



**TOWARDS
SUSTAINED
PROFITABLE
GROWTH.**

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

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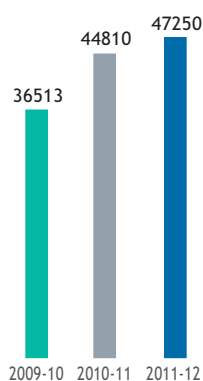
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FINANCIAL HIGHLIGHTS

2011-12

Revenue

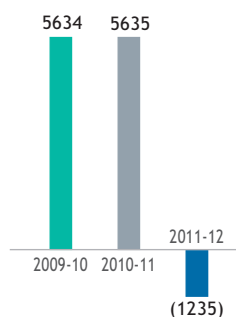
₹ Million



Consolidated

Profit/(Loss) after tax

₹ Million



Consolidated

Dividend

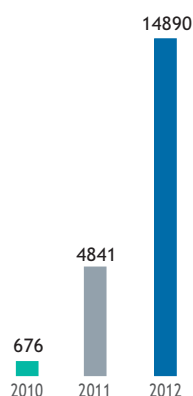
%

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

* proposed

Term loans

₹ Million



Consolidated
As at March 31

Net Fixed Assets

₹ Million



Consolidated
As at March 31

Book Value

₹

65.6	84.0	80.4
2010	2011	2012

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

Consolidated
As at March 31

WHAT WE DO. HOW WE DO IT.

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

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

Newly inaugurated Research Centre - APLRC-II



CORE STRENGTHS

SCALES AND LEADERSHIP

Large manufacturing facilities approved by leading regulatory bodies

Large diversified product portfolio

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

OPERATIONAL EXCELLENCE

Vertical integration

Proven regulatory expertise

Technology and know-how for specialty formulations

SERVICE DELIVERY

Global marketing network

Customer centric approach and relationship oriented marketing

Speed and effectiveness in execution with TQA

CORPORATE VALUES

BUSINESS CARE

Operational Excellence

Stakeholder orientation

Quality, Innovision

PEOPLE CARE

Fairness, Humility & Respect for individuals

Teamwork, Synergy

Applied learning

ORGANIZATION CARE

Accountability

Integrity

Achievement

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

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

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

2011-12 WAS CHALLENGING, YET A SATISFACTORY YEAR.

P.V. RAMPRASAD REDDY
CHAIRMAN



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

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

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

We encountered sharp volatility in currencies, with a tendency for the rupee to get weaker. At the close of

the year, the rupee had depreciated by 14.1%. Consequently, this resulted in a forex loss of ₹2480 million. The rupee's weakness also impacted our foreign currency denominated borrowings.

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

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

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

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

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

Underlining quality

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

Leading with research & development

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

Fostering operational excellence

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

Creating a performance-driven culture

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

Focusing on environment, health and safety

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

Driving bottom line growth

We shall focus on complex chemistry and high entry-barrier products. We will refocus on APIs to step up

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

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

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

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

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

WE BROUGHT TRACTION TO OUR OPERATIONS.

K. NITHYANANDA REDDY
MANAGING DIRECTOR



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

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

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

Q. What were the key achievements in the year?

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

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Q. What have you done to enhance operational performance?

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

Q. How is Aurobindo placed now?

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

Q. What are the near-term targets?

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

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

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

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UNDERLINING QUALITY

PRIORITIES

COMMITTED TO QUALITY, AT ANY COST

**CONFORM TO REGULATORY NORMS & CUSTOMER
REQUIREMENTS**

BELIEVE PROCESSES ARE AS IMPORTANT AS PRODUCTS

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