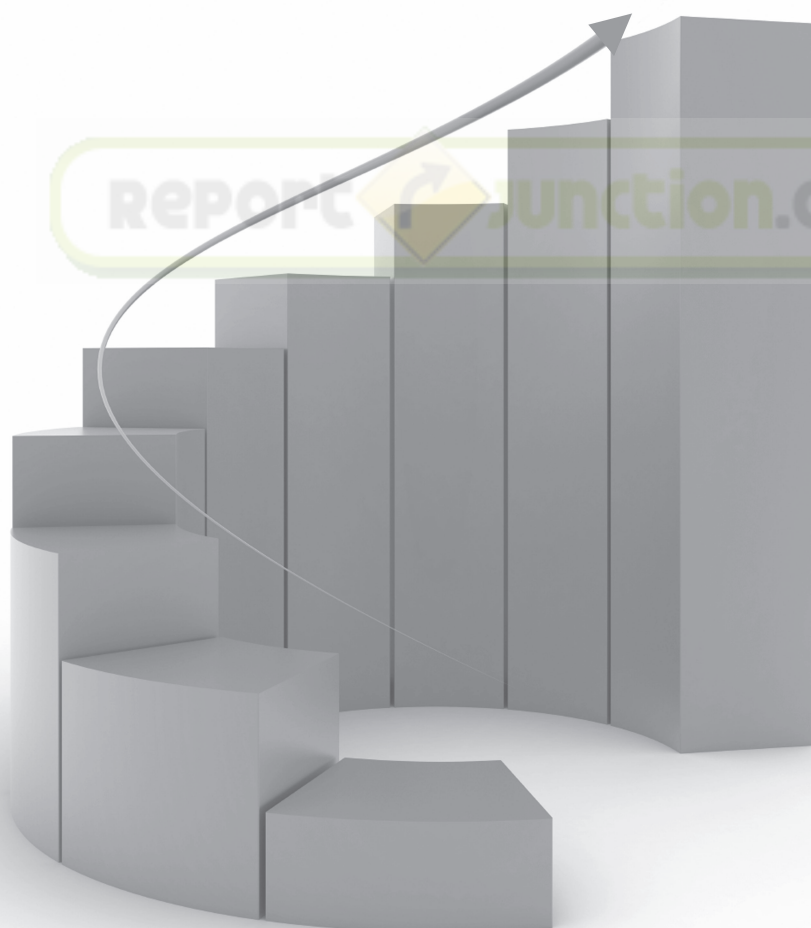


On Track



Annual  
Report  
2006-07



**AUROBINDO**  
PHARMA LIMITED



# AUROBINDO

From 1986 to 2007, **AUROBINDO PHARMA** has come a long way to become India's top five pharmaceutical companies and undisputed world leader in certain product categories. Today we have 11 operational plants across the globe, around 6000 employees, 20 overseas subsidiaries, half a billion dollar revenue.....

**And we are just readying for take off!!**

Our new corporate logo reflects this pace and leadership. Artistic lines intersect to make up our initials. Initial "A" which is like the arrow in the lift, shows the direction in which we are moving - Upwards at a rapid pace. The way the initial P has been designed to convey our global coverage. The way the initials "A" and "P" have joined conveys the spirit of "partnership" with which we conduct our business with all our stake holders. The logo doesn't have any boundaries - to communicate that Aurobindo is not bounded by any limitations - knowledge wise, resources wise, ambition wise or attitude wise...

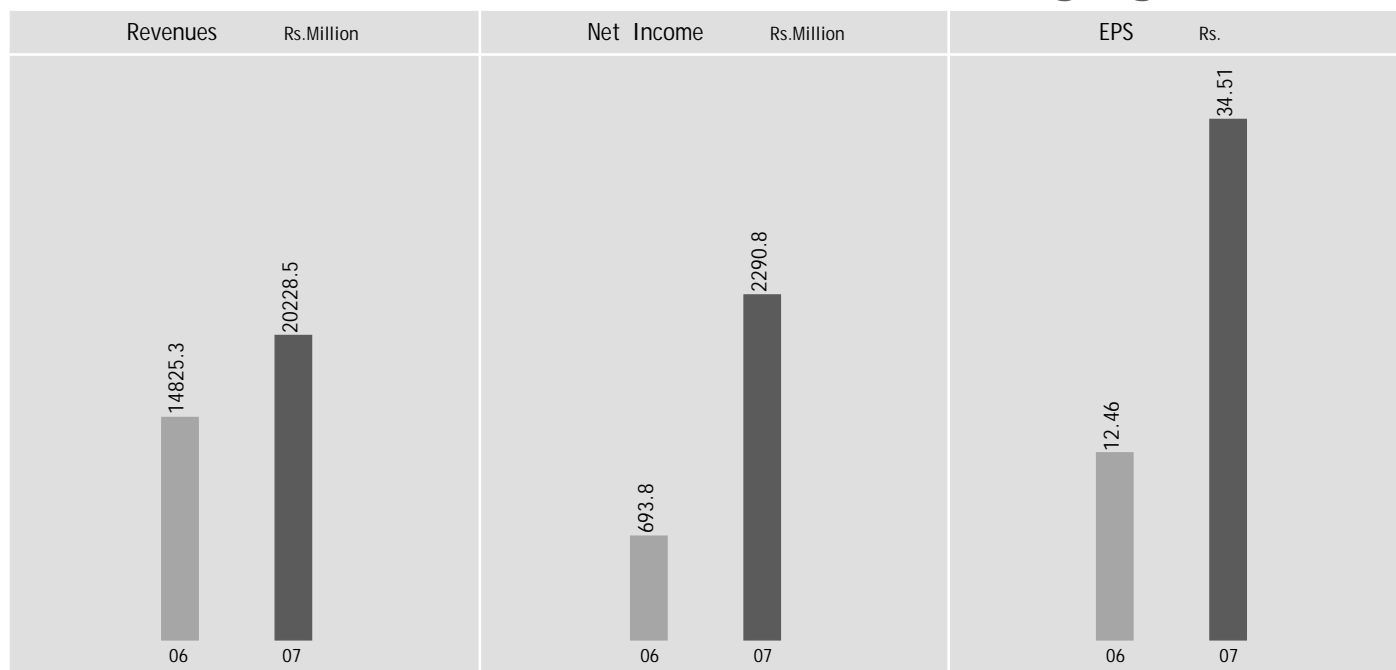
A spherical gray line in the center signifies the extent of our positive influence in our planet.

Our logo colours are green, gray and blue which are pleasant & friendly colors- not harsh on eyes - which reflect our philosophy of being friendly to our environment - wherever we operate.

We believe this new look is in tune with the enormous opportunities that lay ahead of us, which will enable us to become a global powerhouse!!

**Committed to healthier life**

## Highlights 2006-07



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Message from the Chairman

## On track to create long term value

*Dear friends*

At the outset, I am happy that we delivered well in 2006-07.

We have reported stellar performance in revenues, net income, EBITDA, EPS and other key parameters such as market presence, volumes sold and capacity utilization. What excites all of us at Aurobindo is the platform that we have created for launch into the future. We are actually market ready.

Completion of a financial year is an opportunity to take a quick view of where we are and where we are heading. In the past few years, we got our plans ready, decided where we wanted to go, worked out our strategies, and estimated the resources required for the

transformation to be one of the most efficient pharmaceutical companies.

We know our destination; we have clarity in what we want to do; and have a clear road map to achieve it; we know our strengths and are consolidating them; we also are aware of the areas that we need to improve to fast track our progress, and are addressing them.

The business plan was built around the belief that Aurobindo puts long-term profitability before short term growth.

Our strengths of expertise, quality and security support us in implementing this strategy. We want to grow but not at

If anyone were to ask me what is it that I want, I would say that I want Aurobindo to be in high growth markets with high margin products and increasing market share. In essence, I want Aurobindo to have long term sustainable growth and to create wealth for all those associated with the Company.

any price. We are not interested in entering every therapeutic segment merely to achieve topline growth. We seek long term sustainable growth that will add value to the Company and all its stakeholders. We are on track.

I am aware that we have done a hundred things to reach where we are, hundred tough things such as established world class manufacturing facilities which were inspected by international regulatory authorities, filed a few hundred dossiers and ANDAs and got approvals, created a capable marketing infrastructure, successfully launched products into the most competitive US markets and many others. Indeed, it is gratifying to believe that we are present in six therapeutic segments that have worldwide addressable market size of US\$ 229 billion.

Our volumes are surging, topline is on a climb, profits are rising and the product pipeline gives many more entry points. We are becoming a billion dollar company primarily by the passion of our dedicated team and the momentum of growth. Yet, there are hundred other things that need to be done.

If anyone were to ask me what is it that I want, I would say that I want Aurobindo to be in high growth markets with high margin products and increasing market share. In essence, I want Aurobindo to have long term sustainable growth and to create wealth for all those associated with the Company. We are striving to execute this plan from several directions. We will do what is good for Aurobindo.

It is in pursuit of this objective that my colleagues and I are

expanding Aurobindo – developing products at R&D that could become stars, entering the high end markets, adding capacities for active ingredients, investing in Special Economic Zone at Jedcherla near Hyderabad, and Pharma City near Visakhapatnam. We are also setting up one more state-of-the-art R&D facility exclusively to meet the needs of increasing business of contract research.

I would also like to get ready for the second billion. We would have a larger team to work with the same zeal and commitment for excellence. We will strive to replicate the success in more markets, on newer products as well as deepen the existing relationships.

The initiatives now being taken will add to the momentum of growth and add value to Aurobindo. These are exciting times, and I look forward to the future with confidence.

Warm regards

**P. V. Ramaprasad Reddy**  
Chairman

Market size of our therapeutic segments			
Year ending Dec 31, 2006 US\$ Million			
	US	Europe	Worldwide
Anti Infectives	10,263	6,060	27,593
ARVs	6,441	3,237	11,775
CNS	31,076	9,320	47,705
CVS	37,816	20,158	81,014
Gastroenterologicals	16,603	6,966	29,463
Others	16,495	5,326	31,915
<b>Total</b>	<b>118,693</b>	<b>51,066</b>	<b>229,465</b>



From the Desk of the Managing Director

## Focusing on stakeholder expectations

I am pleased to report that the year 2006-07 was another successful year for our Company. We continued to achieve significant growth in both revenues and earnings, and we generated an after-tax return on beginning equity of 860%. This is a good indication that we are continuing to create significant value for our shareholders.

We are indebted to our 4,966 talented and dedicated associates for their hard work in making this performance possible, as well as millions of consumers who continue to place their trust in our Company and our products.

During the year 2006-07, our net income increased to Rs.2291

million as against Rs.694 million in the previous year or Rs.34.5 per diluted share as compared to Rs.12.4 in the previous year.

This is after growing by 97% in the previous financial year. Our revenues grew by 36% to Rs.20228 million in 2006-07.

Overall capacity utilisation at our API plants increased to 57% from 52% in the previous year.

In the year under review, we made significant progress in market presence and volumes sold, and have carved distinct shelf space for many of our products.

We are one of the large players within the country, and have grown by 36% in 2006-07, on the back of 5% growth in 2005-06. Domestic sales were

Capacity utilisation API  
Per cent

52  
2006

57  
2007

Rs.8320 million in 2006-07 as compared to Rs.6117 in the previous year. This leadership role will be sustained and further improved.

While we have achieved better than industry average growth in earnings, we have not compromised our conservative approach to our business.

During the year under review, we continued our commitment to maintaining a strong balance sheet.

We also raised US \$ 200 million by the FCCB route to help fund our future growth.

Our recent performance is the result of strategies that we have put in place over the past several years. While we continue to benefit from a growing global pharma market, our success in outpacing the earnings growth rates of our

peers is testament to our strategies to achieve growth while maintaining high returns on invested capital.

At the same time, these strong results are a foundation for the future, providing us with the financial strength and the operational excellence needed to continue to grow profitably.

We are proud of what we have accomplished and even more excited about what lies ahead. We will stay focused on stakeholder expectations and strive for value unlocking.

Looking forward, we will continue to expand into new markets that offer attractive opportunities for us to grow and extend our successful business model. We will continue to offer and expand our diverse product mix to meet the changing needs of the pharmaceutical market.



## On Track

## Quarterly Performance

Rs. Millions	Q1	Q2	Q3	Q4	FY07
Revenues	4445.8	4898.6	5404.2	5479.9	20228.5
PBDIT	718.9	789.6	904.9	803.9	3217.3
PBT	506.2	605.6	688.4	511.4	2311.6
PAT	362.1	546.4	601.2	781.1	2290.8
EPS Diluted (Rs.)	5.73	7.99	8.79	11.56	34.51

The profitability program includes not only cost savings but also investments in the competitiveness of our production facilities to overcome the challenges of the market. We are also investing in the products and creating a marketing infrastructure in about 15 countries of Europe, further strengthening the US operations and making a foray into Australia.

Aurobindo has products and markets that display excellent strength. We have a very large regulatory approved product basket of generics for US, Europe as well as South Africa.

Our greatest strengths are world class manufacturing facility, vertically integrated production platform from fermentation to active ingredients that meets the needs of manufacturing formulations, a large portfolio of regulatory approved products in high demand therapeutic/ product segments such as antibiotics, anti-retrovirals, CVS, CNS, gastroenterologicals, and anti-allergics.

We at Aurobindo have filed to date 114 DMFs and 100

ANDAs for the USA market in addition to several filings in other countries. The pace of filings is matched by rapid product approvals from various markets. Till date Aurobindo received 50 ANDA approvals (both final and tentative) from US alone. Today Aurobindo operates in over 100 countries and markets over 180 APIs and 250 formulations.

The formulation portfolio is built on six technology platforms such as immediate release generics, SR/CR generics, and orally disintegrating/mouth dissolving generics, combination products, sterile/lyophilized generics and liquids/dry syrups.

Globally expanding businesses require continuous and structural adaptation to ensure scalability, effectiveness, consistency and quality. We have ensured that Aurobindo stays on these dynamics to implement global strategies consistently to become more effective at operational level. Our efforts are providing multifold improvements in productivity, and in mastering processes efficiently.

We remain committed to

improving our operational efficiencies to be ahead of the dynamics of the changing global pharma market.

Recognising that there will be increased competition, we have placed greater emphasis on efficiency, process improvements and competitive differentiations. We are at the crossroads of this transformation and stand to gain market share.

We are implementing new programs that standardize the best practices across the Company making us the most cost effective as well as more responsive to our customers' needs.

Finally we continue to invest in recruitment and training programs to attract, retain and motivate the best associates in the business. Since our past success rests on the shoulders of our associates, our future growth in an increasingly competitive market will depend even more on their creativity, entrepreneurial spirit and dedication.

**K. Nityananda Reddy**  
Managing Director



# On track to profitable growth

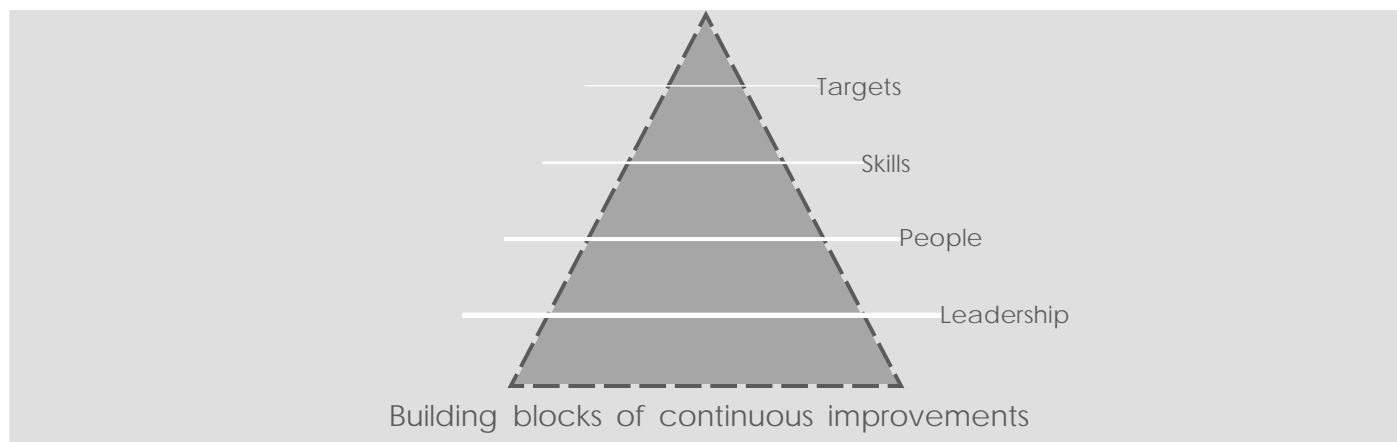
What will it take to lead Aurobindo Pharma into the future?

Everything the past required and more. Strengths such as integrated global systems and an empowered worldwide talent pool which in the past were worthy objectives, but in the future will be bedrock requirements in support of fast growing markets.

The Company has clearly identified its goals including when and where it wants to be. The strategies, action plans and the resultant outlook have been mapped with the best interest of all of Aurobindo's stakeholders.

Globalisation has redrawn the lines between the domestic and developed markets. Aurobindo is ready.





# Strategy

Formulated towards profitability

## Our objective

Aurobindo's objective is to be one of the leading global pharmaceutical company and to create lasting value and quality.

## Our strengths

We aim for market leadership in those areas where we see opportunities for profitable business development. In so doing, we build on our strengths:

- ✓ our technical skills in manufacturing processes;
- ✓ our R&D knowledge and our competence which we are systematically expanding with regard to the launch of products of the future;
- ✓ our capacity for innovation which supports us in commercialising the products developed by the in-house R&D;

- ✓ our global network of marketing infrastructure and replicate our successes in markets such as US and Canada and achieve the same levels of accomplishment in Europe and Australia;

- ✓ our financial strength.

Our product launches in North America has begun to take firm footholds. The team has created a marketing and distribution network that gives some of Aurobindo's products significant market share in the generics market. This acceleration has been achieved in a very short time.

North American learnings and success will be replicated in all other major markets. We count on the know-how of our staff throughout the world, their experience and their specialist and intercultural knowledge and strive to achieve a strong presence in all the carefully chosen markets.