responsible for our own future. Our today, should make our tomorrow better.

Everyone pulls together for a successful future

We are building a robust well-run business, structured to deliver sustainable performance results for the long term. The efforts are to elevate the level of motivation, commitment, open communication and effectiveness enabling each and every employee to make an active contribution to the success of the Company.

At Aurobindo, human resource management works with a basic philosophy, everyone pulls together to build a successful future. The philosophy revolves around three principles:

a. making people competent;

b. ensuring continuous learning to be contemporary;

c. recognizing individual and team contributions.

The basic levers used to make people competent are business excellence initiative under the banner Aurobindo Achieving Competitive Edge (A2CE) and Strategic Performance Management System.

The A2CE program envisages bottom up strategy in which people at various levels are encouraged to identify projects having significant impact on productivity, quality and systems improvements. Class room seminars were conducted on subjects such as enhancing managerial effectiveness and strategic leadership programs. These processes give enormous learning opportunity to the people to impact the Company's performance in a positive manner.

Strategic Performance Management System focuses on identifying outstanding performers based on their contributions measured against their identified and agreed Key Result Areas. Rewards and recognition programs are linked with the Performance Management system.

2010-11 was a year of reckoning primarily due to the initiatives taken towards achieving continual improvement. Four major focus areas were addressed to enable the Company to raise the efficiency and effectiveness of activities and align them with the market dynamics of the future. These focus areas can be briefly summarized as follows:

a. SBU management structure and cluster management system were created for API and formulation business units to ensure supervision and achieve simplicity of control. A cluster ordinarily has 2 or 3 API and formulation units which facilitate more effective management towards achieving greater business deliverables and performance.

AUROBINDO

b. An independent Corporate Quality Assurance function has been carved out to give more focus and added impetus to quality culture across the organization with responsibility of performing internal audits at the all facilities in the country as well as being responsible for post marketing surveillance, vendor quality and quality management systems. This independent group will report directly to the Corporate Quality Assurance Head within the organization, who in turn reports to the Chairman of the Company.

A new program entitled Mission Quality: Towards Exceptional Quality Organization has been initiated at all facilities in the country. In addition, quality performance has been made part of every employee's performance appraisal process.

c. As part of the efforts to bring in much enhanced operational efficiency, manpower excellence initiative has been undertaken in association with a reputed consultancy firm. This exercise is optimizing manpower deployment as well as identifying process improvement opportunities both at formulation and API units. Encouraged by the results, an Operational Excellence Cell has been created for both these businesses. Experienced and talented professionals are providing leadership to this exciting initiative.

d. A Learning and Development cell has been created within the HR function to spearhead coordinated initiatives towards making Aurobindo a learning organization. As part of the process, focused action plans have been drawn up including:

- ✓ Second line development for key critical positions across the Company;
- ✓ Strategic growth and core competency deployment;
- ✓ Organizational values based on trust, transparency and empowerment; and
- ✓ Customer-connect towards value added customer services.

We are building a robust well-run business, structured to deliver sustainable performance results for the long term. The efforts are to elevate the level of motivation, commitment, open communication and effectiveness enabling each and every employee to make an active contribution to the success of the Company.

Creating value drivers and cash generators

We expect optimization of our product portfolio, improve presence in our existing markets, deepen relationships, report higher earnings and further strengthen the Company's fundamentals. We have come a good step closer to our goal of creating an optimum balance of value drivers and cash generators.

Improvement in Aurobindo's business and financials over the years has been the result of execution of a series of action plans including,

- ✓ integrate operations - both backward and forward;
- ✓ restructure product mix, with increasing share of high value/high margin products;
- ✓ focus on first to launch generics;
- ✓ rapidly convert regulatory approvals into commercial launch and invoicing;
- ✓ strive for economies of scale, consequent to optimum capacity utilization;
- ✓ increase productivity and higher process efficiency, resulting in higher yields;
- ✓ manage working capital competently;
- ✓ have strategic sourcing and effective procurement system; and,
- ✓ ensure timely execution of projects sans cost overruns.

All these action plans have been reinforced and time tested. With such strengths, the Company has charted a well designed business plan with strategic priorities towards a sustainable and profitable future. The priorities enable us to enhance customer satisfaction and consumer well-being, augment our presence in select developed and emerging markets, strengthen governance and risk management, improve employee engagement, foster responsible vendors and meet investor expectations.

The Company has assets, capabilities and competencies across all functions to manage industry cycles, step-up market share, gain volumes and gross margins, sustain quality and reliability and be a partner of choice for its customers. Leveraging these, we expect optimization of our product portfolio, improve presence in our existing markets, deepen relationships, report higher earnings and further strengthen the Company's fundamentals. We have come a good step closer to our goal of creating an optimum balance of value drivers and cash generators.

The Company stands at an inflection point and has a visibility of robust growth.

A full order book and growing market opportunities are adding to the momentum and shall translate into significant improvement in performance results in 2011-12. This traction needs to be managed well and the team at Aurobindo is examining its processes.

In order to further strengthen and provide focus to the growing volume of APIs and formulation business, the Board has constituted a Restructuring Committee to explore and evaluate possible growth linked restructuring options, including spin-off or demerger or any other suitable form, with the ultimate objective of enhancing shareholders' value and customer satisfaction. The Restructuring Committee, consisting of Directors, is expected to recommend the best options to the Board for consideration by the second quarter of 2011-12.

We are creating a spring board for promising business opportunities towards our goal of long term, profitable growth.

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. 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.

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	KPMG 1st Floor, Lodha Excelus, Apollo Mills Compound, N.M. Joshi Marg, Mahalakshmi, Mumbai - 400 011

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

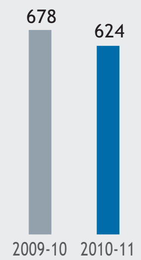
M/s. Karvy Computershare Private Limited
Plot No. 17-24, Vittal Rao Nagar, Madhapur, Hyderabad - 500 081
Tel Nos. +91 40 2342 0818 to 0825
Fax Nos. +91 40 2342 0814
E-mail: einward@karvy.com

Financial indicators

Term loans
₹ Million

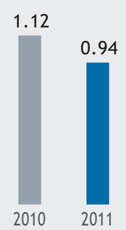
Consolidated
As at March 31

Interest and finance charges (Net)
₹ Million



Consolidated

Debt/Equity Ratio
As at March 31



Consolidated

Book Value
As at March 31 ₹

2010	2011
65.64	83.98

One equity share of ₹5 sub-divided into five equity share of ₹1 each with effect from February 11, 2011 (adjusted)

Consolidated

Dividend
%

2009-10	2010-11*
100	200

* including 100% interim paid and 100% proposed.

AUROBINDO

Management Discussion & Analysis

ECONOMIC BACKGROUND

Gross Domestic Product (GDP) at factor cost at constant prices, as per Advance Estimates, was 8.6% in 2010-2011 representing an increase from the revised growth of 8.0% during 2009-2010, according to the Advance Estimate (AE) of Central Statistics Office (CSO). While growth appears to have been maintained, there are dark clouds which could subdue the outlook with high inflation, high interest rates, lower government expenditure and subdued investment activity. The area of concern is also the unabated rise in the global crude oil prices. While it will not only stoke further inflationary pressures it would also raise the subsidy burden of the government, and reduce the government's ability to invest in growth.

The Reserve Bank of India has been responding to the changing dynamics with its monetary policy and has estimated that the baseline projection of real GDP growth is around 8% based on the assumption of a normal monsoon and crude oil prices averaging $110 a barrel over the full year 2011-2012.

At comparative level, India continues to do much better as an economy and hence remains one of the most attractive investment destinations across the globe. Indeed, the UNCTAD World Investment Report (WIR) 2010, in its analysis of the global trends and sustained growth of Foreign Direct Investment (FDI) inflows, has reported India to be the second most attractive location for FDI for 2010-2012. This is an improvement over the projection made in World Investment Prospects Survey 2009-2011, which ranked India third in the list.

INDUSTRY PERSPECTIVE

Indian pharmaceutical industry can be characterized as a high technology industry with wide ranging capabilities in the complex field of drug manufacture and technology and over the past three decades, has transformed into a world leader in the production of high quality drugs.

India's pharmaceutical industry is now the 3rd largest in the world in terms of volume and ranks 14th in terms of value. A highly organized sector, the Indian pharmaceutical Industry is estimated to be worth USD 4.5 billion, growing at about 8 to 9% annually. India produces approximately 60,000 generic brands and 500 different active pharmaceutical ingredients (APIs) across 60 therapeutic segments.

By 2015, Indian pharmaceutical market is expected to establish itself among the world's leading 10 markets.

The outlook of the Indian pharmaceutical industry can be summarized as follows:

- ✓ By 2015, India will probably open a USD 8 billion market for multinational pharmaceutical companies selling expensive drugs as forecast by the FICCI-Ernst & Young India study;
- ✓ Approximately USD 6.31 billion will be invested in the Indian pharmaceutical industry as per the estimates of the Ministry of Commerce, Government of India;
- ✓ Indian pharmaceutical off-shoring industry is predicted to be a USD 2.5 billion opportunity by 2012 primarily because of low development cost of R&D;
- ✓ Patented drugs are predicted to capture up to a 10% share of the total Indian pharmaceutical industry by 2015 with a market size of USD 2 billion;
- ✓ The branded generics market will continue to dominate the Indian pharmaceutical industry. Sixty one drugs worth USD 80 billion will go off patent at the US Patent and Trademark Office between 2011 and 2013. Indian pharmaceutical industry is all set to gain from the patent expiry of some blockbuster drugs by producing their generic equivalents. Fair competition and regulatory compliance will make the difference between winners largely on the basis of product quality and scientific detailing;
- ✓ By 2015, the specialty and super-specialty therapies will account for 45% of the pharmaceutical market. The growing lifestyle disorders, particularly metabolic disorders like diabetes and obesity as well as coronary heart disease and hypertension, cardiovascular, neuropsychiatry and oncology drugs will gain considerable significance.

Future outlook for the Indian pharmaceutical industry seems to be extremely positive. A number of global acquisitions by the Indian pharmaceutical companies, particularly in the US and Europe, is accelerating Indian players to make their mark at the international level. The Indian drug companies account for over 25% of the total generic drug applications made to the US FDA.

Indian pharmaceutical companies are vying for the branded generic drug space to register their global presence and are expected to grow by around 15% in the near future. India is also fast emerging as the global hub for contract research and manufacturing services. As compared to western countries, India offers a huge cost advantage in the clinical trials domain. Factors such as reverse-engineering expertise, abundant investment in research facilities and availability of skilled manpower are likely to help the Indian pharmaceutical industry to be a dominant force in the manufacturing sector.

GENERICS - A PERSPECTIVE

Generic drugs are important options that allow greater access to health care for all. They are copies of brand-name drugs and are the same as those brand name drugs in dosage form, safety, strength, route of administration, quality, performance characteristics and intended use.

Health care professionals and consumers can be assured that FDA approved generic drug products have met the same rigid standards as the innovator drug. All generic drugs approved by FDA have the same high quality, strength, purity and stability as brand-name drugs. And, the generic manufacturing, packaging, and testing sites must pass the same quality standards as those of brand name drugs.

World Health Organisation defines a generic drug as a pharmaceutical product, usually intended to be interchangeable with an innovator product that is manufactured without a licence from the innovator company and marketed after the expiry date of the patent or other exclusive rights.

Generic drugs are marketed under a non-proprietary or approved name rather than a proprietary or brand name. They are frequently as effective as, but much cheaper than, brand-name drugs. For example, paracetamol is a chemical ingredient found in a number of brand-name painkillers, but is also sold as a generic drug (not under a brand name).

Both branded and generic drugs are manufactured by conforming to international standards. Brand name drugs are usually given patent protection for 20 years from the date of submission of the patent. This provides protection for the innovator of such drugs to make good the initial costs incurred by him, viz. research development and marketing expenses to develop the new drug. The innovator of a branded drug does research to discover the new biochemical substances that eventually become new drugs. This research is essential for finding new and better treatment for various diseases.

Because of their low price, generic drugs are often the only medicines that the weaker sections of society can access. Indeed, it is argued that competition between drug companies and generic producers has been more effective in reducing the cost of drugs, in particular those used to treat HIV/AIDS. (A brand name is a name given to a drug by the manufacturer. The use of the name is reserved exclusively for its owner.)

While manufacturing generic drugs the same active ingredients are used as in the branded products; they work the same way in the patient; they have the same risks and benefits as their brand name counterparts. Also, generic drugs have the same quality, strength, purity and stability as brand name drugs and work in the same amount of time as branded drugs.

The generic drugs are less expensive as compared to branded drugs as generic manufacturers do not incur the investment costs of the developer of a new drug. New drugs, often referred to as innovator products, are generally developed under patent protection. The patent protects the investment and the associated expense, viz. research, development, marketing and promotion. When patents are nearing expiration, competing manufacturers usually approach the regulatory authorities to seek product and marketing approval for generic versions. In the process, the consumers get effective drugs at substantially lower costs.

The global pharmaceutical market size is estimated to be USD 880 billion and as in the recent past, generics are expected to grow faster. Rapid expansion in emerging markets is likely to more than offset the dampened rise in developed markets where growth tends to remain in single digit following policy and budget reactions to global economic crisis.

In the US, generics are expected to outpace the growth of brands, yet they are expected to constitute only 16% of sales in 2020. In 2012, peak of patent expiries will impact developed markets which will prompt huge opportunity for generics in a significant number of therapeutic segments.

Key patented products expiring up to 2015 include a few very large runners such as Lipitor, Plavix, Advair Diskus, Zyprexa, Seroquel, Singulair, Actos, Lexapro, Diovan, Oxycontin, Aciphex, Aricept, Nexium, Cymbalta, Celebrex, Copaxone and a few others. While an estimated sales of USD 160 billion is expected to go off-patent in such drugs in the foreseeable future, generics are expected to gain approximately USD 90 billion, including products introduced in the recent past.

Generic companies that excel in quality, cost, therapy and technology are likely to do well with such widening opportunities.

COMPANY PERSPECTIVE

Among the largest vertically integrated pharmaceutical companies in India, Aurobindo has robust product portfolio spread over major product areas encompassing CVS, CNS, anti-retroviral, antibiotics, gastroenterologicals, anti-diabetics and anti-allergic with approved manufacturing facilities by US FDA, UK MHRA, WHO, MCC-SA, ANVISA-Brazil for both APIs & formulations and has global presence with own infrastructure, strategic alliances, subsidiaries & joint ventures.

The product portfolio includes over 300 finished dosage formulations and 200 APIs with diversified product portfolio in life-style disease, anti-AIDS, anti-infectives and pain management with pediatric products and technologies.

After creating a name for itself in the manufacture of bulk actives and ensuring a firm foundation of cost effective production capabilities ogether with a clutch of loyal customers, the Company entered the high margin specialty generic formulations segment, with a global marketing network. The formulation business is systematically organized with a divisional structure, and has a focused team for each key international market. Aurobindo's business strategy includes gaining volume and market share in every business/segment it enters.

Aurobindo has invested significant resources in building a mega infrastructure for APIs and formulation manufacture to emerge as a vertically integrated pharmaceutical company. Aurobindo's six units for APIs and four units for formulations are designed for the regulated markets.

Over the years, the Aurobindo has evolved into a knowledge driven company. It is R&D focused, has a multi-product portfolio with multi-country manufacturing facilities, and is becoming a marketing conglomerate across the world.

Aurobindo's R&D strengths lie in developing intellectual property in non-infringing processes and resolving complex chemistry challenges. In the process, Aurobindo develops new drug delivery systems, dosage formulations and applies new technology for better processes.

The medium term strategy of the Company is to continuously globalize the intellectual property assets and enhance value to shareholders and customers. In global markets, the Company continues to retain and enhance cost efficient quality leadership in its chosen segments, such as newer anti infectives and lifestyle disease drugs. It is the endeavor of the Company to achieve this by resolving complex chemistry challenges, improving process efficiencies, adopting global scale manufacturing and using cost effective market networks throughout its addressable markets. Aurobindo aims to repeat its success and emerge as a major player in regulated markets.

The long term growth strategies being put in to action include:

✓ Develop a broad portfolio of DMFs/ANDAs through non-infringing processes and intellectual properties and become a significant player in the generics market, especially in the regulated markets;

✓ Manage cost efficiently in a mega-manufacturing environment approved by USFDA/European regulatory authorities; and in the process, enhance the attractiveness of Aurobindo to alliance partners;

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

✓ Globalize and further penetrate through joint ventures/ subsidiaries/organic means into China, Brazil and other Latin American countries; and,

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

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

The corporate plans are to ensure growth through organic means, and by adopting strategic joint ventures and alliances. The objective is to maximize the revenues and margins while risks are minimized.

The Company has crossed revenues of USD 1 billion in its silver jubilee year and joined the Billion Dollar Club of Indian pharmaceuticals fraternity with its commitment to the customers and quality backed up by stronger business and delivery capabilities.

In 2010-2011, the formulation sales climbed up by 30.8% to ₹24231 million from ₹18521 million in the previous year. Formulations sales constituted 57.3% of gross sales, an improvement of 6.9% over 2009-2010.

The consolidated financials for the year under review showed operating income increased by 22.7% to ₹44809.8 million over ₹36513.4 million in the previous year. Profit from operations before other income, interest, foreign exchange gain, tax and exceptional item was up 17% to ₹7882.5 million as compared to ₹6738.5 million in 2009-2010.

Consolidated profit before exceptional item & minority interest was ₹5734.0 million compared to ₹5608.9 was 2.2% higher over the previous year. Consolidated Net Profit was ₹5634.5 million, marginally higher over the profit of ₹5634.0 million recorded in the previous year. Diluted Earnings per Share for 2010-2011 was ₹17.61 as against ₹17.82 (adjusted for split in Face Value) in 2009-2010.

THREATS AND CHALLENGES

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.

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.

This threat however, does not affect Aurobindo 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.

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.

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 KPMG. The Company has an Audit Committee consisting of 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

Human resources philosophy at Aurobindo revolves around three principles:

- ✓ making people competent;
- ✓ ensuring continuous learning; and,
- ✓ recognizing individual and team contributions.

The basic levers used to make people competent are business excellence initiative entitled Aurobindo Achieving Competitive edge (A^2CE) and Strategic performance Management System. The A^2CE program envisages bottom-up strategy in which people at various levels are encouraged to identify various projects having significant impact on productivity, quality, and system improvements. It gives enormous learning opportunity to the people for impacting the Company's performance in a positive manner. Strategic Performance Management system focuses on identifying outstanding performers based on their contributions in respect of identified key result areas. Rewards and recognition programs are linked with Performance Management system.

Employees stay fully engaged to achieve customer engagement. The focus is on intensifying 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, 2011, there were 8,317 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 invested in the future and worked hard to build a large portfolio and sought product approvals in all relevant categories. Necessary approvals are being 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.

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.

Looking ahead, the Company is determined to create a significant market presence and continue to offer quality products and services. Within Aurobindo, 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.

Risks & their management

Aurobindo's business naturally involves risks. Risk management is an integral part of the Company's plans, business strategies, monitoring systems and results. It takes in all organizational processes geared to early risk detection, identification and timely implementation of appropriate counter measures.

The Company has embedded risk management activities in the operational responsibilities of management and made them an integral part of overall governance, organizational and accountability structure.

At Aurobindo, risk is defined as any contingency that has a potential negative impact on achieving business goals, especially on earnings trends. 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.

The management has a proven ability to successfully take on challenges. Efforts are on 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 cognizance of the compliance and operational risks to be addressed involving the people, the processes, technology and outsourcing of products and services. 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:

Economic and geopolitical

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 49.1% of its formulations revenues from the U.S., another 22.3% from the European Union and 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.

Regulatory requirements

In an industry where there are stringent regulatory requirements, 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 579 approvals for ANDAs out of which 197 are with the US FDA. Approvals/tentative approvals received from US FDA total 133.

Similarly, the team has filed over 1,937 DMFs including 154 with US FDA. 464 patent applications have been filed with various authorities.

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

Aurobindo is dedicated to supplying highest quality medicines to customers and is committed to healthier life. Hence the Company at all times strives to conform to regulatory standards, meet stringent requirements of customers to ensure the drugs sold shall provide health care and wellness for the consumers.

The Company has put in place the necessary systems. Yet, there have been isolated instances when individuals have attempted to over reach themselves. Aurobindo's team has taken such exceptional events earnestly. The quality systems have been revisited to strengthen them while training inputs have been stepped up to elevate the level of awareness, supervision and controllership.

Aurobindo is striving to ensure that it is benchmarked as the best-in-class and thereby provide reassurance to all stakeholders. Every effort is hence being taken to ensure that there is no compromise on quality of products and processes.

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.

Patent protection

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 464 patents and has been granted 57 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.

Market risks

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. Aurobindo would be further accelerating with its marketing strategy to gain business volume in the addressable markets.

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.

Exchange rate

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

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

Hedging of the dollar is likely to minimize 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.

Personnel risks

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 Fourth Annual General Meeting of the Members of Aurobindo Pharma Limited will be held on **Friday, the 29th day of July, 2011 at 4.00 p.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, 2011 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 Mr. K. Ragunathan who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Dr. M. Sivakumaran who retires by rotation and being eligible, offers himself for re-appointment
5. To appoint a Director in place of Mr. M. Madan Mohan 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.

SPECIAL BUSINESS

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

   "RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 311 and other applicable provisions, if any, of the Companies Act, 1956 (Act) read with Schedule XIII to the said Act and subject to such other consents/approvals as may be required, Mr. P.V. Ramprasad Reddy be and is hereby re-appointed as a Wholetime Director of the Company in the capacity of Executive Chairman for a further period of five years with effect from June 29, 2011 and whose term of office shall not be liable to determination by retirement of Directors by rotation at a remuneration and perquisites as detailed below:

   a. Basic Salary ₹375,000 per month;

   b. House Rent Allowance ₹250,000 per month;

   c. i. Reimbursement of medical expenses incurred for self and family subject to a ceiling of one month's salary in a year or 5 months' salary over a period of 5 years;

      ii. Mediclaim insurance as per the rules of the Company;

   d. Leave Travel Concession for self & family once in a year as per the rules of the Company;

   e. Personal accident insurance premium not exceeding ₹25,000 per annum;

   f. Club fees subject to maximum of two clubs. This will not include admission and life membership fee;

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

   h. Provision of Company's car with driver;

   i. Provision of free telephone at residence; and,

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

   EXPLANATION:

   For the purpose of c & d above, family means the spouse, the dependent children and dependent parents of Mr. P.V. Ramprasad Reddy.

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

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

   "RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 311 and other applicable provisions, if any, of the Companies Act, 1956 (Act), read with Schedule XIII to the said Act and subject to such other consents/approvals as may be required, Mr. K. Nithyananda Reddy be and is hereby re-appointed as Managing Director of the Company for a further period of five years with effect from June 29, 2011 whose term of office shall not be liable to determination by retirement of Directors by rotation at remuneration and perquisites as detailed below:

a. Basic Salary ₹375,000 per month;

b. House Rent Allowance ₹250,000 per month;

c. i. Reimbursement of medical expenses incurred for self and family subject to a ceiling of one month's salary in a year or 5 months' salary over a period of 5 years;

   ii. Mediclaim insurance as per the rules of the Company;

d. Leave Travel Concession for self & family once in a year as per the rules of the Company;

e. Personal accident insurance premium not exceeding ₹25,000 per annum;

f. Club fees subject to maximum of two clubs. This will not include admission and life membership fee;

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

h. Provision of Company's car with driver;

i. Provision of free telephone at residence; and

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

EXPLANATION:

For the purpose of c & d above, family means the spouse, the dependent children and dependent parents of Mr. K. Nithyananda Reddy.

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

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

"RESOLVED THAT pursuant to Section 314(1) and other applicable provisions, if any, of the Companies Act, 1956 (Act), the remuneration payable to Ms. K. Kirthi Reddy, Head-Unit IV, a relative of Mr. P.V. Ramprasad Reddy, Chairman, Mr. K. Nithyananda Reddy, Managing Director and Mr. P. Sarath Chandra Reddy, Director of the Company be increased to ₹1,00,000 (Rupees one lakh) per month with effect from April 1, 2011 consisting of Basic salary, HRA together with Provident Fund benefits, Leave Travel Concession, reimbursement of medical expenses and other benefits and perquisites as per the rules of the Company.

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to promote her to higher cadres and/or sanction her increments and/or accelerated increments within the said cadre or higher cadre as and when Board of Directors deem fit, subject to the rules and regulations of the Company in force, from time to time within the permissible total monthly remuneration that may be prescribed in this behalf from time to time under Section 314 of the Act."

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

"RESOLVED THAT pursuant to the provisions of Section 310 and other applicable provisions, if any, of the Companies Act, 1956, and Article 40 of the Articles of Association of the Company and subject to such approvals including approval of Central Government, as may be required, consent be and is hereby accorded for enhancement in the payment of the sitting fees to each of the Director upto an amount not exceeding ₹50,000 for attending each meeting of the Board of Directors or a Committee thereof, of the Company as may hereinafter be decided by the Board of Directors of the Company."

By Order of the Board

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

Hyderabad
May 9, 2011

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 July 22, 2011 to July 29, 2011 (both days inclusive).

3. The Board of Directors of the Company has declared an interim dividend @ 100% i.e. ₹5 per share of Face Value ₹5 for the year 2010-11 on November 3, 2010 and has been paid to the eligible Members on November 22, 2010.

   The final dividend on equity shares @ 100% i.e. ₹1 per share of ₹1 as recommended by the Board of Directors, if declared at the ensuing Annual General Meeting, will be paid to those Members whose names appear on the Company's Register of Members on July 21, 2011; 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 2003-04 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 Ltd, 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 Ltd/Gold Star Remedies Ltd 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.

8. As part of the 'Green initiative in Corporate Governance,' the Ministry of Corporate Affairs by its circulars dated April 21, 2011 and April 29, 2011 has permitted companies to send various notices/documents (including notice calling annual general meeting, audited financial documents, directors' report, auditor's report etc.) to their shareholders through the electronic mode to the registered e-mail addresses of shareholders. It is a welcome move for the society at large, as this will reduce paper consumption to a great extent and allow public at large to contribute towards a greener environment.

   We encourage our Members to participate in this green initiative and update their e-mail IDs and receive the communications through the electronic mode. Those who wish to receive future communications in electronic mode are requested to send their e-mail ID to the Registrars & Transfer Agents of the Company. If the shares are held in electronic mode, kindly have your e-mail registered with your respective DP.

Explanatory Statement

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

ITEM 7

Mr. P. V. Ramprasad Reddy is the Executive Chairman of the Company. He was re-appointed at the 19th Annual General Meeting of the Company held on September 18, 2006 for period of five years with effect from June 29, 2006. His remuneration was revised at the Annual General Meeting held on December 23, 2009. It is proposed to re-appoint Mr. P. V. Ramprasad Reddy as a Whole-time Director of the Company in the capacity of Executive Chairman for further period of five years with effect from June 29, 2011 at the remuneration presently being drawn by him and on other terms and conditions as set out in the Resolution.

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

A brief profile of Mr. P. V. Ramprasad Reddy and names of companies in which he holds directorships and memberships/ chairmanships of Board/Committees, as stipulated under Clause

49 of Listing Agreement with the stock exchanges in India, are provided in Report on Corporate Governance forming part of the Annual Report.

The terms of revision of remuneration as set out in item No. 7 of the Notice may be treated as an abstract of the terms of revision of remuneration of Mr. P.V. Ramprasad Reddy for the purpose of Section 302 of the Act.

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

Mr. P.V. Ramprasad Reddy, Chairman is deemed to be concerned or interested in the Resolution. Mr. P. Sarath Chandra Reddy, Director may be deemed to be interested in the Resolution as he is related to Mr. P.V. Ramprasad Reddy. Save and except the above, none of the other Directors of the Company is in any way deemed to be concerned or interested in the Resolution.

ITEM 8

Mr. K. Nithyananda Reddy is the Managing Director of the Company. He was re-appointed at the 19th Annual General Meeting of the Company held on September 18, 2006 for period of five years with effect from June 29, 2006. His remuneration was revised at the Annual General Meeting held on December 23, 2009. It is proposed to re-appoint Mr. K. Nithyananda Reddy as a Managing Director of the Company for a further period of five years with effect from June 29, 2011 at the remuneration presently being drawn by him and on other terms and conditions as set out in the Resolution.

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

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

The terms of revision of remuneration as set out in item No. 8 of the Notice may be treated as an abstract of the terms of revision of remuneration of Mr. K. Nithyananda Reddy for the purpose of Section 302 of the Act.

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

Mr. K. Nithyananda Reddy, Managing Director is deemed to be concerned or interested in the Resolution. Mr. P. Sarath Chandra Reddy, Director may be deemed to be interested in the Resolution as he is related to Mr. K. Nithyananda Reddy. Save and except the above, none of the other Directors of the Company is in any way deemed to be concerned or interested in the Resolution.

ITEM 9

The appointment of Ms. K. Kirthi Reddy, a relative of Mr. P.V. Ramprasad Reddy, Chairman, Mr. K. Nithyananda Reddy, Managing Director and Mr. K Sarath Chandra Reddy, Director as Sr. Manager (Business Development) was approved by the Members at the Annual General Meeting held on December 23, 2009 with a remuneration of ₹5 lakhs per annum with effect from May 1, 2009. In view of the outstanding performance of Ms. K. Kirthi Reddy, who is now Head-Unit IV, the Board of Directors of the Company considered revision of her remuneration to ₹1 lakh per month with effect from April 1, 2011. The proposed revision of remuneration of Ms. K. Kirthi Reddy has been considered and recommended by the Remuneration Committee.

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

Mr. P.V. Ramprasad Reddy, Mr. K. Nithyananda Reddy and Mr. P. Sarath Chandra Reddy being relatives of Ms. K. Kirthi Reddy are deemed to be concerned or interested in the Resolution. Save and except the above, none of the other Directors of the Company is in any way deemed to be concerned or interested in the Resolution.

ITEM 10

Currently the Non-Executive Directors are paid ₹20,000 as sitting fees for attending each meeting of Board of Directors and ₹10,000 for attending each meeting of Committees of the Board. With the growing complexity of the business as also growing volumes and contribution of Non-Executive Directors, it is proposed to enhance the sitting fees payable to the Non-Executive Directors for attending each meeting of the Board of Directors and a Committee thereof, up to an amount not exceeding ₹50,000. Article 40 of the Articles of Association of the Company provides for the payment of sitting fees in terms of Section 310 of the Companies Act, 1956. The proposed enhancement of the sitting fees requires approval of the Members as well as the Central Government.

The Non-Executive Directors of the Company may be deemed to be interested in this Resolution to the extent of sitting fee paid/ payable to them. Save as aforesaid, none of the Directors is, in any way, concerned or interested in the said Resolution.

By Order of the Board

A. MOHAN RAMI REDDY

Hyderabad
May 9, 2011

General Manager (Legal) &
Company Secretary

Directors' Report

Dear Members,

Your Directors are pleased to present the 24th Annual Report of the Company together with the Audited Accounts for the financial year ended March 31, 2011.

FINANCIAL RESULTS

₹ Million

	2010-2011	2009-2010
Gross Turnover	**42299.9**	33196.0
Profit before Depreciation, Interest, Tax and exceptional items	**10096.9**	8579.4
Depreciation/Amortization	**1250.4**	954.6
Interest (Net)	**504.9**	523.3
Profit before tax	**8341.6**	7101.5
Provision for tax/Deferred tax	**2116.5**	1865.8
Profit after tax before exceptional item	**6225.1**	5235.7
Exceptional items	**(287.1)**	21.9
Net Profit after exceptional items	**5938.0**	5257.6
Balance brought forward from previous year	**10900.9**	6493.2
Balance available for appropriation	**16838.9**	11750.8
Appropriations		
Dividend on Equity Shares	**587.2**	277.4
Tax on Dividend	**96.4**	46.7
General Reserve	**593.8**	525.8
Surplus carried to Balance Sheet	**15561.5**	10900.9

DIVIDEND

Your Directors have proposed a final dividend of 100% i.e. ₹1 per equity share of ₹1 and with the interim dividend of 100% i.e. ₹5 per equity share of ₹5, the total dividend for the financial year 2010-2011 comes to 200% i.e. ₹2 per share on the equity share of ₹1 against 100% i.e. ₹5 per share of ₹5 paid in the previous year.

FINANCIAL HIGHLIGHTS

Members will be happy to know that your Company is in its Silver Jubilee year. This eventful journey has been a period of planned growth and success, and your Directors take this opportunity to compliment each one of the Members, customers, business associates and employees for their encouragement, support and co-operation. Your Company shall maintain the momentum and stands dedicated to strive for continued growth and thereby meet every stakeholder expectation in the future, as well.

The year under review witnessed Aurobindo cross the one billion dollar revenue mark, a landmark that truly reflects the presence your Company has in the global pharmaceutical market. The challenges of the market were met vigorously due largely to the enormous advantage that your Company has built with its customer relationships, product basket, manufacturing capabilities and organizational strength. Aurobindo demonstrated great speed and flexibility in its marketing and manufacturing efforts and resilience while dealing with competitive pressures. The performance results showcase the success.

The financial year 2010-2011 saw significant improvement in all parameters including revenues, operating income, profit before tax, profit after tax and earnings per share. The revenue growth of over 27.4% at ₹42299.9 million was a culmination of our strategic initiatives in widening our presence in Europe and USA, penetrating better with larger basket of products with existing customers and commercializing of new products as well as creating footprints in untapped markets such as Japan.

Net profit after tax at ₹5938 million was higher by 12.9% over ₹5257.6 million in the previous year. It is a new high for your

Company translating to Earnings per Share of ₹18.56 (Face Value ₹1) as compared to ₹16.63 (adjusted for split in Face Value from ₹5 to ₹1). Effectively, your Company earned 11.6% higher earnings over the previous year.

REVIEW OF OPERATIONS

Despite the difficult economic environment, your Company delivered sales growth both in USA and Europe. Your Company's total volume was higher in each of the existing markets. More importantly, there were higher deliveries in all the key therapeutic segments.

Your Company continues to hold an enviable basket of a large number of products in several therapeutic segments approved by regulatory authorities across the globe. The marketing efforts were galvanized to create demand, deliver on expectations and ensure top line growth. Converting approvals and quickly commercializing them remains one of your Company's key strengths.

The newly commercialized manufacturing unit, Unit VII (SEZ) at Jedcherla added to the existing huge production capabilities of your Company to support the marketing thrust. The unit at Dayton (USA) was significantly scaled up to deliver high value products.

Consolidation of facilities helped add newer products in all other facilities. Across all facilities, production was optimized and utilization was stepped up. Overall, capacity utilization was higher month after month from June 2010.

Large state-of-the-art manufacturing facilities have created headroom for growth for your Company to meet market expectations. Rising volume deliveries and new product launches during 2010-2011 are a testimony to your Company's improving competitiveness.

OUTLOOK

Aurobindo's business strategies and financial position are on solid footing even as the dynamics of the global market are challenging and changing increasingly towards cost effective generic formulations. This change is accelerating and driving the need for Aurobindo to continuously renew and upgrade its operations. Your Company is equal to the challenges and expected results are being achieved by the dedicated teamwork on the manufacturing side as well as by aligning with the needs of the customers.

Today, greater traction is visible in formulation sales in USA, Europe and the emerging markets. Working closely with MNCs has enabled Aurobindo to become a preferred choice supplier.

During 2011-2012, your Company is striving towards commercializing 12 new generics, with 4 of them expected to be on a first-to-launch basis. Higher volumes, higher utilization and improvements in productivity would improve visibility of revenues, margins and earnings.

Your Company's clear focus on quality, product development, manufacturing efficiencies, productivity improvements and quicker reach to market will drive the future success. This focus will enable Aurobindo to enter the financial year 2011-2012 with optimism and keep the Company on track to deliver revenue of USD 2 billion in 2013-2014.

In order to further strengthen and provide focus to the growing volume of APIs and formulation business, the Board has constituted a Restructuring Committee to explore and evaluate possible growth linked restructuring options, inter alia, including spin-off or demerger or any other suitable form, with the ultimate objective of enhancing shareholders' value and customer satisfaction. The Restructuring Committee, consisting of Directors including independent directors, will take all necessary steps and recommend the best options to the Board for consideration.

RESEARCH & DEVELOPMENT

The Company has maintained its momentum to enlarge the product pipeline. Given the nature of the pharmaceutical industry, all activities translate into results after considerable investment of inputs, necessary process validations, stringent quality assurances and uncompromising compliance needs. Therefore, there is a time lag in achieving results and/or commercializing new products.

Your Company has invested in a large pool of skilled talents to actively create newer products. Their accomplishments have been in areas as varied as product development, quality enhancement, process development, customer support and knowledge sharing.

During the year under review, the R&D team has entered into newer therapeutic areas such as ophthalmic products and contraceptives. Validation batches are planned to be taken in 2011-2012. The R&D team in USA have commercialized and launched new products and many more are expected in the forthcoming financial year.

Overall, your Company filed 46 new patent applications taking the total applications filed to 464. During the year under review, Aurobindo filed 380 DMFs taking the aggregate of DMFs filed in different countries to 1,937. At the same time, 98 formulation dossiers were filed taking the aggregate of formulation dossiers filed in different countries to 588. As at March 31, 2011 your Company holds 133 FDA approved/tentatively approved ANDAs, and 156 formulation dossier approvals from other regulatory authorities.

Every R&D effort is focused on enhancing the competitiveness and long term sustainability of your Company.

QUALITY MANTRA

Your Company is pledged to supplying highest quality medicines to customers founded on the belief that Aurobindo is committed to healthier life. This presupposes that your Company at all times is regulatory compliant, meets stringent requirements of customers and that the drugs sold shall provide health care and wellness for the consumers.

While your Company has put in place the necessary systems, regularly all the systems, procedures and controls are continuously fine-tuned. As a consequence, the quality systems have been revisited to strengthen them while training inputs have been stepped up to elevate the level of awareness, supervision and controllership.

Aurobindo is striving to ensure that it is benchmarked as the best-in-class and thereby provide reassurance to all stakeholders. Every effort is hence being made to ensure that there is no compromise on quality of products and processes.

ENVIRONMENT, HEALTH & SAFETY

At Aurobindo, in every activity, your Company safeguards its employees, facilities and the environment, conserves natural resources and promotes environmental awareness. In the pursuit of the corporate goal as a responsible corporate, your Company has initiated several activities and adopted best practices such as:

- ✓ Stepped up investments on wastewater treatment systems across all facilities;
- ✓ Installed stripper system, multiple effect evaporation, agitated thin film drier systems and reverse osmosis systems established across API Units;
- ✓ Established multiple effect evaporation systems in three formulation units;
- ✓ Significantly reduced wastewater disposal to common effluent treatment facility;
- ✓ Explored avenues for disposal of hazardous wastes through alternate destruction and reuse technologies; and,
- ✓ Instituted continuous on-line monitoring systems for treated wastewater and on-line emission of suspended particulate matter.

Safety and health of all the employees continues to be of paramount importance. Considerable work has gone into making our operations safer by implementation of Standard Operating procedures, ergonomics initiatives, regular safety audits etc. Among the focus area during the year under review were as follows:

- ✓ Introduction of risk assessments to identify all risks in the work area and devise and implement proper controls to mitigate the risk;
- ✓ Training to all new employees and contract workmen;
- ✓ Identification of process hazards at lab stage itself and usage of calorimetric reaction.

Your Company stayed on track to get accreditation to ISO 14001:2004, a key objective of the year. One of the API units achieved ISO 14001:2004 certification while three formulation units are on the verge of being certified.

FOREIGN CURRENCY CONVERTIBLE BONDS

As Members are aware, in 2005, your Company had issued 60,000 Foreign Currency Convertible Bonds of USD 1,000 each due in 2010. After conversion into equity shares, repurchase and cancellation, the outstanding bonds aggregating to face value of USD 2.118 million were repaid on due date in August, 2010.

During 2006, your Company had issued 150,000 Zero Coupon Foreign Currency Convertible Bonds of USD 1,000 each due in 2011 (Tranche A Bonds) and 50,000 Forward Conversion Convertible Bonds of USD 1,000 also due in 2011 (Tranche B Bonds).

The outstanding FCCBs as at March 31, 2011 is 139,200 bonds and are due for repayment as per the terms of the Offering Circular. Your Company is confident of discharging its commitment.

EQUITY SHARE CAPITAL

The Board of Directors of your Company at their meeting held on November 3, 2010, approved the sub-division of equity shares of the face value of ₹5 each in the Company into equity shares with the face value of ₹1 each. With approval of the Members at the Extraordinary General Meeting of the Company held on December 23, 2010, the sub-divided shares were issued to Members as on February 11, 2011 (the Record Date).

SUBSIDIARIES/JOINT VENTURES

The reports and accounts of the subsidiary companies are not annexed to this Report. The Board of Directors of the Company have approved and passed a resolution in this regard. 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 the 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.

HUMAN RESOURCES

Aurobindo is well known for its execution capabilities, manufacturing strengths, product quality, ability to keep to its commitments and be a reliable partner for its customers. Over the years, organizational strengths have enabled your Company to grow faster than the industry average in each of the past decade.

The momentum continued during the year under review with a new high in volume sold, highest ever revenues and profit after tax. Your Company has been well served by all the employees, Aurobindo's valuable resources.

As at March 31, 2011 employees on roll constituted 8,317, higher by 3% over 8,066 as on the same date a year ago.

DIRECTORS

In accordance with the provisions of the Companies Act, 1956, read with the Articles of Association of the Company, Mr. K. Ragunathan, Dr. M. Sivakumaran and Mr. M. Madan Mohan Reddy, Directors retire at the ensuing Annual General Meeting and being eligible offer themselves for re-appointment.

The re-appointment of Mr. P.V. Ramprasad Reddy, Chairman and Mr. K. Nithyananda Reddy, Managing Director is being proposed at the ensuing Annual General Meeting.

A brief profile of Mr. K. Ragunathan, Dr. M. Sivakumaran, Mr. M. Madan Mohan Reddy, Mr. P.V. Ramprasad Reddy and Mr. K. Nithyananda 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, 2011 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.

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

AUDITORS

M/s. S.R.Batliboi & Associates, Chartered Accountants retire at the ensuing Annual General Meeting and being eligible, offer themselves for re-appointment as Statutory Auditors of the Company for the financial year 2011-2012.

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 2010-2011. The due date for filing Cost Audit Report Reports of the Company for 2009-10 was September 30, 2010 and the same was filed with the Ministry of Corporate Affairs on September 18, 2010.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION ETC.

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

FIXED DEPOSITS

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

INDUSTRIAL RELATIONS

As in the earlier years, your Company had cordial relations with its employees at all levels. There is a continuous effort to step up leadership and technical skills that has helped them function better, stay focused on systems and best practices and in the process, build a robust Aurobindo with capabilities to face emergent challenges.

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.

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. 29,707 equity shares of ₹5 each were issued and allotted under the ESOP-2004 Scheme.

Details of the options granted up to March 31, 2011 are set out in the annexure to this Report, as required under Clause 12 of the Securities and Exchange Board of India (Employee Stock Options Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.

ACKNOWLEDGEMENTS

Your Directors place on record their sincere appreciation for the dedication and commitment of the employees at all levels and their significant contribution to your Company's growth. Your Company is grateful to the customers and business associates for their support and encouragement. Your Directors thank the banks, financial institutions, government departments and shareholders and look forward to having the same support in all our future endeavors

For and on behalf of the Board

P. V. RAMPRASAD REDDY
Chairman

Hyderabad
May 9, 2011

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	2010-2011	2009-2010
Power & Fuel Consumption		
a. Electricity Purchased		
Units (Nos. in Million)	**264.69**	182.95
Total amount (₹ Million)	**997.58**	622.96
Unit rate (₹)	**3.77**	3.41
b. Own Generation		
Through Diesel Generator		
No. of units (in Million)	**17.78**	17.38
Units per litre of diesel	**3.37**	2.87
Oil cost per unit (₹)	**11.15**	11.93
Through Steam Turbine/Generator		
No. of units (in Million)	**31.12**	31.13
Units per litre of oil/gas	**0.39**	0.38
Cost per unit (₹)	**2.62**	2.37
Coal		
Quantity (MT)	**171,167.10**	140,140.49
Cost (₹ Million)	**623.20**	457.87
Average rate/MT (₹)	**3,630.23**	3,267.20
Furnace Oil		
Quantity (KL)	**2,766.44**	1,980.17
Cost (₹ Million)	**78.75**	51.81
Average rate/KL (₹)	**28,466.92**	26,166.10
Others (Wood)		
Quantity (MT)	**3,951.32**	1,483.53
Cost (₹ Million)	**8.35**	3.03
Average rate/MT (₹)	**2,112.67**	2,045.34

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.

Benefits derived as a result of the above R&D

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

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

	2010-2011	2009-2010
Capital	**338.4**	42.1
Recurring	**1,394.0**	972.7
Total R&D expenditure	**1,732.4**	1014.8
as a percentage of total turnover	**4.10**	3.06

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, import substitution etc.

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

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, 2011:

₹ Million

	2010-2011	2009-2010
Foreign exchange earned		
Exports (FOB)	**26,969.7**	20,863.7
Others	**2,353.4**	1,258.8
	29,323.1	22,122.5
Foreign exchange outgo		
Materials	**16,031.8**	13,035.8
Other expenses	**579.0**	589.9
	16,610.8	13,625.7

For and on behalf of the Board

P. V. RAMPRASAD REDDY
Chairman

Hyderabad,
May 9, 2011.

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	2,538,500	3,995,250
Total number of Options granted	2,538,500	290,000
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 2010-2011	Nil	106,250
Options exercised during FY 2010-2011	148,535	Nil
The total number of shares arising as a result of exercise of Option	148,535	Nil
Options lapsed during FY 2010-2011 which are subject to reissue	72,890	Nil
Variation of terms of Options	Nil	Nil
Money realized by exercise of Options during 2010-2011 (₹)	10,771,758	Nil
Grant price (Face Value of ₹5) Prevailing on grant date		
August 1, 2004	₹72.52	N.A.
July 28, 2005	₹72.52	N.A
October 30, 2006	N.A	₹120.70
July 31, 2007	N.A.	₹132.35
October 31, 2007	N.A	₹114.50
Total number of Options in force as on March 31, 2011 (Cumulative)	11,345	250,000
Grant details of members of senior management team	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		

(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	1,609,882
iii. The impact of the difference on profits and		
on EPS of the Company (₹)	PAT	5,938,029,702
	Less: Additional cost	
	based on Fair Value	1,609,882
	Adjusted PAT	5,936,419,820
	Adjusted EPS	20.62
iv. Weighted average exercise price and fair value of stock Options granted:		
Stock Options granted on	Nil	Nil
Weighted Average Exercise Price (₹)	72.52	119.78
Weighted average Fair Value (₹)	75.03	144.13
Closing market price at NSE on the date of grant (₹)	72.51	On 30.10.2006: 120.69
		On 31.07.2007: 132.35
		On 31.10.2007: 114.50
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	1.30 (130%)	

Note: The Equity Share of ₹5 each was split into five equity shares of ₹1 each with effect from February 11, 2011. The number of shares, number of options, grant price, weighted average exercise price, weighted average fair value and closing market price at NSE mentioned herein is taken after giving effect to the split.

For and on behalf of the Board

Hyderabad
May 9, 2011

P. V. RAMPRASAD REDDY
Chairman

Report on Corporate Governance

Company's Philosophy on Corporate Governance

Aurobindo has always attached great importance to good and responsible corporate governance. The Company belongs to all the stakeholders and the corporate objective is to maximize shareholder value ethically and legally. Hence, efforts are made to raise transparency, trust and confidence of stakeholders in the way the company is run. The team at Aurobindo operates as a trustee on behalf of every shareholder - large or small.

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 with accountability and professionalism to meet the needs of customers and deliver on their expectations; meet the commitments with vendors, partners, employees, governments and the community.

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 March 31, 2011 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, 2011

Name	Category	Number of Board Meetings attended	Attendance at the last AGM held on September 23, 2010	Number of directorships in other companies	Number of committee in positions held other companies	
					Chairman	Member
Mr. P.V. Ramprasad Reddy	Promoter and Executive	4	No	1	–	–
Mr. K. Nithyananda Reddy	Promoter and Executive	4	Yes	3	–	–
Dr. M. Sivakumaran	Executive	3	Yes	2	–	–
Mr. M. Madan Mohan Reddy	Executive	4	Yes	1	–	–
Dr. K. Ramachandran	Non-Executive Independent	1	No	2	–	1
Dr. P.L. Sanjeev Reddy	Non-Executive Independent	4	Yes	1	–	1
Mr. P. Sarath Chandra Reddy	Non-Executive Non-Independent	4	Yes	5	–	–
Mr. M. Sitarama Murty	Non-Executive Independent	4	Yes	2	1	1
Mr. K. Ragunathan	Non-Executive Independent	4	No	–	–	–
Dr. D. Rajagopala Reddy	Non-Executive Independent	3	Yes	–	–	–

Note: a. Dr. K. Ramachandran has resigned from the Board with effect from May 3, 2011.

b. Other directorships are exclusive of Indian private limited companies and foreign companies.

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

Date	Board Strength	No. of Directors Present
May 29, 2010	10	9
August 5, 2010	10	9
November 3, 2010	10	8
February 5, 2011	10	9

Details of Directors proposed for re-appointment:

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

Mr. P.V. Ramprasad Reddy, Chairman and Mr. K. Nithyananda Reddy, Managing Director are proposed to be re-appointed.

Mr. K. Ragunathan, aged 47 years, is a Bachelor of Commerce from Madras University, and Member of the Institute of Chartered Accountants of India. He holds a Post Graduate diploma in computerized financial management and specialized in ERP design and development and is a Certified Management Consultant.

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

He has over 26 years of experience in consulting, having started as a consultant at a very young age of 19 years. During the course of his career, he has been exposed to various business transaction structuring and intricacies in business negotiation. He has contributed articles on various issues concerning business transactions and legal compliances thereto in leading Indian corporate law magazines.

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

He is a Director of Sathguru Management Consultants Private Limited and does not hold any shares in the Company.

Dr. M. Sivakumaran, aged 68 years, is a Whole-time Director of the Company. He holds a Master's Degree in Science and has been awarded a PhD in Organic Chemistry. He has about 39 years of experience in the pharmaceutical industry. He is responsible for the technological evolution of the Company. Dr. M. Sivakumaran looks after research and development, generic product development and total quality management. He is a Director on the Board of APL Research Centre Limited and APL Healthcare Limited, the subsidiaries of the Company. He holds 7,345,680 equity shares of ₹1 each in the Company.

Mr. M. Madan Mohan Reddy, aged 51 years, is a Whole-time Director of the Company. He has a Master's Degree in Science (Organic Chemistry) and held top managerial positions in leading pharma companies. He commands valuable experience in regulatory affairs of the pharmaceutical industry. He is a Director on the Board of Cogent Glass Limited and Pravesha Industries Private Limited. He holds 25,005 equity shares of ₹1 each in the Company.

Mr. P.V. Ramprasad Reddy, aged 53 years, is the Executive Chairman and promoter of the Company. He is a post graduate in Commerce. 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 joint ventures. He is a Director on the Board of Cogent Glass Limited and PVR Holdings Private Limited. He holds 78,645,440 equity shares of ₹1 each in the Company.

Mr. K. Nithyananda Reddy, aged 53 years, is the Managing Director of the Company. He holds a Master's Degree in Science (Organic Chemistry) and has been associated with the Company from the initial days as a promoter, and is well versed with manufacturing technologies, systems, processes and controls. He supervises the overall affairs of the Company. He is a Director on the boards of the subsidiaries of the Company: APL Healthcare Limited, APL Research Centre Limited, Auronext Pharma Private Limited as well as Pattancheru Envirotech Limited. He holds 13,762,350 equity shares of ₹1 each in the Company.

Audit Committee

The scope and function of the Audit Committee is to regularly review the internal control, systems and procedures, accounting policies and other matters that protect the interest of the stakeholders, ensure compliance with the laws of the land, and monitor with a view to provide effective supervision of the management's process, ensure accurate, timely and proper disclosures, transparency, integrity and quality of 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;

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

review with the management, the statement of uses/ application of funds raised through an issue viz public issue, rights issue, preferential issue, etc;

recommend the appointment, re-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;

review 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;

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

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

appraise the Company's financial and risk management policies;

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;

approval of appointment of CFO after assessing the qualifications, experience & background, etc. of the candidate; and,

review the functioning the whistle blower mechanism.

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, the Audit Committee met four times on May 29, 2010; August 5, 2010; November 3, 2010 and February 5, 2011.

The attendance at the Audit Committee meetings during the financial year 2010-2011 is as under:

Member	No. of Meetings	Attendance
Dr. K. Ramachandran - Chairman	4	1
Mr. M. Sitarama Murthy - Member	4	4
Mr. K. Ragunathan - Member	4	4
Dr. D. Rajagopala Reddy - Member	4	3

Note:

a. Dr. K. Ramachandran has ceased to be a member of the Committee consequent to his resignation from the Board with effect from May 3, 2011.

b. Mr. M. Sitarama Murthy is presently the Chairman of the Committee.

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

Composition and other details of Compensation/Remuneration Committee

The composition of the Compensation/Remuneration Committee comprises of four Non-Executive Directors. The Chairman of the Committee is a Non-executive Independent Director.

During the year, the Compensation Committee met two times on July 19, 2010 and December 30, 2010.

Member	No. of Meetings	Attendance
Dr. P.L. Sanjeev Reddy, Chairman	2	2
Dr. K. Ramachandran, Member	2	1
Mr. P. Sarath Chandra Reddy, Member	2	2
Dr. D. Rajagopala Reddy	–	–

Note:

a. Dr. K. Ramachandran has ceased to be a member of the Committee consequent to his resignation from the Board with effect from May 3, 2011.

b. Dr. D. Rajagopala Reddy was inducted as a member of the Committee with effect from February 5, 2011.

Details of remuneration paid to Directors during the financial year 2010-2011

a. Executive Directors

₹

Name	Salary	Perquisites	Contribution to P.F	Total
Mr. P.V. Ramprasad Reddy	7,500,000	1,150,000	9,360	8,659,360
Mr. K. Nithyananda Reddy	7,500,000	1,150,000	9,360	8,659,360
Dr. M. Sivakumaran	7,500,000	1,150,000	9,360	8,659,360
Mr. M. Madan Mohan Reddy	7,500,000	1,150,000	9,360	8,659,360
Total	30,000,000	4,600,000	37,440	34,637,440

b. Non-Executive Directors

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

₹

Name	Sitting fees
Dr. K. Ramachandran	40,000
Dr. P.L. Sanjeev Reddy	100,000
Mr. M. Sitarama Murty	120,000
Mr. P. Sarath Chandra Reddy	100,000
Mr. K. Ragunathan	120,000
Dr. D. Rajagopala Reddy	90,000

Shareholders/Investors' Grievance Committee

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

a. Transfer, transmission, split and consolidation of shareholding 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 2010-2011

Nature of Complaints	Received	Resolved	Pending
Complaints received from shareholders:			
• Share certificates	225	225	–
• Dividend	92	92	–
• Annual reports	9	9	–
Complaints of shareholders forwarded by:			
• SEBI	5	5	–
• Stock exchanges	–	–	–

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
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
2010	Katriya Hotel & Towers, Hyderabad	23.09.2010	11.45 a.m.	None

An Extraordinary General Meeting of the Members of the Company was convened on December 23, 2010 to approve the proposal of subdivision of shares of the Company from one equity share of the face value of ₹5 each into five equity shares of the face value of ₹1 each by way of special resolution with effect from February 11, 2011 (Record date fixed for the said purpose). The resolution was passed unanimously.

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 the schedule on Notes to Accounts in the Annual Report.

Details of Non-Compliance and Penalties

There were no instances of non-compliance or penalties/ strictures by the Stock Exchanges/SEBI/statutory authorities on any matter related to capital markets during the last three years.

Code of Conduct

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

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

Risk Management

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

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

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

Means of Communication

The Company has a website www.aurobindo.com. The quarterly and half yearly financial statements are not sent to the individual house holds of the shareholders; however, the same are placed on the Company's website for the information of shareholders and general public and also published in leading newspapers in English and Telugu (Regional language). Further all material information which 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

24th Annual General Meeting

As mentioned in the Notice, the 24th Annual General Meeting of the Company will be held on Friday, July 29, 2011 at 4.00 p.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 2011-2012 is as follows:

Unaudited Financial Results for	On or before
1st Quarter	August 15, 2011
2nd quarter	November 15, 2011
3rd Quarter	February 15, 2012
4th Quarter	May 15, 2012

Book Closure

From July 22, 2011 to July 29, 2011 (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 100% i.e., ₹5 per share of Face Value of ₹5 at its meeting held on November 3, 2010 for the financial year 2010-2011, which was paid to the eligible shareholders on November 22, 2010. Subject to the approval of Members, the final dividend of 100% i.e., ₹1 per share of Face Value of ₹1, if declared, will be paid within 30 days from the date of the Annual General Meeting to the eligible shareholders.

Listing Details

The Company's shares are at present listed on the following stock exchanges and the listing fees for the financial year 2011-2012 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

ISIN No. : INE406A01037

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

		National Stock Exchange (₹)				S & P CNX Nifty	
	Month	High	Low	Close	Volume	High	Low
2010	April	988.20	882.70	952.25	1,700,684	5399.65	5160.90
	May	959.05	825.00	852.75	2,684,190	5278.70	4786.45
	June	934.80	793.00	910.20	4,114,674	5366.75	4961.05
	July	1,018.00	897.00	969.85	2,985,022	5477.50	5225.60
	August	1,100.15	927.00	1,038.45	7,264,150	5549.80	5348.90
	September	1,108.95	1,023.05	1,038.00	4,536,356	6073.50	5403.05
	October	1,223.00	1,039.80	1,184.95	3,729,320	6284.10	5937.10
	November	1,350.00	1,161.05	1,247.65	3,569,069	6338.50	5690.35
	December	1,347.70	1,195.10	1,313.90	2,953,923	6147.30	5721.15
2011	January	1,376.95	1,151.35	1,186.75	2,971,034	6181.05	5416.65
	February	1,214.80	156.20	169.90	47,531,120	5599.25	5196.80
	March	209.55	171.45	195.95	54,951,274	5803.15	5348.20

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

		Bombay Stock Exchange (₹)				BSE Sensex	
	Month	High	Low	Close	Volume	High	Low
2010	April	986.00	919.50	951.95	229,545	18047.86	17276.80
	May	959.00	786.25	854.60	208,862	17536.86	15960.15
	June	926.80	793.40	910.55	710,699	17919.62	16318.39
	July	1,017.00	898.00	973.80	565,750	18237.56	17395.58
	August	1,109.85	927.00	1,039.60	919,739	18475.27	17819.99
	September	1,110.00	1,022.10	1,040.40	618,175	20267.98	18027.12
	October	1,221.90	1,040.00	1,179.65	523,294	20854.55	19768.96
	November	1,349.00	1,160.00	1,249.15	341,934	21108.64	18954.82
	December	1,349.00	1,195.00	1,317.40	306,291	20552.03	19074.57
2011	January	1,375.00	1,125.00	1,186.85	252,670	20664.80	18038.48
	February	1,205.00	156.50	170.00	11,610,490	18690.97	17295.62
	March	209.40	171.70	195.90	13,392,289	19575.16	17792.17

One equity share of the face value of ₹5 each of the Company has been sub-divided into five equity shares of ₹1 each with effect from February 11, 2011 (Record date fixed for sub-division).

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
Unit: Aurobindo Pharma Limited
46, Avenue - 4, Street No.1, Banjara Hills,
Hyderabad - 500 034.
Tel Nos. +91 40 2311 4087/2342 0815
Fax Nos. +91 40 2342 0814
E-mail: sreedharamurthy@karvy.com

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.

Distribution Schedule as on March 31, 2011

Shareholding Nominal value From	To	Shareholders No.	%	Total Shares	Share Amount Nominal Value ₹	%
1 -	5000	71,404	98.83	16,265,523	16,265,523	5.59
5001 -	10000	306	0.42	2,326,974	2,326,974	0.80
10000 -	20000	192	0.26	2,784,236	2,784,236	0.96
20001 -	30000	76	0.11	1,942,022	1,942,022	0.67
30001 -	40000	42	0.06	1,497,808	1,497,808	0.51
40001 -	50000	23	0.03	1,033,248	1,033,248	0.35
50001 -	100000	63	0.09	4,694,445	469,445	1.61
100001 &	above	146	0.20	260,577,034	260,577,034	89.51
	TOTAL	72,252	100.00	291,121,290	291,121,290	100.00

Note: a. 12,010 Shares are held in the Bonus Transit Pool Account.

b. 70,480 shares of 96 shareholders are under unclaimed shares account as on March 31, 2011. The outstanding shares are kept in suspense account and the voting rights on these shares shall remain frozen till the rightful owner of such shares claims the shares. The Company is in the process of complying with the guidelines with regard to the same

Categories of Shareholders as on March 31, 2011

Category	No. of Shares	%
Promoters, Directors & their relatives/associates	158,284,800	54.37
NRIs/FIIs/FDIs/OCBs	63,246,222	21.73
Government/Banks/FIs	7,339,252	2.52
Mutual Funds	17,989,097	6.18
Insurance Companies	6,809,920	2.34
Bodies Corporate	12,404,559	4.26
General Public and Others	25,047,440	8.60
TOTAL	291,121,290	100.00

Top ten Shareholders of the Company as on March 31, 2011

Shareholders	Category	No. of Shares	%
Mr. P.V. Ramprasad Reddy	Promoter group	78,645,440	27.01
Ms. P. Suneela Rani	Promoter group	30,830,550	10.59
Mr. K. Nithyananda Reddy	Promoter group	13,762,350	4.73
Ms. Kambam Kirthi Reddy	Promoter group	10,750,000	3.69
Dr. M. Sivakumaran	Promoter group	7,345,680	2.52
Life Insurance Corporation of India	Insurance Company	6,391,665	2.20
Trident Chemphar Limited	Promoter group	5,790,000	1.99
Ms. Kambam Spoorthi	Promoter group	5,000,000	1.72
HSBC Global Investment Funds A/c HSBC Global Investment Funds Mauritius Limited	FII	5,000,000	1.72
HDFC Trustee Company Limited-HDFC Equity Fund	Mutual Fund	4,784,611	1.64

Mr. M. Madan Mohan Reddy, Executive Director was given options for 5,000 equity shares of ₹5 each (25,000 equity shares of ₹1 each) under ESOP Scheme - 2004 which has been exercised. Mr. M. Madan Mohan Reddy is also holding five equity shares of ₹1 each in the Company. His total holding is 25,005 equity shares of ₹1 each 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 shares in the Company. Mr. P. Sarath Chandra Reddy, Non-Executive Director holds 16,390 equity shares of ₹1 each.

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. P. 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

Pranit Packaging, India (Partnership firm)

Pranit Happy Homes 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
1997-1998	50	–
1998-1999	50	1:1
1999-2000	50	–
2000-2001	30	1:1
2001-2002	30	–
2002-2003	35	–
2003-2004	45	–
2004-2005	10	–
2005-2006	30	–
2006-2007	50	–
2007-2008	65	–
2008-2009	90	–
2009-2010	100	–

Outstanding FCCBs

During the year 2005-2006, 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 on or before May 10, 2011 and are redeemable on May 17, 2011.

During 2007-2008, 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 during 2008-09 and USD 1.80 million during 2009-2010. FCCBs aggregating face value of USD 21.818 million were converted into equity shares during 2009-2010. FCCBs aggregating face value of USD 29.664 million were converted into equity shares and FCCBs aggregating face value of USD 2.118 million were redeemed during the year 2010-2011. The outstanding Foreign Currency Convertible Bonds/Forward Conversion Convertible Bonds as on March 31, 2011 aggregate to USD 139.2 million.

Subsidiary Companies

APL Pharma Thai Limited, Thailand	Auro Healthcare (Nigeria) Limited, Nigeria
Aurobindo Pharma Industria Farmaceutica Limitada, Brazil	APL Research Centre Limited, India
Helix Healthcare B.V., The Netherlands	APL Healthcare Limited, India
Aurobindo Pharma USA Inc., U.S.A.	Aurobindo Pharma Produtos Farmaceuticos Limitada, Brazil
Aurolife Pharma LLC, U.S.A.	All Pharma (Shanghai) Trading Company Limited, China
Auro Pharma Inc., Canada	Aurobindo Pharma Japan K.K., Japan
Aurex Generics Limited, U.K.[1]	Agile Malta Holdings Limited, Malta
Aurobindo Pharma (Pty) Limited, South Africa	Aurobindo Pharma (Malta) Limited, Malta
Milpharm Limited, U.K.	APL Holdings (Jersey) Limited, Jersey
Aurobindo Pharma (Australia) Pty Limited, Australia	APL IP Company Limited, Jersey
Aurobindo Pharma Hungary Kereskedelmi, KFT, Hungary	APL Swift Services (Malta) Limited, Malta
Agile Pharma B.V., The Netherlands	Agile Pharma (Malta) Limited, Malta
Aurobindo Switzerland A.G., Switzerland	Aurobindo Pharma (Italia) S.r.l., Italy
Pharmacin B.V., The Netherlands	Laboratorios Aurobindo, Sociedad Limitada, Spain

Aurobindo Pharma (Ireland) Limited, Ireland[2]	Aurobindo ILAC Sanayi ve Ticaret Limited Sirketi, Turkey
Aurobindo Pharma (Portugal) Unipessoal Limitada, Portugal	Aurobindo Pharma B.V., The Netherlands
Aurobindo Pharma (Bulgaria) EAD, Bulgaria	Aurobindo Pharma (Singapore) Pte Limited, Singapore
Aurobindo Pharma France SARL, France	Aurobindo Pharma (Romania) s.r.l., Romania
Auronext Pharma Private Limited, India	Aurobondo Pharma (Poland) Sp.z.o.o., Poland
Aurobindo Pharma GmbH, Germany	Aurobndo Pharma Limited, s.r.l., Domican Republic

[1] Since dissolved with effect from April 26, 2011
[2] Since dissolved with effect from April 13, 2011

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, Ranga Reddy District, 500 090, Andhra Pradesh
Unit-IV	Plot No.4 in Survey No.151 and Plot Nos.34 to 48 in Survey No. part of 146, 150, 151, 152, 153 and 154 situated in Phase-III, SPIIC, EPIP, IDA, Pashamylaram, Patancheru Mandal, Medak District, 502 307, 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)	Survey No.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, Ranga 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, 2011.

For Aurobindo Pharma Limited

K. NITHYANANDA REDDY
Managing Director

Hyderabad, May 9, 2011.

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, 2011, as stipulated in Clause 49 of the Listing Agreement of the said Company with the stock exchanges.

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

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

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

S. Chidambaram

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

Hyderabad, May 9, 2011.

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, 2011 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 139,200 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 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, 2011, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on March 31, 2011 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, 2011;

        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

VKPansari

per **VIKAS KUMAR PANSARI**
Partner
Membership No. 93649
Hyderabad, May 9, 2011.

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 program 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. According to the information and explanations given to us, 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 Clause 4(iii) (a) to (d) of the Order are not applicable to the Company and hence not commented upon.

e. According to the information and explanations given to us, 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 Clause 4(iii) (e) to (g) of the Order are not applicable to the Company and hence not commented upon.

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, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the Company in respect of these areas.

v. a. According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the 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 and other material statutory dues 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.*

Further, 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
	Interest	131,555	2009-10	Assistant Commissioner of Central Excise
	Excise duty	2,526,389	2005-06, 2006-07, 2007-08, 2008-09, 2009-10, 2010-11	Additional Commissioner of Central Excise, Hyderabad
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 9, 2011.

Balance Sheet as at March 31, 2011

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

		Schedule		As at March 31, 2011		As at March 31, 2010
SOURCES OF FUNDS						
SHAREHOLDERS' FUNDS	Share capital	1	**291.1**		278.6	
	Reserves and surplus	2	**25,405.0**		18,865.0	
				25,696.1		19,143.6
LOAN FUNDS	Secured loans	3	**10,380.1**		7,022.5	
	Unsecured loans	4	**12,797.1**		12,425.3	
				23,177.2		19,447.8
DEFERRED TAX LIABILITIES (Net)		5		**1,218.2**		950.7
	TOTAL			**50,091.5**		39,542.1
APPLICATION OF FUNDS						
FIXED ASSETS	Gross block	6	**19,551.7**		15,268.8	
	Less: Accumulated depreciation/amortization		**6,052.8**		4,815.4	
	Net block		**13,498.9**		10,453.4	
	Capital work-in-progress including capital advances		**5,829.2**		4,994.7	
				19,328.1		15,448.1
INVESTMENTS		7		**4,930.9**		3,709.1
CURRENT ASSETS, LOANS AND ADVANCES	Inventories	8	**12,610.2**		9,448.2	
	Sundry debtors	9	**14,807.1**		11,513.5	
	Cash and bank balances	10	**1,223.3**		45.6	
	Other current assets	11	**26.2**		46.5	
	Loans and advances	12	**5,486.0**		5,729.8	
			34,152.8		26,783.6	
LESS: CURRENT LIABILITIES AND PROVISIONS	Current liabilities	13	**7,746.1**		6,088.3	
	Provisions	14	**574.2**		310.4	
			8,320.3		6,398.7	
NET CURRENT ASSETS				**25,832.5**		20,384.9
	TOTAL			**50,091.5**		39,542.1
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.

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 9, 2011.

For and on behalf of the Board of Directors of Aurobindo Pharma Limited

K. NITHYANANDA REDDY
Managing Director

Dr. M. SIVAKUMARAN
Director

S. B. Singhi

SUDHIR B. SINGHI
Chief Financial Officer

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

Profit and Loss Account for the year ended March 31, 2011

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

		Schedule	2010-2011	2009-2010
INCOME	Sales Gross	15	**42,299.9**	33,196.0
	Less: Excise duty		**968.7**	673.3
	Net		**41,331.2**	32,522.7
	Other income	16	**524.9**	1,083.8
	TOTAL		**41,856.1**	33,606.5
EXPENDITURE	Increase in work-in-progress and finished goods	17	**(1,363.7)**	(1,474.8)
	Materials consumed	18	**23,286.3**	18,777.5
	Purchase of trading goods		**85.3**	193.6
	Other manufacturing expenses	19	**4,418.5**	3,185.7
	Employee costs	20	**3,036.0**	2,326.2
	Administrative, selling and other expenses	21	**2,296.8**	2,018.9
	Interest and finance charges (Net)	22	**504.9**	523.3
	Depreciation/amortization	6	**1,250.4**	954.6
			33,514.5	26,505.0
PROFIT BEFORE TAXATION AND EXCEPTIONAL ITEMS			**8,341.6**	7,101.5
PROVISION FOR TAXATION				
	Current tax		**1,837.5**	1,674.2
	Deferred tax		**267.5**	166.7
	Tax relating to previous years		**11.5**	24.9
PROFIT AFTER TAXATION BUT BEFORE EXCEPTIONAL ITEMS			**6,225.1**	5,235.7
	Exceptional item	23(4)	**(287.1)**	21.9
PROFIT AFTER TAXATION AND EXCEPTIONAL ITEMS			**5,938.0**	5,257.6
	Balance brought forward from last year		**10,900.9**	6,493.2
PROFIT AVAILABLE FOR APPROPRIATION			**16,838.9**	11,750.8
APPROPRIATIONS	On Equity Shares of ₹1 each (Refer Note 5 of Schedule 23)			
	Proposed dividend @ ₹1 (Previous Year: ₹0.40)		**291.1**	111.5
	Interim dividend paid @ ₹1 (Previous Year: ₹0.60)		**296.1**	165.9
	Tax on dividend		**96.4**	46.7
	Transfer to General Reserve		**593.8**	525.8
	Balance carried to Balance Sheet		**15,561.5**	10,900.9
			16,838.9	11,750.8
EARNINGS PER SHARE		23(26)		
	Basic Earnings per Share ₹		**20.63**	19.42
	Diluted Earnings per Share ₹		**18.56**	16.63
	Nominal Value per Share ₹		**1.00**	1.00
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.

For and on behalf of the Board of Directors of Aurobindo Pharma Limited

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 9, 2011.

K. NITHYANANDA REDDY
Managing Director

Dr. M. SIVAKUMARAN
Director

S. B. Singhi

SUDHIR B. SINGHI
Chief Financial Officer

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

Cash Flow Statement for the year ended March 31, 2011

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

			2010-2011	2009-2010
1.	CASH FLOW FROM			
	OPERATING ACTIVITIES	Net Profit before tax and exceptional items	**8,341.6**	7,101.5
		Adjustments for:		
		Depreciation and amortisation	**1,250.4**	954.6
		Provision for doubtful debts	**2.0**	(77.2)
		Bad debts written off	**34.4**	57.6
		Provision for diminution on investment	**105.0**	–
		Diminution on investment written back	**–**	(0.2)
		Balances no longer required written back	**(2.0)**	(8.8)
		Provision for retirement benefits	**55.5**	47.9
		Interest expense	**373.2**	543.0
		Interest income	**(45.3)**	(102.5)
		Dividends received	**–**	–
		Un realised foreign exchange gain	**(278.5)**	(1,049.0)
		Profit on sale of fixed assets	**(2.4)**	(92.6)
		Operating Profit before working capital changes	**9,833.9**	7,374.2
		Adjustments for:		
		Increase in inventories	**(3,162.0)**	(2,073.6)
		Increase in sundry debtors	**(3,333.0)**	(757.3)
		Increase in loans and advances	**(815.6)**	(681.9)
		Increase in sundry creditors	**1,679.7**	1,077.4
		Cash Generated from operations	**4,203.0**	4,938.8
		Direct taxes paid (Net of refunds)	**(1,769.9)**	(1,475.0)
	NET CASH FROM OPERATING ACTIVITIES (A)		**2,433.1**	3,463.8
2.	CASH FLOW FROM			
	INVESTING ACTIVITIES	Acquisition of fixed assets	**(5,164.9)**	(3,418.8)
		Proceeds from sale of fixed assets	**31.9**	177.9
		Purchase of investments	**(2,001.9)**	(731.3)
		Investment in short term deposits (Net)	**4.7**	73.7
		Sale of investments	**388.1**	–
		Loans to subsidiaries (Net)	**1,096.7**	(376.0)
		Share application money to subsidiaries	**(96.4)**	(53.4)
		Interest received	**57.0**	244.2
		Dividend received	**–**	–
	NET CASH USED IN INVESTING ACTIVITIES (B)		**(5,684.8)**	(4,083.7)

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

			2010-2011	2009-2010
3.	CASH FLOW FROM			
	FINANCING ACTIVITIES	Proceeds from issue of share capital	10.8	54.4
		Proceeds from long term borrowings	4,096.3	395.2
		Repayment of long term borrowings	(898.0)	(1,078.8)
		Repayment/Repurchase of FCCB	(97.7)	(63.9)
		Other short term borrowings (Net)	2,124.3	1,407.9
		Interest paid	(329.8)	(563.6)
		Dividend and dividend tax paid	(474.7)	(288.3)
	NET CASH GENERATED/(USED) FROM FINANCING ACTIVITIES (C)		4,431.2	(137.1)
	NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)		1,179.5	(757.0)
		Cash and cash equivalents - Opening Balance	40.2	790.3
		Add: On amalgamation	–	7.6
		Cash and cash equivalents - Closing Balance	1,219.7	40.9
Notes to the Cash Flow Statement:				
i.	Cash and cash equivalents include:			
	Cash on hand		6.8	5.5
	Balance with banks:			
	Current accounts		21.9	6.2
	Cash credit accounts		8.2	24.0
	Fixed deposit accounts		1,181.2	5.4
	Unpaid dividend accounts*		5.2	4.6
	Cash and cash equivalents as per Balance Sheet		1,223.2	45.6
	Less: Fixed deposits considered as investments		0.7	5.4
			1,222.5	40.2
	Unrealised gain on foreign currency cash and cash equivalents		(2.8)	0.7
	Cash and cash equivalents considered for cash flows		1,219.7	40.9
	*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 ₹2001.9 (₹731.1).			
iii.	In the previous 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.

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 9, 2011.

For and on behalf of the Board of Directors of Aurobindo Pharma Limited

K. NITHYANANDA REDDY
Managing Director

Dr. M. SIVAKUMARAN
Director

S. B. Singhi

SUDHIR B. SINGHI
Chief Financial Officer

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

Schedules to Balance Sheet

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

				As at March 31, 2011		As at March 31, 2010
1.	**SHARE CAPITAL**					
	AUTHORISED	660,000,000 (March 31, 2010: 660,000,000)				
		Equity Shares of ₹1 each		**660.0**		660.0
		1,000,000 (March 31, 2010: 1,000,000)				
		Preference Shares of ₹100 each		**100.0**		100.0
				760.0		760.0
	ISSUED, SUBSCRIBED					
	AND PAID-UP	291,121,290 (March 31, 2010: 278,644,185)				
		Equity Shares of ₹1 each fully paid-up		**291.1**		278.6
		TOTAL		**291.1**		278.6
	Notes:					
	i.	Paid-up Equity Shares of the Company include 173,516,000 (March 31, 2010: 173,516,000) Equity Shares of ₹1 each that were allotted as bonus shares by capitalization of Securities Premium Account.				
	ii.	Paid-up Equity Shares of the Company also include 6,705,000 (March 31, 2010: 6,705,000) Equity Shares of ₹1 each that were allotted for consideration other than cash.				
	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 6 and 7 of schedule 23.				
	iv.	The Equity shares of the Company with face value of ₹5 per share have been sub-divided into five shares of ₹1 each effective February 11, 2011. Accordingly, the nominal value of equity shares and number of equity share for the previous year have been recomputed and disclosed above.				
2.	**RESERVES AND SURPLUS**					
	CAPITAL RESERVE	As per last Balance Sheet	**91.1**		90.3	
		Add: Pursuant to a Scheme of Amalgamation	**–**		0.8	
				91.1		91.1
	CAPITAL REDEMPTION RESERVE			**90.0**		90.0
	SECURITIES PREMIUM					
	ACCOUNT	As per last Balance Sheet	**2,156.5**		1,165.2	
		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)	**1,285.6**		991.3	
				3,442.1		2,156.5
	GENERAL RESERVE	As per last Balance Sheet	**5,626.5**		5,100.7	
		Add: Transferred from Profit and Loss Account	**593.8**		525.8	
				6,220.3		5,626.5
	PROFIT AND LOSS ACCOUNT BALANCE			**15,561.5**		10,900.9
		TOTAL		**25,405.0**		18,865.0

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

			As at March 31, 2011		As at March 31, 2010	
3.	**SECURED LOANS**					
	FROM BANKS	Term Loans	**4,013.6**		–	
		Working capital loans [includes buyers credit of ₹2,427.2 (March 31, 2010: ₹931.1)]	**6,366.5**		7,022.5	
		TOTAL		**10,380.1**		7,022.5
	Notes:					
	i. Term loans taken from banks repayable within one year - Nil (March 31, 2010: 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	Term Loans		**–**		898.0
		Short term loans		**–**		1,400.0
		Working capital loans [includes buyers credit of ₹386.1 (March 31,2010: ₹382.7)]		**5,842.6**		1,718.5
		Credit balance in current account		**–**		2.7
	OTHER LOANS	Zero coupon Foreign Currency Convertible Bonds		**6,207.6**		7,677.1
		Sales tax deferral liability		**746.9**		729.0
		TOTAL		**12,797.1**		12,425.3
	Notes:					
	i. Sales tax deferral repayable within one year - ₹11.0 (March 31, 2010: ₹3.4).					
	ii. Refer Note 6 of Schedule 23 for details of Zero coupon Foreign Currency Convertible Bonds.					
	iii. Term loans taken from banks repayable within one year ₹Nil (March 31, 2010: ₹2,298.0)					
5.	**DEFERRED TAX LIABILITIES** (Net)					
	Deferred tax liability on account of differences in depreciation as per tax books and financial books			**1,392.1**		1,111.1
	Deferred tax asset arising on account of timing differences relating to:					
	Provision made towards doubtful debts/advances			**90.0**		91.5
	Employee benefits			**76.5**		59.9
	Expenses incurred in relation to issue of Foreign Currency Convertible Bonds			**–**		9.0
	Other expenses			**7.4**		–
		TOTAL		**1,218.2**		950.7

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, 2010	Additions	On deletions/ adjustments	**As at March 31, 2011**	Up to April 1, 2010	For the year	On deletions/ adjustments	**Up to March 31, 2011**	**As at March 31, 2011**	As at March 31, 2010
Tangible assets										
Leasehold land	48.6	13.7	–	**62.3**	2.8	2.3	–	**5.1**	**57.2**	45.8
Freehold land	227.5	41.4	–	**268.9**	–	–	–	**–**	**268.9**	227.5
Leasehold buildings	49.3	5.9	–	**55.2**	16.9	6.2	–	**23.1**	**32.1**	32.4
Freehold buildings	2,418.5	917.8	–	**3,336.3**	416.2	99.1	–	**515.3**	**2,821.0**	2,002.3
Plant and machinery	12,162.6	3,221.1	44.1	**15,339.6**	4,223.1	1,091.2	16.0	**5,298.3**	**10,041.3**	7,939.5
Furniture and fittings	237.0	103.5	0.1	**340.4**	94.6	44.5	0.0	**139.1**	**201.3**	142.4
Vehicles	85.7	26.6	2.9	**109.4**	26.5	9.1	1.6	**34.0**	**75.4**	59.2
Intangible assets										
Licences	39.6	–	–	**39.6**	35.3	2.6	–	**37.9**	**1.7**	4.3
TOTAL	15,268.8	4,330.0	47.1	**19,551.7**	4,815.4	1,255.0	17.6	**6,052.8**	**13,498.9**	10,453.4
Previous year	12,617.3	2,770.9	119.4	**15,268.8**	3,888.6	960.8	34.0	**4,815.4**	**10,453.4**	–
Capital work–in–progress									**5,829.2**	4,994.7

Notes:

1. The title deeds of land and buildings aggregating to ₹140.6 (March 31, 2010: ₹137.6) are pending transfer to the Company's name.
2. Capital work-in-progress include capital advances of ₹462.0 (March 31, 2010: ₹172.7) and expenditure during construction period amounting to ₹692.7 (March 31, 2010: ₹685.2). (Refer Note 12 of Schedule 23).
3. Additions to fixed assets and capital work-in-progress during the year include value of capital expenditure towards research centre amounting to ₹338.4 (March 31, 2010: ₹42.1). Refer Note 18(b) of Schedule 23.
4. Depreciation for the year include ₹4.6 (March 31, 2010: ₹3.7) taken as pre-operative capital expenditure on capital projects pending capitalization.
5. Details of finance lease (Refer Note 23(b) of Schedule 23).
6. Additions and depreciation for the previous year March 31, 2010 includes assets ₹37.7 and ₹2.5 acquired on amalgamation with Trident Life Sciences Limited.

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

	Face value	As at March 31, 2011 Qty.	As at March 31, 2011 ₹	As at March 31, 2010 Qty.	As at March 31, 2010 ₹
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**	**2,419.6**	100% of Paid-in-Capital	1,123.8
APL Pharma Thai Limited, Thailand	100 THB	**979,200**	**145.6**	19,200	2.2
Aurobindo (Datong) Bio-Pharma Company Limited, China (Refer Note 4(b) of Schedule 23)	–	**100% of Paid-in-Capital**	**–**	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**	**1,660.5**	100% of Paid-in-Capital	1,247.9
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	**3,637,824**	**233.6**	1,887,824	203.8
Aurobindo Pharma Produtos Farmaceuticos Ltda, Brazil	1 BRL	**99,000**	**2.1**	99,000	2.1
Auronext Pharma Private Limited, India	₹ 10	**13,031,250**	**130.3**	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
Aurobindo (Datong) Bio-Pharma Company Limited, China (Refer Note 4(b) of Schedule 23)		**19.5% of Paid-in-Capital**	**382.5**	–	–
b. Current, unquoted, in fully paid equity shares, at lower of cost and market value					
Citadel Aurobindo Biotech Limited, India	100	**70,000**	**7.0**	70,000.0	7.0
TOTAL (A)			**5,117.5**		3,790.8
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, 2010: ₹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	0.4
TOTAL (B)			**1.6**		1.6
TOTAL (A+B)			**5,119.1**		3,792.4
Less: Diminution, other than temporary, in the value of investments			**188.2**		83.3
			4,930.9		3,709.1
Notes:					
i. Aggregate value of unquoted investments			**4,930.5**		3,708.7
ii. Aggregate value of quoted investments			**0.4**		0.4
iii. Market value of quoted investments			**0.7**		0.5
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, 2011		As at March 31, 2010
8.	**INVENTORIES**				
	(at lower of cost or net realizable value)				
	Raw Materials		**5,482.2**		3,972.1
	Work-in-process		**4,340.2**		3,472.6
	Stores, spares, consumables & packing materials		**1,203.7**		915.5
	Finished goods		**1,584.1**		1,088.0
	TOTAL		**12,610.2**		9,448.2
	Note: Raw materials, packing 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	**2,079.3**		**1,565.5**	
	Considered doubtful	**241.2**		**239.2**	
			2,320.5		1,804.7
	Other debts - Considered good		**12,727.8**		9,948.0
			15,048.3		11,752.7
	Less: Provision for doubtful debts		**241.2**		239.2
	TOTAL		**14,807.1**		11,513.5
	Note: For details on dues by companies under the same management, Refer Note 13 of Schedule 23.				
10.	**CASH & BANK BALANCES**				
	Cash on hand		**6.8**		5.4
	Balance with scheduled banks on:				
	Current accounts	**20.8**		5.2	
	Cash credit accounts	**8.2**		24.0	
	Fixed deposit accounts	**1,181.2**		5.4	
	Unpaid dividend accounts	**5.2**		4.6	
			1,215.4		39.2
	Balance with non-scheduled banks on:				
	Current accounts		**1.1**		1.0
	TOTAL		**1,223.3**		45.6
	Note: For details of maximum balance held in non-scheduled banks, Refer Note 14 of Schedule 23.				
11.	**OTHER CURRENT ASSETS**				
	Interest accrued on loans and deposits		**20.9**		32.5
	Interest accrued on investments		**0.6**		0.6
	Unamortised exchange premium on forward contracts		**4.7**		13.4
	TOTAL		**26.2**		46.5

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

	As at March 31, 2011		As at March 31, 2010	
12. LOANS AND ADVANCES				
(Unsecured, considered good except stated otherwise)				
Loans to subsidiaries		**820.8**		2,790.6
Loans to employees		**58.9**		40.2
Loans to others		**890.6**		–
Advances recoverable in cash or in kind or for value to be received or pending adjustments:				
Considered good	**1,514.5**		786.4	
Considered doubtful	**36.3**		36.3	
		1,550.8		822.7
Export incentives receivable		**782.2**		866.8
Export incentives licenses		**92.2**		40.2
Trade and other deposits		**151.3**		127.3
Share application money to subsidiaries		149.8		53.4
Advance income tax and tax paid (Net of provision for tax)		**283.5**		362.6
Balances with customs and excise authorities		**742.2**		662.2
		5,522.3		5,766.1
Less: Provision for doubtful advances		**36.3**		36.3
TOTAL		**5,486.0**		5,729.8
Notes: i. For details on dues from companies under the same management, Refer Note 15 of Schedule 23.				
ii. Advances recoverable in cash or in kind or for value to be received or pending adjustments includes dues from subsidiaries of ₹15.9 (March 31, 2009: ₹22.7).				
13. CURRENT LIABILITIES				
Sundry creditors for goods, services and expenses				
Dues to micro and small enterprises	**56.9**		47.2	
Dues to others	**7,102.2**		5,095.5	
		7,159.1		5,142.7
Dues to subsidiaries		**123.9**		387.7
Trade deposits		**1.0**		1.0
Advances received from customers		**120.2**		352.4
Unclaimed dividends		**5.2**		4.6
Other liabilities		**66.5**		62.7
Book overdraft		**226.4**		136.8
Interest accrued but not due on loans		**43.8**		0.4
TOTAL		**7,746.1**		6,088.3
Note: Refer Note 17 of schedule 23 for further details on Micro, Small and Medium Enterprises Development Act, 2006 disclosures				
14. PROVISIONS				
For Employee benefits				
Gratuity		**91.0**		69.8
Compensated absences		**144.9**		110.6
For Proposed dividend		**291.1**		111.5
For Tax on proposed dividend		**47.2**		18.5
TOTAL		**574.2**		310.4
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)

		2010-2011		2009-2010
15. SALES				
Sale of goods (Refer Note 11 of Schedule 23)		**39,979.1**		32,017.4
Sale of dossiers/licenses		**2,320.7**		1,178.6
TOTAL		**42,299.9**		33,196.0
16. OTHER INCOME				
Dividend from current investments - Trade		**–**		–
Balances no longer required written back		**2.0**		8.8
Provision no longer required on doubtful debts				
and advances written back		**–**		77.2
Foreign exchange gain (Net)		**445.0**		855.8
Profit on sale of fixed assets (Net)		**2.4**		92.6
Diminution on investment written back		**–**		0.2
Miscellaneous income		**75.5**		49.2
TOTAL		**524.9**		1,083.8
17. INCREASE IN WORK-IN-PROGRESS AND FINISHED GOODS				
Opening stocks				
Finished goods	**1,088.0**		581.2	
Work-in-process	**3,472.6**		2,504.6	
		4,560.6		3,085.8
Closing stocks				
Finished goods	**1,584.1**		1,088.0	
Work-in-process	**4,340.2**		3,472.6	
		5,924.3		4,560.6
TOTAL		**(1,363.7)**		(1,474.8)
18. MATERIALS CONSUMED				
Raw materials consumed				
Opening stock		**3,972.1**		3,529.5
Add: Purchases		**22,802.7**		17,817.0
		26,774.8		21,346.5
Less: Closing stock		**5,482.2**		3,972.1
		21,292.6		17,374.4
Packing materials consumed		**1,993.7**		1,403.1
TOTAL		**23,286.3**		18,777.5

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

	2010-2011	2009-2010
19. OTHER MANUFACTURING EXPENSES		
Conversion charges	**190.6**	158.0
Consumption of stores and spares	**545.0**	388.7
Chemicals consumed	**686.5**	486.9
Carriage inward	**268.8**	253.5
Factory maintenance	**102.9**	71.5
Power and fuel	**1,845.5**	1,354.8
Effluent treatment expenses	**39.1**	36.7
Increase in excise duty on finished goods	**26.7**	2.1
(Refer Note 24 of Schedule 23)		
Repairs and maintenance		
Plant and machinery	**308.3**	198.8
Buildings	**220.0**	85.5
Others	**35.7**	22.8
Miscellaneous expenses	**149.4**	126.4
TOTAL	**4,418.5**	3,185.7
20. EMPLOYEE COSTS		
Salaries, wages and bonus	**2,772.8**	2,129.2
Contribution to provident and other funds	**100.0**	74.0
[Refer Note 9(a) on Schedule 23]		
Other employee benefits	**101.0**	73.0
Staff welfare expenses	**62.2**	50.0
TOTAL	**3,036.0**	2,326.2

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

	2010-2011	2009-2010
21. ADMINISTRATIVE, SELLING AND OTHER EXPENSES		
Rent	**19.4**	15.1
Rates and taxes	**39.5**	29.5
Printing and stationery	**78.0**	58.2
Postage, telegram and telephones	**35.6**	35.6
Insurance	**95.1**	93.0
Legal and professional charges	**274.3**	247.0
Directors sitting fees	**0.6**	1.0
Remuneration to auditors (Refer Note 20 of Schedule 23)	**6.5**	6.2
Sales commission	**266.7**	289.9
Carriage outwards	**783.1**	834.0
Selling expenses	**83.8**	44.6
Rebates and discounts	**36.0**	54.2
Travelling and conveyance	**70.9**	60.1
Vehicle maintenance expenses	**3.4**	2.3
Analytical charges	**252.5**	70.1
Provision for diminution on investments	**105.0**	–
Bad debts written off	**34.4**	57.6
Donations (Refer Note 21 of Schedule 23)	**1.5**	12.8
Registration and filing charges	**28.4**	29.6
Provision for doubtful debts	**2.0**	–
Miscellaneous expenses	**80.1**	78.1
TOTAL	**2,296.8**	2,018.9
22. INTEREST AND FINANCE CHARGES (Net)		
Interest on fixed period loans	**80.8**	207.2
Interest on other loans	**292.4**	335.8
Less: Interest received on:		
Loans to subsidiaries[1]	**32.7**	75.7
Deposits[2]	**11.0**	25.9
Others	**1.6**	0.9
	327.9	440.5
Bank charges	**177.0**	82.8
TOTAL	**504.9**	523.3
[1] [Tax deducted at source: ₹1.6 (Previous Year: ₹3.4)]		
[2] [Tax deducted at source: ₹1.0 (Previous Year: ₹3.0)]		

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 year. 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 and 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.

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 using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

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

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, labor 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 benefit 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 at the end of each financial year.

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.

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 year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

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

The weighted average number of equity shares during the year is adjusted for shares split.

(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 Plans, 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 - ₹1,980 (March 31, 2010: ₹1,168).

3. Contingent liabilities

Particulars	March 31, 2011	March 31, 2010
Premium on potential redemption of Foreign Currency Convertible Bonds (FCCBs)	Refer note 6(d) below	Refer note 6(d) below
Outstanding bank guarantees	341.4	244.8
Claims arising from disputes relating to direct and indirect taxes not acknowledged as debts	190.6	217.5
Claims against the company not acknowledged as debts	20.4	4.9

4. Details of exceptional items are as under:

Particulars	2010-2011	2009-2010
a. Capital profit on buyback and cancellation of FCCBs	–	21.8
b. Loss on sale of investment in subsidiary*	(287.1)	–
TOTAL	(287.1)	21.8

*The Company has divested its 80.5% stake in Aurobindo (Datong) Bio-Pharma Company Limited, China, (ADBPL) one of its subsidiary. The Company's balance stake of 19.5% in ADBPL will be in strategic in nature to ensure an uninterrupted supply of raw material at competitive prices.

5. Sub-division of shares

In the current year with effect from February 11, 2011, the Company's equity shares of face value ₹5 each have been subdivided into five equity shares of face value ₹1 each. Consequently, the basic and diluted earnings per share, dividend, and nominal value of shares of the previous year have been recalculated and disclosed accordingly.

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 FCCBs 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 fully paid up equity shares 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

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

- 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 FCCBs 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 fully paid up equity shares 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 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, 29,664 bonds of USD 1,000 each were converted into 2,465,714 equity shares of ₹5 each at premium of ₹517.036 during the year (before sub-division of shares), and 2,118 bonds of USD 1,000 each were redeemed on maturity date during the year. The outstanding FCCBs as at March 31, 2011 is Nil (March 31, 2010: 31,782).
- In respect of the bonds issued during the year ended March 31, 2007, the outstanding FCCBs as at March 31, 2011 is 139,200 bonds of USD 1,000 each (March 31, 2010: 139,200).

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 70.2 (March 31, 2010: USD 58.6) equivalent to ₹3,132.0 (March 31, 2010: ₹2,632.6). The payment of premium on redemption is contingent in nature, the outcome of which is dependent upon uncertain future events. Hence, no provision is considered in the accounts in respect of such premium for the year.

e. In the current year with effect from February 11, 2011, the Company's equity shares of face value ₹5 each have been subdivided into five equity shares of face value ₹1 each. The conversion price and the number of shares for conversion mentioned in above paragraphs for outstanding FCCBs will be adjusted accordingly effective February 11, 2011 as per the Offering Circular.

f. 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.

g. The details of utilization of proceeds from issue of FCCBs aggregating to USD 260 million is given below:

	2010-2011	2009-2010
Opening balance with banks	–	272.0
Less: Utilized for investments and capital goods	–	272.0

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

7. Employee stock options (Refer Note 5 above)

a. Employee Stock Option Plan 'ESOP-2004'

The Company instituted an Employee Stock Option Plan 'ESOP-2004' as per the special resolution passed in the 17th Annual General Meeting held on July 31, 2004. This scheme has been formulated in accordance with the Securities Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 to grant options of 507,700 to eligible employees on August 1, 2004 and July 28, 2005. The method of settlement under scheme is by issue of equity shares of the Company. Each option comprises of one underlying Equity Share of ₹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:

	2010-2011	2009-2010
Options outstanding at the beginning of the year	**232,770**	199,157
Granted during the year	**–**	–
Vested/exercisable during the year	**–**	29,360
Exercised during the year	**148,535**	150,030
Forfeited during the year subject to reissue	**72,890**	2,573
Options outstanding at end of the year	**11,345**	46,554
Exercisable at the end of the year	**11,345**	46,554
Weighted Average Exercise Price (₹)	**72.52**	362.60
Weighted Average Fair Value of options at the date of grant (₹)	**75.03**	375.14

	Range of exercise prices (₹)	Number of options outstanding	Weighted average remaining contractual life of options (in years)
Year 2010-11	**75.02**	**11,345**	**0.63**
Year 2009-10	362.60	46,554	0.63

Note: In the current year, Company's equity shares of ₹5 each have been sub-divided into five equity shares of ₹1 each effective February 11, 2011. The effect of such sub-division has been given to the number of options, weighted average exercise price and weighted average fair value of options pertaining to the current year in the above table.

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 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.

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

The details of options outstanding of ESOP 2006 Scheme:

	2010-2011	2009-2010
Options outstanding at the beginning of the year	**250,000**	55,000
Granted during the year	**–**	–
Vested/exercisable during the year	**106,250**	11,450
Exercised during the year	**–**	–
Forfeited during the year subject to reissue	**–**	5,000
Options outstanding at end of the year	**250,000**	50,000
Exercisable at the end of the year	**212,500**	22,200
Weighted Average Exercise Price (₹)	**119.78**	598.90
Weighted Average Fair Value of options at the date of grant (₹)	**144.13**	720.63

	Range of exercise prices (₹)	Number of options outstanding	Weighted average remaining contractual life of options (in years)
Year 2010-11	**114 to 134**	**250,000**	**1.89**
Year 2009-10	570 to 670	50,000	2.89

Note: In the current year, Company's equity shares of ₹5 each have been sub-divided into 5 equity shares of ₹1 each effective February 11, 2011. The effect of such sub-division has been given to the number of options, weighted average exercise price and weighted average fair value of options pertaining to the current year in the above table.

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:

	2010-2011	2009-2010
Profit after taxation		
As reported in Profit and Loss Account	**5,938.0**	5,257.6
Less: Additional employee compensation cost based on Fair Value	**1.6**	3.2
Profit after taxation as per Fair Value Method	**5,936.4**	5,254.4
Earnings per Share		
Basic		
No. of shares	**287,869,658**	270,762,955
EPS as reported (₹)	**20.63**	19.42
EPS as per Fair Value Method (₹)	**20.62**	19.41
Diluted		
No. of shares	**319,995,855**	316,100,195
EPS as reported (₹)	**18.56**	16.63
EPS as per Fair Value Method (₹)	**18.55**	16.62

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

	2010-2011		2009-2010	
	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	7.12
Dividend yield	**0.15**	**0.15**	0.15	0.05

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

8. Investments

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

Particulars	2010-2011	2009-2010
Trade investments made during the year		
Helix Healthcare B.V., The Netherlands[1]	412.6	570.0
APL Holdings (Jersey) Limited, Jersey	29.8	83.1
Trident Life Sciences Limited, India[2]	–	0.1
Auronext Pharma Private Limited	120.3	10.0
Aurobindo Pharma USA, Inc., U.S.A.	1,295.8	351.8
APL Pharma Thai Limited, Thailand	143.4	–
Aurobindo (Datong) Bio-Pharma Company Limited	(675.2)	–
Non-trade investment matured during the year		
National Saving Certificate	–	1,500

[1] Includes an amount of ₹Nil (March 31, 2010: ₹283.7) converted from loans.

[2] Cancelled pursuant to scheme of amalgamation in the previous year.

9. Employee benefits

a. Disclosures related to defined contribution plan

Provident fund contribution recognized as expense in the Profit and Loss Account is ₹72.2 (March 31, 2010: ₹57.5).

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

	2010-2011	2009-2010
Net employee benefit expense (included under employee cost)		
Current service cost	29.6	21.1
Interest cost on benefit obligation	12.6	9.5
Expected return on plan assets	(8.0)	(6.7)
Net actuarial (gain)/loss recognized in the year	7.7	(3.3)
Past service cost	–	25.8
Net benefit expense	41.9	46.4
Actual return on plan assets	8.6	7.1

Balance Sheet

	March 31, 2011	March 31, 2010
Details of provision for gratuity		
Defined benefit obligation	193.2	152.9
Fair value of plan assets	102.3	83.1
Net plan liability	90.9	69.8

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

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

	2010-2011	2009-2010
Opening defined benefit obligation	152.9	107.7
Current service cost	29.6	21.1
Interest cost	12.6	9.5
Past service cost	–	25.8
Benefits paid	(10.2)	(8.3)
Actuarial (gains)/losses on obligation*	8.4	(2.9)
Closing defined benefit obligation	193.3	152.9

* Experience adjustments on plan liabilities ₹9.6 (March 31, 2010 - ₹7.6; March 31, 2009: ₹6.2; March 31, 2008: ₹0.7 and March 31, 2007: ₹3.9)

Changes in fair value of plan assets

	2010-2011	2009-2010
Opening fair value of plan assets	83.1	72.2
Expected return	8.0	6.7
Contributions by employer	20.8	12.0
Benefits paid	(10.2)	(8.3)
Actuarial gains/(losses)*	0.6	0.5
Closing fair value of plan assets	102.3	83.1

* Experience adjustments on plan assets ₹0.7 (March 31, 2010: ₹0.4; March 31, 2009: ₹0.9; March 31, 2008: ₹1.9 and March 31, 2007: ₹0.6)

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

	March 31, 2011	March 31, 2010
Discount rate (p.a.) (%)	8.35	8.30
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 ₹60.0 to gratuity in 2011-12.

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

10. Details of security given for secured loans

a. Term loans are secured by:

- first *pari passu* charge on all the present and future fixed assets of the Company both movable and immoveable property.

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 favor of term lenders.

11. Export incentives

Sales for the year include export incentives on account of various schemes amounting to ₹504.2 (March 31, 2010: ₹515.7).

12. Expenditure during construction period pending capitalization:

	March 31, 2011	March 31, 2010
Balance brought forward	**685.2**	65.9
Add: Incurred during the year		
Salaries and employee benefits	**117.6**	136.3
Staff welfare	**3.3**	1.5
Staff recruitment expenses	**3.0**	4.5
Consumption of raw material for testing (Net of transfer to production		
₹6.6 and March 31, 2009: ₹13.2)	**24.5**	117.6
Stores and spares consumption	**121.9**	50.8
Carriage inwards	**3.0**	12.3
Power and fuel	**108.5**	67.6
Job work charges	**20.0**	37.3
Land development charges	**5.2**	9.0
Rent	**0.1**	1.3
Rates and taxes	**3.5**	2.7
Printing and stationery	**4.0**	4.9
Postage, telegram and telephones	**0.8**	1.3
Insurance	**3.1**	5.2
Legal and professional charges	**2.6**	18.8
Travel and conveyance	**2.9**	7.8
Depreciation	**4.6**	3.7
Bank charges	**0.4**	17.2
Interest	**0.1**	100.2
Miscellaneous expenses	**1.1**	19.3
	1,115.4	685.2
Less: Capitalized to fixed assets during the year	**422.7**	–
Balance carried forward	**692.7**	685.2

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

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

Name of the company	March 31, 2011	March 31, 2010
Aurobindo Pharma USA Inc., U.S.A.	3,961.7	3,999.3
APL Pharma Thai Limited, Thailand	–	69.4
Aurobindo Pharma Industria Farmaceutica Ltda, Brazil	367.0	263.5
Cephazone Pharma LLC., U.S.A.*	–	80.0
Pravesha Industries Private Limited, India	6.2	0.3
Aurobindo Pharma (Pty) Limited, South Africa	378.0	500.6
APL IP Company Limited, Jersey	599.0	173.3
Aurobindo Pharma Productos Farmaceuticos Ltda, Brazil	107.7	162.8
Pharmacin B.V., The Netherlands	42.6	34.2
Milpharm Limited, U.K.	30.1	183.9
Trident Chemphar Limited, India	71.1	122.6
Aurolife Pharma LLC, U.S.A.	201.8	91.5
Aurobindo Pharma (Malta) Limited, Malta	177.8	10.6
Aurobindo Pharma GmbH, Germany	–	8.2
Auro Pharma Inc, U.S.A.	7.5	–
APL Swift Services (Malta) Limited, Malta	128.3	–

* The Company has sold its investment in this entity during the year, and hence it is no longer an entity under the same management.

14. Details of balances with non-scheduled banks

Name of the bank	March 31, 2011	March 31, 2010
Closing balance		
Bank of Foreign Trade of Vietnam	0.3	0.2
Wells Fargo Bank, U.S.A.	0.1	0.1
Wegagen Bank Share Company, Ethiopia	0.2	0.7
Sovcombank, Russia	0.4	–
Scotia Bank, Costa Rica	0.1	0.1

Name of the bank	2010-2011	2009-2010
Maximum balance held		
Bank of Foreign Trade of Vietnam	1.3	1.5
Wells Fargo Bank, U.S.A.	0.1	0.1
Wegagen Bank Share Company, Ethiopia	1.4	1.9
Sovcombank, Russia	1.7	–
Scotia Bank, Costa Rica	0.1	0.1

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

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

Name of the company	March 31, 2011	March 31, 2010
Closing balance		
Subsidiaries		
Aurobindo (Datong) Bio-Pharma Company Limited, China*	–	1,014.8
Aurobindo Pharma USA Inc., U.S.A.	246.9	1,146.5
Aurobindo Pharma Industria Farmaceutica Ltda, Brazil	17.8	33.9
Helix Healthcare B.V., The Netherlands	556.1	595.3

*Refer note 4 above.

Name of the company	2010-2011	2009-2010
Maximum amount outstanding		
Subsidiaries		
Aurobindo (Datong) Bio-Pharma Company Limited, China	–	1,145.9
Aurobindo Pharma USA Inc., U.S.A.	1,186.0	1,458.9
Aurobindo Pharma Industria Farmaceutica Ltda, Brazil	35.2	48.5
Helix Healthcare B.V., The Netherlands	595.3	1,217.7

16. Disclosure regarding derivative financial instruments

a. The aggregate amount of forward contracts entered into by the Company and remaining outstanding at year end are given below:

Sell
US $ Nil (March 31, 2010: US $ 16.0, INR 718.4) - To hedge receivables in foreign currency.

Buy
US $ 11.6, INR 519.3 (March 31, 2010: Nil) - To hedge payables in foreign currency.

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

Particulars	March 31, 2011	March 31, 2010
Loans availed	(16,102.0)	(9,621.0)
Sundry debtors	10,796.1	9,147.9
Loans and advances	1,723.3	2,817.7
Sundry creditors	(1,944.0)	(2,229.5)
Interest accrued but not due	(39.6)	(0.4)
Foreign Currency Convertible Bonds	(6,207.6)	(7,677.1)
Investments	4,976.9	3,770.5
Bank balances	5.2	2.2

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

17. 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, 2011 (March 31, 2010: ₹Nil).

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

Details	2010-2011	2009-2010
The principal amount remaining unpaid as at the end of the year.	56.1	45.2
The amount of interest accrued and remaining unpaid at the end of the year.	0.9	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.	–	–

18. 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	2010-2011	2009-2010
Material and stores & spares consumption	321.1	216.3
Power and fuel	12.0	11.3
Repairs and maintenance	33.0	34.1
Personnel costs	439.3	357.2
Analytical charges	246.0	–
Depreciation	50.5	49.1
Others	292.1	304.7
TOTAL	1,394.0	972.7

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

Particulars	2010-2011	2009-2010
Buildings	199.4	–
Plant and machinery		
- Plant and machinery	33.1	–
- Lab equipment	47.4	34.6
- Factory equipment	20.6	–
- Office equipment	4.5	–
- Pipes and valves	5.4	1.0
- Data processing equipment	6.8	4.9
- Electrical installations	9.7	–
Furniture	5.8	1.6
Vehicles	5.7	–
TOTAL	338.4	42.1

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

19. Remuneration to Directors (included in Schedule 20)

Particulars	2010-2011	2009-2010
Salaries	30.0	27.4
Contribution to provident fund	0.1	0.1
Perquisites	4.6	4.0
TOTAL	34.7	31.5

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.

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

Particulars	2010-2011	2009-2010
Statutory audit	5.0	5.0
Limited review	1.2	1.2
Certification	–	
Out of pocket expenses	0.3	0.1
Effect of service tax	–	(0.1)
TOTAL	6.5	6.2

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

Particulars	2010-2011	2009-2010
Indian National Congress	–	5.5
Telugu Desam Party	–	2.0
Communist Party of India (Marxist)	–	–
Communist Party of India	0.2	–
TOTAL	0.2	7.5

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 Limitada, Brazil
9. APL Health Care Limited, India
10. Auronext Pharma Private Limited, India
11. APL Research Centre Limited, India
12. Aurex Generics Limited, U.K. (Liquidated w.e.f. March 31, 2011)
13. Auro Pharma Inc., Canada
14. Zao Express Pharma, Russia (Liquidated w.e.f. April 1, 2010)
15. Aurobindo Pharma (Pty) Limited, South Africa
16. Aurobindo Pharma (Australia) Pty Limited, Australia
17. Agile Pharma B.V., The Netherlands
18. Aurobindo Pharma Hungary Kereskedelmi Kft, Hungary
19. Aurobindo Switzerland AG, Switzerland
20. Auro Healthcare (Nigeria) Limited, Nigeria
21. Aurobindo ILAC Sanayi ve Ticaret Limited Sirketi, Turkey

22. Aurobindo Pharma (Singapore) Pte Limited, Singapore
23. Aurobindo Pharma Limited, s.r.l. Dominican Republic
24. Aurobindo Pharma Japan K.K., Japan
25. Pharmacin B.V., The Netherlands
26. Aurobindo Pharma GmbH, Germany
27. Aurobindo Pharma (Portugal) Unipessoal LDA, Portugal
28. Aurobindo Pharma ApS, Denmark (Liquidated w.e.f. September 16, 2010)
29. Sia Aurobindo Baltics, Latvia (Liquidated w.e.f. November 26, 2010)
30. Aurobindo Pharma (Bulgaria) EAD, Bulgaria
31. Aurobindo Pharma France SARL, France
32. Laboratorios Aurobindo S L, Spain
33. Agile Malta Holdings Limited, Malta
34. Aurobindo Pharma (Ireland) Limited, Ireland (Liquidated w.e.f. May 31, 2010)
35. Aurobindo Pharma B.V., The Netherlands
36. Aurobindo Pharma (Romania) s.r.l., Romania
37. Aurobindo Pharma (Poland) Sp.z.o.o., Poland
38. Aurobindo Pharma (Italia) S.r.l. Italy
39. Agile Pharma (Malta) Limited, Malta
40. Aurobindo Pharma (Malta) Limited, Malta
41. APL IP Company Limited, Jersey
42. APL Swift Services (Malta) Limited, Malta
43. Milpharm Limited, U.K.
44. Aurolife Pharma LLC, U.S.A.

*Refer note 4 above.

b. Joint ventures

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

* Disposed w.e.f. October 1, 2010)

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
Pranit Happy Homes Private Limited, India
Pranit Packaging Private Limited, 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. P. 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)
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	2010-2011	2009-2010
Transactions with subsidiaries		
APL Pharma Thai Limited, Thailand		
Sale of goods	156.6	144.5
Finance (including loans and equity contribution in cash or in kind)	143.4	–
ALL Pharma (Shanghai) Trading Company Limited, China		
Purchase of goods	644.4	257.8
Reimbursement of expenses	10.9	6.3
Purchase of fixed assets	88.8	108.2
Aurobindo Pharma Produtos Farmaceuticos Ltda, Brazil		
Sale of goods	204.9	265.5
APL Holdings (Jersey) Limited, Jersey		
Finance (including loans and equity contribution in cash or in kind)	29.8	83.1
APL IP Company Limited, New Jersey		
Sale of dossiers	958.4	468.9
Reimbursement of expenses paid	43.9	50.4
APL Swift Services (Malta) Limited, Malta		
Sale of goods	126.1	–
Services received	1.7	–
Aurobindo Pharma USA Inc., U.S.A.		
Sale of goods	5,189.6	5,488.9
Finance (including loans and equity contribution in cash or in kind)	1,295.8	351.8
Interest received	10.5	28.0
Reimbursement of expenses	28.2	36.0
Receipt against loan	900.0	154.8
Aurobindo Pharma Industria Farmaceutica Ltda, Brazil		
Sale of goods	360.5	232.9
Interest received	0.5	1.0
Commission paid	22.0	13.7
Reimbursement of expenses	5.4	6.3
Receipt against loan	16.2	9.5
Aurobindo (Datong) Bio-Pharma Company Limited, China		
Purchase of goods	732.5	2,041.6
Interest received	8.0	20.3
Receipt against loan	121.6	–
Reimbursement of expenses paid	0.2	1.0
Helix Healthcare B. V., The Netherlands		
Interest received	13.7	26.3
Finance (including loans and equity contribution in cash or in kind)	412.6	615.2
Receipt against loan	39.2	519.3
APL Health Care Limited, India		
Share application money pending allotment	0.2	–

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

Particulars	2010-2011	2009-2010
APL Research Centre Limited, India		
Share application money pending allotment	**61.2**	–
Aurex Generics Limited, U.K.		
Reimbursement of expenses	**–**	–
Auro Pharma Inc, Canada		
Sale of goods	**7.2**	–
Reimbursement of expenses	**2.8**	1.5
Aurobindo Pharma (Pty) Limited, South Africa		
Sale of goods	**650.7**	806.4
Reimbursement of expenses	**0.5**	0.4
Commission paid	**11.5**	9.9
Pharmacin B.V., The Netherlands		
Sale of goods	**97.5**	86.8
Commission paid	**19.0**	13.1
Auro Healthcare (Nigeria) Limited, Nigeria		
Commission paid	**0.6**	–
Milpharm Limited, U.K.		
Sale of goods	**146.6**	400.0
Reimbursement of expenses	**26.6**	20.6
Aurolife Pharma LLC, U.S.A.		
Sale of goods	**378.3**	164.1
Sale of fixed assets	**–**	7.9
Purchase of fixed assets	**0.5**	–
Aurobindo Pharma Japan K.K., Japan		
Sale of goods	**33.5**	–
Reimbursement of expenses	**0.1**	–
Commission paid	**4.6**	2.0
Aurobindo Pharma (Italia) S.r.l., Italy		
Sale of goods	–	3.5
Aurobindo Pharma (Malta) Limited, Malta		
Sale of goods	**310.5**	10.9
Reimbursement of expenses	**1.6**	-
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)	**120.3**	10.0
Rent received	**1.8**	0.4
Share application money pending allotment	**69.9**	35.0

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

Particulars	2010-2011	2009-2010
Transactions with enterprises over which key management personnel or their relatives exercise significant influence		
Pravesha Industries Private Limited, India		
Purchase of goods	**739.1**	634.1
Sale of goods	**17.9**	4.7
Trident Life Sciences Limited, India*		
Services received	**–**	27.8
Sale of goods	**–**	0.7
Rent paid	–	3.5
Finance (including loans and equity contribution in cash or in kind)	**–**	0.2
Electricity paid	**–**	2.1
*Amalgamated with the Company with effect from October 1, 2009		
Axis Clinicals Limited, India		
Services received	**285.1**	27.1
Electricity paid	**5.6**	1.2
Purchase of asset	**–**	1.5
Rent paid	**9.4**	2.1
Sale of fixed assets	**–**	2.5
Proposed dividend	**2.6**	1.0
Interim dividend	**2.6**	1.6
Sri Sai Packaging, India		
Purchase of goods	**86.7**	74.2
Sale of goods	**0.1**	0.5
Trident Chemphar Limited, India		
Purchase of goods	**22.4**	50.6
Sale of goods	**102.7**	210.5
Other services rendered	**2.0**	–
Interim dividend	**5.8**	3.5
Proposed dividend	**5.8**	2.3
Auropro Soft Systems Private Limited, India		
Services received	**9.4**	8.7
Purchase of fixed assets	**6.4**	7.5
Purchase of goods	**7.4**	0.8
Pranit Happy Homes Private Limited		
Purchase of fixed assets	**16.2**	–
Pranit Packaging Private Limited		
Purchase of goods	**5.1**	–
Transactions with jointly controlled enterprises		
Cephazone Pharma LLC, U.S.A.		
Sale of goods	**30.6**	158.2
Transactions with key managerial personnel		
Mr. P. V. Ramprasad Reddy		
Managerial remuneration	**8.7**	8.0
Proposed dividend	**78.6**	31.4
Interim dividend	**78.6**	47.2

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

Particulars	2010-2011	2009-2010
Mr. K. Nithyananda Reddy		
Managerial remuneration	**8.7**	8.0
Proposed dividend	**13.8**	5.5
Interim dividend	**13.8**	8.3
Dr. M. Sivakumaran		
Managerial remuneration	**8.7**	8.0
Proposed dividend	**7.3**	2.9
Interim dividend	**7.3**	4.4
Mr. M. Madan Mohan Reddy		
Managerial remuneration	**8.7**	7.5
Proposed dividend	**–**	–
Interim dividend	**–**	–
Mr. P. Sarath Chandra Reddy		
Sitting fees	**0.1**	0.1
Proposed dividend	**–**	–
Interim dividend	**–**	–
Mr. P. Rohit Reddy		
Proposed dividend	**1.9**	0.8
Interim dividend	**1.9**	1.1
Mr. K. Suryaprakash Reddy		
Proposed dividend	**–**	–
Interim dividend	**–**	–
Mr. Prasad Reddy Kambam		
Proposed dividend	**0.2**	0.2
Interim dividend	**0.4**	0.3
Ms. Sashi S. Kumar		
Proposed dividend	**–**	–
Interim dividend	**–**	–
Ms. Kambam Kirthi Reddy		
Remuneration	**0.5**	0.5
Proposed dividend	**10.8**	4.3
Interim dividend	**10.8**	6.4
Ms. P. Suneela Rani		
Proposed dividend	**30.8**	12.3
Interim dividend	**30.8**	18.5
Ms. Spoorthi Kambam		
Proposed dividend	**5.0**	–
Interim dividend	**5.0**	–
Ms. K. Rajeswari		
Proposed dividend	**1.4**	2.6
Interim dividend	**1.4**	3.8
Mr. Vishnu M. Sriram		
Remuneration	**2.8**	2.2

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

(iii) Balances with related parties

Particulars	March 31, 2011	March 31, 2010
Closing balance - receivable from/(payable) to related parties		
APL Pharma Thai Limited, Thailand	**(35.6)**	69.4
Aurobindo Pharma Industria Farmaceutica Ltda, Brazil	**383.5**	298.0
Aurobindo (Datong) Bio-Pharma Company Limited, China*	**–**	692.5
Helix Healthcare B.V., The Netherlands	**566.0**	597.0
Cephazone Pharma LLC, U.S.A.	**–**	80.0
Aurobindo Pharma USA Inc., U.S.A.	**4,195.3**	5,057.1
Auro Pharma Inc., Canada	**7.5**	(0.1)
APL Research Centre Limited, India	**61.2**	–
APL Health Care Limited, India	**18.6**	18.4
ALL Pharma (Shanghai) Trading Company Limited, China	**88.9**	12.7
Milpharm Limited, U.K.	**28.2**	183.8
Pharmacin B.V., The Netherlands	**24.7**	33.4
Aurobindo Pharma (Pty) Limited, South Africa	**373.9**	500.5
Aurolife Pharma LLC, U.S.A.	**201.4**	91.4
Aurobindo Pharma Produtos Farmaceuticos Ltda, Brazil	**107.7**	162.8
Aurobindo Pharma Japan K.K., Japan	**(2.5)**	(0.1)
APL IP Company Limited, Jersey	**598.6**	173.3
APL Holdings (Jersey) Limited, Jersey	**–**	203.8
Aurobindo Pharma GmbH, Germany	**–**	8.2
Auronext Pharma Private Limited, India	**80.8**	0.4
Aurobindo Pharma (Malta) Limited, Malta	**176.4**	10.6
Auropro Soft Systems Private Limited, India	**1.2**	(1.3)
Pravesha Industries Private Limited, India	**181.4**	92.2
Axis Clinicals Limited	**(6.7)**	6.3
Sri Sai Packaging, India	**8.4**	2.2
APL Swift Services (Malta) Limited, Malta	**126.9**	–
Trident Chemphar Limited, India	**68.9**	92.3
Pranit Happy Homes Private Limited	**(0.8)**	–
Pranit Packaging Private Limited	**3.4**	–
Auro Healthcare (Nigeria) Limited, Nigeria	**(0.6)**	–

*Refer Note 4 above.

(iv) Disclosure pursuant to Clause 32 of Listing Agreement

Loans and advances in the nature of loans to subsidiaries

	Closing Balance as at March 31		Maximum outstanding at any time during the year ended March 31	
Name of the Companies	**2011**	2010	**2011**	2010
Subsidiaries				
Aurobindo (Datong) Bio-Pharma Company Limited, China*	**–**	1,014.8	**–**	1,145.9
Aurobindo Pharma USA Inc., U.S.A.	**246.9**	1,146.5	**1,186.0**	1,458.9
Aurobindo Pharma Industria Farmaceutica Ltda, Brazil	**17.8**	34.0	**35.2**	48.5
Helix Healthcare B.V., The Netherlands	**556.1**	595.3	**595.3**	1,217.7

*Refer note 4 above.

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)

23. 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. There are no restrictions imposed by lease arrangements. The aggregate amount of operating lease payments recognized in the Profit and Loss Account is ₹19.4 (March 31, 2010: ₹15.1).

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

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 ₹55.2 (March 31, 2010: ₹49.2).

The net carrying amount of the buildings obtained on finance lease - ₹32.0 (March 31, 2010: ₹32.3).

24. In accordance with paragraph 10 of Notified Accounting Standard 9 on Revenue Recognition, excise duty on sales amounting to ₹968.6 (March 31, 2010: ₹673.3) has been reduced from sales in Profit and Loss Account and excise duty on increase in closing stock of finished goods amounting to ₹26.7 (March 31, 2010: ₹2.1) has been debited to the Profit and Loss Account.

25. 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	14.0	–	0.3	(0.4)
		1.3	*13.7*	*–*	*0.4*	*(0.4)*
Cephazone Pharma LLC*	50%	–	–	38.4	68.0	(29.6)
		358.9	*491.4*	*256.3*	*213.9*	*42.4*
Novagen Pharma (Pty) Limited	50%	296.4	206.2	159.2	112.4	46.8
		59.6	*16.2*	*81.1*	*40.9*	*40.1*

* The Company has sold its investment in this entity during the year.

b. Contingent liabilities of the above joint ventures ₹Nil (March 31, 2010: ₹Nil).

c. Capital commitments of the above joint ventures ₹Nil (March 31, 2010: ₹Nil).

d. Previous year's figures have been disclosed in italics.

e. All the aforesaid entities are incorporated in United States of America.

26. Earnings per Share

Particulars		**2010-2011**	2009-2010
Profit after taxation considered for calculation of basic and diluted Earnings per Share		**5,938.0**	5,257.6
a.	Weighted average number of Equity Shares considered for calculation of basic Earnings per Share	**287,869,658**	270,762,955
b.	Effect of dilution on account of Foreign Currency Convertible Bonds into shares	**32,110,978**	45,319,840
c.	Effect of dilution on account of Employee Stock Options granted	**15,219**	17,400
d.	Weighted average number of Equity Shares considered for calculation of diluted Earnings per Share (a+b+c)	**319,995,855**	316,100,195

Note:

The Company has sub-divided its equity share of ₹5 each into five equity shares of ₹1 each with effect from February 11, 2011. The resultant shares on account of such sub-division have been considered in computation of weighted average number of equity shares for the current year and previous year.

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

27. Installed capacity and actual production

Category	Unit of Measurement	Installed Capacity 2010-2011	Installed Capacity 2009-10	Actual Production 2010-2011	Actual Production 2009-10
Bulk drugs and drug intermediates	Tonnes	**11,614**	9,032	**12,254**	8,411
Formulations					
Tablets & Capsules	Nos. in lakhs	**186,024**	88,459	**136,024**	62,075
Injectibles	Nos.	**91,720,000**	36,535,268	**91,720,000**	29,520,736
Syrups	Nos.	**48,890,000**	11,677,439	**46,853,000**	11,135,594

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 utilization 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.

28. 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	358	431.5	299	742.8	4261	4830	17,544.3
		(94)	(239.6)	(358)	(431.5)	(2,993)	(5,155)	(14,886.8)
Traded	Tonnes	–	–	–	–	–	758	90.8
		(-)	(-)	–	–	–	(12,264)	(200.6)
Others								644.8
								(827.7)
Formulations Manufactured								
Tablets & Capsules	Nos. (in lakhs)	4,446*	560.3	5,391	725.8	763	86,751	18,858.4
		(2,324)	(278.3)	(3,947)	(560.2)	(630)	(59,822)	(13,835.8)
Injections	Nos.	6,898,216	48.4	3,298,853	53.3	2,520,247	37,614,384	1,383.8
		(2,927,400)	(38.5)	(6,898,216)	(48.4)	(874,319)	(24,675,601)	(887.0)
Syrups	Nos.	1,349,127	47.8	1,327,618	62.2	259,435	11,439,513	1,088.1
		(855,693)	(24.9)	(1,349,127)	(47.8)	(286,924)	(10,355,236)	(1,041.3)
Others								369.0
								(338.2)
Dossier sales								2,320.7
								(1,178.6)
TOTAL			1,088.0		1,584.1			42,299.9
Previous year			(581.2)		(1,088.0)			(33,196.0)

*includes 499 lakhs transferred from trial production.

Notes: 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)

29. Purchase of finished goods

Category	Unit of measurement	2010-2011 Qty.	2010-2011 ₹	2009-2010 Qty.	2009-2010 ₹
Bulk Drugs and Drug Intermediates	Tonnes	**758**	**85.3**	12,264	193.5

30. Raw materials and packing material consumed

Name of material	Unit of measurement	2010-2011 Qty.	2010-2011 ₹	2009-2010 Qty.	2009-2010 ₹
6 APA	Tonnes	**1,940**	**2,650.1**	2,197	2,899.6
7 ACA	Tonnes	**372**	**2,008.5**	283	1,293.0
Beta - Thymidine	Tonnes	**238**	**1,172.2**	190	1,047.0
PHPG Base	Tonnes	**1,194**	**594.3**	1,418	774.4
Ceftriaxone Sodium	Tonnes	**170**	**905.6**	151	803.4
7 ADCA	Tonnes	**380**	**886.8**	392	829.7
Amino Carbinol	Tonnes	**77**	**554.2**	78	680.3
Others	Tonnes		**14,514.6**		10,450.1
TOTAL			**23,286.3**		18,777.5

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

31. Consumption of raw materials, packing materials, lab chemicals and stores and spares

	2010-2011 %	2010-2011 ₹	2009-2010 %	2009-2010 ₹
Raw Materials and packing material				
-Imported	**65**	**15,219.5**	69	12,899.2
-Indigenous	**35**	**8,066.8**	31	5,878.3
TOTAL	**100**	**23,286.3**	100	18,777.5
Stores and Spares				
-Imported	**11**	**62.1**	8	30.3
-Indigenous	**89**	**482.9**	92	358.4
TOTAL	**100**	**545.0**	100	388.7
Lab chemicals				
-Imported	**14**	**96.8**	19	93.1
-Indigenous	**86**	**589.7**	81	393.8
TOTAL	**100**	**686.5**	100	486.9

32. Value of imports on CIF basis

	2010-2011	2009-2010
Raw materials and packing materials	**15,061.5**	12,290.1
Capital goods	**827.4**	778.6
Stores, spares and consumables	**142.9**	106.5
TOTAL	**16,031.8**	13,175.2

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

33. Expenditure in foreign currency (Cash basis)

	2010-2011	2009-2010
Travelling	**8.8**	16.2
Commission on sales	**137.9**	209.8
Product registration and filing fee	**23.4**	30.8
Overseas office expenses	**7.4**	7.9
Legal and professional charges	**215.6**	209.5
Interest	**114.9**	56.3
Others	**71.0**	59.4
TOTAL	**579.0**	589.9

34. Earnings in foreign exchange (Accrual basis)

	2010-2011	2009-2010
Exports on F.O.B. basis	**26,969.7**	20,863.7
Interest	**32.7**	80.2
Sale of dossiers/licences	**2,320.7**	1,178.6
TOTAL	**29,323.1**	22,122.5

35. 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.

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 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 9, 2011.

For and on behalf of the Board of Directors of Aurobindo Pharma Limited

K. NITHYANANDA REDDY
Managing Director

Dr. M. SIVAKUMARAN
Director

S. B. Singhi

SUDHIR B. SINGHI
Chief Financial Officer

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

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 2011

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
50091463	50091463

Sources of Funds

Paid-up Capital	Reserves & Surplus	Secured Loans	Unsecured Loans
291121	25404951	10380098	12797078

Application of Funds

Net Fixed Assets	Investments	Net Current Assets	Deferred Tax Liabilities
19328124	4930803	25832536	1218215

IV. Performance of Company (₹ in Thousands)

Turnover & Other Income	Total Expenditure	Profit before Tax	Profit after Tax
41856089	33514431	8341659	5938030

Diluted Earnings per Share (₹)	Dividend Rate (%)
18.6	200

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

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

For and on behalf of the Board of Directors

K. NITHYANANDA REDDY
Managing Director

Hyderabad, May 9, 2011.

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

SUDHIR B. SINGHI
Chief Financial Officer

Dr. M. SIVAKUMARAN
Director

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

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

Particulars	Reporting currency	Exchange rate	Capital	Reserves	Total assets	Total liabilities	Investments other than investment in subsidiary	Turnover	Profit before Taxation	Provision for Taxation	Profit after Taxation	Country
APL Pharma Thai Limited[a]	THB	1.47	147.4	47.3	195.1	0.4	–	148.1	(5.5)	–	(5.5)	Thailand
Aurobindo Pharma Industria												
Farmaceutica Ltda[a]	Reais	27.40	130.8	88.6	569.4	350.0	–	602.9	5.5	–	5.5	Brazil
Aurobindo (Datong) Bio–Pharma												
Company Limited[ab]	RMB	6.94	2,082.1	(1,311.5)	3,390.0	2,620.8	1.4	684.6	(625.4)	–	(625.4)	China
Helix Healthcare B.V.	EURO	63.38	1,930.1	(263.6)	359.0	565.9	–	–	(31.4)	–	(31.4)	The Netherlands
Aurobindo Pharma USA, Inc.	USD	44.60	2,363.5	339.7	3,902.1	3,691.8	1.1	6,287.7	26.5	–	26.5	U.S.A.
Aurolife Pharma LLC	USD	44.60	2,491.7	(526.1)	2,921.2	955.6	–	926.3	(282.1)	–	(282.1)	U..SA.
Auro Pharma Inc.	CND	45.99	122.1	(86.7)	43.7	8.3	–	4.3	(23.3)	–	(23.3)	Canada
Aurex Generics Limited[b]	GBP	71.80	–	–	–	–	–	–	(3.4)	–	(3.4)	U.K.
Aurobindo Pharma (Pty) Limited	ZAR	6.60	174.3	108.4	762.1	482.7	3.3	843.5	33.4	9.4	24.0	South Africa
Milpharm Limited	GBP	71.80	44.8	120.2	760.5	595.5	–	854.6	60.1	5.5	54.6	U.K.
Zao Express Pharma[ab]	Rubles	1.53	5.2	(105.8)	113.8	214.4	–	–	–	–	–	Russia
Aurobindo Pharma												
(Australia) Pty Limited	AUD	46.11	80.8	(19.7)	62.9	1.8	–	–	(14.3)	–	(14.3)	Australia
Aurobindo Pharma Hungary												
Kereskedelmi, KFT	HUF	0.24	3.4	(4.0)	–	0.6	–	–	0.2	–	0.2	Hungary
Agile Pharma B.V.	EURO	63.38	1,021.4	(209.0)	66.5	228.6	–	–	(151.2)	–	(151.2)	The Netherlands
Aurobindo Switzerland AG	CHF	48.75	53.6	(18.7)	37.1	2.2	–	–	(7.0)	–	(7.0)	Switzerland
Pharmacin B.V.	EURO	63.38	1.1	43.0	183.5	139.4	–	525.9	46.5	11.0	35.5	The Netherlands
Auro Healthcare (Nigeria) Limited	Naira (NGN)	0.29	10.4	(8.4)	2.2	0.2	–	–	(1.7)	–	(1.7)	Nigeria
APL Research Centre Limited	INR	1.00	62.7	–	62.7	–	–	–	–	–	–	India
APL Health Care Limited	INR	1.00	19.1	–	19.1	–	–	–	–	–	–	India
Aurobindo Pharma Produtos												
Farmaceuticos Ltda[a]	Reais	27.40	2.7	26.6	125.7	96.4	–	264.1	18.8	8.5	10.3	Brazil
All Pharma (Shanghai)												
Trading Company Limited[a]	RMB	6.82	34.1	31.6	247.5	181.8	–	817.2	24.4	6.4	18.0	China
Aurobindo Pharma Japan K.K.	JPY	0.54	65.5	(67.8)	5.5	7.8	–	42.1	(20.9)	0.2	(21.1)	Japan
Agile Malta Holdings Limited	EURO	63.38	198.1	150.7	114.5	1.2	–	–	2.1	0.8	1.3	Malta
Aurobindo Pharma (Malta) Limited	EURO	63.38	234.5	123.9	1,107.3	748.9	–	1,711.6	203.4	79.5	123.9	Malta
APL Holdings (Jersey) Limited	EURO	63.38	230.6	4.4	0.3	0.2	–	–	(0.7)	–	(0.7)	Jersey
APL IP Company Limited	EURO	63.38	6.6	898.8	1,457.5	552.1	–	835.9	(14.7)	–	(14.7)	Jersey
APL Swift Services (Malta) Limited	EURO	63.38	218.7	(97.7)	350.9	229.9	–	185.2	(29.4)	–	(29.4)	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
Agile Pharma (Malta) Limited	EURO	63.38	0.9	(0.9)	0.2	0.2	–	–	(0.2)	–	(0.2)	Malta
Aurobindo Pharma (Italia) S.r.l.	EURO	63.38	371.9	(209.4)	331.2	168.7	–	11.1	(85.4)	–	(85.4)	Italy
Laboratorios Aurobindo SL	EURO	63.38	55.1	(37.3)	44.6	26.8	–	–	(25.6)	(6.0)	(19.6)	Spain
Aurobindo Pharma (Ireland) Limited[b]	EURO	63.38	8.2	(8.2)	–	–	–	–	2.7	–	2.7	Ireland
Aurobindo Pharma (Portugal) Unipessoal LDA	EURO	63.38	44.6	(36.6)	49.5	41.5	–	–	(19.3)	0.1	(19.4)	Portugal
Aurobindo Pharma ApS[b]	Danish Krone	8.09	11.5	(11.4)	0.1	–	–	–	(1.2)	–	(1.2)	Denmark
SIA Aurobindo Baltics[b]	Lats (LVL)	86.32	9.1	(9.1)	–	–	–	–	(2.7)	–	(2.7)	Latvia
Aurobindo Pharma (Bulgaria) EAD	BGN	32.73	13.6	(13.5)	0.1	–	–	–	(4.0)	–	(4.0)	Bulgaria
Aurobindo Pharma France SARL	EURO	63.38	23.5	(21.0)	16.4	13.9	–	–	(9.2)	–	(9.2)	France
Auronext Pharma Private Limited	INR	1.00	267.0	(9.3)	403.8	146.1	–	–	(6.7)	–	(6.7)	India
Aurobindo Pharma GmbH	EURO	63.38	79.3	(71.4)	77.2	69.3	–	21.3	(41.6)	–	(41.6)	Germany
Aurobindo ILAC Sanayi ve Ticaret Limited Sirketi[a]	TRY	29.21	20.2	(16.7)	5.5	2.0	–	–	(13.9)	–	(13.9)	Turkey
Aurobindo Pharma B.V.	EURO	63.38	1.1	(0.2)	38.0	37.1	–	–	(0.3)	(0.1)	(0.2)	The Netherlands
Aurobindo Pharma (Singapore) Pte Limited[a]	SGD	35.39	0.7	(0.1)	0.6	–	–	–	(0.1)	–	(0.1)	Singapore
Aurobindo Pharma (Romania) s.r.l.[a]	RON	15.58	0.9	(0.5)	6.9	6.5	–	–	(0.5)	–	(0.5)	Romania
Aurobindo Pharma (Poland) Sp.z.o.o	PLN	16.02	1.0	(0.7)	7.8	7.5	–	–	(0.7)	–	(0.7)	Poland
Aurobindo Pharma Limited, s.r.l.	DOP	1.21	–	–	–	–	–	–	–	–	–	Dominican Republic

Notes

1. None of the subsidiaries have proposed dividend during the year.

[a] The financial year of these companies end on December 31. However, the results given are as of March 31, 2011.

[b] These companies ceased to be subsidiaries of the Company during the year.

For and on behalf of the Board of Directors of Aurobindo Pharma Limited

K. . –Y

K. NITHYANANDA REDDY
Managing Director

Dr. M. SIVAKUMARAN
Director

S. B. Singhi

SUDHIR B. SINGHI
Chief Financial Officer

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

Hyderabad, May 9, 2011.

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, 2011, 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 ₹25,799,441,542 as at March 31, 2011, the total revenue of ₹15,033,912,952 and cash flows amounting to ₹15,359,428 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 by the Companies (Accounting Standards) Rules, 2006 (as amended)].

5. Without qualifying our opinion, we draw attention to Note 8(d) of Schedule 22 to the Consolidated Financial Statements with regard to non-provision of premium payable on 139,200 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 of Schedule 22 to the consolidated financial statements regarding non-conformity with AS 22, 'Accounting for Taxes on Income' notified by the 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, 2010.*

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, 2011;

   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 9, 2011.

Consolidated Balance Sheet as at March 31, 2011

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

		Schedule	As at March 31, 2011		As at March 31, 2010	
SOURCES OF FUNDS						
SHAREHOLDERS' FUNDS	Share capital	1	**291.1**		278.6	
	Reserves and surplus	2	**24,157.2**		18,012.2	
				24,448.3		18,290.8
MINORITY INTEREST				**91.2**		43.3
LOAN FUNDS	Secured loans	3	**11,346.2**		8,640.5	
	Unsecured loans	4	**12,797.3**		12,905.1	
				24,143.5		21,545.6
DEFERRED TAX LIABILITIES (Net)		22 (12a)		**1,226.6**		953.5
	TOTAL			**49,909.6**		40,833.2
APPLICATION OF FUNDS						
FIXED ASSETS	Gross block	5	**24,380.0**		24,076.7	
	Less: Accumulated depreciation/amortization		**6,994.0**		6,968.2	
	Net block		**17,386.0**		17,108.5	
	Capital work-in-progress including capital advances		**7,036.2**		5,700.8	
				24,422.2		22,809.3
INVESTMENTS		6		**385.3**		2.8
DEFERRED TAX ASSETS		22 (12b)		**43.5**		41.7
CURRENT ASSETS,						
LOANS AND ADVANCES	Inventories	7	**14,552.6**		11,024.5	
	Sundry debtors	8	**12,434.4**		9,560.1	
	Cash and bank balances	9	**1,881.9**		728.3	
	Other current assets	10	**14.3**		33.4	
	Loans and advances	11	**5,038.2**		3,713.0	
	SUB-TOTAL (A)		**33,921.4**		25,059.3	
LESS: CURRENT LIABILITIES						
AND PROVISIONS	Current liabilities	12	**8,242.7**		6,728.0	
	Provisions	13	**620.1**		351.9	
	SUB-TOTAL (B)		**8,862.8**		7,079.9	
NET CURRENT ASSETS	SUB-TOTAL (A-B)			**25,058.6**		17,979.4
	TOTAL			**49,909.6**		40,833.2
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.

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 9, 2011.

For and on behalf of the Board of Directors of Aurobindo Pharma Limited

K. NITHYANANDA REDDY
Managing Director

Dr. M. SIVAKUMARAN
Director

S. B. Singhi

SUDHIR B. SINGHI
Chief Financial Officer

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

Consolidated Profit and Loss Account for the year ended March 31, 2011

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

		Schedule	2010-2011	2009-2010
INCOME	Sales Gross	14	**44,809.8**	36,513.4
	Less: Excise duty		**(995.0)**	(759.0)
	Net		**43,814.8**	35,754.4
	Other income	15	**727.3**	1,462.0
	TOTAL		**44,542.1**	37,216.4
EXPENDITURE	Increase in stocks	16	**(1901.6)**	(1,849.2)
	Materials consumed	17	**22,418.4**	17,792.7
	Purchase of trading goods		**1,376.0**	1,267.3
	Other manufacturing expenses	18	**4,620.4**	3,942.8
	Employee costs	19	**4,285.5**	3,272.8
	Administrative, selling and other expenses	20	**3,418.6**	3,096.1
	Interest and finance charges (Net)	21	**624.6**	678.0
	Depreciation/amortization	5	**1,715.0**	1,493.4
	TOTAL		**36,556.9**	29,693.9
PROFIT BEFORE TAX, EXCEPTIONAL ITEMS AND MINORITY INTEREST			**7,985.2**	7,522.5
PROVISION FOR TAXATION				
	Current tax		**1,972.1**	1,742.6
	Deferred tax		**267.2**	146.1
	Tax relating to previous years		**11.9**	24.9
	Total tax expense		**2,251.2**	1,913.6
PROFIT AFTER TAX AND BEFORE EXCEPTIONAL ITEMS AND MINORITY INTEREST			**5,734.0**	5,608.9
	Exceptional item (Net of taxes)	22(6)	**(103.4)**	21.9
PROFIT AFTER TAX AND EXCEPTIONAL ITEMS AND BEFORE MINORITY INTEREST			**5,630.6**	5,630.8
	Minority interest		**3.9**	3.2
NET PROFIT			**5,634.5**	5,634.0
	Balance brought forward from last year		**9,669.0**	4,884.9
PROFIT AVAILABLE FOR APPROPRIATION			**15,303.5**	10,518.9
APPROPRIATIONS				
	On Equity Shares of ₹1 each	22(7)		
	Proposed dividend @ ₹1 (Previous year - ₹0.40)		**291.1**	111.5
	Interim dividend @ ₹1 (Previous year - ₹0.60)		**296.1**	165.9
	Tax on dividend		**96.4**	46.7
	Transfer to General Reserve		**593.8**	525.8
	Balance carried to Consolidated Balance Sheet		**14,026.1**	9,669.0
			15,303.5	10,518.9
EARNINGS PER SHARE		22(15)		
	Basic ₹		**19.57**	20.81
	Diluted ₹		**17.61**	17.82
	Nominal value per Share ₹		**1.00**	1.00
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 9, 2011.

For and on behalf of the Board of Directors of Aurobindo Pharma Limited

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General Manager (Legal) & Company Secretary

Consolidated Cash Flow Statement for the year ended March 31, 2011

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

			2010-2011	2009-2010
A.	CASH FLOW FROM			
	OPERATING ACTIVITIES			
		Net profit before tax, minority interest and exceptional items	**7,985.2**	7,522.5
		Adjustments for:		
		Depreciation and amortization	**1,715.0**	1,493.4
		Provision/(reversal) for doubtful debts and advances	**5.0**	(71.6)
		Bad debts written off	**34.6**	68.1
		Balances no longer required written back	**(59.3)**	(8.8)
		Diminution on investment written back	**–**	(0.2)
		Provision for retirement benefits	**71.8**	47.9
		Interest expense	**443.7**	624.9
		Interest income	**(21.7)**	(52.9)
		Unrealised foreign exchange loss/(gain) (Net)	**(211.4)**	(1,131.8)
		Loss/(gain) on sale of fixed assets (Net)	**(2.4)**	(92.2)
		Capital work-in-progress written off	**165.7**	120.9
		Dividends received	–	–
		Operating profit before working capital changes	**10,126.2**	8,520.2
		Movements in working capital:		
		Increase in inventories	**(3,750.4)**	(2,228.9)
		Increase in sundry debtors	**(2,928.4)**	(659.0)
		Increase in loans and advances	**(292.4)**	(1,112.8)
		Increase in current liabilities	**2,264.9**	1,263.5
		Cash generated from operations	**5,419.9**	5,783.0
		Direct taxes paid (Net of refunds)	**(1,986.2)**	(1,531.2)
	NET CASH FROM OPERATING ACTIVITIES		**3,433.7**	4,251.8
B.	CASH FLOWS FROM			
	INVESTING ACTIVITIES	Purchase of fixed assets and intangibles	**(7,159.2)**	(4,198.9)
		Proceeds from sale of fixed assets	**80.4**	198.2
		Proceeds from sale of subsidiaries/joint venture	**838.5**	–
		Investment in short term deposits (Net)	**263.6**	(31.1)
		Loans to joint ventures	**–**	(61.3)
		Interest received	**32.0**	102.9
		Dividends received	**–**	–
	NET CASH USED IN INVESTING ACTIVITIES		**(5,944.7)**	(3,990.2)

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

			2010-2011	2009-2010
C.	CASH FLOW FROM			
	FINANCING ACTIVITIES	Proceeds from issuance of share capital	**10.8**	54.4
		Proceeds from long-term borrowings	**4,779.7**	395.2
		Repayment of long-term borrowings	**(898.0)**	(389.0)
		Repurchase of FCCB	**(97.7)**	(63.9)
		Other short term borrowings (Net)	**1,203.2**	88.1
		Interest paid	**(453.5)**	(636.7)
		Dividends and dividend tax paid	**(474.7)**	(288.5)
	NET CASH GENERATED/(USED) FROM FINANCING ACTIVITIES		**4,069.8**	(840.4)
D.	**FOREIGN CURRENCY TRANSLATION ADJUSTMENTS**		**(101.4)**	16.6
	NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A + B + C + D)		**1,457.4**	(562.2)
		Cash and cash equivalents at the beginning of the year	**447.2**	1,026.5
		Add: On disposal/amalgamation	**(39.5)**	7.6
		Cash and cash equivalents at the end of the year	**1,865.1**	471.9

1. Components of cash and cash equivalents as at March 31		
Cash and cheques on hand	**8.6**	8.1
With banks - on current account	**635.1**	410.5
- on cash credit account	**8.2**	24.0
- on deposit account	**1,224.8**	281.1
- on unpaid dividend account*	**5.2**	4.6
Cash and cash equivalents as per Balance Sheet	**1,881.9**	728.3
Less: Fixed deposits considered as investments	**(17.5)**	(281.1)
	1,864.4	447.2
Effect of unrealized exchange (loss)/gain as on the Balance Sheet date	**0.7**	24.7
Cash and cash equivalents considered for cash flows	**1,865.1**	471.9

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

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

3. In the previous 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.

This is the Consolidated Cash Flow Statement 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 9, 2011.

For and on behalf of the Board of Directors of Aurobindo Pharma Limited

K. NITHYANANDA REDDY
Managing Director

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SUDHIR B. SINGHI
Chief Financial Officer

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

Schedules to Consolidated Balance Sheet

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

			As at March 31, 2011		As at March 31, 2010
1. SHARE CAPITAL					
AUTHORISED	660,000,000 (660,000,000) Equity Shares of ₹1 each		**660.0**		660.0
	1,000,000 (1,000,000) Preference Shares of ₹100 each		**100.0**		100.0
			760.0		760.0
ISSUED, SUBSCRIBED					
AND PAID-UP	291,121,290 (278,644,185) Equity Shares of				
	₹1 each fully paid-up		**291.1**		278.6
	TOTAL		**291.1**		278.6

Notes:

i. Paid-up equity shares of the Company include 173,516,000 (March 31, 2010: 173,516,000) equity shares of ₹1 each that were allotted as bonus shares by capitalisation of securities premium account.

ii. Paid-up equity shares of the Company also include 6,705,000 (March 31, 2010: 6,705,000) equity shares of ₹1 each that were allotted for consideration other than cash.

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 8 and 9 of Schedule 22).

iv. The Equity shares of the Company with face value of ₹5 per share have been subdivided into five shares of ₹1 each effective February 11, 2011. Accordingly, the nominal value of equity shares and number of equity share for the previous year have been recomputed and disclosed above.

		As at March 31, 2011		As at March 31, 2010	
2. RESERVES & SURPLUS					
CAPITAL RESERVE	As per last Balance Sheet	**91.1**		90.3	
	Add: Pursuant to a scheme of amalgamation	**–**		0.8	
			91.1		91.1
CAPITAL REDEMPTION RESERVE			**90.0**		90.0
SECURITIES PREMIUM					
ACCOUNT	As per last Balance Sheet	**2,913.6**		1,922.3	
	Add: Premium on conversion of Foreign Currency				
	Convertible Bonds (Refer Note 8 of Schedule 22)				
	and exercise of employee stock options				
	(Refer Note 9 of Schedule 22)	**1,285.5**		991.3	
			4,199.1		2,913.6
GENERAL RESERVE	As per last Balance Sheet	**5,288.0**		4,762.2	
	Add: Transferred from Consolidated				
	Profit and Loss Account	**593.8**		525.8	
			5,881.8		5,288.0
FOREIGN CURRENCY TRANSLATION RESERVE					
	As per last Balance Sheet	**(39.5)**		394.1	
	Add: Current year translation adjustment	**(91.4)**		(433.6)	
			(130.9)		(39.5)
CONSOLIDATED PROFIT AND LOSS ACCOUNT BALANCE			**14,026.1**		9,669.0
	TOTAL		**24,157.2**		18,012.2

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

			As at March 31, 2011	As at March 31, 2010
3.	**SECURED LOANS** *(Refer Note 11 on Schedule 22)*			
	TERM LOANS	From banks	**4,667.5**	676.9
		[Payable within one year - ₹555.4 (March 31, 2010: ₹260.0)]		
	OTHER LOANS FROM BANKS			
		Working capital loans	**6,678.7**	7,927.8
		[includes buyers credit of ₹2,427.2 (March 31, 2010: ₹931.1)]		
		Short term loans	**–**	35.5
		Interest accrued and due	**–**	0.3
		TOTAL	**11,346.2**	8,640.5
4.	**UNSECURED LOANS**			
	FROM BANKS	Term loans	**–**	898.0
		Short term loans	**–**	1,400.0
		Working capital loans	**5,842.6**	1,718.5
		[includes buyers credit of ₹386.1 (March 31, 2010: ₹382.7)]		
		Current account credit balance	**–**	2.7
	OTHER LOANS	Zero coupon Foreign Currency Convertible Bonds	**6,207.6**	7,677.1
		(Refer Note 8 of Schedule 22)		
		Short term loans	**–**	173.9
		Interest accrued and due	**–**	55.1
		Sales tax deferment loan	**747.1**	979.8
		[Payable within one year - ₹11.0 (March 31, 2010: ₹3.4)]		
		TOTAL	**12,797.3**	12,905.1

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

Particulars	Gross Block[g]						Depreciation/Amortization[g]						Net Block	
	As at April 1, 2010	Acquired on Amalgamation /Acquisitions	Additions	Sales/ Adjustments	Foreign Currency translation adjustment	**As at March 31, 2011**	Up to April 1, 2010	Acquired on Amalgamation /Acquisitions	For the year	On Sales/ Adjustments	Foreign Currency translation adjustment	**Up to March 31, 2011**	**As at March 31, 2011**	As at March 31, 2010
Tangible Assets														
Leasehold Land	239.2	–	81.6	268.7	10.2	**62.3**	19.4	–	16.4	31.9	1.2	**5.1**	**57.2**	219.8
Freehold Land[a]	404.1	–	92.4	(13.4)	(1.2)	**508.7**	1.8	–	3.0	–	(0.1)	**4.7**	**504.0**	402.3
Leasehold Buildings	49.9	–	7.1	–	0.1	**57.1**	17.2	–	6.6	–	–	**23.8**	**33.3**	32.7
Freehold Buildings[a]	4,885.2	–	1,162.6	1,870.6	60.0	**4,237.2**	680.9	–	163.8	265.3	11.1	**590.5**	**3,646.7**	4,204.3
Plant and Machinery	16,632.9	–	3,504.9	3,308.3	178.0	**17,007.5**	5,753.9	–	1,411.9	1,689.5	76.6	**5,552.9**	**11,454.6**	10,879.0
Vehicles	109.6	–	29.7	18.9	1.2	**121.6**	39.7	–	11.3	10.7	0.7	**41.0**	**80.6**	69.9
Furniture and Fixtures	310.5	–	108.7	(12.5)	3.1	**434.8**	131.3	–	59.6	5.7	1.6	**186.8**	**248.0**	179.2
	22,631.4	–	4,987.0	5,440.6	251.4	**22,429.2**	6,644.2	–	1,672.6	2,003.1	91.1	**6,404.8**	**16,024.4**	15,987.2
Intangible Assets														
Goodwill	480.7	–	–	–	24.9	**505.6**	–	–	–	–	–	**–**	**505.6**	480.7
Product Development Cost	33.0	–	45.4	10.6	1.7	**69.5**	32.3	–	17.5	10.7	2.3	**41.4**	**28.1**	0.7
Licences and patents	931.6	–	489.5	91.0	45.6	**1,375.7**	291.7	–	248.9	30.2	37.4	**547.8**	**827.9**	639.9
	1,445.3	–	534.9	101.6	72.2	**1,950.8**	324.0	–	266.4	40.9	39.7	**589.2**	**1,361.6**	1,121.3
TOTAL	24,076.7	–	5,521.9	5,542.2	323.6	**24,380.0**	6,968.2	–	1,939.0	2,044.0	130.8	**6,994.0**	**17,386.0**	17,108.5
Previous Year	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**	
Capital work-in-progress[b]													**7,036.2**	5700.8

Notes:

a. The title deeds of land and buildings aggregating to ₹140.6 (March 31, 2010: ₹137.6) are pending transfer to the Company's name.

b. Capital work-in-progress include capital advances of ₹469.9 (March 31, 2010: ₹202.8) and expenditure during construction period amounting to ₹745.6 (March 31, 2010: ₹690.8) Refer Note 13 of Schedule 22.

c. Additions to fixed assets/capital work-in-progress during the year include value of capital expenditure towards research centre amounting to ₹338.4 (March 31, 2010: ₹42.1).

d. Depreciation for the year include ₹4.6 (March 31, 2010: ₹3.7) taken as pre-operative capital expenditure on capital projects pending capitalization and ₹219.4 (March 31, 2010: ₹Nil) taken as exceptional item.

e. Details of finance lease (Refer Note 17(b) of Schedule 22).

f. Additions and depreciation for the previous year ending March 31, 2010 includes assets ₹37.7 and ₹2.5 acquired on amalgamation with Trident Life Sciences Limited.

g. Current year sales/adjustment in gross block and depreciation/amortization includes ₹5,354.8 and ₹1,934.6 on account of disposal of subsidiaries/joint venture.

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

			As at March 31, 2011	As at March 31, 2010
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
		19.5% (Nil) of Paid-in-Capital of Aurobindo (Datong) Bio-Pharma Co.Ltd, China	**382.5**	–
		(Refer Note 1(a)(3) of Schedule 22)		
			383.7	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 (March 31, 2010: ₹0.1) held by income tax authorities			
		SUB-TOTAL (A)+(B) = (I)	**384.9**	2.4
	II. CURRENT INVESTMENTS	(At lower of cost and market value)		
	QUOTED - NON-TRADE INVESTMENTS			
		Equity shares (fully paid-up)		
		4,520 (4,520) equity shares of Andhra Bank of ₹10 each	**0.4**	0.4
	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**	0.4
		TOTAL (I + II)	**385.3**	2.8
	Notes:			
	Aggregate value of unquoted investments		**384.9**	2.4
	Aggregate value of quoted investments		**0.4**	0.4
	Market value of quoted investments		**0.7**	0.5
7.	**INVENTORIES**			
	(at lower of cost and net realizable value)			
		Raw materials*	**5,705.3**	4,372.3
		Stores, spares, consumables & packing materials*	**1,245.7**	958.4
		Work-in-process	**4,488.9**	3,678.3
		Finished goods*	**3,055.7**	1,902.2
		Trading goods*	**57.0**	113.3
		TOTAL	**14,552.6**	11,024.5
	* 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, 2011	As at March 31, 2010
8.	**SUNDRY DEBTORS**			
	Unsecured	Debts outstanding for a period exceeding six months		
		Considered good	**822.7**	364.7
		Considered doubtful	**261.5**	256.5
			1,084.2	621.2
		Other debts - Considered good	**11,611.7**	9,195.4
			12695.9	9,816.6
		Less: Provision for doubtful debts	**(261.5)**	(256.5)
		TOTAL	**12,434.4**	9,560.1
9.	**CASH & BANK BALANCES**			
		Cash, cheques and drafts on hand	**8.6**	8.1
		Balances with scheduled banks on:		
		Current accounts	**373.9**	179.6
		Cash credit accounts	**8.2**	24.0
		Deposit accounts*	**1,218.3**	92.3
		Unpaid dividend accounts	**5.2**	4.6
		Balances with non-scheduled banks on:		
		Current accounts	**261.2**	230.9
		Deposit accounts*	**6.5**	188.8
		TOTAL	**1,881.9**	728.3
	*includes fixed deposit amounting to			
	a. ₹5.4 (March 31, 2010: ₹1.1) pledged with bank.			
	b. ₹Nil (March 31, 2010: ₹184.5) under lien.			
10.	**OTHER CURRENT ASSETS**			
		Interest accrued on loans and deposits	**9.0**	19.4
		Interest accrued on investments	**0.6**	0.6
		Unamortized exchange premium on forward contracts	**4.7**	13.4
		TOTAL	**14.3**	33.4
11.	**LOANS & ADVANCES**			
	(Unsecured, considered good except stated otherwise)			
		Dues from joint venture entities	**12.6**	235.0
		Loans to employees	**64.2**	45.4
		Loans to others	**890.7**	–
		Advances recoverable in cash or in kind or for value to be received		
		Considered good	**1,955.2**	1295.4
		Considered doubtful	**36.3**	149.8
		Trade and other deposits	**186.8**	155.5
		Export incentives receivable	**782.2**	866.8
		Export incentives licenses	**92.2**	40.2
		Advance income tax and tax paid on appeals (Net of provision for tax)	**301.9**	384.9
		Balances with customs and excise authorities	**752.4**	689.8
			5,074.5	3,862.8
		Less: Provision for doubtful advances	**(36.3)**	(149.8)
		TOTAL	**5,038.2**	3,713.0

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

		As at March 31, 2011	As at March 31, 2010
12. CURRENT LIABILITIES			
	Sundry creditors for goods, services and expenses	**7,614.3**	6,044.0
	Trade deposits	**2.6**	1.0
	Advance received from customers	**123.6**	352.4
	Unclaimed dividends	**5.2**	4.6
	Other liabilities	**224.8**	188.8
	Interest accrued but not due on loans	**45.8**	0.4
	Book overdraft	**226.4**	136.8
	TOTAL	**8,242.7**	6,728.0
13. PROVISIONS			
	For Taxation (Net of advance payments)	**39.3**	41.5
	For Retirement benefits		
	Gratuity (Refer Note 10(b) of Schedule 22)	**91.0**	69.8
	Leave encashment	**151.5**	110.6
	For Proposed dividend	**291.1**	111.5
	For Tax on proposed dividend	**47.2**	18.5
	TOTAL	**620.1**	351.9

Schedules to Consolidated Profit and Loss Account

		2010-2011	2009-2010
14. GROSS SALES			
	Sale of goods (Refer Note 14 of Schedule 22)	**42,118.6**	34,454.9
	Sale of dossiers/licenses	**2,556.2**	1,977.4
	Sales services rendered	**135.0**	81.1
	TOTAL	**44,809.8**	36,513.4
15. OTHER INCOME			
	Processing charges	**41.1**	76.6
	Dividends from current investments - trade	**–**	–
	Profit on sale of fixed assets (Net)	**2.4**	92.2
	Foreign exchange gain (Net)	**475.4**	1,072.6
	Balances no longer required written back	**59.3**	8.8
	Provision no longer required on doubtful debts and advances written back	**–**	71.6
	Diminution on investment written back	**–**	0.2
	Commission received	**18.8**	16.9
	Miscellaneous income	**130.3**	123.1
	TOTAL	**727.3**	1,462.0

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

		2010-2011		2009-2010
16. INCREASE IN STOCKS				
Opening stock				
Finished goods	**1,902.2**		1,330.1	
Trading goods	**113.3**		114.7	
Work-in-process	**3,678.3**		2,599.0	
		5693.8		4,043.8
Less: Closing stock				
Finished goods	**(3,055.7)**		(1,902.2)	
Trading goods	**(57.0)**		(113.3)	
Work-in-process	**(4,488.9)**		(3,678.3)	
		(7,601.6)		(5,693.8)
Increase in stocks		**(1,907.8)**		(1,650.0)
Adjustment for fluctuation in exchange rates		**6.2**		(199.2)
TOTAL		**(1,901.6)**		(1,849.2)
17. MATERIALS CONSUMED				
Raw materials consumed				
Opening stock		**4,372.3**		3,971.6
Add: Purchases		**21,683.3**		16,743.2
Less: Closing stock		**(5,705.3)**		(4,372.3)
		20,350.3		16,342.5
Adjustment for fluctuation in exchange rates		**(50.5)**		(19.6)
Packing materials consumed		**2,118.6**		1,469.8
TOTAL		**22,418.4**		17,792.7
18. OTHER MANUFACTURING EXPENSES				
Conversion charges		**190.6**		158.0
Consumption of stores and spares		**599.3**		399.4
Chemicals consumed		**600.9**		506.8
Carriage inward		**272.9**		324.1
Factory maintenance		**127.4**		85.0
Power and fuel		**2,081.6**		1,949.1
Effluent treatment expenses		**46.3**		83.2
Increase in excise duty on finished goods		**26.7**		4.4
(Refer Note 19 of Schedule 22)				
Repairs and maintenance				
Plant and machinery		**328.2**		204.6
Buildings		**228.3**		90.2
Others		**44.6**		32.3
Miscellaneous expenses		**73.6**		105.7
TOTAL		**4,620.4**		3,942.8

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

		2010-2011	2009-2010
19. EMPLOYEE COSTS			
	Salaries, wages and bonus	**3,804.0**	2,908.1
	Contribution to provident fund and other funds	**164.5**	136.3
	(Refer Note 10(a) of Schedule 22)		
	Other employee benefits	**118.1**	99.3
	Staff welfare expenses	**198.9**	129.1
	TOTAL	**4,285.5**	3,272.8
20. ADMINISTRATIVE, SELLING AND OTHER EXPENSES			
	Rent	**92.2**	110.5
	Rates and taxes	**124.2**	82.3
	Printing and stationery	**94.2**	77.3
	Postage, telegram and telephones	**67.2**	67.7
	Insurance	**148.2**	144.6
	Legal and professional charges	**466.2**	405.9
	Directors sitting fees	**0.6**	1.1
	Remuneration to auditors	**6.5**	6.2
	Sales commission	**238.6**	315.4
	Carriage outwards	**898.8**	961.7
	Selling expenses	**151.8**	73.3
	Rebates and discounts	**130.3**	85.2
	Travelling and conveyance	**126.5**	107.9
	Vehicle maintenance expenses	**13.2**	10.2
	Analytical charges	**291.1**	97.7
	Product development expenses	**43.3**	28.8
	Registration and filing charges	**50.1**	50.2
	Safety and security	**9.7**	12.2
	Office expenses	**32.5**	31.7
	Repairs and maintenance - others	**27.2**	22.5
	Management fees	**8.7**	10.9
	Liquidated damages	**1.5**	27.7
	Donations	**1.6**	12.9
	Software license and implementation expenses	**9.5**	6.9
	Provision for doubtful debts and advances	**6.2**	–
	Bad debts written off	**34.6**	68.1
	Capital work-in-progress written off	**165.7**	120.9
	Miscellaneous expenses	**178.4**	156.3
	TOTAL	**3,418.6**	3,096.1

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

	2010-2011		2009-2010	
21. INTEREST AND FINANCE CHARGES (Net)				
Interest on fixed period loans	**131.9**		281.3	
Interest on other loans	**311.8**		343.6	
		443.7		624.9
Less: Interest received on:				
Loans to joint venture entities	**7.8**		15.2	
Deposits*	**12.3**		28.8	
Others	**1.6**		8.9	
		21.7		52.9
Bank charges		**202.6**		106.0
TOTAL		**624.6**		678.0
*[TDS ₹1.0 (March 31, 2010: ₹3.0)]				

Notes to Consolidated Accounts

22. NOTES ANNEXED TO AND FORMING PART OF THE CONSOLIDATED ACCOUNTS AS AT AND FOR THE YEAR ENDED MARCH 31, 2011.

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 line 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, 2011.

The Consolidated Financial Statements for the year ended March 31, 2011 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, 2011	2010
APL Pharma Thai Limited[1]	Thailand	Subsidiary	**97.9%**	48%
Aurobindo Pharma Industria Farmaceutica Ltda	Brazil	Subsidiary	**99.8%**	99.8%
Aurobindo (Datong) Bio-Pharma Company Limited[2]	China	Subsidiary	**–**	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[3]	U.K.	Subsidiary	**–**	100%
Aurobindo Pharma (Pty) Limited	South Africa	Subsidiary	**100%**	100%
Zao Express Pharma (formerly known as Zao Aurobindo Pharma)[4]	Russia	Subsidiary	**–**	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 B.V.	The Netherlands	Subsidiary	**100%**	100%
Aurobindo Pharma Produtos Farmaceuticos Ltda	Brazil	Subsidiary	**100%**	100%
All Pharma (Shanghai) Trading Company Limited	China	Subsidiary	**100%**	100%
APL Holdings (Jersey) Limited	Jersey	Subsidiary	**100%**	100%
APL IP Company Limited	Jersey	Subsidiary	**100%**	100%

(Contd...)

AUROBINDO

Name of the Consolidated Entities	Country of Incorporation	Nature of Interest	% of Interest March 31, 2011	2010
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[5]	Ireland	Subsidiary	**–**	100%
Aurobindo Pharma (Italia) S.r.l.	Italy	Subsidiary	**100%**	100%
Aurobindo Pharma (Portugal) Unipessoal LDA	Portugal	Subsidiary	**100%**	100%
Aurobindo Pharma ApS[6]	Denmark	Subsidiary	**–**	100%
Sia Aurobindo Baltics[7]	Latvia	Subsidiary	**–**	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%**	100%
Aurobindo ILAC Sanayi ve Ticaret Limited Sirketi (w.e.f. November 25, 2009)	Turkey	Subsidiary	**100%**	100%
APL Research Centre Limited	India	Subsidiary	**100%**	100%
APL Health Care Limited	India	Subsidiary	**100%**	100%
Cephazone Pharma, LLC[8]	U.S.A.	Joint Venture	**–**	50%
Aurosal Pharmaceuticals, LLC	U.S.A.	Joint Venture	**50%**	50%
Novagen Pharma (Pty) Ltd (w.e.f. April 1, 2009)	South Africa	Joint Venture	**50%**	50%
Trident Life Sciences Limited[9]	India	Subsidiary	**–**	100%
Auronext Pharma Private Limited (w.e.f. July 2, 2009)	India	Subsidiary	**75%**	75%
Aurobindo Pharma (Singapore) Pte Limited				
(w.e.f. September 15, 2010)	Singapore	Subsidiary	**100%**	–
Aurobindo Pharma B.V. (w.e.f. September 30, 2010)	The Netherlands	Subsidiary	**100%**	–
Aurobindo Pharma (Romania) s.r.l. (w.e.f. October 7, 2010)	Romania	Subsidiary	**100%**	–
Aurobindo Pharma (Poland) Sp.z.o.o. (w.e.f. November 30, 2010)	Poland	Subsidiary	**100%**	–
Aurobindo Pharma Limited, s.r.l. (w.e.f. December 1, 2010)[10]	Dominican Republic	Subsidiary	**100%**	–

Notes:

1 APL Pharma Thai Limited was 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 in the previous year.

2 The Group has divested its 80.5% stake on November 30, 2010. The balance stake of 19.5% will be in strategic in nature to ensure an interrupted supply of raw material at competitive prices.

3 Closed its operations on September 30, 2010.

4 Disposed on April 1, 2010.

5 Closed its operations on June 23, 2010.

6 Closed its operations on September 16, 2010.

7 Closed its operations on November 26, 2010.

8 Disposed on October 1, 2010.

9 Amalgamated with the parent company with effect from October 1, 2009.

10 Aurobindo Pharma Limited, s.r.l. has been incorporated during the year with nominal investment and there was no activity during the period ended March 31, 2011; hence the same has not been consolidated.

11 The Group has disposed/closed its operations in some of the subsidiaries/joint venture as above during the year. The figures for the subsidiaries/joint venture has been considered upto the date of disposal/closure.

b. Revenue Recognition

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

v. Dividend is recognised 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 capitalised. Indirect expenditure is capitalised to the extent those relate to the construction activity or is incidental thereto. Income earned during construction period is deducted from the total expenditure relating to construction activity.

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

iv. Assets under finance leases, where there is no reasonable certainty that the company will obtain the ownership by the end of the lease term are 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 Rs 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 amortised but is tested for impairment on a periodic basis and impairment losses are recognised where applicable.

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 amortised 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 amortised 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 using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

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

h. Investments

i. Investments that are readily realisable and intended to be held for not more than a year are classified as current investments. All other investments are classified as long term investments. 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 realisable value. Items held for use in the production of inventories are not written down below cost if the finished product in which they will be incorporated are expected to be sold at or above cost.

ii. Finished goods and work-in-process are valued at lower of cost and net realisable value. Cost includes materials, labor 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 realisable value.

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

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 at the end of each financial year.

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

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

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.

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 recognised 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 recognised as expense or income over the life of the contract. Exchange differences on such contracts are recognised 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 recognised 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 Express 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; Novagen Pharma (Pty) Limited; Aurobindo Pharma (Singapore) Pte Limited; Aurobindo Pharma B.V.; Aurobindo Pharma (Romania) s.r.l.; Aurobindo Pharma (Poland) Sp.z.o.o. and Aurobindo Pharma Limited s.r.l., as 'integral foreign operations':

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

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

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

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

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

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 recognised 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 year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.

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

The weighted average number of equity shares during the year are adjusted for the events of shares split.

q. Provisions

A provision is recognised 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.

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

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.

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, 2011 has not been ascertained.

b. Deferred tax assets include ₹43.5 (March 31, 2010: ₹41.7) and deferred tax liabilities include ₹8.4 (March 31, 2010: ₹2.7) in respect of certain consolidated entities, which have been determined in accordance with accounting principles of the respective countries instead of in accordance with AS 22 '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. As of March 31, 2011, Aurobindo Switzerland AG, one of the subsidiaries of the Group capitalized development costs of ₹32.2 (March 31, 2010: ₹24.0), 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, a 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.

4. Capital commitments

Estimated amount of contracts (net of advances) remaining to be executed on capital account and not provided for ₹2,174.6 (March 31, 2010: ₹1,320.7).

5. Contingent liabilities

	March 31, 2011	March 31, 2010
Premium on potential redemption of Foreign Currency Convertible Bonds	**Refer note 8(d) below**	Refer note 8(d) below
Outstanding bank guarantees	**346.8**	245.9
Claims arising from disputes relating to direct and indirect taxes not acknowledged as debts	**198.3**	325.3
Claims against the Company not acknowledged as debts	**20.4**	4.9

6. Details of exceptional items are as under:

Particulars		**2010-2011**		2009-2010
a. Capital profit on buyback and cancellation of FCCBs		**–**		21.9
b. Profit/(loss) on disinvestment:				
- Loss on sale of investments in subsidiaries	**(250.4)**		–	
- Profit on sale of investments in subsidiaries	**3.3**		–	
- Profit on sale of investments in joint venture	**143.7**		–	
		(103.4)		–
TOTAL		**(103.4)**		21.9

7. Subdivision of shares

In the current year with effect from February 11, 2011, the parent company's equity shares of face value ₹5 each have been sub-divided into equity shares of face value ₹1 each. Consequently, the basic and diluted earnings per share, dividend, and nominal value of shares of the previous year have been recalculated and disclosed accordingly.

8. 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 FCCBs 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 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 FCCBs 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 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 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, 29,664 bonds of USD 1,000 each were converted into 2,465,714 equity shares of ₹5 each at premium of ₹517.036 during the year (before subdivision of shares), and 2,118 bonds of USD 1,000 each were redeemed on maturity date during the year. The outstanding FCCBs as at March 31, 2011 is Nil (March 31, 2010: 31,782).
- In respect of the bonds issued during the year ended March 31, 2007, the outstanding FCCBs as at March 31, 2011 is 139,200 bonds of USD 1,000 each (March 31, 2010: 139,200).

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 70,232,808 (March 31, 2010: USD 58,633,065) equivalent to ₹3,132.0 (March 31, 2010: ₹2,632.6). The payment of premium on redemption is contingent in nature, the outcome of which is dependent upon uncertain future events. Hence, no provision is considered in the accounts in respect of such premium for the year.

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

e. In the current year with effect from February 11, 2011, the parent company's equity shares of face value ₹5 each have been subdivided into five equity shares of face value ₹1 each. The conversion price and the number of shares for conversion mentioned in above paragraphs for outstanding FCCB bonds will be adjusted accordingly effective February 11, 2011 as per the Offering Circular.

f. 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.

g. The details of utilization of proceeds from issue of FCCBs aggregating to USD 260 million is given below:

	2010-2011	2009-2010
Opening balance with banks	**–**	272.0
Less: Utilized for investments and capital goods	**–**	272.0

9. Employee stock options (Refer Note 7 above)

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:

	2010-2011 (Refer foot note[1])	2009-2010
Options outstanding at the beginning of the year	**232,770**	199,157
Granted during the year	**–**	–
Vested/exercisable during the year	**–**	29,360
Exercised during the year	**148,535**	150,030
Forfeited during the year subject to reissue	**72,890**	2,573
Options outstanding at end of the year	**11,345**	46,554
Exercisable at the end of the year	**11,345**	46,554
Weighted average exercise price (₹)	**72.52**	362.60
Weighted average fair value of options at the date of grant (₹)	**75.03**	375.14

	Range of exercise prices (₹)	Number of options outstanding	Weighted average remaining contractual life of options (in years)
Year 2010-11 (Refer foot note[1])	**75.02**	**11,345**	**0.33**
Year 2009-10	362.60	46,554	0.63

Note:

[1] In the current year, parent company's equity shares of ₹5 each have been sub-divided into 5 equity shares of ₹1 each effective February 11, 2011. The effect of such sub-division has been given to the number of options, weighted average exercise price and weighted average fair value of options pertaining to the current year in the above table.

b. Employee Stock Option Plan 'ESOP-2006'

The parent company instituted an Employee Stock Option Plan 'ESOP-2006' as per the special resolution passed in the 19th Annual General Meeting held on 18th September 2006. This scheme has been formulated in accordance with the Securities Exchange Board of

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

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:

	2010-2011 (Refer foot note[1])	2009-2010
Options outstanding at the beginning of the year	**250,000**	55,000
Granted during the year	**–**	–
Vested/exercisable during the year	**106,250**	11,450
Exercised during the year	**–**	–
Forfeited during the year subject to reissue	**–**	5,000
Options outstanding at end of the year	**250,000**	50,000
Exercisable at the end of the year	**212,500**	22,200
Weighted average exercise price (₹)	**119.78**	598.90
Weighted average fair value of options at the date of grant (₹)	**144.13**	720.63

	Range of exercise prices (₹)	Number of options outstanding	Weighted average remaining contractual life of options (in years)
Year 2010-11 (Refer foot note[1])	**114 to 134**	**250,000**	**1.89**
Year 2009-10	570 to 670	50,000	2.89

Note:

[1] In the current year, Parent company's equity shares of ₹5 each have been sub divided into 5 equity shares of ₹1 each effective February 11, 2011. The effect of such sub division has been given to the number of options, weighted average exercise price and weighted average fair value of options pertaining to the current year in the above table.

c. Disclosure 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.

	2010-2011	2009-2010
Consolidated Profit after taxation		
As reported in Consolidated Profit and Loss Account	**5,634.5**	5,634.0
Less: Additional Employee compensation cost based on Fair Value	**1.6**	3.2
Consolidated Profit after taxation as per Fair Value Method	**5,632.9**	5,630.8
Earnings per Share		
Basic		
No. of shares	**287,869,658**	270,762,955
EPS as reported (₹)	**19.57**	20.81
EPS as per Fair Value Method (₹)	**19.57**	20.80
Diluted		
No. of shares	**319,995,855**	316,100,195
EPS as reported (₹)	**17.61**	17.82
EPS as per Fair Value Method (₹)	**17.60**	17.81

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

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

	March 31, 2011		March 31, 2010	
	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**	**0.15**	0.15	0.05

10. Retirement benefits

a. Disclosures related to defined contribution plan

Provident fund contribution recognized as expense in the Consolidated Profit and Loss Account ₹72.2 (March 31, 2010: ₹57.5).

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.

The following tables summarize the components of net benefit expense recognised in the Consolidated Profit and Loss Account the fund status and Consolidated Balance Sheet position.

Consolidated Profit and Loss Account

	2010-2011	2009-2010
Net employee benefit expense (included under employee cost)		
Current service cost	**29.6**	21.1
Interest cost on benefit obligation	**12.6**	9.5
Expected return on plan assets	**(8.0)**	(6.7)
Net actuarial (gain)/loss recognized in the year	**7.7**	(3.3)
Past service cost	**–**	25.8
Net benefit expense	**41.9**	46.4
Actual return on plan assets	**8.6**	7.1

Consolidated Balance Sheet

	March 31, 2011	March 31, 2010
Details of provision for gratuity		
Defined benefit obligation	**193.3**	152.9
Fair value of plan assets	**102.3**	83.1
Net Plan Liability	**91.0**	69.8

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

	2010-2011	2009-2010
Opening defined benefit obligation	**152.9**	107.7
Current service cost	**29.6**	21.1
Interest cost	**12.6**	9.5
Past service cost	**–**	25.8
Benefits paid	**(10.2)**	(8.3)
Actuarial (gains)/losses on obligation*	**8.4**	(2.9)
Closing defined benefit obligation	**193.3**	152.9

*Experience adjustments on plan liabilities ₹9.6 (March 31, 2010: ₹7.6; March 31, 2009: ₹6.2; March 31, 2008: ₹0.7 and March 31, 2007: ₹3.9)

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

Changes in the fair value of plan assets:

	2010-2011	2009-2010
Opening fair value of plan assets	83.1	72.2
Expected return	8.0	6.7
Contributions by employer	20.8	12.0
Benefits paid	(10.2)	(8.3)
Actuarial gains/(losses)*	0.6	0.5
Closing fair value of plan assets	102.3	83.1

* Experience adjustments on plan assets ₹0.7 (March 31, 2010: ₹0.4; March 31, 2009: ₹0.9; March 31, 2008: ₹1.9 and March 31, 2007: ₹0.6)

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

	March 31, 2011	March 31, 2010
Discount rate (p.a.) (%)	8.35	8.30
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 ₹60.0 to gratuity in 2011-12.

11. Details of security given for secured loans

a. Term loans

The term loans of APL are fully secured by first pari passu charge on all the present and future fixed assets of APL both movable and immoveable property.

The term loan of Aurolife Pharma LLC, a wholly owned step down subsidiary, is secured by way of charge on its inventory, fixed assets, receivables and inventory, fixed assets, receivables of Aurobindo Pharma USA Inc a wholly owned subsidiary of APL. The term loan of Auronext Pharma Private Limited a subsidiary of APL, is secured by way of charge on its fixed and current assets.

b. Working capital loans from banks

Working capital loans from banks of APL are secured by first charge by way of hypothecation of all the stocks, book debts and other current assets (both present and future) of APL and second charge on all the fixed assets of APL both present and future subject to charges created in favor of term lenders.

The working capital loan of Aurolife Pharma LLC, a wholly owned step down subsidiary, is secured by way of charge on its inventory, fixed assets, receivables and inventory, fixed assets, receivables of Auobindo Pharma USA Inc a wholly owned subsidiary of APL.

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.

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

12. Deferred taxes

a. Deferred Tax Liability (Net) consists of:

Particulars	March 31, 2011	March 31, 2010
Fixed assets (Depreciation)	1,400.6	1,113.9
Debtors	(90.0)	(91.5)
Retirement benefits	(76.5)	(59.9)
FCCB issue expenses	–	(9.0)
Other Expenses	(7.5)	–
TOTAL	1,226.6	953.5

b. Deferred Tax Assets consists of:

Particulars	March 31, 2011	March 31, 2010
Carried forward business losses	39.4	35.6
Others	4.1	6.1
	43.5	41.7

13. Expenditure during construction period pending capitalization

Particulars	2010-2011	2009-2010
Balance brought forward	690.8	65.9
Add: Incurred during the year		
Salaries and employee benefits	131.6	139.8
Staff welfare	4.3	1.6
Staff recruitment expenses	3.0	4.6
Consumption of raw material for testing		
(Net of transfer to production ₹6.6 and March 31, 2010: ₹13.2)	34.6	117.9
Stores and spares consumption	121.9	50.8
Carriage inwards	4.0	12.4
Power and fuel	115.4	68.1
Job work charges	20.0	37.3
Land development charges	5.2	9.0
Rent	0.1	1.3
Rates and taxes	3.5	2.7
Printing and stationery	4.0	4.9
Postage, telegram and telephones	1.0	1.3
Insurance	3.1	5.2
Legal and professional charges	3.5	18.8
Travel and conveyance	3.6	7.9
Depreciation	4.6	3.7
Bank Charges	0.9	17.2
Interest	6.9	100.2
Miscellaneous expenses	6.5	20.2
Sub-total	1,168.5	690.8
Less: Income during the construction period	0.2	–
Less: Capitalized to fixed assets during the year	422.7	–
Balance carried forward	745.6	690.8

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

14. Export Incentives

Sales include export incentives on account of various schemes amounting to ₹504.2 (March 31, 2010: ₹515.7).

15. Earnings per Share

Earnings per Share is computed based on the following:

Particulars			2010-2011	2009-2010
i.	Consolidated Profit after tax and minority interest considered for calculation of basic and diluted Earnings per Share		**5,634.5**	5,634.0
ii.	a.	Weighted average number of Equity Shares considered for calculation of basic Earnings per Share	**287,869,658**	270,762,955
	b.	Effect of dilution on account of Foreign Currency Convertible Bonds into shares	**32,110,978**	45,319,840
	c.	Effect of dilution on account of Employee Stock Options granted	**15,219**	17,400
	d.	Weighted average number of Equity Shares considered for calculation of diluted Earnings per Share (a+b+c)	**319,995,855**	316,100,195

Note: The Company has sub-divided its equity shares of ₹5 each into five equity shares of ₹1 each with effect from February 11, 2011. The resultant shares on account of such sub-division have been considered in computation of weighted average number of equity shares for the current year and previous year.

16. Related Party Transactions

i. Names of related parties and description of relationship

a. Jointly controlled enterprises

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

*(Disposed w.e.f. October 1, 2010)

b. 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
Pranit Happy Homes Private Limited, India
Pranit Packaging Private Limited, India

c. 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

d. 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. P. 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)
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)

A. Details of transactions with the related parties

Particulars	2010-2011	2009-2010
Transactions with enterprises over which key management personnel or relatives exercise significant influence		
Pravesha Industries Private Limited, India		
Purchase of goods	**778.8**	634.1
Sale of goods	**17.9**	4.7
Trident Life Sciences Limited, India*		
Services received	**–**	27.8
Sale of goods	**–**	0.7
Rent paid	**–**	3.5
Finance (including loans and equity contribution in cash or in kind)	**–**	0.2
Electricity paid	**–**	2.1
*Amalgamated with the parent Company with effect from October 1, 2009		
Axis Clinicals Limited, India		
Services received	**344.6**	27.1
Purchase of asset	**–**	1.5
Rent paid	**9.4**	2.1
Electricity paid	**5.6**	1.2
Sale of fixed assets	**–**	2.5
Proposed dividend	**2.6**	1.0
Interim dividend	**2.6**	1.6
Sri Sai Packaging, India		
Purchase of goods	**86.7**	74.2
Sale of goods	**0.1**	0.5
Trident Chemphar Limited, India		
Purchase of goods	**22.4**	50.6
Sale of goods	**102.7**	210.5
Other services rendered	**2.0**	–
Interim dividend	**5.8**	3.5
Proposed dividend	**5.8**	2.3
Auropro Soft Systems Private Limited, India		
Services Received	**9.4**	8.7
Purchase if fixed assets	**6.4**	7.5
Purchase of goods	**7.4**	0.8
Pranit Happy Homes Private Limited, India		
Purchase of assets	**16.2**	–
Pranit Packaging Private Limited, India		
Purchase of goods	**5.1**	–
Transactions with jointly controlled enterprises		
Cephazone Pharma LLC, U.S.A.		
Sale of goods	**15.3**	79.1
Interest received	**7.4**	14.8
Finance (loans in cash or in kind)	**–**	22.5
Aurosal Pharmaceuticals LLC, U.S.A.		
Interest received	**0.4**	0.4

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

Particulars	2010–2011	2009–2010
Transactions with key managerial personnel		
Mr. P. V. Ramprasad Reddy		
Managerial remuneration	8.7	8.0
Proposed dividend	78.6	31.4
Interim dividend	78.6	47.2
Mr. K. Nithyananda Reddy		
Managerial remuneration	8.7	8.0
Proposed dividend	13.8	5.5
Interim dividend	13.8	8.3
Dr. M. Sivakumaran		
Managerial remuneration	8.7	8.0
Proposed dividend	7.3	2.9
Interim dividend	7.3	4.4
Mr. M. Madan Mohan Reddy		
Managerial remuneration	8.7	7.5
Proposed dividend	–	–
Interim dividend	–	–
Mr. P. Sarath Chandra Reddy		
Sitting fees	0.1	0.1
Proposed dividend	–	–
Interim dividend	–	–
Mr. P. Rohit Reddy		
Proposed dividend	1.9	0.8
Interim dividend	1.9	1.1
Mr. K. Suryaprakash Reddy		
Proposed dividend	–	–
Interim dividend	–	–
Mr. Prasad Reddy Kambam		
Proposed dividend	0.2	0.2
Interim dividend	0.4	0.3
Ms. Sashi S. Kumar		
Proposed dividend	–	–
Interim dividend	–	–
Ms. Kambam Kirthi Reddy		
Remuneration	0.5	0.5
Proposed dividend	10.8	4.3
Interim dividend	10.8	6.4
Ms. P. Suneela Rani		
Proposed dividend	30.8	12.3
Interim dividend	30.8	18.5
Ms. Kambam Spoorthi		
Proposed dividend	5.0	–
Interim dividend	5.0	–
Ms. K. Rajeswari		
Proposed dividend	1.4	2.6
Interim dividend	1.4	3.8
Mr. Vishnu M. Sriram		
Remuneration	2.8	2.2

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

B. Balance outstanding debit/(credit) as at

	March 31, 2011	March 31, 2010
Cephazone Pharma LLC, U.S.A.	**–**	262.7
Aurosal Pharmaceuticals LLC, U.S.A.	**12.6**	12.3
Auropro Soft Systems Private Limited, India	**1.2**	(1.3)
Pravesha Industries Private Limited, India	**181.4**	92.2
Axis Clinicals Limited, India	**(18.0)**	6.3
Sri Sai Packaging, India	**8.4**	2.2
Trident Chemphar Limited, India	**68.9**	92.3
Pranit Happy Homes Private Limited, India	**(0.8)**	–
Pranit Packaging Private Limited, India	**3.4**	–

17. 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 ₹92.2 (March 31, 2010: ₹110.5).

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

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 ₹55.2 (March 31, 2010: ₹49.2).

iii. The net carrying amount of the buildings obtained on finance lease ₹32.0 (March 31, 2010: ₹32.3).

18. Disclosure regarding Derivative Instruments

a. The aggregate amount of forward contracts entered into by the parent company and remaining outstanding at year end are given below:

Sell
US $ Nil (March 31,2010: US $ 16,000,000, INR 718.4) - To hedge receivables in foreign currency.

Buy
US $ 11,645,634, INR 519.3 (March 31, 2010: Nil) - To hedge payables in foreign currency.

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

Name of the Company	**March 31, 2011**	March 31, 2010
Loans availed	**(16,102.0)**	(9,621.0)
Sundry debtors	**10,796.1**	9,147.9
Loans and advances	**1,723.3**	2,817.7
Sundry creditors	**(1,944.0)**	(2,229.5)
Interest accrued but not due	**(39.6)**	(0.4)
Foreign Currency Convertible Bonds	**(6,207.6)**	(7,677.1)
Investments	**4,976.9**	3,770.5
Bank balances	**5.2**	2.2

19. In accordance with Paragraph 10 of Notified Accounting Standard 9 on Revenue Recognition, excise duty on sales amounting to ₹995.0 (March 31, 2010: ₹759.0) has been reduced from sales in Consolidated Profit and Loss Account and excise duty on increase in closing stock of finished goods amounting to ₹26.7 (March 31, 2010: ₹4.4) has been debited in the Consolidated Profit and Loss Account.

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

20. 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 distribution 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, 2011 are given below:

Consolidated Balance Sheet	**March 31, 2011**	March 31, 2010
Unsecured loans	**–**	228.9
Total Liabilities	**–**	228.9
Fixed assets (Net block)	**0.5**	219.0
Inventories	**142.7**	33.7
Sundry debtors	**86.4**	115.0
Cash and bank balances	**23.3**	46.7
Loans and advances	**44.8**	0.4
Current liabilities	**(66.0)**	(23.1)
Total Assets	**231.7**	391.7

Consolidated Profit and Loss Account	**2010-2011**	2009-2010
Sales	**76.9**	267.0
Other income	**120.7**	81.2
Increase in stocks	**141.2**	5.7
Total Revenue	**338.8**	353.9
Raw materials consumed	**4.5**	102.6
Other manufacturing expenses	**11.6**	36.2
Payments to and provisions for employees	**35.0**	48.8
Administrative and selling expenses	**40.0**	26.6
Interest and finance charges	**9.0**	15.5
Depreciation	**6.8**	13.1
Total Expenses	**106.9**	242.8
Provision for Taxation		
Current Tax	**23.6**	15.6

Contingent liabilities of the above joint venture entities ₹Nil (March 31, 2010: ₹Nil).

Capital commitments of the above joint venture entities ₹Nil (March 31, 2010: ₹Nil).

21. 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.

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

- 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) 'USA' 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 paragraph 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, 2011					
Particulars	**India**	**China**	**U.S.A.**	**Rest of the World**	**Eliminations**	**Consolidated**
Revenue						
External sales	32,694.2	142.4	6,510.2	4,468.0	–	43,814.8
Inter-segment sales	8,637.0	1,268.5	–	1.6	(9,907.1)	–
Total revenue	**41,331.2**	**1,410.9**	**6,510.2**	**4,469.6**	**(9,907.1)**	**43,814.8**
Other information						
Segment assets	51,547.8	247.5	7,505.5	6,166.9	(8,660.5)	56,807.2
Other assets						1,965.2
Total assets						58,772.4
Segment liabilities	15,310.0	42.5	4,268.0	2,406.4	(6,294.5)	15,732.4
Other liabilities						18,591.7
Total liabilities						34,324.1
Capital expenditure	5,505.9	37.0	514.7	799.7	–	6,857.3
Depreciation/amortization	1,250.8	271.0	122.4	337.3	(266.5)	1,715.0
Non-cash expenses other than depreciation	36.4	40.9	–	170.1	–	247.4

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

Particulars	For the year ended and as at March 31, 2010					
	India	**China**	**U.S.A.**	**Rest of the World**	**Eliminations**	**Consolidated**
Revenue						
External sales	24,338.7	228.7	6,648.5	4,538.5	–	35,754.4
Inter-segment sales	8,182.9	2,238.2	–	–	(10,421.1)	–
Total revenue	**32,521.6**	**2,466.9**	**6,648.5**	**4,538.5**	**(10,421.1)**	**35,754.4**
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						29,622.4
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

22. 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 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 9, 2011.

For and on behalf of the Board of Directors of Aurobindo Pharma Limited

K. NITHYANANDA REDDY
Managing Director

Dr. M. SIVAKUMARAN
Director

S. B. Singhi

SUDHIR B. SINGHI
Chief Financial Officer

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

Tear Here

AUROBINDO PHARMA LIMITED

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

ATTENDANCE SLIP

Day	Friday
Date	29th July, 2011
Time	4.00 p.m.
Venue	Katriya Hotel & Towers, 8 Rajbhavan Road, Somajiguda, Hyderabad 500 082

Mr./Ms. ....

....

....

....

Reg. Folio No.

Demat Particulars
DP ID No.

Client ID No.

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 24th 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 24th ANNUAL GENERAL MEETING of the Company to be held **at 4.00 p.m. on Friday, the 29th July, 2011** 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
MHRA	The Medicines and Healthcare products Regulatory Agency, U.K.
NAM	National Authority on Medicines, Finland
NDA	New Drug Application
PEPFAR	President's Emergency Plan for AIDs Relief
PMDA	Pharmaceutical and Medical Divices Agency, Japan
QA/QC	Quality assurance/Quality control
SSP	Semi-synthetic penicillins
TGA	Therapeutic Goods Administration, Australia
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

The woods are lovely, dark and deep.
But I have promises to keep,
And miles to go before I sleep,
And miles to go before I sleep.

Robert Frost

AUROBINDO
PHARMA LIMITED

Plot No. 2, Maitri Vihar, Ameerpet,
Hyderabad - 500 038
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