Annual Report 2014

Biocon

Tryst and Trust

Forward Looking Statement

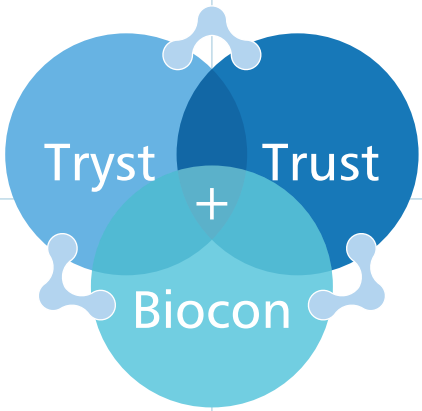
In this Annual Report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements - written and oral - that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes' and words of similar substance in connection with any discussion of future performance. The market data & rankings used in the various chapters are based on several published reports and internal company assessment.

We cannot guarantee that these forward looking statements will be realised, although we believe we have been prudent in our assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

Contents

Tryst and Trust

At Biocon, we are driven by our passion to develop research-driven cutting-edge therapies. Our tryst with innovation has enabled us to address the relatively unmet needs of our patients through differentiated products in challenging therapeutic spaces. We have earned the trust of our patients and doctors through products that are safe, efficacious and affordable. We are constantly engaged in the pursuit of excellence to find solutions that heal the world.


Tryst
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+
Biocon

Tryst, Trust and Biocon

The highest attainable standard of health is a fundamental right of every human being. In this context, universal access to healthcare assumes prime importance. However, healthcare continues to face a significant challenge across the world. There exists a huge gap between the healthcare standards of advanced and emerging economies. Nearly 2 billion people, a third of the world's population, lack access to essential medicines; millions across the world do not even have access to basic healthcare. Where healthcare does exist, it is unaffordable. In most developing economies, drugs account for 20-60% of healthcare costs, and 50-90% of these costs are paid out-of-pocket. An illness in the family is the surest route to indebtedness and bankruptcy.

This is especially true in a country like India, where almost 3% of the population moves into the medical poverty trap each year. Poverty, malnutrition and illness merge into an eternal loop; expensive medical care aggravates the situation.

Moreover, developing countries like India and China are challenged with a much larger disease burden due to ageing populations and rising incidence of non-communicable diseases (NCDs) like diabetes, cancer and autoimmune disorders,

in addition to an overabundance of infectious diseases. The cost of treatment for NCDs is simply unaffordable in these countries, with the 'standard of care' being equivalent to several months' wages for a majority of the population.

Low public spending on healthcare in India (~1% of GDP) and lack of access to health insurance (~15% of the population) necessitate a robust universal healthcare program aimed at providing affordable access.

In this realm, Biocon has taken the lead to harness the power of biotechnology through affordable innovation. We are constantly engaged in finding novel solutions for numerous healthcare challenges. Over the years, Biocon has invested in cutting-edge science, key research partnerships and global manufacturing scale to develop products that address the various needs of patients worldwide.

It is estimated that by 2030 there will be over 550 million diabetics globally. Over 80% of these will be in the developing countries. The cost of diabetes management is enormous as it is a progressive disease that requires constant diagnostic monitoring, besides the actual treatment.

Biocon, India's largest domestic branded biologics company, has played a crucial role in addressing this huge disease burden by developing the world's first Pichia-based recombinant human insulin, a decade ago. Insugen® (rh-insulin) was launched in India at less than half the prevailing price, compelling MNC brands to drop prices, which hugely benefited the patients. Today, Insugen® is the largest domestic brand of Insulin in India and Biocon is the fourth largest Insulins company in the world.

Similarly, it is observed that low and middle income countries face the 5/80 cancer disequilibrium. While 80% of the cancer burden

Our Key Innovations

- ALZUMAb™
- BIOMAb-EGFR®
- CANMAb™
- Insugen®
- BASALOG®

is faced by these countries, only 5% of the global spending on cancer happens here because most patients cannot afford the treatment.

The quest for a cost-effective treatment for one of the most prevalent forms of cancer in India led Biocon to develop India's first indigenously produced monoclonal antibody for head and neck cancer, BIOMAb-EGFR®, in 2006. Thousands of patients have benefited from this product.

Taking our battle with cancer forward, we successfully developed the world's first follow-on biologic trastuzumab and introduced it as CANMAb™ in India in FY14. It is the world's most affordable trastuzumab for HER2-positive metastatic breast cancer.

Autoimmune diseases are on the rise globally; nearly 2-3% of the world population suffers from psoriasis. Biocon has successfully

developed ALZUMAb™, the world's first anti-CD6 monoclonal antibody for psoriasis. It is our second novel biologic and has started making a difference to patients suffering from chronic plaque psoriasis in India. This molecule also holds promise for a range of other autoimmune diseases.

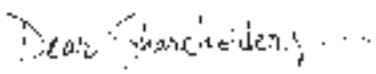
Capitalizing on the success of biologics introduced in India, Biocon is engaged in the global clinical development of its pipeline of novel research assets. Through several promising discovery partnerships, we remain committed to extending the benefits of these products to patients globally.

Biocon's tryst with innovation has enabled it to cross new milestones in the area of drug affordability. In doing so, we have reinforced the trust we have earned with partners, doctors, patients, care givers and healthcare ecosystems around the world.

A combination of tryst and trust has powered Biocon to reinforce its vision of emerging as a relevant global enterprise, delivering cutting-edge innovation that is affordable, available and accessible.

Kiran Mazumdar-Shaw, *Chairperson*

Chairperson's Review



Biocon's 35-year journey has been a relentless sequence of trysts with business and science, whereby we have generated accretive value and gained enduring trust.

Our efforts are focused on making a difference to healthcare, globally. We are committed to pursue the path of providing affordable access to essential drugs, especially for diabetics, cancer patients and those afflicted with autoimmune diseases.

We believe that our drugs have 'blockbuster' potential in that they will be a boon to a billion patients.

Our foundation is our rich experience in fermentation-based science, which has enabled our Company to engage in biotechnology with a deep understanding of life sciences. Our reward lies in bringing to market affordable biotherapeutics that enhance the lives of those who need them the most.

We have consistently leveraged India's cost-effective innovation base and combined it with our inherent strengths in proprietary fermentation technologies to research and develop affordable therapies for chronic diseases. We have progressively invested in building global manufacturing scale. As a result, we have developed the requisite domain expertise to help us transition from India's leading enzymes company into a globally recognized biopharmaceuticals enterprise.

Today, we possess global scale in fermentation-

Biocon's Trysts

1979
First Indian company to manufacture and export enzymes to US and Europe

2001
First Indian company to be approved by US FDA for the manufacture of lovastatin from solid state fermentation

2004
First company worldwide to commercialize human insulin developed on a Pichia expression system

based bulk drugs and Insulin production. We are the world's fourth largest insulin producer and upon commissioning our Malaysian insulin facility in 2015, we will rank even higher. We will continue to build on our competitive advantage through new technologies, intellectual property and manufacturing scale.

These efforts have enabled Biocon to be positioned as a highly innovative and differentiated biopharmaceuticals enterprise that operates across the value chain of small and large molecules.

Like any biopharma company, we face industry-specific challenges such as long-cycle investments, complex regulatory requirements and aggressive litigious competition. However, we have consistently demonstrated that painstaking IP-led research and regulatory compliance are the only means to earn growth and respect. By doing so, we have reinforced our position as the most reliable and recognizable — the most trusted — representative of India's biopharmaceuticals industry.

Building Trust

From where can a biopharma company gain trust? The answer lies in quality medicine that is affordable, accessible and personalized. Only then can it improve the quality of life of a patient.

Trust lies at the heart of what we do and what we strive to do.

We have won the trust of doctors and patients, investors and peers owing to our proven scientific expertise, steadfast commitment and our capacity for reinvention. At the same time, our innovation-led business strategy has provided our

Biocon's Trysts

2006
India's first indigenously produced novel monoclonal antibody BIOMAb-EGFR® to treat head & neck cancer launched

2013
World's first anti-CD6 monoclonal antibody ALZUMAb™ to treat psoriasis launched in India

2014
CANMAb™, world's most affordable trastuzumab for treating metastatic breast cancer, launched in India

shareholders premium returns wherein we have leveraged our IP for market differentiation.

With a strong research ethos and a focus on affordable innovation, we have ensured that risks are made affordable by building a well-balanced portfolio that straddles products and services and spans disease areas as varied as cardiovascular, diabetes, nephrology, inflammatory and oncology. Our wholly-owned subsidiaries, Syngene and Clinigene, provide end-to-end services from pre-clinical discovery research to clinical trials for a diverse client base.

This model has enabled our Company to operate a cash-positive, self-financed business model that allows us to make investments in cutting-edge innovation that will deliver exponential value in the long-term. We have consistently invested around 10% of our annual Biopharma turnover in drug innovation, which makes us the sector's highest R&D investors. Biocon took this path to innovation because we realized that without affordability driving innovation, it would serve no purpose. Our products – from patented enzymes to statins and insulin, and from antibody drugs to novel molecules – help doctors and patients access cutting-edge and high quality drugs at treatment costs that are affordable.

In FY14, we delivered on this trust with the commercialization of ALZUMAb™, an anti-CD6 novel biologic for psoriasis; and CANMAb™, the world's most affordable trastuzumab. We are pleased that a large number of patients have benefited from these two products.

We strive to enhance social inclusion by providing medical access to those at the margins of society through our corporate social responsibility

Our tryst with business and science in FY14 has been a fruitful one. We delivered 16% revenue growth along with a healthy EBITDA margin of 25%.

initiatives. Our commitment to employee engagement and talent enhancement has earned us the global recognition of being amongst the World's Top 10 Best Biopharma Employers.

We are quietly proud of the trust we enjoy and conscious of the responsibility it bestows upon us.

Operational Highlights

Our tryst with business and science in FY14 has been a fruitful one. We delivered 16% revenue growth along with a healthy EBITDA margin of 25%. This fiscal we recorded a robust performance, an outcome of our efforts aimed at optimizing our product mix, augmenting capacities and driving operational efficiencies.

Leveraging our culture of excellence, Biocon has delivered on the promise of affordable innovation, robust growth and increased efficiencies.

Our reorganization efforts have seen the operationalization of five strategic business units:

1. Small Molecules
2. Biosimilars
3. Branded Formulations
4. Novel Molecules
5. Research Services

This new structure has enabled us to drive greater cross-functional synergy, enhanced role clarity, informed decision-making and stronger result orientation. The benefits of these initiatives were reflected in our FY14 performance.

Financial Highlights

Biocon delivered a commendable consolidated performance in FY14 with robust growth in difficult times. Our top line grew 16% to ₹29.3 billion, driven by strong performances in research services (28% Y-O-Y) and biopharmaceuticals (14% Y-O-Y). Our bottom line increased 28% to ₹4.1 billion. Adjusting for the one-time FY13 revenue inflow pertaining to the re-licensing of

A crowning moment of this fiscal was the commercialization of our first biosimilar MAb, the life-saving CANMAb™.

Insulin Analogs to Mylan, our profit after tax rose 28% with a healthy 14% margin. Our Group EBITDA of ₹7.4 billion represents a strong 25% growth.

Small Molecules – Improved Product Mix

This division leverages our core fermentation capabilities in manufacturing small molecule APIs — Statins and Immunosuppressants. Portfolio realignment helped us offset the impact of ongoing commoditization in statins. Specialty molecules (Fidaxomicin) and Immunosuppressants drove API manufacturing growth in FY14. A better product mix realized improved margins and thereby contributed to profitability.

Our investment in this fiscal is aimed at moving up the pharma value chain into finished dosages. Generic formulations, including the filing of ANDAs for the US market, will drive this vertical in FY15 and help us sustain our growth in the coming years.

Biosimilars – Geographical Expansion

Our biosimilars portfolio, comprising generic insulins, biosimilar MAbs and other biologics, targets a market of ~US$56 billion (*Source: MAT, December 2013*).

With our ever-expanding global footprint and increasing market penetration, globally and domestically, Biocon's generic Insulins portfolio has delivered strong top line and bottom line growth in FY14. Our generic rh-Insulin is now approved in over 55 countries. The commissioning of our Malaysia project in FY15 will drive Insulins growth even more robustly.

A crowning moment of this fiscal was the commercialization of our first biosimilar MAb, the life-saving CANMAb™. This, the world's most affordable trastuzumab used for the treatment of HER2-positive breast cancer, was introduced in

The potentially game-changing oral insulin project IN-105 (first-in-class oral prandial insulin) is making good progress.

the Indian market in February 2014 and has seen a strong market penetration within the span of a few months. Our other biosimilar MAb programs, which are partnered with Mylan, are also making good progress.

Branded Formulations - Differentiated Value Offerings

FY14 was a gloomy fiscal for the Indian pharmaceutical industry, which reported a modest growth of 6%. The causes were multiple but key factors comprised the general economic slowdown, trade-related issues and drug price controls.

This challenging environment notwithstanding, Biocon outperformed the industry average. We grew our India business at more than twice the pace attained by the rest of the Indian pharma industry.

As the economy gathers pace, newer competitive challenges are bound to emerge. In any case, Biocon is focused on specialty therapy segments to build premium commanding brands that stand out as innovative and highly differentiated. Going forward, we will capitalize on our inherent strengths and macroeconomic positives to post even stronger growth in this segment.

Novel Molecules – Outlicensing and Global Development

We have entered into exclusive and collaborative research and marketing agreements to develop and commercialize a basket of molecules globally.

The potentially game-changing oral insulin project IN-105 (first-in-class oral prandial insulin) is making good progress. We have collaborated with Bristol-Myers Squibb for this program and key readouts with respect to several Phase I & II clinical studies are expected towards the end of FY15.

A major highlight this fiscal was the inauguration of Baxter's Global Research Center at Syngene, making it the third major global pharma company with whom we have a multi-year engagement.

We are engaged in licensing discussions for Itolizumab, our novel anti-CD6 monoclonal antibody program. We have also initiated the groundwork for trials to expand label indications for this novel drug.

Biocon believes in forging strong alliances on the research front to expand our pipeline and gain wider global access and greater market penetration. During FY14, we entered into two strategic R&D tie-ups:

- A co-development program with Advaxis for a novel cancer immunotherapy to treat HPV-associated cervical cancer
- A co-development program with Quark Pharma for a novel siRNA-based asset for a rare eye indication

Our R&D spends in this fiscal were muted owing to regulatory delays that resulted in the deferment of clinical trials and the capitalization of our R&D spends for trastuzumab. Going forward, we expect annual R&D spends to normalize to 8-10% of our annual Biopharma turnover.

Research Services – Sustained Growth Momentum

Syngene and Clinigene are a vital component of our end-to-end biopharma expertise.

Syngene, India's largest and Asia's second-largest research services company, continued to power onwards, reporting a revenue growth of 28% in FY14. A major highlight this fiscal was the inauguration of Baxter's Global Research Center at Syngene, making it the third major global pharma company with whom we have a multi-year engagement. Syngene also successfully cleared the first US FDA audit of its quality systems in the fiscal. The prospects of a Syngene listing in FY15 remain on track.

Our clinical research arm, Clinigene, turned around with a profit in FY14.

Biocon is building Asia's largest integrated insulin manufacturing facility in Malaysia. The first phase, entailing an investment of nearly US$200 million, is nearing completion, which we hope to inaugurate by the end of FY15.

The Research Services segment enjoys attractive visibility and further investments have been planned to address large emerging opportunities.

Expanding Global Footprint

The global burden of diabetes is a heavy one, with the International Diabetes Federation expecting 10% of the global population to suffer from diabetes by 2035.

In anticipation of this significant global opportunity, Biocon is building Asia's largest integrated insulin manufacturing facility in Malaysia. The first phase, entailing an investment of nearly US$200 million, is nearing completion, which we hope to inaugurate by the end of FY15.

Human Capital

Employees are our greatest strength and the bedrock of our Company. Biocon's work culture is one of unconventional thinking and the pursuit of excellence in a stimulating atmosphere that bestows a sense of ownership among all. Our 7,300+ strong talent pool includes the largest scientific community working out of a single site, at Biocon Park in Bangalore.

Biocon was listed sixth among 10 leading biopharma employers in the world in a survey by the prestigious *Science* magazine in 2013. The magazine, which ranked us nineteenth in the 2012 edition, acknowledged that Biocon's higher ranking was in recognition of its 'clarity of vision, CSR initiatives and quality of research.'

Our goal is to emerge as among the Top Three global biopharma enterprises over the foreseeable future.

Expanding Management Bandwidth

The creation of our strategic business units in FY13 has allowed us to delegate a number of operational responsibilities to the respective units, leaving the senior management to focus on strategic issues.

At Biocon, we believe that every citizen deserves a 'Right to Health'. Our Foundation has been working with communities through integrated healthcare programs that span micro-insurance, health delivery and health education.

In line with this changed reality, we strengthened our senior management through the appointment of Arun Chandavarkar as Chief Executive Officer and Joint Managing Director, while inducting him onto the Board of Directors. As one step towards succession planning, I will, from my position as Chairman and Managing Director, guide Arun in his new functions. Arun brings sterling credentials to his position; he has been a core member of our Company's leadership team, working closely with me for over 24 years and playing a pivotal role in our evolution; he was also our Chief Operating Officer since 2006.

We also appointed Ravi Limaye as President of Sales and Marketing with effect from March 2014. Ravi comes into the position with over 25 years' experience in the pharmaceutical industry across India, emerging markets and the Asia-Pacific in various roles with several multinational companies.

Corporate Social Responsibility

At Biocon, we believe our efforts in providing better healthcare through affordable innovation do not stop at developing new medicines. We believe we have a greater responsibility to society.

CSR has been an integral part of our business since inception. We have, over the past decade, invested significantly in various programs aimed at making a difference.

Biocon Foundation's integrated outreach strategy focuses on social change and rural empowerment through health, education and civic infrastructure programs. Our underlying ethos of access and affordability represent the focus of our initiatives in healthcare and education.

At Biocon, we believe that every citizen deserves a **'Right to Health'**. Our Foundation has been working with communities through integrated healthcare programs that span micro-insurance (Arogya Raksha), health delivery and health

In 2014, we established Biocon Academy as a Centre of Excellence for Advanced Learning in Biosciences. The academy aims at enhancing the employability of bioscience graduates by providing them high-end training.

education. During FY14, Biocon Foundation implemented an innovative program for the early detection of oral cancer and cervical cancer through screening and education.

The promise of **'Right to Education'** prompted us to spearhead initiatives to empower under-served rural youngsters with experiential learning in basic maths, computer skills and language skills.

We have also addressed the **'Right to Sanitation'** by working with the government to provide basic sanitation to rural communities. We built 1,000 household toilets and several community toilets. In addition, we provided clean drinking water and set up rain water harvesting systems in villages.

Biocon Academy

In 2014, we established Biocon Academy as a Centre of Excellence for Advanced Learning in Biosciences. The academy aims at enhancing the employability of bioscience graduates by providing them high-end training. This program was launched in partnership with the Keck Graduate Institute of Claremont, California, a leading American graduate institution dedicated exclusively to industry oriented biosciences education. The first batch of 30 students underwent extensive 16-week learning and skill development modules, following which they were ready to make an effective workplace contribution. Biocon sponsored 75% of the course fee for all students. This initiative is expected to address the sector's skill deficit and strengthen the country's biotechnology ecosystem.

As we prepare for our tryst with FY15, we do so with a greater investment in R&D, a greater effort to augment operating efficiencies and capacity optimization and with a greater focus on product launches and licensing opportunities.

Outlook

Biocon has always believed that biotechnology is powered through creativity in the laboratory that translates to the marketplace. Furthermore, that differentiation and continual innovation across the value chain unleashes an enormous competitive advantage that can drive robust and unhindered growth.

As we prepare for our tryst with FY15, we do so with a greater investment in R&D, a greater effort to enhance operating efficiencies and capacity optimization and with a greater focus on product launches and licensing opportunities. The commissioning of our Malaysia Insulin facility will enable us to address the increasing global demand for Insulins. Syngene's likely listing in FY15 will further augment growth in our Research Services business.

In view of these efforts that are aligned with large and exciting opportunities, we remain steadfast in our commitment to enhance stakeholder value and achieve our goal of US$1 billion in revenues by 2018.

In closing, I would like to thank all our stakeholders for the unstinted support and enduring trust they have reposed that has helped us build a business led by science for the greater good of global healthcare.

Best wishes,

Kiran Mazumdar-Shaw
Chairperson

Corporate Overview

- An emerging, global Biopharmaceutical enterprise
- Focused on developing affordable products and services
- Committed to reduce therapy costs of chronic diseases (diabetes, cancer and autoimmune diseases)
- Leveraging research and marketing partnerships that provide global access
- Driven by the objective to make healthcare accessible
- Capitalizing on the India cost advantage to deliver high value, licensable R&D assets
- Serving patients, partners and healthcare systems in more than 85 countries
- Present across the value chain:
  - Small Molecule APIs
  - Generic / Branded Formulations
  - Biosimilars
  - Novel Molecules
  - Research Services

Mission

To be an integrated biotechnology enterprise of global distinction

Essential to this mission is excellence in:

- Intellectual asset creation through discovery, research and development
- State-of-the-art manufacturing capabilities
- Internationally benchmarked quality and regulatory systems
- New medical insight through disease specific clinical research
- Customer relationship through outstanding products and services
- Human resource development through training, mentoring and empowering
- Management of research and business partnerships

Vision

To enhance global healthcare through innovative and affordable biopharmaceuticals for patients, partners and healthcare systems across the globe.

Values

- Integrity and Ethical Behaviour
- Performance driven work culture
- Value Creation through Innovation & Differentiation
- Quality through Compliance & Best Practices
- Collaboration, Team Work & Mutual Respect

Key Highlights – FY14

- Launched ALZUMAb™ (Itolizumab), a first-in-class novel anti-CD6 molecule for treating psoriasis in India
- Introduced CANMAb™, the world's most affordable trastuzumab to treat metastatic breast cancer
- Launched CytoSorb®, a novel therapy for sepsis management, the first of its kind in India
- Expanded novel pipeline with the addition of two research assets: ADXS-HPV, a novel cancer immunotherapy (in collaboration with Advaxis); QPI-1007, a novel siRNA-based therapeutic for ophthalmic conditions (in collaboration with Quark Pharma)
- Established Baxter Global Research Center, a dedicated discovery and development facility, at Syngene with a multidisciplinary team of over 100 scientists
- Ranked #6 among the Top 10 global biotech employers; recognized for 'Clarity of Vision, Quality of Research, and Being Socially Responsible' by *Science* magazine

Dr. **Arun Chandavarkar,** *Chief Executive Officer and Joint Managing Director*

CEO's Review

"Our tryst with innovation resulted in delivering two outstanding biologics this year, ALZUMAb™ a novel anti-CD6 MAb for the treatment of psoriasis, and CANMAb™ for HER2-positive metastatic breast cancer, the world's most affordable trastuzumab."

Dr. Arun Chandavarkar *reviews the Company's FY14 performance and looks ahead with optimism*

Q. What, in your view, were the landmark achievements of the Company in FY14?

A. Undoubtedly, the highlight of our many achievements this year was the approval and launch in India of two monoclonal antibodies, ALZUMAb™ and CANMAb™, in the autoimmune and oncology therapeutic segments. This is an endorsement of our commitment to bring high quality, yet more affordable biological drugs to patients globally. It is an especially gratifying and proud moment for our talented pool of research, operations, quality and regulatory staff whose many years of meticulous efforts have culminated in providing affordable treatment options to patients in India.

ALZUMAb™, a novel first-in-class biologic drug against a novel target (CD6), represents the second novel biologic, after BIOMAb®, to be developed, manufactured and commercialized by us in India. This monoclonal antibody is currently indicated for patients suffering from chronic plaque psoriasis. However, we see this unique molecule as being a 'pipeline in a product' and we intend to exploit its potential in other autoimmune indications, having already completed a Phase II trial in rheumatoid arthritis.

CANMAb™, a follow-on monoclonal antibody targeting HER2-positive metastatic breast cancer patients, is the world's lowest priced trastuzumab. Its successful development and approval is a testament to our significant investments in state-of-the-art research tools including extensive characterization, comparing it to its reference product, process optimization and clinical testing.

Both these products are manufactured in Bangalore in facilities designed to meet the stringent quality and regulatory requirements for biological products internationally.

Q. What were the key contributors to the Company's growth in FY14?

A. At a consolidated level, we grew 16% Y-O-Y, primarily driven by a robust 28% growth in our Research Services segment (Syngene) and a 15% growth in the Biopharma vertical. Our Branded Formulations business outperformed the market, growing at 13% against 6% for the sector. Excluding certain one-off exceptional items in FY13, our profit before tax grew by a significant 32% Y-O-Y.

The growth in the Biopharma business was led by a substantial increase in Insulins sales aided by the capacity expansion that went on stream during Q1 of the year and the continued expansion of our geographic footprint and customer base. The Biopharma business also benefited from an improved product mix in our small molecule portfolio comprising immunosuppressants, statins and other specialty fermentation-derived molecules. These export-led businesses were also positively impacted by the favourable USD-INR exchange rate.

Despite growing at twice the rate of the Indian pharma sector, the growth in Branded Formulations, which is an India-centric business, was muted compared to our historical growth rates for this vertical. This is attributable to uncertainties in the Indian market caused by the new price control regime and limits on trade margins. We believe this market turbulence is now behind us and are confident of much better growth in Branded Formulations in FY15.

Q. What were the challenges faced by the biopharma business in FY14?

A. The biopharma industry, Biocon included, was challenged by a number of uncertainties linked to domestic and external factors. Two significant domestic factors were:

(a) The notification of the new price control regime and limits on trade margins, which created a temporary turbulence in the growth of the Branded Formulations business, and

(b) A significant slowdown in the approvals of new clinical trials and the adverse impact of the new clinical trial guidelines on some of our development programs

Some of the external factors with varying impact on our Biopharma business were the evolving nature of the biosimilar guidelines and their interpretation and implementation in developed and emerging markets; the increasing consolidation, vertical integration and changing therapeutic focus of Big Pharma and large generics companies, some of whom are our potential customers or licensing partners; the overall sluggish economic recovery with pressure on healthcare budgets in many developed countries.

Q. Could you elaborate on the key elements of Biocon's differentiated strategy ?

A. Biocon has always believed in making a difference by being different. The key elements that differentiate us in our sector are :

(a) Innovation-led growth by creating a risk-balanced, yet differentiated, product portfolio spanning small molecule APIs and formulations, generic insulins, monoclonal antibodies and novel molecules. I believe Biocon is unique in this respect. We have now organized ourselves into Strategic Business Units to facilitate greater focus and accountability in each of these product portfolios.

(b) Leveraging our core competence in biotechnology by having a large share of our Branded Formulations revenues come from biological products and having a significant proportion of our small molecule APIs manufactured through fermentation as against the more common chemical synthesis route.

(c) A strong technology and quality focus supported by significant investments in research & development and operations spanning multiple scientific disciplines.

(d) Being an employer of choice in the biotechnology domain as reflected in the sixth ranking in the global list of Top 20 Employers compiled by *Science* magazine.

Q. What are some of your key priorities as CEO and Joint MD?

A. I believe we have laid the foundation for growth through our strategic investments in creating a differentiated product portfolio supported by a strong scientific talent base and world-class manufacturing facilities. Our immediate focus is to execute on our five-year plan to deliver revenues of US$1 billion.

This involves moving up the value chain in small molecules by filing our own dossiers in emerging and developed markets, and further optimizing our small molecules portfolio by playing to our core strengths in fermentation and complex molecules.

We will continue to grow our Insulins franchise through the timely commissioning of our Malaysia facility in FY15 and subsequently seeking regulatory approvals in multiple jurisdictions in support of our global commercialization plans.

We, along with our global partner Mylan, will progress more of our biosimilars into the clinic in India and abroad whilst prudently managing the expected increase in R&D spends compared to FY14.

Finally, I expect our new SBU structure to bring about a sharper focus on operational excellence and operating margins through continued productivity improvements, product rationalization and cost management without sacrificing growth.

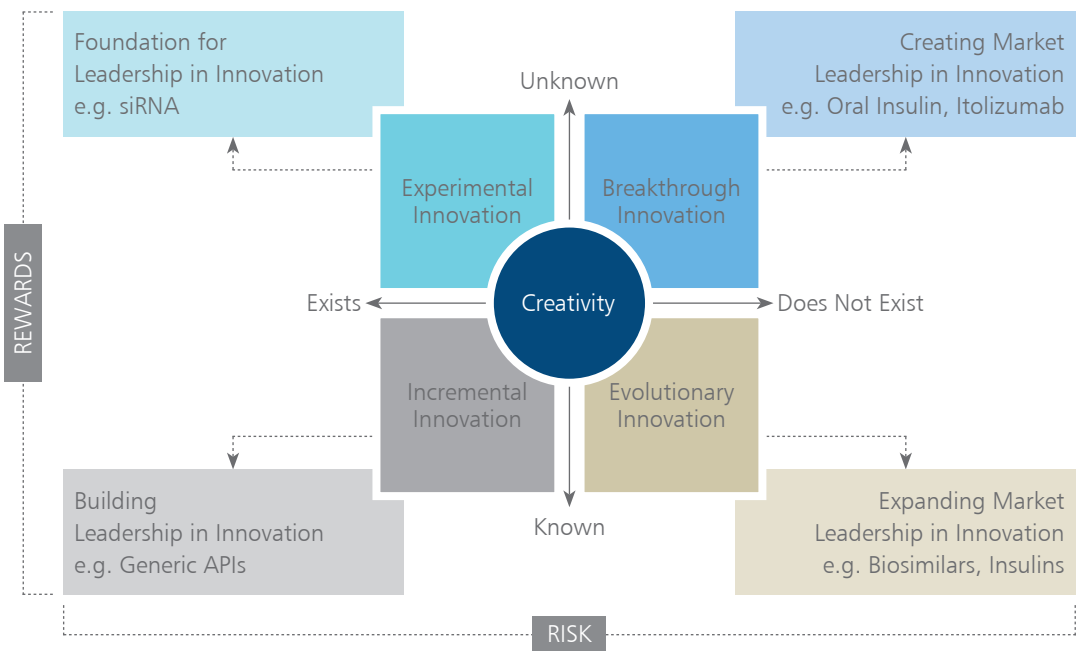
Tryst, Trust and Competitiveness

Delivering affordable therapeutics that address unmet patient needs is Biocon's life force. Research and development forms the bedrock of this endeavour.

The ever-increasing cost of drug discovery and development, extended time to market, fierce competition and pressures to maintain margins are making tremendous demands on the biopharma industry. R&D gives Biocon the competitive edge, to grow its business exponentially.

Our R&D initiative is influenced by a four-dimensional innovation matrix ranging from known developments to unknown ideas. Creativity in the known realm builds on existing knowledge leading to two types of innovation (incremental and evolutionary). Creativity that pushes unknown boundaries and creates new knowledge is experimental and breakthrough in its impact to human existence. A case in point are novel medicines.

Our Innovation Matrix



By playing in all four quadrants of this innovation matrix, Biocon is able to create a balanced risk-reward profile. Our work on potentially the world's first oral insulin and first-in-class anti-CD6 antibody, Itolizumab, has the ability to change the treatment paradigm in diabetes and immunology, respectively. This breakthrough innovation carries huge risks but the rewards, both financial and societal, are tremendous. Our recent collaboration with Quark on siRNA allows us to work on cutting-edge technology that, although experimental, could also be transformational with applications across multiple therapeutic areas.

Our business is underpinned by a strong commitment to R&D in the area of biologics. These targeted molecules impact underlying disease pathophysiology and are considered safer for patient consumption as compared to chemical alternatives; they also possess a higher efficacy.

The regulatory requirements related to the manufacture of biologics are challenging; one needs to separate novel biologics from biosimilars. Novel biologic development is similar to novel chemical drugs except in the area of manufacture. On the other hand, biosimilars are very different from small molecule generics in that regulatory, clinical and development requirements are considerably more exacting. Due to these and other issues, biologics tend to be 20-50 times more expensive than conventional drugs.

However, the biologics segment has matured to a point where the number of approved biologics is now equal to chemical drugs. Over the foreseeable future, more than 60% of new drugs will be biologics. This shift will be catalysed by a growing preference for these therapies as well as their progressive genericization as the first set of biologics lose their patents.

Our Strengths

Over the years, Biocon has invested extensively in R&D to reinforce its scale, competence and pioneering advantage within India.

We have distinguished ourselves through consistent investments in research, manufacture and human capital. Our 200,000 sq. ft. facility in Bangalore, the largest dedicated to biotechnology by any company in India, represents the base of our R&D operations, which are powered by a large pool of scientific talent. Over the past decade, Biocon has invested nearly ₹9,000 million in research. Biocon, by far, is one of the highest R&D spenders in India.

The results of our intensive efforts are reflected in these achievements. At Biocon, we have:

- Developed 'best-in-class' EGFR MAb, Nimotuzumab, with significant advantages over the first EGFR MAb
- Brought to market 'first-in-class' anti-CD6 MAb, Itolizumab, which is a pipeline within a product
- Developing oral insulin, propelling the Company into an exclusive club of international companies working in the area
- Focused on the development of biosimilar technology to enhance drug affordability; this is reflected in the cost optimization of insulin in India
- Collaborated with global partners like BMS (IN-105), Mylan (biosimilars and Insulin analogs)
- Focused on leveraging our core strength comprising the development of fermentation-based products
- Emphasized ANDA filings while leveraging our difficult-to-replicate strengths

The result is that Biocon, having focused on biologics (especially biosimilars over the past decade), has established a significant lead over other Indian generic companies and also emerged as a major global biosimilars organization.

A Trusted Partner

Biocon has served as a trusted and collaborative development partner to Mylan for several years. Based on our confidence in their capabilities in complex, difficult-to-manufacture products and our shared commitment to providing access to medicine, we have established a strong partnership for both generic biologics and insulin analog products. We look forward to continuing our productive relationship, as we bring these important products to market.

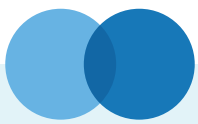
Rajiv Malik, President, Mylan Inc.

Tryst, Trust and Commitment

At Biocon, our commitment to innovation has led us to invest in cutting-edge research with the objective to make drugs affordable and accessible.

This tryst with innovation has empowered us to develop differentiated products in challenging therapeutic spaces that address the relatively unmet needs of patients. In turn, the development of safe, efficacious and affordable products has translated into enduring trust.

- We are addressing large unmet patient needs through our novel and biosimilars programs
- We are investing in cutting-edge research to develop innovative products
- We are focusing on introducing critically-required affordable drugs
- We are investing in global partnerships and alliances to reinforce our philosophy of affordable innovation
- We are building on the foundations of a knowledge-driven culture
- We are extending our commitment to cater to the underprivileged



Winning with Diabetes

I have been a chronic diabetes patient, my doctor prescribed me Insugen 30/70, which has helped me control my diabetes. My inertia and fear of injection was addressed very efficiently by Biocon's Diabetes Care Advisor. I found his advice on lifestyle management and simple tips on fitness very helpful.

(Patient identity withheld to safeguard privacy)

Board of Directors






Ms. Kiran Mazumdar-Shaw

Chairperson & Managing Director + First generation entrepreneur with more than 38 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 + Honorary member of the






international women's forum + Was the longest serving woman ever in the Irish Parliament

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 + Currently a J D Gandhi Distinguished Visiting Professor at IIT, Mumbai

Mr. Russel Walls

Chairman, Aviva Plc + 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 + Fellow member of the Association of Chartered Certified Accountants, U.K. + Board of Mytrah Energy Ltd and Signet Jewelers Ltd.

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 specialization 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 + Non-Executive Chairman, Fermenta Biotech Ltd and Director and Member of Audit Committee, Kromek Ltd

Dr. Arun Chandavarkar

Chief Executive Officer & Joint Managing Director, Biocon + Core member of Biocon's leadership team + Played a pivotal role in the evolution of Biocon over the last 24 years + PhD, MIT, Cambridge, USA + B.Tech, IIT Bombay

Clinical Advisory Board

Prof. Alan D. Cherrington

PhD, Professor & Chairman of Molecular Physiology & Biophysics and Professor of Medicine & Diabetes Research, Vanderbilt University + Past President of the American Diabetes Association

Dr. G. Alexander Fleming

M.D., President and CEO of Kinexum LLC + Member of numerous Scientific Advisory Boards and Expert Committees

D. Harold E. Lebovitz

M.D., FACE, Professor of Medicine, Endocrinology & Diabetes Division, State University of New York, Health Science Center, Brooklyn

Dr. Vijay Kuchroo

D.V.M., Ph.D. Key Research Interests – Multiple Sclerosis, co-stimulation, Th17 + Currently on scientific review board of the National Multiple Sclerosis Society, New York

Dr. Lawrence Steinman

M.D., Key Research interests – Remission & relapse in MS, Vaccine against MS, brain inflammation + Co-Inventor of leading MS drug Natalizumab and several new therapies for autoimmune diseases

Dr. David M. Essayan

M.D., Key Research Interests – Clinical and regulatory development for small molecules and biologics + Clinical immunologist; Former FDA Supervisory Medical Officer; Former Executive Director at Amgen

Core Committee

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

Mr. John Shaw
Vice Chairman,
with Biocon since 1998

Dr. Arun Chandavarkar
Chief Executive Officer & Joint Managing Director with Biocon since 1990

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

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

Mr. Ravi Limaye
President, Marketing,
with Biocon since 2014

Mr. Amitava Saha
Vice President, Human Resources,
with Biocon since 2013

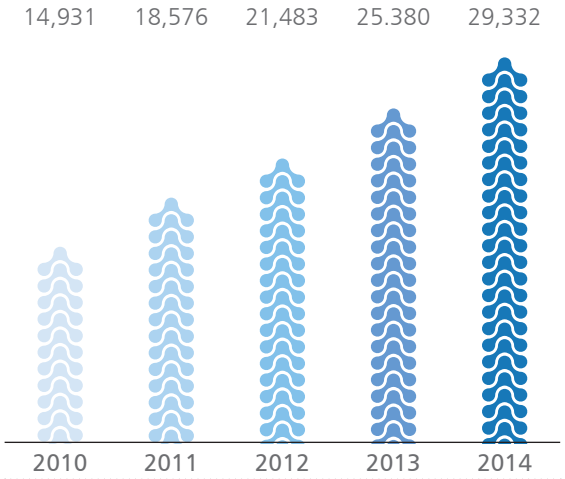
Mr. Siddharth Mittal
Vice President, Finance and Accounts,
with Biocon since 2013

Financial Highlights

Five-year Summary (consolidated financials)

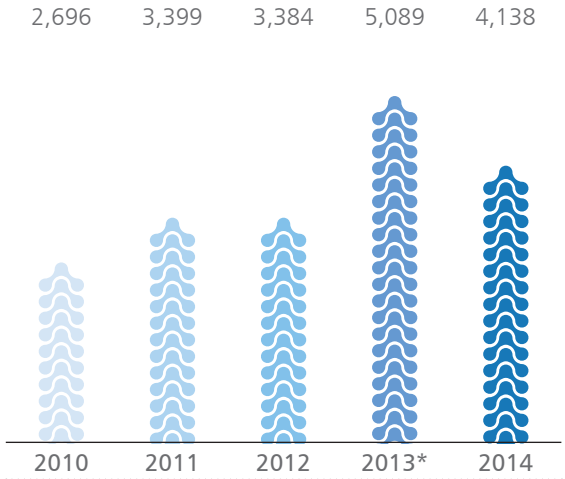
Total Revenue

(₹ mn)



Profit

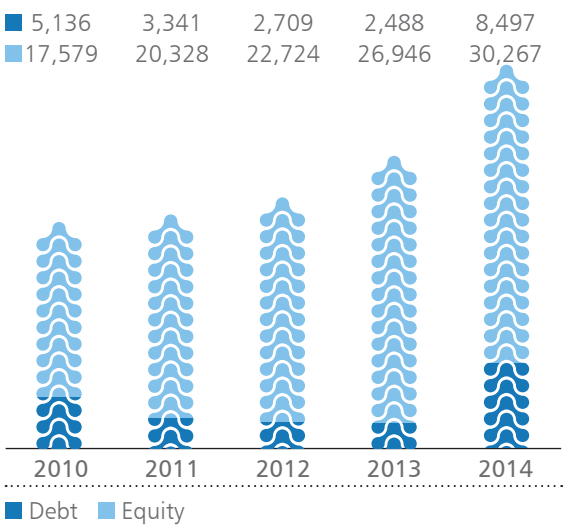
(₹ mn)



*Includes exceptional income of ₹2,019 mn

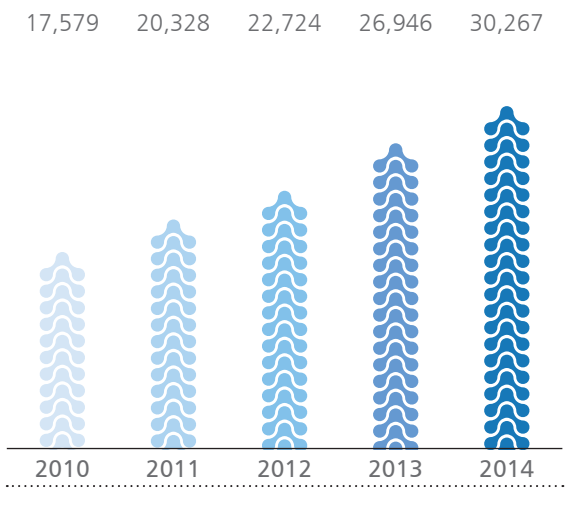
Debt : Equity

(₹ mn)



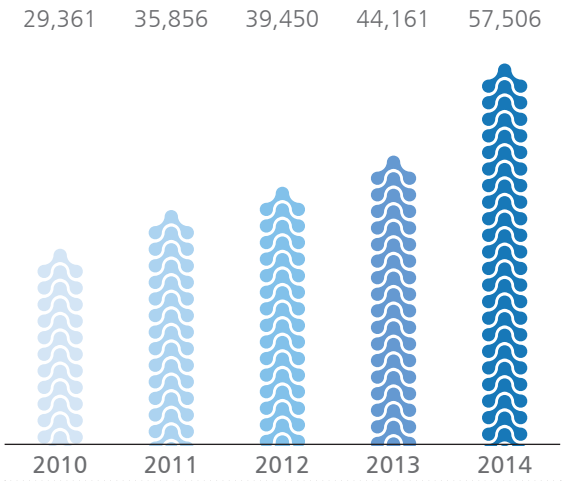
Net Worth

(₹ mn)

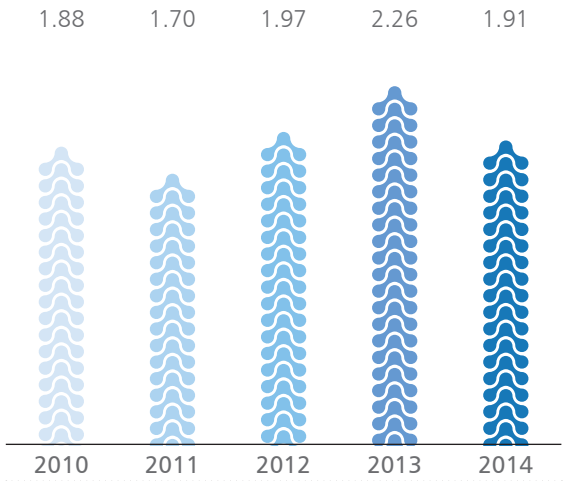


Total Assets

(₹ mn)

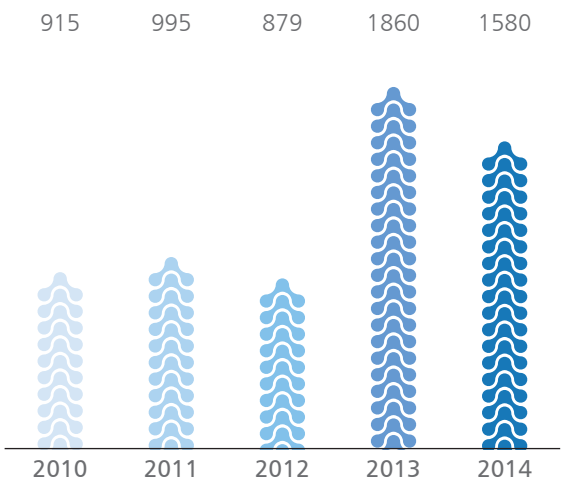


Current Ratio



R&D Spend*

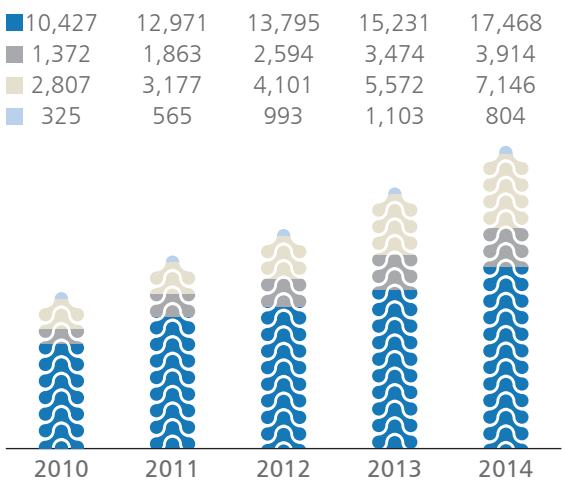
(₹ mn)



*Includes revenue & capital R&D

Revenue Break–up

(₹ mn)

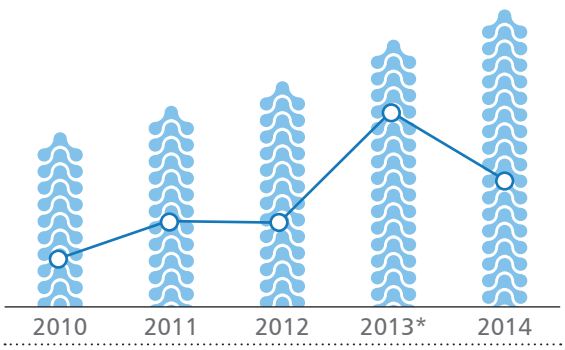


Biopharma Branded Formulations
Research Services Others

EPS and Book Value per Share

(₹)

	2010	2011	2012	2013*	2014
Book value	88	102	114	135	151
EPS	14	17	17	26	21

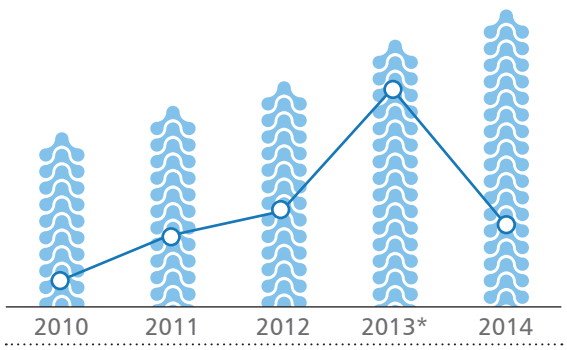


* PAT includes exceptional income of ₹2,019 mn

EPS and Dividend per Share

(₹)

	2010	2011	2012	2013*	2014
EPS	14	17	17	26	21
Dividend per share	3.5	4.5	5	7.5	5

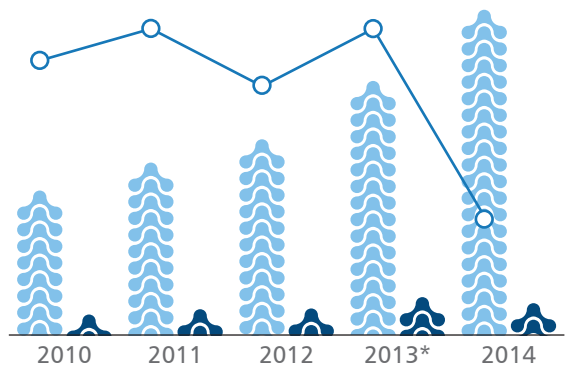


* PAT includes exceptional income of ₹2,019 mn

Return on Net Assets

(₹ mn)

	2010	2011	2012	2013*	2014
Net Assets	19,255	23,248	26,438	34,262	43,710
PAT	2,696	3,399	3,384	5,089	4,138
Return on Net Assets	14%	15%	13%	15%	9%

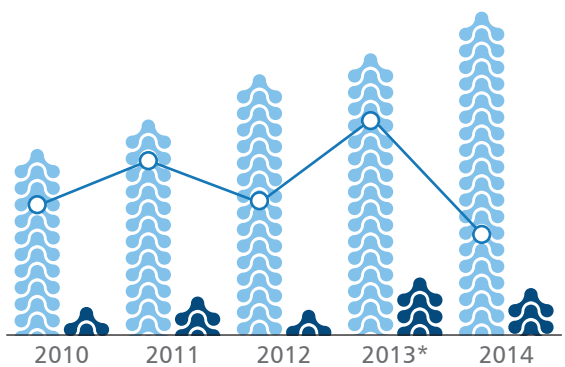


* PAT includes exceptional income of ₹2,019 mn

Return on Equity

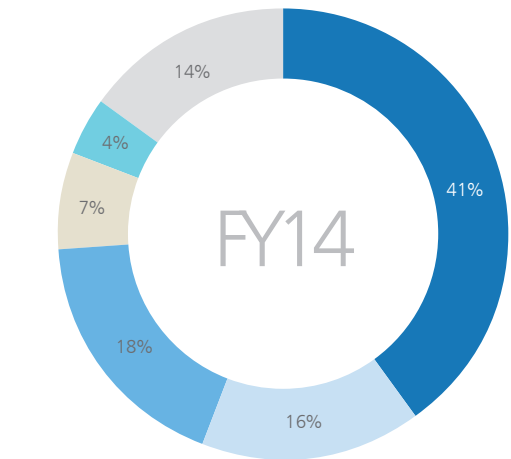
(₹ mn)

	2010	2011	2012	2013*	2014
Average Equity	16,343	18,954	21,526	24,835	28,607
PAT	2,696	3,399	3,384	5,089	4,138
Return on Equity	16%	18%	16%	20%	14%

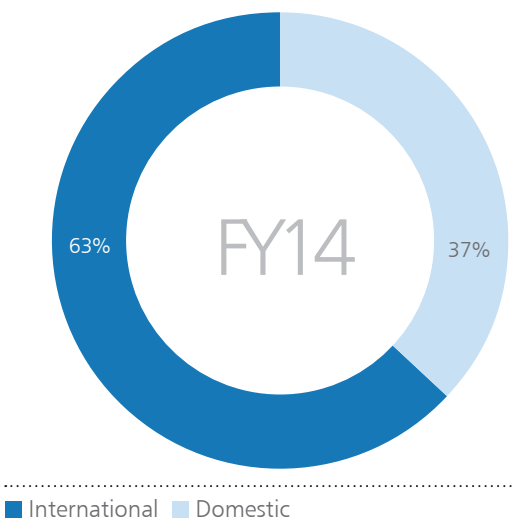


* PAT includes exceptional income of ₹2,019 mn

Revenue Distribution



Geographic Distribution



Tryst, Trust and Performance

At Biocon, we are driven by our passion for excellence and commitment to find solutions that heal the world. We are constantly engaged in leveraging our strengths to deliver robust performance that builds sustainable value for our esteemed stakeholders.

Our strategic business units fortify our presence across the biopharma value chain that enables us to expand the reach of our products, benefiting larger patient pools.

As we progress towards our aspirational goal of US$1 billion in revenue by 2018, we are evolving our product mix to reflect our growing repertoire in biologics, branded formulations and research services.

We are driven by our passion for excellence in pursuit of finding solutions that heal the world.

Biocon Delivered a Robust Performance Leveraging its Key Strengths:

- Pioneering capabilities in innovation and manufacturing
- Leading Indian Insulins player
- Global-scale, cost-competitive, complex manufacturing capabilities
- Expertise in biosimilars development
- Rich experience in developing biologics: 'lab to market'
- Focus on non-communicable diseases
- Preference to work in complex spaces
- International presence

Emerging markets-based strategy

Intellectual profile and largest scientific pool in India

Leveraging strategic alliances and partnerships

Strong Balance Sheet; robust net cash position

Differentiated product portfolio

Integrated presence across the value chain: products and services

Strong domestic presence through branded formulations

Among the top-10 global biotech employers

An Exciting Molecule

I have used ALZUMAb™ since October 2013 in five patients for moderate to severe psoriasis and the results have been very impressive. In one young adult patient, the disease seems to have gone into a prolonged remission after only two doses. This patient had no lesions ever since (> six months) and did not receive any further treatment. I have not had any adverse effects except headache in one subject during the infusion. It is a very exciting molecule; however, there is a lot more to be learnt over the next year or so when we use more of it.

Dr. Anand Nott, Chennai

Financial Performance FY14

Group revenues increased 16% to ₹29,332 million

EBITDA augmented by 25% to ₹7,429 million

R&D expenses stood at ₹1,310 million

Net profit enhanced 28% to ₹4,138 million (Note: Adjusted for exceptional income of ₹2,019 million included in FY13 Net Profit)

Declared dividend of 100% (₹5) per equity share for FY14

FY14 Growth Across our Business Verticals

Business	₹ million	%
Biopharmaceuticals	21,382	14
Core Biopharma	17,468	15
Branded Formulations	3,914	13
Research Services	7,146	28

The Magic of ALZUMAb™

ALZUMAb™ is the world's first novel anti-CD6 antibody that has been developed by Biocon to address a large unmet need in the treatment of psoriasis.

Some key properties of ALZUMAb™ comprise the following:

- **Excellent safety and efficacy** profile with low opportunistic infection rates and longer remission period
- **New treatment option** for chronic plaque psoriasis with a less aggressive dosing regimen and longer treatment free period, ensuring better patient compliance and convenience
- **Formulated as an infusion drug,** this innovative affordable treatment option promises patients a better quality of life
- **Effective biologic treatment** solution to 1-2% of the Indian population suffering from psoriasis

ALZUMAb™ has demonstrated preclinical and/ or clinical evidence in treating other autoimmune indications, having already completed a Phase II trial in rheumatoid arthritis.

The Magic of CANMAb™

Biocon introduced CANMAb™ (150 mg / 440 mg), a follow-on monoclonal antibody for the treatment of HER2-positive metastatic breast cancer and the world's lowest-priced trastuzumab. The product was developed jointly by Biocon and Mylan.

Some key properties of CANMAb™ are:

- **High quality affordable** option in the treatment of breast cancer
- **Around 150,000 new patients** diagnosed with breast cancer every year in India (nearly 25% HER2-positive and eligible for CANMAb™)
- **Targeted therapy** for the treatment of HER2-positive breast cancer; acts by interfering with HER2 protein production and halts the growth of cancer cells
- **Easy to administer**; to be given intravenously
- **The 150 mg and 440 mg formulations** can be stored for a month, preventing under-dosing and wastage

The launch of CANMAb™ in India represents an important milestone for Biocon's biosimilars program, demonstrating our ability to deliver affordable innovation with high-quality, world-class products.

Business Units

Small Molecules

Key Segments: Cardiovasculars, Anti-obesity, Immunosuppressants, Ophthalmic, Peptides, Oral Anti-diabetics, Anti-inflammatory

Overview

Our Small Molecules business centered around the strategy of differentiated products, accelerated time-to-market, quality and cost efficiency, continued to position Biocon as a preferred partner for APIs.

Biocon manufactures a range of Small Molecules – from cardiovascular and anti-obesity agents to immunosuppressants, ophthalmics, peptides and oral anti-diabetic agents – through fermentation as well as chemical synthesis.

Our varied portfolio — including generics like statins and immunosuppressants and speciality products like fidaxomicin — has helped us sustain the growth momentum. In FY14, we enhanced our statins capacity to capture a higher market share for some key products. Despite sustained commoditization pressure in some statins, we have scaled up our business due to an improved product mix.

Core Strengths

The combination of a strong R&D team, world-class manufacturing facilities approved by international regulatory agencies and a dynamic sales team have helped this fully integrated business expand its customer base even further.

Capitalizing on our existing strengths in the API business, we have forward integrated to develop generic formulations for emerging and developed markets.

Key Developments

- A sustained focus on product portfolio optimization helped offset genericization pressures in statins
- Good business traction in immunosuppressants and specialty products.
- Business in India, US, Europe and Latin America continued to gain traction
- Biocon emerged as the most preferred source of APIs for leading generic companies

Outlook

With a large number of patent expirations over the next few years,

Biocon has always possessed pioneering capabilities in innovation and R&D. There has been a constant focus on innovation and difficult-to-make, niche products to create tangible differentiators for sustainable growth.

the unfolding worldwide generic market opportunity augurs well for our business. We will leverage a strong portfolio of over 20 differentiated products, which will emerge as torch-bearers of the API business over the next few years.

Recognizing that APIs can be vulnerable to commoditization and declining margins, we are in the next phase of growth by manufacturing and marketing finished formulations. Biocon has built a significant brand equity across its customer base and we are confident of this being a springboard for our continuing success.

We will make inroads through value-added formulations into emerging markets and select regulated markets that present a bigger opportunity.

Generic Formulations

Key Segments: Oncology, diabetes, autoimmune diseases, immunosuppressants and generic small molecules and peptides.

Overview

Biocon is acutely aware of the need for high standards of quality control and strict regulatory compliance. Recent developments have highlighted their importance in maintaining the Indian pharma industry's reputation as a global supplier of high quality but affordable drugs. Our Generic Formulations business rests on a bedrock of high quality standards, which emphasize 'Quality by Design' and advanced analytical development techniques to address demanding quality and regulatory requirements.

The Generic Formulations business kicked off in FY14 with the successful commissioning of a state-of-art R&D center at Biocon Park in Bangalore. To stay abreast of ever-growing competition in the generics business, Biocon intends to focus on niche therapeutic areas like oncology, diabetes, autoimmune diseases and immunosuppressants over the next few years. Products in the generic Small Molecules and peptides space will complement Biocon's established biosimilar monoclonal antibodies and insulins portfolio.

The strategy is to build a robust pipeline of difficult-to-make, technology-intensive molecules which can be commercialized in several global markets including the US.

Outlook

We are working on plans to integrate developed and emerging markets business opportunities, craft geography-specific business strategies and leverage products in semi-regulated markets to ensure increasing momentum. Furthermore, in-house manufacturing capabilities will be created to pave the way for the introduction of dosage forms in major geographies.

As part of the Generic Formulations strategy, Biocon plans to file its first set of ANDAs in FY15. We will gradually increase regulatory filings over the few years, which will improve revenue visibility.

Biocon is a preferred partner for several APIs for leading pharma companies enabling them to address global generic opportunities.

Biocon is among the world's largest producers of statins and immunosuppressants.

Biosimilars

Key Segments: Insulins, Monoclonal Antibodies, Other Biologics

Overview

The breakthrough therapy provided by biologics in the treatment of diseases such as cancer and autoimmune disorders has transformed the lives of thousands. However, treatment is expensive, which can make life-saving therapies unaffordable for many who require them.

This is where biosimilars come in, offering hope not just to the patients but also to the pharmaceutical industry. By reducing the cost of cutting-edge treatment, while offering the same level of safety and efficacy as original biologics, biosimilars help resolve the challenge of making quality healthcare affordable.

Over the next few years, several biologics will lose patent protection, creating a significant space for biosimilars and a huge opportunity for biotech companies. The impact of the biosimilar segment on the life sciences industry can be gauged from the estimation that as the adoption of biosimilars picks up the world over, the market is expected to increase from US$693 million in 2011 to US$4-6 billion by 2016. Companies who can expand their portfolio to exploit this momentous opportunity can capture a significant chunk of the market.

However, biosimilars are large and complex target-specific molecules, placed at the high end of the pharma value chain. In comparison to small molecule generics, they are expensive to develop and difficult to manufacture, thus offering high entry barriers to generic players. Globally, there are a handful of companies working on developing biosimilars.

Biocon had long recognized the importance of developing the

technology, critical mass and skill set for these complex molecules at a time when there were few international players and almost no Indian player. As a result, we are now attractively placed to capitalize on this unfolding opportunity. We have a robust biosimilars pipeline, which is probably one of the longest in the world.

During the year, Biocon further strengthened its development, regulatory, clinical and manufacturing capabilities to enhance its presence in this segment. As the leading Indian biopharma company, Biocon is committed to developing and bringing to market affordable biosimilars for patients across the globe.

Complex Development Process

The development of biosimilars is an exercise fraught with complex technical challenges, requiring advanced technical skills, significant investments in clinical development, specialized manufacturing facilities and long gestation periods. Extensive physico-chemical and biological characterization data, using multiple high-end techniques for demonstrating biosimilarity at the molecular level as well as extensive clinical studies, are integral to the development process.

As a result, the cost of developing a biosimilar for global markets has been estimated at US$75-$250 million. This is in stark contrast to the estimated US$2-3 million required to develop the much simpler, traditional non-biologic generics *(Source: Bourgoin and Nuskey, 'An Outlook on US Biosimilar Competition', April 2013)*. In addition, the investment required for a complex biologics manufacturing facility ranges from tens to hundreds of millions of dollars. Hence, the number of successful biosimilars players is limited, compared to the conventional chemistry-based pharmaceutical generic segment. Biocon is justifiably proud of being a proven player in the space, with several biosimilar programs at various stages of development.

Generic Insulins & Analogs

Key Products: rh-Insulin, Insulin Glargine, Insulin Lispro, Insulin Aspart

Overview

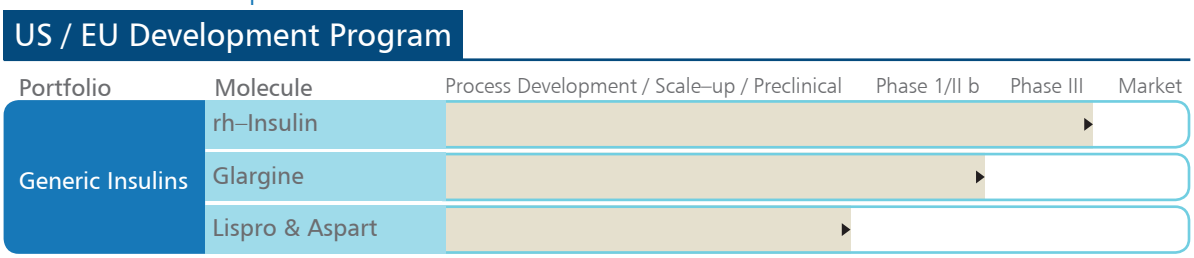
Biocon possesses deep expertise and substantial strength in developing cost-effective Pichia-derived insulin, standing us in good stead in providing diabetes patients with an affordable treatment option. As the world's fourth-largest Insulins producer, Biocon is developing a range of affordable Insulins and analogs for patients worldwide. We are leveraging our inherent capabilities in fermentation and the associated downstream technologies to build global scale in manufacturing Insulins and analogs. We are well placed to capture a sizeable share of the global Insulin market, which stood at ~US$21 billion in 2013 (*innovator sales*).

Biocon's partnered program for Insulin analogs with Mylan is going

India is one of the fastest growing diabetes markets in the world

Our insulin business targets the growing incidence of diabetes in India and the world over. With India emerging as the nation with the largest population of diabetics, it is important that an Indian company takes on the disease with cost-effective and easily accessible treatment. India has over 65 million diabetes patients and by 2030 could comprise over 85 million diabetes patients (*Source: ICMR; Research Society for the Study of Diabetes in India*). The economic burden imposed by diabetes gets magnified because it leads to related complications, including heart, kidney, eye and foot diseases.

Generic Insulins Pipeline



strong, with Insulin Lispro and Insulin Aspart in different stages of pre-clinical development.

We are already addressing the large need for affordable Insulin therapy in India and several emerging markets through our generic recombinant human Insulin (rh-Insulin) and Insulin Glargine.

The global clinical development for rh-Insulin and Glargine is progressing well. Recent results from the European Phase-III trials for generic rh-Insulin have been encouraging with the study meeting all primary and secondary endpoints. In line with its global ambitions, Biocon now has a harmonized strategy that integrates development for the EU and the US with the upcoming Malaysian facility. This will entail certain additional trials, including bridging studies, to be conducted in various geographies.

Expanding Global Footprint

With the dynamics of the pharma world shifting, emerging markets present an important opportunity for biotechnology firms such as Biocon – for marketing and manufacturing.

Biocon has invested in establishing a large integrated insulin manufacturing facility in Malaysia to be able to meet the global demand for its range of high-selling Insulin products. This project is well on track and the facility is expected to be commissioned in FY15. The commissioning of the new site will enable the regulatory approval of the new facility in various countries, which is critical for commencing commercial supplies from it.

The Malaysia facility will substantially increase our manufacturing capabilities and enable us to service the growing demand for Insulins in emerging markets as well as prepare us for commercialization in the developed markets.

Core Strengths

Biocon has internalized over two decades of experience in fermentation. The technological know-how is complemented by world-class manufacturing facilities that are accredited by regulatory agencies from around the globe. Today, we have increased patient access to Insulin across the developing world by ensuring affordability, resulting in improved diabetes management.

Biocon has made substantial investments in capacity enhancement in Bangalore and is setting up an integrated insulin facility in Malaysia. A diverse dosage portfolio comprising vials, cartridges, reusable and disposable pens enables us to meet the requirements of varied sections of the Insulin market. Arrangements

with global and regional partners across developed and emerging markets give us a broad and competitive marketing footprint even as attractive licensing revenues and cash flows from the business de-risk the product development cycle.

Key Developments

- Wider footprint of our generic rh-Insulin and Insulin glargine in emerging markets
- Approvals in over 55 countries for generic rh-Insulin
- Generic Insulin Glargine approved in 10 countries
- Expanded drug substance capacity
- Development programs of key products for regulated markets at an advanced stage
- Phase III trials for human Insulin in Europe completed

Outlook

Having developed a strong Insulin portfolio, we plan to embark on a series of measures to build on our expertise in the segment. We will further expand our commercial footprint in emerging markets for rh-Insulin and Insulin Glargine, increase our drug substance and drug products capacity through manufacturing expansion overseas, extend product offerings to include next-generation reusable pens and disposable pens and accelerate the development of Insulin analogs for global markets.

Monoclonal Antibodies & Other Biologics

Key Segments: Chronic segments of oncology and autoimmune diseases, among others

Overview

One of the fastest growing categories, MAbs are game-changers and life-changers, revolutionizing treatment in hard-to-treat diseases. Biocon has gained global recognition for its decade-long experience and demonstrated expertise in developing MAbs and other biologics. We have grown our technical skills and made significant investments in clinical development and manufacturing even as we have forged research and marketing alliances with global partners to reach affordable MAbs to patients who need them.

Biocon's commitment to drug affordability led it to partner US-based Mylan in 2009 for the co-development of a high-value portfolio of biosimilars for oncology and autoimmune indications. The Biocon-Mylan partnership synergizes Biocon's biologics R&D and manufacturing capabilities with Mylan's capabilities in the US and Europe.

The portfolio consists of three MAbs — trastuzumab, bevacizumab and adalimumab — and two recombinant proteins — pegfilgrastim and etanercept. The originator product sales for this portfolio is pegged at about US$35 billion. Both companies share development, capital and other costs to take these products from petri dish to patent to patient.

Trastuzumab, introduced in India

What are Monoclonal Antibodies?

Monoclonal Antibodies (MAbs) and fusion proteins are complex targeted proteins that directly act and modify the pathophysiological process, leading to better efficacy and safety profile. The clinical use of MAbs covers the areas of diagnostics, oncology, nephrology, transplant medicine, cardiology, rheumatology and ophthalmology.

this year, represents an important milestone in this collaborative program.

Core Strengths

Biocon enjoys a long-standing expertise and knowledge — technical and operational — essential for developing a MAb, which is the most complex biologic therapy available in the market. Moreover, we possess state-of-the-art manufacturing facilities required for MAb research. With our experience and sustained investments in world-class R&D and manufacturing infrastructure, we are optimally positioned for sustainable success.

Biocon and Mylan have one of the longest-standing partnerships in the global biosimilars space with a leadership position in a nascent industry.

Key Developments

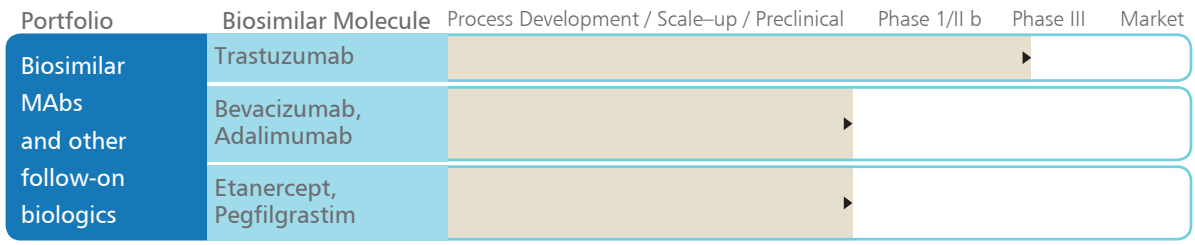
- Launched the world's most affordable trastuzumab (CANMAb™) in India
- CANMAb™ approved after comparative Phase III trials in India
- First non-originator trastuzumab to be approved anywhere in the world

Outlook

In the coming year and beyond, more HER2-positive breast cancer patients in India will benefit from CANMAb™. The clinical development of trastuzumab will continue in Europe and other countries to support additional approvals. Some of the other products in the portfolio are expected to move forward to clinical trials in various jurisdictions over the course of FY15.

Biosimilars Pipeline

US / EU Development Program



Metastatic cancer is more likely to be fatal because the cancer cells have already spread, or metastasized, to other parts of the body, which makes treatment complicated. The cancer generally spreads to the lungs, liver and bones. HER2-positive metastatic breast cancer is a particularly aggressive form of breast cancer, and is the most prevalent cancer among Indian women. Biocon's CANMAb™ provides a quality, convenient and affordable option for HER2-positive breast cancer patients.

From Left: Shukrit Chimote, Vice President & Head, Branded Formulations (India); Kiran Mazumdar-Shaw, Chairperson; Dr. Arun Chandavarkar, CEO & Joint MD; Dr. Abhijit Barve, President, Research & Development

CANMAb™- Made in India, Made for India

Biocon is driven by its raison d'être of making the treatment of chronic diseases more affordable. Biocon has been working on trastuzumab since 2006 and in partnership with Mylan since 2009. Biocon has conducted extensive process development and performed meticulous product characterization leveraging state-of-the-art technology and a rigorous scientific approach in conformance with applicable guidelines. Additionally, we conducted a multi-centric comparative clinical trial. The exhaustive process culminated in regulatory approval for CANMAb™ in FY14.

Around 150,000 new patients are diagnosed with breast cancer every year in India, of which nearly 25% cases are HER2-positive and eligible for treatment with CANMAb™. Unaffordable treatment options limit the extent of HER2 testing; it is believed that the proportion of HER2-positive patients is probably higher. Biocon's CANMAb™ provides a quality, convenient and affordable option for HER2-positive metastatic breast cancer patients.

Branded Formulations

Key Segments: Over 70 brands across seven therapeutic segments comprising Oncology, Immunology, Diabetology, Nephrology, Cardiology and Comprehensive Care

Overview

Biocon's branded formulations is an India-centric business with global ambitions. With a portfolio of over 70 brands across seven therapy segments, it is one of Biocon's fastest growing businesses, with almost 50% of revenues accruing from biologics.

This segment is a robust growth and value driver for us and we are committed to achieve market leadership in the chosen therapeutic areas through product differentiation and personalized medical support.

In FY14, the business recorded a growth of 13%, outpacing the industry growth of 6%. This was largely driven by the superior performance of our flagship brands – BIOMAb EGFR®, Abraxane®, Insugen® and BASALOG® – which continued to gain market share.

We also launched 16 brands across therapies during the year under review with brand leaders CANMAb™, ALZUMAb™ and CytoSorb®.

Key divisions like Diabetology, Oncology and Nephrology contributed over 65% to the Branded Formulations revenue in FY14. Biocon's commitment to affordable interventions is creating a significant impact in the area of cancer care, reinforcing the company's respect as a leading Indian Oncology Company.

Biocon leveraged its presence as the largest Indian Insulins Company to drive the growth of its Diabetology division. Insugen®, India's fastest growing insulin brand, addressed the needs of over 2,50,000 diabetes patients.

We also introduced the Biocon Medical Affairs Council to capture better mindshare of key opinion leaders by integrating medical and marketing efforts.

Patient-centric Programs

In Oncology, we established a patient assistance program 'Support Counts' that offered counseling, starter kits, reminder calls, add-on drug assistance and diagnostic services, to ensure that patients completed the entire course of Abraxane® therapy. More than 500 patients benefited from this program in FY14.

Our patient outreach program 'Queen of Heart', a first-of-its-kind initiative directed at women, has successfully created an awareness on cardiovascular diseases, improving the heart-health of women. Several roadshows and scientific symposia were held during the year as a part of this program.

Making Cancer Care Affordable

CANMAb ™ is being offered to HER2-positive metastatic breast cancer patients in India at ₹57,500 per 440 mg presentation, which is about 25% lower than the prevailing price of the reference product. It would be important to indicate that the reference product price was significantly reduced to current levels by the innovator in anticipation of competition and is now around a third of that in Europe and the US. This means CANMAb's price in India is a small fraction of global trastuzumab prices.

Biocon has introduced a unique 150 mg multi-use presentation priced at ₹19,500 per vial, keeping affordability in mind. The availability of 150 mg multi-dose vial allows patients to save money by buying smaller quantities as per their precise requirements, and storing unused products for their next dose rather than wasting them. This will help eliminate drug wastage and enable additional savings for patients, when used in conjunction with the standard 440 mg vial.

Biocon is confident that CANMAb™ will help expand the patient pool which is able to afford trastuzumab. However, due to the high costs of developing and manufacturing complex biologics, fully addressing the needs of all HER2-positive breast cancer patients in the Indian context will warrant the implementation of broader initiatives like universal healthcare programs. Bulk government purchases to address unmet patient needs could create additional savings through the elimination of trade markups and economies-of-scale.

Learning Initiative

ABIDE, a novel diabetes education initiative for medical practitioners, has been doing extremely well. It involves a 100-strong faculty comprising top endocrinologists and diabetologists. Several hundred doctors have benefited from this small group engagement with a focus on advanced learning.

Outlook

Our initiative, aimed at optimizing portfolios in terms of molecule mix and field force, will continue to drive the profitability of individual verticals. It will also enable synergies across products and teams. We aim to enhance market share for each of our lead brands in the coming year.

By merging cardiology and diabetology under the Metabolics segment, we are poised to build a complementary portfolio resulting in a holistic treatment for co-morbid diabetes, hypertension and dyslipidemia.

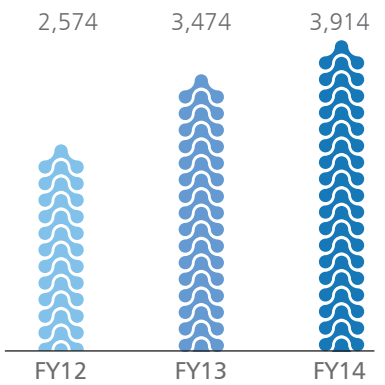
Going forward, we aim to build further on our biologics expertise, explore in-licensing opportunities, launch new specialty products and build traction for each of the segments.

Diabetes and Compassionate Care

'Winning with Diabetes' is an ongoing patient outreach initiative of Biocon, which is manned by around 100 diabetes care advisors working round-the-clock to improve patient adherence to therapy (medication, diet and exercise) through a structured six-visit plan for counseling called 'iTAP' (insulin therapy assistance program). These programs, aimed at enhancing diabetes awareness, have benefited over 80,000 patients so far.

Branded Formulations Revenue

(₹ mn)



New Launches

CANMAb™
Trastuzumab Injection 150 mg / 440 mg

- First trastuzumab of Indian origin for HER2-positive metastatic breast cancer patients
- Unique 150 mg multi-use vials launched to reduce drug wastage and cost
- Several patients are undergoing treatment since launch

ALWAYS ALZUMAb™
Itolizumab Injection 25mg/5mL
A novel biologic

- First-in-class novel biologic for psoriasis
- More than 60% of biologics prescribers in India prescribed ALZUMAb™
- A large number of patients undergoing treatment since launch

CytoSorb®
SIRS & Sepsis - Regain Control

A novel therapy for sepsis management – first time in India

- A safe and effective extracorporeal cytokine filter, designed to target the prevention or treatment of organ failure
- Several critically ill patients benefited from this novel therapy
- Excellent Key Opinion Leader (KOL) uptake driven by patient successes in cases of severe sepsis

Our Key Brands

Get more from 100 IU/ml Insugen®
Human Insulin (rDNA)
The international standard of insulin regimen

- Addressing the need for an affordable insulin for diabetics in India and abroad for nearly 10 years
- Fastest growing insulin brand in India

Just once a day BASALOG®
Insulin Glargine (rDNA)
For effective HbA1c control

- Long lasting basal Insulin Glargine for Type 1 & Type 2 Diabetics
- Allows better metabolic control, thereby resulting in a better quality of life & treatment satisfaction
- Affordable price points provide diabetics greater access to this vital drug

BIOMAb EGFR®
(Nimotuzumab Injection)
TARGETS CANCER, EXTENDS LIFE

- First novel biologic, ranked second in the anti-EGFR market, for the treatment of head and neck cancers
- Over 7,000 patients treated since launch

Novel Molecules

Key Segments: Innovative therapies that address unmet medical needs in oncology, immunotherapy and diabetes

Overview

At Biocon, our Novel Molecules business encompasses in-house expertise along the drug value chain to develop innovative therapies that address unmet medical needs in cancer, diabetes and autoimmune diseases. Our pipeline includes proprietary and partnered programs, which are an outcome of cutting-edge research.

Biocon's strategy covers early, mid and late-stage assets. For late-stage assets, the Company's focus is to partner mid-to-large pharma companies that conduct clinical studies across multiple indications and increase asset value. For mid-stage assets, the focus is to design and execute clinical studies that demonstrate proof-of-concept. For early stage assets, the aim is to work in the area of innovative science, differentiate the molecule from competition and utilize the knowledge base to plan studies.

The Company is committed to translating breakthrough innovation into affordable therapy, and has contributed extensively to the development of two novel monoclonal antibodies – Nimotuzumab for cancer and Itolizumab for autoimmune diseases. It also continues to pursue the development of oral Insulin (IN-105) - the 'Holy Grail' of diabetes therapy – along with partner BMS. IN-105 has the potential to become the world's first orally delivered insulin with the ability to revolutionize the treatment of patients suffering from diabetes mellitus.

We are continually exploring novel technologies and early-stage assets that leverage our expertise and enhance value. In FY14, we initiated a couple of partnerships to fuel our R&D pipeline. We tied up with Quark Pharmaceuticals for the development of a range of siRNA-(small interfering RNA) based novel therapeutics and Advaxis Inc for a novel cancer immunotherapy, ADXS-HPV.

Working on these novel molecules has allowed us to build core expertise and advanced scientific skills that we leverage across other verticals.

Core Strengths

Biocon has rapidly developed a robust novel pipeline, which has several molecules at different stages of the development cycle. The Company has developed Nimotuzumab, a safer anti-EGFR molecule, for head and neck cancer. It has also brought to market Itolizumab, a 'first-in-class' novel biologic treatment for psoriasis in India. This novel anti-CD6 monoclonal antibody is potentially a pipeline within a product; it holds promise in treating diseases like rheumatoid arthritis and multiple sclerosis. Moreover, Biocon's work on IN-105 has put it in the forefront of companies working on oral insulin.

The Company has built niche competencies in Pichia-based

fermentation, advanced analytical and characterization skills, process development of complex molecules including antibodies and fusion proteins.

All this has been made possible, thanks to the scientific know-how and state-of-the-art infrastructure at Biocon, which has enabled the Company to take a molecule from shake flask to commercial scale within a single location.

A state-of-the-art facility spread across 200,000 sq. ft in Bangalore offers the ideal ecosystem for the development of 'best-in-class' biologics. Paired with an inspiring work environment, this facility is a big draw for the brightest minds from local and global premier institutes as well as experienced professionals of Indian origin keen on returning to India.

Key Developments

- Launched ALZUMAb™ for psoriasis patients in India
- Entered into a collaboration with Quark Pharmaceuticals to develop novel siRNA-based therapeutics
- Entered into a collaboration with Advaxis to develop a novel cancer immunotherapy, ADXS-HPV, targeted at HPV-associated cervical cancer
- Initiated trials for IN-105 (oral insulin program) in the US

Outlook

The groundwork has started towards initiating trials for the expanded indications of Itolizumab, both in India and overseas. Biocon is also in preliminary discussions with potential partners for the joint development of this molecule for the regulated markets. The first set of trials for our oral-insulin candidate, IN-105, have been initiated in the U.S. in collaboration with Bristol Myers Squibb and readouts are expected towards the end of FY15.

We also continued our efforts to develop affordable therapies targeted at the key non-communicable diseases (NCDs) afflicting India and various emerging markets.

The Company is evaluating multiple early stage assets that meet its core strategy. Small biotech organizations worldwide are looking for asset development capabilities that are efficient and cost-competitive. Biocon's infrastructure, scientific capabilities, and bandwidth are expected to propel development of early stage assets to proof-of-concept for these organizations.

Our High-Potential R&D Assets

Molecule	Therapeutic Area	Discovery	Preclinical	Phase I	Phase II	Phase III	Market
Nimotuzumab	Oncology						Commercialized in India
Itolizumab	Autoimmune						Commercialized in India
IN–105	Diabetes						
QPI–1007	Ophthalmology						
Anti CD–20	Oncology						
ADXS–HPV	Oncology						

Research Services

Key Segments: Discovery and Development through Syngene, Clinical Development through Clinigene

Overview

Biocon's Integrated Research Services business, comprising discovery and development platform through Syngene, and clinical development platform through Clinigene, is well-positioned to benefit from the increasing outsourcing and R&D partnering trends. The ongoing consolidation in Big Pharma is expected to intensify this trend further.

Syngene and Clinigene serve the global life sciences sector through a team of over 2,000 scientists – the largest team of life scientists in India – based out of Bangalore. With over 250 PhDs, Syngene's scientists offer an extensive range of therapeutic and functional capabilities to a diverse range of clients

From generating therapeutic antibody candidates against novel targets to supplying recombinant proteins for global clinical trials, Syngene has established a robust track record across the discovery and development chain and has emerged as a leading Asian player in the research services space.

The business has significantly expanded its laboratory footprint over the last three years to cover a cumulative 1.2 mn sq.ft of space with state-of-the-art equipment for

delivering cutting-edge scientific solutions.

Our customer base has grown from 104 in 2011 to over 150, comprising a strong representation of the global life-sciences sector and major clients drawn from the global biopharma and biotech industries. Today, Syngene serves 16 of the world's top 20 biopharmaceutical companies, a large number of mid-sized biotech and pharma firms and several small and virtual enterprises. The business also serves a diverse and growing set of enterprises in other sectors like nutrition, agrochemicals, animal health, petrochemicals and electronics.

FY14, was another strong year for the business. A 28% revenue growth in FY14 contributed to the 31% revenue CAGR over the past three years.

Core Strengths

Syngene

At Syngene, our client-centric services have expanded to encompass a mix of single component, cluster and end-to-end integrated discovery and development services. The services range from early discovery chemistry and biology to chemical and pharmaceutical development, toxicity evaluation and large-scale API manufacturing. Along with small molecule development, Syngene offers biologics discovery and development platforms, which contribute significantly to the R&D efforts of biotechnology-focused partners.

Over the past few years, Syngene has developed capabilities in the discovery and development of novel Antibody-Drug-Conjugate (ADC) technology by utilizing its established expertise in small and large molecule platforms. The ability to offer 'one-stop' services that are tailor-made to clients requirements, makes Syngene a 'partner of choice' for global life-sciences companies.

Syngene's service proposition is built around an unwavering commitment to robust & contemporary systems and processes that support client needs for the highest global standards of compliance and quality. This competence is reflected in successful audits by clients and regulators.

Clinigene

In the face of regulatory headwinds for clinical trials in India and a consequent business slowdown, Clinigene has extended to other clinical services to maintain its growth momentum.

In line with this strategy, Clinigene expanded its human pharmacology platform to over 100 beds, making it possible to conduct a growing range of studies (including BA/ BE, DDI and PK). We also expanded our laboratory services platform to offer immunohistochemistry and flow cytometry-based biomarker testing from our central laboratory and PK analysis and immunogenicity testing from our large molecule bioanalytical laboratory.

Key Developments

- Baxter Global Research Center, Syngene's third large scale dedicated research center, was set up
- Successful US FDA inspection of Syngene's quality system was completed with no 483s

- Phase I expansion of API pilot plant nearing completion
- Development of a Center of Excellence for small and large molecule bioanalytical services at Clinigene
- Clinigene effected a financial turnaround; it reported a small profit in FY14

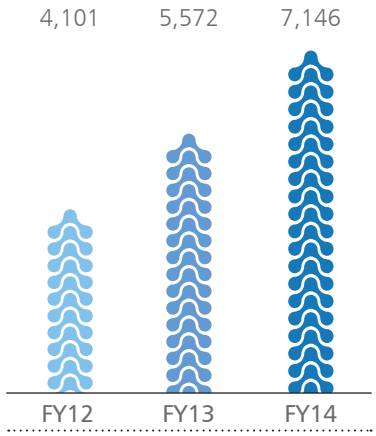
Outlook

The order book and outlook for Syngene and Clinigene in the coming years remain robust. Post the global financial crisis, there has been a revival in global biopharma R&D spends. This, along with a continuation of the trend towards R&D externalization in the West, underpins positive market prospects for research services players in Asia.

We continue to invest in strengthening our service offerings, e.g., handling high-potency compounds and expanding API manufacturing capacity. This has enabled us to widen and deepen our engagements with existing clients as well as improve our ability to attract new customers. Our continued focus on attracting the best scientific talent from India and abroad has also helped boost our scientific expertise and experience.

Research Services Revenue

(₹ *mn*)



Syngene offers biologics discovery and development platforms, which contribute significantly to the R&D efforts of biotechnology-focused partners. The ability to offer 'one-stop' services that are tailor-made to clients requirements makes Syngene a 'partner of choice' for global life-sciences companies. Syngene has managed to differentiate itself successfully in the world of Research Services. Recently, Syngene also renewed its strong research services partnership with Bristol-Myers Squibb.

Tryst, Trust and Sustainability

At Biocon, we are intensely conscious of our role as a responsible corporate citizen. Our business philosophy, emphasizing on sustainable healthcare solutions, finds resonance in our engagement with our employees, the environment and the society at large. We are constantly investing in adopting best practices for a safe and healthy environment. Our CSR efforts are directed at making a difference to the lives of the marginalized communities and ensuring access to affordable healthcare.

Beating Cervical Cancer

Forty-five-year-old Chinnamma, wife of a farmer and a mother of four, residing in rural Bangalore, had a chance encounter with dreaded cancer at a cervical cancer screening program held by the Biocon Foundation in her village.

"One day, I met Biocon Foundation's community health workers from the Arogya Raksha clinic in Kalkunte. The doctors and staff at the clinic did my screening free of cost and were kind to me. They took a pap smear and got it analyzed from St. John's Hospital. The doctor told me that my report was not good and I would need to do more tests. I got scared and worried.

I kept this as a secret from my family until the Biocon Foundation's doctor counseled me and my family and convinced us to go to the hospital. Luckily, the abnormal pap smear showed a very early stage lesion, which was treated early and today, I am fully recovered."

Enablers

Human Resources

Biocon continues to identify, train and nurture the best talent in the industry. Our aim is to sustain an employee-friendly environment that is comparable to the best in the world.

It is in keeping with these principles that for the second consecutive year Biocon was recognized among the Top Twenty Global Biotech Employers. We moved up several notches from number 19 last year to number 6 in this ranking by the *Science* magazine. We are the only Asian company to feature in this elite list. This recognition comes to us for our 'Clarity of Vision,' 'Quality of Research' and for being a 'Socially Responsible Organization.'

During the year the Human Resources team played a key role in successfully aligning people to the new SBU structure that was rolled out last year.

Attract and Retain The Best Talent

Biocon is committed to bridging the gap between industry and academia. With this goal in mind, we organized industry visits and initiated a campus relationship program during the year.

We invited prominent academic groups, both international and Indian, for industrial visits. Some of those invited included the Kennesaw State University, US; University of Akron, US; Eseune Business School, Spain; Republic Polytechnic, Singapore; T.A. Pai Management Institute (TAPMI), India; Jain University, India; Gandhi Institute of Technology and Management (GITAM) University, India.

Under our Campus Relationship Program we reached out to institutes like MICA, Ahmedabad; Indian Institute of Foreign Trade, New Delhi; and Institute of Bioinformatics and Applied Biotechnology (IBAB), Bangalore.

These initiatives have helped us to not only bridge the industry-academia gap but also enhance our Employer Brand value at the global level.

In a bid to encourage new industry-focused initiatives, we encouraged all the Biotech Finishing Schools across Karnataka to avail of internship opportunities with us. We hired 30 interns from the Biotech Consortium India Limited and extended internships to nationals from Bangladesh, Malaysia, Scotland, Switzerland and the U.K. among others. During the year, we absorbed 67 interns as full-time employees. We also hired from Redox and Biozene finishing schools.

This year, we also recruited from the National Institute of Pharmaceutical Education and Research, Mohali; Siddaganga Institute of Technology, Tumkur and IBAB among others.

Since the past financial year, the HR team has been developing innovative talent-sourcing channels and revamping existing ones to enhance their attractiveness and effectiveness. During FY14, we recruited 45 employees through social media platforms such

Company	No. of Employees as on March 2014	No. of Employees as on March 2013
Biocon		
India	4,797	4,701
Malaysia	251	5
Syngene+Clinigene	2,262	2,021
	7,310	**6,727**

as LinkedIn and Facebook and another 126 through the Internal Referrals Scheme. Recruitment was conducted across levels and we were able to identify candidates with niche skills.

Biocon encourages employees to aspire for higher professional goals and supports them in achieving them. The Internal Job Postings initiative helps employees realize their professional goals through internal promotions/transfer opportunities.

Biocon Malaysia

The project is progressing rapidly, with over 250 employees being hired in Malaysia for our upcoming insulins facility. The HR team is following a three-pronged approach of engaging with the institutes of higher learning, the government as well as other related agencies. In line with this approach, the team reached out to more academic institutes apart from Universiti Teknologi Malaysia and International Medical University.

We have hired talent with local as

well as international experience and put many of them through an intensive training program at our best-in-class facilities in India.

A Young Organization

Biocon has been the preferred destination of young aspiring biotech professionals, a fact which is reflected in the age profiles of our employees. Almost half the size of our human capital is under 30 years, which makes Biocon an incubator for exciting new ideas.

Performance Management

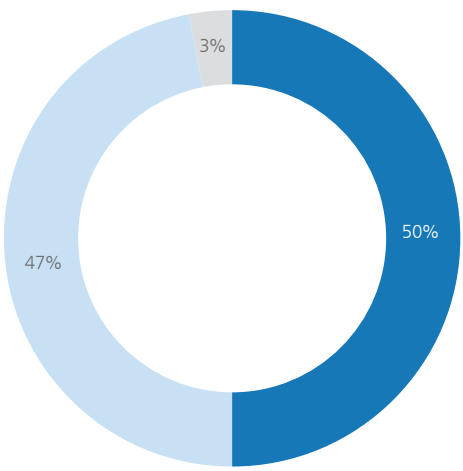
Biocon is a performance-driven organization. Our performance management system strongly links organizational values and objectives with individual targets and performance metrics to create a harmonious growth path for all employees.

This year, the performance management system was modified to make it more robust and transparent which provided an excellent user experience to all employees undergoing appraisals.

Nurturing Talent

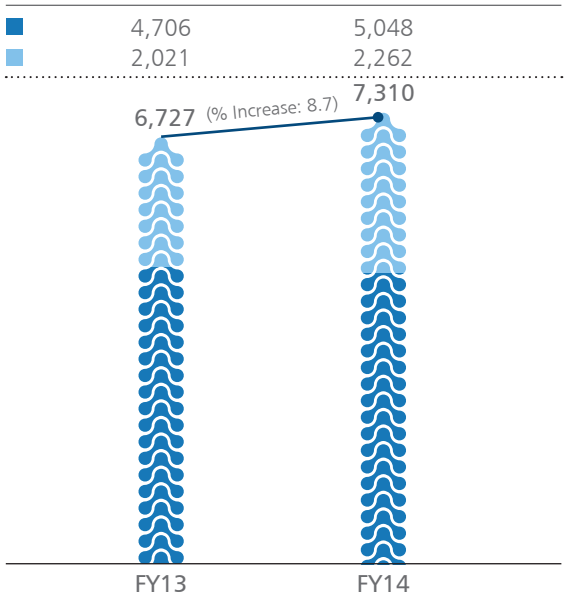
Biocon believes in partnering

Employees' Age Profile



Under 30: ■ | 31-45: ■ | Above 45: ■
Total Strength: 7310

Employee Strength



end users to identify and bridge competency gaps. The HR team delivered quality training solutions in a timely manner. A survey launched to measure the effectiveness of training programs revealed that almost 98% employees were able to enhance their skill/knowledge and apply it on the job. Almost 500 employees were able to benefit from as many as 50 e-learning courses made available through MyLearningSpace.

As a part of our ongoing effort to enhance leadership skills at Biocon, we initiated the Leadership Talk series. Workshops were conducted for the businesses in order to formulate a common mission and objectives for the year. Tie-ups with institutions such as the Indian Statistical Institute, the Indian Institute of Materials Management and the Centre for Professional Education and Innovation, helped us offer development solutions in niche functional skills.

Employee Engagement

An engaged employee is a motivated and effective employee. At Biocon we make every effort to make the workplace engaging and encouraging for our staff. Biocon Day, which was celebrated on March 14, 2014, was one of the key initiatives towards this end. Over 2,500 employees participated in sports and cultural events. While 217 employees were recognized for their long association with the Company spanning 10 to 35 years, exemplary performances were applauded through 50 Biocontribute awards and one Bioconite of the Year Award.

Biocon Academy

The Biocon Academy, a Center of Excellence for Advanced Learning in Applied Biosciences, was set up to address the skill deficit

in the Biotech sector. It aims at developing industry-ready, high-end talent by equipping bioscientists with skills that enhance their employability. The HR team played a critical role in launching the academy.

The flagship program, the 'Biocon-KGI Certificate in Biosciences,' was launched in collaboration with education partner, Keck Graduate Institute (KGI), Claremont, California, the only institution in the US dedicated to biosciences. This 16-week program comprises modules on Molecular Biotechnology, Biopharmaceutical Quality Assurance and Control, Regulatory, Bioseparation Engineering, Pharmaceutical Development, CMC Regulations, Fermentation, Mammalian Cell Biotechnology and professional skill development. The pedagogy represents a blend of theory, hands-on training, project assignments, guest lectures, exposure to facilities outside Biocon and a global mentorship program. The first batch of 30 students commenced in January 2014. All of them have been placed in several reputed biopharma companies, including Biocon and Syngene.

A Healthy and Socially-Conscious Biocon Family

Biocon places a high emphasis on employee health and wellness and encourages them to adopt a healthy lifestyle. Various wellness programs such as Wellness Fair, Prostrate Cancer Awareness session, Stepathlon etc. were well attended by employees during the year. To observe World Heart Day, several sessions to raise heart disease awareness were conducted across the Company.

To bring the employees into the fold of our CSR activities, we encouraged them to participate in a wide range of events such as 'Gift Your Organ Campaign,' and 'Donate Old Books, Magazines' for The National Book Fair. To celebrate Teachers' Day, we also joined hands with World Vision India for 'Adopt a Child's Education' program.

We sustained the spirit of giving through Blood Donation camps and Animal Care donations. Biocon employees were also at the forefront of the 'Joy of Giving Week' donating 'Wish Cards' ranging from ₹25 to ₹5000.

Priorities for FY15:

- Constantly improve the quality of talent, employee communication and grievance handling
- Develop an increasingly robust performance management and rewards and recognition process
- Consolidate talent management and succession planning under the competency framework to enable a more focused retention and reward mechanism based on merit
- Expand the reach of the E-Learning modules by classifying and targeting different levels and skill sets
- Hire new talent to meet the required headcount at Biocon Malaysia and standardize and streamline HR policies and processes in this new geography
- Strengthen the Human Capital Management Module on SAP to make it the backbone of all HR processes and transactions

Supply Chain Management

The Supply Chain function is playing a key role in supporting Biocon's robust growth and expanding global presence. A focus on cross functional participation has helped the function tackle the challenges associated with the diversity and complexity of the life sciences value chain.

The cross functional engagement has created an end-to-end supply chain that is equipped to ensure timely product delivery, cost optimization, better compliance and ultimately, increased customer satisfaction.

Key Initiatives

During FY14, processes have been strengthened to make the supply chain system customer-driven, efficient and integrated across internal and external partners. In addition to monitoring, various metrics have been adopted to track service and financial performance across the supply chain.

- Through regular review meetings with key stakeholders, inventory levels have been aligned with targets, optimizing working capital costs and cycles
- Supply chain managers have been better equipped to control and manage risk, enabling the organization to maintain business continuity
- Stronger due diligence and analysis to mitigate opportunity costs have led to improved efficiencies and cost reductions

Integrating SCM teams at Malaysia and India

Biocon is expanding its footprint through its upcoming plant in Malayasia. The Company's supply chain has been commensurately scaled up to integrate global sourcing capabilities and draw on synergies for delivering on the key parameters of cost, quality and availability.

Stronger SCM Improved Operational Efficiencies

- Process improvement programs to augment operational efficiencies were developed and key logistics partnerships forged to meet the rapid rise in demand from business segments
- An inter-modal active mobile cold chain was established to ensure shipment safety
- Cross-functional platforms were created in vendor sourcing projects to harness synergies

- Warehouse operations along with vendor and transaction bases have been optimized to enhance supply chain efficiency
- Strategic partnerships with multi-year contracts were established to address uncertain market scenarios
- Centralised planning and operations with scalable capabilities enhanced supply chain flexibility

Procurement & Supply Chain Imperatives

Assess Value Creation Potential	Stakeholder Involvement	Align Resources and Efforts	Upgrade and Improve
Assess value impact	Ensuring stakeholder engagement	Focus on key resources	Continuously adapt as market evolves
Identify competitive advantage	Define deliverables and road map	Align operations towards objectives	Make operations scalable to support growth
Create Centres of Excellence	Single-point functional representation	Align incentive systems to motivate	Exploit SAP capabilities to improve

SRM	MRP & Systems	CRM
Supplier Management	Supply and Demand Chain Management	Customer Management
Strategic sourcing	Manufacturing optimization	Sales order management
Partnering interests	Sales and operations planning	Optimising delivery capabilities
Collaborating globally	Forecasting accuracy	Complying with regulatory guidelines
Visibility and commitment		

Connecting Supplier & Customer Needs

Environment, Health And Safety

Biocon is a responsible corporate citizen, committed to achieve the highest global standards of Environment, Health and Safety (EHS). During FY14, we have endeavored to reduce our environmental footprint by adopting a comprehensive approach focused on resource optimization, recycling, recovery and reuse. Besides, environmentally sustainable practices have been incorporated throughout the business.

Biocon places utmost importance on the prevention of workplace injuries, which reflects in its specialized EHS systems, teams and programs.

Regulatory Overview

At the basic level, Biocon has adopted a comprehensive compliance culture aligned with applicable local, national and international laws and regulations. We have obtained relevant consents and clearances from all governmental agencies. Our EHS practices are governed by a Code of Conduct and internal legal and ethical guidelines.

Water Conservation, Recycling and Reuse

As a resource-respecting organization, we make every effort to be environment-friendly, we take steps to be in compliance with the best practices. Accordingly, Biocon has made large investments in a zero liquid discharge system across all manufacturing units. This system recycles the recovered water for onward use within our utilities. We maximize the use of recycled water in gardening and

other utilities. The application of softeners in the water plant helps reduce the quantum of unusable water and running hours.

Under the solid-waste recycling initiative, we created an eco-greenhouse system (composting yard) for biodegrading all in-house food waste. In FY14, 30 tonnes of food waste was composted, thereby reducing our environmental footprint further.

The anaerobic waste treatment plant helped generate 2,500 cubic metres of biogas a day, which is used for fuelling boilers and generators.

Sustained Energy Conservation Program

During the year, we continued our initiatives towards energy conservation. While the business grew by 16%, our energy consumption was maintained around last year's levels. Our power consumption for FY14 was 137 million units. Our energy conservation drive also yielded significant cost savings.

Safety and Health Performance

Biocon accords the highest importance to the health and safety of its employees, contractors, visitors and the community. Extensive training ensures that employees assume individual responsibility to make safety a part of the organizational culture. This culture of safety is reflected in the fact that there were no recorded instances of fatal accidents during the fiscal under review.

We opened ourselves up for periodic audits, both internal and external, in line with the demanding requirements of ISO 14001 and OHSAS 18001. Compliance with the world's most popular benchmark for environmental management, ISO 14001, was confirmed through recertification for our environment management system in FY14.

Safety Training

Biocon is committed to provide quality training to employees and suppliers. To this end, we rolled out an integrated, module-based, training program. This 10-module program covers chemical safety, laboratory safety, EHS systems and legislation, operational safety, emergency safety equipment, emergency response procedures, maintenance activities and other specialised areas.

During FY14, 15,601 person-hours were invested in EHS training through the Biobizapp software. Monthly safety campaigns and safety committee meetings were

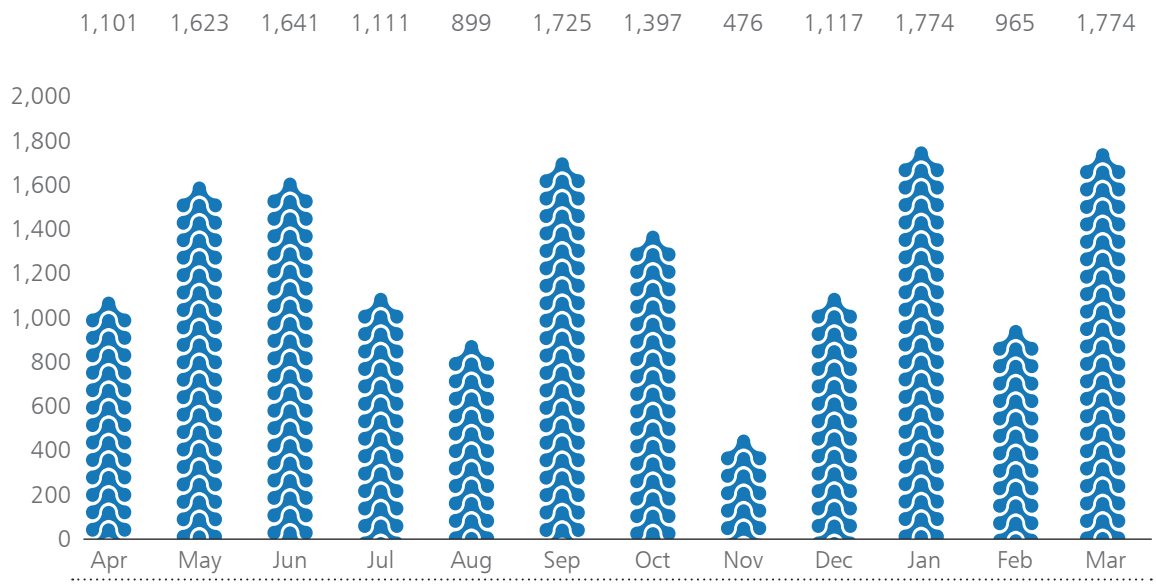
Biocon has created an eco-greenhouse system for biodegrading all in-house food waste

conducted across manufacturing sites to raise awareness about workplace hazards. During the year, 13 mock drills, 20 fire drills and eight first-aid training programs were conducted.

Process Safety Management

Biocon invested in a program that helps identify procedural vulnerability. We have established and documented process safety management protocols across our manufacturing operations. Our process safety team is equipped with tools such as HAZOP, HAZAN, powder characteristic study and reaction kinetics.

EHS Training Person-Hours FY14



Industrial Hygiene Management System

Biocon remains committed to achieving industrial hygiene excellence. We set occupational exposure limits for APIs. Our EHS practices in hygiene are in line with global standards. We make every effort to ensure that potential hazards (chemical, physical, biological and ergonomic) are adequately recognized and controlled. During the year, we implemented IH capability studies while planning new projects to ensure such compliance.

Awards

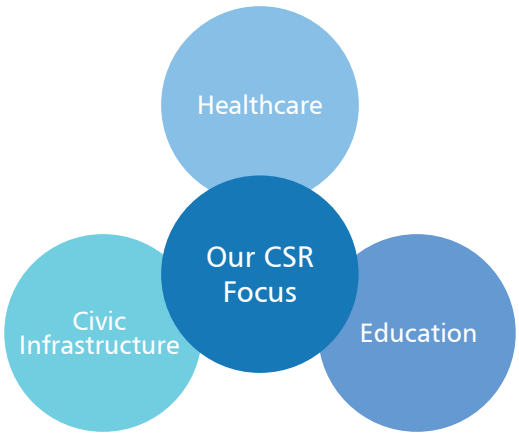
During FY14, Biocon received several recognitions at the state and national levels for its progressive EHS practices and initiatives. Some of them are:

Unnatha Suraksha Puraskara - 2013 from National Safety Council, Karnataka Chapter

Safety Award - 2014 from KSSI, Department of Factories, Boilers, Industrial Safety and Health, Government of Karnataka

Corporate Social Responsibility

Biocon's Corporate Social Responsibility initiatives, started in 2004, are based on the principle of enduring impact through programs that promote social and economic inclusion.



At Biocon, CSR has been an integral part of our business since inception. The Company is committed to innovation, affordability and access to healthcare. In line with this commitment and as a socially responsible organization, Biocon has, over the last 10 years, invested significantly in various CSR programs aimed at making a difference to the lives of marginalized communities.

Biocon Foundation

The Biocon Foundation has adopted an integrated approach towards taking forward our commitment to make an enduring impact on society by selecting three areas of intervention – healthcare, education and civic infrastructure. These three areas together form the foundation of a sustainable society. The Biocon Foundation brings effective primary healthcare services to the doorsteps of the less privileged rural and urban sectors of India. By establishing primary healthcare centres (PHCs), actively creating awareness about disease prevention, public health and sanitation, building civic infrastructure and initiating education programs, the Foundation aims to empower under-served communities.

Biocon Foundation's community health workers provide reproductive health education to women through small group discussions

Key Initiatives

Healthcare (focus on non-communicable-chronic diseases)

The incidence of cervical cancer in women and oral cancer in men is extremely high in India. Accordingly, our healthcare programs focus on the early detection of cancer and its management in secondary and tertiary stages. In addition, we also have programs for the management of diabetes and hypertension and for addressing malnutrition in children and infants.

A. Early detection and prevention of cervical cancer through regular screening:

Every year, 134,000 women in India are diagnosed with cervical cancer and 99% of these cases are linked to infection with HPV (Human Papillomavirus).

The Foundation's cervical cancer prevention and control program is centered around three key service delivery components – community information and education, accessible screening services & diagnostics and treatment services. Biocon Foundation has trained healthcare workers to provide reproductive health education to women in underserved communities. The Foundation has also collaborated with tertiary cancer centres to link diagnostic, screening and treatment services.

This program is rolled out by the Arogya Raksha Yojana (ARY) clinics in Karnataka, operated by the Foundation.

› The key to last mile reach is education and awareness harnessed by our community health workers, who have been trained in the basics of sexual and reproductive health, who, in turn, educate small groups of women.

The health workers identify women who seem to be at risk and pre-register them for a screening camp.

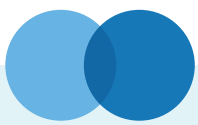
- The women undergo comprehensive screening by specialists from the tertiary cancer centres who visit the ARY clinics once a month. The screening process is highly systematic, including a counseling session. To maintain quality and provide focused attention, the center limits the number of screenings to 20-30 patients a day. So far, 640 women have been screened, leading to the detection of two cancer cases.

- A doctor conducts a systematic pelvic examination and PAP smear. While other issues are treated at the clinic, PAP slides are sent to the Mazumdar Shaw Medical Centre (MSMC) or St. John's Hospital. Patients are advised to repeat the PAP smear every two years.

Since inception, the program has benefited women with significant lesions as well as those who had ignored common reproductive tract infections, because they were uncomfortable talking about it, tolerating the pain and discomfort associated with these infections. The education programs and easy accessibility to specialists has helped them understand the importance of reproductive health.

B. Early detection and prevention of oral cancer:

Through community and workplace or group screenings, our supervisors and health workers examined over 5,000 people who chew tobacco and are at the risk of developing oral lesions, which, if left untreated, have a high chance of turning cancerous. Close to 10% (approximately 500) of those examined were sent for a biopsy. While a biopsy is essential in determining the presence of oral cancer, few underwent the test given its invasive nature. Realizing this constraint, the Biocon Foundation has collaborated with the University of Turku, Finland, and Axxonet Technologies, Bangalore, to enable Biocon Foundation to identify salivary oral cancer biomarkers, using a novel and simple liquid fingerprinting technology. We hope that such an intervention will reduce the number of patients requiring biopsy and will control attrition.



Early Diagnosis and Holistic Treatment

Maya (name changed), a homemaker from a very supportive middle income family, was addicted to chewing tobacco. During the oral cancer screening campaign of Biocon Foundation, it was found that she had a very restricted mouth opening, due to several mouth lesions. Our health workers counseled her about the ill-effects of tobacco and encouraged her to give up the bad habit. A personalized approach to treatment was worked out for her and she was referred to NIMHANS for de-addiction. After a rigorous two-month schedule, she is on the path to recovery. She has given up chewing tobacco and is on a follow-up plan for her oral lesions. Our health workers are monitoring closely for any remission and are committed to provide full support.

Biocon Foundation has developed a comprehensive disease management strategy that will help patients live healthier lives

C. Management of diabetes and hypertension:

A baseline survey revealed that 9% or 5,000 adults in the service areas, falling under the aegis of the Biocon Foundation, are afflicted with diabetes and hypertension. The Foundation has developed a comprehensive disease management strategy that will help these patients live healthier lives. The key components of this program are:

- Standardizing chronic disease care in the ARY clinics
- Regular follow-up with patients: study the impact of standardized care at the end of one year by assessing compliance rates, complication rates and control of parameters
- Fortifying services through periodic consultations with specialists at our clinics
- Building capacity of ARY doctors through a series of workshops to help them improve their clinical skills
- Providing diabetes management files for patients containing health education literature, checklists etc., which will help keep a track of tests and prescriptions, among others

The nine Arogya Raksha Yojana clinics continue to offer clinical services to the communities where they are located. This year, we have seen 60,000 patients across all our clinics.

Specialist Clinics

In addition, the Foundation has partnered with specialists at several places to ensure that protocol-based comprehensive disease management, specialized follow-up and complication screening reach the last mile. Since their inception in July 2013, our specialist clinics have registered a footfall of close to 1,500.

Capacity building of medical practitioners

In rural areas, primary care physicians are the first, and often the only, point of contact for health issues. It therefore becomes imperative that the physician has a comprehensive understanding of the disease for effective disease management with limited resources available. Dr. Prasanna Kumar of the Bangalore Diabetes Hospital conducts regular workshops for the ARY doctors. This continuing medical education helps raise the standards of treatment by ARY doctors.

D. Addressing malnutrition in children and infants:

Half of all childhood deaths in India are attributed to malnutrition. Biocon Foundation, in partnership with the government, has built a robust scalable model in Bagalkot

to address this threat to children's health. Badami Taluk, Bagalkot, has 388 *aanganwadis*, which look after close to 30,000 young children and infants. The Biocon Foundation works closely with the aanganwadi teachers, supervisors, development officers and the local health department who mediate this program at the grassroot level. Our focus is on three key areas:

- Distribution of food to *aanganwadis*
- Health check-ups for all children below five years
- Education and awareness programs for mothers and pregnant women about issues that affect the nutritional status of children and mothers

Most malnutrition-related programs concentrate on severely acute malnourished (SAM) children. Biocon Foundation has decided to focus on moderately acute malnourished (MAM) children as well. Interventions such as parental counseling and treatment of health issues are initiated as soon as children enter the MAM category, preventing their further deterioration to the SAM category.

When SAM children move up to the MAM category, they are classified as oscillators, signifying that a small illness or nutritional aberration can push them back to the SAM category. These children are followed up with supplementation and health checkups across six months to ensure that they do not become severely malnourished again.

Over a six-month period, Biocon Foundation and the local government staff accomplished the following:

- Provided free nutritional supplements to 750 children
- Facilitated monthly health check-ups along with transport services, follow-ups and coordination with aanganwadi supervisors and workers
- Ensured that food reached all 388 anganwadis
- Developed 30 kitchen gardens to provide fresh food and vegetables
- Conducted education and awareness workshops for mothers of malnourished children through group sessions and house visits
- Attended monthly meetings of aanganwadi supervisors to discuss problems and develop and implement strategies to overcome these challenges

Education

The importance of education in the progress of a nation cannot be undermined. It is also true that children are the future of our country and the quality of education and learning they

Biocon Foundation helped organize monthly health check-ups for malnourished children

Children from local government schools are taught to speak in English at Biocon Foundation's Aata Paata Wadi centers

receive will determine the quality of our future. Therefore, Biocon Foundation has focused on education and empowerment of rural children.

A. Chinnara Ganitha

There is evidence to prove that often children leave school without acquiring basic knowledge and skills necessary to lead productive, healthy lives and to attain sustainable livelihoods (*Source: Learning Metrics Task Force Report – UNICEF*). Critical gaps in learning include language and numeracy skills.

The Biocon Foundation has attempted to plug this gap in mathematical learning through the Chinnara Ganitha mathematics workbook. This workbook approaches mathematics through activities and games, thereby inculcating self-reliance in children. Since 2006, we have distributed these workbooks to the most underserved children in various government schools in Karnataka. In FY14, 1,10,000 books were distributed to children in 1,407 government schools across nine districts in Karnataka.

In June 2013, Biocon Foundation, Pratima Rao and Macmillan India launched the 'Chinnara Ganitha Teachers Training Programs' in the *taluks* where these books were distributed. Orientation programs were conducted for 300 teachers across districts in order to ensure that children received maximum benefits. The orientation programs were conducted by renowned teachers in the field of mathematics. The objective of these orientation programs was to guide teachers to make mathematics an interesting subject for children.

B. Aata Paata Wadi

The Aata Paata Wadi, our after-school resource center, in Thithimati, Kodagu, continues to serve children from local government schools; children are taught to speak in English and are also provided digital literacy. This program is aimed at providing children from economically weaker sections of the society opportunities similar to children from urban public and private schools. Till date, 192 children have benefited from our centre and at present we have 20 children.

The children were also taken to the Primary Health Centre, Thithimathi, for primary health check-ups. This included height and weight recording, blood grouping and examination for other ailments. Corrective actions were taken when deemed necessary. The center staff also distributed clothes to children.

Despite all challenges, we are able to see a vast improvement in the children's overall perception of themselves – in terms of life, education, health, environment and family, among other factors. Significant changes have been observed in height, weight and personal hygiene levels as well.

Though this is a small program being rolled out on a limited scale, there has been a snowball effect with other schools adopting our model. Some government officials have also visited our centre to understand the modalities of the program.

C. Kelsa+

Kelsa+ provides a platform to low-income support staff to learn basic computer skills. Two different sections have been created for male and female employees. Three internet-enabled computers have been installed in the campus. Two trainers teach the staff on how to use computers, search engines, read online newspapers, place online ads, access social media and set up e-mail accounts etc.

The computer literacy program for ladies has been expanded to help develop a range of other specific skills, based on requests from beneficiaries.

New Initiatives

Biocon Foundation joined hands with Orissa Trust of Technical Education (OTTET) to augment and implement a unique mega ICT-based e-Health project in the state. OTTET is already providing access to quality healthcare to 51,000 villages in Odisha through its e-Health program in collaboration with the Government of Odisha. E-health forms the backbone of the proposed universal healthcare pilot project in Karnataka and Odisha.

Our project is focused on delivering evidence-based healthcare to effectively deal with primary health and chronic conditions in communities with poor access to quality healthcare. This single point, 'see-and-treat' model of e-Health centre is critical to improving the health of rural communities for whom even reaching a PHC is a major challenge.

This project is also aligned to our commitment towards inclusive development by empowering rural communities. This PPP model will achieve all-round socio-economic and national development as it will result in creation of jobs and development of semi-skilled individuals.

Under this project, electronic diagnostic facilities and e-Health centers are being set up at all Primary Health Centers (PHC) of the Odisha government. These are managed by local young entrepreneurs who are provided financial assistance by Canara Bank. They are being trained by Biocon Foundation and OTTET to support the medical officer at the PHC for various healthcare and diagnostic services such as:

- Measuring each patient's vital stats like blood pressure, pulse, haemoglobin and blood sugar

- Providing diagnostic tests that the doctor prescribes and requires for accurate diagnosis
- Providing telemedicine consultation for patients who require specialist advice

The project focuses on capturing all patient records on the electronic system with a view to providing easy access for treating doctors both at the PHC and at tertiary hospitals. Patient data will also be available to the government to study disease patterns and to create a database, which will help implement evidence-based health care interventions.

Awards

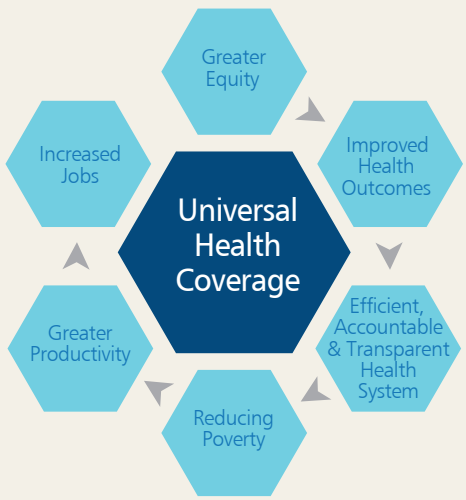
The Biocon Foundation's efforts were recognized with the conferment of the following awards:

1. Best Social Innovation Award 2014, for Oral Cancer Screening Program at the World CSR Congress

2. Finalist, NASSCOM Social Innovation Honours 2014

3. Finalist, Namma Bengaluru Awards 2013 for Corporate Social Responsibility

Universal Health Care (UHC)



Expectations from UHC

- Equitable access across socio-economic strata
- Affordable and appropriate quality healthcare
- Promotive, preventive, curative and rehabilitative health services
- Government to be the enabler, a provider and a reimburser of services
- Private sector as a provider of services

Source: Adapted from High Level Expert Group Report on Universal Health Coverage 2012

eHC Model: Fulfilling Expectations from UHC

Greater Equity

Providing access to quality healthcare to all socio-economic strata of the society by reaching out to the most remote locations and catering to both APL/BPL patients

Improved Health Outcomes

Increasing healthcare access to patients who were previously unable to obtain the same and were undiagnosed. Early prevention of disease through availability of specialist consultation will help improve long term health outcomes

Efficient, Accountable & Transparent Health System

Information & Communication Technology deployment within every eHC ensures a check and balance system, which will ensure effective monitoring, accountability and transparency at all levels

Biocon Academy

A Center of Excellence for Advanced Learning in Applied Biosciences

Industry-Oriented Curriculum the Need of the Hour

The biotechnology sector in India is valued at ~$11 billion, having grown at a CAGR of ~20% over the last decade despite a challenging environment. It has the potential to generate revenues of US$100 billion by 2025 if it is provided with an enabling ecosystem and quality talent pool.

About 40,000 biotechnology students pass out every year from various colleges across the country. However, not more than 2,000 find placement with biotech companies as they lack employable skillsets.

Those who are passionate about biotech and can also invest in further studies choose to go abroad, while the rest are forced to take up low-end marketing and administrative jobs in BPOs/ KPOs.

Our Vision

To become a recognized center for advanced learning in Biosciences that will provide the required proficiency for enhanced career prospects for Biotechnology and Engineering graduates.

Our Mission

To train and develop industry-ready talent for the Biopharma sector to enable global competitiveness.

This reflects the huge gap between available talent and the industry needs.

World-Class Training in Bangalore

To increase their chances of employability, students need to develop specialised life sciences skills. While the Karnataka government has set up biotech finishing schools in the state to provide science and engineering graduates the last-mile link to jobs in the life sciences sector, this is not enough to meet the requirements of the sector.

Biocon Academy: An Advanced Learning Center

As a responsible corporate citizen, Biocon has also spearheaded a learning initiative that will provide the biotech industry the best professionals with the right orientation and training.

We have set up the Biocon Academy as a one-of-its-kind Centre of Excellence for Advanced Learning in Applied Biosciences.

Biocon Academy will focus on developing the spirit of experimentation, application of knowledge and innovation skills among bioscientists in India. It will enable them to unlock their potential and foster excellence in the biotech sector. Biocon Academy is committed to bridging the current gap that exists between academic knowledge and industry skills.

By collaborating with leading academic institutions globally, Biocon Academy aims to bring world-class training programs for biotech students in India and thus develop a new cadre of life sciences professionals with specialized skills.

A Brand New Start

Biocon Academy has partnered with Keck Graduate Institute (KGI), Claremont, California, in this important endeavour.

KGI is uniquely qualified through its outstanding faculty and its state-of-the-art infrastructure that includes the Amgen Bioprocessing Center, to partner Biocon Academy in this endeavor.

As a premier technical institute, KGI's training and education programs have built a strong capability for the US Biopharma sector. Through this partnership, we hope to emulate the success of the KGI learning model in India and build a robust Biotech sector.

The 'Biocon KGI Certificate Program in Biosciences', our flagship program in collaboration with KGI, provides a multidisciplinary best-in-class 16-week program in biosciences that will equip graduates and post-graduates with the skills needed to make them employable in the biotech sector.

With a broad-based curriculum encompassing R&D, Production as per GMP, Quality Assurance, Regulatory, Product Development and Professional skills, these programs are aimed at addressing the skill deficit of the Indian biotech sector.

The course has been designed to give students a deep insight into the workings of the biopharmaceutical industry through classroom sessions and hands-on training.

The first batch with 30 students started in January 2014. These students from diverse backgrounds are being trained by subject matter experts at Biocon in real life business situations. The classroom sessions are being anchored by renowned KGI faculty from Claremont, California.

In addition to technical sessions and classroom assignments from KGI, students are getting hands-on experience at various facilities of Biocon. While focusing on the technical skills development, the course is also providing an opportunity to these students to hone their professional skills through dedicated training.

This contemporary industry-oriented course curriculum is designed to prepare students with the skills needed to succeed as

Our Values

- **Empower** Engineering & Bioscience graduates with basic industrial proficiency to enhance their career prospects in the Biopharma sector
- **Leverage** the India advantage to develop industry-ready biotechnologists who partake in the journey of unlocking the potential of the Biotech sector
- **Persevere** to develop the spirit of scientific experimentation, research and innovation in the aspiring students
- **Innovate** to find sustainable solutions by leveraging Biotechnology for human healthcare and life
- **Connect** industry and academia to maximize opportunities for aspiring biotechnologists in the industry
- **Transform** the face of Biotech industry by developing proficient talent that addresses the issue of skill deficit of the Biotech sector

employees at Biocon and other leading biotech companies of the world.

In keeping with Biocon's commitment to affordability and greater access, the Company is offering a scholarship that covers up to 75% of the course fee for all the students. In addition, Biocon is also assisting all the students to avail of study loans from reputed banks for the rest of the course fee.

The current focus of the Academy is to successfully train the first batch of students to find good placements within the biopharma industry. It plans to start the second batch in June 2014 and aims to develop at least 100 professionals in the first year.

Biotechnology can be a powerful tool in addressing the country's challenges of meeting the food, education and healthcare needs of millions. It can play a very positive and constructive role in enhancing the quality of life.

If India is to emerge as a Bio-Economy by 2025, the development of industry-ready human capital for the biotech industry is of vital importance. Biocon Academy hopes to make a significant contribution to this ambitious goal.

Financial Report

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BIOCON LIMITED

Director's Report

Dear Shareholders,

We present before you the Thirty-Sixth 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, 2014.

Financial Highlights

In ₹ Millions

	Standalone Results		Consolidated Results	
Particulars	**FY 2014**	**FY 2013**	**FY 2014**	**FY 2013**
Total Revenue	22,631	19,895	29,332	25,380
Profit before tax and exceptional items	4,086	3,609	5,377	4,083
Exceptional items, net	-	139	-	2,019
Income Tax	842	713	1,069	975
Minority Interest	-	-	170	38
Profit After Tax	3,244	2,757	4,138	5,089
Adjustment on account of merger of subsidiary	55	-	-	-
Profit after adjustment on account of merger	3,299	2,757	-	-

Performance Overview

During the fiscal year ended March 31, 2014, Consolidated total revenue grew by 16% YoY driven by strong impetus from research services and biopharmaceuticals segments. Export revenue contributed 62% of total revenue. Consolidated Profit before tax and exceptional items grew by 32% from ₹ 4,083 to ₹ 5,377.

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

Appropriations

Dividend

Your directors are pleased to recommend a dividend of 100% which is ₹ 5/- per equity share for the year ended March 31, 2014.

Transfer to Reserves

We propose to transfer ₹ 330 to the General Reserves and the balance of ₹ 16,137 is proposed to be retained in the profit and loss account.

Subsidiaries and Joint Ventures

As on March 31, 2014, the Company has five subsidiaries, one step down subsidiary and a Joint Venture. The direct subsidiaries are Syngene International Limited, Biocon SA, Biocon Research Limited, Biocon Sdn Bhd and Biocon Academy. Syngene International Limited has a subsidiary, Clinigene International Limited. NeoBiocon FZ LLC is our Joint Venture.

During the year Biocon Biopharmaceuticals Limited (BBL), a wholly owned subsidiary was merged with the Company post approval by the Hon'ble High Court of Karnataka on July 12, 2013 and subsequently the Company had filed form 21 along with a copy of Court order and Scheme of Amalgamation with the Ministry of Corporate Affairs on August 8, 2013. The financial statements for the year ended March 31, 2014 considers the impact of the merger.

Annual 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, 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 concerns. The same will also be available for inspection at our registered office in Bangalore, India.

Credit Ratings

CRISIL and ICRA continued to reaffirm their rating of "AA+/ Stable" and "A1+", for your Company's Banking Facilities throughout the year enabling your Company to avail facilities from banks at attractive rates indicating a very strong degree of safety for timely payment of financial obligations.

The Company also enjoys CRISIL rating of "A1+/ Stable" for Short Term Debt programme, indicating a very strong degree of safety for timely payment of financial obligations. The Company has not issued any short term debt during the year.

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. 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. The audited, consolidated financial statements of FY14 together with the annexed Auditor's report form a part of this Annual report.

Transfer of Unpaid and Unclaimed Amounts to IEPF

Pursuant to the provisions of Section 205A(5) of the Companies Act, 1956, the declared dividends, which remained unpaid or unclaimed for a period of seven years, have been transferred by the Company to the Investor Education and Protection Fund (IEPF) established by the Central Government pursuant to Section 205C of the said Act.

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 1999, the details of stock options as on March 31, 2014 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.

Directors

Ms. Kiran Mazumdar Shaw, Chairman and Managing Director, shall retire by rotation at the ensuing Annual General Meeting and is eligible for re-appointment. Whereas, all Independent Directors i.e. Mr. Russell Walls, Mr. Daniel M Bradbury, Prof. Charles L Cooney, Mr. Suresh N Talwar, Mr. Bala S Manian & Ms. Mary Harney, being eligible and offer themselves for appointment as Independent Directors at the ensuing Annual General Meeting.

The Company has received a declaration of Independence from all the Independence Directors of the Company confirming that they meet the criteria of independence as prescribed under Clause 49 of the Listing Agreement and under section 149(6) of the Companies Act, 2013.

Pursuant to provisions of section 161(1) of the Companies Act, 2013 Dr. Arun S Chandavarkar has been inducted as Additional Director and designated as Chief Executive Officer and Joint Managing Director effective April 24, 2014. A notice as required under section 160 of the Companies Act, 2013 has been received for his appointment as a Director. The Board recommends to the members for the appointment of Dr. Arun S Chandavarkar as a Director and liable to retire by rotation.

Auditors

The Statutory Auditors M/s. S. R. Batliboi & Associates LLP (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 of 1956, the Central Government has prescribed a cost auditor M/s. Rao, Murthy & Associates, Cost Accountant, whose term of office ended on March 31, 2014 and have confirmed their eligibility and willingness to accept office, if re-appointed and approved by the Central Government for the FY 2014-15 to carry out the Cost Audit of records of the Company maintained as per norms of pharmaceutical industry.

Management Discussion and Analysis Report

A detailed report on the Management Discussion and Analysis is provided as a separate section in the annual report.

Fixed Deposits

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

Director's Responsibility Statement

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

- In preparation of annual accounts, the applicable accounting standards have been followed along with proper explanation relating to material departure, if any.
- 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.
- 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.
- 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 required as per section 217(1)(e) of the Companies Act,1956 in conjugation with Rule 2 of 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 required 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, 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

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

Date: April 24, 2014
Place: Bangalore

Annexure to the Director's Report

Particulars under Companies (Disclosure of particulars in the Report of Board of Directors) Rules, 1988 for the year ended March 31, 2014.

A. Conservation of Energy

During the year, the Company has taken significant measures to reduce the energy consumption by using energy-efficient machines and equipment.

FORM A

		Year ended March 31, 2014	Year ended March 31, 2013
Power and Fuel Consumption			
1.	Electricity		
a)	Electricity Purchase Unit (000)	122,071	119,351
	Total Amount (₹ in million)	699	666
	Rate per Unit	5.73	5.58
b)	Own Generation from		
	Diesel Generator Unit (000)	15,621	14,807
	Total Amount (₹ in million)	256	190
	Rate per Unit	16.38	12.82
2.	Furnace Oil *		
	Unit (K.Ltrs)	13,172	12,484
	Total Cost (₹ in million)	566	529
	Average/K. Ltrs	42,979	42,398

* Including used for production

B. Consumption Per Unit of Production

The disclosure of consumption figures per unit of production is not meaningful as the operations of the Company is not power intensive and involves multiple products.

FORM B

1. Specific areas in which R&D work has been carried out by the Company

- Process and Clinical Development of Novel Biotherapeutics in Oncology, Diabetes, Rheumatology and Cardiovascular segments
- Process and 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 unravelling 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 1076 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:

		March 31, 2014	March 31, 2013
a)	Capital	228	55
b)	Recurring	705	714
	Total	933	769
	Less: Recharge	(41)	(41)
	Net R & D Expenses	892	728
	Total R& D expenditure as percentage of sales	4.7%	4.4%

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:

	March 31, 2014	March 31, 2013
Gross Earning	10,803	9,906
Outflow*	7,715	6,330
Net foreign exchange earning	3,088	3,575

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

Disclosure required under SEBI (Employee Stock Options Scheme and Employee Stock Purchase Scheme) Guideline, 1999 as on March 31, 2014

Particulars		Grant IV	Grant V
a.	Options Granted (Post equity split and bonus, net of options cancelled)	5,701,628	1,577,000
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	5,458,242	129,075
d.	Options exercised	5,337,342	64,930
e.	Total number of Equity Shares to be transferred from the ESOP Trust as a result of exercise of options	5,337,342	64,930
f.	Options lapsed	1,721,946	-
g.	Variation in the terms of options	None	None
h.	Money realized by exercise of options (₹ Lacs)	6,373	142
i.	Option pending exercise	120,900	64,145
j.	Total number of options in force	120,900	1,512,070
k.	Employee-wise details of options granted to:		
	i) Senior managerial personnel	Refer table 1 below	
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.	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.

The details of other ESOP related disclosures are provided in notes to the financial statements (Note 30).

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).

Table 1: Employee-wise details of options granted to Senior managerial personnel during year ended March 31, 2014

Name	Grant IV	Grant V
Ravindra Kamalakar Limaye	-	50,000
Siddharth Mittal	-	25,000
Amitava Saha	-	25,000

Section 212

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

₹ In million

			Syngene International Limited	Biocon Research Limited	Biocon SA	Biocon SDN BHD	Biocon Academy
	Financial year of the subsidiary ended on		March 31,2014	March 31,2014	March 31, 2014	March 31, 2014	March 31,2014
1.	(a)	Number of shares held by Biocon Limited at the end of the above date	47,497,525 equity shares of ₹ 5/- each	5,00,000 equity shares of ₹ 1/- each	100,000 equity shares of CHF 1/- each	4,500,000 equity shares of RM 10/- each	50,000 equity shares of ₹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, 2014	1,174	(415)	73	(39)	-
	(ii)	for the previous financial years, since it became a subsidiary	3,672	(1,657)	2,419	(24)	-
	(b)	is dealt in the Company's account					
	(i)	for the financial year ended March 31, 2014	Nil	Nil	Nil	Nil	Nil
	(ii)	for the previous financial years, since it became a subsidiary	Nil	Nil	Nil	Nil	Nil

Management Discussion & 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.

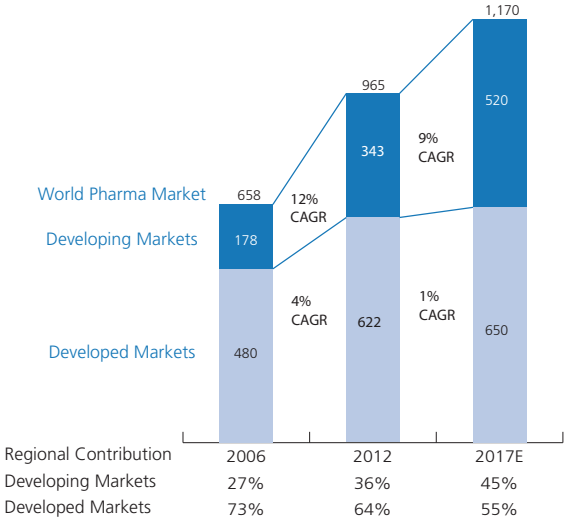
(All amounts in Indian Rupees Millions, except share data including share price, holding details in a subsidiary company and amounts expressed in foreign currency)

Industry Landscape, Opportunity and Outlook

Global pharmaceutical market

Fiscal 2014 was an interesting phase in the evolution of the global pharma market; marked by increased regulatory oversight, continued pricing pressures and a sustained wave of pharma reforms in various developed markets. These externalities not only defined the growth momentum but also the strategies employed across the industry to return to sustainable growth. The slowdown in pharma growth in the developed markets due to various recessionary and fiscal prudence measures has largely been offset by the sustained momentum seen across developing markets (refer Figure 1). In fact, IMS expects this trend to continue for the next 5 years as well.

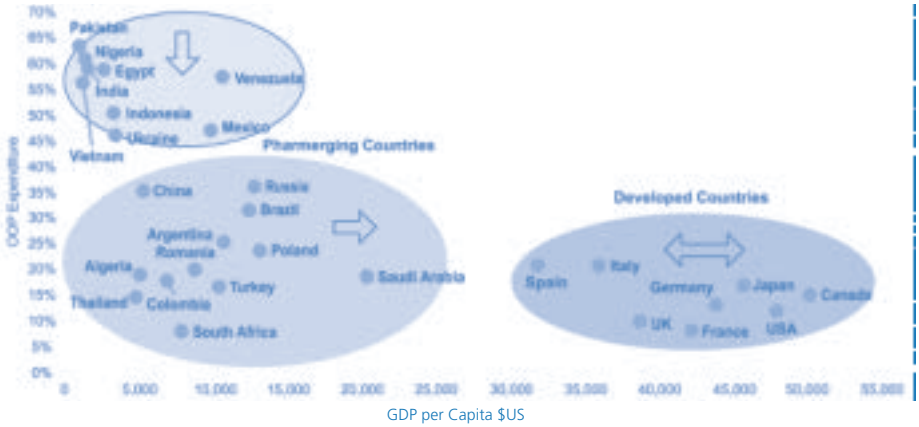
Figure 1: Evolution of the World Pharma Market (USD Bn) over time



Data Source: IMS Health, Global use of Medicine Reports- 2012 & 2013

One of the key driver for this differential growth performance, beyond the respective economic engines, is the healthcare support system in these geographies. The developing markets have seen an increasing trend of government-sponsored healthcare initiatives aimed at decreasing the out-of-pocket (OOP) spend of patients. The developed markets on the other hand, are trying to do a balancing act between the current OOP spending from patients and the sustained pressure to decrease their healthcare spends (refer Figure 2). In both of these scenarios, the current drug pricing mechanisms have come under substantial scrutiny and criticism by various stakeholders.

Figure 2: Out of Pocket Healthcare Expenditure vs. GDP per Capita in Select Nations



Source: WHO OOP situation and trends as of March 2013

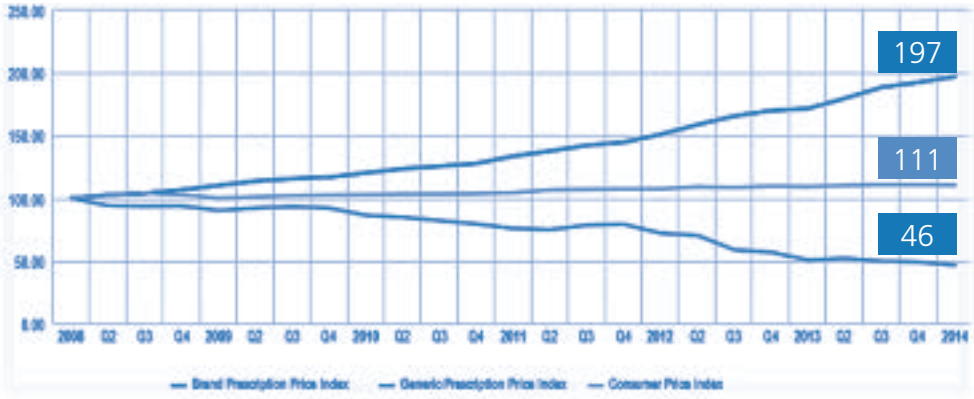
To elaborate further: Barring a few exceptions, the list prices for high end medications including biologics does not vary substantially between the developed and developing markets. This is despite the disparity in income and the high OOP expenditure in developing markets, which makes these drugs unaffordable to a large section of the patient pool. As the above figure shows, the highest OOP expenditures take

place in some of the countries with lowest GDP per capita. Several governments in these countries are looking to expand accessibility and affordability by expanding healthcare coverage, active patent regime management and encouraging local players to make generic versions of both small molecules and biologics.

This momentum in the developing markets has helped crystallise newer business models to help deliver affordable innovation with improved patient outcomes and value to the various stakeholders. The regulators are opening up further to the prospect of biosimilars, with regulatory guidelines gaining more clarity.

The scenario in the developed countries is not very different either. The increasing gap between drug prices and nationwide inflation rates has created an unaffordability gap (refer Figure 3). Given that the pharma companies have now begun to charge significant premiums for their latest novel drugs, the various stakeholders in the healthcare management process find themselves at crossroads when it comes to containing their healthcare expenditures.

Figure 3: The increasing unaffordability gap in developed markets: 2008 to 2014



Source: Express Scripts, 2013 drug trend report

Given that the next generics patent wave is at least 5 years away, countries are increasingly turning towards biosimilars to balance healthcare expenses. The European Union (EU) has been at the forefront of encouraging the uptake of biosimilars and shaping the regulatory landscape as well. A key event this year was the regulatory approval granted to a biosimilar monoclonal antibody (infliximab) for commercialization in EU.

The new biosimilar based business models, therefore focus on delivering quality biosimilars buoyed by the healthcare rationing initiatives being adopted across developed markets. The financial viability for a biosimilar based business model gains further veracity if we look at the uptake of biosimilars in the five key EU nations (refer Figure 4 below).

Figure 4: Biosimilar Sales across EU5 (Qtr. Mar/2007 to Qtr. Sept/2013)

Source: IMS MIDAS, MAT 12/2013

We have seen differential rates of biosimilar uptake in various EU member nations, largely reflecting the variations in their local healthcare systems. On the one hand we have Germany, which saw quick adoption of biosimilars at launch; while other nations like Spain & Italy have slowly warmed up to biosimilars. This trajectory is remarkably similar to the adoption behaviour we saw when generic small molecules were introduced in the developed markets. This gives us further confidence that it is a matter of time and further experience, which will be the inflexion point for the global biosimilars market.

Despite these encouraging developments, the biggest caveat in the evolution of the pharma market still lies in the regulatory space. The cautious approach to biosimilars by certain regulators has helped delay millions of dollars worth of potential savings which could have accrued to both patients and healthcare systems worldwide. IMS predicts global pharma spending to exceed $1 Trillion in 2014, largely due to the delay in entry of biosimilars in the market place[1].

The paradox for biosimilars lies in the fact that, in several cases, the clinical trial requirements for the biosimilar are significantly larger vis-

à-vis what were used to approve the reference innovator biologic in the first place. A fine balance is hence needed between the value of additional information gained from extensive clinical trials vis-à-vis the level of safety, efficacy and biosimilarity data which would already be available from pre-Phase III analysis.

The next few years would be critical in shaping the debate around affordability and equality to access. The implementation of the Affordable Care Act in the US, coupled with the austerity measures across developed markets to support economic recovery should help open up further avenues of discussions between the various stakeholders in the pharma space. In addition, the expansion of healthcare coverage in developing nations along with the upward economic and social mobility will help propel more value-conscious pharma pricing decisions worldwide. The pharma landscape is now shifting to a more stringent cost-benefit analysis of drugs, thereby setting the stage for affordable innovation to make the value leap from developing to developed markets.

Indian Pharma Market

The Indian pharma market went through tumultous times in FY14, as the business environment became more complex with several regulatory changes in motion. The Indian government initiated several measures in the marketing, patent regime and clinical trial domains, which led to a sustained phase of market adjustment. The biggest shifts occurred due to the following initiatives:

Revision of the Essential Medical List (EML) under Price Control:

In order to enhance the affordability of key medicines in line with the changing epidemiological profile of the country, the Government of India revised the existing list of essential medicines. This revision led to a 5 times increase in the span of the EML which went up to 348 drugs from 74. In addition, the mechanism to determine the price ceiling was changed from being a bottoms-up (cost plus model) to a top down approach (market based). While the new approach aims to let competition drive down the costs of drugs, it also decreases the incentive for pharma players to strive for better quality.

Pursuant of a protracted debate on pricing mechanisms and dosage forms, the revised drug price control order was rolled out across the country in the second quarter of the fiscal. The rollout faced several systemic hurdles, which led to widespread destocking and margin disputes between the various stakeholders in the value chain. Given the various implementation issues, the market remained in a state of flux for a large part of the year and it was only in the later part of FY14 that some amount of market equilibrium had been restored.

Compulsory Licensing:

The theme of affordable medication grew more resonant over the fiscal, and culminated with the grant of India's first ever compulsory license. The Indian Intellectual Property Appellate Board upheld the compulsory license, and provided other emerging markets with a formidable precedent to enable negotiations for differential pricing of drugs. This landmark move has received praise and criticism in equal measure from stakeholders at both ends of the spectrum, and has renewed the debate on patients versus return on R&D spends. In the aftermath of this judgement, several innovators have decreased the prices of their drugs in emerging markets to enhance affordability.

Regulations governing Clinical Trials in India:

FY14 witnessed increased public activism and sustained judiciary intervention in the regulations surrounding the clinical trials in India. The regulators went back to the drawing board to develop a fresh take on the protocols aimed at bringing greater clarity and transparency to the entire clinical trial process. These developments caused some amount of anxiety in the industry in addition to bringing a halt to the clinical trial activity in the country.

This evolution in the operating business enviornment slowed down the pace of growth for the domestic pharma market in FY14. This fiscal saw a growth of 6% vis-à-vis last year, driven largely by three chronic therapies viz. Anti cancer (28%), Anti diabetics (15%) and dermatological drugs (11%). As expected, the molecules covered under NLEM have degrown over the year as the market implemented the price adjustments.

The fundamental growth drivers for the industry, however remain intact and growth is expected to renew in FY15 as greater clarity emerges on the political, regulatory and economic front. IMS predicts a strong growth ranging between 14-17% for the Indian Pharma Market for the next 2 years.

Coming to the pharma export trends, FY14 also saw an increased regulatory oversight from FDA which helped identify gaps in the manufacturing facilities and operating procedures of several Indian generic players. This has led to a renewed engagement between the regulator and the industry to ensure quality generics are made available worldwide.

Despite the challenges across the exports & domestic segments, the outlook for the industry remains strong. According to the latest report from India Ratings & Research, the momenutm in pharma exports will continue and they will overtake the domestic market in FY15. The domestic market is also expected to regain its momentum as the impact of recent changes play out, and the market establishes a new equilibrium.

BUSINESS STRATEGY AND OPERATIONAL PERFORMANCE

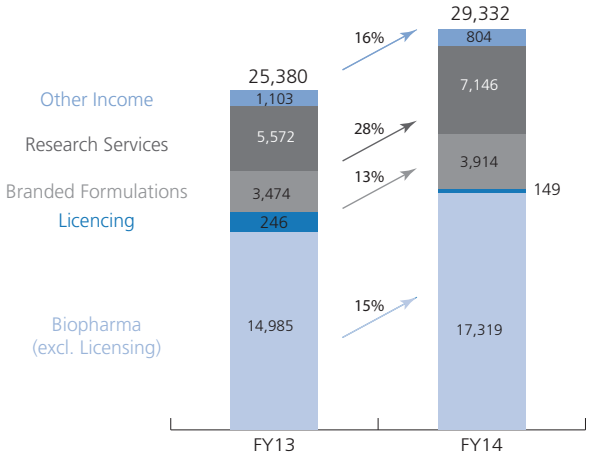
The year gone by

The shifting regulatory and business landscape in FY14 made for some interesting times for Biocon. While on the one hand we witnessed sustained momentum in Research Services, on the other we saw changing market dynamics impacting the Biopharmaceuticals segment as discussed further in the note below. We also made progress on our development pipeline encompassing our biosimilar and novel portfolio. In addition, the depreciation of the rupee vis-à-vis the dollar also aided our growth momentum.

Despite the headwinds, we delivered broad based growth across all our verticals. Our diversified growth strategy focussing on the 5 verticals, helped us deliver a healthy growth of 16% this year to reach ₹ 29,332 in FY14 up from ₹ 25,380 in FY13. While Research Services grew at 28% YoY, Branded Formulations and Biopharma delivered growth of 13% and 15% respectively (refer Figure 5).

1 IMS Health, The Global Use of Medicines: Outlook through 2017

Figure 5: Biocon Group FY14 Revenue Growth breakdown



Dissecting the Growth Drivers

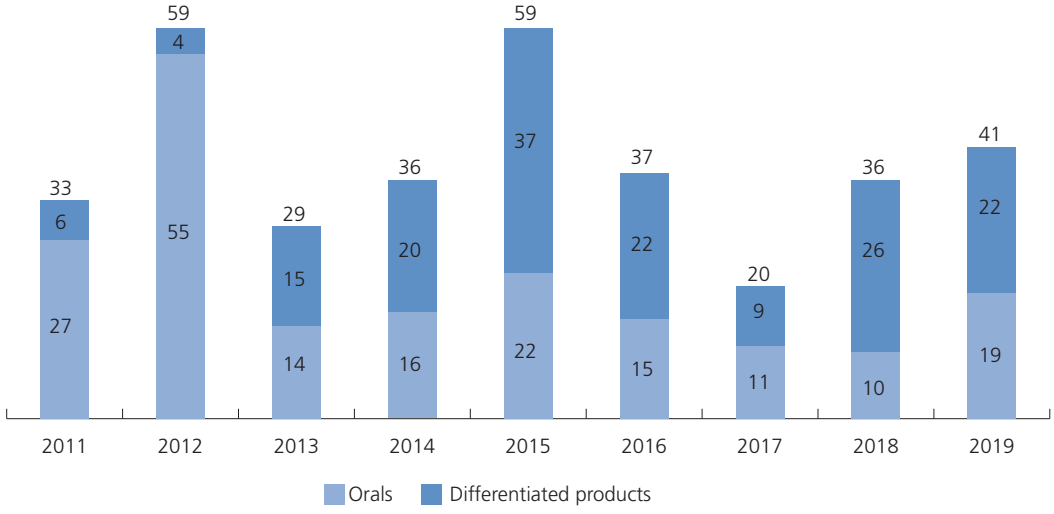
Biopharmaceuticals

The Biopharmaceuticals segment delivered a growth of 14%, reflecting our continued endeavour to move up the pharma value chain along with optimization of our product mix. This segment hence comprises of distinct portfolios – Small Molecules, Biosimilars, Branded Formulations and Licensing.

The **Small Molecules** vertical consisting of statins, immunosuppressants, speciality molecules like Fidaxomicin and other APIs, underwent portfolio optimization in FY14. The goal was to re-evaluate the portfolio to ensure better margin accretion and a healthy mix to withstand the changing business environment. As expected, the statins market became more competitive with increased genericization and the slow market shift from other statins to atorvastatin. Our statins portfolio however has seen limited impact due to a better product mix, which resulted in improved realizations. We have seen good growth in immunosuppressants and expect it to sustain going forward in line with the regulatory approvals for our customers.

To protect us from the increasing commoditization of the API business, we have initiated several measures to optimise our Small Molecules product mix. One of these was the development of a generic formulations portfolio to capture the next phase of multiple patent expirations. We expect to file some of these applications over the course of FY15, tapping into the opportunities that become available 2018 onwards (refer Figure 6).

Figure 6: Revenues of products by type due for patent expiry in the current decade



Source: McKinsey & Company, Generating value in generics: Finding the next 5 years of growth

Our **Biosimilars** vertical is currently made of two distinct portfolios: generic insulin and analogs for diabetes, and injectables for oncology and autoimmune indications. The portfolio aimed at diabetes consists of generic forms of rh-Insulin, Insulin Glargine, Insulin Lispro and Insulin Aspart supported by a range of pen delivery devices - INSUPen. While Insulin Lispro and Insulin Aspart are in different stages of preclinical development, we have commercialised the other two molecules in Indian and several emerging markets. We have received the European Phase-III study report for generic rh-Insulin and the study has met all primary and secondary endpoints. We have harmonised a strategy that integrates clinical development for EU and US with our Malaysian facility. This will entail certain additional trials including bridging studies.

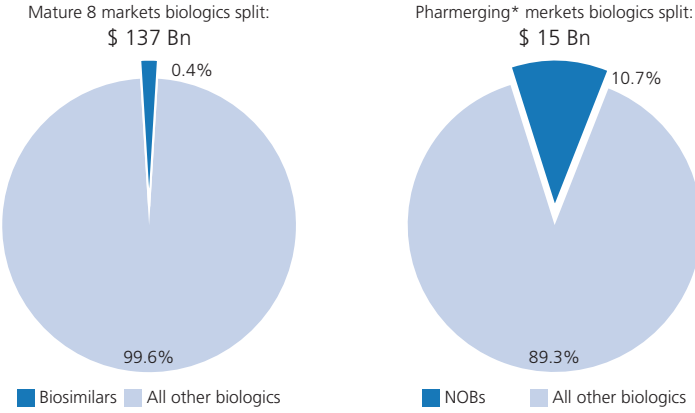
On the commercial front, we have seen sustained growth momentum from the emerging markets for our generic insulin products. We had undertaken several capacity enhancement initiatives at our current manufacturing plant over FY14, which should hold us through the next

fiscal. Our Malaysian facility is on track, and we expect it to come online in FY15. The commissioning would then catalyse the regulatory approval process for this facility, which is critical for commencing commercial supplies from this site. The period for regulatory approval varies from country and country and we expect the approvals to come in a phased manner. Once the Malaysian plant receives regulatory approvals, it would substantially increase our ability to service the EM demand, and enable our foray in developed markets. We continue to build up on our existing partnerships to ensure better accessibility and affordability of these life-saving drugs in the emerging markets.

The second portfolio for oncology and autoimmune indications consists of three biosimilar Mabs (trastuzumab, bevacizumab and adalimumab) and two biosimilar recombinant proteins (pegylated-filgrastim and eternacept). A major milestone this fiscal was the commercialization of our trastuzumab in India; post an extensive two-year long Phase III clinical trial in over 130 HER 2 positive breast cancer patients. The global Phase III trial for the product is currently ongoing, and we expect to initiate clinical trials for some more products from this portfolio over the course of the next fiscal (FY 15).

To elaborate more on the potential and natural fit of emerging markets and biosimilars, let us look at the current market scenario in these regions. Emerging Markets account for ~7.5% of the global biologic sales. However, Non-Original Biologics (NOBs) in pharmerging markets generate more than twice the sales of biosimilars in mature markets (refer Figure 7)

Figure 7: Sales of NOBs : Developed Markets and in Pharmerging Regions



Source: IMS Health MIDAS Dec 2012. (*) It includes 16 Pharmerging markets. Mature 8 is EUS, Canada, US and Japan

One of the key reasons for the momentum in the sale of NOBs, is the affordability factor. In 2012, almost 65% of deaths due to cancer occurred in low and middle income countries. A lot of these were preventable, limited by the availability of timely diagnosis and affordable medication. NOBs help bring down the therapy costs in such cases, by ensuring that the products are priced in line with the purchasing power of the patient group.

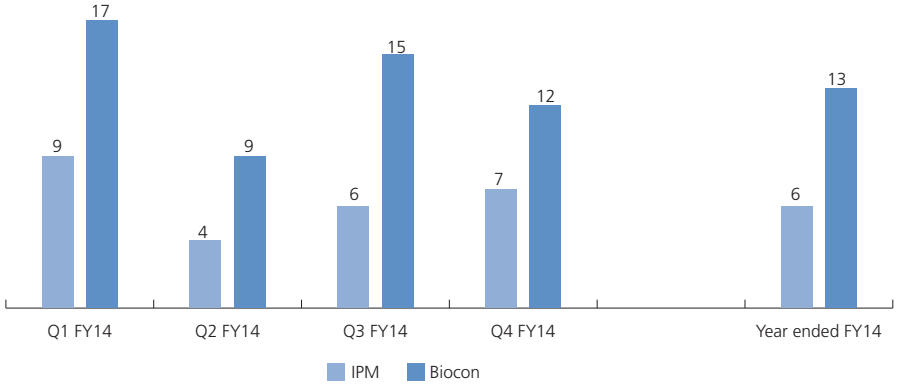
Moreover, the presence of NOBs creates competitive pressure on the innovators to bring down prices and initiate more patient support activities, thereby ensuring that the drugs are available to a larger section of the populace.

Given the increasing burden of non-communicable diseases in the emerging markets, a number of countries have initiated efforts to increase healthcare coverage and make high-end medications more affordable. A key variable in the costs involved in such programs is for the medications, and biosimilars offer a quality, affordable solution to this increasing epidemic. With these positive forces in play, we expect our biosimilars vertical to drive the next wave of growth for us.

Branded Formulations

The branded formulations vertical delivered a YoY growth of 13% to reach ₹ 3,914 in FY14 up from ₹ 3,474 in FY13. The growth significantly outpaces the industry, which grew at 6% in FY14. As outlined earlier, this fiscal witnessed several events which significantly altered the market dynamics. The market underwent a period of low growth as the industry adjusted itself to the new normal (refer Figure 8).

Figure 8: Growth rate comparison: IPM vs. Biocon's Branded Formulations



Source: AIOCD

Given this backdrop, our branded formulations vertical focused on expanding its portfolio with several new, first of its kind offerings in the Indian Market. The key highlights amongst our new launches were:

Alzumab: Also known as Itolizumab, this molecule is a 'First-in-class' novel biologic therapy for psoriasis and is also the 2nd novel drug from our novel molecules pipeline. The key differentiator for the drug is its unique mechanism of action (T-cell modulator) which ensures that the patient's innate immunity is not compromised. Alzumab offers a new treatment paradigm for patients with a less aggressive dosing regimen and a longer treatment free period. The product has been rolled out across the nation, and we have seen encouraging uptake and real world data from patients.

CANMAb: CANMAb (INN: trastuzumab) has the distinction of being the world's lowest priced antibody for treatment of HER2 positive metastatic breast cancer. Launched in Q4 FY14, CANMAb has been made available in 2 formats: 440 mg and 150 mg. Our drug can be stored for 1 month in both of these presentations and hence will ensure that there is no under-dosing or wastage of drug by Indian patients, which is quite common today.

Cytosorb: Cytosorb is an extracorporeal cytokine filter, in-licensed from Cytosorbents Inc, used in organ transplant and sepsis treatment settings. This product supplements our offerings in the Nephrology and Critical Care divisions, and has seen good traction due to its world class safety profile.

The launch of these new brands have strengthened our specialist portfolios. The focus in FY14 was largely on three key fronts:

Strengthening of Flagship brands - Significant investments in our flagships brands like BioMAb EGFR, Abraxane, Insugen, Basalog etc. have helped us reap benefits in the form of sustained market share growth and increased penetration in our key markets. The intention is to ensure that our therapy portfolio supports the treatment regimen afforded by these drugs, and provide end to end solution to the patient, in helping manage their condition.

Rationalization of portfolio supported by right sized teams – FY14 saw a big initiative aimed at optimizing our portfolios in terms of molecular mix and the field force supporting the outreach of the respective portfolios. The focus is to enhance the profitability of the individual verticals by encouraging synergies across products and teams.

Patient focused outreach programs – Building on the success of our ABIDE (A Biocon Initiative for Diabetes Education) and INSUPen support programs, we launched several patient education initiatives to build awareness for several diseases. A key initiative this year was the 'Queen of Hearts' campaign to create awareness on cardiovascular diseases which are more rampant than cancer incidence rates in women. Other key programs organized in FY14 revolved around milestones like World Kidney Day ("Kidneys age, just like you") and World Breast Cancer Day.

We intend to leverage the traction gained from these initiatives to drive future growth. The focus in FY15 is to build further on our biologics advantage, and enhance the vertical's productivity to improve profitability.

Research Services

The global R&D spending for new drug development has largely remained flat since the onset of recession. When we view this in juxtaposition with the approval rate for new molecules — the R&D productivity measure become clearer. The graph below shows the declining R&D productivity since 2004, which has only recently corrected its course from 2011 onwards (refer Figure 9).

Figure 9: The R&D Landscape: Total Spends vs. NME Approvals

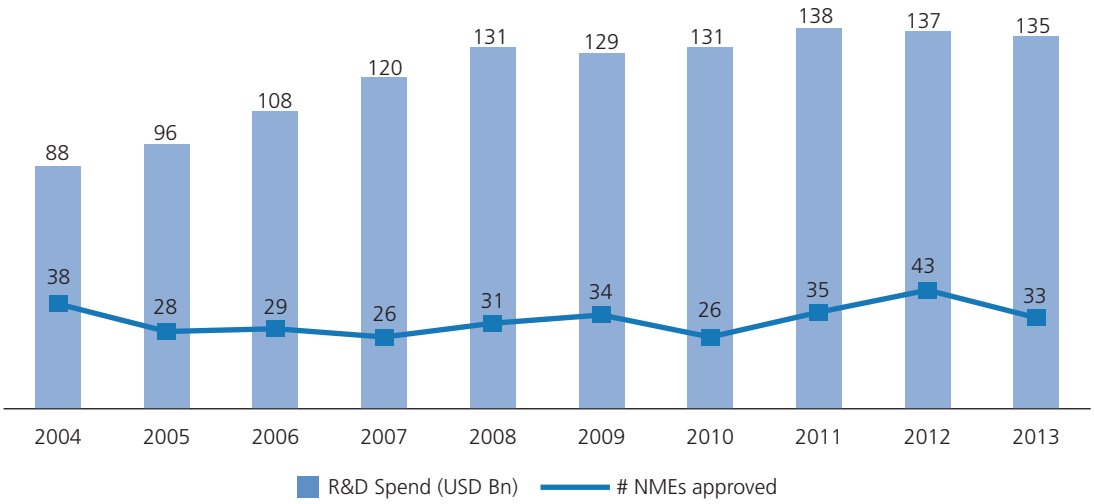


Table 1: Cost/NME (USD Bn, with a 3 year lag)							
	2007	2008	2009	2010	2011	2012	2013
	3.4	3.1	3.2	4.6	3.7	3.0	3.9

Source: R&D spends from Citeline Pharma R&D Annual Review 2014, NME Approvals from FDA website

The focus on R&D productivity has helped create a new value based arbitrage for outsourcing to Asia. There has been an evolution in the nature of outsourced work and the kind of relationship shared between the two stakeholders. These two key trends have helped shape the growth story for our research services arm as well.

Our research services vertical grew by 28% YoY to deliver a top-line of ₹ 7,146 in FY14. The top line growth was supported by operational efficiencies, helping us deliver EBITDA margins of 30%. The growth came from increased engagement with clients across various service platforms in both small and large molecules discovery and development services like custom synthesis, stability and formulation development.

A key highlight this fiscal was the inauguration of the Baxter Global Research Centre, which will support Baxter in the research and development of medical products and devices to serve patients both in India and around the world. The centre will house over 100 dedicated scientists across multiple disciplines engaged in a wide range of R&D activities centred on product and analytical development and pre-clinical evaluation in parenteral nutrition and renal therapy.

We continue to invest further in our service and capability platforms to sustain the business momentum going forward. We have seen several of our client relationships and products progress to the next level, and hence we will continue to make investments to support their requirements, across allied services and manufacturing. 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

In our **Novel Molecules** vertical, we received regulatory approval and subsequently launched Itolizumab, an anti-CD6 Monoclonal Antibody for psoriasis in India. We have initiated groundwork towards initiating trials for expanded indications, both in India and overseas. We are in preliminary discussions for collaborating the development of this molecule for the developed markets.

We have initiated the first set of trials for our oral-insulin candidate, IN-105 in the U.S. in collaboration with Bristol Myers Squibb. We expect to get readouts towards the end of FY15.

While we have made significant progress with our lead molecules, we have also initiated several partnerships to fuel our R&D pipeline. The key partnerships this fiscal were with the following entities:

- Quark Pharmaceuticals for the development of a range of siRNA (small interfering RNA) based novel therapeutics. The partnership helps Biocon access Quark's platform technology, and we will jointly develop the lead molecule in the pipeline - QPI-1007. This molecule is being investigated for two ophthalmic conditions namely, ocular neuro-protection in NAION (non-arteritic anterior ischemic optic neuropathy) and acute angle closure glaucoma. It has completed a phase I/ IIA first in human, open label, single-dose, dose escalation, safety, tolerability and pharmacokinetic study in USA and Israel, with very positive safety and efficacy data.

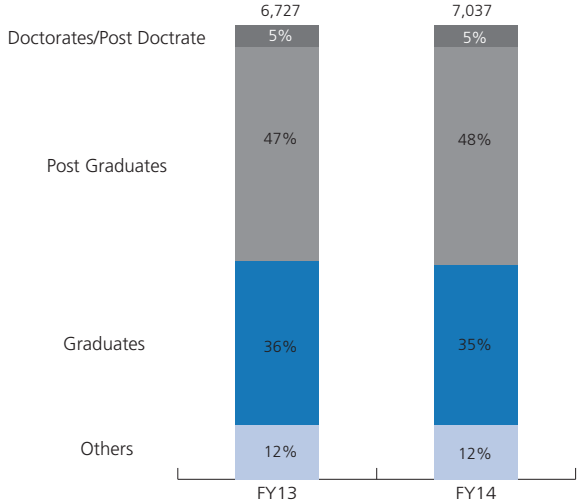
- Advaxis Inc for their novel cancer immunotherapy, ADXS-HPV, being developed for HPV associated cervical cancer. This molecule has a unique mechanism of action, which would differentiate it on safety, efficacy and dosage axes vis-à-vis the other molecules in this space.

Both of these alliances encompass co-development and commercialization for the lead molecules, whereby Biocon has commercialization rights in India and key emerging markets. We continue our efforts to develop affordable therapies targeted at the key NCDs afflicting India and various Emerging Markets.

People

We implemented an organization structure change this fiscal, to bring in further accountability and quicker decision making across our key growth verticals. We transformed from a function-based organization to a matrix structure supporting the various Business Units. This change has started to show a positive impact in the business operations. The figure below illustrates the intellectual capability break-up of our 7,000+ family.

Figure 10: Biocon Group: Intellectual capability break-up



A key highlight during this fiscal was the sustained recognition from Science Magazine, which again identified us as one of the "Top 20 Employers" in Biotech and Pharma. We ranked sixth in this prestigious list, a significant improvement from our debut at #19 last year.

We also inaugurated Biocon Academy, a centre of excellence for Advanced Learning in Applied Bio-Sciences, in collaboration with Keck Graduate Institute, Claremont, California. The program's broad-based international curriculum encompasses Research and Development, Production as per GMP, Quality Assurance, Regulatory, Product Development and Professional skills, which will enhance the career prospects for fresh biotech graduates as well experienced biotechnologists.

Managing the Future

FY14 was an eventful year for us, especially on the R&D front. We commercialized two of our leading assets- one each from our novel and biosimilars pipeline. This gives us further confidence on our ability to develop world-class, complex therapeutic proteins in a cost-effective setting. The current fiscal would witness further movement in our development pipeline, as more molecules enter the clinical stage. In light of the developmental momentum of our R&D assets, we expect the quantum of investment to increase going forward. We will work towards delivering a strong revenue growth in FY15 as well, driven by our research services, branded formulations and biosimilars vertical.

Financial Performance – An overview

Consolidated Balance Sheet

All amounts in ₹ Million

Table 2: Particulars as on	March 31,2014	March 31,2013	Change
Equity and Liabilities			
Shareholders' funds			
Share capital	1,000	1,000	-
Reserves and surplus	29,267	25,946	13%
	30,267	26,946	13%
Minority interest	**823**	**653**	**26%**
Non-current liabilities			
Long-term borrowings	6,062	1,640	270%
Deferred tax liability (net)	450	412	9%
Long-term provisions and other liabilities	6,108	4,611	32%
	12,620	**6,663**	**189%**
Current liabilities			
Short-term borrowings	2,435	848	187%
Trade payables	3,472	3,455	-
Other current liabilities	6,123	3,131	96%
Short-term provisions	1,766	2,465	-28%
	13,796	9,899	39%
Total	**57,506**	**44,161**	**30%**
Assets			
Non-current assets			
Tangible and intangible assets	27,308	18,228	50%
Non-current investments	645	645	-
Loans and advances and other non-current assets	3,165	2,888	10%
	31,118	**21,761**	**43%**
Current assets			
Current investments	7,004	5,221	34%
Inventories	3,766	3,984	-5%
Trade receivables	5,998	5,097	18%
Cash and bank balances	8,044	6,729	20%
Loans and advances and other current assets	1,576	1,369	15%
	26,388	**22,400**	**18%**
Total	**57,506**	**44,161**	**30%**

Shareholders' Funds

We have an equity share capital comprising of 200,000,000 equity shares of 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 13% in FY 14 as compared to FY 13, due to accumulation of profits made during the year net of dividend distribution.

Minority Interest

The profit attributable to minority shareholders increased by 26% in FY 14 as compared to FY 13, due to accumulation of profits.

Non-current liabilities

Non-current liabilities increased primarily due to the following reasons:

- Long-term borrowings has increased by ₹ 4,422 primarily due to drawdown of the term loan for setting-up a manufacturing facility in Malaysia.
- Increase in long-term provisions and other liabilities attributable to funding received from co-development partners towards capex and increase due to translation of deferred revenues in foreign currency.

Non-current assets

Non-current assets grew by 43% due to investments in tangible assets, for the Malaysian facility and routine expansion of existing facilities.

Working Capital (Current assets less current liabilities)

Working capital remained largely at the same levels vis-à-vis the last fiscal (At the end of FY 14 was ₹ 12,592 as compared to ₹ 12,501 at the end of FY13).

Consolidated Statement of Profit and Loss

The following table details out key components of statement of profit and loss for the fiscals ended March 31, 2014 and March 31, 2013.

All amounts in ₹ Million

Table 3: Statement of Profit and Loss	FY 2014	FY 2013	Change
Total Revenue	29,332	25,380	16%
Expenses			
Cost of materials consumed	11,860	10,447	14%
Employee benefit expenses	4,663	3,894	20%
Other expenses	7,068	5,763	23%
Depreciation and amortisation (net)	2,036	1,793	14%
Finance costs	17	81	-79%
Less: Recovery of product development costs from co-development partners (net)	(1,689)	(681)	148%
Total Expenses	**23,955**	**21,297**	**12%**
Profit before tax and exceptional item	5,377	4,083	32%
Exceptional item	-	2,019	-100%
Profit before tax	5,377	6,102	-12%
Tax expense	1,069	975	10%
Profit after tax	4,308	5,127	-16%
Minority interest	(170)	(38)	347%
Profit for the year	4,138	5,089	-19%

Revenue

The Biopharmaceutical segment grew by 14% to ₹ 21,382 versus ₹ 18,705 last year. Within the segment, Biopharma grew by 15% to ₹ 17,468 while Branded Formulations India grew by 13% to ₹ 3,914. The Contract research segment grew by 28% to ₹ 7,146 in FY14 as compared to ₹ 5,572 in FY13. The Total Revenue composition for FY 2014 and FY 2013 is detailed below:

Table 4: Revenue composition by vertical	FY 2014	FY 2013
Biopharmaceuticals		
Biopharma	59%	59%
Branded formulations – India	13%	14%
Licensing income	1%	1%
Contract research	24%	22%
Other income	3%	4%
Total Revenue (in ₹ Million)	29,332	25,380

Table 5: Revenue composition by geography	FY 2014	%	FY 2013	%
India	11,172	38%	9,596	38%
Outside India	18,160	62%	15,784	62%
Total Revenue (in ₹ Million)	29,332		25,380	

Cost of Materials Consumed

Material costs consist of consumption of raw materials, traded goods and change in stock. In FY14, material costs have increased by 14% from ₹ 10,447 to ₹ 11,860 in line with the growth in revenue.

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
- Amortisation of employees stock compensation expenses and
- Welfare expenses (including employee insurance schemes)

The above expenses have increased by 20% from ₹ 3,894 in FY13 to ₹ 4,663 in FY14, driven largely by increased employee strength and annual increments of existing employees.

Other expenses net of recovery of product development cost from co-development partners

This primarily includes research & development expenses (net of recovery from co-development partner), power & fuel, selling expenses like freight outwards, sales promotion and commissions, provision for doubtful debts and other general overheads. Overall cost has grown by 6% in FY 14 as compared to FY 13.

The R&D expenses for FY14 was ₹ 1,312 compared to ₹ 1,622 in FY13. As a percentage of our biopharmaceutical sales, the R&D expenses were 6% vis-à-vis 9% last fiscal. This decline is due to

- Capitalization of the development spends amounting to ₹ 81 pertaining to further development of trastuzumab for developed markets in line with our accounting policy
- Deferment of clinical activities due to certain regulatory challenges in India. We have shifted some of these trials overseas.

We expect R&D spends to normalise between 8-10% of biopharmaceuticals sales in the coming years.

Depreciation and Amortization

During this fiscal, depreciation and amortization increased by ₹ 243 as compared to last year. The increase is on account of expansion of existing facilities.

Finance Costs

Finance costs have decreased from ₹ 81 in FY13 to ₹ 17 in FY14, due to the capitalization of borrowing costs (₹ 132) attributable to Malaysian facility.

Exceptional Items (net)

In FY13, the Company entered into an agreement with Mylan for the global development and commercialization of Insulin Analogs. Pursuant to such agreement, Biocon determined that it does not have continuing obligation for the clinical trials and development activities in respect of Insulin Analogs. Accordingly, based on an allocation in proportion of estimated future development spend on these programs, ₹ 2,150 of deferred revenues allocated to Insulin Analogs (net off amounts already recognized in the consolidated statement of profit and loss) was recognized as exceptional income in the consolidated statement of profit and loss for the year ended March 31, 2013.

During the year ended March 31, 2013, we recognized an exceptional expense of ₹ 139 in respect of our investment in IATRICa. There were certain developments in connection with this investment arising due to patent filings, which were contrary to contractual obligations and hence on a prudent basis provision was made to the extent of equity investment.

Tax Expenses

Tax expenses for the fiscal stood at ₹ 1,069 in FY14 in comparison to ₹ 975 in FY13. The effective tax rate has increased due to lower tax on exceptional income in FY13. In addition, there continues to be a gradual reduction in tax benefits applicable to our SEZ facilities.

Liquidity

Our primary liquidity requirements are to finance working capital requirements and funding capital expenditure. The financing need is met through a combination of internal accruals, long-term borrowings and short-term borrowings.

All amounts in ₹ Million

Table 6 : Cash Flow	FY 2014	FY 2013
Net Cash generated from Operating activities	5,607	4,712
Cash flows from Financing activities		
Proceeds from allotment of shares by subsidiary to third party	-	1,197
Net proceeds from borrowings (long-term and short-term)	6,015	(121)
Dividend paid (including tax thereon)	(1,755)	(1,162)
Net Cash used for:		
Capital expenditure (net)	(7,957)	(3,611)
Investment in bank deposits and current investments	(2,073)	(628)
Interest and Dividend income	649	481
Exchange impact	344	182
Cash and cash equivalent at beginning of year	4,740	3,690
Cash and cash equivalent at the end of the year	5,570	4,740

Risks and Concerns

Risk is a potential event or non-event, the occurrence or non-occurrence of which can adversely affect the objectives of a company. This impact could be either monetary e.g. impact on business profits due to increase in costs; decreasing revenue etc. or non-monetary e.g. delay in securing regulatory meetings etc. As a conscientious organization, we have adopted a risk management framework to ensure early identification and management of various critical risks, which accrue to our business model.

The global generics companies face industry-wide risks in terms of patent litigations, regulatory compliance and quality issues. 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 collaborating for authorized generics and aligning with multiple generic players to fragment the pie.

We continue to work toward managing this dependency by focussing on diversification of our clientele base and optimization of our product portfolio, to ensure our presence in niches with lower genericization rates. This is expected to ensure our presence in markets with lower competitive index and higher entry barriers. On the other side, these efforts are still in the development stage and hence any delays due to changes in regulatory requirement, clearances or executional failures could materially affect the timing and implementation of our strategy.

Regulators across the globe strictly monitor the manufacturing facilities, which produce biopharmaceuticals and biologics. Governing laws across the globe are becoming increasingly stringent over time, with severe penalties or actions in the event of non-compliance or violations. In the scenario where we or any of our suppliers fail to 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 etc. Such impact would significantly affect the delivery of our objectives.

Given the evolving nature and regulatory complexities relating to biosimilars, there is a continuous challenge in meeting the regulatory requirements. This might also lead to additional requirements from the regulators before granting commercialization approval. The additional requirements would not only increase our financial commitments but also shift the launch timelines.

In addition to the above, other key risks relating to our current operations include human capital risk such as loss of key personnel, reliance on third party sole suppliers, risk arising out of co-development arrangements, disruption from natural disasters, execution risk in strategic projects, foreign exchange fluctuations etc.

The risk management framework adopted by the Company will ensure a continuous focus on identifying, assessment and adequate mitigation of risks affecting the Company. The risk committee reviews the Company's critical risks, overall risk exposure and various risk mitigation plans on a periodic basis.

Internal Controls

A robust, comprehensive internal control system is a prerequisite for an organization to function ethically and in commensuration with its abilities and objectives. We have established a strong internal control system for your company and its subsidiaries. This control system is aimed at providing assurance on the Company's effectiveness and efficiency of operations, compliance with laws and regulations, safeguarding of assets and reliability of financial and management reporting. The Company is staffed with experienced and qualified people who play an important role in designing, implementing, maintaining and monitoring the internal control environment.

However, during the course of the year, we identified an instance of fraud in relation to payment of wages to contract labour. We found that an employee of the company misappropriated funds over a period by falsifying records and documents. The matter was investigated and it was observed that the quantum of the misappropriation is unascertainable. However, the Company's annual spend towards contract labour is not material. Since then we have further enhanced our internal controls and procedures to mitigate this risk.

In addition, an independent body of Chartered Accountants performs periodic internal audits to provide reasonable assurance over internal control effectiveness and advice on industry wide best practices. The Audit committee consisting of Independent Director's review important issues raised by the Internal and Statutory auditors thereby ensuring that the risk is mitigated appropriately with appropriate rectification measures on a periodic basis.

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 conduct business, litigation and other allied activities.

Corporate Governance Report

The detailed report on Corporate Governance for the financial year ended March 31, 2014, as per norms prescribed by Securities and Exchange Board of India (SEBI) and as per Clause 49 of the Listing Agreement is set out below:

Company's philosophy on Corporate Governance:

Biocon is committed to doing business in an efficient, responsible, honest 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 fairness, 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 continually evolving and adopting appropriate Corporate Governance best practices.

Board of Directors:

Profile and Composition:

The Company has a balanced mix of Executive and Non-Executive Directors. As at March 31, 2014, the Board comprised nine members including two Executive Directors, seven Non-Executive Directors, of which six 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. The brief profile of the Company's Board of Directors is as under:

Ms. Kiran Mazumdar Shaw, 61 years, CMD, is a first generation entrepreneur with more than 38 years' experience in the field of biotechnology. 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 a founder promoter and has led the Company since its inception in 1978. 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 & 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 of the Governing Body and General Body of the Indian Pharmacopoeia Commission, an autonomous body of the Government of India. She is currently Chairperson of Indian Institute of Management, Bangalore and also on the Board of Infosys Limited and United Breweries Limited as an Independent Director.

Mr. John Shaw, 65 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 his M.A. (Economic 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 Managing Director of Coats Viyella group companies in various locations around the world, before he came on the Board of Biocon Limited in 1999.

Prof. Charles L Cooney, 70 years, is the Robert T. Haslam (1911) Professor of Chemical & Biochemical Engineering, Emeritus and the Faculty Director of the Deshpande Center for Technological Innovation, Emeritus at Massachusetts Institute of Technology (MIT). He obtained his Bachelor's degree in Chemical Engineering from the University of Pennsylvania in 1966, his Master's degree and his 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 director of a number of companies globally such as PolyPore International, Inc.,Mitra Life Sciences, Pronutria, Inc., GreenLight Bioscience, Inc., enEvolv, and Boyd Technologies.

Mr. Suresh N Talwar, 76 years, completed B.Com from the University of Bombay in 1959, LL.B. from the Government Law College, Bombay in 1961 and is a solicitor of the Incorporated Law Society, Mumbai in 1966. His area of professional specialisation is in corporate law and other related matters. He has been the legal counsel to numerous Indian companies, multinational corporations as well as Indian and foreign banks. He was partner of M/s. Crawford Bayley & Co., an eminent law firm for 30 years after which he founded Talwar Thakore & Associates, a law firm of repute. He is on the Board of several leading companies such as Merck Limited, Blue Star Infotech Limited, Larson & Toubro Limited, Johnson & Johnson Limited and many more.

Mr. Russell Walls, 70 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 currently Chairman of Aviva Insurance Limited and on the Board of Mytrah Energy Limited and Signet Jewelers Limited.

Prof. Ravi Mazumdar, 59 years, was educated at IIT, Bombay (B.Tech in Electrical Engineering, 1977), and received the MSc,DIC from Imperial College, London (1978) and a PhD from the University of California, Los Angeles (UCLA) in 1983. He is currently a University Research Chair Professor at University of Waterloo, Canada. Prior to this he was a faculty member at Purdue University, U.S.A, Columbia University, U.S.A., University of Essex, U.K. He has held visiting positions at the Indian Institute of Science, Bangalore; the University of California, Berkeley and Telecom-Paris Tech, France. He is currently a J.D. Gandhi Distinguished Visiting Professor at the Indian Institute of Technology, Bombay. He has over 150 referred publications in the area of high speed communication networks, applied probability and stochastic processes, and in statistical signal processing. 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 and Fellow of the Institute of Electrical and Electronics Engineers, Inc. He is the younger brother of Ms. Kiran Mazumdar Shaw.

Dr. Bala S Manian, 69 years, has been a part of the Silicon Valley entrepreneurial community over the last four decades as an entrepreneur, as an investor and as an innovator. Before the Silicon Valley experience, he was an academic between 1971 and 1974, as a member of the teaching faculty at the University of Rochester. In his latest venture, ReaMetrix Inc, Bala Manian has spent more than ten years in the innovation driven solutions to address the unmet human diagnostics needs of emerging economies that are affordable and economically sustainable. While these activities have been centered in India, the lessons learned are applicable globally. An expert in the design of electro-optical systems, Dr. Manian holds a large number (more than 40) of patents, many of which have resulted in successful commercial products. While his educational training is in Physics & Engineering, his contributions have centered predominantly in Life Sciences. As example of cross-discipline convergence, in February 1999 the Academy of Motion Picture Arts and Sciences awarded Bala, a Technical Academy Award for advances in digital cinematography. He has been recognized through several awards for his contributions as an educator, inventor and an entrepreneur.

Ms. Mary Harney, 61 years, was a member of the Irish Parliament for over thirty years and was a Government Minister for seventeen years in Environment, Economic and in Health Ministries. She was Deputy Prime Minister for over nine years. She is an economics graduate of Trinity College Dublin. She was the longest serving woman ever in the Irish Parliament and in 1993 became the only woman to have led a political party in Ireland. She retired from politics in January 2011 and is now involved in business. She is a director of several technology companies as well as an insurance company in Ireland. She is a member of the Board of CRANN Trinity College Dublin's largest research institute and is chair of AMBER, the Advanced Materials and Bio-Engineering Research Centre at Trinity, a joint research enterprise with University College Cork, the Royal College of Surgeons in Ireland and industry. She is on the board of the Hospice Foundation of Ireland and is an honorary member of the International Women's Forum.

Mr. Daniel M Bradbury, 53 years, is a Life Sciences Executive with over 30 years of experience in creating and implementing strategies that transform businesses and bring novel medicines to market. He is the Managing Member of BioBrit LLC, a Life Sciences Consulting & Investment firm and the former President, Chief Executive Officer and Director of Amylin Pharmaceuticals, Inc. Mr. Bradbury completed the Director Certification Program at the University of California, Los Angeles (2004) and the International Executive Program from INSEAD, European Institute of Business Administration, France (1994). He obtained Postgraduate Diploma in Management Studies (DMS) and Diploma of the Chartered Institute of Marketing (DCIM) from Harrow and Ealing Colleges of Higher Education, UK (1985) and B. Pharm (Hons) from Nottingham University, UK (1983). He has been honored with the San Diego American Diabetes Association's Father of the Year Award (2011), the Corporate Directors Forum Director of the Year Award for Enhancing Economic Value (2012) and was Ernst & Young's Entrepreneur of the Year Finalist (2012). He serves on the public Boards of Illumina, Inc., Geron Corporation, Corcept Therapeutics, Inc. and BioMed Realty. He also serves on the University of San Diego's Rady School of Management's Advisory Council, the University of Miami's Innovation Corporate Advisory Council and the Keck Graduate Institute's Board of Trustees.

Status of Directors:

Statement showing the status of Directors as Executive/Non-Executive and Independent/ Non-Independent as at March 31, 2014 is set out below:

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

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

Meetings and attendance record of Directors and other Directorships:

During the financial year ended March 31, 2014, Board of Directors met 4 times on April 25, 2013, July 25, 2013, October 24, 2013 and January 22, 2014. The composition of the Board of Directors and their attendance at the Board meetings 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	14
Mr. John Shaw	4	Yes	9
Prof. Ravi Mazumdar	4	Yes	2
Prof. Charles L Cooney	4	Yes	8
Mr. Suresh N Talwar	4	Yes	40
Dr. Bala S Manian	3	Yes	5
Mr. Russell Walls	4	Yes	4
Ms. Mary Harney	4	Yes	8
Mr. Daniel M Bradbury@	4	No	11

Includes the meeting attended through Audio-Visual Mode
* Includes private limited companies and companies incorporated outside India and alternate directorships
@ Appointed as Additional Director on April 25, 2013

Availability of information to the Members of the Board

- 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, Nomination and Remuneration Committee (erstwhile Remuneration Committee), Stakeholders Relationship Committee (erstwhile Investors' Grievance Committee), Share Transfer Committee, Corporate Social Responsibility Committee and Risk Review Committee.
- The information on recruitment and remuneration of senior officers just below the board level, including CFO and 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.
- Significant development in Human Resources/ Industrial Relations front like signing of wage agreement, implementation of Voluntary Retirement Scheme, etc.
- Sale of material nature, of investments, subsidiaries, 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 transfer, etc.

Detail of Directorship in other Companies

The details of directorships of the Company's Directors in other companies as at March 31, 2014 are given below:

Name of Company	Nature of Interest
Ms. Kiran Mazumdar Shaw	
Syngene International Limited	Managing Director
Clinigene International Limited	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
Infosys Limited	Director
United Breweries Limited	Director
Indian School of Business	Director
Glenloch Properties Private Limited	Director
Biocon Academy	Director
Mazumdar Shaw Medical Foundation	Director
Mr. John Shaw	
Syngene International Limited	Director
Clinigene International Limited	Director
Biocon Research Limited	Director
Biocon SA **	Director
Glentec International **	Director
Biocon Sdn Bhd**	Director
Biocon Academy	Director
Glenloch Properties Private Limited	Director
Mazumdar Shaw Medical Foundation	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
EnEvolv **	Director
Boyd Technologies**	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 Insurance Limited **	Chairman
Mytrah Energy Limited **	Director
Signet Jewellers **	Director
Syngene International Limited	Director
Mr. Daniel M Bradbury	
Syngene International Limited	Director
Illumina Inc.**	Director
Corcept Therapeutics **	Director
Geron Corporation **	Director
BioMed Realty**	Director
Castle Biosciences**	Director
Microdermis**	Director
Diavacs**	Director
Profil**	Director
Troia Therapeutics**	Director
Liquid Grids**	Director

Name of Company	Nature of Interest
Mr. Suresh N Talwar	
Armstrong World Industries (India) Private Limited	Chairman
Merck Limited	Chairman
Sidham Finance & Investments Private Limited	Chairman
Samson Maritime Limited	Chairman
Sunshield Chemicals Limited	Chairman
Rhodia Specialty Chemicals India Limited	Chairman
Birla Sunlife Trustee Company Private Limited	Director
Blue Star Infotech Limited	Director
Chowgule and Company Private Limited	Director
Chowgule Ports & Infrastructure Private Limited	Director
Decagon Investments Private Limited	Director
Elantas Beck India Limited	Director
Epitome Global Services Private Limited	Director
Esab India Limited	Director
India Value Fund Trustee Company Private Limited	Director
IVF Trustee Company Private Limited	Director
IVF (Mauritius) PCC **	Director
IVF(Mauritius) Limited **	Director
Indium III (Mauritius) Holding Limited **	Director
Indium III (Mauritius) Limited **	Director
Indium IV (Mauritius) Holding Limited **	Director
Indium IV(Mauritius) Limited **	Director
Larsen & Toubro Limited	Director
L&T Metro Rail (Hyderabad) Limited	Director
Morgan Stanley India Capital Private Limited	Director
Philips Finance & Investment Services India Private Limited	Director
Philips (India) Private Limited	Director
Rediffusion – Dentsu, Young & Rubicam Private Limited	Director
Sandvik Asia Private Limited	Director
Shrenuj & Company Limited	Director
Snowchem Paints Private Limited	Director
Sonata Software Limited	Director
Swiss Re Shared Services (India) Private Limited	Director
Vidal Health TPA Private Limited	Director
Warner Bros Pictures (India) Private Limited	Director
Johnson & Johnson Limited	Alternate Director
Uhde India Private Limited	Alternate Director
PZ Cussons India Private Limited	Chairman and Alterante Director
FCI Oen Connectors Limited	Chairman and Alterante Director
Transwarranty Finance Limited	Chairman and Alterante Director
Ms. Mary Harney	
Euro Insurances Limited**	Director
Ward Biotech Limited**	Director
Ward Research & Development Limited**	Director
DÍONA Technologies Limited**	Director
CRANN Trinity College Dublin Research Institute**	Director
The Irish Hospice Foundation**	Director
60 Minute Innovation Limited**	Chairperson
Advance Materials and Bio Engineering Research Center (AMBER)** Trinity College Dublin** (Collaborative research centre with Royal College of Surgeons and University College Cork)	Chairperson

** 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 are holding 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 Limited	Stakeholders Relationship Committee	Member
2	Mr. John Shaw	Biocon Limited	Stakeholders Relationship Committee	Member
3	Prof. Charles L Cooney	Biocon Limited	Audit Committee	Member
		Biocon Limited	Stakeholders Relationship Committee	Chairman
		Syngene International Limited	Audit Committee	Member
4	Mr. Suresh N Talwar	Biocon Limited	Audit Committee	Member
		Blue Star Infotech Limited	Audit Committee	Member
		Elantas Beck India Limited	Audit Committee	Member
		FCI Oen Connectors Limited	Audit Committee	Chairman
		Merck Limited	Audit Committee	Chairman
5	Mr. Russells Walls	Biocon Limited	Audit Committee	Chairman
		Syngene International Limited	Audit Committee	Chairman
6	Mr. Daniel M Bradbury	Biocon Limited	Audit Committee	Member
		Syngene International Limited	Audit Committee	Member

* Membership/Chairmanship in Audit Committee and Stakeholders Relationship Committee (erstwhile Investors Grievance Committee) have been reported and whereas Membership/Chairmanship in other Committee has not been included in this report.

None of the Directors of the Company hold memberships of more than ten Committees nor is any Director the Chairman of more than five Committees of the Board of all companies where he/she holds Directorships.

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 the Chairman and Managing Director with regard to compliance of Code of Conduct by 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 2013-14.

For Biocon Limited

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

Bangalore
April 21, 2014

Shareholding of Directors:

Name of the Director	Nature of Directorship	Shareholding as at March 31, 2014
Ms. Kiran Mazumdar Shaw	Executive	79,287,564
Mr. John Shaw	Executive	1,407,558
Prof. Ravi Mazumdar #	Non-Executive	565,014
Prof. Charles L Cooney	Non-Executive	159,522
Mr. Suresh N Talwar #	Non-Executive	32,000
Dr. Bala S Manian	Non-Executive	12,500

Joint Holding with others

Re-appointment of Directors:

Ms. Kiran Mazumdar Shaw, Chairman and Managing Director, shall retire by rotation at the ensuing Annual General Meeting and is eligible for re-appointment. Whereas, all Independent Directors i.e. Mr. Russell Walls, Mr. Daniel M Bradbury, Prof. Charles L Cooney, Mr. Suresh N Talwar, Dr. Bala S Manian & Ms. Mary Harney, being eligible, offer themselves for appointment. Their brief profile/resumes and details of their other directorships and committee memberships, including their shareholding have already been provided in the Annual General Meeting 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.

Board Committees:

The Biocon Board has constituted the various Committees to focus on specific areas and to make informed decisions within their authority. Each Committee is directed by its Charter which outlines their scope, roles and responsibilities and their powers. All the decisions and recommendations of the Committee are placed before the Board for their approval.

The various Board level Committees are as under:-

- Audit Committee
- Nomination and Remuneration Committee
- Stakeholders Relationship Committee
- Share Transfer Committee
- Risk Review Committee
- Corporate Social Responsibility Committee

Audit Committee:

Terms of Reference:

The Audit Committee provides direction to the audit function and monitors the quality of internal and statutory audit with an objective of moving towards a regime of unqualified financial statements. The Committee functions as per the provisions of Clause 49 of the Listing Agreement and the provisions of Companies Act. The responsibilities of the Committee include review of the quarterly and annual financial statements before submission to Board, review of related party transactions, review of compliance of internal control system, overseeing the financial reporting process to ensure transparency, sufficiency, fairness and credibility of financial statements etc. The Committee also reviews the adequacy and effectiveness of internal audit function, Risk management and control systems.

Composition:

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

a) Mr. Russell Walls, Chairman
b) Mr. Suresh N Talwar
c) Prof. Charles L Cooney
d) Mr. Daniel M Bradbury

The members of the committee are Non-Executive and Independent Directors and possess sound knowledge of accounts, finance, audit and legal matters. 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	4
Mr. Suresh N Talwar	4	4
Mr. Russell Walls	4	4
Mr. Daniel M Bradbury*	4	1

*Appointed as a member w.e.f. October 24, 2013

During the year 2013-14, the Committee met 4 times on April 25, 2013, July 25, 2013, October 24, 2013 and January 22, 2014. The Senior Management team, Internal Auditors and Statutory Auditors attended all the meetings of the Audit Committee. The Company Secretary acts as the Secretary to the Audit Committee.

The Committee also recommended to the Board of Directors the re-appointment of M/s S. R. Batliboi & Associates LLP, Chartered Accountants (Firm Registration No. 101049W), as Statutory Auditors of the Company from conclusion of this Annual General Meeting to the forthcoming Annual General Meeting.

Audit Committee members are also advised of the work of independent Internal Auditors, M/s PricewaterhouseCoopers (PwC) who are appointed to review and report that the internal control processes & systems are in place and they report quarterly to the Audit Committee.

Subsidiary Companies:

The Company has five subsidiaries, one step down subsidiary and a Joint Venture. The direct subsidiaries are Syngene International Limited, Biocon SA, Biocon Research Limited, Biocon Sdn Bhd and Biocon Academy. Syngene International Limited has a subsidiary Clinigene International Limited. NeoBiocon FZ LLC is our Joint Venture.

For the financial year, Syngene's revenues were more than 20% of the consolidated revenues of the Company, its subsidiaries & joint venture. Three Independent Directors of the Company are on the Board of Syngene International Limited.

During the year, Biocon Biopharmaceuticals Limited (BBL) a wholly owned subsidiary engaged in the production of monoclonal antibodies and other biologics was merged with Biocon Limited. The Hon'ble High Court of Karnataka passed an order on July 12, 2013 and approved the Scheme of Amalgamation between Biocon Limited and Biocon Biopharmaceutical Limited.

During the year, the Company incorporated Biocon Academy, a company incorporated under Section 25 of Companies Act, 1956 for creating a competitive Biotech ecosystem in India through skill development. Biocon Academy leverages rich industry experience of Biocon and subject expertise of international education partners, such as Keck Graduate Institute, California, USA to deliver industry-oriented training programs to biotech students. The programs offered here aim to empower the Biotechnology and engineering graduates with advanced learning and industrial proficiency through job-skills development essential to build a promising career in the Biotech industry.

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

CEO/CFO Certification:

The Board has recognized the Chairman and Managing Director of the Company as the CEO and President – Group Finance as the CFO for the 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 existing accounting standards.

Nomination and Remuneration Committee:

Terms of Reference:

The Committee was constituted in terms of non-mandatory requirement of Clause 49 of the Listing Agreement entered with Stock Exchanges. The purpose of the Committee is to determine/review the Company's policy on specific remuneration packages for the Executive Directors including pension rights and any compensation payment; oversee the framing, review and implementation of compensation policy of the Company on behalf of the Board; form a policy, procedures and schemes and to undertake overall supervision and administration of Employee Stock Option Schemes (ESOSs) of the Company. Subsequently the terms of reference have been enhanced to include review of the Board structure, size and composition and make recommendation for any change.

Composition:

The Board constituted the Remuneration Committee on April 16, 2001 and title of the Committee was changed from Remuneration Committee to Nomination and Remuneration Committee in April 2014. The following directors are the current members of the Committee:

a) Prof. Charles L Cooney, Chairman

b) Mr. Suresh N Talwar

c) Mr. Russell Walls

d) Mr. Daniel M Bradbury

The members of the Committee are Non-Executive and Independent Directors. Prof. Charles L 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	4
Mr. Russel Walls	4	4
Mr. Suresh N Talwar	4	4
Mr. Daniel M Bradbury	4	4

During the year 2013-14, the Committee met 4 times on April 25, 2013, July 25, 2013, October 24, 2013 and January 22, 2014.

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 or provided to each of the Directors during the year ended March 31, 2014 are given below:

Name of the Director	Salary and perquisites			Others		Total
	Fixed pay	Perquisites	Retiral Benefits	Commission	Sitting Fees	
Ms. Kiran Mazumdar Shaw	14,084,147	1,478,821	784,495	-	-	16,347,464
Mr. John Shaw	10,916,648	1,289,371	-	-	-	12,206,019
Prof. Ravi Mazumdar	-	-	-	-	160,000	160,000
Prof. Charles Cooney	-	-	-	1,750,000	320,000	2,070,000
Mr. Suresh N Talwar	-	-	-	1,250,000	240,000	1,490,000
Dr. Bala S Manian	-	-	-	1,250,000	60,000	1,310,000
Ms. Mary Harney	-	-	-	1,250,000	80,000	1,330,000
Mr. Russell Walls	-	-	-	2,250,000	320,000	2,570,000
Mr. Daniel M Bradbury	-	-	-	1,167,808	260,000	1,387,808

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 Chairman and Managing Director and the Vice-Chairman were paid remuneration, including performance bonuses, as approved by the shareholders in the Annual General Meeting held on July 26, 2013 as a partial modification of the ordinary resolution passed at 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 subject to Board's approval at a sum not exceeding 1% per annum of our net profits as approved by the special resolution passed by the Members of the Company at the Annual General Meeting held on July 26, 2013.

Criteria for making payment to Non- Executive Directors:

The role of Non-Executive/Independent Directors of the Company is not just restricted to Corporate Governance or outlook of the Company but they also bring with them significant professional expertise and rich experience across the wide spectrum of functional areas such as marketing, technology, corporate strategy, legal, finance and other corporate functions. The Company seeks their expert advice on various matters in science, technology, legal or Intellectual property. Hence, the compensation to the Non-Executive Directors towards the professional services to the Company is recommended.

Stakeholders Relationship Committee:

Terms of Reference:

The Committee was constituted in terms of mandatory requirement of Clause 49 of the Listing Agreement entered with Stock Exchanges. The main role of the Committee is to look into the redressal of grievances of investors, debenture holders, deposit holders or other security holders relating to transfer of shares; non-receipt of balance sheet; non-receipt of declared dividends; non-receipt of annual reports; non-receipt of interest etc. In addition to this, the Committee also looks into investor relations, share transfer (to the extent not delegated to officials) and monitors servicing of investor requirements.

Composition:

The Board constituted the Investors Grievance Committee on January 17, 2004 and title of the Committee was changed from Investors Grievance Committee to Stakeholders Relationship Committee in April 2014. The following directors are the current members of the Committee:

a) Prof. Charles L Cooney, Chairman

b) Ms. Kiran Mazumdar Shaw

c) Mr. John Shaw

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

Meeting and Attendance during the year:

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

During the year 2013-14, the Committee met 4 times on April 25, 2013, July 25, 2013, October 24, 2013 and January 22, 2014 and oversaw the investor grievance redressal.

Details of Shareholders Complaints:

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

Opening	Complaints Received	Complaints solved	Pending
02	66	68	0

There have been no material grievances raised and all the grievance received were attended and resolved.

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

Risk Review Committee:

Terms of Reference:

The Company has put in place an enterprise wide Risk Management Framework. This holistic approach provides the assurance that, to the best of its capabilities, the Company and all its business units identify, assess and mitigate risks that could materially impact its performance in achieving the stated objectives. The Committee ensures that the Company is taking appropriate measures to achieve prudent balance between risk and reward in both ongoing and new business activities. Review strategic decisions of the Company and on regular basis reviews the Company's portfolio of risks and considering it against the Company's Risk Appetite. The Committee also recommend changes to the Risk Management Technique and / or associated frameworks, processes and practices of 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, Chairman

b) Mr. Russell Walls

c) Prof. Ravi Mazumdar

d) Mr. Daniel M Bradbury

Meeting and Attendance during the year:

Name	No. of meetings held	No. of meetings attended
Prof. Charles L Cooney	4	4
Mr. Russell Walls	4	4
Prof. Ravi Mazumdar	4	4
Mr. Daniel M Bradbury	4	4

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

During the year 2013-14, the Committee met on April 25, 2013, July 25, 2013, October 24, 2013 and January 22, 2014, to review the risks of the Company. All the members were present at the said meetings.

Corporate Social Responsibility Committee:

Composition:

The Board constituted the Corporate Social Responsibility Committee on July 25, 2013. Currently, the Committee comprises the following Directors:

a) Ms. Mary Harney, Chairman

b) Ms. Kiran Mazumdar Shaw

c) Dr. Bala S Manian

During the year no meeting of the Committee was held.

Role of Company Secretary in Governance:

The Company Secretary is a Compliance Officer and plays a key role in ensuring that effective board procedures are followed and reviewed periodically. The Company Secretary is primarily responsible to ensure compliance with all the provisions of Companies Act and provisions of all other applicable laws to the Company. The Company Secretary ensures timely flow of information along with relevant supportings to the directors and the senior management team for effective decision making at the respective meetings.

Compliance with Insider Trading Code:

To bring transparency in the administration, Company complies with the disclosure requirements by the Directors, Senior Management and Functional Heads under the Company's Code of Conduct for Prevention of Insider Trading.

Annual Calendar of Meetings:

The Company circulates in advance the annual calendar of meetings of the Board/Board Level Committees & Shareholders' Annual Meeting for each year to facilitate the directors to block their time and dates for the meetings scheduled and ensure better participation at the meetings.

Shareholders Meetings:

Location and time of the Shareholders Meetings:

Generally, the Annual General Meetings of the Company are convened within four months of the close of the financial year. The details of the previous Annual General Meetings are as below:

Year	Date and Time	Venue	Special resolutions passed
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
2012-13	July 26, 2013, 3.30 p.m.	Auditorium, Biocon Research Centre Plot No. 3, Biocon SEZ Bommasandra Jigani Link Road Bangalore - 560 099	2

Special Resolutions: The Annual General Meeting of the Company held on July 26, 2013 the following Special Resolutions were passed:

- Payment of commission to Non-Executive Independent Directors for a period of 5 years, commencing from April 1, 2013, not exceeding 1% of the net profit of the Company, computed as per the Companies Act, 1956.
- Increase the limit of remuneration for Non-Executive Independent Directors by way of commission from ₹ 10 lacs per director per annum to ₹ 20 lacs per director per annum for FY 2012-13.

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 are provided in Note 32 forming part of the Accounts in accordance with provisions of Accounting Standard-18, as prescribed by Companies accounting standard rule, 2006 (as amended) and relevant provision of the Companies Act, 1956 read with General Circular 8/2014, dated April 4, 2014 issued by the Ministry of Corporate Affairs, which is in line with accounting standards recommended by Institute of Chartered Accountants of India. The Company had entered into transactions with a related party during the year ended March 31, 2013 and 2012 that required prior approval from the Central Government. 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 Nomination and 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 and comply with the Accounting Standards as prescribed by the Companies (Accounting Standards) Rules, 2006 (as amended) and relevant provisions of the Companies Act, 1956 read with General Circular 8/2014, dated April 4, 2014 issued by the Ministry of Corporate Affairs, which is in line with accounting standards recommended by Institute of Chartered Accountants of India.

Means of Communication:

The quarterly, half-yearly and yearly financial results will be sent to the Stock Exchanges immediately after the Board approves the same. These results were published in English newspapers, usually in Business Line & Financial Express and Kannada newspapers, Samyukta

Karnataka & Udayavani.

The results 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 official news releases.

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

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

General Shareholder' Information:

Annual General Meeting:

Date and Time	:	July 25, 2014 at 3:30 PM
Venue	:	Tyler Jack's Auditorium, Biocon Research Centre Plot No 3, Biocon SEZ Bommasandra Jigani Link Road Bangalore - 560 099
Financial Calendar for 2014-2015	:	The following are tentative dates:
First Quarterly results	:	July 24, 2014
Half-yearly Results	:	October 21, 2014
Third Quarterly Results	:	January 22, 2015
Annual results 2014-15	:	April 29, 2015
AGM for the year 2014-15	:	July 24, 2015
Dates of Book Closure	:	Saturday, July 12, 2014 to Friday, July 25 2014 (both days inclusive)
Dividend payment date	:	Upon declaration post July 25, 2014 but within 30 days from the date of declaration
Listing on Stock Exchanges	:	The National Stock Exchange of India Limited Exchange Plaza, Bandra Kurla Complex Bandra (East), Mumbai - 400 051 And The Bombay Stock Exchange Limited 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 2013-14:

The monthly high/low closing prices and volume of shares of the Company from April 1, 2013 to March 31, 2014 are given below:

Months	BSE			NSE		
	High Price (₹)	Low Price (₹)	Volume of Equity Shares	High Price (₹)	Low Price (₹)	Volume of Equity Shares
Apr/13	297.90	272.40	17,874,242	298.00	272.00	121,233,300
May/13	290.50	269.00	13,232,064	291.95	269.05	66,126,435
Jun/13	290.70	264.45	6,606,604	290.80	264.70	56,740,500
Jul/13	333.00	276.55	25,473,280	332.75	275.60	177,357,957
Aug/13	359.90	312.00	32,082,534	360.00	311.55	262,548,400
Sept 13	358.00	319.00	16,705,986	357.65	318.95	153,869,900
Oct/13	348.50	324.05	27,213,378	348.55	323.45	187,941,762
Nov/13	393.95	345.00	22,866,374	394.10	345.10	179,843,850
Dec/13	486.10	378.85	83,122,674	486.00	378.65	597,422,333
Jan/14	497.40	412.90	91,431,559	497.40	412.10	726,551,957
Feb/14	459.70	418.10	45,303,346	460.00	418.05	367,178,158
Mar/14	468.90	410.00	33,711,633	468.70	409.45	266,157,667

Relative Movement Chart

The chart below gives the relative movement of the closing price of the Company's share and the BSE Sensex/NSE Nifty relative to the closing price. The period covered is April 1, 2013 to March 31, 2014. The Biocon Management cautions that the stock price movement shown in the graph below should not be considered indicative of potential future stock price performance.

Biocon & BSE Sensex share price movement from April 1, 2013 to March 31, 2014.

Biocon & S & P Nifty share price movement from April 1, 2013 to March 31, 2014.

Biocon & BSE S & P Sensex 200 share price movement from April 1, 2013 to March 31, 2014.

Biocon & S & P CNX 200 share price movement from April 1, 2013 to March 31, 2014.

Registrar and Transfer Agents:

Karvy Computershare Private Limited
Karvy House, 46, Avenue 4,
Street No. 1, Banjara Hills,
Hyderabad - 500 034

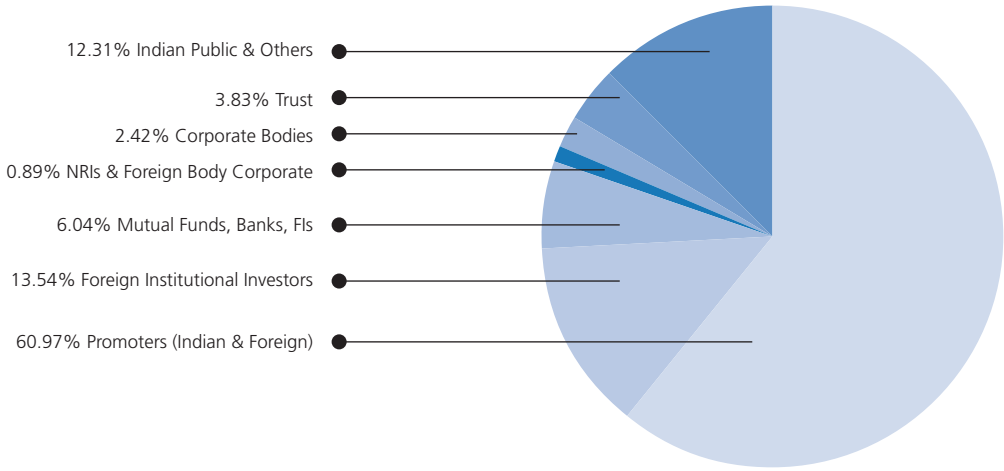
Share Transfer System:

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:

The distribution of shareholding (Category wise) as at March 31, 2014 is as under:

Sl.No.	Category	No. of Shares	% to Equity
1	Promoters (Indian & Foreign)	121,948,446	60.97
2	Foreign Institutional Investors	27,080,730	13.54
3	Mutual Funds, Banks, FIs	12,086,395	6.04
4	NRIs & Foreign Body Corporate	1,779,646	0.89
5	Corporate Bodies	4,835,898	2.42
6	Trust	7,651,508	3.83
7	Indian Public & Others	24,617,377	12.31
	Total	**200,000,000**	**100.00**



List of shareholders holding more than 1% of the total number of shares as at March 31, 2014:

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	Franklin Templeton Investment Funds	7,941,042	3.97
4	Life Insurance Corporation Of India	4,007,183	2.00
5	Biocon India Limited Employees Welfare Trust*	3,767,023	1.88
6	Murali Krishnan K N *	2,405,939	1.20
7	Arun Suresh Chandavarkar	2,200,000	1.10
8	Government Pension Fund Global	2,074,504	1.04
	Total	**141,218,449**	**70.60**

* Under two folios

Distribution by number of shares:

Category	No. of shareholders	Total Shares	% to shareholders	% to paid up capital
Upto 5000	93,591	9,631,132	97.74	4.82
5001 - 10000	1,003	1,513,947	1.05	0.76
10001 - 20000	489	1,442,504	0.51	0.72
20001 - 30000	188	933,575	0.20	0.47
30001 - 40000	83	592,256	0.09	0.30
40001 - 50000	56	526,804	0.06	0.26
50001 - 100000	94	1,360,172	0.10	0.68
100001 & Above	247	183,999,610	0.26	92.00
Total	**95,751**	**200,000,000**	**100.00**	**100.00**

Statement showing Un-claimed and Unpaid Dividend as at March 31, 2014

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, 2006 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 (in ₹)	Nature	Amount of unclaimed dividend (in ₹)	Due date for transfer to IEPF
1	2006-07	3.00	Final	329,571	August 23, 2014
2	2007-08	5.00	Final	628,467	August 22, 2015
3	2008-09	3.00	Final	665,154	August 28, 2016
4	2009-10	3.50	Final	564,827	August 28, 2017
5	2010-11	1.50	Interim	310,211	June 3, 2018
6	2010-11	3.00	Final	672,597	August 26, 2018
7	2011-12	5.00	Final	1,175,855	August 31, 2019
8	2012-13	7.50	Final	1,327,723	August 31, 2020

During the year Company has transferred the unclaimed dividend amount for the FY 2005-06 to IEPF account of the Central Government.

Dematerialization of shares and liquidity:

488,106 shares constituting 0.24% of the paid up share capital of the Company were in physical form as at March 31, 2014.

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

Plant Locations:

i) 20th KM, Hosur Road,
Electronics City P.O.
Bangalore - 560 100

ii) Biocon Park
Plot No 2, 3, 4 and 5
Bommasandra – Jigani Link Road
Bangalore – 560 100

iii) Plot 213-215
IDA Phase-II, Pashamylaram
Medak District-502307
Telangana, India

Investor Contacts:

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

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

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

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

Investor Relations Correspondence
Mr. Saurabh Paliwal
Head - Investor Relations
Tel.: 91 80 - 2808 2040
E-mail id: saurabh.paliwal@biocon.com or investor.relations@biocon.com

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, 2014, 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 17, 2014

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, 2014, 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 accounting principles generally accepted in India, including the Accounting Standards notified under the Companies Act, 1956 ("the Act"), read with General Circular 8/2014 dated April 4, 2014 issued by the Ministry of Corporate Affairs. This responsibility includes the design, implementation and maintenance of internal control 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 but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. 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, 2014;

(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 notified under the Act, read with General Circular 8/2014 dated April 4, 2014 issued by the Ministry of Corporate Affairs;

   (e) On the basis of written representations received from the directors as on March 31, 2014, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2014, 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 Number: 101049W
Chartered Accountants

per Aditya Vikram Bhauwala
Partner
Membership Number: 208382

Place: Bangalore
Date: April 24, 2014

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 a company covered in the register maintained under Section 301 of the Companies Act, 1956 ('the Act'). The maximum amount involved during the year was ₹ 1,891 million and the balance outstanding at March 31, 2014 from such party is ₹ 1,644 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 loan given to wholly-owned subsidiary of the Company is in the interest of the Company's business, the 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.

(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 our opinion and according to the information and explanations given to us, the transactions made in pursuance of such contracts or arrangements exceeding the value of Rupees five lakhs have been entered into during the financial year at prices which are reasonable having regard to the prevailing market prices at the relevant time, except in respect of one item, because of the unique and specialized nature of the item involved and absence of any comparable prices, we are unable to comment whether such transaction was made at the prevailing market price 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 (₹ million)	Payment under protest (₹ 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	47	47	2006-2009 and 2011-12	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
Finance Act, 1944	Service Tax	111	-	FY 2006 to FY 2011	Customs, Excise and Service Tax Appellate Tribunal, Bangalore
Income-tax Act, 1961	Income Tax	4	4	FY 1996-1997	Supreme Court
Income-tax Act, 1961	Income Tax	94	86	FY 1997-1998 and FY 2002-2008	High Court of Karnataka
Income-tax Act, 1961	Income Tax	69	-	FY 2008-2009	Income Tax Appellate Tribunal
Income-tax Act, 1961	Withholding tax	16	16	FY 2003-04 to FY 2006-07	Income Tax Appellate Tribunal

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) *We have been informed that an employee of the Company misappropriated funds over a period of time by falsifying records and documents pertaining to payment of wages to contract labour. Management has informed us that the amount of loss incurred due to the above is unascertainable owing to the nature of records maintained by such employee, though the Company recovered ₹ 5.2 million as part of its investigation. The management has since concluded its investigation in the matter.*

For S.R. Batliboi & Associates LLP
ICAI Firm Registration Number: 101049W
Chartered Accountants

per Aditya Vikram Bhauwala
Partner
Membership Number: 208382

Place: Bangalore
Date: April 24, 2014

Balance Sheet as at March 31, 2014

(All amounts are in Indian Rupees Million)

	Notes	March 31, 2014	March 31, 2013
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	1,000	1,000
Reserves and surplus	4	23,177	21,068
		24,177	**22,068**
Non-current liabilities			
Long-term borrowings	5	259	400
Deferred tax liability (net)	6	400	302
Other long-term liabilities	7	1,311	1,083
		1,970	**1,785**
Current liabilities			
Short-term borrowings	8	815	773
Trade payables	9	2,685	2,650
Other current liabilities	10	899	679
Short-term provisions	11	1,639	2,177
		6,038	**6,279**
TOTAL		**32,185**	**30,132**
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	12	9,410	8,455
Intangible assets	13	83	59
Capital work-in-progress		1,018	512
Non-current investments	14	1,449	1,660
Loans and advances	15	5,546	4,713
Other non-current assets	16	6	-
		17,512	**15,399**
Current assets			
Current investments	17	3,483	4,530
Inventories	18	3,576	3,589
Trade receivables	19	4,946	4,270
Cash and bank balances	20	2,042	1,792
Loans and advances	15	568	510
Other current assets	16	58	42
		14,673	**14,733**
TOTAL		**32,185**	**30,132**
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 24, 2014

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

Kiran Mazumdar-Shaw
Managing Director

Murali Krishnan K N
President - Group Finance

John Shaw
Director

Kiran Kumar
Company Secretary

Statement of Profit and Loss for the year ended March 31, 2014

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

	Notes	March 31, 2014	March 31, 2013
INCOME			
Revenue from operations (gross)		22,393	19,833
Less: Excise duty		368	453
Revenue from operations (net)	21	22,025	19,380
Other income	22	606	515
Total revenue (I)		**22,631**	**19,895**
EXPENSES			
Cost of raw materials and packing materials consumed	23	8,876	8,300
Purchases of traded goods	24 (a)	1,039	857
(Increase) / Decrease in inventories of finished goods, traded goods and work-in-progress	24 (b)	13	(179)
Employee benefits expense	25	2,664	2,276
Other expenses	26	4,741	4,110
Depreciation and amortisation (net)	27	1,244	951
Finance costs	28	9	12
		18,586	**16,327**
Less: Recovery of product development costs from co-development partners (net)	38 (b)	(41)	(41)
Total expenses (II)		**18,545**	**16,286**
Profit before tax and exceptional item [(I) - (II)]		4,086	3,609
Exceptional item:			
Provision for other than temporary diminution in the value of long term investments	14 (e)	-	139
Profit before tax		**4,086**	**3,470**
Tax expenses			
Current tax		808	760
Less: MAT credit entitlement		(20)	-
Deferred tax		54	(47)
Total tax expense		**842**	**713**
Profit for the year		**3,244**	**2,757**
Impact of scheme of merger for earlier year (Refer note 1.1)		55	-
Profit for the year after giving impact of scheme of merger for earlier year		**3,299**	**2,757**
Earnings per share [equity shares, par value of ₹ 5 each (March 31, 2013- ₹ 5 each)] computed on the basis of profit for the year			
Basic (in ₹)		16.81	14.08
Diluted (in ₹)		16.62	13.95
Computed on the basis of profit for the year before impact of scheme of merger for earlier year			
Basic (in ₹)		16.53	14.08
Diluted (in ₹)		16.34	13.95
Weighted average number of shares used in computing earnings per share	31		
Basic		196,232,977	195,821,461
Diluted		**198,461,000**	**197,611,577**
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 24, 2014

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, 2014

(All amounts are in Indian Rupees Million)

		March 31, 2014	March 31, 2013
I	**Cash flows from operating activities**		
	Profit before tax	4,086	3,470
	Adjustments to reconcile profit before tax to net cash flows		
	Depreciation and amortisation (net)	1,244	951
	Unrealised foreign exchange (gain)/loss	(62)	(2)
	Provision / (reversal of provision) for doubtful debts	13	(40)
	Bad debts written off	8	38
	Interest expense	9	12
	Interest income	(24)	(9)
	Dividend income	(250)	(284)
	Net gain on sale of current investments	(19)	(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	(117)	(104)
	Operating profit before working capital changes	**4,888**	**4,161**
	Movements in working capital		
	Decrease/(increase) in inventories	146	(185)
	Decrease/(increase) in trade receivables	(651)	178
	Decrease/(increase) in loans and advances and other assets	(1,523)	(559)
	Increase/(decrease) in trade payable, other liabilities and provisions	(72)	595
	Cash generated from operations	**2,788**	**4,190**
	Direct taxes paid (net of refunds)	(930)	(710)
	Net cash flow from/(used in) operating activities	**1,858**	**3,480**
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)	(1,540)	(2,428)
	Proceeds from sale of fixed assets	-	1
	Recovery of loans from subsidiaries	177	1,060
	Proceeds from sale of current investments	13,176	16,248
	Movement in reserves of ESOP trust	118	99
	Purchase of shares by ESOP Trust	-	(135)
	Purchase of current investments	(12,111)	(15,863)
	Investment in bank deposits (having original maturity of more than 3 months)	250	(250)
	Other non-operating income	117	104
	Interest received	24	9
	Dividend received	250	284
	Net cash flow from/(used in) investing activities	**461**	**(871)**
III	**Cash flows from financing activities**		
	Repayment of long-term borrowings	(141)	(206)
	Proceeds / (Repayment) of short-term borrowings	35	(95)
	Dividend paid on equity shares	(1,500)	(1,000)
	Tax on equity dividend paid	(255)	(162)
	Interest paid	(9)	(8)
	Net cash flow from / (used in) financing activities	(1,870)	(1,471)
IV	**Net increase/(decrease) in cash and cash equivalents (I + II + III)**	449	1,138
V	**Effect of exchange differences on cash and cash equivalents held in foreign currency**	46	4
VI	**Cash and cash equivalents at the beginning of the year**	1,540	398
VII	**Cash and cash equivalents acquired on merger (refer note 1.1)**	5	-
VIII	**Cash and cash equivalents at the end of the year (IV + V + VII)**	**2,040**	**1,540**
	Components of cash and cash equivalents		
	Cash on hand	1	1
	Balances with Banks - on current accounts (excluding unclaimed dividend)	2,033	1,439
	- on deposit accounts	-	95
	- on unpaid dividend accounts*	6	5
	Total cash and cash equivalents (note 20)	**2,040**	**1,540**
	*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 24, 2014

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, 2014

(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. 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.

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. As at March 31, 2014, 12.31% of the equity interest in Syngene is held by third parties.

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.

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.

During the year ended March 31, 2014, the Company has established Biocon Academy, a not for profit company under Companies Act, 1956 to provide educational courses, training and research in the biosciences, life sciences and all fields of study.

1.1 Scheme of arrangement

On July 25, 2012, the Board of Directors of the Company approved a scheme of amalgamation ('the Scheme') of Biocon Biopharmaceuticals Limited ("BBL" / "Transferor Company"), a wholly owned subsidiary, with the Company under section 391 and 394 of the Companies Act, 1956. The Honorable High Court of Karnataka ('the Court') approved the aforesaid Scheme with Appointed Date as April 01, 2012 vide its order dated July 12, 2013 ("the Order"). The copy of the Order was filed with the Registrar of Companies on August 8, 2013. 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 year ended March 31, 2011, Biocon acquired the interest of the joint venture partner, CIMAB. Consequently, all the equity shares of BBL were held by Biocon.

Accordingly, the assets and liabilities, and Deficit in the Statement of Profit and Loss of BBL of ₹ 103 as at Appointed Date have been recorded at their carrying values under the Pooling of Interest method as prescribed by Accounting Standard 14 - Accounting for Amalgamation ('AS 14'), and difference between value of Biocon's investment in BBL and the amount of BBL's share capital amounting to ₹ 35 has been debited to the Reserves and Surplus of the Company in accordance with AS 14.

Since the Scheme received the requisite approvals in the year ended March 31, 2014, profit after tax amounting to ₹ 55 (net of tax of ₹ 58), relating to operations of BBL from April 1, 2012 to March 31, 2013, have been accounted for in the statement of profit and loss for the year ended March 31, 2014, as a separate line item.

A summary of the assets and liabilities of BBL as at April 1, 2012 is as follows:

Particulars	Amount
Non-current assets	
Fixed assets	
Tangible assets	841
Intangible assets	64
Capital work-in-progress	1,113
Loans and advances	59
Current assets	
Inventories	54
Cash and bank balances	30
Loans and advances	235
Total assets (A)	**2,396**
Non-current liabilities	
Long-term borrowings	1,377
Other long-term liabilities and long-term provisions	594
Current liabilities	
Trade payables	92
Other current liabilities	257
Short-term provisions	3
Total liabilities (B)	**2,323**
Deficit in the statement of profit and loss	(103)
Total reserves and surplus (C)	**(103)**

The difference between share capital of the Transferor Company as at March 31, 2012 of ₹ 176 and the amount of investment in the books of the Company of ₹ 211 has been debited to the surplus in the statement of profit and loss (refer note 4).

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 read with general circular 8/2014 dated April 4, 2014 issued by Ministry of Corporate Affairs. 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 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 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, 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 are capitalised at gross value and the funds so received are recorded as funding received from co-developer 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 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 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.

Amortisation 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. Manufacturing rights are amortized on a straight line basis over the estimated useful economic life of ten years.

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

Research and development costs

Research and development costs, 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 when the company can demonstrate all the following:

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 recognised 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 recognised 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 utilised 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 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 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 of 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 paragraph (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 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 Company 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 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 unrecognised deferred tax assets. It recognises unrecognised 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 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 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 recognised 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 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 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 recognised 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 capitalised. 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 capitalised. As regards indirect expenditure on expansion, only that portion is capitalised which represents the marginal increase in such expenditure involved as a result of capital expansion. Both direct and indirect expenditure are capitalised 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.

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	March 31, 2014	March 31, 2013
3. Share capital		
Authorised		
220,000,000 (March 31, 2013 - 220,000,000) equity shares of ₹ 5 each (March 31, 2013 - ₹ 5 each)	1,100	1,100
Issued, subscribed and fully paid-up		
200,000,000 (March 31, 2013 - 200,000,000) equity shares of ₹ 5 each (March 31, 2013 - ₹ 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, 2014		March 31, 2013	
	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, 2014, final dividends proposed for distribution to equity shareholders was ₹ 5 (March 31, 2013 - ₹ 7.5) 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 capitalisation of balance in the securities premium account of ₹ 500.

(d) Details of shareholders holding more than 5% shares in the Company

	March 31, 2014		March 31, 2013	
	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, 2014	March 31, 2013
4. Reserves and surplus		
Securities premium	2,788	2,788
Revaluation reserve	9	9
ESOP Trust		
Opening balance	768	669
Add: Dividend, interest income and profit on sale of shares, net	118	99
Closing balance	**886**	**768**
General reserve		
Opening balance	2,767	2,491
Add: Amount transferred from surplus in the statement of profit and loss	330	276
Closing balance	**3,097**	**2,767**
Surplus in the statement of profit and loss		
Balance as per last financial statements	14,476	13,750
Balance as at April 1, 2012 of Transferor Company [refer note 1.1]	(103)	-
Adjustment arising on merger [refer note 1.1]	(35)	-
Profit for the year	3,299	2,757
Less: Appropriations		
Proposed final dividend on equity shares [amount per share ₹ 5 (March 31, 2013 - ₹ 7.5)]	(1,000)	(1,500)
Tax on proposed final dividend	(170)	(255)
Transfer to general reserve	(330)	(276)
Total appropriations	**(1,500)**	**(2,031)**
Net surplus in the statement of profit and loss	**16,137**	**14,476**
Employee Stock Options Outstanding		
Gross employee stock compensation for options granted in earlier years	263	257
Add: gross compensation for options granted during the year	-	6
Less: compensation on ESOP cancelled during the year	-	-
	263	263
Less: Deferred employee stock compensation expense [refer note (a) below]	3	3
Closing Balance	260	260
Total Reserves and Surplus	**23,177**	**21,068**
(a) Deferred employee stock compensation expense [refer note 30]:		
Stock compensation expense outstanding at the beginning of the year	3	-
Stock options granted during the year/ ESOP Adjustment	-	6
Stock options cancelled/forfeited during the year	-	-
Stock compensation expense (amortised)/reversed during the year	-	-
Stock compensation expense charged to Subsidiaries during the year	-	3
Closing balance of deferred employee stock compensation expense	**3**	**3**

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	Non-current portion		Current maturities	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
5. Long-term borrowings				
Deferred sales tax liability (unsecured)	195	324	130	130
Other loans and advances (unsecured)				
NMITLI - CSIR Loan	1	2	-	-
Financial assistance from DSIR	14	18	3	3
Financial assistance from DST	49	56	7	7
	259	**400**	**140**	**140**
The above amount includes				
Secured borrowings	-	-	-	-
Unsecured borrowings	259	400	140	140
Amount disclosed under the head "other current liabilities" [refer note 10]	-	-	(140)	(140)
Net amount	**259**	**400**	**-**	**-**

(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 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 instalments 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 instalments 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 instalments of ₹ 3 each, starting from April 1, 2013.

(ii) In addition, during the FY 2010-11, the Company 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 instalments of ₹ 3 each. The said product has not yet been commercialised as at March 31, 2014.

d) 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.The loan is repayable over 10 annual instalments of ₹ 7 each starting from July 1, 2012, and carries an interest rate of 3 percent per annum.

(e) In respect of the financial assistance received under the aforesaid programmes (refer note (b) to (d) above), the Company 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.

	March 31, 2014	March 31, 2013
6. Deferred tax liability (net)		
Deferred tax liability		
Fixed assets: Impact of difference between tax depreciation and depreciation / amortisation charged for the financial reporting [refer note (a) below]	452	344
Gross deferred tax liability	**452**	**344**
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	28	23
Provision for doubtful debts	13	8
Others	11	11
Gross deferred tax asset	52	42
Net deferred tax liability	**400**	**302**
(a) including ₹ 44 pursuant to merger [refer note 1.1]		
7. Other long-term liabilities		
Deferred revenues *	536	545
Funding received from Co-developer towards fixed assets [refer note 12]	768	530
Interest accrued but not due	7	8
	1,311	**1,083**

* includes ₹ 453 (March 31, 2013 - ₹ 453) relating to the transfer of development and commercialisation rights of Oral Insulin to Biocon Research Limited. Pending certain obligations under the agreements, revenues have been deferred under the terms of the agreement.

	March 31, 2014	March 31, 2013
8. Short-term borrowings		
From banks / financial institutions		
Packing credit foreign currency loan (secured) [refer note (i) below]	541	-
Packing credit foreign currency loan (unsecured) [refer note (ii) below]	-	491
Cash credit (secured) [refer note (iii) below]	274	282
	815	**773**
The above amount includes		
Secured borrowings	815	282
Unsecured borrowings	-	491

(i) The Company has obtained foreign currency denominated loans of ₹ 541 (US$ 9 million) [March 31, 2013 - ₹ Nil], carrying an interest rate of LIBOR plus 0.10% to1.50% p.a., from a bank as at March 31, 2014. These facilities are repayable on demand, secured by pari-passu first charge on inventories and trade receivables.

(ii) The Company had obtained unsecured foreign currency denominated loans of ₹ 491 (US$ 9 million), carrying an interest rate of LIBOR plus 0.5% to1.50% p.a., from a bank as at March 31, 2013 and have been repaid during the year.

(iii) The Company has working capital facilities with a bank 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.

9. Trade payables		
Trade payables [refer note (a) below]	**2,685**	**2,650**
(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	17	6
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	409	342
(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	9
(v) The amount of interest accrued and remaining un-paid at the end of each accounting year	-	-
(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	18	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	140
Deferred revenues	95	32
Funding received from Co-developer towards fixed assets [refer note 12]	75	46
Investor Education and Protection Fund shall be credited by		
Unclaimed dividend	6	5
Payables for capital goods	455	323
Advances from customers	40	62
Other payables:		
Statutory dues	88	71
	899	**679**

(a) Statutory dues includes provident fund, employees state insurance, professional tax, withholding taxes and other indirect taxes payable.

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	March 31, 2014	March 31, 2013
11. Short-term provisions		
Provision for employee benefits		
Leave encashment	79	71
Gratuity	107	70
Others		
Proposed final dividend on equity shares	1,000	1,500
Tax on proposed final dividend	170	255
Provision for income tax, net of advance tax	283	281
	1,639	**2,177**

(a) Included under provision for income tax is ₹ 26 (March 31, 2013 - ₹ 25) of the ESOP Trust.

(b) Provision for income tax is after MAT credit set off of ₹ Nil (March 31, 2013 - ₹ 23)

12. Tangible assets

	Land [Refer note (a) and (b)]	Buildings	Leasehold Improvements	Plant and Equipment [Refer note (e)]	Research & Development Equipment	Furniture and Fixtures	Vehicles	Total
Cost or Valuation								
At April 01, 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**
Additions pursuant to merger [see note 1.1 and (f) below]	-	-	-	1,358	-	27	-	1,385
Additions	-	205	-	841	167	64	-	1,277
Disposals	-	-	-	-	-	-	(4)	(4)
At March 31, 2014	**389**	**3,854**	**3**	**11,214**	**1,127**	**381**	**19**	**16,987**
Depreciation / Amortisation								
At April 01, 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**	**1**	**4,592**	**547**	**104**	**18**	**5,874**
Arising pursuant to merger [see note 1.1 and (f) below]	-	-	-	410	-	20	-	430
Charge for the year	-	155	-	979	97	44	2	1,277
Disposals	-	-	-	-	-	-	(4)	(4)
At March 31, 2014	**-**	**767**	**1**	**5,981**	**644**	**168**	**16**	**7,577**
Net Block								
At March 31, 2013	389	3,037	2	4,423	413	186	5	8,455
At March 31, 2014	**389**	**3,087**	**2**	**5,233**	**483**	**213**	**3**	**9,410**

(a) Land includes land held on leasehold basis: Gross Block ₹ 226 (March 31, 2013 - ₹ 226) ; Net Block ₹ 226 (March 31, 2013- ₹ 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, 2014, include assets of ₹ 6 (March 31, 2013 - ₹ 634) of which, ₹ 3 (March 31, 2013 - ₹ 317) has been funded by the co-development partner. The Company has capitalised and depreciated the gross cost of these assets. Additions pursuant to merger includes fixed assets of ₹ 770 of which, ₹ 385 was funded by the co-development partner. 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

(f) Additions pursuant to merger pertain to assets of BBL as at April 1, 2013.

13. Intangible assets

	Computer Software	Manufacturing rights [Refer note (a)]	Marketing Rights [Refer note (b)]	Intellectual property rights	Total
Gross Block					
At April 01, 2012	39	-	129	81	249
Additions	-	-	-	-	-
At March 31, 2013	**39**	**-**	**129**	**81**	**249**
Additions	-	-	-	-	-
Additions pursuant to merger [see note 1.1 and (c) below]	-	64	-	-	64
At March 31, 2014	**39**	**64**	**129**	**81**	**313**
Amortisation					
At April 01, 2012	23	-	52	81	156
Charge for the year	8	-	26	-	34
At March 31, 2013	31	-	78	81	190
Charge for the year	8	6	26	-	40
At March 31, 2014	**39**	**6**	**104**	**81**	**230**
Net Block					
At March 31, 2013	**8**	**-**	**51**	**-**	**59**
At March 31, 2014	**-**	**58**	**25**	**-**	**83**

(a) BBL had 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. Effective April 2013, the Company commenced amortisation of these rights over a period of 10 years, being the estimated useful life of these rights.

(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.

(c) Additions pursuant to merger pertain to assets of BBL as at April 1, 2013.

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14. Non-current investments

	March 31, 2014	March 31, 2013
A) Trade investments (valued at cost unless stated otherwise):		
Unquoted equity instruments		
In subsidiary companies:		
47,497,525 (March 31, 2013 -47,497,525) equity shares of ₹ 5 each in Syngene International Limited	84	84
500,000 (March 31, 2013 - 500,000) equity shares of Re. 1 each fully paid-up in Biocon Research Limited	1	1
100,000 (March 31, 2013 -100,000) equity shares of CHF 1 each fully paid-up in Biocon SA, Switzerland	4	4
Nil (March 31, 2013- 17,600,000) equity shares of ₹ 10 each fully paid-up in Biocon Biopharmaceuticals Limited [refer note 1.1]	-	211
4,500,000 (March 31, 2013 - 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
50,000 (March 31, 2013: Nil) equity shares of ₹ 10 each fully paid-up in Biocon Academy	1	-
In joint venture company:		
150 (March 31, 2013 - 150) equity shares of AED 1,000 each fully paid-up in NeoBiocon FZ LLC, UAE	2	2
	804	**1,014**
Unquoted preference shares		
In associate company:		
4,285,714 (March 31, 2013 - 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, 2013 - 2,722,014) Series B1 Preferred Convertible Stock at US$ 1.55 each, fully paid-up, par value US $0.001 each in Vaccinex Inc., USA	186	186
217,972 (March 31, 2013 - 217,972) Series B2 Preferred Convertible Stock at US$ 3.10 each, fully paid-up, par value US $0.001 each in Vaccinex Inc., USA	32	32
	218	**218**
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	428
	427	**428**
	1,449	**1,660**
Aggregate value of unquoted investments	1,022	1,232
Aggregate value of quoted investments (cost)	427	428
Aggregate value of quoted investments (market value)	1,599	1,176

(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 drug products. BRL commenced commercial activities during the year ended March 31, 2010 and as at March 31, 2014 has a negative net worth of ₹ 2,090 (March 31, 2013-₹ 1,675) due to its early stage of operations and research activities. BRL is a research & 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 also granted an interest-free unsecured long-term loan of ₹ 2,000 repayable in January 2019. The amount outstanding as at March 31, 2014 is ₹ 1,644 (March 31, 2013 - ₹ 1,821). The Company also has receivables of ₹ 2,241 (March 31, 2013 - ₹ 1,094) towards expenses incurred on behalf of BRL.

(b) 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, 2014, the aggregate amount of Biocon's interest in the assets, liabilities, income and expenses of NeoBiocon is ₹ 302 (March 31, 2013 - ₹ 171), ₹ 109 (March 31, 2013 - ₹ 45), ₹ 321 (March 31, 2013 - ₹ 231) and ₹ 266 (March 31, 2013 - ₹ 165) respectively. The share of the Company in the accumulated profit of NeoBiocon as at March 31, 2014 stood at ₹ 192 (March 31, 2013 - ₹ 116).

(c) As on March 31, 2014, the ESOP Trust held 3,767,023 shares (March 31, 2013 - 4,178,539) 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.

(d) Vaccinex Inc., USA ('Vaccinex') is engaged in research and development activities and has been incurring losses. 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.

(e) 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 were 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, during the year ended March 31, 2013, the Company created a provision of ₹ 139 for diminution, in the value of investment in IATRICa.

(f) 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, 2014, Biocon Sdn.Bhd has allotted 593,384 (March 31, 2013 - 1,244,000) shares at RM 10 each fully paid up to Biocon SA. As at March 31, 2014, Biocon Sdn.Bhd is in the process of setting up a biopharmaceuticals manufacturing facility at Malaysia.

(g) The Company has invested in National Savings Certificates (unquoted) which are not disclosed above since amounts are rounded off to Rupees million.

15. Loans and advances (unsecured, considered good)

	Non-current		Current	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
Capital advances [refer note (a) below]	295	375	-	-
Loans to related parties [refer note (b) below]	1,644	2,373	-	-
Duty drawback receivable [net of provision ₹ 38 (March 31, 2013 - ₹ 11)]	174	67	-	-
Balances with statutory / government authorities	649	420	-	-
Other receivables from related parties [refer note 32 and note (d) below]	2,241	1,094	429	333
Other receivables	-	-	14	13
Deposits	154	140	-	-
MAT credit entitlement [refer note (f) below]	29	-	-	-
Advance income tax (net of provision for taxation)	360	244	-	-
Advances recoverable in cash or in kind or for value to be received	-	-	125	164
	5,546	**4,713**	**568**	**510**

(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.

(b) Loans to related parties comprise loans given to following subsidiaries: (Non current and current)

	March 31, 2014	March 31, 2013
(i) Biocon Research Limited	1,644	1,821
Maximum amount outstanding during the year	1,891	1,824
(ii) Biocon Biopharmaceuticals Limited (refer note 1.1)	-	552
Maximum amount outstanding during the year	-	1,518
(iii) Clinigene International Limited*	-	-
Maximum amount outstanding during the year	-	235

* Clinigene is a subsidiary of Syngene

(c) Included under advance income tax is ₹ 10 (March 31, 2013 - ₹ 10) of the ESOP Trust.

(d) Other receivables from related parties comprise receivables from following subsidiaries:(Non current and current)

Syngene International Limited	230	304
Biocon Research Limited	2,241	1,094
Biocon Biopharmaceuticals Limited (refer note 1.1)	-	2
Clinigene International Limited	14	2
Biocon SA	116	19
Biocon Sdn Bhd	69	8

(e) Other receivables include amounts due from employees to the ESOP Trust of ₹ 5 (March 31, 2013 - ₹ 5).

(f) Includes ₹ 9 relating to BBL pursuant to merger discussed in note 1.1.

16. Other Assets

	Non-current		Current	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
Unamortized premium on foreign exchange forward contracts / options	6		58	42
	6	**-**	**58**	**42**

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17. 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, 2014 Units	March 31, 2014 Cost	March 31, 2013 Units	March 31, 2013 Cost
Axis Liquid Fund - Daily Dividend Reinvestment	1,000	87,124	87	-	-
Birla Sunlife Savings Fund Institutional Daily Dividend Reinvestment	100	944,474	95	4,079,821	408
Birla Sunlife Floating Rate Fund Short Term Plan - Daily Dividend	100	450,631	45	-	-
DSP BlackRock FMP - Series 147 -3M -Reg - Div	10	10,000,000	100	-	-
DSP BlackRock Liquidity Fund - Institutional Plan Daily Dividend	1,000	15,013	15	-	-
HDFC Cash Management Fund - Treasury Advantage Plan - Wholesale Daily Dividend	10	-	-	39,914,155	400
HDFC Banking and PSU Debt Fund - Regular Dividend Reinvestment Option	10	2,500,000	25	-	-
HDFC Floating Rate Income Fund - Short Term Plan - Wholesale Option - Dividend Reinvestment	10	15,261,738	154	-	-
HDFC Liquid Fund - Daily Dividend Reinvestment	10	19,221,335	196	-	-
HDFC FMP 366D March 2014 (2) Series 31-Regular - Growth	10	15,000,000	150	-	-
HSBC Cash Fund - Daily Dividend	1,001	221,562	222	-	-
HSBC Floating Rate Long Term Plan Institutional Weekly Dividend	11	-	-	31,062,434	349
ICICI Prudential Flexible income plan premium/daily dividend	106	-	-	3,824,653	404
ICICI Interval Fund II Quarterly Interval Plan C - Regular Plan - Div	10	19,999,400	200	-	-
ICICI Pridential Banking and PSU Debt Fund - Regular Plan - Daily Dividend	10	2,393,730	24	-	-
ICICI Prudential Interval Fund Quarterly Interval Plan I - Regular Plan - Dividend Payout	10	6,500,000	65	-	-
ICICI Prudential Money Market Fund Option Daily Dividend	100	874,517	88	-	-
IDBI FMP - Series IV-91 Days(March 2014)-H Regular Plan-Growth	10	5,000,000	50	-	-
IDFC Ultra Short Term Fund - Daily Dividend Regular Plan	10	-	-	25,038,819	251
IDFC Cash Fund - Daily Dividend -(Regular Plan)	1,000	94,982	95	-	-
IDFC Money Manager Fund - Treasury Plan - Daily Dividend-(Regular Plan)	10	4,983,223	50	-	-
JM Floater Short Term Fund - Daily Dividend Option(73)	10	3,990,775	40	-	-
JP Morgan India Liquid Fund Super Institutional Daily Dividend Reinvestment	10	16,798,926	168	-	-
Kotak Banking & PSU Debt Fund - Daily Dividend	10	5,002,024	50	-	-
Principal Cash Management Fund Growth Plan	1,113	-	-	84,088	94
Reliance Money Manager Fund Daily Dividend Plan	1,001	234,130	234	446,497	447
Reliance Liquid Fund - Treasury Plan - Daily Dividend	1,529	41,050	63	232,808	357
Reliance Fixed Horizon Fund - XXVI - Series 6 - Growth Plan	10	5,000,000	50	-	-
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 84 - Regular Plan - Dividend	10	20,000,000	200	-	-
Sundaram Ultra Short Term Fund Regular Daily Dividend	10	-	-	29,958,262	301
TATA Income Fund Plan A - Appreciation Option - Bond	11	-	-	9,244,728	97
TATA Fixed Maturity Plan Series 47 Scheme C - Plan A - Growth	10	15,000,000	150	-	-
TATA Floater Fund Plan A - Daily Dividend	1,004	273,582	275	-	-
Templeton India Ultra Short Bond Fund Super Institutional Plan - Daily Dividend	10	-	-	40,391,470	405
UTI Treasury Advantage Fund - Institutional Plan Daily Dividend Reinvestment	1,002	291,990	292	403,368	403
UTI Fixed Term Income Fund Series XVIII - IV (366 Days) - Growth Plan	10	30,000,000	300	-	-
			3,483		**4,530**
Aggregate value of unquoted investments			**3,483**		**4,530**

(a) Above current investments include unquoted investments of the ESOP Trust of ₹ 467 (March 31, 2013 - ₹ 349)

	March 31, 2014	March 31, 2013
18. Inventories (at lower of cost and net realisable value)		
Raw materials, including goods-in-bond [refer note 23]	913	982
Packing materials [refer note 23]	158	150
Work-in-progress [refer note 24(b)]	1,387	1,928
Finished goods [refer note 24 (b)]	815	262
Traded goods [refer note 24 (b)]	303	267
	3,576	**3,589**

	March 31, 2014	March 31, 2013
19. Trade receivables (unsecured)		
Outstanding for a period exceeding six months from the date they are due for payment		
Considered good	32	27
Doubtful	38	25
	70	**52**
Provision for doubtful receivables	(38)	(25)
	32	27
Other trade receivables		
Considered good	4,914	4,243
	4,946	**4,270**
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
20. Cash and bank balances		
Cash and cash equivalents		
Balances with banks:		
On current accounts	2,033	1,439
On unpaid dividend account	6	5
Demand deposits with original maturity of less than 3 months	-	95
Cash on hand	1	1
	2,040	**1,540**
Other bank balances		
Deposits with original maturity of more than 3 months but less than 12 months	-	250
Margin money deposit	**2**	**2**
	2	**252**
	2,042	**1,792**
(a) Balances with banks in current accounts include balances of the ESOP Trust of ₹ 4 (March 31, 2013 - ₹ 2). (b) Margin money deposits with carrying amount of ₹ 2 as at March 31, 2014 (March 31, 2013 ₹ 2) are subject to first charge against bank guarantees obtained.		
21. Revenue from operations		
Sale of products		
Finished goods	19,199	16,662
Traded goods	2,099	2,039
Sale of services		
Licensing and development fees	37	113
Other operating revenue		
Sale of process waste	132	138
Others [refer note (a) below]	926	881
Revenue from operations (gross)	**22,393**	**19,833**
Less: Excise duty [refer note (b) below]	368	453
Revenue from operations (net)	**22,025**	**19,380**
(a) Others include processing charges, rentals and cross charge of power and other facilities by the SEZ Developer/ SEZ unit of the Company and it also includes ₹ Nil (March 31, 2013 - 306) towards one time income/compensation from few parties.		
(b) Excise duty on sales amounting to ₹ 368 (March 31, 2013- ₹ 453) has been reduced from revenue from operations in the statement of profit and loss and excise duty on increase / decrease in stock amounting to ₹ 1 [March 31, 2013- (₹ 4)] has been considered as (income)/ expense in note 26 of the financial statements.		
Details of products sold		
Finished goods sold		
Biopharmaceuticals	16,095	14,316
Formulations	3,104	2,346
	19,199	**16,662**
Traded goods		
Biopharmaceuticals	81	43
Formulations	2,018	1,996
	2,099	**2,039**

	March 31, 2014	March 31, 2013
22. Other Income		
Interest income on:		
Others	13	5
Bank deposits	11	4
Dividend earned on current investments	250	284
Net gain on sale of current investments	19	9
Profit on fixed assets sold, (net)	-	1
Foreign exchange gain, (net)	196	108
Other non-operating income	117	104
	606	**515**
23. Cost of raw materials and packing materials consumed		
Inventory at the beginning of the year	1,132	1,121
Inventory at Transferor Company, pursuant to merger [refer note 1.1]	67	-
Add: Purchases	8,748	8,311
Less: Inventory at the end of the year	1,071	1,132
Cost of raw materials and packing materials consumed	**8,876**	**8,300**
(a) Details of raw materials and packing materials consumed		
Bulk Drug, Formulation Chemicals & Excipients	2,518	2,049
Bulk drug intermediates	3,425	3,182
Solvents	1,587	1,768
Resins	453	390
Packing materials	420	349
Others	473	562
	8,876	**8,300**
24. (a) Purchases of traded goods		
Details of purchase of traded goods:		
Biopharmaceuticals	28	23
Formulations	1,011	834
	1,039	**857**
24. (b) (Increase)/ Decrease in inventories of finished goods, traded goods and work-in-progress		
Inventory at the beginning of the year		
Traded goods	267	395
Finished goods, net of excise duty	256	285
Work-in-progress	1,928	1,592
Finished goods, net of excise duty of Transferor Company, pursuant to merger (Refer note 1.1)	4	-
Work-in-progress of Transferor Company, pursuant to merger (Refer note 1.1)	63	-
	2,518	**2,272**
Inventory at the end of the year		
Traded goods	303	267
Finished goods, net of excise duty	815	256
Work-in-progress	1,387	1,928
	2,505	**2,451**
(Increase)/ decrease in inventories	13	(179)
(i) Details of Inventories:		
Traded goods		
Biopharmaceuticals	2	7
Formulations	301	260
	303	**267**
Finished goods, net of excise duty		
Biopharmaceuticals	640	73
Formulations	175	183
	815	256
Work-in-progress		
Biopharmaceuticals	1,264	1,827
Formulations	123	101
	1,387	1,928

	March 31, 2014	March 31, 2013
25. Employee benefits expense		
Salaries, wages and bonus	2,340	2,009
Contribution to provident fund	108	94
Gratuity [refer note 36]	35	31
Staff welfare expenses	181	142
	2,664	**2,276**
26. Other expenses		
Royalty and technical fees	28	14
Rent	22	29
Communication expenses	76	70
Travelling and conveyance	387	340
Professional charges	253	232
Payments to auditors [refer note (a) below]	4	4
Directors' fees including commission	11	10
Power and fuel	1,615	1,424
Insurance	16	16
Rates, taxes and fees, net of refunds of taxes	127	94
Lab consumables	319	114
Repairs and maintenance		
Plant and machinery [refer note (b) below]	217	191
Buildings	38	27
Others	107	85
Selling expenses		
Freight outwards and clearing charges	219	206
Sales promotion expenses	634	549
Commission and brokerage (other than sole selling agents)	243	178
(Increase)/ Decrease of excise duty on inventory	1	(4)
Provision for bad and doubtful debts	13	(40)
Bad debts written off	8	38
Printing and stationery	32	28
Research & development expenses [includes prior period amounting to ₹ Nil (March 31, 2013 - ₹ 25)]	190	411
Miscellaneous expenses	181	94
	4,741	**4,110**

(a) Payments 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 (c) below]	-	-
Reimbursement of out-of-pocket expenses [refer note (c) below]	-	-
	4	**4**

(b) Includes spare parts of ₹ 160 (March 31, 2013 - ₹ 136) of which ₹ 94 (March 31, 2013 - ₹ 50) were purchased indigenously, and ₹ 66 Imported (March 31, 2013- ₹ 86)

(c) Amounts are not presented since the amounts are rounded off to Rupees million.

27. Depreciation and amortisation (net)		
Depreciation of tangible assets [refer note 12]	1,277	934
Amortisation of intangible assets [refer note 13]	40	34
Depreciation on assets partly funded by customer/co-development partner [refer note 12 (c)]	(73)	(17)
	1,244	**951**
28.Finance costs		
Interest expense	9	12
	9	**12**

		March 31, 2014	March 31, 2013
29. Research and development expenses			
Research & development expenses (comprising clinical trial expenses, patent fees etc)	(a)	190	411
Other Research & development expenses included in other heads of account:			
Salaries, wages and bonus		120	104
Contribution to provident fund		6	4
Welfare expenses		6	5
Lab consumables		319	114
Travelling and conveyance		3	3
Professional charges		38	46
Others		23	27
	(b)	515	303
	(a+b)	705	714
Less: Recovery of product development costs from co-development partners (net)		(41)	(41)
		664	673
Research and development (R&D) expenses on Buildings and Equipment			
Buildings		64	-
Equipment, net of funding received from co development partner		164	55
Transfer of R&D equipment (net book value)		-	173

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, 2014		March 31, 2013	
	No of Options *	Weighted Average Exercise Price (₹)*	No of Options *	Weighted Average Exercise Price (₹)*
Outstanding at the beginning of the year	725,616	180	1,151,077	167
Granted during the year	-	-	20,787	134
Forfeited during the year	245,630	178	-	-
Exercised during the year	359,086	170	446,248	145
Expired during the year	-	-	-	-
Outstanding at the end of the year	120,900	185	725,616	180
Exercisable at the end of the year	120,900	185	639,616	175
Weighted average remaining contractual life (in years)	0.3	-	0.3	-

*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, 2014		March 31, 2013	
	No of Options *	Weighted Average Exercise Price (₹)*	No of Options *	Weighted Average Exercise Price (₹)*
Outstanding at the beginning of the year	1,064,500	286	771,500	300
Granted during the year	940,750	334	367,000	254
Forfeited during the year	440,750	294	65,000	285
Exercised during the year	52,430	223	9,000	193
Expired during the year	-	-	-	-
Outstanding at the end of the year	1,512,070	316	1,064,500	286
Exercisable at the end of the year	64,145	275	67,100	218
Weighted average remaining contractual life (in years)	5.6	-	5.1	-
Weighted average fair value of options granted (₹)		148		130

The average market price of the Company's share during the year ended March 31, 2014 is ₹ 355 (March 31, 2013 ₹ 260) 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, 2014	March 31, 2013
Weighted Average Remaining Contractual Life in options (Yrs)	5.6	5.1
Weighted Average Exercise Price	316	286
Expected volatility	35.48%	35.66%
Historical volatility	32.34%	32.50%
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	8.75%	8.00%
Expected dividend rate	1.18%	1.83%

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	3,299	2,757
Add: Employee stock compensation under intrinsic value	-	-
Less: Employee stock compensation under fair value	21	13
Proforma profit	**3,278**	**2,744**
Earnings per Share - Basic*		
- As reported	16.81	14.08
- Proforma	16.70	14.01
Earnings per Share - Diluted*		
- As reported	16.62	13.95
- Proforma	16.52	13.89

*Net profit after impact of scheme of merger

A summary of movement in respect of the shares held by the ESOP Trust is as follows:

Particulars	March 31, 2014	March 31, 2013
Opening balance of equity shares not exercised by employees and available with the ESOP Trust	4,178,539	4,091,721
Add: Shares purchased by the ESOP trust	-	542,066
Less: Shares exercised by employees	(411,516)	(455,248)
Closing balance of shares not exercised by employees and available with the ESOP Trust	**3,767,023**	**4,178,539**
Options granted and eligible for exercise at end of the year	185,045	706,716
Options granted but not eligible for exercise at end of the year	1,447,925	1,083,400

31. Reconciliation of basic and diluted shares used in computing earnings per share (EPS)

Basic outstanding shares	200,000,000	200,000,000
Less: Shares with the ESOP Trust	3,767,023	4,178,539
	196,232,977	195,821,461
Add: Effect of dilutive options granted but not yet exercised / not yet eligible for exercise	2,228,023	1,790,116
Weighted average shares outstanding and potential options outstanding	**198,461,000**	**197,611,577**

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, 2013 to March 31, 2014 Income/(Expenses)/ Other transactions	Balance as at March 31, 2014 (Payable)/ Receivable	April 1, 2012 to March 31, 2013 Income/(Expenses)/ Other transactions	Balance as at March 31, 2013 (Payable)/ Receivable
1	Kiran Mazumdar Shaw	Managing Director	Salary and perquisites	(16)	-	(15)	-
2	John Shaw	Wholetime Director	Salary and perquisites	(12)	-	(10)	-
3	Syngene	Subsidiary	Power and facility charges recovered [refer note (b) below]	349	-	314	-
			Rent income [refer note (b) below]	47	-	12	-
			Purchase of fixed asset	-	-	12	-
			Expenses incurred on behalf of the related party	17	-	17	-
			Sale of goods	10	-	2	-
			Sale/(Purchase) of fixed asset	-	-	(11)	-
			Research services received	(33)	-	(39)	-
			Rent deposit received	-	(2)	-	(2)
			Other receivables	-	230	-	304
			Trade payables	-	(43)	-	(47)
			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 of Syngene	Research services received	(57)	-	(100)	-
			Interest on Loan	-	-	5	-
			Expenses incurred on behalf of the related party	3	-	3	-
			Staff welfare expenses - health check-up	(5)	-	(3)	-
			Other receivables	-	14	-	2
			Trade payables	-	(21)	-	(21)
			Guarantee given to bank on behalf of related party for loan facility	-	60	-	75
			Guarantee given on behalf of related party to CED	-	27	-	27
5	BBL	Subsidiary	Power and facility charges recovered [refer note (b) below]	-	-	157	-
	(refer note 1.1)		Rent income [refer note (b) below]	-	-	1	-
			Management charges received	-	-	1	-
			Vialling charges recovered	-	-	5	-
			Expenses incurred on behalf of the related party	-	-	(31)	-
			Repairs and maintenance - facility charges	-	-	(49)	-
			Recharge of cost from related party	-	-	(1)	-
			Professional charges - personnel deputation charges	-	-	(4)	-
			Purchase of raw materials	-	-	(208)	-
			Purchase of fixed assets	-	-	(901)	-
			Unsecured loan given, net	-	-	-	552
			Other receivables	-	-	-	2
			Rent deposit received	-	-	-	(1)
			Guarantee given on behalf of related party to CED	-	-	-	131

Sl. No.	Name of the related party	Relationship	Description	April 1, 2013 to March 31, 2014 Income/(Expenses)/ Other transactions	Balance as at March 31, 2014 (Payable)/ Receivable	April 1, 2012 to March 31, 2013 Income/(Expenses)/ Other transactions	Balance as at March 31, 2013 (Payable)/ Receivable
6	BRL	Subsidiary	Rent income [refer note (b) below]	34	-	1	-
			Power and facility charges recovered [refer note (b) below]	81		44	
			Transfer of capital work-in-progress	-	-	1	-
			Cross charges towards research and development, lab consumables and other expenses	1,069	-	356	-
			Purchase of fixed assets	-		(400)	
			Other receivable	-	2,241	-	1,092
			Royalty expense	3	-	-	-
			Sale of tangible fixed assets	-	-	173	-
			Unsecured loan, net	-	1,644	-	1,821
7	Biocon SA	Subsidiary	Other operating income	97	-	-	-
			Expenses incurred on behalf of the related party	48	-	17	-
			Other receivable	-	116	-	19
8	Biocon Sdn.Bhd.	Subsidiary	Expenses incurred on behalf of the related party	69	-	6	-
			Other receivable	-	69	-	8
			Guarantee given to bank on behalf of related party loan facility	-	5,804	-	1,240
9	NeoBiocon FZ LLC	50% Joint Venture	Sale of goods	24	-	44	-
			Trade receivables	-	27	-	35
10	IATRICa Inc.	Associate	Research and development expenses	-	-	(140)	-
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's SEZ Developer division has entered into agreements to lease land and provide certain facilities such as power, utilities etc. to SEZ units of BRL and Syngene, in respect of which the Company recovers rent, power, facilities usage charges etc.

(c) The Company has paid rent to P K Associates and purchased consumables from Mazumdar Farms, a proprietary firm of relative of Director, which are not disclosed above since the amounts are rounded off to ₹ 1 million.

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33. Supplementary profit and loss data

	March 31, 2014	March 31, 2013
(a) Value of imports calculated on C.I.F. basis (on accrual basis):		
Raw materials	5,239	4,917
Packing materials	247	177
Traded goods	408	250
Maintenance spares	66	49
Capital goods	613	168
	6,573	**5,561**
(b) Earnings in foreign currency (on accrual basis):*		
Export of goods on FOB basis	10,669	9,450
Licensing and development fees	37	114
Other operating revenue	97	342
	10,803	**9,906**
* Excludes recovery of product research & development costs from co-development partners		
(c) Expenditure in foreign currency: (on accrual basis) :		
Royalty	26	14
Commission and brokerage	122	90
Interest expense	5	4
Travelling and conveyance	37	20
Professional charges	116	70
Consumables	305	116
Research & development expenses	124	108
Others	88	134
	823	**556**
(d) Net dividend remitted in foreign exchange :		
Year to which it relates	**2012-13**	**2011-12**
Number of non-resident shareholders	15	16
Number of equity shares held on which dividend was due	42,519,218	42,624,592
Dividend remitted	319	213
Dividend remitted in FC		
USD million	5	4

(e) Details of consumption of raw materials, packing materials and spare parts :

	March 31, 2014		March 31, 2013	
	Value	Percent	Value	Percent
(i) Raw materials and packing materials				
Imported	5,745	65	5,605	68
Indigenous	3,131	35	2,695	32
	8,876	**100**	**8,300**	**100**
(ii) Spare parts				
Imported	66	41	86	63
Indigenous	94	59	50	37
	160	**100**	**136**	**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, 2014 and 2013, the Company had the following outstanding contracts:

(in millions)

	March 31, 2014	March 31, 2013
In respect of foreign currency loans taken:		
Foreign exchange forward contracts to buy	Nil	USD 5
In respect of highly probable forecasted sales/export collection:		
European style option contracts with periodical maturity dates	USD 30	USD 27
European style option contracts with periodical maturity dates	EUR 17	Nil
The unhedged foreign currency exposure as at the Balance Sheet date is as given below:		
Export trade receivables	1,715	1,645
Other receivables	185	27
Cash and bank balances	1,978	1,425
Import trade payable	949	1,089
Packing credit foreign currency loan	541	219
Advance from customers	37	47

	March 31, 2014	March 31, 2013
35. Contingent liabilities and commitments		
(i) Contingent liabilities:		
(a) Claims against the Company not acknowledged as debt	828	812
Includes taxation matters under dispute (Direct and Indirect taxes) ₹ 480 (March 31, 2013 - ₹ 464)		
The Company is involved in taxation and other disputes, lawsuits, proceedings etc. including patent and commercial matters that arise from time to time in the ordinary course of business. Management is of the view that such claims are not tenable and will not have any material adverse effect on the Company's financial position and results of operations.		
(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 (refer note 1.1)	-	131
Clinigene	27	27
Total	**245**	**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	60	75
(iv) 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)	115	554
Includes share of the Company in respect of guarantees issued by NeoBiocon (joint venture), of ₹ 1 (March 31, 2013 - ₹ 3)		
(v) Corporate guarantees given in favour of a bank towards loans obtained by Biocon Malaysia	5,804	1,240
(ii) Commitments:		
(a) Estimated amount of contracts remaining to be executed on capital account and not provided for, net of advances	298	882
(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 up to March 2022. Some of these lease arrangements have price escalation clause. There are no restrictions imposed under the lease agreements. Gross rental expenses for the year aggregates to ₹ 22 (March 31, 2013 - ₹ 29). The committed lease rentals in the future are:		
The committed lease rentals in future are as follows :		
Not later than one year	18	17
Later than one year and not later than five years	43	31
Later than five years	25	19
(ii) Vehicles		
The Company has taken vehicles for certain employees under operating leases, which expire over a period upto October 2016. Gross rental expenses for the year aggregate to ₹ 9 (March 31, 2013 - ₹ 11) The committed lease rentals in future are as follows:		
Not later than one year	4	9
Later than one year and not later than five years	3	10
Where the Company is a Lessor:		
(i) Rent		
The Company has leased out certain parts of its land & building (including fit outs), which expire over a period upto 2020. Gross rental income for the year aggregates to ₹ 101 (March 31, 2013 - ₹ 34). Further, minimum lease receipts under operating lease are as follows:		
Not later than one year	67	34
Later than one year and not later than five years	239	135
Later than five years	81	105
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, 2014 and 2013, the Company has committed to provide financial support to a subsidiary with regard to the operations of such company. Also refer note 14 (a).		

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, 2014	March 31, 2013
Fund balance		
Defined benefit obligation	174	150
Fair value of plan assets	67	80
Plan Liability	**107**	**70**
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	150	128
Current service cost	18	45
Interest cost	12	11
Transfer in	3	-
Transfer out	-	(11)
Benefits paid	(19)	(5)
Actuarial (gain) / loss	10	(18)
Benefit obligation at the end of the year	**174**	**150**
Change in fair value of plan assets		
Fair value of plan assets at beginning of the year	80	78
Expected return on plan assets	7	7
Transfer in	1	-
Actuarial gain / (loss)	(2)	-
Actual contribution	-	-
Benefits paid	(19)	(5)
Fair value of plan assets at end of the year	**67**	**80**
Net gratuity cost:		
Components of net benefit cost		
Current service cost	18	45
Interest cost	12	11
Expected return on plan assets	(7)	(7)
Net actuarial (gain) / loss recognised during the year	12	(18)
Net gratuity cost	**35**	**31**
Actual return on plan assets	5	8

Experience adjustment	**March 31, 2014**	**March 31, 2013**	**March 31, 2012**	**March 31, 2011**	**March 31, 2010**
Defined benefit obligation	174	150	128	98	76
Plan assets	67	80	78	76	57
Surplus / (Deficit)	(107)	(70)	(50)	(22)	(19)
Experience adjustments on plan liabilities gain / (loss)	5	20	(21)	(13)	(3)
Experience adjustments on plan assets gain / (loss)	(2)	-	-	(1)	-

The assumptions used for gratuity valuation are as below:

	March 31, 2014	March 31, 2013
Interest rate	8.0%	8.5%
Discount rate	8.8%	8.0%
Expected return on plan assets	8.7%	8.7%
Salary increase	9.5%	8.0%
Attrition rate up to age 44	26.0%	26.0%
Attrition rate above age 44	8.0%	8.0%
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, 2015, is approximately ₹ 107 (March 31, 2014 - ₹ 70).

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, 2013 to March 31, 2014	April 1, 2012 to March 31, 2013
India	11,222	9,474
Exports	10,803	9,906
	22,025	**19,380**

The following is the carrying amount of assets by geographical area in which the assets are located:

Carrying amount of assets	March 31, 2014	March 31, 2013
India*	28,561	27,060
Outside India	3,624	3,072
	32,185	**30,132**

*All tangible fixed assets and intangibles are located in India.

38. Other notes

(a) The Company had entered into transactions of sale of products to a private company during the year ended March 31, 2013 and 2012 amounting to ₹ 28 and ₹ 17 respectively that required prior approval from Central Government under Section 297 of the Companies Act, 1956. These transactions, entered into at prevailing market prices were approved by the Board of Directors of the Company. During the year ended March 31, 2014, the Company has filed application with the Central Government for approval of such transactions and for compounding of such non-compliance.

(b) Recovery of product development costs from co-development partner (net) pertains to co-development partner's share of expenses under the development agreements comprising of payroll costs, depreciation and amortisation and other expenses.

39. Prior years' comparatives

The current year financial information include the state of affairs and operations of the Transferor Company, as described in note 1.1 above. Hence, the current year's figures are strictly not comparable with the previous year's figures. The Company has reclassified and regrouped the previous year figures to confirm to this 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 24, 2014

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

Kiran Mazumdar-Shaw
Managing Director

Murali Krishnan K N
President - Group Finance

John Shaw
Director

Kiran Kumar
Company Secretary

Summarised Statement for Subsidiary Companies for year ended March 31, 2014

₹ in million

Name of the entity	Reporting currency	Capital	Reserves	Total Assets	Total Laibilities	Investments (except in subsidiaries)	Turnover	Profit / (Loss) before taxation	Provision for taxation	Operational Profit / (Loss) after taxation	Proposed dividend	Country
Syngene International Limited	INR	261	6,332	11,909	5,316	3,520	7,077	1,557	218	1,339	-	India
Clinigene International Limited	INR	1	3	478	474		444	46	1	45	-	India
Biocon Research Limited	INR	1	(2,090)	2,171	4,260		646	(415)		(415)	-	India
Biocon Academy	INR	1	-	13	12		5	-	-	-	-	India
Biocon SA	USD	5	2,492	7,840	5,343		210	82	9	73	-	Switzerland
Biocon Sdn Bhd	MYR	1,166	(63)	11,436	10,333		32	(39)	-	(39)	-	Malaysia
Balance Sheet - Conversion rate as at March 31, 2014												
1 USD = ₹ 60.13												
1 MYR = ₹ 18.41												

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, 2014

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Independent Auditor's Report

To the Board of Directors of Biocon Limited

Report on the Consolidated Financial Statements

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, 2014, 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 judgment, 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 but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. 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 and based on the consideration of the reports of the other auditors on the financial statements of the subsidiaries and joint venture as noted below, 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, 2014;

(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 & 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, Rs. 205 million has been netted off against expenses incurred during the year ended March 31, 2014 towards such clinical trial and development activities. Our auditors' report for the year ended March 31, 2013 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 Rs. 16,345 million as at March 31, 2014, total revenues (including other income) of Rs. 242 million and net cash outflows amounting to Rs. 1,190 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 Rs. 308 million as at March 31, 2014, total revenues (including other income) of Rs. 314 million and net cash inflows amounting to Rs. 67 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 report of other auditors. Our opinion is not qualified in respect of this matter.

For S.R. Batliboi & Associates LLP
ICAI Firm Registration Number: 101049W
Chartered Accountants

per Aditya Vikram Bhauwala
Partner
Membership Number: 208382

Place: Bangalore
Date: April 24, 2014

Consolidated Balance Sheet as at March 31, 2014

(All amounts in Indian Rupees Million)

	Notes	March 31, 2014	March 31, 2013
EQUITY AND LIABILITIES			
Shareholders' funds			
Share capital	3	1,000	1,000
Reserves and surplus	4	29,267	25,946
		30,267	**26,946**
Minority interest	5	823	653
Non-current liabilities			
Long-term borrowings	6	6,062	1,640
Deferred tax liability (net)	7	450	412
Other long-term liabilities	8	6,030	4,571
Long-term provisions	9	78	40
		12,620	**6,663**
Current liabilities			
Short-term borrowings	10	2,435	848
Trade payables	11	3,472	3,455
Other current liabilities	12	6,123	3,131
Short-term provisions	9	1,766	2,465
		13,796	**9,899**
TOTAL		**57,506**	**44,161**
ASSETS			
Non-current assets			
Fixed assets			
Tangible assets	13	15,035	14,884
Intangible assets	14	217	219
Capital work-in-progress		10,831	2,054
Intangible assets under development	14	1,225	1,071
Non-current investments	15	645	645
Loans and advances	16	2,693	2,483
Other non-current assets	17	472	405
		31,118	**21,761**
Current assets			
Current investments	18	7,004	5,221
Inventories	19	3,766	3,984
Trade receivables	20	5,998	5,097
Cash and bank balances	21	8,044	6,729
Loans and advances	16	818	814
Other current assets	17	758	555
		26,388	**22,400**
TOTAL		**57,506**	**44,161**
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 24, 2014

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

Kiran Mazumdar-Shaw
Managing Director

Murali Krishnan K N
President - Group Finance

John Shaw
Director

Kiran Kumar
Company Secretary

Consolidated Statement of Profit and Loss for the year ended March 31, 2014

(All amounts in Indian Rupees Million, except share data and per share data)

	Notes	March 31, 2014	March 31, 2013
INCOME			
Revenue from operations (gross)		29,141	25,306
Less: Excise duty		368	453
Revenue from operations (net)	22	**28,773**	**24,853**
Other income	23	559	527
Total revenue (I)		**29,332**	**25,380**
EXPENSES			
Cost of raw materials and packing materials consumed	24	10,704	10,019
Purchases of traded goods	25(a)	1,151	693
(Increase)/ Decrease in inventories of finished goods, traded goods and work-in-progress	25(b)	5	(265)
Employee benefits expense	26	4,663	3,894
Other expenses	27	7,068	5,763
Depreciation and amortisation (net)	28	2,036	1,793
Finance costs	29	17	81
		25,644	**21,978**
Less: Recovery of product development costs from co-development partners (net)	43(b)	(1,689)	(681)
Total expenses (II)		**23,955**	**21,297**
Profit before tax and exceptional items [(I) - (II)]		5,377	4,083
Exceptional items (net)	40	-	2,019
Profit before tax		**5,377**	**6,102**
Tax expenses			
Current tax		1,155	635
Less: MAT credit entitlement		(124)	(150)
Deferred tax		38	490
Total tax expense		**1,069**	**975**
Profit after tax		**4,308**	**5,127**
Minority interest		(170)	(38)
PROFIT FOR THE YEAR		**4,138**	**5,089**
Earnings per share computed on the basis of profits for the year (equity shares, par value of ₹ 5 each)			
Basic (in ₹)		21.08	25.99
Diluted (in ₹)		20.82	25.75
Weighted average number of shares used in computing earnings per share			
Basic		196,232,977	195,821,461
Diluted		198,461,000	197,611,577
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 24, 2014

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, 2014

(All amounts in Indian Rupees Million)

		March 31, 2014	March 31, 2013
I	**Cash flows from operating activities :**		
	Net profit before tax	5,377	6,102
	Non-cash adjustments to reconcile profit before tax to net cash flows		
	Depreciation and amortisation (net)	2,036	1,793
	Unrealised exchange (gain)/loss (net)	(147)	(6)
	Employee stock compensation expense	59	3
	Provision / (reversal of provision) for doubtful debts	22	(40)
	Bad debts written off	8	38
	Interest expense	17	81
	Interest income	(113)	(98)
	Dividend income	(297)	(303)
	Net gain on sale of current investments	(19)	(9)
	Loss / (profit) on sale of fixed assets, net	-	(1)
	Other non operating income	(226)	(116)
	Exceptional item- Provision for other than temporary diminution in the value of long term investments	-	131
	Operating profit before working capital changes	**6,717**	**7,575**
	Movements in working capital		
	Decrease/(increase) in inventories	227	(200)
	Decrease/(increase) in trade receivables	(881)	(198)
	Decrease/(increase) in loans and advances and other assets	(577)	58
	Increase/(decrease) in trade payable, other liabilities and provisions	1,608	(1,583)
	Cash generated from operations	**7,094**	**5,652**
	Direct taxes paid (net of refunds)	(1,487)	(940)
	Net cash flow from/(used in) operating activities	**5,607**	**4,712**
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)	(7,885)	(3,586)
	Acquisition of Intangible assets	(100)	(26)
	Interest received	111	98
	Dividend received	297	303
	Proceeds from sale of current investments	16,423	19,041
	Proceeds from sale of fixed assets	28	1
	Movement in reserves of ESOP trust	118	99
	Purchase of shares by ESOP trust	-	(135)
	Purchase of current investments	(18,187)	(19,331)
	Investment in bank deposits (having original maturity more than three months)	(2,479)	(1,981)
	Redemption/maturity of bank deposits (having original maturity more than three months)	2,170	1,643
	Other non-operating income	123	116
	Net cash flow from/(used in) investing activities	**(9,381)**	**(3,758)**
III	**Cash flows from financing activities :**		
	Proceeds from allotment of shares by subsidiary to third party	-	1,197
	Proceeds from long term borrowings	4,579	1,191
	Repayment of long term borrowings	(186)	(206)
	Proceeds/(repayment) of short term borrowings (net)	1,634	(1,028)
	Interest paid	(12)	(78)
	Dividend paid on equity shares	(1,500)	(1,000)
	Tax on equity dividend paid	(255)	(162)
	Net cash flow from/(used for) financing activities	**4,260**	**(86)**

Consolidated Statement of Cash Flows for the year ended March 31, 2014

(All amounts in Indian Rupees Million)

		March 31, 2014	March 31, 2013
IV	**Net increase/(decrease) in cash and cash equivalents (I+II+III)**	486	868
V	**Effect of exchange differences on cash and cash equivalents held in foreign currency**	47	5
VI	**Foreign currency translation reserve / adjustments**	297	177
VII	**Cash and cash equivalents at the beginning of the year**	4,740	3,690
VIII	**Cash and cash equivalents at the end of the year (IV+V+VI+VII)**	**5,570**	**4,740**
	Components of cash and cash equivalents		
	Cash on Hand	1	2
	Balances with Banks - in current accounts (excluding Unclaimed Dividend)	4,980	1,814
	- in deposit accounts	583	2,919
	- in unpaid dividend accounts [refer note (i) below]	6	5
		5,570	**4,740**

Note:

(i) 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 24, 2014

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

Kiran Mazumdar-Shaw
Managing Director

Murali Krishnan K N
President - Group Finance

John Shaw
Director

Kiran Kumar
Company Secretary

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Notes to the Consolidated financial statements for the year ended March 31, 2014

(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. As at March 31, 2014, 12.31% of the equity interest in Syngene is held by third parties. 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.

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 were held by Biocon. On July 25, 2012, the Board of Directors of the Company approved a scheme of amalgamation ('the Scheme') of BBL, with the Company under Sections 391 and 394 of the Companies Act, 1956. The Honourable High Court of Karnataka ('the Court') approved the aforesaid Scheme with Appointed Date as April 01, 2012 vide its order dated July 12, 2013 ("the Order"). The copy of the Order was filed with the Registrar of Companies on August 8, 2013.

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.

During the year ended March 31, 2014, the Company has established Biocon Academy, a not for profit company under Companies Act, 1956 to provide educational courses, training and research in the biosciences, life sciences and all fields of study.

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 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, 2014.

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 09, 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 & 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 and marketing rights 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 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, 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 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.

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 employee renders the related service and 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

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 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 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 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 unrecognised deferred tax assets. It recognises unrecognised 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 capitalised. 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 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 capitalised. As regards indirect expenditure on expansion, only that portion is capitalised which represents the marginal increase in such expenditure involved as a result of capital expansion. Both direct and indirect expenditure are capitalised 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.

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	March 31, 2014	March 31, 2013
3. Share capital		
Authorised :		
220,000,000 (March 31, 2013 - 220,000,000) equity shares of ₹ 5 each	1,100	1,100
(March 31, 2013 - ₹ 5 each)		
Issued, subscribed and paid-up shares:		
200,000,000 (March 31, 2013 - 200,000,000) equity shares of ₹ 5 each	1,000	1,000
(March 31, 2013 - ₹ 5 each)		

i. Reconciliation of the shares outstanding at the beginning and at the end of the reporting period

Equity shares	March 31, 2014		March 31, 2013	
	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, 2014, final dividends proposed for distribution to equity shareholders was ₹ 5 (March 31, 2013 - ₹ 7.5) 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.

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 capitalisation of balance in the securities premium account of ₹ 500.

iv. Details of shareholders holding more than 5% shares in the Company

	March 31, 2014		March 31, 2013	
	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 the records of the Company, including its register of shareholder/members, the above shareholding represents both legal and beneficial ownership of shares.

v. Shares reserved for issue under options

For details of shares reserved for issue under the employee stock option plan (ESOP) of the Company, refer to note 31.

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	March 31, 2014	March 31, 2013
4. Reserves and surplus		
Revaluation reserve	9	9
Capital reserve		
Opening balance	801	29
Add: Reserve arising from issue of shares by Syngene [refer note 5]	-	772
Closing balance	**801**	**801**
Securities premium reserve	2,788	2,788
Foreign currency translation reserve account		
Opening balance	29	15
Add: Exchange difference during the year on net investment in non-integral operations	176	14
Closing balance	**205**	**29**
ESOP trust		
Opening balance	768	669
Add: Dividend, interest income and profit on sale of shares (net)	118	99
Closing balance	**886**	768
General reserve		
Opening balance	2,768	2,492
Add: Amount transferred from surplus balance in the statement of profit and loss	330	276
Closing balance	**3,098**	**2,768**
Surplus in the statement of profit and loss account		
Balance as per last financial statements	18,523	15,465
Profit for the year	4,138	5,089
Less: Appropriations		
Proposed final dividend on equity shares [amount per share ₹ 5 (March 31, 2013 - ₹ 7.5)]	(1,000)	(1,500)
Tax on proposed final dividend	(170)	(255)
Transfer to general reserve	(330)	(276)
Total appropriations	**(1,500)**	**(2,031)**
Net Surplus in the statement of profit and loss	**21,161**	**18,523**
Employee stock options outstanding		
Gross employee stock compensation for options granted in earlier years	263	257
Add: gross compensation for options granted during the year (Also see note 31)	265	6
Less: compensation on ESOP cancelled during the year	(6)	-
	522	**263**
Less: Deferred employee stock compensation expense	203	3
Closing balance	**319**	**260**
Total reserves and surplus	**29,267**	**25,946**
Deferred employee stock compensation expense (Also see note 31):		
Stock compensation expense outstanding at the beginning of the year	3	-
Stock options granted during the year	265	6
Stock options cancelled/forfeited during the year	(6)	-
Stock compensation expense (amortised)/reversed during the year	(59)	(3)
Closing balance of deferred employee stock compensation expense	**203**	**3**
5. Minority interest		
The share of the net assets attributable to the minority shareholders are as follows:		
As per last balance sheet	653	38
Others [refer note (i) and (ii) below]	-	577
Profit/(Loss) for the year attributable to minority shareholders	170	38
	823	**653**

Minority interest as at March 31, 2014 and 2013 represents that part of the net profits and net assets of Syngene as follows:

(i) to the extent of 4,791,837 equity shares [March 31, 2013 - 4,791,837 shares] held by other parties. During the year ended March 31, 2014, Syngene issued Nil [March 31, 2013 - 4,166,667] equity shares to a third party.

(ii) to the extent of 1,875,000 equity shares [March 31, 2013 - 1,875,000] being shares allotted by Syngene to Syngene Employee Welfare Trust ('Trust') against a loan of ₹ Nil [March 31, 2013- ₹ 150] which is shown as recoverable in note 16 below.

	Non-current portion		Current maturities	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
6. Long-term borrowings				
Deferred sales tax liability, unsecured	194	324	130	130
Other loans and advances (unsecured)				
NMITLI - CSIR Loan	1	2	-	-
Financial assistance from DSIR	14	18	3	3
Financial assistance from DST	49	56	7	7
Loans from banks (secured)				
Term loan	5,804	1,240	-	-
Buyer's credit	-	-	-	45
	6,062	**1,640**	**140**	**185**
The above amount includes				
Secured borrowings	5,804	1,240	-	45
Unsecured borrowings	258	400	140	140
Amount disclosed under the head "Other current liabilities" (note 12)	-	-	(140)	(185)
Net amount	**6,062**	**1,640**	**-**	**-**

(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, starting from April 1, 2013.

(b) In addition, during the FY 2010-11, Biocon 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, 2014.

(iv) 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. 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.

(v) In respect of the financial assistance received under the aforesaid programmes [refer note (ii) to (iv) 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.

(vi) Syngene has obtained a foreign currency denominated long term buyer's credit loan as at March 31, 2014 of ₹ Nil (March 31, 2013 - ₹ 45 [US$ 0.8 Million]) from a bank which was secured by a pari-passu charge on the present and future movable plant and machinery and current assets of Syngene. This loan was repayable at the end of 18 months from the date of origination and carried Interest rate of Libor+0.90%. Interest rate was to be re-set every six months. The loan has been repaid during the year.

(vii) Biocon Sdn. Bhd, Malaysia, has obtained a term loan facility of US$ 130 million from a consortium of banks. As of March 31, 2014, it has utilised ₹ 5,804 (US$ 96.5 million) [March 31, 2013 ₹ 1,240 (US$ 23 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 financial year 2015-16 and carries an interest rate pre determined on a Libor + 3%. Also refer note 34.

	March 31, 2014	March 31, 2013
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	(540)	(485)
Gross deferred tax liability	**(540)**	**(485)**
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	65	56
Provision for doubtful debts	13	8
Others	12	9
Gross deferred tax asset	**90**	**73**
Net deferred tax asset/(liability) (net)	**(450)**	**(412)**

(i) 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, 2014	March 31, 2013
8. Other long-term liabilities		
Deferred revenues [refer note 42 and 13]	4,260	3,694
Funding received from Co-developer towards fixed assets [refer note 13]	1,763	814
Interest accrued but not due	7	8
Others	-	55
	6,030	**4,571**

	Long-term		Short-term	
Provision for employee benefits	**March 31, 2014**	**March 31, 2013**	**March 31, 2014**	**March 31, 2013**
9. Provisions				
Leave encashment	-	-	143	121
Gratuity (refer note 38)	78	40	151	113
Others				
Proposed final dividend on equity shares	-	-	1,000	1,500
Tax on proposed final dividend	-	-	170	255
Provision for income tax, net of advance tax (refer note (i) below)	-	-	302	476
	78	**40**	**1,766**	**2,465**

(i) Included under provision for income tax is ₹ 26 (March 31, 2013 - ₹ 25) of the ESOP Trust.

	March 31, 2014	March 31, 2013
10. Short-term borrowings		
From banks		
Packing credit foreign currency loan (unsecured) [refer note (i) , (iv) and (v) below]	661	546
Packing credit foreign currency loan (secured) [refer note (ii) and (iii) below]	1,443	-
Cash credit (secured) [refer note (vi) below]	274	282
Bank overdraft (secured) [refer note (vii) below]	47	-
Bank overdraft (unsecured) [refer note (viii) below]	10	-
Short term loan from bank (secured, repayable on demand) [refer note (ix) below]	-	20
	2,435	**848**
The above amount includes		
Secured borrowings	1,764	302
Unsecured borrowings	671	546

(i) Syngene has obtained foreign currency denominated short term unsecured pre-shipment loans of ₹ 601 (US$ 10 million) as on March 31, 2014 from a bank that carry interest rate in the range of Libor plus 0.35%.The loan is repayable at end of 6 months from the date of their origination.

(ii) Biocon has obtained foreign currency denominated loans of ₹ 541 (US$ 9 million) [March 31, 2013 - ₹ Nil], carrying an interest rate of LIBOR plus 0.10% to1.50% p.a., from a bank as at March 31, 2014. These facilities are repayable on demand, secured by pari-passu first charge on inventories and trade receivables.

(iii) Syngene has obtained foreign currency denominated short term secured pre-shipment credit loans of ₹ 902 (US$ 15.0 Million) as of March 31, 2014 from banks that carry interest rate in the range of Libor plus 0.20% to 0.5%, which are secured by a pari-passu charge on the current assets and movable fixed assets of Syngene. These loans are repayable at end of 6 months from the date of their origination.

(iv) Biocon has obtained unsecured foreign currency denominated loans of ₹ 491 (US$ 9), carrying an interest rate of Libor plus 0.5% to 1.50% per annum, from a bank as at March 31, 2013 and have been repaid during the year.

(v) On April 26, 2010, Clinigene entered into an agreement with a bank for ₹ 100 packing credit facility. This loan is repayable on demand and is against corporate guarantee provided by Biocon. As at March 31, 2014 ₹ 60 (US$ 1 million) [March 31, 2013 - ₹ 55 (US$ 1 million)] is outstanding and carries an interest rate in the range of Libor Plus 1.25% to 1.75% per annum.

(vi) Biocon has working capital facilities with a bank 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, 2014, Biocon has utilised fund based limits of ₹ 274 (March 31, 2013 - ₹ 282).

(vii) Syngene has obtained overdraft facility from a bank, which is secured by a pari-passu charge on the current assets and moveable fixed assets of Syngene. The interest on the loan is linked to the bank's prime lending rate, which is floating in nature.

(viii) BRL has obtained unsecured overdraft facility carrying an interest rate ranging from 11% - 13% per annum, from a bank. This facility is repayable on demand.

(ix) On September 27, 2010, Clinigene entered into an agreement with a bank for ₹ 50 short-term demand loan facility. This loan was repayable on demand, secured by first charge on the current assets of Clinigene and corporate guarantee by Biocon, carrying an interest ranging from 9.5% to 11% per annum and have been repaid during the year.

	March 31, 2014	March 31, 2013
11.Trade payables		
Trade payables	3,472	3,455
	3,472	**3,455**
12. Other current liabilities		
Current maturities of long term borrowings (refer note 6)	140	185
Deferred revenues [refer note 42 and 13]	699	1,082
Funding received from Co-developer towards fixed assets [refer note 13]	78	84
Investor Education and Protection Fund shall be credited by: (as and when due)		
- Unclaimed dividend	6	5
Payables for capital goods	2,983	1,202
Advances from customers	1,982	421
Balance in current account with bank representing book overdraft	1	42
Other payables:		
Statutory dues (refer note (i) below)	231	108
Others	3	2
	6,123	**3,131**

(i) Statutory dues includes provident fund, employees state insurance, professional tax, withholding taxes and indirect tax payable.

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13. Tangible assets

	Land [Refer note (i), (ii) and (vii)]	Buildings	Leasehold improvements	Plant and equipments [Refer note (ix)]	Research and development equipments	Furniture and fixtures	Vehicles	Total
Cost or Valuation								
At April 1, 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**
Additions	-	263	-	1,633	230	81	-	2,207
Disposals	-	-	-	54	-	-	4	58
Other adjustments								
- Foreign currency translation adjustment	41	-	-	-	-	-	-	41
At March 31, 2014	**1,290**	**5,240**	**3**	**17,695**	**1,982**	**509**	**27**	**26,746**
Depreciation								
At April 1, 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
At March 31, 2013	**-**	**955**	**1**	**7,643**	**841**	**211**	**21**	**9,672**
Charge for the year	-	205	-	1,635	169	59	1	2,069
Disposals	-	-	-	26	-	-	4	30
At March 31, 2014	**-**	**1,160**	**1**	**9,252**	**1,010**	**270**	**18**	**11,711**
Net Block								
At March 31, 2013	**1,249**	**4,022**	**2**	**8,473**	**911**	**217**	**10**	**14,884**
At March 31, 2014	**1,290**	**4,080**	**2**	**8,443**	**972**	**239**	**9**	**15,035**

(i) Land includes land held on leasehold basis: Gross Block ₹ 226 (March 31, 2013 - ₹ 226) ; Net Block ₹ 226 (March 31, 2013- ₹ 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, 2014, include assets of ₹ 54 (March 31, 2013 - ₹ 1,093) of which, ₹ 27 (March 31, 2013 - ₹ 547) 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. Also refer note 28.

(iv) Additions to fixed assets during the year ended March 31, 2014, include assets of ₹ 245 (March 31, 2013 - ₹ 37) which have been funded by the customers. Syngene/Clinigene has capitalised and depreciated the gross cost of these assets. The funding received from the customer is reflected as Deferred revenues in note 8 and note 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, 2014 - ₹ 1,037 (March 31, 2013 - ₹ 792) (gross block).

(v) Syngene has entered into agreements with customers, which grant the customers an option to purchase fixed assets with gross block of ₹ 2,366 (March 31, 2013- ₹ 2,128) as at March 31, 2014 relating to particular projects, 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.

(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(vii).

(vii) As at March 31, 2014, BRL holds equipments received on loan basis from co-development partner for use in the joint development program amounting to ₹ 68 (March 31, 2013 - ₹ 68).

(viii) Plant and equipments includes office equipments and computer equipments.

(ix) Also refer note 35 (b) for assets given on lease.

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14. Intangible assets

	Intangible assets					Intangible assets under development		
	Goodwill [Refer note (i)]	Other intangibles [Refer note (v)]	Manufacturing rights for product [Refer note (ii)]	IP under commercialisation	Total	Product under development [Refer note (iii)]	Marketing rights of T1H [Refer note (iv)]	Total
Gross Block								
At April 01, 2012	122	41	64	81	308	220	856	1,076
Additions	-	26	-	-	26	-	-	-
Foreign currency translation adjustment	-	-	-	-	-	-	61	61
At March 31, 2013	**122**	**67**	**64**	**81**	**334**	**220**	**917**	**1,137**
Additions	-	18	-	-	18	81	-	81
Foreign currency translation adjustment	-	-	-	-	-	-	95	95
At March 31, 2014	**122**	**85**	**64**	**81**	**352**	**301**	**1,012**	**1,313**
Amortisation								
At April 1, 2012	-	24	-	81	105	44	-	44
Charge for the year	-	10	-	-	10	22	-	22
At March 31, 2013	**-**	**34**	**-**	**81**	**115**	**66**	**-**	**66**
Charge for the year	-	14	6	-	20	22	-	22
At March 31, 2014	**-**	**48**	**6**	**81**	**135**	**88**	**-**	**88**
Net Block								
At March 31, 2013	**122**	**33**	**64**	**-**	**219**	**154**	**917**	**1,071**
At March 31, 2014	**122**	**37**	**58**	**-**	**217**	**213**	**1,012**	**1,225**

(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 had 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. Effective April 2013, Biocon commenced amortisation of these rights over a period of 10 years, being the estimated useful life of these rights. Also refer note 1.

(iii) During the year ended March 31, 2014, BRL has capitalised product development cost amounting to ₹ 81, relating to development of a product in the global market. [refer note 41]

(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 Biocon SA..

(v) Other intangible assets comprise of computer software and employee training expenses.

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	March 31, 2014	March 31, 2013
15. Non-current Investments		
A) Trade investments (valued at cost unless stated otherwise):		
Unquoted preference shares		
In associate company:		
4,285,714 (March 31, 2013 - 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)	(131)
Others:		
2,722,014 (March 31, 2013 - 2,722,014) Series B1 Preferred Convertible Stock at US$ 1.55 each, fully paid, par value US $0.001 each in Vaccinex Inc., USA	186	186
217,972 (March 31, 2013 - 217,972) Series B2 Preferred Convertible Stock at US$ 3.10 each, fully paid, par value US $0.001 each in Vaccinex Inc., USA	32	32
	218	**218**
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	427
	427	**427**
	645	**645**
Aggregate value of unquoted investments	218	218
Aggregate value of quoted investments (cost)	427	427
Aggregate value of quoted investments (market value)	1,599	1,176

(i) As on March 31, 2014, the ESOP Trust held 3,767,023 shares (March 31, 2013 - 4,178,539) of the Company towards grant / exercise of shares to / by employees of the Group under the ESOP Scheme. Also refer note 31.

(ii) Vaccinex Inc., USA ('Vaccinex') is engaged in research and development activities and has been incurring losses. 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, 2013 - ₹ 7). During the year ended March 31, 2013, there were certain developments in connection with this investment arising due to patent filings, which were contrary to contractual obligations. Pursuant to that, on a prudent basis, the Company had created a provision of ₹ 131 for diminution, in the value of investment in IATRICa during the year ended March 31, 2013.

(iv) Biocon has invested in National Savings Certificates (unquoted) which are not disclosed above since the amounts are rounded off to Rupees million.

	Non-current		Current	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
16. Loans and advances (Unsecured, considered good)				
Capital advances [refer note (i) below]	335	762	-	-
Duty drawback receivable, net of provision	173	67	-	-
Balances with statutory / government authorities	718	478	116	125
Deposits	163	143	1	5
Loan to Syngene ESOP Trust [refer note 5(ii)]	150	150	-	-
Other receivables [refer note (iii) below]	-	-	284	270
Advances recoverable in cash or in kind or for value to be received	2	6	417	400
MAT Credit Entitlement	429	297	-	8
Advance income tax (net of provision for taxation) [refer note (ii) below]	723	580	-	6
	2,693	2,483	818	814

(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, 2013 - ₹ 10) of the ESOP Trust.

(iii) Other receivables include amounts due from employees to the ESOP Trust of ₹ 5 (March 31, 2013 - ₹ 5)

	Non-current		Current	
	March 31, 2014	March 31, 2013	March 31, 2014	March 31, 2013
17. Other assets				
Unamortised borrowing cost	324	295	-	-
Advance premium on foreign exchange forward/option contracts	148	110	201	117
Unbilled revenues	-	-	535	372
Interest accrued on bank deposits	-	-	22	66
	472	**405**	**758**	**555**

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, 2014 Units	March 31, 2014 Cost	March 31, 2013 Units	March 31, 2013 Cost
Axis Liquid Fund - Daily Dividend Reinvestment	1,000	87,124	87	-	-
Birla Sunlife Savings Fund Institutional Daily Dividend Reinvestment	100	1,651,058	166	4,232,501	424
Birla Sunlife Floating Rate Fund Short Term Plan - Daily Dividend	100	450,631	45	-	-
Birla Sunlife Cash Plus - Institutional Premium - Daily Dividend Reinvestment	100	-	-	867,861	87
Birla Sunlife Cash Plus - Daily Dividend - Direct Plan - Reinvestment	100	6,746,819	676	1,956,595	196
DSP BlackRock FMP - Series 147 -3M - Reg - Div	10	10,000,000	100	-	-
DSP BlackRock Liquidity Fund - Institutional Plan Daily Dividend	1,000	15,013	15	-	-
HDFC Cash Management Fund - Treasury Advantage Plan - Wholesale Daily Dividend	10	-	-	39,914,155	400
HDFC Banking and PSU Debt Fund - Regular Dividend Reinvestment Option	10	2,500,000	25	-	-
HDFC Liquid Fund - Direct Plan - Daily Dividend Reinvestment	10	59,693,290	609	-	-
HDFC Floating Rate Income Fund - Short Term Plan - Wholesale Option - Dividend Reinvestment	10	15,261,738	154	-	-
HDFC Liquid Fund - Daily Dividend Reinvestment	10	19,221,335	196	-	-
HDFC FMP 366D March 2014 (2) Series 31 - Regular - Growth	10	15,000,000	150	-	-
HSBC Cash Fund - Daily Dividend	1,001	221,562	222	-	-
HSBC Floating Rate Long Term Plan Institutional Weekly Dividend	11	-	-	31,062,434	349
ICICI Interval Fund II Quarterly Interval Plan C - Regular Plan - Div	10	19,999,400	200	-	-
ICICI Prudential Flexible Income Plan Premium / Daily Dividend	106	-	-	3,824,653	404
ICICI Prudential Liquid Regular Daily Dividend	100	-	-	2,904	-
ICICI Prudential Liquid - Direct Plan - Daily Dividend	106	670,672	71	-	-
ICICI Prudential Banking and PSU Debt Fund - Regular Plan - Daily Dividend	10	2,393,730	24	-	-
ICICI Prudential Interval Fund Quarterly Interval Plan I - Regular Plan - Dividend Payout	10	6,500,000	65	-	-
ICICI Prudential Money Market Fund Option Daily Dividend	100	874,517	88		
ICICI Prudential Liquid - Direct Plan - Daily Dividend	100	7,073,823	708	-	-
ICICI Prudential Interval Fund II Quarterly Interval Plan D - Direct Plan - Dividend Payout	10	4,999,850	50		
ICICI 8095 PRUD Liquid Direct Plan DD	100	-	-	1,909,533	191
IDBI FMP - Series IV-91 Days(Mach 2014)-H regular Plan-Growth	10	5,000,000	50	-	-
IDFC Ultra Short Term Fund - Daily Dividend Regular Plan	10	-	-	25,038,819	251
IDFC Cash Fund - Daily Dividend -(Regular Plan)	1,000	94,982	95	-	-
IDFC Money Manager Fund - Treasury Plan - Daily Dividend-(Regular Plan)	10	4,983,223	50	-	-
JM Floater Short Term Fund - Daily Dividend Option (73)	10	3,990,775	40	-	-
JP Morgan India Liquid Fund Super Institutional Daily Dividend Reinvestment	10	25,400,546	254	15,068,306	151
Kotak Banking & PSU Debt Fund - Daily Dividend	10	5,002,024	50	-	-
Kotak Liquid Institutional Premium - Daily Dividend	1,223	222,918	272	-	-
Principal Cash Management Fund Growth Plan	1,113	-	-	84,088	94
Reliance Money Manager Fund Daily Dividend Plan	1,001	234,130	234	446,497	447
Reliance Liquid Fund - Treasury Plan - Daily Dividend	1,529	239,223	366	232,808	356
Reliance Fixed Horizon Fund - XXVI - Series 6 - Growth Plan	10	5,000,000	50	-	-
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 84 - Regular Plan - Dividend	10	20,000,000	200	-	-
Sundaram Ultra Short Term Fund Regular Daily Dividend	10	-	-	29,958,262	301
TATA Income Fund Plan A - Appreciation Option - Bond	11	-	-	9,244,728	98
TATA Fixed Maturity Plan Series 47 Scheme C - Plan A - Growth	10	15,000,000	150	-	-
TATA Floater Fund Plan A - Daily Dividend	1,004	273,582	275	-	-
TATA TLSDZ Liquid Fund Direct Plan DD	1,115	605,098	675	45,134	50
TATA TLSD 01 Liquid Fund Plan A DD	1,115	-	-	224	-
Templeton India Ultra Short Bond Fund Super Institutional Plan - Daily Dividend	10	-	-	40,391,470	405
UTI Treasury Advantage Fund - Institutional Plan Daily Dividend Reinvestment	1,002	291,990	292	403,368	403
UTI Fixed Term Income Fund Series XVIII - IV (366 Days) - Growth Plan	10	30,000,000	300	-	-
			7,004		**5,221**
Aggregate value of unquoted investments			**7,004**		**5,221**

(i) Above current investments include unquoted investments of the ESOP Trust of ₹ 467 (March 31, 2013 - ₹ 349)

	March 31, 2014	March 31, 2013
19. Inventories (at lower of cost and net realisable value)		
Raw materials, including goods-in-bond (refer note 24)	1,039	1,223
Packing materials (refer note 24)	158	184
Work-in-progress [refer note 25 (b)]	1,429	2,048
Traded Goods [refer note 25 (b)]	325	267
Finished goods [refer note 25 (b)]	815	262
	3,766	**3,984**
20. Trade Receivables (unsecured)		
Outstanding for a period exceeding six months from the date they are due for payment		
Considered good	44	78
Doubtful	51	29
	95	**107**
Provision for doubtful receivables	(51)	(29)
	44	78
Other trade receivables		
Considered good	5,954	5,019
	5,998	**5,097**
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
21. Cash and bank balances		
Cash and cash equivalents		
Balances with banks:		
On current accounts	4,980	1,814
On Unpaid dividend account	6	5
Deposits with maturity of less than three months	583	2,919
Cash on hand	1	2
	5,570	**4,740**
Other bank balances		
Deposit with original maturity of more than 3 months but less than 12 months	2,472	1,987
Margin money deposit	2	2
	8,044	**6,729**

(i) Balances with banks in current accounts include balances of the ESOP Trust of ₹ 4 (March 31, 2013 - ₹ 2).

(ii) Margin money deposits with carrying amount of ₹ 3 (March 31, 2013- ₹ 2) are subject to first charge against bank guarantees obtained.

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	March 31, 2014	March 31, 2013
22. Revenue from operations		
Sale of products		
Finished goods	19,173	16,862
Traded goods	2,413	2,036
Sale of services		
Licensing and development fees	149	246
Contract research and manufacturing services income	7,146	5,572
Other operating revenue		
Sale of process waste	144	152
Others [refer note (a) below]	116	438
Revenue from operations (Gross)	**29,141**	**25,306**
Less: Excise duty [refer note (b) below]	368	453
Revenue from operations (net)	**28,773**	**24,853**
(a) Others include ₹ Nil [March 31, 2013 - 306] towards one time income/compensation from few parties.		
(b) Excise duty on sales amounting to ₹ 368 [March 31, 2013- ₹ 453] has been reduced from revenue from operations in the statement of profit and loss and excise duty on increase / decrease in stock amounting to ₹ 1 [March 31, 2013- ₹ (3)] has been considered as (income) / expense in note 27 of financial statements.		
Details of products sold		
Finished goods sold		
Biopharmaceuticals	16,069	14,337
Formulations	3,104	2,525
	19,173	**16,862**
Traded goods		
Biopharmaceuticals	81	13
Formulations	2,332	2,023
	2,413	**2,036**
23. Other income		
Interest income on:		
Bank deposits	97	96
Others	16	2
Dividend earned on current investments	297	303
Net gain on sale of current investments	19	9
Profit on fixed assets sold, net	-	1
Other non-operating income	130	116
	559	**527**
24. Cost of raw materials and packing materials consumed		
Inventory at the beginning of the year	1,407	1,469
Add: Purchases	10,494	9,957
Less: Inventory at the end of the year	1,197	1,407
Cost of raw materials and packing materials consumed	**10,704**	**10,019**

(a) Consumption for the year ended March 31, 2013 includes ₹ 49 pertaining to prior year.

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	March 31, 2014	March 31, 2013
25. (a) Purchase of traded goods		
Details of purchase of traded goods:		
Biopharmaceuticals	16	24
Formulations	1,135	669
	1,151	**693**
25. (b) (Increase)/ Decrease in inventories of finished goods, traded goods and work-in-progress		
Inventory at the beginning 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**
Inventory at the end of the year		
Traded goods	325	267
Finished goods, net of excise duty	815	259
Work-in-progress	1,429	2,048
	2,569	**2,574**
(Increase)/ Decrease in inventories	**5**	**(265)**
Details of inventory:		
Traded goods		
Biopharmaceuticals	2	7
Formulations	323	260
	325	**267**
Finished goods, net of excise duty		
Biopharmaceuticals	640	72
Formulations	175	187
	815	**259**
Work-in-progress		
Biopharmaceuticals	1,306	1,930
Formulations	123	118
	1,429	**2,048**
26. Employee benefits expense		
Salaries, wages and bonus	4,240	3,470
Contribution to provident fund	177	153
Gratuity (refer note 38)	77	60
Employee stock compensation expense	59	3
Welfare expenses	252	208
	4,805	3,894
Less: Expenses capitalized to fixed assets (refer note 41)	(142)	-
	4,663	**3,894**

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	March 31, 2014	March 31, 2013
27. Other expenses		
Royalty and technical fees	26	14
Rent	37	38
Communication expenses	111	106
Travelling and conveyance	509	425
Professional charges	400	463
Directors fees including commission	13	11
Power and fuel	1,624	1,426
Insurance	57	30
Rates, taxes and fees, net of refunds of taxes	145	108
Lab consumables	697	400
Repairs and maintenance		
Plant and machinery	300	223
Buildings	49	34
Others	242	245
Selling expenses		
Freight outwards and clearing charges	234	224
Sales promotion expenses	695	586
Commission and brokerage (other than sole selling agents)	260	186
(Increase)/decrease in excise duty on inventory [refer note 22 (b)]	1	(3)
Bad debts written off	8	38
Provision for doubtful debts	22	(40)
Printing and stationery	46	41
Foreign exchange loss (net)	378	282
Research and development expenses [includes prior period amounting to ₹ Nil (March 31, 2013 - ₹ 25)]	1,226	978
Clinical trial and development expenses	103	89
Miscellaneous expenses	347	209
	7,530	6,113
Less: Adjustment of product development expenses with deferred revenues [refer note (a) below]	(205)	(339)
Less: Expenses capitalized to fixed assets [refer note 41]	(257)	(11)
	7,068	**5,763**

(a) Research and development expenses of ₹ 205 (March 31, 2013 ₹ 339) incurred towards Biosimilar Insulin program subsequent to the date of termination of the Pfizer arrangement have been adjusted against the amounts received from Pfizer. Refer note 42.

28. Depreciation and amortisation (net)		
Depreciation of tangible assets [refer note 13]	2,069	1,824
Amortisation of intangible assets [refer note 14]	42	32
Less: Depreciation on assets partly funded by customers/co-development partners [refer note 13]	(75)	(63)
	2,036	**1,793**
29. Finance costs		
Interest expense	147	79
Exchange difference to the extent considered as an adjustment to borrowing cost	2	41
Less: Expenses capitalized to fixed assets	(132)	(39)
	17	**81**

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		March 31, 2014	March 31, 2013
30. Research and development expenses			
Research & development expenses	(a)	1,226	978
Other Research & development expenses included in other heads	(b)	2,061	1,664
	(a+b)	3,287	2,642
Recovery of product development costs from co-development partners (net)		(1,689)	(681)
Adjustment of product development expenses with deferred revenues [refer note 27 (a)]		(205)	(339)
Product development costs capitalised [refer note 41]		(81)	-
		1,312	**1,622**
Research & development expenses on Buildings and Equipment (net of funding received from co-development partners)			
Buildings		64	-
Equipment (net of disposals)		204	238
		268	**238**

31. Employee stock compensation

(a) Biocon ESOP Plan:

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 years 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 years 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, 2014		March 31, 2013	
	No. of Options *	Weighted Average Exercise Price (₹)*	No. of Options *	Weighted Average Exercise Price (₹)*
Outstanding at the beginning of the year	725,616	180	1,151,077	167
Granted during the year	-	-	20,787	134
Forfeited during the year	245,630	178	-	-
Exercised during the year	359,086	170	446,248	145
Expired during the year	-	-	-	-
Outstanding at the end of the year	120,900	185	725,616	180
Exercisable at the end of the year	120,900	185	639,616	175
Weighted average remaining contractual life (in years)	0.3	-	0.3	-

*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, 2014		March 31, 2013	
	No. of Options *	Weighted Average Exercise Price (₹)*	No. of Options *	Weighted Average Exercise Price (₹)*
Outstanding at the beginning of the year	1,064,500	286	771,500	300
Granted during the year	940,750	334	367,000	254
Forfeited during the year	440,750	294	65,000	285
Exercised during the year	52,430	223	9,000	193
Expired during the year	-	-	-	-
Outstanding at the end of the year	1,512,070	316	1,064,500	286
Exercisable at the end of the year	64,145	275	67,100	218
Weighted average remaining contractual life (in years)	5.6		5.1	
Weighted average fair value of options granted (₹)		148		130

The average market price of the Company's share during the year ended March 31, 2014 is ₹ 355 (March 31, 2013 ₹ 260) 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, 2014	March 31, 2013
Weighted Average Remaining Contractual Life in options (Yrs)	5.6	5.1
Weighted Average Exercise Price	316	286
Expected volatility	35.48%	35.66%
Historical volatility	32.34%	32.50%
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	8.75%	8.00%
Expected dividend rate	1.18%	1.83%

(b) Syngene ESOP Plan:

On July 20, 2012, Syngene Employee Welfare Trust ('Trust') was created for the welfare and benefit of the employees and directors of the Company and subsidiary company. The Board of Directors has approved the employee stock option plan of the Company. On October 31, 2012 the Trust purchased 1,875,000 equity shares of the Company using the proceeds from interest free loan of ₹ 150 obtained from the Company. The loan granted and receivable from the Trust has been adjusted in the shareholders' funds as per the Guidance Note on Accounting for Employee Share-based Payments issued by Institute of Chartered Accountants of India.

Grant

In October 2013, the Company approved the grant of 1,625,000 options (face value of - ₹ 5/- each) to eligible employees under Syngene Employee Stock Option Plan - 2011. Each option entitles for one equity share. The options under this grant will vest to the employees as 25%, 35% and 40% of the total grant at end of second, third and fourth 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 grades of the employees. These options are exercisable at an exercise price of ₹ 80/- per share.

Details of Grant

Particulars	March 31, 2014	
	No. of Options	Weighted Average Exercise Price (₹)
Granted during the year	1,615,090	80
Forfeited during the year	34,750	80
Exercised during the year	-	-
Outstanding at the end of the year	1,580,340	80
Exercisable at the end of the year	-	-
Life of the options granted (vesting and exercise period) in years	6.15	
Weighted average fair market value of shares granted (In ₹)		244

* Weighted Average Exercise Price

The weighted average fair value of the Company's options granted during the year ended March 31, 2014 is ₹ 193 per option, under Black Scholes Model.

Assumptions used in determination of the fair value of the stock options under the Black Scholes Model are as follows:

Particulars	March 31, 2014
Dividend yield (%)	-
Exercise Price (In ₹)	80
Volatility	40.9% - 47.6%
Life of the options granted (vesting and exercise period) in years	6.15 years
Average risk-free interest rate	8.7% - 8.8%

Since the Group 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	March 31, 2014	March 31, 2013
Net Profit after taxes	4,138	5,089
Add: Employee stock compensation under intrinsic value *	52	3
Less: Employee stock compensation under fair value *	60	22
Proforma net profit after taxes	**4,129**	**5,070**
Earnings per Share - Basic		
- As reported	21.08	25.99
- Proforma	21.04	25.89
Earnings per Share - Diluted		
- As reported	20.82	25.75
- Proforma	20.80	25.66

* After adjustment of share of minority interest.

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	4,178,539	4,091,721
Add: Shares purchased by the ESOP Trust	-	542,066
Less: Shares exercised by employees	(411,516)	(455,248)
Closing balance of shares not exercised by employees and available with the ESOP Trust	3,767,023	4,178,539
Options granted and eligible for exercise at end of the year	185,045	706,716
Options granted but not eligible for exercise at end of the year	1,447,925	1,083,400

32. 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	3,767,023	4,178,539
	196,232,977	195,821,461
Add: Effect of dilutive options granted but not exercised / not yet eligible for exercise	2,228,023	1,790,116
Weighted average shares outstanding and potential options outstanding	**198,461,000**	**197,611,577**

33. Related party transactions

Sl. No.	Name of the related party	Relationship	Description	April 1, 2013 to March 31, 2014 Income/ (expenses) /other transactions	Balance as at March 31, 2014 (Payable)/ receivable	April 1, 2012 to March 31, 2013 Income/ (expenses) /other transactions	Balance as at (Payable)/ receivable
1	Kiran Mazumdar Shaw	Managing Director	Salary and perquisites	(16)	-	(15)	-
2	John Shaw	Director	Salary and perquisites	(12)	-	(10)	-
3	Glentec International	Enterprise owned by Key Management Personnel	Rent expenses paid	(3)	-	(3)	-
4	NeoBiocon FZ LLC	Joint Venture	Sale of goods	12	-	22	-
			Trade receivables	-	13	-	17
5	IATRICa Inc.	Associate	Research and Development expenses	-	-	(140)	-

(i) The Company has paid rent to P. K. Associates and purchased consumables from Mazumdar Farms, a proprietary firm of relative of Director, which are not disclosed above since the amounts are rounded off to Rupees million.

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34. Foreign exchange & derivative contracts and unhedged foreign currency exposures

The Group has entered into foreign exchange forward and option contracts to hedge highly probable forecasted transactions in foreign currency. As at March 31, 2014 and 2013, the Group had the following outstanding contracts:

(in millions)

		March 31, 2014	March 31, 2013
In respect of foreign currency loans taken:			
Foreign exchange forward contracts to buy	USD	Nil	5
In respect of highly probable forecasted imports:			
Foreign exchange forward contracts with periodical maturity dates			-
- conversion to INR	USD	6	-
- conversion to MYR	USD	34	
In respect of highly probable forecasted sales/export collection:			
Foreign exchange forward contracts with periodical maturity dates	USD	22	78
European style option contracts with periodical maturity dates	USD	165	131
European style option contracts with periodical maturity dates	EUR	17	-
The unhedged foreign currency exposure as at the Balance Sheet date is as given below:			
Balances with banks			
Foreign currency accounts		4,138	1,653
Fixed deposit accounts		46	126
Export trade receivables (Including unbilled revenue)		3,224	2,744
Other receivables - current		200	211
Advance from customers		1,955	94
Import payables		1,604	1,847
Long-term borrowings		5,804	1,240
Short-term borrowings		2,104	273

Interest rate swap

During the year ended March 31, 2012, Biocon Sdn. Bhd 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, 2014 is ₹ 4,569 (US$ 76 million) [March 31, 2013 ₹ 4,144 (US$ 76 million)]. The periodic net payments related to interest rate swap to the extent of underlying borrowings is recorded as borrowing cost.

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35. Commitments

	March 31, 2014	March 31, 2013
(a) Capital commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for, net of advances	4,191	6,479
(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 March 2022. Gross rental expenses for the year aggregates to ₹ 26 (March 31, 2013 - ₹ 29). The committed lease rentals in the future are:		
Not later than one year	18	17
Later than one year and not later than five years	43	31
Later than five years	25	19
(ii) Vehicles :		
The Group has taken vehicles for employees under operating leases, which expire in January 2017. Gross rental expenses for the year aggregate to ₹ 12 (March 31, 2013 - ₹ 17). The committed lease rental in the future are:		
Not later than one year	6	13
Later than one year and not later than five years	6	16
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, 2013 - ₹ 20). 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	71	81
Later than five years	-	10
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		
Includes taxation matters under appeal (Direct and Indirect Taxes) ₹ 1,974 (March 31, 2013 - ₹ 1,321)	2,322	1,669
The Group is involved in taxation and other disputes, lawsuits, proceedings etc. including patent and commercial matters that arise from time to time in the ordinary course of business. Management is of the view that such claims are not tenable and will not have any material adverse effect on the Group's financial position and results of operations.		
(ii) Corporate guarantees given to the Central Excise Department	710	841
(iii) Guarantees given by banks on behalf of the Group for financial and other contractual obligations of the Group.	115	158
Includes share of the Group in respect of guarantees issued by NeoBiocon (joint venture) of ₹ 1 (March 31, 2013 - ₹ 3)		

37. 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, 2014 stood at ₹ 192 (March 31, 2013 - ₹ 116), refer note 1. The aggregate amount of Biocon's interest in NeoBiocon is as follows:

Assets	303	171
Liabilities	109	45
Income	321	231
Expenses	266	165

38. 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, 2014	March 31, 2013
Defined benefit obligation	306	247
Fair value of plan assets	77	94
Plan Liability	**229**	**153**
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	247	188
Current service cost	34	71
Past service cost	-	-
Interest cost	19	16
Benefits paid	(23)	(10)
Actuarial (gain) / loss	29	(18)
Benefit obligation at the end of the year	**306**	**247**
Change in fair value of plan assets		
Fair value of plan assets at beginning of the year	94	94
Expected return on plan assets	8	10
Actuarial gain / (loss)	(2)	-
Actual contribution	-	-
Benefits paid	(23)	(10)
Fair value of plan assets at end of the year	**77**	**94**
Net gratuity cost:		
Components of net benefit cost		
Current service cost	34	71
Past service cost	-	-
Interest cost	19	16
Expected return on plan assets	(8)	(9)
Net actuarial (gain) / loss recognised during the year	32	(18)
Net gratuity cost	**77**	**60**
Actual return on plan assets	6	9

Experience adjustment	**March 31, 2014**	**March 31, 2013**	**March 31, 2012**	**March 31, 2011**	**March 31, 2010**
Defined benefit obligation	306	247	188	144	116
Plan assets	77	94	94	95	81
Surplus / (Deficit)	229	(150)	(94)	(49)	(35)
Experience adjustments on plan liabilities gain / (loss)	(2)	23	(30)	(16)	(6)
Experience adjustments on plan assets gain / (loss)	(2)	-	-	(2)	1

	March 31, 2014	March 31, 2013
The assumptions used for gratuity valuation are as below:		
Interest rate	8.00%	8.50%
Discount rate	8.75%	8.00%
Expected return on plan assets	8.70%	8.70%
Salary increase	9.50%	8.00%
Attrition rate up to age 44	18 to 26%	18 to 26%
Attrition rate above age 44	5% to 8%	5% to 8%
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, 2014, is approximately ₹ 149 (March 31, 2013 - ₹ 113).

The nature of allocation of the fund is only in debt based mutual funds of high credit rating.

39. 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, 2013 to March 31, 2014

Particulars	Pharma	Contract Research	Unallocated	Eliminations	Total
Revenues					
External sales	21,503	7,270			28,773
Inter-segment transfers	9	142	-	(151)	-
Total revenues	21,512	7,412	-	(151)	28,773
Costs					
Segment costs	(12,523)	(4,693)			(17,216)
Inter-segment transfers	(142)	(9)	-	151	-
Result					
Segment result	8,847	2,710	-		11,557
Corporate expenses	-	-	(4,686)		(4,686)
Other income	-	-	559	-	559
Operating profit					**7,430**
Depreciation / amortisation	(1,345)	(691)	-	-	(2,036)
Finance costs	-	-	(17)	-	(17)
Income taxes - Current and deferred	-	-	(1,069)	-	(1,069)
Minority Interest	-	-	(170)	-	(170)
Profit after taxes					**4,138**
Other information					
Segment assets	33,933	12,142	-	-	46,075
Unallocated corporate assets	-	-	11,431	-	11,431
Total assets					**57,506**
Segment liabilities	19,327	5,234	-	-	24,561
Unallocated corporate liabilities	-	-	1,854	-	1,854
Minority Interest	-	-	823	-	823
Total liabilities					**27,239**
Capital expenditure	9,929	1,187	-	-	11,116

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April 1, 2012 to March 31, 2013

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	-	-	(4,222)	-	(4,222)
Other income	-	-	527	-	527
Operating profit					**5,957**
Depreciation / amortisation	(1,155)	(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

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	April 1, 2013 to March 31, 2014	April 1, 2012 to March 31, 2013
India	10,699	9,183
Outside India	18,074	15,670
Total	**28,773**	**24,853**

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, 2014	March 31, 2013	March 31, 2014	March 31, 2013
India	36,623	31,627	3,321	2,114
Outside India	20,883	12,534	7,795	1,414
	57,506	**44,161**	**11,116**	**3,528**

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.

	March 31, 2014	March 31, 2013
40. Exceptional items (net)		
Provision for other than temporary diminution in the value of long-term investments	-	(131)
Exceptional income [refer note 42]	-	2,150
	-	2,019
41. Expenses capitalized to fixed assets during the year		
a) Capital work-in-progress		
Salaries, wages and bonus	142	-
Insurance	20	-
Foreign exchange loss on long-term monetary liability	137	11
Miscellaneous expenses	19	-
Interest expense	132	39
	450	50
b) Intangible assets		
Lab consumables	4	-
Research & development expenses	77	-
	81	-
	531	**50**

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, Biocon SA, a wholly owned subsidiary of the Company (together referred to as 'Biocon'), had determined that it had continuing obligations to complete clinical development and regulatory activities relating to Biocon's Biosimilar Insulin portfolio comprising of Biosimilar Insulin and Biosimilar Insulin Analogs. Accordingly, pursuant to the termination of the customer contract in March 2012, Biocon deferred the remainder of the upfront amounts 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.

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 has therefore 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) was recognized as an exceptional 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 as at March 31, 2013, 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. For the year ended March 31, 2014 of the deferred amounts, ₹ 205 (March 31, 2013 - ₹ 339) have been netted off against expenses incurred towards such clinical trial and development activities.

43. Other notes

(a) The Company had entered into transactions of sale of products to a private company during the year ended March 31, 2013 and 2012 amounting to ₹ 28 and ₹ 17 respectively that required prior approval from Central Government under Section 297 of the Companies Act, 1956. These transactions, entered into at prevailing market prices were approved by the Board of Directors of the Company. During the year ended March 31, 2014, the Company has filed application with the Central Government for approval of such transactions and for compounding of such non-compliance.

(b) Recovery of product development costs from co-development partner (net) pertains to co-development partner's share of expenses under the development agreements comprising of payroll costs, depreciation and amortisation and other expenses.

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 24, 2014

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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