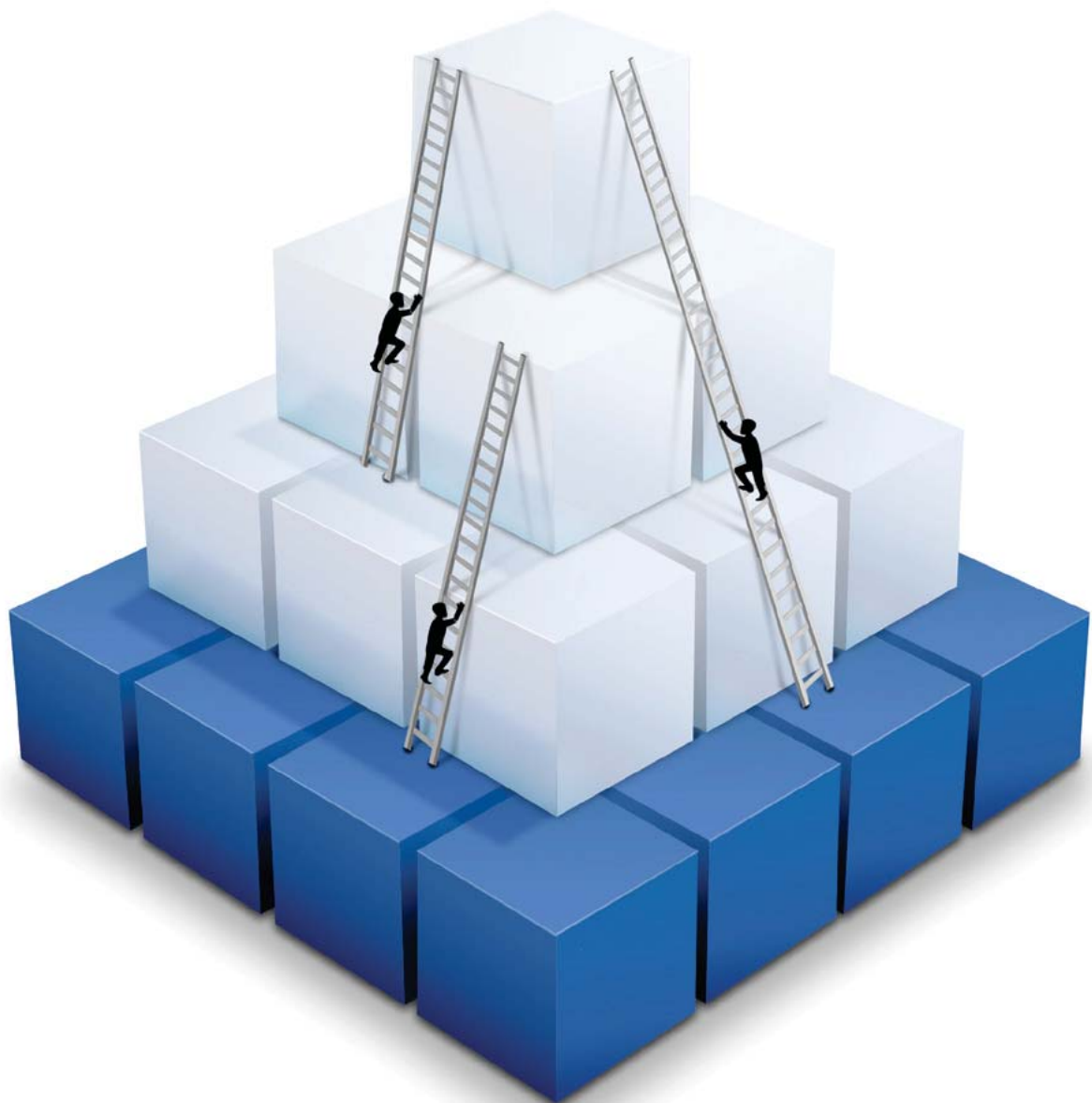




Granules India Limited

Propelling growth while strengthening our core

Annual Report 2015-16



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 realized, although we believe we have been prudent in 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 statements, whether as a result of new information, future events or otherwise.



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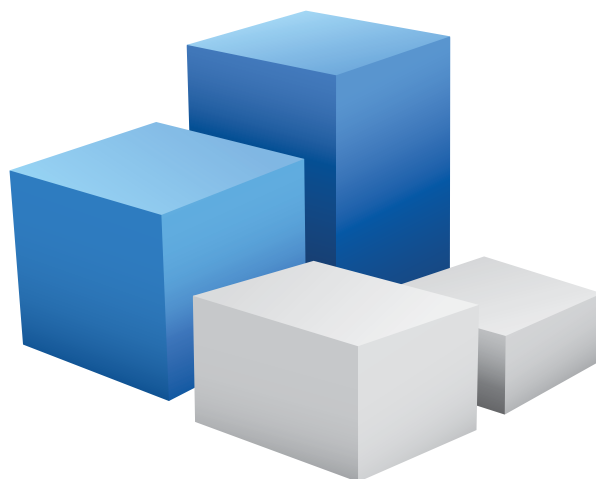
FINANCIAL STATEMENTS

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The growth mindset comes from a willingness to go beyond the prescribed norms and scale higher grounds, along with the capability to keep innovating and expanding strategically. As a Company with inherent strength in vertical integration, our growth strategies have always been Core business centric. We understand the importance of solidifying our key strengths and focus in areas on gaining stronger foothold across a bigger and diverse market. Along with unwavering focus into our Core business, we have also ventured into newer avenues as auxiliary engines for the organizational future growth. In the year 2015-16, we marched along with the strategy of expanding our New business and also having our CRAMS business commercialised. This has helped us create additional platforms to widen our reach and add value to all the stakeholders.

WE BELIEVE THIS WILL ENABLE US TO PROPEL TOWARDS GROWTH WITH OUR STRONG FUNDAMENTALS IN PLACE.



GROWTH - IT'S IN OUR DNA

Today, we stand at an important juncture, with the belief that the next-level of growth for us will be achieved in the coming years.

We shall continue to strengthen leadership in our existing markets for our core business products. Having built our organisation at the backdrop of strong operational efficiency, we shall further leverage it backed by our R&D skill sets. We are swiftly advancing towards new product launches across business divisions, with strategies to gain significant foothold both in OTC and Rx products.



>> GROWING IS ONE PART OF THE SUCCESS STORY, WHILE SUSTAINING THE GROWTH LEVEL IS ANOTHER. >>

At Granules, we have achieved the unique feat of growth and sustenance. While mature and experienced, we continue to be as enthusiastic & competitive as a start-up. Over the years, we have endeavoured to build a stronger pharmaceutical company by focusing on scale, quality, cost-efficiencies and stronger customer-relationships. We continue to invest our resources in new business opportunities. With our increased focus on R&D and product diversification, our business is moving towards achieving next-level growth.

Mr. Krishna Prasad Chigurupati
Chairman & Managing Director

>> WE ARE COMMITTED TO REVITALISING OUR GROWTH ENGINE. >>

We are committed to expand the competitiveness of our existing products with technological improvements, while staying focused to create new products. With multi-disciplinary scientific pool and talented team members, we are committed to revitalising our growth engine aligning to our business strategies and vision.

Dr. V.V.N.K.V. Prasada Raju
President - R&D and Corporate Strategy

>> AT GRANULES OUR FOCUS HAS BEEN ON ENSURING MANUFACTURING EXCELLENCE AND OPERATIONAL EFFICIENCY. >>

We continue to strengthen our focus on introduction of new technologies, people training and regulatory compliances which will ensure sustainable growth of the organisation. Quality has been among our core focus area, and we continue to strengthen it, with modern technology and regular quality checks. We stand committed to deliver safer and quality products to our core business.

Mr. B. Madhusudan Rao
Chief Operating Officer

>> OUR PEOPLE ARE OUR PARTNERS IN PROGRESS, A CRUCIAL FACILITATOR IN DRIVING THE ORGANISATION GROWTH MOMENTUM. >>

We encourage all members of our teams to think innovative and embrace challenges. Our constant focus is not just to build huge talent pool and leadership pipeline to meet the growing need, but also to provide a platform to people to learn and grow both laterally and vertically. We work with an endeavour to deliver superior result without compromising on honesty, integrity and sincerity.

Mr. P.S.N. Murthy
Senior Vice President - Human Resources

>> IN THE LAST FIVE YEARS, OUR TOPLINE HAS GROWN AT 25% CAGR WHILE OUR PROFITABILITY GREW AT 41% CAGR. >>

We constantly strive to achieve growth, encompassing all our stakeholders. We have adapted and evolved to the rapidly changing external environment, making the right moves, which helps us strengthen our foundation for future growth. Our present financial position compliments our future plans and brings stability and confidence while we explore newer areas of growth.

Mr. V.V.S. Murthy
Chief Financial Officer

>> ENHANCED PRODUCTION CAPACITY AND PRODUCT PORTFOLIO RESULTING IN DEEPER CUSTOMER CONFIDENCE WILL DRIVE THE GROWTH FOR US. >>

Over the years we have established ourselves as a reliable source for global pharmaceutical companies. We are confident of achieving greater scales of success by achieving larger market share from our existing customers, adding new customers, introducing new products in our target markets. In addition to this, our renewed focus on OTC products and introduction of complex Rx product will further cement our leadership position.

Mr. Stefan Lohle Corredor
Chief Marketing Officer

GRANULES INDIA LIMITED - KNOW MORE ABOUT US

We are among the few vertically integrated pharmaceutical companies in the world with a strong presence across the entire pharmaceutical manufacturing value chain - from Active Pharmaceutical Ingredients (APIs), Pharmaceutical Formulation Intermediaries (PFIs) to Finished Dosages (FDs).



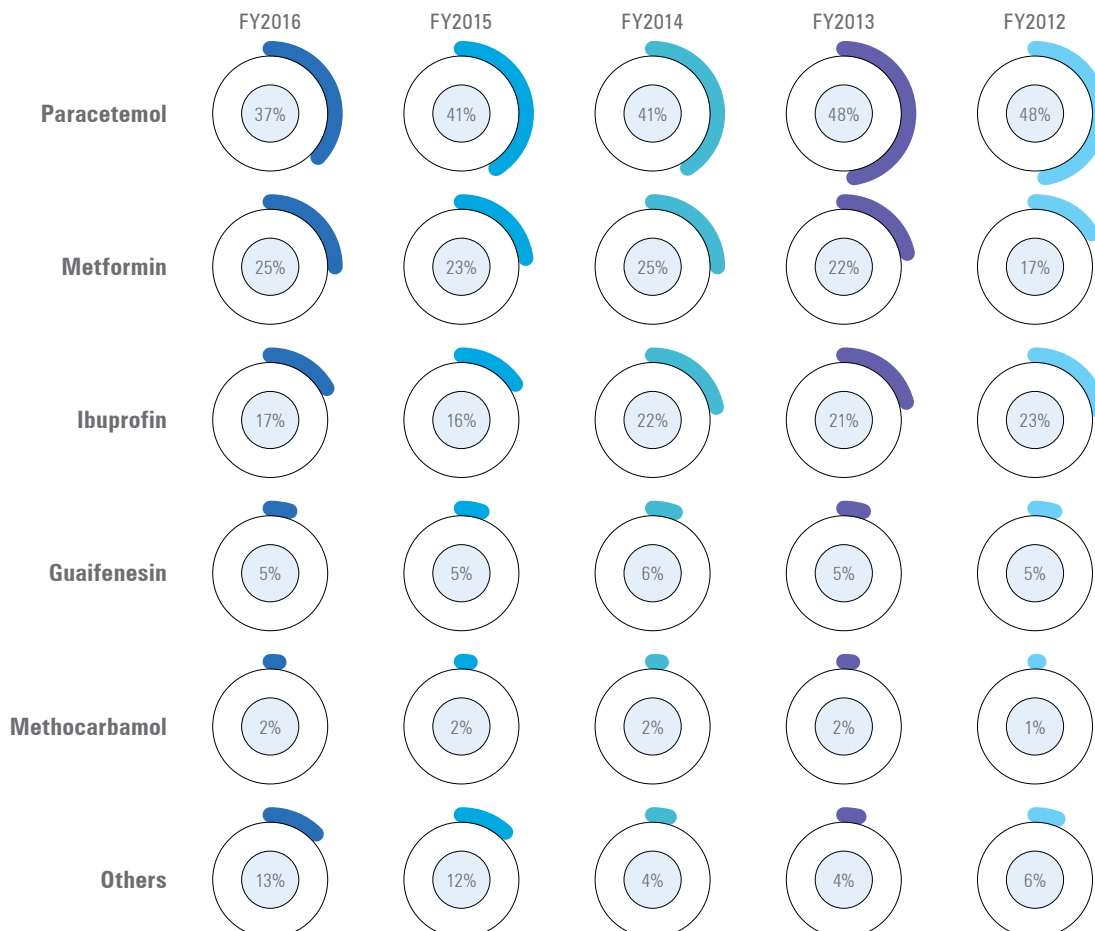
Over the years we have been serving quality conscious customers across regulated and semi-regulated markets, exporting to 75+ countries. Staying true to our competitiveness, our products are endorsed by leading generic and branded pharmaceutical companies.

Headquartered in Hyderabad, we have eight manufacturing facilities spread over India, China and the USA.

Manufacturing facilities

API	PFI	FD
Bonthapally, Telangana	Gagillapur, Telangana	Gagillapur, Telangana
Jeedimetla, Telangana	Jeedimetla, Telangana	Virginia, USA
Jingmen, China (Biocause JV)		
Visakhapatnam, Andhra Pradesh		
Visakhapatnam SEZ (Omnichem JV - CRAMs), Andhra Pradesh		
Bonthapally, Telangana (API Intermediaries)		

Consolidated revenue by molecules



>> MESSAGE FROM THE CHAIRMAN &
MANAGING DIRECTOR >>

DEAR SHAREHOLDERS,

The Financial Year 2015-16 was an exceptional year for Granules India as we took several strides to enable us to grow in newer avenues, while strengthening our core. In the past three decades, we had built a strong foundation and now we are steadily progressing towards achieving greater scales of success based on our core competencies.

Growth continues to be our driving force as we march ahead with our values and guiding principles. We are pleased with our numbers, where we registered a gentle 11% topline growth over the previous year. Our consolidated revenues stood at ₹14,312 million in FY16, against ₹12,937 million in FY15. We have once again demonstrated excellence in our operational efficiencies by exhibiting an EBITDA growth by 34% to ₹ 2,844 million as against ₹ 2,130 million in the previous year. Our PAT grew by 30% to ₹1185 million against ₹909 million in FY15. Vertical integration in the entire value chain has enabled us to improve on a continuous basis on various parameters. Our shift in product mix also complements our endeavor to continue to expand on our margin profiles. Our EBITDA margin improved by 3.4% and PAT margin improved by 1.3% compared to previous financial year. In terms of geographic concentration, regulated markets of the U.S., Canada and Europe put together, contributed 60% of the sales in the financial year 2016. Our core five molecules put together have contributed around 87% of the sales. Going ahead, we will continue to reinforce our energy on making ourselves more robust by enhancing our capacities, improving our efficiencies, adding new products, moving up the value chain and most importantly, offering better services to our customers.

The business model of Granules is evolving to be future ready. Today, the business is bucketed into three areas. First and foremost is our integrated 'Core Business' model, which has created a leadership position for the Company with regards to the sales of several off-patent volume-based drugs. We have a strong presence in 'first line of defense' products such as Paracetamol, Ibuprofen and Metformin. To supplement the Core Business on a long term basis,

we have also ventured into manufacturing and marketing of private label OTC products to the retail chains in the US market. Secondly, we are ramping up our 'New Business' in line with our strategic intent of enhancing the product portfolio. We have acquired Auctus Pharma, which has given us access to the multi-product manufacturing facility in Vizag. We have set up a dedicated API R&D center in Hyderabad to focus on the development of complex products with limited competitors. We also bought the Virginia facility in the US to focus on formulation R&D. Third, we entered into the 'CRAMS Business', with an equal joint venture with Ajinomoto OmniChem - our partner, with nearly 40 years of experience in CRAMS. We began the commercial production from September 2015.

With this in hindsight, let me now share some of the key business highlights during the last financial year. To de-bottleneck capacity constraint at API level, we have increased the Paracetamol capacity at our Bonthapally plant by 3,000 metric tons per annum. We have also started working towards enhancing our Metformin and Guaifenesin API capacity by 7,000 tons per annum and 2,000 tons per annum to further solidify our global position in these molecules. On the PFI front, we added 4,000 tons capacity last year and with this new addition our total capacity is now 18,400 tons per annum. Presently, we have sufficient capacity in FDs.

In the month of September 2015, the US FDA had approved Ibuprofen ANDA filed by us for 400 mg, 600 mg and 800 mg tablets. This has further strengthened our Core Business and enabled us to increase our product offerings to our customers in the United States. We have started sales of this product and expect the sales to ramp up steadily in future.

We are reinforcing our R&D backbone through prudent investments with an objective to ensure sustainable pipeline of value accretive future opportunities. Our research and development initiatives are strongly determined by market demand and driven by technological

progress. Our R&D team comprising 150 people, continuously focuses on supporting the growth strategy of the organization by introducing new generic products with high value and complexity, striving for constant process improvement and attaining manufacturing cost competence for existing as well as new molecules.

The renovation of our Virginia facility is complete and R&D work has already begun. Presently, this facility is focusing on formulation development. We expect to begin the filing of ANDAs from this facility from the financial year 2016-17.

In conclusion, I would like to reiterate that our team has always played a crucial role in our success over the years. We possess a talented workforce, our partners in progress, and empowering them while creating space for amicable work culture nurtures their true potential. We continue to strengthen our talent base and encourage them to think innovative and embrace challenges to grow both laterally and vertically. Our leadership team has been an important catalyst in this journey and has helped us align the goals of our employees with those of the organization.

Looking into the future, we expect to overcome the short-term challenges and deliver long-term sustainable growth. I would like to thank all the stakeholders for their continued support to the Company and for helping us perform year after year. I also thank every member of the Granules family and believe that an exciting and successful future lies ahead of us.

Regards

Krishna Prasad Chigurupati
Chairman & Managing Director

REVENUE
14,312
₹ in million
in FY 16

EBIDTA
2,844
₹ in million
in FY 16

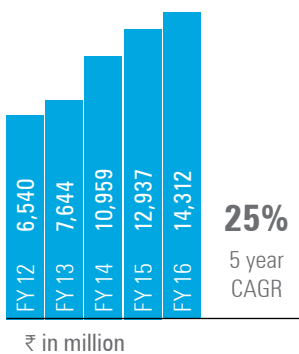
PAT
1,185
₹ in million
in FY 16

OUR FINANCIAL KEY PERFORMANCE INDICATORS



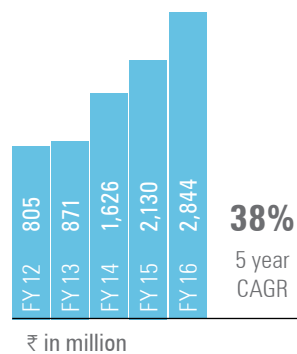
Revenue

Description: Revenue includes total income from various business operations covering both domestic and international sales. Revenue is a key measure of how we have delivered on our strategies to grow business.



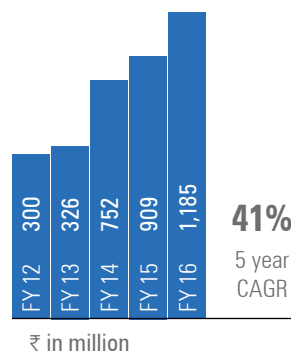
EBIDTA

Description: EBITDA is a measure of the profit generated by the business, excluding interest, depreciation, amortisation and tax. EBITDA is a key measure of profitability.



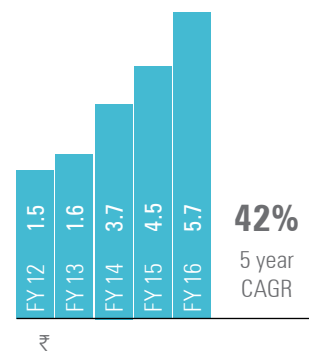
Profit after tax

Description: Profit after tax is an important financial matrix as it tells the investors the true profitability earned by company, post the taxes paid to the exchequer.



Earnings per share

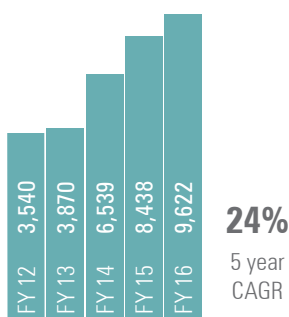
Description: EPS is the profit after tax for the year, divided by the weighted average number of ordinary shares. Basic EPS provides a measure of shareholder return that is comparable over time.





Gross block

Description: It is defined as total of all assets belonging to the company, valued at their cost of acquisition. This indicates the strengthening of the asset base of the Company.

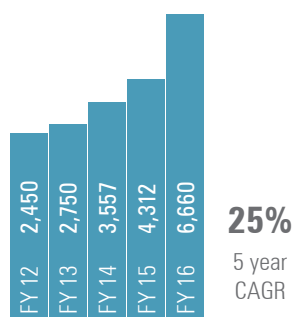


₹ in million



Net worth

Description: It reflects the overall financial strength of the company. Defined as the difference between the assets and liability, a positive net worth showcases the company's stability in the long-run. The increased network is a testimony to the stable earnings over a period of time.

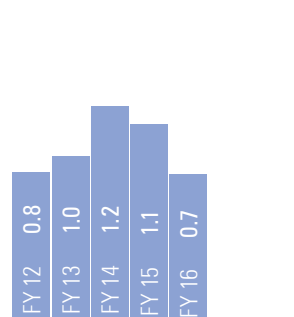


₹ in million



Debt equity

Description: It reflects the long-term solvency position of the Company. It indicates how much debts a Company is using to finance its assets.

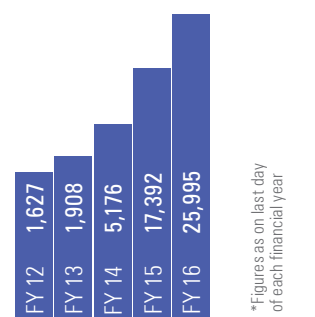


Number of times



Market Capitalisation*

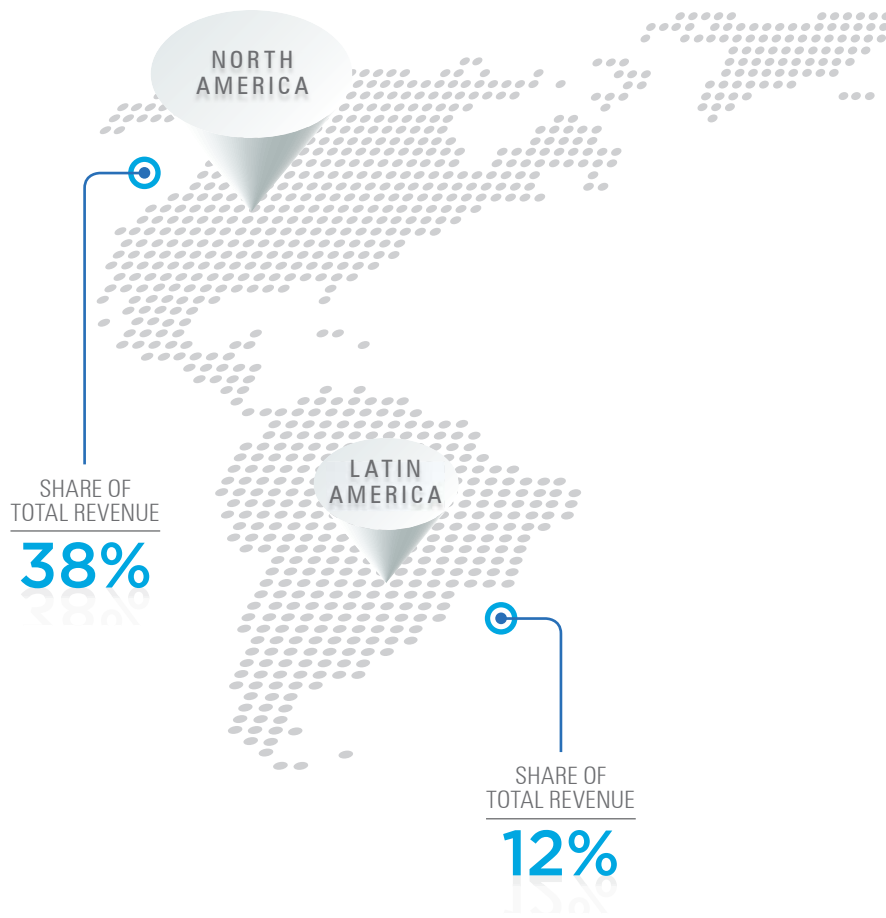
Description: The total market value of company based on its current share price on stock exchange and the total number of shares. It reflects the size of the Company.



*Figures as on last day of each financial year

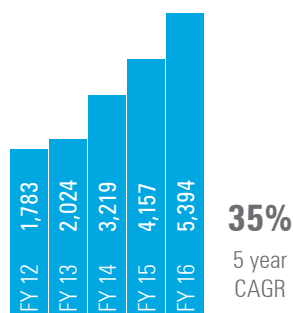
₹ in million

ON BEING A GLOBAL PHARMACEUTICAL COMPANY

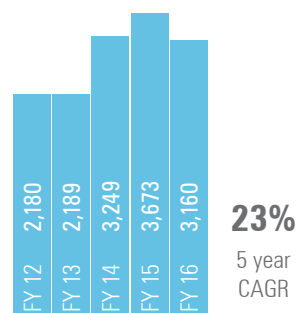


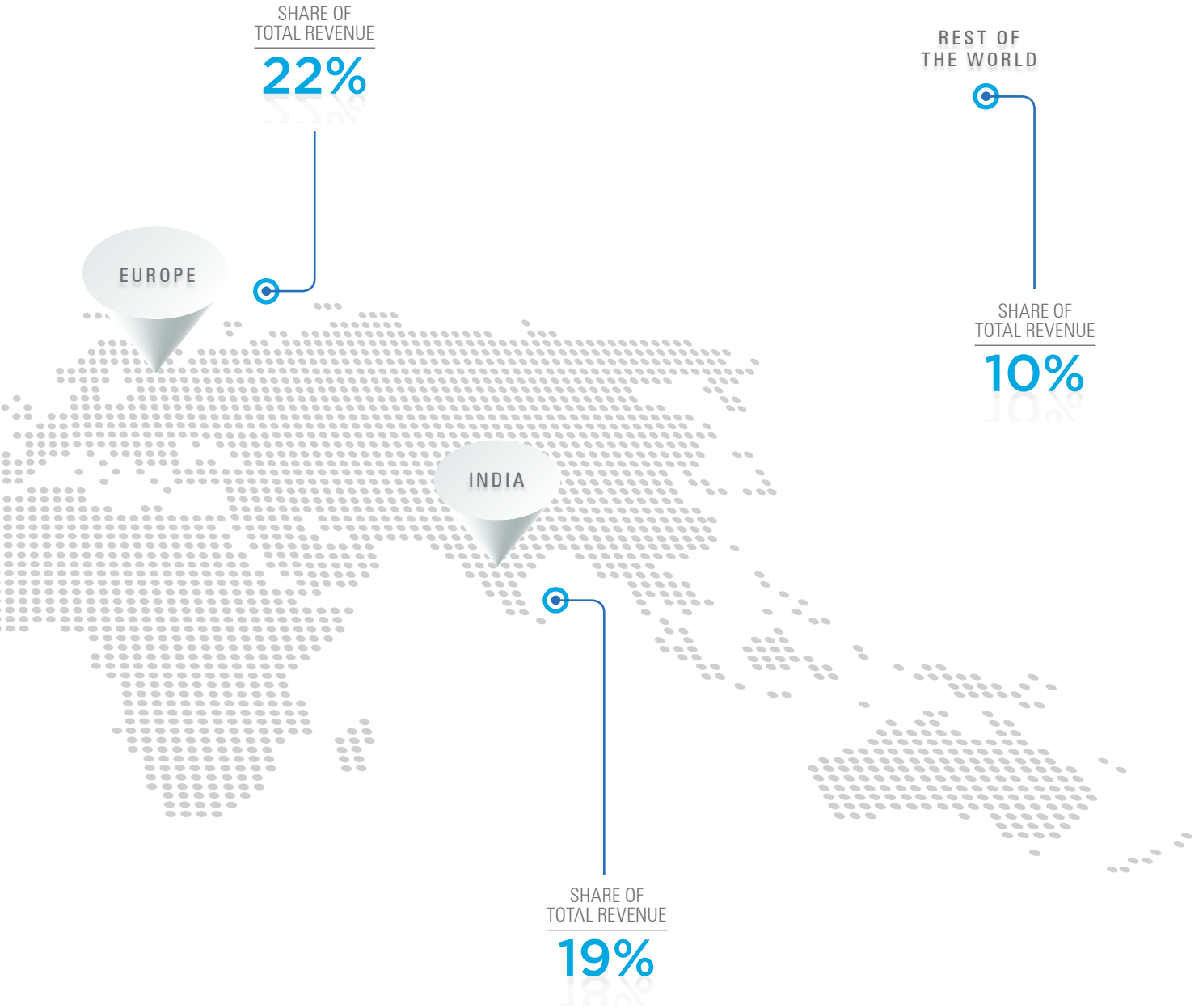
Consolidated revenue as per geography

North America
₹ in million

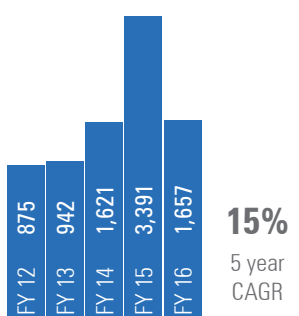


Europe
₹ in million

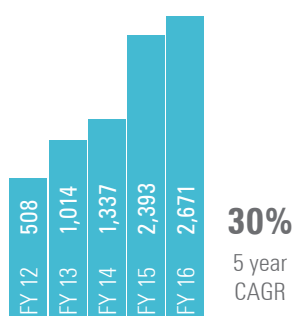




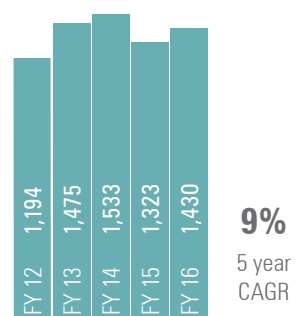
Latin America
₹ in million



India
₹ in million



Rest of the World
₹ in million



COMPETITIVE EDGE - IT'S OUR CORE STRATEGY

In our pursuit of propelling growth besides strengthening the core, we are also co-creating a sustainable business model. We are identifying growth opportunities and markets to achieve our strategic goals.

Our core competencies

Integration: We are among the few integrated value-chain player in the global pharmaceutical space

Cost-efficiencies: Over the years we have excelled at being leaders of producing quality formulations at competitive pricing due to our economies of scale.

Large scale: We possess the largest single-site PFI manufacturing facility in the world, backed by increased capacity of API over the years.

Global presence: Being present in more than 75 countries, we serve diverse clients with our wide offerings.

R&D: Our research and development initiatives are intended to ensure sustainable pipeline high value opportunities to maximize growth through prudent investments.

Customer centricity: We collaborate with our customers whom we consider our partners of growth, has always valued our manufacturing capabilities, quality of products and service levels.

Quality and compliance: We adhere to rigorous quality framework and assurance, procedures which is demonstrated at every stage of our product development, manufacturing and distribution.

True Worth - Our Value-Creation Methodologies



Investing in R&D

Our investments in R&D validates our goal to build a sustainable business whilst delivering on stakeholders' aspirations. Our recent set-up of the state-of-art research centre at ALEAP Industrial Area, Pragathi Nagar, Hyderabad marks our entry in developing high-value complex products. This is supplemented by our recent acquisition of the formulation R&D facility in Virginia, USA, which would also work towards development of margin accretive products.



Driving quality

We underpin our activities with a clear focus on uncompromising quality. With an agile and efficient operating mechanism in place, supplemented with global certifications and regulations, quality offerings have proven to be among our core advantages that drive value for our clients.



Being Customer-focused

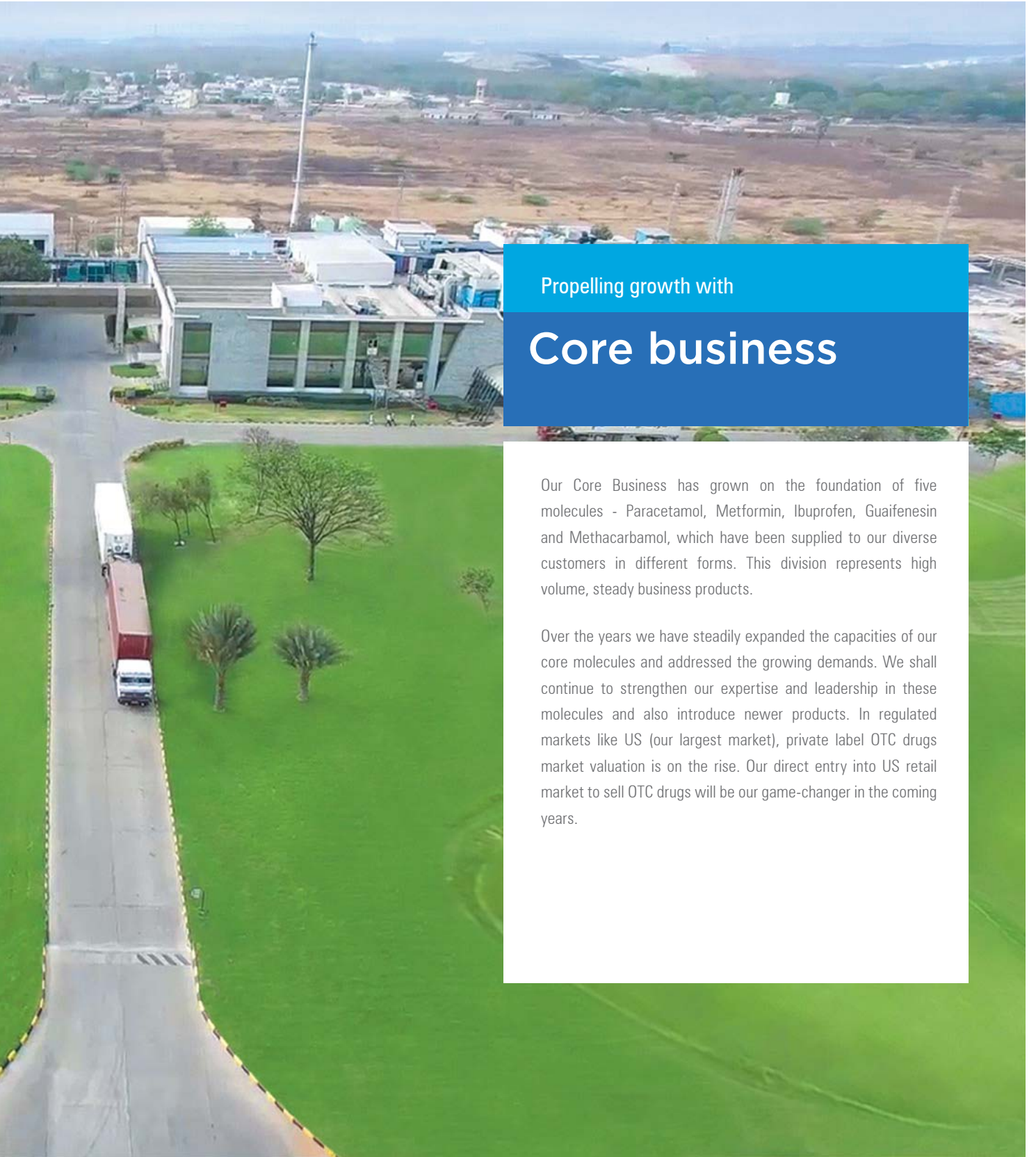
We have always possessed unrivalled ability to address the needs of our customers. With more than 300 customers, and growing, we have strengthened our customer relationships over a period of time.



Investing in people

We understand that the talent and commitment of our people is critical to our success. We work towards building a culture, encouraging our team to fulfill their potential and work towards continuous improvement.





Propelling growth with

Core business

Our Core Business has grown on the foundation of five molecules - Paracetamol, Metformin, Ibuprofen, Guaifenesin and Methacarbamol, which have been supplied to our diverse customers in different forms. This division represents high volume, steady business products.

Over the years we have steadily expanded the capacities of our core molecules and addressed the growing demands. We shall continue to strengthen our expertise and leadership in these molecules and also introduce newer products. In regulated markets like US (our largest market), private label OTC drugs market valuation is on the rise. Our direct entry into US retail market to sell OTC drugs will be our game-changer in the coming years.



Propelling growth with

New business

We were present in a business which was driven by volume based products, until we decided to enhance our offerings with complex R&D focused products. Towards this product enhancement strategy, we have set up our in-house research and development center in Hyderabad to introduce new generic products. To compliment our strategy, we acquired Auctus Pharma, which widens our API product offerings with its existing products and gives us access to multi-product API manufacturing facility in Vizag.

As a logical forward integration step towards formulations, we acquired a formulation R&D and manufacturing facility in Virginia, in the USA. These new products will also enable us to file our own ANDAs in the US market.



Propelling growth with

CRAMS business

We ventured into the CRAMS business by creating Granules-OmniChem, an equal joint venture with Ajinomoto OmniChem - our partner, with nearly 40 years of experience in CRAMS. Ajinomoto OmniChem works with reputed pharmaceutical companies and makes patent protected products for regulated markets. Going forward, as these products go off-patent, customers are able to retain market share by shifting to a cost-effective environment and leveraging Granules' expertise in efficient manufacturing. During FY16, our CRAMS JV started commercial sale of products. Till the facility gets regulatory approvals it will produce API intermediates and post approvals, the JV will produce APIs for brand leaders and innovator companies in the world.

PROFILE OF BOARD OF DIRECTORS





Mr. Krishna Prasad Chigurupati
Chairman and Managing Director

Mr. Krishna Prasad Chigurupati is the Founder of Granules and has more than three decades of experience in the pharmaceutical industry. In 1984, he set up a Paracetamol manufacturing facility, which has become one of the world's reputed manufacturers of Paracetamol in the regulated markets. Mr. Prasad pioneered and popularised the concept of Pharmaceutical Formulations Intermediates (PFIs) as a cost-efficient product for global formulations manufacturers.



Mr. L. S. Sarma
Independent 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, (UNCTAD/GATT) as an Export Credit Consultant and also coauthored a publication of ITC on Export Credit in developing countries. He was an adviser to the Development Bank of Mauritius for over 5 years and also represented that Country as well as Botswana for industrial promotion from India.



Mr. A. P. Kurian
Independent Director

Mr. Kurian has a rich career in the financial services area of nearly five 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. From 1998 to 2010 he was the Executive Chairman of Association of Mutual Funds in India. He was a Consultant to the Commonwealth Secretariat and was on the Board of National Stock Exchange, Executive Committee of National Depositories, SEBI Mutual Fund Advisory Committee and on several Mutual Fund Industry Committees. He has extensive exposure in the international mutual fund industry. He was a Commonwealth Consultant and was the founder Director of Ceybank Unit Trust of Sri Lanka.



Mr. C. Parthasarathy
Independent Director

Mr. C. Parthasarathy is one of the founders of Karvy Group. As the Chairman of the 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. Mr. Parthasarathy is a 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. Mr. Parthasarathy has been actively associated with various professional bodies in senior capacities over the last decade. Under his stewardship, Karvy has grown into an all India organization enjoying leadership positions in most business segments in which it is present.



Dr. Krishna Murthy Ella

Independent Director

Dr. Krishna M. Ella, the Chairman and Managing Director of Bharat Biotech International Ltd. (Bharat Biotech) completed Ph.D. from University of Wisconsin-Madison. He advised the former Chief Minister of A.P to set up a Biotech Park which lead to Genome Valley, Hyderabad. Hon'ble Prime Minister, Shri. Narendra Modi has launched ROTAVAC®, the first novel vaccine which is completely developed in India, completed efficacy trials.

Dr. Ella has been awarded more than 100 National and International awards which include Bio Spectrum Person of the Year in 2013, University of Wisconsin Distinguished Alumni Award (2011), Business Leader of the Year 2011, Best Technology and Innovation Award from the Prime Minister of India in 2008 are few among them. He served in different committees prominent among them are (1) Member of the Scientific Advisory Committee to the Cabinet (SAC-C); (2) Member of the Governing Body of the Council of Scientific & Industrial Research (CSIR); (3) Member of the Governing Council of Technology Information, Forecasting and Assessment Council (TIFAC); (4) Former Chairperson of the Board of Governors of the National Institute of Technology, Warangal (NIT W); (5) Co-Chairman of Indo-USA High Technology Cooperation Group (HTCG) for 5 years on behalf of Govt. of India and facilitated knowledge initiative bill signed by USA.



Mr. Arun Rao Akinepally

Independent Director

Mr. Akinepally Arun Rao did his B.Tech in Chemical Engineering from the University of Madras and MS 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 and SANZYME PVT LTD a globally known manufacturer of Probiotics. Mr. Arun Rao is an office bearer of the Indian Pharmaceutical Council Association at the State level and was also a member of the Central Executive Council at the National level. He is also a member of Executive Committee of the Organization of Pharmaceutical Manufacturers, Hyderabad



Mr. Harsha Chigurupati

Non-Executive, Non-Independent Director

Mr. Harsha Chigurupati has been with Granules since 2005 and served as CMO from 2006-2010 and as an Executive Director from 2010-2015. 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 was responsible for the standalone operation of Granules India including the P&L. Mr. Chigurupati has a Bachelor of Science in Business Management from Boston University.



Mrs. Uma Devi Chigurupati

Executive Director

Mrs. Uma Devi Chigurupati has rich experience of 30 years in various fields. Mrs. Uma with Mr. Krishna Prasad Chigurupati had co-founded Triton Laboratories Private Limited in the year 1984, which was later amalgamated with Granules India Limited. Presently, she is spear heading CSR activities and HR initiatives. In addition, Mrs. Chigurupati is the Director of KRSMA Estates Private Limited, one of India's premier boutique wineries. Under her tenure, she has established a vineyard in Karnataka and has been overseeing the ongoing operations at the site. Mrs. Chigurupati has a post-graduate degree in soil microbiology from Nagarjuna University.

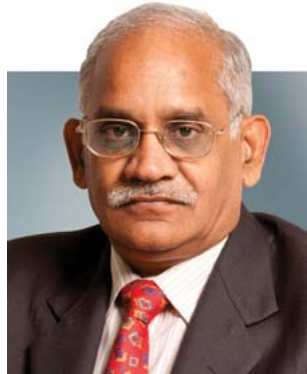


Mr. K. B. Sankar Rao

Non-Executive, Non-Independent Director

Mr. K. B. Sankar Rao is a post graduate from Andhra University and has rich experience of about 34 years in various domains. Mr. K. B. Sankar Rao was associated with various reputed organizations like Warner Hindustan, Cipla Limited and Dr. Reddy's Laboratories Limited. He has varied experience in the fields of technical operations, quality, supply chain, development & launch of APIs and finished dosages for global markets and business strategy. Mr. K.B. Sankar Rao is also Managing Director of Raje Retail Pvt Ltd, a pharmacy retail chain under the brand name- "My Health Pharmacy" in Hyderabad.

MANAGEMENT TEAM




Mr. B. Madhusudan Rao
Chief Operating Officer

Mr. B. Madhusudan Rao has over two decades of experience with global pharmaceutical companies. He is with Granules India for the last four years and was part of various initiatives. He previously served as COO of Global Generics at Orchid Pharmaceuticals where he was responsible for entire operations of Global Generics and CRAMS businesses as well as the P&L segment. Prior to that, Mr. Rao worked at Dr. Reddy's where he held various positions in Global Generics Portfolio Management; Global Regulatory Affairs and Compliance; API - New Product Development and Corporate Quality Assurance and has led various initiatives including Project Management.


Mr. V.V.S. Murthy
Chief Financial Officer

Mr. V.V.S. Murthy has three decades of finance experience across various industries including nearly two decades in pharmaceuticals. Mr. Murthy previously was Group Chief Financial Officer at Dishman Pharmaceuticals, which encompassed domestic as well as nine international operations. Prior to that, Mr. Murthy was VP – Finance at Dr. Reddy's where he had extensive roles including several international M&A transactions


Mr. Stefan Lohle Corredor
Chief Marketing Officer

Mr. Stefan Lohle has over two decades of experience in the Pharmaceutical industry. Mr. Lohle has been associated with Granules since 2001 and previously was Head of Latin American Operations, where he primarily focused on the PFI business. Mr. Lohle previously served at Kimberly Clark Corporation for New Project Development.


Dr. V.V.N.K.V. Prasada Raju
President - R&D & Corporate Strategy

Dr. Prasada Raju has over two decades of techno commercial experience in Global pharmaceutical space. His previous experience at Dr. Reddy's encompasses New Product development, foster strategic partnerships, drive synergies between Industry and Academia, New Geography expansions, IP driven Early Product Portfolio Development and Program Management.


Mr. P.S.N. Murthy
Senior Vice President- Human Resources

Mr. P.S.N. Murthy is working with Granules India Ltd for the past two and a half years. Mr. Murthy has over two decades of experience spanning various functions in Quality, Training and HR in electronic component, auto component and pharmaceutical manufacturing sectors. Before joining Granules he worked with Tata AutoComp Systems Ltd where he has handled various verticals including Compensation & Benefits, Talent Acquisition and Learning & Development. Prior to that, Mr. Murthy worked with Dr. Reddy's where he was heading Global Compensation & Benefits and Policies and was involved in Global HR operations and international M&A transactions. Mr. Murthy also worked with Samtel Color Ltd.

STATUTORY REPORTS

Management Discussion & Analysis

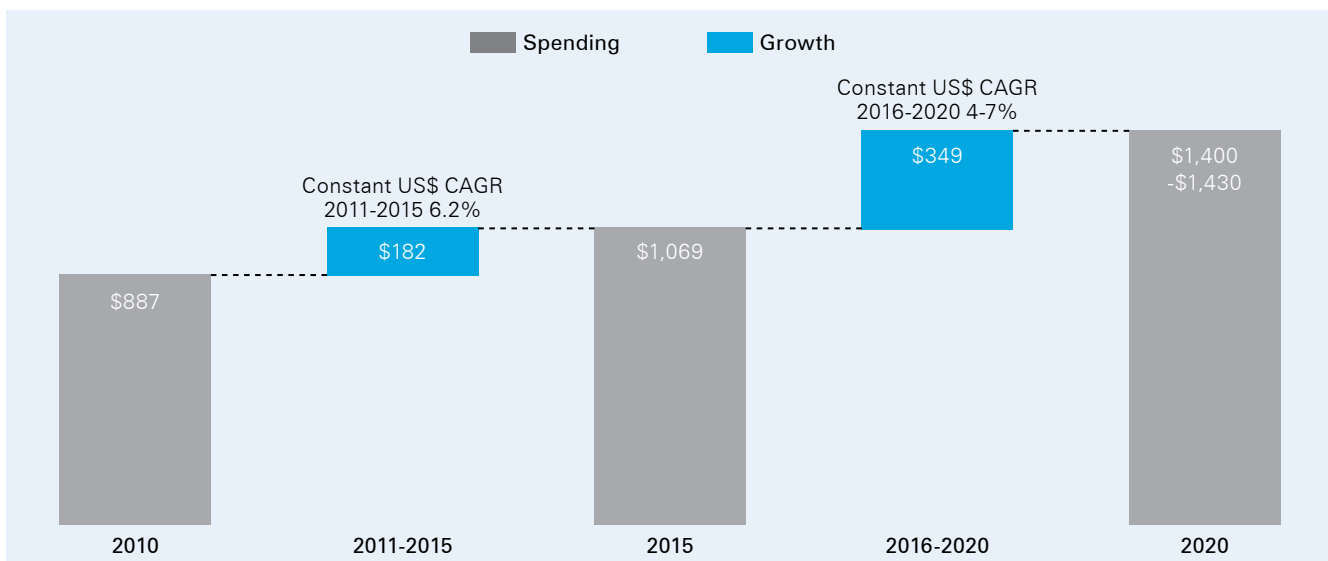


Global Pharmaceutical Industry

Amidst a global volatile economic scenario, in which many industries underwent de-growth, the global pharmaceutical market grew steadily from \$887 billion in 2010 to approximately \$1.07 trillion in 2015. The credit goes to positive factors such as, the effect of aging populations, increase of chronic/lifestyle related diseases, introduction

of new specialty medicines, increased accessibility of patients to medical infrastructure, different Government programs, expansion of emerging markets and advances in treatment and allied technologies. If this growth momentum continues, then according to the estimates the Global spending on medicines will reach \$1.4 trillion by 2020. (Source: IMS Outlook 2020, November 2015).

Global spending on medicine and growth



Note: Growth in 2011-2015 was reduced by \$100Bn and in 2016-2020 increased by \$26Bn due to exchange rate effects.

(Source: IMS Outlook 2020, November 2015)

Developed and Pharma Emerging Market Perspective

Spending on medicines in the U.S is estimated to reach \$560-590 billion by 2020, which, based on invoice price, is an increase of about 35% from 2015. The drivers of such growth can be innovations, launch of new products, an increase in spending etc. During the next five years, spending on medicines will witness the effects of the Affordable Care Act (ACA) owing to the expanded coverage of insurance. New demand for medicines will be witnessed as ACA access expansion will be largely completed by 2020.

Medicinal spending of the top 5 European markets in 2020 is estimated to be \$170-200 billion, which would be an

increase by nearly \$40-45 billion from current levels. The growth would be driven by Germany and its wider adoption of specialty medicines. Germany is going to increase its spending by \$16 billion, and in 2020 it would stand at \$57 billion. Adoption of innovation and improvements in health technology would be the key factors responsible for such a growth.

Wider use of medicines in the pharmaemerging market would promote growth in medicinal spending. The pharmaemerging economies might witness a growth in spending of \$100-125 billion by 2020. The government's commitment to wider access to healthcare is reflected through an increase in per capita volume and spending. (Source: IMS Outlook 2020, November 2015).

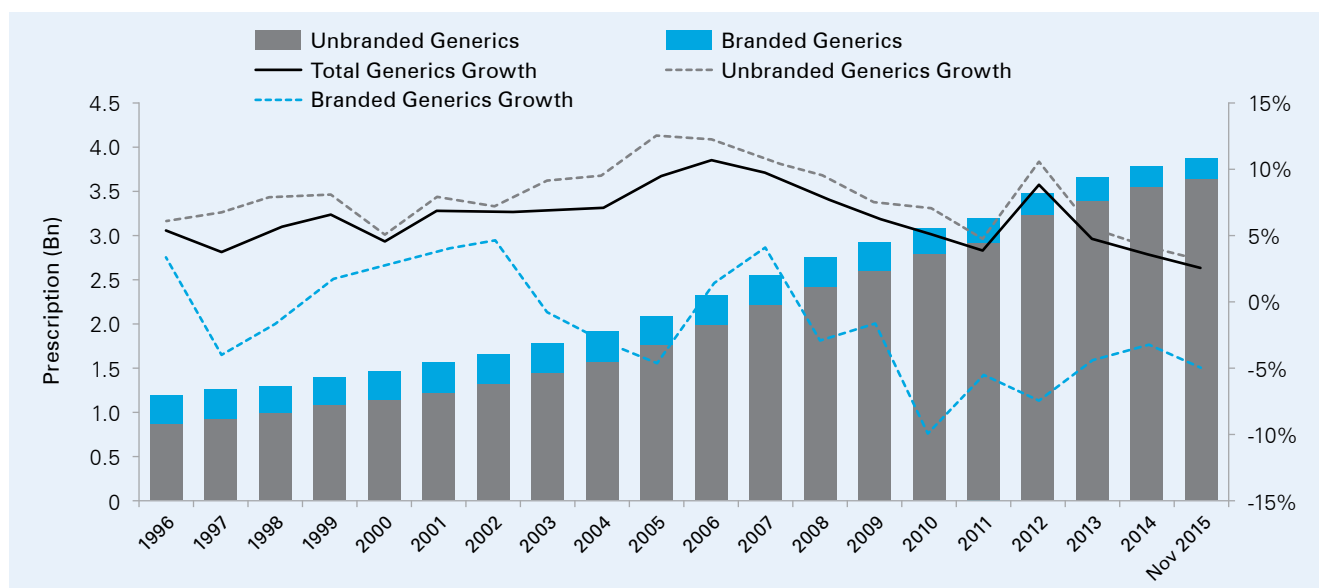
Region	Spending 2015	CAGR (2010-2015)	(USD Billion) 2020 (estimate)	CAGR (2016-2020)
Global	1068.8	6.2%	1400-1430	4-7%
Developed	684.3	4.8%	870-900	3-6%
Pharmerging	249.2	11.9%	345-375	7-10%
Rest of the World	135.2	5.2%	150-180	1-4%

(i) **Global Generic Pharma:** Generic drugs increase the accessibility and affordability of modern day pharmaceutical products. It allows access to expensive treatments at much lower cost. This is why generic drugs are considered to play an essential role in healthcare. It is expected that the global market for generics would increase to \$518 billion in 2018 as compared to \$269 billion in 2012. The industry has been growing at a CAGR of 8.4% and in terms of global generics, it is expected that the pharmerging economies are all set to grow at a rate of 15-20% over the next few years, leading them to form an important share in the overall pharmaceutical generic industry. On the other hand, the advanced economies would witness growth range between 6-10%. (Source: 2015 Research reports, National Institute of Pharmaceutical Education and Research)

In the USA, the Congress and the state Legislature have introduced several healthcare bills during the year under review. Unprecedented focus on price of medicines made during this year has not been seen earlier. On the other hand, total savings in healthcare continued to rise. According to the research reports published by IMS, in 2014 generic drugs contributed USD 254 billion in healthcare savings. Savings from generics over the period of 2005 to 2014 amounts to USD 1.6 trillion. The demand for generics in the US market has almost tripled over the last 20 years. About 3.8 billion of the total 4.3 billion prescriptions dispensed in the U.S. in 2014 were filled using generic drugs, which represents 88%. However, generic prescriptions account for as small as 28% of total drug spending.

(Source: IMS Health Research reports, November 2015)

Demand for generics has tripled in the last twenty years

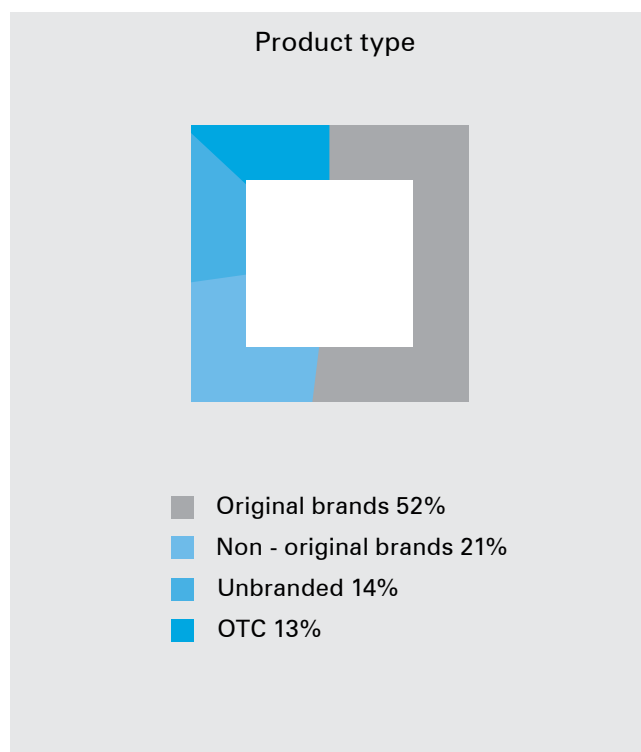


Source: IMS Health, National Prescription Audit, Nov 2015

(ii) Global OTC Market: Medicines that are available to consumers without any prescriptions are termed as the OTC (Over the Counter) medicines. OTC drugs are mostly sold to consumers by convenience stores. The Global market for OTC drugs as on 2014 is valued at \$ 150 billion and is expected to reach \$ 243 billion by the end of 2019. This strong growth is expected to be driven by several demographic and economic trends, switching of medicines from prescription to OTC sales, and changes in cultural attitudes to self-medication and regulatory processes in national markets.

The FDA's NSURE (Non-prescription Drug Safe Use Regulatory Expansion) initiative has encouraged increased switching of prescription drugs to OTC variants. Currently, the USA is the leading market in the global OTC segment. As on 2014, OTC drug sales in USA reached USD 31 Billion, which showcased a growth rate of 4%. However, emerging economies such as BRIC nations are projected to emerge as significant markets in the near future. Store-brand OTC products will also continue to gain share in an increasingly competitive environment. (Source: IMS Outlook 2020 – November 2015)

It is expected that most of the pharmerging economies are to promote the growth in sales of Over-The-Counter (OTC) medicines in the next few years to come. The OTC market



(Source: IMS Health, September 2015)

provides enormous growth opportunity for the Pharma companies because of the rising age population and the growing demand for cheaper drugs.

Indian Pharmaceutical Industry

Market share and size

The Indian pharmaceutical sector holds about 2.4% of the total global market share in terms of value and 10% in terms of volume. In fact, it is currently the sixth largest Pharma market in the world in terms of size. From a figure of USD 6 billion in 2005, the Indian Pharma sector has went through Compound Annual Growth Rate (CAGR) of 17.46% to become a USD 20 billion industry, as on January 2016. It is projected that the industry would grow at a CAGR of 15.92% to reach US \$ 55 billion mark by FY2020. (Source: IBEF)

Exports

About 70% of the total revenue collected by the Indian pharmaceutical industry is generated by generic drugs, followed by OTC (Over-the-counter) medicines, which generates 21% of the total revenue. The remaining 9% is occupied by patented drug sales. About 20% of the global generic orders are supplied by the Indian Pharma sector. This makes the country, world's largest generic medicine provider. India exports its quality products to over 200 countries across the globe, with the USA as its main market. It is estimated that the amount and volume



of export is going to increase at a huge rate, given the fact that in India both the best infrastructure and trained labour are available in abundance. (Source: IBEF)

Opportunities for the pharmaceutical sector

Growing demand for healthcare programs: With rising demand for several healthcare programs, growth in medicine sale is expected in coming times.

Rise in lifestyle oriented diseases: People's lifestyles have faced tremendous changes through recent years. This has led to an increase in chronic diseases, augmenting a rise in usage of medicines.

Growth in senior population: This is another opportunity for the Pharma industry to grow as more and more people are stepping towards old age. The possibility of chronic diseases among the senior population is higher, which will invariably result in intake of more drugs and medicines.

Technological developments: One of the numerous technological advancements that the pharmaceutical players are adapting for bettering their business capabilities is the use of big-data. It is an extremely scientific approach towards deciding business goals and strategies by monitoring trends and patterns. It can be estimated that the use of such advanced technology is all set to boost growth of the industry as a whole. With the government willing to transform India into a Pharma innovation hub, chances are that the country would witness many more technological innovations. Such innovations may result in an extensive industrial growth.

Patent expiries: In the year 2016, a huge portion of patent drugs, amounting to USD 150 billion are going to expire worldwide. As a result, the Indian Pharma companies shall get rights of manufacturing drug formulations that

Segment wise market

Revenue share of Indian pharmaceutical sub-segments in 2015 (%)



- Generic drugs 70%
- Patented drug 9%
- OTC medicines 21%

(Source: IBEF Research Publications)

were previously licensed to only the patent holders. Thus, the scope of earning more revenue and profit is expected to be witnessed as demand for those medicines are on the upper curve.

Switching from Rx to OTC: Switching from Rx to OTC would prove to be a growth driver for many companies due to low cost of these drugs, growing aged population, and encouragement by the insurance programs on OTC drug usage.

Challenges and Threats for the pharmaceutical sector

Pricing pressure: In several advanced economies, especially USA, the regulatory bodies are pressurising Pharma players to reduce prices of the branded medicines. It is expected that in the coming years, generic players might witness decline in their margins because of increasing competition.

Lower spending in healthcare: In the period from 2010 to 2015, global spending in healthcare had grown at a CAGR of 6.2%. However, CAGR for healthcare spending in the next 5 years is expected to lower to 4.8%. Thus the pharmaceutical organisations might have to face reduced profit margins.

Appreciation of currency: Since the Indian Pharmaceutical players are major exporters, fluctuation in foreign currency have varying impact on their revenue.

Higher competition: There are many companies around the globe engaged in the manufacturing of generic drugs. The competition is growing at a faster rate. It may be a challenge as far as the profit margin of your company is concerned.

Company Overview

About the Company

Granules India Limited is an evolving and fast growing pharmaceutical company in India. We are among the few companies in this sector to be vertically integrated from Active Pharmaceutical Ingredients (APIs) to Pharmaceutical Formulation Intermediaries (PFIs) to Finished Dosages (FDs). Our vertically integrated business model has created a leadership position for our self in several off-patent drugs. We have a strong presence in 'first line of defense' products such as Paracetamol, Ibuprofen and Metformin. We are an export focused company and our key customers include some of the large branded generics players.

Over the years our focus has been on excelling manufacturing capabilities to drive our core business. While we have strong core competency in high-volume manufacturing, we felt it is important to diversify our business. With the acquisition of Auctus Pharma, we are focusing on developing New Business division for complex molecules with limited competitors. In addition, we have strengthened our R&D capabilities to develop new generic molecules and improve the efficiency of existing products. Our acquisition of formulation facility in the US further validates our intent towards emerging as a leading pharmaceutical player.

At present, we have eight manufacturing facilities; six plants are located in India while the other two plants are in China and the US.

Vertical	Location of the plant
API Intermediaries	Bonthapally
API	Bonthapally, Jeedimetla, Vizag, Jingmen – China (Granules Biocause - JV)
PFI	Jeedimetla, Gagillapur
FD	Gagillapur, Virginia – The USA
CRAMS	Vizag (Granules Omnichem - JV)

Our market presence

We operate in 75 countries, with over 300 customers across the globe. About 60% of the company's turnover is from North America and Europe, which are our major markets. We have partnered with other leading Pharma companies in these countries in order to better penetrate into the untapped markets.

Partnerships

Over the years, we have formed relationships with some of the most renowned pharmaceutical companies in the industry. Our joint ventures include the following:

- **Granules Biocause** was established in 2007 and is a joint venture (JV) between our company and Hubei Biocause China. The Chinese company is renowned to be one of the premium manufacturers of Ibuprofen in China, with an installed capacity of 4800 TPA. This JV has strengthened our company's position in the manufacturing of Ibuprofen PFIs and FDs.
- **Granules Omnicem** is the JV between Granules and Ajinomoto Omnicem of Belgium, which is a 100% subsidiary of Ajinomoto of Japan. This JV has allowed us to enter the high-margin CRAMS market, without any major investments in R&D. This 50:50 partnership has not only allowed us to manufacture high-value intermediates, but also helped our transition from being a commoditised player to high quality CRAMS player. Our JV has already started commercial operations in the first half of FY 2015-16 and will steadily grow over the years.

Core Competencies

- **Integrated business model:** Our Company has a strong presence across the entire value chain in the pharmaceutical industry. This has helped the Company transform from being just an API manufacturer into a global pharmaceutical player.
- **Customer Relationships:** We have been able to create and sustain strong relationship with the globally major pharmaceutical players. This has helped us strengthen our revenue model. We have our own ANDAs and dossiers, which makes it possible for customers to enter markets with high-quality and cost-effective products.
- **Economies of Scale:** We possess industry leading batch size for manufacturing PFIs and are among the largest in APIs. This large scale production helps us reduce production costs and manufacture efficiently.
- **State-of-the-art infrastructure:** We have always focused on having advanced infrastructure at our operations. Our constant investments in technology have helped the customers rely on us over a period of time.
- **Large Customer Base:** Our customers are present across 75 countries around the globe. This has helped us strengthen our operational reach and gradually grow our business.

Business Overview

Providing the best solutions to the needs of our customers has been our priority since inception. The Company focuses on two kinds of products:



- First line of defence and high-volume products
- Products that are to be made based on complex chemistry

The above mentioned products can be broadly divided into three verticals.

(I) Active Pharmaceutical Ingredients (API)

Granules India Limited is one of the most cost-effective and efficient global manufacturers of APIs. We are amongst the global leaders in manufacturing Ibuprofen, Paracetamol, Metformin, Guaifenesin and Methocarbamol.

To enhance our product portfolio, we established an in-house R&D centre at Hyderabad and also acquired AuctusPharma in 2014. This acquisition has added 12 more APIs to our catalogue across different therapeutic segments. Besides continuously improving the existing products, our R&D team thrives on developing several new products.

Our use of advanced technology, along with our expertise and knowledge of regulations and our ever developing intellectual property allows us to consistently meet the demands of our customers. We focus on developing quality products, keeping in mind its safety and efficacy on the target population.

(II) Pharmaceutical Formulation Intermediates (PFI)

When it comes to PFIs, our Company has pioneered the concept of commercialising them. In the early part of the 1990's, we figured out that most of the manufacturers were not efficiently producing PFIs and thus, we entered this particular business segment. We found that the existing companies used to granulate, but in limited quantities and that too for selected products. These products had to be tested individually, which raised the expenses for the manufacturers. In turn, the customers had to buy them at higher prices. This subsequently reduced the returns on investments for the manufacturers because 80% of the total cost of a finished dosage is accounted up to the process of PFI manufacturing.

At Granules, we produce PFIs that are taken from drums to hoppers directly. From there, these ingredients are compressed into tablets and delivered to our customers. Some of the benefits, for the customers, of using the PFIs have been listed below:

- **Reduction of vendor development cost:** Since there is only one vendor for various processes and materials required for manufacturing PFIs, the customers witness significant savings on development costs and it also simplifies supply chain management process.
- **Lower testing costs:** We focus on delivering standard quality products. We make sure that the products we deliver are qualitative, which in turn allows the customers to conduct only a single test. Thus, their testing costs are reduced by a large extent.
- **Saves technical resources:** We are well versed in the manufacturing of PFIs. This allows the customers to trust and depend on us, enabling them to avoid huge expenditure on pre-formulation studies and development processes.
- **Reduction of capital expenditure:** Since setting up a PFI manufacturing facility comprises more than 80% of the total investments, the customers can reduce their expenditure by a great extent.
- **Provide desired release properties:** Customers get access to PFIs, which can be developed to provide release properties, similar to brand leaders. This makes it possible for Finished Dosage manufacturers to get favourable outcomes from their bioequivalence studies.

(III) Finished Dosages

Granules India's portfolio comprises caplets, tablets as well as press-fit capsules in bulk, blister packs, and bottles. We strengthen our customer's competitive advantage by providing Bi-layer Tablets, Rapid Release tablets, and Extended Release (ER) tablets. In addition to supplying ordered dosages, we also possess our own ANDAs and dossiers. This helps our customers enter a ready market without getting delayed for approval and has allowed us to emerge as the first choice for many customers.

Research & Development

Process R&D

The new Research Centre of Granules is established in Pragathi Nagar, Hyderabad, over an area of 10,000 square feet. This particular centre has allowed us to enter the enhanced formulation segment successfully and it mainly focuses on full-scale generic API development. The main



vision behind our investments in the R&D initiatives is to develop items for enhancing our intellectual wealth as well as commercialising a wide variety of quality products in diversified therapeutic areas.

The Granules Research Centres (our in-house R&D) have been set up to revitalise the growth of our short term and long term business and scientific goals. We are committed to offer superior and innovative solutions to the customer's needs by overcoming challenges in the areas of chemistry and engineering. Our R&D department comprises more than 70 scientists that are working together in order to strengthen our market presence by enhancing our capabilities and diversifying our portfolio through innovative products.

Our R&D team not only focuses on projects that would generate short term profit, but emphasises on the future aspects as well. The pipeline has been designed for catering to molecules of variable complexities in areas of chemistry, IP, regulatory, engineering and manufacturing. The centre's infrastructure is being developed, with priority given to safety and quality of the products.

PFI and Formulations Development

Our Gagillapur facility possesses one of the world's largest single-site finished dosage capacities. The facility is well equipped with robust infrastructure, automated

processes, & superior quality systems, which allows us to produce finished dosages efficiently. Our development laboratory as well as pilot plant for the R&D initiatives replicates our PFI and FD operations on a smaller scale. This enables our team to invest their efforts on R&D, while it reduces interruption in the commercial manufacturing areas.

Granules Pharmaceutical Inc., which is Granules'100% wholly-owned subsidiary in Chantilly, Virginia, focuses on formulation R&D. It emphasises on products with specific release properties, ODTs and DEA controlled substances. This allows us to upgrade our product portfolio with value-added complex generics.

Tech R&D

We invest actively in R&D to ensure that we continue manufacturing quality products and deliver the best. Our operational team focuses on improving processes in order to improve yield, and reduce waste and develop technologically advanced products.

Quality and Compliance

At Granules, we strive to maintain high standards in the manufacturing process of our products. In order to fulfil our commitment of delivering high quality products, we tend to follow the global quality standards during each phase of product development. In addition to that, we constantly

assess quality risk and risk mitigation processes so that we do not fall behind our objectivity. Our commitment sets our Company apart from the rest and that has been one of the main reasons behind the growing trust of our customers.

In order to maintain quality standards at Granules, we have a team of highly qualified professionals who also have immense experience in working in some of the leading agencies throughout the world. We tend to follow the philosophy of Continual Product Improvement and at every step we take adequate measures. Our manufacturing facilities are also set up in accordance with the industry quality standards. Our commitment to quality maintenance has earned us approval from global regulators such as USFDA, EU, MHRA, HHA (Germany), TPD (Canada), WHO GMP, Russian Health Authorities, and many more.

Operational Excellence

The Operational Excellence (OE) program is essential for the growth of any company. At Granules, we have taken a multi-year, multi-project OE initiative for building technical excellence. Our OE program consists of three phases: Diagnostic, Design, and Implementation. We keep employing the best practices in key disciplines in order to progress towards our goal of building efficient and effective operations. We understand that the path to achievement of goals is not a one-time venture; hence we cultivate a culture of continuous improvement.

The Company's OE program began in the year 2009. The objective of the OE team was to understand, identify, and develop projects that are supposed to fulfil the operational efficiencies and improvements that were identified during the Diagnostic Phase. With the approval and evaluation of the projects, we form teams that would work together to execute the project and implement the plans. The duration of the projects depend on the level of complexity, as they may vary from 3-4 months to more than a year.

Intellectual Capital

At Granules, we believe that people who feel truly associated with the organisation are the ones who perform to their peak capability. In order to have a competitive and engaging work atmosphere, we focus on widening the capabilities and effectiveness of the organisation. Since we believe that our employees are our partners, it is our

responsibility to promote their empowerment. After all, the company that has passionate employees on board is truly ahead of the curve, as the workforce allows the organisation to develop and enhance its capabilities.

We have extensive performance management squads that monitor the dedication of our employees. We are equally concerned about the health, safety, security and environment in which our employees work and make sure that they have a memorable experience, sans any disturbance. The Company's work environment inspires people to deliver their best, encourages teamwork, and maintains a constant learning environment and work-life balance. The Company's total employee strength as on March 31, 2016 stands at 2,165.

Highlights of 2015-16

- Started construction of 7,000 TPA Metformin and 2,000 TPA Guaifenesin API block at Bonthapally plant
- Started construction of green field multi-purpose API facility in Vizag
- Started construction of 3,600 TPA PFI block at Gagillapur plant.
- Renovated formulation facility at Virginia in the US
- ANDA approval for Ibuprofen Rx
- Commercial production started from CRAMS facility in Vizag



Financial Overview

In FY16, we crossed Rs. 14,000 million in revenue while concurrently expanding operating and net profit margins due to our continuous focus on improvement and ability to execute business strategies.

Snapshot

(Rs. in million)

Year	2015-16	2014-15	Growth
Net Sales	14,312	12,937	11%
EBIDTA	2,844	2,130	34%
EBIDTA Margin	19.9%	16.5%	
PAT	1,185	909	30%
PAT Margin (%)	8.3%	7.0%	

Market breakup

(Rs. in million)

Year	2015-16	2014-15
Regulated	8,554	7,830
Semi/less regulated	5,758	5,107
Total	14,312	12,937

#North America and Europe is considered as Regulated Market

Internal Control Systems and Adequacy

The Company has adequate systems of internal control and procedures covering all financial and operating functions commensurate with the size and nature of operations. The Company believes that a strong internal control framework is one of the most important pillars of Corporate Governance. Continuous efforts are being made to see that the controls are designed to provide a reasonable assurance with regard to maintenance of accounting controls and assets from unauthorised use or losses. The audit committee looks into all aspects of internal functioning and advises corrective action as and when required.

Cautionary Statements

Certain statements in the Management Discussion and Analysis, describing the Company's objectives, and predictions may be 'forward-looking statements', within the meaning of applicable laws and regulations. Actual results may vary significantly from forward looking statements contained in this document due to various risks and uncertainties. These risks and uncertainties include the effect of economic and political conditions in India, volatility in interest rates, new regulations and Government policies that may impact the Company's business as well as its ability to implement strategies. The Company does not undertake endeavours to update these statements.

Director's Report

To,
The Members,
Your Directors are pleased to present 25th Annual Report and the Company's audited financial statements for the financial year ended March 31, 2016.

Financial Results:

The Company's financial performance, both standalone and consolidated, for the year ended March 31, 2016 is summarised below:

Particulars	(₹ In Lakhs)			
	Standalone		Consolidated	
	Year ended March 31, 2016	Year ended March 31, 2015	Year ended March 31, 2016	Year ended March 31, 2015
Revenue from operations	1,32,849.38	1,21,487.25	1,43,118.43	1,29,368.14
Other income	628.70	140.20	602.56	358.40
Total income	1,33,478.08	1,21,627.45	1,43,720.99	1,29,726.55
EBITDA	27,572.58	21,274.75	28,439.44	21,295.73
Less: Finance costs	3,666.34	3,092.94	3,991.94	3,234.60
Less: Depreciation	5,824.71	4,955.87	6,432.99	5,265.10
Profit before tax	18,081.53	13,225.94	18,014.51	12,796.04
Less: Tax expenses	5,985.09	3,703.30	6,167.75	3,705.26
Net profit after tax	12,096.44	9,522.64	11,846.76	9,090.78
Less: Adjustment pursuant to amalgamation	-	(601.51)	-	(430.60)
Less: Net book value of the assets whose remaining useful life is NIL at the beginning of the year in terms of provisions of Companies Act 2013	-	(17.00)	-	(17.00)
Add: Surplus brought forward from previous Year	7,200.74	9,528.92	6,615.16	9,204.30
Surplus available	19,297.18	18,433.05	18,461.92	17,847.47
Appropriations made to surplus:				
Interim dividend	928.94	-	928.94	-
Proposed final dividend	433.42	1,021.26	433.42	1,021.26
Dividend distribution tax (on interim dividend and proposed final dividend)	277.35	207.90	277.35	207.90
Dividend of previous years (including dividend distribution tax)	3.07	3.15	3.07	3.15
Transfer to general reserve	-	10,000.00	-	10,000.00
Balance carried to Balance Sheet	17,654.40	7,200.74	16,819.15	6,615.16

Review Of Operations:

The Company's Standalone revenues from operations were ₹1,32,849.38 Lakhs for the FY 2015-16 as compared to ₹1,21,487.25 Lakhs for the previous year registering growth of 9.35% in the current financial year. The Company has made Net Profit of ₹12,096.44 Lakhs on standalone basis for the year under review as compared to ₹9,522.64 Lakhs for the previous year, registering a growth of 27.03% in the current financial year.

The primary growth driver in FY 2015-16 was led by change in product mix. On a standalone basis, the Active Pharmaceutical Ingredients (API) business contributed the largest share of revenue at 37% while Pharmaceutical Finished Intermediates (PFI) and Finished Dosages contributed 29% and 34%, respectively. This is compared to 40%, 25% and 35% for API, PFI and Finished Dosages respectively in FY 2014-15. The profitability outpaced revenue growth due to several reasons. Our continuous efforts on operational excellence, process innovation, yield improvement and lower raw material cost of some of the key starting materials resulted improved earnings.

During the year under review, two of our facilities located in Vizag and Jeedimetla have completed US FDA inspection. There were no observations for the Vizag facility and three observations for the Jeedimetla facility. We have responded to the US FDA within the stipulated time and we believe that these issues will be resolved in the near future. During the year, the US FDA had approved Ibuprofen Rx ANDA filed by us for 400 mg, 600 mg and 800 mg tablets. This will further strengthen our core base business and enable us to increase our product offering to our customers in the United States. The management believes that the profitability margins from the operations are sustainable and it will continue to strengthen its leadership position through dedicated research and introduction of new products.

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

Expansions:

During the financial year 2015-16, the Company enhanced Paracetamol API capacity at Bonthapally plant by 3,000 metric tonnes per annum. The Company is further adding 3,600 tonnes of PFI capacity at Gagillapur facility. The Company is also enhancing Metformin and Guaifenesin API capacity at Bonthapally plant by 7,000 and 2,000 tons per annum respectively.

Dividend:

The Board of Directors has recommended a final dividend of 20 paise per equity share (Face value ₹1/- per equity share) for the FY 2015-16, amounting to ₹433.42 Lakhs. This is in addition to the interim dividend of 45 paise per equity share paid during the year. The total dividend for the FY 2015-16 aggregates 65 paise per equity share amounting to ₹1,362.36 Lakhs as compared to 50 paise per equity share paid in the previous year. Dividend distribution tax is ₹277.35 Lakhs for the FY 2015-16 on interim and proposed final dividend.

Transfer Of Amount To Reserves:

The Board has not recommended any transfer to general reserve from the profits of the year under review.

Share Capital:

The Authorized Share Capital of the Company is 34,50,00,000 equity shares of ₹1/- each. The Company has allotted 1,13,50,230 equity shares of ₹1/- each to the promoters upon exercise of an equal number of warrants vested in them pursuant to the approval of the members obtained during the financial year 2015-16. The Company has also allotted 11,10,000 equity shares of ₹1/- each upon exercise of an equal number of stock options pursuant to the extant Stock Option Scheme of the Company.

In view of the above allotments, the outstanding shares of the company increased from 20,42,51,540 equity shares of ₹1/- each to 21,67,11,770 equity shares of ₹1/- each.

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 ₹2,82,878/- (rupees two lakh eighty two thousand eight hundred and seventy eight only) for the financial year 2007-08, was transferred to the

Investor Education and Protection Fund established by the Central Government during the year under review.

Management's Discussion and Analysis Report:

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

Subsidiaries, Joint Ventures and Associate Companies:

No company has become/ceased to be a subsidiary or joint venture or associate during the financial year 2015-16.

Subsidiary Companies:

The developments in business operations / performance of subsidiaries consolidated with the Company are as below:

- **Granules USA, Inc.**
Granules USA, Inc. a wholly-owned foreign Subsidiary of your company, caters to the requirements of customers in the U.S market. The Share Capital of the Company as on March 31, 2016 is ₹116.31 Lakhs. During the FY 2015-16, the Company achieved a turnover of ₹29,828.82 Lakhs against the turnover of ₹17,774.91 Lakhs of FY 2014-15 and the profit after tax is ₹168.67 Lakhs against ₹(40.82) Lakhs of FY 2014-15.
- **GIL Lifesciences Private Limited**
The Company has not commenced its operations so far. However, construction of green field API project was started during the year under review in its land located at Visakhapatnam in the state of Andhra Pradesh. As on March 31, 2016, the Authorized Share Capital of the Company is ₹1,600.00 Lakhs divided into 1,60,00,000 (one crore sixty lakhs) equity shares of ₹10/- each and the Paid Up Share Capital of the Company is ₹ 1,383.06 Lakhs divided into 1,38,30,600 (one crore thirty eight lakh thirty thousand and six hundred) equity shares of ₹10 each.

The draft scheme of amalgamation of M/s. GIL Lifesciences Private Limited with the Company was approved by the Board of Directors of the Company, subject to approval of the Hon'ble High Court of Judicature at Hyderabad for the State of Telangana and the State of Andhra Pradesh.
- **Granules Pharmaceuticals, Inc.**
Renovation of facility of Granules Pharmaceuticals, Inc.

a wholly-owned foreign subsidiary of your company was completed during the year. During the year, the company started Product development work in the renovated facility. The Share Capital of the Company as on March 31, 2016 is ₹1,225.00 Lakhs.

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

Joint Venture Companies:

The developments in business operations / performance of Joint Venture Companies consolidated with the Company are as below:

- **Granules-Biocyte Pharmaceutical Co. Limited**
The Share Capital of the Company as on March 31, 2016 is ₹3638.06 Lakhs. During the FY 2015-16, the Company achieved a turnover of ₹17,008.32 Lakhs as against turnover of ₹22,216.72 Lakhs in the FY 2014-15 of which Granules India Limited reports 50% in its consolidated revenue. However, previous year figures are not comparable as current year figures are for nine months period from April to December 2015.
- **Granules OmniChem Private Limited**
The Share Capital of the Company as on March 31, 2016 is ₹ 8,576.19 Lakhs. The Company has commenced the commercial production during the FY 2015-16 and achieved a turnover of ₹1,425.66 Lakhs of which Granules India Limited reports 50% in its consolidated revenue.

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

Consolidated Financial Statements:

The consolidated financial statements, in terms of Section 129 of the Companies Act, 2013 and regulation 34 of the Listing Regulations and prepared in accordance with Accounting Standard 21 as specified in the Companies (Accounting Standards) Rules, 2006 as amended thereof forms a part of this annual report. As per the provisions of Section 136 of the Companies Act, 2013, the Company has placed separate audited accounts of its Subsidiaries on its website www.granulesindia.com and copy of separate

audited accounts of its Subsidiaries will be provided to the members at their request.

Director's Responsibility Statement:

Pursuant to the requirement of Section 134(5) of the Companies Act, 2013 and based on the representations received from the operating management, the Directors hereby confirm that:

- a) in the preparation of the annual accounts for the year ended March 31, 2016, the applicable accounting standards read with requirements set out under Schedule III to the Act, have been followed and there are no material departures from the same;
- b) the Directors have selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at March 31, 2016 and of the profit of the Company for the year ended on that date;
- c) the Directors have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- d) the Directors have prepared the annual accounts on a 'going concern' basis for the financial year ended March 31, 2016;
- e) the Directors have laid down internal financial controls to be followed by the Company and that such internal financial controls are adequate and are operating effectively; and
- f) the Directors have devised proper systems to ensure compliance with the provisions of all applicable laws and that such systems are adequate and operating effectively.

Corporate Governance Report:

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

Corporate Social Responsibility (CSR):

The Corporate Social Responsibility Committee (CSR Committee) has formulated and recommended to the Board, a Corporate Social Responsibility Policy (CSR Policy) indicating the activities to be undertaken by the Company, which has been approved by the Board.

The Composition of the Committee is provided below.

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

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

The Company is undertaking CSR initiatives in compliance with Schedule VII to the Act. During the year under review, the Company has spent ₹140.04 Lakhs on CSR activities. The annual report on CSR activities is annexed here with marked as **Annexure I**.

Nomination and Remuneration Committee:

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

During the financial year 2015-16, the composition of Nomination and Remuneration Committee is provided below.

Name	Category
Mr. C. Parthasarathy, Chairman	Independent, Non-Executive
Mr. L. S. Sarma	Independent, Non-Executive
Mr. A. Arun Rao	Independent, Non-Executive
Mr. K.B. Sankar Rao	Non-Independent, Non-Executive
Mr. Krishna Prasad Chigurupati	Non-Independent, Executive

The Performance Evaluation and Remuneration Policy framed by the Committee and approved by the Board is directed towards rewarding performance of Executive

and Non-Executive Directors, Key Managerial Personnel and Senior Management Personnel of the Company based on review of achievements periodically.

Risk Management Committee:

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

Internal Audit & Controls:

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

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

Directors and Key Managerial Personnel:

Mr. Harsha Chigurupati ceased to be Executive Director during the year under review due to his resignation on October 31, 2015. However, Mr. Harsha is continuing as member of the Board and he is Non-Executive Director of the Company.

In accordance with the provisions of Section 152 of the Companies Act, 2013 and the Articles of Association of the Company, Mr. Harsha Chigurupati, Non-Independent, Non-Executive Director of the Company, retires by rotation at the ensuing Annual General Meeting and being eligible offers himself for re-appointment.

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

The Company has devised a Policy for performance evaluation of Independent Directors, Board, Committees and other individual Directors which include criteria for performance evaluation of the Non-Executive Directors and Executive Directors.

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

Mr. Krishna Prasad Chigurupati, Chairman and Managing Director, Mrs. Uma Devi Chigurupati, Executive Director, Mr. VVS Murthy, Chief Financial Officer and Mrs. Chaitanya Tummala, Company Secretary are key managerial personnel of the Company.

Employee Stock Option Plan (ESOP):

The Nomination and Remuneration Committee of the Board of Directors of the Company, inter alia, administers and monitors the Employee Stock Option Plan of the Company in accordance with the applicable SEBI Guidelines.

The applicable disclosures as stipulated under the SEBI Guidelines as on March 31, 2016 (cumulative position) with regard to the Employee's Stock Option Scheme are herein under provided. The issue of equity shares pursuant to exercise of options does not affect the Statement of Profit and Loss of the Company, as the exercise is made at the market price prevailing as on the date of the grant plus taxes as applicable.

Pursuant to 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. Voting rights on the shares issued to employees under the ESOP are either exercised by them directly or through their appointed proxy.

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

Sl. no.	Description	Details
(a)	Options granted till date under the scheme	80,00,000 options
(b)	Pricing formula	Closing market price as on the date prior to the grant date on National Stock Exchange (where there was highest trading volume).
(c)	Options vested during the year	6,90,000
(d)	Options exercised during the year	11,10,000
(e)	Total number of shares arising as a result of exercise of options	11,10,000
(f)	Options lapsed during the year	20,000
(g)	Options lapsed till date under the scheme	22,50,000
(h)	Variation in terms of options	Nil
(i)	Money realized by exercise of options during the year	₹1,94,32,000/-
(j)	Total number of options in force	23,50,000
(k)	Employee wise details of options granted during the year to:	Nil
	(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.	₹5.74 per share
(m)	Where the company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost that shall have been recognized if it had used the fair value of the options.	Not Applicable
(n)	Weighted-average exercise price, whose exercise price either equals or exceeds or is less than the market price of the stock	₹17.51/- per share
(o)	Description of the method and significant assumptions used during the year to estimate the fair values of options.	Not Applicable

Auditors & Their Report:

Statutory Auditors

Pursuant to the provisions of Sections 139, 141 & 142 and other applicable provisions, if any, of the Companies Act, 2013 and rules made thereon, M/s. Kumar & Giri, Chartered Accountants, Hyderabad was re-appointed for three years in the 23rd Annual General meeting subject to ratification at every Annual General meeting. The Company has received a certificate from the auditors to the effect that their ratification for 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 for ratification of re-appointment of M/s. Kumar & Giri, Chartered Accountants as Statutory Auditors for the financial year 2016-17. A resolution proposing ratification of re-appointment of M/s. Kumar & Giri, Chartered Accountants as the Statutory Auditors of the Company for the financial year 2016-17 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. However, the Auditors have not made any adverse qualifications in their report on the accounts of the Company for the year under review.

Secretarial Auditor

The Board has appointed M/s. Saurabh Poddar & Associates, Company Secretaries, to conduct Secretarial Audit for the financial year 2015-16. The Secretarial Audit Report for the financial year ended March 31, 2016 is annexed here with marked as **Annexure III** to this Report. The Secretarial Audit Report does not contain any qualification, reservation or adverse remark.

Contracts And Arrangements With Related Parties:

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

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

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

Disclosures:

Audit Committee

The Audit Committee comprises majority Independent Directors namely Mr. C. Parthasarathy (Chairman), Mr. L.S. Sarma, Mr. A.P. Kurian, Mr. A. Arun Rao and Mr. Krishna Prasad Chigurupati as other members. During the period under review, Mr. L.S. Sarma resigned as Chairman of the Audit Committee and Mr. C. Parthasarathy, Independent Director, was elected as Chairman of the Committee by Committee members. All the recommendations made by the Audit Committee were accepted by the Board.

Vigil Mechanism

The Company has a Vigil mechanism and Whistle blower policy in terms of the Listing Regulations, under which the employees are free to report violations of applicable laws and regulations and the Code of Conduct. Protected disclosures can be made by a whistle blower through a

dedicated e-mail, or a letter to the Chairman of the Audit Committee.

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

Meetings of the Board

Eight (8) meetings of the Board of Directors were held during the year under review. The details of the Board Meetings with regard to their dates and attendance of each of the Directors thereat have been provided in the Corporate Governance Report.

Code of Conduct

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

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

Particulars of loans given, investments made, guarantees given and securities provided are provided in the standalone financial statement (Please refer to Note No.2.12, 2.13 and 2.35 to the standalone financial statement).

Conservation of energy, technology absorption and foreign exchange earnings and outgo:

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

Extract of Annual Return

Extract of Annual Return of the Company is annexed herewith as **Annexure VI** to this Report.

Particulars of Employees and related disclosures

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

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

However, having regard to the provisions of the first

proviso to Section 136(1) of the Act, the Annual Report excluding the aforesaid information is being sent to the members of the Company. The said information is available for inspection at the registered office of the Company during working hours for a period of 21 days before the date of ensuing Annual General Meeting and any member interested in obtaining such information may write to the Company Secretary and the same will be furnished on request. This information is available on the Company's website link: www.granulesindia.com

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

Policy on Sexual Harassment

The Company has a Policy on "Prevention of Sexual Harassment of Women at Workplace" for the matters connected there with or incidental thereto covering all the aspects as contained under the "The Sexual Harassment of Women at Work place (Prohibition, Prevention and Redressal) Act, 2013".

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

General:

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

1. Details relating to deposits covered under Chapter V of the Act.
2. Issue of equity shares with differential rights as to dividend, voting or otherwise.
3. Issue of shares (including sweat equity shares) to employees of the Company under any scheme save and except ESOP referred to in this Report.

4. Cost Audit is not applicable for the financial year 2015-16.
5. Neither the Chairman and Managing Director nor the Whole-time Directors of the Company receive any remuneration or commission from any of its subsidiaries.
6. No significant or material orders were passed by the Regulators or Courts or Tribunals which impact the going concern status and Company's operations in future.

Appreciations And Acknowledgements:

Your Directors would like to express their sincere appreciation for the assistance and co-operation received from the financial institutions, banks, Government authorities, customers, vendors and members during the year under review. Your Directors wish hereby to place on record their appreciation of the services rendered by the employees, without whose whole-hearted efforts, the over all satisfactory performance would not have been possible.

Your Directors look forward to the long term future with confidence.

On behalf of the Board of Directors

Sd/-

Krishna Prasad Chigurupati
Chairman and Managing Director
DIN: 00020180

Hyderabad,
April 28, 2016

Annexure I to Director's Report

Annual Report on Corporate Social Responsibility (CSR) activities for the financial year 2015-16 as per Rule 8 of Companies (Corporate Social Responsibility Policy) Rules, 2014.

1	A brief outline of the Company's CSR Policy and a reference to the web-link to the CSR Policy and the composition of CSR Committee.	Refer Section: Corporate Social Responsibility in this Report for the composition of the Committee. CSR Policy can be accessed at the link www.granulesindia.com
2	Average profit of the Company for last three financial years.	₹9,948.89 Lakhs
3	Prescribed CSR expenditure (two percent of the amount mentioned in item 2 above)	₹198.98 Lakhs
4	Details of CSR spent during the financial year: Total amount to be spent for the financial year Amount unspent, if any, and reasons for not spending Manner in which the amount spent during the financial year	₹198.98 Lakhs The amount unspent is ₹58.94 Lakhs. The Company is releasing the payment based on the project progress. Details given below

Details of amount spent on CSR Activities During the Financial Year 2015-16:

SL. No	CSR project or activity identified	Sector in which the project is covered	Projects of programs (1) Local area or other (2) Specify the state and district where projects or programs was undertaken	Amount outlay (budget) project or programs wise	Amount spent on the projects or programs Sub heads (1) Direct expenditure on projects or programs (2) Overheads	Cumulative expenditure upto the reporting period	Amount spent: Direct or through Implementing Agency
1	Skill development activity	Cl.(ii) livelihood enhancement projects	Telangana, Ranga Reddy District	₹150.00 Lakhs	₹115.00 Lakhs	₹115.00 Lakhs	Implementing Agency - Swarna Bharat Trust
2	Promoting Preventive Health Care	Cl.(i) promoting preventive health care	Andhra Pradesh, Guntur	₹40.00 Lakhs	₹22.50 Lakhs	₹22.50 Lakhs	Implementing Agency - Sahrudaya Health, Medical and Educational Trust
3	Providing Drinking water	Cl.(i) making available safe drinking water	Telangana, Ranga Reddy District	₹2.00 Lakhs	₹0.94 Lakhs	₹0.94 Lakhs	Direct
4	Construction of RO plant	Cl.(i) making available safe drinking water	Andhra Pradesh, Visakhapatnam	₹4.00 Lakhs	₹1.60 Lakhs	₹1.60 Lakhs	Direct

RESPONSIBILITY STATEMENT

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

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

Sd/-
Krishna Prasad Chigurupati
Chairman and Managing Director
April 28, 2016

Sd/-
Uma Devi Chigurupati
Chairperson, CSR Committee
April 28, 2016

Annexure II to Director's Report

Auditors' Certificate

To
The Members of
Granules India Limited
02nd Floor, 03rd Block,
My Home Hub, Madhapur,
Hyderabad (TS)

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 March 31, 2016.

Our examination was limited to the implementation of the Granules India Employee Stock Option Scheme 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 scheme 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 September 25, 2009.

For M/s.Kumar &Giri
Chartered Accountants
FRN: 001584S

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

Place: Hyderabad
Date: April 28, 2016

Annexure III to Director's Report

Secretarial Audit Report

For the Financial Year ended March 31, 2016

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

To,
The Members,
M/s. Granules India Limited

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

Based on my verification of the M/s. Granules India Limited books, papers, minute books, forms and returns filed and other records maintained by the company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, I hereby report that in my opinion, the company has, during the audit period covering the financial year ended on March 31, 2016 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

I, have examined the books, papers, minute books, forms and returns filed and other records maintained by M/s. Granules India Limited ("the Company") for the financial year ended on March 31, 2016 according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made there under;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed there under;
- (iv) Foreign Exchange Management Act, 1999 and

the rules and regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;

- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):-
 - (a) The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
 - (b) The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
 - (c) The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2009;
 - (d) The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999;
 - (e) The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008; **(Not applicable to the Company during the Audit Period)**
 - (f) The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
 - (g) The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009; **(Not applicable to the Company during the Audit Period)and**
 - (h) The Securities and Exchange Board of India (Buyback of Securities) Regulations, 1998; **(Not applicable to the Company during the Audit Period)**

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

1. Drugs and Cosmetics Act, 1940 and Rules made there under
2. Drugs Price Control Order, 2013 and notifications made there under
3. Trade Unions Act, 1926
4. Industrial Employment Standing Order Act, 1946
5. Industrial Disputes Act, 1947
6. Payment of Wages Act, 1936
7. Minimum Wages Act, 1948
8. Payment of Bonus Act, 1965
9. Factories Act, 1948
10. Contract Labour (Regulation & Abolition) Act, 1970
11. Dangerous Machines (Regulation) Act, 1983
12. Industrial Employment (Standing Orders) Act, 1946
13. Private Security Agencies (Regulation) Act, 2005
14. Maternity Benefit Act, 1961
15. Equal Remuneration Act, 1976
16. Child Labour (Prohibition & Regulation) Act, 1986
17. Workmen's Compensation Act, 1923
18. Employee's State Insurance Act, 1948
19. Employee's Provident Fund & Miscellaneous Provisions Act, 1952
20. Payment of Gratuity Act, 1972
21. Fatal Accidents Act, 1855
22. Unorganized Workers' Social Security Act, 2008
23. The Weekly Holidays Act, 1942
24. Shop & Establishments Act
25. Information Technology Act, 2000
26. The Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and
27. The Standards of Weight & Measurement Act, 1985

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

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India
- (ii) The Listing Agreements entered into by the Company with Bombay Stock Exchange Limited and National Stock Exchange.
- (iii) The Securities And Exchange Board Of India (Listing Obligations And Disclosure Requirements) Regulations, 2015.

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

I, further report that:-

The Board of Directors of the Company is duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. There was change in designation of Mr. Harsha Chigurupati from Executive Director to Non-Executive Director during the period under review, except this there is no other change in the composition of the Board of Directors.

Adequate notice is given to all Directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent in advance, and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Majority decision is carried through while the dissenting member's views are captured and recorded if any as part of the minutes.

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

I, further report that during the audit period

- (i) The company has issued 40,95,230 warrants of ₹84.91/- each on August 28, 2015 to be converted into equal number of equity shares of face value of ₹1/- each out of which all were converted into equity shares on October 31, 2015.
- (ii) The company has issued 1,86,56,000 warrants of ₹95.30/- each on September 07, 2015 to be converted into equal number of equity shares of face value of ₹1/- each out of which 72,55,000 warrants were converted into equity shares on March 30, 2016.
- (iii) The company has allotted 11,10,000 equity shares of ₹1/- each upon exercise of stock options granted to employees and director.

For **Saurabh Poddar & Associates**

Place: Hyderabad
Date: April 28, 2016

Sd/-
Saurabh Poddar
ACS No. 29913
C P No. 10787

Annexure IV to Director's Report

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

Form No. AOC-2

(Pursuant to clause (h) of sub-section (3) of section 134 of the Act and Rule 8(2) of the Companies (Accounts) Rules, 2014)

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

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

SL. No	Names of the related party and nature of relationship	Nature of contracts/ arrangements/ transactions	Duration of the contracts or arrangements or transaction including the value, if any:	Salient terms of the contracts or arrangements or transaction including the value, if any:	Date(s) of approval by the Board:	Amount paid as advances, if any:	Justification for entering into contracts
1	Granules USA, Inc. (Wholly Owned foreign subsidiary)	Sale of goods	FY 2015-16	₹26,884.82 Lakhs	24.07.2014	NIL	The transaction is at arm's length price
2	Granules –Biocause Pharmaceutical Co. Ltd. (Joint Venture)	Purchase of goods	FY 2015-16	₹3,777.74 Lakhs	24.07.2014	NIL	The transaction is at arm's length price

On behalf of the Board of Directors

Sd/-
Krishna Prasad Chigurupati
Chairman and Managing Director
DIN: 00020180.

Hyderabad, April 28, 2016

Annexure V to Director's Report

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

FORM A – PARTICULARS OF CONSERVATION OF ENERGY

A. Power and Fuel Consumption

Particulars	(₹ in Lakhs)	
	Year ended March 31, 2016	Year ended March 31, 2015
1. Electricity		
Unit (KWH)	3,56,52,058	2,82,28,925
Total amount (₹ in Lakhs)	2,395.84	2,009.05
Rate/Unit (₹)	6.72	7.12
Rate/Kg of production (₹)	6.73	6.20
2. Own generation from diesel generator		
Unit (KWH)	11,26,736	26,97,812
Total amount (₹ in Lakhs)	232.41	570.65
Rate/unit (₹)	20.63	21.15
Unit/kg of production	0.03	0.08
Rate/kg of production (₹)	0.65	1.76
3. Coal		
Quantity (MT)	16,107.13	16,634.22
Total cost (₹ in Lakhs)	866.52	1,028.25
Rate/MT (₹)	5,379.70	6,181.56
Rate/kg of production (₹)	2.43	3.17
4. Furnace oil, LSHS and LD oil		
Quantity (K. Ltrs.)	6.43	54.73
Total cost (₹ in Lakhs)	2.37	24.49
Average/K. ltrs. (₹)	36.81	44.75
Rate/kg of production (₹)	0.01	0.08

B. Consumption per unit of production

Particulars	Standards	Current year	Previous year
Products (with details) unit			
Electricity			
Furnace oil			
Coal			

Since the Company manufactures a wide range of bulk drugs, granulations and different combinations of finished dosages, it is not practicable to give consumption per unit of production.

Form B – Particulars of Absorption

Technology absorption, adaptation and Innovation:

The research & development (R&D) programme at Granules India Limited was designed to ensure delivery of a feasible pipeline of high value opportunities that can augment growth of the company across the markets. Our efforts

at R&D are focused to deliver wider portfolio of products from chosen therapeutic areas, with variable complexities encompassing Intermediates and APIs with capability of forward integration (Intermediate-API-PFI-FD). Our R&D works with a goal to provide sustainable, long-term competitive advantage to our partners by utilising innovative techniques in product development.

Benefits derived as a result of the above efforts:

- Robust product pipeline addressing key therapies
- Efficient processes
- Global leadership in focused products.

Research & Development:

The research & development program is the primary driver fuelling Granules growth engine to achieve its strategic objectives. The pipeline of products for various therapies with complexities in the areas of IP, chemistry, engineering, and manufacturing will make a healthy product basket.

Our Research & Development capabilities are aligned to our business strategy of "Integrated play". In line with this, our R&D is focusing continuously on exploring the options of integrated business for filing ANDAs, with our own API.

Vertical integration, scale and more importantly our investments in research, manufacturing and quality coupled with better efficiencies will help us sustain our leadership in key API segments globally and also grow our business meaningfully.

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

- Currently R&D is focusing on developing and filing generic products for regulated markets in OTC (for supporting GCH initiative) & products with intrinsic challenges in Rx space.
- Expanding our product offerings with high value APIs and integrate them to formulations in the next stage.
- The Company formulation business currently offering the following Finished dosage forms
 - Press fit/express fit (gel caps) OTC products
 - Delayed/Extended release
 - Immediate release
 - Capsules

Benefits derived as result of above R&D:

Granules developed a benign process for manufacture of Paracetamol, Abacavir, Losartan and several other drug substances.

Future plan of action:

The Company is intended to focus on different projects in line with our emerging business initiatives. The product portfolio includes a pragmatic mix to balance the growth in long term and short/midterm strategic goals. The pipeline is being designed to address key therapies with niche opportunities & variable complexities.

Expenditure incurred on Research and Development

Particulars	(₹ in Lakhs)	
	FY 2015-16	FY 2014-15
Capital	275.02	629.41
Revenue	1,531.11	840.39
Total	1,806.13	1,469.8

FORM C – TOTAL FOREIGN EXCHANGE EARNED AND USED

Particulars	(₹ in Lakhs)	
	FY 2015-16	FY 2014-15
Foreign Exchange Earnings	1,01,189.69	92,072.57
Foreign Exchange Outgo	44,995.56	47,940.10

On behalf of the Board of Directors

Sd/-

Krishna Prasad Chigurupati
Chairman and Managing Director
DIN: 00020180

Hyderabad, April 28, 2016

Annexure VI to Director's Report

FORM NO. MGT 9

EXTRACT OF ANNUAL RETURN

As on the financial year ended on March 31, 2016

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

I. REGISTRATION & OTHER DETAILS:

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

II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

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

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

III. PARTICULARS OF HOLDING, SUBSIDIARY AND ASSOCIATE COMPANIES:

Sl. No.	Name and Address of the Company	CIN	Holding/Subsidiary / Associate	% of Shares Held	Applicable Section
1	Granules OmniChem Private Limited	U24233TG2011PTC076274	Associate	50%	2(6)
2	Granules-Biocause Pharmaceutical Co. Ltd	Not Applicable	Associate	50%	2(6)
3	Granules USA, Inc.	Not Applicable	Subsidiary	100%	2(87)(ii)
4	GIL Lifesciences Private Limited	U24230TG2007PTC054839	Subsidiary	100%	2(87)(ii)
5	Granules Pharmaceuticals. Inc,	Not Applicable	Subsidiary	100%	2(87)(ii)

IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

i) Category-wise Share Holding

Category of Shareholders	No. of Shares held at the beginning of the year [As on 31-March-2015]				No. of Shares held at the end of the year [As on 31-March-2016]				% Change during the year
	Demat	Physical	Total	% of Total Shares	Demat	Physical	Total	% of Total Shares	
A. Promoters									
(1) Indian									
a) Individual/ HUF	86386620	0	86386620	42.29	90882886	0	90882886	41.94	(0.35)
b) Central Govt									
c) State Govt(s)									
d) Bodies Corp.	7491270	0	7491270	3.67	14746270	0	14746270	6.80	3.13
e) Banks / FI									
f) Any other									
Sub-Total A(1)	93877890	0	93877890	45.96	105629156	0	105629156	48.74	2.78
(2) Foreign									
(a) Individuals (NRIs/Foreign Individuals)	5369310	0	5369310	2.63	5210957	0	5210957	2.40	(0.23)
(b) Bodies Corporate									
(c) Others									
Sub-Total A(2)	5369310	0	5369310	2.63	52109570	0	5210957	2.40	(0.23)
Total shareholding of Promoters (A)	99247200	0	99247200	48.59	110840113	0	110840113	51.15	2.56
B. Public Shareholding									
1. Institutions									
a) Mutual Funds					2127235	0	2127235	0.98	0.98
b) Banks / FI	152056	0	152056	0.07	469352	0	469352	0.22	0.15
c) Central Govt									
d) State Govt(s)									
e) Venture Capital Funds									
f) Insurance Companies									
g) FIs	8243996	0	8243996	4.04	13857569	0	13857569	6.39	2.35
h) Foreign Venture Capital Funds									
i) Others (specify)									
Sub-total (B)(1):-	8396052	0	8396052	4.11	16454156	0	16454156	7.59	3.48
2. Non-Institutions									
a) Bodies Corp.	9315594	0	9315594	4.56	9730123	0	9730123	4.49	(0.07)
i) Indian									
ii) Overseas									
b) Individuals									
i) Individual shareholders holding nominal share capital upto ₹ 1 lakh	35023150	771290	35794440	17.52	60180930	889890	61070820	28.18	10.66
ii) Individual shareholders holding nominal share capital in excess of ₹ 1 lakh	14146449	341000	14487449	7.09	11817715	0	11817715	5.45	(1.64)
c) Others (specify) NBFCs Register With RBI					23030	0	23030	0.01	0.01
i) Non Resident Indians	4116778	0	4116778	2.02	5499069	0	5499069	2.54	0.52
ii) Overseas Corporate Bodies									
iii) Foreign Nationals									
iv) Clearing Members	910677	0	910677	0.45	1228696	0	1228696	0.57	0.12
v) Trusts	0	0	0	0.00	48048	0	48048	0.02	0.02
vi) Foreign Bodies -	31983350	0	31983350	15.66	0	0	0	0	
Sub-total (B)(2):-	95495998	1112290	96608288	47.30	88527611	889890	89417501	41.26	(6.04)
Total Public Shareholding (B)=(B (1)+ (B)(2)	103892050	1112290	105004340	51.41	104981767	889890	105871657	48.85	(2.56)
C. Shares held by Custodian for GDRs & ADRs	0	0	0	0	0	0	0	0	
Grand Total (A+B+C)	203139250	1112290	204251540	100.00	215821880	889890	216711770	100.00	

ii) Shareholding of Promoters

S I . No.	Shareholder's Name	Shareholding at the end of the year March 31, 2015			Shareholding at the end of the year March 31, 2016			% change in shareholding during the year
		No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the company	% of Shares Pledged / encumbered to total shares	
1	Krishna Prasad Chigurupati	74735380	36.59	15.82	79230610	36.56	8.96	(0.03)
2	Uma Devi Chigurupati	7580000	3.71	42.51	7580000	3.50	100.00	(0.21)
3	Pragnya Chigurupati	1959120	0.96	Nil	1959520	0.90	99.98	(0.06)
4	Priyanka Chigurupati	1946120	0.95	Nil	1946756	0.90	99.97	(0.05)
5	Harsha Chigurupati	2677660	1.31	Nil	2277660	1.05	Nil	(0.26)
6	Suseela Devi Chigurupati	166000	0.08	Nil	166000	0.09	Nil	0.01
7	Santhi Sree Ramanavarapu	838000	0.41	Nil	917200	0.42	Nil	0.01
8	Sampath Kumar Ramanavarapu	Nil	Nil	Nil	110600	0.05	Nil	0.05
9	Vijay Ramanavarapu	1442650	0.71	Nil	1453393	0.67	Nil	(0.04)
10	Vidya Ramanavarapu	411000	0.20	Nil	422604	0.20	Nil	0.00
11	Triton Securities Private Limited	6829270	3.34	Nil	6829270	3.15	100.00	(0.19)
12	Tyche Technologies Private Limited	662000	0.32	Nil	7917000	3.65	Nil	3.33
13	Yedaguri Nikhila Reddy	Nil	Nil	Nil	29500	0.01	Nil	0.01
	Total	99247200	48.59		110840113	51.15		

iii) Change in Promoter's Shareholding

S I . No.	Particular	No. of Shares at the beginning	% of total shares of the Company	Date	Increase/ Decrease in Share- holding	Reason	Cumulative Shareholding during the year (01-04-2015 to 31-03-2016)	
							No. of Shares	% of total shares of the Company
	At the beginning of the Year on 01.04.2015	99247200	48.59					
				31.07.2015	10000	Purchase	99257200	48.47
				21.08.2015 to 25.08.2015	14300	Purchase	99271500	48.48
				31.08.2015	10000	Purchase	99281500	48.39
				01.09.2015 to 11.09.2015	28305	Purchase	99309805	48.40
				15.09.2015 to 16.09.2015	7000	Purchase	99316805	48.41
				21.09.2015 to 24.09.2015	38900	Purchase	99355705	48.43
				31.10.2015	4095230	Conversion of Warrants	103450935	49.43
				04.11.2015 to 30.11.2015	76188	Purchase	103527123	49.47
				03.12.2015 to 04.12.2015	20700	Purchase	103547823	49.48
				07.12.2015 to 09.12.2015	5300	Purchase	103553123	49.46
				30.12.2015	29500	Purchase	103582623	49.48
				12.02.2016	400000	Inter-se Transfer	103982623	49.65
				12.02.2016	(400000)	Inter-se Transfer	103582623	49.46
				15.02.2016	612	Purchase	103583235	49.46
				03.03.2016	1878	Purchase	103585113	49.45
				30.03.2016	7255000	Conversion of Warrants	110840113	51.15
	At the end of the year						110840113	51.15

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

Sl. No.	Investco Management LLC	No. of Shares at the beginning	% of total shares of the Company	Date	Increase/Decrease in Shareholding	Reason	Cumulative Shareholding during the year (01-04-15 to 31-03-16)	
							No. of Shares	% of total shares of the Company
1	At the beginning of the Year	20542000	10.06					
				10.04.2015	(2135000)	Sale	18407000	9.01
				17.04.2015	(4080000)	Sale	14327000	7.01
				24.04.2015	(2480000)	Sale	11847000	5.80
				08.05.2015	(565000)	Sale	11282000	5.52
				15.05.2015	(650000)	Sale	10632000	5.20
				22.05.2015	(590000)	Sale	10042000	4.91
				05.06.2015	(200000)	Sale	9842000	4.81
				26.06.2015	(250000)	Sale	9592000	4.68
				30.06.2015	(200000)	Sale	9392000	4.59
				03.07.2015	(562000)	Sale	8830000	4.31
10.07.2015	(8830000)	Sale	Nil	Nil				
At the end of the year (or on the date of separation, if separated during the year)							Nil	Nil

Sl. No.	Ridge Back Capital Asia Limited	No. of Shares at the beginning	% of total shares of the Company	Date	Increase/Decrease in Shareholding	Reason	Cumulative Shareholding during the year (01-04-15 to 31-03-16)	
							No. of Shares	% of total shares of the Company
2.	At the beginning of the Year	11441350	5.60		-	-		
				30.06.2015	(11441350)	Sale	Nil	Nil
At the end of the year (or on the date of separation, if separated during the year)							Nil	Nil

Sl. No.	Sparrow Asia Diversified Opportunities Fund	No. of Shares at the beginning	% of total shares of the Company	Date	Increase/Decrease in Shareholding	Reason	Cumulative Shareholding during the year (01-04-15 to 31-03-16)	
							No. of Shares	% of total shares of the Company
3.	At the beginning of the Year	1773000	0.87		-	-		
				10.04.2015	(1147440)	Sale	625560	0.31
				17.04.2015	(625560)	Sale	Nil	Nil
At the end of the year (or on the date of separation, if separated during the year)							Nil	Nil

Sl. No.	Kolli Devikarani	No. of Shares at the beginning	% of total shares of the Company	Date	Increase/Decrease in Shareholding	Reason	Cumulative Shareholding during the year (01-04-15 to 31-03-16)	
							No. of Shares	% of total shares of the Company
4.	At the beginning of the Year	1531070	0.75		-	-		
At the end of the year (or on the date of separation, if separated during the year)							1531070	0.71

Sl. No.	Harshil Kantilal Kothari	No. of Shares at the beginning	% of total shares of the Company	Date	Increase/Decrease in Shareholding	Reason	Cumulative Shareholding during the year (01-04-15 to 31-03-16)	
							No. of Shares	% of total shares of the Company
5.	At the beginning of the Year	1100000	0.54		-	-		
				21.08.2015	(313682)	Sale	786318	0.38
				30.09.2015	(12661)	Sale	773657	0.38
				09.10.2015	(395000)	Sale	378657	0.18
At the end of the year (or on the date of separation, if separated during the year)							378657	0.17

Sl. No.	Government of the Province of Alberta Managed by Comgest S.A	No. of Shares at the beginning	% of total shares of the Company	Date	Increase/Decrease in Shareholding	Reason	Cumulative Shareholding during the year (01-04-15 to 31-03-16)	
							No. of Shares	% of total shares of the Company
6.	At the beginning of the Year	676000	0.33		-	-		
				24.07.2015	120600	Purchase	796600	0.39
				31.07.2015	70000	Purchase	866600	0.42
				07.08.2015	14700	Purchase	881300	0.43
				14.08.2015	10500	Purchase	891800	0.44
				23.10.2015	(53859)	Sale	837941	0.41
				30.10.2015	(358982)	Sale	478959	0.23
				06.11.2015	(295653)	Sale	183306	0.09
				13.11.2015	(153917)	Sale	29389	0.01
				20.11.2015	(29389)	Sale	Nil	Nil
At the end of the year (or on the date of separation, if separated during the year)							Nil	Nil

Sl. No.	MV Scif Mauritius	No. of Shares at the beginning	% of total shares of the Company	Date	Increase/Decrease in Shareholding	Reason	Cumulative Shareholding during the year (01-04-15 to 31-03-16)	
							No. of Shares	% of total shares of the Company
7.	At the beginning of the Year	671078	0.33		-	-		
				12.06.2015	(38941)	Sale	632137	0.31
				26.06.2015	(16100)	Sale	616037	0.30
				30.06.2015	(11086)	Sale	604951	0.30
				03.07.2015	(15222)	Sale	589729	0.29
				10.07.2015	(11092)	Sale	578637	0.28
				31.07.2015	(16662)	Sale	561975	0.27
				07.08.2015	(3760)	Sale	558215	0.27
				14.08.2015	(38899)	Sale	519316	0.25
				21.08.2015	(5557)	Sale	513759	0.25
				28.08.2015	(22232)	Sale	491527	0.24
				18.09.2015	5536	Purchase	497063	0.24
				25.09.2015	(147)	Sale	496916	0.24
				30.09.2015	16692	Purchase	513608	0.25
				09.10.2015	5564	Purchase	519172	0.25
				30.10.2015	11124	Purchase	530296	0.26
				20.11.2015	(11118)	Sale	519178	0.25
				04.12.2015	(22236)	Sale	496942	0.24
				11.12.2015	(55478)	Sale	441464	0.21
				25.12.2015	(14930)	Sale	426534	0.20
31.12.2015	(5373)	Sale	421161	0.20				
05.02.2016	4779	Purchase	425940	0.20				
25.03.2016	(4344)	Sale	421596	0.20				
At the end of the year (or on the date of separation, if separated during the year)							421596	0.19

Sl. No.	Government Pension Fund Global	No. of Shares at the beginning	% of total shares of the Company	Date	Increase/Decrease in Shareholding	Reason	Cumulative Shareholding during the year (01-04-15 to 31-03-16)	
							No. of Shares	% of total shares of the Company
8.	At the beginning of the Year	Nil	Nil		-	-		
				10.07.2015	5188577	Purchase	5188577	2.53
				16.10.2015	(300000)	Sale	4888577	2.39
				23.10.2015	(721899)	Sale	4166678	1.99
				30.10.2015	(23565)	Sale	4143113	1.98
				31.12.2015	(381200)	Sale	3761913	1.80
				08.01.2016	(314775)	Sale	3447138	1.65
				15.01.2016	(47770)	Sale	3399368	1.62
At the end of the year (or on the date of separation, if separated during the year)							3399368	1.57

Sl. No.	EM Resurgent Fund	No. of Shares at the beginning	% of total shares of the Company	Date	Increase/Decrease in Shareholding	Reason	Cumulative Shareholding during the year (01-04-15 to 31-03-16)	
							No. of Shares	% of total shares of the Company
9.	At the beginning of the Year	1289800	0.63		-	-		
				01.05.2015	450000	Purchase	1739800	0.85
				25.03.2016	(56850)	Sale	1682950	0.80
At the end of the year (or on the date of separation, if separated during the year)							1682950	0.78

Sl. No.	Swiss Finance Corporation (Mauritius) Limited	No. of Shares at the beginning	% of total shares of the Company	Date	Increase/Decrease in Shareholding	Reason	Cumulative Shareholding during the year (01-04-15 to 31-03-16)	
							No. of Shares	% of total shares of the Company
10.	At the beginning of the Year	Nil	Nil		-	-		
				04.03.2015	55000	Purchase	55000	0.03
				11.03.2016	105000	Purchase	160000	0.08
				18.03.2016	405000	Purchase	565000	0.27
				25.03.2016	210000	Purchase	775000	0.37
				31.03.2016	260000	Purchase	1035000	0.48
At the end of the year (or on the date of separation, if separated during the year)							1035000	0.48

Sl. No.	Emerging Markets Core Equity Portfolio (The Portfolio) of DFA Investment Dimensions Group INC. (DFAIDG)	No. of Shares at the beginning	% of total shares of the Company	Date	Increase/Decrease in Shareholding	Reason	Cumulative Shareholding during the year (01-04-15 to 31-03-16)	
							No. of Shares	% of total shares of the Company
11.	At the beginning of the Year	Nil	Nil					
				30.06.2015	19180	Purchase	19180	0.01
				10.07.2015	108520	Purchase	127700	0.06
				17.07.2015	110520	Purchase	238220	0.12
				02.10.2015	9593	Purchase	247813	0.12
				09.10.2015	186310	Purchase	434123	0.21
				30.10.2015	24935	Purchase	459058	0.22
				06.11.2015	27766	Purchase	486824	0.23
				27.11.2015	78796	Purchase	565620	0.27
				15.01.2016	55310	Purchase	620930	0.30
				22.01.2016	37853	Purchase	658783	0.31
				29.01.2016	40624	Purchase	699407	0.33
				05.02.2016	33048	Purchase	732455	0.35
				12.02.2016	123992	Purchase	856447	0.41
				19.02.2016	32684	Purchase	889131	0.42
				26.02.2016	54654	Purchase	943785	0.45
04.03.2016	61107	Purchase	1004892	0.48				
18.03.2016	6377	Purchase	1011269	0.48				
At the end of the year (or on the date of separation, if separated during the year)							1011269	0.47

Sl. No.	Vanaja Sundar Iyer	No. of Shares at the beginning	% of total shares of the Company	Date	Increase/Decrease in Shareholding	Reason	Cumulative Shareholding during the year (01-04-15 to 31-03-16)	
							No. of Shares	% of total shares of the Company
12	At the beginning of the Year	Nil	Nil	17.07.2015	998980	Purchase	998980	0.49
				24.07.2015	1020	Purchase	1000000	0.49
				At the end of the year (or on the date of separation, if separated during the year)		1000000	0.46	

Sl. No.	Trigeo Technologies Private Limited	No. of Shares at the beginning	% of total shares of the Company	Date	Increase/Decrease in Shareholding	Reason	Cumulative Shareholding during the year (01-04-15 to 31-03-16)	
							No. of Shares	% of total shares of the Company
13	At the beginning of the Year	Nil	Nil	09.10.2015	545000	Purchase	545000	0.27
				23.10.2015	300000	Purchase	845000	0.41
				At the end of the year (or on the date of separation, if separated during the year)		845000	0.39	

Sl. No.	Societe Generale	No. of Shares at the beginning	% of total shares of the Company	Date	Increase/Decrease in Shareholding	Reason	Cumulative Shareholding during the year (01-04-15 to 31-03-16)	
							No. of Shares	% of total shares of the Company
14.	At the beginning of the Year	Nil	Nil	18.03.2016	410000	Purchase	410000	0.20
				25.03.2016	285000	Purchase	695000	0.33
				31.03.2016	125000	Purchase	820000	0.38
				At the end of the year (or on the date of separation, if separated during the year)		820000	0.38	

Sl. No.	Birla Sun Life Trustee Company Private Limited AC	No. of Shares at the beginning	% of total shares of the Company	Date	Increase/Decrease in Shareholding	Reason	Cumulative Shareholding during the year (01-04-15 to 31-03-16)	
							No. of Shares	% of total shares of the Company
15.	At the beginning of the Year	Nil	Nil	15.01.2016	676000	Purchase	676000	0.32
At the end of the year (or on the date of separation, if separated during the year)		676000	0.31					

v) Shareholding of Directors and Key Managerial Personnel:

Executive Directors

Sl. No.	Krishna Prasad Chigurupati	No. of Shares at the beginning	% of total shares of the Company	Date	Increase/Decrease in Shareholding	Reason	Cumulative Shareholding during the year (01-04-15 to 31-03-16)	
							No. of Shares	% of total shares of the Company
1	At the beginning of the Year	74735380	36.59					
				31.10.2015	4095230	Conversion of Warrants	78830610	37.67
				12.02.2016	400000	Inter-se Transfer	79230610	37.83
At the end of the year							79230610	36.56

Sl. No.	Uma Devi Chigurupati	No. of Shares at the beginning	% of total shares of the Company	Date	Increase/Decrease in Shareholding	Reason	Cumulative Shareholding during the year (01-04-15 to 31-03-16)	
							No. of Shares	% of total shares of the Company
2	At the beginning of the Year	7580000	3.71					
					No change during the year			
At the end of the year							7580000	3.50

Non - Executive Directors

Sl. No.	Harsha Chigurupati	No. of Shares at the beginning	% of total shares of the Company	Date	Increase/Decrease in Shareholding	Reason	Cumulative Shareholding during the year (01-04-15 to 31-03-16)	
							No. of Shares	% of total shares of the Company
1.	At the beginning of the Year	2677660	1.31					
				12.02.2016	(400000)	Inter-se Transfer	2277660	1.09
At the end of the year							2277660	1.05

Sl. No.	L. S. Sarma	No. of Shares at the beginning	% of total shares of the Company	Date	Increase/Decrease in Shareholding	Reason	Cumulative Shareholding during the year (01-04-15 to 31-03-16)	
							No. of Shares	% of total shares of the Company
2.	At the beginning of the Year	160000	0.08					
					No Change during the year			
At the end of the year							160000	0.07

Sl. No.	A. P. Kurian	No. of Shares at the beginning	% of total shares of the Company	Date	Increase/Decrease in Shareholding	Reason	Cumulative Shareholding during the year (01-04-15 to 31-03-16)	
							No. of Shares	% of total shares of the Company
3.	At the beginning of the Year	450000	0.22		No Change during the year			
At the end of the year							450000	0.21

Sl. No.	C. Parthasarathy	No. of Shares at the beginning	% of total shares of the Company	Date	Increase/Decrease in Shareholding	Reason	Cumulative Shareholding during the year (01-04-15 to 31-03-16)	
							No. of Shares	% of total shares of the Company
4.	At the beginning of the Year	400000	0.20		No Change during the year			
At the end of the year							400000	0.18

Sl. No.	A. Arun Rao	No. of Shares at the beginning	% of total shares of the Company	Date	Increase/Decrease in Shareholding	Reason	Cumulative Shareholding during the year (01-04-15 to 31-03-16)	
							No. of Shares	% of total shares of the Company
5.	At the beginning of the Year	250000	0.12					
				11.06.2015	160000	Allotment under ESOP	410000	0.20
				09.12.2015	(50000)	Sale	360000	0.17
At the end of the year							360000	0.17

Sl. No.	Dr. Krishna Murthy Ella	No. of Shares at the beginning	% of total shares of the Company	Date	Increase/Decrease in Shareholding	Reason	Cumulative Shareholding during the year (01-04-15 to 31-03-16)	
							No. of Shares	% of total shares of the Company
6.	At the beginning of the Year	400000	0.20		No Change during the Year			
At the end of the year							400000	0.18

Sl. No.	K. B. Sankar Rao	No. of Shares at the beginning	% of total shares of the Company	Date	Increase/Decrease in Shareholding	Reason	Cumulative Shareholding during the year (01-04-15 to 31-03-16)	
							No. of Shares	% of total shares of the Company
7.	At the beginning of the Year	3666950	1.80		No Change during the Year			
At the end of the year							3666950	1.69

Key Managerial Personnel

Sl. No.	V V S Murthy	No. of Shares at the beginning	% of total shares of the Company	Date	Increase/Decrease in Shareholding	Reason	Cumulative Shareholding during the year (01-04-15 to 31-03-16)	
							No. of Shares	% of total shares of the Company
1.	At the beginning of the Year	100000	0.05					
				11.05.2015	50000	Allotment under ESOP	150000	0.07
				28.08.2015	50000	Allotment under ESOP	200000	0.10
At the end of the year							200000	0.09

Sl. No.	Chaitanya Tummala	No. of Shares at the beginning	% of total shares of the Company	Date	Increase/Decrease in Shareholding	Reason	Cumulative Shareholding during the year (01-04-15 to 31-03-16)	
							No. of Shares	% of total shares of the Company
2.	At the beginning of the Year	Nil	Nil					
At the end of the year							Nil	Nil

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

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	41091.73	63.89	-	41155.62
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	52.15	-	-	52.15
Total (i+ii+iii)	41143.88	63.89	-	41207.77
Change in Indebtedness during the financial year				
Addition (including forex fluctuation)	4023.43	-	-	4023.43
Reduction	(5575.17)	(1.67)	-	(5576.84)
Net Change	(1551.74)	(1.67)	-	(1553.41)
Indebtedness at the end of the financial year				
i) Principal Amount	39539.99	62.23	-	39602.22
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	31.98	-	-	31.98
Total (i+ii+iii)	39571.97	62.23	-	39634.20

VI. Remuneration of Directors and Key Managerial Personnel

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

SI No.	Particulars of Remuneration	Name of MD/WTD/ Manager			Total Amount
		Krishna Prasad Chigurupati (Chairman & Managing Director)	Uma Devi Chigurupati (Executive Director)	Harsha Chigurupati (Executive Director)*	
1	Gross salary				
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	180.00	23.05	19.76	222.81
	(b) Value of perquisites u/s 17(2) of the Income-tax Act, 1961	26.41			26.41
	(c) Profits in lieu of salary under section 17(3) Income- tax Act, 1961				
2	Stock Option				
3	Sweat Equity				
4	Commission - as % of profit - others, specify	792.25	775.89	38.09	1606.23
5	Others, please specify				
	Total (A)	998.66	798.94	57.85	1855.45
	Ceiling as per the Act (being 10% of the net profits of the Company calculated as per section 198 of the Companies Act, 2013).				1,995.82

* Mr. Harsha Chigurupati ceased to be Executive Director and remuneration was paid till July 31, 2015.

B. Remuneration to other directors

SI No.	Particulars of Remuneration	Name of the Directors					Total Amount
		L. S. Sarma	A. P. Kurian	C. Parthasarathy	A. Arun Rao	Krishna Murthy Ella	
1	Independent Directors						
	Fee for attending Board and committee meetings	8.57	3.20	6.23	10.90	0.95	29.85
	Commission						
	Others, please specify						
	Total (1)	8.57	3.20	6.23	10.90	0.95	29.85
2	Other Non-Executive Directors	K.B. Sankar Rao	Harsha Chigurupati				
	Fee for attending Board and committee meetings	7.53	0.80				8.33
	Commission						
	Others, please specify						
	Total (2)	7.53	0.80				8.33
	Total (B)=(1+2)						38.18

Overall Ceiling as per the Act is ₹199.58 Lakhs being 1% of the net profits of the Company calculated as per section 198 of the Companies Act, 2013.

Total Managerial Remuneration*	1893.63
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* Total remuneration to Managing Director, Whole-Time Directors and other Directors (being the total of A and B).

C. Remuneration to Key Managerial Personnel other than MD/MANAGER/WTD

SI No.	Particulars of Remuneration	Key Managerial Personnel			
		CEO	VVS Murthy (CFO)	Chaitanya Tummala (CS)	Total
1	Gross salary				
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	NA	96.38	19.45	115.83
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961		0.33		0.33
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961				
2	Stock Option		70.47		70.47
3	Sweat Equity				
4	Commission - as % of profit others, specify				
5	Others, please specify				
	Total	NA	167.18	19.45	186.63

VII. Penalties / Punishment/ Compounding of Offences:

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

On behalf of the Board of Directors

Sd/-
Krishna Prasad Chigurupati
Chairman and Managing Director
DIN: 00020180

Hyderabad, April 28, 2016

Corporate Governance Report

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

Company's Philosophy on Code of Corporate Governance

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

Appropriate Governance Structure with Defined Roles and Responsibilities

The Company has put in place an internal governance structure with defined roles and responsibilities of every constituent in the system. The Company's shareholders appoint the Board of Directors, which in turn governs the Company. The Board has established six Committees to discharge its responsibilities in an effective and efficient manner. The Company Secretary at Granules acts as the Secretary to all the Committees of the Board constituted

under the Companies Act, 2013. The Chairman and Managing Director (CMD) provide overall direction and guidance to the Board. Concurrently, the CMD is responsible for overall implementation of decisions and policies. In the operations and functioning of the Company, the CMD is assisted by the Executive Director and a core group of senior level executives.

Board Leadership

A majority of the Board, 5 out of 9, are Independent Directors. At Granules, it is believed that an enlightened Board consciously creates a culture of leadership which in turn provides a long-term vision and policy approach to improve the quality of governance. The Board's actions and decisions are aligned with the Company's best interests. Granules is committed to the goal of sustainably and elevating the Company's value creation.

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

Ethics/Governance Policies

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

- Code of Conduct for Board and Senior Management
- Code of Conduct for Prohibition of Insider Trading
- Whistle Blower Policy and Vigil Mechanism
- Related Party Transactions Policy
- Corporate Social Responsibility Policy

- Performance Evaluation and Remuneration Policy for Directors, Key Managerial Personnel and other Employees
- Policy on Material Subsidiaries
- Policy on disclosure of Material Events/Information

The Board of Directors

Board Composition and Category of Directors

The Board of Directors of your Company as on the date of this report representing the optimum blend of professionalism, knowledge and experience. The composition of the Board and category of Directors are as follows:

Sl. No.	Name Of The Director	Category
1	Mr. Krishna Prasad Chigurupati Chairman & Managing Director DIN – 00020180	Non-Independent, Executive
2	Mr. L. S. Sarma DIN – 00009530	Independent, Non-Executive
3	Mr. A. P. Kurian DIN – 00008022	Independent, Non-Executive
4	Mr. C. Parthasarathy DIN - 00079232	Independent, Non-Executive
5	Dr. Krishna Murthy Ella DIN – 00072071	Independent, Non-Executive
6	Mr. A. Arun Rao DIN – 00876993	Independent, Non-Executive
7	Mr. Harsha Chigurupati DIN – 01606477	Non-Independent, Non-Executive
8	Mrs. Uma Devi Chigurupati DIN – 00737689	Non-Independent, Executive
9	Mr. Kolli Basava Sankar Rao DIN – 05167550	Non-Independent, Non-Executive

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

During the financial year 2015-16, the Company had the Managing Director as Chairman who belongs to the promoters group and the number of Independent Directors during the year was five, which was in compliance with the requirement of having one-half of the Board as an Independent Directors. None of the Directors on the Board are member of more than 10 (ten) Committees or Chairperson of more than 5 (five) Committees as specified in regulation 26(1) of the Listing Regulations, across all the

Companies in which he / she is a Director. The Directors made necessary disclosures regarding Committee positions in other listed entities as on March 31, 2016.

Selection of Independent Directors

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

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

Lead Independent Director

Mr. C. Parthasarathy was elected as the Lead Independent Director by the Independent Directors. The Lead Independent Director's role is as follows:

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

Meetings of Independent Directors

The Company's Independent Directors meet at least once in every financial year without the presence of Executive Directors or management personnel. Such meetings are conducted informally to enable Independent Directors to discuss matters pertaining to the Company's affairs and put forth their views to the Lead Independent Director. The Lead Independent Director takes appropriate steps to present Independent Directors' views to the Chairman and Managing Director.

One meeting of Independent Directors was held during the

year on March 26, 2016 without the presence of Executive Directors and management personnel. The details of the attendance of the Independent Directors in the meeting are as below.

Name	Number of meetings during the financial year 2015–2016	
	Held	Attended
Mr. L. S. Sarma	01	01
Mr. A. P. Kurian	01	-
Mr. C. Parthasarathy	01	-
Mr. A. Arun Rao	01	01
Mr. Krishna Murthy Ella	01	01

In the absence of Mr. C. Parthasarathy, Lead Independent Director, Mr. L.S. Sarma was elected as Lead Independent Director for the meeting held on March 26, 2016. The Independent Directors inter alia, considered the following matters in their meeting.

- Evaluation of the performance of the Board.
- Evaluation of the performance of the Non-Independent Directors.
- Evaluation of the performance of the Chairman of the Company.
- Review of quality of flow of information from Management to the Board.

Directors' Profile

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

Board Meetings, Board Committee Meetings And Procedures

Institutionalized decision-making process

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

The Board has constituted six Committees, namely Audit Committee, Nomination and Remuneration Committee, Corporate Social Responsibility Committee, Share Transfer and Stakeholders Relationship Committee, Business

Review Committee, and Risk Management Committee. The Board is authorised to constitute additional functional Committees, from time to time, depending on business needs.

Board Meetings

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

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

The meetings are usually held at the Company's office at 2nd Floor, 3rd Block, My Home Hub, Madhapur, Hyderabad.

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

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

- Annual operating plans of businesses and budgets including capital budgets and any updates;
- Quarterly results of the Company;
- Company's annual financial results, financial statements, auditors' report and Board's report;
- Minutes of meetings of the Audit Committee and other Committees of the Board;
- Any material default in financial obligations to and by the Company, or substantial non-payment for goods sold by the Company;
- Transactions that involve substantial payment towards goodwill, brand equity or intellectual property ;
- Quarterly details of foreign exchange exposures, and steps taken by management to limit risks of adverse exchange rate movement, if material;

- Non-compliance of any regulatory, statutory or listing requirements, and shareholders' service, such as dividend non-payment, share transfer delay (if any), among others;
- Appointment, remuneration and resignation of Directors;
- Formation/reconstitution of Board Committees;
- Terms of reference of Board Committees;
- Minutes of Board meetings of unlisted subsidiary companies;
- Declaration of Independent Directors at the time of appointment/annually;
- Disclosure of Directors' interest and their shareholding;
- Appointment or removal of the Key Managerial Personnel;
- Appointment of Internal Auditors and Secretarial Auditors;
- Quarterly / Annual Secretarial Audit reports submitted by Secretarial Auditors;
- Dividend declaration;
- Significant changes in accounting policies and internal controls;
- Takeover of a company or acquisition of a controlling or substantial stake in another company;
- Issue of securities;
- Recommending appointment of and fixing of remuneration of the Auditors as recommended by the Audit Committee;
- Internal Audit findings and External Audit Reports (through the Audit Committee);
- Proposals for major investments, mergers and amalgamations;
- Reports on progress made on the ongoing projects;
- Review the functioning of the subsidiary and joint venture companies;
- Related party transactions;
- Status of business risk exposures, its management and related action plans;

- Making of loans and investment of surplus funds;
- Borrowing of monies, giving guarantees or providing security in respect of loan;
- Brief on statutory developments, changes in government policies, among others with impact thereof;
- Details of litigations, prosecutions etc.;
- Compliance Certificate certifying compliance with all laws as applicable to the Company and
- Reconciliation of Share Capital Audit Report under SEBI (Depositories and Participants) Regulations, 1996.

Board material distributed in advance and Post meeting follow-up mechanism

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 regulation 17(7), read with Part A of Schedule II of Listing Regulations. 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.

Number of Board meetings held with dates

Eight (8) Board meetings were held during the year, as against the minimum requirement of four meetings. The dates of Board meeting are April 27, 2015, June 20, 2015, July 23, 2015, July 28, 2015, October 31, 2015, December 30, 2015, January 17, 2016 and January 28, 2016.

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 2015 – March 2016 and the number of Directorships and Committee Chairmanships / Memberships held by them in other Companies is given below.

Name	Category	Number of Board Meetings during the financial year 2015-16		Whether attended last AGM	Number of Directorships in other public Companies (1)	No. of Membership(s) / Chairmanship(s) of Board Committees in other Companies as on 31-03-2016
		Held	Attended			
Mr. Krishna Prasad Chigurupati Chairman & Managing Director DIN – 00020180	Non-Independent, Executive	8	8	Yes	NIL	NIL
Mr. L. S. Sarma DIN – 00009530	Independent, Non-Executive	8	8	Yes	NIL	NIL
Mr. A. P. Kurian DIN – 00008022	Independent, Non-Executive	8	6	No	3	2 (including 1 as Chairman)
Mr. C. Parthasarathy DIN - 00079232	Independent, Non-Executive	8	8	Yes	9	5 (including 2 as Chairman)
Dr. Krishna Murthy Ella DIN – 00072071	Independent, Non-Executive	8	3	No	2	1 (as Chairman)
Mr. A. Arun Rao DIN – 00876993	Independent, Non-Executive	8	8	Yes	NIL	NIL
Mr. Harsha Chigurupati DIN – 01606477	Non-Independent, Non-Executive	8	4	Yes	NIL	NIL
Mrs. Uma Devi Chigurupati DIN – 00737689	Non-Independent, Executive	8	8	Yes	NIL	NIL
Mr. Kolli Basava Sankar Rao DIN – 05167550	Non-Independent, Non-Executive	8	8	Yes	NIL	NIL

Note:

(1) The directorships, held by Directors as mentioned above, do not include directorships in foreign companies.

(2) In accordance with regulation 26(1) of the Listing Regulations, Memberships/Chairmanships of only Audit Committees and Stakeholders' Relationship Committees in all public limited companies (excluding Granules India Limited) have been considered.

Shares held by Non-Executive Directors

The number of equity shares of the Company held by Non-Executive Directors, as on March 31, 2016 are as follows:

SL. No.	Name of Non-Executive Director	No. of shares held	Percentage of paid-up capital
1.	Mr. L.S. Sarma	1,60,000	0.07
2.	Mr. A.P. Kurian	4,50,000	0.21
3.	Mr. A. Arun Rao	3,60,000	0.17
4.	Dr. Krishna Murthy Ella	4,00,000	0.18
5.	Mr. C. Parthasarathy	4,00,000	0.18
6.	Mr. Kolli Basava Sankar Rao (holding along with his spouse)	51,98,020	2.40
7.	Mr. Harsha Chigurupati (holding along with his spouse)	23,07,160	1.06

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 - Mr. Harsha Chigurupati

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

Mr. Harsha 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 served the Company from 2010 to 2015 and he was responsible for the standalone operations of Granules India including the P&L. Mr. Chigurupati completed Bachelor of Science in Business Management from Boston University.

Committees of the Board

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

following statutory and non-statutory committees:

Audit Committee

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

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

- 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.
- 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.
- Reviewing financial statements and draft audit report, including quarterly / half-yearly financial information.
- Reviewing with the management the annual financial statements before submission to the Board, focusing primarily on:
 - The changes in accounting policies and practices.

- Major accounting entries based on exercise of judgment by the management.
 - Qualifications in draft audit report.
 - Significant adjustment arising out of audit.
 - The going concern assumption.
 - Compliance with the accounting standards, 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 2015 – March 2016, 4 (Four) Audit Committee meetings were held. The dates on which the said meetings were held are: April 27, 2015, July 22, 2015, October 31, 2015, and January 27, 2016. The Audit Committee at its meeting held on April 27, 2015 had considered the audited annual accounts for the financial year 2014-15.

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

Name	Category	Number of meetings during the financial year 2015–2016	
		Held	Attended
Mr. C. Parthasarathy, Chairman*	Independent, Non-Executive	04	01
Mr. L. S. Sarma#	Independent, Non-Executive	04	04
Mr. A. P. Kurian	Independent, Non-Executive	04	04
Mr. A. Arun Rao	Independent, Non-Executive	04	04
Mr. Krishna Prasad Chigurupati	Non-Independent, Executive	04	04

Mr. L. S. Sarma resigned as Chairman of the Audit Committee and three meetings were held during his chairmanship during the FY 2015-16.

* Audit Committee was reconstituted on October 31, 2015 by appointing Mr. C. Parthasarathy as member of the Committee. He was also elected as Chairman of the Committee. One meeting was held after the reconstitution of the Committee.

The Audit Committee meetings were also attended by the partner / representatives of Statutory Auditors, Internal Auditors and Cost Auditors. Mr. L.S. Sarma, then Chairman of the Audit Committee, was present at the last Annual General Meeting of the Company held on August 13, 2015. Ms. Chaitanya Tummala, Company Secretary of the Company also acts as the Secretary to the Audit Committee.

Nomination & 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 for the FY 2015-16 comprises of three Independent Non-Executive Directors, one Non-Independent Non-Executive Director and one Executive Director. Mr. C. Parthasarathy, Independent Director, is the Chairman of the Committee.

2 (Two) meetings of the Nomination & Remuneration Committee were held during the financial year 2015 – 2016. The dates on which the said meetings were held are: May 09, 2015 and June 20, 2015. The composition of the Nomination & Remuneration Committee and particulars of meetings attended by the members of the Committee are given below:

Name	Category	Number of meetings during the financial year 2015–2016	
		Held	Attended
Mr. C. Parthasarathy, Chairman	Independent, Non-Executive	02	02
Mr. L. S. Sarma	Independent, Non-Executive	02	02
Mr. A. Arun Rao	Independent, Non-Executive	02	01
Mr. K.B. Sankar Rao	Non-Independent, Non-Executive	02	02
Mr. Krishna Prasad Chigurupati	Non-Independent, Executive	02	02

Share Transfer and Stakeholders Relationship Committee

Share Transfer and Stakeholders Relationship Committee was constituted to specifically look into the matters of investor's grievances such as transfer, transmission, split and consolidation of investor's holding, replacement of lost / mutilated / stolen share certificates, dematerialization of

shares, non-receipt of dividend / notices / annual reports and change of addresses, among others. The main object of the Committee is to strengthen investor relations. The Committee also evaluates the performance and service standards of the Registrar and Share Transfer Agent of the Company and also provides continuous guidance to improve the service levels for the investors.

11 (eleven) meetings of the Committee were held during the year April 2015- March 2016. During the said period, 108 (One hundred and eight) complaints / requests were received from the shareholders and all their grievances were redressed and no complaint / request is pending. The composition of the Committee during the year April 2015 – March 2016 and the details of meetings attended by its members are given below:

Name	Category	Number of meetings during the financial year 2015–2016	
		Held	Attended
Mr. A. Arun Rao, Chairman	Independent, Non-Executive	11	10
Mrs. Uma Devi Chigurupati	Non-Independent, Executive	11	11
Mr. Krishna Prasad Chigurupati	Non-Independent, Executive	11	11

Company Secretary and Compliance officer

Name of the Company Secretary and Compliance Officer	Ms. Chaitanya Tummala
Address	02nd Floor, 03rd Block, My Home Hub, Madhapur, Hyderabad (TS)
Contact Telephone	+91-40-3066 0000
E-mail	investorrelations@granulesindia.com
Fax	+91-40-2311 5145

Business Review Committee

The Board constituted a Business Review Committee to advise on all matters related to the management / operations of the Company. The Business Review Committee meets periodically to review inter alia the operational and financial performance of the Company. 12 (twelve) meetings of the Committee were held during the year April 2015 - March 2016 on April 27, 2015, May 11, 2015, 11th June 2015, July 22, 2015, August 13, 2015, September 10, 2015, October 30, 2015, November 16, 2015, December 21, 2015, January 27, 2016, February 12, 2016 and March 26, 2016.

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

Name	Category	Number of meetings during the financial year 2015–2016	
		Held	Attended
Mr. K.B. Sankar Rao, Chairman*	Non-Independent, Non-Executive	12	12
Mr. L. S. Sarma	Independent, Non-Executive	12	12
Mr. C. Parthasarathy	Independent, Non-Executive	12	08
Mr. Krishna Prasad Chigurupati	Non-Independent, Executive	12	11
Mr. A. Arun Rao	Independent, Non-Executive	12	12

* During the year under review, Mr. K.B. Sankar Rao was elected as Chairman of the Committee in place of Mr. C. Parthasarathy and five meetings were held after the change in Chairman of the Committee.

Corporate Social Responsibility (CSR) Committee

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

Name	Category	Number of meetings during the financial year 2015–2016	
		Held	Attended
Mrs. Uma Devi Chigurupati, Chairperson	Non-Independent, Executive	3	3
Mr. Krishna Prasad Chigurupati	Non-Independent, Executive	3	3
Mr. A. Arun Rao	Independent, Non-Executive	3	1

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

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

- Strive for economic development that positively impacts the society at large with minimal resource footprints.

- Be responsible for the Company's actions and encourage a positive impact through its activities on the environment, communities and stakeholders.

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

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

Risk Management Committee

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

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

Name	Category	Number of meetings during the financial year 2015–2016	
		Held	Attended
Mrs. Uma Devi Chigurupati, Chairperson	Non-Independent, Executive Director	01	01
Mr. K.B. Sankar Rao	Non-Independent, Non-Executive Director	01	01
Mr. Krishna Prasad Chigurupati	Non-Independent, Executive Director	01	01
Mr. B. Madhusudan Rao	Chief Operating Officer	01	01

The Company Secretary shall act as the Secretary of the Committee.

Role and Responsibilities of the Committee includes the following

- Framing of Risk Management Plan and Policy
- Monitoring of Risk Management Plan and Policy
- Validating the process of Risk Management
- Validating the procedure for Risk Minimisation
- Periodically reviewing and evaluating the Risk Management Policy and practices with respect to risk assessment and risk management processes
- Continually obtaining reasonable assurance from management that all known and emerging risks have been identified and mitigated or managed
- Performing such other functions as may be necessary or appropriate for the performance of its oversight function

Directors' Remuneration

Remuneration policy

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

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

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

Remuneration paid to the Chairman and Managing Director and Whole-time Directors during the FY 2015-16

Name	(₹ in Lakhs)			
	Salary	Perquisites	Commission	Total
Mr. Krishna Prasad Chigurupati Chairman & Managing Director	180.00	26.41	792.25	998.66
Mrs. Uma Devi Chigurupati Executive Director	23.05		775.89	798.94
Mr. Harsha Chigurupati*	19.76		38.09	57.85

* Mr. Harsha Chigurupati ceased to be Executive Director and remuneration was paid till July 31, 2015.

Remuneration paid to Non-Executive Directors during the FY2015-16

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

Following are the details of sitting fees paid to the Directors for attending Board and Committee meetings during the FY 2015-16:

Name	Sitting fee (₹)
Mr. L. S. Sarma	8,57,500
Mr. A. P. Kurian	3,20,000
Dr. Krishna Murthy Ella	95,000
Mr. C. Parthasarathy	6,22,500
Mr. Arun Rao Akinepally	10,90,000
Mr. Kolli Basava Sankar Rao	7,52,500
Mr. Harsha Chigurupati*	80,000

*Mr. Harsha Chigurupati was paid sitting fees for attending Board meetings since November 2015 upon change in his designation from Executive to Non-Executive Director.

General Body Meetings

Annual General Meetings

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

AGM	Year	Location	Date	Time	Number of special resolutions passed
24 th	2015	Hotel Taj Banjara, Road No.1, Banjara Hills, Hyderabad	13/08/2015	4.00 PM	3
23 rd	2014	Hotel Taj Banjara, Road No.1, Banjara Hills, Hyderabad	28/08/2014	4.00 PM	10
22 nd	2013	Cyan Hall, Hotel Marigold, Ameerpet, Hyderabad	19/08/2013	4.00 PM	2

Extraordinary General Meeting:

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

Year	Location	Date	Time	Number of special resolutions passed
2015	Hotel Taj Banjara, Road No.1, Banjara Hills, Hyderabad	24/08/2015	4.00 PM	1
2015	Hotel Taj Banjara, Road No.1, Banjara Hills, Hyderabad	27/02/2015	4.00 PM	4
2013	Hotel Aditya Sarovar Premiere, Hitec City, Gachibowli, Hyderabad	06/12/2013	4.00 PM	3

Postal Ballot

For the year ended March 31, 2016 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.

Disclosures

i) Related Party Transactions

During the year ended March 31, 2016, 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. All related party transactions are negotiated on an arms length basis, and are intended to further the Company's interests. In compliance with regulation 53(f) of the Listing Regulations and the accounting standard 18, transactions with related parties are disclosed in the notes to accounts.

ii) Details of non-Compliance etc.

The Company complied with the requirements of the Stock Exchanges, SEBI and other statutory authorities on all matters related to capital markets; no penalties or strictures were imposed on the Company by the Stock Exchanges or SEBI.

iii) Disclosure of Accounting Treatment

The Company has followed the accounting standards in the preparation of its financial statements.

iv) Whistle Blower policy

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

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

v) Board Disclosures -Risk Management

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

vi) Subsidiary Companies

The Company does not have any material 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 regulation 24(1) of the Listing Regulations does not arise. However, the Company has two foreign subsidiaries namely, Granules USA Inc. and Granules Pharmaceuticals, Inc.

Subsidiary Companies Monitoring Framework

All subsidiary companies are Board managed with their Boards having the rights and to manage such companies in the best interest of their stakeholders. The Company monitors performance of subsidiary companies, inter alia, by the following means:

- Financial statements, in particular investments made by unlisted subsidiary companies, are reviewed by the Company's Audit Committee and the Board.
- Minutes of Board meetings of unlisted subsidiary companies are placed before the Company's Board regularly.
- A statement containing all significant transactions and arrangements entered into by unlisted subsidiary companies is placed before the Company's Board.

vii) Code of Conduct

The Company has laid down a "Code of Conduct" for the Directors and the Senior Management Personnel. The code has been posted on the website of the Company. The members of the Board including Independent Directors and Senior Management Personnel of the Company have affirmed compliance

with the Code of Conduct as at March 31, 2016. A declaration to this effect signed by Mr. Krishna Prasad Chigurupati, Chairman and Managing Director is given in **Annexure** to this report.

viii) CEO and CFO certification

The Chairman and Managing Director and the Chief Financial Officer have certified to the Board regarding compliance of matters specified in regulation 17(8) read with Part B of Schedule II of the Listing Regulations and the same forms part of this Corporate Governance Report. The certificate has been reviewed by the Audit Committee and taken on record by the Board at the meeting held on April 28, 2016.

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

During the year ended March 31, 2016, ₹131.08 Crores was received by the Company upon issue of warrants to promoters on preferential basis. Out of the total proceeds received, ₹103.91 Crores was adjusted against conversion of warrants into equal number of equity shares and the balance amount is outstanding at the end of the year. The proceeds are being utilized for capital expenditure, working capital requirements and for investment in subsidiary companies.

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

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

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

xi) Familiarisation programmes for Board Members

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

xii) Policy on Material Subsidiaries

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

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

xiii) Related Party Transactions Policy

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

xiv) Prevention of Insider Trading

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

xv) Commodity Price Risks and Commodity Hedging Activities

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

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

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

Means of Communication

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

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

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

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

Annual Report: The annual report containing, inter alia, audited standalone financial statement, consolidated financial statement, Director's report, Auditor's report, Corporate Governance report and other important information is circulated to members and others entitled thereto.

Management Discussion and Analysis (MDA) Report

The report on MDA is annexed to the Director's report and forms part of the annual report.

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

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

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

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

Dedicated e-mail ID investorrelations@granulesindia.com

General Shareholder Information

Company Registration Details

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

Annual General Meeting

Thursday, August 11, 2016 at 4.00 P.M. at Taj Banjara, Road No.1, Banjara Hills, Hyderabad – 500 034 (TS), India.

Financial year

April 1 to March 31

Date of Book Closure

August 05, 2016 to August 11, 2016 (both days inclusive)

Dividend Payment

The final dividend, if declared, shall be paid /credited on or before September 10, 2016. Company has paid interim dividend of 45 paise per equity share during the year.

Listing on Stock Exchanges

Equity Shares

Bombay Stock Exchange Limited (BSE)

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

National Stock Exchange of India Limited (NSE)

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

Payment of Listing Fees

Annual listing fee for the year 2016-17 has been paid by the Company to BSE and NSE.

Payment of Depository Fees

Annual Custody fee for the year 2016-17 has been paid by the Company to CDSL and will be paid to NSDL on receipt of the invoice.

Tentative calendar for financial year ending March 31, 2017:

The tentative dates of meeting of Board of Directors for consideration of quarterly financial results for the financial year ending March 31, 2017 are as follows:

Results	Tentative Dates
First quarter results	August 11, 2016
Second quarter and half yearly results	October 27, 2016
Third quarter results	January 25, 2017
Fourth quarter and annual results	April 27, 2017

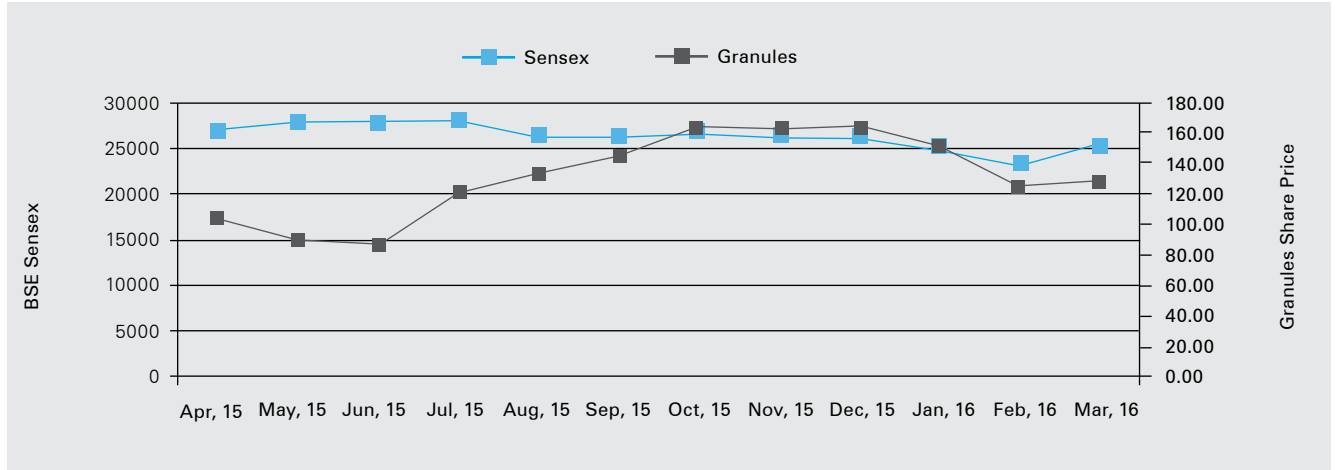
Stock Market Price Data

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

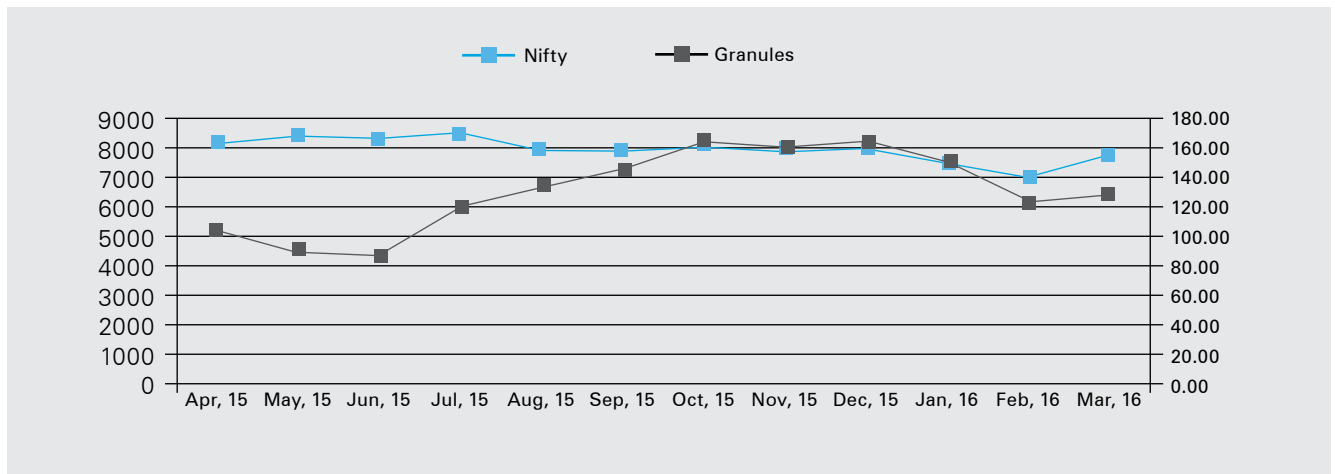
Month	Bombay Stock Exchange (BSE)			National Stock Exchange (NSE)		
	High	Low	Volume	High	Low	Volume
Apr-15	104.00	75.20	12300222	104.40	75.00	42134625
May-15	90.50	82.55	3598773	90.45	82.50	19282470
Jun-15	87.60	75.55	2745131	87.25	75.30	25712719
Jul-15	121.60	80.00	32406202	121.60	80.00	107819622
Aug-15	134.00	101.50	10755795	134.20	101.25	50921354
Sep-15	146.00	103.00	9633192	145.85	103.00	46197737
Oct-15	164.20	139.30	7620032	164.35	139.10	37994793
Nov-15	161.80	135.00	4677614	161.90	134.90	22329805
Dec-15	164.45	144.20	3864423	164.40	144.25	17383971
Jan-16	151.65	102.30	5477097	151.90	102.20	28547203
Feb-16	123.60	101.25	4248586	123.70	101.40	23463498
Mar-16	128.50	105.00	3763155	128.6	105.65	29358168

Performance of Share Price

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



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



Registrar and Transfer Agents

M/s. 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,
Karvy Selenium Tower B, 6th Floor Plot 31-32, Gachibowli,
Financial District
Nanakramguda, Hyderabad – 500 032
Tel: +91-40-67161500 Toll Free No.: 1-800-3454-001;
Fax: +91-40-23001153 e-mail: einward.ris@karvy.com
Website: www.karvycomputershare.com

Share Transfer System

Share transfers are processed by the Registrar and Transfer Agent and approved by the Share Transfer and

Stakeholders Relationship 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 30 days from the date of receipt, subject to the documents being valid and complete in all respects.

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.

Shareholding

a) Shareholding pattern by size as on March 31, 2016

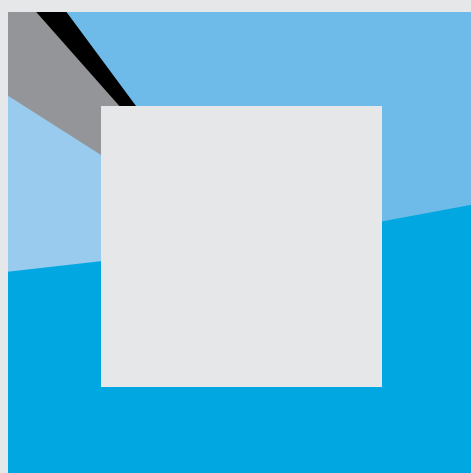
Category (Shares)	No. of Shareholders	No. of Shares held	Percentage of Shareholding
1 - 5000	62,716	3,07,45,245	14.19
5001 - 10000	1,170	87,95,341	4.06
10001 - 20000	570	82,80,939	3.82
20001 - 30000	197	49,78,085	2.30
30001 - 40000	110	38,96,102	1.80
40001 - 50000	68	31,38,124	1.45
50001 - 100000	107	73,74,978	3.40
100001 & ABOVE	121	14,95,02,956	68.99
TOTAL	65,059	21,67,11,770	100

b) Shareholding pattern category wise as on March 31, 2016

Category (Shares)	No. of Shares held	Percentage of Shareholding
Promoters/Associates	11,08,40,113	51.15
Mutual Funds, Banks , FIs, FPI etc.	2,31,90,880	10.70
Bodies Corporate	97,30,123	4.49
HUF	27,77,851	1.28
Individual Shareholders	7,01,72,803	32.38
TOTAL	21,67,11,770	100

The graphical presentation of the shareholding pattern of the Company as on March 31, 2016 is herein under provided:

Number of Shares held (%)



- Promoters/Associates 51.15%
- Mutual Funds, Banks, FIs & FPIs 10.70%
- Bodies Corporate 4.49%
- HUF 1.28%
- Individual Shareholders 32.38%

Dematerialization of shares and liquidity

The Company's shares are compulsorily traded in dematerialised form and are available for trading on both the depositories in India viz. the National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL). The Company's equity shares, representing 99.57% of the Company's share capital were dematerialised as on March 31, 2016.

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 INE101D01020.

Outstanding GDRs / ADRs / warrants

Out of 1,86,56,000 warrants allotted to M/s. Tyche Technologies Private Limited, Promoter group Company, 1,14,01,000 warrants are outstanding for conversion as on March 31, 2016.

Employee Stock Options

The information on Options granted by the Company during the financial year 2015-16 and other particulars with regard to Employees' Stock Options are set out in the Director's Report.

Unclaimed Suspense Account

1,81,000 equity shares of ₹1/- each comprising of 68 folios are unclaimed as on March 31, 2016. Reminders were sent to the registered address of the holders of these unclaimed shares and balance of unclaimed shares shall be transferred to Unclaimed Suspense account as per the provisions of regulation 39(4) read with Schedule VI of the Listing Regulations.

Plant locations

- a. Plot No. 15/A/1, Phase III, I.D.A. Jeedimetla, Hyderabad-500 055 (TS).
- b. Temple Road, Bonthapally, P.O. Jinnaram Mandal, Medak District, -502 313 (TS).
- c. Plot No. 160/A & 161/E, Gagillapur Village, Qutubullapur Mandal, Ranga Reddy District-500 043 (TS).
- d. Plot No :- 8, J.N Pharma city, Tadi village, Parawada Mandal, Vishakhapatnam- 531021.
- e. Plot No. 216, Bonthapally, Jinnaram Mandal, Medak District , (TS).

R & D Centres

- a. Plot No. 160/A, 161/E, Gagillapur, Qutubullapur Mandal, R R District (TS) -500 043.
- b. Plot No. 15/A/1, Phase-III, I.D.A, Jeedimetla, Hyderabad (TS) – 500 055.
- c. Gate no 258, Shreeram Building, Lawale Phata, Pirangut, Tal Mulshi, District Pune (MH) -412 111
- d. Plot no. 56, Road no. 5, ALEAP Industrial Area, Pragathi Nagar, Hyderabad (TS)-500 072

Address for correspondence**Company Secretary**

Granules India Limited

2nd Floor, 3rd Block, My Home Hub,

Madhapur, Hyderabad (TS) – 500081, India

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

E-mail: investorrelations@granulesindia.com

Website: www.granulesindia.com

Green Initiative in the 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, Auditors Report, Audited Financial Statements, dividend intimations etc., by email. Physical copies are sent only to those shareholders whose email addresses are not registered with the depositories / Registrar and Transfer Agent and for the bounced-mail cases. Shareholders are requested to register their email id with Registrar and Transfer Agent / concerned Depository to enable the Company to send the documents in electronic form or inform the Company in case they wish to receive the above documents in paper mode.

On behalf of the Board of Directors

Sd/-

Krishna Prasad Chigurupati

Chairman and Managing Director

DIN: 00020180

Hyderabad, April 28, 2016

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

Name of Director	Mr. Harsha Chigurupati
Date of Birth	September 05, 1983
Date of Appointment	July 26, 2010
Relationship with other Directors	Son of Mr. Krishna Prasad Chigurupati, Chairman and Managing Director and Mrs. Uma Devi Chigurupati, Executive Director.
Expertise in specific functional area	Wide experience in pharmaceutical field.
Profile	Mr. Harsha 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 served the Company from 2010 to 2015 and he was responsible for the standalone operations of Granules India Ltd. including the P&L. Mr. Chigurupati completed Bachelor of Science in Business Management from Boston University.
Board membership of other Indian Companies	Chigurupati Technologies Pvt. Ltd
Chairman/member of the Committee of the Board of Directors of the Company	Nil
Chairman / member of the Committees in other companies in which he is a Director	Nil
Number of shares held in the company	22,77,660 equity shares of ₹1/- each

Mr. Krishna Prasad Chigurupati, Mrs. Uma Devi Chigurupati 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 relationship between the other Board members and Key Managerial Personnel.

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

As provided under regulation 34(3) read with Schedule V of the Listing Regulations, the Board of Directors and the Senior Management Personnel have confirmed compliance with the Code of Conduct and Ethics for the financial year ended March 31, 2016.

Place: Hyderabad
Date: April 01, 2016

Sd/-
Krishna Prasad Chigurupati
Chairman & Managing Director
DIN: 00020180

Certification on Financial Statements for the financial year ended March 31, 2016 pursuant to regulation 17(8) of the Listing Regulations

We hereby certify that:

- a. We have reviewed financial statements and the cash flow statement for the year ended March 31, 2016 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/-
Krishna Prasad Chigurupati
Chairman & Managing Director
DIN: 00020180

Auditors' Certificate

To

The Members of Granules India Limited

We have examined the compliance of Corporate Governance by Granules India Limited, for the year ended on March 31, 2016, as stipulated in regulation 34(3) read with schedule V of the Listing Regulations.

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 Regulations.

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 Stakeholders Relationship 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
FRN: 001584S

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

Place: Hyderabad
Date: April 28, 2016

FINANCIAL STATEMENTS

Independent Auditors' Report

To the Members of Granules India Limited

Report on the Standalone Financial Statements

1. We have audited the accompanying standalone financial statements of Granules India Limited ("the Company"), which comprises the Balance Sheet as at March 31, 2016, the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Standalone Financial Statements

2. The Company's Board of Directors are responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

3. Our responsibility is to express an opinion on these standalone financial statements based on our audit. We have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the audit report under the provisions of the Act and the Rules made thereunder. We conducted our audit in accordance with the Standards on Auditing, issued by the Institute of Chartered Accountants of India, as specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the standalone financial statements are free from material misstatement.
4. 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 financial controls relevant to the Company's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by the Company's Directors, as well as evaluating the overall presentation of the financial statements.
5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the standalone financial statements.

Opinion

6. In our opinion and to the best of our information and according to the explanations given to us, the standalone 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, of the state of affairs of the Company as at March 31, 2016, its Profit and its cash flows for the year ended on that date.

Report on Other Legal and Regulatory Requirements

7. As required by the Companies (Auditor's report) Order, 2016 ("the Order") issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the 'Annexure A', a statement on the matters specified in paragraphs 3 and 4 of the Order.
8. As required by section 143 (3) of the Act, we report that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the 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 it 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 aforesaid standalone financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
- (e) On the basis of written representations received from the directors as on March 31, 2016, and taken on record by the Board of Directors, none of the directors are disqualified as on March 31, 2016, from being appointed as a director in terms of section 164 (2) of the Act.
- (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in 'Annexure B'.
- (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
 - i) The Company disclosed the impact of pending litigations on its financial position in its standalone financial statements - Refer Note 2.40 to the financial statements.
 - ii) The Company did not have any long-term contracts including derivative contracts for which there were any material foreseeable losses.
 - iii) There were no amounts which were required to be transferred to the Investor Education and Protection Fund by the Company.

For Kumar & Giri
Chartered Accountants
FRN 001584S

Sd/-
J.Bhadra Kumar
Partner
Membership No.025480

Place: Hyderabad
Date: April 28, 2016

‘Annexure A’ referred to in paragraph 7 of our report of even date:

- (i) (a) The Company has maintained proper records showing full particulars, including quantitative details and situation of fixed assets.
- (b) Fixed assets have been physically verified by the management during the period and no material discrepancies were identified on such verification.
- (c) Based on our audit procedures performed for the purpose of reporting the true and fair view of the financial statements and according to the information and explanations given by the management, title deeds of all the immovable properties are held in the name of the Company.
- (ii) (a) The Inventories of raw materials, packing materials, consumables, stores, work-in-progress and finished goods have been physically verified during the year at regular intervals by the management.
- (b) 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.
- (c) The company is maintaining the proper records for recording the inventory and the discrepancies noticed on verification of stocks as compared to books were not material and have been properly dealt with in the books of accounts.
- (iii) The Company has granted loans to parties covered in the register maintained under section 189 of the Act and complied with the provisions of the said Act..
- (iv) In our opinion and according to the information and explanations given to us, the Company has complied with the provisions of section 185 and 186 of Act, in respect of loans, investments, guarantees, and security to the extent applicable to it.
- (v) According to the information and explanations given to us, the company has not accepted any deposits from the public within the meaning of section 73 to 76 of the Act and the rules framed thereunder. Therefore, the provisions of clause 3(v) of the order are not applicable to the Company.
- (vi) The Central Government has prescribed maintenance of cost records under the provisions of Section 148(1) of the Companies Act, 2013 in respect of manufacturing activities of the company. The company has maintained accounts and records of such activities.
- (vii) (a) The company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Employees State Insurance, Income tax, Wealth Tax, Sales tax, Service tax, Customs Duty, 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 31.03.2016 for period exceeding 6 months from the date they became payable.
- (b) Reference is invited to Note No.2.40 regarding pending litigations with various authorities in respect of Income-tax, Customs duty, Sales tax, Service tax, Excise duty, Cess.
- (viii) 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, bank, Government or debenture holders as at the Balance Sheet date.
- (ix) According to the information and explanations given to us and based on our verification, the Company has not raised moneys by way of public issue and moneys raised by way of term loans were applied for the purpose for which the loans were obtained.
- (x) Based upon the audit procedures performed for the purpose of reporting the true and fair view of the financial statements and as per the information and explanations given by the management, we report that no fraud on or by the Company has been noticed or reported during the year.
- (xi) In our opinion, the managerial remuneration has been paid or provided in accordance with the requisite approvals mandated by the provisions of section 197 read with Schedule V of the Companies Act, 2013.

- (xii) In our opinion, the Company is not a chit fund or a nidhi / mutual benefit fund / society. Therefore, the provisions of clause 3(xii) of the Order are not applicable to the Company.
- (xiii) In our opinion, all the transactions with the related parties are in compliance with section 177 and 188 of the Act, where applicable and the details have been disclosed in the notes to the financial statements as required by applicable accounting standards.
- (xiv) During the year, the Company has made preferential allotment of warrants to promoters and promoter group entities numbering 40,95,230 warrants @ ₹84.91 each and 1,86,56,000 warrants @ ₹95.30 each totalling to ₹21256.43 lakhs. Out of the said warrants, a total of 40,95,230 at ₹84.91 each and 72,55,000 at ₹95.30 each were converted into equity shares of ₹1/- each. The company has complied with the requirement of section 42 of the Companies Act 2013 for the allotment of warrants/shares and has applied the funds received there from for the purpose for which the funds were raised.
- (xv) According to the information and explanations given to us and on an overall examination of the financial statements of the Company, we report that the Company has not entered into any non-cash transaction with directors or persons connected with him.
- (xvi) In our opinion, the Company is not required to be registered under section 45-IA of the Reserve Bank of India Act, 1934.

For Kumar & Giri
Chartered Accountants
FRN 001584S

Sd/-
J.Bhadra Kumar
Partner
Membership No.025480

Place: Hyderabad
Date: April 28, 2016

Annexure 'B'

Annexure to the independent auditor's report of even date on the Standalone financial statements of Granules India Limited

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of section 143 of the Companies Act, 2013 ("the Act")

We have audited the internal financial controls over financial reporting of Granules India Limited ("the Company") as of March 31, 2016 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

The Company's management is responsible for establishing and maintaining internal financial controls based on the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

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

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

Meaning of Internal Financial Controls Over Financial Reporting

A Company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisitions, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitation of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not to be detected. Also, projections of any evaluation of the internal financial controls over financial reporting to future periods are subject to the risk that the internal financial control over financial reporting may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

In our opinion, the company has, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, based on the internal controls over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For Kumar & Giri
Chartered Accountants
FRN.001584S

Sd/-
J.Bhadra Kumar
Partner
Membership No.025480

Place: Hyderabad
Date: April 28, 2016

Standalone Balance Sheet

(₹ In Lakhs)

	Note	As at March 31, 2016		As at March 31, 2015	
EQUITIES & LIABILITIES					
Shareholders' Funds					
Share Capital	2.1	2,167.12		2,042.52	
Reserves and Surplus	2.2	61,413.07		40,498.41	
Money received against share warrants		2,716.29	66,296.48	-	42,540.93
Non-current liabilities					
Long-term borrowings	2.3		18,421.27		24,267.40
Deferred tax Liabilities	2.4		6,115.92		5,328.10
Long-term provisions	2.5		528.23		396.98
Current liabilities					
Short-term borrowings	2.6	14,748.17		11,486.95	
Trade Payables	2.7	17,715.29		18,323.55	
Other current liabilities	2.8	7,886.47		6,983.67	
Short-term provisions	2.9	680.12	41,030.05	1,344.93	38,139.10
TOTAL			1,32,391.95		1,10,672.51
ASSETS					
Non-current assets					
Fixed Assets					
Tangible assets	2.10	44,046.56		43,527.54	
Intangible assets	2.11	8,282.25		8,689.28	
Capital Work in Progress		3,527.77	55,856.58	1,849.97	54,066.79
Non-current investments	2.12		8,850.64		7,247.19
Long-term loans and advances	2.13		7,678.35		1,869.65
Other non-current assets	2.14		69.31		183.60
Current assets					
Inventories	2.15	21,012.78		17,939.62	
Trade receivables	2.16	19,879.04		19,409.12	
Cash and cash equivalents	2.17	11,070.06		5,223.09	
Short-term loans and advances	2.18	7,319.18		4,436.71	
Other current assets	2.19	656.01	59,937.07	296.74	47,305.28
TOTAL			1,32,391.95		1,10,672.51

Significant Accounting Policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date
for Kumar & Giri
Chartered Accountants
FRN 001584S

For and on behalf of the Board of Directors

Sd/-
J.Bhadra Kumar
Partner
Membership No.025480

Sd/-
Krishna Prasad Chigurupati
Chairman and Managing Director
DIN: 00020180

Place: Hyderabad
Date: April 28, 2016

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

Sd/-
Chaitanya Tummala
Company Secretary

Statement of Profit and Loss

(₹ In Lakhs)

	Note	for the year ended March 31, 2016	for the year ended March 31, 2015
INCOME			
I. Revenue from operations	2.20	1,32,849.38	1,21,487.25
II. Other Income (Net)	2.21	628.70	140.20
III. Total Revenue (I+II)		1,33,478.08	1,21,627.45
IV. Expenses			
Cost of Materials consumed	2.22	75,145.13	71,777.12
Changes in inventories of finished goods and work-in-progress	2.23	(2,180.20)	(1,056.18)
Employee benefits expenses	2.24	10,526.70	8,923.21
Other Expenses	2.25	22,413.87	20,708.55
Total		1,05,905.50	1,00,352.70
EBITDA			
		27,572.58	21,274.75
Finance Cost	2.26	3,666.34	3,092.94
Depreciation and Amortisation expense	2.10/2.11	5,824.71	4,955.87
Total Expenses		1,15,396.55	1,08,401.51
V. Profit Before Tax (III-IV)		18,081.53	13,225.94
VI. Tax expense:			
(1) Current		5,197.28	2,871.52
(2) Deferred		787.81	831.78
Profit/ (Loss) for the period (V-VI)		12,096.44	9,522.64
Earnings Per Share			
(Equity Shares, Par Value of ₹1 each)			
- Basic		5.85	4.67
- Diluted		5.74	4.62

Significant Accounting Policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date
for Kumar & Giri
Chartered Accountants
FRN 001584S

For and on behalf of the Board of Directors

Sd/-
J.Bhadra Kumar
Partner
Membership No.025480

Sd/-
Krishna Prasad Chigurupati
Chairman and Managing Director
DIN: 00020180

Place: Hyderabad
Date: April 28, 2016

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

Sd/-
Chaitanya Tummala
Company Secretary

Cash Flow Statement

(₹ In Lakhs)

	for the year ended March 31, 2016		for the year ended March 31, 2015	
A Cash Flow from Operating Activities				
Net Profit before tax		18,081.53		13,225.94
Adjustments for:				
Depreciation & amortisation Expense	5,824.71		4,955.87	
Misc. Expenditure written off	121.93		119.65	
(Profit) / Loss on sale of assets	15.49		50.95	
Provision for doubtful debts/ written off	24.07		10.58	
Interest & dividend income	(588.31)		(138.68)	
Interest & finance charges	3,666.34	9,064.23	3,092.94	8,091.31
Operating profit before working capital changes		27,145.76		21,317.25
(Increase)/decrease in Trade and other receivables		(3,851.73)		(5,640.52)
(Increase)/decrease in inventories		(3,073.16)		(3,758.49)
Increase/(decrease) in Payable & Other liabilities		(552.51)		4,703.72
Cash generated from operations		19,668.36		16,621.96
Direct Taxes paid		4,759.29		3,124.37
Net Cash from operating activities		14,909.07		13,497.59
B Cash flow from Investing Activities				
Purchase of fixed assets	(7,728.19)		(10,249.13)	
Increase in Miscellaneous expenditure	-		(40.41)	
Investments in Subsidiary companies	(1,603.45)		(2,928.11)	
Advances to Subsidiary Company	(6,127.58)		-	
Proceeds from Sale/discard of Fixed Assets	98.22		25.48	
Interest/dividends received	577.54		164.06	
Net Cash used in investing activities		(14,783.46)		(13,028.11)
C Cash flow from Financing Activities				
Increase/(decrease) in Working Capital Loans	3,261.22		2,362.20	
Interest & finance charges paid	(3,686.51)		(3,101.01)	
Increase in Share capital & Share Premium	10,585.58		110.57	
Share application money received & Share warrants issued	2,716.29		-	
Dividends paid (including dividend tax)	(2,340.59)		(831.25)	
Proceeds from Long Term and other non-current borrowings	689.59		6,585.24	
Repayment of long term loans	(5,504.22)		(2,638.98)	
Net Cash used in Financing Activities		5,721.36		2,486.77
Net Increase/(Decrease) in cash & cash equivalents (A+B+C)		5,846.97		2,956.25
Cash equivalents Opening Balance		5,223.09		2,266.84
Cash equivalents Closing Balance		11,070.06		5,223.09

As per our report of even date
for Kumar & Giri
Chartered Accountants
FRN 001584S

Sd/-
J.Bhadra Kumar
Partner
Membership No.025480

For and on behalf of the Board of Directors

Sd/-
Krishna Prasad Chigurupati
Chairman and Managing Director
DIN: 00020180

Place: Hyderabad
Date: April 28, 2016

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

Sd/-
Chaitanya Tummala
Company Secretary

Significant Accounting Policies & Notes to 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) and 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 financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under Section 133 of the Companies Act, 2013, read with paragraph 7 of the Companies (Accounts) Rules 2014. The financial statements have been prepared on accrual basis under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.

1.2 Use of estimates

The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities) and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates. Difference between the actual results and the estimates are recognized in the periods in which the results are known / materialize.

1.3 Tangible Fixed Assets:

- a. Tangible fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. The cost of fixed asset comprises of its purchase price, non-refundable taxes and levies, freight and other incidental expenses related to the acquisition and installation of the respective assets. Borrowing costs attributable to acquisition or construction of qualifying fixed assets is capitalized to respective assets when the time taken to put the assets to use is substantial. Exchange differences arising on restatement / settlement of long-term foreign currency borrowings relating to acquisition of depreciable fixed assets are adjusted to the cost of the respective assets and depreciated. Subsequent expenditure relating to fixed assets is capitalized only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance.
- b. Pre-operative expenditure comprising of revenue expenses incurred in connection with project implementation during the period up to commencement of commercial production are treated as part of project costs and are capitalized. Such expenses are capitalized only if the project to which they relate, involve substantial expansion of capacity or upgradation.

1.4 Depreciation on tangible fixed assets:

Depreciation on fixed assets is provided on a straight-line method based on the useful lives estimated by the management which are in accordance with Schedule II to the Companies Act, 2013.

The management believes that depreciation rates currently used fairly reflect its estimate of the useful lives and residual values of fixed assets.

1.5 Capital Work-in-progress:

Projects under which assets are not ready for their intended use and other capital work-in-progress are carried at cost, comprising direct cost, related incidental expenses and attributable interest.

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.

Significant Accounting Policies & Notes to Financial Statements

Software costs are capitalized and recognized as intangible assets based on materiality, accounting prudence and significant economic benefits expected to flow there from for a period longer than one year.

Intangible assets are amortized on a straight line basis over the estimated useful lives. 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. All 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.

Gains or losses arising from de recognition 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 less provision for other than temporary diminution in the carrying value of each investment.

Current investments are carried at lower of cost and fair value. Diminution in value is charged to the statement of profit and loss.

1.8 Valuation of Inventories:

Inventories are valued at the lower of cost and net realizable value. Net realizable value (NRV) is the estimated selling price in the ordinary course of the business, less the estimated costs of completion and the estimated costs necessary to make the sale. Cost of inventories comprises all cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of all categories of inventory is determined using weighted average cost method.

- a) Inventories of raw material, packing 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.
- b) 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.
- c) Goods in transit are stated at costs accrued up to the date of Balance Sheet.
- d) Stocks with consignment agents are stated at costs accrued up to the date of the Balance sheet.

1.9 Government grants:

Grants received by way of investment subsidy scheme in relation to total investment are credited to capital reserve.

1.10 Foreign currency transactions and balances:

(i) Initial recognition

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

(ii) Conversion

Foreign currency monetary items are retranslated using the exchange rate prevailing at the reporting date. Non-monetary items, which are measured in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction.

(iii) Exchange differences

The Company accounts for exchange differences arising on translation / settlement of foreign currency monetary items as below:

- a) Exchange differences arising on long-term foreign currency monetary items related to acquisition of a fixed asset are capitalized and depreciated over the remaining useful life of the asset.

Significant Accounting Policies & Notes to Financial Statements

b) All other exchange differences are recognized as income or as expenses in the period in which they arise.

1.11 Revenue Recognition:

- a. Revenue from sales is recognized when significant risk and rewards in respect of ownership of the products are transferred, recovery of the consideration is reasonably certain.
- b. Revenue from sale of goods include excise duty, sales tax and is net of sales returns.
- c. Export entitlements are recognized as income when right to receive credit as per the terms of the scheme is established in respect of the exports made.
- d. Dividend income is recognized when the unconditional right to receive dividend is established.
- e. Interest income is recognized using the time proportionate method, based on rates implicit in the transaction.
- f. Revenue in respect of other income is recognized when a reasonable certainty as to its realization exists.

1.12 Research and development expenses:

- a. Research costs not resulting in any tangible property/equipment are charged to revenue as and when incurred.
- b. 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.
- c. 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:

- a. 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.
- b. 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.
- c. Defined Benefit Plan: Gratuity for employees is covered under a scheme of Life Insurance Corporation of India (LIC). The cost of providing the benefits under this plan is determined on the basis of actuarial valuation at each year-end. Actuarial gains and losses for defined benefits plan is recognized in full in the period in which they occur in the statement of profit and loss.
- d. Other long term employee benefits: Other long term employee benefits comprise of leave encashment which is provided on the basis of 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:

a. Current Tax

The Current charge for income tax is calculated in accordance with the relevant tax regulations applicable to the Company.

b. Deferred Tax

Deferred tax charge or credit reflects the tax effects of timing difference between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in future, however, where there is unabsorbed depreciation or carry forward of losses, deferred

Significant Accounting Policies & Notes to Financial Statements

tax assets are recognized only if there is a virtual certainty of realization of such assets.

Deferred tax assets are reviewed at each balance sheet date and are written-down or written-up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realized.

1.16 EBITDA

The company presents 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.

1.17 Earnings per share

The basic earnings per share (EPS) is computed by dividing the profit after tax for the year by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, profit after tax for the year and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. The dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date. The diluted potential equity shares have been adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e., the average market value of the outstanding shares).

1.18 Provisions and contingent liabilities and contingent assets

Provisions

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

Contingent liabilities and contingent assets

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

1.19 Impairment

The Company assesses at each reporting date whether there is an indication that an asset/cash generating unit may be impaired. If any indication exists the Company estimates the recoverable amount of such assets and if carrying amount exceeds the recoverable amount, impairment is recognised. The recoverable amount is the higher of the net selling price and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using an appropriate discount factor. When there is indication that previously recognised impairment loss no longer exists or may have decreased such reversal of impairment loss is recognised in the Statement of Profit and Loss.

1.20 Leases

The Company's significant leasing arrangements are in respect of operating leases for premises that are cancellable in nature. The lease rentals under such agreements are recognised in the Statement of Profit and Loss as per the terms of the lease.

1.21 CENVAT Credit

CENVAT (Central Value added tax) credit in respect of excise, customs and service tax is accounted on accrual basis on purchase of eligible inputs, capital goods and services. The balance of CENVAT credit is reviewed at the end of each year and amount estimated to be unutilizable is charged to the statement of profit and loss for the year.

1.22 Cash and Cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits and short term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value. For this purpose, short term means investments having maturity of three months or less from the date of investment.

Significant Accounting Policies & Notes to Financial Statements

2. Notes to Financial statements

2.1 Share capital

(₹ In Lakhs)

Particulars	As at	As at
	March 31, 2016	March 31, 2015
Authorized Share capital		
34,50,00,000 Equity Shares of par value of ₹1/- each (previous year 34,50,00,000 Equity shares of par value ₹1/- each)	3,450.00	3,450.00
	3,450.00	3,450.00
Issued, Subscribed and fully paid up Share Capital		
21,67,11,770 Fully Paid up Equity Shares of par value of ₹1/- each (Previous year : 20,42,51,540 Equity Shares of ₹1/- each)	2,167.12	2,042.52
Total Issued, Subscribed and Fully Paid-up Share Capital	2,167.12	2,042.52

(a) Reconciliation of number of shares outstanding and amount at the beginning and at the end of the year

Particulars	As at March 31, 2016		As at March 31, 2015	
	No. of shares	₹ In Lakhs	No. of shares	₹ in Lakhs
Number of shares at the beginning of the year	20,42,51,540	2,042.52	20,28,11,540	2,028.12
Add: Shares issued on exercise of employee stock options	11,10,000	11.10	14,40,000	14.40
Add: Shares issued against warrants	1,13,50,230	113.50	-	-
Number of shares at the end of the year	21,67,11,770	2,167.12	20,42,51,540	2,042.52

(b) Terms/Rights attached to equity shares:

The Company has only one class of equity shares having face value of ₹1/- . Each holder of equity shares is entitled to one vote per share. The company declares dividend 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.

A final dividend of 20 paise per share of face value of ₹1/- each has been recommended by the Board of Directors at their meeting held on April 28, 2016. This is in addition to three interim dividends of 15 paise each per share of face value of ₹1/- declared and paid during the year.

Post approval of final dividend of 20 paise per equity share by the shareholders, the total dividend for the financial year 2015-16 would aggregate 65 paise per equity share of face value of ₹1/- each (dividend for the previous year 2014-15, 50 paise per equity share of face value of ₹1/- each)

In the event of liquidation of the company, the holders of equity shares will be entitled to receive the 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 March 31, 2016		As at March 31, 2015	
	No. of shares (₹ 1/- each face value)	%	No. of shares (₹ 1/- each face value)	%
Krishna Prasad Chigurupati	7,92,30,610	36.56	7,47,35,380	36.59
Investco Management LLC	-	-	2,05,42,000	10.06
Ridgeback Capital Asia Limited	-	-	1,14,41,350	5.60

Significant Accounting Policies & Notes to Financial Statements

2.2 Reserves and Surplus

(₹ In Lakhs)

Particulars	As at March 31, 2016	As at March 31, 2015
a) Capital Reserves		
Balance at the beginning of the year	455.33	168.53
Add: Capital reserve arising pursuant to scheme of amalgamation	-	286.80
Balance at the end of the year	455.33	455.33
b) Security Premium Reserve		
Balance at the beginning of the year	12,028.47	11,906.82
Add : Receipt on exercise of employee stock option plan (4,20,000 shares @ ₹ 8.10/- , 3,50,000 shares @ ₹ 13/- and 3,40,000 shares @ ₹ 30.50/-)	183.22	121.65
Add :Receipt on issue of share warrants (40,95,230 shares @ ₹ 83.91/- and 72,55,000 shares @ ₹94.30/-)	10,277.77	-
Balance at the end of the year	22,489.46	12,028.47
c) Central Subsidy	27.14	27.14
d) General Reserve		
Balance at the beginning of the year	20,786.74	10,786.74
Add: Transfer from Surplus	-	10,000.00
Balance at the end of the year	20,786.74	20,786.74
e) Surplus in Profit & Loss		
Balance at the beginning of the year	7,200.74	9,528.92
Less: Adjustment due to Merger with Auctus Pharma Ltd	-	(601.51)
Less: Net book value of the those assets whose remaining useful life is NIL as per Companies Act, 2013	-	(17.00)
Add: Net profit after tax transferred from Statement of Profit and Loss	12,096.44	9,522.64
Amount available for appropriations	19,297.18	18,433.05
Appropriations:		
Less: Equity dividend paid & proposed	1,362.36	1,021.26
Tax on equity dividend paid & proposed	277.35	207.90
Dividend of previous year including dividend tax	3.07	3.15
Transfer to General Reserve	-	10,000.00
Balance at the end of the year	17,654.40	7,200.74
Total (a+b+c+d+e)	61,413.07	40,498.41

During the year ending March 31, 2016, the employees/Directors of the Company and the entities in which Directors are interested were allotted the equity shares of the Company as follows:

Date of Allotment	No. of shares	Nominal Share Capital (₹ In Lakhs)	Securities Premium (₹ In Lakhs)	Total (₹ In Lakhs)
May 11, 2015	3,10,000	3.10	55.07	58.17
June 11, 2015	2,00,000	2.00	25.16	27.16
August 28, 2015	4,12,232	4.12	72.10	76.22
October 31, 2015	41,05,230	41.05	3,439.36	3,480.41
December 10, 2015	77,768	0.78	6.30	7.08
February 01, 2016	60,000	0.60	18.30	18.90
February 25, 2016	40,000	0.40	3.24	3.64
March 30, 2016	72,55,000	72.55	6,841.46	6,914.01
Total	1,24,60,230	124.60	10,460.99	10,585.59

Significant Accounting Policies & Notes to Financial Statements

2.3 Long – Term borrowings:

(₹ In Lakhs)

Particulars	As at	As at
	March 31, 2016	March 31, 2015
(a) Term Loans (Secured)		
Indian rupee loans from banks	10,692.50	13,982.50
Foreign currency loans from financial institutions	7,671.84	10,211.45
(b) Other Term Liabilities (Secured)		
Finance lease obligations	1.45	11.23
(c) Other Term Liabilities (Unsecured)		
Deferred sales tax loan	55.48	62.23
Total	18,421.27	24,267.40

The current portion of term loans ₹ 6,432.77 Lakhs as on March 31, 2016 (March 31, 2015: ₹5,401.27 Lakhs) shown under the other current liabilities.

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.

Out of the foreign currency loans from Financial Institutions, an amount of ₹ 3,308.50 Lakhs as on March 31, 2016 (March 31, 2015 : ₹ 3,753.96 Lakhs) was further guaranteed by the personal guarantee of the Chairman & Managing Director of the Company. However, during the year, DEG has released the personal guarantee of Chairman & Managing Director with effect from December 28, 2015.

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:

(₹ In Lakhs)

Particulars	As at	Charge/(Credit) during the period	As at
	March 31, 2015		March 31, 2016
Deferred tax liability			
Fixed Assets - Depreciation	5,535.33	880.17	6,415.50
VRS	10.19	(2.63)	7.56
Total	5,545.51	877.54	6,423.06
Deferred tax Asset			
Leave encashment	68.29	21.43	89.72
Bonus	43.12	26.37	69.49
Gratuity	106.00	41.93	147.93
Total	217.41	89.73	307.14
Net Deferred Tax Liability	5,328.10	787.81	6,115.92

2.5 Long –term Provisions:

(₹ In Lakhs)

Particulars	As at	As at
	March 31, 2016	March 31, 2015
Provision for employee benefits		
Gratuity	349.85	260.02
Compensated absences	178.38	136.96
Total	528.23	396.98

The Current portion of Gratuity Provision ₹ 77.59 Lakhs (March 31, 2015 ₹51.82 Lakhs) and Compensated absences ₹ 80.87 (March 31, 2015 ₹63.94 Lakhs) Lakhs shown under the short term provisions.

Significant Accounting Policies & Notes to Financial Statements

2.6 Short – term borrowings

(₹ In Lakhs)

Particulars	As at	As at
	March 31, 2016	March 31, 2015
Secured		
Loans repayable on demand from banks	14,748.17	11,486.95
Total	14,748.17	11,486.95

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

(₹ In Lakhs)

Particulars	As at	As at
	March 31, 2016	March 31, 2015
Payable to third parties:		
Dues to micro small and medium enterprises	247.51	242.18
Others	16,282.53	16,745.12
Payable to subsidiary companies/related parties	1,185.25	1,336.25
Total	17,715.29	18,323.55

The list of undertakings covered under MSMED Act, 2006 was determined by the Company on the basis of the information available with the Company.

2.8 Other Current Liabilities

(₹ In Lakhs)

Particulars	As at	As at
	March 31, 2016	March 31, 2015
Current maturities of Long term borrowings	6,432.77	5,401.27
Unclaimed Dividends	26.05	16.35
Interest accrued but not due on borrowings	31.98	52.15
Others Payables		
(i) Dues to Statutory Authorities	274.97	244.65
(ii) Advance from customers	298.36	458.02
(iii) Salary and Bonus payable	740.70	605.28
(iv) Dues to capital creditors	71.76	205.96
(v) Others	9.88	-
Total	7,886.47	6,983.67

There are no amounts due and outstanding to be credited to the Investors Education and protection Fund.

2.9 Short Term Provisions

(₹ In Lakhs)

Particulars	As at	As at
	March 31, 2016	March 31, 2015
Provision for employee benefits		
Gratuity	77.59	51.82
Compensated absences	80.87	63.94
Provision others		
Provision for dividend	433.42	1,021.26
Provision for dividend tax	88.24	207.90
Total	680.12	1,344.93

Significant Accounting Policies & Notes to Financial Statements

2.10 Tangible Assets

(₹ In Lakhs)

Particulars	Land	Buildings	Plant & Machinery	Computers	Office Equipment	R&D Equipment	Furniture & Fixtures	Vehicles	Total
Cost as at March 31, 2015	1,241.96	12,314.91	43,049.10	857.22	487.59	1,705.71	881.33	537.80	61,075.62
Addition/Adjustments ¹	34.56	1,154.12	3,399.95	161.07	78.49	258.26	46.01	-	5,132.46
Deletions/Adjustments	-	(37.75)	(68.66)	(0.33)	(0.84)	-	-	(59.17)	(166.76)
Exchange differences (gain)/loss	-	65.78	716.92	-	-	-	-	-	782.70
As at March 31, 2016	1,276.52	13,497.06	47,097.32	1,017.95	565.23	1,963.97	927.34	478.63	66,824.00
Depreciation									
As at March 31, 2015	-	2,397.19	13,558.12	504.17	214.70	385.48	306.46	181.94	17,548.06
Charge for the year	-	448.34	4,256.35	161.82	86.51	168.23	100.24	60.92	5,282.41
Deletions/Adjustments	-	(0.53)	(29.23)	(0.22)	(0.22)	-	-	(22.85)	(53.04)
As at March 31, 2016	-	2,844.98	17,785.24	665.76	300.99	553.71	406.69	220.01	22,777.44
Net Block									
As at March 31, 2016	1,276.52	10,652.08	29,312.08	352.19	264.24	1,410.26	520.65	258.62	44,046.56
As at March 31, 2015	1,241.96	9,917.71	29,490.97	353.05	272.89	1,320.23	574.87	355.86	43,527.54

1. The Company has capitalized borrowing cost of ₹ Nil during the year ended March 31, 2016 (Previous year ended March 31, 2015 ₹ 453.23 Lakhs)

2.11 Intangible Assets

(₹ In Lakhs)

Particulars	Technical Know How	Software	Others	Total
Gross Block as at March 31, 2015	3,189.50	215.90	8,088.33	11,493.73
Additions	-	135.26	-	135.26
As at March 31, 2016	3,189.50	351.16	8,088.33	11,628.99
Depreciation/Amortization				
As at March 31, 2015	2,584.51	24.85	195.09	2,804.45
Charge for the year	319.44	49.60	173.26	542.30
As at March 31, 2016	2,903.95	74.45	368.35	3,346.75
Net Block				
As at March 31, 2016	285.55	276.71	7,719.98	8,282.25
As at March 31, 2015	604.99	191.05	7,893.24	8,689.28

Significant Accounting Policies & Notes to Financial Statements

2.12 Non-current investments

Trade investments (valued at cost unless stated otherwise):

Particulars	(₹ In Lakhs)	
	As at March 31, 2016	As at March 31, 2015
Non-Current Investments - Trade		
Unquoted Investments		
(a) Investment in Subsidiary Company		
Granules USA, Inc. - Wholly owned subsidiary (7,00,000 fully paid equity shares)	116.31	116.31
GIL Life Sciences Private Limited, Wholly owned subsidiary (1,38,30,614 fully paid equity shares of ₹10 each)	1,383.06	294.62
Granules Pharmaceuticals, Inc. (20,00,000 fully paid equity shares)	1,225.00	1,225.00
Sub Total (a)	2,724.37	1,635.93
(b) Investment in Joint Ventures		
Granules Biocause Pharmaceutical Co.Ltd (50% Joint-venture in equity)	1,819.03	1,819.03
Granules Omnichem Private Limited (50% Joint-venture in equity)	4,288.10	3,773.10
Sub Total (b)	6,107.13	5,592.12
(c) Other Trade Investments		
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 (c)	19.07	19.07
Quoted Investments		
(d) Quoted Equity Instruments		
Ipca Laboratories Limited (250 shares of ₹2/- each, market value of ₹579.75 as on March 31, 2016)	0.07	0.07
Sub Total (d)	0.07	0.07
Grand Total (a)+(b)+(C)+(d)	8,850.64	7,247.19
Aggregated investment of quoted investments	0.07	0.07
Aggregated investment of unquoted investments	8,850.57	7,247.12
Market value of quoted investments	1.45	1.60

2.13 Long-term loans and advances (Unsecured & Considered good)

Particulars	(₹ In Lakhs)	
	As at March 31, 2016	As at March 31, 2015
Unsecured		
Security deposits	594.41	475.30
Loans and advances to related parties		
GIL Life Sciences Private Limited	10.20	10.20
Granules Pharmaceuticals, Inc.	5,249.76	-
Granules USA, Inc.	877.82	-
Advance Tax including MAT credit (Net off provision for taxes)	946.16	1,384.15
Total	7,678.35	1,869.65

Significant Accounting Policies & Notes to Financial Statements

2.14 Other Non-Current Assets

(₹ In Lakhs)

Particulars	As at March 31, 2016	As at March 31, 2015
Amalgamation Adjustment Account	15.00	15.00
Unamortized expenditure		
VRS Expenses	54.31	168.60
Total	69.31	183.60

2.15 Inventories (valued at lower of cost or net realizable value)

(₹ In Lakhs)

Particulars	As at March 31, 2016	As at March 31, 2015
a) Raw Materials	7,072.42	7,588.67
b) Raw Materials at Bonded Ware House	1,479.30	1,178.93
c) Packing Material	789.50	695.55
d) Work-in-process	4,553.86	3,589.71
e) Finished goods	4,159.07	2,943.01
f) Materials in transit	1,098.28	518.87
g) Stores & Spares and Loose Tools	1,860.35	1,424.88
Total	21,012.78	17,939.62

2.16 Trade receivables (Unsecured)

(₹ In Lakhs)

Particulars	As at March 31, 2016	As at March 31, 2015
a) Outstanding for a period exceeding six months		
Trade receivables outstanding for a period exceeding six months from the date they were due for payment		
Considered good	378.52	845.64
Considered doubtful	-	-
	378.52	845.64
Less: Provision for doubtful trade receivables	-	-
	378.52	845.64
b) Others		
considered good	19,500.52	18,563.48
Total	19,879.04	19,409.12

Note: Trade receivables include a sum of ₹2,345.97 Lakhs (Previous Year ₹1,302.11 Lakhs) due from Subsidiary Company.

2.17 Cash and cash equivalents

(₹ In Lakhs)

Particulars	As at March 31, 2016	As at March 31, 2015
Cash on Hand	15.65	18.07
Balance with Banks		
In current accounts	381.64	3.22
In EEFC accounts	28.70	170.42
In deposit accounts	10,050.39	4,200.27
In earmarked accounts		
Unpaid Dividend account	26.05	16.35
In deposits held as margin money /security for bank guarantees	567.63	814.76
Total	11,070.06	5,223.09

Significant Accounting Policies & Notes to Financial Statements

2.18 Short term Loans and Advances (unsecured and considered good)

(₹ In Lakhs)

Particulars	As at March 31, 2016	As at March 31, 2015
Loans and advances to employees	72.90	30.34
Prepaid Expenses	392.67	386.40
Balance with Government Authorities		
(i) CENVAT credit receivable	2,950.17	2,540.59
(ii) VAT & CST credit receivable	1,482.86	1,193.04
(iii) Service Tax credit receivable	68.94	138.58
Advance for capital works	2,351.64	147.76
Total	7,319.18	4,436.71

2.19 Other Current assets

(₹ In Lakhs)

Particulars	As at March 31, 2016	As at March 31, 2015
Unamortized expenditure		
VRS Expenses	114.36	122.00
Interest receivable	29.42	18.66
Other Receivables		
Export and Import entitlements	444.55	48.67
Others	67.68	107.41
Total	656.01	296.74

2.20 Revenue from operations

(₹ In Lakhs)

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Sale of Products		
- Exports	1,06,211.61	97,478.62
- Domestic	29,630.57	27,429.19
	1,35,842.18	1,24,907.81
Other Operating Revenue		
- Sale of Scrap	86.37	75.90
	86.37	75.90
Revenue from operations (Gross)	1,35,928.55	1,24,983.71
Less: Excise Duty & Sales tax	3,079.17	3,496.46
Revenue from operations (Net)	1,32,849.38	1,21,487.25

2.21 Other Income

(₹ In Lakhs)

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Interest income	588.31	138.68
Other non-operating Income		
- Miscellaneous Income	40.39	1.52
Total	628.70	140.20

Significant Accounting Policies & Notes to Financial Statements

2.22 Cost of Material Consumed

(₹ In Lakhs)

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Inventory at the beginning of the period	9,982.01	5,803.87
Add : Purchases	75,602.62	75,955.26
	85,584.63	81,759.13
Less: Inventory at the end of the period	10,439.50	9,982.01
Cost of Material Consumed	75,145.13	71,777.12

Details of material consumed (including packing material)

(₹ In Lakhs)

Particulars	FY 2015-16	FY 2014-15
Para amino phenol	18,254.49	22,035.76
Others	56,890.64	49,741.36
Total	75,145.13	71,777.12

2.23 (Increase)/Decrease in Work-in-Process and Finished goods

(₹ In Lakhs)

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Inventories at the end of the year		
Work-in-Process	4,553.86	3,589.71
Finished Goods	4,159.07	2,943.01
	8,712.93	6,532.72
Inventories at the beginning of the year		
Work-in-Process	3,589.71	2,549.50
Finished Goods	2,943.01	2,927.06
	6,532.72	5,476.56
Net (Increase)/Decrease in Work-in-Process and Finished goods	(2,180.20)	(1,056.18)

2.24 Employee Benefit Expenses

(₹ In Lakhs)

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Salaries and wages	9,434.42	8,094.00
Contribution to PF and other funds	407.70	291.64
Staff welfare expenses	684.58	537.57
Total	10,526.70	8,923.21

Significant Accounting Policies & Notes to Financial Statements

2.25 Other Expenses

Particulars	(₹ In Lakhs)	
	For the year ended March 31, 2016	For the year ended March 31, 2015
a) Manufacturing Expenses:		
Power & Fuel	3,497.13	3,632.44
Effluent Treatment expenses	679.33	675.45
Repairs & Maintenance		
- Factory Building	335.48	205.73
- Plant & Machinery	2,336.10	1,752.47
- Others	219.86	169.96
Consumables & Lab Chemicals	782.97	560.97
Analytical Fees	195.26	171.92
Other Manufacturing expenses	487.63	357.46
Manufacturing Expenses Total :	8,533.76	7,526.40
b) Freight Outward & Clearing Charges	4,275.77	4,993.25
c) Research & Development Expenses	1,531.11	840.39
d) Other Expenditure :		
Sales Commission	1,694.13	1,374.14
Discount Account	75.88	197.26
Travelling Expenses	1,215.64	981.79
Business Promotion Expense	367.11	352.52
Communication Expenses	143.90	123.68
Consultancy Charges	588.50	1,202.78
Managerial Remuneration	1855.45	1450.13
Director Sitting fees	38.18	16.58
Expenditure for Corporate Social Responsibility	140.04	30.97
Insurance	356.66	248.42
Printing & Stationary	130.38	137.88
Repairs & Maintenance Others	77.52	55.44
Auditor Remuneration	20.00	18.00
Rates & Taxes	660.56	355.52
Rent	241.12	241.25
Loss on sale of assets	15.49	50.95
Sundry Expenses	294.49	316.37
Advertisement Charges	6.49	22.72
Donations	5.69	41.89
Bad Debts written off	24.07	10.58
Miscellaneous Expenses	121.93	119.65
Other Expenses Total :	8,073.23	7,348.50
Total (a+b+c+d)	22,413.87	20,708.55

Significant Accounting Policies & Notes to Financial Statements

2.26 Finance Cost

(₹ In Lakhs)

Particulars	For the year ended March 31, 2016	For the year ended March 31, 2015
Interest expenses on		
- Term loan	2,365.78	1,768.05
- Working Capital	640.35	825.94
Interest Others	69.75	83.35
Bank Charges	590.46	415.60
Total	3,666.34	3,092.94

2.27 Payment to Statutory Auditors

(₹ In Lakhs)

Particulars	FY 2015-16	FY 2014-15
a) As Auditor	17.00	15.00
b) Tax Audit	3.00	3.00
Total	20.00	18.00

2.28 CIF Value of Imports

(₹ In Lakhs)

Particulars	FY 2015-16	FY 2014-15
i) Raw material	40,906.09	43,158.05
ii) Components and Spare Parts	374.09	308.06
iii) Capital goods	672.38	1,328.67
Total	41,952.56	44,794.78

2.29 Expenditure in foreign currency

(₹ In Lakhs)

Particulars	FY 2015-16	FY 2014-15
i) Travel	168.13	180.64
ii) Sales Commission	1,449.35	1,139.69
iii) Consultancy Charges	165.56	653.23
iv) Interest	663.44	775.28
v) Dividend paid (Including Interim dividend)	4.21	118.77
vi) Others	592.31	277.71
Total	3,043.00	3,145.32

2.30 Earnings in foreign currency

(₹ In Lakhs)

Particulars	FY 2015-16	FY 2014-15
Exports on F.O.B. basis	1,01,189.69	92,072.57

2.31 Details of imported and indigenous Raw materials, packing materials & Spare parts etc., consumed:

a) Raw materials consumed

(₹ In Lakhs)

Particulars	FY 2015-16		FY 2014-15	
	Value	(%)	Value	(%)
Imported	43,468.04	57.85	43,229.57	60.23
Indigenous	31,677.09	42.15	28,547.55	39.77
Total	75,145.13	100.00	71,777.12	100.00

Significant Accounting Policies & Notes to Financial Statements

2.31 (contd...)

b) Spare parts

(₹ In Lakhs)

Particulars	FY 2015-16		FY 2014-15	
	Value	(%)	Value	(%)
Imported	327.65	21.44	308.06	27.50
Indigenous	1,200.25	78.56	812.32	72.50
Total	1,527.90	100.00	1,120.38	100.00

2.32 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:

(₹ In Lakhs)

Particulars	Gratuity Plan	
	FY 2015-16	FY 2014-15
Projected benefit obligation at the beginning of the period	394.20	303.51
Current service cost	121.80	122.52
Interest cost	30.67	26.67
Actuarial loss/(gain)	(34.82)	(30.15)
Benefits paid	(5.06)	(28.35)
Projected benefit obligation at the end of the period	506.79	394.20
Amounts recognized in the balance sheet		
Projected benefit obligation at the end of the period	506.79	394.20
Fair value of plan assets at end of the period	79.35	82.36
Liability recognized in the balance sheet	427.44	311.84
Cost for the period		
Current service cost	121.80	114.86
Interest cost	30.67	26.67
Expected return on plan assets	(6.55)	(6.72)
Actuarial (gain) / loss recognized in the period	(28.27)	(23.42)
Net benefit expense	117.65	111.39
Actual Return on Plan Assets		
Assumptions		
Estimated rate of return on plan assets	7.46%	7.83%
Weighted expected rate of salary increase	8%	10%

2.33 Employee Stock Option Plan

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 Nomination & Remuneration Committee of the Board of Directors.
- Under the Plan, options not exceeding 1,00,63,070 have been reserved to be issued to the eligible directors and employees (Employees under permanent employment of the Company and its subsidiary company(ies), including Directors of the Company and its subsidiary, whether whole time or not, whether working in India or abroad or otherwise, except the Promoter Directors and Promoter group employees) with each option conferring a right upon the Optionee to apply for one equity share.
- The exercise price of the options is the closing market price of the shares on that stock exchange where there is highest trading volume prior to the date of the grant i.e. the date of the Nomination & Remuneration Committee / Board meeting at which the grant of options is approved.

Significant Accounting Policies & Notes to Financial Statements

- d) Under the above Scheme till date, options were granted in four tranches viz. Grant I, Grant II, Grant III & Grant IV. The options granted under the Plan shall start vesting in tranches after one year from the date of grant and not more than two, three and five years (differs from optionee to optionee) under Grant I, five years under Grant II & III and four years under Grant IV from the respective date of grant of the options.
- e) 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.
- f) The following is the number of granted options outstanding during the year :

Particulars	March 31, 2016	weighted average exercise price	March 31, 2015	weighted average exercise price
At the Beginning of the year	3,480,000		3,160,000	
Add Granted during the year				
Grant -IV			2,000,000	
Less: Exercised during the year	1,110,000	17.51	1,160,000	9.53
Less: Lapsed/Cancelled during the year (Grant I)	20,000		520,000	
At the end of the year	2,350,000		3,480,000	

2.34 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 deferral on the sale of Paracetamol and the Sales tax payable by the Company for a period of 14 years commencing from June 30, 1998 to June 29, 2012 is deferred. The liability of ₹ 62.23 Lakhs as at March 31, 2016 (Previous year ₹63.89 Lakhs) for the deferred Sales tax is shown under unsecured loans.

2.35 Contingent liabilities and commitments

(₹ In Lakhs)

Particulars	As at March 31, 2016	As at March 31, 2015
1) Contingent Liabilities		
a) Claims against the company not acknowledged as debt		
Income Tax	122.83	1,182.43
Excise	199.55	226.76
Service Tax	95.41	95.41
Customs	43.47	43.47
Total (a)	461.26	1,548.07
b) Bills discounted with banks	24,537.25	21,561.84
Total (b)	24,537.25	21,561.84
c) Corporate Guarantee for JV loan	13,571.10	12,096.00
Total (c)	13,571.10	12,096.00
TOTAL (a+b+c)	38,569.61	35,205.91
2) Commitments		
a) Estimated amount of contracts to be executed on capital account	6,822.53	1,730.26
Grand Total	45,392.14	36,936.17

Significant Accounting Policies & Notes to Financial Statements

2.36 Research and Development Fixed assets (Included in Note No. 2.10)

(₹ In Lakhs)

Particulars	Buildings	Office Equipment	R&D Equipment	Material Handling	Furniture & Fixtures	Electrical Installations	Computers	Total
Cost or Valuation								
As at March 31, 2015	84.09	17.61	1705.71	3.58	48.13	50.11	21.15	1,930.38
Additions	2.50	1.46	258.26	-	2.56	8.36	1.88	275.02
Disposals	-	-	-	-	-	-	-	-
As at March 31, 2016	86.59	19.07	1,963.97	3.58	50.69	58.47	23.03	2,205.40
Depreciation								
As at March 31, 2015	17.46	3.78	385.47	1.56	8.78	6.00	6.36	429.41
Charge for the year	2.82	3.48	168.22	1.04	6.10	5.13	5.42	192.21
Disposals	-	-	-	-	-	-	-	-
As at March 31, 2016	20.28	7.26	553.69	2.60	14.88	11.13	11.78	621.62
Net Block								
As at March 31, 2016	66.31	11.81	1,410.28	0.98	35.81	47.34	11.25	1,583.78
As at March 31, 2015	66.63	13.83	1,320.24	2.02	39.35	44.11	14.79	1,500.97

2.36(A) Intangible Assets

(₹ In Lakhs)

Particulars	Software	Total
As at March 31, 2015	-	-
Additions	26.38	26.38
As at March 31, 2016	26.38	26.38
As at March 31, 2015	-	-
Charge for the year	0.45	0.45
As at March 31, 2016	0.45	0.45
Net Block		
As at March 31, 2016	25.93	25.93
As at March 31, 2015	-	-

2.37 Segment reporting: The Company has only one business segment of "Pharmaceuticals".

(₹ In Lakhs)

Particulars	FY 2015-16	FY 2014-15
Revenue		
i) Sale (Net of Excise Duty)		
Within India	26,637.77	24,008.63
Outside India	1,06,211.61	97,478.62
ii) Other Income		
Within India	628.70	140.20
Outside India	-	-

Significant Accounting Policies & Notes to Financial Statements

2.38 Related party disclosures

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 Private Limited	Wholly owned subsidiary Company
(iii)	Granules Pharmaceuticals, Inc.	Wholly owned subsidiary Company
(iv)	Granules-Biocause Pharmaceutical Co. Ltd	Joint - Venture
(v)	Granules Omnichem Private Limited	Joint - Venture
(vi)	Key Managerial Personnel * :	
	Mr. Krishna Prasad Chigurupati	Chairman & Managing Director
	Mr. Harsha Chigurupati (Up to Oct 30, 2015)	Executive Director
	Mrs. Uma Devi Chigurupati	Executive Director
	Mr. V.V.S.Murthy	Chief Financial Officer
	Mrs.Chaitanya Tummala	Company Secretary
(vii)	Relatives to Key Managerial Personnel	
	Ms. Priyanka Chigurupati	Manager- Marketing
	Mrs. V.V.N. Chandrika	Executive
(viii)	Enterprise over which Key Management Personnel and their Relatives exercise Significant Influence	
	Karvy Computershare Private Limited	Directors interest
	Tyche Technologies Private Ltd	Directors interest

* in accordance with the provisions of AS 18 "Related Party Disclosures" and the Companies Act, 2013.

Transactions during the year:

Nature of Transaction	Party name	(₹ In Lakhs)	
		For the year ended March 31, 2016	For the year ended March 31, 2015
Revenue	Granules USA, Inc.	26,884.82	18,302.26
	Granules Omnichem Private Limited	-	6.02
Purchases	Granules-Biocause Pharmaceutical Co. Ltd	3,777.74	5,239.81
	Granules Omnichem Private Limited	6.15	16.91
Interest on Loans given	Granules USA, Inc.	17.61	-
	Granules Pharmaceuticals, Inc.	88.50	-
Loans given	Granules USA, Inc.	860.21	-
	Granules Pharmaceuticals, Inc.	5,161.26	-
Equity Subscribed	GIL Life sciences Private Limited	1,088.44	-
	Granules Pharmaceuticals, Inc.	-	1,225.00
	Granules Omnichem Private Limited	515.00	1,703.10
Registrar Services	Karvy Computershare Private Limited	6.99	3.77
Rent	Tyche Technologies Private Limited	45.11	42.56
Money received against Warrants	Tyche Technologies Private Limited	9,630.30	-
	Mr. Krishna Prasad Chigurupati, Chairman & Managing Director	3,477.26	-
Corporate Guarantee to Joint Venture	Granules Omnichem Private Limited	13,571.10	12,096.00

Significant Accounting Policies & Notes to Financial Statements

Transactions with key managerial personnel and their relatives:

		(₹ In Lakhs)	
Nature of Transaction	Party name	For the year ended March 31, 2016	For the year ended March 31, 2015
Remuneration, Managerial Commission	Mr. Krishna Prasad Chigurupati	998.66	737.60
	Mrs. Uma Devi Chigurupati	798.94	590.08
	Mr. Harsha Chigurupati (Paid up to July 31 2015)	57.85	147.52
Sitting Fee	Mr. Harsha Chigurupati (Paid since November, 2015)	0.80	-
Salary	Mr. V.V.S. Murthy	167.18	118.52
	Ms. Priyanka Chigurupati	11.88	11.84
	Mrs. V.V.N Chandrika	2.31	1.92
	Mrs. Chaitanya Tummala	19.45	16.01
	Mrs. Shivangi Sharma	-	7.64
	Mr. Vijay Ramanavarapu	-	15.03

Balances at the year ended

		(₹ In Lakhs)	
Nature of Transaction	Party name	For the year ended March 31, 2016	For the year ended March 31, 2015
Trade Receivables	Granules USA, Inc.	13,948.11	11,428.08
	Granules Omnichem Private Limited	-	3.68
Trade Payables	Granules-Bioclause Pharmaceutical Co. Ltd	2,366.96	1,333.92
	Granules Omnichem Private Limited	3.54	-
Loan to subsidiaries	Granules USA, Inc.	877.82	-
	GIL Life sciences Private Limited	10.20	10.20
	Granules Pharmaceuticals, Inc.	5,249.76	-
Investment in subsidiaries	Granules USA, Inc.	116.31	116.31
	GIL Life sciences Private Limited	1,383.06	294.62
	Granules Pharmaceuticals, Inc.	1,225.00	1,225.00
	Granules-Bioclause Pharmaceutical Co. Ltd	1,819.03	1,819.03
Advance	Granules Omnichem Private Limited	4,288.10	3,773.10
	Karvy Computershare Private Limited	2.23	-
	Tyche Technologies Private Limited	44.58	44.58
Rental Deposit	Tyche Technologies Private Limited	20.00	20.00
Subscription Money towards warrants	Tyche Technologies Private Limited	2,716.29	-

2.39 Earnings per Share – Basic and Diluted:

		(₹ In Lakhs)	
Particulars		FY 2015-16	FY 2014-15
Net profit for the year (₹ Lakhs)		12,096.44	9,522.64
Basic:			
Weighted average number of shares outstanding during the year		20,66,99,464	20,38,42,526
Basic earnings per share (₹)		5.85	4.67
Diluted:			
Weighted average number of shares outstanding during the year		21,08,84,300	20,60,63,456
Diluted earnings per share (₹)		5.74	4.62
Nominal value of shares (₹)		1.00	1.00

Significant Accounting Policies & Notes to Financial Statements

2.40 Pending litigations with various authorities:

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
Finance Act, 1994	Penalty on Service Tax matters	89.37	2002-07	CESTAT, Bangalore
Finance Act, 1994	Disallowance of CENVAT Credit	6.04	2012-13 & 2013-14	Commissioner, Central Excise, Hyderabad
The Central Excise Act, 1944	Duty and Penalty on CENVAT availment	199.55	2006-09	CESTAT, Bangalore
The Income Tax Act, 1961	Tax demand on Section 10B Exemption	122.83	2006-07	CIT(Appeals), Hyderabad

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

2.42 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
FRN 001584S

Sd/-
J.Bhadra Kumar
Partner
Membership No.025480

Place: Hyderabad
Date: April 28, 2016

For and on behalf of the Board of Directors

Sd/-
Krishna Prasad Chigurupati
Chairman and Managing Director
DIN: 00020180

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

Sd/-
Chaitanya Tummala
Company Secretary

Independent Auditors' report on Consolidated Financial Statements

To
The Members of
M/s GRANULES INDIA LIMITED

We have audited the accompanying consolidated financial statements of M/s Granules India Limited (the " Holding Company"), its subsidiaries (the Holding Company, its subsidiaries together referred to as "the Group"), and jointly controlled entities, comprising of the consolidated Balance Sheet as at 31 March, 2016, 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 (hereinafter referred to as "Consolidated Financial Statements").

Management's Responsibility for the Consolidated Financial Statements

The Holding Company's Board of Directors are responsible for the matters stated in Section 134(5) of the Companies Act, 2013 ("the Act") with respect to 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 Group in accordance with accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Group and for preventing and detecting frauds and other irregularities; the selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the Consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. While conducting the audit, we have taken into account the provisions of the Act, the accounting and auditing standards and matters which are required to be included in the Audit Report under the provisions of the Act and rules thereunder.

We conducted our audit in accordance with the Standards on Auditing specified under Section 143(10) of the Act. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves 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 presentation of the consolidated financial statements. We believe that our audit provides a reasonable basis for our opinion.

As stated in the Other Matters paragraph below, our opinion, in so far as it relates to the amounts and disclosures included in respect of the subsidiaries and jointly controlled entities not audited by us, is based solely on the reports of such other auditors.

We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standards (AS) 21, Consolidated Financial Statements and Accounting Standard 27, Financial Reporting of Interest in Joint-ventures, specified under Section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014.

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

Opinion

In our opinion, and to the best of our information and according to the explanations given to us, and based on the consideration of the reports of the other auditors on the financial statements / financial information of the subsidiaries and jointly controlled entities referred to below in the Other Matters paragraph, the aforesaid consolidated financial statements 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 Group as at 31st March, 2016;
- (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.

Other Matters

The financial statements of each of subsidiary and joint ventures, other than Granules Biocause Pharmaceutical Co. Ltd are drawn up to the same reporting date i.e. year ended March 31, 2016, and Audited financial statements of Granules Biocause Pharmaceutical Co. Ltd for the year ended December 31, 2015 (previous year financial statements up to March 31st, 2015) for the purpose of consolidation. We did not audit the financial statements of the subsidiaries and the joint-ventures excepting GIL Life Sciences (subsidiary of the company), whose financial statements / financial information reflect total assets of ₹ 43033.97 lakhs as at 31st March, 2016, the total revenue of ₹39045.81 lakhs and net cash flows amounting to ₹1737.28 lakhs for the period ended on that date as considered in the consolidated financial statements. The consolidated financial statements also include the Group's share of net loss of ₹141.65 lakhs. These financial statements and other financial information have been audited by other auditors whose reports has been furnished to us by the Management, and our opinion on the consolidated financial statements, in so far as it relates to the amounts and disclosures included in respect of these subsidiaries and joint ventures, is based solely on the report of other auditors.

Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors .

Report on Other Legal and Regulatory Requirements

1. As required by Section 143(3) of the Act, we report, to the extent applicable, that:
 - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit of the aforesaid consolidated financial statements.
 - (b) In our opinion proper books of account as required by law have been kept so far as it appears from our examination of those books and the reports of other auditors.
 - (c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss, and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account maintained for the purpose of preparation of the consolidated financial statements;
 - (d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under section 133 of the Act, read with Rule 7 of the Companies (Accounts) Rules, 2014;
 - (e) On the basis of written representations received from the directors of the Holding company as on March 31, 2016, taken on record by the Board of Directors of the Holding company and the reports of the statutory auditors of its subsidiary companies and jointly controlled companies incorporated in India , none of the directors of the Group Companies, its jointly controlled companies incorporated in India is disqualified as on March 31, 2016, from being appointed as a director in terms of section 164 (2) of the Act.
 - (f) With respect to the adequacy of the internal financial controls over financial reporting of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A".
 - (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us;
 - i. The consolidated financial statements disclose the impact of pending litigations on its consolidated financial position of the Group, and Joint venture – Refer Note 2.31 to the consolidated financial statements;
 - ii. The Group and Joint venture did not have any material foreseeable losses in long-term contracts including derivative contracts.
 - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company, and its subsidiaries incorporated in India.

for **Kumar & Giri**
Chartered Accountants
FRN.001584S

Sd/-
J. Bhadra Kumar
Partner
Membership No. 025480

Place : Hyderabad
Date : April 28, 2016

Annexure 'A'

Annexure to the independent auditor's report of even date on the Consolidated financial statements of Granules India Limited

Report on the Internal Financial Controls under Clause (i) of Sub-section 3 of section 143 of the Companies Act, 2013 ("the Act")

In conjunction with our audit of the consolidated financial statements of the Company as of and for the year ended March 31, 2016, we have audited the internal financial controls over financial reporting of Granules India Limited ("the Holding Company") and Joint Venture Company, which are companies incorporated in India, as of that date.

Management's Responsibility for Internal Financial Controls

The respective Board of Directors of the Holding Company, its Joint Venture Company which are companies incorporated in India, are responsible for establishing and maintaining internal financial controls based on the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls over Financial Reporting issued by the Institute of Chartered Accountants of India. These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditors' Responsibility

Our responsibility is to express an opinion on the Company's internal financial controls over financial reporting based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing as specified under section 143(10) of the Act, to the extent applicable to an audit of internal financial controls, both applicable to an audit of Internal Financial Controls and, both issued by the Institute of Chartered Accountants of India. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls over financial reporting was established and maintained and if such controls operated effectively in all material respects.

Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system over financial reporting and their operating effectiveness.

Our audit of internal financial controls over financial reporting included obtaining an understanding of internal financial controls over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's Judgement, including the assessment of the risks of material misstatements of the financial statements, whether due to fraud or error.

We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in the Other matters paragraph below, is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system over financial reporting.

Meaning of Internal Financial Controls Over Financial Reporting

A Company's internal financial control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the Company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisitions, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls Over Financial Reporting

Because of the inherent limitation of internal financial controls over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and

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

Opinion

In our opinion, the Holding Company, its subsidiary company and its Joint Venture Company, which are companies incorporated in India, have, in all material respects, an adequate internal financial controls system over financial reporting and such internal financial controls over financial reporting were operating effectively as at March 31, 2016, based on the internal controls over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

Other Matters

Our aforesaid reports under Section 143(3)(i) of the Act on the adequacy and operating effectiveness of the internal financial controls over financial reporting in so far as it relates to its subsidiary company and joint venture company, which are companies incorporated in India, is based on the corresponding reports of the auditors of such companies incorporated in India.

for **Kumar & Giri**
Chartered Accountants
FRN.001584S

Sd/-
J. Bhadra Kumar
Partner
Membership No. 025480

Place : Hyderabad
Date : April 28, 2016

Consolidated Balance Sheet

(₹ In Lakhs)

	Note	As at		As at	
		March 31, 2016		March 31, 2015	
EQUITIES & LIABILITIES					
Shareholders' Funds					
Share Capital	2.1	2,167.12		2,042.52	
Reserves and Surplus	2.2	61,720.46		41,073.83	
Money received against share warrants		2,716.29	66,603.87	-	43,116.35
Non-current liabilities					
Long-term borrowings	2.3		24,643.08		30,321.08
Deferred tax Liabilities	2.4		5,803.26		4,927.97
Long-term provisions	2.5		528.90		402.95
Current liabilities					
Short-term borrowings	2.6	15,769.05		12,496.99	
Trade Payables	2.7	17,914.24		18,762.53	
Other current liabilities	2.8	13,338.03		8,898.35	
Short-term provisions	2.9	686.67	47,707.99	1,344.93	41,502.80
TOTAL			1,45,287.10		1,20,271.15
ASSETS					
Non-current assets					
Fixed Assets					
Tangible assets	2.10	58,415.29		52,804.38	
Intangible assets	2.11	8,396.63		8,850.73	
Capital Work in Progress		7,658.08	74,470.00	6,203.37	67,858.48
Non-current investments	2.12		19.14		19.14
Long-term loans and advances	2.13		1,499.48		2,076.00
Other non-current assets	2.14		140.62		281.66
Current assets					
Inventories	2.15	30,705.28		22,451.66	
Trade receivables	2.16	15,255.72		13,690.75	
Cash and cash equivalents	2.17	14,188.36		6,530.66	
Short-term loans and advances	2.18	7,983.49		4,543.54	
Other current assets	2.19	1,025.01	69,157.86	2,819.26	50,035.87
TOTAL			1,45,287.10		1,20,271.15

Significant Accounting Policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date
for Kumar & Giri
Chartered Accountants
FRN 001584S

For and on behalf of the Board of Directors

Sd/-
J.Bhadra Kumar
Partner
Membership No.025480

Sd/-
Krishna Prasad Chigurupati
Chairman and Managing Director
DIN: 00020180

Place: Hyderabad
Date: April 28, 2016

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

Sd/-
Chaitanya Tummala
Company Secretary

Consolidated Statement of Profit and Loss

(₹ In Lakhs)

	Note	for the year ended March 31, 2016	for the year ended March 31, 2015
INCOME			
I. Revenue from operation	2.20	1,43,118.43	1,29,368.14
II. Other Income (Net)	2.21	602.56	358.40
III. TOTAL REVENUE (I+II)		1,43,720.99	1,29,726.55
IV. EXPENSES			
Cost of Materials consumed	2.22	82,989.59	76,942.80
Changes in inventories of finished goods and work-in-progress	2.23	(7,141.79)	(2,247.68)
Employee benefits expenses	2.24	12,533.11	10,695.78
Other Expenses	2.25	26,900.64	23,039.92
TOTAL		1,15,281.55	1,08,430.82
EBITDA			
Finance Cost	2.26	3,991.94	3,234.60
Depreciation and Amortisation expense	2.10/2.11	6,432.99	5,265.10
TOTAL EXPENSES		1,25,706.48	1,16,930.51
V. PROFIT BEFORE TAX (III-IV)		18,014.51	12,796.04
VI. Tax expense:			
(1) Current		5,346.42	2,870.64
(2) Deferred		821.33	834.62
Profit/ (Loss) for the period (V-VI)		11,846.76	9,090.78
Earnings Per Share (Equity Shares, Par Value of ₹ 1 Each)			
- Basic		5.73	4.46
- Diluted		5.62	4.41

Significant Accounting Policies

1

The accompanying notes are an integral part of financial statements

As per our report of even date
for **Kumar & Giri**
Chartered Accountants
FRN 001584S

For and on behalf of the Board of Directors

Sd/-
J.Bhadra Kumar
Partner
Membership No.025480

Sd/-
Krishna Prasad Chigurupati
Chairman and Managing Director
DIN: 00020180

Place: Hyderabad
Date: April 28, 2016

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

Sd/-
Chaitanya Tummala
Company Secretary

Consolidated Cash Flow Statement

(₹ In Lakhs)

	For the year ended March 31, 2016		For the year ended March 31, 2015	
A Cash Flow from Operating Activities				
Net Profit before tax		18,014.51		12,796.04
Adjustments for:				
Depreciation & Amortisation Expense	6,432.99		5,265.10	
Misc. Expenditure written off	123.98		119.65	
(Profit) / Loss on sale of assets	37.11		17.80	
Provision for doubtful debts/ written off	351.42		45.84	
Interest & dividend income	(518.86)		(145.53)	
Interest & finance charges	3,991.94	10,418.58	3,234.59	8,537.45
Operating profit before working capital changes		28,433.09		21,333.49
(Increase)/decrease in Trade and other receivables		(3,129.75)		(5,250.37)
(Increase)/decrease in inventories		(8,253.62)		(5,035.32)
Increase/(decrease) in Payable & Other liabilities		2,231.52		7,152.09
Cash generated from operations		19,281.24		18,199.89
Direct Taxes paid		4,902.14		3,172.14
Net Cash from operating activities		14,379.10		15,027.75
B Cash flow from Investing Activities				
Purchase of fixed assets	(13,467.20)		(14,808.41)	
Increase in Miscellaneous expenditure	27.78		(23.57)	
Proceeds from Sale of Fixed Assets	119.43		79.25	
Interest/dividends received	506.00		197.47	
Net Cash used in investing activities		(12,813.99)		(14,555.26)
C Cash flow from Financing Activities				
Increase/(decrease) in Working Capital Loans	3,272.06		2,406.09	
Interest & finance charges paid	(4,060.11)		(3,185.72)	
Increase in Share capital & Share Premium	10,585.59		110.57	
Share application money received & Share warrants issued	2,716.29		-	
Dividends paid (including dividend tax)	(2,340.59)		(831.24)	
Proceeds from Long Term and other non-current borrowings	1,440.10		6,022.74	
Repayment of long term loans	(5,520.75)		(2,638.98)	
Net Cash used in Financing Activities		6,092.59		1,883.46
Net Increase/(Decrease) in cash & cash equivalents (A+B+C)		7,657.70		2,355.95
Cash equivalents Opening Balance		6,530.66		4,174.71
Cash equivalents Closing Balance		14,188.36		6,530.66

As per our report of even date
for Kumar & Giri
Chartered Accountants
FRN 001584S

Sd/-
J.Bhadra Kumar
Partner
Membership No.025480

For and on behalf of the Board of Directors

Sd/-
Krishna Prasad Chigurupati
Chairman and Managing Director
DIN: 00020180

Place: Hyderabad
Date: April 28, 2016

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

Sd/-
Chaitanya Tummala
Company Secretary

Significant Accounting Policies & Notes to Consolidated Financial Statements

1. Significant accounting policies

1.1 Principles of consolidation

The consolidated financial statements include the financial statements of Granules India Ltd., (parent company) and all of its subsidiaries in which the parent company has more than one-half of the voting power of an enterprise or where the parent company controls the composition of the board of directors. In accordance with AS 27 - "Financial Reporting of Interests in Joint Ventures", notified under sec 133 of the companies Act, 2013, read with paragraph 7 of the Companies (Accounts) Rules 2014, the Company has accounted for its proportionate share of interest in joint venture by the proportionate consolidation method.

The financial statements of the parent company and the subsidiaries have been combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances / transactions and resulting unrealised profits in full. Un realised losses resulting from intra-group transactions have also been eliminated except to the extent that recoverable value of related assets is lower than their cost to the Company.

The proportionate share of Company's interest in Joint Ventures is combined on a line-by-line basis by adding together the book values of like items of assets, liabilities, income and expenses after eliminating intra-group transactions and resulting unrealised profits/ losses, to the extent it pertains to the Company.

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.

The Consolidated Financial statements are presented, to the extent possible, in the same format as that adopted by the parent company for its separate financial statements

1.2 Basis of preparation

The consolidated financial statements of the Company have been prepared in accordance with the Generally Accepted Accounting Principles in India (Indian GAAP) to comply with the Accounting Standards notified under Section 133 of the Companies Act, 2013, read with paragraph 7 of the Companies (Accounts) Rules 2014. The financial statements have been prepared on accrual basis under the historical cost convention. The accounting policies adopted in the preparation of the financial statements are consistent with those followed in the previous year.

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 31st March 2016 other than Granules Biocause Pharmaceutical Co. Ltd. The audited financials of Granules Biocause Pharmaceuticals for the year ended 31st December, 2015 have been considered for the purpose of consolidation.

The Consolidated Financial Statements for the year ended 31st March 2016 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 Private Limited	Wholly owned subsidiary Company
(iii)	Granules Pharmaceuticals, Inc.	Wholly owned subsidiary Company
(iv)	Granules-Biocause Pharmaceutical Co. Ltd	Joint – Venture
(v)	Granules Omnicem Private Limited	Joint -- Venture

1.3 Use of estimates

The preparation of the financial statements in conformity with Indian GAAP requires the Management to make estimates and assumptions considered in the reported amounts of assets and liabilities (including contingent liabilities and the reported income and expenses during the year. The Management believes that the estimates used in preparation of the financial statements are prudent and reasonable. Future results could differ due to these estimates and the differences between the actual results and the estimates are recognized in the periods in which the results are known / materialize.

Significant Accounting Policies & Notes to Consolidated Financial Statements

1.4 Tangible Fixed Assets:

- a. Tangible fixed assets are stated at cost less accumulated depreciation and impairment losses, if any. The cost of fixed asset comprises of its purchase price, non-refundable taxes and levies, freight and other incidental expenses related to the acquisition and installation of the respective assets. Borrowing costs attributable to acquisition or construction of qualifying fixed assets is capitalized to respective assets when the time taken to put the assets to use is substantial. Exchange differences arising on restatement / settlement of long-term foreign currency borrowings relating to acquisition of depreciable fixed assets are adjusted to the cost of the respective assets and depreciated. Subsequent expenditure relating to fixed assets is capitalized only if such expenditure results in an increase in the future benefits from such asset beyond its previously assessed standard of performance.
- b. Pre-operative expenditure comprising of revenue expenses incurred in connection with project implementation during the period up to commencement of commercial production are treated as part of project costs and are capitalized. Such expenses are capitalized only if the project to which they relate, involve substantial expansion of capacity or upgradation.

1.5 Depreciation on tangible fixed assets:

Depreciation on fixed assets is provided on a straight-line method based on the useful lives estimated by the management which are in accordance with Schedule II to the Companies Act, 2013.

The management believes that depreciation rates currently used fairly reflect its estimate of the useful lives and residual values of fixed assets.

1.6 Capital Work-in-progress:

Projects under which assets are not ready for their intended use and other capital work-in-progress are carried at cost, comprising direct cost, related incidental expenses and attributable interest.

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.

Software costs are capitalized and recognized as intangible assets based on materiality, accounting prudence and significant economic benefits expected to flow there from for a period longer than one year.

Intangible assets are amortized on a straight line basis over the estimated useful lives. 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. All 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.

Gains or losses arising from de recognition 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 less provision for other than temporary diminution in the carrying value of each investment.

Current investments are carried at lower of cost and fair value. Diminution in value is charged to the statement of profit and loss.

Significant Accounting Policies & Notes to Consolidated Financial Statements

1.9 Valuation of Inventories:

Inventories are valued at the lower of cost and net realizable value. Net realizable value (NRV) is the estimated selling price in the ordinary course of the business, less the estimated costs of completion and the estimated costs necessary to make the sale. Cost of inventories comprises all cost of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. The cost of all categories of inventory is determined using weighted average cost method.

- a) Inventories of raw material, packing 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.
- b) 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.
- c) Goods in transit are stated at costs accrued up to the date of Balance Sheet.
- d) Stocks with consignment agents are stated at costs accrued up to the date of the Balance sheet.

1.10 Government grants:

Grants received by way of investment subsidy scheme in relation to total investment are credited to capital reserve.

1.11 Foreign currency transactions and balances:

- **Parent company**

- (i) **Initial recognition**

- Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and the foreign currency at the date of the transaction.

- (ii) **Conversion**

- Foreign currency monetary items are retranslated using the exchange rate prevailing at the reporting date. Non-monetary items, which are measured in terms of historical cost denominated in a foreign currency, are reported using the exchange rate at the date of the transaction.

- (iii) **Exchange differences**

- The Company accounts for exchange differences arising on translation / settlement of foreign currency monetary items as below:

- a) Exchange differences arising on long-term foreign currency monetary items related to acquisition of a fixed asset are capitalized and depreciated over the remaining useful life of the asset.
 - b) All other exchange differences are recognized as income or as expenses in the period in which they arise.

- **Foreign subsidiaries & Joint Ventures**

The financial statements of the foreign integral subsidiaries are translated into Indian rupees as follows:

- Items of income and expenditure are translated at the respective monthly average rates;
- Monetary items are translated using the closing rate;
- Non-monetary items are translated using the monthly average rate which is expected to approximate the actual rate on the date of transaction; and
- The net exchange difference resulting from the translation of items in the financial statements of foreign integral operations is recognised as foreign exchange gain/ loss.

The financial statements of non-integral foreign operations are translated into Indian rupees as follows:

- All assets and liabilities, both monetary and non-monetary, are translated using the closing rate;
- Items of income and expenditure are translated at the respective monthly average rates; and
- The resulting net exchange difference is credited or debited to a foreign currency translation reserve.

Significant Accounting Policies & Notes to Consolidated Financial Statements

1.12 Revenue Recognition:

- a. Revenue from sales is recognized when significant risk and rewards in respect of ownership of the products are transferred, recovery of the consideration is reasonably certain.
- b. Revenue from sale of goods include excise duty, sales tax and is net of sales returns.
- c. Export entitlements are recognized as income when right to receive credit as per the terms of the scheme is established in respect of the exports made.
- d. Dividend income is recognized when the unconditional right to receive dividend is established.
- e. Interest income is recognized using the time proportionate method, based on rates implicit in the transaction.
- f. Revenue in respect of other income is recognized when a reasonable certainty as to its realization exists.

1.13 Research and development expenses:

- a. Research costs not resulting in any tangible property/equipment are charged to revenue as and when incurred.
- b. 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.
- c. 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.

1.14 Employee Retirement Benefits:

- a. 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.
- b. 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.
- c. Defined Benefit Plan: Gratuity for employees is covered under a scheme of Life Insurance Corporation of India (LIC). The cost of providing the benefits under this plan is determined on the basis of actuarial valuation at each year-end. Actuarial gains and losses for defined benefits plan is recognized in full in the period in which they occur in the statement of profit and loss.
- d. Other long term employee benefits: Other long term employee benefits comprise of leave encashment which is provided on the basis of actuarial valuation carried out in accordance with revised Accounting Standard 15 as at the end of the year/period.

1.15 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.

1.16 Income tax expense:

- a. **Current Tax**
The Current charge for income tax is calculated in accordance with the relevant tax regulations applicable to the Company.
- b. **Deferred Tax**
Deferred tax charge or credit reflects the tax effects of timing difference between accounting income and taxable income for the period. The deferred tax charge or credit and the corresponding deferred tax liabilities or assets are recognized using the tax rates that have been enacted or substantially enacted by the balance sheet date. Deferred tax assets are recognized only to the extent there is reasonable certainty that the assets can be realized in future, however, where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognized only if there is a virtual certainty of realization of such assets.

Significant Accounting Policies & Notes to Consolidated Financial Statements

Deferred tax assets are reviewed at each balance sheet date and are written-down or written-up to reflect the amount that is reasonably/virtually certain (as the case may be) to be realized.

1.17 EBITDA

The company presents 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.

1.18 Earnings per share

The basic earnings per share (EPS) is computed by dividing the profit after tax for the year by the weighted average number of equity shares outstanding during the year. For the purpose of calculating diluted earnings per share, profit after tax for the year and the weighted average number of shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares. The dilutive potential equity shares are deemed converted as of the beginning of the period, unless they have been issued at a later date. The diluted potential equity shares have been adjusted for the proceeds receivable had the shares been actually issued at fair value (i.e., the average market value of the outstanding shares).

1.19 Provisions and contingent liabilities and contingent assets

Provisions

A provision is recognised when the Company has a present obligation as a result of past events and it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation. Provisions are measured at the best estimate of the expenditure required to settle the present obligation at the balance sheet date.

Contingent liabilities and contingent assets

A disclosure for a contingent liability is made when there is a possible obligation or a present obligation that may, but probably will not, require an outflow of resources. Where there is a possible obligation or a present obligation in respect of which the likelihood of outflow of resources is remote, no provision or disclosure is made. Contingent assets are not recognised in the financial statements. However, contingent assets are assessed continually and if it is virtually certain that an inflow of economic benefits will arise, the asset and related income are recognised in the period in which the change occurs.

1.20 Impairment

The Company assesses at each reporting date whether there is an indication that an asset/cash generating unit may be impaired. If any indication exists the Company estimates the recoverable amount of such assets and if carrying amount exceeds the recoverable amount, impairment is recognised. The recoverable amount is the higher of the net selling price and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using an appropriate discount factor. When there is indication that previously recognised impairment loss no longer exists or may have decreased such reversal of impairment loss is recognised in the Statement of Profit and Loss.

1.21 Leases

The Company's significant leasing arrangements are in respect of operating leases for premises that are cancellable in nature. The lease rentals under such agreements are recognised in the Statement of Profit and Loss as per the terms of the lease.

1.22 CENVAT Credit

CENVAT (Central Value added tax) credit in respect of excise, customs and service tax is accounted on accrual basis on purchase of eligible inputs, capital goods and services. The balance of CENVAT credit is reviewed at the end of each year and amount estimated to be unutilizable is charged to the statement of profit and loss for the year.

1.23 Cash and Cash equivalents

Cash and cash equivalents consist of cash on hand, demand deposits and short term, highly liquid investments that are readily convertible into known amounts of cash and which are subject to insignificant risk of changes in value. For this purpose, short term means investments having maturity of three months or less from the date of investment.

Significant Accounting Policies & Notes to Consolidated Financial Statements

2. Notes to Financial statements

2.1 Share capital

(₹ In Lakhs)

Particulars	As at	As at
	March 31, 2016	March 31, 2015
Authorized Share capital		
34,50,00,000 Equity Shares of par value of ₹1/- each (previous year 34,50,00,000 Equity shares of par value ₹1/- each)	3,450.00	3,450.00
	3,450.00	3,450.00
Issued, Subscribed and fully paid up Share Capital		
21,67,11,770 Fully Paid up Equity Shares of par value of ₹1/- each (Previous year : 20,42,51,540 Equity Shares of ₹1/- each)	2,167.12	2,042.52
Total Issued, Subscribed and Fully Paid-up Share Capital	2,167.12	2,042.52

(a) Reconciliation of number of shares outstanding and amount at the beginning and at the end of the year

Particulars	As at March 31, 2016		As at March 31, 2015	
	No. of shares	₹ In Lakhs	No. of shares	₹ In Lakhs
Number of shares at the beginning of the year	20,42,51,540	2,042.52	20,28,11,540	2,028.12
Add: Shares issued on exercise of employee stock options	11,10,000	11.10	14,40,000	14.40
Add: Shares issued against warrants	1,13,50,230	113.50	-	-
Number of shares at the end of the year	21,67,11,770	2,167.12	20,42,51,540	2,042.52

(b) Terms/Rights attached to equity shares:

The Company has only one class of equity shares having face value of ₹1/- . Each holder of equity shares is entitled to one vote per share. The company declares dividend 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.

A final dividend of 20 paise per share of face value of ₹1/- each has been recommended by the Board of Directors at their meeting held on April 28, 2016. This is in addition to three interim dividends of 15 paise each per share of face value of ₹1/- declared and paid during the year.

Post approval of final dividend of 20 paise per equity share by the shareholders, the total dividend for the financial year 2015-16 would aggregate 65 paise per equity share of face value of ₹1/- each (dividend for the previous year 2014-15, 50 paise per equity share of face value of ₹1/- each)

In the event of liquidation of the company, the holders of equity shares will be entitled to receive the 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 March 31, 2016		As at March 31, 2015	
	No. of shares (₹1/- each face value)	%	No. of shares (₹1/- each face value)	%
Krishna Prasad Chigurupati	7,92,30,610	36.56	7,47,35,380	36.59
Investco Management LLC	-	-	2,05,42,000	10.06
Ridgeback Capital Asia Limited	-	-	1,14,41,350	5.60

Significant Accounting Policies & Notes to Consolidated Financial Statements

2.2 Reserves and Surplus

(₹ In Lakhs)

Particulars	As at	As at
	March 31, 2016	March 31, 2015
a) Capital Reserves		
Balance at the beginning of the year	455.33	1,504.93
Less: Adjustment of Pre-acquisition reserves on acquisition of Auctus Pharma Limited (Pursuant to the Scheme of Amalgamation)	-	(1,336.40)
Add: Capital reserve arising pursuant to scheme of amalgamation	-	286.80
Balance at the end of the year	455.33	455.33
b) Security Premium Reserve		
Balance at the beginning of the year	12,029.69	11,908.04
Add : Receipt on exercise of employee stock option plan (4,20,000 shares @ ₹ 8.10/- , 3,50,000 shares @ ₹ 13/- and 3,40,000 shares @ ₹ 30.50/-)	183.22	121.65
Add :Receipt on issue of share warrants (40,95,230 shares @ ₹ 83.91/- and 72,55,000 shares @ ₹94.30/-)	10,277.77	-
Balance at the end of the year	22,490.69	12,029.69
c) Central Subsidy	27.14	27.14
d) Foreign Currency Translation Reserve		
Balance at the beginning of the year	1,139.92	91.63
Add/(Less): Additions/(deletions) during the year	(18.36)	1,048.29
Balance at the end of the year	1,121.56	1,139.92
e) General Reserve		
Balance at the beginning of the year	20,806.59	10,806.59
Add: Transfer from Surplus	-	10,000.00
Balance at the end of the year	20,806.59	20,806.59
f) Surplus in Consolidated Statement of Profit & Loss		
Balance at the beginning of the year	6,615.16	9,204.30
Less: Adjustment due to Merger with Auctus Pharma Ltd	-	(430.60)
Less: Net book value of the those assets whose remaining useful life is NIL as per Companies Act, 2013	-	(17.00)
Add: Net profit after tax transferred from Statement of Profit and Loss	11,846.76	9,090.78
Amount available for appropriations	18,461.92	17,847.47
Appropriations:		
Less: Equity dividend paid and proposed	1,362.36	1,021.26
Tax on equity dividend paid & proposed	277.35	207.90
Dividend of previous year including dividend tax	3.07	3.15
Transfer to General Reserve	-	10,000.00
Balance at the end of the year	16,819.15	6,615.16
Total (a+b+c+d+e+f)	61,720.46	41,073.83

Significant Accounting Policies & Notes to Consolidated Financial Statements

During the year ending March 31, 2016, the employees/Directors of the Company and the entities, in which Directors are interested were allotted the equity shares of the Company as follows:

Date of Allotment	No. of shares	Nominal share Capital (₹ In lakhs)	Securities Premium (₹ In Lakhs)	Total (₹ In lakhs)
May 11, 2015	3,10,000	3.10	55.07	58.17
June 11, 2015	2,00,000	2.00	25.16	27.16
August 28, 2015	4,12,232	4.12	72.10	76.22
October 31, 2015	41,05,230	41.05	3,439.36	3,480.41
December 10, 2015	77,768	0.78	6.30	7.08
February 01, 2016	60,000	0.60	18.30	18.90
February 25, 2016	40,000	0.40	3.24	3.64
March 30, 2016	72,55,000	72.55	6,841.46	6,914.01
Total	1,24,60,230	124.60	10,460.99	10,585.59

2.3 Long – Term borrowings:

Particulars	(₹ In Lakhs)	
	As at March 31, 2016	As at March 31, 2015
(a) Term Loans (Secured)		
Indian rupee loans from banks	10,692.50	13,982.50
Foreign currency loans from banks	6,220.09	6,048.00
Foreign currency loans from financial institutions	7,671.83	10,211.44
(b) Other Term Liabilities (Secured)		
Finance lease obligations	3.18	16.91
(c) Other Term Liabilities (Unsecured)		
Deferred sales tax loan	55.48	62.23
Total	24,643.08	30,321.08

The current portion of term loans ₹7,002.17 Lakhs as on March 31, 2016 (March 31, 2015 : ₹5,404.82 Lakhs) shown under the other current liabilities.

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

Out of the foreign currency loans from Financial Institutions, an amount of ₹ 3,308.50 Lakhs as on March 31, 2016 (March 31, 2015: ₹3,753.96 Lakhs) was further guaranteed by the personal guarantee of the Chairman & Managing Director of the Company. However, during the year, DEG has released the personal guarantee of Chairman & Managing Director with effect from December 28, 2015.

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

Significant Accounting Policies & Notes to Consolidated Financial Statements

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)		
	As at March 31, 2015	Charge/(Credit) during the period	As at March 31, 2016
Deferred tax liability			
Fixed Assets - Depreciation	5,478.76	974.96	6,453.72
VRS	10.19	(2.62)	7.57
Total	5,488.95	972.34	6,461.29
Deferred tax Asset			
Leave encashment	68.29	21.43	89.72
Bonus	43.12	26.37	69.49
Gratuity	106.00	41.93	147.93
Other	343.59	7.30	350.89
Total	561.00	97.03	658.03
Net Deferred Tax Liability	4,927.97	875.31	5,803.26

2.5 Long – term Provisions:

Particulars	(₹ In Lakhs)	
	As at March 31, 2016	As at March 31, 2015
Provision for employee benefits		
Gratuity	350.52	260.13
Compensated absences	178.38	142.82
Total	528.90	402.95

The Current portion of Gratuity Provision ₹ 77.63 Lakhs (March 31, 2015 ₹51.82 Lakhs) and Compensated absences ₹ 87.38 (March 31, 2015 ₹63.94 Lakhs) lakhs are categorized under the short term provisions.

2.6 Short – term borrowings

Particulars	(₹ In Lakhs)	
	As at March 31, 2016	As at March 31, 2015
Secured		
Loans repayable on demand from banks	15,769.05	12,496.99
Total	15,769.05	12,496.99

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 March 31, 2016	As at March 31, 2015
Payable to third parties:		
Dues to micro small and medium enterprises	247.51	242.18
Others	17,666.73	18,520.35
Total	17,914.24	18,762.53

The list of undertakings covered under MSMED Act, 2006 was determined by the Company on the basis of the information available with the Company.

Significant Accounting Policies & Notes to Consolidated Financial Statements

2.8 Other Current Liabilities

(₹ In Lakhs)

Particulars	As at March 31, 2016	As at March 31, 2015
Current maturities of Long term borrowings	7,002.17	5,404.82
Unclaimed Dividends	26.05	16.35
Interest accrued but not due on borrowings	40.91	109.08
Others Payables		
(i) Dues to Statutory Authorities	291.65	707.57
(ii) Advance from customers	4,759.29	1,927.21
(iii) Salary and Bonus payable	844.22	235.20
(iv) Dues to capital creditors	115.88	465.81
(v) Others	257.86	32.31
Total	13,338.03	8,898.35

There are no amounts due and outstanding to be credited to the Investors Education and Protection Fund.

2.9 Short Term Provisions

(₹ In Lakhs)

Particulars	As at March 31, 2016	As at March 31, 2015
Provision for employee benefits		
Gratuity	77.63	51.82
Compensated absences	87.38	63.94
Provision others		
Provision for dividend	433.42	1,021.26
Tax on proposed dividend	88.24	207.90
Total	686.67	1,344.93

2.10 Tangible Assets

(₹ In Lakhs)

Particulars	Land Freehold	Land Leasehold	Buildings	Plant & Machinery	Computers	Office Equipment	R&D Equipment	Furniture & Fixtures	Vehicles	Total
Cost as at March 31, 2015	1,538.69	758.44	15,834.20	49,067.78	1,031.76	589.55	1,705.71	1,069.87	582.41	72,178.41
Addition/Adjustments ²	34.56	-	2,606.19	7,542.88	308.74	85.51	418.16	98.86	20.77	11,115.67
Deletions/Adjustments	-	-	(37.75)	(90.34)	(0.33)	(45.77)	-	(0.57)	(59.18)	(233.94)
Exchange differences (gain)/loss	-	-	74.80	738.63	-	-	-	-	-	813.44
As at March 31, 2016	1,573.25	758.44	18,477.45	57,258.95	1,340.17	629.29	2,123.87	1,168.16	544.01	83,873.59
Depreciation										
As at March 31, 2015	-	22.98	2,703.06	15,006.14	514.80	239.91	385.50	313.68	187.97	19,374.04
Charge for the year ¹	-	7.66	592.40	4,848.85	218.14	98.11	183.42	119.95	70.34	6,138.87
Deletions/Adjustments	-	-	1.13	(46.23)	3.62	(21.67)	2.46	4.29	(20.99)	(77.40)
Exchange differences (gain)/loss	-	-	3.79	19.00	-	-	-	-	-	22.79
As at March 31, 2016	-	30.64	3,300.38	19,827.76	736.56	316.35	571.38	437.92	237.31	25,458.30
Net Block										
As at March 31, 2016	1,573.25	727.80	15,177.07	37,431.19	603.61	312.94	1,552.48	730.24	306.71	58,415.29
As at March 31, 2015	1,538.69	735.46	13,131.14	34,061.64	516.96	349.65	1,320.21	756.19	394.44	52,804.38

1. Depreciation charge of ₹6,733.31 Lakhs includes amount of ₹147.78 Lakhs (previous year ₹59.27 Lakhs) capitalized by Granules Omnichem Private Limited and ₹ 152.54 Lakhs capitalized by Granules Pharmaceutical Inc.,
2. The Company has capitalized borrowing cost of ₹ Nil during the year ended March 31, 2016 (Previous year ended March 31, 2015 ₹ 453.23 Lakhs)
3. Foreign exchange adjustments include exchange differences resulting from translation of fixed assets relating to non-integral foreign operations.

Significant Accounting Policies & Notes to Consolidated Financial Statements

2.11 Intangible Assets

(₹ In Lakhs)

Particulars	Technical Know How	Software	Others	Total
Gross Block as at March 31, 2015	3,892.99	215.90	8,088.33	12,197.22
Additions/Adjustments	-	139.83	-	139.83
Exchange differences (gain)/loss	7.55	-	-	7.55
As at March 31, 2016	3,900.54	355.73	8,088.33	12,344.60
Depreciation / Amortization				-
As at March 31, 2015	3,126.55	24.85	195.09	3,346.49
Charge for the year	370.51	50.67	173.26	594.44
Deletions	-	-	-	-
Exchange differences (gain)/loss	7.03	-	-	7.03
As at March 31, 2016	3,504.09	75.52	368.35	3,947.96
Net Block				
As at March 31, 2016	396.45	280.20	7,719.98	8,396.63
As at March 31, 2015	766.44	191.05	7,893.24	8,850.73

2.12 Non-current investments

Trade investments (valued at cost unless stated otherwise):

(₹ In Lakhs)

Particulars	As at March 31, 2016	As at March 31, 2015
Non-Current Investments - Trade		
(a) Other Trade Investments		
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
Quoted Investments		
(b) Quoted Equity Instruments		
Ipcalabs Ltd (250 shares of ₹2/- each, market value of ₹579.75 as on March 31, 2016)	0.07	0.07
Sub Total (b)	0.07	0.07
Grand Total (a)+(b)	19.14	19.14
Aggregated investment of quoted investments	0.07	0.07
Aggregated investment of unquoted investments	19.07	19.07
Market value of quoted investments	1.45	1.60

2.13 Long-term loans and advances (Unsecured & Considered good)

(₹ In Lakhs)

Particulars	As at March 31, 2016	As at March 31, 2015
Unsecured		
Security Deposits	632.81	682.44
Prepaid Expenses	0.67	-
Advance Tax including MAT credit (Net off provision for taxes)	866.00	1,393.56
Total	1,499.48	2,076.00

Significant Accounting Policies & Notes to Consolidated Financial Statements

2.14 Other Non-Current Assets

(₹ In Lakhs)

Particulars	As at March 31, 2016	As at March 31, 2015
Amalgamation Adjustment Account	15.00	15.00
Unamortized expenditure		
VRS Expenses	54.31	168.60
Ancillary costs	71.31	98.06
Total	140.62	281.66

2.15 Inventories (valued at lower of cost or net realizable value)

(₹ In Lakhs)

Particulars	As at March 31, 2016	As at March 31, 2015
a) Raw Materials	8,711.49	9,063.17
b) Raw Material Inventory at Bonded Ware House	1,479.30	1,178.93
c) Packing Material	791.35	695.55
d) Work-in-process	7,043.21	3,589.71
e) Finished goods	9,594.47	5,906.16
f) Materials in transit	1,098.28	518.85
g) Stores & Spares and Loose Tools	1,987.18	1,499.27
Total	30,705.28	22,451.66

2.16 Trade receivables (Unsecured)

(₹ In Lakhs)

Particulars	As at March 31, 2016	As at March 31, 2015
a) Outstanding for a period exceeding six months		
Trade receivables outstanding for a period exceeding six months from the date they were due for payment		
Considered good	412.58	870.06
Considered doubtful	-	-
	412.58	870.06
Less: Provision for doubtful trade receivables	-	-
	412.58	870.06
b) Others		
considered good	14,843.14	12,820.69
Total	15,255.72	13,690.75

2.17 Cash and cash equivalents

(₹ In Lakhs)

Particulars	As at March 31, 2016	As at March 31, 2015
Cash on Hand	15.87	18.51
Balance with Banks		
In current accounts	3,177.10	1,019.57
In EEFC accounts	28.70	170.42
In deposit accounts	10,124.94	4,200.27
In earmarked accounts		
Unpaid Dividend account	26.05	16.35
In deposits held as margin money /security for bank guarantees	815.70	1,105.54
Total	14,188.36	6,530.66

Significant Accounting Policies & Notes to Consolidated Financial Statements

2.18 Short term Loans and Advances (unsecured and considered good)

(₹ In Lakhs)

Particulars	As at March 31, 2016	As at March 31, 2015
Security Deposits	293.12	23.20
Loans and advances to employees	73.56	30.33
Prepaid Expenses	594.69	442.66
Balance with Government Authorities		
(i) CENVAT credit receivable	2,950.17	2,626.67
(ii) VAT & CST credit receivable	1,482.86	1,193.05
(iii) Service Tax credit receivable	69.18	76.40
Advance for capital works	2519.91	151.23
Total	7,983.49	4,543.54

2.19 Other Current assets

(₹ In Lakhs)

Particulars	As at March 31, 2016	As at March 31, 2015
Unamortized expenditure		
VRS Expenses	114.36	122.00
Preliminary Expenses	-	3.07
Interest receivable	38.90	26.05
Other Receivables		
Export and Import entitlements	444.55	48.67
Insurance claim receivable	193.69	-
Others	233.51	2,619.47
Total	1,025.01	2,819.26

2.20 Revenue from operations

(₹ In Lakhs)

Particulars	for the year ended March 31, 2016	for the year ended March 31, 2015
Sale of Products		
- Exports	1,16,401.87	1,05,439.72
- Domestic	29,630.57	27,348.97
	1,46,032.44	1,32,788.69
Other Operating Revenue		
- Sale of Scrap	165.16	75.90
	165.16	75.90
Revenue from operations (Gross)	1,46,197.60	1,32,864.59
Less: Excise Duty & Sales tax	3,079.17	3,496.45
Revenue from operations (Net)	1,43,118.43	1,29,368.14

Significant Accounting Policies & Notes to Consolidated Financial Statements

2.21 Other Income

(₹ In Lakhs)

Particulars	for the year ended March 31, 2016	for the year ended March 31, 2015
Interest income	518.86	145.53
Other non-operating Income		
- Miscellaneous Income	44.41	210.45
- Subsidy Income	39.29	2.42
Total	602.56	358.40

2.22 Cost of Material Consumed

(₹ In Lakhs)

Particulars	for the year ended March 31, 2016	for the year ended March 31, 2015
Inventory at the beginning of the period	11,456.51	7,220.15
Add : Purchases	83,611.66	81,179.16
	95,068.17	88,399.31
Less: Inventory at the end of the period	12,078.58	11,456.51
Cost of Material Consumed	82,989.59	76,942.80

2.23 (Increase)/Decrease in Work-in-Process and Finished goods

(₹ In Lakhs)

Particulars	for the year ended March 31, 2016	for the year ended March 31, 2015
Inventories at the end of the year		
Work-in-Process	7,043.21	3,589.71
Finished Goods	9,594.47	5,906.18
	16,637.68	9,495.89
Inventories at the beginning of the year		
Work-in-Process	3,589.71	2,549.49
Finished Goods	5,906.18	4,698.72
	9,495.89	7,248.21
Net (Increase)/Decrease in Work-in-Process and Finished goods	(7,141.79)	(2,247.68)

2.24 Employee Benefit Expenses

(₹ In Lakhs)

Particulars	for the year ended March 31, 2016	for the year ended March 31, 2015
Salaries and wages	11,415.72	9,861.50
Contribution to PF and other funds	415.73	292.38
Staff welfare expenses	701.66	541.90
Total	12,533.11	10,695.78

Significant Accounting Policies & Notes to Consolidated Financial Statements

2.25 Other Expenses

(₹ In Lakhs)

Particulars	for the year ended March 31, 2016	for the year ended March 31, 2015
a) Manufacturing Expenses:		
Power & Fuel	4,740.97	4,573.19
Effluent Treatment expenses	749.73	691.65
Repairs & Maintenance		
- Factory Building	344.15	212.45
- Plant & Machinery	2,469.01	2,087.33
- Others	265.89	170.86
Consumables & Lab Chemicals	894.19	561.09
Analytical Fees	195.26	172.13
Other Manufacturing expenses	564.23	404.61
Manufacturing Expenses Total :	10,223.43	8,873.31
b) Freight Outward & Clearing Charges	4,784.49	5,098.29
c) Research & Development Expenses	1,653.97	960.96
d) Other Expenditure :		
Sales Commission	1,718.89	1,378.49
Discount Account	75.88	197.26
Travelling Expenses	1,345.81	1,091.52
Business Promotion Expense	524.64	449.65
Communication Expenses	157.01	147.08
Consultancy Charges	933.07	1,345.04
Managerial Remuneration	1,855.45	1,450.13
Director Sitting fees	38.18	16.58
Expenditure for Corporate Social Responsibility	140.04	30.97
Insurance	484.73	304.48
Printing & Stationary	170.33	143.33
Repairs & Maintenance Others	160.21	58.59
Auditor Remuneration	25.00	27.79
Rates & Taxes	724.58	395.51
Rent	365.46	319.36
Loss on sale of assets	37.11	17.80
Sundry Expenses	994.69	481.86
Advertisement Charges	6.58	46.07
Donations	5.69	50.94
Bad Debts written off	351.42	35.26
Miscellaneous Expenses	123.98	119.65
Other Expenses Total :	10,238.75	8,107.36
Total (a+b+c+d)	26,900.64	23,039.92

Significant Accounting Policies & Notes to Consolidated Financial Statements

2.26 Finance Cost

Particulars	(₹ In Lakhs)	
	for the year ended March 31, 2016	for the year ended March 31, 2015
Interest expenses on		
- Term loan	2,600.39	1,804.73
- Working Capital	686.52	908.51
Interest Others	71.24	83.83
Bank Charges	633.79	437.52
Total	3,991.94	3,234.59

2.27 Segment reporting: The Company has only one business segment of "Pharmaceuticals".

Particulars	(₹ In Lakhs)	
	FY 2015-16	FY 2014-15
Revenue		
i) Sale (Net of Excise Duty)		
Within India	26,716.56	23,928.42
Outside India	1,16,401.87	105,439.72
ii) Other Income		
Within India	564.45	220.41
Outside India	38.11	137.99

2.28 Related party disclosures

Names of related parties and the description of relationship:

Name	Relationship
Key Managerial Personnel* :	
Mr. Krishna Prasad Chigurupati	Chairman & Managing Director
Mr. Harsha Chigurupati (Up to Oct 30, 2015)	Executive Director
Mrs. Uma Devi Chigurupati	Executive Director
Mr. V.V.S. Murthy	Chief Financial Officer
Mrs. Chaitanya Tummala	Company Secretary
Relatives to Key Managerial Personnel	
Ms. Priyanka Chigurupati	Manager- Marketing
Mrs. V.V.N. Chandrika	Executive
Enterprise over which Key Management Personnel and their Relatives exercise Significant Influence	
Karvy Computershare Private Limited	Directors interest
Tyche Technologies Private Limited	Directors interest

* in accordance with the provisions of AS 18 "Related Party Disclosures" and the Companies Act, 2013.

Transactions during the year:

Nature of Transaction	Party name	(₹ In Lakhs)	
		for the year ended March 31, 2016	for the year ended March 31, 2015
Registrar Services	Karvy Computershare Private Limited	6.99	3.77
Rent	Tyche Technologies Private Limited	45.11	42.56
Money received against Warrants	Tyche Technologies Private Limited	9,630.30	-
	Mr. Krishna Prasad Chigurupati, Chairman & Managing Director	3,477.26	-

Significant Accounting Policies & Notes to Consolidated Financial Statements

Transactions with key managerial personnel and their relatives:

(₹ In Lakhs)

Nature of Transaction	Party name	for the year ended March 31, 2016	for the year ended March 31, 2015
Remuneration, Managerial Commission	Mr. Krishna Prasad Chigurupati	998.66	737.60
	Mrs. Uma Devi Chigurupati	798.94	590.08
	Mr. Harsha Chigurupati , (Paid up to July 31, 2015)	57.85	147.52
Sitting Fee	Mr.Harsha Chirugurupati (Since November, 2015)	0.80	-
Salary	Mr. V.V.S. Murthy	167.18	118.52
	Ms. Priyanka Chigurupati	11.88	11.84
	Mrs. V.V.N. Chandrika	2.31	1.92
	Mrs. Chaitanya Tummala	19.45	16.01
	Mrs. Shivangi Sharma	-	7.64
	Mr. Vijay Ramanavarapu	-	15.03

Balances at the year ended

(₹ In Lakhs)

Nature of Transaction	Party name	for the year ended March 31, 2016	for the year ended March 31, 2015
Advance	Karvy Computershare Private Limited	2.23	-
	Tyche Technologies Private Limited	44.58	44.58
Rental Deposit	Tyche Technologies Private Limited	20.00	20.00
Subscription money towards warrants	Tyche Technologies Private Limited	2,716.29	-

2.29 Earnings per Share – Basic and Diluted:

(₹ In Lakhs)

Particulars	FY 2015-16	FY 2014-15
Net profit for the year (₹ Lakhs)	11,846.76	9,090.78
Basic:		
Weighted average number of shares outstanding during the year	20,66,99,464	20,38,42,526
Basic earnings per share (₹)	5.73	4.46
Diluted:		
Weighted average number of shares outstanding during the year	21,08,84,300	20,60,63,456
Diluted earnings per share (₹)	5.62	4.41
Nominal value of shares (₹)	1.00	1.00

2.30 Summary of Joint Venture Financials

The Company has two joint ventures with 50% interest in both the joint ventures Viz., Granules-Bioclause Pharmaceutical Co. Ltd in Jingmen, China and Granules Omnicem Pvt., Ltd., in Vizag, Andhra Pradesh, India.

The aggregate amount of assets, liabilities, income and expenses related to the Company's share in both JVs are given below:

Significant Accounting Policies & Notes to Consolidated Financial Statements

Balance Sheet (extract)

Particulars	₹ In Lakhs	
	As at March 31, 2016	As at March 31, 2015
Fixed assets	10,923.71	12,135.84
Other non-current assets	71.31	-
Deferred Tax asset (Net)	-	49.24
Inventories	5,333.47	1,583.84
Trade receivables	3,040.89	955.81
Cash and bank balances	1,159.39	1,046.12
Loans and advances	378.56	8.56
Other Current assets	341.77	2,543.33
Long term borrowings	6,221.82	6,085.99
Deferred Tax Liability (Net)	18.97	-
Short term borrowings	1,020.88	1,010.04
Trade payables	586.68	1,801.54
Other Current liabilities	5,416.42	1,785.38
Provisions	35.73	-

Statement of Profit and Loss Account

Particulars	₹ In Lakhs	
	FY 2015-16	FY 2014-15
Income		
Sales	9,216.99	11,108.36
Other Income	78.66	137.99
Expenditure		
Material costs	5,236.89	7,724.23
Employee Benefit Expense	883.32	1,168.03
Other expenses	2,462.13	1,889.33
Finance costs	323.37	139.05
Depreciation	592.84	303.56
Profit Before Tax	(202.90)	22.15
Tax Expense	107.42	2.84
Profit After Tax	(310.32)	19.31

2.31 Pending litigations with various authorities:

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
Finance Act, 1994	Penalty on Service Tax matters	89.37	2002-07	CESTAT, Bangalore
Finance Act, 1994	Disallowance of CENVAT Credit	6.04	2012-13 & 2013-14	Commissioner, Central Excise, Hyderabad
The Central Excise Act, 1944	Duty and Penalty on CENVAT availment	199.55	2006-09	CESTAT, Bangalore
The Income Tax Act, 1961	Tax demand on Section 10B Exemption	122.83	2006-07	CIT(Appeals), Hyderabad

Significant Accounting Policies & Notes to Consolidated Financial Statements

- 2.32 The financial statements of each of the subsidiary and joint venture, other than Granules Biocause Pharmaceutical Co. Ltd are drawn up to the same reporting date i.e. year ended March 31, 2016, for the purpose of consolidation. The audited consolidated financial statements of Granules Biocause Pharmaceutical Co. Ltd for year ended December 31, 2015 (previous year financial statements up to 31st March 2015) have been used for the purpose of consolidation. Adjustments have been made for the effects of significant transactions or other events that occur between the date of financial statements of Granules Biocause Pharmaceutical Co. Ltd and March 31, 2016. Hence the current year numbers are not comparable with previous year numbers.
- 2.33 Previous year's figures have been regrouped / reclassified wherever necessary to confirm to current year's classification.
- 2.34 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
FRN 001584S

Sd/-
J.Bhadra Kumar
Partner
Membership No.025480

Place: Hyderabad
Date: April 28, 2016

For and on behalf of the Board of Directors

Sd/-
Krishna Prasad Chigurupati
Chairman and Managing Director
DIN: 00020180

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

Sd/-
Chaitanya Tummala
Company Secretary

FORM AOC-1

(Pursuant to first proviso to sub-section (3) of section 129 read with rule 5 of Companies (Accounts) Rules, 2014)

Statement containing salient features of the financial statement of Subsidiaries/Joint Ventures

Part "A" : Subsidiaries

(₹ in Lakhs)

Name of the Subsidiary	Granules USA, Inc.	Granules Pharmaceuticals, Inc.	Granules Life Sciences Private Limited.
1. Reporting period	March 31, 2016	March 31, 2016	March 31, 2016
2. Exchange rate as on the last date of the financial year	INR 66.17/USD	INR 66.17/USD	NA
3. Share capital	116.31	1,225.00	1,383.06
4. Reserves & Surplus	218.25	21.74	-
5. Total Assets	15,367.09	6,569.80	1,555.76
6. Total Liabilities	15,032.53	5,323.06	172.70
7. Investments	-	-	-
8. Turnover	29,828.82	-	-
9. Profit/(loss) before taxation	243.91	-	-
10. Provision for taxation	75.24	-	-
11. Profit/(loss) after taxation	168.67	-	-
12. Proposed Dividend	-	-	-
13. % of shareholding	100%	100%	100%

Statement pursuant to Section 129(3) of the Companies Act, 2013 related to Joint ventures

Part "B": Joint Ventures

(₹ in Lakhs)

Name of Joint Ventures	Granules Biocause Pharmaceuticals Co., Ltd.,	Granules Omnicem Private Limited
1. Latest audited Balance sheet date	December 31, 2015	March 31, 2016
2. Shares of Joint ventures held by the company on the year end		
i) Number	1,65,00,000	4,28,80,967
ii) Amount of Investment in Joint Venture	1,819.03	4,288.10
iii) Extent of Holding%	50%	50%
3. Description of how there is significant influence	Joint venture agreement	Joint venture agreement
4. Reason why the joint venture is not consolidated	Not Applicable	Not Applicable
5. Net worth attributable to shareholding as per latest audited Balance Sheet	4,456.19	3,492.43
6. Profit/(Loss) for the year		
i) Considered in Consolidation	322.77	(633.09)
ii) Not considered in Consolidation	-	-

For and on behalf of the Board of Directors

Sd/-

Krishna Prasad Chigurupati
Chairman and Managing Director
DIN: 00020180

Sd/-

V.V.S.Murthy
Chief Financial Officer

Sd/-

Chaitanya Tummala
Company Secretary



Granules India Limited

(CIN: L24110TG1991PLC012471)

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

Web:www.granulesindia.com, Email:investorrelations@granulesindia.com, Tel:+91-40-30660000.

NOTICE

Notice is hereby given that the 25th Annual General Meeting (AGM) of Granules India Limited will be held on Thursday, August 11, 2016 at 4.00 PM at Hotel Taj Banjara, Road No.1, Banjara Hills, Hyderabad – 500 034 (TS), India to transact the following Businesses:

Ordinary Business:

1. To consider and adopt the Audited Financial Statement of the Company for the financial year ended March 31, 2016 together with the Report of the Board of Directors and the Auditors there on and the Consolidated Audited Financial Statement of the Company for the financial year ended March 31, 2016 and report of Auditors thereon.
2. To declare a final dividend of 20 paise per equity share and to approve and ratify the interim dividend of 45 paise per equity share, already paid during the year for the year ended March 31, 2016.
3. To appoint a Director in place of Mr. Harsha Chigurupati (DIN: 01606477), who retires by rotation and, being eligible, seeks re-appointment.
4. To ratify the re-appointment of Auditors and to fix their remuneration and in this regard, to consider and if thought fit, to pass the following Resolution as an **Ordinary Resolution**:

RESOLVED THAT pursuant to the provisions of sections 139(1), 139(9) and 142(1) and other applicable provisions, if any, of the Companies Act, 2013, read with rules made there under, re-appointment of M/s Kumar & Giri, Chartered Accountants, Firm of Chartered Accountants registered vide Firm Registration No. 001584S as Statutory Auditors for the financial year 2016 – 2017 whose appointment as Statutory Auditors of the Company for a period of three years subject to ratification of such appointment in each Annual General Meeting for the succeeding year was approved in the 23rd Annual General Meeting is hereby ratified in this Annual General Meeting till conclusion of next Annual General Meeting, with remuneration as may be decided by the Board of Directors.

By Order of the Board of Directors
For Granules India Limited

Sd/-
Chaitanya Tummala
Company Secretary

Hyderabad, April 28, 2016

NOTES:

1. A member entitled to attend and vote at the Annual General Meeting (the "Meeting") is also entitled to appoint a proxy to attend and vote on a poll instead of himself and the proxy need not be a member of the company. The instrument appointing the proxy should, however, be deposited at the registered office of the Company not less than forty-eight hours before the commencement of the Meeting.

A person can act as a proxy on behalf of members not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the Company carrying voting rights. A member holding more than ten percent of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other person or shareholder.

2. The business set out in the Notice will be transacted through electronic voting system and the Company is providing facility for voting by electronic means. Information relating to e-voting is given in this Notice under Note No. 16. The Company will also send communication relating to remote e-voting which inter alia would contain details about User ID, password and e-voting instructions along with a copy of this Notice to the members, separately.
3. Corporate members intending to send their authorised representatives to attend the Meeting are requested to send to the Company a certified true copy of the Board Resolution authorising their representative to attend and vote on their behalf at the Meeting.
4. Members are requested to bring their attendance slip along with their copy of 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. Relevant documents referred to in the accompanying Notice are open for inspection by the members at the Registered Office of the Company on all working days,

except Saturdays, during business hours up to the date of the Meeting.

8. 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 on the respective dates mentioned in the tabular statement.

Financial year	Type of dividend	Due date of transfer
2008-2009	Final	24/10/2016
2009-2010	Final	26/10/2017
2010-2011	Final	17/10/2018
2011-2012	Final	08/08/2019
2012-2013	Final	25/09/2020
2013-2014	Final	04/10/2021
2014-2015	Final	19/09/2022
2015-2016	1st Interim	03/09/2022
	2nd Interim	07/12/2022
	3rd Interim	05/03/2023

9. a) The Company has notified closure of Register of Members and Share Transfer Books from Friday, August 5, 2016 to, Thursday, August 11, 2016 (both days inclusive) for determining the names of members eligible for final dividend on equity shares, if declared at the Meeting.
 (b) The Board of Directors of the Company at their Meeting held on April 28, 2016 has recommended a dividend of 20 paise per share on equity share of ₹1/- each as final dividend for the financial year 2015-16 in addition to the interim dividend paid during the year. Final dividend, if declared, at the Annual General Meeting, will be paid on or before- September 10, 2016.
10. Members holding shares in electronic form may note that bank particulars registered against the irrespective depository accounts will be used by the Company for payment of dividend. The Company or its Registrars and Transfer Agents, Karvy Computershare Private Limited ("Karvy") 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 by the members.
11. Members holding shares in electronic form are

requested to intimate immediately any change in their address or bank mandates to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form are requested to advise any change in their address or bank mandates immediately to the Company / Karvy.

12. 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 their PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN to the Company / Karvy.
13. Members who hold shares in physical form in multiple folios in identical names or joint holding in the same order of names are requested to send the share certificates to Karvy, for consolidation into a single folio.
14. Members who have not registered their e-mail addresses so far, are requested to register their e-mail address for receiving all communication including Annual Report, Notices, Circulars, etc. From the Company electronically.
15. The annual report for the financial year 2015-16 has been sent through email to those members who have opted to receive electronic communication or who have registered their email addresses with the depository participants. The annual report is also available on our website, i.e. www.granulesindia.com. The physical copy of the annual report has been sent to those members who have either opted for the same or have not registered their email addresses with the Company/depository participant. The members will be entitled to a physical copy of the annual report for the financial year 2015-16, free of cost, upon sending a request to the Company Secretary at 2nd Floor, 3rd Block, My Home Hub, Madhapur, Hyderabad 500 081.
16. Information relating to e-voting is as under:
 - i. Pursuant to the provisions of Section 108 and other applicable provisions, if any, of the Companies Act, 2013 and the Companies (Management and Administration) Rules, 2014, as amended and regulation 44 of the Listing Regulations, the Company is pleased to provide

to its members facility to exercise their right to vote on resolutions proposed to be passed in the Meeting by electronic means. The members may cast their votes using an electronic voting system from a place other than the venue of the Meeting ('remote e-voting').

- ii. The facility for voting through electronic voting system ('Insta Poll') shall be made available at the Meeting and the members attending the Meeting who have not cast their vote by remote e-voting shall be able to vote at the Meeting through 'Insta Poll'.
- iii. The members who have cast their vote by remote e-voting may also attend the Meeting but shall not be entitled to cast their vote again.
- iv. The Company has engaged the services of Karvy Computershare Private Limited ("Karvy") as the Agency to provide e-voting facility.
- v. The Board of Directors of the Company has appointed Mr. Dhanunjaya Kumar Alla, a Practicing Chartered Accountant, Partner, M/s. Dhanunjaya & Haranath, Chartered Accountants, Hyderabad, as Scrutinizer to scrutinize the Insta Poll and remote e-voting process in a fair and transparent manner and he has communicated his willingness to be appointed and will be available for same purpose.
- vi. Voting rights shall be reckoned on the paid up value of shares registered in the name of the member / beneficial owner (in case of electronic shareholding) as on the cut-off date i.e. August 4, 2016.
- vii. A person, whose name is recorded in the register of members or in the register of beneficial owners maintained by the depositories as on the cut-off date, i.e. August 4, 2016 only, shall be entitled to avail the facility of remote e-voting / Insta Poll.
- viii. Any person who becomes a member of the Company after dispatch of the Notice of the Meeting and holding shares as on the cut-off date i.e. August 4, 2016, may obtain the user ID and password in the manner as mentioned below:
 - a. If the mobile number of the member is registered against Folio No./DPID Client ID, the member may send SMS : MYEPWD<space>E-Voting Event Number+Folio No. or DP ID

Client ID to 9212993399

Example for NSDL:

MYEPWD <SPACE> IN12345612345678

Example for CDSL :

MYEPWD <SPACE> 1402345612345678

Example for Physical :

MYEPWD <SPACE> XXXX1234567890

- b. If e-mail address or mobile number of the member is registered against Folio No. / DP ID Client ID, then on the home page of <https://evoting.karvy.com>, the member may click "Forgot Password" and enter Folio No. or DP ID Client ID and PAN to generate a password.
- c. Member may call Karvy's toll free number 1-800-3454-001
- d. Member may send an e-mail request to evoting@karvy.com
- e. If the member is already registered with Karvy e-voting platform then he can use his existing user ID and password for casting the vote through remote e-voting.
- ix. The remote e-voting facility will be available during the following period:

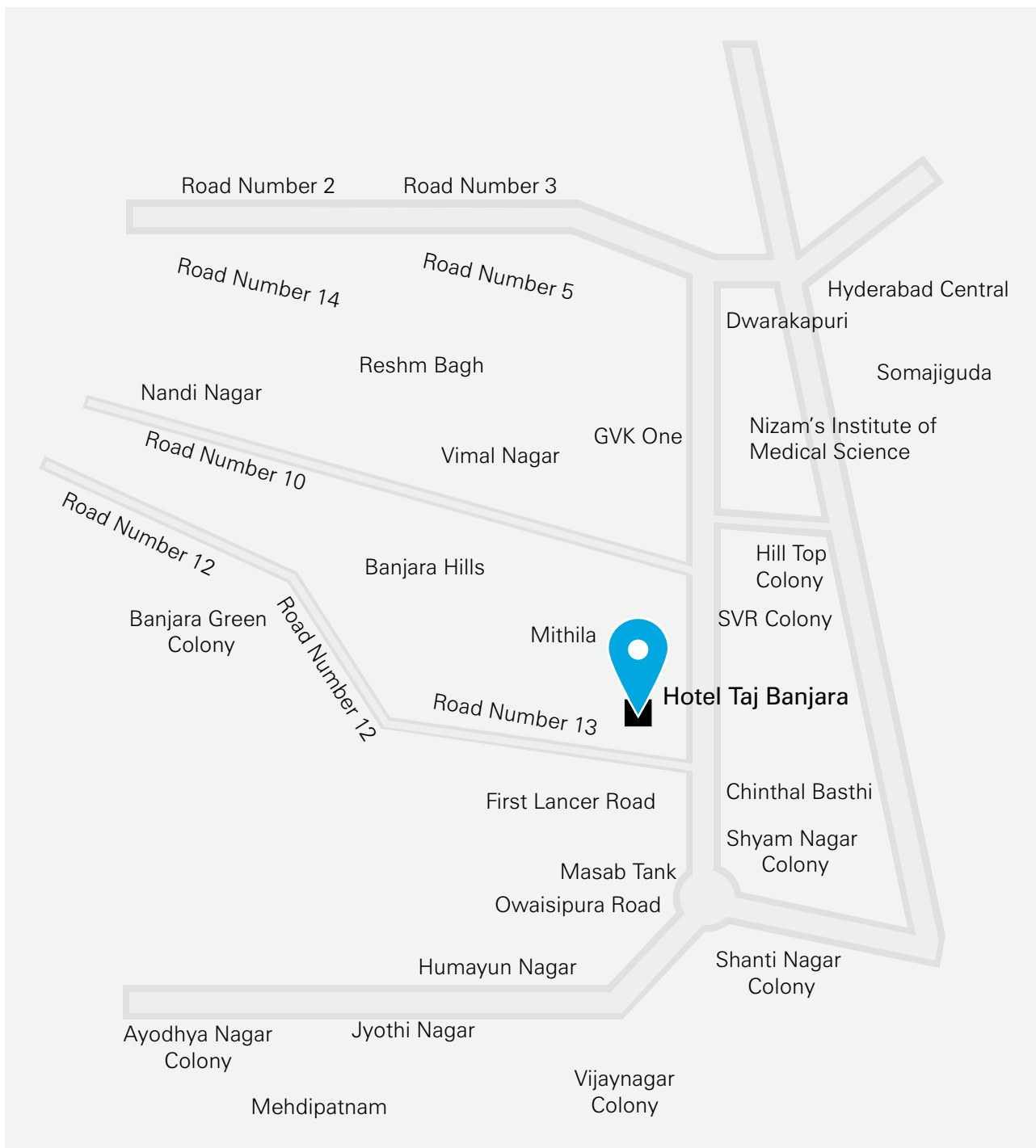
Commencement of remote e-voting: From 9.00 a.m. (IST) on August 8, 2016

End of remote e-voting: Up to 5.00 p.m. (IST) on August 10, 2016

The remote e-voting will not be allowed beyond the aforesaid date and time and the e-voting module shall be disabled by Karvy upon expiry of aforesaid period.

- x. The Scrutinizer, after scrutinising the votes cast at the meeting (Insta Poll) and through remote e-voting, will, not later than three days of conclusion of the Meeting, make a consolidated scrutinizer's report and submit the same to the Chairman. The results declared along with the consolidated scrutinizer's report shall be placed on the website of the Company www.granulesindia.com and on the website of Karvy <https://evoting.karvy.com>. The results shall simultaneously be communicated to the Stock Exchanges.
- xi. Subject to receipt of requisite number of votes, the resolutions shall be deemed to be passed on the date of the Meeting, i.e. August 11, 2016.

ROUTE MAP OF AGM VENUE





Granules India Limited

(CIN: L24110TG1991PLC012471)

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

ATTENDANCE SLIP

(Annual General Meeting)

* DP ID. _____ Folio No. _____

Client ID. _____ No. of shares held _____

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 Annual General Meeting of the Company at Hotel Taj Banjara, Road No.1, Banjara Hills, Hyderabad – 500 034 (TS) on Thursday, the 11th day of August, 2016 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 copy of Notice to the meeting.



Granules India Limited
(CIN: L24110TG1991PLC012471)

Regd. Office: 2nd Floor, 3rd Block, My Home Hub, Madhapur, Hyderabad (TS) - 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 (TS) - 500 081		
Name of the member(s)			
Registered Address			
E-mail Id			
Folio No./Client Id		DP ID	

I/We, being the holder (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	

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the Annual General Meeting of the Company, to be held on Thursday, the 11th day of August, 2016 at 4.00 p.m. at Hotel Taj Banjara, Road No.1, Banjara Hills, Hyderabad – 500 034 (TS) and at any adjournment thereof in respect of such resolutions as are indicated below:

Resolution No	Particulars
Ordinary Business	
1.	Consider and adopt Audited Financial Statement, Report of Board of Directors and Auditors.
2.	Declaration of final dividend of 20 paise per equity share and approval and ratification of interim dividend of 45 paise per equity share paid during the FY 2015-16.
3.	To appoint a Director in place of Mr. Harsha Chigurupati (DIN: 01606477), who retires by rotation and, being eligible, seeks re-appointment.
4.	Ratification of re-appointment of Auditors and fixing their remuneration.

Signed this day of..... 2016.

Signature of shareholder _ _ _ _ _

Signature of Proxy holder(s) _ _ _ _ _

Please
Affix ₹1/-
Revenue Stamp
and sign across

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. Krishna Prasad Chigurupati, Chairman and 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, Director – Non-Executive, Non-Independent

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

Mr. K.B. Sankar 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 Corredor

COMPANY SECRETARY & COMPLIANCE OFFICER

Ms. Chaitanya Tummala

REGISTERED OFFICE

2nd Floor, 3rd Block, My Home Hub, Madhapur,

Hyderabad (TS) 500 081, Ph: 91-40-30660000

Fax: 91-40-23115145

E-mail: investorrelations@granulesindia.com

STATUTORY AUDITORS

M/s. Kumar & Giri

Chartered Accountants

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