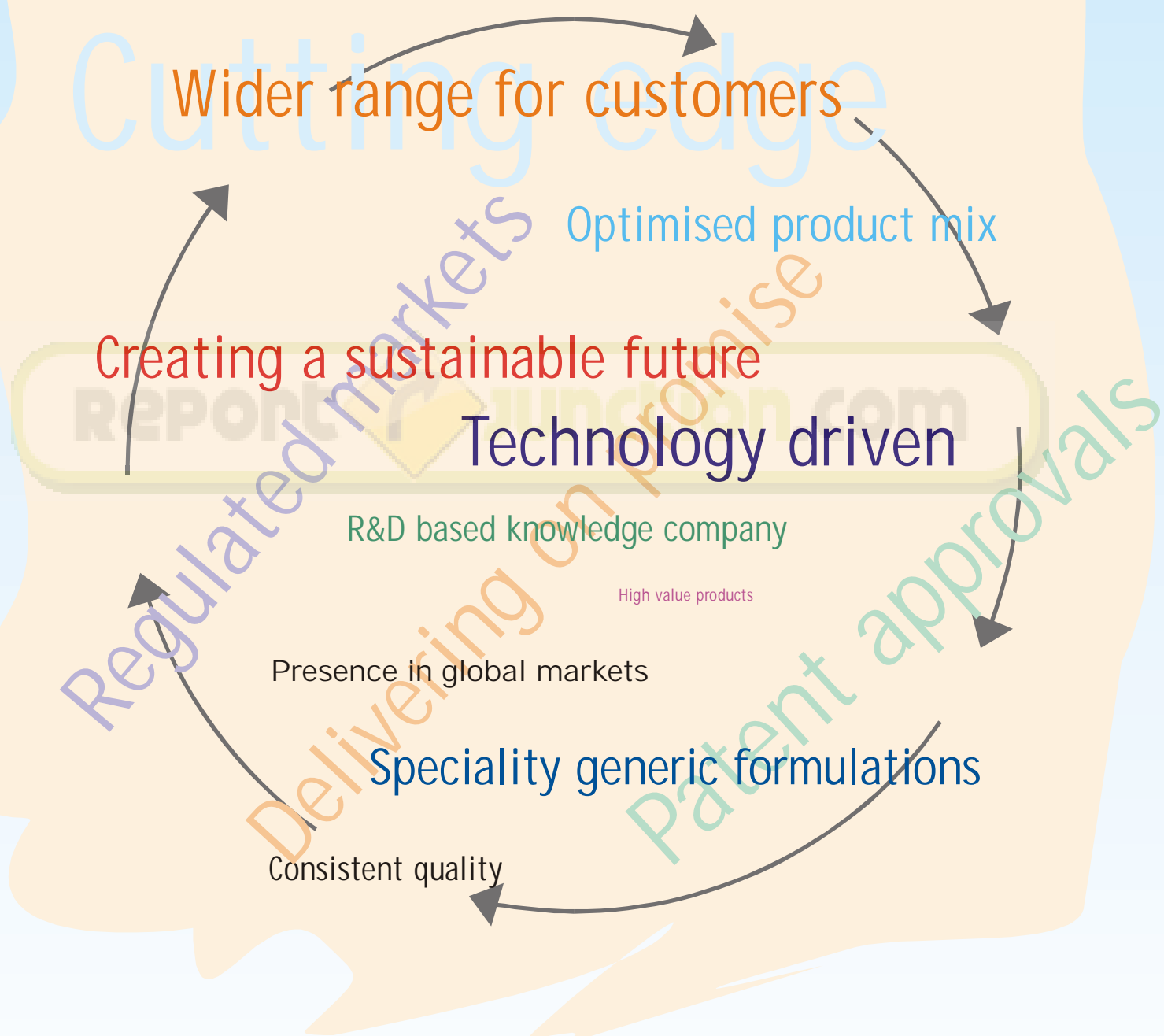
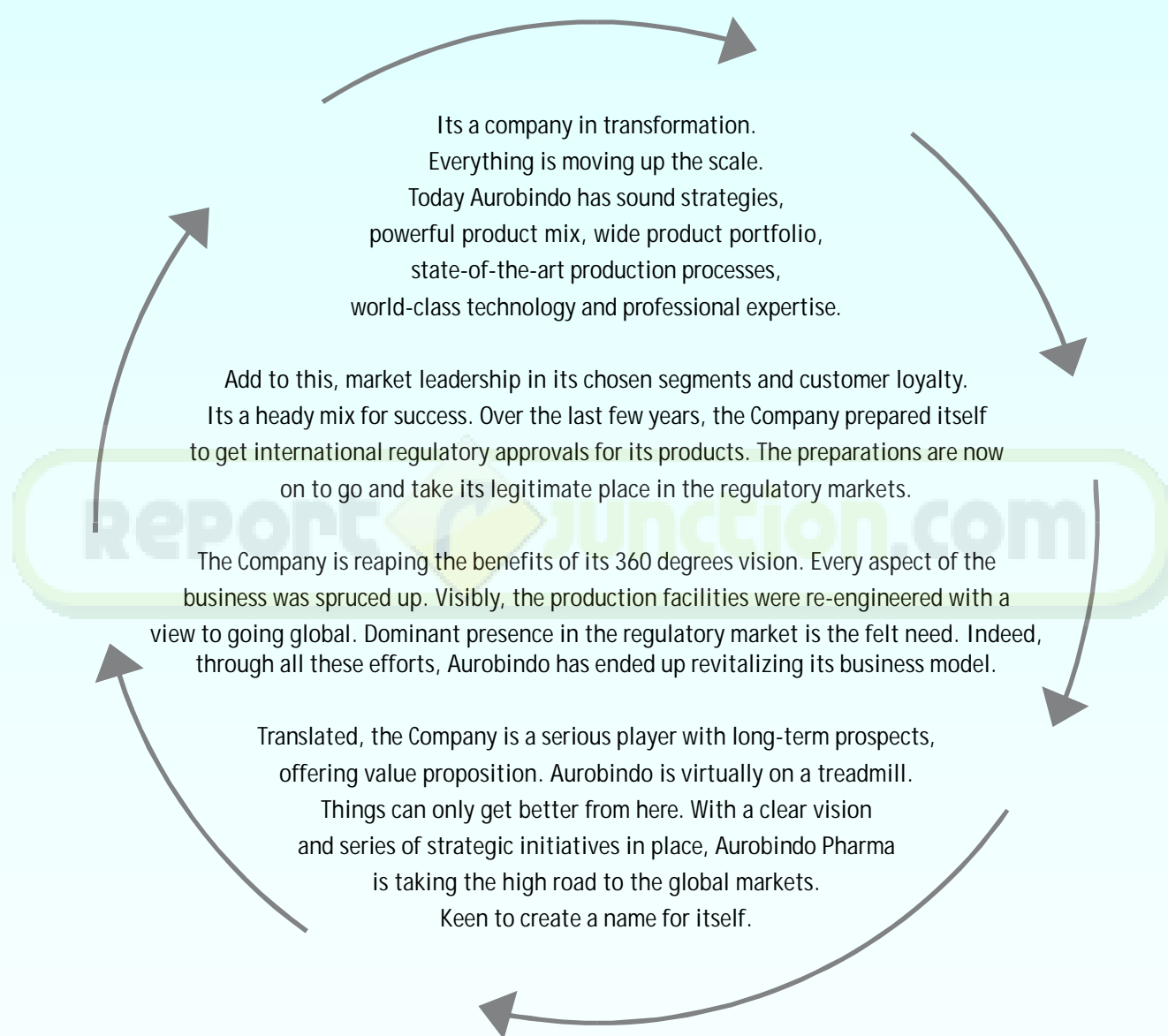


# Transforming into a global player

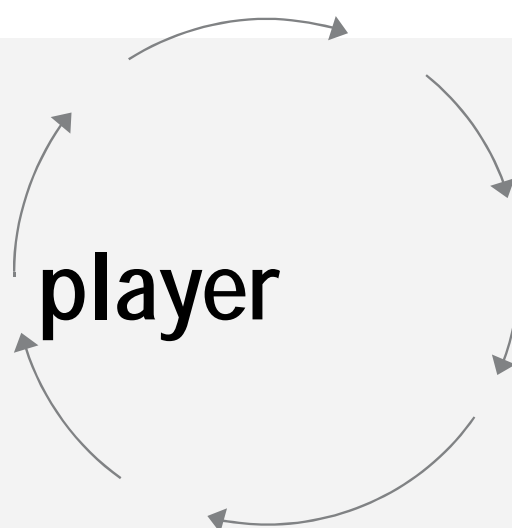


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## Transforming into a global player



It's a different Aurobindo that emerges from 2002. Taking decisive and thoughtful actions. Accelerating with technology as its driver. Moving faster towards premium markets and growth. Capitalizing on world-class capabilities. Possessing technological prowess, a strong product line up, and a thirst to improve. In short, Aurobindo is serious about success.

The pace of business has changed. Information moves faster. Products are redefined. The market place is global. With many products going off patent in the near future, these changes have created tremendous new opportunities. We anticipated the changing dynamics of the market place and have got ready by improving our fundamentals over the past few years.

Today, our capacity and expertise in large scale manufacturing of bulk actives and formulations using the complex chemistry route are unmatched in the industry and provide us with a unique and powerful competitive advantage.

As we advance into our next phase of growth, our opportunities are greater than ever. We have the fundamentals of excellent science, pipeline, products and people in place, with the potential to consistently deliver strong top and bottom line results, produce innovative cutting-edge work and create exciting opportunities for individual progress.

We at Aurobindo are very clear about our goals, and equally, we recognise our strengths. Your Company is single minded about its focus on global generics business supported by a strong presence in APIs. This is our *mantra*. In pursuit of this goal, we will develop non-infringing processes, resolve complex chemistry and build a challenging manufacturing environment.

We remain committed to making substantial and productive investments in R&D. Our business is increasingly science and technology driven. Massive amount of new information coming out of our research laboratories holds promise of new pharmaceuticals and other therapeutics.

In the short term, however, we are concentrating on non-infringing processes and patents. Our radar will always remain focused on profitable goals that will add value to human health.

As we go along, you will discover a company intensely focusing on its strengths, concentrating on its products, markets and capabilities. With an eye on quality, Aurobindo continues to make productivity gains. We are a leader in each of our market segments; we know these businesses; and, we have demonstrated abilities to operate and grow with them.

We are simplifying and decentralizing our management structure to make decisions faster, encouraging impatience and a greater sense of urgency and redefining expectations. Our strength remains our people, their expertise, integrity, drive and hunger to continually serve the market.

Our measure of success is multi dimensional. It is measured through the lives of patients, powered by experience, fuelled by passion, strengthened by strategic partnerships and ultimately delivered in results. The momentum gain within Aurobindo is making the climb easier.

Fundamentally our future is only as secure as our ability to perform in the present. We continue to refine our customer-centric business model and are committed to making market share with our existing customers our core growth engine. Our future will be leveraged on an aggressive entry into the regulated markets.

Our strategic focus is on emphasizing technology advancement, innovative products, operational excellence, and financial discipline. We are also about being the best in our business and enhancing shareholder value. This is Aurobindo going forward.

We are focusing on increasingly profitable growth and as such have replaced the absolute top line goals with more appropriate growth oriented measure, a year-on-year EPS growth rate. We will work with ambitious targets consistent with the performance of a successful growth company, one with a potential to generate strong returns for stock owners.

From the subsequent pages of this annual report, you will get a sense of what Aurobindo accomplished in the previous year, and also of who we are, why we do what we do and why we will go on doing it.

With warm regards,  
Yours sincerely,



**P. V. Ramaprasad Reddy**  
Chairman



# What we said we'd do....

## .....and, what we did

Aurobindo takes pride in delivering on its promises. This is true of all commitments, whether to customers, associates, investors or for that matter anyone else. A quick glance at the assertions made in the previous Annual Report would help confirm this perception.

**One.**

All the manufacturing facilities were being upgraded. Some of them are being exclusively dedicated to servicing the regulatory markets. They are being made compliant ready.

*This was achieved. As planned, five units Nos. 1, 2, 3, 6 and 8 are compliant ready and meet international regulatory standards. It is estimated that international regulatory authorities will do inspections in 2004. We however, are ready even as of now.*

**Two.**

The rest of the facilities, earmarked for the price sensitive global markets, are also being upgraded. The production facilities have been made cost effective.

*This was another achievement. Not only have they become quality conscious production facilities, they have improved on the yield factor, lowered consumption of utilities, and can take up bigger batches. In short, they have brought significant economies in production.*

**Three.**

Rationalise the product mix and move into every generation of select therapeutic segments. Wider range of cephalosporins and semi synthetic penicillins are to be added. At the same time, unconnected products are to be shed.

*The Company has moved into third generation therapeutic segments, thereby ensuring complete presence through the vertical chain. The shift in emphasis from low margin semi synthetic penicillins to the new generation cephalosporins has improved the product mix.*

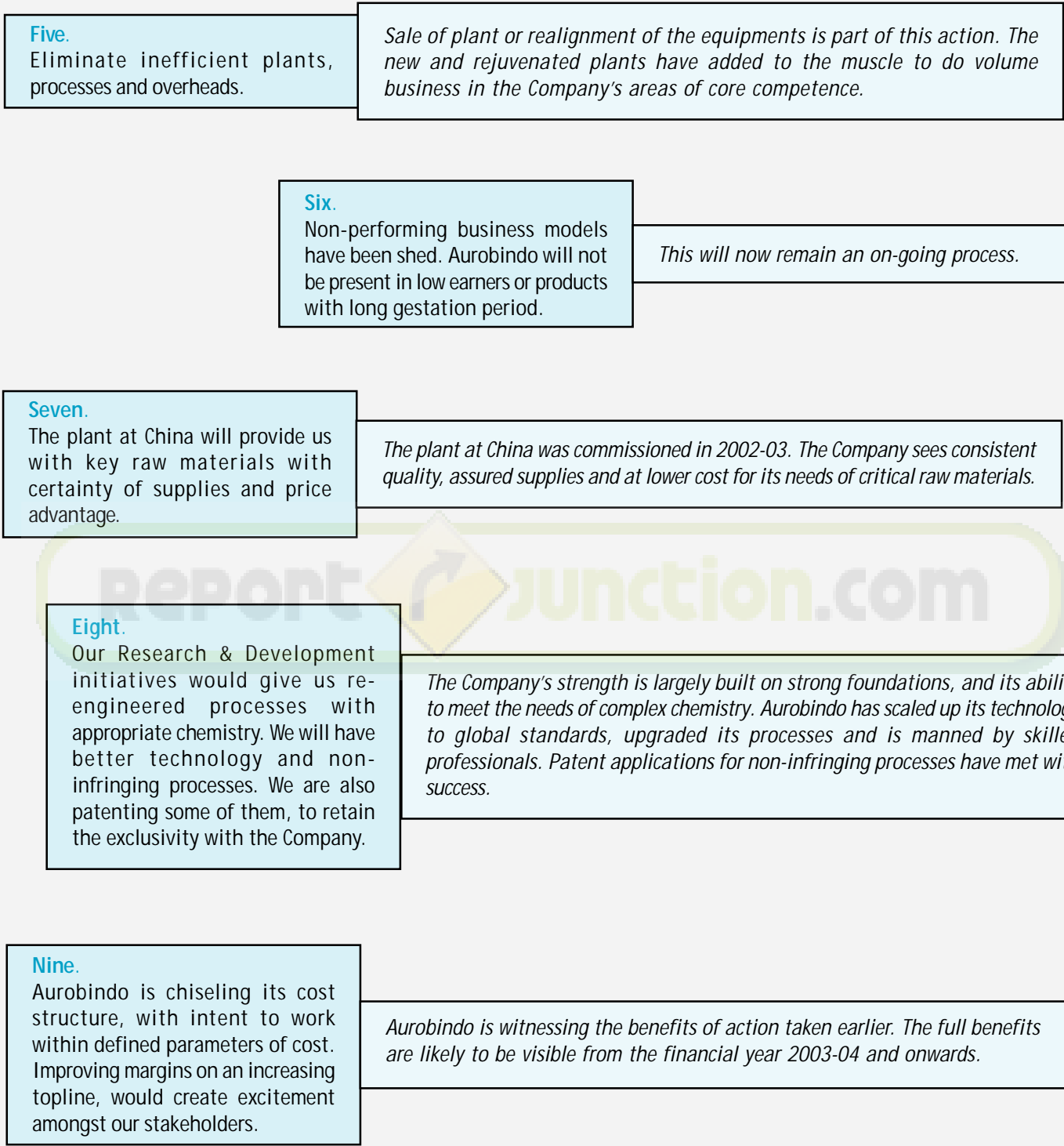
*Increasingly, the Company focuses on high value products in the cardio vascular, anti ulcer, anti virals, anti depressants and the CNS segments. During the year, Aurobindo has, further added to its portfolio of high value products.*

*The emphasis has also shifted from bulk actives to generic/speciality generic formulations.*

**Four.**

Increase the presence in the generics market.

*The Company recognised its core competence in this area. Adding to the product basket of generic/speciality generic formulations has brought a cutting edge to the product mix. It offers a wider range to customers, making Aurobindo a one-stop shop.*



Seen in perspective, the Company is once again delivering on its promises. Indeed, credibility matters a lot to the entire team at Aurobindo.



## Creating a sustainable future

We challenged ourselves to do well, and came good despite trying conditions. Topline growth of nearly 15 per cent and bottom line growth of 50 per cent was achieved during the year 2002-03, despite the excitements of revamping at almost all production units. Its a much stronger Aurobindo, as the year came to a close.

We have optimised all our facilities. Two API hubs and two formulation hubs are geared up for approvals from regulated markets. The green field API project at Pydhibhimavaram, and the revamped unit at Hyderabad shall be the backbone of Aurobindo with global scale of manufacturing.

The Company has committed significant resources to becoming an R&D led pharma company with presence in regulated and semi-regulated markets. Our strong in-house R&D center has achieved important breakthroughs, such as filing several process/product patents as well as obtaining patents approvals.

Aurobindo has filed its maiden US DMF in CNS segment and is poised to filing a significant number of DMFs and ANDAs during the current year in its efforts to create a robust and broad product portfolio for a successful presence in regulated markets.

The Company today has the size and scale to compete aggressively in the changing landscape. Our product pipeline is broad, deep and diverse. We will continue to focus our energies on building our business through internal development combined with selective acquisitions that strengthen our productive abilities or technological position.

We are proud of our product quality. Mindset of the frontline managers and the crew on the production process is tuned to deliver

quality, better than that sought by the most demanding customers. At the same time, there is reduced process variation, a better comprehension of customer needs and lower costs.

Our employees are busy cultivating the company's future and setting the stage for renewed growth and profitability and richer shareholder rewards. This new but rapidly expanding continuous improvement initiative is a critical part of a drive to further develop a high performing Aurobindo culture.

This energized work force will ensure successful deployment of the company's three other strategic imperatives.

- Be a cost effective producer;
- Deliver industry leading customer value;
- Grow the core businesses globally and above industry averages.

We are focused on the long term. We are determined and tenacious in building new businesses, and many of our products have grown into significant leadership positions. We will keep these going relentlessly.

Over a period, we have derisked our business. We are working to ensure a sustainable growth for the Company. Our belief is that this approach improves our value proposition, reduces investor risk and yields higher long-term growth opportunities.

As we approach the market in 2003-04 from a position of strength and a well-founded expectation for growth, our share owners can continue to look forward to the future with optimism.

## INSIGHT INTO PRODUCT RANGE

Aurobindo has a strong presence in semi synthetic penicillins, cephalosporins and life style drugs – both in active pharmaceutical ingredients (APIs) and speciality generic formulations.

We believe our Members would value a brief description of some of the product range:

### SEMI SYNTHETIC PENICILLINS

Discovered by Sir Alexander Fleming, penicillins were the first antibiotics that were put into large-scale production.

The pharma industry has developed over the last few decades, many new antibiotics, with different and better antibacterial and pharmacological properties. These discoveries are the result of changes made to the lateral chain within the penicillin compound.

The elimination of the original lateral chain, via an enzymatic process, enabled researchers to obtain a very important downstream intermediate called 6-amino penicillanic acid (6APA).

Several side chain modifications of penicillin have been made to provide enhanced activity of the broad spectrum penicillins. Such modified penicillins provide for greater stability, broader anti-bacterial activity and oral administration. SSPs have made penicillins a versatile group of antibiotics.

Some of the best known penicillin derivatives are:

**Amoxicillin** is primarily indicated for oral use because of its pharmacokinetic properties. It is a broad spectrum antibiotic active against various penicillin susceptible organisms. It is used both in oral and parenteral forms and is on the list of the essential drugs suggested by World Health Organization.

**Ampicillin** is a broad spectrum antibiotic active against various penicillin susceptible organism. It is used both in oral and parenteral form. Aurobindo has a strong presence in amoxicillin, ampicillin, cloxacillin and a host of ten other SSP segments.