ANNUAL REPORT 2013-14

DELIVERING RESULTS

AUROBINDO PHARMA LIMITED

AUROBINDO

Delivering results

WHAT WE SAID

In our annual report 2012-13, we said:

"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 environmental footprint.

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

WE DELIVERED ON OUR PROMISES.
OUR RESULTS SHOW.

Contents

Highlights of the financial year 2013-14

WHAT WE DID

We made progress towards our key strategic initiatives around the globe. We are well-positioned to deliver significant progress on our earnings and cash flow in 2014-15 and beyond.

Consolidated revenue (Net)

80,997.9

₹ million
for the year 2013-14

38.3%

increase
over 2012-13

EBITDA

21,552.1

₹ million
for the year 2013-14

26.6%

of consolidated
revenue (net)
for the year

142.3%

increase
over 2012-13

Profit after tax

11,728.5

₹ million
for the year 2013-14

299%

increase
over 2012-13

At a glance

WHO WE ARE

Aurobindo Pharma Limited headquartered at Hyderabad, India, manufactures generic pharmaceuticals and active pharmaceutical ingredients. The Company's manufacturing facilities are approved by several leading regulatory agencies such as US FDA, UK MHRA, Japan PMDA, WHO, Health Canada, MCC South Africa, ANVISA Brazil.

The Company's robust product portfolio is spread over six major therapeutic/product areas encompassing antibiotics, anti-retrovirals, CVS, CNS, gastroenterologicals, and anti-allergics, supported by an outstanding R&D set-up. The Company with 27 year experience develops, manufactures and markets these products globally, in over 125 countries.

WHAT WE DO

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

Aurobindo employs more than 9,500 professionals across various divisions - API manufacturing, formulation manufacturing, chemical R&D, formulation R&D and overseas operations.

At a glance

9,500

professionals
from 26 countries
work across the globe

4%

Aurobindo's market share
in the US generic market
as at March 2014
(According to analysts)

₹128.7

Book value
per equity share
(Consolidated)

₹3

Dividend for 2013-14
increased by 100%
over 2012-13

2

USD billion revenues
to be achieved
in 2014-15

Delivering on promises

Message from the Vice Chairman

At Aurobindo, the revenues grew faster than the market in 2013-14, and we delivered what we set out to do.

The operating income and cash flow were strong, operating expense as a percentage of revenue was lower, and earnings per share increased by an impressive 300%. The strong cash flow improved the balance sheet and the Company doubled the dividend to ₹3 per share.

We essentially attained our income targets and further improved the Company's value. Gratifying growth and effective cost management led to increased operating income through the year.

We worked hard on four strategic imperatives of business performance that helped accelerate reaching our goals. We enhanced our R&D and manufacturing productivity; improved market share in premium markets for our key products; built up a portfolio of newer, differentiated products; and steadily increased our profitability. A successful product portfolio was central to our corporate strategy. We did well in newer launches, niche products and in parenterals. We strived for structured and result oriented approaches towards enhancing the market presence and margin improvement.

FOUR STRATEGIC IMPERATIVES OF BUSINESS PERFORMANCE TO ACCELERATE GOALS

PRODUCTIVITY

1.

Enhance R&D and manufacturing productivity

MARKET SHARE

2.

Improve market share in premium markets

PORTFOLIO

3.

Build a portfolio of newer, differentiated products

PROFITABILITY

4.

Steadily increase profitability

According to independent research reports of industry analysts, Aurobindo has been improving market share of its products in the premium markets. I am gratified to learn that analysts have estimated Aurobindo's share in the US generic market has increased from 1.6% in 2010-11 to 4% as at March 2014.

We shall continue to execute on this tested approach to drive value for the Company. Team Aurobindo remains focused on the execution of the Company's operating and financial objectives while also investing in our R&D programs and information technology infrastructure to help position us for future growth and success.

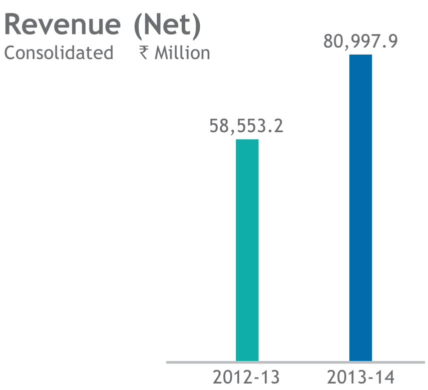
Value in everything we do encapsulates our sustainable and successful professional approach. The commitment, competence and creative power of our people sustained for almost three decades have made Aurobindo a fast growing pharmaceutical company. It is the energy of over 9,500 employees in whom we take true pride as we overcome the challenges ahead.

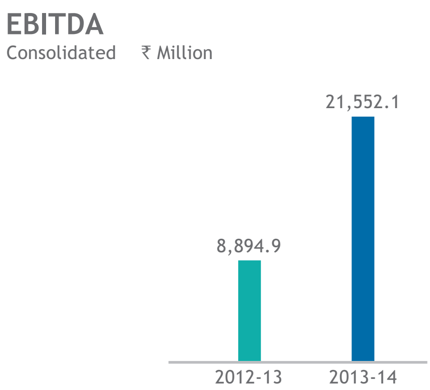
In pursuing our vision to be a leading generic pharmaceutical company in the world, we are building on the inspiration, expertise and dedication of our people. We are cultivating high caliber leadership as well as nurturing committed and responsible employees.

As a process, we are strengthening our structures to institutionalize good corporate governance, professional management, financial discipline and operational excellence. Our focus remains on building our people capabilities and capacities for the growing business of the future.

As I look ahead, we have set clear goals and aspirations for our next set of milestones. In the medium term, building on proven results, we are leveraging the power of our carefully developed product portfolio, relationships built over a long period and a diversified customer mix. Further, we have an optimized cost structure, robust balance sheet and a highly seasoned professional management. While we have multiple levers in place, we are aware that our greatest competitive advantage is our people and are confident this team will continue to deliver results, as planned.

K. Nithyananda Reddy
Vice Chairman





Delivering sustainable profits

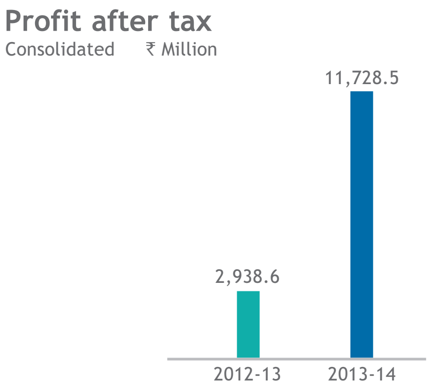
Statement from the Managing Director

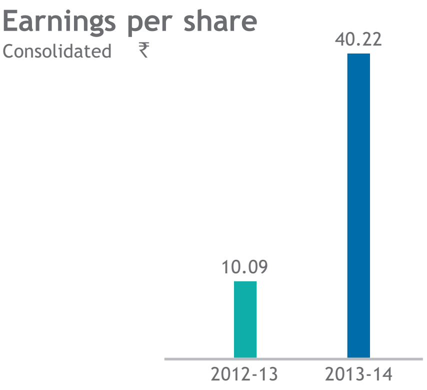
It was another year of robust performance and achievement, with accomplishments in all major markets. At each level of the organization, the resilience and resourcefulness of our talented employees ensured that our business continued to grow and that we made inroads in niche product markets.

We stepped up on enhancing efficiencies and improved the services to our customers. We significantly increased the reliability of deliveries from all our manufacturing units, especially On-Time-In-Full (OTIF). We aim to continue this trend of improving our level of performance over the coming years. We also listened to our customers and brought in rapid processing of their feedback.

A key element of our high level of performance at Aurobindo is the way we work together. We are shaping an environment where team spirit, respect and fairness flourish. We are leveraging on our management capabilities to focus on efficient execution through streamlined initiatives. We are creating specific skills to face the challenges of tomorrow, improving our processes, being flexible and rapidly implementing new business opportunities. The will to set new objectives, the drive to achieve them and the ability to adapt to change in a highly competitive market are yielding results.

We strengthened the balance sheet during 2013-14. We ramped up volumes, increased revenues and margins and improved cash flow. In fact, we maintained a strong financial discipline and kept a threefold priority





to deliver on our growth strategies. Throughout the year, we were striving to optimize our cost structure, enhance the consistency of profitability, as well as increase the level and reliability of our cash flow from operating activities to ensure adequate liquidity to meet capital requirements. We generated traction by improving efficiency through operational excellence, cash generation through disciplined use of working capital and long-term growth by expanding on our strengths.

All our efforts translated into superior quality of earnings. We realized consolidated revenue (net) of ₹80,997.9 million for the year 2013-14. This represents a 38.3% increase over the earlier year. Our EBITDA for the year is ₹21,552.1 million, which is 26.6% of net operating income, and has gone up by 142.3% over 2012-13. Change in sales and business mix had a favorable impact on material consumption to net sales. Cost of materials for the year under review was 44.5% of consolidated revenue (net) in comparison to 51.1% in the previous year.

We delivered earnings per share of ₹40.2 as against ₹10.1 in the previous year, reflecting margin expansion, product mix changes, lower material consumption, cost reductions, process improvements and effectiveness in the marketplace.

These numbers would have been better but for the volatility in rupee-dollar equation. The closing rupee versus US dollar rate was ₹59.915 on March 31, 2014; and a year ago, at end of March 2013, it was ₹54.285. The rupee depreciated by 10.4% in 2013-14 which resulted in a net forex loss of ₹2,022.2 million for the full year largely due to the reinstatement of our dollar-denominated borrowings as against ₹1,353.2 million in 2012-13.

Aurobindo of today is far better positioned for long term sustainable growth and profitability. We have several established products, a growing pipeline of newer niche products, proven execution capabilities and a competitive cost structure. Our complex and multifaceted global business is managed by a team of dedicated and highly experienced professionals.

The organizational structure ensures sharp focus on accountability especially in areas such as quality and compliance standards. Our strengths provide us with tremendous opportunities to enhance competitiveness, to improve our position in the marketplace, to raise the productivity levels in all functions, while we strive to reduce the risk quotient. The resilience of our business and the investments that we have made over the past few years underlines my confidence in the prospects of our business.

We enter the new financial year 2014-15 with renewed optimism. We propose to drive further growth with new products, add to the momentum with niche launches and aim to enhance profitability. With our known capabilities, we are also foraying in a calibrated way, into differentiated product lines such penems, peptides, oncology, hormone, neutraceuticals and OTC products. We will continue to drive growth through unparalleled knowledge in chemistry, increase the investment in intellectual property, improve our market reach and forge mutually advantageous partnerships with our customers.

Across the Company, we have one overriding objective and commitment: generating results that are profitable and sustainable. We will enhance the efficiency with which products are launched and improve the ability to seize strategic opportunities. On the whole, Aurobindo is aiming to drive up the bottom line to further strengthen its position as a leading pharmaceutical company.

N. Govindarajan
Managing Director

Delivering sustained growth

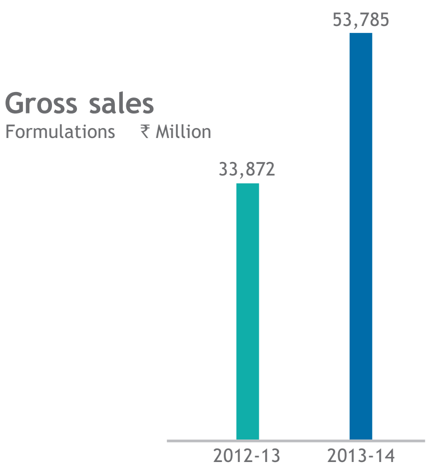
Statement from the CEO, Formulations

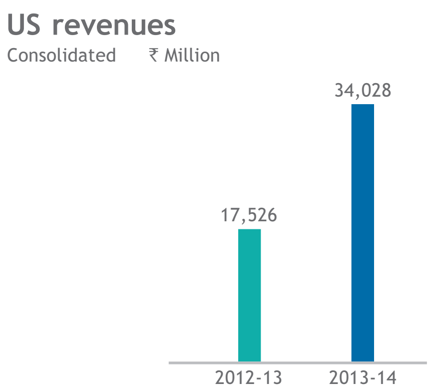
We continued to invest in building a quality organization as we focus on optimizing the mix of products and markets in line with capacities to drive operating efficiencies.

I am pleased that we achieved strong performance both operationally and financially and made significant investments in research, products and marketplace. We took decisive steps to ensure our success in US as well as in Europe. This includes executing on our operating plans in the short-term while seizing ample opportunities for growth across our businesses. In 2013-14, we continued investing to capture this growth.

The year was good on several fronts. We planned well to move into the markets, stepped up our capacity utilization at all manufacturing units, de-bottlenecked our operations, ramped up on automation, upgraded our operating systems and processes, worked hard on quality assurance, optimized our supplies, improved our effectiveness in supply chain, deepened our presence in each country that we are present, augmented our pharmaco vigilance systems and processes, strengthened our management team, and generally did well end-to-end in all aspects of our operations.

The financial results reflected the effectiveness of our growth engines. Gross sales from formulations for the





year has been ₹53,785 million, recording a growth of 58.8% over ₹33,872 million reported in 2012-13. Formulation sales in the US contributed 63.2% in the overall formulation revenue in 2013-14 as against 51.7% in the previous year.

Formulations sales constitute 65.3% (57.2% in 2012-13) and API 34.7% (42.8% in 2012-13) of gross sales. Our revenues in US accounted for ₹34,028 million as against ₹17,526 million in the earlier year, a significant 94.2% growth year-on-year. Europe recorded a sale of ₹6721 million in 2013-14, thereby growing by a healthy 43.6% over the previous year.

The ROW formulations sales grew by 11.3% to ₹4,634 million in 2013-14 over ₹4,164 million in 2012-13. There has been a growth in anti-retroviral (ARV) formulations sales by 12% to ₹8,402 million during the year as against ₹7,503 million in 2012-13. In every market, our bottom line focus is leading to driving volumes in high value products.

We continue to demonstrate quarter-on-quarter growth in our US business and are expanding the portfolio that we have carefully built up. There are a significant number of new products to be launched in 2014-15 as well as several applications pending with the regulatory agency. These products are a combination of day-one generic launches as well as products aimed at existing markets. We therefore have a good mix of volume drivers for US markets.

There is enormous strength within Aurobindo to deal with complex chemistry and build a large enviable portfolio in the antiretroviral business. These are being leveraged to pursue revenue opportunities while meeting bottom line requirements. Newer markets with prospects for rising volumes and margins are being explored.

In the injectable business, going forward, we are gearing ourselves for a meaningful growth in the medium term. We have 45 files with FDA under review, and we hope to file 9 more in 2014-15 and another 30 in 2015-16. Hence, depending on the timing of the regulatory approvals, we could see significant growth over the next two to three years.

As a result of a new initiative to spearhead Aurobindo into the Western European markets, we would accelerate our strategy of pursuing growth and providing critical scale in those generics markets. We have acquired about 1,250 dossiers from this initiative and some more new products are likely to be launched in 2014 & 2015. In addition, there are about 100 products already exported from our manufacturing units in India. We aim to improve the profitability and turnaround the business by combining the best-in-class integrated large scale India-based manufacturing operations and the strengths of an existing European infrastructure.

Our top priority is translating these investments into bottom line results. We recognize that we are in a competitive market and are therefore actively facing the changing tasks and challenges building on our learnings, experiences and achievements. We at Aurobindo believe that we have the energy, direction and conviction to concentrate intensely on markets and activities that offer growth potential and future prospects.

Indeed, we are focusing on high value formulations to enhance operational efficiencies, reduce cycle time and operating costs and in the final analysis improve yields and profitability. This approach was successfully tested in the past two years. We have ensured future market access and yet have worked on concentration risk.

We have fine tuned our strategies for growth, planned well for the short and medium term and made appropriate investments in technology and capacity to drive growth fundamentals and take advantage of future opportunities. We have invested in scale, expertise as well as in the breadth of our offerings to ensure long-term success of Aurobindo to deliver value. We are systematizing our processes to help replicate our successes. More important, we have headroom to grow: in the marketplace, with our strong product portfolio and our large world class manufacturing capacities.

We shall strive to sustain the present momentum of growth.

Arvind Vasudeva
Chief Executive Officer, Formulations

Significant new initiatives
in 2013-14

THRUST INTO WESTERN EUROPEAN COUNTRIES

Aurobindo and Actavis plc, a global, integrated specialty pharmaceutical company, have entered into a long-term commercial and supply arrangement. Aurobindo acquired from Actavis the personnel, commercial infrastructure, products, marketing authorizations and dossier licence rights in seven European countries.

Following the receipt of clearances from competent authorities, Aurobindo intends to combine the strength of both enterprises (including its vertically integrated platform and existing commercial infrastructure) in these markets and to identify and maximize all opportunities to improve performance.

Aurobindo will combine the best-in-class integrated large scale India-based manufacturing operations and existing European infrastructure. With our cost competitiveness and group structure, we could significantly capitalize on the strong market position of Actavis in these Western European countries and improve the profitability of Aurobindo.

The acquisition will enable the Company to achieve critical mass in Western Europe with a top 10 position in several key markets. Simultaneously, the Company will work closely with the acquired management teams to achieve a rapid and successful integration. In addition, the integrated business would provide a readymade hospital sales infrastructure for Aurobindo to launch its own injectable and specialty portfolio.

OTC

Aurobindo has competencies to make a significant headway into the over-the-counter (OTC) market. Development work has commenced for 35 OTC monograph products and exhibit batches have been made. Filings have commenced with US FDA and the Company will exploit its manufacturing and marketing strengths to commence commercial production in second half of 2014.

PEPTIDES

Peptides are naturally occurring biological molecules. They are short chains of amino acid monomers linked by peptide (amide) bonds. Aurobindo has started investing in peptide technology and is building a commercial facility with two modules commensurate with cGMP standards. Necessary equipments have been commissioned and we have developed technologies for more than ten products. Validation batches have been completed for three peptides and sample shipments have commenced to customers for their development work. Drug Master Files are being prepared and we propose to seek a few product filings before the end of 2014-15.

There are over 30 peptides which are available globally and Aurobindo is capable of making each of these peptides and aspires to be an important player in the premium markets. Considering the capability that we have in terms of technology as well as competency in our experienced and talented resources, Aurobindo can compete with the best players in the industry, in the near future. The revenue streams are planned to commence in 2015.

ONCOLOGY & HORMONAL PRODUCTS

The Company is also in the process of developing wide range of oncology products and hormonal products. Our product capabilities would include vials, prefill syringes and softgel capsules that are used in the hospital as well as in oncology clinics and renal clinics.

A new R&D Centre dedicated for generic research in the field of oncology and hormones was set up in October 2013 at Hyderabad to develop anticancer drugs and hormonal products, both for solid and parenteral dosage forms. Dossiers are expected to be filed in 2015-16.

PENEMS

Aurobindo has developed and made Penem filings for a few products in injectable portfolio that are administered in the pre-operating process. These are products would be used while under anesthesia reversal such as neuromuscular blockers.

NEUTRACEUTICALS

The Company is exploring opportunities in the neutraceutical market. R&D activities have been initiated to identify and develop synthetic neutraceutical products. During 2013-14, process development work to manufacture a few products has been completed.

Increasing R&D productivity

Aurobindo's strength lies in vertically integrating its finished dosages manufacturing with active pharmaceutical ingredients (APIs) production to yield quality formulations, based on extensive research. Our forte is in managing non-infringing processes and chemistry challenges for drug substances with complex drug products developed by using innovative technologies.

The vast scientific talent pool at Aurobindo creates intellectual wealth for the Company and commercializes cost effective, quality, generic finished dosages for the targeted market. In order to assure continued growth, it is our goal to increase the productivity of research and development to achieve a steady flow of new products. Our continuous initiatives have resulted in a well balanced pipeline, strengthening the competitive position with a differentiated product portfolio.

Research & development (R&D), the foundation of Aurobindo's success and the major driver of business, is focused primarily on:

a. Excellent infrastructure and talent pool;

b. Robust portfolio of new products;

c. Cost effective quality research;

d. Vision for the future.

During the financial year, several new initiatives were taken to add traction to building a formidable API business. Some of the achievements were as follows:

- The technology involving complex chemistry and tough purification procedures to manufacture certain niche drug substances for injectable products were transferred;
- Chemical processes were developed for quite a number of complicated drug substances, taking them to production stage on a commercial scale;
- Knowhow and analytical capabilities were enhanced to test and comply with the stringent requirements of the new guidelines on elemental impurities in drug substances;
- In line with our on-going program to achieve cost optimization plan, chemical technology was modified/optimized to reduce the raw materials cost for several drug substances;
- R&D activities were initiated to identify and develop neutraceutical products. Process

development to manufacture a few neutraceuticals was successfully completed;

- As in the past, R&D efforts continued to focus on timely development of drug substances for Paragraph IV filings to avail 'Day One Launch' opportunities in the US market.

Formulations R&D strived to support the growing/new business avenues with dedicated generic research for new product development in the areas of non-steriles (oral solids, oral liquids) and steriles (injectables, opthalmics and inhalations).

It is remarkable that a milestone of 300 submissions to the US FDA was achieved at the end of 2013 and as at end of March 2014 the submissions totaled 336 ANDA filings. Significant contributions this year include filing of 78 ANDAs with US FDA in addition to several filings with other regulatory agencies. We also filed 18 Drug Master Files during the year in USA, cumulatively reaching 190 as at end of the financial year.

API DMF/COS filings in other key regulated markets have reached 2,245 as at end of March 2014. Relentless efforts were also made to apply for product and patent approvals with other regulators.

The R&D team went the extra mile with thrust on oral contraceptives and opthalmics. As a result, major projects in these portfolios have been completed. New business areas of OTC products and softgels were identified and first submissions were made in this year marking the start of a new business avenue. The Company has acquired a new production facility at Lawrenceville, NJ to take this business forward. Manufacture of exhibit batches have already commenced during the year.

Aurobindo has making headway in drug development of anti-cancer drugs and hormonal products, both in solid and parenteral dosage forms. In 2014-15, filings for approvals are being planned for a few products.

While continuing to develop formulations in various therapeutic and dosage form areas, R&D efforts are also directed at exploring innovative products and platform technologies. The idea is to examine differentiated drug delivery systems for existing molecules.

The future plans include making additional investments on the safety aspects of the chemical technology especially for process intensification and process hazards evaluation. R&D teams are also working to initiate development of continuous process technology. As in the past, the focus continues on enhanced quality-by-design to achieve cost effective product development in APIs, formulations and packaging materials.

78

ANDAs
filed with
US FDA in 2013-14

336

ANDAs
filed with
US FDA todate

195

ANDA
approvals received
as at March 31, 2014

Delivering quality

We are known for the quality of our products, the value that we provide and a culture of responsibility, respect and attention to detail. We are a company with a distinct culture that encompasses an ambitious approach to our work. Our emphasis is directed towards compliance standards, customer requirements and patient needs.

Performance and reliability are two of our most convincing assets at Aurobindo. We strive to ensure that quality is in line with cGMP norms and, wherever possible, enhance the benchmark standards. We have invested heavily in compliance processes with inputs in creating awareness, hiring more personnel, upgrading our equipments and facilities. We brought responsible care in everyone vested with accountability for manufacturing and sensitized them to be correct at all times.

Quality improvement is a constant and continuous process. We see opportunities to improve our processes and our efficiencies in our manufacturing operations even as we manage to compress our overall costs. We have integrated risk-based quality management system in all our product life cycles. We have systematized product development process.

Competent in-house employees keep testing the effectiveness of our risk-based quality management system. Quality assurance is achieved through several measures such as process creation, enforcement, review, re-engineering and capability building. These measures are being complemented by training efforts to improve behavior patterns and build a culture of quality.

Within the Company's manufacturing system, there is considerable premium attached to design, systems and culture which ensures superior data governance.

Aurobindo is aware that a critical element of robust compliance, which supports value-driven analysis and a low-risk audit defense strategy, lies in understanding the interrelatedness among the laboratory compliance levels.

Hence, the Company has instituted a strong system that requires raw data - and its related review - conform with the standard operating procedures. Documenting everything and maintaining good records using good documentation practices demonstrate that quality is the responsibility of each analyst and must be incorporated into every aspect of an analysis.

Operational and procedural control points are being monitored routinely and audited to identify any need for remediation. Within the manufacturing process at Aurobindo, control points have been developed from system validation deliverables, in addition to system backup and restore, audit trail, good record keeping, accountability levels and infrastructure requirements.

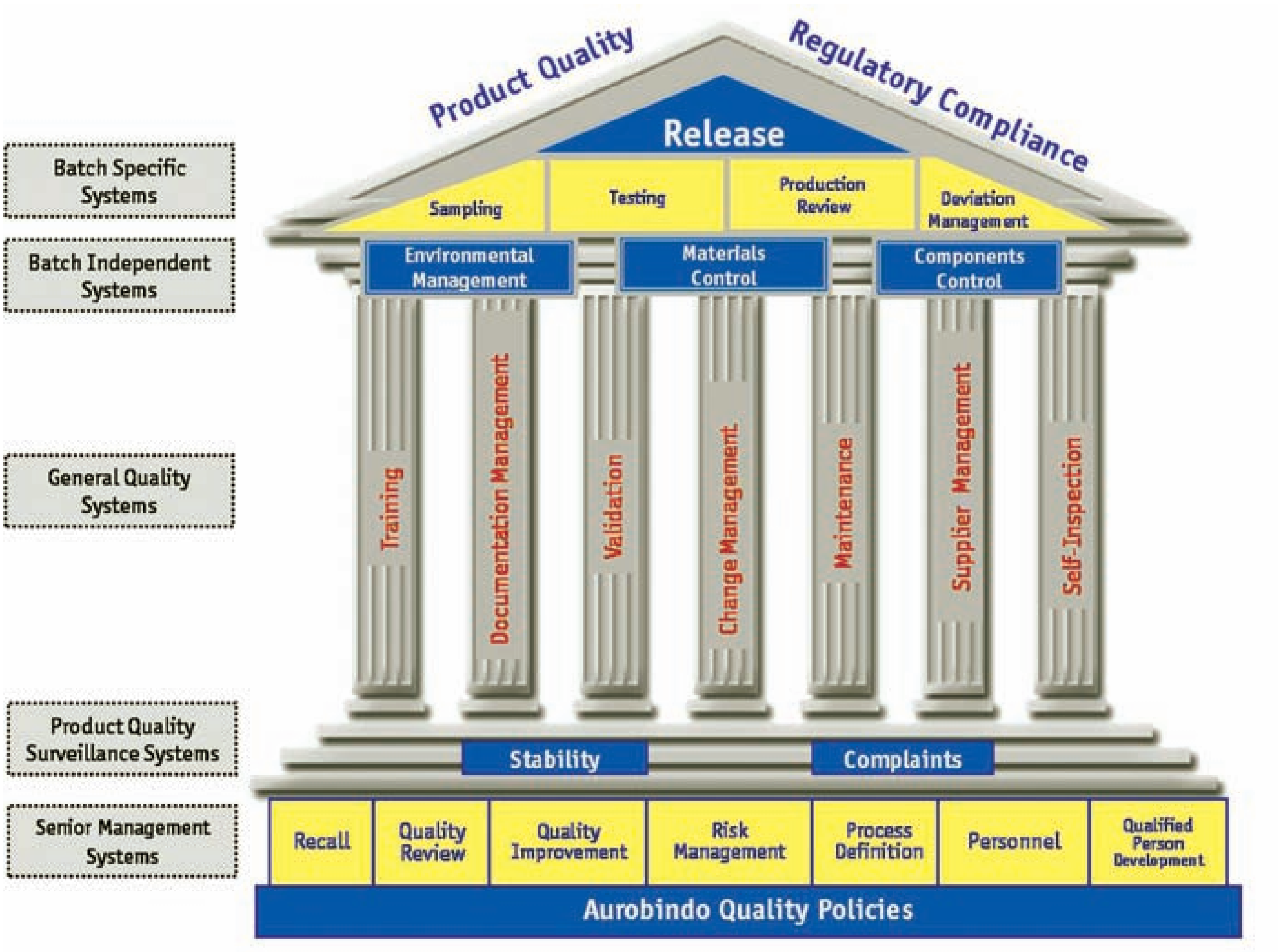
Awareness levels are being raised with operating managers to ensure that quality and compliance are everyone's business. The quality culture is being reinforced with conscious interventions at various operating levels. The plan is to attain the following objectives on our way to reach zero quality complaints:

- Consistently define quality model within the Company;
- Implement quality concept/policy as agreed;

- Rules of adherence have been made simple to understand, at all levels;
- Demonstrate concern for the long-term results and business focus;
- Empower to take decisions to assume greater responsibility;
- Dissect inadequacies in a resilient manner for systemic solutions;
- Drive home the import of quality needs consistently;
- Define responsibility and accountability levels;
- Relate to the bottom line to promote accountability.

Today, automated quality management system is on real-time basis ensuring that documentation is on-line, thus improving the monitoring process. The systems are at user level, identifying the accountability levels. Critical activities are being closely monitored, minimizing the probability of human errors. The operating managers have the edge to foresee crisis situations ahead of the event, and take remedial actions and/or preempt them.

There is a high level of training, awareness and systemic improvements to underline focused quality assurance. In the final analysis, Aurobindo has not only enhanced the assurance standards but also minimized the risk attached to the processes, products and service levels.



Quality Management System

Nurturing human capital

At Aurobindo, we have an enormous store of professional experience and expertise in areas such as chemistry, R&D, process engineering, manufacturing, quality control and assurance and logistics. We have turned this edge into a decisive advantage.

Our experience, knowhow and state-of-the-art technology serve to continuously advance far sighted solutions and enhanced performance for the future. Competent and committed people within Aurobindo are empowered and encouraged to produce results and grow their knowledge, skills and abilities. They are being nurtured to become the Company's capital asset.

The Company to a large extent owes its performance and technological edge to the commitment, creativity and talent of its employees. Our well trained and motivated employees comprise the basis for the significant success and further development of the Company. There is hence a program to continually implement a variety of measures for the promotion, continuing learning and professional development of individual employees.

Aurobindo believes that we must customize learning initiatives that result in sustainable improvement, meeting existing and future business needs. While we invested in identifying our organizational competencies and functional skills, we now work with businesses designing organizational development interventions that improve processes, build capabilities, manage relationships and most importantly make us cost effective.

Some of the learning and development projects implemented during the year are as follows:

FEiT - Functional Expert in Teams: This is an initiative that involves operators and executives directly from the shop floor. The program focuses on building ownership to identify process improvements and immediately implement them. Each employee identifies projects that can improve productivity, reduce cycle time and meet timelines. We have covered six manufacturing units through this initiative.

GB - Green Belt certification: This is an effort to institutionalize process improvements that reduce cycle time, boost productivity, enhance capacity utilization and sensitize employees with problem solving concepts and tools. Select 45 individuals have been trained and are Green Belts today.

Internal trainers: As part of enhancing employee engagement, we identified in-house subject matter experts (SME) and trained them on train-the-trainer programs. We today have 165 SMEs who train in subjects such as cGMP, SOP training and audit preparedness.

Boot Camp: Trainers take sessions on planning, communication, OAR (Ownership, Accountability & Responsibility) and team work and use live examples straight from the shop floor to encourage participants, motivate supervisors and seek improvement right away. This is a high impact, high recall and high productivity effort.

SMT - Self managed teams: An intensive three month program, training permanent workmen on handling production and small time maintenance with emphasis on cGMP, critical SOPs, chemical handling and safety procedures.

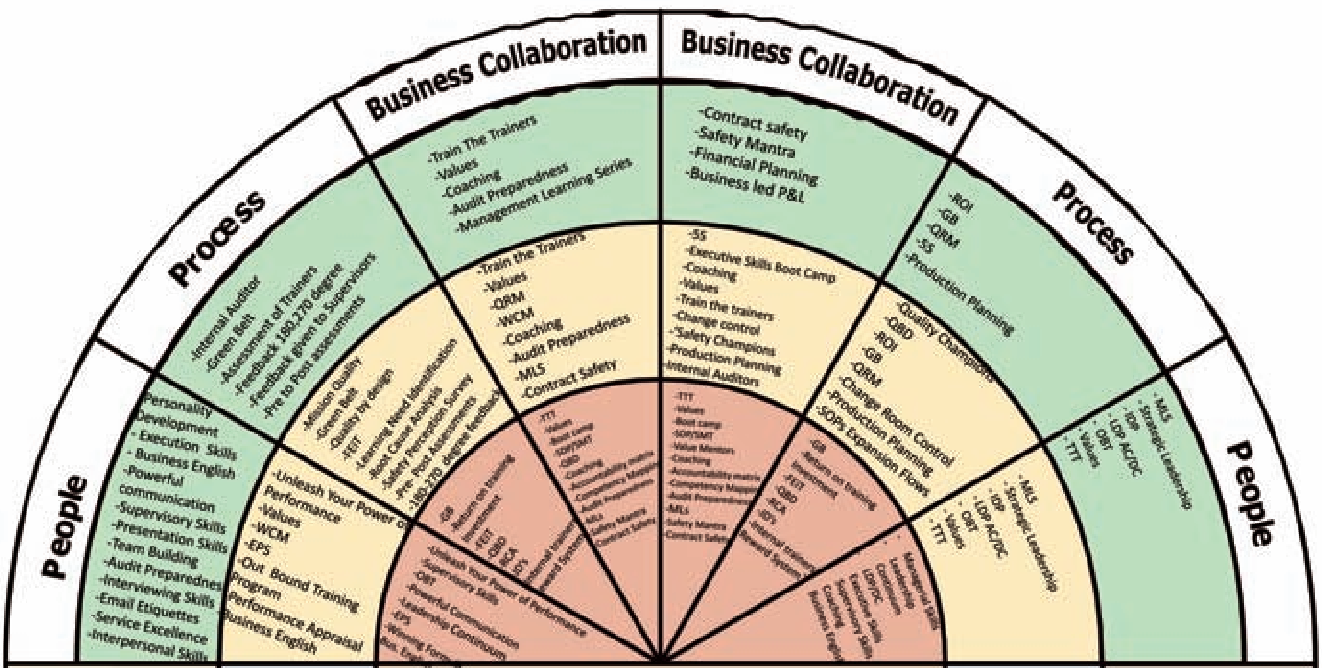
Safety Mantra: These programs are organized for the entire production, maintenance, warehouse and QC teams which has lowered incidents and accidents related to earthing practices, nitrogen handling, use of plastic liners & insulated material, proper control of static electricity and accumulation of solvent concentrations in work areas.

Training programs initiated in the past few years in subject areas such as safety champions, organizational values, operational excellence, team building, change-room behavior, SOPs are being taken through as many employees as are required. Over and above these on-going training efforts, a training academy has been set up for fresh graduate to ramp up the required technical skills to cater to our growing business needs, as well as focus on leadership development. The Aurobindo Training and Development Centre (ATDC) has a vision to develop and nurture technical and managerial talent for business excellence through imparting world-class application oriented training and developmental interventions.

The ATDC is expected to create a pipeline of quality talent to requirements in areas such as quality, stability, regulatory domains, and enhance the existing talent in several disciplines. Newer functional areas are proposed to be added in the medium term.

With a clear focus on enhancing critical competencies, training is being imparted to increase the level of operational excellence, improve productivity, raise compliance standards on quality and safety. The objective is to modify work place behaviors to achieve desired outcomes. A special team of subject matter experts (SME) has been constituted to handle various subjects with focus on practical application and provide needed support as well as to monitor the progress.

Overall, in order to improve the efficiency, operational excellence and to bring out the best in our people, human capital efficiency studies have been initiated with assistance from professional industrial engineers for optimum deployment. Employee satisfaction levels are being studied as well as competency mapping exercise has been undertaken by external experts in our bid to improve employee engagement.



Learning and development transformation Map

Ensuring sustainability

Aurobindo has been committed to the fundamental principles of sustainable development for several years. For us, it is important to balance all three facets of business simultaneously: contribute to society, create economic value and safeguard the ecology.

The cornerstones of sustainable business development are the long-term competitive creation of value in manufacturing as well as the most prudent use of resources. The Company hence focuses on creating human friendly working conditions. As a company committed to ensuring that our pharma products essentially meet the mandatory technical and regulatory standards, we are earnest about protecting our employees, our facilities and our environment from harm, to conserve natural resources and promote eco-awareness.

Safety

Our approach to business integrates a robust and sustainable safety system to aim for zero incidents. In our laid down policy, we have expressed our commitment to the prevention of injury and illness. During 2013-14, we enhanced our safety performance by addressing the following three areas:

- strived to implement action plans suggested by safety consultants and subject matter experts;
- continued with the thrust being given to hazards and operability (HAZOP) studies; and,
- created guidelines and standards for replicating effective processes uniformly across all our units.

Every employee and every supervisor has been made aware that being safe and taking care of ourselves and each other are our highest priority. Our aim is to protect our employees against work related hazards.

Employees in the manufacturing function are being trained to become safety champions. They are being trained to take ownership of production blocks where they identify possible non-conforming work ethics, counsel the user, train the team, even do minor repairs as required and also conduct regular audits.

The Company has established work safety programs which take into account regulatory requirements and site specific challenges. We have a systematic approach to investigating each element of a process to identify all of the ways in which parameters can deviate from the intended design conditions and create hazards or operability problems.

We review the effectiveness of our occupational safety measures by internal surprise audits. Technical and organizational corrective measures are developed from

For both safety and environmental management, the mantra to monitor progress is **investigate-analyze-preempt.**

all deviations from laid down standards and documented.

In order to reinforce the commitment levels, we integrated safety in the job descriptions of supervisory and managerial personnel at manufacturing units. We intensified the training inputs to employees at operating sites, with emphasis in safety training to contractors' workmen. Specific targeted training was also given to all employees in the engineering stream on handling of machine tools, hand tools and introduced work permit system. We stepped our vigil of near-miss events, vastly reducing the likelihood of incidents.

HAZOP studies which were initiated in the previous year are progressing, with satisfactory completion of 38 products during the year. We studied root causes of incidents which occurred throughout the Company during the past three years, and targeted specific safety training to all production employees on importance of earthing, use of nitrogen blanket, usage of conductive materials and avoiding solvent concentrations in closed rooms. Hardware improvements were done in areas such as installation of nitrogen blanketing, breather valves, fire alarm system, explosion flaps in tray driers, etc.

The main goal in occupational safety is to keep the hazardous materials from entering the air at the workplace. The objective is to avoid the emissions of these materials into the environment. For instance, after taking up a new product, before commencement of any activity, the required safety-relevant control and operating instructions are written and the employees are trained on the contents of the documents.

We formed apex environment, health and safety (EHS) committees in every unit, to raise the accountability levels. In order to monitor at the organization level, an EHS council was formed to facilitate corporate supervision, intervention and review. Overall, we have enhanced awareness and behavior pattern at our units, thereby improving the safety culture.

Going ahead, we want to benchmark ourselves with global standards, complete HAZOP studies for all products, identify more action areas in every manufacturing unit and extend the process safety review methodology at formulation units. We want to guarantee a high degree of safety in the workplace. Our goal is to eliminate time lost due to accidents. We have an ambitious program to that end.

Environment

It is important for us that economic growth be achieved in harmony with environmental and social responsibilities. We shall continue to adhere to the fundamentals of sustainable development.

As a responsible corporate, we are striving to enhance our environmental commitment with a four pronged action plan:

- capacity building in our facilities and people;
- take pro-active initiative for environmental clearances for new and expansion projects;

- ensure compliance with customer expectations and regulatory norms; and,

- continue with our focus to reduce water consumption, minimize wastewater generation, and recycle and reuse wastes for achieving more robust environment management mechanism across the organization.

We have commenced capacity building in environmental management and expansion vis-à-vis regularization of existing manufacturing capacities and related environmental loads at three API units of the Company. We initiated two major environment management projects at Aurobindo Unit I i.e. a 500 KL multiple effect evaporator (MEE) system and a 500 KL reverse osmosis system. One project is already put to operation and the other project is under installation. We are also planning tertiary and polishing treatment for treated wastewater at Aurobindo Unit XI. Environmental clearance project has been taken up for Unit VIII and a project taken up for Unit I is being readied for submission to the environmental authorities at Delhi.

Several environment management operations taken up in the recent past across the manufacturing units have stabilized and the degree of consistency in performance has improved as compared to previous years. One more manufacturing unit has reached zero discharge level. There are no process effluents going to any common effluent treatment plant. We have achieved zero process liquid discharge across all Aurobindo API manufacturing units located at Hyderabad. We are presently, creating sewerage treatment plants in our research and production units.

We have been taking action to reduce our eco-footprint and create more value with less environmental impact. We are reducing any negative impact of our activities, whether now or in the future. We are designing, developing and using products with end-of-life in mind. We therefore are bringing more functionality using less material in our operations.

Proactive steps taken up during the past two years have helped in sustaining and supporting uninterrupted manufacturing and project activities, at all our sites. Yet, we believe this is a continuous area of improvement and we should explore further scope for refining our standards and raise the level of accountability of unit managers.

Capacity building is being targeted to reduce wastewater disposal costs and recycling of treated wastewater. As a practice, we shall also strive to reduce waste disposal costs.

We are reviewing all our systems to further streamline and strengthen compliance, regulatory & customer benchmark standards. In the medium term, we shall seek accreditations from global rating agencies for our units.

Corporate Social Responsibility

In our attempt to be competitive and financially healthy, we at Aurobindo remain equally responsible and committed to create well-being with all those that we transact. We are also steering the right course in offering solutions to positively impact the society at large.

We are formally establishing a strategy that is integrated into our business to reflect the social and environmental issues we have identified as Company priorities, based on internal and external feedback. The objectives of our policy are as follows:

- Demonstrate commitment to the common good through responsible business practices and good governance;
- Actively support the state's development agenda to ensure sustainable change and attain development of the neighboring society;
- Set high standards of quality in the delivery of services in the social sector by creating robust processes and replicable models;
- Engender a sense of empathy and equity among employees of Aurobindo to motivate them to give back to the society.

Vision

The Company shall carry its normal business in a manner that is beneficial to society & environment in addition to propagation of business.

Stakeholder involvement

For Aurobindo, Corporate Social Responsibility (CSR) means responsible business practices through the involvement of all stakeholders in the decision making process and in operations. It entails having business policies that are ethical, equitable, environmentally conscious, gender sensitive, and being sensitive towards the differently abled. In the process, Aurobindo commits itself to creating a more equitable and inclusive society by supporting processes that lead to sustainable transformation and social integration.

This process is being extended voluntarily as an employee engagement initiative of the management and employees. The philosophy & spirit of CSR is to be spread across the organization through sensitization & awareness program for cross-section of all employees.

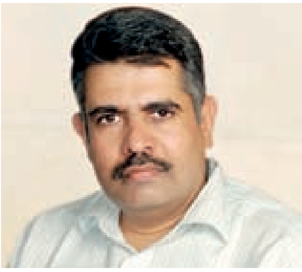
Further, a CSR cell is being constituted as a Board Committee to co-ordinate the activities.

CSR philosophy

Board of Directors

Mr. K. Ragunathan (born 1963)
Non-Executive Chairman, is a Chartered Accountant by profession and a leading management consultant. He has over 29 years of experience in consulting services.

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.



Mr. N. Govindarajan (born 1968)
Managing Director, is a B.E. (Mechanical) from Annamalai University. He has more than 21 years of experience across a variety of domains such as active ingredients, CRAMS, finished dosages & biotechnology. He joined Aurobindo as Chief Executive Officer (API & CRAMS) in October 2010. Earlier, Mr. Govindarajan served as CEO & Managing Director of Shasun Pharmaceuticals Limited.

Dr. M. Sivakumaran (born 1943)
Whole-time Director, he holds a Masters Degree in Science and has been awarded PhD in Organic Chemistry. He has about 41 years of experience in the pharmaceutical industry and is responsible for the technological evolution of the Company. He looks after research and development, new product development and total quality management.

Mr. M. Madan Mohan Reddy (born 1960)
Whole-time Director, 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.

Chief Financial Officer

Mr. Sudhir B. Singhi
(upto June 30, 2014)

Mr. Subramanian Santhanam
(from July 1, 2014)

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

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 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.

Mr. P. Sarath Chandra Reddy (born 1985)
Non-Executive Director, he is a graduate in Business Administration. He is a second generation entrepreneur and has established his business acumen after he took over the management of Trident Life Sciences Limited (since merged with the Company), as Managing Director in 2005. Presently, he is the Whole-time Director of Axis Clinicals Limited. He has gained experience in general management and expertise in project executions.

Mr. M. Sitarama Murthy (born 1943)
Non-Executive Director, did his Masters in Electronics. He is a 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, in 2003. His specialised areas of interest are international banking, foreign exchange, money markets, funds management, credit management, rural development, computerisation, commercial law and systems.

Dr. D. Rajagopala Reddy (born 1959)
Non-Executive Director, holds Master's Degree in Science and has been awarded a PhD in Organic Chemistry. He has three decades of experience in the pharmaceutical industry and is the Chairman and Managing Director of Erithro Pharma Private Limited.

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

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

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@karvy.com

Certifications

API UNITS

Unit I CVS, CNS, Anti-allergics, Cephalosporins (non-sterile)	US FDA, MHRA (U.K.), PMDA (Japan), ANVISA (Brazil), TGA (Australia), KFDA (Korea), COFEPRIS (Mexico), WHO
Unit V Penicillins	US FDA, MHRA (U.K.), EDQM (France), PMDA (Japan), ANVISA (Brazil), TGA (Australia), COFEPRIS (Mexico)
Unit VI A Cephalosporins (Sterile)	ANVISA (Brazil), TGA (Australia), MCC (SA)
Unit VIII ARVs, CVSs, CNs	US FDA, MHRA (U.K.), PMDA (Japan), ANVISA (Brazil), TGA (Australia), KFDA (Korea), COFEPRIS (Mexico), WHO
Unit IX Intermediates	US FDA
Unit XI ARVs, CVS, CNS	US FDA, MHRA (U.K.), PMDA (Japan), ANVISA (Brazil), TGA (Australia), KFDA (Korea), COFEPRIS (Mexico), WHO

FORMULATIONS UNITS

Unit III Multipurpose Non-Betalactam	US FDA, INFARED, TGA (Australia), Health Canada, ANVISA (Brazil), MCC (SA)
Unit IV Injectable (Cephalosporins and Non-semi-synthetic penicillins	US FDA, ANVISA (Brazil), INFARMED, GCC
Unit VI B Cephalosporins (Sterile & non-sterile)	US FDA, FIMEA, TGA (Australia), ANVISA (Brazil), Health Canada, MCC (SA)
Unit VII Multipurpose Non-Betalactam	US FDA, INFARMED, TGA (Australia), Health Canada, ANVISA (Brazil), MCC (SA), KFDA
Unit XII Semi-synthetic penicillins (Sterile & non-sterile)	US FDA, MHRA (U.K.), TGA (Australia), Health Canada, ANVISA (Brazil), MCC (SA), FIMEA (Finland)
Bioequivalence centre (inspected)	US FDA, MHRA (U.K.), AFSSAPS (France), ANVISA (Brazil), MCC (SA)

Regulatory Filings

as at March 31, 2014

		FILED	APPROVED
Generics			
NDA/ANDAs	USA	336	195
	Europe	147	115
	South Africa	328	131
	Multiple Registrations		
	TOTAL	**811**	**441**
Active Ingredients			
DRUG MASTER FILINGS	USA	190	
	Europe		
	New Registrations	100	
	Multiple Registrations	1,404	
	Others	627	
	Certificate of Suitability	114	
	TOTAL	**2,435**	
Patents		**561**	**84**

Management Discussion & Analysis

ECONOMIC BACKGROUND

The Central Statistics Office had estimated India's real GDP to have grown by 4.6% during April-December 2013. It had projected the GDP growth for the entire fiscal year 2013-14 at 4.9%, thus implicitly estimating the growth for the last quarter at 5.5%.

The country's real GDP growth (growth in gross domestic product at factor cost at 2004-05 constant prices) was expected to pick up in the last quarter of 2013-14. The early data releases - IIP and merchandise exports - indicate that the recovery has been prolonged. As per preliminary estimates, the economy has grown at a rate of 4.7% or even lower in 2013-14.

The growth is likely to have been subdued because of poor performance of the mining, manufacturing, construction and trade, hotels, transport, storage & communication services sectors. While the size of the mining sector has shrunk on supply constraints, the others have suffered due to poor domestic demand, both consumption and investment. The agriculture, financial, insurance, real estate & business services and community, social & personal services sectors are believed to have grown well in 2013-14. The growth in India's real GDP is expected to improve to 5.5% in 2014-15 from 4.7% in 2013-14.

The agriculture sector that did well in 2013-14, owing to a good monsoon, is expected to witness a sharp deceleration in growth to 1.8% in 2014-15 from 3.8% in 2013-14. Unlike last year, the monsoon is expected to be weak in 2014, as El Nino conditions are expected to develop. The deficient rainfall and high base of last year, is expected to pull down the growth of the agricultural sector in 2014-15.

On the other hand, given the upbeat business confidence, industrial and services sectors are expected to show acceleration in growth in 2014-15. Industrial sector is expected to grow by 3.3%, faster than a low 0.6% growth estimated for 2013-14. The mining sector is expected to return to growth provided no natural calamities hamper production. The sector will grow by 2.8%, after shrinking for three successive years.

Investment demand in India is expected to pick up gradually in 2014-15, as the Cabinet Committee on Investments (CCI) has been clearing several projects. The land acquisition process has become easy post implementation of the new land acquisition act. Fast tracking of projects is expected to boost the construction activity in India, generate new employment and create fresh demand for items like cement, steel and machinery.

High inflation and firm interest rates had eaten into discretionary spending and savings of the middle and lower class in 2013-14. But, inflation is unlikely to rise in 2014-15 which, in turn, can boost the growth of the manufacturing sector. Exports, which account for 19% of the sales of the manufacturing sector, are also expected to contribute to the industrial growth in 2014-15. Export earnings are expected to rise by 9.1% in US dollar terms on weak rupee and pick-up in global economy.

The manufacturing sector is expected see a turnaround in 2014-15, registering a 2.8% growth, as against a 0.5% fall estimated for 2013-14. The electricity sector is expected to maintain its growth rate at around 6% in 2014-15.

The services sector, which accounts for 60% of the real GDP, is also expected to show an improvement in growth to 7.3% in 2014-15 from 6.8% in 2013-14. The acceleration in growth is expected to come from the trade, hotels, transport, storage & communication services sector. An improvement in the growth of mining, manufacturing and construction sectors is expected to have a cascading effect on the performance of these services. The growth of the sector is expected to accelerate to 5.7% in 2014-15 from 4.4% in 2013-14.

It is estimated that the finance, real estate & insurance services sector and the community, social & personal services sector will maintain the growth rate at around 11% and 5.5%, respectively in 2014-15.

The HSBC Trade Confidence Index, the largest trade confidence survey in the world, has positioned India at the top with 142 points. The increasing demand due to its population makes the country a good market for consumption goods, according to the report.

With a newly elected government in place, Indian economy is expected to improve in 2014-15. The recovery will be calibrated, although several sectors might see a jump start. On the whole, there is improvement in business confidence across the country and good days for the economy are expected in the near future.

INDUSTRY PERSPECTIVE

India has over 10,500 manufacturing units and over 3,000 pharma companies and exports all forms of pharmaceuticals from APIs to formulations, both in modern medicine and traditional Indian medicines. Globally, India ranks among the top exporters of formulations by volume.

The country's exports of generics have been growing at a rate of nearly 24% annually over the past four years. As per 'Pharma Vision 2020', the Government of India aims to make India a global leader in end-to-end drug manufacturing epicenter, leveraging on the fact that cost of production in India is approximately 35% to 40% lower than in the developed countries. The enormous opportunity can be best illustrated from the projected human resource requirement of the Indian pharma sector, estimated to be about 2.15 million by 2020.

According to an estimate, India accounts for 35.7%, about 3,000 of the 8,374 Drug Master Files filed with the USA, which is the highest by any country outside of USA. Higher commitment of resources and continuing efforts of the industry participants in conjunction with product patent cliff has made India a major destination for generic drug manufacturing. According to a recent study, India has already been accredited with 907 CEPs, 845 TGA and 513 sites registered with the US FDA.

India is the third-largest exporter of drugs to the United States by volume. In 2013-14, at USD 14.84 billion (approximately ₹898 billion), the growth rate of India's pharmaceutical exports slowed sharply to just 1.2%. The near stagnation in growth is because of import alerts and bans by US regulators, a slowdown in the European Union and increased competition.

Seen on a global perspective, compared to other industries, over the past two years, the pharmaceutical industry across the world remained less impacted by the global economic uncertainty in certain parts of the world; yet, it would be appropriate to say that the industry is facing pressure from escalating costs and overwhelmed health systems across the world. An overview of recent sector performance shows that it is favorably positioned to achieve success in 2014 and beyond.

Among the drivers for growth are an aging population, rising incidence of chronic diseases, technological advancements and product innovation, and certain anticipated impact from health care reform provisions including increases in government funding and insurance coverage. Opportunities in emerging markets could continue to see traction, although many companies are looking more cautiously at these markets due to slowing growth and other pressures.

Factors such as India's low cost of production and strong R&D growth are the driving factors in attracting global pharmaceutical companies to India and at the same time, the comparative cost advantage enhances pharma exports. In fact, the rising global demand for generic drugs is also playing an important role in development of India as a hub for generic drug manufacturing.

India holds over 10% share in the global pharma production with over 60,000 generic brands across 60 therapeutic categories and manufacturing over 400 different active pharmaceutical ingredients (APIs). There is no doubt on the growth potential of the Indian pharma industry. In fact, a recent Deloitte report added that Indian companies can be expected to garner USD 40 billion in sales as close to 46 US drug patents will expire by 2015.

Globally, pharmaceuticals generated total revenue of USD 959 billion in 2012, growing 2.4 percent from 2011 (considerably below the 5.3% increase posted the year prior). Oncology is the leading therapeutic class; other focus areas include pain management, hypertension, diabetes, mental health, and respiratory ailments.

Recently, Deloitte Touche Tohmatsu examined common elements of the current wave of global reform, national differences, and how life sciences companies are reacting. Among their key survey findings are:

- Reducing costs, enhancing innovation and improving market access are the defining goals of health care reform. Some countries are adopting value-based pricing structures for life sciences products, while others are combining cost containment with assistance for companies investing in R&D;
- Main impact of reform eventually will be on innovation and sales models;
- Specific elements of reform vary by country, requiring companies to have national approaches. Policy changes are predominantly shaped by specific national contexts with elements that are unique to their national systems;
- Leading companies are remodeling their innovation and sales activities in the face of reforms. Companies are working to change their innovation processes and sales models to benefit from opportunities arising from reforms.

Overall, cost containment is a common reform objective in both developed and developing markets; however, strategies vary. Most national health care systems have been encouraging greater use of generic drugs; in the U.S., for example, the proportion of prescriptions filled by generics has risen from around 50 to 80% over the last decade. Brazil is making branded generics and proprietary drugs of greater interest to pharmaceutical companies, and in China, recent reforms have put intense pressure on the prices of all drugs, including generic and over-the-counter (OTC) medicines.

In another cost-containment approach, Germany and several other countries have turned to value-based pricing for new drugs, which allows a price differential from existing offerings - including generics - based on a new product's demonstrated superiority.

Pharma exports from India will be more than the size of the domestic sales by FY15, according a recent report by India Ratings & Research. While revising its outlook for the sector for next fiscal to positive from stable because of increased exports, the firm said that the domestic pharma market is expected to see high single digit revenue growth and profit margins are expected to improve because of increasing utilization of manufacturing facilities.

As stated earlier, India is emerging as the manufacturing hub of the global pharmaceutical industry driven by large labour force, skills and education, to become a potent competitor to the developed countries. According to PriceWaterhouse Coopers, finished generics supplied from India account for about 20% of the global generic market by volumes. More than 90% of WHO pre-qualified Active Pharmaceutical Ingredients (ARV, Anti-tubercular and anti-malarials) are sourced from India.

55% of India's total pharma exports amounting to USD 14.84 billion is shipped to the highly regulated markets of the world, including the US and EU countries. Japan too holds a big potential for Indian pharma sector.

COMPANY PERSPECTIVE

Aurobindo is one of the largest vertically integrated pharmaceutical companies in India. In addition to being the market leader in semi-synthetic penicillins, the Company has a presence in key therapeutic segments such as neurosciences, cardiovascular, anti-retrovirals, anti diabetics, gastroenterology and cephalosporins, among others.

Strengthened by approved manufacturing facilities by US FDA, UK MHRA, WHO, MCC-SA, ANVISA-Brazil for both APIs & formulations and with a global presence with own infrastructure, strategic alliances with over 40 subsidiaries & joint ventures, Aurobindo features among the top 10 companies in India in terms of consolidated revenues. The Company exports to over 125 countries across the globe with more than 82% of its revenues derived out of international operations. The customers include premium multi-national companies.

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.

Through cost effective manufacturing capabilities and with support of a few loyal customers, the Company entered the high margin specialty generic formulations segment. In less than a decade, Aurobindo has evolved into a knowledge driven company manufacturing active pharmaceutical ingredients and formulation products. It is R&D focused and has a multi-product portfolio with manufacturing facilities in several countries.

The formulation business is systematically organized with a divisional structure, and has a focused team for key international markets. Leveraging on its large state-of-the-art manufacturing infrastructure for APIs and formulations, wide and diversified basket of products and confidence of its customers, the Company aims to achieve USD 2 billion revenues by 2014-15. Aurobindo's strategic competitive advantage includes seven units ensuring captive source of APIs/ intermediates and six units manufacturing formulations, designed to meet the requirements of both advanced as well as emerging market opportunities.

Aurobindo makes use of in-house R&D for rapid filing of patents, Drug Master Files (DMFs), Abbreviated New Drug Applications (ANDAs) and formulation dossiers across the world. The Company is among the largest filers of DMFs and ANDAs from India.

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 year after year and emerge as a major player in the developed 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;
- Globalizing and further penetrating the markets through joint ventures/ subsidiaries/organic means into Japan, Brazil and other Latin American countries; and,
- Emerging as a leading player in global high-quality innovative specialty generic formulations and domestic brand segments.

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. Aurobindo 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 the Company has successfully established strategic partnerships with global pharmaceutical majors.

A few strengths of the Company are as follows:

- 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;
- Sticking to set deadlines. For instance, 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 - a dedicated server for on-line data processing, video conferencing, tele-conferencing, etc. to ensure constant communication throughout the life of the project;
- A right mix of instrumentation and production expertise with due emphasis on profiling, characterization of compounds and reduction in impurities, chiral resolution and impurity profiling ensure the highest quality of deliverables and yield optimization;
- The manufacturing infrastructure, the knowledge base at the research centers and the ability to deal successfully with its process chemistry strengths are the forte of Aurobindo.

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.

THREATS AND CHALLENGES

The pharmaceutical industry is highly competitive and the challenges are from both the Indian manufacturers who have similar production facilities as well as those abroad. Human resources with similar skills, talents and experiences in the industry are mobile between competing companies.

Price pressures are intense and are expected to remain so. Going forward, there is a risk of inability to maintain current margins on its products. 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.

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. This threat 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, improve on timelines, be competitive on 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.

The Company 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. Aurobindo has worked on its speed-to-market abilities and is quick to convert product approvals into invoices.

The scientists and professionals of Aurobindo have been trained to create opportunities, replicate the successes and drive business growth. 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.

INTERNAL CONTROL

The professionally managed 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 three 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 over 9,500 professionals from 26 countries 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:

- attract, build and retain right talent at all levels;
- create and nurture a performance culture through continuous capability building, performance measurement and leveraging of IT;
- foster leadership at all levels through trust, empowerment and openness;
- strengthen collaborative approach for business excellence; and,
- 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 A2CE. 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. A2CE 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 Formulations unit to identify Master Quality Leaders (MQL) who will facilitate our quality initiatives across the organization

Industrial relations continue to be cordial 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.

In line with the new statutory requirements, a Board level CSR committee has been constituted to evolve a suitable policy and create a mechanism for implementing it as per the laid down guidelines under the Companies Act, 2013.

OUTLOOK

Pharmaceutical industry is faced with major challenges but Aurobindo is part of product segments that display growth. In a world that is striving to achieve lower drug costs at every level, production costs will continue to remain a key measure. Aurobindo has a good foundation of reliable sourcing and cost effective manufacturing systems and is exploring further ways of reducing costs and strengthening competitiveness.

Sales are being ramped up across all the geographies. This trend, as in the past, is expected to continue with several new launches as well as improving the existing business. A further thrust is being given to the Company's presence in Europe while adding to the market share of the injectable side of the business. In the case of the APIs, the emphasis is to grow the high value products, gain momentum in developed markets and taper-off non-competitive products.

Capacity utilization is improving at all production units. Indeed, keeping the likely requirement for growth in the generics market, balancing equipment is being added in API manufacturing facilities. The Company has an enviable product basket with a large portfolio of regulatory approvals. The focus will be to continue to 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.

The corporate objectives are structured to achieve enhanced shareholder value while delivering what the customers want. An increased thrust on combination drugs, in-licensing initiatives, alliances with MNCs and other measures such as enhanced focus on injectables, OTCs, institutional segment as well as focus on reaching direct to the customers are some of the drivers for gaining traction in enhancing revenues, EBITDA margin and Return on Investment higher than the industry average. The target is to stay cash flow positive, lower the leverage, reduce interest outgo and strive to expand earnings.

Risks & their management

As in any business, 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.

OVERVIEW

Aurobindo Pharma, an integrated global pharmaceutical company engaged in API and formulations business segments, faces various business risks just like any other business. Such business risks are broadly categorized into strategic, operational, financial and compliance risks. Aurobindo believes that there can be no growth or creation of value in the Company without risk-taking, while risks not properly managed can affect the Company's ability to achieve its objectives. Risk management system plays a key role in directing the Company's activities within the desired parameters.

The Company defines risks as events that have the potential to negatively impact achievement of objectives and anything that would prevent the Company from achieving its business objectives, including both internally and externally driven, or due to either action or inaction on the part of Company.

Aurobindo has embedded and aligned risk management system with every part of critical business processes in order to systematically ensure that processes are designed to achieve strategic objectives and the business risks are identified across the organisation in a holistic manner rather than in silos.

RISK MANAGEMENT STRUCTURE

At present, risk management structure at Aurobindo comprises the Board of Directors at the apex level, supported by the Managing Director, business heads, functional heads, and unit heads. As risk owners, these business leaders are entrusted with the responsibility of identification and monitoring of risks which are discussed and deliberated at various review meetings and actions are drawn upon accordingly. The identified risks along with action plans to mitigate them are monitored regularly for effective business performance and operational excellence.

RISK IDENTIFICATION AND ASSESSMENT

The risk management system involves fair practice relating to identification, assessment, mitigation and monitoring of all critical risks in pharmaceutical industry which would impact the achievement of key business objectives. Key risks are being identified and assessed function wise by using fair practices and people have been made accountable for monitoring and managing the risks regularly.

Aurobindo identifies and evaluates several risk factors and draws out appropriate mitigations plans associated with the risks. Aurobindo relentlessly endeavours not only to minimise risks but convert them into business opportunities that allow it to maximise returns for shareholders from diverse situations. The Company believes in constant monitoring and decision-making to balance risks and rewards to translate them into an optimal solution between revenue generating initiatives and risks taken.

ENTERPRISE RISK MANAGEMENT SYSTEM

During the year, Aurobindo has taken the initiative to design and implement a structured and holistic Enterprise Risk Management (ERM) framework which is based on COSO ERM Framework, USA (Committee of Sponsoring Organization of Treadway Commission). The ERM Framework will be rolled over in a phased manner across all key business functions.

Business risks in Aurobindo

Some of the key existing and emerging risks affecting Aurobindo's business are listed below:

Economic and geopolitical risks

Economic and political instability resulting from changes in foreign policies and political leadershipin countries such as USA, Europe and other countries where Aurobindo has business presence could adversely affect the Company's operations and revenues.

Aurobindo's business is substantially dependent on exports to USA, Europe and the rest of the world (ROW) with a balanced product basket that contains several therapeutic segments and revenue breakup of the Company is as given below:

- About 65.3% of the Company's revenue is generated from formulations and the balance 34.7% is from active pharmaceutical ingredients (API);
- About 63% of formulations sales come from USA, about 21% from Europe plus ROW and the rest 16% comes from anti-retroviral business segment.

The Company is taking adequate care to grow in each of the product segments and is striving to improve its presence through acquisition of certain commercial operations of Actavis Plc in Western Europe. The acquisition will expand Aurobindo's front-end operations into five segments (generics, prescription products, over-the-counter products, hospital products and generics tenders) with approximately 1,250 dossiers and an additional pipeline of over 200 products. Aurobindo has acquired personnel, commercial infrastructure, products, marketing authorisations and dossier licence rights in seven European countries. Actavis and Aurobindo have also entered into a long term commercial and supply arrangement.

Efforts are being made to strengthen business presence in potentially large markets such as Japan, Brazil, South Africa, Canada, Australia, North and West Africa and Middle East. These initiatives would also help consolidate Aurobindo's volumes and revenues over the long term, thereby spreading the risk portfolio.

Instability in any one economy will not have a major influence on the Company. Overall, the healthcare industry is not price elastic and is hence, reasonably insulated from recession.

Competition risks

Aurobindo's products face intense competition from products of other pharmaceutical companies in India and abroad and introduction of new products by competitors may impair the Company's competitive advantage and lead to erosion of revenues.

In the highly competitive pharmaceutical market where major players are present, it is difficult to improve market share and reduce risks. But, Aurobindo has unique capabilities to face competition from its peers. This risk would not significantly impact the Company owing to its integrated manufacturing process and demonstrated operational efficiencies all of which are designed to offer products at competitive prices. For most of its generic formulations, the Company has captive manufacture of active ingredients to ensure timely material availability, effective cost control and focus on improving profit margins.

New products continue to get introduced by an experienced and talented R&D team which works to deliver on the marketing strategy by developing new processes/products to meet customer needs and build market share.

Regulatory & compliance risks

The pharmaceutical industry is constantly being challenged by a critical compliance risk viz. to comply with rigorous regulatory requirements and compliance is evolving from an isolated departmental initiative to an enterprise level risk management challenge. Some of the competitors, especially multinational pharmaceutical companies, have greater experience in clinical testing and human clinical trials of pharmaceutical products and in obtaining regulatory approvals. This could render Aurobindo's technology and products uncompetitive or restrict the Company's ability to introduce new products thereby adversely impacting business.

Aurobindo has a talent pool of over 850 scientists, who have adequate experience in handling complex chemistry and filing applications with the regulatory authorities, all of whom have helped Aurobindo receive a total of 195 ANDA approvals from US FDA as at March 31, 2014. Cumulative filings total 336.

Similarly, as on March 31, 2014, the team has filed 2,435 DMFs including 190 with US FDA. 561 patent applications have been filed with various authorities.

Aurobindo is committed to supplying highest quality medicines to customers for promoting healthier life and always strives to conform to regulatory standards and compliance standards and meet stringent requirements of customers to ensure the medicines provide health care and wellness for the consumers.

The Company has put in place the necessary systems to prevent any violations or deviations. Robust quality systems and control measures have been implemented to ensure that the quality is ensured by process design.

Aurobindo is striving to benchmark its processes and systems as the best-in-class and thereby provide reassurance to all stakeholders. Every effort is being made to ensure that there is no compromise on quality of products and processes. Continuous monitoring is being done by QC/QA team to deliver highest quality products.

Pricing risks

Some of Aurobindo's products are subject to price controls or other pressures on pricing. The price controls limit the financial benefits of growth in the life sciences market and the introduction of new products.

Due to perfect competition in generic drug industry, prices are a function of supply and demand. Prices change in response to supplies and competitive pressures. Domestic pricing is also influenced by global trends in both availability and price of imported active ingredients. Some pharmaceutical companies with noticeable presence in particular segments having demand are able to differentiate themselves and offer value proposition. In some segments, pharma players having good brand value have priced the products appropriately. Aurobindo is able to cope with pricing pressures and the focus on quality assurance has minimized the possibilities of commoditization. The in-house R&D is striving to develop cost effective products by redefining the production process/facility.

Patent protection risks

Aurobindo's success depends on company's ability in future to obtain patents, protect *trade secrets and other proprietary information and operate without infringing on the intellectual property rights of other pharma companies.*

Aurobindo has a dedicated team of scientists whose primary task is to ensure that the products are manufactured using only non-infringing processes and related compliances by reviewing and monitoring IPR issues continuously.

As of March 31, 2014 the Company has filed for 561 patents and has been granted 84 non-infringing process patents. Aurobindo takes adequate care to respect trade secrets, know-how and other proprietary information and ensure that the employees, vendors and suppliers sign confidentiality agreements.

Market risks

Aurobindo is significantly dependent on US market for its business. Failure to develop profitable operations in that market could adversely affect the Company's business, operations and financial condition. This scenario poses the risk of concentration and dependence on one market.

In order to reduce the concentration risks, the Company has been spreading its business (Formulations and API) into European, Australian and Japanese markets. Aurobindo with its effective marketing strategy is also increasing sales volumes for both the businesses in existing markets and is making regular efforts to widen geographical spread by entering into high potential markets in Lactam and ROI.

The Company has the right balance between high margin-low volume products and low margin-high volume products. The product base also has been streamlined to have right balance between various product groups.

Proper capacity management is a challenge at Aurobindo and the Company has taken the initiative for undertaking continuous capacity expansions and regular monitoring of on-going capital projects for their timely completion. Production planning team at Aurobindo monitors and utilises production capacities at optimum levels with the support of an effective marketing strategy along with proper coordination and discussion with production heads and supply chain head.

Currency fluctuation risk

Aurobindo is having high financial obligations towards imports payments and ECB payments. In an era of depreciating rupee against USD, huge borrowings and imports will lead to high exposure of currency risks. There is no hedging of currencies. This could have an impact on the Company's financial position.

Aurobindo is predominately an export oriented company. Over 82% of the revenue is from exports. At the same time, the Company is having sizable imports/working capital in foreign currency and long-term ECB to fund the export oriented projects. As such, the export proceeds provide the natural hedge to the import and working capital in the foreign exchange fluctuations. The Company is conscious of impact on earnings in the event of currency fluctuations. The forex position is reviewed on a monthly basis by the borrowing committee and quarterly by the Board of Directors/Audit Committee. Based on the decision of borrowing committee, the treasury team would ensure the execution of transactions for forward cover.

People risks

Aurobindo's success depends largely upon an effective HR strategy that includes recruitment, succession planning and retention of competent managerial personnel. The HR strategy is linked and aligned to overall business plan and growth of the Company. Aurobindo faces considerable challenge in complying with the various applicable statutes and maintaining good industrial &employee relations. Labour unrest could have an adverse impact on the Company's operations. The industry is human capital intensive with a high rate of attrition and this could have an impact on the Company's operations.

In order to meet the overall objectives of the Company, the HR team has identified and developed people with potential to fill key business leadership positions. In addition, the Company is also recruiting and building a team of achievers with proper leadership training.

Aurobindo has been fine tuning its HR strategy in order to meet business requirement and future growth. Second-in-command in each key function and decentralised management style has developed a much stronger organization culture.

There is a proactive approach to HR management, and at Aurobindo, employees are given responsibility with authority. Emphasis is on accountability with clear job descriptions and the employees are encouraged to raise the bar and perform to their potential. The professional approach in day-to-day management has enabled the employees 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 supervisory controls are in place to mitigate compliance risks.

The HR team has developed an effective employee performance appraisal program to measure work performance as compared to job expectations. They strive to ensure that annual performance assessments are conducted effectively with necessary feedback and counselling.

The employee attrition in the Company is lower than the industry average.

Industrial relations (IR) team is making continuous efforts to maintain a cordial relationship with employees with a view to achieve optimal performance from the employees.

Notice

Aurobindo Pharma Limited

CIN - L24239TG1986PLC015190

Registered Office:
Plot No.2, Maitrivihar, Ameerpet,
Hyderabad - 500 038
Tel Nos. +91 40 2373 6370
Fax Nos. +91 40 2374 7340
E-mail: info@aurobindo.com
Website: www.aurobindo.com

NOTICE is hereby given that the Twenty Seventh Annual General Meeting of the Members of Aurobindo Pharma Limited will be held on **Wednesday, the 27th day of August 2014 at 3.00 p.m. at Taj Deccan, Road No.1, Banjara Hills, Hyderabad 500 034** to transact the following business:

ORDINARY BUSINESS

Item 1 - Adoption of Financial Statements

To receive, consider and adopt the Audited Balance Sheet as at March 31, 2014 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.

Item 2 - Declaration of Dividend

To confirm the first interim dividend of ₹1.25 and the second interim dividend of ₹1.75, in aggregate ₹3 per equity share of ₹1 each, as dividend for the year 2013-14.

Item 3 - Appointment of Director

To appoint a Director in place of Mr. M. Madan Mohan Reddy (DIN: 01284266) who retires by rotation and being eligible, seeks re-appointment.

Item 4 - Appointment of Director

To appoint a Director in place of Mr. K. Nithyananda Reddy (DIN: 01284195) who retires by rotation and being eligible, seeks re-appointment.

Item 5 - Appointment of Auditors

To appoint the Statutory Auditors and fix their remuneration.

"RESOLVED THAT pursuant to the provisions of Section 139 and all other applicable provisions of the Companies Act, 2013 and the Rules made there under, M/s. S.R. Batliboi & Associates LLP, Chartered Accountants (Registration No.101049W) who have offered themselves for re-appointment and have confirmed their eligibility in terms of the provisions of Section 141 of the Companies Act, 2013 and Rule 4 of Companies (Audit and Auditors) Rules, 2014 be and are hereby re-appointed as the statutory auditors of the Company to hold office from the conclusion of the 27th Annual General Meeting to the conclusion of the 30th Annual General Meeting of the Company (subject to ratification of the appointment by the Members at every Annual General Meeting held after this Annual General Meeting) at such remuneration as may be determined by the Board of Directors of the Company."

SPECIAL BUSINESS

Item 6 - Appointment of Mr. M. Sitarama Murty as an Independent Director

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

"RESOLVED THAT pursuant to the provisions of Sections 149, 152 and all other applicable provisions of the Companies Act, 2013 and the Rules made there under read with Schedule IV of the Companies Act, 2013, Mr. M. Sitarama Murty (DIN-01694236), Director of the Company in respect of whom the Company has received a notice in writing from a Member under Section 160 of the Companies Act, 2013 signifying his intention to propose Mr. M. Sitarama Murty as a candidate for the office of director of the Company be and is hereby appointed as an Independent Director of the Company to hold office up to March 31, 2019, not liable to retire by rotation."

Item 7 - Appointment of Dr. D. Rajagopala Reddy as an Independent Director

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

"RESOLVED THAT pursuant to the provisions of Sections 149, 152 and all other applicable provisions of the Companies Act, 2013 and the Rules made there under read with Schedule IV of the Companies Act, 2013, Dr. D. Rajagopala Reddy (DIN - 01728382), Director of the Company in respect of whom the Company has received a notice in writing from a Member under Section 160 of the

Companies Act, 2013 signifying his intention to propose Dr. D. Rajagopala Reddy as a candidate for the office of director of the Company be and is hereby appointed as an Independent Director of the Company to hold office up to March 31, 2019, not liable to retire by rotation."

Item 8 - Appointment of Mr. K. Ragunathan as an Independent Director

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

"RESOLVED THAT pursuant to the provisions of Sections 149, 152 and all other applicable provisions of the Companies Act, 2013 and the Rules made there under read with Schedule IV of the Companies Act, 2013, Mr. K. Ragunathan (DIN - 00523576), Director of the Company in respect of whom the Company has received a notice in writing from a Member under Section 160 of the Companies Act, 2013 signifying his intention to propose Mr. K. Ragunathan as a candidate for the office of director of the Company be and is hereby appointed as an Independent Director of the Company to hold office up to March 31, 2019, not liable to retire by rotation."

Item 9 - Approval of the remuneration of the Cost Auditors for the financial year 2014-15

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

"RESOLVED THAT pursuant to the provisions of Section 148 and all other applicable provisions of the Companies Act, 2013 and the rules made there under, M/s. Sagar & Associates, the Cost Auditors appointed by the Board of Directors of the Company, to conduct the audit of the cost records of the Company for the financial year 2014-15, be paid a remuneration of ₹5 lakhs plus service tax with reimbursement of out-of-pocket expenses."

By Order of the Board

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

Hyderabad
May 30, 2014

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 HIMESELF/HERSELF AND THE PROXY NEED NOT BE A MEMBER OF THE COMPANY. A person can act as proxy on behalf of Members up to and not exceeding fifty and holding in the aggregate not more than ten per cent of the total share capital of the Company. Further, a Member holding more than ten per cent, of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as proxy for any other person or Member. 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. The proxy form is enclosed.**

2. A statement pursuant to Section 102(1) of the Companies Act, 2013 with respect to the Special Business set out in the Notice is annexed.

3. Relevant documents referred to in the accompanying Notice and the statement is open for inspection by the members at the Registered Office of the Company on all working days during business hours up to the date of meeting of the Company.

4. The Register of Members and Share Transfer Books of the Company will remain closed from August 19, 2014 to August 27, 2014 (both days inclusive).

5. The Board of Directors of the Company has declared first interim dividend @125% i.e. ₹1.25 per share of ₹1 each and second interim dividend @175% i.e. ₹1.75 per share of ₹1 each for the year 2013-14. The Board of Directors of the Company did not recommend any further dividend for the year 2013-14.

6. Pursuant to the provisions of Section 124(5) of the Companies Act, 2013, the unpaid/unclaimed dividend for the year 2006-07 will be transferred to the Investor Education and Protection Fund of the Central Government on the due date.

7. 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).

8. 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.

9. 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.

10. The annual report for 2013-14 is being sent by electronic mode only to the Members whose Email addresses are registered with the Company/ Depository Participant(s) for communication purpose unless any member has requested for a hard copy of the same. For members who have not registered their Email addresses physical copies of the annual report 2013-14 are being sent by the permitted mode.

11. In terms of Section 108 of the Companies Act, 2013 read with the Companies (Management and Administration) Rules, 2014 and as per the requirements of the Listing Agreement with the stock exchanges, the Company is providing the facility to its Members holding shares in physical or dematerialized form as on the cut-off date, i.e. July 25, 2014, to exercise their right to vote by electronic means on any or all of the agenda items specified in the accompanying Notice of Annual General Meeting. Details of the process and the manner of E-voting along with the User ID and Password are being sent separately to all the Members along with the Notice.

12. Members may also note that the Notice of the 27th Annual General Meeting and the Annual Report for 2013-14 will be available on the Company's website **www.aurobindo.com**. The physical copies of the aforesaid documents will also be available at the Company's Registered Office for inspection during normal business hours on working days. Members who require communication in physical form in addition to e-communication, or have any other queries, may write to us at **investorgrievences@aurobindo.com**.

13. Brief resume of Directors of those proposed to be appointed/ re-appointed, nature of their expertise in specific functional areas, names of companies in which they hold directorships and membership/ chairmanships of Board Committees and shareholding in the Company as stipulated under Clause 49 of the Listing Agreement with the stock exchanges, are provided in the Corporate Governance Report forming part of the Annual Report.

Statement pursuant to Section 102(1) of the Companies Act, 2013

Item 6

Mr. M. Sitarama Murty is a Non-Executive (Independent) Director of the Company. He joined the Board of Directors on September 27, 2007. In terms of Sections 149, 152 and the Rules made there under read with Schedule IV of the Companies Act, 2013, the Board of Directors have reviewed the declaration made by Mr. M. Sitarama Murty that he meets the criteria of independence as provided in Section 149(6) of the Companies Act, 2013. The Board is of the opinion that he fulfills the conditions specified in the Companies Act, 2013 and the rules made there under and is independent of the management. Accordingly, it is proposed to appoint Mr. M. Sitarama Murty as an Independent Director of the Company as per the provisions of the Companies Act, 2013.

The Company has received notice in writing under the provisions of Section 160 of the Companies Act, 2013 from a Member along with a deposit of ₹100,000 proposing the candidature of Mr. M. Sitarama Murty for the office of Independent Director.

The Resolution seeks the approval of the Members for appointment of Mr. M. Sitarama Murty as an Independent Director of the

Company up to March 31, 2019 pursuant to Section 149 and other applicable provisions of the Companies Act, 2013 and the Rules made there under. He is not liable to retire by rotation.

No Director, key managerial personnel or their relatives, except Mr. M. Sitarama Murty, to whom the Resolution relates, is interested or concerned in the Resolution.

The Board recommends the Resolution set forth in Item 6 for the approval of the Members.

Item 7

Dr. D. Rajagopala Reddy is a Non-Executive (Independent) Director of the Company. He joined the Board of Directors on October 30, 2009. In terms of Sections 149, 152 and the Rules made there under read with Schedule IV of the Companies Act, 2013, the Board of Directors have reviewed the declaration made by Dr. D. Rajagopala Reddy that he meets the criteria of independence as provided in Section 149(6) of the Companies Act, 2013. The Board is of the opinion that he fulfills the conditions specified in the Companies Act, 2013 and the rules made there under and is independent of the management. Accordingly, it is proposed to appoint Dr. D. Rajagopala Reddy as an Independent Director of the Company as per the provisions of the Companies Act, 2013.

The Company has received notice in writing under the provisions of Section 160 of the Companies Act, 2013 from a Member along with a deposit of ₹100,000 proposing the candidature Dr. D. Rajagopala Reddy for the office of Independent Director.

The Resolution seeks the approval of the Members for appointment of Dr. D. Rajagopala Reddy as an Independent Director of the Company up to March 31, 2019 pursuant to Section 149 and other applicable provisions of the Companies Act, 2013 and the Rules made there under. He is not liable to retire by rotation.

No Director, key managerial personnel or their relatives, except Dr. D. Rajagopala Reddy, to whom the Resolution relates, is interested or concerned in the Resolution.

The Board recommends the Resolution set forth in Item 7 for the approval of the Members.

Item 8

Mr. K. Ragunathan is a Non-Executive (Independent) Director of the Company. He joined the Board of Directors on January 30, 2008. In terms of Sections 149, 152 and the Rules made there under read with Schedule IV of the Companies Act, 2013, the Board of Directors have reviewed the declaration made by Mr. K. Ragunathan that he meets the criteria of independence as provided in Section 149(6) of the Companies Act, 2013. The Board is of opinion that he fulfills the conditions specified in the Companies Act, 2013 and the rules made there under and is independent of the management. Accordingly, it is proposed to appoint Mr. K. Ragunathan as an Independent Director of the Company as per the provisions of the Companies Act, 2013.

The Company has received notice in writing under the provisions of Section 160 of the Companies Act, 2013 from a Member along with a deposit of ₹100,000 proposing the candidature Mr. K. Ragunathan for the office of Independent Director.

The Resolution seeks the approval of the Members for appointment of Mr. K. Ragunathan as an Independent Director of the Company up to March 31, 2019 pursuant to Section 149 and other applicable provisions of the Companies Act, 2013 and the Rules made there under. He is not liable to retire by rotation.

No Director, key managerial personnel or their relatives, except Mr. K. Ragunathan, to whom the Resolution relates, is interested or concerned in the Resolution.

The Board recommends the Resolution set forth in Item 8 for the approval of the Members.

Item 9

The Board of Directors on the recommendation of the Audit Committee, has approved the appointment and remuneration of the Cost Auditors to conduct the audit of the cost records of the Company for the financial year 2014-15.

In accordance with the provisions of Section 148 of the Act read with the Companies (Audit and Auditors) Rules, 2014, the remuneration payable to the Cost Auditors has to be ratified by the shareholders of the Company. Accordingly, consent of the members is sought for passing an Ordinary Resolution as set out at Item 9 of the Notice for ratification of the remuneration payable to the Cost Auditors for the financial year 2014-15.

No Director, key managerial personnel or their relatives is interested or concerned in the Resolution.

The Board recommends the Resolution set forth in Item 9 for the approval of the Members.

By Order of the Board

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

Hyderabad
May 30, 2014

Directors' Report

Dear Members,

Your Directors are pleased to present the 27th Annual Report of the Company together with the audited accounts for the financial year ended March 31, 2014.

FINANCIAL RESULTS

Standalone financials ₹ Million

	2013-14	2012-13
Gross Turnover	**72695.3**	55695.0
Profit before depreciation, interest, tax and exceptional items	**19942.7**	9845.7
Depreciation/amortization	**1859.7**	1713.9
Finance cost	**866.2**	1147.4
Exchange difference adjusted to borrowing cost (Revised Schedule VI)	**2022.2**	1353.2
Profit before tax	**15194.6**	5631.2
Provision for tax/deferred tax	**3473.7**	671.3
Profit after tax before exceptional item	**11720.9**	4959.9
Less: Exceptional items	**–**	–
Net profit after exceptional items	**11720.9**	4959.9
Balance brought forward from previous year	**18752.2**	14797.1
Balance available for appropriation	**30473.1**	19757.0
Appropriations		
Dividend on equity shares - Interim	**874.1**	291.2
Final	**–**	145.6
Tax on dividend	**148.5**	72.0
General reserve	**1172.1**	496.0
Surplus carried to Balance Sheet	**28278.4**	18752.2

DIVIDEND

Your Directors have approved a second interim dividend of 175% i.e. ₹1.75per equity share and together with the interim dividend of 125% i.e. ₹1.25 per equity share, the total dividend for the financial year 2013-14 comes to 300% i.e. ₹3 per share on the equity share of ₹1 as against 150% i.e. ₹1.50 per share of ₹1 paid in the previous year.

PERFORMANCE REVIEW

Your Company has delivered satisfactory results despite several challenges including rising costs, severe competitive pressures and sluggishness in customer countries. We are pleased to report that market conditions for your Company's products were better exploited with focused investments in the markets and products supplemented by significant first-to-launch advantages. Your Company continued to invest to add to its market presence for existing products, widen the geographical reach both within US and Europe, position new products by adding to shelf space, convert product approvals into invoices by reducing the time-to-market and rationalize on low value offers.

Team Aurobindo focused on continued growth within boundaries of its business plan. Initiatives were carefully planned in new products and investments were made in to prioritized growth markets. The year's performance demonstrates Aurobindo's strength in the injectables segment, successful introduction of new products in the developed markets, emphasis on cost competitiveness benefiting from the structured integrated business model, and the ability to seize the opportunities in a highly competitive market. There was a more positive momentum in a number of high value products and the teams are presently striving to ensure sustained growth quarter-on-quarter.

The consolidated revenue (net) from operations was higher over the previous year by 38.3% at ₹80,997.9 million in the year under review as against ₹58,553.2 million in the previous year. The formulation and API ratio during the year was 65:35. Consolidated net profit is ₹11,728.5 million, a significant growth over ₹2,938.6 million reported in the previous year. Your Company delivered earnings per share of ₹40.2 as against ₹10.1 in the previous year.

Gross revenue from formulation during the year was ₹53,785 million, 58.8% higher on a year-on-year basis as compared to ₹33,872 million reported in 2012-13. 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 ₹28,642 million, a growth of 12.9% over the previous year, on account of favorable demand scenario as well as focused efforts at enhancing product realizations.

EBITDA at the consolidated level for the year was ₹21,552.1 million, which is 26.6% of consolidated revenue (net), and has gone up by 142.3% over 2012-13. 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. Cost of materials for the year under review was 44.5% of consolidated revenue (net) in comparison to 51.1% in the previous year.

As far as foreign exchange is concerned, the closing rupee dollar rate was ₹59.915 on March 31, 2014 while it was ₹54.285 on March 31, 2013. The rupee has been highly volatile through the year and has depreciated by 10.4% during the financial year. This has resulted in a net exchange loss of ₹2,030.5 million during the year which includes an amount of ₹2,022.2 million on borrowings adjusted to finance charges as per revised Schedule VI of the Companies Act, 1956.

Europe and the rest of the world geographies recorded a sale of ₹11,355 million, thereby growing at 28.4% over the previous year, and in ARV formulation sales by 12% to ₹8,402 million. As in the previous year, 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 63.2% against 51.7% in the previous year. Similarly, European as well as the rest of the world was 21.2% against 26.2% and ARV was 15.6% against 22.1% 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, France and 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. Focused efforts were made during the year to improve bottomline, even as progress was made to expand markets.

In the formulation business, your Company identifies and secures success by market adapted product development together with quick and effective commercializing of new launches. Aurobindo has had a significant success in its new launches, especially in the US. The priority has been to optimize the portfolio and capitalize on the opportunities for our product offering. Efforts were made to increase market share and leverage existing relationships. Aggressive positions were taken in preparations for new launches. Aurobindo today has a balanced portfolio withvisibility for clearly defined plan to climb the value chain.

Your Company has completed acquisition of certain commercial operations in Western Europe from Actavis plc. Aurobindo acquired personnel, commercial infrastructure, products, marketing authorizations and dossier licence rights in seven European countries. Actavis and your Company have also entered into a mutually beneficial long-term commercial and supply arrangement which envisages collaboration with Actavis to ensure business continuity and a smooth transition.

Following receipt of clearances from competent authorities, your Company intends to combine the strength of both enterprises (including its vertically integrated platform and existing commercial infrastructure) in these markets and to identify and maximise all opportunities to improve the Company's performance. Your Company with its inherent cost competitiveness and group structure would build on Actavis' strong market position in the West European countries and strive to become a significant generics player in Europe.

Your Company will position itself as one of the leading Indian pharmaceutical companies in Europe and strive to achieve a critical mass in Western Europe with a top 10 position in several key markets. The objective is to expand the front-end operations into five segments (generics, prescription products, over-the-counter products, hospital products and generics tenders) with approximately 1,250 dossiers and an additional pipeline of over 200 products.The efforts are on to achieve a rapid and successful integration.

Aurobindo has a clear commitment to creating value for all its stakeholders. Your Company has the strategies and core strengths required to expand the market, scale and efficiencies to leverage product portfolio globally and enhance the profitability.

OUTLOOK

Aurobindo is building momentum on its way to become one of the world's leading generic pharmaceutical companies. The efforts of the past in setting up a formidable foundation with several drivers of growth have started to pay off. The Company has carefully crafted architecture for sustained growth with a robust structure of manufacturing systems, large regulatory approved product basket, an enviable geographic and marketing spread created by a reservoir of talented and experienced managers and employees focused on piloting the Company's staircase of growth.

The global pharmaceutical market has several driving factors, which primarily include demand for cost effective drugs to meet the needs of growing population, gradual increase in life expectancy, and a shift towards generics for a range of drugs with a greater focus on lifestyle diseases. Aurobindo anticipated and prepared itself for the paradigm over the years.

The Company has technologies for collecting and synthesizing complex chemistry to face industry challenges of patent cliff,more efficient and compliance conscious processes to offer cost effective products that answer the needs of markets coping with spiraling healthcare cost. Actions to improve the operational efficiencies, especially in the area of supply chain are expected to support profitability and cash flow going forward.

Every effort now is to sustain the momentum to become a stake holder friendly company that meets customer expectations, grows to be a preferred employer, and expands earnings while it enhances shareholder value.

RESEARCH & DEVELOPMENT

During the year under review, research and development team transferred the technology to manufacture certain niche drug substances for regulatory filings of injectable products. This technology involves complex chemistry and tough purification procedures.

As per your Company's cost optimization plan, chemical technology was modified/optimized to reduce the raw materials cost for a number of drug substances. Further, R&D activities were initiated to identify and develop neutraceutical products. During 2013-14, process development to manufacture a few neutraceutical products have been completed.

Three chemical research laboratories and one analytical research laboratory were added to the existing facilities and several experienced scientists were recruited during the year to strengthen the chemical process development capabilities. The know-how and analytical capabilities were enhanced to test and to comply with the stringent requirements of the new guidelines on elemental impurities in drug substances.

As in the past, your Company will always focus on the timely development of drug substances for Paragraph IV filings to avail 'Day-One Launch' opportunities in the US market.

ENVIRONMENT, HEALTH & SAFETY

Environment management operations across your Company stabilized and consistency in performance was improved as compared to previous years. Constant efforts were made to conduct gap analysis and develop more comprehensive processes. Implementation of operating procedures was given emphasis to guide supervisory managers to improve their performance levels and compliance monitoring.

Two new projects were taken up at Unit I; one project is already put to operation and another project is under installation. Environmental clearance project taken up for Unit VIII was completed and formal clearance from the agency concerned is awaited.

The outcome of initiatives taken up during 2013-14 helped in sustaining and supporting uninterrupted manufacturing/project activities at all manufacturing facilities. Aurobindo is consciously reducing the Company's environmental footprint.

Efforts to improve safety culture during 2013-14 include formation of apex EHS committee in manufacturing units; Setting up of EHS council at corporate level to facilitate corporate review of EHS; Safety training for contractor workmen; Near miss reporting and reward scheme with visible increase in near miss reporting and prevention of incidents; and, integration of safety into job descriptions.

HAZOP studies initiated in the earlier year are progressing well, and has been completed for 38 products during the year under review.

Based on the root causes of incidents which happened at Aurobindo in the last three years, specific targeted safety training was given to all production employees on importance of earthing, nitrogen blanketing, usage of conductive materials, and avoiding solvent concentrations in closed rooms.

Specific targeted training was also given to all employees in the engineering stream on handling of machine tools, hand tools and work permit system. Hardware improvements have been taken up such as installation of nitrogen blanketing breather valves and fire alarm system, installation of explosion flaps in tray driers, etc.

Your Company offers a safe, healthy and pleasant atmosphere to work. In order to raise the level of awareness and consciousness amongst employees to ensure compliance with relevant occupational health and safety SOPs and legislations, dedicated staff have been earmarked to actively raise the benchmarks and minimize the risk levels.

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.

The audited financial statements of the subsidiaries are available for inspection during business hours at the Registered Office of the Company. Members interested in obtaining a copy of the accounts of the subsidiaries may write to the Company Secretary. The audited financial statements of subsidiary companies are also kept at the Registered Office of the respective subsidiary companies.

HUMAN RESOURCES

Aurobindo has an inspired team of around 9,500 employees that is led by professional managers committed to building a robust pharma company focused on quality systems, regulatory affairs, and compliance standards with predictability in operations and results. The team has set store by accountability, takes pride in delivering what it sets out to do and overcome challenges.

Your Company is creating a stimulating and rewarding work environment. The leadership team supports initiatives, fosters commitment and consciouslyworks towards people development. Employee engagement processes are designed to let individuals and teams to define the goals with freedom to get things done. Your Company empowers people to drive the business and take the risks that are appropriate and necessary.

A remarkable facet of Aurobindo's employee engagement philosophy is to motivate employees to gain experience, build capabilities and skills and overcome challenges. Training tools are provided to prepare them for larger responsibilities.

DIRECTORS

As per the provisions of the Companies Act, 2013, Mr. M. Madan Mohan Reddy and Mr. K. Nithyananda Reddy will retire in the ensuing annual general meeting and being eligible, seek re-appointment. The Board of Directors recommends their re-appointment.

Further, the Board also recommends the appointment of the existing independent Directors viz. Mr. M. Sitarama Murty, Dr. D. Rajagopala Reddy and Mr. K. Ragunathan as Independent Directors under the provisions of the Companies Act, 2013 and Clause 49 of the Listing Agreement, not liable to retire by rotation and to hold office for the period as stated in their respective resolutions and the explanatory statement forming part of the Notice of the Annual General Meeting. Dr. C. Channa Reddy, the existing independent Director will continue his term in accordance with the provisions of the Companies Act, 2013.

A brief profile of Mr. M. Madan Mohan Reddy, Mr. K. Nithyananda Reddy, Mr. M. Sitarama Murty, Dr. D. Rajagopala Reddy and Mr. K. Ragunathan 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, 2014 and the Balance Sheet as at that date:

i. the applicable accounting standards have been followed:

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

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

A separate section on Corporate Governance standards followed by your Company, as stipulated under Clause 49 of the Listing Agreement with the stock exchanges is enclosed as an annexure to this report

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

MANAGEMENT DISCUSSION AND ANALYSIS

Management Discussion and Analysis Report for the year under review as stipulated under Clause 49 of the Listing Agreement with the stock exchanges is presented in a separate section forming part of this annual report.

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.

The statutory auditors of the company, M/s. S.R. Batliboi & Associates LLP, Chartered Accountants, retire at the ensuing Annual General Meeting and have confirmed their eligibility and willingness to accept office of the statutory auditors, if re-appointed. The Audit Committee and the Board of Directors recommend the re-appointment of M/s. S.R. Batliboi & Associates LLP, Chartered Accountants, as statutory auditors of the Company up to 30th Annual General Meeting of the Company with the approval of the Members.

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 2013-14. The due date for filing Cost Audit Report of the Company in XBRL format for 2012-13 was September 30, 2013 and the same was filed with the Ministry of Corporate Affairs on September 27, 2013.

Based on the recommendations of the Audit Committee, the Board of Directors appointed M/s. Sagar & Associates as Cost Auditors of the Company for 2014-15. As per the provisions of the Companies Act, 2013 the remuneration of the cost auditor as approved by the Board is to be ratified by the Members.

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 are 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.

CORPORATE SOCIAL RESPONSIBILITY

In terms of Section 135 of the Companies Act, 2013, the Company has constituted Corporate Social Responsibility Committee to monitor the CSR activities of the Company in terms of the provisions of the Companies Act, 2013.

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, 30,000 options were granted and 245,731 equity shares of ₹1 each were issued and allotted during the year. Details of the options granted up to March 31, 2014 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 wishes to thank the customers and business associates for their solid support and encouragement. Your Board recognizes competent individuals run this Company with their hard work, contribution and dedication. Your Directors wish to place on record their gratitude to the central and state governments, banks, financial institutions, and shareholders and seek their continuing support for the progress of the Company.

For and on behalf of the Board

Hyderabad
May 30, 2014

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

CONSERVATION OF ENERGY	2013-14	2012-13
Power & fuel consumption		
a. Electricity purchased		
Units (Nos. in Million)	**321.35**	284.48
Total amount (₹ Million)	**2,248.68**	1,827.89
Unit rate (₹)	**7.00**	6.43
b. Own generation		
Through diesel generator		
Units (Nos. in Million)	**8.69**	36.42
Units per litre of diesel	**3.28**	3.43
Oil cost per unit (₹)	**17.67**	12.99
Through steam turbine/generator		
Units (Nos. in Million)	**43.62**	41.36
Units per litre of oil/gas	**0.39**	0.40
Cost per unit (₹)	**2.99**	2.99
Coal		
Quantity (MT)	**234,165.05**	254,575.21
Cost (₹ Million)	**896.47**	949.07
Average rate/MT (₹)	**3,828.35**	3,728.06
Furnace Oil		
Quantity (KL)	**841.03**	667.68
Cost (₹ Million)	**37.31**	29.00
Average rate/KL (₹)	**44,366.75**	43,432.79
Others (Wood)		
Quantity (MT)	**314.11**	254.71
Cost (₹ Million)	**0.85**	0.64
Average rate/MT (₹)	**2,695.16**	2,500.00
Hot Water		
KCal (Million)	**1,452.11**	5,610.60
KCal per litre of diesel	**11,685.58**	10,758.46
Diesel cost per KCal (₹)	**0.005**	0.004

CONSUMPTION PER UNIT OF PRODUCTION

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

FORM - B

RESEARCH AND DEVELOPMENT

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

I. Deliverables

CRD

Total 190 DMFs have been filed in 2013-14; and 114 filings have been made for Certificate of Suitability in the European countries. Hundreds of exhibit batches have been taken to achieve this.

FRD

Total 83 ANDAs have been filed in the year under review, being 34 for steriles and 49 for Non-steriles. Hundreds of exhibit batches have been taken to achieve this.

II. New technology/area

CRD

As per the diversification plan, Research and Development activities were initiated to identify and develop neutraceuticals. During the year 2013-14, process development to manufacture a few neutraceutical products has been completed.

During the year 2014-15, the Company would be making additional investments on the safety aspects of chemical technology. A dedicated set-up would be made ready, wherein four new laboratories would be established for process intensification and process hazards evaluation. These laboratories would be equipped with state-of-the-art equipments such as reaction calorimeter (RC1), thermal screening unit (TSU), multimax reactor etc.

FRD

First product of soft gelatin capsules was filed;

An oncology portfolio has been started;

Hormone portfolio has been started;

Complex injectables have been started;

Oral contraceptive hormonal products have been filed;

The above complex technology based products are expected to fetch good revenues in future.

III. Quality and compliance Initiatives

CRD

Analytical Division of APLRC-2 underwent US FDA inspection in July 2013 and has received the compliance report for the lab.

Development Quality Assurance department was further strengthened to ensure the adequacy and the accuracy of the technology transfer documents.

FRD

All submissions are based on Quality by Design (QbD) and Design of Experiments (DoE).

In-house Quality Assurance department has been started.

The above measures are aimed at gearing up for possible regulatory inspections of R&D, in future.

IV. Cost optimization initiatives

CRD

As per the cost optimization plan, chemical technology was modified/optimized to reduce the raw materials cost for a number of drug substances.

FRD

Continuing from last year, various cost optimization initiatives were taken in the areas of cost effective APIs, excipients and packing materials, the returns for which are already being realized/will be realized in the coming years.

V. Imported technology

All the work has been done in-house.

VI. Future plan

CRD

- We will be starting a new enzyme development lab by second quarter of financial year 2014-15. As per the diversification plan, R&D activities were initiated to identify and develop neutraceuticals.
- Additional resources have been allocated to CRAMS Division to take-up the development of additional CRAMS projects.

FRD

- The plan for future is to focus on niche products while continuing to work on me-too products. Efforts are being made to explore new complex platform technologies and to in-license them if necessary.
- Efforts are also being made to have enhanced focus on the European market (in addition to the US market).
- To explore new business areas such as oncology, hormones and Nutraceuticals.

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 active ingredients/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 have been implemented in development as a mandatory requirement for US FDA submissions. It will benefit in complying with the US FDA requirement.

Particulars of imported technology: Nil

Miscellaneous

Transfer of entire chemical R&D to the Pashamalyaram 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

	2013-14	2012-13
Capital	**157.5**	248.3
Recurring	**2550.5**	2085.1
Total R&D expenditure	**2708.0**	2333.4
As a percentage of total turnover	**3.73**	4.19

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 outgo (accrual basis) during the year ended March 31, 2014

₹ Million

	2013-14	2012-13
Foreign exchange earned		
Exports (FOB)	**53269.0**	38710.1
Others	**150.7**	346.0
	53419.7	39056.1
Foreign exchange outgo		
Materials	**21606.9**	18279.3
Other expenses	**1644.3**	1166.4
	23251.2	19445.7

For and on behalf of the Board

Hyderabad,
May 30, 2014

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	3,995,250	
Total number of Options granted	3,240,500	
Options granted during the year	30,000	
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 financial year 2013-14	312,900	
Options exercised during financial year 2013-14	245,731	
The total number of shares arising as a result of exercise of options	245,731	
Options lapsed during financial year 2013-14		
which are subject to reissue	116,900	
Variation of terms of Options	Nil	
Money realized by exercise of Options during 2013-14 (₹)	34,500,489	
Grant price (Face Value of ₹1) Prevailing on grant date		
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	
August 28, 2013	₹161.30	
Total number of Options in force as on March 31, 2014 (Cumulative)	2,131,369	
Grant details of members of senior management team	Name of employee	No. of options
	Mr. V. Muralidharan	30,000
Number of other employees who receive a grant in any one year of options amounting to 5% or more of options granted during that year	Nil	
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		
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	(₹) 8,100,876	

(Contd..)

DESCRIPTION		PLAN 2006	
iii. The impact of the difference on profits and on EPS of the Company	(₹)	PAT	11,720,906,627
	(₹)	Less: Additional cost based on Fair Value	8,100,876
	(₹)	Adjusted PAT	11,712,805,751
	(₹)	Adjusted EPS	40.22
iv. Weighted average exercise price and fair value of stock Options			
Stock Options granted on (during the year)		30,000 options on August 9, 2013	
Weighted average exercise price	(₹)	141.18	
Weighted average Fair Value	(₹)	167.69	
Closing market price at NSE on the date of grant	(₹)	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
		On August 9, 2013	- ₹161.30
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	(%)	0.15	
Dividend yield		1 (100%)	

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

For and on behalf of the Board

Hyderabad
May 30, 2014

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, 2014 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, 2014

Name	Category	Number of Board Meetings attended	Attendance at the last AGM held on August 7, 2013	Number of directorships in other companies	Number of committee positions held in other companies		No. of shares of ₹1 each held in the Company
					Chairman	Member	
Mr. K. Ragunathan	Non-Executive Independent	7	Yes	–	–	–	–
Mr. K. Nithyananda Reddy	Promoter and Executive	6	Yes	7	–	–	13,762,350
Mr. N. Govindarajan	Executive	7	Yes	4	–	–	125,000
Dr. M. Sivakumaran	Executive	7	Yes	2	–	–	7,345,680
Mr. M. Madan Mohan Reddy	Executive	6	Yes	3	–	–	1,005
Mr. P.V. Ramprasad Reddy	Promoter and Non-Executive	4	No	–	–	–	19,481,440
Mr. P. Sarath Chandra Reddy	Non-Executive Non-Independent	7	Yes	10	–	–	16,390
Mr. M. Sitarama Murty	Non-Executive Independent	7	Yes	1	1	1	–
Dr. D. Rajagopala Reddy	Non-Executive Independent	4	Yes	–	–	–	–
Dr. C. Channa Reddy	Non-Executive Independent	5	No	1	–	–	–

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

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

Date of Meeting	Board Strength	No. of Directors Present
April 25, 2013	10	9
May 30, 2013	10	8
August 9, 2013	10	9
September 12, 2013	10	9
November 7, 2013	10	10
January 17, 2014	10	6
February 6, 2014	10	9

Details of Directors proposed for re-appointment:

Mr. M. Sitarama Murty, Dr. D. Rajagopala Reddy and Mr. K. Ragunathan, are proposed to be appointed as Independent Directors for a term of five years. Mr. M. Madan Mohan Reddy and Mr. K. Nithyananda Reddy retire by rotation and being eligible, seek reappointment.

Mr. M. Sitarama Murty, aged 70 years, holds a Masters degree in science (Electronics). He has professionally qualified as a Certified Associate of Indian Institute of Bankers, with all India 1st rank in Part-II. Mr. Murty has over three decades of experience as a banker and has held various positions in nationalised banks. He retired as Managing Director & CEO of State Bank of Mysore in 2003. His specialised areas of interest are international banking, foreign exchange, money markets, funds management, credit management, rural development, computerisation, commercial law and systems and procedures. He has authored several books on banking systems and contributes regular articles to financial magazines/newspapers. He is a Director on the Board of GKC Projects Limited. He does not hold any shares in the Company.

Dr. D. Rajagopala Reddy, aged 54 years, holds a Masters Degree in Science and has been awarded a Ph.D in Organic Chemistry. He has about 30 years of experience in the pharmaceutical industry. He is a Director on the Board of Erithro Pharma Private Limited and Threo Laboratories Private Limited. He does not hold any shares in the Company.

Mr. K. Ragunathan, aged 51 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.

He has over 29 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.

Mr. M. Madan Mohan Reddy, aged 53 years, is a Whole-time Director of the Company. He holds Masters Degree in Science (Organic Chemistry) and held top managerial positions in leading pharma companies. He commands valuable experience in regulatory affairs of the pharma industry. He is a Director on the Board of Pravesha Industries Private Limited, Crest Cellulose Private Limited, Cogent Glass Limited, and also on the board of Eugia Pharma Specialities Limited and Curepro Parenterals Limited, subsidiaries of the Company. He holds 1,005 equity shares of ₹1 each in the Company.

Mr. K. Nithyananda Reddy, aged 56 years, is Vice Chairman and Wholetime Director of the Company. He holds a Masters Degree in Science (Organic Chemistry) and has been associated with the Company from the initial days as a promoter, and is well versed with manufacturing technologies, systems, processes and controls. He is a Director on the board of APL Healthcare Limited, APL Research Centre Limited, Auronext Pharma Private Limited, Auro Peptides Limited, Aurobindo Antibiotics Limited, Auro Zymes Limited, Silicon Life Sciences Private Limited, Hyacinths Pharma Private Limited, the subsidiaries of the Company and also on the board of Patancheru Envirotech Limited and Pharmaceutical Export Promotion Council of India. He holds 13,762,350 equity shares of ₹1 each in the Company.

Audit Committee

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

Role of Audit Committee

The Audit Committee's role is briefly described below:

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

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

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

recommend the appointment, re-appointment and 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 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 Murty, Chairman of the Committee, is a Non-Executive Independent Director having expertise in accounting and financial management.

During the year, the Audit Committee met six times on April 25, 2013; May 30, 2013; August 9, 2013; September 12, 2013; November 7, 2013 and February 6, 2014.

The attendance at the Audit Committee meetings during the financial year 2013-14 is as under:

Name of the Committee Member	No. of Meetings	Attendance
Mr. M. Sitarama Murty	6	6
Mr. K. Ragunathan	6	6
Dr. D. Rajagopala Reddy	6	3

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 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.

Dr. D. Rajagopala Reddy is the Chairman of the Committee and Mr. M. Sitarama Murty and Dr. C. Channa Reddy are the other Members of the Committee. During the year, the Compensation/Remuneration Committee met once on August 9, 2013 and all the Committee members attended the meeting.

Details of remuneration paid to directors during the financial year 2013-14

a. Executive Directors

₹

Name	Salary	Perquisites	Contribution to P.F.	Total
Mr. K. Nithyananda Reddy	90,00,000	14,37,482	9,360	1,04,46,842
Dr. M. Sivakumaran	90,00,000	14,50,195	9,360	1,04,59,555
Mr. M. Madan Mohan Reddy	90,00,000	14,70,915	9,360	1,04,80,275
Mr. N. Govindarajan*	1,58,59,500	34,53,862	9,360	1,93,22,722
TOTAL	4,28,59,500	78,12,454	37,440	5,07,09,394

* Mr. N. Govindarajan, Managing Director, was paid ₹40,000,000 as commission for the year 2013-14, 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
Mr. M. Sitarama Murty	220,000
Mr. P. Sarath Chandra Reddy	140,000
Mr. K. Ragunathan	210,000
Dr. D. Rajagopala Reddy	120,000
Dr. C. Channa Reddy	110,000
Mr. P.V. Ramprasad Reddy	80,000

Shareholders/Investors' Grievance Committee

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

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

b. Dematerialization/rematerialization of shares;

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

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

e. Non-receipt of annual reports; and

f. Registration of change of addresses, etc.

Constitution of the Committee

Mr. P. Sarath Chandra Reddy, Chairman

Mr. K. Nithyananda Reddy, Member

Mr. M. Madan Mohan Reddy, Member

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 2013-14

Nature of Complaints	Opening	Received	Resolved	Pending
Complaints received from Members:				
• Share certificates	Nil	101	101	Nil
• Dividend	Nil	130	130	Nil
• Annual reports	Nil	15	15	Nil
Complaints of Members forwarded by:				
• SEBI	1	9	10	Nil
• Stock exchanges	Nil	1	1	Nil

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

Corporate Social Responsibility Committee

As per the Companies Act, 2013 the Company is required to constitute a Corporate Social Responsibility (CSR) Committee of the Board consisting of three or more directors, at least one of whom will be an independent director. Accordingly, the Board on April 22, 2014 constituted the CSR Committee comprising:

Mr. K. Nithyananda Reddy, Chairman

Mr. K. Ragunathan, Member

Dr. M. Sivakumaran, Member

Mr. P. Sarath Chandra Reddy, Member

The purpose of the Committee is to formulate and monitor the CSR Policy of the Company.

General Body Meetings

Details of the last three AGMs are given as follows.

Year	Location	Date	Time	No. of Special Resolutions passed
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
2013	Taj Deccan, Hyderabad	August 7,2013	4.00 p.m.	Nil

A meeting of the Members of the Company was convened on January 27, 2014 as per the directions of Hon'ble High Court of Andhra Pradesh at Hyderabad to approve the Scheme of Arrangement between the Company and Curepro Parenterals Limited and their respective shareholders.

There were no matters transacted through postal ballot during the year.

Disclosures

CEO and CFO Certification

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

Related Party Transactions

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

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

Details of non-compliance and penalties

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

Code of Conduct

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

The Company has instituted a comprehensive code of conduct for prevention of insider trading in accordance with the requirements of SEBI (Prohibition of Insider Trading) Regulations, 1992.

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.

The Company has a policy on prevention & prohibition of sexual harassment at workplace. The policy provides for protection against sexual harassment of women at workplace and for prevention and redressal of such complaints. During the year, no complaints have been received under the policy.

Risk Management

The Company recognises 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. The Board has constituted a Risk Management Committee comprising of Mr. M. Sitarama Murty, Mr. N. Govindarajan and Mr. P. Sarath Chandra Reddy. The objectives of the Committee include 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** 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

27th Annual General Meeting

As mentioned in the Notice, the 27th Annual General Meeting of the Company will be held on Wednesday, August 27, 2014 at 3.00 p.m. at Taj Deccan, Road No.1, Banjara Hills, Hyderabad - 500 034.

Quarterly Results

The financial year of the Company is April to March.

Financial calendar (tentative and subject to change) of the financial year 2014-15 is as follows:

Unaudited Financial Results for	On or before
1st Quarter	August 14, 2014
2nd Quarter	November 14, 2014
3rd Quarter	February 14, 2015
4th Quarter	May 30, 2015

Book Closure

From August 19, 2014 to August 27, 2014 (both days inclusive) for the purpose of Annual General Meeting.

Payment of Dividend

The Company in the month of November 2013 has paid an interim dividend of 125% (₹1.25 per equity share of ₹1 each) on the equity share capital of the Company for the year 2013-14. The Board of Directors of the Company at its meeting held on May 30, 2014 has inter-alia considered and approved second interim dividend of 175% (₹1.75 per equity share of ₹1 each) on the equity share capital of the Company for the year 2013-14. Thus the total dividend, including the second interim dividend for the year ended March 31, 2014 will aggregate to 300% (₹3.00 per equity share of ₹1 each) on the equity share capital of the Company for the year 2013-14.

The Board of Directors do not recommend any further dividend for the year 2013-14.

Listing Details

The Company's shares are at present listed on the following stock exchanges and the listing fees for the financial year 2014-15 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

		NSE (₹)				S & P CNX Nifty	
	Month	High	Low	Close	Volume	High	Low
2013	April	194.00	146.85	190.90	51,273,659	5962.30	5477.20
	May	202.30	166.80	170.40	38,717,329	6229.45	5910.95
	June	188.50	155.50	180.60	49,693,023	6011.00	5566.25
	July	195.55	158.25	169.30	44,586,795	6093.35	5675.75
	August	193.85	138.35	181.55	52,161,878	5808.50	5118.85
	September	205.35	170.70	202.35	41,720,153	6142.50	5318.90
	October	224.20	198.10	216.70	41,619,300	6309.05	5700.95
	November	297.90	217.00	293.55	68,534,130	6342.95	5972.45
	December	414.40	293.80	392.80	116,700,942	6415.25	6129.95
2014	January	477.75	372.20	471.55	122,535,489	6358.30	6027.25
	February	539.85	463.30	524.15	113,684,708	6282.70	5933.30
	March	545.00	482.90	511.50	61,932,519	6730.05	6212.25

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

		BSE (₹)				BSE Sensex	
	Month	High	Low	Close	Volume	High	Low
2013	April	194.00	147.00	190.75	9,186,070	19622.68	18144.22
	May	202.35	166.85	170.65	6,411,685	20443.62	19451.26
	June	188.50	151.15	180.60	5,995,662	19860.19	18467.16
	July	195.50	158.50	169.05	5,765,468	20351.06	19126.82
	August	193.95	138.45	181.65	6,251,058	19569.20	17448.71
	September	205.85	171.00	202.00	5,807,825	20739.69	18166.17
	October	224.15	198.45	216.75	4,475,782	21205.44	19264.72
	November	298.00	217.00	293.85	9,965,685	21321.53	20137.67
	December	414.40	290.65	392.90	14,777,966	21483.74	20568.70
2014	January	476.75	372.00	471.40	14,806,719	21409.66	20343.78
	February	539.70	463.55	524.05	14,253,649	21140.51	19963.12
	March	544.75	483.00	510.85	6,699,165	22467.21	20920.98

Registered Office
Aurobindo Pharma Limited,
(CIN - L24239TG1986PLC015190)
Plot No.2, Maitrivihar, Ameerpet,
Hyderabad 500 038, Telangana
Tel Nos. +91 40 2373 6370
Fax Nos. +91 40 2374 7340
E-mail: info@aurobindo.com

Corporate Office
Water Mark Building,
Plot No. 11, Survey No. 9,
Kondapur, Hitech City,
Hyderabad 500 084, Telangana
Tel Nos. +91 40 6672 5000
Fax Nos. +91 40 6707 4044/4059
E-mail: info@aurobindo.com

Name & Designation of Compliance Officer
Mr. A. Mohan Rami Reddy
AVP (Legal) & Company Secretary
Aurobindo Pharma Limited,
Corporate Office:
Water Mark Building,
Plot No. 11, Survey No. 9, Kondapur, Hitech City,
Hyderabad 500 084, Telangana
Tel Nos. +91 40 6672 5333
Fax Nos. +91 40 6707 4044/4059
E-mail: cs@aurobindo.com

Contact address for investor grievances
E-mail: investorgrievances@aurobindo.com

Address for correspondence/Investor Service Centre
M/s. Karvy Computershare Private Limited is the Registrar & Transfer Agents and Depository Transfer Agents of the Company. Any request pertaining to investors' relations may be forwarded to the following address:

Ms. C. Shobha Anand
Karvy Computershare Private Limited
Unit: Aurobindo Pharma 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

Share transfer system and dematerialization & liquidity

The Company's shares are covered under the compulsory dematerialization list and are transferable through the depository system. The Company has appointed M/s. Karvy Computershare Private Limited as its Registrar and Transfer Agents 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, 2014

Shareholding Nominal value From	To	Shareholders No.	%	Total Shares	Share amount Nominal value ₹	%
1 -	5000	69,342	98.88	13,371,154	13,371,154	4.59
5001 -	10000	259	0.37	1,956,643	1,956,643	0.67
10001 -	20000	174	0.25	2,528,421	2,528,421	0.87
20001 -	30000	68	0.10	1,740,389	1,740,389	0.59
30001 -	40000	37	0.05	1,306,014	1,306,014	0.45
40001 -	50000	26	0.04	1,215,404	1,215,404	0.42
50001 -	100000	65	0.09	4,748,920	4,748,920	1.63
100001 &	above	154	0.22	264,590,076	264,590,076	90.78
	TOTAL	**70,125**	**100.00**	**291,457,021**	**291,457,021**	**100.00**

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

b. 63,450 shares of 94 shareholders are under unclaimed shares account as on March 31, 2014. 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 to resolve the matter.

Categories of shareholders as on March 31, 2014

Category	No. of Shares	%
Promoters, Directors & their relatives/associates	159,301,791	54.66
NRIs/FIIs/FDIs/OCBs	70,021,448	24.02
Govt/banks/FIs	333,116	0.11
Mutual Funds	28,326,301	9.72
Insurance companies	52,951	0.02
Bodies corporate	6,117,790	2.10
General public and others	27,303,624	9.37
TOTAL	**291,457,021**	**100.00**

Top ten shareholders of the Company as on March 31, 2014

Shareholders	Category	No. of Shares	%
Ms. P. Suneela Rani	Promoter group	90,830,550	31.20
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	10,650,000	3.65
HDFC Trustee Company Limited - HDFC Equity Fund	Mutual Fund	8,897,000	3.05
HDFC Trustee Company Limited - HDFC Top 200 Fund	Mutual Fund	7,607,208	2.61
Dr. M. Sivakumaran	Promoter group	7,345,680	2.52
Stichting Pensionfonds Abp	FII	5,277,995	1.81
Investec Global Strategy Fund A/c Asian Equity Fund	FII	4,749,448	1.63
Morgan Stanley Asia (Singapore) Pte	FII	4,616,647	1.58
Morgan Stanley Mauritius Company Limited	FII	4,401,013	1.51

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 125,000 equity shares of ₹1 each have been exercised.

Dividend History

Year	Rate of Dividend %
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
2012-13	150

Subsidiary Companies

1.	APL Pharma Thai Limited, Thailand	24.	APL Swift Services (Malta) Limited, Malta
2.	Aurobindo Pharma Industria Farmaceutica Limitada, Brazil	25.	Aurobindo Pharma (Italia) S.r.l., Italy
3.	Aurobindo Pharma limited S.r.l., Dominican Republic	26.	Laboratorios Aurobindo, Sociedad Limitada, Spain
4.	Helix Healthcare B.V., The Netherlands	27.	Aurobindo Pharma (Portugal) Unipessoal Limitada, Portugal
5.	Aurobindo Pharma USA Inc., U.S.A.	28.	Aurobindo Pharma France SARL, France
6.	Aurolife Pharma LLC, U.S.A.	29.	Auronext Pharma Private Limited, India
7.	Auropharma Inc., Canada	30.	Aurobindo Pharma GmbH, Germany
8.	Aurobindo Pharma (Pty) Limited, South Africa	31.	Aurobindo ILAC Sanayi ve Ticaret Limited, Turkey
9.	Milpharm Limited, U.K.	32.	Aurobindo Pharma B.V., The Netherlands
10.	Aurobindo Pharma (Australia) Pty Limited, Australia	33.	Aurobindo Pharma (Singapore) Pte Limited
11.	Agile Pharma B.V., The Netherlands	34.	Aurobindo Pharma (Romania) S.r.l., Romania
12.	AuroZymes Limited, India	35.	Eugia Pharma Specialities Limited, India
13.	Pharmacin B.V., The Netherlands	36.	Auro Medics Pharma LLC, U.S.A.
14.	Auro Healthcare (Nigeria) Limited, Nigeria	37.	Aurobindo Pharma NZ Limited, New Zealand
15.	APL Research Centre Limited, India	38.	Aurovida Farmaceuticos SA, Mexico
16.	APL Healthcare Limited, India	39.	Auro Peptides Limited, India
17.	Aurobindo Pharma Produtos Farmaceuticos Limitada, Brazil	40.	Aurobindo Antibiotics Limited, India
18.	All Pharma (Shanghai) Trading Company Limited, China	41.	Auro Health LLC, U.S.A.
19.	Aurobindo Pharma Japan K.K., Japan	42.	Silicon Life Sciences Private Limited, India
20.	Agile Malta Holdings Limited, Malta	43.	Hyacinths Pharma Private Limited, India
21.	Aurobindo Pharma (Malta) Limited, Malta	44.	Aurobindo Pharma Colombia S.A.S., Colombia
22.	APL Holdings (Jersey) Limited, Jersey	45.	Aurovitas, Unipessoal Lda, Portugal
23.	APL IP Company Limited, Jersey	46.	Curepro Parenterals Limited, India

Ceased during the year:

1. Aurobindo Pharma (Poland) Sp. z.o.o., Poland
2. Aurobindo Switzerland A.G., Switzerland
3. Agile Pharma (Malta) Limited, Malta

Joint Ventures

1	Novagen Pharma (Pty) Limited, South Africa

Plant Locations

Unit No.	Address
Unit-I	Survey No.379, 385, 386, 388 to 396 & 269, Borpatla, Hatnoor Mandal, Medak District, 502 296, Telangana
Unit-II	Plot No.103/A & 104/A, SVCIE, Industrial Development Area, Bollaram, Jinnaram (Mandal) Medak District, 500 092, Telangana
Unit-III	Survey No.313 & 314 Bachupally, Quthubullapur Mandal, Ranga Reddy District, 500 090, Telangana
Unit-IV	Plot No.4 in Survey No.151 and Plot Nos.34 to 48 in Survey Nos. part of 146, 150, 151, 152, 153 and 154 situated in Phase-III, APIIC, EPIP, IDA, Pashamylaram, Patancheru Revenue Mandal, Medak District 502 307, Telangana
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, Telangana
Unit-VI	Survey No. 329/39 & 329/47, Chitkul Village, Patancheru Mandal, Medak District, 502 307, Telangana
Unit-VII (SEZ)	Survey 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, Telangana
Unit-VIII	Survey No.10 & 13, Gaddapothram, Industrial Development Area - Kazipally Industrial Area, Jinnaram Mandal, Medak District, 502 319, Telangana
Unit-IX	Survey No.369, 370, 371 & 374, Gundlamachanoor, Hatnoora Mandal, Medak District, 502 296, Telangana
Unit-X	Plot No 16, APIIC, Multi product SEZ at Survey No.3 (P) to 6(P) & 413(P) & 416(P) Palchur Village and 113 Part of Palepalem Village, Naidupeta Mandal, PSR Nellore District, 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, Quthbullapur Mandal, Ranga Reddy District, 500 090, Telangana
Unit-XIV	JN Pharma City, Plot No. 17, Road No.10,11 & 19,20, E Bonangi Village, Parawada, Visakhapatnam District, 531 021, Andhra Pradesh
Unit-XV	JN Pharma City, Plot No. 17A, 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, Telangana
APLRC-II	Survey No.71 & 72, Indrakaran Village, Sangareddy Mandal, Medak Dist, 502 203, Telangana
Bhiwadi Unit	1128, RIICO Phase-III, Bhiwadi - 301 019, Rajasthan (under sub-lease to Auronext Pharma Private Limited, a subsidiary of the Company)

Declaration

I, 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, 2014.

For Aurobindo Pharma Limited

N. GOVINDARAJAN
Managing Director

Hyderabad, May 30, 2014

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 financial year ended March 31, 2014, 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 on financial statements of the Company.

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

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, 2014

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, 2014, 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 notified under the Companies Act, 1956, read with General Circular 8/2014 dated April 4, 2014 issued by the Ministry of Corporate Affairs. 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 but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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 Companies Act, 1956 ("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, 2014;

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, the Statement of Profit and Loss, and the Cash Flow Statement comply with the Accounting Standards notified under the Companies Act, 1956, read with General Circular 8/2014 dated April 4, 2014 issued by the Ministry of Corporate Affairs;

   e. On the basis of written representations received from the Directors as on March 31, 2014, and taken on record by the Board of Directors, none of the Directors is disqualified as on March 31, 2014, from being appointed as a director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.

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, 2014

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.

e. 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 Act that need to be entered into the register maintained under Section 301 have been so entered.

b. In our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements 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 Act 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 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, the dues outstanding of income tax, sales tax, wealth tax, service tax, customs duty, excise duty and cess on account of any dispute, 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
	Excise duty	18,604,080	2006-07, 2007-08, 2008-09	CESTAT
	Excise duty	14,606,598#	2005-06	Commissioner of Central Excise
	Excise duty and penalty	9,224,104	2007-08, 2008-09, 2009-10, 2010-11	Commissioner of Central Excise

(Contd.)

	Interest	7,825,256	2006-07, 2007-08, 2008-09, 2009-10	Commissioner of Central Excise
	Excise duty	4,039,233	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	4,438,665	2006-07, 2007-08, 2008-09, 2009-10, 2010-11	Joint Commissioner of Central Excise
	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	97,222,192	2005-06, 2006-07, 2007-08, 2008-09, 2009-10, 2010-11	CESTAT
	Service Tax	12,308,490	2006-07, 2007-08, 2008-09, 2009-10, 2010-11	CESTAT
	Service Tax	64,685	2006-07	CESTAT
	Service Tax	1,524,348	2006-07	CESTAT
Income Tax Act, 1961	Income Tax	328,837,414[$]	2007-08	ITAT[@]

[@] Stay granted

[#] Amount paid under protest ₹14,187,883

[$] Amount paid under protest ₹120,000,000

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

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, 2014

Balance Sheet as at March 31, 2014

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

		Notes	As at March 31, 2014	As at March 31, 2013
EQUITY AND LIABILITIES				
SHAREHOLDERS' FUNDS				
Share capital		2	**291.5**	291.2
Reserves and surplus		3	**39,832.4**	29,099.9
			40,123.9	29,391.1
NON-CURRENT LIABILITIES				
Long-term borrowings		4	**10,323.1**	10,410.6
Deferred tax liabilities (Net)		5	**2,052.5**	679.4
Long-term provisions		6	**83.0**	85.0
			12,458.6	11,175.0
CURRENT LIABILITIES				
Short-term borrowings		7	**17,825.5**	17,339.0
Trade payables		8	**12,361.6**	9,012.7
Other current liabilities		9	**1,923.9**	680.4
Short-term provisions		6	**1,061.8**	647.5
			33,172.8	27,679.6
TOTAL			**85,755.3**	68,245.7
ASSETS				
NON-CURRENT ASSETS				
Fixed assets	Tangible assets	10	**19,379.4**	20,119.1
	Intangible assets		**–**	–
	Tangible assets - Capital work-in-progress		**2,038.9**	1,663.4
Non-current investments		11	**8,725.9**	7,079.4
Loans and advances		12	**4,636.0**	2,891.0
Trade receivables		13	**–**	–
Other non-current assets		15	**163.3**	185.8
			34,943.5	31,938.7
CURRENT ASSETS				
Current investments		16	**0.3**	0.4
Inventories		17	**17,118.1**	14,317.3
Trade receivables		13	**29,701.2**	17,305.9
Cash and bank balances		18	**97.2**	1,145.7
Loans and advances		12	**3,147.3**	2,759.8
Other current assets		14	**747.7**	777.9
			50,811.8	36,307.0
TOTAL			**85,755.3**	68,245.7
Summary of significant accounting policies		1		

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

As per our report of even date.

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

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

Hyderabad, May 30, 2014

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

N. GOVINDARAJAN
Managing Director

Dr. M. SIVAKUMARAN
Director

S. B. Singhi

SUDHIR B. SINGHI
Chief Financial Officer

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

Statement of Profit and Loss for the year ended March 31, 2014

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

			Notes	Year ended March 31, 2014	Year ended March 31, 2013
INCOME	Revenue from operations (Gross)		19	**72,695.3**	55,695.0
	Less: Excise duty		41	**1,588.2**	1,444.0
	Revenue from operations (Net)			**71,107.1**	54,251.0
	Other income		20	**748.0**	265.1
	TOTAL REVENUE			**71,855.1**	54,516.1
EXPENSES	Cost of materials consumed		21	**34,223.4**	30,536.4
	Purchase of traded goods			**968.9**	780.9
	(Increase)/decrease in work-in-progress,				
	traded and finished goods		22	**(357.5)**	(1,210.8)
	Employee benefit expenses		23	**5,142.1**	4,314.2
	Other expenses		24	**11,935.5**	10,249.7
	Depreciation/amortization		25	**1,859.7**	1,713.9
	Finance costs		26	**2,888.4**	2,500.6
	TOTAL EXPENSES			**56,660.5**	48,884.9
PROFIT BEFORE TAX				**15,194.6**	5,631.2
TAX EXPENSE	Current tax		29	**3,346.2**	1,265.0
	MAT credit			**(1,245.6)**	(1,265.0)
	Deferred tax charge			**1,373.1**	641.5
	Tax relating to earlier years			**–**	29.8
	TOTAL TAX EXPENSE			**3,473.7**	671.3
PROFIT FOR THE YEAR				**11,720.9**	4,959.9
EARNINGS PER EQUITY SHARE			45		
	Basic earnings per share	₹		**40.24**	17.04
	Diluted earnings per share	₹		**40.20**	17.02
	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 **S.R. BATLIBOI & ASSOCIATES LLP**
Chartered Accountants
ICAI Firm Registration No. 101049W

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

Hyderabad, May 30, 2014

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

N. GOVINDARAJAN
Managing Director

Dr. M. SIVAKUMARAN
Director

S. B. Singhi

SUDHIR B. SINGHI
Chief Financial Officer

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

Cash Flow Statement for the year ended March 31, 2014

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

		Year ended March 31, 2014	Year ended March 31, 2013
CASH FLOW FROM			
OPERATING ACTIVITIES	Net profit before tax and exceptional items	**15,194.6**	5,631.2
	Adjustments to reconcile profit before tax to net cash flows		
	Depreciation and amortization	**1,859.7**	1,713.9
	Provision for doubtful receivables (Net)	**(186.7)**	1.5
	Bad debts written off	**4.0**	183.4
	Provision for diminution on investment	**840.0**	690.0
	Loss/(profit) on sale of investment (Net)	**0.1**	(46.8)
	Balances no longer required written back	**(0.8)**	(7.9)
	Unrealized foreign exchange loss (Net)	**909.7**	410.0
	Loss on sale of assets (Net)	**20.3**	30.7
	Interest expense	**770.5**	991.2
	Interest income	**(59.5)**	(41.2)
	Dividend income	**–**	–
	Operating profit before working capital changes	**19,351.9**	9,556.0
	Movements in working capital		
	Increase in trade receivables	**(12,867.0)**	(3,097.7)
	Increase in inventories	**(2,800.8)**	(2,124.7)
	Increase in loans and advances	**(441.0)**	(80.1)
	Increase in other current/non-current assets	**(40.3)**	(157.8)
	Increase in trade payables	**3,457.8**	3,148.9
	Increase in provision for retirement benefits	**13.4**	116.0
	Increase/(decrease) in other current liabilities	**(3.3)**	47.2
	Cash generated from operations	**6,670.7**	7,407.8
	Direct taxes paid (Net of refunds)	**(3,390.4)**	(1,158.6)
NET CASH FLOW FROM OPERATING ACTIVITIES (A)		**3,280.3**	6,249.2
CASH FLOW USED IN			
INVESTING ACTIVITIES	Purchase of fixed assets, including capital work-in-progress		
	and capital advances	**(1,486.5)**	(1,657.9)
	Proceeds from sale of fixed assets	**103.1**	16.5
	Purchase of non-current investments made in subsidiaries	**(2,486.3)**	(1,369.1)
	Investments in bank deposits (Net)	**30.9**	(30.0)
	Proceeds of current investments	**–**	233.2
	Loans to subsidiaries	**(213.0)**	(75.0)
	Loans repaid by subsidiaries	**–**	14.1
	Share application money to subsidiaries	**–**	(112.6)
	Share application money to others	**–**	(3.3)
	Interest received	**37.4**	34.5
	Dividend received	**–**	–
NET CASH FLOW USED IN INVESTING ACTIVITIES (B)		**(4,014.4)**	(2,949.6)

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

		Year ended March 31, 2014	Year ended March 31, 2013
CASH FLOW USED IN			
FINANCING ACTIVITIES	Proceeds from issuance of share capital	**34.5**	8.2
	Proceeds from long-term borrowings	**2.1**	1,601.8
	Repayment of long-term borrowings	**(70.3)**	(3,523.4)
	Proceeds from short-term borrowings (Net)	**1,011.8**	1,270.0
	Interest paid	**(697.0)**	(976.3)
	Dividend and dividend tax paid	**(595.5)**	(674.3)
NET CASH FLOW USED IN FINANCING ACTIVITIES (C)		**(314.4)**	(2,294.0)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)		**(1,048.5)**	1,005.6
	Cash and cash equivalents at the beginning of the year	**1,145.7**	140.1
	Cash and cash equivalents at the end of the year	**97.2**	1,145.7
Components of cash and cash equivalents			
Cash and bank balances includes:			
Cash on hand		**5.4**	5.3
Balance with banks:			
Current accounts		**66.7**	1,050.3
Cash credit accounts		**16.5**	82.3
Fixed deposit accounts		**0.3**	31.2
Unpaid dividend accounts*		**8.6**	7.8
Cash and bank balances as per Balance Sheet		**97.5**	1,176.9
Less: Fixed deposits considered as investing activities		**0.3**	31.2
Total cash and cash equivalents (Refer Note 18)		**97.2**	1,145.7
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 **S.R. BATLIBOI & ASSOCIATES LLP**
Chartered Accountants
ICAI Firm Registration No. 101049W

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

Hyderabad, May 30, 2014

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

N. GOVINDARAJAN
Managing Director

Dr. M. SIVAKUMARAN
Director

SUDHIR B. SINGHI
Chief Financial Officer

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

Notes to financial statements for the year ended March 31, 2014

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

1. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

a. Basis of preparation

These financial statements have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP) under the historical cost convention on accrual basis to comply in all material respects with the notified Accounting Standards by the Companies Accounting Standards Rules, 2006 (as amended), other pronouncements of the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year except as disclosed in (b) below.

b. Change in accounting policy

With effect from April 1, 2013, the Company has changed its method of valuation of inventory of raw materials, packing materials, stores, spares and consumables from the earlier method i.e. First-In-First-Out basis (FIFO) to weighted average method for implementation of Enterprise Resource Planning in Oracle. Accordingly, this has resulted in decrease in inventory as at March 31, 2014 by ₹22.4 and decrease in profit before tax for the year ended March 31, 2014 by ₹22.4.

c. Use of estimates

The preparation of financial statements in conformity with Indian GAAP requires the management to make judgements, 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.

d. Revenue recognition

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

Revenue from sale of goods is recognized on dispatch (in respect of exports on the date of the bill of lading or airway bill) which coincides with transfer of significant risks and rewards to customer and is net of trade discounts, sales returns and sales tax, where applicable and recognized based on the terms of the agreements entered into with the customers. 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.

e. Fixed assets and depreciation

Fixed assets are stated at cost less accumulated depreciation, impairment losses and specific grant/subsidies, if any. Cost comprise of purchase price, freight, non-refundable taxes and duties and any attributable cost of bringing the asset to its working condition for its intended use. Borrowing costs relating to acquisition of fixed assets which take substantial period of time to get ready for use are included to the extent they relate to the period till such assets are ready for intended use. All other borrowing costs are expensed in the period they occur.

Expenditure directly relating to construction activity is capitalized. Indirect expenditure is capitalized to the extent those relate to the construction activity or is incidental thereto. Income earned during construction period is deducted from the total expenditure relating to construction activity.

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

Assets under finance leases, where there is no reasonable certainty that the Company will obtain the ownership by the end of the lease term are capitalized and are depreciated over the lease term or estimated useful life of the asset or useful life envisaged in Schedule XIV of the Companies Act, 1956 whichever is shorter.

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

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

Leasehold buildings	:	5%
Plant & machinery	:	20%

Assets costing upto ₹5,000 (Rupees Five thousand only) are depreciated fully in the year of purchase.

f. Intangibles

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

g. Impairment of tangible and intangible assets

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognized wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

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

h. Government grants and subsidies

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

i. Investments

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

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

j. Inventories

Raw materials, packing materials, stores, spares and consumables are valued at lower of cost, calculated on 'Weighted average' basis and net realizable value. Items held for use in the production of inventories are not written down below cost if the finished product in which these will be incorporated are expected to be sold at or above cost.

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

Trading goods are valued at lower of cost and net realizable value. Cost includes cost of purchase and other costs incurred in bringing the inventories to their present location and condition. Cost is determined on a 'Weighted average' basis.

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

k. Employee benefits

Employee benefit in the form of provident fund is a defined contribution scheme and the contributions are charged to the Statement of Profit and Loss 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.

l. Income taxes

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

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

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

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

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

Minimum alternate tax (MAT) paid in a year is charged to the Statement of Profit and Loss as current tax. The

Notes to financial statements for the year ended March 31, 2014

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

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.

m. Foreign exchange transactions

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

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

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

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 Company is lessee

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

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

p. Earnings Per Share

Basic earnings per share is calculated by dividing the net profit 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 for the year attributable to equity shareholders and the weighted average number of equity shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

q. Provisions

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

r. Cash and cash equivalents

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

s. Employee Stock Compensation Cost

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

t. Contingent liabilities

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

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 financial statements for the year ended March 31, 2014

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

		As at March 31, 2014	As at March 31, 2013
2. SHARE CAPITAL			
AUTHORISED	660,000,000 (March 31, 2013: 660,000,000)		
	equity shares of ₹1 each	**660.0**	660.0
	1,000,000 (March 31, 2013: 1,000,000)		
	preference shares of ₹100 each	**100.0**	100.0
		760.0	760.0
ISSUED, SUBSCRIBED AND FULLY PAID-UP SHARES			
	291,457,021 (March 31, 2013: 291,211,290)		
	equity shares of ₹1 each	**291.5**	291.2
	TOTAL	**291.5**	291.2

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

	As at March 31, 2014		As at March 31, 2013	
	Numbers	**Value**	Numbers	Value
Equity shares				
At the beginning of the year	**291,211,290**	**291.2**	291,121,290	291.1
Issued during the year under Employee Stock Option Plan	**245,731**	**0.3**	90,000	0.1
Outstanding at the end of the year	**291,457,021**	**291.5**	291,211,290	291.2

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, 2014, the amount of dividend per share recognized as distributions to equity shareholders was ₹3 (March 31, 2013: ₹1.5) including interim dividend of ₹3 (March 31, 2013: ₹1).

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, 2014		As at March 31, 2013	
	Number	**% holding**	Numbers	% holding
Mr. P.V. Ramprasad Reddy	**19,481,440**	**6.68**	19,481,440	6.69
Mrs. P. Suneela Rani	**90,830,550**	**31.16**	90,830,550	31.19
TOTAL	**110,311,990**		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 30.

Notes to financial statements for the year ended March 31, 2014

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

			As at March 31, 2014	As at March 31, 2013
3.	**RESERVES AND SURPLUS**			
	CAPITAL RESERVE		**91.1**	91.1
	CAPITAL REDEMPTION RESERVE		**90.0**	90.0
	SECURITIES PREMIUM ACCOUNT	As per last Balance Sheet	**3,450.2**	3,442.1
		Add: Premium on exercise of employee stock options	**34.3**	8.2
			3,484.5	3,450.3
	GENERAL RESERVE	As per last Balance Sheet	**6,716.3**	6,220.3
		Add: Transferred from Statement of Profit and Loss	**1,172.1**	496.0
			7,888.4	6,716.3
	SURPLUS IN THE STATEMENT OF PROFIT AND LOSS			
		Balance as per last financial statements	**18,752.2**	14,797.1
		Profit for the year	**11,720.9**	4,959.9
		Less: Appropriations		
		On equity shares of ₹1 each		
		Proposed dividend @ Nil (Previous year - ₹0.5)	**–**	145.6
		Interim dividend @ ₹3 (Previous year - ₹1)	**874.1**	291.2
		Tax on dividend	**148.5**	72.0
		Transfer to general reserve	**1,172.1**	496.0
		Total appropriations	**2,194.7**	1,004.8
	NET SURPLUS IN THE STATEMENT OF PROFIT AND LOSS		**28,278.4**	18,752.2
		TOTAL	**39,832.4**	29,099.9

Notes to financial statements for the year ended March 31, 2014

(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, 2014	As at March 31, 2013	**As at March 31, 2014**	As at March 31, 2013
From banks (Secured)				
Term loans in foreign currency	**9,786.1**	9,771.3	**998.6**	–
	9,786.1	9,771.3	**998.6**	–
Other loans				
Deferred sales tax loan (Unsecured)	**537.0**	639.3	**104.4**	70.3
	537.0	639.3	**104.4**	70.3
Amount disclosed under the head 'Other current liabilities'	**–**	–	**(1,103.0)**	(70.3)
(Refer Note 9)				
TOTAL	**10,323.1**	10,410.6	**–**	–
The above amount includes:				
Secured borrowings	**9,786.1**	9,771.3	**998.6**	–
Unsecured borrowings	**537.0**	639.3	**104.4**	70.3

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 ₹6,291.1 (March 31, 2013: ₹5,699.9) are repayable in 3 equal installments in 4th, 5th, 6th years from the respective final draw down dates, and loans amounting to ₹4,493.6 (March 31, 2013: ₹4,071.4) are repayable at the end of 5th year from the respective final draw down date.

ii. Deferred sales tax loan is interest free and payable in various installments as per sales tax deferment scheme. The last installment is payable in 2027-28.

iii. 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, 2014	As at March 31, 2013
5. DEFERRED TAX LIABILITIES (NET)		
Deferred tax liability on account of differences in depreciation		
as per tax books and financial books	**2,238.1**	2,108.2
Deferred tax asset arising on account of timing differences relating to:		
Provision made towards doubtful trade receivables/loans and advances	**63.5**	127.0
Employee benefits	**122.1**	117.5
Business loss	**–**	496.0
Unabsorbed depreciation	**–**	688.3
TOTAL	**2,052.5**	679.4

Notes to financial statements for the year ended March 31, 2014

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

6. PROVISIONS

	Long-term		Short-term	
	As at March 31, 2014	As at March 31, 2013	**As at March 31, 2014**	As at March 31, 2013
For employee benefits				
Gratuity (Refer Note 31)	**83.0**	85.0	**30.0**	30.0
Compensated absences	**–**	–	**246.1**	230.7
	83.0	85.0	**276.1**	260.7
Other provisions				
For proposed dividend	**–**	–	**510.0**	145.6
For tax on proposed dividend	**–**	–	**86.7**	24.8
Provision for income tax (Net of advance tax)	**–**	–	**189.0**	216.4
	–	–	**785.7**	386.8
TOTAL	**83.0**	85.0	**1,061.8**	647.5

	As at March 31, 2014	As at March 31, 2013
7. SHORT-TERM BORROWINGS		
Loans repayable on demand from banks - working capital loans		
Cash credit facilities (Secured)	**68.4**	62.2
Buyers credit (Secured)	**4,111.4**	2,700.2
Buyers credit (Unsecured)	**25.1**	1,152.4
Packing credit loans (Secured)	**5,736.1**	4,737.8
Packing credit loans (Unsecured)	**7,884.5**	6,115.0
Short-term loans from banks (Secured)	**–**	1,485.7
Short-term loans from banks (Unsecured)	**–**	1,085.7
TOTAL	**17,825.5**	17,339.0
The above amount includes		
Secured borrowings	**9,915.9**	8,985.9
Unsecured borrowings	**7,909.6**	8,353.1
	17,825.5	17,339.0

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 loan lenders.

8. TRADE PAYABLES		
Trade payables for supplies and services	**12,361.6**	9,012.7
(Refer Note 34 for details of dues to Micro, Small & Medium Enterprises)		

9. OTHER CURRENT LIABILITIES		
Current maturities of long-term borrowings (Refer Note 4)	**1,103.0**	70.3
Creditors for capital goods	**404.2**	264.3
Trade deposits	**0.1**	0.1
Unclaimed dividend (Refer Note 35)	**8.6**	7.8
Interest accrued but not due on borrowings	**110.8**	107.3
Advance from customers	**91.6**	144.9
Other payables		
Statutory liabilities	**135.6**	85.7
Others	**70.0**	–
TOTAL	**1,923.9**	680.4

Notes to financial statements for the year ended March 31, 2014

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

10. FIXED ASSETS - TANGIBLE AND INTANGIBLE ASSETS

	Leasehold land	Freehold land	Leasehold buildings	Freehold buildings	Plant & machinery	Furniture & fittings	Vehicles	Office equipment	Total tangible assets	Total intangible assets - Licenses
At cost										
At April 1, 2012	60.5	291.8	25.5	4,240.9	18,150.3	471.3	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	5,615.8	–
Deletions	–	–	–	–	144.5	1.5	14.5	13.2	173.6	–
At March 31, 2013	60.7	304.1	25.5	5,588.2	22,068.8	582.4	156.3	249.3	29,035.3	39.6
Additions	–	33.3	–	80.8	974.6	31.6	13.3	26.1	1,159.6	–
Deletions	0.1	–	–	3.8	121.1	–	18.1	3.3	146.3	–
At March 31, 2014	**60.6**	**337.4**	**25.5**	**5,665.2**	**22,922.3**	**614.0**	**151.5**	**272.1**	**30,048.6**	**39.6**
Depreciation/amortization										
At April 1, 2012	6.6	–	9.7	636.4	6,402.8	181.1	42.3	47.7	7,326.6	38.7
Charge for the year	1.5	–	1.3	161.9	1,468.1	56.7	13.7	12.2	1,715.5	0.9
Deletions	–	–	–	–	110.5	0.6	8.1	6.6	125.9	–
At March 31, 2013	8.1	–	11.0	798.3	7,760.4	237.2	47.9	53.3	8,916.2	39.6
Charge for the year	1.5	–	1.3	177.5	1,614.4	38.1	14.4	12.9	1,860.0	–
Deletions	–	–	–	1.2	91.7	–	12.3	1.7	107.0	–
At March 31, 2014	**9.6**	**–**	**12.3**	**974.6**	**9,283.1**	**275.3**	**50.0**	**64.5**	**10,669.2**	**39.6**
Net Block										
At March 31, 2013	52.6	304.1	14.5	4,789.9	14,308.4	345.2	108.4	196.0	20,119.1	–
At March 31, 2014	**51.0**	**337.4**	**13.2**	**4,690.6**	**13,639.2**	**338.7**	**101.5**	**207.6**	**19,379.4**	**–**

Capital work-in-progress ₹2,038.9 (March 31, 2013: ₹1,663.4).

1. The title deeds of land and buildings aggregating to ₹154.5 (March 31, 2013: ₹155.8) are pending transfer to the Company's name.
2. Capital work-in-progress include expenditure during construction period amounting to ₹485.5 (March 31, 2013: ₹506.9) (Refer Note 32).
3. Depreciation for the year include ₹0.3 (March 31, 2013: ₹2.5) taken as pre-operative capital expenditure on capital projects pending capitalization.
4. Additions to fixed assets during the year include value of capital expenditure towards research centre aggregating to ₹157.4 (March 31, 2013: ₹248.3) [Refer Note 36 (b)].
5. Details of finance lease (Refer Note 40).

Notes to financial statements for the year ended March 31, 2014

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

	Face value	As at March 31, 2014 Qty.	As at March 31, 2014 ₹	As at March 31, 2013 Qty.	As at March 31, 2013 ₹
11. NON-CURRENT INVESTMENTS					
Trade investments					
Long-term, unquoted, in fully paid equity shares					
(at cost unless stated otherwise)					
In subsidiaries					
Aurobindo Pharma USA Inc., U.S.A.	–	**100% of 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	80.0
[At cost less provision for other than temporary diminution in value of ₹180.0 (March 31, 2013: ₹180.0)]					
Helix Healthcare B.V., The Netherlands	–	**100% of Paid–in–capital**	**3,772.4**	100% of Paid–in–capital	3,042.9
[At cost less provision for other than temporary diminution in value of ₹1,800.0 (March 31, 2013: ₹960.0)]					
APL Research Centre Limited, India	₹10	**11,802,750**	**118.0**	11,802,750	118.0
APL Healthcare Limited, India	₹10	**14,037,600**	**140.4**	3,287,600	32.9
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	**54,225,000**	**542.3**	34,875,000	348.7
Auro Peptides Limited, India	₹ 10	**95,000**	**1.0**	95,000	1.0
Aurobindo Antibiotics Limited, India	₹ 10	**50,000**	**0.5**	50,000	0.5
Curepro Parenterals Limited, India	10	**50,000**	**225.5**	–	–
Hyacinths Pharma Private Limited, India	10	**2,230,500**	**151.0**	–	–
Silicon Life Sciences Private Limited, India	10	**27,987,500**	**263.7**	–	–
AuroZymes Limited, India	10	**50,000**	**0.5**	–	–
In others					
Jeedimetla Effluent Treatment Limited	100	**753**	**0.1**	753	0.1
Patancheru Envirotech Limited	10	**103,709**	**1.0**	103,709	1.0
Progressive Effluent Treatment Limited	100	**1,000**	**0.1**	1,000	0.1
Silicon Life Sciences Limited	10	**–**	**–**	2,376,000	23.8
Sino–Pharma Group Datong Weiqida Zhong Khag Pharma Company Limited [Formerly Aurobindo (Datong) Bio–Pharma Company Limited, China]		**10% Paid–in–capital**	**196.2**	10% Paid–in–capital	196.2
TOTAL (A)			**8,725.7**		7,078.2
Non–trade investments					
Long–term, unquoted and at cost, in government securities					
Kisan Vikas Patra			**–**		1.0
National Savings Certificate [includes held by income tax authorities ₹0.07 (March 31, 2013: ₹0.07)]			**0.2**		0.2
TOTAL (B)			**0.2**		1.2
TOTAL (A+B)			**8,725.9**		7,079.4
Notes:					
1. Aggregate value of unquoted investments			**8,725.7**		7,079.4
2. Aggregate provision for diminution in the value of investments			**1,980.0**		1,140.0

Notes to financial statements for the year ended March 31, 2014

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

	Non-current		Current	
	As at March 31, 2014	As at March 31, 2013	As at March 31, 2014	As at March 31, 2013
12. LOANS AND ADVANCES				
(Unsecured, considered good except stated otherwise)				
Capital advances				
Considered good	119.8	28.2	–	–
Doubtful	0.8	0.8	–	–
	120.6	29.0	–	–
Provision for doubtful advances	0.8	0.8	–	–
TOTAL (A)	119.8	28.2		
Trade deposits				
Considered good*	329.2	274.9		–
Doubtful	0.4	0.4	–	–
	329.6	275.3	–	–
Provision for doubtful deposit	0.4	0.4	–	–
TOTAL (B)	329.2	274.9	–	–
Loan and advances to related parties (Refer Note 39)				
Loans to subsidiaries	1,024.1	686.5	–	–
TOTAL (C)	1,024.1	686.5	–	–
Advances recoverable in cash or kind				
Considered good	26.6	26.6	794.6	542.2
Doubtful	35.1	35.1	–	–
	61.7	61.7	794.6	542.2
Provision for doubtful advances	35.1	35.1	–	–
TOTAL (D)	26.6	26.6	794.6	542.2
Other loans and advances				
Advance income tax (Net of provision for taxation)	437.2	420.5	–	–
MAT credit entitlement	2,510.6	1,265.0	–	–
Loans to others	–	–	–	69.1
Loans to employees	32.7	30.3	74.3	63.6
Export rebate claims receivable	–	–	1,399.7	1,245.7
Balance with statutory/government authorities	155.8	159.0	878.7	839.2
TOTAL (E)	3,136.3	1,874.8	2,352.7	2,217.6
TOTAL (A+B+C+D+E)	4,636.0	2,891.0	3,147.3	2,759.8

Refer Note 42 for advances due from private companies/partnership firm in which Company's Director is a director/partner.

*Non-current deposits include deposits pledged with Enforcement Directorate of ₹32.6 (March 31, 2013: ₹Nil).

Notes to financial statements for the year ended March 31, 2014

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

	Non-current		Current	
	As at March 31, 2014	As at March 31, 2013	**As at March 31, 2014**	As at March 31, 2013
13. TRADE RECEIVABLES				
(Unsecured, considered good unless stated otherwise)				
Outstanding for a period exceeding six months from the date they are due for payment				
Considered good	**–**	–	**398.6**	678.4
Doubtful	**44.4**	11.3	**103.5**	325.9
	44.4	11.3	**502.1**	1,004.3
Provision for doubtful receivables	**44.4**	11.3	**103.5**	325.9
TOTAL (A)	**–**	–	**398.6**	678.4
Others				
Considered good (B)	**–**	–	**29,302.6**	16,627.5
TOTAL (A+B)	**–**	–	**29,701.2**	17,305.9

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

	As at March 31, 2014	As at March 31, 2013
14. OTHER CURRENT ASSETS		
(Unsecured, considered good unless stated otherwise)		
Insurance claim receivable	**1.7**	38.3
Export incentives receivable	**676.3**	608.0
Assets held for sale	**–**	64.3
Interest accrued on deposits	**21.6**	20.6
Interest accrued on investments	**–**	0.6
Interest accrued on loans to subsidiaries	**44.8**	23.0
Receivables – others		
Considered good	**3.3**	23.1
Doubtful	**2.6**	–
	5.9	23.1
Provision for doubtful receivables	**2.6**	–
TOTAL	**3.3**	23.1
	747.7	777.9
15. OTHER NON-CURRENT ASSETS		
(Unsecured, considered good unless stated otherwise)		
Export incentives receivable	**163.0**	154.6
Non-current bank balances (Refer Note 18)	**0.3**	31.2
TOTAL	**163.3**	185.8

Notes to financial statements for the year ended March 31, 2014

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

		Face value	As at March 31, 2014 Qty	₹	As at March 31, 2013 Qty	₹
16.	**CURRENT INVESTMENTS**					
	Current portion of long-term investment (at cost)					
	Unquoted, in fully paid equity shares, at lower of cost and market value					
	Citadel Aurobindo Biotech Limited, India	100	**70,000**	**–**	70,000	–
	[Aggregate provision for diminution in value of ₹7.0					
	(March 31, 2013: ₹7.0)]					
	Quoted, in fully paid equity shares, at lower of cost and market value					
	Andhra Bank	10	**4,520**	**0.3**	4,520	0.4
	TOTAL			**0.3**		0.4
	1. Aggregate value of unquoted investments			**–**		–
	2. Aggregate value of quoted investments			**0.3**		0.4
	3. Market value of quoted investments			**0.3**		0.4
	4. Aggregate provision for diminution in the value of investments			**7.0**		7.0

		As at March 31, 2014	As at March 31, 2013
17.	**INVENTORIES**		
	(Valued at lower of cost and net realizable value)		
	Raw materials [includes in-transit ₹680.1 (March 31, 2013: ₹316.1)]	**8,611.6**	6,670.3
	Packing materials	**1,137.3**	808.5
	Work-in-progress (Refer Note 22)	**5,231.3**	4,989.6
	Finished goods [includes in-transit ₹178.7 (March 31, 2013: ₹65.4) (Refer Note 22)]	**1,362.7**	1,246.9
	Stores, spares and consumables	**775.2**	602.0
		17,118.1	14,317.3

Notes to financial statements for the year ended March 31, 2014

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

	Non-current		Current	
	As at March 31, 2014	As at March 31, 2013	**As at March 31, 2014**	As at March 31, 2013
18. CASH AND BANK BALANCES				
Cash and cash equivalents				
Balance with banks:				
On current accounts	**–**	–	**66.7**	1,050.3
On cash credit accounts	**–**	–	**16.5**	82.3
On unpaid dividend account	**–**	–	**8.6**	7.8
Cash on hand	**–**	–	**5.4**	5.3
	–	–	**97.2**	1,145.7
Other bank balances	**–**	–	**–**	–
Margin money deposits*	**0.3**	31.2	**–**	–
	0.3	31.2	**–**	–
Amount disclosed under non–current assets (Refer Note 15)	**(0.3)**	(31.2)	**–**	–
TOTAL	**–**	–	**97.2**	1,145.7

* Given against bank guarantees and performance guarantees.

Margin money deposits include deposits attached by Enforcement Directorate of ₹Nil (March 31, 2013:30.0).

	Year ended March 31, 2014	Year ended March 31, 2013
19. REVENUE FROM OPERATIONS (GROSS)		
Sale of products	**71,945.8**	54,641.4
Sale of services	**138.1**	331.7
Other operating revenue		
Scrap sales	**56.6**	36.5
Export incentives	**554.8**	685.4
TOTAL	**72,695.3**	55,695.0
Details of sale of products		
Active Pharmaceutical Ingredients (APIs) & intermediates	**26,834.7**	23,708.5
Formulations - Tablets & capsules	**37,764.6**	26,804.5
Formulations - Injections	**3,212.1**	1,366.1
Formulations - Syrups	**1,452.5**	1,036.2
Trading goods	**1,025.3**	698.7
Others	**1,656.7**	1,027.4
	71,945.9	54,641.4
Details of services		
Dossier income	**97.9**	297.6
Service income	**40.1**	34.1
TOTAL	**138.0**	331.7

Notes to financial statements for the year ended March 31, 2014

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

	Year ended March 31, 2014	Year ended March 31, 2013
20. OTHER INCOME		
Interest income on		
Bank deposits	**2.7**	1.5
Other advances and deposits	**25.4**	22.5
Loans to subsidiaries	**31.4**	17.2
Dividend income on current investments - trade	**–**	–
Balances no longer required written back	**0.8**	7.9
Provision for doubtful receivables written back (Net)	**186.7**	–
Profit on sale of investment	**–**	46.8
Foreign exchange gain (Net)	**419.3**	115.0
Miscellaneous income	**81.7**	54.2
TOTAL	**748.0**	265.1
21. COST OF MATERIALS CONSUMED		
Raw material consumed		
Opening stock	**6,670.3**	5,690.7
Add: Purchases	**33,171.7**	29,086.6
	39,842.0	34,777.3
Less: Closing stock	**8,611.6**	6,670.3
Cost of raw material consumed	**31,230.4**	28,107.0
Packing materials consumed	**2,993.0**	2,429.4
	34,223.4	30,536.4
Details of cost of materials consumed		
Material name		
6 APA	**3,903.5**	3,138.0
Packing materials consumed	**2,993.0**	2,429.4
Others	**27,326.9**	24,969.0
	34,223.4	30,536.4

Notes to financial statements for the year ended March 31, 2014

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

	Year ended March 31, 2014	Year ended March 31, 2013	(Increase)/decrease March 31, 2014
22. (INCREASE)/DECREASE IN WORK-IN-PROGRESS, TRADED AND FINISHED GOODS			
Inventories at the end of the year			
Finished goods	**1,362.7**	1,246.9	**(115.8)**
Work-in-progress	**5,231.3**	4,989.6	**(241.7)**
	6,594.0	6,236.5	**(357.5)**
Inventories at the beginning of the year			March 31, 2013
Finished goods	**1,246.9**	778.2	(468.7)
Traded goods	**–**	11.4	11.4
Work-in-progress	**4,989.6**	4,236.1	(753.5)
	6,236.5	5,025.7	(1,210.8)
TOTAL	**(357.5)**	(1,210.8)	–
Details of inventory			
Finished goods			
Active Pharmaceutical Ingredients (APIs) & intermediates	**491.8**	395.4	
Formulations - Tablets & capsules	**742.0**	703.1	
Formulations - Injections	**42.2**	61.0	
Formulations - Syrups	**86.6**	87.5	
	1,362.6	1,247.0	
Work-in-progress			
Active Pharmaceutical Ingredients (APIs) & intermediates	**4,572.2**	4,321.2	
Formulations - Tablets & capsules	**590.9**	628.6	
Formulations - Injections	**52.7**	33.9	
Formulations - Syrups	**15.5**	6.0	
	5,231.3	4,989.7	

	Year ended March 31, 2014	Year ended March 31, 2013
23. EMPLOYEE BENEFIT EXPENSES		
Salaries, wages and bonus	**4,827.6**	3,949.0
Contribution to provident and other funds [Refer Note 31 (a)]	**117.2**	114.7
Gratuity expense [Refer Note 31 (b)]	**29.7**	83.1
Leave encashment expense	**59.1**	101.0
Staff welfare expenses	**108.5**	66.4
	5,142.1	4,314.2

Notes to financial statements for the year ended March 31, 2014

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

	Year ended March 31, 2014	Year ended March 31, 2013
24. OTHER EXPENSES		
Conversion charges	**396.1**	307.9
Consumption of stores and spares	**757.3**	608.2
Chemicals consumed	**940.9**	804.9
Power and fuel	**3,357.1**	3,163.4
Carriage inward	**396.5**	320.0
Factory maintenance	**157.0**	131.5
Effluent treatment expenses	**86.1**	55.3
(Increase)/decrease of excise duty on inventory (Refer Note 41)	**(0.8)**	4.2
Repairs and maintenance		
i. Plant and machinery	**365.4**	399.8
ii. Buildings	**180.7**	175.1
iii. Others	**22.4**	27.0
Rent (Refer Note 40)	**43.2**	17.1
Rates and taxes	**102.2**	71.5
Printing and stationery	**97.6**	82.4
Postage, telegram and telephones	**40.5**	39.5
Insurance	**130.6**	125.3
Legal and professional charges	**232.6**	267.8
Directors sitting fees	**0.9**	0.7
Remuneration to statutory auditors (Refer Note 37)	**8.2**	7.6
Sales commission	**424.4**	317.3
Carriage outwards	**1,542.7**	1,142.4
Selling expenses	**148.2**	208.5
Rebates and discounts	**24.4**	15.2
Travelling and conveyance	**110.8**	93.8
Vehicle maintenance expenses	**4.4**	4.6
Analytical charges	**501.9**	360.6
Provision for diminution on non-current investment	**840.0**	690.0
Bad debts written off	**4.0**	183.4
Donations (Refer Note 38)	**9.9**	1.7
Registration and filing charges	**604.2**	261.9
Provision for trade receivables (Net)	**–**	1.5
Loss on sale of assets (Net)	**20.3**	30.7
Loss on current investments	**0.1**	–
Miscellaneous expenses	**385.7**	328.9
TOTAL	**11,935.5**	10,249.7

Notes to financial statements for the year ended March 31, 2014

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

	Year ended March 31, 2014	Year ended March 31, 2013
25. DEPRECIATION/AMORTIZATION		
Depreciation of tangible assets	**1,859.7**	1,713.0
Amortization of intangible assets	**–**	0.9
TOTAL	**1,859.7**	1,713.9
26. FINANCE COSTS		
Interest on loans from banks	**653.9**	991.2
Interest - Others	**116.6**	–
Bank charges	**95.7**	156.2
Exchange difference to the extent considered as an adjustment to borrowing costs	**2,022.2**	1,353.2
TOTAL	**2,888.4**	2,500.6

27. Capital and other commitments

Estimated amount of contracts (net of advances) remaining to be executed on capital account and not provided for - ₹1,272.7 (March 31, 2013: ₹211.5).

28. Contingent liabilities

Particulars	**As at March 31, 2014**	As at March 31, 2013
Outstanding bank guarantees	**771.8**	486.3
Claims arising from disputes not acknowledged as debts		
- indirect taxes (excise duty and service tax)*	**223.3**	196.3
Claims arising from disputes not acknowledged as debts - direct taxes*	**105.0**	105.0
Claims against the Company not acknowledged as debts*	**150.3**	493.1
Bills discounted with banks	**1,060.6**	3,252.9

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

29. The income tax authorities had carried out search operations on the Company at certain locations in February 2012. 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 during the year 2011-12. The proceedings are in progress and no other material implications are expected by the management in this matter.

30. Employee stock options

a. 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 3,240,500 options under seven grants of 175,000; 25,000; 90,000; 1,205,000; 300,000; 500,000; 915,500 and 30,000 options to eligible employees on October 30, 2006; July 31, 2007; October 31, 2007; December 16, 2011; June 19, 2012; January 09, 2013; January 28, 2013 and August 9, 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%

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

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; ₹187.40 and ₹161.30 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, 2014	Year ended March 31, 2013
Options outstanding at the beginning of the year	**2,464,000**	1,255,000
Granted during the year	**30,000**	1,715,500
Vested/exercisable during the year	**312,900**	–
Exercised during the year	**245,731**	90,000
Forfeited during the year subject to reissue	**116,900**	416,500
Options outstanding at end of the year	**2,131,369**	2,464,000
Exercisable at the end of the year	**78,229**	43,000
Weighted average exercise price (₹)	**106.27**	99.59
Weighted average fair value of options at the date of grant (₹)	**126.14**	118.34

	Range of exercise prices (₹)	Number of options outstanding	Weighted average remaining contractual life of options (in years)
As at March 31, 2014	**91 to 201**	**2,131,369**	**4.35**
As at March 31, 2013	91 to 201	2,464,000	5.30

c. Disclosures as per Fair Value Method

The Company's net profit and earnings per share would have been as under, had the compensation cost for employees' stock options been recognized based on the fair value at the date of grant in accordance with "Black Scholes" model.

		Year ended March 31, 2014	Year ended March 31, 2013
Profit after taxation			
As reported in Statement of Profit and Loss		**11,720.9**	4,959.9
Less: Additional employee compensation cost based on Fair Value		**8.1**	2.9
Profit after taxation as per Fair Value Method		**11,712.8**	4,957.1
Earnings per share			
Basic			
No. of shares		**291,247,060**	291,141,509
EPS as reported	(₹)	**40.24**	17.04
EPS as per Fair Value Method	(₹)	**40.22**	17.02
Diluted			
No. of shares		**291,581,834**	291,355,959
EPS as reported	(₹)	**40.20**	17.02
EPS as per Fair Value Method	(₹)	**40.17**	17.01

Notes to financial statements for the year ended March 31, 2014

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

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

		Year ended March 31, 2014 ESOP 2006	Year ended March 31, 2013 ESOP 2006
Risk-free interest rate	(%)	**8**	8
Expected life of options	(Years)	**6**	6
Expected volatility	(%)	**0.15**	0.31
Dividend yield		**0.61**	1.33

31. Employee benefits

	Year ended March 31, 2014	Year ended March 31, 2013
a. Disclosures related to defined contribution plan		
Provident fund contribution recognized as expense in the		
Statement of Profit and Loss	**99.9**	89.5

b. Disclosures related to defined benefit plan

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

The scheme is funded with an insurance company in the form of a qualifying insurance policy. The following tables 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, 2014	Year ended March 31, 2013
Net employee benefit expense (included under employee benefit expenses)		
Current service cost	**55.0**	43.4
Interest cost on benefit obligation	**29.5**	23.9
Expected return on plan assets	**(18.3)**	(16.3)
Net actuarial (gain)/loss recognized in the year	**(36.5)**	32.1
Net benefit expense	**29.7**	83.1
Actual return on plan assets	**18.2**	16.5

Balance Sheet

	As at March 31, 2014	As at March 31, 2013
Details of provision for gratuity		
Defined benefit obligation (DBO)*	**341.1**	317.7
Fair value of plan assets (FVA)**	**228.1**	202.7
Net plan liability	**113.0**	115.0

* DBO as at March 31, 2012: ₹240.8; March 31, 2011: ₹193.3; March 31, 2010: ₹152.9.

** FVPA as at March 31, 2012: ₹174.7; March 31, 2011: ₹102.3; March 31, 2010: ₹83.0.

Notes to financial statements for the year ended March 31, 2014

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

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

	Year ended March 31, 2014	Year ended March 31, 2013
Opening defined benefit obligation	317.7	240.9
Current service cost	55.0	43.4
Interest cost	29.5	23.9
Benefits paid	(24.6)	(22.8)
Actuarial (gains)/losses on obligation*	(36.6)	32.3
Closing defined benefit obligation	**341.1**	317.7

* Experience adjustments on plan liabilities March 31, 2014: ₹9.6; March 31, 2013: ₹4.8; March 31, 2012: ₹12.6; March 31, 2011: ₹9.6 and March 31, 2010: ₹7.6.

Changes in fair value of plan assets

	Year ended March 31, 2014	Year ended March 31, 2013
Opening fair value of plan assets	202.7	174.7
Expected return	18.3	16.3
Contributions by employer	31.8	34.3
Benefits paid	(24.6)	(22.8)
Actuarial gains/(losses)*	(0.1)	0.2
Closing fair value of plan assets	**228.1**	202.7

* Experience adjustments on plan assets March 31, 2014: (₹0.1); March 31, 2013: ₹0.2; March 31, 2012: ₹3.3; March 31, 2011: ₹0.6 and March 31, 2010: ₹0.4.

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

	As at March 31, 2014	As at March 31, 2013
Discount rate (p.a.) (%)	9.35	8.10
Expected return on assets (p.a.) (%)	8.00	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, 2013: ₹30.0) to the qualifying insurance policy in 2014-15.

Notes to financial statements for the year ended March 31, 2014

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

32. Expenditure during construction period pending capitalization

	As at March 31, 2014	As at March 31, 2013
Balance brought forward	**506.9**	1,226.6
Add: Incurred during the year		
Salaries, wages and bonus	**6.6**	122.4
Staff welfare expenses	**–**	2.4
Consumption of raw material for testing	**–**	112.1
Consumption of stores and spares	**0.5**	60.7
Carriage inward	**0.1**	0.5
Power and fuel	**2.4**	151.0
Conversion charges	**2.9**	10.0
Rates and taxes	**0.1**	2.0
Printing and stationery	**0.2**	2.6
Postage and telephones	**0.1**	0.3
Insurance	**0.1**	4.4
Legal and professional charges	**–**	10.9
Travelling and conveyance	**–**	2.5
Depreciation	**0.3**	2.5
Miscellaneous expenses	**7.6**	24.5
	527.8	1,735.3
Less: Capitalized to fixed assets during the year	**42.2**	1,228.4
Balance carried forward	**485.5**	506.9

33. Disclosure regarding derivative financial instruments

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, 2014	As at March 31, 2013
Loans availed	**(28,541.8)**	(26,648.0)
Trade receivables	**23,787.5**	16,014.4
Loans and advances (including other current assets)	**881.0**	854.0
Trade payables (including creditors for capital goods)	**(4,618.7)**	(3,583.8)
Interest accrued but not due	**(110.8)**	(107.3)
Investments	**7,281.6**	6,552.1
Bank balances	**51.6**	1,008.2

Notes to financial statements for the year ended March 31, 2014

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

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

Details	As at March 31, 2014	As at March 31, 2013
The principal amount remaining unpaid as at the end of the year.	8.5	5.6
The amount of interest accrued and remaining unpaid at the end of the year.	0.7	0.7
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.	–	–

35. 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, 2014 ₹ Nil (March 31, 2013: ₹ Nil).

36. 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, 2014	Year ended March 31, 2013
Material and stores and spares consumption	531.8	500.2
Power and fuel	71.4	56.5
Repairs and maintenance	35.3	40.6
Employee benefit expenses	661.3	567.9
Analytical charges	448.9	332.6
Depreciation	95.6	89.3
Others	706.2	498.0
TOTAL	2,550.5	2,085.1

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

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
Buildings	8.6	49.0
Plant and machinery		
- Plant and machinery	–	7.5
- Lab equipment	111.3	143.3
- Pipes and valves	14.1	1.8
- Data processing equipment	1.9	4.3
- Electrical installations	3.7	4.8
Office equipment	8.1	19.7
Furniture	9.8	10.2
Vehicles	–	7.7
TOTAL	157.5	248.3

Notes to financial statements for the year ended March 31, 2014

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

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

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
As auditors		
Statutory audit	**6.0**	5.5
Limited review	**1.5**	1.5
In other capacity		
Certification	**0.1**	0.1
Reimbursement of expenses	**0.5**	0.4
Effect of service tax	**0.1**	0.1
TOTAL	**8.2**	7.6

38. Donation to political parties

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
Communist Party of India (Marxist)	**–**	0.1
Communist Party of India	**0.1**	0.2
Andhra Pradesh Congress Committee	**2.4**	–
Telugu Desam Party	**2.5**	–
Yuvajana Shramika Rythu Congress Party	**2.5**	–
TOTAL	**7.5**	0.3

39. 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 (Closed w.e.f. September 11, 2013)
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 France SARL, France
25. Laboratorios Aurobindo S. L., Spain

Notes to financial statements for the year ended March 31, 2014

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

26. Agile Malta Holdings Limited, Malta
27. Aurobindo Pharma B.V., The Netherlands
28. Aurobindo Pharma (Romania) s.r.l., Romania
29. Aurobindo Pharma (Poland) Sp.z.o.o., Poland (Closed w.e.f. June 28, 2013)
30. Aurobindo Pharma (Italia) S.r.l., Italy
31. Agile Pharma (Malta) Limited, Malta (Closed w.e.f. October 9, 2013)
32. Aurobindo Pharma (Malta) Limited, Malta
33. APL IP Company Limited, Jersey
34. APL Swift Services (Malta) Limited, Malta
35. Milpharm Limited, U.K.
36. Aurolife Pharma LLC, U.S.A.
37. Auro Peptides Limited, India
38. Auro Medics Pharma LLC, U.S.A.
39. Aurobindo Pharma NZ Limited, New Zealand
40. Aurovida Farmaceutica S.A. de C.V., Mexico
41. Aurobindo Antibiotics Limited, India (w.e.f. July 10, 2012)
42. Auro Health LLC, U.S.A. (w.e.f. September 13, 2012)
43. Aurobindo Pharma Hungary Kereskedelmi KFT, Hungary (Closed w.e.f. September 13, 2012)
44. Curepro Parenterals Limited, India (w.e.f. April 19, 2013)
45. Hyacinths Pharma Private Limited, India (w.e.f. October 1, 2013)
46. Silicon Life Sciences Private Limited, India (w.e.f. October 11, 2013)
47. AuroZymes Limited, India (w.e.f. November 28, 2013)
48. Eugia Pharma Specialities Limited, India (w.e.f. September 16, 2013)
49. Aurobindo Pharma Columbia S.A.S., Columbia (w.e.f. January 28, 2014)
50. Aurovitas, Unipessoal Lda, Portugal (w.e.f. March 25, 2014)

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. Cogent Glass Limited (formerly known as Matri Mirra Packaging Private Limited), India
9. Vaxer Pharma Limited, India
10. Orem Access Bio Inc, India
11. Veritaz Healthcare Limited, 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. Mr. Vishnu M. Sriram (Son-in-law of Dr. M. Sivakumaran, Whole-time Director)

Notes to financial statements for the year ended March 31, 2014

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

Transactions with related parties

	Particulars	Year ended March 31, 2014	Year ended March 31, 2013
a.	**Loans given and repayment thereof**		
	Transactions with subsidiaries		
	Helix Healthcare B.V., The Netherlands		
	Receipt against loan and interest	–	34.2
	Interest accrued	12.6	14.2
	Balance receivable	775.2	633.4
	Auro Peptides Limited		
	Receipt against loan and interest	14.3	1.8
	Interest accrued	18.8	3.0
	Loan given	213.0	75.0
	Balance receivable	293.6	76.1
b.	**Sale/purchase of goods, services and other transactions**		
	Transactions with subsidiaries		
	APL Pharma Thai Limited, Thailand		
	Sale of goods	272.5	293.8
	Balance receivable	48.5	56.2
	All Pharma (Shanghai) Trading Company Limited, China		
	Purchases	2,855.2	2,873.8
	Reimbursement of expenses	15.8	14.1
	Reimbursement of expenses received	0.6	–
	Purchase of fixed assets	39.5	12.3
	Balance receivable	–	2.0
	Balance payable	638.2	580.5
	Helix Healthcare B.V., The Netherlands		
	Equity contribution	1,569.5	1,368.6
	Aurobindo Pharma Produtos Farmaceuticos Ltda, Brazil		
	Sale of goods	275.0	243.3
	Reimbursement of expenses	2.0	2.7
	Sales commission	15.7	15.1
	Balance receivable	288.9	222.6
	Balance payable	13.9	6.8
	APL IP Company Limited, Jersey		
	Sale of services	–	80.3
	Balance receivable	149.8	476.4
	APL Swift Services (Malta) Limited, Malta		
	Sale of goods	1,838.3	1,087.1
	Purchase of services	–	5.8
	Reimbursement of expenses	21.3	7.3
	Balance receivable	1,579.7	734.9
	Balance payable	21.1	9.7

Notes to financial statements for the year ended March 31, 2014

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

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
Aurobindo Pharma USA Inc., U.S.A.		
Sale of goods	**14,029.8**	11,185.8
Reimbursement of expenses	–	108.0
Balance receivable	**8,901.4**	6,345.5
Balance payable	**6.8**	6.2
Corporate guarantee given for bank loan	**–**	339.3
Aurobindo Pharma Industria Farmaceutica Ltda, Brazil		
Sale of goods	**589.2**	472.5
Sales commission	**0.4**	–
Reimbursement of expenses	**10.9**	5.5
Balance receivable	**526.8**	598.1
Balance payable	**3.2**	0.1
Auro Pharma Inc., Canada		
Sale of goods	**182.4**	250.8
Reimbursement of expenses	**10.9**	2.3
Balance receivable	**119.8**	197.7
Balance payable	**11.5**	3.3
Aurobindo Pharma (Pty) Limited, South Africa		
Sale of goods	**791.9**	1,129.1
Reimbursement of expenses	**0.2**	–
Sales commission	**4.2**	2.7
Balance receivable	**378.4**	458.0
Balance payable	**13.4**	0.2
Pharmacin B.V., The Netherlands		
Sale of goods	**103.8**	112.1
Sales commission	**24.3**	21.7
Reimbursement of expenses	**0.1**	–
Balance receivable	**39.0**	50.7
Balance payable	**84.2**	49.6
Milpharm Limited, U.K.		
Sale of goods	**659.8**	382.5
Reimbursement of expenses	**24.4**	20.1
Balance receivable	**235.6**	321.8
Balance payable	**22.4**	24.0
Aurolife Pharma LLC, U.S.A.		
Sale of goods	**1,584.5**	716.2
Sale of fixed assets	**–**	2.6
Reimbursement of expenses	**6.0**	1.8
Balance receivable	**702.5**	513.9
Balance payable	**6.0**	0.7

Notes to financial statements for the year ended March 31, 2014

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

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
Aurobindo Pharma Japan K.K., Japan		
Sale of goods	**213.6**	58.3
Reimbursement of expenses	**2.6**	0.3
Sales Commission	**71.1**	26.3
Balance receivable	**0.7**	–
Balance payable	**58.4**	11.8
Aurobindo Pharma (Malta) Limited, Malta		
Reimbursement of expenses	**37.7**	5.2
Balance payable	**0.1**	–
Aurobindo Pharma (Italia) S.r.l., Italy		
Sale of goods	**–**	0.4
Balance receivable	**0.5**	0.4
Auronext Pharma Private Limited, India		
Sale of goods	**47.9**	24.7
Purchases	**33.6**	43.3
Purchase of fixed assets	**1.9**	–
Sale of fixed assets/(returns)	**(0.1)**	0.1
Rent received	**1.6**	1.8
Reimbursement of expenses	**25.3**	0.7
Reimbursement of expenses received	**–**	–
Equity allotment	**193.5**	123.5
Share application money given	**193.5**	96.5
Balance receivable	**54.2**	20.6
Aurobindo Pharma (Australia) Pty Limited, Australia		
Sale of goods	**33.6**	34.2
Sales commission	**0.1**	–
Balance receivable	**57.6**	29.0
Balance payable	**0.6**	–
Laboratorios Aurobindo S. L., Spain		
Sale of goods	**823.9**	169.7
Balance receivable	**689.7**	132.3
Auro Medics Pharma LLC, U.S.A.		
Sale of goods	**2,157.2**	537.4
Balance receivable	**1,439.1**	497.3
Auro Healthcare (Nigeria) Limited, Nigeria		
Sales commission	**1.8**	0.7
Reimbursement of expenses	**–**	0.1
Balance payable	**6.1**	1.1
APL Healthcare Limited, India		
Equity allotment	**107.5**	32.4
Share application money given	**107.5**	13.7

Notes to financial statements for the year ended March 31, 2014

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

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
APL Research Centre Limited, India		
Equity allotment	–	116.5
Share application money given	–	1.9
Curepro Parenterals Limited, India		
Equity allotment	225.5	–
Hyacinths Pharma Private Limited, India		
Equity allotment	0.8	–
Share application money	0.8	–
AuroZymes Limited, India		
Equity allotment	0.5	–
Auro Peptides Limited, India		
Equity allotment	–	1.0
Share application money	–	0.5
Rent received	5.8	4.4
Reimbursement of expenses received	6.4	0.1
Sale of fixed assets	0.3	1.0
Sale of material	5.2	–
Balance receivable	12.1	5.4
Aurobindo Antibiotics Limited, India		
Equity contribution	–	0.5
Silicon Life Sciences Private Limited, India		
Sale of goods	93.3	–
Purchases	51.1	–
Purchase of services	18.9	–
Balance receivable	54.5	–
Equity allotment	147.9	–
Share application money	147.9	–
Aurovida Farmaceutica, S.A. de C.V., Mexico		
Sale of goods	7.6	–
Balance receivable	4.4	–
Aurobindo Pharma B.V., The Netherlands		
Sale of goods	62.6	–
Balance receivable	62.0	–
Aurobindo Pharma, Portugal		
Reimbursement of expenses	0.1	–
Balance payable	0.1	–
Aurobindo Pharma France SARL, France		
Reimbursement of expenses	0.2	–

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, 2014

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

	Particulars	Year ended March 31, 2014	Year ended March 31, 2013
c.	**Sale/purchase of goods, services and other transactions**		
	Transactions with joint venture		
	Novagen Pharma (Pty) Limited, South Africa		
	Sale of goods	102.6	–
	Reimbursement of expenses received	0.7	–
d.	**Transactions with enterprises over which key management personnel or their relatives exercise significant influence**		
	Pravesha Industries Private Limited, India		
	Sale of goods	0.5	0.4
	Purchase of goods	1,251.8	1,028.8
	Rent and electricity charges received	1.0	0.6
	Balance receivable	0.1	–
	Sri Sai Packaging, India		
	Sale of goods	0.3	0.3
	Sale of fixed assets	–	0.2
	Purchase of goods	151.7	122.1
	Balance receivable	–	–
	Axis Clinicals Limited, India		
	Purchase of services	389.6	337.0
	Electricity expenses	–	0.9
	Rent expenses	–	2.6
	Purchase of fixed assets	–	0.6
	Balance payable	47.5	49.7
	Trident Chemphar Limited, India		
	Sale of goods	891.5	218.5
	Purchase of goods	558.0	299.3
	Balance receivable	132.6	54.0
	Auropro Soft Systems Private Limited, India		
	Purchase of goods	6.8	3.2
	Purchase of services	13.0	16.8
	Balance receivable	0.1	–
	Pranit Packaging Private Limited, India		
	Purchase of goods	99.9	75.4
	Sale of goods	–	–
	Pranit Projects Private Limited, India		
	Purchase of services (Civil services)	6.1	22.7
	Balance payable	–	2.5
	Balance receivable	1.3	–
	Cogent Glass Limited (formerly known as Matri Mirra Packaging Private Limited)		
	Purchase of goods	383.5	127.5
	Sale of goods	–	19.5
	Balance payable	66.4	–
	Vaxer Pharma Limited, India		
	Sale of goods	–	18.8
	Balance receivable	–	6.8

Notes to financial statements for the year ended March 31, 2014

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

	Particulars	Year ended March 31, 2014	Year ended March 31, 2013
	Silicon Life Sciences Private Limited, India		
	Sale of goods	–	0.7
	Share application given pending allotment (Closing balance)	–	–
	Orem Access Bio Inc, India		
	Purchase of goods	54.5	41.8
	Balance receivable	–	8.5
	Veritaz Healthcare Limited, India		
	Sale of goods	19.0	17.5
	Purchase of services	11.1	13.2
	Rent received	0.3	0.3
	Payables	–	1.6
	Balance receivable	14.0	22.4
e.	**Transactions with key managerial personnel or their relatives**		
	Mr. P. V. Ramprasad Reddy		
	Managerial remuneration	–	6.6
	Director sitting fees	0.1	–
	Mr. K. Nithyananda Reddy		
	Managerial remuneration	10.4	9.1
	Rent expense	1.8	1.6
	Dr. M. Sivakumaran		
	Managerial remuneration	10.5	9.1
	Mr. M. Madan Mohan Reddy		
	Managerial remuneration	10.5	9.1
	Mr. P. Sarath Chandra Reddy		
	Director sitting fees	0.1	0.1
	Mr. Vishnu M. Sriram		
	Remuneration	3.8	3.3
	Mr. N. Govindarajan		
	Managerial remuneration	59.3	43.1
	Balance payable	40.0	25.0
	Mr. Ravindra Shenoy		
	Managerial Remuneration	–	3.6

Note: Managerial remuneration does not include provision for gratuity and leave encashment, which is determined for the Company as a whole.

f. Disclosure pursuant to Clause 32 of Listing Agreement

Loans and advances in the nature of loans to subsidiaries

	Closing Balance as at March 31		Maximum outstanding at any time during the year ended March 31	
Name of the companies	**2014**	2013	**2014**	2013
Auro Peptides Limited, India	288.0	75.0	294.3	75.0
Helix Healthcare B.V., The Netherlands	736.1	755.2	792.1	647.2

Notes to financial statements for the year ended March 31, 2014

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

40. Leases

a. Operating lease

i. 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 except for details in (ii) below. 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 ₹43.2 (March 31, 2013: ₹17.1).

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

ii. The Company has entered into non-cancellable lease for office premises in current year. These leases have remaining non-cancellable period of 41 months. The lease includes an escalation clause in the lease agreement. Future minimum lease rentals under non-cancellable operating leases are as follows:

Particulars	**March 31, 2014**	March 31, 2013
a. Within one year	**38.4**	–
b. After one year and not more than three years	**82.6**	–
c. After three years and not more than five years	**18.0**	–

b. Finance lease

Building includes factory buildings acquired on finance lease. The agreement is silent on renewal terms and transfer of legal title at the end of lease term.

The lease agreement did not specify minimum lease payments over the future period. The factory building is acquired on lease at a consideration of ₹25.6 (March 31, 2013: ₹25.6).

The net carrying amount of the buildings obtained on finance lease: ₹13.3 (March 31, 2013: ₹14.6).

41. In accordance with paragraph 10 of Notified Accounting Standard 9 on Revenue Recognition, excise duty on sales amounting to ₹1,588.2 (March 31, 2013: ₹1,444.0) 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 (₹0.8) (March 31, 2013: ₹4.2) has been (credited)/debited to the Statement of Profit and Loss.

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

Pravesha Industries Private Limited, India ₹Nil (March 31, 2013: ₹0.03).

Auropro Soft Systems Private Limited, India ₹0.08 (March 31, 2013: ₹Nil).

Pranit Projects Private Limited, India ₹1.3 (March 31, 2013: ₹Nil).

43. i. Details of trade receivables due from private companies in which Company's Director is a director:
Pravesha Industries Private Limited, India ₹0.06 (March 31, 2013: ₹Nil).

ii. Details of trade receivables due from partnership firm in which Company's Director is a partner:
Sri Sai Packaging, India ₹Nil (March 31, 2013: ₹Nil).

44. Interest in joint ventures

Details of interest in jointly controlled entities are given below:

Name of joint venture	**Share**	**Assets**	**Liabilities**	**Income**	**Expenditure**	**Profit after tax**
Novagen Pharma (Pty) Limited	50%	472.4	90.0	651.1	580.5	70.6
		404.4	*84.4*	*766.4*	*697.0*	*69.4*

a. Contingent liabilities of the above joint ventures ₹Nil (March 31, 2013: ₹Nil).

b. Capital commitments of the above joint ventures ₹Nil (March 31, 2013: ₹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 represents Company's share only.

Notes to financial statements for the year ended March 31, 2014

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

45. Earnings per equity share

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
Profit/(Loss) after taxation considered for calculation of basic and diluted earnings per share	**11,720.9**	4,959.9
Weighted average number of equity shares considered for calculation of basic earnings per share (a)	**291,247,060**	291,141,509
Effect of dilution on account of Employee Stock Options granted (b)	**334,774**	214,450
Weighted average number of equity shares considered for calculation of diluted earnings per share (a+b)	**291,581,834**	291,355,959

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

	Year ended March 31, 2014		Year ended March 31, 2013	
	%	₹	%	₹
Raw materials and packing material				
- Imported	**59**	**20,207.1**	60	18,229.8
- Indigenous	**41**	**14,016.2**	40	12,306.6
TOTAL	**100**	**34,223.3**	100	30,536.4
Stores and spares				
- Imported	**6**	**47.3**	6	35.8
- Indigenous	**94**	**710.0**	94	572.4
TOTAL	**100**	**757.3**	100	608.2
Lab chemicals				
- Imported	**15**	**145.8**	7	59.6
- Indigenous	**85**	**795.1**	93	745.3
TOTAL	**100**	**940.9**	100	804.9

47. Value of imports calculated on CIF basis

	Year ended March 31, 2014	Year ended March 31, 2015
Raw materials and packing materials	**20,877.9**	17,845.8
Capital goods	**388.2**	349.1
Stores and spares, lab chemicals and other consumables	**340.8**	84.4
TOTAL	**21,606.9**	18,279.3

Notes to financial statements for the year ended March 31, 2014

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

48. Expenditure in foreign currency (accrual basis)

	Year ended March 31, 2014	Year ended March 31, 2013
Travelling and conveyance	**17.0**	21.4
Sales commission	**312.2**	175.2
Registration and filing charges	**509.5**	221.0
Legal and professional charges	**164.7**	205.4
Overseas office expenses	**77.2**	31.2
Interest on loans from banks	**395.4**	334.2
Others	**168.3**	178.0
TOTAL	**1,644.3**	1,166.4

49. Earnings in foreign currency (accrual basis)

	Year ended March 31, 2014	Year ended March 31, 2013
Exports on F.O.B. basis	**53,269.0**	38,710.1
Interest	**12.6**	14.2
Sale of dossiers/services	**138.1**	331.8
TOTAL	**53,419.7**	39,056.1

50. 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.

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

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

Hyderabad, May 30, 2014

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

N. GOVINDARAJAN
Managing Director

Dr. M. SIVAKUMARAN
Director

S. B. Singhi

SUDHIR B. SINGHI
Chief Financial Officer

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[a]	THB	1.85	185.0	(1.8)	235.0	51.8	–	337.1	(27.5)	–	(27.5)	Thailand
Aurobindo Pharma Industria Farmaceutica Ltda[a]	Reais	26.53	268.7	(108.3)	576.4	416.0	–	1,085.0	120.3	4.2	116.1	Brazil
Helix Healthcare B.V.	EURO	82.69	6,929.0	(527.6)	3,944.9	3,259.3	–	–	(128.0)	–	(128.0)	The Netherlands
Aurobindo Pharma USA, Inc.	USD	59.92	3,695.6	2,028.3	10,659.7	8,617.9	–	20,195.9	748.7	–	748.7	U.S.A.
Aurolife Pharma LLC	USD	59.92	3,655.1	(678.6)	7,915.4	4,938.9	–	4,434.7	676.9	–	676.9	U.S.A.
Auro Pharma Inc.	CND	54.27	234.8	(116.8)	421.0	303.0	–	422.2	(4.7)	–	(4.7)	Canada
Aurobindo Pharma (Pty) Limited	ZAR	5.68	238.0	63.7	529.4	321.4	93.7	1,056.9	(37.9)	–	(37.9)	South Africa
Milpharm Limited	GBP	99.77	378.8	367.7	1,503.3	756.8	–	1,931.8	176.5	43.7	132.7	U.K.
Aurobindo Pharma (Australia) Pty Limited	AUD	55.30	410.8	(337.9)	211.5	138.6	–	100.7	(109.7)	–	(109.7)	Australia
Agile Pharma B.V.	EURO	82.69	3,337.8	122.3	4,384.9	4,615.3	–	–	(30.0)	–	(30.0)	The Netherlands
Aurobindo Switzerland AG[b]	CHF	67.83	92.9	(92.9)	–	–	–	–	12.6	–	12.6	Switzerland
Pharmacin B.V.	EURO	82.69	1.5	194.7	400.6	204.4	–	842.0	75.5	18.0	57.5	The Netherlands
Auro Healthcare (Nigeria) Limited	Naira (NGN)	0.36	21.1	(18.6)	3.1	0.6	–	0.2	(3.6)	–	(3.6)	Nigeria
APL Research Centre Limited	INR	1.00	118.0	–	118.0	–	–	–	–	–	–	India
APL Healthcare Limited	INR	1.00	140.4	–	161.3	20.9	–	–	–	–	–	India
Aurobindo Pharma Produtos Farmaceuticos Ltda[a]	Reais	26.53	2.7	10.6	243.2	229.9	–	313.6	2.7	–	2.7	Brazil
All Pharma (Shanghai) Trading Company Limited[a]	RMB	9.64	48.3	77.9	361.5	235.3	–	3,087.2	16.0	5.1	10.9	China
Aurobindo Pharma Japan K.K.	JPY	0.58	86.3	6.7	105.8	12.8	–	325.2	68.9	12.0	56.9	Japan
Agile Malta Holdings Limited	EURO	82.69	419.7	348.9	390.1	88.8	–	–	19.7	2.8	16.9	Malta
Aurobindo Pharma (Malta) Limited	EURO	82.69	467.2	5.0	1,019.8	547.6	–	27.1	(3.5)	5.0	(8.5)	Malta
APL Holdings (Jersey) Limited	EURO	82.69	300.8	5.2	0.3	0.7	–	–	(1.3)	–	(1.3)	Jersey
APL IP Company Limited	EURO	82.69	8.7	296.0	455.0	150.3	–	–	(564.0)	–	(564.0)	Jersey
APL Swift Services (Malta) Limited	EURO	82.69	297.7	(56.7)	1,607.8	1,366.8	–	2,135.6	91.1	–	91.1	Malta
Agile Pharma (Malta) Limited	EURO	82.69	2.1	(2.1)	–	–	–	–	(0.1)	–	(0.1)	Malta
Aurobindo Pharma (Italia) S.r.l.	EURO	82.69	1,054.1	(944.0)	631.7	521.6	–	20.9	(280.3)	–	(280.3)	Italy
Laboratorios Aurobindo S.L.	EURO	82.69	402.4	(120.4)	1,592.7	1,310.7	–	1,135.0	137.2	42.9	94.3	Spain
Aurobindo Pharma (Portugal) Unipessoal Lda	EURO	82.69	608.8	(637.9)	323.4	352.5	–	227.2	(155.6)	5.4	(161.0)	Portugal
Aurobindo Pharma France SARL	EURO	82.69	201.6	(108.3)	209.8	116.5	–	–	(36.5)	–	(36.5)	France
Auronext Pharma Private Limited	INR	1.00	723.0	(277.9)	784.0	338.9	–	74.8	(144.9)	–	(144.9)	India

(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 GmbH	EURO	82.69	2.1	176.1	1,625.4	1,447.2	–	476.7	69.7	–	69.7	Germany
Aurobindo ILAC Sanayi ve Ticaret Limited Sirketi	TRY	27.25	125.9	(50.8)	76.2	1.1	–	–	(12.0)	–	(12.0)	Turkey
Aurobindo Pharma B.V.	EURO	82.69	1.5	125.8	317.2	189.9	–	111.3	(60.4)	(12.1)	(48.4)	The Netherlands
Aurobindo Pharma (Singapore) Pte Limited	SGD	47.58	4.3	(4.2)	0.2	0.1	–	–	(0.4)	–	(0.4)	Singapore
Aurobindo Pharma (Romania) s.r.l.[a]	RON	18.41	92.5	(72.7)	65.7	45.9	–	7.7	(65.1)	(3.9)	(61.3)	Romania
Aurobindo Pharma (Poland) Sp.z.o.o.[b]	PLN	19.40	21.5	(21.5)	–	–	–	–	0.3	–	0.3	Poland
Aurobindo Pharma Limited, s.r.l.	DOP	1.37	2.5	(1.7)	0.9	0.1	–	–	(0.7)	–	(0.8)	Dominican Republic
Auromedics Pharma LLC	USD	59.92	12.0	79.9	1,055.8	963.9	–	2,196.2	77.2	–	77.2	U.S.A.
Aurobindo Pharma NZ Limited	NZD	51.68	–	–	–	–	–	–	–	–	–	New Zealand
Aurovida Farmaceutica S.A. de C.V.[a]	MXN (Mpeso)	4.57	239.9	(12.1)	236.0	8.2	–	1.1	(11.9)	–	(11.9)	Mexico
Auro Peptides Limited	INR	1.00	1.0	–	316.6	315.6	–	–	–	–	–	India
Auro Health LLC	USD	59.92	0.6	(157.8)	812.0	969.2	–	–	(157.7)	–	(157.7)	U.S.A.
Aurobindo Antibiotics Limited	INR	1.00	0.5	–	0.5	–	–	–	–	–	–	India
Curepro Parenterals Limited	INR	1.00	15.5	210.4	46.3	0.4	–	–	0.6	0.2	0.4	India
Eugia Pharma Specialities Limited	INR	1.00	300.0	–	537.8	237.8	–	–	–	–	–	India
Hyacinths Pharma Private Limited[c]	INR	1.00	81.1	(0.5)	80.8	0.2	–	–	(0.1)	–	(0.1)	India
Silicon Life Sciences Private Limited[c]	INR	1.00	279.9	(49.7)	454.7	224.5	–	76.4	(13.9)	(5.5)	(8.4)	India
AuroZymes Limited	INR	1.00	0.5	–	0.5	–	–	–	–	–	–	India
Aurobindo Pharma Colombia S.A.S[a]	Colombian Peso	0.03	0.6	(0.3)	0.6	0.3	–	–	(0.3)	–	(0.3)	Colombia
Aurovitas, Unipessoal Lda	EURO	82.69	–	–	–	–	–	–	–	–	–	Portugal

Notes

1. None of the subsidiaries have proposed dividend during the year. However, Aurobindo Pharma (Malta) Limited has paid an amount of ₹4.6 as dividend during the year.

[a] The financial year of these companies end on December 31. However, the results given are as of March 31, 2014.

[b] These companies were closed during the year.

[c] These companies were acquired during the year, results given are from the date of acqusition.

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

N. Govindarajan
Managing Director

Dr. M. SIVAKUMARAN
Director

S. B. Singhi

SUDHIR B. SINGHI
Chief Financial Officer

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

Hyderabad, May 30, 2014

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, 2014, 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 but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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, 2014;

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 ₹34,072,945,289 as at March 31, 2014, total revenues of ₹33,629,814,016 and net cash inflows amounting to ₹769,693,455 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 venture is based solely on the report of other auditors. Our opinion is not qualified in respect of this matter.

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

per **VIKAS KUMAR PANSARI**
Partner
Membership No. 93649
Hyderabad, May 30, 2014

Consolidated Balance Sheet as at March 31, 2014

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

		Notes	As at March 31, 2014	As at March 31, 2013
EQUITY AND LIABILITIES				
SHAREHOLDERS' FUNDS				
Share capital		2	**291.5**	291.2
Reserves and surplus		3	**37,210.0**	25,766.4
			37,501.5	26,057.6
Minority interest			**256.7**	110.0
NON-CURRENT LIABILITIES				
Long-term borrowings		4	**12,793.6**	11,482.6
Deferred tax liabilities		5	**2,054.2**	680.0
Long-term provisions		6	**91.8**	90.0
			14,939.6	12,252.6
CURRENT LIABILITIES				
Short-term borrowings		7	**23,545.6**	22,361.2
Trade payables		8	**13,512.0**	9,637.5
Other current liabilities		9	**3,876.8**	1,508.7
Short-term provisions		6	**1,266.0**	800.9
			42,200.4	34,308.3
TOTAL			**94,898.2**	72,728.5
ASSETS				
NON-CURRENT ASSETS				
Fixed assets	Tangible assets	10	**25,120.2**	24,390.5
	Intangible assets	11	**2,096.5**	1,998.2
	Tangible assets - Capital work-in-progress		**2,947.8**	1,995.9
	Intangible assets - Under development		**149.4**	189.2
Non-current investments		12	**197.6**	222.4
Deferred tax assets		5	**0.5**	–
Loans and advances		13	**7,890.4**	2,378.2
Trade receivables		14	**–**	–
Other non-current assets		16	**184.0**	186.6
			38,586.4	31,361.0
CURRENT ASSETS				
Current investments		17	**0.3**	0.4
Inventories		18	**23,675.4**	19,235.9
Trade receivables		14	**26,365.7**	15,969.8
Cash and bank balances		19	**1,785.8**	2,084.5
Loans and advances		13	**3,771.9**	3,320.8
Other current assets		15	**712.7**	756.1
			56,311.8	41,367.5
TOTAL			**94,898.2**	72,728.5
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

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

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

Hyderabad, May 30, 2014

N. GOVINDARAJAN
Managing Director

Dr. M. SIVAKUMARAN
Director

S. B. Singhi

SUDHIR B. SINGHI
Chief Financial Officer

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

Consolidated Statement of Profit and Loss for the year ended March 31, 2014

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

		Notes	Year ended March 31, 2014	Year ended March 31, 2013
INCOME	Revenue from operations (Gross)	20	**82,591.6**	60,008.3
	Less: Excise duty	39	**1,593.7**	1,455.1
	Revenue from operations (Net)		**80,997.9**	58,553.2
	Other income	21	**232.4**	285.4
	TOTAL INCOME		**81,230.3**	58,838.6
EXPENSES	Cost of materials consumed	22	**35,230.7**	30,914.4
	Purchase of traded goods		**1,849.7**	1,695.8
	Increase in work-in-progress, traded			
	and finished goods	23	**(1,020.0)**	(2,702.5)
	Employee benefit expenses	24	**8,319.2**	6,633.1
	Other expenses	25	**15,298.6**	13,402.9
	Depreciation/amortization	26	**3,125.3**	2,487.4
	Finance costs	27	**3,101.6**	2,666.4
	TOTAL EXPENSES		**65,905.1**	55,097.5
PROFIT BEFORE TAX			**15,325.2**	3,741.1
TAX EXPENSE	Current tax	30	**3,506.4**	1,366.4
	MAT credit		**(1,245.6)**	(1,265.0)
	Deferred tax charge		**1,373.7**	641.6
	Tax relating to earlier years			
	Current tax		**–**	30.6
	Deferred tax		**–**	53.5
	TOTAL TAX EXPENSE		**3,634.5**	827.1
PROFIT AFTER TAX AND BEFORE MINORITY INTEREST			**11,690.7**	2,914.0
Minority interest			**37.8**	24.6
PROFIT FOR THE YEAR			**11,728.5**	2,938.6
EARNINGS PER EQUITY SHARE		35		
Basic earnings per share	₹		**40.27**	10.09
Diluted earnings per share	₹		**40.22**	10.09
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 **S.R. BATLIBOI & ASSOCIATES LLP**
Chartered Accountants
ICAI Firm Registration No. 101049W

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

Hyderabad, May 30, 2014

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

N. GOVINDARAJAN
Managing Director

Dr. M. SIVAKUMARAN
Director

S. B. Singhi

SUDHIR B. SINGHI
Chief Financial Officer

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

Consolidated Cash Flow Statement for the year ended March 31, 2014

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

		Year ended March 31, 2014	Year ended March 31, 2013
CASH FLOW FROM			
OPERATING ACTIVITIES	Net profit before tax and minority interest	**15,325.2**	3,741.1
	Non-cash adjustment to reconcile profit before tax to		
	net cash flows:		
	Depreciation and amortization	**3,125.3**	2,487.4
	Provision for doubtful receivables (Net)	**48.8**	(16.2)
	Bad debts/advances written off	**16.8**	246.4
	Balances no longer required written back (Net)	**(10.8)**	(11.3)
	Unrealized foreign exchange loss (Net)	**1,031.3**	518.4
	Loss on sale/write off of fixed assets (Net)	**37.6**	164.6
	Profit on sale of long-term investment (Net)	**–**	(46.8)
	Profit on current investments (Net)	**(4.7)**	–
	Interest expense	**937.9**	1,132.3
	Interest income	**(37.8)**	(29.2)
	Dividend income on current investment - trade	**–**	–
	Operating profit before working capital changes	**20,469.6**	8,186.7
	Foreign currency translation adjustments	**23.6**	(30.2)
	Movements in working capital:		
	Increase in trade payables	**3,825.5**	2,923.1
	Increase in inventories	**(4,379.0)**	(3,780.3)
	Increase in trade receivables	**(11,032.9)**	(3,672.6)
	Increase in other current/non-current assets	**(40.3)**	(157.8)
	Increase in loans and advances	**(466.8)**	(72.0)
	Increase in provision for retirement benefits	**15.4**	129.5
	Increase in other current liabilities	**1,487.2**	414.5
	Cash generated from operations	**9,902.3**	3,940.9
	Direct taxes paid (Net of refunds)	**(3,439.5)**	(1,192.2)
NET CASH FLOW FROM OPERATING ACTIVITIES (A)		**6,462.8**	2,748.7
CASH FLOW USED IN			
INVESTING ACTIVITIES	Purchase of fixed assets, including capital		
	work-in-progress and capital advances	**(3,904.8)**	(2,732.6)
	Proceeds from sale of fixed assets	**164.3**	56.8
	Payment for net assets acquired of subsidiaries (Net of cash)	**(242.2)**	–
	Advance for long-term investment	**(4,009.1)**	–
	Proceeds from sale of investment	**–**	233.2
	Proceeds from sale of current investments (Net)	**5.8**	–
	Share application money to others	**–**	(3.3)
	Investment in bank deposits (Net)	**(237.4)**	(35.7)
	Interest received	**36.0**	18.2
	Dividend received	**–**	–
NET CASH FLOW USED IN INVESTING ACTIVITIES (B)		**(8,187.4)**	(2,463.4)

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

		Year ended March 31, 2014	Year ended March 31, 2013
CASH FLOW FROM			
FINANCING ACTIVITIES	Proceeds from issuance of share capital	**34.5**	8.2
	Proceeds from long-term borrowings	**1,471.3**	1,804.9
	Repayment of long-term borrowings	**(510.8)**	(5,231.0)
	Proceeds from short-term borrowings (Net)	**1,714.1**	6,293.7
	Interest paid	**(937.2)**	(1,120.6)
	Dividends and dividend tax paid	**(595.5)**	(674.3)
NET CASH FLOW GENERATED FROM FINANCING ACTIVITIES (C)		**1,176.4**	1,080.9
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)		**(548.2)**	1,366.2
CASH AND CASH EQUIVALENTS AT THE BEGINNING OF THE YEAR		**2,027.3**	656.4
	Add: Cash and cash equivalents on acquisition	**2.3**	–
	Effect of exchange differences on cash and cash equivalents	**(1.2)**	4.7
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		**1,480.2**	2,027.3
Components of cash and cash equivalents			
Cash on hand		**7.6**	9.2
Balance with banks			
on current account		**1,447.4**	1,928.0
on cash credit account		**16.5**	82.3
on deposit account		**326.7**	89.2
on unpaid dividend account*		**8.6**	7.8
Cash and bank balances as per Consolidated Balance Sheet		**1,806.8**	2,116.5
Less: Fixed deposits considered as investing activities		**(326.6)**	(89.2)
Cash and cash equivalents considered for cash flows (Refer Note 19)		**1,480.2**	2,027.3
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

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

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

Hyderabad, May 30, 2014

N. GOVINDARAJAN
Managing Director

Dr. M. SIVAKUMARAN
Director

S. B. Singhi

SUDHIR B. SINGHI
Chief Financial Officer

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

Notes to Consolidated Financial Statements for the year ended March 31, 2014

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, except as disclosed in (b) below.

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 venture 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, 2014.

The Consolidated Financial Statements for the year ended March 31, 2014 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,	
			2014	2013
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[1]	Switzerland	Subsidiary	**–**	100%
Aurobindo Pharma Hungary Kereskedelmi, KFT[2]	Hungary	Subsidiary	**–**	–
Pharmacin B.V.	The Netherlands	Subsidiary	**100%**	100%
Aurobindo Pharma Produtos Farmaceuticos Ltda	Brazil	Subsidiary	**100%**	100%
All Pharma (Shanghai) Trading Company Limited	China	Subsidiary	**100%**	100%
APL Holdings (Jersey) Limited	Jersey	Subsidiary	**100%**	100%
APL IP Company Limited	Jersey	Subsidiary	**100%**	100%

(Contd...)

Notes to Consolidated Financial Statements for the year ended March 31, 2014

Name of the consolidated entities	Country of incorporation	Nature of interest	% of interest March 31,	
			2014	2013
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[3]	Malta	Subsidiary	**–**	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 France SARL	France	Subsidiary	**100%**	100%
Aurolife Pharma LLC	U.S.A.	Subsidiary	**100%**	100%
Aurobindo Pharma GmbH	Germany	Subsidiary	**100%**	100%
Aurobindo ILAC Sanayi ve Ticaret Limited Sirketi	Turkey	Subsidiary	**100%**	100%
APL Research Centre Limited	India	Subsidiary	**100%**	100%
APL Healthcare Limited	India	Subsidiary	**100%**	100%
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.[4]	Poland	Subsidiary	**–**	100%
Aurobindo Pharma Limited, s.r.l.	Dominican Republic	Subsidiary	**100%**	100%
Auro Peptides Limited	India	Subsidiary	**95%**	95%
Auro Medics Pharma LLC	U.S.A.	Subsidiary	**100%**	100%
Zao Auros Pharma[5]	Russia	Joint Venture	**–**	–
Aurobindo Pharma NZ Limited[6]	New Zealand	Subsidiary	**100%**	100%
Aurovida Farmaceutica S.A. de C.V.	Mexico	Subsidiary	**100%**	100%
Auro Health LLC (w.e.f. September 13, 2012)	U.S.A.	Subsidiary	**100%**	100%
Aurobindo Antibiotics Limited (w.e.f. July 10, 2012)	India	Subsidiary	**100%**	100%
Aurobindo Pharma Colombia S. A. S. (w.e.f. January 28, 2014)	Colombia	Subsidiary	**100%**	–
Aurovitas, Unipessoal Lda (w.e.f. March 25, 2014)[7]	Portugal	Subsidiary	**100%**	–
Curepro Parenterals Limited (w.e.f. April 19, 2013)	India	Subsidiary	**100%**	–
Eugia Pharma Specialities Limited (w.e.f. May 2, 2013)	India	Subsidiary	**60%**	–
Hyacinths Pharma Private Limited (w.e.f. October 1, 2013)	India	Subsidiary	**100%**	–
Silicon Life Sciences Private Limited (w.e.f. October 11, 2013)	India	Subsidiary	**100%**	–
AuroZymes Limited (w.e.f. November 28, 2013)	India	Subsidiary	**100%**	–

Notes:

1 Liquidated w.e.f. September 11, 2013.

2 Closed its operations on September 13, 2012.

3 Liquidated w.e.f. October 9, 2013.

4 Closed w.e.f. June 28, 2013.

5 Closed during the previous year without any operations.

6 Aurobindo Pharma NZ Limited, New Zealand was incorporated during the year 2011-12 and there was no activity during the year ended March 31, 2014 and March 31, 2013; hence the same have not been consolidated.

7 Aurovitas, Unipessoal Lda, Portugal was incorporated during the year with nominal investment and there was no activity during the period ended March 31, 2014; hence the same have not been consolidated.

8 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, 2014

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

b. Change in accounting policy

With effect from April 1, 2013, the Group has changed its method of valuation of inventory of raw materials, packing materials, stores, spares and consumables from the earlier method i.e. First-In-First-Out basis (FIFO) to weighted average method for implementation of Enterprise Resource Planning in Oracle. Accordingly, this has resulted in decrease in inventory as at March 31, 2014 by ₹91.1 and decrease in consolidated profit before tax for the year ended March 31, 2014 by ₹91.8.

c. 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.

d. Revenue recognition

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

i. Revenue from sale of goods is recognised on dispatch (in respect of exports on the date of the bill of lading or airway bill) which coincides with transfer of significant risks and rewards to customer and is net of trade discounts, sales returns and sales tax, where applicable and recognized based on the terms of the agreements entered into with the customers. 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 recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.

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

e. Fixed assets and depreciation

i. Fixed assets are stated at cost less accumulated depreciation, impairment losses and specific grant/subsidies, if any. Cost comprise of purchase price, freight, non refundable taxes and duties and any attributable cost of bringing the asset to its working condition for its intended use. Borrowing costs relating to acquisition of fixed assets which take substantial period of time to get ready for use are included to the extent they relate to the period till such assets are ready for intended use. All other borrowing costs are expensed in the period they occur.

ii. Expenditure directly relating to construction activity is capitalised. Indirect expenditure is capitalised to the extent those relate to the construction activity or is incidental thereto. Income earned during construction period is deducted from the total expenditure relating to construction activity.

iii. Assets retired from active use and held for disposal are stated at their estimated net realisable 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 capitalised 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 amortised 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 (Rupees Five thousand only) are depreciated fully in the year of purchase.

f. Intangibles

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

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

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

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

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

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

g. Impairment of tangibles and intangible assets

The carrying amounts of assets are reviewed at each balance sheet date if there is any indication of impairment based on internal/external factors. An impairment loss is recognised wherever the carrying amount of an asset exceeds its recoverable amount. The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and risks specific to the asset.

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

h. Government grants and subsidies

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

i. Investments

i. 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.

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

j. Inventories

i. Raw materials, packing materials, stores, spares and consumables are valued at lower of cost, calculated on 'Weighted average' 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 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.

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 'Weighted average' 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.

k. Employee benefits

i. Employee benefits in the form of provident fund is a defined contribution scheme and the contributions are charged to the Consolidated Statement of Profit and Loss 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.

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.

l. Income taxes

Tax expense comprises of current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the 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 realised against future taxable profits.

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

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

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

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

m. Foreign exchange transactions

Initial recognition

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

Conversion

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

Exchange differences

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

n. Translation of integral and non-integral foreign operation

In accordance with the accounting principles as prescribed under the AS 11 (Revised) and based on the analysis of relevant criteria, as explained below, the Group has designated the operations of following overseas consolidated entities viz Aurobindo Pharma Industria Farmaceutica Limiteda; 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; 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; 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.; Aurovida Farmaceutica S.A. de C.V.; Aurobindo Pharma NZ Limited, Aurobindo Pharma Colombia S. A. S. and Aurovitas, Unipessoal Lda, as 'integral foreign operations':

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

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

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

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

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

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

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

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

o. Export benefits, incentives and licenses

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

p. Leases

Where the Group is lessee

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

q. Earnings Per Share

Basic earnings per share is calculated by dividing the net consolidated profit 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 for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

r. Provisions

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

s. Cash and cash equivalents

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

t. Employee stock compensation cost

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

u. Contingent liabilities

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

v. Borrowing cost

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

Notes to Consolidated Financial Statements for the year ended March 31, 2014

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

			As at March 31, 2014	As at March 31, 2013
2.	**SHARE CAPITAL**			
	AUTHORISED	660,000,000 (March 31, 2013: 660,000,000)		
		equity shares of ₹1 each	**660.0**	660.0
		1,000,000 (March 31, 2013: 1,000,000)		
		preference shares of ₹100 each	**100.0**	100.0
			760.0	760.0
	ISSUED, SUBSCRIBED			
	AND FULLY PAID-UP SHARES			
		291,457,021 (March 31, 2013: 291,211,290)		
		equity shares of ₹1 each	**291.5**	291.2
		TOTAL	**291.5**	291.2

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

	As at March 31, 2014		As at March 31, 2013	
	Numbers	**₹**	Numbers	₹
Equity shares				
At the beginning of the year	**291,211,290**	**291.2**	291,121,290	291.1
Issued during the year under employee stock option plan	**245,731**	**0.3**	90,000	0.1
Outstanding at the end of the year	**291,457,021**	**291.5**	291,211,290	291.2

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, 2014, the amount of dividend per share recognized as distributions to equity shareholders was ₹3 (March 31, 2013: ₹1.5) including interim dividend of ₹3 (March 31, 2013: ₹1).

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, 2014		As at March 31, 2013	
	Number	**% holding**	Numbers	% holding
Mr. P.V. Ramprasad Reddy	**19,481,440**	**6.68**	19,481,440	6.69
Mrs. P. Suneela Rani	**90,830,550**	**31.16**	90,830,550	31.19
TOTAL	**110,311,990**		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 31.**

Notes to Consolidated Financial Statements for the year ended March 31, 2014

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

		As at March 31, 2014	As at March 31, 2013
3. RESERVES AND SURPLUS			
CAPITAL RESERVE		**91.1**	91.1
CAPITAL REDEMPTION RESERVE		**90.0**	90.0
SECURITIES PREMIUM			
ACCOUNT	As per last Balance Sheet	**4,207.3**	4,199.1
	Add: Premium on exercise of employee stock options	**34.3**	8.2
		4,241.6	4,207.3
GENERAL RESERVE			
	As per last Balance Sheet	**6,377.8**	5,881.8
	Add: Transferred from Consolidated Statement of		
	Profit and Loss	**1,172.1**	496.0
		7,549.9	6,377.8
FOREIGN CURRENCY TRANSLATION RESERVE			
	As per last Balance Sheet	**613.6**	390.6
	Add: Current year translation adjustment	**703.4**	223.0
		1,317.0	613.6
SURPLUS IN THE CONSOLIDATED STATEMENT OF PROFIT AND LOSS			
	Balance as per last financial statements	**14,386.6**	12,452.8
	Profit for the year	**11,728.5**	2,938.6
	Less: Appropriations		
	On equity shares of ₹1 each		
	Proposed dividend @ ₹Nil (March 31, 2013: ₹0.5)	**–**	145.6
	Interim dividend @ ₹3 (March 31, 2013: ₹1)	**874.1**	291.2
	Tax on dividend	**148.5**	72.0
	Transfer to general reserve	**1,172.1**	496.0
	Total appropriations	**2,194.7**	1,004.8
NET SURPLUS IN THE CONSOLIDATED STATEMENT OF PROFIT AND LOSS		**23,920.4**	14,386.6
	TOTAL	**37,210.0**	25,766.4

Notes to Consolidated Financial Statements for the year ended March 31, 2014

(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, 2014	As at March 31, 2013	**As at March 31, 2014**	As at March 31, 2013
From banks - Secured				
Term loans - Foreign currency	**10,617.4**	10,653.4	**1,109.5**	78.7
Term loans - Rupee loans	**395.7**	187.7	**138.3**	22.5
	11,013.1	10,841.1	**1,247.8**	101.2
From banks - Unsecured				
Term loans - Foreign currency	**1,240.3**	–	**–**	339.3
	1,240.3	–	**–**	339.3
Other loans - Unsecured				
Deferred sales tax loan	**540.2**	641.5	**104.4**	70.3
	540.2	641.5	**104.4**	70.3
Amount disclosed under the head				
'Other current liabilities' (Refer Note 9)			**(1,352.2)**	(510.8)
TOTAL	**12,793.6**	11,482.6	**–**	–
The above amount includes				
Secured borrowings	**11,013.1**	10,841.1	**1,247.8**	101.2
Unsecured borrowings	**1,780.5**	641.5	**104.4**	409.6

i. Secured term loans in foreign currency amounting to ₹10,784.7 carry interest in the range of LIBOR plus 2% to 2.5%. Out of these loans, loans amounting to ₹6,291.1 (March 31, 2013: ₹5,699.9) are repayable in 3 equal installments in 4th, 5th, 6th years from the respective final draw down dates, and loans amounting to ₹4,493.6 (March 31, 2013: ₹4,071.4) 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 immoveable property of the parent company.

ii. Secured terms loan in foreign currency amounting to ₹38.7 carry an interest of 6 month LIBOR plus 500 basis points with interest payments at monthly intervals (current interest rate being 5.09% per annum). The banks shall reset the interest rates after every six months. The foreign currency term loans are repayable in 5 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 ₹157.0 carry an interest rate of 13.75% (base rate plus 3%) per annum payable monthly. All Indian rupee term loans are repayable in 5 quarterly installments of ₹1.5 except the term loan of ₹176.0 for which repayment is to be made in 11 equal quarterly installments of ₹11.0. 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 ₹684.8 carry interest rate of 4.20% 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 ₹24.6 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 ₹60.7 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 ₹18.0 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 ₹42.7 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 ₹72.7 carry interest rate of 4.69% 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.

Notes to Consolidated Financial Statements for the year ended March 31, 2014

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

iv. Secured term loan in Indian rupee amounting to ₹141.0 carry interest rate of 12% per annum and is payable in 14 quarterly installments. The loan is secured by first charge on fixed assets of Silicon Life Sciences Private Limited both present and future by equitable mortagage of agreement of sale of project land (inclusive of all super structures) admeasuring 4.36 acres at Parwada.

v. Secured term loan in Indian rupee amounting to ₹236.0 carry interest rate of 11.25% per annum and is payable in 15 quarterly installments starting from September, 2017. The loan is secured by first charge on entire fixed assets both present and future and second charge on the current assets, both present and future of Eugia Pharma Specialities Limited and pledge of shares held by Celon Laboratories Limited of Eugia Pharma Specialities Limited.

vi. Unsecured term loans in foreign currency amounting to ₹1,240.3 carry interest rate of 1 month EUR LIBOR plus 1.35% per annum and is payable over a period of 3 years.

vii. Deferred sales tax loan is interest free and payable in various installments as per sales tax deferment scheme. The last installment is payable in 2027-28.

	As at March 31, 2014	As at March 31, 2013
5. DEFERRED TAX ASSETS AND LIABILITY		
Deferred tax liabilities consists of		
Differences in depreciation as per tax books and financial books	**2,239.8**	2,108.8
Provision made towards doubtful trade receivables/loans and advances	**(63.5)**	(127.0)
Retirement benefits	**(122.1)**	(117.5)
Business loss	**–**	(496.0)
Unabsorbed depreciation	**–**	(688.3)
Total deferred tax liabilities	**2,054.2**	680.0
Deferred tax assets consists of		
Business loss	**0.5**	–
Total deferred tax assets	**0.5**	–

6. PROVISIONS

	Long-term		Short-term	
	As at March 31, 2014	As at March 31, 2013	**As at March 31, 2014**	As at March 31, 2013
For employee benefits				
Gratuity (Refer Note 32)	**91.8**	90.0	**30.1**	30.0
Compensated absences	**–**	–	**266.6**	252.6
	91.8	90.0	**296.7**	282.6
Other provisions				
For proposed dividend	**–**	–	**510.1**	145.6
For tax on proposed dividend	**–**	–	**86.7**	24.8
Provision for income tax (Net of advance tax)	**–**	–	**372.5**	347.9
	–	–	**969.3**	518.3
TOTAL	**91.8**	90.0	**1,266.0**	800.9

Notes to Consolidated Financial Statements for the year ended March 31, 2014

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

		As at March 31, 2014	As at March 31, 2013
7.	**SHORT-TERM BORROWINGS**		
	Loans repayable on demand from banks - Working capital loans		
	Cash credit facilities (Secured)	**68.4**	72.4
	Buyers credit (Secured)	**4,111.4**	2,700.1
	Buyers credit (Unsecured)	**25.1**	1,152.4
	Packing credit loans (Secured)	**5,736.1**	4,737.8
	Packing credit loans (Unsecured)	**7,884.5**	6,115.0
	Bill discounting facility (Secured)	**800.0**	2,733.1
	Bill discounting facility (Unsecured)	**592.2**	573.2
	Short-term loans (Secured)	**3,087.6**	3,191.5
	Short-term loans from banks (Unsecured)	**1,240.3**	1,085.7
	TOTAL	**23,545.6**	22,361.2
	The above amount includes		
	Secured borrowings	**13,803.5**	13,434.9
	Unsecured borrowings	**9,742.1**	8,926.3
		23,545.6	22,361.2

i. Secured loans amounting to ₹10,715.9 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.

ii. Line of credit amounting to ₹3,087.6 is secured by current assets and non-current assets of Aurolife Pharma LLC , Aurobindo Pharma USA Inc, Auro Health LLC and Auromedics Pharma LLC, excluding intangible assets.

8.	**TRADE PAYABLES**		
	Trade payables for supplies and services	**13,512.0**	9,637.5

9.	**OTHER CURRENT LIABILITIES**		
	Current maturities of long-term borrowings (Refer Note 4)	**1,352.2**	510.8
	Creditors for capital goods	**435.2**	282.3
	Trade deposits	**2.8**	0.1
	Unclaimed dividend	**8.6**	7.8
	Interest accrued but not due on borrowings	**117.2**	116.5
	Advances from customers	**134.6**	171.3
	Other payables		
	Statutory liabilities	**216.3**	92.9
	Others	**1,609.9**	327.0
		3,876.8	1,508.7

Notes to Consolidated Financial Statements for the year ended March 31, 2014

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

10. FIXED ASSETS - TANGIBLES

	Leasehold land	Freehold land	Leasehold buildings	Freehold buildings	Plant & equipment	Furniture & fixtures	Vehicles	Office equipment	Total
AT COST OR VALUATION									
At April 1, 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)
At March 31, 2013	60.7	674.3	65.1	7,345.5	24,845.3	745.9	176.5	374.5	34,287.8
Additions	–	325.2	7.6	643.9	1,425.0	52.2	13.4	34.4	2,501.7
Disposals	–	–	–	16.7	179.6	1.7	23.2	3.0	224.2
Additions on acquisition	–	89.9	–	115.6	194.8	0.6	0.1	–	401.0
Other adjustments									
Exchange differences	–	(24.7)	(12.1)	(151.9)	(235.6)	(16.4)	(3.1)	(7.5)	(451.3)
At March 31, 2014	**60.7**	**1,114.1**	**84.8**	**8,240.2**	**26,521.1**	**813.4**	**169.9**	**413.4**	**37,417.6**
Depreciation									
At April 1, 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)
At March 31, 2013	8.1	12.9	14.4	992.7	8,380.8	316.7	63.7	108.0	9,897.3
Charge for the year	1.5	–	4.6	259.5	2,032.9	64.0	21.2	26.8	2,410.5
Disposals	–	–	–	4.0	93.0	1.1	16.0	1.8	115.9
Additions on acquisition	–	–	–	4.3	10.8	–	–	–	15.1
Other adjustments									
Exchange differences	–	(1.3)	(1.1)	(14.4)	(59.2)	(8.3)	(2.0)	(4.1)	(90.4)
At March 31, 2014	**9.6**	**14.2**	**20.1**	**1,266.9**	**10,390.7**	**387.9**	**70.9**	**137.1**	**12,297.4**
Net Block									
At March 31, 2013	52.6	661.4	50.7	6,352.8	16,464.5	429.2	112.8	266.5	24,390.5
At March 31, 2014	**51.1**	**1,099.9**	**64.7**	**6,973.3**	**16,130.4**	**425.5**	**99.0**	**276.3**	**25,120.2**

Capital work-in-progress ₹2,947.8 (March 31, 2013: ₹1,995.9).

1. The title deeds of land and buildings aggregating to ₹154.5 (March 31, 2013: ₹155.8) are pending transfer to the Company's name.
2. Capital work-in-progress include expenditure during construction period amounting to ₹530.5 (March 31, 2013: ₹506.9). (Refer Note 33).
3. Depreciation for the year include ₹0.3 (March 31, 2013: ₹2.5) taken as pre-operative capital expenditure on capital projects pending capitalization.
4. Additions to fixed assets during the year include value of capital expenditure towards research centre aggregating to ₹157.4 (March 31, 2013: ₹248.3).
5. Details of finance lease (Refer Note 37).
6. Land to the extent of 100.44 acres amounting to ₹99.0 (March 31, 2013 ₹99.0) has been attached by the Directorate of Enforcement during the previous year in a legal case pertaining to the parent company.

Notes to Consolidated Financial Statements for the year ended March 31, 2014

(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
GROSS BLOCK				
At April 1, 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)
At March 31, 2013	554.4	112.8	2,679.7	3,346.9
Additions	8.9	40.4	368.9	418.2
Disposals	–	–	21.5	21.5
Additions on acquisition	95.3	–	–	95.3
Other adjustments				
Exchange differences	(105.2)	(0.2)	(467.7)	(573.1)
At March 31, 2014	**763.8**	**153.4**	**3,494.8**	**4,412.0**
Amortization				
At April 1, 2012	–	43.6	896.4	940.0
Charge for the year	–	39.3	420.7	460.0
Disposals	–	–	64.2	64.2
Other adjustments				
Exchange differences	–	2.4	(15.3)	(12.9)
At March 31, 2013	–	80.5	1,268.2	1,348.7
Charge for the year	–	37.8	677.2	715.0
Disposals	–	–	2.3	2.3
Other adjustments				
Exchange differences	–	(2.0)	(252.1)	(254.1)
At March 31, 2014	**–**	**120.3**	**2,195.2**	**2,315.5**
Net Block				
At March 31, 2013	554.4	32.3	1,411.5	1,998.2
At March 31, 2014	**763.8**	**33.1**	**1,299.6**	**2,096.5**

Intangible assets under development ₹149.4 (March 31, 2013: ₹189.2).

Notes to Consolidated Financial Statements for the year ended March 31, 2014

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

		As at March 31, 2014	As at March 31, 2013
12.	**NON-CURRENT INVESTMENTS**		
	Trade investments		
	Long-term, unquoted, in fully paid equity shares		
	(at cost unless stated otherwise)		
	i. 753 (753) equity shares of Jeedimetla		
	Effluent Treatment Limited of ₹100 each	**0.1**	0.1
	ii. 103,709 (103,709) equity shares of Patancheru		
	Envirotech Limited of ₹10 each	**1.0**	1.0
	iii. 1,000 (1,000) equity shares of Progressive Effluent		
	Treatment Limited of ₹100 each	**0.1**	0.1
	iv. Nil (2,376,000) equity shares of Silicon Life Sciences		
	Private Limited of ₹10 each	**–**	23.8
	v. 10% (10%) of paid-in-capital of Sino-Pharma Group		
	Weiqida Zhong Khag Pharma	**196.2**	196.2
	(formerly Aurobindo (Datong) Bio Pharma Company Limited, China)		
	TOTAL (A)	**197.4**	221.2
	Non-trade investments		
	Long-term, unquoted and at cost, in government securities		
	i. Kisan Vikas Patra	**–**	1.0
	ii. National Savings Certificate [includes ₹0.07 held by	**0.2**	0.2
	income tax authorities (March 31, 2013: ₹0.07)]		
	TOTAL (B)	**0.2**	1.2
	TOTAL (A+B)	**197.6**	222.4
	Notes:		
	1. Aggregate value of unquoted investments	**197.6**	222.4
	2. Aggregate provision for diminution in the value of investments	**–**	–
	3. Silicon Life Sciences Private Limited has become subsidiary w.e.f. October 11, 2013.		

Notes to Consolidated Financial Statements for the year ended March 31, 2014

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

	Non-current		Current	
	As at March 31, 2014	As at March 31, 2013	**As at March 31, 2014**	As at March 31, 2013
13. LOANS AND ADVANCES				
(Unsecured, considered good except stated otherwise)				
Capital advances				
Considered good	**429.3**	187.5	**–**	–
Doubtful	**0.8**	0.8	**–**	–
	430.1	188.3	**–**	–
Provision for doubtful advances	**0.8**	0.8	**–**	–
TOTAL (A)	**429.3**	187.5	**–**	–
Trade deposit				
Considered good*	**340.9**	281.5	**6.3**	9.3
Doubtful	**0.4**	0.4	**–**	–
	341.3	281.9	**6.3**	9.3
Provision for doubtful deposit	**0.4**	0.4	**–**	–
TOTAL (B)	**340.9**	281.5	**6.3**	9.3
Advances recoverable in cash or kind				
Considered good	**44.7**	34.4	**1,078.2**	848.3
Doubtful	**35.1**	35.1	**–**	–
	79.8	69.5	**1,078.2**	848.3
Provision for doubtful advances	**35.1**	35.1	**–**	–
TOTAL (C)	**44.7**	34.4	**1,078.2**	848.3
Other loans and advances				
Advance income tax (Net of provision for taxation)	**367.3**	420.6	**90.9**	79.9
MAT credit entitlement	**2,510.6**	1,265.0	**–**	–
Share application money to others	**–**	–	**–**	–
Advance for long term investment**	**4,009.1**	–	**–**	–
Loans to others	**–**	–	**–**	70.3
Loans to employees	**32.7**	30.2	**77.0**	66.2
Export rebate claims receivable	**–**	–	**1,399.7**	1,245.7
Balances with statutory/government authorities	**155.8**	159.0	**1,119.8**	1,001.1
TOTAL (D)	**7,075.5**	1,874.8	**2,687.4**	2,463.2
TOTAL (A+B+C+D)	**7,890.4**	2,378.2	**3,771.9**	3,320.8

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

* Non-current deposits include deposits pledged with Enforcement Directorate of ₹32.6 (March 31, 2013: ₹Nil).

** Advance paid and is under escrow bank account towards acquisition of investment which was completed in April, 2014.

Notes to Consolidated Financial Statements for the year ended March 31, 2014

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

	Non-current		Current	
	As at March 31, 2014	As at March 31, 2013	**As at March 31, 2014**	As at March 31, 2013
14. TRADE RECEIVABLES				
(Unsecured, considered good unless stated otherwise)				
Outstanding for a period exceeding six months from the date they are due for payment				
Considered good	**–**	–	**461.5**	373.0
Doubtful	**48.3**	14.6	**273.6**	259.2
	48.3	14.6	**735.1**	632.2
Provision for doubtful receivables	**48.3**	14.6	**273.6**	259.2
TOTAL (A)	**–**	–	**461.5**	373.0
Others				
Considered good	**–**	–	**25,904.2**	15,596.8
Doubtful	**–**	–	**–**	2.4
	–	–	**25,904.2**	15,599.2
Provision for doubtful receivables	**–**	–	**–**	2.4
TOTAL (B)	**–**	–	**25,904.2**	15,596.8
TOTAL (A+B)	**–**	–	**26,365.7**	15,969.8

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, 2014	As at March 31, 2013
15. OTHER CURRENT ASSETS		
(Unsecured, considered good unless stated otherwise)		
Insurance claim receivable	**1.7**	38.3
Export incentives receivable	**676.4**	608.0
Assets held for sale	**–**	64.3
Interest accrued on deposits	**24.3**	21.8
Interest accrued on investments	**–**	0.6
Receivables - Others		
Considered good	**10.3**	23.1
Doubtful	**2.6**	–
	12.9	23.1
Provision for doubtful receivables	**(2.6)**	–
	10.3	23.1
TOTAL	**712.7**	756.1
16. OTHER NON-CURRENT ASSETS		
(Unsecured, considered good unless stated otherwise)		
Export incentives receivable	**163.0**	154.6
Non-current bank balances (Refer Note 19)	**21.0**	32.0
TOTAL	**184.0**	186.6

Notes to Consolidated Financial Statements for the year ended March 31, 2014

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

	As at March 31, 2014	As at March 31, 2013
17. CURRENT INVESTMENTS		
Current portion of long-term investment (at cost)		
Unquoted, in fully paid equity shares, at lower of cost and market value		
70,000 (70,000) shares of Citadel Aurobindo Biotech Limited of ₹100 each	**–**	–
[Aggregate provision for diminution in value of ₹7.0 (March 31, 2013: ₹7.0)]		
Quoted, in fully paid equity shares, at lower of cost and market value		
4,520 (4,520) equity shares of Andhra Bank of ₹10 each	**0.3**	0.4
TOTAL	**0.3**	0.4
1. Aggregate value of unquoted investments	**–**	–
2. Aggregate value of quoted investments	**0.3**	0.4
3. Market value of quoted investments	**0.3**	0.4
4. Aggregate provision for diminution in the value of investments	**7.0**	7.0
18. INVENTORIES		
(Valued at lower of cost and net realizable value)		
Raw materials [includes in-transit ₹680.2 (March 31, 2013: ₹316.1)]	**9,779.6**	7,297.2
Packing materials	**1,353.2**	891.8
Work-in-progress	**5,681.1**	5,072.2
Finished goods [includes in-transit ₹178.7 (March 31,2013: ₹65.4)]	**5,918.4**	5,138.8
Trading goods	**122.5**	185.6
Stores, spares and consumables	**820.6**	650.3
TOTAL	**23,675.4**	19,235.9

	Non-current		Current	
	As at March 31, 2014	As at March 31, 2013	**As at March 31, 2014**	As at March 31, 2013
19. CASH AND BANK BALANCES				
Cash and cash equivalents				
Balances with banks:				
On current accounts	**–**	–	**1,447.4**	1,928.0
On cash credit accounts	**–**	–	**16.5**	82.3
Deposits with original maturity of less than 3 months	**–**	–	**0.1**	–
On unpaid dividend account	**–**	–	**8.6**	7.8
Cash on hand	**–**	–	**7.6**	9.2
	–	–	**1,480.2**	2,027.3
Other bank balances				
Deposits with original maturity for more than 12 months	**–**	–	**5.2**	4.4
Deposits with original maturity for more than 3 months but less than 12 months	**–**	–	**290.5**	35.6
Margin money deposit*	**21.0**	32.0	**9.9**	17.2
	21.0	32.0	**305.6**	57.2
Amount disclosed under non–current assets (Refer Note 16)	**(21.0)**	(32.0)	**–**	–
TOTAL	–	–	**1,785.8**	2,084.5

* Given against bank guarantees and performance guarantees. Margin money deposits include deposits of the parent company attached by Enforcement Directorate of ₹Nil (March 31, 2013: ₹30.0).

Notes to Consolidated Financial Statements for the year ended March 31, 2014

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

	Year ended March 31, 2014	Year ended March 31, 2013
20. REVENUE FROM OPERATIONS (GROSS)		
Sale of products	**81,681.9**	58,433.7
Sale of services	**296.6**	852.7
Other operating revenue		
Scrap sales	**56.6**	36.5
Export incentives	**556.5**	685.4
TOTAL	**82,591.6**	60,008.3
Details of sale of services		
Dossier income	**124.9**	725.6
Service income	**171.7**	127.1
TOTAL	**296.6**	852.7
21. OTHER INCOME		
Interest income on		
Bank deposits	**7.8**	4.2
Others advances and deposits	**30.0**	25.0
Dividend income on current investments - trade	**–**	–
Provision no longer required on doubtful debts written back	**–**	15.0
Balances no longer required written back (Net)	**10.8**	11.3
Profit on sale of long-term investment	**–**	46.8
Profit on current investments (Net)	**4.7**	–
Commission income	**18.4**	22.0
Miscellaneous income	**160.7**	161.1
TOTAL	**232.4**	285.4
22. COST OF MATERIALS CONSUMED		
Raw material consumed		
Opening stock (Includes inventories on acquisition of subsidiary ₹35.7)	**7,332.9**	6,084.5
Add: Purchases	**34,325.5**	29,492.8
	41,658.4	35,577.3
Less: Closing stock	**9,779.6**	7,297.2
Cost of raw material consumed	**31,878.8**	28,280.1
Adjustment for fluctuation in exchange rates	**48.0**	22.4
Packing materials consumed	**3,303.9**	2,611.9
TOTAL	**35,230.7**	30,914.4

23. INCREASE IN WORK-IN-PROGRESS, TRADED AND FINISHED GOODS	**Year ended March 31, 2014**	Year ended March 31, 2013	**Increase March 31, 2014**
Inventories at the beginning of the year			
Traded goods	**185.6**	124.1	**63.1**
Work-in-progress (Includes inventories on acquisition of subsidiary ₹24.7)	**5,096.9**	4,472.1	**(584.2)**
Finished goods (Includes inventories on acquisition of subsidiary ₹0.2)	**5,139.0**	3,277.9	**(779.4)**
	10,421.5	7,874.1	**(1,300.5)**
Inventories at the end of the year			March 31, 2013
Traded goods	**122.5**	185.6	(61.5)
Work-in-progress	**5,681.1**	5,072.2	(600.1)
Finished goods	**5,918.4**	5,138.8	(1,860.9)
	11,722.0	10,396.6	(2,522.5)
	(1,300.5)	(2,522.5)	
On account of stock written off	**520.9**	325.6	
Adjustment for fluctuation in exchange rates	**(801.4)**	(145.6)	
	(1,020.0)	(2,702.5)	

Notes to Consolidated Financial Statements for the year ended March 31, 2014

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

		Year ended March 31, 2014	Year ended March 31, 2013
24.	**EMPLOYEE BENEFIT EXPENSES**		
	Salaries, wages and bonus	**7,468.5**	5,880.7
	Contribution to provident and other funds	**247.1**	237.6
	Retirement benefits (Refer Note 32)	**92.6**	190.4
	Staff welfare expenses	**511.0**	324.4
	TOTAL	**8,319.2**	6,633.1
25.	**OTHER EXPENSES**		
	Conversion charges	**422.0**	331.4
	Consumption of stores and spares	**841.3**	664.6
	Chemicals consumed	**956.3**	823.5
	Power and fuel	**3,498.4**	3,247.2
	Carriage inward	**507.3**	415.9
	Factory maintenance	**226.0**	156.7
	Effluent treatment expenses	**86.9**	55.3
	(Increase)/decrease of excise duty on inventory (Refer Note 39)	**(1.1)**	4.2
	Repairs and maintenance		
	i. Plant and machinery	**428.1**	452.7
	ii. Buildings	**208.6**	182.7
	iii. Others	**37.2**	71.1
	Rent	**157.8**	104.7
	Rates and taxes	**170.5**	121.6
	Printing and stationery	**123.4**	98.1
	Postage and telephones	**90.2**	79.6
	Insurance	**297.4**	229.7
	Legal and professional charges	**683.8**	507.7
	Directors' sitting fees	**0.9**	0.7
	Remuneration to auditors	**8.2**	7.6
	Sales commission	**350.6**	298.1
	Carriage outwards	**2,335.9**	1,752.2
	Selling expenses	**798.3**	880.4
	Rebates and discounts	**111.2**	129.1
	Travelling and conveyance	**242.4**	200.4
	Vehicle maintenance expenses	**78.9**	41.2
	Analytical charges	**573.1**	365.8
	Bad debts/advances written off	**16.8**	246.4
	Donations	**11.6**	3.2
	Registration, license and filing charges	**737.8**	600.2
	Foreign exchange loss (Net)	**8.3**	281.2
	Product development expenses	**50.9**	57.6
	Safety and security	**20.4**	12.3
	Product destruction expenses/stock written off	**520.9**	357.4
	Software license and implementation expenses	**27.6**	15.7
	Provision for trade receivables (Net)	**48.8**	–
	Loss on sale/write off of fixed assets (Net)	**37.6**	164.6
	Miscellaneous expenses	**584.3**	442.1
	TOTAL	**15,298.6**	13,402.9

Notes to Consolidated Financial Statements for the year ended March 31, 2014

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

	Year ended March 31, 2014	Year ended March 31, 2013
26. DEPRECIATION/AMORTIZATION		
Depreciation of tangible assets	**2,410.2**	2,027.4
Amortization of intangible assets	**715.1**	460.0
TOTAL	**3,125.3**	2,487.4

	Year ended March 31, 2014	Year ended March 31, 2013
27. FINANCE COSTS		
Interest	**937.9**	1,132.3
Bank charges	**141.5**	180.9
Exchange difference to the extent considered as an adjustment to borrowing costs	**2,022.2**	1,353.2
TOTAL	**3,101.6**	2,666.4

28. Capital and other commitments

Estimated amount of contracts (Net of advances) remaining to be executed on capital account and not provided for - ₹1,626.9 (March 31, 2013: ₹299.6).

29. Contingent liabilities

	As at March 31, 2014	As at March 31, 2013
Outstanding bank guarantees	**774.4**	486.3
Claims arising from disputes not acknowledged as debts - indirect taxes (excise duty and service tax)*	**223.3**	196.3
Claims arising from disputes not acknowledged as debts - direct taxes*	**105.0**	105.0
Claims against the Group not acknowledged as debts*	**150.3**	493.1
Bills discounted with banks	**260.6**	519.9

* in respect of above matters, future cash outfows 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 in February 2012. 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 during the year 2011-12. The proceedings are in progress and no other material implications are expected by the management in this matter.

31. Employee stock options

a. 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 3,240,500 options under seven grants of 175,000; 25,000; 90,000; 1,205,000; 300,000; 500,000; 915,500 and 30,000 options to eligible employees on October 30, 2006; July 31, 2007; October 31, 2007; December 16, 2011; June 19, 2012; January 9, 2013; January 28, 2013 and August 9, 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, ₹187.40 and ₹161.30 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, 2014

(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, 2014	As at March 31, 2013
Options outstanding at the beginning of the year	**2,464,000**	1,255,000
Granted during the year	**30,000**	1,715,500
Vested/exercisable during the year	**312,900**	–
Exercised during the year	**245,731**	90,000
Forfeited during the year subject to reissue	**116,900**	416,500
Options outstanding at end of the year	**2,131,369**	2,464,000
Exercisable at the end of the year	**78,229**	43,000
Weighted average exercise price (₹)	**106.27**	99.59
Weighted average fair value of options at the date of grant (₹)	**126.14**	118.34

	Range of exercise prices (₹)	Number of options outstanding	Weighted average remaining contractual life of options (in years)
As at March 31, 2014	**91 to 201**	**2,131,369**	**4.35**
As at March 31, 2013	91 to 201	2,464,000	5.30

b. Disclosure as per Fair Value Method

The Group's net profit and earnings per share would have been as under, had the compensation cost for employees' stock options been recognised based on the fair value at the date of grant in accordance with "Black Scholes" model.

		Year ended March 31, 2014	Year ended March 31, 2013
Profit after taxation			
As reported in Consolidated Statement of Profit and Loss		**11,728.5**	2,938.6
Less: Additional employee compensation cost based on Fair Value		**8.1**	2.9
Profit after taxation as per Fair Value Method		**11,720.4**	2,935.7
Earnings per share			
Basic			
No. of shares		**291,247,060**	291,141,509
EPS as reported	(₹)	**40.27**	10.09
EPS as per Fair Value Method	(₹)	**40.24**	10.09
Diluted			
No. of shares		**291,581,834**	291,355,959
EPS as reported	(₹)	**40.22**	10.09
EPS as per Fair Value Method	(₹)	**40.20**	10.08

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

		As at March 31, 2014 ESOP 2006	As at March 31, 2013 ESOP 2006
Risk-free interest rate	(%)	**8**	8
Expected life of options	(Years)	**6**	6
Expected volatility	(%)	**0.15**	0.31
Dividend yield	(₹)	**0.61**	1.33

Notes to Consolidated Financial Statements for the year ended March 31, 2014

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

32. Retirement benefits

	Year ended March 31, 2014	Year ended March 31, 2013
a. Disclosures related to defined contribution plan		
Provident fund contribution recognized as expense in the Consolidated Statement of Profit and Loss	**101.2**	90.9

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, 2014	Year ended March 31, 2013
Net employee benefit expense (included under employee benefit expenses)		
Current service cost	**55.0**	43.4
Interest cost on benefit obligation	**29.5**	23.9
Expected return on plan assets	**(18.3)**	(16.3)
Net actuarial (gain)/loss recognized in the year	**(36.5)**	32.1
Net benefit expense	**29.7**	83.1
Actual return on plan assets	**18.2**	16.5

Consolidated Balance Sheet

	As at March 31, 2014	As at March 31, 2013
Details of provision for gratuity		
Defined benefit obligation (DBO)*	**341.1**	317.7
Fair value of plan assets (FVPA)**	**228.1**	202.7
Net plan liability	**113.0**	115.0

* DBO as at March 31, 2012 - ₹240.9; March 31, 2011 - ₹193.3; March 31, 2010 - ₹152.9.

** FVPA as at March 31, 2012 - ₹174.7; March 31, 2011 - ₹102.3; March 31, 2010 - ₹83.1.

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

	Year ended March 31, 2014	Year ended March 31, 2013
Opening defined benefit obligation	**317.7**	240.9
Current service cost	**55.0**	43.4
Interest cost	**29.5**	23.9
Benefits paid	**(24.6)**	(22.8)
Actuarial (gains)/losses on obligation*	**(36.6)**	32.3
Closing defined benefit obligation	**341.0**	317.7

* Experience adjustments on plan liabilities March 31, 2014 - ₹9.7; March 31, 2013 - ₹4.8; March 31, 2012 - ₹12.6; March 31, 2011- ₹9.6 and March 31, 2010 - ₹7.6.

Notes to Consolidated financial statements for the year ended March 31, 2014

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

Changes in fair value of plan assets

	Year ended March 31, 2014	Year ended March 31, 2013
Opening fair value of plan assets	**202.7**	174.7
Expected return	**18.3**	16.3
Contributions by employer	**31.7**	34.3
Benefits paid	**(24.6)**	(22.8)
Actuarial gains/(losses)*	**(0.1)**	0.2
Closing fair value of plan assets	**228.0**	202.7

* Experience adjustments on plan assets March 31, 2014 - ₹(0.1); March 31, 2013 - ₹0.3; March 31, 2012 - ₹3.3; March 31, 2011 - ₹0.7 and March 31, 2010 - ₹0.4.

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

		As at March 31, 2014	As at March 31, 2013
Discount rate (p.a.)	(%)	**9.35**	8.10
Expected return on assets (p.a.)	(%)	**8.0**	7.5
Employee turnover:			
Age (Years)			
21-30	(%)	**8**	8
31-40	(%)	**4**	4
41-57	(%)	**1**	1

Notes:

1. The estimates of future salary increases, considered in actuarial valuation, take account of inflation, seniority, promotion and other relevant factors, such as supply and demand in the employment market.
2. Percentage of plan assets as investments with insurer is 100%.
3. The expected rate of return on assets is based on the expectation of the average long term rate of return expected on investments of the fund during the estimated term of the obligations.
4. The parent company expects to contribute ₹30.0 (March 31, 2013: ₹30.0) to the qualifying insurance policy in 2014-15.
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 ₹3.9 (March 31, 2013 ₹6.3) and net plan liability of ₹8.9 (March 31, 2013 ₹5.0) relating to other components of the Group.

Notes to Consolidated financial statements for the year ended March 31, 2014

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

33. Expenditure during construction period pending capitalization

		As at March 31, 2014	As at March 31, 2013
Balance brought forward		**506.9**	1,296.7
Add:	Incurred during the year		
	Salaries, wages and bonus	**26.2**	122.4
	Staff welfare expenses	**0.7**	2.4
	Cost of material consumed	**–**	112.1
	Consumption of stores and spares	**2.0**	60.7
	Carriage inwards	**0.1**	0.5
	Power and fuel	**9.1**	151.0
	Conversion charges	**2.9**	10.0
	Rates and taxes	**0.3**	2.0
	Registration, licence and filing fee	**2.7**	–
	Printing and stationery	**0.5**	2.6
	Postage and telephones	**0.2**	0.3
	Insurance	**0.5**	4.4
	Legal and professional charges	**0.7**	10.9
	Travelling and conveyance	**1.7**	2.5
	Factory maintenance	**1.5**	–
	Bank charges	**1.8**	–
	Repairs and maintenance	**1.2**	–
	Office maintenance	**0.1**	–
	Rent	**4.6**	–
	Product development expenses	**0.3**	–
	Depreciation	**0.3**	2.5
	Interest	**0.3**	–
	Miscellaneous expenses	**8.6**	24.5
	SUB TOTAL	**573.2**	1,805.5
Less:	Income during the construction period	**0.5**	–
Less:	Capitalized to fixed assets during the year	**42.2**	1,298.6
Balance carried forward		**530.5**	506.9

34. Acquisition of subsidiaries

Effective October, 2013 the parent company acquired 100% stake in the share capital of Silicon Life Sciences Private Limited ('acquired entity') and Hyacinths Pharma Private Limited ('acquired entity').

The acquisition of the interests in the acquired entities has been accounted in accordance with the accounting principles laid down under AS 21. Accordingly, the excess of purchase price paid over the net assets acquired has been recorded as Goodwill in the Consolidated Financial Statements. Transactions relating to Statement of Profit and Loss of the acquired entities have been included in the Consolidated Statement of Profit and Loss from the effective dates of acquisition.

Notes to Consolidated financial statements for the year ended March 31, 2014

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

The interest of the parent company in the net assets of the acquired entities and resulting goodwill as on the date of acquisitions are as given hereunder:

Particulars	Silicon Life Sciences Private Limited	Hyacinths Pharma Private Limited
Purchase consideration	**115.8**	**150.2**
Net assets as on the date of acquisition	**90.8**	**79.9**
Goodwill	**25.0**	**70.3**

a. Summary of post acquisition loss of the acquired entities included in the Consolidated Statement of Profit and Loss for the year ended March 31, 2014

Particulars	Silicon Life Sciences Private Limited	Hyacinths Pharma Private Limited
Income	**76.5**	**–**
Expenses	**90.5**	**0.1**
Net loss considered in the Consolidated Statement of Profit and Loss	**(14.0)**	**(0.1)**

b. The assets and liabilities of the acquired entity included in the Consolidated Balance Sheet as at March 31, 2014 are:

Particulars	Silicon Life Sciences Private Limited	Hyacinths Pharma Private Limited
Liabilities		
Non-current liabilities		
Long-term borrowings	**69.2**	**–**
Long-term provisions	**0.4**	**–**
Current liabilities		
Trade payables	**72.5**	**–**
Other current liabilities	**82.4**	**0.2**
Assets		
Non-current assets		
Fixed assets (Net)	**300.3**	**71.3**
Capital work-in-progress	**–**	**7.1**
Long-term loans and advances	**2.3**	**2.1**
Deferred tax asset (Net)	**–**	**0.1**
Current assets		
Inventory	**19.7**	**–**
Trade receivables	**80.2**	**–**
Cash and bank balances	**5.2**	**0.1**
Short-term loans and advances	**32.6**	**0.3**

35. Earnings per share

	Year ended March 31, 2014	Year ended March 31, 2013
Consolidated profit after tax and minority interest considered for calculation of basic and diluted earnings per share	**11,728.5**	2,938.6
Weighted average number of equity shares considered for calculation of basic earnings per share (a)	**291,247,060**	291,141,509
Effect of dilution on account of Employee Stock Options granted (b)	**334,774**	214,450
Weighted average number of equity shares considered for calculation of diluted earnings per share (a+b)	**291,581,834**	291,355,959

Notes to Consolidated financial statements for the year ended March 31, 2014

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

36. Related party disclosures

i. Names of related parties and description of relationship

a. 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

Cogent Glass Limited (formerly known as Matri Mirra Packaging Private Limited), India

Vaxer Pharma Limited, India

Veritaz Healthcare Limited, India

Orem Access Bio Inc, India

b. Key managerial personnel

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)

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)

c. Relative to key managerial personnel

Mr. P. Sarath Chandra Reddy (Son of Mr. P.V. Ramprasad Reddy, 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, 2014**	Year ended March 31, 2013
Pravesha Industries Private Limited, India		
Sale of goods	**0.5**	0.4
Purchase of goods	**1,388.8**	1,079.6
Sale of fixed assets	**–**	8.9
Rent received	**1.0**	0.6
Balance receivable	**9.9**	9.1
Balance payable	**57.1**	14.5
Sri Sai Packaging, India		
Sale of goods	**0.3**	0.3
Sale of fixed assets	**–**	0.2
Purchase of goods	**151.7**	122.1
Balance receivable	**–**	–

Notes to Consolidated financial statements for the year ended March 31, 2014

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

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
Axis Clinicals Limited, India		
Purchase of services	**389.6**	337.0
Electricity expenses	**–**	0.9
Rent expenses	**–**	2.6
Purchase of fixed assets	**–**	0.6
Balance payable	**47.5**	49.7
Trident Chemphar Limited, India		
Sale of goods	**891.5**	218.5
Purchase of goods	**558.0**	299.3
Balance receivable	**132.6**	54.0
Auropro Soft Systems Private Limited, India		
Purchase of goods	**6.8**	3.2
Purchase of services	**13.0**	16.8
Balance receivable	**0.1**	–
Pranit Packaging Private Limited, India		
Purchase of goods	**99.9**	75.4
Sale of goods	**0.1**	–
Sale of fixed assets	**–**	1.1
Balance receivable	**1.2**	1.1
Pranit Projects Private Limited, India		
Purchase of services (Civil services)	**6.1**	22.7
Balance payable	**–**	2.5
Balance receivable	**1.3**	–
Cogent Glass Limited (formerly known as Matri Mirra Packaging Private Limited), India		
Purchase of goods	**383.5**	127.5
Sale of goods	**–**	19.5
Balance payable	**66.4**	–
Vaxer Pharma Limited, India		
Sale of goods	**–**	18.8
Balance receivable	**–**	6.8
Veritaz Healthcare Limited, India		
Sale of goods	**25.6**	22.4
Purchase of services	**11.1**	13.2
Rent received	**0.3**	0.3
Balance payable	**–**	1.6
Balance receivable	**19.0**	22.4
Silicon Life Sciences Private Limited, India		
Purchase of goods	**–**	26.6
Sale of goods	**–**	0.7
Share application given pending allotment (Closing balance)	**–**	–
Orem Access Bio Inc, India		
Purchase of goods	**54.5**	41.8
Balance receivable	**–**	8.5

Notes to Consolidated financial statements for the year ended March 31, 2014

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

b. Transactions with key managerial personnel

Particulars	Year ended March 31, 2014	Year ended March 31, 2013
Mr. P. V. Ramprasad Reddy		
Managerial remuneration	–	6.6
Directors' sitting fees	0.1	–
Mr. K. Nithyananda Reddy		
Managerial remuneration	10.5	9.1
Rent expense	1.8	1.6
Dr. M. Sivakumaran		
Managerial remuneration	10.5	9.1
Mr. M. Madan Mohan Reddy		
Managerial remuneration	10.5	9.1
Mr. P. Sarath Chandra Reddy		
Directors' sitting fees	0.1	0.1
Mr. Vishnu M. Sriram		
Remuneration	3.8	3.3
Mr. N. Govindarajan		
Managerial remuneration	59.3	43.1
Balance payable	40.0	25.0
Mr. Ravindra Shenoy		
Managerial remuneration	–	3.6

Note: Managerial remuneration does not include provision for gratuity and leave encashment which has been determined for the parent company as a whole.

37. Leases

a. Operating lease

i. 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 except for details in (ii) below. 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 ₹157.8 (March 31, 2013: ₹84.2).

The Group has not recognised any contingent rent as expense in the Consolidated Statement of Profit and Loss.

ii. The parent company has entered into non cancellable lease for office premises in current year. These leases have remaining non-cancellable period of 41 months. The lease includes an escalation clause in the lease agreement future minimum lease rentals under non cancellable operating leases are as follows:

Particulars	March 31, 2014	March 31, 2013
a. Within one year	38.4	–
b. After one year and not more than three years	82.6	–
c. After three years and not more than five years	18.0	–

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 ₹84.8 (March 31, 2013: ₹65.0).

iii. The net carrying amount of the buildings obtained on finance lease - ₹64.7 (March 31, 2013: ₹50.7).

Notes to Consolidated financial statements for the year ended March 31, 2014

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

38. Disclosure regarding derivative financial instruments

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, 2014	As at March 31, 2013
Loans availed	**(28,580.6)**	(26,696.2)
Trade receivables	**23,835.7**	16,014.4
Loans and advances (including other current assets)	**881.0**	854.0
Trade payables (including creditors for capital goods)	**(4,618.7)**	(3,583.8)
Interest accrued but not due	**(110.8)**	(107.3)
Investments	**7,281.6**	6,552.1
Bank balances	**51.9**	1,008.2

39. In accordance with paragraph 10 of Notified Accounting Standard 9 on Revenue Recognition, excise duty on sales amounting to ₹1,593.7 (March 31, 2013: ₹1,455.1) has been reduced from sales in Consolidated Statement of Profit and Loss and excise duty on decrease in closing stock of finished goods amounting to ₹(1.1) (March 31, 2013: ₹4.2) has been (credited)/debited 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, 2013: ₹0.03).

Auropro Soft Systems Private Limited, India ₹0.1 (March 31, 2013: ₹0.01).

Pranit Projects Private Limited, India ₹1.3 (March 31, 2013: ₹Nil).

Pranit Packaging Private Limited, India ₹1.2 (March 31, 2013: ₹1.1).

41. i. Details of trade receivables due from private companies in which parent company's Director is a director:

Pravesha Industries Private Limited, India ₹9.9 (March 31, 2013: ₹9.1).

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

Sri Sai Packaging, India ₹0.02 (March 31, 2013: ₹0.02).

42. The amount of research and development expenditure charged to Consolidated Statement of Profit and Loss is ₹2,753.2 (March 31, 2013: ₹2,326.7).

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 was engaged in distribution of pharmaceuticals products. The entity had been closed during the previous year.

Notes:

i. Contingent liabilities of the above joint venture entities ₹Nil (March 31, 2013: ₹Nil).

ii. Capital commitments of the above joint venture entities ₹Nil (March 31, 2013: ₹Nil).

Notes to Consolidated financial statements for the year ended March 31, 2014

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

The aggregate amount of the assets, liabilities, income and expenses related to the Group's share in the joint venture included in these Consolidated Financial Statements as of and for the year ended March 31, 2014 are given below:

Particulars	March 31, 2014		
	Gross amount	Adjustments/ Eliminations	Net amount
Consolidated Balance Sheet			
Current assets	373.8	65.4	308.4
Non–current assets	98.6	95.1	3.5
Total assets	472.4	160.5	311.9
Current liabilities	90.0	11.7	78.3
Non–current liabilities	–	–	–
Total liabilities	90.0	11.7	78.3
Consolidated Statement of Profit and Loss			
Income			
Revenue from operations	649.5	–	649.5
Other income	1.6	–	1.6
	651.1	–	651.1
Expenditure			
Cost of materials consumed	–	–	–
Purchase of traded goods	275.5	246.8	28.7
(Increase)/decrease in work–in–progress, traded and finished goods	(65.6)	(15.1)	(50.5)
Employee benefit expenses	42.8	–	42.8
Other expenses	297.0	5.1	291.9
Depreciation	1.0	–	1.0
Finance costs	0.2	–	0.2
	550.9	236.8	314.1
Profit before tax	100.2	(236.8)	337.0
Income tax expense	29.5	–	29.5
Profit after tax	70.7	(236.8)	307.5

Notes to Consolidated financial statements for the year ended March 31, 2014

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

Particulars	March 31, 2013		
	Gross amount	Adjustments/ Eliminations	Net amount
Consolidated Balance Sheet			
Current assets	301.9	67.4	234.5
Non-current assets	102.5	98.4	4.1
Total assets	404.4	165.8	238.6
Current liabilities	84.4	–	84.4
Non–current liabilities	–	–	–
Total liabilities	84.4	–	84.4
Consolidated Statement of Profit and Loss			
Income			
Revenue from operations	765.7	–	765.7
Other income	0.6	–	0.6
	766.3	–	766.3
Expenditure			
Cost of materials consumed	–	–	–
Purchase of traded goods	137.5	123.5	14.0
(Increase)/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
	669.1	169.1	500.0
Profit before tax	97.2	(169.1)	266.3
Income tax expense	27.8	–	27.8
Profit after tax	69.4	(169.1)	238.5

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.

Notes to Consolidated financial statements for the year ended March 31, 2014

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

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

Particulars	For the year ended and as at March 31, 2014					
	India	U.S.A.	Europe	Rest of the World	Eliminations	Consolidated
Revenue						
External sales	47,442.2	23,692.0	5,370.6	4,493.0	–	80,997.8
Inter - segment sales	23,713.5	0.9	0.7	2,809.6	(26,524.7)	–
Total revenue	71,155.7	23,692.9	5,371.3	7,302.6	(26,524.7)	80,997.8
Other information						
Segment assets	76,928.2	20,136.7	7,748.7	4,323.9	(21,750.9)	87,386.6
Other assets						7,511.5
Total assets						94,898.1
Segment liabilities	14,268.2	11,699.1	5,793.4	2,190.7	(16,750.9)	17,200.5
Other liabilities						40,196.1
Total liabilities						57,396.6
Capital expenditure	2,781.9	1,203.5	397.5	187.4	–	4,570.3
Depreciation/amortization	1,905.9	362.0	790.0	66.0	1.4	3,125.3
Non-cash expenses other than depreciation	–	1.1	95.4	7.0	–	103.5

Particulars	For the year ended and as at March 31, 2013					
	India	U.S.A.	Europe	Rest of the World	Eliminations	Consolidated
Revenue						
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
Other information						
Segment assets	62,680.5	13,831.6	6,040.5	4,130.6	(15,979.9)	70,703.3
Other assets						2,025.2
Total assets						72,728.5
Segment liabilities	10,745.7	7,828.4	3,121.9	2,165.7	(12,148.4)	11,713.3
Other liabilities						34,957.6
Total liabilities						46,670.9
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	24.8	177.7	95.0	(5.6)	396.0

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

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

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

Hyderabad, May 30, 2014

N. GOVINDARAJAN
Managing Director

Dr. M. SIVAKUMARAN
Director

SUDHIR B. SINGHI
Chief Financial Officer

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

AUROBINDO PHARMA LIMITED

CIN - L24239TG1986PLC015190
Registered Office: Plot No.2, Maitrivihar, Ameerpet, Hyderabad 500 038
Tel. : +91 40 2373 6370 | Fax : +91 40 2374 7340
E-mail: info@aurobindo.com | Website : www.aurobindo.com

27th Annual General Meeting - Wednesday, August 27, 2014

Proxy Form

Name of the Shareholder(s): ____________________

Registered Address: ____________________

E-mail ID: ____________________ Folio No./Client ID: ____________________ DP ID: ____________________

I/We, being member(s) of Aurobindo Pharma Limited, holding ____________ shares of the Company, hereby appoint:

1. Name: ____________________
   Address: ____________________
   E-mail ID: ____________________ Signature: ____________________

Or failing him/her

2. Name: ____________________
   Address: ____________________
   E-mail ID: ____________________ Signature: ____________________

Or failing him/her

3. Name: ____________________
   Address: ____________________
   E-mail ID: ____________________ Signature: ____________________

Tear Here

as my/our proxy to attend and vote (on poll) for me/us, on my/our behalf at the 27th Annual General Meeting of the Company to be held on Wednesday, August 27, 2014 at 3.00 p.m. at Taj Deccan, Road No.1, Banjara Hills, Hyderabad 500 034 and at any adjournment thereof in respect of such resolutions as are indicated below:

Resolution No.	Resolution
Ordinary Business	
1.	To receive, consider and adopt the Audited Balance Sheet as at March 31, 2014 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 confirm the first interim dividend of ₹1.25 and the second interim dividend of ₹1.75 in aggregate ₹3 per equity share of ₹1 each as dividend for the year 2013-14.
3.	To appoint a Director in place of Mr. M. Madan Mohan Reddy who retires by rotation and being eligible, seeks re-appointment.
4.	To appoint a Director in place of Mr. K. Nithyananda Reddy who retires by rotation and being eligible, seeks re-appointment.
5.	Appointment of M/s. S.R. Batliboi & Associates, Chartered Accountants, as Statutory Auditors of the Company and fixing their remuneration.
Special Business	
6.	Appointment of Mr. M. Sitarama Murty as an Independent Director.
7.	Appointment of Dr. D. Rajagopala Reddy as an Independent Director.
8.	Appointment of Mr. K. Ragunathan as an Independent Director.
9.	Approval of the remuneration of the Cost Auditors for the financial year 2014-15.

Signed this ____________ day of ____________ 2014 ____________________

Revenue Stamp

Notes:

a. **Proxy need not be a member of the Company.**

b. **The Proxy Form duly filled in and signed by the Member(s) across the revenue stamp should reach the Company's Registered Office: Plot No. 2, Maitrivihar, Ameerpet, Hyderabad 500 038 at least 48 hours before the commencement of the meeting.**

c. Corporate members intending to send their authorized representative(s) to attend the meeting are requested to send a certified copy of the Board resolution authorizing their representative(s) to attend and vote on their behalf at the meeting.

AUROBINDO PHARMA LIMITED

CIN - L24239TG1986PLC015190
Registered Office: Plot No.2, Maitrivihar, Ameerpet, Hyderabad 500 038
Tel. : +91 40 2373 6370 | Fax : +91 40 2374 7340
E-mail: info@aurobindo.com | Website : www.aurobindo.com

27th Annual General Meeting - Wednesday, August 27, 2014

Attendance Slip

Tear Here

Folio No./Client ID:

No. of Shares:

DP ID:

Name and address of
First/sole shareholder: ______________________________

____

____

I, hereby record my presence at the 27th Annual General Meeting of the Company to be held on Wednesday, August 27, 2014 at 3.00 p.m. at Taj Deccan, Road No.1, Banjara Hills, Hyderabad 500 034.

____

Name of the Member/Proxy
(Block Letters)

____

Signature of the Member/Proxy

Notes:

a. Only Member/Proxy can attend the Meeting. No minors would be allowed at the Meeting.
b. Member/Proxy who wish to attend the Meeting must bring this attendance slip to the Meeting and hand over at the entrance duly filled in and signed.
c. Member/Proxy should bring his/her copy of the Annual Report for reference at the Meeting.

GLOSSARY

Some of the terms used in the annual report are briefly explained below:

ANDA	Abbreviated New Drug Application (to the FDA)
ANVISA	Agência Nacional de Vigilância Sanitária (National Health Surveillance Agency, Brazil)
API	Active Pharmaceutical Ingredient
ARD	Analytical Research Department
ART	Antiretroviral Therapy (HIV)
ARV	Antiretroviral
Bioequivalence	Performs in the same manner as the innovator drug
CNS	Central Nervous System
CoS	Certificate of Suitability
CPD	Clinical Pharmacology Department
CRD	Chemical Research Department
CVS	Cardiovascular System
DMF	Drug Master File
EBITDA	Earnings before Interest, Taxes, Depreciation and Amortization
EDQM	European Directorate for the Quality of Medicines
EHS	Environmental Health and Safety
EPS	Earnings per Share
ERP	Enterprise Resource Planning
FDF	Finished Dosage Form
HIV	Human Immunodeficiency Virus
IPR	Intellectual Property Rights
MCC	Medicines Control Council, South Africa
MHRA	The Medicines and Healthcare products Regulatory Agency, U.K.
NAM	National Authority on Medicines, Finland
NDA	New Drug Application
PEPFAR	President's Emergency Plan for AIDs Relief
PMDA	Pharmaceutical and Medical Divices Agency, Japan
QA/QC	Quality assurance/Quality control
SSP	Semi-synthetic penicillins
TGA	Therapeutic Goods Administration, Australia
UNICEF	United Nations Children's Fund
UNDP	United Nations Development Program
US FDA	U. S. Food and Drug Administration
USP	United States Pharmacopeia
WHO	World Health Organization

FORWARD LOOKING STATEMENTS

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

While these forward looking statements represent our judgements and future expectations concerning the development of our business, a number of risks, uncertainties and other important factors could cause actual developments and results to differ materially from our expectations.

These factors include, but are not limited to, general market, macro-economic, governmental and regulatory trends, movements in currency exchange and interest rates, competitive pressures, technological developments, changes in the financial conditions of third parties dealing with us, legislative developments, and other key factors that we have indicated could adversely affect our business and financial performance.

Aurobindo undertakes no obligation to publicly revise any forward looking statements to reflect future events or circumstances.

Concept, Research, Design & Production **Capricorn Associates,** Hyderabad

www.aurobindo.com

PLOT NO. 2, MAITRI VIHAR, AMEERPET, HYDERABAD - 500 038, TELANGANA, INDIA