

Making the right moves

**AUROBINDO PHARMA LIMITED**

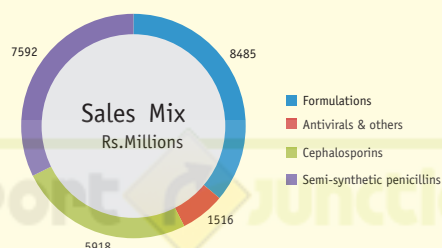
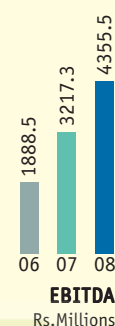
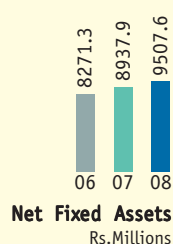
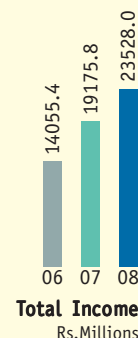
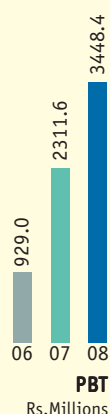
Annual Report 2007-2008

# Standalone Financial Highlights 2007-2008

## A Snapshot

|                   | 2007-2008 | 2006-2007 | Growth % |
|-------------------|-----------|-----------|----------|
| Net Sales         | 22347.3   | 18785.7   | ▲ 19.0   |
| Other Income      | 1180.7    | 390.1     | ▲ 202.7  |
| Total Income      | 23528.0   | 19175.8   | ▲ 22.7   |
| PBIDT             | 4355.5    | 3217.3    | ▲ 35.4   |
| Interest (Net)    | 161.1     | 187.3     | ▼ -13.9  |
| Depreciation      | 746.0     | 718.4     | ▲ 3.9    |
| Profit before Tax | 3448.4    | 2311.6    | ▲ 49.2   |
| Income Tax        | 540.6     | 20.8      | ▲ 2499.0 |
| Net Income        | 2907.8    | 2290.8    | ▲ 26.9   |

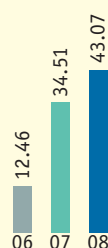
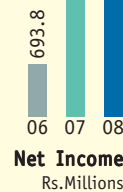
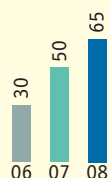
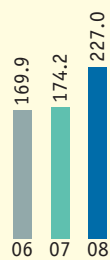
Rs.Millions



## Key Ratios

|                                   | 2007-2008 | 2006-2007 |
|-----------------------------------|-----------|-----------|
| PBIDT / Total Income %            | 18.5      | 16.8      |
| PBIT / Total Income %             | 15.3      | 13.0      |
| PBT / Total Income %              | 14.7      | 12.0      |
| PAT / Total Income %              | 12.4      | 11.9      |
| Interest cover (PBDIT) / Interest | 27.0      | 17.2      |
| Return on Equity %                | 22.5      | 23.0      |
| Return on Capital Employed %      | 9.7       | 8.9       |
| Debt:Equity                       | 1.4       | 2.0       |

Book Value  
Rupees



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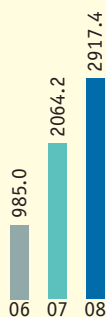
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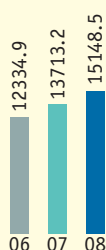
# Consolidated Financial Highlights 2007-2008

## A Snapshot

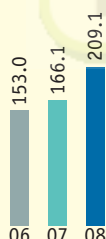
|                   | 2007-2008 | 2006-2007 | Growth % |
|-------------------|-----------|-----------|----------|
| Net Sales         | 24359.0   | 21229.2   | ▲ 14.7   |
| Other Income      | 942.4     | 493.1     | ▲ 91.1   |
| Total Income      | 25301.4   | 21722.3   | ▲ 16.5   |
| PBIDT             | 4353.6    | 3515.0    | ▲ 23.9   |
| Interest (Net)    | 432.4     | 453.6     | ▼ -4.7   |
| Depreciation      | 1003.8    | 997.2     | ▲ 0.7    |
| Profit before Tax | 2917.4    | 2064.2    | ▲ 41.3   |
| Income Tax        | 536.0     | 43.6      | ▲ 1129.4 |
| Minority Interest | -3.4      | 11.0      | ▼ -130.9 |
| Net Income        | 2384.8    | 2009.6    | ▲ 18.7   |



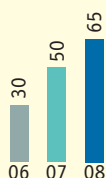
**PBT**  
Rs. Millions



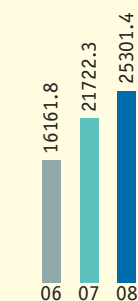
**Net Fixed Assets**  
Rs. Millions



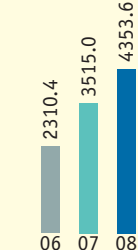
**Book Value**  
Rupees



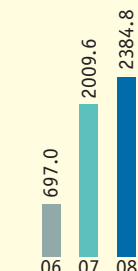
**Dividend**  
Per cent



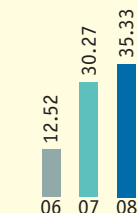
**Total Income**  
Rs. Millions



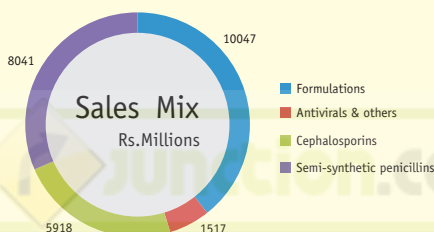
**EBITDA**  
Rs. Millions



**Net Income**  
Rs. Millions



**EPS**  
Rupees



## Key Ratios

|                                   | 2007-2008 | 2006-2007 |
|-----------------------------------|-----------|-----------|
| PBIDT / Total Income %            | 17.2      | 16.2      |
| PBIT / Total Income %             | 13.2      | 11.6      |
| PBT / Total Income %              | 11.5      | 9.5       |
| PAT / Total Income %              | 9.4       | 9.3       |
| Interest cover (PBDIT) / Interest | 10.1      | 7.7       |
| Return on Equity %                | 19.9      | 21.0      |
| Return on Capital Employed %      | 7.8       | 7.6       |
| Debt:Equity                       | 1.5       | 2.2       |

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# About Aurobindo..

Aurobindo Pharma was born of a vision. Founded in 1986 by Mr. P.V. Ramprasad Reddy, Mr. K. Nithyananda Reddy and a small, highly committed group of professionals, the Company became a public venture in 1992. It commenced operations in 1988-1989 with a single unit manufacturing active pharmaceutical ingredients.

Aurobindo Pharma went public in 1995 by listing its shares in various stock exchanges in the country. Over the years, Aurobindo Pharma has evolved into a knowledge driven company. It is R&D focused, has a multi-product portfolio with multi-country manufacturing facilities, and is becoming a marketing conglomerate across the world.

Aurobindo Pharma created a name for itself in the manufacture of bulk actives, its area of core competence. After ensuring a firm foundation of cost effective production capabilities and a clutch of loyal customers, the company has entered the high value speciality generic formulations segment, with a global marketing network.

## Eminent Board

Corporate governance, accountability and protecting shareholder interests have always guided the Company. There is an eminent board with considerable knowledge and experience in pharmaceutical and healthcare, administration, teaching, banking and consulting to guide and supervise the Company. They are adequately supported by a large team of professional managers.

## Vision

To become Asia's leading and one among the top 15 generic pharma companies in the world by 2015.

## Mission

To become the most valued pharma partner for the world pharma fraternity by continuously researching, developing & manufacturing a wide range of products complying to the highest regulatory standards.

## Aurobindo has a global footprint

Scope of operations is large in the U.S. and Europe with considerable presence in Latin America and emerging markets.

Developmental activity is on-going in Japan and Australia.

Domestic market remains an area of strength.



## Facilities

- ◆ 14 state-of-the-art manufacturing facilities in India (10), USA (2) China (1) & Brazil (1) covering 5 million sq. meters.
- ◆ Accounts for ~10% of US FDA approved manufacturing base in India.

### Approved formulation facilities in India

| Unit III  | Unit VIB   | Unit XII   |
|---|--|--|
| Multi-purpose non-betalactams                                   | Cephalosporins   | Semi-synthetic penicillins   |
| US FDA, UK MHRA,<br>Health Canada, MCC (SA),<br>ANVISA (Brazil) | US FDA, Health Canada,<br>MCC (SA), ANVISA (Brazil)<br>NAM (Finland) | US FDA, WHO, UK MHRA,<br>Health Canada, MCC (SA),<br>ANVISA (Brazil) |

### Approved active ingredient facilities in India

| Unit I                     | Unit IA        | Unit VA                       | Unit VI                          | Unit VIII                      | Unit XIA                   |
|----------------------------|----------------|-------------------------------|----------------------------------|--------------------------------|----------------------------|
| CVS, CNS,<br>Anti-allergic | Cephalosporins | Semi-synthetic<br>penicillins | Cephalosporins                   | CNS, CVS,<br>Gastro-intestinal | Anti-retroviral            |
| US FDA,<br>WHO,<br>UK MHRA | US FDA         | US FDA                        | US FDA,<br>WHO,<br>Health Canada | US FDA,<br>WHO,<br>UK MHRA     | US FDA,<br>WHO,<br>UK MHRA |

Complete list of domestic facilities are in page 47 of this Annual Report.

#### Products

The Company has one of the widest product portfolio of 300+ products

Major therapeutic segments covered:

- Cardio vascular
- Neuroscience
- Anti-retroviral
- Gastro-intestinal
- Anti-infective
- Pain management
- Osteoporosis

#### Capacities

There are large capacities for manufacturing formulations. This is supported by huge manufacturing capacity for intermediates and active ingredients. There is considerable head room even as formulations sales have been showing secular rise quarter-on-quarter.

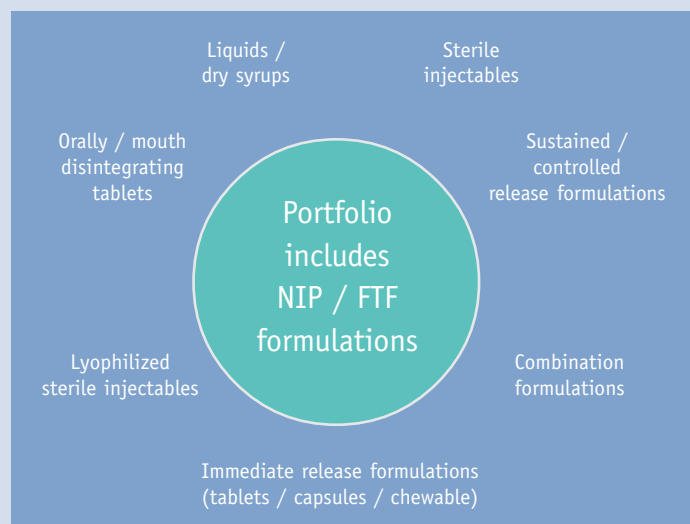


## Regulatory approvals

|   |                          | As on<br>March 31, 2008 | Approved |
|---|--------------------------|-------------------------|----------|
| <b>Generics<br/>NDA / ANDAs</b>   | US FDA                   | 128                     | 67       |
|   | Europe                   | 55                      | 13       |
|   | WHO                      | 23                      | 9        |
|   | South Africa             | 107                     | 22       |
|   | Total                    | 313                     | 111      |
| <b>Active ingredients<br/>Drug Master Filings</b>   | US FDA                   | 122                     |          |
|   | Europe New Registrations | 57                      |          |
|   | Multiple Registrations   | 594                     |          |
|   | Others*                  | 178                     |          |
|   | CoS                      | 66                      |          |
|   | Total                    | 1017                    |          |
| * Australia, Canada, China, Korea, Russia, South Africa, WHO & Others.<br>US-DMF filings include 4 veterinary master files.<br>Europe filings include submission in multiple countries. |                          |                         |          |
| <b>Patent Applications</b>  | India                    | 192                     |          |
|   | US                       | 32                      |          |
|   | PCT                      | 58                      |          |
|   | Europe                   | 11                      |          |
|   | Others                   | 25                      |          |
|   | Total                    | 318                     |          |

- Aurobindo filed highest number of ANDAs from India in 2007
- Highest number of DMF from India, 2nd largest globally
- Highest CoS approval from India in 2007
- Portfolio includes 25 Para IV filings and 9 NDAs

## Portfolio of dosages



### Performance track record

For over two decades, Aurobindo has successfully sought and worked for leadership position in its product category. Product knowledge, manufacturing capabilities, sensitivity to the market and relationship with customers are the bedrock for the healthy momentum in the business.

The Company has reported profits every year and is a consistent dividend paying company. More important, shareholder value has been increased while meeting customer needs.

## R&D strengths

Aurobindo is a research led powerhouse with over 700 talented scientists leveraging the intellectual resources and experience to quicken the pace of growth. Such efforts have widened the product offering through intelligent research and fast tracked the Company.

## IP capabilities

Aurobindo is a knowledge based company with intellectual property skills and has earned patents and product/plant approvals primarily due to the human energy within the organisation. Aurobindo has targeted the first-mover advantage with its first-to-file and Para IV applications in its bid to accelerate revenues and net earnings.

Pharmaceutical industry is people business, and Aurobindo has responded positively to the changing needs of the customers and the market. The team has faced challenges well and taken the opportunities that are on offer.

## Reputation

The pre-eminent position of the Company in active ingredients has been established for several years. This strength is being further developed by building new capacities to support the growing formulations business.

The formulations business, which commenced in 2000-2001, has been gaining ground right from the Day One. In a few product segments, Aurobindo has leadership position and in a few others there is significant market share.

In antiretrovirals, the Company has been the largest supplier to programmes such as the President's Emergency Plan for AIDs Relief (PEPFAR) initiated by the Government of U.S.A. as well as other projects of World Health Organization (WHO).

Aurobindo was invited to participate in a conference held in July 2006 by UN Secretary General Mr. Kofi Annan to review the progress in expanding access to HIV prevention, treatment, care and support to low-and-middle income countries. Mr. P. V. Ramprasad Reddy, Chairman and Dr. M. Sivakumaran, Whole-time Director represented the Company. The Chairman addressed the august audience.

Dr. M. Sivakumaran, Whole-time Director, was invited to the White House at Washington to discuss with Mrs. Laura Bush, the First Lady of the United States, and explore the prospects of addressing the needs of HIV affected people.

### Skill sets

The Company has skilled professionals manning all the functional areas, and always delivered results ahead of time. The work environment encourages individuals to generate their own steam, and perform better their own expectations.

The employee strength has doubled in the last three years, and the attrition rate is way below the industry average.

### Publicly held

The scrip is actively traded in both National Stock Exchange as well as the Bombay Stock Exchange. The free float is over 44% and about 45,000 investors hold the share capital.

### EHS commitment

Proactive commitment to safety and health is ensuring that the Company meets its own and society's norms. Aurobindo keeps its standards very simple. There is nothing more important than worker safety and health as well as being environment friendly. Systems and processes are administered to ensure this objective is met.

It is a moving target, and hence efforts are continuously made to improve work practices and train people accepting that tomorrow needs to be better for all of us.

## Aurobindo is special because..

This high energy pharmaceutical company has a passion to succeed in the most competitive markets. Aurobindo's commitment to create good health acts as a constant driver for improvement.

The Company straddles key strategies from fermentation to formulation and is one of the most cost effective producers in the world. Vertically integrated manufacturing process and captive raw material source makes an impact in end product marketing. Ability to control quality and power to price has helped

Aurobindo to offer quality pharmaceuticals at affordable prices.

All projects are completed within budgeted time without cost overruns. Value creation and cost effectiveness start early at Aurobindo.

There is an excitement across the organization driving the change to become a global resource in the pharmaceutical industry. In this journey, as in the past, care is taken to create value for all stakeholders, and in particular to the customers and investors.



MESSAGE FROM THE CHAIRMAN

Committed to

continuous profitable growth

*Dear friends,*

In 2007-2008, Aurobindo gained good visibility and a strong order book position throughout the year. Our profitability improved largely due to volume growth together with continued strict cost control and programs to enhance our operational excellence.

We have been seeing momentum in the market place with favorable demand for our formulations and active ingredients. As in the past, we pursued profitable growth in the established markets. The success of the transformation into a more global company is in our ability to meet the needs of the market, while enhancing our competitiveness.

During the year, despite challenging conditions, Aurobindo recorded satisfactory results. Revenues were higher by 18.76%, net income rose by 26.93% and the EPS climbed to Rs.43.07 from Rs.34.51 in the previous year. This performance was achieved with larger basket of approved products and thrust into European markets of both formulations and active ingredients. We shortened the time to market and could convert regulatory approvals into revenue streams.

We improved revenues by 51% in the U.S. market and by 56% in Europe. Several products gained market share and despite competitive pressures, we succeeded in increasing operating margins. Aurobindo is able to manage the pressures better primarily because of its vertically integrated operations and cost effective manufacturing capabilities.

We shall consolidate these gains by adding products to existing markets and grow by widening the market reach. We see considerable traction in the market for our products, and while we shall retain the momentum of growth, care is being taken to derisk our business.

On our growth trajectory, we shall revisit our assumptions and strategies, examine the progress and build a platform for a higher level of growth. For instance, we will reassess the potential in our raw material strategy and strengthen our sourcing; we shall develop and be present in every market that offers higher value; we would sweat all our assets before we invest further in capital expenditure; we would augment our cash flow even as we improve our bottom line; and overall, we shall grow at a faster clip than the industry.

We are well positioned for the future. We expect to see a further improvement in the ratios in 2008-2009. We are driving ahead to strong global presence, supported by larger product portfolio, state-of-the-art-technology and dedicated human energy. We will continue our operational excellence programs in areas such as quality, productivity, sourcing, supply chain optimization and marketing management.

As Members are aware, we have always done what we set out to do. We scaled up the Company on several fronts. From a domestic player we converted ourselves into a quality conscious source

for the established markets; from a large active ingredient manufacturer, we have become a sizeable generic player in the formulations sector; from an anti-infectives supplier to life style drug manufacturer; from a Para I, II and III ANDA applicant with US FDA to Para IV filer after careful analysis of the Orange Book and as allowed by the Hatch Waxman Act. We have built global asset base, with world class manufacturing facilities, effective marketing infrastructure and proven intellectual property resources.

We have come a long way. Yet, I believe there is a large market out there and there is considerable headroom to grow. We will use our past success as a platform for future growth. In fact, our past is an inspiration for us to do better. We will make the right moves and strive for sustainable growth with the best interests of all our stakeholders.

At every stage, so far, we have kept to our commitments, worked with the market players and taken care not to compete with our customers in the same product range. We have respected the market, competitors, vendors and indeed, all stakeholders. This shall remain our mantra as we consolidate and grow the business. We shall ensure that the foundation is strong and build ahead on the central pillars of ethics, accountability, trust and high values.

The challenges we face are great and we believe we are well prepared. Our efforts will continue to benefit both our customers and investors alike. We are confident that Aurobindo will continue to transform its special strengths into success and meet all stakeholder expectations.

We are fortunate and deem it a privilege to have an eminent Board, supportive customers, dependable vendors and prudent financial associates encouraging us to perform better. Evidently our shareholders can count on me and my global team of 6,300+ strong dedicated employees at Aurobindo to meet their expectations as we keep raising the bar.

*Warm regards*

**P. V. Ramprasad Reddy**



FROM THE DESK OF THE MANAGING DIRECTOR

## Making the right moves

Against a very challenging backdrop, we at Aurobindo turned in a satisfactory performance. We reported new highs in revenues, net income and EPS. Total Income reached Rs.23528.0 million which was a record for the Company. Net earnings totaled Rs.2907.8 million or Rs.43.07 per fully diluted share, also new highs.

In today's environment, we are satisfied with these performance results. Rising interest rates, volatile dollar-rupee exchange fluctuations, uncertain raw material availability and price movements, tighter liquidity and slowing down of global economies impacted the market. We at Aurobindo did better testifying the robustness of our business strategies.