AUROBINDO

TOWARDS SUSTAINED PROFITABLE GROWTH.

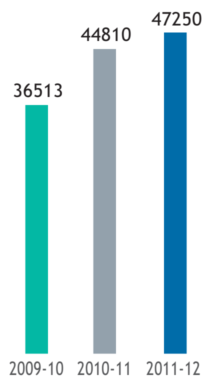
AUROBINDO PHARMA LIMITED | ANNUAL REPORT 2011-12

AUROBINDO IS A LEADING GLOBAL PHARMACEUTICAL COMPANY WITH OVER 25 YEARS OF EXPERIENCE. WE DEVELOP, MANUFACTURE AND MARKET ACTIVE PHARMACEUTICAL INGREDIENTS AND FINISHED DOSAGE FORMULATIONS.

Contents

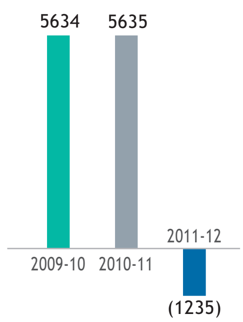
FINANCIAL HIGHLIGHTS
2011-12

Revenue
₹ Million



Consolidated

Profit/(Loss) after tax
₹ Million



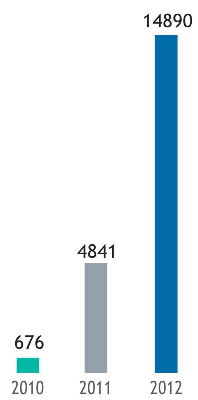
Consolidated

Dividend
%

2009-10	2010-11	2011-12*
100	200	100

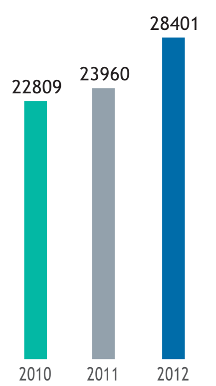
* proposed

Term loans
₹ Million



Consolidated
As at March 31

Net Fixed Assets
₹ Million



Consolidated
As at March 31

Book Value
₹

2010	2011	2012
65.6	84.0	80.4

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

Consolidated
As at March 31

WHAT WE DO.
HOW WE DO IT.

Aurobindo's strength lies in vertically integrating its active pharmaceutical ingredients (APIs) with finished dosages to yield quality, generic formulations based on extensive pharmaceutical research. We couple non-infringing processes and chemistry challenges for drug substances with non-infringing and complex drug products developed by using innovative technologies. In the process, the vast scientific pool at Aurobindo creates intellectual wealth for the Company and commercializes cost effective, quality generic finished dosages for people across the globe.

Aurobindo employs more than 8,600 professionals across various divisions - API manufacturing, formulation manufacturing, chemical R&D, formulation R&D and overseas operations.

Newly inaugurated Research Centre - APLRC-II

AUROBINDO

CORE STRENGTHS

SCALES AND LEADERSHIP

Large manufacturing facilities approved by leading regulatory bodies

Large diversified product portfolio

Large R&D facility in India for formulations and active ingredients

OPERATIONAL EXCELLENCE

Vertical integration

Proven regulatory expertise

Technology and know-how for specialty formulations

SERVICE DELIVERY

Global marketing network

Customer centric approach and relationship oriented marketing

Speed and effectiveness in execution with TQA

CORPORATE VALUES

BUSINESS CARE

- Operational Excellence
- Stakeholder orientation
- Quality, Innovision

PEOPLE CARE

- Fairness, Humility & Respect for individuals
- Teamwork, Synergy
- Applied learning

ORGANIZATION CARE

- Accountability
- Integrity
- Achievement

Business care is the continuous monitoring and improvement of performance indicators.

People care deals with the core philosophy of the management of human resources such as talent development, talent recognition and talent welfare.

Organization care deals with the action and words of employees that lead to building Brand Aurobindo.

2011-12 WAS CHALLENGING, YET A SATISFACTORY YEAR.

P.V. RAMPRASAD REDDY
CHAIRMAN

OUR POSITIONING IN THE MARKET STABILIZED WITH SEVERAL MORE PRODUCTS LAUNCHED AND WELL ACCEPTED. THE EFFORTS MADE OVER THE YEARS ARE PAYING OFF. I AM GRATIFIED TO SEE THAT OUR STRONG POSITION IS BASED ON OUR LONG-TERM CUSTOMER RELATIONSHIPS AND OUR INSTALLED EQUIPMENT BASE AS WELL AS OUR CONTINUOUSLY DEVELOPING PRODUCT AND SERVICE OFFERINGS.

The year was eventful. Aurobindo coped well with the dual challenges of the global environment and strident competition in the pharmaceutical industry. On the operational front, we took necessary steps to address and be ready to resolve the regulatory challenges with US FDA around our Unit VI cephalosporin manufacturing facility. We consciously ramped up our investment in quality management systems, sensitizing the employees at every level, and are striving to make our compliance standards one of the best in the industry.

It was also a year in which we redeemed the FCCBs on the due date, even if it meant incurring a loss while discharging them at a premium. We paid redemption premium (Yield to Maturity) including Withholding Tax amounting to ₹3198.6 million on redemption of FCCBs which resulted in a loss of ₹1228 million.

We encountered sharp volatility in currencies, with a tendency for the rupee to get weaker. At the close of the year, the rupee had depreciated by 14.1%. Consequently, this resulted in a forex loss of ₹2480 million. The rupee's weakness also impacted our foreign currency denominated borrowings.

Raw material costs were fairly correlated to the hardening global petroleum prices, impacting cost of production and putting pressure on margins.

It is in such a backdrop that we closed the financial year with a loss of ₹1235 million (Consolidated).

I believe the business environment will continue to remain challenging for a year or two. As economies in the advanced markets manage their pressure points and governments intervene and regulate healthcare costs to make it affordable for their people, pricing will be even more competitive. We're witnessing a slowdown across Europe and currencies are expected to remain volatile in relation to the dollar. Having said that, we at Aurobindo believe in getting ahead despite challenges.

We shall demonstrate our strength in dealing with complex chemistry, advance and exploit our intellectual capital, build a portfolio of high entry barrier products and reassure with our compliance standards.

Aurobindo aims to deliver better performance in terms of profitability and return on capital in our chosen markets and enhance shareholder value. We do this through our customer centricity, focus on quality, looking for cost efficiencies, pursuing operational excellence and committing ourselves to continuously improving on environment, health and safety standards. All of us at Aurobindo are taking important steps toward becoming a global pharmaceutical presence by working on the following strategies:

Underlining quality

We shall be known by our commitment to quality and be a reliable and preferred resource for our customers and consumers. As far as possible, we shall be system driven and where practical, we shall automate our operations to maintain consistency and minimize variance between operations.

Leading with research & development

We shall demonstrate our strength in dealing with complex chemistry, advance and exploit our intellectual capital, build a portfolio of high entry barrier products and reassure with our compliance standards.

Fostering operational excellence

The discernible value that we provide to our customers and cost optimization shall be the motivator for our employees to excel in their efforts & outcomes.

Creating a performance-driven culture

With their heightened professionalism and accountability levels, employees will be encouraged to give of their best, learn from their successes and setbacks and pursue opportunities to improve their performance on their own initiative.

Focusing on environment, health and safety

We actively promote the health and safety of everyone in our facilities with policies, processes and practical programs to help individuals to safeguard themselves and their colleagues. Safe practices shall be part of our value chain.

Driving bottom line growth

We shall focus on complex chemistry and high entry-barrier products. We will refocus on APIs to step up margins, develop markets for our high-value top-ten products both in APIs and formulations and introduce products with high entry-barriers. Managing production cycle-time, cost control and waste elimination will help us to optimize operating efficiencies. We shall target to improve EBITDA quarter-on-quarter from Q2FY13 and shall also generate adequate cash flow from operations to deleverage our balance sheet.

Each of these strategy initiatives are already in action. We are on track towards sustained profitable growth. We are determined to do whatever it takes, and do it fast.

We are also making positive changes at Aurobindo by inducting professionals who have it in them to take us to the next level. I warmly welcome Mr. Govindarajan, a highly experienced professional, who has been inducted into the Board and assumes office as the Managing Director effective June 1, 2012. I also warmly welcome Mr. Ravindra Shenoy, another experienced professional, who joins the Board on June 1, 2012 as the Joint Managing Director. I wish them well and look forward to their success in taking the Company to the next level.

Effective June 1, 2012, I shall demit office as Chairman, and shall remain a Whole-time Director focused on North American markets. Mr. Nithyananda Reddy assumes office as Vice Chairman and Whole-time Director and shall be a resource for the professionals who have joined us. Mr. Ragunathan, a well-known management consultant will be the Chairman of the Board and continue as a Non-Executive Director.

I take this opportunity to thank all employees, customers and vendors who have brought us to where we are and have been my source of strength as the Chairman of the Board. Our employees are precious and they have demonstrated the strength and potential of Aurobindo. I would like to thank our large family of investors for the confidence they have placed in our Company. I request all our customers, vendors, employees and investors to extend their usual support and co-operation to the new team that will be at the helm.

WE BROUGHT TRACTION TO OUR OPERATIONS.

K. NITHYANANDA REDDY
MANAGING DIRECTOR

WE SHALL AGGRESSIVELY DRIVE UP THE REVENUES, PARE COSTS, ENHANCE PRODUCTIVITY, IMPROVE THE BUSINESS MIX, LOWER THE GEARING AND TAKE SEVERAL OTHER ACTIONS TO IMPROVE THE PROFIT AFTER TAX. WE SHALL STRIVE TO MAKE AUROBINDO THE COMPANY OF CHOICE FOR ALL OUR STAKEHOLDERS.

Q. How would you describe the performance of the Company in 2011-12?

A. Under challenging conditions, I am gratified that we stood up well. We recognized that we need to step up to the plate, build and cement our relationships with customers and were reassured that our customers were supportive of our efforts to enhance our deliverables. I was particularly satisfied when our team responded as a unit to proactively become a learning organization, improve the quality management systems and processes. Aurobindo has set itself a goal to become a zero-defect company in the foreseeable future. This to my mind was the most reassuring aspect of our journey into maturing as a leading player in the industry.

Q. What were the key achievements in the year?

A. We gave traction to our own operations by introducing new products in the market, expanded our geographies with more focus in countries such as Japan, Australia, Brazil, Latam, Russia, and the Middle East, and renewed our thrust in the API market as an effective counter to the downsizing of the advanced markets. We also stayed focused on our operational excellence program and building a performance driven culture. We believe that the gains can be expected in 2012-13.

AUROBINDO

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Q. What have you done to enhance operational performance?

A. Many changes stemmed from looking inward at our execution capabilities and examining our service deliveries, and in particular the due date performance. Supply chain initiatives reduced the lead time for delivery from receipt of orders, which in turn lowered the inventory and ultimately made significant improvement in customer relationships. We were on a learning mode and examined processes, costs, yields and productivity. We invested in underlining quality in whatever we do.

Q. How is Aurobindo placed now?

A. Today, Aurobindo is respected by its customers for our large infrastructure for both APIs and formulations. They also recognize our ability to develop new products and regulatory expertise. They see our potential and appreciate our confidence to compete with the best in the business. They see a large base of competencies and believe that we are capable of becoming a partner of choice, a preferred supplier and a capable collaborator who works for mutual benefit.

Q. What are the near-term targets?

A. We are striving to be best-in-class, a company that faces challenges with a positive approach, is known for execution capabilities and in the process, becomes a preferred employer. These objectives can be built only when we succeed on the strategies adopted by the Company on the journey towards sustained profitable growth. Team Aurobindo is dedicated to all the six strategies outlined and I see a renewed momentum in the new financial year.

Q. What are the immediate challenges and how will Aurobindo overcome them?

A. Dollar-rupee parity is creating an opposite impact on our financials. A stronger dollar adds to our income and cash. But it also creates the need to provide for a larger quantum of repayment of our debt borrowed in foreign currencies. This conundrum needs to be addressed. We shall aggressively drive up the revenues, pare costs, enhance productivity, improve the business mix, lower the gearing and take several other actions to improve the profit after tax. We shall strive to make Aurobindo the company of choice for all our stakeholders.

1

UNDERLINING QUALITY

PRIORITIES

COMMITTED TO QUALITY, AT ANY COST

CONFORM TO REGULATORY NORMS & CUSTOMER REQUIREMENTS

BELIEVE PROCESSES ARE AS IMPORTANT AS PRODUCTS

SINCE QUALITY IS BUILT THROUGH RELENTLESS EXPRESSION OF A LEARNING CULTURE AND HABIT, WE SHALL CONTINUOUSLY RAISE THE AWARENESS LEVEL TO UPGRADE OURSELVES. HUMAN HEALTH AND SAFETY IS NOT NEGOTIABLE AND WE SHALL OFFER THE BEST TO PROTECT AND PROMOTE IT.

The quality policy of the Company is to provide assurance and satisfy customer expectations by offering consistent quality through continual improvement of our Quality Management System and manufacturing excellence in full compliance with cGMP. Our stringent quality policy is based on global guidelines, laws and regulations governing the manufacture of pharmaceutical solid, liquid, oral dosage forms, sterile liquid and dry powder parenteral products as well as pharmacopoeial requirements. It goes without saying that we also meet the needs of our customers, at all times.

Our principles, quality management system and good manufacturing practices are targeted at ensuring that each product meets the respective customer's requirements for safety, identity, potency, strength, quality, purity, uniformity, reliability and stability. Our internal policies and procedures are tailored towards planning, design and construction of facilities and validation of processes, products, test methods and systems.

We seek to match our quality standards to the best in the industry, anywhere in the world. This presupposes that we shall be system-driven and the laid-down processes are executed without a variance. Quality therefore is everyone's responsibility and is monitored by departmental self-audits, internal audits, quality assurance compliance audits and regulatory agency inspections. Every lesson learnt is an investment in our endeavor to improve our systems and processes. Employees have been sensitized to upgrade to offer the best.

Quality cannot be compartmentalized nor implemented in installments. Regulatory compliance or meeting customer needs cannot be independent of routine organizational processes. The Company therefore trains its employees to achieve a measure of excellence or a state of being free-from-defects in every transaction, from end-to-end. They are encouraged to stay steadfast and be devoted to honesty in business transactions and interfaces. This process has added a few key dimensions to the work culture, such as:

- achieve consistent action by choice;
- do it right for the first time;
- create distinctiveness between the present & future alternatives;
- go beyond customer desired outcomes;
- work for timely and value added solutions;
- strive for consistency between what we think, say and act;
- be steadfast even when challenged;
- motivate self to act decisively with high energy;
- have a strong desire and drive to focus on performance and desired business results;
- set and achieve higher standards of excellence;
- seek feedback to improve the performance standards;
- experience a sense of fulfillment after a day's work.

These initiatives have opened up the employees to look beyond the immediate, and discover the present and future business opportunities. It's an organization-wide change where the processes have improved, with investments made to do things right, harmonizing good practices across all manufacturing facilities. The payback is likely to stretch beyond the balance sheet.

2

LEADING WITH RESEARCH & DEVELOPMENT

PRIORITIES

QUALITY BY DESIGN IN PRODUCT AND PROCESS DEVELOPMENT

PRODUCT DEVELOPMENT TO MEET BUSINESS DEMANDS AND CONTRIBUTE TO THE BOTTOM LINE

FOCUS ON CREATIVE POWER OF MANAGING COMPLEX CHEMISTRY TO DEVELOP PRODUCTS WITH HIGH ENTRY BARRIER

RESEARCH BY DESIGN TO MEET MARKET DEMANDS AT COMPETITIVE PRICE.

R&D is dedicated to achieve two primary objectives; foster quality product development which meets market demand, and contribute to the bottom line of the Company. The focus areas are:

- **Quality by design:** In line with regulatory expectations, R&D teams have embraced a quality-by-design approach in product and process development;
- **Cost effectiveness:** In line with business expectations, R&D emphasizes cost consciousness in the increasingly competitive generic market.

The R&D teams are integrated into the operations of the business units, both in marketing and manufacturing interface, ensuring product development oriented to market requirements and customer needs. The time-to-market, the short time it takes between product development, submission for regulatory approval and post-approval product launch, is a major competitive advantage for Aurobindo.

In a bid to sharpen the focus and lead the business by introducing new processes and products, the R&D function has been consolidated with establishment of a new state-of-the-art Centre for Chemical Research (APLRC 2) dedicated to API research with additional resources aimed at strengthening the product basket and leading the CRAMS initiative, all under one roof spanning more than 559,000 sq. ft. (52,000 sq.mts). The existing R&D Centre (APLRC 1) supplemented with fresh talent is already ramping up oral and pre-oral research for formulation products. We therefore have two Centers of Excellence leading the way forward.

Research teams are dedicated to identifying opportunities for the oral solids and the parenteral portfolios. The parenteral portfolio team has been created for focus on injectable and ophthalmic formulations. Many new products in these categories have been developed and filed or are ready for filing. The Company now has products ready to be filed in the ophthalmic segment.

The core strength of the Company is the ability to convert knowledge into complex chemistry and molecules and be date driven in building a product portfolio. The team's strength can be better appreciated by the successes in the selection process for products with potential growth in the market, search for synthetic routes which facilitate create non-infringing processes and patents, design processes and purification methods that meet ICH guidelines, ensure regulatory compliance while launching high-value products with entry barriers.

The existing approved product portfolio is spread across several dosage forms including tablets, capsules, liquid filled capsules, injectables, hormonal products, ophthalmics, OTC products with the right mix of first-to-files (F2F), Paragraph IV applications and vanilla generics. In addition, more than 175 products are under various stages of active development. Besides the R&D Centres based in Hyderabad, the Company continues to employ a team of scientists based in Dayton, New Jersey who develop niche products, particularly in the area of controlled substances.

During 2011-12, the Company filed 30 ANDAs with US FDA, 267 dossiers in Europe, 33 in South Africa, 16 in Australia and 10 in Canada. The R&D team has achieved significant milestones - our 150th ANDA approval and 100th EU approval. During the financial year, 36 patents have been filed taking the cumulative filings to 500.

Our R&D team has a long-term perspective and shall continue to sharpen our competitive thrust by working on technologies required to develop new products and processes and ensure that Aurobindo stays on course to becoming one of the admired regulatory-compliant pharmaceutical companies.

3

FOSTERING OPERATIONAL EXCELLENCE

PRIORITIES

EMPOWER THE EMPLOYEES TO ADD VALUE TO THEIR ROLE AND RESULTS

WORK WITH LEAN SIX SIGMA: OPTIMIZE RESOURCES AND MINIMIZE VARIATION

PEOPLE CARE AND ASSET CARE TO LEAD TO PROCESS CARE

AT AUROBINDO, WE SEEK TO RAISE OUR VALUE OFFERING TO THE CUSTOMERS BY ENHANCING PRODUCTIVITY, QUALITY AND RELIABILITY. FOR US, IT IS A CONTINUOUS JOURNEY TOWARDS EXCELLENCE WHERE EVERY EMPLOYEE CAN SEE THE FLOW OF VALUE TO THE CUSTOMER AND CONTRIBUTE TO ENHANCE IT.

Employees at all levels across Aurobindo spread the culture of lean six sigma where conscious efforts are made to identify and execute process improvements within their functions to add value to their deliverables. Individuals have been sensitized to go beyond their role and see the flow of value and results. This exercise was given impetus during the year which has raised the level of employee engagement, enthusiasm and energy.

Training inputs have encouraged employees to:

- apply scientific methods to achieve the goals set for each functional team
- adhere to a process-oriented approach
- take actions that result in distinctly visible and measurable results
- endeavor to seek continuous improvement
- ensure process, people and equipment safety

Operational excellence is an effort to share best practices, create a harmonized process within the organization, reduce the need to employ resources, minimize variability between tasks, operations, processes and products and offer a reliable dashboard for an objective review system. Overall, there is a perceptible improvement in executing processes from the perspective of the customers.

Aurobindo sees quantifiable benefits such as the ability to deliver products and services on time, reduce the cost of operations, optimize the utilization of productive assets, improve manpower deployment, communicate better with external stakeholders (especially vendors and customers) and internal teams, reduce time cycles and create a metrics based approach for review and feedback. Several employees made notable contributions through the year and were rewarded and recognized.

This is a continuous journey with significant benefits to the business and bottom line, much of which will be visible as the process gets internalized and empowered employees see the flow of value to the stakeholders. The impact the employees make will itself act as a sustainable multiplier.

4

CREATING A PERFORMANCE-DRIVEN CULTURE

PRIORITIES

TRANSFORM INTO A HIGHLY PROFESSIONAL AND SYSTEMS-DRIVEN COMPANY

ENHANCE COMPETENCIES AND DEVELOP LEADERSHIP ABILITIES

DEVELOP AN ACCOUNTABILITY METRICS TO RAISE PERFORMANCE RESULTS

OUR EMPLOYEES ARE BECOMING OUR COMPETITIVE ADVANTAGE. ACROSS THE ORGANIZATION, PARTICIPATORY PROFESSIONAL TEAMS ARE BRINGING A SHARED UNDERSTANDING TO PROMOTE A PERFORMANCE-DRIVEN CULTURE AND RAISE THE LEVEL OF EFFECTIVENESS.

Focused initiatives have been taken to create a culture of learning and development where individuals see that personal growth is intrinsically linked to organizational growth. Training sessions complement the employees' needs, spell out corporate values while stepping-up their skill sets. Aurobindo believes in compliance standards and seeks transparency in performance communication. Training inputs have made systemic changes, raised quality consciousness, enhanced data integrity, facilitated internalization of corporate values and brought about a cultural change.

One of the highlights of the financial year 2011-12 was instituting the process of transformation of employees' attitudes, shifting towards team work and synergy of people within and among groups to continuously improve each other's performance. The process was sustained with continuous opportunity for our people to tap their full potential and goal setting led to building teams. They demonstrated trust and empowerment with effective delegation. Individuals and teams were encouraged to take ownership of projects, processes, products, outcomes and results.

Team leaders have improved their group participation with high levels of commitment, subordinated individual and departmental goals to organizational goals, strived to be role models to stretch beyond commitments made and demand robust performance from their colleagues. A recrafted performance management system has added a more objective assessment process in which employees set their key result areas, improve their accountability levels and are then measured on achievements. The underperformers get identified and are helped to revert to the mean. Across the organization, participatory professional teams are bringing a shared understanding to promote a performance-driven culture and raise the level of effectiveness.

Significant efforts made in 2011-12 are enabling continuous monitoring and improvement of performance indicators. Indeed, the Company could manage its challenges of the recent past, develop its market, improve on its technological edge and enhance its quality consciousness primarily due to the competence, commitment and perseverance of our well-trained and motivated employees. Their optimism is adding to the competitive advantage of Aurobindo.

5

FOCUSING ON ENVIRONMENT, HEALTH AND SAFETY

PRIORITIES

ENSURE INFRASTRUCTURE SYSTEMS AND PROCEDURES ACROSS ALL FACILITIES ARE HARMONIZED, STANDARDIZED AND IMPLEMENTED TO MEET INTERNATIONAL SAFETY STANDARDS

ENDEAVOR TO ACHIEVE ZERO DISCHARGE OF EFFLUENTS

REDUCE USE OF NATURAL RESOURCES AND TAKE CARE TO AVOID WASTAGE

WE SHALL CONDUCT OUR ACTIVITIES IN A RESPONSIBLE MANNER, TAKE CARE OF THE ENVIRONMENT, HEALTH, SAFETY AND WELFARE OF EVERYONE IN THE COMMUNITY AND MINIMIZE THE IMPACT ON THE ENVIRONMENT. OUR APPROACH TO EHS SHALL BE AN INTEGRAL PART OF OUR BUSINESS ACTIVITIES, AND PROMOTE ADHERENCE TO THE HIGHEST STANDARDS OF SAFETY IN THE OPERATIONS OF OUR FACILITIES.

At Aurobindo, operating profitably is as important as safeguarding the ecological basis of life and achieving a balance. The cornerstone of sustainable business development in the long-term includes the competitive creation of value in manufacturing as well as preservation of natural resources in a responsible and human-friendly work environment. The Company has pursued forward-looking environmental policies involving foresighted and prudent use of available natural resources in its operations.

New materials, systems, processes and procedures are evaluated with regard to environmental compatibility and tested at the planning stage.

The product portfolio is comprised of products manufactured from safe raw materials with high utilization and low wastage. There is considerable effort made to recycle materials and save water, energy and fuels.

During the financial year 2011-12, environment initiatives undertaken include:

- Achieved zero liquid discharge at two API units (Units VIII and IX);
- Installed on-line stack monitoring equipment for boiler stacks at Units I, V and VI;
- Installed and commissioned stripper, MEE and ATFD at Unit XI;

- Installation of stand-by wastewater treatment systems at Units V and IX (MEE and ATFD) for business continuity;
- Entered into agreements with cement units for disposal of liquid organic wastes at 'zero' handling and disposal costs;
- Installed sewage treatment plant at Unit I;
- Initiation for installation of continuous ambient air quality monitoring station at Unit XI;
- Accredited to ISO:14001 certification for Unit VI (A&B).

Commitment to environment is an on-going exercise and action is being taken to:

Add reverse osmosis systems for treatment of wastewater: in order to reduce waste loads for treatment, achieve cost reduction and maximize recycling of treated wastewater;

- Install sewage treatment plant at Research Center 2;
- Set up a reverse osmosis system at Unit XI;
- Up-gradation of hazardous waste storage facilities and container detoxification facilities;
- Endeavor to obtain ISO 14001 for Units V, IX and XI.

To create a more secure work environment for our employees, a few concrete steps were initiated to pro-actively identify process safety issues and resolve them, including the following:

- Process risk analysis in API units;
- Re-HAZOP of all processes in API units;
- Activity-based risk assessment for non-process activities (warehouse, engineering, QC) in both API and formulation units;
- Devise specific handling procedures for hazardous chemicals with training on those procedures;
- Process safety testing: determination of thermal conductivity of all powders and flammability of powders which are not conductive;
- Review of layouts and P&ID for new projects before finalization.

Presently, the following steps have been initiated to improve our review and auditing process:

- Examination of processes involving hazardous raw materials and critical chemistry by senior management;
- Inter plant safety audits - where safety personnel from one unit audits another unit;
- Monthly review of EHS along with the operations team;
- Appointment of a world-class consultant to evaluate the safety management system and give directions to bring about a cultural and attitude change towards safety;
- Creation of departmental safety committees to ensure participation of employees in lower cadre in safety communication and propagation;
- EHS alert system, in which significant EHS incidents and learning from those are shared across all units of Aurobindo.

Improving our environmental performance and raising awareness of our commitment is a key element of our value chain. We believe higher standards in providing safety, ensuring protection, reducing wastage, minimizing consumption of natural resources and caring for the future are all as much good economics as they are in adding to our sustainable growth. Better relations with the customers and society and earning their trust should ultimately reflect in the balance sheet.

6

DRIVING BOTTOM LINE GROWTH

PRIORITIES

- *FOCUS ON HIGH-VALUE PRODUCTS*
- *OPTIMIZE MANUFACTURING OPERATIONS TO ENHANCE SAVINGS*
- *DELEVERAGE THE BALANCE SHEET THROUGH INTERNAL GENERATION*

WE SHALL STRIVE TO CONTINUOUSLY IMPROVE PROFITABILITY AND PROFIT. THE TARGET IS TO DEMONSTRATE MARKED IMPROVEMENT, WITH CONSIDERABLE ENHANCEMENT IN THE QUALITY OF EARNINGS.

Well-orchestrated efforts are being made to enhance earnings by pushing volumes of our products in the existing markets, improving revenue, optimizing efficiencies, expanding margins, reducing debt and consequent interest costs and reverting to the growth track that the Company had set for itself for several years. Given the challenges of the environment, it is imperative that we firewall our Company by simultaneously improving our profitability and providing for untoward contingencies in the global landscape. This translates to not just doing what we have planned, but doing them better.

For instance, our renewed focus on APIs not only disperses risk, it also sets us firmly on the path towards sustainable growth by securing new growth opportunities. Our strength is manufacturing and extensively ramped-up regulatory-inspected facilities. This enormous strength is being leveraged since we perceive better opportunities in marketing API in advanced markets, as against our earlier policy of providing for captive consumption of our formulation requirements. We shall manufacture higher volumes to meet rising demand, absorb overheads better and enhance revenue in a hardening currency environment. This is a significant lever to add momentum to the bottom line.

While we have several products in the market, our attempt is to develop our top-ten products, gain market share as well as gain geographic spread. Focus will be on high-value and high entry-barrier products in a bid to add to traction. Similarly, wherever we have regulatory approval, we shall be shortening the time-to-market. Every engine of growth is expected to make a difference to the bottom line.

We have adequate headroom to optimize our production efficiencies. Some of the initiatives taken up include improving production time cycles, increasing batch sizes, improving yield, lowering utility consumption especially fossil fuels and power and by minimizing waste. Significant improvement is being planned, some of which will go on-stream from Q2FY13.

All this is expected to impact EBITDA from the Q3FY13. Cash flow projections are worked out for deleveraging the balance sheet from internal generations. With a bare minimum projected for capital expenditure plan, Aurobindo will be able to reduce its gearing. We shall strive to pare the debt despite increased size of operations to enable the Company to reduce interest payout, again favorably impacting the bottom line.

Prudential and conservative accounting policies will continue to be followed to recognize liabilities and costs. The target is to demonstrate marked improvement, with considerable enhancement in the quality of earnings.

OUR BOARD OF DIRECTORS

As at June 1, 2012


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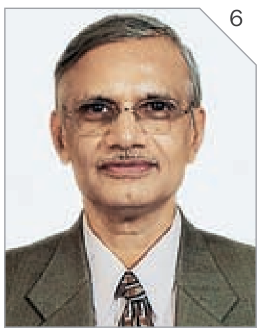
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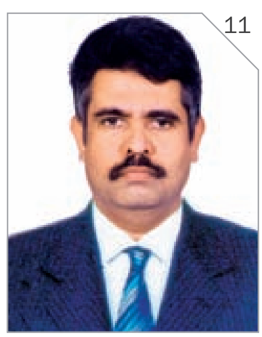
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Chief Financial Officer

Mr. Sudhir B. Singhi

General Manager (Legal) & Company Secretary

Mr. A. Mohan Rami Reddy

Statutory Auditors

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

Internal Auditors

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

1. **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.

2. **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.

3. **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 39 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.

4. **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.

5. **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.

6. **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.

7. **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.

8. **Mr. K. Ragunathan,** born 1963
Non-executive Director, he is a Chartered Accountant by profession and a leading management consultant. He has over 27 years of experience in consulting services.

9. **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 28 years of experience in the pharmaceutical industry and is the Chairman and Managing Director of Erithro Pharma Private Limited.

10. **Dr. C. Channa Reddy,** born 1944
Non-Executive Director, is Director Emeritus, the Huck Institutes of the Life Sciences, Pennsylvania State University and was Director of the Institute and Chairman of Department of Veterinary and Biomedical Sciences. He was awarded PhD in biochemistry by the Indian Institute of Science, Bangalore in 1975 and Post doctoral Fellowship in Bio-organic chemistry by the Pennsylvania State University.

    He is an authority on molecular aspects of biological oxidation reactions, has been a consultant to several multinational pharmaceutical companies and brings immense knowledge and experience in a valuable field of applied sciences.

11. **Mr. N. Govindarajan,** born 1968
Managing Director (designate), is a B.E. (Mechanical) from Annamalai University. He has more than 20 years of experience across a variety of domains such as bulk drugs, CRAMS, and finished dosages & biotechnology. He joined Aurobindo Pharma Limited as Chief Executive Officer (API & CRAMS) on October 7, 2010. Earlier, Mr. Govindarajan served as Managing Director & CEO of Shasun Pharmaceuticals Limited.

12. **Mr. Ravindra Y. Shenoy,** born 1970
Joint Managing Director (designate), is a Commerce Graduate, CWA, CS, DBF, MBA - Finance (NMIMS). He has more than 19 years of experience in the pharma sector spanning both domestic and international businesses. Earlier, he was COO of Alkem Laboratories 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 & 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

CERTIFICATIONS

Unit	Segment	Certifications
API UNITS		
Unit I	CVS, CNS, anti-allergics/ Cephalosporins (Non-sterile)	US FDA , MHRA (UK), TGA (Australia), ANVISA (Brazil), WHO
Unit V	Semi-synthetic penicillins	US FDA, MHRA (UK), EDQM, TGA (Australia), ANVISA (Brazil)
Unit VI A	Cephalosporins (Sterile)	MHRA (UK), EDQM, TGA (Australia), ANVISA (Brazil), Health Canada, MCC (SA)
Unit VIII	ARVs, CVS, CNS	US FDA, MHRA (UK), TGA (Australia), ANVISA (Brazil), KFDA, WHO
Unit IX	Intermediates	US FDA
Unit XI	ARVs, CVS, CNS	US FDA, MHRA (UK), TGA (Australia), KFDA, WHO
FORMULATIONS		
Unit III	Multi purpose Non-Betalactum	US FDA, INFARED, TGA (Australia), Health Canada, MCC (SA), ANVISA (Brazil)
Unit IV	Injectable (Non-Cephalosporins and Non-Semi-synthetic penicillins)	ANVISA (Brazil)
Unit VI B	Cephalosporins (Sterile & non-sterile)	FIMEA (Finland), TGA (Australia), ANVISA (Brazil), Health Canada, MCC (SA)
Unit VII	Multi purpose Non- Betalactum	US FDA, INFARED, MCC (SA), ANVISA (Brazil), TGA (Australia)
Unit XII	Semi-synthetic penicillins (Sterile & non-sterile)	US FDA, TGA (Australia), MCC (SA), ANVISA (Brazil), FIMEA (Finland)
Bio-equivalence (Inspected)		US FDA, MHRA (UK), AFSSAPS (France), ANVISA (Brazil), MCC (SA)

REGULATORY FILING STATUS AS AT MARCH 31, 2012

			Applied	Approved
Generics NDA / ANDAs	US FDA		224	145
	Europe		128	87
	South Africa		308	96
	Total		660	328
Active ingredients Drug Master Filings	US FDA		160	
	Europe	New Registrations	93	
		Multiple Registrations	1,302	
	Others		502	
	Certificate of Suitability		97	
	Total		2,154	
Patents			500	67

AUROBINDO

Management Discussion & Analysis

ECONOMIC BACKGROUND

According to the Economic Survey 2011-12, Indian economy is estimated to grow at 6.9% in 2011-12 and is expected to be around 7.6% in 2012-13. The growth has been broad based with a rebound in the agriculture sector which is expected to grow around 2.5%. Manufacturing and services sector also have registered impressive gains. The Survey reports that the industrial output growth rate was 3.9% while the services sector registered a growth rate of 9.4% in 2011-12.

In order to review the performance of Aurobindo in the financial year 2011-12, it will be relevant to comprehend the prevailing backdrop:

✓ India remains among the fastest growing economies of the world. The country's sovereign credit rating rose by a substantial 2.98% during the period 2007-12;

✓ Cumulative exports recorded during 2011-12 (April-January) stood at USD 242.8 billion, registering a growth of 23.5%;

✓ Imports in 2011-12 (April-January) at USD 391.5 billion registered a growth of 29.4%;

✓ Forex reserves stood at USD 292.6 billion at end of January 2012;

✓ Services sector grew by 9.4%, its share in gross domestic product (GDP) goes upto 59%

✓ Industrial growth is estimated to be 3.9%, expected to improve as economic recovery resumes;

✓ Foreign trade performance to remain a key driver of growth;

✓ Net capital flows stood at USD 41.1 billion in the first half of 2011-12, remained higher as compared to USD 38.9 billion in the first half of 2010-11;

✓ India's external debt stock stood at USD 326.6 billion at end September 2011;

The year was also adversely affected by severe inflationary pressures, rising interest costs, volatile rupee-dollar ratio with a tendency to get weaker and currency concerns in almost all trading partner-countries.

Despite the macro strains and likely headwind of double-dip recessions in Europe and the US, India's economic growth is expected to remain robust in 2012 and 2013, according to a United Nations' annual economic report - World Economic Situation and Prospects 2012. They believe Indian economy is expected to grow between 7.7% and 7.9% this year, as per the report.

India is the second most preferred destination for foreign investors, according to the report 'Doing Business in India' by Ernst & Young. The report explores India's key sectors, investment climate, funding scenario, laws and regulations, to aid companies that are doing, or plan to do business in India.

INDUSTRY PERSPECTIVE

After a brief period of sluggishness, the growth momentum in the domestic formulations market appears to be back on track. Structural demand drivers include:

a. rising household income levels;

b. increasing prevalence of lifestyle related diseases;

c. improving healthcare infrastructure/delivery systems; and

d. rising penetration in smaller towns and rural areas continue to support long term growth.

However, competitive pressures in the domestic market are likely to sustain as MNCs become aggressive and domestic companies leverage on their expanded field force. Potential regulatory interventions could put pressure or hurt pricing.

A large number of patent expirations continue to offer strong growth prospects for generic players in the developed markets. In the recent quarters, a peer set of seven leading generic players have reported a fairly strong revenue growth in the US driven by steadily expanding product portfolio and exclusivities. While patent expiries are expected to peak out in 2012, the growth momentum would sustain as most Indian companies have a fairly well-spread product pipeline till 2014. While some companies have a healthy pipeline of First-to-File (FTF) opportunities, a few others are likely to benefit from the launch of niche, limited competition products.

Significantly, the quality of filings by major Indian companies has also significantly improved over the years with complex molecules, non-orals (i.e. inhalers, injectables, oral contraceptive, ophthalmic etc) and Para IV/FTFs forming increased share of the pipeline.

Globally, generics players however, continue to face competitive environment with increasingly crowded space for filing ANDAs and Para IV challenges and aggressive product life cycle management strategies of large innovator companies. Price erosion, especially through regulatory interventions, remains a foremost challenge in the European markets, while presence in limited competition product segments and over-the-counter (OTCs) segment offers some protection for margins.

Most developed markets continue to move away from branded generics to commoditized un-branded generics and lower margin tender based business. Amongst new frontiers, Japanese generic market offers large potential, though there are significant challenges.

In the U.S., companies with a robust and selective product pipeline, presence in niche/complex segments and diversified therapies would continue to exhibit a relatively strong earnings profile. There would also be significant one-time upsides for companies, stemming largely from Para IV/FTF opportunities in US.

In the European markets, while companies may face pressure on profitability, volume growth would continue as healthcare reforms initiated by governments would push growth in generics. Emerging markets, with growing spend on healthcare and strong branded generic markets offer profitable growth opportunities for formulations business. Besides emerging markets, the gradually evolving generics opportunity in Japan, the second-largest market in the world (after United States) also offers the generic players an opportunity to pursue long-term investments.

On the CRAMS front, Indian players are focusing on providing services across the value chain spanning from development stage to commercial scale production. Relatively lower exposure to small biotech companies has been a risk mitigant during the downturn for these entities. With several drugs going off-patent and big pharma increasing their exposure to cost efficient sourcing locations, opportunities remain favorable for CRAMS players to provide developmental services and subsequently graduate to commercial scale production.

Key challenges facing the industry are potential implementation of the new pricing policy in India, increasing competitive pressure in the chronic segments, aggressive approach such as authorized generics by innovators in the US and healthcare reforms in European markets are some of the factors that could impede profitability for pharma companies.

Patent expirations, weak pipeline quality and increasing focus by governments to reduce healthcare costs continue to exert pressure on innovator companies which supports outsourcing to low-cost nations. Despite challenges, leading Indian players continue to exhibit strong profitability indicators (excluding one-time instances like exclusivity-related aberrations or impact of foreign exchange fluctuations) and credit metrics. These strengths are also reflected in their strong credit profile.

Overall, outlook on the Indian pharmaceutical companies remains favorable as earnings growth will continue with companies benefitting from an expanding domestic market, strong growth potential in developed markets on the back of patent expiries and potential outsourcing opportunities. Investments including capital expenditure are likely to remain buoyant over the medium term. Balance sheets of major pharmaceutical companies continue to remain strong providing adequate room for fund raising.

(Source: ICRA's Indian Pharmaceutical Sector Industry update, March 2012)

COMPANY PERSPECTIVE

Aurobindo has a strong presence across the pharmaceutical chain, manufacturing and marketing active pharma ingredients (also known as APIs/bulk actives/bulk drugs) and generics (also known as formulations). Both these market segments demonstrate growth trends every year with rising volume & value.

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, MHRA (UK), WHO, MCC (SA), ANVISA (Brazil) for both APIs & formulations and has global presence with own infrastructure, strategic alliances, subsidiaries & joint ventures.

Among the largest vertically integrated pharmaceutical companies in India, 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 together with a clutch of loyal customers, the Company has entered the high margin specialty generic formulations segment, with a global marketing network. The business is systematically organized with an identified accountability structure, and 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 US FDA/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.

THREATS AND CHALLENGES

Aurobindo is in a competitive market and the challenges are from both Indian manufacturers who have similar production facilities, as well as those in China & Europe. Human resources with similar skills, talents and experiences in the industry are mobile between competing companies. Yet, it must be appreciated that Indian manufacturers in general, and Aurobindo in particular, 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 centers 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 internal control system which is adequately monitored. Checks and balances and control systems have been established to ensure that assets are safe guarded, utilized with proper authorization and recorded in the books of account.

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

HUMAN RESOURCES

The company has re-crafted its human resource philosophy both in terms of HR Vision and Mission. These gave been formulated and practiced across the organization. In brief, they are iterated below:

HR Vision

'To make Aurobindo as a learning organization towards sustained business performance through progressive talent management.'

HR Mission

- ✓ To attract, build and retain right talent at all levels;
- ✓ To create and nurture performance culture through continuous capability building, performance measurement and leveraging IT;
- ✓ To foster leadership at all levels through trust, empowerment & openness;
- ✓ To strengthen collaborative approach for business excellence;
- ✓ Promote a vibrant work culture based on innovation and incentivize people based on productivity/outstanding performance.

As per the HR philosophy, the emphasis has been on the five critical dimensions of people management:

- ✓ Establishing vibrant organizational culture;
- ✓ Talent attraction and retention;
- ✓ Continuous capability building;
- ✓ Recognize outstanding performance of the team/individuals; and
- ✓ Staff welfare

IR situation by and large continues to be peaceful. The management has initiated various measures such as formation of bipartite forms and joint management councils to redress staff grievances and to improve welfare amenities in the plants. During the period under review, there was no incident of work stoppage or loss of production due to IR related issues.

CORPORATE SOCIAL RESPONSIBILITY (CSR)

Aurobindo's CSR charter covers the following areas of activities:

- ✓ Social welfare and
- ✓ Education

Under the social welfare scheme, the Company provides medical assistance and community service activities like provision of potable water at nearby villages, provision of bore well tanks and overhead tanks, laying of roads connecting villages etc.

Under the education scheme, the Company provides financial support and sponsors poor but meritorious students to undergo various courses and finances village schools to drive education among the students of village community members etc.

OUTLOOK

Aurobindo has set ambitious goals for the years through to 2015 in expectation of a moderate upward trend in the global economy. The Company has world-class manufacturing facilities and an enviable basket of approved markets and strong relationship built with some of the best names in the pharma industry. The management team has set in motion a set of strategic initiatives to improve the revenues and profitability of the Company.

The focus will be on expanding the markets and the profitability of the portfolio will be analyzed on a continual basis. By implementing these strategies, Aurobindo aims to increase its revenues, EBITDA margin and Return on Investment higher than the industry average. The Company is targeting to be cash flow positive, which would lower the leverage as well as reduce interest outgo, all of which are expected to translate in to growing earnings per share.

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 further 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 45% of its formulations revenues from the U.S., another 27% from the European Union and emerging markets, while anti-retrovirals make up the balance 28%. Formulations sales constitute about 55% of the total revenue, while API business accounts for 43%. Care is taken to grow in each of the product segments and the Company is striving to improve its presence in all its markets.

The Company holds regulatory approvals for large number of products in the 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 Japan, 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, thereby spreading the risk portfolio.

Slowdown in any one economy will not have a major influence on the industry. Overall, the healthcare industry is not price elastic, and is hence 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 with any significance since it is vertically integrated in its manufacturing processes. For most of its generic formulations, the Company has captive manufacture of active ingredients. This ensures timely availability, 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 664 approvals for ANDAs out of which 224 are with the US FDA. Approvals/tentative approvals received from US FDA total 145 as at March 31, 2012.

Similarly, as on the same date, the team has filed 2,154 DMFs including 160 with US FDA. 500 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 in the past, 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 500 patents and has been granted 67 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 U.S. 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. Both formulations and API business are being grown. While the initial thrust for the generic business was made to gain foothold in the U.S., the Company is making significant inroads into the European, Australian and Japanese markets. Aurobindo would be further accelerating with its marketing strategy to gain business volume for both businesses in the addressable markets.

Ongoing efforts are to widen the geographical spread by foraying into markets with large potential in Latam and the Rest of the World. 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 being volatile. This could affect earnings.

Presently, the rupee is showing signs of weakness in relation to the USD and there is no hedging of the currencies. The Company is also conscious of the impact on earnings when the volatility can be sharp and move both ways. This is being mitigated by the following actions:

No 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 Fifth Annual General Meeting of the Members of Aurobindo Pharma Limited will be held on **Tuesday, the 7th day of August, 2012 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, 2012 and the Statement of Profit and Loss 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 a dividend on the Equity Shares.
3. To appoint a Director in place of Mr. M. Sitarama Murthy who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Dr. D. Rajagopala Reddy who retires by rotation and being eligible, offers himself for reappointment
5. 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

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

   "RESOLVED THAT subject to the approval of Central Government and pursuant to the provisions of Sections 198, 269, 309, 310 and 311 and all other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII thereto and all guidelines for managerial remuneration issued by the Central Government from time to time, the Company hereby approves and ratifies the remuneration of ₹8,671,606 including the perquisites and other amenities paid/payable to Mr. P.V. Ramprasad Reddy (excluding contribution to Provident Fund of ₹9,360) during the period of his office as Chairman & Whole-time Director of the Company as the minimum remuneration for the financial year ended March 31, 2012 as approved by the Members previously including in excess of the prescribed limits in Schedule XIII of the Companies Act, 1956 due to loss in the Company for the financial year ended March 31, 2012."

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

   "RESOLVED THAT subject to the approval of Central Government and pursuant to the provisions of Sections 198, 269, 309, 310 and 311 and all other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII thereto and all guidelines for managerial remuneration issued by the Central Government from time to time, the Company hereby approves and ratifies the remuneration of ₹8,671,606 including the perquisites and other amenities paid/payable to Mr. K. Nithyananda Reddy (excluding contribution to Provident Fund of ₹9,360) during the period of his office as Managing Director of the Company as the minimum remuneration for the financial year ended March 31, 2012 as approved by the Members previously including in excess of the prescribed limits in Schedule XIII of the Companies Act, 1956 due to loss in the Company for the financial year ended March 31, 2012."

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

   "RESOLVED THAT subject to the approval of Central Government and pursuant to the provisions of Sections 198, 269, 309, 310 and 311 and all other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII thereto and all guidelines for managerial remuneration issued by the Central Government from time to time, the Company hereby approves and ratifies the remuneration of ₹8,671,606 including the perquisites and other amenities paid/payable to Dr. M. Sivakumaran (excluding contribution to Provident Fund of ₹9,360) during the period of his office as Whole-time Director of the Company as the minimum remuneration for the financial year ended March 31, 2012 as approved by the Members previously including in excess of the prescribed limits in Schedule XIII of the Companies Act, 1956 due to loss in the Company for the financial year ended March 31, 2012."

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

   "RESOLVED THAT subject to the approval of Central Government and pursuant to the provisions of Sections 198, 269, 309, 310 and 311 and all other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII thereto and all guidelines for managerial remuneration issued by the Central Government from time to time, the Company hereby approves and ratifies the remuneration of ₹8,671,606 including the perquisites and other amenities paid/payable to Mr. M. Madan Mohan Reddy (excluding contribution to Provident Fund of ₹9,360) during the period of his office as Whole-time Director of the Company as the minimum remuneration for the financial year ended March 31, 2012 as approved by the Members previously including in excess of the prescribed limits in Schedule XIII of the

Companies Act, 1956 due to loss in the Company for the financial year ended March 31, 2012."

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 Sections 198, 269, 309, 310 and 311 and all other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII to the said Act and subject to such other consents/ approvals as may be required, Dr. M. Sivakumaran be and is hereby re-appointed as Whole-time Director of the Company for a further period of three years with effect from June 1, 2012 whose term of office shall be liable to determination by retirement of directors by rotation at a remuneration and perquisites as detailed below:

a. Salary: ₹375,000 per month;

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

c. Medical Reimbursement:

   i. Reimbursement of medical expenses incurred for self and family subject to a ceiling of one month's salary in a year or 3 months' salary over a period of 3 years;

   ii. Mediclaim insurance as per rules of the Company;

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

e. Personal Accident Insurance: Premium not exceeding ₹25,000 per annum;

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

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

h. Provision of Company's car with driver;

i. Provision of free telephone at residence;

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

EXPLANATION:

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

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to vary, alter, increase, enhance or widen the scope of remuneration and perquisites, to the extent specified in Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 as amended from time to time.

"RESOLVED FURTHER THAT notwithstanding anything to the contrary herein contained, where in any financial year during the currency of the tenure of Dr. M. Sivakumaran, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary, allowances and perquisites within the limits as laid down under Sections 198, 309, 310 and 311 and all other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII of the Act as in force from time to time."

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

"RESOLVED THAT pursuant to the provisions of Sections 198, 269, 309, 310 and 311 and all other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII to the said Act and subject to such other consents/approvals as may be required, Mr. M. Madan Mohan Reddy be and is hereby re-appointed as Whole-time Director of the Company for a further period of three years with effect from June 1, 2012 whose term of office shall be liable to determination by retirement of directors by rotation at a remuneration and perquisites as detailed below:

a. Salary: ₹375,000 per month;

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

c. Medical Reimbursement:

   i. Reimbursement of medical expenses incurred for self and family subject to a ceiling of one month's salary in a year or 3 months' salary over a period of 3 years;

   ii. Mediclaim insurance as per rules of the Company;

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

e. Personal Accident Insurance: Premium not exceeding ₹25,000 per annum;

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

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

h. Provision of Company's car with driver;

i. Provision of free telephone at residence;

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

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to vary, alter, increase, enhance or widen the scope of remuneration and perquisites, to the extent specified in Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 as amended from time to time.

EXPLANATION:

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

"RESOLVED FURTHER THAT notwithstanding anything to the contrary herein contained, where in any financial year during the currency of the tenure of Mr. M. Madan Mohan Reddy, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary, allowances and perquisites within the limits as laid down under Sections 198, 309, 310 and 311 and all other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII of the Act as in force from time to time."

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

"RESOLVED THAT Dr. C. Channa Reddy who was appointed as an Additional Director of the Company by the Board of Directors pursuant to Section 260 of the Companies Act, 1956 and Article 37 of the Articles of Association of the Company and who holds office up to the date of the ensuing Annual General Meeting be and is hereby appointed as Director of the Company liable to retire by rotation."

13. **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, 310 and 311 and all other applicable provisions, if any, of the Companies Act, 1956, read with Schedule XIII to the said Act and subject to such other consents/approvals as may be required, Mr. K. Nithyananda Reddy be and is hereby appointed as Whole-time Director of the Company designated as Vice Chairman for a period of three years with effect from June 1, 2012 whose term of office shall be liable to determination by retirement of directors by rotation at a remuneration and perquisites as detailed below:

a. Salary: ₹375,000 per month;

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

c. Medical Reimbursement:

   i. Reimbursement of medical expenses incurred for self and family subject to a ceiling of one month's salary in a year or 3 months' salary over a period of 3 years;

   ii. Mediclaim insurance as per rules of the Company;

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

e. Personal Accident Insurance: Premium not exceeding ₹25,000 per annum;

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

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

h. Provision of Company's car with driver;

i. Provision of free telephone at residence;

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

EXPLANATION:

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

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to vary, alter, increase, enhance or widen the scope of remuneration and perquisites, to the extent specified in Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 as amended from time to time.

"RESOLVED FURTHER THAT notwithstanding anything to the contrary herein contained, where in any financial year during the currency of the tenure of Mr. 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 311 and all other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII of the Act as in force from time to time."

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

"RESOLVED THAT Mr. N. Govindarajan, who was appointed as an Additional Director of the Company by the Board of Directors pursuant to Section 260 of the Companies Act, 1956 and Article 37 of the Articles of Association of the Company and who holds office up to the date of the ensuing annual General Meeting be and is hereby appointed as Director of the Company not liable to retire by rotation."

15. **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, 310 and 311 and all other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII to the said Act and subject to such other consents/approvals as may be required, Mr. N. Govindarajan be and is hereby appointed as Managing Director of the Company for a period of three years with effect from June 1, 2012 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. Salary: ₹792,975 per month;

b. House Rent Allowance: ₹528,650 per month;

c. Medical Reimbursement:

   i. Reimbursement of medical expenses incurred for self and family subject to a ceiling of one month's salary in a year or 3 months' salary over a period of 3 years;

   ii. Mediclaim insurance as per rules of the Company;

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

e. Other Allowance: ₹1,245,200 per annum;

f. 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;

g. Provision of Company's car with driver;

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

EXPLANATION:

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

"RESOLVED FURTHER THAT in addition to the above salary and perquisites, commission will also be payable up to 1% of the net profits of the Company calculated in the manner referred in Section 198 of the Companies Act, 1956 subject to a ceiling of ₹4 crore for each financial year, as may be decided by the Board of Directors of the Company.

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to vary, alter, increase, enhance or widen the scope of remuneration and perquisites, to the extent specified in Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 as amended from time to time.

"RESOLVED FURTHER THAT notwithstanding anything to the contrary herein contained, where in any financial year during the currency of the tenure of Mr. Govindarajan, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary, allowances, commission and perquisites within the limits as laid down under Sections 198, 309, 310 and 311 and all other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII of the Act as in force from time to time."

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

"RESOLVED THAT Mr. Ravindra Y. Shenoy who was appointed as an Additional Director of the Company by the Board of Directors pursuant to Section 260 of the Companies Act, 1956 and Article 37 of the Articles of Association of the Company and who holds office up to the date of the ensuing annual General Meeting be and is hereby appointed as Director of the Company not liable to retire by rotation."

17. 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, 310 and 311 and all other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII to the said Act and subject to such other consents/approvals as may be required, Mr. Ravindra Y. Shenoy be and is hereby appointed as Joint Managing Director of the Company for a period of three years with effect from June 1, 2012 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. Salary: ₹792,975 per month;

b. House Rent Allowance: ₹528,650 per month;

c. Medical Reimbursement:

   i. Reimbursement of medical expenses incurred for self and family subject to a ceiling of one month's salary in a year or 3 months' salary over a period of 3 years;

   ii. Mediclaim insurance as per rules of the Company;

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

e. Other Allowance: ₹1,245,200 per annum;

f. 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;

g. Provision of Company's car with driver;

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

EXPLANATION:

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

"RESOLVED FURTHER THAT in addition to the above salary and perquisites, commission will also be payable up to 1% of the net profits of the Company calculated in the manner referred in Section 198 of the Companies Act, 1956 subject to a ceiling of ₹4 crore for each financial year, as may be decided by the Board of Directors of the Company.

"RESOLVED FURTHER THAT the Board of Directors be and is hereby authorized to vary, alter, increase, enhance or widen the scope of remuneration and perquisites, to the extent specified in Schedule XIII and other applicable provisions, if any, of the Companies Act, 1956 as amended from time to time.

"RESOLVED FURTHER THAT notwithstanding anything to the contrary herein contained, where in any financial year during the currency of the tenure of Mr. Shenoy, the Company has no profits or its profits are inadequate, the Company will pay remuneration by way of salary, allowances, commission and perquisites within the limits as laid down under Sections 198, 309, 310 and 311 and all other applicable provisions, if any, of the Companies Act, 1956 read with Schedule XIII of the Act as in force from time to time."

By Order of the Board

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

Hyderabad
May 29, 2012

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 August 1, 2012 to August 7, 2012 (both days inclusive).

3. The 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 31, 2012; 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 2004-05 will be transferred to the Investor Education and Protection Fund of the Central Government on the due date.

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

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

7. To avoid loss of dividend warrants in transit and undue delay in respect of receipt of dividend warrants, the Company has provided a facility to the Members for remittance of dividend through the Electronic Clearing System (ECS). For this purpose, the details such as, name of the bank, name of the branch, 9-digit code number appearing on the MICR band of the cheque supplied by the bank, account type, account number etc are to be furnished to your DP if the shares are in electronic form or to the Registrar & 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 Members through the electronic mode to the registered e-mail addresses of Members. It is a welcome move for the society at large, as this will reduce paper consumption to a great extent and allow public 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 Registrar & 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)

Items 6, 7, 8 & 9

Mr. P.V. Ramprasad Reddy, Chairman & Whole-time Director and Mr. K. Nithyananda Reddy, Managing Director were re-appointed with effect from June 29, 2011 for a period of 5 years at a specified remuneration as approved by the Members in their meeting held on July 29, 2011. Dr. M. Sivakumaran, Whole-time Director was re-appointed with effect from January 16, 2010 for a period of 3 years at a specified remuneration as approved by the Members in their meeting held on December 23, 2009. Similarly, Mr. M. Madan Mohan Reddy, Whole-time Director was re-appointed with effect from September 18, 2009 for a period of 3 years at a specified remuneration as approved by the Members in their meeting held on December 23, 2009. Accordingly, all the above executive directors were paid the remuneration during the financial year 2011-12

The restrictions specified in Section II of Part II of Schedule XIII of the Companies Act, 1956 for payment of remuneration to Mr. Ramprasad Reddy, Mr. Nithyananda Reddy, Dr. Sivakumaran and Mr. Madan Mohan Reddy were not applicable as there being adequate profit in the previous financial years since the Company had consistent profit earning record. However, for the financial year 2011-12, the Company has incurred a loss mainly due to the one time debit of redemption premium to the Statement of Profit and Loss on FCCBs redeemed during 2011-12.

As a result of the loss in the financial year, restrictions contained in Schedule XIII for payment of remuneration to the Whole-time Directors become applicable. Since the Company had profits during the previous years there was no requirement of approval of the Members through special resolutions for their appointment and remuneration. The remuneration drawn/paid by the Company to each of the above Executive Directors exceeds the minimum remuneration i.e. ₹2,400,000 per annum as per the approval of the Members; as such, it is necessary to take approval/permission from Central Government for regularizing the remuneration paid for the financial year ended 2011-12.

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

Mr. Ramprasad Reddy, Mr. Nithyananda Reddy, Dr. Sivakumaran and Mr. Madan Mohan Reddy are deemed to be concerned or interested in the Resolutions. Mr. P. Sarath Chandra Reddy, Director may be deemed to be interested in the Resolutions as he is related to Mr. Ramprasad Reddy and Mr. Nithyananda Reddy.

Item 10

Dr. M. Sivakumaran was appointed as a Whole-time Director of the Company for a period of 3 years with effect from January 16, 2010. The Board considering his significant and invaluable contribution to the operations and growth of the Company proposes reappointment of Dr. Sivakumaran as a Whole-time Director of the Company for a period of 3 years with effect from June 1, 2012 on such terms and conditions as set out in the proposed Resolution.

Under the provisions of Sections 198, 269, 309, 310 and 311 and all other applicable provisions read with Schedule XIII of the Companies Act, 1956, consent of the Members of the Company is required for the reappointment of and fixation of remuneration payable to Dr. Sivakumaran as a Whole-time Director. The Board of Directors, based on the recommendation of the Compensation/ Remuneration Committee, is of the view that the remuneration package is commensurate with the operations of the Company. He will be paid the same remuneration which is being presently drawn by him.

The terms of re-appointment of Dr. Sivakumaran and remuneration payable to him as set out in Item 10 of the Notice may be treated as an abstract of the terms re-appointment and remuneration payable to him for the purpose of Section 302 of the Companies Act, 1956.

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

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

No Director except Dr. Sivakumaran is interested or concerned in the Resolution.

Item 11

Mr. M. Madan Mohan Reddy was appointed as a Whole-time Director of the Company for a period of 3 years with effect from September 18, 2009. The Board considering his significant and invaluable contribution to the operations and growth of the Company proposes reappointment of Mr. Madan Mohan Reddy as a Whole-time Director of the Company for a period of 3 years with effect from June 1, 2012 on such terms and conditions as set out in the proposed Resolution.

Under the provisions of Sections 198, 269, 309, 310 and 311 and all other applicable provisions read with Schedule XIII of the Companies Act, 1956 consent of the Members of the Company is required for the re-appointment of and fixation of remuneration payable to Mr. Madan Mohan Reddy as a Whole-time Director. The Board of Directors, based on the recommendation of the Compensation/Remuneration Committee, is of the view that the remuneration package is commensurate with the operations of the Company. He will be paid the same remuneration which is being presently drawn by him.

The terms of reappointment of Mr. Madan Mohan Reddy and remuneration payable to him as set out in Item 11 of the Notice may be treated as an abstract of the terms re-appointment and remuneration payable to him for the purpose of Section 302 of the Companies Act, 1956.

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

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

No Director except Mr. Madan Mohan Reddy is interested or concerned in the Resolution.

Item 12

Dr. C. Channa Reddy was appointed as an Additional Director of the Company on January 18, 2012. As per the provisions of Section 260 of the Companies Act, 1956 Dr. Channa Reddy holds office as a Director up to the date of the ensuing Annual General Meeting of the Company.

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

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

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

No Director except Dr. Channa Reddy is interested or concerned in the Resolution.

Item 13

Mr. K. Nithyananda Reddy was re-appointed at the 24th Annual General Meeting held on July 29, 2011 as Managing Director of the Company with effect from June 29, 2011. In view of the proposed appointment of professionals as Managing Directors, Mr. Nithyananda Reddy, one of the promoters of the Company offered to relinquish his executive responsibilities as Managing Director of the Company. However, he offered to continue to provide his services to the Company. Accordingly, the Board based on the recommendations of the Compensation/Remuneration Committee, appointed Mr. Nithyananda Reddy as Whole-time Director of the Company designated as Vice-Chairman effective from June 1, 2012 for a period of 3 years.

Under the provisions of Sections 198, 269, 309, 310 and 311 and all other applicable provisions read with Schedule XIII of the Companies Act, 1956 consent of the Members of the Company is required for the appointment of and fixation of remuneration payable to Mr. Nithyananda Reddy, as Whole-time Director.

The Board considers that the appointment of Mr. Nithyananda Reddy as a Whole-time Director is in the interest of the Company and the remuneration package is commensurate with the operations of the Company. He will be paid the same remuneration which is being presently drawn by him.

The terms of re-appointment of Mr. Nithyananda Reddy and remuneration payable to him as set out in Item 13 of the Notice may be treated as an abstract of the terms re-appointment and remuneration payable to him for the purpose of Section 302 of the Companies Act, 1956.

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

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

Mr. Nithyananda Reddy 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. Nithyananda Reddy.

Items 14 & 15

Mr. N. Govindarajan was appointed as an Additional Director of the Company with effect from June 1, 2012. As per the provisions of Section 260 of the Companies Act, 1956 Mr. Govindarajan holds office as a Director up to the date of the ensuing Annual General Meeting of the Company.

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

Further, the Board considering the significant contribution made by Mr. Govindarajan as one of the top executives of the Company in the growth and development of the Company and based on the recommendation of Compensation/Remuneration Committee, appointed Mr. Govindarajan as Managing Director of the Company with effect from June 1, 2012 for a period of three years.

Under the provisions of Sections 198, 269, 309, 310 and 311 and all other applicable provisions read with Schedule XIII of the Companies Act, 1956 consent of the Members of the Company is required for the appointment of and fixation of remuneration payable to Mr. Govindarajan as a Managing Director. The Board of Directors, based on the recommendation of the Compensation/ Remuneration Committee, is of the view that the remuneration package is commensurate with the operations of the Company.

The terms of appointment of Mr. Govindarajan and remuneration payable to him as set out in item No. 15 of the Notice may be treated as an abstract of the terms of appointment and remuneration payable to him for the purpose of Section 302 of the Companies Act, 1956.

A brief profile of Mr. Govindarajan and name of the companies in which he holds directorships and memberships/chairmanships of Board/Committees, as stipulated under Clause 49 of Listing

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

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

No Director except Mr. Govindarajan is interested or concerned in the Resolutions.

Items 16 & 17

Mr. Ravindra Y. Shenoy was appointed as an Additional Director of the Company with effect from June 1, 2012. As per provisions of Section 260 of the Companies Act, 1956 Mr. Shenoy holds office as a Director up to the date of the ensuing Annual General Meeting of the Company.

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

Further, the Board considering his experience in the industry and based on the recommendation of Compensation/ Remuneration Committee, appointed Mr. Shenoy as Joint Managing Director of the Company with effect from June 1, 2012 for a period of three years.

Under the provisions of Sections 198, 269, 309, 310 and 311 and all other applicable provisions read with Schedule XIII of the Companies Act, 1956 consent of the Members of the Company is required for the appointment of and fixation of remuneration payable to Mr. Shenoy as Joint Managing Director. The Board of Directors, based on the recommendation of the Compensation/ Remuneration Committee, is of the view that the remuneration package is commensurate with the operations of the Company.

The terms of appointment of Mr. Shenoy and remuneration payable to him as set out in Item 17 of the Notice may be treated as an abstract of the terms of appointment and remuneration payable to him for the purpose of Section 302 of the Companies Act, 1956.

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

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

No Director except Mr. Shenoy is interested or concerned in the Resolutions.

By Order of the Board

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

Hyderabad
May 29, 2012

Directors' Report

Dear Members,

Your Directors are pleased to present the 25th Annual Report of the Company together with the Audited Accounts for the financial year ended March 31, 2012.

FINANCIAL RESULTS

Standalone financials ₹ Million

	2011-12	2010-11
Gross Turnover	**43787.3**	42299.9
Profit before depreciation, finance costs, tax and exceptional items	**5925.6**	10142.2
Depreciation/Amortization	**1429.4**	1250.4
Finance costs	**931.1**	550.2
Exchange difference adjusted to borrowing cost (revised Schedule-VI)	**1744.7**	–
Profit before tax	**1820.4**	8341.6
Provision for tax/Deferred tax	**(952.1)**	2116.5
Profit after tax before exceptional item	**2772.5**	6225.1
Less: Exceptional items	**3198.6**	287.1
Net Profit/(Loss) after exceptional items	**(426.1)**	5938.0
Balance brought forward from previous year	**15561.5**	10900.9
Balance available for appropriation	**15135.4**	16838.9
Appropriations		
Dividend on Equity Shares	**291.1**	587.2
Tax on Dividend	**47.2**	96.4
General Reserve	**–**	593.8
Surplus carried to Balance Sheet	**14797.1**	15561.5

DIVIDEND

Your Directors have recommended a dividend of 100% i.e. ₹1 per equity share of ₹1 against the dividend of ₹2 per share on the equity share of ₹1 paid in the previous year.

In view of the loss for the financial year ended March 31, 2012 the dividend is proposed to be paid out of accumulated profits of the Company.

FINANCIAL HIGHLIGHTS

Your Company's performance must be viewed against an extremely challenging year for the western economies and a highly volatile currency with a tendency to turn weak. Several of the advanced markets that we deal with experienced weak growth, while the emerging markets were implementing policies to dampen inflation. While these undermined business confidence, the volatile rupee biased towards a weakening trend added to the pressure throughout the financial year.

The first half of the current fiscal was challenging on account of lower formulation sales, full impact of the USFDA alert on Unit VI Cephalosporin manufacturing facility, subdued demand environment in Europe, disruption in operations due to regional unrest and exchange loss on repayment of foreign currency borrowings.

The fact that we achieved remarkable presence in each of our markets, improved our volume sales and earned steadily growing margins, underlines the robust business that Aurobindo has created and the benefit of the actions your Company has taken to optimize operations and hold costs on a sustainable basis.

However, there was a decline in dossier income by ₹1958 million on year-on-year basis. Dossier income is non-recurring and subject to periodic variability. The US formulation sales was shaded to the extent of a potential USD 36 million as a full-year impact due to import alert.

Despite constraints, consolidated net operating income was ₹46274 million showing a growth of 5.6% over the previous year. Gross sales from formulations have been at ₹26020 million, which is 7.4% higher on year-on-year basis.

The ARV sales have grown by 13.4% to ₹7866 million during the year under review. Europe and the rest of the world geographies recorded a sale of ₹6315 million, thereby growing at 17% over the financial year 2010-11. Gross sales from API have been at ₹20634 million which is 14.5% higher over the corresponding previous fiscal while the SSP sales grew by 11.4%. There is a decline in Cephalosporin sales to the extent 11.8%. However, non-betalactam (non-penicillin and non-cephalosporin) product sales has seen a rapid growth at 76% at ₹6870 million during the year over ₹3901 million last year.

Profit from operations before other income, finance costs, foreign exchange gain/loss, exceptional items, depreciation/ amortization and tax for the year was ₹6101 million which is 13.2% of net operating income, declined as compared to the previous year by 36.7%.

As already referred, EBITDA was impacted due to lower dossier income by ₹1958 million. Loss of margin is mainly due to full year sales impact on USFDA alert on Unit-VI, material consumption to net sales higher by 2.5% on account of change in sales mix, increase in staff cost by 1.4% mainly due to the new hiring in Europe and USA, increase in other expenses such as power, fuels, consumables and freight by 1.2%. Further, your Company booked redemption premium of ₹3198.6 million while the outstanding FCCBs were redeemed on due date in the first quarter of the financial year.

As far as foreign exchange is concerned, the closing rupee-dollar rate was ₹50.875 on March 31, 2012 while it was ₹44.595 on March 31, 2011. The rupee has been highly volatile and depreciated by 14.1% during the financial year. This has resulted in a net exchange loss of ₹2232.9 million during the year includes an amount of ₹1744.7 millions on borrowings adjusted to finance charges as per revised Schedule VI. It has also increased your Company's borrowings by approximately ₹3500 million as on March 31, 2012 on account of restatement.

REVIEW OF OPERATIONS

Your Company consolidated its business during the year and climbed the value chain by focusing on quality of its processes and products, controlling the variable costs, building on its relationship with its customers and enhancing the commitment towards environment, health and safety.

On the product and process front, your Company worked on time cycle reductions by practicing lean manufacturing concepts to improve productivity. Similarly, process stabilization efforts increased yields, while newer methods of recycling of solvents added to by-product recoveries. Energy costs account for approximately 5.75% of total revenue and the organization was audited and sensitized to make judicious and effective use of energy to minimize costs, strive for saving potential of 12% and enhance competitive position.

Several scale up efforts were attempted successfully which helped launch new products. A new API plant was commissioned to cater exclusively to the quality conscious Japanese market.

Members would be gratified to note that your Company has been launching one new product in major markets, every month. Despite increasing the product base and stepping up volume deliveries, the capacity utilization is at around 50% in formulation facilities and about 70% in the API units. The investments made in the past in vertically integrated mega manufacturing facilities have provided headroom for growth and enabled your Company to compete better for several more quarters. The built-in manufacturing flexibility offers Aurobindo the opportunity to optimize its product mix, reduce the time-to-launch new products after regulatory approvals and provide customers a single-window approach to draw from the large basket of approved products from Aurobindo.

OUTLOOK

Aurobindo's growth strategy will be to work towards profitable growth, focus on high value products, ramp up its operations, with higher utilization of capacities for top ten products both in APIs and formulations and deliver larger volume of existing products and by commercializing newer products that have received regulatory approvals. Your Company has a basket of largest number of approved products. For instance, the regulatory approvals for generics (ANDAs) as at March 31, 2011 were 133 which stood increased to 145 as at March 31, 2012.

The Company's manufacturing facilities are approved by several leading regulatory agencies like US FDA, UK MHRA, WHO, Health Canada, MCC (South Africa) and ANVISA (Brazil). The Company's robust product portfolio is spread over 6 major therapeutic/ product areas encompassing antibiotics, anti-retrovirals, CVS, CNS, gastroenterologicals, and anti-allergics, supported by an outstanding R&D set-up. The Company is marketing these products globally, in over 125 countries. The intellectual property and a well-organized manufacturing and marketing team will continue to add traction to the growth trajectory.

The Company has benefited from several learning opportunities to improve its processes with specific emphasis on quality and regulatory requirements. At the same time, Aurobindo believes that improvements need to be closely monitored internally as a dynamic day-to-day exercise and every effort made to meet/ exceed expectations. The level of vigilance has been raised to offer excellence through proactive initiatives to carve out more focus and add impetus to the quality culture in the production process. The accountability levels stand enhanced with responsibility for vendor quality, adherence to quality management systems and post-marketing surveillance.

Your Company has a mutually advantageous relationship with some of the best pharma companies globally, who have shown enormous trust in Aurobindo meeting their market needs. Your Company will continue to strive building a strong relationship and be a dependable resource for all of them. Their feedback has been positive in areas such as collaboration, order handling and product quality which helped your Company to further hone its systems and processes. Systematic monitoring and management of customer relationships, reliable processes and enhanced product quality has enabled Aurobindo to understand and meet their needs and expectations.

Internally, several cost control measures have been put in place by strengthening the budgeting process and carefully controlling cost of operations and reducing overhead and capital expenditure. Production unit-wise focus on bottom line improvement, alignment of input:output ratios, productivity improvements and inventory management to lower the holding costs are some of the aggressive efforts made to implement a unified policy to enhance margins.

RECOGNITION

The export promotion council for EOUs and SEZ under Ministry of Commerce & Industry, Government of India has selected your Company for our outstanding export performance in 2009-10. Mr. Jyotiraditya M. Scindia, Hon'ble Minister for State for Commerce & Industries handed over the award on May 17, 2012.

RESEARCH & DEVELOPMENT

The year under review has been one of the formidable years for the API R&D team in terms of the technology transfer dossiers (TTD) submissions, patent filings and regulatory agency submissions. In addition to working on close to 30 new products, the team also worked on the various improvement initiatives on the commercialized products.

The R&D function has 68 projects under various stages of development including 5 products with first-to-file (FTF) opportunities, 7 processes for patent applications, and 10 excipients. Several other products are under active development in therapeutic areas such as ophthalmic, inhalation and injectables and a few more have been taken up for cost optimization.

During the year, the API R&D Center has been shifted from Bachupally to Pashamylaram in a seamless manner and is fully operational. The new Center is dedicated to API research (synthetic and analytical) along with creating relevant intellectual property rights and is duly supported by a strong regulatory affairs team.

ENVIRONMENT, HEALTH & SAFETY

Your Company is committed to ensuring ecological balance and protecting the health and safety of its employees and neighborhood. In the long run, environmentally conscious process design and development are central ways to reduce harmful ecological impact. Therefore, the Company has taken up initiatives to optimize energy efficiency, minimize substances harmful to the environment and people, and recycle materials and resources as far as practicable.

A few of the initiatives undertaken in 2011-12 include, introduction of activity based risk assessment for non-process activities, enhancement of the safety culture and work ethics on the shop floor and empowerment of the safety committees charged with the task of improving the well-being of the people and the neighborhood. More specifically, some of the safety initiatives undertaken include:

- ✓ Process risk analysis in all the API units;
- ✓ A hazard and operability study (HAZOP) i.e. a structured and systematic examination of existing process/operations were undertaken to review all processes in API units in order to identify and evaluate problems that may represent risks to personnel or equipment and steps taken to prevent them;
- ✓ Activity based risk assessment for non-process activities (warehouse, engineering, QC) in both API and formulation units;
- ✓ Devised specific handling procedures for hazardous chemicals and training personnel on those procedures;
- ✓ Process safety testing - Determination of thermal conductivity of all powders, flammability of powders which are non-conductive in character; and,
- ✓ Review of layouts and product improvement and development by the EHS team, before finalization of new projects.

Several initiatives were also made in the area of environmental management. A few of them are listed below:

- ✓ Achieved zero process liquid discharge status at two API Units (Units VIII and IX);
- ✓ Installed on-line stack monitoring equipment for boiler stacks at Units I, V and VI;
- ✓ Installed and commissioned stripper, multiple-effect evaporator (MEE) and agitated thin film drier (ATFD) at Unit XI;
- ✓ Installation of stand-by wastewater treatment systems at Units V and IX (MEE and ATFD) for business continuity;
- ✓ Entered in to agreements with cement units for disposal of liquid organic wastes at 'zero' handling and disposal costs;
- ✓ Sewage treatment plant at Unit I;
- ✓ Initiation for installation of continuous ambient air quality monitoring station at Unit XI; and,
- ✓ Accredited to ISO:14001 certification for Units VI (A&B).

During the year under review, your Company was proud to receive the National Award for Energy Excellence & Energy Management - 2010 conferred by the Confederation of Indian Industry (CII) for Unit I.

FOREIGN CURRENCY CONVERTIBLE BONDS

During 2006-07, 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). After repurchase and cancellation (43,750 of Tranche A bonds and 17,050 of Tranche B bonds), the outstanding 106,250 of Tranche A bonds and 32,950 of Tranche B bonds were repaid on due date in May, 2011 at 146.285% and 146.991% respectively to the principal amount.

The redemption premium (Yield to Maturity) has been charged to the Statement of Profit and Loss and is disclosed as an exceptional item in the financial results. By virtue of such redemption, all outstanding FCCBs have been fully redeemed and extinguished.

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 the provisions of Section 212 of the Companies Act, 1956 is annexed.

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

HUMAN RESOURCES

Your Company has been ably managed and competitively better positioned by the commitment demonstrated by all the 8,635 employees in their effort generate sustainably profitable growth. They are the key building block for implementing the Company's strategy and the financial year 2011-12 saw them respond flexibly to the dynamic changes in a highly challenging globalized market.

Several business excellence initiatives started in 2010-11 under the program Aurobindo Achieving Competitive Edge (A^2CE) has been further strengthened during the year under review with the involvement of more teams at shop floor level. Significant number of project proposals on yield improvement, quality enhancement, waste reduction and productivity upscale are implemented at both formulation and API units. A cross functional team has been formed to validate the results and share the critical learning across the organization. A^2CE platform has given significant opportunity to the people at all levels to exercise their creative talents and channelize their potential to impact the company's performance in a positive manner.

DIRECTORS

Dr. K. Ramachandran ceased to be Director due to his resignation from the Board with effect from May 3, 2011. The Board places on record its appreciation for the services rendered by him as a Director during his association with the Company.

Dr. C. Channa Reddy has been appointed as an Additional Director of your Company with effect from January 18, 2012 and pursuant to Section 260 of the Companies Act, 1956 and Article 37 of the Articles of Association of the Company, he holds office up to the date of the ensuing Annual General Meeting and being eligible, offers himself for appointment.

In accordance with the provisions of the Companies Act, 1956 read with the Articles of Association of the Company, Mr. M. Sitarama Murthy, Dr. D. Rajagopala Reddy and Dr. P.L. Sanjeev Reddy retire by rotation at the ensuing Annual General Meeting. All of them being eligible, offer themselves and seek re-appointment except Dr. Sanjeev Reddy.

Dr. P.L. Sanjeev Reddy expressed his intention not to seek re-reappointment. The members of the Board place on record the deep sense of appreciation for the services rendered by Dr. Sanjeev Reddy during his tenure as a member of the Board.

The re-appointment of Dr. M. Sivakumaran, and Mr. M. Madan Mohan Reddy, Wholetime Directors are being proposed at the ensuing Annual General Meeting.

Mr. K. Nithyananda Reddy seeks to relinquish his responsibilities as Managing Director of the Company and the Board has appointed him as Wholetime Director of your Company designated as Vice Chairman with effect from June 1, 2012 subject to approval of the Members at the ensuing Annual General Meeting.

Mr. N. Govindarajan has been appointed as a Director of the Company with effect from June 1, 2012 and pursuant to Section 260 of the Companies Act, 1956 and Article 37 of the Articles of Association of the Company, he holds office up to the date of the ensuing Annual General Meeting and being eligible, offers himself for appointment. Further, Mr. Govindarajan has been appointed as Managing Director of the Company with effect from June 1, 2012 subject to approval of the Members at the ensuing Annual General Meeting.

Mr. Ravindra Y. Shenoy has been appointed as a Director of the Company with effect from June 1, 2012 and pursuant to Section 260 of the Companies Act, 1956 and Article 37 of the Articles of Association of the Company, he holds office up to the date of the ensuing Annual General Meeting and being eligible, offers himself for appointment. Further, Mr. Shenoy has been appointed as Joint Managing Director of the Company with effect from June 1, 2012 subject to approval of the Members at the ensuing Annual General Meeting.

Mr. P.V. Ramprasad Reddy seeks to relinquish his responsibilities as Executive Chairman of the Company with effect from June 1, 2012 and continues to be on the Board as a Wholetime Director.

Mr. K. Ragunathan, an Independent Director, has been appointed as Non-Executive Chairman of the Board with effect from June 1, 2012.

A brief profile of Dr. C. Channa Reddy, Mr. M. Sitarama Murthy, Dr. D. Rajagopala Reddy, Mr. K. Nithyananda Reddy, Dr. M. Sivakumaran, Mr. M. Madan Mohan Reddy, Mr. N. Govindarajan and Mr. Ravindra Y. Shenoy are provided in the Report on Corporate Governance forming part of the Annual Report.

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 Statement of Profit and Loss for the year ended March 31, 2012 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 loss of the Company for the year;

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

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

CORPORATE GOVERNANCE

The certificate of the Practicing Company Secretary Mr. S. Chidambaram with regard to compliance of conditions of corporate governance as stipulated under Clause 49 of the Listing Agreement with the stock exchanges in India is annexed.

AUDITORS & AUDITORS' REPORT

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 2012-13.

The notes on financial statements referred to in the Auditors' Report are self explanatory and do not call for any further comments.

COST AUDITORS

M/s. Sagar & Associates, Cost Accountants, have been reappointed as Cost Auditors of the Company with the consent of the Government of India to conduct cost audit of both the bulk drug and formulations divisions of the Company for the year 2011-12. The due date for filing cost audit report reports of the Company for 2010-11 was September 30, 2011 and the same was filed with the Ministry of Corporate Affairs on September 26, 2011.

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 1,205,000 options were granted under ESOP-2006. Further, no options were exercised and no shares were allotted under the ESOP Schemes.

Details of the options granted up to March 31, 2012 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 Board is grateful for the passion, dedication and commitment demonstrated on the job by all employees and is confident that they shall continue to underwrite the Company's growth. Your Company as in the past, looks forward to the support and encouragement from the customers and business associates. Your Directors thank the banks, financial institutions, government departments and shareholders and seeks their continuing guidance and assistance in all our future endeavors.

For and on behalf of the Board

Hyderabad — **P. V. RAMPRASAD REDDY**
May 29, 2012 — Chairman

Annexure-I to the Directors' Report

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

FORM - A

CONSERVATION OF ENERGY	2011-12	2010-11
Power & Fuel Consumption		
a. Electricity Purchased		
Units (Nos. in Million)	**290.44**	264.69
Total amount (₹ Million)	**1,210.37**	997.58
Unit rate (₹)	**4.17**	3.77
b. Own Generation		
Through Diesel Generator		
No. of units (in Million)	**27.28**	17.78
Units per litre of diesel	**3.36**	3.37
Oil cost per unit (₹)	**12.09**	11.15
Through Steam Turbine/Generator		
No. of units (in Million)	**31.11**	31.12
Units per litre of oil/gas	**0.39**	0.39
Cost per unit (₹)	**2.62**	2.62
Coal		
Quantity (MT)	**201,273.30**	171,670.10
Cost (₹ Million)	**790.03**	623.20
Average rate/MT (₹)	**3,925.17**	3,630.23
Furnace Oil		
Quantity (KL)	**1,727.32**	2,766.44
Cost (₹ Million)	**62.57**	78.75
Average rate/KL (₹)	**36,226.40**	28,466.92
Others (Wood)		
Quantity (MT)	**762.00**	3,951.32
Cost (₹ Million)	**1.86**	8.35
Average rate/MT (₹)	**2,436.31**	2,112.67
Hot Water		
KCal in Million	**5,368.70**	–
KCal per litre of diesel	**10,595.28**	–
Diesel cost per KCal (₹)	**0.003**	–

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's R&D strengths are in developing intellectual property in the area of non-infringing processes and resolving complex chemistry challenges. In the process, Aurobindo Pharma is developing new drug delivery systems, new dosage formulations, applying new technology for better processes.

The Company is committed to developing innovative technologies and creating a knowledge base in chemical synthesis, high quality generic formulations and development of drug delivery systems.

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 and offerings.

Future plan of action

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

Expenditure on Research and Development

₹ Million

	2011-12	2010-11
Capital	**396.0**	363.2
Recurring	**1593.0**	1394.0
Total R&D expenditure	**1989.0**	1757.2
As a percentage of total turnover	**4.54**	4.15

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION

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

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

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

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

Particulars of imported technology: Nil

Foreign Exchange Earning & Outgo

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

Foreign exchange earned and out-go during the year ended March 31, 2012

₹ Million

	2011-12	2010-11
Foreign exchange earned		
Exports (FOB)	**29239.9**	**26969.8**
Others	**540.1**	**2353.4**
	29780.0	**29323.2**
Foreign exchange outgo		
Materials	**14698.9**	**16031.8**
Other expenses	**3613.3**	**632.6**
	18312.2	**16664.4**

For and on behalf of the Board

Hyderabad,
May 29, 2012.

P. V. RAMPRASAD REDDY
Chairman

Annexure-II to the Directors' Report

DETAILS OF STOCK OPTIONS PURSUANT TO SEBI GUIDELINES ON STOCK OPTIONS

DESCRIPTION	PLAN 2004	PLAN 2006	
Number of Options available under the Scheme	2,538,500	3,995,250	
Total number of Options granted	2,538,500	1,495,000	
Options granted during the year	Nil	1,205 000	
Pricing formula	The market price of the share quoted on a day prior to the grant date quoted on the Bombay Stock Exchange or National Stock Exchange, wherever volumes traded are higher.		
Options vested during FY 2011-12	Nil	12,500	
Options exercised during FY 2011-12	Nil	Nil	
The total number of shares arising as a result of exercise of Option	Nil	Nil	
Options lapsed during FY 2011-12			
which are subject to reissue	11,345	200,000	
Variation of terms of Options	Nil	Nil	
Money realized by exercise of Options during 2011-12 (₹)	Nil	Nil	
Grant price (Face Value of ₹1) 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	
December 16, 2011	N.A.	₹91.60	
Total number of Options in force as on March 31, 2012 (Cumulative)	Nil	1,255,000	
Grant details of members of senior management team	Nil	Mr. N. Govindarajan	500,000
		Mr. Bob Cunard	200,000
		Mr. Anil Kumar Jain	75,000
		Mr. A. Ram Mohan Rao	75,000
		Mr. Sanjay Singh	75,000
		Dr. V.K. Handa	75,000
		Mr. Jayant Karajgi	40,000
		Mr. Ronald F. Quadrel	40,000
		Mr. P. Sashikumaran	25,000
		Mr. B. Siva Kumar Reddy	25,000
		Mr. M.S. Madhu Sunder	25,000
		Mr.Raju Mathai	25,000
		Mr. Sharadd Jain	25,000
Number of other employees who receive a grant in any one year of options amounting to 5% or more of options granted during that year	Nil	Nil	
Number of employees who were granted Options, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant	Nil	Nil	
Diluted Earnings per Share (EPS) pursuant to issue of shares on exercise of Option calculated in accordance with Accounting Standard AS-20			

(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	736,397
iii. The impact of the difference on profits and			
on EPS of the Company	(₹)	PAT	(426,070,592)
		Less: Additional cost based on Fair Value	736,397
		Adjusted PAT	(426,806,989)
		Adjusted EPS (₹)	1.47
iv. Weighted average exercise price and fair value of stock Options granted:			
Stock Options granted on		Nil	Nil
Weighted Average Exercise Price	(₹)	72.52	97.07
Weighted average Fair Value	(₹)	75.03	115.56
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
			On 16.12.2011: 91.60
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 (%)		4.32	
Dividend yield		1.33 (133%)	

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 29, 2012

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, 2012 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, 2012

Name	Category	Number of Board Meetings attended	Attendance at the last AGM held on July 29, 2011	Number of directorships in other companies	Number of committee in positions held other companies	
					Chairman	Member
Mr. P.V. Ramprasad Reddy	Promoter and Executive	1	Yes	–	–	–
Mr. K. Nithyananda Reddy	Promoter and Executive	6	No	4	–	–
Dr. M. Sivakumaran	Executive	6	Yes	2	–	–
Mr. M. Madan Mohan Reddy	Executive	6	Yes	1	–	–
Mr. P. Sarath Chandra Reddy	Non-Executive Non-Independent	5	No	5	–	–
Dr. P.L. Sanjeev Reddy	Non-Executive Independent	6	Yes	1	–	1
Mr. M. Sitarama Murty	Non-Executive Independent	5	Yes	2	1	–
Mr. K. Ragunathan	Non-Executive Independent	5	Yes	–	–	–
Dr. D. Rajagopala Reddy	Non-Executive Independent	4	No	–	–	–
Dr. C. Channa Reddy	Non-Executive Independent	2	NA	1	–	–

Note: a. Other directorships are exclusive of Indian private limited companies and foreign companies.

b. Dr. C. Channa Reddy, who was appointed as an Additional Director of the Company with effect from January 18, 2012 has attended two Board Meetings held from that date.

c. Dr. K. Ramachandran who resigned from the Board with effect from May 3, 2011 attended one meeting held up to that date.

During the year, six Board Meetings were held and their attendance was as given below:

Date	Board Strength	No. of Directors Present
April 6, 2011	10	9
May 9, 2011	9	7
August 6, 2011	9	7
November 8, 2011	9	7
January 18, 2012	10	8
February 13, 2012	10	9

Details of Directors proposed for appointment/re-appointment:

Mr. M. Sitarama Murthy and Dr. D. Rajagopala Reddy retire by rotation and being eligible, seek reappointment.

Dr. P.L. Sanjeev Reddy has expressed his inability to continue as a director of the Company due to his pre-occupation and therefore has not offered himself for re-appointment.

Dr. C. Channa Reddy is proposed to be appointed as a Director of the Company.

Mr. K. Nithyananda Reddy is proposed to be appointed as a Whole-time Director of the Company designated as Vice Chairman with effect from June 1, 2012.

Dr. M. Sivakumaran and Mr. M. Madan Mohan Reddy, Whole-time Directors are proposed to be re-appointed with effect from June 1, 2012.

Mr. N. Govindarajan is proposed to be appointed as Director and Managing Director of the Company with effect from June 1, 2012.

Mr. Ravindra Y. Shenoy is proposed to be appointed as Director and Joint Managing Director of the Company with effect from June 1, 2012.

Mr. M. Sitarama Murthy, aged 69 years, is a Non-Executive Director of the Company. After his M.Sc., (Electronics) he professionally qualified as CAIIB, with all India 1st Rank in Part-II. Mr. Murthy has over three decades of experience as a banker and has held various positions in nationalised banks. In 2003, he retired as Managing Director & CEO of State Bank of Mysore, Bangalore. His specialized areas of interest are international banking, foreign exchange, money markets, funds management, credit management, rural development, computerization, commercial law and systems and procedures. He has authored several books on banking systems and contributes regular articles to financial magazines/newspapers. He is a Director on the Board of Karnataka Bank Limited and GKC Projects Limited. He does not hold any shares in the Company.

Dr. D. Rajagopala Reddy, aged 53 years, holds a Masters Degree in Science and has been awarded a PhD in Organic Chemistry. He has about 28 years of experience in the pharmaceutical industry and is the Chairman and Managing Director of Erithro Pharma Private Limited. He does not hold any shares in the Company.

Dr. C. Channa Reddy, aged 67 years, is presently Director Emeritus, the Huck Institutes of the Life Sciences, Pennsylvania State University. Earlier, he was Director of the Institute and Chairman of Department of Veterinary and Biomedical Sciences of the Pennsylvania State University. He was awarded PhD in biochemistry by the Indian Institute of Science, Bangalore in 1975 and received his Post doctoral Fellowship in Bio-organic chemistry in 1979 from the Pennsylvania State University.

He is an authority on molecular aspects of biological oxidation reactions. These include redox based regulation of gene expression, mechanistic and physiological studies on myo-inositol oxygenase and glutathione S-tranferases and eicosanoid biosynthesis. He has several research accomplishments and over 125 publications and has presented more than 300 papers in seminars across the globe. He has been a member of PhD thesis committees and has guided 30 scholars to complete their PhD programs.

Dr. Reddy has been a consultant to several multinational pharmaceutical companies and brings to Aurobindo Pharma immense knowledge and experience in a valuable field of applied sciences.

He is a Director on the Board of Indus Gene Expressions Limited and Dr. Channa Reddy's Science Fields Private Limited. He does not hold any shares in the Company.

Mr. K. Nithyananda Reddy, aged 54 years, the present Managing Director of the Company has been appointed as Whole-time Director of the Company designated as Vice Chairman with effect from June 1, 2012. 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 is a Director on the boards of the subsidiaries of the Company: APL Healthcare Limited, APL Research Centre Limited, Auronext Pharma Private Limited, Auro Peptides Limited as well as Pattancheru Envirotech Limited. He holds 13,762,350 equity shares of ₹1 each in the Company.

Dr. M. Sivakumaran, aged 69 years, presently 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 Company. He holds 7,345,680 Equity Shares of ₹1 each in the Company.

Mr. M. Madan Mohan Reddy, aged 51 years, presently 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 pharma industry. He is a Director on the Board of Pravesha Industries Private Limited, Cogent Glass Limited, Sharp International Products Private Limited and Crest Cellulose Private Limited. He holds 25,005 Equity Shares of ₹1 each in the Company.

Mr. N. Govindarajan, aged 43 years, is a B.E. (Mechanical) from Annamalai University. He has more than 20 years of experience across a variety of domains such as bulk drugs, CRAMS, and finished dosages & biotechnology. He joined Aurobindo Pharma Limited as Chief Executive Officer (API & CRAMS) with effect from October 7, 2010. Mr. Govindarajan is overseeing API operations and CRAMS development business of the Company.

Prior to joining Aurobindo Pharma, Mr. Govindarajan served as the Managing Director & CEO of Shasun Pharmaceuticals Limited. He is a Director on the Board of Auro Peptides Limited, a subsidiary of the Company. He does not hold any shares in the Company. The Company has granted 500,000 options under ESOP 2006 Scheme which will entitle him to convert the same into 500,000 equity shares of ₹1 each as per the said Scheme.

Mr. Ravindra Y. Shenoy, aged 41 years, is a Graduate in Commerce followed by CWA, CS, DBF, MBA - Finance (NMIMS). He has more than 19 years of experience in the Pharma sector spanning both domestic and international businesses. He began his career with responsibility of finance and over the years, the span of responsibilities increased to controlling business operations as Head-Business Finance, Head of M&A and investor relations. Prior to joining Aurobindo Pharma, Mr. Shenoy served as COO of Alkem Laboratories Limited.

Mr. Shenoy is a director on the Board of Arth Welfare Foundation and Enzene Biosciences Limited. He does not hold any shares in the Company.

Audit Committee

The scope and function of the Audit Committee is to regularly review the internal control, systems and procedures, accounting policies and other matters that protect the interest of the stakeholders, ensure compliance with the laws of the land, and monitor with a view to provide effective supervision of the management's process, 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 correct, 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 if required, replacement/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;

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

review the functioning of the whistle blower mechanism.

Composition and other details of Audit Committee

The Audit Committee comprises of three 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.

Mr. M. Sitarama Murthy, 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 9, 2011; August 6, 2011; November 8, 2011 and February 13, 2012.

The attendance at the Audit Committee meetings during the financial year 2011-12 is as under:

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

Note: Dr. K. Ramachandran ceased to be Chairman & member of the Committee consequent to his resignation from the Board with effect from May 3, 2011.

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/Remuneration Committee met two times on May 9, 2011 and December 16, 2011.

Member	No. of Meetings	Attendance
Dr. P.L. Sanjeev Reddy - Chairman	2	1
Mr. P. Sarath Chandra Reddy - Member	2	2
Dr. D. Rajagopala Reddy - Member	2	2
Mr. M. Sitarama Murthy* - Member	–	–

* Mr. M. Sitarama Murthy was inducted as a member of the Committee with effect from February 13, 2012.

Details of remuneration paid to Directors during the financial year 2011-12

a. Executive Directors

₹

Name	Salary	Perquisites	Contribution to P.F	Total
Mr. P.V. Ramprasad Reddy	7,500,000	1,171,606	9,360	8,680,966
Mr. K. Nithyananda Reddy	7,500,000	1,171,606	9,360	8,680,966
Dr. M. Sivakumaran	7,500,000	1,171,606	9,360	8,680,966
Mr. M. Madan Mohan Reddy	7,500,000	1,171,606	9,360	8,680,966
TOTAL	30,000,000	4,686,424	37,440	34,723,864

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	20,000
Dr. P.L. Sanjeev Reddy	130,000
Mr. M. Sitarama Murty	130,000
Mr. P. Sarath Chandra Reddy	120,000
Mr. K. Ragunathan	130,000
Dr. D. Rajagopala Reddy	150,000
Dr. C. Channa Reddy	40,000

Shareholders/Investors' Grievance Committee

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

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

b. Dematerialisation/Rematerialisation of shares;

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

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

e. Non-receipt of Annual Reports; and

f. Registration of change of addresses, etc.

Constitution of the Committee

Mr. P. Sarath Chandra Reddy, Chairman

Mr. K. Nithyananda Reddy, Member

Mr. M. Madan Mohan Reddy, Member

The Committee meets 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 2011-12

Nature of Complaints	Received	Resolved	Pending
Complaints received from Members:			
• Share certificates	227	227	–
• Dividend	131	131	–
• Annual reports	20	20	–
Complaints of Members forwarded by:			
• SEBI	7	7	–
• Stock exchanges	5	5	–

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
2009	Katriya Hotel & Towers, Hyderabad	December 23, 2009	11.30 a.m.	2
2010	Katriya Hotel & Towers, Hyderabad	September 23, 2010	11.45 a.m.	None
2011	Katriya Hotel & Towers, Hyderabad	July 29, 2011	4.00 p.m.	2

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 Notes to Accounts in the Annual Report.

Details of Non-Compliance and Penalties

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

Code of Conduct

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

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

Risk Management

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

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

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

Means of Communication

The Company has a website www.aurobindo.com The quarterly and half yearly financial statements are not sent to the individual households of the Members; however, the same are placed on the Company's website for the information of Members 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

25th Annual General Meeting

As mentioned in the Notice, the 25th Annual General Meeting of the Company will be held on Tuesday, August 7, 2012 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 the financial year 2012-13 is as follows:

Unaudited Financial Results for	On or before
1st Quarter	August 15, 2012
2nd quarter	November 15, 2012
3rd Quarter	February 15, 2013
4th Quarter	May 15, 2013

Book Closure

From August 1, 2012 to August 7, 2012 (both days inclusive) for the purpose of Annual General Meeting and payment of dividend (subject to approval of Members).

Payment of Dividend

Subject to the approval of Members, the dividend of 100% i.e., ₹1 per share of the 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 2012-13 has been paid to both the stock exchanges:

Stock Exchanges	Stock Code
BSE 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
2011	April	206.00	188.70	195.85	18,229,528	5944.45	5693.25
	May	197.70	158.60	187.60	32,212,237	5775.25	5328.70
	June	185.00	164.75	176.00	19,720,703	5657.90	5195.90
	July	188.90	164.05	170.55	24,243,535	5740.40	5453.95
	August	174.40	122.50	169.55	31,822,146	5551.90	4720.00
	September	144.90	123.00	128.70	21,757,540	5169.25	4905.15
	October	137.40	118.00	120.70	13,226,110	5399.70	4728.30
	November	132.80	80.15	130.10	38,415,525	5310.85	4639.10
	December	98.30	83.05	92.60	19,232,059	5062.55	4531.15
2012	January	116.15	85.40	86.25	25,756,470	5217.00	4588.05
	February	124.40	101.05	117.45	32,539,982	5629.95	5159.00
	March	124.80	108.20	111.25	28,632,211	5499.40	5135.95

Monthly high & low quotations and volume of shares traded on BSE during the year

		BSE (₹)				BSE Sensex	
	Month	High	Low	Close	Volume	High	Low
2011	April	206.00	189.00	194.50	2,936,511	19811.14	18976.19
	May	197.65	160.45	176.65	5,449,506	19253.87	17786.13
	June	184.90	164.70	172.50	3,057,934	18873.39	17314.38
	July	188.85	164.80	171.40	3,628,704	19131.70	18131.86
	August	173.85	122.65	125.70	5,579,658	18440.07	15765.53
	September	144.30	123.05	124.25	3,078,303	17211.80	15801.01
	October	136.40	116.55	128.00	2,186,481	17908.13	15745.43
	November	132.80	80.35	90.80	7,754,072	17702.26	15478.69
	December	98.50	83.35	85.15	3,744,639	17003.71	15135.86
2012	January	115.95	85.05	114.80	4,434,277	17258.97	15358.02
	February	124.50	101.05	112.30	7,035,585	18523.78	17061.55
	March	124.80	108.10	118.90	5,169,924	18040.69	16920.61

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 is the Registrar & 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
Plot No.17-24, Vittal Rao Nagar, Madhapur,
Hyderabad - 500 081.
Tel Nos. +91 40 23420818 to 0825
Fax Nos. +91 40 23420814
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 Registrar and Transfer Agents. 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 Members 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, 2012

Shareholding Nominal value From - To	Shareholders No.	Shareholders %	Total Shares	Share Amount Nominal Value ₹	Share Amount Nominal Value %
1 - 5000	91,333	99.03	20,760,695	20,760,695	7.13
5001 - 10000	359	0.39	2,707,035	2,707,035	0.93
10000 - 20000	217	0.24	3,126,486	3,126,486	1.07
20001 - 30000	85	0.09	2,135,229	2,135,229	0.73
30001 - 40000	40	0.04	1,402,057	1,402,057	0.48
40001 - 50000	24	0.03	1,082,237	1,082,237	0.37
50001 - 100000	47	0.05	3,527,135	3,527,135	1.21
100001 & above	124	0.13	256,380,416	256,380,416	88.07
TOTAL	92,229	100.00	291,121,290	291,121,290	100.00

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

b. 68,480 shares of 124 Members are under unclaimed shares account as on March 31, 2012. 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, 2012

Category	No. of Shares	%
Promoters, Directors & their relatives/associates	159,437,988	54.77
NRIs/FIIs/FDIs/OCBs	37,938,032	13.03
Government/Banks/FIs	9,110,293	3.13
Mutual Funds	32,919,698	11.31
Insurance Companies	7,373,440	2.53
Bodies Corporate	14,210,766	4.88
General public and Others	30,131,073	10.35
TOTAL	291,121,290	100.00

Leading shareholders of the Company as on March 31, 2012

Shareholders	Category	No. of Shares	%
Ms. P. Suneela Rani	Promoter group	9,08,30,550	31.20
Mr. P.V. Ramprasad Reddy	Promoter group	1,94,81,440	6.69
Mr. K. Nithyananda Reddy	Promoter group	1,37,62,350	4.73
Ms. Kambam Kirthi Reddy	Promoter group	1 08,50,000	3.73
HDFC Trustee Company Limited - HDFC Equity Fund	Mutual Fund	9,480,688	3.26
HDFC Trustee Company Limited - HDFC Top 200 Fund	Mutual Fund	8,162,208	2.80
Dr. M. Sivakumaran	Promoter group	7,345,680	2.52
Life Insurance Corporation of India	Insurance Company	6,547,685	2.25
Trident Chemphar Limited	Promoter group	5,790,000	1.99
Reliance Life Insurance Company Limited	Bodies Corporate	4,556,955	1.57
HDFC Trustee Company Limited - HDFC Prudence Fund	Mutual Fund	4,544,828	1.56

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. P.L. Sanjeev Reddy, Mr. M. Sitarama Murthy, Mr. K. Ragunathan and Dr. C. Channa Reddy do not hold any share in the Company. Mr. P. Sarath Chandra Reddy, Non-Executive Director holds 16,390 equity shares of ₹1 each.

Dividend & Bonus History

Year	Rate of Dividend %	Bonus
1997-98	50	–
1998-99	50	1:1
1999-00	50	–
2000-01	30	1:1
2001-02	30	–
2002-03	35	–
2003-04	45	–
2004-05	10	–
2005-06	30	–
2006-07	50	–
2007-08	65	–
2008-09	90	–
2009-10	100	–
2010-11	200	–

Outstanding FCCBs

During 2005, the Company had issued 60,000 Foreign Currency Convertible Bonds of USD 1,000 each due in 2010. After conversion into equity shares (55,982 bonds at a conversion price of ₹522.036 per share of ₹5 each with a fixed rate of exchange on conversion of ₹43.3925 per USD 1, repurchase and cancellation(1,900 bonds), the outstanding 2,118 bonds were repaid on due date in August, 2010 at 139.954% to the principal amount.

During 2006, the 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). After repurchase and cancellation (43,750 of Tranche A bonds and 17,050 of Tranche B bonds), the outstanding 106,250 of Tranche A bonds and 32,950 of Tranche B bonds were repaid on due date in May, 2011 at 146.285% and 146.991% respectively to the principal amount.

Subsidiary Companies

APL Pharma Thai Limited, Thailand	Aurobindo Pharma (Malta) Limited, Malta
Aurobindo Pharma Industria Farmaceutica Limitada, Brazil	APL Holdings (Jersey) Limited, Jersey
Aurobindo Pharma limited S.r.l., Dominican Republic	APL IP Company Limited, Jersey
Helix Healthcare B.V., The Netherlands	APL Swift Services (Malta) Limited, Malta
Aurobindo Pharma USA Inc., U.S.A.	Agile Pharma (Malta) Limited, Malta
Aurolife Pharma LLC, U.S.A.	Aurobindo Pharma (Italia) S.r.l., Italy
Auropharma Inc., Canada	Laboratorios Aurobindo, Sociedad Limitada, Spain
Aurobindo Pharma (Pty) Limited, South Africa	Aurobindo Pharma (Portugal) Unipessoal Limitada, Portugal
Milpharm Limited, U.K.	Aurobindo Pharma France SARL, France
Aurobindo Pharma (Australia) Pty Limited, Australia	Auronext Pharma Private Limited, India
Agile Pharma B.V., The Netherlands	Aurobindo Pharma GmbH, Germany
Aurobindo Switzerland A.G., Switzerland	Aurobindo ILAC Sanayi ve Ticaret Limited Sirketi, Turkey
Pharmacin B.V., The Netherlands	Aurobindo Pharma B.V., The Netherlands
Auro Healthcare (Nigeria) Limited, Nigeria	Aurobindo Pharma (Singapore) Pte Limited, Singapore
APL Research Centre Limited, India	Aurobindo Pharma (Romania) S.r.l., Romania
APL Healthcare Limited, India	Aurobindo Pharma (Poland) Sp.z.o.o., Poland
Aurobindo Pharma Produtos Farmaceuticos Limitada, Brazil	Auro Medics Pharma LLC, U.S.A.
All Pharma (Shanghai) Trading Company Limited, China	Aurobindo Pharma NZ Limited, New Zealand
Aurobindo Pharma Japan K.K., Japan	Aurovida Farmaceuticos SA, Mexico
Agile Malta Holdings Limited, Malta	Auro Peptides Limited, India

Plant Locations

Unit No.	Address
Unit-I	Survey No.379, 385, 386, 388 to 396 & 269, 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 Nos. part of 146, 150, 151, 152, 153 and 154 situated in Phase-III, SPIIC, EPIP, IDA, Pashamylaram, Patancheru Revenue Mandal , Medak District, 502 307, Andhra Pradesh
Unit-V	Plot Nos.68 to 70, 73 to 91, 95, 96, 260 & 261, 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 Nos.411/P, 425/P, 434/P, 435/P & 458/P, Plot No.S1 (Part), Special Economic Zone (Pharma), APIIC, Green Industrial Park, Polepally Village, Jedcherla Mandal, Mahaboob Nagar, 509 302, Andhra Pradesh
Unit-VIII	Survey No.10 & 13, Gaddapothram, Industrial Development Area - Kazipally Industrial Area, Jinnaram Mandal, Medak District, 502 319, Andhra Pradesh
Unit-IX	Survey No.369, 370, 371 & 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
APLRC-I	Survey No.313 & 314 Bachupally, Quthubullapur Mandal, Ranga Reddy District, 500 090, Andhra Pradesh
APLRC-II	Survey No.71 & 72, Indrakaran Village, Sangareddy Mandal, Medak Dist, 502 203, Andhra Pradesh
Bhiwadi Unit	1128, RIICO Phase-III, Bhiwadi, 301 019, Rajasthan (under sub-lease 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, 2012.

For Aurobindo Pharma Limited

K. NITHYANANDA REDDY
Managing Director

Hyderabad, May 29, 2012

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, 2012, 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 the corporate governance. It is neither an audit nor an expression of opinion of financial statements of the Company.

In our opinion and to the beset 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, except to the extent that there was some delay in appointing the independent director as required under Clause 49(C)(iv) of the Listing Agreement.

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

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

Hyderabad, May 29, 2012

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, 2012 and also the Statement of Profit and Loss 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 43 of financial statements, regarding excess managerial remineration amounting to ₹25,086,424 paid to four Directors in excess of limits prescribed under Schedule XIII of the Companies Act, 1956. As represented to us by the management, the Company is in the process of applying to the Central Government for the approval of such excess remuneration. The ultimate outcome of the above matters cannot presently be determined, accordingly no adjustments has been made in the 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, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account;

   iv. in our opinion, the Balance Sheet, Statement of Profit and Loss 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, 2012, and taken on record by the Board of Directors, we report that none of the Directors is disqualified as on March 31, 2012 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, 2012;

      b. in the case of the Statement of Profit and Loss, of the loss 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

V K Pansari

per **VIKAS KUMAR PANSARI**
Partner
Membership No. 93649
Hyderabad, May 29, 2012.

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

Re: **Aurobindo Pharma Limited**

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

b. All fixed assets have not been physically verified by the management during the year but there is a regular 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. As informed, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956. Accordingly, the provisions of clauses 4 (iii)(a) to (d) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.

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

iv. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, 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 of the Company 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 a few cases.*

b. According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other material 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	Customs duty and penalty	42,621,459*	2002-03, 2003-04, 2004-05, 2005-06	CESTAT
	Excise duty	18,604,080	2006-07, 2007-08, 2008-09	CESTAT
	Excise duty	14,606,598**	2005-06	Commissioner of Central Excise
	Excise duty and penalty	9,224,104	2007-08, 2008-09, 2009-10, 2010-11	Commissioner of Central Excise
	Interest	8,825,256	2006-07, 2007-08, 2008-09, 2009-10	Commissioner of Central Excise
	Excise duty	6,401,211	2005-06, 2006-07, 2007-08, 2008-09, 2009-10, 2010-11	Additional Commissioner of Central Excise
	Excise duty	1,303,500	2007-08	Assistant Commissioner, Appeals
	Interest	439,770	2007-08	Joint Commissioner of Central Excise
	Excise duty	197,065	2006-07, 2007-08, 2008-09, 2009-10	Assistant Commissioner of Central Excise
	Interest	131,555	2009-10	Additional Commissioner of Central Excise
Finance Act, 1994	Service Tax	3,242,003	2004-05	Assistant Commissioner of Central Excise
	Service Tax	64,685	2006-07	CESTAT
	Service Tax	1,524,348	2006-07	CESTAT

* Stay granted

** Amount paid under protest ₹14,187,883

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

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

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

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

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

xv. According to the information and explanations given to us, the Company has given any guarantee for loans taken by others from banks, the terms and conditions whereof, in our opinion, are not prima-facie prejudicial to the interest of the Company. According to the information and explanations given to us, the Company has not given any guarntee for loans taken by others from 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 did not have any outstanding debentures during the year.

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

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

S. R. Batliboi & Associates

For **S.R. BATLIBOI & ASSOCIATES**
Firm Registration Number: 101049W
Chartered Accountants

per **VIKAS KUMAR PANSARI**
Partner
Membership No. 93649
Hyderabad, May 29, 2012.

Balance Sheet as at March 31, 2012

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

	Notes	As at March 31, 2012	As at March 31, 2011
EQUITY AND LIABILITIES			
SHAREHOLDERS' FUNDS			
Share capital	2	**291.1**	291.1
Reserves and surplus	3	**24,640.6**	25,405.0
		24,931.7	25,696.1
NON-CURRENT LIABILITIES			
Long-term borrowings	4	**8,337.4**	4,749.4
Deferred tax liabilities (Net)	5	**37.9**	1,218.2
Long-term provisions	6	**41.2**	31.0
		8,416.5	5,998.6
CURRENT LIABILITIES			
Short-term borrowings	7	**16,082.1**	12,209.1
Trade payables	8	**5,848.5**	7,331.4
Other current liabilities	9	**4,057.8**	6,633.3
Short-term provisions	6	**575.5**	543.2
		26,563.9	26,717.0
TOTAL		**59,912.1**	58,411.7
ASSETS			
NON-CURRENT ASSETS			
Fixed Assets — Tangible assets	10	**16,266.5**	13,497.2
Intangible assets		**0.9**	1.7
Tangible assets - Capital work-in-progress		**5,580.8**	5,367.3
Non-current investments	11	**6,103.2**	4,930.4
Long-term loans and advances	12	**1,784.9**	1,964.4
Trade receivables	13	**–**	–
Other non-current assets	15	**1.2**	1.2
		29,737.5	25,762.2
CURRENT ASSETS			
Current investments	16	**186.8**	0.4
Inventories	17	**12,192.6**	12,610.2
Trade receivables	13	**14,262.8**	14,802.9
Cash and bank balances	18	**140.1**	1,222.1
Short-term loans and advances	12	**2,624.8**	3,750.8
Other current assets	14	**767.5**	263.1
		30,174.6	32,649.5
TOTAL		**59,912.1**	58,411.7
Summary of significant accounting policies	1		

The accompanying notes are an integral part of the financial statements.

As per our report of even date.

S.R. Batliboi & Associates

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

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

Hyderabad, May 29, 2012.

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

Statement of Profit and Loss for the year ended March 31, 2012

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

		Notes	**Year ended March 31, 2012**	Year ended March 31, 2011
INCOME	Revenue from operations (Gross)	19	**43,787.3**	42,299.9
	Less: Excise duty	42	**972.8**	968.7
	Revenue from operations (Net)		**42,814.5**	41,331.2
	Other income	20	**190.6**	570.1
	TOTAL REVENUE		**43,005.1**	41,901.3
EXPENSES	Cost of materials consumed	21	**23,932.9**	23,286.3
	Purchase of traded goods		**355.2**	85.3
	(Increase)/decrease in work-in-progress,			
	traded and finished goods	22	**898.7**	(1,363.8)
	Employee benefit expenses	23	**3,641.0**	3,036.0
	Other expenses	24	**8,251.7**	6,715.3
	Depreciation/amortization	25	**1,429.4**	1,250.4
	Finance costs	26	**2,675.8**	550.2
	TOTAL EXPENSES		**41,184.7**	33,559.7
PROFIT BEFORE EXCEPTIONAL ITEMS AND TAX			**1,820.4**	8,341.6
	Exceptional items	27	**3,198.6**	287.1
PROFIT/(LOSS) BEFORE TAX			**(1,378.2)**	8,054.5
	Tax expense			
	Current tax	46	**48.7**	1,837.5
	Deferred tax charge/(credit)		**(1,180.3)**	267.5
	Tax relating to previous years		**179.5**	11.5
	Total tax expense		**(952.1)**	2,116.5
PROFIT/(LOSS) FOR THE YEAR			**(426.1)**	5,938.0
EARNINGS PER EQUITY SHARE		48		
	Basic earnings per share ₹		**(1.46)**	20.63
	Diluted earnings per share ₹		**(1.46)**	18.56
	Nominal value per equity share ₹		**1.00**	1.00
Summary of significant accounting policies		1		

The accompanying notes are an integral part of the financial statements.

As per our report of even date.

S.R. Batliboi & Associates

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

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

Hyderabad, May 29, 2012.

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

Cash flow statement for the year ended March 31, 2012

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

		Year ended March 31, 2012	Year ended March 31, 2011
CASH FLOW FROM			
OPERATING ACTIVITIES	Net profit before tax and exceptional items	**1,820.4**	8,341.6
	Non-cash adjustments to reconcile profit before tax to		
	net cash flows		
	Depreciation and amortization	**1,429.4**	1,250.4
	Provision for trade receivables	**94.6**	2.0
	Bad debts written off	**32.9**	34.4
	Provision for diminution on investment	**268.7**	105.0
	Balances no longer required written back	**(14.3)**	(2.0)
	Unrealized foreign exchange loss/(gain) (Net)	**886.9**	(278.4)
	Profit on sale of fixed assets (Net)	**(5.8)**	(2.4)
	Interest expense	**730.3**	373.2
	Interest income	**(71.0)**	(45.3)
	Operating profit before working capital changes	**5,172.1**	9,778.5
	Movements in working capital:		
	Decrease/(increase) in trade receivables	**787.1**	(3,328.8)
	Decrease/(increase) in inventories	**417.6**	(3,162.0)
	Decrease/(increase) in long-term loans and advances	**(303.1)**	(38.7)
	Decrease/(increase) in short-term loans and advances	**1,149.3**	(823.5)
	Decrease/(increase) in other current assets	**(380.7)**	54.9
	Increase/(decrease) in trade payables	**(1,506.3)**	1,908.0
	Increase/(decrease) in provision for retirement benefits	**(6.1)**	55.5
	Increase/(decrease) in other current liabilities	**(4.4)**	(228.3)
	Cash generated from operations	**5,325.5**	4,215.6
	Direct taxes paid (Net of refunds)	**(285.0)**	(1,769.9)
NET CASH FLOW FROM OPERATING ACTIVITIES (A)		**5,040.5**	2,445.7
CASH FLOW FROM			
INVESTING ACTIVITIES	Purchase of fixed assets, including capital work-in-progress		
	and capital advances	**(4011.9)**	(5,164.9)
	Proceeds from sale of fixed assets	**5.1**	27.6
	Purchase of non-current investments made in subsidiaries	**(1,532.9)**	(2,001.9)
	Investment in bank deposits	**–**	4.7
	Proceeds of non-current investments	**–**	388.1
	Loans to subsidiaries (Net)	**264.7**	1096.8
	Share application money to subsidiaries	**(105.9)**	(96.4)
	Share application money to others	**(12.2)**	(8.3)
	Interest received	**54.9**	56.9
NET CASH FLOW USED IN INVESTING ACTIVITIES (B)		**(5338.2)**	(5,697.4)

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

		Year ended March 31, 2012	Year ended March 31, 2011
CASH FLOW FROM			
FINANCING ACTIVITIES	Proceeds from issuance of share capital	**–**	10.8
	Proceeds from long term borrowings	**7,461.2**	4,096.3
	Repayment of long term borrowings	**(1487.0)**	(898.0)
	Repayment of FCCBs	**(6,207.6)**	(97.7)
	Redemption premium (Yield to Maturity)		
	on redemption of FCCBs	**(3,198.6)**	–
	Proceeds from short term borrowings (Net)	**3,667.6**	2,124.3
	Interest paid	**(681.7)**	(329.8)
	Dividend and dividend tax paid	**(338.2)**	(474.7)
NET CASH FLOW FROM FINANCING ACTIVITIES (C)		**(784.3)**	4,431.2
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)		**(1,082.0)**	1,179.5
EFFECT OF EXCHANGE DIFFERENCES ON CASH AND CASH EQUIVALENTS		**–**	2.8
	Cash and cash equivalents at the beginning of the year	**1,222.1**	39.8
	Cash and cash equivalents at the end of the year	**140.1**	1,222.1
Components of cash and cash equivalents			
Cash and bank balance include:			
Cash on hand		**6.5**	6.8
Balance with banks:			
Current accounts		**31.9**	21.9
Cash credit accounts		**96.3**	8.2
Fixed deposit accounts		**1.2**	1,181.2
Unpaid dividend accounts*		**5.4**	5.2
Cash and bank balance as per Balance Sheet		**141.3**	1,223.2
Less: Fixed deposits considered as investments		**1.2**	1.2
Total cash and cash equivalents (Refer Note 18)		**140.1**	1,222.1

* The Company can utilize these balances only toward settlement of unpaid dividend.

Summary of significant accounting policies (Refer Note 1).

As per our report of even date.

S.R. Batliboi & Associates

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

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

Hyderabad, May 29, 2012.

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

Notes to financial statements for the year ended March 31, 2012

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of preparation

These financial statements have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP) 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, except for the change in accounting policy explained below.

b. Change in accounting policy

Presentation and disclosure of financial statements

During the year ended March 31, 2012, the revised Schedule VI notified under the Companies Act, 1956 has become applicable to the Company, for preparation and presentation of its financial statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. The Company has also reclassified the previous year figures in accordance with the requirements applicable in the current year.

c. Use of estimates

The preparation of financial statements in conformity with Indian GAAP requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, 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.

d. 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/services 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 by the reporting date.

e. 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. Borrowing 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. All other borrowing costs are expensed in the period they occur.

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 or useful life envisaged in Schedule XIV of the Companies Act, 1956, whichever is shorter.

Premium paid on leasehold land is amortized over the lease term.

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.

f. 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.

g. Impairment of tangible and intangible assets

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.

h. 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.

i. Investments

Investments that are readily realizable and intended to be held for not more than one year from the date on which such investments are made, 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 recognise a decline, other than temporary, in the value of the investments.

j. 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 these will be incorporated are expected to be sold at or above cost.

Finished goods and work-in-progress are valued at lower of cost and net realizable value. Cost includes materials, labour and a proportion of appropriate overheads based on normal operating capacity. 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.

k. Employee benefits

Employee benefit in the form of provident fund is a defined contribution scheme and the contributions are charged to the Statement of Profit and Loss 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 Statement of Profit and Loss and are not deferred.

The Company presents the entire leave as a current liability in the balance sheet, since it does not have an unconditional right to defer its settlement for 12 months after the reporting date.

l. 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.

In the situations where the Company is entitled to tax holiday under Income Tax Act, 1961 no deferred tax is recognized in respect of timing differences which reverse during the tax holiday period, to the extent Company's gross total income is subject to the deduction during the tax holiday period. Deferred tax in respect of timing differences which reverse after the tax holiday period is recognized in the year in which timing difference originate.

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.

m. 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 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.

n. Export benefits, incentives and licenses

Export benefits on account of duty drawback and export promotion schemes are accrued and accounted in the year of export, and are included in other operating revenue. Other benefits in the form of advance authorization for imports are accounted for on purchase of imported materials.

o. Leases

Where the Company is lessee

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 Statement of Profit and Loss on a straight-line basis over the lease term.

p. 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.

q. Provisions

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

r. Cash and cash equivalents

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

s. Employee Stock Compensation Cost

Measurement and disclosure of the employee share-based payment plans is done in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Guidance Note on Accounting for Employee Share Based Payments 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.

t. Contingent liabilities

A contingent liability is possible obligation that arises from past events whose existence will be confirmed by the occurrence or non occurrence of one or more uncertain future events beyond the control of Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognise the contingent liability but discloses its existence in the financial statements.

u. Borrowing cost

Borrowing cost includes interest incurred in connection with the arrangement of borrowings and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

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

			As at March 31, 2012	As at March 31, 2011
2.	SHARE CAPITAL			
	AUTHORISED	660,000,000 (March 31, 2011: 660,000,000)		
		equity shares of ₹1 each	**660.0**	660.0
		1,000,000 (March 31, 2011: 1,000,000)		
		preference shares of ₹100 each	**100.0**	100.0
			760.0	760.0
	ISSUED, SUBSCRIBED			
	AND FULLY PAID-UP SHARES			
		291,121,290 (March 31, 2011: 291,121,290)		
		equity shares of ₹1 each	**291.1**	291.1
		TOTAL	**291.1**	291.1

a. Reconciliation of the equity shares outstanding at the beginning and at the end of the year

	As at March 31, 2012		As at March 31, 2011	
	Numbers	Value	Numbers	Value
Equity shares				
At the beginning of the year	**291,121,290**	**291.1**	278,644,185	278.6
Issued during the year under Employee Stock Option Plan	–	–	148,535	0.2
Issued during the year on conversion of Foreign Currency Convertible Bonds	–	–	12,328,570	12.3
Outstanding at the end of the year	**291,121,290**	**291.1**	291,121,290	291.1

b. Terms/rights attached to equity shares

The Company has only one class of equity shares having a par value of ₹1 per share. Each holder of equity shares is entitled to one vote per share.

The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of shareholders in the ensuing Annual General Meeting.

During the year ended March 31, 2012 the amount of per share dividend recognized as distributions to equity shareholders was ₹1 (March 31, 2011: ₹2).

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts. However, no such preferential amounts exist currently. The distribution will be in proportion to the number of equity shares held by the shareholders.

c. Details of shareholders holding more than 5% equity shares in the Company

	As at March 31, 2012		As at March 31, 2011	
	Numbers	% holding	Numbers	% holding
Mr. P.V. Ramprasad Reddy	**19,481,440**	**6.7**	78,645,440	27.0
Mrs. P. Suneela Rani	**90,830,550**	**31.2**	30,830,550	10.6
	110,311,990		109,475,990	

As per records of the Company, including its register of shareholders/members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares.

d. For details of shares reserved for issue under Employee Stock Option Plan (ESOP) of the Company, Refer Note 31.

e. For details of issue of shares on conversion of FCCB bonds, Refer Note 30.

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

			As at March 31, 2012	As at March 31, 2011
3.	**RESERVES AND SURPLUS**			
	CAPITAL RESERVE		**91.1**	91.1
	CAPITAL REDEMPTION RESERVE		**90.0**	90.0
	SECURITIES PREMIUM			
	ACCOUNT	As per last Balance Sheet	**3,442.1**	2,156.6
		Add: Premium on conversion of Foreign Currency		
		Convertible Bonds	**–**	1,274.9
		Premium on exercise of Employee Stock Options	**–**	10.6
			3,442.1	3,442.1
	GENERAL RESERVE	As per last Balance Sheet	**6,220.3**	5,626.5
		Add: Transferred from Statement of Profit and Loss	**–**	593.8
			6,220.3	6,220.3
	SURPLUS IN THE STATEMENT OF PROFIT AND LOSS			
		Balance as per last financial statements	**15,561.5**	10,900.9
		Profit/(loss) for the year	**(426.1)**	5,938.0
		Less: Appropriations		
		On equity shares of ₹1 each		
		Proposed dividend @ ₹1 (March 31, 2011: ₹1)	**291.1**	291.1
		Interim dividend paid @ ₹Nil (March 31, 2011: ₹1)	**–**	296.1
		Tax on dividend	**47.2**	96.4
		Transfer to general reserve	**–**	593.8
		Total appropriations	**338.3**	1,277.4
	NET SURPLUS IN THE STATEMENT OF PROFIT AND LOSS		**14,797.1**	15,561.5
		TOTAL	**24,640.6**	25,405.0

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

4. LONG-TERM BORROWINGS

	Non-current portion		Current maturities	
	As at March 31, 2012	As at March 31, 2011	**As at March 31, 2012**	As at March 31, 2011
From Banks (Secured)				
Term loans in foreign currency	**7,631.2**	4,013.5	**–**	–
	7,631.2	4,013.5	**–**	–
From Banks (Unsecured)				
Term loans in foreign currency	**–**	–	**3,484.8**	–
	–	–	**3,484.8**	–
Other loans				
FCCBs (Unsecured)	**–**	–	**–**	6,207.6
Deferred sales tax loan (Unsecured)	**706.2**	735.9	**38.7**	11.0
	706.2	735.9	**38.7**	6,218.6
Amount disclosed under the head "Other current liabilities"	**–**	–	**(3,523.5)**	(6,218.6)
(Refer Note 9)				
TOTAL	**8,337.4**	4,749.4	**–**	–
The above amount includes:				
Secured borrowings	**7,631.2**	4,013.5	**–**	–
Unsecured borrowings	**706.2**	735.9	**3,523.5**	6,218.6

i. Secured term loans in foreign currency carry interest in the range of LIBOR plus 2% to 2.5%. Out of these loans, loans amounting to ₹3,815.6 (March 31, 2011: ₹2,229.7) are repayable in 3 equal installments in 4th, 5th, 6th years from the respective final draw down dates, and loans amounting to ₹3,815.6 (March 31, 2011: ₹1,783.8) are repayable at the end of 5th year from the respective final draw down date.

ii. Unsecured term loans in foreign currency carry interest in the range of LIBOR plus 3% to 3.75%. These loans are repayable in 2012-13.

iii. Refer Note 30 for terms of issue of Foreign Currency Convertible Bonds ('FCCBs').

iv. Deferred sales tax loan is interest free and payable in various installments as per sales tax deferment scheme. The last installment is payable in 2025-26.

v. Term loans are secured by first *pari passu* charge on all the present and future fixed assets both movable and immoveable property of the Company.

	As at March 31, 2012	As at March 31, 2011
5. DEFERRED TAX LIABILITIES (NET)		
Deferred tax liability on account of differences in depreciation as per tax books and financial books	**1689.6**	1,392.2
Deferred tax asset arising on account of timing differences relating to:		
Provision made towards doubtful trade receivables/loans and advances	**120.7**	90.0
Employee benefits	**74.5**	76.5
Business loss	**799.4**	–
Unabsorbed depreciation	**657.1**	–
Other expenses	**–**	7.5
TOTAL	**37.9**	1,218.2

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

6. PROVISIONS

	Long-term		Short-term	
	As at March 31, 2012	As at March 31, 2011	**As at March 31, 2012**	As at March 31, 2011
For employee benefits				
Gratuity (Refer Note 32)	**41.2**	31.0	**25.0**	60.0
Compensated absences	**–**	–	**163.5**	144.9
	41.2	31.0	**188.5**	204.9
Other provisions				
For Proposed dividend	**–**	–	**291.1**	291.1
For Tax on proposed dividend	**–**	–	**47.2**	47.2
Provision for income tax	**–**	–	**48.7**	–
	–	–	**387.0**	338.3
TOTAL	**41.2**	31.0	**575.5**	543.2

	As at March 31, 2012	As at March 31, 2011
7. SHORT-TERM BORROWINGS		
Loans repayable on demand from banks - working capital loans		
Cash credit facilities (secured)	**5.0**	120.5
Buyers credit (secured)	**2,444.1**	2,427.3
Buyers credit (unsecured)	**878.5**	386.1
Packing credit loans (secured)	**4,341.2**	3,818.8
Packing credit loans (unsecured)	**7,654.5**	5,456.4
Short term loans from banks (secured)	**508.8**	–
Short term loans from banks (unsecured)	**250.0**	–
TOTAL	**16,082.1**	12,209.1
The above amount includes		
Secured borrowings	**7,299.1**	6,366.5
Unsecured borrowings	**8,783.0**	5,842.6
	16,082.1	12,209.1

All loans payable on demand and secured short term 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) and second charge on all the fixed assets of the Company both present and future subject to charges created in favour of term lenders.

8. TRADE PAYABLES		
Trade payables for supplies and services	**5,848.5**	7,331.4
(Refer Note 35 for details of dues to Micro, Small & Medium Enterprises)		
9. OTHER CURRENT LIABILITIES		
Current maturities of long-term borrowings	**3,523.5**	6,218.6
Creditors for capital goods	**253.0**	177.8
Trade deposits	**1.0**	1.0
Unclaimed dividend (Refer Note 36)	**5.4**	5.2
Interest accrued but not due on borrowings	**92.4**	43.8
Advance from customers	**58.4**	120.3
Other payables		
Statutory liabilities	**96.5**	66.5
Others	**27.6**	–
TOTAL	**4,057.8**	6,633.3

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

10. FIXED ASSETS - TANGIBLE AND INTANGIBLE ASSETS

	Leasehold land	Freehold land	Leasehold buildings	Freehold buildings	Plant & machinery	Furniture & fittings	Vehicles	Office equipment	Total Tangible Assets	Total Intangible Assets-Licenses
At Cost										
At April 1, 2010	48.6	227.5	49.3	2,418.5	12,041.5	237.0	85.7	121.1	15,229.2	39.6
Additions	13.7	41.4	5.9	917.8	3,184.9	103.5	26.6	36.2	4,330.0	–
Deletions	–	–	–	–	44.1	0.1	2.9	–	47.1	–
At March 31, 2011	62.3	268.9	55.2	3,336.3	15,182.3	340.4	109.4	157.3	19,512.1	39.6
Additions	0.1	24.1	–	913.4	3,122.6	131.1	26.0	66.7	4,284.0	–
Deletions	–	–	–	8.8	43.6	–	6.0	0.6	59.0	–
Transfer to assets held for sale	1.9	1.2	29.6	–	111.0	0.3	–	–	144.0	
At March 31, 2012	**60.5**	**291.8**	**25.6**	**4,240.9**	**18,150.3**	**471.2**	**129.4**	**223.4**	**23,593.1**	**39.6**
Depreciation/amortization										
At April 1, 2010	2.8	–	17.0	416.2	4,191.4	94.6	26.5	31.6	4,780.1	35.3
Charge for the year	2.3	–	6.2	99.1	1,084.2	44.5	9.1	7.0	1,252.4	2.6
Deletions	–	–	–	–	16.0	–	1.6	–	17.6	–
At March 31, 2011	5.1	–	23.2	515.3	5,259.6	139.1	34.0	38.6	6,014.9	37.9
Charge for the year	1.5	–	2.3	122.5	1,243.4	42.3	11.4	9.3	1,432.7	0.8
Deletions	–	–	–	1.4	34.8	–	3.1	0.2	39.5	–
Transfer to assets held for sale	–	–	15.8	–	65.4	0.3	–	–	81.5	–
At March 31, 2012	**6.6**	**–**	**9.7**	**636.4**	**6,402.8**	**181.1**	**42.3**	**47.7**	**7,326.6**	**38.7**
Net Block										
At March 31, 2011	57.2	268.9	32.0	2,821.0	9,922.7	201.3	75.4	118.7	13,497.2	1.7
At March 31, 2012	**53.9**	**291.8**	**15.9**	**3,604.5**	**11,747.5**	**290.1**	**87.1**	**175.7**	**16,266.5**	**0.9**

Capital work-in-progress ₹5,580.8 (March 31, 2011: ₹5,367.3).

i. The title deeds of land and buildings aggregating to ₹148.4 (March 31, 2011: 140.6) are pending transfer to the Company's name.

ii. Capital work-in-progress include expenditure during construction period amounting to ₹1,226.5 (March 31, 2011: ₹692.7) (Refer Note 33).

iii. An amount of ₹4.5 (March 31, 2011: ₹Nil) is transferred from capital work-in-progress to assets held for sale.

iv. Depreciation for the year include ₹4.1 (March 31, 2011: ₹4.6) taken as pre-operative capital expenditure on capital projects pending capitalization.

v. Additions to fixed assets and capital work-in-progress during the year include value of capital expenditure towards research centre aggregating to ₹396.0 (March 31, 2011: ₹363.2) [Refer Note 37(b)].

vi. Details of finance lease (Refer Note 41).

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

	Face value	As at March 31, 2012 Qty.	As at March 31, 2012 ₹	As at March 31, 2011 Qty.	As at March 31, 2011 ₹
11. NON-CURRENT INVESTMENTS					
Trade Investments					
Long term, Unquoted, in fully paid equity shares					
(at cost unless stated otherwise)					
In subsidiaries					
Aurobindo Pharma USA Inc., U.S.A.	–	**100% of**	**2,824.2**	100% of	2,419.6
		Paid-in-Capital		Paid-in-Capital	
APL Pharma Thai Limited, Thailand	100 Baht	**979,200**	**145.6**	979,200	145.6
Aurobindo Pharma Industria Farmaceutica Ltda, Brazil	1 Real	**10,124,795**	**260.0**	4,770,245	105.6
Helix Healthcare B.V., The Netherlands	–	**100% of**	**2,184.3**	100% of	1,479.1
[At cost less provision for other than temporary diminution		**Paid-in-Capital**		Paid-in-Capital	
in value of ₹450.0 (March 31, 2011: ₹181.3)]					
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**	**27.5**	100% of	27.5
		Paid-in-Capital		Paid-in-Capital	
APL Holdings (Jersey) Limited, Jersey	1 EUR	**3,637,824**	**233.6**	3,637,824	233.6
Aurobindo Pharma Produtos Farmaceuticos Ltda, Brazil	1 Real	**99,000**	**2.1**	99,000	2.1
Auronext Pharma Private Limited, India	₹ 10	**22,525,000**	**225.3**	13,031,250	130.4
In others					
Jeedimetla Effluent Treatment Limited	100	**753**	**0.1**	753	0.1
Patancheru Envirotech Limited	10	**103,709**	**1.0**	103,709	1.0
Progressive Effluent Treatment Limited	100	**1,000**	**0.1**	1,000	0.1
Aurobindo (Datong) Bio-Pharma Company Limited, China		**10% of**	**196.2**	19.5% of	382.5
(Refer Note 15 for current portion)		**Paid-in-Capital**		Paid-in-Capital	
TOTAL (A)			**6,102.0**		4,929.2
Non-trade investments					
Long term, unquoted and at cost, in government securities					
Kisan Vikas Patra	–		**1.0**		1.0
National Savings Certificate [includes ₹0.1 held by Income tax authorities (March 31, 2011: ₹0.1)]	–		**0.2**		0.2
TOTAL (B)			**1.2**		1.2
TOTAL (A+B)			**6,103.2**		4,930.4
Notes:					
i. Aggregate value of unquoted investments			**6,103.2**		4,930.4
ii. Aggregate provision for diminution in the value of investments			**450.0**		181.3

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

	Non-current		Current	
	As at March 31, 2012	As at March 31, 2011	**As at March 31, 2012**	As at March 31, 2011
12. LOANS AND ADVANCES				
(Unsecured, considered good except stated otherwise)				
Capital advances				
Considered good	**54.8**	461.1	**–**	–
Doubtful	**0.8**	0.8	**–**	–
	55.6	461.9	**–**	–
Provision for doubtful advances	**0.8**	0.8	**–**	–
TOTAL (A)	**54.8**	461.1	**–**	–
Trade deposits				
Considered good	**206.4**	146.3	**–**	–
Doubtful	**0.4**	0.4	**–**	–
	206.8	146.7	**–**	–
Provision for doubtful deposit	**0.4**	0.4	**–**	–
TOTAL (B)	**206.4**	146.3	**–**	–
Loan and advances to related parties (Refer Note 40)				
Loans to subsidiaries	**615.9**	820.8	**–**	–
Share application money to subsidiaries	**160.8**	149.8	**–**	–
TOTAL (C)	**776.7**	970.6	**–**	–
Advances recoverable in cash or kind				
Considered good	**26.6**	26.6	**723.3**	1,376.7
Doubtful	**35.1**	35.1	**–**	–
	61.7	61.7	**723.3**	1,376.7
Provision for doubtful advances	**35.1**	35.1	**–**	–
TOTAL (D)	**26.6**	26.6	**723.3**	1,376.7
Other loans and advances				
Advance income tax (Net of provision for taxation)	**389.1**	283.5	**–**	–
Share application money to others	**20.5**	8.3	**–**	–
Loans to others	**–**	–	**185.7**	890.7
Loans to employees	**29.1**	23.5	**55.1**	48.5
Export rebate claims receivable	**–**	–	**981.8**	641.7
Balance with statutory/government authorities	**281.7**	44.5	**678.9**	793.2
TOTAL (E)	**720.4**	359.8	**1,901.5**	2,374.1
TOTAL (A+B+C+D+E)	**1,784.9**	1,964.4	**2,624.8**	3,750.8

Refer Note 44 for advances due from private companies/partnership firm in which Company's Director is a director/partner.

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

	Non-current		Current	
	As at March 31, 2012	As at March 31, 2011	**As at March 31, 2012**	As at March 31, 2011
13. TRADE RECEIVABLES				
(Unsecured, considered good unless stated otherwise)				
Outstanding for a period exceeding six months from the date they are due for payment				
Considered good	**–**	–	**913.0**	249.0
Doubtful	**190.8**	205.6	**144.9**	35.5
	190.8	205.6	**1,057.9**	284.5
Provision for doubtful receivables	**190.8**	205.6	**144.9**	35.5
TOTAL (A)	**–**	–	**913.0**	249.0
Others				
Considered good (B)	**–**	–	**13,349.8**	14,553.9
TOTAL (A+B)	**–**	–	**14,262.8**	14,802.9

Refer Note 45 for trade receivables due from private companies/partnership firm in which Company's Director is a director/partner.

	As at March 31, 2012	As at March 31, 2011
14. OTHER CURRENT ASSETS		
(Unsecured, considered good unless stated otherwise)		
Unamortized premium on forward contract	**29.6**	4.7
Insurance claim receivable	**127.3**	–
Export incentives receivable	**486.1**	232.7
Assets held for sale	**67.0**	–
Receivables for capital goods sold	**19.8**	4.3
Interest accrued on deposits	**9.7**	9.0
Interest accrued on investments	**0.6**	0.6
Interest accrued on loans to subsidiaries	**27.4**	11.8
TOTAL	**767.5**	263.1
15. OTHER NON-CURRENT ASSETS		
(Unsecured, considered good unless stated otherwise)		
Non-current bank balances (Refer Note 18)	**1.2**	1.2
TOTAL	**1.2**	1.2

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

	Face value	As at March 31, 2012 Qty	₹	As at March 31, 2011 Qty	₹
16. CURRENT INVESTMENTS					
Current portion of long term investment (at cost)					
Aurobindo (Datong) Bio-Pharma Company Limited, China		**9.50**	**186.4**	–	–
(unquoted, in fully paid equity shares)		**Paid-in-Capital**		Paid-in-Capital	
Unquoted, in fully paid equity shares, at lower of cost and market value					
Citadel Aurobindo Biotech Limited, India	100	**70,000**	**–**	70,000	–
[Aggregate provision for diminution in value of ₹7.0					
(March 31, 2011: ₹7.0)]					
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			**186.8**		0.4
i. Aggregate value of unquoted investments			**186.4**		–
ii. Aggregate value of quoted investments			**0.4**		0.4
iii. Market value of quoted investments			**0.5**		0.7

	As at March 31, 2012	As at March 31, 2011
17. INVENTORIES		
(Valued at lower of cost and net realizable value)		
Raw materials [includes in-transit ₹453.5 (March 31, 2011: ₹376.3)]	**5,690.7**	5,482.2
Packing materials	**903.3**	708.3
Work-in-progress (Refer Note 22)	**4,236.1**	4,340.3
Finished goods [includes in transit ₹186.4 (March 31, 2011: ₹441.1) Refer Note 22]	**778.2**	1,584.1
Trading goods (Refer Note 22)	**11.4**	–
Stores, spares and consumables	**572.9**	495.3
TOTAL	**12,192.6**	12,610.2

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

	Non-current		Current	
	As at March 31, 2012	As at March 31, 2011	**As at March 31, 2012**	As at March 31, 2011
18. CASH AND BANK BALANCES				
Cash and cash equivalents				
Balance with banks:				
On current accounts	**–**	–	**31.9**	21.9
On cash credit accounts	**–**	–	**96.3**	8.2
Deposits with original maturity of less than three months	**–**	–	**–**	1,180.0
On unpaid dividend account	**–**	–	**5.4**	5.2
Cash on hand	**–**	–	**6.5**	6.8
	–	–	**140.1**	1,222.1
Other bank balances				
Margin money deposits*	**1.2**	1.2	**–**	–
	1.2	1.2	**–**	–
Amount disclosed under non–current assets (Refer Note 15)	**(1.2)**	(1.2)		
TOTAL	**–**	–	**140.1**	1,222.1

*Given against bank guarantees and performance guarantees.

	Year ended March 31, 2012	Year ended March 31, 2011
19. REVENUE FROM OPERATIONS (GROSS)		
Sale of products	**42,494.4**	39,462.4
Sale of services	**524.4**	2,320.7
Other operating revenue		
Scrap sales	**46.1**	12.6
Export incentives	**722.4**	504.2
TOTAL	**43,787.3**	42,299.9
Details of sale of products		
Active Pharmaceutical Ingredients (APIs) & Intermediates	**19,107.0**	17,544.3
Formulations - Tablets & Capsules	**20,224.6**	18,858.4
Formulations - Injections	**1,350.8**	1,383.8
Formulations - Syrups	**707.4**	1,088.1
API Trading goods	**350.0**	90.8
Others	**754.6**	497.0
	42,494.4	39,462.4
Details of services		
Dossier income	**496.4**	2,255.7
Service income	**28.0**	65.0
	524.4	2,320.7

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

	Year ended March 31, 2012	Year ended March 31, 2011
20. OTHER INCOME		
Interest income on		
Bank deposits	35.7	2.7
Other advances and deposits	18.6	9.9
Loans to subsidiaries	16.7	32.7
Dividend income on		
Current investments - trade	–	–
Balances no longer required written back	14.3	2.0
Foreign exchange gain (Net)	–	444.9
Profit on sale of fixed assets (Net)	5.8	2.4
Miscellaneous income	99.5	75.5
TOTAL	190.6	570.1
21. COST OF MATERIALS CONSUMED		
Raw material consumed		
Opening stock	5,482.2	3,972.1
Add: Purchases	22,063.0	22,802.7
	27,545.2	26,774.8
Less: Closing stock	5,690.7	5,482.2
Cost of raw material consumed	21,854.5	21,292.6
Packing materials consumed	2,078.4	1,993.7
TOTAL	23,932.9	23,286.3
Details of cost of materials consumed		
Material name		
6 APA	2,659.0	2,650.1
7 ACA	1,072.9	2,008.5
Beta–Thymidine	1,456.3	1,172.3
Ceftriaxone Sodium	787.9	905.6
7 ADCA	690.6	886.8
Amino Carbinol	526.7	554.2
Others - packing materials	2,078.4	1,993.7
- others	14,661.1	13,115.1
	23,932.9	23,286.3

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

	Year ended March 31, 2012	Year ended March 31, 2011	(Increase)/decrease March 31, 2012
22. (INCREASE)/DECREASE IN WORK IN PROGRESS, TRADED AND FINISHED GOODS			
Inventories at the end of the year			
Finished goods	**778.2**	1,584.1	805.9
Traded goods	**11.4**	–	(11.4)
Work-in-progress	**4,236.1**	4,340.3	104.2
	5,025.7	5,924.4	898.7
Inventories at the beginning of the year			
Finished goods	**1,584.1**	1,088.0	(496.1)
Traded goods	**–**	–	–
Work-in-progress	**4,340.3**	3,472.6	(867.7)
	5,924.4	4,560.6	(1,363.8)
TOTAL	**898.7**	(1,363.8)	
Details of inventory			
Finished goods			
Active Pharmaceutical Ingredients (APIs) & Intermediates	**244.2**	742.8	
Formulations - Tablets & capsules	**415.9**	725.8	
Formulations - Injections	**89.7**	53.3	
Formulations - Syrups	**28.4**	62.2	
	778.2	1,584.1	
Trading goods			
Active Pharmaceutical Ingredients (APIs) and Intermediates	**11.4**	–	
	11.4	–	
Work-in-progress			
Active Pharmaceutical Ingredients (APIs) & Intermediates	**3,661.5**	3,810.2	
Formulations - Tablets & capsules	**531.2**	486.9	
Formulations - Injections	**40.3**	33.1	
Formulations - Syrups	**3.1**	10.1	
	4,236.1	4,340.3	

	Year ended March 31, 2012	Year ended March 31, 2011
23. EMPLOYEE BENEFIT EXPENSES		
Salaries, wages and bonus	**3,347.3**	2,772.8
Contribution to provident and other funds [Refer Note 32(a)]	**110.6**	100.0
Gratuity expense [Refer Note 32(b)]	**53.7**	43.9
Leave encashment expense	**51.5**	57.1
Staff welfare expenses	**77.9**	62.2
TOTAL	**3,641.0**	3,036.0

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

	Year ended March 31, 2012	Year ended March 31, 2011
24. OTHER EXPENSES		
Conversion charges	**233.1**	190.6
Consumption of stores and spares	**644.6**	545.0
Chemicals consumed	**801.5**	686.5
Power and fuel	**2,255.4**	1,845.5
Carriage inward	**256.0**	268.8
Factory maintenance	**145.0**	102.9
Effluent treatment expenses	**41.1**	39.2
(Increase)/decrease of excise duty on inventory (Refer Note 42)	**(31.8)**	26.7
Repairs and maintenance		
i. Plant and machinery	**336.9**	308.4
ii. Buildings	**164.7**	220.0
iii. Others	**28.0**	35.7
Rent	**23.8**	19.4
Rates and taxes	**77.1**	39.5
Printing and stationery	**91.1**	78.0
Postage and telephones	**28.7**	35.6
Insurance	**95.9**	95.1
Legal and professional charges	**273.7**	274.3
Directors' sitting fees	**0.8**	0.6
Remuneration to auditors (Refer Note 38)	**7.3**	6.5
Sales commission	**278.1**	266.7
Carriage outwards	**970.8**	783.0
Selling expenses	**114.5**	83.8
Rebates and discounts	**44.3**	36.0
Travelling and conveyance	**96.9**	70.8
Vehicle maintenance expenses	**3.9**	3.4
Analytical charges	**343.7**	252.5
Provision for diminution on non-current investment	**268.7**	105.0
Bad debts written off	**32.9**	34.4
Donations (Refer Note 39)	**4.1**	1.5
Registration and filing charges	**42.4**	28.4
Provision for trade receivables	**94.6**	2.0
Foreign exchange loss (Net)	**214.9**	–
Miscellaneous expenses	**269.0**	229.5
TOTAL	**8,251.7**	6,715.3

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

		Year ended March 31, 2012	Year ended March 31, 2011
25.	**DEPRECIATION/AMORTIZATION**		
	Depreciation of tangible assets	**1,428.7**	1,247.8
	Amortization of intangible assets	**0.7**	2.6
	TOTAL	**1,429.4**	1,250.4
26.	**FINANCE COSTS**		
	Interest on loans from banks	**730.3**	373.2
	Bank charges	**200.8**	177.0
	Exchange difference to the extent considered as an adjustment to borrowing costs	**1,744.7**	–
	TOTAL	**2,675.8**	550.2
27.	**EXCEPTIONAL ITEMS**		
	Redemption premium (Yield to Maturity) on redemption of FCCB Bonds (Refer Note i)	**(3,198.6)**	–
	Loss on sale of investment in subsidiary (Refer Note ii)	**–**	(287.1)
	TOTAL	**(3,198.6)**	(287.1)

Note:

i. The outstanding Tranche A and Tranche B Zero Coupon Foreign Currency Convertible Bonds ('FCCB' or 'Bonds') of USD 139.20 Million, issued in May 2006, were repaid in entirety on maturity during the year along with the redemption premium (Yield to Maturity) amounting to ₹3,198.6, inclusive of withholding taxes.

ii. During the previous year the Company has divested its 80.5% stake in Aurobindo (Datong) Bio-Pharma Company Limited, China, (ADBPL) one of its subsidiary.

28. Capital and other commitments

Estimated amount of contracts (net of advances) remaining to be executed on capital account and not provided for - ₹476.5 (March 31, 2011: ₹1,980.1).

Company has given corporate guarantee for the loan extended by DBS, Singapore to Aurobinodo Pharma U.S.A. The loan amount outstanding as on March 31,2012 is ₹1,589.8 (March 31, 2011: ₹Nil).

29. Contingent liabilities

Particulars	**As at March 31, 2012**	As at March 31, 2011
Outstanding bank guarantees	**391.9**	341.4
Claims arising from disputes not acknowledged as debts relating to		
- indirect taxes (Excise duty & Service tax)	**140.7**	90.6
- direct taxes	**105.0**	100.0
Claims against the Company not acknowledged as debts	**23.7**	20.4
Premium on potential redemption of FCCBs	**Nil**	Refer Note 30 (c)

30. Foreign Currency Convertible Bonds ('FCCBs'):

a. Terms of Issue

During the year ended March 31, 2007, the Company issued 150,000 zero coupon FCCBs due in 2011 (Tranche A Bonds) of USD 1,000 each and 50,000 Zero coupon FCCBs due in 2011 (Tranche B Bonds) of USD 1000 each, 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

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

(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.

b. Outstanding FCCBs

The outstanding FCCBs as at March 31, 2011 were 139,200, which were redeemed in full during the current year.

c. Redemption premium on potential redemption of FCCBs

As at March 31, 2011 the cumulative premium on potential redemption of FCCBs issued during the year ended March 31, 2007 aggregates to USD 70.2 equivalent to ₹3,132.0. The payment of such premium on redemption was contingent in nature, the outcome of which was dependent upon uncertain future events, hence no provision was considered. The outstanding FCCBs along with Yield to Maturity were redeemed during the current year.

31. Employee stock options

a. Employee Stock Option Plan 'ESOP-2004'

The Company instituted an Employee Stock Option Plan 'ESOP-2004' as per the special resolution passed in the 17th Annual General Meeting held on July 31, 2004. This scheme has been formulated in accordance with the Securities Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 to grant options of 2,538,500 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 ₹1 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 ₹72.52 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:

		Year ended March 31, 2012	Year ended March 31, 2011
Options outstanding at the beginning of the year		**11,345**	232,770
Granted during the year		**–**	–
Vested/exercisable during the year		**–**	–
Exercised during the year		**–**	148,535
Forfeited during the year subject to reissue		**11,345**	72,890
Options outstanding at end of the year		**–**	11,345
Exercisable at the end of the year		**–**	11,345
Weighted average exercise price	(₹)	**72.52**	72.52
Weighted average fair value of options at the date of grant	(₹)	**75.03**	75.03

	Range of exercise prices (₹)	Number of options outstanding	Weighted average remaining contractual life of options (in years)
As at March 31, 2012	**–**	**–**	**–**
As at March 31, 2011	75.02	11,345	0.33

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

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 1,495,000 options under four grants of 175,000, 25,000 , 90,000 and 1,205,000 options to eligible employees on October 30, 2006, July 31, 2007, October 31, 2007 and December 16, 2011 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 ₹1 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 ₹120.70, ₹132.35, ₹114.50 and ₹91.60 per share respectively and hence the question of accounting for employee deferred compensation expenses does not arise as the Company follows intrinsic value method.

The details of options outstanding of ESOP 2006 Scheme:

		Year ended March 31, 2012	Year ended March 31, 2011
Options outstanding at the beginning of the year		**250,000**	250,000
Granted during the year		**1,205,000**	–
Vested/exercisable during the year		**12,500**	106,250
Exercised during the year		**–**	–
Forfeited during the year subject to reissue		**200,000**	–
Options outstanding at end of the year		**1,255,000**	250,000
Exercisable at the end of the year		**50,000**	212,500
Weighted average exercise price	(₹)	**97.07**	119.78
Weighted average fair value of options at the date of grant	(₹)	**115.56**	144.13

	Range of exercise prices (₹)	Number of options outstanding	Weighted average remaining contractual life of options (in years)
As at March 31, 2012	**91 to 133**	**1,255,000**	**5.53**
As at March 31, 2011	114 to 133	250,000	1.89

c. Disclosure as per Fair Value Method

The Company's net profit/(loss) 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.

		Year ended March 31, 2012	Year ended March 31, 2011
Profit/(loss) after taxation			
As reported in Statement of Profit and Loss		**(426.1)**	5,938.0
Less: Additional employee compensation cost based on Fair Value		**0.7**	1.6
Profit/(loss) after taxation as per Fair Value Method		**(426.8)**	5,936.4
Earnings per share			
Basic			
No. of shares		**291,121,290**	287,869,658
EPS as reported	(₹)	**(1.46)**	20.63
EPS as per Fair Value Method	(₹)	**(1.47)**	20.62
Diluted			
No. of shares		**291,127,562**	319,995,855
EPS as reported	(₹)	**(1.46)**	18.56
EPS as per Fair Value Method	(₹)	**(1.47)**	18.55

(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:

		Year ended March 31, 2012		Year ended March 31, 2011	
		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	(%)	**4.32**	**4.32**	5.62	7.12
Dividend yield		**1.33**	**1.33**	0.15	0.15

32. Employee benefits

a. Disclosures related to defined contribution plan

Provident fund contribution recognized as expense in the Statement of Profit and Loss ₹82.8 (March 31, 2011: ₹72.2).

b. Disclosures related to defined benefit plan

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days last drawn salary for each completed year of service.

The scheme is funded with an insurance company in the form of a qualifying insurance policy. The following tables summarise the components of net benefit expense recognized in the Statement of Profit and Loss, the fund status and Balance Sheet position:

Statement of Profit and Loss

	Year ended March 31, 2012	Year ended March 31, 2011
Net employee benefit expense (included under employee benefit expenses)		
Current service cost	**38.3**	29.6
Interest cost on benefit obligation	**18.9**	14.6
Expected return on plan assets	**(9.5)**	(8.0)
Net actuarial (gain)/loss recognized in the year	**6.0**	7.7
Net benefit expense	**53.7**	43.9
Actual return on plan assets	**12.8**	8.6

Balance Sheet

	As at March 31, 2012	As at March 31, 2011
Details of provision for gratuity		
Defined benefit obligation*	**240.9**	**193.3**
Fair value of plan assets**	**174.7**	**102.3**
Net plan liability	**66.2**	**91.0**

* As at March 31, 2010: ₹152.9; March 31, 2009: ₹107.7; March 31, 2008: ₹75.4

** As at March 31, 2010: ₹83.1; March 31, 2009: ₹72.2; March 31, 2008: ₹57.0

(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:

	Year ended March 31, 2012	Year ended March 31, 2011
Opening defined benefit obligation	**193.3**	150.9
Current service cost	**38.3**	29.6
Interest cost	**18.9**	14.6
Benefits paid	**(18.8)**	(10.2)
Actuarial (gains)/losses on obligation*	**9.2**	8.4
Closing defined benefit obligation	**240.9**	193.3

* Experience adjustments on plan liabilities March 31, 2012: ₹12.6 (March 31, 2011: ₹9.6; March 31, 2010: ₹7.6; March 31, 2009: ₹6.2; and March 31, 2008: ₹0.6)

Changes in fair value of plan assets

	Year ended March 31, 2012	Year ended March 31, 2011
Opening fair value of plan assets	**102.3**	83.1
Expected return	**9.5**	7.9
Contributions by employer	**78.4**	20.8
Benefits paid	**(18.8)**	(10.2)
Actuarial gains/(losses)*	**3.3**	0.7
Closing fair value of plan assets	**174.7**	102.3

* Experience adjustments on plan assets March 31, 2012: ₹3.3 (March 31, 2011: ₹0.7; March 31, 2010: ₹0.4; March 31, 2009: ₹0.9; and March 31, 2008: ₹1.9)

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

	As at March 31, 2012	As at March 31, 2011
Discount rate (p.a.) (%)	**8.65**	8.35
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 ₹25.0 (March 31, 2011: ₹60.0) to the qualifying insurance policy in 2012-13.

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

33. Expenditure during construction period pending capitalisation

	As at March 31, 2012	As at March 31, 2011
Balance brought forward	**692.7**	685.2
Add: Incurred during the year		
Salaries, wages and bonus	**159.1**	117.6
Staff welfare expenses	**3.5**	3.3
Consumption of raw material for testing	**53.1**	24.5
Consumption of stores and spares	**114.7**	121.9
Carriage inward	**0.3**	3.0
Power and fuel	**163.7**	108.5
Conversion charges	**9.8**	20.0
Rent	**–**	0.1
Rates and taxes	**7.4**	3.5
Printing and stationery	**4.0**	4.0
Postage and telephones	**0.6**	0.8
Insurance	**3.5**	3.1
Legal and professional charges	**15.0**	2.6
Travelling and conveyance	**2.3**	2.9
Depreciation	**4.2**	4.6
Miscellaneous expenses	**26.4**	9.8
	1260.3	1,115.4
Less: Capitalized to fixed assets during the year	**33.7**	422.7
Balance carried forward	**1226.6**	692.7

34. 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 $ 18.0, ₹915.8 (March 31,2011: US $ Nil) - To hedge receivables in foreign currency.

US $ 27.0, ₹1,373.6 (March 31,2011: US $ Nil) - To hedge external commercial borrowing draw down.

Buy

US$ Nil (March 31, 2011: US $ 11.6, ₹519.3) - 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	As at March 31, 2012	As at March 31, 2011
Loans availed	**(26,943.2)**	(16,102.0)
Trade receivables	**9,289.5**	10,796.1
Loans and advances (including other current assets)	**1,069.4**	1,723.3
Trade payables (including creditors for capital goods)	**(1,672.3)**	(1,944.0)
Interest accrued but not due	**(81.1)**	(39.6)
Foreign Currency Convertible Bonds	**–**	(6,207.6)
Investments	**6,059.8**	4,976.9
Bank balances	**19.6**	5.2

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

35. Details of dues to micro, small and medium enterprises as defined under the MSMED Act, 2006

Details	As at March 31, 2012	As at March 31, 2011
The principal amount remaining unpaid as at the end of the year.	21.5	56.1
The amount of interest accrued and remaining unpaid at the end of the year.	2.9	0.9
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.	–	–

36. 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, 2012 (March 31, 2011: ₹Nil).

37. Research and Development expenses

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

Particulars	Year ended March 31, 2012	Year ended March 31, 2011
Material and stores and spares consumption	430.9	321.1
Power and fuel	25.0	12.0
Repairs and maintenance	32.7	33.0
Employee benefit expenses	473.3	439.3
Analytical charges	327.2	246.0
Depreciation	65.9	50.5
Others	238.0	292.1
TOTAL	1,593.0	1,394.0

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

Particulars	Year ended March 31, 2012	Year ended March 31, 2011
Land	8.5	24.8
Buildings	126.7	199.4
Plant and machinery		
- Plant and machinery	13.8	53.8
- Lab equipment	94.7	47.4
- Pipes and valves	24.8	5.3
- Data processing equipment	12.5	6.8
- Electrical installations	26.8	9.7
Office equipment	39.2	4.5
Furniture	38.6	5.8
Vehicles	10.4	5.7
TOTAL	396.0	363.2

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

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

Particulars	Year ended March 31, 2012	Year ended March 31, 2011
As Auditors		
Statutory audit	5.5	5.0
Limited review	1.2	1.2
In other capacity		
Certification	0.2	0.0
Reimbursement of expenses	0.3	0.3
Effect of service tax	0.1	0.0
TOTAL	7.3	6.5

39. Donation to political parties

Particulars	Year ended March 31, 2012	Year ended March 31, 2011
Communist Party of India (Marxist)	0.3	0.1
Communist Party of India	0.3	0.2
Bharatiya Janatha Party	0.8	–
TOTAL	1.4	0.3

40. Related party disclosures

Names of related parties and description of relationship

Subsidiaries

1. APL Pharma Thai Limited, Thailand
2. ALL Pharma (Shanghai) Trading Company Limited, China
3. Aurobindo Pharma U.S.A. Inc, U.S.A.
4. Aurobindo Pharma Industria Farmaceutica Ltda, Brazil
5. Helix Healthcare B.V., The Netherlands
6. APL Holdings (Jersey) Limited, Jersey
7. Aurobindo Pharma Produtos Farmaceuticos Ltda, Brazil
8. APL Health Care Limited, India
9. Auronext Pharma (Private) Limited, India
10. APL Research Centre Limited, India
11. Auro Pharma Inc., Canada
12. Aurobindo Pharma (Pty) Limited, South Africa
13. Aurobindo Pharma (Australia) Pty Limited, Australia
14. Agile Pharma B.V., The Netherlands
15. Aurobindo Pharma Hungary Kereskedelmi Kft, Hungary
16. Aurobindo Switzerland AG, Switzerland
17. Auro Healthcare (Nigeria) Limited, Nigeria
18. Aurobindo ILAC Sanayi ve Ticaret Limited, Turkey
19. Aurobindo Pharma (Singapore) Pte Limited, Singapore
20. Aurobindo Pharma Limited, s.r.l., Dominican Republic
21. Aurobindo Pharma Japan K.K., Japan
22. Pharmacin B.V., The Netherlands
23. Aurobindo Pharma GmbH, Germany

24. Aurobindo Pharma (Portugal) Unipessoal LDA, Portugal
25. Aurobindo Pharma (Bulgaria) EAD, Bulgaria
26. Aurobindo Pharma France SARL, France
27. Laboratorios Aurobindo S L, Spain
28. Agile Malta Holdings Limited, Malta
29. Aurobindo Pharma B.V., The Netherlands
30. Aurobindo Pharma (Romania) s.r.l., Romania
31. Aurobindo Pharma (Poland) Sp.z.o.o., Poland
32. Aurobindo Pharma (Italia) S.r.l., Italy
33. Agile Pharma (Malta) Limited, Malta
34. Aurobindo Pharma (Malta) Limited, Malta
35. APL IP Company Limited, Jersey
36. APL Swift Services (Malta) Limited, Malta
37. Milpharm Limited, U.K.
38. Aurolife Pharma LLC, U.S.A.
39. Auro Peptides Limited, India
40. Auro Medics Pharma LLC, U.S.A.
41. Aurobindo Pharma NZ Limited, New Zealand
42. Aurovida Farmaceutica SA DE CV, Mexico
43. Aurobindo (Datong) Bio-Pharma Company Limited, China (Refer Note 27)
44. Aurex Generics Limited, U.K. (Liquidated w.e.f. March 31, 2011)
45. Zao Express Pharma, Russia (Liquidated w.e.f. April 1, 2010)
46. Aurobindo Pharma Aps, Denmark (Liquidated w.e.f. September 16, 2010)
47. Sia Aurobindo Baltics, Latvia (Liquidated w.e.f. November 26, 2010)
48. Aurobindo Pharma (Ireland) Limited, Ireland (Liquidated w.e.f. May 31, 2010)

Joint ventures

1. Aurosal Pharmaceuticals LLC, U.S.A. (Joint Venture of a Subsidiary) (Closed w.e.f. December 31, 2011)
2. Novagen Pharma (Pty) Limited, South Africa (Joint venture of a subsidiary)
3. Zao Auros Pharma, Russia (Joint venture of a subsidiary)
4. Cephazone Pharma LLC, U.S.A, (Joint venture of a subsidiary) (Disposed w.e.f. October 1, 2010)

Enterprises over which key management personnel or their relatives exercise significant influence

1. Pravesha Industries Private Limited, India
2. Sri Sai Packaging, India (Partnership firm)
3. Trident Chemphar Limited, India
4. Auropro Soft Systems Private Limited, India
5. Axis Clinicals Limited, India
6. Pranit Projects Private Limited, India (Formerly known as Pranit Happy Homes Private Limited)
7. Pranit Packaging Private Limited, India
8. Matri Mirra Packaging Private Limited, India

Key managerial personnel

1. Mr. P.V. Ramprasad Reddy, Chairman
2. Mr. K. Nithyananda Reddy, Managing Director
3. Dr. M. Sivakumaran, Whole-time Director
4. Mr. M. Madan Mohan Reddy, Whole-time Director

Relatives to key managerial personnel

1. Mr. P. Sarath Chandra Reddy (Son of Mr. P.V. Ramprasad Reddy, Chairman)
2. Mrs. Kambam Kirthi Reddy (Daughter of Mr. K. Nithyananda Reddy, Managing Director)
3. 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)

Transactions with related parties

	Particulars	Year ended March 31, 2012	Year ended March 31, 2011
a.	**Loans given and repayment thereof**		
	Transactions with subsidiaries		
	Aurobindo Pharma USA Inc, U.S.A.		
	Receipt against loan and interest	**248.8**	899.7
	Interest accrued	**0.7**	10.5
	Balance receivable	**–**	248.2
	Aurobindo Pharma Industria Farmaceutica Ltda, Brazil		
	Receipt against loan and interest	**18.6**	16.2
	Interest accrued	**0.1**	0.5
	Balance receivable	**–**	18.4
	Helix Healthcare B.V., The Netherlands		
	Receipt against loan and interest	**–**	39.2
	Interest accrued	**15.9**	13.7
	Balance receivable	**643.2**	566.0
	Aurobindo (Datong) Bio–Pharma Company Limited, China (Refer Note 27)		
	Receipt against loan and interest	**–**	121.6
	Interest accrued	**–**	8.0
b.	**Sale/purchase of goods, services and other transactions**		
	Transactions with subsidiaries		
	APL Pharma Thai Limited, Thailand		
	Sale of goods	**204.2**	156.6
	Balance receivable	**24.4**	–
	Balance payable	**–**	35.6
	Equity contribution	**–**	143.4
	ALL Pharma (Shanghai) Trading Company Limited, China		
	Purchases	**1,814.3**	644.4
	Reimbursement of expenses	**10.0**	10.9
	Reimbursement of expenses received	**0.1**	–
	Purchase of fixed assets	**20.5**	88.8
	Balance payable	**139.2**	88.9
	Helix Healthcare B.V., The Netherlands		
	Equity contribution	**973.8**	412.6
	Aurobindo Pharma Produtos Farmaceuticos Ltda, Brazil		
	Sale of goods	**75.0**	204.9
	Reimbursement of expenses	**0.8**	–
	Commission paid	**6.6**	–
	Balance receivable	**53.1**	107.7
	Balance payable	**5.5**	–
	APL IP Company Limited, Jersey		
	Sale of services	**113.0**	958.4
	Reimbursement of expenses received	**7.2**	43.9
	Balance receivable	**578.4**	598.6
	APL Holdings (Jersey) Limited, Jersey		
	Equity contribution	**–**	29.8

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

Particulars	Year ended March 31, 2012	Year ended March 31, 2011
APL Swift Services (Malta) Limited, Malta		
Sale of goods	**899.2**	126.1
Purchase of services	**4.2**	1.7
Reimbursement of expenses	**6.3**	–
Balance receivable	**670.3**	128.3
Balance payable	**7.5**	1.5
Aurobindo Pharma USA Inc., U.S.A.		
Sale of goods	**4,761.4**	5,189.6
Reimbursement of expenses	**–**	28.2
Balance receivable	**3,040.8**	3,959.8
Balance payable	**5.8**	12.7
Equity contribution	**404.6**	1,295.8
Aurobindo Pharma Industria Farmaceutica Ltda, Brazil		
Sale of goods	**258.0**	360.5
Reimbursement of expenses	**4.0**	5.4
Commission paid	**10.4**	22.0
Balance receivable	**376.4**	367.0
Balance payable	**0.3**	1.9
Equity contribution	**154.5**	–
Auro Pharma Inc, Canada		
Sale of goods	**74.6**	7.2
Reimbursement of expenses	**1.3**	2.8
Balance receivable	**66.8**	7.5
Balance payable	**1.0**	–
Aurobindo Pharma (Pty) Limited, South Africa		
Sale of goods	**1,122.8**	650.7
Reimbursement of expenses	**0.2**	0.5
Commission paid	**35.9**	11.5
Balance receivable	**658.0**	376.9
Balance payable	**18.6**	3.1
Pharmacin B.V., The Netherlands		
Sale of goods	**96.2**	97.5
Commission paid	**18.9**	19.0
Reimbursement of expenses	**2.4**	–
Balance receivable	**57.6**	42.6
Balance payable	**32.2**	17.9
Milpharm Limited, U.K.		
Sale of goods	**(15.5)**	146.6
Reimbursement of expenses	**22.3**	26.6
Balance receivable	**11.5**	30.0
Balance payable	**13.6**	1.8
Aurolife Pharma LLC, U.S.A.		
Sale of goods	**412.3**	378.3
Purchase of fixed assets	**–**	0.5
Reimbursement of expenses	**1.8**	–
Balance receivable	**396.7**	201.8
Balance payable	**–**	0.5

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

Particulars	Year ended March 31, 2012	Year ended March 31, 2011
Aurobindo Pharma Japan K.K., Japan		
Sale of goods	**193.1**	33.5
Reimbursement of expenses	**0.1**	0.1
Commission paid	**9.9**	4.6
Balance receivable	**54.6**	–
Balance payable	**3.9**	2.5
Aurobindo Pharma (Malta) Limited, Malta		
Sale of goods	**(5.4)**	310.5
Reimbursement of expenses	**0.8**	1.6
Balance receivable	**–**	177.8
Balance payable	**6.5**	1.4
Auronext Pharma Private Limited, India		
Sale of goods	**14.6**	8.9
Sale of fixed assets	**3.9**	–
Rent received	**1.6**	1.8
Reimbursement of expenses	**0.1**	–
Equity contribution	**94.9**	120.3
Share application money given	**52.0**	34.9
Share application money given pending allotment (Closing Balance)	**27.0**	69.9
Balance receivable	**13.0**	10.9
Aurobindo Pharma (Australia) Pty Limited, Australia		
Sale of goods	**6.2**	–
Reimbursement of expenses	**2.6**	–
Commission paid	**0.4**	–
Balance receivable	**6.3**	–
Balance payable	**2.6**	–
Laboratorios Aurobindo S L, Spain		
Sale of goods	**8.1**	–
Balance receivable	**8.0**	–
Auro Medics Pharma LLC, U.S.A.		
Sale of goods	**89.4**	–
Balance receivable	**89.1**	–
Auro Healthcare (Nigeria) Limited, Nigeria		
Commission paid	**0.4**	0.6
Balance payable	**0.4**	0.6
APL Healthcare Limited, India		
Share application money given	**0.0**	0.3
Share application money given pending allotment (Closing Balance)	**18.7**	18.6
APL Research Centre Limited, India		
Share application money given	**53.4**	61.2
Share application money given pending allotment (Closing Balance)	**114.6**	61.2
Auro Peptides Limited, India		
Share application money given	**0.5**	–
Share application money given pending allotment (Closing Balance)	**0.5**	–
Aurobindo (Datong) Bio–Pharma Company Limited, China (Refer Note 27)		
Purchases	**–**	732.5
Reimbursement of expenses	**–**	0.2

Note: For closing balance of investments and provision for diminution in value of investments, Refer Note 11.

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

	Particulars	Year ended March 31, 2012	Year ended March 31, 2011
c.	**Transactions with enterprises over which key management personnel or their relatives exercise significant influence**		
	Pravesha Industries Private Limited, India		
	Sale of goods	6.3	17.9
	Purchase of goods	1,050.3	739.1
	Purchase of fixed assets	0.3	–
	Rent received	0.1	–
	Balance receivable	25.2	181.4
	Sri Sai Packaging, India		
	Sale of goods	0.2	0.1
	Purchase of goods	103.1	86.7
	Balance receivable	2.1	8.4
	Axis Clinicals Limited, India		
	Purchase of services	281.7	285.1
	Electricity expenses	5.8	5.6
	Rent expenses	12.1	9.4
	Purchase of fixed assets	5.9	–
	Balance payable	31.1	6.7
	Trident Chemphar Limited, India		
	Sale of goods	336.3	102.7
	Purchase of goods	36.3	24.3
	Balance receivable	273.5	71.1
	Balance payable	8.1	2.3
	Auropro Soft Systems Private Limited, India		
	Purchase of stores and spares	2.4	7.4
	Purchase of services	15.1	9.4
	Purchase of fixed assets	12.8	6.4
	Balance receivable	–	1.2
	Balance payable	0.1	–
	Pranit Packaging Private Limited, India		
	Purchase of goods	53.0	5.1
	Balance receivable	–	3.4
	Balance payable	1.4	–
	Pranit Projects Private Limited, India		
	(Formerly known as Pranit Happy Homes Private limited)		
	Purchase of services (civil services)	58.9	16.2
	Balance payable	4.0	0.8
	Matri Mirra Packaging Private Limited, India		
	Purchase of goods	50.0	–
	Sale of goods	0.9	–
	Balance receivable	3.6	–
d.	**Transactions with jointly controlled enterprises**		
	Cephazone Pharma LLC, U.S.A.		
	Sale of goods	–	30.6

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

	Particulars	Year ended March 31, 2012	Year ended March 31, 2011
e.	**Transactions with key managerial personnel or their relatives**		
	Mr. P.V. Ramprasad Reddy		
	Managerial remuneration	8.7	8.7
	Mr. K. Nithyananda Reddy		
	Managerial remuneration	8.7	8.7
	Rent expense	1.6	–
	Dr. M. Sivakumaran		
	Managerial remuneration	8.7	8.7
	Mr. M. Madan Mohan Reddy		
	Managerial remuneration	8.7	8.7
	Mr. P. Sarath Chandra Reddy		
	Director sitting fees	0.1	0.1
	Mrs. Kambam Kirthi Reddy		
	Remuneration	0.7	0.5
	Mr. Vishnu M. Sriram		
	Remuneration	3.0	2.8

f. 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	**2012**	2011	**2012**	2011
Subsidiaries				
Aurobindo Pharma USA Inc., U.S.A.	–	246.9	248.8	1,186.0
Aurobindo Pharma Industria Farmaceutica, Brazil	–	17.8	18.6	35.2
Helix Healthcare B.V., The Netherlands	615.9	556.1	615.9	595.3

41. Leases

a. Operating lease

Operating leases are mainly in the nature of lease of office premises with no restrictions and are renewable/ cancellable 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 Statement of Profit and Loss is ₹23.8 (March 31, 2011: ₹19.4).

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

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 ₹25.6 (March 31, 2011: ₹55.2).

The net carrying amount of the buildings obtained on finance lease - ₹15.9 (March 31, 2011: ₹32.0).

42. In accordance with paragraph 10 of Notified Accounting Standard 9 on Revenue Recognition, excise duty on sales amounting to ₹972.8 (March 31, 2011: ₹968.7) has been reduced from sales in Statement of Profit and Loss and excise duty on increase/decrease in closing stock of finished goods amounting to ₹31.8 (March 31, 2011: ₹26.7) has been credited (March 31, 2011: debit) to the Statement of Profit and Loss.

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

43. The Company is in the process of applying to the Central government for approval of excess managerial remuneration amounting to ₹25.1 paid to four directors during the year beyond the limits specified in Part II of Section II (B) and Section III of Schedule XIII of the Companies Act, 1956. The Company believes that such approval will be obtained in due course and would not have any material impact upon the financial statements.

44. i. Details of advances due from private companies in which Company's Director is a director.

Pravesha Industries Private Limited, India ₹22.7 (March 31, 2011: ₹175.2)

ii. Details of advances due from partnership firm in which Company's Director is a partner.

Sri Sai Packaging, India ₹Nil (March 31, 2011: ₹8.4)

45. i. Details of trade receivables due from private companies in which Company's Director is a director.

Pravesha Industries Private Limited, India ₹2.5 (March 31, 2011: ₹6.2)

ii. Details of trade receivables due from partnership firm in which Company's Director is a partner.

Sri Sai Packaging, India ₹Nil (March 31, 2011: ₹Nil)

46. The Income Tax Authorities had carried out search operations on the Company at certain locations during the current year. The Company has fully co-operated with the authorities and various statements were recorded during the course of these operations. In order to avoid possible litigations, without admitting any irregularities, the Company has decided to offer an additional income of ₹150.0 for tax and to pay the resultant tax. Accordingly provision for income tax of ₹48.7 on this additional income has been made. The proceedings are in progress and no other material implications are expected by the management in this matter.

47. Interest in joint ventures

Details of interest 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*	–	*0.4*	*(0.4)*
Novagen Pharma (Pty) Limited	50%	413.6	230.6	705.7	615.9	89.8
		296.4	*206.2*	*159.2*	*112.4*	*46.8*
Cephazone Pharma LLC	50%	–	–	–	–	–
		–	–	*38.4*	*68*	*(29.6)*

a. Contingent liabilities of the above joint ventures ₹Nil (March 31, 2011: Rs Nil).

b. Capital commitments of the above joint ventures ₹Nil (March 31, 2011: Rs Nil).

c. Aurosal Pharmaceuticals LLC, U.S.A. engaged in the development, manufacturing and distribution of pharmaceutical products, was closed on December 31, 2011.

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

e. Cephazone Pharma LLC, U.S.A. engaged in the production of sterile and non-sterile Cephalosporins, was sold in the previous year.

f. ZAO Auros Pharma incorporated in Russia during the year, is engaged in distribution of pharmaceuticals products. There were no transactions during the year.

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

h. All figures presented above represent Company's share only.

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

48. Earnings per Share

Particulars	Year ended March 31, 2012	Year ended March 31, 2011
Profit/(Loss) after taxation considered for calculation of basic and diluted earnings per share	**(426.1)**	5,938.0
Weighted average number of Equity Shares considered for calculation of basic earnings per share (a)	**291,121,290**	287,869,658
Effect of dilution on account of Foreign Currency Convertible Bonds into shares (b)	**–**	32,110,978
Effect of dilution on account of Employee Stock Options granted (c)	**6,272**	15,219
Weighted average number of Equity Shares considered for calculation of diluted earnings per share (a+b+c)	**291,127,562**	319,995,855

49. Imported and indigenous raw materials, stores and spares and lab chemicals consumed

	Year ended March 31, 2012		Year ended March 31, 2011	
	%	₹	%	₹
Raw Materials and packing material				
- Imported	**61**	**14,554.0**	65	15,219.5
- Indigenous	**39**	**9,378.9**	35	8,066.8
TOTAL	**100**	**23,932.9**	100	23,286.3
Stores and Spares				
- Imported	**6**	**36.2**	11	62.1
- Indigenous	**94**	**608.4**	89	482.9
TOTAL	**100**	**644.6**	100	545.0
Lab chemicals				
- Imported	**14**	**114.3**	14	96.8
- Indigenous	**86**	**687.2**	86	589.7
TOTAL	**100**	**801.5**	100	686.5

50. Value of imports calculated on CIF basis

	Year ended March 31, 2012	Year ended March 31, 2011
Raw materials and packing materials	**13,845.1**	15,061.5
Capital goods	**730.4**	827.4
Stores and spares and lab chemicals	**123.4**	142.9
TOTAL	**14,698.9**	16,031.8

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

51. Expenditure in foreign currency (accrual basis)

	Year ended March 31, 2012	Year ended March 31, 2011
Travelling	**24.6**	13.0
Commission on sales	**156.9**	148.5
Product registration and filing fee	**35.5**	28.3
Overseas office expenses	**12.4**	9.6
Legal and professional charges	**207.6**	228.4
Interest	**228.8**	136.0
Redemption premium (Yield to Maturity) on redemption of FCCBs	**2,862.6**	–
Others	**84.9**	68.8
TOTAL	**3,613.3**	632.6

52. Earnings in foreign currency (accrual basis)

	Year ended March 31, 2012	Year ended March 31, 2011
Exports on F.O.B. basis	**29,239.9**	26,969.8
Interest	**16.6**	32.7
Sale of dossiers/services	**523.5**	2,320.7
TOTAL	**29,780.0**	29,323.2

53. Segment reporting

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.

As per our report of even date.

S.R. Batliboi & Associates

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

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

Hyderabad, May 29, 2012.

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

Statement pursuant to Section 212 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/ (Loss) before Taxation	Provision for Taxation	Profit/ (Loss) after Taxation	Country
APL Pharma Thai Ltd[a]	THB	1.65	165.0	32.8	205.2	7.4	–	198.7	(20.2)	–	(20.2)	Thailand
Aurobindo Pharma Industria Farmaceutica Ltda[a]	Reais	27.87	282.2	(135.1)	487.1	340.0	–	524.9	(160.3)	–	(160.3)	Brazil
Helix Healthcare B.V.	EURO	67.87	3,066.9	(309.2)	344.1	645.8	–	–	(31.1)	–	(31.1)	The Netherlands
Aurobindo Pharma USA, Inc.	USD	50.88	3,137.7	674.5	4,293.2	3,589.4	–	7,224.5	287.1	–	287.1	U.S.A.
Aurolife Pharma LLC	USD	50.88	3,103.4	(1,007.9)	3,746.1	1,650.6	–	1,246.2	(407.6)	–	(407.6)	U.S.A.
Auro Pharma Inc.	CND	51.04	180.4	(110.8)	142.3	72.7	–	75.7	(14.5)	–	(14.5)	Canada
Aurobindo Pharma (Pty) Limited	ZAR	6.64	176.4	109.8	978.6	695.8	–	1,284.2	5.8	4.9	0.8	South Africa
Milpharm Limited	GBP	81.46	110.2	143.4	998.4	744.8	–	853.6	33.9	10.8	23.2	U.K.
Aurobindo Pharma (Australia) Pty Limited	AUD	52.91	233.5	(91.3)	157.7	15.5	–	0.4	(68.7)	–	(68.7)	Australia
Aurobindo Pharma Hungary Kereskedelmi, KFT	HUF	0.23	3.3	(3.3)	–	–	–	–	0.7	–	0.7	Hungary
Agile Pharma B.V.	EURO	67.87	1,839.2	(123.7)	101.2	204.5	–	–	(26.5)	–	(26.5)	The Netherlands
Aurobindo Switzerland AG	CHF	56.34	77.2	(40.4)	39.0	2.2	–	–	(18.8)	–	(18.8)	Switzerland
Pharmacin B.V.	EURO	67.87	1.2	81.9	291.1	208.0	–	568.8	46.9	11.0	35.8	The Netherlands
Auro Healthcare (Nigeria) Limited	Naira (NGN)	0.33	13.8	(11.8)	2.3	0.3	–	0.4	(2.3)	–	(2.3)	Nigeria
APL Research Centre Limited	INR	1.00	100.0	–	116.1	16.1	–	–	–	–	–	India
APL Health Care Limited	INR	1.00	19.2	–	19.2	–	–	–	–	–	–	India
Aurobindo Pharma Produtos Farmaceuticos Ltda[a]	Reais	27.87	2.8	7.7	70.2	59.7	–	137.3	(20.1)	–	(20.1)	Brazil
All Pharma (Shanghai) Trading Co Ltd[a]	RMB	8.08	40.4	46.9	386.3	299.0	–	2,226.8	12.7	3.2	9.5	China
Aurobindo Pharma Japan K.K.	JPY	0.62	92.2	(54.0)	103.0	64.8	–	240.4	17.4	(6.7)	24.1	Japan
Agile Malta Holdings Limited	EURO	67.87	222.3	392.2	399.2	46.4	–	–	339.1	108.3	230.8	Malta
Aurobindo Pharma (Malta) Limited	EURO	67.87	261.3	–	1,314.8	1,053.5	–	547.2	105.5	39.1	66.4	Malta
APL Holdings (Jersey) Limited	EURO	67.87	246.9	4.2	0.4	0.8	–	–	(0.5)	–	(0.5)	Jersey
APL IP Company Limited	EURO	67.87	7.2	1,039.6	1,641.7	594.9	–	361.2	77.3	–	77.3	Jersey
APL Swift Services (Malta) Limited	EURO	67.87	244.3	(132.8)	668.5	557.0	–	976.1	(28.2)	–	(28.2)	Malta
Agile Pharma (Malta) Limited	EURO	67.87	1.7	(1.4)	0.4	0.1	–	–	(0.3)	–	(0.3)	Malta
Aurobindo Pharma (Italia) S.r.l.	EURO	67.87	590.3	(374.3)	550.9	334.9	–	55.7	(150.1)	–	(150.1)	Italy
Laboratorios Aurobindo SL	EURO	67.87	187.7	(106.3)	208.7	127.3	–	40.1	(93.7)	(28.1)	(65.6)	Spain

(Contd...)

Statement pursuant to Section 212 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/ (Loss) before Taxation	Provision for Taxation	Profit (Loss) after Taxation	Country
Aurobindo Pharma (Portugal) Unipessoal LDA	EURO	67.87	260.5	(209.3)	166.2	115.0	–	46.6	(166.1)	4.0	(170.1)	Portugal
Aurobindo Pharma (Bulgaria) EAD[b]	BGN	33.61	14.0	(14.0)	–	–	–	–	(0.1)	–	(0.1)	Bulgaria
Aurobindo Pharma France SARL	EURO	67.87	40.7	(38.3)	157.6	155.2	–	–	(15.8)	–	(15.8)	France
Auronext Pharma Private Limited	INR	1.00	305.0	(34.7)	606.2	335.9	–	15.1	(25.3)	(0.1)	(25.2)	India
Aurobindo Pharma GmbH	EURO	67.87	1.7	36.6	101.7	63.4	–	18.4	(50.5)	–	(50.5)	Germany
Aurobindo ILAC Sanayi ve Ticaret Limited	TRY	29.06	58.2	(28.9)	30.7	1.4	–	–	(12.3)	–	(12.3)	Turkey
Aurobindo Pharma B.V.	EURO	67.87	1.2	(5.4)	223.3	227.5	–	–	(6.4)	(1.3)	(5.1)	The Netherlands
Aurobindo Pharma (Singapore) Pte Limited[a]	SGD	40.48	2.8	(1.2)	1.9	0.3	–	–	(1.1)	–	(1.1)	Singapore
Aurobindo Pharma (Romania) s.r.l.[a]	RON	15.76	7.2	(1.9)	9.8	4.5	–	–	(1.4)	–	(1.4)	Romania
Aurobindo Pharma (Poland) Sp.z.o.o.	PLN	16.64	18.4	(4.3)	21.4	7.3	–	–	(3.6)	–	(3.6)	Poland
Aurobindo Pharma Limited, s.r.l.	DOP	1.32	0.5	(0.3)	0.3	0.1	–	–	(0.3)	–	(0.3)	Dominican Republic
Auromedics Pharma LLC	USD	50.88	5.1	(15.5)	73.1	83.5	–	31.0	(15.5)	–	(15.5)	U.S.A.
Aurobindo Pharma NZ Limited	NZD	42.50	–	–	–	–	–	–	–	–	–	New Zealand
Aurovida Farmaceutica SA DE CV	MXN(Mpeso)	4.05	8.5	–	9.8	1.3	–	–	–	–	–	Mexico
Auro Peptides Limited	INR	1.00	0.5	–	0.5	–	–	–	–	–	–	India

Notes

1 None of the subsidiaries have proposed dividend during the year. However, Aurobindo Pharma (Malta) Limited has paid an amount of ₹199.1 as dividend during the year.

[a] The financial year of these companies end on December 31. However, the results given are as of March 31, 2012.

[b] The company ceased to be subsidiary 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 29, 2012.

AUROBINDO

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, 2012, and also the Consolidated Statement of Profit and Loss 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 ₹28,494,428,586 as at March 31, 2012, the total revenue of ₹16,540,101,920 and cash flows amounting to ₹138,179,771 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 37(ii)(c) of the Consolidated Financial Statements, regarding excess managerial remuneration amounting to ₹25,086,424 paid to four Directors of the Company, in excess of limits prescribed under Schedule XIII of the Companies Act, 1956. As represented to us by the management, the Company is in the process of applying to the Central Government for the approval of such excess remuneration. The ultimate outcome of the above matters cannot presently be determined, accordingly no adjustment has been made in the Consolidated Financial Statements.

6. *Attention is drawn to Note 29 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 foreign subsidiaries and joint venture entities, whose impact on the consolidated financial statements is not readily ascertainable; this has also resulted in issuance of a qualified opinion on the consolidated financial statements for the year ended March 31, 2011.*

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 the Group as at March 31, 2012;

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

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

S.R. Batliboi & Associates

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

per **VIKAS KUMAR PANSARI**
Partner
Membership No. 93649
Hyderabad, May 29, 2012.

Consolidated Balance Sheet as at March 31, 2012

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

		Notes	As at March 31, 2012	As at March 31, 2011
EQUITY AND LIABILITIES				
SHAREHOLDERS' FUNDS				
Share capital		2	**291.1**	291.1
Reserves and surplus		3	**23,105.4**	24,157.2
			23,396.5	24,448.3
Minority interest			**102.1**	91.2
NON-CURRENT LIABILITIES				
Long-term borrowings		4	**9,646.3**	5,233.5
Deferred tax liabilities		5	**38.5**	1,234.0
Long-term provisions		6	**42.4**	30.9
			9,727.2	6,498.4
CURRENT LIABILITIES				
Short-term borrowings		7	**16,082.1**	12,347.3
Trade payables		8	**6,601.4**	7,763.5
Other current liabilities		9	**5,803.4**	6,990.9
Short-term provisions		6	**663.6**	583.2
			29,150.5	27,684.9
TOTAL			**62,376.3**	58,722.8
ASSETS				
NON-CURRENT ASSETS				
Fixed assets	Tangible assets	10	**19,872.1**	16,024.4
	Intangible assets	11	**2,074.4**	1,361.6
	Tangible assets - Capital work-in-progress		**5,999.6**	6,029.5
	Intangible assets - Under development		**454.5**	544.7
Non-current investments		12	**198.6**	384.9
Deferred tax assets		5	**54.3**	43.5
Long-term loans and advances		13	**1,081.2**	1,107.7
Trade receivables		14	**–**	–
Other non-current assets		16	**1.2**	14.7
			29,735.9	25,511.0
CURRENT ASSETS				
Current investments		17	**186.8**	0.4
Inventories		18	**15,455.6**	14,552.7
Trade receivables		14	**12,399.6**	12,309.8
Cash and bank balances		19	**708.6**	1,867.2
Short-term loans and advances		13	**3,148.5**	4,230.4
Other current assets		15	**741.3**	251.3
			32,640.4	33,211.8
TOTAL			**62,376.3**	58,722.8
Summary of significant accounting policies		1		

The accompanying notes are an integral part of the financial statements.

As per our report of even date.

S.R. Batliboi & Associates

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

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

Hyderabad, May 29, 2012.

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 Statement of Profit and Loss for the year ended March 31, 2012

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

		Notes	**Year ended March 31, 2012**	Year ended March 31, 2011
INCOME	Revenue from operations (Gross)	20	**47,249.6**	44,809.8
	Less: Excise duty	40	**975.6**	995.0
	Revenue from operations (Net)		**46,274.0**	43,814.8
	Other income	21	**247.0**	714.1
	TOTAL INCOME		**46,521.0**	44,528.9
EXPENSES	Cost of materials consumed	22	**22,255.1**	22,418.4
	Purchase of traded goods		**3,003.1**	1,376.0
	Increase in work-in-progress, traded			
	and finished goods	23	**(60.6)**	(2,064.2)
	Employee benefit expenses	24	**5,356.9**	4,250.7
	Other expenses	25	**10,106.5**	8,201.3
	Depreciation/amortization	26	**2,005.3**	1,715.0
	Finance costs	27	**2,772.4**	646.5
	TOTAL EXPENSES		**45,438.7**	36,543.7
PROFIT BEFORE EXCEPTIONAL ITEMS AND TAX			**1,082.3**	7,985.2
	Exceptional items	28	**3,211.8**	103.4
PROFIT/(LOSS) BEFORE TAX			**(2,129.5)**	7,881.8
TAX EXPENSE	Current tax	43	**147.9**	1,972.1
	Deferred tax charge/(credit)		**(1,215.5)**	267.2
	Tax relating to previous years		**179.5**	11.9
	Total tax expense		**(888.1)**	2,251.2
	Profit/(loss) after tax and before minority interest		**(1,241.4)**	5,630.6
	Minority interest		**6.4**	3.9
PROFIT/(LOSS) FOR THE YEAR			**(1,235.0)**	5,634.5
EARNINGS PER EQUITY SHARE		36		
	Basic earnings per share ₹		**(4.24)**	19.57
	Diluted earnings per share ₹		**(4.24)**	17.61
	Nominal value per equity share ₹		**1.00**	1.00
Summary of significant accounting policies		1		

The accompanying notes are an integral part of the financial statements.

As per our report of even date.

S.R. Batliboi & Associates

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

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

Hyderabad, May 29, 2012.

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 Cash flow statement for the year ended March 31, 2012

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

		Year ended March 31, 2012	Year ended March 31, 2011
CASH FLOW FROM			
OPERATING ACTIVITIES	Net profit before tax, minority interest and exceptional items	**1,082.3**	7,985.2
	Non-cash adjustment to reconcile profit before tax to		
	net cash flows:		
	Depreciation and amortization	**2,005.3**	1,715.0
	Provision for trade receivables	**28.8**	7.1
	Bad debts written off	**34.1**	34.6
	Balances no longer required written back	**(15.0)**	(59.3)
	Unrealized foreign exchange loss/(gain) (Net)	**920.9**	(204.1)
	Profit on sale of fixed assets (Net)	**(0.4)**	(2.4)
	Capital work-in-progress written off	**36.4**	165.7
	Interest expense	**813.2**	443.7
	Interest income	**(56.6)**	(21.7)
	Dividend income	**–**	–
	Operating profit before working capital changes	**4,849.0**	10,063.8
	Foreign currency translation adjustments	**105.0**	(101.4)
	Movements in working capital:		
	Increase/(decrease) in trade payables	**(1,144.5)**	2,655.4
	Increase in inventories	**(902.9)**	(3,750.4)
	(Increase)/decrease in trade receivables	**221.7**	(2,805.8)
	Increase in other current assets	**(380.7)**	(520.3)
	(Increase)/decrease in long term loans and advances	**(276.1)**	672.4
	(Increase)/decrease in short term loans and advances	**1,174.5**	(592.8)
	Increase/(decrease) in provision for retirement benefits	**(2.5)**	74.9
	Increase/(decrease) in other current liabilities	**27.2**	(427.9)
	Cash generated from operations	**3,670.7**	5,267.9
	Direct taxes paid (Net of refunds)	**(408.6)**	(1,916.8)
NET CASH FLOW FROM OPERATING ACTIVITIES (A)		**3,262.1**	3,351.1
CASH FLOW FROM			
INVESTING ACTIVITIES	Purchase of fixed assets and intangibles, including		
	capital work-in-progress and capital advances	**(5,713.2)**	(7,165.4)
	Proceeds from sale of fixed assets and intangibles	**47.9**	76.1
	Proceeds from sale of subsidiaries/joint venture	**–**	838.5
	Share application money to others	**(12.2)**	(8.3)
	Investment in bank deposits (Net)	**(8.6)**	236.4
	Interest received	**54.9**	32.0
	Dividend received	**–**	–
NET CASH FLOW USED IN INVESTING ACTIVITIES (B)		**(5,631.2)**	(5,990.7)

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

		Year ended March 31, 2012	Year ended March 31, 2011
CASH FLOW FROM			
FINANCING ACTIVITIES	Proceeds from issuance of share capital	**–**	10.8
	Proceeds from long-term borrowings	**11,063.7**	4,543.1
	Repayment of long-term borrowings	**(2,905.0)**	(898.0)
	Repayment of FCCBs	**(6,207.6)**	(97.8)
	Redemption premium (Yield to Maturity)		
	on redemption of FCCBs	**(3,198.6)**	–
	Proceeds from short term borrowings (Net)	**3,529.4**	1,438.9
	Interest paid	**(755.2)**	(452.5)
	Dividends and dividend tax paid	**(338.2)**	(474.7)
NET CASH FLOW GENERATED FROM FINANCING ACTIVITIES (C)		**1,188.5**	4,069.8
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)		**(1,180.6)**	1,430.2
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**1,837.1**	447.2
	Add: On disposal	**–**	(39.5)
	Effect of exchange differences on cash and cash equivalents	**(0.1)**	(0.8)
	Cash and cash equivalents at the end of the year	**656.4**	1,837.1
Components of cash and bank balances			
Cash on hand		**8.3**	8.5
Balance with banks			
on current account		**543.5**	635.1
on cash credit account		**99.2**	8.3
on deposit account		**53.4**	1,224.8
on unpaid dividend account*		**5.4**	5.2
Cash and bank balances as per Consolidated Balance Sheet		**709.8**	1,881.9
Less: Fixed deposits considered as investments		**(53.4)**	(44.8)
Cash and cash equivalents considered for cash flows (Refer Note 19)		**656.4**	1,837.1
* The Group can utilize these balances only towards settlement of unpaid dividend.			
Summary of significant accounting policies (Refer Note 1)			

As per our report of even date.

S.R. Batliboi & Associates

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

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

Hyderabad, May 29, 2012.

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

Notes to Consolidated financial statements for the year ended March 31, 2012

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 in accordance with generally accepted accounting principles in India (Indian GAAP) under the 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), other pronouncements of the Institute of Chartered Accountants of India and relevant provisions of the Companies Act, 1956 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.

Elimination of unrealized profits or losses in joint venture entities is to the extent of Group's share in the joint venture.

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 are 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, 2012.

The Consolidated Financial Statements for the year ended March 31, 2012 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,	
			2012	2011
APL Pharma Thai Limited	Thailand	Subsidiary	**97.9%**	97.9%
Aurobindo Pharma Industria Farmaceutica Ltda	Brazil	Subsidiary	**99.8%**	99.8%
Aurobindo (Datong) Bio-Pharma Company Limited[1]	China	Subsidiary	**–**	–
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[2]	U.K.	Subsidiary	**–**	–
Aurobindo Pharma (Pty) Limited	South Africa	Subsidiary	**100%**	100%
Zao Express Pharma (formerly known as Zao Aurobindo Pharma)[3]	Russia	Subsidiary	**–**	–
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%
Aurobindo Pharma Japan K.K.	Japan	Subsidiary	**100%**	100%

(Contd...)

Name of the Consolidated Entities	Country of Incorporation	Nature of Interest	% of Interest March 31,	
			2012	2011
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[4]	Ireland	Subsidiary	**–**	–
Aurobindo Pharma (Italia) S.r.l.	Italy	Subsidiary	**100%**	100%
Aurobindo Pharma (Portugal) Unipessoal LDA	Portugal	Subsidiary	**100%**	100%
Aurobindo Pharma ApS[5]	Denmark	Subsidiary	**–**	–
Sia Aurobindo Baltics[6]	Latvia	Subsidiary	**–**	–
Aurobindo Pharma (Bulgaria) EAD[7]	Bulgaria	Subsidiary	**–**	100%
Aurobindo Pharma France SARL	France	Subsidiary	**100%**	100%
Aurolife Pharma LLC.	U.S.A.	Subsidiary	**100%**	100%
Aurobindo Pharma GmbH	Germany	Subsidiary	**100%**	100%
Aurobindo ILAC Sanayi ve Ticaret Limited Sirketi	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	**–**	–
Aurosal Pharmaceuticals LLC[9]	U.S.A.	Joint Venture	**–**	50%
Novagen Pharma (Pty) Limited	South Africa	Joint Venture	**50%**	50%
Auronext Pharma Private Limited	India	Subsidiary	**75%**	75%
Aurobindo Pharma (Singapore) Pte Limited (w.e.f. September 15, 2010)	Singapore	Subsidiary	**100%**	100%
Aurobindo Pharma B.V. (w.e.f. September 30, 2010)	The Netherlands	Subsidiary	**100%**	100%
Aurobindo Pharma (Romania) s.r.l. (w.e.f. October 7, 2010)	Romania	Subsidiary	**100%**	100%
Aurobindo Pharma (Poland) Sp.z.o.o. (w.e.f. November 30, 2010)	Poland	Subsidiary	**100%**	100%
Aurobindo Pharma Limited s.r.l. (w.e.f. December 1, 2010)	Dominican Republic	Subsidiary	**100%**	100%
Auro Peptides Limited (w.e.f. January 2, 2012)	India	Subsidiary	**100%**	–
Auro Medics Pharma LLC (w.e.f. from May 18, 2011)	U.S.A.	Subsidiary	**100%**	–
Zao Auros Pharma (w.e.f. July 26, 2011)[10]	Russia	Joint Venture	**50%**	–
Aurobindo Pharma NZ Limited (w.e.f. February 10, 2012)[10]	New Zealand	Subsidiary	**100%**	–
Aurovida Farmaceutica SA DE CV (w.e.f. February 10, 2012)	Mexico	Subsidiary	**100%**	–

Notes:

1. 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 uninterrupted supply of raw material at competitive prices.
2. Closed its operations on September 30, 2010.
3. Disposed on April 1, 2010.
4. Closed its operations on June 23, 2010.
5. Closed its operations on September 16, 2010.
6. Closed its operations on November 26, 2010.
7. Closed its operations on August 19, 2011.
8. Disposed on October 1, 2010.
9. Closed its operations on December 31, 2011.
10. Aurobindo Pharma NZ Limited, New Zealand and Zao Auros Pharma, Russia were incorporated during the year with nominal investment and there was no activity during the period ended March 31, 2012; hence the same have 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 have been considered upto the date of disposal/closure.

b. Change in accounting policy

Presentation and disclosure of financial statements

During the year ended March 31, 2012, the revised Schedule VI notified under the Companies Act, 1956 has become applicable to the Group, for preparation and presentation of its financial statements. The adoption of revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. The Group has also reclassified the previous year figures in accordance with the requirements applicable in the current year.

c. Use of estimates

The preparation of consolidated financial statements in conformity with Indian GAAP requires management to make estimates and assumptions that affect the reported amounts of revenues, expenses, 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. Revenue recognition

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

i. Revenue from sale of goods is recognized on dispatch (in respect of exports on the date of the bill of lading or airway bill) which coincides with transfer of significant risks & rewards to customer and is inclusive of excise duty and net of trade discounts, sales returns and sales tax, where applicable.

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

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

iv. Dividend is recognized as and when the Group's right to receive payment is established by the reporting date.

e. 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, non refundable taxes and duties and any attributable cost of bringing the asset to its working condition for its intended use. Borrowing 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. All other borrowing costs are expensed in the period they occur.

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 realizable values or net book values, whichever is lower.

iv. Assets under finance leases, where there is no reasonable certainty that the Group 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 or useful life envisaged in Schedule XIV of the Companies Act, 1956, whichever is shorter.

v. Premium paid on leasehold land is amortized over the lease term.

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

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

Leasehold Building	:	5%
Plant and Machinery	:	20%

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

f. Intangibles

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

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

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

Research costs are expensed as incurred. Development expenditure incurred in respect of internally generated intangible assets such as product development is carried forward when the future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortized on a straight-line basis over the period of expected future economic benefit from the related project, not exceeding ten years.

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

g. Impairment of tangibles and intangible assets

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.

h. 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.

i. Investments

i. Investments that are readily realizable and intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as long term investments. Current investments are carried at lower of cost and fair value determined on individual investment basis.

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

j. Inventories

i. 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 these will be incorporated are expected to be sold at or above cost.

ii. Finished goods and work-in-progress are valued at lower of cost and net realizable value. Cost includes materials, labour and a proportion of appropriate overheads based on normal operating capacity. Cost of finished goods includes excise duty. Cost is determined on a weighted average basis.

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

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

k. Employee benefits

i. Employee benefits in the form of Provident Fund is a defined contribution scheme and the contributions are charged to the Consolidated Statement of Profit and Loss 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 Statement of Profit and Loss and are not deferred.

vi. The Group presents the entire leave as a current liability in the balance sheet, since it does not have an unconditional right to defer its settlement for 12 months after the reporting date.

l. Income taxes

Tax expense consists of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the domestic tax laws of the countries in which the consolidated entities operate. Deferred income taxes reflect the impact of current year timing differences between taxable income and accounting income for the year and reversal of timing differences of earlier years.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situations where the company has 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.

In the situations where the Group is entitled to tax holiday under Income Tax Act 1961, no deferred tax is recognized in respect of timing differences which reverse during the tax holiday period, to the extent Company's gross total income is subject to the deduction during the tax holiday period. Deferred tax in respect of timing differences which reverse after the tax holiday period is recognized in the year in which timing difference originate.

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

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

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

m. 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 purposes

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

n. 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.; 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.; 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 (Italia) S.r.l.; Aurobindo Pharma (Portugal) Unipessoal LDA; Aurobindo Pharma (Bulgaria) EAD; Aurobindo Pharma France SARL, Aurobindo Pharma GmbH Germany, Aurobindo ILAC Sanayi ve Ticaret Limited Sirketi, Turkey, 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., Aurobindo Pharma Limited s.r.l., Auro Medics Pharma LLC and Aurovida Farmaceutica SA de CV 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 recognized as income or as expenses in the same period in which the gain or loss on disposal is recognized.

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

o. Export benefits, incentives and licenses

Export benefits on account of duty drawback and export promotion schemes are accrued and accounted in the year of export, and are included in other operating revenue. Other benefits in the form of advance authorization for imports are accounted for on purchase of imported materials.

p. Leases

Where the Group is lessee

Finance leases, where the substantial risks and benefits incidental to ownership of the leased items are transferred to the Group, are capitalised 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 capitalised.

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

q. 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.

r. Provisions

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

s. 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.

t. 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 Guidance Note on Accounting for Employee Share Based Payment Plans, issued by the Institute of Chartered Accountants of India. 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.

u. Contingent liabilities

A contingent liability is possible obligation that arises from past events whose existence will be confirmed by the occurrence or non occurrence of one or more uncertain future events beyond the control of Group or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that can not be recognized because it can not be measured reliably. The Group does not recognise the contingent liability but discloses its existence in the consolidated financial statements.

v. Borrowing cost

Borrowing cost includes interest incurred in connection with the arrangement of borrowings and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

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

			As at March 31, 2012	As at March 31, 2011
2.	SHARE CAPITAL			
	AUTHORISED	660,000,000 (March 31, 2011: 660,000,000)		
		equity shares of ₹1 each	660.0	660.0
		1,000,000 (March 31, 2011: 1,000,000)		
		preference shares of ₹100 each	100.0	100.0
			760.0	760.0
	ISSUED, SUBSCRIBED			
	AND FULLY PAID-UP SHARES			
		291,121,290 (March 31, 2011: 291,121,290)		
		equity shares of ₹1 each	291.1	291.1
		TOTAL	291.1	291.1

a. Reconciliation of the equity shares outstanding at the beginning and at the end of the year

	As at March 31, 2012		As at March 31, 2011	
	Numbers	Value	Numbers	Value
Equity shares				
At the beginning of the year	291,121,290	291.1	278,644,185	278.6
Issued during the year under Employee Stock Option Plan	–	–	148,535	0.2
Issued during the year on conversion of Foreign Currency Convertible Bonds	–	–	12,328,570	12.3
Outstanding at the end of the year	291,121,290	291.1	291,121,290	291.1

b. Terms/rights attached to equity shares

The parent company has only one class of equity shares having a par value of ₹1 per share. Each holder of equity shares is entitled to one vote per share.

The parent company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of shareholders in the ensuing Annual General Meeting.

During the year ended March 31, 2012 the amount of per share dividend recognized as distributions to equity shareholders was ₹1 (March 31, 2011: ₹2).

In the event of liquidation of the parent company, the holders of equity shares will be entitled to receive remaining assets of the parent company, after distribution of all preferential amounts. However, no such preferential amounts exist currently. The distribution will be in proportion to the number of equity shares held by the shareholders.

c. Details of shareholders holding more than 5% equity shares in the Company

	As at March 31, 2012		As at March 31, 2011	
	Numbers	% holding	Numbers	% holding
Mr. P.V. Ramprasad Reddy	19,481,440	6.7	78,645,440	27.0
Mrs. P. Suneela Rani	90,830,550	31.2	30,830,550	10.6
	110,311,990		109,475,990	

As per records of the parent company, including its register of shareholders/members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares.

d. For details of shares reserved for issue under Employee Stock Option plan (ESOP) of the parent company, Refer Note 33.

e. For details of issue of shares on conversion of FCCB bonds, Refer Note 32.

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

		As at March 31, 2012	As at March 31, 2011
3. RESERVES AND SURPLUS			
CAPITAL RESERVE		**91.1**	91.1
CAPITAL REDEMPTION RESERVE		**90.0**	90.0
SECURITIES PREMIUM			
ACCOUNT	As per last Balance Sheet	**4,199.1**	2,913.6
	Add: Premium on conversion of Foreign		
	Currency Convertible Bonds	**–**	1,274.9
	Premium on exercise of Employee Stock Options	**–**	10.6
		4,199.1	4,199.1
GENERAL RESERVE	As per last Balance Sheet	**5,881.8**	5,288.0
	Add: Transferred from Consolidated Statement of		
	Profit and Loss	**–**	593.8
		5,881.8	5,881.8
FOREIGN CURRENCY TRANSLATION RESERVE			
	As per last Balance Sheet	**(130.9)**	(39.5)
	Add: Current year translation adjustment	**521.5**	(91.4)
		390.6	(130.9)
SURPLUS IN THE CONSOLIDATED STATEMENT OF PROFIT AND LOSS			
	Balance as per last financial statements	**14,026.1**	9,669.0
	Profit/(loss) for the year	**(1,235.0)**	5,634.5
	Less: Appropriations		
	On equity shares of ₹1 each		
	Proposed dividend @ ₹1 (March 31, 2011: ₹1)	**291.1**	291.1
	Interim dividend paid @ ₹Nil (March 31, 2011: ₹1)	**–**	296.1
	Tax on dividend	**47.2**	96.4
	Transfer to general reserve	**–**	593.8
	Total appropriations	**338.3**	1,277.4
NET SURPLUS IN THE CONSOLIDATED STATEMENT OF PROFIT AND LOSS		**12,452.8**	14,026.1
	TOTAL	**23,105.4**	24,157.2

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

4. LONG-TERM BORROWINGS

	Non-current portion		Current maturities	
	As at March 31, 2012	As at March 31, 2011	**As at March 31, 2012**	As at March 31, 2011
From Banks - Secured				
Term loans - Foreign currency	**8,423.0**	4,421.1	**424.2**	321.3
Term loans – Rupee loans	**197.8**	76.3	**11.5**	21.8
	8,620.8	4,497.4	**435.7**	343.1
From Banks – Unsecured				
Term loans – Foreign currency	**318.0**	–	**4,756.6**	–
	318.0	–	**4,756.6**	–
Other loans				
FCCBs (Unsecured)	**–**	–	**–**	6,207.6
Deferred sales tax loan (Unsecured)	**707.5**	736.1	**38.7**	11.0
	707.5	736.1	**38.7**	6,218.6
Amount disclosed under the head				
"Other current liabilities"(Refer Note 9)			**(5,231.0)**	(6,561.7)
TOTAL	**9,646.3**	5,233.5	**–**	–
The above amount includes				
Secured borrowings	**8,620.8**	4,497.4	**435.7**	343.1
Unsecured borrowings	**1,025.5**	736.1	**4,795.3**	6,218.6

i. Secured term loans in foreign currency amounting to ₹7,631.2 carry interest in the range of LIBOR plus 2% to 2.5%. Out of these loans, loans amounting to ₹3,815.6 are repayable in 3 equal installments in 4th, 5th, 6th years from the respective final draw down dates, and loans amounting to ₹3,815.6 are repayable at the end of 5th year from the respective final draw down dates. These loans are secured by first pari passu charge on all the present and future fixed assets, both movable and immoveable property of the parent company.

ii. Secured term loans in foreign currency amounting to ₹57.9 carry interest of LIBOR plus 0.5%. The loans are repayable in 14 quarterly installments of ₹3.4 each and 4 quarterly installments of ₹5.1 each, starting from December 31, 2011. These loans are secured by first charge on entire fixed assets of Auronext Pharma Private Limited (both present and future) and collateral security of present and future current assets of Auronext Pharma Private Limited.

iii. Secured term loan in foreign currency amounting to ₹356.1 carry interest rate of 1 month LIBOR plus 3% and is payable in 12 equal monthly installments and the last installment is payable in March, 2013. These loans are secured by all assets (excluding intangibles) of Aurolife Pharma LLC and accounts receivable and inventory of Aurobindo Pharma USA Inc.

iv. Secured term loan in foreign currency amounting to ₹647.6 carry interest rate of 4.02% and is payable over a period of 20 years in equal monthly installments and the last installment is payable in October, 2031. These loans are secured by buildings of Aurolife Pharma LLC.

v. Secured term loan in foreign currency amounting to ₹154.3 carries interest rate of 4.02% and is payable over a period of 5 years in equal monthly installments and the last installment is payable in September, 2015. These loans are secured by plant & machinery of Aurolife Pharma LLC.

vi. Secured term loan in Indian rupee amounting to ₹209.2 carry interest rate of 13%. Out of these loans, loan amounting to ₹176.0 is repayable in 16 equal quarterly installments which shall begin after 6 months of scheduled completion of operations date as per the sanction letter but not later than September 30, 2012 and loans amounting to ₹33.2 are repayable in 14 quarterly installments of ₹1.5 and 4 quarterly installments of ₹2.3 starting from December 31, 2011. These loans are secured by first charge on entire fixed assets of Auronext Pharma Private Limited (both present and future) and collateral security of present and future current assets of Auronext Pharma Private Limited.

vii. Unsecured term loans in foreign currency amounting to ₹3,484.8 carry interest in the range of LIBOR plus 3% to 3.75%. These loans are repayable in 2012-13.

viii. Unsecured term loan in foreign currency amounting to ₹1,589.8 carry interest rate of 3 months LIBOR plus 1.2%. These loans are repayable in 8 equal quarterly installments and the last installment is payable in June 2013.

ix. Refer Note 32 for terms of issue of Foreign Currency Convertible Bonds ('FCCBs').

x. Deferred sales tax loan is interest free and payable in various installments as per sales tax deferment scheme. The last installment is payable in 2025-26.

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

		As at March 31, 2012	As at March 31, 2011
5.	**DEFERRED TAX LIABILITIES/ASSETS**		
	Deferred tax liability (Net) consists of		
	Differences in depreciation as per tax books and financial books	**1,690.0**	1,400.6
	Provision made towards doubtful trade receivables/loans and advances	**(120.7)**	(90.0)
	Retirement benefits	**(74.5)**	(76.5)
	Business loss	**(799.4)**	–
	Unabsorbed depreciation	**(657.1)**	–
	Others	**0.2**	(0.1)
	Total deferred tax liability (Net)	**38.5**	1,234.0
	Deferred tax asset (Net) consists of		
	Business loss	**70.1**	39.4
	Others	**(15.8)**	4.1
	Total Deferred tax asset (Net)	**54.3**	43.5

6. PROVISIONS

	Long-term		Short-term	
	As at March 31, 2012	As at March 31, 2011	**As at March 31, 2012**	As at March 31, 2011
For employee benefits				
Gratuity (Refer Note 34)	**42.4**	30.9	**25.0**	60.5
Compensated absences	**–**	–	**175.6**	154.1
	42.4	30.9	**200.6**	214.6
Other provisions				
For Proposed dividend	**–**	–	**291.1**	291.1
For Tax on proposed dividend	**–**	–	**47.2**	47.2
Provision for income tax	**–**	–	**124.7**	30.3
	–	–	**463.0**	368.6
TOTAL	**42.4**	30.9	**663.6**	583.2

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

		As at March 31, 2012	As at March 31, 2011
7.	**SHORT-TERM BORROWINGS**		
	Loans repayable on demand from banks - working capital loans		
	Cash credit facilities (secured)	**5.0**	258.7
	Buyers credit (secured)	**2,444.1**	2,427.3
	Buyers credit (unsecured)	**878.5**	386.1
	Packing credit loans (secured)	**4,341.2**	3,818.8
	Packing credit loans (unsecured)	**7,654.5**	5,456.4
	Short term loans from banks (secured)	**508.8**	–
	Short term loans from banks (unsecured)	**250.0**	–
	TOTAL	**16,082.1**	12,347.3
	The above amount includes		
	Secured borrowings	**7,299.1**	6,504.8
	Unsecured borrowings	**8,783.0**	5,842.5
		16,082.1	12,347.3

All loans payable on demand and secured short term 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) and second charge on all the fixed assets of the parent company both present and future subject to charges created in favour of term lenders.

		As at March 31, 2012	As at March 31, 2011
8.	**TRADE PAYABLES**		
	Trade payables for supplies and services	**6,601.4**	7,763.5
9.	**OTHER CURRENT LIABILITIES**		
	Current maturities of long-term borrowings	**5,231.0**	6,561.7
	Creditors for capital goods	**253.0**	177.9
	Trade deposits	**18.8**	5.4
	Unclaimed dividend	**5.4**	5.2
	Interest accrued but not due on borrowings	**104.8**	46.8
	Advances from customers	**58.5**	120.3
	Other payables		
	Statutory liabilities	**104.3**	73.6
	Others	**27.6**	–
	TOTAL	**5,803.4**	6,990.9

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

10. FIXED ASSETS - TANGIBLES

	Leasehold land	Freehold land	Leasehold buildings	Freehold buildings	Plant & equipment	Furniture & fixtures	Vehicles	Office equipment	Total
AT COST									
At April 1, 2010	239.2	404.1	49.9	4,885.2	16,453.8	310.5	109.6	179.1	22,631.4
Additions	81.6	92.4	7.1	1,162.6	3,441.5	108.7	29.7	63.4	4,987.0
Disposals	268.7	(13.4)	–	1,870.6	3,302.1	(12.5)	18.9	6.2	5,440.6
Other adjustments									
Exchange differences	(10.2)	1.2	(0.1)	(60.0)	(177.3)	(3.1)	(1.2)	(0.7)	(251.4)
At March 31, 2011	62.3	508.7	57.1	4,237.2	16,770.5	434.8	121.6	237.0	22,429.2
Additions	0.1	80.6	3.2	1,536.3	3,406.9	146.0	27.7	77.8	5,278.6
Disposals	–	–	–	8.8	43.6	0.8	8.0	0.7	61.9
Transfer to assets held for sale	1.9	1.2	29.6	–	111.0	0.3	–	–	144.0
Other adjustments									
Exchange differences	–	(26.5)	(0.2)	(94.4)	(206.2)	(8.4)	(1.3)	(9.1)	(346.1)
At March 31, 2012	**60.5**	**614.6**	**30.9**	**5,859.1**	**20,229.0**	**588.1**	**142.6**	**323.2**	**27,848.0**
DEPRECIATION/AMORITSATION									
At April 1, 2010	19.4	1.8	17.2	680.9	5,696.1	131.3	39.7	57.8	6,644.2
Charge for the year	16.4	3.0	6.6	163.8	1,392.1	59.6	11.3	19.8	1,672.6
Disposals	31.9	–	–	265.3	1,682.5	5.7	10.7	7.0	2,003.1
Other adjustments									
Exchange differences	(1.2)	0.1	–	(11.1)	(76.3)	(1.6)	(0.7)	(0.3)	(91.1)
At March 31, 2011	5.1	4.7	23.8	590.5	5,482.0	186.8	41.0	70.9	6,404.8
Charge for the year	1.5	3.2	2.5	168.9	1,382.0	58.9	13.3	16.3	1,646.6
Disposals	–	–	–	1.5	34.8	0.6	3.9	0.4	41.2
Transfer to assets held for sale	–	–	15.8	–	65.4	0.3	–	–	81.5
Other adjustments									
Exchange differences	–	(0.8)	(0.1)	(8.2)	(29.4)	(4.5)	(0.9)	(3.3)	(47.2)
At March 31, 2012	**6.6**	**8.7**	**10.6**	**766.1**	**6,793.2**	**249.3**	**51.3**	**90.1**	**7,975.9**
Net Block									
At March 31, 2011	57.2	504.0	33.3	3,646.7	11,288.5	248.0	80.6	166.1	16,024.4
At March 31, 2012	**53.9**	**605.9**	**20.3**	**5,093.0**	**13,435.8**	**338.8**	**91.3**	**233.1**	**19,872.1**

Capital work-in-progress ₹5,999.6 (March 31, 2011: ₹6,029.5)

i. The title deeds of land and buildings aggregating to ₹148.4 (March 31, 2011: 140.6) are pending transfer to the Company's name.

ii. Capital work-in-progress include expenditure during construction period amounting to ₹1,296.7 (March 31, 2011: ₹745.6) (Refer Note 35).

iii. An amount of ₹4.5 (March 31, 2011: ₹Nil) is transferred from capital work-in-progress to assets held for sale.

iv. Depreciation for the year include ₹4.2 (March 31, 2011: ₹4.6) taken as pre-operative capital expenditure on capital projects pending capitalization and ₹Nil [March 31, 2011: ₹219.4 taken as exceptional item (Refer Note 35)].

v. Details of finance lease (Refer Note 38).

vi. Previous 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)

11. FIXED ASSETS - INTANGIBLES

	Goodwill	Product Development cost	Licenses and patents	Total
At cost or valuation				
At April 1, 2010	480.7	33.0	931.6	1,445.3
Additions	–	45.4	489.5	534.9
Internal development	–	–	–	–
Disposals	–	10.6	91.0	101.6
Other adjustments				
Exchange differences	(24.9)	(1.7)	(45.6)	(72.2)
At March 31, 2011	505.6	69.5	1,375.7	1,950.8
Additions	–	43.4	961.8	1,005.2
Disposals	–	55.6	40.9	96.5
Other adjustments				
Exchange differences	(35.8)	(7.4)	(111.8)	(155.0)
At March 31, 2012	**541.4**	**64.7**	**2,408.4**	**3,014.5**
Amortization				
At April 1, 2010	–	32.3	291.7	324.0
Charge for the year	–	17.5	248.9	266.4
Disposals	–	10.7	30.2	40.9
Other adjustments				
Exchange differences	–	(2.3)	(37.4)	(39.7)
At March 31, 2011	–	41.4	547.8	589.2
Charge for the year	–	17.5	345.4	362.9
Disposals	–	17.9	31.7	49.6
Other adjustments				
Exchange differences	–	(2.7)	(34.9)	(37.6)
At March 31, 2012	**–**	**43.7**	**896.4**	**940.1**
Net Block				
At March 31, 2011	505.6	28.1	827.9	1,361.6
At March 31, 2012	**541.4**	**21.0**	**1,512.0**	**2,074.4**

Under development ₹454.5 (March 31, 2011: ₹544.7)

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

		As at March 31, 2012	As at March 31, 2011
12.	**NON-CURRENT INVESTMENTS**		
	Trade investments		
	Long term, Unquoted, in fully paid equity shares		
	(at cost unless stated otherwise)		
i.	753 (753) equity shares of Jeedimetla		
	Effluent Treatment Limited of ₹100 each	**0.1**	0.1
ii.	103,709 (103,709) equity shares of Patancheru		
	Envirotech Limited of ₹10 each	**1.0**	1.0
iii.	1,000 (1,000) equity shares of Progressive Effluent		
	Treatment Limited of ₹100 each	**0.1**	0.1
iv.	10% (19.5%) of Paid-in-Capital of Aurobindo (Datong)		
	Bio-Pharma Company Limited, China	**196.2**	382.5
	(Refer Note 17 for current portion)		
	TOTAL (A)	**197.4**	383.7
	Non-trade investments		
	Long term, Unquoted and at cost, in government securities		
i.	Kisan Vikas Patra	**1.0**	1.0
ii.	National Savings Certificate [includes ₹0.1 held by	**0.2**	0.2
	Income tax authorities (March 31, 2011: ₹0.1)]		
	TOTAL (B)	**1.2**	1.2
	TOTAL (A+B)	**198.6**	384.9
	Notes:		
i.	Aggregate value of unquoted investments	**198.6**	384.9
ii.	Aggregate provision for diminution in the value of investments	**–**	–

	Non-current		Current	
	As at March 31, 2012	As at March 31, 2011	**As at March 31, 2012**	As at March 31, 2011
13. LOANS AND ADVANCES				
(Unsecured, considered good except stated otherwise)				
Capital advances				
Considered good	**54.8**	462.3	**–**	–
Doubtful	**0.8**	0.8	**–**	–
	55.6	463.1	**–**	–
Provision for doubtful advances	**0.8**	0.8	**–**	–
TOTAL (A)	**54.8**	462.3	**–**	**–**
Trade deposit				
Considered good	**211.7**	149.9	**10.7**	8.0
Doubtful	**0.4**	0.4	**–**	–
	212.1	150.3	**10.7**	8.0
Provision for doubtful deposit	**0.4**	0.4	–	–
TOTAL (B)	**211.7**	149.9	**10.7**	8.0
Loan and advances to related parties				
Loan to joint venture entity (Refer Note 37)	**–**	–	**–**	12.6
TOTAL (C)	**–**	–	**–**	12.6
Advances recoverable in cash or kind				
Considered good	**94.4**	121.1	**1,114.9**	1,794.3
Doubtful	**35.1**	35.1	**–**	–
	129.5	156.2	**1,114.9**	1,794.3
Provision for doubtful advances	**35.1**	35.1	**–**	–
TOTAL (D)	**94.4**	121.1	**1,114.9**	1,794.3
Other loans and advances				
Advance income tax (Net of provision for taxation)	**389.0**	296.3	**93.1**	10.2
Share application money to others	**20.5**	8.3	**–**	–
Loans to others	**–**	–	**187.6**	890.6
Loans to employees	**29.1**	25.3	**57.2**	51.5
Export rebate claims receivable	**–**	–	**981.8**	641.7
Balances with statutory/government authorities	**281.7**	44.5	**703.2**	821.5
TOTAL (E)	**720.3**	374.4	**2,022.9**	2,415.5
TOTAL (A+B+C+D+E)	**1,081.2**	1,107.7	**3,148.5**	4,230.4

Refer Note 41 for advances due from private companies or partnership firms in which parent company's Director is a director or partner.

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

	Non-current		Current	
	As at March 31, 2012	As at March 31, 2011	**As at March 31, 2012**	As at March 31, 2011
14. TRADE RECEIVABLE				
(Unsecured, considered good unless stated otherwise)				
Outstanding for a period exceeding six months from the date they are due for payment				
Considered good	**–**	–	**435.0**	331.9
Doubtful	**238.8**	205.6	**53.6**	54.3
	238.8	205.6	**488.6**	386.2
Provision for doubtful receivables	**238.8**	205.6	**53.6**	54.3
TOTAL (A)	**–**	–	**435.0**	331.9
Others				
Considered good	**–**	–	**11,964.6**	11,977.9
Doubtful	**–**	–	**–**	3.7
	–	–	**11,964.6**	11,981.6
Provision for doubtful receivables	**–**	–	**–**	3.7
TOTAL (B)	**–**	–	**11,964.6**	11,977.9
TOTAL (A+B)	**–**	–	**12,399.6**	12,309.8

Refer Note 42 for trade receivables due from private companies or partnership firms in which parent company's Director is a director or partner.

	As at March 31, 2012	As at March 31, 2011
15. OTHER CURRENT ASSETS		
(Unsecured, considered good unless stated otherwise)		
Unamortized premium on forward contract	**29.6**	4.7
Insurance claim receivable	**127.3**	–
Export incentives receivable	**486.1**	232.7
Assets held for sale	**67.0**	–
Receivables for capital goods sold	**19.9**	4.3
Interest accrued on deposits	**10.8**	9.0
Interest accrued on investments	**0.6**	0.6
TOTAL	**741.3**	251.3
16. OTHER NON-CURRENT ASSETS		
(Unsecured, considered good unless stated otherwise)		
Non-current bank balances (Refer Note 19)	**1.2**	14.7
TOTAL	**1.2**	14.7

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

	As at March 31, 2012	As at March 31, 2011
17. CURRENT INVESTMENTS		
Current portion of long term investment (at cost)		
Aurobindo (Datong) Bio-Pharma Company Limited, China		
(unquoted, in fully paid equity shares) 9.5% of paid in capital	**186.4**	–
Unquoted, in fully paid equity shares, at lower of cost and market value		
70,000 (70,000) shares of Citadel Aurobindo Biotech Limited of ₹100 each	**–**	–
[Aggregate provision for diminution in value of ₹7.0 (March 31, 2011: ₹7.0)]		
Quoted, in fully paid equity shares, at lower of cost and market value		
4,520 (4,520) equity shares of Andhra Bank of ₹10 each	**0.4**	0.4
TOTAL	**186.8**	0.4
1. Aggregate value of unquoted investments	**186.4**	–
2. Aggregate value of quoted investments	**0.4**	0.4
3. Market value of quoted investments	**0.5**	0.7
18. INVENTORIES		
(Valued at lower of cost and net realizable value)		
Raw materials (includes in transit ₹453.5 (March 31,2011: ₹376.3)	**6,084.5**	5,705.3
Packing materials	**905.4**	708.4
Work-in-progress (Refer Note 23)	**4,472.1**	4,488.9
Finished goods (includes in transit ₹186.4 (March 31,2011: ₹441.1) (Refer Note 23)	**3,277.9**	3,055.7
Trading goods (Refer Note 23)	**124.1**	57.0
Stores, spares and consumables	**591.6**	537.4
TOTAL	**15,455.6**	14,552.7

	Non-current		Current	
	As at March 31, 2012	As at March 31, 2011	**As at March 31, 2012**	As at March 31, 2011
19. CASH AND BANK BALANCES				
Cash and cash equivalents				
Balances with banks				
On current accounts	**–**	–	**543.5**	635.1
On cash credit accounts	**–**	–	**99.2**	8.3
Deposits with original maturity of less than 3 months	**–**	–	**–**	1,180.0
On unpaid dividend account	**–**	–	**5.4**	5.2
Cash on hand	**–**	–	**8.3**	8.5
	–	–	**656.4**	1,837.1
Other bank balances				
Deposits with original maturity for more than 12 months	**–**	–	**2.8**	2.5
Deposits with original maturity for more than 3 months but less than 12 months	**–**	–	**33.3**	26.8
Margin money deposit*	**1.2**	14.7	**16.1**	0.8
	1.2	14.7	**52.2**	30.1
Amount disclosed under non–current assets (Refer Note 16)	**(1.2)**	(14.7)		
TOTAL	**–**	–	**708.6**	1,867.2

*Given against bank guarantees, performance guarantees and letter of credit.

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

	Year ended March 31, 2012	Year ended March 31, 2011
20. REVENUE FROM OPERATIONS (GROSS)		
Sale of products	**45,855.0**	41,601.9
Sale of services	**626.2**	2,691.2
Other operating revenue		
Scrap sales	**46.1**	12.5
Export incentives	**722.3**	504.2
TOTAL	**47,249.6**	44,809.8
Details of services		
Dossier income	**598.6**	2,556.2
Service income	**27.6**	135.0
	626.2	2,691.2
21. OTHER INCOME		
Interest income on		
Bank deposits	**37.4**	4.0
Others advances and deposits	**19.2**	9.9
Loans to joint venture entities	**–**	7.8
Dividend income on		
Current investments – trade	**–**	–
Balances no longer required written back	**15.0**	59.3
Foreign exchange gain (Net)	**–**	475.3
Profit on sale of fixed assets (Net)	**0.4**	2.4
Commission income	**15.9**	18.8
Miscellaneous income	**159.1**	136.6
TOTAL	**247.0**	714.1
22. COST OF MATERIALS CONSUMED		
Raw material consumed		
Opening stock	**5,705.3**	4,372.3
Add: Purchases	**20,526.9**	21,683.3
	26,232.2	26,055.6
Less: Closing stock	**6,084.5**	5,705.3
Cost of raw material consumed	**20,147.7**	20,350.3
Adjustment for fluctuation in exchange rates	**(18.5)**	(50.5)
Packing materials consumed	**2,125.9**	2,118.6
TOTAL	**22,255.1**	22,418.4
23. INCREASE IN WORK-IN-PROGRESS, TRADED AND FINISHED GOODS		
Inventories at the beginning of the year		
Traded goods	**57.0**	113.3
Work-in-progress	**4,488.9**	3,678.3
Finished goods	**3,055.7**	1,902.1
	7,601.6	5,693.7
Inventories at the end of the year		
Traded goods	**124.1**	57.0
Work-in-progress	**4,472.1**	4,488.9
Finished goods	**3,277.9**	3,055.7
	7,874.1	7,601.6
On account of stock written off	**180.4**	162.6
Adjustment for fluctuation in exchange rates	**(392.3)**	(6.3)
TOTAL	**(60.6)**	(2,064.2)

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

		Year ended March 31, 2012	Year ended March 31, 2011
24.	**EMPLOYEE BENEFIT EXPENSES**		
	Salaries, wages and bonus	**4,801.6**	3,768.4
	Contribution to provident and other funds	**206.4**	164.8
	Retirement benefits (Refer Note 34)	**115.8**	118.1
	Staff welfare expenses	**233.1**	199.4
	TOTAL	**5,356.9**	4,250.7
25.	**OTHER EXPENSES**		
	Conversion charges	**233.1**	190.6
	Consumption of stores and spares	**672.2**	600.4
	Chemicals consumed	**818.2**	600.9
	Power and fuel	**2,323.6**	2,082.6
	Carriage inward	**350.5**	293.8
	Factory maintenance	**157.9**	127.4
	Effluent treatment expenses	**41.1**	46.3
	(Increase)/decrease of excise duty on inventory (Refer Note 40)	**(31.8)**	26.7
	Repairs and maintenance		
	i. Plant and machinery	**379.4**	328.2
	ii. Buildings	**169.4**	228.9
	iii. Others	**58.4**	69.2
	Rent	**84.4**	90.2
	Rates and taxes	**109.6**	124.2
	Printing and stationery	**107.1**	93.8
	Postage and telephones	**57.7**	67.4
	Insurance	**172.3**	148.2
	Legal and professional charges	**469.0**	474.4
	Directors sitting fees	**0.9**	0.6
	Remuneration to auditors	**7.3**	6.5
	Sales commission	**237.2**	238.6
	Carriage outwards	**1,348.9**	898.8
	Selling expenses	**372.9**	148.2
	Rebates and discounts	**123.0**	130.3
	Travelling and conveyance	**166.4**	126.4
	Vehicle maintenance expenses	**31.7**	13.2
	Analytical charges	**343.9**	291.1
	Bad debts/advances written off	**34.1**	34.6
	Provision for trade receivables	**28.8**	6.2
	Donations	**4.6**	1.6
	Registration and filing charges	**94.8**	52.4
	Foreign exchange loss (Net)	**488.2**	–
	Product development expenses	**49.9**	43.3
	Safety and security	**8.9**	9.8
	Product destruction expenses	**181.0**	164.1
	Stock written off	**30.8**	–
	Software license and implementation expenses	**18.1**	9.5
	Purchase of dossiers	**10.9**	–
	Capital work–in–progress/Fixed assets written off	**36.4**	165.7
	Miscellaneous expenses	**315.7**	267.2
	TOTAL	**10,106.5**	8,201.3

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

	Year ended March 31, 2012	Year ended March 31, 2011
26. DEPRECIATION/AMORTIZATION		
Depreciation of tangible assets	**1,642.4**	1,448.6
Amortization of intangible assets	**362.9**	266.4
TOTAL	**2,005.3**	1,715.0
27. FINANCE COSTS		
Interest	**813.2**	443.7
Bank charges	**214.5**	202.8
Exchange difference to the extent considered as an adjustment to borrowing costs	**1,744.7**	–
TOTAL	**2,772.4**	646.5
28. EXCEPTIONAL ITEMS		
Redemption premium (Yield to Maturity) on redemption of FCCB Bonds (Refer Note i)	**3,198.6**	–
Loss on sale/closure of subsidiaries and joint ventures (Refer Note ii & iii)	**13.2**	103.4
TOTAL	**3,211.8**	103.4

Note:

i. The outstanding Tranche A and Tranche B Zero Coupon Foreign Currency Convertible Bonds ('FCCB' or 'Bonds') of USD 139.20 Million, issued in May 2006, were repaid in entirety on maturity during the year along with the redemption premium (Yield to Maturity) amounting to ₹3,198.6 inclusive of withholding taxes.

ii. During the year the Group has disposed of its subsidiary Aurobindo Pharma (Bulgaria) EAD and Aurosal Pharmaceuticals, LLC, USA a 50% Joint venture entity.

iii. During the previous year, the Group has divested its 80.5% stake in Aurobindo (Datong) Bio-Pharma Company Limited, China, (ADBPL) one of its subsidiary.

29. 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 (foreign). The impact in this respect on the consolidated loss for the year ended and financial position of the Group as at March 31, 2012 has not been ascertained.

b. Deferred tax assets include ₹54.3 (March 31, 2011: ₹43.5) and deferred tax liabilities include ₹0.5 (March 31, 2011: ₹15.8) in respect of certain consolidated entities (foreign), 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 readily ascertainable 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).

30. Capital and other commitments

Estimated amount of contracts (Net of advances) remaining to be executed on capital account and not provided for - ₹483.6 (March 31, 2011: ₹2,174.6).

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

31. Contingent liabilities

Particulars	As at March 31, 2012	As at March 31, 2011
Outstanding bank guarantees	**397.4**	346.8
Claims arising from disputes not acknowledged as debts - indirect taxes		
(excise duty and service tax)	**140.7**	90.6
Claims arising from disputes not acknowledged as debts - direct taxes	**105.0**	91.0
Claims against the Group not acknowledged as debts	**23.7**	20.4
Premium on potential redemption of FCCBs	**Nil**	Refer Note 32(c)

32. Foreign Currency Convertible Bonds ('FCCBs'):

a. Terms of Issue

During the year ended March 31, 2007, the parent company issued 150,000 zero coupon FCCBs due in 2011 (Tranche A Bonds) of USD 1,000 each and 50,000 Zero Coupon FCCBs due in 2011 (Tranche B Bonds) of USD 1000 each, 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 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.

b. Outstanding FCCBs

The outstanding FCCBs as at March 31, 2011 were 139,200, which were redeemed in full during the current year.

c. Redemption premium on potential redemption of FCCBs

As at March 31, 2011 the cumulative premium on potential redemption of FCCBs issued during the year ended March 31, 2007 aggregates to USD 70,232,808 equivalent to ₹3,132.0. The payment of such premium on redemption was contingent in nature, the outcome of which was dependent upon uncertain future events, hence no provision was considered.

The outstanding FCCBs along with Yield to Maturity were redeemed during the current year.

33. Employee stock options

a. Employee Stock Option Plan 'ESOP-2004'

The Parent Company instituted an Employee Stock Option Plan 'ESOP-2004' as per the special resolution passed in the 17th Annual General Meeting held on July 31, 2004. This scheme has been formulated in accordance with the Securities Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 to grant options of 2,538,500 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 ₹1 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 ₹72.52 per share and hence the question of accounting for employee deferred compensation expenses does not arise as the parent company follows intrinsic value method.

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

The details of options outstanding of ESOP 2004 Scheme:

	As at March 31, 2012	As at March 31, 2011
Options outstanding at the beginning of the year	**11,345**	232,770
Granted during the year	**–**	–
Vested/exercisable during the year	**–**	–
Exercised during the year	**–**	148,535
Forfeited during the year subject to reissue	**11,345**	72,890
Options outstanding at end of the year	**–**	11,345
Exercisable at the end of the year	**–**	11,345
Weighted average exercise price (₹)	**72.52**	72.52
Weighted average fair value of options at the date of grant (₹)	**75.03**	75.03

	Range of exercise prices (₹)	Number of options outstanding	Weighted average remaining contractual life of options (in years)
As at March 31, 2012	**–**	**–**	**–**
As at March 31, 2011	75.02	11,345	0.33

b. Employee Stock Option Plan 'ESOP-2006'

The parent company instituted an Employee Stock Option Plan 'ESOP-2006' as per the special resolution passed in the 19th Annual General Meeting held on 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 1,495,000 options under four grants of 175,000, 25,000, 90,000 and 1,205,000 options to eligible employees on October 30, 2006, July 31, 2007, October 31, 2007 and December 16, 2011 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 ₹1 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 ₹120.70, ₹132.35, ₹114.50 and ₹91.60 per share respectively 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 2006 Scheme:

	As at March 31, 2012	As at March 31, 2011
Options outstanding at the beginning of the year	**250,000**	250,000
Granted during the year	**1,205,000**	–
Vested/exercisable during the year	**12,500**	106,250
Exercised during the year	**–**	–
Forfeited during the year subject to reissue	**200,000**	–
Options outstanding at end of the year	**1,255,000**	250,000
Exercisable at the end of the year	**50,000**	212,500
Weighted average exercise price (₹)	**97.07**	119.78
Weighted average fair value of options at the date of grant (₹)	**115.56**	144.13

	Range of exercise prices (₹)	Number of options outstanding	Weighted average remaining contractual life of options (in years)
As at March 31, 2012	**91 to 133**	**1,255,000**	**5.53**
As at March 31, 2011	114 to 133	250,000	1.89

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

c. Disclosure as per Fair Value Method

The Group's net profit/(loss) 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.

		Year ended March 31, 2012	Year ended March 31, 2011
Profit/(loss) after taxation			
As reported in Consolidated Statement of Profit and Loss		(1,235.0)	5,634.5
Less: Additional employee compensation cost based on Fair Value		0.7	1.6
Profit/(loss) after taxation as per Fair Value Method		(1,235.7)	5,632.9
Earnings per share			
Basic			
No. of shares		291,121,290	287,869,658
EPS as reported	(₹)	(4.24)	19.57
EPS as per Fair Value Method	(₹)	(4.24)	19.57
Diluted			
No. of shares		291,127,562	319,995,855
EPS as reported	(₹)	(4.24)	17.61
EPS as per Fair Value Method	(₹)	(4.24)	17.60

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

	As at March 31, 2012		As at March 31, 2011	
	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 (%)	4.32	4.32	5.62	7.12
Dividend yield	1.33	1.33	0.15	0.15

34. Retirement benefits

a. Disclosures related to defined contribution plan

Provident fund contribution recognized as expense in the Consolidated Statement of Profit and Loss ₹82.8 (March 31, 2011: ₹72.2).

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

Consolidated Statement of Profit and Loss

	As at March 31, 2012	As at March 31, 2011
Net employee benefit expense (included under employee benefit expenses)		
Current service cost	38.3	29.6
Interest cost on benefit obligation	18.9	14.6
Expected return on plan assets	(9.5)	(8.0)
Net actuarial (gain)/loss recognized in the year	5.9	7.7
Net benefit expense	53.6	43.9
Actual return on plan assets	12.8	8.6

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

Consolidated Balance Sheet

	As at March 31, 2012	As at March 31, 2011
Details of provision for gratuity		
Defined benefit obligation*	**240.9**	193.3
Fair value of plan assets**	**174.7**	102.3
Net Plan Liability	**66.2**	91.0

* As at March 31, 2010: ₹152.9; March 31, 2009: ₹107.7; March 31, 2008: ₹75.4.

** As at March 31, 2010: ₹83.1; March 31, 2009: ₹72.2; March 31, 2008: ₹57.0.

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

	As at March 31, 2012	As at March 31, 2011
Opening defined benefit obligation	**193.3**	150.9
Current service cost	**38.3**	29.6
Interest cost	**18.9**	14.6
Benefits paid	**(18.8)**	(10.2)
Actuarial (gains)/losses on obligation*	**9.2**	8.4
Closing defined benefit obligation	**240.9**	193.3

* Experience adjustments on plan liabilities March 31, 2012: ₹12.6 (March 31, 2011: ₹9.6; March 31, 2010: ₹7.6; March 31, 2009: ₹6.2; and March 31, 2008: ₹0.7)

Changes in fair value of plan assets

	As at March 31, 2012	As at March 31, 2011
Opening fair value of plan assets	**102.3**	83.1
Expected return	**9.5**	8.0
Contributions by employer	**78.4**	20.8
Benefits paid	**(18.8)**	(10.2)
Actuarial gains/(losses)*	**3.3**	0.6
Closing fair value of plan assets	**174.7**	102.3

* Experience adjustments on plan assets March 31, 2012: ₹3.3 (March 31, 2011: ₹0.7; March 31, 2010: ₹0.4; March 31, 2009: ₹0.9; and March 31, 2008: ₹1.9)

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

	As at March 31, 2012	As at March 31, 2011
Discount rate (p.a.) (%)	**8.65**	8.35
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:

1. The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.
2. Percentage of plan assets as investments with insurer is 100%.
3. 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.
4. The parent company expects to contribute ₹25.0 (March 31, 2011: ₹60.0) to the qualifying insurance policy in 2012-13.
5. Gratuity expense for the year has been included in retirement benefits under employee benefit expenses.
6. The above disclosure does not include net benefit expense of ₹0.8 (March 31, 2011: ₹0.1) and net plan liability of ₹1.2 (March 31, 2011: ₹0.5) relating to other components of the Group.

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

35. Expenditure during construction period pending capitalisation

	As at March 31, 2012	As at March 31, 2011
Balance brought forward	**745.6**	690.8
Add: Incurred during the year		
Salaries, wages and bonus	**170.8**	131.2
Staff welfare expenses	**3.9**	4.3
Consumption of raw material for testing	**58.2**	34.6
Consumption of stores and spares	**114.7**	121.9
Carriage inwards	**1.0**	4.0
Power and fuel	**177.9**	115.4
Conversion charges	**9.8**	20.0
Rent	**–**	0.1
Rates and taxes	**7.5**	3.5
Printing and stationery	**4.2**	4.0
Postage and telephones	**0.8**	1.0
Insurance	**3.5**	3.1
Legal and professional charges	**15.2**	3.5
Travelling and conveyance	**2.6**	3.6
Depreciation	**4.2**	4.6
Interest and finance charges	**17.3**	7.3
Installation and commissioning expenses	**1.1**	0.9
Chemicals consumed	**4.5**	2.9
Repairs and maintenance	**1.2**	0.2
Miscellaneous expenses	**30.8**	11.6
SUB TOTAL	**1,374.8**	1,168.5
Less: Income during the construction period	**–**	0.2
Less: Capitalized to fixed assets during the year	**78.1**	422.7
Balance carried forward	**1,296.7**	745.6

36. Earnings per Share

Particulars	**Year ended March 31, 2012**	Year ended March 31, 2011
Consolidated Profit/(Loss) after tax and minority interest considered for calculation of basic and diluted earnings per share	**(1,235.0)**	5,634.5
Weighted average number of Equity Shares considered for calculation of basic earnings per share (a)	**291,121,290**	287,869,658
Effect of dilution on account of Foreign Currency Convertible Bonds into shares (b)	**–**	32,110,978
Effect of dilution on account of Employee Stock Options granted (c)	**6,272**	15,219
Weighted average number of Equity Shares considered for calculation of diluted earnings per share (a+b+c)	**291,127,562**	319,995,855

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

37. Related party disclosures

i. Names of related parties and description of relationship

a. Jointly controlled enterprises

Aurosal Pharmaceuticals LLC, USA (Joint Venture of a Subsidiary) - Disposed w.e.f. December 31, 2011
Cephazone Pharma LLC, USA (Joint Venture of a Subsidiary) - Disposed w.e.f. October 1, 2010
Novagen Pharma (Pty) Limited, South Africa (Joint Venture of a Subsidiary)
Zao Auros Pharma, Russia (Joint Venture of a Subsidiary) - w.e.f. July 26, 2011

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
Pranit Projects Private Limited, India (Formerly known as Pranit Happy Homes Private limited)
Pranit Packaging Private Limited, India
Matri Mirra 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

Mr. P. Sarath Chandra Reddy (Son of Mr. P.V. Ramprasad Reddy, Chairman)
Mrs. Kambam Kirthi Reddy (Daughter of Mr. K. Nithyananda Reddy, Managing Director)
Mr. Vishnu M. Sriram (Son in law of Dr. M. Sivakumaran, Whole-time Director)

ii. Transactions with related parties

a. Transactions with enterprises over which key management personnel or their relatives exercise significant influence

Particulars	**Year ended March 31, 2012**	Year ended March 31, 2011
Pravesha Industries Private Limited, India		
Sale of goods	**6.3**	17.9
Purchase of goods	**1,103.2**	778.8
Purchase of fixed assets	**0.3**	–
Rent Received	**0.1**	–
Balance receivable	**25.2**	181.4
Balance payable	**23.9**	–
Sri Sai Packaging, India		
Sale of goods	**0.2**	0.1
Purchase of goods	**103.1**	86.7
Balance receivable	**2.1**	8.4
Axis Clinicals Limited, India		
Purchase of services	**334.5**	344.6
Electricity expenses	**5.8**	5.6
Rent expenses	**12.1**	9.4
Purchase of fixed assets	**5.9**	–
Balance payable	**47.1**	18.0
Trident Chemphar Limited, India		
Sale of goods	**336.3**	102.7
Purchase of goods	**36.3**	24.3
Balance receivable	**273.5**	71.1
Balance payable	**8.1**	2.3

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

	Particulars	Year ended March 31, 2012	Year ended March 31, 2011
	Auropro Soft Systems Private Limited, India		
	Purchase of stores and spares	**2.4**	7.4
	Purchase of services	**15.1**	9.4
	Purchase of fixed assets	**12.8**	6.4
	Balance receivable	**–**	1.2
	Balance payable	**0.1**	–
	Pranit Packaging Private Limited, India		
	Purchase of goods	**53.0**	5.1
	Balance receivable	**–**	3.4
	Balance payable	**1.4**	–
	Pranit Projects Private Limited, India		
	(Formerly known as Pranit Happy Homes Private Limited)		
	Purchase of services (civil services)	**58.9**	16.2
	Balance payable	**4.0**	0.8
	Matri Mirra Packaging Prvate Limited, India		
	Purchase of goods	**50.0**	–
	Sale of goods	**0.9**	–
	Balance receivable	**3.6**	–
b.	**Transactions with jointly controlled enterprises**		
	Cephazone Pharma LLC, U.S.A.		
	Sale of goods	**–**	15.3
	Interest Received	**–**	7.4
	Aurosal Pharmaceuticals LLC, U.S.A.		
	Interest Received	**–**	0.4
	Loan receivable	**–**	12.6
	Novagen Pharma (Pty) Limited, South Africa		
	Sale of Goods	**344.3**	168.2
	Services received	**12.4**	–
	Balance receivable	**197.4**	141.7
c.	**Transactions with key managerial personnel***		
	Mr. P.V. Ramprasad Reddy		
	Managerial remuneration	**8.7**	8.7
	Mr. K. Nithyananda Reddy		
	Managerial remuneration	**8.7**	8.7
	Rent expense	**1.6**	–
	Dr. M. Sivakumaran		
	Managerial remuneration	**8.7**	8.7
	Mr. M. Madan Mohan Reddy		
	Managerial remuneration	**8.7**	8.7
	Mr. P. Sarath Chandra Reddy		
	Directors sitting fees	**0.1**	0.1
	Mrs. Kambam Kirthi Reddy		
	Remuneration	**0.7**	0.5
	Mr. Vishnu M. Sriram		
	Remuneration	**3.0**	2.8

* The parent company is in the process of applying to the central government for approval of excess managerial remuneration amounting to ₹25.1 paid to four Directors during the year beyond the limits specified in Part II of Section II (B) and Section III of Schedule XIII of the Companies Act, 1956. The parent company believes that such approval will be obtained in due course and would not have any material impact upon the Consolidated Financial Statements.

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

38. Leases

a. Operating lease

Operating leases are mainly in the nature of lease of office premises with no restrictions and are renewable/cancellable 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 recognised in the Consolidated Statement of Profit and Loss is ₹84.4 (March 31, 2011: ₹90.2).

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

b. Finance lease

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 ₹25.6 (March 31, 2011: ₹55.2).

iii. The net carrying amount of the buildings obtained on finance lease - ₹15.9 (March 31, 2011: ₹32.0).

39. Disclosure regarding derivative financial 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 $ 18,000,000, ₹915.8 (March 31,2011: US $ Nil) - To hedge receivables in foreign currency.

US $ 27,000,000, ₹1,373.6 (March 31,2011: US $ Nil) - To hedge external commercial borrowing draw down.

Buy
US$ Nil (March 31, 2011: US $ 11,645,634, ₹519.3) - 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	As at March 31, 2012	As at March 31, 2011
Loans availed	**(26,943.2)**	(16,102.0)
Trade receivables	**9,289.5**	10,796.1
Loans and advances (including other current assets)	**1,069.4**	1,723.3
Trade payables (including creditors for capital goods)	**(1,672.3)**	(1,944.0)
Interest accrued but not due	**(81.1)**	(39.6)
Foreign Currency Convertible Bonds	**–**	(6,207.6)
Investments	**6,059.8**	4,976.9
Bank balances	**19.6**	5.2

40. In accordance with paragraph 10 of Notified Accounting Standard 9 on Revenue Recognition, excise duty on sales amounting to ₹975.6 (March 31, 2011: ₹995.0) has been reduced from sales in Consolidated Statement of Profit and Loss and excise duty on increase/decrease in closing stock of finished goods amounting to ₹31.8 (March 31, 2011: ₹26.7) has been credited/(March 31, 2011: debit) to the Consolidated Statement of Profit and Loss.

41. i. Details of advances due from private companies in which parent company's Director is a director.

Pravesha Industries Private Limited, India ₹22.7 (March 31, 2011 ₹175.2)

ii. Details of advances due from partnership firm in which parent company's Director is a partner.

Sri Sai Packaging, India ₹Nil (March 31, 2011: ₹8.4)

42. i. Details of trade receivables due from private companies in which parent company's Director is a director.

Pravesha Industries Private Limited, India ₹2.5 (March 31, 2011 ₹6.2)

ii. Details of trade receivables due from partnership firm in which parent company's Director is a partner.

Sri Sai Packaging, India ₹Nil (March 31, 2011: ₹Nil)

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

43. The Income Tax Authorities had carried out search operations on the parent company at certain locations during the current year. The parent company has fully co-operated with the authorities and various statements were recorded during the course of these operations. In order to avoid possible litigations, without admitting any irregularities, the parent company has decided to offer an additional income of ₹150.0 for tax and to pay the resultant tax. Accordingly provision for income tax of ₹48.7 on this additional income has been made. The proceedings are in progress and no other material implications are expected by the management in this matter.

44. The amount of research and development expenditure charged to Consolidated Statement of Profit and Loss is ₹1,592.9 (March 31, 2011: ₹1,394.0)

45. Interest in Joint Ventures

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

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

ii. Aurosal Pharmaceuticals LLC, U.S.A. engaged in the development, manufacturing and distribution of pharmaceutical products, was closed on December 31, 2011.

iii. Cephazone Pharma LLC, U.S.A. engaged in the production of sterile and non-sterile Cephalosporins, was sold in the previous year.

iv. ZAO Auros Pharma incorporated in Russia during the year, is engaged in distribution of pharmaceuticals products. There were no transactions during the year.

Notes:

i. Contingent liabilities of the above joint venture entities ₹Nil (March 31, 2011: ₹Nil).

ii. Capital commitments of the above joint venture entities ₹Nil (March 31, 2011: ₹Nil).

The aggregate amount of the assets, liabilities, income and expenses related to the Group's share in the joint ventures included in these consolidated financial statements as of and for the year ended March 31, 2012 are given below:

Particulars	2011-12		
	Gross amount	**Adjustments/ Eliminations**	**Net amount**
Consolidated Balance Sheet			
Current assets	400.5	122.4	278.1
Non–current assets	13.2	–	13.2
Total assets	413.7	122.4	291.3
Current liabilities	230.6	196.0	34.6
Non–current liabilities	–	–	–
Total liabilities	230.6	196.0	34.6
Consolidated Statement of Profit and Loss			
Income			
Revenue from operations	705.7	–	705.7
Other income	–	(3.0)	3.0
	705.7	(3.0)	708.7
Expenditure			
Purchase of traded goods	348.3	343.1	5.2
(Increase)/decrease in work-in-progress, traded and finished goods	(101.8)	(52.6)	(49.2)
Employee benefit expenses	34.4	–	34.4
Other expenses	307.1	12.4	294.7
Depreciation	0.3	–	0.3
Finance costs	0.1	–	0.1
	588.4	302.9	285.5
Profit before tax	117.3	(305.9)	423.2
Income tax expense	27.5	–	27.5
Profit after tax	89.8	(305.9)	395.7

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

Particulars	2010-11		
	Gross amount	Adjustments/ Eliminations	Net amount
Consolidated Balance Sheet			
Current assets	254.0	69.9	184.1
Non–current assets	43.7	–	43.7
Total assets	297.7	69.9	227.8
Current liabilities	207.6	141.7	65.9
Non–current liabilities	12.6	12.5	0.1
Total liabilities	220.2	154.2	66.0
Consolidated Statement of Profit and Loss			
Income			
Revenue from operations	193.1	–	193.1
Other income	4.6	–	4.6
	197.7	–	197.7
Expenditure			
Cost of materials consumed	19.3	15.5	3.8
Purchase of traded goods	168.9	168.2	0.7
(Increase)/decrease in work-in-progress, traded and finished goods	(141.2)	(70.0)	(71.2)
Employee benefit expenses	35.0	–	35.0
Other expenses	51.7	–	51.7
Depreciation	6.7	–	6.7
Finance costs	16.9	7.8	9.1
	157.3	121.5	35.8
Profit before tax	40.4	(121.5)	161.9
Income tax expense	23.5	–	23.5
Profit after tax	16.9	(121.5)	138.4

46. Segment Information

a. Identification of reportable segments

Segments are identified in line with AS 17 "Segment Reporting", taking into consideration the internal organisation and management structure as well as the differential risk and returns of the segment.

Based on the Group's business model of vertical integration, pharmaceuticals have been considered as the only reportable business segment and hence no separate financial disclosures provided in respect of its single business segment.

Operations of the Group are managed from independent locations, which are located in different geographical locations. However each of these operating locations are further aggregated based on the following factors: (a) similarity of economic and political conditions; (b) relationships between operations in different geographical areas; (c) proximity of operations; (d) special risks associated with operations in a particular area; (e) exchange control regulations; and (f) the underlying currency risk. Accordingly, the following have been identified as operating and reportable segments: (a) "India", (b) "USA" (c) "Europe" and (d) "Rest of the World".

b. Method of pricing inter segment transfers:

Inter segment sales are generally accounted at fair values and the same have been eliminated in consolidation. The accounting policies of the segments are substantially the same as those described in the "Statement of Significant Accounting Policies" as under para 1 above.

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

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

Particulars	For the year ended and as at March 31, 2012					
	India	U.S.A.	Europe	Rest of the World	Eliminations	Consolidated
Revenue						
External sales	34,518.5	6,864.8	1,924.5	2,966.2	–	46,274.0
Inter – segment sales	8,296.4	–	5.8	1,819.1	(10,121.3)	–
Total revenue	**42,814.9**	**6,864.8**	**1,930.3**	**4,785.3**	**(10,121.3)**	**46,274.0**
Other information						
Segment assets	53,323.7	9,240.2	4,929.0	2,847.8	(8,901.4)	61,439.3
Other assets						937.0
Total assets						62,376.3
Segment liabilities	7,685.4	4,028.4	2,375.9	1,922.4	(7,195.4)	8,816.7
Other liabilities						30,163.1
Total liabilities						38,979.8
Capital expenditure	4,336.3	472.2	818.8	129.9	–	5,757.2
Depreciation/amortization	1,434.4	154.7	469.4	41.3	(94.5)	2,005.3
Non–cash expenses other than depreciation	8.7	181.5	53.9	72.4	–	316.5

Particulars	For the year ended and as at March 31, 2011					
	India	U.S.A.	Europe	Rest of the World	Eliminations	Consolidated
Revenue						
External sales	32,694.2	6,510.2	2,693.8	1,916.6	–	43,814.8
Inter-segment sales	8,637.0	–	1.6	1,268.5	(9,907.1)	–
Total revenue	**41,331.2**	**6,510.2**	**2,695.4**	**3,185.1**	**(9,907.1)**	**43,814.8**
Other information						
Segment assets	51,547.8	7,505.5	4,366.6	1,998.1	(8,660.4)	56,757.6
Other assets						1,965.2
Total assets						58,722.8
Segment liabilities	15,310.0	4,268.0	2,328.5	70.8	(6,294.5)	15,682.8
Other liabilities						18,591.8
Total liabilities						34,274.6
Capital expenditure	5,505.9	514.7	702.8	133.9	–	6,857.3
Depreciation/amortization	1,250.8	122.4	298.4	309.9	(266.5)	1,715.0
Non-cash expenses other than depreciation	36.4	–	169.2	41.8	–	247.4

As per our report of even date.

S.R. Batliboi & Associates

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

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

Hyderabad, May 29, 2012.

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

AUROBINDO PHARMA LIMITED

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

Mr./Ms. ....

....

....

....

MEMBER ☐ **PROXY** ☐

(Please tick as applicable)

No. of Shares

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

ATTENDANCE SLIP

Day	Tuesday
Date	7th August, 2012
Time	4.00 p.m.
Venue	Katriya Hotel & Towers, 8 Rajbhavan Road, Somajiguda, Hyderabad 500 082

Reg. Folio No.

Demat Particulars
DP ID No.

Client ID No.

I hereby record my presence at the 25th ANNUAL GENERAL MEETING of the Company

. . . .
Signature of the Member or Proxy

Tear Here

AUROBINDO PHARMA LIMITED

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

FORM OF PROXY

Reg. Folio No.

Demat Particulars
DP ID No.

Client ID No.

No. of Shares

I/We ....
(Name of Member)

of..
(Address)

being Member(s) of AUROBINDO PHARMA LIMITED hereby appoint...
(Name of proxy)

of.. or failing him/her
(Address of proxy)

....
(Name of alternate proxy)

of ....
(Address of alternate proxy)

as my/our proxy to vote for me/us on my/our behalf at the 25th ANNUAL GENERAL MEETING of the Company to be held **at 4.00 p.m. on Tuesday, the 7th August, 2012** 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

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