

25 Years
Focused on quality



AUROBINDO PHARMA LIMITED

Annual Report 2010-2011

Contents

A journey of quality ...	1
Aurobindo - a profile	2
Focused on quality	6
We think quality	9
R&D is integral to our success	12
In tune with the environment	14
Everyone pulls together for a successful future	16
Creating value drivers and cash generators	18
Board of Directors	20
Financial indicators	22
Management Discussion & Analysis	23
Risks & their management	27
Notice	29
Directors' Report	33
Report on Corporate Governance	41
Auditors' Report	53
Balance Sheet	56
Profit and Loss Account	57
Cash Flow Statement	58
Schedules to the accounts	60
Statement regarding subsidiary companies	94
Consolidated Financial Statements	96
Attendance slip/Proxy	131
Forward looking statements	IBC

A journey of quality ...

In twenty five years, we scaled new peaks and weathered troughs. We created world class manufacturing systems. We ensured a high level of R&D productivity that provides continuous flow of high quality products in demand. We have 300+ products covering 14 therapeutic segments in our portfolio – generics and active pharmaceutical ingredients - that are gaining volumes in developed and emerging markets.

We earned the enduring confidence of customers. We established strategic partnerships with the topmost names in the pharmaceutical industry. We expanded into 125 markets. We became a USD one billion revenue earning company with a robust business model. We employed the right people and empowered them to connect the dots between product development and customer needs. We have crafted a solid platform for sustained growth.

We have come so far on the strength of quality in whatever we do, in products, processes and transactions. Throughout the journey of 25 years, we stayed focused on quality. Our commitment to quality is our assurance to good health to our ultimate consumers. It's a journey of trust.

We have far greater visibility of the opportunities in the market, and hence shall maintain focus, and enhance our own benchmarks, to demonstrate best-in-class quality, in whatever we do. The next twenty five years hold even greater promise for all those associated with Aurobindo.

... is a journey of trust.

Aurobindo - a profile

Aurobindo is one of the leading global pharmaceutical companies engaged in the development, manufacturing and marketing of active pharmaceutical ingredients (APIs) and finished dosage formulations for 25 years.

The Company has evolved into a knowledge driven, R&D focused, multi-product organization. It has invested significant resources in building a world-class mega infrastructure for APIs and finished dosage formulations to emerge as a vertically integrated pharmaceutical company. Aurobindo's five units for APIs and four units for formulations are designed for the regulated markets.

The manufacturing facilities adhere to stringent quality parameters and assurance procedures. Placing a premium on high quality has enabled Aurobindo to seek and get plant approvals from various global regulatory authorities such as US FDA, EDQM, WHO, MHRA (UK), Health Canada, MCC (South Africa), TGA & PMDA.

The Company's advantage is in capturing a large portfolio of approvals backed up by a global standard R&D effort. Product portfolio of over 300 formulations in various dosage forms and strengths and 200 APIs with diversified product portfolio including life-style diseases, anti-AIDS, anti-infectives and pain management with pediatric products and technologies.

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

The formulation business is systematically organized with a divisional structure, and has a focused team for each key international market. Aurobindo believes in gaining volume and market share in every business/segment it enters.

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, finance, 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 with the highest regulatory standards.



Unit	Segment	Certifications
APPROVED FORMULATION FACILITIES IN INDIA		
Unit III	Multi purpose Non-Betalactum	US FDA, Health Canada, TGA (Australia), MCC (SA), ANVISA (Brazil)
Unit VIB	Cephalosporins (Sterile & non-sterile)	TGA (Australia), MCC (SA), ANVISA (Brazil), NAM (Finland)
Unit VII	Multi purpose Non-Betalactum	US FDA, TGA (Australia), MCC (SA), ANVISA (Brazil)
Unit XII	Semi-synthetic penicillins (Sterile & non-sterile)	US FDA, Health Canada, TGA (Australia), MCC (SA), NAM (Finland), ANVISA (Brazil)
APPROVED ACTIVE INGREDIENT FACILITIES IN INDIA		
Unit 1	CVS, CNS, anti-allergics	US FDA, MHRA (UK), WHO, TGA (Australia)
Unit V	Semi-synthetic penicillins	US FDA, MHRA (UK), TGA (Australia)
Unit VI	Cephalosporins (Sterile)	US FDA, WHO, Health Canada, NAM (Finland)
Unit VIII	Gastro enterologicals, Antiretrovirals	US FDA, MHRA (UK), WHO, TGA (Australia)
Unit XI	CVS, CNS, Antiretrovirals	US FDA, MHRA (UK), WHO, TGA (Australia)
Bio-equivalence		US FDA

Complete list of domestic facilities are in page 51 of this Annual Report.





REGULATORY APPROVALS - PRODUCTS

		Applied	Approved
Generics NDA / ANDAs	US FDA	197	133
	Europe	103	73
	South Africa	279	83
	Total	579	289
Active ingredients Drug Master Filings	US FDA	154	
	Europe New Registrations Multiple Registrations	84	
		1187	
	Others*	426	
	CoS	86	
	Total	1937	
* Includes Australia, Canada, China, Korea, Russia & South Africa. US-DMF filings include 4 veterinary master files. Europe filings include submission in multiple countries.			
Patent and Designs	Filed	464	
	Registered	57	

As at March 31, 2011

Focused on quality



FROM THE DESK OF THE CHAIRMAN

We recognize that our products are consumed by patients and they seek good health. Every employee is sensitized to this belief and committed to wellness of our consumers. We believe that we are not only building a robust organization but also working towards shared values and a relationship of mutual trust with all our stakeholders.

I am pleased to report that the corporate goals we set ourselves for the financial year have been achieved. Our business operations gained speed with significant improvement in volumes and turnover and we achieved a record performance in all key business parameters.

The consolidated revenue was higher by 22.7% at ₹44809.8 million in 2010-11, compared to ₹36513.4 million in 2009-10 with much of the growth coming from our addressable markets in the US, Europe and emerging markets. In these regions, we believe our sales growth was better than the industry average. Our manufacturing efficiencies and performance continued to improve which favorably impacted our Earnings before Interest, Tax, Depreciation and Amortization (EBITDA), despite an inflationary environment.

In the year under review, EBITDA was 6.5% higher at ₹10324.8 million as compared to ₹9693.9 million in 2009-10. Profit before tax at ₹7985.2 million was an increase of 6.1% over ₹7522.5 million achieved in 2009-10. Net profit after tax and exceptional item was ₹5634.5 million, almost the same at ₹5634.0 million achieved in the previous year.

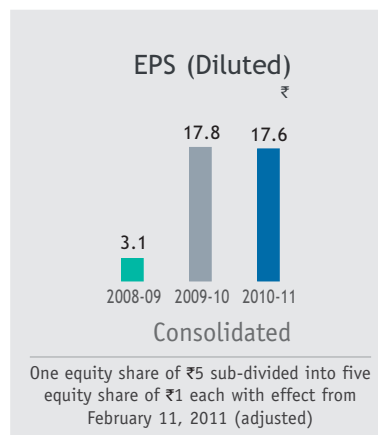
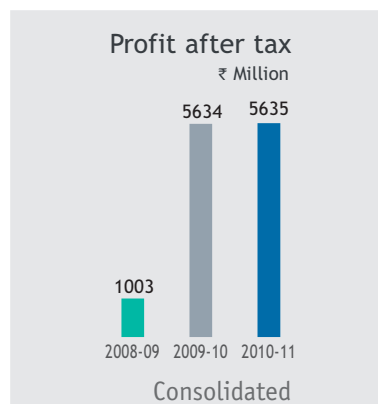
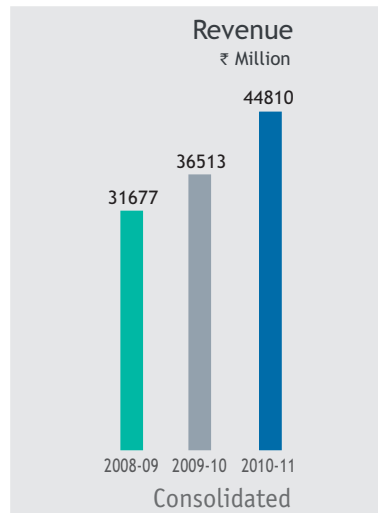
The diluted EPS for the year was ₹17.6 as against ₹17.8 in 2009-10.

We continued to stay on a growth trajectory and in fact worked hard to reinforce the future viability of Aurobindo. We are pursuing sustainable growth through people development, higher efficiencies in manufacturing and more effective presence in markets. In the process, I am confident, we shall create the financial headroom we need to systematically invest for our future.

For the longer term, we believe we are building a solid foundation. The Aurobindo of today is not just a company with a very large basket of products, a vertically integrated manufacturing process, presence in some of the premium markets and close working relationship with the topmost global names in the pharmaceutical industry. Indeed, we have all of the above. More significantly, we have imbued the Company with a strong sense of values, an uncompromising attitude towards regulatory compliance, strong commitment to quality systems and processes and a tighter management to ensure safety and environmental safeguards.

Our employees with their professional approach are being encouraged to focus and work towards quality in pursuit of operational excellence. We have been completely quality driven and focused on compliance standards set by regulators as well as by stringent customer expectations. Our qualified and experienced professionals play an active role to monitor performance and ensure oversight of all pharmaceutical products from raw materials to finished product despatches.

We recognize that our products are consumed by patients and they seek good health. Every employee is sensitized to this belief and committed to wellness of our consumers. We believe that we are not only building a robust organization but also working towards shared values and a relationship of mutual trust with all our stakeholders.



My team and I look ahead and identify future challenges and reshape our business model in order to take the Company to the next level. We are recalibrating the Company from generic formulations to branded generics. We are stepping up our active ingredients business in Europe, USA and Japan. In a bid to explore accelerated and focused growth, we are examining if the Company needs to be restructured. A Committee of the Board has been formed to study the proposal and suggest appropriate action.

I am convinced that Aurobindo has much potential to do even better and we are pursuing momentum. I believe that we shall gain stronger foothold in markets, increase volumes and ensure top line growth. We are in it for all our stakeholders and for the sustainable long term. Maintaining and enhancing the sustainable performance of Aurobindo takes precedence over maximizing earnings in the short term.

These initiatives will sustain our objective to step up business, revenues and margins in a market that recognizes our commitment to quality and compliance norms.

As we keep raising the volume of business, such commitment to quality and best practices becomes even more imperative. Our team at Aurobindo fully recognizes the importance of sustaining the hard earned reputation. As always, we are committed to doing business in an ethical

and correct manner and take compliance with all laws earnestly. Over the years, we have experienced that responsible business is aligned to good business strategy. In short, responsible business makes for good economics.

We are drawing primarily on the strength of our competent and talented employees in all our business units, across all functions. They have been performing to their potential and done so for 25 years. Several of them have been with the company for more than two decades, and indeed all our employees have taken the Company to the present elevated levels. I wish to extend my warmest gratitude to all Aurobindo employees for their diligence and for a job well done. I would also like to thank all customers, business partners and investors for their support and co-operation.

Our journey towards a sustained growth will continue to be built on the trust that we create with all those who deal with us and on the high-end quality that we shall maintain in our products, processes and transactions. My team and I will strive to see that the next 25 years are equally successful in the best interest of all those with whom we are associated.

Warm regards



P. V. Ramprasad Reddy

Return on Equity %

34.7	22.5
2009-10	2010-11

Consolidated

Return on Capital Employed %

21.2	19.0
2009-10	2010-11

Consolidated