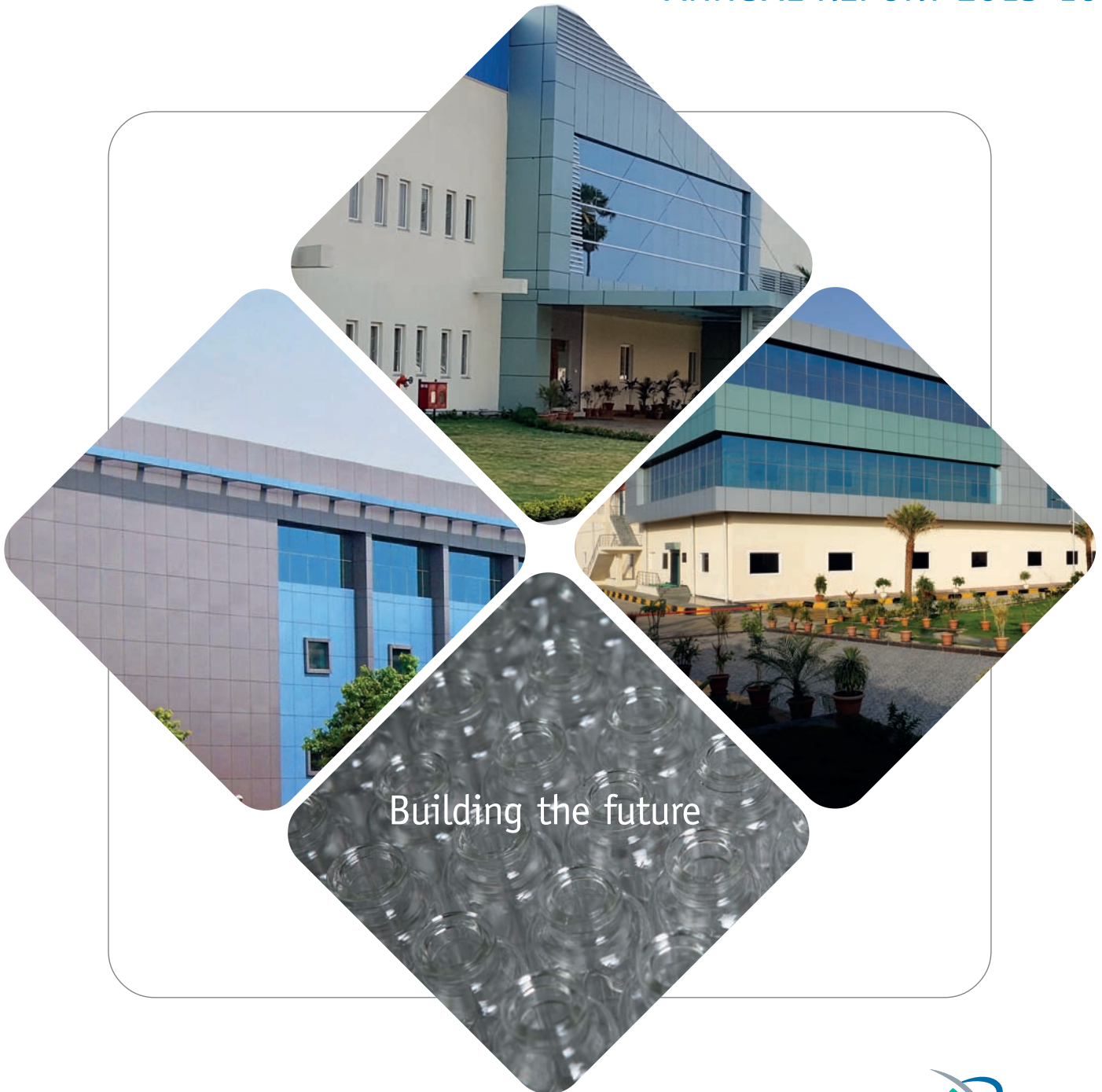


## ANNUAL REPORT 2015-16



AUROBINDO

AUROBINDO PHARMA LIMITED

## Auro Mission

Aurobindo's mission is to become the most valued pharmaceutical partner to the world pharma fraternity by continuously researching, developing and manufacturing a wide range of pharmaceutical products that comply with the highest regulatory standards.

## Auro Values

### BUSINESS CARE

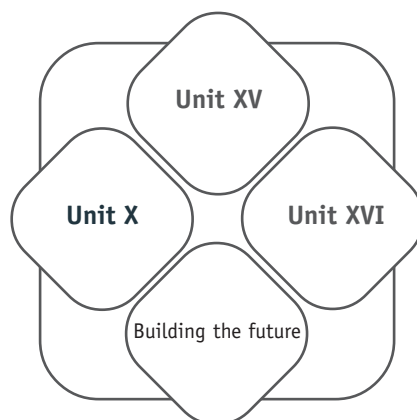
Operational Excellence  
Stakeholder Orientation  
Quality

### PEOPLE CARE

Fairness, Humility and Respect for Individuals  
Teamwork  
Applied Learning

### ORGANIZATION CARE

Accountability  
Integrity  
Achievement



**On the cover:** Images of three new manufacturing facilities being commissioned.

## Governance

Board of Directors	28
Certifications	31
Notice of AGM	33
Boards' Report	38
Management Discussion & Analysis	45
Report on Corporate Governance	90
Proxy Form	185
Attendance Slip	187

## Performance

Business overview	2
Building the future	6
Execution excellence	8
New initiatives	10
Walking the extra mile	14
Raising the bar	16
Respect for the environment	18
Pursuit of perfection	22
Contributing to good life	24

## Financials

Independent Auditors' Report	103
Balance Sheet	108
Statement of Profit and Loss	109
Cash Flow Statement	110
Consolidated Financial Statements	143

## Table of Contents

## Business overview

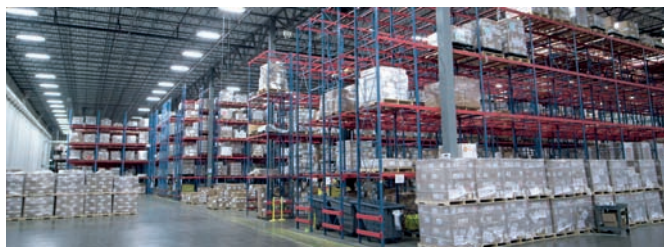


### OUR BUSINESS

Aurobindo is a leading global pharmaceutical company producing oral and injectable generic formulations and active pharmaceutical ingredients (APIs). Consolidated revenues of the Company at ₹138,960.8 million in 2015-16, reflect 33.4% CAGR over the past three years.

Strengthened by several large manufacturing facilities approved by US FDA, UK MHRA, MCC-SA, ANVISA Brazil for both APIs & formulations and with strategic alliances with 46 subsidiaries & joint ventures, Aurobindo features among the top 5 companies from India in terms of consolidated revenues.

Aurobindo has been ranked as #7 prescription supplier in the US as per IMS total prescriptions dispensed as at March, 2016. The Company is among the top 15 generics companies by sales in Europe.



### OUR PRESENCE

The Company exports to over 150 countries across the globe with more than 87% of its revenues derived out of international operations. The customers include premium multinational companies.

Headquartered at Hyderabad, India, the Company has a robust product portfolio spread over seven major therapeutic/product areas encompassing neurosciences, cardiovasculars, gastroenterologicals, antibiotics, anti-retrovirals, anti-diabetics and anti-allergics, supported by an outstanding R&D set-up. There is a well-entrenched US portfolio of 398 ANDAs filed, of which final approvals received for 215 as at March, 2016.



## OUR STRENGTHS

Aurobindo's strength lies in vertically integrating its active pharmaceutical ingredients (APIs) with finished dosages for around 75% of its formulation products.

The vast scientific pool at Aurobindo creates intellectual wealth for the Company and commercializes cost effective, quality generic finished dosages.

The competitive advantage of the Company is to launch differentiated products including injectables, ophthalmics, specialty products and controlled substances. The focus is on complex molecules, differentiated technology platforms and specialty products.

Aurobindo employs more than 15,000 professionals, from over 30 countries, across various divisions - Research & Development, manufacturing, quality assurance, marketing, supply chain, commercial and HRD.



## OUR WAY FORWARD

The Company is building leadership position in the business with its technical excellence, expertise in quality assurance, compliance with regulatory standards, and being recognized for cost competitiveness and customer focus.

Aurobindo aims to gain market share for existing products and by introduction of new products (presently 147 ANDAs under review including 40 ANDA filings for injectables) with a pipeline of products in neurosciences, cardiovasculars, ophthalmics, respiratory, peptides and penems.

New initiatives include gaining entry into complex R&D in new businesses and differentiated technology platforms such as oncology, hormones, enzymes, peptides, depot injections, inhalers, nasal and dermatology products.

Plans are to expand penetration of OTC products and capitalize on future OTC conversions and enhance nutraceuticals business profitably through a combination of cost and growth synergies.

In Europe, the strategy is to build on the turned around EU business and ramp up own filings.

Forward plans include launch of new ARV products and combinations as well as grow the existing market. New geographies are being explored in the emerging markets.

API capacities are being augmented to support growth in advanced markets.



## Global presence

Aurobindo is a leading global pharmaceutical company producing oral and injectable generic formulations and active pharmaceutical ingredients.

The Company exports to over 150 countries across the globe with more than 87% of its revenues derived out of international operations. The customers include premium multinational companies.



### Ranked as #7 prescription supplier in the US

As per IMS total prescriptions dispensed, March 2016

#### Consolidated revenues

International	87%
Domestic	13%

#### Manufacturing facilities

(including wholly owned subsidiaries)

India	18
US	3
Brazil	1

### Among the top 15 generics companies in Europe

by sales (Market reports)

#### Formulations revenues

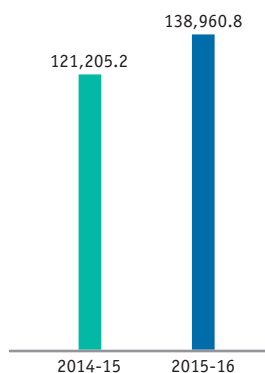
US	55%
Europe	28%
Emerging markets & ARVs	17%

#### Employee presence

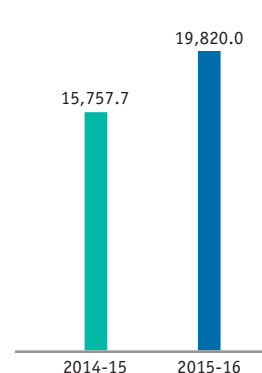
15,000+ employees from over 30 countries

**Revenue (Net)**

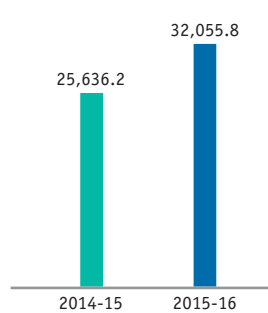
CONSOLIDATED ₹ Million

**Profit after tax**

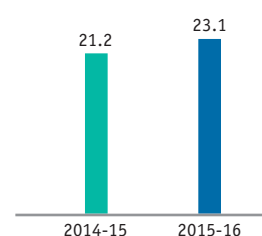
CONSOLIDATED ₹ Million

**EBITDA<sup>1</sup>**

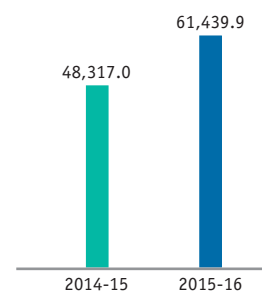
CONSOLIDATED ₹ Million

**EBITDA Margin<sup>1</sup>**

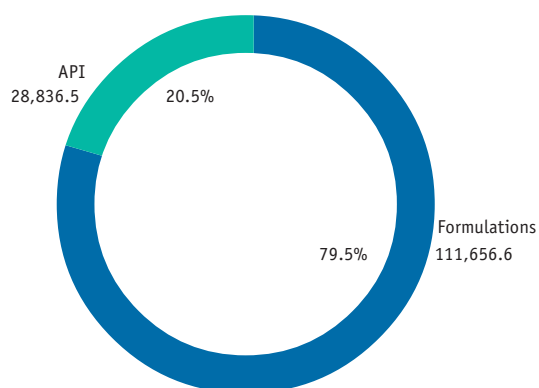
CONSOLIDATED %

**US formulations**

Revenues ₹ Million

**Revenue break-up**

2015-16 ₹ Million

**Formulations revenues**

2015-16 ₹ Million

**Portfolio mix (Products)**

Neurosciences	78
Cardiovasculars	65
Anti-retrovirals	38
SSP/Cephalosporin	30
Gastroenterologicals	25
Controlled substances	16
Anti-diabetics	11
Ophthalmics	10
Respiratory	10
Penems	3
Others	112
<b>Total</b>	<b>398</b>

Pipelines being added in oncology, hormones, depot injections, inhalers, patches and films

<sup>1</sup>EBITDA (Earnings before interest, tax, depreciation and amortization) excluding forex & other income

## Building the future

I am gratified that we did all that we set out to do. We anticipated highly competitive conditions and planned well to execute a strategy of exceptional operating performance, disciplined growth and aligned high-performance teamwork.

We did well on all business fronts: filed several product applications (ANDAs), received large number of product approvals, augmented manufacturing capacity, enhanced utilization, successfully launched new products and extended the strong presence of existing products. We also raised our reliability benchmarks, achieved higher revenues, lowered costs, improved EBITDA performance, reported superior profitability and healthy earnings per share.

Our success in steering the Company through the challenging times, has led us to step up dividend during the financial year and issue bonus shares in July 2015. This is an expression of our confidence in the health of the Company and its prospects, and reflects our commitment to ensuring shareholders participate in our success.

While we managed to gain momentum and create a platform for sustainable growth, continuous efforts were



made to minimize risks. We proactively examined our standards and processes on all key parameters with a clear objective: we want to sustain operational excellence. I am encouraged by the fact that we are progressing well.

Our earnings were supported by our strong balance sheet which puts us in a position to respond quickly to emerging opportunities in the market and step up deliveries. We were nimble to recognize and seize opportunities, enhance our competitiveness and upgrade our product mix.

Pharmaceutical industry is a people business. We have some of the best in the industry and I am grateful to all our employees for their dedication and passion that has helped us reach where we are.

**Revenue**  
**₹138,960.8**  
Million

**EBITDA**  
**₹32,055.8**  
Million

**EBITDA**  
**23.1%**



We constantly strive to develop and optimize the professional and personal skills of our employees. Pharma business is a quality-intensive industry in which the commitment shown by our employees has a significant influence on business success. Aurobindo keeps ahead of the curve with human resource planning and investment in learning and development of its employees.

Our target is to enhance business growth by enabling engagement and performance. We will continue to focus on attracting and developing people for the future, and ensuring good leadership and organization efficiency.

We have redefined ourselves to grow to the next level and have hence, built a solid foundation for the Company's long-term development. The architecture is in place; now, it's time to consolidate and move to the next level.

Our US business will continue to lead, while we shall stay focused on profitability of the European operations. We see Europe as another growth ladder in the foreseeable future.

We are happy to have made a small beginning to introduce specialty branded generics. We are making investments in dermatology and inhaler products at our new facility at Raleigh, NC, USA. Research and development work has started on 18 products.

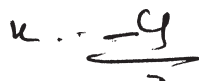
We have an encouraging progress in the Company's pipeline of high value products, which bodes well for the future. In order to cater to the increasing product basket and market opportunities, Members will be happy to know that we are working hard to commission three new manufacturing facilities in India which would contribute to the revenues in the foreseeable future.

While we shall have a disciplined and systematic approach to growth, we will ensure that there is considerable respect towards all aspects of compliance and regulatory requirements.

Looking ahead, we will be setting the stage to capitalize on the platform for growth being built assiduously. We are striving to become a scientifically stronger company, with newer technologies and difficult to develop specialty generics. We aspire to be a science based company with high quality earnings.

Our aim is to build a tomorrow that all of us are proud of. We shall therefore, aim higher, move faster and perform better than ever before. Our goals indeed have a stretch but are within reach based on the Company's proven capabilities supported by a team of accomplished employees.

We will execute the strategies with the same commitment and passion that we are known for to serve our customers, business partners and investors. Everyone associated with us can be certain that we shall reciprocate their trust.



**K. Nithyananda Reddy**  
Vice Chairman

**Profit after tax**  
**₹19,820.0**  
Million

**Earnings per share (₹)**  
**33.9**

**ANDAs filed in US**  
**398**  
As at March 31, 2016

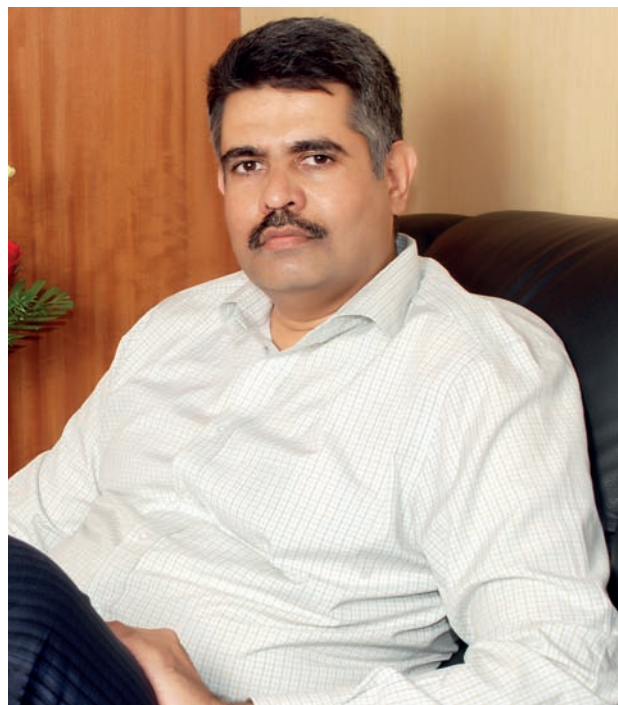
## Execution excellence

We had one more year of record revenues, increased profitability and a year when we significantly raised our levels of operational excellence. We demonstrated that our people can be globally competitive, operate safely and sustainably, maintain strong positions in attractive markets, and generate positive cash flow even during times of challenging currency movements.

At the consolidated level, the revenues increased by 14.6% over the previous year to ₹138,960.8 million while the EBITDA margin widened to 23.1% as compared to 21.2% in 2014-15. The diluted earnings per share grew by 25.6% to ₹33.92, reflecting robust execution, improved product mix, enhanced productivity and optimization of costs.

We delivered solid financial results fuelled by strong performance in the US market with our increasing number of differentiated oral and injectable products. US formulation business contributed 55% to the overall formulation revenue during the year, and the revenue generated from the US business grew by 27.2% over the previous year.

Formulations sales across all geographies grew by 16.8% to ₹111,656.6 million as against ₹95,586 million in the previous year and constituted 79.5% of the revenues while active ingredients made the balance 20.5%.



Revenue from active pharmaceutical ingredients (APIs) has been ₹28,836.5 million in the year under review, which is higher by 6.6% over 2014-15. The growth has mainly been led by the high value non-betalactam APIs, despite ramping up volumes to meet the exponential demand for in-house formulation manufacture. Debottlenecking efforts are being undertaken at the existing facilities to supplement API capacities.

We actively created synergies between the acquired businesses at Western Europe with the Company's existing ground presence in several European markets. The acquired business witnessed profitability during the year, contributed by business structures getting streamlined, integrated and optimized to improve information flow, decision making and control. The processes were simplified

Revenue CAGR

**33.4%**

Between 2012-13 & 2015-16

Return on equity

**32.2%**

Return on capital employed

**26.2%**