



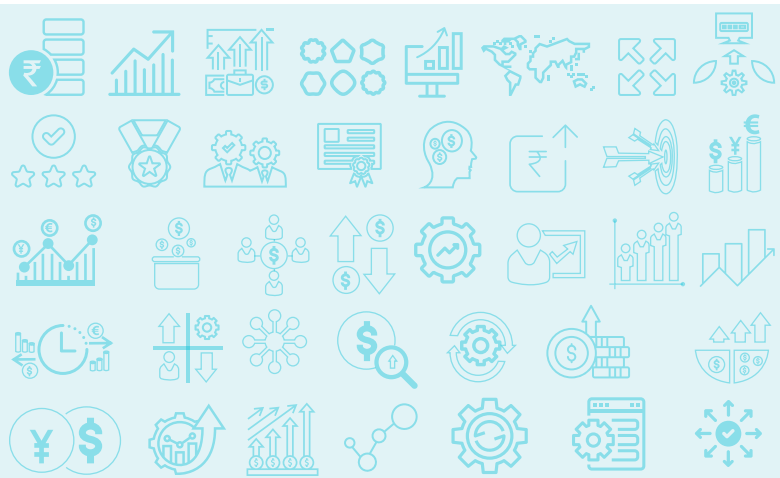
INNOVATE.



SUSTAIN.



FLOURISH.



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additional information



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www.granulesindia.com

Forward looking statement

Some information in this report may contain forward-looking statements. We have based these forward looking statements on our current beliefs, expectations and intentions as to facts, actions and events that will or may occur in the future. Such statements generally are identified by forwardlooking words such as "believe," "plan," "anticipate," "continue," "estimate," "expect," "may," "will" or other similar words. A forward-looking statement may include a statement of the assumptions or basis underlying the forward-looking statement. We have chosen these assumptions or basis in good faith, and we believe that they are reasonable in all material respects. However, we caution you that forward looking statements and assumed facts or bases almost always vary from actual results, and the differences between the results implied by the forwardlooking statements and assumed facts or bases and actual results can be material, depending on the circumstances.



INNOVATE. SUSTAIN. FLOURISH.



New technology, increased visibility and rapid globalization calls for continuous change- to remain relevant and responsive in an extremely dynamic and vibrant world. For Granules, innovation is a way of life and the best weapon in its armour to keep competition at bay. It marks our way ahead, encourages us to stay focused and strategically unlock possibilities for sustained and prolonged growth.

As an integrated pharma company, we are constantly lubricating engines of growth, exploring prospects for revenue generation and aiming to deliver exceptional outcomes. With aspirations to continuously enhance our products, processes and services, we realize our potential as torchbearers of change - to drive unparalleled efficiencies and empower Granules and its employees to sustain and flourish, now and forever.

Granules at a Glance

Granules India Limited is one of the vertically integrated, high-growth pharmaceutical manufacturing company in India today. Based out of Hyderabad, India, we are into manufacturing Active Pharmaceutical Ingredients (APIs), Pharmaceutical Formulation Intermediaries (PFIs) and Finished Dosages (FDs).

Vision



To be the Global leader in pharmaceutical manufacturing by process innovation and unparalleled efficiencies

Mission



Our drive to be the best is unparalleled. We will match our drive by partnering with global leaders in our markets, building lasting relationships, and the foundation for mutual growth and success

Our offerings

APIs:

Inhouse Active Pharmaceutical Ingredients (API) manufacturing with focus on efficiently creating high-quality APIs in key therapeutic categories

PFIs:

World's largest Pharmaceutical Formulation Intermediates (PFI) facility at Gagillapur. PFIs taken from drums to hopper and compressed into tablets directly

FDs:

Multiple Finished Dosage (FDs) forms comprising tablets, caplets and press-fit capsules in bulk, blister packs and bottles



Our business segments



Core Business

- Focus on volume-based products
- First line of treatment
- Less R&D and more manufacturing-based capability

Paracetamol, Ibuprofen, Metformin, Methocarbamol and Guaifenesin



US Generics

- Focus on R&D with our integrated structure that includes manufacturing and marketing capabilities with 'Make in America' concept
- Business-to-Consumer model (B2C)

Focus on developing controlled substances and niche/differentiated modified and extended-release products in varied dosage forms



Emerging Business

- Fully integrated facility to offer APIs and FDs in various therapeutic areas.
- Multi-product and multi-stage API to FD manufacturing site
- New Products filing through R&D
- Medium R&D and Manufacturing capabilities

Losartan, Cetirizine and Fexofenadine



60+

Countries of presence



250+

Customers in our portfolio



3,029

Number of employees as on March 31, 2020



7

Manufacturing plants

Manufacturing capacity snapshot

39,360_{TPA}

352_{KL}

API

24,640_{TPA}

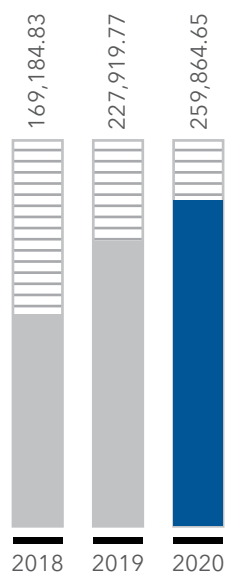
PFI

21.3_{BN}

Finished Dosages

Key Financial Indicators

Revenue
(₹ in lakhs)



Revenue Growth
(%)



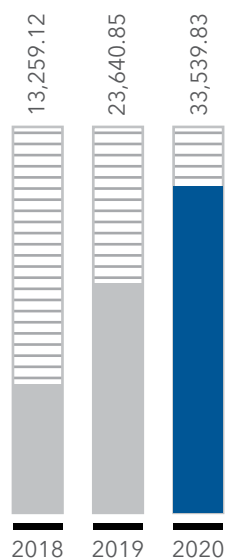
EBITDA without other income
(₹ in lakhs)



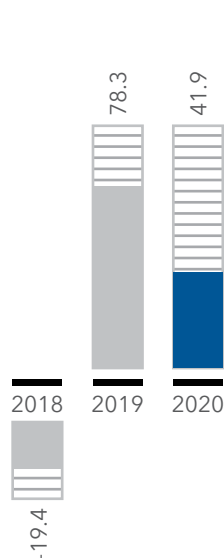
EBITDA Growth
(%)



Net Profit
(₹ in lakhs)



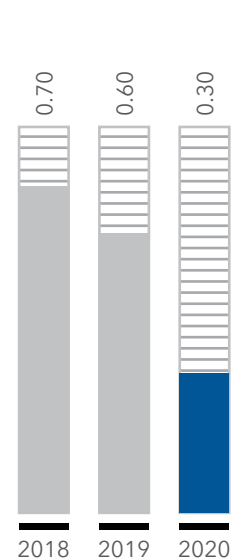
Net Profit Growth
(%)



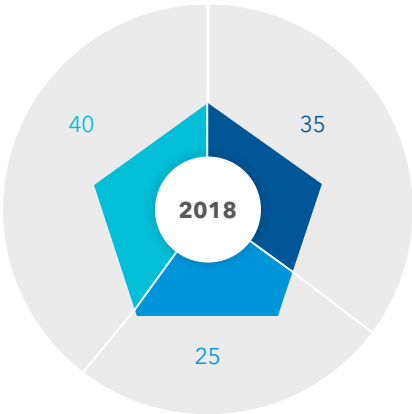
Return on Equity
(%)



Net Debt to Equity Ratio
(in times)

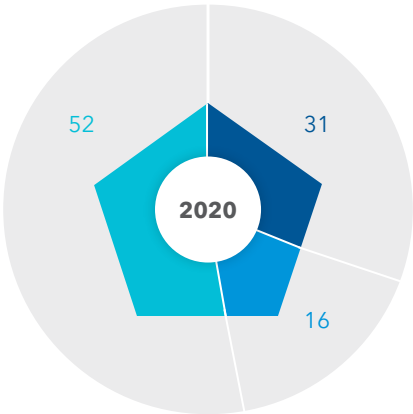


Revenue Break-up
(in%)



(₹ in lakhs)

API ₹ 59,827.33 PFI ₹ 41,835.43 FD ₹ 67,522.07



(₹ in lakhs)

API ₹ 81,706.65 PFI ₹ 42,139.97 FD ₹ 136,018.03



(₹ in lakhs)

API ₹ 81,967.02 PFI ₹ 38,690.47 FD ₹ 107,262.28



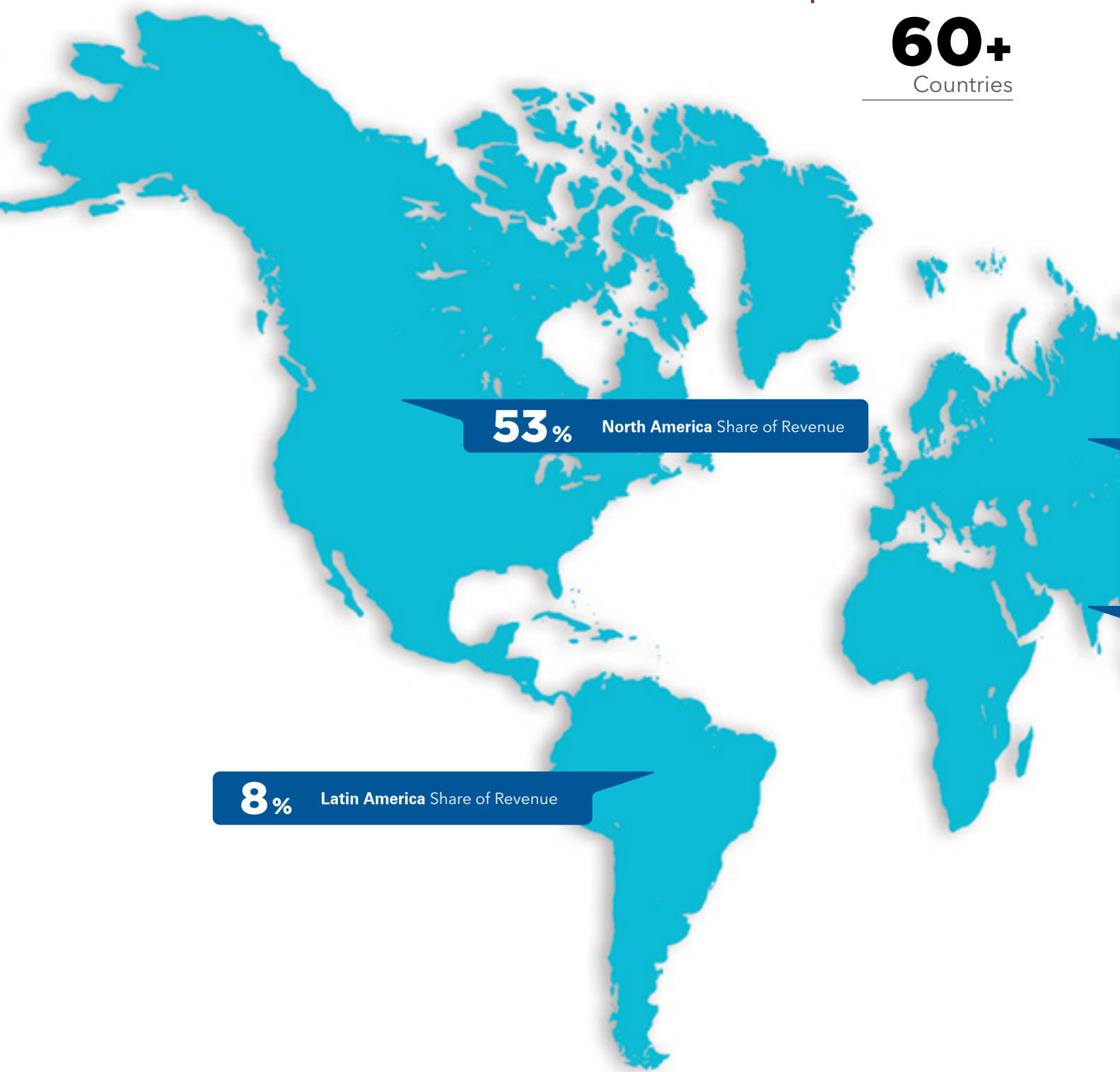
Global Footprint

Market presence in more than

60+
Countries

53% North America Share of Revenue

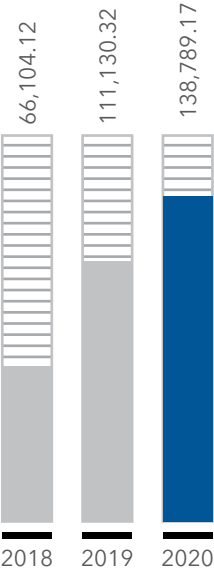
8% Latin America Share of Revenue



19% Europe Share of Revenue

15% India Share of Revenue

North America
(₹ in lakhs)



Latin America
(₹ in lakhs)



Europe
(₹ in lakhs)



India
(₹ in lakhs)



Rest of the World
(₹ in lakhs)



Message from Chairman's desk



Granules India is focussed on building a business for the long-term through the efficient use of capital, strong and profitable revenue growth and focussed risk management.



Dear shareholders,

I am delighted to present a second consecutive excellent year for your Company - FY2020. Your company had a record-breaking performance in terms of revenue and earnings growth along with achievements of key business, as we took strides to become a truly global pharmaceutical product manufacturing company.

It has been almost three decades that your company is engaged in providing collaborative and strategic partnership to global pharmaceutical leaders by producing best quality API and PFI through manufacturing excellence, process innovation and regulatory expertise. Continuous focus on building execution excellence over the last several years coupled with recent focus on launching our own products in US and other regulated markets has resulted in a fairly backward integrated Pharmaceutical company trying to establish its foot print in almost all the sectors including the finished dosage.

Our success strategy is dependent on mainly on the following five verticals

- 1) Continue customer centric approach**
- 2) Continue to strengthen operational capability**
- 3) Value creation by choosing right partners and having long term contracts with them**
- 4) Organisational agility and human capital creation**
- 5) Continuous review of existing and pipeline portfolios.**

I am confident that we have now started our orbit changing transformation journey and will grow in many folds in the years to come

Performance highlights FY20

FY20 was another excellent year for Granules India with a robust revenue

growth of 14% from ₹227,919.77 lakhs in FY2019 to ₹259,864.65 lakhs in FY2020, which was mainly contributed by PFI and FD growth by 9% and 27% and API sales was flat over the previous year. The increases were mainly from the US and Europe market driving the higher volume Sales of FD. We applied financial discipline to ensure that our cost levers underpin our targeted growth, while safeguarding profitability.

The gross profit improved by 28.7% over the previous year from ₹102,363.55 lakhs to ₹131,771.51 lakhs which was mainly due to higher FD sales and increased contribution from GPI business over the previous year.

EBITDA for the year stood at ₹52,531.83 lakhs after recognising the ₹2,171.53 lakhs as impairment charge which is a 36.8% increase over the EBITDA of the previous year which was ₹38,403.77 lakhs. The primary reasons are increased

capacities of Metformin which we had commissioned in the past and are now being used for most of our internal as well as the external customers. Better FD margins and new product launches from GPI have also contributed to an increase in EBITDA over the previous year. Our API unit - 4 in Vizag had also started contributing to EBITDA growth with higher margin products.

PAT for FY2020 stood at ₹33,539.83 lakhs as compared to ₹23,640.85 lakhs for FY2019 which is a growth of 41.9% year-on-year. PAT for FY2020 without onetime write-off such as gains or losses from the sale of JV & associate, impairment, and tax reversals, etc. stood at ₹33,832.18 lakhs which is still a growth of 43.11% from that of FY2019

This year we had reduced our net debt from ₹90,815.51 lakhs from the previous year to ₹60,579.49 lakhs in the current year and maintain a healthy net debt-equity ratio of 0.3x. We were successful

in bringing down the cash-to-cash cycle days to 104 days and generated ₹26,432.76 lakhs free cash flow. We would like to emphasize that we were able to reduce our short-term working capital debt despite an increase in our working capital requirement by improved cash management.

In 2019 we commenced our commercial operations of Granules Pharmaceuticals Inc. (GPI), a US-based subsidiary which is the driving force of our US Generics strategy. Three new products were launched, which included the generic version Methergine in partnership with a wholly owned subsidiary of Hikma Pharmaceuticals PLC, followed by Metformin Extended Release tablets and Methocarbamol under our label. With these developments, we have taken the first steps in establishing our Rx marketing front in the US and I am excited to share the incremental growth potential of future product launches by GPI, as we close FY20, we have reported a Revenue of ₹29,608.33 lakhs and EBITDA with impairment of ₹3,591.84 lakhs after recognising impairment charges.

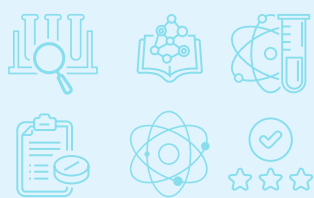
We have built on our strong product development capabilities to create a healthy pipeline for Granules India and Granules Pharmaceuticals Inc. As of 31st March 2020, we have filed 44 ANDAs in the US, out of which 26 are approved. Till the closure of financial year 2020 we had also filed 20 US DMFs, 16 CEPs and 7 EDMFs. We will continue the momentum of filings in the next financial year as well.

R&D

We stand committed to continue to invest in our R&D, and the overall R&D expenditure for the year stood at ₹10,828 lakhs out of which ₹7,890.91 lakhs have been charged to the P&L in the current year. We remain focussed in selecting our product portfolio with its ultimate commercialisation in mind and will revisit the product portfolio to rationalise the same to respond to the ever changing market dynamics specially for US market.

Divestment of JV's

During the year we took some strategic decision to focus on our core capabilities and generate free cash. As per the revised strategy, we decided to exit both our joint ventures. Regarding Granules Omnicem, we felt CRAMS is not our core strength and getting out of this will help us in focusing on our current strategy which had evolved differently from the beginning of the JV. With regards to Granules Biocause, we entered this JV in the year 2007 to ensure a consistent supply of Ibuprofen API. The JV had worked well all these years and in times of shortages, we got benefited by these supplies. However, the ever-increasing environmental compliance standards in China had led to the JV investing heavily in CAPEX in the past and currently as well. We expect the CAPEX to continue in the future too. The current focus on reduced CAPEX and increased free cash flow led us to this decision. We received consideration ₹22,219 lakhs out of which ₹10,985.24 lakhs received



Sustainability and health & safety of our employees will continue to be our prime focus.

Message from Chairman's desk

in May 2020 from Omnicem but was recognised as an event of FY 2020.

Sale of Granules Biocause Pharmaceuticals and Granules OmniChem Private Limited have recorded a profit of ₹2,773.90 lakhs, which is recorded as an exceptional item in the financials. The long-term capital gain tax on the above was ₹2,786.60 lakhs, thereby nullified the total exceptional benefit in the current year. The cash proceeds from OmniChem deal were received during May 2020. This year we took an impairment of ₹2,171.53 lakhs in US Pharma against our investment. We took a conservative approach by writing-off this amount due to the delays in product filings and approvals. We also took a hit of ₹1,127.83 lakhs this year against milestone payments made for certain products, which we licensed from the company. All these have made our Balance Sheet stronger with lower carrying value of intangible assets.

Corporate governance, sustainability and health & safety

Corporate governance, sustainability and health & safety of our employees will continue to be our prime focus. In the present pandemic situation all over the world, your company has committed to spend all that is needed to ensure safety of its employees. Excess bonus has been and will be given to the daily workers to motivate them to follow social distancing norms as prescribed by the government by facilitating them with additional benefits so that lower employee footprint is ensured in our factories. Be rest assured that your company will never put its stakeholders

in any dilemma when it comes to adherence to corporate governance as prescribed and beyond that.

Shareholder Value

Granules India is focussed on building a business for the long-term through the efficient use of capital, strong and profitable revenue growth and focussed risk management. Its impact is evident in solid net worth position at ₹184,372.41 lakhs as on March 31, 2020

The Board had decided to reward the shareholders and approved a buyback of shares of the company at a price of ₹200 per share and had earmarked an amount of ₹25,000 lakhs net of the buyback tax for this purpose.

Closing comments

Going forward, we intend to continue investing in the future growth which will come our way. We believe we are making the right investments to support our anticipated growth trajectory.

Our focus will be on driving revenue growth, improving profitability through better cost discipline, operating efficiency, and continued investments, all of which should enable us to continue building value over the long-term horizon.

We will likely see some impact of COVID-19 on our business. Further, there will be additional cost burdens for safety measures like personal protective equipment and working in multiple shifts to maintain social distancing at our facilities. Our focus will be to optimise these costs through the next year and absorb them. We will

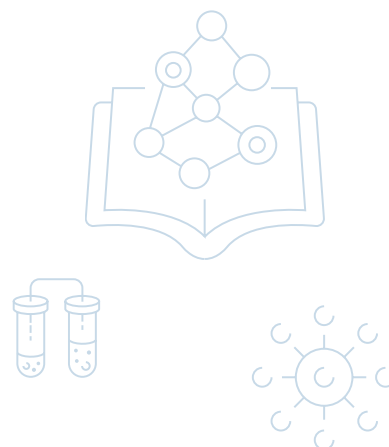
exercise necessary cost levers to control discretionary expenditures, while proactively controlling and reducing overheads.

Having said that, it is noteworthy that our balance sheet position and underlying business fundamentals remains strong through this challenging time and return to normalcy as situation stabilises. Our intention is to strengthen and be ready for the future, all while keeping a close watch on the ongoing developments.

We are committed to building a confident future for all our stakeholders - employees, customers, shareholders, and the communities we serve. This is the essence of being a sustainable company. Our purpose will be to drive our people's motivation to deliver to our customers, which in turn will create value for our shareholders and allow us to continue to invest in our communities.

Sincerely

Krishna Prasad Chigurupati
Chairman & Managing Director



The Year in Review

Financial summary

14%

Increase in Revenues

337* BPS

Increase in EBITDA margins

42%

Increase in PAT

33%

Reduction in Net Debt

19.9%

ROE

20.5%

ROCE

* Including impairment of investments



Strategic summary

₹ **22,219** Lakhs

Received consideration on disinvestment of non-strategic JVs – Granules Biocause and Granules OmniChem

44

ANDAs filed

20

DMFs

₹ **4,000** Lakhs

Invested as part of maintenance CAPEX toward enhancing capacities at Gagillapur

3

EU Dossiers

5

New products launched in the US

13

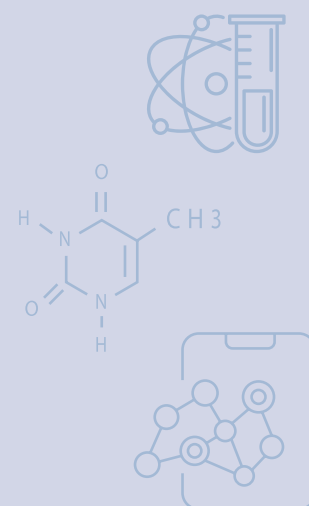
Approvals received

16

CEPs

Completed

USFDA Audit for Gagillapur facilities in Hyderabad



Profile of Board of Directors and Management Team

● Board of Directors ● Management Team



Mr. Krishna Prasad Chigurupati
Chairman and Managing Director

Mr. Krishna Prasad Chigurupati is the Promoter of Granules and has more than three decades of experience in the pharmaceutical industry. In 1984, he set up a paracetamol manufacturing facility, which has become one of the world's reputed manufacturers of paracetamol

in the regulated markets. Mr. Prasad pioneered and popularised the concept of Pharmaceutical Formulations Intermediates (PFIs) as a cost-efficient product for global formulations manufacturers.



Mr. Arun Rao Akinepally
Independent Director

Mr. Akinepally Arun Rao did his B.Tech in Chemical Engineering from the University of Madras and M.S from the Illinois Institute of Technology, Chicago, USA. He is the Executive Director of Akin Laboratories Pvt. Ltd., a formulation manufacturing Company. Mr. Arun Rao is also on the Boards of ESPI Industries and Chemicals Pvt. Ltd,

a leading manufacturer of antacids in India and Sanzyme Pvt Ltd a globally known manufacturer of Probiotics. Mr. Arun Rao was an office bearer of the Indian Pharmaceutical Association both at the Central and State level. He is also a member of Executive Committee of the Organization of Pharmaceutical Manufacturers, Hyderabad.



Mr. Harsha Chigurupati
Executive Director

Mr. Harsha Chigurupati holds a Bachelor's degree of science in business administration from Boston University, USA. He has over 14 years of entrepreneurial experience in marketing, product development, customer relationship management etc. He also has in-depth knowledge and experience in various fields of research and development, clinical trials, regulatory and legal framework navigation, patents and peer review journal publications etc.

Mr. Chigurupati has been with Granules since 2005 in various capacities. He was instrumental in commercializing the Company's Finished Dosage Division and transitioning the Company's customer base towards brand owners. As an Executive Director, he is responsible for the standalone operations and P&L of the Company. He holds patents in over 55 countries and has been published in a variety of esteemed peer reviewed journals. He is the creator of a new category of better for you alcoholic beverages referred to as "Functional Spirits".



Mrs. Uma Devi Chigurupati

Executive Director

Mrs. Uma Devi Chigurupati has rich experience of more than three decades in various fields. Mrs. Uma with Mr. Krishna Prasad Chigurupati had co-founded Triton Laboratories Private Limited in the year 1984, which was later amalgamated with Granules India Limited. Presently, she is spear heading CSR activities and HR initiatives. In addition, Mrs.

Chigurupati is the Director of KRSMA Estates Private Limited, one of India's premier boutique wineries. Under her tenure, she has established a vineyard in Karnataka and has been overseeing the ongoing operations at the site. Mrs. Chigurupati has a post-graduate degree in Botany (soil microbiology) from Nagarjuna University.



Mr. K. B. Sankar Rao

Non-Executive,
Non-Independent Director

Mr. K. B. Sankar Rao is a post graduate from Andhra University and has rich experience of more than three decades in various domains. Mr. K. B. Sankar Rao was associated with various reputed organizations like Warner Hindustan, Cipla Limited and Dr. Reddy's Laboratories Limited. He has varied experience in the

fields of technical operations, quality, supply chain, development & launch of APIs and finished dosages for global markets and business strategy. Mr. K.B. Sankar Rao is also Managing Director of Raje Retail Pvt Ltd, a pharmacy retail chain under the brand name- "My Health Pharmacy" in Hyderabad.



Mr. Arun Sawhney

Independent Director

Mr. Arun Sawhney holds Bachelor Degree in commerce from the University of Mumbai and Post Graduate Diploma in Management from IMI. Mr. Sawhney has almost four decades of experience in diverse industries including Software, Rubber, Chemicals, Generic & OTC Pharmaceuticals, where he established new norms of business as well as repeatedly challenged the status quo. In the last position as CEO and Managing Director of Ranbaxy Laboratories Limited, Mr. Sawhney successfully led one of the largest mergers in Indian Corporate history. In the past he was also associated with Max-Gb Limited and Dr. Reddy's

Laboratories Ltd in various capacities. Mr. Sawhney was also a founder member of Indian Pharmaceutical Export Promotion Council (Pharmexcil) and was Chairman of Pharmaceutical Committee of the Confederation of Indian Industries (CII) during the period 2012-2014. Besides being a Board Member of Granules India Limited, Mr. Sawhney is currently engaged with leading companies in India and Europe in advisory capacity. He is a practicing Executive Coach engaged with executives at CXO levels in India as well as Europe. Mr. Sawhney is also a visiting faculty at IIM-Lucknow for subjects of Leadership & Organisation Behaviour.

Profile of Board of Directors and Management Team

● Board of Directors ● Management Team



Mr. Robert George Cunard

Independent Director

Mr. Robert George Cunard holds Bachelor Degree in Arts from the University of Pittsburgh in Business Economics. Mr. Cunard brings more than 25 years of experience in US pharmaceuticals from the perspectives of wholesaler, retailer, and manufacturer. Mr. Cunard is currently an Operating Partner, with

HealthEdge Investment Partners, a US healthcare focused private equity fund. Prior to HealthEdge, Mr. Cunard was CEO of Aurobindo Pharma USA, Inc., the subsidiary of Aurobindo Pharma Limited. In the past, Mr. Cunard also held important positions in Mylan Laboratories and Teva Pharmaceuticals.



Ms. Jyothi Prasad

Independent Director

Ms. Jyothi Prasad is an independent consultant in the area of financial advisory services including Mergers & Acquisitions and fund raising. She holds a Bachelor of Laws degree from the University of Mumbai (Gopaldas Advani College), Post Graduate Diploma in Management from Indian Institute of Management (IIM), Ahmedabad and a Master of Commerce degree from the University of Madras. She was a Chevening Gurukul Scholar at the London School of Economics in 2000. She has more than 30 years of wide-ranging investment banking experience, having worked on diverse assignments both in senior management positions of leading investment banks in India and as an independent consultant since 2008 to the present. She was also associated as an independent consultant with a boutique

infrastructure investment advisory firm Iridis Advisory Services for assisting them on certain of their advisory mandates. She is at present, associated as a Senior Advisor with Sparrow Advisory, a boutique provider of PE and M&A advice and is involved in their assignments from time to time. Her primary experience is in the areas of fund raising such as IPOs and Rights Issues, private equity, M&A and advisory transactions for both Indian corporates and foreign corporates. The organizations she has worked for prior to becoming an independent consultant include SBI Capital Markets, Peregrine Capital, NM Rothschild (India) and American Orient Capital Markets in various capacities relating to investment banking/corporate finance. She serves as an Independent Director on the Board of a few companies.



Ms. Priyanka Chigurupati

Executive Director
Granules Pharmaceuticals, Inc.

Ms. Priyanka Chigurupati is the Executive Director of Granules Pharmaceuticals, Inc. and responsible for the US Generics business and Investor Relations. Ms. Chigurupati has a Bachelor of Science degree in Business Management from

Case Western Reserve University. Within Granules, she has had a variety of roles across several divisions in the US and in India within R&D, Commercial Operations and Investor Relations.



Mr. GSR Prasad
Chief Operating Officer

Mr. GSR Prasad has more than 30 years of rich experience in Pharmaceutical Operations including Manufacturing, Quality, Technical / Validation Services, Supply Chain Management, Greenfield and Brownfield Projects. He has joined us as Sr. Vice President - Projects & Operations in 2017 before taking over as COO in 2019.

During his operational roles he has established manufacturing facilities with focus on process automation, operational excellence, built in quality, productivity

and safety. He has successfully led many regulatory audits such as USFDA, TGA, EU, Health Canada etc.

Mr. GSR Prasad has earlier worked with reputed Pharmaceutical organizations across the globe such as Astra Zeneca, Themis, Sangfroid, Granules India, Pharmeng (Novartis), Biovail Corporation (now Valeant), and Novast Laboratories in India, Canada, USA and China. He has done his Masters in Pharmaceutical Sciences.



Mr. Atul Dhavle
Chief Human Resources Officer and
Head of Operational Excellence.

Mr. Atul Dhavle brings more than 25 years of versatile experience in Human Resources and Operational Excellence while working in companies like Dr.Reddy's, Welspun, DuPont and Mahindra. He possess a combination of sound business acumen alongwith contemporary people processes knowhow. He handled various strategic assignments in the area of

Talent Management, Organisation Design & Change Management, Lean Transformation, Theory of Constraints, Technical Academy and Wholesome Employee Engagement (SMT way) while working in Manufacturing, Product Development, Sales & Marketing and Corporate Centre. Atul is a Production Engineer from Nagpur University and holds PGCBM from XLRI.



Mr. Sandip Neogi
Chief Financial Officer

Mr. Sandip Neogi is a Chartered Accountant and Cost Accountant. He comes with a rich experience of over 28 years in Strategic Financial Planning and Analysis, Business valuations, Risk Management, SEC Expertise, Mergers and Acquisitions, Treasury, USGAAP,

IFRS, Indian GAAP and Internal controls. He had earlier worked with reputed organizations such as Nissan Automobiles, Hospira Healthcare, Dr Reddy's, CA-TCG Software, Tata Korf and Price Waterhouse Coopers.

Management Discussion and Analysis

Company Overview

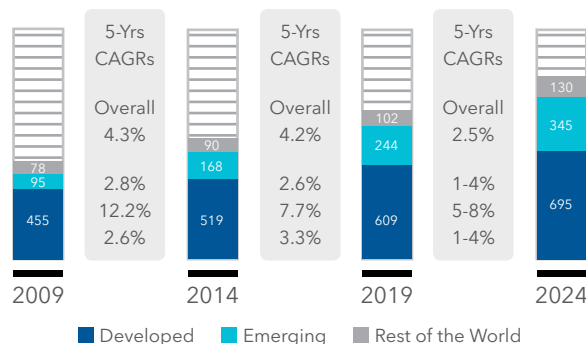
Granules India Limited is a large-scale vertically integrated Company founded in 1991 manufacturing Active Pharmaceutical Ingredient (API), Pharmaceutical Formulation Intermediate (PFI) and Finished Dosage (FD). The Company over the years has created a strong presence in 'the first line of defence' products such as Paracetamol, Ibuprofen, Metformin, Methocarbamol, and Guaifenesin.

With a vision "to be the global leader in pharmaceutical manufacturing by process innovation and unparalleled efficiencies," the Company has worldwide services to over 250 customers across 60+ countries. With exports comprising over 81% of total revenue, Granules today is a preferred partner for some of the world's leading pharma branded and generics companies. It has one of the largest PFI and single site FD facilities in the world. It is also home to one of the World's largest Paracetamol API facilities.

Global Pharma Industry

Global healthcare spending is expected to grow at 5% annually between 2019 and 2023. This acceleration is likely to be driven by a variety of factors such as expanding healthcare coverage in emerging markets, growing needs of current pandemic situation, new treatment methods, ageing, population and increasing labor wages. Global spending on medicines stood at about US\$1.0 trillion in 2019, which is likely to grow at 3-6% to about US\$1.1 trillion by 2024. The key drivers of growth will continue to be the United States and Emerging markets with 4-7% and 5-8% compound annual growth, respectively. In the United States, overall spending growth is driven by a range of factors including new product uptake and brand pricing, while it is offset by patent expiries and generics. In Europe, cost-containment measures and less growth from new products contribute to slower growth of 1-4%, compared to the 4.7% compound annual growth seen over the past five years. Pharmaceutical spending in China is expected to reach \$140-170 billion by 2023, but its growth is likely to slow to 3-6%. The Global Pharmaceutical Sector in a span of few years, become one of the largest sectors; both in terms of revenue and employment. The industry has shown an uptick in growth, given the increasing consumer healthcare spending, significant change in the disease patterns in the last few decades and larger focus from different private and public entities to address healthcare needs.

Global medicine spending is projected to increase at 2-5% annually and exceed \$1.1 trillion in 2024



Regulated markets

The US market accounts for 37-39% of Indian formulation exports. More than 50% of India's incremental exports over the past five fiscals was to the US. Over fiscals 2013-16, exports growth was at a strong ~18% CAGR, driven by patent expiry of blockbuster drugs over 2012-14. However, growth fell to ~2% CAGR over fiscals 2016-19 on account of pricing pressures experienced during fiscals 2017 and 2018. Fiscal 2019 has been a year of recovery with abating pricing pressures and players moving away from conventional generics to limited competition molecules. Exports growth remained at double digits in fiscal 2020 as well on back of new launches, especially limited competition, and complex drugs. CRISIL expect formulation exports to the country to increase at ~12-13% CAGR over the next five years as pricing pressure normalizes and manufacturers look at niche molecules, specialty drugs, complex generics, and biosimilars.

Export momentum to European markets to continue

During the past five years, pharma exports to European markets clocked a slower 6-7% CAGR owing to stricter pricing regulations and adverse currency movements. Even the United Kingdom (UK) and Germany, which traditionally had less stringent pricing mechanisms, introduced regulations to control the government's healthcare expenditure.

However, we estimate pharma exports grew ~11% in fiscal 2020. Sharp currency depreciation has also aided the exports. CRISIL expect healthy growth in formulation exports to Europe over the next five years on rising generic penetration in the UK, France, and Germany, among others. Easing of pricing pressure would also aid growth in these markets. High incidence of chronic diseases, an ageing population, and adoption of specialty medicines are set to drive growth in the European markets.

Generic players increasing focus on semi-regulated markets

India's pharma exports to semi-regulated markets are expected to post 5-6% CAGR over the next five years to touch ~\$9 billion in fiscal 2025, as players eye growth opportunities in newer markets with low generic penetration. The semi-regulated markets are characterized by lower penetration of healthcare facilities, low per capita consumption of medicines, high population growth rates, a wide base of patients with acute and chronic diseases, and low penetration of generics. Many markets also exhibit disease profiles like those in India. In terms of medicine consumption, these markets are mainly driven by low-cost generics.

Region-wise, Africa and Asia (accounting for 83% of the semi-regulated markets) will remain key markets. The African market is expected to continue to be dominated by Indian companies as they have already established a large footprint in drug therapies such as anti-viral and anti-malarial.

The demand for the treatment of chronic diseases will boost generics off-take due to limited budgets and high out-of-pocket expenditure involved in branded generic products

in the semi-regulated markets. The Covid-19 pandemic has resulted in poor economic health of these nations, which may result in lower off-take in tender business.

Industry Challenges and Regulatory boost

The recent supply disruption in the wake of the coronavirus pandemic has resulted in the government taking proactive steps to boost domestic manufacturing and bring down the costs. A regulatory boost, along with strong process chemistry skills, will continue to help the Indian bulk drugs industry garner a big share of the global bulk drug exports pie.

Recent Disruption due to COVID-19

Pharmaceutical industry being part of the essential commodities was given special permission by Indian government to operate with minimal manpower and maintaining social distancing. After the initial interruption, in supply-chain and imposition of export restriction on certain select products. Government has supported the industry to run their productions with complete cautious approach about the health and safety of their employees. However, the detailed impact of this global pandemic has affected the Indian Pharma industries in many areas which are listed below:

Supply Chain

- Lower sea/cargo capacity is likely to impact sales in semi-regulated markets
- Also, cost of exports have gone up now
- The transportation of ancillary supplies like packaging materials, bottle caps have also been affected

Approval

- Delayed foreign inspections by USFDA will lead to a delay in pre-approval inspections and clearances of major plants under OAI/warning letters of Indian players
- This would, in turn, lead to a delay in approvals of key products for Indian players
- On the other hand, fewer approvals would also mean less competition in existing products

Slower traction for key products

- An extended lockdown in US means fall in MR visits to doctors, which would result in slower take-up of new products
- Also, the lockdown would likely result in slower adoption of biosimilars as doctors may not switch the innovator drug during lockdown period

Earnings

- Slower exports would bring down revenue growth for most players for fiscal 2021
- Weakness in Emerging market currencies such as Brazilian real and Russian ruble, will impact earning for players
- Rupee depreciation, however, should provide some support

Promotion of Bulk Drug Parks

- Decision is to develop 3 mega Bulk Drug parks in India in partnership with States.
- Government of India will give Grants-in-Aid to States with a maximum limit of Rs. 1000 Crore per Bulk Drug Park.
- Parks will have common facilities such as solvent recovery plant, distillation plant, power & steam units, common effluent treatment plant etc.
- A sum of Rs. 3,000 crore has been approved for this scheme for next 5 years.

Production Linked Incentive Scheme

- Financial incentive will be given to eligible manufacturers of identified 53 critical bulk drugs on their incremental sales over the base year (2019-20) for a period of 6 years.
- Out of 53 identified bulk drugs, 26 are fermentation based bulk drugs and 27 are chemical synthesis based bulk drugs.
- Rate of incentive will be 20 % (of incremental sales value) for fermentation based bulk drugs and 10% for chemical synthesis based bulk drugs.
- A sum of Rs. 6,940 crore has been approved for next 8 years.

The Union Cabinet, on March 21, 2020, approved schemes for the development of the Indian bulk drug sector. The State Implementing Agencies (SIA) will work on developing bulk drug parks and the target is to set up 3 mega Bulk Drug Parks. The Production Linked Incentive Scheme will be implemented through a Project Management Agency (PMA) to be nominated by the Department of Pharmaceuticals. The Scheme will be applicable only for manufacturing of 53 identified critical bulk drugs (KSMs/Drug Intermediates and APIs).

One of the major factors for China's dominance in bulk drugs is the regulatory support it gets from its government, with common facilities across plants and various subsidies being provided, which helps them bring down the cost considerably. With the newly announced schemes, the Indian government is also looking at creating common infrastructure facilities and reduce dependence on some critical drugs

India Pharmaceutical Industry

The Indian pharmaceutical industry has achieved tremendous growth over the past few decades and has been instrumental in supplying generic drugs to the global market. India fulfils 20 per cent of global demand for generic medicines in terms of volume and supplies over 60 per cent of the global demand for various vaccines and Antiretroviral (ARV) drugs. The pharmaceutical industry is indeed a sector of pride for India today. The backbone of Indian pharmaceutical industry is the bulk drugs industry, and, in the past, a well-developed bulk drugs manufacturing sector ensured that India remained self-dependent for its intermediates and

active pharmaceutical ingredients (APIs). India's bulk drug sector continuously innovated to supply high-quality, cost-competitive intermediates and APIs to both the domestic and international markets.

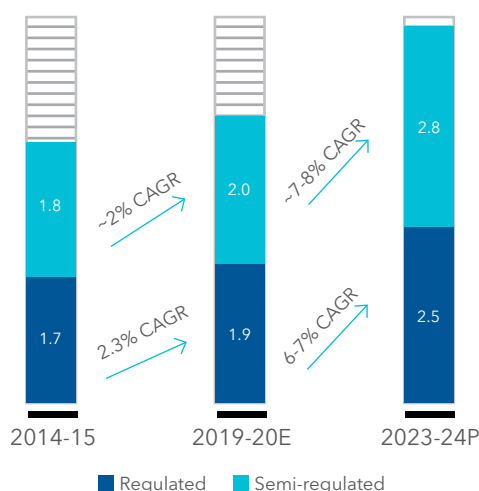
Globally, India is one of the top suppliers of bulk drugs and formulations. Its pharmaceutical exports are expected to reach USD19 billion - USD21 billion in 2019-20. The country also has the highest number of US FDA approved plants (665) 2nd outside of the US as well as 44% of global abbreviated new drug applications (ANDA). The Indian generics industry can benefit substantially from the patent cliff as patents for branded molecules with cumulative global sales of over USD 251 billion are expected to expire between 2018 and 2024, opening new opportunities for the industry.

Bulk Drugs: -

Bulk drug exports, which rose ~7% CAGR during fiscals 2008 to 2013, decelerated sharply to 1.4% CAGR from fiscals 2014 to 2018 because of competition from China and other Asian countries. Traditionally the Indian pharmaceuticals market has been a major export hub for bulk drugs owing to low manufacturing cost. However, with enhancing capability of Chinese players, especially in the intermediates space, along with significantly lower production cost, Indian bulk drug manufacturers have lost market share in recent years. Further, because of the patent cliff (when many patents expired on innovator drugs) during 2012 to 2014 many Indian players who manufactured key patent molecules recorded a substantial decline in revenue.

But in fiscal 2019, bulk drug exports increased ~10% on-year on the back of a short-term opportunity in the export market because of supply disruption from China. Chinese players have been forced to shift their manufacturing facilities inland and outside the cities as the government continues to crack down on polluting industries. With this, overall supply of bulk drugs from China was impacted. However, though Chinese capacities are slowly coming back online, the cost competitiveness of Chinese players would reduce to a certain extent going forward as their cost of production increases. This would continue to provide some short-term opportunity for Indian players in the near term.

Bulk Drug exports outlook



Despite the pick-up in bulk drug exports, the share of bulk drugs in the export basket will continue to shrink over the next five years as formulation exports are expected to grow at a faster pace of 7-8% CAGR during fiscals 2019 to 2024. The reason for the faster growth in formulation exports is because of players climbing up the value chain.

India needs to proactively boost the manufacturing of APIs, intermediates and KSMs in the country and reduce dependence on imports. This move becomes crucial in the context of the recent coronavirus pandemic. The Indian API industry needs a clear road map with defined action points, priorities, and milestones, along with a favourable environment to grow, sustain and reach the desired goal.

Indian Formulation Export

India's formulation exports to increase at 10-11% compound annual growth rate (CAGR) from fiscals 2020-25, compared with ~6-7% CAGR over the previous five years. Manufacturers launching complex and specialty drugs and those receiving

limited competition drug approvals would enjoy higher growth. Incremental revenue for formulation exporters would be supported by new launches in the conventional generics segment. Given this significant role played by Indian players in the US pharmaceutical market, Indian manufacturers have been under US FDA scrutiny to ensure that cGMP practices are followed across all plants manufacturing drugs for the US market. To increase competition in the market, US FDA has significantly ramped up the pace of product approvals under the Generic Drug User Fee Act (GDUFA). The increased competition has led to significant price erosion impacting per product economics in the market. On the other hand, this will also help companies like us in getting faster approvals and expand our portfolio offering.

Overview About Company

Granules India Limited continuous to be focussing on manufacturing excellence and process innovation to increase the volume of its core molecules in India to get the optimum leverage of the economies of scale and carefully choosing high value and high growth products as its launch strategy in US.

Its persistent focus on process innovation has rightly made it as one of the leading manufacturers of high-volume pharmaceutical products in the world

Following are the key unique value propositions that has made Granules India an unique entity:

- Sustainable base of First line of defence products; limited competition with respect to integration; presence across Rx and OTC.
- Presence across the Value chain APIs, PFI's and FD's which builds in efficiencies at multiple levels and ensure securities of supply
- Strong regulatory history: Quality and regulatory compliance built into Granules DNA
- Focus R&D for Sustainable Portfolio with combination of high-volume molecules and complex products

Historically, Granules was present in a business which was driven by volume-based products till there was a shift in the Company's vision for the future and it was decided to enhance the product offerings with differentiated product portfolio. Towards this strategy, it set up a Research and Development centre in Hyderabad. To complement the strategy, it acquired a USFDA approved facility, thereby widening its API portfolio

and gaining access to a multi-product API manufacturing facility in Vizag. As a part of Emerging business division, Granules India invested INR 285 crores to auxiliary growth engine towards Multi API and Oncology in Vizag Unit V which is fully integrated facility to offer API (onco and Non onco) and Finished Dosage in Onco therapeutics, a top growth segment, is operational and received European approval. In a forward integration step towards formulations, the Company acquired a formulation R&D and manufacturing facility in Virginia, US to develop products with varied complexities and file its own ANDAs in the US market.

During the year Granules India in order to strengthen our current strategy and focus on our core capabilities and generate free cash, decided to divest both joint ventures. CRAMS is not our core strength and getting out of this will help us in focusing on our current strategy which had evolved differently from the time of the beginning of Granules Omnicem. The company has received a consideration of INR109.85 crores from sale of this JV. Granules India entered the JV agreement with Bio-cause in the year 2007 to ensure a consistent supply of Ibuprofen API. The JV had worked well all

these years and in times of shortages, Granules India benefited by these supplies. However, the ever-increasing environmental compliance standards in China had led to the JV investing heavily in CAPEX and this continue in future too. Granules India has de-risked its Ibuprofen API supply by developing alternative vendor and also signed long term supply contract with the existing company and decided to divest its stake in Granules bio-cause and received a purchase consideration of INR 112.34 crores

We have six manufacturing facilities; five plants are located in India and one in the US. Our API facilities are located at Bonthapally, Jeedimetla and Vizag. The Bonthapally unit manufactures Paracetamol API, also commonly known as Acetaminophen. The Jeedimetla unit manufactures Metformin, Guaifenesin, and Methocarbamol APIs. The Jeedimetla plant also has a PFI manufacturing facility. Through acquisition of Auctus Pharmaceuticals, we have taken over a multi-product API manufacturing facility at Vizag and an intermediary manufacturing facility at Bonthapally. The Gagillapur unit manufactures PFIs and Finished Dosages.

Value chain	Facility location	Installed capacity	Inspection date
API	Bonthapally	34,560 TPA	Jul-19
	Jeedimetla	4800 TPA	Mar-18
	Vizag	290 KL	Dec-15
PFI	Gagillapur	23,200 TPA	Feb-20
	Jeedimetla	1,440 TPA	Mar-18
Finish Dosage	Gagillapur	19.8 Bn	Feb-20
	Virginia, USA	1.5 Bn	Aug-19
API Intermediates	Bonthapally	61.5 KL	

Our core strengths

Integrated business model: Over the years Granules has evolved itself from just an API manufacturer to a company that has a strong presence across the value chain in the pharmaceutical industry, thus establishing itself as a complete global pharmaceutical player with presence in APIs, PFIs and FD. Now we have forward integrated Granules consumer health and Granules Pharmaceuticals Inc as front end sales and marketing division in US for OTC and Rx products.

Experienced Management Team: The company has worked towards strengthen the Board with members with significant experience and who have helped in the growth of different global pharmaceutical companies as well has enriching the Management team with key executives with deep industry experience. This will further strengthen the Company's foundations as it launches into the next phase of growth.

Global Presence: Granules' has a presence in more than 60 countries; the Company caters to more than 250 clients across the globe. Its strong manufacturing capabilities coupled with customer centricity have helped achieved this spread.

Economies of Scale: It possesses industry leading batch size for manufacturing PFIs and among the largest in APIs in its core business product portfolio. This large-scale production helps it to reduce production costs and manufacture efficiently.

Customer Relationships: The company has been able to create and sustain strong relationship with globally major pharmaceutical players. This has helped it strengthen its revenue model. It has its own ANDAs and dossiers, which makes it possible for customers to enter markets with high-quality and cost-effective products.

State-of-the-art manufacturing: With a constant focus on getting the best technologically advanced operational facilities, the company has time and again revamped its operating facilities. Thus, today the Company possesses state-of-the-art manufacturing facilities which have helped the company gain its customer confidence over a period of time.

Business Review

Building own expertise is primary objective of Granules India in delivering solutions to its esteemed global customers. The Company's offerings can be broadly classified into three categories cutting across API, PFI's and Formulation businesses

Deriving our significant value from our core strength of vertically backward integrated, strong R&D and state of the art manufacturing facilities enable Granules India to evolve its business and set its next leap of growth

High Volume and Low Value products	Core Business (GIL)	Paracetamol, Ibuprofen, Metformin, Methocarbamol, and Guaifenesin
Medium Volume and Medium Value Products	New Products filing through GIL (Emerging Business)	Losartan, Cetirizine and Fexofenadine
Low Volume and High Value Products	New Products filing in GPI	Controlled Substances and Niche/Differentiated modified and Extended release

Key Business Verticals

Granules India Limited

Originated in 1984 and incorporated in 1991, this is the only listed entity in the group, with 3 plants located in Hyderabad (Jeedimetla, Bonthapally and Gagillapur) and 2 units in Vizag Pharma City

API

Granules is one of the most cost-effective and efficient manufacturers of APIs. It is also one of the global leaders in the manufacturing of Paracetamol, Metformin, Guaifenesin, and Methocarbamol.

Over the years the Company adopted several measures, like setting up of a new in-house R&D centre at Hyderabad and the acquisition of Auctus Pharma, to extend its product offerings in the API space.

Use of advanced technology, a dedicated team, and a critical backward integration process, have cumulatively enabled Granules to consistently meet the customer demands with quality.

To further consolidate its position for its core products, Granules has completed the expansion of its API manufacturing capacities for Paracetamol, Metformin and Guaifenesin. Presently, the API business accounts for 31% of the Company's revenue. We added three more molecules to our core portfolio in FY20

API's	FY20	FY19	FY18
Revenue (Rs. In lakhs)	81,706.65	81,967.02	59,827.33
Production (In MT)	25,077	23,859	22,420

Pharmaceutical Formulation Intermediates (PFI)

Granules India Limited was a pioneer in breaking the early 1990s' trend of inefficient PFI production which caused high operational costs to the clients. The Company today is one of the largest PFI producers of India and over time has been successful in building a batch processing capability of 6 tons. This has given the company a sustainable competitive edge in terms of economies of scale and cost advantages. Presently, the PFI business accounts for 16% of the Company's revenue.

One unique feature of the PFIs produced by Granules is that it can be directly taken to the hoppers from the drums. The Company through its PFI facilities at Jeedimetla and Gagillapur processes these intermediates to be compressed into Finished Dosages.

Advantages of Granules PFIs

Reduced development costs for vendors: Single vendor architecture for different processes and materials, used for manufacturing PFIs has resulted in substantial savings for Granules' customers. It also helped us by simplifying the supply chain management process.

Lower testing costs: In order to minimize the testing costs of the customers, the Company has taken the onus upon itself to deliver products of superior quality. Thus, allowing the customers to conduct lesser tests, this in turn saved substantial amount of testing costs for them.

Strong technical knowledge: Leveraging more than three decades of its industry experience, Granules over the years have built up strong technical expertise and knowledge. This

has not only helped the Company stay ahead of the curve but also help gains its customer trust along with enabling its customers to save in terms of expenditure on pre-formulation studies and development processes.

Reduction of capital expenditure: Since setting up a PFI manufacturing facility requires incurring capital expenditure, by procuring the PFIs from Granules India, the customers can reduce their expenditure by a great extent.

Provide desired release properties: Customers get access to PFIs, which can be developed to provide release properties, similar to brand leaders. This makes it possible for Finished Dosage manufacturers to get favourable outcomes from their bioequivalence studies.

PFIs	FY20	FY19	FY18
Sales (Rs. In lakhs)	42,139.97	38,690.47	41,835.43
Production (In MT)	15,242	13,472	13,951

Finished Dosages (FD)

The formulations business contributes 52% to the Company's revenues. The Company manufactures caplets, tablets as well as press-fits capsules in bulk, blister packs and bottles. These products are manufactured in Gagillapur, which possesses automated process, robust infrastructure, and markets them in over 60+ countries including developed markets such as the US and Europe. The Company further strengthen its competitive advantage by providing Bi-layered tablets, Rapid release tablets and Extended Release (ER) tablets. During the year, the Company filed 12 ANDAs in FY20 and launched 5 products.

FDs	FY20	FY19	FY18
Sales (Rs. in lakhs)	136,018.03	107,262.28	67,522.07
Production (In Mn)	11,905	9,953	8,920

Granules India Limited received US FDA approval in FY20

- Acetaminophen 650 mg, Extended Release Tablets.
- Fexofenadine Hydrochloride Tablets
- Guaifenesin ER Tablets, 600 mg, and 1200 mg (OTC)
- Loratadine Tablets USP, 10 mg (OTC).

Granules Pharmaceuticals Inc:

- Fully integrated infrastructure from R&D, manufacturing to sales and marketing enabling "Make in America" (TAA compliance for Govt.business).

- US FDA approved facility in Virginia with a team strength of 90+. 100,000 sq ft facility with established R&D and Manufacturing capabilities with all necessary approvals for development and manufacturing of controlled substances.
- Balanced product portfolio, combination of internal capabilities and market dynamics.
- Strategic portfolio selection focusing on limited competition products across oral solids; tablets, capsules, oral solids, and powder for oral solutions Business to Consumer front end sales and marketing for Rx & OTC product. Expects 8-9 launches in FY21 with an addressable market size of about 2.5bn USD based on IQVIA*

Granules Pharmaceuticals, Inc. received US FDA approval in FY20 for the following products

- Methylphenidate Hydrochloride Extended-Release capsules.
- Amphetamine Sulphate Tablets
- Valganciclovir Hydrochloride for Oral Solution
- Colchicine Tablets used for the treatment of Familial Mediterranean Fever (FMF) and Colchicine Capsules, 0.6 mg
- Potassium Chloride Extended-Release Tablets USP

Research and Development

From being known as a leading supplier of APIs and PFI's in bulk, we moved on to become a leading manufacturer of finished dosage forms. Over the years, we have been constantly investing in Research and Development, where our team has been able to passionately translate science and technology into pharmaceutical products and manufacturing processes, meeting global regulatory standards. With experienced, and qualified human resources our R&D capabilities are the driving forces of our current momentum and future growth of the organisation. With innovation instilled into culture of the company at various levels, R&D is a crucial attribute in fostering our vision to become a global leader in the pharmaceutical manufacturing process.

We are augmenting our research capabilities and expanding our product portfolio to address the prospective demand across global markets. From a commercial perspective, our strategic product, process, and market approaches give us a competitive advantage which will enable us to be an integrated player offering both drug substance and the drug product.

2019-20 - Highlights

Core Business: The core business has always remained our focal point, while we are constantly expanding our product portfolio and global presence with focus on high volume products built on maximizing process efficiencies and vertical integration. Our core products, Paracetamol, Metformin HCl, Ibuprofen, Guaifenesin and Methocarbamol have remained a priority.

Emerging Business: Product selection process for our “Emerging business,” focuses on identifying and developing high entry barrier products, with varied complexities at API and/ or formulation stage. We have developed APIs that cover a broad spectrum of therapeutic categories and expanded capabilities into the segment of oncology with our state-of-the-art facility at Vishakhapatnam.

As on 31 Mar 2020, we filed Total 20 (3 in FY 19-20) U.S. Drug Master Files (“USDMFs”) across several therapeutic categories with the United States Food and Drug Administration (“U.S. FDA”) in the United States, 16 (3 in FY 19-20) Certificates of Suitability (“CEPs”) with the European Directorate for the Quality of Medicines (“EDQM”) and 7 European Drug Master Files (“EDMFs”) (1 in FY 19-20) in Europe, along with other regulatory filings in key regulated markets to support potential customers for ANDA and dossier filings. As part of our portfolio strategy of vertical integration, we intend to file ANDAs for several of these APIs to forward integrate into FDFs.

In finished dosage form, we filed 44 (12 in FY 19-20) ANDAs with the U.S. FDA of which 26 ANDAs have been approved and 18 are under review. We aim to continue this momentum by continue to identify, execute development, and file complex products within the oral immediate release, extended release, delayed release, MUPS, powders and suspensions dosages.

Over the last financial year (2019-20) we were able to file our first Oncology Molecule (USDMF), from our Oncology site (Unit V, Vishakhapatnam) along with 7 other DMF’s (3 US DMFs, 3 CEPs and 1 EU DMF) for API’s. Our formulation filings included 12 ANDAs (US Market) and 3 MA Applications (Europe) submitted to respective regulatory authorities (FDA, EDQM and EMA). 18 ANDA applications are under review.

Granules received 13 ANDA approvals (11 Final Approvals + 2 Tentative Approvals) in the financial year (2019-2020). This on time approvals exemplify quality of our ANDA filings. With further commitment and focus on R&D, we hope to increase the number of filings (API & Formulations) and approvals across the globe for the coming financial year as well.

We aim to continue this momentum by executing development of products from our pipeline of complex technology products within the immediate release, extended release, delayed release, MUPS (Multiple-Unit Pellet System), powders and suspensions dosages.

We have also embarked upon our journey to build Granules’ intellectual property assets. Granules currently holds 66 patent filings globally, in which 6 granted, 1 pending to grant and 56 patent applications are at various stages of prosecution in various countries. In FY 2019-20, we filed 3 patent applications in India. These inventions were primarily directed towards new process for manufacturing intermediates and /or APIs, pharmaceutical composition thereof.

Way Forward

We will continue to leverage our knowledge and experience in our core products to expand them into new markets and dosage forms. This would not only help us to bring economies of scale, but also, mitigate market concentration risk. Taking steps in this direction during the financial year, we filed three dossiers in European market and working to file in additional markets in coming year.

We will continue to identify and develop complex products with limited competition, and continuously bring process efficiencies for our existing products to have competitive advantage in the market.

We look forward to making considerable progress in building our technical capabilities within the Oncology space and ensure process development, validations, and furthermore regulatory filings.

Operational Excellence

Granules India has designed a very successful Operational Excellence (OE) program, which continues to deliver sustainable results for maximizing the growth of the Company. It has taken a multi-year, multi-project OE initiative. A 4-tier approach is being implemented to build OE capability in our manufacturing units through White Belt, Yellow Belt, Green belt, and Black Training based on the roles. We adopted application-oriented approach wherein every certification included training participation, written test for Body of Knowledge and an improvement project. Employees took simple kaizen improvement to complex problem-solving using OE tools. Our leadership team also visited companies with matured OE program to learn concepts and understand culture. The benefits from such project were

in the area of Capacity enhancement, Cost reduction and Yield improvement resulting in annualised financial benefits of approximately INR 10.0 Crores. One such improvement project was presented in a CII Kaizen Competition and won the second prize. Our OE program is designed in line with company's mission of "Efficient Manufacturing".

Enterprise Risk Management (ERM)

The company has adopted Enterprise wide Risk Management (ERM) framework to identify, prioritise and monitor top rated business risks.

Based on interviews with the key business stake holders, leveraging internal knowledge repository and using industry benchmark data related to the similar risks, top 10 risks of the company has been highlighted. The Board has created a Risk committee to evaluate, manage and monitor major risk of the company on an ongoing basis. The risk committee also evaluates the residual risk and the strategic risk that the company has to live with as its risk appetite. The company has defined a process through which it monitors its present risk profile and risk appetite to re-prioritise some of the risks as part of long-term risk mitigation plan.

The below table summarises the top 10 risks identified by the company.

1. Operational/ Reputational- Risk of business and reputational loss, regulatory action due to Cyber Security breach.
2. Operational - Risk in absence of Business continuity, IT infrastructure and data privacy framework
3. Operational/ Reputational - Risks of non-conformity of quality parameters for raw materials and final products
4. Strategic - Risk of plant dependency, product, and customer concentration risk
5. Operational - Risk of dependency on single source vendor for key raw materials
6. Strategic - Risk of pledging of shares as collateral against the loans
7. Strategic - Risk in absence of strategy for Developing and marketing new products

8. Operational - Risk in absence of succession planning, High attrition, and Talent availability
9. Strategic - Risk in absence of adoption of vision and business plan / strategies across businesses and management levels
10. Compliance/Litigation- Risk of Regulatory action and reputational loss for Statutory non compliances, non-compliances with client contracts

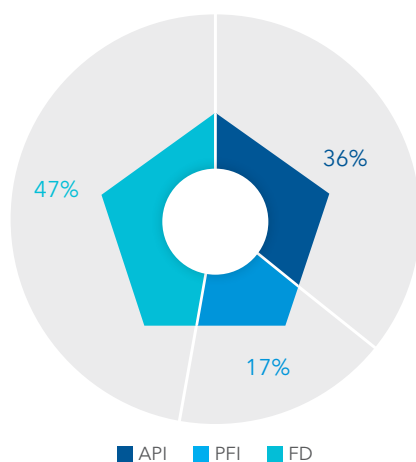
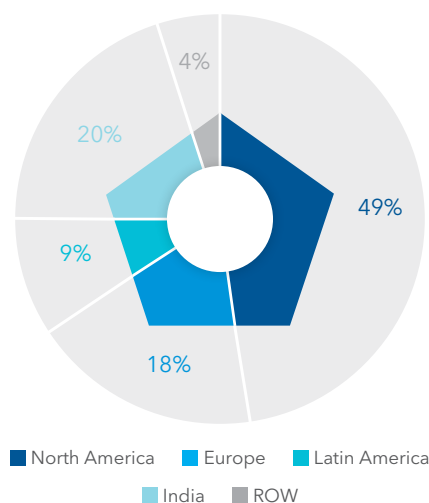
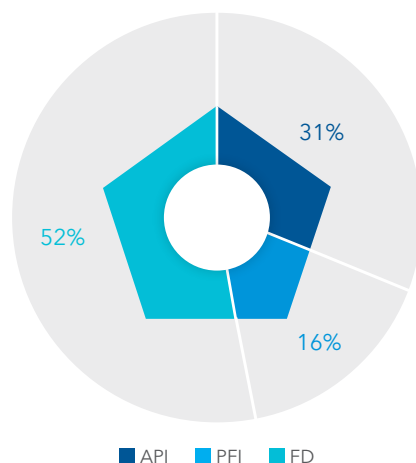
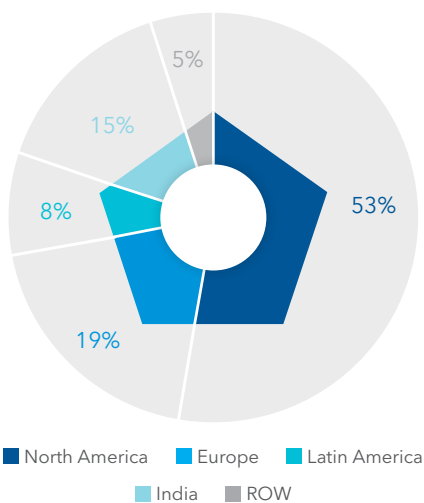
The Risk committee has taken up some items from above as a priority and are working towards a detailed remediation plan and monitor the same in each quarter.

Human Capital

At Granules, the Company believes that people who feel truly associated with the organisation are the ones who perform to their true potential. As a core part of our business strategy, it is committed to providing an environment where all of its employees feel enabled and have a sense of belonging. This year we conducted "Employee Engagement Survey" (Pratibimb) to understand engagement levels of employee. Based on the feedback a few important initiatives were undertaken including Employee Recognition Program and Women Employee Connect Program.

Our new Performance Management System connects company's objectives with Unit as well as individual employees goals up to managerial level through rigorous review process. This enables our employees to work on even stretch targets while meeting company's objectives. This year was focussed on strengthening leadership team through internal job rotation process and external recruitment.

Two years back, we have undertaken Self Directed Team (SDTs) initiative to provide livelihood opportunity to young 10+2 students from rural areas of Telangana and Andhra Pradesh. They are being recruited through a rigorous but structured selection process. They undergo two-month Pharmaceutical Manufacturing Training and two months On the Job Training before. These SDTs are now efficiently working in various functions in the company. This program continues to be Granules engine for deployment of grass-root level employees. The Company's total employee strength as on March 31, 2020, stands at 3029.

Financial overview**Revenue by products FY19 (%)****Revenue by Geography FY19 (%)****Revenue by products FY20 (%)****Revenue by Geography FY20 (%)****Key highlights 2019-20**

Consolidated Income statement

Particulars	2019	%	2020	%	Growth %
Revenue	227,919.77		259,864.65		14%
EBITDA (without other income)	38,403.77	16.8%	52,531.83	20.2%	37%
PAT	23,640.85	12.9%	33,539.83	10.4%	42%
EPS	9.3		13.19		

Profit and Loss Account

Revenue from operations Revenue was driven by double-digit growth. Primary growth is driven by Finished dosages. Through the year, more customers moved up the value chain from APIs to PFIs and Finished Dosages, which Granules expects will continue.

EBIDTA The Company improved its EBIDTA margin 337 bps over the prior year. The Company was able to improve EBIDTA due to higher capacity utilization at its facilities and a more favorable product mix including an increased emphasis on formulations.

Dividend: The Board proposed a 25% dividend for 2019-20 to be approved by the shareholders at the ensuing Annual General Meeting in addition to interim dividend of 75% paid during the year.

Consolidate Cash Flow

Particulars	2019	2020
Opening Cash and Cash equivalents	10,803.28	8,302.43
Cash flow from		
Operating activities	26,224.41	47,618.84
Investing activities	(26,981.83)	(16,063.31)
Financing activities	(1,743.43)	(21,285.50)
Effect of exchange rate changes	-	20.43
Closing cash and cash equivalents	8,302.43	18,592.89

Balance Sheet

Shareholders' Funds

Shareholders' funds increased 20.5% over the previous year due to an increase in the reserves and surplus balance.

Loan Funds decreased while the sales have been increased, due to effective management of working capital. While debt reduced, the Company's net debt to equity ratio of 0.3x which is healthy.

Debt and Equity Position

(₹ in lakhs)

Particulars	As on March 31, 2020	As on March 31, 2019	Change
Total Shareholder's Equity	184,372.41	152,947.31	31,425.10
Long-term debt (current portion)	9,713.72	5,819.08	3,894.64
Long-term debt (non-current portion)	41,483.28	47,878.25	(6,394.97)
Short-term borrowings	37,169.09	45,420.61	(8,251.52)
Total Debt	88,366.09	99,117.94	(10,751.85)

COVID-19

COVID 19 Pandemic has caused widespread disruption to various businesses across the globe. The Indian Government had announced a lockdown on March 22nd, and this has caused logistic challenges for a couple of weeks. The business operations in March was around 25% utilization and we gradually ramped up to 85% and beyond in April with strict compliance to government guidelines.

We engaged with international consultants across the globe for formulating safety, health and social distancing policy for employees and their families. The total number of people were limited to only those who are essential and may not be able to work remotely. Social distancing in canteens and in Company transport and shift system to reduce density on site.

We worked with our customers to ensure timely delivery of medicines. We continue to have normal supply levels for

most of our products. We believe that we could supply at our normal levels throughout the pandemic.

We maintain adequate inventory of raw materials and finished products across our global supply chain. Safe supply of our products remains largely uninterrupted.

Most of our critical operations continued throughout the lockdown at 25% utilization levels. We had minimal impact to our R&D programs and product launches. Digitalization of work from home for employees was implemented immediately after the announcement of the lockdown. We also would like to emphasize that there were no job losses related to COVID 19.

Quality and Compliance

Granules India Limited always believed in quality of products and patient safety. This is being achieved through the implementation of best quality systems, creating a right quality culture and continuous training of employees. We always had a vision to be ahead of the curve in business and are investing significantly in the digitalisation program of the key quality systems like Laboratory Information Management Systems (LIMS), Quality Assurance Management Systems (QAMS), Learning Management System (LMS), SAP enhancements on a continuous basis to strengthen further. We continue to sustain a very high level of transparency with our customers, regulators, statutory bodies, and employees. Our accreditations include the regulatory approvals from USFDA, MHRA, TGA, Infarmed, Health Canada, Cofepris, WHO, KFDA, Taiwan FDA, MCC and Halal. Our new integrated Onco API and Formulations

facility was inspected by the EU regulatory authority in Jan 2020 and is now EUGMP certified. We also had a successful USFDA inspection for our flagship formulation facility at Gagillapur in Feb 2020. We have started the implementation of our very aggressive plans for expanding our quality function including investments in the laboratories and newer analytical capabilities and technologies.

Internal Control Systems and Adequacy

Commensurate with the size and nature of operations, the Company has adequate systems of internal control and procedures covering all financial and operating functions. It believes that a strong internal control framework is one of the most indispensable factors of Corporate Governance. Continuous efforts are being made to enhance the controlling system's response to unauthorised use or losses. The audit committee supervises all aspects of internal functioning and advises corrective action as and when required.

Outlook

Cautionary Statements

Certain statements in the Management Discussion and Analysis, describing the Company's objectives, and predictions may be 'forward-looking statements', within the meaning of applicable laws and regulations. Actual results may vary significantly from forward-looking statements contained in this document due to various risks and uncertainties. These risks and uncertainties include the effect of economic and political conditions in India.

Board's Report

Dear Members,

The Board of Directors are pleased to present the Company's 29th Annual Report and the Company's audited financial statements (standalone and consolidated) for the financial year ended March 31, 2020.

Financial Results:

The Company's financial performance for the year ended March 31, 2020 is summarised below:

(₹ in lakhs)

Particulars	Standalone		Consolidated	
	Year ended March 31, 2020	Year ended March 31, 2019	Year ended March 31, 2020	Year ended March 31, 2019
Revenue from Operations	2,30,992.83	2,09,843.26	2,59,864.65	2,27,919.77
Other Income	2,645.67	2,848.91	3,655.52	2,668.26
Total Income	2,33,638.50	2,12,692.17	2,63,520.17	2,30,588.03
EBITDA	52,059.38	36,083.91	56,187.35	41,072.03
Less: Finance Costs	2,686.22	2,836.02	2,702.38	2,846.07
Less: Depreciation	10,182.44	9,077.21	13,695.35	10,548.34
Profit before exceptional item, tax, share of profit of joint venture and associate	39,190.73	24,170.68	39,789.62	27,677.62
Exceptional item	(16,111.87)	-	(2,733.90)	-
Profit before tax, share of profit of joint venture and associate	55,302.60	24,170.68	42,563.52	27,677.62
Share of profit in joint venture and associate, net of tax	-	-	2,549.09	4,874.32
Profit Before Tax	55,302.60	24,170.68	45,112.61	32,551.94
Less: Tax Expenses	10,895.70	7,986.63	11,572.78	8,911.09
Profit for the year	44,406.90	16,184.05	33,539.83	23,640.85
Add: Surplus Brought Forward from Previous Year				
Surplus Available	43,768.43	30,648.31	52,715.35	32,138.43
Appropriations made to Surplus:				
Dividends including dividend tax	(3,065.09)	(3,063.93)	(3,065.09)	(3,063.93)
Balance carried to Balance Sheet	85,110.24	43,768.43	83,190.09	52,715.35
Basic Earnings per share	17.47	6.37	13.19	9.30
Diluted Earnings per share	17.41	6.35	13.15	9.28

Note: The above figures are extracted from the standalone and consolidated financial statements

Overview of Financial and Business Operations:

The Company's Standalone revenues from operations was ₹ 2,30,992.83 lakhs for the FY 2019-20 as compared to ₹ 2,09,843.26 lakhs for the previous year registering growth of 10%. The Company has made Net Profit of ₹ 44,406.90 lakhs on standalone basis for the year under review as compared to ₹ 16,184.05 lakhs for the previous year, an increase of 174%.

The primary growth driver in FY 2019-20 was led by change in product mix. On a standalone basis, the Finished Dosages (FD) business contributed the largest share of revenue of the Company at 48% while Pharmaceutical Finished Intermediates (PFI) and Active Pharmaceutical Ingredients (API) contributed 18% and 35% respectively while it was 44%, 18% and 39% for API, PFI and FD respectively for the FY 2018-19.

In the FY 2019-20, we have filed twelve ANDAs in total. We have also filed three US DMFs, three CEP (Certificate of Suitability) with EDQM and one EDMF, which will be used for building future revenue from API business. The management believes that it will continue to strengthen its position through dedicated research and introduction of new products.

Vertical integration has always been the strength and focus area of the Company. It will continue its focus on its core business and strengthen it by enhancing its capacities, improving operational efficiencies, adding new products, moving up in the value chain and most importantly offering better services to the customers. The Company will continue to solidify its business model and build systems that are sustainable as it continue to scale-up.

- **Expansion Programs and Projects:**

Regulatory approval for Metformin block was received during the year under review and approval for Guaifenesin block is awaited. Construction of Oncology block in Unit-V located at Visakhapatnam is completed and received EU GMP approval.

- **COVID-19:**

Pharmaceutical industry being part of the essential commodities was given special permission by Indian government to operate with minimal manpower and maintaining social distancing. The Company has followed the guidelines issued by the Government to run the operations with complete cautious approach about the health and safety of the employees. There is no material impact on the business of the Company during the year under review due to Covid-19 pandemic.

- **Dividend:**

The Board of Directors has recommended a final dividend of 25 paisa per equity share (Face value Re. 1/- per equity share) for the FY 2019-20. This is in addition to the interim dividend of 75 paisa per equity share paid during the year. The total dividend for the FY 2019-20 aggregates to Re. 1/- per equity share as compared to Re. 1/- per equity share paid in the previous year.

The dividend payout is in accordance with the Company's Dividend Distribution Policy. The Dividend Distribution

Policy of the Company may be accessed on the Company's website at: www.granulesindia.com

- **Material Changes Affecting the Company:**

There have been no material changes and commitments affecting the financial position of the Company between the end of the financial year and date of this report. There has been no change in the nature of business of the Company.

- **Share Capital:**

The Authorised Share Capital of the Company is 505,000,000 equity shares of Re. 1/- each. The Paid-up Share Capital is 254,247,562 Equity shares of Re. 1/- each. There is no change in the Paid-up Share Capital of the Company during the year under review since there was no allotment of Equity shares of the Company.

- **Buyback of Equity Shares of the Company:**

The Board of Directors of the Company, at their meeting held on January 21, 2020 and the Shareholders of the Company vide the postal ballot, results of which were published on March 10, 2020, approved the buyback of up to 12,500,000 (One Crore Twenty-Five Lakh Only) fully paid up Equity Shares of the Company having face value of ₹ 1 each (representing 4.92% of the total number of Fully paid up Equity Shares of the Company), at a price of ₹ 200 (Rupees Two Hundred only) per Equity Share payable in cash for a total consideration not exceeding ₹ 2,500,000,000 (Rupees Two Hundred and Fifty Crore only) through the "Tender Offer" route as prescribed under the SEBI Buyback Regulations, on a proportionate basis, from the equity shareholders / beneficial owners of the Equity Shares of the Company as on the Record Date. The Company had filed the Draft Letter of Offer (DLOF) with Securities Exchange Board of India (SEBI) for its approval.

- **Transfer to the Investor Education & Protection Fund (IEPF):**

In terms of Section 124(5) of the Companies Act, 2013 read with Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016, unclaimed dividend amounting to ₹ 3,05,838/- (three lakh five thousand eight hundred and thirty eight only) for the

financial year 2011-12, was transferred during the year under review to the Investor Education and Protection Fund established by the Central Government.

- **Management's Discussion and Analysis Report:**

Management's Discussion and Analysis Report for the year under review, as stipulated under regulation 34(2) of the Listing Regulations, is presented in a separate section, forming part of the Annual Report.

- **Subsidiaries, Joint Ventures and Associate Companies:**

Subsidiary Companies, Their Performance and Developments

- **Granules USA, Inc.**

Granules USA, Inc., a wholly-owned foreign subsidiary of your Company, caters to the requirements of customers in the U.S market. The Share Capital of the Company as on March 31, 2020 is ₹ 116.31 lakhs. During the FY 2019-20, the Company achieved a turnover of ₹ 34,008.04 lakhs against the turnover of ₹ 37,333.77 lakhs for FY 2018-19 and the profit after tax is ₹ 565.04 lakhs against ₹ (1,278.95) lakhs for FY 2018-19.

- **Granules Pharmaceuticals, Inc.**

Granules Pharmaceuticals, Inc. (GPI), a wholly-owned foreign subsidiary of your Company located in Virginia, USA focuses in formulation R&D. The Share Capital of the Company as on March 31, 2020 is ₹ 44,359.71 lakhs. During the FY 2019-20, the Company achieved a turnover of ₹ 29,608.33 lakhs and the profit after tax is ₹ (808.39) lakhs.

During the year FY 2019-20, GPI received eight (8) final approvals and one tentative approval from US FDA for the ANDAs that were filed from this facility. Additionally, seven (7) new ANDAs were filed during the year requesting approval. US FDA has completed its audit at the facility located in Virginia with two minor observations for the ANDAs filed by the Company. US FDA has issued Establishment Inspection Report (EIR) for the facility, after the company has responded to the observations within the stipulated time frame.

During the year under review, GPI launched four (4) new products under its own label.

Granules Europe Limited

Granules Europe Limited is a wholly owned foreign subsidiary set up in UK for focusing on marketing to European customers.

The Policy for determining material subsidiaries as approved by the Board may be accessed on the Company's website at: www.granulesindia.com

Joint Venture /Associate Companies

The information about the Joint Venture /Associate Companies are stated below:

- **Granules-Bioclause Pharmaceutical Co. Limited**

The Board of Directors at their meeting held on 14th October 2019 had approved to divest the entire stake of the Company in Granules-Bioclause Pharmaceutical Co. Limited, an overseas Joint Venture Company situated in China. Upon approval of the Board of Directors, the Company had entered into an agreement with Hubei Bioclause Heilen Pharmaceutical CO., Limited., Joint Venture Partner for sale of 33,000,000 equity shares of 1 RMB each fully paid-up held by the Company in Granules-Bioclause Pharmaceutical Co. Limited for a consideration of RMB 109 million and completed the transaction during the year under review.

- **Granules OmniChem Private Limited**

The Board of Directors at their meeting held on 29th August 2019 had approved to divest the entire stake of the Company in Granules OmniChem Private Limited, an Indian Joint Venture Company. Upon approval of the Board of Directors, the Company had entered into an agreement with S.A. Ajinomoto Omnicem N.V., Joint Venture Partner for sale of 4,28,80,967 equity shares held by the Company in Granules OmniChem Private Limited for a consideration of ₹ 109.85 crores and this transaction was subject to approval of the relevant regulatory authorities.

During the year under review, Granules-Bioclause Pharmaceutical Co. Limited ceased to be Joint Venture of Granules India Limited. No other Company has become or ceased to be Company's subsidiaries, joint ventures or associate companies.

As per the provisions of section 129 of the Companies Act, 2013 read with Companies (Accounts) Rules, 2014, a separate statement containing the salient features of the financial statements of the subsidiary Companies, Joint Ventures and Associates is prepared in Form AOC-1 and it forms part of the consolidated financial statements.

- **Consolidated Financial Statements:**

The consolidated financial statements, in terms of Section 129(3) of the Companies Act, 2013 and regulation 34 of the Listing Regulations and prepared in accordance with Indian Accounting Standards (Ind AS) notified under the Companies (Indian Accounting Standards) Rules, 2015 as amended thereof forms a part of this annual report. The consolidated financial statements have been prepared on the basis of audited financial statements of the Company, its subsidiaries, joint venture and associate companies, as approved by their respective Boards. As per the provisions of Section 136 of the Companies Act, 2013, the Company has placed separate audited accounts of its Subsidiaries on its website www.granulesindia.com and copy of separate audited accounts of its Subsidiaries will be provided to the members at their request.

- **Compliance With Secretarial Standards:**

The Company has complied with Secretarial Standards issued by the Institute of Company Secretaries of India.

- **Director's Responsibility Statement:**

Pursuant to the requirement of Section 134(5) of the Companies Act, 2013, with respect to the Director's Responsibility Statement, the Board of Directors of the Company hereby confirm that:

- a) in the preparation of the annual accounts for the year ended March 31, 2020, the applicable accounting standards read with requirements set out under Schedule III to the Act, have been followed and there are no material departures from the same;
- b) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2020 and of the profit of the Company for the year ended on that date;

- c) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) the Directors have prepared the annual accounts on a 'going concern' basis for the financial year ended March 31, 2020;
- e) the Directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and are operating effectively; and
- f) the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

- **Corporate Governance:**

The Company is committed to maintain the highest standards of corporate governance and adhere to the corporate governance requirements set out by Securities and Exchange Board of India (SEBI). The report on Corporate Governance as stipulated under the Listing Regulations forms an integral part of this Report. The requisite certificate from the Auditors of the Company confirming compliance with the conditions of corporate governance is attached to the report on Corporate Governance.

- **Business Responsibility Report:**

Business Responsibility Report for the year under review, as stipulated under regulation 34(2) of the Listing Regulations, is presented in a separate section, forming part of the Annual Report.

- **Contracts and Arrangements with Related Parties:**

All contracts / arrangements / transactions entered by the Company during the financial year with related parties were in the ordinary course of business and are on an arm's length basis. During the year, except with the wholly owned subsidiary, the Company had not entered into any contract / arrangement / transaction with related parties which could be considered material in accordance with the policy of the Company on materiality of related party transactions.

The Policy on materiality of related party transactions and dealing with related party transactions as approved by the Board may be accessed on the Company's website at: www.granulesindia.com.

The particulars of contracts or arrangements with related parties referred to in section 188(1) are prepared in Form No. AOC-2 pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014 and the same is enclosed as **Annexure IV** to the Board's report

• Corporate Social Responsibility (CSR):

The Composition of the CSR Committee is provided below.

Name	Category
Mrs. Uma Devi Chigurupati, Chairperson	Non-Independent, Executive
Mr. Krishna Prasad Chigurupati	Non-Independent, Executive
Mr. A. Arun Rao	Independent, Non-Executive

The CSR Policy may be accessed on the Company's website at: www.granulesindia.com

The Company is undertaking CSR initiatives in compliance with Schedule VII to the Act. During the year under review, the Company has spent ₹ 437.75 lakhs on CSR activities. The annual report on CSR activities is annexed herewith marked as **Annexure I** to the Board's report.

• Nomination and Remuneration Committee:

The Company's Nomination and Remuneration Committee consists of majority of Non-Executive Directors, two of them are Independent, which ensures transparency in determining the remuneration of Directors, KMPs and other employees of the Company. The Chairman of the Committee is an Independent Director, thereby resulting in independent and unbiased decisions.

During the financial year 2019-20, the composition of Nomination and Remuneration Committee is provided below.

Name	Category
Mr. Arun Sawhney, Chairman	Independent, Non-Executive
Mrs. Jyothi Prasad	Independent, Non-Executive
Mr. K.B. Sankar Rao	Non-Independent, Non-Executive
Mr. Krishna Prasad Chigurupati	Non-Independent, Executive

The Performance Evaluation and Remuneration Policy framed by the Committee and approved by the Board is directed towards rewarding performance of Executive and Non-Executive Directors, Key Managerial Personnel and Senior Management Personnel of the Company based on review of achievements periodically.

• Risk Management:

Risk Management Committee has been entrusted with the responsibility to assist the Board in (a) overseeing and approving the Company's enterprise wide risk management framework; and (b) overseeing that all the risks that the organization faces such as strategic, financial, credit, market, liquidity, security, property, IT, legal, regulatory, reputational and other risks have been identified and assessed and there is an adequate risk management infrastructure in place capable of addressing those risks. Your Company has proper process for Risk Management.

• Internal Financial Controls:

Internal Financial Controls are an integrated part of the risk management process, addressing financial and financial reporting risks. The internal financial controls have been documented, digitized and embedded in the business processes. Assurance on the effectiveness of internal financial controls is obtained through management reviews, control self-assessment, continuous monitoring by functional experts as well as testing of the internal financial control systems by the internal auditors during the course of their audits. We believe that these systems provide reasonable assurance that our internal financial controls are designed effectively and are operating as intended.

• Internal Audit & Controls:

Your Company continues to engage M/s Dhanunjaya & Haranath, Chartered Accountants as its Internal Auditors. During the year, your Company continued to implement their suggestions and recommendations to improve the internal controls. Their scope of work includes review of operational efficiency, effectiveness of systems & processes, compliances and assessing the internal control strengths in all areas. Internal Auditors findings are discussed and suitable corrective actions are taken as per the directions of Audit Committee on an on-going basis to improve efficiency in operations.

The Company's internal control systems are well established and commensurate with the nature of its business and the size and complexity of its operations. The Audit Committee reviews adequacy and effectiveness of the Company's internal control environment and monitors the implementation of audit recommendations. The recommendations/suggestions of the internal auditors are discussed in the Audit Committee meetings.

- **Directors and Key Managerial Personnel:**

In accordance with the provisions of Section 152 of the Companies Act, 2013 and the Articles of Association of the Company, Mr. K.B. Sankar Rao, Non-Executive Director of the Company, retires by rotation at the 29th Annual General Meeting and being eligible offers himself for re-appointment.

The Company has received declarations from all the Independent Directors of the Company confirming that they meet with the criteria of independence as prescribed both under the Companies Act and the Listing Regulations.

The Board of Directors has complete access to the information within the Company. Independent Directors have the freedom to interact with the Company's management. Interactions happen during Board / Committee meetings, when executives of the Company are asked to make presentations about performance of the Company. Apart from this, they also have independent interactions with the Statutory Auditors, the Internal Auditors and external advisors appointed from time to time. Further, they meet without the presence of any management personnel and their meetings are conducted informally to enable the Independent Directors to discuss matters pertaining to the Company's affairs and put forth their combined views to the Board of Directors of the Company.

Mr. Krishna Prasad Chigurupati, Chairman and Managing Director, Mrs. Uma Devi Chigurupati, Executive Director, Mr. Harsha Chigurupati, Executive Director, Mr. Sandip Neogi, Chief Financial Officer and Ms. Chaitanya Tummala, Company Secretary are Key Managerial Personnel of the Company during the year under review.

- **Board Evaluation:**

The Company has devised a Policy for performance evaluation of Independent Directors, Board, Committees

and other individual Directors which include criteria for performance evaluation of the Non-Executive Directors and Executive Directors. Pursuant to the provisions of the Companies Act, 2013 read with the Rules issued there under and the Listing Regulations (including any statutory modification(s) or re-enactment(s) for the time being in force), the process for annual evaluation of the performance of the Board, its Committees and individual Directors was carried out in accordance with the policies in force.

- **Employee Stock Option Scheme:**

The Company's Employees Stock Option Scheme viz. ESOS-2009 has been in place since year 2009-10 and the Company has made grants under ESOS-2009 to the eligible employees of the Company and its subsidiaries. The Nomination and Remuneration Committee of the Board of Directors of the Company, inter alia, administers and monitors the Employees' Stock Option Scheme. The Company, during the financial year 2017-18 obtained approval of the members for Employee Stock Option Scheme 2017 (ESOS-2017). The Company did not make any grant under ESOS- 2017 during the FY 2019-20. There has not been any material change in the Employee Stock Option Schemes during the current financial year. The Schemes and its implementation are in line with the SEBI (Share Based Employee Benefits) Regulations, 2014 ("SBEB Regulations") as amended thereof.

The applicable disclosures as stipulated under the SEBI Guidelines as on March 31, 2020 (cumulative position) with regard to the Employee's Stock Option Scheme are herein under provided. The issue of equity shares pursuant to exercise of options does not affect the Statement of Profit and Loss of the Company, as the exercise is made at the market price prevailing as on the date of the grant plus taxes as applicable.

Pursuant to regulation 13 of Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, certificate from M/s. B S R & Associates, LLP. , Statutory Auditors is given as **Annexure II** to the Board's report. Voting rights on the shares issued to employees under the Employee Stock Option Scheme are either exercised by them directly or through their appointed proxy.

The details of the stock options granted / vested / exercised under the Granules India Limited – Employee Stock Option Scheme 2009 approved by the members in 18th Annual General Meeting, are given below:

Sl. No.	Description	Details
(a)	Options granted till date under the scheme	15,602,800
(b)	Pricing formula	Closing market price as on the date prior to the grant date on National Stock Exchange (where there was highest trading volume).
(c)	Options vested during the year	10,000
(d)	Options exercised during the year	NIL
(e)	Total number of shares arising as a result of exercise of options	Not Applicable
(f)	Options lapsed/surrendered during the year	4,696,300
(g)	Options lapsed/surrendered till date under the scheme	8,429,600
(h)	Variation in terms of options	NIL
(i)	Money realized by exercise of options during the year	NIL
(j)	Total number of options in force	7,173,200
(k)	Employee wise details of options granted during the year to be exercised at ₹ 97/- to :	
(k)(i)	Senior managerial personnel	NIL
(k)(ii)	Any other employee who receives a grant in any one year of options amounting to 5% or more of options granted during the year.	
Name	Designation	No. of options
GSR Prasad	Chief Operating Officer	3,00,000
Atul Dhavle	Chief Human Resources Officer	2,00,000
M. Devendra Kumar	Senior Vice President, API Manufacturing	2,00,000
Manikandan Ramalingam	Vice President, R&D	1,50,000
Ramraj Rangarajulu	Vice President, Operations	1,50,000
Rajesh Kumar Rapolu	Deputy General Manager, R&D	1,63,300
Thrilok Kumar Peela	Deputy General Manager, OE	1,63,300
(k)(iii)	Identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the company at the time of grant.	Not Applicable
(l)	Diluted Earnings per share (EPS) pursuant to issue of shares on exercise of options calculated in accordance with Accounting Standard (AS) 20 – Earning per share.	₹ 17.41 per share
(m)	Where the company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost that shall have been recognized if it had used the fair value of the options.	Not Applicable
(n)	Weighted-average exercise price, whose exercise price either equals or exceeds or is less than the market price of the stock	NA
(o)	Description of the method and significant assumptions used during the year to estimate the fair values of options.	The assumptions and model used for estimating fair value are disclosed in Note 27 of Standalone financial statements.

• Auditors & their Report:

Statutory Auditors

M/s. B.S.R. & Associates LLP, Firm of Chartered Accountants, Hyderabad was appointed as Auditors of the Company, for a term of 5 (five) consecutive years, at the 26th Annual General Meeting held on September 28, 2017. They have confirmed that they are not disqualified from continuing as Auditors of the Company.

The Notes on financial statement referred to in the Auditors' Report are self-explanatory and do not call for any further comments. The Auditors' Report does not contain any qualification, reservation, adverse remark or disclaimer.

Secretarial Auditor

The Board has appointed M/s. Saurabh Poddar & Associates, Company Secretaries, to conduct Secretarial Audit for the financial year 2019-20. The Secretarial Audit Report for the financial year ended March 31, 2020 is annexed herewith marked as **Annexure III** to the Board's Report. The Secretarial Audit Report does not contain any qualification, reservation or adverse remark.

• Disclosures:

Meetings of the Board

Nine meetings of the Board of Directors were held during the year. The particulars of meetings held and attended by each Director are detailed in the Corporate Governance Report, which forms part of this Report.

Audit Committee

The Audit Committee comprises majority of Independent Directors namely Mrs. Jyothi Prasad (Chairperson), Mr. A. Arun Rao, Mr. Arun Sawhney and Mr. Krishna Prasad Chigurupati as other members. During the year all the recommendations made by the Audit Committee were accepted by the Board.

Vigil Mechanism

The Company has a Vigil mechanism and a Whistle - blower policy in accordance with provisions of the Act and Listing Regulations, under which the employees are free to report violations of applicable laws and regulations and the Code of Conduct. Protected disclosures can be made by a whistle blower through a dedicated e-mail, or a letter to the Chairman of the Audit Committee.

The Policy on vigil mechanism and whistle blower policy may be accessed on the Company's website at: www.granulesindia.com

Code of Conduct

A declaration regarding compliance with the code of conduct signed by the Company's Chairman and Managing Director is published in the Corporate Governance Report which forms part of the annual report.

Particulars of Loans given, Investments made, Guarantees given and Securities provided

Particulars of loans given, investments made, guarantees given and securities provided are provided in the standalone financial statement (Please refer to Note No.4A, 4B and 26(b) to the standalone financial statement).

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings and Outgo

The particulars relating to conservation of energy, technology absorption, foreign exchange earnings and outgo, as required to be disclosed under the Act, are provided in **Annexure V** to the Board's Report.

Extract of Annual Return

The Extract of Annual Return as per the provisions of Section 92 of the Companies Act, 2013 and Rule 12 of Companies (Management and Administration) Rules, 2014 in Form MGT-9 is annexed as **Annexure VI** to this report.

Particulars of Employees and related disclosures

In terms of the provisions of Section 197(12) of the Act read with Rules 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, as amended thereof, a statement showing the names and other particulars of the employees drawing remuneration in excess of the limits set out in the said rules forms part of this Report.

Disclosures pertaining to remuneration and other details as required under Section 197(12) of the Act read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014 also forms part of this Report.

However, having regard to the provisions of the first proviso to Section 136(1) of the Act, the Annual Report excluding the aforesaid information is being sent to the members of the Company. The said information

is available for inspection on all working days, during business hours, at the registered office of the Company. Any member interested in obtaining such information may write to the Company Secretary and the same will be furnished on request. This information may be accessed on the Company's website at: www.granulesindia.com

Your Directors further state that, the remuneration paid to the Key managerial Personnel and others is as per the Remuneration Policy of the Company.

Remuneration from Subsidiaries

During the year under review, Mr. Krishna Prasad Chigurupati, Chairman and Managing Director of the Company has received remuneration of \$ 1,46,153.89 from Granules Pharmaceuticals Inc., wholly owned subsidiary of the Company.

Maintenance of Cost Records specified by the Central Government under Section 148 of the Companies Act, 2013

The Company has complied with the provisions relating to maintenance of Cost Records as specified by the Central Government under Section 148 of the Companies Act, 2013 during the year under review.

Policy on Sexual Harassment and Constitution of Internal Complaints Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013

The Company has a Policy on "Prevention of Sexual Harassment of Women at Workplace" for the matters connected therewith or incidental thereto covering all the aspects as contained under the "The Sexual Harassment of Women at Workplace (Prohibition, Prevention and Redressal) Act, 2013" and constituted an Internal Complaints Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013.

During the year under review, the Company has not received any complaints pertaining to Sexual Harassment.

The Company regularly conducts awareness programs for its employees.

General

Your Directors state that no disclosure or reporting is required in respect of the following matters as there were no transactions on these items during the year under review:

- Details relating to deposits covered under Chapter V of the Act.
- Issue of equity shares with differential rights as to dividend, voting or otherwise.
- Issue of shares (including sweat equity shares) to employees of the Company under any scheme save and except Employee Stock Option Scheme referred to in this Report.
- The Company does not have any scheme of provision of money for the purchase of its own shares by employees or by trustees for the benefit of employees.
- Cost Audit is not applicable for the financial year 2019-20.
- No significant or material orders were passed by the Regulators or Courts or Tribunals which impact the going concern status and Company's operations in future.
- No fraud has been reported by the Auditors to the Audit Committee or the Board.

• Acknowledgements:

We express our sincere appreciation and thank our valued Shareholders, Customers, Bankers, Business Partners/ Associates, Financial Institutions, Insurance Companies and Central and State Government Departments for their continued support and encouragement to the Company.

We are pleased to record our appreciation of the sincere and dedicated services of the employees and workmen at all levels.

On behalf of the Board of Directors

Krishna Prasad Chigurupati

Chairman and Managing Director

Hyderabad, June 02, 2020

DIN: 00020180

Annexure I to Board's Report

Annual Report on Corporate Social Responsibility (CSR) activities for the financial year 2019-20 as per Rule 8 of Companies (Corporate Social Responsibility Policy) Rules, 2014.

1	A brief outline of the Company's CSR Policy and a reference to the web-link to the CSR Policy and the composition of CSR Committee.	Refer Section: Corporate Social Responsibility in this Report for the composition of the Committee. CSR Policy can be accessed at the Company's website: www.granulesindia.com
2	Average profit of the Company for last three financial years.	₹ 21,875.62 lakhs
3	Prescribed CSR expenditure (two percent of the amount mentioned in item 2 above)	₹ 437.51 lakhs
4	Details of CSR spent during the financial year: Total amount spent for the financial year Amount unspent, if any, and reasons for not spending (reason is yet to be given) Manner in which the amount spent during the financial year	₹ 437.75 lakhs NIL Details given below

Details of Amount Spent on CSR Activities During the Financial Year 2019-20:

Sl. No.	CSR project or activity identified	Sector in which the project is covered	Projects of programs (1) Local area or other (2) Specify the state and district where projects or programs was undertaken	Amount outlay (budget) project or programs wise	Amount spent on the projects or programs Sub heads		Cumulative expenditure up to the reporting period	Amount spent: Direct or through Implementing Agency
					(1) Direct expenditure on projects or programs	(2) Overheads		
1	Skill development activity	CL(ii) livelihood enhancement projects	Telangana, Ranga Reddy District	₹ 300.00 lakhs	₹ 160.80 lakhs	-	₹ 160.80 lakhs	The amount was spent through Swarna Bharat Trust
2	Preventive Health Care	CL(i) promoting preventive health care	Telangana. Hyderabad	₹ 50.00 lakhs	₹ 50.00 lakhs	-	₹ 50.00 lakhs	The amount was spent through Asian Health Care Foundation
3	Environmental sustainability	CL(iv) Ensuring environmental sustainability	Telangana, Ranga Reddy District	₹ 23.60 lakhs	₹ 15.75 lakhs	-	₹ 15.75 lakhs	The amount was spent towards Haritha Haram Program of Telangana Government
4	Preventive Healthcare and Sanitation	CL(i) promoting preventive health care and sanitation	Andhra Pradesh and Telangana	₹ 55.00 lakhs	₹ 55.00 lakhs	-	₹ 55.00 lakhs	Contribution towards Covid-19
5	Disaster Management	CL(xii) disaster management	Telangana	₹ 100.00	₹ 100.00	-	₹ 100.00	The Amount was contributed to Telangana Government
6	Preventive Healthcare	CL(i) promoting preventive health care	Telangana, Hyderabad	₹ 56.20 lakhs	₹ 56.20 lakhs	-	₹ 56.20 lakhs	The amount was contributed to Granules Trust

Responsibility Statement

The Responsibility Statement of the Corporate Social Responsibility (CSR) Committee of the Board of Directors of the Company is reproduced below:

'The implementation and monitoring of Corporate Social Responsibility (CSR) Policy, is in compliance with CSR objectives and policy of the Company.'

Krishna Prasad Chigurupati

Chairman and Managing Director
Hyderabad, June 02, 2020

Uma Devi Chigurupati

Chairperson, CSR Committee

Annexure II To Board's Report

To,
The Board of Directors
Granules India Limited
2nd Floor, 3rd Block
My Home Hub, Madhapur,
Hyderabad 500 081

Independent Auditors' certificate on implementation of Share Based Employee Benefit Scheme in accordance with the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 and the terms of resolution of the Company passed in the general meeting.

1. This Certificate is issued in accordance with the terms of our engagement letter with Granules India Limited ('the Company') dated 11 July 2019.

Management's Responsibility

2. The Company's management is solely responsible for ensuring that the Company's Share Based Employee Benefit Scheme ('Scheme') has been implemented in accordance with the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014 as amended from time to time ('SEBI Regulations') and the terms of the resolutions passed by the Company in the general meeting.
3. The Management of the Company is also responsible for the preparation of the financial statements including the preparation and maintenance of all accounting and other relevant supporting records and documents. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the financial statements and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Auditors' Responsibility

4. We, B S R & Associates LLP, the statutory auditors of the Company have been requested by the Management of the Company to certify that the Company has complied with the SEBI Regulations in relation to the Granules India

Limited Employees Stock Option Plan 2009 approved by the Company at their general meeting held on 25 September 2009 and Employees Stock Option Plan 2017 at their general meeting held on 28 September 2017.

5. Based on this information and pursuant to the requirements of the SEBI Regulations, it is our responsibility to certify that the Company's Scheme have been implemented in accordance with the SEBI Regulations and are in accordance with the terms of the resolution passed by the Company in the general meeting
6. For the purpose of this certificate, we have relied on the audited standalone financial statements of the Company for the year ended 31 March 2020 and information and documents as made available to us by the Company.
7. We have verified the books of account and other records maintained in relation to the Scheme by the Company on a test check basis. We have also obtained appropriate representation from the Company's management.
8. The audited standalone financial statements referred to in paragraph 6 above have been audited by us, on which we issued an unmodified audit opinion vide our report dated 02 June 2020. Our audit of these standalone financial statements was conducted in accordance with the Standards on Auditing and other applicable authoritative pronouncements issued by the Institute of Chartered Accountants of India ('ICAI'). Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the standalone financial statements are free of material misstatement.
9. We conducted our examination in accordance with the Guidance Note on Reports or Certificates for Special Purposes (Revised 2016) ('Guidance Note') issued by the ICAI. The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the ICAI.
10. We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

Opinion

11. Based on the examination carried out by us and the information and explanation provided to us, we certify, to best of our knowledge and belief, that the Granules India Limited Employees Stock Option Plan 2009 approved by the Company at their general meeting held on 25 September 2009 and Employees Stock Option Plan 2017 at their general meeting held on 28 September 2017 have been implemented in accordance with the provisions of the SEBI Regulations and relevant amendments from time to time and in accordance with the terms of the aforesaid resolutions passed by the Company.

general meeting and should not be used by any other person or for any other purpose. Accordingly, we do not accept or assume any liability or duty of care for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

For **B S R & Associates LLP**

Chartered Accountants

ICAI Firm Registration Number: 116231W/ W-100024

Restriction on Use

12. This Certificate has been issued to the Company for placing before the Company's shareholders at its annual

Place: Hyderabad

Date: 02 June 2020

Sriram Mahalingam

Partner

Membership No: 049642

ICAI UDIN: 20049642AAAABV6628

Annexure III to Board's Report

Form No. MR-3 Secretarial Audit Report

For the Financial Year Ended 31-03-2020

[Pursuant to section 204(1) of the Companies Act, 2013 and rule No.9 of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014]

Secretarial Audit Report For the Financial Year Ended 31-03-2020

To,
The Members,
M/s. Granules India Limited
2nd Floor, 3rd Block, My Home Hub,
Madhapur, Hyderabad- 500 081, Telangana.

I, have conducted the secretarial audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by M/s. Granules India Limited (hereinafter called the company). Secretarial Audit was conducted in a manner that provided me a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing my opinion thereon.

Based on my verification of the M/s. Granules India Limited books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the company has, during the audit period covering the financial year ended on 31st March 2020 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I, have examined the books, papers, minute books, forms and returns filed and other records maintained by M/s. Granules India Limited ("the Company") for the financial year ended on 31st March 2020 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made there under;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed there under;

- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment. (There were no External Commercial Borrowings transactions in the company, during the Audit Period);
- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
 - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009; **(Not applicable to the Company during the Audit Period)**
 - (d) Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014.;
 - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008; **(Not applicable to the Company during the Audit Period)**
 - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
 - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; **(Not applicable to the Company during the Audit Period)** and
 - (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018;

(vi) I further report that, having regard to the compliance system prevailing in the company and on examination of the relevant documents and records in pursuance thereof on test-check basis, the company has complied with the following laws applicable specifically to the company:

1. Drugs and Cosmetics Act, 1940 and Rules made there under; and
2. Drugs Price Control Order, 2013 and notifications made there under.

I, have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards (SS-1 and SS-2) issued by The Institute of Company Secretaries of India
- (ii) The Securities And Exchange Board Of India (Listing Obligations And Disclosure Requirements) Regulations, 2015.

During the period under review the Company has complied with the provisions of the Act, Rules, Regulations, Guidelines, Standards, etc. mentioned above.

I further report that the Board of Directors of the company is duly constituted with proper balance of Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were

sent at least seven days in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

All decisions at Board Meetings and Committee Meetings were carried out as recorded in the minutes of the meetings of the Board of Directors or Committees of the Board, as the case may be.

I further report that there are adequate systems and processes in the company commensurate with the size and operations of the company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

I further report that during the audit period there were no specific events/actions having a major bearing on the company's affairs in pursuance of the above referred laws, rules, regulations, guidelines, standards.

For **Saurabh Poddar & Associates**

Company Secretaries

FCS No. 9190

C P No.: 10787

UDIN: F009190B000320886

Place : Hyderabad

Date : 02-06-2020

This report is to be read with my letter of even date which is annexed as Annexure and forms an integral part of this report.

Annexure-A

To,
The Members,
M/s. Granules India Limited
2nd Floor, 3rd Block, My Home Hub,
Madhapur, Hyderabad- 500 081, Telangana.

My report of even date is to be read along with this letter:

1. Maintenance of secretarial records is the responsibility of the management of the company. My responsibility is to express an opinion on these secretarial records based on my audit.
2. I have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the secretarial records. The verification was done on test-check basis to ensure that correct facts are reflected in secretarial records. I believe that the process and practices, I followed provide a reasonable basis for my opinion.
3. I have not verified the correctness and appropriateness of financial records and books of accounts of the company.
4. Wherever required, I have obtained Management Representation about the compliance of laws, rules and regulations and happening of events, etc.
5. The compliance of the provisions of corporate and other applicable laws, rules, regulations, standards is the responsibility of management. My examination was limited to the verification of procedures on test-check basis.
6. The Secretarial Audit report is neither an assurance as to future viability of the company nor of the efficacy or effectiveness with which the management has conducted the affairs of the company.

Place : Hyderabad
Date : 02-06-2020

For **Saurabh Poddar & Associates**
Company Secretaries
FCS No. 9190
C P No.: 10787
UDIN: F009190B000320886

Annexure IV to Board's Report

Disclosure of particulars of Contracts/Arrangements entered into by the Company

Form No. AOC-2 (Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

Disclosure of particulars of contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 including certain arm's length transactions under third proviso thereto.

1. There are no contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 which are not at arm's length basis.
2. Contracts/arrangements entered into by the company with related parties referred to in sub-section (1) of section 188 of the Companies Act, 2013 which are at arm's length basis:

Sl. No.	Names of the related party and nature of relationship	Nature of contracts/ arrangements/ transactions	Duration of the contracts or arrangements or transaction including the value, if any:	Salient terms of the contracts or arrangements or transaction including the value, if any:	Date(s) of approval by the Board/:	Amount paid as advances, if any:	Justification for entering into contracts
1	Granules USA, Inc. (Wholly Owned foreign subsidiary)	Sale of goods	FY 2019-20	₹ 25,079.89 lakhs	09.05.2019 & 21.01.2020	NIL	The transaction is at arm's length price
2	Granules Pharmaceuticals Inc. (Wholly Owned foreign subsidiary)	Sale of goods	FY 2019-20	₹ 9,604.00 lakhs	09.05.2019	NIL	The transaction is at arm's length price
3	Granules -Biocause Pharmaceutical Co. Ltd. (Associate up to January 21, 2020)	Purchase of goods	FY 2019-20	₹ 14,232.60 lakhs	09.05.2019 & 21.01.2020	NIL	The transaction is at arm's length price

On behalf of the Board of Directors

Krishna Prasad Chigurupati

Chairman and Managing Director

DIN: 00020180

Hyderabad, June 02, 2020

Annexure V to Board's Report

Particulars of Energy Conservation, Technology Absorption and Foreign Exchange Earnings and Outgo required under the Companies (Accounts) Rules, 2014.

Form A - Particulars of Conservation of Energy

A. Power and Fuel Consumption

(₹ in lakhs)		
Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
1. Electricity		
Unit (KWH)	6,11,16,814	5,35,29,377
Total amount (₹ in lakhs)	4,184.01	3,658.70
Rate/Unit (₹)	6.85	6.83
Rate/Kg of production (₹)	8.68	8.30
2. Own generation from Diesel generator		
Unit (KWH)	10,54,608	14,28,614
Total amount (₹ in lakhs)	248.37	314.26
Rate/unit (₹)	23.55	22.00
Unit/kg of production	0.02	0.03
Rate/kg of production (₹)	0.52	0.71
3. Coal		
Quantity (MT)	16,904.68	21,084.44
Total cost (₹ in lakhs)	1,199.20	1,447.77
Rate/MT (₹)	7,093.89	6,866.52
Rate/kg of production (₹)	2.49	3.29
4. Furnace Oil, LSHS and LD oil		
Quantity (K. Ltrs.)	69.60	52.23
Total cost (₹ in lakhs)	25.33	16.57
Average/K. ltrs. (₹)	36.39	31.72
Rate/kg of production (₹)	0.05	0.04

B. Consumption per unit of production

Particulars	Standards	Current year	Previous year
Products (with details) unit	Since the Company manufactures a wide range of bulk drugs, granulations and different combinations of finished dosages, it is not practicable to give consumption per unit of production.		
Electricity Furnace oil Coal			

Form B - Particulars of Absorption

Research & Development:

From being known as a leading supplier of APIs and PFI's in bulk, we moved on to become a leading manufacturer of finished dosage forms. Over the years, we have been constantly investing in Research and Development, where our team has been able to passionately translate science and technology into pharmaceutical products and manufacturing processes, meeting global regulatory standards. With experienced, , and qualified human resources our R&D capabilities are the

driving forces of our current momentum and future growth of the organisation. With innovation instilled into culture of the company at various levels, R&D is a crucial attribute in fostering our vision to become a global leader in the pharmaceutical manufacturing process.

We are augmenting our research capabilities and expanding our product portfolio to address the prospective demand across global markets. From a commercial perspective, our strategic product, process and market approaches give us a competitive advantage which will enable us to be an integrated player offering both drug substance and the drug product.

2019-20 - Highlights

Core Business: The core business has always remained our focal point, while we are constantly expanding our product portfolio and global presence with focus on high volume products built on maximizing process efficiencies and vertical integration. Our core products; Acetaminophen, Metformin HCl, Ibuprofen, Guaifenesin, Cetirizine and Methocarbamol have remained a priority.

Emerging Business: Product selection process for our "Emerging business," focuses on identifying and developing high entry barrier products, with varied complexities at API and/ or formulation stage. We have developed APIs that cover a broad spectrum of therapeutic categories and expanded capabilities into the segment of oncology with our state of the art facility at Vishakhapatnam.

As on 31 Mar 2020, we filed Total 20 (3 in FY 19-20) U.S. Drug Master Files ("USDMFs") across several therapeutic categories with the United States Food and Drug Administration ("U.S. FDA") in the United States, 16 (3 in FY 19-20) Certificates of Suitability ("CEPs") with the European Directorate for the Quality of Medicines ("EDQM") and 7 European Drug Master Files ("EDMFs") (1 in FY 19-20) in Europe, along with other regulatory filings in key regulated markets to support potential customers for ANDA and dossier filings. As part of our portfolio strategy of vertical integration, we intend to file ANDAs for several of these APIs to forward integrate into FDFs.

In finished dosage form, we filed 44 (12 in FY 19-20) ANDAs with the U.S. FDA of which 26 ANDAs have been approved and 18 are under review. We aim to continue this momentum by continue to identify, execute development and file complex products within the oral immediate release, extended release, delayed release, MUPS, powders and suspensions dosages.

Over the last financial year (2019-20) we were able to file our first Oncology Molecule (USDMF), from our Oncology site (Unit V, Vishakhapatnam) along with 7 other DMF's (3 US DMFs, 3 CEPs and 1 EU DMF) for API's. Our formulation filings included 12 ANDAs (US Market) and 3 MA Applications (Europe) submitted to respective regulatory authorities (FDA, EDQM and EMA). 18 ANDA applications are under review.

Granules received 13 ANDA approvals (11 Final Approvals + 2 Tentative Approvals) in the financial year (2019-2020). This on time approvals exemplify quality of our ANDA filings. With further commitment and focus on R&D, we hope to increase the number of filings (API & Formulations) and approvals across the globe for the coming financial year as well.

We aim to continue this momentum by executing development of products from our pipeline of complex technology products within the immediate release, extended release, delayed release, MUPS, powders and suspensions dosages.

We have also embarked upon our journey to build Granules' intellectual property assets. Granules currently holds 6 Granted patents and 31 pending patent applications in active prosecution in various countries. In FY 2019-20, we filed 3 patent applications in India. These inventions were primarily directed towards new process for manufacturing intermediates and /or APIs, pharmaceutical composition thereof.

Way Forward

We will continue to leverage our knowledge and experience in our core products to expand them into new markets and dosage forms. This would not only help us to bring economies of scale, but also, mitigate market concentration risk. Taking steps in this direction during the financial year, we filed three dossiers in European market and working to file in additional markets in coming year.

We will continue to identify and develop complex products with limited competition, and continuously bring process efficiencies for our existing products to have competitive advantage in the market.

We look forward to making considerable progress in building our technical capabilities within the Oncology space and ensure process development, validations and furthermore regulatory filings.

Bringing focus on our R&D activities and initiatives will enhance our product registrations and filings building diversified product portfolio in the key markets and strengthen our global presence.

Expenditure incurred on Research and Development

(₹ in lakhs)

Particulars	FY 2019-20	FY 2018-19
Capital	648.10	1,327.40
Revenue	5,208.28	3,905.65
Total	5,856.38	5,233.05

Form C - Total Foreign Exchange Earned and Used

(₹ in lakhs)

Particulars	FY 2019-20	FY 2018-19
Foreign Exchange Earnings	1,84,338.47	156,029.79
Foreign Exchange Outgo	77,508.98	84,186.11

On behalf of the Board of Directors

Krishna Prasad Chigurupati

Chairman and Managing Director

Hyderabad, June 02, 2020

DIN: 00020180

Annexure VI to Board's Report

FORM NO. MGT 9

EXTRACT OF ANNUAL RETURN

As on the financial year ended on March 31, 2020

[Pursuant to Section 92 (3) of the Companies Act, 2013 and rule 12(1) of the Companies (Management & Administration) Rules, 2014]

I. Registration & other Details:

i. CIN	L24110TG1991PLC012471
ii. Registration Date	18th March 1991
iii. Name of the Company	Granules India Limited
iv. Category/Sub-category of the Company	Company Limited by shares/ Public non-government company
v. Address of the Registered office & contact details	2nd Floor, 03rd Block, My Home Hub, Madhapur, Hyderabad (TS) 500 081. Ph: +91-40-30660000 Fax: +91-40-23115145 E-mail: investorrelations@granulesindia.com URL: www.granulesindia.com
vi. Whether listed company	YES/NO
vii. Name, Address & contact details of the Registrar & Transfer Agent, if any.	KFin Technologies Private Limited Unit: Granules India Limited, Selenium Tower B, Plot No. 31 & 32, Gachibowli, Financial District, Nanakramguda, Serilingampally Mandal, Hyderabad - 500 032, Telangana State (TS) - India Tel: +91 040 67161500, Toll Free No: 1-800-3454-001 Fax: +91 40 23001153 Email :- einward.ris@kfintech.com Website: www.kfintech.com

II. Principal Business Activities of the Company

(All the business activities contributing 10 % or more of the total turnover of the company shall be stated)

Sl. No.	Name and Description of main products / services	NIC Code of the Product/ service	% to total turnover of the company
1	Pharmaceutical Products	21002	100%

III. Particulars of Holding, Subsidiary and Associate Companies:

Sl. No.	Name and Address of the Company	CIN	Holding/Subsidiary / Associate	% of Shares Held	Applicable Section
1	Granules OmniChem Private Limited	U24233TG2011PTC076274	Associate	50%	2(6)
2	Granules USA, Inc.	Not Applicable	Subsidiary	100%	2(87)(ii)
3	Granules Pharmaceuticals, Inc.	Not Applicable	Subsidiary	100%	2(87)(ii)
4	Granules Europe Limited	Not Applicable	Subsidiary	100%	2(87)(ii)

IV. Share Holding Pattern (Equity Share Capital Breakup as percentage of Total Equity)

i) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year [As on 31-March-2019]				No. of Shares held at the end of the year [As on 31-March-2020]				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoter and Promoter Group									
(1) Indian									
a) Individual/ HUF	104329405	0	104329405	41.03	104228405	0	104228405	40.99	(0.04)
b) Central Govt									
c) State Govt(s)									
d) Bodies Corp.	3807096	0	3807096	1.50	3807096	0	3807096	1.50	0.00
e) Banks / FI									
f) Any other									
Sub-Total A(1)	108136501	0	108136501	42.53	108035501	0	108035501	42.49	(0.04)
(2) Foreign									
(a) Individuals (NRIs/Foreign Individuals)	946700	0	946700	0.37	946700	0	946700		0.00
(b) Bodies Corporate									
(c) Others									
Sub-Total A(2)	946700	0	946700	0.37	946700	0	946700	0.37	0.00
Total shareholding of Promoter & Promoter Group (A)	109083201	0	109083201	42.90	108982201	0	108982201	42.86	(0.04)
B. Public Shareholding									
1. Institutions									
a) Mutual Funds	1141109	0	1141109	0.45	923325	0	923325	0.36	(0.09)
b) Banks / FI	7643493	0	7643493	3.00	7631692	0	7631692	3.00	0.00
c) Central Govt									
d) State Govt(s)									
e) Venture Capital Funds									
f) Insurance Companies									
g) FPC	32464362	0	32464362	12.77	55168073	0	55168073	21.70	8.93
h) Foreign Venture Capital Funds									
i) Others (specify)									
Sub-total (B)(1):-	41248964	0	41248964	16.22	63723090	0	63723090	25.06	8.84
2. Non-Institutions									
a) Bodies Corp.	23687152	0	23687152	9.32	13958049	0	13958049	5.49	(3.83)
i) Indian									
ii) Overseas									
b) Individuals									
i) Individual shareholders holding nominal share capital up to ₹ 1 lakh	55861504	227620	56089124	22.06	44748971	206510	44955481	17.68	(4.38)
ii) Individual shareholders holding nominal share capital in excess of ₹1 lakh	18653841	0	18653841	7.34	16707462	0	16707462	6.57	(0.77)
c) Others (specify) NBFCs Register With RBI	341384	0	341384	0.13	10650	0	10650	0.00	(0.13)
i) Non Resident Indians	3268501	0	3268501	1.29	3598421	0	3598421	1.42	0.13

Category of Shareholders	No. of Shares held at the beginning of the year [As on 31-March-2019]				No. of Shares held at the end of the year [As on 31-March-2020]				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
ii) Non Resident Indians Non-Repatriation	904737	0	904737	0.36	1233204	0	1233204	0.49	0.13
iii) Overseas Corporate Bodies									
iv) Clearing Members	502521	0	502521	0.20	836947	0	836947	0.33	0.13
v) Trusts	233100	0	233100	0.09	1200	0	1200	0.00	(0.09)
vi) Investor Education and Protection Fund Authority (IEPF)	235037	0	235037	0.09	240857	0	240857	0.09	0.00
Sub-total (B)(2):-	103687777	227620	103915397	40.87	81335761	206510	81542271	32.07	(8.80)
Total Public Shareholding (B)=(B)(1)+ (B)(2)	144936741	227620	145164361	57.10	145058851	206510	145265361	57.14	0.04
C. Shares held by Custodian for GDRs & ADRs	0	0	0	0	0	0	0		0
Grand Total (A+B+C)	254019942	227620	254247562	100	254041052	206510	254247562	100	

ii) Shareholding of Promoter and Promoter group

Sl. No.	Shareholder's Name	Shareholding at the end of the year 31st March 2019			Shareholding at the end of the year 31st March 2020			% change in shareholding during the year
		No. of Shares	% of total Shares of the company	%of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	%of Shares Pledged / encumbered to total shares	
Shareholding of Promoter								
1	Krishna Prasad Chigurupati	90329927	35.53	43.81	90329927	35.53	45.39	0
Shareholding of Promoter group								
2	Uma Devi Chigurupati	9902860	3.89	78.46	9902860	3.89	0.00	0
3	Pragnya Chigurupati	1973020	0.78	0.00	1973020	0.78	0.00	0
4	Priyanka Chigurupati	1957598	0.77	0.00	1957598	0.77	0.00	0
5	Harsha Chigurupati	0.00	0.00	0.00	0.00	0.00	0.00	0
6	Suseela Devi Chigurupati	166000	0.07	0.00	65000	0.03	0.00	(0.04)
7	Santhi Sree Ramanavarapu	917200	0.36	0.00	917200	0.36	0.00	0
8	Tyche Investments Private Limited	3807096	1.50	0.00	3807096	1.50	0.00	0
9	Yedaguri Nikhila Reddy	29500	0.01	0.00	29500	0.01	0.00	0
Total		109083201	42.90		108982201	42.86		(0.04)

iii) Change in Promoter and Promoter group Shareholding

Sl. No.	Particular	No. of Shares at the beginning	% of total shares of the Company	Date	Increase/ Decrease in Share-holding	Reason	Cumulative Shareholding during the year (01-04-19 to 31-03-20)	
							No. of Shares	% of total shares of the Company
	At the beginning of the Year on 01.04.2019	109083201	42.90					
				17.02.2020	101000	Transfer as Gift	108982201	42.86
	At the end of the year						108982201	42.86

iv) Shareholding Pattern of top ten Shareholders (Other than Directors, Promoters and Holders of GDRs and ADRs):

Sl. No.	Life Insurance Corporation of India	No. of Shares at the beginning	% of total shares of the Company	Date	Increase/ Decrease in Share-holding	Reason	Cumulative Shareholding during the year (01-04-19 to 31-03-20)	
							No. of Shares	% of total shares of the Company
1.	At the beginning of the Year	7000000	2.75					
				21.06.2019	120000	Purchase	7120000	2.80
				28.06.2019	25000	Purchase	7145000	2.81
				05.07.2019	261927	Purchase	7406927	2.91
				12.07.2019	193073	Purchase	7600000	2.99
	At the end of the year (or on the date of separation, if separated during the year)						7600000	2.99

Sl. No.	Triton Securities LLP	No. of Shares at the beginning	% of total shares of the Company	Date	Increase/ Decrease in Share-holding	Reason	Cumulative Shareholding during the year (01-04-19 to 31-03-20)	
							No. of Shares	% of total shares of the Company
2.	At the beginning of the Year	6829270	2.69					
				30.09.2019	6829270	Transfer	Nil	0.00
	At the end of the year (or on the date of separation, if separated during the year)						Nil	0.00

Sl. No.	Government Pension Fund Global	No. of Shares at the beginning	% of total shares of the Company	Date	Increase/ Decrease in Share-holding	Reason	Cumulative Shareholding during the year (01-04-19 to 31-03-20)	
							No. of Shares	% of total shares of the Company
3.	At the beginning of the Year	6601588	2.60					
				10.05.2019	100000	Purchase	6701588	2.64

Sl. No.	Government Pension Fund Global	No. of Shares at the beginning	% of total shares of the Company	Date	Increase/Decrease in Share-holding	Reason	Cumulative Shareholding during the year (01-04-19 to 31-03-20)	
							No. of Shares	% of total shares of the Company
				17.05.2019	303665	Purchase	7005253	2.76
				02.08.2019	64000	Purchase	7069253	2.78
				09.08.2019	250000	Purchase	7319253	2.88
				16.08.2019	50000	Purchase	7369253	2.90
				30.08.2019	150000	Purchase	7519253	2.96
At the end of the year (or on the date of separation, if separated during the year)							7519253	2.96

Sl. No.	Ontario Pension Board-Mondrian Investment Partners Limited	No. of Shares at the beginning	% of total shares of the Company	Date	Increase/Decrease in Share-holding	Reason	Cumulative Shareholding during the year (01-04-19 to 31-03-20)	
							No. of Shares	% of total shares of the Company
4.	At the beginning of the Year	2746821	1.08					
				05.04.2019	(703516)	Sale	2043305	0.80
				31.03.2020	219044	Purchase	2262349	0.89
At the end of the year (or on the date of separation, if separated during the year)							2262349	0.89

Sl. No.	Ramanavarapu Vijay	No. of Shares at the beginning	% of total shares of the Company	Date	Increase/Decrease in Share-holding	Reason	Cumulative Shareholding during the year (01-04-19 to 31-03-20)	
							No. of Shares	% of total shares of the Company
5.	At the beginning of the Year	1461868	0.57					
At the end of the year (or on the date of separation, if separated during the year)							1461868	0.57

Sl. No.	Mondrian Emerging Markets Small Cape equity Fund, L P	No. of Shares at the beginning	% of total shares of the Company	Date	Increase/Decrease in Share-holding	Reason	Cumulative Shareholding during the year (01-04-19 to 31-03-20)	
							No. of Shares	% of total shares of the Company
6.	At the beginning of the Year	3200616	1.26					
				05.04.2019	(313626)	Sale	2886990	1.41
				14.06.2019	(85134)	Sale	2801856	1.10
				21.06.2019	(102887)	Sale	2698969	1.06
				28.06.2019	(178930)	Sale	2520039	0.99
				12.07.2019	(387312)	Sale	2132727	0.84
				19.07.2019	(7967)	Sale	2124760	0.84

Sl. No.	Mondrian Emerging Markets Small Cape equity Fund, L P	No. of Shares at the beginning	% of total shares of the Company	Date	Increase/ Decrease in Share-holding	Reason	Cumulative Shareholding during the year (01-04-19 to 31-03-20)	
							No. of Shares	% of total shares of the Company
				27.09.2019	(140000)	Sale	1984760	0.78
				20.12.2019	(94204)	Sale	1890556	0.74
				10.01.2020	(130000)	Sale	1760556	0.69
				31.01.2020	(331710)	Sale	1428846	0.56
				31.03.2020	165956	Purchase	1594802	0.63
At the end of the year (or on the date of separation, if separated during the year)							1594802	0.63

Sl. No.	Emerging Markets Core Equity Portfolio (The Portfolio) of DFA Investment Dimensions Group INC. (DFAIDG)	No. of Shares at the beginning	% of total shares of the Company	Date	Increase/ Decrease in Share-holding	Reason	Cumulative Shareholding during the year (01-04-19 to 31-03-20)	
							No. of Shares	% of total shares of the Company
7.	At the beginning of the Year	1098297	0.43					
				31.05.2019	8132	Purchase	1106429	0.44
				14.06.2019	30019	Purchase	1136448	0.45
				21.06.2019	7144	Purchase	1143592	0.45
				28.06.2019	65497	Purchase	1209089	0.48
				02.08.2019	15578	Purchase	1224667	0.48
				08.11.2019	17050	Purchase	1241717	0.49
				15.11.2019	21462	Purchase	1263179	0.50
At the end of the year (or on the date of separation, if separated during the year)							1263179	0.50

Sl. No.	India first life Insurance Company LTD	No. of Shares at the beginning	% of total shares of the Company	Date	Increase/ Decrease in Share-holding	Reason	Cumulative Shareholding during the year (01-04-19 to 31-03-20)	
							No. of Shares	% of total shares of the Company
8.	At the beginning of the Year	351655	0.14					
					(113025)	Sale	238630	0.09
					(70221)	Sale	168409	0.07
					(96454)	Sale	71955	0.03
					(71955)	Sale	Nil	0.00
At the end of the year (or on the date of separation, if separated during the year)							Nil	0.00

Sl. No.	Kairal Fund Pte. Ltd	No. of Shares at the beginning	% of total shares of the Company	Date	Increase/ Decrease in Share-holding	Reason	Cumulative Shareholding during the year (01-04-19 to 31-03-20)	
							No. of Shares	% of total shares of the Company
9.	At the beginning of the Year	1573113	0.62					
				05.04.2019	(70000)	Sale	1503113	0.59
				12.04.2019	(26577)	Sale	1476536	0.58
				10.05.2019	(188881)	Sale	1287655	0.51
				17.05.2019	(167927)	Sale	1119728	0.44
				24.05.2019	(50000)	Sale	1069728	0.42
				02.08.2019	60000	Purchase	1129728	0.44
				25.10.2019	240000	Purchase	1369728	0.54
				01.11.2019	304630	Purchase	1674358	0.66
				15.11.2019	150000	Purchase	1824358	0.72
				22.11.2019	29634	Purchase	1853992	0.73
				29.11.2019	180000	Purchase	2033992	0.80
				03.01.2020	(137724)	Sale	1896268	0.75
				10.01.2020	(273718)	Sale	1622550	0.64
				17.01.2020	(144451)	Sale	1478099	0.58
				24.01.2020	(164234)	Sale	1313865	0.52
				31.01.2020	(101067)	Sale	1212798	0.48
				07.02.2020	(519771)	Sale	693027	0.27
				14.02.2020	(462018)	Sale	231009	0.09
				21.02.2020	(231009)	Sale	Nil	0.00
At the end of the year (or on the date of separation, if separated during the year)							Nil	0.00

Sl. No.	Pace Stock Broking Services Private Limited	No. of Shares at the beginning	% of total shares of the Company	Date	Increase/ Decrease in Share-holding	Reason	Cumulative Shareholding during the year (01-04-19 to 31-03-20)	
							No. of Shares	% of total shares of the Company
10.	At the beginning of the Year	1321760	0.52					
				05.04.2019	250100	Purchase	1571860	0.62
				12.04.2019	(100)	Sale	1571760	0.62
				26.04.2019	81000	Purchase	1652760	0.65
				26.04.2019	(95590)	Sale	1557170	0.61
				03.05.2019	400	Purchase	1557570	0.61
				03.05.2019	(400)	Sale	1557170	0.61
				24.05.2019	2000	Purchase	1559170	0.61
				31.05.2019	(2500)	Sale	1556670	0.61
				07.06.2019	100	Purchase	1556770	0.61
				14.06.2019	2490	Purchase	1559260	0.61
				14.06.2019	(60000)	Sale	1499260	0.59

Sl. No.	Pace Stock Broking Services Private Limited	No. of Shares at the beginning	% of total shares of the Company	Date	Increase/ Decrease in Share- holding	Reason	Cumulative Shareholding during the year (01-04-19 to 31-03-20)	
							No. of Shares	% of total shares of the Company
				21.06.2019	(550000)	Sale	949260	0.37
				28.06.2019	(115000)	Sale	834260	0.33
				12.07.2019	(50)	Sale	834210	0.33
				26.07.2019	(24000)	Sale	810210	0.32
				02.08.2019	110000	Purchase	920210	0.36
				02.08.2019	(620000)	Sale	300210	0.12
				09.08.2019	(110000)	Sale	190210	0.07
				23.08.2019	(50)	Sale	190160	0.07
				30.08.2019	240	Purchase	190400	0.07
				30.08.2019	(188840)	Sale	1560	0.00
				20.09.2019	(460)	Sale	1100	0.00
				27.09.2019	460	Purchase	1560	0.00
				27.09.2019	(460)	Sale	1100	0.00
				25.10.2019	309890	Purchase	310990	0.12
				01.11.2019	(490)	Sale	310500	0.12
				15.11.2019	(280000)	Sale	30500	0.01
				06.12.2019	60000	Purchase	90500	0.04
				20.12.2019	(25060)	Sale	65440	0.03
				27.12.2019	25250	Purchase	90690	0.04
				31.12.2019	140000	Purchase	230690	0.09
				07.02.2020	(80)	Sale	230610	0.09
				06.03.2020	(230000)	Sale	610	0.00
				27.03.2020	(370)	Sale	240	0.00
At the end of the year (or on the date of separation, if separated during the year)							240	0.00

Sl. No.	Akash Bhanshali	No. of Shares at the beginning	% of total shares of the Company	Date	Increase/ Decrease in Share-holding	Reason	Cumulative Shareholding during the year (01-04-19 to 31-03-20)	
							No. of Shares	% of total shares of the Company
11.	At the beginning of the Year	1218559	0.48					
				13.12.2019	(67000)	Sale	1151559	0.45
				21.02.2020	(83778)	Sale	1067781	0.42
				28.02.2020	(65000)	Sale	1002781	0.39
				31.03.2020	(264800)	Sale	737981	0.29
	At the end of the year (or on the date of separation, if separated during the year)						737981	0.29

Sl. No.	Fidelity Funds - Asian Smaller Companies Pool	No. of Shares at the beginning	% of total shares of the Company	Date	Increase/ Decrease in Share-holding	Reason	Cumulative Shareholding during the year (01-04-19 to 31-03-20)	
							No. of Shares	% of total shares of the Company
15.	At the beginning of the Year	Nil	0.00					
				04/10/2019	1064979	Purchase	1064979	0.42
				11/10/2019	1270448	Purchase	2335427	0.92
				25/10/2019	744910	Purchase	3080337	1.21
				08/11/2019	173635	Purchase	3253972	1.28
				15/11/2019	29969	Purchase	3283941	1.29
				24/01/2020	103974	Purchase	3387915	1.33
				07/02/2020	619599	Purchase	4007514	1.58
				20/03/2020	373352	Purchase	4380866	1.72
				27/03/2020	423081	Purchase	4803947	1.89
At the end of the year (or on the date of separation, if separated during the year)							4803947	1.89

Sl. No.	Lazard Emerging Markets Small Cap Equity Trust	No. of Shares at the beginning	% of total shares of the Company	Date	Increase/ Decrease in Share-holding	Reason	Cumulative Shareholding during the year (01-04-19 to 31-03-20)	
							No. of Shares	% of total shares of the Company
16.	At the beginning of the Year	Nil	0.00					
				07.02.2020	166629	Purchase	166629	0.07
				14.02.2020	825076	Purchase	991705	0.39
				21.02.2020	17243	Purchase	1008948	0.40
				28.02.2020	360443	Purchase	1369391	0.54
				06.03.2020	1450772	Purchase	2820163	1.11
				13.03.2020	956136	Purchase	3776299	1.49
				20.03.2020	735846	Purchase	4512145	1.77
				31.03.2020	314911	Purchase	4827056	1.90
At the end of the year (or on the date of separation, if separated during the year)							4827056	1.90

Sl. No.	Fidelity Asian Values Plc	No. of Shares at the beginning	% of total shares of the Company	Date	Increase/ Decrease in Share-holding	Reason	Cumulative Shareholding during the year (01-04-19 to 31-03-20)	
							No. of Shares	% of total shares of the Company
17.	At the beginning of the Year	Nil	0.00					
				04.10.2019	416645	Purchase	416645	0.16
				11.10.2019	497029	Purchase	913674	0.36
				25.10.2019	295341	Purchase	1209015	0.48
				08.11.2019	68842	Purchase	1277857	0.50
				15.11.2019	108781	Purchase	1386638	0.55

Sl. No.	Fidelity Asian Values Plc	No. of Shares at the beginning	% of total shares of the Company	Date	Increase/ Decrease in Share-holding	Reason	Cumulative Shareholding during the year (01-04-19 to 31-03-20)	
							No. of Shares	% of total shares of the Company
				24.01.2020	36019	Purchase	1422657	0.56
				07.02.2020	214646	Purchase	1637303	0.64
				20.03.2020	259373	Purchase	1896676	0.75
				27.03.2020	461280	Purchase	2357956	0.93
At the end of the year (or on the date of separation, if separated during the year)							2357956	0.93

Sl. No.	Lazard Emerging Markets Small Cap Equity Trust	No. of Shares at the beginning	% of total shares of the Company	Date	Increase/ Decrease in Share-holding	Reason	Cumulative Shareholding during the year (01-04-19 to 31-03-20)	
							No. of Shares	% of total shares of the Company
18.	At the beginning of the Year	1139274	0.45					
				05.04.2019	263681	Purchase	1402955	0.55
				12.04.2019	644453	Purchase	2047408	0.81
				19.04.2019	190102	Purchase	2237510	0.88
				26.04.2019	574649	Purchase	2812159	1.11
				03.05.2019	295779	Purchase	3107938	1.22
				17.05.2019	561206	Purchase	3669144	1.44
				24.05.2019	653235	Purchase	4322379	1.70
				31.05.2019	122690	Purchase	4445069	1.75
				02.08.2019	321931	Purchase	4767000	1.87
				20.09.2019	164270	Purchase	4931270	1.94
				27.09.2019	524654	Purchase	5455924	2.15
				18.10.2019	156635	Purchase	5612559	2.21
				01.11.2019	(63215)	Sale	5549344	2.18
				08.11.2019	(360344)	Sale	5189000	2.04
				22.11.2019	(147968)	Sale	5041032	1.98
				29.11.2019	(682874)	Sale	4358158	1.71
				20.12.2019	(213137)	Sale	4145021	1.63
				27.12.2019	(112372)	Sale	4032649	1.59
				10.01.2020	(76649)	Sale	3956000	1.56
				31.01.2020	(77864)	Sale	3878136	1.53
				07.02.2020	94992	Purchase	3973128	1.56
				14.02.2020	(239137)	Sale	3733991	1.47
				21.02.2020	(557085)	Sale	3176906	1.25
				06.03.2020	(284632)	Sale	2892274	1.14
				13.03.2020	(558066)	Sale	2334208	0.92
				20.03.2020	(272351)	Sale	2061857	0.81
				31.03.2020	(57924)	Sale	2003933	0.79
At the end of the year (or on the date of separation, if separated during the year)							2003933	0.79

v) Shareholding of Directors and Key Managerial Personnel:

Executive Directors

Sl. No.	Krishna Prasad Chigurupati	No. of Shares at the beginning	% of total shares of the Company	Date	Increase/ Decrease in Share-holding	Reason	Cumulative Shareholding during the year (01-04-19 to 31-03-20)	
					No Change during the year		No. of Shares	% of total shares of the Company
1	At the beginning of the Year	90329927	35.53					
	At the end of the year						90329927	35.53

Sl. No.	Uma Devi Chigurupati	No. of Shares at the beginning	% of total shares of the Company	Date	Increase/ Decrease in Share- holding	Reason	Cumulative Shareholding during the year (01-04-19 to 31-03-20)	
					No Change during the year		No. of Shares	% of total shares of the Company
2	At the beginning of the Year	9902860	3.90					
	At the end of the year						9902860	3.89

Sl. No.	Harsha Chigurupati*	No. of Shares at the beginning	% of total shares of the Company	Date	Increase/ Decrease in Share-holding	Reason	Cumulative Shareholding during the year (01-04-19 to 31-03-20)	
					No Change during the year		No. of Shares	% of total shares of the Company
3	At the beginning of the Year	Nil	Nil					
	At the end of the year						Nil	Nil

*Mr. Harsha Chigurupati was appointed Executive Director of the Company on August 29, 2019.

Sl. No.	C. Parthasarathy	No. of Shares at the beginning	% of total shares of the Company	Date	Increase/ Decrease in Share-holding	Reason	Cumulative Shareholding during the year (01-04-19 to 31-03-20)	
							No. of Shares	% of total shares of the Company
4	At the beginning of the Year	405000	0.16	27.11.2019	405000	Pledge Invoke	Nil	0.00
	At the end of the year						Nil	0.00

Sl. No.	A. Arun Rao	No. of Shares at the beginning	% of total shares of the Company	Date	Increase/ Decrease in Share-holding	Reason	Cumulative Shareholding during the year (01-04-19 to 31-03-20)	
							No. of Shares	% of total shares of the Company
5	At the beginning of the Year	10000	0.00					
	At the end of the year						10000	0.00

Sl. No.	K. B. Sankar Rao	No. of Shares at the beginning	% of total shares of the Company	Date	Increase/ Decrease in Share-holding	Reason	Cumulative Shareholding during the year (01-04-19 to 31-03-20)	
							No. of Shares	% of total shares of the Company
6	At the beginning of the Year	3605260	1.42					
				26.05.2019	(100)	Sale	3605160	1.42
				27.12.2019	(10000)	Sale	3595160	1.41
				31.12.2019	(4000)	Sale	3591160	1.41
	At the end of the year						3591160	1.41

Sl. No.	Arun Sawhney	No. of Shares at the beginning	% of total shares of the Company	Date	Increase/ Decrease in Share-holding	Reason	Cumulative Shareholding during the year (01-04-19 to 31-03-20)	
							No. of Shares	% of total shares of the Company
7	At the beginning of the Year	Nil	Nil					
	At the end of the year						Nil	Nil

Sl. No.	Robert George Cunard	No. of Shares at the beginning	% of total shares of the Company	Date	Increase/ Decrease in Share-holding	Reason	Cumulative Shareholding during the year (01-04-19 to 31-03-20)	
							No. of Shares	% of total shares of the Company
8	At the beginning of the Year	Nil	Nil					
	At the end of the year						Nil	Nil

Sl. No.	Jyothi Prasad	No. of Shares at the beginning	% of total shares of the Company	Date	Increase/ Decrease in Share-holding	Reason	Cumulative Shareholding during the year (01-04-19 to 31-03-20)	
							No. of Shares	% of total shares of the Company
9	At the beginning of the Year	Nil	Nil					
	At the end of the year						Nil	Nil

Key Managerial Personnel

Sl. No.	Sandip Neogi	No. of Shares at the beginning	% of total shares of the Company	Date	Increase/ Decrease in Share-holding	Reason	Cumulative Shareholding during the year (01-04-19 to 31-03-20)	
							No. of Shares	% of total shares of the Company
1.	At the beginning of the Year	Nil	Nil					
	At the end of the year						Nil	Nil

Sl. No.	Chaitanya Tummala	No. of Shares at the beginning	% of total shares of the Company	Date	Increase/ Decrease in Share-holding	Reason	Cumulative Shareholding during the year (01-04-19 to 31-03-20)	
							No. of Shares	% of total shares of the Company
2.	At the beginning of the Year	Nil	Nil					
	At the end of the year						Nil	Nil

V) Indebtedness

Indebtedness of the Company including interest outstanding/accrued but not due for payment.

(₹ In lakhs)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	85,848.69	13,269.25	-	99,117.74
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	300.29	-	-	300.29
Total (i+ii+iii)	86,148.98	13,269.25	-	99,418.23
Change in Indebtedness during the financial year				
Addition (including forex fluctuation)	4,588.05	-	-	4,588.05
Reduction	(10,044.19)	(5,295.71)	-	(15,339.90)
Net Change	(5,456.14)	(5,295.71)	-	(10,751.85)
Indebtedness at the end of the financial year				
i) Principal Amount	80,392.55	7,973.54	-	88,366.09
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	278.82	-	-	278.82
Total (i+ii+iii)	80,671.37	7,973.54	-	88,644.91

VI. Remuneration of Directors and Key Managerial Personnel-

A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

(₹ In lakhs)

Sl. No.	Particulars of Remuneration	Name of MD/WTD/ Manager			Total Amount
		Krishna Prasad Chigurupati (Chairman & Managing Director)	Uma Devi Chigurupati (Executive Director)	Harsha Chigurupati* (Executive Director)	
1	Gross salary	180.00	23.35	35.48	238.83
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961				
	(b) Value of perquisites u/s 17(2) of the Income-tax Act, 1961	34.61	0.77	0.17	35.55
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961				
2	Stock Option				
3	Sweat Equity				
4	Commission - as % of profit - others, specify	1841.06	1620.42	191.59	3653.07
5	Others, please specify				
	Total (A)	2055.67	1644.54	227.24	3927.45
	Ceiling as per the Act (being 10% of the net profits of the Company calculated as per section 198 of the Companies Act, 2013).				4111.34

*Mr. Harsha Chigurupati was appointed as Executive Director of the Company on August 29, 2019.

B. Remuneration to other directors

(₹ In lakhs)

Sl. No.	Particulars of Remuneration	Name of the Directors					Total Amount
		C. Parthasarathy(i)	A. Arun Rao	K.B. Sankar Rao	Harsha Chigurupati(ii)	Arun Sawhney	
1	Independent Directors Fee for attending Board and committee meetings Commission Others, please specify	2.20	8.90	9.00	1.20	7.80	29.10
	Total (1)						29.10
2	Other Non-Executive Directors Robert George Cunard	Robert George Cunard	Jyothi Prasad				
	Fee for attending Board and committee meetings	4.40	5.70				10.10
	Commission						
	Others, please specify						
	Total (2)						10.10
	Total (B)=(1+2)						39.20
	Overall Ceiling as per the Act is ₹ 411.13 lakhs being 1% of the net profits of the Company calculated as per section 198 of the Companies Act, 2013.						
	Total Managerial Remuneration*						3966.65

*Total remuneration to Managing Director, Whole-Time Directors and other Directors (being the total of A and B).

(i) Mr. C. Parthasarathy was resigned as Independent Director of the Company w.e.f. December 26, 2019.

(ii) Mr. Harsha Chigurupati was appointed as Executive Director of the Company on August 29, 2019.

C. Remuneration to Key managerial personnel other than MD/MANAGER/WTD

(₹ In lakhs)

Sl. No.	Particulars of Remuneration	Key Managerial Personnel			Total	
		CEO	K. Ganesh (CFO till 14.05.2019)	Sandip Neogi (CFO from 04.11.2019)		Chaitanya Tummala (CS)
1	Gross salary		54.36	43.30	32.84	130.50
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961					
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961		0.19	0.10	2.64	2.93
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961					
2	Stock Option					
3	Sweat Equity					
4	Commission					
	- as % of profit					
	others, specify					
5	Others, please specify					
	Total		54.55	43.40	35.48	133.43

VII. Penalties / Punishment/ Compounding of Offences:

Type	Section of the Companies Act	Brief Description	Details of Penalty / Punishment/ Compounding fees imposed	Authority [RD / NCLT/ COURT]	Appeal made, if any (give Details)
A. COMPANY					
Penalty	NIL	NIL	NIL	NIL	NIL
Punishment	NIL	NIL	NIL	NIL	NIL
Compounding	NIL	NIL	NIL	NIL	NIL
B. DIRECTORS					
Penalty	NIL	NIL	NIL	NIL	NIL
Punishment	NIL	NIL	NIL	NIL	NIL
Compounding	NIL	NIL	NIL	NIL	NIL
C. OTHER OFFICERS IN DEFAULT					
Penalty	NIL	NIL	NIL	NIL	NIL
Punishment	NIL	NIL	NIL	NIL	NIL
Compounding	NIL	NIL	NIL	NIL	NIL

On behalf of the Board of Directors

Krishna Prasad Chigurupati

Chairman and Managing Director

DIN: 00020180

Hyderabad, June 02, 2020

Corporate Governance Report

In accordance with regulation 34(3) read with Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 as amended thereof (Listing Regulations), the report containing the details of Corporate Governance systems and processes at Granules India Limited as follows:

COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

Granules India Limited (Granules/Company) ensures adherence and enforcement of the principles of corporate governance with a focus on transparency, professionalism, fairness and accountability. The Company believes that corporate governance has a role to ensure that the Directors of the Company are subject to their duties, obligations, accountability and responsibilities, to act in the best interest of the Company and to remain accountable to the shareholders and other beneficiaries for their corporate actions. The Company also believes that an active, well informed and independent Board is necessary to ensure the highest standard of corporate governance. At Granules, the Board of Directors is at the core of corporate governance and oversees how the management serves and protects the interest of the stakeholders. The Board of Granules is responsible for and committed to the sound principles of corporate governance in the Company. Our corporate governance framework ensures that we make timely and transparent disclosures regarding our financials and performance, as well as the leadership and governance of the Company. The Company acknowledges the individual and collective responsibilities to manage the business activities with integrity.

Appropriate Governance Structure with defined roles and responsibilities

The Company has put in place an internal governance structure with defined roles and responsibilities of every constituent in the system. The Company's shareholders appoint the Board of Directors, which in turn governs the Company. The Board has established seven Committees to discharge its responsibilities in an effective and efficient manner. The Company Secretary at Granules acts as the Secretary to all the Committees of the Board constituted under the Companies Act, 2013. The Chairman and Managing Director (CMD) provide overall direction and guidance to the Board. Concurrently, the CMD is responsible for overall implementation of decisions and policies. In the operations and functioning of the Company, the CMD is assisted by the Executive Directors and a core group of senior level executives.

Board Leadership

Half of the Board, 4 out of 8, are Independent Directors as on March 31, 2020. At Granules, it is believed that an experienced Board consciously creates a culture of leadership which in turn provides a long-term vision and policy approach to improve the quality of governance. The Board's actions and decisions are aligned with the Company's best interests. Granules is committed to the goal of sustainability and elevating the Company's value creation.

The Board critically evaluates the Company's strategic direction, management policies and its effectiveness. The agenda for the Board review included a detailed analysis of annual strategic and operating plans, capital allocation and budgets. Additionally, the Board reviews related party transactions, possible risks and risk mitigation measures, financial reports from the CFO. Frequent and detailed interaction sets the agenda and provides the strategic roadmap for the Company's future growth.

Ethics/Governance Policies

At Granules, we strive to conduct our business and strengthen our relationships in a manner that is dignified, distinctive and responsible. We adhere to ethical standards and ensure integrity, transparency, independence and accountability in dealing with all stakeholders. Granules has adopted various codes and policies to carry out our duties in an ethical manner. Some of the codes and policies are:

- Code of Conduct for Board and Senior Management
- Code of Conduct for Prohibition of Insider Trading
- Code of Practices and Procedures for Fair Disclosure
- Whistle Blower Policy and Vigil Mechanism
- Related Party Transactions Policy
- Corporate Social Responsibility Policy
- Performance Evaluation and Remuneration Policy for Directors, Key Managerial Personnel and other Employees
- Policy on Material Subsidiaries
- Dividend Distribution Policy

THE BOARD OF DIRECTORS

Board Composition and Category of Directors

The Board of Directors of your Company represents the optimum blend of professionalism, knowledge and experience. As on March 31, 2020, the Board of Directors comprised eight Directors, of which five are Non-executive Directors and the composition of the Board and category of Directors are as follows:

Sl. No	Name of the Director	Category
1	Mr. Krishna Prasad Chigurupati Chairman & Managing Director DIN - 00020180	Non-Independent, Executive
2	Mr. C. Parthasarathy*	Independent, Non-Executive
3	Mr. A. Arun Rao DIN - 00876993	Independent, Non-Executive
4	Mr. Arun Sawhney DIN - 01929668	Independent, Non-Executive
5	Mr. Robert George Cunard DIN - 08346308	Independent, Non-Executive
6	Mrs. Jyothi Prasad DIN - 06947488	Independent, Non-Executive
7	Mrs. Uma Devi Chigurupati DIN - 00737689	Non-Independent, Executive
8	Mr. Kolli Basava Sankar Rao DIN - 05167550	Non-Independent, Non-Executive
9	Mr. Harsha Chigurupati** DIN - 01606477	Non-Independent, Executive

*Mr. C. Parthasarathy was ceased to be Director on the Board of M/s Granules India Limited w.e.f. 26.12.2019.

**Mr. Harsha Chigurupati was appointed as Executive Director on the Board of M/s Granules India Limited w.e.f. 29.08.2019 from Non-executive Director of the Company

Mrs. Uma Devi Chigurupati is spouse of Mr. Krishna Prasad Chigurupati and Mr. Harsha Chigurupati is son of Mr. Krishna Prasad Chigurupati and Mrs. Uma Devi Chigurupati. None of the other Directors are related to any other Director on the Board.

During the financial year 2019-20, the Company had the Managing Director as Chairman who is also the promoter of the Company and the number of Independent Directors during the year was in compliance with the requirement of having one-half of the Board as an Independent Directors. None of the Directors on the Board are member of more than 10 (ten) Committees or Chairperson of more than 5 (five) Committees as specified in regulation 26(1) of the Listing Regulations, across all the Companies in which he / she is a Director.

Selection of Independent Directors

Considering the requirement of skill sets on the Board, eminent people having an independent standing in their respective field/profession and who can effectively contribute to the Company's business and policy decisions are considered by the Nomination and Remuneration Committee for appointment as Independent Directors on the Board. The Committee, inter alia, considers qualification, positive attributes, area of expertise and number of Directorships and Memberships held in various committees of other companies by such persons in accordance with the Company's Policy for Selection of Directors and determining Directors' independence. The Board considers the Committee's recommendation, and takes appropriate decision.

Every Independent Director, at the first meeting of the Board in which he participates as a Director and thereafter at the first meeting of the Board in every financial year, gives a declaration that he meets the criteria of independence as provided under law.

Lead Independent Director

Mrs. Jyothi Prasad was elected as the Lead Independent Director by the Independent Directors of the Company. The Lead Independent Director's role is as follows:

- To preside over all meetings of Independent Directors
- To ensure there is an adequate and timely flow of information to Independent Directors
- To liaise between the Chairman and Managing Director, the Management and the Independent Directors.
- To perform such other duties as envisaged by the Companies Act, 2013 and the Listing Regulations.

Meetings of Independent Directors

The Company's Independent Directors had met one time during the financial year 2019-20 without the presence of Executives. Such meeting was conducted to enable the Independent Directors to discuss matters pertaining to the Company's affairs and put forth their views to the Lead Independent Director. The Lead Independent Director takes appropriate steps to present Independent Directors' views to the Chairman and Managing Director.

Directors' Profile

A brief resume of Directors, nature of their expertise in specific functional areas and number of companies in which they hold Directorships, Memberships/ Chairmanships of Board Committees, and shareholding in the Company are provided in this Report.

BOARD MEETINGS, BOARD COMMITTEE MEETINGS AND PROCEDURES

Institutionalized decision-making process

The Board of Directors is the apex body constituted by shareholders for overseeing the Company's overall functioning. The Board provides and evaluates the Company's strategic direction, management policies and their effectiveness, and ensures that shareholders long term interests are being served.

The Board has constituted Seven Committees, namely Audit Committee, Nomination and Remuneration Committee, Corporate Social Responsibility Committee, Share Transfer and Stakeholders Relationship Committee, Business Review Committee, Risk Management Committee and Buyback Committee. The Board is authorised to constitute additional functional Committees, from time to time, depending on business needs and framework of the law for the time being in force.

Scheduling and Selection of Agenda items for Board and Committee Meetings

Minimum four pre-scheduled Board meetings are held annually, once in each quarter inter-alia to review the financial results of the Company. Additional Board meetings are convened by giving appropriate notice to address the Company's specific needs. In case of business exigencies or urgency of matters, resolutions are passed by circulation.

The Board / Committee meetings are pre-scheduled and a tentative annual calendar of Board and Committee meetings is circulated to the Directors well in advance to facilitate them to plan their schedule and ensure meaningful participation in the meetings.

The meetings are generally held at the registered office of the Company at 2nd Floor, 3rd Block, My Home Hub, Madhapur, Hyderabad - 500 081.

The Company's functional heads are advised to schedule their work plans well in advance, particularly with regard to matters requiring discussion / approval / decision at Board / Committee meetings. Such matters are communicated by them to the Company Secretary in advance so that they are included in the agenda for Board / Committee meetings.

The Board is given presentations covering finance, marketing, operations, overview of business operations of wholly owned subsidiary companies and joint venture companies, global business environment, the Company's business opportunities and strategy and risk management practices before taking on record the Company's quarterly/annual financial results.

The Chairman of the Board and Company Secretary, in consultation with other concerned members of the senior management, finalise the agenda for Board / Committee meetings.

The agenda and notes on agenda are circulated to Directors in advance, and in the defined agenda format. All material information is incorporated in the agenda for facilitating meaningful and focused discussions at the meeting. Where it is not practicable to attach any document to the agenda, it is tabled before the meeting with specific reference to this effect in the agenda. In special and exceptional circumstances, additional or supplementary item(s) on the agenda are permitted.

The items / matters required to be placed before the Board, inter alia, include:

- Annual operating plans of businesses and budgets including capital budgets and any updates;
- Quarterly results of the Company;
- Company's annual financial results, financial statements, auditors' report and Board's report;
- Minutes of meetings of the Audit Committee and other Committees of the Board;
- Any material default in financial obligations to and by the Company, or substantial non-payment for goods sold by the Company;
- Transactions that involve substantial payment towards goodwill, brand equity or intellectual property;
- Quarterly details of foreign exchange exposures, and steps taken by management to limit risks of adverse exchange rate movement, if material;
- Non-compliance of any regulatory, statutory or listing requirements, and shareholder's service, such as dividend non-payment, share transfer delay (if any), among others;
- Appointment, remuneration and resignation of Directors;
- Formation/reconstitution of Board Committees;
- Terms of reference of Board Committees;
- Minutes of Board meetings of unlisted subsidiary companies;
- Declaration of Independent Directors at the time of appointment/annually;
- Disclosure of Directors' interest and their shareholding;
- Appointment or removal of the Key Managerial Personnel;

- Appointment of Internal Auditors and Secretarial Auditors;
- Quarterly / Annual Secretarial Audit reports submitted by Secretarial Auditors;
- Dividend declaration;
- Significant changes in accounting policies and internal controls;
- Takeover of a company or acquisition of a controlling or substantial stake in another company;
- Issue of securities;
- Recommending appointment of and fixing of remuneration of the Auditors as recommended by the Audit Committee;
- Internal Audit findings and External Audit Reports (through the Audit Committee);
- Proposals for major investments, mergers and amalgamations;
- Reports on progress made on the ongoing projects;
- Review the functioning of the subsidiary and joint venture companies;
- Related party transactions;
- Status of business risk exposures, its management and related action plans;
- Making of loans and investment of surplus funds;
- Borrowing of monies, giving guarantees or providing security in respect of loan;
- Brief on statutory developments, changes in government policies, among others with impact thereof;

- Details of litigations, prosecutions etc.;
- Compliance Certificate certifying compliance with all laws as applicable to the Company and
- Reconciliation of Share Capital Audit Report under SEBI (Depositories and Participants) Regulations, 1996.

Recording Minutes of Proceedings at Board and Committee Meetings

The Company Secretary records minutes of proceedings of each Board and Committee meeting. The draft minutes are circulated to Board / Committee members for their comments thereon as prescribed under Secretarial Standard-1. The minutes are entered in the Minutes Book within 30 days from the conclusion of the meeting.

Post Meeting follow-up Mechanism

The guidelines for Board / Committee meetings facilitate an effective post meeting follow-up, review and reporting process for decisions taken by the Board and Committees thereof. Important decisions taken at Board / Committee meetings are communicated promptly to the concerned departments. Action taken report on decisions / minutes of the previous meeting(s) is placed at the succeeding meeting of the Board / Committees for noting.

Compliance

The Company Secretary, while preparing the agenda, notes on agenda and minutes of the meeting(s), is responsible for and is required to ensure adherence to all applicable laws and regulations, including the Companies Act, 2013 read with rules issued thereunder, Listing Regulations and Secretarial Standards issued by the Institute of Company Secretaries of India.

Number of Board meetings

Nine (9) Board meetings were held during the year, as against the minimum requirement of four meetings. The details of Board meetings held are given below:

Date	Board Strength	No. of Directors Present
May 09, 2019	09	08
July 30, 2019	09	09
August 29, 2019	09	09
September 30, 2019	09	06
October 14, 2019	09	07
October 22, 2019	09	08
December 26, 2019	08	07
January 21, 2020	08	08
February 17, 2020	08	08

Attendance and Directorship & Committee positions in other companies:

The names and categories of the Directors on the Board, their attendance at Board meetings held during the year April 2019 - March 2020 and the number of Directorships and Committee Chairmanships / Memberships held by them in other Companies is given below.

Name	Category	Attendance at meetings during the FY 2019-20		Number of Director-ships in other public Companies (1)	No. of Membership(s) / Chairmanship(s) of Board Committees in other Companies as on 31-03-2020 (2)
		Board	AGM		
Mr. Krishna Prasad Chigurupati Chairman & Managing Director DIN - 00020180	Non-Independent, Executive	9	Yes	NIL	NIL
Mr. C. Parthasarathy (3) DIN - 00079232	Independent, Non-Executive	4	Yes	NA	NA
Mr. A. Arun Rao DIN - 00876993	Independent, Non-Executive	9	Yes	NIL	NIL
Mr. Harsha Chigurupati(4) DIN - 01606477	Non-Independent, Executive	8	Yes	NIL	NIL
Mrs. Uma Devi Chigurupati DIN - 00737689	Non-Independent, Executive	8	Yes	NIL	NIL
Mr. Kolli Basava Sankar Rao DIN - 05167550	Non-Independent, Non-Executive	9	Yes	NIL	NIL
Mrs. Jyothi Prasad DIN- 06947488	Independent, Non-Executive	9	No	4	5(3 as chairperson)
Mr. Arun Sawhney DIN - 01929668	Independent, Non-Executive	7	Yes	NIL	NIL
Mr. Robert George Cunard DIN - 08346308	Independent, Non-Executive	7	No	NIL	NIL

Note:

- (1) The directorships, held by Directors as mentioned above, do not include directorships in foreign companies.
- (2) In accordance with regulation 26(1) of the Listing Regulations, Memberships/Chairmanships of only Audit Committees and Stakeholders' Relationship Committees in all public limited companies (excluding Granules India Limited) have been considered.
- (3) Mr. C. Parthasarathy was ceased to be Director on the Board of M/s Granules India Limited w.e.f. 26.12.2019.
- (4) Mr. Harsha Chigurupati was appointed as Executive Director on the Board of M/s Granules India Limited w.e.f. 29.08.2019 from Non-executive Director of the Company.

None of the Directors hold Directorships in more than 8 listed entities.

Names of the Listed Companies wherein the Directors of the Company are Directors:

Sl. No.	Name of the Director	No. of Directorships in other Listed Companies	Name of the other Listed Companies in which Directors of the Company are Directors
1	Mr. Krishna Prasad Chigurupati	Nil	-
2	Mr. A. Arun Rao	Nil	-
3	Mr. Harsha Chigurupati	Nil	-
4	Mrs. Uma Devi Chigurupati	Nil	-
5	Mr. Kolli Basava Sankar Rao	Nil	-
6	Mr. Arun Sawhney	Nil	-
7	Mr. Robert George Cunard	Nil	-
8	Mrs. Jyothi Prasad	1	Shivam Autotech Limited

Shares held by Non-Executive Directors:

The number of equity shares of the Company held by Non-Executive Directors, as on March 31, 2020 are as follows:

Sl. No.	Name of Non-Executive Director	No. of shares held	Percentage of paid-up capital
1.	Mr. A. Arun Rao (holding along with his spouse)	360,000	0.14
2.	Mr. Kolli Basava Sankar Rao (holding along with his spouse)	51,22,230	2.01
3.	Mr. Arun Sawhney	Nil	0.00
4.	Mr. Robert George Cunard	Nil	0.00
5.	Mrs. Jyothi Prasad	Nil	0.00

Given below is the chart setting out the skills/ expertise/ competence of the Board of Directors:

Sl. No.	Name of the Director	Category	Specialisation
1	Mr. Krishna Prasad Chigurupati	Chairman & Managing Director (Promoter)	He has around 36 years of experience in cost efficient and quality complaint pharmaceutical products manufacturing and marketing.
2	Mr. A. Arun Rao	Independent Director	He has more than 38 years of experience in the Pharmaceutical industry specialising in the manufacture of Solid and Liquid Oral Dosage forms.
3	Mr. Harsha Chigurupati	Executive Director (Promoter group)	He has over 11 years of entrepreneurial experience in marketing, business development, customer relationship management etc. He also has indepth knowledge and experience in clinical trials, regulatory navigation, patents and peer review journal publications.
4	Mrs. Uma Devi Chigurupati	Executive Director (Promoter group)	She has around 36 years of experience in leading various functions in the pharmaceutical industry.
5	Mr. Kolli Basava Sankar Rao	Non-Executive Director	He has more than 30 years of experience in the fields of technical operations, quality, supply chain, development & launch of APIs and finished dosages for global markets and business strategy.
6	Mr. Arun Sawhney	Independent Director	He has over 40 years of experience in diverse industries including Software, Rubber, Chemicals, Generic and OTC Pharmaceuticals.
7	Mr. Robert George Cunard	Independent Director	He has over 25 years of experience in Pharmaceutical industry with specialization in Commercial Operations, Sales and Marketing and Pricing within the generic pharmaceutical sector, and experience to the highest levels of executive management.
8	Mrs. Jyothi Prasad	Independent Director	She has over 30 years of experience in the area of financial advisory services including IPOs, Mergers & Acquisitions, Private Equity and fund raising.

Confirmation from the Board

The Board of Directors be and hereby confirm that in the opinion of the Board, the Independent Directors fulfill the conditions specified by SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and they are independent of the management.

Mr. C. Parthasarathy, Independent Director had resigned, effective from December 26, 2019, from the Directorship of the Company before the expiry of his term of appointment due to personal reasons and his inability to devote necessary time for the meetings of the Company. He confirmed that there are no other material reasons pertaining to the Company.

Other than Mr. C. Parthasarathy, no other Independent Director has resigned from the Directorship of the Company before the expiry of their term of appointment during the financial year ended March 31, 2020.

COMMITTEES OF THE BOARD

The Board Committees plays a crucial role in the governance structure of the Company and have been constituted to deal with specific areas / activities which concern the Company and need a closer review. The Board Committees are set up under the formal approval of the Board to carry out clearly defined roles which are considered to be performed by members of the Board, as a part of good governance practice. The Board supervises the execution of its responsibilities by the Committees and is responsible for their action. The minutes of the meetings of the Committees are placed before the Board for review. The Board has currently established the following statutory and non-statutory committees:

Audit Committee

The primary objective of the audit committee is to monitor and provide effective supervision of the management's financial reporting process with a view to ensure accurate, timely and proper disclosures and transparency, integrity and quality of financial reporting. The Committee oversees the work carried out by management, statutory auditors and internal auditors, in relation to the financial reporting process and the safeguards employed by them. The Company has qualified and independent audit committee.

The audit committee comprises of five members, with a majority being Independent Directors. The composition, procedures, powers and role of the audit committee constituted by the Board comply with the requirements of regulation 18 of the Listing Regulations and Companies Act, 2013. The terms of reference of the Audit Committee are broadly as under:

- a. Overview of the Company's financial reporting process and disclosure of its financial information to ensure that the financial statements reflect a true and fair position and that sufficient and credible information is disclosed.
- b. Recommending the appointment and removal of statutory auditors, internal auditors and cost auditors, fixation of their audit fee and approval for payment for any other services.
- c. Discussion with statutory auditors before the audit commences, about the nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- d. Reviewing financial statements and draft audit report, including quarterly / half-yearly financial information.
- e. Reviewing with the management the annual financial statements before submission to the Board, focusing primarily on:
 - The changes in accounting policies and practices.
 - Major accounting entries based on exercise of judgment by the management.
 - Qualifications in draft audit report.
 - Significant adjustment arising out of audit.
 - The going concern assumption.
 - Compliance with the accounting standards, listing regulations & legal requirements concerning financial statements.
 - Review and approval of related party transactions.
- f. Reviewing, with the management, external and internal auditors, the adequacy and compliance of internal control systems.
- g. Reviewing the adequacy of internal audit functions.
- h. Discussion with the internal auditors on any significant findings and follow up thereon.
- i. Reviewing the Company's financial and risk management policy.
- j. Scrutiny of inter-corporate loans and investments.
- k. Vigilance mechanism.
- l. Approval of appointment of CFO.
- m. Any other function as delegated by the Board from time to time.

During the financial year April 2019 – March 2020, 4 (Four) Audit Committee meetings were held. The dates on which the said meetings were held are: 09th May 2019, 30th July 2019, 22nd October 2019, and 21st January 2020. The Audit Committee at its meeting held on 09th May 2019 had considered the audited annual accounts for the financial year 2018-19.

The composition of the Audit Committee and particulars of meetings attended by the members of the Audit Committee are given below:

Name	Category	Number of meetings during the financial year 2019-2020	
		Held	Attended
Mrs. Jyothi Prasad*	Independent, Non-Executive	01	01
Chairperson (w.e.f.26.12.2019)			
Mr. C. Parthasarathy* (Chairman till his resignation)	Independent, Non-Executive	03	03
Mr. Arun Sawhney	Independent, Non-Executive	01	01
Mr. A. Arun Rao	Independent, Non-Executive	04	04
Mr. Krishna Prasad Chigurupati	Non-Independent, Executive	04	04

*Mr. C. Parthasarathy was ceased to be Director on the Board of M/s Granules India Limited w.e.f. 26.12.2019.

The Audit Committee meetings were also attended by the partner / representatives of Statutory Auditors and Internal Auditors. Mr. C. Parthasarathy, Chairman of the Audit Committee, was present at the 28th Annual General Meeting of the Company held on August 28, 2019. Ms. Chaitanya Tummala, Company Secretary of the Company also acts as the Secretary to the Audit Committee.

The Board of Directors in their meeting held on December 26, 2019 has re-constituted the Audit Committee of the Board with effect from December 26, 2019 with the following members.

1. Mr. A. Arun Rao, Independent Director,
2. Mr. Arun Sawhney, Independent Director
3. Mrs. Jyothi Prasad, Independent Director and
4. Mr. Krishna Prasad Chigurupati, Chairman & Managing Director.

Nomination & Remuneration Committee

The Committee's composition and terms of reference are in compliance with the provisions of the Companies Act, 2013, Regulation 19 of the Listing Regulations and Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014, as amended from time to time.

The Nomination & Remuneration Committee deals with all elements of remuneration package, stock options, service contracts and other terms and conditions of service of the Executive Directors, Directors / Promoters relatives and the senior management. The remuneration policy is directed towards rewarding performance, based on review of achievements on a periodical basis. The remuneration policy is in consonance with the existing industry practice. The remuneration policy of the Company is primarily based on the criteria like performance of the Company, potential, experience and performance of individual personnel and external environment. The Nomination & Remuneration Committee for the FY 2019-20 comprises of two Independent Non-Executive Directors, one Non-Independent Non-Executive Director and one Executive Director. Mr. Arun Sawhney, Independent Director, is the Chairman of the Committee.

6 (Six) meetings of the Nomination & Remuneration Committee were held during the financial year 2019 - 2020. The dates on which the said meetings were held are: 09th May 2019, 18th June 2019, 04th July 2019, 29th August 2019, 22nd October 2019 and 20th January 2020. The composition of the Nomination & Remuneration Committee and particulars of meetings attended by the members of the Committee are given below:

Name	Category	Number of meetings during the financial year 2019-2020	
		Held	Attended
Mr. Arun Sawhney, Chairman	Independent, Non-Executive	06	05
Mrs. Jyothi Prasad	Independent, Non-Executive	06	06
Mr. K.B. Sankar Rao	Non-Independent, Non-Executive	06	06
Mr. Krishna Prasad Chigurupati	Non-Independent, Executive	06	06

The details relating to remuneration of Directors, as required under Regulation 34 read with Schedule V of the Listing Regulations, have been given under a separate section, viz. 'Directors' Remuneration' in this Report.

Share Transfer and Stakeholders Relationship Committee

The Committee's composition and terms of reference are in compliance with the provisions of the Companies Act, 2013 and Regulation 20 of the Listing Regulations. Share Transfer and Stakeholders Relationship Committee was constituted to specifically look into the matters of investor's grievances such as transfer, transmission, split and consolidation of investor's holding, replacement of lost / mutilated / stolen share certificates, dematerialization of shares, non-receipt of dividend / notices / annual reports and change of addresses, among others. The main object of the Committee is to strengthen investor relations. The Committee also evaluates the performance and service standards of the Registrar and Share Transfer Agent of the Company and also provides continuous guidance to improve the service levels for the investors.

1 (One) meeting of the Committee was held during the financial year April 2019- March 2020. The composition of the Committee during the year April 2019 - March 2020 and the details of meetings attended by its members are given below:

Name	Category	Number of meetings during the financial year 2019-2020	
		Held	Attended
Mr. A. Arun Rao, Chairman	Independent, Non-Executive	01	01
Mrs. Uma Devi Chigurupati	Non-Independent, Executive	01	01
Mr. Krishna Prasad Chigurupati	Non-Independent, Executive	01	01

Compliance Officer

Ms. Chaitanya Tummala, Company Secretary is the Compliance Officer for complying with requirements of Securities Laws.

Investor Grievance Redressal

During the financial year 2019-20, 36 (Thirty six) complaints / requests were received from the shareholders and all their grievances were redressed and no complaint / request is pending as on March 31, 2020.

Business Review Committee

The Board constituted a Business Review Committee to advice on all matters related to the management / operations of the Company. The Business Review Committee meets periodically to review inter alia the operational and financial performance of

the Company. 9 (nine) meetings of the Committee were held during the financial year April 2019 - March 2020. The composition of the Committee and the details of meetings attended by its members are given below:

Name	Category	Number of meetings during the financial year 2019-2020	
		Held	Attended
Mr. K.B. Sankar Rao, Chairman	Non-Independent, Non-Executive	09	09
Mr. A. Arun Rao	Independent, Non-Executive	09	08
Mr. Krishna Prasad Chigurupati	Non-Independent, Executive	09	09
Mr. Arun Sawhney	Independent, Non-Executive	09	08
Mr. Robert George Cunard	Independent, Non-Executive	09	04

Corporate Social Responsibility (CSR) Committee

The composition of the Committee and the details of meetings attended by its members are given below:

Name	Category	Number of meetings during the financial year 2019-2020	
		Held	Attended
Mrs. Uma Devi Chigurupati, Chairperson	Non-Independent, Executive	03	03
Mr. Krishna Prasad Chigurupati	Non-Independent, Executive	03	03
Mr. A. Arun Rao	Independent, Non-Executive	03	03

The Committee's prime responsibility is to assist the Board in discharging its social responsibilities by way of formulating and monitoring implementation of the framework of 'corporate social responsibility policy'. The Committee's constitution and terms of reference meet with the requirements of the Companies Act, 2013.

The Company Secretary shall act as the Secretary of the Committee. The purpose of the Committee is to formulate and monitor the CSR policy of the Company. The CSR Committee has adopted a policy that intends to:

- Strive for economic development that positively impacts the society at large with minimal resource footprints.
- Be responsible for the Company's actions and encourage a positive impact through its activities on the environment, communities and stakeholders.

The Committee will be overseeing the activities / functioning relating to identifying the areas of CSR activities, programs, execution of initiatives, reporting the progress and making appropriate disclosures as per the policy.

The CSR policy of the Company is available on our website www.granulesindia.com.

Buy-Back Committee

The Buy-Back Committee was constituted by the Board on January 21, 2020 in order to effectively pursue the Buyback of equity shares of the Company.

The Committee has met 2 (two) times during the year under review. The Company Secretary shall act as the Secretary of the Committee.

The composition of the Committee and the details of meetings attended by its members are given below:

Name	Category	Number of meetings during the financial year 2019-2020	
		Held	Attended
Mr. Krishna Prasad Chigurupati, Chairman	Non-Independent, Executive	02	02
Mr. A. Arun Rao	Independent, Non-Executive	02	02
Mr. Sandip Neogi	Chief Financial Officer	02	02

Risk Management Committee

The Committee's prime responsibility is to implement and monitor the risk management plan and policy of the Company. The composition of the Committee is given below:

Name	Category
Mr. Harsha Chigurupati, Chairman	Non-Independent, Executive
Mrs. Uma Devi Chigurupati	Non-Independent, Executive
Mr. K.B. Sankar Rao	Non-Independent, Non-Executive
Mr. Arun Sawhney	Independent, Non-Executive
Mr. Robert George Cunard	Independent, Non-Executive

DIRECTORS' REMUNERATION

Remuneration policy

The Company has formulated Remuneration Policy for Directors, Key Managerial Personnel and other employees. Further, the Company has devised a Policy for performance evaluation of Independent Directors, Board and other individual Directors.

The criteria for performance evaluation cover the areas relevant to the functioning as Independent Directors such as preparation, participation, conduct and effectiveness. The performance evaluation of Independent Directors was done by the entire Board of Directors and in the evaluation the Directors who are subject to evaluation had not participated.

The Company's remuneration policy is directed towards rewarding performance based on review of achievements periodically. The remuneration policy is in consonance with the existing industry practice.

Remuneration paid to the Chairman and Managing Director and Whole-time Directors during the FY 2019-20

(₹ in Lakhs)				
Name	Salary	Perquisites	Commission	Total
Mr. Krishna Prasad Chigurupati Chairman & Managing Director	180.00	34.61	1841.06	2055.67
Mrs. Uma Devi Chigurupati Executive Director	23.35	0.77	1620.42	1644.54
Mr. Harsha Chigurupati* Executive Director	35.48	0.17	191.59	227.24

*Mr. Harsha Chigurupati was appointed as Executive Director on the Board of M/s Granules India Limited w.e.f. 29.08.2019

Remuneration paid to Non-Executive Directors during the FY 2019-20

- There were no pecuniary transactions with any Non-Executive Director of the Company.
- Non-Executive Directors were paid sitting fees for attending the Board and Committee meetings.

Following are the details of sitting fees paid to the Directors for attending Board and Committee meetings during the FY 2019-20:

Name	Sitting fee (₹)
Mr. A. Arun Rao	8,90,000
Mr. C. Parthasarathy*	2,20,000
Mr. Kolli Basava Sankar Rao	9,00,000
Mr. Harsha Chigurupati**	1,20,000
Mr. Arun Sawhney	7,80,000
Mr. Robert George Cunard	4,40,000
Mrs. Jyothi Prasad	5,70,000

*Mr. C. Parthasarathy was ceased to be Director on the Board of M/s Granules India Limited w.e.f. 26.12.2019.

**Mr. Harsha Chigurupati was appointed as Executive Director on the Board of M/s Granules India Limited w.e.f. 29.08.2019

GENERAL BODY MEETINGS

Annual General Meetings

The details of preceding three years Annual General Meetings are as under:

AGM	Year	Location	Date	Time	Number of special resolutions passed
28th	2018-19	Hotel Taj Banjara Road No. 1, Banjara Hills, Hyderabad	28/08/2019	4:00 PM	3
27th	2017-18	Hotel Taj Banjara Road No. 1, Banjara Hills, Hyderabad	06/09/2018	4:00 PM	Nil
26th	2016-17	Hotel Taj Banjara Road No. 1, Banjara Hills, Hyderabad	28/09/2017	4:00 PM	5

Extra-ordinary General Meetings

The details of preceding three years Extra-ordinary General Meetings are as under:

Financial Year	Location	Date	Time	Number of special resolutions passed
2017-18	Hotel Taj Banjara Road No. 1, Banjara Hills, Hyderabad	12/06/2017	4:00 PM	1

POSTAL BALLOT

For the year ended March 31, 2020 two resolutions were passed through postal ballot. At the ensuing Annual General Meeting, there is no resolution proposed to be passed through postal ballot.

The details of Postal Ballot resolutions of preceding three years are as under:

Financial Year	Date	Number of special resolutions passed
2019-20	10/10/ 2019	1
2019-20	09/3/ 2020	1

DISCLOSURES

i) Related Party Transactions

During the year ended March 31, 2020, there were no materially significant related party transactions, which could have potential conflict with the Company's interests at large. Statement in summary form of transactions with related parties is placed before the audit committee for review. All related party transactions are negotiated on an arms length basis, and are intended to further the Company's interests. In compliance with regulation 53(f) of the Listing Regulations and the accounting standard 18, transactions with related parties are disclosed in the notes to accounts.

The Company has not entered into any transaction with any person or entity belonging to the Promoter/Promoter Group which hold(s) 10% or more shareholding in the Company.

Related Party Transaction policy is placed on the Company's website www.granulesindia.com

ii) Details of non-Compliance etc.

The Company complied with the requirements of the Stock Exchanges, SEBI and other statutory authorities

on all matters related to capital markets; no penalties or strictures were imposed on the Company by the Stock Exchanges or SEBI.

iii) Disclosure of Accounting Treatment

The financial statements of the Company have been prepared in accordance with Indian Accounting Standards (Ind AS) as per the Companies (Indian Accounting Standard) Rules, 2015 notified under Sec 133 of Companies Act, 2013 and other relevant provisions of the Act.

iv) Whistle Blower policy

The Company promotes ethical behaviour in all its business activities and has put in place a mechanism for reporting illegal or unethical behaviour. The Company has a Vigil mechanism and Whistle blower policy under which the employees are free to report violations of applicable laws and regulations and the Code of Conduct. The reportable matters may be disclosed to the head of the Department by the employees. Employees may also report to the member of the Audit Committee / the Chairman & Managing Director and in exceptional cases to the Chairman of the Audit Committee. During the year under review, no employee was denied access to the Audit Committee.

Whistle Blower Policy of the Company is placed on the Company website www.granulesindia.com.

v) Board Disclosures -Risk Management

The Company has a Risk Management Procedure in place which is reviewed periodically. Risk management is carried out to ensure the Company is not overly dependent on a particular product, customer or geography. In addition, the above facilitates not only in risk assessment and timely rectification but also helps in minimization of risk associated with any strategic, operational, financial and compliance risk across all business operations.

vi) Subsidiary Companies

The Company does not have any material un-listed Indian subsidiary company. However, the Company has three foreign subsidiaries namely, Granules USA Inc., Granules Pharmaceuticals, Inc. and Granules Europe Limited. Out of these, Granules Pharmaceuticals, Inc. is a material subsidiary.

Subsidiary Companies Monitoring Framework

All subsidiary companies are Board managed with their respective Boards having the rights and to manage such companies in the best interest of their stakeholders. The Company monitors performance of subsidiary companies periodically.

vii) Code of Conduct

The Company has laid down a "Code of Conduct" for the Directors and the Senior Management Personnel. The code has been posted on the website of the Company. The members of the Board including Independent Directors and Senior Management Personnel of the Company have affirmed compliance with the Code of Conduct as at March 31, 2020. A declaration to this effect signed by Mr. Krishna Prasad Chigurupati, Chairman and Managing Director is given in Annexure to this report.

viii) CEO and CFO certification

The Chairman and Managing Director and the Chief Financial Officer have certified to the Board regarding compliance of matters specified in regulation 17(8) read with Part B of Schedule II of the Listing Regulations and the same forms part of this Corporate Governance Report. The certificate has been reviewed by the Audit Committee and taken on record by the Board at the meeting held on 2nd June 2020.

ix) Compliance Certificate of the Auditors

Certificate from the Company's Auditors, M/s. B S R & Associates LLP confirming compliance with conditions of Corporate Governance, as stipulated under Regulation 34 of the Listing Regulations, is attached to this Report.

x) Certificate from a Company Secretary in Practice

A certificate from a Company Secretary in Practice stating that none of the Directors on the Board of the Company have been debarred or disqualified from being appointed or continuing as Directors of Company by SEBI or Ministry of Corporate Affairs or any such statutory authority is enclosed to this report.

xi) Proceeds from public issues, rights issues and preferential issues etc.

The Company has not raised any funds through preferential allotment or qualified institutions placement during the financial year ended March 31, 2020.

xii) Recommendations of the Committees of the Company

There has been no such incidence where the Board has not accepted the recommendation of the Committees of the Company during the year under review.

xiii) Details of fees paid to the statutory auditors

Given below are the details of fees paid to BSR & Associates LLP, Chartered Accountant, Statutory Auditors of the Company on a Consolidated basis during the Financial Year ended March 31, 2020:

Sl. No	Payments to the Statutory Auditors (excluding taxes)	Fees paid in ₹ Lakhs
1	Statutory Audit fees paid for Audit of the Company	32.00
2	Fees paid for Limited review of the Company	12.00
3	Fees paid for other services	9.75
4	Reimbursement of expenses	4.28
Total		58.03

xiv) Disclosures in relation to the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013:

The below are the details of complaints received/resolved during the year under review.

Sl. No	Particulars	No.
1	Number of complaints on Sexual harassment received during the year	Nil
2	Number of Complaints disposed off during the year	Not Applicable
3	Number of cases pending as on March 31, 2020	Not Applicable

xv) Details of compliance with mandatory requirements and adoption of Discretionary Requirements

The Company has complied with all the mandatory requirements of Corporate Governance as per SEBI Listing Regulations.

Reporting of Internal Auditors to the Audit Committee has been adopted from discretionary requirements.

determination of Material Subsidiaries. The policy is placed on the website of the Company www.granulesindia.com.

xviii) Related Party Transactions Policy

In terms of regulation 23 of the Listing Regulations, the Board of Directors has adopted a policy to determine Related Party Transactions. The policy is placed on the website of the Company www.granulesindia.com.

xvi) Familiarisation programmes for Board Members

The Board members are provided with necessary documents, reports and internal policies to enable them to familiarise with the Company's procedures and practices. Periodic presentations are made at the Board and Board Committee Meetings, on business and performance updates of the Company, global business environment, business strategy and risks involved. Details of the familiarization programmes imparted to Independent Directors are placed on the website of the Company www.granulesindia.com.

xix) Prevention of Insider Trading

In accordance with the requirements of SEBI (Insider Trading) Regulations, 2015, Company has formulated the code of conduct for prohibition of Insider Trading in the Company's Shares.

xx) Commodity Price Risks and Commodity Hedging activities

The Company is not carrying on any Commodity Business and has also not undertaken any commodity hedging activities, hence same are not applicable to the Company.

xvii) Policy on Material Subsidiaries

In terms of regulation 16 of the Listing Regulations, the Board of Directors has adopted a policy with regard to

xxi) The Disclosures of the compliance with Corporate Governance requirements specified in regulation 17 to 27 and clauses (b) to (i) of sub-regulation (2) of regulation 46 are as follows:

Regulations	Particular of Regulations	Compliance Status Yes/No/N.A
17	Board of Directors	Yes
18	Audit Committee	Yes
19	Nomination and Remuneration Committee	Yes
20	Stakeholders Relationship Committee	Yes
21	Risk Management Committee	Yes
22	Vigil Mechanism	Yes
23	Related party Transactions	Yes
24	Corporate Governance requirements with respect to subsidiary of listed entity	Yes
25	Obligations with respect to Independent Directors	Yes
26	Obligations with respect to Directors and senior management	Yes
27	Other Corporate Governance requirements	Yes
46(2)(b) to (i)	Website	Yes

MEANS OF COMMUNICATION

Quarterly results: The Company's quarterly results are published in 'Business Standard' and 'Nava Telangana' and are displayed on website www.granulesindia.com.

News releases, presentations, among others: Official news releases and official media releases are sent to Stock Exchanges and are displayed on website www.granulesindia.com.

Presentations to institutional investors / analysts: Detailed presentations are made to institutional investors and financial analysts on the Company's unaudited quarterly as well as audited annual financial results through earnings call. The presentations made and transcripts of the earnings call are also uploaded on the Company's website www.granulesindia.com.

Website: The Company's website www.granulesindia.com contains a separate dedicated section 'Investor Relations' where shareholder's information is available. The Company's Annual Report is also available in a user-friendly and downloadable form.

Annual Report: The annual report containing, inter alia, audited standalone financial statement, consolidated financial statement, Director's report, business responsibility report, auditor's report, corporate governance report and other important information is circulated to members and others entitled thereto.

Management Discussion and Analysis (MDA) Report:

The report on MDA forms part of the annual report.

Disclosures to Stock Exchanges: The Company informs BSE Limited (BSE) and National Stock Exchange of India limited (NSE) all price sensitive matters or such other matters which in its opinion are material and of relevance to the members.

NSE Electronic Application Processing System (NEAPS):

The NEAPS is a web-based application designed by NSE for corporates. All periodical compliance filings like shareholding pattern, corporate governance report, media releases, among others are filed electronically on NEAPS.

BSE Corporate Compliance & Listing Centre (the 'Listing Centre'):

BSE's Listing Centre is a web-based application designed for corporates. All periodical compliance filings like shareholding pattern, corporate governance report, media releases, among others are also filed electronically on the Listing Centre.

SEBI Complaints Redress System (SCORES):

The investor complaints are processed in a centralised web-based complaints redress system. The salient features of this system are: Centralised database of all complaints, online upload of Action Taken Reports (ATRs) by concerned companies and online viewing by investors of actions taken on the complaint and its current status.

Dedicated e-mail ID

investorrelations@granulesindia.com

GENERAL SHAREHOLDER INFORMATION

Company Registration Details

The Company is registered in the State of Telangana, India. The Corporate Identification Number (CIN) allotted to the Company by the Ministry of Corporate Affairs (MCA) is L24110TG1991PLC012471.

29th Annual General Meeting

Date : August 13, 2020

Time : 4.00 p.m.

Venue : The Company is conducting meeting through VC / OAVM pursuant to the MCA Circular dated May 5, 2020 and as such there is no requirement to have a venue for the AGM. For details please refer to the Notice of this AGM.

Financial year

April 1 to March 31

Date of Book Closure

August 07, 2020 to August 13, 2020 (both days inclusive)

Dividend Payment

The final dividend, if declared, shall be paid /credited on or before September 11, 2020. Company has paid interim dividend of 75 paise per equity share during the year.

Listing on Stock Exchanges

Equity Shares

BSE Limited (Bombay Stock Exchange)

Phiroze Jeejeebhoy Towers,
Dalal Street, Mumbai 400 001
Scrip Code - 532482

National Stock Exchange of India Limited (NSE)

Exchange Plaza, Bandra-Kurla Complex,
Bandra (E), Mumbai 400 051
Trading Symbol - GRANULES

Payment of Listing Fees

Annual listing fee for the financial year 2020-21 has been paid by the Company to BSE and NSE.

Payment of Depository Fees

Annual Custody fee for the financial year 2020-21 was paid by the Company to NSDL and CDSL.

Tentative calendar for financial year ending 31st March 2021:

The tentative dates of meeting of Board of Directors for consideration of quarterly financial results for the financial year ending 31st March, 2021 are as follows:

Results	Tentative Dates
First quarter results	Third week of July 2020
Second quarter and half yearly results	Third week of October 2020
Third quarter results	Third week of January 2021
Fourth quarter and annual results	Last week of April 2021

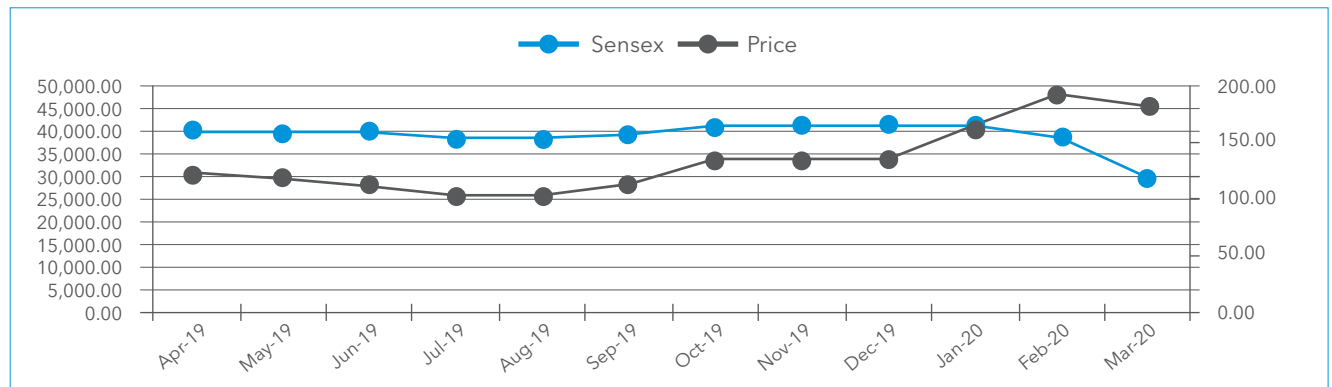
Stock Market Price Data

High, low (based on the closing prices) and number of shares traded during each month in the last financial year on BSE and NSE were as follows:

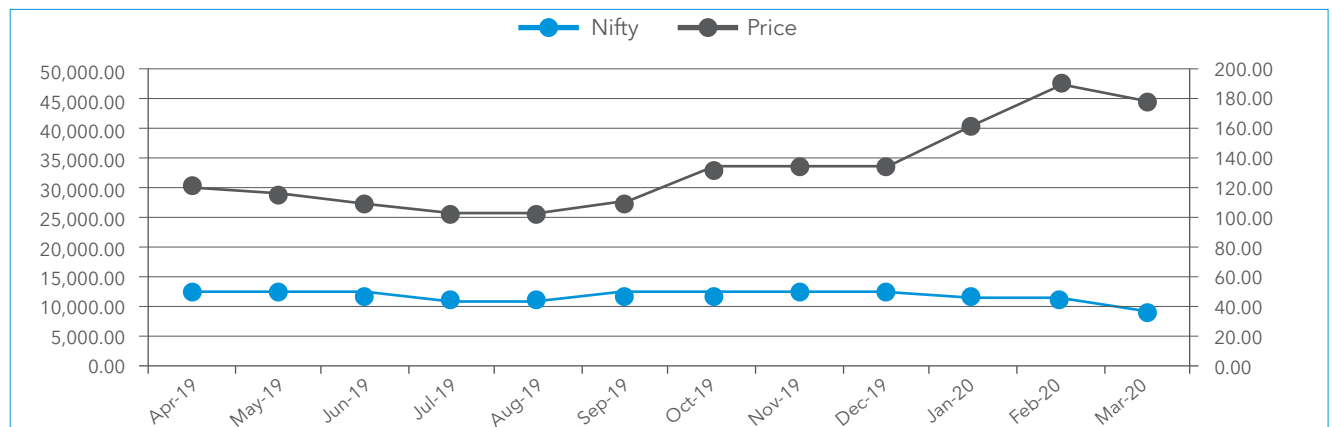
Month	BSE			NSE		
	High	Low	Volume	High	Low	Volume
Apr-19	120.00	105.50	9,81,899	120.40	106.50	1,31,33,465
May-19	116.95	104.85	14,05,596	117.25	104.60	1,63,61,958
Jun-19	110.90	90.20	8,88,917	111.10	90.20	83,42,162
Jul-19	102.00	84.25	10,53,719	102.10	84.00	1,36,15,862
Aug-19	99.70	86.70	6,17,528	99.60	86.30	93,78,957
Sep-19	109.80	89.55	7,66,667	109.75	89.40	1,14,77,823
Oct-19	133.55	93.00	41,61,187	133.75	95.00	3,09,81,305
Nov-19	135.85	117.30	18,30,657	135.90	117.00	2,87,47,787
Dec-19	133.05	119.10	10,62,457	133.40	118.85	2,04,53,835
Jan-20	161.00	120.20	35,73,468	161.10	120.20	5,89,22,611
Feb-20	188.85	136.75	22,60,551	189.00	136.15	3,89,22,031
Mar-20	179.80	114.50	31,24,836	179.80	114.10	4,45,01,145

Performance of Share Price

The graphical presentation on the performance of share price of the Company in comparison to the BSE Sensex is provided herein under:



The graphical presentation on the performance of share price of the Company in comparison to the NSE Nifty is provided herein under:



Registrar and Transfer Agents

M/s. KFin Technologies Private Limited (formerly known as Karvy Fintech Private Limited) is Registrar & Transfer Agent of the Company. Any request pertaining to investor relations may be addressed to the following address:

KFin Technologies Private Limited
Selenium Tower B, 6th Floor
Plot 31-32, Gachibowli, Financial District
Nanakramguda, Hyderabad - 500 032
Tel: +91-40-67161500
Toll Free No.: 1-800-3454-001; Fax: +91-40-23001153
e-mail: einward.ris@kfintech.com
Website: www.kfintech.com

Share Transfer System

In terms of Regulation 40(1) of SEBI Listing Regulations, as amended, securities can be transferred only in dematerialized

form w.e.f. April 1, 2019, except in case of request received for transmission or transposition of securities. Members holding shares in physical form are requested to consider converting their holdings to dematerialized form. Transfers of equity shares in electronic form are effected through the depositories with no involvement of the Company.

Reconciliation of Share Capital

A qualified practicing Company Secretary carried out audit to reconcile the total admitted capital with the National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The secretarial audit report confirms that the total paid-up capital was in agreement with the total number of shares in physical form and the total number of dematerialised shares held with NSDL and CDSL. The reports are uploaded in the NSE and BSE websites for public view.

Shareholding

a) Shareholding pattern by size as on March 31, 2020

Category (Shares)	No. of Shareholders	No. of Shares held	Percentage of Shareholding
1 - 5000	89544	2,89,27,180	11.38
5001 - 10000	863	63,60,890	2.50
10001 - 20000	369	52,91,377	2.08
20001 - 30000	137	35,20,759	1.38
30001 - 40000	76	26,83,676	1.06
40001 - 50000	38	17,41,905	0.69
50001 - 100000	92	65,23,292	2.57
100001 & ABOVE	164	19,91,98,483	78.35
TOTAL	91,283	25,42,47,562	100.00

b) Shareholding pattern category wise as on March 31, 2020

Category	No. of Shares held	Percentage of Shareholding
Promoters/Associates	10,89,82,201	42.86
Mutual Funds, Banks , FPC etc.	6,28,12,650	24.71
Bodies Corporate	1,39,58,049	5.49
HUF	21,26,389	0.84
Individual Shareholders	6,63,68,273	26.10
TOTAL	25,42,47,562	100.00

Dematerialization of shares and liquidity

The Company's shares are compulsorily traded in dematerialised form and are available for trading on both the depositories in India viz. the National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL). The Company's equity shares, representing 99.92% of the Company's share capital were dematerialised as on March 31, 2020.

The Company's shares are regularly traded on the National Stock Exchange of India Limited and the BSE Limited in electronic form. Under the depository system, the International Securities Identification Number (ISIN) allotted to the Company's shares is INE101D01020.

Outstanding GDRs / ADRs / warrants

There are no outstanding GDRs/ADRs/warrants as on 31st March 2020.

Employee Stock Options

The information on Options granted by the Company during the financial year 2019-20 and other particulars with regard to Employees' Stock Options are set out in the Director's Report.

Disclosure with respect to Demat suspense account/ unclaimed suspense account

Unclaimed equity shares are held in Granules India Limited-Unclaimed shares suspense account maintained with Karvy Stock Broking Limited, Karvy Selenium Plot no. 31, 2nd,floor, Financial District, Gachibowli, Hyderabad,500032 vide Client ID: 19389913 and DP ID:IN300394. In accordance with the requirement of Clause F of Schedule V of SEBI (Listing Obligation and Disclosure Requirements) Regulations, 2015, the Company reports the following details in respect of equity shares lying in the suspense account:

Sl. No	Particulars	Number of Shareholders	Number of equity shares
1	Aggregate number of shareholders and the outstanding shares in the Unclaimed Suspense account at the beginning of the year i.e., April 01, 2019.	16	45,000
2	No. of shareholders who approached the Company for transfer of shares from Unclaimed Suspense account during the year.	2	9000
3	No. of shareholders to whom shares were transferred from the Unclaimed Suspense account during the year.	2	9000
4	No. of shareholders and shares transferred to Investor Education and Protection Fund Authority pursuant to the provisions of Section 124 of the Companies Act, 2013.	-	-
5	Aggregate number of shareholders and the outstanding shares lying in the Unclaimed Suspense account at the end of the year i.e., March 31, 2020.	14	36,000

The voting rights on the shares outstanding in the suspense account as on March 31, 2020 shall remain frozen till the rightful owner of such shares claim the shares.

Transfer of shares to Investor Education and Protection Fund

As per the notification dated 5th September, 2016 and 13th October, 2017 issued by Ministry of Corporate Affairs (MCA), shares of the shareholders, who has not claimed dividends for a continued period of 7 years, shall be transferred to Investor Education and Protection Fund Authority account.

The Company has transferred 5,820 (0.002%) equity shares to Investor Education and Protection Fund during the financial year ended March 31, 2020.

Plant locations

1. Finished Dosage Unit:

Survey Nos:160/A,161/E, 162,&174/A, Gagillapur Village, Dundigal-Gandimaisamma Mandal, Medchal-Malkajgiri dist ., 500043, Telangana State, India.

2. API Unit - I:

Sy.No. 533,535,536,537 Temple Road, Bonthapally Village, Gummadidala Mandal, Sangareddy Dist-502313, Telangana State, India.

3. API Unit - II:

Plot No 15A/1, Phase III, IDA Jeedimetla, Qutubullapur Mandal, Hyderabad- 500055, Medchal-Malkajgiri Dist., Telangana State, India.

4. API Unit - III:

Sy.No.216, Bonthapally village, Gummadidala Mandal, Sangareddy Dist., 502313 Telangana State, India.

5. API Unit - IV:

Plot No 8, J.N.Pharma City, Tadi Village, Parawada Mandal, Visakhapatnam Dist - 531019, Andhra Pradesh, India.

6. API Unit - V

Plot No.30, J.N.Pharma City, Parawada Mandal, Visakhapatnam Dist. - 531019, Andhra Pradesh, India.

R & D Centres

1. Plot No. 56, Road No. 5, ALEAP Industrial Area, Pragathi Nagar, Gajularamaram village, Qutubullapur Mandal, Hyderabad - 500072, Medchal-Malkajgiri Dist., Telangana State, India.

2. Survey Nos. 234 / 1 to 4 and 6 to 7, 235 / 6 to 9 and 245 / 1 to 3, India Land Global Industrial Park, Hinjewadi Village, Mulshi Taluka, Pune Dist., 412115, India.
3. Plot No. 160/A, 161/E, Gagillapur Village, Dindigal-Gandimaisamma Mandal, Medchal-Malkajgiri dist ., 500043, Telangana State, India.
4. Plot No. 15/A/1, Phase-III, I.D.A, Jeedimetla, Qutubullapur Mandal, Hyderabad- 500055, Medchal-Malkajgiri Dist., Telangana State, India.

Address for correspondence**Registered Office & Corporate Office**

2nd Floor, 3rd Block, My Home Hub, Madhapur, Hyderabad (TS) - 500081, India

Tel: 91-40-30660000, Fax: 91-40-23115145

E-mail: investorrelations@granulesindia.com

Website: www.granulesindia.com

Green Initiative in the Corporate Governance

As part of the Green Initiative process, the Company has taken an initiative of sending documents like notice calling Annual General Meeting, Corporate Governance Report, Directors Report, Auditors Report, Audited Financial Statements, dividend intimations etc., by email. Physical copies are sent only to those shareholders whose email addresses are not registered with the depositories / Registrar and Transfer Agent and for the bounced-mail cases. Shareholders are requested to register their email id with Registrar and Transfer Agent / concerned Depository to enable the Company to send the documents in electronic form or inform the Company in case they wish to receive the above documents in paper mode.

On behalf of the Board of Directors

Krishna Prasad Chigurupati

Chairman and Managing Director

DIN: 00020180

Hyderabad, June 02, 2020

CERTIFICATE ON COMPLIANCE WITH CODE OF CONDUCT

I hereby confirm that the Company has obtained from all the members of the Board and Senior Management Personnel, affirmation that they have complied with the 'Code of Conduct' in respect of the financial year 2019-20.

Place: Hyderabad
Date: June 02, 2020

Krishna Prasad Chigurupati
Chairman & Managing Director
DIN: 00020180

CEO AND CFO CERTIFICATE

The Chairman and Managing Director and the Chief Financial Officer of the Company give annual certification on financial reporting and internal controls to the Board in terms of Regulation 17(8) of the Listing Regulations. The Chairman and Managing Director and the Chief Financial Officer also give quarterly certification on financial results while placing the financial results before the Board in terms of Regulation 33(2) of the Listing Regulations. The annual certificate given by the Chairman and Managing Director and the Chief Financial Officer is published in this Report.

To,
The Board of Directors
Granules India Limited

We hereby certify that:

- a. We have reviewed financial statements and the cash flow statement for the year ended March 31, 2020 and that to the best of our knowledge and belief :
 - i. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - ii. these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b. There are, to the best of our knowledge and belief, no transactions entered into by the company during the period which are fraudulent, illegal or violate the company's code of conduct.
- c. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps taken or propose to take to rectify these deficiencies.
- d. We have indicated to the auditors and the Audit committee
 - i. that there are no significant changes in internal control over financial reporting during the year;
 - ii. that there are no significant changes in accounting policies during the year; and
 - iii. that there are no instances of significant fraud of the management or an employee having a significant role in the company's internal control system over financial reporting.

Sandip Neogi
Chief Financial Officer

Krishna Prasad Chigurupati
Chairman & Managing Director
DIN: 00020180

Place: Hyderabad
Date: June 02, 2020

CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS

(pursuant to Regulation 34(3) and Schedule V Para C clause (10)(i) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015)

To,
The Members,
M/s. Granules India Limited
2nd Floor, 3rd Block, My Home Hub,
Madhapur, Hyderabad- 500 081, Telangana.

I, have examined the relevant registers, records, forms, returns and disclosures received from the Directors of M/s. **Granules India Limited** having CIN (Corporate Identification Number) **L24110TG1991PLC012471** and having its Registered Office at 2nd Floor, 03rd Block, My Home Hub, Mahdapur, Hyderabad - 500 081, Telangana, India (the Company), produced before us by the Company for the purpose of issuing this Certificate, in accordance with Regulation 34(3) read with Schedule V Para-C sub clause (10)(i) of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

In my opinion and to the best of our information and according to the verifications (including Director Identification Number (DIN) status at the portal www.mca.gov.in) as considered necessary and explanations furnished to us by the Company and its officers, we hereby certify that none of the Directors on the Board of the Company as stated below for the Financial Year ending on 31st March, 2020 have been debarred or disqualified from being appointed or continuing as Directors of Companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs or any such other Statutory Authority:

Sl. No	Name	Designation	DIN
1.	Mr. Krishna Prasad Chigurupati	Chairman & Managing Director	00020180
2.	Mrs. Uma Devi Chigurupati	Executive Director	00737689
3.	Mr. Harsha Chigurupati	Executive Director	01606477
4.	Mr. Basava Sankar Rao Kolli	Non - Executive Director	05167550
5.	Mr. Arun Rao Akinepally	Independent Director	00876993
6.	Mr. Arun Sawhney	Independent Director	01929668
7.	Mr. Robert George Cunard	Independent Director	08346308
8.	Mrs. Jyothi Prasad	Independent Director	06947488

Ensuring the eligibility for the appointment/continuity of every Director on the Board is the responsibility of the management of the Company. Our responsibility is to express an opinion on these based on our verification. This certificate is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

for **Saurabh Poddar & Associates**
Company Secretaries

Saurabh Poddar

Proprietor

FCS No. 9190

C P No.: 10787

UDIN:- F009190B000320864

Place: Hyderabad

Date: 02-06-2020

Independent Auditor's Certificate on the Corporate Governance Report

To,

The Members of Granules India Limited

- 1 This certificate is issued in accordance with the terms of our engagement letter dated 11 July 2019.
- 2 Granules India Limited ('the Company') requires Independent auditor's certificate on corporate governance as per Regulations 17-27, Clauses (b) to (i) of Regulation 46(2) and paragraphs C, D and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ('Listing Regulations') for the period 1 April 2019 to 31 March 2020.

Management responsibility

- 3 The preparation of the Corporate Governance Report is the responsibility of the Management of the Company along with the maintenance of all its relevant supporting records and documents. The Management is also responsible for compliance with conditions of corporate governance as stipulated in regulation 17-27, Clauses (b) to (i) of Regulation 46(2) and paragraphs C, D and E of Schedule V of the Listing Regulations for the period 1 April 2019 to 31 March 2020. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the Corporate Governance report and applying an appropriate basis of preparation.

Auditor's Responsibility

- 4 Pursuant to the requirements of the Listing Regulations, our responsibility is to certify whether the Company has complied with the above said compliances of the conditions of the Corporate Governance for the period 1 April 2019 to 31 March 2020.
- 5 We have examined the compliance of the conditions of Corporate Governance by the Company for the period 1 April 2019 to 31 March 2020 as per Regulations 17-27, Clauses (b) to (i) of Regulation 46(2) and paragraphs C, D and E of Schedule V of the Listing Regulations. 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 Standalone Ind AS financial statements of the Company.
- 6 We conducted our examination in accordance with the Guidance Note on Audit Reports and Certificates issued for Special Purposes (Revised 2016) issued by the Institute of Chartered Accountants of India. The Guidance Note requires that we comply with the ethical requirements of the Code of Ethics issued by the Institute of Chartered Accountants of India.
- 7 We have complied with the relevant applicable requirements of the Standard on Quality Control (SQC) 1, Quality Control for Firms that Perform Audits and Reviews of Historical Financial Information, and Other Assurance and Related Services Engagements.

Opinion

- 8 In our opinion and to the best of our information and according to the explanations given to us and representations made by the Management, we certify that the Company has complied with the conditions of Corporate Governance as specified in Regulations 17 to 27, Clauses (b) to (i) of sub-regulation (2) of Regulation 46 and paragraphs C, D and E of the Schedule V of the Listing Regulations, as applicable.

- 9 We 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.

Restrictions on Use

- 10 This certificate is issued solely for the purpose of complying with regulation 17-27, Clauses (b) to (i) of Regulation 46(2) and paragraphs C, D and E of Schedule V of the Listing Regulations for the period 1 April 2019 to 31 March 2020 and may not be suitable for any other purpose. Accordingly, we do not accept or assume any liability or duty of care for any other purpose or to any other person to whom this certificate is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

For **B S R & Associates LLP**

Chartered Accountants

Firm Registration Number: 116231W/W-100024

Sriram Mahalingam

Partner

Membership Number: 049642

ICAI UDIN: 20049642AAAABU3871

Place: Hyderabad

Date: 02 June 2020

Business Responsibility Report

As per Regulation 34(2)(f) of the Listing Regulations, 2015

Section A: General Information About the Company

1	Corporate Identity Number (CIN) of the Company	L24110TG1991PLC012471
2	Name of the Company	Granules India Limited
3	Registered address	2nd Floor, 3rd Block, My Home Hub, Madhapur, Hyderabad – 500081
4	Website	www.granulesindia.com
5	E-mail id	Investorrelations@granulesindia.com
6	Financial Year reported	Financial year ended March 31, 2020
7	Sector(s) that the Company is engaged in (industrial activity)	Manufacture of Pharmaceuticals
8	List three key products/services that the Company manufactures/ provides (as in balance sheet)	Paracetamol, Metformin and Ibuprofen
9	Total number of locations where business activity is undertaken by the Company	Six
	(a) Number of International Locations (Provide details of major 5)	NIL
	(b) Number of National Locations	Six
10	Markets served by the Company : Local/State/National/ International	All markets (India and International)

Section B: Financial Details of the Company

1	Paid up Capital (₹ in Lakhs)	2,542.47
2	Total Turnover (₹ in Lakhs)	2,30,992.83
3	Total profit after taxes (₹ in Lakhs)	44,406.90
4	Total Spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%)	0.99
5	List of activities in which expenditure in 4 above has been incurred	(a) Skill development activity (b) Promoting preventive healthcare (c) Environmental sustainability (d) Disaster management

Section C: Other Details

1	Does the Company have any Subsidiary Company/ Companies?	Yes
2	Do the Subsidiary Company/Companies participate in the BR Initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s)	No
3	Do any other entity/entities (eg. Suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/ entities? [Less than 30%, 30-60%, more than 60%]	No

Section D: BR Information

1. Details of Director/Directors responsible for BR

(a) Details of Director/Directors responsible for implementation of the BR policy/policies

1. DIN Number- 00020180
2. Name - Krishna Prasad Chigurupati
3. Designation - Chairman and Managing Director

(b) Details of the BR head

1. DIN Number - 00020180
2. Name - Krishna Prasad Chigurupati
3. Designation - Chairman and Managing Director
4. Telephone number - 040- 30663600
5. e-mail id - mail@granulesindia.com

2. Governance related to BR

- Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company. Within 3 months, 3-6 months, annually, more than 1 year - Annually
- Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published? - NO

3. Principle-wise (as per NVGs) BR Policy/policies

(a) Details of compliance

[illegible]

Section E: Principle-Wise Performance

Principle 1

Business should conduct and govern themselves with ethics, transparency and Accountability

1. Does the policy relating to ethics, bribery and corruption cover only the company? Yes/No. Does it extend to the Group/ Joint Ventures/ Suppliers/ Contractors/ NGOs/Others?

Granules Code of Conduct covers all the stakeholders including Group/Suppliers/ Contractors/ NGOs/Others. Granules India always encourages its employees and all the stakeholders not to engage in any unfair trading practices, irresponsible advertising or anti-competitive behavior. Granules India has the procedures in place to ensure that the business of the company is carried out in a fair and responsible manner.

2. How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management? If so, provide details thereof, in about 50 words or so.

Granules India strongly emphasize on servicing its customers with the best quality products. The company not only believes in delivery quality product but also believes in on-time service to all of its customers.

All the customer complaints which were received have been resolved in a timeframe as stated in our Quality standard operating procedures and proposed improvements incorporated into the processes and the company makes sure that no complaints are pending at the end of the financial year.

Principle 2

Business should provide goods and services that are safe and contribute to sustainability throughout their life cycle

1. List upto 3 of your products or services whose design has incorporated social or environmental concerns, risks and/or opportunities.

- (a) Active Pharmaceutical Ingredients(APIs)
- (b) Pharmaceutical Formulation Intermediates(PFIs)
- (c) Finished Dosages(FDs)

2. For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product (optional):

- (a) Reduction during sourcing/production/distribution achieved since the previous year throughout the value chain?

All Our products conform to highest quality standards & our manufacturing facilities (BPL-I, JDM, GGP & VSK-1) are approved by regulatory agencies from US and EU Our intermediate manufacturing facility at Bonthapally (Unit-3) has ISO 9001:2015. Our formulation facility at Gagillapur, & API facilities at Jeedimetla, Bonthapally & Visakhapatnam have ISO 14001:2015 and ISO 45001:2018 certifications.

Granules India Limited realizes the importance of its resources and thus continuously strives to optimize and make best possible use of its resources through continuous improvements and operational excellence. Dedicated manufacturing excellence team is continuously thriving for OEE improvements, overall product value enhancement, high impact projects and lean processes. Granules business model and scale of manufacturing makes us one of the best in resource utilization.

Through continuous improvement we have reduced our coal consumption by 19% at our Bonthapally API facility, by 17% at our formulations facility and 10% in our Jeedimetla facility.

Through better utilization of water resources we have achieved 23% reduction in water consumption at our Bonthapally API facility, 9% reduction at our formulations facility & 4% reduction at our Jeedimetla facility.

Our continuous efforts have helped us to reduce our specific power consumption by 8% at our formulation facility located at Gagillapur & 3% at both Jeedimetla and Bonthapally API facilities.

- (b) Reduction during usage by consumers (energy, water) has been achieved since the previous year?

Covered in the above point

3. Does the company have procedures in place for sustainable sourcing (including transportation)?

Yes. Granules India Limited has well-defined standard procedures for identifying and approving vendors.

Periodic site audit of vendors, regulatory approval checks and regular sample analysis are performed to ensure that the product is of highest quality. Also we have qualified and sourcing critical material from alternate vendors.

Suppliers and vendors are evaluated as per procedures on material risk assessment, compliance to environmental regulations, labour laws, carbon footprint, and health & safety parameters for procurement process.

(a) If yes, what percentage of your inputs was sourced sustainably? Also provide details thereof, in about 50 words or so.

Our API and Formulation plants are strategically located in vicinity of each other to ensure the transportation is bare minimum which in turn also ensures vehicular air emissions are at lowest levels.

At our formulation unit at Gagillapur, 33% of our total electricity demand was procured from environment friendly solar power source. We are looking forward to further explore this concept and increase solar power contribution. This clean and renewable source of energy would indirectly help in reducing our carbon footprint.

4. Has the company taken any steps to procure goods and services from local and small producers, including communities surrounding their place of work?

(a) If yes, what steps have been taken to improve their capacity and capability of local and small vendors?

Over 75% of packing material in terms of value is procured from local sources (Telangana & Andhra Pradesh state). In addition to packaging material, we continuously strive to build local alternate vendors for our other raw materials including API supplies. We are developing several indigenous vendors for our key rawmaterials instead of importing from international markets.

5. Does the company have a mechanism to recycle products and waste? If yes what is the percentage of recycling of products and waste (separately as <5%, 5-10%, >10%). Also provide details thereof, in about 50 words or so.

Yes, Granules India Limited has adopted mechanisms to recycle products and wastes generated during manufacturing processes. We recover key products and

solvents used in the manufacturing process. Some of the systems set up at our manufacturing facilities for recycling & disposal of wastes are as follows:

- We recycle solvents used in manufacturing process thereby reducing the overall fresh solvent consumption in our API plants.
- We treat our waste water in ETP/ZLD plants where ever possible and the treated water is used in Utility make-ups.
- Our wastes such as used Plastics, HDPE drums, fiber drums, shippers, etc. are properly segregated and passed on to selected trusted vendors who process and recycle them safely back to various industries.
- The entire solid organic waste generated during the manufacturing processes is sent to cement industries for co-incineration or to the authorized dealers, thereby reducing our carbon footprint.

Principle 3

Businesses should promote the wellbeing of all employees

1. Please indicate the Total number of employees

We have 4843 employees (Staff 3029 & Contract Labour 1813) as on 31 Mar 2020

2. Please indicate the Total number of employees hired on temporary/contractual/casual basis

We have 1,813 employees as on 31 Mar 2020

3. Please indicate the Number of permanent women employees.

We have 462 women employees (Staff 209 and Contract employees 253) as on 31 Mar 2020

4. Please indicate the Number of permanent employees with disabilities

One

5. Do you have an employee association that is recognized by management

No

6. What percentage of your permanent employees is members of this recognized employee association?

Not Applicable

7. Please indicate the Number of complaints relating to child labour, forced labour, involuntary labour, sexual harassment in the last financial year and pending, as on the end of the financial year.

No.	Category	No. of complaints filed during the financial year	No. of complaints pending as on the end of the financial year
1.	Child Labour/forced labour/ involuntary labour	NIL	NA
2.	Sexual Harassment	NIL	NA
3.	Discriminatory employment	NIL	NA

8. What percentage of your mentioned employees were given safety & skill up gradation training in the last year?

- (a) **Permanent Employees** - 70%
 (b) **Permanent Women Employees** - 50%
 (c) **Casual/Temporary/Contractual Employees** - 70%
 (d) **Employees with Disabilities** - 0%

Principle 4

Businesses should respect the interests of and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalised

1. Has the company mapped its internal and external stakeholders? Yes/No

Yes, we have mapped our internal and external stakeholders including employees, customers, suppliers, community and regulators.

2. Out of the above, has the company identified the disadvantaged, vulnerable & marginalized stakeholders?

Yes, we have identified disadvantageous, vulnerable and marginalized stakeholders.

3. Are there any special initiatives taken by the company to engage with the disadvantaged vulnerable and marginalized stakeholders. If so, provide details thereof, in about 50 words.

The company has implemented an elaborate EHS management systems to prevent environmental degradation, work place incidents and ill-health, covering all categories of employees including contract workmen.

We have initiated Behavior Based Safety Management System, Process Safety Management System & Incident Analysis System at all our manufacturing facilities and provided extensive trainings and awareness sessions to our employees and contract workmen in order to achieve safe work culture and environment.

Granules India Limited has partnered with Swarna Bharat Trust to provide skill development programs to needful youth and support them with employment opportunities. These youth are given the opportunity to be part of "Earn & Learn" programme. Through various training programmes, technical skills are imparted to these targeted youth who are then employable in various pharmaceutical companies.

We have recruited over 400 employees over last three years through this initiative. These members are provided with on-the-job training along with opportunities for higher education through "Self-Managed Team" way of working.

Principle 5

Business should respect and promote human rights

1. Does the policy of the company on human rights cover only the company or extend to the Group/Joint Ventures/Suppliers/Contractors/NGOs/Others?

At present our policies extended to our company, our suppliers and contractors

2. How many stakeholders complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management?

Complaints were not received.

Principle 6

Business should respect, protect, and make efforts to restore the environment

1. Does the policy related to Principle 6 cover only the company or extends to the Group/Joint Ventures/Suppliers/Contractors/NGOs/Others.

The Environment policies are in place for our group companies

2. Does the company have strategies/initiatives to address global environmental issues such as climate change, global warming, etc.? Y/N. If yes, please give hyperlink for webpage etc.

In our formulation unit located at Gagillapur, over 33% of our electricity demand was procured from environment friendly renewable source of solar energy. We are looking forward to further explore increase of solar power contribution. This clean and renewable source of energy would indirectly help in reducing our carbon footprint. We understand the green-belt requirement and have hence maintained greenery in our units.

Our continuous efforts have helped us to reduce our specific power consumption by 8% at our formulation facility located at Gagillapur & 3% at both Jeedimetla and Bonthapally API facilities.

At our Bonthapally API unit we have reduced our specific coal consumption by 19%, specific water consumption by 23% & solid waste generation was reduced by 27% compared to last FY'18-19. At Jeedimetla unit we have reduced our specific coal consumption by 10% and specific water consumption by 4% in FY'19-20 compared to FY'18-19. At our Gagillapur facility we have reduced our specific coal consumption by 17% and specific water consumption by 9% compared to last FY'18-19.

Granules India Limited does continuous monitoring of Total Volatile Organic Content in its manufacturing facilities to ensure that the environment is maintained in good condition. In addition to this we monitor Ambient air quality across the manufacturing facilities and boilers for Suspended Particulate Matter (PM10), Respirable Suspended Particulate Matter (PM2.5) along with harmful pollutants like SOx, NOx. This helps us to ensure air pollution levels are kept to the minimum and environmental impact is reduced.

3. Does the company identify and assess potential environmental risks? Y/N

Yes

4. Does the company have any project related to Clean Development Mechanism? If so, provide details thereof, in about 50 words or so. Also, if Yes, whether any environmental compliance report is filed?

Granules India Limited places top priority on environmental protection and Occupational Health & Safety in all its business operations, respecting human life and dignity. The company strives to achieve this

through proactive EHS management systems to prevent environmental degradation, work place incidents and ill-health, covering all categories of employees including contract workmen. The company aims to go beyond the statutory requirements by endeavoring towards reduction of use of natural resources and energy by reducing, reusing or recycling the raw materials.

We are maintaining Zero Liquid Discharge System & Effluent Treatment Plants with RO Recovery System to ensure that the effluents generated are treated to minimize the environmental impact and reuse the resources wherever possible. The treated water is suitably recycled back in the utility makeup.

Under clean manufacturing, all the solid wastes generated at our manufacturing plants are either sent to cement industries for co-incineration or to the authorized dealers.

At our Bonthapally API facility we have reduced our solid waste generation by 27% through yield improvements & reduced specific water consumption by 23% through improved steam condensate recovery. At Jeedimetla and Gagillapur units we have reduced specific water consumption by 4% & 9% respectively through continuous improvement projects and recycling of treated water for utility makeup.

5. Has the company undertaken any other initiatives on - clean technology, energy efficiency, renewable energy, etc. Y/N. If yes, please give hyperlink for webpage

Covered in the above point

6. Are the Emissions/Waste generated by the Company within the permissible limits given by CPCB/SPCB for the financial year being reported?

Yes.

7. Number of show cause/legal notices received from CPCB/SPCB which are pending (i.e. not resolved to satisfaction) as on end of Financial Year.

None.

Principle 7

Businesses when engaged in influencing public and regulatory policy, should do so in a responsible manner

1. Is your company a member of any trade and chamber or association? If yes, Name only those major ones that your business deals with:

(a) Confederation of Indian Industry (CII)

- (b) Bulk Drug Manufacturers Association (BDMA)
(c) FTAPCCI

- 2. Have you advocated/lobbied through above associations for the advancement or improvement of public good? Yes/No; if yes specify the broad areas (drop box: Governance and Administration, Economic Reforms, Inclusive Development Policies, Energy security, Sustainable Business Principles, Others)**

No

Principle 8

Business should support inclusive growth and equitable development

- 1. Does the company have specified programmes/initiatives/projects in pursuit of the policy related to Principle 8? If yes, details thereof.**

We believe in providing inclusive growth and supporting equitable development in the society. Our programme "Self-Directed Teams" continues to provide job opportunities to youths from surrounding rural areas and particularly from economically weaker sections. Along with giving them job opportunity, these candidates are provided with trainings and opportunities for higher education under the concept of "earn and learn".

- 2. Are the programmes /projects undertaken through in-house team/own foundation/external NGO/ governmental structures/any other organization?**

The programs have been undertaken by in-house teams.

- 3. Have you done any impact assessment of your initiative?**

We review our projects on periodic basis to assess the projects against the project deliverables.

- 4. What is your company's direct contribution to community development projects -Amount in INR and the details of the projects undertaken**

Constructed Primary Medical Centers at Gagilapur Village and Bonthapally Village.

- 5. Have you taken steps to ensure this community development initiative is successfully adopted by the community? Please explain in 50 words or so.**

Yes

Principle 9

Businesses should engage with and provide value to their customers and consumer in a responsible manner

- 1. What percentage of customer complaints/consumer cases are pending as on the end of financial year.**

Granules has Standard Operating Procedure to acknowledge, investigate and respond to any product quality related complaints/query. Dedicated complaints handling teams across all its manufacturing units ensure that detailed investigation is performed for all complaints/queries received and appropriate CAPA is taken where ever necessary within stipulated time-frames. We do not have any consumer cases in this financial year.

- 2. Does the company display product information on the product label, over and above what is mandated as per local laws? Yes/No/NA/ Remarks (additional information)**

We do not provide/display any information over and above what is mandated as per local laws

- 3. Is there any case filed by any stakeholder against the company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behavior during the last five year. If so, provide details thereof, in about 50 words or so.**

No such cases are filed by any stakeholder against the company.

- 4. Did your company carry out any consumer survey/ consumer satisfaction trends?**

We undertake customer satisfaction survey through consistent visit/interaction with the customers

Independent Auditors' Report

To the Members of **Granules India Limited**

Report on the Audit of the Standalone Financial Statements

Opinion

We have audited the standalone financial statements of Granules India Limited ("the Company"), which comprise the standalone balance sheet as at 31 March 2020, and the standalone statement of profit and loss (including other comprehensive income), standalone statement of changes in equity and standalone statement of cash flows for the year then ended, and notes to the standalone financial statements, including a summary of the significant accounting policies and other explanatory information (hereinafter referred to as "the standalone financial statements").

In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ("Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at 31 March 2020, and profit and other comprehensive income, changes in equity and its cash flows for the year ended on that date.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those SAs are further described in the *Auditor's Responsibilities for the Audit of the Standalone Financial Statements* section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the standalone financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on the Standalone financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

1. Receivables and allowances

See notes 2(f)(i), 7A and 33 to the standalone financial statements

The key audit matter

The Company is primarily involved in the manufacturing and selling of Active Pharmaceutical Ingredients (APIs), Pharmaceutical Formulation intermediates (PFIs) and Finished Dosages (FDs) within and outside India.

Trade receivables constitute about 20 % of the total assets as at the balance sheet date.

The Company measures expected credit loss on trade receivables based on a provision matrix which is based on significant management judgement and estimates i.e.:

How the matter was addressed in our audit

In view of the significance of the matter, we applied the following audit procedures in this area, among others to obtain sufficient appropriate audit evidence:

1. Assessed the appropriateness of accounting policy for expected credit loss as per the relevant accounting standard.
2. Obtained an understanding of and assessed the design, implementation and operating effectiveness of key controls relating to collection monitoring process, credit control process (including customer credit approvals) and estimation of expected credit losses.

The key audit matter	How the matter was addressed in our audit
<ul style="list-style-type: none"> - historical default rate/ payment trend of the Company's customers; - age analysis of the receivables; - relevant current customer specific conditions; and - other relevant factors including forward-looking information (where appropriate) at the reporting date such as subsequent settlement and future collectability. <p>Due to the varying characteristics and payment terms, some customers have a higher than average days sales outstanding, which increases the credit risk for these customers. Further, the outstanding of customers could be impacted by the economic conditions consequent to Covid-19.</p> <p>We have considered assessment of expected credit loss for receivables as a key audit matter because of the significance of balance of trade receivables to the balance sheet and because of the significant management judgement involved in its estimation particularly in the context of Covid - 19.</p>	<ol style="list-style-type: none"> 3. Tested the controls relating to classification of the receivable balances included in the receivables ageing report. For a sample selected, tested classification in the ageing report to source documents such as invoice issued, contract with the customer. 4. For samples selected, circularized independent confirmations and where confirmations were not received, performed alternate testing procedures. This includes testing, on a sample basis, subsequent collections for the outstanding receivables. 5. Assessed the methodology used by management to estimate the expected credit loss provision and its compliance with the relevant accounting standard. 6. Assessed the reasonableness of estimate of expected credit losses through the following: <ul style="list-style-type: none"> • Obtained an understanding of the key assumptions used in estimating the expected credit losses such as discount rate, historical default rates, recovery rates, payment trend, current economic conditions and forward-looking information etc. 7. Assessed the adequacy of disclosures relating to trade receivables and related credit risk.

2. Recoverability of carrying value of intangible assets and intangible assets under development

[See notes 2\(f\)\(ii\) to the standalone financial statements](#)

The key audit matter	How the matter was addressed in our audit
<p>These intangible assets have been determined to have a finite life and therefore these are amortised over their useful life.</p> <p>Additionally, an impairment assessment is performed whenever there is an indication of impairment. Carrying values are considered to be impaired if they are below the recoverable value.</p> <p>The assessment process of impairment of intangible assets (including those under development) is complex as it involves significant judgement and assumptions e.g.</p> <ul style="list-style-type: none"> - discounted cashflow forecasts; 	<p>With regard to intangible assets, we applied the following audit procedures in this area, among others to obtain sufficient appropriate audit evidence:</p> <ul style="list-style-type: none"> • Assessed the appropriateness of accounting policy relating to intangible assets as per the relevant accounting standard. • Evaluated the design and implementation of certain key internal financial controls with respect to the impairment assessment of intangible assets including intangibles under development. • Evaluated qualitative analysis of the impairment indicators to assess existence of triggering events. • Evaluated the impairment model which is based on discounted cash flows. This included

The key audit matter	How the matter was addressed in our audit
<ul style="list-style-type: none"> - future growth rate; - discount rate (generally based on weighted average cost of capital) - probability of regulatory and commercial success; and - estimating the expected cost to complete the development for intangibles under development. <p>Given the significant level of judgement involved in making the above estimates, determining the recoverable value and consequent impairment of intangibles including those under development has been determined to be a key audit matter.</p>	<ul style="list-style-type: none"> o Evaluating the appropriateness of the assumptions used for key inputs such as those relating to forecast revenue and gross margin based on our knowledge of the Company and the industry. o Evaluating appropriateness of the discount rate used with reference to external market data such as risk free rate, share prices and country risk premium and weighted average cost of capital. o Tested the budgeting procedures upon which the cash flow forecasts were based. We also compared the actual past performances with the budgeted figures in order to assess the robustness of the overall budgeting process. • Assessed sensitivity of the outcome of impairment assessment to changes in key assumptions such as discount rates and future growth rates. • Interviewing key research and development personnel and commercial personnel to assess reasonableness of the assumptions used, such as expected market share, revenue growth, expected margins, probability of success of products under development.

Other Information

The Company's management and Board of Directors are responsible for the other information. The other information comprises the information included in the Company's annual report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the standalone financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Management's and Board of Directors' Responsibility for the Standalone Financial Statements

The Company's Management and Board of Directors are responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the state of affairs, profit/loss and other comprehensive income, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, the Management and Board of Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The Board of Directors is also responsible for overseeing the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Standalone Financial Statements

Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3) (i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures in the standalone financial statements made by the Management and Board of Directors.
- Conclude on the appropriateness of the Management and Board of Directors use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditors' Report) Order, 2016 ("the Order") issued by the Central Government in terms of section 143 (11) of the Act, we give in the "Annexure A" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
2. (A) As required by Section 143(3) of the Act, we report that:
 - a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
 - b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
 - c) The standalone balance sheet, the standalone statement of profit and loss (including other comprehensive income), the standalone statement of changes in equity and the standalone statement of cash flows dealt with by this Report are in agreement with the books of account.
 - d) In our opinion, the aforesaid standalone financial statements comply with the Ind AS specified under section 133 of the Act.
 - e) On the basis of the written representations received from the directors as on 31 March 2020 taken on record by the Board of Directors, none of the directors is disqualified as on 31 March 2020 from being appointed as a director in terms of Section 164(2) of the Act.
 - f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure B".
- (B) 'With respect to the other matters to be included in the Auditors' Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our

opinion and to the best of our information and according to the explanations given to us:

- i. The Company has disclosed the impact of pending litigations as at 31 March 2020 on its financial position in its standalone financial statements - Refer Note 26 to the standalone financial statements;
 - ii. The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.
 - iv. The disclosures in the standalone financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made in these financial statements since they do not pertain to the financial year ended 31 March 2020.
- (C) With respect to the matter to be included in the Auditors' Report under section 197(16):

In our opinion and according to the information and explanations given to us, the remuneration paid by the company to its directors during the current year is in accordance with the provisions of Section 197 of the Act. The remuneration paid to any director is not in excess of the limit laid down under Section 197 of the Act. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) which are required to be commented upon by us.

For **B S R & Associates LLP**

Chartered Accountants

ICAI Firm Registration number: 116231W / W-100024

Sriram Mahalingam

Partner

Place: Hyderabad

Date: 2 June 2020

Membership Number: 049642

UDIN: 20049642AAAABR7419

Annexure A

to the Independent Auditor's Report on the Standalone Financial Statements

The Annexure A referred to in our Independent Auditor's Report of even date to the Members of Granules India Limited ("the Company") on the Standalone Ind AS financial statements for the year ended 31 March 2020, we report that:

- i. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) The Company has a regular programme of physical verification of its fixed assets by which all the fixed assets are verified in a phased manner over a period of three years. In our opinion, the periodicity of physical verification is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the program a portion of fixed assets has been physically verified by the management, during the year and no material discrepancies have been noticed on such verification.
- (c) According to the information and explanation given to us and on the basis of our examination of the records of the Company, the title deeds of immovable properties as disclosed in Note 3A to these Standalone Ind AS financials statements, are held in the name of the Company.
- ii. The inventories, except goods in transit and stocks lying in bonded warehouse, have been physically verified by the management during the year. The discrepancies noticed on physical verification of inventory by management as compared to book records were not material.
- iii. The Company has granted unsecured loans to two parties covered in the register maintained under Section 189 of the Companies Act 2013 ("Act"). There are no firms, limited liability partnerships covered in the register maintained under Section 189 of the Act.
 - (a) In respect of the aforesaid loans, the terms and conditions under which such loans were granted are not prejudicial to the Company's interest.
 - (b) In respect of the aforesaid loans, the schedule for repayment of principal and payment of interest has been stipulated by the company and the borrower has been regular in the payment of the principal and interest, as stipulated.
 - (c) In respect of the aforesaid loans, there is no amount which is overdue for more than ninety days
- iv. In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of Section 185 and 186 of the Act, with respect to loans given and investments made to the extent applicable. There are no guarantees given during the year.
- v. The Company has not accepted any deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the Rules framed there under. Accordingly, paragraph 3(v) of the Order are not applicable to the Company.
- vi. Pursuant to the rules made by the Central Government of India, the company is required to maintain cost records as specified under section 148(1) of the Act in respect of its products. We have broadly reviewed the same and are of the opinion that, prima facie, the prescribed accounts have been made and maintained. However, we have not made a detailed examination of the records.
- vii. (a) According to the information and explanations given to us and on the basis of our examination of the records of the Company, amounts deducted / accrued in the books of accounts in respect of undisputed statutory dues including provident fund, employees' state insurance, income-tax, duty of customs, goods and service tax and other material statutory dues have been regularly deposited during the year with the appropriate authorities.

According to the information and explanations given to us, no undisputed amounts payable in respect of provident fund, employees' state insurance, income tax, duty of customs, goods and service tax and other material statutory dues were in arrears as at 31 March 2020 for a period of more than six months from the date they became payable.

- (b) According to the information and explanations given to us and on the basis of our examination of the records of the Company, there are no dues of Sales tax, Duty of customs, Duty of excise, Service tax, Goods and service tax and Value added tax which have not been deposited with appropriate authorities on account any dispute, except as following:

Name of the Statute	Nature of the Dues	Amount (₹ In lakhs)*	Amount paid # (₹)	Period to which the amount relates	Forum where the dispute is pending
Income Tax Act, 1961	Income tax	6.42	-	AY 2008-09	Honorable High Court of Judicature at Hyderabad for the State of Telangana and the State of Andhra Pradesh
The Central Excise Act, 1944	Customs Duty	10.90	5	FY 1993-94	Principal Commissioner of Customs
The Central Excise Act, 1944	Excise Duty	29.89	-	FY 2008-09 to 2010-11	The Customs, Excise and Service Tax Appellate Tribunal (CESTAT)

*Excluding interest, as applicable

#The Company has paid this amount under protest

- viii. According to the information and explanation given to us and the records of the Company examined by us, the Company has not defaulted in repayment of loans or borrowings to any financial institutions or bank. The Company did not have any loans or borrowing to Government, nor has it issued any debentures as at the balance sheet date.
- ix. The Company has not raised any monies by way of initial public offer or further public offer (including debt instruments). In our opinion, and according to the information and explanations given to us, monies raised by way of term loans have been applied, on an overall basis, for the purposes for which they were obtained.
- x. During the course of our examination of the books and records of the Company carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanation given to us, we have neither come across any instance of material fraud by the company or on the company by its officers or employees notices or reported during the year, nor have we been informed of any such case by the management.
- xi. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has paid/provided for the managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.
- xii. The Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it. Accordingly, the provisions of Clause 3(xii) of the Order are not applicable to the Company.
- xiii. According to the information and explanations given to us and based on our examination of the records of the Company, transactions with the related parties are in compliance with Sections 177 and 188 of the Act, where applicable and details of such transactions have been disclosed in Note 31 of the Standalone Ind AS financial statements, as required by the applicable accounting standards
- xiv. The Company has not made any preferential allotment of shares or fully or partly convertible debentures during the year.
- xv. According to the information and explanations given to us and based on our examination of the records of the Company, the Company has not entered into any non-cash transaction with the directors or persons connected with him as contemplated under the provisions of Section 192 of the Act. Accordingly, paragraph 3(xv) of the Order are not applicable to the Company.
- xvi. In our opinion and according to the information and explanation given to us, the Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, paragraph 3(xvi) of the Order are not applicable to the Company.

For **B S R & Associates LLP**

Chartered Accountants

ICAI Firm Registration number: 116231W / W-100024

Sriram Mahalingam

Partner

Place: Hyderabad
Date: 2 June 2020

Membership Number: 049642
UDIN: 20049642AAAABR7419

Annexure B

to the Independent Auditors' report on the standalone financial statements of Granules India Limited for the year ended 31 March 2020

Report on the internal financial controls with reference to the aforesaid standalone financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013

(Referred to in paragraph 2(A)(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Opinion

We have audited the internal financial controls with reference to financial statements of Granules India Limited ("the Company") as of 31 March 2020 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

In our opinion, the Company has, in all material respects, adequate internal financial controls with reference to financial statements and such internal financial controls were operating effectively as at 31 March 2020, based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (the "Guidance Note").

Management's Responsibility for Internal Financial Controls

The Company's management and the Board of Directors are responsible for establishing and maintaining internal financial controls based on the internal financial controls with reference to financial statements criteria established by the Company considering the essential components of internal control stated in the Guidance Note. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 (hereinafter referred to as "the Act").

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements

based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to financial statements. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements were established and maintained and whether such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of such internal financial controls, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the standalone financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls with reference to financial statements.

Meaning of Internal Financial controls with Reference to Financial Statements

A company's internal financial controls with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls with reference to financial statements include those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded

as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial controls with Reference to Financial Statements

Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may

occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to financial statements to future periods are subject to the risk that the internal financial controls with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

For **B S R & Associates LLP**

Chartered Accountants

ICAI Firm Registration number: 116231W / W-100024

Sriram Mahalingam

Partner

Place: Hyderabad

Date: 2 June 2020

Membership Number: 049642

UDIN: 20049642AAAABR7419

Balance Sheet

as at March 31, 2020

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

	Notes	As at March 31, 2020	As at March 31, 2019
Assets			
Non-current assets			
Property, plant and equipment	3A	86,770.55	63,265.57
Capital work-in-progress	3A	10,086.39	30,874.48
Intangible assets	3B	5,917.80	6,729.41
Intangible assets under development	3B	2,891.59	2,428.38
Financial assets			
(i) Investments	4A	44,539.17	50,646.30
(ii) Loans	4C	15,429.07	6,545.08
Other non-current assets	5A	1,495.37	1,056.93
Total non-current assets		167,129.94	161,546.15
Current assets			
Inventories	6	34,394.74	31,413.51
Financial assets			
(i) Trade receivables	7A	62,700.27	70,420.94
(ii) Cash and cash equivalents	7B	17,432.47	5,642.03
(iii) Bank balances other than (ii) above	7B	9,801.38	601.59
(iv) Loans	7C	175.69	49.10
(v) Others	7D	264.99	34.07
Other current assets	5B	11,733.34	12,729.67
		136,502.88	120,890.91
Investments- Assets held for sale	4B	10,985.24	-
Total current assets		147,488.12	120,890.91
Total assets		314,618.06	282,437.06
Equity and liabilities			
Equity			
Equity share capital	8	2,542.48	2,542.48
Other equity	9	178,616.10	139,781.03
Total equity		181,158.58	142,323.51
Liabilities			
Non-current liabilities			
Financial liabilities			
(i) Borrowings	10	42,091.66	47,878.25
Provisions	11A	2,150.34	1,258.07
Deferred tax liabilities (net)	12	4,472.10	6,693.25
Total non-current liabilities		48,714.10	55,829.57
Current liabilities			
Financial liabilities			
(i) Borrowings	13A	37,169.09	45,420.61
(ii) Trade payables	13B		
(a) Total outstanding dues of micro enterprises and small enterprises		855.47	371.45
(b) Total outstanding dues of creditors other than micro enterprises and small enterprises		31,432.03	27,317.78
(iii) Other financial liabilities	13C	12,681.99	9,631.22
Income tax liabilities (net)		345.47	85.74
Provisions	11B	595.51	433.83
Other current liabilities	14	1,665.82	1,023.35
Total current liabilities		84,745.38	84,283.98
Total liabilities		133,459.48	140,113.55
Total equity and liabilities		314,618.06	282,437.06
Significant accounting policies	2		
The accompanying notes are an integral part of the financial statements.			

As per our report of even date attached

for **B S R & Associates LLP**

Chartered Accountants

Firm registration number 116321W/W-100024

Sriram Mahalingam

Partner

Membership No : 049642

Place: Hyderabad

Date: June 02, 2020

for and on behalf of the Board of Directors of

Granules India Limited

CIN : L24110TG1991PLC012471

Krishna Prasad Chigurupati

Chairman and Managing Director

DIN : 00020180

Sandip Neogi

Chief Financial Officer

Chaitanya Tummala

Company Secretary

Statement of Profit and Loss

for the year ended March 31, 2020
(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

	Notes	For the Year ended March 31, 2020	For the Year ended March 31, 2019
Income			
Revenue from operations	15	230,992.83	209,843.26
Other income	16	2,645.67	2,848.91
Total income		233,638.50	212,692.17
Expenses			
Cost of materials consumed	17	125,328.26	131,733.38
Changes in inventory of work-in-progress and finished goods	18	(3,129.76)	(6,701.53)
Employee benefit expenses	19	19,251.45	16,699.57
Finance costs	20	2,686.22	2,836.02
Depreciation and amortisation expense	21	10,182.44	9,077.21
Other expenses	22	40,129.16	34,876.84
Total expenses		194,447.77	188,521.49
Profit before exceptional item and tax		39,190.73	24,170.68
Exceptional item	4A	(16,111.87)	-
Profit before tax		55,302.60	24,170.68
Tax expense	24		
(i) Current tax		12,222.73	8,192.27
(ii) Deferred tax		(1,327.03)	(205.64)
Total tax expense		10,895.70	7,986.63
Profit for the year		44,406.90	16,184.05
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss			
Fair value changes on cash flow hedges	9	(3,138.36)	1,870.87
Income tax relating to items that will be reclassified to profit or loss	24	770.50	(653.76)
Net other comprehensive income to be reclassified to profit or loss		(2,367.86)	1,217.11
Items that will not be reclassified subsequently to profit or loss			
Re-measurement of defined benefit liability	28	(460.56)	(104.92)
Income tax relating to items that will not be reclassified to profit or loss	24	123.62	36.66
Net other comprehensive income not to be reclassified subsequently to profit or loss		(336.94)	(68.26)
Other comprehensive income/ (loss) for the year		(2,704.80)	1,148.85
Total comprehensive income for the year		41,702.10	17,332.90
Earnings per share:			
Equity shares of par value of Re. 1 each			
Basic (INR)	25	17.47	6.37
Diluted (INR)		17.41	6.35
Significant accounting policies	2		
The accompanying notes are an integral part of the financial statements.			

As per our report of even date attached

for **B S R & Associates LLP**

Chartered Accountants

Firm registration number 116321W/W-100024

Sriram Mahalingam

Partner

Membership No : 049642

Place: Hyderabad

Date: June 02, 2020

for and on behalf of the Board of Directors of

Granules India Limited

CIN : L24110TG1991PLC012471

Krishna Prasad Chigurupati

Chairman and Managing Director

DIN : 00020180

Sandip Neogi

Chief Financial Officer

Chaitanya Tummala

Company Secretary

Statement of Changes in Equity

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

Statement of changes in equity

Statement of changes in equity							
Particulars	Equity share capital (Refer note 8)	Other equity (Refer note 9)				Total attributable to owners of the company	
		Reserves and Surplus		Other comprehensive income			
	Securities premium	Capital reserve	General reserve	Employee stock option	Remeasurements of defined benefit plans	Cash flow hedge reserve	
Balance as on March 31, 2018	2,538.38	62,429.09	1,917.53	30,786.74	541.18	30,648.31	127,819.81
Total comprehensive income/(loss) for the year							
Profit for the year	-	-	-	-	-	-	16,184.05
Other comprehensive income/(loss) (net of tax)	-	-	-	-	-	(68.26)	1,217.11
Transactions with owners, recorded directly in equity							
Dividends (including dividend distribution tax)	-	-	-	-	-	(3,063.93)	-
Share based payment	-	-	-	-	139.18	-	139.18
Share options exercised	4.10	91.45	-	-	-	-	95.55
Balance as on March 31, 2019	2,542.48	62,520.54	1,917.53	30,786.74	680.36	43,768.43	142,323.51
Total comprehensive income/(loss) for the year							
Profit for the year	-	-	-	-	-	44,406.90	44,406.90
Other comprehensive income/(loss) (net of tax)	-	-	-	-	-	(336.94)	(2,704.80)
Transactions with owners, recorded directly in equity							
Dividends (including dividend distribution tax)	-	-	-	-	-	(3,065.09)	(3,065.09)
Share based payment	-	-	-	-	198.06	-	198.06
Balance as on March 31, 2020	2,542.48	62,520.54	1,917.53	30,786.74	878.42	85,110.24	181,158.58

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

As per our report of even date attached

for **BSR & Associates LLP**

Chartered Accountants

Firm registration number 116321W/W-100024

Sriram Mahalingam

Partner

Membership No : 049642

Place: Hyderabad

Date: June 02, 2020

Sandip Neogi

Chief Financial Officer

Krishna Prasad Chigurupati

Chairman and Managing Director

DIN: 00020180

for and on behalf of the Board of Directors of

Granules India Limited

CIN: L24110TG1991PLC012471

Chaitanya Tummala

Company Secretary

Statement of Cash Flows

for the year ended March 31, 2020

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

	For the Year ended March 31, 2020	For the Year ended March 31, 2019
Cash flow from operating activities		
Profit before tax	55,302.60	24,170.68
Adjustments to reconcile profit before tax to net cash flows		
Depreciation and amortisation expense	10,182.44	9,077.21
Bad debts written off	164.99	6.91
Allowance for doubtful trade receivables	671.42	1,261.95
Gain on sale of investment	(16,111.87)	-
Loss on sale of fixed assets (net)	23.45	29.73
Changes in fair value of cashflow hedges	148.13	-
Net loss/(gain) on foreign exchange fluctuations (unrealised)	(2,004.87)	60.32
Share based compensation expense	198.06	139.18
Interest expense	2,686.22	2,836.02
Interest income	(1,348.84)	(1,219.55)
Operating profit before working capital changes	49,911.73	36,362.45
Movements in working capital:		
Decrease/(Increase) in trade receivables	9,979.73	(3,258.12)
Increase in inventories	(2,981.23)	(8,677.86)
Decrease in other assets	633.58	3,167.03
Increase in trade payables, other liabilities and provisions	3,898.08	3,772.15
Cash generated from operations	61,441.89	31,365.65
Taxes paid (net of refunds)	(11,963.00)	(8,680.35)
Net cash flow generated from operating activities (A)	49,478.89	22,685.30
Cash flow from investing activities		
Purchase of fixed assets, including capital work-in-progress, capital advances and payables for capital goods	(11,943.18)	(18,774.85)
Proceeds from sale of fixed assets	17.63	20.78
Proceeds from sale of associate	11,233.76	-
Withdrawal/(placement) of bank deposits	(9,193.71)	167.79
Loans given to subsidiaries	(6,927.63)	(8,590.03)
Interest received	332.84	2,885.48
Net cash flow used in investing Activities (B)	(16,480.29)	(24,290.83)
Cash flow from financing activities		
Proceeds from issuance of shares	-	95.55
Proceeds from borrowings	-	11,339.34
Repayment of borrowings	(5,986.36)	(1,105.32)
(Repayment)/proceeds of short-term borrowings, net	(9,353.54)	(6,231.00)
Repayment of lease liability (including related interest)	(171.95)	-
Interest paid	(2,651.65)	(2,768.02)
Dividend paid on equity shares including tax thereon	(3,065.09)	(3,063.93)
Net cash flow (used in)/generated from financing activities (C)	(21,228.59)	(1,733.38)
Net (decrease)/increase in cash and cash equivalents (A+B+C)	11,770.01	(3,338.91)

Statement of Cash Flows

for the year ended March 31, 2020

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

	For the Year ended March 31, 2020	For the Year ended March 31, 2019
Effect of exchange differences on translation of foreign currency cash and cash equivalents	20.43	-
Cash and cash equivalents at the beginning of the year	5,642.03	8,980.94
Cash and cash equivalents at the end of the year	17,432.47	5,642.03
Components of cash and cash equivalents:		
Cash on hand	13.29	2.66
Balances with banks		
On current accounts	833.29	734.64
On EEFC accounts	39.18	67.12
On deposit accounts	15,962.91	4,837.61
Remittances in transit	583.80	-
Total cash and cash equivalents	17,432.47	5,642.03

Change in liability arising from financing activities	Borrowings - Non Current (Refer note 10)*	Borrowings - Current (Refer note 13A)	Lease obligation (Refer note 3A)
Opening as on March 31, 2019	53,697.33	45,420.61	-
Liability arising on applying Ind AS 116	-	-	834.95
Payments made	(5,986.36)	(9,353.54)	(171.95)
Changes in fair values	3,286.49	-	62.86
Foreign exchange movement	199.54	1,102.02	-
Closing as on March 31, 2020	51,197.00	37,169.09	725.86

* Aforesaid reconciliation includes current maturities of non-current borrowings

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

As per our report of even date attached

for **B S R & Associates LLP**

Chartered Accountants

Firm registration number 116321W/W-100024

Sriram Mahalingam

Partner

Membership No : 049642

for and on behalf of the Board of Directors of

Granules India Limited

CIN : L24110TG1991PLC012471

Krishna Prasad Chigurupati

Chairman and Managing Director

DIN : 00020180

Place: Hyderabad

Date: June 02, 2020

Sandip Neogi

Chief Financial Officer

Chaitanya Tummala

Company Secretary

Notes to Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

1 Company overview

1.1 Reporting entity

Granules India Limited ("Granules" or "the Company") is a company domiciled in India with its registered office situated at Hyderabad, Telangana. The Company has been incorporated under the provisions of Indian Companies Act and its shares are listed on Bombay Stock Exchange (BSE) and National Stock Exchange (NSE). The Company is primarily involved in the manufacturing and selling of Active Pharmaceutical Ingredients (APIs), Pharmaceutical Formulation intermediates (PFIs) and Finished Dosages (FDs).

1.2 Basis of preparation of financial statements

a) Statement of compliance

The standalone financial statements have been prepared in accordance with Indian Accounting Standards (Ind AS) as per the Companies (Indian Accounting Standards) Rules, 2015 notified under Section 133 of Companies Act, 2013 (the 'Act') and other relevant provisions of the Act.

These standalone financial statements have been prepared for the Company as a going concern on the basis of relevant Ind AS that are effective at the Company's annual reporting date, March 31, 2020. These standalone financial statements were authorised for issuance by the Company's Board of Directors on June 02, 2020.

The financial statements are presented in INR and all values are rounded to the nearest lakhs, except when otherwise indicated.

Details of the Company's significant accounting policies are included in Note 2.

b) Current versus non-current classification

The Company presents assets and liabilities in the balance sheet based on current/ non-current classification.

An asset is treated as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading

- Expected to be realised within twelve months after the reporting period or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Company classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents. The Company has identified 12 months as its operating cycle.

c) Functional and presentation currency

These standalone financial statements are presented in Indian rupees (INR), which is also the functional currency of the Company. All amounts have been rounded-off to the nearest lakh, unless otherwise indicated.

d) Basis of measurement

These standalone financial statements have been prepared on the historical cost basis, except for the following items:

- Certain financial assets and liabilities are measured at fair value or amortised cost.
- Net defined benefit assets/(liability) are measured at fair value of plan assets, less present value of defined benefit obligations.
- Share based payments are measured at fair value.

Notes to Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

- Assets held for sale are measured at fair value less cost to sell.

e) Use of estimates and judgements

The preparation of the financial statements in conformity with Ind AS requires management to make estimates, judgements and assumptions. These estimates, judgements and assumptions affect the application of accounting policies and the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the standalone financial statements.

Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

- Note 1.2(c) - Assessment of functional currency;
- Note 2(a) and 32 - Financial instruments;
- Note 2(c) - Useful lives of property, plant and equipment;
- Note 2(d) - Useful lives of Intangible assets;
- Note 2(f)(ii) - Measurement of recoverable amount of cash generated units
- Note 24 & 26 (i) - Provision for income taxes, duties/ tax contingencies and evaluation of recoverability of deferred tax assets.
- Note 2(g)(iv) & 27 - Share based payments;
- Note 2(g)(i) & 28 - Assets and obligations relating to employee benefits;
- Note 6 - Provision for inventories.

Assumptions and estimation of uncertainties

Information about assumptions and estimation of uncertainties that have a significant risk of resulting in a material adjustment in the year ending March 31, 2020 is included in the following notes:

- Note 26 (i) - Recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.
- Note 27 - Share based payments.
- Note 28 - Measurement of defined benefit obligations : key actuarial assumptions.
- Note 6 - Provision for inventories
- Note 7 - Provision for loss allowance on trade receivables
- Note 2(f)(ii) - Measurement of recoverable amount of cash generated units; impairment of tangible and intangible assets

f) Measurement of fair values

Accounting policies and disclosures require measurement of fair value for both financial and non-financial assets. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability.

The principal or the most advantageous market must be accessible by the Company. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Company uses valuation techniques that are appropriate in the circumstances and for which sufficient

Notes to Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs.

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Company recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 27 - share based payment; and
- Note 32 - financial instruments.

2 Significant accounting policies

a. Financial instruments

i. Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Company becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are initially measured at fair values. Transaction costs that are directly attributable to the acquisition or issue of financial assets and liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value measured on initial recognition of financial assets or financial liability.

ii. Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified and, measured at

- amortised cost;
- FVOCI - debt investment;
- FVOCI - equity investment; or
- FVTPL

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Company changes its business model for managing financial assets.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Company may irrevocably elect to present subsequent changes in the investment's fair value in OCI (designated as FVOCI - equity investment). This election is made on an investment-by-investment basis.

Notes to Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Company may irrevocably designate a financial asset that otherwise meets the requirements to be measured

at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets: subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in statement of profit and loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in statement of profit and loss. Any gain or loss on derecognition is recognised in statement of profit and loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income under the effective interest method, foreign exchange gains and losses and impairment are recognised in statement of profit and loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to statement of profit and loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in statement of profit and loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are not reclassified to statement of profit and loss.

Financial liabilities: classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held for trading, or it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in statement of profit and loss. Financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in statement of profit and loss. Any gain or loss on derecognition is also recognised in statement of profit and loss.

asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Company neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

If the Company enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets, the transferred assets are not derecognised.

Financial liabilities

The Company derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

The Company also derecognises a financial liability when its terms are modified and the cash flows under the modified terms are substantially different. In this case,

iii. Derecognition

Financial assets

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial

Notes to Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished and the new financial liability with modified terms is recognised in statement of profit and loss.

iv. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the Company currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

v. Derivative financial instruments and hedge accounting

Derivative financial instruments are used to mitigate the risk of changes in exchange rates on foreign currency exposures. Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognised in statement of profit and loss.

The Company designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates.

At inception of designated hedging relationships, the Company documents the risk management objective and strategy for undertaking the hedge. The Company also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Cash flow hedges:

Where a derivative or non-derivative financial liability is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative or non-derivative financial liability is recognised in OCI and accumulated in other equity under the heading cash flow hedging reserve. Ineffective portion of changes in the fair value of the derivative is recognised immediately in statement of profit and loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in other comprehensive income, remains there until the forecasted transaction occurs. If the forecasted transaction is no longer expected to occur, then the balance in other comprehensive income is recognised immediately in the statement of profit and loss.

vi. Cash and cash equivalents

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Company's cash management. Cash and cash equivalents consist of balances with banks which are unrestricted for withdrawal and usage.

Cash dividend to equity holders

The Company recognises a liability to make cash distributions to equity holders when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the corporate laws in India, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity. Interim dividends are recorded as a liability on the date of declaration by the Company's Board of Directors.

b. Foreign currency

Transactions in foreign currency are translated at the exchange rates prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currency are restated at the prevailing year end rates. The resultant gain/loss upon such restatement along with the gain/loss on account of foreign currency transactions are accounted in the Statement of Profit and Loss, except exchange differences arising from the translation of the qualifying cash flow hedges to the extent that the hedges are effective which are recognised in OCI.

Notes to Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

c. Property, plant and equipment

i. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any.

Cost of an item or property, plant and equipment comprises its purchase price, import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, any directly attributable cost of bringing the item to its working condition for its intended use and estimated costs of dismantling and removing the item and restoring the site on which it is located.

The cost of a self-constructed item of property, plant and equipment comprises the cost of materials and direct labour, any other costs directly attributable to bringing the item to its working condition for its intended use, and estimated costs of dismantling and removing the item and restoring the site on which it is located.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Cost of assets not ready for intended use, as on the balance sheet date, is shown as capital work-in-progress.

ii. Subsequent expenditure

Subsequent expenditure related to an item of tangible fixed asset is capitalised only if it increases the future benefits from the existing assets beyond its previously assessed standards of performance.

iii. Depreciation

Depreciation is calculated on cost of items of property, plant and equipment less their estimated residual values over their estimated useful lives using the straight-line method.

Depreciation is provided based on useful life of the assets as prescribed in Schedule II of companies Act, 2013.

Depreciation method, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Depreciation on additions (disposals) is provided on a pro-rata basis i.e. from (upto) the date on which asset is ready for use (disposed off).

iv. Capital advances

Advances paid towards acquisition of tangible fixed assets outstanding at each balance sheet date are shown under other non-current assets as capital advances.

d. Intangible assets

Internally generated: Research and development

Expenditure on research activities is recognised in statement of profit and loss as incurred.

Development expenditure is capitalised as part of the cost of the resulting intangible asset only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Company intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in statement of profit and loss as incurred. Subsequent to initial recognition, the asset is measured at cost less accumulated amortisation and any accumulated impairment losses.

Others

Other intangible assets are initially measured at cost. Subsequently, such intangible assets are measured at cost less accumulated amortization and any accumulated impairment losses.

i. Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

Notes to Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

ii. Amortisation

Other intangible assets are amortised on a straight line basis over the estimated useful life as follows:

Computer software	3-10 years
Technical know how	10 years
Product related intangibles	10 years
Others	10 years

Amortisation method, useful lives and residual values are reviewed at the end of each financial year and adjusted if appropriate.

Non-current assets held for sale

Assets are classified as held for sale and stated at the lower of carrying amount and fair value less costs to sell if the asset is available for immediate sale and its sale is highly probable. Such assets or group of assets are presented separately in the Balance Sheet as "Assets Classified as Held for Sale". Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated.

e. Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the monthly moving weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of fixed production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The net realisable value of work-in-progress is determined with reference to the selling prices of related finished products.

Raw materials, components and other supplies held for use in the production of finished products are not written down below cost except in cases where material prices have declined and it is estimated that the cost of the finished products will exceed their net realisable value.

The comparison of cost and net realisable value is made on an item-by-item basis.

The factors that the Company considers in determining the allowance for slow moving, obsolete and other non-saleable inventory include estimated shelf life, planned product discontinuances, price changes, ageing of inventory and introduction of competitive new products, to the extent each of these factors impact the Company's business and markets. The Company considers all these factors and adjusts the inventory provision to reflect its actual experience on a periodic basis.

f. Impairment

i. Financial assets (other than at fair value)

The Company assesses at each date of balance sheet whether a financial asset or a group of financial assets is impaired. Ind AS 109 requires expected credit losses to be measured through a loss allowance. In determining the allowances for doubtful trade receivables, the Company has used a practical expedient by computing the expected credit loss allowance for trade receivables based on a provision matrix. The provision matrix takes into account historical credit loss experience and is adjusted for forward looking information. The expected credit loss allowance is based on the ageing of the receivables that are due and allowance rates used in the provision matrix. For all other financial assets, expected credit losses are measured at an amount equal to the 12-months expected credit losses or at an amount equal to the life time expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition.

The Company assumes that the credit risk on a financial asset has increased significantly if it is more than the 270 days over and above the usual credit period. The Company considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Company to actions such as realising security (if any is held).

Evidence that a financial asset is credit impaired includes the following observable data:

Notes to Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being past due over a reasonable period of credit
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation;

In case of investments, the company reviews its carrying value of investments carried at cost annually, or more frequently, when there is indication for impairment. If the recoverable amount is less than its carrying amount, the impairment loss is accounted for.

ii. Tangible and intangible assets

Property, plant and equipment and intangible assets with finite life are evaluated for recoverability whenever there is any indication that their carrying amounts may not be recoverable. If any such indication exists, the recoverable amount (i.e. higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the Cash Generating Unit (CGU) to which the asset belongs.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised in the statement of profit and loss.

g. Employee benefits

i. Gratuity

The Company provides for gratuity, a defined benefit plan ("the Gratuity Plan") covering the eligible employees of the Company. The Gratuity Plan provides a lump-sum payment to vested employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of the employment with the Company.

Liability with regard to the Gratuity Plan are determined by actuarial valuation, performed by an independent actuary, at each balance sheet date using the projected unit credit method. The defined benefit plan is administered by a trust formed for this purpose through the Company gratuity scheme.

The Company recognises the net obligation of a defined benefit plan as a liability in its balance sheet. Gains or losses through re-measurement of the net defined benefit liability are recognised in other comprehensive income and are not reclassified to profit and loss in the subsequent periods. The actual return of the portfolio of plan assets, in excess of the yields computed by applying the discount rate used to measure the defined benefit obligation is recognised in other comprehensive income. The effect of any plan amendments are recognised in the statement of profit and loss.

ii. Provident fund

Eligible employees of the Company receive benefits from provident fund, which is a defined contribution plan. Both the eligible employees and the Company make monthly contributions to the Government administered provident fund scheme equal to a specified percentage of the eligible employee's salary. Amounts collected under the provident fund plan are deposited with in a government administered provident fund. The Company has no further obligation to the plan beyond its monthly contributions.

iii. Compensated absences

The Company's current policies permit certain categories of its employees to accumulate and carry forward a portion of their unutilised compensated absences and utilise them in future periods or receive cash in lieu thereof in accordance with the terms of such policies. The Company measures the expected cost of accumulating compensated absences as the additional amount that the Company incurs as a result of the unused entitlement that has accumulated at the balance sheet date. Such measurement is based on actuarial valuation as at the balance sheet date carried out by a qualified actuary. Re-measurements are recognised in the statement of profit and loss in the period in which they arise.

Notes to Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

iv. Share based compensation

The grant date fair value of options granted to employees is recognised as employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The expense is recorded for each separately vesting portion of the award. The increase in equity recognised in connection with share-based payment transaction is presented as a separate component in equity under "employee stock option". The amount recognised as an expense is adjusted to reflect the actual number of stock options that vest.

h. Provisions (other than for employee benefits)

A provision is recognised if, as a result of a past event, the Company has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows (representing the best estimate of the expenditure required to settle the present obligation at the balance sheet date) at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost. Expected future operating losses are not provided for.

Contingent liabilities and contingent assets

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets are not recognised in the financial statements. A contingent asset is disclosed where an inflow of economic benefits is probable. Contingent assets are assessed continually and, if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

Onerous contracts

A contract is considered to be onerous when the expected economic benefits to be derived by the Company from the

contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision for an onerous contract is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before such a provision is made, the Company recognises any impairment loss on the assets associated with that contract.

i. Revenue

i. Sale of goods

Effective April 1, 2018, the Company has applied Ind AS 115 which establishes a comprehensive framework for determining whether, how much and when revenue is to be recognised.

Revenue from sale of goods is recognised when a promise in a customer contract (performance obligation) has been satisfied by transferring control over the promised goods to the customer. Control is usually transferred upon shipment, delivery to, upon receipt of goods by the customer, in accordance with the delivery and acceptance terms agreed with the customers. The amount of revenue to be recognised is based on the consideration expected to be received in exchange for goods, excluding trade discounts, volume discounts, sales returns and any taxes or duties collected on behalf of the government which are levied on sales such as GST where applicable. Any additional amounts based on terms of agreement entered into with customers, is recognised in the period when the collectability becomes probable and a reliable measure of the same is available.

ii. Sales return allowances

The Company accounts for sales return by recording an allowance for sales return concurrent with the recognition of revenue at the time of a product sale. The allowance is based on Company's estimate of expected sales returns. The estimate of sales return is determined primarily by the Company's historical experience in the markets in which the Company operates.

iii. Export incentives

Export incentives are recognised as income when the right to receive credit as per the terms of the scheme is established in respect of the exports made and

Notes to Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

where there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.

iv. Interest income or expense

Interest income or expense is recognised using the effective interest method on time proportion method.

v. Dividend income

Dividend income is recognised when the Company's right to receive dividend is established, which is generally when shareholders approve the dividend.

j. Leases

The company assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Company as a lessee

The Company applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Company recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Buildings 4 to 6 years

If ownership of the leased asset transfers to the Company at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

ii) Lease Liabilities

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including insubstance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Company and payments of penalties for terminating the lease, if the lease term reflects the Company exercising the option to terminate.

In calculating the present value of lease payments, the Company uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets

The Company applies the short-term lease recognition exemption to its short-term leases of asset (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Lease liability and ROU asset have been separately presented in the Balance Sheet and lease payments have been classified as financing cash flows.

Notes to Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

k. Income tax

Income tax comprises current and deferred income tax. Income tax expense is recognised in statement of profit and loss except to the extent that it relates to a business combination or to an item recognised directly in equity or in other comprehensive income.

i. Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. Current tax for current year and prior periods is recognised at the amount expected to be paid or recovered from the tax authorities, using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Current tax assets and current tax liabilities are offset only if there is a legally enforceable right to set off the recognised amounts and it is intended to realise the asset and settle the liability on a net basis or simultaneously.

ii. Deferred tax

Deferred income tax assets and liabilities are recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when:

- temporary differences arising on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss at the time of transaction;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Company is able to control the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred income tax assets and liabilities are measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

The effect of changes in tax rates on deferred income tax assets and liabilities is recognised as income or expense in the period that includes the enactment or substantive enactment date. A deferred income tax assets is recognised to the extent it is probable that future taxable income will be available against which the deductible temporary timing differences and tax losses can be utilised.

l. Borrowing cost

Borrowing costs are interest and other costs (including exchange differences relating to foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs) incurred in connection with the borrowing of funds. Borrowing costs directly attributable to acquisition or construction of an asset which necessarily take a substantial period of time to get ready for their intended use are capitalised as part of the cost of that asset. Other borrowing costs are recognised as an expense in the period in which they are incurred.

m. Estimation of uncertainties relating to the global health pandemic from COVID-19:

The Company has considered the possible effects that may result from the pandemic relating to COVID-19 on the carrying amounts of receivables, intangibles, inventories and investments. In developing the assumptions relating to the possible future uncertainties in the global economic conditions because of this pandemic, the Company, as at the date of approval of these financial statements has used internal and external sources of information. The Company has performed sensitivity analysis on the assumptions used and based on current estimates, the company expects to fully recover the carrying amount of receivables, intangibles, inventories and investments. As the outbreak continues to evolve, the company will continue to closely monitor any material changes to future economic conditions.

Notes to Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

3A. Property, plant and equipment and capital work-in-progress - Reconciliation of carrying amount

	Freehold land	Freehold buildings	Lease Hold Improvements	Assets taken on lease	Plant and equipment	Computers	Office equipment	R&D equipment	Furniture and fittings	Vehicles	Total
Gross carrying amount											
At March 31, 2018	3,036.18	20,632.68	160.19	-	64,696.63	1,174.74	695.70	2,350.82	1,082.82	435.09	94,264.85
Additions	65.44	2,824.42	111.57	-	6,643.87	242.45	309.33	1,038.35	772.37	169.69	12,177.49
Disposals/ adjustments	-	-	-	-	(67.38)	-	(0.75)	-	(0.06)	(102.96)	(171.15)
Exchange differences	-	20.80	-	-	355.97	-	-	-	-	-	376.77
At March 31, 2019	3,101.62	23,477.90	271.76	-	71,629.09	1,417.19	1,004.28	3,389.17	1,855.13	501.82	1,06,647.96
On account of adoption of Ind AS 116	-	-	-	834.95	-	-	-	-	-	-	834.95
Additions	171.78	17,241.36	72.05	-	12,190.05	367.90	147.75	373.81	87.71	63.47	30,715.88
Disposals/ adjustments	-	-	-	-	(110.20)	-	(11.42)	(0.96)	-	(13.03)	(135.61)
Exchange differences	-	476.96	-	-	500.07	-	-	-	-	-	977.03
At March 31, 2020	3,273.40	41,196.22	343.81	834.95	84,209.01	1,785.09	1,140.61	3,762.02	1,942.84	552.26	1,39,040.21
Accumulated depreciation											
At March 31, 2018	-	3,956.68	3.26	-	28,295.10	820.11	503.46	926.49	603.00	302.65	35,410.75
Depreciation for the year	-	733.47	24.05	-	6,699.16	145.72	98.01	255.30	84.09	52.50	8,092.30
Disposals/ adjustments	-	-	-	-	(44.02)	-	(0.26)	-	(0.06)	(76.32)	(120.66)
At March 31, 2019	-	4,690.15	27.31	-	34,950.24	965.83	601.21	1,181.79	687.03	278.83	43,382.39
Depreciation for the year	-	873.73	31.40	154.62	7,078.68	164.14	126.82	348.55	157.54	46.32	8,981.80
Disposals/ adjustments	-	-	-	-	(73.49)	-	(10.39)	(0.10)	-	(10.55)	(94.53)
At March 31, 2020	-	5,563.88	58.71	154.62	41,955.43	1,129.97	717.64	1,530.24	844.57	314.60	52,269.66
Net carrying amount											
At March 31, 2019	3,101.62	18,787.75	244.45	-	36,678.85	451.36	403.07	2,207.38	1,168.10	222.99	63,265.57
At March 31, 2020	3,273.40	35,632.34	285.10	680.33	42,253.58	655.12	422.97	2,231.78	1,098.27	237.66	86,770.55
Capital work-in-progress											
At March 31, 2019	-	-	-	-	-	-	-	-	-	-	30,874.48
At March 31, 2020	-	-	-	-	-	-	-	-	-	-	10,086.39

i) For details of security on certain property, plant and equipment, refer note 10 & 13A.

ii) The amount of borrowing costs capitalised during the year ended March 31, 2020- was ₹725.49 lakhs(March 31, 2019 - ₹1,250.88 lakhs) {Property, plant and equipment ₹725.49 lakhs (March 31, 2019- ₹ Nil)} and capital work-in-progress ₹Nil (March 31, 2019- ₹1,250.88 lakhs).

iii) For contractual commitments with respective capital work-in-progress. Refer Note No. 26 (ii).

Notes to Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

Effective from April 1, 2019, the Company has adopted Ind AS 116 – Leases using modified retrospective method. This has resulted in recognizing right of use assets and lease liability as on April 1, 2019. The Company has applied the practical expedient to grandfather the assessment of which transactions are leases. Accordingly, IndAS 116 is applied only to contracts that were previously identified as leases under Ind AS 17.

Following are the changes in the carrying value of right of use assets for the year ended March 31, 2020:

	Category of ROU asset	Total
	Buildings	
Balance as at April 1, 2019	-	-
On account of adoption of Ind AS 116	834.95	834.95
Additions	-	-
Deletions	-	-
Depreciation	154.62	154.62
Balance as at March 31, 2020	680.33	680.33

The aggregate depreciation expense on ROU assets is included under depreciation and amortization expense in the statement of Profit and Loss.

The following is the break-up of current and non-current lease liabilities as at March 31, 2020

	As at March 31, 2020
Current lease liabilities	117.48
Non-current lease liabilities	608.38
	725.86

The following is the movement in lease liabilities during the year ended March 31, 2020:

	As at March 31, 2020
Balance as at April 1, 2019	-
On account of adoption of Ind AS 116	834.95
Additions	-
Finance cost accrued during the period	62.86
Deletions	-
Payment of lease liabilities	(171.95)
Balance as at March 31, 2020	725.86

The table below provides details regarding the contractual maturities of lease liabilities as at March 31, 2020 on an undiscounted basis:

	Total
Less than one year	171.30
One to five years	572.30
More than five years	161.87
Total	905.47

The Company does not face a significant liquidity risk with regard to its lease liabilities as the current assets are sufficient to meet the obligations related to lease liabilities as and when they fall due.

Rental expense recorded for short-term leases was ₹ 301.51 lakhs for the year ended March 31, 2020.

Notes to Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

3B. Intangible assets - Reconciliation of carrying amount

	Technical know how	Software	Product related intangibles	Others	Total
Gross carrying amount					
At March 31, 2018	3,189.50	863.34	6,515.06	1,732.58	12,300.48
Additions	-	278.14	274.82	-	552.96
Disposals/ adjustments	-	-	-	-	-
At March 31, 2019	3,189.50	1,141.48	6,789.88	1,732.58	12,853.44
Additions	-	190.45	198.58	-	389.03
Disposals/ adjustments	-	-	-	-	-
At March 31, 2020	3,189.50	1,331.93	6,988.46	1,732.58	13,242.47
Accumulated amortisation					
At March 31, 2018	3,139.08	196.24	1,088.92	714.87	5,139.12
Amortisation for the year	16.83	133.69	661.13	173.26	984.91
Disposals/ adjustments	-	-	-	-	-
At March 31, 2019	3,155.91	329.93	1,750.05	888.13	6,124.03
Amortisation for the year	16.83	271.29	739.26	173.26	1,200.64
Disposals/ adjustments	-	-	-	-	-
At March 31, 2020	3,172.74	601.22	2,489.31	1,061.39	7,324.67
Net carrying amount					
At March 31, 2019	33.59	811.56	5,039.83	844.45	6,729.41
At March 31, 2020	16.76	730.71	4,499.15	671.19	5,917.80
Intangible assets under development					
At March 31, 2019					2,428.38
At March 31, 2020					2,891.59

4. Financial Assets

4A. Non-current Investments

	As at March 31, 2020	As at March 31, 2019
Investments		
Investments in equity instruments		
a. Unquoted equity shares		
In subsidiaries (refer note 31)		
Granules USA Inc. - 700,000 (March 31, 2019 : 700,000) common stock of USD 0.10 each fully paid up	116.31	116.31
Granules Pharmaceuticals Inc. - 3,751 (March 31, 2019 : 3,751) common stock of USD 1 each fully paid up {refer note 4C (iii) below}	44,359.71	44,359.71
Granules Europe Limited - 100 (March 31, 2019: 100) equity shares of 1 Pound each fully paid up"	0.08	0.08
In Associate (refer note 31)		
Granules Biocause Pharmaceutical Co.Limited - Nil (March 31, 2019 : 33,000,000) equity shares of 1 RMB each fully paid up (refer note {a} below)	-	1,819.03

Notes to Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

4A. Non-current Investments (Contd)

	As at March 31, 2020	As at March 31, 2019
In Joint Venture (refer note 31)		
Granules Omnichem Private Limited - 42,880,967 (March 31, 2019 : 42,880,967) equity shares of ₹10 each fully paid up (refer note {b} below)	-	4,288.10
In Others		
Jeedimetla Effluent Treatment Ltd - 15,142 (March 31, 2019 :15,142) equity shares	59.59	59.59
Patancheru Envitotech Ltd - 34,040 (March 31, 2019 :34,040) equity shares	3.41	3.41
b. In Quoted equity shares		
Ipca Laboratories Limited - 250 (March 31, 2019 :250) equity shares	0.07	0.07
Total	44,539.17	50,646.30
Aggregate book value of quoted investments	0.07	0.07
Aggregate market value of quoted investments	3.46	2.45
Aggregate value of unquoted investments	44,539.10	50,646.23
Aggregate amount of impairment in value of investments	-	-

- a) During the year, the Company entered into a definitive agreement to divest its entire 50% shareholding in Granules-Bioclause Pharmaceutical Co. Ltd, for a consideration of ₹ 11,233.76 lakhs (RMB 109 million). The closing conditions for the divestment were concluded in current year. Upon divestment, the resultant gain of ₹ 9,414.73 lakhs is disclosed as 'Exceptional item' in the standalone statement of profit and loss.
- b) During the year, the Company has entered into a definitive agreement to divest its entire 50% shareholding in Granules Omnichem Private Limited, for a consideration of ₹10,985.24 lakhs. The Company has received the required regulatory approval in May 2020 and the sale has been concluded. The Company has recognised the resultant gain of ₹ 6,697.14 lakhs which is disclosed as an 'Exceptional item' in the standalone statement of profit and loss. In this regard, the consideration receivable has been classified as Assets Held for Sale as at the Balance Sheet date as referred in note 4B below.

4B. Investments- Assets held for sale

	As at March 31, 2020	As at March 31, 2019
In Joint Venture (refer note 31)		
Granules Omnichem Private Limited	10,985.24	-
Total	10,985.24	-

4C. Loans (Unsecured considered good unless otherwise stated)

	As at March 31, 2020	As at March 31, 2019
- Loans to subsidiaries (refer note 31)		
Granules Pharmaceuticals Inc. {refer note (i) & (iii) below}	13,455.24	5,109.84
Granules Europe Limited {refer note (i) below}	825.56	523.13
Security deposits	1,148.27	912.11
Total	15,429.07	6,545.08

Notes to Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

Note:

- (i) Out of the above loans, an amount of ₹6,362.90 lakhs (March 31, 2019 - ₹ 5,953.51 lakhs) to Granules Pharmaceuticals Inc. and ₹ 253.69 lakhs (March 31, 2019 - ₹ 338.05 lakhs) to Granules Europe Limited was provided during the financial year ended March 31, 2020. The Loans carries the rate equivalent to prevailing Government bond rate closest to the tenor of the loan on the date of loan given to Granules Pharmaceuticals Inc., and a fixed interest rate of 4% for the loan given to Granules Europe Limited . These loans are given for the purpose of setting up, modernisation and general corporate purpose of the subsidiaries outside India.

The above amount includes interest accrued of ₹1,393.50 lakhs (March 31, 2019 - ₹267.85 lakhs) from Granules Pharmaceuticals Inc. and ₹ 44.79 lakhs (March 31, 2019 - ₹17.48 lakhs) from Granules Europe Limited

- (ii) Maximum amount outstanding at any time

Particulars	During the year ended	
	March 31, 2020	March 31, 2019
Granules Pharmaceuticals Inc.	13,455.24	48,456.41
Granules Europe Limited	825.56	523.13

- (iii) During the previous year, the company has converted its loan given to Granules Pharmaceutical Inc. (wholly-owned subsidiary) based on the valuation report into equity shares to the extent of ₹ 43,134.72 lakhs. The same has been approved by the Board.

5. Other assets

5A. Non-current

	As at March 31, 2020	As at March 31, 2019
Capital advances	1,495.37	1,056.93
Total	1,495.37	1,056.93

5B. Current

	As at March 31, 2020	As at March 31, 2019
Balance with government authorities	5,370.91	6,758.84
Prepaid expenses	869.71	683.66
Export incentives receivable	2,731.48	2,315.54
Scripts on hand	170.52	555.05
Advance to suppliers	2,590.72	2,416.58
Total	11,733.34	12,729.67

Notes to Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

6. Inventories (at lower of cost and net realisable value)

	As at March 31, 2020	As at March 31, 2019
Raw materials*	12,460.28	12,853.36
Packing materials	1,059.84	1,073.26
Work-in-progress	5,063.77	7,014.63
Finished goods**	13,411.11	8,330.49
Stores, spares and consumables	2,399.74	2,141.77
Total	34,394.74	31,413.51

*includes raw materials-in-transit ₹ 144.76 lakhs (March 31, 2019 - ₹ 2,012.36 lakhs).

**includes finished goods-in-transit ₹3,769.44 lakhs (March 31, 2019 - ₹2,632.13 lakhs)

- i) For details of inventories hypothecated against current borrowings refer note 10 and note 13A.
- ii) The Company recorded inventory write-down of ₹ 747.57 lakhs (March 31, 2019 - ₹1,179.92 lakhs). These were recognised as an expense during the year and included in "changes in finished goods and work-in-progress in statement of profit and loss.

7. Financial Assets

7 A. Trade receivables (Unsecured)

	As at March 31, 2020	As at March 31, 2019
(a) Considered good	62,728.65	70,863.68
Less : Allowance for doubtful trade receivables	(297.39)	(555.89)
(A)	62,431.26	70,307.79
(b) Significant increase in credit risk	2,217.37	1,131.59
Less : Allowance for doubtful trade receivables	(1,948.36)	(1,018.44)
(B)	269.01	113.15
Total (C=A+B)	62,700.27	70,420.94

Refer note 31 for trade receivables due from wholly owned subsidiaries.

Trade receivables are non-interest bearing and are generally on terms of upto 180 days

The Company's exposure to credit and currency risks, and loss allowances related to trade receivables are disclosed in Note 33.

For receivables secured against borrowings, refer note 10 & 13A.

Details of changes in allowance for credit losses :

	For the Year ended Mar 31, 2020	For the Year ended Mar 31, 2019
Balance at the beginning of the year	1,574.33	312.38
Provision made during the year, net of reversals	836.41	1268.86
Trade receivables written off during the year	(164.99)	(6.91)
Balance at the end of the year	2,245.75	1,574.33

Notes to Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

7 B. Cash and cash equivalents

	As at March 31, 2020	As at March 31, 2019
i) Cash on hand	13.29	2.66
ii) Balance with banks:		
On current accounts	833.29	734.64
On EEFC accounts	39.18	67.12
Deposits with original maturity of less than 3 months	15,962.91	4,837.61
Remittances in transit	583.80	-
Total -(i+ii)	17,432.47	5,642.03
iii) Bank balances other than (ii) above		
Unpaid dividend account	55.87	49.79
Deposits with remaining maturity for less than 12 months	5,193.71	-
Balance in escrow account (refer notes {a} below)	4,000.00	-
Margin money deposits (refer note {b} below)	551.80	551.80
Total -(iii)	9,801.38	601.59
Total (i+ii+iii)	27,233.85	6,243.62

- a) The Company has deposited an amount of ₹4,000 lakhs (March 2019: ₹Nil) in escrow account towards security for performance of its obligations under regulation 9(xi) of Securities and Exchange Board of India (Buy-Back of Securities) Regulations, 2018.
- b) Margin money deposits are subject to first charge against bank guarantees and/or letters of credit obtained.

7 C. Loans (Unsecured, considered good)

	As at March 31, 2020	As at March 31, 2019
Advance to employees	175.69	49.10
Total	175.69	49.10

7 D. Other financial assets

	As at March 31, 2020	As at March 31, 2019
Interest accrued but not due on deposits	264.99	34.07
Total	264.99	34.07

8. Share capital

	As at March 31, 2020	As at March 31, 2019
Authorized		
505,000,000 (March 31, 2019: 505,000,000) equity shares of Re.1/- each	5,050.00	5,050.00
Issued, subscribed and fully paid up		
254,247,562 fully paid up equity shares of Re.1/- each (March 31, 2019 : 254,247,562 equity shares of Re.1/- each)	2,542.48	2,542.48

Notes to Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

8.1 Reconciliation of shares outstanding at the beginning and at the end of the year

Equity Shares	As at March 31, 2020		As at March 31, 2019	
	No.	₹	No.	₹
At the beginning of the year	254,247,562	2,542.48	253,837,562	2,538.38
Add: Shares issued on exercise of employee stock options	-	-	4,10,000	4.10
Outstanding at the end of the year	254,247,562	2,542.48	254,247,562	2,542.48

8.2 Rights, preferences and restrictions attached to equity shares

The Company has only one class of equity shares having a par value of Re.1 per share. Each holder of equity shares is entitled to one vote per share. The Company declares dividends in Indian rupees. During the year ended March 31, 2020, the amount of interim dividend per share distributed along with final dividend per share recommended by the board to equity shareholders was ₹ 1.00 (March 31, 2019: ₹ 1.00). 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. However, no such preferential amounts exist currently. The distribution will be in proportion to the number of equity shares held by the shareholders.

8.3 Details of shareholders holding more than 5% equity shares in the Company

Equity Shares	As at March 31, 2020		As at March 31, 2019	
	No. of shares	% holding	No. of shares	% holding
Krishna Prasad Chigurupati	90,329,927	35.53	90,329,927	35.53

As per records of the Company, including its register of shareholders/members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares.

8.4 Shares reserved for issue under options

For details of shares reserved for issue under Employee stock option scheme (ESOS) of the Company, refer note 27.

8.5 Buy back of Shares

For details of Buy back of Shares, refer note 36

9. Other equity

Attributable to Owners

Securities premium

Securities premium is used to record the premium received on issue of shares. It is utilised in accordance with the provisions of the Companies Act, 2013.

Notes to Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

9. Other equity (Contd..)

General reserve

It represents the portion of the net profit which the Company has transferred, before declaring dividend pursuant to the earlier provision of Companies Act 1956. Mandatory transfer to general reserve is not required under the Companies Act 2013.

Retained earnings

The amount that can be distributed by the Company as dividends to its equity shareholders

Share based payment reserve

The Company has established various equity settled share based payment plans for certain categories of employees of the Company. Refer note 27 for further details on these plans.

Capital reserve

Capital reserve arising pursuant to scheme of amalgamation

Dividends

The following dividends were declared and paid by the Company during the year

	March 31, 2020	March 31, 2019
₹1.00 per equity share (March 31, 2019 : ₹1.00 per share)	2,542.48	2,541.51
Dividend distribution tax (DDT) on dividend	522.61	522.42
	3,065.09	3,063.93

After the reporting dates the following dividends (excluding dividend distribution tax) were proposed by the directors subject to the approval at the annual general meeting; the dividends have not been recognised as liabilities.

	March 31, 2020	March 31, 2019
₹ 0.25 per equity share (March 31, 2019 : ₹ 0.25 per share)	635.62	635.62
	635.62	635.62

Analysis of items of OCI, net of tax

Remeasurements of defined benefit plans (refer note - 28)

Remeasurements of defined benefit plans comprises actuarial gains and losses and return on plan assets.

Cash flow hedge reserve

Cash flow hedge represents the cumulative effective portion of gains or losses (net of taxes) arising on changes in fair value of designated portion of hedging instruments entered into for cash flow hedges.

Notes to Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

The reconciliation of cash flow hedge reserve for the year ended March 31, 2020 is as follows:

Particulars	March 31, 2020	March 31, 2019
Balance at the beginning of the year	(128.89)	(1,346.00)
Gain/(loss) recognised in other comprehensive income during the year	(3,286.49)	1,870.87
Amount reclassified to revenue during the year	148.13	-
Tax impact on the above	770.50	(653.76)
Balance at the end of the year	(2,496.75)	(128.89)

10. Long-term borrowings

	Non-current portion		Current maturities (refer note 13)	
	As at March 31, 2020	As at March 31, 2019	As at March 31, 2020	As at March 31, 2019
Term Loans (Secured)				
Loans from financial institutions	41,483.28	47,878.25	9,713.72	5,819.08
	41,483.28	47,878.25	9,713.72	5,819.08
Long term maturities of lease obligation				
Obligations under lease (Unsecured)	608.38	-	117.48	-
	608.38	-	117.48	-
	42,091.66	47,878.25	9,831.20	5,819.08

The details of secured loans are as under:

	Outstanding as on March 31, 2020	Outstanding as on March 31, 2019	Sanction Amount	No of installments	Commencement of Installments	Rate of interest
International Finance Corporation (Refer note (i))	34,257.96	34,965.00	EUR 45 Mn	12 half yearly equal installments of EUR 3.75 Mn	Jan-20	6M Euribor +2.75% p.a
Deutsche Investitions Und Entwicklungsschaft MBh (Refer note (i))	15,779.42	15,540.00	EUR 20 Mn	2 half yearly installments of EUR 1 Mn and thereafter 10 half yearly installments of EUR 1.8 Mn	Jan-20	6M Euribor +2.30% p.a
International Finance Corporation (Refer note (i))	579.81	1,596.17	US\$ 10 Mn	13 Half yearly equal installments of USD 0.77 Mn	Sep-14	6M Libor + 4.0%
Deutsche Investitions Und Entwicklungsschaft MBh (Refer note (i))	579.81	1,596.17	US\$ 10 Mn	13 Half yearly equal installments of USD 0.77 Mn	Sep-14	6M Libor + 4.0%

i) All secured term loans are secured by a paripassu first charge on the fixed assets of present and future of the company with a carrying amount of ₹96,856.94 lakhs (March 31, 2019 - ₹94,140.05 lakhs) and a paripassu second charge of the current assets of present and future of the Company with a carrying amount of ₹147,488.12 lakhs (March 31, 2019 - ₹120,890.91 lakhs).

Notes to Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

11. Provisions

A) Non-current

	As at March 31, 2020	As at March 31, 2019
Provision for employee benefits		
Gratuity (refer note 28(b))	1,474.77	788.40
Compensated absences	675.57	469.67
	2,150.34	1,258.07

B) Current

	As at March 31, 2020	As at March 31, 2019
Provision for employee benefits		
Gratuity (refer note 28(b))	284.79	223.09
Compensated absences	310.72	210.74
	595.51	433.83

12. Deferred tax liability (net)

	As at March 31, 2020	As at March 31, 2019
Deferred tax liability		
Property, plant and equipment and intangible assets	5,410.69	7,987.00
Assets held for sale	1,202.12	-
	6,612.81	7,987.00
Gross deferred tax liability		
Deferred tax assets		
Employee benefit obligations	735.78	674.40
Allowance for doubtful debts	565.21	550.13
Cash flow hedges	839.72	69.22
	2,140.71	1,293.75
Gross deferred tax assets		
Net deferred tax liability	4,472.10	6,693.25

13. Current financial liabilities

13A. Short-term borrowings

	As at March 31, 2020	As at March 31, 2019
Loans repayable on demand from Banks - working capital loans		
Cash credit facilities (secured) [refer note (iv)]	-	772.65
Packing credit loans (secured) [refer note (i) & (ii)]	21,402.25	24,509.79
Packing credit loans (unsecured) [refer note (iii)]	7,973.54	13,269.25
Bill discounting (secured) [refer note (i) & (ii)]	7,793.30	6,868.92
	37,169.09	45,420.61

Notes to Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

- i) During the year ended March 31, 2020, the Company has outstanding secured foreign currency denominated loans carrying an interest rate of LIBOR + 0.65% p.a. to 1.25% from four banks. The facility is repayable within 180 days from the date of its origination.
- ii) All secured short term borrowings from banks are secured by a paripassu first charge on the current assets of present and future of the Company with a carrying amount of ₹147,488.12 lakhs (March 31, 2019 - ₹120,890.91 lakhs) and a paripassu second charge of the fixed assets of present and future of the company with a carrying amount of ₹96,856.94 lakhs (March 31, 2019 - ₹ 94,140.05 lakhs).
- iii) During the year ended March 31, 2020, the Company has outstanding unsecured foreign currency denominated loans carrying an interest rate of LIBOR + 0.60% p.a to 1%. from a bank. The facility is repayable within 180 days from the date of its origination.
- iv) During the previous year, the Company has working capital facilities with various banks carrying interest rate ranging from 9.20% - 10.70% p.a and base rate plus 85 bps. These facilities are repayable on demand
- v) The Company's exposure to interest rate, foreign currency and liquidity risks is included in note 33.

13B. Trade payables

	As at March 31, 2020	As at March 31, 2019
Trade payables {refer note (b) below}		
Total outstanding dues of micro enterprises and small enterprises {refer note (a) below}	855.47	371.45
Others {refer note 31}	31,432.03	27,317.78
	32,287.50	27,689.23

	As at March 31, 2020	As at March 31, 2019
Note (a) :		
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	855.47	371.45
Interest due on the above	-	-
ii) The amount of interest paid by the buyer in terms of section 16 of the Micro, Small and Medium Development Act (MSMED), 2006 along with the amount of the payment made to the supplier beyond the appointed day during each accounting year	-	-
iii) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act, 2006.	-	-
iv) The amount of interest accrued and remaining unpaid at the end of each accounting year;	-	-
v) The amount of further interest remaining due and payable in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises for the purpose of disallowance as a deductible expenditure under section 23 of the MSMED Act, 2006.	-	-

Notes to Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

13B. Trade payables (contd..)

The list of undertakings covered under MSMED was determined by the Company on the basis of information available with the Company and has been relied upon by the auditors.

Note (b) :

The Company's exposure to currency and liquidity risks related to trade payables is disclosed in Note 33.

13C. Other financial liabilities

	As at March 31, 2020	As at March 31, 2019
Current maturities of non-current borrowings (refer note 10)	9,713.72	5,819.08
Capital creditors	586.86	534.28
Salaries & bonus payable	497.61	878.17
Unclaimed dividend	55.87	49.79
Interest accrued but not due on borrowings	278.82	300.29
Current maturities of lease obligation (refer note 10)	117.48	-
Others	1,431.63	2,049.61
Total	12,681.99	9,631.22

14. Other current liabilities

	As at March 31, 2020	As at March 31, 2019
Advance from customers (refer note 15)	1,180.65	570.40
Statutory liabilities	485.17	452.95
Total	1,665.82	1,023.35

15. Revenue from operations

	For the Year ended Mar 31, 2020	For the Year ended Mar 31, 2019
Sale of products	225,651.77	205,359.36
Other operating revenue	5,341.06	4,483.90
Total	230,992.83	209,843.26

The operations of the Company are limited to one segment viz. pharmaceuticals products. Revenue from contract with customers is from sale of manufactured goods. Sale of goods are made at a point in time and revenue is recognised upon satisfaction of the performance obligations which is typically upon dispatch / delivery. The Company has a credit evaluation policy based on which the credit limits for the trade receivables are established. There is no significant financing component as the credit period provided by the Company is not significant.

Variable components such as discounts, chargebacks, rebates, sales returns etc. continues to be recognised as deductions from revenue in compliance with Ind AS 115.

Notes to Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

Reconciliation of Revenue recognised with contract price

	For the Year ended Mar 31, 2020	For the Year ended Mar 31, 2019
Revenue as per the contracted price	227,086.90	207,145.34
Adjusted for :		
Less : Sales returns	(1,159.10)	(1,708.94)
Less : Chargebacks, rebates and discounts	(276.03)	(77.04)
Total revenue from contracts with customers	225,651.77	205,359.36

The following table shows the distribution of the Company's revenue (excluding other operating income) by Region-wise, based on the location of the customers:

Region	For the Year ended Mar 31, 2020	For the Year ended Mar 31, 2019
USA & Canada	107,048.97	90,693.37
Europe	49,184.87	39,192.48
India	37,687.40	45,476.39
LATAM	20,459.81	19,283.54
AMEA	11,208.41	10,601.82
Rest of the world	62.31	111.76
Total revenue from contracts with customers	225,651.77	205,359.36

Details of contract liabilities:

	As at Mar 31, 2020	As at Mar 31, 2019
Advance from customers (refer note 14)	1,180.65	570.40
	1,180.65	570.40

The Contract liabilities are primarily relate to advance consideration received from customers for sale of products, for which revenue is recorded at a point in time. The amount of ₹ 309.09 lakhs included in contract liabilities as at 31 March 2019 has been recognised as revenue in the current year.

16. Other income

	For the Year ended Mar 31, 2020	For the Year ended Mar 31, 2019
Interest income on		
Deposits with banks	521.73	617.69
Others	827.11	601.86
Foreign exchange gain, net	1,295.83	1,325.76
Other non-operating income	1.00	303.60
Total	2,645.67	2,848.91

Notes to Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

17. Cost of materials consumed

	For the Year ended Mar 31, 2020	For the Year ended Mar 31, 2019
Inventory at the beginning of the year	13,926.62	11,973.23
Add: Purchases	124,921.76	133,686.77
	138,848.38	145,660.00
Less: Inventory at the end of the year	13,520.12	13,926.62
Cost of materials consumed	125,328.26	131,733.38

18. Changes in inventory of work-in-progress and finished goods

	For the Year ended Mar 31, 2020	For the Year ended Mar 31, 2019
Inventories at the end of the year		
Finished goods	13,411.11	8,330.49
Work-in-progress	5,063.77	7,014.63
	18,474.88	15,345.12
Inventories at the beginning of the year		
Finished goods	8,330.49	3,327.52
Work-in-progress	7,014.63	5,316.07
	15,345.12	8,643.59
Total	(3,129.76)	(6,701.53)

19. Employee benefit expenses

	For the Year ended Mar 31, 2020	For the Year ended Mar 31, 2019
Salaries, wages and bonus (refer note 28(b))	17,654.97	15,442.81
Contribution to provident and other funds (refer note 28(a))	655.96	568.14
Staff welfare expenses	742.46	549.44
Employee stock option scheme (refer note 27)	198.06	139.18
Total	19,251.45	16,699.57

20. Finance costs

	For the Year ended Mar 31, 2020	For the Year ended Mar 31, 2019
Interest		
- Term loan	814.26	506.22
- Working capital	1,199.82	1,595.40
- Others	97.06	172.11
Interest on lease liabilities (refer note 3A)	62.86	-
Other borrowing costs	512.22	562.29
Total	2,686.22	2,836.02

Notes to Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

21. Depreciation and amortisation expense

	For the Year ended Mar 31, 2020	For the Year ended Mar 31, 2019
Depreciation	8,981.80	8,092.30
Amortisation	1,200.64	984.91
Total	10,182.44	9,077.21

22. Other expenses

	For the Year ended Mar 31, 2020	For the Year ended Mar 31, 2019
Consumption of stores & spares	1,306.45	1,211.61
Power and fuel	5,699.65	5,494.20
Effluent treatment expenses	937.73	1,009.14
Analytical fees	341.05	172.65
Other manufacturing expenses	396.24	461.68
Repairs and maintenance		
Plant and machinery	3,731.36	3,695.09
Buildings	481.59	355.56
Others	1,748.85	1,210.58
Rent	301.51	393.49
Rates and taxes	2,084.95	1,399.18
Printing and stationery	122.38	147.38
Insurance	595.07	363.60
Directors sitting fees	39.20	39.20
Remuneration to statutory auditors (refer note 30)	58.03	62.24
Managerial Remuneration	3,927.44	2,956.15
Sales commission	2,547.63	2,428.05
Carriage outwards and clearing charges	5,789.15	5,150.16
Research & Development expenses (refer note 29)	5,208.28	3,905.65
Business Promotion expense	550.25	538.39
Communication expenses	137.01	126.04
Consultancy charges	681.94	739.49
Travelling and conveyance	1,132.88	1,055.88
Advertisement Charges	7.67	4.29
Donations	20.54	20.33
Contribution to electoral bonds	500.00	-
Loss on sale of fixed assets (net)	23.45	29.73
Bad debts written off	164.99	6.91
Allowance for doubtful trade receivables	671.42	1,261.95
Corporate social responsibility expenditure (refer note 23)	437.75	87.46
Miscellaneous expenses	484.70	550.76
Total	40,129.16	34,876.84

Notes to Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

23. Details of Corporate social responsibility expenditure

	For the Year ended Mar 31, 2020	For the Year ended Mar 31, 2019
a) Gross amount required to be spent by the Company during the year:	437.75	397.15
(b) Amount spent during the year ended		
(i) Construction/acquisition of any asset	-	-
(ii) On purposes other than (i) above in cash	437.75	87.46
(c) Amount unspent during the year ended:	-	309.69

24. Tax expense

(a) Tax expense:

Amount recognised in profit (or) loss

	For the Year ended Mar 31, 2020	For the Year ended Mar 31, 2019
Current tax	12,222.73	8,192.27
Deferred tax (credit)/ charge		
Attributable to the origination and reversal of temporary differences	564.85	(205.64)
Tax rate change (Refer note below)	(1,891.88)	-
Total tax expense recognised in statement of profit & loss	10,895.70	7,986.63

Note : The Company elected to exercise the option permitted under section 115BAA of the Income-tax Act, 1961 as introduced by the Taxation Laws (Amendment) Ordinance, 2019. Accordingly, the Company has recognised provision for income tax for the year ended March 31, 2020 and remeasured its deferred tax liabilities basis the rates prescribed in the said section.

(b) Reconciliation of effective tax rate:

	For the Year ended Mar 31, 2020	For the Year ended Mar 31, 2019
Profit before tax (A)	55,302.60	24,170.68
Enacted tax rate in India (B)	25.17%	34.94%
Expected tax expenses (C = A*B)	13,918.56	8,446.20
Incremental deduction allowed for research and development costs	-	(727.34)
Investment allowance deduction	-	(76.14)
Differential tax rate for long term capital gains	(1,268.44)	-
Effect due to change in tax rate	(1,891.88)	-
Others	137.46	343.91
Tax expense	10,895.70	7,986.63

Notes to Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

Movement in temporary differences:

Particulars	Balance as at April 1, 2018	Recognised in profit or loss during the year	Recognised in OCI during the year	Balance as at March 31, 2019	Recognised in profit or loss during the year	Recognised in OCI during the year	Balance as at March 31, 2020
On account of depreciation and amortization	(7,554.60)	(432.40)	-	(7,987.00)	2,576.31	-	(5,410.69)
On account of Assets held for sale	-	-	-	-	(1,202.12)	-	(1,202.12)
On account of employee benefits	437.84	199.90	36.66	674.40	(62.24)	123.62	735.78
On account of Voluntary Retirement scheme	2.82	(2.82)	-	-	-	-	-
On account of Allowance for doubtful debts	109.16	440.97	-	550.13	15.08	-	565.21
On account of Cash flow hedges	722.98	-	(653.76)	69.22	-	770.50	839.72
Total	(6,281.80)	205.65	(617.10)	(6,693.25)	1,327.03	894.12	(4,472.10)

Income tax recognised in other comprehensive income

	For the year ended March 31, 2020			For the year ended March 31, 2019		
	Before tax	Tax (expense) benefit	Net of tax	Before tax	Tax (expense) benefit	Net of tax
Fair value changes on cash flow hedges	(3,138.36)	770.50	(2,367.86)	1,870.87	(653.76)	1,217.11
Re-measurement of defined benefit liability	(460.56)	123.62	(336.94)	(104.92)	36.66	(68.26)
Total	(3,598.92)	894.12	(2,704.80)	1,765.95	(617.10)	1,148.85

25.Earning per equity share (EPS)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Earnings		
Profit for the year	44,406.90	16,184.05
Weighted average shares used for computing of basic EPS	2,542.48	2,541.09
Add: Effect of dilution		
Effect of dilutive options granted but not yet exercised/not yet eligible for exercise	8.39	7.63
Weighted average shares used for computing diluted EPS	2,550.87	2,548.72
Earnings per share		
- Basic (in INR)	17.47	6.37
- Diluted (in INR)	17.41	6.35

Notes to Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

26. Contingent liabilities and commitments

Particulars	As at March 31, 2020	As at March 31, 2019
(i) Contingent liabilities:		
(a) Claims against the Company not acknowledged as debt	47.21	332.44
The above includes:		
(i) Direct taxation	6.42	48.37
(ii) Indirect taxation (includes matters pertaining to disputes on central excise, custom duty and service tax)	40.79	284.07

The Company is involved in taxation matters that arise from time to time in the ordinary course of business. Management is of the view that above claims are not tenable and will not have any material adverse effect on the Company's financial position and results of operations.

The Company has a process whereby periodically all long-term contracts are assessed for material foreseeable losses. At the year end, the Company has reviewed and ensured that there are no material foreseeable losses on such long term contracts which needs to be provided for in the books of account.

The Company has reviewed all its pending litigations including legal proceedings initiated in the ordinary course of business except as disclosed above. The Company does not expect the outcome of these proceedings to have a material and adverse effect on its financial position and accordingly no adjustment in respect thereof is expected.

Note : Pursuant to Supreme Court Judgement dated 28 February 2019, regarding the provident fund contribution wherein there has been a clarification provided of the inclusions of basic wages for the purpose of computation of contribution towards provident fund, the Company has been legally advised that there are interpretative challenges on the application of the judgement retrospectively. Based on the legal advice and in the absence of reliable measurement of the provision for earlier periods, the Company has assessed the impact of the judgement only from the year ended March 31, 2019 and concluded that there was no impact. Further, no contingent liability has been recognised based on retrospective application as amount cannot be reliably measured.

Particulars	As at March 31, 2020	As at March 31, 2019
(b) Guarantees		
Corporate guarantees given in favour of banks towards loans obtained by Joint Venture - Granules Omnichem Private Limited (refer note 31)	14,948.93	13,986.43

Particulars	As at March 31, 2020	As at March 31, 2019
(ii) Commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for, net of advances	3,464.58	5,184.21

Notes to Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

27. Share based payments

Granules India Limited - Employee Stock Option Scheme 2009 ('ESOS-2009')

Pursuant to the decision of the shareholders at their meeting held on 25th September, 2009, the Company has formulated an Employee Stock Option Scheme 2009 to be administered by the Compensation & Remuneration Committee of the Board of Directors. This scheme has been formulated in accordance with the Securities Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.

Under the Plan, options not exceeding 10,048,070 have been reserved to be issued to the eligible directors and employees (Employees under permanent employment of the Company and its subsidiary company(ies), including eligible Directors of the Company and its subsidiary, whether whole time or not, whether working in India or abroad or otherwise, except the Promoter Directors and Promoter group employees) with each option conferring a right upon the Optionee to apply for one equity share.

The exercise price of the options is the closing market price of the shares on that stock exchange where there is highest trading volume prior to the date of the grant i.e. the date of the Compensation & Remuneration Committee / Board meeting at which the grant of options is approved.

Under the above Scheme till date, options were granted in eight tranches viz. Grant I, Grant II, Grant III, Grant IV, Grant V, Grant VI, Grant VII & Grant VIII. The options granted under the Plan shall start vesting in tranches after one year from the date of grant and not more than two, three and five years (differs from optionee to optionee) under Grant I, five years under Grant II & III and four years under Grant IV, V, VI, VII & VIII from the respective date of grant of the options.

The Black-Scholes-Merton model includes assumptions regarding dividend yields, expected volatility, expected terms and risk free interest rates. In respect of exercise price of options granted, the expected term of an option (or "option life") is estimated based on the vesting term, contractual term, as well as expected exercise behavior of the employees receiving the option. In respect of fair market value of the options granted, the option life is estimated based on the simplified method. Expected volatility of the option is based on historical volatility, of the observed market prices of the Company's publicly traded equity shares. Dividend yield of the options is based on recent dividend activity. Risk-free interest rates are based on the government securities yield in effect at the time of the grant. These assumptions reflect management's best estimates, but these assumptions involve inherent market uncertainties based on market conditions generally outside of the Company's control.

The details of activity under the Scheme are summarised below :

	For the year ended March 31, 2020			
	Shares arising out of options	Range of Exercise prices	Weighted Average exercise price	Weighted Average remaining useful life (months)
Options outstanding at the beginning of the year	4,224,700	9.10 to 142.00	128.36	55
Add : Granted during the year	2,864,800	97.00	97.00	64
Less: Exercised during the year	-	-	-	-
Less: Lapsed/Cancelled/Surrendered during the Year	4,696,300	9.10 to 142.00	127.09	-
At the end of the year	2,393,200	31.50 to 117.00	93.31	60
Exercisable at the end of the year	160,000	31.50 to 117.00	36.84	5

Notes to Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

27. Share based payments (Contd..)

	For the year ended March 31, 2019			
	Shares arising out of options	Range of Exercise prices	Weighted Average exercise price	Weighted Average remaining useful life (months)
Options outstanding at the beginning of the year	5,444,700	9.10 to 142.00	122.92	64
Add : Granted during the year	50,000	117.00	117.00	73
Less: Exercised during the year	410,000	9.10 to 31.50	23.30	-
Less: Lapsed/Cancelled during the Year	860,000	31.50 to 142.00	143.44	-
At the end of the year	4,224,700	9.10 to 142.00	128.36	55
Exercisable at the end of the year	498,000	9.10 to 133.00	31.33	13

The Black Scholes valuation model has been used for computing the weighted average fair value considering the following inputs:

	Grant VIII	Grant VII	Grant VI	Grant V	Grant IV	Grant I
Date of Grant	June 18, 2019	March 29, 2019	April 04, 2017	April 28, 2016	April 28, 2014	April 24, 2012
Dividend yield	1.00%	1.00%	0.85%	0.64%	1.11%	2.20%
Expected volatility	45.25%	45.25%	19.48%	23.43%	41.17%	43.84%
Risk-free interest rate	7.17%	7.17%	6.62%	8.00%	8.00%	8.00%
Weighted average share price of ₹	116.70	140.76	165.33	167.51	44.00	12.91
Exercise price of ₹	97.00	117.00	142.00	133.00	31.50	9.10
Expected life of options granted in years	4	4	4	4	4	5

The estimated fair value of stock options is charged to profit or loss account:

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Employee stock option scheme	198.06	139.18

Employee wise details of options outstanding to senior management personnel :

Name	Designation	No. of options outstanding as on March 31, 2020
Atul Dhavle	Chief Human Resources Officer	200,000
GSR Prasad	Chief Operating Officer	300,000

Notes to Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

28.Employee benefits

a) Defined contribution plan

	For the year ended March 31, 2020	For the year ended March 31, 2019
Contribution to provident and other funds	655.96	568.14

- b) The Company has a defined benefit gratuity plan as per the Payment of Gratuity Act, 1972. Under this legislation, employee who has completed five years of service is entitled to specific benefit. The level of benefit provided depends on the employee's length of service and salary at retirement/termination age. The gratuity plan is a funded plan and the Company make contributions to a recognised fund in India.

Based on the actuarial valuation obtained in this respect, the following table sets out the status of the gratuity plan and the amounts recognised in the Company's financial statements as at balance sheet date:

	Defined benefit obligation	Fair value of plan assets	Net defined benefit (asset)/liability
Balance as on March 31, 2018	729.61	(127.16)	602.46
Current service cost	296.51	-	296.51
Interest expense/(income)	56.79	(9.67)	47.12
Amount recognised in Statement of profit and loss	353.30	(9.67)	343.63
Remeasurements:			
Return on plan assets, excluding amounts included in interest expense/(income)	-	0.38	0.38
Actuarial (gain)/loss arising from:			
Financial assumptions	112.74	-	112.74
Experience adjustment	(8.20)	-	(8.20)
Amount recognised in other comprehensive income	104.54	0.38	104.92
Employers contribution	-	-	-
Benefits paid	(39.52)	-	(39.52)
Balance as on March 31, 2019	1,147.93	(136.45)	1,011.49
Current service cost	314.91	-	314.91
Interest expense/(income)	83.43	(10.37)	73.06
Amount recognised in Statement of profit and loss	398.34	(10.37)	387.97
Remeasurements:			
Return on plan assets, excluding amounts included in interest expense/(income)	-	0.30	0.30
Actuarial (gain)/loss arising from:			-
Financial assumptions	160.57	-	160.57
Experience adjustment	299.68	-	299.68
Amount recognised in other comprehensive income	460.25	0.30	460.56
Employers contribution	-	-	-
Benefits paid	(100.45)	-	(100.45)
Balance as at March 31, 2020	1,906.07	(146.52)	1,759.56

Notes to Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

	As at March 31, 2020	As at March 31, 2019
Non-current	1,474.77	788.40
Current	284.79	223.09
	1,759.56	1,011.49

(ii) The assumptions used for gratuity valuation are as below:

	For the year ended March 31, 2020	For the year ended March 31, 2019
Interest rate	6.80%	7.60%
Discount rate	6.80%	7.60%
Expected return on plan assets	6.80%	7.60%
Salary increase	10%	9%
Attrition rate	20%	20%
Retirement age - Years	60	60

Assumptions regarding future mortality experience are set in accordance with published statistics and mortality tables.

The weighted average duration of the defined benefit obligation was 7.68 years.

The defined benefit plan expose the Company to actuarial risks, such as longevity and interest rate risk.

(iii) Sensitivity analysis

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions are as below:

Particulars	For the year ended March 31, 2020		For the year ended March 31, 2019	
	Increase	Decrease	Increase	Decrease
Discount rate	(89.73)	98.79	(46.14)	50.61
Salary increase	100.88	(94.84)	52.85	(49.72)
Attrition rate	(16.20)	16.84	(2.18)	2.38

Sensitivity of significant actuarial assumptions is computed by varying one actuarial assumption used for the valuation of defined benefit obligation by one percentage, keeping all other actuarial assumptions constant. Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumption shown.

As of March 31, 2020 and March 31, 2019, the plan assets have been invested in Life Insurance Corporation

The expected contributions to the plan for the next annual period amounts to ₹53.09 lakhs.

Notes to Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

Maturity profile of defined benefit obligation

Particulars	For the year ended March 31, 2020
1st Following year	284.79
2nd Following year	294.02
3rd Following year	266.54
4th Following year	248.85
5th Following year	241.25
Years 6 to 10	770.99

29. Research and development expenses

Details of research and development expenses incurred during the year is given below

Particulars	March 31, 2020	March 31, 2019
Capital	648.10	1,327.40
Revenue	5,208.28	3,905.65
Total	5,856.38	5,233.05

30. Remuneration to statutory auditors

Particulars	March 31, 2020	March 31, 2019
As Auditor (excluding GST)		
Statutory audit	32.00	32.00
Limited review	12.00	9.00
Certification	9.75	17.65
Reimbursement of expenses	4.28	3.59
Total	58.03	62.24

31. Related party disclosures

31A. Names of related parties and description of relationship

Name of the related party	Relationship
1 Granules USA, Inc.	Wholly owned subsidiary company
2 Granules Pharmaceuticals, Inc.	Wholly owned subsidiary company
3 Granules Europe Limited	Wholly owned subsidiary company
4 Granules-Bioclause Pharmaceutical Co. Ltd (upto Jan 21, 2020)	Associate
5 Granules Omnicem Private Limited	Joint venture
6 Karvy Fintech Private Limited {formerly known as Karvy Computershare Private Limited} (upto Dec 26, 2019)	Enterprises over which key management personnel or their relatives exercise significant influence
7 Tyche Investments Private Limited	Enterprises over which key management personnel or their relatives exercise significant influence
Key managerial personnel	
1 Mr. Krishna Prasad Chigurupati	Chairman & Managing Director
2 Mrs. Uma Devi Chigurupati	Executive Director
3 Mr. Harsha Chigurupati (From Aug 29, 2019)	Executive Director
4 Dr. V.V.N.K.V. Prasad Raju (upto January 29, 2019)	Executive Director
5 Mr. Sandip Neogi (from Nov 04, 2019)	Chief Financial Officer
6 Mr. K. Ganesh (upto May 14, 2019)	Chief Financial Officer
7 Mrs. Chaitanya Tummala	Company Secretary

Notes to Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

31B. Transactions during the year

Particulars	March 31, 2020	March 31, 2019
a) Subsidiary companies		
i) Granules USA, Inc.		
Sale of goods	25,079.89	32,503.92
ii) Granules Pharmaceuticals, Inc.		
Sale of goods	9,604.00	6,222.71
Interest on loans given	759.02	553.25
Loans given	6,362.90	5,953.51
Equity subscribed (loan to equity subscribed) {refer note - 4B}	-	43,134.72
iii) Granules Europe Limited		
Interest on loans given	26.05	15.19
Loans given	253.69	338.05
b) Associate		
i) Granules-Bioclause Pharmaceutical Co. Ltd (upto Jan 21, 2020)		
Purchases	14,232.60	13,424.39
Proceeds from sale of Investments	11,233.76	-
c) Transactions with enterprises over which key management personnel or their relatives exercise significant influence		
i) Karvy Fintech Private Limited (formerly known as Karvy Computershare Private Limited) {upto Dec 26, 2019}		
Registrar Services	6.90	14.22
ii) Tyche Investments Private Limited		
Rent	64.64	63.40
d) Transactions with key managerial personnel or their relatives		
i) Mr.Krishna Prasad Chigurupati		
Managerial Remuneration	2,055.67	1,499.04
ii) Mrs. Uma Devi Chigurupati		
Managerial Remuneration	1,644.54	1,199.23
iii) Mr.Harsha Chigurupati		
Sitting fees (upto Aug 29, 2019)	1.20	2.00
Managerial Remuneration (from Aug 29, 2019)	227.24	-
iv) Dr. V.V.N.K.V. Prasad Raju (upto Jan 29, 2019)		
Managerial Remuneration	-	257.87
v) Mr. Sandip Neogi (from Nov 04, 2019)		
Salary	43.40	-
vi) Mr. K. Ganesh (upto May 14, 2019)		
Salary	54.55	183.25
vii) Mrs. Chaitanya Tummala		
Salary	35.48	30.94

Notes to Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

31C. Closing balances

Particulars	March 31, 2020	March 31, 2019
a) Subsidiary Companies		
i) Granules USA, Inc.		
Investment in subsidiary	116.31	116.31
Trade receivables*	9,894.27	11,658.11
ii) Granules Pharmaceuticals, Inc.		
Investment in subsidiary	44,359.71	44,359.71
Loan to subsidiaries*	13,455.24	5,109.84
Trade receivables*	4,088.22	4,789.88
iii) Granules Europe Limited		
Investment in subsidiary	0.08	0.08
Loan to subsidiaries*	825.56	523.13
b) Joint Ventures		
i) Granules Omnicem Private Limited		
Investment	4,288.10	4,288.10
Corporate Guarantee given	14,948.93	13,986.43
c) Associate		
i) Granules-Biocrine Pharmaceutical Co. Ltd (upto Jan 21, 2020)		
Investment	-	1,819.03
Trade payables	-	3,766.98
d) Enterprises over which key management personnel or their relatives exercise significant influence		
i) Karvy Fintech Private Limited (formerly known as Karvy Computershare Private Limited) (upto Dec 26, 2019)		
Payable	-	1.23
ii) Tyche Investments Private Limited		
Payable	4.27	-
Rental Deposit	20.00	20.00

As the future liability for gratuity and leave encashment is provided on an actuarial basis for the Company as a whole, the amount pertaining to the Key Management Personnel and their relatives is not ascertainable and, therefore, not included above.

*Foreign currency balances included above have been shown at restated values arrived by using the closing exchange rates

Notes to Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

32. Fair Values

The management assessed that loans, cash and cash equivalents, trade receivables, borrowings, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Fair Valuation measurement hierarchy

The following table shows the carrying amounts and fair values of financial assets and liabilities including their levels of fair value hierarchy:

Particulars	As at March 31, 2020						
	Carrying amount					Fair Value	
	Mandatorily at fair value through profit and loss (FVTPL)	Fair value through other comprehensive income (FVOCI)	Assets/ liabilities at amortised cost method	Total carrying amount	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
i) Financial assets							
a) Financial assets not measured at Fair value							
Non-current investments	-	-	44,539.17	44,539.17	-	-	-
Non-current loans	-	-	15,429.07	15,429.07	-	-	-
Trade receivables	-	-	62,700.27	62,700.27	-	-	-
Cash and cash equivalents	-	-	17,432.47	17,432.47	-	-	-
Bank balances other than cash and cash equivalents	-	-	9,801.38	9,801.38	-	-	-
Current loans	-	-	175.69	175.69	-	-	-
Other current financial assets	-	-	264.99	264.99	-	-	-
Investments held for sale	-	-	-	-	-	10,985.24	-
	-	-	150,343.04	150,343.04	-	10,985.24	-
ii) Financial liabilities							
a) Financial liabilities not measured at fair value							
Non-current borrowings	-	-	42,091.66	42,091.66	-	-	-
Trade payables	-	-	32,287.50	32,287.50	-	-	-
Other current financial liabilities	-	-	12,681.99	12,681.99	-	-	-
Current borrowings	-	-	37,169.09	37,169.09	-	-	-
	-	-	124,230.24	124,230.24	-	-	-

Notes to Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

Particulars	As at March 31, 2019						
	Carrying amount				Fair Value		
	Mandatorily at fair value through profit and loss (FVTPL)	Fair value through other comprehensive income (FVOCI)	Assets/ liabilities at amortised cost method	Total carrying amount	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
i) Financial assets							
a) Financial assets not measured at Fair value							
Non-current investments	-	-	50,646.30	50,646.30	-	-	-
Non-current loans	-	-	6,545.08	6,545.08	-	-	-
Trade receivables	-	-	70,420.94	70,420.94	-	-	-
Cash and cash equivalents	-	-	5,642.03	5,642.03	-	-	-
Bank balances other than cash and cash equivalents	-	-	601.59	601.59	-	-	-
Current loans	-	-	49.10	49.10	-	-	-
Other current financial assets	-	-	34.07	34.07	-	-	-
	-	-	133,939.11	133,939.11	-	-	-
ii) Financial liabilities							
a) Financial liabilities not measured at fair value							
Non-current borrowings	-	-	47,878.25	47,878.25	-	-	-
Trade payables	-	-	27,689.23	27,689.23	-	-	-
Other current financial liabilities	-	-	9,631.22	9,631.22	-	-	-
Current borrowings	-	-	45,420.61	45,420.61	-	-	-
	-	-	130,619.31	130,619.31	-	-	-

33. Financial risk management

Framework

The Company is exposed primarily to Credit Risk, Liquidity Risk and Market risk (fluctuations in foreign currency exchange rates and interest rate), which may adversely impact the fair value of its financial instruments. The Company assesses the unpredictability of the financial environment and seeks to mitigate potential adverse effects on the financial performance of the Company.

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Credit risk encompasses of both, the direct risk of default and the risk of deterioration of creditworthiness as well as concentration of risks. Credit risk is controlled by analyzing credit limits and creditworthiness of customers on a continuous basis to whom the credit has been granted after obtaining necessary approvals for credit. Financial instruments that are subject to concentrations of credit risk principally consist of trade receivables, investments, loans, cash and cash equivalents, bank deposits and other financial assets. None of the financial instruments of the Company result in material concentration of credit risk, except for trade receivables.

Ind AS requires expected credit losses to be measured through a loss allowance. The Company assesses at each date of statements of financial position whether a financial asset or a group of financial assets is impaired. Expected credit losses are measured at an amount equal to the 12 month expected credit losses or at an amount equal to the life time expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. The Company has used a practical expedient

Notes to Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

33. Financial risk management (Contd..)

by computing the expected credit loss allowance for trade receivables based on a provision matrix. The provision matrix takes into account historical credit loss experience and adjusted for forward-looking information. Company's exposure to customers is diversified and major customer contributes around 16% and 17% of outstanding trade receivable as of March 31, 2020 and March 31, 2019. The maximum exposure to credit risk was ₹ 62,700.27 lakhs and ₹ 70,420.94 lakhs as of March 31, 2020 and March 31, 2019 respectively, being the total of the carrying amount of balances with trade receivables.

Before accepting any new customer, the Company uses an external/internal credit scoring system to assess the potential customer's credit quality and defines credit limits of customer. Limits and scoring attributed to customers are reviewed at periodic intervals. The expected credit loss allowance is based on the ageing of the days the receivables are due and the rates as given in the provision matrix.

Credit risk on financial assets, except trade receivables is limited as the company generally transacts with banks and financial institutions with high credit rating assigned by international and domestic credit rating agencies. Investment primarily include investment in subsidiaries, associate and joint venture whose carrying value is evaluated by the management at the end of every reporting period for impairment. As at the end of the reporting period, there are no indicators of impairment of investments

Liquidity risk

Liquidity risk refers to the risk that the Company cannot meet its financial obligations. The objective of liquidity risk management is to maintain sufficient liquidity and ensure that funds are available for use as per requirements. The Company manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The table below provides details regarding the undiscounted contractual maturities of significant financial liabilities as of March 31, 2020:

Particulars	Less than 1 year	1-2 years	2-5 years	5-9 years	Total
Borrowings	9,831.20	9,350.68	27,979.66	4,761.31	51,922.86
Short-term Borrowings	37,169.09	-	-	-	37,169.09
Trade payables	32,287.50	-	-	-	32,287.50
Other financial liabilities	2,850.79	-	-	-	2,850.79

The table below provides details regarding the undiscounted contractual maturities of significant financial liabilities as of March 31, 2019:

Particulars	Less than 1 year	1-2 years	2-5 years	5-9 years	Total
Borrowings	5,819.08	9,067.10	25,874.10	12,937.05	53,697.33
Short-term Borrowings	45,420.61	-	-	-	45,420.61
Trade payables	27,689.23	-	-	-	27,689.23
Other financial liabilities	3,812.14	-	-	-	3,812.14

Notes to Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Such changes in the values of financial instruments may result from changes in the foreign currency exchange rates, interest rates, credit, liquidity and other market changes. The Company's exposure to market risk is primarily on account of foreign currency exchange rate risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of change in market interest rates. As the Company's debt obligation with floating interest rates are primarily in USD/EURO which is subject to insignificant change, exposure to the risk of changes in market interest rates are substantially independent of changes in market interest rates.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of borrowings affected. With all other variables held constant, the Company's profit before tax is affected through the impact on borrowings, as follows:

Particulars	Change in basis points	March 31, 2020	March 31, 2019
INR - Borrowings	+100	-	(7.73)
	-100	-	7.73
USD - Borrowings	+100	(305.35)	(409.71)
	-100	305.35	409.71
EURO - Borrowings	+100	(362.27)	(389.90)
	-100	362.27	389.90

Foreign Currency exchange rate risk

The fluctuation in foreign currency exchange rates may have potential impact on the statement of profit or loss and other comprehensive income and equity, where any transaction references more than one currency or where assets / liabilities are denominated in a currency other than the functional currency of the respective entities. Considering the countries and economic environment in which the Company operates, its operations are subject to risks arising from fluctuations in exchange rates in those countries. The risks primarily relate to fluctuations in USD/EURO against the functional currencies of the Company.

The year end foreign currency exposures are as under -

(All amounts are in Indian Rupees Lakhs)

	March 31, 2020		
	USD	EURO	Others
Assets			
Trade receivables	46,318.01	2,765.49	-
Loans and advances	13,455.24	-	825.56
Other non-current assets	75.95	566.75	6.89
Other current assets	197.64	24.82	0.32
Loans	0.04	-	-
Cash and cash equivalents	42.26	8.31	0.29
Total	60,089.14	3,365.37	833.06

Notes to Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

33. Financial risk management (Contd..)

(All amounts are in Indian Rupees Lakhs)

	March 31, 2020		
	USD	EURO	Others
Liabilities			
Borrowings	-	41,483.28	-
Trade payables	13,732.95	451.41	66.24
Other financial liabilities	2,499.02	9,062.47	0.41
Other current liabilities	803.47	15.08	-
Short-term Borrowings	37,169.09	-	-
Total	54,204.53	51,012.24	66.65

(All amounts are in Indian Rupees Lakhs)

	March 31, 2019		
	USD	EURO	Others
Assets			
Trade receivables	53,141.47	3,242.37	-
Loans and advances	5,109.84	-	523.13
Other non-current assets	569.77	171.16	6.05
Other current assets	367.03	81.18	41.55
Loans	10.75	-	2.05
Cash and cash equivalents	68.28	0.43	0.16
Total	59,267.14	3,495.14	572.94
Liabilities			
Borrowings	1,064.00	46,814.25	-
Trade payables	11,537.07	358.26	82.78
Other financial liabilities	2,629.42	4,190.75	3.48
Other current liabilities	499.98	-	-
Short-term Borrowings	44,647.96	-	-
Total	60,378.43	51,363.26	86.26

For the year ended March 31, 2020 and March 31, 2019, every percentage point depreciation / appreciation in the exchange rate between Indian rupees and U.S. dollar/Euro will affect the Company's profit before tax by approximately 1.05% and 2.03% respectively.

The Company designates certain non derivative financial liabilities, such as foreign currency borrowings from financial institutions, as hedging instruments for the hedge of foreign exchange risk associated with highly probable forecasted transactions and, accordingly, applies cash flow hedge accounting for such relationships. Re-measurement gain/loss on such non derivative financial liabilities is accumulated in other equity under the heading cash flow hedging reserve, and re-classified in the statement of profit and loss as revenue in the period corresponding to the occurrence of the forecasted transactions.

Notes to Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

Cash flow hedge reserve

The reconciliation of cash flow hedge reserve for the year ended March 31, 2020 is as follows:

Particulars	March 31, 2020	March 31, 2019
Balance at the beginning of the year	(128.89)	(1,346.00)
Gain/(loss) recognised in other comprehensive income during the year	(3,286.49)	1,870.87
Amount reclassified to revenue during the year	148.13	-
Tax impact on the above	770.50	(653.76)
Balance at the end of the year	(2,496.75)	(128.89)

The table below summarises the periods when the cash flows associated with highly probable forecasted transactions that are classified as cash flow hedges are expected to occur:

Particulars	March 31, 2020	March 31, 2019
Cash flows in Euros		
Not later than one year	8,554.11	3,605.98
Later than one year and not later than five years	36,874.02	30,252.25
Later than five years and not later than nine years	4,609.25	16,448.67

34. Segment reporting

A. Basis for segmentation

The operations of the Company are limited to one segment viz. Pharmaceutical products including ingredients and intermediaries.. The products being sold under this segment are of similar nature and comprises of pharmaceutical products only. The Company's Chief Operating Decision Maker (CODM) reviews the internal management reports prepared based on aggregation of financial information of the Company on a periodic basis, for the purpose of allocation of resources and evaluation of performance. Accordingly, management has identified pharmaceutical segment as the only operating segment for the Company.

B. Segment information for secondary segment reporting (by geographical segment)

The Company has reportable geographical segments based on location of its customers:

- (i) Revenue from customers within India - Domestic
- (ii) Revenue from customers outside India - Exports

Revenue from one external customer exceed 10% of company's total revenue from operations of ₹37,802.81 lakhs for the year ended March 31, 2020 (March 31, 2019 - ₹ 24,826.13 lakhs)

The Company is engaged in the manufacture of Pharmaceuticals, which in the context of Ind AS 108 is considered only business segment.

	March 31, 2020			March 31, 2019		
	Outside India	Within India	Total	Outside India	Within India	Total
Revenue	188,126.98	42,865.85	230,992.83	159,871.71	49,971.55	209,843.26
Non-current assets (refer note i)	-	107,161.70	107,161.70	-	104,354.77	104,354.77

Note:

- i) Non-current assets for this purpose consist of property, plant and equipment, capital work in progress, intangible assets, intangible assets under development and other non-current assets.

Notes to Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

35. Capital management

For the purpose of the Company's capital management, capital includes issued equity capital, share premium and all other equity reserves attributable to the equity holders. The primary objective of the Company's capital management is to maximise the shareholder value.

The Company manages its capital structure in consideration to the changes in economic conditions and the requirements of the financial covenants. The Company monitors capital using a gearing ratio, which is net debt divided by equity. Net debt consists of borrowings including interest accrued on borrowings, less cash and cash equivalents and other bank balances.

Particulars	March 31, 2020	March 31, 2019
Borrowings including interest accrued on borrowings	89,253.29	99,418.23
Less: cash and cash equivalents and other bank balances	(27,233.85)	(6,243.62)
Net debt	62,019.44	93,174.61
Equity	2,542.48	2,542.48
Other equity	178,616.10	139,781.03
Total equity	181,158.58	142,323.51
Net debt to equity ratio	0.34	0.65

In order to achieve this overall objective, the Company's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowing in the current period.

36. Buy back of shares

The Board of Directors at their meeting held on January 21, 2020 approved a buyback proposal, subject to the approval of shareholders for purchase by the company of up to equity shares of 12,500,000 of face value Re 1 each (representing 4.92% of total paid-up equity capital) from shareholders of the company at a price of ₹ 200 per share. The shareholders approved the proposal of buyback of equity shares recommended by its Board of Directors in its meeting held on January 21, 2020 through the e-voting and postal ballot that concluded on March 09, 2020. The Company has filed the draft letter of offer (DLOF) with Securities Exchange Board of India (SEBI) for approval. The approval was received from SEBI in May 2020.

37. Subsequent Events

Refer Note 4A for the event that occurred after the balance sheet date.

38. The disclosures regarding details of specified bank notes held and transacted during 8 November 2016 to 30 December 2016 has not been made in these financial statements since the requirement does not pertain to financial year ended 31 March 2020

39. Figures in Balance Sheet, Statement of Profit and Loss and Notes to audited financial statements have been rounded off to the nearest thousand and have been expressed in terms of decimals of thousands.

As per our report of even date attached

for **B S R & Associates LLP**

Chartered Accountants

Firm registration number 116321W/W-100024

Sriram Mahalingam

Partner

Membership No : 049642

Place: Hyderabad

Date: June 02, 2020

for and on behalf of the Board of Directors of

Granules India Limited

CIN : L24110TG1991PLC012471

Krishna Prasad Chigurupati

Chairman and Managing Director

DIN : 00020180

Sandip Neogi

Chief Financial Officer

Chaitanya Tummala

Company Secretary

Independent Auditors' Report

To the Members of **Granules India Limited**

Report on the Audit of Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Granules India Limited (hereinafter referred to as the 'Holding Company') and its subsidiaries (Holding Company and its subsidiaries together referred to as "the Group"), its associate and its joint venture, which comprise the consolidated balance sheet as at 31 March 2020, and the consolidated statement of profit and loss (including other comprehensive income), consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").

In our opinion and to the best of our information and according to the explanations given to us, and based on the consideration of reports of other auditors on separate financial statements of such subsidiaries, associate and joint venture as were audited by the other auditors, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 ("Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group, its associate and joint venture as at 31 March 2020, of its consolidated profit and other comprehensive income, consolidated changes in equity and consolidated cash flows for the year then ended.

1. Receivables and allowances

See notes 2(f)(i), 7A and 34 to the consolidated financial statements

The key audit matter	How the matter was addressed in our audit
<p>The Group is primarily involved in the manufacturing and selling of Active Pharmaceutical Ingredients (APIs), Pharmaceutical Formulation intermediates (PFIs) and Finished Dosages (FDs) within and outside India.</p> <p>Trade receivables constitute about 22 % of the total assets as at the balance sheet date.</p> <p>The Group measures expected credit loss on trade receivables based on a provision matrix which is based on significant management judgement and estimates i.e.:</p>	<p>In view of the significance of the matter, we applied the following audit procedures in this area, among others to obtain sufficient appropriate audit evidence in the case of the Holding Company:</p> <ol style="list-style-type: none"> 1. Assessed the appropriateness of accounting policy for expected credit loss as per the relevant accounting standard. 2. Obtained an understanding of and assessed the design, implementation and operating effectiveness of key controls relating to collection monitoring process, credit control process (including customer credit approvals) and estimation of expected credit losses.

Basis for Opinion

We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those SAs are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group, its associate and joint venture in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in terms of the Code of Ethics issued by the Institute of Chartered Accountants of India and the relevant provisions of the Act, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence obtained by us along with the consideration of audit reports of the other auditors referred to in sub paragraph (a) of the "Other Matters" paragraph below, is sufficient and appropriate to provide a basis for our opinion on the consolidated financial statements.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

The key audit matter	How the matter was addressed in our audit
<ul style="list-style-type: none"> - historical default rate/ payment trend of the Group's customers; - age analysis of the receivables; - relevant current customer specific conditions; and - other relevant factors including forward-looking information (where appropriate) at the reporting date such as subsequent settlement and future collectability. 	<ol style="list-style-type: none"> 3. Tested the controls relating to classification of the receivable balances included in the receivables ageing report. For a sample selected, tested classification in the ageing report to source documents such as invoice issued, contract with the customer. 4. For samples selected, circularized independent confirmations and where confirmations were not received, performed alternate testing procedures. This includes testing, on a sample basis, subsequent collections for the outstanding receivables. 5. Assessed the methodology used by management to estimate the expected credit loss provision and its compliance with the relevant accounting standard. 6. Assessed the reasonableness of estimate of expected credit losses through the following: <ul style="list-style-type: none"> • Obtained an understanding of the key assumptions used in estimating the expected credit losses such as discount rate, historical default rates, recovery rates, payment trend, current economic conditions and forward-looking information etc. 7. Assessed the adequacy of disclosures relating to trade receivables and related credit risk.
<p>Due to the varying characteristics and payment terms, some customers have a higher than average days sales outstanding, which increases the credit risk for these customers. Further, the outstanding of customers could be impacted by the economic conditions consequent to Covid-19.</p>	<p>In view of the significance of the matter the auditor of the subsidiary has reported the following audit procedures in this area were applied, among others to obtain sufficient appropriate audit evidence:</p>
<p>We have considered assessment of expected credit loss for receivables as a key audit matter because of the significance of balance of trade receivables to the balance sheet and because of the significant management judgement involved in its estimation particularly in the context of Covid - 19.</p>	<ol style="list-style-type: none"> 1. Obtained the Company's provision matrix and reviewed the reasonableness of the management estimates considered for computation. 2. Verification of historical ageing nos. in accordance with previous years' ageing. 3. Understanding the basis of considering the weights assigned to historical years to arrive at average default rate per time bucket. 4. Evaluation of weighted average cost of debt to be considered for discounting the expected credit loss. 5. Discussion with Company's management with respect to the probability of default rate considered for provision matrix and verify the reasonability of the same. 6. Basis for consideration of forward-looking factor. 7. For accounts receivables, the management determined that no allowance for expected credit loss was required. Based on our judgement we found that these estimates were supportable

2. Recoverability of carrying value of intangible assets and intangible assets under development

See notes 2(f)(ii) to the consolidated financial statements

The key audit matter	How the matter was addressed in our audit
<p>The Holding Company ("GIL") and Granules Pharmaceutical Inc. ("GPI") – a major subsidiary - have significant intangible assets comprising acquired intangibles, currently marketed products (developed internally) and intangibles under development as at 31 March 2020.</p> <p>These intangible assets have been determined to have a finite life and therefore these are amortised over their useful life.</p> <p>Additionally, an impairment assessment is performed whenever there is an indication of impairment. Carrying values are considered to be impaired if they are below the recoverable value.</p> <p>The assessment process of impairment of intangible assets (including those under development) is complex as it involves significant judgement and assumptions e.g.</p> <ul style="list-style-type: none"> - discounted cashflow forecasts; - future growth rate; - discount rate (generally based on weighted average cost of capital) - probability of regulatory and commercial success; and - estimating the expected cost to complete the development for intangibles under development. <p>Given the significant level of judgement involved in making the above estimates, determining the recoverable value and consequent impairment of intangibles including those under development has been determined to be a key audit matter.</p>	<p>With regard to intangible assets in the Holding Company, we applied the following audit procedures in this area, among others to obtain sufficient appropriate audit evidence:</p> <ul style="list-style-type: none"> • Assessed the appropriateness of accounting policy relating to intangible assets as per the relevant accounting standard. • Evaluated the design and implementation of certain key internal financial controls with respect to the impairment assessment of intangible assets including intangibles under development. • Evaluated qualitative analysis of the impairment indicators to assess existence of triggering events. • Evaluated the impairment model which is based on discounted cash flows. This included <ul style="list-style-type: none"> o Evaluating the appropriateness of the assumptions used for key inputs such as those relating to forecast revenue and gross margin based on our knowledge of the Group and the industry. o Evaluating appropriateness of the discount rate used with reference to external market data such as risk free rate, share prices and country risk premium and weighted average cost of capital. o Tested the budgeting procedures upon which the cash flow forecasts were based. We also compared the actual past performances with the budgeted figures in order to assess the robustness of the overall budgeting process. • Assessed sensitivity of the outcome of impairment assessment to changes in key assumptions such as discount rates and future growth rates. • Interviewing key research and development personnel and commercial personnel to assess reasonableness of the assumptions used, such as expected market share, revenue growth, expected margins, probability of success of products under development. <p>In view of the significance of the matter the auditor of the subsidiary has reported the following audit procedures in this area were applied, among others to obtain sufficient appropriate audit evidence:</p> <ul style="list-style-type: none"> • Obtained the Company's impairment analyses and tested the integrity of the calculations, reasonableness of key assumptions, including product profit and cash flow growth or decline, terminal values, and discount rates.

The key audit matter	How the matter was addressed in our audit
	<ul style="list-style-type: none"> • Obtained an understanding of the key controls associated with the preparation of valuation models used to assess the recoverable amount of Company's developed product intangibles & IP research and developments. • Understood management's process for forecasting cash flows, which is underpinned by models that include a product-by-product analysis. • Critically evaluated management's methodologies and their documented basis for key assumptions utilized in the valuation models. • Interviewing Company's management in order to understand and challenge the business assumptions used, such as expected market share, revenue growth, expected margins, probability of success of products under development. • Evaluating the valuation assumptions, such as discount rates, used by Company through reference to external market data such as risk-free rate, share prices and country risk premium. • For those intangible where management determined that no impairment was required, we found that these judgements were supportable.

Other Information

The Holding Company's management and Board of Directors are responsible for the other information. The other information comprises the information included in the holding Company's annual report, but does not include the financial statements and our auditors' report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed and based on the work done/ audit report of other auditors, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Management's and Board of Directors' Responsibilities for the Consolidated Financial Statements

The Holding Company's Management and Board of Directors are responsible for the preparation and presentation of these consolidated financial statements in term of the requirements of the Act that give a true and fair view of the consolidated state of affairs, consolidated profit / loss and other comprehensive income, consolidated statement of changes in equity and consolidated cash flows of the Group including its associate and joint venture in accordance with the accounting principles generally accepted in India, including the Indian Accounting Standards (Ind AS) specified under section 133 of the Act. The respective Management and Board of Directors of the companies included in the Group and of its associate and joint venture are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of each company. and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating

effectively for ensuring accuracy and completeness of the accounting records, 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, which have been used for the purpose of preparation of the consolidated financial statements by the Management and Directors of the Holding Company, as aforesaid.

In preparing the consolidated financial statements, the respective Management and Board of Directors of the companies included in the Group and of its associate and joint venture are responsible for assessing the ability of each company to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the respective Board of Directors either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so.

The respective Board of Directors of the companies included in the Group and of its associate and joint venture is responsible for overseeing the financial reporting process of each company.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3) (i) of the Act, we are also responsible for expressing our opinion on the internal financial controls with reference to the consolidated financial statements and the operating effectiveness of such controls based on our audit.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Management and Board of Directors.
- Conclude on the appropriateness of Management and Board of Directors use of the going concern basis of accounting in preparation of consolidated financial statements and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the appropriateness of this assumption. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group and its associate and joint venture to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of such entities or business activities within the Group and its associate and joint venture to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of financial information of such entities included in the consolidated financial statements of which we are the independent auditors. For the other entities included in the consolidated financial statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion. Our responsibilities in this regard are further described in para (a) of the section titled 'Other Matters' in this audit report.

We believe that the audit evidence obtained by us along with the consideration of audit reports of the other auditors referred to in sub-paragraph (a) of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the consolidated financial statements.

We communicate with those charged with governance of the Holding Company and such other entities included in the consolidated financial statements of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

(a) We did not audit the financial statements of two subsidiaries, whose financial statements reflect total assets (before consolidation adjustments) of ₹ 91,856.76 as at 31 March 2020, total revenues (before consolidation adjustments) of ₹ 63,616.37 and net cash outflows amounting to ₹ 1,582.14 for the year ended on that date, as considered in the consolidated financial statements. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries, and our report in terms of sub-section (3) of Section 143 of the Act, in so far as it relates to the aforesaid subsidiaries is based solely on the audit reports of the other auditors.

(b) The financial statements of one subsidiary, whose financial statements reflect total assets (before consolidation adjustments) of ₹ 99.63 as at 31 March 2020, total revenues (before consolidation adjustments) of ₹ Nil and net cash inflows amounting to ₹ 82.17 for the year ended on that date, as considered in the consolidated financial statements, have not been audited either by us or by other auditors. The consolidated financial statements also include the Group's share of net profit (and other comprehensive income) (before consolidation adjustments) of ₹ 2,549.09 for the period ended 1 April 2019 to 30 September 2019, as considered in the consolidated financial statements, in respect of one associate and one joint venture, whose financial information have not been audited by us or by other auditors. These unaudited financial statements / financial information have been furnished to us by the Management and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of this subsidiary, joint venture and associate, and our report in terms of sub-sections (3) of Section 143 of the Act in so far as it relates to the aforesaid subsidiary, joint venture and associate, is based solely on such unaudited financial statements / financial information. In our opinion and according to the information and explanations given to us by the Management, these financial statements/financial information are not material to the Group.

Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements/financial information certified by the Management.

Report on Other Legal and Regulatory Requirements

A. As required by Section 143(3) of the Act, based on our audit and on the consideration of reports of the other auditors on separate financial statements of such subsidiaries as were audited by other auditors, as noted in the 'Other Matters' paragraph, we report, to the extent applicable, that:

- a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.
- b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid

consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.

- c) The consolidated balance sheet, the consolidated statement of profit and loss (including other comprehensive income), the consolidated statement of changes in equity and the consolidated statement of cash flows dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements.
 - d) In our opinion, the aforesaid consolidated financial statements comply with the Ind AS specified under section 133 of the Act.
 - e) On the basis of the written representations received from the directors of the Holding Company as on 31 March 2020 taken on record by the Board of Directors of the Holding Company, none of the directors of the Holding Company incorporated in India is disqualified as on 31 March 2020 from being appointed as a director in terms of Section 164(2) of the Act.
 - f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Holding Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A".
- B. With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, 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 separate financial statements of the subsidiaries, as noted in the 'Other Matters' paragraph:
- i. The consolidated financial statements disclose the impact of pending litigations as at 31 March 2020

on the consolidated financial position of the Group, its associate and joint venture. Refer Note 26 to the consolidated financial statements.

- ii. The Group, its associate and joint venture did not have any material foreseeable losses on long-term contracts including derivative contracts during the year ended 31 March 2020.
 - iii. There has been no delay in transferring amounts to the Investor Education and Protection Fund by the Holding Company during the year ended 31 March 2020.
 - iv. The disclosures in the consolidated financial statements regarding holdings as well as dealings in specified bank notes during the period from 8 November 2016 to 30 December 2016 have not been made in the financial statements since they do not pertain to the financial year ended 31 March 2020.
- C. With respect to the matter to be included in the Auditor's report under section 197(16):

In our opinion and according to the information and explanations given to us, the remuneration paid during the current year by the Holding Company to its directors is in accordance with the provisions of Section 197 of the Act. The remuneration paid to any director by the Holding Company is not in excess of the limit laid down under Section 197 of the Act. The Ministry of Corporate Affairs has not prescribed other details under Section 197(16) which are required to be commented upon by us.

For **B S R & Associates LLP**

Chartered Accountants

ICAI Firm Registration number: 116231W / W-100024

Sriram Mahalingam

Partner

Place: Hyderabad

Date: 2 June 2020

Membership Number: 049642

UDIN: 20049642AAAABS5375

Annexure A

to the Independent Auditors' report on the consolidated financial statements of Granules India Limited for the period ended 31 March 2020

Report on the internal financial controls with reference to the aforesaid consolidated financial statements under Clause (i) of Sub-section 3 of Section 143 of the Companies Act, 2013

(Referred to in paragraph A(f) under 'Report on Other Legal and Regulatory Requirements' section of our report of even date)

Opinion

In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended 31 March 2020, we have audited the internal financial controls with reference to consolidated financial statements of Granules India Limited (hereinafter referred to as "the Holding Company"), as of that date.

In our opinion, the Holding Company, have, in all material respects, adequate internal financial controls with reference to consolidated financial statements and such internal financial controls were operating effectively as at 31 March 2020, based on the internal financial controls with reference to consolidated financial statements criteria established by such companies considering the essential components of such internal controls stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (the "Guidance Note").

Management's Responsibility for Internal Financial Controls

The Holding Company's management and the Board of Directors are responsible for establishing and maintaining internal financial controls with reference to consolidated financial statements based on the criteria established by the Holding Company considering the essential components of internal control stated in the Guidance Note. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to the respective company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Companies Act, 2013 (hereinafter referred to as "the Act").

Auditors' Responsibility

Our responsibility is to express an opinion on the internal financial controls with reference to consolidated financial

statements based on our audit. We conducted our audit in accordance with the Guidance Note and the Standards on Auditing, prescribed under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls with reference to consolidated financial statements. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to consolidated financial statements were established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls with reference to consolidated financial statements and their operating effectiveness. Our audit of internal financial controls with reference to consolidated financial statements included obtaining an understanding of internal financial controls with reference to consolidated financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of the internal controls based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the internal financial controls with reference to consolidated financial statements.

Meaning of Internal Financial controls with Reference to Consolidated Financial Statements

A company's internal financial controls with reference to consolidated financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls with reference to consolidated financial statements includes those policies and procedures that (1) pertain to the

maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial controls with Reference to consolidated Financial Statements

Because of the inherent limitations of internal financial controls with reference to consolidated financial statements, including

the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to consolidated financial statements to future periods are subject to the risk that the internal financial controls with reference to consolidated financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

For **B S R & Associates LLP**

Chartered Accountants

ICAI Firm Registration number: 116231W / W-100024

Sriram Mahalingam

Partner

Place: Hyderabad

Date: 2 June 2020

Membership Number: 049642

UDIN: 20049642AAAABS5375

Consolidated Balance Sheet as at March 31, 2020

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

	Notes	As at March 31, 2020	As at March 31, 2019
Assets			
Non-current assets			
Property, plant and equipment	3A	98,877.21	74,755.69
Capital work-in-progress	3A	14,807.04	32,349.96
Intangible assets	3B	21,520.19	19,669.12
Intangible assets under development	3B	14,613.39	17,245.19
Financial assets			
(i) Investments	4A	1,934.03	21,042.07
(ii) Loans	4C	1,661.16	1,692.61
Deferred tax assets	12B	525.02	422.70
Income tax assets (net)		52.99	169.26
Other non-current assets	5A	5,974.87	2,710.55
Total non-current assets		159,965.90	170,057.15
Current assets			
Inventories	6	43,843.08	38,421.25
Financial assets			
(i) Trade receivables	7A	73,517.82	67,354.24
(ii) Cash and cash equivalents	7B	18,592.89	8,302.43
(iii) Bank balances other than (ii) above	7B	9,801.38	601.59
(iv) Loans	7C	787.65	315.43
(v) Others	7D	360.97	51.68
Other current assets	5B	12,295.03	13,177.55
		159,198.82	128,224.17
Investments- Assets held for sale	4B	10,985.24	-
Total current assets		170,184.06	128,224.17
Total assets		330,149.96	298,281.32
Equity and liabilities			
Equity			
Equity share capital	8	2,542.48	2,542.48
Other equity	9	181,829.93	150,404.83
Total equity		184,372.41	152,947.31
Liabilities			
Non-current liabilities			
Financial liabilities			
(i) Borrowings	10	42,152.25	47,878.25
Provisions	11A	2,150.34	1,258.07
Deferred tax liabilities (net)	12A	4,820.91	6,549.49
Total non-current liabilities		49,123.50	55,685.81
Current liabilities			
Financial liabilities			
(i) Borrowings	13A	37,169.09	45,420.61
(ii) Trade payables	13B		
(a) Total outstanding dues of micro enterprises and small enterprises		855.47	371.45
(b) Total outstanding dues of creditors other than micro enterprises and small enterprises		42,146.74	31,976.29
(iii) Other financial liabilities	13C	13,603.70	10,194.84
Income tax liabilities (net)		570.91	85.74
Provisions	11B	595.51	433.83
Other current liabilities	14	1,712.63	1,165.44
Total current liabilities		96,654.05	89,648.20
Total liabilities		145,777.55	145,334.01
Total equity and liabilities		330,149.96	298,281.32
Significant accounting policies	2		
The accompanying notes are an integral part of the financial statements.			

As per our report of even date attached

for **B S R & Associates LLP**

Chartered Accountants

Firm registration number 116321W/W-100024

Sriram Mahalingam

Partner

Membership No : 049642

Place: Hyderabad

Date: June 02, 2020

for and on behalf of the Board of Directors of

Granules India Limited

CIN : L24110TG1991PLC012471

Krishna Prasad Chigurupati

Chairman and Managing Director

DIN : 00020180

Sandip Neogi

Chief Financial Officer

Chaitanya Tummala

Company Secretary

Consolidated Statement of Profit and Loss

for the year ended March 31, 2020
(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

	Notes	For the Year ended March 31, 2020	For the Year ended March 31, 2019
Income			
Revenue from operations	15	259,864.65	227,919.77
Other income	16	3,655.52	2,668.26
Total income		263,520.17	230,588.03
Expenses			
Cost of materials consumed	17	131,491.77	133,897.31
Changes in inventory of work-in-progress and finished goods	18	(3,398.64)	(8,341.09)
Employee benefit expenses	19	25,903.82	20,982.44
Finance costs	20	2,702.38	2,846.07
Depreciation and amortisation	21	13,695.35	10,548.34
Other expenses	22	53,335.87	42,977.34
Total expenses		223,730.55	202,910.41
Profit before exceptional item, tax, share of profit of joint venture and associate		39,789.62	27,677.62
Exceptional item	4A	(2,773.90)	-
Profit before tax, share of profit of joint venture and associate		42,563.52	27,677.62
Share of profit in joint venture and associate, net of tax		2,549.09	4,874.32
Profit before tax		45,112.61	32,551.94
Tax expense	24		
(i) Current tax		12,570.83	8,192.27
(ii) Deferred tax		(998.05)	718.82
Total tax expense		11,572.78	8,911.09
Profit for the year		33,539.83	23,640.85
Other comprehensive income			
Items that will be reclassified subsequently to profit or loss			
Fair value changes on cash flow hedges	9	(3,138.36)	1,870.87
Gain/(loss) arising on translation of foreign operations		2,923.29	228.94
Income tax relating to items that will be reclassified to profit or loss	24	770.50	(728.48)
Net other comprehensive income to be reclassified to profit or loss		555.43	1,371.33
Items that will not be reclassified subsequently to profit or loss			
Re-measurement of defined benefit liability	28	(460.56)	(104.92)
Re-measurement of defined benefit liability of joint venture, net of tax		-	(0.64)
Income tax relating to items that will not be reclassified to profit or loss	24	123.62	36.66
Net other comprehensive income not to be reclassified subsequently to profit or loss		(336.94)	(68.90)
Other comprehensive income for the year		218.49	1,302.43
Total comprehensive income for the year		33,758.32	24,943.28
Earnings per share:			
Equity shares of par value of Re. 1 each			
Basic (INR)	25	13.19	9.30
Diluted (INR)		13.15	9.28
Significant accounting policies	2		
The accompanying notes are an integral part of the financial statements.			

As per our report of even date attached

for **B S R & Associates LLP**

Chartered Accountants

Firm registration number 116321W/W-100024

Sriram Mahalingam

Partner

Membership No : 049642

Place: Hyderabad

Date: June 02, 2020

for and on behalf of the Board of Directors of

Granules India Limited

CIN : L24110TG1991PLC012471

Krishna Prasad Chigurupati

Chairman and Managing Director

DIN : 00020180

Sandip Neogi

Chief Financial Officer

Chaitanya Tummala

Company Secretary

Consolidated Statement of Changes in Equity

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

for the year ended March 31, 2020

Statement of changes in equity

Particulars	Equity share capital (Refer note 8)	Reserves and Surplus				Other equity (Refer note 9)				Total attributable to owners of the company
		Securities premium	Capital reserve	General reserve	Employee stock option	Retained earnings	Remeasurements of defined benefit plans	Cash flow hedge reserve	Foreign currency translation reserve	
Balance as on March 31, 2018	2,538.38	62,429.09	1,917.53	30,786.74	541.18	32,138.43	307.67	(1,346.00)	1,104.57	130,417.59
Total comprehensive income/(loss) for the year										
Profit for the year	-	-	-	-	-	23,640.85	-	-	-	23,640.85
Other comprehensive income/(loss) (net of tax)	-	-	-	-	-	-	(68.90)	1,217.11	154.22	1,302.43
Transactions with owners, recorded directly in equity										
Dividends (including dividend distribution tax)	-	-	-	-	-	(3,063.93)	-	-	-	(3,063.93)
Share based payment	-	-	-	-	554.82	-	-	-	-	554.82
Share options exercised	4.10	91.45	-	-	-	-	-	-	-	95.55
Balance as on March 31, 2019	2,542.48	62,520.54	1,917.53	30,786.74	1,096.00	52,715.35	238.77	(128.89)	1,258.79	152,947.31
Total comprehensive income/(loss) for the year										
Profit for the year	-	-	-	-	-	33,539.83	-	-	-	33,539.83
Other comprehensive income/(loss) (net of tax)	-	-	-	-	-	-	(336.94)	(2,367.86)	2,923.29	218.49
Transactions with owners, recorded directly in equity										
Dividends (including dividend distribution tax)	-	-	-	-	-	(3,065.09)	-	-	-	(3,065.09)
Share based payment	-	-	-	-	731.87	-	-	-	-	731.87
Balance as on March 31, 2020	2,542.48	62,520.54	1,917.53	30,786.74	1,827.87	83,190.09	(98.17)	(2,496.75)	4,182.08	184,372.41

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

As per our report of even date attached

for **B S R & Associates LLP**

Chartered Accountants

Firm registration number 116321W/W-100024

Sriram Mahalingam

Partner

Membership No : 049642

Place: Hyderabad

Date: June 02, 2020

Sandip Neogi

Chief Financial Officer

for and on behalf of the Board of Directors of

Granules India Limited

CIN : L24110TG1991PLC012471

Krishna Prasad Chigurupati

Chairman and Managing Director

DIN : 00020180

Chaitanya Tummala

Company Secretary

Consolidated Cash Flow Statement for the year ended March 31, 2020

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

	For the Year ended March 31, 2020	For the Year ended March 31, 2019
Cash flow from operating activities		
Profit before tax excluding share of profit of joint venture & associate	42,563.52	27,677.62
Adjustments to reconcile profit before tax to net cash flows		
Depreciation and amortisation expense	13,695.35	10,548.34
Bad debts written off	302.01	6.91
Allowance for doubtful trade receivables	535.48	1,394.31
Gain on disposal of associate and joint venture (net)	(2,773.90)	-
Impairment of Investments	2,171.53	-
Loss on sale of fixed assets (net)	24.67	36.50
Writeoff of Intangible assets under development	1,127.83	-
Changes in fair value of cashflow hedges	148.13	-
Net loss/(gain) on foreign exchange fluctuations (unrealised)	(1,410.42)	324.70
Share based payment expense	731.87	554.82
Re-classified forex from OCI to P&L on account of sale of associate	(930.44)	-
Interest expense	2,702.38	2,846.07
Interest income	(636.20)	(726.26)
Operating profit before working capital changes	58,251.81	42,663.01
Movements in working capital:		
Increase in trade receivables	(3,905.60)	(6,789.72)
Increase in inventories	(5,421.83)	(10,426.69)
Decrease in other assets	441.75	2,561.04
Increase in trade payables, other liabilities and provisions	10,160.84	7,061.64
Cash generated from operations	59,526.97	35,069.28
Taxes paid (net of refunds)	(11,908.13)	(8,844.87)
Net cash flow generated from operating activities (A)	47,618.84	26,224.41
Cash flow from investing activities		
Purchase of fixed assets, including capital work-in-progress, capital advances and payables for capital goods	(18,447.90)	(27,940.34)
Proceeds from sale of fixed assets	17.63	56.82
Withdrawal/(placement) of bank deposits	(9,193.71)	167.79
Proceeds from sale of associate	11,233.76	-
Interest received	326.91	733.90
Net cash flow used in investing activities (B)	(16,063.31)	(26,981.83)
Cash flow from financing activities		
Proceeds from issuance of shares	-	95.55
Proceeds from borrowings	-	11,339.34
Repayment of borrowings	(5,986.36)	(1,105.32)
(Repayment)/proceeds of short-term borrowings, net	(9,353.54)	(6,231.00)
Repayment of lease liability (including related interest)	(219.90)	-
Interest paid	(2,660.61)	(2,778.07)
Dividend paid on equity shares including tax thereon	(3,065.09)	(3,063.93)
Net cash flow used in financing activities (C)	(21,285.50)	(1,743.43)
Net (decrease)/increase in cash and cash equivalents (A+B+C)	10,270.03	(2,500.85)

Consolidated Cash Flow Statement for the year ended March 31, 2020

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

	For the Year ended March 31, 2020	For the Year ended March 31, 2019
Effect of exchange differences on translation of foreign currency cash and cash equivalents	20.43	-
Cash and cash equivalents at the beginning of the year	8,302.43	10,803.28
Cash and cash equivalents at the end of the year	18,592.89	8,302.43
Components of cash and cash equivalents:		
Cash on hand	13.29	2.66
Balances with banks		
On current accounts	1,993.71	3,395.04
On EEFC accounts	39.18	67.12
On deposit accounts	15,962.91	4,837.61
Remittances in transit	583.80	-
Total cash and cash equivalents	18,592.89	8,302.43

Change in liability arising from financing activities	Borrowings - Non Current (Refer note 10)*	Borrowings - Current (Refer note 13A)	Lease obligation (Refer note 3A)
Opening as on March 31, 2019	53,697.33	45,420.61	-
Liability arising on applying Ind AS 116	-	-	993.90
Payments made	(5,986.36)	(9,353.54)	(233.24)
Changes in fair values	3,286.49	-	70.06
Foreign exchange movement	199.54	1,102.02	13.34
Closing as on March 31, 2020	51,197.00	37,169.09	844.07

*Aforesaid reconciliation includes current maturities of non-current borrowings

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

As per our report of even date attached

for **B S R & Associates LLP**

Chartered Accountants

Firm registration number 116321W/W-100024

Sriram Mahalingam

Partner

Membership No : 049642

for and on behalf of the Board of Directors of

Granules India Limited

CIN : L24110TG1991PLC012471

Krishna Prasad Chigurupati

Chairman and Managing Director

DIN : 00020180

Place: Hyderabad

Date: June 02, 2020

Sandip Neogi

Chief Financial Officer

Chaitanya Tummala

Company Secretary

Notes to Consolidated Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

1 Company overview

1.1 Reporting entity

The consolidated financial statements relate to Granules India Limited (the Company), its subsidiary companies and the joint venture. The Company and its subsidiaries and joint venture constitute the Group. The Company is a public company domiciled in India, with its registered office situated at Hyderabad, Telangana. The Company has been incorporated under the provisions of Indian Companies Act and its shares are listed on Bombay Stock Exchange (BSE) and National Stock Exchange (NSE). The Group is primarily involved in the manufacturing and selling of Active Pharmaceutical Ingredients (APIs), Pharmaceutical Formulation intermediates (PFIs) and Finished Dosages (FDs).

1.2 Basis of preparation of financial statements

a) Statement of compliance

The consolidated financial statements have been prepared in accordance with Indian Accounting Standards (Ind AS) as per the Companies (Indian Accounting Standards) Rules, 2015 notified under Section 133 of Companies Act, 2013 (the 'Act') and other relevant provisions of the Act.

These consolidated financial statements have been prepared for the Group as a going concern on the basis of relevant Ind AS that are effective at the Group's annual reporting date, March 31, 2020. These consolidated financial statements were authorised for issuance by the Company's Board of Directors on June 02, 2020.

The financial statements are presented in INR and all values are rounded to the nearest lakhs, except when otherwise indicated.

Details of the Group's accounting policies are included in Note 2.

b) Current versus non-current classification

The Group presents assets and liabilities in the balance sheet based on current/ non-current classification.

An asset is treated as current when it is:

- Expected to be realised or intended to be sold or consumed in normal operating cycle
- Held primarily for the purpose of trading

- Expected to be realised within twelve months after the reporting period or
- Cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period

All other assets are classified as non-current.

A liability is current when:

- It is expected to be settled in normal operating cycle
- It is due to be settled within twelve months after the reporting period, or
- There is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period

The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities.

The operating cycle is the time between the acquisition of assets for processing and their realisation in cash and cash equivalents. The Group has identified 12 months as its operating cycle.

c) Basis of consolidation

Subsidiaries

Subsidiaries are all entities that are controlled by the Company. Control exists when the Company is exposed to, or has rights to variable returns from its involvement with the entity and has the ability to affect those returns through power over the entity. In assessing control, potential voting rights are considered only if the rights are substantive. The financial statements of subsidiaries are included in these consolidated financial statements from the date that control commences until the date that control ceases. For the purpose of preparing these consolidated financial statements, the accounting policies of subsidiaries have been changed where necessary to align them with the policies adopted by the Company.

Joint arrangements (equity accounted investees)

Joint arrangements are those arrangements over which the Company has joint control, established by contractual

Notes to Consolidated Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

agreement and requiring unanimous consent for strategic financial and operating decisions.

A joint arrangement is either a joint operation or a joint venture. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement.

Investments in associate and joint venture are accounted for using the equity method and are initially recognised at cost. The Company does not consolidate entities where the non-controlling interest ("NCI") holders have certain significant participating rights that provide for effective involvement in significant decisions in the ordinary course of business of such entities. Investments in such entities are accounted by the equity method of accounting. When the Company's share of losses exceeds its interest in an equity accounted investee, the carrying amount of that interest (including any long-term investments) is reduced to zero and the recognition of further losses is discontinued except to the extent that the Company has an obligation or has made payments on behalf of the investee.

For the purpose of preparing these consolidated financial statements, the accounting policies of joint venture and associate have been changed where necessary to align them with the policies adopted by the Company.

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in full while preparing these consolidated financial statements. Unrealised gains or losses arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Company's interest in the investee.

d) Functional and presentation currency

These consolidated financial statements are presented in Indian rupees (INR), which is also the Company's functional currency. All amounts have been rounded-off to the nearest lakh, unless otherwise indicated. For each entity the Group determines the functional currency and

items included in the financial statements of each entity are measured using that functional currency.

e) Basis of measurement

These consolidated financial statements have been prepared on the historical cost basis, except for the following items:

- Certain financial assets and liabilities are measured at fair value or amortised cost.
- Net defined benefit assets/(liability) are measured at fair value of plan assets, less present value of defined benefit obligations.
- Share based payments are measured at fair value.
- Assets held for sale are measured at fair value less cost to sell.

f) Use of estimates and judgements

The preparation of the financial statements in conformity with Ind AS requires management to make estimates, judgements and assumptions. These estimates, judgements and assumptions affect the application of accounting policies and the reported amounts of assets and liabilities, the disclosures of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the period. Accounting estimates could change from period to period. Actual results could differ from those estimates. Appropriate changes in estimates are made as management becomes aware of changes in circumstances surrounding the estimates. Changes in estimates are reflected in the financial statements in the period in which changes are made and, if material, their effects are disclosed in the notes to the consolidated financial statements.

Judgements

Information about judgements made in applying accounting policies that have the most significant effects on the amounts recognised in the financial statements is included in the following notes:

- Note 1.2(d) - Assessment of functional currency;
- Note 2(a) and 33 - Financial instruments;
- Note 2(c) - Useful lives of property, plant & equipment;

Notes to Consolidated Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

- Note 2(d) - Useful lives of Intangible assets;
- Note 2(f)(ii) - Measurement of recoverable amount of cash generated units
- Note 24 & 26 (i) - Provision for income taxes, duties/ tax contingencies and evaluation of recoverability of deferred tax assets.
- Note 2(g)(iv) & 27 - Share based payments;
- Note 2(g)(i) & 28 - Assets and obligations relating to employee benefits;
- Note 6 - Provision for inventories.

Assumptions and estimation uncertainties

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment in the year ending March 31, 2020 is included in the following notes:

- Note 26 (i) - recognition and measurement of provisions and contingencies: key assumptions about the likelihood and magnitude of an outflow of resources.
- Note 27 - Shared based payments.
- Note 28 - measurement of defined benefit obligations : key actuarial assumptions.
- Note 6 - Provision for inventories
- Note 7 - Provision for loss allowance on trade receivables
- Note 2(f)(ii) - Measurement of recoverable amount of cash generated units; impairment of tangible and intangible assets

g) Measurement of fair values

Accounting policies and disclosures require measurement of fair value for both financial and non-financial assets. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either:

- In the principal market for the asset or liability, or
- In the absence of a principal market, in the most advantageous market for the asset or liability

The principal or the most advantageous market must be accessible by the Group. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs."

Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2: inputs other than quoted prices included in Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The Group recognises transfers between levels of the fair value hierarchy at the end of the reporting period during which the change has occurred. Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 27 - share based payment; and
- Note 33 - financial instruments.

2 Significant accounting policies

a. Financial instruments

i. Recognition and initial measurement

Trade receivables are initially recognised when they are originated. All other financial assets and financial liabilities are initially recognised when the Group becomes a party to the contractual provisions of the instrument.

Financial assets and liabilities are initially measured at fair values. Transaction costs that are directly

Notes to Consolidated Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

attributable to the acquisition or issue of financial assets and liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value measured on initial recognition of financial assets or financial liability.

ii. Classification and subsequent measurement

Financial assets

On initial recognition, a financial asset is classified as measured at

- amortised cost
- FVOCI - debt investment;
- FVOCI - equity investment; or
- FVTPL

Financial assets are not reclassified subsequent to their initial recognition, except if and in the period the Group changes its business model for managing financial assets.

A financial asset is measured at amortised cost if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is to hold assets to collect contractual cash flows; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are

solely payments of principal and interest on the principal amount outstanding.

A debt investment is measured at FVOCI if it meets both of the following conditions and is not designated as at FVTPL:

- the asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets; and
- the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

On initial recognition of an equity investment that is not held for trading, the Group may irrevocably elect to present subsequent changes in the investment's fair value in OCI (designated as FVOCI - equity investment). This election is made on an investment-by-investment basis.

All financial assets not classified as measured at amortised cost or FVOCI as described above are measured at FVTPL. This includes all derivative financial assets. On initial recognition, the Group may irrevocably designate a financial asset that otherwise meets the requirements to be measured at amortised cost or at FVOCI as at FVTPL if doing so eliminates or significantly reduces an accounting mismatch that would otherwise arise.

Financial assets that are held for trading or are managed and whose performance is evaluated on a fair value basis are measured at FVTPL.

Financial assets: subsequent measurement and gains and losses

Financial assets at FVTPL	These assets are subsequently measured at fair value. Net gains and losses, including any interest or dividend income, are recognised in statement of profit and loss.
Financial assets at amortised cost	These assets are subsequently measured at amortised cost using the effective interest method. The amortised cost is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in statement of profit and loss. Any gain or loss on derecognition is recognised in statement of profit and loss.
Debt investments at FVOCI	These assets are subsequently measured at fair value. Interest income under the effective interest method, foreign exchange gains and losses and impairment are recognised in statement of profit and loss. Other net gains and losses are recognised in OCI. On derecognition, gains and losses accumulated in OCI are reclassified to statement of profit and loss.
Equity investments at FVOCI	These assets are subsequently measured at fair value. Dividends are recognised as income in statement of profit and loss unless the dividend clearly represents a recovery of part of the cost of the investment. Other net gains and losses are recognised in OCI and are not reclassified to statement of profit and loss.

Notes to Consolidated Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

Financial liabilities: classification, subsequent measurement and gains and losses

Financial liabilities are classified as measured at amortised cost or FVTPL. A financial liability is classified as at FVTPL if it is classified as held for trading, or it is a derivative or it is designated as such on initial recognition. Financial liabilities at FVTPL are measured at fair value and net gains and losses, including any interest expense, are recognised in statement of profit and loss. Financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and foreign exchange gains and losses are recognised in statement of profit and loss. Any gain or loss on derecognition is also recognised in statement of profit and loss.

iii. Derecognition

Financial assets

The Group derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all of the risks and rewards of ownership of the financial asset are transferred or in which the Group neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control of the financial asset.

If the Group enters into transactions whereby it transfers assets recognised on its balance sheet, but retains either all or substantially all of the risks and rewards of the transferred assets, the transferred assets are not derecognised.

Financial liabilities

The Group derecognises a financial liability when its contractual obligations are discharged or cancelled, or expire.

The Group also derecognises a financial liability when its terms are modified and the cash flows under the modified terms are substantially different. In this case, a new financial liability based on the modified terms is recognised at fair value. The difference between the carrying amount of the financial liability extinguished

and the new financial liability with modified terms is recognised in statement of profit and loss.

iv. Offsetting

Financial assets and financial liabilities are offset and the net amount presented in the balance sheet when, and only when, the Group currently has a legally enforceable right to set off the amounts and it intends either to settle them on a net basis or to realise the asset and settle the liability simultaneously.

v. Derivative financial instruments and hedge accounting

Derivative financial instruments are used to mitigate the risk of changes in exchange rates on foreign currency exposures. Derivatives are initially measured at fair value. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognised in statement of profit and loss.

The Group designates certain derivatives as hedging instruments to hedge the variability in cash flows associated with highly probable forecast transactions arising from changes in foreign exchange rates.

At inception of designated hedging relationships, the Group documents the risk management objective and strategy for undertaking the hedge. The Group also documents the economic relationship between the hedged item and the hedging instrument, including whether the changes in cash flows of the hedged item and hedging instrument are expected to offset each other.

Cash flow hedges:

When a derivative or non-derivative financial liability is designated as a cash flow hedging instrument, the effective portion of changes in the fair value of the derivative or non-derivative financial liability is recognised in OCI and accumulated in other equity under the heading cash flow hedging reserve. Ineffective portion of changes in the fair value of the derivative is recognised immediately in statement of profit and loss.

If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated

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(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

or exercised, then hedge accounting is discontinued prospectively. The cumulative gain or loss previously recognised in other comprehensive income, remains there until the forecasted transaction occurs. If the forecasted transaction is no longer expected to occur, then the balance in other comprehensive income is recognised immediately in the statement of profit and loss.

vi. Cash and cash equivalents

Cash and cash equivalent in the balance sheet comprise cash at banks and on hand and short-term deposits with an original maturity of three months or less, which are subject to an insignificant risk of changes in value. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and short-term deposits, as defined above, net of outstanding bank overdrafts as they are considered an integral part of the Group's cash management. Cash and cash equivalents consist of balances with banks which are unrestricted for withdrawal and usage.

Cash dividend to equity holders

The Group recognises a liability to make cash distributions to equity holders when the distribution is authorised and the distribution is no longer at the discretion of the Company. As per the corporate laws in India, a distribution is authorised when it is approved by the shareholders. A corresponding amount is recognised directly in equity. Interim dividends are recorded as a liability on the date of declaration by the Company's Board of Directors.

b. Foreign Currency

Transactions in foreign currency are translated at the exchange rates prevailing on the date of the transactions. Monetary assets and liabilities denominated in foreign currency are restated at the prevailing year end rates. The resultant gain/loss upon such restatement along with the gain/loss on account of foreign currency transactions are accounted in the Statement of Profit and Loss, except exchange differences arising from the translation of the qualifying cash flow hedges to the extent that the hedges are effective which are recognised in OCI.

Group companies

On consolidation, the assets and liabilities of foreign operations are translated into INR at the rate of exchange prevailing at the reporting date and their statements of profit or loss are translated at exchange rates prevailing at the dates of the transactions. For practical reasons, the group uses an average rate to translate income and expense items, if the average rate approximates the exchange rates at the dates of the transactions. The exchange differences arising on translation for consolidation are recognised in OCI. On disposal of a foreign operation, the component of OCI relating to that particular foreign operation is recognised in profit or loss.

c. Property, plant and equipment

i. Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses, if any.

Cost of an item or property, plant and equipment comprises its purchase price, import duties and non-refundable purchase taxes, after deducting trade discounts and rebates, any directly attributable cost of bringing the item to its working condition for its intended use and estimated costs of dismantling and removing the item and restoring the site on which it is located.

The cost of a self-constructed item of property, plant and equipment comprises the cost of materials and direct labour, any other costs directly attributable to bringing the item to its working condition for its intended use, and estimated costs of dismantling and removing the item and restoring the site on which it is located.

If significant parts of an item of property, plant and equipment have different useful lives, then they are accounted for as separate items (major components) of property, plant and equipment.

Cost of assets not ready for intended use, as on the balance sheet date, is shown as capital work-in-progress.

ii. Subsequent expenditure

Subsequent expenditure related to an item of tangible fixed asset is capitalised only if it increases

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the future benefits from the existing assets beyond its previously assessed standards of performance.

iii. Depreciation

Depreciation is calculated on cost of items of property, plant and equipment less their estimated residual values over their estimated useful lives using the straight-line method.

Depreciation is provided based on useful life of the assets as prescribed in Schedule II of companies Act, 2013.

Depreciation method, useful lives and residual values are reviewed at each financial year-end and adjusted if appropriate.

Depreciation on additions (disposals) is provided on a pro-rata basis i.e. from (upto) the date on which asset is ready for use (disposed off).

iv. Capital advances

Advances paid towards acquisition of tangible fixed assets outstanding at each balance sheet date are shown under long-term loans and advances as capital advances.

d. Intangible assets

Internally generated: Research and development

Expenditure on research activities is recognised in statement of profit and loss as incurred.

Development expenditure is capitalised as part of the cost of the resulting intangible asset only if the expenditure can be measured reliably, the product or process is technically and commercially feasible, future economic benefits are probable, and the Group intends to and has sufficient resources to complete development and to use or sell the asset. Otherwise, it is recognised in statement of profit and loss as incurred. Subsequent to initial recognition, the asset is measured at cost less accumulated amortisation and any accumulated impairment losses.

Others

Other intangible assets are initially measured at cost. Subsequently, such intangible assets are measured at

cost less accumulated amortization and any accumulated impairment losses.

i. Subsequent expenditure

Subsequent expenditure is capitalised only when it increases the future economic benefits embodied in the specific asset to which it relates.

ii. Amortisation

Other intangible assets are amortised on a straight line basis over the estimated useful life as follows:

Computer software	3-10 years
Technical know how	10 years
Product related intangibles	8-10 years
Others	10 years

Amortisation method, useful lives and residual values are reviewed at the end of each financial year and adjusted if appropriate.

Non-current assets held for sale

Assets are classified as held for sale and stated at the lower of carrying amount and fair value less costs to sell if the asset is available for immediate sale and its sale is highly probable. Such assets or group of assets are presented separately in the Balance Sheet as "Assets Classified as Held for Sale". Once classified as held for sale, intangible assets and property, plant and equipment are no longer amortised or depreciated.

e. Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the monthly moving weighted average method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their present location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of fixed production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses. The net realisable value of work-in-progress is determined with reference to the

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selling prices of related finished products.

Raw materials, components and other supplies held for use in the production of finished products are not written down below cost except in cases where material prices have declined and it is estimated that the cost of the finished products will exceed their net realisable value.

The comparison of cost and net realisable value is made on an item-by-item basis.

The factors that the Group considers in determining the allowance for slow moving, obsolete and other non-saleable inventory include estimated shelf life, planned product discontinuances, price changes, ageing of inventory and introduction of competitive new products, to the extent each of these factors impact the Group's business and markets. The Group considers all these factors and adjusts the inventory provision to reflect its actual experience on a periodic basis.

f. Impairment

i. Financial assets (other than at fair value)

The Group assesses at each date of balance sheet whether a financial asset or a group of financial assets is impaired. Ind AS 109 requires expected credit losses to be measured through a loss allowance. In determining the allowances for doubtful trade receivables, the Group has used a practical expedient by computing the expected credit loss allowance for trade receivables based on a provision matrix. The provision matrix takes into account historical credit loss experience and is adjusted for forward looking information. The expected credit loss allowance is based on the ageing of the receivables that are due and allowance rates used in the provision matrix. For all other financial assets, expected credit losses are measured at an amount equal to the 12-months expected credit losses or at an amount equal to the life time expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition.

The Group assumes that the credit risk on a financial asset has increased significantly if it is more than the 270 days over and above the usual credit period. The Group considers a financial asset to be in default when the borrower is unlikely to pay its credit obligations to the Company in full, without recourse by the Group to

actions such as realising security (if any is held).

Evidence that a financial asset is credit impaired includes the following observable data:

- significant financial difficulty of the borrower or issuer;
- a breach of contract such as a default or being past due over a reasonable period of credit
- the restructuring of a loan or advance by the Company on terms that the Company would not consider otherwise;
- it is probable that the borrower will enter bankruptcy or other financial reorganisation;

In case of investments, the Group reviews its carrying value of investments carried at cost annually, or more frequently, when there is indication for impairment. If the recoverable amount is less than its carrying amount, the impairment loss is accounted for.

ii. Tangible and intangible assets

Property, plant and equipment and intangible assets with finite life are evaluated for recoverability whenever there is any indication that their carrying amounts may not be recoverable. If any such indication exists, the recoverable amount (i.e. higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash flows that are largely independent of those from other assets. In such cases, the recoverable amount is determined for the Cash Generating Unit (CGU) to which the asset belongs.

If the recoverable amount of an asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. An impairment loss is recognised in the statement of profit and loss.

g. Employee benefits

i. Gratuity

The Company provides for gratuity, a defined benefit plan ("the Gratuity Plan") covering the eligible employees of the Company. The Gratuity Plan provides a lump-sum payment to vested

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employees at retirement, death, incapacitation or termination of employment, of an amount based on the respective employee's salary and the tenure of the employment with the Company.

Liability with regard to the Gratuity Plan are determined by actuarial valuation, performed by an independent actuary, at each balance sheet date using the projected unit credit method. The defined benefit plan is administered by a trust formed for this purpose through the Company gratuity scheme.

The Company recognises the net obligation of a defined benefit plan as a liability in its balance sheet. Gains or losses through re-measurement of the net defined benefit liability are recognised in other comprehensive income and are not reclassified to profit and loss in the subsequent periods. The actual return of the portfolio of plan assets, in excess of the yields computed by applying the discount rate used to measure the defined benefit obligation is recognised in other comprehensive income. The effect of any plan amendments are recognised in the statement of profit and loss.

ii. Provident fund

Eligible employees of the Company receive benefits from provident fund, which is a defined contribution plan. Both the eligible employees and the Company make monthly contributions to the Government administered provident fund scheme equal to a specified percentage of the eligible employee's salary. Amounts collected under the provident fund plan are deposited with in a government administered provident fund. The Company has no further obligation to the plan beyond its monthly contributions.

iii. Compensated absences

The Company's current policies permit certain categories of its employees to accumulate and carry forward a portion of their unutilised compensated absences and utilise them in future periods or receive cash in lieu thereof in accordance with the terms of such policies. The Company measures the expected cost of accumulating compensated absences as the additional amount that the Company incurs as a result of the unused entitlement that has accumulated at

the balance sheet date. Such measurement is based on actuarial valuation as at the balance sheet date carried out by a qualified actuary. Re-measurements are recognised in the statement of profit and loss in the period in which they arise.

iv. Share based compensation

The grant date fair value of options granted to employees is recognised as employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The expense is recorded for each separately vesting portion of the award. The increase in equity recognised in connection with share-based payment transaction is presented as a separate component in equity under "employee stock option". The amount recognised as an expense is adjusted to reflect the actual number of stock options that vest.

h. Provisions (other than for employee benefits)

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows (representing the best estimate of the expenditure required to settle the present obligation at the balance sheet date) at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost. Expected future operating losses are not provided for.

Contingent liabilities and contingent assets

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made.

Contingent assets are not recognised in the financial statements. A contingent asset is disclosed where an inflow of economic benefits is probable. Contingent assets are assessed continually and, if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

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Onerous contracts

A contract is considered to be onerous when the expected economic benefits to be derived by the Group from the contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision for an onerous contract is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before such a provision is made, the Group recognises any impairment loss on the assets associated with that contract.

i. Revenue

i. Sale of goods

Effective April 1, 2018, the Group has applied Ind AS 115 which establishes a comprehensive framework for determining whether, how much and when revenue is to be recognised.

Revenue from sale of goods is recognised when a promise in a customer contract (performance obligation) has been satisfied by transferring control over the promised goods to the customer. Control is usually transferred upon shipment, delivery to, upon receipt of goods by the customer, in accordance with the delivery and acceptance terms agreed with the customers. The amount of revenue to be recognised is based on the consideration expected to be received in exchange for goods, excluding trade discounts, volume discounts, sales returns and any taxes or duties collected on behalf of the government which are levied on sales such as GST where applicable. Any additional amounts based on terms of agreement entered into with customers, is recognised in the period when the collectability becomes probable and a reliable measure of the same is available.

ii. Sales return allowances

The Group accounts for sales return by recording an allowance for sales return concurrent with the recognition of revenue at the time of a product sale. The allowance is based on Group's estimate of expected sales returns. The estimate of sales return is determined primarily by the Group's historical experience in the markets in which the Group operates.

iii. Export incentives

Export incentives are recognised as income when the right to receive credit as per the terms of the scheme is established in respect of the exports made and where there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds

iv. Interest income or expense

Interest income or expense is recognised using the effective interest method on time proportion method.

v. Dividend income

Dividend income is recognised when the Group's right to receive dividend is established, which is generally when shareholders approve the dividend

j. Leases

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

Group as a lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities to make lease payments and right-of-use assets representing the right to use the underlying assets.

i) Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

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Buildings 4 to 6 years

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset.

recognised as expense on a straight-line basis over the lease term.

Lease liability and ROU asset have been separately presented in the Balance Sheet and lease payments have been classified as financing cash flows.

ii) Lease Liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed payments (including insubstance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate.

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

iii) Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of asset (i.e., those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases that are considered to be low value. Lease payments on short-term leases and leases of low-value assets are

k. Income tax

Income tax comprises current and deferred income tax. Income tax expense is recognised in statement of profit and loss except to the extent that it relates to a business combination or to an item recognised directly in equity or in other comprehensive income.

i. Current tax

Current tax comprises the expected tax payable or receivable on the taxable income or loss for the year and any adjustment to the tax payable or receivable in respect of previous years. Current tax for current year and prior periods is recognised at the amount expected to be paid or recovered from the tax authorities, using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Current tax assets and current tax liabilities are offset only if there is a legally enforceable right to set off the recognised amounts and it is intended to realise the asset and settle the liability on a net basis or simultaneously.

ii. Deferred tax

Deferred income tax assets and liabilities are recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when:

- temporary differences arising on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss at the time of transaction;
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control

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the timing of the reversal of the temporary differences and it is probable that they will not reverse in the foreseeable future; and

- taxable temporary differences arising on the initial recognition of goodwill.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

Deferred income tax assets and liabilities are measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date and are expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

The effect of changes in tax rates on deferred income tax assets and liabilities is recognised as income or expense in the period that includes the enactment or substantive enactment date. A deferred income tax assets is recognised to the extent it is probable that future taxable income will be available against which the deductible temporary timing differences and tax losses can be utilised.

I. Borrowing cost

Borrowing costs are interest and other costs (including exchange differences relating to foreign currency

borrowings to the extent that they are regarded as an adjustment to interest costs) incurred in connection with the borrowing of funds. Borrowing costs directly attributable to acquisition or construction of an asset which necessarily take a substantial period of time to get ready for their intended use are capitalised as part of the cost of that asset. Other borrowing costs are recognised as an expense in the period in which they are incurred.

m. Estimation of uncertainties relating to the global health pandemic from COVID-19:

The Group has considered the possible effects that may result from the pandemic relating to COVID-19 on the carrying amounts of receivables, intangibles, inventories and investments. In developing the assumptions relating to the possible future uncertainties in the global economic conditions because of this pandemic, the Company, as at the date of approval of these financial statements has used internal and external sources of information. The Company has performed sensitivity analysis on the assumptions used and based on current estimates, the Group expects to fully recover the carrying amount of receivables, intangibles, inventories and investments. As the outbreak continues to evolve, the company will continue to closely monitor any material changes to future economic conditions.

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3A. Property, plant and equipment and capital work-in-progress - Reconciliation of carrying amount

	Freehold land	Freehold buildings	Lease Hold Improvements	Assets taken on lease	Plant and equipment	Computers	Office equipment	R&D Equipment	Furniture and fittings	Vehicles	Total
Gross carrying amount											
At March 31, 2018	4,733.28	28,021.71	160.19	-	68,147.98	1,293.57	698.56	2,437.56	1,187.98	495.85	107,176.68
Additions	65.44	2,824.42	111.57	-	6,682.89	249.82	309.33	1,038.35	806.51	169.69	12,258.02
Disposals/ adjustments	-	(10.34)	-	-	(67.40)	-	(0.76)	-	(0.06)	(102.96)	(181.52)
Exchange differences	107.69	489.76	-	-	574.24	7.48	0.18	5.50	6.31	3.86	1,195.02
At March 31, 2019	4,906.41	31,325.55	271.76	-	75,337.71	1,550.87	1,007.31	3,481.41	2,000.74	566.44	120,448.20
On account of adoption of Ind AS 116	-	-	-	993.90	-	-	-	-	-	-	993.90
Additions	171.78	17,241.36	72.05	-	12,190.05	370.64	147.75	373.81	87.71	63.47	30,718.62
Disposals/ adjustments	-	-	-	-	(110.20)	-	(11.42)	(0.96)	(1.87)	(13.03)	(137.48)
Exchange differences	162.15	1,182.02	-	13.35	832.73	12.01	0.27	8.29	13.01	5.81	2,229.64
At March 31, 2020	5,240.34	49,748.93	343.81	1,007.25	88,250.29	1,933.52	1,143.91	3,862.55	2,099.59	622.69	154,252.88
Accumulated Depreciation											
At March 31, 2018	-	4,304.09	3.26	-	29,472.83	889.41	486.26	966.64	643.01	332.14	37,097.64
Depreciation for the year*	-	996.11	24.05	-	6,916.72	164.57	98.55	259.33	95.83	61.31	8,616.47
Disposals/ Adjustments	-	-	-	-	(44.02)	-	(0.26)	-	(0.06)	(76.32)	(120.66)
Exchange differences	-	18.84	-	-	70.76	3.03	0.05	2.27	2.36	1.75	99.06
At March 31, 2019	-	5,319.04	27.31	-	36,416.29	1,057.01	584.60	1,228.24	741.14	318.88	45,692.51
Depreciation for the year*	-	1,139.87	31.40	208.63	7,260.39	184.55	127.36	358.92	170.47	54.13	9,535.72
Disposals/ Adjustments	-	-	-	-	(73.49)	-	(10.39)	(0.10)	(0.65)	(10.55)	(95.18)
Exchange differences	-	73.52	-	3.42	153.19	7.85	0.17	(5.35)	5.69	4.12	242.61
At March 31, 2020	-	6,532.43	58.71	212.05	43,756.38	1,249.41	701.74	1,581.71	916.65	366.58	55,375.66
Net carrying amount											
At March 31, 2019	4,906.41	26,006.51	244.45	-	38,921.42	493.86	422.71	2,253.17	1,259.60	247.56	74,755.69
At March 31, 2020	5,240.34	43,216.50	285.10	795.20	44,493.91	684.11	442.17	2,280.84	1,182.94	256.11	98,877.21
Capital work-in-progress											
At March 31, 2019	-	-	-	-	-	-	-	-	-	-	32,349.96
At March 31, 2020	-	-	-	-	-	-	-	-	-	-	14,807.04

*Includes depreciation charge of assets pertaining to Granules Pharmaceuticals Inc. of ₹. 117.81 lakhs (March 31, 2019 - ₹. 53.80 lakhs) capitalised as part of IP R&D included in Product related intangibles

i) For details of security on certain property, plant and equipment, refer note 10 & 13A.

ii) The amount of borrowing costs capitalised during the year ended March 31, 2020 was ₹ 725.49 lakhs (Property, plant and equipment ₹ 725.49 lakhs (March 31, 2019 - ₹ Nil)) and capital work-in-progress ₹ Nil (March 31, 2019 - ₹ 1,250.88 lakhs).

iii) For contractual commitments with respective capital work-in-progress. Refer Note No. 26 (ii).

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Effective from April 1, 2019, the Company has adopted Ind AS 116 – Leases using modified retrospective method. This has resulted in recognizing right of use assets and lease liability as on April 1, 2019. The Group has applied the practical expedient to grandfather the assessment of which transactions are leases. Accordingly, IndAS 116 is applied only to contracts that were previously identified as leases under Ind AS 17.

Following are the changes in the carrying value of right of use assets for the year ended March 31, 2020:

	Category of ROU asset	Total
	Buildings	
Balance as at April 1, 2019	-	-
On account of adoption of Ind AS 116	993.90	993.90
Additions	-	-
Deletions	-	-
Effect of changes in the foreign exchange rates	9.93	9.93
Less : Depreciation	208.63	208.63
Balance as at March 31, 2020	795.20	795.20

The aggregate depreciation expense on ROU assets is included under depreciation and amortization expense in the statement of Profit and Loss.

The following is the break-up of current and non-current lease liabilities as at March 31, 2020

	As at March 31, 2020
Current lease liabilities	175.10
Non-current lease liabilities	668.97
	844.07

The following is the movement in lease liabilities during the year ended March 31, 2020:

	As at March 31, 2020
Balance as at April 1, 2019	-
On account of adoption of Ind AS 116	993.90
Additions	-
Finance cost accrued during the period	70.06
Deletions	-
Payment of lease liabilities	(233.24)
Effect of changes in the foreign exchange rates	13.34
Balance as at March 31, 2020	844.07

The table below provides details regarding the contractual maturities of lease liabilities as at March 31, 2020 on an undiscounted basis:

	Total
Less than one year	233.30
One to five years	634.30
More than five years	161.87
Total	1,029.47

The Group does not face a significant liquidity risk with regard to its lease liabilities as the current assets are sufficient to meet the obligations related to lease liabilities as and when they fall due.

Rental expense recorded for short-term leases was ₹. 613.97 lakhs for the year ended March 31, 2020.

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3B. Intangible assets - Reconciliation of carrying amount

	Technical know how	Software	Product related intangibles	Others	Total
Gross carrying amount					
At March 31, 2018	3,189.50	926.47	6,937.86	1,732.58	12,786.41
Additions	-	278.15	1,500.20	12,416.04	14,194.39
Exchange differences	-	4.01	13.68	(153.06)	(135.37)
At March 31, 2019	3,189.50	1,208.63	8,451.74	13,995.56	26,845.43
Additions	-	190.45	4,628.41	-	4,818.86
Exchange differences	-	5.85	333.00	1,267.07	1,605.92
At March 31, 2020	3,189.50	1,404.93	13,413.15	15,262.63	33,270.21
Accumulated amortisation					
At March 31, 2018	3,139.08	227.75	1,110.79	714.87	5,192.49
Amortisation for the year*	16.83	155.38	843.71	979.11	1,995.03
Exchange differences	-	1.67	(24.56)	11.68	(11.21)
At March 31, 2019	3,155.91	384.80	1,929.94	1,705.66	7,176.31
Amortisation for the year*	16.83	280.06	2,963.71	1,023.43	4,284.03
Exchange differences	-	9.36	141.25	139.07	289.68
At March 31, 2020	3,172.74	674.22	5,034.90	2,868.16	11,750.02
Net carrying amount					
At March 31, 2019	33.59	823.83	6,521.79	12,289.90	19,669.12
At March 31, 2020	16.76	730.71	8,378.25	12,394.47	21,520.19
Intangible assets under development					
At March 31, 2019					17,245.19
At March 31, 2020					14,613.39

*Includes amortisation charge of assets pertaining to Granules Pharmaceuticals Inc. of ₹ 6.59 lakhs (March 31, 2019 - ₹ 9.36 lakhs) capitalised as part of IP R&D included in product related intangibles

4. Financial Assets

4A. Non-current Investments

	As at March 31, 2020	As at March 31, 2019
Investments		
Investments in equity instruments		
a. Unquoted equity shares		
In Associate (refer note {a} below)		
Granules Biocause Pharmaceutical Co.Limited - Nil (March 31, 2019 : 33,000,000) equity shares of 1 RMB each fully paid up	-	11,718.80
In Joint Venture (refer note {b} below)		
Granules Omnicem Private Limited - 42,880,967 (March 31, 2019 : 42,880,967) equity shares of ₹ 10 each fully paid up	-	5,468.33
In Others		
Jeedimetla Effluent Treatment Ltd - 15,142 (March 31, 2019 :15,142) equity shares	59.59	59.59
Patancheru Envitotech Ltd - 34,040 (March 31, 2019 :34,040) equity shares	3.41	3.41

Notes to Consolidated Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

4A. Non-current Investments (Contd)

	As at March 31, 2020	As at March 31, 2019
US Pharma Limited {refer note 4B (iii) below}	4,132.54	3,791.87
Less : Impairment in US Pharma Limited {refer note (c) below}	(2,261.58)	-
	1,933.96	3,854.87
b. In Quoted equity shares		
Ipca Laboratories Limited - 250 (March 31, 2019 :250) equity shares	0.07	0.07
Total	1,934.03	21,042.07
Aggregate book value of quoted investments	0.07	0.07
Aggregate market value of quoted investments	3.46	2.45
Aggregate value of unquoted investments	1,933.96	21,042.00
Aggregate amount of impairment in value of investments	2,261.58	-

- a) During the year, the Company has entered into a definitive agreement to divest its entire 50% shareholding in Granules-Biocrine Pharmaceutical Co. Ltd, for a consideration of ₹11,233.76 lakhs (RMB 109 million). The closing conditions for the divestment were concluded in current year. Upon divestment, the resultant loss of ₹ 3,203.39 lakhs is disclosed as 'Exceptional item' in the consolidated statement of profit and loss.
- b) During the year, the Company has entered into a definitive agreement to divest its entire 50% shareholding in Granules Omnicem Private Limited, for a consideration of ₹.10,985.24 lakhs and the company has received the required regulatory approvals subsequent to the balance sheet date. The Company has recognised the resultant gain of ₹5,977.29 lakhs and the same is disclosed as an 'Exceptional item' in the consolidated statement of profit and loss. Investment is presented as held for sale as at March 31, 2020.
- c) Other expenses include an amount of ₹ 2,171.53 lakhs (USD 3 Million) which represents the impairment of investment in a downstream entity by GPI. The impairment was arising from the management's qualitative assessment of the impairment indicators and the comparison of the carrying value of the investment with the recoverable value of the investee entity in accordance with the Ind AS 36.

4B. Investments- Assets held for sale

	As at March 31, 2020	As at March 31, 2019
In Joint Venture		
Granules Omnicem Private Limited (refer note (b) above)	10,985.24	-
Total	10,985.24	-

4C. Loans (Unsecured considered good unless otherwise stated)

	As at March 31, 2020	As at March 31, 2019
Loan to US Pharma Limited {refer note (iii) below}	484.93	754.85
Security deposits	1,176.23	937.76
Total	1,661.16	1,692.61

Notes to Consolidated Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

Note:

- (i) The term loan given to US Pharma Limited carries fixed interest rate of 7%. This loan is repayable by US Pharma Limited starting from July, 2019 onwards in 12 quarterly installments.
- (ii) Maximum amount outstanding at any time

Particulars	During the year ended	
	March 31, 2020	March 31, 2019
US Pharma Limited	1,096.89	1,300.88

- (iii) In previous year, Granules Pharmaceutical Inc.(wholly-owned subsidiary) has converted its loan given to US Pharma Limited into equity shares to the extent of ₹ 376.95 lakhs.

5. Other assets

5A. Non-current

	As at March 31, 2020	As at March 31, 2019
Capital advances	5,974.87	2,710.55
Total	5,974.87	2,710.55

5B. Current

	As at March 31, 2020	As at March 31, 2019
Balance with government authorities	5,370.91	6,758.84
Prepaid expenses	997.26	776.47
Export incentives receivable	2,731.48	2,315.54
Scripts on hand	170.52	555.05
Advance to suppliers	3,024.86	2,771.65
Total	12,295.03	13,177.55

6. Inventories (at lower of cost and net realisable value)

	As at March 31, 2020	As at March 31, 2019
Raw materials*	14,496.35	12,800.87
Packing materials	1,304.54	1,257.08
Work-in-progress	5,571.34	7,014.63
Finished goods**	20,048.83	15,206.90
Stores, spares and consumables	2,422.02	2,141.77
Total	43,843.08	38,421.25

*includes raw materials-in-transit ₹144.76 lakhs (March 31, 2019 - ₹2,012.36 lakhs).

**includes finished goods-in-transit ₹3,769.44 lakhs (March 31, 2019 - ₹2,632.13 lakhs)

- i) For details of inventories hypothecated against current borrowings Refer note 10 & 13A.
- ii) The Group recorded inventory write-down of ₹ 753.38 lakhs (March 31, 2019 - ₹1,179.92 lakhs). These were recognised as an expense during the year and included in "changes in finished goods and work-in-progress in statement of profit and loss.

Notes to Consolidated Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

7. Financial Assets

7 A. Trade receivables (Unsecured)

	As at March 31, 2020	As at March 31, 2019
(a) Considered good	73,546.20	67,926.88
Less : Allowance for doubtful trade receivables	(297.39)	(685.81)
(A)	73,248.81	67,241.07
(b) Significant increase in credit risk	2,217.37	1,131.59
Less : Allowance for doubtful trade receivables	(1,948.36)	(1,018.42)
(B)	269.01	113.17
Total	(C=A+B) 73,517.82	67,354.24

Trade receivables are non-interest bearing and are generally on terms of upto 180 days.

The Groups's exposure to credit and currency risks, and loss allowances related to trade receivables are disclosed in Note 34.

For receivables secured against borrowings, Refer note 10 & 13A.

Details of changes in allowance for credit losses :

	For the Year ended Mar 31, 2020	For the Year ended Mar 31, 2019
Balance at the beginning of the year	1,704.23	312.38
Provision made during the year, net of reversals	837.49	1,401.22
Trade receivables written off during the year	(302.01)	(6.91)
Effect of changes in the foreign exchange rates	6.05	(2.46)
Balance at the end of the year	2,245.75	1,704.23

7 B. Cash and cash equivalents

	As at March 31, 2020	As at March 31, 2019
i) Cash on hand	13.29	2.66
ii) Balance with banks:		
On current accounts	1,993.71	3,395.04
On EEFC accounts	39.18	67.12
Deposits with original maturity of less than 3 months	15,962.91	4,837.61
Remittances in transit	583.80	-
Total -(i+ii)	18,592.89	8,302.43
iii) Bank balances other than (ii) above		
Unpaid dividend account	55.87	49.79
Deposits with remaining maturity for less than 12 months	5,193.71	-
Balance in escrow account (refer notes {a} below)	4,000.00	-
Margin money deposits(refer note {b} below)	551.80	551.80
Total -(iii)	9,801.38	601.59
Total (i+ii+iii)	28,394.27	8,904.02

Notes to Consolidated Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

- a) The Company has deposited an amount of ₹4,000 lakhs (March 2019: ₹Nil) in escrow account towards security for performance of its obligations under regulation 9(xi) of Securities and Exchange Board of India (Buy-Back of Securities) Regulations, 2018.
- b) Margin money deposits are subject to first charge against bank guarantees and/or letters of credit obtained.

7C. Loans (Unsecured, considered good)

	As at March 31, 2020	As at March 31, 2019
Advance to employees	175.69	62.08
Security deposits	-	1.73
Loan to US Pharma Limited	611.96	251.62
Total	787.65	315.43

7 D. Other financial assets

	As at March 31, 2020	As at March 31, 2019
Interest accrued but not due on deposits	264.99	34.07
Interest accrued but not due on loan given	95.98	17.61
Total	360.97	51.68

8. Share capital

	As at March 31, 2020	As at March 31, 2019
Authorized		
505,000,000 (March 31, 2019: 505,000,000) Equity Shares of Re.1/- each	5,050.00	5,050.00
Issued, subscribed and fully paid up		
254,247,562 fully paid up equity shares of ₹.1/- each (March 31, 2019 : 254,247,562 equity shares of Re.1/- each)	2,542.48	2,542.48

8.1 Reconciliation of shares outstanding at the beginning and at the end of the year

Equity Shares	As at March 31, 2020		As at March 31, 2019	
	No.	₹	No.	₹
At the beginning of the year	254,247,562	2,542.48	253,837,562	2,538.38
Add: Shares issued on exercise of employee stock options	-	-	410,000	4.10
Number of shares at the end of the year	254,247,562	2,542.48	254,247,562	2,542.48

Notes to Consolidated Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

8.2 Rights, preferences and restrictions attached to equity shares

The Company has only one class of equity shares having a par value of ₹.1 per share. Each holder of equity shares is entitled to one vote per share. The Company declares dividends in Indian rupees. During the year ended March 31, 2020, the amount of interim dividend per share distributed along with final dividend per share recommended by the board to equity shareholders was ₹1.00 (March 31, 2019: ₹1.00). 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. However, no such preferential amounts exist currently. The distribution will be in proportion to the number of equity shares held by the shareholders.

8.3 Details of shareholders holding more than 5% equity shares in the Company

	As at March 31, 2020		As at March 31, 2019	
	No. of shares	% holding	No. of shares	% holding
Krishna Prasad Chigurupati	90,329,927	35.53	90,329,927	35.53

As per records of the Company, including its register of shareholders/members and other declarations received from shareholders regarding beneficial interest, the above shareholding represents both legal and beneficial ownerships of shares..

8.4 Shares reserved for issue under options

For details of shares reserved for issue under Employee stock option scheme (ESOS) of the Company, refer note 27

8.5 Buy back of Shares

For details of Buy back of Shares, refer note 39

9. Other equity

Attributable to Owners

Securities premium

Securities premium is used to record the premium received on issue of shares. It is utilised in accordance with the provisions of the Companies Act, 2013.

General reserve

It represents the portion of the net profit which the Group has transferred, before declaring dividend pursuant to the earlier provision of Companies Act 1956. Mandatory transfer to general reserve is not required under the Companies Act 2013.

Retained earnings

The amount that can be distributed by the Group as dividends to its equity shareholders

Share based payment reserve

The Group has established various equity settled share based payment plans for certain categories of employees of the Group. Also refer note 27 for further details on these plans.

Capital reserve

Capital reserve arising pursuant to scheme of amalgamation

Notes to Consolidated Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

9. Other equity(Contd..)

Dividends

The following dividends were declared and paid by the Company during the year

	March 31, 2020	March 31, 2019
₹ 1.00 per equity share (March 31, 2019 : ₹1.00 per share)	2,542.48	2,541.51
Dividend distribution tax (DDT) on dividend	522.61	522.42
	3,065.09	3,063.93

After the reporting dates the following dividends (excluding dividend distribution tax) were proposed by the directors subject to the approval at the annual general meeting; the dividends have not been recognised as liabilities.

	March 31, 2020	March 31, 2019
₹ 0.25 per equity share (March 31, 2019 : ₹ 0.25 per share)	635.62	635.62
	635.62	635.62

Analysis of items of OCI, net of tax

Remeasurements of defined benefit plans (refer note - 28)

Remeasurements of defined benefit plans comprises actuarial gains and losses and return on plan assets.

Cash flow hedge reserve

Cash flow hedge represents the cumulative effective portion of gains or losses (net of taxes) arising on changes in fair value of designated portion of hedging instruments entered into for cash flow hedges.

The reconciliation of cash flow hedge reserve for the year ended March 31, 2020 is as follows:

Particulars	March 31, 2020	March 31, 2019
Balance at the beginning of the year	(128.89)	(1,346.00)
Gain/(loss) recognised in other comprehensive income during the year	(3,286.49)	1,870.87
Amount reclassified to revenue during the year	148.13	-
Tax impact on the above	770.50	(653.76)
Balance at the end of the year	(2,496.75)	(128.89)

Foreign currency translation reserve (FCTR)

Represents the FCTR of a foreign subsidiaries and associate. For the purpose of consolidation of subsidiaries financial statements with the financial statement of the parent company, income and expenses are translated at average rates and the assets and liabilities are stated at closing rate. In case of associate, investment is translated at closing rate. The movement in this reserve is due to fluctuation in exchange rate of currencies in the current year.

Notes to Consolidated Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

10. Long-term borrowings

	Non-current portion		Current maturities (refer note 13C)	
	As at March 31, 2020	As at March 31, 2019	As at March 31, 2020	As at March 31, 2019
Term Loans (Secured)				
Loans from financial institutions	41,483.28	47,878.25	9,713.72	5,819.08
	41,483.28	47,878.25	9,713.72	5,819.08
Long term maturities of lease obligation				
Obligations under lease (Unsecured)	668.97	-	175.10	-
	668.97	-	175.10	-
	42,152.25	47,878.25	9,888.82	5,819.08

The details of secured loans are as under:

	Outstanding as on March 31, 2020	Outstanding as on March 31, 2019	Sanction Amount	No of installments	Commencement of Installments	Rate of interest
International Finance Corporation (Refer note (i))	34,257.96	34,965.00	EUR 45 Mn	12 half yearly equal installments of EUR 3.75 Mn	Jan-20	6M Euribor +2.75% p.a
Deutsche Investitions Und Entwicklungsschaft MBh (Refer note (i))	15,779.42	15,540.00	EUR 20 Mn	2 half yearly installments of EUR 1 Mn and thereafter 10 half yearly installments of EUR 1.8 Mn	Jan-20	6M Euribor +2.30% p.a
International Finance Corporation (Refer note (i))	579.81	1,596.17	US\$ 10 Mn	13 Half yearly equal installments of USD 0.77 Mn	Sep-14	6M Libor + 4.0%
Deutsche Investitions Und Entwicklungsschaft MBh (Refer note (i))	579.81	1,596.17	US\$ 10 Mn	13 Half yearly equal installments of USD 0.77 Mn	Sep-14	6M Libor + 4.0%

- i) All secured term loans are secured by a paripassu first charge on the fixed assets of present and future of the company with a carrying amount of ₹96,856.94 lakhs (March 31, 2019 - ₹ 94,140.05 lakhs) and a paripassu second charge of the current assets of present and future of the Company with a carrying amount of ₹147,488.12 lakhs (March 31, 2019 - ₹120,890.91 lakhs).

Notes to Consolidated Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

11. Provisions

A) Non-current

	As at March 31, 2020	As at March 31, 2019
Provision for employee benefits		
Gratuity (refer note 28(b))	1,474.77	788.40
Compensated absences	675.57	469.67
	2,150.34	1,258.07

B) Current

	As at March 31, 2020	As at March 31, 2019
Provision for employee benefits		
Gratuity (refer note 28(b))	284.79	223.09
Compensated absences	310.72	210.74
	595.51	433.83

12 A. Deferred tax liability (net)

	As at March 31, 2020	As at March 31, 2019
Deferred tax liability		
Property, plant and equipment and intangible assets	13,261.04	15,352.15
Assets held for sale	1,202.12	-
Gross deferred tax liability	14,463.16	15,352.15
Deferred tax asset		
Employee benefit obligations	735.78	674.40
Allowance for doubtful debts	565.21	550.13
Cash flow hedges	839.72	69.22
Business loss	4,719.61	5,531.72
Research credit	1,361.96	767.55
Others	1,419.97	1,209.64
Gross deferred tax assets	9,642.25	8,802.66
Net deferred tax liability	4,820.91	6,549.49

12B. Deferred tax asset (net)

	As at March 31, 2020	As at March 31, 2019
Deferred tax asset		
Business loss	467.17	422.70
Employee benefit obligations	49.22	-
Others	14.56	-
Gross deferred tax assets	530.95	422.70
Deferred tax liability		
Property, plant and equipment and intangible assets	5.93	-
Gross deferred tax assets	5.93	-
	525.02	422.70

Notes to Consolidated Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

13. Current financial liabilities

13A. Short-term borrowings

	As at March 31, 2020	As at March 31, 2019
Loans repayable on demand from banks - working capital loans		
Cash credit facilities (secured) [refer note (iv)]	-	772.65
Packing credit loans (secured) [refer note (i) & (ii)]	21,402.25	24,509.79
Packing credit loans (unsecured) [refer note (iii)]	7,973.54	13,269.25
Bill discounting (secured) [refer note (i) & (ii)]	7,793.30	6,868.92
Total	37,169.09	45,420.61

- During the year ended March 31, 2020, the Company has outstanding secured foreign currency denominated loans carrying an interest rate of LIBOR + 0.65% p.a. to 1.25% from four bank. The facility is repayable within 180 days from the date of its origination.
- All secured short term borrowings from banks are secured by a paripassu first charge on the current assets of present and future of the Company with a carrying amount of ₹147,488.12 lakhs (March 31, 2019 - ₹120,890.91 lakhs) and a paripassu second charge of the fixed assets of present and future of the company with a carrying amount of ₹96,856.94 lakhs (March 31, 2019 - ₹94,140.05 lakhs).
- During the year ended March 31, 2020, the Company has outstanding unsecured foreign currency denominated loans carrying an interest rate of LIBOR + 0.60 to 1% p.a. from a bank. The facility is repayable within 180 days from the date of its origination.
- During the previous year, the Company has working capital facilities with various banks carrying interest rate ranging from 9.20% - 10.70% p.a and base rate plus 85 bps. These facilities are repayable on demand
- The Group's exposure to interest rate, foreign currency and liquidity risks is included in note 34.

13B. Trade payables

	As at March 31, 2020	As at March 31, 2019
Trade payables {refer note (b) below}		
Total outstanding dues of micro enterprises and small enterprises {refer note (a) below}	855.47	371.45
Others {refer note 31}	42,146.74	31,976.29
	43,002.21	32,347.74

	As at March 31, 2020	As at March 31, 2019
Note (a) :		
i) The principal amount and the interest due thereon remaining unpaid to any supplier as at the end of each year		
Principal amount due to micro and small enterprises	855.47	371.45
Interest due on the above	-	-
ii) The amount of interest paid by the buyer in terms of section 16 of MSMED, 2006 along with the amounts of the payment made to the supplier beyond the appointed day during each accounting year	-	-

Notes to Consolidated Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

13B. Trade payables (Contd..)

	As at March 31, 2020	As at March 31, 2019
iii) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the MSMED Act, 2006.	-	-
iv) The amount of interest accrued and remaining unpaid at the end of each accounting year;	-	-
v) The amount of further interest remaining due and payable in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprises for the purpose of disallowance as a deductible expenditure under section 23 of the MSMED Act, 2006.	-	-

The list of undertakings covered under MSMED was determined by the Company on the basis of information available with the Company and has been relied upon by the auditors.

Note (b) :

The Group's exposure to currency and liquidity risks related to trade payables is disclosed in Note 34.

13C. Other financial liabilities

	As at March 31, 2020	As at March 31, 2019
Current maturities of non-current borrowings (refer note 10)	9,713.72	5,819.08
Capital creditors	586.86	534.28
Salaries and bonus payable	1,361.70	1,441.79
Unclaimed dividend	55.87	49.79
Interest accrued but not due on borrowings	278.82	300.29
Current maturities of lease obligation (refer note 10)	175.10	-
Others	1,431.63	2,049.61
Total	13,603.70	10,194.84

14. Other current liabilities

	As at March 31, 2020	As at March 31, 2019
Advance from customers (refer note 15)	1,219.84	706.10
Statutory liabilities	492.79	459.34
Total	1,712.63	1,165.44

Notes to Consolidated Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

15. Revenue from operations

	For the Year ended Mar 31, 2020	For the Year ended Mar 31, 2019
Sale of products	254,523.59	223,435.87
Other operating revenue	5,341.06	4,483.90
Total	259,864.65	227,919.77

The operations of the Group are limited to one segment viz. pharmaceuticals products. Revenue from contract with customers is from sale of manufactured goods. Sale of goods are made at a point in time and revenue is recognised upon satisfaction of the performance obligations which is typically upon dispatch/delivery. The Group has a credit evaluation policy based on which the credit limits for the trade receivables are established. There is no significant financing component as the credit period provided by the Group is not significant. Variable components such as discounts, chargebacks, rebates, sales returns etc. continues to be recognised as deductions from revenue in compliance with Ind AS 115.

Reconciliation of Revenue recognised with contract price

	For the Year ended Mar 31, 2020	For the Year ended Mar 31, 2019
Revenue as per the contracted price	287,111.90	233,022.58
Adjusted for :		
Less : Sales returns	(1,379.40)	(1,875.62)
Less : Chargebacks, rebates and discounts	(31,208.91)	(7,711.09)
Total revenue from contracts with customers	254,523.59	223,435.87

The following table shows the distribution of the Group's revenue (excluding other operating income) by region-wise, based on the location of the customers:

	For the Year ended Mar 31, 2020	For the Year ended Mar 31, 2019
USA & Canada	135,899.89	108,769.87
Europe	49,184.87	39,192.48
LATAM	20,459.81	19,283.54
AMEA	11,208.41	10,601.82
India	37,687.40	45,476.39
Rest of the world	83.21	111.77
Total revenue from contracts with customers	254,523.59	223,435.87

Details of contract liabilities:

	As at Mar 31, 2020	As at Mar 31, 2019
Advance from customers (refer note 14)	1,219.84	706.10
	1,219.84	706.10

The Contract liabilities are primarily relate to advance consideration received from customers for sale of products, for which revenue is recorded at a point in time. The amount of ₹ 444.79 lakhs included in contract liabilities as at 31 March 2019 has been recognised as revenue in the current year.

Notes to Consolidated Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

16. Other income

	For the Year ended Mar 31, 2020	For the Year ended Mar 31, 2019
Interest income		
Deposits with banks	521.73	692.84
Others	114.47	33.42
Foreign exchange gain, net	2,298.43	1,325.76
Other non-operating income	720.89	616.24
Total	3,655.52	2,668.26

17. Cost of materials consumed

	For the Year ended Mar 31, 2020	For the Year ended Mar 31, 2019
Inventory at the beginning of the year	14,057.95	11,995.29
Add: Purchases	133,234.71	135,959.97
	147,292.66	147,955.26
Less: Inventory at the end of the year	15,800.89	14,057.95
Cost of materials consumed	131,491.77	133,897.31

18. Changes in inventory of work-in-progress and finished goods

	For the Year ended Mar 31, 2020	For the Year ended Mar 31, 2019
Inventories at the end of the year		
Finished goods	20,048.83	15,206.90
Work-in-progress	5,571.34	7,014.63
	25,620.17	22,221.53
Inventories at the beginning of the year		
Finished goods	15,206.90	8,564.37
Work-in-progress	7,014.63	5,316.07
	22,221.53	13,880.44
Total	(3,398.64)	(8,341.09)

19. Employee benefit expenses

	For the Year ended Mar 31, 2020	For the Year ended Mar 31, 2019
Salaries, wages and bonus (refer note 28(b))	23,711.38	19,267.70
Contribution to provident and other funds (refer note 28(a))	655.96	568.14
Staff welfare expenses	804.61	580.31
Employee Stock Option Scheme (refer note 27)	731.87	566.29
Total	25,903.82	20,982.44

Notes to Consolidated Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

20. Finance costs

	For the Year ended Mar 31, 2020	For the Year ended Mar 31, 2019
Interest		
- Term loan	814.26	506.22
- Working capital	1,199.82	1,595.40
- Others	82.09	172.03
Interest on lease liabilities (refer note 3A)	70.06	-
Other borrowing costs	536.15	572.42
Total	2,702.38	2,846.07

21. Depreciation and amortisation expense

	For the Year ended Mar 31, 2020	For the Year ended Mar 31, 2019
Depreciation*	9,417.91	8,562.67
Amortisation*	4,277.44	1,985.67
Total	13,695.35	10,548.34

*Net off depreciation charge of assets pertaining to Granules Pharmaceuticals Inc. of ₹117.81 lakhs (March 31, 2019 - ₹53.80 lakhs) and amortisation charge of assets pertaining of ₹6.59 lakhs (March 31, 2019 - ₹9.36 lakhs) which has been capitalised as part of IP R&D included in Product related intangibles.

22. Other expenses

	For the Year ended Mar 31, 2020	For the Year ended Mar 31, 2019
Consumption of stores & spares	1,531.10	1,268.05
Power and fuel	5,973.76	5,767.50
Effluent treatment expenses	976.67	1,024.37
Analytical fees	341.05	172.65
Other manufacturing expenses	614.09	507.78
Repairs and maintenance		
Plant and machinery	4,307.66	3,968.63
Buildings	492.91	381.44
Others	1,980.30	1,360.04
Rent	613.97	727.64
Rates and taxes	2,502.91	1,757.04
Printing and stationery	156.84	162.43
Insurance	1,597.23	1,051.05
Writeoff of Intangible assets under development	1,127.83	-
Impairment of Investments (refer note 4(a))	2,171.53	-
Managerial remuneration	4,170.77	2,983.04
Directors sitting fees	39.20	39.20
Remuneration to statutory auditors (refer note 30)	58.03	62.24
Sales commission	2,715.67	2,487.13
Carriage outwards & clearing charges	7,325.30	5,720.78

Notes to Consolidated Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

22. Other expenses (Contd..)

	For the Year ended Mar 31, 2020	For the Year ended Mar 31, 2019
Research & development expenses (refer note 29)	7,890.91	7,251.41
Business promotion expense	1,085.20	862.05
Communication expenses	229.60	252.73
Consultancy charges	1,513.19	1,495.50
Travelling and conveyance	1,340.56	1,292.52
Advertisement Charges	90.93	113.56
Donations	20.54	20.33
Loss on sale of fixed assets (net)	24.67	36.50
Contribution to electoral bonds	500.00	-
Bad debts written off	302.01	6.91
Allowance for doubtful trade receivables	535.48	1,394.31
Corporate social responsibility expenditure (refer note 23)	437.75	87.46
Miscellaneous expenses	668.21	723.05
Total	53,335.87	42,977.34

23. Details of Corporate social responsibility expenditure

	For the Year ended Mar 31, 2020	For the Year ended Mar 31, 2019
a) Gross amount required to be spent by the Company during the year:	437.75	397.15
(b) Amount spent during the year ended		
(i) Construction/acquisition of any asset	-	-
(ii) On purposes other than (i) above in cash	437.75	87.46
(c) Amount unspent during the year ended:	(0.00)	309.69

24. Tax expense

(a) Tax expense:

Amount recognised in profit (or) loss

Particulars	For the Year ended Mar 31, 2020	For the Year ended Mar 31, 2019
Current tax	12,570.83	8,192.27
Deferred tax charge/ (credit)		
Attributable to the origination and reversal of temporary differences	893.83	718.82
Tax rate change (Refer note below)	(1,891.88)	-
Total tax expense recognised in statement of profit & loss	11,572.78	8,911.09

Note : The Company elected to exercise the option permitted under section 115BAA of the Income-tax Act, 1961 as introduced by the Taxation Laws (Amendment) Ordinance, 2019. Accordingly, the Company has recognised provision for income tax for the year ended March 31, 2020 and remeasured its deferred tax liabilities basis the rates prescribed in the said section.

Notes to Consolidated Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

(b) Reconciliation of effective tax rate:

Particulars	For the Year ended Mar 31, 2020	For the Year ended Mar 31, 2019
Profit before tax (A)	42,563.52	27,677.62
Enacted tax rate in India (B)	25.17%	34.94%
Expected tax expenses (C = A*B)	10,712.39	9,671.67
Incremental deduction allowed for research and development costs	-	(727.34)
Investment allowance deduction	-	(76.14)
Differential tax rate for long term capital gains	2,033.06	-
Effect of change in tax rates	(1,891.88)	(428.32)
Effect of Impact on Carryback of net operating losses recognition as deferred tax assets	(139.47)	-
Effect of tax incentives and concessions (research and development and other allowances)	(497.90)	-
Impairment in Investments	546.53	-
Unrecognised deferred tax assets	50.00	127.35
Others	760.05	343.87
Tax expense	11,572.78	8,911.09

Movement in temporary differences:

Particulars	Balance as at April 1, 2018	Recognised in profit or loss during the year including exchange differences	Recognised in OCI during the year	Balance as at March 31, 2019	Recognised in profit or loss during the year including exchange differences	Recognised in OCI during the year	Balance as at March 31, 2020
Depreciation and amortization	(7,582.83)	(7,769.32)	-	(15,352.15)	2,085.18	-	(13,266.97)
Assets held for sale	-	-	-	-	(1,202.12)	-	(1,202.12)
Employee benefits	437.84	199.90	36.66	674.40	(13.02)	123.62	785.00
Voluntary Retirement scheme	2.82	(2.82)	-	0.00	-	-	-
Allowance for doubtful debts	109.16	440.97	-	550.13	15.08	-	565.21
Cash flow hedges	722.98	-	(653.76)	69.22	-	770.50	839.72
Business loss	695.12	5,259.31	-	5,954.43	(767.65)	-	5,186.78
Others	879.15	1,172.75	(74.72)	1,977.18	819.32	-	2,796.50
Total	(4,735.76)	(699.21)	(691.82)	(6,126.79)	936.79	894.12	(4,295.89)

Income tax recognised in other comprehensive income

	For the year ended March 31, 2020			For the year ended March 31, 2019		
	Before tax	Tax (expense) benefit	Net of tax	Before tax	Tax (expense) benefit	Net of tax
Gain/(loss) arising on translation of foreign operations	2,923.29	-	2,923.29	228.94	(74.72)	154.22
Fair value changes on cash flow hedges	(3,138.36)	770.50	(2,367.86)	1,870.87	(653.76)	1,217.11
Re-measurement of defined benefit liability	(460.56)	123.62	(336.94)	(104.92)	36.66	(68.26)
Re-measurement of defined benefit liability of joint venture, net of tax	-	-	-	(0.64)	-	(0.64)
Total	(675.63)	894.12	218.49	1,994.25	(691.82)	1,302.43

Notes to Consolidated Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

25. Earning per equity share (EPS)

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Earnings		
Profit for the year	33,539.83	23,640.85
Weighted average shares used for computing of basic EPS	2,542.48	2,541.09
Add: Effect of dilution		
Effect of dilutive options granted but not yet exercised/not yet eligible for exercise	8.39	7.63
Weighted average shares used for computing diluted EPS	2,550.87	2,548.72
Earnings per share		
- Basic (in INR)	13.19	9.30
- Diluted (in INR)	13.15	9.28

26. Contingent liabilities and commitments

Particulars	As at March 31, 2020	As at March 31, 2019
(i) Contingent liabilities:		
(a) Claims against the Group not acknowledged as debt (refer note (b))	47.21	332.44
The above includes:		
(i) Direct taxation	6.42	48.37
(ii) Indirect taxation (includes matters pertaining to disputes on central excise, custom duty and service tax)	40.79	284.07

The Company is involved in taxation matters that arise from time to time in the ordinary course of business. Management is of the view that above claims are not tenable and will not have any material adverse effect on the Company's financial position and results of operations.

The Company has a process whereby periodically all long-term contracts are assessed for material foreseeable losses. At the year end, the Company has reviewed and ensured that there are no material foreseeable losses on such long term contracts which needs to be provided for in the books of account.

The Company has reviewed all its pending litigations including legal proceedings initiated in the ordinary course of business except as disclosed above. The Company does not expect the outcome of these proceedings to have a material and adverse effect on its financial position and accordingly no adjustment in respect thereof is expected.

Note :

- a) Pursuant to Supreme Court Judgement dated 28 February 2019, regarding the provident fund contribution wherein there has been a clarification provided of the inclusions of basic wages for the purpose of computation of contribution towards provident fund, the Company has been legally advised that there are interpretative challenges on the application of the judgement retrospectively. Based on the legal advice and in the absence of reliable measurement of the provision for earlier periods, the Company has assessed the impact of the judgement only from the year ended March 31, 2019 and concluded that there was no impact for the current year. Further, no contingent liability has been recognised based on retrospective application as amount cannot be reliably measured.

Notes to Consolidated Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

26. Contingent liabilities and commitments (Contd..)

- b) During the current year, Granules Pharmaceutical Inc. received a class action suit from a plaintiff stating that one of the products of the Company – Metformin had a carcinogenic element. However, the USFDA has tested samples from a few lots of the Company's API and Finished dosage tablets and the results did not detect N-nitrosodimethylamine (NDMA). As of March 31, 2020, the litigation is active. The legal attorney is unable to state that an outcome unfavorable to the Company is either probable or remote, nor they are in a position to provide an estimate of the amount or range of potential loss in the event of an unfavorable outcome. However, the legal attorney is preparing to file a motion for dismissal of the suit.

Particulars	As at March 31, 2020	As at March 31, 2019
(b) Guarantees		
Corporate guarantees given in favour of banks towards loans obtained by Joint Venture - Granules Omnichem Private Limited (refer note 31)	14,948.93	13,986.43

Particulars	As at March 31, 2020	As at March 31, 2019
(ii) Commitments		
Estimated amount of contracts remaining to be executed on capital account and not provided for, net of advances	3,464.58	5,184.21

27. Share based payments

Granules India Limited - Employee Stock Option Scheme 2009 ("ESOS-2009")

Pursuant to the decision of the shareholders at their meeting held on September 25, 2009, the Company has formulated an Employee Stock Option Scheme 2009 to be administered by the Compensation & Remuneration Committee of the Board of Directors. This scheme has been formulated in accordance with the Securities Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.

Under the Plan, options not exceeding 10,048,070 have been reserved to be issued to the eligible directors and employees (Employees under permanent employment of the Company and its subsidiary company(ies), including eligible Directors of the Company and its subsidiary, whether whole time or not, whether working in India or abroad or otherwise, except the Promoter Directors and Promoter group employees) with each option conferring a right upon the Optionee to apply for one equity share.

The exercise price of the options is the closing market price of the shares on that stock exchange where there is highest trading volume prior to the date of the grant i.e. the date of the Compensation & Remuneration Committee / Board meeting at which the grant of options is approved.

Under the above Scheme till date, options were granted in eight tranches viz. Grant I, Grant II, Grant III, Grant IV, Grant V, Grant VI, Grant VII & Grant VIII. The options granted under the Plan shall start vesting in tranches after one year from the date of grant and not more than two, three and five years (differs from optionee to optionee) under Grant I, five years under Grant II & III and four years under Grant IV, V, VI, VII & VIII from the respective date of grant of the options.

The Black-Scholes-Merton model includes assumptions regarding dividend yields, expected volatility, expected terms and risk free interest rates. In respect of exercise price of options granted, the expected term of an option (or "option life") is estimated based on the vesting term, contractual term, as well as expected exercise behavior of the employees receiving the option. In respect of fair market value of the options granted, the option life is estimated based on the simplified method. Expected volatility

Notes to Consolidated Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

27. Share based payments (Contd..)

of the option is based on historical volatility, of the observed market prices of the Company's publicly traded equity shares. Dividend yield of the options is based on recent dividend activity. Risk-free interest rates are based on the government securities yield in effect at the time of the grant. These assumptions reflect management's best estimates, but these assumptions involve inherent market uncertainties based on market conditions generally outside of the Company's control.

The details of activity under the Scheme are summarised below :

	For the year ended March 31, 2020			
	Shares arising out of options	Range of Exercise prices	Weighted Average exercise price	Weighted Average remaining useful life (months)
Options outstanding at the beginning of the year	4,224,700	9.10 to 142.00	128.36	55
Add : Granted during the year	2,864,800	97.00	97.00	64
Less: Exercised during the year	-	-	-	-
Less: Lapsed/Cancelled/Surrendered during the Year	4,696,300	9.10 to 142.00	127.09	-
At the end of the year	2,393,200	31.50 to 117.00	93.31	60
Exercisable the end of the year	160,000	31.50 to 117.00	36.84	5

	For the year ended March 31, 2019			
	Shares arising out of options	Range of Exercise prices	Weighted Average exercise price	Weighted Average remaining useful life (months)
Options outstanding at the beginning of the year	5,444,700	9.10 to 142.00	122.92	64
Add : Granted during the year	50,000	117.00	117.00	73
Less: Exercised during the year	410,000	9.10 to 31.50	23.30	-
Less: Lapsed/Cancelled during the Year	860,000	31.50 to 142.00	143.44	-
At the end of the year	4,224,700	9.10 to 142.00	128.36	55
Exercisable the end of the year	498,000	9.10 to 133.00	31.33	13

The Black Scholes valuation model has been used for computing the weighted average fair value considering the following inputs:

	Grant VIII	Grant VII	Grant VI	Grant V	Grant IV	Grant I
Date of Grant	June 18, 2019	March 29, 2019	April 04, 2017	April 28, 2016	April 28, 2014	April 24, 2012
Dividend yield	1.00%	1.00%	0.85%	0.64%	1.11%	2.20%
Expected volatility	45.25%	45.25%	19.48%	23.43%	41.17%	43.84%
Risk-free interest rate	7.17%	7.17%	6.62%	8.00%	8.00%	8.00%
Weighted average share price of ₹	116.7	140.76	165.33	167.51	44.00	12.91
Exercise price of ₹	97.00	117.00	142.00	133.00	31.50	9.10
Expected life of options granted in years	4	4	4	4	4	5

Notes to Consolidated Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

27. Share based payments (Contd..)

Granules Pharmaceuticals, Inc. 2018 Equity Compensation Plan (GPI 2018 ESOP Scheme)

Pursuant to the decision of the shareholders at their meeting held on May 24, 2018, the Company has formulated an Granules Pharmaceuticals, Inc. 2018 Equity Compensation Plan (GPI 2018 ESOP Scheme) to be administered by the Board of Directors. Under the Plan, options not exceeding 10% of issued capital have been reserved to be issued to the eligible directors and employees with each option conferring a right upon the Optionee to apply for one equity share. The Exercise Price per Option shall be not less than 100% of the Fair Market Value of the Share available on the date of the grant. The options granted under the Plan shall start vesting in four equal tranches after one year from the date of grant, over a four year period.

The Black-Scholes-Merton model includes assumptions regarding dividend yields, expected volatility, expected terms and risk free interest rates. In respect of exercise price of options granted, the expected term of an option (or "option life") is estimated based on the vesting term, contractual term, as well as expected exercise behavior of the employees receiving the option. In respect of fair market value of the options granted, the option life is estimated based on the simplified method. Expected volatility of the option is based on historical volatility, of the observed market prices of the Company's publicly traded equity shares. Dividend yield of the options is based on recent dividend activity. Risk-free interest rates are based on the government securities yield in effect at the time of the grant. These assumptions reflect management's best estimates, but these assumptions involve inherent market uncertainties based on market conditions generally outside of the Company's control.

The details of activity under the Scheme are summarised below :

	For the year ended March 31, 2020		
	No of options	Exercise price per option (in USD)	Weighted Average exercise price per option (in USD)
Options outstanding at the beginning of the year	190	19,149.26	19,149.26
Add : Granted during the year	38	19,149.26	19,149.26
Less: Exercised during the year	-	-	-
Less: Lapsed/Cancelled during the Year	-	-	-
At the end of the year	228	19,149.26	19,149.26
Exercisable at the end of the year	-	-	-

	For the year ended March 31, 2019		
	No of options	Exercise price per option (in USD)	Weighted Average exercise price per option (in USD)
Options outstanding at the beginning of the year	-	-	-
Add : Granted during the year	236	19,149.26	19,149.26
Less: Exercised during the year	-	-	-
Less: Lapsed/Cancelled during the Year	(46)	19,149.26	19,149.26
At the end of the year	190	19,149.26	19,149.26
Exercisable at the end of the year	-	-	-

Notes to Consolidated Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

27. Share based payments (Contd..)

The Black Scholes valuation model has been used for computing the weighted average fair value considering the following inputs:

	Assumptions
Date of Grant	May 07, 2018
Dividend yield	0.00%
Expected volatility	33.00%
Risk-free interest rate	2.73%
Weighted average share price in USD	19,210.00
Exercise price in USD	19,149.26
Expected life of options granted in years	5.25

The estimated fair value of stock options is charged to profit or loss account:

Particulars	For the year ended March 31, 2020	For the year ended March 31, 2019
Employee stock option scheme	731.87	566.29

Employee wise details of options outstanding to senior management personnel :

Name	Designation	No. of options outstanding as on March 31, 2020
Atul Dhavle	Chief Human Resources Officer	200,000
GSR Prasad	Chief Operating Officer	300,000

28. Employee benefits

a) Defined contribution plan

	March 31, 2020	March 31, 2019
Contribution to provident and other funds	655.96	568.14

- b) The Company has a defined benefit gratuity plan as per the Payment of Gratuity Act, 1972. Under this legislation, employee who has completed five years of service is entitled to specific benefit. The level of benefit provided depends on the employee's length of service and salary at retirement/termination age. The gratuity plan is a funded plan and the Company make contributions to a recognised fund in India.

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(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

28. Employee benefits (Contd..)

Based on the actuarial valuation obtained in this respect, the following table sets out the status of the gratuity plan and the amounts recognised in the Company's financial statements as at balance sheet date:

	Defined benefit obligation	Fair value of plan assets	Net defined benefit (asset)/liability
Balance as on March 31, 2018	729.61	(127.16)	602.46
Current service cost	296.51	-	296.51
Interest expense/(income)	56.79	(9.67)	47.12
Amount recognised in Statement of profit and loss	353.30	(9.67)	343.63
<i>Remeasurements:</i>			
Return on plan assets, excluding amounts included in interest expense/(income)	-	0.38	0.38
Actuarial (gain)/loss arising from:			
Financial assumptions	112.74	-	112.74
Experience adjustment	(8.20)	-	(8.20)
Amount recognised in other comprehensive income	104.54	0.38	104.92
Employers contribution	-	-	-
Benefits paid	(39.52)	-	(39.52)
Balance as on March 31, 2019	1,147.93	(136.45)	1,011.49
Current service cost	314.91	-	314.91
Interest expense/(income)	83.43	(10.37)	73.06
Amount recognised in Statement of profit and loss	398.34	(10.37)	387.97
<i>Remeasurements:</i>			
Return on plan assets, excluding amounts included in interest expense/(income)	-	0.30	0.30
Actuarial (gain)/loss arising from:			-
Financial assumptions	160.57	-	160.57
Experience adjustment	299.68	-	299.68
Amount recognised in other comprehensive income *	460.25	0.30	460.56
Employers contribution	-	-	-
Benefits paid	(100.45)	-	(100.45)
Balance as at March 31, 2020	1,906.07	(146.52)	1,759.56

*Doesn't include actuarial (gain)/loss arising from joint venture amounting to ₹ Nil (March 31, 2019- ₹ 0.64 lakhs).

	As at March 31, 2020	As at March 31, 2019
Non-current	1,474.77	788.40
Current	284.79	223.09
	1,759.56	1,011.49

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(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

(ii) The assumptions used for gratuity valuation are as below:

	For the year ended March 31, 2020	For the year ended March 31, 2019
Interest rate	6.80%	7.60%
Discount rate	6.80%	7.60%
Expected return on plan assets	6.80%	7.60%
Salary increase	10%	9%
Attrition rate	20%	20%
Retirement age - Years	60	60

Assumptions regarding future mortality experience are set in accordance with published statistics and mortality tables.

The weighted average duration of the defined benefit obligation was 7.68 years.

The defined benefit plan expose the Company to actuarial risks, such as longevity and interest rate risk.

(iii) Sensitivity analysis

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions are as below:

Particulars	For the year ended March 31, 2020		For the year ended March 31, 2019	
	Increase	Decrease	Increase	Decrease
Discount rate	(89.73)	98.79	(46.14)	50.61
Salary increase	100.88	(94.84)	52.85	(49.72)
Attrition rate	(16.20)	16.84	(2.18)	2.38

Sensitivity of significant actuarial assumptions is computed by varying one actuarial assumption used for the valuation of defined benefit obligation by one percentage, keeping all other actuarial assumptions constant. Although the analysis does not take account of the full distribution of cash flows expected under the plan, it does provide an approximation of the sensitivity of the assumption shown.

As of March 31, 2020 and March 31, 2019, the plan assets have been invested in Life Insurance Corporation

The expected contributions to the plan for the next annual period amounts to ₹ 53.09 lakhs.

Maturity profile of defined benefit obligation

Particulars	March 31, 2020
1st Following year	284.79
2nd Following year	294.02
3rd Following year	266.54
4th Following year	248.85
5th Following year	241.26
Years 6 to 10	770.99

Notes to Consolidated Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

29. Research and development expenses

a. Details of research and development expenses incurred during the year is given below

Particulars	March 31, 2020	March 31, 2019
Capital	2,918.31	5,797.15
Revenue	7,890.91	7,251.41
Total	10,809.22	13,048.56

30. Remuneration to statutory auditors

Particulars	March 31, 2020	March 31, 2019
As Auditor (exclusive service tax/GST)		
Statutory audit	32.00	32.00
Limited review	12.00	9.00
Certification	9.75	17.65
Reimbursement of expenses and taxes	4.28	3.59
Total	58.03	62.24

31. Related party disclosures

31A. Names of related parties and description of relationship

Name of the related party	Relationship
1 Karvy Fintech Private Limited {formerly known as Karvy Computershare Private Limited} (upto Dec 26, 2019)	Enterprises over which key management personnel or their relatives exercise significant influence
2 Tyche Investments Private Limited	Enterprises over which key management personnel or their relatives exercise significant influence
3 Granules-Biocause Pharmaceutical Co. Ltd (upto Jan 21, 2020)	Associate
4 Granules Omnichem Private Limited	Joint venture
Key managerial personnel	
1 Mr. Krishna Prasad Chigurupati	Chairman & Managing Director
2 Mrs. Uma Devi Chigurupati	Executive Director
3 Mr. Harsha Chigurupati (From Aug 29, 2019)	Executive Director
4 Dr. V.V.N.K.V. Prasad Raju (upto January 29, 2019)	Executive Director
5 Mr. Sandip Neogi (from Nov 04, 2019)	Chief Financial Officer
6 Mr. K. Ganesh (upto May 14, 2019)	Chief Financial Officer
7 Mrs. Chaitanya Tummala	Company Secretary
Relatives to key managerial personnel	
1 Ms. Priyanka Chigurupati	Relative of Key Managerial Personnel

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(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

31B. Transactions during the year

Particulars	March 31, 2020	March 31, 2019
a) Associate		
i) Granules-Biocrine Pharmaceutical Co. Ltd (upto Jan 21, 2020)		
Purchases	14,232.60	13,424.39
Proceeds from sale of Investments	11,233.76	-
b) Transactions with enterprises over which key management personnel or their relatives exercise significant influence		
i) Karvy Fintech Private Limited (formerly known as Karvy Computershare Private Limited) (upto Dec 26, 2019)		
Registrar Services	6.90	14.22
ii) Tyche Investments Private Limited		
Rent	64.64	63.40
c) Transactions with key managerial personnel or their relatives		
i) Mr. Krishna Prasad Chigurupati		
Managerial Remuneration	2,161.46	1,525.93
ii) Mrs. Uma Devi Chigurupati		
Managerial Remuneration	1,644.54	1,199.23
iii) Mr. Harsha Chigurupati		
Sitting fees (upto Aug 29, 2019)	1.20	2.00
Managerial Remuneration (from Aug 29, 2019)	227.24	-
iv) Dr. V.V.N.K.V. Prasad Raju (upto Jan 29, 2019)		
Managerial Remuneration	-	257.87
v) Mr. Sandip Neogi (from Nov 04, 2019)		
Salary	43.40	-
vi) Mr. K. Ganesh (upto May 14, 2019)		
Salary	54.55	183.25
vii) Ms. Priyanka Chigurupati		
Salary	137.53	96.49
viii) Mrs. Chaitanya Tummala		
Salary	35.48	30.94

31C. Closing balances

Particulars	March 31, 2020	March 31, 2019
a) Joint Venture		
i) Granules Omnichem Private Limited		
Investment in subsidiary (includes share of profits)	5,007.94	5,468.33
Corporate Guarantee given	14,948.93	13,986.43
b) Associate		
i) Granules-Biocrine Pharmaceutical Co. Ltd (upto Jan 21, 2020)		
Investment in subsidiary (includes share of profits)*	-	11,718.80
Trade payables*	-	3,766.98
c) Enterprises over which key management personnel or their relatives exercise significant influence		
i) Karvy Fintech Private Limited (formerly known as Karvy Computershare Private Limited) (upto Dec 26, 2019)		
Payable	-	1.23
ii) Tyche Investments Private Limited		
Payable	4.27	-
Rental Deposit	20.00	20.00

As the future liability for gratuity and leave encashment is provided on an actuarial basis for the Company as a whole, the amount pertaining to the Key Management personnel and their relatives is not ascertainable and, therefore, not included above.

*Foreign currency balances included above have been shown at restated values arrived by using the closing exchange rates

Notes to Consolidated Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

32. Interest in joint venture/associate :

During the year, the Company has entered into a definitive agreement to divest its entire 50% shareholding in Granules-Bioclause Pharmaceutical Co. Ltd, for a consideration of ₹ 11,233.76 lakhs (RMB 109 million). The closing conditions for the divestment were concluded in current year. Upon divestment, the resultant loss of ₹ 3,203.39 lakhs is disclosed as 'Exceptional item' in the consolidated statement of profit and loss for the year ended March 31, 2020. The associate follows calendar year as its reporting period. The company has considered share of profits upto March 2019 and below are the unaudited numbers of associate for the period ended March 31, 2019.

Summarised balance sheet as on March 31, 2019 of Granules Bio-cause Pharmaceutical co. Ltd :

	March 31, 2019	December 31, 2018
Current assets, including cash and cash equivalents ₹12,714.64 lakhs (Dec 31, 2018: ₹11,660.08 lakhs)	30,507.09	26,656.84
Non-current assets	4,626.49	4,621.58
Current liabilities	6,403.55	7,717.79
Non-current liabilities	-	123.02
Equity	28,730.03	23,437.61
Proportion of the Group's ownership	50%	50%
Group's share at closing exchange rate	14,365.01	11,718.81
Summarised statement of profit and loss of the Granules Bio-cause Pharmaceutical co. Ltd:		
Revenue	7,463.29	36,496.22
Profit	6,018.95	8,883.88
Group's share of profit	3,009.47	4,441.94

Summarised balance sheet as on June 30, 2019 of Granules Omnichem Private Limited:

During the year, the Company has entered into a definitive agreement to divest its entire 50% shareholding in Granules Omnichem Private Limited, for a consideration of ₹ 10,985.24 lakhs and the company has received the required regulatory approvals subsequent to the balance sheet date. The Company has recognised the resultant gain of ₹ 5,977.30 lakhs and the same is disclosed as an 'Exceptional item' in the consolidated statement of profit and loss. Investment is presented as held for sale as at March 31, 2020. The joint venture follows calendar year as its reporting period. The company has considered share of profits upto June 2019 and below are the unaudited numbers of joint venture for the period ended June 30, 2019

	June 30, 2019	March 31, 2019
Current assets, including cash and cash equivalents ₹ 326.14 lakhs (March 31, 2019: ₹263.36 lakhs) and prepayments ₹ 92.99 lakhs (March 31, 2019: ₹ 67.18 lakhs)	4,845.31	12,181.93
Non-current assets	17,921.17	17,937.17
Current liabilities	6,589.19	13,117.25
Non-current liabilities, including borrowing ₹ 5,993.42 lakhs (March 31, 2019: ₹5,897.22 lakhs)	6,161.38	6,065.17
Equity	10,015.91	10,936.68
Proportion of the Group's ownership	50%	50%
Carrying amount of the investment	5,007.96	5,468.34

Notes to Consolidated Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

32. Interest in joint venture/associate :(Contd..)

	June 30, 2019	March 31, 2019
Summarised statement of profit and loss of the Granules Omnichem Private Limited:		
Total Revenue	774.73	22,377.17
Cost of raw material and components consumed	459.48	15,014.74
Depreciation & amortization	326.64	1,315.95
Finance cost	46.17	272.80
Employee benefit	308.77	1,242.58
Other expense	554.44	2,722.62
Profit before tax	(920.77)	1,808.48
Income tax expense	-	943.73
Profit after tax	(920.77)	864.76
Re-measurement gains/(loss) on employee defined benefit plans	-	(1.27)
Total comprehensive income	(920.77)	863.49
Group's share of profit	(460.39)	431.74

33. Fair Values

The management assessed that loans, cash and cash equivalents, trade receivables, borrowings, trade payables and other current liabilities approximate their carrying amounts largely due to the short-term maturities of these instruments.

The fair value of the financial assets and liabilities is included at the amount at which the instrument could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

Fair Valuation measurement hierarchy

The following table shows the carrying amounts and fair values of financial assets and liabilities including their levels of fair value hierarchy:

Particulars	As at March 31, 2020						
	Carrying amount				Fair Value		
	Mandatorily at fair value through profit and loss (FVTPL)	Fair value through other comprehensive income (FVOCI)	Assets/liabilities at amortised cost method	Total carrying amount	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
i) Financial assets							
a) Financial assets not measured at Fair value							
Non-current investments	-	-	1,934.03	1,934.03	-	-	-
Non-current loans	-	-	1,661.16	1,661.16	-	-	-
Trade receivables	-	-	73,517.82	73,517.82	-	-	-
Cash and cash equivalents	-	-	18,592.89	18,592.89	-	-	-
Bank balances other than cash and cash equivalents	-	-	9,801.38	9,801.38	-	-	-
Current loans	-	-	787.65	787.65	-	-	-
Other current financial assets	-	-	360.97	360.97	-	-	-
Investments held for sale	-	-	-	-	-	10,985.24	-
	-	-	106,655.90	106,655.90	-	10,985.24	-

Notes to Consolidated Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

33. Fair Values (Contd..)

Particulars	As at March 31, 2020						
	Carrying amount				Fair Value		
	Mandatorily at fair value through profit and loss (FVTPL)	Fair value through other comprehensive income (FVOCI)	Assets/ liabilities at amortised cost method	Total carrying amount	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
ii) Financial liabilities							
a) Financial liabilities not measured at fair value							
Non-current borrowings	-	-	42,152.25	42,152.25	-	-	-
Trade payables	-	-	43,002.21	43,002.21	-	-	-
Other current financial liabilities	-	-	13,603.70	13,603.70	-	-	-
Current borrowings	-	-	37,169.09	37,169.09	-	-	-
	-	-	135,927.25	135,927.25	-	-	-

Particulars	As at March 31, 2019						
	Carrying amount				Fair Value		
	Mandatorily at fair value through profit and loss (FVTPL)	Fair value through other comprehensive income (FVOCI)	Assets/ liabilities at amortised cost method	Total carrying amount	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)
i) Financial assets							
a) Financial assets not measured at Fair value							
Non-current investments	-	-	21,042.07	21,042.07	-	-	-
Non-current loans	-	-	1,692.61	1,692.61	-	-	-
Trade receivables	-	-	67,354.24	67,354.24	-	-	-
Cash and cash equivalents	-	-	8,302.43	8,302.43	-	-	-
Bank balances other than cash and cash equivalents	-	-	601.59	601.59	-	-	-
Current loans	-	-	315.43	315.43	-	-	-
Other current financial assets	-	-	51.68	51.68	-	-	-
	-	-	99,360.05	99,360.05	-	-	-
ii) Financial liabilities							
a) Financial liabilities not measured at fair value							
Non-current borrowings	-	-	47,878.25	47,878.25	-	-	-
Trade payables	-	-	32,347.74	32,347.74	-	-	-
Other current financial liabilities	-	-	10,194.84	10,194.84	-	-	-
Current borrowings	-	-	45,420.61	45,420.61	-	-	-
	-	-	135,841.44	135,841.44	-	-	-

Notes to Consolidated Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

34. Financial risk management

Framework

The Group is exposed primarily to Credit Risk, Liquidity Risk and Market risk (fluctuations in foreign currency exchange rates and interest rate), which may adversely impact the fair value of its financial instruments. The Group assesses the unpredictability of the financial environment and seeks to mitigate potential adverse effects on the financial performance of the Group.

Credit risk

Credit risk is the risk that counterparty will not meet its obligations under a financial instrument or customer contract, leading to a financial loss. Credit risk encompasses of both, the direct risk of default and the risk of deterioration of creditworthiness as well as concentration of risks. Credit risk is controlled by analyzing credit limits and creditworthiness of customers on a continuous basis to whom the credit has been granted after obtaining necessary approvals for credit. Financial instruments that are subject to concentrations of credit risk principally consist of trade receivables, investments, cash and cash equivalents, bank deposits and other financial assets. None of the financial instruments of the Group result in material concentration of credit risk, except for trade receivables.

Ind AS requires expected credit losses to be measured through a loss allowance. The Group assesses at each date of statements of financial position whether a financial asset or a group of financial assets is impaired. Expected credit losses are measured at an amount equal to the 12 month expected credit losses or at an amount equal to the life time expected credit losses if the credit risk on the financial asset has increased significantly since initial recognition. The Group has used a practical expedient by computing the expected credit loss allowance for trade receivables based on a provision matrix. The provision matrix takes into account historical credit loss experience and adjusted for forward-looking information. The maximum exposure to credit risk was ₹73,517.82 lakhs and ₹ 67,354.24 lakhs as of March 31, 2020 and March 31, 2019 respectively, being the total of the carrying amount of balances with trade receivables.

Before accepting any new customer, the Group uses an external/internal credit scoring system to assess the potential customer's credit quality and defines credit limits of customer. Limits and scoring attributed to customers are reviewed at periodic intervals. The expected credit loss allowance is based on the ageing of the days the receivables are due and the rates as given in the provision matrix.

Credit risk on financial assets, except trade receivables is limited as the company generally transacts with banks and financial institutions with high credit rating assigned by international and domestic credit rating agencies. Investment primarily include investment in subsidiaries, associate and joint venture whose carrying value is evaluated by the management at the end of every reporting period for impairment. As at the end of the reporting period, there are no indicators of impairment of investments.

Liquidity risk

Liquidity risk refers to the risk that the Group cannot meet its financial obligations. The objective of liquidity risk management is to maintain sufficient liquidity and ensure that funds are available for use as per requirements. The Group manages liquidity risk by maintaining adequate reserves, banking facilities and reserve borrowing facilities, by continuously monitoring forecast and actual cash flows, and by matching the maturity profiles of financial assets and liabilities.

The table below provides details regarding the undiscounted contractual maturities of significant financial liabilities as of March 31, 2020:

Particulars	Less than 1 year	1-2 years	2-5 years	5-9 years	Total
Borrowings	9,888.82	9,408.30	27,982.63	4,761.31	52,041.07
Short-term Borrowings	37,169.09	-	-	-	37,169.09
Trade payables	43,002.21	-	-	-	43,002.21
Other financial liabilities	3,714.88	-	-	-	3,714.88

Notes to Consolidated Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

34. Financial risk management (Contd..)

The table below provides details regarding the undiscounted contractual maturities of significant financial liabilities as of March 31, 2019:

Particulars	Less than 1 year	1-2 years	2-5 years	5-9 years	Total
Borrowings	5,819.08	9,067.10	25,874.10	12,937.05	53,697.33
Short-term Borrowings	45,420.61	-	-	-	45,420.61
Trade payables	32,347.74	-	-	-	32,347.74
Other financial liabilities	4,375.76	-	-	-	4,375.76

Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Such changes in the values of financial instruments may result from changes in the foreign currency exchange rates, interest rates, credit, liquidity and other market changes. The Group's exposure to market risk is primarily on account of foreign currency exchange rate risk.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of change in market interest rates. As the Group's debt obligation with floating interest rates are primarily in USD/EURO which is subject to insignificant change, exposure to the risk of changes in market interest rates are substantially independent of changes in market interest rates.

Interest rate sensitivity

The following table demonstrates the sensitivity to a reasonably possible change in interest rates on that portion of borrowings affected. With all other variables held constant, the Group's profit before tax is affected through the impact on borrowings, as follows:

Particulars	Change in basis points	March 31, 2020	March 31, 2019
INR - Borrowings	+100	-	(7.73)
	-100	-	7.73
USD - Borrowings	+100	(305.35)	(409.71)
	-100	305.35	409.71
EURO - Borrowings	+100	(362.27)	(389.90)
	-100	362.27	389.90

Foreign Currency exchange rate risk

The fluctuation in foreign currency exchange rates may have potential impact on the statement of profit or loss and other comprehensive income and equity, where any transaction references more than one currency or where assets / liabilities are denominated in a currency other than the functional currency of the respective entities. Considering the countries and economic environment in which the Group operates, its operations are subject to risks arising from fluctuations in exchange rates in those countries. The risks primarily relate to fluctuations in USD/EURO against the functional currencies of the Group.

Notes to Consolidated Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

34. Financial risk management (Contd..)

The year end foreign currency exposures are as under

(All amounts are in Indian Rupees Lakhs)

	March 31, 2020		
	USD	EURO	Others
Assets			
Trade receivables	46,318.01	2,765.49	-
Loans and advances	13,455.24	-	825.56
Other non-current assets	75.95	566.75	6.89
Other current assets	197.64	24.82	0.32
Loans	0.04	-	-
Cash and cash equivalents	42.26	8.31	0.29
Total	60,089.14	3,365.37	833.06
Liabilities			
Borrowings	-	41,483.28	-
Trade payables	13,732.95	451.41	66.24
Other financial liabilities	2,499.02	9,062.47	0.41
Other current liabilities	803.47	15.08	-
Short-term borrowings	37,169.09	-	-
Total	54,204.53	51,012.24	66.65

(All amounts are in Indian Rupees Lakhs)

	March 31, 2019		
	USD	EURO	Others
Assets			
Trade receivables	53,141.47	3,242.37	-
Loans and advances	5,109.84	-	523.13
Other non-current assets	569.77	171.16	6.05
Other current assets	367.03	81.18	41.55
Loans	10.75	-	2.05
Cash and cash equivalents	68.28	0.43	0.16
Total	59,267.14	3,495.14	572.94
Liabilities			
Borrowings	1,064.00	46,814.25	-
Trade payables	11,537.07	358.26	82.78
Other financial liabilities	2,629.42	4,190.75	3.48
Other current liabilities	499.98	-	-
Short-term borrowings	44,647.96	-	-
Total	60,378.43	51,363.27	86.26

For the year ended March 31, 2020 and March 31, 2019, every percentage point depreciation / appreciation in the exchange rate between Indian rupees and U.S. dollar/Euro will affect the Groups's profit before tax by approximately 0.93% and 1.50% respectively.

The Group designates certain non derivative financial liabilities, such as foreign currency borrowings from financial institutions, as hedging instruments for the hedge of foreign exchange risk associated with highly probable forecasted transactions and, accordingly, applies cash flow hedge accounting for such relationships. Re-measurement gain/loss on such non derivative financial liabilities is accumulated in other equity under the heading cash flow hedging reserve, and re-classified in the statement of profit and loss as revenue in the period corresponding to the occurrence of the forecasted transactions.

Notes to Consolidated Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

34. Financial risk management (Contd..)

Cash flow hedge reserve

The reconciliation of cash flow hedge reserve for the year ended March 31, 2020 is as follows

Particulars	March 31, 2020	March 31, 2019
Balance at the beginning of the year	(128.89)	(1,346.00)
Gain/(loss) recognised in other comprehensive income during the year	(3,286.49)	1,870.87
Amount reclassified to revenue during the year	148.13	-
Tax impact on the above	770.50	(653.76)
Balance at the end of the year	(2,496.75)	(128.89)

The table below summarises the periods when the cash flows associated with highly probable forecasted transactions that are classified as cash flow hedges are expected to occur:

Particulars	March 31, 2020	March 31, 2019
Cash flows in Euros		
Not later than one year	8,554.11	3,605.98
Later than one year and not later than five years	36,874.02	30,252.25
Later than five years and not later than nine years	4,609.25	16,448.67

35. Segment reporting

A. Basis for segmentation

The operations of the Group are limited to one segment viz. Pharmaceutical products including ingredients and intermediaries.. The products being sold under this segment are of similar nature and comprises of pharmaceutical products only. The Company's Chief Operating Decision Maker (CODM) reviews the internal management reports prepared based on aggregation of financial information of the Company on a periodic basis, for the purpose of allocation of resources and evaluation of performance. Accordingly, management has identified pharmaceutical segment as the only operating segment for the Company.

B. Segment information for secondary segment reporting (by geographical segment)

The Company has reportable geographical segments based on location of its customers:

- (i) Revenue from customers within India - Domestic
- (ii) Revenue from customers outside India - Exports

Revenue from one external customer exceed 10% of company's total revenue from operations of ₹37,802.81 lakhs for the year ended March 31, 2020 (March 31, 2019 - ₹ 24,826.13 lakhs)

The Group is engaged in the manufacture of Pharmaceuticals, which in the context of Ind AS 108 is considered only business segment.

	March 31, 2020			March 31, 2019		
	Outside India	Within India	Total	Outside India	Within India	Total
Revenue	216,998.79	42,865.86	259,864.65	177,948.22	49,971.55	227,919.77
Non-current assets (refer note i)	48,631.00	107,161.70	155,792.70	42,375.74	104,354.77	146,730.51

Note:

- i) Non-current assets for this purpose consist of property, plant and equipment, capital work in progress, intangible assets, intangible assets under development and other non-current assets.

Notes to Consolidated Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

36. Group information

Information about subsidiaries

The consolidated financial statements of the Group includes subsidiaries listed in the table below:

Particulars	Country of incorporation	% of equity interest	
		March 31, 2020	March 31, 2019
Granules USA Inc	USA	100%	100%
Granules Pharmaceuticals Inc	USA	100%	100%
Granules Europe Limited	UK	100%	100%

Joint arrangement in which the Group is a joint venture/ associate

The Group has a 50% interest in Granules Bio-cause Pharmaceutical co. ltd and Granules Omnichem private Limited (March 31, 2019: 50% interest in Granules Bio-cause Pharmaceutical co. ltd and Granules Omnichem private Limited). For more details, refer to Note 32.

Notes to Consolidated Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

37. Statutory Group Information

Name of the entity in the group	Net Assets, i.e., total assets minus total liabilities		Share in profit and loss		Share in other Comprehensive income		Share in total Comprehensive income	
	As % of consolidated net assets	₹	As % of consolidated profit and loss	₹	As % of consolidated other comprehensive income	₹	As % of total comprehensive income	₹
Parent								
Granules India Limited								
Balance as at March 31, 2020	98.26%	181,158.58	132.40%	44,406.90	-1237.96%	(2,704.80)	123.53%	41,702.10
Balance as at March 31, 2019	93.05%	142,323.51	68.46%	16,184.05	88.21%	1,148.85	69.49%	17,332.90
Subsidiaries								
Foreign								
Granules USA Inc								
Balance as at March 31, 2020	0.10%	189.78	1.68%	565.04	2.22%	4.86	1.69%	569.90
Balance as at March 31, 2019	-0.25%	(380.12)	-5.41%	(1,278.95)	4.84%	63.01	-4.87%	(1,215.94)
Granules Pharmaceuticals Inc								
Balance as at March 31, 2020	3.43%	6,331.30	-2.41%	(808.38)	1937.76%	4,233.78	10.15%	3,425.40
Balance as at March 31, 2019	1.56%	2,383.58	17.08%	4,037.84	11.09%	144.49	16.77%	4,182.33
Granules Europe Limited								
Balance as at March 31, 2020	-0.39%	(725.99)	-0.59%	(198.65)	-9.89%	(21.61)	-0.65%	(220.26)
Balance as at March 31, 2019	-0.33%	(505.73)	-1.54%	(364.37)	1.14%	14.91	-1.40%	(349.46)
Joint venture/associate (investment as per the equity method)								
Indian								
Granules Omnicheem private Limited (refer note 4A)								
Balance as at March 31, 2020	0.00%	-	-1.37%	(460.39)	0.00%	-	-1.36%	(460.39)
Balance as at March 31, 2019	0.77%	1,180.24	1.83%	432.38	-0.05%	(0.64)	1.73%	431.74
Foreign								
Granules Bio-cause Pharmaceutical co. Ltd (refer note 4A)								
Balance as at March 31, 2020	0.00%	-	8.97%	3,009.47	-166.26%	(363.26)	7.84%	2,646.21
Balance as at March 31, 2019	6.47%	9,899.78	18.79%	4,441.94	-5.24%	(68.20)	17.53%	4,373.74
On account of Eliminations								
Balance as at March 31, 2020	-1.40%	(2,581.26)	-38.68%	(12,974.16)	-425.87%	(930.48)	-41.20%	(13,904.64)
Balance as at March 31, 2019	-1.28%	(1,953.95)	0.80%	187.96	0.00%	-	0.75%	187.96
Balance as at 31 March, 2020	100.00%	184,372.41	100.00%	33,539.83	100.00%	218.49	100.00%	33,758.32
Balance as at 31 March, 2019	100.00%	152,947.31	100.00%	23,640.85	100.00%	1,302.43	100.00%	24,943.28

Notes to Consolidated Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

38. Capital management

For the purpose of the Group's capital management, capital includes issued equity capital, share premium and all other equity reserves attributable to the equity holders. The primary objective of the Group's capital management is to maximise the shareholder value.

The Group manages its capital structure in consideration to the changes in economic conditions and the requirements of the financial covenants. The Group monitors capital using a gearing ratio, which is net debt divided by equity. Net debt consists of borrowings including interest accrued on borrowings, less cash and cash equivalents and other bank balances.

Particulars	March 31, 2020	March 31, 2019
Borrowings including interest accrued on borrowings	89,313.88	99,418.23
Less: cash and cash equivalents and other bank balances	(28,394.27)	(8,904.02)
Net debt	60,919.61	90,514.21
Equity	2,542.48	2,542.48
Other equity	181,829.93	150,404.83
Total equity	184,372.41	152,947.31
Net debt to equity ratio	0.33	0.59

In order to achieve this overall objective, the Group's capital management, amongst other things, aims to ensure that it meets financial covenants attached to the interest-bearing loans and borrowings that define capital structure requirements. Breaches in meeting the financial covenants would permit the bank to immediately call loans and borrowings. There have been no breaches in the financial covenants of any interest-bearing loans and borrowing in the current period.

39. Buy back of shares

The Board of Directors at their meeting held on January 21, 2020 approved a buyback proposal, subject to the approval of shareholders for purchase by the Company of up to equity shares of 12,500,000 of face value Re 1 each (representing 4.92% of total paid-up equity capital) from shareholders of the Company at a price of ₹ 200 per share. The shareholders approved the proposal of buyback of equity shares recommended by its Board of Directors in its meeting held on January 21, 2020 through the e-voting and postal ballot that concluded on March 09, 2020. The Company has filed the draft letter of offer (DLOF) with Securities Exchange Board of India (SEBI) for approval. The approval was received from SEBI in May 2020.

Notes to Consolidated Financial Statements

(All amounts are in Indian Rupees Lakhs except share data and unless otherwise stated)

40. Subsequent Events

Refer Note 4A for the event that occurred after the balance sheet date.

- 41.** The financial statements of each of the subsidiary are drawn up to the same reporting date i.e. year ended March 31, 2020, for the purpose of consolidation. The audited consolidated financial statements of Granules Biocause Pharmaceutical Co. Ltd for the previous year ended December 31, 2018 have been used for the purpose of consolidation.
- 42.** The disclosures regarding details of specified bank notes held and transacted during 8 November 2016 to 30 December 2016 has not been made in these financial statements since the requirement does not pertain to financial year ended 31 March 2020
- 43.** Figures in Balance Sheet, Statement of Profit and Loss and Notes to audited financial statements have been rounded off to the nearest thousand and have been expressed in terms of decimals of thousands.

As per our report of even date attached
for **B S R & Associates LLP**
Chartered Accountants
Firm registration number 116321W/W-100024

Sriram Mahalingam

Partner
Membership No : 049642

Place: Hyderabad
Date: June 02, 2020

for and on behalf of the Board of Directors of
Granules India Limited
CIN : L24110TG1991PLC012471

Krishna Prasad Chigurupati

Chairman and Managing Director
DIN : 00020180

Sandip Neogi
Chief Financial Officer

Chaitanya Tummala
Company Secretary

FORM AOC-1

(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014)

Statement containing salient features of the financial statement of Subsidiaries

Part "A" : Subsidiaries

Name of the Subsidiary	Granules USA, Inc.	Granules Pharmaceuticals Inc.	Granules Europe Limited
1. Reporting period	March 31, 2020	March 31, 2020	March 31, 2020
2. Exchange rate as on the last date of the financial year	INR 75.39/USD	INR 75.39/USD	INR 93.08/GBP
3. Share capital	116.31	44,359.72	0.08
4. Other Equity	189.78	6,331.30	(725.99)
5. Total Assets	10,961.07	78,961.74	99.63
6. Total Liabilities	10,654.98	30,204.68	825.54
7. Investments	-	1,933.96	-
8. Turnover	34,008.04	29,608.33	-
9. Profit/(loss) before taxation	584.74	64.72	(198.65)
10. Provision for taxation	19.70	873.11	-
11. Profit/(loss) after taxation	565.04	(808.38)	(198.65)
12. Proposed Dividend	-	-	-
13. % of shareholding	100%	100%	100%

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Company Secretary



Granules India Limited

(CIN: L24110TG1991PLC012471)

Regd. Office: 2nd Floor, 3rd Block, My Home Hub, Madhapur, Hyderabad - 500 081 (TS)

Web: www.granulesindia.com, Email: investorrelations@granulesindia.com, Tel: +91-40-30660000.

NOTICE

Notice is hereby given that the 29th Annual General Meeting (AGM) of the members of Granules India Limited will be held on Thursday, August 13, 2020 at 4.00 PM IST through Video Conferencing ("VC") / Other Audio Visual Means ("OAVM") to transact the following Business:

ORDINARY BUSINESS:

1. To consider and adopt (a) the audited financial statement of the Company for the financial year ended March 31, 2020 and the reports of the Board of Directors and the Auditors thereon; and (b) the audited consolidated financial statement of the Company for the financial year ended March 31, 2020 and the report of Auditors thereon and in this regard, pass the following resolutions as

Ordinary Resolutions:

- (a) **"RESOLVED THAT** the audited financial statement of the Company for the financial year ended March 31, 2020 and the reports of the Board of Directors and Auditors thereon laid before this meeting, be and are hereby considered and adopted."
 - (b) **"RESOLVED THAT** the audited consolidated financial statement of the Company for the financial year ended March 31, 2020 and the report of Auditors thereon laid before this meeting, be and are hereby considered and adopted."
2. To declare a final dividend of 25 paise per equity share and to approve and to ratify the interim dividend of 75 paise per equity share, already paid during the year for the year ended March 31, 2020 and in this regard, pass the following resolutions as an **Ordinary Resolutions**:
 - (a) **"RESOLVED THAT** a final dividend at the rate of 25 paise per equity share of Re.1/- (One rupee) each fully

paid-up of the Company be and is hereby declared for the financial year ended March 31, 2020 and the same be paid as recommended by the Board of Directors of the Company, out of the profits of the Company for the financial year ended March 31, 2020."

- (b) **"RESOLVED THAT** pursuant to the recommendation of the Board of Directors, interim dividend of 75 paise per equity share paid during the FY 2019-20 be and is hereby approved and ratified"

3. To appoint a Director in place of Mr. K. B. Sankar Rao (DIN: 05167550), who retires by rotation and, being eligible, seeks re-appointment and in this regard, pass the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT pursuant to the provisions of Section 152 of the Companies Act, 2013, Mr. K. B. Sankar Rao (DIN: 05167550), who retires by rotation at this meeting be and is hereby appointed as a Director of the Company, liable to retire by rotation."

SPECIAL BUSINESS:

4. To consider payment of remuneration in the form of commission to Non-Executive Directors of the Company and in this regard, pass the following resolution as **Special Resolution**:

"RESOLVED THAT pursuant to the provisions of Section 197 and other applicable provisions, if any, of The Companies Act, 2013 and rules made thereunder ('The Act') and the Articles of Association of the Company, approval of the members be and is hereby accorded to the payment of commission to the Non-Executive

Directors of the Company (other than the Managing Director(s) and/or Whole-Time Director(s) or Executive Director(s)) to be determined by the Board of Directors for each Non-Executive Director for each financial year over a period of five years commencing from 1st April 2020 up to and including financial year of the Company ending on 31st March 2025 within the maximum limit of 0.25% (quarter percent) of net profit of the Company, calculated in accordance with the provisions of Section 198 of The

Act, in addition to the sitting fees and reimbursement of expenses being paid by the Company for participating in the Board/Committee Meetings of the Company."

By Order of the Board of Directors

Hyderabad, July 17, 2020

Chaitanya Tummala
Company Secretary

NOTES:

1. The Explanatory Statement setting out all material facts as required under Section 102 of the Companies Act, 2013 in respect of special business of the Company is appended and forms part of the Notice.
2. In view of the continuing Covid-19 pandemic, the Ministry of Corporate Affairs ("MCA") has vide its circular dated May 5, 2020 read with circulars dated April 8, 2020 and April 13, 2020 (collectively referred to as "MCA Circulars") permitted the holding of the Annual General Meeting ("AGM") through VC / OAVM, without the physical presence of the Members at a common venue. In compliance with the provisions of the Companies Act, 2013 ("Act"), SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") and MCA Circulars, the AGM of the Company is being held through VC / OAVM.
3. The relevant details, pursuant to Regulations 26(4) and 36(3) of the SEBI Listing Regulations and Secretarial Standard on General Meetings issued by the Institute of Company Secretaries of India, in respect of Director seeking re-appointment at this AGM is annexed.
4. Pursuant to the provisions of the Act, a Member entitled to attend and vote at the AGM is entitled to appoint a proxy to attend and vote on his/her behalf and the proxy need not be a Member of the Company. Since this AGM is being held pursuant to the MCA Circulars through VC / OAVM, physical attendance of Members has been dispensed with. Accordingly, the facility for appointment of proxies by the Members will not be available for the AGM and hence the Proxy Form and Attendance Slip are not annexed to this Notice.
5. Institutional / Corporate Shareholders (i.e. other than individuals / HUF, NRI, etc.) are required to send a scanned copy (PDF/JPG Format) of its Board or governing body Resolution/Authorization etc., authorizing its representative to attend the AGM through VC / OAVM on its behalf and to vote through remote e-voting. The said Resolution/Authorization shall be sent to M/s. KFin Technologies Private Limited at email ID einward.ris@kfintech.com
6. (a) The Company has notified closure of Register of Members and Share Transfer Books from Friday, August 07, 2020 to, Thursday, August 13, 2020 (both days inclusive) for the purpose of AGM and determining the names of members eligible for final dividend on equity shares, if declared at the Meeting.
 - (b) The Board of Directors of the Company at their Meeting held on June 02, 2020 has recommended a dividend of 25 paise per share on equity share of Re. 1/- each as final dividend for the financial year 2019-20 in addition to the interim dividend paid during the year. Final dividend, if declared, at the Annual General Meeting, will be paid on or before September 11, 2020. The Company has fixed Thursday, August 6, 2020 as the 'Record Date' for determining entitlement of members to final dividend for the financial year ended March 31, 2020, if approved at the AGM.
7. As per Regulation 40 of SEBI Listing Regulations, as amended, securities of listed companies can be transferred only in dematerialized form with effect from, April 1, 2019, except in case of request received for transmission or transposition of securities. In view of this and to eliminate all risks associated with physical shares and for ease of portfolio management, members holding shares in physical form are requested to consider converting their holdings to dematerialized form.
8. To support the 'Green Initiative', Members who have not yet registered their email addresses are requested to register the same with their DPs in case the shares are held by them in electronic form and with the Registrar in case the shares are held by them in physical form.
9. Members are requested to intimate changes, if any, pertaining to their name, postal address, email address, telephone/ mobile numbers, Permanent Account Number (PAN), mandates, nominations, power of attorney, bank details such as, name of the bank and branch details, bank account number, MICR code, IFSC code, etc., to their DPs in case the shares are held by them in electronic form and to the Registrar in case the shares are held by them in physical form.
10. As per the provisions of Section 72 of the Act, the facility for making nomination is available for the Members in respect of the shares held by them. Members who have not yet registered their nomination are requested to register the same by submitting Form No. SH-13. Members are requested to submit the said details to their DP in case the shares are held by them in electronic form and to M/s. KFin Technologies Private Limited in case the shares are held in physical form.
11. Members holding shares in physical form, in identical order of names, in more than one folio are requested to send to the Company or the Registrar, the details of such folios together with the share certificates for consolidating their holdings in one folio. A consolidated share certificate will be issued to such Members after making requisite changes.

12. In case of joint holders, the Member whose name appears as the first holder in the order of names as per the Register of Members of the Company will be entitled to vote at the AGM.

13. Members seeking any information with regard to the accounts or any matter to be placed at the AGM, are requested to write to the Company on or before August 12, 2020 through email on investorrelations@granulesindia.com. The same will be replied by the Company suitably.

14. (a) Pursuant to the provisions of Sections 124 and 125 of the Companies Act, 2013 and the Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 ("Rules"), all shares on which dividend has not been claimed for seven consecutive years or more shall be transferred to IEPF Authority.

Details of shares transferred to the IEPF Authority are available on the website of the Company and the same can be accessed through the link: www.granulesindia.com. The said details have also been uploaded on the website of the IEPF Authority and the same can be accessed through the link: www.iepf.gov.in.

(b) Members may note that shares as well as unclaimed dividends transferred to IEPF Authority can be claimed back from them. Concerned members/ investors are advised to visit the weblink: <http://iepf.gov.in/IEPFA/refund.html> or contact the Registrar for lodging claim for refund of shares and / or dividend from the IEPF Authority.

15. Due dates for transfer of unclaimed/unpaid dividends for the financial year 2012-13 and thereafter to IEPF:

Financial year	Type of dividend	Due date of transfer
2012-2013	Final	25.09.2020
2013-2014	Final	04.10.2021
2014-2015	Final	19.09.2022
	1st Interim	03.09.2022
2015-2016	2nd Interim	07.12.2022
	3rd Interim	05.03.2023
	Final	16.09.2023
	1st Interim	16.09.2023
2016-2017	2nd Interim	30.11.2023
	3rd Interim	05.03.2024
	Final	03.11.2024
2017-2018	1st Interim	19.09.2024
	2nd Interim	15.12.2024

Financial year	Type of dividend	Due date of transfer
	3rd Interim	16.03.2025
	Final	12.10.2025
2018-19	1st Interim	28.08.2025
	2nd Interim	04.12.2025
	3rd Interim	06.03.2026
	Final	03.10.2026
2019-2020	1st Interim	03.09.2026
	2nd Interim	26.11.2026
	3rd Interim	25.02.2027

16. In compliance with the aforesaid MCA Circulars and SEBI Circular dated May 12, 2020, Notice of the AGM along with the Annual Report 2019-20 is being sent only through electronic mode to those Members whose email addresses are registered with the Company/Depositories.

17. Shareholders who have not registered their mail address and in consequence the Annual Report, Notice of e-AGM and e-voting notice could not be serviced may temporarily get their email address and mobile number provided with the Company's Registrar and Share Transfer Agent, KFin Technologies Private Limited, by clicking the link: <https://karisma.kfintech.com/emailreg> for sending the same. Shareholders are requested to follow the process as guided to capture the email address and mobile number for sending the soft copy of the notice and e-voting instructions along with the User ID and Password. In case of any queries, shareholder may write to einward.ris@kfintech.com.

Shareholders may also requested to visit the website of the company www.granulesindia.com or the website of the Registrar and Transfer Agent www.kfintech.com for downloading the Annual Report and Notice of the AGM.

Alternatively member may send an e-mail request at the email id einward.ris@kfintech.com along with scanned copy of the signed copy of the request letter providing the email address, mobile number, self-attested PAN copy and Client Master copy in case of electronic folio and copy of share certificate in case of physical folio for sending the Annual report, Notice of e-AGM and the e-voting instructions.

18. Members attending the AGM through VC / OAVM shall be counted for the purpose of reckoning the quorum under Section 103 of the Act.

19. The requirement to place the matter relating to appointment of Auditors for ratification by members at every Annual General Meeting is done away with vide

notification dated May 7, 2018 issued by the Ministry of Corporate Affairs, New Delhi. Accordingly, no resolution is proposed for ratification of appointment of Auditors, who were appointed in the Annual General Meeting held on September 28, 2017.

20. Pursuant to Finance Act 2020, dividend income will be taxable in the hands of shareholders w.e.f. April 1, 2020 and the Company is required to deduct tax at source from dividend paid to shareholders at the prescribed rates. For the prescribed rates for various categories, the shareholders are requested to refer to the Finance Act, 2020 and amendments thereof. The shareholders are requested to update their PAN with the Company/ M/s. KFin Technologies Private Limited (in case of shares held in physical mode) and depositories (in case of shares held in demat mode). A Resident individual shareholder with PAN and who is not liable to pay income tax can submit a yearly declaration in Form No. 15G/15H, to avail the benefit of non-deduction of tax at source by email to einward.ris@kfintech.com. Shareholders are requested to note that in case their PAN is not registered, the tax will be deducted at a higher rate of 20%.

Non-resident shareholders can avail beneficial rates under tax treaty between India and their country of residence, subject to providing necessary documents i.e. No Permanent Establishment and Beneficial Ownership Declaration, Tax Residency Certificate, Form 10F, any other document which may be required to avail the tax treaty benefits by sending an email to einward.ris@kfintech.com. The aforesaid declarations and documents need to be submitted by the shareholders by 5.00 p.m. IST on August 05, 2020.

21. Since the AGM will be held through VC / OAVM, the Route Map is not annexed in this Notice.
22. In compliance with the provisions of Section 108 of the Act, read with Rule 20 of the Companies (Management and Administration) Rules, 2014, as amended from time to time, and Regulation 44 of the SEBI Listing Regulations, the Members are provided with the facility to cast their vote electronically, through the e-voting services provided by the M/s. KFin Technologies Private Limited, on all the resolutions set forth in this Notice. The instructions for e-voting are given herein below.
- The facility for voting through electronic voting system shall be made available at the AGM and only those Members/ shareholders, who will be present in

the AGM through Video Conference facility and have not casted their vote through remote e-Voting are eligible to vote through e-Voting in the AGM.

- The members who have cast their vote by remote e-voting may also attend the AGM but shall not be entitled to cast their vote again.
- The Company has engaged the services of M/s. KFin Technologies private limited as the Agency to provide e-voting facility.
- The Board of Directors of the Company has appointed Mr. Dhanunjaya Kumar Alla, a Practicing Chartered Accountant, Partner, M/s. Dhanunjaya & Haranath, Chartered Accountants, Hyderabad, as Scrutinizer to scrutinize the e-voting process in a fair and transparent manner and he has communicated his willingness to be appointed and will be available for same purpose.
- Voting rights shall be reckoned on the paid up value of shares registered in the name of the member / beneficial owner (in case of electronic shareholding) as on the cut-off date i.e. August 06, 2020.
- A person, whose name is recorded in the register of members or in the register of beneficial owners maintained by the depositories as on the cut-off date, i.e. August 06, 2020 only, shall be entitled to avail the facility of remote e-voting and e-voting during the AGM.
- Any person who becomes a member of the Company after dispatch of the Notice of the Meeting and holding shares as on the cut-off date i.e August 06, 2020 may obtain the user ID and password in the manner as mentioned below:
 - If the mobile number of the member is registered against Folio No. / DP ID Client ID, the member may send SMS : MYEPWD <space> E-Voting Event Number+Folio No. or DP ID Client ID to 9212993399

Example for NSDL:

MYEPWD <SPACE> IN12345612345678

Example for CDSL :

MYEPWD <SPACE> 1402345612345678

Example for Physical :

MYEPWD <SPACE> XXXX1234567890

- b. If e-mail address or mobile number of the member is registered against Folio No. / DP ID Client ID, then on the home page of <https://evoting.karvy.com>, the member may click "Forgot Password" and enter Folio No. or DP ID Client ID and PAN to generate a password.
 - c. Member may call M/s. KFin Technologies Private Limited at toll free number 1-800-3454-001
 - d. Member may send an e-mail request to einward.ris@kfintech.com
 - e. If the member is already registered with e-voting platform of M/s. KFin Technologies Private Limited then he/she can use his/her existing user ID and password for casting the vote through remote e-voting.
 - viii. The remote e-voting facility will be available during the following period:

Commencement of remote e-voting: From 9.00 a.m. (IST) on August 10, 2020

End of remote e-voting: Up to 5.00 p.m. (IST) on August 12, 2020

The remote e-voting will not be allowed beyond the aforesaid date and time and the e-voting module shall be disabled by M/s. KFin Technologies Private Limited upon expiry of aforesaid period.
 - ix. The Scrutinizer, after scrutinising the votes cast at the meeting and through remote e-voting, will, not later than three days of conclusion of the Meeting, make a consolidated scrutinizer's report and submit the same to the Chairman. The results declared along with the consolidated scrutinizer's report shall be placed on the website of the Company www.granulesindia.com and on the website of M/s. KFin Technologies Private Limited www.kfintech.com. The results shall simultaneously be communicated to the Stock Exchanges.
 - x. Subject to receipt of requisite number of votes, the resolutions shall be deemed to be passed on the date of the Meeting, i.e. August 13, 2020.
23. Instructions for the Members for attending the AGM through Video Conference:
 - a. Member will be provided with a facility to attend the AGM through video conferencing platform provided by M/s KFin Technologies Private Limited. Members may access the same at <https://emeetings.kfintech.com> under shareholders/members login by using the remote evoting credentials. The link for AGM will be available in shareholder/members login where the EVENT and the name of the company can be selected. Please note that the members who do not have the User ID and Password for e-Voting or have forgotten the User ID and Password may retrieve the same by following the remote e-Voting instructions mentioned in the notice.
 - b. Facility of joining the AGM through VC / OAVM shall open 15 minutes before the time scheduled for the AGM and will be available for Members on first come first served basis.
 - c. Members are encouraged to join the Meeting through Laptops with Google Chrome for better experience.
 - d. Further Members will be required to allow Camera, if any, and hence use Internet with a good speed to avoid any disturbance during the meeting.
 - e. Please note that Participants Connecting from Mobile Devices or Tablets or through Laptop connecting via Mobile Hotspot may experience Audio/Video loss due to fluctuation in their respective network. It is therefore recommended to use Stable Wi-Fi or LAN Connection to mitigate any kind of aforesaid glitches.
 - f. Shareholders who would like to express their views/ ask questions during the meeting may log into <https://evoting.karvy.com/> post their queries/views/ questions in the window provided by mentioning the name, demat account number/folio number, email id, mobile number. Please note that, members questions will be answered only if the member continue to hold the shares as of cut-off date i.e., August 06, 2020.
 - g. Due to limitations of transmission and coordination during the Q&A session, the company may dispense with the speaker registration during the AGM conference.

Explanatory Statement in Respect of the Special Business Pursuant to Section 102(1) of the Companies Act, 2013

Item No. 4:

Section 197 of The Companies Act, 2013 provides that a Director who is neither Managing Director nor Whole-time Director nor Executive Director may be paid remuneration by way of commission, if the Company by special resolution, authorises such payment. The involvement of Non-Executive Directors of the Company has increased over the years and they contribute significantly to the growth of the Company as well as sound corporate governance practices by bringing with them professional expertise, rich and wide experience.

The Board of Directors are of the opinion that in order to remunerate the Non-Executive Directors of the Company (other than the Managing Director(s) and/or Whole-time Director(s) or Executive Director(s)) for the responsibilities entrusted upon them under the law particularly under The Companies Act, 2013 and the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the current trends, the time devoted and the contribution made by them, commission in terms of Section 197 of The Companies Act, 2013, be paid to the Non-Executive Directors of the Company.

The Board of Directors of the Company on the recommendation of the Nomination and Remuneration Committee have recommended payment of commission to Non-Executive Directors of the Company within the maximum limit of 0.25% (quarter percent) of net profit of the Company, to be determined by the Board of Directors for each Non-Executive Director for each financial year, over a period of five years commencing from 1st April 2020 up to and including financial year of the Company ending on 31st March 2025.

Section 197 of The Companies Act, 2013 requires approval of members of the Company by passing a Special Resolution in the General Meeting for payment of remuneration by way of commission to Non-Executive Directors of the Company. The Board of Directors recommends the resolution at Item No.4 of this Notice for your approval.

The Chairman and Managing Director, Whole-time Directors and Key Managerial Personnel of the Company and their relatives are not concerned or interested financially or, otherwise, in the resolution set out at item No. 4 of the Notice. Non-Executive Directors may be deemed to be concerned or interested in the resolution set out at item No. 4 to the extent of remuneration or fees that may be received by them. The relatives of Non- Executive Directors may be deemed to be interested or concerned in the resolution set out at item No. 4 of the Notice, to the extent of their shareholding interest, if any, in the Company.

Annexure to the Notice dated July 17, 2020**Details of Directors retiring by rotation / seeking re-appointment at the Meeting**

Name of Director	Mr. Kolli Basava Sankar Rao
Date of Birth	January 10, 1954
Date of Appointment	February 19, 2013
Relationship with other Directors	NIL
Expertise in specific functional area	Wide experience in medical and pharmaceutical field.
Profile	He is a post graduate from Andhra University and has rich experience of more than three decades in various domains. Mr. K. B. Sankar Rao was associated with various reputed organizations like Warner Hindustan, Cipla Limited and Dr. Reddy's Laboratories Limited. He has varied experience in the fields of technical operations, quality, supply chain, development & launch of APIs and finished dosages for global markets and business strategy. Mr. K.B. Sankar Rao is also Managing Director of Raje Retail Pvt Ltd, a pharmacy retail chain under the brand name- "My Health Pharmacy" in Hyderabad.
Board membership of other Indian Companies	Raje Retail Private Limited
Chairman/member of the Committee of the Board of Directors of the Company	Business Review Committee – Chairman Nomination & Remuneration Committee –Member Risk Management Committee – Member
Chairman / member of the Committees in other companies in which he is a Director	Nil
Number of shares held in the company	35,91,160 equity shares of Re. 1/- each

By Order of the Board of Directors

Hyderabad, July 17, 2020

Chaitanya Tummala
Company Secretary

Notes

[illegible]

[illegible]

Notes

[illegible]

Corporate Information

Board of Directors

Mr. Krishna Prasad Chigurupati,
Chairman and Managing Director – Non-Independent

Mr. Arun Rao Akinepally,
Director – Non-Executive, Independent

Mr. K.B. Sankar Rao,
Director – Non-Executive, Non-Independent

Mrs. Uma Devi Chigurupati,
Director - Executive, Non-Independent

Mr. Harsha Chigurupati,
Director - Executive, Non-Independent

Mr. Arun Sawhney,
Director - Non-Executive, Independent

Mr. Robert George Cunard,
Director - Non-Executive, Independent

Ms. Jyothi Prasad,
Director - Non-Executive, Independent

Chief Financial Officer

Mr. Sandip Neogi

Chief Operating Officer

Mr. GSR Prasad

Chief Human Resources Officer

Mr. Atul Dhavle

Company Secretary & Compliance Officer

Ms. Chaitanya Tummala

Registered Office

2nd Floor, 3rd Block, My Home Hub, Madhapur,
Hyderabad (TS) 500 081, Ph: 91-40-30660000
Fax: 91-40-23115145
E-mail: investorrelations@granulesindia.com

Statutory Auditors

M/s B S R & Associates LLP
Chartered Accountants
Salarpuria Knowledge City,
Orwell, B Wing, 6th Floor, Unit-3,
Sy No. 83/1, Plot No 2, Raidurg,
Hyderabad (TS) - 500 081

Internal Auditors

M/s. Dhanunjaya & Haranath
Chartered Accountants
302, Wings, 8-3-960/6/2, Srinagar Colony,
Hyderabad (TS)- 500 073

Secretarial Auditors

M/s. Saurabh Poddar & Associates,
4-1-6/A/1, 2nd Floor, AB Chambers,
Street No:- 6, Tilak Road, Abids,
Hyderabad (TS) - 500 001

Registrar & Transfer Agent

KFin Technologies Private Limited
Karvy Selenium
Tower B, Plot number 31 & 32, Financial District
Gachibowli, Hyderabad 500 032 India.
Tel: +91-40-67161500
Toll Free No: 1-800-3454-001; Fax: +91-40-23001153
E-mail: einward.ris@kfintech.com
Website: www.kfintech.com



Granules India Limited

Registered Office:

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