



Granules India Limited

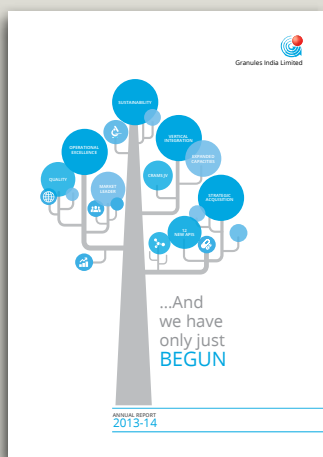


...And
we have
only just
BEGUN

ANNUAL REPORT
2013-14

Forward-looking statement

In this Annual Report, we have disclosed forward looking information to enable investors to comprehend our prospects and take investment decisions. This report and other statements - written and oral - that we periodically make contain forward looking statements that set out anticipated results based on the management's plans and assumptions. We have tried, wherever possible, to identify such statements by using words such as 'anticipate', 'estimate', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance. We cannot guarantee that these forward looking statements will be realised, although we believe we have been prudent in our assumptions. The achievements of results are subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should keep this in mind. We undertake no obligation to publicly update any forward looking statement, whether as a result of new information, future events or otherwise.

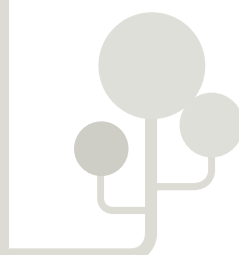


For additional information please visit

www.granulesindia.com

At Granules, our emphasis on vertical integration and process innovation has translated into unparalleled efficiencies that has made us a market leader in the products that we manufacture.

Granules is the preferred supplier for leading brand owners and generics leaders due to our commitment of cost-effective, quality-conscious manufacturing. Market leaders choose to partner with us because we are among the few companies in the world with integrated pharmaceutical manufacturing value chain from APIs to PFIs to Finished Dosages. We have a sustainable competitive advantage due to our expertise in large-scale manufacturing through our dedicated API facilities and our industry leading 6-ton PFI batch size.



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...And we have only just begun

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Adapting best governance practices

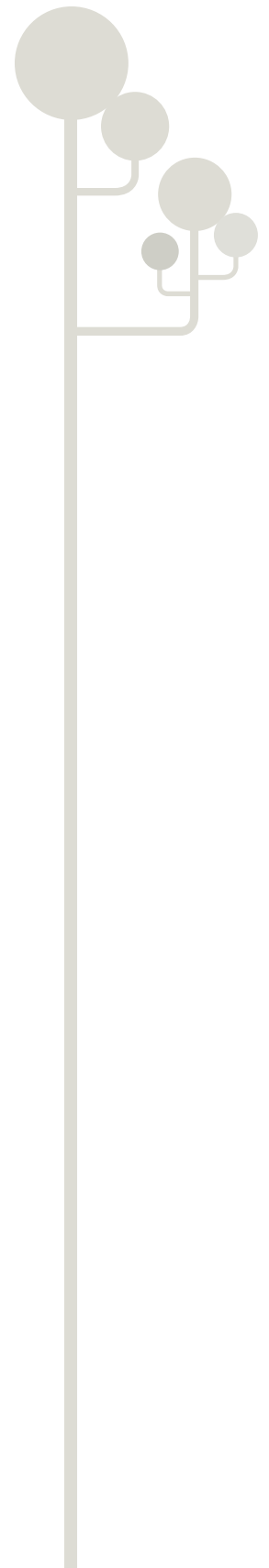
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We are one of the global leaders of vertically-integrated, large-scale pharmaceutical manufacturing.

At Granules, our emphasis on vertical integration and process innovation has translated into unparalleled efficiencies that has made us a market leader in the products that we manufacture.

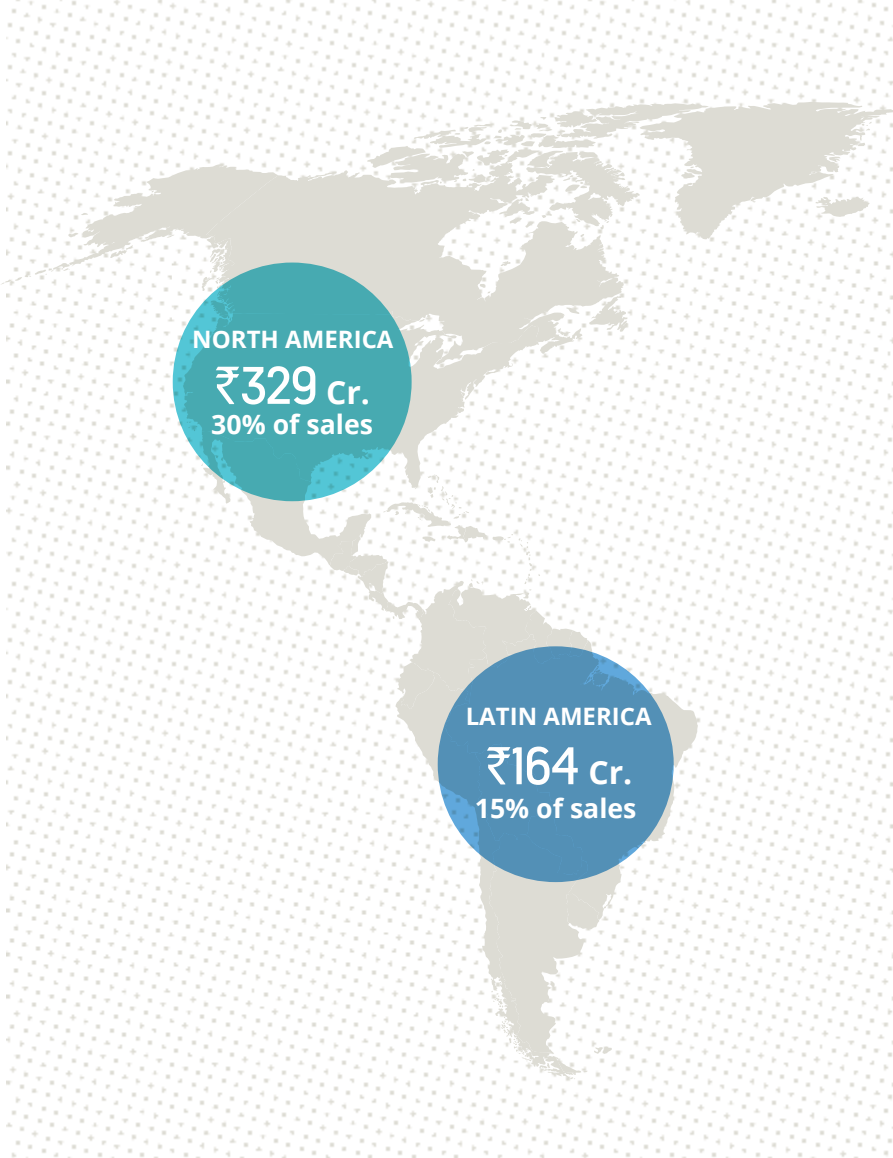
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Market leaders choose to partner us because we are among the few companies in the world with an integrated pharmaceutical manufacturing value chain from APIs to PFIs to Finished Dosages. Our expertise in large-scale manufacturing is demonstrated through our dedicated API facilities and industry leading 6-ton PFI batch size which gives us a sustainable competitive advantage.

Our robust foundation is based on our focus on operational excellence. Going forward, we will leverage our strength by forward integrating into several drugs as well as commercialising our CRAMs JV. Our future roadmap will further develop our lasting relationships and will continue to drive value for our shareholders.

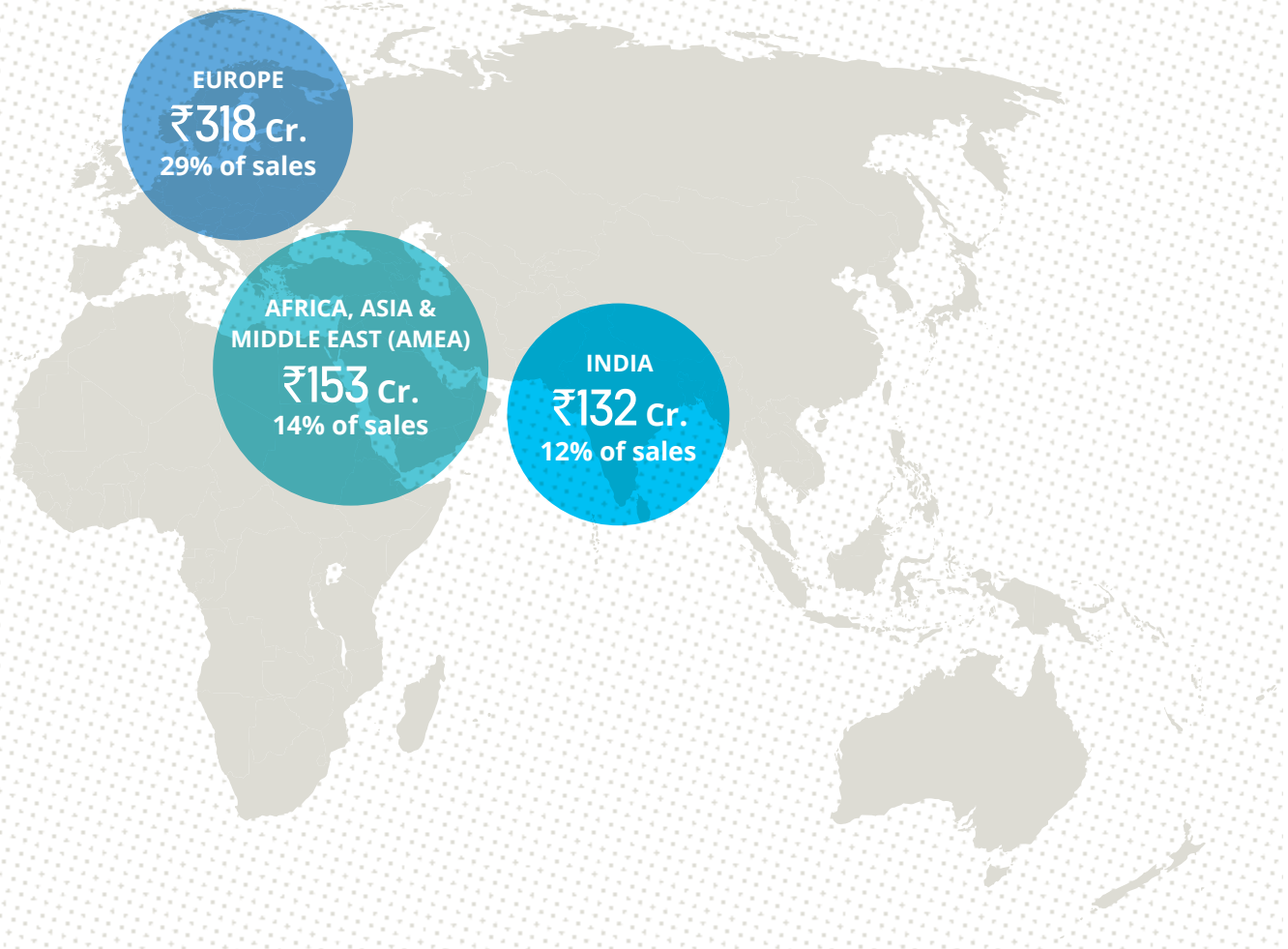
KEY NUMBERS, FY14
<p>₹1,096 Cr. Sales up by 43% over FY13</p>
<p>₹347 Cr. Finished Dosage revenue, increase of 63% over FY13</p>
<p>₹163 Cr. EBITDA up by 87% over FY13</p>
<p>₹75 Cr. Profit after Tax up by 131% over FY13</p>
<p>22.6% ROCE up by 724 basis points over FY13</p>

REVENUE BY GEOGRAPHY



MOLECULES AS A % OF SALES

PARACETAMOL	METFORMIN
<p>FY14: Share of revenue: 42%</p>	<p>FY14: Share of revenue: 24%</p>
<p>FY11: Share of revenue: 53%</p>	<p>FY11: Share of revenue: 10%</p>



IBUPROFEN

FY14:
Share of
revenue: 22%

FY11:
Share of
revenue: 23%

GUAIFENESIN

FY14:
Share of
revenue: 6%

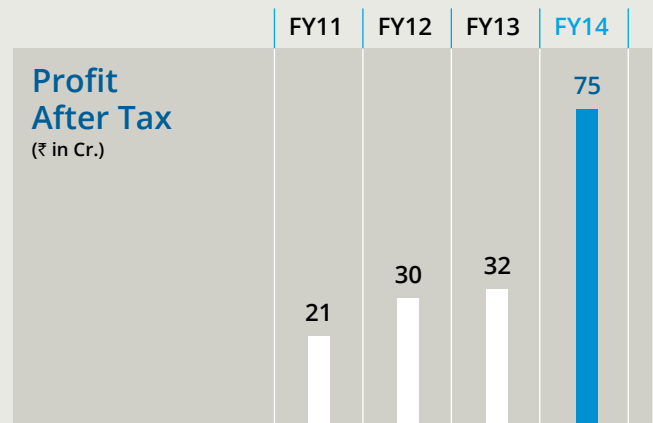
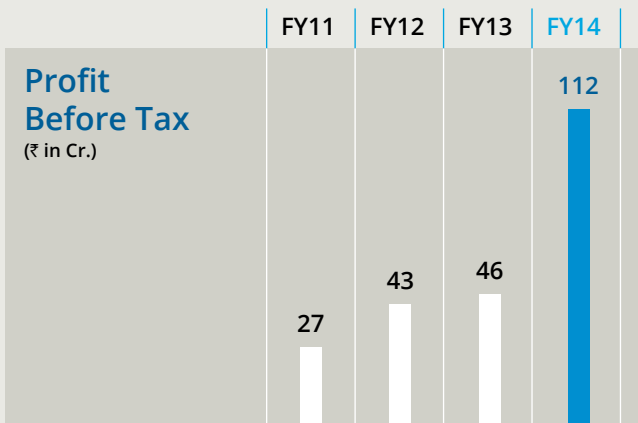
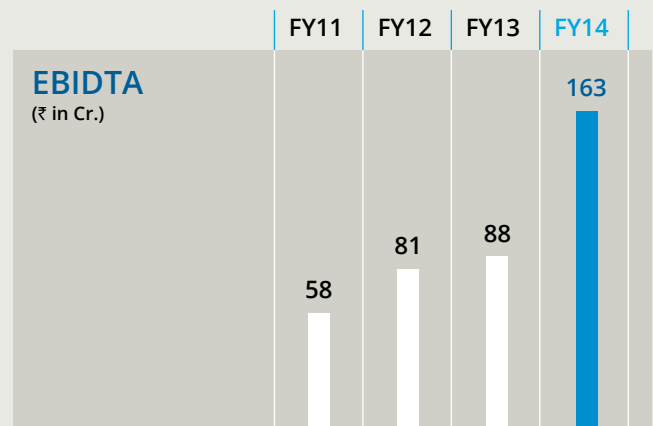
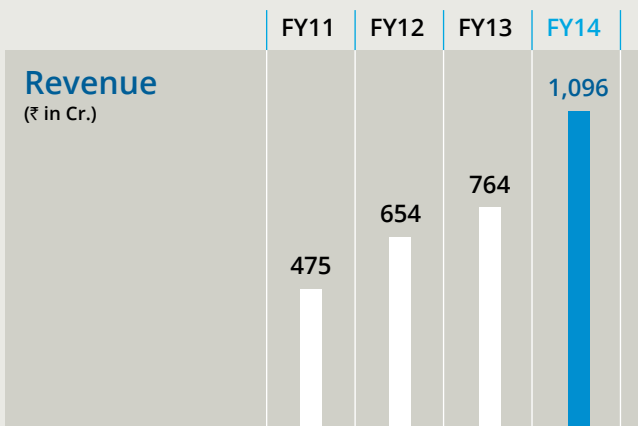
FY11:
Share of
revenue: 4%

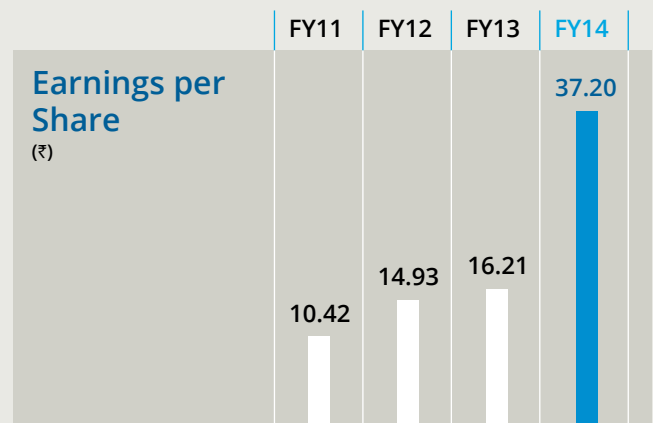
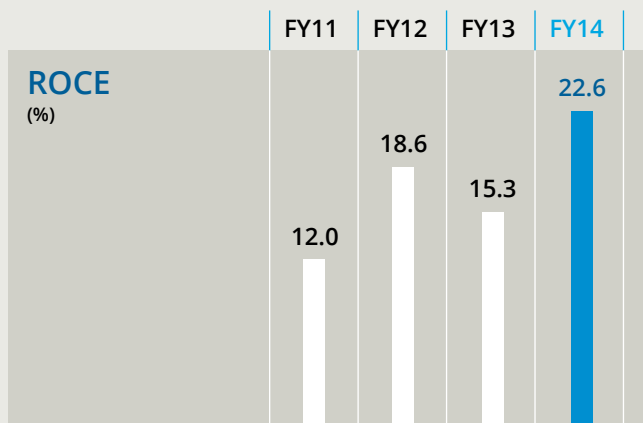
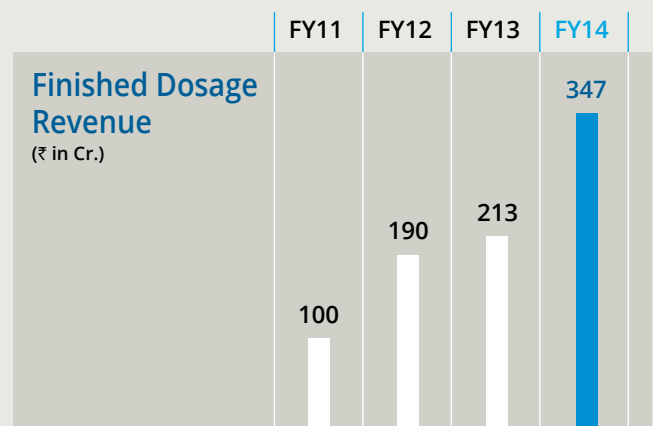
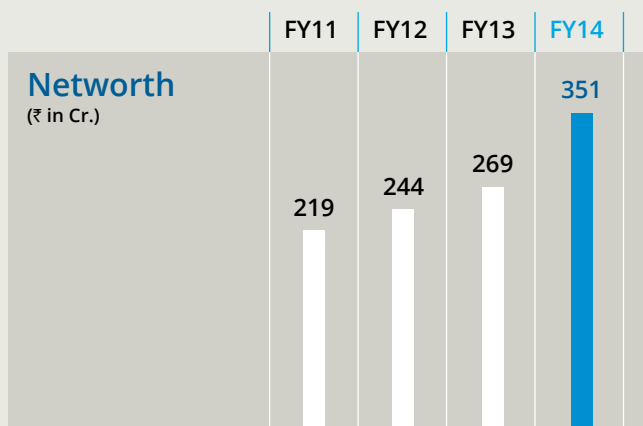
OTHERS

FY14:
Share of
revenue: 6%

FY11:
Share of
revenue: 11%

The journey reflected in numbers





Letter from the Managing Director

In FY14, we grew 43% to ₹1,096 Cr. on a consolidated basis which made us the third fastest growing public pharmaceutical company in India.



C. Krishna Prasad, Managing Director

Dear Shareholders

Our performance in FY14 reaffirmed the business model we laid out nearly ten years ago. At that time, we decided to become the market leader for our products by focusing on improving manufacturing efficiencies across the value chain from APIs through PFIs to Finished Dosages.

Since we focused on operational excellence and process innovation, we have been able to systematically increase capacities at our API facilities without incurring any material capital expenditures. For example, our Paracetamol facility has increased production from 600 tons per month to 1,200 tons while our Metformin facility has improved from 80 tons per month to 165 tons. We have leveraged these efficiencies by using our industry leading 6-ton PFI batch size which enables our finished dosage compression machines to run more efficiently than our competitors. Given that our focus on manufacturing efficiencies cascades through our vertically-integrated facilities, we are able to offer a compelling value proposition which is why brand owners and generics leaders work with us.

While our focus on manufacturing efficiencies is not common in the pharmaceutical industry, our performance speaks for itself. Although our products are growing in the mid-single digits, sales have grown at a compounded five year rate of 24% while net profit has increased at a compounded rate of 68% in the same time frame.

In FY14, we grew 43% to ₹1,096 Cr. on a consolidated basis which made us the third fastest growing public pharmaceutical company in India. Growth was primarily driven by increased capacity utilization at our formulation facility. We

are particularly pleased to see our finished dosage business grow due to robust growth from our ANDAs. Due to strong performance from all our facilities, our profit margin improved. EBITDA grew 344 basis points to 14.8% which helped improve our ROCE to 23%.

More importantly, we have a sustainable competitive advantage and believe that the margins for our existing products have scope for improvement. There are still tremendous opportunities for our products and we remain committed to strengthening our leadership position.

While we have built a strong base for our existing products, we are investing for the future in order to sustain our growth. In FY14, we made our first strategic acquisition by purchasing Auctus Pharma. We are excited about this acquisition because Auctus provides compelling opportunities that can take our Company to the next level. Auctus gives us access to 12 lucrative APIs in a facility that has regulatory approval from leading agencies including the U.S. FDA.

We believe we can leverage our core competency of efficiently manufacturing high-volume products and maximize value at Auctus. While the Auctus APIs offer strong growth in the short-to-midterm, the full value of Auctus will come into fruition when we get approval from the ANDAs we file from select Auctus APIs. We enhanced our R&D capabilities including setting up a dedicated team to file ANDAs and lowering the cost of production through process innovation for the Auctus APIs. Going forward, we will further expand the product basket at the Auctus facility.

While FY14 validated our strategy, we feel our journey has only just begun. We used to be synonymous with Paracetamol API but we have successfully transformed into a vertically-integrated market leader for five molecules. We improved our sales mix by growing finished dosages from ₹37 Cr. in FY10, the first full year of operations to ₹347 Cr. in FY14. In addition, we have diversified our product mix and in FY14, nearly 60% of our sales came from molecules such as Metformin, Ibuprofen and Guaifenesin. While Paracetamol sales will continue to grow on an absolute basis, we expect to see other molecules including those from Auctus, contribute to more of our overall sales mix.

Our core strength of efficient manufacturing is not easily replicable which is why we have been able to create margins in what are viewed as commodity products. We will build on our success by leveraging our technical knowledge and customer relationships as we introduce a broader API basket.

We believe we will be recognized as one of India's premier pharmaceutical companies as the industry begins to recognize the importance of manufacturing efficiencies and process innovation.

Sincerely

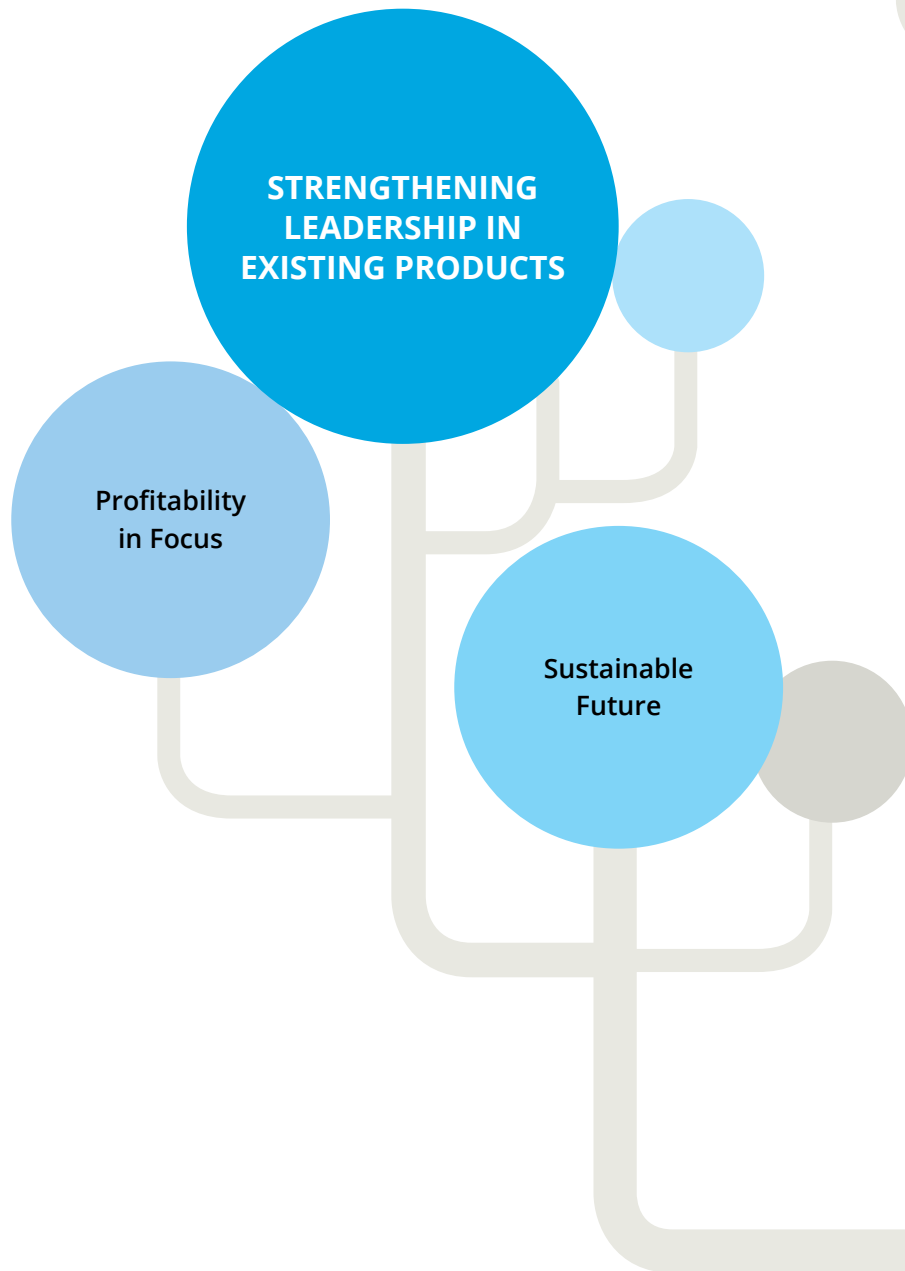
Sd/-

C. Krishna Prasad

Managing Director

More importantly, we have a sustainable competitive advantage and believe that the margins for our existing products have scope for improvement. There are still tremendous opportunities for our products and we remain committed to strengthening our leadership position.

We are focusing our energies on things that matter most to our customers, investors and the wider fraternity of stakeholders.



**LEVERAGING
MANUFACTURING
EXPERTISE**

Expanding the
product portfolio

Turning
around Auctus

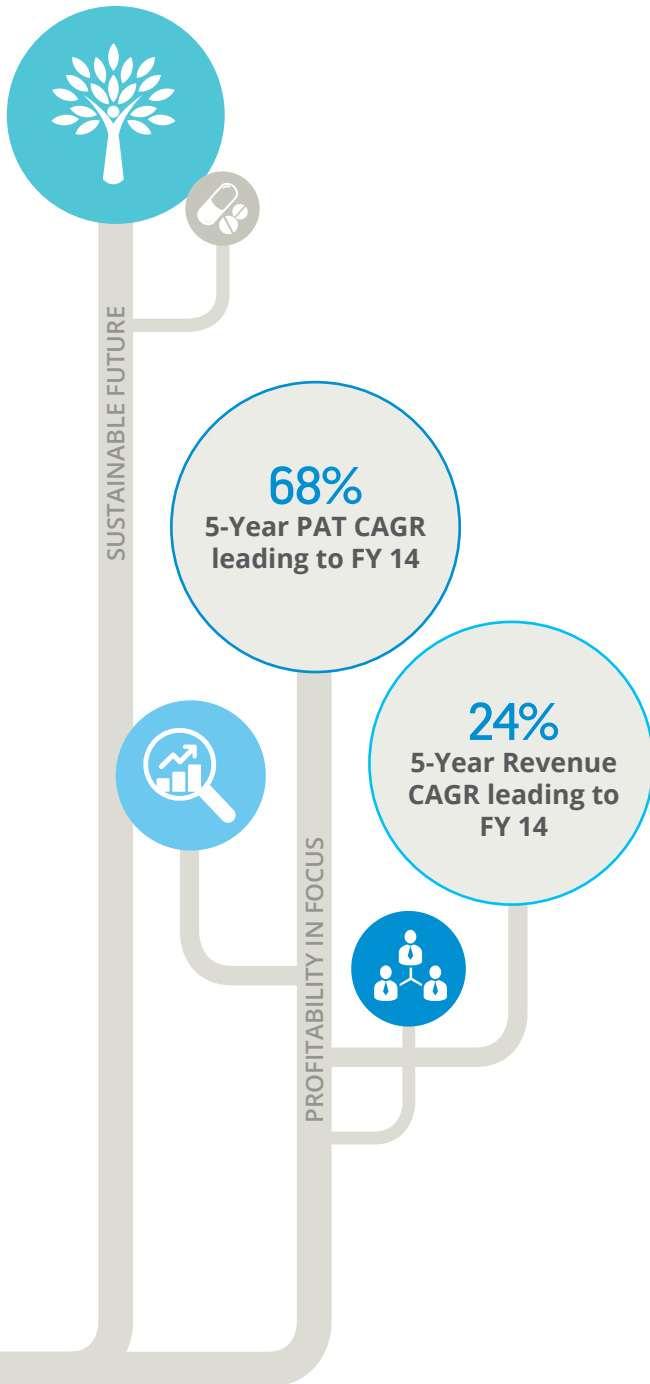
**EXPANDING
REVENUE BASE**

Entering high-value,
low-volume drugs

Chemistry strengths
of OmniChem

...And we have only just begun

Strengthening leadership in existing products

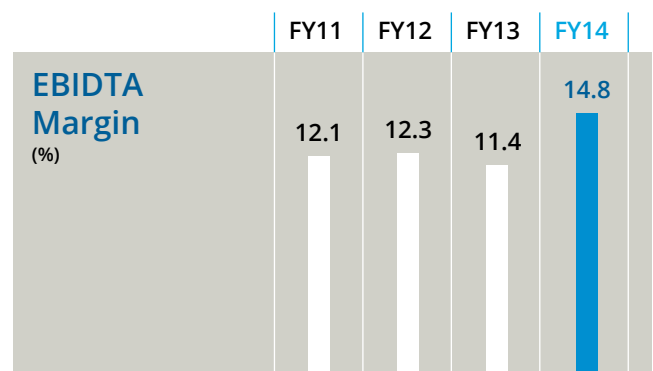
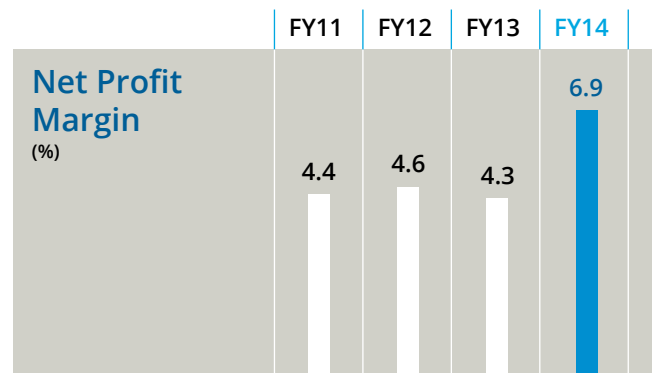


Our performance in FY14 reaffirms the strength of our business model. We will continue to strengthen our competitive advantage of efficient manufacturing so that we can ensure sustainable cash flows from our core business.

Profitability in Focus

FY14 was a monumental year for Granules since our revenue crossed ₹1,000 Cr. We grew 43% to ₹1,096 Cr., which placed us among the top 3 fastest growing public pharmaceutical companies in India. Revenue was driven by increased production at our newly expanded formulation capacity at Gagillapur. Due to the new capacity, our sales mix continued to shift more to formulations, with approximately 37% of the standalone sales coming from finished dosages.

In addition to strong revenue growth, our bottom line grew 110% to ₹75 Cr. Profitability increased because capacity utilization improved at all our facilities. Our API facilities continued to hit record production rates due to our relentless focus on de-bottlenecking while our formulation facility ramped up production through the year as we gained more customer approvals.



Sustainable Future

We are committed to create a sustainable organisation for the long-term. Our efforts to improve the sustainability levels revolve around three pillars –

- Increasing revenue from marquee customers,
- Providing more value to customers and
- Implementing more eco-friendly and worker-sustainable practises at our facilities.

Our share of revenue from marquee customers, whether it is a brand owner or a generics leader, continues to increase every year. Today, we are a trusted partner for some of the world's largest pharmaceutical companies and brands. We prefer to work with marquee customers for one simple reason: matching their requirements for quality and service with our capabilities.

We continue to create more value for our customers by giving them holistic solutions. Today we are present from APIs to PFIs and Finished Dosages. We have strengthened our revenue from formulations and we now generate approximately 68% of our standalone revenue from PFIs and Finished Dosages.

While we are well-known as a premier PFI manufacturer, we have quickly become one of the largest finished dosage manufacturers in the world by volume. Last year, 35% of our standalone sales came from finished dosages, demonstrating our capabilities.

Our formulation business is important because customers register our products in their respective markets. This has long-term benefits and shows that our customers consider us to be reliable partners .

We also continue to implement eco-friendly manufacturing practices at our facilities. In 2014, we began installing zero-liquid discharge systems at our sites.

We continue to create more value for our customers by giving them holistic solutions. Today we are present from APIs to PFIs and Finished Dosages. We have strengthened our revenue from formulations and we now generate approximately 68% of our standalone revenue from PFIs and Finished Dosages.

In addition, we have taken proactive measures when it comes to our corporate social responsibilities practices. We have been working with leading MNCs to enhance our work practices and believe it will provide an edge over our competitors.

During the year, the Bonthapally facility received the ISO 14001 certification for environment management as well as the OHSAS 18001 certification for occupational health safety systems. We are among the few Indian pharmaceutical companies to implement such stringent standards and feel it will result in a more productive workforce.

...And we have only just begun

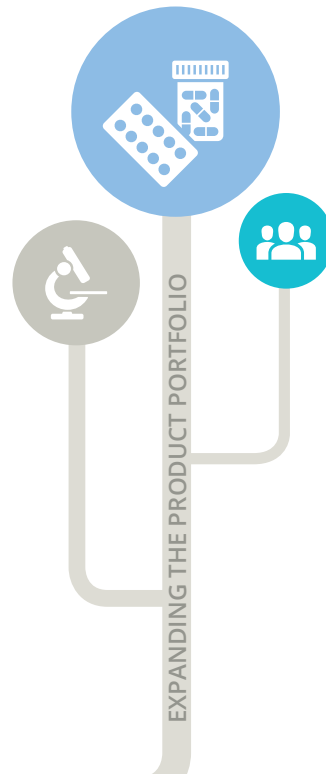
Leveraging manufacturing expertise

We made our first strategic acquisition by purchasing Auctus Pharma. Our acquisition adds 20 new APIs to our product portfolio and provides us with a U.S. FDA-approved API facility.

Expanding the Product Portfolio

In 2012, we began working on how to diversify our product portfolio. We planned to leverage our core competency of efficient manufacturing capability whether in the API or the Finished Dosage form, and also wanted to continue our focus on established drugs with a proven safety record and a large user base. Finally, our aim was to target highly fragmented products that could be consolidated by a manufacturer with best-in-class processes.

We acquired Auctus because it possesses APIs that meet our criteria. We will leverage our marketing capabilities by taking advantage of Auctus' regulatory approvals from leading agencies, including the U.S. FDA and EDQM. Over the long-term, we will forward integrate into Finished Dosages of several Auctus APIs so we can sell higher profit products. Auctus also makes intermediates for several of its APIs which increases our supply security.



TURNING AROUND AUCTUS



20
Total generic
molecules
possessed by
Auctus

Turning around Auctus

Marketing Re-orientation

Auctus received approval from leading regulatory agencies including the U.S.FDA and EDQM within the past 18 months but has been unable to leverage its approvals. Auctus has primarily focused on the domestic market and its limited export sales have been through distributors to the semi-regulated markets. Granules will leverage its marketing network and introduce the Auctus basket to customers in the quality-conscious markets. We plan to -

- Shift sale of Auctus products to the export markets in order to garner higher sales realisations and establish long-term business
- Focus on marketing APIs and limit intermediate production for select strategic customers
- Forward-integrate into Finished Dosages of select Auctus APIs and market them in the North American and European markets

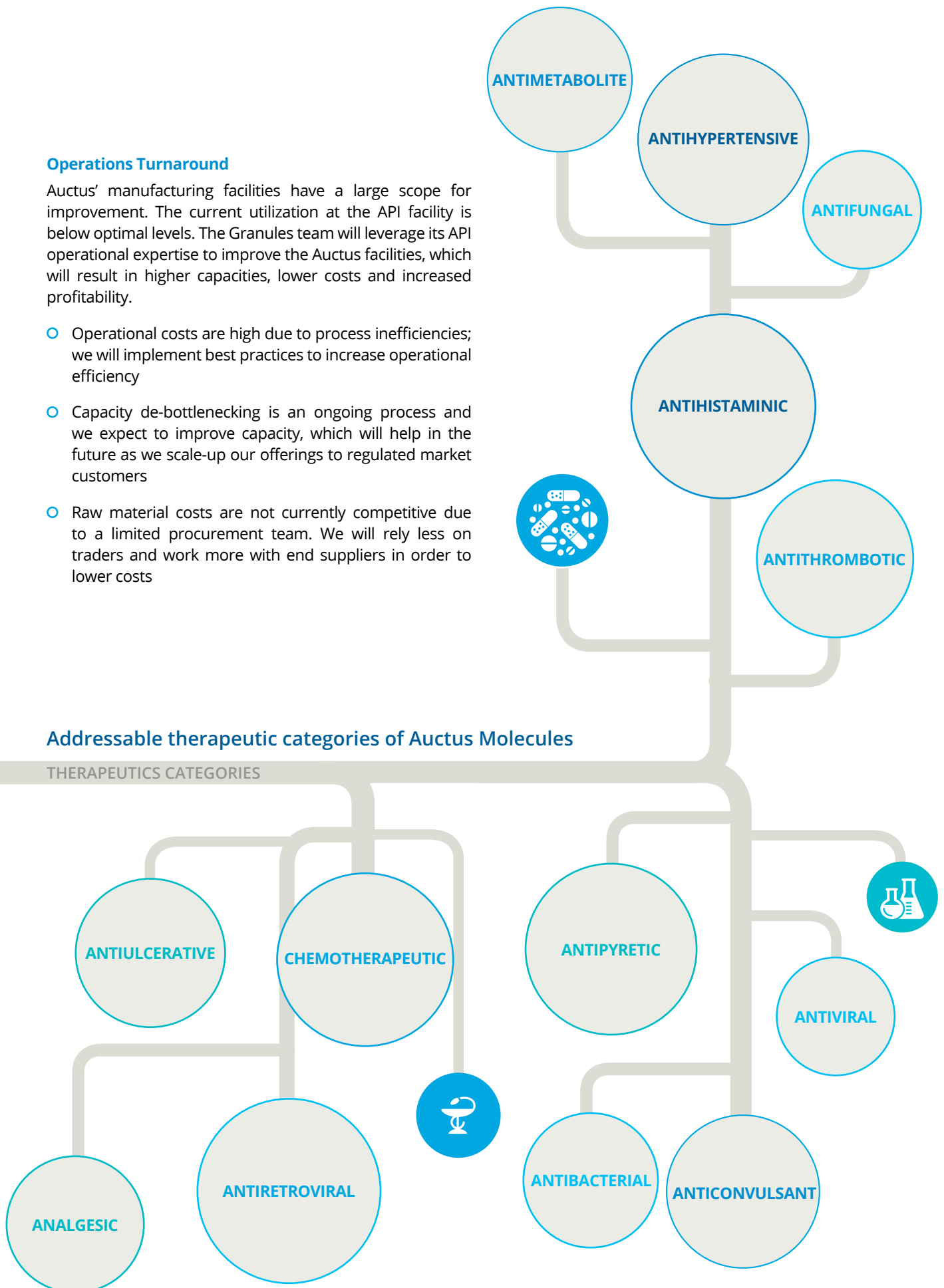
Operations Turnaround

Auctus’ manufacturing facilities have a large scope for improvement. The current utilization at the API facility is below optimal levels. The Granules team will leverage its API operational expertise to improve the Auctus facilities, which will result in higher capacities, lower costs and increased profitability.

- Operational costs are high due to process inefficiencies; we will implement best practices to increase operational efficiency
- Capacity de-bottlenecking is an ongoing process and we expect to improve capacity, which will help in the future as we scale-up our offerings to regulated market customers
- Raw material costs are not currently competitive due to a limited procurement team. We will rely less on traders and work more with end suppliers in order to lower costs

Addressable therapeutic categories of Auctus Molecules

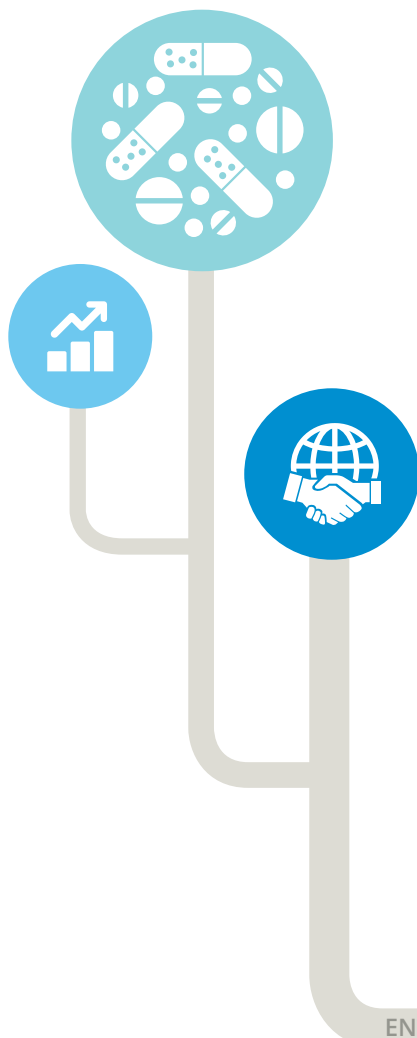
THERAPEUTICS CATEGORIES



...And we have only just begun

Expanding revenue base

Our focus on manufacturing efficiencies led us towards partnering with Ajinomoto OmniChem, a leading CRAMs manufacturer. This JV will help us move into more complex drugs and widen our revenue base.



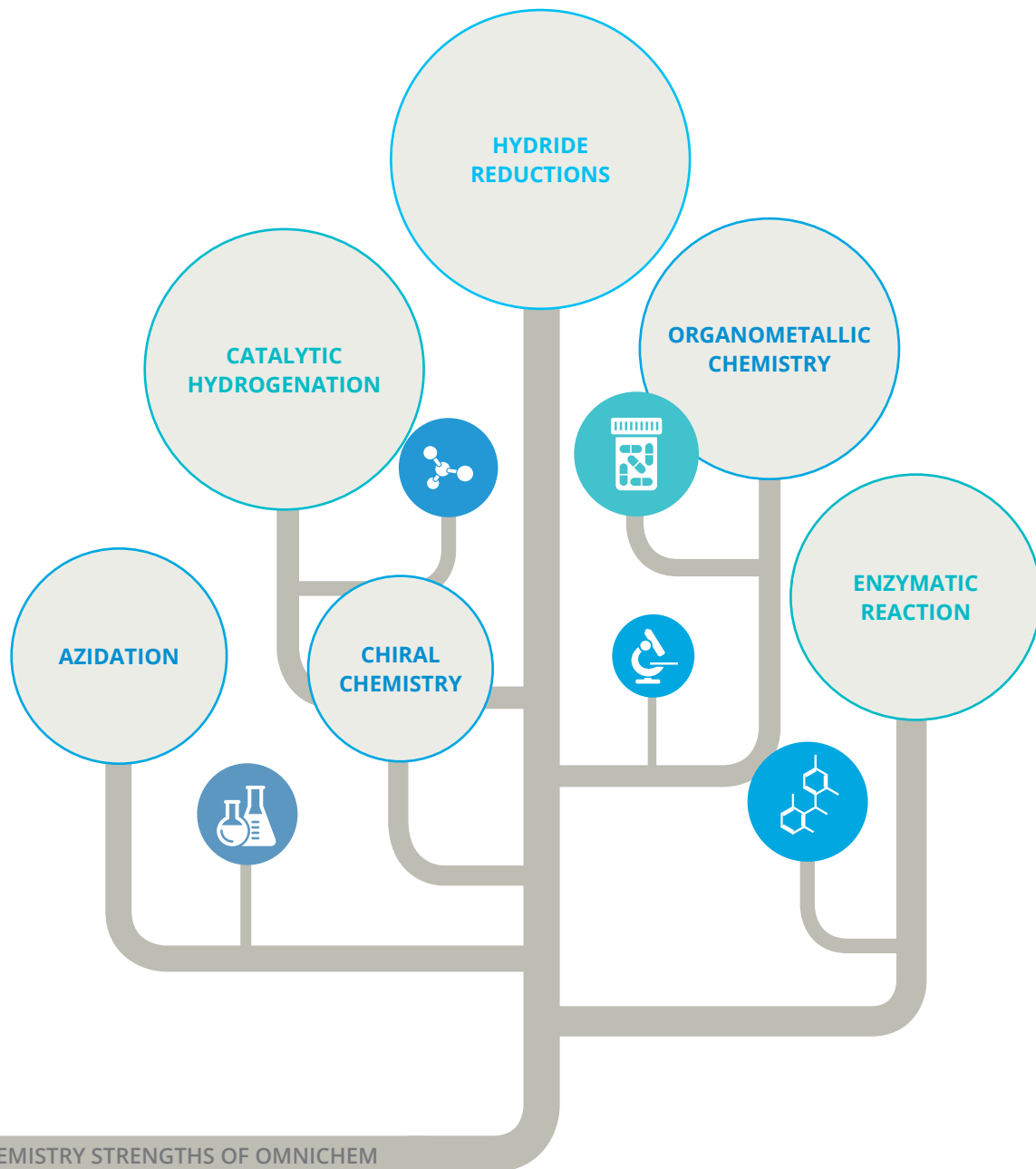
Entering High-value, Low-volume Drugs

While Granules has a strong core competency in high-volume manufacturing, we feel it is important to diversify our revenue base. The creation of Granules-OmniChem, a joint venture with Ajinomoto OmniChem will help us capture opportunities across the pharmaceutical value-chain.

Our partner is a premier CRAMs manufacturer with nearly 40 years of experience. Omnicem works with reputed pharmaceutical companies and makes patent-protected products for the regulated markets. Going forward, as these products go off-patent, they will be shifted to the JV to consolidate market share.

Key Advantages

- OmniChem customers will be able to retain certain market share by shifting to a cost-effective environment and leveraging Granules' expertise in efficient manufacturing. Since products will be identified in advance, the JV will work on creating second generation manufacturing processes for certain APIs to further bolster a cost advantage
- The JV will create opportunities for Granules to penetrate into more complex chemistries and will boost our technological know-how
- Validation is underway and the JV is currently awaiting U.S. FDA approval



Board of Directors



1 Mr. C. Krishna Prasad

Managing Director

Mr. C. Krishna Prasad is the Founder and Managing Director of Granules India. Over his thirty years in the pharmaceutical industry, Mr. Prasad has built one of the largest pharmaceutical companies in the world by volume. Mr. Prasad pioneered the concept of commercializing Pharmaceutical Formulation Intermediates (PFIs). This innovative approach enabled customers to reduce costs, increase productivity and quickly adapt to changes in market demand. Granules' ability to drive value led to it expanding into tablet manufacturing in 2007. Due to Mr. Prasad's vision of creating the most efficient pharmaceutical manufacturing facilities, Granules is currently among the most reputed pharmaceutical manufacturers in the regulated markets and is synonymous with the products it produces including Paracetamol, Metformin and Ibuprofen.

2 Mr. L. S. Sarma

Director

Mr. L. S. Sarma, is a retired bank executive. Mr. Sarma was a General Manager at the Industrial Development Bank of India (IDBI), as well as the Director of ECGC and Dena Bank. He worked for International Trade Centre, Geneva, ITC (UNCTAD/GATT) as an Export Credit Consultant. He is on the Board of several companies including Hexaware Technologies Limited.

3 Mr. A. P. Kurian

Director

Mr. Kurian served as the Chairman of the Association of Mutual Funds in India. Mr. Kurian has a rich career in the financial services area spread over four decades. Starting as Research Officer in Reserve Bank of India, he grew up to the rank of Advisor - Economics Department. During 1975-1993,

Mr. Kurian was with Unit Trust of India and held several positions including Director-Investments, Director-Planning and Development and as Executive Trustee.

After retiring from Unit Trust of India, he joined the Apple Mutual Fund as Advisor from 1993 to 1998. Since 1998, he has been the Executive Chairman of Association of Mutual Funds in India. He is on the Board of National Stock Exchange, Executive Committee of NSDL and several other committees associated with mutual funds and capital market.

4 Mr. C. Parthasarathy

Director

Mr. C. Parthasarathy is one of the founders of Karvy. As the Chairman of Karvy, he has been responsible for building Karvy as one of India's truly integrated financial services organisations. He oversees the group's operations and is responsible for the vision, business direction and technology value addition to the overall business. Karvy employees over 10,500 personnel and has a network encompassing 583 offices in 391 cities/towns spread across the country, providing a complete range of services. He is the fellow member of the Institute of Chartered Accountants of India and the Institute of Company Secretaries of India. He also holds graduate degrees in Science and Law.

5 Dr. Krishna Murthy Ella

Director

Dr. Krishna Murthy Ella founded and established Bharat Biotech International Limited in 1996 along with his wife Suchitra Ella. The company today, is on the forefront of Indian Biotechnology engaged in R&D, manufacturing and marketing of vaccines and bio-therapeutics. Dr. Ella was awarded his doctorate from the University of Wisconsin-Madison in Molecular Biology. He received the National



Research Service Award from the National Institute of Health, Bethesda, Maryland and became a part of the Research faculty at the Medical University of South Carolina at Charleston.

6 Mr. Arun Rao Akinepally

Director

Mr. Akinepally Arun Rao is a qualified chemical engineer from the University of Madras with a post graduate degree 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 on the Board of ESPI Industries and Chemicals Pvt Ltd, a leading manufacturer of antacids in India.

Mr. Arun Rao is a member of the Central Executive Council of the Indian Pharmaceutical Association. He was the Vice President and currently, a member of the Executive Committee of the Indian Pharmaceutical Association (Andhra Pradesh Branch). He is also a member of Executive Committee of Organisation of Pharmaceutical Manufacturers, Hyderabad.

7 Mr. Harsha Chigurupati

Executive Director

Mr. Chigurupati has been with Granules since 2005 and served as CMO from 2006-2010. As CMO, Mr. Chigurupati was instrumental in commercializing the Company's Finished Dosage Division and also changed the Company's focus to marquee customers in the regulated markets. As an Executive Director, Mr. Chigurupati is responsible for

the standalone operations of Granules India including the P&L. Mr. Chigurupati has a Bachelor of Science in Business Management from Boston University.

8 Mrs. Uma Chigurupati

Executive Director

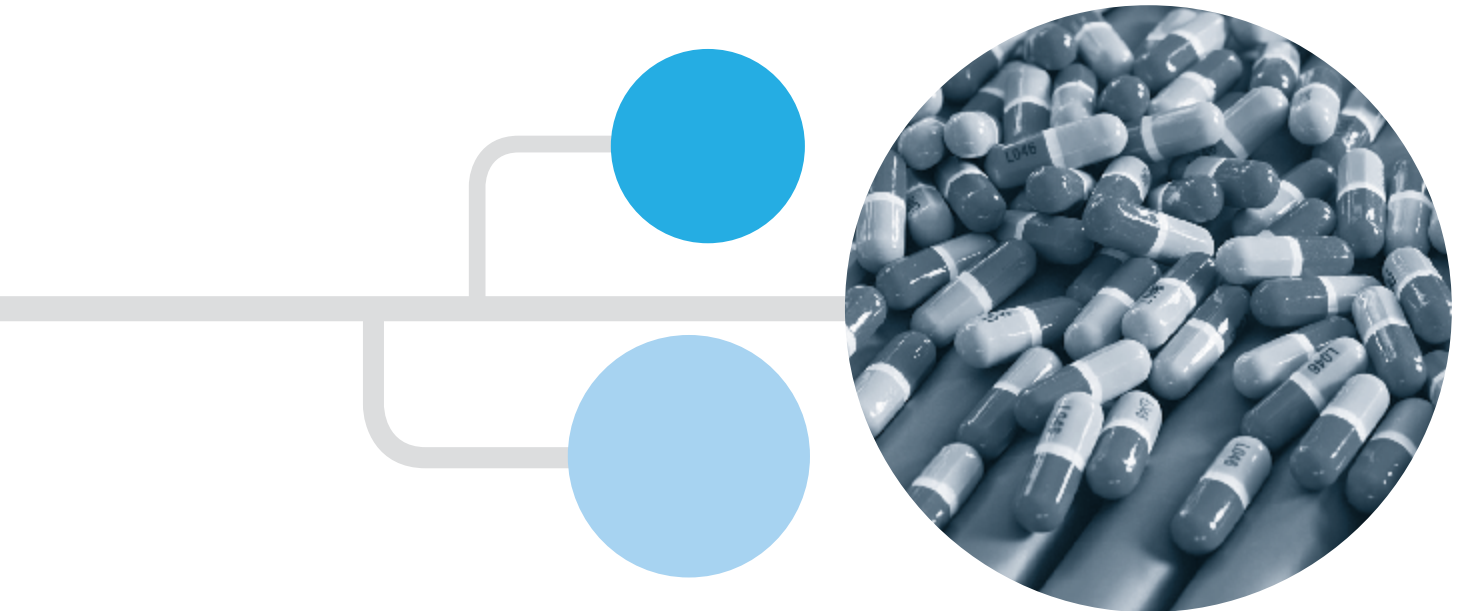
Mrs. Chigurupati is Director of KRSMA Estates Private Limited, one of India's premier boutique wineries. Under her tenure, she has established a vineyard in Karnataka and has been overseeing the ongoing operations at the site. In addition, Mrs. Chigurupati was the Chairman of the Hyderabad 10K Foundation, which promotes health awareness campaigns in Andhra Pradesh through multiple initiatives including hosting several races in Hyderabad including the Hyderabad Heritage Marathon. Mrs. Chigurupati has a post-graduate degree in soil microbiology from Nagarjuna University.

9 Mr. K. B. Sankara Rao

Director

Mr. K. B. Sankara Rao is post graduate from Andhra University and has rich experience of about 33 years in various domains. Mr. K. B. Sankara Rao was associated with various reputed organization like Warner Hindustan, Cipla Limited and Dr. Reddy's Laboratories Limited. He has varied experience in the filed of production, quality, formulations, R&D, supply chain, development & launch of API and finished dosages for global markets and business strategy. Mr. Kolli is also Managing Director of Raje Retail Pvt Ltd, a pharmacy retail chain under the brand name- "My Health Pharmacy" in Hyderabad.

Management Discussion and Analysis



THE GLOBAL PHARMACEUTICAL MARKET

The global pharmaceutical market is estimated to reach around \$1.2 trillion by 2017, approximately 25% larger than the 2012 level of \$965 billion. Growth will be primarily driven by several macro-factors.

First, an ageing population will need medication for chronic ailments like arthritis and joint pain

Second, a rising middle class, particularly in the emerging markets, along with expanding insurance policies, will allow more people the ability to purchase pharmaceuticals.

In addition, accessibility to drugs through better distribution, including rural areas, and branded generics, will provide future growth opportunities.

	2007	2008-2012	2012	2013-2017	2017
Global spending and growth	\$731Bn	\$234Bn	\$965Bn	\$205-235Bn	\$1,170-1,200Bn

(Source: IMS Institute for Healthcare Informatics, November, 2013)

GROWTH DRIVERS FOR PHARMACEUTICAL INDUSTRY

Research identifies four basic drivers of growth in this industry: Epidemiological factors, increasing affordability, enhanced accessibility and rising acceptability.

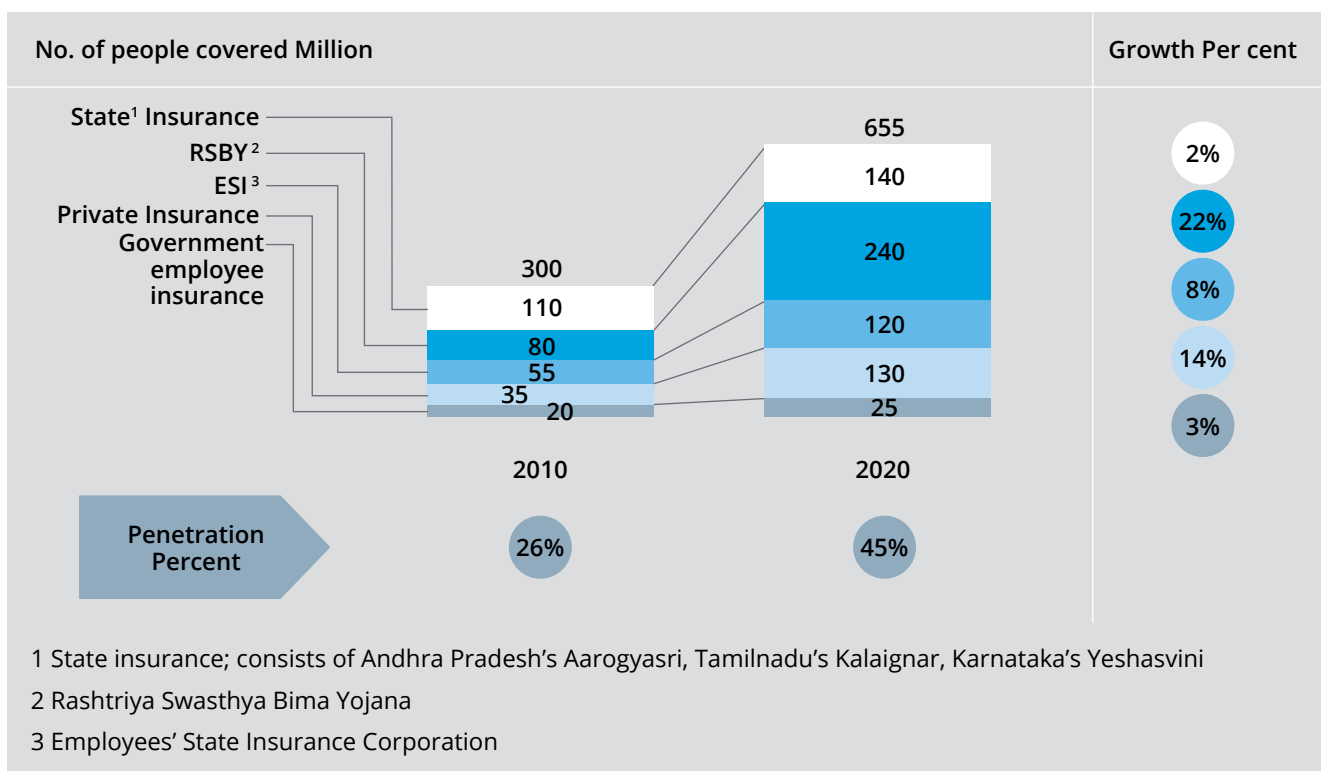
- First, an ever-increasing population growth of approximately 1.3% every year will cause a steady rise in disease prevalence. This is likely to increase the patient pool from the current levels nearly 20% by 2020.
- Second, the affordability of drugs will rise due to sustained growth in incomes backed by increase in insurance coverage. Rising income levels will drive 73 million households into the middle and upper income segments. In addition to income growth, health insurance coverage will augment affordability. By 2020, nearly 650 million more people will enjoy health insurance coverage.
- Third, accessibility to drugs will expand due to growth in medical infrastructure, new business models for

First, an ever-increasing population growth of approximately 1.3% every year will cause a steady rise in disease prevalence. This is likely to increase the patient pool from the current levels nearly 20% by 2020.

Tier-II towns and rural areas, launch of branded generic products and greater government spending on healthcare.

- Lastly, the acceptability of modern medicine and newer therapies will increase due to aggressive marketing by players, which will result in acceptance of biologics and preventive medicines. A greater propensity to self-medication is also likely to contribute to the growth of the pharmaceutical market.

Health insurance penetration to increase to ~45% of population by 2020



(Source: Employee State Insurance Corporation; Rashtriya Swasthya Bima Yojana website; secondary search; McKinsey analysis)

Granules' focus is primarily on pharmaceutical products with high API and/or finished dosage volume requirements. While there are large surpluses, high quality material for the regulated markets is in short supply and can only be serviced by a handful of suppliers.

GRANULES INDIA LIMITED

Product Overview

Granules' focus is primarily on pharmaceutical products with high API and/or finished dosage volume requirements. In many high-volume pharmaceutical products, there are dozens of suppliers leading to oversupply. While there are large surpluses, high quality material for the regulated markets is in short supply and can only be serviced by a handful of suppliers.

Customers in the regulated markets and an increasingly growing number of customers in the semi-regulated markets require high-quality supplies. Due to increased accountability and consumer pressure, countries in the semi-regulated markets are implementing tighter controls and demanding increased stringent quality parameters.

Quality conscious customers value supply security and quality over pricing. Customers generally work closely with their suppliers' regulatory and quality control departments. Once they select a supplier, the customer usually stays with the supplier for years and only periodically reviews alternatives.

In addition, branded formulation and branded generics manufacturers typically grow faster than the overall market since they are gaining market share at the expense of lesser known suppliers. As new consumers gain access to pharmaceutical products, they become likely to purchase the brand of a well-known manufacturer whether it is an innovator or a generics manufacturer.

Analgesics market

The analgesics market, which focuses on pain relief, is one of the largest segments of the healthcare industry with sales worth approximately \$31 billion. The market

is growing at a 2.7% CAGR. Going ahead, growth will be driven by an ageing population suffering from chronic ailments and lifestyle diseases arising out of sedentary jobs.

Granules is among the leading producers of Paracetamol and Ibuprofen and also competes in the Naproxen market. Paracetamol is the largest of the analgesics and accounts for more than a majority of the volume. Ibuprofen is the fastest growing product in the sector and is expected to surpass Aspirin, which is not growing as fast as it used to. There are no analgesic products which are likely to replace the current leaders.

Paracetamol

Paracetamol, also known as acetaminophen, is used to reduce body pains, headaches and lower fevers. While the Paracetamol market is growing in the low-single digits, brand owners and branded generics leaders continue to outpace the overall market as they grab market share from lower quality rivals.

There are signs of consolidation within the industry and increasing challenges for Chinese Paracetamol manufacturers. While many of these manufacturers targeted the emerging markets, which offer lower margins, manufacturers were able to gain market share and grow profits.

However, many of the advantages that Chinese manufacturers had, including an undervalued Chinese currency, low employment costs and favourable interest rates are on the decline, thereby adding pressures. While the RMB has slightly depreciated in early 2014, it is still significantly higher than its historical rate which has added pressure on manufacturers. In addition, labour and energy costs in China have increased by double-digits, which are adding to companies' woes.

An increasing focus on quality from companies in the emerging markets, is resulting in extra costs for many Chinese manufacturers since they have to adjust their processes to adhere to more stringent standards. Chinese manufacturers are also being scrutinised by local authorities for pollution control compliances and have been required to upgrade effluent treatment systems.

Ibuprofen

Ibuprofen is primarily used for arthritis relief and fever reduction. The drug is popular in North America and Western Europe, which account for nearly 60% of its global sales. Ibuprofen is a more complex analgesic to

manufacture compared to Paracetamol, which is why there are not as many suppliers.

There are six primary manufacturers in the Ibuprofen market, which is growing in the mid-to-high single digits. The drug is becoming more popular due to an ageing population that wants to maintain their lifestyle. The Ibuprofen market, which faced pricing pressures in FY11 due to new capacity, has rebounded. Due to increasing demand, pricing has slightly increased in FY14.

Anti-Diabetic Market

The anti-diabetic market is extremely lucrative due to the growing number of people with diabetes. The number of people with diabetes is expected to grow from 246 million in 2008 to 380 million by 2025. The emerging markets are expected to be a major source of new diabetes cases as they adapt to western lifestyles. There are multiple classes of drugs to treat diabetes, which range from cheap, first-line therapy to expensive, advanced therapies

- Biguanides: The most popular drug in this category is Metformin, which lowers glucose levels. This is often used as the first response for Type II diabetes
- DPP-4 Inhibitors: This is the latest generation of diabetes drugs and over the next decade, several other products will be released

Diabetic cases are spread evenly throughout the world and there is a large opportunity for cost effective medication

Metformin

Metformin, a prescription drug, is the first biguanide oral anti-diabetic agent to be approved by the U.S. FDA after phenformin (phenethylbiguanide) was banned in the U.S. in 1977. Due to its relatively low cost and high-effectiveness, metformin is often used as a first-line therapy for patients with type-II diabetes. Annual production capacity for metformin is approximately 65,000 tonnes. Due to the rising number of diabetic patients in the world, demand for Metformin is increasing and multiple suppliers are increasing capacity in order to meet global demand. The market is growing in the mid-teens and is expected to maintain the growth rate for the foreseeable future.

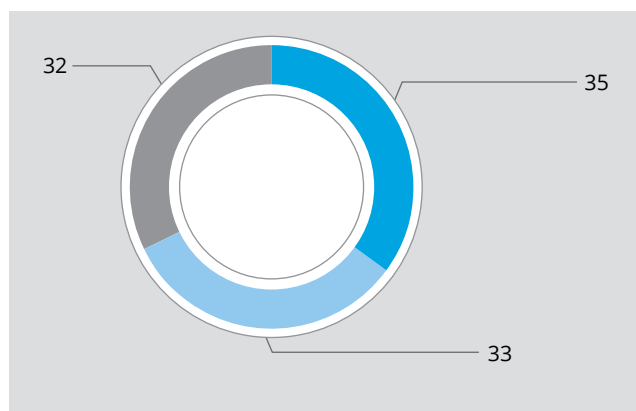
Executive Summary

Granules India is among the leading global manufacturer of high-volume APIs. Additionally, Granules pioneered the concept of commercialising PFIs and offers a world class facility in the Finished Dosages segment.

Revenue Analysis by Verticals

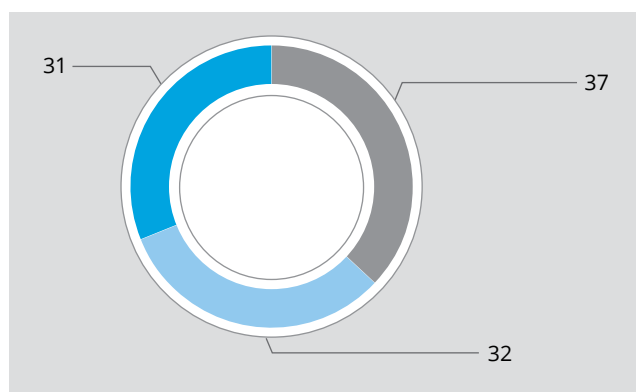
FY 14

(%)



FY 13

(%)



● FD ● PFI ● API

Our Product Basket

Active Pharmaceutical Ingredient (API)

The Company's API portfolio went through a tremendous shift in FY14 due to the acquisition of Auctus Pharma. The acquisition will introduce more than a dozen APIs across several therapeutic sectors including anti-histamine, anti-hypertensive, anti-fungal as well as others. The portfolio includes drugs such as Cetrizine, Clopidogrel Bisulphate, Fluconazole, Losartan Potassium, Rifaximin and Valsartan. The APIs will be made in a separate API facility in Vizag. These are higher in value than Granules' existing portfolio and offer tremendous opportunity for the Company.

The Company's core API portfolio continued to report double-digit growth despite the markets for most of

these products reporting single-digit growth. Granules entered this segment in 1984 through the manufacture of Paracetamol APIs and expanded into other products such as Ibuprofen and Metformin.

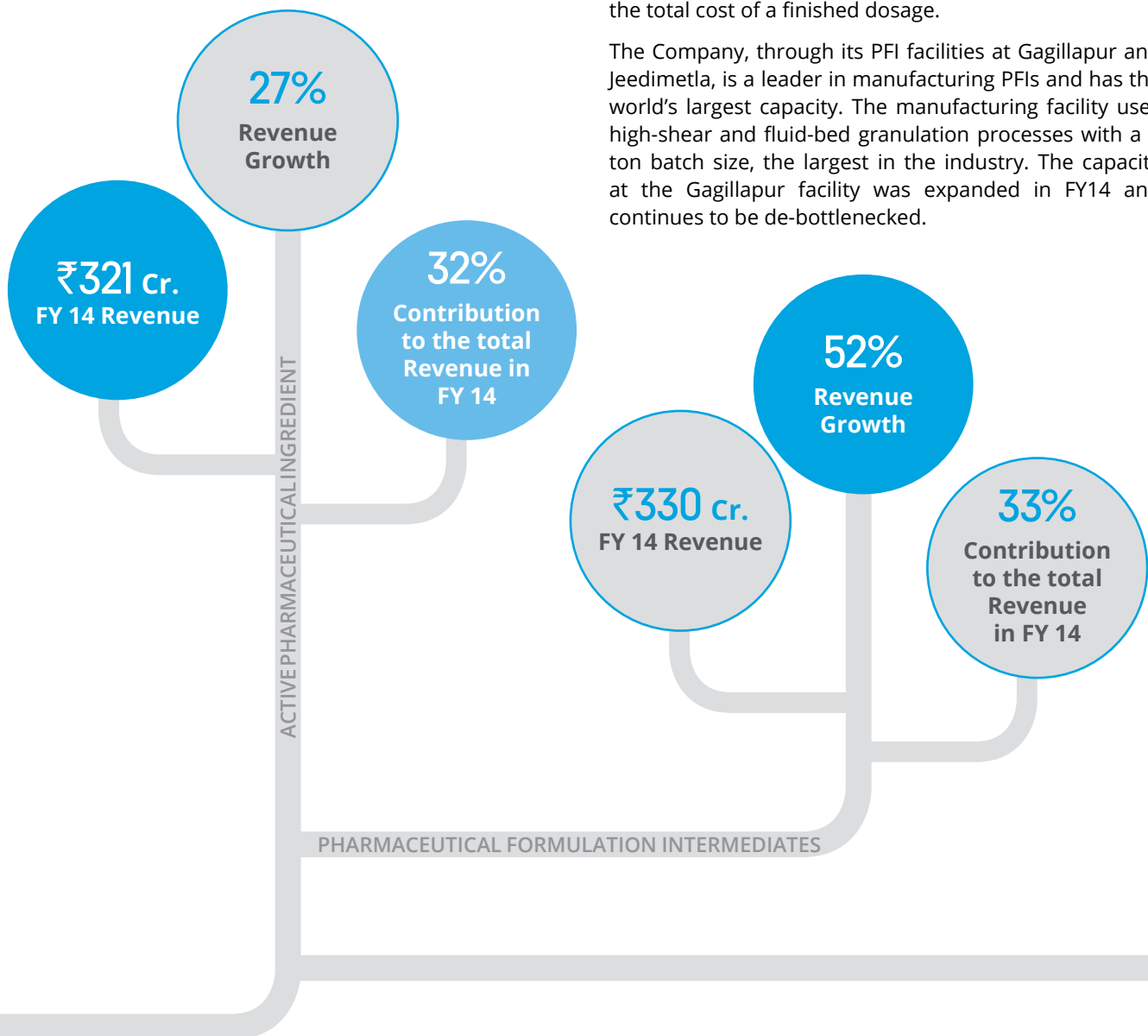
Over the decades, the Company emerged among premier global API manufacturers due to a combination of scale, quality, compliance and reliability. Going forward, more of the APIs from the core portfolio will be used for captive consumption whether it is for PFIs or Finished Dosages. The API vertical will continue to be critical to the Company's success since it will continue to represent the starting point of the Company's PFI and FD verticals.

Pharmaceutical Formulation Intermediates (PFI)

Granules pioneered the concept of commercializing PFIs, saving customers the need to manufacture their own PFIs and leaving them free to focus on finished dosage manufacturing and marketing.

Granules entered this business segment in the early-90s following an insight that most Finished Dosage manufacturers were not efficiently producing PFIs. Manufacturers were granulating but not able to derive operational efficiencies because they focused on dozens of products or only created the product in limited runs. This pulled down the overall return from their investments, especially because PFI manufacture accounts for 80% of the total cost of a finished dosage.

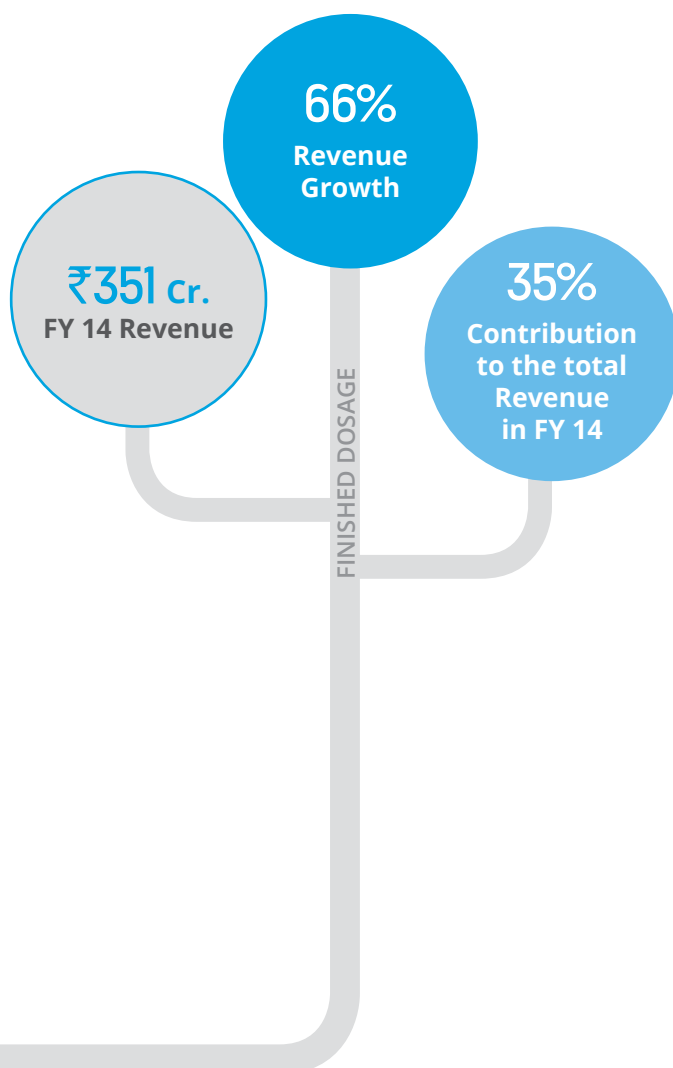
The Company, through its PFI facilities at Gagillapur and Jeedimetla, is a leader in manufacturing PFIs and has the world's largest capacity. The manufacturing facility uses high-shear and fluid-bed granulation processes with a 6 ton batch size, the largest in the industry. The capacity at the Gagillapur facility was expanded in FY14 and continues to be de-bottlenecked.



Finished Dosage (FD)

At Granules, the manufacture of finished dosages represents the apex of the value chain. The Company entered this business in FY09 with an installed capacity of six billion tablets and expanded it to eighteen billion tablets in FY14. The business accounts for 35% of the Company's standalone revenue.

Granules' finished dosage facility in Gagillapur comprises automated processes, robust infrastructure and superior quality systems that efficiently produce finished dosages. Granules offers multiple finished dosage forms comprising tablets, caplets and press fit capsules in bulk, blister packs and bottles.



Operational Excellence

The operational excellence (OE) team continues to bolster the Company's competitive advantage of efficient high volume manufacturing. The OE Team helps increase production flexibility, improves customer responsiveness, and minimises costs. OE provides a direct channel to improving shareholder value, in which thinking and doing is perfectly positioned to deliver transformational results.

The Company's OE department focuses on continuous improvement. Granules strategies are to ensure effectiveness in the manufacturing process minimise variation and waste. The team has also improved throughput and reduced changeover time. Granules OE department provides value to their customers by ensuring consistent quality, improving sustainability and meeting their growing needs.

Human resources

In an organisation where intellectual capital represents the difference between the successful and the average, it is imperative to invest in knowledge, capability and experience for sustainable success. In FY14, we discontinued outsourcing our HR function and began developing an in-house team. We will work to develop our HR function and are focused on creating a Centre of Excellence to improve leadership training within the organization.

Quality

Granules caters to quality-conscious customers throughout the world so quality is paramount for us. We consider quality to be the most important aspect of our business and strive to improve our systems. Quality is a moving benchmark and we remain vigilant. In FY14, the U.S. FDA inspected three of our facilities and we had no 483s. Due to our customer base, we have more than 40 customer audits in a given year, which helps us constantly improve our systems.

Approved by the best

The Company meets the requirements of some of the most stringent regulatory agencies in the world. Some of them include

U.S. FDA > MHRA > EDQM > Informed (EU) > TPD Canada > KFDA > MCC > Russian Health Authorities > WHO GMP

The Company's strength is in its ability to produce high-quality products in a cost-effective manner across the pharmaceutical manufacturing value chain. Due to the Company's value proposition, it is the preferred partner for brand owners and generics leaders.

The Company's SWOT analysis

The Company's strength is in its ability to produce high-quality products in a cost-effective manner across the pharmaceutical manufacturing value chain. Due to the Company's value proposition, it is the preferred partner for brand owners and generics leaders. The Company is synonymous with its products and has been able to grow faster because of this brand value.

The Company's weakness is its inability to execute projects as per timelines. The formulation expansion was significantly delayed and this impacted profits in FY13, which was only addressed in FY14. The Company has hired more experienced project managers to improve its project execution.

The Company has several opportunities and threats. The Company's biggest opportunity is the ability to leverage its Finished Dosage division. While the Finished Dosage facility continues to grow, the Company can secure more long-term business by executing on its current orders on time and with proper quality. This might open up an opportunity to introduce new products to existing customers.

In addition, the Company recently acquired Auctus Pharma, an API manufacturer. Auctus has approvals for the regulated markets so Granules can significantly improve realizations at Auctus as it converts customers from domestic sales to export sales. The Company also plans on filing ANDAs (Abbreviated New Drug Application) based on the Auctus APIs, which will be an opportunity to improve margins in the future.

The Company also faces internal and external threats. Due to the Company's scale, quality rejections can have an impact particularly since the Company has a batch size of 6 tons in its PFI Facility. Also, the Company faces numerous competitors and confronts the possibility

of being undercut on pricing, which might hurt sales and profits. Another threat is the Company's inability to turnaround Auctus Pharma. If the turnaround does not happen in a timely manner, the Company could face material losses.

Analysis of financial statements

In FY14, the Company crossed ₹1,000 Cr. in revenue while concurrently expanding profit margins due to its ability to execute on its business strategy.

A) Profit and Loss Account

Revenue

Revenue grew 43% to ₹1,096 Cr. because of its recently expanded capacity at the Gagillapur facility. In FY14, Granules commissioned PFI and Finished Dosage capacity at its Gagillapur site. The expansions were completed at an existing site so the Company did not have to wait for regulatory approvals and only needed customer approvals.

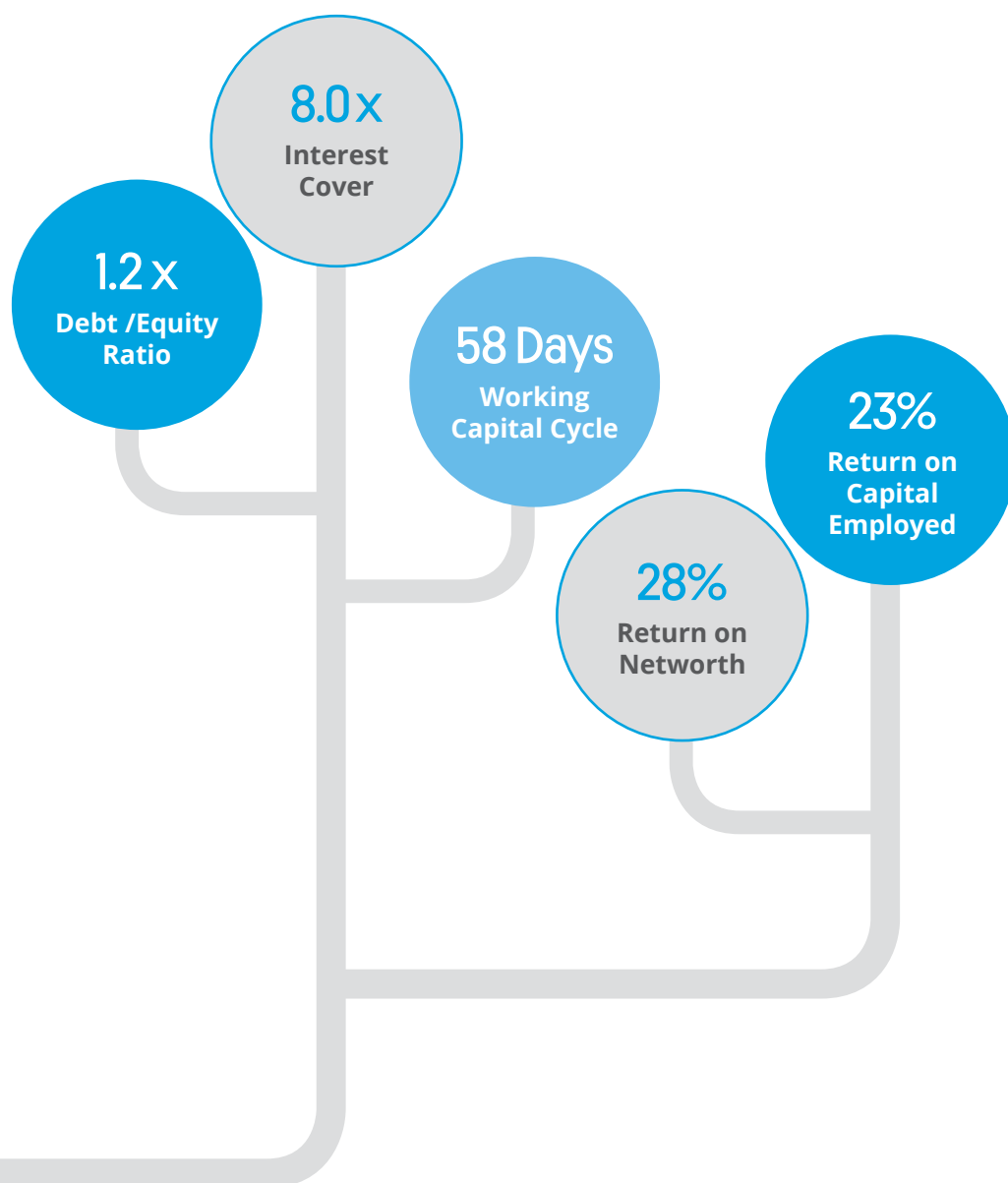
Throughout the financial year, the Company gained approvals which helped increase sales. The added capacity resulted in Finished Dosages to contribute 35% of the standalone revenue, which is its highest contribution. In addition, the Company continued to diversify its molecule basket, which increases sustainability. In FY14, Paracetamol contributed to 42% of its consolidated sales, which is a decline of 2% despite an absolute increase in sales. The Company also de-bottlenecked its capacity at the API facilities, which helped generate revenue.

Margins

EBITDA margin grew to 14.8% to ₹162 Cr., or an increase of 344 basis points. The EBITDA margin increased due to improved capacity utilization at all the facilities, including a substantial improvement at the Gagillapur facility as well as more Finished Dosage sales. The FY13 EBITDA margin was depressed due to the delay at Gagillapur since the facility was incurring overheads without generating any substantial revenue. In addition, margins increased due to the increasing emphasis on Finished Dosages.

Interest

The Company's interest cost was ₹20.4 Cr., which is a reduction of interest cost as a percentage of revenue. The interest cost as a percentage of revenue fell to 1.85% due to the Company's ability to get more competitive rates.



B) Balance Sheet

NetWorth

Networth in the business increased by 31% from ₹268 Cr. in FY13 to ₹351 Cr. in FY14 as the Company registered significant growth in profits, thereby increasing the reserves and surplus.

<i>Interest cover</i>					(%)
Year	FY10	FY11	FY12	FY13	FY14
Amount	4.2	4.6	5.0	4.9	8.0

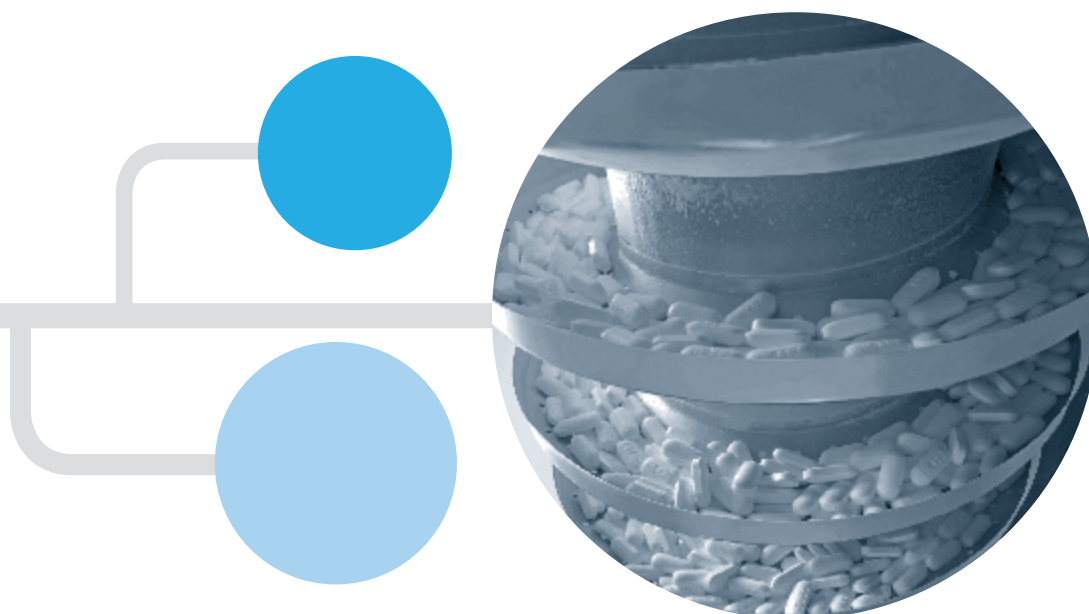
External debt

The Company's debt portfolio expanded from ₹268 Cr. as on 31st March, 2013 to ₹427 Cr. as on 31st March, 2014. This increase is largely due to the recent acquisition of Auctus and loan taken for Granules Omnicem Pvt. Ltd.

INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company's internal control and documented procedures encompass the globally-best financial and operating procedures, which provide proper accounting control, monitor the Company's economic viability and efficiency and protects its assets from unauthorised use or losses and ensure the reliability of financial and operational information. The Audit Committee of the Board of Directors reviews future plans, significant audit findings and adequacy of internal controls, as well as compliance with accounting standards on a regular basis.

Directors' Report



To the Members,

Your Directors are pleased to present the Annual Report, on the business and operations of Granules India Limited together with the audited accounts for the financial year ended 31st March 2014.

FINANCIAL RESULTS

The Company's revenue, expenditure and results of operations are presented as below showing both the consolidated and standalone financial results.

(₹ in Lakhs)

Particulars	Standalone		Consolidated	
	Year ended 31st March 2014	Year ended 31st March 2013	Year ended 31st March 2014	Year ended 31st March 2013
Revenue from Operations	100,167.99	67,979.70	109,586.48	76,437.30
Other Income	364.75	171.81	431.09	206.04
Total Income	100,532.74	68,151.51	110,017.57	76,643.34
EBITDA	16,665.57	8,077.56	16,260.14	8,708.02
Less: Finance Costs	1,892.70	1,649.49	2,042.73	1,767.11
Less: Depreciation	2,639.79	2,020.89	2,981.25	2,308.46
Profit Before Tax	12,133.08	4,407.18	11,236.16	4,632.45
Less: Tax Expenses	4,031.94	1,389.65	3,713.03	1,375.72
Net Profit After Tax	8,101.14	3,017.53	7,523.13	3,256.73
Add: Surplus Brought Forward from Previous Year	12,258.25	9,937.96	12,511.63	9,952.14
Surplus Available	20,359.39	12,955.49	20,034.76	13,208.87
Appropriations made to Surplus:				
Provision for Dividend	709.84	402.52	709.84	402.52
Provision for Dividend Tax	120.64	68.41	120.64	68.42
Transfer to General Reserve	10,000.00	226.31	10,000.00	226.31
Balance Carried to Balance Sheet	9,528.92	12,258.25	9,204.28	12,511.63
Basic Earnings Per Share	40.06	15.02	37.20	16.21
Diluted Earnings Per Share	39.30	14.62	36.49	15.78

REVIEW OF OPERATIONS

The Company posted very good results during the financial year FY 14. The Company reported record sales of ₹100,167.99 Lakhs in the FY 14 compared to net sales of ₹67,979.70 Lakhs in FY 13, registering growth of 47.35% in the current financial year. The Company's growth was driven by strong performance across all manufacturing facilities. The primary growth driver in FY 14 was led by the Company's commercialization of its PFI and Finished Dosage expansion at its Gagillapur facility. The Company improved utilization in the newly expanded facility throughout the year and expects to continue improving utilization in the future. In addition, the API facilities continued to increase production which contributed to strong sales. On a standalone basis, the Finished Dosage business contributed the largest share of revenue at 35% while PFI and API contributed 33% and 32%, respectively. This is compared to 31%, 32% and 37% for Finished Dosages, PFI and API, respectively in FY 13.

The EBITDA stood at ₹16,665.57 Lakhs in FY 14 compared to ₹8,077.56 Lakhs in FY 13, registering a growth of 106.32%. The profit after tax for FY 14 stood at ₹8,101.14 Lakhs compared to ₹3,017.53 Lakhs in FY 13, registering a growth of 168.47% in the current financial year. The profitability outpaced revenue growth due to several reasons. First, the Company improved its economy of scale by increasing production utilization in its newly expanded PFI and Finished Dosage capacity at the Gagillapur facility. Due to the increased utilization, the product mix shifted more towards Finished Dosages which bolstered profitability. Also, due to the Company's focus on operational excellence, the API units also increased capacity through de-bottlenecking which drove profitability. The Company believes the profitability margins from the standalone operations are sustainable.

The Company was able to increase sales due to relentless focus on delivering high-quality material at a cost-effective price. The Company believes that its product portfolio offers compelling opportunities and will continue to strengthen its leadership position. In addition to growing its core business, it has been looking at opportunities to diversify its sales by leveraging its core competency of efficient manufacturing. In FY 14, Company made its first acquisition by purchasing Auctus Pharma Limited ('Auctus'). The acquisition of Auctus fits into Company's strategy of being a fully integrated manufacturer while diversifying its product portfolio by adding high-value products with significant market demand. In the short-to-mid term, Company will focus on selling APIs from the

The Company reported record sales of ₹100,167.99 Lakhs in the FY 14 compared to net sales of ₹67,979.70 Lakhs in FY 13, registering growth of 47.35% in the current financial year. The Company's growth was driven by strong performance across all manufacturing facilities.

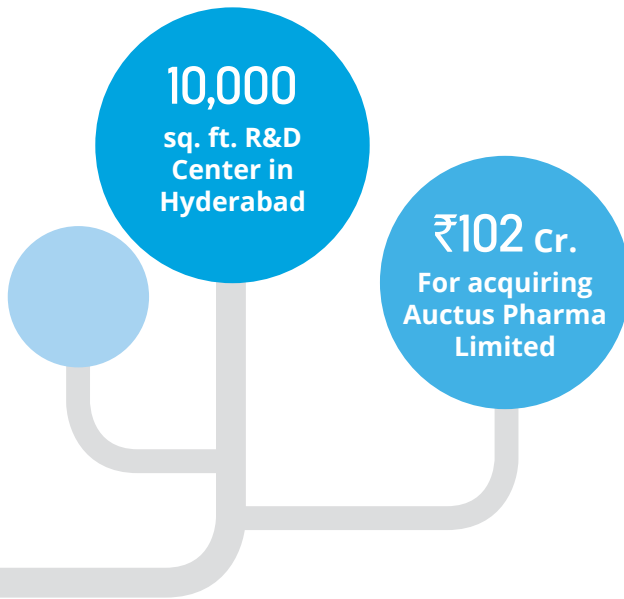
Auctus portfolio to customers in the regulated markets. Over the long-term, it will add value by offering Finished Dosages from select APIs in the same portfolio. The Company will continue to strengthen its model and build systems that are sustainable as it continue to scale-up.

DIVIDEND

Due to the Company's strong performance, the Board of Directors has recommended to increase the dividend to 35% or ₹3.50 per share from 20% (₹2.00 per share) that was paid for FY 2013. Your Directors are pleased to recommend for approval of the shareholders, a final dividend of 35% (₹3.50 per share) on 20,281,154 equity shares (as on 31st March 2014) (face value of ₹10 each) of the Company with respect to the FY 14. The dividend, if declared as above, would involve an outflow of ₹709.84 Lakhs towards dividend and ₹120.64 Lakhs towards dividend tax, resulting in a total outflow of ₹830.48 Lakhs. Under the Income Tax Act, 1961, the dividend will be tax free in the hands of the shareholders. The members are requested to approve the final dividend. The dividend, subject to approval of shareholders at the Annual General Meeting on 28th August 2014, will be paid to the shareholders whose names appear in the Register of Members as on the date of book closure.

TRANSFER TO GENERAL RESERVES

The Company proposes to transfer ₹810.11 Lakhs (10%) to general reserves out of the profits available for appropriation from the profit available in the Company for the year FY 14 in accordance with the provisions for Companies (Transfer of Profit to General Reserves) Rules, 1975, which is higher than the ₹226.31 Lakhs transferred to the general reserves in the previous financial year. The Company further proposes to transfer ₹9,189.88 Lakhs to the general reserves from the surplus available in the Company till the end of FY 13. With this addition, the total Reserves & Surplus (including Capital Reserve, Securities Premium Reserve, Central Subsidy, General Reserve and



Surplus) as on 31st March 2014 is ₹32,403.15 Lakhs as against the Paid up Capital of ₹2,028.12 Lakhs.

SHARE CAPITAL

The Authorized Share Capital of the Company is ₹300,000,000/- (rupees thirty crores only) divided into 30,000,000 (three crores) equity shares of ₹10/- each. The Paid Up Share Capital of the Company increased from ₹201,261,540 (rupees twenty crores twelve lakhs sixty one thousand five hundred and forty only) divided into 20,126,154 equity shares of ₹10/- each to ₹202,811,540 (rupees twenty crores twenty eight lakhs eleven thousand five hundred and forty only) divided into 20,281,154 equity shares of ₹10/- each as on 31st March 2014. During the year, Company allotted 155,000 (one lakh and fifty five thousand) equity shares of ₹10 each on exercise of stock options issued under Granules India Equity Stock Option Plan 2002 & 2009.

TRANSFER TO THE INVESTOR EDUCATION & PROTECTION FUND (IEPF)

According to Section 205C of the Companies Act, 1956, read with Investor Education and Protection Fund (Awareness and Protection of Investors) Rules, 2001, the unclaimed dividend amounting to ₹157,569/- (rupees one lakh fifty seven thousand five hundred and sixty nine only) for the financial year 2005-06, was transferred to the Investor Education and Protection Fund established by the Central Government during the year under review.

EXPANSIONS

During FY 14, the Company commercialized its expansion at the Gagillapur facility. The expansion involved a capacity expansion in the PFI and Finished Dosage facilities. The expansion mainly focused on efficient design and output in terms of material transfer and automation. During the year, the Company received customer approvals for both

expansions and capacity utilization increased accordingly. The Company also continued construction of a new central warehouse at its Gagillapur plant in FY 14.

RESEARCH & DEVELOPMENT (R&D)

The Company is committed to building a sound base for sustained growth both in API, and Finished Dosage businesses through the development of innovative, future-oriented technologies, intellectual property protection and engineering technologies in stable-ops by leveraging our collective R&D expertise resulting in value for all stakeholders. The R&D at Granules India Limited represents an effective edge, reflected in the introduction of pioneering products and processes towards a superior price value proposition.

In FY 14, the Company opened up a 10,000 sq. ft. R&D Center in Hyderabad. The team at this facility will focus on developing more effective processes for the APIs from the Auctus Pharma Limited acquisition. The R&D team will also work on filing ANDAs and dossiers based on APIs from the Auctus Pharma Limited's portfolio.

DIRECTORS

The Board of Directors of your Company comprises of 9 (nine) Directors as on the date of this report representing the optimum blend of professionalism, knowledge and having varied experience in different disciplines of corporate functioning. Of these, five Directors are an Independent Directors. The Director of the Company, Dr. C. Nageswara Rao, who was also the Non - Executive Chairman of the Company, passed away on 15th May 2014. The Board expresses its deep condolences on the sad and untimely demise of the Chairman and places on record its gratitude for the guidance and support tendered during his Chairmanship.

Mr. Kolli Basava Sankar Rao who was appointed as an Additional Director w.e.f 19th February 2013 was appointed as Director at 22nd Annual General Meeting of the Company dated 19th August 2013. Pursuant to provisions of Section 152 of the Companies Act, 2013 and Article 51 of the articles of association of the Company, Mrs. C. Uma Devi is liable to retire by rotation at the ensuing Annual General Meeting and being eligible offers herself for re-appointment to the office of directorship. Your Board of Directors recommend for her re-appointment.

Brief profile of Mrs. Uma Devi Chigurupati, the nature of her expertise in specific functional areas and the number of companies in which she holds directorship and membership / chairmanship of committees of the Board, as stipulated under Clause 49 of the listing agreement with the stock exchanges, are provided in the section on Corporate Governance in this Annual Report. Members are requested to refer to the said section of the Corporate Governance Report.

Mr. C. Krishna Prasad was appointed as Managing Director of the Company with effect from 1st September 2009 by the Shareholders at the 18th Annual General

Meeting of the Company held on 25th September 2009. The current term of office of Mr. C. Krishna Prasad as Managing Director of the Company expires on 31st August 2014. In view of the consistent efforts which have contributed to the growth of the organization and the sincere service rendered to the performance of the organization during his tenure as Managing Director, the Board of Directors on the recommendation of the Nomination and Remuneration Committee, has decided to re-appoint Mr. C. Krishna Prasad as the Managing Director of the Company for a further period of 5 (five) years effective from 1st September 2014 under Section 196, 197, 203 and Schedule V of the Companies Act, 2013 and rules thereunder. The approval of the members is being sought to the terms, conditions and stipulations for the appointment of Mr. C. Krishna Prasad as the Managing Director and the remuneration payable to him and resolution pertaining to the same is contained in the notice calling Annual General Meeting.

The Companies Act, 2013 provides for appointment of Independent Directors. Sub-section (10) of Section 149 of the Companies Act, 2013 (effective from 1st April 2014) provides that Independent Director shall hold office for a term of up to five consecutive years on the Board of a Company and shall be eligible for re-appointment on passing a special resolution by the shareholders of the Company.

Further sub-section (11) states that no Independent Director shall be eligible for more than two consecutive terms of five years. Sub-section (13) states that the provisions of retirement by rotation as defined in sub-sections (6) of Section 152 of the Companies Act 2013 shall not apply to such Independent Directors. The Securities Exchange Board of India (SEBI) vide its circular no. CIR/CFD/POLICY CELL/2/2014 dated 17th April 2014 has amended the Clause 49 of the Listing Agreement and as per the amended clause, the Director who has already served as an Independent Director for five years or more in a Company as on 1st October 2014 shall be eligible for appointment, for one more term of up to five years only. Hence in view of the above stipulations, the appointment of the following Independent Directors for a term of five years is proposed in the ensuing Annual General Meeting:

1. Mr. L. S. Sarma
2. Mr. A. P. Kurian
3. Dr. K.M. Ella
4. Mr. C. Parthasarathy
5. Mr. A. Arun Rao

Accordingly, resolutions proposing appointment of Independent Directors forms part of the Notice of the Annual General Meeting. The Independent Directors as mentioned above, who are proposed to be appointed in the ensuing Annual General Meeting possess the required skills, experience and knowledge in the fields of finance, law, management, sales, administration, research & development, business strategy, corporate governance,

technical operations, corporate social responsibility and other disciplines related to the company business. Brief profile of the aforesaid Directors, the nature of their expertise in specific functional areas and the number of Companies in which they hold directorship and membership / chairmanship of committees of the Board, as stipulated under Clause 49 of the listing agreement with the stock exchanges, are provided in the section on Corporate Governance in this Annual Report. Members are requested to refer to the said section of the Corporate Governance Report.

The Board has formed different committees delegating various functions, the description of the same is provided in the Corporate Governance Report, attached herewith. Members are requested to refer to the said section of the Corporate Governance Report.

CORPORATE GOVERNANCE REPORT

Your Company endeavors to maximize the wealth of the shareholders by managing the affairs of the Company with a pre-eminent level of accountability, transparency and integrity. Your Company's Board of Directors comprises of eminent professionals in their respective fields with rich experience in policy making and strategy formulation. Your Company still continually works at improving its practices and processes as it is spreading through nations to ensure that the best practices are identified, adopted and followed. The Company has implemented all of its major stipulations as applicable to the Company. Most of the committees of the Board are headed by Independent Directors and Company has two different individuals as Chairman and Managing Director for several years.

The Statutory Auditor's certificate, in accordance with Clause 49 of the Listing Agreement is annexed with the Corporate Governance Report. The Managing Director and Chief Financial Officer have given a certificate to the Board with regard to the financial statements for the year ending 31st March 2014, as contemplated under Clause 49 of the Listing Agreement and the same is annexed with the Corporate Governance Report. A detailed report on corporate governance practices followed by your Company, in terms of Clause 49 of the Listing Agreement with stock exchanges, is provided separately in this annual report. The members are requested to refer to the same.

The Ministry of Corporate Affairs has made majority of the provisions of the Companies Act, 2013 effective from 1st April 2014. The new act is a positive step towards strengthening corporate governance regime in the country. Your Company is already in compliance of most of the governance requirements provided under the new law. Your Company is committed to embrace the new law in letter and spirit.

INTERNAL AUDIT & CONTROLS

Your Company continues to engage M/s Dhanunjaya & Haranath (formerly known as M/s Dhanunjaya & Prabhakar), 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 ongoing basis to improve efficiency in operations.

The Company's internal control systems are 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 including those relating to strengthening of the Company's risk management policies and systems. Your Company has a proper process for Risk Management. Major risks identified by the businesses and functions are systematically addressed through mitigating actions on a continuing basis. These are discussed with both Business Review Committee and Audit Committee periodically.

MANAGEMENT DISCUSSION AND ANALYSIS STATEMENT

A Management Discussion and Analysis Statement as required under the Clause 49 of the Listing Agreement is annexed, forming a part of the Director's Report. The members are requested to refer to the same.

DIRECTOR'S RESPONSIBILITY STATEMENT

Pursuant to the requirement of Section 217(2AA) of the Companies Act, 1956 and based on the representations received from the operating management, the Directors hereby confirm that:

- i. in the preparation of accounts, the applicable accounting standards have been followed and that no material departure have been made from the same;
- ii. appropriate accounting policies were applied consistently. Judgment and estimates that were reasonable and prudent were made to give a true and fair view of the Company's state of affairs as at the end of the financial year and of the Company's profits for the year.
- iii. proper and sufficient care was taken to maintain adequate accounting records in accordance with the provisions of the Companies Act, 1956, to safeguard the Company's assets and to prevent and detect fraud and other irregularities.
- iv. the annual accounts were prepared on a going concern basis.

SUBSIDIARY COMPANIES

Granules USA Inc

Granules USA Inc, a wholly-owned subsidiary company, operates for the marketing requirements of the Company in the U.S market. The Share Capital of the Company as on 31st March 2014 is ₹116.31 Lakhs. During FY 14, the

Company achieved a turnover of ₹11,079.99 Lakhs against the turnover of ₹7,510 Lakhs of FY 13 and the profit after tax is ₹86.40 Lakhs against ₹270.96 Lakhs of FY 13.

GIL Lifesciences Private Limited

The Company has not commenced any activity so far. As on 31st March 2014 the Authorized Share Capital of the Company is ₹350.00 Lakhs divided into 3,500,000 (thirty five lakhs) equity shares of ₹10/- each and the Paid Up Share Capital of the Company is ₹294.62 Lakhs divided into 2,946,176 (twenty nine lakhs forty six thousand one hundred and seventy six only) equity shares of ₹10 each.

Granules Singapore Pte Limited

During the year ended 31st March 2014 Granules Singapore Pte. Ltd. (Singapore) was liquidated due to no operations.

Auctus Pharma Limited

Auctus Pharma Limited is a public limited and unlisted company incorporated on 25th April 2000 located at Hyderabad (Telangana). Auctus Pharma Limited is the manufacturer and seller of bulk drugs and drug intermediates. The Company acquired Auctus Pharma Limited by purchasing its total 3,900,000 (thirty nine lakhs) equity shares on 14th February 2014 on payment of ₹10,200.00 Lakhs as purchase consideration to the shareholders of the Auctus Pharma Limited. The Share Capital of the Company as on 31st March 2014 is ₹39,000,000 (rupees three crores ninety lakhs only). The net sales of the Company in FY 14 stood at ₹1,088.00 Lakhs compared to the net sales of ₹1142.12 Lakhs in FY 13, registering a reduction of 4.74% in the current financial year. The EBITDA stood at ₹34.90 Lakhs in FY 14 compared to ₹212.60 Lakhs in FY 13, registering a reduction of 116.42%. The loss after tax for FY 14 stood at ₹644.89 Lakhs compared to ₹405.18 Lakhs in FY 13, registering an increase of 59.16% in the current financial year. The Company is working on increasing the productivity.

JOINT VENTURE COMPANIES

Granules-Biocrine Pharmaceutical Co. Limited

The Share Capital of the Company as on 31st March 2014 is ₹1,819.03 Lakhs. During FY 14, the Company achieved a turnover of ₹26,398.89 Lakhs of which Granules India Limited reports 50% in its consolidated revenue. Granules-Biocrine successfully completed a U.S. FDA inspection in FY 14 with zero 483 observations.

Granules OmniChem Private Limited

The Share Capital of the Company as on 31st March 2014 is ₹414,000,000/- (rupees forty one crores forty lakhs only). The Company has not yet commenced its commercial activity during the period under review hence there was no income during FY 14. However the Company incurred a loss of ₹13,817,660 (rupees one crore thirty eight lakhs seventeen thousand six hundred and sixty only). Granules OmniChem Private

Limited is a 50:50 joint venture that will manufacture pharmaceutical intermediates and APIs in a greenfield facility in Visakhapatnam (AP) and mainly focus on high-value, low-volume APIs for the regulated markets.

The joint venture Company is setting up 100% export oriented unit at Jawaharlal Nehru Pharma city, Parwada Mandal, Visakhapatnam (AP) under the APIIC special economic zone to manufacture active pharmaceutical ingredients. The Company plans to obtain all necessary regulatory approvals from the U.S. Food and Drug Administration ("FDA") and other regulatory authorities by 31st March 2016.

AMALGAMATION OF AUCTUS PHARMA LIMITED

The Board of Directors of the Company at its meeting dated 20th February 2014 have approved the Scheme of Arrangement for amalgamation of Auctus Pharma Limited with the Company with effect from the "Appointed Date" i.e 1st April 2013 or such other date as may be fixed by the Hon'ble High Court of Judicature at Hyderabad for the State of Telangana and the State of Andhra Pradesh. Since both Companies are dealing in the similar line of business, the amalgamation will reap the following benefits for the Company:

- a. focused strategic leadership and integrated business synergies.
- b. channelized synergies; optimum utilization of the available resources and broadened customer base.
- c. higher long-term financial returns and inculcation of greater financial strength and flexibility.
- d. diversified product portfolio which would enable to manage risks in a better way.
- e. manufacturing of value added products for fetching higher returns.
- f. greater rationalization and reduction of duplication of systems and processes.
- g. efficient and more cost effective management system in view of consolidation of operations.
- h. pooling of financial, managerial and technical resources, personnel capabilities, skills, expertise and technologies of the merging companies leading to increased competitive strength.

The financial position of Granules India Limited will continue to remain strong and in light of the benefits flowing from the amalgamation and shall be strengthened by the vesting of the assets of the Auctus Pharma Limited under the Scheme of Arrangement. Hence, the rights and interests of the shareholders and creditors of Granules India Limited will not be prejudicially affected by the Scheme. The Scheme of Arrangement has been drawn up in consonance with the provisions of securities laws or the stock exchange requirements including the SEBI Act, 1992, the Securities Contracts (Regulation) Act, 1956, requirements under SEBI Circular No. CIR/CFD/DIL/5/2013

The Company's internal control systems are 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 including those relating to strengthening of the Company's risk management policies and systems. Your Company has a proper process for Risk Management.

dated February 4, 2013 read with Circular No. CIR/CFD/DIL/8/2013 dated 21st May 2013, the Depositories Act, 1996 and the provisions of the Companies Act, 1956, which are administered by SEBI and the rules, regulations, guidelines etc made under these Acts and the Listing Agreement. The National Stock Exchange of India Limited (NSE) and the Bombay Stock Exchange Limited (BSE) have respectively conveyed their 'No Objection' as required under clause 24(f) of the Listing Agreement vide their Observation Letter NSE/LIST/239123-K dated 19th May 2014 and Observation Letter DCS/AMAL/LP/24(f)/047/2014-15 dated 16 May 2014 for filing the Scheme of Arrangement with the Hon'ble High Court.

The Company Auctus Pharma Limited, being the applicant has filed the petition for amalgamation with High Court of Judicature of Andhra Pradesh and Telangana at Hyderabad under Sections 391 and 394 of the Companies Act, 1956 and other applicable provisions of the Act, rules and regulations and sanction of the High Court is still awaited.

STATEMENT UNDER SECTION 212 OF THE COMPANIES ACT, 1956

Pursuant to the provision of Section 212(8) of the Companies Act, 1956, the Ministry of Corporate Affairs vide its circular no. 2/2011 dated February 8, 2011 has granted general exemption from attaching the balance sheet, profit & loss account and other documents of the subsidiary companies with the balance sheet of the Company. The Board of Directors of your Company has by a resolution, given consent for not attaching the balance sheet of the subsidiaries concerned. Accordingly, the annual accounts and other documents of Company's subsidiaries for the year ended 31st March 2014 are not attached to this Annual Report. Pursuant to Section 212 of the Companies Act, 1956 a brief statement related to subsidiary companies has been given as annexure to the balance sheet and the same forms a part of this Annual Report.

The annual accounts of subsidiaries and detailed information will be made available for inspection by any member of the Company at the registered office

Your Company has further strengthened its team to bring the leadership skills which are directly relevant to its growth at this stage. To attract and retain people, your Company provides a judicious combination of attractive career, personal growth and a lucrative compensation structure. Your Company places great importance on nurturing and retaining the best skills in the industry.

of the Company and also at the registered office of the concerned subsidiaries. The annual accounts of the subsidiary companies and detailed information will be made available to the members of the Company and subsidiaries upon receipt of request from them. The Company shall furnish a copy of annual accounts of subsidiaries to the member on demand. The consolidated annual report is attached with the Annual Report of the Company.

AUDITORS & THEIR REPORT

M/s. Kumar & Giri, Chartered Accountants, Statutory Auditors of the Company retire at the conclusion of the ensuing Annual General Meeting and being eligible have offered themselves for re-appointment. The Company has received a certificate from the auditors to the effect that their re-appointment if made, would be in accordance with the conditions as specified under Section 141 of the Companies Act, 2013 read with Companies (Audit and Auditors) Rules, 2014. The Directors recommend their re-appointment. A resolution proposing appointment of M/s. Kumar & Giri, Chartered Accountants as the Statutory Auditors of the Company pursuant to Section 139 of the Companies Act, 2013 forms part of the Notice.

Comments of the Auditors in their report and the notes forming part of the accounts, are self-explanatory and need no comments.

FIXED DEPOSITS

Your Company did not accept any public deposits and no amount on account of principal or interest on public deposits was outstanding on the date of balance sheet.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

The information pertaining to conservation of energy, technology, absorption, foreign exchange earnings and outgo, as required under Section 217(1)(e) of the Companies Act, 1956, read with the Companies (Disclosure of Particulars in the Report of the Board of

Directors) Rules, 1988 is given as 'Annexure I' and forms part of the Directors Report.

HUMAN RESOURCES

Your Company recognizes that "Human Resource" is its principal asset. Your Company HR policy aims at building a robust and diverse talent pipeline, enhancing individual and organizational capabilities for future readiness, driving greater employee engagement and strengthening employee relations further through progressive people practices at the shop floor. Your Company is striving relentlessly to strengthen talent pool across all levels and to drive performance orientation as work culture by implementing various schemes, system, process and programs from time to time resulting in all around development of the employees and vibrant work culture. Your Company has further strengthened its team to bring the leadership skills which are directly relevant to its growth at this stage. To attract and retain people, your Company provides a judicious combination of attractive career, personal growth and a lucrative compensation structure. Your Company places great importance on nurturing and retaining the best skills in the industry.

PARTICULARS OF EMPLOYEES

Particulars of employees, as required under Section 217(2A) of the Companies Act, 1956, read with the Companies (particulars of employees) rules, 1975, as amended, forms part of this report. However in pursuance of Section 219(1)(b)(iv) of the Companies Act, 1956, this report and accounts are being sent to all shareholders of the Company, excluding the statement containing the particulars to be provided under Section 217(2A) of the said act. Any member interested in obtaining such particulars may inspect the same at the registered office of the Company or write to the Company Secretary for a copy thereof.

EMPLOYEE STOCK OPTION PLAN (ESOP)

Your Company implemented the Granules India Equity Stock Option Plan 2002 and Granules India Equity Stock Option Plan 2009, recognizing the Directors as well as the employee's contribution to the organization's success. The Granules India Equity Stock Option Plan 2002 came to an end on 29th October 2009.

Details of the shares issued under ESOP, as also the disclosures in compliance with clause 12 of the Securities and Exchange Board of India (Employee Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999 are herein under provided.

The details of the stock options granted / vested / exercised under the Granules India Equity Stock Option Plan 2002, are given below:

Sr. No.	Description	Details
(a)	Options granted	Nil
(b)	Pricing formula	Not Applicable
(c)	Options vested during the year	Nil
(d)	Options exercised during the year	70,000 stock options
(e)	Total number of shares arising as a result of exercise of options	70,000 equity shares
(f)	Options lapsed during the year	Nil
(g)	Variation in terms of options	Nil
(h)	Money realized by exercise of options during the year	₹3,150,000/-
(i)	Total number of options in force	Nil
(j)	Employee wise details of options granted during the year to:	
(j) (i)	Senior managerial personnel	Not Applicable
(j) (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.	Not Applicable
(j) (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
(k)	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.	₹39.30/- per share
(l)	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
(m)	Weighted-average exercise prices and weighted-average fair values of options, whose exercise price either equals or exceeds or is less than the market price of the stock	₹45/- per share
(n)	Description of the method and significant assumptions used during the year to estimate the fair values of options.	Not Applicable.

The details of the stock options granted / vested / exercised under the Granules India Equity Stock Option Plan 2009, are given below:

Sr. No.	Description	Details
(a)	Options granted	Nil
(b)	Pricing formula	Not Applicable
(c)	Options vested during the year	175,000
(d)	Options exercised during the year*	113,000
(e)	Total number of shares arising as a result of exercise of options	113,000
(f)	Options lapsed during the year	46,000
(g)	Options lapsed till date under the scheme	171,000
(h)	Variation in terms of options	Nil
(i)	Money realized by exercise of options during the year	10,528,000
(j)	Total number of options in force	429,000
(k)	Employee wise details of options granted to:	
(i)	Senior managerial personnel	Not Applicable
(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.	Not Applicable
(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.	₹39.30 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 prices and weighted-average fair values of options, whose exercise price either equals or exceeds or is less than the market price of the stock	₹93.17/- per share
(o)	Description of the method and significant assumptions used during the year to estimate the fair values of options.	Not Applicable

*Out of the total 113,000 stock options exercised during the year, 28,000 equity shares were allotted on 10th April 2014.

Pursuant to clause 14 of the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, certificate from M/s. Kumar & Giri, Statutory Auditors is given as **Annexure II** to this report.

CODE OF CONDUCT

Your Company has laid down a Code of Conduct for all Board members and senior management of the Company. The Code of Conduct has been posted on the website of the Company. In pursuance of Clause 49 of the listing agreement, the declaration by the Managing Director of the Company affirming compliance with the Code of Conduct by the Directors and senior management personnel forms part of Corporate Governance Report.

APPRECIATIONS AND ACKNOWLEDGEMENTS

Your Company continues to build shareholder value and your Directors look to the future with confidence.

Your Directors place on record their appreciation for the overwhelming co-operation and assistance received from investors, customers, business associates, bankers, vendors and financial institutions. The Directors also thank the State Governments, Government of India, Governments of various countries, other Government Departments and Governmental Agencies for their co-operation and support.

Your Directors are especially indebted to employees of the Company and its subsidiaries at all levels, who through their dedication, co-operation, support and dynamic work, have enabled the company to achieve rapid growth. Your Directors seek, and look forward to the same support during the future years of growth.

On behalf of the Board

Place: Hyderabad
Date: 24th July 2014

Sd/-
C. Krishna Prasad
Managing Director

Sd/-
C. Uma Devi
Executive Director

Annexure - I to Directors' Report

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

FORM A - PARTICULARS OF CONSERVATION OF ENERGY

A. Power and Fuel Consumption

Particulars	FY 14	FY 13
1. Electricity		
Unit (KWH)	19,072,050.00	12,278,183.00
Total amount (₹ in Lakhs)	1,512.26	827.20
Rate/Unit (₹)	7.93	6.74
Rate/Kg of production (₹)	5.07	3.45
2. Own generation from diesel generator		
Unit (KWH)	2,036,439.00	7,348,833.00
Total amount (₹ in Lakhs)	399.89	1,075.28
Rate/unit (₹)	19.64	14.63
Unit/kg of production (₹)	0.07	0.31
Rate/kg of production (₹)	1.34	4.48
3. Coal		
Quantity (MT)	13,581.28	12,075.24
Total cost (₹ in Lakhs)	733.27	715.58
Rate/Unit (₹)	5.40	5.93
Rate/kg of production (₹)	2.46	2.98
4. Furnace Oil, LSHS and LD oil		
Quantity (K. Ltrs.)	49.35	13.49
Total cost (₹ in Lakhs)	69.67	6.88
Average/K. ltrs. (₹)	141.17	50.97
Rate/kg of production (₹)	0.23	0.03

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 and granulations, it is not practicable to give consumption per unit of production.		
Electricity			
Furnace oil			
Coal			

FORM B – PARTICULARS OF ABSORPTION

Technology absorption, adaptation and innovation

1. Technology absorption, adaptation and innovation:

With wide expertise in R&D, technocrats at Granules India Limited have the ability to reproduce reference products of all regulated markets. Innovative products such as press fits have been successfully developed and manufactured and more products are being formulated for the regulated markets. To meet customer demands, our teams focus on innovate techniques in product development.

For products where manufacturers transfer technology for site variations, our teams adapt to the process and reproduce prototypes to meet regulatory acceptance. The Company is continuously striving to strengthen its R&D teams and infrastructure.

2. Benefits derived as a result of the above efforts

- Enduring growth.
- Recognition in the pharmaceutical industry.
- Better market acknowledgement and response.
- Quick to launch.

3. Imported technology

There was no import of technology.

Research and Development (R&D)

R&D at Granules India Limited represents an effective edge, reflected in the introduction of pioneering products and processes towards a superior price value proposition. The Company is committed to building a sound base for sustained growth both in API, PFI and FD businesses through the development of innovative, future-oriented technologies, intellectual property protection and engineering technologies in stable-ops by leveraging our collective R&D expertise resulting in value for all stakeholders. Our R&D primarily caters to our in-house product development requirements for both PFI and Finished Dosage products. Our development philosophy aims to collaborate and offer a business model of delivering end-to-end solutions for Over the Counter (OTC) monograph, OTC Abbreviated New Drug Application (ANDA) and prescription products.

The Company provides comprehensive drug development resources and solutions for pre-formulation, formulation development, analytical development, CGMP, scale-up, stability and also co-ordinate for conducting bioavailability and bioequivalence studies for regulated and emerging markets. The Company possesses capabilities to develop several IR and MR solid dosage products and filing dossier and ANDA for regulated markets including the U.S., Canada, Europe, Australia and other countries.

Specific areas in which R & D work was carried out by the Company

R&D currently focuses on developing and filing generic products for regulated markets and also on large volume OTC drugs. The Company's philosophy is to have the best-to-file applications which will increase returns over the long-run. Going forward, the Company will focus on global filings for our products which will improve our efficiency. In addition, R&D is working to build a healthy products portfolio for enhanced and sustainable growth on extending our product reach by adding filing for different doses for existing products and also adding value through applications such as extended release. In FY 14, the Company opened up a 10,000 sq. ft. R&D Center in Hyderabad. The team at this facility will focus on developing more effective processes for the APIs from the Auctus Pharma Limited acquisition. In addition, the R&D team will work on filing ANDAs and dossiers based on APIs from the Auctus Pharma Limited's portfolio. The Company currently offers the following Finished Dosage products:

- Press fit / express fit (gel caps) OTC products
- Delayed / extended release
- Immediate release generic products
- Capsules

Benefits derived as a result of the above R & D

Granules have the ability to market products directly and also to work with MNCs and market leaders to penetrate the markets more effectively.

Future plan of action

The Company is actively identifying products to build healthy portfolio that fit our business model and will file to offer our products in the regulated markets including North America and Europe.

4. Expenditure on R & D

The details of the expenditure on R & D are given as under:

Details of R&D expenditures	(₹ in Lakhs)	
	FY 14	FY 13
Salaries	204.47	204.45
Consumables & Lab Chemicals	17.29	2.43
Consultancy Charges	474.80	277.94
Others	129.42	66.52
Materials	0.00	106.17
Total expenditure	825.99	657.51

FORM C – FOREIGN EXCHANGE EARNINGS AND OUTGO

Particulars	(₹ in Lakhs)	
	FY 14	FY 13
Foreign Exchange Earnings	82,395.90	54,577.63
Foreign Exchange Outgo	40,403.40	31,542.46

On behalf of the Board

Place: Hyderabad
Date: 24th July 2014

Sd/-
C. Krishna Prasad
Managing Director

Sd/-
C. Uma Devi
Executive Director

Annexure - II to Directors' Report

Auditors' Certificate

To

The Members of
Granules India Limited
2nd Floor, 3rd Block,
My Home Hub, Madhapur,
Hyderabad (TG)

We have examined the compliance of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 by Granules India Limited, for the year ended on 31st March 2014.

Our examination was limited to the implementation of the Granules India Equity Option Plan 2002 and Granules India Equity Option Plan 2009 by the Company for ensuring the compliance of the said guidelines.

In our opinion and to the best of the information and according to the explanations given to us, we certify that the said Plan has been implemented in accordance with the SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and in accordance with the resolution of the Company in the Annual General Meeting held on 30th July 2002 and 25th September 2009.

For **M/s. Kumar & Giri**
Chartered Accountants
Firm Regn No.001584S

Place: Hyderabad
Date: 24th July 2014

Sd/-
J. Bhadra Kumar
Partner
Membership No. 25480

Corporate Governance Report



The detailed report on Corporate Governance, for the financial year ending 31st March 2014 pursuant to Clause 49 of the listing agreement is set out below:

COMPANY'S PHILOSOPHY ON CODE OF CORPORATE GOVERNANCE

Granules India Limited 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 our corporate governance and oversees how the management serves and protects the interest of the stakeholders. The Board of Directors of your Company is responsible for and committed to the sound principles of corporate governance in the Company. Our corporate governance framework ensures that we make timely disclosures and share accurate information 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.

THE BOARD OF DIRECTORS

Composition:

The Board of Directors of your Company comprises of 9 (Nine) Directors as on the date of this report representing the optimum blend of professionalism, knowledge and experience. Of these, five Directors are Independent Directors. The Director of the Company Dr. C. Nageswara Rao, who was also the Non - Executive Chairman of the Company, passed away on 15th May 2014. The Board expresses its deep condolences on the sad demise of the Chairman and places on record its gratitude for the guidance and support tendered during his Chairmanship.

The code of conduct for all the Directors and the Senior Management of the Company has been posted on the website of the Company at www.granulesindia.com. All Directors and the Senior Management personnel are under a requirement to affirm the compliance with the said code. The necessary declaration by the Managing Director of the Company regarding compliance of the code of conduct by the Directors and the Senior Management of the Company forms part of the

Corporate Governance Report. Members are requested to refer to the same.

During the FY 14, the Company had a Non-Executive Chairman who belonged to the promoters group and the number of Independent Directors during the year at five was in compliance with the requirement of having one-half of the Board as an Independent Directors. None of the Directors on the Board is a member of more than 10 (ten) Committees or Chairman of more than 5 (five) Committees as specified in Clause 49 of the Listing Agreement, across all the Companies in which he / she is a Director. The Directors made necessary disclosures regarding Committee positions in other public limited companies as on 31st March 2014.

Board Meetings:

The Company holds at least four board meetings in a year, once in each quarter inter - alia to review the financial results of the Company. The gap between the two board meetings does not exceed four calendar months. Apart from the four scheduled board meetings, additional board meetings are also convened to address the specific requirements of the Company. 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. However, in case of special and urgent business need, the Board's approval is taken by passing resolutions by circulation, as permitted by law, which is confirmed in the next board meeting.

The Board is regularly apprised and informed of important business related information. The agenda papers are circulated well in advance to all the Board members containing the detailed notes on the items to be discussed at the meeting to enable Directors to take informed decisions. All material information was circulated to the Directors before the meeting or placed at the meeting, including minimum information required to be made available to the Board under Clause 49 of the listing agreement. Every Director on the Board is free to suggest any item for inclusion in the agenda for consideration of the Board. All the departments in the Company communicate to the Company Secretary well in advance, the matters requiring approval of the Board / Committees of the Board to enable inclusion of the same in the agenda of the Board / Committee meeting(s). The important decisions taken at the Board / Committee meetings are promptly communicated to the concerned department. Action taken report on the decisions / minutes of the previous meeting is placed at the succeeding meeting

of the Board / Committee for noting. Along with other agenda item, compliance reports of applicable laws and minutes of the meetings of the Committee are placed before the Board at regular intervals.

Eight (08) Board meetings were held during the year April - March 2014 and the gap between any two meetings did not exceed four months. The dates on which the Board meetings were held are: 25th April 2013, 25th July 2013, 16th October 2013, 30th October 2013, 4th November 2013, 28th January 2014, 5th February 2014 and 20th February 2014.

Board Business:

The normal business of the Board includes-

- a. Framing and overseeing progress of the Company's annual operating plans and budgets.
- b. Quarterly and annual business performance of the Company.
- c. Review of the annual report and accounts for adoption by the members.
- d. Functioning of the Board and its Committees.
- e. Review the functioning of the subsidiary and joint venture companies.
- f. Consider and approve declaration / recommendation of dividend.
- g. Recruitment of Directors on the Board and committees.
- h. Consideration of recruitments and resignations of senior management personnel including Chief Executive Officer, Chief Financial Officer and Company Secretary.
- i. Details of significant development in human resources and industrial relations front.
- j. Details of litigations, prosecutions etc.
- k. Details of foreign exchange exposures and the steps taken by the management to limit the risks of adverse exchange rate movement.
- l. Details of risk evaluation and internal controls.
- m. Reports on progress made on the ongoing projects.
- n. Status of compliance of regulatory, statutory or listing requirements and shareholders service etc.

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 2013 – March 2014 and the number of Directorships and Committee Chairmanships / Memberships held by them in other companies is given below. Other Directorships do not include Alternate Directorships, Directorships of Private Limited Companies, Directorship of Foreign Companies and Directorship of Companies under Section 25 of Companies Act, 1956. The Chairmanship / Membership of Board Committees includes only Audit and Shareholders' / Investors' Grievance Committees as specified under Clause 49 of the Listing Agreement.

Name	Category	Number of Board Meetings during the year April 2013 – March 2014		Whether attended last AGM	Number of Director-ships in other public companies	Number of committee positions held in public companies	
		Held	Attended			Chairman	Member
Dr. C. Nageswara Rao* Chairman DIN – 00179947	Non-Independent, Non-Executive	08	05	Yes	-	01	-
Mr. C. Krishna Prasad Managing Director DIN – 00020180	Non-Independent, Executive	08	08	Yes	01	-	02
Mr. L. S. Sarma DIN – 00009530	Independent, Non-Executive	08	08	Yes	-	-	02
Mr. A. P. Kurian DIN – 00008022	Independent, Non-Executive	08	04	No	03	-	04
Mr. C. Parthasarathy DIN - 00079232	Independent, Non-Executive	08	04	Yes	11	05	01
Dr. Krishna Murthy Ella DIN – 00072071	Independent, Non-Executive	08	02	No	02	01	-
Mr. A. Arun Rao DIN – 00876993	Independent, Non-Executive	08	06	Yes	01	-	01
Mr. Harsha Chigurupati Executive Director DIN – 01606477	Non-Independent, Executive	08	08	Yes	-	-	-
Mrs. Uma Devi Chigurupati DIN – 00737689	Non-Independent, Executive	08	04	Yes	-	-	-
Mr. Kolli Basava Sankar Rao** DIN – 05167550	Non-Independent, Non-Executive	08	07	No	01	-	-

Notes:

* Dr. C. Nageswara Rao, Chairman of the Company passed away on 15th May, 2014.

** Mr. Kolli Basava Sankar Rao who was appointed as an Additional Director w.e.f. 19th February 2013 was appointed as a Director at the 22nd Annual General meeting of the Company, i.e. on 19th August 2013.

Non-Executive Directors interest

None of the Non-Executive Directors has any pecuniary or material relationship or transaction with the Company except

Dr. C. Nageswara Rao, who belongs to promoters group of the Company. However the following is the shareholding of Non-Executive Directors as on 31st March 2014:

Sr. No.	Name of Non-Executive Director	No. of shares held	Percentage of paid-up capital
1.	Dr. C. Nageswara Rao	93,600	0.46%
2.	Mr. L.S. Sarma	24,506	0.12%
3.	Mr. A.P. Kurian	29,000	0.14%
4.	Mr. A. Arun Rao	1,000	0.005%
5.	Dr. Krishna Murthy Ella	24,000	0.12%
6.	Mr. C. Parthasarathy	-	-
7.	Mr. Kolli Basava Sankar Rao	5,24,802	2.59%

Retiring Directors

Brief resume of Directors who will be retiring by rotation and are eligible for re-appointment and also who will be appointed / reappointed at this Annual General Meeting of the Company are as under:

Retiring by rotation - Mrs. C. Uma Devi

Mrs. C. Uma Devi will be retiring at the ensuing Annual General Meeting and being eligible is proposed to be reappointed. She is a Post Graduate in Soil Microbiology from Nagarjuna University and has rich experience of around 31 (thirty) years in various fields. Mrs. C. Uma Devi with Mr. C. Krishna Prasad, Managing Director co-promoted Triton Laboratories Private Limited in the year 1984. Triton Laboratories Private Limited was a bulk drug manufacturing company and mainly exports its products to the U.S and other developed countries market. Mrs. C. Uma Devi was also a Director (Quality Control) of Triton Laboratories Private Limited and was involved with Triton on a full time basis in its day to day working till Triton Laboratories Private Limited amalgamated with Granules India Limited in the year 1998. Currently, Mrs. C. Uma Devi is also a Director of KRSMA Estates Private Limited (formerly known as Bhanodaya Wineries), KRSMA Vineyards Private Limited, Triton Securities Private Limited and Tyche Technologies Private Limited.

Mrs. Uma is a seasoned manager and has an extensive network with leading manufacturers and distributors throughout the world. She has relevant exposure to the international market and its dynamics especially in the manufacturing industry.

Appointment of Independent Directors

As per the provisions of Section 149(10) of the Companies Act, 2013, an Independent Director shall hold office for a term up to five consecutive years on the Board of a Company, but shall be eligible for re-appointment on passing of a special resolution by the Company. The Section 149 (11) of the Companies Act, 2013 further provides that no Independent Director shall hold office for more than two consecutive terms, but such Independent Director shall be eligible for appointment after the expiration of three years of ceasing to become an Independent Director. The Securities Exchange Board of India (SEBI) vide its circular no. CIR/CFD/POLICY CELL/2/2014 dated 17th April 2014 has amended the Clause 49 of the Listing

Agreement and as per the amended Clause, the Director who has already served as an Independent Director for five years or more in a Company as on 1st October 2014 shall be eligible for appointment, for one more term of up to five years only. Hence in view of the above stipulations, the appointment of the following existing Independent Directors for a term of five years is proposed in the ensuing Annual General Meeting.

The Independent Directors as under mentioned who are proposed to be appointed in the ensuing Annual General Meeting possess the required skills, experience and knowledge in the fields of finance, law, management, sales, administration, research & development, business strategy, corporate governance, technical operations, corporate social responsibility and other disciplines related to the company business. The brief profile of the said Independent Directors is herein under provided:

Mr. L.S. Sarma

Mr. L.S. Sarma, is a retired bank executive. He was General Manager - Industrial Development Bank of India (IDBI), Director of ECGC and Dena Bank. He worked for International Trade Centre, Zeniva, ITC (Unctad / Gatt) as an Export Credit Consultant. He has held prestigious positions and gained expertise in the field of banking and financial management. He was on the Board of Companies like Hexaware Technologies Limited and Calibre Point Business Solution Limited. Currently he is also a trustee of Atulnisha Charitable Trust.

Mr. A. P. Kurian

Mr. A. P. Kurian was Chairman of Association of Mutual Funds in India. His career in financial services area is spread over more than four decades. Starting as Research Officer in Reserve Bank of India, he grew up to the rank of Advisor - Economics Department. During the period 1975-1993, he was with Unit Trust of India holding position of Director-Investments, Director-Planning and Development and as Executive Trustee (equivalent to Managing Director) from 1987 to 1993.

After retirement from Unit Trust of India, he joined the Apple Mutual Fund as Advisor from 1993 to 1998. He was on the Board of National Stock Exchange, Executive Committee of NSDL and several other Committees associated with Mutual Funds and Capital Market. Currently he is a Chairman of Geojit BNP Paribas

Financial Services Limited and also holds directorship in the Muthoot Capital Services Limited, JP Morgan Asset Management India Private Limited and Muthoot Fincorp Limited.

Dr. Krishna Murthy Ella

Dr. Krishna Murthy Ella pursued his early education in India and acquired his postgraduate Degree in Agricultural Sciences with Distinction and Gold Medals. After working with Sandoz (I) Ltd and Bayer, he moved to the USA for higher studies on Rotary Foundation Scholarship.

Dr. Ella was awarded his Doctorate by the University of Wisconsin-Madison in Molecular Biology. He received the National Research Service Award from the National Institute of Health, Bethesda, Maryland and became a part of the Research faculty at the Medical University of South Carolina - Charleston.

Dr. Ella is the first recipient of the Best Entrepreneur of the year, 2003. He founded and established Bharat Biotech International Limited in 1996 along with his wife Ms. Suchitra Ella. The Company today, is on the forefront of Indian Biotechnology engaged in R&D, manufacturing and marketing of vaccines and biotherapeutics. Currently he is a Chairman & Managing Director of Bharat Biotech International Limited and also Director of Century Biologicals Private Limited, Ella Foundation, InnovaAgri Bio Park Limited and Conress Labs (India) Private Limited.

Mr. C. Parthasarathy

Mr. C. Parthasarathy, is one of the founders of Karvy. He is the fellow member of the Institute of Chartered Accountants of India and the Institute of Company Secretaries of India. He also holds graduate degrees in Science and Law.

As the Chairman of the Karvy group, he has been responsible for building Karvy as one of India's truly integrated financial services organizations. He oversees the group's operations and is responsible for the vision, business direction and technology value addition to the overall business. Karvy employs over 10,500 personnel and has a total network of 583 offices in 391 cities / towns spread across the country providing complete range of services. Currently he is the Chairman & Managing Director of Karvy Stock Broking Limited and also holds directorship in other Karvy group Companies including directorship in other companies like Athena Infraprojects Private Limited, Ocean Sparkle Limited, Pennar Industries Limited etc.

Mr. A. Arun Rao

Mr. A. Arun Rao is a qualified Chemical Engineer from the University of Madras with a Post graduate degree in Chemical Engineering from the Illinois Institute of Technology, Chicago, USA. He is an Executive Director of Akin Laboratories Pvt Ltd., a formulation manufacturing Company and also a member of the central executive council of the Indian Pharmaceutical Association. Currently, he is also on the Board of ESPI Industries and Chemicals Private Limited, a leading manufacturer

of antacids in India and also holds directorship in the Sanzyme Limited.

Re-appointment of Managing Director

Mr. C. Krishna Prasad was appointed as a Managing Director of the Company with effect from 1st September, 2009 by the Shareholders at the 18th Annual General Meeting of the Company held on 25th September 2009. The current term of office of Mr. C. Krishna Prasad as Managing Director of the Company expires on 31st August 2014. In view of his consistent efforts which have contributed to the growth of the organization and the sincere service rendered for the better performance of the organization during his tenure as Managing Director, the Board of Directors on the recommendation of the Nomination and Remuneration Committee, has decided to re-appoint Mr. C. Krishna Prasad as the Managing Director of the Company for a further period of 5 (five) years effective from 1st September 2014.

The information required to be forwarded to the shareholders of the Company pursuant to Clause 49 of the Listing Agreement pertaining to brief resume, expertise in functional areas, names of Companies in which he / she is a Director etc., is being provided separately, forming part of this Corporate Governance report. Members are requested to refer to the same.

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 Committee 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 four 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 Clause 49 of the listing agreement 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. Reviewing financial statements and draft audit report, including quarterly / half-yearly financial information.
- d. 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
- e. The going concern assumption
- Compliance with the accounting standards, stock exchange & legal requirements concerning financial statements
- Review and approval of related party transactions.
- e. Reviewing, with the management, external and internal auditors, the adequacy and compliance of internal control systems.
- f. Reviewing the adequacy of internal audit functions.
- g. Discussion with the internal auditors on any significant findings and follow up thereon.
- h. Reviewing the Company's financial and risk management policy.
- i. Any other function as delegated by the Board from time to time.

During the year April 2013 – March 2014, 5 (Five) Audit Committee meetings were held. The dates on which the said meetings were held are: 24th April 2013, 24th July 2013, 29th October 2013, 27th January 2014 and 20th February 2014. The Audit Committee at its meeting held on 24th April 2013 had considered the audited annual accounts for the financial year FY 13.

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 year 2013-2014	
		Held	Attended
Mr. L. S. Sarma, Chairman	Independent, Non-Executive	05	05
Mr. A. P. Kurian	Independent, Non-Executive	05	03
Mr. A. Arun Rao	Independent, Non-Executive	05	04
Mr. C. Krishna Prasad	Non-Independent, Executive	05	05

The Audit Committee meetings were also attended by the partner / representatives of Statutory Auditors, Internal Auditors and Cost Auditors. Mr. L.S. Sarma, Chairman of the Audit Committee, attended the previous Annual General Meeting of the Company held on 19th August 2013. Ms. Shivangi Sharma, Company Secretary of the Company also acts as the Secretary to the Audit Committee.

The Audit Committee has recommended to the Board, the re-appointment of M/s Kumar & Giri, Chartered Accountants, as the Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting till the conclusion of the 26th Annual General Meeting, subject to ratification by shareholders at every Annual General Meeting, and the necessary resolution for their re-appointment as Statutory Auditors is placed before the shareholders at the 23rd Annual General Meeting.

Nomination & Remuneration Committee (formerly known as Compensation & Remuneration Committee)

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 currently comprises of three Independent Non-Executive Directors and one Executive Director. Mr. L.S. Sarma, Independent Director, is the Chairman of the Committee.

3 (Three) meetings of the Nomination & Remuneration Committee were held during the year 2013 – 2014. The dates on which the said meetings were held are: 24th April 2013, 12th June 2013 and 11th July 2013. 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 year 2013-2014	
		Held	Attended
Mr. L. S. Sarma, Chairman	Independent, Non-Executive	3	2
Mr. A. P. Kurian	Independent, Non-Executive	3	1
Dr. Krishna Murthy Ella	Independent, Non-Executive	3	1
Mr. C. Krishna Prasad	Non-Independent, Executive	3	3

Details of remuneration accrued and paid to the Directors during the financial year April 2013 – March 2014 are as under:

Name	Salary	Perquisites	Commission	(₹ in Lakhs)
				Total
Mr. C. Krishna Prasad Managing Director	60.00	25.71	588.93	674.64
Mr. Harsha Chigurupati Executive Director	59.28	-	78.73	138.01
Mrs. Uma Devi Chigurupati Executive Director	22.82	-	512.95	535.77

Non-Executive Directors: The Company paid a sitting fee of ₹15,000 to Non-Executive Directors for attending to each meeting of the Board of Directors and other committee meetings except the Business Review Committee and Share Transfer and Shareholders' / Investors' Grievance Committee for which a sitting fee of ₹17,500 and ₹2,500 per meeting was paid respectively during the year.

Name	Sitting fee (₹)
Dr. C. Nageswara Rao*	147,500**
Mr. L. S. Sarma	405,000
Mr. A. P. Kurian	120,000
Dr. Krishna Murthy Ella	45,000
Mr. C. Parthasarathy	270,000
Mr. Arun Rao Akinepally	377,500
Mr. Kolli Basava Sankara Rao***	315,000

* Dr. C. Nageswara Rao, Chairman of the Company passed away on 15th May 2014.

** ₹2,500 pertaining to the payment of sitting fees of Share Transfer Committee meeting dated 28th March 2014 to Dr. C. Nageswara Rao was paid in April 2014.

*** Mr. Kolli Basava Sankar Rao who was appointed as an Additional Director w.e.f. February 19 2013 was appointed as Director at 22nd Annual General meeting of the Company, i.e. on 19th August 2013.

Share Transfer and Shareholders' / Investors' Grievance Committee

Share Transfer and Shareholders' / Investors' Grievance Committee of Directors was constituted to specifically look into the matters of investors' grievances such as transfer, transmission, split and consolidation of investors' 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.

The Committee meets every fortnight and during the year April - March 2014, 29 (twenty nine) meetings were held. During the said period, 168 (One hundred and Sixty Eight) complaints / requests were received from the shareholders and all their grievances were redressed and no complaint / request are pending. The composition of the Committee during the year April 2013 - March 2014 and the details of meetings attended by its members are given below:

Name	Category	Number of meetings during the period April 2013 - March 2014	
		Held	Attended
*Dr. C. Nageswara Rao, Chairman	Non-Independent, Non-Executive	29	29
Mr. L.S. Sarma	Independent, Non-Executive	29	02
Mr. C. Krishna Prasad	Non-Independent, Executive	29	29

* Dr. C. Nageswara Rao, Chairman of the Company passed away on 15th May 2014.

Mr. L. S. Sarma, member of the Committee resigned from the Committee on 24th April 2014 and the Committee was reconstituted with the following members as under:

Name	Category
Dr. C. Nageswara Rao, Chairman	Non-Independent, Non-Executive
Mr. A. Arun Rao	Independent, Non-Executive
Mr. C. Krishna Prasad	Non-Independent, Executive

Company Secretary and Compliance Officer during the year April 2013 - March 2014

Name of the Company Secretary and Compliance Officer	Ms. Shivangi Sharma
Address	2nd Floor, 3rd Block, My Home Hub, Madhapur, Hyderabad (AP)
Contact Telephone	+91-40-6676 0000
E-mail	investorrelations@granulesindia.com
Fax	+91-40-2311 5145

Business Review Committee

The Board constituted a Business Review Committee to advice on all matters related to the management/operation of the Company. The Business Review Committee meets periodically to review inter alia the operational and financial performance of the Company. 13 (thirteen) meetings of the Committee were held during

the year April 2013 - March 2014 on 24th April 2013, 16th May 2013, 17th June 2013, 11th July 2013, 17th August 2013, 23rd September 2013, 5th October 2013, 29th October 2013, 20th November 2013, 6th December 2013, 27th January 2014, 12th February 2014 and 24th March 2014. The composition of the Committee and the details of meetings attended by its

members are given below:

Name	Category	Number of meetings during the period April 2013 - March 2014	
		Held	Attended
Mr. C. Parthasarathy, Chairman	Independent, Non-Executive	13	12
Mr. L. S. Sarma	Independent, Non-Executive	13	10
Mr. C. Krishna Prasad	Non-Independent, Executive	13	13
Mr. A. Arun Rao	Independent, Non-Executive	13	13
Mr. Kolli Basava Sankar Rao	Non-Independent, Non-Executive	13	12

Corporate Social Responsibility (CSR) Committee

As per the Companies Act, 2013, all the companies having a net worth of ₹500 Cr. or more, or turnover of ₹1,000 Cr. or more or a net profit of ₹5 Cr. or more during any financial year will be required to constitute a Corporate Social Responsibility (CSR) Committee of the Board consisting of three or more directors, out of which at least one Director shall be an Independent Director.

Accordingly, the Board on 24th April 2014, constituted a CSR Committee comprising of:

- Mrs. C. Uma Devi, Chairman
- Mr. C. Krishna Prasad, Member
- Mr. A. Arun Rao, Member

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.

GENERAL BODY MEETINGS

Annual General Meetings

The details of last three Annual General Meetings are as under:

AGM	Year	Location	Date	Time	Number of special resolutions passed
22nd	2013	Cyan Hall, Hotel Marigold, Ameerpet, Hyderabad	19/08/2013	4.00 PM	2
21st	2012	Cyan Hall, Hotel Marigold, Ameerpet, Hyderabad	02/07/2012	4.00 PM	3
20th	2011	Residency Hall, Hotel Green Park Ameerpet, Hyderabad	12/09/2011	4.00 PM	2

Extraordinary General Meeting:

The details of Extra-ordinary Annual General Meetings are as under:

EGM	Year	Location	Date	Time	Number of special resolutions passed
1	2013	Hotel Aditya Sarovar Premiere, Hitec City, Gachibowli, Hyderabad	06/12/2013	4.00 PM	3

POSTAL BALLOT

For the year ended 31st March 2014 there were no resolutions passed through postal ballot. At the ensuing Annual General Meeting, there is no resolution proposed to be passed through postal ballot.

SUBSIDIARY COMPANIES

The Company does not have any material non-listed Indian subsidiary company and hence, the requirement of inducting an Independent Director on the Board of Directors of the subsidiary company in terms of Clause 49 III of the listing agreement does not arise. However, the Company has two foreign subsidiaries namely, Granules USA Inc and Granules Singapore Pte Ltd of which Granules Singapore Pte Ltd has been closed due to no operations in the said Company.

DISCLOSURES

During the year, there were no materially significant related party transactions, which could have potential

conflict with the Company's interests at large. The register of contracts / arrangements containing the transactions in which the Directors are interested is placed before the Board regularly for its approval. Statement in summary form of transactions with related parties is placed before the audit committee for review. In compliance with the accounting standard 18, transactions with related parties are disclosed in the notes to accounts.

- i) 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.
- ii) 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) The Managing Director and the Chief Financial Officer have certified to the Board regarding compliance of matters specified in Clause 49V of the Listing Agreement 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 24th April 2014.
- iv) 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 and Senior Management Personnel of the Company have affirmed compliance with the Code of Conduct as at 31st March 2014. A declaration to this effect signed by Mr. C. Krishna Prasad, Managing Director is given in Annexure to this report.
- v) All the mandatory requirements of Clause 49 of the Listing Agreement on Corporate Governance have been complied with.
- vi) 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.

MEANS OF COMMUNICATION

Effective communication of information is an essential component of corporate governance. It is a process of sharing information, ideas, thoughts, opinions and plans to all stakeholders which promotes management – shareholder relations. The Company regularly interacts with shareholders through multiple channels of communication such as results announcement, annual report, press releases, media calls, company’s website and subject specific communications.

The quarterly, half-yearly and annual financial results of the Company are communicated to the stock exchanges immediately after the same are approved by the Board and are published in the prominent English and Telugu newspapers namely, Business Standard, (Hyderabad, Mumbai, Delhi, Bangalore, Chennai, Kolkata and Ahmedabad edition) and Prajashakti (Regional edition). The results are also displayed on the Company’s website viz. www.granulesindia.com. Press releases made by the Company from time to time, besides being communicated to the stock exchanges, are also displayed on the Company’s website.

MANAGEMENT DISCUSSION AND ANALYSIS REPORT

The Management Discussion and Analysis Report forms part of this report and is provided elsewhere in this report.

General Shareholder Information

- i) **Annual General Meeting**
 - Date : 28th August 2014
 - Day : Thursday
 - Time : 4.00 PM
 - Venue : Taj Banjara, Road No.1, Banjara Hills, Hyderabad – 500 034 (TG) India
- ii) **Financial year** : 1st April 2013 to 31st March 2014
- iii) **Date of Book Closure** : 22nd August 2014 to 28th August 2014 (both days inclusive)
- iv) **Dividend Payment** : The final dividend, if declared, shall be paid / credited on or before 27th September 2014.
- v) **Listing on Stock Exchanges** : The Bombay Stock Exchange Limited (BSE) The National Stock Exchange of India Limited (NSE)
- vi) **Stock codes/ symbol**
 - At BSE : 532482
 - At NSE : GRANULES
- vii) **Listing fee** : The Company has paid the listing fee to the Stock Exchanges for the financial year 2014-15.
- viii) **Annual Custodial fee** : The Company has paid the Annual Custodial fee to the Depositories for the financial year 2014-15.

ix) Tentative calendar for financial year ending 31st March 2014:

The tentative dates of meeting of Board of Directors for consideration of quarterly financial results for the financial year ending 31st March 2015 are as follows:

Results	Tentative Dates
First quarter results	24th July 2014
Second quarter and half yearly results	30th October 2014
Third quarter results	29th January 2015
Fourth quarter and annual results	30th April 2015

x) Market Price Data

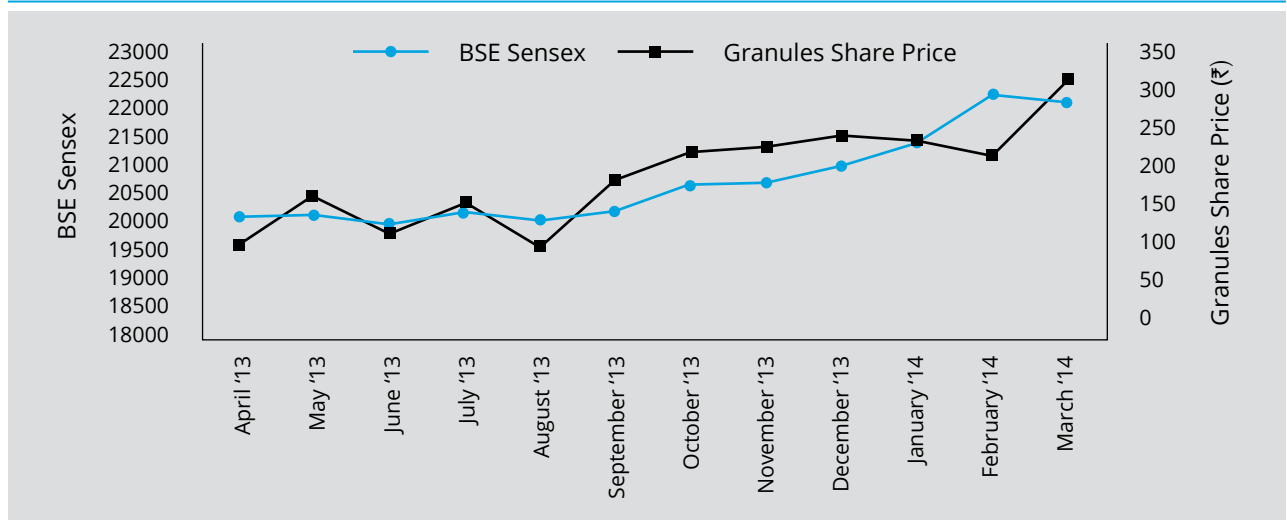
High, low (based on the closing prices) and number of shares traded during each month in the last financial year on BSE and NSE were as follows:

Month	Bombay Stock Exchange			National Stock Exchange		
	High	Low	Volume	High	Low	Volume
April 2013	143.40	94.00	574,963	142.45	94.00	2,052,747
May 2013	151.75	124.00	338,093	151.80	122.45	1,198,770
June 2013	137.90	103.70	105,660	137.60	105.00	390,003
July 2013	155.00	104.55	816,718	154.60	104.10	3,966,449
August 2013	141.30	120.00	170,366	144.70	120.00	680,193
September 2013	153.50	127.00	142,159	153.90	128.50	567,021
October 2013	185.40	140.20	334,475	185.50	140.10	1,152,748
November 2013	186.95	163.00	270,922	187.00	160.50	1,022,698
December 2013	207.60	163.60	1,103,363	207.80	163.15	3,753,892
January 2014	238.80	189.00	1,126,798	238.80	189.00	4,644,441
February 2014	294.00	219.00	2,151,412	294.35	218.00	7,599,870
March 2014	284.70	248.10	897,054	286.00	248.00	2,906,885

xi) Performance of Share Price

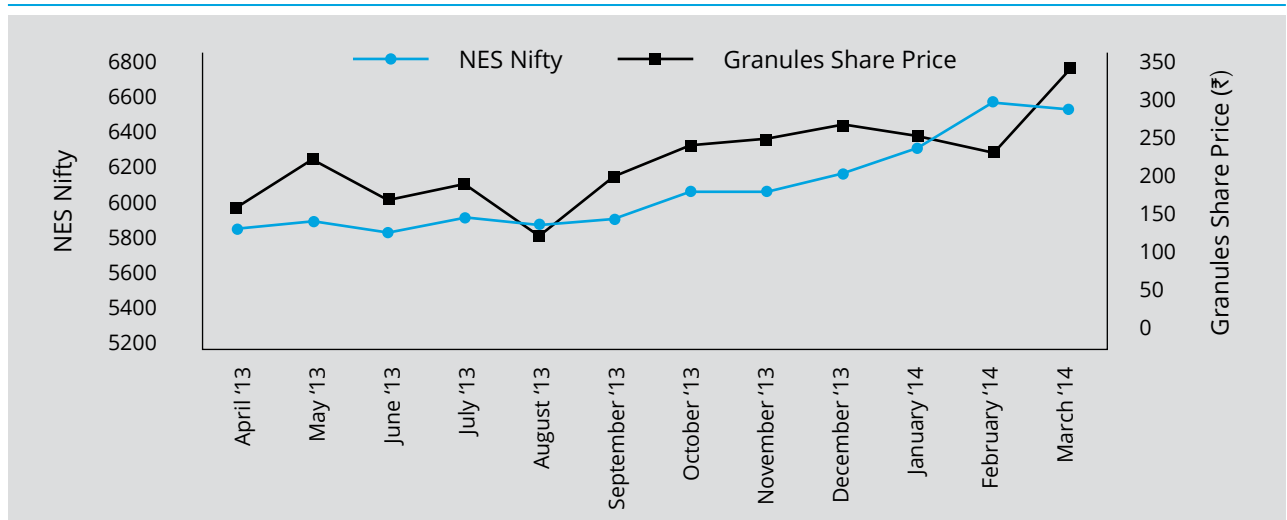
The graphical presentation on the performance of share price of the Company in comparison to the BSE Sensex is provided herein under:

Granules Share Price and Sensex Movement



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

Granules Share Price and Nifty Movement



xii) Registrar and Transfer Agents

M/s. Karvy Computershare Private Limited is Registrar & Transfer Agent of the Company. Any request pertaining to investor relations may be addressed to the following address:

Karvy Computershare Private Limited
 Plot nos.17-24, Vittal Rao Nagar,
 Madhapur, Hyderabad (TG) 500 081 India.
 Tel : +91 40 44655000
 Fax: +91 40 23431551
 Toll Free: 1-800-3454001
 Investor Grievance ID: einward.ris@karvy.com
 Website: <http://karisma.karvy.com>

Investor’s correspondence may also be addressed to:

Company Secretary & Compliance Officer
Granules India Limited
 2nd Floor, 3rd Block, My Home Hub
 Madhapur, Hyderabad (TG) - 500081
 Tel: 91-40-66760000 Fax: 91-40-23115145
investorrelations@granulesindia.com

xiii) Share Transfer System

Share transfers are processed by the Registrar and Share Transfer Agent and approved by the Share Transfer Committee depending on the volume of transfers. At present, the share transfers received in physical form are processed and the share certificates are returned within a period of 15 days from the date of receipt, subject to the documents being valid and complete in all respects.

xiv) Shareholding

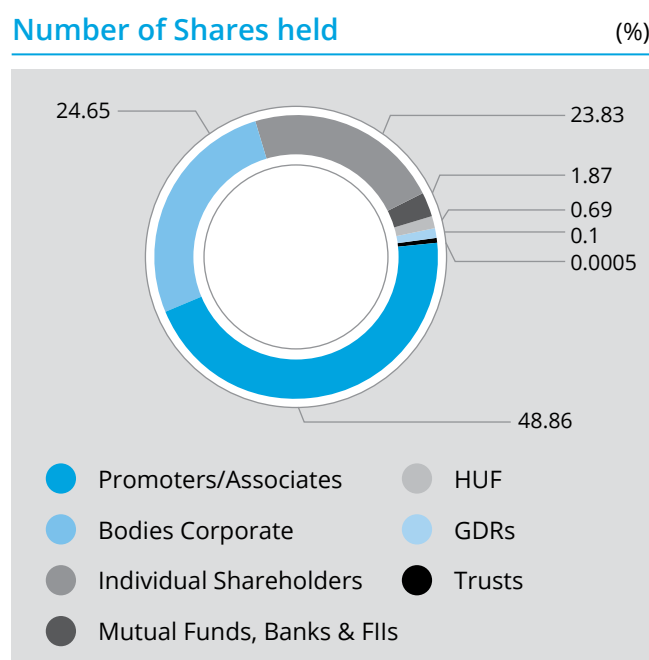
a) Distribution of shareholding as on 31st March 2014

Shareholding of nominal value	31st March 2014				31st March 2013			
	Total	%	Total	%	Total	%	Total	%
1 – 5,000	11,565	88.59	1,379,353	6.80	11,008	90.15	1,350,834	6.71
5,001 – 10,000	735	5.63	586,387	2.89	629	5.15	498,809	2.48
10,001 – 20,000	361	2.77	545,729	2.69	299	2.45	458,201	2.28
20,001 – 30,000	112	0.86	285,127	1.41	90	0.74	222,542	1.11
30,001 – 40,000	57	0.44	202,474	1.00	37	0.30	131,399	0.65
40,001 – 50,000	51	0.39	241,813	1.19	37	0.30	174,120	0.87
50,001 – 100,000	73	0.56	554,222	2.73	46	0.38	335,708	1.67
100,001 and above	101	0.77	16,486,049	81.29	65	0.53	16,954,541	84.24
Total	13,055	100	20,281,154	100	12,211	100	20,126,154	100

b) Shareholding pattern as on 31st March 2014

Category	Number of shares held	Percent to capital
Promoters/Associates	9,910,166	48.86
Mutual Funds, Banks & FIs	379,045	1.87
Bodies Corporate	5,000,370	24.65
Individual Shareholders	4,832,466	23.83
HUF	139,007	0.69
GDRs	20,000	0.10
Trusts	100	0.0005
Total	20,281,154	100

The graphical presentation of the shareholding pattern of the Company as on 31st March 2014 is herein under provided:



xv) 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 88.52% of the Company's share capital were dematerialised as on 31st March 2014.

The Company's shares are regularly traded on the National Stock Exchange of India Limited and the Bombay Stock Exchange Limited, in electronic form. Under the depository system, the International Securities Identification Number (ISIN) allotted to the Company's shares is INE101D01012.

xvi) Outstanding GDRs / ADRs / warrants

Out of 3,761,007 GDRs issued during the year 2004-05, 20,000 GDRs were outstanding as on 31st March 2014.

xvii) Plant locations

- a. Plot No. 15/A/1, Phase III, I.D.A. Jeedimetla, Hyderabad-500 055 (TG).
- b. Temple Road, Bonthapally, P.O. Jinnaram (M), Medak-502 313 (TG).
- c. Plot No. 160/A & 161/E, Gagillapur Village, Qutubullapur Mandal, Ranga Reddy District-500 043 (TG)

R & D Centre:

Formulations - Gagillapur, Qutubullapur Mandal, R R District (TG) -500 043.

API – Plot No. 15/A/1, Phase-III, I.D.A, Jeedimetla, Hyderabad (TG) – 500 055.

API - Gat no 258, Shreeram Building, Lawale Phata, Pirangut, Tal Mulshi, District Pune (MH).

API & Formulations – Plot no. 56, Road no. 5, ALEAP, Hyderabad (TG)

xviii) Address for correspondence

Granules India Limited
2nd Floor, 3rd Block, My Home Hub,
Madhapur, Hyderabad (TG) – 500081, India
Tel: 91-40-66760000, Fax: 91-40-23115145
E-mail: mail@granulesindia.com
Website: www.granulesindia.com

xix) Prevention of Insider Trading

In accordance with the requirements of SEBI (Prohibition of Insider Trading) Regulations, 1992, the Company has instituted a code of conduct for prohibition of Insider Trading in the Company's Shares.

xx) Reconciliation of share capital

As stipulated by SEBI, a qualified Practicing Company Secretary carries out the audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (CDSL) and the total issued and paid-up capital. This audit is carried out every quarter and the report there on is submitted to the stock exchanges and is placed before the Board of Directors of the Company. The audit, inter alia, confirms that the listed and paid up capital of the Company is in agreement with the aggregate of the total number of shares in dematerialised form held with NSDL and CDSL and the total number of shares in physical form.

xxi) Corporate Identity Number (CIN)

Corporate Identity Number (CIN) of the Company, allotted by the Ministry of Corporate Affairs, Government of India is L24110TG1991PLC012471.

xxii) Green Initiative in the Coporate 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, Audited Financial Statements, Auditors Report, dividend intimations etc., by email. Physical copies are sent only to those shareholders whose email addresses are not registered with the Company 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

Sd/-
C. Krishna Prasad
Managing Director

Sd/-
C. Uma Devi
Executive Director

Place: Hyderabad
Date: 24th July 2014

Profile of Directors seeking appointment / re-appointment at the ensuing Annual General Meeting

Name of Director	Mr. L. S. Sarma	Mr. A. P. Kurian	Dr. K. M. Ella	Mr. C. Parthasarathy	Mr. A. Arun Rao	Mrs. C. Uma Devi	Mr. C. Krishna Prasad
Date of Birth	11.10.1928	26.06.1933	10.07.1955	07.07.1955	06.06.1957	10.08.1959	02.10.1954
Age	85 years	81 years	59 years	59 years	57 years	54 years	59 years
Date of Appointment	30.01.2000	07.06.2003	04.06.2009	27.05.2009	27.04.2010	31.05.2012	31.08.1994
Experience in specific functional area	Wide experience in the field of banking, financial management, financial reporting, internal controls, corporate governance, management, accounting and compliances.	Wide experience in the field of investment, financial management, financial reporting, internal controls, corporate governance, management and compliances.	Wide experience in the field of bio-technology, research & development, business strategy and management.	Wide experience in the field of business strategy, financial services, financial management, accounting practices, amalgamation & merger, internal controls, corporate governance, management, law & compliances.	Wide experience in the field of medical, chemical engineering, pharmaceutical business, business strategy, technical operations, sales and management.	Wide experience in the field of management, sales & marketing, administration and corporate social responsibility.	Wide experience in the field of pharmaceutical business, business strategy, marketing, technical operations, financial management, amalgamation & merger, internal controls, corporate governance, management, & compliances.
Qualification	M.Com, CAIIB	M.A.	M.S., Ph.D	B.Sc., LL.B, FCA, FCS	M.S. (Chemical Engg)	M.Sc (Soil Biology)	B.Sc (Chemistry)
Board membership of other Indian Companies	Atulishar Charitable Trust	Geojit BNP Paribas Financial Services Ltd. Muthoot Capital Services Ltd. JP Morgan Asset Management India Pvt. Ltd Muthoot Fincorp Ltd.	Bharat Biotech International Ltd. Century Biologicals Pvt. Ltd. Ella Foundation Innova Agri Bio Park Ltd. Conress Labs (India) Pvt. Ltd.	Kany Computershare Pvt. Ltd. Kany Comtrade Ltd. Kany Consultants Ltd. Kany Global Services Ltd. Kany Global Services Inc, USA Kany Inc, USA Kany Stock Broking Ltd. Kany Investor Services Ltd. Kany Data Management Services Ltd. Kany Infrastructure Resources Pvt. Ltd. Adhiraj Commercial Enterprises Pvt. Ltd Compar Estates and Agencies Pvt. Ltd. Nova Consultants Ltd. Athena InfraProjects Pvt. Ltd. Ocean Sparkle Ltd. Pennar Industries Ltd. Kany Investment Advisory Services Ltd. Financial Intermediaries Association of India Multi dimension Entertainments Pvt Ltd. TMI e2E Academy Pvt. Ltd. Fakhro Kany Computershare W.L.L Athena Energy Ventures Pvt. Ltd. Pennar Engineered Building Systems Ltd. Forde Consultants Pvt. Ltd. Forde Search (I) Pvt. Ltd.	Akin Laboratories Pvt. Ltd. ESPI Industries & Chemicals Pvt. Ltd. SANZYME Ltd.	Triton Securities Pvt. Ltd. Tyche Technologies Pvt. Ltd. KRISMA Estates Pvt. Ltd. KRISMA Vineyards Pvt. Ltd. Granules USA Inc. KRISMA UK Ltd.	Granules Omni Chem Pvt. Ltd. Auctus Pharma Ltd. Gil Lifesciences Pvt. Ltd. Santhi Surgery Pvt. Ltd. Triton Securities Pvt. Ltd. Tyche Technologies Pvt. Ltd. KRISMA Estates Pvt. Ltd. KRISMA Vineyards Pvt. Ltd. Granules USA Inc. KRISMA UK Ltd.



Profile of Directors seeking appointment / re-appointment at the ensuing Annual General Meeting

Name of Director	Mr. L. S. Sarma	Mr. A. P. Kurian	Dr. K. M. Ella	Mr. C. Parthasarathy	Mr. A. Arun Rao	Mrs. C. Uma Devi	Mr. C. Krishna Prasad
Chairman/member of the committee of the Board of Directors of the Company	Audit Committee - Chairman Compensation & Remuneration Committee - Chairman Business Review Committee - Member Share Transfer and Shareholders / Investors Grievance Committee - Member*	Audit Committee - Member Compensation & Remuneration Committee - Member	Compensation & Remuneration Committee - Member	Business Review Committee - Chairman	Audit Committee - Member Business Review Committee - Member Corporate Social Responsibility Committee - Member	Corporate Social Responsibility Committee - Chairman	Audit Committee - Member Compensation & Remuneration Committee - Member Business Review Committee - Member Share Transfer and Shareholders / Investors Grievance Committee - Member Corporate Social Responsibility Committee - Member
Chairman / Member of the committees in other companies in which he/she is a Director	Nil	Geojit BNP Paribas Financial Services Limited - Member of Audit Committee Muthoot Capital Services Limited - Member of Audit Committee JP Morgan Asset Management India Pvt. Ltd - Member of Audit Committee Muthoot Fincorp Limited - Member of Audit Committee.	Bharat Biotech International Limited - Chairman of Audit Committee and Compensation & Remuneration Committee	Kavy Stock Broking Ltd - Member of Audit Committee, Investment Committee, Remuneration Committee, Customer Service Committee & Risk and Compliance Committee Kavy Data Management Services Ltd - Member of Remuneration Committee Kavy Investor Services Ltd - Chairman of Audit Committee Kavy Global Services Ltd. - Chairman of Audit Committee Ocean Sparkle Limited - Chairman of Remuneration Committee, Management and Administrative Committee, Investment Committee, Share Allotment Committee, Merger & Acquisition Committee & Audit Committee Pennar Industries Limited - Chairman of Audit Committee, Remuneration Committee & Investment Committee Pennar Engineered Building System Limited - Chairman of Audit Committee & Member of Remuneration Committee MCX Stock Exchange CCL - Member of Advisory Committee.	Nil	Nil	Nil
Number of shares held in the company as on 31st March 2014	24,506	29,000	24,000	Nil	1,000	7,58,000	74,73,538

*Mr. L. S. Sarma has resigned from the membership of Share Transfer and Shareholders / Investors Grievance Committee on 24th April 2014.

Disclosure in terms of Clause 49 (V) (G) (ia) of the Listing Agreement

Mr. C. Krishna Prasad, Mrs. C. Uma Devi and Mr. Harsha Chigurupati are related to each other by virtue of being relatives as defined under Section 2(77) of the Companies Act, 2013 whereas there are no inter-se relationships between the other board members.

Certification on Financial Statements for the financial year ended 31st March 2014 pursuant to Clause 49 (V) of the Listing Agreement

We hereby certify that:

- a. We have reviewed financial statements and the cash flow statement for the year ended 31st March 2014 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 period;
 - ii. that there are no significant changes in accounting policies during the period; 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.

Sd/-

VVS Murthy

Chief Financial Officer

Sd/-

C. Krishna Prasad

Managing Director

Auditors' Certificate

To
The Members
Granules India Limited

We have examined the compliance of Corporate Governance by Granules India Limited, for the year ended on 31st March 2014, as stipulated in Clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

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

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

We state that no investor grievances are pending for a period exceeding one month against the Company as per the records maintained by the Share Transfer and Shareholders'/Investors' Grievance Committee.

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

For **Kumar & Giri**
Chartered Accountants
Firm Regn No.:001584S

Sd/-
J. Bhadra Kumar
Partner
Membership No.25480

Place: Hyderabad
Date: 24th July 2014

Declaration Regarding Compliance with the Code of Conduct of the Company by Board Members and Senior Management Personnel

This is to confirm that the Company has adopted Code of Conduct for the Board of Directors and the Senior Management Personnel of the Company, which is available on the Company's website www.granulesindia.com.

I declare that the Board of Directors and the Senior Management Personnel have affirmed their compliance with the Code of Conduct of the Company.

Sd/-
C. Krishna Prasad
Managing Director

Place: Hyderabad
Date: 1st April 2014

Auditor's Report

To
The Members of
M/s GRANULES INDIA LIMITED
Hyderabad - 500 081.

Report on the Financial Statements

We have audited the accompanying financial statements of M/s Granules India Limited, Hyderabad ('the Company') which comprises the Balance Sheet as at 31st March 2014, the Statement of Profit and Loss and the Cash Flow Statement for the year then ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

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

- (i) in the case of the Balance Sheet, of the state of affairs of the Company as at 31st March 2014;
- (ii) in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- (iii) in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ('the Order'), as amended, issued by the Central Government of India in terms of sub-section (4A) of Section 227 of the Act, we give in the *Annexure* a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by Section 227(3) of the Act, we report that:
 - a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c. the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - d. in our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956; and
 - e. on the basis of written representations received from the directors as on 31st March 2014, and taken on record by the Board of Directors, none of the Directors are disqualified as on 31st March 2014, from being appointed as a Director in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956

For **M/s Kumar & Giri**
Chartered Accountants
Firm Reg No: 001584S

Sd/-

J. Bhadra Kumar
Partner

Place : Hyderabad
Date : April 24, 2014

Membership No. 25480

Annexure referred to in Paragraphs 4 & 5 of the order

(I) Fixed Assets

- The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets of the Company.
- The Physical verification of fixed assets is being carried out as per the program drawn up and to the extent the physical verification is carried out, no material discrepancies were noticed on such verification.
- There was no disposal of a substantial part of fixed assets during the year.

(II) Inventory

- The stocks of raw materials, consumables, stores, work-in-progress and finished goods have been physically verified during the year at regular intervals by the management.
- The procedures of physical verification of stocks followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business. In respect of finished goods lying with the consignees, the certificate given by the management is relied upon.
- The discrepancies noticed on verification of stocks as compared to books were not material and it has been properly dealt with in the books of account.

(III) Loans Taken / Granted

According to the information and explanations given to us, the Company has neither taken nor granted any loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under Sec.301 of the Companies Act, 1956.

(IV) Internal Control

- In our opinion and according to the information and explanations given to us, the internal control procedures are being strengthened on a continuous basis so as to be commensurate

with the size of the company and the nature of its business for the purchase of inventory keeping in view of the expansion.

- There are no major weaknesses in the internal control procedures.

(V) Section 301

Necessary entries were made in the register maintained under Sec. 301 of the Companies Act, 1956.

(VI) Public Deposits

The Company has not accepted any deposits from the public.

(VII) Internal Audit

The Company has an internal audit system so as to be commensurate with its size and the nature of its business.

(VIII) Cost Records

The Central Government has prescribed maintenance of cost records in respect of manufacture of API products and formulations. The Company has made and maintained account and records of such activities.

(IX) Statutory Dues

- The Company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Employees State Insurance, Income tax, Customs Duty, Wealth Tax, Sales Tax, Excise Duty, Cess and other applicable statutory dues with the appropriate authorities. According to the information and explanations given to us no undisputed amounts payable in respect of outstanding statutory dues as at the last day of the year ending 31.03.2014 for period exceeding 6 months from the date they became payable.
- According to the records of the Company, the dues outstanding of Income tax, Customs Duty, Wealth Tax, Sales Tax, Excise Duty, Cess on account of any dispute, are as follows:

Name of the Statute	Nature of Dues	₹ in Lakhs	Period for which the amount relate	Forum where dispute is pending
The Customs Act, 1962	Duty demand on Imports under DEEC	32.57	1993-94	High Court, Andhra Pradesh
The Customs Act, 1962	Duty demand on export obligations	10.90	1993-94	Commissioner of Customs, Chennai
The Finance Act, 1994	Penalty on Service Tax matters	89.37	2002-07	CESTAT, Bangalore
The Central Excise Act, 1944	Duty and Penalty on CENVAT availment	205.55	2006-09	CESTAT, Bangalore
The Income Tax Act, 1961	Tax demand on transfer pricing & other matters	721.39	2006-07 & 2007-08	ITAT, Hyderabad
The Income Tax Act, 1961	Tax demand on transfer pricing & other matters	461.04	2008-09	DRP, Hyderabad

(X) Accumulated Losses / Cash Losses

The Company has no accumulated losses as on 31st March, 2014.

(XI) Repayment of Dues

According to the records of the Company examined by us and the information and explanations given to us, the Company has not defaulted in repayment of dues to any financial institution or bank as at the Balance Sheet date.

(XII) Loans & Advances

The Company has not granted loans and advances on the basis of security by way of pledge of shares, debentures and other securities.

(XIII) Chit – Fund Companies/ Nidhi/ Mutual Benefit Societies

The provisions of special statute relating to chit fund companies and the provisions of Nidhi or mutual benefit fund/ societies are not applicable to the Company.

(XIV) Financing Companies

The Company is not dealing or trading in shares, securities and other investments.

(XV) Guarantee for Loans

The Company has given corporate guarantee to financial institutions for loan taken by Granules Omnicem Pvt. Ltd.

(XVI) Term Loans

In our opinion and according to the information and explanations given to us, the term loans are applied for the purpose for which the loans were obtained.

(XVII) Usage of Funds

According to the information and explanations given to us and on an overall examination of Balance Sheet of the Company, we report that no funds raised on short-term basis have been used for long-term investment. No long-term funds have been used to finance short-term assets except permanent working capital.

(XVIII) Preferential Allotments

The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under Sec. 301 of the Companies Act, 1956.

(XIX) Creation of Securities

The Company has not issued any debentures during the year; hence, the question of creation of securities does not arise.

(XX) Public Issue

The Company has not raised any money through Public Issue.

(XXI) Fraud

According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the year.

For **M/s Kumar & Giri**
Chartered Accountants
Firm Reg No: 001584S

Sd/-
J. Bhadra Kumar
Partner

Membership No. 25480

Place : Hyderabad
Date : April 24, 2014

Balance Sheet

Particulars	Note No.	(₹ in Lakhs)	
		As at 31st March 2014	As at 31st March 2013
I. EQUITY AND LIABILITIES			
(1) Shareholders' Funds			
(a) Share Capital	2.1	2,028.12	2,012.62
(b) Reserves & Surplus	2.2	32,403.15	25,036.68
		34,431.27	27,049.30
(2) Share Application Money Pending Allotment	2.1(I)	25.48	31.50
(3) Non-current liabilities			
(a) Long-term borrowings	2.3	22,209.18	14,072.37
(b) Deferred tax liabilities (Net)	2.4	3,580.81	2,509.86
(c) Long-term provisions	2.5	369.90	212.38
		26,159.89	16,794.61
(4) Current liabilities			
(a) Short-term borrowings	2.6	7,748.62	7,671.48
(b) Trade payables	2.7	12,624.80	8,384.75
(c) Other current liabilities	2.8	3,760.49	1,292.66
(d) Short-term provisions	2.9	830.48	470.93
		24,964.39	17,819.82
Total		85,581.03	61,695.23
II. ASSETS			
(1) Non-current assets			
(a) Fixed Assets			
(i) Tangible assets	2.10	32,642.86	23,240.08
(ii) Intangible assets	2.11	924.43	1,243.38
(iii) Capital work-in-progress		3,914.21	9,160.24
		37,481.50	33,643.70
(b) Non-current investments	2.12	14,544.60	4,129.60
(c) Long-term loans and advances	2.13	314.66	1,252.76
(d) Other non-current assets	2.14	255.58	357.64
		52,596.34	39,383.70
(2) Current assets			
(a) Current Investments	2.15	-	945.92
(b) Inventories	2.16	12,028.73	10,849.07
(c) Trade receivables	2.17	12,181.97	6,809.66
(d) Cash and cash equivalents	2.18	2,192.58	615.97
(e) Short term loans and advances	2.19	314.34	564.79
(f) Other current assets	2.20	6,267.07	2,526.12
		32,984.69	22,311.53
Total		85,581.03	61,695.23

As per our report of even date
for **Kumar & Giri**
Chartered Accountants
Firm Regn No. 001584S

Sd/-
J. Bhadra Kumar
Partner
Membership No. 25480

Place: Hyderabad
Date: April 24, 2014

For and on behalf of the Board

Sd/-
C. Krishna Prasad
Managing Director

Sd/-
V.V.S. Murthy
Chief Financial Officer

Sd/-
C. Uma Devi
Executive Director

Sd/-
Shivangi Sharma
Company Secretary

Statement of Profit and Loss

Particulars	Note No.	(₹ in Lakhs)	
		Year ended 31st March 2014	Year ended 31st March 2013
I. Revenue from operations	2.21	100,167.99	67,979.70
II. Other income	2.22	364.75	171.81
III. Total Revenue (I + II)		100,532.74	68,151.51
IV. EXPENSES :			
Cost of Materials consumed	2.23	58,735.65	42,525.84
Changes in inventories of finished goods and work-in- progress	2.24	(237.62)	(740.62)
Employee benefits expense	2.25	6,927.38	5,042.05
Other expenses	2.26	18,441.76	13,246.68
Total		83,867.17	60,073.95
EBITDA		16,665.57	8,077.56
Finance costs	2.27	1,892.70	1,649.49
Depreciation	2.10/2.11	2,639.79	2,020.89
Total Expenses		88,399.66	63,744.33
V. Profit before tax (III-IV)		12,133.08	4,407.18
VI. Tax expense :			
(1) Current tax		2,960.99	1,188.97
(2) Deferred tax		1,070.95	200.68
		4,031.94	1,389.65
VII. Profit/ (Loss) for the period (V-VI)		8,101.14	3,017.53
VIII. Earnings per equity share :			
(1) Basic		40.06	15.02
(2) Diluted		39.30	14.62

As per our report of even date
for **Kumar & Giri**
Chartered Accountants
Firm Regn No. 001584S

Sd/-
J.Bhadra Kumar
Partner
Membership No. 25480

Place: Hyderabad
Date: April 24, 2014

For and on behalf of the Board

Sd/-
C.Krishna Prasad
Managing Director

Sd/-
C.Uma Devi
Executive Director

Sd/-
V.V.S. Murthy
Chief Financial Officer

Sd/-
Shivangi Sharma
Company Secretary

Cash Flow Statement

Particulars	(₹ in Lakhs)	
	Year ended 31st March 2014	Year ended 31st March 2013
A CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax	12,133.08	4,407.18
Adjustments for:		
Depreciation	2,639.79	2,020.89
Misc. Expenditure written off	118.35	108.64
(Profit) / Loss on sale of assets	19.79	-
(Profit) / Loss on sale/write off of investments	5.01	-
Interest & dividend income	(140.84)	(118.17)
Interest & finance charges	1,892.70	1,649.49
Operating profit before working capital changes	16,667.88	8,068.03
Increase in Trade and other receivables	(8,621.44)	(1,701.98)
Increase in inventories	(1,179.66)	(1,991.71)
Increase/(decrease) in Payable & Other liabilities	4,794.79	1,789.18
Cash generated from operations	11,661.57	6,163.52
Direct Taxes paid	2,258.62	1,077.03
Net Cash from operating activities	9,402.95	5,086.49
B CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(6,516.75)	(9,062.01)
Increase in Miscellaneous expenditure	(14.33)	(517.04)
Investments in Subsidiary companies	(10,420.00)	(850.00)
Investments in Others	945.92	(945.92)
Proceeds from Sale of Fixed Assets	19.37	20.33
Interest/dividends received	133.23	188.37
Net Cash used in investing activities	(15,852.56)	(11,166.27)
C CASH FLOW FROM FINANCING ACTIVITIES		
Increase/(decrease) in Working Capital Loans	77.14	1,530.21
Interest & finance charges paid	(1,897.01)	(1,663.68)
Increase in Share capital & Share Premium	105.29	60.52
Dividends paid (including dividend tax)	(469.99)	(465.30)
Proceeds from Long Term borrowings	11,249.79	6,297.04
Repayment of long term loans	(1,039.00)	(1,428.24)
Net Cash used in Financing Activities	8,026.22	4,330.55
Net Increase/(Decrease) in cash & cash equivalents (A+B+C)	1,576.61	(1,749.23)
Cash equivalents (Opening Balance as at 01-04-2013)	615.97	2,365.20
Cash equivalents (Closing Balance as at 31-3-2014)	2,192.58	615.97

As per our report of even date
for **Kumar & Giri**

Chartered Accountants
Firm Regn No. 001584S

Sd/-

J. Bhadra Kumar

Partner

Membership No. 25480

Place: Hyderabad

Date: April 24, 2014

For and on behalf of the Board

Sd/-

C. Krishna Prasad

Managing Director

Sd/-

V.V.S. Murthy

Chief Financial Officer

Sd/-

C. Uma Devi

Executive Director

Sd/-

Shivangi Sharma

Company Secretary

Significant Accounting Policies and Notes to Audited Financial statements

Corporate information

Granules India Limited (the "Company") is a public domiciled in India and incorporated under the Companies Act, 1956. Its shares are listed on two Stock exchanges in India. The Company is engaged in the manufacturing and selling of Active Pharmaceutical Ingredients (APIs), Pharmaceutical Formulation Intermediates (PFIs) and Finished Dosages (FDs). The Company caters to both domestic and international markets.

1. Significant Accounting Policies

1.1 Basis of Preparation

The accounts have been prepared and presented under the historical cost convention method on the accrual basis of accounting in accordance with the accounting principles generally accepted in India and comply with the Accounting Standards issued by Institute of Chartered Accountants of India (ICAI) to the extent applicable.

1.2 Use of Estimates

The preparation of financial statements in conformity with Indian GAAP requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Although these estimates are based on the management's best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcome requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

1.3 Tangible Fixed Assets:

Fixed Assets are stated at cost less accumulated depreciation. Cost is inclusive of duties & taxes (net of CENVAT / VAT), incidental expenses and erection / commissioning expenses.

1.4 Depreciation on Tangible Fixed Assets:

Depreciation on fixed assets is provided on straight-line method at the rates specified in Schedule XIV of the Companies Act, 1956. The depreciation on incremental value arising from the revaluation of the fixed assets is charged to revaluation reserve account.

1.5 Expenditure during Construction Period:

Expenditure (including finance cost relating to borrowed funds for construction or acquisition of fixed assets) incurred on projects under implementation are treated as preoperative expenses pending allocation to the assets and are shown under "Capital Work in Progress" and the same are apportioned to fixed assets on commencement of commercial production.

1.6 Intangible Assets

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

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

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

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

1.7 Investments:

Long-term investments and investments in subsidiary companies are carried at cost. Provision for diminution in value is made whenever necessary in accordance with the Accounting Standards in force.

1.8 Valuation of Inventories:

a) Inventories are valued at the lower of cost or net realizable value.

Significant Accounting Policies and Notes to Audited Financial Statements (contd.)

- b) Inventories of raw material, consumables and stores and spares are valued at cost as per weighted average method. Cost does not include duties and taxes that are subsequently recoverable.
- c) Cost for the purpose of finished goods and material in process is computed on the basis of cost of material, labour and other related overheads.
- d) Goods in transit are stated at costs accrued up to the date of Balance Sheet.
- e) Stocks with consignment agents are stated at costs accrued up to the date of the Balance Sheet.

1.9 Government Grants:

Government grants received in the nature of promoter's contribution and where no repayment is ordinarily expected are treated as capital reserve.

1.10 Foreign Exchange:

Foreign exchange transactions are recorded at the exchange rates prevailing at the time of transactions or at contracted rates. Current assets and current liabilities are translated at values prevailing at the Balance Sheet date. Gains/Losses, if any, arising thereby are recognized in the respective revenue or expense accounts.

The foreign exchange variances resulting on account of loans used to acquire fixed assets are accounted as part of fixed assets.

1.11 Revenue Recognition:

- a) Revenue from sales is recognized when significant risk and rewards in respect of ownership of the products are transferred.
- b) Revenue from domestic sales is recognized on dispatch of products from the factory of the Company and in case of consignment sale, on further sale made by the agents.
- c) Revenue from export sales is recognized on the basis of dates of Bill of Lading.

1.12 Research and Development Expenses:

1.12.1 Research costs not resulting in any tangible property/equipment are charged to revenue as and when incurred.

1.12.2 Know-how / product development costs incurred on an individual project are carried forward when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortized over the period of expected future benefits from the related project, not exceeding ten years.

1.12.3 The carrying value of know-how / product development costs are reviewed for impairment annually when the asset is not yet in use and otherwise when events or changes in circumstances indicate that the carrying value may not be recoverable.

1.13 Employee Retirement Benefits:

1.13.1 Defined Contributions Plan: Contributions paid/payable to the defined contribution plan of Provident Fund for certain employees covered under the scheme are recognized in the Profit and Loss account each year.

The Company makes contributions to a State operated contribution scheme for certain employees at a specified percentage of the employees' salary. The Company has an obligation only to the extent of the defined contribution.

1.13.2 Defined Benefit Plan: Gratuity for certain employees is covered under a scheme of Life Insurance Corporation of India (LIC) and contributions in respect of such scheme are recognized in the Profit and Loss account. The liability as at the Balance Sheet date is provided for based on the actuarial valuation carried out in accordance with revised Accounting Standard 15 as at the end of the year/period.

1.13.3 Other Long Term Employee Benefits: Other long term employee benefits comprise of leave encashment which is provided on the actuarial valuation carried out in accordance with revised Accounting Standard 15 as at the end of the year/period.

1.14 Borrowing Costs:

Borrowing costs incurred in relation to the acquisition and constructions of assets are capitalized as part of the cost of such assets up to the date when such assets are ready for intended use. Other borrowing costs are charged as an expense in the year in which they are incurred.

1.15 Income Tax Expense:

1.15.1 Current Tax Expense

The Current charge for income tax is calculated in accordance with the tax regulations.

1.15.2 Deferred Tax Expense

Deferred income tax reflects the impact of timing difference between accounting income and tax income for the year / period. Deferred tax is measured based on the tax rates and the tax laws enacted at the Balance Sheet date. Deferred tax asset is recognized only to the extent of certainty of realization of such asset.

Significant Accounting Policies and Notes to Audited Financial Statements (contd.)

1.16 Measurement of EBITDA

As permitted by the Guidance Note on the Revised Schedule VI to the Companies Act, 1956, the Company has elected to present earnings before interest, tax, depreciation and amortization (EBITDA) as a separate line item on the face of the statement

of profit and loss. The Company measures EBITDA on the basis of profit/ (loss) from continuing operations. In its measurement, the Company does not include depreciation and amortization expense, finance costs and tax expense.

2. Notes to Financial Statements

2.1 SHARE CAPITAL

Particulars	As at	
	31st March 2014	31st March 2013
Authorized Share Capital		
3,00,00,000 Equity Shares of par value of ₹ 10 each (Previous year 3,00,00,000 Equity Shares of ₹ 10 each)	3,000.00	3,000.00
Issued, Subscribed and Fully Paid-Up Shares		
2,02,81,154 fully paid up Equity Shares of par value of ₹ 10/- each (Previous year : 2,01,26,154 equity shares of ₹ 10 each)	2,028.12	2,012.62
Total Issued, Subscribed and Fully Paid-Up Share Capital	2,028.12	2,012.62

(a) Reconciliation of the number of shares outstanding and the amount of share capital as at March 31, 2014 and March 31, 2013 is set out below:

Particulars	As at 31st March 2014		As at 31st March 2013	
	No. of shares	₹ in Lakhs	No. of shares	₹ in Lakhs
Number of shares at the beginning of the year	20,126,154	2,012.62	20,061,654	2,006.17
Add: Shares issued on exercise of employee stock options	1,55,000	15.50	64,500	6.45
Number of shares at the end of the year	2,02,81,154	2,028.12	20,126,154	2,012.62

(b) Terms/Rights attached to equity shares:

The Company has only one class of equity shares having a par value of ₹ 10/- . Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

During the year end 31-Mar-2014, the amount of per share dividend recognized as distribution to equity shareholders was ₹ 3.50/- (31-Mar-2013: ₹ 2.00/-)

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. The distribution will be in proportion to the number of equity shares held by the shareholders.

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

Particulars	As at 31st March 2014		As at 31st March 2013	
	No. of shares	%	No. of shares	%
C. Krishna Prasad	74,73,538	36.85	65,35,663	32.47
Investco Management LLC	22,11,200	10.90	22,11,200	10.99
Ridgeback Capital Asia Limited	11,44,135	5.64	2,072,504	10.30
International Finance Corporation	-	-	1,715,301	8.52

2.1 SHARE APPLICATION MONEY PENDING ALLOTMENT

During the current year ending 31st March 2014, the employees/directors of the Company were allotted the equity shares of the Company as follows:

- 70,000 shares at face value of ₹ 10/- each with a share premium of ₹ 35 per share.
- 80,000 shares at face value of ₹ 10/- each with a share premium of ₹ 81 per share.
- 5,000 shares at face value of ₹ 10/- each with a share premium of ₹ 130 per share.

The balance 28,000 shares are pending for allotment at face value of ₹ 10 per equity share with a share premium of ₹ 81 per share.

Significant Accounting Policies and Notes to Audited Financial Statements (contd.)

2.2 RESERVES AND SURPLUS

Particulars	(₹ in Lakhs)	
	As at 31st March 2014	As at 31st March 2013
a) Capital Reserves	168.53	168.53
b) Securities Premium Reserve		
Opening Balance	11,811.02	11,788.44
Add: Receipt on exercise of employee stock option plan (80,000 Shares @ ₹ 81, 70,000 Shares @ ₹ 35 and 5,000 Shares @ ₹ 130 premium per share)	95.80	22.58
Closing Balance	11,906.82	11,811.02
c) Central Subsidy	12.14	12.14
d) General Reserve		
Opening balance	786.74	560.43
Add: Transfer from surplus	10,000.00	226.31
Closing balance	10,786.74	786.74
e) Surplus		
Opening balance	12,258.25	9,937.96
Add: Net profit after tax transferred from Statement of Profit and Loss	8,101.14	3,017.53
Amount available for appropriations	20,359.39	12,955.49
Appropriations:		
Proposed equity dividend	709.83	402.52
Tax on Proposed equity dividend	120.64	68.41
Transfer to General Reserve	10,000.00	226.31
Closing Balance	9,528.92	12,258.25
Total (a+b+c+d+e)	32,403.15	25,036.68

2.3 LONG-TERM BORROWINGS

Particulars	(₹ Lakhs)			
	Non-Current Maturities		Current Maturities	
	As at 31st March 2014	As at 31st March 2013	As at 31st March 2014	As at 31st March 2013
Indian rupee loans from banks (Secured)	9,090.00	41.33	41.33	194.40
Foreign currency loan from financial institutions (Secured)	12,398.32	13,827.24	2,895.56	658.44
Total	21,488.32	13,868.57	2,936.89	852.84

(b) Other Term Liabilities

Particulars	(₹ Lakhs)			
	Non-Current Maturities		Current Maturities	
	As at 31st March 2014	As at 31st March 2013	As at 31st March 2014	As at 31st March 2013
Finance lease obligations (Secured)	43.66	139.07	88.41	88.79
Deferred sales tax loan (Un-secured)	63.89	64.73	0.83	10.52
Creditors for capital goods	613.31	-	-	-
Total	720.86	203.80	89.24	99.31

The above amounts includes

Particulars	(₹ Lakhs)			
	Non-Current Maturities		Current Maturities	
	As at 31st March 2014	As at 31st March 2013	As at 31st March 2014	As at 31st March 2013
Secured borrowings	21,531.98	14,007.64	3,025.30	941.63
Unsecured borrowings	677.20	64.73	0.83	10.52
Amount disclosed under the head " other current liabilities "	-	-	(3,026.13)	(952.15)
Net amount	22,209.18	14,072.37	-	-

Significant Accounting Policies and Notes to Audited Financial Statements (contd.)

All secured term loans are secured by a paripassu first charge on fixed assets and a paripassu second charge of the current assets of the Company.

Of the foreign currency loans from Financial Institutions on account of ₹ 6,069 Lakhs as on 31st March, 2014 (₹ 5,487 Lakhs as on 31st March, 2013) is further guaranteed by the personal guarantee of the Managing Director.

Deferred sales tax loan is interest free and payable in 14 yearly installments commencing from June 2013 onwards.

2.4 DEFERRED TAX LIABILITIES

Deferred tax has been accounted for in accordance with the Accounting Standard – 22, "Accounting for taxes on income", issued by the Institute of Chartered Accountants of India. The components of Deferred Tax Assets and Liabilities recognized in these accounts are as follows:

Particulars	(₹ in Lakhs)		
	Opening Balance as on 1st April 2013	Charge/(Credit) during the period	Closing Balance as on 31st March 2014
Deferred tax liability			
Deprecation	2,572.55	1,121.13	3,693.68
VRS	10.66	(1.39)	9.27
Total	2,583.21	1,119.74	3,702.95
Deferred tax asset			
Leave encashment	39.95	0.45	40.40
Bonus	7.96	3.74	11.70
Gratuity	25.44	44.60	70.04
Total	73.35	48.79	122.14
Net Deferred tax liability	2,509.86	1,070.95	3,580.81

2.5 LONG-TERM PROVISIONS

Particulars	(₹ in Lakhs)	
	As at 31st March 2014	As at 31st March 2013
Provision for gratuity	251.03	94.84
Provision for leave benefits	118.87	117.54
Total	369.90	212.38

2.6 SHORT-TERM BORROWINGS

Particulars	(₹ in Lakhs)	
	As at 31st March 2014	As at 31st March 2013
Loans repayable on demand from banks (Secured)	7,748.62	7,671.48

The Secured Loans repayable on demand from Banks are secured by paripassu first charge on the current assets and a paripassu second charge on the fixed assets of the Company.

2.7 TRADE PAYABLES

Particulars	(₹ in Lakhs)	
	As at 31st March 2014	As at 31st March 2013
Trade payables	12,624.80	8,384.75
Total	12,624.80	8,384.75

Significant Accounting Policies and Notes to Audited Financial Statements (contd.)

2.8 OTHER CURRENT LIABILITIES

Particulars	(₹ in Lakhs)	
	As at 31st March 2014	As at 31st March 2013
Interest accrued but not due on borrowings	60.21	64.52
Unpaid dividends	13.96	13.02
Provision for employee benefits	118.67	116.58
Duties and Taxes payable	441.85	83.90
Managerial Commission payable	76.52	20.94
Current maturities of Long term borrowings	3,026.13	952.14
Others	23.15	41.56
Total	3,760.49	1,292.66

2.9 SHORT TERM PROVISIONS

Particulars	(₹ in Lakhs)	
	As at 31st March 2014	As at 31st March 2013
- Provision for dividend	709.84	402.52
- Provision for dividend tax	120.64	68.41
Total	830.48	470.93

2.10 TANGIBLE ASSETS

Particulars	(₹ in Lakhs)								
	Land	Buildings	Plant & Machinery	Computers	Office Equipment	R&D Equipment	Furniture & Fixtures	Vehicles	Total
Cost or Valuation									
As at 31st March 2013	843.22	7,274.97	21,578.04	514.80	322.89	1,029.80	376.06	516.56	32,456.34
Additions	-	665.41	11,238.80	90.09	64.02	107.86	233.99	24.05	12,424.22
Disposals	-	-	-	-	-	-	-	(56.95)	(56.95)
Exchange differences	-	43.66	(705.11)	-	-	-	-	-	(661.45)
As at 31st Mar 2014	843.22	7,984.04	32,111.73	604.89	386.91	1,137.66	610.05	483.66	44,162.16
Depreciation									
As at 31st March 2013	-	1,618.11	6,746.02	273.39	105.72	231.14	146.69	95.19	9,216.26
Charge for the year	-	254.37	1,845.14	75.83	16.35	50.87	32.98	45.30	2,320.84
Disposals	-	-	-	-	-	-	-	(17.80)	(17.80)
As at 31st Mar 2014	-	1,872.48	8,591.16	349.22	122.07	282.01	179.67	122.69	11,519.30
Net Block									
As at 31st March 2013	843.22	5,656.86	14,832.02	241.41	217.17	798.66	229.37	421.37	23,240.08
As at 31st March 2014	843.22	6,111.56	23,520.57	255.67	264.84	855.65	430.38	360.97	32,642.86

2.11 INTANGIBLE ASSETS

Particulars	(₹ in Lakhs)	
	Technical Know-How	Total
Gross Block		
As at 31st March 2013	3,189.50	3,189.50
Additions	-	-
As at 31st Mar 2014	3,189.50	3,189.50
Depreciation		
As at 31st March 2013	1,946.12	1,946.12
Charge for the year	318.95	318.95
As at 31st Mar 2014	2,265.07	2,265.07
Net Block		
As at 31st March 2013	1,243.38	1,243.38
As at 31st Mar 2014	924.43	924.43

Significant Accounting Policies and Notes to Audited Financial Statements (contd.)

2.12 NON-CURRENT INVESTMENTS

1) Trade investments (valued at cost unless stated otherwise):

Investments in Equity Instruments		(₹ in Lakhs)	
Particulars	As at 31st March 2014	As at 31st March 2013	
a) Investment in Subsidiaries (Unquoted)			
Granules USA Inc - Wholly Owned Subsidiary (7,00,000 fully paid equity shares)	116.31	116.31	
GIL Life Sciences Pvt Ltd, Wholly Owned Subsidiary (29,46,176 fully paid equity shares of ₹ 10 each)	294.62	294.62	
GIL Singapore PTE. Ltd, Wholly Owned Subsidiary (11,000 shares) (Note:1)	-	5.01	
Auctus Pharma Limited, Wholly Owned Subsidiary (39,00,000 shares of ₹ 10/- each) (Note:2)	10,225.51	-	
Sub Total (a)	10,636.44	415.94	
b) Investment in Joint Ventures			
Granules Biocause Pharmaceutical Co. Ltd (50% Joint-Venture in Equity)	1,819.03	1,819.03	
Granules Omnichem Pvt Ltd (50% Joint-Venture in Equity)	2,070.00	1,875.50	
Sub Total (b)	3,889.03	3,694.53	
c) Other trade Investments (Unquoted)			
Jeedimetla Effluent Treatment Ltd (15,142 equity share of ₹ 100/- each including 1,040 shares at a premium of ₹ 50/- each)	15.66	15.66	
Patancheru Envitotech Ltd (34,040 equity shares of ₹ 10/- each)	3.40	3.40	
Sub Total (c)	19.06	19.06	
d) Quoted equity instruments			
IPCA Labs Ltd (50 shares of ₹ 10/- each, market value of ₹ 844.80 as on 31-03-2014)	0.07	0.07	
Sub Total (d)	0.07	0.07	
Grand Total (a)+(b)+(c)+(d)	14,544.60	4,129.60	

Notes:

- (1) Granules USA Inc. (USA), GIL Life Sciences Pvt Ltd (India) and Granules Singapore Pte. Ltd. (Singapore) are wholly owned subsidiaries of Granules India Limited. During the year ended March 31, 2014 Granules Singapore Pte. Ltd. (Singapore) was liquidated.
- (2) Auctus Pharma Limited became wholly owned subsidiary w.e.f., 14.2.2014.

2.13 LONG-TERM LOANS AND ADVANCES (UNSECURED & CONSIDERED GOOD)

Investments in Equity Instruments		(₹ in Lakhs)	
Particulars	As at 31st March 2014	As at 31st March 2013	
a) Capital Advances (Net)	-	257.49	
b) Security deposits	363.05	332.24	
c) Loans and Advances to Related Parties			
i) GIL Life Sciences Pvt Ltd	10.20	10.20	
ii) Granules Singapore Pte Ltd	-	9.04	
Total (c)	10.20	19.24	
d) Advance Tax including MAT credit (net of provision for taxes)	(58.59)	643.79	
Total (a+b+c+d)	314.66	1,252.76	

2.14 OTHER NON-CURRENT ASSETS

		(₹ in Lakhs)	
Particulars	As at 31st March 2014	As at 31st March 2013	
Unamortized expenditure			
VRS Expenses	255.58	357.64	
Total	255.58	357.64	

Significant Accounting Policies and Notes to Audited Financial Statements (contd.)

2.15 CURRENT INVESTMENTS

Particulars	(₹ in Lakhs)	
	As at 31st March 2014	As at 31st March 2013
Other Trade investments		
BOB Pioneer Liquid Growth Fund	-	588.27
Kotak Floater ST Growth	-	357.65
Total	-	945.92

2.16 INVENTORIES (valued at lower of cost or net realizable value)

Particulars	(₹ in Lakhs)	
	As at 31st March 2014	As at 31st March 2013
a) Raw Materials & Packing Material	5,185.78	4,237.59
b) Raw Materials at Bonded Warehouse	1,143.27	1,286.61
c) Work-in-progress	1,094.41	1,196.72
d) Finished goods	2,885.35	2,545.42
e) Materials in Transit – Raw Materials & Finished goods	789.25	754.43
f) Stores & Spares and Loose Tools	930.67	828.30
Total	12,028.73	10,849.07

2.17 TRADE RECEIVABLES (Unsecured, considered good)

Particulars	(₹ in Lakhs)	
	As at 31st March 2014	As at 31st March 2013
a) More than six months from due date	650.95	365.59
b) Less than six months from due date	11,531.02	6,444.07
Total	12,181.97	6,809.66

2.18 CASH AND CASH EQUIVALENTS

Particulars	(₹ in Lakhs)	
	As at 31st March 2014	As at 31st March 2013
i) Balance with Banks		
a) Current accounts	464.07	22.07
b) Unpaid Dividend account	13.96	13.02
c) Held as margin money for Letter of Credits & Bank Guarantees	1,703.59	577.26
ii) Cash on Hand	10.96	3.62
Total	2,192.58	615.97

2.19 SHORT TERM LOANS AND ADVANCES

Particulars	(₹ in Lakhs)	
	As at 31st March 2014	As at 31st March 2013
Staff Advance	0.35	23.72
Prepaid Expenses	313.99	346.57
Others		
Granules Omnichem (Amount paid towards investment in equity shares)	-	194.50
Total	314.34	564.79

Significant Accounting Policies and Notes to Audited Financial Statements (contd.)

2.20 OTHER CURRENT ASSETS

Particulars	(₹ in Lakhs)	
	As at 31st March 2014	As at 31st March 2013
Balances with Excise Authorities	2,034.23	1,665.19
CST Claim Receivable from VSEZ	405.71	288.85
Other Receivables	3,028.34	19.07
Sales Tax Receivable	645.42	324.27
Interest Receivable	38.15	30.54
Discount Receivable	0.96	81.99
Unamortized Expenditure		
VRS Expenses	114.26	116.21
Total	6,267.07	2,526.12

2.21 REVENUE FROM OPERATIONS

Particulars	(₹ in Lakhs)	
	FY 2013-14	FY 2012-13
Sale of Products		
- Exports	86,799.67	57,837.85
- Domestic	15,327.15	12,065.23
	1,02,126.82	69,903.08
Less: Excise Duty & Sales Tax	1,958.83	1,923.38
Net Sales	1,00,167.99	67,979.70

2.22 OTHER INCOME

Particulars	(₹ in Lakhs)	
	FY 2013-14	FY 2012-13
Interest Income	116.01	80.43
Dividend Income	24.84	37.73
Insurance Claims Received	141.00	-
Other Operating Revenue	82.90	53.65
Total	364.75	171.81

2.23 COST OF MATERIAL CONSUMED

Particulars	(₹ in Lakhs)	
	FY 2013-14	FY 2012-13
Inventory at the beginning of the year	4,237.59	4,206.29
Add : Purchases	59,683.84	42,557.14
	63,921.43	46,763.43
Less: Inventory at the end of the year	5,185.78	4,237.59
Cost of Material Consumed	58,735.65	42,525.84

Significant Accounting Policies and Notes to Audited Financial Statements (contd.)

Details of Raw material consumed		(₹ in Lakhs)
Particulars	FY 2013-14	FY 2012-13
Para-aminophenol	20,239.31	15,766.84
Ibuprofen	8,627.62	3,976.66
Acetic Anhydride	5,424.49	4,710.63
Metformin HCL	4,265.78	2,677.51
Guiaicol	2,562.50	1,680.09
Povidone	1,962.89	1,445.67
Dicyandiamide	1,195.77	1,412.73
Ciprofloxacin	1,097.02	627.04
Epichlorohydrin	740.90	519.00
DMA HCL	709.06	801.29
Paracetamol	38.39	858.30
Others	11,871.92	8,050.08
Total	58,735.65	42,525.84

Details of Purchases		(₹ in Lakhs)
Particulars	FY 2013-14	FY 2012-13
Para-aminophenol	20,275.79	15,997.14
Ibuprofen	9,479.43	3,826.08
Acetic Anhydride	5,404.89	4,784.56
Metformin HCL	4,161.67	2,576.01
Guiaicol	2,515.61	1,702.71
Povidone	2,164.12	1,477.58
Ciprofloxacin	1,183.88	550.31
Dicyandiamide	1,135.35	1,461.82
Epichlorohydrin	752.27	544.19
DMA HCL	710.61	793.14
Others	11,900.22	8,843.60
Total	59,683.84	42,557.14

2.24 (INCREASE)/DECREASE IN WORK-IN-PROCESS AND FINISHED GOODS

		(₹ in Lakhs)
Particulars	FY 2013-14	FY 2012-13
Inventories at the end of the year		
Work-in-Process	1,094.41	1,196.72
Finished Goods	2,885.35	2,545.42
	3,979.76	3,742.14
Inventories at the beginning of the year		
Work-in-Progress	1,196.72	1,219.57
Finished Goods	2,545.42	1,781.95
	3,742.14	3,001.52
Net (Increase)/Decrease in Work-in-Process and Finished goods	(237.62)	(740.62)

Significant Accounting Policies and Notes to Audited Financial Statements (contd.)

2.25 EMPLOYEE BENEFIT EXPENSES

Particulars	(₹ in Lakhs)	
	FY 2013-14	FY 2012-13
i) Salaries and Wages	6,384.39	4,632.81
ii) Contribution to PF and ESI Funds	158.12	136.49
iii) Staff Welfare Expenses	384.87	272.75
Total	6,927.38	5,042.05

2.26 OTHER EXPENSES

Particulars	(₹ in Lakhs)	
	FY 2013-14	FY 2012-13
Manufacturing Expenses :		
Power & Fuel	2,715.10	2,624.94
Effluent Treatment Expenses	483.84	419.08
Repairs & Maintenance		
- Factory Building	157.89	90.41
- Plant & Machinery	1,391.89	759.18
- Others	105.10	69.42
Consumables & Lab Chemicals	415.12	269.93
Analytical Fees	101.24	93.30
Other Manufacturing Expenses	148.07	105.13
Manufacturing Expenses Total :	5,518.25	4,431.39
Freight Outward & Clearing Charges	5,184.14	4,304.09
Research & Development Expenses	567.64	453.06
Other Expenditure:		
Sales Commission	1,413.66	1,210.70
Discount Allowed	1,197.42	299.10
Travelling Expenses	668.19	455.80
Business Promotion Expenses	479.25	173.86
Communication Expenses	106.61	83.58
Consultancy Charges	582.07	441.12
Directors Remuneration	142.10	113.56
Director Sitting Fees	16.78	10.10
Insurance	233.02	175.47
Printing & Stationary	86.95	79.63
Repairs & Maintenance Others	27.28	53.55
Auditors Remuneration	15.00	15.00
Rates & Taxes	428.84	94.39
Rent	224.18	222.31
Net loss / (gain) on Sale of Asset	19.79	9.75
Sundry Expenses	223.95	192.56
Advertisement Charges	1.64	3.51
Donations	6.07	13.06
Managerial Commission	1,180.61	302.45
Miscellaneous Expenses	118.32	108.64
Other Expenses Total	7,171.73	4,058.14
Total	18,441.76	13,246.68

Significant Accounting Policies and Notes to Audited Financial Statements (contd.)

2.27 FINANCE COST

Particulars	(₹ in Lakhs)	
	FY 2013-14	FY 2012-13
Interest on Term Loan	596.95	264.05
Interest on Working Capital	710.81	844.03
Interest Others	34.96	84.65
Bank Charges	549.98	456.76
Total	1,892.70	1,649.49

2.28 PAYMENT TO AUDITORS

Particulars	(₹ in Lakhs)	
	FY 2013-14	FY 2012-13
a) As Auditor	12.00	12.00
b) Tax Audit	3.00	3.00
Total	15.00	15.00

2.29 FOREIGN EXCHANGE OUTGO / EARNINGS:

	(₹ in Lakhs)	
	FY 2013-14	FY 2012-13
1) Outgo in Foreign Currency		
a) Value of Imports		
i) Raw Material	35,695.67	27,598.34
ii) Components and Spare Parts	209.06	122.77
iii) Capital Goods	953.56	1,508.29
Total	36,858.29	29,229.40
b) Expenditure in foreign currency		
i) Travel	171.20	81.82
ii) Sales Commission	851.96	842.20
iii) Consultancy Charges	461.67	394.69
iv) Interest	823.51	610.18
v) Other Expenditure	1,167.28	295.36
Total	3,475.62	2,224.25
c) Total Value of Consumption		
i) Raw Material		
a) Domestic	14,509.66	14,591.20
b) Import	44,225.99	27,934.64
ii) Spare Parts		
a) Domestic	929.62	659.54
b) Import	209.06	122.77
d) Dividends in Foreign Currency paid to Non Residents		
Non Resident Shareholders	FY 2013-14	FY 2012-13
i) Number of Shareholders	7	6
ii) Shares Held	34,74,535	4,440,467
iii) Year of Dividend	2012-13	2011-12
iv) Amount of Dividend Paid	69.49	88.81
2) Earnings in foreign currency		(₹ in Lakhs)
Export of goods calculated on F.O.B. basis	82,395.90	54,577.63

Significant Accounting Policies and Notes to Audited Financial Statements (contd.)

Details of Imported and Indigenous Raw materials & Spares consumed:

Particulars	FY 2013-14		FY 2012-13	
	Value	(%)	Value	(%)
	Imported	44,225.99	75.30	27,934.64
Indigenous	14,509.66	24.70	14,591.20	34.31
Total	58,735.65	100.00	42,525.84	100.00

Particulars	FY 2013-14		FY 2012-13	
	Value	(%)	Value	(%)
	Imported	209.06	18.36	122.77
Indigenous	929.62	81.64	659.54	84.31
Total	1,138.68	100.00	782.31	100.00

2.30 EMPLOYEE BENEFITS

Defined benefit plans:

The following table sets forth the status of the Gratuity Plan of the Company and the amounts recognized in the Balance Sheet and Profit and Loss Account:

Particulars	Gratuity Plan	
	FY 2013-14	FY 2012-13
Projected benefit obligation at the beginning of the period	148.38	96.22
Current Service Cost	236.31	135.15
Interest Cost	22.06	19.65
Actuarial loss/(gain)	(68.77)	(31.70)
Benefits Paid	(34.47)	(70.94)
Projected Benefit Obligation at the end of the period	303.51	148.38
Amounts recognized in the Balance Sheet		
Projected benefit obligation at the end of the period	303.51	148.38
Fair value of plan assets at end of the period	52.47	53.54
Liability recognized in the Balance Sheet	251.04	94.84
Cost for the period		
Current service cost	236.31	135.15
Interest cost	22.06	19.65
Expected return on plan assets	(5.12)	(8.01)
Actuarial (gain) / loss recognized in the period	(63.65)	(23.69)
Net benefit expense	189.60	123.10
Actual Return on Plan Assets		
Assumptions		
Estimated rate of return on plan assets	9%	9%
Weighted expected rate of salary increase	10%	10%

Significant Accounting Policies and Notes to Audited Financial Statements (contd.)

2.31 EMPLOYEE STOCK OPTION PLAN

Granules India Equity Option Plan 2002

- Pursuant to the decision of the shareholders at their meeting held on 30th July 2002, the Company has formulated an Employee Stock Option Plan 2002 to be administered by the Compensation & Remuneration Committee of the Board of Directors.
- Under the Plan, options not exceeding 391,082 have been reserved to be issued to the eligible directors and employees (Employees under permanent employment of the Company and its subsidiary companies including 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 Option 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, options were granted in three tranches viz. Grant I, Grant II & Grant III. The options granted under the Plan would vest not less than one year and not more than five years under Grant I & II and two years under Grant III from the respective date of grant of the options.
- The exercise price being equal to the closing market price prevailing on the date prior to the date of grant, there is no deferred compensation cost to be amortized over the vesting period.
- The following is the number of options outstanding during the year:

Particulars	31-03-2014		31-03-2013	
	No. of options	Weighted Average Exercise Price	No. of options	Weighted Average Exercise Price
At the Beginning of the year	70,000	-	134,500	-
Add: Granted during the year	-	-	-	-
Less: Exercised during the year	70,000	45.00	64,500	45.00
Less: Lapsed / Cancelled during the year	-	-	-	-
At the End of the year	-	-	70,000	-

Granules India Limited – Employee Stock Option Scheme 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.
- Under the Plan, options not exceeding 1,006,307 have been reserved to be issued to the eligible directors and employees (Employees under permanent employment of the Company and its subsidiary companies including Directors of the Company and its subsidiaries, 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 three tranches viz. Grant I, Grant II & Grant III. 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 and five years under Grant II & III from the respective date of grant of the options.
- The exercise price being equal to the closing market price prevailing on the date prior to the date of grant, there is no deferred compensation cost to be amortized over the vesting period.
- The following is the number of granted options outstanding during the year:

Significant Accounting Policies and Notes to Audited Financial Statements (contd.)

Particulars	31-03-2014		31-03-2013	
	No. of options	Weighted Average Exercise Price	No. of options	Weighted Average Exercise Price
At the Beginning of the year	475,000	-	-	-
Add: Granted during the year:	-	-	-	-
Grant I	-	-	505,000	91.00
Grant II	-	-	75,000	140.00
Grant III	-	-	20,000	155.00
Less: Exercised during the year	113,000	93.17	-	-
Less: Lapsed / Cancelled during the year (Grant I)	46,000	-	125,000	91.00
At the End of the year	316,000		475,000	

2.32 The Government of Andhra Pradesh, Commissionerate of Industries has vide its Letter No.20/2/9/0444/ID dated 11th October 1999 and its clarification vide Letter dated 4th August 2001 determined an eligibility of ₹ 184.12 Lakhs towards Sales tax deferment on the sale of Paracetamol and the Sales tax payable by the Company for a period of 14 years commencing from 30th June 1998 to 29th June 2012 is deferred. The liability of ₹ 64.73 Lakhs as at 31st March 2014 (Previous year ₹ 75.24 Lakhs) for the deferred Sales tax is shown under unsecured loans.

2.33 CONTINGENT LIABILITIES AND COMMITMENTS

Particulars	(₹ in Lakhs)	
	As at 31st March 2014	As at 31st March 2013
1) Contingent Liabilities		
a) Claims against the company not acknowledged as debt		
Income Tax	1,182.43	1,230.38
Excise	205.55	205.55
Service Tax	89.37	89.37
Customs	43.47	43.47
Total	1,520.82	1,568.77
b) Bank Guarantees and LC	1,408.52	2,014.83
c) Bills discounted with banks	17,820.42	12,710.87
Total	20,749.76	16,294.47
Commitments		
Estimated amount of contracts to be executed on capital account	2,086.76	2,348.29
Grand Total	22,836.52	18,642.76

2.34 Sundry debtors include a sum of ₹ 6,815.80 Lakhs (Previous Year ₹ 3,040.17 Lakhs) due from Subsidiary Company.

Significant Accounting Policies and Notes to Audited Financial Statements (contd.)

2.35 RESEARCH AND DEVELOPMENT FIXED ASSETS (INCLUDED IN NOTE NO. 2.10)

Particulars	Buildings	Office Equipment	R&D Equipment	Material Handling Equipment	Furniture & Fixtures	Electrical Installations	Computers	Total
Cost or Valuation								
At 31st March 2013	56.26	2.66	1,029.80	3.58	10.33	26.68	4.38	1,133.69
Additions	27.83	14.15	107.86	-	19.83	-	0.49	170.16
Disposals								
At 31st March 2014	84.09	16.81	1,137.66	3.58	30.16	26.68	4.87	1,303.85
Depreciation								
As at 31st March 2013	12.91	0.38	231.14	1.23	3.48	1.25	2.57	252.96
Charge for the year	1.88	0.05	50.87	0.17	0.56	0.73	0.20	54.46
Disposals								
As at 31st March 2014	14.79	0.43	282.01	1.40	4.04	1.98	2.77	307.42
Net Block								
As at 31st March 2013	43.35	2.27	798.66	2.36	6.85	25.44	1.80	880.73
As at 31st March 2014	69.30	16.38	855.65	2.18	26.12	24.70	2.10	996.43

2.36 During the year, the company has capitalized borrowing costs of ₹ 358.18 Lakhs (Previous Year ₹ 364.20 Lakhs).

2.37 Segment reporting: The Company has only one business segment of "Pharmaceuticals". The secondary segment is geographical, which is given as under:

Particulars	₹ in Lakhs	
	FY 2013-14	FY 2012-13
a) Revenue		
i) Sale (Net of Excise Duty)		
Within India	13,368.32	10,141.85
Outside India	86,799.67	57,837.85
ii) Other Income		
Within India	364.75	171.81
Outside India	-	-

b) Assets: All the assets of the Company, except the debtors and loans and advances, amounting to ₹ 9,141.59 Lakhs (Previous year ₹ 4,816.65 Lakhs), are within India.

2.38 Related party disclosures required as per Accounting Standard (AS-18) on "Related party disclosures" issued by the Institute of Chartered Accountants of India, are as below:

a) Names of related parties and the description of relationship:

SL.No	Name	Relationship
(i)	Granules USA Inc	Wholly Owned Subsidiary Company
(ii)	GIL Life Sciences Pvt. Limited	Wholly Owned Subsidiary Company
(iii)	Granules Singapore Pte Ltd	Wholly Owned Subsidiary Company
(iv)	Auctus Pharma Limited	Wholly Owned Subsidiary Company
(v)	Granules-Biocauste Pharmaceutical Co. Ltd	Joint-Venture
(vi)	Granules Omnicem Private Limited	Joint-Venture
(vii)	Key Management Personnel:	
	Shri C. Krishna Prasad	Managing Director
	Mr.C.Harsha	Executive Director
	Ms. C. Uma Devi	Executive Director
	Dr. C. Nageswara Rao	Non-Executive Chairman
(viii)	Others:	
	Mr. Vijay Ramanavarapu	GM - Procurement
	Ms. C. Priyanka	Manager- Marketing
	Karvy Computershare Private Limited	Directors interest

Significant Accounting Policies and Notes to Audited Financial Statements (contd.)

Transactions with Subsidiary Company:

Granules USA Inc.

Particulars	FY 2013-14	(₹ in Lakhs) FY 2012-13
Transactions during the Year :		
Sale of Goods	12,246.27	7,047.61
Amounts outstanding at Balance Sheet Date		
Equity Subscribed	116.31	116.31
Amount receivable for sales made	6,815.80	3,040.17

GIL Life Sciences Pvt. Ltd

Transactions during the Year :		
Advance Paid	-	0.20
Amounts outstanding at Balance Sheet Date		
Equity Subscribed	294.62	294.62
Loan / others	10.20	10.20

GIL Singapore Pte. Ltd

Transactions during the Year :		
Advance paid	-	7.23
Amounts outstanding at Balance Sheet Date		
Equity Subscribed	-	5.01
Loan / others	-	9.30

Auctus Pharma Limited

Transactions during the Year :		
Amount paid towards investment in equity Shares	10,225.51	-
Purchase of goods	3.47	-
Loan / others	2,805.76	-
Amounts outstanding at Balance Sheet Date		
Amount paid towards investment in equity Shares	10,225.51	-
Equity Subscribed	-	-
Loan / others	2,802.29	-

Transactions with Joint Venture

Granules Biocause Pharmaceutical Co., Ltd

Transactions during the Year :		
Purchase of Goods	6,072.60	2,500.71
Amounts outstanding at Balance Sheet Date		
Equity Subscribed	1,819.03	1,819.03
Amount payable for purchase of goods	797.86	460.78

Granules Omnichem Pvt Ltd

Transactions during the Year :		
Amount paid towards investment in equity Shares	-	1,044.50
Amounts outstanding at Balance Sheet Date		
Equity Subscribed	2,070.00	1,875.50
Loan / others	-	194.50

Transaction with other company in which director interested

Karvy Computershare Private Limited

Transactions during the Year :		
Equity Subscribed	-	-
Services	2.95	-
Amounts outstanding at Balance Sheet Date		
Amount payable for the services	-	-

Significant Accounting Policies and Notes to Audited Financial Statements (contd.)

Transactions with other related parties		(₹ in Lakhs)	
Particulars	FY 2013-14	FY 2012-13	
(i) Mr. C. Krishna Prasad, Managing Director			
Remuneration & Commission	674.63	202.14	
(ii) Dr. C. Nageswara Rao, Chairman			
Sitting Fee	1.45	1.45	
(iii) Smt. C. Uma Devi, Executive Director			
Remuneration & Commission	535.77	179.39	
(iv) Mr. C. Harsha, Executive Director			
Remuneration & Commission	138.01	35.28	
(v) Mr. Vijay Ramanavarapu			
Salary	35.09	28.44	
(vi) Ms. C. Priyanka			
Salary	11.64	8.73	

2.39 EARNINGS PER SHARE – BASIC AND DILUTED:

Particulars	FY 2013-14	FY 2012-13
Net profit for the year (₹ Lakhs)	8,101.14	3,017.53
Weighted average number of shares outstanding during the year	20,224,168	20,089,773
Basic earnings per share (₹)	40.06	15.02
Diluted earnings per share (₹)	39.30	14.62
Nominal value of shares (₹)	10.00	10.00

2.40 Previous year's figures have been regrouped / reclassified wherever necessary to confirm to current year's classification.

2.41 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

for **Kumar & Giri**

Chartered Accountants

Firm Regn No. 001584S

Sd/-

J. Bhadra Kumar

Partner

Membership No. 25480

Place: Hyderabad

Date: April 24, 2014

For and on behalf of the Board

Sd/-

C. Krishna Prasad

Managing Director

Sd/-

V.V.S. Murthy

Chief Financial Officer

Sd/-

C. Uma Devi

Executive Director

Sd/-

Shivangi Sharma

Company Secretary

Annexure to the Balance Sheet as at 31st March 2014

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956.

01. Name of the subsidiary	Granules USA Inc.	Granules USA Inc.
02. Financial period ended	31st March 2014	31st March 2013
03. Date from which it become a subsidiary.	5th March 2003	5th March 2003
04. Holding company's interest	100% (700,000 shares of USD 0.10 each fully paid up)	100% (700,000 shares of USD 0.10 each fully paid up)
05. The net aggregate amount of the profits or losses for the current period of the subsidiary so far as it concerns the members of the holding company.		
a. dealt with or provided for in the accounts of the holding company.	Nil	Nil
b. not dealt with or provided for in the accounts of the holding company.	Profit of ₹ 86.40 lakhs	Profit of ₹ 270.96 lakhs
06. The net aggregate amount of the profits or losses for the previous financial years of the subsidiary so far as it concerns the members of the holding company.		
a. dealt with or provided for in the accounts of the holding company.	Nil	Nil
b. not dealt with or provided for in the accounts of the holding company.	Profit of ₹ 90.39 lakhs	Profit of ₹ 3.99 lakhs

Annexure to the Balance Sheet as at 31st March 2014

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956.

01. Name of the subsidiary	Granules Singapore Pte. Ltd.	Granules Singapore Pte. Ltd.
02. Financial period ended	31st March 2014	31st March 2013
03. Date from which it become a subsidiary.	18th November 2008	18th November 2008
04. Holding company's interest	100% (11000 shares of USD 1/- each fully paid up)	100% (11000 shares of USD 1/- each fully paid up)
05. The net aggregate amount of the profits or losses for the current period of the subsidiary so far as it concerns the members of the holding company.		
a. dealt with or provided for in the accounts of the holding company.	Nil	Nil
b. not dealt with or provided for in the accounts of the holding company.	Profit of ₹ 17.84 Lakhs	Loss of ₹ 4.84 Lakhs
06. The net aggregate amount of the profits or losses for the previous financial years of the subsidiary so far as it concerns the members of the holding company.		
a. dealt with or provided for in the accounts of the holding company.	Nil	Nil
b. not dealt with or provided for in the accounts of the holding company.	Nil	Loss of ₹ 17.84 Lakhs

During the year ended 31st March 2014 Granules Singapore Pte. Ltd. (Singapore) was liquidated.

Annexure to the Balance Sheet as at 31st March 2014

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956.

01. Name of the subsidiary	GIL Life Sciences Pvt. Ltd.	GIL Life Sciences Pvt. Ltd.
02. Financial period ended	31st March 2014	31st March 2013
03. Date from which it become a subsidiary.	19th July 2007	19th July 2007
04. Holding company's interest	100% (29,46,176 shares of ₹ 10 each fully paid up)	100% (29,46,176 shares of ₹ 10 each fully paid up)
05. The net aggregate amount of the profits or losses for the current period of the subsidiary so far as it concerns the members of the holding company.		
a. dealt with or provided for in the accounts of the holding company.	Nil	Nil
b. not dealt with or provided for in the accounts of the holding company.	Nil	Nil
06. The net aggregate amount of the profits or losses for the previous financial years of the subsidiary so far as it concerns the members of the holding company.		
a. dealt with or provided for in the accounts of the holding company.	Nil	Nil
b. not dealt with or provided for in the accounts of the holding company.	Nil	Nil

Annexure to the Balance Sheet as at 31st March 2014

STATEMENT PURSUANT TO SECTION 212 OF THE COMPANIES ACT, 1956.

01. Name of the subsidiary	Auctus Pharma Ltd.	Auctus Pharma Ltd.
02. Financial period ended	31st March 2014	31st March 2013
03. Date from which it become a subsidiary.	14th February 2014	14th February 2014
04. Holding company's interest	100% (39,00,000 shares of ₹ 10 each fully paid up)	Nil
05. The net aggregate amount of the profits or losses for the current period of the subsidiary so far as it concerns the members of the holding company.		
a. dealt with or provided for in the accounts of the holding company.	Nil	Nil
b. not dealt with or provided for in the accounts of the holding company.	Loss of ₹ 170.95 Lakhs (*)	Nil
06. The net aggregate amount of the profits or losses for the previous financial years of the subsidiary so far as it concerns the members of the holding company.		
a. dealt with or provided for in the accounts of the holding company.	Nil	Nil
b. not dealt with or provided for in the accounts of the holding company.	Loss of ₹ 170.95 Lakhs	Nil

(*) The Auctus Pharma Limited became wholly owned subsidiary w.e.f. 14th February 2014.

Independent Auditor's Report on Consolidated Financial Statements

To
The Board of Directors of
M/s GRANULES INDIA LIMITED
Hyderabad – 500 081

We have audited the accompanying consolidated financial statements of M/s Granules India Limited, its subsidiaries of M/s Granules USA Inc., M/s Granules Singapore Pte Ltd, GIL Life Sciences Pvt. Ltd., Auctus Pharma Limited and Joint-Venture with M/s. Granules-Biocrine Pharmaceutical Co. Ltd. and Granules Omnicem Pvt. Ltd., which comprises the Consolidated Balance Sheet as at 31st March 2014, the Consolidated Statement of Profit and Loss and Consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company in accordance with accounting principles generally accepted in India. This responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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

An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. Audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

We did not audit the financial statements of the subsidiaries and the joint-ventures, whose financial statements reflect total assets of ₹ 31,464.71 Lakhs as

at March 31, 2014, the total revenue of ₹ 25,008.23 Lakhs for the period ended on that date. These financial statements and other financial information have been audited by other auditors whose report has been furnished to us, and our opinion is based solely on the report of other auditors.

We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements and Accounting Standard 27, Financial Reporting of Interest in Joint-ventures, issued by the Institute of Chartered Accountants of India and on the basis of separate audited financial statements of the group and unaudited financial statements of a consolidated entity.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, and to the best of our information and according to the explanations given to us, the said consolidated Balance Sheet, consolidated Profit & Loss Account and consolidated Cash Flow Statement read together with the significant accounting policies and notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- i) in the case of the Consolidated Balance Sheet, of the state of affairs of the Company as at March 31, 2014;
- ii) in the case of the Consolidated Statement of Profit and Loss Account, of the profit for the year ended on that date; and
- iii) in the case of the Consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

For **M/s Kumar & Giri**
Chartered Accountants
Firm Reg No: 001584S

Sd/-

J. Bhadra Kumar
Partner
Membership No. 25480

Place : Hyderabad
Date : April 24, 2014

Consolidated Balance Sheet

Particulars	Note No.	(₹ in Lakhs)	
		As at 31st March 2014	As at 31st March 2013
I. EQUITY AND LIABILITIES			
(1) Shareholders' Funds			
(a) Share Capital	2.1	2,028.12	2,012.62
(b) Reserves & Surplus	2.2	33,542.61	25,441.01
		35,570.73	27,453.63
(2) Share application money pending for allotment	2.1(l)	25.48	31.50
(3) Non-current liabilities			
(a) Long-term borrowings	2.3	30,924.36	17,549.56
(b) Deferred tax liabilities (Net)	2.4	3,030.38	2,447.18
(c) Long-term provisions	2.5	396.57	203.63
		34,351.31	20,200.37
(4) Current liabilities			
(a) Short-term borrowings	2.6	10,090.90	8,545.98
(b) Trade payables	2.7	13,554.45	9,184.13
(c) Other current liabilities	2.8	4,777.99	2,377.26
(d) Short-term provisions	2.9	830.48	470.93
		29,253.82	20,578.30
TOTAL		99,201.34	68,263.80
II. ASSETS			
Non-current assets			
(1) (a) Fixed Assets			
(i) Tangible assets	2.10	37,465.09	25,008.39
(ii) Intangible assets	2.11	10,782.09	1,337.66
(iii) Capital work-in-progress		12,455.83	10,880.26
		60,703.01	37,226.31
(b) Non-current investments	2.12	19.14	19.14
(c) Long-term loans and advances	2.13	433.30	1,641.54
(d) Other non-current assets	2.14	353.74	489.30
		61,509.19	39,376.29
(2) Current assets			
(a) Current Investments	2.15	-	945.92
(b) Inventories	2.16	17,416.34	13,648.23
(c) Trade receivables	2.17	11,090.83	7,102.11
(d) Cash and cash equivalents	2.18	4,174.71	4,170.55
(e) Short term loans and advances	2.19	1,190.49	389.77
(f) Other current assets	2.20	3,819.78	2,630.93
		37,692.15	28,887.51
TOTAL		99,201.34	68,263.80

As per our report of even date
for **Kumar & Giri**
Chartered Accountants
Firm Regn No. 001584S

Sd/-
J. Bhadra Kumar
Partner
Membership No. 25480

Place: Hyderabad
Date: April 24, 2014

For and on behalf of the Board

Sd/-
C. Krishna Prasad
Managing Director

Sd/-
V.V.S. Murthy
Chief Financial Officer

Sd/-
C. Uma Devi
Executive Director

Sd/-
Shivangi Sharma
Company Secretary

Consolidated Statement of Profit and Loss

(₹ in Lakhs)			
Particulars	Note No.	Year ended 31st March 2014	Year ended 31st March 2013
I. Revenue from operations	2.21	109,586.48	76,437.30
II. Other income	2.22	431.09	206.04
III. Total Revenue (I + II)		110,017.57	76,643.34
IV. EXPENSES :			
Cost of Materials consumed	2.23	67,131.23	47,768.94
Changes in inventories of finished goods and work-in- progress	2.24	(2,606.11)	(1,077.05)
Employee benefits expense	2.25	8,788.56	5,971.18
Other expenses	2.26	20,443.75	15,272.25
Total		93,757.43	67,935.32
EBITDA		16,260.14	8,708.02
Finance costs	2.27	2,042.73	1,767.11
Depreciation	2.10/2.11	2,981.25	2,308.46
Total Expenses		98,781.41	72,010.89
V. Profit before tax (III-IV)		11,236.16	4,632.45
VI. Tax expense :			
(1) Current tax		3,049.23	1,238.74
(2) Deferred tax		663.80	136.98
		3,713.03	1,375.72
VII. Profit/ (Loss) for the period (V-VI)		7,523.13	3,256.73
VIII. Earnings per equity share :			
(1) Basic		37.20	16.21
(2) Diluted		36.49	15.78

As per our report of even date

for **Kumar & Giri**

Chartered Accountants

Firm Regn No. 001584S

Sd/-

J. Bhadra Kumar

Partner

Membership No. 25480

Place: Hyderabad

Date: April 24, 2014

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Managing Director

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Chief Financial Officer

Sd/-

C. Uma Devi

Executive Director

Sd/-

Shivangi Sharma

Company Secretary

Consolidated Cash Flow Statement

Particulars	(₹ in Lakhs)	
	For the 12 months ended 31st March, 2014	For the year ended 31st March, 2013
A CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax	11,236.16	4,632.45
Adjustments for:		
Depreciation	2,981.25	2,308.46
Misc. Expenditure written off	118.35	108.64
(Profit)/Loss on sale of assets	32.91	68.15
Provision for doubtful debts	6.50	11.48
Interest & dividend income	(142.37)	(118.16)
Interest & finance charges	2,042.73	1,767.11
Operating profit before working capital changes	16,275.53	8,778.13
Increase in Trade and other receivables	(5,376.36)	2,787.43
Increase in inventories	(2,543.00)	(2,657.18)
Increase/(decrease) in Payable & Other liabilities	4,816.84	1,330.15
Cash generated from operations	13,173.01	10,238.53
Direct Taxes paid	2,378.17	1,120.22
Net Cash from operating activities	10,794.84	9,118.31
B CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(26,673.34)	(11,644.61)
Increase in Miscellaneous expenditure	(14.32)	(517.04)
Investments in Others	945.92	(945.92)
Proceeds from Sale of Fixed Assets	182.48	13.68
Interest/dividends received	96.09	315.24
Net Cash used in investing activities	(25,463.17)	(12,778.65)
C CASH FLOW FROM FINANCING ACTIVITIES		
Increase/(decrease) in Working Capital Loans	1,544.93	(1,659.77)
Interest & finance charges paid	(2,049.71)	(1,778.64)
Increase in Share capital & Share Premium	105.30	60.53
Dividends paid (including dividend tax)	(469.99)	(465.30)
Proceeds from Long Term borrowings	16,580.96	9,904.12
Repayment of long term loans	(1,039.00)	(1,428.24)
Net Cash used in Financing Activities	14,672.49	4,632.70
Net Increase/(Decrease) in cash & cash equivalents (A+B+C)	4.16	972.36
Cash equivalents (Opening Balance as at 01-04-2013)	4,170.55	3,198.19
Cash equivalents (Closing Balance as at 31-3-2014)	4,174.71	4,170.55

As per our report of even date
for **Kumar & Giri**
Chartered Accountants
Firm Regn No. 001584S

Sd/-
J. Bhadra Kumar
Partner
Membership No. 25480

Place: Hyderabad
Date: April 24, 2014

For and on behalf of the Board

Sd/-
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Managing Director

Sd/-
V.V.S. Murthy
Chief Financial Officer

Sd/-
C. Uma Devi
Executive Director

Sd/-
Shivangi Sharma
Company Secretary

Significant Accounting Policies and Notes to Audited Consolidated Financial statements

CORPORATE INFORMATION

Granules India Limited (the “Company”) is a public domiciled in India and incorporated under the Companies Act, 1956. Its shares are listed on two stock exchanges in India. The Company is engaged in the manufacturing and selling of Active Pharmaceutical Ingredients (APIs), Pharmaceutical Formulation Intermediates (PFIs) and Finished Dosages (FDs). The Company caters to both domestic and international markets.

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 Principles of Consolidation

The financial statements are prepared in accordance with the principles and procedures required for the preparation and presentation of consolidated financial statements as laid down on the accounting standards on Consolidated Financial Statements issued by the ICAI. The financial statements of the parent company, Granules India Limited, GIL Lifesciences Private Limited, Granules Singapore Pte Ltd, Granules USA Inc., Auctus Pharma Limited and Granules Biocause Pharmaceutical Co. Limited (50% joint-venture), Granules Omnicem Pvt.Ltd (50% joint-venture), have been combined on a line-by-line basis by adding together book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances and transactions

and resulting unrealized gains / losses. Exchange differences resulting from the difference due to transactions of foreign currency assets and liabilities in subsidiary company is disclosed as foreign currency translation adjustment. The consolidated financial statements are prepared applying uniform accounting policies for like transactions and other events in similar circumstances in use at the Parent and Subsidiary Company.

1.2 Basis of Preparation

The accounts have been prepared and presented under the historical cost convention method on the accrual basis of accounting in accordance with the accounting principles generally accepted in India and comply with the Accounting Standards issued by Institute of Chartered Accountants of India (ICAI) to the extent applicable.

The financial statements of the entities used for the purpose of consolidation are drawn up to same reporting date as that of the Parent Company i.e. year ended March 31, 2014.

The Consolidated Financial Statements for the year ended March 31, 2014 have been prepared on the basis of the financial statements of the following subsidiaries and joint venture entities:

SL.No	Name	Relationship
(i)	Granules USA Inc	Wholly Owned Subsidiary Company
(ii)	GIL Life Sciences Pvt Ltd	Wholly Owned Subsidiary Company
(iii)	Granules Singapore Pte Ltd	Wholly Owned Subsidiary Company
(iv)	Auctus Pharma Ltd	Wholly Owned Subsidiary Company
(v)	Granules-Biocause Pharmaceutical Co. Ltd	Joint – Venture
(vi)	Granules Omnicem Private Ltd	Joint – Venture

During the year ended March 31, 2014 Granules Singapore Pte. Ltd. (Singapore) was liquidated. Auctus Pharma Limited became wholly owned subsidiary w.e.f., 14.2.2014.

1.3 Use of Estimates

The preparation of financial statements in conformity with Indian GAAP requires the management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities and the disclosure of contingent liabilities, at the end of the reporting period. Although these estimates are based on the management’s best knowledge of current events and actions, uncertainty about these assumptions and estimates could result in the outcome requiring a material adjustment to the carrying amounts of assets or liabilities in future periods.

1.4 Tangible Fixed Assets:

Fixed Assets are stated at cost less accumulated depreciation Cost is inclusive of duties & taxes (net of CENVAT / VAT), incidental expenses and erection / commissioning expenses.

1.5 Depreciation on Tangible Fixed Assets:

Depreciation on fixed assets is provided on straight-line method at the rates specified in Schedule XIV of the Companies Act, 1956. The depreciation on incremental value arising from the revaluation of the fixed assets is charged to revaluation reserve account.

Significant Accounting Policies and Notes to Audited Consolidated Financial Statements (contd.)

1.6 Expenditure during Construction Period:

Expenditure (including finance cost relating to borrowed funds for construction or acquisition of fixed assets) incurred on projects under implementation are treated as preoperative expenses pending allocation to the assets and are shown under "Capital Work in Progress" and the same are apportioned to fixed assets on commencement of commercial production.

1.7 Intangible Assets

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

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

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

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognized in

the statement of profit and loss when the asset is derecognized.

1.8 Investments:

Long-term investments and investments in subsidiary companies are carried at cost. Provision for diminution in value is made whenever necessary in accordance with the Accounting Standards in force.

1.9 Valuation of Inventories:

- a) Inventories are valued at the lower of cost or net realizable value.
- b) Inventories of raw material, consumables and stores and spares are valued at cost as per weighted average method. Cost does not include duties and taxes that are subsequently recoverable.
- c) Cost for the purpose of finished goods and material in process is computed on the basis of cost of material, labour and other related overheads.
- d) Goods in transit are stated at costs accrued up to the date of Balance Sheet.
- e) Stocks with consignment agents are stated at costs accrued up to the date of the Balance Sheet.

1.10 Government Grants:

Government grants received in the nature of promoter's contribution and where no repayment is ordinarily expected are treated as capital reserve.

1.11 Foreign Exchange:

Foreign exchange transactions are recorded at the exchange rates prevailing at the time of transactions or at contracted rates. Current assets and current liabilities are translated at values prevailing at the Balance Sheet date. Gains/Losses, if any, arising thereby are recognized in the respective revenue or expense accounts.

The foreign exchange variances resulting on account of loans used to acquire fixed assets are accounted as part of fixed assets.

1.12 Revenue Recognition:

- a) Revenue from sales is recognized when significant risk and rewards in respect of ownership of the products are transferred.
- b) Revenue from domestic sales is recognized on dispatch of products from the factory of the Company and in case of consignment sale, on further sale made by the agents.
- c) Revenue from export sales is recognized on the basis of dates of Bill of Lading.

Significant Accounting Policies and Notes to Audited Consolidated Financial Statements (contd.)

1.13 Export Benefits:

Advance licenses are issued to the Company under the Advance License Scheme [Duty Exemption Entitlement Certificate (DEEC Scheme)] / duty entitlement credited under the Duty Entitlement Pass Book Scheme (DEPB Scheme) on the export of the goods manufactured by it. Whenever export sales are made by the Company, pending receipt of imported duty-paid raw materials under the DEEC / DEPB Schemes, the cost of domestic raw materials actually consumed for the purpose of such exports is compensated and / or matched by accruing the value of the benefit under the DEEC / DEPB Scheme.

1.14 Research and Development Expenses:

1.14.1 Research costs not resulting in any tangible property/equipment are charged to revenue as and when incurred.

1.14.2 Know-how/product development costs incurred on an individual project are carried forward when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortized over the period of expected future benefits from the related project, not exceeding ten years.

1.14.3 The carrying value of know-how/product development costs are reviewed for impairment annually when the asset is not yet in use and otherwise when events or changes in circumstances indicate that the carrying value may not be recoverable.

1.15 Employee Retirement Benefits:

1.15.1 Defined Contributions Plan: Contributions paid/payable to the defined contribution plan of Provident Fund for certain employees covered under the scheme are recognized in the Profit and Loss account each year.

The Company makes contributions to a State operated contribution scheme for certain employees at a specified percentage of the employees' salary. The Company has an obligation only to the extent of the defined contribution.

1.15.2 Defined Benefit Plan: Gratuity for certain employees is covered under a scheme of Life Insurance Corporation of India (LIC) and contributions in respect of such scheme are recognized in the Profit and Loss account.

The liability as at the Balance Sheet date is provided for based on the actuarial valuation carried out in accordance with revised Accounting Standard 15 as at the end of the year/period.

1.15.3 Other long term employee benefits: Other long term employee benefits comprise of leave encashment which is provided on the actuarial valuation carried out in accordance with revised Accounting Standard 15 as at the end of the year/period.

1.16 Borrowing Costs:

Borrowing costs incurred in relation to the acquisition and constructions of assets are capitalized as part of the cost of such assets up to the date when such assets are ready for intended use. Other borrowing costs are charged as an expense in the year in which they are incurred.

1.17 Income Tax Expense:

1.17.1 Current Tax Expense

The Current charge for income tax is calculated in accordance with the tax regulations.

1.17.2 Deferred Tax Expense

Deferred income tax reflects the impact of timing difference between accounting income and tax income for the year / period. Deferred tax is measured based on the tax rates and the tax laws enacted at the Balance Sheet date. Deferred tax asset is recognized only to the extent of certainty of realization of such asset.

1.18 Measurement of EBITDA

As permitted by the Guidance Note on the Revised Schedule VI to the Companies Act, 1956, the Company has elected to present earnings before interest, tax, depreciation and amortization (EBITDA) as a separate line item on the face of the statement of profit and loss. The Company measures EBITDA on the basis of profit/ (loss) from continuing operations. In its measurement, the Company does not include depreciation and amortization expense, finance costs and tax expense.

Significant Accounting Policies and Notes to Audited Consolidated Financial Statements (contd.)

2. Notes to Financial Statements

2.1 SHARE CAPITAL

Particulars	(₹ in Lakhs)	
	As at 31st March 2014	As at 31st March 2013
Authorized Share Capital		
3,00,00,000 Equity Shares of par value of ₹ 10 each (Previous year 3,00,00,000 Equity Shares of ₹ 10 each)	3,000.00	3,000.00
Issued, Subscribed and Fully Paid-Up Shares		
2,02,81,154 fully paid up Equity Shares of par value of ₹ 10/- each (Previous year : 2,01,26,154 equity shares of ₹ 10 each)	2,028.12	2012.62
Total Issued, Subscribed and Fully Paid-Up Share Capital	2,028.12	2,012.62

- (a) Reconciliation of the number of shares outstanding and the amount of share capital as at March 31, 2014 and March 31, 2013 is set out below:

Particulars	As at 31st March 2014		As at 31st March 2013	
	No. of shares	₹ in Lakhs	No. of shares	₹ in Lakhs
Number of shares at the beginning of the year	20,126,154	2,012.62	20,061,654	2,006.17
Add: Shares issued on exercise of employee stock options	1,55,000	15.50	64,500	6.45
Number of shares at the end of the year	2,02,81,154	2,028.12	20,126,154	2,012.62

- (b) Terms/Rights attached to equity shares:

The Company has only one class of equity shares having a par value of ₹ 10/-. Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

During the year end 31-Mar-2014, the amount of per share dividend recognized as distribution to equity shareholders was ₹ 3.50/- (31-Mar-2013: ₹ 2.00/-)

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. The distribution will be in proportion to the number of equity shares held by the shareholders.

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

Particulars	As at 31st March 2014		As at 31st March 2013	
	No. of shares	%	No. of shares	%
C. Krishna Prasad	74,73,538	36.85	65,35,663	32.47
Investco Management LLC	22,11,200	10.90	22,11,200	10.99
Ridgeback Capital Asia Pvt Limited	11,44,135	5.64	20,72,504	10.30
International Finance Corporation	-	-	17,15,301	8.52

2.1 SHARE APPLICATION MONEY PENDING ALLOTMENT

During the current year ending 31st March 2014, the employees/directors of the Company were allotted the equity shares of the Company as follows:

- 70,000 shares at face value of ₹ 10/- each with a share premium of ₹ 35 per share.
- 80,000 shares at face value of ₹ 10/- each with a share premium of ₹ 81 per share.
- 5,000 shares at face value of ₹ 10/- each with a share premium of ₹ 130 per share.

The balance 28,000 shares are pending for allotment at face value of ₹ 10 per equity share with a share premium of ₹ 81 per share.

Significant Accounting Policies and Notes to Audited Consolidated Financial Statements (contd.)

2.2 RESERVES AND SURPLUS

Particulars	(₹ in Lakhs)	
	As at 31st March 2014	As at 31st March 2013
a) Capital Reserves		
Opening Balance	168.53	168.53
Add: Pre-acquisition reserves on acquisition of Auctus Pharma Limited	1,336.40	-
Closing Balance	1,504.93	168.53
b) Securities Premium Reserve		
Opening Balance	11,812.24	11,789.66
Add: Receipt on exercise of employee stock option plan (80,000 Shares @ ₹ 81, 70,000 Shares @ ₹ 35 and 5,000 Shares @ ₹ 130 premium per share)	95.80	22.58
Closing Balance	11,908.04	11,812.24
c) Central Subsidy		
Opening Balance	12.14	12.14
Add: Pre-acquisition reserves on acquisition of Auctus Pharma Limited	15.00	-
Closing Balance	27.14	12.14
d) Foreign Currency Translation Reserve		
Opening Balance	129.89	-
Adjustment during the period	(38.26)	129.89
Closing Balance	91.63	129.89
e) General Reserve		
Opening Balance	806.59	580.28
Add: Transfer from Surplus	10,000.00	226.31
Closing Balance	10,806.59	806.59
f) Surplus		
Opening Balance	12,511.63	9,952.14
Add: Net profit after tax transferred from Statement of Profit and Loss	7,523.13	3,256.73
Amount available for appropriations	20,034.76	13,208.87
Appropriations:		
Proposed equity dividend	709.84	402.52
Tax on Proposed equity dividend	120.64	68.41
Transfer to General Reserve	10,000.00	226.31
Closing Balance	9,204.28	12,511.63
Total (a+b+c+d+e+f)	33,542.61	25,441.01

2.3 LONG-TERM BORROWINGS

Particulars	(₹ Lakhs)			
	Non-Current		Current Maturities	
	31st March 2014	31st March 2013	31st March 2014	31st March 2013
Indian rupee loans from banks (Secured)	9,712.50	41.33	41.33	194.40
Foreign currency loan from financial institutions (Secured)	19,830.21	17,304.43	3,027.01	658.44
Total	29,542.71	17,345.76	3,068.34	852.84

Significant Accounting Policies and Notes to Audited Consolidated Financial Statements (contd.)

(b) Other Term Liabilities:

Particulars	(₹ Lakhs)			
	Non-Current		Current Maturities	
	31st March 2014	31st March 2013	31st March 2014	31st March 2013
Finance Lease Obligations (Secured)	43.66	139.07	88.41	88.79
Deferred Sales Tax Loan (Un-secured)	63.89	64.73	0.83	10.52
Capital Creditors	1,244.78	-	-	-
Retention Money	29.32	-	-	-
Total	1,381.65	203.80	89.24	99.31

The above amounts includes

Particulars	(₹ Lakhs)			
	Non-Current		Current Maturities	
	31st March 2014	31st March 2013	31st March 2014	31st March 2013
Secured Borrowings	29,586.35	17,484.83	3,156.75	941.63
Unsecured Borrowings	1,338.01	64.73	0.83	10.52
Amount disclosed under the head "other current liabilities"	-	-	(3,157.58)	(952.15)
Net Amount	30,924.36	17,549.56	-	-

All secured term loans are secured by a paripassu first charge on fixed assets and a paripassu second charge of the current assets of the Company.

Of the foreign currency loans from Financial Institutions on account of ₹ 6,069 Lakhs as on 31-Mar-2014 (₹ 5,487 Lakhs as on 31-Mar-2013) is further guaranteed by the personnel guarantee of the Managing Director.

Deferred sales tax loan is interest free and payable in 14 yearly installments commencing from June 2013 onwards.

2.4 DEFERRED TAX LIABILITIES

Deferred tax has been accounted for in accordance with the Accounting Standard – 22, "Accounting for taxes on income", issued by the Institute of Chartered Accountants of India. The components of Deferred Tax Assets and Liabilities recognized in these accounts are as follows:

Particulars	(₹ in Lakhs)		
	Opening Balance as on 1st April 2013	Charge/(Credit) during the period	Closing balance as on 31st March 2014
Deferred tax liability			
Deprecation	2,572.55	1,443.39	4,015.94
VRS	10.66	(1.39)	9.27
Total	2,583.21	1,442.00	4,025.21
Deferred tax asset			
Leave encashment	39.95	6.87	46.82
Bonus	7.96	3.74	11.70
Gratuity	25.44	44.60	70.04
Others	62.68	803.59	866.27
Total	136.03	858.80	994.83
Net Deferred tax liability	2,447.18	583.20	3,030.38

2.5 LONG-TERM PROVISIONS

Particulars	(₹ in Lakhs)	
	As at 31st March 2014	As at 31st March 2013
Provision for gratuity	277.70	85.23
Provision for leave benefits	118.87	118.40
Total	396.57	203.63

Significant Accounting Policies and Notes to Audited Consolidated Financial Statements (contd.)

2.6 SHORT-TERM BORROWINGS

Particulars	(₹ in Lakhs)	
	As at 31st March 2014	As at 31st March 2013
Loans repayable on demand from banks (Secured)	10,090.90	8,545.98

The Secured Loans repayable on demand from Banks are secured by paripassu first charge on the current assets and a paripassu second charge on the fixed assets of the Company.

2.7 TRADE PAYABLES

Particulars	(₹ in Lakhs)	
	As at 31st March 2014	As at 31st March 2013
Trade Payables (including acceptances)	13,554.45	9,184.13

2.8 OTHER CURRENT LIABILITIES

Particulars	(₹ in Lakhs)	
	As at 31st March 2014	As at 31st March 2013
Interest accrued but not due on borrowings	60.21	67.18
Unpaid dividends	13.96	13.02
Provision for Employee Benefits	118.67	116.58
Duties and Taxes Payable	441.85	120.69
Managerial Commission Payable	76.52	20.94
Current Maturities of Long-Term Borrowings	3,157.58	952.14
Others	909.20	1,086.71
Total	4,777.99	2,377.26

2.9 SHORT TERM PROVISIONS

Particulars	(₹ in Lakhs)	
	As at 31st March 2014	As at 31st March 2013
Provision for Dividend	709.84	402.52
Provision for Dividend Tax	120.64	68.41
Total	830.48	470.93

2.10 TANGIBLE ASSETS

Particulars	(₹ in Lakhs)								
	Land	Buildings	Plant & Machinery	Computers	Office Equipment	R&D Equipment	Furniture & Fixtures	Vehicles	Total
Cost or Valuation									
As at 31st March 2013	1,890.73	7,770.34	22,711.19	517.04	347.28	1,029.80	379.75	526.5	35,172.63
Additions	-	669.61	11,355.26	97.82	65.39	131.18	236.74	31.08	12,587.08
Additions on acquisition of Auctus Pharma Limited	274.36	1,084.08	3,396.17	19.13	5.12	264.16	25.58	59.66	5,128.26
Disposals	(170.08)	-	(13.79)	-	-	-	-	(56.95)	(240.82)
Exchange differences	-	43.66	(705.11)	-	-	-	-	-	(661.45)
As at 31st March 2014	1,995.01	9,567.69	36,743.72	633.99	417.79	1,425.14	642.07	560.29	51,985.70
Depreciation									
As at 31st March 2013	-	1,774.00	7,518.83	273.39	125.00	231.15	146.69	95.19	10,164.24
Additions on acquisition of Auctus Pharma Limited	-	163.85	1,453.33	14.25	3.68	117.63	9.13	29.78	1,791.65
Charge for the year	-	287.79	2,036.76	76.28	16.59	54.61	33.18	46.02	2,551.23
Disposals	-	-	(7.64)	-	-	-	-	(17.80)	(25.44)
Exchange Differences	-	10.32	28.6	-	-	-	-	-	38.92
As at 31st March 2014	-	2,235.96	11,029.88	363.92	145.27	403.39	189.00	153.19	14,520.61
Net Block									
As at 31st March 2013	1,890.73	5,996.35	15,192.35	243.65	222.28	798.66	233.07	431.31	25,008.39
As at 31st March 2014	1,995.01	7,331.73	25,713.84	270.07	272.52	1,021.75	453.07	407.10	37,465.09

Significant Accounting Policies and Notes to Audited Consolidated Financial Statements (contd.)

2.11 INTANGIBLE ASSETS

Particulars	(₹ in Lakhs)	
	Technical Know How	Total
Gross Block		
As at 31st March 2013	3,568.71	3,568.71
Additions		
Additions on acquisition of Auctus Pharma Limited	9,835.51	9,835.51
As at 31st March 2014	13,404.22	13,404.22
Depreciation		
As at 31st March 2013	2,231.05	2,231.05
Charge for the year	391.08	391.08
Disposals	-	-
As at 31st March 2014	2,622.13	2,622.13
Net Block		
As at 31st March 2013	1,337.66	1,337.66
As at 31st March 2014	10,782.09	10,782.09

2.12 NON-CURRENT INVESTMENTS

1) Trade investments (valued at cost unless stated otherwise):

Particulars	(₹ in Lakhs)	
	As at 31st March 2014	As at 31st March 2013
Investments in Equity Instruments		
a) Other trade Investments (Unquoted)		
Jeedimetla Effluent Treatment Ltd (15,142 equity share of ₹ 100/- each including 1,040 shares at a premium of ₹ 50/- each)	15.66	15.66
Patancheru Envitotech Ltd (34,040 equity shares of ₹ 10/- each)	3.41	3.41
Sub Total (a)	19.07	19.07
b) Quoted equity instruments		
IPCA Labs Ltd (50 shares of ₹ 10/- each, market value of ₹ 844.80/- as on 31-03-2014)	0.07	0.07
Sub Total (b)	0.07	0.07
Grand Total (a)+(b)	19.14	19.14

2.13 LONG-TERM LOANS AND ADVANCES (UNSECURED & CONSIDERED GOOD)

Particulars	(₹ in Lakhs)	
	As at 31st March 2014	As at 31st March 2013
Investments in Equity Instruments		
a) Capital Advances	37.42	662.10
b) Security deposits	427.60	333.55
c) Advance Tax including MAT credit (net of provision for taxes)	(31.72)	645.89
Total (a+b+c)	433.30	1,641.54

2.14 OTHER NON-CURRENT ASSETS

Particulars	(₹ in Lakhs)	
	As at 31st March 2014	As at 31st March 2013
Unamortized Expenditure		
VRS Expenses	255.58	357.64
Ancillary Costs	98.16	131.66
Total	353.74	489.30

Significant Accounting Policies and Notes to Audited Consolidated Financial Statements (contd.)

2.15 CURRENT INVESTMENTS

Particulars	(₹ in Lakhs)	
	As at 31st March 2014	As at 31st March 2013
Other Trade investments		
BOB Pioneer Liquid Growth Fund	-	588.26
Kotak Floater ST Growth	-	357.66
Total	-	945.92

2.16 INVENTORIES (valued at lower of cost or net realizable value)

Particulars	(₹ in Lakhs)	
	31st March 2014	31st March 2013
a) Raw Materials & Packing Material	7,220.15	6,084.83
b) Raw Material Inventory at Bonded Warehouse	1,143.27	1,286.61
c) Work-in-progress	2,549.49	1,196.73
d) Finished goods	4,698.72	3,445.37
e) Materials in transit - RM & Finished Goods	789.25	754.43
f) Stores & Spares and Loose Tools	1,015.46	880.26
Total	17,416.34	13,648.23

2.17 TRADE RECEIVABLES (Unsecured, considered good)

Particulars	(₹ in Lakhs)	
	As at 31st March 2014	As at 31st March 2013
a) More than six months from due date	656.27	412.92
b) Less than six months from due date	10,434.56	6,689.19
Total	11,090.83	7,102.11

2.18 CASH AND CASH EQUIVALENTS

Particulars	(₹ in Lakhs)	
	As at 31st March 2014	As at 31st March 2013
i) Balance with Banks		
a) Current accounts	1,588.84	3,266.73
b) Unpaid Dividend account	13.96	13.02
c) Held as margin money for Letter of Credits, Bank Guarantees and Fixed deposits.	2,559.32	887.08
ii) Cash on Hand	12.59	3.72
Total	4,174.71	4,170.55

2.19 SHORT TERM LOANS AND ADVANCES

Particulars	(₹ in Lakhs)	
	As at 31st March 2014	As at 31st March 2013
Staff Advance	0.88	23.72
Prepaid Expenses	348.70	362.23
Security Deposits	-	3.82
Others	840.91	-
Total	1,190.49	389.77

Significant Accounting Policies and Notes to Audited Consolidated Financial Statements (contd.)

2.20 OTHER CURRENT ASSETS

Particulars	(₹ in Lakhs)	
	As at 31st March 2014	As at 31st March 2013
Balances with Excise Authorities	2,034.23	1,665.19
CST claim receivable from VSEZ	405.72	288.85
Other Receivables	521.38	119.56
Sales Tax receivable	645.43	324.36
Interest receivable	77.98	31.70
Discount Receivable	0.96	81.99
Unamortized expenditure		
VRS Expenses	114.26	116.21
Preliminary Expenses	19.82	3.07
Total	3,819.78	2,630.93

2.21 REVENUE FROM OPERATIONS

Particulars	(₹ in Lakhs)	
	FY 2013-14	FY 2012-13
Sale of Products		
- Exports	93,101.98	63,772.49
- Domestic	18,570.74	14,606.63
	111,672.72	78,379.12
Less: Excise Duty & Sales Tax	2,086.24	1,941.82
Net sales	109,586.48	76,437.30

2.22 OTHER INCOME

Particulars	(₹ in Lakhs)	
	FY 2013-14	FY 2012-13
Interest Income	117.53	80.43
Dividend Income	24.84	37.72
Other Operating Revenue	126.30	87.89
Subsidy Received	21.42	-
Insurance Claims Received	141.00	-
Total	431.09	206.04

2.23 COST OF MATERIAL CONSUMED

Particulars	(₹ in Lakhs)	
	FY 2013-14	FY 2012-13
Inventory at the beginning of the year	6,084.83	4,500.59
Add: Purchases	68,266.55	49,353.18
	74,351.38	53,853.77
Less: Inventory at the end of the year	7,220.15	6,084.83
Cost of Material Consumed	67,131.23	47,768.94

Significant Accounting Policies and Notes to Audited Consolidated Financial Statements (contd.)

2.24 (INCREASE)/DECREASE IN WORK-IN-PROCESS AND FINISHED GOODS

Particulars	(₹ in Lakhs)	
	FY 2013-14	FY 2012-13
Inventories at the end of the year		
Work-in-Process	2,549.49	1,196.73
Finished Goods	4,698.72	3,445.37
	7,248.21	4,642.10
Inventories at the beginning of the year		
Work-in-Progress	1,196.73	1,219.57
Finished Goods	3,445.37	2,345.48
	4,642.10	3,565.05
Net (Increase)/Decrease in Work-in-Process and Finished goods	(2,606.11)	(1,077.05)

2.25 EMPLOYEE BENEFIT EXPENSES

Particulars	(₹ in Lakhs)	
	FY 2013-14	FY 2012-13
i) Salaries and Wages	8,236.92	5,561.31
ii) Contribution to PF and ESI funds	163.21	136.49
iii) Staff Welfare Expenses	388.43	273.38
Total	8,788.56	5,971.18

2.26 OTHER EXPENSES

Particulars	(₹ in Lakhs)	
	FY 2013-14	FY 2012-13
Power & Fuel	3,670.04	3,771.47
Effluent Treatment Expenses	501.31	430.26
Repairs & Maintenance		
- Plant & Machinery	1,563.50	843.65
- Buildings	159.22	90.41
- Others	118.72	69.42
Consumables & Lab Chemicals	433.14	285.05
Analytical Fee	101.24	93.30
Other Manufacturing Expenses	154.95	168.81
Manufacturing Expenses Total :	6,702.12	5,752.37
Freight Outward & Clearing Charges	5,274.38	4,374.45
Research & Development Expenses	679.22	546.08
Other Expenses:		
Sales Commission	1,413.39	1,211.46
Discount Allowed	1,199.50	299.10
Travelling Expenses	725.72	509.31
Communication Expenses	128.34	101.33
Consultancy Charges	594.20	453.39
Directors Remuneration	142.10	113.56
Director Sitting Fee	16.78	12.72
Insurance	298.42	250.28
Printing & Stationery	97.65	90.09
Repairs & Maintenance - Others	145.38	130.26
Business Promotion Expenses	592.96	267.10
Auditors Remuneration	18.21	32.97
Rates & Taxes	447.93	157.31
Rent	270.91	242.28
Sundry Expenses	328.37	206.64
Advertisement Charges	23.73	17.77
Donations	6.07	13.06
Loss on Sale of Assets	32.91	68.15
Managerial Commission	1,180.61	302.45
Provision for doubtful debts	6.50	11.48
Miscellaneous Expenses	118.35	108.64
Other Expenses Total:	7,788.03	4,599.35
Total	20,443.75	15,272.25

Significant Accounting Policies and Notes to Audited Consolidated Financial Statements (contd.)

2.27 FINANCE COST

Particulars	(₹ in Lakhs)	
	FY 2013-14	FY 2012-13
Interest on Term loan	607.73	264.05
Interest on Working Capital	825.06	932.86
Interest Others	38.40	84.65
Bank Charges	571.54	485.55
Total	2,042.73	1,767.11

2.28 During the year, the Company has capitalized borrowing costs of ₹ 358.18 Lakhs (Previous Year ₹ 364.20 Lakhs).

2.29 Segment reporting: The Company has only one business segment of "Pharmaceuticals". The secondary segment is geographical, which is given as under:

Particulars	(₹ in Lakhs)	
	FY 2013-14	FY 2012-13
Revenue		
i) Sale (Net of Excise Duty)		
Within India	13,368.31	10,141.85
Outside India	96,218.17	66,295.45
ii) Other Income		
Within India	364.75	171.81
Outside India	66.34	34.23

2.30 Related party disclosures required as per Accounting Standard (AS-18) on "Related party disclosures" issued by the Institute of Chartered Accountants of India, are as below:

a) Names of related parties and the description of relationship:

SL. No	Name	Relationship
(i)	Hubei Biocause Saponin Limited	Subsidiary of Hubei Biocause
(ii)	Zhaozuang Biocause Pharmaceuticals Co.ltd	Subsidiary of Hubei Biocause
(iii)	Hubei Biocause Pharmaceuticals Trade Co Ltd	Subsidiary of Hubei Biocause
(iv)	Wuhan Biocause Pharmaceuticals Develop Co Ltd	Subsidiary of Hubei Biocause
(v)	Key Management Personnel:	
	Shri C. Krishna Prasad	Managing Director
	Mr. C. Harsha	Executive Director
	Ms. C. Uma Devi	Executive Director
	Dr. C. Nageswara Rao	Non-Executive Chairman
(vi)	Others:	
	Mr. Vijay Ramanavarapu	GM - Procurement
	Ms. C. Priyanka	Manager Marketing

b) Transactions with other Company in which Director interested:

Karvy Computershare Private Limited		(₹ in Lakhs)	
Particulars	FY 2013-14	FY 2012-13	
Transactions during the Year :			
Equity Subscribed	-	-	
Services received	2.95	-	
Amounts outstanding at Balance Sheet Date			
Amount payable for services	-	-	

Significant Accounting Policies and Notes to Audited Consolidated Financial Statements (contd.)

c) Transactions with other related parties:

Particulars	(₹ in Lakhs)	
	FY 2013-14	FY 2012-13
Mr. C. Krishna Prasad, Managing Director		
Remuneration & Commission	674.64	202.14
Dr. C. Nageswara Rao, Chairman		
Sitting fee	1.45	1.45
Mr. C. Harsha, Executive Director		
Remuneration & Commission	138.01	35.28
Ms. C. Uma Devi, Executive Director		
Remuneration & Commission	535.77	179.39
Mr. Vijay Ramanavarapu, GM-Procurement		
Salary	35.09	28.44
Ms. C. Priyanka		
Salary	11.64	8.73

2.31 EARNINGS PER SHARE – BASIC AND DILUTED:

Particulars	FY 2013-14	FY 2012-13
Net profit for the year (₹ Lakhs)	7,523.13	3,256.73
Weighted average number of shares outstanding during the year	20,224,168	20,089,773
Basic earnings per share (₹)	37.20	16.21
Diluted earnings per share (₹)	36.49	15.78
Nominal value of shares (₹)	10.00	10.00

2.32 Previous year's figures have been regrouped / reclassified wherever necessary to confirm to current year's classification.

2.33 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.

2.34 Previous year figures are not comparable as new acquisition of Auctus Pharma Limited is considered for consolidation.

As per our report of even date
for **Kumar & Giri**

Chartered Accountants
Firm Regn No. 001584S

Sd/-

J.Bhadra Kumar

Partner

Membership No. 25480

Place: Hyderabad

Date: April 24, 2014

For and on behalf of the Board

Sd/-

C.Krishna Prasad

Managing Director

Sd/-

V.V.S. Murthy

Chief Financial Officer

Sd/-

C.Uma Devi

Executive Director

Sd/-

Shivangi Sharma

Company Secretary

Granules India Limited

(CIN: L24110TG1991PLC012471)

Regd. Office: 2nd Floor, 3rd Block, My Home Hub, Madhapur, Hyderabad - 500 081 (TG)

Web:www.granulesindia.com, Email:mail@granulesindia.com, Tel:+91-40-66760000

NOTICE

Notice is hereby given that the 23rd Annual General Meeting of Granules India Limited will be held on Thursday, the 28th day of August 2014 at 4:00 PM at Hotel Taj Banjara, Road No.1, Banjara Hills, Hyderabad – 500 034 (TG), India to transact the following businesses:

ORDINARY BUSINESS:

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2014 and the Profit and Loss Account for the year ended as on that date along with schedules and notes appended thereto and the reports of Directors and Auditors thereon.
2. To declare a dividend on equity shares for the financial year ended 31st March 2014.
3. To appoint a Director in place of Mrs. C. Uma Devi, who retires by rotation and being eligible offers herself for re-appointment.
4. To re-appoint M/s. Kumar & Giri, Chartered Accountants, Hyderabad as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of the 26th Annual General Meeting and to fix their remuneration as may be decided by the Board.

It is proposed to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

“RESOLVED THAT pursuant to the provision of Sections 139, 141 & 142 and other applicable provisions, if any, of the Companies Act, 2013 and rules thereon, M/s Kumar & Giri, Chartered Accountants, Hyderabad bearing Firm Registration No. 0015845 be and are hereby re-appointed as the Statutory Auditors of the Company, to hold office from the conclusion of this Annual General Meeting till the conclusion of the 26th Annual General Meeting, subject to ratification at every Annual General Meeting on such remuneration as may be agreed upon by the Board of Directors and the Auditors, in addition to the remuneration be entitled for reimbursement of all out-of-pocket expenses incurred in connection with the audit of the accounts of the Company for the financial year ending March 31, 2015.”

SPECIAL BUSINESS:

5. To consider and if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution**:

“RESOLVED THAT pursuant to the provisions of Section 14 and all other applicable provisions, if any, of the Companies Act, 2013, the existing Article 36(a) of the Articles of Association of the Company be and is hereby substituted with following new Article 36(a):

36. a) “Unless otherwise determined by the Company in General Meeting by passing the Special Resolution, the number of Board of Directors shall not be less than three or more than fifteen Directors.”

6. To consider and if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution**:

“RESOLVED THAT pursuant to the provisions of Section 14 and all other applicable provisions, if any, of the Companies Act, 2013, the existing Article 30 of the Articles of Association of the Company be and is hereby altered by adding the following at the end of the Article:

30. h) The Managing Director of the Company shall also be eligible to be appointed as the Chairperson of the Company and the Board of Directors may elect the Managing Director of the Company to become a Chairperson of the Company at the same time subject to the provisions of the Companies Act, 2013 and the rules made thereunder.

7. To consider and if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution**:

“RESOLVED THAT pursuant to the provisions of Sections 149, 150, 152 and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act, 2013, Mr. L. S. Sarma (holding DIN 00009530), Director of the Company who retires by rotation at the Annual General Meeting and in respect of whom the Company has received a notice in writing from a member under Section 160 of the Companies Act, 2013 signifying his intention to propose Mr. L.S. Sarma to the office of Director of the Company, be and is hereby appointed as an Independent Director of the Company to hold office up to 31st March, 2019, not liable to retire by rotation.”

8. To consider and if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution**:

“RESOLVED THAT pursuant to the provisions of Sections 149, 150, 152 and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act, 2013, Mr. A.P. Kurian (holding DIN 00008022), Director of the Company who retires by rotation at the Annual General Meeting and in respect of whom the Company has received a notice in writing from a member under Section 160 of the Companies Act, 2013 signifying his intention to propose Mr. A.P. Kurian to the office of Director of the Company, be and is hereby appointed as an Independent Director of the Company to hold office up to 31st March, 2019, not liable to retire by rotation.”

9. To consider and if thought fit, to pass with or without modification(s), the following resolution as **Special Resolution:**

“RESOLVED THAT pursuant to the provisions of Sections 149, 150, 152 and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act, 2013, Mr. C. Parthasarathy (holding DIN 00079232), Director of the Company who retires by rotation at the Annual General Meeting and in respect of whom the Company has received a notice in writing from a member under Section 160 of the Companies Act, 2013 signifying his intention to propose Mr. C. Parthasarathy to the office of Director of the Company, be and is hereby appointed as an Independent Director of the Company to hold office up to 31st March, 2019, not liable to retire by rotation.”

10. To consider and if thought fit, to pass with or without modification(s), the following resolution as **Special Resolution:**

“RESOLVED THAT pursuant to the provisions of Sections 149, 150, 152 and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies Act, 2013, Dr. Krishna Murthy Ella (holding DIN 00072071), Director of the Company who retires by rotation at the Annual General Meeting and in respect of whom the Company has received a notice in writing from a member under Section 160 of the Companies Act, 2013 signifying his intention to propose Dr. Krishna Murthy Ella to the office of Director of the Company, be and is hereby appointed as an Independent Director of the Company to hold office up to 31st March, 2019, not liable to retire by rotation.”

11. To consider and if thought fit, to pass with or without modification(s), the following resolution as **Special Resolution:**

“RESOLVED THAT pursuant to the provisions of Sections 149, 150, 152 and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force) read with Schedule IV to the Companies

Act, 2013, Mr. A. Arun Rao (holding DIN 00876993), Director of the Company who retires by rotation at the Annual General Meeting and in respect of whom the Company has received a notice in writing from a member under Section 160 of the Companies Act, 2013 signifying his intention to propose Mr. A. Arun Rao to the office of Director of the Company, be and is hereby appointed as an Independent Director of the Company to hold office up to 31st March, 2019, not liable to retire by rotation.”

12. To consider and if thought fit, to pass with or without modification(s), the following resolution as **Special Resolution:**

“RESOLVED THAT pursuant to the provisions of Sections 196, 197, 203 and any other applicable provisions of the Companies Act, 2013 and the rules made thereunder (including any statutory modification(s) or re-enactment thereof for the time being in force), read with Schedule V to the Companies Act, 2013 (corresponding to Sections 198, 269, 309 and any other applicable provisions of the Companies Act, 1956 read with Schedule XIII to the Companies Act, 1956) and subject to such other approvals and consents as may be necessary, the consent of the Company be and is hereby accorded for the re-appointment of Mr. C. Krishna Prasad (holding DIN 00020180), as the Managing Director of the Company for a period of five years effective from 1st September, 2014, on the terms and conditions as under:

Salary

Salary: ₹15,00,000/- (rupees fifteen lakhs only) per month

Perquisites and Allowances.

Perquisites which shall be evaluated at actual cost to the Company and where it is not possible to ascertain the actual cost, such perquisites shall be evaluated as per Income -tax Rules, 1962, and as per details given below subject to a ceiling of ₹12,00,000/- (rupees twelve lakhs only) per annum.

- i) Rent free furnished accommodation together with gas, electricity and water and other utilities.
- ii) Use of fully maintained Company car with chauffeur with fuel reimbursement.
- iii) Club fees subject to a maximum of two clubs (not being admission and life membership fees) and all actual entertainment expenses at the club reasonably incurred in or about the business of the Company.
- iv) Communication facilities:
 - Reimbursement of telephone bills at residence (Use of telephone for office purpose shall not be considered as perquisite.)
 - One mobile telephone for official purpose.
 - Reimbursement of Internet and fax bills
- v) Reimbursement of servant's salary subject to maximum of two servants.
- vi) Reimbursement of gardener's salary, subject to one gardener only.

- vii) Leave Travel Concession for self and family once in a year.
- viii) Reimbursement of medical expenses for self and family.
- ix) Reimbursement of insurance premium for coverage under Medclaim Policy (Self & Dependents).
- x) Reimbursement of insurance premium for coverage under Personal Accident Policy (Self & Dependents).
- xi) Reimbursement of entertainment and/or other expenses, if any, incurred for and on behalf of the Company and such payment shall not form part of the remuneration for the purpose of computation of ceilings, wherever applicable.
- xii) Gratuity shall be calculated as per Company policy for each completed year of service.
- xiii) Contribution to Employee's Provident Fund and Superannuation Fund to the extent not taxable under the Income tax Act, 1961.
- xiv) Encashment of leave as per the rules of the Company.
- xv) Any other allowances, benefits and perquisites as per the rules applicable to the Senior Executives of the Company and/or which may become applicable in the future and/or any other allowance, perquisites as the Board may from time to time decide.

"RESOLVED FURTHER THAT the aggregate of above salary, perquisites and allowances taken together shall be subject to the overall ceilings laid down under Section 197 of the Companies Act, 2013."

"RESOLVED FURTHER THAT in case of adequacy of profits, Mr. C. Krishna Prasad be paid such commission which, together with salary, allowances and perquisites as above shall not exceed 5% of the net profits of the Company calculated in accordance with the provisions of Section 198 of the Companies Act, 2013."

"RESOLVED FURTHER THAT in the event of any loss or inadequacy of profits in any financial year during his tenure, the Company shall pay to Mr. C. Krishna Prasad, the remuneration by way of salary, perquisites, commission or any other allowances as specified above and in accordance with the limits specified under Section II of Part II of Schedule V of the Companies Act, 2013 read with Schedule V to the Companies Act, 2013 or such other limits as may be prescribed by the Government from time to time in this regard, as minimum remuneration."

"RESOLVED FURTHER THAT the Managing Director shall not be paid sitting fees for attending meetings of the Board of Directors or any Committee(s) thereof."

"RESOLVED FURTHER THAT Mr. C. Krishna Prasad be and is hereby also appointed as the Chairman of the Company with effect from 1st September, 2014."

"RESOLVED FURTHER THAT the Board be and is hereby authorized to do all such acts, deeds, matters and things as may be considered necessary, appropriate and desirable to give effect to this resolution."

13. To consider and if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution**:

"RESOLVED THAT pursuant to the provisions of Section 188 and all other applicable provisions of the Companies Act, 2013, and the rules made thereunder and pursuant to Clause 49 (VII) of the Listing Agreement amended vide circular no. CIR/CFD/POLICY CELL/2/2014 dated 17th April, 2014 and subject to such other approvals, consents, permissions and sanctions of any authorities as may be necessary, consent of the Company be and is hereby accorded to the Board of Directors to enter into Purchase Agreement with Granules-Bio cause Pharmaceutical Co. Limited, a joint-venture of the Company effective from 1st April 2014 for purchase of Active Pharmaceuticals Ingredients and other pharmaceutical products for an estimated consideration of upto US\$ 39,500,000 (approximately ₹240.95 Cr.) for a period commencing from 1st April 2014 till 31st March 2016 to be discharged in a manner and on such terms and conditions as may be mutually agreed upon between the Board of Directors of the Company and Granules-Bio cause Pharmaceutical Co. Limited."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do all such acts, matters and things as may be necessary to give effect to the above resolution."

14. To consider and if thought fit, to pass with or without modification(s), the following resolution as a **Special Resolution**:

"RESOLVED THAT pursuant to the provisions of Section 188 and all other applicable provisions of the Companies Act, 2013, and the rules made thereunder and pursuant to Clause 49 (VII) of the Listing Agreement amended vide circular no. CIR/CFD/POLICY CELL/2/2014 dated 17th April, 2014 and subject to such other approvals, consents, permissions and sanctions of any authorities as may be necessary, consent of the Company be and is hereby accorded to the Board of Directors to enter into Supply Agreement with Granules USA Inc, a wholly-owned subsidiary of the Company effective from 1st April 2014 for sale of pharmaceutical products of the Company for an estimated consideration of not exceeding US\$ 72,900,000 (approximately ₹444.69 Cr.) for a period commencing from 1st April 2014 till 31st March 2016 to be discharged in a manner and on such terms and conditions as may be mutually agreed upon between the Board of Directors of the Company and Granules USA Inc."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to do all such acts, matters and things as may be necessary to give effect to the above resolution."

By Order of the Board

Sd/-

C. Krishna Prasad
Managing Director

Hyderabad, July 24, 2014

NOTES:

1. **A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ALSO ENTITLED TO APPOINT PROXY TO ATTEND AND VOTE ON HIS / HER BEHALF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXIES, IN ORDER TO BE EFFECTIVE SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY, DULY COMPLETED AND SIGNED, NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.**
2. Pursuant to the provisions of Section 105 of the Companies Act, 2013, a person can act as a proxy on behalf of not more than fifty members and holding in aggregate not more than ten percent of the total share capital of the Company. Members holding more than ten percent of the total share capital of the Company may appoint a single person as proxy, who shall not act as proxy for any other member. A Proxy form is annexed to this Report. Proxies submitted on behalf of limited companies, societies, etc., must be supported by an appropriate resolution / authority, as applicable.
3. An Explanatory Statement pursuant to Section 102 of the Companies Act, 2013 relating to Special Businesses to be transacted at the Annual General Meeting (AGM) is annexed hereto and forms part of notice.
4. For the convenience of Members and proper conduct of the meeting, entry to the meeting venue will be regulated by attendance slip, enclosed to the Annual Report. Members / proxies are requested to duly fill the attendance slips and hand it over at the entrance of the meeting to attend the meeting. Members are also requested to bring their copies of the Annual Report to the meeting.
5. In case of joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
6. Members who hold shares in dematerialization form are requested to write their client ID and DP ID numbers and those who hold shares in physical form are requested to write their Folio Number in the attendance slip for attending the meeting.
7. Members are requested to notify immediately any change in their address to the Registrar and Share Transfer Agent.
8. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to M/s Karvy Computershare Private Limited / Company.
9. Those members who have so far not en-cashed their dividend warrants for the below mentioned financial years, may claim or approach the Company for the payment thereof as the same will be transferred to

the Investor Education and Protection Fund (IEPF) of the Central Government, pursuant to Section 205C of the Companies Act, 1956 on the respective dates mentioned in the tabular statement. The members are advised to note that after the due dates mentioned below, the members will lose their right to claim such dividend.

Financial year ended	Due date of transfer
30/06/2007	28/01/2015
30/06/2008	18/01/2016
31/03/2009	24/10/2016
31/03/2010	26/10/2017
31/03/2011	17/10/2018
31/03/2012	08/08/2019
31/03/2013	25/09/2020

10. Closure of register of Members and Dividend payment:
 - a) The Company has already notified closure of Register of Members and Transfer Books thereof from 22nd August 2014 to 28th August 2014 (both days inclusive) for determining the names of Members eligible for dividend, if approved, on equity shares. In respect of shares held in electronic form, the dividend will be paid on the basis of particulars of beneficial ownership furnished by the Depositories for this purpose.
 - b) The dividend on equity shares, as recommended by the Board of Directors, if declared at the Annual General Meeting, will be paid on or before 27th September, 2014.
 - c) Members may please note that the Dividend Warrants are payable at par at the designated branches of the Bank printed on reverse of the Dividend Warrant for an initial period of 3 months only. Thereafter, the Dividend Warrant on revalidation is payable only at limited centers/branches. The members are, therefore, advised to encash Dividend Warrants within the initial validity period.
11. Payment of Dividend through ECS:

The Company offers the facility of payment of Dividend directly to the respective bank accounts of shareholders, through Electronic Clearing Services (ECS). This facility is currently available at the locations specified in the Mandate form enclosed to this Annual Report.

 - i) Members holding shares in physical form are advised to submit the Bank mandate particulars of their bank account viz., name and address of the branch of the bank, 9 digit MICR code of the branch, type of account and account number latest by 17th August 2014 to the Company's Registrar and Share Transfer Agent.
 - ii) In respect of shareholders holding shares in electronic form, the Company will make payment through ECS if the bank account details have been furnished by the shareholder to the concerned depository participant with

whom the shareholder is maintaining his / her demat account. If, so far the bank details have not been furnished to the depository participant or change in the bank particulars already furnished, members are advised to submit the same to the depository participant. The Company or its Registrar cannot act on any request received directly from the Members holding shares in electronic form for any change of bank particulars or bank mandates. Such changes are to be advised only to the Depository Participant of the Members.

12. Non-Resident Indian Shareholders are requested to inform M/s. Karvy Computershare Private Limited immediately of:
 - a) the change in the residential status on return to India for permanent settlement.
 - b) the particulars of the bank account maintained in India with complete name, branch, account number and address of the Bank, if not furnished earlier.
13. Corporate Members intending to depute their authorized representatives are requested to send a certified copy of the Board resolution authorizing their representatives to attend and vote at the Annual General Meeting.
14. M/s. Karvy Computershare Private Limited, (Plot nos. 17-24, Vittal Rao Nagar, Madhapur, Hyderabad (TG) 500 081) acts as the Company's Registrar and Share Transfer Agent for both manual and electronic form of shareholding. All communication relating to shares should be addressed directly to them.
15. Members desiring to seek any information on the annual accounts are requested to write to the Company at an early date to enable compilation of information.
16. All documents referred to in the notice and explanatory statements are open for inspection at the Registered Office of the Company on all working days from 10.00 a.m. to 1.00 p.m. upto the date of the meeting.
17. The Register of Directors and Key Managerial Personnel and their shareholding, maintained under Section 170 of the Companies Act, 2013, will be available for inspection by the members at the AGM.
18. The Register of Contracts or Arrangements in which Directors are interested, maintained under Section 189 of the Companies Act, 2013, will be available for inspection by the members at the AGM.
19. Members are requested to please note that going forward, the documents like Notice calling Annual General Meeting, Corporate Governance Report, Directors Report, Audited Financial Statements, Auditors Report, etc. shall be circulated to the members

in electronic form to the email address provided by them. The shareholders are requested to register their email address and changes therein from time to time by writing to the Registrar & Share Transfer Agent / Depository to enable us to send the documents in electronic form or let us know in case you wish to receive the above documents in paper mode.

20. Electronic copy of the Notice of the 23rd Annual General Meeting of the Company containing Attendance Slip and Proxy Form along with the e-voting instructions indicating the process and manner of e-voting is being sent to all the members whose email IDs are registered with the Company/ Depository Participants(s) for communication purposes unless any member has requested for a hard copy of the same. For members who have not registered their email address, physical copies of the said documents is being sent in the permitted mode.
21. Members may also note that the Notice of the 23rd Annual General Meeting and the Annual Report for FY 14 will also be available on the Company's website www.granulesindia.com for their download. The physical copies of the aforesaid documents will also be available at the Company's Registered Office for inspection during normal business hours on working days.
22. Voting through electronic means

Pursuant to Section 108 of the Companies Act, 2013, read with the relevant rules thereunder, the Company is pleased to provide the facility to the members to exercise their right to vote by electronic means at the 23rd Annual General Meeting and the business may be transacted through e-voting services provided by Karvy Computershare Private Limited. It may be noted that this e-voting facility is optional. The e-voting facility will be available at the link <http://evoting.karvy.com>.

The e-voting period will commence from 9.00 AM on Friday, 22nd August 2014 and will end at 5.00 PM on Sunday, 24th August 2014. The Company has appointed Mr. Dhanunjaya Kumar Alla, Practicing Chartered Accountant, to act as the Scrutinizer, for conducting the scrutiny of the votes cast. The detailed instructions regarding e-voting will be sent separately to the members, members are requested to refer to the same.

The login ID and password for e-voting along with process, manner and instructions for e-voting is being sent to the members who have not registered their e-mail IDs with the Company / their respective Depository Participants along with physical copy of the Annual Report. Those members who have registered their e-mail IDs with the Company / their respective Depository Participants are being forwarded the login ID and password for e-voting along with process, manner and instructions by email.

EXPLANATORY STATEMENT IN RESPECT OF THE SPECIAL BUSINESSES PURSUANT TO SECTION 102(1) OF THE COMPANIES ACT, 2013

Item No. 5

As per Article 36(a) of the Articles of Association of the Company, the number of Directors of the Company shall not be less than three or more than twelve. Currently, the Company has nine Directors. In anticipation of the future business requirements, it is proposed to increase the upper limit to 15 Directors, on an enabling basis. Section 149(1) of the Companies Act, 2013 allows maximum strength of fifteen directors.

Therefore, the Board of Directors recommends amendment to the Articles of Association of the Company by altering the Article 36(a), to increase the maximum number of Directors of the Company from 12 to 15, subject to the requirements of the Companies Act, 2013.

The Resolution at Item No. 5 of the Notice is set out as a Special Resolution for approval by the members. None of the Directors and Key Managerial Personnel of the Company and their relatives are concerned or interested in the resolution set out at Item No. 5. Your Directors recommends the Resolution for your approval.

ITEM NO. 6

Pursuant to the provisions to Section 203(1) of the Companies Act, 2013, an individual cannot be appointed or reappointed as the Chairperson as well as the Managing Director of a Company at the same time unless the articles of such Company provide otherwise or the Company does not carry multiple businesses.

The Company has only one business segment and the above referred proviso is not applicable to the Company presently. However, to meet any requirement that may arise in future and also to meet the growing disclosure requirements and help informative discussion in the meetings, it is proposed to include a provision in the Articles of Association of the Company to enable appointment of an individual as the Chairperson as well as the Managing Director of the Company.

Therefore, the Board of Directors recommends amendment of the Articles of Association of the Company by adding a new Article no. 30(h) after the existing Article no. 30(g), to appoint the Managing Director of the Company also as the Chairperson of the Company at the same time, subject to the provisions of the Companies Act, 2013.

The Resolution at Item No. 6 of the Notice is set out as a Special Resolution for approval by the members. None of the Directors and Key Managerial Personnel of the Company and their relatives is concerned or interested in the resolution set out at Item No. 6. Your Directors recommends the Resolution for your approval.

ITEM NO. 7 to 11

As per the provisions of the Companies Act, 2013, Independent Directors of the Company shall be appointed for not more than two terms of five years each and they shall not be liable to retire by rotation at every Annual General Meeting. Accordingly the Independent Directors will serve for not more than two terms of five years each on the Board of the Company. In the transition to the Companies Act, 2013, which is effective from 1st April 2014, those Independent Directors who have already served for ten or more years may be appointed for a maximum period of one more term of five years. With the above changes in law, the appointment and tenure of Independent Directors is now governed by the provisions of Companies Act, 2013 and the rules made thereunder.

In terms of Section 149 and any other applicable provisions of the Companies Act, 2013, Mr. L.S. Sarma, Mr. A. P. Kurian, Mr. C. Parthasarathy, Dr. Krishna Murthy Ella and Mr. A. Arun Rao, are proposed to be appointed as Independent Directors on the Board of the Company for a term up to five consecutive years i.e. for a term up to 31st March, 2019. A brief profile of the proposed Independent Directors, including the nature of their expertise, is provided herein under.

Notices have been received from Members proposing candidature of the above Directors for the office of Independent Directors of the Company. In the opinion of the Board of Directors, Mr. L.S. Sarma, Mr. A. P. Kurian, Mr. C. Parthasarathy, Dr. Krishna Murthy Ella and Mr. A. Arun Rao fulfilled the criteria specified in the Companies Act, 2013 more particularly, under sub-section (6) of Section 149 of the Companies Act, 2013 and the rules made thereunder for appointment as Independent Directors of the Company. Copy of the draft letter of appointment of the aforesaid Directors setting out the terms and conditions would be available for inspection by the members at the Registered Office of the Company on all working days, between 11.00 AM to 1.00 PM up to the date of the meeting.

The Company has received from the proposed directors (i) consent in writing to act as director in Form DIR-2 pursuant to Rule 8 of Companies (Appointment & Qualification of Directors) Rules 2014, and (ii) intimation in Form DIR-8 in terms of Companies (Appointment & Qualification of Directors) Rules 2014, to the effect that he is not disqualified under sub-section (2) of Section 164 of the Companies Act, 2013.

None of the Directors or Key Managerial Personnel of the Company and their relatives, other than Independent Directors for their respective appointment, are concerned or interested, in these Resolutions. The Board considers

that their continued association would be of immense benefit to the Company and it is desirable to continue to avail services of the Independent Directors. Accordingly, the Board recommends the Special Resolutions as set out at Item no. 7 to 11 for approval of the Members. This Explanatory Statement may also be regarded as a disclosure under Clause 49 of the Listing agreement with the Stock Exchange.

Item No. 12

Mr. C. Krishna Prasad, aged about 59 years is a technocrat and has been associated with the Company since 1994. Mr. Prasad has more than three decades of experience and expertise in the pharmaceutical industry and has been instrumental for the Company's growth since his association. Mr. Prasad pioneered the concept of commercializing Pharmaceutical Formulation Intermediates and has been advocating this with success in different parts of the world.

Mr. Prasad has successfully led this Company including delivering results, developing people and overseeing the Company's growth. His vision for quality and customer centricity has enabled the Company to achieve its present capabilities of manufacturing quality products by design and enabled the Company to be compliant with all major global quality systems, including USFDA, MHRA, EDQM, Infarmed(EU), WHO GMP, KFDA, HHA, TPD, MCC and TGA. The Company services the customers in more than 60 countries worldwide. His continuous efforts with the able co-operation of all those concerned led the sales grew by 43% to ₹1,096 Cr. in the FY14 on a consolidated basis which made the Company the third fastest growing public pharmaceutical company in India. Mr. Prasad's focus on operational excellence and process innovation, resulted into successful completion of various expansions plans in the Company and also the acquisition of Auctus Pharma Limited to enable optimum utilization of the available resources, broadening of customer base, higher long-term financial returns, greater financial strength diversified product portfolio.

Mr. C. Krishna Prasad was appointed as Managing Director of the Company with effect from 1st September, 2009 by the Shareholders at the 18th Annual General Meeting of the Company held on 25th September 2009. The current term of office of Mr. C. Krishna Prasad as the Managing Director of the Company expires on 31st August 2014. Considering the commitment consistently shown and results exhibited, the Board of Directors on the recommendation of the Nomination and Remuneration Committee, has decided to re-appoint Mr. C. Krishna Prasad as the Managing Director of the Company for a further period of 5 (five) years effective from 1st September 2014. Mr. C. Krishna Prasad is also proposed to be appointed as the Chairman of the Company with effect from 1st September 2014. The appointment of Mr. C. Krishna Prasad is appropriate and in the best interest of the Company. The approval of the members is being sought to the terms and conditions of the appointment of Mr. C. Krishna Prasad as the Chairman &

Managing Director and the remuneration payable to him. The above facts may also be considered as an abstract of the terms of the appointment of Mr. C. Krishna Prasad as the Chairman & Managing Director of the Company.

The resolution seeks the approval of the members in terms of Sections 196 and 197 read with Schedule V and other applicable provisions of the Companies Act, 2013, and the Rules made thereunder for the appointment of Mr. C. Krishna Prasad as the Chairman & Managing Director of the Company for a period of five years commencing from 1st September 2014.

The Board recommends the resolution as set out in Item no. 12 for your approval.

None of the Directors or Key Managerial Personnel and their relatives except Mr. C. Krishna Prasad, Mrs. C. Uma Devi and Mr. Harsha Chigurupati is concerned or interested in the resolution.

ITEM NO. 13

Granules Biocause Pharmaceutical Co. Limited (Granules Biocause) is a joint venture Company based in China. The Company buys Ibuprofen API from Granules Biocause due to Granules Biocause emphasis on quality, service and scale. While Granules Biocause is a joint-venture Company, the Company's procurement team maintains an arm's length relationship when deciding on allocation among the approved vendors. Currently, the Company uses the Granules Biocause Ibuprofen for its PFI and Finished Dosages in the regulated and semi-regulated markets.

Several of Company's customers have registered Granules Biocause Ibuprofen in their respective markets in order to confirm to regulatory requirements as such, the Company purchases Granules Biocause product for these customers. In addition, Company's own products including its abbreviated new drug application (ANDAs) and PFIs have listed the Granules Biocause product in the filings and because of this reason and fact, the company on the recommendation of its procurement team purchases material from Granules Biocause and hence, Granules Biocause API supply is critical to the Company to ramp up its Ibuprofen sales. In addition, Company prefers purchasing material from the Granules Biocause because it is able to provide material for the regulated markets with minimal lead time. Granules Biocause is also better situated to cater to Company's growing Ibuprofen demand since many other vendors can only offer a small portion of the Company's requirement. Finally, Granules Biocause has been approved from leading regulatory agencies including the U.S. FDA and MHRA so its product is certified for many regulated market customers.

As per Clause 49 of the Listing Agreement amended via Securities Exchange Board of India (SEBI) circular via CIR/CFD/POLICY CELL/2/2014 dated 17th April 2014, the entity which is joint venture of the Company shall be considered as related party and also, if the transaction / transactions to be entered into individually or taken together with previous transactions during a financial year, exceeds

five percent of the annual turnover or twenty percent of the net worth of the Company as per the last audited financial statements of the Company, whichever is higher, the same shall require the approval by the shareholders through Special Resolution.

The SEBI circular further provides that provisions pertaining to related party transactions in the amended Clause 49 of listing agreement will be applicable to all prospective transactions from 1st October 2014 but all existing material related party contracts as on the date of this circular which are likely to continue beyond March 31, 2015 shall be placed for approval of the shareholders in the first General Meeting subsequent to October 01, 2014 or a company may choose to get such contracts approved by the shareholders even before October 01, 2014.

In view of the above stipulations, Granules-Biocese Pharmaceutical Co. Limited being a joint venture company is a related party and the transactions which has been /

are going to be undertaken during 1st April 2014 till 31st March 2016 is likely to exceed the twenty percent of the net worth of the company in each year as per the last audited financial statements of the Company.

The particulars of the transaction are as under:

1. Name of the related party: Granules-Biocese Pharmaceutical Co. Limited
2. Name of the director or key managerial personnel who is related: Mr. Harsha Chigurupati, Executive Director and Mr. VVS Murthy, Chief Financial Officer.
3. Nature of relationship: Granules-Biocese Pharmaceutical Co. Limited is a Joint Venture of the Company and also the aforesaid KMP's are Directors of Granules-Biocese Pharmaceutical Co. Limited.
4. Nature of the Contract: Agreement with respect to purchase of materials.
5. Monetary value: Estimated upto US\$ 39,500,000 (approximately ₹240.95 Cr.).

6. Material terms and particulars of the contract or arrangement:

Nature of Agreement	Purchase Agreement
Products	Active Pharmaceutical Ingredients (APIs) and other pharmaceuticals products
Tenure	1st April 2014 – 31st March 2016
Purpose	For purchase of products from Granules-Biocese Pharmaceutical Co. Limited by Granules India Limited.
Price	As agreed by the Board of Directors based on armslength price as may be applicable from time to time subject to the limit of US\$ 39,500,000 (approximately ₹240.95 Cr.).

7. Any other information relevant or important for the members to take a decision on the proposed resolution: None.

None of the Directors or Key Managerial Personnel or their relatives, except Mr. Harsha Chigurupati, Executive Director, Mr. C. Krishna Prasad and Mrs. C. Uma Devi, Executive Director and Mr. VVS Murthy, Chief Financial Officer are interested or concerned in the resolution.

The Board recommends the resolution set forth in Item No. 13 for the approval of the members as a Special Resolution.

ITEM NO. 14

Granules USA Inc., a wholly owned subsidiary of the Company was incorporated to facilitate the sales and marketing of the Company's products i.e. Active Pharmaceutical Ingredients (APIs), Pharmaceutical Formulation Intermediates (PFIs) and Finished Dosages (FDs) in the territory of USA. Granules USA Inc. operates as a marketing wing of the Company and accelerates the exports sales of the Company in USA along with harmonizing the business relationships with USA based customers. During the past year, Granules USA has strengthened existing relationships and developed new partnerships with the customers. Granules USA have also established a strong product launch pipeline of 4 products

that will bear fruit in FY15 in addition to increasing volume for existing products/business. Some of the key business development initiatives include:

- New customer developments,
- Three OTC FD products launches,
- Key product re-launch,
- Strategic partnership for Rx marketing and
- API product supplies to marquee customers/brands.

The Company currently sells its products to USA based customers through Granules USA Inc. While Granules USA Inc is a wholly owned subsidiary Company, the Company maintains an arm's length relationship with Granules USA Inc for all its transactions. Keeping the aforesaid in view, the transactions with Granules USA Inc are critical to the Company to ramp up its products sales. Incidentally Granules USA Inc is also better situated to cater to Company's growing product demand with quick interaction.

As per clauses 49 of the Listing Agreement amended via Securities Exchange Board of India (SEBI) circular via CIR/CFD/POLICY CELL/2/2014 dated 17th April 2014, the entity which is subsidiary of the Company shall be considered as related party and also if the transaction / transactions to be entered into individually or taken together with

previous transactions during a financial year, exceeds five percent of the annual turnover or twenty percent of the net worth of the Company as per the last audited financial statements of the company, whichever is higher shall be approved by the shareholders through Special resolution.

The SEBI circular further provides that provisions pertaining to related party transactions in the amended clause 49 of listing agreement will be applicable to all prospective transactions from 1st October 2014 but all existing material related party contracts as on the date of this circular which are likely to continue beyond March 31, 2015 shall be placed for approval of the shareholders in the first General Meeting subsequent to October 01, 2014 or a company may choose to get such contracts approved by the shareholders even before October 01, 2014.

In view of the above stipulations, Granules USA Inc being a wholly owned subsidiary company is a related party and the transactions which have been / are going to be

undertaken during 1st April 2014 till 31st March 2016 is likely to exceed the twenty percent of the net worth of the Company in each year as per the last audited financial statements of the Company.

The particulars of the transaction are as under:

1. Name of the related party: Granules USA Inc
2. Name of the director or key managerial personnel who is related: Mr. C. Krishna Prasad, Managing Director and Mr. Harsha Chigurupati, Executive Director.
3. Nature of relationship: Granules USA Inc is a wholly owned subsidiary Company and also the aforesaid Directors and also Director of Granules USA Inc.
4. Nature of the Contract: Agreement with respect to supply of materials.
5. Monetary value: Estimated upto US\$ 72,900,000 (approximately ₹444.69 Cr.).

6. Material terms and particulars of the contract or arrangement:

Nature of Agreement	Supply Agreement
Products	Active Pharmaceutical Ingredients (APIs), Pharmaceutical Formulation Intermediates (PFIs) and Finished Dosages (FDs)
Tenure	1st April 2014 – 31st March 2016
Purpose	For sale of products to Granules USA Inc from Granules India Limited
Price	As agreed by the Board of Directors based on armslength price as may be applicable from time to time subject to the limit of US\$ 72,900,000 (approximately ₹444.69 Cr.).

7. Any other information relevant or important for the members to take a decision on the proposed resolution: None.

None of the Directors or Key Managerial Personnel or their relatives, except Mr. C. Krishna Prasad, Mr. Harsha Chigurupati and Mrs. C. Uma Devi, Executive Directors are interested or concerned in the resolution.

The Board recommends the resolution set forth in Item No. 14 for the approval of the members as a Special Resolution.

Hyderabad, July 24, 2014

By Order of the Board
Sd/-

C.Krishna Prasad
Managing Director

Profile of Directors seeking appointment / re-appointment at the ensuing Annual General Meeting pursuant to Clause 49(IV)(G)(i) of the Listing Agreement

Name of Director	Mr. L. S. Sarma	Mr. A. P. Kurian	Dr. K. M. Ella	Mr. C. Parthasarathy	Mr. A. Arun Rao	Mrs. Uma Devi Chigurupati	Mr. C. Krishna Prasad
Date of Birth	11.10.1928	26.06.1933	10.07.1955	07.07.1955	06.06.1957	10.08.1959	02.10.1954
Age	85 years	81 years	59 years	59 years	57 years	54 years	59 years
Director's Identification Number	00009530	00008022	00072071	00079232	00876993	00737689	00020180
Date of Appointment	30.01.2000	07.06.2003	04.06.2009	27.05.2009	27.04.2010	31.05.2012	31.08.1994
Experience in specific functional area	Wide experience in the field of banking, financial management, financial reporting, internal controls, corporate governance, management, accounting and compliances.	Wide experience in the field of investment, financial management, financial reporting, internal controls, corporate governance, management and compliances.	Wide experience in the field of bio-technology, research & development, business strategy and management.	Wide experience in the field of business strategy, financial services, financial management, accounting practices, amalgamation & merger, internal controls, corporate governance, management, law & compliances.	Wide experience in the field of medical, chemical engineering, pharmaceutical business, business strategy, technical operations, sales and management.	Wide experience in the field of management, sales & marketing, administration and corporate social responsibility.	Wide experience in the field of pharmaceutical business, business strategy, marketing, technical operations, financial management, amalgamation & merger, internal controls, corporate governance, management, & compliances.
Qualification	M.Com, CAIIB	M.A.	M.S., Ph.D	B.Sc., LL.B, FCA, FCS	M.S. (Chemical Engg.)	M.Sc (Soil Biology)	B.Sc (Chemistry)
Board membership of other Indian Companies	Atulnihar Charitable Trust	Geojit BNP Paribas Financial Services Ltd. Muthoot Capital Services Ltd. JP Morgan Asset Management India Pvt. Ltd Muthoot Fincorp Ltd.	Bharat Biotech International Ltd. Century Biologicals Pvt. Ltd. Ella Foundation InnovaAgri Bio Park Ltd. Compress Labs (India) Pvt. Ltd.	Karvy Computershare Pvt. Ltd. Karvy Comtrade Ltd. Karvy Consultants Ltd. Karvy Global Services Ltd. Karvy Global Services Inc, USA Karvy Inc, USA Karvy Stock Broking Ltd. Karvy Investor Services Ltd. Karvy Data Management Services Ltd. Karvy Infrastructure Resources Pvt. Ltd. Adhirajat Commercial Enterprises Pvt. Ltd Compar Estates and Agencies Pvt. Ltd. Nova Consultants Ltd. Athena Infraprojects Pvt.Ltd. Ocean Sparkle Ltd. Pennar Industries Ltd. Karvy Investment Advisory Services Ltd. Financial Intermediaries Association of India Multidimension Entertainments Pvt Ltd. TMI e2E Academy Pvt. Ltd. Fakhro Karvy Computershare Commercial Enterprises Pvt. Ltd Compar Estates and Agencies Pvt. Ltd. Nova Consultants Ltd. Athena Infraprojects Pvt.Ltd. Ocean Sparkle Ltd. Pennar Industries Ltd. Karvy Investment Advisory Services Ltd. Financial Intermediaries Association of India Multidimension Entertainments Pvt Ltd. TMI e2E Academy Pvt. Ltd. Fakhro Karvy Computershare W.L.L Athena Energy Ventures Pvt. Ltd. Pennar Engineered Building Systems Ltd. Forde Consultants Pvt. Ltd. Forde Search (I) Pvt. Ltd.	M.S. (Chemical Engg.) Akin Laboratories Pvt. Ltd. ESPI Industries & Chemicals Pvt. Ltd. SANZYME Ltd.	M.Sc (Soil Biology) Triton Securities Pvt. Ltd. Tyche Technologies Pvt. Ltd. KRSMA Estates Pvt. Ltd. KRSMA Vineyards Pvt. Ltd. KRSMA Vineyards Pvt. Ltd.	Granules OmniChem Pvt. Ltd. Auctus Pharma Ltd. Gil Lifesciences Pvt. Ltd. Santhi Surgery Pvt. Ltd. Triton Securities Pvt. Ltd. Tyche Technologies Pvt. Ltd. KRSMA Estates Pvt. Ltd. KRSMA Vineyards Pvt. Ltd. Granules USA Inc. KRSMA UK Ltd.



Profile of Directors seeking appointment / re-appointment at the ensuing Annual General Meeting pursuant to Clause 49(IV)(G)(i) of the Listing Agreement (Contd.)

Name of Director	Mr. L. S. Sarma	Mr. A. P. Kurian	Dr. K. M. Ella	Mr. C. Parthasarathy	Mr. A. Arun Rao	Mrs. Uma Devi Chigurupati	Mr. C. Krishna Prasad
Chairman/ member of the committee of the Board of Directors of the Company	Audit Committee – Chairman & Remuneration Committee – Chairman Business Review Committee – Member Share Transfer and Shareholders / Investors Grievance Committee – Member*	Audit Committee – Member Compensation & Remuneration Committee – Member	Compensation & Remuneration Committee – Member	Business Review Committee – Chairman	Audit Committee – Member Business Review Committee – Member Corporate Social Responsibility Committee – Member	Corporate Social Responsibility Committee – Chairman	Audit Committee – Member Compensation & Remuneration Committee – Member Business Review Committee – Member Share Transfer and Shareholders / Investors Grievance Committee – Member Corporate Social Responsibility Committee – Member
Chairman / Member of the committees in other companies in which he/she is a Director	Nil	Geojit BNP Paribas Financial Services Limited – Member of Audit Committee Muthoot Capital Services Limited - Member of Audit Committee JP Morgan Asset Management India Pvt. Ltd - Member of Audit Committee Muthoot Fincorp Limited - Member of Audit Committee.	Bharat Biotech International Limited – Chairman of Audit Committee and Compensation & Remuneration Committee	Karvy Stock Broking Ltd – Member of Audit Committee, Investment Committee, Remuneration Committee, Customer Service Committee & Risk and Compliance Committee Karvy Data Management Services Ltd- Member of Remuneration Committee Karvy Investor Services Ltd-Chairman of Audit Committee Karvy Global Services Ltd. -Chairman of Audit Committee Ocean Sparkle Limited – Chairman of Remuneration Committee, Management and Administrative Committee, Investment Committee, Share Allotment Committee, Merger & Acquisition Committee & Audit Committee Pennar Industries Limited – Chairman of Audit Committee, Remuneration Committee & Investment Committee Pennar Engineered Building System Limited – Chairman of Audit Committee & Member of Remuneration Committee MCX Stock Exchange CCL – Member of Advisory Committee.	Nil	Nil	Nil
Number of shares held in the company as on 31st March 2014	24,506	29,000	24,000	Nil	1,000	7,58,000	74,73,538

*Mr. L. S. Sarma has resigned from the membership of Share Transfer and Shareholders / Investors Grievance Committee on 24th April 2014.

Disclosure in terms of Clause 49 (IV) (G) (ia) of the Listing Agreement

Mr. C. Krishna Prasad, Mrs. C. Uma Devi and Mr. Harsha Chigurupati are related to each other by virtue of being relatives as defined under Section 2(77) of the Companies Act, 2013 whereas there are no inter-se relationships between the other board members.



Granules India Limited

(CIN: L24110TG1991PLC012471)

Regd. Office: 2nd Floor, 3rd Block, My Home Hub, Madhapur,
Hyderabad - 500 081

ATTENDANCE SLIP

(23rd Annual General Meeting)

Regd. Folio No No. of shares held

*Demat A/c No DP ID. No.....

I certify that I am a registered shareholder/proxy/representative for the registered shareholder(s) of Granules India Limited.

I hereby record my presence at the 23rd Annual General Meeting of the Company at Hotel Taj Banjara, Road No.1, Banjara Hills, Hyderabad – 500 034 (TG) on Thursday, the 28th day of August 2014 at 4.00 PM.

.....
Member's/Proxy's/Representative's name

.....
Signature of Member/Proxy/Representative

*Applicable if shares are held in electronic form.

Note: Please fill up this attendance slip and hand it over at the entrance of the meeting hall. Members are requested to bring their copies of Annual report to the meeting.



Granules India Limited

(CIN: L24110TG1991PLC012471)

Regd. Office: 2nd Floor, 3rd Block, My Home Hub, Madhapur, Hyderabad (TG) - 500 081

Form No. MGT-11

PROXY FORM

[Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules, 2014]

CIN:	L24110TG1991PLC012471
Name of the company	Granules India Limited
Registered office	2nd Floor, 3rd Block, My Home Hub, Madhapur, Hyderabad (TG) - 500 081
Name of the member(s)	
Registered Address	
E-mail Id	
Folio No./Client Id	DP ID

I/We, being the member (s) of shares of the above named company, hereby appoint

1.	Name		
	Address		
	E-mail id		Signature
	or failing him		
2.	Name		
	Address		
	E-mail id		Signature
	or failing him		
3.	Name		
	Address		
	E-mail id		Signature
	or failing him		

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 23rd Annual General Meeting of the company, to be held on Thursday, the 28th day of August 2014 at 4.00 p.m. at Hotel Taj Banjara, Road No.1, Banjara Hills, Hyderabad – 500 034 (TG) and at any adjournment thereof in respect of such resolutions as are indicated below:

S. No	Resolutions	For	Against
1.	Consider and adopt Audited Financial Statement, Reports of Board of Directors & Auditors		
2.	Declaration of Final Dividend on Equity Shares.		
3.	Re-appointment of Mrs. C. Uma Devi who retires by rotation.		
4.	Appointment of Auditors and fixing their remuneration.		
5.	Alteration of Clause 36(a) of the Articles of Association.		
6.	Alteration of Clause 30 of Articles of Association.		
7.	Appointment of Mr. L.S. Sarma as an Independent Director		
8.	Appointment of Mr. A. P. Kurian as an Independent Director		
9.	Appointment of Mr. C. Parthasarathy as an Independent Director		
10.	Appointment of Dr. Krishna Murthy Ella as an Independent Director		
11.	Appointment of Mr. A. Arun Rao as an Independent Director		
12.	Re-appointment of Mr. C. Krishna Prasad as Managing Director and appointing him also as the Chairman of the Company		
13.	Approval of purchase agreement with Granules Biocause Pharmaceutical Co. Ltd.		
14.	Approval of supply agreement with Granules USA Inc.		

Signed this day of..... 2014.

Signature of shareholder Signature of Proxy holder(s).....

Affix Revenue Stamp of not less than ₹0.15

Note: This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the meeting.

Corporate Information

BOARD OF DIRECTORS

Mr. C. Krishna Prasad, Managing Director – Non-Independent

Mr. L.S. Sarma, Director – Non-Executive, Independent

Mr. A.P. Kurian, Director – Non-Executive, Independent

Mr. C. Parthasarathy, Director – Non-Executive, Independent

Dr. Krishna Murthy Ella, Director – Non-Executive, Independent

Mr. Arun Rao Akinepally, Director – Non-Executive, Independent

Mr. Harsha Chigurupati, Executive Director – Non-Independent

Mrs. Uma Devi Chigurupati, Executive Director – Non-Independent

Mr. K.B. Sankara Rao, Director – Non-Executive, Non-Independent

CHIEF FINANCIAL OFFICER

Mr. VVS Murthy

CHIEF OPERATING OFFICER

Mr. B. Madhusudan Rao

CHIEF MARKETING OFFICER

Mr. Stefan Lohle

COMPANY SECRETARY & COMPLIANCE OFFICER

Ms. Chaitanya Tummala

REGISTERED OFFICE

2nd Floor, 3rd Block, My Home Hub, Madhapur,
Hyderabad (TG) 500 081, Ph: 91-40-66760000
Fax: 91-40-23115145
E-mail: investorrelations@granulesindia.com

STATUTORY AUDITORS

M/s. Kumar & Giri Chartered Accountants
D. No. 1-11-126/D, Opp. Aeroview Towers,
Begumpet, Hyderabad (TG) – 500 016

INTERNAL AUDITORS

M/s. Dhanunjaya & Haranath
Chartered Accountants
302, Wings, 8-3-960/6/2, Srinagar Colony,
Hyderabad (TG)- 500 073

REGISTRAR & SHARE TRANSFER AGENT

Karvy Computershare Private Limited
Plot nos.17-24, Vittal Rao Nagar, Madhapur,
Hyderabad (TG) 500 081 India.
Tel : +91 40 44655000, Fax: +91 40 23431551
Toll Free: 1-800-3454001
Investor Grievance ID: einward.ris@karvy.com
Website: <http://karisma.karvy.com>

BANKERS

Andhra Bank
State Bank of India
Bank of Baroda
ING Vysya Bank

PLANT LOCATIONS

Plot No.15/A/1, Phase-III, I.D.A. Jeedimetla,
Hyderabad – 500 055, (TG),

Temple Road, Bonthapally, Medak District,
(TG) – 502 313,

Plot No. 160/A & 161/E,
Gagillapur, Qutubullapur Mandal,
R. R. District, (TG) – 500 043, Andhra Pradesh

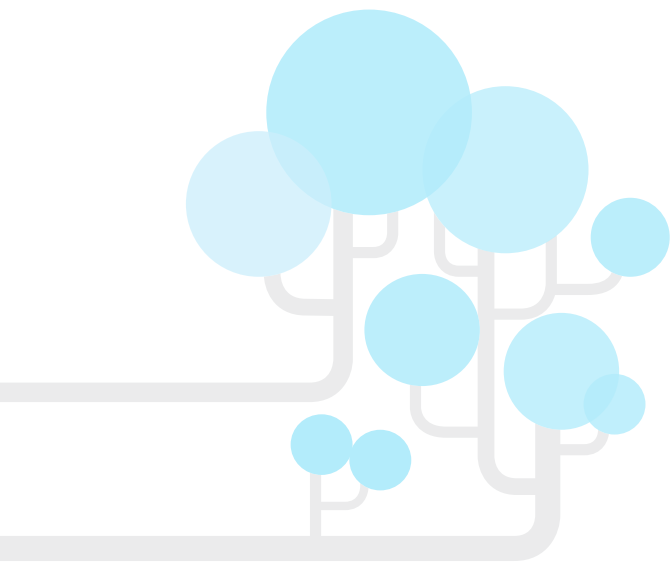
R&D CENTRE

Formulations: Gagillapur, Qutubullapur Mandal,
R R District, (TG) - 500 043.

API: Plot No. 15/A/1, Phase-III, I.D.A, Jeedimetla,
Hyderabad (TG) – 500 055.

API: Gat no 258, Shreeram Building, Lawale Phata,
Pirangut, Tal Mulshi, District Pune (MH) 412 108

API & Formulations: Plot no. 56, Road no. 5, ALEAP,
Hyderabad (TG)



Granules India Limited

Registered office:

CIN:L2411OTG1991PLCO12471

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

Ph: 91-40-66760000, Fax: 91-40-23115145, E-mail: mail@granulesindia.com

www.granulesIndia.com