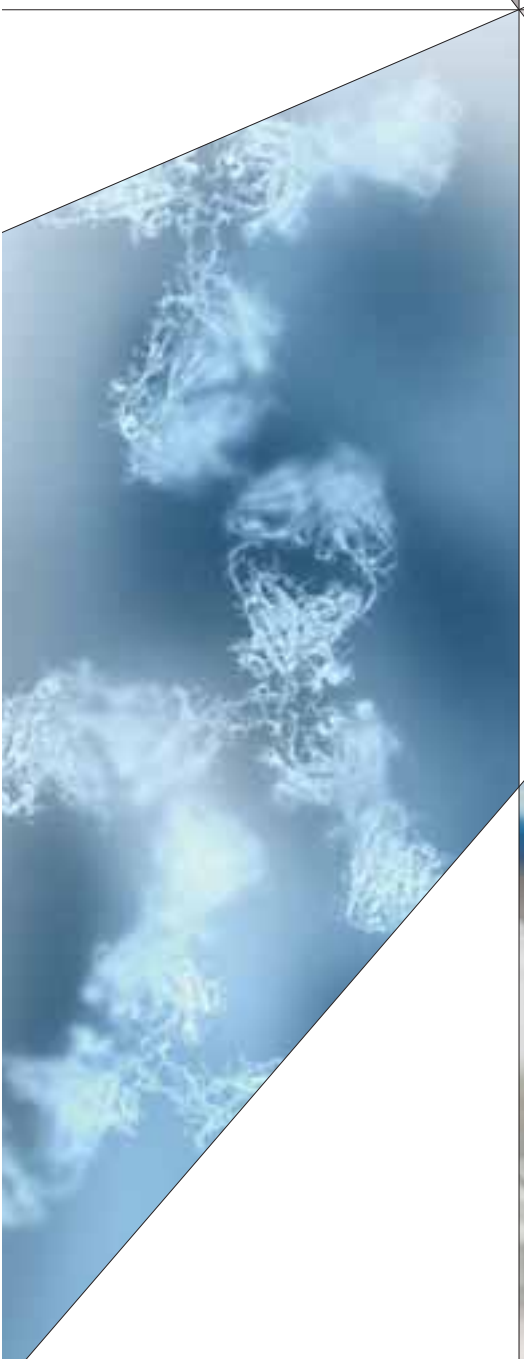
Biocon



PARADIGM CHANGED

ANNUAL REPORT 2013

Paradigm Changed: 2013

ORGANIZATIONAL STRUCTURE

A new SBU structure has been created to enable aspirational growth **that achieves Biocon's US$ 1 billion goal.**

NOVEL MOLECULES

ALZUMAb™ (Itolizumab), the world's first **novel anti-CD6** antibody for **psoriasis** developed by Biocon, received regulatory approvals for launch in India.

RESEARCH SERVICES

This business crossed a major **milestone of US$ 100 million** in revenue, making it the second largest CRO in Asia.

BIOSIMILARS

Biocon–Mylan partnership for **co-development of three insulin analogs,** has strengthened Biocon's commitment to offer affordable therapy to diabetic patients worldwide.

With the approval of Itolizumab, a novel molecule for the treatment of *Psoriasis*, Biocon has changed the healthcare paradigm in India. An outcome of transformative innovation, this novel biologic drug has the imminent potential to alter the course of autoimmune diseases and the lives of patients all over the world.

PARADIGM

Biocon has always aspired to make a difference but perhaps most significantly, we aim to change the paradigm. We target those diseases that are chronic, where medical needs are yet largely unmet. We leverage India's value advantage and scientific excellence to continuously accelerate new and differentiated therapies to market. **We endeavor to transform innovation while keeping it affordable and accessible.**

In the life-threatening segment of anti-cancer therapies, we have delivered to the Indian patient BIOMAb EGFR®, a proprietary anti-cancer drug. In the chronic diabetology segment, our Oral Insulin is steadily advancing through the clinic. **And now, for autoimmune diseases, we present the world's first novel anti-CD6 monoclonal antibody (MAb), Itolizumab.**

The prevalence of autoimmune maladies has increased to levels never before seen in human history. Yet, very few know the vital basics about autoimmune diseases. That all of them have in common, the malfunction of the body's immune system, which turns on itself, targeting and destroying its own healthy cells, tissues and organs. At present, the challenge before the global healthcare community is to find therapies to reverse the 'friendly fire' rather than alleviate the symptoms. **Biocon has transformed this breakdown of the body's immunity into a breakthrough in medical innovation.**

CHANGED

Our novel and differentiated anti-CD6 molecule, **Itolizumab,** has received marketing approval from the Drugs Controller General of India (DCGI) for the treatment of chronic plaque **psoriasis**. **Itolizumab** is a **'first-in-class'** therapy with a unique mechanism of action (MOA) and an excellent safety profile. It is the first biological drug for **psoriasis** that has been researched, developed and manufactured in India. Completing its 'Lab to Market' journey, Itolizumab is ready to be introduced as ALZUMAb™ to provide relief to patients across the country.

For Biocon and global healthcare, Itolizumab is far greater than a drug. It is potentially a pipeline within a product. Its approval for psoriasis is the first milestone on a promising and exciting journey towards new treatment options for life-changing autoimmune diseases affecting patients across the globe.

With ALZUMAb™, Biocon has delivered its second novel biologic to India, once again delivering on its promise of affordable innovation.

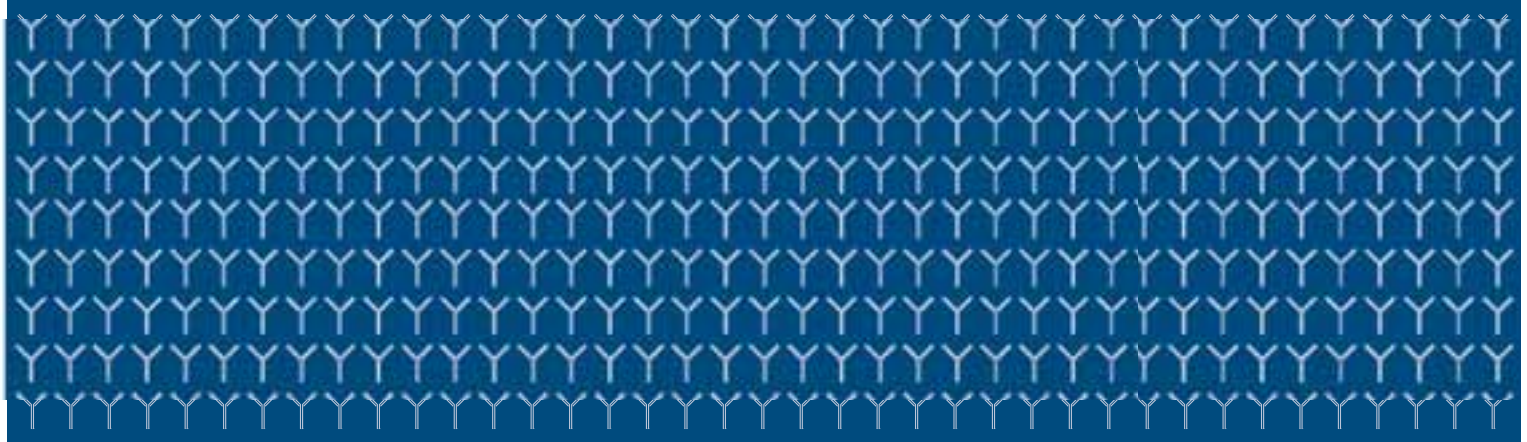
Autoimmune diseases are on the rise globally. Over 50 million people in the U.S. suffer from autoimmune diseases, while heart disease affects over 20 million and cancer close to 10 million people.

Women are three times more prone to autoimmune diseases **than men.**

Source: NIH / AARDA / EvaluatePharma

The autoimmune disease segment encompasses over 100 diseases including type 1 diabetes, multiple sclerosis, rheumatoid arthritis, **psoriasis**, etc.

Nearly 2-3% of the world's population suffers from psoriasis.



Source: *NIH / AARDA / EvaluatePharma*

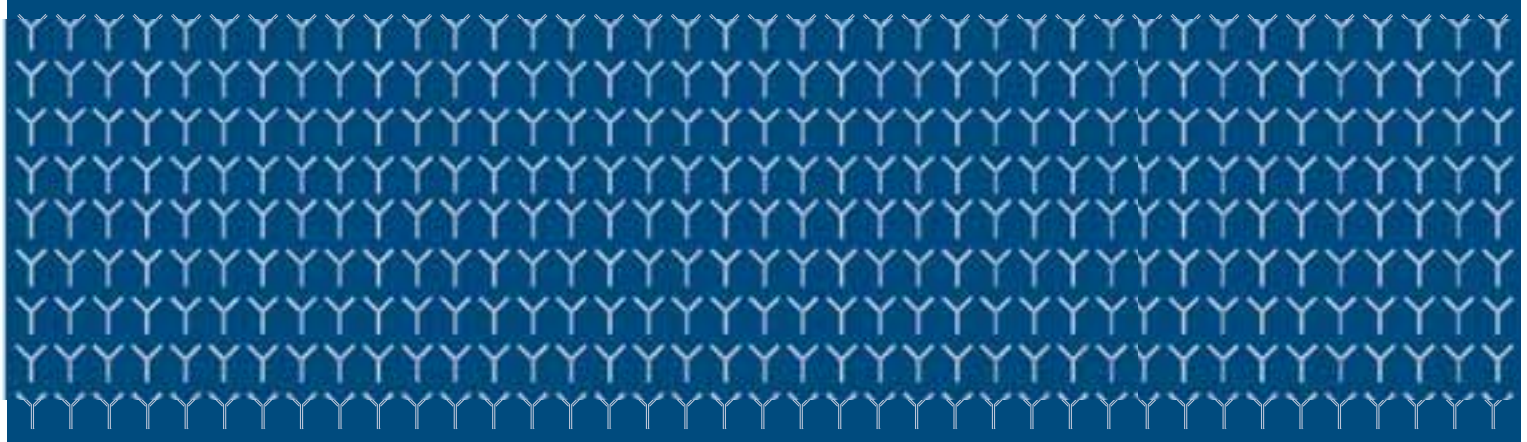
The autoimmune disease segment is amongst the Top 10 disease segments.
Annual direct healthcare costs for autoimmune diseases in the U.S. are over US$ 100 billion in comparison to nearly US$ 60 billion for cancer.

Currently available therapies target only 10 of the over 100 unique autoimmune diseases.

Source: *NIH / AARDA / EvaluatePharma*

New drug development programs **target only 30%** of over 100 autoimmune diseases.

Research spending on autoimmune diseases is **less than 10% of spending on cancer.**



Source: *NIH / AARDA / EvaluatePharma*

Kiran Mazumdar-Shaw
Chairman

CHAIRMAN'S REVIEW

Dear Shareholders,

The year gone by has been focused on effecting organizational change that can deliver the required growth to meet the aspirational goal of achieving a US$ 1 billion top line by 2018. In preparing for this, consultants from McKinsey & Co. have engaged with Biocon's leadership to arrive at an optimal paradigm that can drive robust and sustainable growth.

PARADIGM CHANGE – ORGANIZATIONAL STRUCTURE

After careful deliberation, it was decided to move from a function-led to a business-led structure by carving out Strategic Business Units (SBUs), where businesses own core functions and share support functions.
Accordingly, five key Business Units have been created:
> Small Molecules: APIs and Generic Finished Dosages
> Biosimilars: Insulins, Monoclonal Antibodies & Biologics
> Branded Formulations (India)
> Novel Molecules
> Research Services

The newly carved SBUs will be supported by teams from R&D, Quality, Regulatory, Human Resources, Procurement & Supply Chain, Finance, Legal, Corporate Communications and General Administration. Research Services comprising Syngene and Clinigene platforms, has been a standalone integrated business from its inception and has already evolved its independent support functions.

These changes, we believe, will help us create an optimal matrix, where business heads will have greater clarity on business needs and a better understanding of deliverables. We also expect that this will enable shorter response times and faster decision making thereby enabling better execution of strategy. A key expectation

For Small Molecules, the strategy is to move up the value chain & lower the threat of commoditization

We currently have over 20 ANDA programs under development

is that each SBU head will have greater autonomy and greater accountability for the financial performance of their respective businesses.

Even as we change the way that the organization is structured, we are altering our business approach as well.

PARADIGM CHANGE – BUSINESS STRATEGY

SBU: Small Molecules - APIs & Generic Finished Dosages

Added Value

Up until now, our Biopharma business was led by fermentation-based small molecule APIs viz. Statins and Immunosuppressants. The strategy ahead is to lower the threat of commoditization by moving up the value chain to Generic Finished Dosages for global markets. In line with this evolution, we will create a new ANDA sub-business unit that will vertically integrate our APIs business.

The ANDA initiative aims to build a robust pipeline of difficult-to-make, technology-intensive molecules which can be commercialized primarily in the U.S. as well as other global markets. We currently have over 20 ANDA programs under development. We expect to file our first ANDA in the U.S. by FY15. The focus is on key therapeutic segments like oncology, diabetology, cardiology, dermatology, ophthalmology and inflammatory diseases.

SBU: Biosimilars - Insulins & Monoclonal Antibodies

The Next Wave of Growth

Biosimilars are expected to provide the next wave of growth for Biocon as global consensus builds around regulatory guidelines. Patents protecting some of the

Partnership with Mylan on five biosimilar biologics is progressing well

Insulin Analogs deal with Mylan strengthens the Biocon-Mylan partnership

biggest-selling biologic products will expire soon, heralding that global markets are getting ready for the entry of Biosimilars. The latest available IMS forecast for Biosimilar products indicates a global market size of US$ 5 billion by 2016.

Aligning with this opportunity, we expect that revenues from Biosimilar Insulins & Monoclonal Antibodies (MAbs) will contribute approximately 20% to our overall business revenues by 2018.

We have allied with Mylan as a strategic partner for our Biosimilar programs. This partnership has seen two phases of collaboration. The first phase was initiated in 2009 with a portfolio of five Biosimilar Biologics viz. Trastuzumab, Bevacizumab, Etanercept, Adalimumab and Pegfilgrastim. Phase two in 2013 saw the extension of this partnership to include three Biosimilar Insulin Analogs viz. Glargine, Lispro and Aspart.

The Biosimilar Insulin Analogs deal executed with Mylan this year, is significant as it endorses the high value of Biocon's Insulins portfolio following the amicable dissolution of our global partnership with Pfizer in FY12. Unlike the erstwhile Pfizer deal, which was based on development milestone payments and royalties, the Mylan deal involves co-development and profit sharing upon commercialization. This means that Mylan will bear a significant portion of the development costs required to take these Insulin Analogs to U.S. and European markets.

Significant progress is being made in our Biosimilar MAbs programs. A global Phase III trial for Biosimilar Trastuzumab for treating metastatic breast cancer (MBC) continues to recruit patients with trial approvals in major European countries. We have also completed patient recruitment in a separate Phase III trial for Biosimilar Trastuzumab in India and expect to file for regulatory approval with the Drugs Controller General of India (DCGI) in 2014.

- Branded Formulations portfolio comprises 80 brands across seven therapy segments

- Biologics contribute nearly 50% to Branded Formulations revenue

SBU: Branded Formulations (India)

Premium Niche through Branded Biologics

Over the years, Biocon has been able to differentiate itself as a biologics-led healthcare company and has thereby created a premium niche in a crowded Indian pharma market. Today, Biocon stands apart as the largest domestic Branded Biologics Company in the country.

Our India-centric Branded Formulations business has a portfolio of over 80 brands across seven therapy segments. What makes us unique is the fact that approximately 50% of our business accrues from Biologics.

Biologics are expensive to develop, but by offering these world-class products at affordable prices, we have been able to make a huge difference to millions of patients in India.

Biocon's contribution to bringing affordable medicines to the market is making significant impact in cancer care, where our wide portfolio of drugs is gaining us recognition as a leading Oncology Company in India.

Our Oncotherapeutics division was created in 2006 on a strong foundation of innovation and differentiation with the launch of Nimotuzumab, the first novel biologic from our R&D pipeline. Nimotuzumab is a humanized anti-EGFR MAb approved in India for the treatment of head and neck cancers.

Nimotuzumab, sold under our brand BIOMAb EGFR®, has revolutionized the treatment of head and neck cancer. It is considered the best available treatment in its class of drugs given its efficacy and superior safety profile in terms of minimal skin toxicity. BIOMAb EGFR® also provides reduced cost of therapy which is at least 50% lower than other comparable therapeutics. Over 5,500 patients have

ALZUMAb™, the world's first novel anti-CD6 monoclonal antibody has been developed at Biocon

Biocon is a front-runner in the race to develop biologics in the Th17 pathway

been treated with BIOMAb EGFR® thus far. Significantly, over 1,500 patients have been able to access this life-saving drug through our compassionate use program for underprivileged patients.

Another key treatment is Evertor™, the first generic Everolimus (an mTOR inhibitor) to be introduced to several global markets. Launched two years ago, Evertor™ has been used to treat over 1,100 renal cancer patients. The drug has been offered at a therapy cost that is at least 60% lower compared to the innovator brand.

Our leading division, Diabetology continues to grow in stature as the largest Indian Insulins Company. In keeping with our mission to deliver affordable healthcare, our Insulin products marketed under our brands Insugen®, BASALOG® and INSUPen® have made an enormous difference to diabetics not only in India but to patients across developing and emerging markets.

The most recent addition to our branded products segment is Immunotherapy where we are at the threshold of introducing a breakthrough innovation, an anti-CD6 MAb, Itolizumab. This drug has been approved by the DCGI as a novel therapeutic for **psoriasis** after a successful Indian Phase III clinical trial. Shortly to be launched under the brand name of ALZUMAb™, we are confident that this novel drug will occupy a leadership spot in the dermatology space.

SBU: Novel Molecules

From 'Lab to Market'

ALZUMAb™ (Itolizumab), our novel anti-CD6 MAb, will offer a new line of treatment that is set to usher in a paradigm shift in the management of **psoriasis**. In addition, ALZUMAb™ (Itolizumab) has shown promise in several other indications including rheumatoid arthritis (RA), multiple sclerosis (MS) and other autoimmune

ALZUMAb™ is a breakthrough innovation from India with a potential to have a global impact

Biocon-BMS partnership aims to unlock the potential of IN-105, our Oral Insulin molecule

conditions. Emerging data shows that Th17 cells – a subset of T-cells – play a critical role in autoimmunity and there is a new focus within the biotech/pharma Industry to design ongoing research around the Th17 pathway.

ALZUMAb™ (Itolizumab) has taken the lead in this area. It targets CD6, a cell surface receptor expressed by T-cells, shown to reduce proliferation of Th1 and Th17 cells. Biocon is one of the few companies to have a novel MAb with a mechanism of action (MOA) and clinical data involving the Th17 pathway.

This is the first anti-CD6 monoclonal antibody in the world to be commercialized, which makes it a path breaking innovation to come out of an Indian laboratory. While large pharma innovators are now pursuing molecules that play in the Th17 pathway, Biocon is a recognized front-runner.

Leading Indian dermatologists who participated in the pivotal clinical trial are encouraged with the long remission of **psoriasis** in patients treated with ALZUMAb™ (Itolizumab). For Biocon, we see this novel drug as an important beginning in our quest for recognition as a global innovator and we have made a big statement with ALZUMAb™ (Itolizumab). We are proud that this will be the first instance of a breakthrough innovation that will be taken from India to the developed world.

Our Oral Insulin candidate IN-105 is also a novel molecule that we believe holds great promise. Although an unexpected placebo effect prevented the primary end point from being attained in the clinical trial conducted in India, the secondary end points clearly indicated that the drug works in terms of glucose lowering. The ongoing effort is to redesign a protocol that will correct the inadvertent flaws of the previous trial and bring out the efficacy of this exciting molecule.

Bristol-Myers Squibb (BMS) has seen the merit of this approach and has entered into an Option Agreement for IN-105. This agreement provides for financial and

> Research Services business crossed the milestone of US$ 100 million revenue

> GE Capital investment highlights the growing stature of Syngene as a valuable CRO

developmental assistance from BMS to establish efficacy through a number of Phase I & II clinical trials. On the completion of these studies, BMS will have an exclusive option to further develop and commercialize the asset worldwide.

SBU: Research Services

Differentiation through Specialized & Integrated Services

This business unit comprising Syngene and Clinigene platforms, celebrated a big milestone this year when it crossed the US$ 100 million revenue threshold. This validates the strategy of moving from a commoditizing 'fee-for-service' model to integrated and value-added services that span from early discovery to late stage clinical development. The robust growth delivered by this business reflects a strong mix of retained and expanded clientele as well as the addition of important new customers across diverse platforms that go beyond biopharma to include nutrition, consumer health, agrochemicals, food science and electronics sectors. Today, we have approximately 90 life sciences customers including 16 of the Top 20 biopharma companies of the world. The current growth momentum and strong order book indicates that we are moving in the right direction.

In fact, Syngene has emerged as India's largest and Asia's second largest Research Services Company.

Syngene's growing stature has also attracted a valuable investor GE Capital to take an approximately 7.7% stake at a post investment valuation of ₹ 16,250 million. This clearly validates the scale, the value, the quality and the differentiation of Syngene as a leading Research Services Company.

PARADIGM CHANGE – CORPORATE SOCIAL RESPONSIBILITY

Building Sustainable Solutions

We see Corporate Social Responsibility (CSR) as a very important part of our

Biocon Foundation provided over 400 homes to families displaced by floods

Over 5,000 people were screened for oral cancer and over 300 individuals were detected with positive lesions

business. As a Company we are conscientious about investing in our community and welcome the new Companies Bill recommendation to allocate 2% of corporate profits in the realm of CSR.

The Biocon Foundation was created in 2005 to redefine Corporate Social Responsibility, the Biocon way. Our approach has been to make enduring social impact through programs that build sustainability. We have chosen to focus our efforts on creating a comprehensive and integrated ecosystem that can deliver affordable and effective healthcare to our rural populations. We have also chosen to support education initiatives that can raise the level of teaching in rural schools. When it came to lending support to devastation caused by a natural calamity, we have spontaneously come forward and built a township that provided over 400 homes for homeless families who were displaced by floods that ravaged Bagalkot District in North Karnataka.

Healthcare

Our comprehensive healthcare efforts span preventive, primary, secondary and tertiary healthcare programs. Our micro-health Insurance program, Arogya Raksha, now serves nearly 2,00,000 people across nine primary health centers in rural Karnataka.

This year, we increased our focus on chronic illnesses through tobacco cessation and oral cancer screening programs.

We have embarked on an innovative program for the early detection of oral cancer through screening and education. This is a collaborative program with the State Government and ASHA (Accredited Social Health Activist) workers. Oral cancer

- Initiated a pilot program on child nutrition

- *Chinnara Ganitha* work books have significantly improved the mathematical skills of schoolchildren

screening was conducted in high risk groups in three pilot villages this year. This screening relied on mobile phone technology which used specially developed software. Over 5,000 people were screened, of which over 300 individuals were detected with positive lesions, who were taken to the nearest diagnostic center for a biopsy. This has led to early intervention and potential cancer cure. This program also aims to drive the cessation of tobacco products usage, which is the root cause of oral cancers.

Malnutrition in children is another area being addressed by the Biocon Foundation. A survey conducted by us in Bagalkot District of Karnataka revealed that over 3,000 children under the age of five are malnourished. In partnership with the local administration at Bagalkot, we have initiated a pilot nutrition program which will be scaled up once positive outcome data is received.

Education

As mentioned earlier, we have focused our efforts on improving the quality of primary education delivery in rural schools. Our program on distributing special work books on mathematics (Chinnara Ganitha) to a large number of Government Schools has generated data that indicates that children have significantly benefited from these books. Their computational skills are way above those who have not had access to these books.

Infrastructure

In 2009, hundreds of families were rendered homeless by devastating floods that hit North Karnataka. At the request of the Government of Karnataka, Biocon has built Biocon Nagara in Mangalgudda, Bagalkot. Each house has been provided

- Group revenue grew 18% in FY13, driven by Research Services & Branded Formulations

- Research Services revenue increased 36%, Branded Formulations was up by 34%

with a toilet and solar lighting. We have been requested to build an additional 100 homes which we have agreed to do this fiscal.

At Biocon Nagara (Biocon Township), we wish to build a model village with good sewage and sanitation, rain water collection, a primary health center, a computer aided school and a community center to conduct workshops on skills and adult education.

FINANCIAL PERFORMANCE

FY13 has been a very significant year for us at Biocon. At a Group level, revenue grew 18% driven primarily by stellar performances in Research Services and Branded Formulations. Our Research Services business showed a robust revenue growth of 36% from ₹ 4,101 million to ₹ 5,572 million this year. Our Branded Formulations business grew 34% from ₹ 2,594 million to ₹ 3,474 million in FY13. Overall, our EBITDA and PAT margins have been delivered at 23% and 20% respectively.

Exceptional income realized from the partnering of our Biosimilar Insulin Analogs portfolio with Mylan saw the Group net profit surge 50% to a record ₹ 5,088 million. Excluding exceptional items, Group net profit was at ₹ 3,430 million. It must be highlighted though, that PAT has been significantly impacted by tax which has increased from ₹ 541 million in FY12 to ₹ 975 million this fiscal. This is on account of a partial loss of SEZ and EOU tax benefits for various manufacturing facilities.

LOOKING AHEAD

FY14 promises to be an exciting year for Biocon as we will launch ALZUMAb™, our second novel biologic after BIOMAb EGFR®.

A rich pipeline of innovative programs has made Biocon one of the highest R&D spenders in India

Innovation and IP will create exponential and enduring value for Biocon's stakeholders

To sustain our growth momentum we will continue to augment our Branded Formulations and Research Services businesses. We also expect to expand our Insulin footprint in emerging markets which will add to this growth. Our focus this fiscal will be to optimize our product mix in our APIs business and drive down cost across all businesses through higher productivity and better cost containment. I would like to commend Team Biocon for delivering strong growth under challenging circumstances this fiscal.

Finally, I am proud that our strong commitment to research and innovation has enabled us to bring to the market a 'first-in-class' biologic drug that has the potential to change the treatment paradigm of **psoriasis** and other autoimmune diseases. This lends credibility to our strategy of building a rich pipeline of innovative programs that has today made Biocon one of the highest R&D spenders in this country. I have no doubt that innovation and intellectual property are hallmarks that will create exponential and enduring value for Biocon's stakeholders in the coming future.

Thank you.
Yours sincerely,

Kiran Mazumdar-Shaw
Chairman
June 10, 2013

NOVEL MOLECULES

The Novel Molecules business unit is driven by its mission to capitalize on Biocon's inhouse expertise and talent to create innovative therapies in diabetes, oncology and autoimmune diseases.

During the year, the Novel Molecules business made significant progress in Biocon's endeavour to deliver new therapies from breakthrough innovation, to patients worldwide.

With the regulatory approval of ALZUMAb™, partnering of IN-105 (Oral Insulin), and first-in-human clinical studies for BVx 20, this unit is at the cusp of unlocking significant value from these molecules for patients as well as other stakeholders.

AUTOIMMUNE DISEASES

WHAT IS AUTOIMMUNITY?

Our immune system's most important job is to protect our bodies against foreign invaders, such as bacteria and viruses. White blood cells or lymphocytes are the agents of the immune system that directly attack these invaders or produce proteins called antibodies that stage a defense. Normally, the choreography of this interaction between the white blood cells works very well. But once in a while, white blood cells overreact to stimuli inside the body. Instead of protecting the body from infection or disease as it normally does, the immune system attacks and destroys the body's healthy tissue. This is called autoimmunity.

WHAT CAUSES IT?

The immune system normally can distinguish 'self' from 'non-self'. Some lymphocytes are capable of reacting against self, resulting in an autoimmune reaction. Normally, these lymphocytes are suppressed. Autoimmunity occurs naturally in everyone to some degree; and in most people it does not result in diseases. However, when there is an interruption of the usual control process, allowing lymphocytes to avoid suppression, or when there is an alteration in some body tissue so that it is no longer recognized as 'self' and is thus attacked, an autoimmune disease can occur.

TREATMENT OF AUTOIMMUNE DISEASES

There are many strategies to treat autoimmune diseases, but most of them interfere with the body's ability to fight disease, especially infections, thus leaving patients with weakened immune systems. Preferred treatment would be targeted therapy that can block the specific molecules that stimulate immune responses and induce tolerance to self antigens.

ABOUT PSORIASIS

Psoriasis is a chronic, socially debilitating disease of the skin affecting approximately 2-3% of the world population. Several strategies have been indicated for the treatment of **psoriasis** including phototherapy, photochemotherapy, systemic and local therapy. Targeted biologic therapy however, has the potential to transform the treatment paradigm especially for patients with moderate to severe **psoriasis** who often don't respond well to localized or systemic treatments.

THE ROLE OF T-CELLS AND CD6

Recent scientific investigation has revealed that T lymphocytes are cast with a leading role in the play of autoimmunity. They are believed to contribute to the initiation and perpetuation of several autoimmune diseases, including **psoriasis.** One of the co-stimulatory pathways engaged in T–cell activation involves the interaction between the activated leucocyte-cell adhesion molecule (ALCAM), found on antigen presenting cells, with CD6 receptors present on T–cells. CD6 is a pan T–cell marker involved in co-stimulation, adhesion and maturation of T–cells.

Itolizumab/from Lab to Market

'FIRST-IN-CLASS' NOVEL BIOLOGIC FOR PSORIASIS

*ALZUMAb™ (Itolizumab), a new line of treatment, is set to usher in a paradigm shift in the management of **psoriasis** that will benefit patients tremendously. It is the second novel biologic developed in India by Biocon, after BIOMAb EGFR®, the monoclonal antibody approved for head and neck cancer.*

2006
Biocon initiated the development of antibody for autoimmune diseases

In the Laboratory

> BREAKTHROUGH INNOVATION

World's first molecule targeting a novel CD6 pathway that will usher in a transformative change in treatment of autoimmune diseases.

Early Discovery

An unwavering focus on innovation has led Biocon to scout for high potential research programs around the world. Its partnership with The Center of Molecular Immunology (CIM), Havana, in 2004 was a key step in the discovery pathway of Itolizumab – a breakthrough innovation approved in India for the treatment of psoriasis, today.

This monoclonal antibody (MAb) selectively targets CD6, an antigen found to play a significant role in T-cell stimulation, triggering an autoimmune response. Today, the area of T-cell co-stimulation is a hotbed of clinical research activity worldwide – applications range from cancers like melanoma to autoimmune diseases such as multiple sclerosis (MS) and rheumatoid arthritis (RA).

Itolizumab is the world's 'first-in-class' humanized anti-CD6 MAb that binds to CD6, thereby down-regulating T-cell activation, causing reduction in synthesis of pro-inflammatory cytokines and T-cell infiltration at sites of inflammation.

ITOLIZUMAB: R&D TEAM

"Itolizumab has a unique mechanism of action (MOA) that inhibits CD6-mediated co-stimulation of T-cells and down-regulates production of multiple pro-inflammatory cytokines. Significantly, T-cells in circulation are not depleted which means general immunity is not compromised and the body can continue to fight infection.

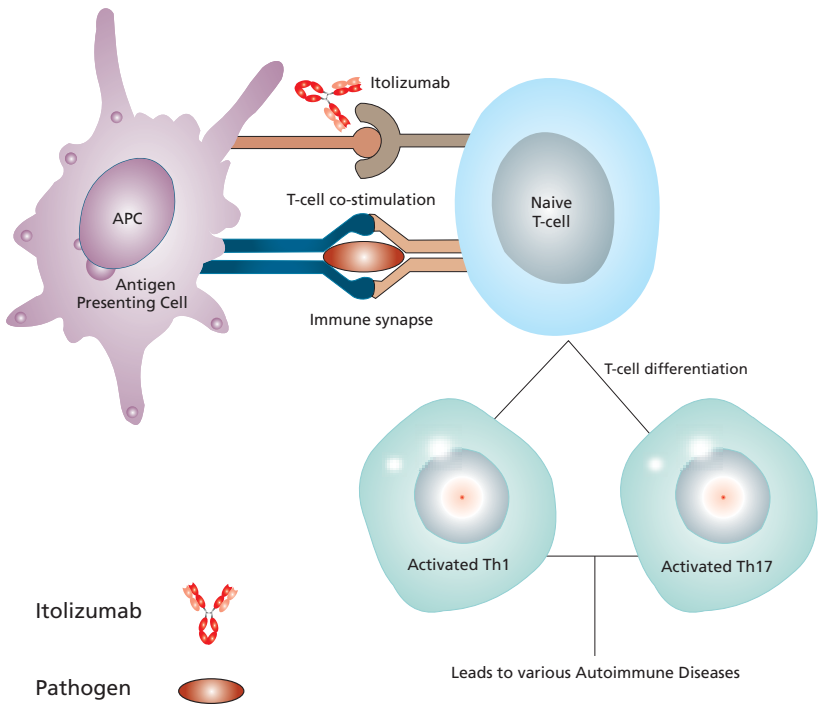
This is an essential point-of-differentiation compared to other biologics available in the market today. The other biologics are cytokine inhibitors, which act downstream in the pro-inflammatory cascade, as opposed to Itolizumab which acts upstream inhibiting the formation of cytokines, leading in turn, to lower infection rates and longer remission periods.

This differentiated MOA positions Itolizumab as a 'first-in-class' and potentially 'best-in-class' treatment for **psoriasis**, when compared to other drugs like TNFα inhibitors."

Biocon's determined focus on applying the science of T-cell co-stimulation has resulted not only in the clinical validation of CD6 as a novel target but also demonstrated its potential in treating a range of autoimmune diseases. The promising pre-clinical data was effectively translated in the clinical setting with two initial Phase II trials in India focused on **psoriasis** and rheumatoid arthritis, setting the stage for a broader Phase III evaluation.

Over the last decade, Biocon's focus on breakthrough innovation has leveraged its cutting-edge science and technology capabilities in characterizing and developing a humanized anti-CD6 MAb, Itolizumab, now presented as ALZUMAb™. This accomplishment bears testimony to Biocon's significant successes in building uniquely innovative assets.

Itolizumab: Novel Mechanism of Action Validated by New Evolving Science



The hallmark of adaptive immunity is the existence of lymphocytes like T-cells, B-cells and natural killer (NK) cells. Traditionally, pathogen activated naive T-cells were recognized for differentiating into different subsets with distinct effector functions: Th1 and Th2. Recently, this paradigm has evolved to incorporate the highly exciting discovery of a third subset of Th cells - Th17. The new emerging data demonstrates that Th17 cells play a critical role in autoimmunity and there is a new focus within the biotech/pharma industry to design ongoing research around Th17.

Itolizumab has taken the lead in this area. It targets CD6, a cell surface receptor expressed T-cell, shown to reduce proliferation of Th1 and Th17 cells. Biocon is one of the few companies with a validated MOA, and clinical data involving Th17 pathway, and is probably the first company to take a product based on this from 'Lab to Market'.

2008
DCGI approval for Phase II clinical study obtained

2009
Phase II study for psoriasis completed

Itolizumab / From Lab to Market

In the Clinic

> SAFETY > EFFICACY > LONGER REMISSION

Multi-centric clinical studies were conducted in India in over 300 patients as per Good Clinical Practice Guidelines

With Itolizumab, Biocon has validated not only a novel target implicated in moderate to severe plaque psoriasis but also led the way through robust clinical evidence – positioning it for success not only in India but also globally.

Biocon's Research & Development model is also proving to the world that India definitely has the scientific capability and commitment to translate breakthrough innovation into affordable therapy. The Company went against the tide in pursuing a novel target, designing a world class exploratory and clinical program to validate it, and thereafter successfully navigated this novel anti-CD6 MAb through the clinic.

Post early pre-clinical and clinical successes, Biocon designed and conducted a robust Phase III clinical study in India spanning a population of over 300 patients across 20 centers. Results from the 52-week Phase III study showed that at the end of 28 weeks of treatment, 46% of the patients achieved at least a 75% improvement in their **psoriasis** while more than 80% of the trial patients achieved clinically meaningful response of 50% improvement (PASI 50*). The PASI 50 data at week 28 places Itolizumab at par with the best available biologics for **psoriasis** treatment.

"We strongly believe in the novel mechanism of action of this molecule which opens a new treatment paradigm for **psoriasis** and other auto-immune diseases. We are confident that with the excellent safety and efficacy profile, low opportunistic infection and high remission rates, Itolizumab will benefit a large number of patients suffering from debilitating autoimmune diseases."

DR. ABHIJIT BARVE, M.D., PH.D., PRESIDENT, R&D

Psoriasis Clinical Studies: Patient Experience

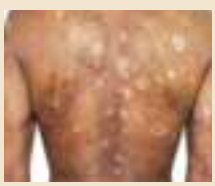
PATIENT 1: 35-YEAR-OLD

Before

After

Saraswati *(name changed)*, a 35-year-old woman suffering from **psoriasis** for over 11 years had taken several treatments in the past without much relief. She was treated with Itolizumab, Biocon's novel anti-CD6 antibody at a leading hospital in Bangalore during a clinical study. She started responding well to the treatment within four weeks and after eight weeks, had a 97% improvement in her condition. Her treating physicians were pleased with her recovery, that occurred with almost no adverse effects. After the completion of her treatment regimen, she was observed for six months and did not have recurrence of the disease. Almost five years later, the patient continues to live a disease-free life. It's a euphoric moment for the team of doctors and scientists working on this project, as this is probably the longest remission for this kind of disease with any biologic.

PATIENT 2: 29-YEAR-OLD

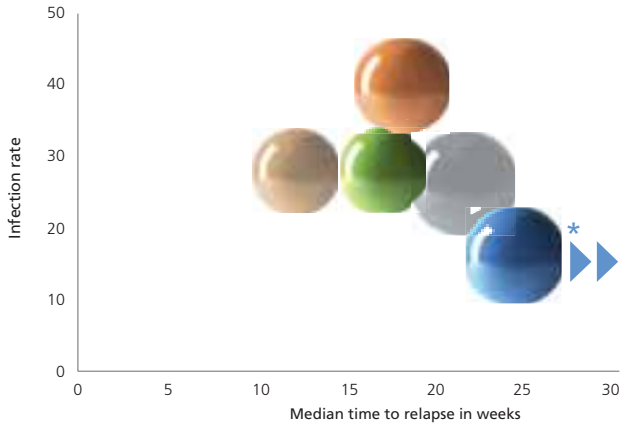


Before

After

Shiv Shambhu *(name changed),* a 29-year-old man from Coimbatore was suffering from severe **psoriasis** for over six years and had a PASI score of 22. He repeatedly failed to respond to various treatments and decided to enroll into the Itolizumab clinical trial in 2011. Within eight weeks of treatment with Itolizumab he achieved complete remission (PASI 0) and post stoppage of medication he sustained complete remission (PASI 0) of **psoriasis** during the six month observation period.

Itolizumab Value Proposition: Safest Choice with Longest Remission & Similar Efficacy



Follow-up data indicates long remission periods of at least 24 weeks after stopping the treatment

Bubble size based on PASI 50 responders (efficacy)
Source: Kumaria M et al., Psoriasis Forum, 2010

* Median time to relapse is yet to be met at week 24 follow-up

2010
Phase III TREAT-PLAQ Study for psoriasis initiated

2012
Positive results of Phase III clinical study declared

The data from randomized withdrawal phase (weeks 28-52) demonstrated that majority of the trial participants maintained their clinical benefit even after six months of stopping the treatment. This observation suggests that Itolizumab has longer remission periods compared to most other available biologics.

Itolizumab also exhibited an excellent safety and tolerability profile with low rates of infection, suggesting a favorable risk-benefit profile compared to currently available biologic treatments. Improvements were seen not just in symptoms but also in quality of life on physical and mental parameters with better Dermatology Life Quality index.

By way of its excellent safety and efficacy profile in providing longer periods of remission, and lower infection rates, Itolizumab is poised to offer an effective treatment solution to a large Indian patient population suffering from **psoriasis**.

** PASI: Psoriasis Area Severity Index*

From India to the World: Biocon is committed to taking ALZUMAb™ (Itolizumab), its novel biologic for **psoriasis**, to patients across the globe. We are encouraged by the results of early clinical studies in other autoimmune diseases such as rheumatoid arthritis and multiple sclerosis, and are resolute in identifying a strategic global partner to develop this molecule from 'bench to bedside' for a larger, global patient population.

ALWAYS ALZUMAb™
A novel biologic

2012
Post successful Phase III, applied for marketing approval to DCGI

2013
Marketing approval received from DCGI, product to be introduced in the market

Itolizumab / from Lab to Market

To the Market

> BLOCKBUSTER POTENTIAL

ALZUMAb™ - 'First-in-class' novel biologic for psoriasis developed in India by Biocon, with excellent safety & efficacy profile, long remission periods and low infection rates.

In line with its vision of providing affordable treatment options for chronic diseases to patients across the globe, Biocon is committed to conducting global clinical studies on ALZUMAb™ (Itolizumab), in a group of auto-immune diseases including psoriasis, rheumatoid arthritis and multiple sclerosis, among others.

Prioritizing its promise to Indian patients, Biocon is seeking all necessary marketing and manufacturing approvals from the Indian regulators. It aims to introduce this breakthrough innovative product for **psoriasis**, for patients in India in 2013.

ALZUMAb™ will be a differentiated biologic with a superior safety and efficacy profile compared to other approved biologic therapies, given its very low opportunistic infection rates. Apart from a lower cost of acquisition, this also translates to a relatively lower cost of therapy, reflecting Biocon's philosophy of delivering affordable innovation.

SHUKRIT CHIMOTE
HEAD, BRANDED FORMULATIONS-INDIA

"ALZUMAb™ is a 'first-in-class' biologic approved for the treatment of **psoriasis**. We are committed to ensure that ALZUMAb™ awareness and access programs benefit the wider Indian patient population. Its superior safety compared to the other available products, comparable efficacy and competitive pricing, present a significant opportunity for Biocon to address the needs of patients in this market.

Going forward, we will also be exploring other autoimmune indications, and new geographies in order to grow this molecule further.

ALZUMAb™ is the second novel biologic developed by Biocon – the first being BIOMAb EGFR®, a humanized anti-cancer antibody. With this novel biologic, Biocon has once again proven its strong R&D capabilities and commitment to delivering affordable and innovative healthcare."

"Biocon is committed to extending the benefit of ALZUMAb™ to global markets, in multiple indications through strategic collaborations and ensure that our innovative asset reaches patients with autoimmune diseases the world over."

KIRAN MAZUMDAR-SHAW, CHAIRMAN

A novel biologic indicated for the treatment of moderate-to-severe **psoriasis**, ALZUMAb™ will be marketed by Biocon's Immunotherapy division, manufactured and formulated as an infusion drug at Biocon's state-of-the-art biopharma manufacturing facility at Biocon Park, Bangalore.

While other biological products inhibiting TNFα proliferation, like Enbrel® (Etanercept)* and Remicade® (Infliximab)*, have been in use for **psoriasis** in India, the high cost of treatment, severe adverse effects including high rates of infection and shorter remission rates have limited their utility.

Based on its excellent risk-benefit profile, novel MOA and unmet medical needs in the disease area, we are confident that this molecule will attract licensing partners. Biocon is working on filing a US IND as a precursor to global clinical trials in **psoriasis**, RA and other indications.

ALZUMAb™ is revolutionary in many ways; it is the world's first anti-CD6 molecule, has been developed in India by Biocon, an organization recognized for its innovative outlook, and will benefit a large patient population suffering from a chronic, debilitating disease.

** Brand Owners: Enbrel®: Pfizer + Amgen | Remicade®: Johnson & Johnson*

TEAM ITOLIZUMAB

ALZUMAb™ (Itolizumab) Breakthrough Innovation

> 'First-in-class' novel biologic for **psoriasis**, developed in India by Biocon.

> World's first molecule targeting the CD6 pathway that will usher a transformative change in the treatment of autoimmune diseases.

> Excellent safety and efficacy profile with longer remission periods and low infection rates.

> ALZUMAb™ to offer an effective solution to 2-3% of Indian population suffering from **psoriasis.**

> ALZUMAb™ works upstream modulating CD6 mediated co-stimulation, inhibiting lymphocyte proliferation and pro-inflammatory cytokine production.

> Other available biologics like cytokine inhibitors act downstream and have high infection and shorter remission periods.

> Biocon is committed to offer its novel biologic for **psoriasis** from India to patients across the globe.

> Preliminary studies indicate ALZUMAb™ to be safe and efficacious in many other autoimmune diseases like rheumatoid arthritis, multiple sclerosis and others.

ONCOLOGY

BIOMAb EGFR®

BIOMAb EGFR® (Nimotuzumab), Biocon's first novel biologic launched in September 2006, is ranked 2nd in the anti-EGFR market and remains the only humanized anti-EGFR MAb approved for the treatment of head and neck (H&N) cancers in India. With a unique binding property, BIOMAb EGFR® ensures anti-tumor activity without severe skin toxicities seen in other anti-EGFR therapeutics, making treatment both tolerable and convenient for the patient. Through the introduction of this molecule Biocon has enhanced the treatment outcome as well as quality of life of cancer patients in India.

In line with Biocon's philosophy of affordable innovation, the cost of therapy of BIOMAb EGFR® is at a 50% discount to other anti-EGFR MAbs and has benefitted more than 5,500 Indian patients over a span of seven years since its launch in India. With an excellent safety and efficacy profile, BIOMAb EGFR® has gained the trust of over 250 Indian oncologists and remains one of the most preferred targeted therapies in the treatment of head and neck cancers. Biocon's medical and marketing teams continue their efforts to document and present new data emanating from various studies at various national and international forums as well as in reputed journals.

BIOMAb EGFR® (Nimotuzumab) continues to be developed through its meticulous clinical development program, in the treatment of various difficult-to-treat tumors such as oesophageal cancer, cervical cancer, lung cancer, etc. Cervical cancer is a serious threat to the Indian female population and Biocon is currently conducting an Investigator Initiated Trial on 110 patients in collaboration with the HCG Group of Hospitals– amongst India's largest chain of non-government cancer hospitals. A robust Post Marketing Surveillance study of BIOMAb EGFR® in H&N cancer is in progress at the Tata Memorial Hospital aimed at recruiting over 530 patients. Additionally, four large scale Phase III international trials (two in head and neck cancer, one in lung cancer and one in gastric cancer) are ongoing to establish Nimotuzumab's 'best-in-class' status for the treatment of various cancers.

DIABETES

IN-105 ORAL INSULIN

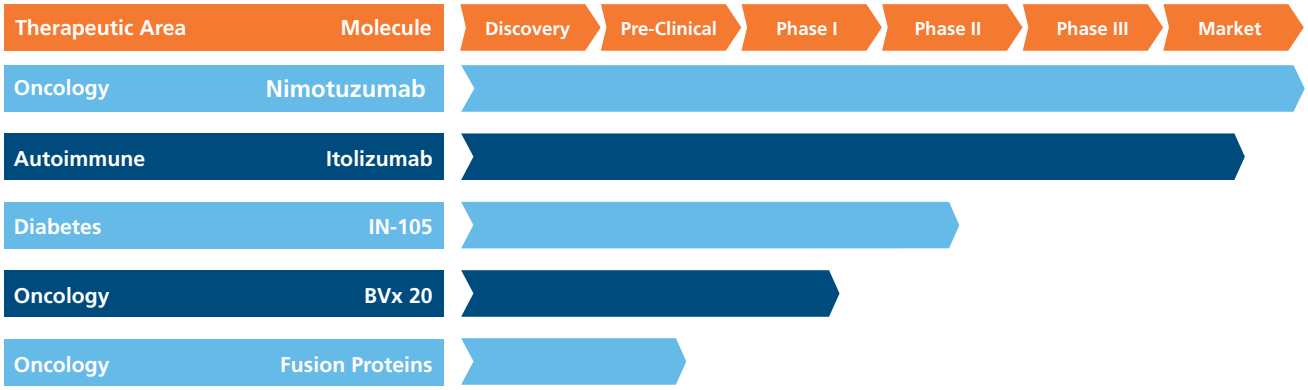
India is at the epicentre of the rising prevalence of diabetes, which is assuming epidemic proportions globally.

IN-105, an Oral Insulin program being developed by Biocon, has the potential to become the world's first orally delivered insulin with the ability to make a huge impact in patients suffering from diabetes mellitus. It is seen as a major advancement in diabetes management. Biocon remains very bullish on this important asset. A key milestone for us this year was the partnership with Bristol Myers Squibb (BMS), a leading global diabetes company, for developing Oral Insulin further.

Biocon had previously conducted a Phase III study in India with IN-105, which did not meet its primary endpoint. However, all secondary endpoints were met confirming that IN-105 behaves like a prandial insulin by significantly reducing blood glucose levels during and after meals. Furthermore, IN-105 has been shown to mimic the natural physiology of the body by targeting the liver which is a central organ in glucose metabolism. This results in lowering the risk of hypoglycemia, when blood sugar levels fall to abnormally low levels, and also prevents weight gain. The co-development partnership with BMS aims to leverage the positive data obtained from the Indian Phase III study to design future studies that will target the right patient population, where the benefits of this drug can be effectively demonstrated.

We are very excited about this asset as we see a huge potential in this molecule, which is likely to bring in a paradigm change for the patients suffering from diabetes.

Novel Molecules: Pipeline



- Itolizumab: Marketing authorization for psoriasis approved by the Indian drug regulator
- BVx 20, an anti-CD20, has entered the clinic in India
- Multiple global trials planned for Oral Insulin in collaboration with BMS

BOARD OF DIRECTORS

Ms. Kiran Mazumdar-Shaw
Chairman & Managing Director + First generation entrepreneur with more than 37 years' experience in biotechnology and industrial enzymes + Master Brewer, Ballarat University, Australia + Awarded the Padma Bhushan, one of India's highest civilian awards for her pioneering efforts in Biotechnology, 2005

Mr. John Shaw
Vice Chairman, served in senior corporate positions at various locations around the world + Former Chairman, Madura Coats Ltd.

Dr. Bala S. Manian
Chairman and Founder, Reametrix Inc.+ Co-founder, Quantum Dot Corporation and Surromed Corporation, USA + Expert in the design of electro-optical systems + Authored several peer-reviewed scientific publications and holder of many patents + Recognized through numerous awards for contributions as educator, inventor and entrepreneur, including Technical Academy Award in Digital Cinematography by Academy of Motion Pictures, Arts and Sciences

Prof. Charles L. Cooney
Professor, Chemical & Biochemical Engineering, MIT, USA + Director - Mitra Life Sciences, Pronutria Inc., and LS9 Inc., + Recipient of prestigious awards, including Gold Medal of the Institute of Biotechnology Studies and Distinguished Service Award from the American Chemical Society

Mr. Daniel M. Bradbury
Inducted as Additional Director + Managing Member of BioBrit, LLC, a Life Sciences Consulting and Investment Firm + Life Sciences Executive with over 30 years of experience in creating and implementing strategies that transform businesses, bring novel medicines to market + Former President, Chief Executive Officer and Director of Amylin + On the board of trustees of the Keck Graduate Institute, California, USA + Member of San Diego's Rady School of Management's Advisory Council + Member of Miami's Innovation Corporate Advisory Council

Ms. Mary Harney
Served as Tánaiste (Deputy Prime Minister) of the Irish Republic from 1997 - 2006 + Held the position of Minister for Health and Children (2004-2011) in the Irish government + Initiated far reaching health care reforms during her illustrious political career

Prof. Ravi Mazumdar
University Research Chair Professor, Department of Electrical and Computer Engineering, University of Waterloo, Canada + Fellow of the Institute of Electrical and Electronics Engineers (IEEE) and Fellow of the Royal Statistical Society

Mr. Russel Walls
Director, Aviva Plc + Director, Signet Jewelers Ltd etc., + Trustee and Treasurer – The British Red Cross Society + Former, Group Finance Director – BAA Plc, Wellcome Plc, Coats Viyella Plc + Former, Director - Stagecoach Group Plc, Hilton Group Plc, Delphic + Diagnostics Limited and Mersey Docks and Harbour Company

Mr. Suresh N. Talwar
Partner, Talwar Thakore & Associates + Director L&T Ltd., Birla Sun Life Insurance Co. Ltd., Blue Star Ltd., and other leading companies + Area of professional specialisation includes corporate law and related fields + Legal counsel to numerous Indian companies, multinational corporations and Indian / foreign banks

Prof. Catherine Rosenberg
Director, Syngene International Limited + University Research Chair Professor and Chairman, Department of Electrical and Computer Engineering, University of Waterloo, Canada

Mr. Peter Bains
Director, Syngene International Limited + Director, Peter Bains Consulting Limited + Director of Sosei, a Tokyo listed Japanese Biotechnology company + Extensive track record of achievement as a Senior Pharma and Life Sciences Executive

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D. Harold E. Lebovitz
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Dr. Kapil Dhingra
Managing Member, KAPital ConsultingLLC + Former Head, Roche Oncology Leadership Team

Prof. Andrew Morris
FMedSci, Professor of Medicine & Director, Biomedical Research Institute, University of Dundee

CORE COMMITTEE







Ms. Kiran Mazumdar-Shaw
Chairman & Managing Director,
Founder - Biocon Limited

Mr. Murali Krishnan
President, Group Finance,
with Biocon since 1981

Mr. John Shaw
Vice Chairman,
with Biocon since 1998

Dr. Abhijit Barve
President, Research
& Development,
with Biocon since 2010

Dr. Arun Chandavarkar
Chief Operating Officer,
with Biocon since 1990

Mr. Rakesh Bamzai
President, Marketing,
with Biocon since 1995

Mr. Ravi Dasgupta
Group Head,
Human Resources,
with Biocon since 2007

OPERATIONS REVIEW

BUSINESS UNITS

SMALL MOLECULES

Our Small Molecules business comprising APIs continued to gain momentum during the year driven by strong sales of Fidaxomicin, Immunosuppressants and Statins. Emerging markets business was driven by a strong performance in territories like CIS and Africa. Sales in the regulated markets gained further traction, driven by Fidaxomicin and other key products. We have expanded into new geographies and our business currently spans 85 countries.

Our world class manufacturing and research capabilities encompass high value, niche APIs such as immuno-suppressants as well as volume intensive APIs such as statins. We continue to be one of the largest statin and immuno – suppressant manufacturers in the world. While these two segments continue to be the mainstay of the business with their steady growth, we are also focusing on complex new generic products in segments like oncology, CNS and ophthalmics.

During the year our manufacturing facility in Hyderabad, commissioned in 2010, was approved by TGA, Australia.

MOVING UP THE VALUE CHAIN: ANDA SUB-SBU

The Small Molecules business took a big step forward by creating a new ANDA business sub-business unit. The move is aimed at leveraging Biocon's expertise in developing APIs to vertically integrate into manufacturing branded form-ulations for emerging markets and generic finished dosages for the developed markets.

This sub-business unit will focus on developing formulations for critical therapeutic areas like oncology, diabetes and immunosuppressants.

As part of this plan, Biocon has identified over 20 molecules for developing ANDAs that address a market opportunity of nearly US$ 30 billion.

Generic APIs for oncology and diabetes will complement Biocon's Branded Formulations basket of biosimilar monoclonal antibodies and generic insulin products.

The first ANDA filing is expected to happen during FY15 with regulatory filings gradually increasing in subsequent years.

QUALITY & REGULATORY

The Small Molecules R&D team is currently working on a pipeline of more than 20 complex products.

Work is currently in progress on a state-of-art facility for ANDAs at Bangalore. This facility will cater to the research needs of solid oral and parenteral products in both potent and non-potent categories of compounds. It is expected to be operational in FY14. During the year, our existing API facilities were inspected for GMP compliance by Regulatory authorities for more than 60 domestic and overseas customers. The U.S. Food and Drug Administration, TGA-Australia, Mexico's COFEPRIS and the health authority of South Korea have also successfully inspected our facilities.

The business also maintained a good pace of new regulatory filings in FY13. We submitted about 32 DMFs and 2 CEPs to regulatory agencies in the U.S., Europe, Japan and other countries.

As a part of our focus on cost leadership through operational excellence we implemented the Kaizen program across our operations.

BIOSIMILARS

A promising portfolio of Recombinant Human Insulin (rh-Insulin), Insulin Analogs and several Monoclonal Antibodies (MAbs) are at the foundation of Biocon's Biosimilars business. As patents for a number of innovator products expire over the next several years, this business will be a high potential growth driver for Biocon.

The Biosimilars unit continues to be driven by the increasing footprint of our generic rh-Insulin and generic Insulin Glargine in emerging markets. We currently have approvals in over 40 countries for generic rh-Insulin and in over five countries for generic Insulin Glargine.

Partnering has always been at the heart of Biocon's business philosophy and we have sought both research and marketing partnerships as a way to make global impact. We are leveraging partnerships to capture emerging opportunities in biosimilars.

A key milestone last year was the further strengthening of our generic partnership with Mylan by the addition of three generic Insulin Analogs to the development portfolio.

Insulins

The global Insulin market grew 9%, as measured by innovator sales, to US$ 18 billion in 2012 led by an increase in the worldwide incidence of diabetes resulting in a higher usage of Insulin. Our generic rh-Insulin and Insulin Glargine products have been well received in several emerging markets. Two other Insulin Analogs, Lispro and Aspart, are currently under development. We remain confident of making a sizable dent in the global Insulins market in the years ahead.

We extended our relationships with regional partners alongside forging new alliances in various markets during the year.

We entered into a partnership with CCM Pharmaceuticals, a subsidiary of Chemical Company of Malaysia, for exclusive licencing and distribution rights for our Insulin and Insulin Analogs in Malaysia and Brunei.

Biocon entered into a strategic collaboration with Mylan in February 2013 for the global development and commercialization of generic versions of three Insulin Analog products, Glargine, Lispro and Aspart. Mylan will have exclusive commercialization rights in the U.S., Canada, Australia, New Zealand, the European Union and the European Free Trade Association countries through a profit share arrangement with Biocon.

Both partners will have co-exclusive commercialization rights in several other markets around the world.

Mylan is a natural preferred partner for our portfolio of generic Insulin Analogs and this collaboration further strengthens our existing successful partnership.

We are excited to team up with Mylan to be able to cost effectively address the disease and economic burden that diabetes poses to global health. We are

confident that together we can build a strong global presence in generic Insulin Analogs and thereby provide access to affordable therapy options to physicians, healthcare providers and diabetes patients worldwide.

To cater to the increasing demand for Insulin and Insulin Analogs from emerging and developed markets, Biocon is building a biopharmaceutical manufacturing and R&D facility at Bio-XCell, a custom built biotechnology park and ecosystem in Malaysia. The construction of this facility is progressing rapidly as per plan.

As devices are an important component of our Insulin strategy, Biocon has made significant investments in setting up a dedicated facility for automated assembly and packaging of devices at its facility in Bangalore. This facility is likely to become operational early next year and will enable us to meet initial requirements for our markets.

QUALITY & REGULATORY

Biocon was host to a number of successful facility inspections and audits during FY13.

Our Insulin Drug Substances facility received approvals from the European Medicines Agency (EMA) as well as Mexico's COFEPRIS after a successful GMP inspection by the agencies.

Biocon's injectables fill finish facility underwent over 10 inspections for GMP compliance both by health authorities and partners/customers. A key milestone achieved during the year was the successful ISO 13485 & CE Mark certifications for reusable insulin pen and successful ISO 13485 certification for disposable insulin pen, a combination product.

CLINICAL DEVELOPMENT

Global Phase I Study for Glargine

On the regulatory front, Biocon obtained positive results from a Phase I comparative study (PK-PD) of its generic Insulin Glargine in type 1 diabetes patients conducted in Germany. Generic Insulin Glargine is a key product in our growing portfolio of generic Insulins and the successful outcome of this critical study demonstrates our strong commitment towards developing high quality generics. It also paves the way for the Phase III program of generic Insulin Glargine. A successful completion of the Phase III trials will enable regulatory approvals of our product across developed and emerging markets. These data will further increase the confidence of physicians prescribing our Insulin Glargine and contribute to our vision of market leadership in generic biologics.

Global Phase III Study for rh-Insulin

Biocon also conducted a Global Phase III study for its rh-Insulin in type 1 diabetes patients to demonstrate comparable safety and efficacy with the innovator product. The positive outcome of this study is a significant milestone in our global insulins development program and will enable regulatory approvals of our rh-Insulin products across developed and emerging markets. Human insulin is a widely accepted component of insulin therapy for diabetes patients and Biocon's rh-Insulin will present an affordable alternative to the patients worldwide.

Monoclonal Antibodies & Other Biologics

The Biosimilar Monoclonal Antibodies (MAbs) program of the Company continued to make rapid strides during FY13. We had invested early in this program and had identified a high potential basket of biosimilar MAbs for oncology and immunology.

The quality and regulatory requirements for biosimilars are more extensive than those for generic small molecules. The complexity and costs involved in developing biosimilars mean high entry barriers, allowing only a few players to gain entry into the highly regulated markets of Europe and the U.S.

Since 2009, Biocon has been working jointly with the U.S. based Mylan to develop a high value portfolio, comprising Trastuzumab, Pegfilgrastim, Bevacizumab, Adalimumab, Etanercept, with originator product sales in 2012 pegged at about US$ 34 billion. The patent expiry of these products is expected from 2015 onwards.

The Biocon-Mylan partnership combines Biocon's biologics R&D and manufacturing prowess with Mylan's regulatory and commercialization capabilities in the U.S. and Europe. Mylan and Biocon share development and capital costs for the MAbs portfolio. FY13 saw good progress in several of these joint development programs.

QUALITY & REGULATORY

Significantly, the Global Phase III trial for biosimilar Trastuzumab got underway in FY13, gaining traction with ongoing patient recruitment and trial approvals in major European countries including Germany. It is expected to ramp up, going forward. Separately, patient recruitment for multi-centric Phase III clinical trials for biosimilar Trastuzumab in India has also been completed.The successful completion of the trial will enable filing for marketing authorization.

BRANDED FORMULATIONS

The Branded Formulations business recorded an impressive performance in FY13, with revenues growing by 34% to ₹ 3,474 million. Diabetology, Oncology, Bioproducts and Comprehensive Care divisions contributed significantly to the overall performance of the Branded Formulations (India) business.

In keeping with the Company's aim of educating patients about the importance of preventive health measures, many of the business divisions conducted patient awareness programs all over India during the year. These programs not only helped educate patients in disease prevention, detection and cure but also helped in building value of Brand Biocon.

India

DIABETOLOGY

Biocon continued to outpace the industry in the insulins space, driven by the strong performance of INSUGEN Refil™, Basalog Refil™ and INSUPen®. Diabetology became the first therapeutic division of Biocon to cross the milestone of ₹ 1,000 million in sales this year.

Insugen® 40IU ranked third in the 40IU insulin space, while Insugen® 100IU has successfully captured 15% market share.

Biocon's BASALOG® vials consolidated their dominance in the Insulin Glargine vials segment with 84% market share. This portfolio was further extended with the launch of 5ml BASALOG® vial, a first in India, this year.

INSUPen® launched in FY12, has garnered recognition as an insulin delivery device that has brought together the best quality insulin pen, the most affordable high-quality insulin and a user-friendly refill needle pack. On an average, about five new patients are initiated into using INSUPen® every hour in India.

ONCOTHERAPEUTICS

Biocon's Oncotherapeutics division remains committed to unlocking value of its anti-cancer portfolio to provide patients in India and emerging markets access to the benefits of affordable and differentiated anti-cancer therapies. Evertor™, the first and the only global generic of Everolimus for the treatment of progressive neuro-endocrine tumors of pancreatic origin, completed two years of launch in FY13. Evertor™ has been well received in India and is expected to become one of the key growth drivers for Biocon's Oncotherapeutics division in FY14.

Abraxane®, used in the treatment of metastatic breast cancer, registered a significant growth in FY13 and is currently ranked third in the Indian

KEY BIOCON BRANDS RANKED IN TOP 3

Biocon®

DIABETOLOGY sustaining life	INSUGEN® 40 IU	3
	BASALOG® vials	1
CARDIOLOGY enhancing life	CLOTIDE®	2
	MYOKINASE®	2
ONCO THERAPEUTICS transforming life	BIOMAb EGFR®	2
	Evertor	2
	Abraxane®	3
IMMUNOTHERAPY empowering life	PSORID™	1
	PICON® & TBIS®	2
NEPHROLOGY protecting life	TACROGRAF™	3
	CYMGAL®	3
COMPREHENSIVE CARE improving life	GENPIROME®	2
	CEGAVA TZ™	2
BIOPRODUCTS preserving life	IVNEX™ Safe	2
	ALBUBET Safe	3

** IMS May 2013*

Taxane market. Over 3,500 cancer patients have benefited from Abraxane® in the five years since its launch.

BIOMAb EGFR® continues to hold its No.2 position while NUFILsafe™ (Filgrastim) has made it to the Top 5 brands in their respective segments in F`Y13. The cost of therapy of BIOMAb EGFR® is significantly lower than the other anti-EGFR MAbs in India, making it affordable for a larger patient population.

NEPHROLOGY

As the incidence of chronic kidney disease (CKD) and its progression to end-stage renal disease (ESRD) rapidly turns into a worldwide public health epidemic, Biocon Nephrology division's role in providing these patients with the most comprehensive and cost-effective therapies is increasingly gaining importance. This division provides a range of products for patients undergoing an organ transplantation, coupled with innovative safety solutions for renal anaemia management.

We launched two new products: CYMGAL® (Valganciclovir) and BIOSEV™ C (Sevelamer Carbonate) in FY13. CYMGAL® is now among the Top 3 brands in its therapy segment. Tacrograf™ (Tacrolimus) is ranked third in its category. Among the other brands, RENODAPT® (Mycophenolic Acid) reported a market share of 8.5% while ERYPRO™ (Recombinant Human Erythropoietin Alpha) garnered a market share of 8%.

The division undertook various marketing initiatives, to create awareness about kidney diseases and the importance of organ donation. It also sharpened its focus on scientific initiatives with NKompass, a platform for debate and discussion among key nephrologists.

CARDIOLOGY

Biocon Cardiology, which is focused on providing differentiated and affordable therapies to patients suffering from cardiovascular diseases, reported strong growth this year. MYOKINASE® (Streptokinase) and CLOTIDE® (Eptifibatide) continued to be among the Top 3 brands in their respective segments. STATIX® (Atorvastatin) also reported a substantial prescription growth.

CLOTIDE® bagged the INDIASTAR Award 2012 for the most innovative infusion vial pack with a hanger label and a protective tray.

The division's disease awareness and new patient detection initiatives resulted in the screening of over 40,000 patients for hypertension and dyslipidemia, during the year.

IMMUNOTHERAPY

Biocon Immunotherapy has been bringing to the market a portfolio of safe, efficacious and affordable immunomodulator drugs for the treatment of immune-related disorders in dermatology since its launch in 2010.

Psorid™ continues to be the most prescribed brand of cyclosporine by dermatologists in India. TBIS® (Tacrolimus Ointment) and PICON® (Pimecrolimus) are the second most prescribed brands in their respective categories.

CALPSOR™ C (a Calcipotriol combination), launched in FY12, is now the second largest Vitamin D3 and steroid combination in India. TBIS® lotion was added to the TBIS® portfolio recently and has received encouraging response from physicians across India. ARETHA (Azathoioprine) was also launched in FY13, enhancing the division's focus on immunological disorders.

COMPREHENSIVE CARE

The Comprehensive Care division offers an affordable and quality anti-infective portfolio as well as novel therapies for the treatment of surgical trauma and medical emergencies. In FY13, the division was able to leverage its strong foothold in major corporate hospitals across the country and grew aggressively.

The division's sales growth during the year was driven by CELRIM™ TZ (Cefepime Tazobactam), IMICELUM™ (Imipenem Cilastatin), ENTAVAR™ (Linezolid) and PENMER™ (Meropenem). It also launched five new products this year. The introduction of closed infusion products based on novel drug delivery systems will further strengthen product safety, patient convenience and compliance.

BIOPRODUCTS

The Bioproducts division offers a range of critical care products for Gastroenterology and Neurology. The strong growth was driven by flagship brands like IVNEX Safe™ (Human Immunoglobin) and Albubet Safe® (Human Serum Albumin). Within two years of its launch, IVNEX Safe™ and Albubet Safe® are among the Top 3 brands in their respective categories. The division also expanded its portfolio with the launch of Zomator™ (Somatostatin), THINWES™ (Terlipressin) and Hepdoze™ (Tenofovil) in FY13.

Emerging Markets

UAE

Biocon's Branded Formulations partner in UAE, NeoBiocon, almost doubled its sales in FY13.

NeoBiocon has created a strong foothold in the generics market across various therapy areas. In the cardiovascular segment, NeoBiocon is ranked first among branded generic companies and its brand Statix (Atorvastain) is the only branded generic to feature in the Top 10 list of cardiovascular products in UAE. There are five more brands that lead the rankings for generic products in their respective product categories. Overall, NeoBiocon is now among the Top 50 pharmaceutical companies in UAE in terms of sales. During FY13, NeoBiocon's Branded Generics division launched five new products in the anti-infectives, cardio-metabolic and cardiovascular segments.

The Oncology division's flagship product Abraxane is the second most prescribed Taxane in UAE.

AFRICA

Biocon made its first foray in branded formulations in Africa, with the launch of its Insulins and key statin brands in Kenya in November 2012. Africa has one of the fastest growing diabetic populations in the world and therefore has significant unmet needs of diabetes management. With the launch of Insugen, Basalog, Insupen and Bestor, Biocon furthers its commitment to provide quality products to patients in global markets at an affordable price. The response from the physicians and patients is extremely encouraging and we expect a significant growth in the African markets, going forward.

QUALITY & REGULATORY

Our associate manufacturing facilities for our immunosuppressant range of products were inspected by health authorities from African countries (Kenya and Tanzania).

We successfully registered 10 of our products across our portfolio of immunosuppressants, statins and anti-obesity drug products in the Middle East, Africa and LATAM. About 76 dossiers have also been filed in various emerging markets.

Note: *Market share and rankings as per available IMS and other market intelligence reports.*

RESEARCH SERVICES

Biocon's Research Services business through Syngene & Clinigene reported a strong and progressive FY13 on the back of robust financial performance as well as an expansion of its capabilities and operating services platform. During the year, it crossed a major revenue milestone of US$ 100 million, closing the year at ₹ 5,572 million, reflecting a growth of 36%.

This performance was largely driven by strong customer and services mix.

CUSTOMER EXPANSION

During the year, we achieved very high levels of customer retention with several customers expanding the scope and scale of the engagement. We also attracted an encouraging number of new customers engaging across our wide range of discovery and development services. We now serve over 100 biopharmaceutical, life sciences and R&D based customers across the globe, including 16 of the world's Top 20 biopharmaceutical companies. Our customer mix has expanded to include many mid-sized and start-up biotech companies. We have also diversified our customer base to tap customers in nutrition, animal health, agrochemical, petrochemical and chemical sectors. This has been enabled by the extensive range of our service capabilities that have applications across diverse science-based enterprises.

INTEGRATED SERVICES OFFERING

On the services front, we have reported a significant revenue growth across all our service platforms. In Syngene, our discovery and development services platform, we have seen continued momentum in our core chemistry services, including an exceptional performance in custom manufacturing, supported by strong traction in our complimentary biology, analytical, formulation and toxicology services. Our flagship partnership with BMS also performed exceptionally well, supported by a dedicated team of over 400 scientists working out of India's largest and most advanced custom built discovery and development laboratory at Syngene. This team is equipped with the most sophisticated, integrated and NCE enabled platform in the country which has resulted in the delivery of some highly promising outcomes.

DEDICATED NUTRITION R&D CENTER

Another significant development during the year was the setting up of a dedicated Nutrition R&D center at Syngene, by Abbott Nutrition. Researchers and scientists based at the Abbott Nutrition Research and Development Center at Biocon Park, focus on the development of nutrition products for maternal & child nutrition and diabetes care for the Indian consumer market.

LARGE MOLECULES

In Biologics, we have built the capability to deliver 'Gene to GMP' services to support large molecule development. During the year, we have delivered several important milestones including the completion of an end-to-end MAb development program and the supply of several clinical trial batches.

CLINICAL SERVICES

Similarly, in Clinigene, our clinical services platform, despite a challenging Indian clinical trials environment, we have reported growth across all four major service platforms; human pharmacological unit, clinical trials, central laboratory, and bio-analytical laboratory. Our unique bio-analytical laboratory provides services to some of the largest biopharmaceutical companies in the world.

STRATEGY GOING FORWARD

Our strategy in Research Services is focused on strengthening and expanding our platform of discovery and development capabilities to better support our customers' needs in meeting their R&D goals. Our customer performance in FY13 suggests this strategy is pointing us in the right direction. However, we operate in a very dynamic environment, where our customer needs are ever evolving and therefore, we need to continually evolve our service offerings. Towards this end, we have added new capabilities over the course of FY13 including high potency API manufacturing, a platform for discovery & development of antibody-drug conjugates, and novel xenograft models for oncology research. We expect to continue this evolution in the coming years to build affordable, productive and innovative platforms. Against this background, we were delighted to announce the investment of ₹ 1,250 million in Syngene by GE Capital, during FY13. This will part finance a significant expansion of our capacities over the next 24 months. We are encouraged by our performance in FY13 and are committed to scale up the business and register continued growth in FY14 and beyond.

Looking Ahead

Looking Ahead

Biocon is now in a state of preparedness to attain its aspirational goal of achieving US$1 billion in revenue by 2018. As we move in this direction, we plan to evolve our product mix to reflect our growing repertoire in Biologics, Branded Formulations and Research Services. The last decade of our biopharma journey saw us leverage our fermentation capabilities in small molecule APIs like Statins and Immunosuppressants. Going forward, we intend to utilize and enhance our technology platform to pursue biosimilar biologics to gain global significance and scale.

We plan to move up the value chain across our businesses. In the Small Molecules arena, we have initiated measures which will help us to partake in the upcoming ANDA opportunities resulting from a spate of patent expirations. We are expanding the reach of our Biosimilars portfolio as well as Branded Formulations across various regulated and semi-regulated markets. Research Services is well poised to rapidly grow through high end service offerings that aim to capture a significant share of the growing pace of externalization of R&D. These initiatives are expected to help us deliver a strong growth over the next five years with improved margin accretion.

The key to this change is immaculate execution of our growth strategy. The focus in FY14 will therefore be on ensuring that we are able to sustain our thrust on performance and timely delivery. A key milestone later this year will be the commercial launch of ALZUMAb™ (Itolizumab), our 'first- in-class' novel biologic for psoriasis in India. Our upcoming Insulins manufacturing and R&D facility in Malaysia continues to make progress and is on track to come on stream by 2015. The key risks to our strategy stems from the regulatory uncertainty posed by changing regulatory goal posts around biosimilars and novel drugs.

The upcoming fiscal is critical for us, and we intend to keep ourselves focused on the upcoming execution milestones, with sustained support from all our stakeholders.

HUMAN RESOURCES

Biocon, over the years, has evolved into India's leading Biopharmaceutical Company. Today, it is well recognized as the most preferred employer in the biotech sector that employs over 6,700 professionals with diverse backgrounds. The HR team has played a significant role in this evolution and has also facilitated positive change in this long journey.

During the year, Biocon engaged McKinsey Consulting, to prepare the organization for sustained growth, which would enable it to realize its articulated aspiration of reaching US$ 1 billion by 2018. Through a series of discussions with the management, the consultants proposed an organization-wide transformation to move from a function-led to a business-led structure by carving out Strategic Business Units (SBUs) where businesses own core functions and share a base matrix of other support functions.

All the growth verticals of Biocon have been transformed into Strategic Business Units: Small Molecules: APIs and Generic Finished Dosages; Biosimilars: Insulins, Monoclonal Antibodies & Biologics; Branded Formulations (India); Novel Molecules; and Research Services.

These SBUs are supported by teams from R&D, B2B Sales, Procurement & Supply Chain, Quality, Engineering, HR, Finance, and Corporate Communications.

This transformation puts in place SBU Heads with P&L responsibility for their respective SBUs and is expected to drive accountability and result orientation in business leaders, as well as provide greater role clarity and understanding of deliverables, besides fostering efficient decision making. The HR team has worked closely with McKinsey to align all employees to the new SBU structure. We have remodelled our HR team by deploying an HR Business Partner to each SBU and creating Centers of Excellence for Talent Acquisition, Performance Management, Learning & Development, Employee Engagement, Compensation & Benefits and HR Operations.

The HR team and McKinsey consultants worked closely in preparing the organizational charts for different SBUs, once the key personnel from the internal talent pool were identified by the management to head these SBUs. Moreover, Key Performance Indicators (KPIs) for both the SBUs and their respective leaders were also prepared in consultation with the selected SBU heads. These KPIs will clearly lay down responsibility and drive accountability.

RECOGNITION FOR HR EXCELLENCE

During the year Biocon featured among the Top 20 list of the Biotech and Pharma Employers for 2012, in a study conducted by the prestigious 'Science' magazine.

The only Asian Biopharma Company to feature in this elite list, Biocon was recognized as an organization that 'treats employees with respect,' and one that 'has loyal employees,' a glowing testimony to a company culture that values its human capital.

In FY13, Biocon's HR team worked towards fostering this strong employer brand through various initiatives in acquiring and retaining top talent, building an engaged workforce and driving a performance driven culture.

RECRUITING & RETAINING THE BEST & THE BRIGHTEST

During the year we focused not only on attracting but retaining top talent from across the world. We strengthened our recruitment alliances with leading business schools like IIMs (Bangalore, Calcutta and Shillong), ISB, MDI and other technical schools like IITs (Delhi, Chennai and Kharagpur), UICT and NIPER through activities such as guest lectures, summer internship programs and industry visits. We stepped up our engagement on social media channels like LinkedIn and Facebook to create platforms for engaging with Biocon's existing, former and prospective employees. A formal Employee Referral scheme, BioLINC (Lets Introduce New Colleagues) was also introduced to leverage our vast existing talent pool to reach out to potential candidates. A dedicated team of recruiters has been formed to support the hiring mandates of the soon-to-be operational plant at Johor in Malaysia. Our efforts this year have also focused on the career development of our existing employees.

Employee Strength

COMPANY	No. of Employees as on March 2013	No. of Employees as on March 2012
Biocon	4,706	4,365
Syngene + Clinigene	2,021	1,888
	6,727	**6,253**

DEVELOPING COMPETENCIES & ENABLING TALENT

Our Learning and Development (L&D) activities during the year were aimed at identifying and addressing specific L&D needs arising out of business priorities. We conducted targeted training programs like Clean Room Behavior Management for the Fill Finish team, Statistical Techniques for Quality Control, M S Projects for R&D (Synthetic Chemistry) and Alliance Management for employees who interact with Biocon's alliance partners, among several others. To improve the behavioral skills of our employees we conducted various classroom training programs, where our in-house trainers emphasized on the needs identified during the last performance appraisal cycle. Employees were also nominated to attend external conferences, both in India and abroad, to help them update themselves on the latest developments in various scientific fields. We added e-learning to our repertoire of learning resources during the year. Through 'MyLearningSpace', Biocon's e-learning portal, 50 relevant courses were made available for 500 employees across the organization. A survey to evaluate the effectiveness of our training programs during the year showed that more than 98% of participants were able to enhance their skills and knowledge and apply them to their jobs. In terms of the physical infrastructure, the newly-constructed Biocon House has a well-equipped 5,000 sq. ft. facility for conducting classroom sessions and other L&D activities.

PREPARING LEADERS OF TOMORROW

The third phase of the Leadership Development Initiative, aimed at building and developing leadership competencies among Biocon's Senior leaders, was successfully implemented during the year. Nine workshops on areas like Analytical Thinking, Performance Focus and People & Talent Management were conducted for 102 managers and general managers in this phase.

DESIGNING AN EFFECTIVE PERFORMANCE MANAGEMENT SYSTEM

Our endeavour to strengthen the goal-setting process for the organization continued this year. We automated the Performance Rating Calibration process (post appraisals) to bring about better performance differentiation. Our Merit Increase process was also automated. This has enabled greater involvement of line managers in the appraisal process, brought in greater trans-parency and helped reduce the time taken to process increments. Multiple workshops were also conducted for managers on conducting fair and accurate appraisals.

RESOLVING EMPLOYEE QUERIES EFFICIENTLY

To quickly respond to and resolve employee queries, we launched our HR Help Desk this year. The status of queries, once submitted, can be tracked by employees. This initiative will help us excel in our HR operational interactions with employees.

BUILDING AN ENGAGED WORKFORCE

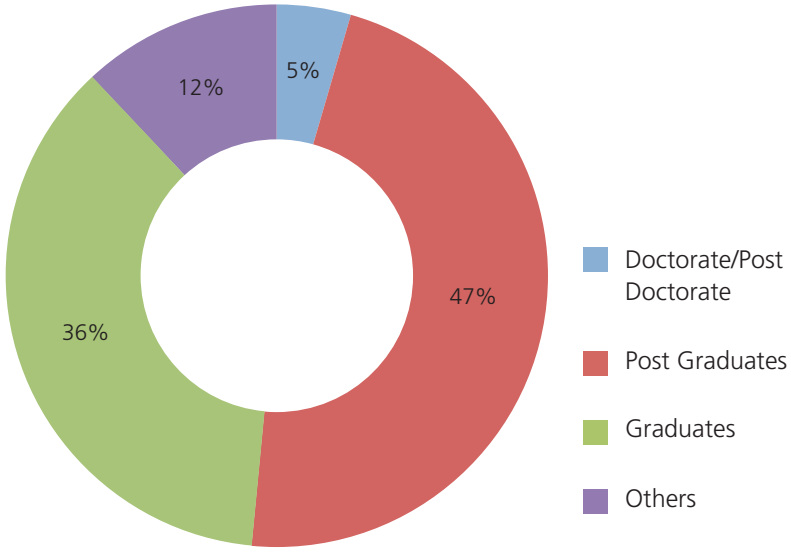
As part of our New Hire Integration Program, we initiated the 'First Step Survey' among new employees. This is in addition to regular meetings with them to ensure that they have integrated well with the organization, department and their role. Various festivals were celebrated and events organized as part of our efforts to provide a work environment that inspires people to continually develop, stretch their creativity, collaborate in new ways, embrace change and achieve work-life balance. We also organized a Voter Registration Campaign and are proud to have got more than 1,000 voters to register. Employees were also provided an opportunity to apply for their Aadhaar card on campus.

BRINGING IN A CONNECT WITH SOCIETY

As an organization we believe in giving back to the society and it has been

our endeavor this year to provide a channel for our employees to do so. In one such drive, our employees voluntarily contributed notebooks that were then distributed among students of three government schools supported by the Biocon Foundation. In another such drive, our employees volunteered to conduct a baseline survey for Biocon Foundation to gather demographic, health and lifestyle and socioeconomic data on every family in the village of Huskur. The survey, covering 650 households and 2,800 individuals, will help Biocon Foundation target its health interventions to the people who need them the most.

Intellectual Profile



PRIORITIES FOR FY14

1.Partner with business to provide the best talent for the emerging roles created in the new SBU structure

2. Effectively leverage Brand Biocon's presence on the social media to attract and engage the best minds in the industry

3. Launch and effectively implement a structured Career Planning initiative to help employees plan their career growth within the organization in keeping with our goal of talent retention

4. Launch e-learning courses for the Branded Formulations SBU

5. Implement strategies and policies for attracting and retaining quality talent in the organization

RESEARCH & DEVELOPMENT

AFFORDABLE INNOVATION ACROSS BUSINESS UNITS

Biocon's focus on reducing the cost of treatment of chronic diseases has driven its pursuit of science and its evolution from India's premier Biotech Company to an emerging global Biopharmaceutical Company. A strong R&D is at the core to facilitate affordable innovation across each business unit. Biocon views innovation not just as the development of novel molecules but also considers any research–based novel activity that benefits patients and enhances share-holder value.

SMALL MOLECULE API

The critical success factors for this business are speed, quality and cost. A strong team of research scientists are constantly engaged in developing multiple high value APIs that can be used for formulating quality affordable medicines for patients across the globe. Biocon's strategic decision to primarily focus on complex APIs that leverages our core fermentation and purification expertise has ensured optimal utilization of expertise and resources as well as enabled leadership in these important areas. Biocon has leveraged its strength in fermentation technology to develop complex Statins and Immunosuppressants, including the latest proprietary product Fidaxomicin.

This group which primarily consists of organic & process chemists, engineers and analytical scientists works very closely with the molecular biology and fermentation R&D teams to ensure that we continue to be in the forefront of developing cutting edge technologies for complex APIs.

GENERIC INSULINS

Capitalizing on the strengths of its fermentation technology platform, Biocon used the recombinant Pichia technology to manufacture rh-Insulin and Analogs. Starting with recombinant Human Insulin, R&D has been the primary driver in expanding the portfolio to Insulin Analogs including Glargine, followed by Aspart and Lispro. Multiple groups within R&D are actively involved in continued development of these generic Insulins and Analogs. The process starts with fermentation followed by a multi-step purification process to have the right quality product. The analytical and characterization group plays a pivotal role in evaluating the primary, secondary and tertiary structure of these proteins. The clinical development team works diligently to design a robust program to compare the PK-PD (pharmaco-kinetic-pharmacodynamic) properties of the generic insulin with that of the innovator followed by a patient based safety and efficacy study which also includes immunogenicity evaluation. The immunoanalytical team is critical for the success of these complex programs, where they not only evaluate the PK but also immunogenicity. The innovation done within R&D and ably

executed in manufacturing has helped reduce the cost of insulin in India by a third of its original cost. Biocon is committed to extending this affordability across the globe for Insulins and Analogs.

BIOSIMILAR MONOCLONAL ANTIBODIES

These co-development programs are moving full steam ahead with extensive contributions by R&D in close collaboration with the Mylan team. As the biosimilar guidelines across the globe evolve, the expectations from the R&D team continue to expand, especially the role of analytical and characterization teams. Furthermore, developing robust but efficient clinical development programs to support registration across multiple countries is critical for making these complex medicines affordable.

SMALL MOLECULE FORMULATIONS

Although Biocon has been a relatively late entrant in the ANDA space, Biocon has assembled a strong and experienced R&D team to effectively play in this competitive arena. A state-of-the-art formulation laboratory for solid oral dosage and parenteral drugs will provide the necessary infrastructure critical for success. The strategy is to leverage Biocon's strength in fermentation and characterization to develop complex formulations.

NOVEL MOLECULES

This unit epitomizes affordable innovation and R&D has contributed extensively to the development of two novel monoclonal antibodies, namely Nimotuzumab and Itolizumab. Furthermore, R&D contribution to development of Oral Insulin continues with inputs from our partner, BMS.

QUALITY OF TALENT POOL

R&D is clearly a people centric activity and attracting, developing & retaining high quality talent is paramount to a productive organization. Biocon in general and R&D in particular offers an encouraging ecosystem, world class infrastructure and interesting and complex research programs that motivate scientists. The ecosystem that allows thoughtful experimentation and encourages novel ideas has been the critical hallmark for supporting affordable innovation. Biocon R&D is the 'Employer of Choice' for graduates from prestigious Indian universities in the area of pharmaceutical sciences, biotechnology and chemical engineering. In addition, it is also a preferred organization for experienced professionals of Indian origin who are keen on returning to India. R&D has been hugely successful in recruiting from these professionals for key positions.

WORLD CLASS INFRASTRUCTURE

Working in a state-of-the-art lab with high-end equipment in a modern research building is a dream of any scientist. The newly opened Biocon Research Center offers this ideal ecosystem, fostering a collegial atmosphere that is conducive for free flow of ideas and collaborative research. Biocon has invested heavily in this research center that has allowed majority of the research labs to be placed under one roof. It has also allowed us to showcase this high tech workplace that would not only help in attracting and retaining top quality talent but would serve as a perfect incubator for innovation.

HIGH R&D INVESTMENT AND FOCUS ON IP

The high R&D spend is viewed as a key investment by Biocon. It is an inherent part of its business model and very critical for its continued success. We are spending about 10% of our revenue on R&D and as the biosimilar programs move into the clinic, the amount spent on R&D will increase further. We are actively pursuing innovative and efficient designs to reduce the clinical trial requirements without jeopardizing the regulatory requirements. One of the key focus areas for Biocon in its pursuit of innovation is the creation of Intellectual Property (IP). The generation of IP is the true value creation by the enterprise which also builds a strong reputation for Brand Biocon in the global workplace.

SUPPLY CHAIN MANAGEMENT

Biocon is a fully integrated Health-care Company that delivers innovative biopharmaceutical solutions. From discovery to development and commercialization, we have the defining science, cost effective drug development capabilities and significant manufacturing capacity to move 'ideas to market.' Biocon has been growing at a CAGR of approximately 18% over the last five years. To support this robust growth and the increasing global presence, we initiated a paradigm change of introducing an integrated supply chain management (SCM) function to enable the organization to achieve its top-line goal of a billion dollars by 2018.

Supply Chain Management

SUPPLY CHAIN CHALLENGES

The array of products managed through Supply Chain ranges from fermentation derived small molecules, recombinant proteins & monoclonal antibodies as well as other APIs. The end-to-end supply chain management from raw material procurement till finished goods dispatch has a complex flow, with varied temperature requirements (-20^{0}C to 25^{0}C) and different classifications including critical goods shipments. Managing these complexities is a huge supply chain challenge.

INTEGRATED SUPPLY CHAIN FUNCTION AT BIOCON

This integrated Supply Chain function at Biocon encompasses Forecasting, Demand Planning, Order Management & Invoicing, Export Customer Service & Outbound Logistics, Raw Material Planning, Procurement and Inbound Logistics, Warehousing & Inventory Management, to derive better synergies that would enable business units to achieve organizational goals.

SUPPLY CHAIN PERFORMANCE AND KEY ACHIEVEMENTS

In order to maintain an agile and efficient system, we conduct a monthly forecast and demand review meeting with various stakeholders. This has enabled 'on time' performance of various stakeholders, ranging from vendors to production by decreasing the lead time and ensuring faster flow of goods between various departments.

ORGANIZATION-WIDE TRANSFORMATIONAL CHANGE

The Supply Chain department today has experts from a wide variety of fields, including quality, marketing and sales. The cross functional engagement enables focus on the end-to-end supply chain with the ultimate goal of achieving higher customer satisfaction. Through a series of initiatives various stakeholders have been aligned to the common organizational goal which has led to significant improvements within the system.

IT & ERP AS ENABLERS

Streamlining the information flow across the supply chain is essential for accurate and dynamic decision making across planning, procurement, production and marketing. This has been driven through increased use of IT platforms. Biocon Enterprise Resource Planning (ERP) has been the key driver, enabling dynamic decision making, reducing the dependency on e-mails and meetings. With the recently

Organization-Wide Transformational Change

Key Areas Monitored by Supply Chain

CATEGORY	KEY AREAS
Inventory	**Inventory carrying costs**
	RM Inventory
	Buffer Stock Levels
	Ageing stocks
Operational Costs	**Logistics Costs**
	Warehouse Costs
	Quality Costs
Suppliers	**Supply performance**
	Rejection %
Sales	**On Time Delivery**
	Order Management
Planning	**3 month rolling forecast**
	Function wise scheduling of batches

implemented Material Requirements Planning (MRP) in place, raw material planning and replenishment is automated. The 'order to cash' process, including the receipt of orders, management of invoices, sales orders, quality reports and all other documents are now handled through ERP. This ensures company-wide visibility thus cutting down on the extensive documentation.

'LEAN' AS A DRIVING PHILOSOPHY

Lean philosophy, has been driving organization-wide improvements at Biocon, through process optimization, inventory reductions and continuous process improvements. Value stream mapping of all the business processes has helped us identify unproductive activities and address gaps to bring in better efficiencies into the system. Similarly, Lean philosophy of minimum inventory has helped us reduce our inventory costs.

QUALITY ACROSS SUPPLY CHAIN

Quality in the pharmaceutical industry is of prime importance. The SCM team has been working closely with the Quality Control (QC) department to build better quality into the processes, for better efficiencies during sampling and testing of products. A cross-functional team of QC & SCM is also working on improving raw material quality & costs, through batch consolidation, customer allocation during the planning phase and ensuring that specific quality requirements are met by the product, its packaging and logistics.

GOING FORWARD

In a short period, the supply chain function has been able to build an integrated network across the enterprise. Extensive collaboration between different functions has created cross-functional expertise. This has led to increased customer satisfaction, significant sales growth, reduced operating costs and better margins.

Having established the basic foundation, the team is all set to scale up its network to include upcoming facilities outside India.

ENVIRONMENT, HEALTH & SAFETY

Biocon is committed to maintaining the highest standards of Environment, Health & Safety (EHS) through its compliance with all applicable laws and regulations. To minimize the environmental impact of our operations, we have a comprehensive EHS Policy that is implemented through specialized EHS teams, systems and programs.

Biocon has developed various programs to promote a safe and healthy work environment. We have also set up various committees, comprising senior officials from various departments, to review compliance and achieve continuous improvements in process safety. Greater involvement of plant personnel in safety programs has led to cultural and behavioral changes, which is evident from the reduced number of accidents and incidents, better documentation of near-miss incidents, improved risk assessment, frequent safety inspections and greater Personal Protective Equipment (PPE) compliance. During the year, the EHS team focused on improving the capability and reliability of various EHS processes.

REGULATORY OVERVIEW

At Biocon, we focus on complying with all applicable local, national and international laws and regulations. All our group companies have obtained relevant consents and clearances from all governmental agencies. Building on a bedrock of a successful EHS program, we have incorporated environmentally sustainable practices throughout our businesses.

WATER CONSERVATION, RECYCLING & REUSE

As part of our water conservation efforts we are utilizing recycled water as much as possible for boiler operations, cleaning, gardening and other utilities.

We have implemented suitable engineering solutions to improve the quality of treated water for reuse thus reducing fresh water consumption. We have Zero Liquid Discharge system at all our manufacturing units. The anaerobic waste treatment plant helps generate 2,000 cubic meters of biogas daily, which is used in fuelling our boilers. This has helped us save an equivalent of 110 KL of furnace oil per year in one of our units.

Rain Water Harvesting

All our sites have rain water harvesting systems in place. Last year, we commissioned a 200 KL storage tank at the Biocon Park facility for collecting rain runoff. An awareness campaign on the importance of water conservation was conducted across the Biocon group of companies. A dedicated team has been formed and it has carried out water audit to strengthen the existing processes.

ENERGY CONSERVATION

Biocon is committed to green governance and achieving environmental sustainability. We are constantly striving to improve the energy efficiency of our organization by redesigning our processes, retrofitting and through behavioral change campaigns.

Energy audits are done by in-house teams and there are regular reviews of energy generation and utilization by the management. Energy efficient layout and facilities are incorporated right at the design stage of any project.

All our new facilities are designed to be energy efficient, to ensure there is minimum electricity usage and maximum utilization of natural light and resources. Moreover, emphasis is laid on using the most energy efficient equipment available in the market.

Power Audit

In FY13, our total power consumption was 132 million units. An independent power audit of our manufacturing facilities was conducted by TERI (The Energy and Resources Institute), which certified that the efficiencies of major power consuming equipment were within prescribed limits.

Power Tariff Savings

Biocon had opted for the Time of Day (TOD) tariff system in FY10, much before its implementation was made mandatory for industries in Karnataka. In TOD tariff structure, differential tariffs are charged for peak and off-peak supply. This has helped Biocon to make substantial savings over the years.

Steam Audit

Biocon engaged U.S.-based Armstrong International, a global leader in steam engineering, to conduct a steam audit and provide solutions for improved utility performance, lower energy consumption and reduced emission. The audit report showed that boilers located in Biocon's facility are working at an average efficiency which is better than the industry average.

Renewable Energy

Biocon has taken several initiatives in the area of renewable energy.

Wind power: Currently, about 9% of Biocon's annual power consumption is accounted for by green power. We source wind energy from various independent power producer vendors in Karnataka. Discussions are on with various companies to increase the proportion of green power as a percentage of our overall power consumption in the coming years.

Solar power: Solar panels installed at the campus are being used to heat water. They have helped reduce energy consumption by around 2,500 units per month. We are exploring ways to increase the utilization of solar power at our facilities.

GREEN BELT AND ECOLOGY

Biocon maintains a green belt around its sites as a part of its commitment to environmental sustainability and maintaining ecological diversity. We regularly conduct tree plantation drives at schools and nearby residential colonies. During the year, more than 5,000 trees were planted by us.

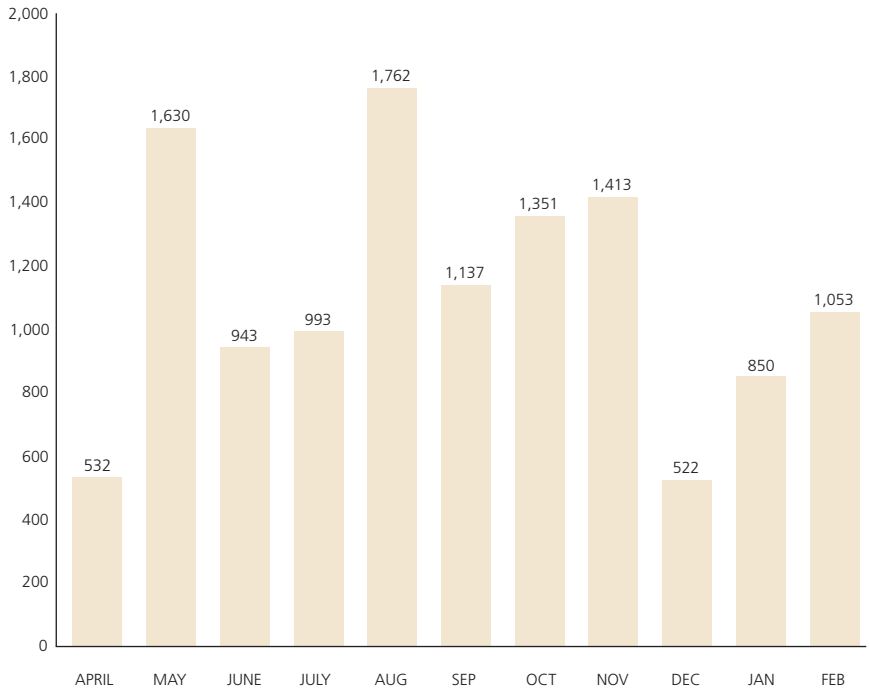
SAFETY AND HEALTH PERFORMANCE

Biocon accords utmost importance to the health and safety of its employees, contractors, visitors and communities in which it does business. There were no reportable incidents during the year. Biocon employees and the management are highly committed to achieve the highest possible standards of EHS across all the facilities. Each operating facility clearly defines and documents EHS roles and responsibilities for all employees. Periodical reviews are conducted by the top management to monitor the extent and effectiveness of our EHS practices.

Safety Training

Training plays a crucial role in our health & safety management system. A documented safety training program is made available to employees, project trainees, contractors and visitors.

EHS Training Man Hours



This year, a total of 12,186 man hours were spent on EHS training through a newly developed training software called Biobizapp.

To maintain safety alertness & awareness at desired levels, monthly safety campaigns were held across all manufacturing sites. Walkthrough studies were carried out with experts to select the right personal protective equipment for workers, especially those handling API products. A hazardous material management program was also included in the health & safety management system.

A training program for stress management, and the best safety block competition were also conducted during the year.

During the year, 10 mock drills, 30 fire drills and eight first-aid training programs were conducted. As on date, 428 trained first-aiders and 1,050 trained fire fighters are available at our various locations.

Process Safety Management

We have a well-documented program to identify and evaluate process hazards. Our process hazard analysis team, which consists of a cross-functional team of senior employees, is equipped to conduct HAZOP and risk assessment of all new processes, new facilities and new equipment.

We have implemented an integrated process safety management system for all existing processes and for new developments with integration of all 14 elements of process safety management. Process hazard analysis has been done for all existing products.

INTEGRATED INDUSTRIAL HYGIENE MANAGEMENT SYSTEM

EHS guidelines for conducting occupational health risk analysis of API manufacturing processes were put in place. Aspects of health hazard identification, health risk analysis and measures towards risk reduction were considered in the guidelines.

During the year, online ambient air quality monitoring station covering in and around a 5-km area were commissioned and display boards were put in place in Biocon's facilities. Annual medical examinations were conducted for all employees and contract workers across Biocon.

AWARDS

During FY13, Biocon received several recognitions, at the State and National level, for its progressive EHS practices and initiatives. Some of these were:

> Best Safe Industrial Boiler Award given by Karnataka State Safety Institute

> Greentech Safety Award 2012 in the pharmaceutical sector

> Excellence in Environment Management Award from FAPCCI (The Federation of Andhra Pradesh Chambers of Commerce and Industry)

CORPORATE SOCIAL RESPONSIBILITY

Our Corporate Social Responsibility endeavour through the Biocon Foundation focuses on integrated outreach aimed at bringing in a positive social change to enable and empower our rural communities.

Biocon Foundation initiatives are focused on infrastructure, healthcare and education.

Infrastructure

Biocon Foundation empowers villages by providing proper infrastructure for schools, sanitation and water supply.

In 2009, several hundred villages in North Karnataka suffered from floods. The widespread devastation affected crops, livestock, houses and inundated villages. Biocon Foundation has been involved in the reconstruction of the Mangalgudda village and has handed over the houses to the government. Apart from this, the foundation is ensuring that the village is self-sufficient by leveraging solar energy to power the village.

Over 400 new houses that we built in Mangalgudda village in North Karnataka have been occupied by the families rendered homeless by floods in 2009. Each house in Biocon Nagara is equipped with solar lights and toilets. To ensure that Biocon Nagara is truly a modern village, we are building a community center, a school and a healthcare center. Proper sanitation, good drainage and sewage systems have also been provided in the village.

We also plan to provide a rain water harvesting system to the village to ensure there is no scarcity of water.

Most of the people from the Mangalgudda community have moved into their new houses. Each house has its own toilet and bathroom to ensure safety and privacy for the women and children and better health for all community members. Solar lights have also been fixed in each house.

Integrated Healthcare

Biocon's integrated healthcare initiative spans preventive, primary, secondary and tertiary healthcare programs.

LEVEL 1 – PREVENTIVE HEALTH

One of the main aims of the Biocon Foundation is to raise awareness about the importance of preventive health measures and assist communities in implementing them. By encouraging communities to change their lifestyle and behaviour, these initiatives seek to prevent water-borne, hygiene-related and chronic illnesses as well as improve maternal and child health.

While continuing our focus on hygiene and the prevention of infectious diseases, this year we increased our focus on chronic illnesses, particularly cancer.

STORY OF CHANGE – BIOCON NAGARA

FORTY-EIGHT-YEAR-OLD SANGAMMA AND HER HUSBAND WORK AS COOLIES IN AND AROUND MANGALGUDDA. THEY LOST THEIR HOUSE IN THE FLOODS IN 2009. THIS FAMILY OF FOUR IS EXTREMELY HAPPY TO MOVE INTO THEIR NEW HOUSE EIGHT MONTHS AGO, BUILT BY BIOCON. SANGAMMA AND HER FRIENDS RENUKA, NEELAVYA, AND SOMMAVA WERE ACTIVELY INVOLVED IN THE CONSTRUCTION WORK IN BIOCON NAGARA.

"Our house is very nice, we are happy to be living in this layout where all the houses are the same. It is so much better to live here, we feel safe and secure, and all are treated equally in Biocon Nagara.

The roads are better and the dhobi ghat is nearby. Biocon has given us solar lights so our village is not dark at night, and we do not feel scared."

Early Detection of Oral Cancer

Globally, India accounts for the highest number of oral cancer cases, with the Government recording over 80,000 cases every year across the country. In addition, 30% of all cancer deaths in India are caused by oral cancer.

Oral cancer is caused by chewing tobacco and gutka, which is more common in rural India than smoking. Though oral cancer is completely preventable, delays in presentation and diagnosis result in low treatment outcomes and higher cost to patients, especially in rural areas, due to:

> Lack of trained specialists
> Inadequate diagnostic services
> Poor awareness
> Economic and social barriers to seek help
> Poor infrastructure and connectivity

Oral Cancer Screening

Our community health workers are trained to use a simple module loaded on mobile phones to screen high risk populations for oral lesions that could turn malignant. They educate people on the correlation between chewing tobacco and gutka and the development of mouth lesions and assist and encourage patients to seek timely medical advice.

Early Detection Of Cervical Cancer

Though cervical cancer is completely preventable WHO data showed that

Oral Cancer Screening 2012 –13

	Population based screening			Opportunistic screening	
Details	Anakanur	Mangalgudda	S. Kodagu	Dentists	Totals
Total Population	1,040	2,200	326	1,440	5,006
High Risk Group	246	583	300	1,440	2,569
No. Screened	246	327	104	1,440	2,050
No. Positive Lesions	71	67	71	106	315
Biopsies	1	3	71	106	181
Aquasol Ointment	17	40	0	0	57

over 74,000 women in India die due to cervical cancer. Research shows 99% of cervical cancer cases are linked to infection with human papillomavirus.

A cervical cancer prevention and control program requires three key service delivery components that must be linked together:

> Information & education
> Screening services
> Diagnostic and treatment services

We have developed a comprehensive screening and treatment program in collaboration with the Mazumdar Shaw Cancer Centre (MSCC) at our Arogya Raksha Yojana (ARY) clinics in Huskur and Hennagara. These two areas have a strong patient base with a mixed socioeconomic background.

Some of them are BPL (Below Poverty Line) families, some are factory workers with ESI (Employees' State Insurance) coverage while some of them are without any health cover.

The special screening program that has been rolled out spans over 2,000 women in the age group of 30-45 years. This program involves:

1. Education about cervical cancer, its prevention and importance of early detection. This is done by our community health workers using flip charts developed by the Public Health Research Institute, Mysore.

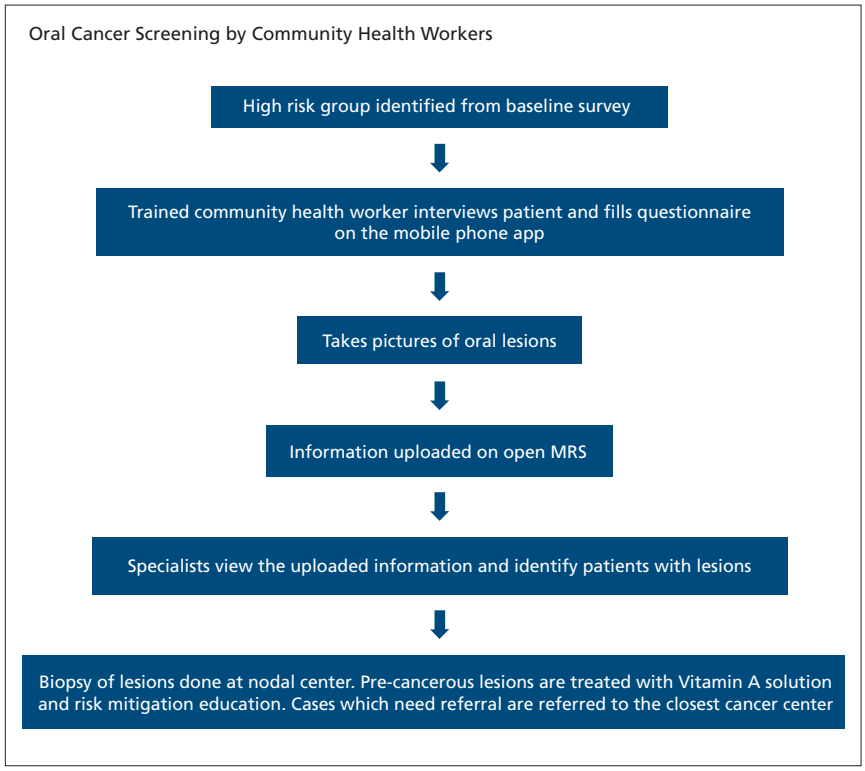
The health workers have undergone training for the primary module and are using this to spread awareness about reproductive health and the importance of early detection of cervical cancer.

2. Specialist consultation and focused screening in our clinics, by doctors from MSCC. The first screening at the clinic was conducted recently at Hennagara. Twenty women were screened and counselled based on their reports and advised appropriate treatment or follow up.

3. The screening included a pelvic examination and a Pap smear test.

4. Referral if required was made to MSCC for further care and management at a subsidized rate, or through health insurance cover.

We plan to replicate this module in all our clinics by collaborating with other tertiary care centers.



The Oral Cancer Screening module was selected by the American Head and Neck Society for a poster presentation at the Combined Otolaryngeal Society Meeting, 2013 at Orlando, Florida.

Cervical Cancer Workshop

Diabetes & Hypertension

Our health workers in Bangalore's Austin Town continued to follow up with diabetic and hypertensive patients to help them optimize management of these chronic illnesses.

Patients	Total	DM	BP	DM+BP
Women	1255	122	187	68
Men	321	45	58	32

DM: Diabetes Mellitus
BP: Blood Pressure

This year, we gave our diabetic patients a file to ensure their records are kept in one place and thus improve treatment compliance, improve their understanding of the illness and help the clinic manage their patients more efficiently.

Maternal And Child Health

The Maternal Mortality rate in Karnataka is 178 per 1,00,000 live births and the Infant Mortality in Karnataka is 41 per 1,000 live births. Most of these deaths have been attributed to lack of awareness about the importance of ante-natal checkups and institutional deliveries. We have started a monthly Maternal and Child Health Clinic in collaboration with St. John's Medical Hospital at our clinic in Kalkunte.

Women who attend this clinic have their ante-natal checkups while being taught about the importance of diet and warning signs. Free calcium, iron and folic acid tablets are given to the pregnant women and health workers check compliance periodically. Children are also immunized at this clinic. The information about the immunizations and ante-natal checkups are shared with the government Auxiliary Nurse Midwife (ANM) who then registers these cases.

Malnutrition

Childhood malnutrition is a major public health issue in India, where 50% of all childhood deaths are attributed to malnutrition.

A Government survey in the Bagalkot district of North Karnataka identified 3,108 malnourished children in the under-5 age group. Bagalkot local administration and Biocon Foundation rolled out a program to address this issue.

We conducted a baseline survey of the Anganwadis under the jurisdiction of Pattadkallu and Kaldagi Primary Health Centre (PHC). These Anganwadis have been geo-tagged and mapped on our portal. During our visits to the Anganwadis, we have taught the workers about the importance and the correct method of weighing the children and tabulating the growth charts.

Based on the survey we have suggested the following plan to the Government:

> A division of labour plan, to improve the supervision of the program.

> Focused education about malnutrition, targeting Anganwadi supervisors, workers and parents.

> Borderline Severe Acute Malnutrition (SAM) – Moderately nourished children who are Oscillators must be included on the radar.

> Training of Community educators and propagators of good nutrition.

> Provision of protein or vitamin supplements in high risk areas.

> Wall paintings to highlight nutritious and affordable foods.

Biocon Foundation was approached by the Department of Women and Child Development, Chikkballapur to help with the Medium-chain Triglyceride (MCT) oil project that was being started by the Zilla Panchayat in Chikkballapur district to combat malnutrition.

We have dispatched 900 bottles of MCT oil for use in this district. An amalgamated report of the improvement in SAM children in Gudibande Taluk will be submitted to us in October 2013, which will mark the end of one year since the initiation of this project.

Maternal & Child Health

LEVEL 2: PRIMARY HEALTH CARE THROUGH THE AROGYA RAKSHA YOJANA CLINICS

The nine Arogya Raksha clinics continue to offer clinical services to the communities where they are located. This year we have seen 65,000 patients across all our clinics. In addition we treated nearly 10,000 patients through our outreach camps, for which our clinics collaborate with local hospitals or NGOs.

> We continue to collaborate closely with the local PHCs and ASHA workers who are actively involved with our preventive health programs.

> Clinics continue to promote health insurance to patients to ensure that critical surgeries are covered.

> The Jain Institute of Vascular Sciences provides diabetic foot checkups and treatment to almost 3,000 patients through monthly camps at our clinics in Austin Town, Huskur, KR Puram and Chikkballapur.

> St. John's Medical College's Community Medicine Department provides the medical consultation services for our clinic in Austin Town.

In addition, they visit the Kalkunte clinic once a month for a Mother and Child Health (MCH) camp.

> KLE Dental College, Bangalore has generously donated a dental chair to our Chikkballapur Primary Health Clinic.

> The clinic in Chikkballapur saw 1,000 cardiovascular disease patients last year. We use the online ECG facility which is connected to Narayana Hrudayalaya hospital. Speedy diagnosis from the Narayana Hrudayalaya cardiologists makes it easy for patients to monitor their disease and comply with prescribed treatment. This telemedicine facility is useful for people living in remote areas to manage their illnesses better.

> Gastro-intestinal, respiratory infections and general fever / body pain account for 30% of the cases in these clinics. There is a marginal drop from the previous year when 35% of patients were treated for hygiene and sanitation related illnesses. Most patients cite inadequate supply of clean water as a major cause for this high incidence.

LEVEL 3: TERTIARY CARE THROUGH HEALTH MICRO INSURANCE

We continue to encourage our communities to protect themselves against catastrophic illness by enrolling with the Arogya Raksha Yojana Health Micro Insurance Scheme. This year, the ARY Health Insurance facilitated over 500 surgeries, including cardiac procedures and OB/GYN procedures like deliveries and hysterectomies.

Since the Government has launched health insurance schemes to cover health risks for BPL families, we now encourage families not covered by Government schemes to enroll with the ARY scheme, and protect themselves from health related catastrophes. In addition, we actively encourage and assist BPL families to access and avail of the Government run health protection schemes such as Vajpayee Arogyasri and Rashtriya Swasthya Bima Yojna. These schemes are free for BPL families, however we assist them in documentation to ensure they are able to avail the benefits from this scheme.

Education

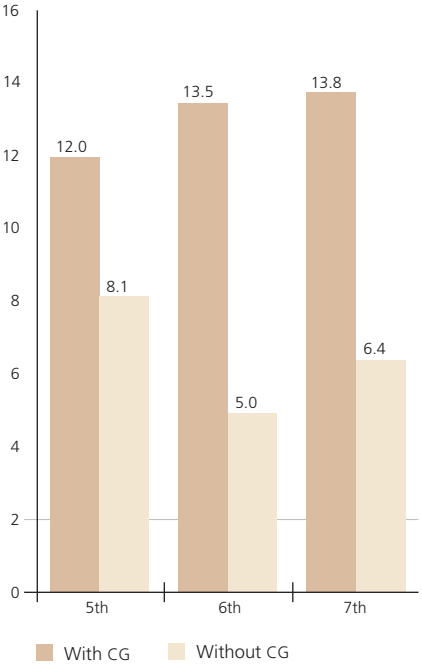
Since education holds the key to progress, the Biocon Foundation has made concerted efforts to empower rural Indian youth. Aiming to provide computer-aided learning, extra-curricular activities, life skills building and English language speaking skills for rural children, Biocon Foundation has spearheaded several education programs.

Chinnara Ganitha

Starting with one district and 11,000 Chinnara Ganitha maths work books in 2006, we now print 1,00,000 books which are distributed in 8 districts in Karnataka: Anekal, Chikkballapur, Mandya, Mangalore, Tumkur, Coorg and Bagalkot.

> The adjoining graph shows the performance of 5th, 6th & 7th Std students in 2 taluks of Bangalore district.

> The dark color bar in the graph shows the average marks obtained (out of 20) by children using Chinnara Ganitha books, while the other bar shows marks obtained by others.



Aata Paata Wadi

At our After-school Resource Center, we saw a tangible improvement in the way children approach the computer and handle it. They have realized that educational software installed, is a learning tool which enables interactive learning. Even the most retiring and shy child has the confidence to play pinball games and do online searches on various topics. We have enabled the children to have a good foundation in English by teaching them from Dr. Lalitha Appachu's learning kits – My Phonic Book – Levels 1 & 2.

Kelsa+

At Biocon, Kelsa+ provides a platform to low-income support staff to learn basic knowledge in computers. Two different sections are made available for the male and female staff. Three Internet-enabled computers have been installed in the campus. Two trainers teach the staff on how to use the computers & search engines, read newspapers online, place online ads, access social medial websites and set up e-mail accounts.

Staff reading a Kannada newspaper online

KELSA+ SUCCESS STORY

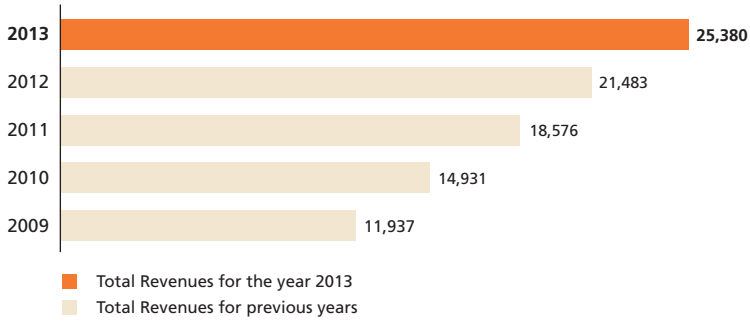
Rajendra Sharma attended Kelsa+ during his tenure at Biocon, where he picked up basic knowledge of computers. He attended the classes for almost a year while he was working for Biocon's maintenance department as a D Group worker.

He successfully upgraded his skills through this training and is currently employed with another pharma company.

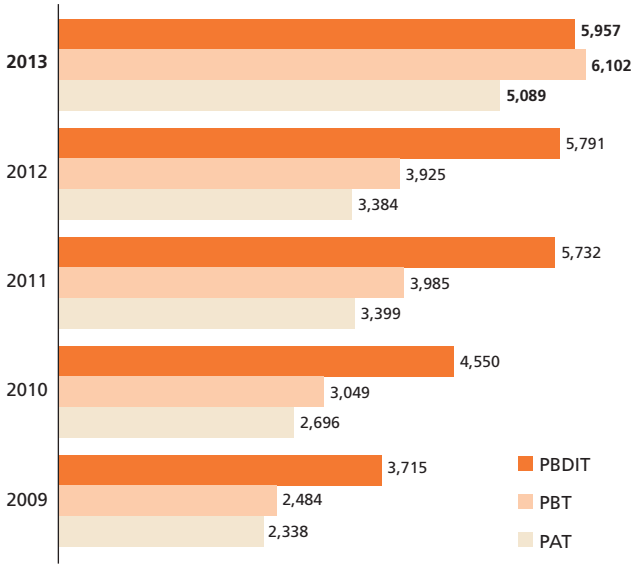
FINANCIAL HIGHLIGHTS 2013

Based on Consolidated Financial Statements

Total Revenues

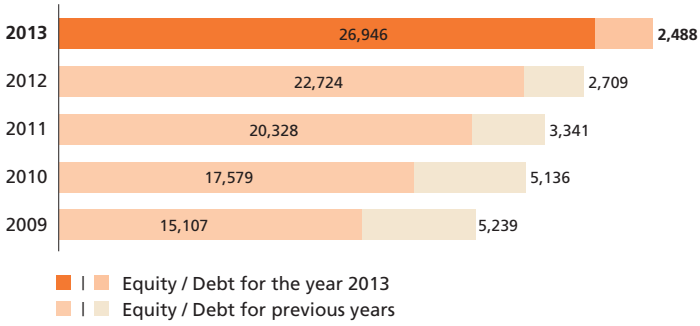


Profits

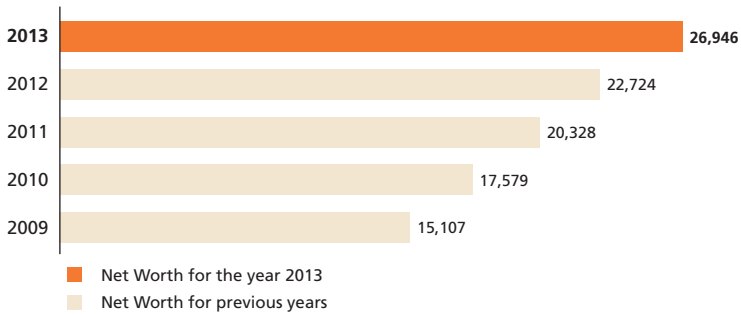


Operational performance data (excluding Axicorp and extra-ordinary items)

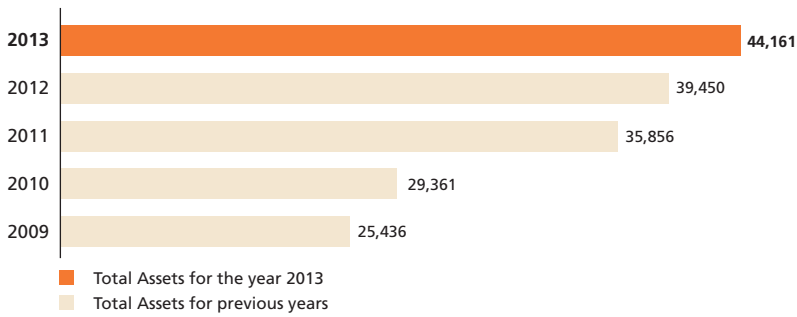
Debt: Equity



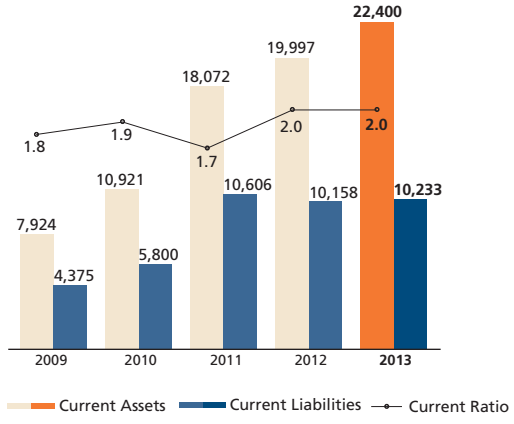
Net Worth



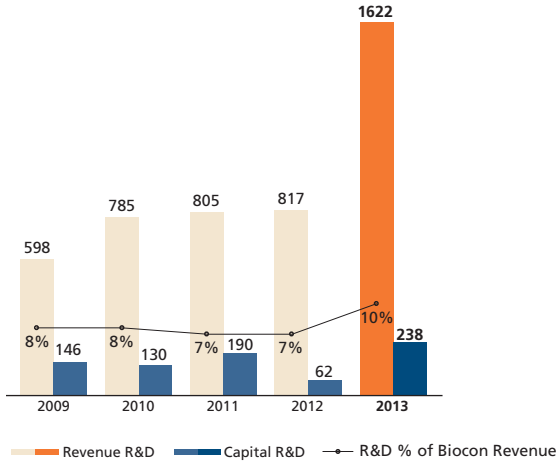
Total Assets



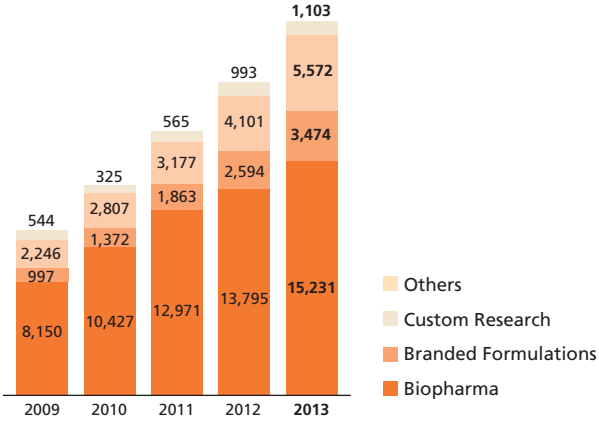
Current Ratio



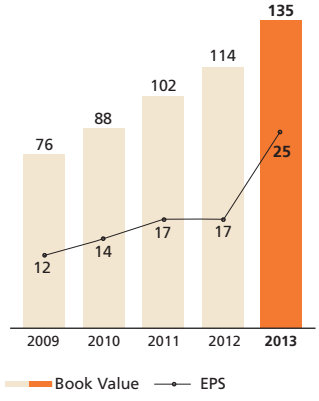
R&D Spend



Revenue Breakup



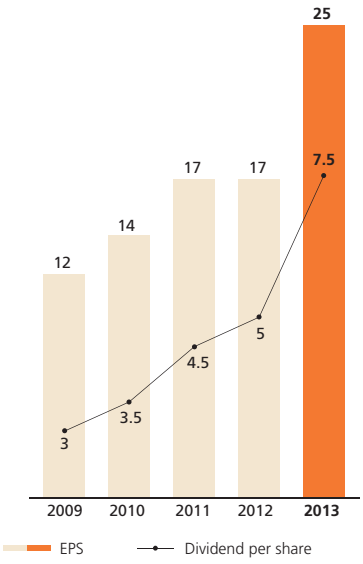
EPS and Book Value



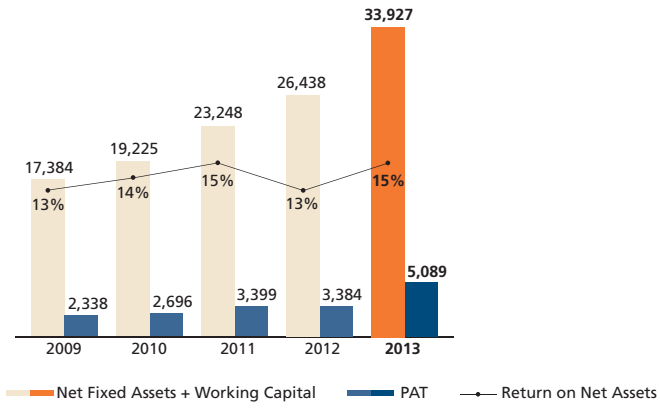
Operational performance data (excluding Axicorp and extra-ordinary items)

Values in Rupees Millions
(Except per share data)

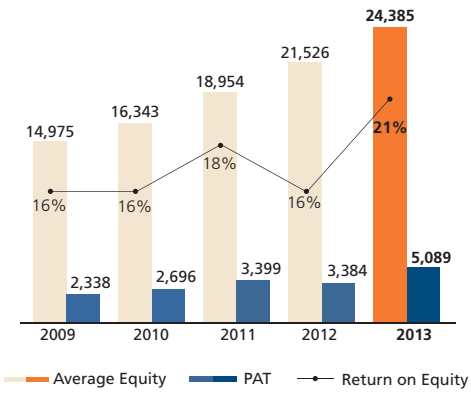
EPS and Dividend per share



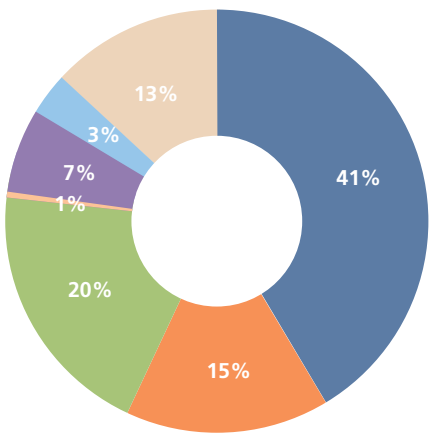
Return on Net Assets



Return on Equity



Distribution of Revenues



Material Costs	41%
Employee Costs	15%
Other Expenses	20%
Interest	1%
Depreciation	7%
Tax	3%
Operational PAT	13%

FINANCIAL REPORT

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BIOCON LIMITED

Directors' Report

Dear Shareholders,

We present before you the Thirty-Fifth Annual Report on business and operations along with the audited financial statements and the Auditor's Report of your company for the financial year ended March 31, 2013.

Financial Highlights

Standalone Results

₹ Million

Particulars	FY 2013	FY 2012
Total Revenues	19,895	16,224
Total Expenditure	15,323	12,223
Earnings before Interest, Tax, Depreciation and Amortization	4,572	4,001
Interest	12	17
Depreciation and Amortization	951	940
Exceptional items, net	139	-
Profit before tax	3,470	3,044
Income Tax	713	489
Profit after tax	2,757	2,555
Surplus brought forward from previous year	13,750	12,613
Profit available for Appropriation	16,507	15,168
Appropriations:		
Transfer to General Reserve	276	256
Proposed Dividend	1,500	1,000
Tax on Dividend Proposed	255	162
Surplus in Profit and Loss account	14,476	13,750

Consolidated Results

₹ Million

Particulars	FY 2013	FY 2012
Total Revenues	25,380	21,483
Total Expenditure	19,417	15,692
Earnings before Interest, Tax, Depreciation and Amortization	5,963	5,791
Interest	81	122
Depreciation and Amortization	1,793	1,744
Exceptional items, net	2,012	-
Profit before tax and minority	6,101	3,925
Income Tax	975	541
Minority Interest	39	-
Profit after tax	5,087	3,384

Business Operations Overview

During the fiscal year, the group delivered a 18% top line growth with revenues reaching 25,380 millions vis-à-vis 21,483 millions in FY12. This growth has been driven by a strong momentum in research services and branded formulations which grew YoY at 36% and 34% respectively. The biopharma segment excluding branded formulations grew by 10% YoY led by strong Insulin sales in RoW markets, Immuno-suppressants, speciality molecules like Fidaxomicin and Orlistat.

Group net profits for FY 2013 grew over 50% to ₹ 5,087 million on the back of exceptional income recognized on the re-licensing of our generic insulin analogs portfolio. Further, on a prudent basis, the Company has also made a provision in respect of its investment in IATRICA Inc. a U.S. startup engaged in development of molecules, on account of value erosion in its IP.

This fiscal year witnessed good traction in all our business verticals viz. Small Molecules, Branded Formulations, Biosimilars, Research Services and Novel Molecules with a firm focus on emerging markets. Emerging markets are currently outpacing growth in developed markets reiterating our emphasis in these geographies.

The construction of our new insulin manufacturing facility in Malaysia is on track. A significant milestone during the fiscal has been the extension of our partnership with Mylan for generic insulin analogs. This partnership assumes importance given the strong co-development and commercialization partner for our key growth vertical. The contract with Mylan for biosimilar insulin analogues will enable us to optimise our partnership approach to carve out a large slice of the global Insulin market in the developed markets. We aim to leverage existing alliances in RoW markets for penetration of our biosimilar molecules.

The year was also marked by significant advances in our R&D initiatives in our insulins and biosimilar mAbs programmes which added momentum to our journey up the value chain. Our biosimilar mAbs programmes with Mylan are progressing well and are also due to enter clinics over the course of the next couple of years. We expect FY14 to carry forward the momentum of our R&D programs and substantiate our efforts of moving up the value chain.

A detailed performance analysis is provided in the Management Discussion and Analysis segment, which is annexed to this report.

Appropriations

Transfer to Reserves

We propose to transfer ₹ 276 million to the General Reserves and the balance of ₹ 18,520 million is proposed to be retained in the profit and loss account.

Dividend

The Board of Directors are pleased to recommend a dividend of 100% (₹ 5/- per share) and also recommend a special dividend of 50% (₹ 2.50/- per share) taking the total dividend payout to 150% (₹ 7.50 per share) for the year ended March 31, 2013.

Subsidiaries and Joint ventures

Syngene International Limited

Syngene International Limited (Syngene) is the largest contract and custom research enterprise in India with extensive competencies in chemistry and biologics. Syngene offers integrated research services in the drug discovery and development space along with manufacturing services in APIs, Intermediates and Biologics. The organization offers value-added service models to complement the evolving needs of global Pharma, Bio-pharma and Biotech players. Syngene's clientele spans across industries like pharmaceuticals, nutraceuticals, agri-chemicals, engineering and speciality segments, and today includes 16 of the top 20 pharma companies of the world.

During the year, Syngene had made a preferential issue of 7.7% equity shares at ₹ 300/- per share to GE Equity International for a total consideration of ₹ 125 Crores.

In this fiscal year, Syngene recorded a growth of 33% in top line with revenues touching ₹ 5,542 millions against ₹ 4,182 millions in FY12. Syngene's EBIDTA margin for the year was 30%, with the operational margin at ₹ 1,681 millions compared to ₹ 1,404 millions last year, a growth of 20%.

Clinigene International, a 100% subsidiary of Syngene works across the clinical trial domain, conducting complex bioavailability, bioequivalence and clinical trials required for validation of drugs and pharmaceuticals in India. It also has competencies in medical sciences for the development and enhancement of medical diagnostic, surgical and therapeutic techniques. For the fiscal ended March 31, 2013, Clinigene clocked revenues worth ₹ 385 millions and turned the corner to deliver a net profit of ₹ 4 millions.

Biocon Biopharmaceuticals Limited

Biocon Biopharmaceuticals Limited (BBL) is a wholly owned subsidiary engaged in the production of monoclonal antibodies and other biologics. During the year, BBL earned revenues worth of ₹ 584 millions and generated a net profit of ₹ 55 millions. During the year, the Company commissioned its state of the art biologics facility built with an investment to the tune of ₹ 150 crores.

In April 2012, the Board of BBL has approved the merger of the Company with Biocon Limited. The merger application has been filed with the Hon'ble High Court of Karnataka and the same is pending.

Biocon Research Limited

Biocon Research Limited (BRL), a 100% subsidiary of Biocon, undertakes discovery and development research work in Biologics, Monoclonal antibody molecules and Proteins. This fiscal year saw the inauguration of a world class research facility which primarily houses the operations of BRL. Known as Biocon Research Centre, this state of the art facility is spread across 200,000 sq. ft. and houses cutting-edge technology

to enable the development of 'best-in-class' biologics and biosimilars. For the current year, BRL registered revenues of ₹ 254 millions largely on account of services rendered to other group companies. The Biosimilar mAbs programme with Mylan undertaken by BRL is in development stage and hence BRL has reported a net loss of ₹ 899 millions for the year ended March 31, 2013.

Biocon SA

Biocon SA is our wholly owned subsidiary based out of Switzerland, engaged in development and commercialization of biopharmaceuticals for the global markets. During the current year Biocon SA entered into an agreement with Mylan for the co-development and commercialisation of insulin analogs. The added impetus from our partner gives us reason to believe that there is a possibility of an early approval for insulin products in the regulated markets.

The commitment of the company to the biosimilars program stays in place as demonstrated by the progress of our molecules in the clinics. Biosimilar rh-Insulin has completed EU phase III trial while Biosimilar glargine is expected to enter global phase III trial for the developed markets shortly. For the current year, at the back of exceptional income Biocon SA registered a net profit of ₹ 2,468 millions.

Biocon SDN. BHD

Biocon SDN. BHD., a wholly owned subsidiary in Malaysia is setting up the group's first overseas manufacturing facility in BioXcell, a biotechnology park being promoted by the Malaysian government. This facility is expected to be operational with regulatory approvals in 2015. Biocon SDN BHD is in the process of setting up the manufacturing facility and is yet to commence commercial operations.

Neo Biocon FZ LLC

Neo Biocon FZ LLC. is a research and marketing pharmaceutical company, which was incorporated in January 2008 as a '50:50' joint venture with Dr. B. R. Shetty of Neo Pharma. Based out of Abu Dhabi, Neo Biocon helps us reach out to the Middle East and GCC with our veritable portfolio of quality small molecules and biologics. During the current fiscal, Neo Biocon earned ₹ 227 millions in revenues and reported a net profit of ₹ 66 millions.

Standalone and Consolidated Financial Statements

The standalone and consolidated financial statements have been prepared by your company in line with the Accounting Standards prescribed by the Companies (Accounting Standards) Rules, 2006.

We wish to bring to the attention of the member that the Company has adopted a prudent approach towards accounting for licensing income commensurate with its obligation for development for clinical and regulatory activity of Biosimilar products. Assessing the development obligation for insulin program, our contract with Mylan greatly reduces our spends for insulin analogs. Accordingly, we have booked a part of deferred amounts as an exceptional income and continued defer the balance amounts towards outstanding obligation in respect of our obligations for clinical and development activities. We feel that this treatment rightly reflects our approach towards the development program. Our Auditors have drawn a reference to this accounting treatment in the consolidated financial statements of the Company.

The audited, consolidated financial statements of FY13 together with the annexed Auditors' Report form a part of this Annual Report.

Accounts of Subsidiary companies

The Ministry of Corporate Affairs has granted a general exemption to companies from attaching the financial accounts of the subsidiary company to this report, as part of Section 212 of the Companies Act of 1956. However a declaration illustrating relevant details of the subsidiaries is enclosed in this annual report. The members can write to the company for obtaining copies of the annual accounts of the subsidiary companies. The same will also be available for inspection at our registered office in Bengaluru, India.

Employee Stock Option Plan (ESOP)

Pursuant of the provisions of Guideline 12 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme Guidelines, as amended), the details of stock options as on March 31, 2013 are provided in the annexure to the Director's Report.

Corporate Governance

We strive to maintain high standards of corporate governance in all our interactions with our stakeholders. The company has conformed to the corporate governance code as stipulated under the listing agreement with the stock exchanges. A separate section on corporate governance along with a certificate from the auditors confirming the level of compliance is attached and forms a part of the Director's Report.

Evaluation of Board Effectiveness

The evaluation of the Board's performance is effected periodically by the Chairman of the Audit Committee to quantify the effectiveness of the Board. Action plans for certain improvements in key areas are periodically reviewed for implementation.

Directors

Prof. Ravi Mazumdar and Prof. Charles L. Cooney shall retire by rotation at the ensuing Annual General Meeting; being eligible they offer themselves for re-appointment.

Mr Daniel M Bradbury has been inducted as an additional non-executive Director on Board effective April 25, 2013. A notice as required under Section 257 of the Companies Act, 1956 has been received by the Company for his appointment as Director. The Board recommends to the shareholders for the appointment of Mr Daniel M Bradbury as a Director liable to retire by rotation.

Auditors

The Statutory Auditors M/s. S. R. Batliboi & Associates LLP (earlier known as M/s. S. R. Batliboi & Associates) (ICAI Firm registration no.: 101049W), Chartered Accountants, Bangalore, retire at the ensuing Annual General Meeting, and have confirmed their eligibility and willingness to accept office, if re-appointed.

Cost Auditors

In compliance with Section 233B of the Companies Act, 1956, M/s Rao, Murthy & Associates, Cost Accountant, were appointed to carry-out audit of the cost records maintained by the Company. Their term of office ended on March 31, 2013 and have confirmed their eligibility and willingness to accept office, if re-appointed and approved by Central Government to carry out the Cost Audit of the records maintained as per the norms of Pharmaceutical Industry.

Management Discussion and Analysis Report

The report as required under the Listing agreements with the Stock Exchange is annexed and forms an integral part of this Report.

Cumulative Disclosures under the stock option scheme as on March 31, 2013

Fixed Deposits

The company has not accepted any fixed deposits from the public.

Directors' Responsibility Statement

In compliance with the Section 217 (2AA) of the Companies Act, 1956; the board of directors hereby confirm the following:

i. In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departure, if any.

ii. We have selected such accounting policies and applied them consistently. We have made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs and of the profit of the company at the end of the fiscal year.

iii. We have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the company and for preventing and detecting fraud and other irregularities.

iv. We have prepared the annual accounts on a going concern basis.

Particulars of Research and development, conservation of energy, technology absorption and Foreign Exchange earnings and outgo

Details requited as per Section 217(1)(e) of the Companies Act,1956 in conjugation with Rule 2of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules of 1988, are provided in the annexure to this report.

Particulars of Employees

Details requited as per Section 217(2A) of the Companies Act, 1956 in conjugation with Rule 2 of the Companies (Particulars of Employees) Rules of 1975, as amended; are provided in the annexure to this report.

However, in line with the provisions of Section 219(1)(b)(iv) of the aforementioned Act; post the exclusion of the information as required above, the annual report is being sent to all the members of the company and the others entitled thereto. Any member interested in obtaining these details may write to the Company Secretary at our registered office in Bengaluru, India.

Acknowledgements

The Board greatly appreciates the commitment and dedication of its employees across all levels who have contributed to the growth and sustained success of the company. We would like to thank all our clients, vendors, investors, bankers and other business associates for their continued support and encouragement during the year.

We also thank the Government of India, Government of Karnataka, Ministry of Information Technology and Biotechnology, Ministry of Commerce and Industry, Ministry of Finance, Department of Scientific and Industrial Research, Drugs and other regulatory authorities at the Centre and State, Department of Pharmaceuticals, Customs and Excise Departments, Income Tax Department, CSEZ, LTU Bangalore and all other government agencies for their support during the year and look forward to the same in the future.

For and on behalf of the Board

Kiran Mazumdar-Shaw
Chairman and Managing Director

John Shaw
Vice Chairman

April 25, 2013

Annexure to the Directors' Report

Particulars under Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 for the year ended March 31, 2013.

A. Conservation of Energy

During the year, the Company has taken measures to optimise consumption of energy by installing energy efficient machines, proper maintenance of existing equipment and efficient planning of equipment use.

FORM A

		Year ended March 31, 2013	Year ended March 31, 2012
Power and Fuel Consumption			
1.	**Electricity**		
a)	Electricity Purchase Unit (000)	119,351	106,146
	Total Amount (₹ in Million)	666	565
	Rate per Unit	5.58	5.33
b)	Own Generation from		
	Diesel Generator Unit (000)	14,807	12,978
	Total Amount (₹ in Million)	190	135
	Rate per Unit	12.82	10.40
2.	**Furnace Oil ***		
	Unit (K.Ltrs)	12,484	6,332
	Total Cost (₹ in Million)	529	244
	Average/K. Ltrs	42,398	38,482

* Including used for production

B. Consumption per unit of Production

The disclosure of consumption figures per unit of production is not meaningful since the Company manufacture multiple product which have varying power requirements.

FORM B

1. Specific areas in which R&D work has been carried out by the Company
- Process and Clinical Development of Novel Biosimilars / Biotherapeutics in Oncology, Diabetes, Rheumatology and Cardiovascular segments.
- Clinical Development of Biosimilars in Oncology, Metabolic disorders, Diabetes, Rheumatology and Cardiovascular segments.
- Development of Synthetic and Fermentation based Generic Small Molecules for Anti-infective, Cardio-vascular, Nephrology and Transplantation segments.
- Generation of Intellectual Property Development – Process Patents for manufacture of key Generic Small Molecules and Biotherapeutics and unraveling the mechanism of action of novel biotherapeutics
- Development of globally competitive manufacturing processes
- Clinical Development of new drug combinations

2. Benefits derived as a result of R&D activities
- Scale-up of key Biosimilars with improved productivity and process efficiencies
- Strategic collaborations for development of new Biotherapeutics
- Global presence in supply of fermentation based Small Molecules to the Generic Industry in regulated markets
- Rich pipeline of Generic Small Molecules catering to varied therapeutic areas
- Internationally competitive prices and product quality
- Established intellectual property with 1,231 Patents/ PCT applications filed in Indian and International markets
- Safe and environment friendly processes

3. Future Plan of Action
- Greater importance in the research areas of New Drug Discovery
- Clinical Development of existing pipeline of Biotherapeutics for Regulated markets
- Strategic Collaborations for increased speed and cost competitiveness in Drug Discovery
- Continued emphasis on Monoclonal Antibodies and Biotherapeutics leveraging on Biocon's in-house process development and analytical skills
- Continue to strengthen R&D capabilities in the area of New Biotherapeutics

4. Expenditure on scientific Research & Development:

₹ in Million

		March 31, 2013	March 31, 2012
a)	Capital	55	54
b)	Recurring	714	1,017
	Total	714	1,071
	Less: Recharge	(41)	(694)
	Net R & D Expenses	673	377
	Total R& D expenditure as percentage of sales	4.4%	6.6%

5. Technology Absorption, Adoption and Innovation:
No technology was imported by the Company during the year.

6. Foreign Exchange earnings and outgo:
Foreign exchange earned and used for the year:

₹ in Million

	March 31, 2013	March 31, 2012
Gross Earnings	9,905	6,773
Outflow*	6,066	5,449
Net foreign exchange earnings	3,839	1,324

*For details please refer to information given in the notes to accounts to the annual accounts of the Company Schedule 33(a)(c)(d).

Cumulative disclosure under the stock option scheme as on March 31, 2013

Particulars		Fourth Grant	Fifth Grant
a.	i) Options Granted (Post equity split and bonus, net of options cancelled)	5,701,628	1,077,000
b.	Exercise price		
	i) Pre-bonus of 2008	20% discount to Market Price on date of Grant	Market Price on date of Grant
	ii) Post-bonus of 2008		
c.	Options vested	5,617,872	79,600
d.	Options exercised	4,978,256	12,500
e.	Total number of Equity Shares to be transferred from the ESOP Trust as a result of exercise of options	4,978,256	12,500
f.	Options lapsed	1,721,946	-
g.	Variation in the terms of options	None	None
h.	Money realized by exercise of options (₹ lacs)	5,764	25
i.	Option pending exercise	639,616	67,100
j.	Total number of options in force	725,616	1,064,500
k.	Person-wise details of options granted to:		
	i. Directors and key managerial employees	Please see Table (1) below for details regarding options granted to key managerial employees	Nil
l.	Diluted Earnings Per Share (EPS) pursuant to issue of shares on exercise of options	Not applicable since shares will be transferred by the ESOP Trust upon exercise of the options and the Company will not be required to issue any new shares	
m.	Vesting schedule	Year 1-25% Year 2-35% Year 3-40% (Year 1 being 3 years from date of joining or 1 year from July 19, 2006, whichever is later)	Year 1-25% Year 2-35% Year 3-40% (Year 1 being 3 years from date of joining)
n.	Lock-in	No lock-in, subject to a minimum vesting period of 1 year.	

There are no employees who have received a grant in any one year amounting to 5% or more of the options granted during that year.

There are no employees who have been granted options during any one year equal to or exceeding 1% of the issued capital of the Company.

Consequent to the bonus shares in the ratio 1:1 on Sept 15, 2008, employees who had not exercised their options were credited with bonus entitlements based on ESOP Plan (Eligibility for corporate action).

Section 212

Statement pursuant to Section 212 of the Companies Act, 1956 relating to Holding Company's interest in its Subsidiaries

₹ Millions

	Syngene International Limited	Biocon Biopharmaceuticals Limited	Biocon Research Limited	Biocon SA	Biocon SDN BHD
Financial year of the subsidiary ended on	**March 31, 2013**	**March 31, 2013**	**March 31, 2013**	**March 31, 2013**	**March 31, 2013**
1. (a) Number of shares held by Biocon Limited at the end of the above date	47,497,525 equity shares of ₹ 5/- each	17,600,000 equity shares of ₹ 10/- each	5,00,000 equity shares of ₹ 1/- each	100,000 equity shares of 1/- CHF each	4,500,000 equity shares of RM 10/- each
(b) Extent of interest on above dated	87.7%	100%	100%	100%	100%
2. Net aggregate amount of the Subsidiary Company's Profit/ (Loss) so far it concerns members of the Holding Company and					
(a) is not dealt in the Company's account					
(i) for the financial year ended March 31, 2013	856	55	(898)	2,478	(18)
(ii) for the previous financial years, since it became a subsidiary	2,800	70	(777)	438	(4)
(b) is dealt in the Company's account					
(i) for the financial year ended March 31, 2013	Nil	Nil	Nil	Nil	Nil
(ii) for the previous financial years, since it became a subsidiary	Nil	Nil	Nil	Nil	

Management Discussion and Analysis

The financial statements have been prepared in compliance with the requirements of the Companies Act, 1956 and Generally Accepted Accounting Principles (GAAP) in India. This discussion may contain forward-looking statements that involve risks and uncertainties.

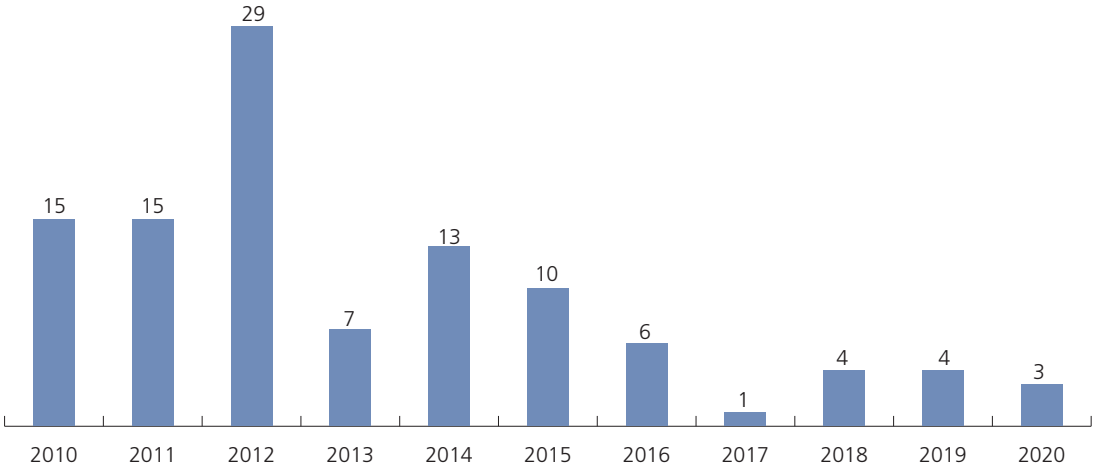
(All amounts in Indian Rupees Millions, except share data including share price, holding details in a subsidiary company and amounts expressed in foreign currency).

Industry Landscape, Opportunity and Outlook

Global Pharmaceutical Market

The year 2012 was an inflection point in the global pharma growth story. The Global Pharma Market (GPM) grew by 2% in 2012 to reach $ 856 Billion compared to the median 5% growth seen in the last 5 years[1]. This deceleration was largely due to 7 major patent expiries, where we have seen significant price erosion due to genericization. Though the patent cliff will continue in 2013, the earnings growth in GPM is expected to return, as a smaller number of blockbuster drugs are on the patent expiry block going forward (refer Figure 1).

Figure 1: Sales Quantum (US$ Bn) of Patent Expiries over 10 Years

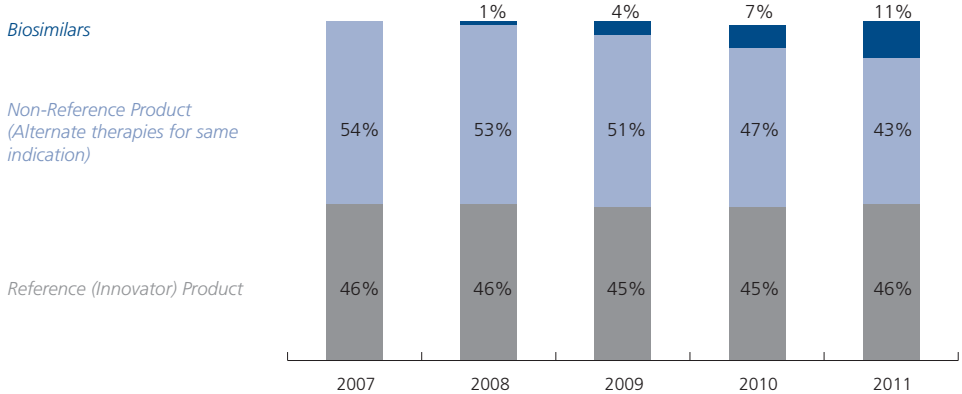


Source: Innovator Sales and Patent Expiry Disclosures

Not only did 2012 mark the peak of the currently ensuing patent cliff, but also witnessed significant strides made in the biosimilar regulatory regime across major regulated markets. While US now has a biosimilar bill under consideration which builds on the EU guidelines and includes ideas of interchangeability and substitutability, EU itself is revising its biosimilar guidelines to make it easier for quality biosimilar players to enter the space. Japan has also taken key steps in this area and now has a couple of biosimilar applications under review.

The thrust for clearer biosimilar regulatory guidelines have been driven by the increasing concern over the healthcare burden being shouldered by government and players alike. The experience of EU with biosimilars has amply demonstrated that the ***presence of biosimilars enhances existing market competition, increases access to medicine to a larger set of the population and helps stabilize healthcare costs***[2]. Biosimilars have been able to command 11% of the total accessible market in EU since their introduction in 2006; despite the absence of automatic substitution (refer Figure 2).

Figure 2: Market Breakup by Product Type in EU + Norway + Switzerland



Data Source: EU Consensus Information Paper 2013. "What you need to know about Biosimilar Medicinal Products"

[1] *IMS Health MIDAS, December 2012; Growth is in constant $ to normalize for exchange rate fluctuations*
[2] *EU Consensus Report, "What you need to know about Biosimilar Medicinal Products", May 2013*

The increasing focus on rationalising healthcare spends has thus prompted a number of "Big Pharma" companies to re-evaluate their growth strategies. Consequently a flurry of partnerships and research programs aimed at creating a foothold in the biosimilar space were announced this year. These evolving strategies point towards the fact that the line demarcating 'Big Pharma' and Generic players is blurring and we are now looking at the emergence of a hybrid model where innovation and affordability could go hand-in-hand.

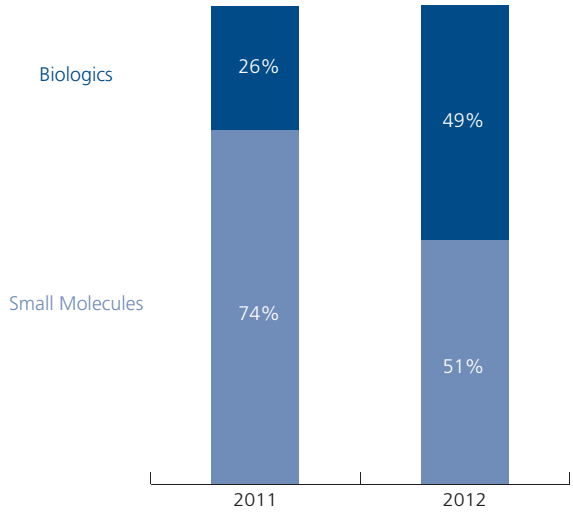
Thus, 2012 marked the year of changing dynamics in the global pharma market with the balance of power shifting towards biologics.

Today 5 of the best-selling drugs worldwide are biologics, at least 4 of which would be facing patent expiry in the next 5 years (refer Table 1, Figure 3).

Table 1: Top 10 Pharma Brands Worldwide

Rank	2011	2012
1	Lipitor	Seretide
2	Plavix	**Humira**
3	Seretide	Crestor
4	Crestor	Nexium
5	Nexium	**Enbrel**
6	Seroquel	**Remicade**
7	**Humira**	Abilify
8	**Enbrel**	**Lantus**
9	**Remicade**	**Mabthera**
10	Abilify	Cymbalta

Figure 3: Contribution of Sales in the Top 10 Brand List

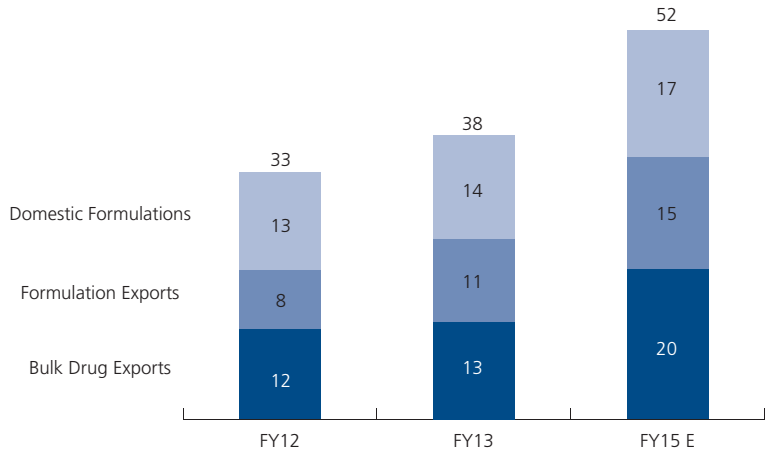


Note: Brands in Bold are Biologics; Data Source: IMS Health MIDAS, December 2012; Biocon Analysis

Indian Pharma Market

The Indian Pharma Industry grew a healthy 16% in FY13 to reach $ 38 Billion against a size of $ 33 Billion in FY12. This growth was largely export-driven, supported by the domestic industry which grew by 12% this fiscal (refer Figure 4). The growth in the domestic market has been led by the chronic segments which grew by 14% YoY and today account for 30% of the total market up from 25% in FY09[3].

Figure 4: Indian Pharmaceutical Industry (Domestic + Exports in US $ Bn)

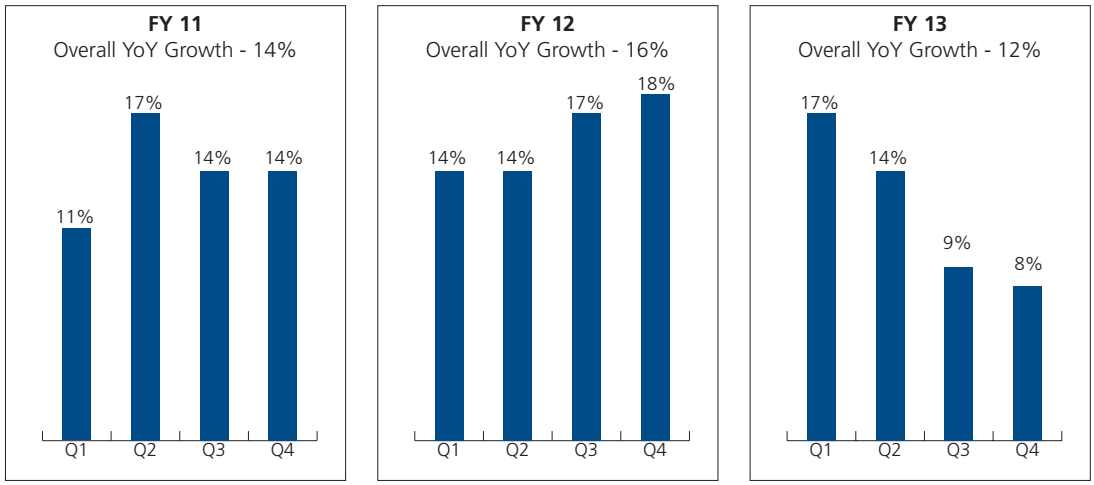


Source: AIOCD MAT March 2013; Directorate General of Foreign Trade; Pharmaexcil India; CII- Yes Bank, India Life Sciences: Vision 2015

The growth of the domestic pharma market has decelerated over the last few quarters (refer Figure 5) owing to a number of systemic bottlenecks. The current policy paralysis with regards to the new drug pricing mechanism, delays in approval of clinical trials, aggressive patent activism and the evolving marketing guidelines have led to a wait and watch approach being implemented by most pharma players. In addition macro-economic pressures of high inflation and lower disposable income in the hands of payers has led to the current economic slowdown extending to the pharma space as well.

[3] *AIOCD Monthly Sales Data*

Figure 5: Quarterly Growth run rate of Domestic Indian Pharma Market[3]



The growth in the domestic market is therefore expected to remain muted till the current bottlenecks are eased. There are some signs of recovery at the policy level with clarity emerging from the National Pharmaceutical Pricing Authority on the latest Essential Medicine List and fresh regulations being put in place to better manage clinical trials. However, it is still a long way to go before the policy measures bear fruit and the domestic growth can sustainably resume. The 2013 sectoral update by Fitch reiterates a stable outlook for the domestic Pharma market as the inherent growth drivers are still in place, despite the delta emerging from the current regulatory ambiguity.

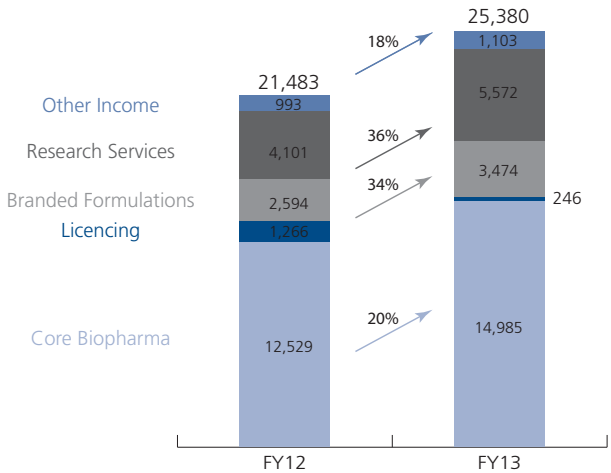
BUSINESS STRATEGY AND OPERATIONAL PERFORMANCE

The year gone by

The maturing patent cliff in FY13 coincided with the beginning of Biocon's gestational growth phase prior to the launch of biosimilars in major regulated markets. The focus is firmly on reaching the milestone of $ 1 Billion in revenues by 2018; by leveraging our core competencies in fermentation, biologics and the India cost advantage.

The emphasis during this gestation period is on timely execution of our development and manufacturing strategy supported organically by our current portfolio. Staying true to this mandate, we delivered a solid top line growth of 18% to reach ₹ 25,380 in FY13 up from ₹ 21,483 in FY12. This growth was broad-based across our three major drivers: Research Services, Branded Formulations and Core Biopharma which grew at 36%, 34% and 20% respectively (refer Figure 6). At Constant Exchange Rates, group sales* grew by 12% YoY with research services growing by 22% YoY.

Figure 6: Biocon Group FY13 Revenue Growth breakdown by Segments



**Group Sales = Group Revenues excluding Other Income*

Core Biopharma

The 20% YoY growth in our traditional API business reflects the strength of our differentiated product offerings that have grown steadily despite the current headwinds in the Industry. The Core Biopharma segment consists of our small molecule offerings and our biosimilars portfolio.

The **Small Molecules** vertical which encompasses statins, immunosuppressants, speciality molecules like Fidaxomicin and other APIs, has seen good traction over the past year. The growth mantle has been taken up by Immunosuppressants and Fidaxomicin while statins have largely remained stable. The aggressive genericization of atorvastatin has intensified the competition in the statins space. We have been able

[3] *AIOCD Monthly Sales Data*

to maintain our position in statins due to the sustained process efficiency measures that have helped us stay cost competitive and the marketing capabilities of our partners. The focus going forward is on optimising our small molecules portfolio to ensure more margin-accretive molecules can take over from statins as our flagship offering. We have also commenced multiple programs under the ANDA initiative that aims to build a robust pipeline of difficult-to-make, technology-intensive molecules which can be commercialized in the regulated markets.

The **Biosimilars** vertical is expected to catalyse the next wave of growth for us. This vertical comprises of generic rh-Insulin, generic Insulin Glargine and a pipeline of 7 biologics under development (2 insulin analogs, 3 Monoclonal Antibodies and 2 other biologics). The biosimilar development pathway is still evolving as the regulators gain greater experience and comfort with these molecules. Additionally, there is intensive lobbying from the innovators to protect their domain of multi-billion dollar drugs.

In such a dynamic scenario, the commercialization success of our offerings hinge on the quality of our partnerships. We extended our biosimilar partnership with Mylan this year to bring generic insulin analogs into the fold. The partnership with Mylan builds on our extensive co-development experience with biologics, endorses the quality of our products and re-affirms their faith in our capabilities of bringing these difficult to make molecules to the market. The current partnership extension is on the same lines as our earlier arrangement for biosimilars whereby both the partners share development and capital costs. Mylan gets exclusive commercialization rights in select regulated markets and the two partners enjoy co-marketing rights in all other regions. This partnership therefore complements the regional partnership model that we have employed in other geographies. ***We are today present in over 40 countries with our generic rh-Insulin and over 5 countries with generic Insulin Glargine.***

The strategy going forward is to enhance our emerging markets footprint while the development work of these molecules for the regulated market progresses simultaneously. We achieved several milestones this year on the biosimilar development front as listed below:

- Completed the EU Phase III trial for generic rh-Insulin and successfully established the efficacy endpoint with comparable safety and efficacy against the innovator products
- Successfully concluded the Global Phase I trial for generic Insulin Glargine
- Initiated the Global Phase III trial for Biosimilar Trastuzumab post the successful completion of its Global Phase I trial
- Recruitment completed for India Phase III trial of Biosimilar Trastuzumab

Given the flux in the regulatory environment, we have attempted to keep the regulators abreast at every stage of development. The next steps would be to re-engage with the authorities to:

- Determine the quality of our data, before proceeding with the dossier filing of generic rh-Insulin in EU
- Ascertain the development pathway for generic rh-Insulin in US
- Understand the requirements and expectations of the EMEA and FDA prior to the initiation of a global Phase III trial for generic Insulin Glargine

We continue to make progress on the 5 other biosimilar molecules which are currently in pre-clinical development. We hope to bring some of these molecules to the clinic this fiscal. The headway in our India Phase III for Biosimilar Trastuzumab is encouraging and gives us the confidence that we should be able to bring it to the markets soon.

The rapidly changing biosimilar landscape is expected to fundamentally alter the balance of power in the GPM. N***avigating this space not only requires sustained investments in development and manufacturing but also in building a conducive regulatory understanding to bring these products to the market. Being one of the first few players in the biosimilar space for regulated markets, we face greater hurdles in creating the requisite acceptance and the biosimilar development pathway. Our strategy of commercializing the same quality product across geographies, beginning with emerging markets has helped us gain greater acceptance, confidence and build capabilities*** to take on the goliaths of the biotech world.

Branded Formulations

Our branded formulations vertical grew robustly this fiscal, delivering a YoY growth of 34% to reach ₹ 3,474 in FY13 up from ₹ 2,594 in FY12. The growth significantly outpaces the industry, and was broad-based across the 7 divisions. We have seen good growth contribution from our newly launched divisions of Comprehensive Care, Bio products and Immunotherapy in addition to the traditional strongholds of Diabetology and Oncology. Today we are the ***fastest growing Insulins company in India***, and have consistently outpaced the 3 MNCs (Novo Nordisk, Sanofi Aventis & Eli Lilly) over the last fiscal[4]. The launch of INSUPen™ in FY12 helped us create a clear value-differentiator in the pen delivery market, substantiating our position as a world-class Insulins player. We are also recognised as one of the ***leading oncology organization in the country*** thanks to our flagship brands of BioMAb EGFR™ and Abraxane™. Over the last year, we have also seen some of our new launches gain rapid acceptance from physicians and patients alike. Such launches include Picon™, Tbis™, Calpsor C™, and Genpirome™ and Cegava TZ™ all of whom ranked #2 in their respective areas within a year of their launch[4].

The focus going forward is on bringing world-class therapies to the Indian Market, by deftly balancing affordability with innovation. One of the highlights for FY14 would be the India launch of our indigenously developed, Anti-CD6 biologic therapy under the brand name of Alzumab™. It is a novel, first-in-class therapy with a differentiated mechanism of action indicated for Psoriasis. We had received the go ahead from the regulatory authorities in FY13, post the successful completion of our India Phase III trial which was conducted on more than 200 patients.

The growth going forward is expected to continue on the back of increased reach and penetration of our existing portfolio, coupled with the inherent growth drivers of the Indian Pharma Market.

[4] *AIOCD MAT March 2013*

Research Services

Our research services vertical sustained its growth momentum to ***cross the $100 Million revenue threshold*** for the first time this fiscal. We grew by 36% YoY to deliver a top line of ₹ 5,572 in FY13. This fiscal was also marked by the ***operational turnaround of Clinigene***, where we have been able to deliver a small operational profit of c₹ 80 this year. We have seen strong growth across all our offerings - from FTE based research work to manufacturing services driven by strong customer retention, new contracts and expansion of existing contracts. This year also saw the inauguration of the Abbott Nutrition and R&D centre, which will be Abbott's India focused product development centre addressing local needs with customized offerings. The partnership employs a long term contract where Syngene will help to provide solutions to Abbott's emerging market product development needs.

Another key milestone this fiscal was the ***PE investment of ₹ 1,250 million by GE Capital for a 7.69% stake in Syngene***, awarding Syngene a post money valuation of ₹ 16,250. This investment has been earmarked for enhancing our service offerings and capacities, thereby funding future growth. The association extends beyond financial considerations, whereby GE will bring in corporate best practices along with avenues for capability enhancement and new offerings.

Going forward, we expect the current momentum to continue as cost containment pressures continue to mount on Big Pharma and outsourcing to Asia become more lucrative and reliable. According to the Annual Outsourcing Survey 2013 conducted by Contract Pharma, the outlook for research services outsourcing remain strong with 53% of the respondents believing that their outsourcing spend will remain the same or increase over the course of this fiscal. The Indian CRO industry today accounts for about 3% of the global outsourcing pie vis-à-vis the c10% market share commanded by China[5]. We are committed towards becoming one of the largest CROs in Asia, and we believe that there is enough room for us to grow by leveraging our strategic partnerships further.

Other Highlights

Beyond our current growth drivers, we also achieved significant landmarks in our **Novel Molecules** vertical this fiscal. We inaugurated a world class Research and Development complex known as the Biocon Research Centre which will act as the focal point for all our R&D efforts by providing cutting edge facilities to researchers.

We also ***enhanced our association with Bristol Myers Squibb*** (BMS) to enter into an option agreement for our novel, oral insulin candidate: IN- 105. The option agreement provides for financial, strategic and developmental assistance from BMS while we continue the development of this asset through phase II. At the end of the phase II trials, BMS will have an exclusive option to further develop and commercialise the asset worldwide*. In the eventuality that BMS exercises the option, we will receive significant licensing fee in addition to potential regulatory and commercialization milestones. Should BMS decide not to go ahead with the program, Biocon retains the right to find a different partner to take the program forward.

Another key highlight of the year was the ***successful completion of our India Phase III trials for Itolizumab in Psoriasis***. This was followed by the receipt of commercialization approval from the Indian regulators, which will allow us to bring this novel therapy to India as Alzumab™. We have initiated discussions with various interested suitors for the global development of this promising asset. We are also evaluating the possibility of indication expansion of this therapy to other auto-immune indications.

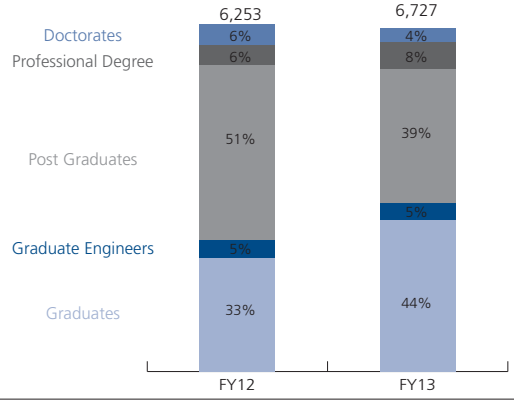
Managing the Future

FY13 was an exciting year for us as we saw significant traction on the clinical development and partnering fronts. The current fiscal would see us building further on our clinical programs, as we take our biosimilars and novel assets to the next stage of development. Given the current momentum of our R&D investments, we expect the quantum of these to increase going forward. Our revenue growth should sustain in FY14 driven by our research services, branded formulations and Biosimilars vertical. We intend to maintain our EBITDA margins going forward by optimising our product portfolio and exercising rigorous control on our costs. The delta between the licensing income and R&D investments would thereby define the movement of our EBITDA on either side of the current levels.

People

With the evolving business model in the group, we have initiated the process of realigning our people with the various business units. We are moving from being a function based organization to a Business Unit driven organization, with the idea of conferring greater autonomy and responsibility to various vertical heads. The motivation behind this organization restructuring is to sustain the entrepreneurial spirit of Biocon by allowing people the space to make quicker decisions. The new organization structure would also promote greater synergy amongst functions by aligning people to the greater goal. The figure below illustrates the intellectual capability breakup of our 6,700+ family.

Figure 7: Biocon Group: Intellectual capability break-up



[5] *Industry Intelligence*
**Worldwide rights exclude India*

A key highlight during this fiscal was the recognition from Science Magazine, which identified us as ***one of the "Top 20 Employers" in biotech and Pharma. We were the only Asian company to feature in this prestigious list*** recognised for effective change management and high employee engagement.

Key Priorities for FY14:

- Conclude the business restructuring of resources, in line with the new Business Units
- Pioneer new initiatives to enhance talent retention by helping employees map their career growth in the organization
- Develop a leadership pipeline in various business verticals through competency frameworks, career ascendency and talent development programs

Financial Performance

Overview

The financial statements have been prepared in compliance with the requirements of the Companies Act, 1956 and Generally Accepted Accounting Principles (GAAP) in India. The revised schedule VI of the Companies Act, 1956 has been adopted while preparing these statements, in accordance with the notification from the Ministry of Corporate Affairs.

Balance Sheet

All amounts in ₹ Million

Table 2: Particulars As on	March 31, 2013	March 31, 2012	Change
Equity and Liabilities			
Shareholder's Funds			
Share Capital	1,000	1,000	-
Reserves and Surplus	21,068	19,964	6%
	22,068	**20,964**	**6%**
Non-Current Liabilities			
Long-term Borrowings	400	605	-34%
Deferred Tax Liability (net)	302	349	-13%
Other Long-term Liabilities	1,083	649	67%
	1,785	**1,603**	**11%**
Current Liabilities			
Short-term Borrowings	773	868	-11%
Trade Payables	2,650	2,511	6%
Other Current liabilities	679	769	-12%
Short-term Provisions	2,177	1,488	46%
	6,279	5,636	11%
Total	**30,132**	**28,203**	**7%**
Assets			
Non-Current Assets			
Tangible and Intangible Assets	9,026	7,675	18%
Non-Current Investments	1,660	1,664	0%
Loans and Advances	4,713	5,343	-12%
	15,399	**14,682**	**5%**
Current Assets			
Current Investments	4,530	4,906	-8%
Inventories	3,589	3,404	5%
Trade Receivables	4,270	4,450	-4%
Cash and Cash Equivalents	1,792	400	348%
Loans and Advances	552	361	53%
	14,733	**13,521**	**9%**
Total	**30,132**	**28,203**	**7%**

Share Capital

We have an equity share capital comprising of 200,000,000 equity shares with a face value of ₹ 5 each. There has been no change in the equity capital of the company during the year.

Reserves and Surplus

The total reserves and surplus of the company increased by 6% YoY, to reach ₹ 21,068 as on March 31, 2013 vis-à-vis ₹ 19,964 on March 31, 2012. This increase is due to the accumulation of profits made during the fiscal net of dividend distribution.

Non-Current Liabilities

The total non-current liabilities increased by 11% this year on account of receipts from our various partners for the clinical development of research assets spanning across our biosimilars and novel molecules verticals.

Current Liabilities

Our current liabilities rose by 11% during the comparative period primarily on account of

- An increase in trade creditors by ₹ 139 due to higher purchase volumes
- Surge in actuarial provisions for gratuity and leave expenses
- An increase in proposed dividend by ₹ 500 because of higher dividend rate

Non-Current Assets

Non-current assets have largely remained at the same levels as last year. There has been an increase of 18% in our Tangible and Intangible Assets in line with our investments in facility upgrades and expansions. The decrease in long term loans and advances was driven by repayment of inter corporate loans by subsidiaries.

Current Assets

Your company's Current Assets as on March 31, 2013 reached ₹ 14,733 vis-a-vis ₹ 13,521 on March 31, 2012. This increase is primarily attributable to the surge in our foreign currency bank balances and short-term bank deposits. The increase in inventories was offset by the decrease in trade receivables.

Profit and Loss Account

The following table details out the revenue statement of Biocon Limited for the fiscals ended March 31, 2013 and March 31, 2012.

All amounts in ₹ Million

Table 3	FY 2013	FY 2012	Change
Revenues from Operations			
Sale of Finished Products	16,662	13,656	22%
Sale of Traded Goods	2,039	1,847	10%
Other Operating Revenues	1,019	523	95%
Less: Excise Duty on Operating Revenues	453	495	-8%
Total Sales	19,267	15,531	24%
Licensing and development fees	113	27	319%
	19,380	**15,558**	
Other Income	515	666	-23%
Total Revenues	**19,895**	**16,224**	**23%**
Expenses			
Cost of Materials Consumed	8,978	7,414	21%
Employee Benefit Expenses	2,276	1,916	19%
Other Expenses	4,069	2,893	41%
Total Expenses	15,323	12,223	25%
Earnings Before Interest, Tax, Depreciation and Amortisation (EBITDA)	4,572	4,001	14%
Depreciation and Amortization	951	940	1%
Finance Costs	12	17	-29%
Profit Before Tax and exceptional item	3,609	3,044	19%
Exceptional item	139	-	
Profit Before Tax	3,470	3,044	14%
Total Tax Expense	713	489	46%
Profit For the Year	2,757	2,555	8%

Revenue Breakup

Biocon's total income for the fiscal ended March 31, 2013 consisted of four key elements:

- Sale of Biopharmaceutical Products
- Other operating Income
- Licensing and Development Fees and
- Other Income

The tables below illustrate the contribution of each of these components to the company's total Income for FY 2013 and FY 2012 (refer Table 4) and the share of net biopharma sales between domestic and exports (refer Table 5).

All amounts in ₹ Million

Table 4	FY 2013	FY 2012
Operating Revenues		
Bulk API and formulations	91.7%	92.6%
Other Operating Revenues	5.1%	3.2%
Licensing and Development Fees	0.6%	0.2%
Total Operating Revenues	97%	96%
Other Income	3%	4%
Total Revenues (in ₹ Million)	**19,895**	**16,224**

All amounts in ₹ Million

Table 5	FY 2013	%	FY 2012	%
Domestic	9,474	49	8,791	57
Exports	9,906	51	6,767	43
Total Income	**19,380**	**100**	**15,558**	**100**

Portfolio Performance

Your company's operating sales can be categorised into 2 areas: biopharmaceuticals and licensing and development fees. The biopharmaceutical sales come from a varied portfolio of API and finished formulations in small molecules and biologics. Our product portfolio strategy capitalises on our capabilities in fermentation and synthetic chemistry products. The key product portfolios are discussed below:

Statins

These cholesterol reducing drugs are amongst the largest selling medications in the world with a combined market size in excess of $13 Billion. This drug family currently comprises of 7 molecules, led by Rosuvastatin, Atorvastatin and Simvastatin. In 2012, Rosuvastatin was the 3rd largest selling drug in the world reeling in revenues in excess of $8 Billion while Atorvastatin despite being genericised still commanded sales of c$5 Billion[6].

Our portfolio offering comprises of all the 7 molecules, and has remained strong despite the big changes occurring in the industry. We have been able to optimise our product mix in the portfolio, to weather the prescription shifts that have gained pace post the availability of atorvastatin generics worldwide. We are currently in the process of optimising our product offerings, with the long-term aim of reducing our dependence on this segment.

Insulins

Insulin is a native hormone produced by the β-cells in the pancreas, which regulates carbohydrate and fat metabolism in the body. The inability of the human body to adequately balance its dietary intake with the requisite amount of insulin, causes Diabetes. The management of diabetes is currently done via various Oral anti-diabetics and Biologics like Insulin. We currently manufacture and commercialise generic rh-Insulin and generic Insulin glargine (a long-acting insulin analog) in the emerging markets. The market access strategy is to form regional partnerships which have helped us reach out to over 40 geographies worldwide with our generic rh-Insulin and over 5 nations with generic insulin glargine. The recent co-development and commercialization alliance with Mylan will help us increase our foothold by reaching out to various developed markets with our insulin analogs.

Immunosuppressants

These moieties suppress the body's immune system aiding in acceptance of donor/foreign organs during transplants. The production process of these molecules requires sophisticated technology and extensive manufacturing competencies. Our portfolio currently consists of 3 molecules which are off patent- Tacrolimus, Mycophenolic Acid and Mycophenolate Mofetil. This portfolio has seen sustained double digit growth over the last two years notwithstanding capacity constraints and pricing pressure. We expect the current growth rates to sustain, as more molecules from this segment lose patent protection over the next couple of years.

Other Biopharma

This segment consists of a plethora of molecules including Fidaxomicin and Orlistat which leverage our competencies in fermentation and synthetic chemistry. This portfolio spreads encompasses a range of therapeutic areas like diabetes, anti-infectives, ophthalmology etc. thereby helping us evaluate various potential growth areas and strategize on future portfolio expansions. This segment has been growing well on the back of the aforementioned molecules.

Branded Formulations

Our branded formulations vertical front-ends our traditional API business by extending into finished dosages, primarily in the domestic Indian market. We have seen solid growth in this vertical over the last two years, which has been driven by a combination of factors listed below:

- Focus on chronic therapy segment which build on the inherent industry growth drivers
- World-class, differentiated products at affordable price points
- A unique portfolio mix where biologics and small molecules contribute almost equally

[6] IMS MIDAS, MAT 2012

We currently have about 1,700 people in this vertical, which includes a field force of c 1,500. We expect to sustain the current growth rates, driven by focused strategy execution supplemented by the launch of differentiated products.

Other Financial Data

Licensing and Development Fees

Licensing and Development fees comprises of any income received towards:

- Transfer of proprietary technology of certain bio-generics under long-term contracts
- Out-licensing its proprietary products.

During the current year, we recorded an amount of ₹ 113 on account of transfer of development and marketing rights of certain products in key emerging markets.

Other income

Other income decreased by 23% YoY was on account of lower Forex gain booked in FY 13; as the volatility in Forex rates was much lower in FY 13 vis-a-vis FY 12.

Cost of Materials Consumed (CoMC)

Material costs consist of our consumption of raw materials, traded goods and change in stock. In FY 13, our material costs have increased by 21% from ₹ 7,414 to ₹ 8,978 over the previous year. However as a percentage of product sales we have seen our CoMC decrease by a percentage point this year, reflecting that our attempts to closely control them have gained some traction.

Employee Benefit Expenses

The Employee Benefit Expenses comprise of the following items:

- Salaries, wages, allowances and bonuses
- Contributions to provident fund
- Contributions towards gratuity provisions
- Amortization of Employees stock compensation expenses and
- Welfare expenses (including employee insurance schemes)

Staff costs have increased by 19% from ₹ 1,916 in FY12 to ₹ 2,276 in FY13, driven largely by the surge of 18% in our total employee strength. The increase also includes an additional payment of bonuses to the tune of c ₹ 100 in the organization, to recognise the efforts that have helped us forge a number of key alliances in the last two fiscals.

Operating and other expenses

This expense line includes various miscellaneous expenses including travelling and conveyance charges, communication expenses, professional costs, power and fuel, lab consumables, repairs and maintenance, selling expenses like freight outwards, sales promotion and commissions, research and development costs, provision for doubtful debts and other general overheads. Over this fiscal, Operating and other expenses have increased by 41% due to:

- 40% increase in power and fuel expenses as well as in travelling and conveyance charges
- 41% increase in our research and development costs, with the initiation of various global clinical trials for our biosimilar programs
- One time charges paid for consultation on operational excellence and induction of other key global practises
- 13% increase in logistics, selling and distribution expenses on account of increase in freight costs and distribution expenses in the domestic healthcare business.

Depreciation and Amortization

During this fiscal, depreciation and amortization remained increased marginally to ₹ 951 from ₹ 940 last year. The increase is mainly on account of new investments to supplement our manufacturing facilities.

Finance Costs

Finance Costs have decreased from ₹ 17 in FY12 to ₹ 12 in FY13 due to reduction in borrowings to finance temporary working capital requirements.

Exceptional Expense

We recognised an exceptional expense this fiscal for ₹ 139 in respect of our investment in IATRICa. There have been certain developments in connection with this investment arising due to patent filings, which are contrary to contractual obligations and hence on a prudent basis, the Company has made a provision to the extent of its equity investment.

Tax Expenses

Tax expenses for the fiscal stood at ₹ 713 in FY13 in comparison to ₹ 489 in FY12. Tax rates have grown this fiscal to reach ~21%, following the loss of EOU and sunset clauses which earlier applied to our SEZ facility.

Net Profit

Net profit for FY13 grew by 8% YoY, reflecting the net impact of increased revenues and the corresponding operating expenses. Basic EPS for the year stood at ₹ 14.08 as against previous year ₹ 13.04.

Liquidity

Our primary liquidity requirements are for financing working capital requirements and funding capital expenditure. The financing needs are largely met through internal accruals and short-term borrowings.

All amounts in ₹ Millions

Table 6 : Cash Flow	FY 2013	FY 2012
Net Cash generated from Operating activities	3,480	1,605
Net Cash used for:		
Capital Expenditure	(2,428)	(1,084)
Dividend including dividend tax	(1,162)	(997)
Investments in associate/subsidiary companies	(0)	(712)
Recovery of loans from subsidiaries	1,060	74
Repayment of borrowings	(301)	(106)
Others	108	484
Cash and Cash equivalents	(1,540)	(398)
Net (purchase)/redemption of current investments	385	(719)
Cash at beginning of year	398	1,853
Cash at the end of the year	1540	398

Performance of Subsidiaries, Joint Ventures and Associates

Syngene International Limited

Syngene International Limited (Syngene) is the largest contract and custom research enterprise in India with extensive competencies in chemistry and biologics. An 87.7% subsidiary of Biocon Limited, Syngene offers integrated research services in the drug discovery and development space along with manufacturing services in APIs, Intermediates and biologics. The organization offers value-added service models to complement the evolving needs of the global Pharma, bio-pharma and biotech players. Syngene's clientele spans across industries like pharmaceuticals, nutraceuticals, agri-chemicals, engineering and speciality segments, and today includes 16 of the top 20 pharma companies of the world.

In this fiscal, Syngene recorded a growth of 33% in top line with revenues touching ₹ 5,542 against ₹ 4,182 in FY12. Syngene's EBIDTA margin for the year was 30%, with the operational margin at ₹ 1,682 compared to ₹ 1,404 last year, a growth of 20%.

Clinigene International Limited

Clinigene International, a 100% subsidiary of Syngene works across the clinical trial domain, conducting complex bioavailability, bioequivalence and clinical trials required for validation of drugs and pharmaceuticals in India. It also has competencies in medical sciences for the development and enhancement of medical diagnostic, surgical and therapeutic techniques. FY13 saw Clinigene turn the corner, to deliver a small operational profit this year. For the fiscal ended March 31, 2013, Clinigene earned revenues worth ₹ 385 and a net profit of ₹ 4.

Biocon Bio-Pharmaceuticals Limited

Biocon Biopharmaceuticals Limited (BBL) is a wholly owned subsidiary engaged in the production of monoclonal antibodies and other biologics. During the year, BBL earned revenues worth of ₹ 586 and generated a net profit of ₹ 55. During the year, the Company went on stream with its operations at the state of the art biologics facility built with an investment to the tune of ₹ 150 crores. This year we initiated the process for merging this subsidiary with the parent company, to better integrate the operations of the company.

Biocon Research Limited

Biocon Research Limited (BRL), a 100% subsidiary of Biocon, undertakes discovery and development research work in biologics, Monoclonal antibody molecules and proteins. This fiscal saw the inauguration of a world class research facility which will primarily house the operations of BRL. Known as Biocon Research Centre, this state of the art facility is spread across 200,000 sq. ft. and houses cutting-edge technology to enable the development of 'best-in-class' biologics and biosimilars. For the current year BRL registered revenues of ₹ 254 and has reported a net loss of ₹ 899 for the year ended March 31, 2013.

NeoBiocon

NeoBiocon FZ LLC. is a research and marketing pharmaceutical company, which was incorporated in January 2008 as a '50:50' joint venture with Dr. B. R. Shetty of Neo Pharma. Based out of Abu Dhabi, Neo Biocon helps us reach out to the Middle East and GCC with our veritable portfolio of quality small molecules and biologics. During the current fiscal, Neo Biocon earned ₹ 227 in revenues and net profit of ₹ 66.

IATRICa Inc.

IATRICa is a small US based start-up, engaged in the development of immune-conjugates. During the year ended March 31, 2013, there have been certain developments in connection with this investment arising due to patent filings, which are contrary to contractual

obligations. Pursuant to this, on a prudent basis, the Company has created a provision to the extent of its equity investment for ₹ 139 for diminution, in the value of investment in IATRICa.

Biocon SA

Biocon SA is our wholly owned subsidiary based out of Switzerland, engaged in development and commercialization of biopharmaceuticals for the global markets. During the current year Biocon SA entered into an agreement with Mylan for the co-development and commercialisation of insulin analogs. The added impetus from our partner gives us reason to believe that there is a possibility of an early approval for insulin products in the regulated markets.

The commitment of the company to the biosimilars program stays in place as demonstrated by the progress of our molecules in the clinics. Biosimilar rh-Insulin has completed an EU phase III trial while Biosimilar glargine is expected to enter global phase III trial for the developed markets shortly. For the current year Biocon SA registered a net profit of ₹ 2,469 million, including an exceptional income of ₹ 2,150 million.

Consolidated Financial Statements

We have prepared consolidated financial statements in accordance with Indian GAAP by consolidating our subsidiaries – Syngene, BBPL, BRL, Biocon SA; Joint Venture Neo Biocon and associate company IATRICa Inc. The abbreviated consolidated Indian GAAP profit and loss account of the continuing operations is as under:

All amounts in ₹ Millions

Table 7: Particulars of Operations	FY 2013	FY 2012
Total Income	25,380	21,483
EBITDA	5,957	5,791
EBITDA Margin	23%	27%
Profit Before Exceptional Item	4,083	3,925
Exceptional Item, Net	2,019	-
Profit Before Tax (PBT)	6,102	3,925
PBT Margin	24%	18%
Profit After Tax (Net Profit)	5,089	3,384
Net Profit Margin	20%	16%

Post the amicable conclusion of our partnership with Pfizer; we had taken a prudent approach towards the recognition of termination receipts in line with the several outstanding development obligations. The monies were earmarked for future developmental spends of our generic insulin portfolio. Consequently, we recognised ₹ 339 over the course of this year and netted it off against the development expenses incurred.

During February 2013, we extended our partnership with Mylan to include generic Insulin analogs in the development portfolio. Pursuant to this arrangement, based on an allocation in proportion of estimated future development spends on the Insulin program, ₹ 2,150 million of deferred revenues allocated to Biosimilar Insulin analog has been recognized as exceptional income in the consolidated financial statements. Further, considering that Biocon has continuing obligations in respect of rh-Insulin, the remainder of deferred amounts of ₹ 2,800 million continues to be deferred against estimated clinical trials and development activities of generic rh-Insulin.

We also took a provision this year to the tune of ₹ 139, to the extent of our investment in IATRICa. The exceptional item mentioned in the table above, is the net of these two items.

Risks and Concerns

The global generics companies face industry-wide risks in terms of patent litigations, regulatory issues and product liability. Since a significant portion of our clientele comprises of global generic players, our revenue performance is intricately linked to the performance and fortunes of these organizations. The current slew of patent expiries has prompted the innovator Pharma companies to find inventive solutions to manage the lifecycle of their patented drugs to delay the entry of generics. With a focus on offsetting the expected losses from genericization of their molecules, the innovator companies are also employing strategies like partnering for authorized generics and aligning with multiple generic players to fragment the pie. The consolidation in the industry has also picked up force, with the innovators betting on the growth of emerging markets to offset the slowing down of the developed pharma markets.

Regulators across the globe strictly monitor the manufacturing facilities which produce biopharmaceuticals and biologics. The governing laws have become increasingly stringent over time, with severe penalties in the event of non-compliance or violations. In the scenario that we or any of our suppliers fail to fully comply with such regulations, there could be a regulator-enforced shutdown of concerned production facilities, withdrawal of drug approvals previously granted, failure or delay in obtaining approvals for new products, prohibition on the sale or import of non-complying products. Such a move would significantly affect our ability to deliver growth at both the top line and the bottom-line.

Given the continuous revisions of biosimilar guidelines, there is a continuous challenge in meeting the updated regulations. This could also lead to additional trial requests from the authorities before the grant of commercialization approval. The additional trials would not only increase our financial commitments but also shift the launch timelines that may have been guided earlier. This could lead to a change in revenue and profit guidance indicated prior to the knowledge of these additional requirements.

In addition to the above, other key risks to our current operations include loss of key personnel, increase in input costs and adverse movement of the Indian rupee against the major currencies (US dollar and Euro). There is an inherent risk in managing research and commercialization alliances.

We carry out a periodic, detailed risk management exercise focused on identifying and adequately mitigating these risks. The audit committee reviews the company's risk management framework and approves risk management action plans.

Internal Controls

A robust, comprehensive internal control system is a prerequisite for an ethical and proficient organization to function in commensuration with its abilities and ambitions. We have established various internal control systems for your company and its subsidiaries to provide assurance on the company's procedures and the safety of its assets. The company is well staffed with experienced and qualified people who play an important role in developing, employing and monitoring the internal control environment and compliances with statutory requirements. In addition, periodic internal audits are conducted by an independent body of Chartered Accountants. The Audit committee consisting of independent directors addresses important issues raised by the internal and statutory auditors thereby ensuring appropriate measures are taken to suitably address the same.

Cautionary Statement

The above "Management Discussion and Analysis" narrative describes the company's objectives, assessments, outlook or forecasts in the current economic scenario. Hence statements contained herewith may be "forward looking" within the meaning of applicable laws and regulations. The actual business performance could differ significantly from those expressed or implied. Key variables which could make a difference to the company's operations include Government regulations, patent laws, tax regimes, economic developments within India and the various nations in which we conducts business, litigation and other allied activities.

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Corporate Governance Report

The detailed Corporate Governance report for the financial year ended March 31, 2013, as per the format prescribed by Securities and Exchange Board of India (SEBI) and as per Clause 49 of the Listing Agreement is set out below:

1. Corporate Governance:

Company's philosophy

Biocon is committed to do business in an efficient, responsible and ethical manner. Corporate governance practice goes beyond compliance and involves a company-wide commitment and has become the integral part of business to ensure transparency and integrity of the management.

Good governance responsibilities encompasses the activities of the Board of Directors, who execute their corporate governance responsibilities by focusing on the Company's strategic and operational excellence in the best interests of all stakeholders of the Company, in particular shareholders, employees and our customers in a balanced fashion with long-term benefits to all.

Good corporate governance provides an appropriate framework for the Board, its Committees and the executive Management to carry out the objectives that are in the interest of the Company and the Stakeholders.

The core values of the Company's governance process include independence, integrity, accountability, transparency, responsibility and fairness. The business policies are based on ethical conduct, health, safety and a commitment to building long-term sustainable relationships with relevant stakeholders.

Biocon is committed to adopt best Corporate Governance practices.

2. Board of Directors:

Profile and Composition:

The Board of directors comprises eight members including two executive directors, six non-executive directors, of which five are independent directors. Ms. Kiran Mazumdar-Shaw is the Chairman and Managing Director ('CMD') of the Company and Mr. John Shaw is the Vice-Chairman. Ms. Kiran Mazumdar-Shaw and Mr. John Shaw conduct the day-to-day management of the Company, subject to the supervision and control of the Board of Directors. The independent directors on the Board are management professionals, scientists, and technocrats who are senior, competent and highly respected persons from their respective fields. A brief profile of the Board is as under:

Ms. Kiran Mazumdar-Shaw, 60 years, CMD, is a first generation entrepreneur with more than 37 years' experience in the field of biotechnology. She is a founder promoter and has led the Company since its inception in 1978. After graduating in B.Sc. (Zoology Hons.) from Bangalore University in 1973, she completed her post-graduate degree in malting and brewing from Ballarat College, Melbourne University in 1975. She has been awarded with several honorary degrees including Honorary Doctorate of Science from Ballarat University, in recognition of pre-eminent contribution to the field of Biotechnology - 2004, Doctor of Technology from the University of Abertay Dundee - 2007, Doctor of Science from the University of Glasgow - 2008 and Doctor of Science from the Heriot-Watt University, Edinburgh - 2008. She is the recipient of several awards, the most noteworthy being the 'Padmabhushan' Award (one of the highest civilian awards in India) in 2005 conferred by the President of India, the Nikkei Asia Prize, 2009 for Regional Growth, Express Pharmaceutical Leadership Summit Award 2009 for Dynamic Entrepreneur, the Economic Times 'Businesswoman of the Year', the 'Veuve Clicquot Initiative for Economic Development For Asia), Ernst & Young's Entrepreneur of the Year Award for Life Sciences and Healthcare, 'Technology Pioneer' recognition by World Economic Forum and The Indian Chamber of Commerce Lifetime Achievement Award. She heads several biotechnology task forces including the Karnataka Vision Group on Biotechnology, an initiative by the Government of Karnataka and the National Taskforce on Biotechnology for the Confederation of Indian Industry (CII). She is also a member of the Prime Minister's Council on Trade and Industry and is a Member, Governing Body and General Body of the Indian Pharmacopoeia Commission, an Autonomous Body of the Government of India. Recently she has been appointed on the Board of trustees of U.S. Pharmacopeial Convention (USP), USA and trustee of Bangalore Political Action Committee (BPAC).

Mr. John Shaw, 64 years, Vice-Chairman, is a foreign promoter and a whole-time director of the Company. He is also a controlling shareholder and director of Glentec International. He completed M.A. (Hons.) in History and Political Economy from Glasgow University, U.K. in 1970. He had 27 years experience with Coats Viyella plc. in various capacities including finance and general administration and also served as Finance Director and the Managing Director of Coats Viyella group companies across geographies, before he came on the Board of Biocon Limited in 1999.

Dr. Bala S. Manian, 67 years, has been a part of the Silicon Valley entrepreneurial community over the last three decades and is responsible for successfully starting several life science companies. Dr. Manian is a co-founder of Quantum Dot Corporation and a co-founder of SurroMed Corporation. He was also chairman of Entigen Corporation, a Bioinformatics Company. He was the founder and Chairman of Biometric Imaging, Inc. Prior to founding Biometric Imaging, Inc., Dr. Manian founded Digital Optics Corporation, an optical instrumentation and systems development Company in 1980 and two other Companies, Lumisys and Molecular Dynamics in June, 1987. Dr. Manian is presently the CEO of ReaMetrix Inc. He has been recognized through several awards for his contributions as an educator, inventor and an entrepreneur. In February 1999, the Academy of Motion Picture Arts and Sciences awarded a Technical Academy Award to Dr. Manian for advances in digital cinematography. He has a B.S. in Physics from the University of Madras, a M.S. in Applied Optics from the University of Rochester and a Ph.D. in mechanical engineering from Purdue University. He was a faculty member of the University of Rochester's Institute of Optics for four years, teaching courses in optical fabrication and testing, optical instrumentation and holography. Presently, he also serves as a member of the Board of Trustees of University of Rochester.

Prof. Charles L. Cooney, 69 years, is the Professor of Chemical and Biochemical Engineering, Faculty Director of the Deshpande Center for Technological Innovation, Massachusetts, U.S.A. He obtained his Bachelor's degree in Chemical Engineering from the University of Pennsylvania

in 1966, Master's degree and Ph.D in Biochemical Engineering from MIT in 1967 and 1970 respectively. His research interests span topics in biochemical engineering and pharmaceutical manufacturing. He is a recipient of several prestigious awards, including Gold Medal of the Institute of Biotechnology Studies (London), the Food, Pharmaceutical and Bioengineering Award from the American Institute of Chemical Engineers and the James Van Lanen Distinguished Service Award from the American Chemical Society. He serves as a consultant to and also as director of a number of biotech and pharmaceutical companies globally. He is also on the editorial board of several professional journals.

Ms. Mary Harney, 60 years, a graduate from Trinity College in BA (General Studies) 1976. Her political career began when she was appointed to the Senate by the Taoiseach (Prime Minister) in 1977. She was a member of the Dublin County Council from 1979 to 1990. She served as a member of the Dail Eireann (Irish Parliament) from 1981 to 2011 and was a Deputy Prime Minister for 9 years. She is the longest serving woman ever in the Irish Parliament. She was President of the EU Council of Enterprise Ministers during Ireland's Presidency. She was a founder member of the Progressive Democrats in 1985 and was the only woman to lead a political party in Ireland when she succeeded Des O'Malley in 1993. She was the first woman to be elected Auditor of the Trinity College Dublin College Historical Society (Debating society). She has won many international awards for student debating. She is also an Honorary Member of the International Women's Forum.

Prof. Ravi Mazumdar, 58 years, completed Ph.D from the University of California, Los Angeles, USA in 1983. Prior to this, he obtained B.Tech from the Indian Institute of Technology, Bombay in 1977 and Masters in Science from the Imperial College of Science, London in 1978. He is a professor in University of Waterloo, Canada and has been professor in several prestigious universities including Purdue University, U.S.A., Columbia University, U.S.A., University of Essex, U.K., McGill University, Canada and the Indian Institute of Science, Bangalore. He has over 100 referred publications in international journals in the area of applied probability and stochastic processes, non-linear dynamical systems, statistical signal processing, queuing theory and in the control and design of high-speed networks. He has been a member of several advisory committees and working groups, including the US Congress Sub-Committee on Science and Technology. He is a Fellow of the Royal Statistical Society, U.K. and Fellow of the Institute of Electrical and Electronics Engineers, Inc., U.S.A. He is a younger brother of Ms. Kiran Mazumdar Shaw.

Mr. Russell Walls, 69 years, is a Fellow Member of the Association of Chartered Certified Accountants, U.K and brings to the Board his extensive experience in the field of finance. He possesses experience as director across a range of industries such as pharmaceuticals, textiles, transport and leisure. He is presently on the board of Signet Jewelers Ltd., Treasurer and Trustee of The British Red Cross and Member of the Finance Commission of The International Federation of The Red Cross. He has formerly held positions as finance director, chairman of audit committee and has held board positions in companies such as BAA plc, Wellcome plc, Coats Viyella plc, Stagecoach Group plc, Hilton Group plc and others.

Mr. Suresh N. Talwar, 74 years, is a partner in Talwar Thakore and Associates, a law firm of repute. He completed his professional studies in Law from the Government Law College, Bombay in 1961. He was a partner of Crawford Bayley & Co., a reputed Indian law firm. His area of professional specialisation includes corporate laws and other related matters. He has been the legal counsel to numerous Indian companies, multinational corporations, Indian and foreign banks. He is on the board of several leading companies in India.

Status of Directors:

Statement showing the status of Directors as executive/non-executive and independent/ non-independent as at March 31, 2013 is set out below:

Sl. No.	Name of the Director	Office/Designation	Executive/ Non-executive	Independent/ Non-independent
1	Ms. Kiran Mazumdar-Shaw	C M D	Executive	Non-independent
2	Mr. John Shaw	Vice Chairman	Executive	Non-independent
3	Dr. Bala S. Manian	Director	Non-Executive	Independent
4	Prof. Charles L. Cooney	Director	Non-Executive	Independent
5	Ms. Mary Harney	Director	Non-Executive	Independent
6	Prof. Ravi Mazumdar	Director	Non-Executive	Non-independent
7	Mr. Russell Walls	Director	Non-Executive	Independent
8	Mr. Suresh N. Talwar	Director	Non-Executive	Independent

During the year more than 50% of the Board comprises of non-executive Directors and more than half of the Board comprises of Independent Directors.

Meetings and attendance:

During the financial year ended March 31, 2013, The Board met on 4 occasions - April 26th and 27th 2012**, July 25, 2012, October 30, 2012 and January 24, 2013. The attendance at the Board meeting during the year and at the last Annual General Meeting together with the number of other directorships are given below:

Name of the Director	No. of Board meetings attended	Attendance at the last AGM	No. of other Directorships (*)
Ms. Kiran Mazumdar-Shaw	4	Yes	12
Mr. John Shaw	4	Yes	8
Prof. Ravi Mazumdar	4	Yes	2
Prof. Charles L. Cooney	3	Yes	6
Mr. Suresh N. Talwar	3	Yes	43
Dr. Bala S. Manian	3	No	5
Mr. Russell Walls	4	Yes	4
Ms. Mary Harney#	4	Yes	-
Dr. Neville Bain##	Nil	NA	

* Includes private limited companies and foreign body corporate and alternate directorships.
** Adjourned Meeting continued on April 27, 2012.
# Appointed as an additional director on April 26, 2012
Director for a period up to May 22, 2012.

Availability of information to the Members of the Board:

The Board has complete access to any information within the Company and at the board meeting the following information were made available to the Board members.

- Annual operating plans, Operating and Capital budgets and any updates thereto.
- Quarterly results for the Company and its operating divisions or business segments.
- Minutes of meetings of Audit Committee, Remuneration Committee, Investors' Grievance Committee, Share Transfer Committee and Risk Review Committee.
- The information on recruitment and remuneration of senior officers just below the board level, including the Company Secretary.
- General notice of interest.
- Dividend data and bonus, if applicable.
- Show cause, demand, prosecution notices and penalty notices which are materially important.
- Fatal or serious accidents, dangerous occurrences, any material effluent or pollution problems.
- Any material default in financial obligations to and by the Company, or substantial non-payment for goods sold by the Company.
- Any issue, which involves possible public or product liability claims of substantial nature.
- Details of any joint venture, acquisition, technology or collaboration agreement.
- Transactions that involve substantial payment towards goodwill, brand equity or intellectual property.
- Sale of investments, subsidiaries and assets, which is not in the normal course of business.
- Quarterly details of foreign exchange exposures and the steps taken by management to limit the risks of adverse exchange rate movement, if material.
- Non-compliance of any regulatory, statutory nature or listing requirements and shareholders service such as non-payment of dividend, delay in share transfers, etc.

Detail of Directorship in other Companies:

The details of directorships of the Company's Directors in other companies as on March 31, 2013 are given below:

Name of Company/Firm	Nature of Interest
Ms. Kiran Mazumdar Shaw	
Syngene International Limited	Managing Director
Clinigene International Limited	Director
Biocon Biopharmaceuticals Limited	Managing Director
Biocon Research Limited	Director
Biocon SA **	Director
Biocon Sdn Bhd **	Director
Glentec International **	Director
Narayana Institute for Advanced Research Private Limited	Director
Narayana Hrudayalaya Private Limited	Director
United Breweries Limited	Director
Indian School of Business Pvt. Limited	Director
Glenloch Properties Private Limited	Director
Mr. John Shaw	
Syngene International Limited	Director
Clinigene International Limited	Director
Biocon Biopharmaceuticals Limited	Director
Biocon Research Limited	Director
Biocon SA **	Director
Glentec international **	Director
Biocon Sdn Bhd**	Director
Glenloch Properties Private Limited	Director
Prof. Ravi Mazumdar	
Glentec International **	Director
Clinigene International Limited	Director

Prof. Charles L. Cooney	
Syngene International Limited	Director
LS9, Inc. **	Director
PolyPore International, Inc. **	Director
Mitra Life Sciences,	Director
Pronutria, Inc. **	Director
Greenlight Bioscience, Inc **	Director
Mr. Suresh N. Talwar	
PZ Cussons India Pvt. Ltd.	Chairman and Alternate Director
FCI OEN Connectors Ltd.	Chairman and Alternate Director
Trans Warranty Finance Limited	Chairman and Alternate Director
Armstrong World Industries (India) Ltd.	Chairman
Merck Ltd.	Chairman
Sidham Finance & Investments Pvt. Ltd.	Chairman
Samson Maritime Limited	Chairman
Sunshield Chemicals Limited	Chairman
Birla Sun Life Insurance Co. Ltd.	Director
Birla Sun Life Trustee Co. Ltd.	Director
Blue Star Ltd.	Director
Blue Star Infotech Ltd.	Director
Chowgule and Company Pvt. Ltd.	Director
Chowgule Ports & Infrastructure Pvt. Ltd.	Director
Decagon Investments Pvt. Ltd.	Director
Elantas Beck India Limited	Director
Epitome Global Services Pvt. Ltd.	Director
Esab India Limited	Director
Greaves Cotton Ltd.	Director
India Value Fund Trustee Co. Pvt. Ltd.	Director
IVF Trustee Company Private Limited	Director
IVF (Mauritius) PCC **	Director
IVF (Mauritius) Ltd. **	Director
Indium III (Mauritius) Holding Limited **	Director
Indium III (Mauritius) Limited **	Director
Indium IV (Mauritius) Holding Limited **	Director
Indium IV (Mauritius) Limited **	Director
John Fowler (India) Pvt. Ltd.	Director
Larsen & Toubro Ltd.	Director
L&T Metro Rail (Hyderabad) Limited	Director
Morgan Stanley India Capital Pvt. Ltd.	Director
Philips Capital India Pvt Ltd	Director
Rediffusion – Dentsu, Young & Rubicam Pvt. Ltd.	Director
Sandvik Asia Pvt. Ltd.	Director
Shrenuj & Co. Ltd.	Director
Snowchem Paints Pvt. Ltd.	Director
Sonata Software Limited	Director
Swiss Re Shared Services (India) Pvt. Ltd.	Director
TTK Healthcare TPA Private Limited	Director
Warner Bros Pictures (India) Pvt. Ltd.	Director
Rhodia Specialty Chemicals India Ltd.	Alternate Director
Johnson & Johnson Ltd.	Alternate Director
Uhde India Pvt. Limited	Alternate Director
Dr. Bala S. Manian	
ReaMetrix Inc. **	Director
ReaMetrix India Private Limited	Director
ICICI Knowledge Park	Director
Vaccinex Inc. **	Director
IKP Investment Management Company **	Director
Mr. Russell Walls	
Aviva Plc **	Director
Mytrah Energy Limited	Director
Signet Jewellers **	Director
Syngene International Limited	Director

** - indicates Companies incorporated outside India

Details of Membership / Chairmanship of Directors in Board Committees:

Following is the list of Memberships/Chairmanships of Directors in the Committees* of the Indian public limited companies in which they hold directorships:-

Sl. No.	Name of the Director	Name of the Indian public Limited Company	Nature of the Committee*	Member/ Chairman
1	Ms. Kiran Mazumdar Shaw	Biocon Ltd	Investors' Grievance Committee	Member
2	Mr. John Shaw	Biocon Ltd	Investors' Grievance Committee	Member
3	Prof. Charles L. Cooney	Biocon Ltd	Audit Committee	Member
		Biocon Ltd	Investors' Grievance Committee	Chairman
		Syngene International Ltd	Audit Committee	Member
4	Mr. Suresh Talwar	Biocon Ltd	Audit Committee	Member
		Blue Star Ltd.	Audit Committee	Chairman
		Blue Star Infotech Ltd	Audit Committee	Member
		Elantas Beck India Ltd	Audit Committee	Member
		FCI OEN Connectors Ltd	Audit Committee	Chairman
		Greaves Cotton Ltd	Audit Committee	Member
		Greaves Cotton Ltd	Investors' Grievance Committee	Member
		Merck Ltd.	Audit Committee	Chairman
		Sandvik Asia Ltd	Audit Committee	Chairman
5	Mr. Russells Walls	Biocon Limited	Audit Committee	Chairman
		Syngene International Limited	Audit Committee	Chairman
		Mytrah Energy Limited	Audit Committee	Chairman

None of the Directors of the Company hold memberships of more than ten Committees nor the Chairmanship of more than five Committees of the Board of all Companies where he/she holds Directorships.

*For this purpose Membership/Chairmanship in Audit Committee and Investors' Grievance Committee are reported and other Committee Membership/Chairmanship has not been included in this report.

Code of Conduct:

The Board has laid down a code of conduct for all Board members and senior management of the Company and it is posted on the website of the company (www.biocon.com). The certificate from Chairman and Managing Director with regard to compliance with code of conduct by the Board members and senior management is enclosed and forms part of this report.

Certificate of Code of Conduct:

Biocon Group is committed to conducting its business in accordance with the applicable laws, rules and regulations and with highest standards of business ethics. The Company has adopted a "Code of Ethics and Business Conduct" which is applicable to all directors, officers and employees.

I hereby certify that all the Board Members and Senior Management have affirmed the compliance with the Code of Ethics and Business Conduct, under a certificate of Code of Conduct for the year 2012-13.

For Biocon Limited

Bangalore
March 31, 2013

(Sd/-)
Ms. Kiran Mazumdar Shaw
Chairman and Managing Director

Shareholding of Directors

Name of the Director	Nature of Directorship	No. of shares held as on 31.3.2013
Ms. Kiran Mazumdar-Shaw	Executive	79,287,564
Mr. John Shaw	Executive	1,407,558
Prof. Ravi Mazumdar #	Non-Executive	1,310,714
Prof. Charles L. Cooney	Non-Executive	1,59,522
Mr. Suresh N. Talwar#	Non-Executive	32,000
Dr. Bala S. Manian	Non-Executive	2,500

Joint Holding with others

Re-appointment of Directors:

Prof. Ravi Mazumdar and Prof. Charles L. Cooney, Directors shall retire by rotation at the ensuing Annual General Meeting and are eligible for re-appointment. Their brief resumes and details of their other directorships and committee memberships, including their shareholding have already been provided in the Notice as well as in this report.

Notice of interest by Senior Management Personnel:

The Board has noted the notice by senior management disclosing all material financial and commercial transactions where they have personal interest, if any.

3. Audit Committee:

Terms of Reference

The committee overseas financial reporting process to insure transparency and fairness of financial statements. Review the adequacy and effectiveness of the internal audit control function and control systems. The Audit Committee has been entrusted with all required authority and powers to play an effective role as envisaged under clause 49 of the Listing Agreement read with section 292A of the companies Act, 1956.

Composition:

The Board constituted the Audit Committee on April 16, 2001. The following directors are the current members of the Committee:

a) Prof. Charles Cooney

b) Mr. Suresh Talwar

c) Mr. Russell Walls

The members of the committee are non-executive and independent directors and possess sound knowledge in matter relating to accounting, finance, audit and legal issues. Mr. Russell Walls is the Chairman of the Committee.

Meeting and attendance during the year:

Name	No. of meetings held	No. of meetings attended
Prof. Charles L. Cooney	4	3
Mr. Suresh Talwar	4	3
Mr. Russell Walls	4	4

During the year 2012-13, the Committee met on 4 occasions - April 26, 2012, July 25, 2012, October 30, 2012 and January 24, 2013. The Senior Management team along with Internal and Statutory Auditors attended all the meetings of the Audit Committee. The Company Secretary acts as the Secretary to the Audit Committee.

The Committee has reviewed the financial statements of the Company including consolidated financial statements and recommended the same to the Board of Directors for their adoption.

The Committee has also recommended to the Board, the re-appointment of M/s. S. R. Batliboi & Associates LLP, Chartered Accountants (Firm Registration No. 101049W), as Statutory Auditors of the Company.

The Committee periodically reviews the Internal Audit reports, Internal Control Systems and significant Related Party Transactions from time to time.

The Committee also reviewed the Internal Audit Report and the work of independent Internal Auditors, M/s. KPMG (Regd.) who are appointed to review and report that the internal control processes are in place on quarterly basis.

Subsidiary Companies:

The Company has five subsidiaries Syngene International Limited, Biocon Biopharmaceuticals Limited, Biocon Research Limited, Biocon SA, Biocon Sdn Bhd and one joint venture, NeoBiocon FZ LLC, as explained in the Directors' Report. None of the Indian unlisted subsidiary companies represent more than 20% of the consolidated turnover or net worth of the Company in the immediately preceding financial year.

During the year Biocon Biopharmaceuticals Limited has made an application for its merger with Biocon Limited, which is pending before the Hon'ble High Court of Karnataka.

The Audit Committee of the Company reviews the financial statements of all the subsidiary companies and the minutes of Board Meetings of the subsidiaries are placed for review at the Board Meeting of the Company.

CEO/CFO Certification:

The Board has acknowledged the CMD of the Company as the CEO and President – Group Finance, as the CFO for purpose of compliance under the Listing Agreement. The CEO and CFO have certified, in terms of Clause 49 of the Listing Agreement to the Board that the financial statements present a true and fair view of the Company's affairs and are in compliance with accounting standards.

4. Remuneration Committee:

Terms of Reference:

The terms of reference of the Remuneration Committee, inter alia, includes determination of compensation package of executive directors and senior management of the Company, determination and supervision of the performance bonus scheme of the Company. The Committee also oversees the employee stock option scheme and recommends the same for the approval of the Board/shareholders. The Committee is empowered to decide the eligibility of the category of employees and the terms and conditions of grants to be extended under the ESOP scheme of the Company.

Composition:

The Board constituted the Remuneration Committee on April 16, 2001. The following directors are the current members of the Committee:

a) Prof. Charles L. Cooney

b) Mr. Suresh Talwar

c) Mr. Russell Walls

The members of the committee are non-executive and independent directors. Prof. Charles Cooney is the Chairman of the Committee.

Meeting and Attendance during the year:

Name	No. of meetings held	No. of meetings attended
Prof. Charles L. Cooney	4	3
Mr. Russell Walls	4	4
Mr. Suresh Talwar	4	3

During the year 2012-13, the Committee met on 4 occasion on April 26, 2012, July 25, 2012, October 30, 2012 and January 24, 2013.

Remuneration Policy:

The remuneration policy of the Company is broadly based on the following criteria:

a) Job responsibilities

b) Key performance areas of the employees/directors

c) Industry trend

Details of Remuneration:

The details of remuneration and sitting fees paid / accrued to each of the Directors during the year ended March 31, 2013 are given below:

(Amount in ₹)

Name of the Director	Salary and perquisites			Others		Total
	Fixed pay	Perquisites	Retiral benefits	Commission	Sitting Fees	
Ms. Kiran Mazumdar-Shaw	13,201,961	1,234,877	884,126	-	-	15,320,964
Mr. John Shaw	8,951,291	1,073,416	133,488	-	-	10,158,195
Prof. Ravi Mazumdar	-	-	-	-	80,000	80,000
Prof. Charles Cooney	-	-	-	1,000,000	135,000	1,135,000
Mr. Suresh Talwar	-	-	-	1,000,000	135,000	1,135,000
Dr. Bala S. Manian	-	-	-	1,000,000	60,000	1,060,000
Mrs. Mary Harney	-	-	-	750,000	80,000	830,000
Mr. Russell Walls				1,000,000	180,000	1,180,000

*Of the Board Members, only Ms. Kiran Mazumdar-Shaw and Mr. John Shaw are Executive Directors and others are Non- Executive Directors. No options under the ESOP plan were granted to the Executive / Non-Executive Directors during the year.

The CMD and the Vice-Chairman were paid remuneration, including performance bonuses, as approved by the shareholders in the Annual General Meeting held on July 23, 2010.

Pecuniary relations or transactions of the Non-Executive directors:

There were no pecuniary relationship or transactions of non-executive directors vis- a-vis the Company which has potential conflict with the interests of the Company at large.

Compensation/Fees paid to Non-Executive Directors:

The Non-executive directors were paid sitting fees for attending the Board and Committee Meetings. The Non-executive independent directors of the Company are paid remuneration by way of commission at a sum not exceeding 1% per annum of net profits subject to the limit of ₹ 10,00,000 per annum per director as approved by a special resolution passed by the members of the Company at the Annual General Meeting held on July 23, 2010.

Criteria for making payment to Non-Executive Directors:

The role of non-executive and independent Directors of the Company is not just restricted to corporate governance or outlook of the Company but also to involve and contribute to the evolution of the Company. The non-executive and independent directors of the Company are eminent scientists, researcher personnel, technocrats and industry professionals. The Company seeks their expert advice on various matters in science, technology, legal or Intellectual Property. Hence, the compensation to the non-executive Independent Directors towards such professional service.

5. Investor Grievances Committee:

Terms of reference:

The Committee was formed to specifically redress shareholders' complaints relating to transfer of shares, non-receipt of balance sheet, non-receipt of dividends, etc.

Composition:

The Board constituted the Investors Grievances Committee on January 17, 2004. The following Directors are the current members of the committee:

a) Prof. Charles L. Cooney

b) Ms. Kiran Mazumdar Shaw

c) Mr. John Shaw

Dr. Neville Bain, non-executive director was Chairman of the Committee till May 22, 2012. Subsequent to his demise Prof. Charles L Cooney, non-executive director has been appointed as Chairman, effective from October 30, 2012.

Meeting and Attendance during the year:

Name	No. of meetings held	No. of meetings attended
Prof. Charles L. Cooney #	1	1
Ms. Kiran Mazumdar Shaw	4	4
Mr. John Shaw	4	4

Appointed as the Chairman of the Committee on October 30, 2012.

During the year 2012-13, the Committee met on 4 occasions - April 26, 2012, July 25, 2012, October 30, 2012 and January 24, 2013.

Compliance officer:

Mr. Kiran Kumar G., Company Secretary was designated as the Compliance Officer under SEBI (Issue of Capital and Disclosure Requirements) Regulations, 2009 for overseeing/addressing investor complaints.

Details of Shareholders Complaints

Details of the shareholders complaints received and redressed during the year:

Opening	Complaints received	Complaints resolved	Pending
Nil	99	97	2

There have been no material grievances raised and all items referred have been dealt with, except two outstanding complaints which are pending for redressal. Further, the two outstanding complaints were also resolved in April 2013.

The Board had also constituted a Share Transfer Committee consisting of Ms. Kiran Mazumdar-Shaw, CMD, Mr. John Shaw, Vice-Chairman of the Company to attend to the share transfer formalities, as and when required.

6. Risk Review Committee:

Terms of reference:

The primary function of the Risk Review Committee is to assist the Board to manage the risk appetite of the Company in order to promote a balanced business model and growth. The Committee oversees the identification of major areas of risk being faced by the Company, the development of strategies to manage those risks and review of compliance with risk management policies implemented by the Company.

Composition:

The Board constituted the Risk Review Committee on October 30, 2012. The following Directors are the current members of the committee:

a) Prof. Charles L. Cooney

b) Mr. Russell Walls

c) Prof. Ravi Mazumdar

Prof. Charles L. Cooney, Chairman of the Committee is a non-executive and Independent Director.

During the year 2012-13, the Committee met once on January 24, 2013, to review risks and formulate a process of managing risk appetite of the Company. All members were present at the said meeting.

7. Shareholders Meeting:

Location and Time of the Shareholders Meeting:

Year	Date and Time	Venue	Special resolutions passed, if any
2009-10	July 23, 2010, 3.30 p.m	Sathya Sai Samskruta Sadanam, No. 20, Hosur Road, Bangalore - 560 029	1
2010-11	July 21, 2011, 3.30 p.m	Sathya Sai Samskruta Sadanam, No. 20, Hosur Road, Bangalore - 560 029	None
2011-12	July 26, 2012, 3.30 p.m	Auditorium, Biocon Research Centre Plot No. 3, Biocon SEZ Bommasandra Jigani Link Road Bangalore - 560 099	None

Special Resolutions:

At the Annual General Meeting of the Company held on July 23, 2010, Special Resolution was passed for approving the payment of remuneration/commission to non-executive independent directors of the Company.

8. Disclosures:

Related party transactions:

Audit Committee reviews periodically the significant related party transactions i.e. transactions of the Company, which are of material nature, with its subsidiaries, directors or relatives or the management that may have potential conflict with the interests of the Company at large. Details of all related party transactions are provided in Note 31 of the financial statements of the Company in accordance with provisions of Accounting Standard-18, recommended under the Section 211 (3C) of the Companies Act, 1956. The Company has entered into transaction with a related party, for which approval from the Central Government is pending. Details are provided in Note 38 forming part of the financial statements.

Details of non compliance:

There were no penalties or strictures imposed on the Company by Stock Exchanges, SEBI or any statutory authority in any matter related to capital markets during the last 3 years.

Whistle Blower policy:

The Company has laid down a Whistle Blower Policy and the same has been posted on the Intranet of the Company. The e-mail address of the Chairman of the Audit Committee has been given in the policy for the employees to report the matters of concern. No employee is denied the opportunity to meet the members of the Audit Committee.

Compliance with non-mandatory requirements of Clause 49 of the Listing Agreement:

In respect of non-mandatory requirements of clause 49, of the listing agreement, the Company has complied with the requirements relating to Remuneration Committee and Whistle Blower policy to the extent detailed above.

Accounting treatment:

The Company's financial statements are prepared in accordance with Generally Accepted Accounting Principles in India and complies with the Accounting Standards as prescribed by the Companies (Accounting Standards) Rules, 2006 which are in line with the Accounting Standards recommended by the Institute of the Chartered Accountants of India (ICAI).

Risk Management:

The Board has in October 2012 constituted an Independent Risk Review Committee. The Committee's primary function is to assist the Board to manage the risk appetite of the Company in order to promote a balanced business model and growth.

9. Means of communication:

The quarterly, half-yearly and yearly financial results are sent to the Stock Exchanges immediately after conclusion of the Board Meeting. These results are also be published in English daily newspaper, Business Line and Kannada newspaper, Samyukta Karnataka.

The results, are along with presentations made by the Company to Analysts are also posted on the website of the Company (www.biocon.com). The Company's website also displays all press releases by the Company.

The Company organizes investor conference calls to discuss its financial results every quarter where investor queries are answered by the executive management team of the Company. The transcripts of the conference calls are posted on the website of the Company.

Management Discussion and Analysis for the financial year is annexed to and forms part of Directors' Report.

10. General Shareholders' Information:

Annual General Meeting:

Date and Time	:	July 26, 2013 at 3.30 p.m.
Venue	:	Taylor Jacks Auditorium, Biocon Research Centre, Plot No 3, Biocon SEZ, Bommasandra Jigani Link Road, Bangalore - 560 099

Financial Calendar for 2013-2014 (tentative)

First Quarter Results	:	July 25, 2013
Half-yearly Results	:	October 24, 2013
Third Quarter Results	:	January 23, 2014
Annual Results 2013-14	:	April 29, 2014
AGM for the year 2013-14	:	July 25, 2014
Dates of Book Closure	:	Saturday, July 13, 2013 to Friday, July 26, 2013 (both days inclusive)
Dividend payment date	:	Within 30 days, upon declaration at AGM on July 26, 2013
Listing on Stock Exchanges	:	The National Stock Exchange of India Limited (NSE) Exchange Plaza, Bandra Kurla Complex, Bandra (East), Mumbai - 400 051 And The Bombay Stock Exchange Limited, (BSE) P J Towers, Dalal Street, Mumbai - 400 001
Stock Code/Symbol	:	NSE - BIOCON BSE – 532523
International Securities Identification Number	:	INE 376G01013

Market Price data during 2012-13:

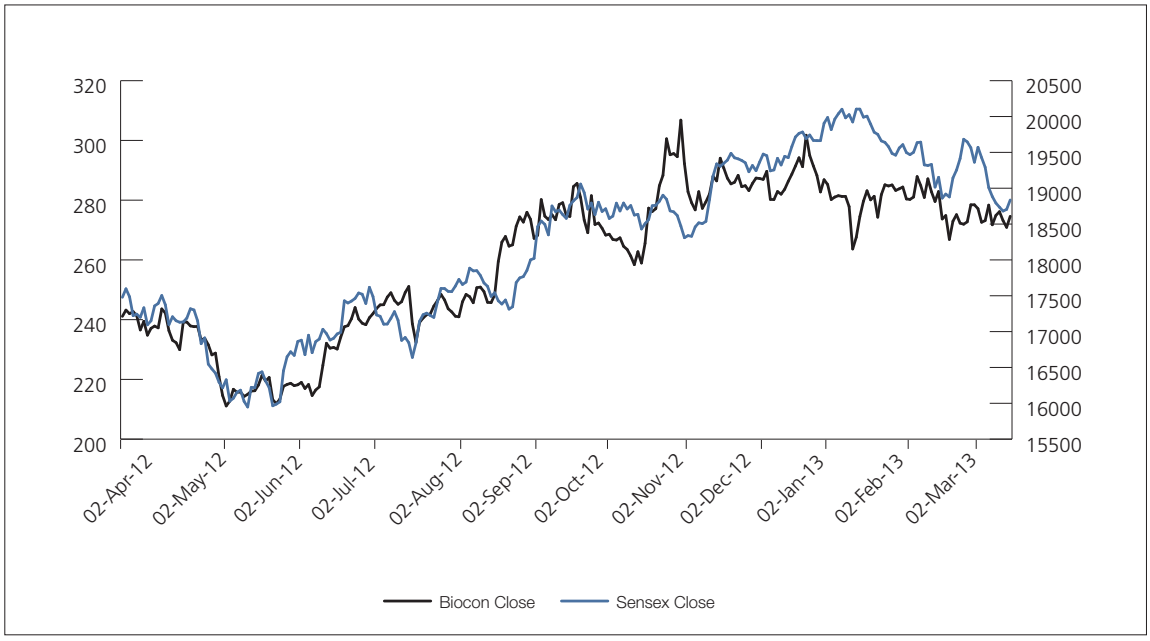
The monthly high/low closing prices and volume of shares of the Company traded from April 1, 2012 to March 31, 2013 are given below:

	BSE			NSE		
Months	**High Price (₹)**	**Low Price (₹)**	**Volume of Shares**	**High Price (₹)**	**Low Price (₹)**	**Volume of Shares**
Apr/12	243.60	229.95	2,401,595	243.65	227.35	9,479,683
May/12	237.75	211.10	2,493,180	237.45	211.10	10,556,840
Jun/12	237.60	211.90	1,010,482	237.70	212.25	7,809,382
Jul/12	251.10	232.45	1,406,713	252.10	232.90	7,619,860
Aug/12	259.45	240.95	990,030	262.65	240.85	6,708,251
Sep/12	280.20	264.60	1,312,616	280.40	264.25	8,494,303
Oct/12	285.60	258.40	1,461,881	286.10	257.95	8,569,135
Nov/12	306.80	276.20	3,057,150	306.90	276.10	13,581,509
Dec/12	294.05	280.20	1,218,636	294.05	280.00	9,119,561
Jan/13	301.75	263.65	2,142,338	301.75	263.25	11,421,245
Feb/13	287.90	273.70	2,241,528	288.70	273.35	9,063,536
Mar/13	278.45	266.85	814,032	279.15	267.25	5,919,622

Relative movement chart

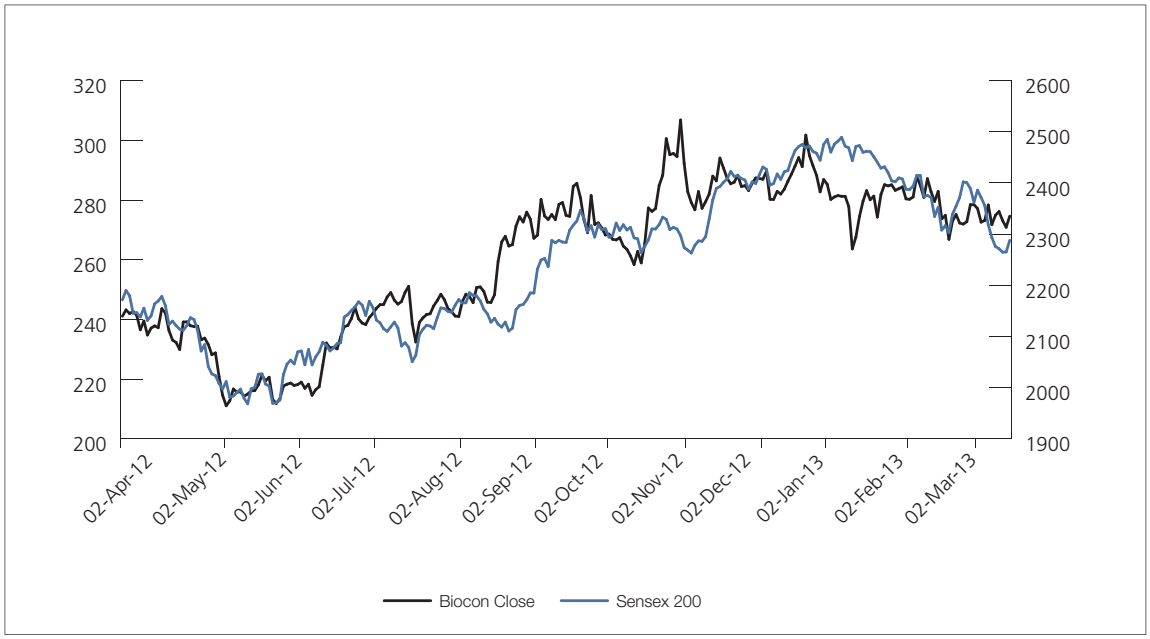
The charts below provided the relative movement of the closing price of the Company's share and the movement of benchmark indices. The period covered is April 1, 2012 to March 31, 2013. The benchmark indices compared are BSE Sensex, NSE CNX Nifty, BSE Sensex 200, NSE CNX 200. Management cautions that the stock price movement shown in the graphs below should not be considered indicative of potential future stock price performance.

Biocon and BSE Sensex relative movement from April 1, 2012 to March 31, 2013.

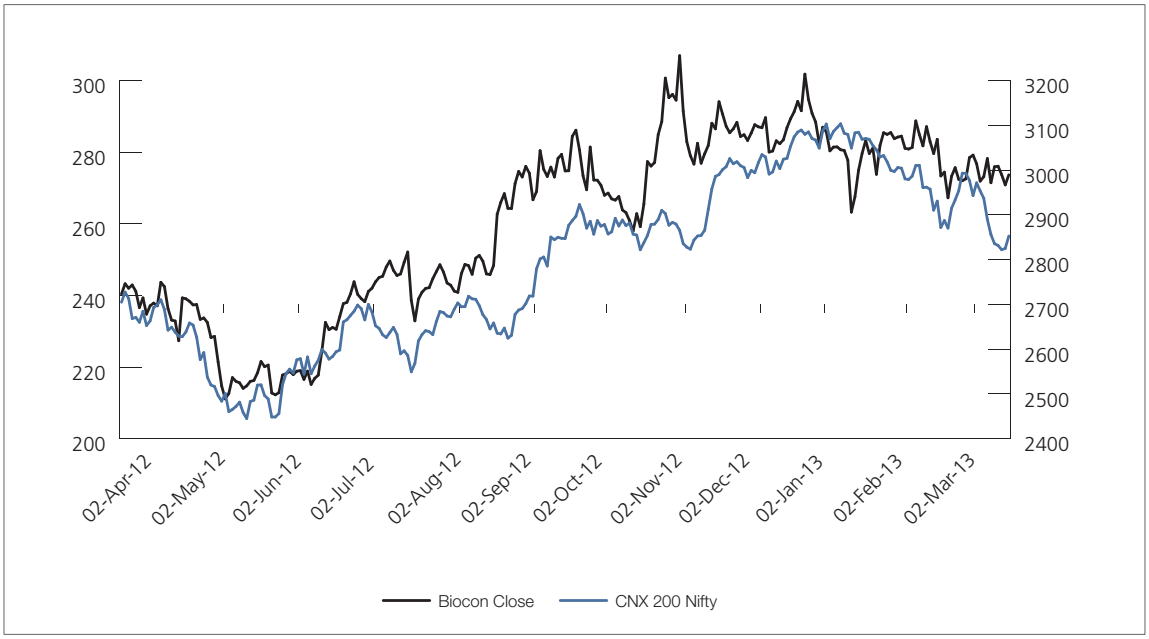


Biocon and NSE Nifty relative movement from April 1, 2012 to March 31, 2013.

Biocon and BSE Sensex 200 relative movement from April 1, 2012 to March 31, 2013.



Biocon and NSE CNX 200 relative movement from April 1, 2012 to March 31, 2013.

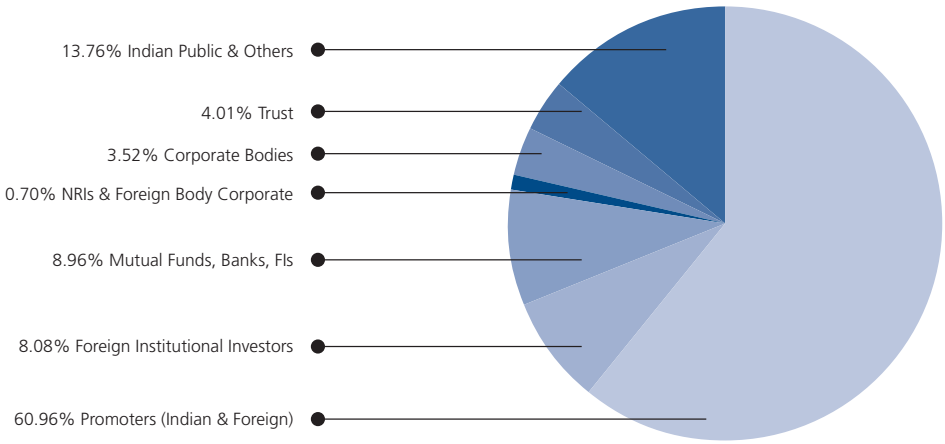


Share Transfer System:

The shares of the Company are traded in the Compulsory dematerialised form for all investors. The Share Transfer Committee approves the transfer of shares in the physical form as per the time limits specified in the Listing Agreement.

Distribution of the Shareholding (category wise) as on March 31, 2013:

Sl. No.	Category	No. of Shares	% To Equity
1	Promoters (Indian and Foreign)	121,924,146	60.96
2	Foreign Institutional Investors	16,168,325	8.08
3	Mutual Funds, Banks, FIs	17,917,635	8.96
4	NRIs and Foreign Body Corporate	1,397,799	0.70
5	Corporate Bodies	7,042,549	3.52
6	Trust	8,022,857	4.01
7	Indian Public and Others	27,526,689	13.76
	Total	**200,000,000**	**100.00**



Shareholders holding more than 1% of total number of shares as on March 31, 2013:

Sl. No.	Name	Shareholding	% to Paid-up Capital
1	Kiran Mazumdar Shaw	79,287,564	39.64
2	Glentec International	39,535,194	19.77
3	Life Insurance Corporation of India	7,576,582	3.79
4	Franklin Templeton Investment Funds	6,297,415	3.15
5	Biocon India Limited Employees Welfare Trust*	4,178,539	2.09
6	SBI Life Insurance Co. Ltd.	2,823,752	1.41
7	Murali Krishnan K. N.	2,385,939	1.19
8	Arun Suresh Chandavarkar	2,200,000	1.10
	Total	**144,284,985**	**72.14**

* Under two folios

Distribution by number of shares:

Category	No. of shareholders	Total Shares	% to shareholders	% to paid up capital
Up to 5000	110,562	11,718,942	97.86	5.86
5001 - 10000	1,208	1,811,644	1.07	0.91
10001 - 20000	578	1,689,975	0.51	0.84
20001 - 30000	193	975,277	0.17	0.49
30001 - 40000	83	595,379	0.07	0.30
40001 - 50000	52	485,613	0.05	0.24
50001 - 100000	97	1,417,964	0.09	0.71
100001 and Above	205	181,305,206	0.18	90.65
Total	**112,978**	**200,000,000**	**100.00**	**100.00**

Statement showing un-claimed and unpaid Dividend as on March 31, 2013

As per Section 205A of the Companies Act, 1956, dividend which remains unpaid or unclaimed for a period of seven years from the date of its transfer to the unpaid dividend account, is liable to be transferred to the "Investor Education Protection Fund" (IEPF) established by the Central Government. The amount of unclaimed dividend upto financial years ended March 31, 2005 have been transferred to IEPF by the Company. The unclaimed dividend amounts for subsequent years along with their due dates for transfer to IEPF is mentioned below:

Sl. No.	Year	Dividend per share (₹)	Nature	Amount of unclaimed dividend	Due date for transfer to (IEPF)
1	2005-06	2.50	Final	346,519	August 24, 2013
2	2006-07	3.00	Final	359,661	August 23, 2014
3	2007-08	5.00	Final	692,522	August 22, 2015
4	2008-09	3.00	Final	769,119	August 28, 2016
5	2009-10	3.50	Final	629,083	August 28, 2017
6	2010-11	1.50	Interim	342,442	June 3, 2018
7	2010-11	3.00	Final	729,801	August 26, 2018
8	2011-12	5.00	Final	1,321,680	July 31, 2019

Dematerialization of shares and liquidity:

492,803 shares constituting 0.25% of the paid up share capital of the Company were in physical form as on March 31, 2013.

There are no outstanding GDRs/ADRs/Warrants and convertible instruments.

Plant locations:

20th KM, Hosur Road,
Electronics City P.O.
Bangalore – 560 100

Biocon Park
Plot No. 2, 3, 4 and 5
Bommasandra – Jigani Link Road
Bangalore – 560 099

Plot 213-215
IDA Phase-II, Pashamylaram
Medak District – 502 307
Andhra Pradesh, India

Investor Contacts:

a) Financial Disclosure correspondence
Mr. Murali Krishnan K.N.
President - Group Finance
Tel: 91 80 - 2808 2808
E-mail id: murali.krishnan@biocon.com

b) Shareholders' correspondence
Mr. Kiran Kumar. G
Company Secretary and Compliance Officer
Tel.: 91 80 2808 2037
E-mail id: Kiran.kumar@biocon.com or co.secretary@biocon.com

c) Investor relations correspondence
Mr. Saurabh Paliwal
Head - Investor Relations
Tel.: 91 80 - 2808 2040
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or investor.relations@biocon.com

d) Media correspondence
Ms. Seema Ahuja
Head - Corporate Communications
Tel: 91 80 - 2808 2808
E-mail id: seema.ahuja@biocon.com

e) Correspondence Address:
Registered Office
Biocon Limited
20th KM, Hosur Road,
Electronics City P.O.
Bangalore – 560 100

f) Registrar and Share Transfer Agents
Karvy Computershare Private Limited
(Unit: Biocon Ltd.),
Plot Nos. 17-24, Vittal Rao Nagar,
Madhapur, Hyderabad – 500 081
E-mail id: mahendra.singh@karvy.com
or Jayaramanvk@karvy.com

Auditors' Certificate

To

The Members of Biocon Limited

We have examined the compliance of conditions of corporate governance by Biocon Limited ("the Company"), for the year ended on March 31, 2013, as stipulated in clause 49 of the Listing Agreement of the said Company with stock exchange(s).

The compliance of conditions of corporate governance is the responsibility of the management. Our examination was limited to procedures and implementation thereof, adopted by the Company for ensuring the compliance of the conditions of the Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the Company.

In our opinion and to the best of our information and according to the explanations given to us, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

We further state that such compliance is neither an assurance as to the future viability of the Company nor the efficiency or effectiveness with which the management has conducted the affairs of the Company.

For S.R. BATLIBOI & ASSOCIATES LLP
Chartered Accountants
ICAI Firm registration number: 101049W

per Aditya Vikram Bhauwala
Partner
Membership No.: 208382

Bangalore
June 07, 2013

Independent Auditor's Report

To the Members of Biocon Limited

Report on the financial statements

We have audited the accompanying financial statements of Biocon Limited ("the Company"), which comprise the balance sheet as at March 31, 2013, and the statement of profit and loss and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the accounting principles generally accepted in India, including Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956 ("the Act"). This responsibility includes the design, implementation and maintenance of internal controls relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) In the case of the balance sheet, of the state of affairs of the Company as at March 31, 2013;

(b) In the case of the statement of profit and loss, of the profit for the year ended on that date; and

(c) In the case of the cash flow statement, of the cash flows for the year ended on that date.

Report on other legal and regulatory requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
   (a) We have obtained all the information and explanations which, to the best of our knowledge and belief, were necessary for the purpose of our audit.
   (b) In our opinion proper books of account, as required by law, have been kept by the Company, so far as appears from our examination of those books.
   (c) The balance sheet, statement of profit and loss and cash flow statement dealt with by this report, are in agreement with the books of account.
   (d) In our opinion, the balance sheet, statement of profit and loss and cash flow statement comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Act.
   (e) On the basis of written representations received from the directors as on March 31, 2013 and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of Clause (g) of sub-section (1) of Section 274 of the Act.

For S.R. BATLIBOI & ASSOCIATES LLP
ICAI Firm registration no.: 101049W
Chartered Accountants

per Aditya Vikram Bhauwala
Partner
Membership no.: 208382

Bangalore
April 25, 2013

Annexure referred to in paragraph 1 under the heading "Report on other legal and regulatory requirements" of our report of even date

i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.

(b) All fixed assets have not been physically verified by the management during the year but there is a regular programme of verification, intended to cover all the fixed assets of the Company over a period, which in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. No material discrepancies were noticed on such verification.

(c) There was no disposal of a substantial part of fixed assets during the year.

ii) (a) The management has conducted physical verification of inventory at reasonable intervals during the year. In our opinion, the frequency of verification is reasonable. Inventories lying with outside parties have been confirmed by them as at year end.

(b) The procedures of physical verification of inventory followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.

(c) The Company is maintaining proper records of inventory. Discrepancies noted on physical verification of inventories were not material, and have been properly dealt with in the books of account.

iii) (a) The Company has granted unsecured loans to three companies covered in the register maintained under Section 301 of the Companies Act, 1956 ('the Act'). The maximum amount involved during the year was ₹ 3,577 million and the balance outstanding at March 31, 2013 from such parties was Rs. 2,373 million.

(b) In our opinion and according to the information and explanations given to us, and having regard to management's representation that interest free loans given to certain wholly-owned subsidiaries of the Company are in the interest of the Company's business, the rate of interest, wherever applicable, and other terms and conditions for such loans are not prima facie prejudicial to the interest of the Company.

(c) In respect of loans granted, repayment of the principal amount is as stipulated and payment of interest, wherever applicable, has been regular.

(d) There is no overdue amount of loans granted to companies, firms or other parties listed in the register maintained under Section 301 of the Act.

(e) According to information and explanations given to us, the Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under Section 301 of the Act. Accordingly, the provisions of clause 4(iii)(e) to (g) of the Companies (Auditor's Report) Order, 2003 (as amended) ('the Order') are not applicable to the Company and hence not commented upon.

iv) In our opinion and according to the information and explanations given to us, as well as taking into consideration the management representation that certain items of fixed assets and inventories are of special nature for which alternative quotations are not available, there is an adequate internal control system commensurate with the size of the Company and the nature of its business, for the purchase of fixed assets and inventory and for the sale of goods and services. During the course of our audit, we have not observed any major weakness or continuing failure to correct any major weakness in the internal control system of the Company in respect of these areas.

v) (a) According to the information and explanations provided by the management, we are of the opinion that the particulars of contracts or arrangements referred to in Section 301 of the Act that need to be entered into the register maintained under Section 301 have been so entered.

(b) In respect of transactions made in pursuance of such contracts or arrangements and exceeding the value of Rupees five lakhs entered into during the financial year, because of the unique and specialized nature of the items involved and absence of any comparable prices, we are unable to comment whether the transactions were made at prevailing market prices at the relevant time.

vi) The Company has not accepted any deposits from the public.

vii) In our opinion, the Company has an internal audit system, commensurate with the size and nature of its business.

viii) We have broadly reviewed the books of account maintained by the Company pursuant to the rules made by the Central Government for the maintenance of cost records under section 209(1)(d) of the Act, related to manufacture of biopharmaceuticals and biotechnology products and are of the opinion that prima facie, the prescribed accounts and records have been made and maintained.

ix) (a) The Company is generally regular in depositing with appropriate authorities undisputed statutory dues including provident fund, investor education and protection fund, employees' state insurance, income-tax, sales-tax, wealth-tax, service tax, customs duty, excise duty, cess and other material statutory dues applicable to it.

(b) According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, investor education and protection fund, employees' state insurance, income-tax, wealth-tax, service tax, sales-tax, customs duty, excise duty, cess and other material statutory dues were outstanding, at the year end, for a period of more than six months from the date they became payable.

(c) According to the records of the Company, the dues outstanding of income-tax, sales-tax, wealth-tax, service tax, custom duty, excise duty and cess on account of any dispute, are as follows:

Name of the statute	Nature of dues	Amount claimed (Rs. million)	Payment under protest (Rs. million)	Period to which the amount relates	Forum where dispute is pending
The Central Excise Act, 1944	Excise Duty	1	1	1994-1995	Assistant Collector of Central Excise.
The Central Excise Act, 1944	Excise Duty	89	-	2005-2008	Customs, Excise and Service Tax Appellate Tribunal, Chennai
The Central Excise Act, 1944	Excise Duty	10	-	2010-2011	Commissioner Appeals, Chennai
The Customs Act, 1962	Customs Duty	42	42	2006-2009	Customs, Excise and Service Tax Appellate Tribunal
The Customs Act, 1962	Customs Duty	4	3	2004-2005 and 2007-2008	Customs, Excise and Service Tax Appellate Tribunal, Chennai
The Customs Act, 1962	Customs Duty	23	23	2008-2009 to 2011-2012	Commissioner Appeals, Bangalore
Karnataka VAT Act, 2003	Value added tax	6	1	2005-2006	Joint Commissioner Appeals, Bangalore
Finance Act, 1944	Service Tax	90	-	FY 2006 to FY 2011	The Company is in the process of filing its appeal with Commissioner Appeals
Income-tax Act, 1961	Income Tax	4	4	FY 1996-1997	Supreme Court
Income-tax Act, 1961	Income Tax	4	4	FY 1997-1998	High Court of Karnataka
Income-tax Act, 1961	Income Tax	90	82	FY 2002-2008	Commissioner of Income Tax (Appeals)
Income-tax Act, 1961	Income Tax	69	-	FY 2008-2009	The Company is in the process of filing its appeal with Dispute Resolution Panel

x) The Company has no accumulated losses at the end of the financial year and it has not incurred cash losses in the current and immediately preceding financial year.

xi) Based on our audit procedures and as per the information and explanations given by the management, we are of the opinion that the Company has not defaulted in repayment of dues to a financial institution and banks. The Company does not have any borrowing by way of debenture.

xii) According to the information and explanations given to us and based on the documents and records produced before us, the Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

xiii) In our opinion, the Company is not a chit fund or a nidhi/mutual benefit fund/society. Therefore, the provisions of clause 4(xiii) of the Order are not applicable to the Company.

xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments. Accordingly, the provisions of Clause 4(xiv) of the Order are not applicable to the Company.

xv) According to the information and explanations given to us, the Company has given guarantee for loans taken by others from banks or financial institutions, the terms and conditions whereof in our opinion are not prima-facie prejudicial to the interest of the Company.

xvi) Based on the information and explanations given to us by the management, term loans were applied for the purpose for which the loans were obtained.

xvii) According to the information and explanations given to us and on an overall examination of the balance sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment.

xviii) The Company has not made any preferential allotment of shares to parties or companies covered in the register maintained under Section 301 of the Act.

xix) The Company did not have any outstanding debentures during the year.

xx) The Company has not raised any money by way of a public issue during the year.

xxi) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the year.

For S.R. BATLIBOI & ASSOCIATES LLP
ICAI Firm registration no.: 101049W
Chartered Accountants

per Aditya Vikram Bhauwala
Partner
Membership no.: 208382

Bangalore
April 25, 2013

Balance Sheet as at March 31, 2013

(All amounts are in Indian Rupees Million)

	Notes	March 31, 2013	March 31, 2012
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	1,000	1,000
Reserves and surplus	4	21,068	19,964
		22,068	**20,964**
Non-current liabilities			
Long-term borrowings	5	400	605
Deferred tax liability (net)	6	302	349
Other long-term liabilities	7	1,083	649
		1,785	**1,603**
Current liabilities			
Short-term borrowings	8	773	868
Trade payables	9	2,650	2,511
Other current liabilities	10	679	769
Short-term provisions	11	2,177	1,488
		6,279	**5,636**
TOTAL		**30,132**	**28,203**
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	12	8,455	6,757
Intangible assets	13	59	93
Capital work-in-progress		512	825
Non-current investments	14	1,660	1,664
Loans and advances	15	4,713	5,343
		15,399	**14,682**
Current assets			
Current investments	16	4,530	4,906
Inventories	17	3,589	3,404
Trade receivables	18	4,270	4,450
Cash and bank balances	19	1,792	400
Loans and advances	15	510	302
Other current assets	20	42	59
		14,733	**13,521**
TOTAL		**30,132**	**28,203**
Summary of significant accounting policies	2.1		

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For S. R. BATLIBOI & ASSOCIATES LLP
ICAI Firm registration no.: 101049W
Chartered Accountants

per Aditya Vikram Bhauwala
Partner
Membership no.: 208382

Bangalore
April 25, 2013

For and on behalf of the Board of Directors of Biocon Limited

Kiran Mazumdar-Shaw
Managing Director

John Shaw
Director

Murali Krishnan K N
President - Group Finance

Kiran Kumar
Company Secretary

Statement of Profit and Loss for the year ended March 31, 2013

(All amounts are in Indian Rupees Million, except share data and per share data, unless otherwise stated)

	Notes	March 31, 2013	March 31, 2012
Income			
Revenue from operations (gross)		19,833	16,053
Less: Excise duty		453	495
Revenue from operations (net)	21	19,380	15,558
Other income	22	515	666
Total (I)		**19,895**	**16,224**
Expenses			
Cost of raw materials and packing materials consumed	23	8,300	6,971
Purchases of traded goods	24 (a)	857	857
(Increase)/Decrease in inventories of finished goods, traded goods and work-in-progress	24 (b)	(179)	(414)
Employee benefits expense	25	2,276	1,916
Other expenses	26	4,069	2,893
Total (II)		**15,323**	**12,223**
Earnings before interest, tax, depreciation, amortisation and exceptional items, [EBITDA (I - II)]		**4,572**	**4,001**
Depreciation and amortisation (net)	27	951	940
Finance costs	28	12	17
Profit before tax and exceptional item		**3,609**	**3,044**
Exceptional items:			
Provision for other than temporary diminution in the value of long-term Investments	14 (f)	139	-
Profit before tax		**3,470**	**3,044**
Tax expenses			
Current tax		760	559
Less - MAT credit entitlement		-	(23)
Deferred tax		(47)	(47)
Total tax expense		**713**	**489**
Profit for the year		**2,757**	**2,555**
Earnings per share [equity shares, par value of ₹ 5 each (March 31, 2012 - ₹ 5 each)]			
Basic (in ₹)		14.08	13.04
Diluted (in ₹)		13.95	12.92
Weighted average number of shares used in computing earnings per share	31		
Basic		195,821,461	195,908,279
Diluted		197,611,577	197,830,856
Summary of significant accounting policies	2.1		

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For S. R. BATLIBOI & ASSOCIATES LLP
ICAI Firm registration no.: 101049W
Chartered Accountants

per Aditya Vikram Bhauwala
Partner
Membership no.: 208382

Bangalore
April 25, 2013

For and on behalf of the Board of Directors of Biocon Limited

Kiran Mazumdar-Shaw
Managing Director

John Shaw
Director

Murali Krishnan K N
President - Group Finance

Kiran Kumar
Company Secretary

Cash Flow Statement for the year ended March 31, 2013

(All amounts are in Indian Rupees Million)

		March 31, 2013	March 31, 2012
I.	**Cash flows from operating activities**		
	Profit before tax	**3,470**	**3,044**
	Adjustment to reconcile profit before tax to net cash flows		
	Depreciation and amortisation (net)	951	940
	Unrealised foreign exchange (gain)/loss	(2)	20
	Employee stock compensation expense	-	1
	Provision / (reversal of provision) for doubtful debts	(40)	(4)
	Bad debts written off	38	7
	Interest expense	12	17
	Interest income	(9)	(17)
	Dividend income	(284)	(276)
	Net gain on sale of current investment	(9)	-
	Loss/(profit) on sale of fixed assets (net)	(1)	-
	Provision for other than temporary diminution in the value of long-term Investments	139	-
	Other non-operating income	(104)	(120)
	Operating profit before working capital changes	**4,161**	**3,612**
	Movements in working capital		
	Decrease/(Increase) in inventories	(185)	(657)
	Decrease/(Increase) in trade receivables	178	(272)
	Decrease/(Increase) in loans and advances	(559)	(1,063)
	Increase/(Decrease) in trade payable, other liabilities and provisions	595	566
	Cash generated from operations	**4,190**	**2,186**
	Direct taxes paid (net of refunds)	(710)	(581)
	Net cash flow from/(used in) operating activities	**3,480**	**1,605**
II.	**Cash flows from investing activities**		
	Purchase of tangible fixed assets, capital work-in-progress and capital advances (net of reimbursements under co-development arrangement)	(2,428)	(1,084)
	Proceeds from sale of fixed assets	1	-
	Recovery of loans from subsidiaries	1,060	74
	Investment in subsidiary (non-current)	-	(712)
	Proceeds from sale of subsidiary (non-current)	-	1
	Proceeds from sale of current investments	16,248	15,113
	Movement in reserves of ESOP Trust	99	98
	Purchase of shares by ESOP Trust	(135)	(33)
	Purchase of current investments	(15,863)	(15,832)
	Investment in bank deposits (having original maturity of more than 3 months)	(250)	-
	Other non-operating income	104	120
	Interest received	9	17
	Dividend received	284	276
	Net cash flow from/(used in) investing activities	**(871)**	**(1,962)**
III.	**Cash flows from financing activities**		
	Proceeds from long-term borrowings	-	84
	Repayment of long-term borrowings	(206)	(65)
	Proceeds / (repayment) of short-term borrowings, net	(95)	(125)
	Dividend paid on equity shares	(1,000)	(900)
	Tax on equity dividend paid	(162)	(97)
	Interest paid	(8)	(14)
	Recovery of ESOP compensation expense from subsidiaries	-	4
	Net cash flow from/(used for) financing activities	**(1,471)**	**(1,113)**
IV.	**Net increase/(decrease) in cash and cash equivalents (I + II + III)**	**1,138**	**(1,470)**
V.	**Effect of exchange differences on cash and cash equivalents held in foreign currency**	**4**	**15**
VI.	**Cash and cash equivalents at the beginning of the year**	**398**	**1,853**
VII.	**Cash and cash equivalents at the end of the year (IV + V + VI)**	**1,540**	**398**
	Components of cash and cash equivalents		
	Cash on hand	1	2
	Balances with banks - on current accounts (excluding Unclaimed Dividend)	1,439	370
	Balances with Banks - on deposit accounts	95	20
	Balances with Banks - on unpaid dividend accounts*	5	6
	Total cash and cash equivalent (note 19)	**1,540**	**398**
	*The Company can utilize these balances only towards settlement of the respective unpaid dividend liabilities		

As per our report of even date

For S. R. BATLIBOI & ASSOCIATES LLP
ICAI Firm registration no.: 101049W
Chartered Accountants

per Aditya Vikram Bhauwala
Partner
Membership no.: 208382

Bangalore
April 25, 2013

For and on behalf of the Board of Directors of Biocon Limited

Kiran Mazumdar-Shaw
Managing Director

John Shaw
Director

Murali Krishnan K N
President - Group Finance

Kiran Kumar
Company Secretary

Notes to the financial statements for the year ended March 31, 2013

(All amounts are in Indian Rupees Million, except share data and per share data, unless otherwise stated)

1. Corporate information

Biocon Limited ('Biocon' or 'the Company'), was incorporated at Bangalore in 1978 for manufacture of biotechnology products. Syngene International Limited ('Syngene'), promoted by Dr. Kiran Mazumdar-Shaw, was incorporated at Bangalore in 1993. In March 2002, Biocon acquired 99.99 per cent of the equity shares of Syngene and, resultantly, Syngene became the subsidiary of Biocon. Clinigene International Limited ('Clinigene') was incorporated on August 4, 2000 at Bangalore and became a wholly owned subsidiary of Biocon on March 31, 2001. In February 2012, Biocon sold its shareholding in Clinigene to Syngene.

On January 10, 2008, Biocon entered into an agreement with Dr. B. R. Shetty to set up a joint venture Company NeoBiocon FZ-LLC, with a 50% equity interest incorporated in Dubai ('NeoBiocon').

The Company has also established Biocon Research Limited ('BRL'), a subsidiary of the Company to undertake research and development in novel and innovative drug initiatives.

Effective April 30, 2008, Biocon acquired 71% equity interest in AxiCorp GmbH, Germany ('AxiCorp') through its newly incorporated wholly owned subsidiary company Biocon SA. Switzerland. In February 2009, Biocon SA acquired an additional 7.4% equity interest in AxiCorp. During the year ended March 31, 2012, Biocon SA sold its shareholding in AxiCorp to third parties.

Biocon Biopharmaceuticals Limited (formerly Biocon Biopharmaceuticals Private Limited), ['BBL'] was originally incorporated on June 17, 2002 as a Joint Venture between Biocon and CIMAB SA ('CIMAB') with Biocon holding 51 per cent of the share capital. During the financial year ended March 31, 2011, Biocon acquired the interest of the joint venture partner, CIMAB. Consequently all the equity shares of BBL are held by Biocon.

During the year ended March 31, 2011, Biocon set up a wholly owned subsidiary company in Malaysia, Biocon Sdn. Bhd. ('Biocon Malaysia') for development and manufacture of bio-pharmaceuticals.

Biocon is an integrated healthcare company engaged in manufacture of biotechnology products for the pharmaceutical sector. The Company is also engaged in research and development in the biotechnology sector. During the year ended March 31, 2007, the Company had received an approval for operation of SEZ Developer and for setting up SEZ Unit operations to be located within Biocon SEZ.

2. Basis of preparation

The financial statements have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The Company has prepared these financial statements to comply in all material respects with the Accounting Standards, notified by the Companies Accounting Standards Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956. The financial statements have been prepared on an accrual basis and under the historical cost convention except in case of assets for which provision for impairment is made and revaluation is carried out.

For the purpose of administration of the employee stock option plans of the Company, the Company has established the Biocon India Limited Employee Welfare Trust ('ESOP Trust'). In accordance with the guidelines framed by the Securities and Exchange Board of India ('SEBI'), financial statements of the Company have been prepared as if the Company itself is administering the ESOP Scheme.

The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year.

2.1 Summary of significant accounting policies

a. Use of estimates

The preparation of financial statements in conformity with Indian GAAP requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

b. Tangible fixed assets

Fixed assets are stated at cost, except for certain freehold land and buildings revalued on November 1, 1994, which are shown at estimated replacement cost as determined by valuers less impairment loss, if any, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises purchase price, borrowing costs if capitalization criteria are met and other directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discounts and rebates are deducted in arriving at the purchase price.

Leasehold land on a lease-cum-sale basis are capitalized at the allotment rates charged by the Municipal Authorities.

Subsequent expenditure related to an item of fixed asset is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance. All other expenses on existing fixed assets, including routine repair and maintenance expenditure and cost of replacing parts, are charged to the statement of profit and loss for the period during which such expenses are incurred.

The Company adjusts exchange differences arising on translation/settlement of long-term foreign currency monetary items pertaining to the acquisition of a depreciable asset to the cost of the asset and depreciates the same over the remaining life of the asset. In accordance with MCA circular dated August 09, 2012, exchanged differences adjusted to the cost of fixed assets are total differences, arising on long-term foreign currency monetary items pertaining to the acquisition of a depreciable asset, for the period.

Gains or losses arising from disposal of fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is disposed.

Assets funded by third parties are capitalized at gross value and the funds so received are recorded as funding received from co-developer and amortized over the useful life of the assets.

c. Depreciation on tangible fixed assets

Depreciation on fixed assets is calculated on a straight-line basis using the rates arrived at based on the useful lives estimated by the management, or those prescribed under the Schedule XIV to the Companies Act, 1956, whichever is higher. The Company has used the following rates to provide depreciation on its fixed assets.

Nature of Asset	Per cent
Buildings	4.00
Plant and machinery (including Computers)	9.09 - 33.33
Research and development equipment	11.11
Furniture and fixtures	16.67
Vehicles	16.67
Leasehold improvements	20.00 or the rate based on lease period whichever is higher

Used assets acquired from third parties are depreciated on a straight line basis over their remaining useful life of such assets.

The depreciation charge over and above the depreciation calculated on the original cost of the revalued assets is transferred from the revaluation reserve to the statement of profit and loss. Assets costing individually less than ₹ 5,000 only are fully depreciated in the year of purchase.

d. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the statement of profit and loss in the year in which the expenditure is incurred.

Computer Software which is not an integral part of the related hardware is classified as an intangible asset.

Intangible assets are amortized on a straight line basis over the estimated useful economic life. The Company uses a rebuttable presumption that the useful life of an intangible asset will not exceed its remaining patent life or ten years, whichever is lower. If the persuasive evidence exists to the affect that useful life of an intangible asset exceeds ten years, the Company amortizes the intangible asset over the best estimate of its useful life. Such intangible assets and intangible assets not yet available for use are tested for impairment annually. All other intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortization period and the amortization method are reviewed at least at each financial year end. If the expected useful life of the asset is significantly different from previous estimates, the amortization period is changed accordingly. If there has been a significant change in the expected pattern of economic benefits from the asset, the amortization method is changed to reflect the changed pattern. Such changes are accounted for in accordance with AS 5, Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies.

Gains or losses arising from disposal of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is disposed.

Amortization of intangible assets:

a. Intellectual Property rights/marketing rights are amortized on a straight line basis over the estimated useful economic life of five years.

b. Computer Software is amortized over a period of three-five years, being its estimated useful life.

Research and Development Costs

Research and development costs, including technical know-how fees, incurred for development of products are expensed as incurred. Development costs which relate to the design and testing of new or improved materials, products or processes or for existing products in new territories are recognised as an intangible asset to the extent that:

a. it is technically feasible to complete the development of asset and it will be available for sale / use.

b. it is expected that such development will be completed and used/sold

c. it is expected that such assets will generate future economic benefits

d. there are adequate resources to complete such development

e. it is possible to measure reliably the expenditure attributable to the asset during development

Research and development expenditure of a capital nature is added to fixed assets. Following the initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. The carrying value of the development cost is tested for impairment annually.

e. Borrowing Costs

Borrowing cost includes interest, amortization of ancillary costs incurred in connection with the arrangement of borrowings and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.

f. Impairment of tangible and intangible assets

The Company assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Company estimates the asset's recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written

down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

Impairment losses, including impairment on inventories, are recognized in the statement of profit and loss, except for previously revalued tangible fixed assets, where the revaluation was taken to revaluation reserve. In this case, the impairment is also recognized in the revaluation reserve up to the amount of any previous revaluation.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Company estimates the asset's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the statement of profit and loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

g. Inventories

Inventories are valued as follows:

Raw materials and packing materials	Lower of cost and net realizable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost is determined on a first-in-first out basis. Customs duty on imported raw materials (excluding stocks in the bonded warehouse) is treated as part of the cost of the inventories.
Work-in-progress and finished goods	Lower of cost and net realizable value. Cost includes direct materials (on a first-in-first out basis) and labour and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty.
Traded goods	Lower of cost and net realizable value. Cost includes the purchase price and other associated costs directly incurred in bringing the inventory to its present location. Cost is determined on a first-in-first out basis.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

h. Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

(i) Sale of products:

Revenue from sale of products is recognized when the significant risks and rewards of ownership of the goods have passed to the buyer. The Company collects sales taxes and value added taxes (VAT) on behalf of the government and, therefore, these are not economic benefits flowing to the Company. Hence, they are excluded from revenue. Excise duty deducted from revenue (gross) is the amount that is included in the revenue (gross) and not the entire amount of liability arising during the year.

(ii) Sale of services :

The Company enters into certain dossier sales, licensing and supply agreements relating to various products. Revenue from such arrangements is recognized upon completion of performance obligations or on a proportional performance basis over the period the Company performs its obligations, under the terms of the agreements. Proportionate performance is measured based upon the efforts/costs incurred to date in relation to the total estimated efforts/costs to complete the contract. The Company monitors estimates of the total contract revenue and cost on a routine basis throughout the contract period. The cumulative impact of any change in estimates of the contract revenue or costs is reflected in the period in which the changes become known. In the event that the loss is anticipated on a particular contract, provision is made for the estimated loss.

In respect of services, the Company collects service tax on behalf of the government and, therefore, it is not an economic benefit flowing to the Company. Hence, it is excluded from revenue.

(iii) Interest Income:

Interest income is recognized on a time proportion basis taking into account the amount outstanding and the applicable interest rate. Interest income is included under the head "other income" in the statement of profit and loss.

(iv) Dividend income:

Dividend income is recognized when the Company's right to receive dividend is established by the reporting date.

i. Investments

Investments that are readily realisable and intended to be held for not more than twelve months from the date on which such investments are made are classified as current investments. All other investments are classified as long-term investments.

On initial recognition, all investments are measured at cost. The cost comprises purchase price and directly attributable acquisition charges such as brokerage, fees and duties. If an investment is acquired, or partly acquired, by the issue of shares or other securities, the acquisition cost is the fair value of the securities issued. If an investment is acquired in exchange for another asset, the acquisition is determined by reference to the fair value of the asset given up or by reference to the fair value of the investment acquired, whichever is more clearly evident.

Current investments are carried in the financial statements at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments.

On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged or credited to the statement of profit and loss.

j. Retirement benefits

Retirement benefit in the form of Provident Fund is a defined contribution scheme and the contributions are charged to the statement of profit and loss for the year when the employee renders the related service and the contributions to the government funds are due. The Company has no obligation other than the contribution payable to provident fund authorities.

Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year. The gratuity benefit of the Company is administered by a trust formed for this purpose through the group gratuity scheme. Actuarial gains and losses for defined benefit plan are recognized in full in the period in which they occur in the statement of profit and loss.

Accumulated leave, which is expected to be utilized within the next 12 months, is treated as short-term employee benefit. The Company measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The Company treats accumulated leave expected to be carried forward beyond 12 months, as long-term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the year-end. Actuarial gains/losses are immediately taken to the statement of profit and loss and are not deferred. The Company presents the entire leave as a current liability in the balance sheet, since it does not have an unconditional right to defer its settlement for 12 months after the reporting date.

k. Foreign currency translation

Foreign currency transaction and balances

Initial Recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

Conversion

Foreign currency monetary items are retranslated using the exchange rate prevailing at the reporting date. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction. Non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are translated using the exchange rates at the date when such values were determined.

Exchange Differences

The Company accounts for exchange differences arising on translation/settlement of foreign currency monetary items as below:

(i) Exchange differences arising on a monetary item that, in substance, forms part of the Company's net investment in a non-integral foreign operation is accumulated in the foreign currency translation reserve in the financial statements until the disposal of the net investment, at which time they are recognized as income or as expenses.

(ii) Exchange differences arising on long-term foreign currency monetary items related to acquisition of a fixed asset are capitalized and depreciated over the remaining useful life of the asset.

(iii) Exchange differences arising on other long-term foreign currency monetary items are accumulated in the "Foreign Currency Monetary Item Translation Difference Account" and amortized over the remaining life of the concerned monetary item.

(iv) All other exchange differences are recognized as income or as expenses in the period in which they arise.

For the purpose of (ii) and (iii) above, the Company treats a foreign monetary item as "long-term foreign currency monetary item", if it has a term of 12 months or more at the date its origination. In accordance with MCA circular dated August 09, 2012, exchange differences for this purpose, are total differences arising on long-term foreign currency monetary items for the period.

Forward exchange contracts entered into to hedge foreign currency risk of an existing asset/liability

The premium or discount arising at the inception of forward exchange contract is amortized and recognized as an expense/income over the life of the contract. Exchange differences on such contracts, except the contracts which are long-term foreign currency monetary items, are recognized in the statement of profit and loss in the period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of such forward exchange contract is also recognized as income or as expense for the period. Any gain/loss arising on forward contracts which are long-term foreign currency monetary items are recognized in accordance with paragraphs (ii) and (iii).

l. Income tax

Tax expense comprises current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income-tax Act, 1961 enacted in India. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit and loss.

Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for the earlier years. Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the statement of profit and loss.

Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted at the reporting date. Deferred tax liability is recognized for all taxable timing differences. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situations where the Company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

In the situations where the Company is entitled to a tax holiday under the Income-tax Act, 1961 enacted in India or tax laws prevailing in the respective tax jurisdictions where it operates, no deferred tax (asset or liability) is recognized in respect of timing differences which reverse during the tax holiday period, to the extent the Company's gross total income is subject to the deduction during the tax holiday period. Deferred tax in respect of timing differences which reverse after the tax holiday period is recognized in the year in which the timing differences originate. However, the Company restricts recognition of deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realized. For recognition of deferred taxes, the timing differences which originate first are considered to reverse first.

At each reporting date, the Company re-assesses unrecognized deferred tax assets. It recognizes unrecognized deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each reporting date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realized. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set-off current tax assets against current tax liabilities and the deferred tax assets and deferred taxes relate to the same taxable entity and the same taxation authority.

Minimum Alternate Tax (MAT) paid in a year is charged to the statement of profit and loss as current tax. The Company recognizes MAT credit available as an asset only to the extent that there is convincing evidence that the Company will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the Company recognizes MAT credit as an asset in accordance with the Guidance Note on "Accounting for Credit Available in respect of Minimum Alternative Tax under the Income-tax Act, 1961", the said asset is created by way of credit to the statement of profit and loss and shown as "MAT Credit Entitlement." The Company reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent the Company does not have convincing evidence that it will pay normal tax during the specified period.

m. Employee stock compensation costs

Employees (including senior executives) of the Company also receive remuneration in the form of share-based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions).

In accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Guidance Note on Accounting for Employee Share-based Payments, the cost of equity-settled transactions is measured using the intrinsic value method and recognized, together with a corresponding increase in the "Stock options outstanding account" in reserves. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Company's best estimate of the number of equity instruments that will ultimately vest. The expense or credit recognized in the statement of profit and loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and is recognized in employee benefits expense.

n. Earnings Per Share (EPS)

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Partly paid equity shares are treated as a fraction of an equity share to the extent that they are entitled to participate in dividends relative to a fully paid equity share during the reporting period. The weighted average number of equity shares outstanding during the year is adjusted for events such as bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split (consolidation of shares) that have changed the number of equity shares outstanding, without a corresponding change in resources.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

For the purpose of calculating Basic EPS, shares allotted to the ESOP trust pursuant to the employee share based payment plan are not included in the shares outstanding till the employees have exercised their right to obtain shares, after fulfilling the requisite vesting conditions. Till such time, the shares so allotted are considered as dilutive potential equity shares for the purpose of calculating Diluted EPS.

o. Operating lease

Where the Company is a Lessee

Leases of assets under which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under operating leases are recognized as an expense on a straight-line basis over the lease term.

Where the Company is a Lessor

Leases in which the Company does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Assets subject to operating leases are included in fixed assets. Lease income is recognized on a straight line basis over the lease term. Costs, including depreciation are recognized as an expense. Initial direct costs such as legal costs, brokerage costs, etc. are recognized immediately in the statement of profit and loss.

p. Segment reporting

Identification of segments

The Company's operating businesses are organised and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and services to different markets. The analysis of geographical segments is based on the areas in which major operating divisions of the Company operates.

Inter-segment Transfers

The Company generally accounts for inter-segment sales and transfers at an agreed marked-up price.

Allocation of common costs

Common allocable costs are allocated to each segment according to the relative contribution of each segment to the total common costs.

Unallocated items

The Corporate and other segment include general corporate income and expense items which are not allocated to any business segment.

Segment policies

The Company prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the financial statements of the Company as a whole.

q. Provisions

A provision is recognized when the Company has a present obligation as a result of past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

Where the Company expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the statement of profit and loss net of any reimbursement.

r. Contingent liability

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Company or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Company does not recognize a contingent liability but discloses its existence in the financial statements.

s. Expenditure on new projects and substantial expansion

Expenditure directly relating to construction activity is capitalized. Indirect expenditure incurred during construction period is capitalised as part of the indirect construction cost to the extent to which the expenditure is directly related to construction or is incidental thereto. Other indirect expenditure (including borrowing costs) incurred during the construction period which is not related to the construction activity nor is incidental thereto is charged to the statement of profit and loss. Income earned during construction period is deducted from the total of the indirect expenditure. All direct capital expenditure on expansion is capitalized. As regards indirect expenditure on expansion, only that portion is capitalized which represents the marginal increase in such expenditure involved as a result of capital expansion. Both direct and indirect expenditure are capitalized only if they increase the value of the asset beyond its original standard of performance.

t. Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

u. Derivative instruments

In accordance with the ICAI announcement, derivative contracts, other than foreign currency forward contracts covered under AS 11, are marked to market on a portfolio basis, and the net loss, if any, after considering the offsetting effect of gain on the underlying hedged item, is charged to the statement of profit and loss. Net gain, if any, after considering the offsetting effect of loss on the underlying hedged item, is ignored.

v. Measurement of EBITDA

As permitted by the Guidance Note on the Revised Schedule VI to the Companies Act, 1956, the Company has elected to present Earnings before interest, tax, depreciation and amortization (EBITDA) as a separate line item on the face of the statement of profit and loss. The Company measures EBITDA on the basis of profit/(loss) from continuing operations. In its measurement, the Company does not include depreciation and amortization expense, finance costs and tax expense.

	March 31, 2013	March 31, 2012
3. Share capital		
Authorised		
220,000,000 (March 31, 2012 - 220,000,000) equity shares of ₹ 5 each (March 31, 2012 - ₹ 5 each)	1,100	1,100
Issued, subscribed and fully paid-up		
200,000,000 (March 31, 2012 - 200,000,000) equity shares of ₹ 5 each (March 31, 2012 - ₹ 5 each)	1,000	1,000
(a) Reconciliation of the shares outstanding at the beginning and at the end of the reporting period		

Equity Shares	March 31, 2013		March 31, 2012	
	No.	₹ Million	No.	₹ Million
At the beginning of the year	200,000,000	1,000	200,000,000	1,000
Issued during the year	-	-	-	-
Outstanding at the end of the year	**200,000,000**	**1,000**	**200,000,000**	**1,000**

(b) Terms/rights attached to equity shares

The Company has only one class of equity shares having a par value of ₹ 5 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian Rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

During the year ended March 31, 2013, final dividends proposed for distribution to equity shareholders was ₹ 7.5 (March 31, 2012 - ₹ 5) per share.

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts, if any. The distribution will be in proportion to the number of equity shares held by the shareholders.

(c) Aggregate number of bonus shares issued during the period of five years immediately preceding the reporting date

On September 15, 2008, the Company issued 100,000,000 equity shares of ₹ 5 each as fully paid bonus shares by capitalization of balance in the securities premium account of ₹ 500.

(d) Details of shareholders holding more than 5% shares in the Company

	March 31, 2013		March 31, 2012	
	No.	% holding	No.	% holding
Equity shares of ₹ 5 each fully paid				
Dr. Kiran Mazumdar Shaw	79,287,564	39.64%	79,287,564	39.64%
Glentec International	39,535,194	19.77%	39,535,194	19.77%

As per records of the Company, including its register of shareholders/members. The above shareholding represents both legal and beneficial ownerships of shares.

(e) Shares reserved for issue under options

For details of shares reserved for issue under the employee stock option (ESOP) plan of the Company, please refer to note 30.

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	March 31, 2013	March 31, 2012
4. Reserves and surplus		
Securities premium	2,788	2,788
Revaluation reserve	9	9
ESOP Trust		
Opening balance	669	571
Add: Dividend, interest income and profit on sale of shares, net	99	98
Closing balance	**768**	**669**
General Reserve		
Opening balance	2,491	2,235
Add: Amount transferred from surplus balance in the statement of profit and loss	276	256
Closing balance	**2,767**	**2,491**
Surplus in the statement of profit and loss		
Balance as per last financial statements	13,750	12,613
Profit for the year	2,757	2,555
Less: Appropriations		
Proposed final dividend on equity shares [amount per share ₹ 7.5 (March 31, 2012 - ₹ 5)]	(1,500)	(1,000)
Tax on proposed final dividend	(255)	(162)
Transfer to general reserve	(276)	(256)
Total appropriations	**(2,031)**	**(1,418)**
Net surplus in the statement of profit and loss	**14,476**	**13,750**
Employee Stock Options Outstanding		
Gross employee stock compensation for options granted in earlier years	257	256
Add: gross compensation for options granted during the year	6	1
Less: compensation on ESOP cancelled during the year	-	-
	263	**257**
Less: Deferred employee stock compensation expense (Refer note (a) below)	3	-
Closing balance	**260**	**257**
Total Reserves and Surplus	**21,068**	**19,964**
(a) Deferred employee stock compensation expense (refer note 30):		
Stock compensation expense outstanding at the beginning of the year	-	4
Stock options granted during the year/ESOP Adjustment	6	1
Stock options cancelled/forfeited during the year	-	-
Stock compensation expense (amortised)/reversed during the year	-	(1)
Stock compensation expense charged to Subsidiaries during the year	3	(4)
Closing balance of deferred employee stock compensation expense	**3**	**-**

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5. Long-term borrowings

	Non-current portion		Current maturities	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
Deferred sales tax Liability (unsecured)	324	454	130	130
Other loans and advances (unsecured)				
NMITLI - CSIR Loan	2	2	-	-
Financial assistance from DSIR	18	21	3	-
Financial assistance from DBT	-	65	-	-
Financial assistance from DST	56	63	7	7
	400	**605**	**140**	**137**
The above amount includes				
Secured borrowings	-	-	-	-
Unsecured borrowings	400	605	140	137
Amount disclosed under the head "other current liabilities" [refer note 10]	-	-	(140)	(137)
Net amount	**400**	**605**	**-**	**-**

(a) On February 9, 2000, the Company obtained an order from the Karnataka Sales Tax Authority for allowing an interest free deferment of sales tax (including turnover tax) for a period up to 12 years with respect to sales from its Hebbagodi manufacturing facility for an amount not exceeding ₹ 649. This is an interest free liability. The amount is repayable in 10 equal half yearly installments of ₹ 65 each starting from February 2012.

(b) On March 31, 2005, the Company entered into an agreement with the Council of Scientific and Industrial Research ('CSIR'), for an unsecured loan of ₹ 3 for carrying out part of the research and development project under the New Millennium Indian Technology Leadership Initiative ('NMITLI') Scheme. The loan is repayable over 10 equal annual installments of ₹ 0.3 starting from April 2009 and carry an interest rate of 3 percent per annum.

(c) (i) On March 31, 2009, the Department of Scientific and Industrial Research ('DSIR') sanctioned financial assistance for a sum of ₹ 17 to the Company for part financing one of its research projects. The assistance is repayable in the form of royalty payments for three years post commercialisation of the project in five equal annual installments of ₹ 3 each. The said projects have been completed during the year ended March 31, 2010 and the repayments would commence from April 1, 2013.

(ii) In addition, during the FY 2010-11, the Company has further received ₹ 4 towards a development project out of sanctioned amount of ₹ 12. The assistance is repayable in the form of royalty payments for a period of five years post commercialisation of the project in five equal annual installments of ₹ 3 each. The said product has not yet been commercialised as at March 31, 2013.

(d) On November 3, 2009, the Department of Biotechnology ('DBT') under the Biotechnology Industrial Partnership Programme ('BIPP') has sanctioned financial assistance for a sum of ₹ 53 to the Company for financing one of its research projects. Of the said sanctioned amount, the Company had received a sum of ₹ 37 during the year ended March 31, 2011 and the remaining amount of ₹ 16 during the previous year. The loan is repayable over 10 half yearly installments of ₹ 5 after two years from date of completion of the project and carries an interest rate of 2 percent per annum. However, the Company has repaid the loan during the year end March 31, 2013.

In addition, on May 23, 2011, the DBT under the BIPP has sanctioned financial assistance of ₹ 40 to the Company for financing another research project. Of the sanctioned amount, the Company has received a sum of ₹ 12 during the previous year. The loan is repayable over 10 half yearly installments of ₹ 4 after one year from date of completion of the project and carries an interest rate of 2 percent per annum. However, the Company has repaid the loan during the year end March 31, 2013.

(e) On August 25, 2010, the Department of Science and Technology ('DST') under the Drugs and Pharmaceutical Research Programme ('DPRP') has sanctioned financial assistance for a sum of ₹ 70 to the Company for financing one of its research projects. Of the said sanctioned amount, the Company has received the first installment of ₹ 14 during the year ended March 31, 2011 and the remaining amount during the year ended March 31, 2012. The loan is repayable over 10 annual installments of ₹ 7 each starting from July 1, 2012, and carries an interest rate of 3 percent per annum.

(f) In respect of the financial assistance received under the aforesaid programmes (refer notes (b) to (e) above), the Company is required to utilize the funds for the specified projects and is required to obtain prior approvals from the said authorities for disposal of assets / Intellectual property rights acquired/developed under the above programmes.

6. Deferred tax liability (net)

	March 31, 2013	March 31, 2012
Deferred tax liability		
Fixed assets: Impact of difference between tax depreciation and depreciation/amortisation charged for the financial reporting	344	389
Gross deferred tax liability	**344**	**389**
Deferred tax asset		
Employee retirement benefit expenditure charged to the statement of profit and loss in the current year but allowed for tax purposes on payment basis	23	16
Provision for doubtful debts	8	21
Others	11	3
Gross deferred tax asset	**42**	**40**
Net deferred tax liability	**302**	**349**

(a) The Company has units/operations in a Special Economic Zone (SEZ) which claims deduction of income under the provisions of the Income-tax Act, 1961. Deferred Tax (assets)/liabilities are recognized in respect of timing differences which originate in the reporting period, but are expected to reverse after the tax holiday period.

7. Other long-term liabilities

Deferred revenues *	545	508
Funding received from Co-developer towards fixed assets (refer note 12)	530	118
Interest accrued but not due	8	5
Advance from customers	-	18
	1,083	**649**

* includes ₹ 453 (March 31, 2012 - ₹ 453) relating to the transfer of development and commercialisation rights of Oral Insulin to Biocon Research Ltd., a wholly owned subsidiary (BRL). Pending certain obligations under the agreements, revenue have been deferred under the terms of the agreement.

	March 31, 2013	March 31, 2012
8. Short term borrowings		
From banks/Financial institutions		
Packing credit foreign currency loan (unsecured)	491	812
Cash credit (secured)	282	56
	773	**868**
The above amount includes		
Secured borrowings	282	56
Unsecured borrowings	491	812

(i) The Company has obtained foreign currency denominated loans of ₹ 491 (US$ 9 million) [March 31, 2012 - ₹ 812 (US$ 15.95 million)], carrying an interest rate of LIBOR plus 0.5% to 1.50% p.a., from Bank/Financial institutions as at March 31, 2013.

(ii) The Company has working capital facilities with Banks carrying interest rate ranging from 11%-13% per annum. These facilities are repayable on demand, secured by pari-passu first charge on inventories and trade receivables. As on March 31, 2013, the Company has utilized fund based limits of ₹ 282 (March 31, 2012 - ₹ 56)

9. Trade payables		
Trade payables (Refer notes a)	2,650	2,511
(a) Disclosure required under Clause 22 of Micro, Small and Medium Enterprise Development Act, 2006		
(i) The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each accounting year		
Principal amount due to micro and small enterprises	6	36
Interest due on the above	-	2
(ii) The amount of interest paid by the buyer in terms of section 16 of the MSMED Act, 2006.	-	-
Amounts of the payment made to the supplier beyond the appointed day during each accounting year	342	110
(iii) The amount of interest due and payable for the period of delay in making payment (which has been paid but beyond appointed day during the year) but without adding the interest specified under the MSMED Act, 2006	-	-
(iv) Interest due and payable for the period of delay in making payment during the year	9	2
(v) The amount of Interest accrued and remaining un-paid at the end of each accounting year	-	7
(vi) The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 23 of the MSMED Act, 2006	7	7

The above disclosures are provided by the Company based on the information available with the Company in respect of the registration status of its vendors/ suppliers.

10. Other current liabilities		
Current maturities of long-term borrowings [refer note (5)]	140	137
Deferred revenues	32	68
Funding received from Co-developer towards fixed assets (refer note 12)	46	14
Investor Education and Protection Fund shall be credited by		
Unclaimed dividend	5	6
Payables for capital goods	323	387
Advances from customers	62	66
Balance in current account with bank representing book overdraft	-	3
Other payables:		
Statutory dues	71	88
	679	**769**

(a) Statutory dues includes provident fund, employees state insurance, professional tax, withholding taxes and other indirect taxes payable.

11. Short-term provisions		
Provision for employee benefits		
Leave encashment	71	63
Gratuity	70	50
Others		
Proposed final dividend on equity shares	1,500	1,000
Tax on proposed final dividend	255	162
Provision for income tax, net of advance tax	281	213
	2,177	**1,488**

(a) Included under provision for income tax is ₹ 25 (March 31, 2012 - ₹ 22) of the ESOP Trust.

(b) Provision for income tax is after MAT credit set-off of ₹ 23 (March 31, 2012 - ₹ Nil).

12. Tangible assets

	Land [Refer note (a) and (b)]	Buildings	Leasehold Improvements	Plant and Equipment [Refer notes (e)]	Research & Development Equipments	Furniture and Fixtures	Vehicles	Total
Cost or Valuation								
At April 01, 2011	338	2,064	3	7,146	1,237	112	24	10,924
Additions	49	96	-	781	104	19	-	1,049
Disposals	-	-	-	(6)	(88)	-	(1)	(95)
At March 31, 2012	**387**	**2,160**	**3**	**7,921**	**1,253**	**131**	**23**	**11,878**
Additions	2	1,489	-	1,106	55	159	-	2,811
Disposals	-	-	-	(12)	(348)	-	-	(360)
At March 31, 2013	**389**	**3,649**	**3**	**9,015**	**960**	**290**	**23**	**14,329**
Depreciation/Amortisation								
At April 01, 2011	-	438	1	3,200	538	72	13	4,262
Charge for the year	-	84	-	671	134	17	3	909
Disposals	-	-	-	(2)	(47)	-	(1)	(50)
At March 31, 2012	**-**	**522**	**1**	**3,869**	**625**	**89**	**15**	**5,121**
Charge for the year	-	90	-	729	97	15	3	934
Disposals	-	-	-	(6)	(175)	-	-	(181)
At March 31, 2013	**-**	**612**	**-**	**4,592**	**547**	**104**	**18**	**5,874**
Net Block								
At March 31, 2012	387	1,638	2	4,052	628	42	8	6,757
At March 31, 2013	**389**	**3,037**	**2**	**4,423**	**413**	**186**	**5**	**8,455**

(a) Land includes land held on leasehold basis: Gross Block ₹ 226 (March 31, 2012 - ₹ 226); Net Block ₹ 226 (March 31, 2012 - ₹ 226)

(b) On December 5, 2002, Karnataka Industrial Areas Development Board ('KIADB') allotted land aggregating to 26.75 acres to the Company for ₹ 64 on a lease-cum-sale basis for a period of 6 years, extended subsequently for further period of 14 years. During the year ended March 31, 2005, the Company acquired an additional 41.25 acres of land for ₹ 99 from KIADB. During the quarter ended June 30, 2005, the Company paid an advance of ₹ 56 towards allotment of additional 19.68 acres of land, offered to the Company by KIADB on December 20, 2003. The Company has received the possession certificate from KIADB in January 2006 and entered into an agreement with KIADB to acquire this plot of land on lease-cum-sale basis for a period of 20 years during the year ended March 31, 2007. The registration for a part of the land under this lease is pending settlement of certain disputes in respect of claims made against KIADB.

(c) Additions to fixed assets during the year ended March 31, 2013, include assets of ₹ 634 (March 31, 2012 - ₹ 214) of which, ₹ 317 (March 31, 2012 - ₹ 52) has been funded by the co-development partner. The Company has capitalised and depreciated the gross cost of these assets. The funding received from the co-development partner is reflected in note 7 and 10 and the depreciation charge for the year has been adjusted for the proportionate amount recovered from the co-development partner. Also refer note 27.

(d) Also refer note 35 (ii)(b) for assets given on lease.

(e) Plant and equipment include computer and office equipment

13. Intangible assets

	Intellectual Property Rights [Refer note (a)]	Computer Software	Marketing Rights [Refer note (b)]	Total
Gross Block				
At April 01, 2011	81	39	129	249
Additions	-	-	-	-
At March 31, 2012	**81**	**39**	**129**	**249**
Additions	-	-	-	-
At March 31, 2013	**81**	**39**	**129**	**249**
Amortisation				
At April 01, 2011	73	16	26	115
Charge for the year	8	7	26	41
At March 31, 2012	**81**	**23**	**52**	**156**
Charge for the year	-	8	26	34
At March 31, 2013	**81**	**31**	**78**	**190**
Net Block				
At March 31, 2012	**-**	**16**	**77**	**93**
At March 31, 2013	**-**	**8**	**51**	**59**

(a) The Company acquired patents relating to certain technologies (collectively IPs) from M/s Nobex Inc. During the year ended March 31, 2007, the Company licensed out the IP-Apaza for further development and commercialisation. Effective October 2006, the Company commenced amortisation of Apaza over a period of 5 years, being the estimated useful life of the IPs.

(b) During the year ended March 31, 2009, the Company acquired marketing rights of hR3 and EPO from BBL for a sum of ₹ 129. These rights give the Company an exclusive right of marketing the products in certain territories. Effective April 2010, the Company commenced amortisation of these rights over a period of 5 years, being the estimated useful life of these rights.

14. Non-current Investments

	March 31, 2013	March 31, 2012
A) Trade investments (valued at cost unless stated otherwise):		
Unquoted equity instruments		
In subsidiary companies:		
47,497,525 (March 31, 2012 - 47,497,525) equity shares of ₹ 5 each in Syngene International Limited	84	84
500,000 (March 31, 2012 - 500,000) equity shares of ₹ 1 each fully paid-up in Biocon Research Limited	1	1
100,000 (March 31, 2012 -100,000) equity shares of CHF 1 each fully paid-up in Biocon SA, Switzerland	4	4
17,600,000 (March 31, 2012- 17,600,000) equity shares of ₹ 10 each fully paid-up in Biocon Biopharmaceuticals Limited	211	211
4,500,000 (March 31, 2012 - 4,500,000) equity shares of RM 10 each fully paid-up in Biocon Sdn.Bhd., Malaysia	664	664
Share application money towards allotment of shares of Biocon Malaysia	48	48
In joint venture company:		
150 (March 31, 2012 - 150) equity shares of AED 1,000 each fully paid-up in NeoBiocon FZ LLC, UAE	2	2
	1,014	**1,014**
Unquoted preference shares		
In associate company:		
4,285,714 (March 31, 2012 - 4,285,714) Series A Preferred Stock at US$ 0.70 each, fully paid-up, par value US $ 0.00001 each in IATRICa Inc., USA	139	139
Less: Provision for decline, other than temporary, in the value of non-current investments	(139)	-
	-	139
Others:		
2,722,014 (March 31, 2012 - 2,722,014) Series B1 Preferred Convertible Stock at US$ 1.55 each, fully paid-up, par value US$ 0.001 each in Vaccinex Inc., USA	186	186
217,972 (March 31, 2012 - 217,972) Series B2 Preferred Convertible Stock at US$ 3.10 each, fully paid-up, par value US$ 0.001 each in Vaccinex Inc., USA	32	32
	218	357
B) Non-trade investments (valued at cost unless stated otherwise):		
Shares of the Company held by ESOP Trust (Quoted) [Par value ₹ 5, fully paid-up]	428	293
	428	**293**
	1,660	**1,664**
Aggregate value of unquoted investments	1,232	1,371
Aggregate value of quoted investments (cost)	428	293
Aggregate value of quoted investments (market value)	1,176	978

(a) During the year ended March 31, 2009, Biocon Research Limited ('BRL') was incorporated as a wholly owned subsidiary for undertaking research in novel and innovative drug products. BRL commenced commercial activities during the year ended March 31, 2010 and as at March 31, 2013 has a negative net worth of ₹ 1,675 (March 31, 2012 - ₹ 776) due to its early stage of operations and research activities. BRL is a research and development company and of strategic importance to the Company. Accordingly, the management is of the view that there is no diminution in the value of the investment. The Company has committed to support BRL to fund its operations. The Company has granted an interest-free unsecured long-term loan of ₹ 2000 repayable in January 2019. The amount outstanding as at March 31, 2013 is ₹ 1821 (March 31, 2012 - ₹ 117). The Company also has receivables of ₹ 1,092 (March 31, 2012 - ₹ 2,068) towards the research and development support extended by the Company.

(b) BBL is a wholly owned subsidiary and is engaged in research, development, manufacturing and marketing of biopharmaceuticals. As at March 31, 2013, BBL's networth is ₹ 128 (March 31, 2012 - ₹ 73).

Further, the Company has committed to support BBL to fund its operations and granted an unsecured long-term loan of ₹ 552 (March 31, 2012 - ₹ 1,377) which is repayable by March 2014. BBL is of strategic importance to the Company. Accordingly, the management is of the view that there is no diminution in the value of the investment.

On April 27, 2012, the Board of Directors of the Company gave their in-principal approval for the Scheme of Amalgamation ('Scheme') with ('BBL'), wherein the business and assets and liabilities of BBL would be transferred on a going concern basis to Biocon pursuant to the provisions of Sections 391 to 394 and other relevant provisions of the Companies Act, 1956, with effect from April 1, 2012 ('the Appointed Date'), subject to receipt of necessary approvals including the approval of the Honorable High Court of Karnataka. Currently, the management awaits the final regulatory approvals from the aforementioned authorities/ Court.

(c) NeoBiocon was incorporated in Abu Dhabi as a 50% joint venture between the Company and Mr. B R Shetty and is engaged in marketing and distribution of biopharmaceuticals in the Middle-East region. As at March 31, 2013, the aggregate amount of Biocon's interest in the assets, liabilities, income and expenses of NeoBiocon is ₹ 171 (March 31, 2012 - ₹ 102), ₹ 45 (March 31, 2012 - ₹ 46), ₹ 231 (March 31, 2012 - ₹ 114) and ₹ 165 (March 31, 2012 - ₹ 81) respectively.

The share of the Company in the accumulated profit of NeoBiocon as at March 31, 2013 stood at ₹ 116 (March 31, 2012 - ₹ 50).

(d) As on March 31, 2013, the ESOP Trust held 4,178,539 shares (March 31, 2012 - 4,091,721) of the Company towards grant / exercise of shares to / by employees of the Company and its subsidiaries under the ESOP Scheme. Also refer note 30.

(e) Vaccinex Inc., USA ('Vaccinex') is engaged in research and development activities and has been incurring losses and has a negative net worth. As Vaccinex is a development stage enterprise and of strategic importance to the Company, management believes that there is no other than temporary diminution in the value of this investment.

(f) In 2008, the Company invested ₹ 139 in IATRICa, engaged in the development of immunoconjugates, for a 30% equity stake. During the year ended March 31, 2013, there have been certain developments in connection with this investment arising due to patent filings, which are contrary to contractual obligations. Pursuant to this, on a prudent basis, the Company has created a provision of ₹ 139 for diminution, in the value of investment in IATRICa.

(g) During the year ending March 31, 2011 Biocon Sdn.Bhd was incorporated as a wholly owned subsidiary in Malaysia for development and manufacture of biopharmaceuticals. During the year ended March 31, 2013, Biocon Sdn.Bhd has allotted 1,244,000 shares at RM 10 each fully paid up to Biocon SA. At at March 31, 2013 Biocon Sdn.Bhd is in the process of setting up a biopharmaceuticals manufactering facility at Malaysia.

(h) The Company has invested in National Savings Certificates (unquoted) which are not disclosed above since amounts are rounded off to Rupees million.

15. Loan and advances (unsecured, considered good)

	Non-current		Current	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
Capital advances [refer note (a) below]	375	313	-	-
Loans to related parties [refer note (b) below]	2,373	1,729	-	-
Duty drawback receivable, net of provision ₹ 11 (March 31, 2012 ₹ 4)	67	36	-	-
Balances with statutory / government authorities	420	519	-	-
Other receivables from related parties [refer note 33 and note (d) below]	1,094	2,390	333	-
Other receivables	-	-	13	16
Deposits	140	132	-	42
MAT credit entitlement	-	23	-	-
Advance income tax (net of provision for taxation)	244	201	-	-
Advances recoverable in cash or in kind or for value to be received			164	244
	4,713	**5,343**	**510**	**302**

(a) During the year ended March 31, 2008, the Company was allotted land at the Jawaharlal Nehru Pharma City Vishakhapatnam, Andhra Pradesh, on a long term lease basis for a consideration of ₹ 260.The Company had paid the entire consideration towards the cost of the lease and during the year ending March 31, 2012, the Company has intimated the SEZ developer of its intention to surrender the above land.

	March 31, 2013	March 31, 2012
(b) Loans to related parties comprise loans given to following subsidiaries:		
(i) Biocon Research Limited	1,821	117
Maximum amount outstanding during the year	1,824	117
(ii) Biocon Biopharmaceuticals Limited	552	1,377
Maximum amount outstanding during the year	1,518	1,538
(iii) Clinigene International Limited	-	235
Maximum amount outstanding during the year	235	240
(iv) Biocon SA	-	-
Maximum amount outstanding during the year	-	228
*Clinigene is a subsidiary of Syngene		
(c) Included under advance income tax is ₹ 10 (March 31, 2012 - ₹ 10) of the ESOP Trust.		
(d) Other receivables from related parties comprise receivables from following subsidiaries:		
Syngene International Limited	304	189
Biocon Research Limited	1,092	2,068
Biocon Biopharmaceuticals Limited	2	8
Clinigene International Limited	2	20
Biocon SA	19	102
Biocon Sdn. Bhd	8	3
(e) Other Receivables include amounts due from employees to the ESOP Trust of ₹ 5 (March 31, 2012 - ₹ 6).		

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16. Current Investments (valued at lower of cost and fair value, unless stated otherwise)

Investments in Mutual Funds (unquoted, fully paid-up)

	Face Value	March 31, 2013 Units	March 31, 2013 Cost	March 31, 2012 Units	March 31, 2012 Cost
Axis Fixed Term Plan - Series 20(3 Months) - Dividend Payout	10	-	-	20,000,000	200
Birla Sunlife Savings Fund Institutional Daily Dividend Reinvestment	100	4,079,821	408	-	-
Birla Sunlife Cash Plus - Institutional Premium - Daily Dividend Reinvestment	100	-	-	330,091	33
Birla Sunlife Short Term FMP Series 23 - Dividend Payout	10	-	-	20,000,000	200
Birla Sunlife Short Term FMP Series 25 - Dividend Payout	10	-	-	20,000,000	200
Birla Sunlife Short Term FMP Series - 29 Dividend Payout	10	-	-	20,000,000	200
Templeton India Ultra Short Bond Fund Super Institutional Plan - Daily Dividend	10	40,391,470	405	-	-
DWS Insta Cash Plus Fund - Super Institutional Plan Daily Dividend	100	-	-	1,253,141	126
HDFC Cash Management Fund - Treasury Advantage Plan - Wholesale Daily Dividend	10	39,914,155	400	34,910,222	350
HDFC Liquid Fund Premium Plan - Daily Dividend	12	-	-	12,242,895	150
HSBC Floating Rate Long Term Plan Institutional Weekly Dividend	11	31,062,434	349	34,045,554	383
ICICI Prudential Flexible Income Plan Premium - Daily Dividend	106	3,824,653	404	1,513,217	160
ICICI Prudential Interval Fund Half Yearly Interval Plan - II Institutional Dividend Payout	10	-	-	10,000,000	100
ICICI Prudential Liquid Super Institutional Plan Daily Dividend	100	-	-	1,999,991	200
IDFC Ultra Short Term Fund - Daily Dividend Regular Plan	10	25,038,819	251	-	-
IDFC Fixed Maturity Quarterly Series 68 Dividend	10	-	-	10,395,387	104
IDFC Cash Fund - Super Institutional Plan C - Daily Dividend	1,000	-	-	150,030	150
JM High Liquidity Fund Super Institutional Plan Daily Dividend	10	-	-	36,895,346	370
JP Morgan India Liquid Fund Super Institutional Daily Dividend Reinvestment	10	-	-	26,620,149	266
Kotak Liquid Institutional Premium - Daily Dividend	12	-	-	17,932,488	219
Principal Cash Management Fund Growth Plan	1,113	84,088	94	-	-
Reliance Money Manager Fund Daily Dividend Plan	1,001	446,497	447	-	-
Reliance Liquid Fund - Treasury Plan - Institutional Daily Dividend	15	-	-	24,577,514	376
Reliance Liquidity Fund Daily Dividend Reinvestment	10	-	-	20,109,620	201
Reliance Monthly Interval Fund Series I - Institutional Dividend Plan	10	-	-	4,996,053	50
Reliance Liquid Fund - Treasury Plan - Daily Dividend	1,529	232,808	357	-	-
Religare Ultra Short Term Fund - Daily Dividend	1,002	313,381	314	-	-
SBI Premier Liquid Fund Regular Plan - Daily Dividend	1,003	299,378	300	-	-
SBI Debt Fund Series - 90 Days - 58 - Dividend Payout	10	-	-	25,000,000	250
Sundaram Ultra Short Term Fund Regular - Daily Dividend	10	29,958,262	301	-	-
TATA Income Fund Plan A - Appreciation Option - Bon	11	9,244,728	97	-	-
TATA Fixed Income Portfolio Fund Scheme C3 Institutional	10	-	-	20,418,262	204
Templeton India Treasury Management Account Super Institutional Plan	1,001	-	-	280,967	281
UTI Treasury Advantage Fund - Institutional Plan Daily Dividend Reinvestment	1,000	403,368	403	-	-
UTI Fixed Income Interval Fund - Series II - Quarterly Interval Plan IV - Institutional Dividend Plan	10	-	-	13,321,631	133
			4,530		**4,906**
Aggregate value of unquoted investments			**4,530**		**4,906**

(a) Above Current Investments include unquoted investments of the ESOP Trust of ₹ 349 (March 31, 2012 - ₹ 383)

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	March 31, 2013	March 31, 2012
17. Inventories (at lower of cost and net realisable value)		
Raw materials, including goods-in-bond (refer note 23)	982	994
Packing materials (refer note 23)	150	127
Work-in-progress [refer note 24(b)]	1,928	1,592
Finished goods [refer note 24 (b)]	262	296
Traded goods [refer note 24 (b)]	267	395
	3,589	**3,404**
18. Trade receivables (unsecured)		
Outstanding for a period exceeding six months from the date they are due for payment		
Considered good	27	49
Doubtful	25	65
	52	**114**
Provision for doubtful receivables	(25)	(65)
	27	**49**
Other trade receivables		
Considered good	4,243	4,401
	4,270	**4,450**
The above includes :		
Due from Narayana Hrudayalaya Private Limited ('NHPL') in which a director of the Company is a member of board of directors of NHPL.	4	6
19. Cash and bank balances		
Cash and cash equivalents		
Balances with banks:		
On current accounts	14	45
On unpaid dividend account	5	6
In exchange earners foreign currency account	1,425	325
Demand deposits with original maturity of less than 3 months	95	20
Cash on hand	1	2
	1,540	**398**
Other bank balances		
Deposits with original maturity of more than 3 months but less than 12 months	250	-
Margin money deposit	2	2
	252	**2**
	1,792	**400**
(a) Balances with banks in current accounts include balances of the ESOP Trust of ₹ 2 (March 31, 2012 - ₹ 2).		
(b) Margin money deposits with carrying amount of ₹ 2 as at March 31, 2013 (March 31, 2012 ₹ 2) are subject to first charge against bank guarantees obtained.		
20. Other current assets		
Unamortized premium on foreign exchange forward contracts / options	42	59
	42	**59**

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	March 31, 2013	March 31, 2012
21. Revenue from operations		
Sale of products		
Finished goods	16,662	13,656
Traded goods	2,039	1,847
Sale of services		
Licensing and development fees	113	27
Other operating revenue		
Sale of process waste	138	101
Others (refer note (a) below)	881	422
Revenue from operations (gross)	**19,833**	**16,053**
Less: Excise duty (refer note (b) below)	453	495
Revenue from operations (net)	**19,380**	**15,558**
(a) Others include rentals and cross charge of power and other facilities by the SEZ Developer unit of the Company and it is also includes ₹ 306 (March 31, 2012 - Nil) towards one time income/compensation from few parties.		
(b) Excise duty on sales amounting to ₹ 453 (March 31, 2012 - ₹ 495) has been reduced from revenue from operations in the statement of profit and loss and excise duty on increase / decrease in stock amounting to ₹ 4 [March 31, 2012 - (₹ 5)] has been considered as (income) / expense in note 26 of the financial statements.		
Details of products sold		
Finished goods sold		
Biopharmaceuticals	14,316	12,181
Formulations	2,346	1,475
	16,662	**13,656**
Traded goods		
Biopharmaceuticals	43	18
Formulations	1,996	1,829
	2,039	**1,847**
22. Other Income		
Interest income on:		
Others	5	1
Bank deposits	4	16
Dividend earned on current investments	284	276
Net gain on sale of current investments	9	-
Profit on fixed assets sold, (net)	1	-
Foreign exchange gain, (net)	108	253
Other non-operating income	104	120
	515	**666**
23. Cost of raw materials and packing materials consumed		
Inventory at the beginning of the year	1,121	881
Add: Purchases	8,311	7,211
Less: Inventory at the end of the year	1,132	1,121
Cost of raw materials and packing materials consumed	**8,300**	**6,971**
(a) Details of raw materials and packing materials consumed		
Formulation chemicals and excipients	2,049	2,020
Bulk drug intermediates	3,182	2,194
Solvents	1,768	1,440
Resins	390	195
Packing materials	349	375
Others	562	747
	8,300	**6,971**
24. (a) Purchases of traded goods		
Details of purchase of traded goods:		
Biopharmaceuticals	23	87
Formulations	834	770
	857	**857**

	March 31, 2013	March 31, 2012
24. (b) (Increase)/Decrease in inventories of finished goods, traded goods and work-in-progress		
Inventory at the beginning of the year		
Traded goods	395	185
Finished goods, net of excise duty	285	138
Work-in-progress	1,592	1,535
	2,272	**1,858**
Inventory at the end of the year		
Traded goods	267	395
Finished goods, net of excise duty	256	285
Work-in-progress	1,928	1,592
	2,451	**2,272**
(Increase)/decrease in inventories	**(179)**	**(414)**
Details of Inventories:		
Traded goods		
Biopharmaceuticals	7	-
Formulations	260	395
	267	**395**
Finished goods, net of excise duty		
Biopharmaceuticals	73	101
Formulations	183	184
	256	**285**
Work-in-progress		
Biopharmaceuticals	1,827	1,456
Formulations	101	136
	1,928	**1,592**
25. Employee benefits expense		
Salaries, wages and bonus	2,009	1,650
Contribution to provident fund	94	83
Gratuity (refer note 36)	31	28
Employee stock compensation expense	-	1
Welfare expenses	142	154
	2,276	**1,916**

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	March 31, 2013	March 31, 2012
26. Other expenses		
Royalty and technical fees	14	17
Rent	29	26
Communication expenses	70	64
Travelling and conveyance	340	282
Professional charges	232	227
Payment to auditors [refer note (a) below]	4	4
Directors' fees including commission	10	6
Power and fuel	1,424	977
Insurance	16	14
Rates, taxes and fees, net of refunds of taxes	94	41
Lab consumables	114	361
Repairs and maintenance		
Plant and machinery [refer note (b) below]	191	173
Buildings	27	30
Others	85	171
Selling expenses		
Freight outwards and clearing charges	206	171
Sales promotion expenses	549	509
Commission and brokerage (other than sole selling agents) [refer note (c) below]	178	149
(Increase)/Decrease of excise duty on inventory	(4)	5
Provision for bad and doubtful debts	(40)	-
Bad debts written off	38	7
Printing and stationery	28	26
Research and development expenses [includes prior period amounting to ₹ 25 (March 31, 2012 - ₹ Nil)]	411	292
Miscellaneous expenses	94	86
	4,110	3,638
Recharge of product development expenses to other parties for co-development of products	(41)	(745)
	4,069	**2,893**
(a) Payment to auditors :		
As auditor:		
Statutory audit fee	2	2
Tax audit fee	1	1
Limited review	1	1
In other capacity:		
Other services (certification fees) [refer note (d) below]	-	-
Reimbursement of out-of-pocket expenses [refer note (d) below]	-	-
	4	**4**

(b) Includes spare parts of ₹ 136 (March 31, 2012 - ₹ 103) of which ₹ 50 (March 31, 2012 - ₹ 63) were purchased indigenously, and ₹ 86 Imported (March 31, 2012- ₹ 40)
(c) Commission and brokerage are net of write back of provision no longer required of ₹ Nil (March 31, 2012 ₹ 20).
(d) Amounts are not presented since the amounts are rounded off to Rupees million.

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		March 31, 2013	March 31, 2012
27. Depreciation and amortisation (net)			
Depreciation of tangible assets [refer note 12]		934	909
Amortisation of intangible assets [refer note 13]		34	41
Amount recovered from customer/co-development partner [refer note 12 (c)]		(17)	(10)
		951	**940**
28. Finance costs			
Interest expense		12	17
		12	**17**
29. Research and development expenses			
Research and development expenses (comprising clinical trial expenses, patent fees etc.)	(a)	411	292
Other Research and development expenses included in other heads of account:			
Salaries, wages and bonus		104	168
Contribution to provident fund		4	7
Welfare expenses		5	12
Lab consumables		114	361
Travelling and conveyance		3	11
Amortisation of intangible assets		-	8
Professional charges		46	125
Others		27	33
	(b)	303	725
	(a+b)	714	1,017
Recharge of research expenses for co-development of product		(41)	(694)
		673	**323**
Research and development (R&D) expenses on Buildings and Equipments			
Buildings		-	28
Equipments		55	113
Transfer of R&D equipments (net book value)		**173**	**41**

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30. Employee stock compensation

On September 27, 2001, Biocon's Board of Directors approved the Biocon Employee Stock Option Plan ('ESOP Plan 2000') for the grant of stock options to the employees of the Company and its subsidiaries / joint venture company. A Compensation Committee has been constituted to administer the plan through a trust established specifically for this purpose, called the Biocon India Limited Employee Welfare Trust (ESOP Trust).

The ESOP Trust shall make additional purchase of equity shares of the Company using the proceeds from the loan obtained from the Company, other cash inflows from allotment of shares to employees under the ESOP Plan and shall subscribe, when allotted to such number of shares as is necessary for transferring to the employees. The ESOP Trust may also receive shares from the promoters for the purpose of issuance to the employees under the ESOP Plan. The Compensation Committee shall determine the exercise price which will not be less than the face value of the shares.

Grant I

In September 2001, the Company granted 71,510 options (face value of shares ₹ 5 each) under the ESOP Plan 2000 to be exercised at a grant price of ₹ 10 (before adjusting bonus and share split). The options vested with the employees equally over a four year period.

Grant II

In January 2004, the Company granted 142,100 options (face value of shares - ₹ 5 each) under ESOP Plan 2000 to be exercised at a price of ₹ 5 per share. The options vest with the employees equally over a four year period.

Grant III

In January 2004, the Board of Directors announced the Biocon Employee Stock Option Plan (ESOP Plan 2004) for the grant of stock options to the employees of the Company and its subsidiaries / joint venture company, pursuant to which the Compensation Committee on March 19, 2004 granted 422,000 options (face value of shares - ₹ 5 each) under the ESOP Plan 2004 to be exercised at a grant price of ₹ 315 being the issue price determined for the IPO through the book building process. The options vest with the employees equally over a four year period.

Grant IV

In July 2006, the Company approved the grant of 3,478,200 options (face value of shares - ₹ 5 each) to its employees under the existing ESOP Plan 2000. The options under this grant would vest to the employees as 25%, 35% and 40% of the total grant at the end of first, second, third year from the date of the grant, respectively, with an exercise period of three years for each grant. The vesting conditions include service terms and performance grade of the employees. These options are exercisable at a discount of 20% to the market price of Company's shares on the date of grant.

Details of Grant IV

Particulars	March 31, 2013		March 31, 2012	
	No. of Options *	Weighted Average Exercise Price (₹)*	No. of Options *	Weighted Average Exercise Price (₹)*
Outstanding at the beginning of the year	1,151,077	167	1,590,526	160
Granted during the year	20,787	134	24,242	138
Forfeited during the year	-	-	-	-
Exercised during the year	446,248	145	463,691	142
Expired during the year	-	-	-	-
Outstanding at the end of the year	725,616	180	1,151,077	167
Exercisable at the end of the year	639,616	175	897,437	161
Weighted average remaining contractual life (in years)	0.3	-	0.7	-

*adjusted for the effect of bonus shares

Grant V

In April 2008, the Company approved the grant of 813,860 options (face value of shares - ₹ 5 each) to its employees under the existing ESOP Plan 2000. The options under this grant would vest to the employees as 25%, 35% and 40% of the total grant at the end of first, second, third year from the date of grant, respectively, with an exercise period of three years for each grant. The vesting conditions include service terms and performance grade of the employees. These options are exercisable at the market price of Company's shares on the date of grant.

Details of Grant V

Particulars	March 31, 2013		March 31, 2012	
	No. of Options	Weighted Average Exercise Price (₹)	No. of Options	Weighted Average Exercise Price (₹)
Outstanding at the beginning of the year	771,500	300	235,428	265
Granted during the year	367,000	254	539,572	315
Forfeited during the year	65,000	285	-	-
Exercised during the year	9,000	193	3,500	210
Expired during the year	-	-	-	-
Outstanding at the end of the year	1,064,500	286	771,500	300
Exercisable at the end of the year	67,100	218	13,625	194
Weighted average remaining contractual life (in years)	5.1	-	5.5	
Weighted average fair value of options granted (₹)		130	-	141

The average market price of the Company's share during the year ended March 31, 2013 is ₹ 260 (March 31, 2012 ₹ 322) per share.

Assumptions used in determination of the fair value of the stock options under the Black Scholes Model are as follows:

Particulars	March 31, 2013	March 31, 2012
Weighted Average Remaining Contractual Life in options (Yrs)	5.1	5.5
Weighted Average Exercise Price	286	300
Expected volatility	35.66%	40.45%
Historical volatility	32.50%	36.87%
Life of the options granted (vesting and exercise period) in years	7.2	7.2
Expected dividends per share	5.00	5.00
Average risk-free interest rate	8.00%	8.50%
Expected dividend rate	1.83%	2.09%

Since the Company uses the intrinsic value method for determination of the employee stock compensation expense, the impact on the reported net profit and earnings per share under the fair value approach is as given below :

Particulars		
Net Profit after taxes	2,757	2,555
Add: Employee stock compensation under intrinsic value	-	1
Less: Employee stock compensation under fair value	13	8
Proforma profit	**2,744**	**2,548**
Earnings per Share - Basic		
- As reported	14.08	13.04
- Proforma	14.01	13.01
Earnings per Share - Diluted		
- As reported	13.95	12.92
- Proforma	13.89	12.88

A summary of movement in respect of the shares held by the ESOP Trust is as follows:

Particulars		
Opening balance of equity shares not exercised by employees and available with the ESOP Trust	4,091,721	4,457,536
Add: Shares purchased by the ESOP trust	542,066	101,376
Less: Shares exercised by employees	(455,248)	(467,191)
Closing balance of shares not exercised by employees and available with the ESOP Trust	**4,178,539**	**4,091,721**
Options granted and eligible for exercise at end of the year	706,716	911,062
Options granted but not eligible for exercise at end of the year	1,083,400	1,011,515

31. Reconciliation of basic and diluted shares used in computing earnings per share

Basic outstanding shares	200,000,000	200,000,000
Less: Shares with the ESOP Trust	4,178,539	4,091,721
	195,821,461	195,908,279
Add: Effect of dilutive options granted but not yet exercised / not yet eligible for exercise	1,790,116	1,922,577
Weighted average shares used for completing diluted EPS	**197,611,577**	**197,830,856**

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32. Related party transactions

Related parties where control exists and related parties with whom transactions have taken place during the year are listed below :

Sl. No.	Name of the related party	Relationship	Description	April 1, 2012 to March 31, 2013 Income/(expenses)/ Other transactions	Balance as at March 31, 2013 (Payable)/receivable	April 1, 2011 to March 31, 2012 Income/(expenses) Other Transactions	Balance as at March 31, 2012 (Payable)/receivable
1	Kiran Mazumdar-Shaw	Managing Director	Salary and perquisites	(15)	-	(15)	-
			Salary payable	-	-	-	(3)
2	John Shaw	Wholetime Director	Salary and perquisites	(10)	-	(10)	-
			Salary payable	-	-	-	(1)
3	Syngene	Subsidiary	Power and facility charges recovered [refer note (h) below]	314	-	267	-
			Rent income [refer note (h) below]	12	-	7	-
			Purchase of fixed asset	12	-	-	-
			Expenses incurred on behalf of the related party	17	-	22	-
			Sale of goods	2	-	3	-
			Sale/(Purchase) of fixed asset	(11)	-	4	-
			Research services received	39	-	(147)	-
			Rent deposit received	-	(2)	-	(2)
			Advance given	-	-	-	42
			Other receivables	-	304	-	189
			Trade payables	-	(47)	-	(144)
			Sale of equity shares of Clinigene	-	-	1	-
			Guarantee given on behalf of related party to Customs & Excise Department ('CED')	-	218	-	218
			Guarantee given by related party to CED on behalf of the Company	-	(465)	-	(465)
4	Clinigene	Subsidiary	Research services received	(100)	-	(102)	-
			Interest on Loan	5			
			Expenses incurred on behalf of the related party	3	-	1	-
			Welfare expenses - health checkup	(3)	-	(7)	-
			Other receivables	-	2	-	20
			Advances recoverable in cash or in kind or for value to be received	-	-	-	16
			Trade payables	-	(21)	-	(31)
			Unsecured loan given, repaid	-	-	-	235
			Guarantee given to bank on behalf of related party for loan facility	-	75	-	77
			Guarantee given on behalf of related party to CED	-	27	-	27
5	BBL	Subsidiary	Power and facility charges recovered [refer note (d) below]				
			Rent income [refer note (d) below]	157	-	64	-
			Management charges received	1	-	1	-
			Vialling charges recovered	1	-	1	-
			Expenses incurred on behalf of the related party	5	-	5	-
			Repairs and maintenance - facility charges	(31)	-	27	-
			Recharge of cost from related party	(49)	-	(39)	-
			Professional charges - personnel deputation charges	(1)	-	(9)	-
			Purchase of raw materials	(4)	-	(6)	-
			Purchase of fixed assets	(208)	-	(139)	-
				(901)	-	-	-

Sl. No.	Name of the related party	Relationship	Description	April 1, 2012 to March 31, 2013 Income/(expenses)/ Other transactions	Balance as at March 31, 2013 (Payable)/receivable	April 1, 2011 to March 31, 2012 Income/(expenses) Other Transactions	Balance as at March 31, 2012 (Payable)/receivable
			Unsecured loan given, net	-	552	-	1,377
			Other receivables	-	2	-	8
			Trade payables	-	-	-	(16)
			Rent deposit received	-	(1)	-	(1)
			Guarantee given on behalf of related party to CED	-	131	-	131
6	BRL	Subsidiary	Rent income [refer note (d) below]	1	-	1	-
			Power and facility charges recovered [refer note (d) below]	44			
			Transfer of capital work in progress	1	-	-	-
			Cross changes towards research and development, lab consumables and other expenses	356	-	681	-
			Expenses incurred on behalf of the related party	-	-	17	-
			Purchase of fixed assets [refer note 12(f)]	(400)			
			Other receivable	-	1,092	-	2,068
			Sale of tangible fixed assets	173	-	46	-
			Unsecured loan given, net	-	1,821	-	117
7	Biocon SA	Subsidiary	Interest income	-	-	1	-
			Other operating income	-	-	37	-
			Expenses incurred on behalf of the related party	17	-	75	-
			Other receivable	-	19	-	102
8	Biocon Sdn.Bhd.	Subsidiary	Investment in equity shares	-	-	712	-
			Expenses incurred on behalf of the related party	6	-	3	-
			Other receivable	-	8	-	3
			Guarantee given to bank on behalf of related party loan facility	-	1,240	-	51
9	NeoBiocon FZ LLC	50% Joint Venture	Sale of goods	44	-	20	-
			Trade receivables	-	35	-	21
10	IATRICa Inc.	Associate	Research and development expenses	(140)	-	(43)	-
			Advances recoverable in cash or in kind or for value to be received	-	-	-	55
11	Glentec International	Enterprise owned by key management personnel	Rent expenses paid	(3)	-	(3)	-

(a) Expenses incurred on behalf of the related party include recharge of software license fees, canteen expenses, and employee stock compensation charges.
(b) The Company has granted an unsecured loan facility to BBL to support BBL's operational costs and capital expenditure. The loan does not carry any interest and is repayable by March 31, 2014.
(c) The Company has granted an interest free unsecured loan facility to BRL, to support its operations. The said facility is repayable by January, 2019.
(d) The Company's SEZ Developer division has entered into agreements to lease land and provide certain facilities such as power, utilities etc to SEZ units of BBL, BRL and Syngene, in respect of which the Company recovers rent and facilities usage charges.
(e) During the year ended March 31, 2012, the Company transferred its entire shareholding in Clinigene to Syngene for a consideration ₹ 1 based on a valuation performed by an independent valuer/consultant.
(f) The Company has paid rent to P K Associates, a proprietary firm of relative of Director, which is not disclosed above due to rounding off exercise for presentation in Rupees million.

33. Supplementary profit and loss data

	March 31, 2013	March 31, 2012
(a) Value of imports calculated on C.I.F. basis (on accrual basis):		
Raw materials	4,917	3,833
Packing materials	177	193
Maintenance spares	49	44
Capital goods	168	411
	5,311	**4,481**
(b) Earnings in foreign currency (on accrual basis):		
Export of goods on FOB basis	9,449	6,661
Licensing and development fees	114	27
Other operating revenue	342	79
Other income	-	5
Interest on foreign currency loan given to subsidiary company	-	1
	9,905	**6,773**
(c) Expenditure in foreign currency: (on accrual basis) :		
Commission and brokerage	90	88
Interest expense	4	12
Travelling and conveyance	20	20
Professional charges	70	109
Lab consumables	116	262
Research and development expenses	108	198
Others	134	87
	542	**776**
(d) Net dividend remitted in foreign exchange :		
Year to which it relates	**2011-12**	**2010-11**
Number of non-resident shareholders	16	17
Number of equity shares held on which dividend was due	42,624,592	42,624,792
Dividend remitted	213	192
Dividend remitted in FC		
USD million	4	5

(e) Details of consumption of raw materials ,packing materials and spare parts :

	March 31, 2013		March 31, 2012	
	Value	**Percent**	**Value**	**Percent**
(i) Raw materials and packing materials				
Imported	5,605	68	4,264	61
Indigenous	2,695	32	2,707	39
	8,300	**100**	**6,971**	**100**
(ii) Spare parts				
Imported	86	63	40	39
Indigenous	50	37	63	61
	136	**100**	**103**	**100**

34. Foreign exchange forward contracts and unhedged foreign currency exposures

The Company has entered into foreign exchange forward and option contracts to hedge highly probable forecasted transactions in foreign currency.

As at March 31, 2013 and 2012, the Company had the following outstanding contracts:

	March 31, 2013	March 31, 2012
In respect of foreign currency loans taken:		
Foreign exchange forward contracts to buy	USD 5	USD 6
In respect of highly probable forecasted sales/export collection:		
European style option contracts with periodical maturity dates	USD 27	USD 30
European style option contracts with periodical maturity dates	-	EUR 12
The unhedged foreign currency exposure as at the Balance Sheet date is as given below:		
Export trade receivables	1,645	1,581
Other receivables	27	114
Advance from Customers	47	79
Exchange earners foreign currency account	1,425	325
Import trade payable	1,089	1,004
Packing credit foreign currency loan	219	486

	March 31, 2013	March 31, 2012
35. Contingent liabilities and commitments		
(i) Contingent liabilities:		
(a) Claims against the Company not acknowledged as debt	812	287
Includes taxation matters under dispute (Direct and Indirect taxes) ₹ 464 (March 31, 2012 - ₹ 287)		
(b) Guarantees		
(i) Corporate guarantees given in favour of the Central Excise Department in respect of certain performance obligations of the subsidiaries.		
Syngene	218	218
BBL	131	131
Clinigene	27	27
Total	376	376
(ii) Corporate guarantee given by Syngene in favour of the CED in respect of certain performance obligations of Biocon.	465	465
(iii) Corporate guarantees given in favour of a bank towards loans obtained by Clinigene	75	77
(iv) Guarantee given for securing loan facilities granted to Axicorp GmbH.	-	271
(v) Guarantees given by banks on behalf of the Company for financial and other contractual obligations of the Company. The necessary terms and conditions have been complied with and no liabilities have arisen. (refer note below)		
Includes share of the Company in respect of guarantees issued by NeoBiocon (joint venture), of ₹ 3 (March 31, 2012 - ₹ 1)	554	505
(vi) Corporate guarantees given in favour of a bank towards loans obtained by Biocom Malaysia	1,240	51
(ii) Commitments:		
(a) Estimated amount of contracts remaining to be executed on capital account and not provided for, net of advances.	882	568
(b) Operating lease commitments		
Where the Company is a lessee:		
(i) Rent		
The Company has entered into various agreements for lease of building / office space which expires over a period upto May 2021. Some of these lease arrangements have price escalation clause. There are no restrictions imposed under the lease arrangements. Gross rental expenses for the year aggregate to ₹ 29 (March 31, 2012 - ₹ 26).		
The committed lease rentals in future are as follows:		
Not later than one year	17	26
Later than one year and not later than five years	31	45
Later than five years	19	24
(ii) Vehicles		
The Company has taken vehicles for certain employees under operating leases, which expire over a period upto November 2015. Gross rental expenses for the year aggregate to ₹ 11 (March 31, 2012 - ₹ 10). The committed lease rentals in future are as follows:		
Not later than one year	9	10
Later than one year and not later than five years	10	11
Where the Company is a Lessor:		
(i) Rent		
The Company has leased out certain parts of its building (including fit outs), which expire over a period upto 2020. Gross rental income for the year aggregates to ₹ 34 (March 31, 2012 - ₹ 29). Further, minimum lease receipts under operating lease are as follows:		
Not later than one year	34	26
Later than one year and not later than five years	135	113
Later than five years	105	50
Considering that the leased assets comprise of portion of factory buildings located within the Company's factory premises, disclosure with regard to gross value of leased assets, accumulated depreciation and net book value of the same is not feasible.		
(c) Other Commitments:		
As at March 31, 2013, the Company has committed to provide financial support to certain subsidiaries with regard to the operations of such companies. Also refer note 14 (a) and 14 (b). These commitments also existed in the previous year.		

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36. Employee benefit plans

The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service.

A summary of the gratuity plan is as follows:

	March 31, 2013	March 31, 2012
Fund balance		
Defined benefit obligation	150	128
Fair value of plan assets	80	78
Plan Liability	**70**	**50**
The change in benefit obligation and funded status of the gratuity plan is as follows:		
Change in benefit obligation		
Benefit obligation at the beginning of the year	128	98
Current service cost	45	13
Interest cost	11	8
Transfer out	(11)	-
Benefits paid	(5)	(4)
Actuarial (gain) / loss	(18)	13
Benefit obligation at the end of the year	**150**	**128**
Change in fair value of plan assets		
Fair value of plan assets at beginning of the year	78	76
Expected return on plan assets	7	6
Actuarial gain / (loss)	-	-
Actual contribution	-	-
Benefits paid	(5)	(4)
Fair value of plan assets at end of the year	**80**	**78**
Net gratuity cost:		
Components of net benefit cost		
Current service cost	45	13
Interest cost	11	8
Expected return on plan assets	(7)	(6)
Net actuarial (gain) / loss recognised during the year	(18)	13
Net gratuity cost	**31**	**28**
Actual return on plan assets	8	6

	March 31, 2013	March 31, 2012	March 31, 2011	March 31, 2010	March 31, 2009
Experience adjustment					
Defined benefit obligation	150	128	98	76	64
Plan assets	80	78	76	57	54
Surplus / (Deficit)	(70)	(50)	(22)	(19)	(10)
Experience adjustments on plan liabilities gain / (loss)	20	(21)	(13)	(3)	-
Experience adjustments on plan assets gain / (loss)	-	-	(1)	-	3

The assumptions used for gratuity valuation are as below:

	March 31, 2013	March 31, 2012
Interest rate	8.5%	8.5%
Discount rate	8.0%	8.5%
Expected return on plan assets	8.7%	9.0%
Salary increase	8.0%	8.0%
Attrition rate up to age 44	26.0%	25.0%
Attrition rate above age 44	8.0%	7.0%
Retirement age - Years	58	58

The Company evaluates these assumptions based on its long-term plans of growth and industry standards and the expected contribution to the fund during the year ending March 31, 2014, is approximately ₹ 70 (March 31, 2013 - ₹ 52).

The nature of allocation of the fund is only in debt based mutual funds of high credit rating.

37. Segmental information

Business segments

The primary reporting of the Company has been performed on the basis of business segment. The Company operates in a single business segment of Pharmaceuticals. Accordingly no additional disclosures are required as per Accounting Standard 17 on Segment Reporting.

Geographical segments

Secondary segmental reporting is performed on the basis of the geographical location of customers. The management views the Indian market and export markets as distinct geographical segments. The following is the distribution of the Company's sale by geographical markets

	Revenue from operations	
	April 1, 2012 to March 31, 2013	April 1, 2011 to March 31, 2012
India	9,474	8,791
Exports	9,906	6,767
Total	**19,380**	**15,558**

The following is the carrying amount of assets by geographical area in which the assets are located:

	Carrying amount of assets	
	March 31, 2013	March 31, 2012
India*	26,932	24,925
Outside India	3,200	3,278
	30,132	**28,203**

*All tangible fixed assets and intangibles are located in India.

38. Other Notes

(a) The Company has entered into transactions of sale of products to a private company amounting to ₹ 28, during the year ended March 31, 2013 (March 31, 2012 - ₹17), that require prior approval from Central Government under Section 297 of the Companies Act, 1956. These transactions, entered into at prevailing market prices have been approved by the Board of Directors of the Company. The Company has filed an application with the Central Government for approval of such transactions and for condonation of delay in making such application in the year 2010-11 and 2011-12. In respect of transactions entered during the year ended March 31, 2013, the Company is in the process of filing an application with the Central Government for approval of such transactions and for condonation of delay in making such application.

39. Prior years' comparatives

The previous years' figures have been re-grouped, where necessary to conform to current years' classification.

As per our report of even date

For S. R. BATLIBOI & ASSOCIATES LLP
ICAI Firm registration no.: 101049W
Chartered Accountants

per Aditya Vikram Bhauwala
Partner
Membership no.: 208382

Bangalore
April 25, 2013

For and on behalf of the Board of Directors of Biocon Limited

Kiran Mazumdar-Shaw
Managing Director

John Shaw
Director

Murali Krishnan K N
President - Group Finance

Kiran Kumar
Company Secretary

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Summarised Statement for Subsidiary Companies for year ended March 31, 2013

₹ in million

	Reporting Currency	Capital	Reserves	Total Assets	Total Liabilities	Investments (except in subsidiaries)	Turnover	Profit /(Loss) before taxation	Provison for Taxation	Operational Profit / (Loss) after Taxation	Proposed Dividend	Country
Syngene International Limited	INR	271	5,074	7,392	2,047	691	5,542	1,018	42	976	-	India
Clinigene International Limited	INR	1	-41	453	493	-	385	-	-	-	-	India
Biocon Biopharmaceuticals Limited	INR	176	-48	1,223	1,095	-	586	113	58	55	-	India
Biocon Research Limited	INR	1	-1,675	1,662	3,337	-	254	-899	-	-899	-	India
Biocon SA	USD	4	2,193	6,750	4,554	-	2,682	2,641	163	2,478	-	Switzerland
Biocon Sdn Bhd	MYR	928	108	3,015	1,979	-	2	-18	-	-18	-	Malaysia
Balance Sheet - Conversion rate as at March 31, 2013												
1 USD = Rs. 54.52												
1MYR = Rs 17.43												

1. The Ministry of Corporate Affairs has granted general exemption to Companies from attaching the financial accounts of the subsidiary companies pursuant to Section 212 of the Companies Act, 1956. The members can, however, obtain the detailed annual accounts of the subsidiary companies and related information by making a request to that effect. The copies of the same will be available for inspection at the registered office in Bangalore, India.
2. The details mentioned above for overseas subsidiaries have been arrived at by using exchange rate of March 31, 2013

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Independent Auditor's Report

To the Board of Directors of Biocon Limited

We have audited the accompanying consolidated financial statements of Biocon Limited ("the Company") and its subsidiaries, joint venture and associate (together, 'the Group'), which comprise the consolidated Balance Sheet as at March 31, 2013, and the consolidated Statement of Profit and Loss and the consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

(a) in the case of the consolidated Balance Sheet, of the state of affairs of the Group as at March 31, 2013;

(b) in the case of the consolidated Statement of Profit and Loss, of the profit for the year ended on that date; and

(c) in the case of the consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

Emphasis of Matter

We draw attention to note 42 in the consolidated financial statements regarding management's decision to defer recognition of amounts in the consolidated statement of profit and loss, pertaining to payments received pursuant to the Termination and Transition Agreement entered into with a customer for reasons as more fully discussed in the aforesaid note. As further discussed in the said note, out of the deferred amount, ₹ 339 million has been netted off against expenses incurred during the year ended March 31, 2013 towards such clinical trial and development activities and ₹ 2,150 million has been recognised as income during the year ended March 31, 2013. Our auditors' report for the year ended March 31, 2012 also included a matter of emphasis in this regard. Our opinion is not qualified in respect of this matter.

Other Matter

We did not audit total assets of ₹ 8,869 million as at March 31, 2013, total revenues of ₹ 2,392 million and net cash inflows amounting to ₹ 78 million for the year then ended, included in the accompanying consolidated financial statements in respect of two subsidiaries.

The accompanying consolidated financial statements also include total assets of ₹ 171 million as at March 31, 2013, total revenues of ₹ 231 million and net cash inflows amounting to ₹ 58 million for the year then ended, being the proportionate share in the joint venture company.

The financial statements and other financial information of the above subsidiaries and joint venture company have been audited by other auditors and whose reports have been furnished to us. Our opinion, in so far as it relates to the affairs of such subsidiaries and joint venture is based solely on the reports of other auditors. Our opinion is not qualified in respect of this matter.

For S.R. BATLIBOI & ASSOCIATES LLP
Chartered Accountants
ICAI Firm registration no.: 101049W

per Aditya Vikram Bhauwala
Partner
Membership no.: 208382

Place: Bangalore
Date: April 25, 2013

Consolidated Balance Sheet as at March 31, 2013

(All amounts in Indian Rupees Million)

	Notes	March 31, 2013	March 31, 2012
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	1,000	1,000
Reserves and surplus	4	25,946	21,724
		26,946	**22,724**
Minority Interest	5	653	38
Non-current liabilities			
Long-term borrowings	6	1,640	698
Deferred tax liability (net)	7	412	-
Other long-term liabilities	8	4,237	5,832
Long-term provisions	9	40	-
		6,329	**6,530**
Current liabilities			
Short-term borrowings	10	848	1,873
Trade payables	11	3,455	3,478
Other current liabilities	12	3,465	2,692
Short-term provisions	9	2,465	2,115
		10,233	**10,158**
TOTAL		**44,161**	**39,450**
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	13	14,884	12,502
Intangible assets	14	219	203
Capital work-in-progress		2,054	2,863
Intangible assets under development	14	1,071	1,032
Non-current investments	15	645	642
Deferred tax asset (net)	7	-	78
Loans and advances	16	2,483	1,846
Other non-current assets	17	405	287
		21,761	**19,453**
Current assets			
Current investments	18	5,221	4,921
Inventories	19	3,984	3,783
Trade receivables	20	5,097	4,917
Cash and bank balances	21	6,729	5,233
Loans and advances	16	814	774
Other current assets	17	555	369
		22,400	**19,997**
TOTAL		**44,161**	**39,450**
Summary of significant accounting policies	2.1		

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For S. R. BATLIBOI & ASSOCIATES LLP
ICAI Firm registration no.: 101049W
Chartered Accountants

per Aditya Vikram Bhauwala
Partner
Membership no.: 208382

Bangalore
April 25, 2013

For and on behalf of the Board of Directors of Biocon Limited

Kiran Mazumdar Shaw
Managing Director

John Shaw
Director

Murali Krishnan K N
President - Group Finance

Kiran Kumar
Company Secretary

Consolidated Statement of Profit and Loss for the year ended March 31, 2013

(All amounts in Indian Rupees Million, except share data and per share data)

	Notes	March 31, 2013	March 31, 2012
Continuing operations:			
INCOME			
Revenue from operations (gross)		25,306	21,360
Less: Excise duty		453	495
Revenue from operations (net)	22	**24,853**	**20,865**
Other income	23	527	618
Total income (I)		**25,380**	**21,483**
EXPENSES			
Cost of raw materials and packing materials consumed	24	10,019	8,190
Purchases of traded goods	25(a)	693	770
(Increase)/Decrease in inventories of finished goods, traded goods and work-in-progress	25(b)	(265)	(445)
Employee benefits expense	26	3,894	3,076
Other expenses	27	5,082	4,101
Total expenses (II)		**19,423**	**15,692**
Profit before interest, tax, depreciation and amortisation and exceptional items [EBITDA (I - II)]		**5,957**	**5,791**
Depreciation and amortisation (net)	28	1,793	1,744
Finance costs	29	81	122
Profit before tax and exceptional items		**4,083**	**3,925**
Exceptional items (net)	30	2,019	-
Profit before tax		**6,102**	**3,925**
Tax expenses			
Current tax		635	1,243
Less: MAT credit entitlement		(150)	(127)
Deferred tax		490	(575)
Total tax expense		**975**	**541**
Profit after tax		**5,127**	**3,384**
Minority interest		(38)	-
Profit for the year from continuing operations (A)		**5,089**	**3,384**
Discontinued operations	40		
Profit before tax from discontinued operations		-	59
Tax expense of discontinued operations		-	18
Minority interest		-	9
Profit after tax from discontinued operations		-	32
Less: Loss from divestment of discontinued operations		-	(32)
Profit after tax from discontinued operations (B)		-	-
PROFIT FOR THE YEAR (A+B)		**5,089**	**3,384**
Earnings per share computed on the basis of profits from continuing operations (equity shares, par value of ₹ 5 each)			
Basic (in ₹)		25.99	17.27
Diluted (in ₹)		25.75	17.11
Earnings per share computed on the basis of total profits for the year (equity shares, par value of ₹ 5 each)			
Basic (in ₹)		25.99	17.27
Diluted (in ₹)		25.75	17.11
Weighted average number of shares used in computing earnings per share	33		
Basic		195,821,461	195,908,279
Diluted		197,611,577	197,830,856
Summary of significant accounting policies	2.1		

The accompanying notes are an integral part of the financial statements.

As per our report of even date

For S. R. BATLIBOI & ASSOCIATES LLP
ICAI Firm registration no.: 101049W
Chartered Accountants

per Aditya Vikram Bhauwala
Partner
Membership no.: 208382

Bangalore
April 25, 2013

For and on behalf of the Board of Directors of Biocon Limited

Kiran Mazumdar Shaw
Managing Director

John Shaw
Director

Murali Krishnan K N
President - Group Finance

Kiran Kumar
Company Secretary

Consolidated Statement of Cash Flows for the year ended March 31, 2013

(All amounts in Indian Rupees Million)

		March 31, 2013	March 31, 2012
I.	**CASH FLOWS FROM OPERATING ACTIVITIES :**		
	Net profit before tax from continuing operations	6,102	3,925
	Net profit before tax from discontinuing operations [refer note (i) below]	-	27
		6,102	3,952
	Non-cash adjustments to reconcile profit before tax to net cash flows		
	Depreciation and amortisation on continuing operations (net)	1,793	1,744
	Depreciation and amortisation on discontinued operations	-	14
	Unrealised exchange (gain)/loss (net)	(6)	(11)
	Employee stock compensation expense	3	5
	Bad debts written off	38	7
	Provision for doubtful debts	(40)	-
	Interest expense	81	122
	Interest income	(98)	(52)
	Dividend income	(303)	(289)
	Net gain on sale of current investments	(9)	-
	Profit on fixed assets sold (net)	(1)	-
	Other non-operating income	(116)	(124)
	Exceptional item - Provision for other than temporary diminution in the value of long-term investments [refer note 15(iii)]	131	-
	Loss on divestment of discontinued operations	-	32
	Operating profit before working capital changes	**7,575**	**5,400**
	Movements in working capital		
	Decrease/(Increase) in inventories	(200)	(875)
	Decrease/(Increase) in trade receivables	(198)	(230)
	Decrease/(Increase) in loans and advances and other assets	58	(691)
	Increase/(Decrease) in trade payable, other liabilities and provisions	(1,583)	2,776
	Cash generated from operations	**5,652**	**6,380**
	Direct taxes paid (net of refunds)	(940)	(739)
	Net cash flow from/(used in) operating activities	**4,712**	**5,641**
II.	**CASH FLOWS FROM INVESTING ACTIVITIES :**		
	Purchase of tangible fixed assets, capital work-in-progress and capital advances (net of reimbursements under co-development arrangements/from customers)	(3,586)	(2,745)
	Acquisition of Intangible assets	(26)	(237)
	Proceeds from sale of subsidiary	-	502
	Interest received	98	52
	Dividend received	303	289
	Proceeds from sale of current investments	19,041	17,740
	Proceeds from sale of fixed assets	1	-
	Movement in reserves of ESOP trust	99	98
	Purchase of shares by ESOP Trust	(135)	(33)
	Purchase of current investments	(19,331)	(18,667)
	Investment in bank deposits (having original maturity more than three months)	(1,981)	(1,541)
	Redemption/maturity of bank deposits (having original maturity more than three months)	1,643	823
	Other non-operating income	116	124
	Net cash flow from/(used in) investing activities	**(3,758)**	**(3,595)**
III.	**CASH FLOWS FROM FINANCING ACTIVITIES :**		
	Proceeds from allotment of shares by subsidiary to third party	1,197	50
	Proceeds from long-term borrowings	1,191	174
	Repayment of long-term borrowings	(206)	(209)
	Proceeds/(repayment)of short-term borrowings (net)	(1,028)	(535)
	Other unsecured Loans	-	(6)
	Interest paid	(78)	(340)
	Dividend paid on equity shares	(1,000)	(900)
	Tax on equity dividend paid	(162)	(97)
	Net cash flow from/(used for) financing activities	**(86)**	**(1,863)**

Consolidated Statement of Cash Flows for the year ended March 31, 2013

(All amounts in Indian Rupees Million)

		March 31, 2013	March 31, 2012
IV.	**Net increase/(decrease) in cash and cash equivalents (I + II + III)**	868	183
V.	**Effect of exchange differences on cash and cash equivalents held in foreign currency**	5	42
VI.	**Foreign currency translation reserve/adjustments**	177	256
VII.	**Cash and cash equivalents at the beginning of the year**	3,690	3,590
	Less: Transferred pursuant to sale of subsidiary	-	(381)
VIII.	**Cash and cash equivalents at the end of the year (IV + V + VI + VII)**	**4,740**	**3,690**
	Components of cash and cash equivalents		
	Cash on Hand	2	2
	Balances with Banks - in current accounts (excluding Unclaimed Dividend)	161	1,795
	- in exchange earners foreign currency account	1,653	1,039
	- in deposit accounts	2,919	848
	- in unpaid dividend accounts [refer note (ii) below]	5	6
		4,740	**3,690**

Notes:

(i) Net profit before tax from discontinued operations is net of loss from divestment of discontinued operations ₹ Nil (March 31, 2012 - ₹ 32).

(ii) The Company can utilize these balances only towards settlement of the respective unpaid dividend liabilities.

(iii) In view of the sale of subsidiary during the year ended March 31, 2012, current year's figures are not strictly comparable with those of the previous year. Also refer note 40.

As per our report of even date

For S. R. BATLIBOI & ASSOCIATES LLP
ICAI Firm registration no.: 101049W
Chartered Accountants

per Aditya Vikram Bhauwala
Partner
Membership no.: 208382

Bangalore
April 25, 2013

For and on behalf of the Board of Directors of Biocon Limited

Kiran Mazumdar Shaw
Managing Director

John Shaw
Director

Murali Krishnan K N
President - Group Finance

Kiran Kumar
Company Secretary

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Notes to the Consolidated Financial Statement for the year ended March 31, 2012

(All amounts in Indian Rupees Million, except share data and per share data unless otherwise stated)

1. Corporate information

Biocon Limited ('Biocon' or 'the Company'), was incorporated at Bangalore in 1978 for manufacture of biotechnology products. Syngene International Limited ('Syngene'), promoted by Dr. Kiran Mazumdar Shaw, was incorporated at Bangalore in 1993. In March 2002, Biocon acquired 99.99 per cent of the equity shares of Syngene and, resultantly, Syngene became the subsidiary of Biocon. Clinigene International Limited ('Clinigene') was incorporated on August 4, 2000 at Bangalore and became a wholly owned subsidiary of Biocon on March 31, 2001. In February 2012, Biocon sold its shareholding in Clinigene to Syngene.

On January 10, 2008, Biocon entered into an agreement with Dr. B.R. Shetty to set up a Joint Venture Company NeoBiocon FZ-LLC, incorporated in Dubai ('NeoBiocon'). NeoBiocon is engaged in development, marketing and distribution of biopharmaceuticals in the Middle East region.

The Company has also established Biocon Research Limited ('BRL') at Bangalore on May 28, 2008, a wholly owned subsidiary of the Company to undertake research and development in novel and innovative drug initiatives.

Effective April 30, 2008, Biocon acquired 71% equity interest in AxiCorp GmbH, Germany ('AxiCorp') through its wholly owned subsidiary company Biocon SA, incorporated on April 21, 2008 at Switzerland. In February 2009, Biocon SA acquired an additional 7.4% equity interest in AxiCorp. During the year ended March 31, 2012, Biocon SA sold its shareholding in AxiCorp to third parties.

Biocon Biopharmaceuticals Limited (formerly Biocon Biopharmaceuticals Private Limited) [BBL] was incorporated at Bangalore on June 17, 2002 as a Joint Venture between Biocon and CIMAB SA ('CIMAB') with Biocon holding 51 per cent of the share capital. During the financial year ended March 31, 2011, Biocon acquired the interest of the joint venture partner, CIMAB. Consequently all the equity shares of BBL are held by Biocon.

Biocon set up a wholly owned subsidiary company on January 19, 2011, at Malaysia, Biocon Sdn. Bhd. ('Biocon Malaysia') for development and manufacture of bio-pharmaceuticals.

The Company has 30% voting rights in IATRICa Inc. ('IATRICa') incorporated in USA. IATRICa is involved in research and development activities.

Biocon and its subsidiaries ('the Group') and joint venture/associate companies are engaged in manufacture of biotechnology products for the pharmaceutical sector. The Company is also engaged in research and development in the biotechnology sector. The Group is also engaged in providing contract research and manufacturing services to overseas customers in the field of synthetic chemistry and molecular biology and undertakes clinical research activities on discovering new biomarkers and is extending its activity to discovering new diseases subsets and novel data based on pharmacogenomics. During the year ended March 31, 2007, the Company had received an approval for operation of SEZ Developer and for setting up SEZ Unit operations to be located within Biocon SEZ.

2. Basis of preparation and consolidation

The consolidated financial statements have been prepared in accordance with generally accepted accounting principles in India (Indian GAAP). The Group has prepared these consolidated financial statements to comply in all material respects with the Accounting Standards, notified by the Companies Accounting Standards Rules, 2006 (as amended) and the relevant provisions of the Companies Act, 1956 to reflect the financial position and the results of operations of Biocon together with its subsidiaries, joint venture company and associate company. The consolidated financial statements have been prepared on an accrual basis and under the historical cost convention except in case of assets for which provision for impairment is made and revaluation is carried out.

In accordance with Accounting Standard 27, 'Financial Reporting of Interests in Joint ventures', the interest in the joint venture company is accounted using proportionate consolidation on a line-by-line basis.

In accordance with Accounting Standard 23, 'Accounting for Investments in Associates in Consolidated Financial Statements', the Group has accounted for its investments in associate under the equity method as per which the share of profit/ (loss) of the associate company has been added to/reduced from the cost of investment.

The accounting policies have been consistently applied by the Group and are consistent with those used in the previous year.

The Group sold its investment in AxiCorp during the year ended March 31, 2012.

The financial statements of subsidiaries, joint venture company and associate company have been drawn upto the same reporting date as that of the Company i.e. March 31, 2013.

All material inter-company transactions and balances between the entities included in the consolidated financial statements have been eliminated. The excess of the purchase price over the proportionate share of the book value of the net assets of the acquired subsidiary company on the date of investment is recognised in the consolidated financial statements as goodwill and disclosed under Intangible Assets. In case the cost of investment in subsidiary companies is less than the proportionate share of the book value of the net assets of the acquired subsidiary company on the date of investment, the difference is treated as capital reserve and shown under Reserves and surplus.

For the purpose of administration of the employee stock option plans of the Company, the Company has established the Biocon India Limited Employee Welfare Trust ('ESOP Trust'). In accordance with the guidelines framed by the Securities and Exchange Board of India ('SEBI'), financial statements of the Company have been prepared as if the Company itself is administering the ESOP Scheme.

2.1 Summary of significant accounting policies

a. Use of estimates

The preparation of consolidated financial statements in conformity with Indian GAAP requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates.

b. Tangible fixed assets

Fixed assets are stated at cost, except for certain freehold land and buildings revalued on November 1, 1994, which are shown at estimated replacement cost as determined by valuers less impairment loss, if any, net of accumulated depreciation and accumulated impairment losses, if any. The cost comprises purchase price, borrowing costs if capitalization criteria are met and other directly attributable cost of bringing the asset to its working condition for the intended use. Any trade discounts and rebates are deducted in arriving at the purchase price.

Leasehold land on a lease-cum-sale basis are capitalised at the allotment rates charged by the Municipal Authorities.

Subsequent expenditure related to an item of fixed asset is added to its book value only if it increases the future benefits from the existing asset beyond its previously assessed standard of performance. All other expenses on existing fixed assets, including routine repair and maintenance expenditure and cost of replacing parts, are charged to the consolidated statement of profit and loss for the period during which such expenses are incurred.

The Group adjusts exchange differences arising on translation/settlement of long-term foreign currency monetary items pertaining to the acquisition of a depreciable asset to the cost of the asset and depreciates the same over the remaining life of the asset. In accordance with MCA circular dated August 9, 2012, exchange differences adjusted to the cost of fixed assets are total differences, arising on long-term foreign currency monetary items pertaining to the acquisition of a depreciable asset, for the period.

Gains or losses arising from disposal of fixed assets are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the statement of profit and loss when the asset is disposed.

Assets funded by third parties/customers are capitalised at gross value and the funds so received are recorded as funding received from co-developer/deferred revenue, as applicable, and amortised over the useful life of the assets.

c. Depreciation on tangible fixed assets

Depreciation on fixed assets is calculated on a straight-line basis using the rates arrived at based on the useful lives estimated by the management, or those prescribed under the Schedule XIV to the Companies Act, 1956, whichever is higher. The Group has used the following rates to provide depreciation on its fixed assets.

Nature of Asset	Per cent
Buildings	4.00
Plant and equipments (including Computers and Office equipments)	9.09 - 33.33
Research and development equipment	11.11
Furniture and fixtures	8.33 - 16.67
Vehicles	16.67
Leasehold improvements	20.00 or the rate based on lease period whichever is higher.

Used assets acquired from third parties are depreciated on a straight line basis over their remaining useful life of such assets.

The depreciation charge over and above the depreciation calculated on the original cost of the revalued assets is transferred from the revaluation reserve to the consolidated statement of profit and loss. Assets costing individually less than ₹ 5,000 only are fully depreciated in the year of purchase.

d. Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. Following initial recognition, intangible assets are carried at cost less accumulated amortization and accumulated impairment losses, if any. Internally generated intangible assets, excluding capitalized development costs, are not capitalized and expenditure is reflected in the consolidated statement of profit and loss in the year in which the expenditure is incurred.

Computer Software which is not an integral part of the related hardware is classified as an intangible asset.

Intangible assets are amortized on a straight line basis over the estimated useful economic life. The Group uses a rebuttable presumption that the useful life of an intangible asset will not exceed its remaining patent life or ten years, whichever is lower. If the persuasive evidence exists to the affect that useful life of an intangible asset exceeds ten years, the Group amortizes the intangible asset over the best estimate of its useful life. Such intangible assets and intangible assets not yet available for use are tested for impairment annually. All other intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

The amortization period and the amortization method are reviewed at least at each financial year end. If the expected useful life of the asset is significantly different from previous estimates, the amortization period is changed accordingly. If there has been a significant change in the expected pattern of economic benefits from the asset, the amortization method is changed to reflect the changed pattern. Such changes are accounted for in accordance with AS 5, Net Profit or Loss for the Period, Prior Period Items and Changes in Accounting Policies.

Gains or losses arising from disposal of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in the consolidated statement of profit and loss when the asset is disposed.

Amortisation of intangible assets:

a. Costs relating to intellectual property rights, manufacturing/marketing rights and product licenses are amortized on a straight-line basis over the period of expected future sales from the use of the said intangible asset, i.e., over their estimated useful lives of five to ten years.

b. Computer Software is amortised over a period of three to five years, being its estimated useful life.

Goodwill

Goodwill represents the excess of the purchase price over the book value of the net assets of the acquired subsidiary company on the date of investment. Goodwill is not amortised but is tested for impairment on a yearly basis.

Research and Development Costs

Research and development costs, including technical know-how fees, incurred for development of products are expensed as incurred. Development costs which relate to the design and testing of new or improved materials, products or processes or for existing products in new territories are recognised as an intangible asset to the extent that:

a. it is technically feasible to complete the development of asset and it will be available for sale / use.

b. it is expected that such development will be completed and used / sold.

c. it is expected that such assets will generate future economic benefits.

d. there are adequate resources to complete such development.

e. it is possible to measure reliably the expenditure attributable to the asset during development.

Research and development expenditure of a capital nature is added to fixed assets. Following the initial recognition of the development expenditure as an asset, the cost model is applied requiring the asset to be carried at cost less any accumulated amortization and accumulated impairment losses. The carrying value of the development cost is tested for impairment annually.

e. Borrowing Costs

Borrowing cost includes interest, amortization of ancillary costs incurred in connection with the arrangement of borrowings and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use or sale are capitalized as part of the cost of the respective asset. All other borrowing costs are expensed in the period they occur.

f. Impairment of tangible and intangible assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when annual impairment testing for an asset is required, the Group estimates the asset's recoverable amount. The recoverable amount is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining net selling price, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

Impairment losses of continuing operations, including impairment on inventories, are recognized in the consolidated statement of profit and loss, except for previously revalued tangible fixed assets, where the revaluation was taken to revaluation reserve. In this case, the impairment is also recognized in the revaluation reserve up to the amount of any previous revaluation.

After impairment, depreciation is provided on the revised carrying amount of the asset over its remaining useful life.

An assessment is made at each reporting date as to whether there is any indication that previously recognized impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's recoverable amount. A previously recognized impairment loss is reversed only if there has been a change in the assumptions used to determine the asset's recoverable amount since the last impairment loss was recognized. The reversal is limited so that the carrying amount of the asset does not exceed its recoverable amount, nor exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognized for the asset in prior years. Such reversal is recognized in the consolidated statement of profit and loss unless the asset is carried at a revalued amount, in which case the reversal is treated as a revaluation increase.

g. Inventories

Inventories are valued as follows:

Raw materials and packing materials	Lower of cost and net realizable value. However, materials and other items held for use in the production of inventories are not written down below cost if the finished products in which they will be incorporated are expected to be sold at or above cost. Cost is determined on a first-in-first out basis. Customs duty on imported raw materials (excluding stocks in the bonded warehouse) is treated as part of the cost of the inventories. Consumables in the nature of Columns are amortised over a period of twelve months from the date of issue for consumption.
Work-in-progress and finished goods	Lower of cost and net realizable value. Cost includes direct materials (on a first-in-first-out basis) and labour and a proportion of manufacturing overheads based on normal operating capacity. Cost of finished goods includes excise duty.
Traded goods	Lower of cost and net realizable value. Cost includes the purchase price and other associated costs directly incurred in bringing the inventory to its present location. Cost is determined on a first-in-first-out basis.

Net realizable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

h. Revenue recognition

Revenue is recognized to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured. The following specific recognition criteria must also be met before revenue is recognised.

(i) Sale of products:

Revenue from sale of products is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer. The Group collects sales taxes and value added taxes (VAT) on behalf of the government and, therefore, these are not economic benefits flowing to the Group. Hence, they are excluded from revenue. Excise duty deducted from revenue (gross) is the amount that is included in the revenue (gross) and not the entire amount of liability arising during the year.

(ii) Sale of services:

Licensing and development fees:

The Group enters into certain dossier sales, licensing and supply agreements relating to various products. Revenue from such arrangements is recognised upon completion of performance obligations or on a proportional performance basis over the period the Group performs its obligations, under the terms of the agreements. Proportionate performance is measured based upon the efforts/ costs incurred to date in relation to the total estimated efforts / costs to complete the contract. The Group monitors estimates of the total contract revenue and cost on a routine basis throughout the contract period. The cumulative impact of any change in estimates of the contract revenue or costs in reflected in the period in which the changes become known. In the event that the loss is anticipated on a particular contract, provision is made for the estimated loss.

Contract research and manufacturing services income:

In respect of contracts involving research services, in case of 'time and materials' contracts, contract research fee are recognised as services are rendered, in accordance with the terms of the contracts. Revenues relating to fixed price contracts are recognised based on the percentage of completion method determined based on efforts expended as a proportion to total estimated efforts.

In respect of contracts involving sale of compounds arising out of contract research services for which separate invoices are raised, revenue is recognised when the significant risks and rewards of ownership of the compounds have passed to the buyer, and comprise amounts invoiced for compounds sold.

In respect of services, the Group collects service tax on behalf of the government and, therefore, it is not an economic benefit flowing to the Group. Hence, it is excluded from revenue.

(iii) Interest Income:

Interest income is recognized on a time proportion basis taking into account the amount outstanding and the applicable interest rate. Interest income is included under the head "other income" in the consolidated statement of profit and loss.

(iv) Dividend income:

Dividend income is recognized when the Group's right to receive dividend is established by the reporting date.

i. Investments

Investments that are readily realisable and intended to be held for not more than twelve months from the date on which such investments are made are classified as current investments. All other investments are classified as long-term investments.

On initial recognition, all investments are measured at cost. The cost comprises purchase price and directly attributable acquisition charges such as brokerage, fees and duties. If an investment is acquired, or partly acquired, by the issue of shares or other securities, the acquisition cost is the fair value of the securities issued. If an investment is acquired in exchange for another asset, the acquisition is determined by reference to the fair value of the asset given up or by reference to the fair value of the investment acquired, whichever is more clearly evident.

Current investments are carried in the consolidated financial statements at lower of cost and fair value determined on an individual investment basis. Long-term investments are carried at cost. However, provision for diminution in value is made to recognize a decline other than temporary in the value of the investments.

On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged or credited to the consolidated statement of profit and loss.

j. Retirement benefits

Retirement benefit in the form of Provident Fund is a defined contribution scheme and the contributions are charged to the consolidated statement of profit and loss for the year when the contributions to the government funds are due. The Group has no obligation other than the contribution payable to provident fund authorities.

Gratuity liability is a defined benefit obligation and is provided for on the basis of an actuarial valuation on projected unit credit method made at the end of each financial year. The gratuity benefit of the Group is administered by a trust formed for this purpose through the group gratuity scheme. Actuarial gains and losses for defined benefit plan are recognized in full in the period in which they occur in the consolidated statement of profit and loss.

Accumulated leave, which is expected to be utilised within the next 12 months, is treated as short-term employee benefit. The Group measures the expected cost of such absences as the additional amount that it expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The Group treats accumulated leave expected to be carried forward beyond 12 months, as long –term employee benefit for measurement purposes. Such long-term compensated absences are provided for based on the actuarial valuation using the projected unit credit method at the year-end. Actuarial gains/losses are immediately taken to the consolidated statement of profit and loss and are not deferred. The Group presents the entire leave as a current liability in the consolidated balance sheet, since it does not have an unconditional right to defer its settlement for 12 months after the reporting date.

In case of foreign subsidiary companies, contributions are made as per the respective country laws and regulations. The same is charged to statement of profit and loss on accrual basis. There are no obligations beyond the company's contribution.

k. Foreign currency translation

Initial recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

Conversion

Foreign currency monetary items are retranslated using the exchange rate prevailing at the reporting date. Non-monetary items which are carried in terms of historical cost denominated in a foreign currency are reported using the exchange rate at the date of the transaction. Non-monetary items which are carried at fair value or other similar valuation denominated in a foreign currency are translated using the exchange rates at the date when such values were determined.

Exchange differences

The Group accounts for exchange differences arising on translation / settlement of foreign currency monetary items as below:

(i) Exchange differences arising on a monetary item that, in substance, forms part of the Company's net investment in a non-integral foreign operation is accumulated in the foreign currency translation reserve in the financial statements until the disposal of the net investment, at which time they are recognised as income or as expenses.

(ii) Exchange differences arising on long-term foreign currency monetary items related to acquisition of a fixed asset are capitalized and depreciated over the remaining useful life of the asset.

(iii) Exchange differences arising on other long-term foreign currency monetary items are accumulated in the "Foreign Currency Monetary Item Translation Difference Account" and amortized over the remaining life of the concerned monetary item.

(iv) All other exchange differences are recognized as income or as expenses in the period in which they arise.

For the purpose of (ii) and (iii) above, the Group treats a foreign monetary item as "long-term foreign currency monetary item", if it has a term of 12 months or more at the date of its origination. In accordance with MCA circular dated August 9, 2012, exchange differences for this purpose, are total differences arising on long-term foreign currency monetary items for the period.

Forward exchange contracts entered into to hedge foreign currency risk of an existing asset/ liability

The premium or discount arising at the inception of forward exchange contract is amortized and recognized as an expense/ income over the life of the contract. Exchange differences on such contracts, except the contracts which are long-term foreign currency monetary items, are recognized in the statement of profit and loss in the period in which the exchange rates change. Any profit or loss arising on cancellation or renewal of such forward exchange contract is also recognized as income or as expense for the period. Any gain/ loss arising on forward contracts which are long-term foreign currency monetary items are recognized in accordance with paragraph (ii) and (iii).

Translation of integral and non-integral foreign operation

The Group classifies all its foreign operations as either "integral foreign operations" or "non-integral foreign operations."

The financial statements of an integral foreign operation are translated as if the transactions of the foreign operation have been those of the Group itself.

The assets and liabilities of a non-integral foreign operation are translated into the reporting currency at the exchange rate prevailing at the reporting date. Their statement of profit and loss is translated at exchange rates prevailing at the dates of transaction. The exchange differences arising on translation are accumulated in the foreign currency translation reserve. On disposal of a non-integral foreign operation, the accumulated foreign currency translation reserve relating to that foreign operation is recognized in the consolidated statement of profit and loss.

When there is a change in the classification of a foreign operation, the translation procedures applicable to the revised classification are applied from the date of the change in the classification.

l. Income tax

Tax expense comprises current and deferred tax. Current income tax is measured at the amount expected to be paid to the tax authorities in accordance with the Income Tax Act, 1961 enacted in India and tax laws prevailing in the respective tax jurisdictions where the company operates. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted, at the reporting date. Current income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of profit and loss.

Deferred income taxes reflect the impact of timing differences between taxable income and accounting income originating during the current year and reversal of timing differences for the earlier years. Deferred income tax relating to items recognized directly in equity is recognized in equity and not in the consolidated statement of profit and loss.

Deferred tax is measured using the tax rates and the tax laws enacted or substantively enacted at the reporting date. Deferred tax liability is recognised for all taxable timing differences. Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the Group has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

In the situations where the Group is entitled to a tax holiday under the Income-tax Act, 1961 enacted in India or tax laws prevailing in the respective tax jurisdictions where it operates, no deferred tax (asset or liability) is recognized in respect of timing differences which reverse during the tax holiday period, to the extent the Group's gross total income is subject to the deduction during the tax holiday period. Deferred tax in respect of timing differences which reverse after the tax holiday period is recognized in the year in which the timing differences originate. However, the Group restricts recognition of deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realized. For recognition of deferred taxes, the timing differences which originate first are considered to reverse first.

At each reporting date, the Group re-assesses unrecognized deferred tax assets. It recognizes unrecognized deferred tax assets to the extent that it has become reasonably certain or virtually certain, as the case may be that sufficient future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each reporting date. The Group writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set-off current tax assets against current tax liabilities and the deferred tax assets and deferred taxes relate to the same taxable entity and the same taxation authority.

Minimum Alternate Tax (MAT) paid in a year is charged to the consolidated statement of profit and loss as current tax. The Group recognizes MAT credit available as an asset only to the extent that there is convincing evidence that the Group will pay normal income tax during the specified period, i.e., the period for which MAT credit is allowed to be carried forward. In the year in which the Group recognizes MAT credit as an asset in accordance with the Guidance Note on "Accounting for Credit Available in respect of Minimum Alternative Tax under the Income-tax Act, 1961", the said asset is created by way of credit to the consolidated statement of profit and loss and shown as "MAT Credit Entitlement." The Group reviews the "MAT credit entitlement" asset at each reporting date and writes down the asset to the extent the Group does not have convincing evidence that it will pay normal tax during the specified period.

m. Employee stock compensation costs

Employees (including senior executives) of the Group also receive remuneration in the form of share based payment transactions, whereby employees render services as consideration for equity instruments (equity-settled transactions).

In accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Guidance Note on Accounting for Employee Share-based Payments, the cost of equity-settled transactions is measured using the intrinsic value method and recognized, together with a corresponding increase in the "Stock options outstanding account" in reserves. The cumulative expense recognized for equity-settled transactions at each reporting date until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The expense or credit recognized in the consolidated statement of profit and loss for a period represents the movement in cumulative expense recognized as at the beginning and end of that period and is recognized in employee benefits expense.

n. Earnings Per Share (EPS)

Basic earnings per share are calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year. Partly paid equity shares are treated as a fraction of an equity share to the extent that they are entitled to participate in dividends relative to a fully paid equity share during the reporting period. The weighted average number of equity shares outstanding during the year is adjusted for events such as bonus issue; bonus element in a rights issue to existing shareholders; share split; and reverse share split (consolidation of shares) that have changed the number of equity shares outstanding, without a corresponding change in resources.

For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

For the purpose of calculating Basic EPS, shares allotted to the ESOP trust pursuant to the employee share based payment plan are not included in the shares outstanding till the employees have exercised their right to obtain shares, after fulfilling the requisite vesting conditions. Till such time, the shares so allotted are considered as dilutive potential equity shares for the purpose of calculating Diluted EPS.

o. Operating lease

Where the Group is a Lessee

Leases of assets under which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under operating leases are recognised as an expense on a straight-line basis over the lease term.

Where the Group is a Lessor

Leases in which the Group does not transfer substantially all the risks and benefits of ownership of the asset are classified as operating leases. Assets subject to operating leases are included in fixed assets. Lease income is recognised on a straight line basis over the lease term. Costs, including depreciation are recognised as an expense. Initial direct costs such as legal costs, brokerage costs, etc are recognised immediately in the consolidated statement of profit and loss.

p. Segment reporting

Identification of segments

The Group's operating businesses are organised and managed separately according to the nature of products and services provided, with each segment representing a strategic business unit that offers different products and services to different markets. The analysis of geographical segments is based on the areas in which major operating divisions of the Group operates.

Inter-segment Transfers

The Group generally accounts for inter-segment sales and transfers at an agreed marked-up price.

Allocation of common costs

Common allocable costs are allocated to each segment according to the relative contribution of each segment to the total common costs.

Unallocated items

The Corporate and other segment include general corporate income and expense items which are not allocated to any business segment.

Segment policies

The Group prepares its segment information in conformity with the accounting policies adopted for preparing and presenting the consolidated financial statements of the Group as a whole.

q. Provisions

A provision is recognised when the Group has a present obligation as a result of past event; it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. Provisions are not discounted to its present value and are determined based on best estimate required to settle the obligation at the reporting date. These estimates are reviewed at each reporting date and adjusted to reflect the current best estimates.

Where the Group expects some or all of a provision to be reimbursed, for example under an insurance contract, the reimbursement is recognized as a separate asset but only when the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of profit and loss net of any reimbursement.

r. Contingent liability

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or a present obligation that is not recognized because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in extremely rare cases where there is a liability that cannot be recognized because it cannot be measured reliably. The Group does not recognize a contingent liability but discloses its existence in the consolidated financial statements.

s. Expenditure on new projects and substantial expansion

Expenditure directly relating to construction activity is capitalized. Indirect expenditure incurred during construction period is capitalized as part of the indirect construction cost to the extent to which the expenditure is directly related to construction or is incidental thereto. Other indirect expenditure (including borrowing costs) incurred during the construction period which is not related to the construction activity nor is incidental thereto is charged to the consolidated statement of profit and loss. Income earned during construction period is deducted from the total of the indirect expenditure. All direct capital expenditure on expansion is capitalized. As regards indirect expenditure on expansion, only that portion is capitalized which represents the marginal increase in such expenditure involved as a result of capital expansion. Both direct and indirect expenditure are capitalized only if they increase the value of the asset beyond its original standard of performance.

t. Cash and cash equivalents

Cash and cash equivalents for the purpose of cash flow statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

u. Derivative instruments

In accordance with the ICAI announcement, derivative contracts, other than foreign currency forward contracts covered under AS 11, are marked to market on a portfolio basis, and the net loss, if any, after considering the offsetting effect of gain on the underlying hedged item, is charged to the consolidated statement of profit and loss. Net gain, if any, after considering the offsetting effect of loss on the underlying hedged item, is ignored.

v. Measurement of EBITDA

As permitted by the Guidance Note on the Revised Schedule VI to the Companies Act, 1956, the Group has elected to present Earnings before interest, tax, depreciation and amortisation (EBITDA) as a separate line item on the face of the consolidated statement of profit and loss. The Group measures EBITDA on the basis of profit/(loss) from continuing operations. In its measurement, the Group does not include depreciation and amortisation expense, finance costs and tax expense.

	March 31, 2013	March 31, 2012
3. Share capital		
Authorised :		
220,000,000 (March 31, 2012 - 220,000,000) equity shares of ₹ 5 each (March 31, 2012 - ₹ 5 each)	1,100	1,100
Issued, subscribed and paid-up shares:		
200,000,000 (March 31, 2012 - 200,000,000) equity shares of ₹ 5 each (March 31, 2012 - ₹ 5 each)	1,000	1,000

i. Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

Equity shares	March 31, 2013		March 31, 2012	
	No.	₹ Million	No.	₹ Million
At the beginning of the year	200,000,000	1,000	200,000,000	1,000
Issued during the year	-	-	-	-
Outstanding at the end of the year	200,000,000	1,000	200,000,000	1,000

ii. Terms / rights attached to equity shares

The Company has only one class of equity shares having a par value of ₹ 5 per share. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian Rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

During the year ended March 31, 2013, final dividends proposed for distribution to equity shareholders was ₹ 7.5 (March 31, 2012 - ₹ 5).

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company, after distribution of all preferential amounts, if any. The distribution will be in proportion to the number of equity shares held by the shareholders.

iii. Aggregate number of bonus shares issued during the period of five years immediately preceding the reporting date

On September 15, 2008, the Company issued 100,000,000 equity shares of ₹ 5 each as fully paid bonus shares by capitalization of balance in the securities premium account of ₹ 500.

iv. Details of shareholders holding more than 5% shares in the Company

	March 31, 2013		March 31, 2012	
	No.	% holding	No.	% holding
Equity shares of ₹ 5 each fully paid				
Dr Kiran Mazumdar Shaw	79,287,564	39.64%	79,287,564	39.64%
Glentec International	39,535,194	19.77%	39,535,194	19.77%

As per records of the Company, including its register of shareholders / members, the above shareholding represents both legal and beneficial ownerships of shares.

v. Shares reserved for issue under options

For details of shares reserved for issue under the employee stock option (ESOP) plan of the Company, refer to note 32.

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	March 31, 2013	March 31, 2012
4. Reserves and surplus		
Revaluation reserve	9	9
Capital reserve		
Opening balance	29	17
Add: Reserve arising from issue of shares by Syngene [refer note 5(ii)]	772	12
Closing balance	**801**	**29**
Securities premium reserve	**2,788**	**2,788**
Foreign currency translation reserve account		
Opening balance	15	(44)
Add: Exchange difference during the year on net investment in non-integral operations	14	59
Closing balance	**29**	**15**
ESOP trust		
Opening balance	669	571
Add: Dividend, interest income and profit on sale of shares (net)	99	98
Closing balance	**768**	**669**
General reserve		
Opening balance	2,492	2,236
Add: Amount transferred from surplus balance in the statement of profit and loss	276	256
Closing balance	**2,768**	**2,492**
Surplus in the statement of profit and loss account		
Balance as per last financial statements	15,465	13,499
Profit for the year	5,089	3,384
Less: appropriations		
Proposed final dividend on equity shares [amount per share ₹ 7.5 (March 31, 2012 - ₹ 5)]	(1,500)	(1,000)
Tax on proposed final dividend	(255)	(162)
Transfer to general reserve	(276)	(256)
Total appropriations	**(2,031)**	**(1,418)**
Net surplus in the statement of profit and loss	**18,523**	**15,465**
Employee stock options outstanding		
Gross employee stock compensation for options granted in earlier years	257	256
Add: gross compensation for options granted during the year	6	1
Less: compensation on ESOP cancelled during the year	-	-
	263	**257**
Less: Deferred employee stock compensation expense (refer note (i) below)	3	-
Closing balance	**260**	**257**
Total reserves and surplus	**25,946**	**21,724**
(i) Deferred employee stock compensation expense (Also see note 32):		
Stock compensation expense outstanding at the beginning of the year	-	4
Stock options granted during the year	6	1
Stock options cancelled/forfeited during the year	-	-
Stock compensation expense (amortized)/reversed during the year	(3)	(5)
Closing balance of deferred employee stock compensation expense	**3**	**-**
5. Minority interest		
The share of the net assets attributable to the minority shareholders are as follows:		
As per last balance sheet	38	377
Divestment of AxiCorp [refer note (i) below]	-	(401)
Foreign currency translation adjustment	-	24
Others [refer note (ii) below]	577	38
Profit/(Loss) for the year attributable to minority shareholders	38	-
	653	**38**

(i) During the year ended March 31, 2012, the Group sold its investment in AxiCorp. Consequently, minority interest pertaining to AxiCorp has been adjusted.

(ii) Minority interest as at March 31, 2013, represents that part of the net profit and net assets of Syngene as follows:

(a) to the extent of 4,791,837 equity shares [March 31, 2012 - 625,170 shares] held by other parties. During the year ended March 31, 2013, Syngene issued 4,166,667 [March 31, 2012 - 625,000] equity shares to a third party.

(b) to the extent of 1,875,000 equity shares (March 31, 2012 - Nil) being shares allotted by Syngene to Syngene Employees Welfare Trust ('Trust') on October 31, 2012, against a loan of ₹ 150 which is shown as loan recoverable in note 16 below.

	Non-current portion		Current maturities	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
6. Long-term borrowings				
Deferred sales tax liability, unsecured	324	454	130	130
Other loans and advances (unsecured)				
NMITLI - CSIR Loan	2	2	-	-
Financial assistance from DSIR	18	21	3	-
Financial assistance from DBT	-	65	-	-
Financial assistance from DST	56	63	7	7
Loan from banks (secured)				
Term loan	1,240	51	-	-
Buyer's credit	-	42	45	-
	1,640	**698**	**185**	**137**
The above amount includes				
Secured borrowings	1,240	93	45	-
Unsecured borrowings	400	605	140	137
Amount disclosed under the head "Other current liabilities" (note 12)	-	-	(185)	(137)
Net amount	**1,640**	**698**	**-**	**-**

(i) On February 9, 2000, the Company obtained an order from the Karnataka Sales Tax Authority for allowing an interest free deferment of sales tax (including turnover tax) for a period upto 12 years with respect to sales from its Hebbagodi manufacturing facility for an amount not exceeding ₹ 649. This is an interest free liability. The amount is repayable in 10 equal half yearly installments of ₹ 65 each starting from February 2012.

(ii) On March 31, 2005, Biocon entered into an agreement with the Council of Scientific and Industrial Research ('CSIR'), for an unsecured loan of ₹ 3 for carrying out part of the research and development project under the New Millennium Indian Technology Leadership Initiative ('NMITLI') Scheme. The loan is repayable over 10 equal annual installments of ₹ 0.3 starting from April 2009 and carrying an interest rate of 3 percent per annum.

(iii) (a) On March 31, 2009, the Department of Scientific and Industrial Research ('DSIR') sanctioned financial assistance for a sum of ₹ 17 to Biocon for part financing one of its research projects. The assistance is repayable in the form of royalty payments three years post commercialisation of the project in five equal annual installments of ₹ 3 each. The said projects have been completed during the year ended March 31, 2010 and the repayments would commence from April 1, 2013.

(b) In addition, during the FY 2010-11, Biocon further received ₹ 4 towards a development project out of sanctioned amount of ₹ 12. The assistance is repayable in the form of royalty payments for a period of five years post commercialisation of the project in five equal annual installments of ₹ 3 each. The said product has not yet been commercialised as at March 31, 2013.

(iv) On November 3, 2009, the Department of Biotechnology ('DBT') under the Biotechnology Industrial Partnership Programme ('BIPP') had sanctioned financial assistance for a sum of ₹ 53 to Biocon for financing one of its research projects. Of the said sanctioned amount, Biocon had received a sum of ₹ 37 during year ended March 31, 2011 and the remaining amount of ₹ 16 during the previous year. The loan was repayable over 10 half yearly installments of ₹ 5 after two year from date of completion of the project and carried an interest rate of 2 percent per annum. The Company has repaid the loan during the year ended March 31, 2013.

In addition, on May 23, 2011, the DBT under the BIPP had sanctioned financial assistance of ₹ 40 to Biocon for financing another research project. Of the sanctioned amount, Biocon had received a sum of ₹ 12 during the year ended March 31, 2012. The loan was repayable over 10 half yearly installments of ₹ 4 after one year from date of completion of the project and carried an interest rate of 2 percent per annum. The Company has repaid the loan during the year ended March 31, 2013.

(v) On August 25, 2010, the Department of Science and Technology ('DST') under the Drugs and Pharmaceutical Research Programme ('DPRP') has sanctioned financial assistance for a sum of ₹ 70 to Biocon for financing one of its research projects. Of the said sanctioned amount, Biocon received the first installment of ₹ 14 during the year ended March 31, 2011 and the remaining amount during the year ended March 31, 2012. The loan is repayable over 10 annual installments of ₹ 7 each starting from July 1, 2012, and carries an interest rate of 3 percent per annum.

(vi) In respect of the financial assistance received under the aforesaid programmes [refer note (ii) to (v) above], Biocon is required to utilise the funds for the specified projects and is required to obtain prior approvals from the said authorities for disposal of assets / Intellectual property rights acquired / developed under the above programmes.

(vii) Syngene has obtained a foreign currency denominated long-term buyer's credit loan as at March 31, 2013 of ₹ 45 (US$ 0.8 million) (March 31, 2012 - ₹ 42 [US$ 0.8 million]) from a bank which is secured by a pari passu charge on the present and future movable plant and machinery and current assets of Syngene. This loan is repayable at the end of 18 months from the date of origination and carries Interest rate of Libor + 0.90%. Interest rate shall be re-set every six months.

(viii) Biocon Sdn. Bhd, Malaysia, has obtained a term loan facility of US$ 130 million from a consortium of banks. As of March 31, 2013, it has utilised ₹ 1,240 (US$ 23 million) [March 31, 2012 ₹ 51 (US$ 1 million)]. The term loan facility is secured by pari passu charge on the freehold land and biopharma manufacturing facility being established in Malaysia. The long term loan is repayable over a period of 10 years commencing from 2014 and carries an interest rate pre determined on a Libor + 3%. Also refer note 37.

	March 31, 2013	March 31, 2012
7. Deferred tax asset/(liability) (net)		
Deferred tax liability		
Fixed assets: Impact of difference between tax depreciation and depreciation / amortisation charged for the financial reporting	(485)	(494)
Gross deferred tax liability	**(485)**	**(494)**
Deferred tax asset		
Employee retirement benefit expenditure charged to the statement of profit and loss in the current year but allowed for tax purposes on payment basis	56	39
Provision for doubtful debts	8	21
Others (Including items relating to timing of income recognition)	9	512
Gross deferred tax asset	**73**	**572**
Net deferred tax asset/(liability) (net)	**(412)**	**78**
(i) Net deferred tax (liability)/assets [DTL/DTA] as at March 31, 2013 comprises of:		
DTL (net) of Biocon	(302)	(349)
DTL (net) of BBL	(44)	-
DTL (net) of Syngene	(66)	(82)
DTA (net) of Biocon SA	-	509
	(412)	**78**

(ii) The Group has units in a Special Economic Zone (SEZ) which claim deduction of income under the provisions of the Income Tax Act, 1961. Deferred Tax assets/ (liabilities) are recognised in respect of timing differences which originate in the reporting period, but are expected to reverse after the tax holiday period.

	March 31, 2013	March 31, 2012
8. Other long-term liabilities		
Deferred revenues (refer note 42 and note 13)	3,360	4,680
Funding received from Co-developer towards fixed assets (refer note 13)	814	712
Interest accrued but not due	8	5
Payables for capital goods	-	366
Advance from customers	-	18
Others	55	51
	4,237	**5,832**

	Long-term		Short-term	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
9. Provisions				
Provision for employee benefits				
Leave encashment	-	-	121	98
Gratuity (refer note 39)	40	-	113	94
Others				
Proposed final dividend on equity shares	-	-	1,500	1,000
Tax on proposed final dividend	-	-	255	162
Provision for income tax, net of advance tax (refer note (i) below)	-	-	476	761
	40	**-**	**2,465**	**2,115**

(i) Included under provision for income tax is ₹ 25 (March 31, 2012 - ₹ 22) of the ESOP Trust.

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	March 31, 2013	March 31, 2012
10. Short-term borrowings		
From banks/ financial institutions		
Repayable on demand		
Cash credit (secured) [refer note (iii) below]	282	57
Others		
Packing credit foreign currency loan (secured) [refer note (i) below]	-	331
Packing credit foreign currency loan (unsecured) [refer note (ii), (iv) and (v) below]	546	1,109
Buyers credit loan (secured) [refer note (vi) below]	-	346
Short term loan from bank (secured, repayable on demand) [refer note (vii) below]	20	30
	848	**1,873**
The above amount includes		
Secured borrowings	302	764
Unsecured borrowings	546	1,109

(i) Syngene had obtained foreign currency denominated short term secured pre-shipment credit loans of ₹ 331 (US$ 6.5 million) as of March 31, 2012 from a bank that carried interest rate in the range of Libor + 1.25% to Libor + 1.30% per annum, which were secured by a pari passu charge on the current assets and movable fixed assets of Syngene. These loans were repayable at end of 6 months from the date of their origination and have been repaid during the year.

(ii) On April 26, 2010, Clinigene entered into an agreement with a bank for ₹ 100 packing credit facility. This loan is against corporate guarantee provided by Biocon. As at March 31, 2013, ₹ 55 (US$ 1 million) [March 31, 2012 - ₹ 47 (US$ 0.9 million)] is outstanding and carries an interest rate in the range of Libor + 1.25% to Libor +1.75% per annum.

(iii) Biocon has working capital facilities with banks carrying interest rate ranging from 11% -13% per annum. These facilities are repayable on demand, secured by pari-passu first charge on inventories and trade receivables. As on March 31, 2013, Biocon has utilised fund based limits of ₹ 282 (March 31, 2012- ₹ 57).

(iv) Biocon has obtained foreign currency denominated loans of ₹ 491 (US$ 9) [March 31, 2012- ₹ 812 (US$ 15.95)], carrying an interest rate of Libor plus 0.5% to 1.50% per annum, from bank/ financial institutions as at March 31, 2013.

(v) Syngene had obtained foreign currency denominated short-term unsecured pre-shipment credit loans of ₹ 249 (US$ 4.9 million) as of March 31, 2012 from a bank that carried interest rate of Libor + 1.30% per annum. These loans were repayable after the end of 6 months from the date of their origination. These loans have been repaid during the year.

(vi) Syngene had obtained foreign currency denominated short-term secured buyer's credit loans of ₹ 346 (US$ 6.8 million) as of March 31, 2012 from a bank that carried interest rate of Libor plus 0.75% to 1.25% per annum, which were secured by a pari passu charge on the present and future movable plant and machinery and current assets. These loans originally taken for a period of 6 months with an option to rollover at the end of every six months up to a maximum period of 3 years from the date of their origination; interest rate for the loan to be reset on such rollover. The loan has been repaid during the year.

(vii) On September 27, 2010, Clinigene entered into an agreement with a bank for ₹ 50 short-term demand loan facility. This loan is repayable on demand, secured by first charge on the current assets of Clinigene and corporate guarantee by Biocon. As at March 31, 2013, ₹ 20 (March 31, 2012 - ₹ 30) is outstanding and carries an interest of 9.5% to 11% per annum.

	March 31, 2013	March 31, 2012
11. Trade payables		
Trade payables	3,455	3,478
	3,455	**3,478**
12. Other current liabilities		
Current maturities of long-term borrowings (refer note 6)	185	137
Deferred revenues (refer note 42 and note 13)	1,416	1,049
Funding received from Co-developer towards fixed assets (refer note 13)	84	70
Investor Education and Protection Fund shall be credited by: (as and when due)		
- Unclaimed dividend	5	6
Payables for capital goods	1,202	864
Advances from customers	421	319
Balance in current account with bank representing book overdraft	42	119
Other payables:		
Statutory dues (refer note (i) below)	108	122
Others	2	6
	3,465	**2,692**

(i) Statutory dues includes provident fund, employees state insurance, professional tax, withholding taxes and indirect tax payable.

13. Tangible assets

	Land [Refer note (i), (ii) and (vi)]	Buildings	Leasehold improvements	Plant and equipments [Refer note (viii)]	Research and development equipments	Furniture and fixtures	Vehicles	Total
Cost or Valuation								
At April 01, 2011	380	3,538	3	12,643	1,272	233	28	18,097
Additions	742	111	-	1,321	112	25	-	2,311
Disposals	-	-	-	146	-	5	1	152
Other adjustments								
- Foreign currency translation adjustment	88	-	-	10	-	-	-	98
At March 31, 2012	**1,210**	**3,649**	**3**	**13,828**	**1,384**	**253**	**27**	**20,354**
Additions	5	1,328	-	2,311	393	175	4	4,216
Disposals	-	-	-	23	25	-	-	48
Other adjustments								
- Foreign currency translation adjustment	34	-	-	-	-	-	-	34
At March 31, 2013	**1,249**	**4,977**	**3**	**16,116**	**1,752**	**428**	**31**	**24,556**
Depreciation								
At April 01, 2011	-	635	1	4,979	550	148	14	6,327
Charge for the year	-	146	-	1,276	136	33	3	1,594
Disposals	-	-	-	70	-	3	1	74
Other adjustments								
- Foreign currency translation adjustment	-	-	-	5	-	-	-	5
At March 31, 2012	**-**	**781**	**1**	**6,190**	**686**	**178**	**16**	**7,852**
Charge for the year	-	174	-	1,457	155	33	5	1,824
Disposals	-	-	-	4	-	-	-	4
Other adjustments								
- Foreign currency translation adjustment	-	-	-	-	-	-	-	-
At March 31, 2013	**-**	**955**	**1**	**7,643**	**841**	**211**	**21**	**9,672**
Net Block								
At March 31, 2012	**1,210**	**2,868**	**2**	**7,638**	**698**	**75**	**11**	**12,502**
At March 31, 2013	**1,249**	**4,022**	**2**	**8,473**	**911**	**217**	**10**	**14,884**

(i) Land includes land held on leasehold basis: Gross Block ₹ 226 (March 31, 2012 - ₹ 226); Net Block ₹ 226 (March 31, 2012- ₹ 226).

(ii) On December 5, 2002, Karnataka Industrial Areas Development Board ('KIADB') allotted land aggregating to 26.75 acres to the Company for ₹ 64 on a lease-cum-sale basis for a period of 6 years, extended subsequently for further period of 14 years. During the year ended March 31, 2005, the Company acquired an additional 41.25 acres of land for ₹ 99 from KIADB. During the quarter ended June 30, 2005, the Company paid an advance of ₹ 56 towards allotment of additional 19.68 acres of land, offered to the Company by KIADB on December 20, 2003. The Company has received the possession certificate from KIADB in January 2006 and entered into an agreement with KIADB to acquire this plot of land on lease-cum-sale basis for a period of 20 years during the year ended March 31, 2007. The registration for a part of the land under this lease is pending settlement of certain disputes in respect of claims made against KIADB.

(iii) Additions to fixed assets during the year ended March 31, 2013, include assets of ₹ 1,093 (March 31, 2012 - ₹ 262) of which, ₹ 547 (March 31, 2012 - ₹ 76) has been funded by the co-development partner. The Group has capitalised and depreciated the gross cost of these assets. The funding received from the co-development partner is reflected in note 8 and 12. The depreciation charge for the year has been adjusted for the proportionate amount recovered from the co-development partner.

(iv) Additions to fixed assets during the year ended March 31, 2013, include assets of ₹ 37 (March 31, 2012 - ₹ 232) which has been funded by a customer. Syngene has capitalised and depreciated the gross cost of these assets. The funding received from the customer is reflected as deferred revenue in note 8 and 12 and the same is recognised as other operating revenue on a systematic basis over the useful life of the asset / period of contract. Cumulative amount of such funded assets as at March 31, 2013 - ₹ 792 (March 31, 2012 - ₹ 755) (gross block).

(v) Syngene has entered into an agreement with a customer, which grants the latter an option to purchase fixed assets with gross block of ₹ 2,088 (March 31, 2012- ₹1,939) as at March 31, 2013 relating to a particular project, upon satisfaction of certain terms and conditions. The consideration would be as per the terms of the agreement, subject to amounts already funded / contributed by the customer as discussed in note (iv) above.

(vi) During the year ended March 31, 2012, Biocon Sdn Bhd acquired freehold land in Johor Malaysia at an aggregate consideration of approximately RM.45 million for the construction of biopharmaceutical manufacturing facility. The freehold land has been offered as a security to the lenders of the USD 130 million term loan facility. Also refer note 6(viii).

(vii) As at March 31, 2013, BRL holds equipments received on loan basis amounting to ₹ 68 (March 31, 2012 - ₹ 68) from a co-development partner. The above assets do not include value of such loaned assets.

(viii) Plant and equipments includes office equipments and computer equipments.

(ix) Also refer note 40 with regards to sale of investment in AxiCorp (Discontinued operations).

(x) Also refer note 35(b) for assets given on lease.

(xi) Syngene has entered into an agreement with another customer, which grants the latter an option to purchase fixed assets on the termination of the contract with gross block of ₹ 40 (March 31, 2012- ₹ Nil) as at March 31, 2013 relating to a particular project, upon satisfaction of certain terms and conditions.

14. Intangible assets

	Intangible assets						Intangible assets under development			
	Goodwill [Refer note (i)]	Computer Software	Product Licenses	Manufacturing rights for product [Refer note (ii)]	IP - Under Commercialisation [Refer note (iii)]	Total	Product under development (IN 105)	Marketing rights of T1H	Product under development (Insulin)	Total
Gross Block										
At April 01, 2011	1,201	74	141	64	81	1,561	220	754	-	974
Additions	-	-	-	-	-	-	-	-	1,175	1,175
Sale/ adjustment during the year	1,092	36	151	-	-	1,279	-	-	1,318	1,318
Foreign currency translation adjustment	13	3	10	-	-	26	-	102	143	245
At March 31, 2012	**122**	**41**	**-**	**64**	**81**	**308**	**220**	**856**	**-**	**1,076**
Additions	-	26	-	-	-	26	-	-	-	-
Sale/ adjustment during the year	-	-	-	-	-	-	-	-	-	-
Foreign currency translation adjustment	-	-	-	-	-	-	-	61	-	61
At March 31, 2013	**122**	**67**	**-**	**64**	**81**	**334**	**220**	**917**	**-**	**1,137**
Amortisation										
At April 01, 2011	-	25	71	-	73	169	22	-	-	22
Charge for the year	-	8	-	-	8	16	22	-	155	177
Sale/ adjustment during the year	-	10	75	-	-	85	-	-	164	164
Foreign currency translation adjustment	-	1	4	-	-	5	-	-	9	9
At March 31, 2012	**-**	**24**	**-**	**-**	**81**	**105**	**44**	**-**	**-**	**44**
Charge for the year	-	10	-	-	-	10	22	-	-	22
Sale/ adjustment during the year	-	-	-	-	-	-	-	-	-	-
Foreign currency translation adjustment	-	-	-	-	-	-	-	-	-	-
At March 31, 2013	**-**	**34**	**-**	**-**	**81**	**115**	**66**	**-**	**-**	**66**
Net Block										
At March 31, 2012	**122**	**17**	**-**	**64**	**-**	**203**	**176**	**856**	**-**	**1,032**
At March 31, 2013	**122**	**33**	**-**	**64**	**-**	**219**	**154**	**917**	**-**	**1,071**

(i) During the year ended March 31, 2011, the Group acquired the interest of minority shareholders in BBL . Accordingly, ₹122 being the excess consideration paid over the net assets of BBL as on the date of acquisition has been recognised as goodwill. Also, refer note 1.

(ii) BBL has entered into an agreement with M/s. CIMAB, Cuba to acquire manufacturing rights for certain products in specified territories for a total cost of ₹ 64. M/s. CIMAB, Cuba is in the process of obtaining regulatory approvals in the respective countries. Pending such regulatory approvals, the same has not been amortised as at March 31, 2013.

(iii) Biocon acquired patents relating to certain technologies (collectively IPs) from M/s. Nobex Inc. During the year ended March 31, 2007, the Company licensed out the IP-Apaza for further development and commercialisation. Effective October 2006, the Company commenced amortisation of Apaza over a period of 5 years, being the estimated useful life of the IPs.

(iv) During the year ended March 31, 2011, Biocon SA has entered into an agreement with M/s. CIMAB, Cuba for marketing rights of T1H product relating to certain territories. The product is currently under development and pending commercialisation of the product in the said territories, no amortisation has been recorded by the Company.

(v) On April 28, 2011, Biocon SA, a subsidiary of the Company, entered into a definitive agreement with certain third parties to transfer its entire shareholding in the equity capital of its subsidiary, AxiCorp, which was consummated during the quarter ended June 30, 2011. The consideration was settled through a combination of cash and re-acquisition of the exclusive marketing rights of Insulin and Glargine for the German market aggregating to ₹ 1,610. Also refer note 40 as regards to discontinued operations.

(vi) During the year ended March 31, 2012, unamortised balance of marketing rights of Insulin and Glargine for the German region (intially procurrd by the Company to fulfill its contractual obligations to Pfizer) amounting to ₹ 1,154 was adjusted against deferred revenues pursuant to the termination of Pfizer arrangement. Also refer note 42.

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15. Non-current Investments

	March 31, 2013	March 31, 2012
A) Trade investments (valued at cost unless stated otherwise):		
Unquoted preference shares		
In associate company:		
4,285,714 (March 31, 2012 - 4,285,714) Series A Preferred Stock at US$ 0.70 each, fully paid-up, par value US $ 0.00001 each in IATRICa Inc., USA	131	131
Less: Provision for decline, other than temporary, in the value of non-current investments	(131)	-
Others:		
2,722,014 (March 31, 2012 - 2,722,014) Series B1 Preferred Convertible Stock at US$ 1.55 each, fully paid, par value US $0.001 each in Vaccinex Inc., USA	186	186
217,972 (March 31, 2012 - 217,972) Series B2 Preferred Convertible Stock at US$ 3.10 each, fully paid, par value US $0.001 each in Vaccinex Inc., USA	32	32
	218	**349**
B) Non-trade investments (valued at cost unless stated otherwise):		
Shares of the Company held by ESOP Trust (Quoted) [Par value ₹ 5, fully paid up]	427	293
	427	**293**
	645	**642**
Aggregate value of unquoted investments	218	349
Aggregate value of quoted investments (cost)	427	293
Aggregate value of quoted investments (market value)	1,176	978

(i) As on March 31, 2013, the ESOP Trust held 4,178,539 shares (March 31, 2012 - 4,091,721) of the Company towards grant / exercise of shares to / by employees of the Group under the ESOP Scheme. Also refer note 32.

(ii) Vaccinex Inc., USA ('Vaccinex') is engaged in research and development activities and has been incurring losses and has a negative net worth. As Vaccinex is a development stage enterprise and of strategic importance to the Company, management believes that there is no other than temporary diminution in the value of this investment.

(iii) In 2008, the Company invested ₹ 139 in IATRICa, engaged in the development of immunoconjugates, for a 30% equity stake. The above is net of Group's share of losses in IATRICa amounting to ₹ 7 (March 31, 2012 - ₹ 7). During the year ended March 31, 2013, there have been certain developments in connection with this investment arising due to patent filings, which are contrary to contractual obligations. Pursuant to this, on a prudent basis, the Company has created a provision of ₹ 131 for diminution, in the value of investment in IATRICa.

(iv) Biocon has invested in National Savings Certificates (unquoted) which are not disclosed above since the amounts are rounded off to Rupees million.

16. Loans and advances (Unsecured, considered good)

	Non-current		Current	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
Capital advances (refer note (i) below)	762	326	-	-
Duty drawback receivable, net of provision	67	36	-	-
Balances with statutory / government authorities	476	629	125	51
Deposits	143	136	5	-
Loan to Syngene ESOP Trust [refer note 5(ii)]	152	-	-	-
Other receivables	-	-	270	409
Advances recoverable in cash or in kind or for value to be received	6	-	400	314
MAT Credit Entitlement	297	178	-	-
Advance income tax (net of provision for taxation) [refer note (ii) below]	580	541	14	-
	2,483	**1,846**	**814**	**774**

(i) During the year ended March 31, 2008, the Company was allotted land at the Jawaharlal Nehru Pharma City Vishakhapatnam, Andhra Pradesh, on a long-term lease basis for a consideration of ₹ 260.The Company had paid the entire consideration towards the cost of the lease and during the year ending March 31, 2012, the Company has intimated the SEZ developer of its intention to surrender the above land.

(ii) Included under advance tax is ₹ 10 (March 31, 2012 - ₹ 10) of the ESOP Trust.

(iii) Other receivables include amounts due from employees to the ESOP Trust of ₹ 5 (March 31, 2012 - ₹ 6).

17. Other assets

	Non-current		Current	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
Unamortised borrowing cost	295	236	-	-
Advance premium on foreign exchange option contracts	110	51	117	59
Unbilled revenues	-	-	372	296
Interest accrued on bank deposits	-	-	66	14
	405	**287**	**555**	**369**

18. Current investments (valued at lower of cost and fair value, unless stated otherwise)

Investments in mutual funds (unquoted, fully paid-up)

	Face Value	March 31, 2013 Units	March 31, 2013 Cost	March 31, 2012 Units	March 31, 2012 Cost
Axis Fixed Term Plan - Series 20(3 Months) - Dividend Payout	10	-	-	20,000,000	200
Birla Sunlife Savings Fund Institutional Daily Dividend Reinvestment	100	4,232,501	424	-	-
Birla Sunlife Cash Plus - Institutional Premium - Daily Dividend Reinvestment	100	867,861	87	330,091	33
Birla Sunlife Short-Term FMP Series 23 - Dividend Payout	10	-	-	20,000,000	200
Birla Sunlife Short-Term FMP Series 25 - Dividend Payout	10	-	-	20,000,000	200
Birla Sunlife Short-Term FMP Series - 29 Dividend Payout	10	-	-	20,000,000	200
Birla B153DZ BSL Cash Plus DD DIR Plan Reinvestment	100	1,956,595	196	-	-
DWS Insta Cash Plus Fund - Super Institutional Plan Daily Dividend	100	-	-	1,253,141	126
HDFC Cash Management Fund - Treasury Advantage Plan - Wholesale Daily Dividend	10	39,914,155	400	34,910,222	350
HDFC Liquid Fund Premium Plan - Daily Dividend	12	-	-	12,242,895	150
HSBC Floating Rate Long-Term Plan Institutional Weekly Dividend	11	31,062,434	349	34,045,554	383
ICICI Prudential Flexible Income Plan Premium - Daily Dividend	106	3,824,653	404	1,513,217	160
ICICI Prudential Interval Fund Half Yearly Interval Plan - II Institutional Dividend Payout	10	-	-	10,000,000	100
ICICI Prudential Liquid Super Institutional Plan Daily Dividend	100	-	-	1,999,991	200
ICICI Prudential Liquid Regular Daily Dividend	100	2,904	-	-	-
ICICI 8095 PRUD Liquid Direct Plan DD	100	1,909,533	191	-	-
IDFC Fixed Maturity Quarterly Series 68 Dividend	10	-	-	10,395,387	104
IDFC Cash Fund - Super Institutional Plan C - Daily Dividend	1,000	-	-	150,030	150
IDFC Ultra Short-Term Fund - Daily Dividend Regular Plan	10	25,038,819	251	-	-
JM High Liquidity Fund Super Institutional Plan Daily Dividend	10	-	-	36,895,346	370
JP Morgan India Liquid Fund Super Institutional Daily Dividend Reinvestment	10	15,068,306	151	26,620,149	266
Kotak Liquid Institutional Premium - Daily Dividend	12	-	-	17,932,488	219
Principal Cash Management Fund Growth Plan	1,113	84,088	94	-	-
Reliance Money Manager Fund Daily Dividend Plan	1,001	446,497	447	-	-
Reliance Liquid Fund - Treasury Plan - Institutional Daily Dividend	15	-	-	24,577,514	376
Reliance Liquidity Fund Daily Dividend Reinvestment	10	-	-	21,623,804	216
Reliance Monthly Interval Fund Series I - Institutional Dividend Plan	10	-	-	4,996,053	50
Reliance Liquid Fund - Treasury Plan - Daily Dividend	1,529	232,808	356	-	-
Religare Ultra Short-Term Fund - Daily Dividend	1,002	313,381	314	-	-
SBI Premier Liquid Fund Regular Plan Daily Dividend	1,003	299,378	300	-	-
SBI Debt Fund Series - 90 Days - 58 - Dividend Payout	10	-	-	25,000,000	250
Sundaram Ultra Short-Term Fund Regular Daily Dividend	10	29,958,262	301	-	-
TATA Income Fund Plan A - Appreciation Option - Bon	11	9,244,728	98	-	-
TATA Fixed Income Portfolio Fund Scheme C3 Institutional	10	-	-	20,418,262	204
TATA TLSD01 Liquid Fund Plan A DD	1,115	224	-	-	-
TATA TLSDZ Liquid Fund Direct Plan DD	1,115	45,134	50	-	-
Templeton India Ultra Short Bond Fund Super Institutional Plan - Daily Dividend	10	40,391,470	405	-	-
Templeton India Treasury Management Account Super Institutional Plan	1,001	-	-	280,967	281
UTI Treasury Advantage Fund - Institutional Plan Daily Dividend Reinvestment	1,000	403,368	403	-	-
UTI Fixed Income Interval Fund - Series II - Quarterly Interval Plan IV - Institutional Dividend Plan	10	-	-	13,321,631	133
			5,221		**4,921**
Aggregate value of unquoted investments			**5,221**		**4,921**

(i) Above current investments include unquoted investments of the ESOP Trust of ₹ 349 (March 31, 2012 - ₹ 383).

	March 31, 2013	March 31, 2012
19. Inventories (at lower of cost and net realisable value)		
Raw materials, including goods-in-bond (refer note 24)	1,223	1,316
Packing materials (refer note 24)	184	153
Work-in-progress [refer note 25 (b)]	2,048	1,629
Traded goods [refer note 25 (b)]	267	395
Finished goods [refer note 25 (b)]	262	290
	3,984	**3,783**
20. Trade receivables (unsecured)		
Outstanding for a period exceeding six months from the date they are due for payment		
Considered good	78	61
Doubtful	29	69
	107	**130**
Provision for doubtful receivables	(29)	(69)
	78	61
Other trade receivables		
Considered good	5,019	4,856
	5,097	**4,917**
The above includes:		
Dues from Narayana Hrudayalaya Private Limited ('NHPL') in which a director of Biocon is a member of board of directors of NHPL.	4	6
21. Cash and bank balances		
Cash and cash equivalents		
Balances with banks:		
On current accounts	161	1,795
On Unpaid dividend account	5	6
In exchange earners foreign currency account	1,653	1,039
Deposits with maturity of less than three months	2,919	848
Cash on hand	2	2
	4,740	**3,690**
Other bank balances		
Deposits with original maturity of more than 3 months but less than 12 months	1,987	1,541
Margin money deposit	2	2
	1,989	**1,543**
	6,729	**5,233**

(i) Balances with banks in current accounts include balances of the ESOP Trust of ₹ 2 (March 31, 2012 - ₹ 2).

(ii) Margin money deposits with carrying amount of ₹ 2 (March 31, 2012- ₹ 2) are subject to first charge against bank guarantees obtained.

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	March 31, 2013	March 31, 2012
22. Revenue from operations		
Sale of products		
Finished goods	16,862	13,666
Traded goods	2,036	1,952
Sale of services		
Licensing and development fees	246	1,266
Contract research and manufacturing services income	5,572	4,101
Other operating revenue		
Sale of process waste	152	101
Others [refer note (a) below]	438	274
Revenue from operations (Gross)	**25,306**	**21,360**
Less: Excise duty [refer note (b) below]	453	495
Revenue from operations (net)	**24,853**	**20,865**
(a) Others include ₹ 306 (March 31, 2012 - Nil) towards one time income/compensation from few parties.		
(b) Excise duty on sales amounting to ₹ 453 (March 31, 2012- ₹ 495) has been reduced from revenue from operations in the statement of profit and loss and excise duty on increase / decrease in stock amounting to ₹ 3 [March 31, 2012- ₹ 5] has been considered as (income)/ expense in note 27 of financial statements.		
Details of products sold		
Finished goods sold		
Biopharmaceuticals	14,337	12,191
Formulations	2,525	1,475
	16,862	**13,666**
Traded goods		
Biopharmaceuticals	13	18
Formulations	2,023	1,934
	2,036	**1,952**
23. Other income		
Interest income on bank deposits	98	52
Dividend earned on current investments	303	289
Net gain on sale of current investments	9	-
Profit on fixed assets sold (net)	1	-
Foreign exchange gain (net)	-	153
Other non-operating income	116	124
	527	**618**

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	March 31, 2013	March 31, 2012
24. Cost of raw materials and packing materials consumed		
Inventory at the beginning of the year	1,469	1,043
Add: Purchases	9,957	8,676
Less: Inventory at the end of the year	1,407	1,469
	10,019	**8,250**
Less: Cost of raw materials and packing materials consumed for Research and Development	-	60
Cost of raw materials and packing materials consumed (refer note (a))	**10,019**	**8,190**
(a) Cost of raw materials and packing materials consumed is computed after excluding inventory of AxiCorp. Also refer note 40.		
(b) Consumption for the year ended March 31, 2013 includes ₹ 49 pertaining to the prior year.		
25. (a) Purchase of traded goods		
Details of purchase of traded goods:		
Biopharmaceuticals	24	87
Formulations	669	683
	693	**770**
25. (b) (Increase)/Decrease in inventories of finished goods, traded goods and work-in-progress		
Inventory at the beginning of the year		
Traded goods	395	185
Finished goods, net of excise duty	285	138
Work-in-progress	1,629	1,541
	2,309	**1,864**
Inventory at the end of the year		
Traded goods	267	395
Finished goods, net of excise duty	259	285
Work-in-progress	2,048	1,629
	2,574	**2,309**
(Increase)/ decrease in inventories (refer note (i))	**(265)**	**(445)**
(i) (Increase)/ decrease in inventories of finished goods is computed after excluding inventory of AxiCorp. Also refer note 40.		
Details of Inventory:		
Traded goods		
Biopharmaceuticals	7	-
Formulations	260	395
	267	**395**
Finished goods, net of excise duty		
Biopharmaceuticals	72	101
Formulations	187	184
	259	**285**
Work-in-progress		
Biopharmaceuticals	1,930	1,481
Formulations	118	148
	2,048	**1,629**
26. Employee benefits expense		
Salaries, wages and bonus	3,470	2,682
Contribution to provident fund	153	126
Gratuity (refer note 39)	60	44
Employee stock compensation expense	3	5
Welfare expenses	208	219
	3,894	**3,076**

	March 31, 2013	March 31, 2012
27. Other expenses		
Royalty and technical fees	14	17
Rent	38	31
Communication expenses	106	108
Travelling and conveyance	425	335
Professional charges	463	337
Directors fees including commission	11	6
Power and fuel	1,426	972
Insurance	30	27
Rates, taxes and fees, net of refunds of taxes	108	48
Lab consumables	400	378
Repairs and maintenance		
Plant and machinery	223	207
Buildings	34	35
Others	245	221
Selling expenses		
Freight outwards and clearing charges	224	180
Sales promotion expenses	586	532
Commission and brokerage (other than sole selling agents) [refer note (a) below]	186	162
(Increase)/ decrease in excise duty on inventory [refer note 22(b)]	(3)	5
Bad debts written off	38	7
Provision for doubtful debts	(40)	-
Printing and stationery	41	36
Foreign exchange loss (net)	271	-
Research and development expenses [includes prior period amounting to ₹ 25 (March 31, 2012 - ₹ Nil)]	978	361
Clinical trial and development expenses	89	644
Miscellaneous expenses	209	183
	6,102	**4,832**
Recharge of product development expenses to other parties for co-development of products	(681)	(693)
Adjustment of product development expenses with deferred revenues [refer note (b) below]	(339)	(38)
	5,082	**4,101**

(a) Commission and brokerage are net of write back of provision no longer required of ₹ Nil (March 31, 2012 ₹ 20).

(b) Research and development expenses of ₹ 339 (March 31, 2012 - ₹ 38) incurred towards the insulin program subsequent to the date of termination of the Pfizer arrangement have been adjusted against the amounts received from Pfizer. Refer note 42.

	March 31, 2013	March 31, 2012
28. Depreciation and amortisation (net)		
Depreciation of tangible assets [refer note 13]	1,824	1,594
Amortisation of intangible assets [refer note 14]	32	193
Amount recovered from customer/co-development partner [refer note 13(iii) and 13(iv)]	(63)	(43)
	1,793	**1,744**
29. Finance costs		
Interest expense	40	51
Exchange difference to the extent considered as an adjustment to borrowing cost	41	71
	81	**122**
30. Exceptional items (net)		
Provision for other than temporary diminution in the value of long-term investments [refer note 15(iii)]	(131)	-
Exceptional income [refer note (42)]	2,150	-
	2,019	**-**
31. Research and development expenses		
Research and development expenses (a)	978	361
Other Research and development expenses included in other heads (b)	1,664	1,187
(a + b)	**2,642**	**1,548**
Recharge of research expenses for co-development of products	(681)	(693)
Adjustment of product development expenses with deferred revenues [refer note 27(b)]	(339)	(38)
	1,622	**817**
Research and development expenses on Buildings and Equipments		
Buildings	-	28
Equipments (net of disposals)	238	34
	238	**62**

32. Employee stock compensation

On September 27, 2001, Biocon's Board of Directors approved the Biocon Employee Stock Option Plan ('ESOP Plan 2000') for the grant of stock options to the employees of the Company and its subsidiaries / joint venture company. A Compensation Committee has been constituted to administer the plan through a trust established specifically for this purpose, called the Biocon India Limited Employee Welfare Trust (ESOP Trust).

The ESOP Trust shall make additional purchase of equity shares of the Company using the proceeds from the loan obtained from the Company, other cash inflows from allotment of shares to employees under the ESOP Plan and shall subscribe, when allotted to such number of shares as is necessary for transferring to the employees. The ESOP Trust may also receive shares from the promoters for the purpose of issuance to the employees under the ESOP Plan. The Compensation Committee shall determine the exercise price which will not be less than the face value of the shares.

Grant I

In September 2001, the Company granted 71,510 options (face value of shares ₹ 5 each) under the ESOP Plan 2000 to be exercised at a grant price of ₹ 10 (before adjusting bonus and share split). The options vested with the employees equally over a four year period.

Grant II

In January 2004, the Company granted 142,100 options (face value of shares - ₹ 5 each) under ESOP Plan 2000 to be exercised at a price of ₹ 5 per share. The options vest with the employees equally over a four year period.

Grant III

In January 2004, the Board of Directors announced the Biocon Employee Stock Option Plan (ESOP Plan 2004) for the grant of stock options to the employees of the Company and its subsidiaries / joint venture company, pursuant to which the Compensation Committee on March 19, 2004 granted 422,000 options (face value of shares - ₹ 5 each) under the ESOP Plan 2004 to be exercised at a grant price of ₹ 315 being the issue price determined for the IPO through the book building process. The options vest with the employees equally over a four year period.

Grant IV

In July 2006, the Company approved the grant of 3,478,200 options (face value of shares - ₹ 5 each) to its employees under the existing ESOP Plan 2000. The options under this grant would vest to the employees as 25%, 35% and 40% of the total grant at the end of first, second, third year from the date of the grant, respectively, with an exercise period of three years for each grant. The vesting conditions include service terms and performance grade of the employees. These options are exercisable at a discount of 20% to the market price of Company's shares on the date of grant.

Details of Grant IV

Particulars	March 31, 2013		March 31, 2012	
	No. of Options *	Weighted Average Exercise Price (₹)*	No. of Options *	Weighted Average Exercise Price (₹)*
Outstanding at the beginning of the year	1,151,077	167	1,590,526	160
Granted during the year	20,787	134	24,242	138
Forfeited during the year	-	-	-	-
Exercised during the year	446,248	145	463,691	142
Expired during the year	-	-	-	-
Outstanding at the end of the year	725,616	180	1,151,077	167
Exercisable at the end of the year	639,616	175	897,437	161
Weighted average remaining contractual life (in years)	0.3	-	0.7	-

*adjusted for the effect of bonus shares

Grant V

In April 2008, the Company approved the grant of 813,860 options (face value of shares - ₹ 5 each) to its employees under the existing ESOP Plan 2000. The options under this grant would vest to the employees as 25%, 35% and 40% of the total grant at the end of first, second, third year from the date of grant, respectively, with an exercise period of three years for each grant. The vesting conditions include service terms and performance grade of the employees. These options are exercisable at the market price of Company's shares on the date of grant.

Details of Grant V

Particulars	March 31, 2013		March 31, 2012	
	No. of Options	Weighted Average Exercise Price (₹)	No. of Options	Weighted Average Exercise Price (₹)
Outstanding at the beginning of the year	771,500	300	235,428	265
Granted during the year	367,000	254	539,572	315
Forfeited during the year	65,000	285	-	-
Exercised during the year	9,000	193	3,500	210
Expired during the year	-	-	-	-
Outstanding at the end of the year	1,064,500	286	771,500	300
Exercisable at the end of the year	67,100	218	13,625	194
Weighted average remaining contractual life (in years)	5.1		5.5	
Weighted average fair value of options granted (₹)		130		141

The average market price of the Company's share during the year ended March 31, 2013 is ₹ 260 (March 31, 2012 ₹ 322) per share.

Assumptions used in determination of the fair value of the stock options under the Black Scholes Model are as follows:

Particulars	March 31, 2013	March 31, 2012
Weighted Average Remaining Contractual Life in options (years)	5.1	5.5
Weighted Average Exercise Price	286	300
Expected volatility	35.66%	40.45%
Historical volatility	32.50%	36.87%
Life of the options granted (vesting and exercise period) in years	7.2	7.2
Expected dividends per share	5.00	5.00
Average risk-free interest rate	8.00%	8.50%
Expected dividend rate	1.83%	2.09%

Since the Company uses the intrinsic value method for determination of the employee stock compensation expense, the impact on the reported net profit and earnings per share under the fair value approach is as given below :

Particulars		
Net Profit after taxes	5,089	3,384
Add: Employee stock compensation under intrinsic value	3	5
Less: Employee stock compensation under fair value	22	19
Proforma profit	**5,070**	**3,370**
Earnings per Share - Basic		
- As reported	25.99	17.27
- Proforma	25.89	17.20
Earnings per Share - Diluted		
- As reported	25.75	17.11
- Proforma	25.66	17.04

A summary of movement in respect of the shares held by the ESOP Trust is as follows:

Particulars		
Opening balance of equity shares not exercised by employees and available with the ESOP Trust	4,091,721	4,457,536
Add: Shares purchased by the ESOP trust	542,066	101,376
Less: Shares exercised by employees	(455,248)	(467,191)
Closing balance of shares not exercised by employees and available with the ESOP Trust	**4,178,539**	**4,091,721**
Options granted and eligible for exercise at end of the year	706,716	911,062
Options granted but not eligible for exercise at end of the year	1,083,400	1,011,515

33. Reconciliation of basic and dilutive shares used in computing earnings per share (EPS)

	March 31, 2013	March 31, 2012
Basic outstanding shares	200,000,000	200,000,000
Less: Shares with the ESOP Trust	4,178,539	4,091,721
	195,821,461	**195,908,279**
Add: Effect of dilutive options granted but not exercised / not eligible for exercise	1,790,116	1,922,577
Weighted average shares used for computing diluted EPS	**197,611,577**	**197,830,856**

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34. Related party transactions

Sl. No.	Name of the related party	Relationship	Description	April 1, 2012 to March 31, 2013 Income/ (expenses) /other transactions	Balance as at March 31, 2013 (Payable)/ receivable	April 1, 2011 to March 31, 2012 Income/ (expenses) /other transactions	Balance as at March 31, 2012 (Payable)/ receivable
1	Kiran Mazumdar Shaw	Managing Director	Salary and perquisites	(15)	-	(15)	-
			Salary payable	-	-	-	(3)
2	John Shaw	Director	Salary and perquisites	(10)	-	(10)	-
			Salary payable	-	-	-	(1)
3	Glentec International	Enterprise owned by Key Management Personnel	Rent expenses paid	(3)	-	(3)	-
4	NeoBiocon FZ LLC	Joint Venture	Sale of goods	22	-	10	-
			Trade receivables	-	17	-	10
5	IATRICa Inc.	Associate	Research and Development expenses	(140)	-	(43)	-
			Advances recoverable in cash or in kind or for value to be received	-	-	-	55

(i) The Company has paid rent to P K Associates, a proprietary firm of relative of Director, which is not disclosed above since the amounts are rounded off to Rupees million.

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	March 31, 2013	March 31, 2012
35. Commitments		
(a) Capital commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for, net of advances	6,479	1,923
(b) Operating lease commitments		
Where the Group is a lessee		
(i) Rent :		
The Group has entered into various agreements for lease of building / office space which expires over a period up to May 2021.		
Gross rental expenses for the year aggregates to ₹ 29 (March 31, 2012 - ₹ 26) The committed lease rentals in the future are:		
Not later than one year	17	26
Later than one year and not later than five years	31	45
Later than five years	19	24
(ii) Vehicles :		
The Group has taken vehicles for employees under operating leases, which expires over a period up to January 2017. Gross rental expenses for the year aggregate to ₹ 17 (March 31, 2012 - ₹ 17). The committed lease rental in the future are:		
Not later than one year	13	13
Later than one year and not later than five years	16	13
Later than five years	-	-
Where the Group is a Lessor:		
(i) Rent		
The Company has leased out certain parts of its building (including fit outs) and land on an operating lease, which expire over a period up to September 2017. Gross rental income for the year aggregate to ₹ 20 (March 31, 2012 - ₹ 22). Further, minimum lease rentals under operating lease are as follows:		
Not later than one year	20	20
Later than one year and not later than five years	81	81
Later than 5 Years	10	11
Considering that the leased assets comprise of portion of factory buildings located within the Company's factory premises, disclosure with regard to gross value of leased assets, accumulated depreciation and net book value of the same is not feasible.		
36. Contingent liabilities		
(i) Claims against the Company not acknowledged as debt	1,669	1,028
Includes taxation matters under appeal (Direct and Indirect taxes) ₹ 1,321 (March 31, 2012 - ₹ 1,028)		
(ii) Corporate guarantees given to the Central Excise Department	841	841
(iii) Guarantee given for securing facilities granted to Axicorp GmbH .	-	271
(iv) Guarantees given by banks on behalf of the Group for financial and other contractual obligations of the Group.	158	128
Includes share of the Group in respect of guarantees issued by NeoBiocon (joint venture), of ₹ 3 (March 31, 2012 - ₹ 1)		

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37. Foreign exchange forward contracts and unhedged foreign currency exposure

The Group has entered into foreign exchange forward and option contracts to hedge highly probable forecasted transactions in foreign currency.

	Currency	March 31, 2013 (in million)	March 31, 2012 (in million)
In respect of highly probable forecasted sales/export collection:			
Foreign exchange forward contracts with periodical maturity dates	USD	78	100
European style option contracts with periodical maturity dates	USD	131	129
European style option contracts with periodical maturity dates	EURO	-	12
In respect of foreign currency loans taken and granted:			
Foreign exchange forward contracts with periodical maturity dates	USD	5	16

The unhedged foreign currency exposure as at the Balance Sheet date is as given below:

	March 31, 2013	March 31, 2012
Balances with banks		
Exchange earners foreign currency account	1,653	1,039
Fixed deposit accounts	126	319
Export trade receivables (Including unbilled revenue)	2,744	2,199
Other receivables - current	211	403
Advance from customers	94	151
Import payables	1,847	1,577
Long-term borrowings	1,240	51
Short-term borrowings	273	533

Interest rate swap

During the year ended March 31, 2012, Biocon Sdn. Bhd has entered into floating to fixed interest rate swap to hedge the interest rate exposure on proposed utilisation of US$ 130 million term loan facility. The aggregate amount of loans covered under the said interest rate swap as at March 31, 2013 is ₹ 4,144 (US$ 76 million) [March 31, 2012 ₹ 3,868 (US$ 76 million)]. The periodic net payments related to interest rate swap to the extent of underlying borrowings, is recorded as borrowing cost.

38. Interest in joint venture

The Company has 50% interest in the assets, liabilities, expenses and income of NeoBiocon incorporated in Dubai. The share of the Company in the accumulated profit of NeoBiocon as at March 31, 2013 stood at ₹ 116 (March 31, 2012 - ₹ 50), refer note 1. The aggregate amount of Biocon's interest in NeoBiocon is as follows.

	March 31, 2013	March 31, 2012
Assets	171	102
Liabilities	45	46
Income	231	114
Expenses	165	81

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39. Employee benefit plans

The Group has a defined benefit gratuity plan. Every employee in India who has completed five years or more of service gets a gratuity on departure at 15 days salary (last drawn salary) for each completed year of service.

A summary of the gratuity plan is as follows:

Balance Sheet

	March 31, 2013	March 31, 2012
Defined benefit obligation	247	188
Fair value of plan assets	94	94
Plan Liability	**153**	**94**
The change in benefit obligation and funded status of the gratuity plan is as follows:		
Change in benefit obligation		
Benefit obligation at the beginning of the year	188	144
Current service cost	71	22
Past service cost	-	-
Interest cost	16	11
Benefits paid	(10)	(7)
Actuarial (gain) / loss	(18)	18
Benefit obligation at the end of the year	**247**	**188**
Change in fair value of plan assets		
Fair value of plan assets at beginning of the year	94	95
Expected return on plan assets	10	7
Actuarial gain / (loss)	-	(1)
Actual contribution	-	-
Benefits paid	(10)	(7)
Fair value of plan assets at end of the year	**94**	**94**
Net gratuity cost:		
Components of net benefit cost		
Current service cost	71	22
Past service cost	-	-
Interest cost	16	12
Expected return on plan assets	(9)	(7)
Net actuarial (gain) / loss recognised during the year	(18)	17
Net gratuity cost	**60**	**44**
Actual return on plan assets	9	7

Experience adjustment	**March 31, 2013**	**March 31, 2012**	**March 31, 2011**	**March 31, 2010**	**March 31, 2009**
Defined benefit obligation	247	188	144	116	92
Plan assets	94	94	95	81	77
Surplus / (Deficit)	(150)	(94)	(49)	(35)	(15)
Experience adjustments on plan liabilities gain / (loss)	23	(30)	(16)	(6)	1
Experience adjustments on plan assets gain / (loss)	-	-	(2)	1	4

The assumptions used for gratuity valuation are as below:

	March 31, 2013	March 31, 2012
Interest rate	8.50%	8.50%
Discount rate	8.00%	8.50%
Expected return on plan assets	8.70%	9.00%
Salary increase	8.00%	8.00%
Attrition rate up to age 44	18 to 26%	18% to 25%
Attrition rate above age 44	5% to 8%	6% to 7%
Retirement age - Years	58	58

The Group evaluates these assumptions based on its long-term plans of growth and industry standards and the expected contribution to the fund during the year ending March 31, 2013, is approximately ₹ 113 (March 31, 2012 - ₹ 94).

The nature of allocation of the fund is only in debt based mutual funds of high credit rating.

40. Discontinued operations

On April 28, 2011, Biocon SA, a subsidiary of the Company, entered into a definitive agreement with certain third parties to transfer its entire shareholding in the equity capital of its subsidiary, AxiCorp, which was consummated during the quarter ended June 30, 2011. The consideration was settled through a combination of cash of ₹ 502 and re-acquisition of the exclusive marketing rights of Insulin and Glargine for the German market aggregating to ₹ 1,610. The Company followed a consistent practice of consolidating the financial results of AxiCorp with a gap of 3 months and adjusting for significant subsequent transactions / other events, if any in accordance with Accounting Standard 21.

The following statement shows the revenue and expenses of the discontinued operations :

	March 31, 2013	March 31, 2012 (see note (i) and (ii) below)
Total Income	-	2,456
Expenses	-	2,381
Profit from operating activities	**-**	**75**
Finance costs	-	2
Depreciation / amortisation	-	14
Profit before tax	**-**	**59**
Income tax expense		18
Profit before minority interest	**-**	**41**
Minority interest	-	9
Net profit	**-**	**32**

The carrying amounts of the total assets, liabilities and minority interest for the discontinued operations are as follows:

	March 31, 2013	March 31, 2012
Total assets	-	-
Total liabilities	-	-
Minority interest	-	-
Net assets	**-**	**-**

The net cash flows attributable to the discontinued operations are as follows:

	March 31, 2013	March 31, 2012 (see note (i) and (ii) below)
Operating activities	-	(268)
Investing activities	-	(4)
Financing activities	-	60
Net cash outflows	**-**	**(212)**

(i) Pertains to the period January 1, 2011 to March 31, 2011.

(ii) The balances considered for consolidation in the year ended March 31, 2012 are based on the unaudited financial statements of AxiCorp. These unaudited financial statements of AxiCorp were subjected to a Limited Review by the auditors of AxiCorp.

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41. Segmental information

Business segments

The primary reporting of the Group has been performed on the basis of business segment. The Group is organised into two business segments, active pharmaceutical ingredients ('Pharma') and contract research and manufacturing services ('contract research'). Segments have been identified and reported based on the nature of the products, the risks and returns, the organisation structure and the internal financial reporting systems.

April 1, 2012 to March 31, 2013 [continuing operations]

Particulars	Pharma	Contract Research	Unallocated	Eliminations	Total
Revenues					
External sales	19,183	5,670	-	-	24,853
Inter-segment transfers	-	213	-	(213)	-
Total revenues	19,183	5,883	-	(213)	24,853
Costs					
Segment costs	(11,426)	(3,775)	-	-	(15,201)
Inter-segment transfers	(213)	-	-	213	-
Result					
Segment result	7,544	2,108	-	-	9,652
Corporate expenses	-	-	(4,220)		(4,220)
Other income	-	-	527	-	527
Operating profit					5,958
Depreciation / amortisation	(1,156)	(637)	-	-	(1,793)
Finance costs	-	-	(81)	-	(81)
Income taxes - Current and deferred	-	-	(975)	-	(975)
Exceptional items	-	-	2,019	-	2,019
Minority Interest	-	-	(38)	-	(38)
Profit after taxes					5,089
Other information					
Segment assets	24,615	7,733	-	-	32,348
Unallocated corporate assets	-	-	11,813	-	11,813
Total assets					44,161
Segment liabilities	11,780	2,229	-	-	14,009
Unallocated corporate liabilities	-	-	2,553	-	2,553
Minority Interest	-	-	653	-	653
Total liabilities					17,215
Capital expenditure	2,913	615	-	-	3,528

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April 1, 2011 to March 31, 2012

Particulars	Continuing Operations					Discontinued Operations (Refer note 40)	Total operations
	Pharma	Contract Research	Unallocated	Eliminations	Total		
Revenues							
External sales	16,682	4,183	-	-	20,865	2,446	23,311
Inter-segment transfers	-	274	-	(274)	-	-	-
Total revenues	16,682	4,457	-	(274)	20,865	2,446	23,311
Costs							
Segment costs	(10,293)	(2,960)	-	-	(13,253)	(2,076)	(15,329)
Inter-segment transfers	(274)	-	-	274	-	-	-
Result							
Segment result	6,115	1,497	-	-	7,612	370	7,982
Corporate expenses	-	-	(2,439)	-	(2,439)	(305)	(2,744)
Other income	-	-	618	-	618	10	628
Operating profit					5,791	75	5,866
Depreciation / amortisation	(1,157)	(587)	-	-	(1,744)	(14)	(1,758)
Finance costs	-	-	(122)	-	(122)	(2)	(124)
Income taxes - Current and deferred	-	-	(541)	-	(541)	(18)	(559)
Minority Interest	-	-	-	-	-	(9)	(9)
					3,384	32	3,416
Less: Loss from divestment of discontinued operations					-	(32)	(32)
Profit after taxes					3,384	-	3,384
Other information							
Segment assets	22,202	6,531	-	-	28,733	-	
Unallocated corporate assets	-	-	10,717	-	10,717	-	
Total assets					39,450	-	
Segment liabilities	12,836	3,100	-	-	15,936	-	
Unallocated corporate liabilities	-	-	752	-	752	-	
Minority Interest	-	-	38	-	38	-	
Total liabilities					16,726	-	
Capital expenditure	4,070	610	-	-	4,680	-	

Geographical segments

Secondary segmental reporting is performed on the basis of the geographical location of customers. The management views the Indian market and export markets as distinct geographical segments. The following is the distribution of the Group's sale by geographical markets:

Revenues, net	Continuing operations		Discontinued operations		Total	
	April 1, 2012 to March 31, 2013	April 1, 2011 to March 31, 2012	April 1, 2012 to March 31, 2013	April 1, 2011 to March 31, 2012	April 1, 2012 to March 31, 2013	April 1, 2011 to March 31, 2012
India	9,183	8,727	-	-	9,183	8,727
Outside India	15,670	12,138	-	2,446	15,670	14,584
Total	**24,853**	**20,865**	**-**	**2,446**	**24,853**	**23,311**

The following is the carrying amount of assets by geographical area in which the assets are located:

	Carrying amount of assets		Capital expenditure	
	March 31, 2013	March 31, 2012	March 31, 2013	March 31, 2012
India	31,627	29,549	2,114	2,628
Outside India	12,534	9,901	1,414	2,052
	44,161	**39,450**	**3,528**	**4,680**

Segment revenue and result

The expenses that are not directly attributable and that cannot be allocated to a business segment on a reasonable basis are shown as unallocated corporate expenses.

Segment assets and liabilities

Segment assets include all operating assets used by the business segment and consist principally of fixed assets and current assets. Segment liabilities comprise of liabilities which can be identified directly against the respective segments. Assets and liabilities that have not been allocated between segments are shown as part of unallocated corporate assets and liabilities respectively.

42. During the year ended March 31, 2012, based on an evaluation of the prevalent regulatory framework, industry practices and ethics / governance requirements relating to clinical trials and the regulatory submissions already initiated / filed under the global commercialization agreement, Biocon SA had determined that it had continuing obligations to complete clinical development and regulatory activities relating to its Biosimilar Insulin portfolio comprising of Biosimilar Insulin and Biosimilar Insulin Analogs. Accordingly, pursuant to the termination of the customer contract in March 2012, as at March 31, 2012 Biocon SA deferred the balance amount of the upfront amounts of ₹ 4,929 (net of amounts incurred towards cost of fulfilling contractual obligations) received from the customer, to be recognized in the consolidated statement of profit and loss in subsequent periods in line with costs incurred towards such clinical trials and development activities. During the year ended March 31, 2013, ₹ 339 has been netted off against expenses incurred towards such clinical trial and development activities.

In February 2013, Biocon SA entered into an agreement with another customer for the global development and commercialization of Biosimilar Insulin Analogs (the Agreement), granting the customer exclusive rights to commercialize Biosimilar Insulin Analogs in certain countries. The clinical development and regulatory activities in respect of such Biosimilar Insulin Analogs is now being carried out in accordance with the Agreement. As such Biocon SA has now determined that it does not have continuing obligations for clinical trials and development activities in respect of Biosimilar Insulin Analogs. Accordingly, based on an allocation in proportion of estimated future development spends on these programs, ₹ 2,150 of deferred revenues allocated to Biosimilar Insulin Analogs (net of amounts already recognized in the consolidated statement of profit and loss) has been recognized as income in the consolidated statement of profit and loss for the year ended March 31, 2013 and is disclosed under exceptional items. Considering that Biocon has continuing obligations in respect of Biosimilar Insulin, the remainder of deferred amounts of ₹ 2,800 continues to be recognized in the consolidated statement of profit and loss in line with costs to be incurred towards clinical trials and development activities of Biosimilar Insulin.

43. Other notes

The Company has entered into transactions of sale of products to a private company amounting to ₹ 28, during the year ended March 31, 2013 (March 31, 2012 - ₹ 17), that require prior approval from Central Government under Section 297 of the Companies Act, 1956. These transactions, entered into at prevailing market prices have been approved by the Board of Directors of the Company. The Company has filed applications with the Central Government for approval of such transactions and for condonation of delay in making such application for the years 2010-11 and 2011-12. In respect of transactions entered during the year ended March 31, 2013, the Company is in the process of filing an application with the Central Government for approval of such transactions and for condonation of delay in making such application.

44. Prior year comparatives

The previous year's figures have been re-grouped / reclassified, where necessary to conform to current year's classification.

As per our report of even date

For S. R. BATLIBOI & ASSOCIATES LLP
ICAI Firm registration no.: 101049W
Chartered Accountants

per Aditya Vikram Bhauwala
Partner
Membership no.: 208382

Bangalore
April 25, 2013

For and on behalf of the Board of Directors of Biocon Limited

Kiran Mazumdar Shaw
Managing Director

John Shaw
Director

Murali Krishnan K N
President - Group Finance

Kiran Kumar
Company Secretary

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Glossary

ABIH	American Board of Industrial Hygiene
AFSSAPS	Agence Francaise de Securite Sanitaire des Produits de Sante
ANDA	Abbreviated New Drug Application
ANVISA	Agência Nacional de Vigilância Sanitária - Brazil
APAC	Asia-Pacific
API	Active Pharmaceutical Ingredient
ASCO	American Society of Clinical Oncology
ASEAN	Association of Southeast Asian Nations
BBRC	Biocon - Bristol-Myers Squibb Research Center
BE Studies	Bio Equivalence Studies
BEST	BIOMAb EGFR Efficacy & Safety Trial
BIPP	Biotechnology Industrial Partnership Programme
BRIC	Brazil, Russia, India and China
BRIC-TM-K	Brazil, Russia, India, China, Turkey, Mexico and Korea
CADD	Computer Aided Drug Design
CAGR	Compound Annual Growth Rate
CAP	College of American Pathologists
CAPA	Corrective and Preventive Action
CDI	Clostridium Difficile Infection
cGMP	Current Good Manufacturing Practices
CHW	Community Health Workers
CLL	Chronic Lymphocytic Leukaemia
CMC	Chemistry Manufacturing & Control
COFEPRIS	Comision Federal para la Proteccion contra Riesgos Sanitarios
COS	Certificate of Suitability
CRC	Custom Research Company
CRO	Contract Research Organisation
CSIR	Council of Scientific and Industrial Research
CTD	Common Technical Dossier
CTRT	Chemo Therapy and Radio Therapy
DBT	Department of Biotechnology
DCA	Diabetes Care Advisors
DMF	Drug Master File
DMPK	Drug Metabolism and Pharmacokinetics
DPCO	Drug Price Control Order
DPRP	Drugs and Pharmaceutical Research Programme
DSIR	Department of Scientific and Industrial Research
DST	Department of Science and Technology
EDQM	European Directorate for Quality of Medicines
EGFR	Epidermal Growth Factor Receptor
EMA	European Medicine Agency
EPO	Erythropoietin
ESRD	End Stage Renal Disease
ETP	Effluent Treatment Plant
EU	European Union
FTE	Full Time Equivalent
G-7	France, Germany, Italy, Japan, United Kingdom, United States, Canada
GCC	Gulf Co-operation Council
GCP	Good Clinical Practice
GHG	Green House Gases
GMP	Good Manufacturing Practices
HCC	Hepato Cellular Carcinoma
ICAI	Institute of Chartered Accountants of India
ICH	International Conference on Harmonisation
IGAAP	Indian Generally Accepted Accounting Principles
IIM	Indian Institute of Management
IMPD	Investigational Medicinal Product Dossier
IND	Investigational New Drugs
IPM	Indian Pharmaceutical Market
IPR	Intellectual Property Rights
IVD	In-Vitro Diagnostics
LatAm	Latin America
LIMS	Laboratory Information Management system
LTU	Large Tax payers Unit
M&A	Mergers and Acquisitions
MAbs	Monoclonal Antibodies
MCAZ	Medicines Control Authority of Zimbabwe
MIST	Mexico, Indonesia, South Korea and Turkey
MIT	Massachusetts Institute of Technology
MMF	Mycophenolate Mofetil
MPA	Mycophenolic Acid
MRP	Mutual Recognition Procedure
mTOR	Mammalian Target of Rapamycin
NCEs	New Chemical Entities
NET	Neuro Endocrine TumorsNHL Non-Hodgkin's lymphoma
NHPL	Narayana Hrudayalaya Private Limited
NITIE	National Institute of Industrial Engineering
NMITLI	New Millennium Indian Technology Leadership Initiative
NSCLC	Non-Small Cell Lung Carcinoma
OHSAS	Occupational Health Safety Assessment Series
OOS	Out Of Specification
OPPI	Organisation of Pharmaceutical Producers of India
OTC	Over the Counter
PASI	Psoriasis Area and Severity Index
PCT	Patent Co-operation Treaty
PDBIT	Profit Before Depreciation, Interest & Taxes
PFS	Pre-Filled Syringes
PK / PD	Pharmaco Kinetic / Pharmaco Dynamic
RCC	Renal Cell Carcinoma
r-met HuG-CSF	Recombinant methionyl human Granulocyte colony stimulating factor
rh-insulin	Recombinant human insulin
ROW	Rest of the world
SEGA	Sub Ependymal Giant Cell Carcinoma
SKU	Stock Keeping Unit
SMBG	Self-Monitoring of Blood Glucose
TDM	Therapeutic Drug Monitoring Level
TGA	Therapeutics Good Administration - Australia
TPM	Total Productive Maintenance
TRIPS	Trade Related Aspects of Intellectual Property Rights
TS	Tuberous Sclerosis
USFDA	United States Food and Drug Administration
WHO	World Health Organisation
WTO	World Trade Organisation
WWD	Winning With Diabetes
YOY	Year On Year

Pharmerging Refers to China, Brazil, India, Russia, Mexico, Turkey, Venezuela, Poland, Argentina, Thailand, Romania, Indonesia, South Africa, Egypt, Ukraine, Pakistan and Vietnam.

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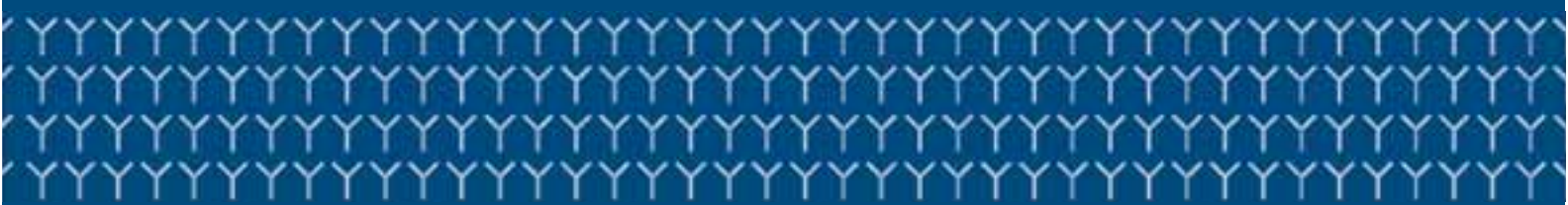

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