

We make it simple.



AUROBINDO PHARMA LIMITED

Annual Report 2009-2010

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ON THE COVER

$E=mc^2$

Albert Einstein's famous equation $E=mc^2$ can overwhelm most people. It does not however, hold the same level of difficulty for the scientists.

Aurobindo stands inspired. The team at Aurobindo has simplified the more difficult aspects of pharmacopoeia and has converted them into manageable chemistry to create products that serve the needs of good health. We can translate any complex equation into a simple formula for success.

We make it simple.

We make it simple.

We understand pharmacopoeia, complex chemistry and product approval. We are committed to supplying regulatory compliant products. We understand every single aspect of our business and follow through to execute well, possibly on par with the best in the industry.

Our execution capabilities are founded on a simple premise. Right from concept, we understand what needs to be done; how it needs to be executed; and when it needs to be delivered. In short, we make the most difficult aspects of the business, easy to understand. And soon enough, we do it.

Give us the most complex equation and we will tell you how it can be converted into a simple formula for success. We have done it. We will do it. Simple.

Aurobindo in brief

Aurobindo Pharma Limited, headquartered at Hyderabad, India, with a consolidated revenue of ₹36513 million, manufactures generic pharmaceuticals and active pharmaceutical ingredients. The Company's manufacturing facilities have been inspected and approved by several leading regulatory agencies such as US FDA, UK MHRA, WHO, Health Canada, MCC South Africa, ANVISA Brazil.

Approximately 53.6% of the gross consolidated turnover comes from the formulations business. The Company's robust product portfolio is spread over 6 major therapeutic/product areas encompassing Antibiotics, Anti-Retrovirals, CVS, CNS, Gastroenterologicals, and Anti-Allergics, supported by an outstanding R&D set-up. The Company has marketing footprints in over 125 countries and employs over 8,000 professionals.

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 with the highest regulatory standards.

Eminent Board

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

Our Strengths

Possess profound knowledge of complex chemistry and manufacturing processes.

Sustain a good understanding of the markets and customers, especially of the emerging patent expiry opportunities in the formulations market.

Retain customer confidence by delivering what they want at the time they need.

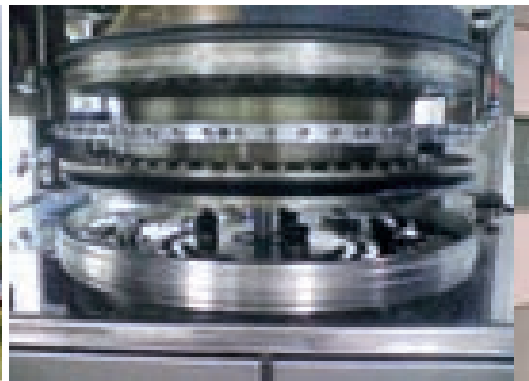
Build quality from concept-to-lab-to-manufacturing since our products work to restore good health of the consumers.

Vertically integrate manufacturing processes that enable us to offer cost effective products.

Have a strong balance sheet with high operating cash flow.

Deliver on promise, come what may.

Aurobindo in brief



Main themes in our business

Formulations

Aurobindo has one of the widest portfolio of 300+ products. Major therapeutic segments covered:

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

The portfolio includes non-infringing processes and first-to-file formulations. The dosages cover liquids/dry syrups, oral/mouth disintegrating tablets, sterile injectables, lyophilized sterile injectables, sustained/controlled release formulations, combination formulations and immediate release formulations (tablets/capsules/chewable).

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.

Active pharmaceutical ingredients

One of the largest Active Pharmaceutical Ingredients (API or Bulk Actives) manufacturers in Asia, Aurobindo has commercialized over 200 APIs. Mammoth capabilities and uncompromising product quality underline the core competence of the Company.

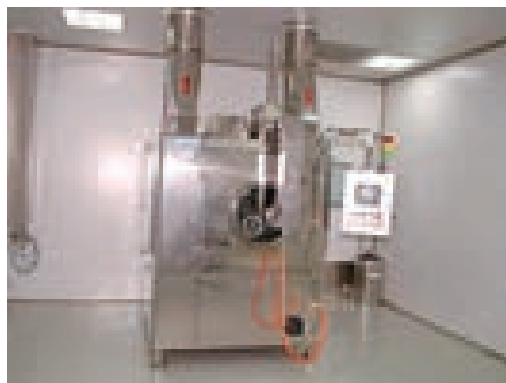
Total Quality Management is the very essence of Aurobindo Pharma. Every detail is subjected to scrutiny - be it cGMP compliance, validation, stability studies, documentation, safety, health or environmental issues. This steadfast adherence to TQM has been highly rewarding and ensures that all products are truly world class.

CRAMS

AuroSource, the Custom Research and Manufacturing Division of Aurobindo offers the global biotech and pharmaceutical community a refreshing approach to outsourcing. The in-house team is dedicated to simplifying the outsourcing experience with exceptional customer service, while ensuring transparency, accountability and reliability. We operate close to our customers and compromise nothing to provide an efficient and unparalleled experience.

AuroSource offers comprehensive outsourcing options, including one of Asia's largest solid oral sterile API facilities, five sophisticated R&D centers and strategic warehousing locations globally for shorter order-to-delivery time.

Our portfolio includes several specialized R&D capabilities, with particular expertise in customized APIs, intermediates, pre-formulations, and formulations. With the experience of over 1,000 regulatory filings, exports to over 125 countries and commercializing over 300 products, Aurobindo offers solutions to manage the complete product life cycle, including extensions and regulatory support.



Core mantra of our business

Customers

Our customers make our business. We continually strive to maximize our supply chain and provide them with the products that they need on time, every time, at quality consistent with regulatory standards.

Costs

Our vertically integrated manufacturing systems enable us to manage our costs closely and save wherever we can, without compromising on the quality of our products and services. At all times, we are cost conscious to make our rupee go the longer distance.

Cash

We conserve liquidity and maintain a strong operating cash flow while strengthening our risk profile. We continually liquidate debt and have consequently become free of long-term debts. While the balance sheet is strong, our debt:equity ratio stands improved and interest costs have turned lower.



From the desk of the Chairman

We make it simple

Our good
results show
the Company's
resilience under
a challenging
environment.

Dear friends,

We did well, despite the challenges. Aurobindo continued to display sustained growth momentum despite the economic slowdown in several markets. In 2009-10, the consolidated revenue rose to ₹36513 million, an increase of 15.3% compared to the previous year, with net profit rising by over 4.6 times. These good results show the Company's resilience under a challenging environment.

Our success demonstrates the robustness of Aurobindo's business model, which draws on a diverse and balanced customer and product portfolio, in terms of geography and therapeutic segments. Our accomplishment is also based on a mix of products which has broadened considerably over the past decade, as well as long term contractual relations with our customers based on perfect understanding and integrity.

I must also highlight that my colleagues and I stayed focused throughout the year on our simple approach to business. Our core mantra is: customers, costs and cash. We progressed well through the storm around us, better for the past experience of keeping things simple and reported a good set of numbers for the year.

Our earnings have provided us with a solid cash flow which together with rigorous control over capital expenditure has enabled Aurobindo to improve its already healthy balance sheet by significantly reducing debt.

I hasten to add that none of these would have been possible without the encouragement of our partners and customers, hard work of our employees and the support of our investors.

Before looking ahead, it is worth examining our recent past. Over the years, we have grown volumes in a highly competitive environment, both in the premium and emerging markets. I believe that it is possible for us to succeed in tougher

environments, whether new challenges come from our own evolving standards or from customer requirements. We can and will grow if our positioning and strategy are simple and right. I believe we are on track for relentless growth in the future with a good understanding of our markets, by aligning well with our customers and by producing regulatory compliant products. Our customer and product portfolio is growing as is evident by rising volume and revenue.

In addition to the opportunities for top line growth, there are very significant prospects to make cost savings through our productivity initiatives. Our experience is the more work we do in this area, the more we identify further savings. We also believe that we have the right responsibility strategies for both the short and the long term. For instance, we have invested significantly in R&D and environment, health and safety.

I believe the future market represents a volume and profit pool for those who are better positioned. There is a lot of room for growth for players like us who have a strong product basket, competence to deal with complex chemistry, enormous manufacturing capacity, marketing expertise, cost savings potential, presence in premium and emerging markets and the ability to build on the existing formidable distribution channels.

While we are charting our growth with confidence in our capabilities, there is still a great deal that we need to achieve. I am optimistic about the future because we have proven ourselves under challenging conditions. We will do it again, partnering with some of the best names in the business. We will continue to follow our successful strategy and actively shape our future. In the medium term, we will stay focused on the following four strategies:

- ✓ Accelerate top line growth
- ✓ Accelerate efficiencies
- ✓ Accelerate speed of implementation
- ✓ Focus on select opportunities

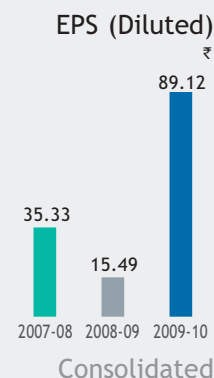
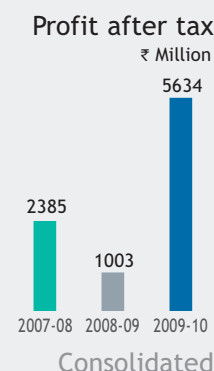
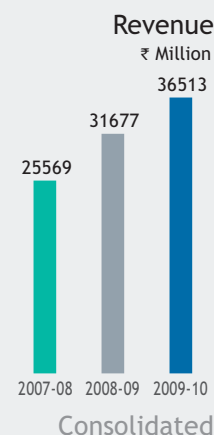
I am sure, executing on these strategies will enable us to add traction on all our core fundamental matrices. We aim to generate increased revenue through targeted investments in R&D, ramping up production volume through manufacturing capabilities and sustained efforts in select markets to underline our competitive strengths.

At Aurobindo, we wish to be known as a growth company that attracts and retains the best customers, vendors and employees. We look to the future with energy and determination and shall build on the rich foundations that my colleagues - all 8,000 plus employees - have created. All of us are highly motivated and proud to work as a team and shall continue to make valuable progress towards our Company's growth and success. We work with a simple truth; we are trustees of investor confidence and we shall do whatever is necessary to grow faster than the industry.

Warm regards



P. V. Ramprasad Reddy





From the desk of the Managing Director

Another successful year

We have a better visibility of our revenue stream and are approaching the future with determination and confidence in the strength of our model.

For Aurobindo, it was another successful year of performance. The past year placed extraordinary demands on us given the economic turmoil in our key markets in North America and Europe. We understood the situation and acted quickly and decisively and accelerated our programs to increase efficiency and reduce costs. The efforts through the year paid off with EBITDA excluding foreign exchange adjustments was ₹7723.6 million higher by 47.9% over ₹5223.3 million earned in 2008-09. EBITDA margin excluding foreign exchange adjustments was 23.3% in the year under review compared to 18.1% in the previous year.

We progressed because we stayed focused on executing our strategy and following through on our commitment to becoming bigger, better and stronger year-on-year. As in earlier years, we filed for a very large number of product approvals, broadened our portfolio, launched new products as soon as the approvals were on hand and the regulatory compliances were met, improved efficiency of our manufacturing operations, reduced our cost of production, strengthened our customer relationships, sold more volumes, stepped up our revenues and cash flow and significantly increased our profit after tax.

Our dedicated focus on execution resulted in numerous accomplishments during the year:

- ✓ The SEZ unit has initiated manufacturing of exhibit batches for global submissions at an unprecedented pace; On an average, exhibit batches for 5-8 products for global markets are being taken each month.
- ✓ The SEZ unit was inspected successfully twice by the US FDA, INFARMED (Portugal), ANVISA (Brazil), NMRC (Namibia) and MCC (SA) during this period. We also hold a GMP clearance certificate for this facility from TGA (Australia);
- ✓ The Dayton plant at New Jersey, USA has been commissioned adding substantial manufacturing strength;