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AUROBINDO IS A LEADING GLOBAL PHARMACEUTICAL COMPANY WITH OVER 26 YEARS OF EXPERIENCE. WE DEVELOP, MANUFACTURE AND MARKET ACTIVE PHARMACEUTICAL INGREDIENTS AND FINISHED DOSAGE FORMULATIONS.

OUR COMMITMENT TO QUALITY, VERTICALLY INTEGRATED MANUFACTURING CAPABILITIES, AND HIGHLY MOTIVATED PEOPLE CREATE VALUE FOR OUR CUSTOMERS, PARTNERS AND SHAREHOLDERS. WE ARE HEADQUARTERED IN HYDERABAD, INDIA WITH OFFICES ACROSS THE WORLD.

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IN 2012-13, AUROBINDO WORKED WITH FOCUS AND DETERMINATION. WE INCREASED OUR REVENUES, EXPANDED OUR PORTFOLIO OF PRODUCTS, IMPLEMENTED STRONG, SUSTAINABLE QUALITY PROCESSES AND MADE SIGNIFICANT COST IMPROVEMENTS.

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## The numbers tell the story

→ Consolidated gross revenue from operations was higher by 27% at ₹60008.3 million in the year under review, over the previous year.

This growth, coupled with an improved product mix, better capacity utilization and productivity improvements, brought about a significant increase in Aurobindo's bottom line.

→ Consolidated profit before exceptional items & tax was ₹3741.1 million in 2012-13 as against ₹1082.3 million in 2011-12.

→ Consolidated net profit for the year was ₹2914 million as against a loss of ₹1241.4 million in 2011-12.

→ Formulations sales to USA was ₹17526 million, recording a 48.1% growth over the previous year.

→ Europe and Rest of the World geographies recorded formulations sales of ₹8843 million in 2012-13,

an increase of 39.8% over the previous fiscal.

→ There was a 4.6% fall in ARV formulation sales at ₹7503 million, in an endeavor to shed low margin products and optimize our margins.

→ USA sales of formulations contributed 51.7% to the overall formulation revenues in the year as against 45.5% in the previous year, ARV with 22.2% against 30.2% last year and Europe and Rest of the World contributed 26.1% as against 24.3% in fiscal year 2011-12.

# 27.0%

GROWTH IN CONSOLIDATED GROSS REVENUE FROM OPERATIONS

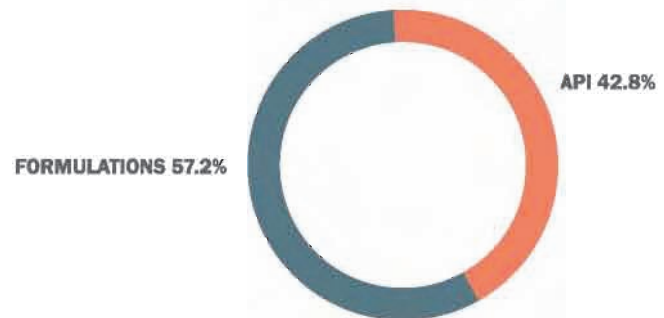
# ₹33872m

GROSS SALES OF FORMULATIONS IN 2012-13, AN INCREASE OF 30.1% Y-o-Y

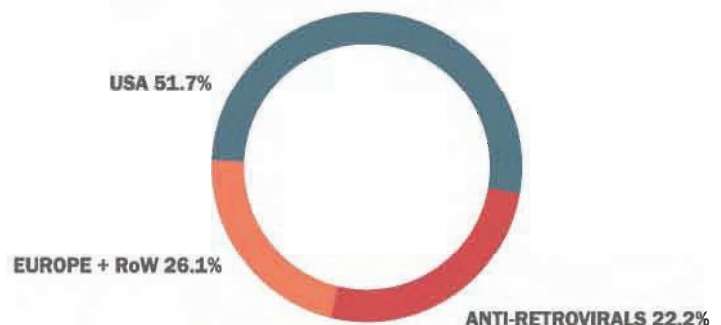
# ₹25362m

GROSS SALES OF API IN 2012-13, AN INCREASE OF 23% Y-o-Y

REVENUE BREAKUP



WHERE OUR FORMULATIONS SALES CAME FROM





→ Gross sales from API stood at ₹25362 million in 2012-13, 23% higher over the previous fiscal.

→ The SSP business grew by 21.7% to ₹7652 million and cephalosporins grew by 25.6% to ₹9373 million on the back of favorable demand in the local market.

→ Non-betalactam products grew by 21.4% to ₹8337 million during the year over ₹6870 million in the previous year and constituted 33% of the overall API sales. This largely came out of advanced markets.

→ At ₹8891 million, EBITDA improved by 200 basis points year-on-year. EBITDA was 15.2% of net operating income as against 13.2% in the earlier year.

→ EBITDA before forex adjustments and other income at ₹8891 million was increased by 45.7% over ₹6101 million in the financial year 2011-12.

Profitability improved due to an improved business mix resulting in a decrease in material consumption to net sales.

## Highlights of the year

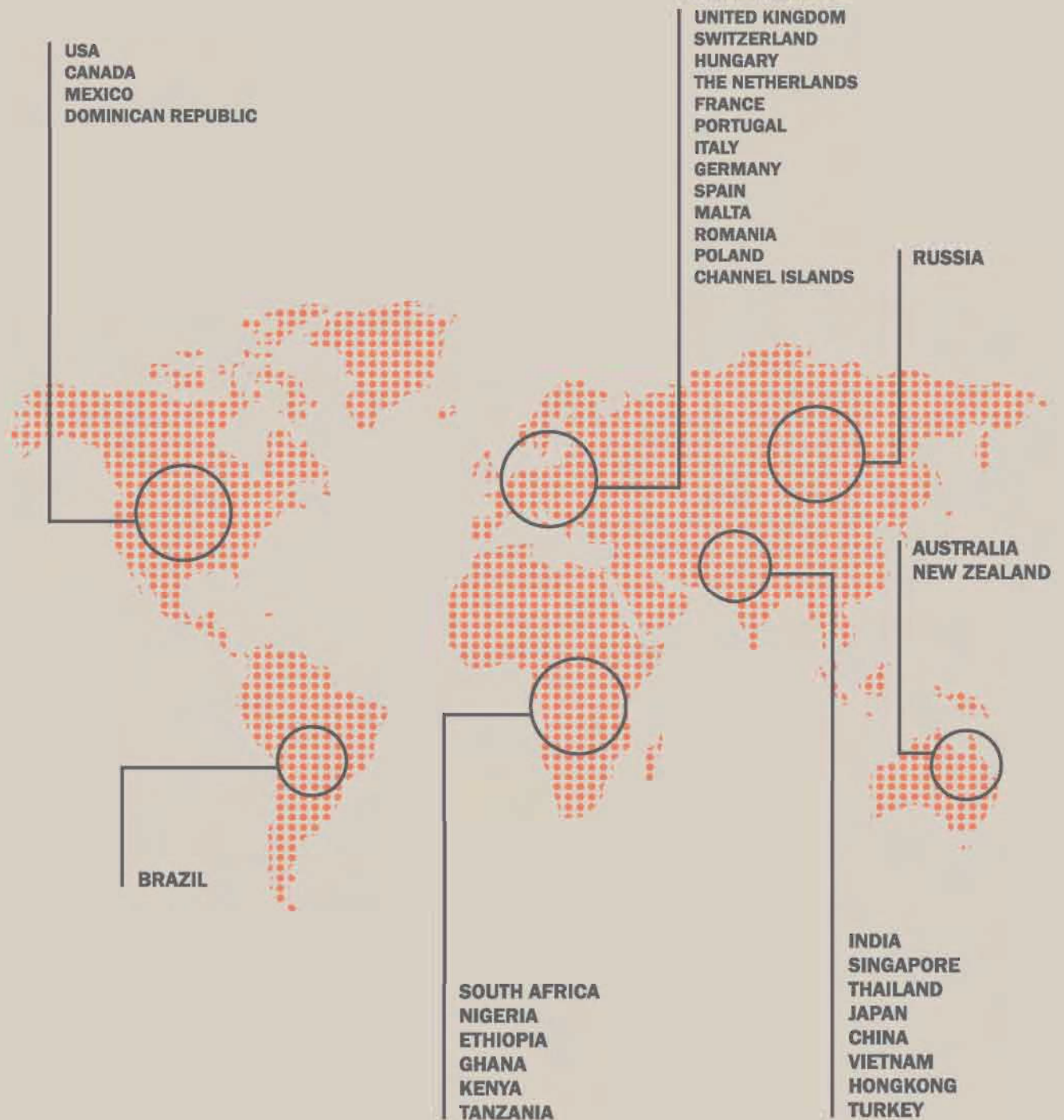
**CONSOLIDATED NET PROFIT FOR THE YEAR WAS ₹2914 MILLION AS AGAINST A LOSS OF ₹1241.4 MILLION IN 2011-12.**



**FORMULATIONS SALES TO USA**



**FORMULATIONS SALES TO EUROPE AND REST OF THE WORLD**



**We market over 300 products in more than 125 countries around the world.**

## What we do

Aurobindo's strength lies in vertically integrating its active pharmaceutical ingredients (API) 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 8,800 professionals across its API and formulation manufacturing, chemical R&D, formulation R&D and overseas operations.

## Why we do it

We believe that we can help people around the world live healthier lives. Our aim is to make quality pharmaceuticals affordable to all.

## Our Strengths

### Scale and leadership

We own and operate mega manufacturing facilities approved by leading regulatory authorities. We have large R&D facilities for formulations and API. Our product portfolio is wide, spanning several therapeutic segments.

### Operational excellence

We are vertically integrated. We have years of proven expertise with regulatory compliance. We have the technology and the knowhow to make specialty formulations.

### Service delivery

We have a global marketing network with a presence in every continent. Our approach to business is centered around customers and their needs. We listen to customers, have quick delivery times and provide total quality assurance.

# Company Overview



AUROBINDO EMPLOYS MORE THAN 8,800 PROFESSIONALS ACROSS ITS API AND FORMULATION MANUFACTURING, CHEMICAL R&D, FORMULATION R&D AND OVERSEAS OPERATIONS.

# Our Corporate Values

## Business Care

OPERATIONAL EXCELLENCE  
STAKEHOLDER ORIENTATION  
QUALITY, INNOVATION

## People Care

FAIRNESS, HUMILITY, RESPECT  
TEAMWORK, SYNERGY  
APPLIED LEARNING

## Organization Care

ACCOUNTABILITY  
INTEGRITY  
ACHIEVEMENT



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AUROBINDO'S STRENGTH IS DERIVED FROM ITS ROBUST, VERTICALLY INTEGRATED INFRASTRUCTURE, INTELLIGENT RESEARCH & DEVELOPMENT, WIDE PORTFOLIO OF PRODUCTS, QUALITY PROCESSES AND TALENTED AND MOTIVATED PEOPLE WHO ARE COMMITTED TO OUR VALUES.

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# Focused

## **Q. Aurobindo's revenues have grown. What were the other key highlights of 2012-13?**

**A.** In 2012-13, we achieved strong double-digit growth in revenues which is reflected in our balance sheet. But we did much more than that. We focused on all key aspects of the business, put our growth strategies into action and gave Aurobindo a renewed sense of direction.

When the year began, we converged on driving change initiatives aimed at realizing our considerable potential. Given our enormous organizational strengths, and in particular our talented people, we efficiently managed our operations by containing our cost structure and improving our cash flow. These efforts combined with strong revenue growth both in API and formulations

enabled us to increase our earnings per share. The results underscore the resilience of the Aurobindo business model, during a period of high volatility.

## **Q. What are the Company's priorities and how will you execute them over the next three years?**

**A.** In 2012-13, we drove several initiatives across our manufacturing units. We reviewed our operations and introduced cost improvement programs at various levels. We strengthened our supply chain and enhanced its reliability. We made sure of our quality by increasing accountability and institutionalizing the various checks and balances. The focus was on improving our reliability quotient.

Our increasing success in the world generics market rests on our ability to remain competitive. In order to do that, we need to further strengthen and leverage our execution

capabilities - excel at the operational level, keep a tight rein on costs and maintain consistent quality at all times.

We have taken several steps, but lot more needs to be done. Our goal is to become the most cost effective producer in all our product segments. We have progressed well in this regard, although impact of several initiatives is likely to be visible in the latter half of 2013-14.

We're also widening our geographical reach. We entered new markets and increased the portfolio of our therapeutic segments. We strove to understand the needs of each new market and customer and were able to match their exacting requirements. This is an ongoing process.

In the next three years, we will pursue our goal of doubling our revenues by continuing to drive execution excellence and make telling operational improvements.

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**K. Nithyananda Reddy**  
Vice-Chairman

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**Q. How Is Aurobindo better placed than its competitors?**

**A.** Aurobindo has several competitive advantages. Our vertically integrated approach to manufacturing is chief among them. We work to minimize our external dependency by manufacturing over 90% of the APIs required for producing our finished dosage formulations. We also have the capacity and strategic flexibility to scale up production quickly and effectively.

We have a wide product portfolio spanning several therapeutic segments supported by a mega manufacturing infrastructure. We have focused on adding volumes of high value products, while decreasing our presence in commodity segments. For instance, we are reducing our presence in the anti-retroviral segments. A better product mix has added to our traction in raising manufacturing efficiencies.

We employ over 8,800 talented people, committed to organizational objectives. We promote a performance culture based on strong leadership. We aim to continuously develop our employees with opportunities for career progression.

**Q. What are Aurobindo's plans going into 2013-14?**

**A.** We will relentlessly improve our execution capabilities. We will shed low margin products, optimize our capacities, continually push to keep costs down and further strengthen our supply chain. We will accelerate our rate of filings and enter new, more profitable areas of growth. We will also invest in improving our safety culture and reducing our environmental footprint.

Through it all, we will keep our focus on quality. We will add to our organizational momentum.

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## Talking with the Vice-Chairman

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**90%**

**OF AUROBINDO'S API REQUIREMENT IS MET INTERNALLY.**

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**WE FOCUSED ON ALL KEY ASPECTS OF THE BUSINESS, PUT OUR GROWTH STRATEGIES INTO ACTION AND GAVE AUROBINDO A RENEWED SENSE OF DIRECTION.**

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## Focused on profitability

In 2012-13, Aurobindo gained forward momentum and successfully negotiated challenging business conditions. We moved ahead in our plant operations, in stepping up our operational efficiencies, in our ability to enter markets with relevant products, in our efforts to reduce costs and in our financial performance. With clear focus and determination, the Company is on a growth trajectory and picking up speed.

We raised standards through all facets of the Company, from identifying market opportunities and product development to our marketing and supply chain execution. We brought talented people to strengthen our workforce, underlined our commitment to quality and fostered a culture of operational excellence and strived to improve profitability. These measures highlight our consistency in building the right platform on our way towards sustained profitable growth.

### Numbers tell the story

Aurobindo reported consolidated net operating income of ₹58553.2 million in 2012-13, an increase of 26.5% over the previous year. This growth, coupled with an improved

product mix, better capacity utilization and productivity improvements, brought about a significant increase in our bottom line. Profit before exceptional items & tax was ₹3741.1 million in 2012-13 as against ₹1082.3 million in 2011-12. The net profit for the year was ₹2914 million in the year under review as against a loss of ₹1241.4 million.

We reported an EBITDA improvement of 200 basis points year-on-year. EBITDA was 15.2% of net operating income as against 13.2% in the earlier year. EBITDA before forex adjustments and other income at ₹8891 million was increased by 45.7% over ₹6101 million in the financial year 2011-12. The profitability improved due to an improved business mix resulting in a decrease in material consumption to net sales.

### No looking back

In the final quarter, we received the EIR (Establishment Instruction Report) from the US FDA for our oral cephalosporin products from Unit-VI. Unit-IV, our liquid injectable facility, commenced commercial operations with products approved by the FDA.

Capacity utilization has been increasing in the latter half of the year, especially at Unit-VI, Unit-VII, Unit-XI and Unit-XII. In 2013-14, we

will see the full impact of all our units reporting elevated performance.

### Positioned for growth

Aurobindo is reconfiguring its product basket, freeing up resources by tapering low value products, and enhancing capacity for products that have higher growth potential. Going forward, we will target developed markets with a view to increasing our margins. We are continuously improving profitability and quality of earnings.

Our formulations portfolio continues to attract robust demand from developed markets. Of these, USA remains our stronghold. Formulation sales to the USA grew 51.7% year-on-year in 2012-13.

Europe has tremendous potential for our basket of products. Sales to the UK, the Netherlands, Spain and Germany are growing steadily. Aurobindo is perfectly placed to serve in all the developed markets, given our product portfolio and focus on quality.

### Running a tight ship

Aurobindo manufactures end-to-end, from intermediates and Active Pharmaceutical Ingredients to consumable formulations. This provides us a unique advantage, given that we source 90% of our API requirement from within, which in turn gives us the flexibility to scale up

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**N. Govindarajan**  
Managing Director

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quickly, manage our inventories, reduce delivery time and improve our response level to our customers. Low external dependencies, coupled with cost-effective production, make us a strong contender in quality-conscious markets.

Even as we have several strengths, we are further streamlining our supply chain, ensuring increased certainty in raw material availability, becoming cost-effective and working together to tighten our processes.

We are systematically implementing organizational best practices to allow Aurobindo to operate cross-functionally across units and geographies. We expect these to produce sustained cost-savings. Our goal is to become the lowest cost producer in a severely competitive industry, while being the best with our compliance standards.

#### Satisfying customers

Aurobindo values its customers - we exist to serve them - and we're always willing to go the extra mile. We make regular investments in creating a learning organization and in systems and processes to align with exacting requirements of customers, some of whom seek quality tighter than regulatory requirements.

We have phenomenal assets in intellectual properties, product and

facility approvals, an integrated mega manufacturing platform and a well-organized marketing infrastructure, all of which have made us the preferred source for quality-conscious customers worldwide.

#### New year, new challenges

Every year brings with it a fresh set of challenges. Markets are evolving and currencies have turned volatile. Regulatory authorities have increasing expectations, while customers are ever more demanding, as is their right. We are putting in the hard work and all of us at Aurobindo have confidence in our ability to meet these challenges.

#### Onward

This is a galvanized Aurobindo. With our unique strengths, we are more efficient today than ever before, and even more focused on our customers, markets and emerging opportunities. We have a wide portfolio of products, with many more in the pipeline. We have a controlled strategy that will ensure we stay right in front of the ultimate consumers. Although we cannot control the macro-economic environment or currencies, we are in control of our growing business and we will continue to execute our strategies to build a long-term growth company in the best interests of all our stakeholders.

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## Statement from the Managing Director

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**THIS IS A GALVANIZED AUROBINDO. WITH OUR UNIQUE STRENGTHS, WE ARE MORE EFFICIENT TODAY THAN EVER BEFORE, AND EVEN MORE FOCUSED ON OUR CUSTOMERS, MARKETS AND EMERGING OPPORTUNITIES.**

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**₹2914m**

**PROFIT FOR THE YEAR AS AGAINST  
A LOSS OF ₹1241.4m IN 2011-12**

## Focused on operational excellence

The financial year 2012-13 can be summarized in one word. Focus. Aurobindo was quick to spot opportunities by commercializing new products, both in API and formulations. We geared our operations and supply chain towards shifting market demand, and through it all, we strove to integrate our processes and systems into our actions and results.

There was a greater purpose in the entire chain of operations, which helped increase throughput. The emphasis was on being effective and simplifying business processes. That we reported profitable growth is a validation of all the hard work that went in.

In 2012-13, we focused on 25 comparatively large customers with 25 high value formulations. Our energies were directed to position ourselves better both in API and formulations, to gain critical volumes,

improve operational efficiencies, manage cycle time, reduce operating costs, improve yields and drive growth. Our objectives were clear and we went about achieving them.

### **Building quality into our products and processes**

Quality is critical. Self-inspection and process improvement was encouraged and rewarded. Checks and balances were institutionalized and we worked closely to harmonize the processes and systems between all the manufacturing facilities. A three-tier self-audit has created a new paradigm for our quality systems.

### **Reaching out to new markets**

With governments everywhere opting for low-cost healthcare, the demand for generics is opening up opportunities. Aurobindo's cost effectiveness as a producer and completely integrated manufacturing infrastructure gives us the flexibility to enter new markets with relative ease.

We have ventured into newer geographies and in the future, we expect to make significant inroads

into markets as diverse as South Africa, Australia, Brazil and the Middle East. We will add newer products, customers and take supply chain initiatives to raise volumes and profitability in the existing markets of USA and Europe.

### **Cost improvement**

While we are exploring new avenues for growth, we are strengthening our supply chain and working hard on cost improvement within our existing operations. In 2012-13, we deployed an integrated cost reduction program that stretches across functions.

A dedicated team is working to optimize costs in the area of product development, purchase, packaging and manufacturing. We shall increase efficiencies and order-fill rates, lower the lead-time and reduce logistics costs. We expect significant reductions to kick in, beginning in the latter part of the year with visible impact on our bottom line.

### **Managing our product portfolio**

Aurobindo has a wide product portfolio which works in our favor. And yet some products don't always live up to their expected potential.

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## Arvind Vasudeva

Chief Executive Officer,  
Formulations

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During the year, we installed a review mechanism to forecast sales growth and decided to let go of a few products to make way for those with more upside potential. 16 new products with higher volume growth were identified and work on them has begun.

#### **Aggressive filing**

Aurobindo has always been quick to file new ANDAs and dossiers and in 2012-13, we got quicker still. We saw opportunities early and moved speedily. Our investments in R&D labs, equipment and bioequivalence technology have significantly improved the quality of our dossiers and documentation, saving vital time.

We are building a strong portfolio in the steriles segment to complement our existing basket of products. Some 200 more products are under various stages of development.

The focus on all these initiatives is to optimize our operations and improve the predictability. We are able to provide high availability of products while minimizing our inventory of finished products. We are identifying our key costs and profitability drivers

and their correlations to optimize decision making. We are increasing flexibility and optimizing demand and supply planning activities to create more efficient, transparent and interlinked processes. Across the organization, we are building capabilities and technology to drive faster and more efficient product creation to enhance the top and bottom line growth.

#### **No challenge too big**

There is always more to do but we've made an irreversible beginning. As we enter the financial year 2013-14, we are prepared not just for this year but for many years to come. We have made the necessary investments in quality, talent and operational excellence to allow us to meet new challenges.

We have added depth to our human resources, empowered them, defined outcomes and within the parameters of values and principles, unleashed their potential. In turn, their dedication is only growing. I believe we now have the momentum to take the Company forward.

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## **Statement from the CEO, Formulations**

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# 200

**PRODUCTS UNDER VARIOUS STAGES OF DEVELOPMENT**

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THESE INITIATIVES ARE OPTIMIZING OUR OPERATIONS AND IMPROVING THE PREDICTABILITY. WE ARE ABLE TO PROVIDE HIGH AVAILABILITY OF PRODUCTS WHILE MINIMIZING OUR INVENTORY OF FINISHED PRODUCTS. WE ARE IDENTIFYING OUR KEY COSTS AND PROFITABILITY DRIVERS AND THEIR CORRELATIONS TO OPTIMIZE DECISION MAKING.

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## Focus on consistent quality

Aurobindo is working hard to live up to its reputation for quality. Our manufacturing operations are rising to the challenge of meeting the standards of our demanding customers and the stringent norms set by the world's regulatory authorities.

We believe that trust, reliability and quality in our operations will ensure Aurobindo's competitiveness and growth as a leading pharmaceutical company. The financial year 2012-13 saw a marked improvement in our approach to quality.

### Mission Quality program

Quality isn't just a byproduct of a good process, but a habit that must be inculcated - it emerges from a culture that promotes superior manufacturing at every level. Aurobindo is creating a culture of

quality that percolates through management onto the shop floor.

Our Quality Control Assurance teams have created a Mission Quality program for which they identified 49 standout employees at all our formulation units. They have been trained to champion the cause of quality at the manufacturing level.

### Mentor program

12 experienced managers from various functions have been selected to share their wisdom and learning with the quality champions. They mentor them, improving the breadth and depth of quality awareness, and ensure the application of Standard Operating Procedures at the shop floor level.

### Stronger review mechanism

Quality review meetings take place at a defined frequency and involve the functional heads of quality and operations as well as Aurobindo's senior management. Pre-identified quality indices and goals are reviewed and new targets for

improvement are laid out. We have also introduced a structured internal audit program to continuously review the level of regulatory compliance, policies and procedures. The program maintains three levels of quality inspection:

1. At the first level, employees at each unit are encouraged to self-inspect the units and bring potential weaknesses to light.
2. The second level of checking is inter-unit. Quality inspectors from another unit are brought in to scrutinize processes objectively.
3. Aurobindo's team reviews the reports generated and conducts its own careful inspection.

### Sharing best practices

We have opened up communication between our manufacturing units to allow for sharing of wisdom and experiences. Every unit routinely shares its quality checking and compliance procedures and best practices with other units resulting in

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# AUROBINDO IS CREATING A CULTURE OF QUALITY THAT PERCOLATES THROUGH MANAGEMENT ONTO THE SHOP FLOOR.

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# 3

LEVELS OF QUALITY  
INSPECTION



greater awareness of risks and proactive quality control. Several preventive and corrective mechanisms have resulted from these productive interactions.

#### **Minimizing human error**

It is a worry for any quality-conscious manufacturer that a momentary lapse in concentration from the workmen can result in a drop in quality levels. Aurobindo has always been careful to avoid this very real risk. We have an intelligent shift system to ensure that no employee is overworked.

But we don't stop there. We have entrusted most of our critical processes to automated technology to minimize human intervention and reduce the margin of error. Also, documentation related to quality management systems is managed through 21 CFR compliant software, further insulating us from human error.

#### **Increased accountability**

We conduct regular workshops and

training with emphasis on the importance of quality and how it impacts our business. Every employee at Aurobindo fully understands that quality begins with him or her and are taking responsibility for their actions and creating a ripple effect that's pervading through the organization.

#### **Quality Compliance Hotline**

Employees with concerns related to quality, compliance and safety can route their queries and suggestions directly to our Head of Corporate Quality Assurance by way of a hotline number. There is, therefore, greater sensitivity to potential problems with resolutions addressed quickly and decisively.

Aurobindo is taking a proactive approach to quality. We are actively anticipating and pre-empting risks associated with manufacturing systems and processes, and putting robust safeguards in place to minimize quality and compliance related issues.

# Quality



WE ARE ACTIVELY ANTICIPATING AND PRE-EMPTING RISKS ASSOCIATED WITH MANUFACTURING SYSTEMS AND PROCESSES, AND PUTTING ROBUST SAFEGUARDS IN PLACE TO MINIMIZE QUALITY AND COMPLIANCE RELATED ISSUES.

## Creating growth and value

Every business plan begins with an idea. Action follows thought and the idea is brought to life, creating value and addressing a felt need. Profitability and growth are not far behind.

Aurobindo's R&D delivers on both fronts, giving us a headstart in a competitive industry. Even as you read this, 816 scientists at our research laboratories are hard at work creating new products, meticulously documenting and testing new and improved processes to manufacture quality pharmaceutical drugs.

For instance, in 2012-13 alone, we filed 34 ANDAs taking our total number of filings to 258 ANDAs. We expect the following year to be even more productive.

Aurobindo's R&D capability is organized into two research centers:

Formulation development and API technology development. Between these, we work on new product development, new technology creation, process improvement, cost optimization and strengthening the compliance standards. Our key strengths lie in our consistent quality, careful documentation and efficient supervised processes.

### Quick on the uptake

The constant ability to create new and ingenious processes with perfect documentation, in time to receive regulatory approvals and meet consumer demand is the real secret of our success.

With years of experience working with complex molecules and technology, we are confident of building a pipeline of products on time. The proof is in the growing number of approvals and certifications with every passing year.

### Wide portfolio and long pipeline

Our product portfolio has both breadth and depth. We are present across various therapeutic segments

including anti-bacterials, neurosciences, cardiovascular, anti-retrovirals, anti-diabetics, gastroenterology and cephalosporins, and are one of the select few companies that produce both betalactams and non-betalactams. In betalactams, we offer both sterile and non-sterile penicillin and cephalosporins along with penams.

Last year saw us make significant strides in steriles and increase our thrust in oral solids with many first-to-file submissions. In the coming two fiscal years, we will venture into niche products, ophthalmics, neutraceuticals and biocatalysis.

While continuing to develop generics in various therapeutic and dosage form areas, Aurobindo's R&D is also looking at peptide products and platform technologies including differentiated drug delivery systems for existing molecules.

### Keeping costs down

Aurobindo's R&D team is constantly making efforts to stay competitive by optimizing costs without

# 34

**ANDAs WERE FILED  
IN 2012-13**



**EVEN AS YOU READ THIS, 816 SCIENTISTS AT OUR RESEARCH LABORATORIES ARE HARD AT WORK CREATING NEW PRODUCTS, METICULOUSLY DOCUMENTING AND TESTING NEW AND IMPROVED PROCESSES TO MANUFACTURE QUALITY PHARMACEUTICAL DRUGS.**



compromising on quality. Our researchers carefully select new products weighing both potential cost and potential profitability. Cost-effective processes are sought out and further improved to lower expenditure.

In 2012-13, we were able to make significant yield improvements and find alternate processes to create a favorable impact on costs in a few key products.

#### **Contract Research and Manufacturing Services (CRAMS)**

With global pharmaceutical giants looking to outsource work, the Indian market for CRAMS is valued at a few billion dollars and still growing. AuroSource, our CRAMS division, while new, has all the technical skills and capabilities to succeed in this niche segment. Our research team is geared to help develop, pilot and scale up production.

We have years of expertise in complex chemistry, including the care and handling of hazardous reactions, and understand the stringent

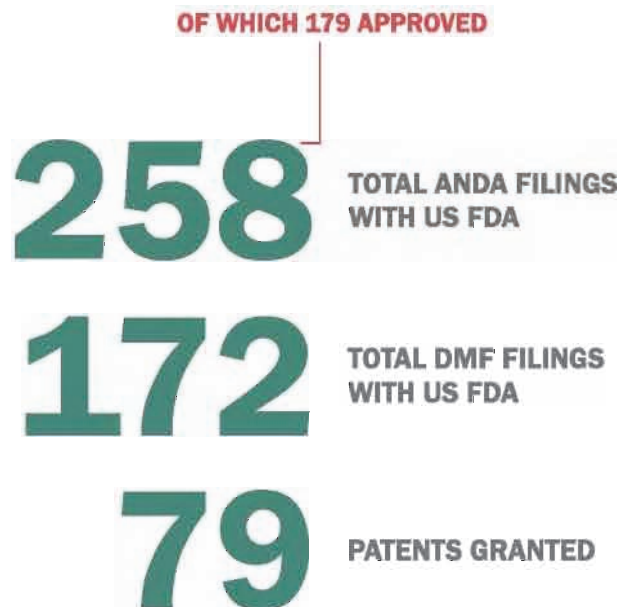
specifications put forth by customers, making us the right partner. In 2012-13 we were engaged by a few large companies for clinical phase trials of their products and entered into dialogue with a few more across the world. We expect to report steady progress in the next four to eight quarters.

#### **OTC Drugs**

Aurobindo has begun to develop, manufacture and package a wide range of liquid, solid and semi-solid Over the Counter (OTC) drugs for primary sale in the USA. Dosage forms are already being developed in our R&D center at Hyderabad and manufacturing capacities are being readied both in India and in the USA.

Success in OTC drugs comes from the combination of quality, price and on-time delivery. Aurobindo is ready for this challenge with capabilities, a talented team and certified processes.

## Research & Development



AS AT MARCH 31, 2013

# Being responsible

Aurobindo's objective is to create value and grow business in a sustainable manner, minimize the environmental footprint, work in collaboration with the community and put the health and safety of our workforce over financial gain. In 2012-13, we made calibrated progress towards our multi-year targets.

## Creating a safer working culture

Safety and wellbeing of the people who work at our manufacturing units and offices is fundamental to our long-term success. We are making efforts to enhance safety awareness and safe behavior at all levels in the Company while continuously improving working conditions.

Pharmaceutical manufacturing requires the management of complex chemical reactions which are potentially hazardous. Nonetheless, we believe that every work-related injury or illness is preventable. In

2012-13, we partnered with a renowned international firm and conducted a safety benchmark assessment and perception survey. Consultants experienced in the chemical industry visited our units, interacted with our management and employees and gave us key insights.

Armed with the results, we are establishing procedures for the identification, evaluation, control, monitoring, reporting and management of safety risks. We identified 24 action points that would reduce the incident rate. We also gave safety-related training to most of our employees including contractors. Time spent on safety training as a percentage of man-hours went up from 0.15% in 2011-12 to 0.5%. Going forward, we will increase the quantum of training.

We make no distinction between the safety of our employees and those of our contractors and have mandated them to comply in full with our safety procedures and guidelines.

While systems and procedures are necessary, achieving and maintaining

safety performance also depends on the day-to-day behavior of our employees. Safe behavior is being encouraged right from the top, with management demonstrating visible safety commitment. Our senior managers are engaging with the employees to discuss safety issues and personally endorsing a safer work culture.

We recognize that we still have some way to go before we achieve - and are able to maintain - the highest standards in safety, to ensure that we do business in the safest possible way. We will continue our efforts to instill a safety culture at Aurobindo. Safety shall be part of our DNA.

## Healthy & motivating workplace

We want to employ and retain the best people and provide them with a healthy, motivating workplace. Consequently, we are addressing occupational health risks and promoting overall wellbeing.

During the year, we conducted HAZOP (Hazard and Operability) studies for products we are about to begin manufacturing. Likely hazards,

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**WE ARE ESTABLISHING PROCEDURES FOR THE IDENTIFICATION, EVALUATION, CONTROL, MONITORING, REPORTING AND MANAGEMENT OF SAFETY RISKS.**

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**HAZOP**  
STUDIES IN PROGRESS TO  
MITIGATE SAFETY RISKS



potent chemicals, and their varying levels of risks were revealed and reviewed. We also undertook hygiene studies with a view to improve handling of API. We monitored all the action points and took the necessary engineering controls and use of protective equipments to reduce the risk of exposure to the employees at our API units.

### Being a good corporate citizen

What we do helps people live healthier lives. But we also have a responsibility to the community and environment we work in. Aurobindo is committed to operating its business in an environmentally responsible manner.

We are focusing our efforts in three critical areas - establishment of adequate infrastructure, involvement and training of our employees, and being compliant with environmental regulations.

In 2012-13, we intensified our investment in wastewater treatment, recycling and disposal. We are now able to better recycle the water we use for our processes. Two of our

units have achieved zero liquid discharge. We have begun to direct disposal of solid and liquid wastes to neighboring cement manufacturing units where they are used as auxiliary fuels. We are also implementing much improved waste storage and handling procedures.

We are fully compliant with the prevailing environment related laws and maintain an open dialogue with the regulatory bodies, taking their suggestions into consideration. Having said that, we are even now looking to find ways to improve what we do.

Meanwhile, all Aurobindo's people are being trained to fully understand their roles and responsibilities regarding best practices and regulatory compliance. Our focus, going forward, will be on conservation of water resources and continued improvement on wastewater treatment. We shall stay committed to preserving the environment and continue to be a responsible company.

## Environment, Health and Safety

# 24

**ACTION POINTS FOR  
HEIGHTENED SAFETY**



**WE INTENSIFIED OUR INVESTMENT IN WASTEWATER TREATMENT, RECYCLING AND DISPOSAL. WE ARE NOW ABLE TO BETTER RECYCLE THE WATER WE USE FOR OUR PROCESSES. TWO OF OUR UNITS HAVE ACHIEVED ZERO LIQUID DISCHARGE.**

## Learning, sharing and growing

Aurobindo is a hive of activity. We employ over 8,800 high energy people across our offices and manufacturing locations. It matters to us that they have the right conditions to work at their full potential. We strive to provide our people with opportunities for professional development and personal fulfillment.

Through our people-focused programs, we're identifying competencies, building leadership skills, enhancing capabilities at all levels and promoting a skilled workforce to address process improvements, increase productivity, and most importantly, at all times be regulatory compliant.

### Employee communication and engagement

We actively engage with our

employees and communicate through periodic newsletters and emails. Twice a year, we conduct a Town Hall meeting for employees of our API and formulation units. Senior managers listen to the group, discuss ideas and new developments, set near and long term goals and conduct a frank question and answer session.

We encourage participation in CSR activities like Adopt a Tree, Medical Camps, Water Camps, Water Harvesting and Women's Day Celebrations. We also organize sporting tournaments for our employees, always hugely popular.

### Training and Development

Aurobindo is committed to providing learning and development opportunities to ensure that we maximize every employee's potential, helping him or her to achieve personal and professional goals while meeting Company's business objectives.

This year, we began with a skill-gap analysis to gain clearer

understanding of the skills that are needed to be imparted at every level. Once we identified the gaps, we formulated training programs that addressed the needs of each individual.

In 2012-13, we conducted training in manufacturing quality and processes (Standard Operating Procedures, Good Manufacturing Practices), customer service, execution excellence (Green Belt Lean Six Sigma), cascading values, creating mission quality champions, building internal trainer and auditor base, and interpersonal skills.

100% of the employees on the floor have been covered for SOP, GMP, quality and safety during the year while behavioral areas were covered for 82% of the employees.

We're not content to rest there. After the training programs, we conduct Action Learning projects that use the new skills and learning to execute real improvements in the working of the Company. For example, in



AUROBINDO IS COMMITTED TO PROVIDING LEARNING AND DEVELOPMENT OPPORTUNITIES TO ENSURE THAT WE MAXIMIZE EVERY EMPLOYEE'S POTENTIAL, HELPING HIM OR HER TO ACHIEVE PERSONAL AND PROFESSIONAL GOALS WHILE MEETING THE COMPANY'S BUSINESS OBJECTIVES.



2012-13 a cross functional team comprising managers from R&D, supply chain management and manufacturing worked on a better quality and cost-effective approach to two of our critical chemical processes, that when implemented, resulted in substantial savings. We also identified and selected 110 internal auditors who will drive our Mission Quality initiative at manufacturing units.

#### **Leadership development**

Aurobindo is partnering with a leading consultancy firm to shape its future leaders. This initiative particularly aims at providing role clarity, mapping of functional and behavioral skills and creating each individual's development plan. The program will cover middle level and senior level leadership positions across API and formulations divisions.

#### **Cross-functional collaboration**

We created cross-functional teams in critical business domains like quality and productivity. Team members

were handpicked from across our divisions to personally lead and oversee the Company's shop floor quality. They engage with their colleagues to improve processes while taking forward the ideals set down in Aurobindo's Values statement.

#### **Improving and rewarding performance**

Aurobindo believes that employee performance and contribution to the Company's overall growth should be recognized and rewarded. We conduct quarterly appraisals of senior management to review individual performance, increasing accountability and setting ambitious goals. We also ensure that salaries, incentives and benefits are competitive and motivational.

We recognize outstanding talent through our Uttam Vyavahar Puraskar program. Every unit nominates the best performing employees who receive awards from management for their good work.

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# People

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# 100%

**OF AUROBINDO'S EMPLOYEES HAVE  
ATTENDED TRAINING THIS YEAR**

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**THROUGH OUR PEOPLE-FOCUSED PROGRAMS, WE'RE IDENTIFYING COMPETENCIES, BUILDING LEADERSHIP SKILLS, ENHANCING CAPABILITIES AT ALL LEVELS AND PROMOTING A SKILLED WORKFORCE TO ADDRESS PROCESS IMPROVEMENTS, INCREASE PRODUCTIVITY, AND MOST IMPORTANTLY, AT ALL TIMES BE REGULATORY COMPLIANT.**

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1. **Mr. K. Ragunathan** (Born 1963), Non-Executive Chairman, is a Chartered Accountant by profession and a leading management consultant. He has over 28 years of experience in consulting services.

2. **Mr. K. Nithyananda Reddy** (Born 1958), Whole-time Director & Vice-Chairman, a promoter of the Company. He holds a Masters Degree in Science and has been associated with the Company from the initial days. He is well-versed with the manufacturing technology and supervises the overall affairs of the Company.

3. **Mr. N. Govindarajan** (Born 1968), Managing Director, 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.

4. **Dr. M. Sivakumaran** (Born 1943), Whole-time Director, holds a Masters Degree in Science and has been awarded PhD in Organic Chemistry. He has about 40 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.

5. **Mr. M. Madan Mohan Reddy** (Born 1960), Whole-time Director, 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.

6. **Mr. P.V. Ramprasad Reddy** (Born 1958), Non-Executive Director 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. In 2008, the widely read, World Pharmaceutical Frontiers, announced he is among the top 35 most influential people in the pharmaceutical industry.

7. **Mr. P. Sarath Chandra Reddy** (Born 1985), Non-Executive Director, 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 Whole-time Director of Axis Clinicals Limited. He has gained experience in general management and expertise in project executions.





# Board of Directors

**8. 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 specialized areas of interest are international banking, foreign exchange, money markets, funds management, credit management, rural development, computerisation, commercial law and systems.

**9. Dr. D. Rajagopala Reddy** (Born 1959), Non-Executive Director, holds a Master's Degree in Science and has been awarded a PhD in Organic Chemistry. He has three decades 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 a 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.



#### Chief Financial Officer

Mr. Sudhir B. Singhi

#### AVP (Legal) & Company Secretary

Mr. A. Mohan Rami Reddy

#### Statutory Auditors

M/s. S.R. Batliboi & Associates LLP  
Chartered Accountants  
Oval Office, 18 iLabs Centre,  
Hi-tech City, Madhapur,  
Hyderabad - 500 081

#### Internal Auditors

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

#### Bankers

Andhra Bank  
Canara Bank  
DBS Bank Limited  
HDFC Bank Limited  
ICICI Bank Limited  
IDBI Bank Limited  
Standard Chartered Bank  
State Bank of Hyderabad  
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.ris@karvy.com



# Certifications

## API UNITS

**Unit I** US FDA  
 CVS MHRA (U.K.)  
 CNS TGA (Australia)  
 ANVISA (Brazil)  
 Anti-allergics WHO  
 Cephalosporins (non-sterile) COFEPRIS (Mexico)  
 KFDA  
 PMDA

**Unit V** US FDA  
 MHRA (U.K.)  
 Semi-synthetic EDQM (France)  
 penicillins TGA (Australia)  
 ANVISA (Brazil)  
 COFEPRIS (Mexico)

**Unit VI A** MHRA (U.K.)  
 Cephalosporins EDQM (France)  
 (Sterile) TGA (Australia)  
 ANVISA (Brazil)  
 HEALTH CANADA  
 MCC (SA)  
 FIMEA (Finland)

**Unit VIII** US FDA  
 MHRA (U.K.)  
 ARVs TGA (Australia)  
 CVSs ANVISA (Brazil)  
 CNS KFDA  
 WHO  
 COFEPRIS (Mexico)

**Unit IX** US FDA  
 Intermediates

**Unit XI** US FDA  
 MHRA (U.K.)  
 ARVs TGA (Australia)  
 CVS KFDA  
 CNS WHO  
 ANVISA (Brazil)  
 COFEPRIS (Mexico)

## FORMULATIONS UNITS

**Unit III** US FDA  
 Multipurpose INFARED  
 Non-Betalactam TGA (Australia)  
 HEALTH CANADA  
 MCC (SA)  
 ANVISA (Brazil)

**Unit IV** US FDA  
 ANVISA (Brazil)  
 Injectable  
 (Cephalosporins  
 and Non-semi-  
 synthetic penicillins)

**Unit VI B** US FDA  
 FIMEA (Finland)  
 Cephalosporins TGA (Australia)  
 (Sterile & non-sterile) ANVISA (Brazil)  
 HEALTH CANADA  
 MCC (SA)

**Unit VII** US FDA  
 Multipurpose TGA (Australia)  
 Non-Betalactam MCC (SA)  
 ANVISA (Brazil)  
 HEALTH CANADA  
 FIMEA (Finland)  
 INFARED

**Unit XII** US FDA  
 TGA (Australia)  
 Semi-synthetic MCC (SA)  
 penicillins ANVISA (Brazil)  
 (Sterile & non-sterile) FIMEA (Finland)

**Bioequivalence center** US FDA  
 MHRA (U.K.)  
 (Inspected) AFSSAPS (France)  
 ANVISA (Brazil)  
 MCC (SA)

## Regulatory Filings as at March 31, 2013

		APPLIED	APPROVED
<b>Generics</b> NDA / ANDAs	US FDA	258	179
	EUROPE	138	115
	SOUTH AFRICA	325	103
	Multiple Registrations		
	<b>TOTAL</b>	<b>721</b>	<b>397</b>
<b>Active Ingredients</b> DRUG MASTER FILINGS	US FDA	172	
	EUROPE		
	New Registrations	97	
	Multiple Registrations	1346	
	Others	557	
	Certificate of Suitability	109	
	<b>TOTAL</b>	<b>2281</b>	
<b>Patents</b>		<b>532</b>	<b>79</b>

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AUROBINDO'S FINANCIAL PERFORMANCE  
REMAINS STRONG DESPITE GLOBAL  
ECONOMIC PRESSURES. WE HAVE A  
HEALTHY BALANCE SHEET AND A  
POSITIVE OUTLOOK FOR THE FUTURE.

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## Management Discussion & Analysis

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### ECONOMIC BACKGROUND

The Gross Domestic Product (GDP) growth rate for the past two years has successively slowed, down to 6.2% in 2011-12 and further to 5% in 2012-13. Despite this, the compound annual growth rate (CAGR) of GDP at factor cost, over the decade ending 2012-13 was 7.9%.

The economy slowed down rapidly despite recovering from the global financial crisis, due to a variety of reasons such as, high inflation, reduced consumption demand, deceleration in corporate and infrastructure investment and tighter monetary policy. The economy was also hit by additional shocks of a slowing global economy, weighed down by the crisis in the Euro area and uncertainties about fiscal policy in the United States.

As growth turned sluggish and government revenues did not keep pace with spending, the fiscal deficit threatened to breach the target. With government savings falling, and private savings also shrinking, the current account deficit, which is the investment that cannot be financed by domestic savings and has to be financed through trade surplus, also widened.

However, India is still in an enviable position with the GDP expected to climb to 6.4% again, in 2013-14. The growth is expected to increase further to 6.7% in 2014-15, according to the World Bank's latest India Development Update, a bi-annual report on the Indian economy. The Prime Minister's Economic Advisory Panel expects the economic growth rate to increase to 6.4% in 2013-14 from 5% during 2012-13, on the back of improvement in the performance of agriculture and manufacturing sectors.

### INDUSTRY PERSPECTIVE

India's pharmaceutical sector is poised to grow from the present US\$ 15.6 billion, to US\$ 35.9 billion by 2017. A similar forecast has been published in a Pricewaterhouse Coopers (PwC) report which believes that the industry size could possibly touch US\$ 74 billion by 2020. The Indian Government's Pharma Vision 2020 also aims at making India a global leader in end-to-end manufacture by 2020, and hence the Government is planning to set up a US\$ 640 million venture capital fund to boost drug discovery and further strengthen the pharmaceutical sector.

According to industry estimates, the Indian pharmaceutical industry produces about

60,000 generic brands in 60 therapeutic categories and manufactures more than 400 different APIs. Presently, generics dominate the market while the expectations are that patent-protected products are likely to constitute 10% of the industry cake by 2015. Both Indian and foreign multinationals are set to launch patented drugs across India.

Rural India is likely to witness a step-up in demand since manufacturers are reaching out to chemists by expanding their distribution network. Pharma industry is likely to see greater vibrancy when the networks start to impact manufacturing by 2015. India is considered a high-value hub for clinical trials due to the presence of genetically diverse population and availability of skilled doctors.

In its bid to step up Indian exports from the present tally of US\$ 310 billion and reach a target of US\$ 500 billion by 2014, the government believes that pharma is a major thrust sector growing at 15% annually and generics is a major strength area. Pharma industry is considered a focus area to achieve the overall target. India is expected to double pharmaceutical exports in the next few years, with the Pharmaceutical Export Promotion Council (Pharmexcil) eyeing overseas sales worth US\$ 20 billion by the end of 2014-15. The figure stood at around \$10 billion in 2010-11.

Traditionally India has been exporting to regulated markets, the US and the EU markets accounting for a major share apart from other regulated markets such as Oceania and Japan and less regulated markets such as Latin America, Africa and parts of Asia. India witnessed a phenomenal growth in the EU and North America, with growth in Africa also being spectacular. In the former markets India has largely been existent in the upper end of the value chain.

Japan offers a fresh opportunity for quality conscious manufacturers. Given the heavy pressure on the health requirements, specially its aging population, Japan which is a US\$ 109 billion market, of which generics constitute 8%, has decided to enlarge its generics portfolio. Japan today represents an opportunity for the Indian pharmaceutical industry. India has also entered into an FTA with Japan, which is a conscious agreement to mutually increase cooperation in the pharma sector. An element of this is the fact that Japan has extended national treatment to Indian companies.

### Salient features of the Indian pharma industry are:

- Accounts for over 10% of global pharmaceutical production;
- Manufactures over 60,000 generic brands across 60 therapeutic categories;
- Produces more than 400 different APIs;
- Over 120 US FDA and 84 UK MHRA approved manufacturing facilities in India;
- Manufacturing cost of Indian pharma companies is up to 65% lower than that of US firms and almost half of that of European manufacturers;
- Lower cost of production and R&D capabilities boosts competitiveness of Indian pharma companies;
- Comparative cost advantage enhances Indian pharma exports; and,
- Pharma industry exports amount to approximately US\$ 310 bn a year.

### COMPANY PERSPECTIVE

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 volumes and market shares in every business/segment it enters.

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

The generics portfolio offers 470 products/dossiers (March 31, 2013 covering developed markets of USA, European Union, South Africa, Canada & Australia) in major therapeutic areas of CNS, gastro-intestinal, cardiovascular/anti-diabetics, anti-retrovirals, anti-allergics, anti-biotics, carbapenems, ophthalmics and oral

contraceptives. A synchronized supply chain leverages strong product development capabilities. State-of-the-art manufacturing facilities and vertical integration with captive source of APIs has created a strategic competitive advantage.

The formulation business is systematically organized with a divisional structure and has a focused team for key international markets. Leveraging on its large manufacturing infrastructure for APIs and formulations, wide and diversified basket of products and confidence of its customers, it aims to achieve US\$ 2 billion revenues by 2015-16. Aurobindo's nine units for APIs/intermediates and six units for formulations are designed to meet the requirements of both advanced as well as emerging market opportunities.

Over the years, 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:

- Developing 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;

- Managing cost efficiency in a mega-manufacturing environment approved by US FDA/European regulatory authorities; and in the process, enhance the attractiveness of Aurobindo to alliance partners;
- Resolving complex chemical challenges and offering advanced drugs to the global markets;
- Globalising and further penetrating the markets through joint ventures/subsidiaries/organic means into China, Brazil and other Latin American countries; and,
- Emerging as a leading player in global high-quality innovative specialty generic formulations and domestic brand segments.

Aurobindo Pharma has tie-ups with a few customers, giving them a competitive edge through faster product development and optimized costs. The strategy is based on co-working and collaborative alliances and partnerships with global pharmaceutical majors.

### Some of the notable features of this arrangement are:

- Strict confidentiality and utmost secrecy are maintained through absolute adherence to the non-disclosure clause;
- Efficient supply chain management and optimal utilization of capacities, are ensured enabling Aurobindo to pass on substantial cost benefits to its customers;
- Aurobindo is a stickler for deadlines. Recently, the Company commercialized an API involving a 14-step process with five chiral centers in just 13 weeks;
- A huge library with syndicated databases is available and the latest software ensures quick and efficient literature/patent survey and retrieval of information;
- Multi-disciplinary project teams interface with the customers right from the start to ensure a seamless integrated approach. Their responsiveness enables rapid execution of projects;
- Besides conforming to cGMP and cGLP due attention is given to safety, health and environment aspects;

- The Company has harnessed the latest in communication technology - dedicated server, video conferencing, tele-conferencing, etc. to ensure constant communication throughout the life of the project; and,
- A right mix of instrumentation and production expertise ensures due emphasis on profiling, characterization of compounds and reduction in impurities, chiral resolution and impurity profiling. All these ensure the highest quality of deliverables and yield optimization.

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 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 and 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 resulting in price elasticity being tested and margins eroding.

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.

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 safeguarded, 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. 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**

Aurobindo Pharma has a team of more than 8,800 professionals working at its various divisions - API manufacturing, formulation manufacturing, chemical R&D, formulation R&D and overseas operations. About 80% of these employees are graduates, post graduates and PhDs.

**The Company has recrafted its human resource philosophy and put it into action across the organization. In brief, they are iterated below:**

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

**In line with the HR philosophy the emphasis has been on the five critical dimensions of people management:**

- Establishment of vibrant organizational culture;
- Talent attraction and retention;
- Continuous capability building;
- Recognition of outstanding performance of the team/individuals; and,
- Staff welfare.

In order to keep pace with the changing global business scenario, Aurobindo has taken up various change management initiatives. One of them is 'Aurobindo Achieving Competitive Edge' or A<sup>2</sup>CE. This initiative has created a forum to tap creative talent among employees, bring significant improvement in the form of high productivity and quality, realize better asset utilization and manpower deployment. Teams and individuals are rewarded and recognized for project deliverables and learning. A<sup>2</sup>CE

reaches out to Aurobindo employees through monthly project reviews and a portal - a2ce.com - that shares best practices with employees.

Another initiative is 'Mission Quality' which aims to create and augment the quality culture across the organization to assess our staff and executives in quality standards compliance and their commitment to quality. An assessment based on key performance indices and quality metrics has been carried out at our formulation units to identify Master Quality Leaders (MQL) who will facilitate our quality initiatives across the organization.

Industrial relations continue to be peaceful and harmonious. The management has initiated various measures such as formation of bipartite forums and joint management councils to promptly 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**

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

- Social welfare and
- Education

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

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. The aim is to provide relevant and useful education to women and children in different locations where Aurobindo is present. This program was initiated to introduce non-academic knowledge and skills of traditional trades in the surrounding villages.

Aurobindo had provided subsidized transportation to the local people. The Company received a State Award for Best Community Service from the Government of Andhra Pradesh.

#### **OUTLOOK**

The Company is confident of growth both in API and formulations API, given the fact that

sales are being ramped up in all the previous quarters spread across all the geographies. This trend is expected to continue with several new launches as well as improving the base business. There is likely to be significant growth in the injectable side of the business. In case of the APIs, the objective is to grow the high value products, gain momentum in developed markets and taper-off the non-competitive products.

Aurobindo performed well in the recent past despite lack of supplies from Unit-IV and Unit-VI. This situation is now corrected and going forward, both units would add significantly to the top and bottom line. Capacity utilization is improving at Unit-VII and Unit-XII. It needs to be appreciated that the Company has an enviable product portfolio and regulatory approvals. The focus will be step up the volumes of high value products, improve the reach in the market while taking care to reduce overall costs.

**The Company will capitalize on its inherent strengths, some of which are iterated below:**

- Cost effective vertically integrated manufacturing systems;
- Current Good Manufacturing Practices (cGMP) and regulatory compliant facilities producing high-quality APIs and finished dosage formulations;
- Best-in class, best-in cost, large manufacturing capacity;
- High visibility in API and generics;
- Strong financial position with ability to scale up;
- Highly skilled professionals with regulatory expertise and competent to deliver on development, product processes and regulatory standards;
- Access to new technologies.

In the long-run an increased thrust on combination drugs, in-licensing initiatives, co-marketing/alliances with MNCs and other measures like enhanced focus on OTCs, vaccines, institutional segment as well as focus on reaching direct to the customers are some of the drivers for gaining traction in increasing revenues, EBITDA margin and Return on Investment higher than the industry average. The Company is targeting to be cash flow positive, by lowering the leverage, striving to expand earnings and reducing interest outgo.

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## Risks & their Management

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Like all businesses, Aurobindo's business too 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, building further on the current successful practices and learning 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 more proactive in recognizing and managing risks through a formal structured framework. The magnitude of the recent financial crisis, as well as its significant impact on the world economy and on many of the Company's 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 are presented below to appreciate the steps being taken to mitigate them.

### **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 51.7% of its formulations revenues from the U.S., another 26.1% from the European Union and emerging markets, while anti-retrovirals make up the balance 22.2%. Formulations sales constitute about 57.2% of the total revenue, while API business accounts for 42.8%. 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 competitive pressures better than its peers.

This risk perception would not significantly impact Aurobindo 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 adversely impacting our business.*

Aurobindo has a talent pool of over 816 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 2,500 approvals for ANDAs out of which 258 filings are with the US FDA. Approvals/tentative approvals received from US FDA total 179 as at March 31, 2013.

Similarly, as on the same date, the team has filed over 2,000 DMFs including 172 with US FDA. 532 patent applications have been filed with various authorities of which 79 have been granted.

The capabilities of the research scientists have been amply 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 provide health care and wellness for the consumers.

The Company has put in place the necessary systems to prevent any violations or deviations. Yet, there have been a few isolated instances in the past. Aurobindo's team has taken up such exceptional events earnestly for prevention of their recurrence. The quality systems have been revisited to strengthen them while training inputs have been stepped up to elevate the level of awareness, supervision and control.

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 532 patents and has been granted 79 non-infringing process patents.

Adequate care is taken to respect trade secrets, knowhow and other proprietary information and ensure 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 and due to global macroeconomic situation. 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:

- To minimize the adverse impact of rupee appreciation, need based forward cover is being taken on a selective basis.

- The Company enters in to foreign exchange contracts only on a limited basis to hedge assets, liabilities and anticipated future cash flows, denominated in foreign currency. Natural hedge available in relation to underlying contracts helps minimize the risk.
- Operating margins are being improved by larger proportion of formulations sales. This will also 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.

#### **People 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.*

Aurobindo is a result oriented Company with a focused approach to customers, markets and products. There is a 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 also 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. Continuous and consistent structured interactions and communications help the personnel update and upgrade their knowledge and skills and help minimize the operational risks. ERP aided monitoring and formalized supervisory controls are in place to mitigate compliance risks.

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



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## Notice

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**NOTICE** is hereby given that the Twenty Sixth Annual General Meeting of the Members of Aurobindo Pharma Limited will be held on **Wednesday, the 7th day of August, 2013 at 4.00 p.m. at Taj Deccan, Road No.1, Banjara Hills, Hyderabad - 500034** to transact the following business:

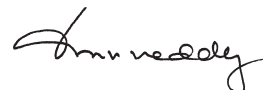
### **ORDINARY BUSINESS**

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2013 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 dividend on the Equity Shares.
3. To appoint a Director in place of Mr. P. Sarath Chandra Reddy who retires by rotation and being eligible, offers himself for re-appointment.
4. To appoint a Director in place of Mr. K. Ragunathan who retires by

rotation and being eligible, offers himself for re-appointment.

5. To appoint a Director in place of Dr. M. Sivakumaran who retires by rotation and being eligible, offers himself for re-appointment.
6. To appoint M/s. S.R. Batliboi & Associates LLP (Registration No. 101049W) as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting and to authorize the Board of Directors to fix their remuneration.

By Order of the Board



**A. MOHAN RAMI REDDY**  
AVP (Legal) & Company Secretary

Hyderabad  
May 30, 2013

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## 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, 2013 to August 7, 2013 (both days inclusive).
3. The Board of Directors of the Company has declared an interim dividend

@100% i.e. ₹1 per share of Face Value of ₹1 for the year 2012-13 on February 7, 2013 and has been paid to the members on February 27, 2013.

The final dividend on equity shares @50% i.e. ₹0.50 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, 2013; 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 2005-06 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 circular 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 Email addresses of the 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 ID's and receive the communication through the electronic mode. Those who wish to receive future communications in electronic mode are requested to send their Email ID to the Registrar & Transfer Agents of the Company. If the shares are held in electronic mode, kindly have your Email registered with your respective DP.

## Directors' Report

Dear Members,

Your Directors are pleased to present the 26th Annual Report of the Company together with the Audited Accounts for the financial year ended March 31, 2013.

### FINANCIAL RESULTS

Standalone financials

₹ Million

	2012-13	2011-12
<b>Gross Turnover</b>	<b>55695.0</b>	43787.3
Profit before depreciation, finance costs, tax and exceptional items	<b>9845.7</b>	5925.6
Depreciation/Amortization	<b>1713.9</b>	1429.4
Finance costs	<b>1147.4</b>	931.1
Exchange difference adjusted to borrowing cost (Revised Schedule VI)	<b>1353.2</b>	1744.7
Profit before tax	<b>5631.2</b>	1820.4
Provision for tax/Deferred tax	<b>671.3</b>	(952.1)
Profit after tax before exceptional item	<b>4959.9</b>	2772.5
Less: Exceptional items	–	3198.6
Net Profit/(Loss) after exceptional items	<b>4959.9</b>	(426.1)
Balance brought forward from previous year	<b>14797.1</b>	15561.5
Balance available for appropriation	<b>19757.0</b>	15135.4
<b>Appropriations</b>		
Dividend on equity shares	<b>436.8</b>	291.1
Tax on dividend	<b>72.0</b>	47.2
General reserve	<b>496.0</b>	–
Surplus carried to Balance Sheet	<b>18752.2</b>	14797.1

### DIVIDEND

Your Directors have proposed a final dividend of 50% i.e. ₹0.50 per equity share and with the interim dividend of 100% i.e. ₹1 per equity share, the total dividend for the financial year 2012-13 comes to 150% i.e. ₹1.50 per share on the equity share of ₹1 against 100% i.e. ₹1 per share of ₹1 paid in the previous year.

### FINANCIAL HIGHLIGHTS

Your Company continued to show steady performance, achieved increase in revenues, operating profit and bottom line during the financial year 2012-13, despite the macroeconomic challenges in almost all the overseas markets. On the manufacturing side, there was severe stress due to shortage as well as high cost of power purchased from state grids. Currencies remained volatile, with intermittent sharp movements.

Your Company demonstrated its resilience and the strength of its business model by expanding the product portfolio and aggressively marketing them, managing costs better in an inflationary environment, stepping up its manufacturing efficiencies and

by staying focused on steadily raising its bottom line. Every effort as in the past was made to expand the global footprint and consolidate the position in the existing growth markets. Overall, the focus was on improving shareholder value.

The consolidated gross revenue from operations was higher by 27% at ₹60008.3 million in the year under review, over the previous year. The formulation and API ratio during the year was 57:43. Consolidated net operating income inclusive of dossier income of ₹759.8 million is ₹58553.2 million showing a growth of 26.5% over the previous year.

Consolidated gross revenue from formulation during the year was ₹33872 million, 30.1% higher on a year-on-year basis. In the API markets, both domestic and overseas, your Company strived to increase its share of high value products and special efforts were made to build relationships in the developed markets. API revenues for the year under review were ₹25362 million, a growth of 23% over the previous year, on account of favorable demand scenario as well as focused efforts at enhancing product realizations.

Dividend  
%

200

2010-11

100

2011-12

150

2012-13\*

\* includes 50% proposed



There has been a year-on-year improvement in EBITDA by 200 basis points. EBITDA before forex adjustments and other income for the year was ₹8891 million which is 15.2% of net operating income and has gone up by 45.7% on year-on-year basis. Profitability during the year under review has improved due to better sales and business mix which had favorable impact on material consumption to net sales by 3.4%, and staff cost to net sales marginally decreased by 25 basis points and other expenses to net sales increased by 1.1%.

As far as foreign exchange is concerned, the closing rupee dollar rate was ₹54.285 on March 31, 2013 while it was ₹50.875 on March 31, 2012. The rupee has been highly volatile through the year and has depreciated by 6.7% during the financial year. This has resulted in a net exchange loss of ₹1634.4 million during the year which includes an amount of ₹1353.2 million on borrowings adjusted to finance charges as per revised Schedule VI. It has also increased your Company's borrowings by approximately ₹2100 million as on March 31, 2013 on account of restatement.

## REVIEW OF OPERATIONS

Formulations sales to USA was ₹17526 million, recording a 48.1% growth over the previous year. Europe and Rest of the World geographies recorded a sale of ₹8843 million in 2012-13, an increase of 39.8% over the previous fiscal. There was a 4.6% fall in ARV formulation sales at ₹7503 million, in an endeavour to shed low margin products and optimize on our margins. Strategic action was taken to be selective in building products and markets that contribute to the bottom line.

In terms of segmental contribution to the formulations revenue, the share of US was 51.7% against 45.5% in the previous year. Similarly, European as well as the rest of the world was 26.1% against 24.3% and ARV was 22.2% against 30.2% in the previous year. The segmental shift in both API and formulations is reflective of your Company's efforts to improve margins and this trend is expected to continue.

In generic markets of US, UK, Germany, Spain and the Netherlands, your Company is progressing well. Additional thrust to raise the marketing presence and gain margin is ongoing in countries such as Japan, Portugal and Italy. The subsidiaries in the US have turned around and are substantially improving their sales.

In respect of US business, your Company has had a balanced growth between new product

introductions and the base business. There was an increased presence with key customers. The marketing efforts were directed towards expanding strongly through retail chains with new product launches. Necessarily, aggressive positions were taken from an inventory standpoint in preparations for those launches; wherever required, your Company built inventory to take advantage of launch needs, while trimming inventory costs as a routine. Today, Aurobindo has a well balanced portfolio and a pragmatic growth plan.

In the formulation business, your Company is spreading across the geographies to grow in each of the geography independently rather than trying to be focused on only one or two markets. In case of API business, the objective is to grow high value and niche products while taking advantage of the vertically integrated manufacturing systems.

Your Company targets to grow the ARV business while ensuring that the focus remains on the bottom line. During the year, in keeping with this strategy, Aurobindo participated in tenders where the Company could quote a price which will ensure competitive margins rather than just chasing the top-line. There is a very large portfolio of ARV products with your Company and the objective is to grow this business while climbing the value chain.

## OUTLOOK

Going ahead, introduction of new products by your Company is expected to be a strong driver in the formulations market with about 20 to 25 launches in 2013-14 and efforts shall continue to increase the penetration in the existing baseline business.

The focus on API is to reduce the dependency on the pure Betalactam products. Your Company has 279 DMFs filed in the U.S., Europe and Japan. While Aurobindo has a growing presence in the US and several countries of Europe for over several years, a determined effort is being made to make inroads in to Japan. Today Aurobindo exports six API products and intermediates to several prestigious customers in that country. Purposeful efforts are being made to grow this quality-conscious market, and your Company has been able to maintain more than 50% growth in Japan in each of the last six quarters.

Aurobindo has a wide array of well-balanced products on offer. Some are specialized and can drive higher margins, some belong to

niche spaces such as ophthalmics, while others are typical mass market, high volume molecules that are expected to boost the bottom line over the next couple of years. There are others that are gaining higher volumes which are being leveraged to take advantage of the in-house API strengths, vertical integration of capacities and improving manufacturing efficiencies.

There are a large number of ANDA applications that have been submitted in the past few months, which await approvals, adding to the pipeline of products on offer. Your Company believes that there would be significant increase in the product basket over next 2 to 3 years. Aurobindo is making a foray in to the injectables market which could gain traction in the latter half of 2013-14. Given that there are fewer competitors than in solid orals, the objective is to gain around 10-15% market share as the Company moves forward.

It needs to be highlighted that the improved performance in 2012-13 was without the manufacturing capacities at Unit-IV, Unit-VI and less than optimum capacity utilization at Unit-XII. The recent spate of approvals would further ramp up the capacity utilization at Unit-VII. Team Aurobindo is fairly confident of improving the market share and top line every quarter of the year ahead.

It is expected that European operations in countries such as Italy and Portugal would stabilize in 2013-14 and turn around a year later. Meanwhile operations in countries such as UK, the Netherlands, Germany and Spain are targeted to grow faster than the previous year. Volumes in Canada are also picking up and Australian operations are likely to stabilize over the next 18 to 24 months.

Aurobindo has made a foray into the CRAMS business in the past few months and believes that it should become a significant portion of the income in about 3 years. While it has started contributing to the business model, and is likely to improve gradually, your Company shall work to ramp up the CRAMS business, build a mutually advantageous relationship with customers, become a dependable resource and contribute meaningfully to the revenue stream.

Your Company will be overcoming a major challenge in availability and cost of power. The possibility of plant shutdown and cost escalation through diesel generation threatened the operations of almost all your Company's facilities. The year under review

witnessed an energy crisis which included three-day week power holiday, surprise power-cuts and prohibitive cost increases. Considerable relief has now been worked out by independently installing the meters in all but one of the production units, to do power trading through the power exchange which has brought down the cost and added to the certainty of power availability.

#### RESEARCH & DEVELOPMENT

During 2012-13, your Company developed certain niche products involving complex chemistry and technology and strived to reduce cost of certain fast moving/high volume products. Further, your Company has opted to go for establishing the CRAMS division and a few projects have been activated.

Your Company carried out process development/scale-up of various niche products (such as Fondaparinux Sodium, Isosulfan Blue, Iron Sucrose, Fosaprepitant Dimeglumine etc.), which involve complex chemistry and complicated purification technology. Further, Aurobindo has developed the processes to commercialize different Carbapenem antibiotics, such as Meropenem, Imipenem, Doripenem and Ertapenem. During the year under review, your Company has also initiated R&D in the area of nutraceuticals, peptides and biocatalysis.

New technologies and processes were worked out to develop soft gel capsules, infusion bags, OTC ANDA products, OTC monograph products and suspension based injectables.

Looking ahead, your Company would focus on the R&D activities in the coming year as well, with special emphasis on the development of niche products, nutraceuticals, peptides and biocatalysis and strengthen its CRAMS business.

#### ENVIRONMENT, HEALTH & SAFETY

During the year under review, your Company initiated benchmarking itself with the best in the industry by conducting safety management evaluation (SME) in partnership with one of the best consultants in the chemical industry for safety performance. The consultants visited all the API facilities, interacted with senior management personnel and representative employee groups, observed the operations, and provided key insights on areas of improvement. Action is being taken on all their suggested improvements.

Substantial investments were made in the area

of wastewater treatment, recycling and disposal. As part of the Company policy and to comply with regulations, disposal of wastewater generated from manufacturing processes of API units to common effluent treatment plants has been stopped. Two of your Company's facilities have even achieved zero liquid discharge competencies. In 2012-13, it was decided to sustain the same level of operating conditions of treatment systems and demonstrate consistency in performance of organization in wastewater treatment.

More importantly, your Company could successfully demonstrate to the government on the commitment of Aurobindo to environment management relating to its activities through the inspections and audits conducted by high level technical expert committees constituted for the purpose.

#### SUBSIDIARIES/JOINT VENTURES

As approved by the Board the reports and accounts of the subsidiary companies are not annexed to this Report. A statement pursuant to Section 212 of the Companies Act, 1956 however, is annexed.

Annual accounts of the subsidiary companies are kept at the Registered Office of the Company as well as at the Registered Offices of the respective subsidiary companies for scrutiny by any member. Members interested in obtaining a copy of the accounts of the subsidiaries may write to the Company Secretary.

#### HUMAN RESOURCES

A governing council has been constituted to serve as an apex body in Aurobindo to shape HR agenda and actions within the organization with the objective of enhancing business performance and capability of people under a strong value based framework. The council gives a broad direction and support initiation for talent management programs in line with short term and long term business imperatives/organizational needs.

A new chapter has been added in the area of strategic leadership development by partnering with a leading consulting firm. This initiative aims at providing role clarity, mapping of functional and behavioral skills and consequently creation of individual development plan and covers all middle level and senior level leadership positions across API and formulations business.

The management has given adequate attention to employee communications to



share various developments in the business and at the organizational level. Apart from a periodic newsletter mode of communication, half-yearly Town Hall meeting is organized at API and formulations level to address the group at large and communicate various developments and apprise them of short and long term dimensions of the business and for better interactions. There is a perceptible improvement in the corporate performance and proactive approach to business, by employees at all levels.

## DIRECTORS

In accordance with the provisions of the Companies Act, 1956, read with the Articles of Association of the Company, Mr. P. Sarath Chandra Reddy, Mr. K. Ragnathan and Dr. M. Sivakumaran retire by rotation at the ensuing Annual General Meeting. All of them being eligible offer themselves and seek re-appointment.

Mr. P.V. Ramprasad Reddy relinquished his responsibilities as Whole-time Director of the Company with effect from December 1, 2012 and continues to be a Non-Executive Director on the Board. He has been appointed as Managing Director designated as Chairman in Aurobindo Pharma USA Inc., US, the wholly owned subsidiary of the Company with effect from December 1, 2012.

Mr. Ravindra Y. Shenoy ceased to be the Joint Managing Director of the Company due to his resignation with effect from November 9, 2012.

A brief profile of Mr. P. Sarath Chandra Reddy, Mr. K. Ragnathan and Dr. M. Sivakumaran 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 confirm that in the preparation of the Statement of Profit and Loss for the year ended March 31, 2013 and the Balance Sheet as at that date:

- i. the applicable accounting standards have been followed;
- ii. selected such accounting policies and applied them consistently and made judgements and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit 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 a Practising 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

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

M/s. S.R. Batliboi & Associates LLP, 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 2013-14.

## COST AUDITORS

M/s. Sagar & Associates, Cost Accountants, have been reappointed as Cost Auditors of the Company with the consent of the Central Government of India to conduct cost audit of the Company for the year 2012-13. The due date for filing Cost Audit Report of the Company in XBRL format for 2011-12 was February 28, 2013 and the same was filed with the Ministry of Corporate Affairs on February 27, 2013.

## 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

Industrial relations at all units of the Company have been harmonious and cordial. The employees stand motivated and have shown initiative in improving the Company's performance.

## 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

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.

Under ESOP 2006 Scheme 1,715,500 options were granted and 90,000 equity shares of ₹1 each were issued and allotted during the year.

Details of the options granted up to March 31, 2013 are set out in the annexure to this Report, as required under Clause 12 of the Securities and Exchange Board of India (Employee Stock Options Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.

## ACKNOWLEDGEMENTS

Your Company is grateful to the customers and business associates for their support and encouragement. Your Board is appreciative of the passion, dedication and commitment demonstrated on the job by all the employees and is confident that they shall continue to underwrite the Company's growth. Your Directors wish to place on record their gratitude to the valuable clientele, Union and state governments, banks, financial institutions, and shareholders and seek their continuing support, guidance, and assistance in all our future endeavors.

For and on behalf of the Board



Hyderabad  
May 30, 2013

**K. RAGUNATHAN**  
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

<b>CONSERVATION OF ENERGY</b>	<b>2012-13</b>	<b>2011-12</b>
<b>Power &amp; fuel consumption</b>		
a. Electricity purchased		
Units (Nos. in Million)	<b>284.48</b>	290.44
Total amount (₹ Million)	<b>1,827.89</b>	1,210.37
Unit rate (₹)	<b>6.43</b>	4.17
b. Own generation		
Through diesel generator		
No. of units (in Million)	<b>36.42</b>	27.28
Units per litre of diesel	<b>3.43</b>	3.36
Oil cost per unit (₹)	<b>12.99</b>	12.09
Through steam turbine/generator		
No. of units (in Million)	<b>41.36</b>	31.11
Units per litre of oil/gas	<b>0.40</b>	0.39
Cost per unit (₹)	<b>2.99</b>	2.62
<b>Coal</b>		
Quantity (MT)	<b>254,575.2</b>	201,273.30
Cost (₹ Million)	<b>949.07</b>	790.03
Average rate/MT (₹)	<b>3,728.06</b>	3,925.17
<b>Furnace Oil</b>		
Quantity (KL)	<b>667.68</b>	1,727.32
Cost (₹ Million)	<b>29.00</b>	62.57
Average rate/KL (₹)	<b>43,432.79</b>	36,226.40
<b>Others (Wood)</b>		
Quantity (MT)	<b>254.71</b>	762.00
Cost (₹ Million)	<b>0.64</b>	1.86
Average rate/MT (₹)	<b>2,500.00</b>	2,436.31
<b>Hot Water</b>		
KCal in Million	<b>5,610.60</b>	5,368.70
KCal per litre of diesel	<b>10,758.46</b>	10,595.28
Diesel cost per KCal (₹)	<b>0.004</b>	0.003

### CONSUMPTION PER UNIT OF PRODUCTION

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

**FORM - B****RESEARCH AND DEVELOPMENT****Specific areas in which Research and Development carried out by the Company****CRD**

The Company carried out the process development/scale-up of various niche products (like Fondaparinux Sodium, Isosulfan blue, Iron sucrose, Fosaprepitant etc), which involve complex chemistry and complicated purification technology. Further, Company has developed the processes to commercialize different Carbapenem antibiotics, such as Meropenem, Imipenem, Doripenem and Ertapenem. During this period, Company has initiated the R&D in the area of nutraceuticals, peptides and bio catalysis. Further, during this period, R&D has taken up development of several CRAMS projects.

**FRD**

Following new areas and technology were introduced in this year-

- Soft-gel capsules,
- Infusion bags,
- Suspension based depot injections,
- OTC - ANDA products,
- OTC - monograph products.

**Benefits derived as a result of the above R&D**

In the year 2012-13, the Company has filed 34 ANDAs (US) and 10 dossiers (EU). This includes 9 ANDAs for non-antibiotic injectable from Unit-IV.

Will open up new specialized area of products for commercialization.

This will pave way for the commercialization and improved utilization of the capacity of our new formulation injectable unit (Unit-IV).

**Future plan of action**

Explore further technologies/business areas in different dosage forms or different therapeutic area.

**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/formulation 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.,**

Cost optimization initiative with respect to less expensive actives, excipients, packaging materials change over in commercialized products.

These will result in annualized savings worth millions of rupees when approved and implemented.

**New initiative for regulatory compliance**

QbD and DOE has been implemented in development as a mandatory requirement for US FDA submissions.

It will benefit in complying to the US FDA requirement effective from January 2013.

**Particulars of imported technology: Nil****Miscellaneous:**

Transfer of entire chemical R&D to the Pashamylaram complex and consolidation of entire formulation development in the Bachupally complex has been completed.

**Benefits derived:**

Has resulted in better control, coordination and resource optimization.

**Expenditure on Research and Development**

	₹ Million	
	2012-13	2011-12
Capital	199.3	396.0
Recurring	2061.7	1593.0
Total R&D expenditure	2261.0	1989.0
As a percentage of total turnover	4.06	4.54

**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, 2013**

	₹ Million	
	2012-13	2011-12
Foreign exchange earned		
Exports (FOB)	38935.3	29239.9
Others	348.2	540.1
	39283.5	29780.0
Foreign exchange outgo		
Materials	18979.8	14698.9
Other expenses	1048.7	3613.3
	20028.5	18312.2

For and on behalf of the Board



Hyderabad,  
May 30, 2013

**K. RAGUNATHAN**  
Chairman

## Annexure-II to the Directors' Report

### DETAILS OF STOCK OPTIONS PURSUANT TO SEBI GUIDELINES ON STOCK OPTIONS

DESCRIPTION	PLAN 2006
Number of Options available under the Scheme	39,95,250
Total number of Options granted	32,10,500
Options granted during the year	17,15,500
Pricing formula	The market price of the share quoted on a day prior to the grant date quoted on the BSE or National Stock Exchange, wherever volumes traded are higher.
Options vested during FY 2012-13	1,20,500
Options exercised during FY 2012-13	90,000
The total number of shares arising as a result of exercise of options	90,000
Options lapsed during financial year 2012-13 which are subject to reissue	4,16,500
Variation of terms of Options	Nil
Money realized by exercise of Options during 2011-12 (₹)	82,44,000
Grant price (Face Value of ₹1) Prevailing on grant date	
October 30, 2006	₹120.70
July 31, 2007	₹132.35
October 31, 2007	₹114.50
December 16, 2011	₹91.60
June 19, 2012	₹106.05
January 9, 2013	₹200.70
January 28, 2013	₹187.40
Total number of Options in force as on March 31, 2013 (Cumulative)	24,64,000
Grant details of members of senior management team	Name of employee                      No. of options
	Mr. Arvind Vasudeva                      500,000
	Ms. Gita Rao                                      4,500
	Mr. U. Udaya Sankar                      4,500
	Mr. Sharma Hemant Kumar                      3,750
	Mr. G.P. Prasad                                      3,750
	Mr. V. Naga Prasad                                      4,500
	Mr. A. T. Bapuji                                      4,500
	Mr. Aminul Islam                                      3,750
	Mr. Ram Biyani                                      5,000
	Mr. C. V. Narayana Rao                      5,000
	Mr. Jacob Joseph                                      5,000
	Mr. Sudhir B. Singhi                                      14,250
	Mr. A. Mohan Rami Reddy                      6,250
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	Mr. Arvind Vasudeva                      500,000
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
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 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 (₹)	28,96,304
iii. The impact of the difference on profits and on EPS of the Company (₹)	PAT 495,99,49,202
(₹)	Less: Additional cost based on Fair Value 28,96,304
(₹)	Adjusted PAT 495,70,52,898
(₹)	Adjusted EPS 17.03
iv. Weighted average exercise price and fair value of stock Options	
Stock Options granted on (during the year)	3,00,000 options on June 19, 2012
	5,00,000 options on January 9, 2013
	9,15,500 options on January 28, 2013
Weighted Average Exercise Price (₹)	139.80
Weighted average Fair Value (₹)	166.21
Closing market price at NSE on the date of grant (₹)	On October 30, 2006 - ₹120.69
	On July 31, 2007 - ₹132.35
	On October 31, 2007 - ₹114.50
	On December 16, 2011 - ₹91.60
	On June 19, 2012 - ₹106.05
	On January 9, 2013 - ₹200.70
	On January 28, 2013 - ₹187.40
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 (%)	8
Expected Life of options from the date(s) of grant (Years)	6
Expected volatility (%)	0.31
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



**K. RAGUNATHAN**  
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, 2013 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, 2013

Name	Category	Number of Board Meetings attended	Attendance at the last AGM held on August 7, 2012	Number of directorships in other companies	Number of committee in positions held in other companies		No. of shares of ₹1 each held in the Company
					Chairman	Member	
Mr. K. Rangunathan	Non-Executive Independent	5	Yes	-	-	-	-
Mr. K. Nithyananda Reddy	Promoter and Executive	5	Yes	5	-	-	13,762,350
Mr. N. Govindarajan	Executive	4	Yes	2	-	-	50,000
Dr. M. Sivakumaran	Executive	5	Yes	2	-	-	7,345,680
Mr. M. Madan Mohan Reddy	Executive	5	Yes	1	-	-	1,005
Mr. P.V. Ramprasad Reddy	Promoter and Non-Executive	3	No	-	-	-	19,481,440
Mr. P. Sarath Chandra Reddy	Non-Executive Non-Independent	4	No	8	-	-	16,390
Mr. M. Sitarama Murthy	Non-Executive Independent	4	Yes	2	1	3	-
Dr. D. Rajagopala Reddy	Non-Executive Independent	5	Yes	-	-	-	-
Dr. C. Channa Reddy	Non-Executive Independent	4	Yes	1	-	-	-

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

b. Mr. N. Govindarajan was appointed as Managing Director of the Company with effect from June 1, 2012. He was Chief Executive Officer of the Company prior to appointment as Managing Director.

c. Mr. Ravindra Y. Shenoy was appointed as Joint Managing Director of the Company with effect from June 1, 2012 and resigned with effect from November 9, 2012. During his tenure, he attended one Board Meeting.

d. Dr. P.L. Sanjeev Reddy retired at the Annual General Meeting held on August 7, 2012 and has attended two Board Meetings held till that date.

e. Mr. P.V. Ramprasad Reddy, was Whole-time Director of the Company till November 30, 2012 and continues to be on the Board as a Non-Executive Director.

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

Date of meeting	Board Strength	No. of Directors Present
May 29, 2012	10	8
August 7, 2012	12	10
August 25, 2012	11	10
November 9, 2012	10	10
February 7, 2013	10	9

**Details of Directors proposed for appointment/re-appointment:**

Mr. P. Sarath Chandra Reddy, Mr. K. Ragunathan and Dr. M. Sivakumaran retire by rotation and being eligible, seek re-appointment.

**Mr. P. Sarath Chandra Reddy**, aged 28 years, is a graduate in Business Administration. He is a second generation entrepreneur experienced in general management and has expertise in project executions. He is presently Whole-time Director of Axis Clinicals Limited and a Director in Trident Chemphar Limited, Axis Clinicals India Limited, Saras Infrastructure Projects Limited, Rosa Avenues India Private Limited and PVR Holdings Private Limited. He is also a director in subsidiary companies of Aurobindo Pharma Limited viz., APL Health Care Limited, APL Research Centre Limited, Auro Peptides Limited, Aurobindo Antibiotics Limited and Auronext Pharma Private Limited. He holds 16,390 shares in the Company.

**Mr. K. Ragunathan**, aged 50 years, is a Bachelor of Commerce from Madras University, and a Member of the Institute of Chartered Accountants of India. He holds a Post Graduate diploma in computerized financial management and specialized in ERP design and development and is a Certified Management Consultant.

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

He has over 28 years of experience in consulting, having started as a consultant at a very young age of 19 years. During the course of his career, he has been exposed to various business transaction structuring and intricacies in business negotiation. He has contributed articles on various issues concerning business transactions and legal compliances thereto in leading Indian corporate law magazines.

He was awarded as a topper in the examination at all India level for the 'CMC' certification course during the year 2000.

He was elected as the chairman of the Hyderabad chapter of International Fiscal Association.

He is a director of Sathguru Management Consultants Private Limited and a Director of DFK International, a top 10 international association of independent accounting firms and business advisers. He does not hold any shares in the Company.

**Dr. M. Sivakumaran**, aged 70 years, is presently 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 40 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 Re.1 each in the Company.

**Audit Committee**

The scope and function of the Audit Committee is to regularly review the internal control, systems and procedures, accounting policies and other matters that protect the interest of the stakeholders, ensure compliance with the laws of the land, and monitor with a view to provide effective supervision of the management's process, ensure accurate, timely and proper disclosures, transparency, integrity and quality of financial reporting. The composition, procedures, powers and role/functions of the Audit Committee constituted by the Company comply with the requirements of Clause 49 of the Listing Agreement and provisions of the Companies Act, 1956.

**Role of Audit Committee****The Audit Committee's role is briefly described below:**

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

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



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

recommend the appointment, re-appointment and 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 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 29, 2012; August 7, 2012; November 9, 2012 and February 7, 2013.

The attendance at the Audit Committee meetings during the financial year 2012-13 is as under:

Name of the Committee Member	No. of Meetings	Attendance
Mr. M. Sitarama Murthy	4	3
Mr. K. Ragunathan	4	4
Dr. D. Rajagopala Reddy	4	4

#### **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, grant of options to eligible employees and Directors and administers the Employee Stock Option Scheme from time to time.

The remuneration of Executive Chairman, Managing Director and other Whole-time Directors is recommended by the

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

##### **Composition and other details of Compensation/Remuneration Committee**

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

During the year, the Compensation Committee met three times on May 29, 2012; August 25, 2012 and January 9, 2013.

Name of the Committee Member	No. of Meetings	Attendance
Dr. D. Rajagopala Reddy	3	3
Mr. M. Sitarama Murthy	3	2
Dr. C. Channa Reddy	3	–

Note:

- Dr. D. Rajagopala Reddy is the Chairman of the Committee.
- Dr. C. Channa Reddy was appointed as a member of the Committee with effect from November 9, 2012.
- Dr. P. L. Sanjeev Reddy ceased to be a member of the Committee consequent to his retirement with effect from August 7, 2012 and attended one meeting held up to that date.
- Mr. P. Sarath Chandra Reddy has resigned from the committee with effect from November 9, 2012 and attended both meetings held up to that date.

### Details of remuneration paid to Directors during the financial year 2012-13

#### a. Executive Directors

₹

Name	Salary	Perquisites	Contribution to P.F.	Total
Mr. P.V. Ramprasad Reddy*	3,000,000	3,612,500	6,240	6,618,740
Mr. K. Nithyananda Reddy	4,725,000	4,360,244	9,360	9,094,604
Dr. M. Sivakumaran	4,725,000	4,366,600	9,360	9,100,960
Mr. M. Madan Mohan Reddy	4,725,000	4,376,960	9,360	9,111,320
Mr. N. Govindarajan*	7,929,750	7,844,780	7,800	15,782,330
Mr. Ravindra Y. Shenoy*	1,718,113	1,866,976	1,686	3,586,775
TOTAL	26,822,863	26,428,060	43,806	53,294,729

\* part of the year

Note: Mr. N. Govindarajan, Managing Director was paid ₹25,000,000 as commission for the year 2012-13, in addition to the above remuneration.

#### 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. P.L. Sanjeev Reddy	50,000
Mr. M. Sitarama Murthy	130,000
Mr. P. Sarath Chandra Reddy	100,000
Mr. K. Rangunathan	140,000
Dr. D. Rajagopala Reddy	170,000
Dr. C. Channa Reddy	80,000
Mr. P.V. Ramprasad Reddy	–

### Shareholders/Investors' Grievance Committee

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

- Transfer, transmission, split and consolidation of share holding of investors;
- Dematerialization/rematerialization of shares;
- Non-receipt of dividends and other corporate benefits;
- Replacement of lost/mutilated/stolen share certificates;
- Non-receipt of annual reports; and
- 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

Dr. D. Rajagopala 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 2012-13

Nature of Complaints	Received	Resolved	Pending
Complaints received from Members:			
• Share certificates	85	85	–
• Dividend	73	73	–
• Annual reports	14	14	–
Complaints of Members forwarded by:			
• SEBI	6	5	1*
• Stock exchanges	1	1	–

\* Resolved post Balance Sheet date.

Mr. A. Mohan Rami Reddy, Associate Vice President (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
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
2012	Katriya Hotel & Towers, Hyderabad	August 7, 2012	4.00 p.m.	5

An Extra-Ordinary General Meeting of the Members of the Company was convened on September 27, 2012 to approve the proposal for appointment of Mr. P.V. Ramprasad Reddy, (Whole-time Director of the Company upto November 30, 2012 and a Non-Executive Director from December 1, 2012), as Managing Director designated as Executive Chairman of Aurobindo Pharma USA, Inc., a wholly owned subsidiary of the Company, with effect from December 1, 2012 for a period of five years. The resolution was passed unanimously.

**Postal Ballot:** In July 2012, the Company had obtained the approval of its Members under Section 192A of the Companies Act, 1956 pertaining to Ordinary Resolution under Section 293(1)(a) of the Companies Act, 1956 for transfer/sale of Unit X of the Company situated at B-2, SIPCOT Industrial Complex, Kudikadu, Cuddalore - 607 005, Tamil Nadu.

#### Voting pattern and procedure for postal ballot

- The Board of Directors of the Company had, at its meeting held on May 29, 2012 appointed Ms. P. Renuka as the Scrutinizer for conducting the postal ballot voting process.
- The postal ballot process was carried out in a fair and transparent manner. The postal ballot forms had been kept under her safe custody in sealed and tamper proof ballot boxes before commencing the scrutiny of such postal ballot forms.
- All postal ballot forms received up to the close of working hours on July 16, 2012 the last date and time fixed by the Company for receipt of the forms, had been considered.
- The results of the postal ballot were announced on July 20, 2012 at the Registered Office of the Company as per the Scrutinizer's Report as under:

Particulars	No. of postal ballot forms	No. of Equity Shares	Percentage (%)
Total paid up capital	–	291,121,290	100.00 (of total paid up capital)
Total ballot papers received	1,847	175,374,100	60.24 (of total paid up capital)
Number of <b>invalid</b> votes received	80	26,780	0.01 (of total paid up capital)
Number of <b>valid</b> postal ballot votes received	1,767	175,347,320	60.23 (of total paid up capital)
Votes in <b>favor</b> of the resolution	1,673	175,327,936	99.99 (of total valid votes)
Votes <b>against</b> the resolution	94	19,384	0.01 (of total valid votes)
% of votes in favor of the resolution		99.99	
<b>Result</b>	<b>Resolution approved with requisite majority</b>		



## Disclosures

### CEO and CFO Certification

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

### Related Party Transactions

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

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

### Details of Non-Compliance and Penalties

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

### Code of Conduct

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

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

### Risk Management

The Company recognizes that it faces various financial, market, technical and operational risks including regulatory and compliance risks and needs to take appropriate steps to minimize such risks. The Board regularly discusses the significant business risks identified by the management and the mitigation process being taken up. During 2013-14, the Company will be creating a separate Risk Management Department for identifying, measuring and monitoring the various risks the Company is exposed to and initiate appropriate mitigating measures, on an ongoing basis.

## 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](http://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

### 26th Annual General Meeting

As mentioned in the Notice, the 26th Annual General Meeting of the Company will be held on Wednesday, August 7, 2013 at 4.00 p.m. at Taj Deccan, Road No.1, Banjara Hills, Hyderabad - 500034.

### Quarterly Results

The financial year of the Company is April to March.

Financial calendar (tentative and subject to change) of the financial year 2013-14 is as follows:

Unaudited Financial Results for	On or before
1st Quarter	August 14, 2013
2nd Quarter	November 14, 2013
3rd Quarter	February 14, 2014
4th Quarter	May 30, 2014

### Book Closure

From August 1, 2013 to August 7, 2013 (both days inclusive) for the purpose of Annual General Meeting and payment of dividend (subject to approval of Members).

### Payment of Dividend

The Board approved interim dividend of 100% i.e. ₹1 per share of face value of ₹1 at its meeting held on February 7, 2013 for the financial year 2012-13, which was paid to the eligible shareholders on February 27, 2013. Subject to the approval of Members, the final dividend of 50% i.e. ₹0.50, 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 2013-14 has been paid to both the stock exchanges:

Stock Exchanges	Stock Code
BSE Limited (BSE) Phiroze Jeejeebhoy Towers 25th Floor, Dalal Street Mumbai - 400 001	524804
National Stock Exchange of India Limited (NSE) 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

Year	Month	NSE (₹)			Volume	S & P CNX Nifty		
		High	Low	Close		High	Low	
2012	April	141.40	109.00	114.05	31,713,528	5378.75	5154.30	
	May	134.30	100.50	108.85	28,667,618	5279.60	4789.00	
	June	111.90	103.65	110.00	18,723,620	5286.25	4770.35	
	July	118.25	100.10	109.00	15,004,921	5348.55	5032.40	
	August	116.20	101.30	110.30	24,987,896	5448.60	5164.65	
	September	144.90	111.15	142.00	44,665,832	5735.15	5215.70	
	October	164.80	136.10	158.45	38,956,132	5815.35	4888.20	
	November	189.90	158.90	188.00	55,261,469	5885.25	5548.35	
	December	201.40	181.75	189.40	43,370,039	5965.15	5823.15	
	2013	January	204.90	178.70	187.40	39,484,810	6111.80	5935.20
		February	195.90	157.90	160.90	44,470,590	6052.95	5671.90
		March	170.40	127.15	145.95	39,479,514	5971.20	5604.85

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

Year	Month	BSE (₹)			Volume	BSE Sensex		
		High	Low	Close		High	Low	
2012	April	141.15	102.25	130.95	5,304,660	17664.10	17010.16	
	May	132.50	100.75	109.15	3,301,707	17432.33	15809.71	
	June	111.75	103.00	109.95	2,274,135	17448.48	15748.98	
	July	118.20	100.35	108.60	2,466,779	17631.19	16598.48	
	August	117.45	99.65	110.70	4,746,968	17972.54	17026.97	
	September	144.75	111.15	141.70	8,631,155	18869.94	17250.80	
	October	164.75	136.15	158.30	7,070,855	19137.29	18393.42	
	November	189.85	159.00	188.05	8,721,672	19372.70	18255.69	
	December	201.40	181.10	189.30	5,846,567	19612.18	19149.03	
	2013	January	204.90	178.80	187.65	5,336,427	20203.66	19508.93
		February	195.80	158.15	161.50	7,211,700	19966.69	18793.97
		March	170.30	127.15	145.90	4,869,332	19754.66	18568.43

**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  
 Associate Vice President (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 & Share Transfer Agents and Depository Transfer Agents of the Company. Any request pertaining to investors' relations may be forwarded to the following address:

Mr. S.D. Prabhakar,  
 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: prabhakar.sd@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 Share Transfer Agents and also Depository Transfer Agent. Shares received for physical transfer are generally registered within a period of 15 days from the date of receipt, subject to fulfillment of other legal formalities. The Share Transfer/Investor Grievance Committee reviews the same at regular intervals. Further, the Company has signed a tripartite agreement with NSDL/CDSL and M/s. Karvy Computershare Private Limited to facilitate dematerialization of shares. The 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, 2013**

Shareholding Nominal value From To	Shareholders		Total Shares	Share Amount Nominal Value	
	No.	%		₹	%
1 - 5000	81,610	98.95	17,683,346	17,683,346	6.07
5001 - 10000	336	0.41	2,581,663	2,581,663	0.89
10001 - 20000	205	0.25	3,005,723	3,005,723	1.03
20001 - 30000	80	0.10	1,994,246	1,994,246	0.69
30001 - 40000	34	0.04	1,210,075	1,210,075	0.42
40001 - 50000	19	0.02	849,536	849,536	0.29
50001 - 100000	60	0.07	4,404,727	4,404,727	1.51
100001 & above	128	0.16	259,481,974	259,481,974	89.10
<b>TOTAL</b>	<b>82,472</b>	<b>100.00</b>	<b>291,211,290</b>	<b>291,211,290</b>	<b>100.00</b>

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

b. 65,480 shares of 121 shareholders are under unclaimed shares account as on March 31, 2013. 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, 2013**

Category	No. of Shares	%
Promoters, Directors & their relatives/associates	159,747,451	54.85
NRI's/FII's/FDI's/OCBs	50,311,120	17.28
Government/banks/FI's	4,771,151	1.64
Mutual Funds	31,759,374	10.91
Insurance companies	7,263,440	2.49
Bodies corporate	11,273,728	3.87
General public and others	26,085,026	8.96
<b>TOTAL</b>	<b>291,211,290</b>	<b>100.00</b>

**Leading shareholders of the Company as on March 31, 2013**

Shareholders	Category	No. of Shares	%
Ms. P. Suneela Rani	Promoter group	90,830,550	31.19
Mr. P.V. Ramprasad Reddy	Promoter group	19,481,440	6.69
Mr. K. Nithyananda Reddy	Promoter group	13,762,350	4.72
Ms. Kambam Kirthi Reddy	Promoter group	10,850,000	3.73
HDFC Trustee Company Limited - HDFC Top 200 Fund	Mutual Fund	7,607,208	2.61
HDFC Trustee Company Limited - HDFC Equity Fund	Mutual Fund	7,362,710	2.53
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	6,073,463	2.09
Reliance Life Insurance Company Limited	Bodies corporate	5,509,445	1.89
Morgan Stanley Asia (Singapore) Pte Limited	Bodies corporate	5,507,552	1.89

Mr. N. Govindarajan, the Managing Director of the Company, was granted options for 500,000 equity shares of ₹1 each under ESOP-2006, out of which options for 50,000 equity shares of ₹1 each have been exercised.

**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	-
2011-12	100	-

## Subsidiary Companies

1. APL Pharma Thai Limited, Thailand	23. APL IP Company Limited, Jersey
2. Aurobindo Pharma Industria Farmaceutica Limitada, Brazil	24. APL Swift Services (Malta) Limited, Malta
3. Aurobindo Pharma limited S.r.l., Dominican Republic	25. Agile Pharma (Malta) Limited, Malta
4. Helix Healthcare B.V., The Netherlands	26. Aurobindo Pharma (Italia) S.r.l., Italy
5. Aurobindo Pharma USA Inc., U.S.A.	27. Laboratorios Aurobindo, Sociedad Limitada, Spain
6. Aurolife Pharma LLC, U.S.A.	28. Aurobindo Pharma (Portugal) Unipessoal Limitada, Portugal
7. Auropharma Inc., Canada	29. Aurobindo Pharma France SARL, France
8. Aurobindo Pharma (Pty) Limited, South Africa	30. Auronext Pharma Private Limited, India
9. Milpharm Limited, U.K.	31. Aurobindo Pharma GmbH, Germany
10. Aurobindo Pharma (Australia) Pty Limited, Australia	32. Aurobindo ILAC Sanayi ve Ticaret Limited Sirketi, Turkey
11. Agile Pharma B.V., The Netherlands	33. Aurobindo Pharma B.V., The Netherlands
12. Aurobindo Switzerland A.G., Switzerland	34. Aurobindo Pharma (Singapore) Pte Limited, Singapore
13. Pharmacin B.V., The Netherlands	35. Aurobindo Pharma (Romania) S.r.l., Romania
14. Auro Healthcare (Nigeria) Limited, Nigeria	36. Aurobindo Pharma (Poland) Sp.z.o.o., Poland
15. APL Research Centre Limited, India	37. Auro Medics Pharma LLC, U.S.A.
16. APL Healthcare Limited, India	38. Aurobindo Pharma NZ Limited, New Zealand
17. Aurobindo Pharma Produtos Farmaceuticos Limitada, Brazil	39. Aurovida Farmaceuticos SA, Mexico
18. All Pharma (Shanghai) Trading Company Limited, China	40. Auro Peptides Limited, India
19. Aurobindo Pharma Japan K.K., Japan	41. Aurobindo Antibiotics Limited, India
20. Agile Malta Holdings Limited, Malta,	42. Auro Health LLC, U.S.A.
21. Aurobindo Pharma (Malta) Limited, Malta	43. Aurobindo Pharma Hungary KFT, Hungary*
22. APL Holdings (Jersey) Limited, Jersey	44. Aurobindo Pharma (Bulgaria) EAD, Bulgaria*

\* Closed during the year.

## Joint Ventures

1	Zao Auros Pharma, Russia*
2	Novagen Pharma (Pty) Limited, South Africa

\* Ceased to be JV during the year

**Plant Locations**

Unit No.	Address
Unit-I	Survey No.379, 385, 386, 388 to 396 & 269, Borpatla, Hatnoora 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 Sy. No.151 and Plot Nos.34 to 48 in Sy. Nos. part of 146, 150, 151, 152, 153 and 154 situated in Phase-III, APIIC, 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)	Sy.Nos.411/P, 425/P, 434/P, 435/P & 458/P, Plot No.S1/A, 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-XI	Survey No.61-66, Industrial Development Area, Pydibhimavaram, Ranasthalam Mandal, Srikakulam District, 532 409, Andhra Pradesh
Unit-XII	Survey No.314, Bachupally, Quthubullapur Mandal, Ranga Reddy District, 500 090, Andhra Pradesh
Unit-XIV	JN Pharma City, Road No.10,11 & 19, 20, E Bonangi Village, Parawada, Visakhapatnam District, 531 021, Andhra Pradesh
APLRC-I	Survey No. 313 & 314, Bachupally, Quthbullapur Mandal, Ranga Reddy District, 500 090, Andhra Pradesh
APLRC-II	Survey No.71 & 72, Indrakaran Village, Sangareddy Mandal, Medak District, 502 203, Andhra Pradesh
Bhiwadi Unit	1128, RIICO Phase-III, Bhiwadi, 301 019, Rajasthan (under sublease to Auronext Pharma Private Limited, a subsidiary of the Company)



## Declaration

I, N. Govindarajan, 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, 2013.

For Aurobindo Pharma Limited



**N. GOVINDARAJAN**  
Managing Director

Hyderabad, May 30, 2013

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

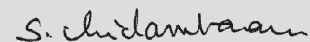
The Members of  
Aurobindo Pharma Limited

We have examined the compliance of conditions of corporate governance by Aurobindo Pharma Limited (The Company) for the year ended March 31, 2013, 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 best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of corporate governance as stipulated in the above mentioned Listing Agreement.

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



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

Hyderabad, May 30, 2013

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Financial Statements**

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## Independent Auditors' Report

The Members of  
Aurobindo Pharma Limited

### Report on the Financial Statements

We have audited the accompanying financial statements of Aurobindo Pharma Limited ("the Company"), which comprise the Balance Sheet as at March 31, 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

### Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting principles generally accepted in India, including the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

### Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the


information required by the Act 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, 2013;
- b. in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- c. in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

### Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, we report that:
  - a. We have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
  - b. 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;
  - c. 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;
  - d. In our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Act; and
  - e. On the basis of written representations received from the Directors as on March 31, 2013 and taken on record by the Board of Directors, none of the Directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Act.

S. R. Batliboi & Associates LLP  
For S.R. BATLIBOI & ASSOCIATES LLP  
Chartered Accountants  
ICAI Firm's Registration Number: 101049W

  
per **VIKAS KUMAR PANSARI**  
Partner  
Membership No. 93649  
Hyderabad, May 30, 2013



**Annexure referred to in paragraph 1 of our report of even date**

**Re: Aurobindo Pharma Limited**

- i. a. The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- b. All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.
- c. There was no disposal of a substantial part of fixed assets during the year.
- ii. a. The management has conducted physical verification of inventory at reasonable intervals during the year.
- b. The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- c. The Company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- iii. a. According to the information and explanations given to us, the Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, the provisions of clause 4(iii) (a) to (d) of the Order are not applicable to the Company and hence not commented upon
- b. According to information and explanations given to us, 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 Act. Accordingly, the provisions of clause 4(iii)(e) to (g) of the Order are not applicable to the Company and hence not commented upon.
- iv. In our opinion and according to the information and explanations given to us, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of inventory and fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any major weakness or continuing failure to correct any major weakness

in the internal control system of the company in respect of these areas.

- v. a. According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Companies Act, 1956 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 and exceeding the 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. We have not, however, made a detailed examination of the same.
- ix. a. The Company is generally regular in depositing with appropriate authorities 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 applicable to it.
- 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, custom duty, excise duty which are as follows:

Name of the statute	Nature of dues	Amount demanded ₹	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 <sup>@</sup>
	Excise duty	18,604,080	2006-07, 2007-08, 2008-09	CESTAT
	Excise duty	14,606,598 <sup>#</sup>	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

(Contd.)

	Interest	8,825,256	2006-07, 2007-08, 2008-09, 2009-10	Commissioner of Central Excise
	Excise duty	6,608,241	2005-06, 2006-07, 2007-08, 2008-09, 2009-10, 2010-11, 2011-12	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	131,555	2007-08	Asst Commissioner Appeals
	Excise Duty	1,017,840	2009-10, 2010-11,	Asst Commissioner Appeals
	Excise Duty	228,913	2006-07, 2007-08, 2008-09, 2009-10	Assistant 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
	Service Tax	12,308,490	2006-07, 2007-08, 2008-09, 2009-10, 2010-11	CESTAT
Income Tax Act, 1961	Income Tax	297,945,710 <sup>§</sup>	2007-08	ITAT <sup>@</sup>

<sup>@</sup> Stay granted

<sup>#</sup> Amount paid under protest ₹14,187,883

<sup>§</sup> Amount paid under protest ₹100,000,000

- 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 before us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.
- xiii. In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- xiv. In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of clause 4(xiv) of the Companies (Auditor's Report) Order, 2003 (as amended) are not applicable to the Company.
- xv. According to the information and explanations given to us, the Company has given guarantee for loans taken by others from 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 guarantee for loans taken by others from financial institutions.
- xvi. Based on the 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 year.

S. R. Batliboi & Associates LLP

For S.R. BATLIBOI & ASSOCIATES LLP

Chartered Accountants

ICAI Firm's Registration Number: 101049W



per VIKAS KUMAR PANSARI

Partner

Membership No. 93649

Hyderabad, May 30, 2013

# Balance Sheet as at March 31, 2013

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

	Notes	As at March 31, 2013	As at March 31, 2012
<b>EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share capital	2	291.2	291.1
Reserves and surplus	3	29,099.8	24,640.6
		<b>29,391.0</b>	<b>24,931.7</b>
<b>NON-CURRENT LIABILITIES</b>			
Long-term borrowings	4	10,410.6	8,337.4
Deferred tax liabilities (Net)	5	679.4	37.9
Long-term provisions	6	85.0	41.2
		<b>11,175.0</b>	<b>8,416.5</b>
<b>CURRENT LIABILITIES</b>			
Short-term borrowings	7	17,339.0	16,082.1
Trade payables	8	9,012.8	5,848.5
Other current liabilities	9	680.4	4,057.8
Short-term provisions	6	647.5	575.5
		<b>27,679.7</b>	<b>26,563.9</b>
TOTAL		<b>68,245.7</b>	<b>59,912.1</b>
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Fixed Assets			
Tangible assets	10	20,119.1	16,266.5
Intangible assets		-	0.9
Tangible assets - Capital work-in-progress		1,663.4	5,580.8
Non-current investments	11	7,079.4	6,103.2
Loans and advances	12	2,891.0	1,784.9
Trade receivables	13	-	-
Other non-current assets	15	185.8	1.2
		<b>31,938.7</b>	<b>29,737.5</b>
<b>CURRENT ASSETS</b>			
Current investments	16	0.4	186.8
Inventories	17	14,317.3	12,192.6
Trade receivables	13	17,305.9	14,262.8
Cash and bank balances	18	1,145.7	140.1
Loans and advances	12	2,759.8	2,624.8
Other current assets	14	777.9	767.5
		<b>36,307.0</b>	<b>30,174.6</b>
TOTAL		<b>68,245.7</b>	<b>59,912.1</b>
Summary of significant accounting policies	1		

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

As per our report of even date.

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

S. R. Batliboi & Associates LLP

For S.R. BATLIBOI & ASSOCIATES LLP

Chartered Accountants

ICAI Firm Registration No. 101049W

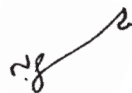


per VIKAS KUMAR PANSARI

Partner

Membership No. 93649

Hyderabad, May 30, 2013



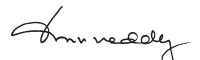
**N. GOVINDARAJAN**  
Managing Director

S. B. Singhi

**SUDHIR B. SINGHI**  
Chief Financial Officer



**Dr. M. SIVAKUMARAN**  
Director



**A. MOHAN RAMI REDDY**  
AVP (Legal) &  
Company Secretary



# Statement of Profit and Loss for the year ended March 31, 2013

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

	Notes	Year ended March 31, 2013	Year ended March 31, 2012
<b>INCOME</b>			
Revenue from operations (Gross)	19	55,695.0	43,787.3
Less: Excise duty	42	1,444.0	972.8
Revenue from operations (Net)		54,251.0	42,814.5
Other income	20	265.1	190.6
<b>TOTAL REVENUE</b>		<b>54,516.1</b>	<b>43,005.1</b>
<b>EXPENSES</b>			
Cost of materials consumed	21	30,536.4	23,932.9
Purchase of traded goods		780.9	355.2
(Increase)/decrease in work-in-progress, traded and finished goods	22	(1,210.8)	898.7
Employee benefit expenses	23	4,314.2	3,641.0
Other expenses	24	10,249.7	8,251.7
Depreciation/amortization	25	1,713.9	1,429.4
Finance costs	26	2,500.6	2,675.8
<b>TOTAL EXPENSES</b>		<b>48,884.9</b>	<b>41,184.7</b>
<b>PROFIT BEFORE EXCEPTIONAL ITEMS AND TAX</b>		<b>5,631.2</b>	<b>1,820.4</b>
Exceptional items	27	-	3,198.6
<b>PROFIT/(LOSS) BEFORE TAX</b>		<b>5,631.2</b>	<b>(1,378.2)</b>
Current tax	30	1,265.0	48.7
MAT credit		(1,265.0)	-
Deferred tax charge/(credit)		641.5	(1,180.3)
Tax relating to previous years		29.8	179.5
<b>TOTAL TAX EXPENSE</b>		<b>671.3</b>	<b>(952.1)</b>
<b>PROFIT/(LOSS) FOR THE YEAR</b>		<b>4,959.9</b>	<b>(426.1)</b>
<b>EARNINGS PER EQUITY SHARE</b>	46		
Basic earnings per share	₹	17.04	(1.46)
Diluted earnings per share	₹	17.02	(1.46)
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 LLP

For S.R. BATLIBOI & ASSOCIATES LLP

Chartered Accountants

ICAI Firm Registration No. 101049W



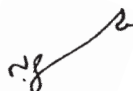
per VIKAS KUMAR PANSARI

Partner

Membership No. 93649

Hyderabad, May 30, 2013

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



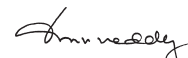
**N. GOVINDARAJAN**  
Managing Director

S. B. Singhi

**SUDHIR B. SINGHI**  
Chief Financial Officer



**Dr. M. SIVAKUMARAN**  
Director



**A. MOHAN RAMI REDDY**  
AVP (Legal) &  
Company Secretary

# Cash Flow Statement for the year ended March 31, 2013

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

	Year ended March 31, 2013	Year ended March 31, 2012
<b>CASH FLOW FROM</b>		
<b>OPERATING ACTIVITIES</b>		
Net profit before tax and exceptional items	5,631.2	1,820.4
<i>Adjustments to reconcile profit before tax to net cash flows</i>		
Depreciation and amortization	1,713.9	1,429.4
Provision for trade receivables (Net)	1.5	94.6
Bad debts written off	183.4	32.9
Provision for diminution on investment	690.0	268.7
Profit on sale of investment	(46.8)	-
Balances no longer required written back	(7.9)	(14.3)
Unrealised foreign exchange loss/(gain) (Net)	410.0	886.9
Loss/(profit) on sale of fixed assets (Net)	30.7	(5.8)
Interest expense	991.2	730.3
Interest income	(41.2)	(71.0)
Operating profit before working capital changes	9,556.0	5,172.1
<i>Movements in working capital</i>		
Decrease/(increase) in trade receivables	(3,097.7)	787.1
Decrease/(increase) in inventories	(2,124.7)	417.6
Decrease/(increase) in loans and advances	(80.1)	846.2
Increase in other current/non-current assets	(157.8)	(380.7)
Increase/(decrease) in trade payables	3,148.9	(1,506.3)
Increase/(decrease) in provision for retirement benefits	116.0	(6.1)
Increase/(decrease) in other current liabilities	47.2	(4.4)
Cash generated from operations	7,407.8	5,325.5
Direct taxes paid (Net of refunds)	(1,158.6)	(285.0)
<b>NET CASH FLOW FROM OPERATING ACTIVITIES (A)</b>	<b>6,249.2</b>	<b>5,040.5</b>
<b>CASH FLOW USED IN</b>		
<b>INVESTING ACTIVITIES</b>		
Purchase of fixed assets, including capital work-in-progress and capital advances	(1,657.9)	(4,011.9)
Proceeds from sale of fixed assets	16.5	5.1
Purchase of non-current investments made in subsidiaries	(1,369.1)	(1,532.9)
Investments in bank deposits (having original maturity of more than 3 months)	(30.0)	-
Proceeds of current investments	233.2	-
Loans to subsidiaries	(75.0)	264.7
Loans repaid by subsidiaries	14.1	-
Share application money to subsidiaries	(112.6)	(105.9)
Share application money to others	(3.3)	(12.2)
Interest received	34.5	54.9
<b>NET CASH FLOW USED IN INVESTING ACTIVITIES (B)</b>	<b>(2,949.6)</b>	<b>(5,338.2)</b>

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

	Year ended March 31, 2013	Year ended March 31, 2012
<b>CASH FLOW FROM</b>		
<b>FINANCING ACTIVITIES</b>		
Proceeds from issuance of share capital	8.2	-
Proceeds from long-term borrowings	1,601.8	7,461.2
Repayment of long-term borrowings	(3,523.4)	(1,487.0)
Repayment of FCCBs	-	(6,207.6)
Redemption premium (Yield to Maturity) on redemption of FCCBs	-	(3,198.6)
Proceeds from short-term borrowings (Net)	1,270.0	3,667.6
Interest paid	(976.3)	(681.7)
Dividend and dividend tax paid	(674.3)	(338.2)
<b>NET CASH FLOW FROM FINANCING ACTIVITIES (C)</b>	<b>(2,294.0)</b>	<b>(784.2)</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)</b>	<b>1,005.6</b>	<b>(1,081.9)</b>
Cash and cash equivalents at the beginning of the year	140.1	1,222.1
Cash and cash equivalents at the end of the year	1,145.7	140.1
<b>Components of cash and cash equivalents</b>		
Cash and bank balances includes:		
Cash on hand	5.3	6.5
Balance with banks:		
Current accounts	1,050.3	31.9
Cash credit accounts	82.3	96.3
Fixed deposit accounts	31.2	1.2
Unpaid dividend accounts*	7.8	5.4
Cash and bank balances as per Balance Sheet	1,176.9	141.3
Less: Fixed deposits considered as investing activities	31.2	1.2
Total cash and cash equivalents (Refer Note 18)	1,145.7	140.1
Summary of significant accounting policies (Refer Note 1)		
*The Company can utilize these balances only toward settlement of unpaid dividend.		

As per our report of even date.

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

S. R. Batliboi &amp; Associates LLP

For S.R. BATLIBOI &amp; ASSOCIATES LLP

Chartered Accountants

ICAI Firm Registration No. 101049W

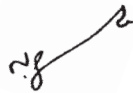
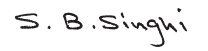


per VIKAS KUMAR PANSARI

Partner

Membership No. 93649

Hyderabad, May 30, 2013


N. GOVINDARAJAN  
Managing Director

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


Dr. M. SIVAKUMARAN  
Director

  
A. MOHAN RAMI REDDY  
AVP (Legal) &  
Company Secretary

# Notes to financial statements for the year ended March 31, 2013

(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.

### b. Use of estimates

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

### c. Revenue recognition

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

Revenue from sale of goods is recognized on dispatch (in respect of exports on the date of the bill of lading or airway bill) which coincides with transfer of significant risks and rewards to customer and is net of trade discounts, sales returns and sales tax, where applicable. Excise duty deducted from revenue (gross) is the amount that is included in revenue (gross) and not the entire amount of liability arising during the year.

Revenue from sale of dossiers/licenses/services is recognized in accordance with the terms of the relevant agreements as 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.

### d. Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation, impairment losses and specific grant/subsidies, if any. Cost comprise of purchase price, freight, non-refundable taxes and duties and any attributable cost of bringing the asset to its working condition for its intended use. 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 amortised 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 upto ₹5,000 are depreciated fully in the year of purchase.

### e. Intangibles

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

### f. 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.



## Notes to financial statements for the year ended March 31, 2013

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

**g. Government grants and subsidies**

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

**h. Investments**

Investments that are readily realisable 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 recognize a decline, other than temporary, in the value of the investments.

**i. Inventories**

Raw materials, packing materials, stores, spares and consumables are valued at lower of cost, calculated on 'First-in-First out' basis, and net realizable value. Items held for use in the production of inventories are not written down below cost if the finished product in which 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 realisable 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 realisable value. Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on a 'First-in-First out' basis.

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

**j. Employee benefits**

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 in the year of which 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.

**k. Income taxes**

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

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the Balance Sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

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 realised.

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

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax. The Company recognizes MAT credit available as an asset only to the extent that there is convincing evidence that the company will pay normal income tax during the specified period, i.e. the period for which MAT credit is allowed to be carried forward. In the year in which the Company recognizes MAT credit as an asset in accordance with the Guidance Note on Accounting for Credit Available in respect of Minimum Alternative Tax under the Income Tax Act, 1961, the said asset is created by way of credit to the statement of profit and loss and shown as 'MAT credit entitlement'. The Company reviews the 'MAT credit entitlement' asset at each

reporting date and writes down the asset to the extent the Company does not have convincing evidence that it will pay normal tax during the specified period.

**l. Foreign exchange transactions**

*Initial recognition:* Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and foreign currency at the date of the transaction.

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

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

*Forward exchange contracts not intended for trading purposes:* In case of forward exchange contracts, difference between the forward rate and the exchange rate on the date of transaction is recognized as expense or income over the life of the contract. Exchange differences on such contracts are recognized in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognized as income or as expense for the year.

**m. Export benefits, incentives and licenses**

Export benefits on account of 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 authorisation for imports are accounted for on purchase of imported materials.

**n. 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.

**o. Earnings per share**

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

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

**p. Provisions**

A provision is recognized when the company has a present obligation as a result of past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to their present value and are determined based on the best estimate required to settle the obligation at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

**q. Cash and cash equivalents**

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

**r. Employee stock compensation cost**

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

**s. 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 can not be recognized because it can not be measure reliably. The Company does not recognize the contingent liability but discloses its existence in the financial statements.

**t. 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.

## Notes to financial statements for the year ended March 31, 2013

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

		As at March 31, 2013	As at March 31, 2012
<b>2. SHARE CAPITAL</b>			
<b>AUTHORISED</b>	660,000,000 (March 31, 2012: 660,000,000)		
	equity shares of ₹1 each	<b>660.0</b>	660.0
	1,000,000 (March 31, 2012: 1,000,000)		
	preference shares of ₹100 each	<b>100.0</b>	100.0
		<b>760.0</b>	760.0
<b>ISSUED, SUBSCRIBED AND FULLY PAID-UP SHARES</b>			
	291,211,290 (March 31, 2012: 291,121,290)		
	equity shares of ₹1 each	<b>291.2</b>	291.1
	<b>TOTAL</b>	<b>291.2</b>	291.1

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

	As at March 31, 2013		As at March 31, 2012	
	Numbers	Value	Numbers	Value
<b>Equity shares</b>				
At the beginning of the year	<b>291,121,290</b>	<b>291.1</b>	291,121,290	291.1
Issued during the year under employee stock option plan	<b>90,000</b>	<b>0.1</b>	-	-
<b>Outstanding at the end of the year</b>	<b>291,211,290</b>	<b>291.2</b>	291,121,290	291.1

**b. Terms/rights attached to equity shares**

The Company has only one class of equity shares having a par values 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, 2013, the amount of dividend per share recognized as distributions to equity shareholders was ₹1.5 (March 31, 2012: ₹1) including interim dividend of ₹1 (March 31, 2012: Nil).

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, 2013		As at March 31, 2012	
	Number	% holding	Numbers	% holding
Mr. P.V. Ramprasad Reddy	<b>19,481,440</b>	<b>6.69</b>	19,481,440	6.69
Mrs. P. Suneela Rani	<b>90,830,550</b>	<b>31.19</b>	90,830,550	31.20
<b>TOTAL</b>	<b>110,311,990</b>		110,311,990	

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.**

Notes to financial statements for the year ended March 31, 2013

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

		As at March 31, 2013	As at March 31, 2012
<b>3. RESERVES AND SURPLUS</b>			
<b>CAPITAL RESERVE</b>		91.1	91.1
<b>CAPITAL REDEMPTION RESERVE</b>		90.0	90.0
<b>SECURITIES PREMIUM</b>			
<b>ACCOUNT</b>	As per last Balance Sheet	3,442.1	3,442.1
	Add: Premium on conversion of Foreign Currency Convertible Bonds	-	-
	Add: Premium on exercise of employee stock options	8.2	-
		3,450.3	3,442.1
<b>GENERAL RESERVE</b>	As per last Balance Sheet	6,220.3	6,220.3
	Add: Transferred from Statement of Profit and Loss	496.0	-
		6,716.3	6,220.3
<b>SURPLUS IN THE STATEMENT OF PROFIT AND LOSS</b>			
	Balance as per last financial statements	14,797.1	15,561.5
	Profit/(loss) for the year	4,959.9	(426.1)
	Less: Appropriations		
	On equity shares of ₹1 each		
	Proposed dividend @ ₹0.5 (Previous year - ₹1)	145.6	291.1
	Interim dividend paid @ ₹1 (Previous year - Nil)	291.2	-
	Tax on dividend	72.0	47.2
	Transfer to general reserve	496.0	-
	Total appropriations	1,004.8	338.3
<b>NET SURPLUS IN THE STATEMENT OF PROFIT AND LOSS</b>		18,752.2	14,797.1
	<b>TOTAL</b>	<b>29,099.8</b>	<b>24,640.6</b>



Notes to financial statements for the year ended March 31, 2013

(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, 2013	As at March 31, 2012	As at March 31, 2013	As at March 31, 2012
<b>From banks (Secured)</b>				
Term loans in foreign currency	9,771.3	7,631.3	–	–
	9,771.3	7,631.3	–	–
<b>From banks (Unsecured)</b>	–	–	–	–
Other loans in foreign currency	–	–	–	3,484.8
	–	–	–	3,484.8
<b>Other loans</b>				
Deferred sales tax loan (Unsecured)	639.3	706.2	70.3	38.7
	639.3	706.2	70.3	38.7
Amount disclosed under the head 'Other current liabilities' (Refer Note 9)	–	–	(70.3)	(3,523.5)
<b>TOTAL</b>	<b>10,410.6</b>	<b>8,337.4</b>	<b>–</b>	<b>–</b>
The above amount includes:	–	–	–	–
Secured borrowings	9,771.3	7,631.3	–	–
Unsecured borrowings	639.3	706.2	70.3	3,523.5

- 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 ₹5,699.9 (March 31, 2012: ₹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 ₹4,071.4 (March 31, 2012: ₹3,815) 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 have been repaid in 2012-13.
- iii. 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.
- iv. 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, 2013	As at March 31, 2012
<b>5. DEFERRED TAX LIABILITIES (NET)</b>		
Deferred tax liability on account of differences in depreciation as per tax books and financial books	2,108.2	1,689.6
Deferred tax asset arising on account of timing differences relating to:		
Provision made towards doubtful trade receivables/loans and advances	127.0	120.7
Employee benefits	117.5	74.5
Business loss	496.0	799.4
Unabsorbed depreciation	688.3	657.1
<b>TOTAL</b>	<b>679.4</b>	<b>37.9</b>

Notes to financial statements for the year ended March 31, 2013

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

**6. PROVISIONS**

	Long-term		Short-term	
	As at March 31, 2013	As at March 31, 2012	As at March 31, 2013	As at March 31, 2012
For employee benefits				
Gratuity (Refer Note 32)	85.0	41.2	30.0	25.0
Compensated absences	–	–	230.7	163.5
	85.0	41.2	260.7	188.5
Other provisions	–	–	–	–
For proposed dividend	–	–	145.6	291.1
For tax on proposed dividend	–	–	24.8	47.2
Provision for income tax (Net of advance tax)	–	–	216.4	48.7
	–	–	386.8	387.0
<b>TOTAL</b>	<b>85.0</b>	<b>41.2</b>	<b>647.5</b>	<b>575.5</b>

	As at March 31, 2013	As at March 31, 2012
<b>7. SHORT-TERM BORROWINGS</b>		
Loans repayable on demand from banks - working capital loans		
Cash credit facilities (secured)	62.2	5.0
Buyers credit (secured)	2,700.2	2,444.1
Buyers credit (unsecured)	1,152.4	878.5
Packing credit loans (secured)	4,737.8	4,341.3
Packing credit loans (unsecured)	6,115.0	7,654.5
Short-term loans from banks (secured)	1,485.7	508.8
Short-term loans from banks (unsecured)	1,085.7	250.0
<b>TOTAL</b>	<b>17,339.0</b>	<b>16,082.1</b>
<b>The above amount includes</b>		
Secured borrowings	8,985.9	7,299.1
Unsecured borrowings	8,353.1	8,783.0
	17,339.0	16,082.1

All secured 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 (Refer Note 35 for details of dues to Micro, Small & Medium Enterprises)	9,012.8	5,848.5
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**9. OTHER CURRENT LIABILITIES**

Current maturities of long-term borrowings (Refer Note 4)	70.3	3,523.5
Creditors for capital goods	264.3	253.0
Trade deposits	0.1	1.0
Unclaimed dividend (Refer Note 36)	7.8	5.4
Interest accrued but not due on borrowings	107.3	92.4
Advance from customers	144.9	58.4
Other payables	–	–
Statutory liabilities	85.7	96.4
Others	–	27.6
<b>TOTAL</b>	<b>680.4</b>	<b>4,057.8</b>

Notes to financial statements for the year ended March 31, 2013

(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
<b>At cost</b>										
At April 1, 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	0.0	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
Additions	0.2	12.3	-	1,347.3	4,063.0	112.6	41.4	39.1	5,615.9	-
Deletions	-	-	-	-	144.5	1.5	14.5	13.2	173.7	-
<b>At March 31, 2013</b>	<b>60.7</b>	<b>304.1</b>	<b>25.6</b>	<b>5,588.2</b>	<b>22,068.8</b>	<b>582.3</b>	<b>156.3</b>	<b>249.3</b>	<b>29,035.3</b>	<b>39.6</b>
<b>Depreciation/amortization</b>										
At April 1, 2011	5.1	-	23.2	515.2	5,259.6	139.1	34.0	38.6	6,014.8	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	0.0	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	636.3	6,402.8	181.1	42.3	47.7	7,326.5	38.7
Charge for the year	1.5	-	1.3	162.0	1,468.1	56.7	13.7	12.2	1,715.5	0.9
Deletions	-	-	-	-	110.5	0.6	8.1	6.6	125.8	-
<b>At March 31, 2013</b>	<b>8.1</b>	<b>-</b>	<b>11.0</b>	<b>798.3</b>	<b>7,760.4</b>	<b>237.2</b>	<b>47.9</b>	<b>53.3</b>	<b>8,916.2</b>	<b>39.6</b>
<b>Net Block</b>										
At March 31, 2012	53.9	291.8	15.9	3,604.6	11,747.5	290.1	87.1	175.7	16,266.5	0.9
<b>At March 31, 2013</b>	<b>52.6</b>	<b>304.1</b>	<b>14.6</b>	<b>4,789.9</b>	<b>14,308.4</b>	<b>345.1</b>	<b>108.4</b>	<b>196.0</b>	<b>20,119.1</b>	<b>-</b>

**Capital work-in-progress** ₹1,663.4 (March 31, 2012: ₹5,580.8).

- The title deeds of land and buildings aggregating to ₹155.8 (March 31, 2012: 148.4) are pending transfer to the Company's name.
- Capital work-in-progress include expenditure during construction period amounting to ₹506.8 (March 31, 2012: ₹1,226.5) (Refer Note 33).
- An amount of ₹Nil (March 31, 2012: ₹4.5) is transferred from capital work-in-progress to assets held for sale.
- Depreciation for the year include ₹2.5 (March 31, 2012: ₹4.1) taken as pre-operative capital expenditure on capital projects pending capitalization.
- Additions to fixed assets during the year include value of capital expenditure towards research centre aggregating to ₹248.3 (March 31, 2012: ₹396.0) [Refer Note 37 (b)].
- Details of finance lease (Refer Note 41).

Notes to financial statements for the year ended March 31, 2013

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

	Face value	As at March 31, 2013		As at March 31, 2012	
		Qty.	₹	Qty.	₹
<b>11. NON-CURRENT INVESTMENTS</b>					
<b>Trade investments</b>					
<b>Long-term, unquoted, in fully paid equity shares (at cost unless stated otherwise)</b>					
<b>In subsidiaries</b>					
Aurobindo Pharma USA Inc., U.S.A.	-	100% of Paid-in-Capital	2,824.2	100% of Paid-in-Capital	2,824.2
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	80.0	10,124,795	260.0
[At cost less provision for other than temporary diminution in value of ₹180.0 (March 31, 2012: Nil)]					
Helix Healthcare B.V., The Netherlands	-	100% of Paid-in-Capital	3,042.9	100% of Paid-in-Capital	2,184.3
[At cost less provision for other than temporary diminution in value of ₹960.0 (March 31, 2012: ₹450.0)]					
APL Research Centre Limited, India	₹10	11,802,750	118.0	150,000	1.5
APL Healthcare Limited, India	₹10	3,287,600	32.9	50,000	0.5
All Pharma (Shanghai) Trading Company Limited, China	-	100% of Paid-in-Capital	27.5	100% of Paid-in-Capital	27.5
APL Holdings (Jersey) Limited, Jersey	1 Euro	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	34,875,000	348.7	22,525,000	225.3
Auro Peptides Limited, India	₹ 10	95,000	1.0	-	-
Aurobindo Antibiotics Limited, India	₹ 10	50,000	0.5	-	-
<b>In others</b>					
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
Silicon Life Sciences Limited	10	2,376,000	23.8	-	-
Aurobindo (Datong) Bio-Pharma Company Limited, China		10%	196.2	10%	196.2
		Paid-in-Capital		Paid-in-Capital	
<b>TOTAL (A)</b>			<b>7,078.2</b>		<b>6,102.0</b>
<b>Non-trade investments</b>					
<b>Long-term, unquoted and at cost, in government securities</b>					
Kisan Vikas Patra			1.0		1.0
National Savings Certificate [includes held by income tax authorities ₹0.1 (March 31, 2012: ₹0.1)]			0.2		0.2
<b>TOTAL (B)</b>			<b>1.2</b>		<b>1.2</b>
<b>TOTAL (A+B)</b>			<b>7,079.4</b>		<b>6,103.2</b>
Notes:					
1. Aggregate value of unquoted investments			7,079.4		6,103.2
2. Aggregate provision for diminution in the value of investments			1,140.0		450.0



## Notes to financial statements for the year ended March 31, 2013

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

	Non-current		Current	
	As at March 31, 2013	As at March 31, 2012	As at March 31, 2013	As at March 31, 2012
<b>12. LOANS AND ADVANCES</b>				
(Unsecured, considered good except stated otherwise)				
<b>Capital advances</b>				
Considered good	28.2	54.8	–	–
Doubtful	0.8	0.8	–	–
	29.0	55.6	–	–
Provision for doubtful advances	0.8	0.8	–	–
TOTAL (A)	28.2	54.8	–	–
<b>Trade deposits</b>				
Considered good	274.9	206.4	–	–
Doubtful	0.4	0.4	–	–
	275.3	206.8	–	–
Provision for doubtful deposit	0.4	0.4	–	–
TOTAL (B)	274.9	206.4	–	–
<b>Loan and advances to related parties (Refer Note 40)</b>			–	–
Loans to subsidiaries	686.5	615.9	–	–
Share application money to subsidiaries	–	160.8	–	–
TOTAL (C)	686.5	776.7	–	–
<b>Advances recoverable in cash or kind</b>	–	–	–	–
Considered good	26.6	26.6	542.2	723.3
Doubtful	35.1	35.1	–	–
	61.7	61.7	542.2	723.3
Provision for doubtful advances	35.1	35.1	–	–
TOTAL (D)	26.6	26.6	542.2	723.3
<b>Other loans and advances</b>				
Advance income tax (Net of provision for taxation)	420.5	389.1	–	–
MAT credit entitlement	1,265.0	–	–	–
Share application money to others	–	20.5	–	–
Loans to others	–	–	69.1	185.7
Loans to employees	30.3	29.1	63.6	55.1
Export rebate claims receivable	–	–	1,245.7	981.8
Balance with statutory/government authorities	159.0	281.7	839.2	678.9
TOTAL (E)	1,874.8	720.4	2,217.6	1,901.5
TOTAL (A+B+C+D+E)	2,891.0	1,784.9	2,759.8	2,624.8

Refer Note 43 for advances due from private companies/partnership firm in which Company's Director is a director/partner.

Notes to financial statements for the year ended March 31, 2013

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

	Non-current		Current	
	As at March 31, 2013	As at March 31, 2012	As at March 31, 2013	As at March 31, 2012
<b>13. TRADE RECEIVABLES</b>				
(Unsecured, considered good unless stated otherwise)				
<b>Outstanding for a period exceeding six months from the date they are due for payment</b>				
Considered good	–	–	678.4	913.0
Doubtful	11.3	190.8	325.9	144.9
	11.3	190.8	1,004.3	1,057.9
Provision for doubtful receivables	11.3	190.8	325.9	144.9
TOTAL (A)	–	–	678.4	913.0
<b>Others</b>				
Considered good (B)	–	–	16,627.5	13,349.8
TOTAL (A+B)	–	–	17,305.9	14,262.8

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

	As at March 31, 2013	As at March 31, 2012
<b>14. OTHER CURRENT ASSETS</b>		
(Unsecured, considered good unless stated otherwise)		
Unamortized premium on forward contract	–	29.6
Insurance claim receivable	38.3	127.3
Export incentives receivable	608.0	486.1
Assets held for sale	64.3	67.0
Interest accrued on deposits	20.6	9.7
Interest accrued on investments	0.6	0.6
Interest accrued on loans to subsidiaries	23.0	27.4
Receivables - others	23.1	19.8
TOTAL	777.9	767.5
<b>15. OTHER NON-CURRENT ASSETS</b>		
(Unsecured, considered good unless stated otherwise)		
Export incentives receivable	154.6	–
Non-current bank balances (Refer Note 18)	31.2	1.2
TOTAL	185.8	1.2

Notes to financial statements for the year ended March 31, 2013

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

	Face value	As at March 31, 2013		As at March 31, 2012	
		Qty	₹	Qty	₹
<b>16. CURRENT INVESTMENTS</b>					
<b>Current portion of long-term investment (at cost)</b>					
Aurobindo (Datong) Bio-Pharma Company Limited, China (unquoted, in fully paid equity shares)		–	–	9.5%	186.4
				Paid-in-Capital	
<b>Unquoted, in fully paid equity shares, at lower of cost and market value</b>					
Citadel Aurobindo Biotech Limited, India	100	70,000	–	70,000	–
[Aggregate provision for diminution in value of ₹7.0 (March 31, 2012: ₹7.0)]					
<b>Quoted, in fully paid equity shares, at lower of cost and market value</b>					
Andhra Bank	10	4,520	0.4	4,520	0.4
TOTAL			0.4		186.8
1. Aggregate value of unquoted investments			–		186.4
2. Aggregate value of quoted investments			0.4		0.4
3. Market value of quoted investments			0.4		0.5
4. Aggregate provision for diminution in the value of investments			7.0		7.0

		As at March 31, 2013		As at March 31, 2012	
<b>17. INVENTORIES</b>					
(Valued at lower of cost and net realizable value)					
Raw materials [includes in-transit ₹316.1 (March 31, 2012: ₹453.5)]			6,670.3		5,690.7
Packing materials			808.5		903.3
Work-in-progress (Refer Note 22)			4,989.6		4,236.1
Finished goods [includes in-transit ₹65.4 (March 31, 2012: ₹186.4) Refer Note 22]			1,246.9		778.2
Trading goods (Refer Note 22)			–		11.4
Stores, spares and consumables			602.0		572.9
TOTAL			14,317.3		12,192.6

Notes to financial statements for the year ended March 31, 2013

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

	Non-current		Current	
	As at March 31, 2013	As at March 31, 2012	As at March 31, 2013	As at March 31, 2012
<b>18. CASH AND BANK BALANCES</b>				
<b>Cash and cash equivalents</b>				
Balance with banks:				
On current accounts	–	–	1,050.3	31.9
On cash credit accounts	–	–	82.3	96.3
On unpaid dividend account	–	–	7.8	5.4
Cash on hand	–	–	5.3	6.5
	–	–	1,145.7	140.1
<b>Other bank balances</b>	–	–	–	–
Margin money deposits*	31.2	1.2	–	–
	31.2	1.2	–	–
Amount disclosed under non-current assets (Refer Note 15)	(31.2)	(1.2)	–	–
<b>TOTAL</b>	–	–	1,145.7	140.1

\* Given against bank guarantees and performance guarantees.

Margin money deposits include deposits attached by Enforcement Directorate of ₹30.0 (March 31, 2012: Nil).

	Year ended March 31, 2013	Year ended March 31, 2012
<b>19. REVENUE FROM OPERATIONS (GROSS)</b>		
Sale of products	54,641.4	42,494.4
Sale of services	331.7	524.4
Other operating revenue		
Scrap sales	36.5	46.1
Export incentives	685.4	722.4
<b>TOTAL</b>	<b>55,695.0</b>	<b>43,787.3</b>
<b>Details of sale of products</b>		
Active Pharmaceutical Ingredients (APIs) & Intermediates	23,708.5	19,107.0
Formulations - Tablets & Capsules	26,804.5	20,224.6
Formulations - Injections	1,366.1	1,350.8
Formulations - Syrups	1,036.2	707.4
API trading goods	698.7	350.0
Others	1,027.4	754.6
	54,641.4	42,494.4
<b>Details of services</b>		
Dossier income	297.6	496.4
Service income	34.1	28.0
	331.7	524.4



## Notes to financial statements for the year ended March 31, 2013

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

	Year ended March 31, 2013	Year ended March 31, 2012
<b>20. OTHER INCOME</b>		
Interest income on		
Bank deposits	1.5	35.7
Other advances and deposits	22.5	18.6
Loans to subsidiaries	17.2	16.7
Dividend income on		
Current investments-trade	-	-
Balances no longer required written back	7.9	14.3
Profit on sale of fixed assets (Net)	-	5.8
Profit on sale of investment	46.8	-
Foreign exchange gain (Net)	115.0	-
Miscellaneous income	54.2	99.5
TOTAL	<u>265.1</u>	<u>190.6</u>
<b>21. COST OF MATERIALS CONSUMED</b>		
Raw material consumed		
Opening stock	5,690.7	5,482.2
Add: Purchases	29,086.6	22,063.0
	<u>34,777.3</u>	<u>27,545.2</u>
Less: Closing stock	6,670.3	5,690.7
Cost of raw material consumed	28,107.0	21,854.5
Packing materials consumed	2,429.4	2,078.4
TOTAL	<u>30,536.4</u>	<u>23,932.9</u>
<b>Details of cost of materials consumed</b>		
<b>Material name</b>		
6 APA	3,138.0	2,659.0
7 ACA	1,043.9	1,072.9
Beta-Thymidine	1,283.3	1,456.3
Ceftriaxone Sodium	1,034.5	787.9
7 ADCA	875.1	690.6
Amino Carbinol	271.4	526.7
Others - packing materials	2,429.4	2,078.4
- others	20,460.8	14,661.1
	<u>30,536.4</u>	<u>23,932.9</u>

## Notes to financial statements for the year ended March 31, 2013

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

	Year ended March 31, 2013	Year ended March 31, 2012	(Increase)/decrease March 31, 2013
<b>22. (INCREASE)/DECREASE IN WORK IN PROGRESS,</b>			
<b>TRADED AND FINISHED GOODS</b>			
<b>Inventories at the end of the year</b>			
Finished goods	1,246.9	778.2	(468.8)
Traded goods	–	11.4	11.4
Work-in-progress	4,989.6	4,236.1	(753.5)
	<u>6,236.5</u>	<u>5,025.7</u>	<u>(1,210.8)</u>
<b>Inventories at the beginning of the year</b>			March 31, 2012
Finished goods	778.2	1,584.1	806.0
Traded goods	11.4	–	(11.4)
Work-in-progress	4,236.1	4,340.3	104.1
	<u>5,025.7</u>	<u>5,924.4</u>	<u>898.7</u>
TOTAL	<u>(1,210.8)</u>	<u>898.7</u>	<u>–</u>
<b>Details of inventory</b>			
<b>Finished goods</b>			
Active Pharmaceutical Ingredients (APIs) & Intermediates	395.4	244.2	
Formulations - Tablets & Capsules	703.0	415.9	
Formulations - Injections	61.0	89.7	
Formulations - Syrups	87.5	28.4	
	<u>1,246.9</u>	<u>778.2</u>	
<b>Trading goods</b>			
Active Pharmaceutical Ingredients (APIs) and Intermediates	–	11.4	
	<u>–</u>	<u>11.4</u>	
<b>Work-in-progress</b>			
Active Pharmaceutical Ingredients (APIs) & Intermediates	4,321.2	3,661.5	
Formulations - Tablets & Capsules	628.5	531.2	
Formulations - Injections	33.9	40.3	
Formulations - Syrups	6.0	3.1	
	<u>4,989.6</u>	<u>4,236.1</u>	
<b>23. EMPLOYEE BENEFIT EXPENSES</b>			
Salaries, wages and bonus	3,949.0	3,347.3	
Contribution to provident and other funds [Refer Note 32 (a)]	114.7	110.6	
Gratuity expense [Refer Note 32 (b)]	83.1	53.7	
Leave encashment expense	101.0	51.5	
Staff welfare expenses	66.4	77.9	
TOTAL	<u>4,314.2</u>	<u>3,641.0</u>	

## Notes to financial statements for the year ended March 31, 2013

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

	Year ended March 31, 2013	Year ended March 31, 2012
<b>24. OTHER EXPENSES</b>		
Conversion charges	307.9	233.1
Consumption of stores and spares	608.2	644.6
Chemicals consumed	804.9	801.5
Power and fuel	3,163.4	2,266.4
Carriage inward	320.0	256.0
Factory maintenance	131.5	145.0
Effluent treatment expenses	55.3	41.1
(Increase)/decrease of excise duty on inventory (Refer Note 42)	4.2	(31.8)
Repairs and maintenance		
i. Plant and machinery	399.8	336.9
ii. Buildings	175.1	164.7
iii. Others	27.0	28.1
Rent	17.1	23.8
Rates and taxes	71.5	77.1
Printing and stationery	82.4	91.1
Postage and telephones	39.5	28.7
Insurance	125.3	95.9
Legal and professional charges	267.8	273.7
Directors' sitting fees	0.7	0.8
Remuneration to auditors (Refer Note 38)	7.6	7.3
Sales commission	317.3	278.1
Carriage outwards	1,142.4	970.8
Selling expenses	208.5	114.5
Rebates and discounts	15.2	44.3
Travelling and conveyance	93.8	96.9
Vehicle maintenance expenses	4.6	3.9
Analytical charges	360.6	343.7
Provision for diminution on non-current investment	690.0	268.7
Bad debts written off	183.4	32.9
Donations (Refer Note 39)	1.7	4.1
Registration and filing charges	261.9	42.4
Provision for trade receivables (Net)	1.5	94.6
Loss on sale of assets (Net)	30.7	-
Foreign exchange loss (Net)	-	214.9
Miscellaneous expenses	328.9	258.0
<b>TOTAL</b>	<b>10,249.7</b>	<b>8,251.7</b>

Notes to financial statements for the year ended March 31, 2013

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

	Year ended March 31, 2013	Year ended March 31, 2012
<b>25. DEPRECIATION/AMORTIZATION</b>		
Depreciation of tangible assets	1713.0	1,428.7
Amortization of intangible assets	0.9	0.7
TOTAL	<u>1,713.9</u>	<u>1,429.4</u>
<b>26. FINANCE COSTS</b>		
Interest on loans from banks	991.2	730.3
Bank charges	156.2	200.8
Exchange difference to the extent considered as an adjustment to borrowing costs	1,353.2	1,744.7
TOTAL	<u>2,500.6</u>	<u>2,675.8</u>
<b>27. EXCEPTIONAL ITEMS</b>		
Redemption premium (Yield to Maturity) on redemption of FCCB Bonds (Refer Note below)	-	3,198.6
	<u>-</u>	<u>3,198.6</u>

Note: 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 in the previous year along with the redemption premium (Yield to Maturity) amounting to ₹3,198.6, inclusive of withholding taxes.

**28. Capital and other commitments**

Estimated amount of contracts (net of advances) remaining to be executed on capital account and not provided for - ₹211.5 (March 31, 2012: ₹476.5).

**29. Contingent liabilities**

Particulars	As at March 31, 2013	As at March 31, 2012
Outstanding bank guarantees	486.3	391.9
Claims arising from disputes not acknowledged as debts - indirect taxes (excise duty and service tax)*	196.3	140.7
Claims arising from disputes not acknowledged as debts - direct taxes*	105.0	105.0
Claims against the Company not acknowledged as debts*	493.1	23.7
Bills discounted with banks	3,252.9	-
Corporate guarantee to bank for loan taken by 100% subsidiary	-	1,589.8

\* in respect of above matters, future cash outflows in respect of contingent liabilities are determinable only on receipt of judgements pending at various forums/authorities.

**30.** The income tax authorities had carried out search operations on the Company at certain locations during the previous 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 had decided to offer an additional income and to pay the resultant tax. Accordingly, provision for income tax of ₹48.7 on this additional income had been made in the previous year. The proceedings are in progress and no other material implications are expected by the management in this matter.



Notes to financial statements for the year ended March 31, 2013

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

### 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, 2013	Year ended March 31, 2012
Options outstanding at the beginning of the year	–	11,345
Granted during the year	–	–
Vested/exercisable during the year	–	–
Exercised during the year	–	–
Forfeited during the year subject to reissue	–	11,345
Options outstanding at end of the year	–	–
Exercisable at the end of the year	–	–
Weighted average exercise price (₹)	–	72.52
Weighted average fair value of options at the date of grant (₹)	–	75.03

#### 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 3,210,500 options under seven grants of 175,000, 25,000, 90,000, 1,205,000, 300,000, 500,000 and 915,500 options to eligible employees on October 30, 2006, July 31, 2007, October 31, 2007, December 16, 2011, June 19, 2012, January 9, 2013 and January 28, 2013 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, ₹91.60, ₹106.05, ₹200.70 and ₹187.40 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, 2013	Year ended March 31, 2012
Options outstanding at the beginning of the year	1,255,000	250,000
Granted during the year	1,715,500	1,205,000
Vested/exercisable during the year	–	12,500
Exercised during the year	90,000	–
Forfeited during the year subject to reissue	416,500	200,000
Options outstanding at end of the year	2,464,000	1,255,000
Exercisable at the end of the year	43,000	50,000
Weighted average exercise price (₹)	99.59	97.07
Weighted average fair value of options at the date of grant (₹)	118.34	115.56

Notes to financial statements for the year ended March 31, 2013

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

	Range of exercise prices (₹)	Number of options outstanding	Weighted average remaining contractual life of options (in years)
<b>As at March 31, 2013</b>	<b>91 to 201</b>	<b>2,464,000</b>	<b>5.30</b>
As at March 31, 2012	91 to 133	1,255,000	5.53

**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, 2013	Year ended March 31, 2012
<b>Profit/(loss) after taxation</b>		
As reported in Statement of Profit and Loss	<b>4,959.9</b>	(426.1)
Less: Additional employee compensation cost based on Fair Value	<b>2.9</b>	0.7
Profit/(loss) after taxation as per Fair Value Method	<b>4,957.0</b>	(426.8)
<b>Earnings per share</b>		
<b>Basic</b>		
No. of shares	<b>291,141,509</b>	291,121,290
EPS as reported (₹)	<b>17.04</b>	(1.46)
EPS as per Fair Value Method (₹)	<b>17.03</b>	(1.47)
<b>Diluted</b>		
No. of shares	<b>291,355,959</b>	291,127,562
EPS as reported (₹)	<b>17.02</b>	(1.46)
EPS as per Fair Value Method (₹)	<b>17.01</b>	(1.47)

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

	Year ended March 31, 2013 ESOP 2006	Year ended March 31, 2012 ESOP 2006
Risk-free interest rate (%)	<b>8</b>	8
Expected life of options (Years)	<b>6</b>	6
Expected volatility (%)	<b>0.31</b>	4.32
Dividend yield	<b>1.33</b>	1.33

**32. Employee benefits**

	Year ended March 31, 2013	Year ended March 31, 2012
<b>a. Disclosures related to defined contribution plan</b>		
Provident fund contribution recognized as expense in the Statement of Profit and Loss	<b>89.5</b>	82.8

Notes to financial statements for the year ended March 31, 2013

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

**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, 2013	Year ended March 31, 2012
<b>Net employee benefit expense (included under employee benefit expenses)</b>		
Current service cost	43.4	38.3
Interest cost on benefit obligation	23.9	18.9
Expected return on plan assets	(16.3)	(9.5)
Net actuarial (gain)/loss recognized in the year	32.1	6.0
Net benefit expense	83.1	53.7
Actual return on plan assets	16.5	12.8

**Balance Sheet**

	As at March 31, 2013	As at March 31, 2012
<b>Details of provision for gratuity</b>		
Defined benefit obligation (DBO)*	317.7	240.9
Fair value of plan assets (FVA)**	202.7	174.7
<b>Net plan liability</b>	115.0	66.2

\* DBO as at March 31, 2011: ₹193.3, March 31, 2010: ₹152.9, March 31, 2009: ₹107.7

\*\* FVPA as at March 31, 2011: ₹102.3, March 31, 2010: ₹83.0, March 31, 2009: ₹72.2

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

	Year ended March 31, 2013	Year ended March 31, 2012
Opening defined benefit obligation	240.9	193.3
Current service cost	43.4	38.3
Interest cost	23.9	18.9
Benefits paid	(22.8)	(18.8)
Actuarial (gains)/losses on obligation*	32.3	9.2
<b>Closing defined benefit obligation</b>	317.7	240.9

\* Experience adjustments on plan liabilities March 31, 2013: ₹4.8, March 31, 2012: ₹12.6, March 31, 2011: ₹9.6, March 31, 2010: ₹7.6 and March 31, 2009: ₹6.2

Notes to financial statements for the year ended March 31, 2013

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

**Changes in fair value of plan assets**

	Year ended March 31, 2013	Year ended March 31, 2012
Opening fair value of plan assets	174.7	102.3
Expected return	16.3	9.5
Contributions by employer	34.3	78.4
Benefits paid	(22.8)	(18.8)
Actuarial gains/(losses)*	0.2	3.3
<b>Closing fair value of plan assets</b>	<b>202.7</b>	<b>174.7</b>

\* Experience adjustments on plan assets March 31, 2013: ₹0.2, March 31, 2012: ₹3.3, March 31, 2011: ₹0.6, March 31, 2010: ₹0.4 and March 31, 2009: ₹0.9

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

	As at March 31, 2013	As at March 31, 2012
Discount rate (p.a.) (%)	8.10	8.65
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 Company expects to contribute ₹30.0 (March 31, 2012: ₹25.0) to the qualifying insurance policy in 2013-14.

Notes to financial statements for the year ended March 31, 2013

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

### 33. Expenditure during construction period pending capitalization

	As at March 31, 2013	As at March 31, 2012
<b>Balance brought forward</b>	<b>1,226.6</b>	692.7
Add: Incurred during the year		
Salaries, wages and bonus	122.4	159.1
Staff welfare expenses	2.4	3.5
Consumption of raw material for testing	112.1	53.1
Consumption of stores and spares	60.7	114.7
Carriage inward	0.5	0.3
Power and fuel	151.0	163.7
Conversion charges	9.9	9.8
Rates and taxes	2.0	7.4
Printing and stationery	2.6	4.0
Postage and telephones	0.3	0.6
Insurance	4.4	3.5
Legal and professional charges	10.9	15.0
Travelling and conveyance	2.5	2.3
Depreciation	2.5	4.2
Miscellaneous expenses	24.5	26.4
	<b>1,735.3</b>	1,260.3
Less: Capitalized to fixed assets during the year	<b>1,228.4</b>	33.7
<b>Balance carried forward</b>	<b>506.9</b>	1,226.6

### 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 \$ Nil, ₹Nil (March 31,2012: US \$ 18.0, ₹915.8) - To hedge receivables in foreign currency.

US \$ Nil, ₹Nil (March 31,2012: US \$ 27.0, ₹1,373.6) - To hedge external commercial borrowing draw down.

- 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, 2013	As at March 31, 2012
Loans availed	(26,648.0)	(26,943.2)
Trade receivables	16,014.0	9,289.5
Loans and advances (including other current assets)	854.0	1,069.4
Trade payables (including creditors for capital goods)	(3,583.8)	(1,672.3)
Interest accrued but not due	(107.3)	(81.1)
Investments	6,552.1	6,059.8
Bank balances	1,008.2	19.6



Notes to financial statements for the year ended March 31, 2013

(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, 2013	As at March 31, 2012
The principal amount remaining unpaid as at the end of the year.	5.6	21.5
The amount of interest accrued and remaining unpaid at the end of the year.	0.7	2.9
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, 2013 ₹Nil (March 31, 2012: 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, 2013	Year ended March 31, 2012
Material and stores and spares consumption	500.2	430.9
Power and fuel	56.5	25.0
Repairs and maintenance	40.6	32.7
Employee benefit expenses	567.9	473.3
Analytical charges	332.6	327.2
Depreciation	89.3	65.9
Others	498.0	238.0
TOTAL	2,085.1	1,593.0

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

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Land	-	8.5
Buildings	49.0	126.7
Plant and machinery		
- Plant and machinery	7.5	13.8
- Lab equipment	143.3	94.7
- Pipes and valves	1.8	24.8
- Data processing equipment	4.3	12.5
- Electrical installations	4.8	26.8
Office equipment	19.7	39.2
Furniture	10.2	38.6
Vehicles	7.7	10.4
TOTAL	248.3	396.0

Notes to financial statements for the year ended March 31, 2013

(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, 2013	Year ended March 31, 2012
<b>As Auditors</b>		
Statutory audit	5.5	5.5
Limited review	1.5	1.2
<b>In other capacity</b>		
Certification	0.1	0.2
Reimbursement of expenses	0.4	0.3
Effect of service tax	0.1	0.1
<b>TOTAL</b>	<b>7.6</b>	<b>7.3</b>

### 39. Donation to political parties

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Communist Party of India (Marxist)	0.1	0.3
Communist Party of India	0.2	0.3
Bharatiya Janatha Party	–	0.8
<b>TOTAL</b>	<b>0.3</b>	<b>1.4</b>

### 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 USA 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 Healthcare 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 Switzerland AG, Switzerland
16. Auro Healthcare (Nigeria) Limited, Nigeria
17. Aurobindo ILAC Sanayi ve Ticaret Limited Sirketi, Turkey
18. Aurobindo Pharma (Singapore) Pte Limited, Singapore
19. Aurobindo Pharma Limited, s.r.l., Dominican Republic
20. Aurobindo Pharma Japan K.K., Japan
21. Pharmacin B.V., The Netherlands
22. Aurobindo Pharma GmbH, Germany
23. Aurobindo Pharma (Portugal) Unipessoal LDA, Portugal
24. Aurobindo Pharma (Bulgaria) EAD, Bulgaria
25. Aurobindo Pharma France SARL, France

## Notes to financial statements for the year ended March 31, 2013

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

26. Laboratorios Aurobindo S L, Spain
27. Agile Malta Holdings Limited, Malta
28. Aurobindo Pharma B.V., The Netherlands
29. Aurobindo Pharma (Romania) s.r.l., Romania
30. Aurobindo Pharma (Poland) Sp.z.o.o., Poland
31. Aurobindo Pharma (Italia) S.r.l., Italy
32. Agile Pharma (Malta) Limited, Malta
33. Aurobindo Pharma (Malta) Limited, Malta
34. APL IP Company Limited, Jersey
35. APL Swift Services (Malta) Limited, Malta
36. Milpharm Limited, U.K.
37. Aurolife Pharma LLC, U.S.A.
38. Auro Peptides Limited, India
39. Auro Medics Pharma LLC, U.S.A.
40. Aurobindo Pharma NZ Limited, New Zealand
41. Aurovida Farmaceutica SA DE CV, Mexico
42. Aurobindo Antibiotics Limited, India
43. Auro Health LLC, U.S.A. (w.e.f. September 13, 2012)
44. Aurobindo Pharma Hungary Kereskedelmi KFT, Hungary (Closed w.e.f. September 13, 2012)

### Joint ventures

1. Novagen Pharma (Pty) Limited, South Africa (Joint venture of a subsidiary)
2. Zao Auros Pharma, Russia (Joint venture of a subsidiary) (Closed during the year without any operations)

### 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
7. Pranit Packaging Private Limited, India
8. Matri Mirra Packaging Private Limited, India
9. Vaxer Pharma Limited, India
10. Silicon Life Sciences Private limited, India
11. Orem Access Bio Inc., India

### Key managerial personnel

1. Mr. P.V. Ramprasad Reddy, Director  
(Resigned as Chairman w.e.f. June 1, 2012 and retired as Whole-time Director w.e.f. December 1, 2012)
2. Mr. K. Nithyananda Reddy, Whole-time Director
3. Dr. M. Sivakumaran, Whole-time Director
4. Mr. M. Madan Mohan Reddy, Whole-time Director
5. Mr. N. Govindarajan, Managing Director
6. Mr. Ravindra Shenoy, Joint Managing Director (Resigned w.e.f. November 9, 2012)

### Relatives to key managerial personnel

1. Mr. P. Sarath Chandra Reddy (Son of Mr. P.V. Ramprasad Reddy, Director)
2. Mrs. Kambam Kirthi Reddy (Daughter of Mr. K. Nithyananda Reddy, Whole-time Director)
3. Mr. Vishnu M. Sriram (Son-in-law of Dr. M. Sivakumaran, Whole-time Director)

Notes to financial statements for the year ended March 31, 2013

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

**Transactions with related parties**

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
<b>a. Loans given and repayment thereof</b>		
<b>Transactions with subsidiaries</b>		
<b>Aurobindo Pharma USA Inc., U.S.A.</b>		
Receipt against loan and interest	–	248.8
Interest accrued	–	0.7
<b>Aurobindo Pharma Industria Farmaceutica Ltda</b>		
Receipt against loan and interest	–	18.6
Interest accrued	–	0.1
<b>Helix Healthcare B.V., The Netherlands</b>		
Receipt against loan and interest	34.2	–
Interest accrued	14.2	15.9
Balance receivable	633.4	643.2
<b>Auro Peptides Limited</b>		
Receipt against loan and interest	1.8	–
Interest accrued	3.0	–
Loan given	75.0	–
Balance receivable	76.1	–
<b>b. Sale/purchase of goods, services and other transactions</b>		
<b>Transactions with subsidiaries</b>		
<b>APL Pharma Thai Limited, Thailand</b>		
Sale of goods	293.8	204.2
Balance receivable	56.2	24.4
<b>ALL Pharma (Shanghai) Trading Company Limited, China</b>		
Purchases	2873.8	1814.3
Reimbursement of expenses	14.1	10.0
Reimbursement of expenses received	–	0.1
Purchase of fixed assets	12.3	20.5
Balance receivable	2.0	–
Balance payable	580.5	139.2
<b>Helix Healthcare B.V., The Netherlands</b>		
Equity contribution	1,368.6	973.8
<b>Aurobindo Pharma Produtos Farmaceuticos Ltda, Brazil</b>		
Sale of goods	243.3	75.0
Reimbursement of expenses	2.7	0.8
Commission paid	15.1	6.6
Balance receivable	222.6	53.1
Balance payable	6.8	5.5

Notes to financial statements for the year ended March 31, 2013

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

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
<b>APL IP Company Limited, Jersey</b>		
Sale of services	80.3	113.0
Reimbursement of expenses received	–	7.2
Balance receivable	476.4	578.4
<b>APL Swift Services (Malta) Limited, Malta</b>		
Sale of goods	1,087.1	899.2
Purchase of services	5.8	4.2
Reimbursement of expenses	7.3	6.3
Balance receivable	734.9	670.3
Balance payable	9.7	7.5
<b>Aurobindo Pharma USA Inc., U.S.A.</b>		
Sale of goods	11,185.8	4,761.4
Reimbursement of expenses	108.0	–
Balance receivable	6,345.5	3,040.8
Balance payable	6.2	5.8
Coporate gurantee given for bank loan	339.3	1,589.8
Equity contribution	–	404.6
<b>Aurobindo Pharma Industria Farmaceutica Ltda, Brazil</b>		
Sale of goods	472.5	258.0
Reimbursement of expenses	5.5	4.0
Commission paid	–	10.4
Balance receivable	598.1	376.4
Balance payable	0.1	0.3
Equity contribution	–	154.5
<b>Auro Pharma Inc., Canada</b>		
Sale of goods	250.8	74.6
Reimbursement of expenses	2.3	1.3
Balance receivable	197.7	66.8
Balance payable	3.3	1.0
<b>Aurobindo Pharma (Pty) Limited, South Africa</b>		
Sale of goods	1,129.1	1,122.8
Reimbursement of expenses	–	0.2
Commission paid	2.7	35.9
Balance receivable	458.0	658.0
Balance payable	0.2	18.6
<b>Pharmacin B.V., The Netherlands</b>		
Sale of goods	112.1	96.2
Commission paid	21.7	18.9



## Notes to financial statements for the year ended March 31, 2013

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

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Reimbursement of expenses	–	2.4
Balance receivable	50.7	57.6
Balance payable	49.6	32.2
<b>Milpharm Limited, U.K.</b>		
Sale of goods	382.5	(15.5)
Reimbursement of expenses	20.1	22.3
Balance receivable	321.8	11.5
Balance payable	24.0	13.6
<b>Aurolife Pharma LLC, U.S.A.</b>		
Sale of goods	716.2	412.3
Sale of fixed assets	2.6	–
Reimbursement of expenses	1.8	1.8
Balance receivable	513.9	396.7
Balance payable	0.7	–
<b>Aurobindo Pharma Japan K.K., Japan</b>		
Sale of goods	58.3	193.1
Reimbursement of expenses	0.3	0.1
Commission paid	26.3	9.9
Balance receivable	–	54.6
Balance payable	11.8	3.9
<b>Aurobindo Pharma (Malta) Limited, Malta</b>		
Sale of goods	–	(5.4)
Reimbursement of expenses	5.2	0.8
Balance receivable	–	–
Balance payable	–	6.5
<b>Aurobindo Pharma (Italia) S.r.l., Italy</b>		
Sale of goods	0.4	–
Balance receivable	0.4	–
<b>Auronext Pharma Private Limited, India</b>		
Sale of goods	24.7	14.6
Purchases	43.3	–
Sale of fixed assets	0.1	3.9
Rent received	1.8	1.6
Reimbursement of expenses	0.7	0.1
Equity allotment	123.5	94.9
Share application money given	96.5	52.0
Share application money given pending allotment (Closing balance)	–	27.0
Balance receivable	20.6	13.0

Notes to financial statements for the year ended March 31, 2013

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

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
<b>Aurobindo Pharma (Australia) Pty Limited, Australia</b>		
Sale of goods	34.2	6.2
Reimbursement of expenses	–	2.6
Commission paid	–	0.4
Balance receivable	29.0	6.3
Balance payable	–	2.6
<b>Laboratorios Aurobindo S L, Spain</b>		
Sale of goods	169.7	8.1
Balance receivable	132.3	8.0
<b>Auro Medics Pharma LLC, U.S.A.</b>		
Sale of goods	537.4	89.4
Balance receivable	497.3	89.1
<b>Auro Healthcare (Nigeria) Limited, Nigeria</b>		
Commission paid	0.7	0.4
Reimbursement of expenses	0.1	–
Balance payable	1.1	0.4
<b>APL Healthcare Limited, India</b>		
Equity allotment	32.4	–
Share application money given	13.7	–
Share application money given pending allotment (Closing balance)	–	18.7
<b>APL Research Centre Limited, India</b>		
Equity allotment	116.5	–
Share application money given	1.9	53.4
Share application money given pending allotment (Closing balance)	–	114.6
<b>Auro Peptides Limited, India</b>		
Equity allotment	1.0	–
Share application money	0.5	0.5
Rent received	4.4	–
Reimbursement of expenses received	0.1	–
Sale of fixed assets	1.0	–
Balance receivable	5.4	–
<b>Aurobindo Antibiotics Limited, India</b>		
Equity contribution	0.5	–

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

Notes to financial statements for the year ended March 31, 2013

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

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
<b>c. Transactions with enterprises over which key management personnel or their relatives exercise significant influence</b>		
<b>Pravesha Industries Private Limited, India</b>		
Sale of goods	0.4	6.3
Purchase of goods	1,028.8	1,050.3
Purchase of fixed assets	-	0.3
Rent and electricity charges received	0.6	0.1
Balance receivable	-	25.2
<b>Sri Sai Packaging, India</b>		
Sale of goods	0.3	0.2
Sale of fixed assets	0.2	-
Purchase of goods	122.1	103.1
Balance receivable	-	2.1
<b>Axis Clinicals Limited, India</b>		
Purchase of services	337.0	281.7
Electricity expenses	0.9	5.8
Rent expenses	2.6	12.1
Purchase of fixed assets	0.6	5.9
Balance payable	49.7	31.1
<b>Trident Chemphar Limited, India</b>		
Sale of goods	218.5	336.3
Purchase of goods	299.3	36.3
Balance receivable	116.4	273.5
Balance payable	62.5	8.1
<b>Auropro Soft Systems Private Limited, India</b>		
Purchase of goods	3.2	2.4
Purchase of services	16.8	15.1
Purchase of fixed assets	-	12.8
Balance receivable	-	-
Balance payable	-	0.1
<b>Pranit Packaging Private Limited, India</b>		
Purchase of goods	75.4	53.0
Sale of goods	-	-
Balance payable	-	1.4
<b>Pranit Projects Private Limited, India</b>		
Purchase of services (Civil services)	22.7	58.9
Balance payable	2.5	4.0
<b>Matri Mirra Packaging Private Limited, India</b>		
Purchase of goods	127.5	50.0
Sale of goods	19.5	0.9
Balance receivable	-	3.6
<b>Vaxer Pharma Limited</b>		
Sale of goods	18.8	-
Balance receivable	6.8	-
<b>Silicon Life Sciences Private Limited, India</b>		
Sale of goods	0.7	-
Share application given pending allotment (Closing balance)	-	-
<b>Orem Access Bio Inc., India</b>		
Purchase of goods	41.8	-
Balance receivable	8.5	-

Notes to financial statements for the year ended March 31, 2013

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

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
<b>d. Transactions with key managerial personnel or their relatives</b>		
<b>Mr. P.V. Ramprasad Reddy</b>		
Managerial remuneration	6.6	8.7
<b>Mr. K. Nithyananda Reddy</b>		
Managerial remuneration	9.1	8.7
Rent expense	1.6	1.6
<b>Dr. M. Sivakumaran</b>		
Managerial remuneration	9.1	8.7
<b>Mr. M. Madan Mohan Reddy</b>		
Managerial remuneration	9.1	8.7
<b>Mr. P. Sarath Chandra Reddy</b>		
Director sitting fees	0.1	0.1
<b>Mrs. Kambam Kirthi Reddy</b>		
Remuneration	-	0.7
<b>Mr. Vishnu M. Sriram</b>		
Remuneration	3.3	3.0
<b>Mr. N. Govindarajan</b>		
Managerial remuneration	43.1	-
Balance payable	25.0	-
<b>Mr. Ravindra Shenoy</b>		
Managerial remuneration	3.6	-

**e. Disclosure pursuant to clause 32 of Listing Agreement**

**Loans and advances in the nature of loans to subsidiaries**

Name of the companies	Closing Balance as at March 31		Maximum outstanding at any time during the year ended March 31	
	2013	2012	2013	2012
<b>Subsidiaries</b>				
Aurobindo Pharma USA Inc., U.S.A.	-	-	-	248.8
Aurobindo Pharma Industria Farmaceutica Ltda, Brazil	-	-	-	18.6
Auro Peptides Limited, India	75.0	-	75.0	-
Helix Healthcare B.V., The Netherlands	611.5	615.9	647.2	615.9

**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 ₹17.0 (March 31, 2012: ₹23.7).

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

## Notes to financial statements for the year ended March 31, 2013

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

**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 ₹25.5 (March 31, 2012: ₹25.5).

The net carrying amount of the buildings obtained on finance lease - ₹14.6 (March 31, 2012: ₹15.9).

42. In accordance with paragraph 10 of Notified Accounting Standard 9 on Revenue Recognition, excise duty on sales amounting to ₹1,444.0 (March 31, 2012: ₹972.8) 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 ₹4.2 [March 31, 2012: ₹31.8 (credit)] has been debited to the Statement of Profit and Loss.

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

Pravesha Industries Private Limited, India ₹Nil (March 31, 2012: ₹22.6)

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

Pravesha Industries Private Limited, India ₹Nil (March 31, 2012: ₹2.5)

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

Sri Sai Packaging, India ₹Nil (March 31, 2012: Nil)

**45. 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
Novagen Pharma (Pty) Limited	50%	404.4	84	766	697	69
		413.6	231	706	616	90

a. Contingent liabilities of the above joint ventures ₹ Nil (March 31, 2012: Nil).

b. Capital commitments of the above joint ventures ₹ Nil (March 31, 2012: Nil).

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

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

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

**46. Earnings per share**

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
Profit/(Loss) after taxation considered for calculation of basic and diluted earnings per share	4,959.9	(426.1)
Weighted average number of equity shares considered for calculation of basic earnings per share (a)	291,141,509	291,121,290
Effect of dilution on account of Employee Stock Options granted (b)	214,450	6,272
Weighted average number of equity shares considered for calculation of diluted earnings per share (a+b)	291,355,959	291,127,562



Notes to financial statements for the year ended March 31, 2013

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

**47. Imported and indigenous raw materials, stores and spares and lab chemicals consumed (excluding expenses incurred during construction period)**

	Year ended March 31, 2013		Year ended March 31, 2012	
	%	₹	%	₹
<b>Raw materials and packing material</b>				
- Imported	60	18,229.8	61	14,554.0
- Indigenous	40	12,306.6	39	9,378.9
TOTAL	100	30,536.4	100	23,932.9
<b>Stores and spares</b>				
- Imported	6	35.8	6	36.2
- Indigenous	94	572.4	94	608.4
TOTAL	100	608.2	100	644.6
<b>Lab chemicals</b>				
- Imported	7	59.6	14	114.3
- Indigenous	93	745.3	86	687.2
TOTAL	100	804.9	100	801.5

**48. Value of imports calculated on CIF basis**

	Year ended March 31, 2013	Year ended March 31, 2012
Raw materials and packing materials	17,845.8	13,845.1
Capital goods	349.1	730.4
Stores and spares and lab chemicals	84.4	123.4
TOTAL	18,279.3	14,698.9

**49. Expenditure in foreign currency (accrual basis)**

	Year ended March 31, 2013	Year ended March 31, 2012
Travelling	21.4	24.6
Commission on sales	175.2	156.9
Product registration and filing fee	221.0	35.5
Overseas office expenses	31.2	12.4
Legal and professional charges	205.4	207.6
Interest	334.2	228.8
Redemption premium (Yield to Maturity) on redemption of FCCBs	–	2862.6
Others	178.0	84.9
TOTAL	1,166.4	3,613.3

Notes to financial statements for the year ended March 31, 2013

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

#### 50. Earnings in foreign currency (accrual basis)

	Year ended March 31, 2013	Year ended March 31, 2012
Exports on F.O.B. basis	38,710.1	29,239.9
Interest	14.2	16.6
Sale of dossiers/services	331.8	523.5
<b>TOTAL</b>	<b>39,056.1</b>	<b>29,780.0</b>

#### 51. 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.

52. The figures of previous year have been regrouped/rearranged, wherever necessary to conform to those of the current year.

As per our report of even date.

S. R. Batliboi & Associates LLP

For **S.R. BATLIBOI & ASSOCIATES LLP**

ICAI Firm Registration No. 101049W

Chartered Accountants



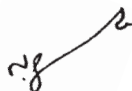
per **VIKAS KUMAR PANSARI**

Partner

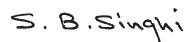
Membership No. 93649

Hyderabad, May 30, 2013

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



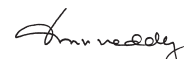
**N. GOVINDARAJAN**  
Managing Director



**SUDHIR B. SINGHI**  
Chief Financial Officer



**Dr. M. SIVAKUMARAN**  
Director



**A. MOHAN RAMI REDDY**  
AVP (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 Limited <sup>a</sup>	THB	1.85	185.4	25.8	233.5	22.3	-	305.2	(11.1)	-	(11.1)	Thailand
Aurobindo Pharma Industria Farmaceutica Ltda <sup>a</sup>	Reais	26.88	272.3	(227.4)	602.9	558.1	-	839.0	(103.7)	-	(103.7)	Brazil
Helix Healthcare B.V.	EURO	69.50	4,498.2	(335.9)	207.2	636.6	-	-	(19.2)	-	(19.2)	The Netherlands
Aurobindo Pharma USA, Inc.	USD	54.29	3,348.0	1,159.3	7,865.6	6,680.5	-	13,037.9	439.6	-	439.6	U.S.A.
Aurolife Pharma LLC.	USD	54.29	3,311.4	(1,228.0)	4,490.5	2,407.2	-	2,060.8	(152.6)	-	(152.6)	U.S.A.
Auro Pharma Inc.	CND	53.44	231.2	(110.3)	350.6	229.7	-	431.1	5.6	-	5.6	Canada
Aurobindo Pharma (Pty) Limited	ZAR	5.88	246.4	105.1	548.0	293.5	97.0	1,227.7	11.1	3.1	8.0	South Africa
Milpharm Limited	GBP	82.23	312.2	193.7	1,100.6	594.7	-	1,182.4	64.7	15.8	48.9	U.K.
Aurobindo Pharma (Australia) Pty Limited	AUD	56.63	403.3	(233.7)	209.4	39.8	-	69.6	(136.0)	-	(136.0)	Australia
Aurobindo Pharma Hungary Kereskedelmi, KFT <sup>b</sup>	HUF	0.25	3.5	(3.5)	-	-	-	-	-	-	-	Hungary
Agile Pharma B.V.	EURO	69.50	2,685.3	128.0	136.3	9.5	-	-	254.7	-	254.7	The Netherlands
Aurobindo Switzerland AG	CHF	57.00	78.1	(88.6)	1.1	11.6	-	-	(47.7)	-	(47.7)	Switzerland
Pharmacin B.V.	EURO	69.50	1.3	115.3	318.5	202.0	-	666.4	40.9	9.5	31.4	The Netherlands
Auro Healthcare (Nigeria) Limited	Naira (NGN)	0.34	16.0	(14.0)	2.4	0.4	-	-	(2.0)	-	(2.0)	Nigeria
APL Research Centre Limited	INR	1.00	118.0	-	118.0	-	-	-	-	-	-	India
APL Healthcare Limited	INR	1.00	32.9	-	33.0	0.1	-	-	-	-	-	India
Aurobindo Pharma Produtos Farmaceuticos Ltda <sup>a</sup>	Reais	26.88	2.7	10.0	195.7	183.0	-	228.4	2.5	-	2.5	Brazil
All Pharma (Shanghai) Trading Company Limited <sup>a</sup>	RMB	8.74	43.7	60.8	438.3	333.8	-	3,324.8	16.1	6.0	10.1	China
Aurobindo Pharma Japan K.K.	JPY	0.58	85.8	(49.9)	46.4	10.5	-	65.1	0.5	0.2	0.3	Japan
Agile Malta Holdings Limited	EURO	69.50	352.7	279.0	239.0	0.1	-	-	174.9	33.5	141.5	Malta
Aurobindo Pharma (Malta) Limited	EURO	69.50	392.6	15.3	1,152.7	744.8	-	648.0	160.4	32.8	127.6	Malta
APL Holdings (Jersey) Limited	EURO	69.50	252.8	5.5	2.0	1.3	-	-	1.2	-	1.2	Jersey
APL IP Company Limited	EURO	69.50	7.3	722.8	1,208.9	478.8	-	86.5	(339.9)	-	(339.9)	Jersey
APL Swift Services (Malta) Limited	EURO	69.50	250.2	(124.2)	765.7	639.7	-	1,242.3	11.8	-	11.8	Malta
Agile Pharma (Malta) Limited	EURO	69.50	1.7	(1.6)	0.2	0.1	-	-	(0.2)	-	(0.2)	Malta
Aurobindo Pharma (Italia) S.r.l.	EURO	69.50	779.9	(557.7)	617.6	395.4	-	89.8	(174.5)	-	(174.5)	Italy
Laboratorios Aurobindo SL	EURO	69.50	326.0	(180.4)	574.5	428.9	-	216.9	(102.2)	(30.7)	(71.6)	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	69.50	470.0	(400.8)	252.4	183.3	-	103.7	(181.3)	5.2	(186.5)	Portugal
Aurobindo Pharma France S.A.R.L.	EURO	69.50	87.4	(60.3)	151.6	124.5	-	-	(21.2)	-	(21.2)	France
Auronext Pharma Private Limited	INR	1.00	465.0	(132.9)	638.5	306.4	-	69.8	(98.3)	-	(98.3)	India
Aurobindo Pharma GmbH	EURO	69.50	1.7	90.0	542.9	451.2	-	140.2	(34.8)	-	(34.8)	Germany
Aurobindo ILAC Sanayi ve Ticaret Limited Sirketi	TRY	30.00	105.9	(42.7)	67.1	3.9	-	-	(12.9)	-	(12.9)	Turkey
Aurobindo Pharma B.V.	EURO	69.50	1.3	7.3	220.6	212.0	-	-	(27.4)	(5.5)	(21.9)	The Netherlands
Aurobindo Pharma (Singapore) Pte Limited	SGD	43.72	3.5	(3.4)	0.1	-	-	-	(2.1)	-	(2.1)	Singapore
Aurobindo Pharma (Romania) s.r.l. <sup>a</sup>	RON	15.76	19.0	(9.8)	10.3	1.1	-	-	(7.9)	-	(7.9)	Romania
Aurobindo Pharma (Poland) Sp.z.o.o.	PLN	16.45	18.2	(18.4)	1.7	1.9	-	-	(14.1)	-	(14.1)	Poland
Aurobindo Pharma Limited, s.r.l.	DOP	1.31	1.0	(0.7)	0.3	-	-	-	(0.5)	-	(0.5)	Dominican Republic
Aurobindo Pharma LLC	USD	54.29	10.9	2.4	525.5	512.2	-	539.9	19.0	-	19.0	U.S.A.
Aurobindo Pharma NZ Limited	NZD	-	-	-	-	-	-	-	-	-	-	New Zealand
Aurovinda Farmaceutica SA DE CV <sup>a</sup>	MXN (Mpeso)	4.41	116.1	(0.1)	119.0	3.0	-	-	(0.1)	-	(0.1)	Mexico
Auro Peptides Limited	INR	1.00	1.0	-	94.1	93.1	-	-	-	-	-	India
Auro Health LLC	USD	54.29	-	(13.0)	57.7	70.8	-	-	(13.0)	-	(13.0)	U.S.A.
Aurobindo Antibiotics Limited	INR	1.00	0.5	-	0.5	-	-	-	-	-	-	India

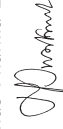
## Notes

- None of the subsidiaries have proposed dividend during the year. However, Agile (Malta) Holdings Limited has paid an amount of ₹264.1, Aurobindo Pharma (Malta) Limited has paid an amount of ₹112.3 and APL IP Company Limited has paid an amount of ₹1.8 as dividend during the year.


<sup>a</sup> The financial year of these companies end on December 31. However, the results given are as of March 31, 2013.

<sup>b</sup> The company ceased to be subsidiary of the Company during the year.

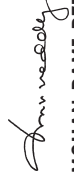
For and on behalf of the Board of Directors of Aurobindo Pharma Limited



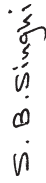
**Dr. M. SIVAKUMARAN**  
Director



**N. Govindarajan**  
Managing Director



**A. MOHAN RAMI REDDY**  
AVP (Legal) &  
Company Secretary



**SUDHIR B. SINGHI**  
Chief Financial Officer

# Independent Auditors' Report on Consolidated Financial Statements

The Board of Directors of  
Aurobindo Pharma Limited

We have audited the accompanying consolidated financial statements of Aurobindo Pharma Limited ("the Company"), its subsidiaries and joint venture, which comprise the Consolidated Balance Sheet as at March 31, 2013, and the Consolidated Statement of Profit and Loss and the Consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

## Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

## Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as

evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

## Opinion

In our opinion and to the best of our information and according to the explanations given to us, the 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 Company as at March 31, 2013;
- b. in the case of the Consolidated Statement of Profit and Loss, of the profit for the year ended on that date; and
- c. in the case of the Consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

## Other Matter

We did not audit total assets of ₹23,899,965,052 as at March 31, 2013, total revenues of ₹20,991,890,665 and net cash inflows amounting to ₹371,036,875 for the year then ended, included in the accompanying consolidated financial statements in respect of certain subsidiaries and joint venture, whose financial statements and other financial information have been audited by other auditors and whose reports have been furnished to us. Our opinion, in so far as it relates to the affairs of such subsidiaries and joint ventures is based solely on the report of other auditors. Our opinion is not qualified in respect of this matter.

S. R. Batliboi & Associates LLP  
For **S.R. Batliboi & Associates LLP**  
Chartered Accountants  
ICAI Firm Registration No. 101049W



per **VIKAS KUMAR PANSARI**  
Partner  
Membership No. 93649  
Hyderabad, May 30, 2013



# Consolidated Balance Sheet as at March 31, 2013

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


	Notes	As at March 31, 2013	As at March 31, 2012
<b>EQUITY AND LIABILITIES</b>			
<b>SHAREHOLDERS' FUNDS</b>			
Share capital	2	291.2	291.1
Reserves and surplus	3	25,766.4	23,105.4
		26,057.6	23,396.5
Minority interest		110.0	102.1
<b>NON-CURRENT LIABILITIES</b>			
Long-term borrowings	4	11,482.6	9,646.3
Deferred tax liabilities (Net)	5	680.0	38.5
Long-term provisions	6	90.0	42.4
		12,252.6	9,727.2
<b>CURRENT LIABILITIES</b>			
Short-term borrowings	7	22,361.2	16,082.1
Trade payables	8	9,687.4	6,601.4
Other current liabilities	9	1,508.7	5,803.4
Short-term provisions	6	800.9	663.6
		34,358.2	29,150.5
<b>TOTAL</b>		<b>72,778.4</b>	<b>62,376.3</b>
<b>ASSETS</b>			
<b>NON-CURRENT ASSETS</b>			
Fixed assets			
Tangible assets	10	24,390.5	19,872.1
Intangible assets	11	1,998.2	2,074.4
Tangible assets - Capital work-in-progress		1,995.9	5,999.6
Intangible assets - Under development		189.2	454.5
Non-current investments	12	222.4	198.6
Deferred tax assets (Net)	5	-	54.3
Loans and advances	13	2,428.1	1,081.2
Trade receivables	14	-	-
Other non-current assets	16	186.6	1.2
		31,410.9	29,735.9
<b>CURRENT ASSETS</b>			
Current investments	17	0.4	186.8
Inventories	18	19,235.9	15,455.6
Trade receivables	14	15,969.8	12,399.6
Cash and bank balances	19	2,084.5	708.6
Loans and advances	13	3,320.8	3,148.5
Other current assets	15	756.1	741.3
		41,367.5	32,640.4
<b>TOTAL</b>		<b>72,778.4</b>	<b>62,376.3</b>
Summary of significant accounting policies	1		

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

As per our report of even date.

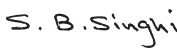
For and on behalf of the Board of Directors of Aurobindo Pharma Limited

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

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

Hyderabad, May 30, 2013

  
**N. GOVINDARAJAN**  
Managing Director

  
**SUDHIR B. SINGHI**  
Chief Financial Officer

  
**Dr. M. SIVAKUMARAN**  
Director

  
**A. MOHAN RAMI REDDY**  
AVP (Legal) &  
Company Secretary

# Consolidated Statement of Profit and Loss for the year ended March 31, 2013

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

	Notes	Year ended March 31, 2013	Year ended March 31, 2012
<b>INCOME</b>			
Revenue from operations (Gross)	20	60,008.3	47,249.6
Less: Excise duty	39	1,455.1	975.6
Revenue from operations (Net)		58,553.2	46,274.0
Other income	21	285.4	247.0
<b>TOTAL INCOME</b>		<b>58,838.6</b>	<b>46,521.0</b>
<b>EXPENSES</b>			
Cost of materials consumed	22	30,914.4	24,243.8
Purchase of traded goods		1,695.8	1,014.4
Increase in work-in-progress, traded and finished goods	23	(2,702.5)	(60.6)
Employee benefit expenses	24	6,633.1	5,356.9
Other expenses	25	13,402.9	10,106.5
Depreciation/amortization	26	2,487.4	2,005.3
Finance costs	27	2,666.4	2,772.4
<b>TOTAL EXPENSES</b>		<b>55,097.5</b>	<b>45,438.7</b>
<b>PROFIT BEFORE EXCEPTIONAL ITEMS AND TAX</b>		<b>3,741.1</b>	<b>1,082.3</b>
Exceptional items	28	-	3,211.8
<b>PROFIT/(LOSS) BEFORE TAX</b>		<b>3,741.1</b>	<b>(2,129.5)</b>
<b>TAX EXPENSE</b>			
Current tax	31	1,366.4	147.9
MAT credit		(1,265.0)	-
Deferred tax charge/(credit)		641.6	(1,215.5)
Tax relating to previous years			
Current tax		30.6	179.5
Deferred tax		53.5	-
<b>TOTAL TAX EXPENSE</b>		<b>827.1</b>	<b>(888.1)</b>
<b>PROFIT/(LOSS) AFTER TAX AND BEFORE MINORITY INTEREST</b>		<b>2,914.0</b>	<b>(1,241.4)</b>
Minority interest		24.6	6.4
<b>PROFIT/(LOSS) FOR THE YEAR</b>		<b>2,938.6</b>	<b>(1,235.0)</b>
<b>EARNINGS PER EQUITY SHARE</b>	35		
Basic earnings per share ₹		10.09	(4.24)
Diluted earnings per share ₹		10.09	(4.24)
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.

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

S. R. Batliboi & Associates LLP

For S.R. BATLIBOI & ASSOCIATES LLP

Chartered Accountants

ICAI Firm Registration No. 101049W

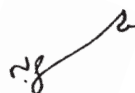


per VIKAS KUMAR PANSARI

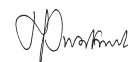
Partner

Membership No. 93649

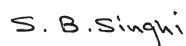
Hyderabad, May 30, 2013



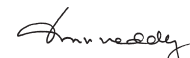
N. GOVINDARAJAN  
Managing Director



Dr. M. SIVAKUMARAN  
Director



SUDHIR B. SINGHI  
Chief Financial Officer



A. MOHAN RAMI REDDY  
AVP (Legal) &  
Company Secretary

## Consolidated Cash flow statement for the year ended March 31, 2013

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

	Year ended March 31, 2013	Year ended March 31, 2012
<b>CASH FLOW FROM</b>		
<b>OPERATING ACTIVITIES</b>		
Net profit before tax, minority interest and exceptional items	3,741.1	1,082.3
<i>Non-cash adjustment to reconcile profit before tax to net cash flows:</i>		
Depreciation and amortization	2,487.4	2,005.3
Provision for trade receivables (Net)	(16.2)	28.9
Bad debts/advances written off	246.4	34.1
Balances no longer required written back	(11.3)	(15.0)
Unrealized foreign exchange loss/(gain) (Net)	518.4	920.9
Profit on sale of investment	(46.8)	-
Loss on sale/writeoff of fixed assets (Net)	164.6	36.4
Interest expense	1,132.3	813.2
Interest income	(29.2)	(56.6)
Dividend income	-	-
Operating profit before working capital changes	8,186.7	4,849.5
Foreign currency translation adjustments	(30.2)	105.0
<i>Movements in working capital:</i>		
Increase/(decrease) in trade payables	2,973.0	(1,144.5)
Increase in inventories	(3,780.3)	(902.9)
(Increase)/decrease in trade receivables	(3,672.6)	221.7
Increase in other current/non-current assets	(157.8)	(380.7)
(Increase)/decrease in loans and advances	(121.9)	898.3
Increase/(decrease) in provision for retirement benefits	129.5	(2.5)
Increase in other current liabilities	414.5	27.2
Cash generated from operations	3,940.9	3,671.1
Direct taxes paid (Net of refunds)	(1,192.2)	(408.6)
<b>NET CASH FLOW FROM OPERATING ACTIVITIES (A)</b>	<b>2,748.7</b>	<b>3,262.5</b>
<b>CASH FLOW USED IN</b>		
<b>INVESTING ACTIVITIES</b>		
Purchase of fixed assets and intangibles, including capital work-in-progress and capital advances	(2,732.6)	(5,713.2)
Proceeds from sale of fixed assets and intangibles	56.8	47.6
Proceeds from sale of current investment	233.2	-
Share application money to others	(3.3)	(12.2)
Investment in bank deposits (Net)	(35.7)	(8.7)
Interest received	18.2	54.9
Dividend received	-	-
<b>NET CASH FLOW USED IN INVESTING ACTIVITIES (B)</b>	<b>(2,463.4)</b>	<b>(5,631.6)</b>

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

	Year ended March 31, 2013	Year ended March 31, 2012
<b>CASH FLOW FROM</b>		
<b>FINANCING ACTIVITIES</b>		
Proceeds from issuance of share capital	8.2	-
Proceeds from long-term borrowings	1,804.9	11,063.7
Repayment of long-term borrowings	(5,231.0)	(2,905.0)
Repayment of FCCBs	-	(6,207.6)
Redemption premium (Yield to Maturity) on redemption of FCCBs	-	(3,198.6)
Proceeds from short-term borrowings (Net)	6,293.7	3,529.4
Interest paid	(1,120.6)	(755.2)
Dividends and dividend tax paid	(674.3)	(338.2)
<b>NET CASH FLOW GENERATED FROM FINANCING ACTIVITIES (C)</b>	<b>1,080.9</b>	<b>1,188.5</b>
<b>NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)</b>	<b>1,366.2</b>	<b>(1,180.6)</b>
<b>CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR</b>	<b>656.4</b>	<b>1,837.1</b>
Effect of exchange differences on cash and cash equivalents	4.7	(0.1)
<b>CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>2,027.3</b>	<b>656.4</b>
<b>Components of cash and bank balances</b>		
Cash on hand	9.2	8.3
Balance with banks		
on current account	1,928.0	543.5
on cash credit account	82.3	99.2
on deposit account	89.2	53.4
on unpaid dividend account*	7.8	5.4
Cash and bank balances as per Consolidated Balance Sheet	2,116.5	709.8
Less: Fixed deposits considered as investing activities	(89.2)	(53.4)
Cash and cash equivalents considered for cash flows (Refer Note 19)	2,027.3	656.4
Summary of significant accounting policies (Refer Note 1)		
* The Group can utilize these balances only towards settlement of unpaid dividend.		

As per our report of even date.

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

S. R. Batliboi & Associates LLP

For **S.R. BATLIBOI & ASSOCIATES LLP**

Chartered Accountants

ICAI Firm Registration No. 101049W

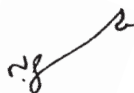


per **VIKAS KUMAR PANSARI**

Partner

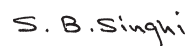
Membership No. 93649

Hyderabad, May 30, 2013



**N. GOVINDARAJAN**

Managing Director

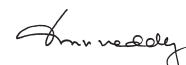


**SUDHIR B. SINGHI**  
Chief Financial Officer



**Dr. M. SIVAKUMARAN**

Director



**A. MOHAN RAMI REDDY**  
AVP (Legal) &  
Company Secretary

# Notes to Consolidated Financial Statements for the year ended March 31, 2013

## 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 for like transactions and other events in similar circumstances and are presented to the extent possible in the same manner as the Company's separate financial statements. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

Investments in subsidiaries, 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. Investments in joint ventures has been accounted using proportionate consolidation method as per AS 27 'Financial Reporting of Interests in Joint Ventures'.

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, 2013.

The Consolidated Financial Statements for the year ended March 31, 2013 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,	
			2013	2012
APL Pharma Thai Limited	Thailand	Subsidiary	97.9%	97.9%
Aurobindo Pharma Industria Farmaceutica Limiteda	Brazil	Subsidiary	99.8%	99.8%
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%
Aurobindo Pharma (Pty) Limited	South Africa	Subsidiary	100%	100%
Milpharm Limited	U.K.	Subsidiary	100%	100%
Agile Pharma B.V.	The Netherlands	Subsidiary	100%	100%
Aurobindo Pharma (Australia) Pty Limited	Australia	Subsidiary	100%	100%
Auro Healthcare (Nigeria) Limited	Nigeria	Subsidiary	100%	100%
Aurobindo Switzerland AG	Switzerland	Subsidiary	100%	100%
Aurobindo Pharma Hungary Kereskedelmi, KFT <sup>4</sup>	Hungary	Subsidiary	–	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%

(Contd...)



Notes to Consolidated Financial Statements for the year ended March 31, 2013

Name of the consolidated entities	Country of incorporation	Nature of interest	% of interest March 31,	
			2013	2012
APL IP Company Limited	Jersey	Subsidiary	100%	100%
Aurobindo Pharma Japan K.K.	Japan	Subsidiary	100%	100%
Agile Malta Holdings Limited	Malta	Subsidiary	100%	100%
Aurobindo Pharma (Malta) Limited	Malta	Subsidiary	100%	100%
APL Swift Services (Malta) Limited	Malta	Subsidiary	100%	100%
Agile Pharma (Malta) Limited	Malta	Subsidiary	100%	100%
Laboratorios Aurobindo, S.L.	Spain	Subsidiary	100%	100%
Aurobindo Pharma (Italia) S.r.l.	Italy	Subsidiary	100%	100%
Aurobindo Pharma (Portugal) Unipessoal LDA	Portugal	Subsidiary	100%	100%
Aurobindo Pharma (Bulgaria) EAD <sup>1</sup>	Bulgaria	Subsidiary	–	–
Aurobindo Pharma France SARL	France	Subsidiary	100%	100%
Aurolife Pharma LLC	U.S.A.	Subsidiary	100%	100%
Aurobindo Pharma GmbH Germany	Germany	Subsidiary	100%	100%
Aurobindo ILAC Sanayi ve Ticaret Limited Sirketi, Turkey	Turkey	Subsidiary	100%	100%
APL Research Centre Limited	India	Subsidiary	100%	100%
APL Healthcare Limited	India	Subsidiary	100%	100%
Aurosol Pharmaceuticals, LLC <sup>2</sup>	U.S.A.	Joint venture	–	–
Novagen Pharma (Pty) Limited	South Africa	Joint venture	50%	50%
Auronext Pharma Private Limited	India	Subsidiary	75%	75%
Aurobindo Pharma (Singapore) Pte Limited	Singapore	Subsidiary	100%	100%
Aurobindo Pharma B.V.	The Netherlands	Subsidiary	100%	100%
Aurobindo Pharma (Romania) s.r.l.	Romania	Subsidiary	100%	100%
Aurobindo Pharma (Poland) Sp.z.o.o.	Poland	Subsidiary	100%	100%
Aurobindo Pharma Limited, s.r.l.	Dominican Republic	Subsidiary	100%	100%
Auro Peptides Limited (w.e.f. January 2, 2012)	India	Subsidiary	100%	100%
Auro Medics Pharma LLC, USA (w.e.f. from May 18, 2011)	U.S.A.	Subsidiary	100%	100%
Zao Auros Pharma, Russia <sup>5</sup>	Russia	Joint Venture	–	50%
Aurobindo Pharma NZ Limited (w.e.f. February 10, 2012) <sup>3</sup>	New Zealand	Subsidiary	100%	100%
Aurovida Farmaceutica SA DE CV (w.e.f. February 10, 2012)	Mexico	Subsidiary	100%	100%
Auro Health LLC (w.e.f. September 13, 2012)	U.S.A.	Subsidiary	100%	–
Aurobindo Antibiotics Limited (w.e.f. July 10, 2012)	India	Subsidiary	100%	–

Notes:

<sup>1</sup> Closed its operations on August 19, 2011.

<sup>2</sup> Closed its operations on December 31, 2011.

<sup>3</sup> Aurobindo Pharma NZ Limited, New Zealand was incorporated during the year 2011-12 and there was no activity during the year ended March 31, 2013; hence the same has not been consolidated.

<sup>4</sup> Closed its operations on September 13, 2012.

<sup>5</sup> Closed during the current year without any operations.

<sup>6</sup> The figures for the subsidiaries/joint venture have been considered upto the date of disposal/closure.

## Notes to Consolidated Financial Statements for the year ended March 31, 2013

**b. Use of estimates**

The preparation of Consolidated Financial Statements in conformity with Indian GAAP requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the 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.

**c. 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 and rewards to customer and is net of trade discounts, sales returns and sales tax, where applicable. Excise duty deducted from revenue (gross) is the amount that is included in revenue (gross) and not the entire amount of liability arising during the year.
- ii. Revenue from sale of dossiers/licenses/services is recognized in accordance with the terms of the relevant agreements as 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.

**d. Fixed assets and depreciation**

- i. Fixed assets are stated at cost less accumulated depreciation, impairment losses and specific grant/subsidies, if any. Cost comprise of purchase price, freight, 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 capitalized. Indirect expenditure is capitalized to the extent those relate to the construction activity or is incidental thereto. Income earned during construction period is deducted from the total expenditure relating to construction activity.
- iii. Assets retired from active use and held for disposal are stated at their estimated net realizable values or net book values, whichever is lower.

- iv. Assets under finance leases, where there is no reasonable certainty that the 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.

**e. Intangibles**

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

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

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

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

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

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

**f. 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.

**g. Government grants and subsidies**

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

**h. Investments**

- i. Investments that are readily realizable and intended to be held for not more than 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 recognize a decline, other than temporary, in the value of the investments.

**i. Inventories**

- i. Raw materials, packing materials, stores, spares and consumables are valued at 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. Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on a 'First-in-First' out basis.

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

**j. Employee benefits**

- i. Employee benefits in the form of Provident Fund is a defined contribution scheme and the contributions are charged to the Consolidated 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 the domestic laws of the countries in which the consolidated entities operate in the year of which the contributions are due.
- 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.

**k. Income taxes**

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

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

## Notes to Consolidated Financial Statements for the year ended March 31, 2013

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 originates.

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.

Minimum alternate tax (MAT) paid in a year is charged to the statement of profit and loss as current tax. The Company recognizes MAT credit available as an asset only to the extent that there is convincing evidence that the Company will pay normal income tax during the specified period, i.e. the period for which MAT credit is allowed to be carried forward. In the year in which the company recognizes MAT credit as an asset in accordance with the Guidance Note on Accounting for Credit Available in respect of Minimum Alternative Tax under the Income Tax Act, 1961, the said asset is created by way of credit to the statement of profit and loss and shown as 'MAT Credit Entitlement.' The Company reviews the 'MAT credit entitlement' asset at each reporting date and writes down the asset to the extent the Company does not have convincing evidence that it will pay normal tax during the specified period.

#### **I. 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.

#### **m. Translation of integral and non-integral foreign operation**

In accordance with the accounting principles as prescribed under the AS 11 (Revised) and based on the analysis of relevant criteria, as explained below, the Group has designated the operations of following overseas consolidated entities viz Aurobindo Pharma Industria Farmaceutica Ltda; APL Pharma Thai Limited; Helix Healthcare B.V.; 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 France SARL; Aurobindo Pharma GmbH Germany; Aurobindo ILAC Sanayi ve Ticaret Limited Sirketi; Novagen Pharma (Pty) Limited; Aurobindo Pharma (Singapore) Pte Limited; Aurobindo Pharma B.V.; Aurobindo Pharma (Romania) s.r.l.; Aurobindo Pharma (Poland) Sp.z.o.o.; Aurobindo Pharma Limited, s.r.l.; Auro Health 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.

**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 authorisation for imports are accounted for on purchase of imported materials.

**o. 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 capitalized at the lower of the fair value and present value of the minimum lease payments at the inception of the lease term and disclosed as leased assets. Lease payments are apportioned between the finance charges and reduction of the lease liability based on the implicit rate of return. Finance charges are charged directly against income. Lease management fees, legal charges and other initial direct costs are capitalized.

Leases, where the lessor effectively retains substantially all the risks and benefits of ownership of the leased item are classified as operating leases. Operating lease payments are recognized as an expense in the consolidated 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 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.

**q. Provisions**

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

**r. Cash and cash equivalents**

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

**s. Employee stock compensation cost**

Measurement and disclosure of the employee share-based payment plans is done in accordance with SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 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.

**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 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 recognize the contingent liability but discloses its existence in the consolidated 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.



## Notes to Consolidated Financial Statements for the year ended March 31, 2013

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

		As at March 31, 2013	As at March 31, 2012
<b>2. SHARE CAPITAL</b>			
<b>AUTHORISED</b>	660,000,000 (March 31, 2012: 660,000,000)		
	equity shares of ₹1 each	<b>660.0</b>	660.0
	1,000,000 (March 31, 2012: 1,000,000)		
	preference shares of ₹100 each	<b>100.0</b>	100.0
		<b>760.0</b>	760.0
<b>ISSUED, SUBSCRIBED AND FULLY PAID-UP SHARES</b>			
	291,211,290 (March 31, 2012: 291,121,290)		
	equity shares of ₹1 each	<b>291.2</b>	291.1
	<b>TOTAL</b>	<b>291.2</b>	291.1

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

	As at March 31, 2013		As at March 31, 2012	
	Numbers	₹	Numbers	₹
<b>Equity shares</b>				
At the beginning of the year	291,121,290	291,121,290	291,121,290	291,121,290
Issued during the year under employee stock option plan	90,000	90,000	-	-
<b>Outstanding at the end of the year</b>	<b>291,211,290</b>	<b>291,211,290</b>	291,121,290	291,121,290

## b. Terms/rights attached to equity shares

The parent company has only one class of equity shares having a par values 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, 2013, the amount of dividend per share recognized as distributions to equity shareholders was ₹1.5 (March 31, 2012: ₹1) including interim dividend of ₹1 (March 31, 2012: Nil).

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, 2013		As at March 31, 2012	
	Number	% holding	Numbers	% holding
Mr. P.V. Ramprasad Reddy	19,481,440	6.69	19,481,440	6.69
Mrs. P. Suneela Rani	90,830,550	31.19	90,830,550	31.20
<b>TOTAL</b>	<b>110,311,990</b>		110,311,990	

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 32.

Notes to Consolidated Financial Statements for the year ended March 31, 2013

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

	As at March 31, 2013	As at March 31, 2012
<b>3. RESERVES AND SURPLUS</b>		
<b>CAPITAL RESERVE</b>	91.1	91.1
<b>CAPITAL REDEMPTION RESERVE</b>	90.0	90.0
<b>SECURITIES PREMIUM</b>		
<b>ACCOUNT</b> As per last Balance Sheet	4,199.1	4,199.1
Add: Premium on exercise of employee stock options	8.2	-
	<u>4,207.3</u>	<u>4,199.1</u>
<b>GENERAL RESERVE</b>		
As per last Balance Sheet	5,881.8	5,881.8
Add: Transferred from Consolidated Statement of Profit and Loss	496.0	-
	<u>6,377.8</u>	<u>5,881.8</u>
<b>FOREIGN CURRENCY TRANSLATION RESERVE</b>		
As per last Balance Sheet	390.6	(130.9)
Add: Current year translation adjustment	223.0	521.5
	<u>613.6</u>	<u>390.6</u>
<b>SURPLUS IN THE CONSOLIDATED STATEMENT OF PROFIT AND LOSS</b>		
Balance as per last financial statements	12,452.8	14,026.1
Profit/(loss) for the year	2,938.6	(1,235.0)
Less: Appropriations		
On equity shares of ₹1 each		
Proposed dividend @ ₹0.5 (Previous year - ₹1 )	145.6	291.1
Interim dividend paid @ ₹1 (Previous year - Nil)	291.2	-
Tax on dividend	72.0	47.2
Transfer to general reserve	496.0	-
Total appropriations	<u>1,004.8</u>	<u>338.3</u>
<b>NET SURPLUS IN THE CONSOLIDATED STATEMENT OF PROFIT AND LOSS</b>	<u>14,386.6</u>	<u>12,452.8</u>
<b>TOTAL</b>	<u>25,766.4</u>	<u>23,105.4</u>

## Notes to Consolidated Financial Statements for the year ended March 31, 2013

(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, 2013	As at March 31, 2012	As at March 31, 2013	As at March 31, 2012
<b>From banks - Secured</b>				
Term loans - Foreign currency	10,653.4	8,423.0	78.7	424.2
Term loans - Rupee loans	187.7	197.8	22.5	11.5
	<b>10,841.1</b>	<b>8,620.8</b>	<b>101.2</b>	<b>435.7</b>
<b>From banks - Unsecured</b>				
Term loans - Foreign currency	-	318.0	339.3	4,756.6
	-	318.0	339.3	4,756.6
<b>Other loans - Unsecured</b>				
Deferred sales tax loan	641.5	707.5	70.3	38.7
	<b>641.5</b>	<b>707.5</b>	<b>70.3</b>	<b>38.7</b>
Amount disclosed under the head				
'Other current liabilities' (Refer Note 9)			(510.8)	(5,231.0)
<b>TOTAL</b>	<b>11,482.6</b>	<b>9,646.3</b>	<b>-</b>	<b>-</b>
<b>The above amount includes</b>				
Secured borrowings	10,841.1	8,620.8	101.2	435.7
Unsecured borrowings	641.5	1,025.5	409.6	4,795.3

- i. Secured term loans in foreign currency amounting to ₹9,771.3 carry interest in the range of LIBOR plus 2% to 2.5%. Out of these loans, loans amounting to ₹5,699.9 (March 31, 2012: ₹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 ₹4,071.4 (March 31, 2012: ₹3,815.6) are repayable at the end of 5th year from the respective final draw down date. These loans are secured by first pari passu charge on all the present and future fixed assets, both movable and immovable property of the parent company.
- ii. Secured terms loan in foreign currency amounting to ₹48.2 carry an interest of 6 month LIBOR plus 50 basis points with interest payments at monthly intervals (current interest rate being 4.96% per annum). The banks shall reset the interest rates after every six months. The foreign currency term loans are repayable in 14 quarterly installments of ₹3.4 each and 4 quarterly installments of ₹5.1 each, starting from December 31, 2011. In case of higher cost of funds/non availability of foreign currency after 6 months the bank reserves the right to convert the foreign currency term loan into Indian rupee term loan with interest of base rate plus 3% (current base rate is 10.25%). Secured term loan in Indian rupee amounting to ₹210.2 carry an interest rate of 13% per annum (fixed for two years) payable monthly with reset option after 2 years. All Indian rupee term loans are repayable in 14 quarterly installments of ₹1.5 and 4 quarterly installments of ₹2.3 starting from December 31, 2011, except the term loan of ₹176.0, for which repayment of 16 equal quarterly installments of ₹11.0 shall begin after 6 months of scheduled commencement of commercial operations date as per the sanction letter but not later than September 30, 2012. These loans are secured by a 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 foreign currency term loans amounting to ₹655.7 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. Secured foreign currency term loans amounting to ₹32.5 carry interest rate of 4.60% and is payable over a period of 5 years in equal monthly installments and the last installment is payable in May, 2016. Secured foreign currency term loans amounting to ₹75.5 carry interest rate of 3.86% and is payable over a period of 5 years in equal monthly installments and the last installment is payable in September, 2016. Secured foreign currency term loans amounting to ₹21.9 carry interest rate of 3.92% and is payable over a period of 5 years in equal monthly installments and the last installment is payable in December, 2016. Secured foreign currency term loans amounting to ₹44.7 carry interest rate of 4.10% and is payable over a period of 7 years in equal monthly installments and the last installment is payable in November, 2019. Secured foreign currency term loans amounting to ₹82.3 carry interest rate of LIBOR plus 3.0% and is payable over a period of 7 years in equal monthly installments and the last installment is payable in June 2020. These loans are secured by property, fixed assets, inventory and trade receivable of Aurolife Pharma LLC, Aurobindo Pharma USA Inc and Auromedics Pharma LLC.
- iv. Unsecured term loans in foreign currency amounting to ₹339.3 carry interest rate of 3 months LIBOR plus 1.70% and the last installment is payable in May 2013.
- v. 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.

Notes to Consolidated Financial Statements for the year ended March 31, 2013

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

	As at March 31, 2013	As at March 31, 2012
<b>5. DEFERRED TAX LIABILITIES/ASSETS</b>		
<b>Deferred tax liabilities (Net) consists of</b>		
Differences in depreciation as per tax books and financial books	2,108.8	1,690.0
Provision made towards doubtful trade receivables/loans and advances	(127.0)	(120.7)
Retirement benefits	(117.5)	(74.5)
Business loss	(496.0)	(799.4)
Unabsorbed depreciation	(688.3)	(657.1)
Others	-	0.2
<b>Total deferred tax liabilities (Net)</b>	<b>680.0</b>	<b>38.5</b>
<b>Deferred tax assets (Net) consists of</b>		
Business loss	-	70.1
Others	-	(15.8)
<b>Total Deferred tax assets (Net)</b>	<b>-</b>	<b>54.3</b>

**6. PROVISIONS**

	Long-term		Short-term	
	As at March 31, 2013	As at March 31, 2012	As at March 31, 2013	As at March 31, 2012
For employee benefits				
Gratuity (Refer Note 33)	90.0	42.4	30.0	25.0
Compensated absences	-	-	252.6	175.6
	<b>90.0</b>	<b>42.4</b>	<b>282.6</b>	<b>200.6</b>
Other provisions				
For proposed dividend	-	-	145.6	291.1
For tax on proposed dividend	-	-	24.8	47.2
Provision for income tax (Net of advance tax)	-	-	347.9	124.7
	<b>-</b>	<b>-</b>	<b>518.3</b>	<b>463.0</b>
<b>TOTAL</b>	<b>90.0</b>	<b>42.4</b>	<b>800.9</b>	<b>663.6</b>

## Notes to Consolidated Financial Statements for the year ended March 31, 2013

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

	As at March 31, 2013	As at March 31, 2012
<b>7. SHORT-TERM BORROWINGS</b>		
Loans repayable on demand from banks - Working capital loans		
Cash credit facilities (secured)	72.4	5.0
Buyers credit (secured)	2,700.1	2,444.1
Buyers credit (unsecured)	1,152.4	878.5
Packing credit loans (secured)	4,737.8	4,341.2
Packing credit loans (unsecured)	6,115.0	7,654.5
Bill discounting facility (secured)	2,733.1	-
Bill discounting facility (Unsecured)	573.2	-
Short-term loans (Secured)	3,191.5	508.8
Short-term loans from banks (Unsecured)	1,085.7	250.0
TOTAL	<u>22,361.2</u>	<u>16,082.1</u>
<b>The above amount includes</b>		
Secured borrowings	13,434.9	7,299.1
Unsecured borrowings	8,926.3	8,783.0
	<u>22,361.2</u>	<u>16,082.1</u>
Secured loans amounting to ₹11,718.9 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.		
Line of credit amounting to ₹1,705.8 is secured by current assets and non-current assets of Aurolife Pharma LLC, Aurobindo Pharma USA Inc and Auromedics Pharma LLC, excluding intangible assets.		
Secured loans amounting to ₹10.2 is secured through cession over trade receivables of Novagen Pharma (Pty) Limited.		
<b>8. TRADE PAYABLES</b>		
Trade payables for supplies and services	9,687.4	6,601.4
<b>9. OTHER CURRENT LIABILITIES</b>		
Current maturities of long-term borrowings (Refer Note 4)	510.8	5,231.0
Creditors for capital goods	282.3	253.0
Trade deposits	0.1	18.8
Unclaimed dividend	7.8	5.4
Interest accrued but not due on borrowings	116.5	104.8
Advances from customers	171.3	58.5
Other payables		
Statutory liabilities	92.9	104.3
Others	327.0	27.6
TOTAL	<u>1,508.7</u>	<u>5,803.4</u>



Notes to Consolidated Financial Statements for the year ended March 31, 2013

(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
<b>AT COST OR VALUATION</b>									
At April 1, 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
Additions	0.2	45.3	32.8	1,405.1	4,651.2	168.9	46.6	62.2	6,412.3
Disposals	–	–	–	–	153.1	13.9	14.9	13.3	195.2
Other adjustments									
Exchange differences	–	(14.4)	(1.4)	(81.3)	(118.2)	(2.8)	(2.2)	(2.4)	(222.7)
<b>At March 31, 2013</b>	<b>60.7</b>	<b>674.3</b>	<b>65.1</b>	<b>7,345.5</b>	<b>24,845.3</b>	<b>745.9</b>	<b>176.5</b>	<b>374.5</b>	<b>34,287.8</b>
<b>DEPRECIATION</b>									
At April 1, 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
Charge for the year	1.5	3.6	3.7	221.5	1,679.4	77.8	19.3	23.1	2,029.9
Disposals	–	–	–	–	111.0	11.5	8.5	6.4	137.4
Other adjustments									
Exchange differences	–	(0.6)	(0.1)	(5.1)	(19.2)	(1.1)	(1.6)	(1.2)	(28.9)
<b>At March 31, 2013</b>	<b>8.1</b>	<b>12.9</b>	<b>14.4</b>	<b>992.7</b>	<b>8,380.8</b>	<b>316.7</b>	<b>63.7</b>	<b>108.0</b>	<b>9,897.3</b>
<b>Net Block</b>									
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
<b>At March 31, 2013</b>	<b>52.6</b>	<b>661.4</b>	<b>50.7</b>	<b>6,352.8</b>	<b>16,464.5</b>	<b>429.2</b>	<b>112.8</b>	<b>266.5</b>	<b>24,390.5</b>

**Capital work-in-progress** ₹1,995.9 (₹5,999.6).

1. The title deeds of land and buildings aggregating to ₹155.8 (March 31, 2012: 148.4) are pending transfer to the Company's name.
2. Capital work-in-progress include expenditure during construction period amounting to ₹506.9 (March 31, 2012: ₹1,296.7) (Refer Note 34).
3. An amount of ₹Nil (March 31, 2012: ₹4.5) is transferred from capital work-in-progress to assets held for sale.
4. Depreciation for the year include ₹2.5 (March 31, 2012: ₹4.2) taken as pre-operative capital expenditure on capital projects pending capitalization.
5. Details of finance lease (Refer Note 37).
6. Land to the extent of 100.44 acres amounting to ₹99.0 (March 31, 2012: Nil ) has been attached by the Directorate of Enforcement in a legal case pertaining to the parent company.

## Notes to Consolidated Financial Statements for the year ended March 31, 2013

(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
<b>GROSS BLOCK</b>				
At April 1, 2011	505.6	69.5	1,375.7	1,950.8
Additions	-	43.4	961.8	1,005.2
Internal development				-
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
Additions	-	108.8	379.6	488.4
Disposals	-	70.2	158.1	228.3
Other adjustments				
Exchange differences	(13.0)	(9.5)	(49.8)	(72.3)
<b>At March 31, 2013</b>	<b>554.4</b>	<b>112.8</b>	<b>2,679.7</b>	<b>3,346.9</b>
<b>Amortization</b>				
At April 1, 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
Charge for the year	-	39.3	420.7	460.0
Disposals	-	-	64.2	64.2
Other adjustments				
Exchange differences	-	2.5	(15.3)	(12.8)
<b>At March 31, 2013</b>	<b>-</b>	<b>80.5</b>	<b>1,268.2</b>	<b>1,348.7</b>
<b>Net Block</b>				
At March 31, 2012	541.4	21.0	1,512.0	2,074.4
<b>At March 31, 2013</b>	<b>554.4</b>	<b>32.3</b>	<b>1,411.5</b>	<b>1,998.2</b>

Intangibles under development ₹189.2 (₹454.5).

Notes to Consolidated Financial Statements for the year ended March 31, 2013

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

	As at March 31, 2013	As at March 31, 2012
<b>12. NON-CURRENT INVESTMENTS</b>		
<b>Trade investments</b>		
<b>Long-term, unquoted, in fully paid equity shares (at cost unless stated otherwise)</b>		
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. 2,376,000 (Nil) equity shares of Silicon Life Sciences Limited of ₹10	23.8	-
v. 10% (10%) of Paid-in-Capital of Aurobindo (Datong) Bio-Pharma Company Limited, China (Refer Note 17 for current portion)	196.2	196.2
TOTAL (A)	<u>221.2</u>	<u>197.4</u>
<b>Non-trade investments</b>		
<b>Long-term, unquoted and at cost, in government securities</b>		
i. Kisan Vikas Patra	1.0	1.0
ii. National Savings Certificate [includes ₹0.1 held by income tax authorities (March 31, 2012: ₹0.1)]	0.2	0.2
TOTAL (B)	<u>1.2</u>	<u>1.2</u>
TOTAL (A+B)	<u>222.4</u>	<u>198.6</u>
Notes:		
1. Aggregate value of unquoted investments	222.4	198.6
2. Aggregate provision for diminution in the value of investments	-	-

## Notes to Consolidated Financial Statements for the year ended March 31, 2013

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

	Non-current		Current	
	As at March 31, 2013	As at March 31, 2012	As at March 31, 2013	As at March 31, 2012
<b>13. LOANS AND ADVANCES</b>				
(Unsecured, considered good except stated otherwise)				
<b>Capital advances</b>				
Considered good	187.5	54.8	–	–
Doubtful	0.8	0.8	–	–
	188.3	55.6	–	–
Provision for doubtful advances	0.8	0.8	–	–
TOTAL (A)	187.5	54.8	–	–
<b>Trade deposit</b>				
Considered good	281.5	211.7	9.3	10.7
Doubtful	0.4	0.4	–	–
	281.9	212.1	9.3	10.7
Provision for doubtful deposit	0.4	0.4	–	–
TOTAL (B)	281.5	211.7	9.3	10.7
<b>Advances recoverable in cash or kind</b>				
Considered good	84.3	94.4	859.8	1,074.1
Doubtful	35.1	35.1	–	–
	119.4	129.5	859.8	1,074.1
Provision for doubtful advances	35.1	35.1	–	–
TOTAL (C)	84.3	94.4	859.8	1,074.1
<b>Other loans and advances</b>				
Advance income tax (Net of provision for taxation)	420.6	389.0	79.9	93.1
MAT credit entitlement	1,265.0	–	–	–
Share application money to others	–	20.5	–	–
Loans to others	–	–	70.3	187.6
Loans to employees	30.2	29.1	66.2	57.2
Export rebate claims receivable	–	–	1,245.7	981.8
Balances with statutory/government authorities	159.0	281.7	989.6	744.0
TOTAL (D)	1,874.8	720.3	2,451.7	2,063.7
TOTAL (A+B+C+D)	2,428.1	1,081.2	3,320.8	3,148.5

Refer Note 40 for advances due from private companies or partnership firms in which parent company's Director is a director or partner.

Notes to Consolidated Financial Statements for the year ended March 31, 2013

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

	Non-current		Current	
	As at March 31, 2013	As at March 31, 2012	As at March 31, 2013	As at March 31, 2012
<b>14. TRADE RECEIVABLES</b>				
(Unsecured, considered good unless stated otherwise)				
<b>Outstanding for a period exceeding six months from the date they are due for payment</b>				
Considered good	–	–	801.1	435.0
Doubtful	14.6	238.8	259.2	53.6
	14.6	238.8	1,060.3	488.6
Provision for doubtful receivables	14.6	238.8	259.2	53.6
TOTAL (A)	–	–	801.1	435.0
<b>Others</b>				
Considered good	–	–	15,168.7	11,964.6
Doubtful	–	–	2.4	–
	–	–	15,171.1	11,964.6
Provision for doubtful receivables	–	–	2.4	–
TOTAL (B)	–	–	15,168.7	11,964.6
TOTAL (A+B)	–	–	15,969.8	12,399.6

Refer Note 41 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, 2013	As at March 31, 2012
<b>15. OTHER CURRENT ASSETS</b>		
(Unsecured, considered good unless stated otherwise)		
Unamortized premium on forward contract	–	29.6
Insurance claim receivable	38.3	127.3
Export incentives receivable	608.0	486.1
Assets held for sale	64.3	67.0
Interest accrued on deposits	21.8	10.8
Interest accrued on investments	0.6	0.6
Receivables - Others	23.1	19.9
TOTAL	756.1	741.3
<b>16. OTHER NON-CURRENT ASSETS</b>		
(Unsecured, considered good unless stated otherwise)		
Export incentives receivable	154.6	–
Non-current bank balances (Refer Note 19)	32.0	1.2
TOTAL	186.6	1.2



## Notes to Consolidated Financial Statements for the year ended March 31, 2013

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

	As at March 31, 2013	As at March 31, 2012
<b>17. CURRENT INVESTMENTS</b>		
<b>Current portion of long-term investment (at cost)</b>		
Nil (9.5%) of Paid-in-Capital of Aurobindo (Datong) Bio-Pharma Company Limited, China (unquoted, in fully paid equity shares)	–	186.4
<b>Unquoted, in fully paid equity shares, at lower of cost and market value</b>		
70,000 (70,000) shares of Citadel Aurobindo Biotech Limited of ₹100 each [Aggregate provision for diminution in value of ₹7.0 (March 31, 2012: ₹7.0)]	–	–
<b>Quoted, in fully paid equity shares, at lower of cost and market value</b>		
4,520 (4,520) equity shares of Andhra Bank of ₹10 each	0.4	0.4
<b>TOTAL</b>	<b>0.4</b>	<b>186.8</b>
1. Aggregate value of unquoted investments	–	186.4
2. Aggregate value of quoted investments	0.4	0.4
3. Market value of quoted investments	0.4	0.6
4. Aggregate provision for diminution in the value of investments	7.0	7.0
<b>18. INVENTORIES</b>		
(Valued at lower of cost and net realizable value)		
Raw materials (includes in transit ₹316.1 (March 31, 2012: ₹453.5))	7,297.2	6,084.5
Packing materials	808.5	905.4
Work-in-progress (Refer Note 23)	5,072.2	4,472.1
Finished goods (includes in transit ₹65.4 (March 31, 2012 ₹186.4) (Refer Note 23))	5,138.8	3,277.9
Trading goods (Refer Note 23)	185.6	124.1
Stores, spares and consumables	733.6	591.6
<b>TOTAL</b>	<b>19,235.9</b>	<b>15,455.6</b>

	Non-current		Current	
	As at March 31, 2013	As at March 31, 2012	As at March 31, 2013	As at March 31, 2012
<b>19. CASH AND BANK BALANCES</b>				
<b>Cash and cash equivalents</b>				
Balances with banks:				
On current accounts	–	–	1,928.0	543.5
On cash credit accounts	–	–	82.3	99.2
On unpaid dividend account	–	–	7.8	5.4
Cash on hand	–	–	9.2	8.3
	–	–	<b>2,027.3</b>	<b>656.4</b>
<b>Other bank balances</b>				
Deposits with original maturity for more than 12 months	–	–	4.4	2.8
Deposits with original maturity for more than 3 months but less than 12 months	–	–	35.6	33.3
Margin money deposit*	32.0	1.2	17.2	16.1
	<b>32.0</b>	<b>1.2</b>	<b>57.2</b>	<b>52.2</b>
Amount disclosed under non-current assets (Refer Note 16)	<b>(32.0)</b>	<b>(1.2)</b>	<b>–</b>	<b>–</b>
<b>TOTAL</b>	<b>–</b>	<b>–</b>	<b>2,084.5</b>	<b>708.6</b>

\* Given against bank guarantees and performance guarantees. Margin money deposits include deposits of the parent company attached by Enforcement Directorate of ₹30.0 (March 31, 2012: Nil).

Notes to Consolidated Financial Statements for the year ended March 31, 2013

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

	Year ended March 31, 2013	Year ended March 31, 2012	
<b>20. REVENUE FROM OPERATIONS (GROSS)</b>			
Sale of products	58,433.7	45,855.0	
Sale of services	852.7	626.2	
<b>Other operating revenue</b>			
Scrap sales	36.5	46.1	
Export incentives	685.4	722.3	
<b>TOTAL</b>	<b>60,008.3</b>	<b>47,249.6</b>	
<b>Details of services</b>			
Dossier income	759.8	598.6	
Service income	92.9	27.6	
<b>TOTAL</b>	<b>852.7</b>	<b>626.2</b>	
<b>21. OTHER INCOME</b>			
Interest income on			
Bank deposits	4.2	37.4	
Others advances and deposits	25.0	19.2	
Dividend income on current investments - trade	-	-	
Provision no longer required on doubtful debts written back	15.0	-	
Balances no longer required written back	11.3	15.0	
Profit on sale of investment	46.8	-	
Commission income	22.0	15.9	
Miscellaneous income	161.1	159.5	
<b>TOTAL</b>	<b>285.4</b>	<b>247.0</b>	
<b>22. COST OF MATERIALS CONSUMED</b>			
Raw material consumed			
Opening stock	6,084.5	5,705.3	
Add: Purchases	29,492.8	22,515.6	
	<b>35,577.3</b>	<b>28,220.9</b>	
Less: Closing stock	7,297.2	6,084.5	
<b>Cost of raw material consumed</b>	<b>28,280.1</b>	<b>22,136.4</b>	
Adjustment for fluctuation in exchange rates	22.4	(18.5)	
Packing materials consumed	2,611.9	2,125.9	
<b>TOTAL</b>	<b>30,914.4</b>	<b>24,243.8</b>	
<b>23. INCREASE IN WORK-IN-PROGRESS, TRADED AND FINISHED GOODS</b>	<b>Year ended</b>	<b>Year ended</b>	<b>Increase</b>
<b>Inventories at the beginning of the year</b>	<b>March 31, 2013</b>	<b>March 31, 2012</b>	<b>March 31, 2013</b>
Traded goods	124.1	57.0	(61.5)
Work-in-progress	4,472.1	4,488.9	(600.1)
Finished goods	3,277.9	3,055.7	(1,860.9)
	<b>7,874.1</b>	<b>7,601.6</b>	<b>(2,522.5)</b>
<b>Inventories at the end of the year</b>			March 31, 2012
Traded goods	185.6	124.1	(67.1)
Work-in-progress	5,072.2	4,472.1	(16.8)
Finished goods	5,138.8	3,277.9	(222.2)
	<b>10,396.6</b>	<b>7,874.1</b>	<b>(272.5)</b>
On account of stock written off	325.6	180.4	
Adjustment for fluctuation in exchange rates	(145.6)	(392.3)	
<b>TOTAL</b>	<b>(2,702.5)</b>	<b>(60.6)</b>	

## Notes to Consolidated Financial Statements for the year ended March 31, 2013

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

	Year ended March 31, 2013	Year ended March 31, 2012
<b>24. EMPLOYEE BENEFIT EXPENSES</b>		
Salaries, wages and bonus	5,880.7	4,801.6
Contribution to provident and other funds	237.6	206.4
Retirement benefits (Refer Note 33)	190.4	115.8
Staff welfare expenses	324.4	233.1
TOTAL	<u>6,633.1</u>	<u>5,356.9</u>
<b>25. OTHER EXPENSES</b>		
Conversion charges	331.4	233.1
Consumption of stores and spares	664.6	672.2
Chemicals consumed	823.5	818.2
Power and fuel	3,247.2	2,323.6
Carriage inward	433.6	350.5
Factory maintenance	156.7	157.9
Effluent treatment expenses	55.3	41.1
Decrease/(Increase) of excise duty on inventory (Refer Note 39)	4.2	(31.8)
Repairs and maintenance		
i. Plant and machinery	452.7	379.4
ii. Buildings	182.7	169.4
iii. Others	71.1	58.4
Rent	84.2	84.4
Rates and taxes	121.6	109.6
Printing and stationery	98.1	107.1
Postage and telephones	79.6	57.7
Insurance	229.7	172.3
Legal and professional charges	507.7	469.0
Directors' sitting fees	0.7	0.9
Remuneration to auditors	7.6	7.3
Sales commission	298.1	237.2
Carriage outwards	1,752.2	1,348.9
Selling expenses	880.4	372.9
Rebates and discounts	129.1	123.0
Travelling and conveyance	200.4	166.4
Vehicle maintenance expenses	41.2	31.7
Analytical charges	365.8	343.9
Bad debts/advances written off	246.4	34.1
Provision for trade receivables (Net)	-	28.8
Donations	3.2	4.6
Registration, license and filing charges	600.2	105.7
Foreign exchange loss (Net)	281.2	488.2
Product development expenses	57.6	49.9
Safety and security	12.3	8.9
Product destruction expenses/Stock written off	357.4	211.8
Software license and implementation expenses	15.7	18.1
Loss on sale/writeoff of fixed assets (Net)	164.6	36.4
Miscellaneous expenses	444.9	315.7
TOTAL	<u>13,402.9</u>	<u>10,106.5</u>

Notes to Consolidated Financial Statements for the year ended March 31, 2013

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

	Year ended March 31, 2013	Year ended March 31, 2012
<b>26. DEPRECIATION/AMORTIZATION</b>		
Depreciation of tangible assets	2,027.4	1,642.4
Amortization of intangible assets	460.0	362.9
TOTAL	<u>2,487.4</u>	<u>2,005.3</u>
<b>27. FINANCE COSTS</b>		
Interest	1,132.3	813.2
Bank charges	180.9	214.5
Exchange difference to the extent considered as an adjustment to borrowing costs	1,353.2	1,744.7
TOTAL	<u>2,666.4</u>	<u>2,772.4</u>
<b>28. EXCEPTIONAL ITEMS</b>		
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)	-	13.2
TOTAL	<u>-</u>	<u>3,211.8</u>

Note:

- i. The outstanding Tranche A and Tranche B Zero Coupon Foreign Currency Convertible Bonds ('FCCB' or 'Bonds') of USD 139.2 Million, issued in May 2006, were repaid in entirety on maturity in the previous year along with the redemption premium (Yield to Maturity) amounting to ₹3,198.6, inclusive of withholding taxes.
- ii. During the previous year, the Group has disposed of its subsidiary Aurobindo Pharma (Bulgaria) EAD and Aurosal Pharmaceuticals, LLC, U.S.A. a 50% joint venture entity.

**29. Capital and other commitments**

Estimated amount of contracts (Net of advances) remaining to be executed on capital account and not provided for - ₹299.6 (March 31, 2012: ₹483.6).

**30. Contingent liabilities**

	As at March 31, 2013	As at March 31, 2012
Outstanding bank guarantees	486.3	397.4
Claims arising from disputes not acknowledged as debts - indirect taxes (excise duty and service tax)*	196.3	140.7
Claims arising from disputes not acknowledged as debts - direct taxes*	105.0	105.0
Claims against the Group not acknowledged as debts*	493.1	23.7

\* in respect of above matters, future cash outflows in respect of contingent liabilities are determinable only on receipt of judgements pending at various forums/authorities.

## Notes to Consolidated Financial Statements for the year ended March 31, 2013

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

31. The income tax authorities had carried out search operations on the parent company at certain locations during the previous 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 had decided to offer an additional income and to pay the resultant tax. Accordingly, provision for income tax of ₹48.7 on this additional income had been made in the previous year. The proceedings are in progress and no other material implications are expected by the management in this matter.

**32. 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 01, 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.

The details of options outstanding of ESOP 2004 Scheme:

	As at March 31, 2013	As at March 31, 2012
Options outstanding at the beginning of the year	–	11,345
Granted during the year	–	–
Vested/exercisable during the year	–	–
Exercised during the year	–	–
Forfeited during the year subject to reissue	–	11,345
Options outstanding at end of the year	–	–
Exercisable at the end of the year	–	–
Weighted average exercise price (₹)	–	72.52
Weighted average fair value of options at the date of grant (₹)	–	75.03

**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 3,210,500 options under seven grants of 175,000, 25,000, 90,000, 1,205,000, 300,000, 500,000 and 915,500 options to eligible employees on October 30, 2006, July 31, 2007, October 31, 2007, December 16, 2011, June 19, 2012, January 09, 2013 and January 28, 2013 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, ₹91.60, ₹106.05, 200.70 and ₹187.40 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.

Notes to Consolidated Financial Statements for the year ended March 31, 2013

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

The details of options outstanding of ESOP 2006 Scheme:

	As at March 31, 2013	As at March 31, 2012
Options outstanding at the beginning of the year	1,255,000	250,000
Granted during the year	1,715,500	1,205,000
Vested/exercisable during the year	–	12,500
Exercised during the year	90,000	–
Forfeited during the year subject to reissue	416,500	200,000
Options outstanding at end of the year	2,464,000	1,255,000
Exercisable at the end of the year	43,000	50,000
Weighted average exercise price (₹)	99.59	97.07
Weighted average fair value of options at the date of grant (₹)	118.34	115.56

	Range of exercise prices (₹)	Number of options outstanding	Weighted average remaining contractual life of options (in years)
<b>As at March 31, 2013</b>	<b>91 to 201</b>	<b>2,464,000</b>	<b>5.30</b>
As at March 31, 2012	91 to 133	1,255,000	5.53

**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, 2013	Year ended March 31, 2012
<b>Profit/(loss) after taxation</b>		
As reported in Consolidated Statement of Profit and Loss	2,938.6	(1,235.0)
Less: Additional employee compensation cost based on Fair Value	2.9	0.7
Profit/(loss) after taxation as per Fair Value Method	2,935.7	(1,235.7)
<b>Earnings per share</b>		
<b>Basic</b>		
No. of shares	291,141,509	291,121,290
EPS as reported (₹)	10.09	(4.24)
EPS as per Fair Value Method (₹)	10.08	(4.24)
<b>Diluted</b>		
No. of shares	291,355,959	291,127,562
EPS as reported (₹)	10.09	(4.24)
EPS as per Fair Value Method (₹)	10.08	(4.24)

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

	As at March 31, 2013 ESOP 2006	As at March 31, 2012 ESOP 2006
Risk-free interest rate (%)	8	8
Expected life of options (Years)	6	6
Expected volatility (%)	0.31	4.32
Dividend yield	1.33	1.33



## Notes to Consolidated Financial Statements for the year ended March 31, 2013

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

**33. Retirement benefits**

	Year ended March 31, 2013	Year ended March 31, 2012
<b>a. Disclosures related to defined contribution plan</b>		
Provident fund contribution recognized as expense in the Consolidated Statement of Profit and Loss	90.9	82.8

**b. Disclosures related to defined benefit plan**

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

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

**Consolidated Statement of Profit and Loss**

	Year ended March 31, 2013	Year ended March 31, 2012
<b>Net employee benefit expense (included under employee benefit expenses)</b>		
Current service cost	43.4	38.3
Interest cost on benefit obligation	23.9	18.9
Expected return on plan assets	(16.3)	(9.5)
Net actuarial (gain)/loss recognized in the year	32.1	5.9
Net benefit expense	83.1	53.6
Actual return on plan assets	16.5	12.8

**Consolidated Balance Sheet**

	As at March 31, 2013	As at March 31, 2012
<b>Details of provision for gratuity</b>		
Defined benefit obligation (DBO)*	317.7	240.9
Fair value of plan assets (FVPA)**	202.7	174.7
<b>Net plan liability</b>	115.0	66.2

\* DBO as at March 31, 2011 - ₹193.3, March 31, 2010 - ₹152.9, March 31, 2009 - ₹107.7.

\*\* FVPA as at March 31, 2011 - ₹102.3, March 31, 2010 - ₹83.1, March 31, 2009 - ₹72.2.

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

	Year ended March 31, 2013	Year ended March 31, 2012
Opening defined benefit obligation	240.9	193.3
Current service cost	43.4	38.3
Interest cost	23.9	18.9
Benefits paid	(22.8)	(18.8)
Actuarial (gains)/losses on obligation*	32.3	9.2
<b>Closing defined benefit obligation</b>	317.7	240.9

\* Experience adjustments on plan liabilities March 31, 2013: ₹4.8, March 31, 2012: ₹12.6, March 31, 2011: ₹9.6, March 31, 2010: ₹7.6 and March 31, 2009: ₹6.2.

Notes to Consolidated financial statements for the year ended March 31, 2013

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

**Changes in fair value of plan assets**

	Year ended March 31, 2013	Year ended March 31, 2012
Opening fair value of plan assets	174.7	102.3
Expected return	16.3	9.5
Contributions by employer	34.3	78.4
Benefits paid	(22.8)	(18.8)
Actuarial gains/(losses)*	0.2	3.3
<b>Closing fair value of plan assets</b>	<b>202.7</b>	<b>174.7</b>

\* Experience adjustments on plan assets March 31, 2013: ₹0.3, March 31, 2012: ₹3.3, March 31, 2011: ₹0.7, March 31, 2010: ₹0.4 and March 31, 2009: ₹0.9.

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

	As at March 31, 2013	As at March 31, 2012
Discount rate (p.a.) (%)	8.10	8.65
Expected return on assets (p.a.) (%)	7.50	7.50
<b>Employee turnover:</b>		
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 ₹30.0 (March 31, 2012: ₹25.0) to the qualifying insurance policy in 2013-14.
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 ₹6.3 (March 31, 2012: ₹0.8) and net plan liability of ₹5.0 (March 31, 2012: ₹1.2) relating to other components of the Group.

Notes to Consolidated financial statements for the year ended March 31, 2013

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

**34. Expenditure during construction period pending capitalization**

	As at March 31, 2013	As at March 31, 2012
<b>Balance brought forward</b>	<b>1296.7</b>	745.6
Add: Incurred during the year		
Salaries, wages and bonus	122.4	170.8
Staff welfare expenses	2.4	3.9
Consumption of raw material for testing	112.1	58.2
Consumption of stores and spares	60.7	114.7
Carriage inwards	0.5	1.0
Power and fuel	151.0	177.9
Conversion charges	10.0	9.8
Rates and taxes	2.0	7.5
Printing and stationery	2.6	4.2
Postage and telephones	0.3	0.8
Insurance	4.4	3.5
Legal and professional charges	10.9	15.2
Travelling and conveyance	2.5	2.6
Depreciation	2.5	4.2
Interest and finance charges	-	17.3
Installation and commissioning expenses	-	1.1
Chemicals consumed	-	4.5
Repairs and maintenance	-	1.2
Miscellaneous expenses	24.5	30.8
SUB TOTAL	<b>1,805.5</b>	1,374.8
Less: Capitalized to fixed assets during the year	<b>1,298.6</b>	78.1
<b>Balance carried forward</b>	<b>506.9</b>	1,296.7

**35. Earnings per share**

	Year ended March 31, 2013	Year ended March 31, 2012
Consolidated profit /(loss) after tax and minority interest considered for calculation of basic and diluted earnings per share	2,938.6	(1,235.0)
Weighted average number of equity shares considered for calculation of basic earnings per share (a)	291,141,509	291,121,290
Effect of dilution on account of Employee Stock Options granted (b)	214,450	6,272
Weighted average number of equity shares considered for calculation of diluted earnings per share (a+b)	291,355,959	291,127,562

### 36. Related party disclosures

#### i. Names of related parties and description of relationship

##### a. Jointly controlled enterprises

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 (Closed during the current year)

##### 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

Pranit Packaging Private Limited, India

Matri Mirra Packaging Private Limited, India

Vaxer Pharma Limited, India

Veritaz Healthcare Limited, India

Silicon Life Sciences Private Limited, India

Orem Access Bio Inc, India

ABS Mercantile Private Limited, India

##### c. Key managerial personnel

Mr. P.V. Ramprasad Reddy, Chairman (Resigned as Chairman w.e.f. June 01, 2012 and retired as Whole-time Director w.e.f. December 1, 2012)

Mr. K. Nithyananda Reddy, Whole-time Director

Dr. M. Sivakumaran, Whole-time Director

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

Mr. N. Govindarajan, Managing Director

Mr. Ravindra Shenoy, Joint Managing Director (Resigned w.e.f. November 9, 2012)

##### d. Relative to key managerial personnel

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

Mrs. Kambam Kirthi Reddy (Daughter of Mr. K. Nithyananda Reddy, Whole-time 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, 2013	Year ended March 31, 2012
<b>Pravesha Industries Private Limited, India</b>		
Sale of goods	0.4	6.3
Purchase of goods	1,079.6	1,103.2
Purchase of fixed assets	-	0.3
Sale of fixed assets	8.9	-
Rent received	0.6	0.1
Balance receivable	9.1	25.2
Balance payable	14.5	23.9

Notes to Consolidated financial statements for the year ended March 31, 2013

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

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
<b>Sri Sai Packaging, India</b>		
Sale of goods	0.3	0.2
Sale of fixed assets	0.2	-
Purchase of goods	122.1	103.1
Balance receivable	-	2.1
<b>Axis Clinicals Limited, India</b>		
Purchase of services	337.0	334.5
Electricity expenses	0.9	5.8
Rent expenses	2.6	12.1
Purchase of fixed assets	0.6	5.9
Balance payable	50.0	47.1
<b>Trident Chemphar Limited, India</b>		
Sale of goods	218.5	336.3
Purchase of goods	299.3	36.3
Balance receivable	116.5	273.5
Balance payable	62.5	8.1
<b>Auropro Soft Systems Private Limited, India</b>		
Purchase of stores and spares	3.2	2.4
Purchase of services	16.8	15.1
Purchase of fixed assets	-	12.8
Balance receivable	-	-
Balance payable	-	0.1
<b>Pranit Packaging Private Limited, India</b>		
Purchase of goods	75.4	53.0
Sale of goods	-	-
Sale of fixed assets	1.1	-
Balance receivable	1.1	-
Balance payable	-	1.4
<b>Pranit Projects Private Limited, India</b>		
Purchase of services (Civil services)	22.7	58.9
Balance payable	2.5	4.0
<b>Matri Mirra Packaging Private Limited, India</b>		
Purchase of goods	127.5	50.0
Sale of goods	19.5	0.9
Balance receivable	-	3.6
<b>Vaxer Pharma Limited, India</b>		
Sale of goods	18.8	-
Balance receivable	6.8	-
<b>Veritaz Healthcare Limited, India</b>		
Sale of goods	4.9	-
<b>Silicon Life Sciences Private Limited, India</b>		
Purchase of goods	26.6	-
Sale of goods	0.7	-
Share application given pending allotment (Closing balance)	-	-

Notes to Consolidated financial statements for the year ended March 31, 2013

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

Particulars	Year ended March 31, 2013	Year ended March 31, 2012
<b>Orem Access Bio Inc, India</b>		
Purchase of goods	41.8	–
Balance receivable	8.5	–
<b>ABS Mercantiles Private Limited, India</b>		
Purchase of goods	0.4	–
Reimbursement of expenses	0.9	–
Unsecured loans received and repaid	0.5	–
<b>b. Transactions with jointly controlled enterprises</b>		
<b>Novagen Pharma (Pty) Limited, South Africa</b>		
Sale of goods	123.6	344.3
Services rendered	12.3	12.4
Purchase of goods	–	–
Sale of Dossiers	108.1	–
Balance (payable)/receivable	(17.1)	197.4
<b>c. Transactions with key managerial personnel</b>		
<b>Mr. P.V. Ramprasad Reddy</b>		
Managerial remuneration	6.6	8.7
<b>Mr. K. Nithyananda Reddy</b>		
Managerial remuneration	9.1	8.7
Rent expense	1.6	1.6
<b>Dr. M. Sivakumaran</b>		
Managerial remuneration	9.1	8.7
<b>Mr. M. Madan Mohan Reddy</b>		
Managerial remuneration	9.1	8.7
<b>Mr. P. Sarath Chandra Reddy</b>		
Directors sitting fees	0.1	0.1
<b>Mrs. Kambam Kirthi Reddy</b>		
Remuneration	–	0.7
<b>Mr. Vishnu M. Sriram</b>		
Remuneration	3.3	3.0
<b>Mr. N. Govindarajan</b>		
Managerial remuneration	43.1	–
Balance payable	25.0	–
<b>Mr. Ravindra Shenoy</b>		
Managerial remuneration	3.6	–



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

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

### 37. 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 Consolidated statement of profit and loss is ₹84.2 (March 31, 2012: ₹84.4).

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 ₹65.0 (March 31, 2012: ₹30.9).
- iii. The net carrying amount of the buildings obtained on finance lease - ₹50.7 (March 31, 2012: ₹20.3).

### 38. 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 \$ Nil, ₹Nil (March 31, 2012: US \$ 18,000,000, ₹915.8) - To hedge receivables in foreign currency.

US \$ Nil, ₹Nil (March 31, 2012: US \$ 27,000,000, ₹1,373.6) - To hedge external commercial borrowing draw down.

- 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, 2013	As at March 31, 2012
Loans availed	(26,696.2)	(26,943.2)
Trade receivables	16,014.4	9,289.5
Loans and advances (including other current assets)	854.0	1,069.4
Trade payables (including creditors for capital goods)	(3,583.8)	(1,672.3)
Interest accrued but not due	(107.3)	(81.1)
Investments	6,552.1	6,059.8
Bank balances	1,008.2	19.6

39. In accordance with paragraph 10 of Notified Accounting Standard 9 on Revenue Recognition, excise duty on sales amounting to ₹1,455.1 (March 31, 2012: ₹975.6) 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 ₹4.2 (March 31, 2012: ₹31.8) has been debited (March 31, 2012: credit) to the Consolidated Statement of Profit and Loss.

40. Details of advances due from private companies in which parent company's director is a director.

Pravesha Industries Private Limited, India ₹Nil (March 31, 2012: ₹22.7)

41. i. Details of trade receivables due from private companies in which parent company's director is a director.

Pravesha Industries Private Limited, India ₹9.1 (March 31, 2012: ₹2.5)

- 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, 2012: ₹Nil)

42. The amount of research and development expenditure charged to Consolidated Statement of Profit and Loss is ₹2,326.7 (March 31, 2012: ₹1,592.9)

**43. 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. ZAO Auros Pharma incorporated in Russia during the previous year, is engaged in distribution of pharmaceuticals products. The entity has been closed during the current year.

**Notes:**

- i. Contingent liabilities of the above joint venture entities ₹Nil (March 31, 2012: ₹Nil).
- ii. Capital commitments of the above joint venture entities ₹Nil (March 31, 2012: ₹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, 2013 are given below:

Particulars	2012-13		
	Gross amount	Adjustments/ Eliminations	Net amount
<b>Consolidated Balance Sheet</b>			
Current assets	301.9	67.4	234.5
Non-current assets	102.5	98.4	4.1
<b>Total assets</b>	<b>404.4</b>	<b>165.8</b>	<b>238.6</b>
Current liabilities	84.4	-	84.4
Non-current liabilities	-	-	-
<b>Total liabilities</b>	<b>84.4</b>	<b>-</b>	<b>84.4</b>
<b>Consolidated Statement of Profit and Loss</b>			
<b>Income</b>			
Revenue from operations	765.7	-	765.7
Other income	0.6	-	0.6
	<b>766.3</b>	<b>-</b>	<b>766.3</b>
<b>Expenditure</b>			
Purchase of traded goods	137.5	123.5	14.0
Decrease in work-in-progress, traded and finished goods	129.6	73.5	56.1
Employee benefit expenses	38.6	-	38.6
Other expenses	362.6	(27.9)	390.5
Depreciation	0.6	-	0.6
Finance costs	0.2	-	0.2
	<b>669.1</b>	<b>169.1</b>	<b>500.0</b>
Profit before tax	97.2	(169.1)	266.3
Income tax expense	27.8	-	27.8
Profit after tax	<b>69.4</b>	<b>(169.1)</b>	<b>238.5</b>

## Notes to Consolidated financial statements for the year ended March 31, 2013

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

Particulars	2011-12		
	Gross amount	Adjustments/ Eliminations	Net amount
<b>Consolidated Balance Sheet</b>			
Current assets	400.5	122.4	278.1
Non-current assets	13.2	-	13.2
<b>Total assets</b>	<b>413.7</b>	<b>122.4</b>	<b>291.3</b>
Current liabilities	230.6	196.0	34.6
Non-current liabilities	-	-	-
<b>Total liabilities</b>	<b>230.6</b>	<b>196.0</b>	<b>34.6</b>
<b>Consolidated Statement of Profit and Loss</b>			
<b>Income</b>			
Revenue from operations	705.7	-	705.7
Other income	-	(3.0)	3.0
	<b>705.7</b>	<b>(3.0)</b>	<b>708.7</b>
<b>Expenditure</b>			
Purchase of traded goods	348.3	343.1	5.2
Increase 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
	<b>588.4</b>	<b>302.9</b>	<b>285.5</b>
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

**44. 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.

## 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, 2013					
	India	U.S.A.	Europe	Rest of the World	Eliminations	Consolidated
<b>Revenue</b>						
External sales	37,500.7	13,585.1	3,291.1	4,176.3	-	58,553.2
Inter-segment sales	16,745.3	-	108.0	2,926.2	(19,779.5)	-
Total revenue	54,246.0	13,585.1	3,399.1	7,102.5	(19,779.5)	58,553.2
<b>Other information</b>						
Segment assets	62,680.5	13,831.6	6,090.4	4,130.6	(15,979.9)	70,753.2
Other assets						2,025.2
TOTAL ASSETS						72,778.4
Segment liabilities	10,745.7	7,828.4	3,171.8	2,165.7	(12,148.4)	11,763.2
Other liabilities						34,957.6
TOTAL LIABILITIES						46,720.8
Capital expenditure	1,801.7	430.2	195.9	336.7	-	2,764.5
Depreciation/amortization	1,733.3	203.2	562.8	75.9	(87.8)	2,487.4
Non-cash expenses other than depreciation	104.1	360.1	199.9	95.0	(5.6)	753.5

Particulars	For the year ended and as at March 31, 2012					
	India	U.S.A.	Europe	Rest of the World	Eliminations	Consolidated
<b>Revenue</b>						
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
<b>Other information</b>						
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

45. The figures of previous year have been regrouped/rearranged, wherever necessary to conform to those of the current year.

As per our report of even date.

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

S. R. Batliboi & Associates LLP

For S.R. BATLIBOI & ASSOCIATES LLP

Chartered Accountants

ICAI Firm Registration No. 101049W

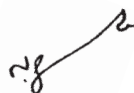


per VIKAS KUMAR PANSARI

Partner

Membership No. 93649

Hyderabad, May 30, 2013



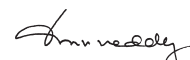
N. GOVINDARAJAN  
Managing Director

S. B. Singhi

SUDHIR B. SINGHI  
Chief Financial Officer



Dr. M. SIVAKUMARAN  
Director



A. MOHAN RAMI REDDY  
AVP (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** Wednesday

**Date** 7th August, 2013

**Time** 4.00 p.m.

**Venue** Taj Deccan  
Road No.1, Banjara Hills,  
Hyderabad 500 034

**Reg. Folio No.**

**Demat Particulars**

**DP ID No.**

**Client ID No.**

I hereby record my presence at  
the 26th 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.

**No. of Shares**

**FORM OF PROXY**

**Reg. Folio No.**

**Demat Particulars**

**DP ID No.**

**Client ID No.**

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 26th ANNUAL GENERAL MEETING of the Company to be held  
**at 4.00 p.m. on Wednesday, the 7th August, 2013** 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.





<b>ANDA</b>	Abbreviated New Drug Application (to the FDA)	<b>FDI</b>	Finished Dosage Form
<b>ANVISA</b>	Agência Nacional de Vigilância Sanitária (National Health Surveillance Agency, Brazil)	<b>FIMEA</b>	Finnish Medicines Agency
<b>API</b>	Active Pharmaceutical Ingredient	<b>HIV</b>	Human Immunodeficiency Virus
<b>ARD</b>	Analytical Research Department	<b>IPR</b>	Intellectual Property Rights
<b>ARV</b>	Antiretroviral	<b>MCC</b>	Medicines Control Council, South Africa
<b>Bioequivalence</b>	Performs in the same manner as the innovator drug	<b>MHRA</b>	The Medicines and Healthcare products Regulatory Agency, U.K.
<b>CNS</b>	Central Nervous System	<b>NDA</b>	New Drug Application
<b>CoS</b>	Certificate of Suitability	<b>PEPFAR</b>	President's Emergency Plan for AIDS Relief
<b>CPD</b>	Clinical Pharmacology Department	<b>PMDA</b>	Pharmaceutical and Medical Devices Agency, Japan
<b>CRD</b>	Chemical Research Department	<b>QA/QC</b>	Quality Assurance/Quality Control
<b>CVS</b>	Cardiovascular System	<b>SSP</b>	Semi-synthetic penicillins
<b>DMF</b>	Drug Master File	<b>TGA</b>	Therapeutic Goods Administration, Australia
<b>EBITDA</b>	Earnings before Interest, Taxes, Depreciation and Amortization	<b>US FDA</b>	U. S. Food and Drug Administration
<b>EDQM</b>	European Directorate for the Quality of Medicines	<b>USP</b>	United States Pharmacopeia
<b>EHS</b>	Environmental Health and Safety	<b>WHO</b>	World Health Organization
<b>EPS</b>	Earnings per Share		
<b>ERP</b>	Enterprise Resource Planning		

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## Glossary of terms

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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.

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## Forward looking statements

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[www.aurobindo.com](http://www.aurobindo.com)

PLOT NO.2, MAITRI VIHAR, AMEERPET, HYDERABAD-500 038, ANDHRA PRADESH, INDIA

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