



Beating the commodity trap



Forward-looking statement

In this Annual Report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements - written and oral - that we periodically make contain forward-looking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipates', 'estimates',

'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward looking statements will be realized, although we believe we have been prudent in assumptions. The achievement of results is 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 bear this in mind.

We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

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There are two ways of being present in a commodity business.

By working in a commodity-like way, exposed to large volumes at one end and gradual margins erosion at the other.

Or by graduating to a niche that is ring-fenced by significant competitive advantages.

At Granules, we created a business model to beat the commodity trap.

The result is evident in the numbers: the global economy dented most bottomlines in FY12, Granules' profit after tax profit increased 43%.

The slowdown affected margins; Granules' PBT margin expanded 94 bps to 6.6%.

Granules India Limited.

MANUFACTURING APIs, PFIs and Finished Dosages.

Among the leading GLOBAL MANUFACTURERS OF HIGH VOLUME DRUGS.

Grew at 38% while EXPANDING MARGINS.

And now positioned to ACCELERATE GROWTH even FURTHER.

Turnover
(₹ crore)

654

FY12

Capital employed
(₹ crore)

460

FY12

Team size
(members)

840

FY12

Global footprint
(nations)

61

FY12

Enterprise value
(₹ crore)

346

FY12

Incorporated in 1984, Hyderabad-based Granules India Limited is a large-scale pharmaceutical manufacturer for quality-conscious customers.

The Company developed global alliances on the back of strong technological expertise, state-of-the-art manufacturing facilities, high product quality and regulatory compliances.

The Company's integrated model makes it possible to provide products

across the pharmaceutical manufacturing value chain, enhancing competitiveness and efficiency.

The Company services the growing needs of more than 300 customers across 60 nations.

The Company is headquartered in

Hyderabad with sales offices in the U.S., the U.K., Colombia and China.

The Company entered into a (50:50) joint venture with Ajinomoto OmniChem, a leading producer of fine chemicals, to offer high-value APIs and intermediates to innovator companies.

Manufacturing Facilities

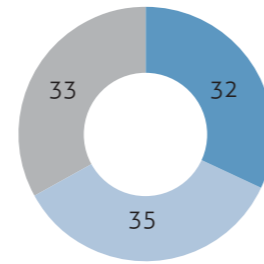
Product category	Facility location	Product	Capacity (MTPA)	Approvals
Active Pharmaceutical Ingredients (APIs)	Bonthapally	Paracetamol	10,000	U.S. FDA, EDQM, Informed (EU), WHO GMP
	Jeedimetla	Metformin	2,000	U.S. FDA, EDQM, KFDA, HHA (Germany), WHO GMP
		Guaifenesin	1,200	
		Methocarbamol	180	
	Jingmen, Hubei	Ibuprofen	4,800	U.S. FDA, MHRA, EDQM, TPD - Canada, MCC, Russian Health Authorities
Pharmaceutical Formulation Intermediates (PFIs)	Gagillapur	Multiple-PFIs	16,800	U.S. FDA, TGA, Informed (EU), WHO GMP
	Jeedimetla	Multiple-PFIs	1,200	HHA (Germany)
Finished Dosages (FDs)	Gagillapur	Tablets, Capsules	18 billion units	U.S. FDA, TGA, Informed (EU), WHO GMP

Product Basket

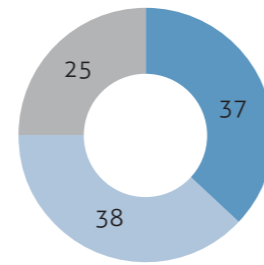
APIs	PFIs		FDs	
	Single active	Multiple active	Single active	Multiple active
Paracetamol	Paracetamol	Paracetamol & Chlorpheniramine Maleate	Paracetamol	Ibuprofen & Methocarbamol
Ibuprofen	Ibuprofen	Paracetamol & Diphenhydramine HCl	Ibuprofen	Ibuprofen & Pseudoephedrine HCl
Metformin HCl	Metformin HCl	Paracetamol, Chlorpheniramine Maleate & Phenylephrine	Metformin HCl	Ibuprofen, Pseudoephedrine HCl & Chlorpheniramine Maleate
Guaifenesin	Guaifenesin	Guaifenesin & Ephedrine HCl	Guaifenesin	Paracetamol & Diphenhydramine HCl
Methocarbamol	Methocarbamol	Ibuprofen & Pseudoephedrine HCl	Naproxen Sodium	Paracetamol & Methocarbamol
	Naproxen	Trimethoprim & Sulphamethoxazole	Diphenhydramine	Paracetamol, Phenylephrine HCl & Chlorpheniramine Maleate
	Naproxen Sodium	Paracetamol, Phenylephrine HCl & Dextromethorphan HBr		Paracetamol & Phenylephrine HCl
	Ciprofloxacin HCl			
	Gemfibrozil			
	Analgin			

The 2011-12 Performance Card

Revenue basket (FY12) in %



Revenue basket (FY11) in %



■ APIs ■ PFI ■ FD

38%

Revenue growth
over 2010-11

40%

EBIDTA growth
over 2010-11

29%

Cash profit growth
over 2010-11

61%

Profit before tax
growth over
2010-11

43%

Net profit
over 2010-11

12%

Book value
growth over
2010-11

(₹ crore)



Revenue

(₹ crore)



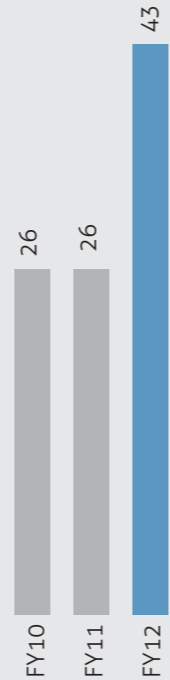
EBIDTA

(₹ crore)



Cash Profit

(₹ crore)



Profit
before tax

(₹ crore)



Net Profit

(₹)



Earning
per share

(₹ crore)



Net Worth

(₹)



Capital
Turnover Ratio

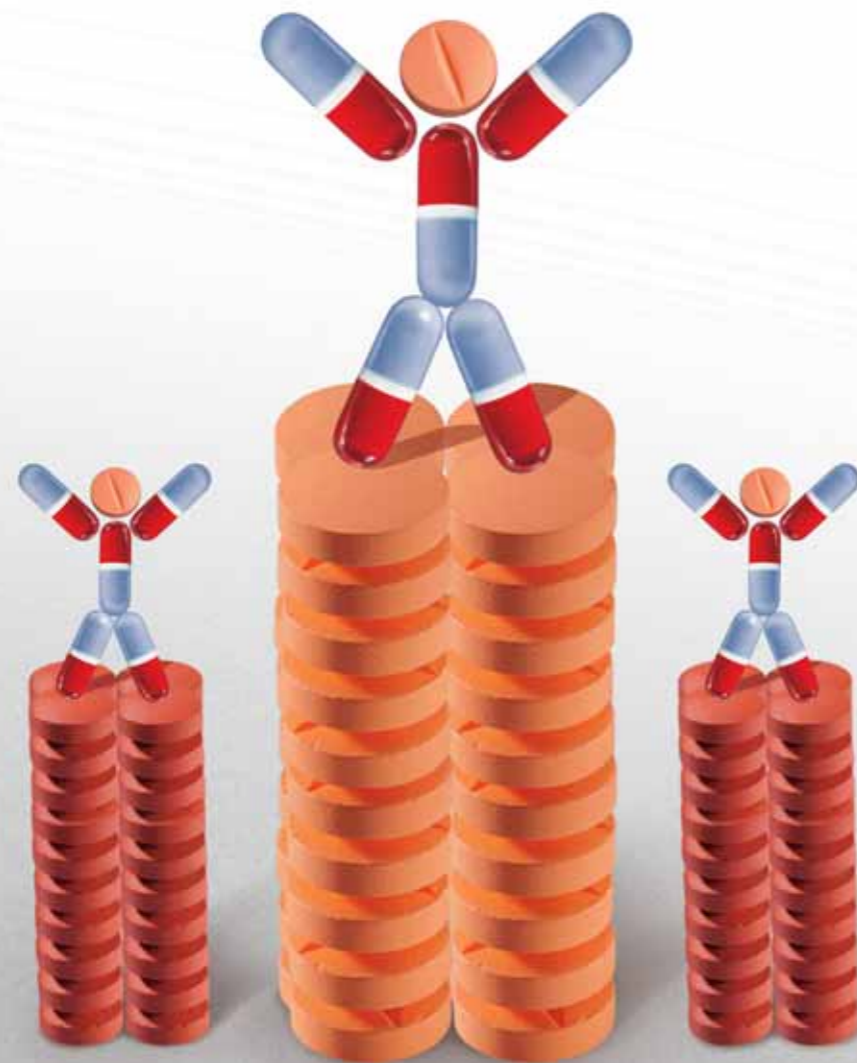
FY10 PBT and Net Profit are according to a recently implemented accounting policy

A number of analysts and shareholders hold a mistaken and discounted view of the Granules business model.

In the following section, we explain how our business model is prudently placed to enhance value over **the foreseeable future.**

MISCONCEPTION

“THIS IS A COMMODITY SEGMENT OF THE GLOBAL PHARMACEUTICAL INDUSTRY.”



Most people make the mistake of assuming that Granules is present in the commodity segment of a global pharmaceutical industry marked by low entry barriers.

A more accurate description is that we have progressively graduated to an uncommoditised niche within the commodity segment of the global pharmaceutical industry, adequately ring-fenced from rising competition.

Over the years, we moved to this select end through the following initiatives:

- We bridged the gap between APIs and Finished Dosages by pioneering the concept of commercialising PFIs. Our primary PFI facility, with its industry-leading 6 tonne batch size, is the largest in the world.

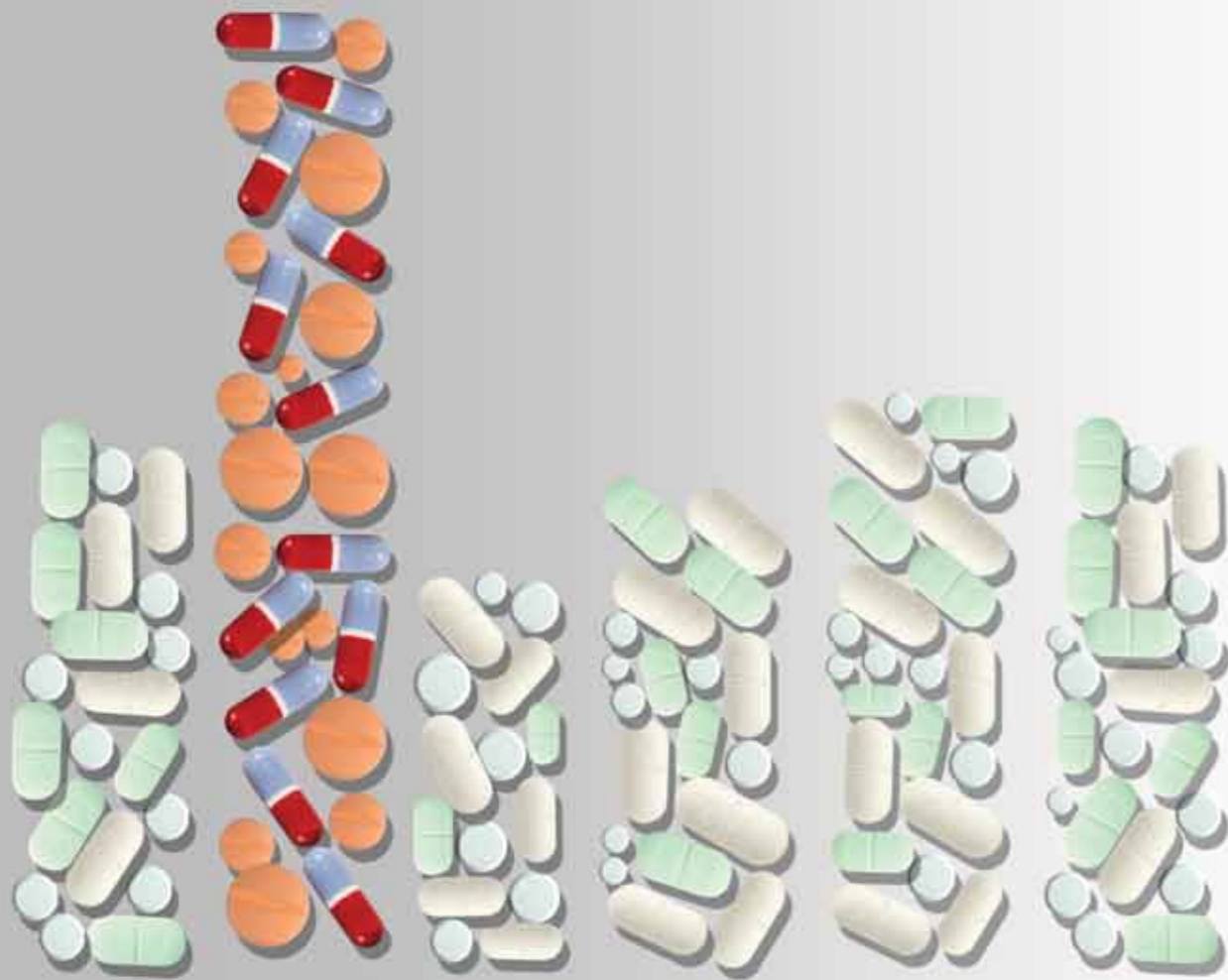
- We cover all three aspects of the pharmaceutical manufacturing value chain including APIs, PFIs and FDs. Our Finished Dosage facility is among the world's largest single-site capacity facilities, while our API facilities are among the premier facilities for quality-conscious customers. Our integrated model enables us to offer compelling value to customers.

- We ensured that our plants were cleared by some of the world's most demanding regulatory agencies including the U.S. FDA, MHRA, EDQM, Informed (EU) and TGA.

The result: The Indian pharmaceutical industry grew at a CAGR of 14% in the five years leading to FY12; our revenues grew at a 28% CAGR during the period. This outperformance was more evident during FY12. The Indian pharmaceutical industry grew 16% while our sales grew 38%.

MISCONCEPTION

"In Granules' Business Space, All Competition Is Price-Based."



Most people make the mistake of assuming that Granules is present in a completely price-sensitive segment of the global pharmaceutical industry where any company that quotes a lower price can walk away with business.

The truth is that Granules selected to specialise in a competence-intensive pocket of the global pharmaceutical industry where holistic capability counts above everything else.

Over the years, we deepened this capability through the following initiatives:

- We addressed the needs of marquee clients, who are brand owners and generics leaders, who seek the best overall price-value proposition as opposed to those only seeking the lowest cost. Marquee customers seek excellent customer service, robust QC support and dependable deliveries.

- We selected to grow our presence in regulated markets, which prioritise quality; revenues from regulated markets increased from 40% of sales in FY08 to 68% in FY12.

- We are among the few global companies that can offer APIs, PFIs and Finished Dosages; our offerings provide customers with flexibility that lets them become more efficient with their own resources.

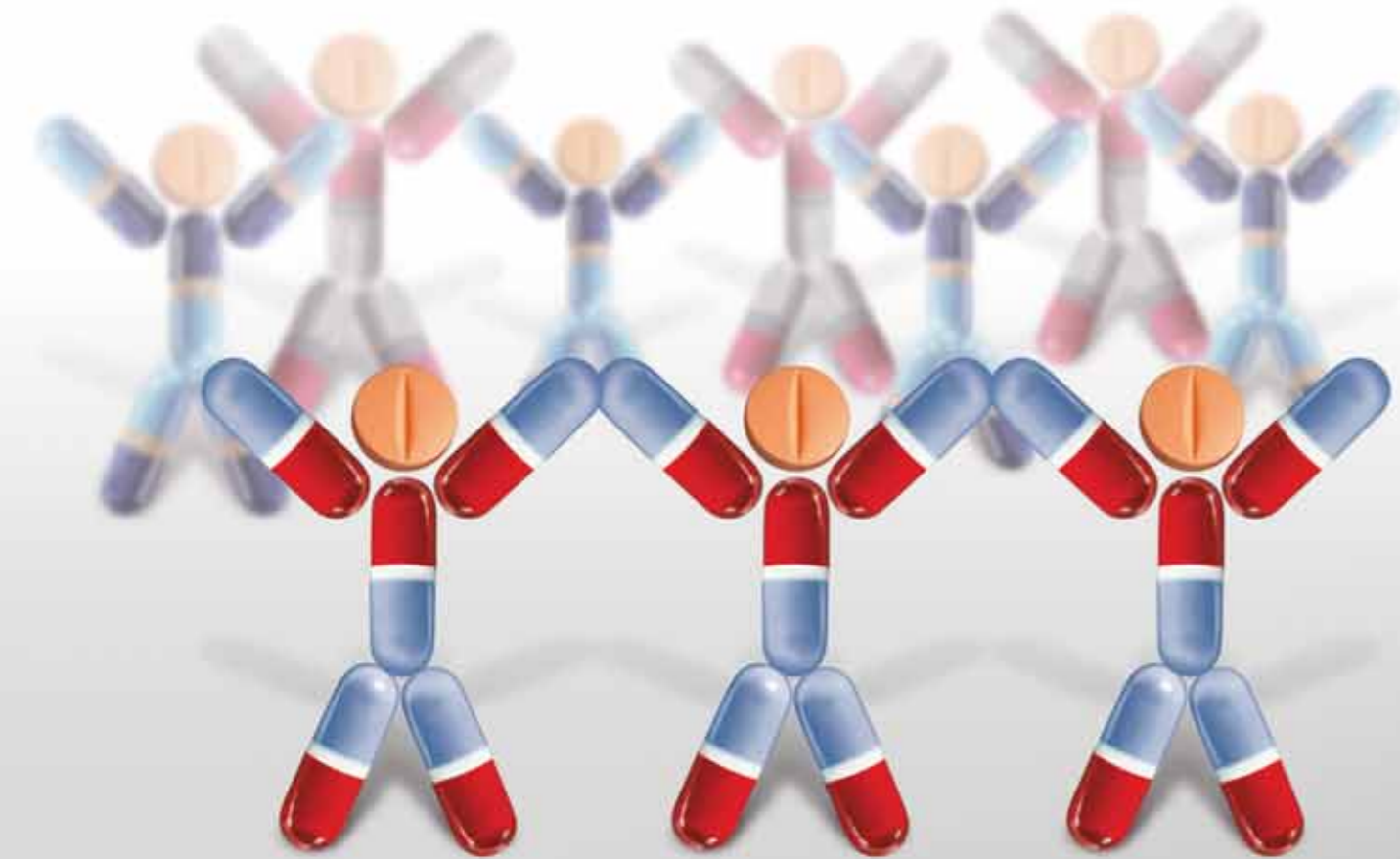
- We have ANDAs and dossiers which enable customers to access regulated markets with cost-competitive products.

- We are among select companies globally who can manufacture sophisticated rapid release formulations based on capsule-based tablets.

The result: Revenue from marquee customers increased from 18% in FY10 to 50% in FY12. Longstanding customer relationships of five years or more accounted for 50% of our revenues in FY12. Additionally, we increased business share from these customers by 91% during this short period, indicating strengthening customer traction.

MISCONCEPTION

“Granules is stuck in a low margin, high volume groove.”



Most people make the mistake of assuming that Granules manufactures low margin, high volume products.

A more faithful interpretation is that Granules focuses relentlessly on improving manufacturing efficiencies, leading to some of the highest margins in the products we compete in.

Over the years, we strengthened our ability to enhance margins and revenues through the following initiatives:

- We are among a few companies to have invested in significant scale across the value chain, improving our operating efficiency – API capacities increased 18% over the past three years, PFI capacity is set to increase 2x in FY13 and Finished Dosage capacity is projected to grow 3x in FY13
- We progressively evolved our product mix from APIs to PFIs and FDs; our formulation sales contributed to 68% of our standalone revenue in FY12. Every year, we use more of our APIs for captive consumption to

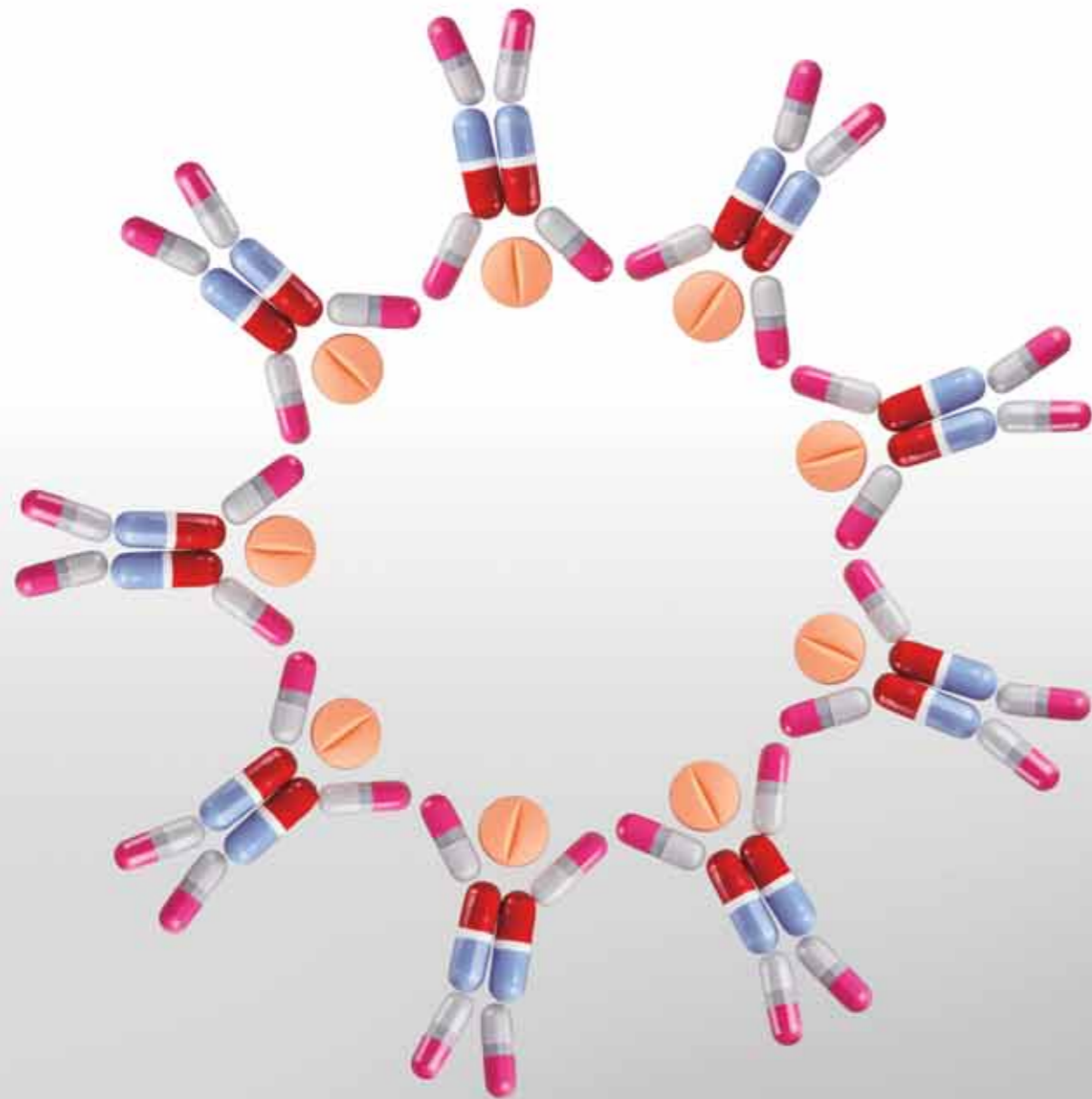
manufacture PFIs and FDs. While we offer all three components of the value chain, an increasing number of our customers are being converted from the purchase of APIs to lucrative formulations.

- We altered our sales mix towards value-added products in the pharma value chain – from a 100% API business in 1994, the sales mix altered to 40:60 between APIs and PFIs in FY08, improving to 32%:35%:33% between APIs, PFIs and FDs in FY12. Our Finished Dosage business, which started in FY09 with ₹9 Cr. in sales, has grown to ₹185 Cr. in just four years.
- We evolved from Paracetamol-dominated revenues, which was nearly 70% in FY08, to less than 50% in FY12. We diversified our sales by increasing Metformin, Ibuprofen and Guaifenesin sales. These products are higher-value products that offer stronger margins.

The result: Due to our focus on diversifying products and increasing capacity utilisation, EBIDTA margins are increasing. Within the last financial year, we strengthened EBIDTA margins from 10.4% in the first quarter to 14.1% in the fourth.

MISCONCEPTION

“Granules will find it increasingly difficult to counter inflation in a business where costs are rising all the time.”



Most people make the error of assuming that rising costs will eat into Granules' competitiveness.

A more accurate description is that we mitigated the impact of rising raw material costs through an effective leverage of knowledge and by working closely with our partners.

Over the years, we strengthened our competitiveness through the following initiatives:

- We have an operational excellence (OE) team, which was recognised by The Economic Times in partnership with Frost & Sullivan, that inspects every stage of our manufacturing processes to find efficiencies. In the past year, we implemented several projects that increased API capacities with minimal capital expenditure – Paracetamol increased from 800 TPM to 1,000 TPM

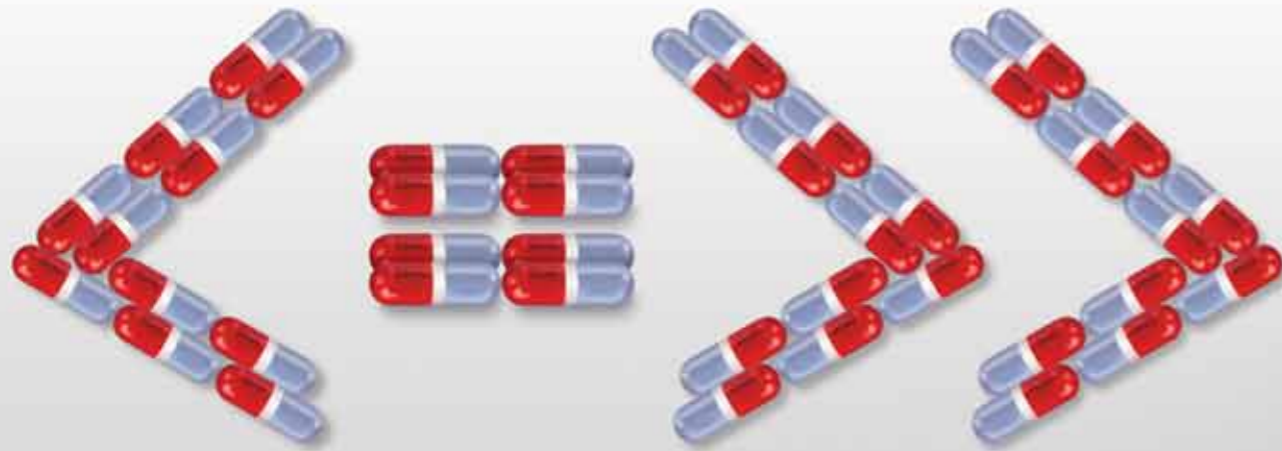
within six months, Metformin from 100 TPM to 150 TPM and Guaifenesin from 60 TPM to 100 TPM. The increase in capacity rationalised the cost of production with overheads distributed across a wider base.

- We entered into formula-based pricing contracts for many customers. These contracts allow us to pass increased raw material costs to customers while passing on savings when prices fall.
- We strengthened PFI capacities through process modifications – certain Ibuprofen-based PFIs improved from 6 TPD to 9 TPD while particular Paracetamol PFIs increased from one batch to two batches per hour while another niche PFI improved from 6 TPD to 10 TPD.

The result: Every rupee invested in the Company's gross block translated into ₹1.84 of revenue in FY12 compared with ₹1.47 in FY11, an increase of 26%.

MISCONCEPTION

“Granules will find it difficult to increase revenues.”



Most people make the mistake of assuming that pharmaceutical companies such as Granules will grow modestly.

A more accurate assessment is that Granules outperformed the Indian pharmaceutical sector by 100% over the past five years and is poised to increase its revenue growth while expanding margins.

Over the several years, we worked towards creating a foundation for significant growth through the following initiatives:

- We invested in more than doubling our PFI capacity from 8,400 TPA to 18,000 TPA

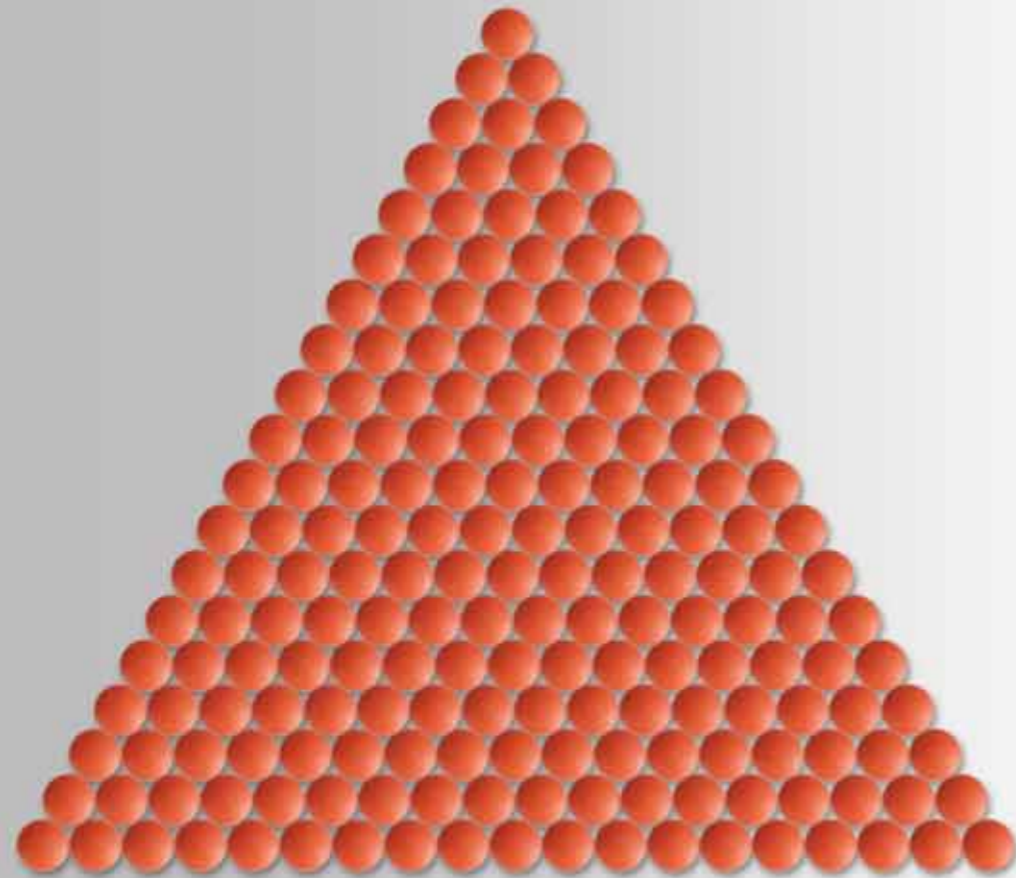
and tripling our FD capacity to 18 bn units per year effective from the second quarter of FY13. A majority of the new capacity is already pre-sold.

- We invested in new assets with higher throughput per hour without proportionately increasing our space or people investments. We undertook these expansions in existing facilities that do not need additional regulatory clearances, making it possible for the expansions to generate revenues from day one.

The result: A mix of accruals and debt will drive our significant revenue growth across the foreseeable future.

MISCONCEPTION

“Granules started out at the low end and will stay there for life.”



Most people are inclined to conclude that since Granules started out in the low-end of the pharmaceutical industry – it will remain there for life.

A more accurate portrayal is that Granules is building its competitive advantage to grow wallet share while simultaneously investing in opportunities that will grow revenue and improve margins.

Over the coming years, we expect to evolve through the following initiatives:

- We entered into a (50:50) joint venture with Ajinomoto OmniChem, a leading CRAMs manufacturer to offer high value APIs and intermediates for innovator companies in complex therapeutic segments
- Our JV will manufacture APIs in the late life cycle, addressing therapeutic areas

such as cardiovascular, CNS and oncology. Due to OmniChem's strong presence in the CRAMS business, the JV will have a built-in customer base from the first day of operations

- We will commission a unit to convert APIs into formulations for the joint venture's customers
- Our scale and increased focus on formulations will improve margins as we gain economies of scale
- We are increasing value to its existing products by adding applications such as extended relief and adding new doses to its Finished Dosage portfolio

The result: Revenues and margins will continue to improve in FY13 as the Company benefits from its long-term business plan.

We believe we are entering an exciting phase in our Company's growth and that our best years are ahead of us.



Dear Shareholders

We had another exciting year and continued to work towards our goal of emerging as a premier manufacturer of pharmaceutical products.

In FY12, we grew our revenues by 38%; our performance is exemplary because it continues the trend of Granules outperforming the industry. Our five-year revenue CAGR is 28% while the industry CAGR is 14%. While any company should be proud of this accomplishment, we are excited because we grew 38% while most of our products had a single-digit growth rate. Paracetamol grew in

the low-single digits while the fastest-growing product in our portfolio, Metformin, grew in the mid-teens. We successfully increased revenues while improving profitability; our PBT margin increased from 5.6% to 6.6%, resulting in PBT increasing to ₹43 Cr while net profit was ₹30 Cr.

Our performance surprised people because they believe we are focused on unfavourable products. We undoubtedly compete in a tough part of the industry but this works to our advantage and we believe our strong financial performance is a testimony of our business model. Due to the nature of our products, we relentlessly focus on how we can provide value to our customers.

An important way we add value is through our Operational Excellence (OE) team. Our team looks at products and figures out how to efficiently manufacture it so that we can improve productivity and reduce waste. We are engrossed on how to save cents per kilo, which, given the volume of our products, can make the difference between leaders and laggards.

Our focus on OE resulted in a mindset that is unconventional for the pharma sector. Instead of a broad product portfolio, we focused our resources on a targeted portfolio to increase quality and manufacturing efficiency. The efforts of our OE team resulted in notable achievements which

benefited our customers. In the past year, we implemented several initiatives that have increased our standalone API capacity by 20% with minimal capital expenditure. These improvements will lower our cost of production and counter rising raw material costs.

In addition to adding value by improving efficiencies, we listen closely to the needs of our customers to help them become more competitive. Our customers understood the value proposition we offered with our APIs and PFIs, which is why, in order to be more cost-effective, they asked us to forward integrate to Finished Dosages. In four years, we grew this vertical from scratch to ₹185 Cr., demonstrating how beneficial customers find our value proposition.

Granules is synonymous with Paracetamol APIs, but this does not reflect the full extent of our business. In FY12, our API business contributed 32% of business while higher-margin formulations, including PFIs and Finished Dosages contributed 68%. API volumes will grow but an increasing portion of volume will be used for captive consumption to ensure high quality PFIs and Finished Dosages. Also, we increasingly focused on increasing our market share in higher-value and faster growing products such as Metformin

What Granules expects to achieve in FY13

20%
increase in standalone API capacity in FY13

2x GROWTH
in PFI capacity

3x GROWTH
in FD capacity

and Ibuprofen which made us less dependent on one product. Paracetamol, as a portion of our sales, fell from nearly 70% of sales to less than 50% within five years.

In addition to offering all three components of the manufacturing value chain, we offer customers value-added applications that provide them with an edge in the marketplace. We have several ANDAs, which enable customers to compete in the lucrative U.S. market. We also offer innovative solutions such as our rapid release caplets which help customers gain a distinctive product in a crowded marketplace while we separate ourselves from competitors.

We look at our customers as partners whom we can grow with over the long-term, which is why our mindset revolves around how we can provide value to customers instead of having a transactional mindset. Around 50% of our revenues come from customers we have had for at least five years, which is a testimony of the rapport we established. Our close relationship with customers is why we are expanding our capacities. In early FY13, we will complete expansion plans that will more than double our PFI capacity to 18,000 tonnes while tripling our FD capacity to 18 billion

doses. The expansion will strengthen our position as the largest PFI producer and will give us one of the largest single-site finished dosage facilities.

While we continue to focus on executing our strategy, we are also looking to the future. We have a three-prong strategy for growth that will ensure that we continue to be among India's fastest-growing pharma companies. First, we want to be market leaders in the products we currently manufacture. We are working on several technologies that will enable us to grow API capacities with cost-effective processes. Second, we are actively exploring new APIs to add to our portfolio, where we believe we can be competitive. These APIs will fit in our existing model of high-volume products. Third, our JV, Granules OmniChem, will provide opportunities to expand beyond our core product portfolio. The JV is focused on high-value APIs in several therapeutic sectors including CNS, oncology and cardiovascular. We will replicate our existing model by having Granules forward integrate and offer Finished Dosages from the JV's APIs. Our partner's customers, who are brand owners, are excited about our value proposition since it will allow

them to be more competitive as their products go off-patent.

While FY12 was rewarding, we believe FY13 will be a breakout year for the Company. As our new capacities come online, growth in our standalone operations will accelerate. Over the past few years, our margins were held back due to low capacity utilisation at our Finished Dosage facility, owing to the wait from regulatory approvals and customer ramp-up. Since our new capacities are within existing facilities, we will not have to wait for regulatory approvals. Additionally, we established a successful track record with our Finished Dosage customers, which will allow them to ramp up orders. We have a strong order book and expect healthy capacity utilisation in FY13 that will result in increased margins.

Our drive to add value for our customers through efficiently manufacturing high-volume products and value-added applications is stronger than ever. We believe we are entering an exciting phase in our Company's growth and that our best years are ahead of us.

Regards
C. Krishna Prasad

The Granules COMPETITIVE advantage IS DERIVED FROM...

Leadership: The Company is among the leading global manufacturers of high-volume APIs including Paracetamol, Ibuprofen, Metformin and Guaifenesin. Additionally, Granules pioneered the concept of commercialising PFIs and is the world's leading PFI manufacturer.

Integration: While most pharmaceutical manufacturers focus on one product vertical (APIs or FDs), Granules invested in all three – APIs, PFIs and FDs, which enables the Company to add value throughout the manufacturing value chain.

Economies of scale: The Company's facilities can accommodate large-scale customers; the Company is among the three largest suppliers to the regulated markets for its product portfolio. In PFIs, the Company possesses an industry-leading single batch size of six tonnes and has the largest facility in the world. In Finished Dosages, Granules commissioned one of the largest capacities in a single location. In order to gain further advantages and due to strong customer demand, the Company is tripling its finished dosage capacity and more than doubling PFI capacity, which will be reflected in FY13.

Approvals: All of the Company's facilities are approved by some of the most demanding global regulatory authorities, making it possible for the Company to market products in countries marked by relatively low competition and attractive realisations.

Operational Excellence: The Company implemented an Operational Excellence programme that helped de-bottleneck operating units and enhance capacities for only a marginal capital outlay, strengthening profitability. The OE programme enabled the Company to offer quality products at a competitive price.

Value-added services: The Company offers value to customers by offering services such as ANDAs and innovative products including rapid release Finished Dosages.

Flexibility: Being spread across the pharmaceutical manufacturing value chain enables the Company to offer quality products. By offering all three verticals, Granules can offer customers flexibility and can target regions that have regulations for certain products.

... THAT HELP US STAY AHEAD ...

Markets: The Company possesses a presence in over 60 countries. More than 68% of the revenues in FY12 came from regulated markets, providing superior realisations, visibility and endorsement of the Company's capability leading to product acceptance in semi-regulated markets.

Customers: The Company services more than 300 clients, helping de-risk the business from an excessive dependence on a handful of large clients. Around 50% of sales come from marquee customers which are brand owners or leading generic manufacturers; these customers value quality and are committed to the long-term.

Value-addition products: APIs accounted for 100% of the Company's sales when it went into business in 1984; the Company increased the non-API proportion of its standalone sales from scratch to 68%. The Company increased FD sales from ₹9 Cr in FY09 to ₹185 Cr. in FY12, representing a growth of 83% over the previous year.

Stability: About 50% of the Company's revenues were derived from customer relationships longer than five years; proportion of revenues from fixed contracts increased from 23% in FY10 to 48% in FY12.

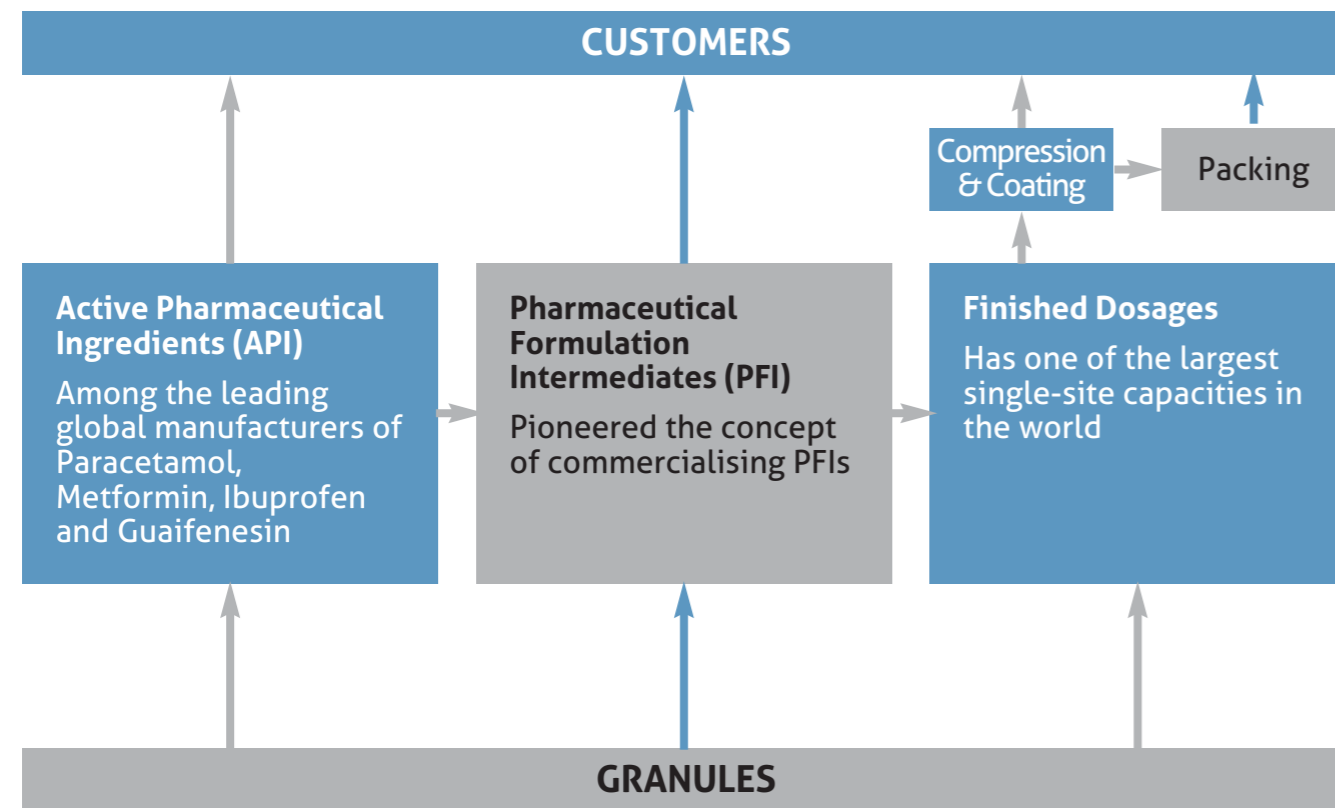
Financials: The Company trebled its Finished Dosage capacity and more than doubled its PFI capacity through accruals and debt, positioning it attractively to enhance shareholder value.

.... AND DELIVER VALUE TO STAKEHOLDERS.

Revenue	EBIDTA	Profit after tax	Cash profit	Shareholders' funds
28%	21%	32%	24%	8%
CAGR in 5 years up to FY12	CAGR in 5 years up to FY12	CAGR in 5 years up to FY12	CAGR in 5 years up to FY12	CAGR in 5 years up to FY12

The Granule's Business Model

Granules is a large-scale company offering products and services across the pharmaceutical manufacturing value chain.



Enhancing Shareholder Value

Granules enhanced value for its owners through various long-term initiatives

	FY10	FY11	FY12
Net sales (₹ cr)	461	475	654
Profit after tax (₹ cr)	19	21	30

Tangible value-addition

Revenue growth: The Company grew sales (revenues and volumes) across markets and products through enhanced capacities, global approvals from authorities and customers and increasing demand for its products. The Company is among the top manufacturers in its product lines for the regulated markets.

	FY11	FY12
PBT margin (%)	5.7	6.6
EBIDTA (%)	12.0	12.2
ROCE (%)	16	18

Improving profitability: The Company climbed the value-chain from APIs to Finished Dosages. Granules grew its FD business from ₹101 Cr in FY11 to ₹185 Cr. in FY 12, enhanced its presence in regulated markets and enhanced capacity through de-bottlenecking without a corresponding increase in capital expenditure. Profitability will improve in FY13 due to increasing capacity utilisation.

	FY10	FY11	FY12
Shareholders' funds (₹ cr)	202	220	245
Dividend payout (₹)	1.50	1.75	2.00*

*Proposed to be approved by shareholders at the AGM on July 2, 2012

Strengthening fundamentals: The Company grew free cash flows through volume and value-driven initiatives, maintained a prudent ratio between the need to reward shareholders and business investments. In the last three years, the Company deployed retained earnings to repay debt, raise its gross block, enhance dividend payout and strengthen investor recall.

	FY10	FY11	FY12
Gross block (₹ cr)	303	323	355

Business reinvestment: The Company reinvested in its production capacity with the objective to make growth sustainable. The cumulative gross block addition of ₹52 Cr. in the years leading to FY12 was funded through a prudent mix of debt and accruals while maintaining a healthy debt-equity ratio of 0.89x in FY12

PROFILE OF THE BOARD OF DIRECTORS



01. 02. 03. 04.



05. 06. 07. 08. 09. 10.

01. Dr. C. Nageswara Rao, Chairman
Dr. C. Nageswara Rao is a nationally renowned surgeon with fifty years of professional experience. Dr. Nageswara Rao has been very active in several medical fraternities and served as the Chairman of the Andhra Pradesh Medical Council. He was a member of the All India Medical Council, a Syndicate Member of Nagarjuna University and a Director of Hindustan Antibiotic Limited. He holds an M.S. in Surgery & Urology.

02. Mr. Krishna Prasad, Managing Director
Mr. Krishna Prasad is a technocrat with 30 years of experience in the pharmaceutical industry. In 1984, he established Triton Laboratories Limited, one of the largest manufacturers of Paracetamol in the world. Mr. Prasad pioneered the concept of commercializing Pharmaceutical Formulation Intermediates (PFI) and established Granules India to promote PFIs. With his leadership, Granules is among the premier pharmaceutical

companies in the world and has a footprint in over 50 countries. Mr. Prasad has won various awards and is the first Indian to run a marathon on seven continents and the North Pole.

03. Mr. L.S. Sarma, Director
Mr. L.S. Sarma is a nationally recognized executive in the financial industry. During his career, he served as a General Manager at Industrial Development Bank of India (IDBI), Director of ECGC and Dena Bank. In addition, he worked for the

International Trade Centre, as an Export Credit Consultant. He currently serves as a board member at Hexaware Technologies Limited.

04. Mr. A.P. Kurian, Director
Mr. Kurian served as the Chairman of Association of Mutual Funds in India. Mr. Kurian started his career at the Reserve Bank of India. Over the next 20 years, he worked with Unit Trust of India holding positions of Director-Investments, Director-Planning and Development and served as the Executive Trustee (equivalent to Managing Director) from 1987 to 1993. He is on the Board of National Stock Exchange, Executive Committee of NSDL and several other Committees associated with Mutual Funds and Capital Market.

05. Mr. Comandur Parthasarathy, Director
Mr. C. Parthasarathy is one of the founders of Karvy. As the Chairman of the group, he has been responsible for building Karvy into one of India's truly integrated financial services organizations. He is a fellow member of the Institute of Chartered Accountants of India and the Institute of Company Secretaries of India. He holds graduate degrees in Science and Law.

06. Dr. Krishna Murthy Ella, Director
Dr. Krishna Murthy Ella is the chief

promoter of Bharat Biotech, a premier biotech company. As Managing Director of Bharat Biotech, Dr. Ella has worked with the prestigious Gates Foundation and revolutionized the vaccine world by introducing \$1/dose anti-diarrhea vaccine. Dr. Ella was previously part of the Research faculty at the Medical University of South Carolina – Charleston and was awarded his Doctorate from the University of Wisconsin-Madison in Molecular Biology.

07. Mr. Arun Rao, Director
Mr. Arun Rao is the Executive Director of Akin Laboratories Pvt Ltd., a Formulation manufacturing Company. Mr. Arun Rao is a member of the Central Executive Council of the Indian Pharmaceutical Association. He is also on the Board of ESPI Industries and Chemicals Pvt Ltd, a leading manufacturer of antacids in India. Mr. Rao is a qualified Chemical Engineer from the University of Madras with a Post graduate degree Chemical Engineering from the Illinois Institute of Technology, Chicago, USA.

08. Mr. Harsha Chigurupati, Executive Director
Mr. Harsha Chigurupati has been with Granules India since June 2005. As Chief Marketing Officer, Mr. Chigurupati was instrumental in Granules India's integrated business strategy. During his tenure, Granules India gained nearly 100 customers,

including several marquee customers that constitute a large portion of Granules India's sales. Mr. Chigurupati has a Bachelors of Science in Business Management from Boston University.

09. Mr. Joby Varughese John, Additional Director
Mr. Joby John is an investment professional with 40 North Industries in New York. In his role, he is responsible for strategic investments and business initiatives at the firm and many of its operating companies focused on Chemicals, Building Materials and General Industrials. Mr. John has Bachelors and Masters of Science degrees in Chemical Engineering as well as an MBA in Finance.

10. Mrs. Uma Devi Chigurupati, Additional Director
Mrs. Chigurupati is Director of KRSMA Estates Private Limited, one of India's premier boutique wineries. Under her tenure, she has established the vineyard in Karnataka and has been vital to the on-going operations at the site. In addition, Mrs. Chigurupati is the Chairman of the Hyderabad 10K Foundation, which promotes health awareness in Andhra Pradesh through multiple initiatives including several races in Hyderabad including the Hyderabad Heritage Marathon. Mrs. Chigurupati has a post-graduate in Soil Microbiology from Nagarjuna University.

Management Discussion and Analysis

Economic overview

Global economy: The global environment turned adverse in 2011 owing to a turmoil in the Euro zone and fears about the U.S. economy provoked by rating agencies. As a result, capital flows to developing countries declined by almost half in 2011. Global economic trade declined sharply and global GDP grew 3.8% in 2011 compared with 5.2% in 2010. As per World Economic Outlook, global economic growth is expected to decline even further to 3.3% in 2012, largely because the euro area economy is expected to trip into a mild recession. Growth in emerging and developing economies is expected to average 5.4% compared with 6.2% in 2011.

Indian economy: In FY12, India struggled with the need to manage growth and control inflation. Indian economic growth declined from 8.4% in FY11 to 6.9% in FY12 and yet remained one of the fastest-growing global economies. Going ahead, the government estimates a GDP growth of 7.6% in FY13. While this appears a reasonable estimate, inflation will continue to be a significant challenge for the government especially due to the recent hikes in excise duty, service tax rates in Union Budget 2012 and a sharp increase in railway freight. The rupee is likely to remain stretched as India readies for FCCB repayments.

The pharmaceutical market

Global: Medical spending is likely to reach nearly USD1,100 bn in 2015, reflecting a slowing growth rate of 3-6% over the five-year period compared with 6.2% annual growth over the previous five years. Absolute global spending is expected to be USD210-240 bn, compared with USD251 bn since 2005. During the next five years, there will be accelerating spend in generics, rising from 20% of spending in 2005 to 39% of spending in 2015. Spending on generic drugs (including branded generics) is expected to grow at a CAGR of ~13% through 2015, compared with ~5% CAGR for the overall pharmaceuticals market. The share of branded drugs is expected to decline from ~64% of global pharma spend in 2010 to an estimated 53% due to an increasing generic presence arising from accelerating patent expiries, higher incentives for generics use and faster generics growth in emerging pharma markets.

The U.S. share of global spending is expected to decline from 41% in 2005 to 31% in 2015, while the share of spending from the top five European countries is expected to decline from 20% to 13%. Meanwhile, 17 high growth emerging markets are likely to contribute 28% of the total spending by 2015 compared with 12% in 2005.

Key 2015 numbers

Spending USD 1.1 tr | Patent dividend USD 98 bn | Spending on generics USD 400-430 bn | US spending growth 0-3% | China spending USD115-125 bn

The U.S.: The U.S. healthcare spending of 17% of its USD 15 trillion GDP is the second-highest in the world. The U.S. government implemented definitive steps to curtail its healthcare bill. Through The Patient Protection and Affordable Care Act, the U.S. intends to provide cost-effective healthcare to citizens and bring 30 million more Americans under health insurance through the increased

use of generics. According to a GPhA study, for every 2% increase in generics utilisation, the nation's Medicaid programme can potentially save USD1 billion a year. The generic penetration in the U.S. is the highest among regulated markets and is expected to increase as an increasing number of blockbuster drugs go generic.

The patent cliff

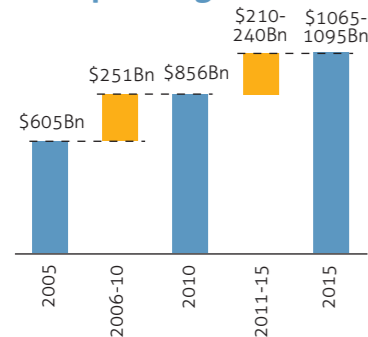
- The global pharmaceutical sector will witness the biggest patent-expiration wave in 2012.
- The peak of the patent expiration wave in 2011 and 2012 will witness over USD40 bn of branded sales going generic in the world's largest pharma market.
- Drugs worth USD125 bn are expected to go off-patent between 2011 and 2016 in the U.S. against only USD71 bn during 2006-10 (IMS Data).

Pharmerging markets: The largest growth in the five years from 2010 onwards will be in the pharmerging markets, driven by reforms and economic growth. Generic spending is expected to increase by USD47 bn, around 60% from the increased utilisation of existing generic products and 40% from newly available generics.

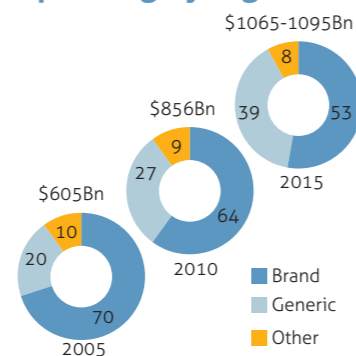
Pharmerging countries are expected to double pharmaceutical spending in five years, adding USD150 bn

by 2015. Patients pay out-of-pocket for the majority of medicines in these markets, which limits the use of expensive new medicines. The growth of a number of pharmerging countries are marked by strong domestic companies which market low-cost generics, branded generics and unauthorised variants of original brands. Of the total increase in spending, around 20% is expected to be derived from branded products.

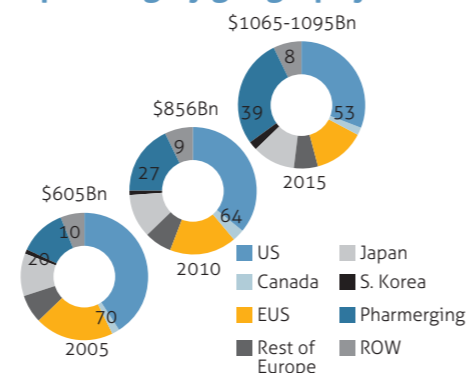
Global spending on medicine



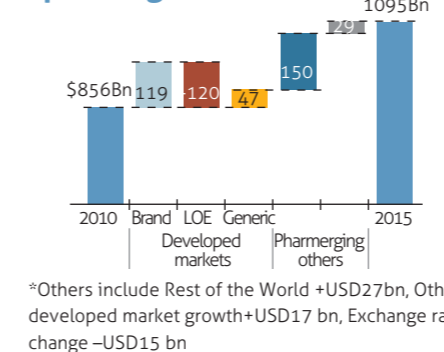
Spending by segment



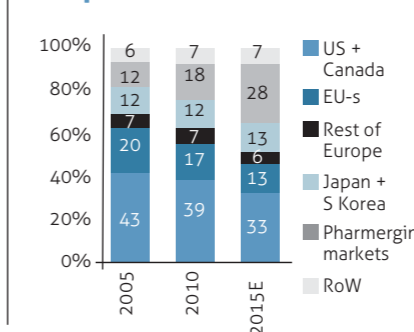
Spending by geography



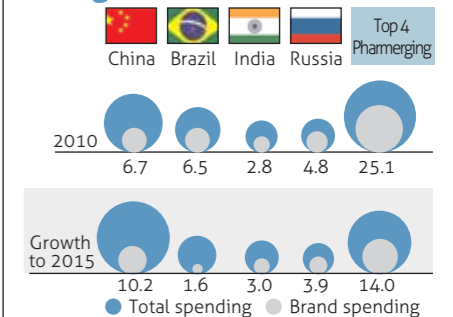
Components of change total spending



'Pharmerging markets' to outpace other markets



Pharmerging spending and growth



Way to go!

Of the ~3,500 branded drugs in the U.S., less than 2,000 have generic alternatives, implying additional room for generic growth.

Granules' product overview

Granules focuses on pharmaceutical products with high API and/or Finished Dosage volume requirements. In many high-volume pharmaceutical products, there are dozens of suppliers, which leads to an excess in overall market supply. While there are large surpluses, high quality material for the regulated markets is in short supply and can only be serviced by a handful of suppliers.

Customers in the regulated markets including North America and Europe require high-quality supplies with stringent quality controls. These customers value supply security and quality over pricing. Customers work closely with their suppliers' regulatory and quality control departments and once they pick a supplier, the customer stays with the supplier for multiple years and only periodically reviews other opportunities.

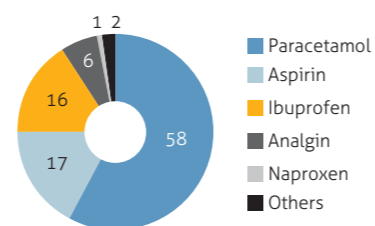
Due to increased accountability and consumer pressure, countries in the semi-regulated market are implementing tighter controls and are demanding more stringent quality parameters

Analgesics market

The analgesics market, which focuses on offering pain relief, is one of the largest segments of the healthcare industry with sales of around USD31 billion. The market is growing at a 2.7% CAGR. Growth will be driven by an ageing population with chronic ailments including arthritis, and lifestyle changes including more sedentary jobs and higher obesity rates.

Granules is among the leading producers of Paracetamol and Ibuprofen and also competes in the Naproxen and Analgin markets. Paracetamol accounts for 58% of the analgesic market by volume and is widely used around the world. Ibuprofen is the fastest-growing product in the sector and is expected to surpass Aspirin, which is not growing as fast. There are no analgesic products in the pipeline that are expected to replace the current leading products.

Constituents of the analgesic market (%)



Paracetamol: Paracetamol, also known as acetaminophen, is used to reduce body pain, headache and fever. The Paracetamol market continues to grow but there are signs of consolidation within the industry and increasing challenges for Chinese Paracetamol manufacturers. While many of these manufacturers targeted the emerging markets, which offer lower margins, manufacturers were able to gain market share and grow profits. However, many of the advantages that Chinese manufacturers had including an undervalued Chinese currency, low employment costs and favourable interest rates are diminishing which has added pressures. In order to combat inflation, the Chinese government let the RMB appreciate. During FY12, the RMB appreciated 3.8% which is similar to the 4.0% appreciation in FY11. Due to the appreciation, the cost advantage from Chinese manufacturers greatly diminished. Additionally, labour and energy costs in China increased by double-digits, which added pressure for companies. Also, there is an increasing focus on quality from companies in the emerging markets which is resulting in extra costs for many Chinese manufacturers since they must adjust their processes to adhere to more stringent standards. Due to these pressures, several Chinese manufacturers have shut down while others have sold their facilities to larger players. Due to the diminishing value proposition from Chinese manufacturers, many customers in the emerging markets are qualifying supplies from Indian manufacturers which resulted in a higher capacity utilisation in FY12.

Ibuprofen: Ibuprofen is primarily used for arthritis relief and fever reduction. The drug is popular in North America and Western Europe, accounting for nearly 60% of global sales. Ibuprofen is a more complex analgesic to manufacture compared with Paracetamol, which is why there are not as many suppliers. Around six manufacturers control the Ibuprofen market, which is growing in the mid-to-high single digits. The drug is becoming more popular due to an ageing population that wants to maintain their lifestyle. The Ibuprofen market, which faced pricing pressures in FY11 due to new capacity, rebounded. Due to strong demand, prices increased more than 10% in FY12 and continue to trend upward.

Anti-Diabetic market

The anti-diabetic market is extremely lucrative due to the growing number of people with diabetes. The number of people with diabetes is expected to grow from 246 million in 2008 to 380 million by 2025. The emerging markets are expected to be a major source of new diabetic cases as they adapt to Western lifestyles.

Medication for diabetes excluding insulin is expected to grow from USD24 bn to USD55 bn by 2019. There are multiple classes of drugs to treat diabetes, which range from cheap, first-line therapy to expensive, advanced therapies which includes:

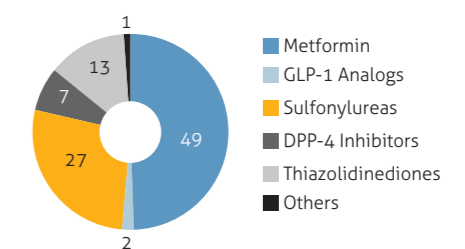
- **Biguanides:** The most popular drug in this category is Metformin, which lowers glucose levels. This is often used as the first response for Type II diabetes
- **DPP-4 Inhibitors:** This is the latest generation of diabetes drugs and over the next decade, several products will be released

Diabetic cases are spread evenly globally and there is a large opportunity for cost-effective medication.

33 million every day...

Even if 0.50% of the world's population were down with a flu it would mean 33 million people reaching out for a Paracetamol more than once a day.

Constituents of Diabetes medication (%)



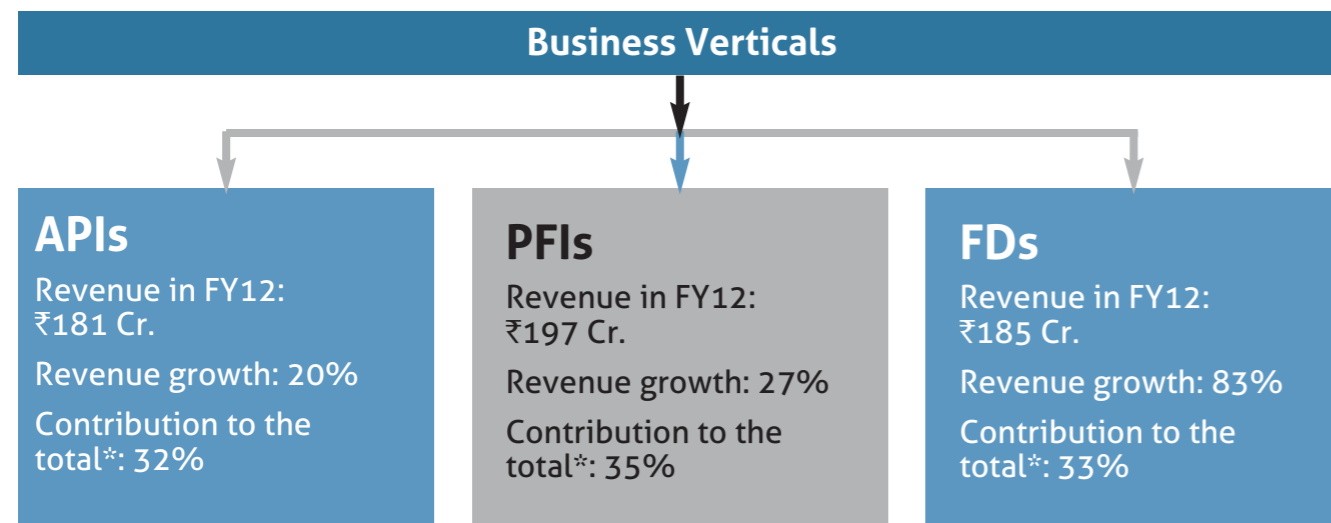
Metformin: Metformin, a prescription drug, is the first biguanide oral anti-diabetic agent to be approved by the U.S. FDA after phenformin (phenethylbiguanide) was banned in the U.S. in 1977. Due to its relatively low cost and high-effectiveness, metformin is often used as a first-line therapy for patients with type-II diabetes. Annual production capacity for Metformin is around 35,000 tonnes. Around 67% of the capacity is based in India. Due to the rising number of diabetic patients globally, demand for Metformin is increasing and multiple suppliers are increasing capacity in order to meet global demand. The market is growing in the mid-teens and is expected to maintain the growth rate for the foreseeable future.

Countrywise diabetes rate (%)



Business OPERATIONS

Granules India enjoys a presence across the pharmaceutical manufacturing value chain. The Company's operations are spread across four facilities – three in India (outskirts of Hyderabad, Andhra Pradesh) and one in China (50:50 joint venture).



* On standalone basis

Business VERTICAL 1

Active PHARMACEUTICAL INGREDIENTS (APIs)

Capacity	Products	Facilities
18,000 TPA	6	3

The Company has three API facilities, two in India at Bonthapally and Jeedimetla which are near Hyderabad and a third in Jingmen, China. Despite an increase of 83% in revenues, API contribution declined from 39% in FY09 to 32% in FY12 due to strong PFI and FD sales. Additionally, more of Granules' APIs are being used for captive consumption. The API vertical will continue to be critical to the Company's success since it the starting point for the Company's PFI and FD verticals.

Highlights, 2011-12

- API revenues increased 20% from ₹151 Cr. in FY11 to ₹181 Cr.
- Several projects to increase API capacity were implemented during the year, with many of the projects

finishing in late Q4FY12. The full benefits of these projects will be realised in FY13:

- Paracetamol output increased from 800 TPM to 1,000 TPM within two quarters with relevant de-bottlenecking and minimal capital expenditure
- Metformin production increased from 100 TPM in FY11 to 150 TPM through process improvements
- Guaifenesin production increased from 60 TPM in FY11 to 100 TPM through process improvements

Blueprint for 2012-13

The Company expects to see strong direct sales from the API vertical along with an increase in captive consumption to fuel PFI and Finished Dosage sales. Metformin demand continues to increase in double-digits and is the fastest-growing API in the Company's portfolio. Paracetamol and Guaifenesin demand is rising due to an increase in wallet share from several customers.

Business VERTICAL 2

PHARMACEUTICAL FORMULATION INGREDIENT (PFI)

Capacity	Products	Facilities
18,000 TPA	40	2

Granules pioneered the concept of commercialising PFIs, saving customers the need to manufacture their own PFIs and leaving them free to focus on Finished Dosage manufacture and marketing.

Granules entered this business segment in the early 1990s, following an insight that most APIs were not suitable for

compression in their crystalline or amorphous forms because they lacked the necessary binding, lubricating and disintegrating properties. This made it necessary for APIs to be granulated first to enhance functionality. Manufacturers would be able to granulate but were not able to derive operational efficiencies if they focused on various products or if they only produced the product for only a few days at a time. This pulled down the overall return from their investments especially because PFI manufacture accounts for 80% of the total cost of a Finished Dosage.

The Company, through its PFI facilities at Gagillapur and

Jeedimetla, is a leader in manufacturing PFIs and has the world's largest capacity. The manufacturing facility uses high-shear and fluid-bed granulation processes with a 6 tonne batch size, the largest in the industry.

Highlights, 2011-12

- Increased revenues 27% from ₹155 Cr. in FY11 to ₹197 Cr.
- Increased production volumes over the previous year; realisations improved on account of price increases effected
- Enhanced throughput by 20-30% for high volume products through Operational Excellence initiatives,

resulting in de-bottlenecking and cycle time reduction

- Commissioned Module D (1,200 TPA) at Gagillapur, a low volume line focused on the semi-regulated markets to alleviate capacity constraints

Blueprint for 2012-13

- Commission and stabilise operations of Module C, with a capacity of 8,400 TPA at the Gagillapur PFI facility
- Increase production and reach out to more customers
- Re-engineer existing product processes leading to cost optimisation and quality improvement

Business VERTICAL 3

Finished Dosage (FD)

Capacity	Products	Facilities
18 bn	14	1

At Granules, the manufacture of Finished Dosages represents the highest end of the value chain. The Company entered this business in FY09 through an installed capacity of 6 billion tablets. Today, Finished Dosages account for 33% of the Company's revenues.

Granules' Finished Dosage facility in Gagillapur comprises automated processes, robust infrastructure and superior quality systems that efficiently produce Finished Dosages. Granules offers multiple Finished Dosage forms comprising tablets, caplets and press fit capsules in bulk, blister packs and bottles. The Company is the only Indian pharmaceutical player to manufacture press fit (rapid release tablets)

dosages and among the few in India to manufacture bi-layered tablets.

Highlights, 2011-12

- Increased revenues 83% from ₹101 Cr. in FY11 to ₹185 Cr.
- Received an approval for its Naproxen Sodium 220 mg ANDA
- Filed ANDA with U.S. FDA for Ibuprofen Rx in FY12
- Recruited human capital in several key positions

Blueprint for 2012-13

- Commission and stabilise new capacities
- File dossiers for Paracetamol, Ibuprofen and Metformin Finished Dosages

DRIVER OF EXCELLENCE

Operational Excellence



In a competitive capital-intensive business like pharmaceutical manufacture, success is derived from an ability to derive a higher output than rated capacity with the objective to reduce the effective capital cost per tonne to well below the industry benchmark.

production capacities across all manufacturing units accompanied by significant quality and efficiency improvements, reduction in waste generation and input optimisation – at only a marginal investment.

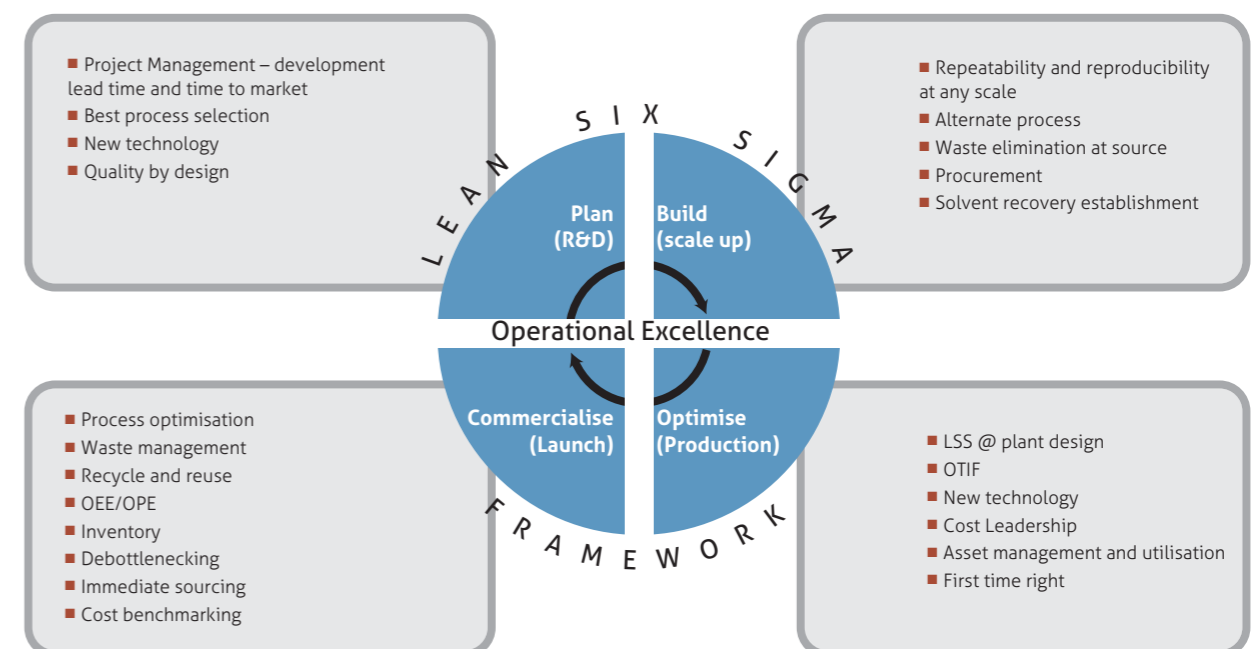
- The Company increased the following API capacities with minimal capital expenditure – Paracetamol by about 800 tonnes per month to 1,000 tonnes per month within two quarters while other APIs were gradually increased over a longer period. Metformin API capacity increased from 60 TPM in FY09 to 150 TPM in FY12, and Guaifenesin was augmented from 35 TPM in FY09 to 100 TPM in FY12
- The Company strengthened PFI capacities through process modifications – a particular Ibuprofen PFI increased from 6 TPD to 9 TPD, a Paracetamol PFI blend improved from one batch per hour to two batches per hour and a niche PFI product increased from 6 TPD to 10 TPD

It is with this objective that the Company's Operational Excellence programme was commissioned in 2008, focusing on production efficiency, process fine-tuning, yield improvement and waste reduction.

The OE programme revolves around the Lean Six Sigma Framework to ensure that every customer consistently gets the desired product quality and quantity at the right time.

At Granules, the success of the OE initiative helped unlock

The result: The Company successfully increased production with minimal expenditures which improved ROCE and spread costs over a wider base. The OE programme will be rolled out across all functions.



DRIVERS OF EXCELLENCE

SUPPLY CHAIN



In the business of pharmaceutical manufacture involving the management of diverse raw materials at one end and dispatch of a number of end products at the other, success is derived from an ability to manage the supply chain with the objective to achieve the lowest cost and timely material availability.

During the year under review, the Company strengthened its supply chain management through various initiatives:

- Integrated data from marketing, operations and inventory management functions linked to ERP, leading to accurate planning
- Integrated its purchase, commercial and logistics departments coupled with real-time monitoring and informed decision-making
- Widened its vendor base across APIs, excipients and packaging material to provide for its expanded capacity
- Adjusted production schedules to accommodate product dispatches through rail; initiated a unique shipment strategy wherein a single container was loaded with proximate multi-destination products, saving logistics costs
- Created a separate 'strategic sourcing' cell to focus on key inputs
- Strengthened service level agreements with vendors to ensure adequate and timely input availability
- Strengthened its buffer management system to accommodate unexpected demand spikes
- Secured input availability for the expanded capacities expected to commence operations in July 2012

The result: 'On-Time, In-Full' deliveries increased in FY12, strengthening customer relationships.

QUALITY ASSURANCE



In a business as critical as that of pharmaceutical manufacture where the quality of our end product affects human health, there is a premium on the ability to produce high quality standards dictated by demanding regulatory authorities – batch after batch across time.

At Granules, this need to match the best global quality standards is reflected in the following:

- The Bonthapally and Gagillapur plants are largely close system operations with PLC controls and Level 2 automation, minimising any need for human intervention
- A quality assurance cell manned by a 139 - member quality management team
- Approvals from global regulatory authorities of stringent regulated markets – U.S. FDA, MHRA, EDQM, Infarmed (EU), WHO GMP, KFDA, HHA (Germany), TPD - Canada, MCC, Russian Health Authorities, TGA and HHA (Germany).

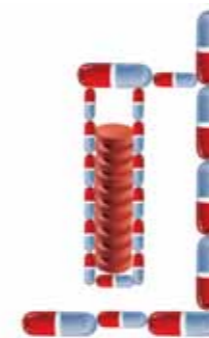
The effectiveness of the Company's quality commitment is reflected in an important reality – Granules has the unique distinction of possessing among one of the best quality-assurance-to-production ratios globally.

In FY12, the team achieved the following:

- Dedicated certain blocks for specific products, reducing the possibility of contamination
- Intensified team training to strengthen their knowledge of new regulatory standards and automated machine operations
- Altered the recruitment criteria, which strengthened team expertise and communication skills
- Readied the team to ensure that the new facilities to be commissioned in FY13 adhere to global benchmarks

DRIVERS OF EXCELLENCE

R&D



In the business of pharmaceutical manufacture, where it is imperative to create a wider basket of products of an improving quality at a progressively lower cost, effective research and development takes the business ahead.

The importance of this business segment cannot be over-stated: product transfer from the lab and pilot scale to the commercial scale was quick and seamless, improving asset utilisation at downstream facilities and improved revenue generation.

To drive its business in a profitable way, the Company created two focused R&D units to service the growing needs of its API and FD segments.

API R&D: The Company's API R&D unit was commissioned to develop technologies to optimise resource utilisation, recycle process waste, improve product quality and reduce costs. The team identified key processes where it is developing best-in-class systems.

Formulation R&D: The Company commissioned a 3,500 sq. ft formulations R&D centre in Gagillapur, which is approved by the TGA. This research initiative offers end-to-end solutions comprising pre-formulations, formulations development, analytical development, cGMP, scale-up, bioavailability and bioequivalence studies as well as OTC monograph for filing ANDAs. The Company developed and filed ANDAs/dossiers, IR and MR solid dosage products in the US, Europe and Australia.

The Company embarked on 'global filing' for all its products which entails a single dossier being submitted across all key regulated markets. The R&D team received approvals for its Naproxen Sodium 220 mg ANDA in FY12 and also filed an ANDA for Ibuprofen Rx.

MARKETING



In a business where a variety of products are manufactured in large volumes, success is derived from the ability to market large volumes across a diversified basket of products and customers, making it possible for the Company to grow in line with the increasing requirements of its customers.

The success of the Granules marketing team is reflected in the fact that the Company has grown ever single year in the last 18 years, marked by a 28% CAGR in the five years leading to 2011-12 compared with an industry average of 14%. Additionally, the Company generated 68% of its revenues from regulated markets, resulting in customer relationship stability on the one hand and a relative protection in realisations on the other.

Granules strengthened its customer value-proposition through the following initiatives: superior price value, timely product delivery and complete transparency.

Granules invested in its marketing team to make this happen. The Company has marketing executives and representatives in India, the U.S., the U.K, Colombia and China to service the growing needs of more than 300 customers. The Company created a multi-locational customer management team to interact with customers at different hierarchies to maximise customer satisfaction. The team comprises experienced professionals who understand the unique dynamics of the markets of their presence and possess a deep technological understanding of Granules' products and customer needs.

The result: the team increased the wallet share with key clients – average sales per client grew 53% for our standalone operations; the marketing team continues to work closely with customers to ensure there will be strong capacity utilisation in 2012-13.

Human Resource



In a business where intellectual capital represents the difference between the successful and the average, it is imperative to invest in knowledge, capability and experience for sustainable success. Besides, the success of the Company's board room strategy depends

on the implementation capability of its team.

Over the years, the Company increasingly invested in youth, rightsising the organisation with respect to age. The Company made 177 recruitments in FY12 with an average inductee age of 27, reducing the overall age average from 33 in FY11 to 32 in FY12.

Even as the Company increased its presence across business segments and geographies, it formulated its HR objectives to create a 'Center of Excellence'. The Company's

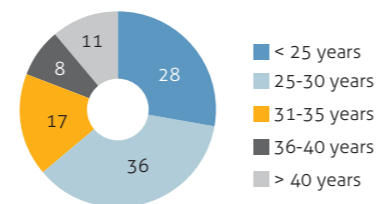
endeavour is not just to increase its work force, but ensure that teams collaborate and enrich working culture, inculcate the right practices and foster the right work ethics.

Developments, 2011-12

- Recruited 177 members into the Granules team
- Invested 3,220 - person days of training covering 36% of the Company's employees

The result: revenues per person increased from ₹61 lacs in FY11 to ₹67 lacs in FY12, creating the foundation for the Company's enhanced profitability.

Corporate Age Profile (%)



INTERNAL CONTROL SYSTEMS AND THEIR ADEQUACY

The Company's internal control and documented procedures encompass financial and operating procedures – providing proper accounting control, monitoring the Company's economic viability and efficiency and protecting assets from unauthorised use or losses – to ensure the

reliability of financial and operational information. The Audit Committee of the Board of Directors regularly reviews future plans, significant audit findings and adequacy of internal controls, as well as compliance with accounting standards.

ANALYSIS OF THE FINANCIAL STATEMENTS

Key highlights 2011-12

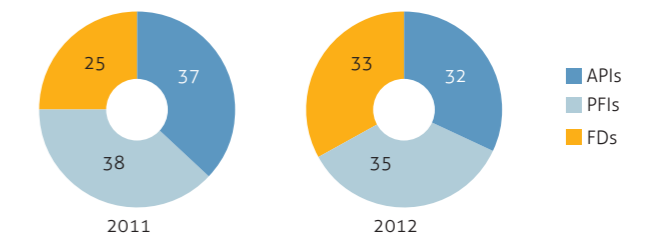
Absolutes

- Revenue from operations increased 38% from ₹476 Cr in 2010-11 to ₹654 Cr
- EBIDTA increased 40% from ₹58 Cr in 2010-11 to ₹80 Cr
- PBT increased 61% from ₹27 Cr in 2010-11 to ₹43 Cr
- PAT increased 43% from ₹21 Cr in 2010-11 to ₹30 Cr

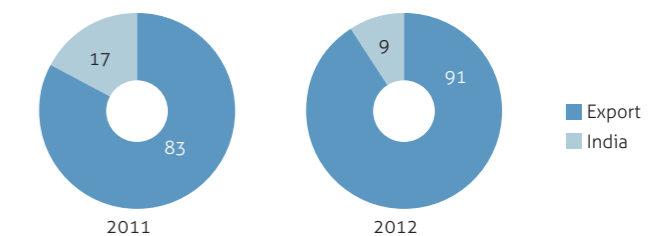
Derivatives

- EBIDTA margin increased 18 bps from 12.13% in 2010-11 to 12.31%
- PBT margin increased 94 bps from 5.63% in 2010-11 to 6.57%
- PAT margin increased 18 bps from 4.40% in 2010-11 to 4.58%
- ROCE increased 137 bps from 16.13% in 2010-11 to 17.50%

Revenue by product segment (%)



Revenue by geography (%)



1. Profit and Loss Account

Revenue from operations

Revenue was driven by double-digit growth in APIs, PFIs and Finished Dosages. While APIs and PFIs grew on an absolute basis, they were a smaller portion of sales due to the 83% increase in Finished Dosages and because a larger portion was used for captive consumption. Through the year, more customers moved up the value chain from APIs to PFIs and Finished Dosages, which Granules expects will continue.

Operating costs

Operating costs as a proportion of total income decreased 27 bps to 75.42% over the previous year due to the Company's ability to improve operational efficiency including increasing throughput. Cost of materials as % of sales slightly increased for several reasons. First, crude oil prices rose throughout the year, which impacted the cost of several key raw materials. Additionally, the Company's emphasis on high-quality end products resulted in the

	2010-11		2011-12		Growth as % of Sales
	Amount	Proportion of total expenses (%)	Amount	Proportion of total expenses (%)	
Cost of Materials Consumed	252.7	66.0	361.4	68.1	3%
Employee Benefits	28.3	7.4	38.0	7.4	(1%)
Other Expenses	72.0	20.0	95.8	18.6	(6%)
Finance Costs	11.0	2.7	15.5	2.6	(2%)
Depreciation	15.9	4.1	18.0	3.4	(18%)

Company working closely with quality-conscious manufacturers, which will increase upfront costs but reduce the likeliness of the end products failing the Company's stringent quality standards. Additionally, the Company has pricing formulas with many customers so it can pass on the impact in rising raw material costs.

EBIDTA

The Company improved its EBIDTA margin 18 bps to 12.31% over the prior year, resulting in EBIDTA growing 40% to ₹80 Cr. in 2011-12. The Company was able to improve EBIDTA due to higher capacity utilisation at its facilities and a more favourable product mix including an increased emphasis on formulations.

Taxation

While PBT grew 61% in FY12, PAT increased 43% because the Company previously enjoyed EOU tax credits which no longer apply. The Company's average tax rate stood at 30.3% in 2011-12, which is in line with industry standards.

Dividend

The Board proposed a 20% dividend for 2011-12 to be approved by the shareholders at the ensuing Annual General Meeting. If approved, this will represent an increase of 33% in dividend and the second straight year the Company increased the dividend.

2. Balance Sheet

The Companies Act mandated a change in the format for Schedule VI of the financial statements in line with IFRS standards.

Capital Employed

Capital employed increased 28% to ₹483 Cr. over the prior year due to an increase in surplus and external debt. Every rupee invested in business generated higher revenue – ₹1.35 in 2011-12 against Re 1.26 in 2010-11, resulting in ROCE improving to 17.5%, an increase of 137 bps.

Shareholders' Funds

Shareholders' funds increased 12% ₹246 Cr. over the previous year due to an increase in the reserves and surplus balance.

Loan Funds

Loan funds increased due to the Company's accelerating revenue growth. Due to an increase in sales, the Company required larger borrowings for working capital. Additionally, the Company financed its PFI and Finished Dosage expansion through a mix of internal accruals and debt. While debt levels increased, the Company's debt to equity ratio of 0.89x (0.42x excluding working capital) is healthy.

	Note	As on	
		March 31, 2012	March 31, 2012
Long-term borrowings	2.3	88.0	37.8
Short-term borrowings	2.6	113.6	83.2
Current maturities of long term loans (payable within 2012-13)	2.8	13.5	16.5
TOTAL		215.2	137.4

Gross Block

Gross block increased 11% to ₹319 Cr. over the prior year in order to improve the Jeeditmetla facility.

Working Capital Management

Current assets stood at ₹282 Cr. as on March 31, 2012 against ₹190 Cr. as on March 31, 2011. This was in line with the Company's growing operations.

In the new format, loans and advances (long-term in nature) and other current assets, are taken as part of non-current assets.

Inventory: Increased from ₹75 Cr on March 31, 2011 to ₹110 Cr on March 31, 2012. Overall, the inventory cycle stood at 82 days of turnover equivalent in 2011-12 against 89 days in 2010-11.

Sundry debtors: Increased 32.67% from ₹71.61 cr as on March 31, 2011 to ₹95.01 cr as on March 31, 2012 in line with increased revenues from operations. The debtors' cycle stood at 94 days in 2011-12 against 104 days in 2010-11.

	Note	As at	
		March 31, 2012	March 31, 2012
Current assets - As per Balance Sheet (new format)	2.15 – 2.19	260.6	179.0
Add: Long-term loans and advances *	2.13	20.2	10.7
Add: Other non-current assets *	2.14	0.4	0.3
TOTAL		281.2	190.0

	Note	As at	
		March 31, 2012	March 31, 2012
Current liabilities - As per Balance Sheet (new format)		213.6	157.1
Add: Long-term provisions (for gratuity)	2.5	1.5	1.2
Less: Short-term borrowings	2.6	113.6	83.2
Less: Current maturities of long-term debts	2.8	13.5	16.5
Total		88.1	58.7

Risk management

At Granules, we counter industry uncertainty through proactive counter-measures that strengthened our viability across verticals, products, geographies and market cycles.

Risk: A mistaken perception of being present at the commoditised end of the product chain could impact business valuation.

1

Risk mitigation

Over the years, the Company scaled the value chain in two formats – the segmental value chain and the product value chain.

Segment value chain: Over the last decade, the Company scaled the pharmaceutical value chain, moving forward from APIs and PFIs into the higher margin Finished Dosage business. This extension received an over-whelming response from marquee customers, making the Finished Dosage segment the fastest-growing within the Company in percentage terms – in only four years since initiation, Finished Dosages contribute about a third of the Company's revenue.

Product value chain: From being primarily a Paracetamol player, the Company now

has five products in its basket comprising high-growth lifestyle products including Ibuprofen and Metformin. The Company envisions being among the top three in each product segment of its presence. Additionally, the joint venture with Ajinomoto OmniChem will give the Company access to high-value APIs in the oncology, cardiovascular and CNS segments.

The result: ANDAs approvals, certifications from regulatory authorities from key regulated markets and the near completion of on-going expansion projects are expected to accelerate PFI and FD segment growth, skewing the sales mix in favour of higher-margin formulations.

Risk: An inability to market products successfully following the commissioning of capacity expansions could stagger growth and returns.

2

Risk mitigation

PFI capacity: Increased production will feed additional downstream FD capacity. The Company is adding new products resulting in client accretion. The Company's industry leadership is expected to strengthen the addition of customers.

FD capacity: A number of existing clients are increasing their wallet share. The

Company successfully commercialised its ANDAs and multiple site transfers.

The result: The growing acceptance and increasing demand of the Company's products created a sizeable demand backlog which necessitated capacity growth, which will account for a sizable proportion of the expanded capacities.

Risk: The management of a large operational capacity and delivery urgencies could lead to quality compromises.

3

Risk mitigation

The Company institutionalised various management practices to strengthen its quality standard:

Controls: The Company has invested in automated PLC-controlled equipment.

Plant meetings: The Company strengthened the involvement of Area Effectiveness Teams across its various facilities. These teams continuously analyse all operating parameters for variations from benchmarks, thereby mitigating quality issues.

Customer interaction: The Company's executives strengthened their interaction with customers across levels, resulting in insights into process and quality improvement.

Plant audits: All the Company's plants received approvals from leading global regulatory agencies; 33 successful customer audits were conducted in FY12.

The result: The Company increased the proportion of sales to demanding regulated markets from 40% in 2007-08 to 68% in 2011-12.

Risk: Attrition of key clients could impact business stability when the business is dependent on a handful of customers

4

Risk mitigation

Over the years, the Company created a sizeable customer base comprising more than 300 global pharmaceutical players.

Customer base: The Company has a large customer base of over 300 clients. As opposed to customer addition, the Company successfully focused on increasing the wallet share of existing customers.

Marquee clients: The Company's products find acceptance, with globally respected marquee clients accounting for more than 50% of the Company's sales volumes in FY12. The new capacities are only expected to increase this proportion.

The result: No single client accounted for more than 20% of the Company's revenues in FY12.

Risk: Excessive dependence on a particular geography could be detrimental to the Company's growth aspiration

5

Risk mitigation

The Company enjoys a global footprint extending over 60 nations, regulated and semi-regulated.

Regulated markets: The Company's facilities are certified by regulatory authorities from all regulated markets. Sales in regulated markets accounted for 68% of the Company's revenues in FY12. The recent ANDA approvals enhanced

revenues from these markets.

Semi-regulated markets: The Company is present across more than 45 nations categorised as semi-regulated. Increased volumes will enable the Company to strengthen its presence in these markets.

The result: No single geography accounted for more than 25% of the Company's sales volume in FY12.

Risk: Inability to garner adequate low-cost funds to finance capital-intensive projects could affect the Company's growth.

6

Risk mitigation

The Company's financial strength was derived from knowledge capital and low-cost funds mobilisation.

Knowledge: The Company's OE programme helped de-bottleneck facilities for a marginal expenditure, obviating the need to mobilise additional funds.

Financial statements: The Company adopted a balanced funding strategy mobilising funds from Indian and global financial institutions. The Company's debt-equity ratio was 0.42x as on March 31, 2012, allowing it to leverage its financial statements to garner adequate low-cost funds to undertake growth initiatives.

Risk: Reliance on a few products could affect the Company in the event of these products being affected.

7

Risk mitigation

The Company is present in the space of high volume APIs today.

Lateral growth: From being primarily a Paracetamol player, the Company added other products namely Ibuprofen, Metformin and Guaifenesin, which significantly accelerated the Company's growth and increased their share in the revenue mix from 32% in FY09 to more than 50% in FY12.

Inorganic addition: The Company entered into an alliance with Ajinomoto OmniChem, a leading producer of fine chemicals. This alliance will translate into the manufacture of high value APIs and intermediates. Going ahead, the Company will also make FDs based on these APIs. The Company is also exploring adding new APIs that fits its existing business model, which is manufacturing high-volume, off-patent products.

Directors' Report

Dear members

Your Directors are pleased to present their 21st Annual Report, on the business and operations of Granules India Limited together with audited accounts for the financial year ended March 31, 2012.

Financial results

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

(₹ in Lakhs)

Particulars	Standalone		Consolidated	
	Year ended March 31, 2012	Year ended March 31, 2011	Year ended March 31, 2012	Year ended March 31, 2011
Revenue from Operations	56,267.77	40,567.70	65,396.59	47,517.98
Other Income	109.08	71.17	135.42	80.25
Total Income	56,376.84	40,638.87	65,532.01	47,598.22
EBIDTA	7,453.69	5,481.75	8,049.11	5,761.76
Less: Finance Costs	1,549.41	1,098.10	1,608.96	1,199.07
Less: Depreciation	1,797.60	1,588.13	2,069.54	1,831.47
Less: Amortisation Expenses	72.96	55.69	72.96	55.69
Profit Before Tax	4,033.72	2,739.83	4,297.63	2,675.54
Less: Tax Expenses	1,303.09	568.01	1,302.37	585.95
Net Profit After Tax	2,730.64	2,171.83	2,995.27	2,089.58
Add: Surplus Brought Forward from Previous Year	7,878.45	6,164.89	7,647.84	6,016.52
Surplus Available	10,609.09	8,336.72	10,643.11	8,106.11
Appropriations made to Surplus:				
Provision for Dividend	401.23	300.86	401.23	300.86
Provision for Dividend Tax	65.09	48.81	65.09	48.81
Transfer to General Reserve	204.80	108.60	224.65	108.60
Balance Carried to Balance Sheet	9,937.97	7,878.45	9,952.14	7,647.84
Basic Earnings Per Share	13.61	10.83	14.93	10.42
Diluted Earnings Per Share	13.56	10.78	14.87	10.37

Review of Operations

The net sales of the Company for the financial year 2011-12 stood at ₹56,267.77 lakhs compared to the net sales of ₹40,567.70 lakhs in the previous financial year 2010-11, registering a growth of 39% in the current financial year. The EBITDA stood at ₹7,453.69 lakhs compared to ₹5,481.75 lakhs in the previous financial year 2010-11 registering a growth of 36% in the current financial year. The profit after tax for the financial year 2011-12 stood at ₹2,730.64 lakhs compared to 2,171.83 lakhs in the previous financial year 2010-11, registering a growth of 26% in the current financial year. Thus, the Company registered growth on all fronts. The Company continued to strengthen its position in the rapidly growing market and is aiming at achieving productivity gains, growth in volumes, sustained margins and neutralising cost increases.

Transfer to General Reserves

The Company proposes to transfer ₹204.80 lakhs to General Reserve out of the profits available for appropriations and it is higher than ₹108.60 lakhs transferred to the General Reserves in the previous year. With this addition, the total Reserves & Surplus (including Capital Reserve, Securities Premium Reserve, Central Subsidy, General Reserve and Surplus) as on March 31, 2012 is ₹22,467.52 lakhs as against the Paid Up Capital of ₹2,006.17 lakhs.

Dividend

In view of the Company's profitable performance, the Directors are pleased to recommend for approval of the shareholders, a final dividend of 20% on 2,00,61,654 equity shares (face value of ₹10 each) of the Company with respect to the financial year 2011-12. The dividend, if declared as above, would involve an outflow of ₹401.23 lakhs towards dividend and ₹65.09 lakhs towards dividend tax, resulting in a total outflow of ₹466.32 lakhs. Under the Income Tax Act, 1961, the dividend will be tax free in the hands of the shareholders. The members are requested to approve the final dividend.

Share Capital

The Authorised Share Capital of the Company is ₹30,00,00,000/- (rupees thirty crores only) divided into 3,00,00,000 (three crores) equity shares of ₹10/- each. The

Paid Up Share Capital of the Company increased from ₹20,05,71,540 (rupees twenty crores five lakhs seventy one thousand five hundred and forty only) divided into 2,00,57,154 equity shares of ₹10 each to ₹20,06,16,540 (rupees twenty crores six lakhs sixteen thousand five hundred and forty only) divided into 2,00,61,654 equity shares of ₹10/- each. During the year, Company allotted 4,500 (four thousand and five hundred) equity shares of ₹10 each on exercise of option issued under Granules India Equity Stock Option Plan 2002 on July 30, 2011.

Transfer to the Investor Education & Protection Fund

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 ₹1,39,889/- (rupees one lakh thirty nine thousand eight hundred and eighty nine only) for the financial year 2003-04, was transferred to the Investor Education and Protection Fund established by the Central Government during the year under review.

Expansions

During the financial year 2011-12, the Company signed a joint venture agreement with S.A. Ajinomoto OmniChem N.V., a Belgium based Company. The joint venture Company was incorporated under the name and style of "Granules Omnicem Private Limited" on September 2, 2011. Granules Omnicem Private Limited, is a 50:50 joint venture that will manufacture pharmaceutical intermediates and APIs in a greenfield facility in Visakhapatnam (AP) and mainly focus on high-value, low-volume APIs for the regulated markets. The Company will initially cater to OmniChem's existing customers and will focus on oncology, cardiovascular and central nervous system (CNS) products. Granules India Limited will also purchase APIs from the joint venture Company and will offer finished dosages. The construction of joint venture's facility will be completed in calendar year 2013 and the Company expects the joint venture to generate revenue from the financial year 2014 onwards.

In financial year 2011-12, the Company also commenced work on an expansion at its Gagillapur facility. The expansion involved a capacity expansion in the PFI and Finished Dosage facilities. The PFI facility was expanded with the addition of

two modules: Module-C, a state-of-the-art module with a capacity of 8,400 tons and Module-D, a facility with a capacity of 1,200 tons. The PFI expansion is scheduled to be completed in June 2012 and will be commercialised in Q2 FY13. The Finished Dosage (FD) facility is being expanded from an existing capacity of 6 billion doses to 18 billion doses which was initially set-up in 2007 through a modular approach including suites that were ready for an expansion to 12 billion doses. In addition, the Company set aside space for further expansion which is being utilised in the expansion from 12 billion doses to 18 billion doses. The FD expansion is scheduled to be completed in June 2012 and will be commercialised in Q2 FY13. Both expansions are being done in an existing facility not requiring further regulatory approvals and can be used for the regulated markets which will greatly improve the return on investment.

Research & Development

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

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

challenges in the business environment, the Company has strengthened its R&D by enhancing resources and creating new facilities. The Company also lined up several programmes for in-house R&D and formed alliances with national and international reputed institutions which focuses on our activities on the themes of innovation, culture and growth.

Directors

The Board consists of Executive and Non-Executive Directors including Independent Directors who have wide and varied experience in different disciplines of corporate functioning. During the year under review, Mr. Philip Herbert Strenger, Director resigned from the Directorship of the Company w.e.f October 17, 2011. The Board places on record its deep sense of appreciation for the guidance and services rendered by Mr. Philip Herbert Strenger as Director of the Company.

Mr. Joby Varughese John was appointed as an Additional Director of the Company w.e.f October 17, 2011, to hold office up to date of the forthcoming Annual General Meeting. Notice was received from the Company's member under section 257 of the Companies Act, 1956 proposing the candidature of Mr. Joby Varughese John as the Director of the Company. Resolutions seeking your approval to his appointment are in the Notice convening the 21st Annual General Meeting of the Company.

Mrs. Uma Devi Chigurupati was appointed as an Additional Director of the Company w.e.f May 31, 2012, to hold office up to date of the forthcoming Annual General Meeting. Notice was received from the Company's member under section 257 of the Companies Act, 1956 proposing the candidature of Mrs. Uma Devi Chigurupati as the Director of the Company. The Board at its meeting dated May 31, 2012 on recommendation of Compensation & Remuneration Committee and subject to the approval of the members at the ensuing Annual General Meeting had also appointed Mrs. Uma Devi Chigurupati as an Executive Director of the Company, for a period of 5 (five) years with effect from May 31, 2012.

Resolutions seeking your approval for her appointment are in the Notice convening the 21st Annual General Meeting of the

Company.

Pursuant to provisions of sections 255 and 256 of the Companies Act, 1956 and Article 51 of the Articles of Association of the Company, Dr. C. Nageswara Rao and Dr. Krishna Murthy Ella, Non-Executive Directors of the Company are liable to retire by rotation at the ensuing Annual General Meeting and being eligible offers themselves for re-appointment to the office of Directorship. Your Board of Directors recommend for their re-appointment.

Brief profiles of Dr. C. Nageswara Rao, Dr. Krishna M Ella, Mr. Joby Varughese John and Mrs. Uma Devi Chigurupati, the nature of their expertise in specific functional areas and the number of companies in which they hold directorships and memberships/chairmanships of Committees of the Board, as stipulated under clause 49 of the Listing Agreement with the Stock Exchanges, are provided in the section on Corporate Governance in this Annual Report. Members are requested to refer to the said section of the Corporate Governance Report.

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

Corporate Governance Report

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

The Statutory Auditors Certificate, in accordance with clause 49 of the Listing Agreement is annexed with the Corporate Governance Report.

Mr. C. Krishna Prasad, Managing Director and Mr. Pranesh Raj Mathur, President – API (former Chief Finance Officer), have given a Certificate to the Board with regard to the financial statements for the year ending March 31, 2012, as contemplated under clause 49 of the Listing Agreement and the same is annexed with the Corporate Governance Report.

A Detailed report on Corporate Governance practices followed by your Company, in terms of Clause 49 of the Listing Agreement with Stock Exchanges, is provided separately in this Annual Report. The members are requested to refer to the same.

Internal Audit & Controls

Your Company continues to engage M/s Dhanunjaya & Prabhakar, Chartered Accountants as its Internal Auditors. During the year, your Company continued to implement their suggestions and recommendations to improve the control environment. Their scope of work includes safeguarding the assets of your Company, review of operational efficiency, effectiveness of systems and processes 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.

Management Discussion and Analysis Statement

A Management Discussion and Analysis statement as required under the clause 49 of the Listing Agreement is annexed, forming a part of the Directors Report. The members are requested to refer to the same.

Director's Responsibility Statement

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

- i. In the preparation of accounts, the applicable accounting standards have been followed along with proper explanations relating to material departure;
- ii. Appropriate accounting policies were applied consistently. Judgment and estimates that were reasonable and prudent were made to give a true and fair view of the Company's state of affairs as at the end of the

financial year and of the Company's profits for the year.

- iii. Proper and sufficient care was taken to maintain adequate accounting records in accordance with the provisions of the Companies Act, 1956, to safeguard the Company's assets and to prevent and detect fraud and other irregularities.
- iv. The annual accounts were prepared on a going concern basis.

Subsidiary Companies

Granules USA Inc.

Granules USA Inc., a wholly-owned subsidiary Company, operates for the marketing requirements of the Company in the U.S. The Share Capital of the Company as on March 31, 2012 is ₹1,16,31,470/- (rupees one crore sixteen lakhs thirty one thousand four hundred and seventy only). During the financial year 2011-12, the Company achieved a turnover of ₹9,744.68 lakhs and the profit after tax is ₹357.95 lakhs.

GIL Lifesciences Private Limited

The Company is yet to commence operations. As on March 31, 2012 the Authorised Share Capital of the Company is ₹3,50,00,000/- (rupees three crores fifty lakhs only) divided into 35,00,000 (thirty five lakhs) equity shares of ₹10/- each and the Paid Up Share Capital of the Company is ₹2,94,61,760 (rupees two crores ninety four lakhs sixty one thousand seven hundred and sixty only) divided into 29,46,176 (twenty nine lakhs forty six thousand one hundred and seventy six) equity shares of ₹10 each

Granules Singapore Pte Ltd.

The Company has not commenced any activity from this wholly-owned subsidiary Company. The Share Capital of the Company as on March 31, 2012 is ₹5,00,500/- (rupees five lakhs and five hundred only).

The relevant particulars of subsidiary companies and the consolidated final accounts for the year ended March 31, 2012, in accordance with the Accounting Standard AS-21 on Consolidated Financial Statements, read with Accounting Standard AS-23 on accounting for investment in associates are appended to this Report.

Joint Venture Companies

Granules-Bioclause Pharmaceutical Co. Limited

The Share Capital of the Company as on March 31, 2012 is ₹18,19,02,807/- (rupees eighteen crores nineteen lakhs two thousand eight hundred and seven only). During the financial year 2011-12, the Company achieved a turnover of ₹8,030.96 lakhs.

Granules OmniChem Private Limited

The Company has signed joint venture agreement with a Belgium based Company, S. A. Ajinomoto Omnicem N.V. on July 14, 2011 for the purpose of establishing a 50:50 Joint Venture Company in India for manufacturing of pharmaceutical intermediates and APIs. The joint venture Company got incorporated under the name and style of "Granules Omnicem Private Limited" on September 2, 2011. The Company is still in its infant stage and the operation is yet to be commenced. The Company has acquired 12 (approx.) acres of land at Jawaharlal Nehru Pharma City (JNPC), Parwada Mandal, Visakhapatnam (AP) under the APIIC Special Economic Zone for the purpose of setting up of a Bulk Drug manufacturing unit. The APIIC is the nodal agency with Ramky Pharma City (India) Ltd, acting as Developers. Approval has been issued by Vizag SEZ Development Commission, Visakhapatnam (AP) for setting up a 100% Export Oriented Unit at Visakhapatnam (AP). The Company has finalised engineering consultant and civil contractor for undertaking the construction activities, whereas the recruitment of other staff is ongoing. The discussion with various financial institutions for financing of the project is ongoing.

Statement under Section 212 of the Companies Act, 1956

Pursuant to the provision of section 212(8) of the Companies Act, 1956, the Ministry of Corporate Affairs vide its Circular no. 2/2011 dated February 8, 2011 has granted general exemption from attaching the Balance Sheet, Profit & Loss Account and other documents of the Subsidiary Companies with the Balance Sheet of the Company. The Board of Directors of your Company have by a resolution, given consent for not attaching the Balance Sheet of the subsidiaries concerned. A brief statement containing pursuant to section 212 of the Companies Act, 1956 related to subsidiary companies has been given as Annexure to the Balance Sheet and forms a part of this Annual Report.

The annual accounts of these subsidiaries and the related

detailed information will be made available to any member of the Company seeking such information at any point and are also available for inspection by any member of the Company at the registered office of the Company. The Company shall furnish a copy of annual accounts of subsidiaries to any member on demand. The consolidated annual report is attached with the Annual Report of the Company.

Auditors & their Report

M/s. Kumar & Giri, Chartered Accountants, Statutory Auditors of the Company retire at the conclusion of the ensuing Annual General Meeting and being eligible have offered themselves for re-appointment. The Company has received a certificate from the Auditors to the effect that their re-appointment if made, would be in accordance with the provisions of Section 224(1B) of the Companies Act, 1956. The Directors recommend their re-appointment and to determine their remuneration.

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

Cost Auditors

M/s. EVS & Associates, Cost Accountants, were appointed as the Company's Cost Auditors subject to the consent of the Government of India to conduct cost audit of Jeedimetla manufacturing unit and for issuance of Compliance Certificates as required under Companies (Cost Accounting Records) Rules, 2011 for Gagillapur and Bonthapally manufacturing unit of the Company for the financial year 2012-2013.

Fixed Deposits

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

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

The information pertaining to conservation of energy, technology, absorption, foreign exchange earnings and outgo, as required under section 217(1)(e) of the Companies Act, 1956, read with Companies (Disclosure of Particulars in the Report of the Board of Directors) Rules, 1988 is given as 'Annexure I' and forms part of the Directors Report.

Human Resources

Your Company recognises that "Human Resource" is its principal asset. Your Company is striving relentlessly to strengthen talent pipeline across all levels and to drive performance orientation as work culture by implementing various schemes, system, process and programs from time to time resulting in all around development of the employees and vibrant work culture. Your Company has further strengthened its team to bring the leadership skills which are directly relevant to our growth at this stage. To attract and retain people, your Company provides a judicious combination of attractive career, personal growth and a lucrative compensation structure. Your Company places great importance on nurturing and retaining the best skills in the industry. Moreover, it is careful in aligning the needs of your Company with aspirations of the employees.

Particulars of Employees

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

Employee Stock Option Plan

Your Company implemented the Granules India Equity Stock Option Plan 2002 and Granules India Equity Stock Option Plan 2009, recognising the Directors as well as the employee's contribution to the organisation's success. During the year under review 4,500 options were exercised under Granules India Equity Option Plan 2002 at an exercise price of ₹45 (forty five) per share, resulting into allotment of 4,500 shares on July 30, 2011. The said shares has been listed at Bombay Stock Exchange and National Stock Exchange and also approved for trading thereof. The Granules India Equity Stock Option Plan 2002 came to an end on October 29, 2009, however the grants made on April 25, 2009 under said plan are still under force.

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

Sr. no.	Description	Details
(a)	Options granted	Nil
(b)	Pricing formula	Not Applicable
(c)	Options vested during the year	3,750 options out of those granted during the financial year 2006-07. 69,500 options out of those granted during the financial year 2009-10.
(d)	Options exercised during the year	4,500 options
(e)	Total number of shares arising as a result of exercise of options	4,500 equity shares
(f)	Options lapsed during the year	15,000
(g)	Variation in terms of options	Nil
(h)	Money realised by exercise of options during the year	₹2,02,500/-
(i)	Total number of options in force	1,34,500
(j)	Employee wise details of options granted during the year to:	
(j)(i)	Senior managerial personnel	Not Applicable
(j)(ii)	Any other employee who receives a grant in any one year of options amounting to 5% or more of options granted during the year.	Not Applicable
(j)(iii)	Identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant.	Not Applicable
(k)	Diluted Earnings per share (EPS) pursuant to issue of shares on exercise of options calculated in accordance with Accounting Standard (AS) 20 – Earning per share.	₹13.52/- per share
(l)	Where the Company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost that shall have been recognised if it had used the fair value of the options.	Not Applicable
(m)	Weighted-average exercise prices and weighted-average fair values of options, whose exercise price either equals or exceeds or is less than the market price of the stock	₹45/- per share
(n)	Description of the method and significant assumptions used during the year to estimate the fair values of options.	Not Applicable

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

Sr. no.	Description	Details
(a)	Options granted	5,05,000 options granted on 24.04.2012.
(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	Not Applicable
(d)	Options exercised during the year	Not Applicable
(d)	Options exercised during the year	Not Applicable
(e)	Total number of shares arising as a result of exercise of options	Not Applicable
(f)	Options lapsed during the year	Not Applicable
(g)	Variation in terms of options	Nil
(h)	Money realised by exercise of options during the year	Not Applicable
(i)	Total number of options in force	5,05,000

Sr. no.	Description	Details
(j)	Employee wise details of options granted to:	
(j)(i)	Senior managerial personnel	Dr. A. Bhaskar Krishna 50,000 Mr. Pranesh Raj Mathur 25,000
(j)(ii)	Any other employee who receives a grant in any one year of options amounting to 5% or more of options granted during the year.	Dr. A. Bhaskar Krishna 50,000
(j)(iii)	Identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant.	NIL
(k)	Diluted Earnings per share (EPS) pursuant to issue of shares on exercise of options calculated in accordance with Accounting Standard (AS) 20 – Earning per share.	Not Applicable
(l)	Where the Company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost that shall have been recognised if it had used the fair value of the options.	Not Applicable
(m)	Weighted-average exercise prices and weighted-average fair values of options, whose exercise price either equals or exceeds or is less than the market price of the stock	Not Applicable
(n)	Description of the method and significant assumptions used during the year to estimate the fair values of options.	Not 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.

Code of Conduct

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

Acknowledgements

Your Company continues to build shareholder value and your Directors look to the future with confidence. Your Directors place on record their appreciation for the overwhelming co-operation and assistance received from investors, customers, business associates, bankers, vendors and financial institutions. The Directors also thank the Government of India and Governments of various countries, concerned State Governments and other Government Departments and Governmental Agencies for their co-operation and support.

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

On behalf of the Board

Place: Hyderabad
Date: May 31, 2012

Dr. C. Nageswara Rao
Chairman

Annexure - I to Directors' Report

Particulars under Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 for the year ended March 31, 2012.

Form A – Particulars of Conservation of Energy

A. Power and fuel consumption

Particulars	F.Y. 2011-12	F.Y. 2010-11
1. Electricity		
Unit (KWH)	14,216,939.00	12,624,084.00
Total amount (₹ in lakhs)	616.38	525.05
Rate/Unit (₹)	4.34	4.16
Rate/Kg of production (₹)	3.08	3.19
2. Own generation from Diesel generator		
Unit (KWH)	2,072,524.00	1,674,843.00
Total amount (₹ in lakhs)	362.35	233.84
Rate/unit (₹)	17.48	13.96
Unit/kg of production (₹)	0.12	0.10
Rate/kg of production (₹)	1.81	1.42
3. Coal		
Quantity (MT)	12,313.14	11,169.28
Total cost (₹ in lakhs)	661.30	485.85
Rate/Unit (₹)	5.37	4.35
Rate/kg of production (₹)	3.30	2.96
4. Furnace Oil, LSHS and LD oil		
Quantity (K. Ltrs.)	35.38	19.70
Total cost (₹ in lakhs)	13.04	6.63
Average/K. ltrs. (₹)	36.86	33.67
Rate/kg of production (₹)	0.07	0.04

B. Consumption per unit of production

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

Form B – Particulars of Absorption

Technology absorption, adaptation and innovation

1. Technology absorption, adaptation and innovation:

With wide expertise in R&D, technocrats at Granules India Limited have the ability to reproduce reference products of all regulated markets. Innovative products such as press fits have been successfully developed and

manufactured and more products are being formulated for the regulated markets. To meet customer demands, our teams continuously innovate techniques in product development.

For products where manufacturers transfer technology for site variations, our teams adapt to the process and reproduce prototypes to meet regulatory acceptance. The

Company is continuously striving to strengthen its R&D teams and infrastructure.

2. Benefits derived as a result of the above efforts

- › Recognition in the pharmaceutical industry.
- › Better market acknowledgment and response.
- › Quick to launch.

3. Imported technology

There was no import of technology.

Research and Development (R&D)

R&D at Granules India Limited represents an effective edge, reflected in the introduction of pioneering products and processes towards a superior price value proposition. Our R&D primarily caters to our in-house product development requirements for both PFI and Finished Dosage products. Our development philosophy aims to collaborate and offer a business model of delivering end-to-end solutions for Over the Counter monograph, OTC Abbreviated New Drug Application (ANDA) and prescription products.

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

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

The Company, in the financial year 2011-12, received approval for its Naproxen Sodium ANDA. In addition, the Company commercialised several site-transfers on behalf of its customers. R&D currently focuses on developing and filing generic products for regulated markets and also on large volume OTC drugs. The Company's philosophy is to have the best-to-file applications which will increase

returns over the long-run. Going forward, the Company will focus on global filings for our products which will improve our efficiency. In addition, R&D is working on extending our product reach by adding filing for different doses for existing products and also adding value through applications such as extended release.

The Company currently offers the following Finished Dosage products:

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

› Benefits derived as a result of the above R & D

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

› Future plan of action

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

4. Expenditure on R & D

The expenditure on R & D during the year 2011-12 was ₹404.36 lakhs.

Form C – Foreign Exchange Earnings and Outgo

(₹ in lakhs)

Particulars	F.Y. 2011-12	F.Y. 2010-11
Foreign Exchange Earnings	48,218.39	31,559.89
Foreign Exchange Outgo	24,663.63	19,818.38

On behalf of the Board

Place: Hyderabad
Date: May 31, 2012

Dr. C. Nageswara Rao
Chairman

Annexure - II to Directors' Report

Auditors' Certificate

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

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, 2012.

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

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

Place: Hyderabad
Date: May 31, 2012

For M/s. Kumar & Giri
Chartered Accountants
Firm Regn No.0015845

J. Bhadra Kumar
Partner
Membership No. 25480

Corporate Governance Report

The detailed report on Corporate Governance, for the financial year ending March 31, 2012 pursuant to clause 49 of the Listing Agreement is set out below:

I. Company's philosophy on Code of Corporate Governance

Granules India Limited's Corporate Governance philosophy encompasses not only regulatory and legal requirements, such as the terms of listing agreements with stock exchanges, but also voluntary practices aimed at a high level of business ethics, effective supervision and enhancement of value for all stakeholders. The Company has drawn up good Corporate Governance practices, establishing Directors accountability to the shareholders, investors and interest group and setting out guidelines for more effective performance. 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 their shareholders and other beneficiaries for their corporate actions.

At Granules India Limited, we believe that Corporate Governance is just not an objective in isolation, but a means to an end – that of building a customer focused, value driven organisation. To that effect, we, as a Company, lay greater emphasis on good Corporate Governance – which we believe is a key driver for sustainable corporate growth and long term value creation for all our stakeholders. The Company's philosophy on Corporate Governance envisages an attainment of transparency, accountability and propriety in total functioning of the Company and conduct of business, both internally and externally.

The Company commits itself to accountability and fiduciary duty in the implementation of guidelines and mechanism to ensure its corporate responsibility to the members and other

stakeholders. The Company will continue to safeguard its core values and make its best efforts to position itself from time to time to be at par with any other world class Company in operating practices and transparent practices.

II. Board of Directors

i) The Board of Directors of your Company comprises of 10 (Ten) Directors as on date of this report representing the optimum combination of professionalism, knowledge and experience. Of these, five Directors are an Independent Directors. Dr. C. Nageswara Rao is a Non-Executive Chairman of the Board.

The Code of Conduct for all Directors and the Senior Management of the Company has been posted on the website of the Company at www.granulesindia.com. All Directors and the Senior Management Personnel are under a requirement to affirm the compliance with the said code. The necessary declaration by the Managing Director of the Company regarding compliance of the Code of Conduct by the Directors and the Senior Management of the Company forms part of the Corporate Governance Report. Members are requested to refer to the same.

ii) The number of Non-Executive Directors at seven is more than 50% of the Board of Directors. The Company has a Non-Executive Chairman who belongs to the promoters group and hence the number of Independent Directors at five fulfills the condition of having atleast one-half of Board as an Independent Directors.

iii) None of the Directors on the Board is a member of more than 10 (ten) Committees or Chairman of more than 5 (five) Committees as specified in clause 49 of the Listing Agreement, across all the companies in which he is a Director. The Directors made necessary disclosures regarding Committee positions in other public limited

companies as on March 31, 2012.

Board Meetings:

iv) The Company holds at least four Board Meetings in a year, once in each quarter inter – alia to review the financial results of the Company. The gap between the two Board Meetings does not exceed four calendar months. Apart from the four scheduled Board Meetings, additional Board Meetings are also convened to address the specific requirements of the Company. 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.

Seven (07) Board meetings were held during the year April 2011 – March 2012 and the gap between any two meetings did not exceed four months. The dates on which the Board meetings were held are: April 29, 2011, July 8, 2011, July 28, 2011, September 12, 2011, October 17, 2011, December 12, 2011 and January 24, 2012.

v) The Board of the Company was presented with all information under the following heads, whenever applicable and materially significant. These are circulated as part of agenda in advance of the meeting(s) or are tabled at the meeting(s). This inter alia includes

a. Annual operating plans and budgets (including capital

budgets) and updates.

- b. Financial results of the Company and its operating divisions.
- c. Minutes of the meeting of Audit Committee, Business Review Committee, Compensation & Remuneration Committee and details of share transfers.
- d. Information on new recruitments and resignations of senior management personnel i.e., officers just below the Board level, including Chief Executive Officer, Chief Financial Officer and Company Secretary.
- e. Litigations, prosecutions etc.
- f. Public or product liability claims of substantial nature.
- g. Quarterly details of foreign exchange exposures and the steps taken to limit the risks of adverse exchange rate movement.
- h. Sale of investments or assets which is not in normal course of business.
- i. Details of any Joint Venture Agreement.
- j. Status of compliance of regulatory, statutory or listing requirements and shareholders service etc.

vi) The names and categories of the Directors on the Board, their attendance at Board meetings held during the year April 2011 – March 2012 and the number of Directorships and Committee Chairmanships / Memberships held by them in other companies is given below. Other Directorships do not include Alternate Directorships, Directorships of Private Limited Companies, Directorship of Foreign Companies and Directorship of Companies under section 25 of Companies Act. The Chairmanship / Membership of Board Committees includes only Audit and Shareholders' / Investors' Grievance Committees as specified under clause 49 of the Listing Agreement.

Name	Category	Number of Board Meetings held during the year April 2011 – March 2012		Whether attended last AGM	Number of Directorships in other public companies	Number of committee positions held in public companies	
		Held	Attended			Chairman	Member
Dr. C. Nageswara Rao DIN - 00179947	Non-Independent, Non-Executive	07	04	No	-	01	-
Mr. C. Krishna Prasad DIN - 00020180	Non-Independent, Executive	07	07	Yes	-	-	02
Mr. L. S. Sarma DIN - 00009530	Independent, Non-Executive	07	07	Yes	01	01	02
Mr. A. P. Kurian DIN - 00008022	Independent, Non-Executive	07	03	No	04	-	06
Mr. C. Parthasarathy DIN - 00079232	Independent, Non-Executive	07	03	Yes	12	03	01
Dr. Krishna Murthy Ella DIN - 00072071	Independent, Non-Executive	07	03	No	02	-	01
Mr. Philip Herbert Strenger* DIN - 02827760	Non-Independent, Non-Executive	07	01	No	-	-	-
Mr. A. Arun Rao DIN - 00876993	Independent, Non-Executive	07	07	Yes	-	-	01
Mr. Harsha Chigurupati DIN - 01606477	Non-Independent, Executive	07	04	Yes	-	-	-
Mr. Joby Varughese John** DIN - 03626555	Non-Independent, Non-Executive	07	01	No	-	-	-

Notes:

* Mr. Philip Herbert Strenger resigned from the Directorship of the Company with effect from October 17, 2011.

**Mr. Joby Varughese John was appointed as an Additional Director w.e.f. October 17, 2011 to hold office up to date of the forthcoming Annual General Meeting. Notice was received from the Company's members under section 257 of the Companies Act, 1956 proposing the candidature of Mr. Joby Varughese John as the Director of the Company. Resolutions seeking your approval to his appointment are in the Notice convening the 21st Annual General Meeting of the Company.

Mrs. Uma Devi Chigurupati was appointed as an Additional Director of the Company w.e.f. May 31, 2012, to hold office up to date of the forthcoming Annual General Meeting. Notice was received from the Company's member under section 257 of the Companies Act, 1956, proposing the candidature of Mrs. Uma Devi Chigurupati as the Director of the Company. The Board at its meeting dated May 31, 2012 on recommendation of Compensation & Remuneration Committee and subject to the approval of the members at the ensuing Annual General Meeting had also appointed Mrs. Uma Devi Chigurupati as an Executive Director of the Company, for a period of 5 (five) years with effect from May 31, 2012. Resolutions seeking your approval to her appointment are in the Notice convening the 21st Annual General Meeting of the Company.

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

viii) The following is the shareholding of Non-Executive Directors as on March 31, 2012:

Sl. No.	Name of Non-Executive Director	No. of shares held	Percentage of paid-up capital
1.	Dr. C. Nageswara Rao	65,500	0.326%
2.	Mr. L.S. Sarma	506	0.003%
3.	Mr. A.P. Kurian	5,000	0.025%
4.	Mr. Arun Rao Akinepally	1,000	0.005%
5.	Dr. Krishna Murthy Ella	-	-
6.	Mr. C.Parthasarathy	-	-
7.	Mr. Joby Varughese John	-	-

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

1. Dr. C. Nageswara Rao

Dr. C. Nageswara Rao is one of the promoter of Granules India Limited. Dr. C. Nageswara Rao is a nationally renowned surgeon with fifty years of professional experience. He has been very active in several medical fraternities and served as the Chairman of Andhra Pradesh Medical Council. He was member of the All India Medical Council, a Syndicate Member of Nagarjuna University and a Director of Hindustan Antibiotic Limited. He holds an M.S. in Surgery and Urology.

2. Dr. Krishna Murthy Ella

Dr. Krishna Murthy Ella, completed higher studies at the University of Hawaii, the University of Wisconsin-Madison and the Medical University of South Carolina in USA and returned to India to set up a Company, called Bharat Biotech International Limited. Dr. Ella has been awarded more than 100 National and International awards including Asia Pacific Bio Business Leadership Award 2005 (University of Southern California), Best Entrepreneur Award and Business World & Marico Foundation Innovation Award. Dr. Ella obtained various Research Grants from Bill & Melinda Gates Foundation and other international agencies. Dr. Ella was invited in the Rashtrapati Bhavan to meet President & First Lady George Bush during their visit. Dr. Ella received the US-Health Secretary and US-FDA Commissioner Chose at Bharat Biotech Facility during 2008 to discuss on Innovation and Drug Discovery.

He has given more than 400 lectures to motivate young Indians on topics like Innovation, IPR, Bio-entrepreneurship and Regulatory issues. On February 15, 2008, he received Best Technology and Innovation award from the Prime Minister of India. He was elected as President of Vaccine Manufacturers Association of India (VMA). Recently, the President of India invited him to innovate ideas for food security on dry land agriculture to help Indian farmers. His entrepreneurial zeal moved on, in setting up a BSL-4 containment manufacturing facility for animal biotechnology in Bangalore, which will be second of its kind in the world. He has also set up a food park under public-private partnership to solve some of the technological barriers that farmers are suffering from.

3. Mr. Joby Varughese John

Mr. Joby Varughese John has Bachelors and Masters of Science degrees in Chemical Engineering as well as MBA in finance. He started his career with the chemical industry and spent 9 (nine) years working for Exxon and Exxon-Shell JV, Infineum. After gaining increasing responsibilities in the plant operations, and process & product development, he went on to manage the global manufacturing/business analysis team at Infineum. Mr. Joby Varughese John is an investment professional with 40 North Industries in New York City. In that role, he is responsible for strategic investments and business initiatives at the firm and many of its operating companies focused on chemicals, building materials and general industrials.

Mr. Joby Varughese John joined the current group in 2004

through one of their operating companies and during this period, he has been involved in manufacturing, purchasing, financial, corporate development and M&A roles.

4. Mrs. Uma Devi Chigurupati

Mrs. Uma Devi Chigurupati is a Post Graduate in Soil Microbiology from Nagarjuna University and has rich experience of 29 (twenty nine) years in various fields. Mrs. Uma Devi Chigurupati with Mr. C. Krishna Prasad, Managing Director had co-promoted Triton Laboratories Private Limited in the year 1984. Triton Laboratories Private Limited was a bulk drug manufacturing company and mainly exports its products to the U.S and other developed countries market. Mrs. Uma Devi Chigurupati was also Director (Quality Control) of Triton Laboratories Private Limited and was involved with Triton on a full time basis in its day to day working till Triton Laboratories Private Limited amalgamated with Granules India Limited in the year 1998.

Currently, Mrs. Uma Devi Chigurupati is also a Director of KRSMA Estates Private Limited (formerly known as Bhanodaya Wineries) and also holds Directorship in the other associate companies. Mrs. Uma is an excellent manager and has created extensive wide network with many leading manufacturers and distributors all over the world. She has necessary exposure to the international market and its dynamics especially in manufacturing industry.

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

III. Audit Committee

i) 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.

- ii) The Audit Committee comprises of four members, with a majority being Independent Directors. The composition, procedures, powers and role of the Audit Committee constituted by the Board comply with the requirements of clause 49 of the Listing Agreement and section 292A of the Companies Act, 1956.
- iii) The terms of reference of the Audit Committee are broadly as under:
 - a. Overview of the Company's financial reporting process and disclosure of its financial information to ensure that the financial statements reflect a true and fair position and that sufficient and credible information is disclosed.
 - b. Recommending the appointment and removal of statutory auditors, internal auditors and cost auditors, fixation of their audit fee and approval for payment for any other services.
 - c. Reviewing financial statements and draft audit report, including quarterly / half yearly financial information.
 - d. Reviewing with the management the annual financial statements before submission to the Board, focusing primarily on:
 - The changes in accounting policies and practices
 - Major accounting entries based on exercise of judgment by the management
 - Qualifications in draft audit report
 - Significant adjustment arising out of audit
 - The going concern assumption
 - Compliance with the accounting standards
 - Compliance with stock exchange and legal requirements concerning financial statements
 - Any related party transactions as per Accounting Standard 18.
 - 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 findings of internal investigations by the internal auditors into matters where there is

suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board.

- i. Discussion with external auditors, before the audit commences, on nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
 - j. Reviewing the Company's financial and risk management policy.
 - k. Any other function as delegated by the Board from time to time.
- iv) 4 (Four) Audit Committee meetings were held during the year April 2011 – March 2012. The dates on which the said meetings were held are: April 29, 2011, July 28, 2011, October 17, 2011, and January 24, 2012. The Audit Committee at its meeting held on April 29, 2011 considered the Audited Annual Accounts for the financial year 2010-11.
- v) The composition of the Audit Committee and particulars of meetings attended by the members of the Audit Committee are given below:

Name	Category	Number of meetings during the year 2011-12	
		Held	Attended
Mr. L. S. Sarma, Chairman	Independent, Non-Executive	04	04
Mr. A. P. Kurian	Independent, Non-Executive	04	01
Mr. Arun Rao Akinepally	Independent, Non-Executive	04	04
Mr. C. Krishna Prasad	Non-Independent, Executive	04	04

- vi) The Audit Committee meetings are usually attended by the partner / representatives of Statutory Auditors, Internal Auditors and Cost Auditors. Mr. L.S. Sarma, Chairman of the Audit Committee, attended the previous Annual General Meeting of the Company held on September 12, 2011.
- vii) On recommendation of Compensation and Remuneration Committee, the Audit Committee vide its meeting dated April 24, 2012 had approved the appointment of Mr. VVS Murthy as Chief Financial Officer of the Company w.e.f

May 1, 2012. The appointment was also approved by the Board of Directors vide its meeting April 24, 2012. Mr. Pranesh Raj Mathur, the former Chief Finance Officer will focus on API operations and will continue to head the API division of the Company as President (API).

viii) Ms. Shivangi Sharma, Company Secretary of the Company also acts as the Secretary to the Committee.

IV. Compensation & Remuneration Committee

- i) The Compensation & Remuneration Committee administers the Employee Stock Option Scheme and deals with all elements of remuneration package, stock options, service contracts and other terms and conditions of service of the Executive Directors 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.
- ii) The Compensation & Remuneration Committee currently comprises of three Independent, Non-Executive Directors and one Executive Director. Mr. L.S.Sarma, Independent Director, is the Chairman of the Committee.
- iii) 2 (Two) meetings of the Compensation & Remuneration Committee were held during the year 2011 – 2012. The dates on which the said meetings were held are: April 29, 2011 and July 28, 2011. The composition of the Compensation & Remuneration Committee and particulars of meetings attended by the members of the Committee are given below:

Name	Category	Number of meetings during the year 2011-12	
		Held	Attended
Mr. L. S. Sarma, Chairman	Independent, Non-Executive	2	2
Mr. A. P. Kurian	Independent, Non-Executive	2	NIL
Dr. Krishna Murthy Ella	Independent, Non-Executive	2	1
Mr. C. Krishna Prasad	Non-Independent, Executive	2	2

iv) Details of remuneration paid to Directors during the financial year April 2011– March 2012.

a) Executive Directors

(₹ in lakhs)

Name	Salary	Perquisites	Commission	Total
Mr. C. Krishna Prasad, Managing Director	60.00	30.06	122.20	212.26
Mr. Harsha Chigurupati, Executive Director	32.88	-	-	32.88

b) Non-Executive Directors: The Company paid a sitting fee of ₹7,500 to Non-Executive Directors for attending to each meeting of the Board of Directors and other committee meetings except the Business Review Committee and Share Transfer and Shareholders' / Investors' Grievance Committee for which a sitting fee of ₹15,000 and ₹2,500 per meeting was paid respectively.

Name	Sitting fee (₹)
Dr. C. Nageswara Rao	77,500/-
Mr. L. S. Sarma	1,65,000/-
Mr. A. P. Kurian	30,000/-
Dr. Krishna Murthy Ella	30,000/-
Mr. C. Parthasarathy	37,500/-
Mr. Philip Herbert Strenger*	7,500/-
Mr. Arun Rao Akinapally	7,500/-
Mr. Joby Varughese John**	7,500/-

* Mr. Philip Herbert Strenger resigned from the Directorship of the Company with effect from October 17, 2011.

**Mr. Joby Varughese John was appointed as an Additional Director w.e.f. October 17, 2011 to hold office up to date of the forthcoming Annual General Meeting. Proposed resolutions seeking your approval to his appointment are forming part of the Agenda items in the Notice convening the 21st Annual General Meeting of the Company.

The Board vide its meeting dated April 24, 2012 had enhanced the sitting fees of the Board Meeting, Audit Committee Meeting and Compensation & Remuneration Committee Meeting from ₹7,500/- to ₹15,000/- per meeting and of the Business Review Committee Meeting from ₹15,000/- to ₹20,000/- per meeting.

Pursuant to the Stock Option Plan 2009, the Company had granted options to the Independent Directors on April 24, 2012 as under:

Independent Directors	No. of Options granted
Mr. L. S. Sarma	40,000
Mr. A. P. Kurian	40,000
Dr. Krishna Murthy Ella	40,000
Mr. C. Parthasarathy	40,000
Mr. Arun Rao Akinapally	40,000

V. Share Transfer and Shareholders'/Investors' Grievance Committee

i) A Share Transfer and Shareholders' / Investors' Grievance Committee of Directors was constituted to specifically look into the matters of investors' grievances such as transfer, transmission, split and consolidation of investors' holding, replacement of lost / mutilated / stolen share certificates, dematerialisation 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.

ii) The Committee meets every fortnight and during the year April 2011- March 12, 24 (twenty four) meetings were held. During the said period, 34 (Thirty Four) complaints were received from the shareholders and all their grievances were redressed and no complaint is pending.

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

Name	Category	Number of meetings during the year 2011-12	
		Held	Attended
Dr. C. Nageswara Rao, Chairman	Non-Independent, Non-Executive	24	20
Mr. L. S. Sarma	Non-Executive Independent,	24	09
Mr. C. Krishna Prasad	Non-Independent, Executive	24	21

i) Company Secretary and Compliance Officer

Name of the Company Secretary and Compliance Officer	Ms. Shivangi Sharma
Address	02nd Floor, 03rd Block, My Home Hub, Madhapur, Hyderabad (AP)
Contact Telephone	+91-40-6676 0000
E-mail	investorrelations@granulesindia.com
Fax	+91-40-2311 5145

VI. Other Committees

Business Review Committee (formerly known as Management Committee)

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

ii) The Committee vide its meeting dated July 8, 2011 resolved to change the name of Management Committee to "Business Review Committee".

iii) Three (3) meetings of the Committee were held during the year April 2011- March 2012 on July 8, 2011, October 17, 2011 and January 23, 2012. The composition of the

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

Name	Category	Number of meetings during the year 2011-12	
		Held	Attended
Mr. L. S. Sarma,	Independent, Non-Executive	03	03
Mr. C. Krishna Prasad	Non-Independent, Executive	03	03
Mr. Arun Rao Akinapally	Independent, Non-Executive	03	03
Mr. C. Parthasarathy*	Independent, Non-Executive	03	01

*Mr. C. Parthasarathy was inducted as Chairman and Member of the Business Review Committee w.e.f December 23, 2011.

VII. General Body Meetings

Annual General Meetings

AGM	Year	Location	Date	Time	Number of special resolutions passed
20th	2011	Residency Hall, Hotel Green Park, Ameerpet, Hyderabad	12/09/2011	4.00 PM	2
19th	2010	Residency Hall, Hotel Green Park, Ameerpet, Hyderabad	27/09/2010	4.00 PM	Nil
18th	2009	Residency Hall, Hotel Green Park, Ameerpet, Hyderabad	25/09/2009	4.00 PM	4

Extraordinary General Meeting

No Extraordinary General Meeting of the members was held during the year.

Postal Ballot

For the year ended March 31, 2012, 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.

VIII. Subsidiary Companies

The Company does not have any material non-listed Indian subsidiary Company and hence, the requirement of inducting an Independent Director on the Board of Directors of the subsidiary Company in terms of clause 49 III of the Listing Agreement does not arise. However, the Company has two foreign subsidiaries namely, Granules USA Inc, and Granules

Singapore Pte. Ltd.

IX. Disclosures

i) There were no materially significant related party transactions, which could have potential conflict with the Company's interests at large. The related party transactions which are in the ordinary course of business have been placed before the Audit Committee periodically.

ii) 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 procedure ensures the Company is of sufficient health to operate as a going-concern.

iii) 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 or any other statutory authorities relating to the above.

iv) The Managing Director and the Chief Finance Officer have certified to the Board, the compliance of matters specified in clause 49V of the Listing Agreement, the same forms part of this Corporate Governance Report.

v) The members of the Board and senior management personnel of the Company have affirmed compliance with the Code of Conduct as at March 31, 2012.

vi) All the mandatory requirements of clause 49 of the Listing Agreement on Corporate Governance have been complied with.

vii) Secretarial Audit

A qualified practicing Company Secretary carried out secretarial 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.

X. Means of Communication

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

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

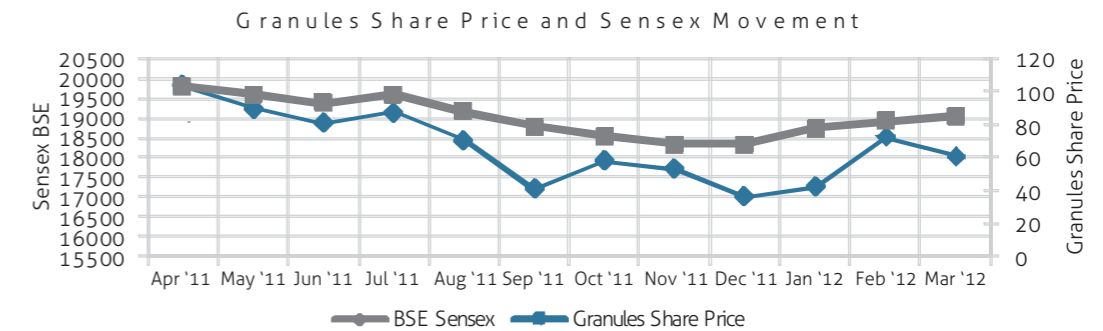
XI. General Shareholder Information

- i) Annual General Meeting
 - Date : July 2, 2012
 - Day : Monday
 - Time : 4.00 PM
 - Venue : Cyan Hall, Marigold Hotel, Ameerpet, Hyderabad Andhra Pradesh.
- ii) Financial year : April 1, 2011 to March 31, 2012
- iii) Date of Book Closure : June 26, 2012 to July 2, 2012 (both days inclusive)
- iv) Dividend Payment : The final dividend, if declared, shall be paid / credited on or before July 31, 2012.
- v) Listing on Stock Exchanges : The Bombay Stock Exchange Limited (BSE)
The National Stock Exchange of India Limited (NSE)
- vi) Stock codes/symbol
 - At BSE : 532482
 - At NSE : GRANULES
- vii) Listing fee : The Company has paid the listing fee to the Stock Exchanges for the financial year 2012-13.
- viii) Annual Custodial fee : The Company has paid the Annual Custodial fee to the Depositories for the financial year 2012-13.
- ix) Market Price Data

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

Month	Bombay Stock Exchange			National Stock Exchange		
	High	Low	Volume	High	Low	Volume
April 2011	102.90	92.30	1,64,197	102.50	92.10	2,72,165
May 2011	97.65	88.70	1,65,743	94.85	88.40	2,08,337
June 2011	93.00	80.00	53,437	97.00	81.10	82,968
July 2011	97.50	82.00	2,01,294	97.90	80.35	4,51,013
August 2011	87.50	65.30	45,633	88.50	65.65	95,781
September 2011	79.00	64.10	39,576	77.45	63.55	69,934
October 2011	73.00	63.10	80,649	74.90	63.00	2,18,755
November 2011	67.90	60.00	38,705	71.80	60.15	1,18,931
December 2011	67.50	55.00	24,502	71.00	56.20	31,360
January 2012	78.00	60.05	75,493	78.00	60.05	1,61,492
February 2012	82.15	69.00	2,86,602	82.30	68.80	5,43,882
March 2012	84.50	71.10	3,56,356	84.00	74.10	5,78,004

x) Performance of share price of the Company in comparison to the BSE Sensex



xi) Registrar and Transfer Agents

M/s. CIL Securities Limited is Registrar & Transfer Agent and Depository Transfer Agent of the Company. Any request pertaining to investor relations may be addressed to the following address:

CIL Securities Limited

214, Raghva Ratna Towers
Chirag Ali Lane, Abids
Hyderabad – 500 001
Ph No: 91-40-23202465 / 66661276
Fax No: 91-40-23203028 / 66661267
Email: advisors@cilsecurities.com
Website: www.cilsecurities.com

Investor's correspondence may also be addressed to:
Ms. Shivangi Sharma
Company Secretary & Compliance Officer

Granules India Limited

2nd Floor, 3rd Block, My Home Hub
Madhapur, Hyderabad (AP) - 500081
Tel: 91-40-66760000 Fax: 91-40-23115145
investorrelations@granulesindia.com

xii) Share Transfer System

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

xiii) Shareholding

Distribution of shareholding as on March 31, 2012

Shareholding of nominal value	March 31, 2012				March 31, 2011			
	Number of shareholders		Number of shares		Number of shareholders		Number of shares	
	Total	%	Total	%	Total	%	Total	%
1 – 5,000	12,354	99.29	29,01,856	14.46	11,907	91.31	15,49,347	7.73
5,001 – 10,000	38	0.31	2,80,516	1.40	635	4.87	5,24,429	2.61
10,001 – 20,000	17	0.41	2,60,442	1.30	256	1.97	3,95,746	1.97
20,001 – 30,000	3	0.02	73,049	0.36	90	0.69	2,34,254	1.17
30,001 – 40,000	5	0.04	1,79,168	0.89	35	0.27	1,25,081	0.62
40,001 – 50,000	1	0.01	44,043	0.23	34	0.26	1,65,009	0.82
50,001 – 1,00,000	8	0.06	5,26,500	2.62	33	0.25	2,53,891	1.27
1,00,001 and above	16	0.13	1,57,96,080	78.74	50	0.38	1,68,09,397	83.81
TOTAL	12,442	100	2,00,61,654	100	13,040	100	2,00,57,154	100

b) Shareholding pattern as on March 31, 2012

Category	Number of shares held	Percent to capital
Promoters/Associates	88,44,980	44.09
Mutual Funds, Banks & FIs	3,63,176	1.81
Bodies Corporate	69,33,300	34.56
Individual Shareholders	37,57,158	18.73
GDRs	1,63,040	0.81
Total	2,00,61,654	100

xiv) Dematerialisation 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 99.39% of the Company's share capital were dematerialised as on March 31, 2012.

The Company's shares are regularly traded on the National Stock Exchange of India Limited and the Bombay Stock Exchange Limited, in electronic form.

Under the depository system, the International Securities Identification Number (ISIN) allotted to the Company's shares is INE101D01012.

xv) Outstanding GDRs / ADRs / warrants

Out of 37,61,007 GDRs issued during the year 2004-05, 1,63,040 GDRs were outstanding as on March 31, 2012.

xvi) Plant locations

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

R & D centre:

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

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

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

xvii) Address for correspondence:

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

xviii) Prevention of Insider Trading:

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

xix) Secretarial Audit for Reconciliation of Capital:

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

xx) Corporate Identity Number (CIN):

Corporate Identity Number (CIN) of the Company, allotted by the Ministry of Corporate Affairs, Government of India is L24110AP1991PLC012471.

xxi) Green Initiative in the Corporate Governance:

As part of the Green Initiative process, the Company has taken an initiative of sending documents like Notice calling Annual General Meeting, Corporate Governance Report, Directors Report, Audited Financial Statements, Auditors Report, dividend intimations etc. by email. Physical copies are sent only to those shareholders whose email addresses

are not registered with the Company and for the bounced-mail cases. Shareholders are requested to register their email id with Registrar and Transfer Agent / concerned Depository to enable the Company to send the documents in electronic form or inform the Company in case they wish to receive the above documents in paper mode. Shareholders can also register their e-mail id by visiting the Company website at www.granulesindia.com and following the link <http://121.246.146.252/gogreen/> in the investors relation section under shareholders information option.

xxii) The Company also invites the feedback and suggestions from its members with respect to the various matters and the feedback form is made available in the Company's website in the investors relation section under shareholders information option. The members are requested to send their feedback by writing to the Company Secretary & Compliance officer as mentioned earlier.

On behalf of the Board

Place: Hyderabad
Date: May 31, 2012

Dr. C. Nageswara Rao
Chairman

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

Name of Director	Dr. C. Nageswara Rao	Dr. Krishna Murthy Ella	Mr. Joby Varughese John	Mrs. Uma Devi Chigurupati
Date of Birth	15.08.1926	10.07.1955	19.04.1975	10.08.1959
Age	85 years	56 years	37 years	52 years
Date of Appointment	18.03.1991	04.06.2009	17.10.2011	31.05.2012
Experience in specific functional area	Wide experience in medical and pharmaceutical field.	Expert in Bio-Technology and Research & Development.	Wide experience across variety of Industries.	Wide experience across variety of Industries.
Qualification	M.S. (Surgery & Urology)	Post Graduate Degree in Agriculture Sciences and has Doctorate from the University of Wisconsin-Madison in Molecular Biology	Bachelors and Masters of Science degrees in Chemical Engineering and MBA in Finance	Post Graduate in Soil Microbiology
Board membership of other Indian Companies	Santhi Surgery Private Limited	Bharat Biotech International Limited, Biovet Private Limited, Conress Labs (India) Private Limited, Innova Agri Bio Park Limited, Century Biologicals Private Limited, Mindtree Trading Company Private Limited and Konark Knowledge Park Private Limited	NIL	KRSMA Estates Private Limited, KRSMA Vineyards Private Limited, Pragnya Vineyards Private Limited, Priyanka Vineyards Private Limited, Triton Securities Private Limited and Tyche Technologies Private Limited
Chairman/member of the committee of the Board of Directors of the Company	Chairman: Share Transfer & Shareholder's/Investor's Grievance Committee	Member: Compensation & Remuneration Committee	NIL	NIL
Chairman / Member of the committees in other companies in which he/she is a Director	NIL	Innova Agri Bio Park Limited Chairman: Remuneration Committee, Member: Audit Committee	NIL	NIL
Number of shares held in the Company	65,500	NIL	NIL	7,58,000

Certification on Financial Statements for the financial year ended March 31, 2012 pursuant to clause 49 (V) of the Listing Agreement

We hereby certify that:

- a. We have reviewed financial statements and the cash flow statement for the year ended March 31, 2012 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 violative of 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.

Pranesh Raj Mathur
Chief Finance Officer & President (API)

C. Krishna Prasad
Managing Director

Auditors' Certificate

To
The Members
Granules India Limited

We have examined the compliance of Corporate Governance by Granules India Limited, for the year ended on March 31, 2012, as stipulated in clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

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

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

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

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

Place: Hyderabad
Date: May 31, 2012

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

J. Bhadra Kumar
Partner
Membership No.25480

Declaration regarding compliance with the Code of Conduct of the Company by Board Members and Senior Management Personnel

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

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

Place: Hyderabad
Date: May 31, 2012

C. Krishna Prasad
Managing Director

Auditors' Report

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

1. We have audited the attached Balance Sheet of M/s Granules India Limited, Hyderabad as on March 31, 2012 and the Profit and Loss Account and Cash Flow Statement of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. Audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph (3) & (4) above:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b) In our opinion, proper books of account as required by the Law have been kept by the Company so far as it appears from our examination of such books.
 - c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement referred to in this report are in agreement with the Books of Account.

- d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement comply with the requirements of the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
- e) On the basis of the written representations received from the directors, and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on March 31, 2012, from being appointed as directors in terms of clause (g) of sub-section (1) of Section 274 of the Companies Act, 1956.
- f) In our opinion, and to the best of our information and according to the explanations given to us, the said Balance Sheet, Profit & Loss Account and Cash Flow Statement read together with the significant accounting policies and notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India.
 - i) in so far as it relates to the Balance Sheet, of the state of affairs of the Company as on March 31, 2012.
 - ii) in so far as it relates to the Profit & Loss Account, of the Profit of the Company for the year ended on that date
 - iii) in case of the Cash Flow Statement, of the cash flows for the year ended on that date.

For M/s KUMAR & GIRI
Chartered Accountants
Firm Reg No: 001584S

J. Bhadra Kumar
Partner
Place: Hyderabad
Date: April 24, 2012
Membership No. 25480

Annexure referred to in paragraph (3) of our report of even date

I) Fixed Assets

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

II) Inventory

- a) The stocks of raw materials, consumables, stores, work-in-progress and finished goods have been physically verified during the year at regular intervals by the management.
- 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 discrepancies noticed on verification of stocks as compared to books were not material and it has been properly dealt with in the books of account.

III) Loans taken / granted

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

IV) Internal control

- a) In our opinion and according to the information and explanations given to us, the internal control

procedures are being strengthened on a continuous basis so as to be commensurate with the size of the Company and the nature of its business for the purchase of inventory keeping in view of the expansion.

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

V) Section 301

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

VI) Public deposits

The Company has not accepted any deposits from the public.

VII) Internal audit

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

VIII) Cost records

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

IX) Statutory dues

- a. The Company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Employees State Insurance, Income tax, Customs Duty, Wealth Tax, Sales Tax, Excise Duty, Cess and other applicable statutory dues with the appropriate authorities. According to the information and explanations given to us no undisputed amounts payable in respect of outstanding statutory dues as at the last day of the year ending 31.03.2012 for period exceeding 6 months from the date they became payable.

- b. According to the records of the Company, the dues outstanding of Income tax, Customs Duty, Wealth Tax, Sales Tax, Excise Duty, Cess on account of any dispute, are as follows:

Name of the statute	Nature of dues	₹ in Lakhs	Period for which the amount relate	Forum where dispute is pending
The Customs Act, 1962	Duty demand on Imports Under DEEC	32.57	1993-94	High Court, Andhra Pradesh
The Customs Act, 1962	Duty demand on Export obligations	10.9	1993-94	CESTAT, Chennai
Service Tax	Penalty on Service Tax Matters	89.37	2008-09	CESTAT, Bangalore
The Central Excise Act, 1944	Duty and Penalty on Centvat Availment	105.78	2006-10	CESTAT, Bangalore
The Income Tax Act, 1961	Tax demand on Transfer pricing & other matters	466.77	2006-07	ITAT, Hyderabad
The Income Tax Act, 1961	Tax demand on Transfer pricing & other matters	1,303.21	2007-08	DRP, Hyderabad

X) Accumulated losses / cash losses

The Company has no accumulated losses as on 31st March, 2012.

XI) Repayment of dues

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

XII) Loans & advances

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

XIII) Chit – Fund companies/ Nidhi/Mutual benefit societies

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

XIV) Financing companies

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

XV) Guarantee for loans

The Company has not given any guarantee for loans taken by others to banks or financial institutions.

XVI) Term loans

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

XVII) Usage of funds

According to the information and explanations given to us and on an overall examination of Balance Sheet of

the Company, we report that no funds raised on short-term basis have been used for long-term investment. No long-term funds have been used to finance short-term assets except permanent working capital.

XVIII) Preferential allotments

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

XIX) Creation of securities

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

XX) Public issue

The Company has not raised any money through Public Issue.

XXI) Frauds

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

For M/s KUMAR & GIRI
Chartered Accountants
Firm Reg No: 001584S

J. Bhadra Kumar
Partner
Membership No. 25480

Place: Hyderabad
Date: April 24, 2012

Balance Sheet

(₹ in lakhs)

	Note No.	As at 31 March 2012	As at 31 March 2011
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share Capital	2.1	2,006.17	2,005.72
Reserves & Surplus	2.2	22,467.52	20,201.63
		24,473.68	22,207.34
Non-current liabilities			
Long-term borrowings	2.3	8,805.34	3,783.27
Deferred tax liabilities (Net)	2.4	2,309.18	1,991.38
Long-term provisions	2.5	153.03	118.99
		11,267.55	5,893.63
Current liabilities			
Short-term borrowings	2.6	6,373.41	4,779.63
Trade payables	2.7	6,422.69	3,524.67
Other current liabilities	2.8	1,704.14	1,858.05
Short-term provisions	2.9	466.32	349.66
		14,966.56	10,512.01
Total		50,707.80	38,612.99
ASSETS			
Non-current assets			
Fixed Assets			
Tangible assets	2.10	22,153.06	20,417.51
Intangible assets	2.11	1,562.33	1,881.28
Capital work-in-progress		2,907.52	613.64
		26,622.91	22,912.43
Non-current investments	2.12	3,279.60	2,260.25
Long-term loans and advances	2.13	2,034.87	1,067.59
Other non-current assets	2.14	11.80	11.80
		31,949.18	26,252.07
Current assets			
Inventories	2.15	8,857.36	6,013.37
Trade receivables	2.16	5,302.80	3,754.51
Cash and cash equivalents	2.17	2,365.20	682.35
Short term loans and advances	2.18	263.94	203.39
Other current assets	2.19	1,969.32	1,707.30
		18,758.62	12,360.92
Total		50,707.80	38,612.99

As per our report of even date

for Kumar & Giri
 Chartered Accountants
 Firm Regn. No. 001584S

For and on behalf of the Board

J. Bhadra Kumar
 Partner
 Membership No. 25480

 Place: Hyderabad
 Date: April 24, 2012

Dr. C. Nageswara Rao
 Chairman

Pranesh Raj Mathur
 Chief Financial Officer
 & President - API

C. Krishna Prasad
 Managing Director

Shivangi Sharma
 Company Secretary

Profit and Loss Statement

(₹ in lakhs)

	Note No.	Year ended 31 March 2012	Year ended 31 March 2011
Revenue from operations	2.20	56,267.77	40,567.70
Other income	2.21	109.08	71.17
Total Revenue (I + II)		56,376.84	40,638.87
EXPENSES :			
Cost of Materials consumed	2.22	36,139.93	25,270.02
Changes in inventories of finished goods and work-in- progress	2.23	(592.24)	(142.84)
Employee benefits expense	2.24	3,795.72	2,834.42
Other expenses	2.25	9,579.74	7,195.52
Total expenses		48,923.15	35,157.12
EBITDA		7,453.69	5,481.75
Finance costs	2.26	1,549.41	1,098.10
Depreciation	2.10/2.11	1,797.60	1,588.13
Amortization expenses		72.96	55.69
Total Expenses		52,343.12	37,899.04
Profit before tax (III-IV)		4,033.72	2,739.83
Tax expense :			
Current tax		985.29	285.49
Deferred tax		317.80	282.51
		1,303.09	568.01
Profit / (Loss) for the period (V-VI)		2,730.64	2,171.83
Earnings per equity share :			
Basic		13.61	10.83
Diluted		13.56	10.78

As per our report of even date

for Kumar & Giri
 Chartered Accountants
 Firm Regn. No. 001584S

J. Bhadra Kumar
 Partner
 Membership No. 25480

 Place: Hyderabad
 Date: April 24, 2012

For and on behalf of the Board

Dr. C. Nageswara Rao
 Chairman

Pranesh Raj Mathur
 Chief Financial Officer
 & President - API

C. Krishna Prasad
 Managing Director

Shivangi Sharma
 Company Secretary

Cash Flow Statement

(₹ in lakhs)

	Year ended 31 March 2012	Year ended 31 March 2011
A. Cash Flow from Operating Activities		
Net Profit before tax	4,033.72	2,739.83
Adjustments for:		
Depreciation	1,797.60	1,588.13
Misc. Expenditure written off	72.96	55.69
(Profit) / Loss on sale of assets	(1.50)	2.88
(Profit) / Loss on sale of investments	(4.96)	–
Provision for doubtful debts/ written off	(13.24)	49.42
Foreign Currency restatement on term loans	–	(38.10)
Interest & dividend income	(63.41)	(41.76)
Interest & finance charges	1,549.41	1,136.20
Operating profit before working capital changes	7,370.58	5,492.28
Increase in Trade and other receivables	(2,227.06)	(662.97)
Increase in inventories	(2,843.99)	(853.50)
Increase/(decrease) in Payable	2,755.26	(25.64)
Cash generated from operations	5,054.80	3,950.18
Direct Taxes paid	1,140.41	537.72
Net Cash from operating activities	3,914.39	3,412.47
B. Cash Flow from Investing Activities		
Purchase of fixed assets	(4,885.03)	(2,331.83)
Increase in Miscellaneous expenditure	(24.36)	(15.57)
Investments in Subsidiary companies	(1,025.50)	–
Proceeds from Sale of investments	11.11	(0.02)
Proceeds from Sale of Fixed Assets	4.00	1.59
Interest / dividends received	72.43	15.72
Net Cash used in investing activities	(5,847.35)	(2,330.11)
C. Cash Flow from Financing Activities		
Increase / (decrease) in Working Capital Loans	1,490.26	1,333.26
Interest & finance charges paid	(1,529.50)	(1,194.60)
Increase in Share capital & Share Premium	2.03	–
Dividends paid (including dividend tax)	(349.15)	(293.30)
Proceeds from Long Term borrowings	5,773.96	708.19
Repayment of long term loans	(1,771.78)	(1,896.86)
Net Cash used in Financing Activities	3,615.81	(1,343.32)
Net Increase / (Decrease) in cash & cash equivalents (A+B+C)	1,682.85	(260.96)
Cash equivalents (Opening Balance as at 01-04-2011)	682.35	943.31
Cash equivalents (Closing Balance as at 31-3-2012)	2,365.20	682.35

Notes: Cash flow statement has been prepared following the indirect method. Interest paid, direct taxes paid, dividend paid are on the basis of actual movement of cash

As per our report of even date

For and on behalf of the Board

for **Kumar & Giri**

Chartered Accountants

Firm Regn. No. 001584S

J. Bhadra Kumar

Partner

Membership No. 25480

Place: Hyderabad

Date: April 24, 2012

Dr. C. Nageswara Rao

Chairman

Pranesh Raj Mathur

Chief Financial Officer

& President - API

C. Krishna Prasad

Managing Director

Shivangi Sharma

Company Secretary

Significant accounting policies and Notes to audited Financial statement

Corporate information

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

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 Change in accounting policy

Presentation and disclosure of financial statements

During the year ended 31 March 2012, the revised Schedule VI notified under the Companies Act 1956, has become applicable to the Company, for preparation and presentation of its financial statements. The Company has also reclassified the previous year figures in accordance with the requirements applicable in the current year.

1.2 Basis of preparation

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

1.3 Use of estimates

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

1.4 Tangible Fixed Assets:

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

1.5 Depreciation on tangible fixed assets:

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

1.6 Expenditure during construction period:

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

1.7 Intangible assets

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

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

Significant accounting policies and Notes to audited Financial statement (Contd.)

unit level. All other intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

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

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

1.8 Investments:

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

1.9 Valuation of Inventories:

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

1.10 Government grants:

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

1.11 Foreign Exchange:

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

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

1.12 Revenue Recognition:

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

1.13 Export Benefits:

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

Significant accounting policies and Notes to audited Financial statement (Contd.)

1.14 Research and development expenses:

- 1.14.1 Research costs not resulting in any tangible property/equipment are charged to revenue as and when incurred.
- 1.14.2 Know-how / product development costs incurred on an individual project are carried forward when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortized over the period of expected future benefits from the related project, not exceeding ten years.
- 1.14.3 The carrying value of know-how / product development costs are reviewed for impairment annually when the asset is not yet in use and otherwise when events or changes in circumstances indicate that the carrying value may not be recoverable.

1.15 Employee Retirement Benefits:

- 1.15.1 Defined Contributions Plan: Contributions paid/payable to the defined contribution plan of Provident Fund for certain employees covered under the scheme are recognized in the Profit and Loss account each year.
The Company makes contributions to a State operated contribution scheme for certain employees at a specified percentage of the employees' salary. The Company has an obligation only to the extent of the defined contribution.
- 1.15.2 Defined Benefit Plan: Gratuity for certain employees is covered under a scheme of Life Insurance Corporation of India (LIC) and contributions in respect of such scheme are recognized in the Profit and Loss account. The liability as at the Balance Sheet date is provided for based on the actuarial valuation carried out in accordance with revised Accounting Standard 15 as at the end of the year/period.
- 1.15.3 Other long term employee benefits: Other long term employee benefits comprise of leave encashment which is provided on the actuarial valuation carried out in accordance with revised Accounting Standard 15 as at the end of the year/period.

1.16 Borrowing costs:

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

1.17 Income tax expense:

1.17.1 Current Tax Expense

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

1.17.2 Deferred Tax Expense

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

1.18 Measurement of EBITDA

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

Significant accounting policies and Notes to audited Financial statement (Contd.)
2. NOTES TO FINANCIAL STATEMENTS
2.1 SHARE CAPITAL
(₹ in lakhs)

	As at 31 March 2012	As at 31 March 2011
Authorized Share capital		
3,00,00,000 Equity Shares of par value of ₹ 10 each (Previous year 3,00,00,000 Equity Shares of ₹ 10 each)	3,000.00	3,000.00
Issued, Subscribed and fully paid up shares		
2,00,61,654 fully paid up Equity Shares of par value of ₹ 10/- each (Previous year : 2,00,57,154 equity shares of ₹ 10 each)	2,006.17	2,005.72
Total issued, subscribed and fully paid-up share capital	2,006.17	2,005.72

- (a) Reconciliation of the number of shares outstanding and the amount of share capital as at March 31, 2012 and March 31, 2011 is set out below:

Particulars	As at 31 March 2012		As at 31 March 2011	
	No. of shares	₹ Lakhs	No. of shares	₹ Lakhs
Number of shares at the beginning of the year	20,057,154	2,005.72	20,057,154	2,005.72
Add: Shares issued on exercise of employee stock options	4,500	0.45	-	-
Number of shares at the end of the year	20,061,654	2,006.17	20,057,154	2,005.72

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

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

During the year end 31-Mar-2012, the amount of per share dividend recognized as distribution to equity shareholders was ₹ 2.00/- (31-Mar-2011: ₹ 1.50/-)

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

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

Particulars	31 March 2012		31 March 2011	
	No. of shares	%	No. of shares	%
C. Krishna Prasad	65,35,663	32.38	56,36,963	28.10
ISP Investco LLC	22,11,200	11.02	22,11,200	11.02
Ridbeback Capital Asia Pvt Ltd	21,80,067	10.87	21,80,067	10.87
International Finance Corporation	20,57,578	10.26	20,57,578	10.26

Significant accounting policies and Notes to audited Financial statement (Contd.)
2.2 RESERVES AND SURPLUS
(₹ in lakhs)

Particulars	As at 31 March 2012	As at 31 March 2011
a) Capital reserves	168.53	168.53
b) Securities Premium Reserve		
Opening balance	11,786.87	11,786.87
Add: Receipt on exercise of employee stock option plan	1.57	-
Closing balance	11,788.45	11,786.87
c) Central Subsidy	12.14	12.14
d) General reserve		
Opening balance	355.63	247.03
Add: Transfer from surplus	204.80	108.60
Closing balance	560.43	355.63
e) Surplus		
Opening balance	7,878.45	6,164.89
Add: Net profit after tax transferred from Statement of Profit and Loss	2,730.64	2,171.83
Amount available for appropriations	10,609.09	8,336.72
Appropriations:		
Proposed equity dividend	401.23	300.86
Tax on Proposed equity dividend	65.09	48.81
Transfer to General Reserve	204.80	108.60
Closing Balance	9,937.97	7,878.45
Total (a+b+c+d+e)	22,467.52	20,201.63

2.3 LONG-TERM BORROWINGS:

- a) **Term loans**

(₹ in lakhs)

Particulars	Non-current		Current maturities	
	31-March-12	31-March-11	31-March-12	31-March-11
Indian rupee loans from banks (Secured)	234.53	467.00	256.87	345.74
Foreign currency loans from banks (Secured)	-	312.34	405.88	703.59
Foreign currency loan from financial institutions (Secured)	8,449.28	2,928.69	618.24	588.35
Total	8,683.81	3,708.03	1,280.99	1,637.68

- b) **Other Term Liabilities:**

Particulars	Non-current		Current maturities	
	31-March-12	31-March-11	31-March-12	31-March-11
Finance lease obligations (Secured)	46.29	-	69.38	7.03
Deferred sales tax loan (Unsecured)	75.24	75.24	-	-
Total	121.53	75.24	69.38	7.03

Significant accounting policies and Notes to audited Financial statement (Contd.)

2.3 LONG-TERM BORROWINGS: (Contd.)

The above amounts includes				
Particulars	Non-current		Current maturities	
	31-March-12	31-March-11	31-March-12	31-March-11
Secured borrowings	8,730.10	3,708.03	1,350.37	1,644.71
Unsecured borrowings	75.24	75.24	-	-
Amount disclosed under the head "other current liabilities"			(1,350.37)	(1,644.71)
Net amount	8,805.34	3,783.27	-	-

All secured term loans are secured by a pari passu first charge on fixed assets and a pari passu second charge of the current assets of the Company. Of the Indian rupee loans from banks and Foreign currency loans from banks, loans of ₹ 467.14 lakhs as on 31-Mar-2012 (₹ 1,086.79 lakhs as on 31-Mar-2011) are further guaranteed by the personal guarantee of the Managing Director.

Of the foreign currency loans from Financial Institutions on account of ₹ 5,179.75 lakhs as on 31-Mar-2012 (Nil as on 31-Mar-2011) is further guaranteed by the personnel guarantee of the Managing Director.

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

2.4 DEFERRED TAX LIABILITIES

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

Particulars	(₹ in lakhs)		
	Opening balance as on 1.4.2011	Charge/(Credit) during the period	Closing balance as on 31.03.2012
Depreciation	2,049.66	308.36	2,358.02
Total	2,049.66	308.36	2,358.02
Deferred tax asset			
Leave encashment	22.74	4.49	27.23
Bonus	10.64	(3.34)	7.30
Gratuity	8.47	5.84	14.31
Provision for Doubtful Debts	16.42	16.42	-
Total	58.28	23.41	48.84
Net Deferred tax liability	1,991.38	284.95	2,309.18

2.5 LONG-TERM PROVISIONS:

Particulars	(₹ in lakhs)	
	As at 31 March 2012	As at 31 March 2011
Provision for gratuity	69.11	50.50
Provision for leave benefits	83.92	68.49
Total	153.03	118.99

2.6 SHORT-TERM BORROWINGS

a) Loans repayable on demand from banks (Secured)	6,373.41	4,179.63
b) Short term loans from banks (Unsecured)	-	600.00
Total	6,373.41	4,779.63

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

Significant accounting policies and Notes to audited Financial statement (Contd.)

2.7 TRADE PAYABLES

Particulars	(₹ in lakhs)	
	As at 31 March 2012	As at 31 March 2011
Trade payables (including acceptances)	6,422.69	3,524.67
Total	6,422.69	3,524.67

2.8 OTHER CURRENT LIABILITIES

- Interest accrued but not due on borrowings	78.71	58.80
- Unpaid dividends	12.00	10.76
- Provision for employee benefits	100.81	88.73
- Duties and Taxes payable	91.96	28.94
- Managerial Commission payable	70.29	26.11
- Current maturities of Long term borrowings	1,350.37	1,644.71
Total	1,704.14	1,858.05

2.9 SHORT TERM PROVISIONS

- Provision for dividend	401.23	300.86
- Provision for dividend tax	65.09	48.80
Total	466.32	349.66

2.10 TANGIBLE ASSETS

Particulars	(₹ in lakhs)								
	Land	Buildings	Plant & Machinery	Computers	Office Equipment	R&D Equipment	Furniture & Fixtures	Vehicles	Total
Cost or Valuation									
As at 31 March 2011	548.62	6,742.69	17,483.89	435.51	199.43	596.43	347.18	263.95	26,617.71
Additions	-	103.82	2,244.52	27.76	22.85	82.13	12.09	146.42	2,639.59
Disposals	-	-	(14.32)	-	(0.18)	-	-	(29.35)	(43.84)
Other adjustments									
- Exchange differences		169.15	407.95						577.10
As at 31 March 2012	548.62	7,015.66	20,122.04	463.27	222.10	678.56	359.28	381.02	29,790.56
Depreciation									
As at 31 March 2011	-	1,149.92	4,418.47	139.89	82.12	157.88	99.79	152.13	6,200.19
Charge for the year	-	229.60	1,095.03	64.13	9.96	29.86	21.99	28.06	1,478.63
Disposals	-	-	(12.92)	-	(0.05)	-	-	(28.37)	(41.34)
As at 31 March 2012	-	1,379.52	5,500.58	204.02	92.02	187.75	121.78	151.82	7,637.48
Net Block									
As at 31 March 2011	548.62	5,592.77	13,065.42	295.63	117.32	438.55	247.40	111.82	20,417.51
As at 31 March 2012	548.62	5,636.14	14,621.46	259.26	130.08	490.81	237.50	229.20	22,153.06

Note: Gross Block of Vehicles includes ₹ 146.42 lakhs (Previous year ₹ 29.04 lakhs) acquired on hire-purchase basis.

Significant accounting policies and Notes to audited Financial statement (Contd.)
2.11 INTANGIBLE ASSETS (₹ in lakhs)

Particulars	Technical Know How	Total
Gross Block		
As at 31 March 2011	3,189.50	3,189.50
Additions	–	–
As at 31 March 2012	3,189.50	3,189.50
Depreciation		
As at 31 March 2011	1,308.23	1,308.23
Charge for the year	318.95	318.95
Disposals	–	–
As at 31 March 2012	1,627.18	1,627.18
Net Block		
As at 31 March 2011	1,881.28	1,881.28
As at 31 March 2012	1,562.33	1,562.33

2.12 NON-CURRENT INVESTMENTS
1) Trade investments (valued at cost unless stated otherwise):

Particulars	Investments in Equity Instruments (₹ in lakhs)	
	As at 31 March 2012	As at 31 March 2011
a) Investment in subsidiaries (Unquoted)		
Granules USA Inc - Wholly owned subsidiary (7,00,000 fully paid equity shares)	116.31	116.31
GIL Life Sciences Pvt Ltd, Wholly owned subsidiary (29,46,176 fully paid equity shares of ₹ 10 each)	294.62	294.62
GIL Singapore PTE. Ltd, Wholly owned subsidiary (11,000 shares)	5.01	0.48
Sub Total (a)	415.94	411.41
b) Investment in joint ventures		
Granules Biocause Pharmaceutical Co.Ltd (50% Joint-venture in equity)	1,819.03	1,819.03
Granules Omnichem Pvt Ltd (50% Joint – venture in equity)	1,025.50	–
Sub Total (b)	2,844.53	1,819.03
c) Other trade Investments (Unquoted)		
Jeedimetla Effluent Treatment Ltd (15,142 equity share of ₹ 100/- each including 1,040 shares at a premium of ₹ 50/- each)	15.66	15.66
Patancheru Envitotech Ltd (34,040 equity shares of ₹ 10/- each)	3.40	3.40
Sub Total (c)	19.06	19.06
d) Quoted equity instruments		
Andhra Bank		
Current Year Nil (Previous Year 11,277 shares of ₹ 10/- each)	–	10.15
Ipca Labs Ltd (50 shares of ₹ 10/- each, market value of ₹ 335/- as on 31-03-2012)	0.07	0.07
Baroda Pioneer PSU Bond fund		
Current Year Nil (Previous Year 5,174.13 units @ ₹ 10/- each)	–	0.53
Sub Total (d)	0.07	10.75
Grand Total (a)+(b)+(c)+(d)	3,279.60	2,260.25

Significant accounting policies and Notes to audited Financial statement (Contd.)
2.13 LONG-TERM LOANS AND ADVANCES (UNSECURED & CONSIDERED GOOD) (₹ in lakhs)

Particulars	As at 31 March 2012	As at 31 March 2011
a) Capital Advances	966.28	198.81
b) Security deposits	292.18	249.54
c) Loans and advances to related parties		
i) GIL Life Sciences Pvt Ltd	10.00	10.00
ii) Granules Omnichem Pvt Ltd	8.63	–
iii) Granules Singapore Pte Ltd	2.07	6.59
	20.70	16.59
d) Advance Tax including MAT credit	755.72	602.65
Total (a+b+c+d)	2,034.87	1,067.59

2.14 OTHER NON-CURRENT ASSETS

Gratuity Receivable (Unsecured, considered good)	11.80	11.80
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2.15 INVENTORIES (VALUED AT LOWER OF COST OR NET REALIZABLE VALUE)

a) Raw Materials & Packing Material	5,202.90	3,075.29
b) Work-in-progress	1,219.57	875.09
c) Finished goods	1,878.45	1,534.19
d) Stores & Spares and Loose Tools	556.44	528.80
Total	8,857.36	6,013.37

2.16 TRADE RECEIVABLES (UNSECURED, CONSIDERED GOOD)

a) More than six months from due date	19.16	130.56
b) Less than six months from due date	5,283.64	3,623.95
Total	5,302.80	3,754.51

2.17 CASH AND CASH EQUIVALENTS

i) Balance with Banks in Current Accounts		
a) On current accounts	1,781.88	102.39
b) Unpaid Dividend account	12.00	10.76
c) Held as margin money for Letter of Credits & Bank Guarantees	569.71	567.84
ii) Cash on Hand	1.61	1.36
Total	2,365.20	682.35

2.18 SHORT TERM LOANS AND ADVANCES

Staff Advance	92.39	67.69
Prepaid Expenses	171.55	135.70
Total	263.94	203.39

Significant accounting policies and Notes to audited Financial statement (Contd.)
2.19 OTHER CURRENT ASSETS
(₹ in lakhs)

Particulars	As at	
	31 March 2012	31 March 2011
Balances with Excise Authorities	1,226.01	1,160.14
CST claim receivable from VSEZ	285.98	156.02
Other Receivables	16.07	43.74
Sales Tax receivable	275.04	123.56
Interest receivable	100.75	109.77
Unamortized expenditure		
GDR Expenses	23.79	50.69
VRS Expenses	41.67	63.38
Total	1,969.32	1,707.30

2.20 REVENUE FROM OPERATIONS
(₹ in lakhs)

Particulars	2011-12		2010-11	
Sale of Products				
– Exports	51,189.42		33,487.94	
– Domestic	6,041.17		7,808.26	
Gross Sales	57,230.59		41,296.20	
Less: Excise Duty	962.82		728.51	
Net sales	56,267.77		40,567.70	

2.21 OTHER INCOME

Interest accrued	62.79	41.17
Dividend income	0.62	0.59
Other operating Revenue	39.20	29.41
Net gain/ (loss) on sale of investments	4.96	–
Net gain/(loss) on sale of Assets	1.50	–
Total	109.08	71.17

2.22 COST OF MATERIAL CONSUMED

Inventory at the beginning of the year	2,388.87	2,181.71
Add : Purchases	37,957.35	25,477.18
	40,346.22	27,658.89
Less: Inventory at the end of the year	4,206.29	23,88.87
Cost of Material Consumed	36,139.93	25,270.02

Significant accounting policies and Notes to audited Financial statement (Contd.)
2.22 COST OF MATERIAL CONSUMED (Contd.)

Details of Raw material consumed		<i>(₹ in lakhs)</i>	
Particulars	2011-12	2010-11	
Para amino phenol	11,179.74	9,573.06	
Acetic anhydride	4,179.22	3,173.01	
Ibuprofen	3,524.97	2,870.18	
Guiaicol	1,155.02	1,080.56	
Paracetamol	1,973.37	791.05	
Metformin hcl	2,240.38	21.42	
PVPK	943.06	717.95	
Dicyandiamide	748.23	608.99	
Ciprofloxacin	606.06	589.96	
Omeprazole capsules	958.37	500.59	
Others	8,631.52	5,343.25	
Total	36,139.93	25,270.02	

Details of Purchases

Para amino phenol	11,310.07	9,375.91
Acetic anhydride	4,156.20	3,147.21
Ibuprofen	3,730.73	2,762.15
Guiaicol	1,164.08	1,148.30
Paracetamol	2,017.04	691.85
Metformin hcl	2,434.92	19.95
PVPK	1,057.16	683.25
Dicyandiamide	746.80	601.35
Ciprofloxacin	689.19	580.46
Omeprazole capsules	979.92	543.85
Others	9,671.25	5,922.92
Total	37,957.35	25,477.18

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

Inventories at the end of the year		
Work-in-Process	1,219.57	875.09
Finished Goods	1,781.95	1,534.19
	3,001.52	2,409.28
Inventories at the beginning of the year		
Work-in-Progress	875.09	637.51
Finished Goods	1,534.19	1,628.94
	2,409.28	2,266.45
Net (Increase)/Decrease in Work-in-Process and Finished goods	(592.24)	(142.84)

2.24 EMPLOYEE BENEFIT EXPENSES

i) Salaries and wages	3,450.52	2,599.76
ii) Contribution to PF and ESI funds	105.04	94.84
iii) Staff welfare expenses	240.16	139.82
Total	3,795.72	2,834.42

Significant accounting policies and Notes to audited Financial statement (Contd.)
2.25 OTHER EXPENSES
(₹ in lakhs)

Particulars	2011-12	2010-11
Conversion Charges	–	99.32
Power & Fuel	1,653.06	1,251.38
Effluent Treatment expenses	320.76	274.54
Repairs & Maintenance		
– Factory Building	6.18	71.56
– Plant & Machinery	683.82	508.72
– Others	39.44	27.85
Consumables & Lab Chemicals	226.34	268.72
Analytical Fees	98.83	29.06
Other Manufacturing expenses	73.45	50.92
Freight Outward & Clearing Charges	3,219.73	2,083.71
Research & Development Expenses	194.80	138.40
Business Promotion Expenses	393.23	141.25
Sales Commission	786.11	742.13
Discount Account	27.36	36.12
Travelling Expenses	168.59	174.61
Communication Expenses	79.69	70.89
Consultancy Charges	354.55	286.43
Directors Remuneration	92.70	81.80
Director Sitting fees	4.90	4.18
Insurance	171.11	141.24
Printing & Stationary	70.23	49.56
Repairs & Maintenance Others	11.90	10.24
Travelling Expenses	220.40	171.97
Auditors Remuneration	7.50	7.50
Rates & Taxes	79.50	45.73
Rent	217.41	195.54
Sundry Expenses	130.81	98.92
Advertisement Charges	4.04	4.90
Donations	44.21	13.42
Loss on sale of assets		2.88
Managerial commission	122.30	62.61
Provisional for doubtful debts	(13.24)	49.42
Total	9,579.74	7,195.51

2.26 FINANCE COST

Interest on Term loan	343.45	325.36
Interest on Working Capital	785.97	521.53
Interest Others	67.96	23.57
Bank Charges	352.02	227.63
Total	1,549.41	1,098.10

Significant accounting policies and Notes to audited Financial statement (Contd.)
2.27 PAYMENT TO AUDITORS
(₹ in lakhs)

Particulars	As at 31 March 2012	As at 31 March 2011
a) As Auditor	6.50	6.50
b) As advisor in respect tax matters	1.00	1.00
Total	7.50	7.50

2.28 FOREIGN EXCHANGE OUTGO / EARNINGS:
(₹ in lakhs)

Outgo in Foreign Currency	As at 31 March 2012	As at 31 March 2011
a) Value of Imports		
i) Raw material	21,680.52	17,493.80
ii) Components and Spare Parts	94.95	50.70
iii) Capital goods	927.09	1,205.65
Total	22,702.56	18,750.15
b) Expenditure in foreign currency		
i) Travel	103.25	62.02
ii) Sales Commission	828.73	630.89
iii) Consultancy Charges	385.06	126.90
iv) Interest	262.71	159.32
v) Other Expenditure	381.32	89.10
Total	1,961.07	1,068.23
c) Total Value of Consumption		
i) Raw material		
a) Domestic	12,594.47	5,425.03
b) Import	20,905.11	18,226.67
ii) Spare Parts		
a) Domestic	933.98	785.90
b) Import	94.95	50.70
d) Dividends in Foreign Currency paid to Nonresidents.		
Non Resident shareholders		
i) Number of shareholders	8	8
ii) Shares held	4,480,770	4,480,770
ii) Year of Dividend	2010-11	2009-10
iv) Amount of Dividend paid	67.21	56.01

2) Earnings in foreign currency

Export of goods calculated on F.O.B. basis	48,218.39	31,559.89
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Details of imported and indigenous Raw materials & Spares consumed:

Particulars	2011-12		2010-10	
	Value	(%)	Value	(%)
Imported	21,073.13	58.31	18,382.42	72.74
Indigenous	15,066.80	41.69	6,887.60	27.26
Total	36,139.93	100	25,270.02	100

Significant accounting policies and Notes to audited Financial statement (Contd.)
b) Spare parts

Particulars	2011-12		2010-10	
	Value	(%)	Value	(%)
Imported	933.98	90.77	785.90	93.94
Indigenous	94.95	9.23	50.70	6.06
Total	1,028.93	100.00	836.60	100

2.29 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	As at	As at
	31 March 2012	31 March 2011
Projected benefit obligation at the beginning of the period	89.73	77.69
Current service cost	69.11	60.03
Interest cost	17.71	13.96
Actuarial loss/(gain)	(8.37)	(0.08)
Benefits paid	(13.77)	(13.59)
Projected benefit obligation at the end of the period	96.22	89.73
Amounts recognized in the balance sheet		
Projected benefit obligation at the end of the period	96.22	89.73
Fair value of plan assets at end of the period	96.22	89.73
Funded status of the plans – (asset) / liability	–	–
Liability recognized in the balance sheet	–	–
Cost for the period		
Current service cost	69.11	60.03
Interest cost	17.71	13.96
Net actuarial (gain) / loss recognized in the period	–	–
Past service cost	–	–
Actual Return on Plan Assets*		
Assumptions	8%	8%
Estimated rate of return on plan assets	–	–
Expected rate of salary increases	10%	10%

2.30 EMPLOYEE STOCK OPTION PLAN
Granules India Equity Option Plan 2002

- Pursuant to the decision of the shareholders at their meeting held on July 30, 2002, the Company has formulated an Employee Stock Option Plan 2002 to be administered by the Compensation & Remuneration Committee of the Board of Directors.
- Under the Plan, options not exceeding 3,91,082 have been reserved to be issued to the eligible employees, with each option conferring a right upon the employee to apply for one equity share.
- The exercise price of the options is the closing market price of the shares on that stock exchange where there is highest trading volume prior to the date of the grant i.e. the date of the Compensation & Remuneration Committee meeting at which the grant of options is approved.
- Under the above Scheme, options were granted in three tranches viz. Grant I, Grant II & Grant III. The options granted under the Plan would vest not less than one year and not more than five years under Grant I & II and two years under Grant III from the respective date of grant of the options.
- The exercise price being equal to the closing market price prevailing on the date prior to the date of grant, there is no deferred compensation cost to be amortized over the vesting period.

Significant accounting policies and Notes to audited Financial statement (Contd.)
2.30 EMPLOYEE STOCK OPTION PLAN (Contd.)

f) The following is the number of options outstanding during the year:

Particulars	31 March 2012		31 March 2011	
	No. of Options	Weighted Average Exercise Price (₹)	No. of Options	Weighted Average Exercise Price (₹)
At the beginning of the year	15,000	73.00	15,000	73.00
	1,39,000	45.00		
Add: Granted during the year	–	–	1,39,000	45.00
Less: Exercised during the year	4,500	45.00	–	–
Less: Lapsed / Cancelled during the year	15,000	73.00	–	–
At the end of the year	1,34,500	47.00	1,54,000	47.72

Granules India Limited – Employee Stock Option Scheme 2009

- Pursuant to the decision of the shareholders at their meeting held on September 25, 2009, the Company has formulated an Employee Stock Option Scheme 2009 to be administered by the Compensation & Remuneration Committee of the Board of Directors.
- Under the Plan, options not exceeding 10,02,857 have been reserved to be issued to the eligible employees, with each option conferring a right upon the employee to apply for one equity share.
- No options were granted under the above Scheme. Hence, there is no deferred compensation cost to be amortized.

2.31

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

2.32 CONTINGENT LIABILITIES AND COMMITMENTS

(₹ in lakhs)

Particulars	As at	As at
	31 March 2012	31 March 2011
1) Contingent Liabilities		
a) Claims against the Company not acknowledged as debt		
Income Tax	1,769.98	466.77
Excise	105.78	105.78
Service Tax	89.37	89.37
Customs	43.47	43.47
Total	2,008.60	705.39
b) Bank Guarantees and LC	3,867.36	2,202.52
c) Bills discounted with banks	11,469.61	8,511.11
Total	17,345.57	11,419.02
2) Commitments		
a) Estimated amount of contracts to be executed on capital account	789.90	930.39
Grand Total	18,135.47	12,349.41

Significant accounting policies and Notes to audited Financial statement (Contd.)
2.33

Sundry debtors include a sum of ₹ 5,302.80 lakhs (Previous Year ₹ 3,754.51 lakhs) due from Subsidiary Company.

2.34 RESEARCH ON DEVELOPMENT FIXED ASSETS (INCLUDED IN NOTE NO. 2.10) (₹ in lakhs)

Particulars	Buildings	Office Equipment	R&D Equipment	Material Handling	Furniture & Fixtures	Computers	Total
Cost or Valuation							
At 31 March 2011	53.13	0.76	596.43	3.58	7.49	2.26	663.65
Additions	-	-	82.12	-	-	-	82.12
Disposals	-	-	-	-	-	-	-
At 31 March 2012	53.13	0.76	678.55	3.58	7.49	2.26	745.77
Depreciation							
As at 31 March 2011	9.26	0.24	157.88	0.88	2.36	1.85	172.47
Charge for the year	1.77	0.03	29.86	0.17	0.47	0.36	32.67
Disposals	-	-	-	-	-	-	-
As at 31 March 2012	11.03	0.27	187.74	1.05	2.83	2.21	205.14
Net Block							
As at 31 March 2011	43.88	0.53	438.55	2.70	5.13	0.41	491.18
As at 31 March 2012	42.11	0.50	490.81	2.53	4.66	0.05	540.63

2.35

During the year, the Company had capitalized borrowing costs of ₹ 215.69 lakhs (Previous Year ₹ 44.92 lakhs)

2.36

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

Particulars	2011-12	2010-11
a) Revenue		
i) Sale (Net of Excise Duty)		
Within India	5,078.35	7,079.76
Outside India	51,189.42	33,487.94
ii) Other Income		
Within India	109.08	71.17
Outside India	-	-

b) **Assets:** All the assets of the Company, except the debtors and loans and advances amounting to ₹ 3,677.59 lakhs (Previous year ₹ 2,447.69 lakhs), are within India.

2.37

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

Significant accounting policies and Notes to audited Financial statement (Contd.)
a) Names of related parties and the description of relationship:
(₹ in lakhs)

Sl. No.	Name	Relationship
(i)	Granules USA Inc	Wholly owned subsidiary Company
(ii)	GIL Life Sciences Private Limited	Wholly owned subsidiary Company
(iii)	Granules Singapore Pte Ltd	Wholly owned subsidiary Company
(iv)	Granules-Bioclause Pharmaceutical Co. Ltd	Joint - Venture
(v)	Key management personnel: Shri C. Krishna Prasad	Managing Director
(vi)	Others: Dr. C. Nageswara Rao Mr. C. Harsha	Non-Executive Chairman Executive Director
(vii)	Mr. Vijay Ramanavarapu	Consultant (From 1 April to 30 Sep 11) Head - Strategic Sourcing (From 1 Oct 11)

b) Transactions with Subsidiary Company:
i) Granules USA Inc
(₹ in lakhs)

Particulars	As at 31 March 2012	As at 31 March 2011
Transactions during the year :		
Sale of goods	8,573.01	7,021.32
Amounts outstanding at Balance Sheet date:		
Interest on loan	22.40	22.40
Equity subscribed	116.31	116.31
Amounts receivable for sales made	3,414.45	4,150.83

ii) GIL Life Science Pvt Ltd
(₹ in lakhs)

Particulars	As at 31 March 2012	As at 31 March 2011
Transactions during the year :		
Loan granted	-	10.00
Amounts outstanding at Balance Sheet date:		
Equity subscribed	294.62	294.62
Loan granted	10.00	10.00

iii) GIL Singapore PTE Ltd

Particulars	As at 31 March 2012	As at 31 March 2011
Transactions during the year :		
Advance for expenses	-	4.52
Amounts outstanding at Balance Sheet date:		
Equity subscribed	5.01	0.48
Loan granted	2.07	6.59

Significant accounting policies and Notes to audited Financial statement (Contd.)
b) Transactions with Joint-Venture

Particulars	As at 31 March 2012	As at 31 March 2011
Transactions during the year :		
Purchase of goods	1,556.76	2,812.81
Amounts outstanding at Balance Sheet date :		
Equity subscribed	1,819.03	1,819.03
Amounts payable for purchase of goods	207.62	361.04

c) Transactions with other related parties

Particulars	2011-12	(₹ in lakhs) 2010-11
Mr. C. Krishna Prasad, Managing Director		
Remuneration	182.21	122.61
Dr. C. Nageswara Rao, Chairman		
Sitting fee	0.78	0.73
Mr. C. Harsha, Executive Director		
Remuneration	32.88	24.80
Mr. Vijay Ramanavarapu		
Consultancy charges & Salary	26.59	22.00

2.38 EARNINGS PER SHARE – BASIC AND DILUTED:

Particulars	2011-12	(₹ in lakhs) 2010-11
Net profit for the year (₹ Lakhs)	2,730.64	2,171.83
Weighted average number of shares outstanding during the year	200,58,642	200,57,154
Basic earnings per share (₹)	13.61	10.83
Nominal value of shares (₹)	10.00	10.00

2.39

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

2.40

Figures in Balance Sheet, Statement of Profit and Loss and Notes to audited Financial statements have been rounded off to the nearest thousand and have been expressed in terms of decimals of thousands.

As per our report of even date

for **Kumar & Giri**

Chartered Accountants

Firm Regn. No. 001584

J. Bhadra Kumar

Partner

Membership No. 25480

Place: Hyderabad

Date: April 24, 2012

For and on behalf of the Board

Dr. C. Nageswara Rao

Chairman

Pranesh Raj Mathur

Chief Financial Officer

& President - API

C. Krishna Prasad

Managing Director

Shivangi Sharma

Company Secretary

Consolidated Auditors' Report

To

The Members of

M/s **GRANULES INDIA LIMITED**

Hyderabad - 500 081.

- We have audited the attached consolidated Balance Sheet of M/s Granules India Limited, its subsidiaries of M/s Granules USA Inc., M/s Granules Singapore Pte Ltd, GIL Lifesciences Pvt Ltd and joint-venture with M/s. Granules-Bioclause Pharmaceutical Co. Ltd., as on March 31, 2012 and the consolidated Profit and Loss Account and the consolidated Cash Flow Statement of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
- We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. Audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
- We did not audit the financial statements of the subsidiaries and the joint-venture, whose financial statements reflect total assets of ₹ 9,074.05 lakhs as at March 31, 2012, the total revenue of ₹ 17,775.65 lakhs for the period ended on that date. These financial statements and other financial information have been audited by other auditors whose report has been furnished to us, and our opinion is based solely on the report of other auditors.
- We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standards (AS) 21, Consolidated Financial Statements and

Accounting Standard 27, Financial Reporting of Interest in Joint-ventures, issued by the Institute of Chartered Accountants of India and on the basis of separate audited financial statements of the group and unaudited financial statements of a consolidated entity.

5. Further to the above, our comments are as under:

- Reference is invited to Note No. B (3) Schedule No. R regarding dues to micro, small and medium enterprises,
- In our opinion, and to the best of our information and according to the explanations given to us, the said consolidated Balance Sheet, consolidated Profit & Loss Account and consolidated Cash Flow Statement read together with the significant accounting policies and notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India –
 - in so far as it relates to the consolidated Balance Sheet, of the state of affairs of the Company as on March 31, 2012.
 - in so far as it relates to the consolidated Profit & Loss Account, of the Profit of the Company for the period ended on that date.
 - in case of the consolidated Cash Flow Statement, of the cash flows for the period ended on that date.

For **M/s KUMAR & GIRI**

Chartered Accountants

Firm Reg No: 001584S

J. Bhadra Kumar

Partner

Membership No. 25480

Place: Hyderabad

Date: April 24, 2012

Consolidated Balance Sheet

(₹ in lakhs)

	Note No.	As at 31 March 2012	As at 31 March 2011
EQUITY AND LIABILITIES			
Shareholders' Funds			
Share Capital	2.1	2,006.17	2,005.72
Reserves & Surplus	2.2	22,502.76	19,972.24
		24,508.92	21,977.95
Non-current liabilities			
Long-term borrowings	2.3	8,805.34	3,783.27
Deferred tax liabilities (Net)	2.4	2,301.50	1,985.65
Long-term provisions	2.5	153.03	118.99
		11,259.88	5,887.91
Current liabilities			
Short-term borrowings	2.6	11,360.22	8,315.27
Trade payables	2.7	7,551.94	5,180.53
Other current liabilities	2.8	1,984.18	1,865.21
Short-term provisions	2.9	466.32	349.66
		21,362.66	15,710.67
Total		57,131.46	43,576.53
ASSETS			
Non-current assets			
Fixed Assets			
(i) Tangible assets	2.10	23,323.24	21,769.48
(ii) Intangible assets	2.11	1,719.09	2,092.60
(iii) Capital work-in-progress		2,929.65	685.08
		27,971.98	24,547.16
Non-current investments	2.12	1,044.64	29.81
Long-term loans and advances	2.13	2,024.02	1,070.91
Other non-current assets	2.14	36.29	26.94
		31,076.92	25,674.83
Current assets			
Inventories	2.15	10,991.05	7,512.78
Trade receivables	2.16	9,500.93	7,161.30
Cash and cash equivalents	2.17	3,198.19	1,198.79
Short term loans and advances	2.18	263.94	203.39
Other current assets	2.19	2,100.43	1,825.45
		26,054.54	17,901.71
Total		57,131.46	43,576.53

As per our report of even date

for Kumar & Giri

Chartered Accountants

Firm Regn. No. 001584S

For and on behalf of the Board

J. Bhadra Kumar
Partner
Membership No. 25480

Place: Hyderabad
Date: April 24, 2012

Dr. C. Nageswara Rao
Chairman

Pranesh Raj Mathur
Chief Financial Officer
& President - API

C. Krishna Prasad
Managing Director

Shivangi Sharma
Company Secretary

Consolidated Profit and Loss Statement

(₹ in lakhs)

	Note No.	Year ended 31 March 2012	Year ended 31 March 2011
Revenue from operations	2.20	65,396.59	47,517.98
Other income	2.21	135.42	80.25
Total Revenue (I + II)		65,532.01	47,598.22
EXPENSES			
Cost of Materials consumed	2.22	42,010.22	29,725.09
Changes in inventories of finished goods	2.23	(573.69)	(169.68)
work-in- progress and Stock-in-Trade			
Employee benefits expense	2.24	4,545.86	3,337.86
Other expenses	2.25	11,500.51	8,943.20
Total expenses		57,482.90	41,836.46
EBITDA		8,049.11	5,761.77
Finance costs	2.26	1,608.96	1,199.07
Depreciation	2.10/2.11	2,069.54	1,831.47
Amortization expenses		72.96	55.69
Total Expenses		61,234.38	44,922.68
Profit before tax (III-IV)		4,297.63	2,675.54
Tax expense :			
Current tax		985.51	303.24
Deferred tax		316.86	282.72
		1,302.37	585.95
Profit / (Loss) for the period (V-VI)		2,995.27	2,089.58
Earnings per equity share :			
Basic		14.93	10.42
Diluted		14.87	10.37

As per our report of even date

for Kumar & Giri

Chartered Accountants

Firm Regn. No. 001584S

For and on behalf of the Board

J. Bhadra Kumar
Partner
Membership No. 25480

Place: Hyderabad
Date: April 24, 2012

Dr. C. Nageswara Rao
Chairman

Pranesh Raj Mathur
Chief Financial Officer
& President - API

C. Krishna Prasad
Managing Director

Shivangi Sharma
Company Secretary

Consolidated Cash Flow Statement

(₹ in lakhs)

	Year ended 31 March 2012	Year ended 31 March 2011
A. Cash Flow from Operating Activities		
Net Profit before tax	4,297.63	2,675.54
Adjustments for:		
Depreciation	2,069.54	1,831.47
Misc. Expenditure written off	72.96	55.69
(Profit) / Loss on sale of assets	1.19	41.23
(Profit) / Loss on sale of investments	(4.96)	–
Foreign currency restatement on term loans	(89.91)	(59.62)
Provision for doubtful debts	(2.09)	225.29
Interest & dividend income	(63.43)	(41.76)
Interest & finance charges	1,698.87	1,258.69
Operating profit before working capital changes	7,979.82	5,986.52
Increase in Trade and other receivables	(2,650.04)	(795.44)
Increase in inventories	(3,478.27)	(649.44)
Increase/(decrease) in Payable	2,416.16	874.48
Cash generated from operations	4,267.66	5,416.13
Direct Taxes paid	1,153.15	559.91
Net Cash from operating activities	3,114.52	4,856.22
B. Cash Flow from Investing Activities		
Purchase of fixed assets	(5,777.94)	(2,496.26)
Increase in Miscellaneous expenditure	(24.36)	(15.57)
Investments in Subsidiary companies	(1,025.50)	–
Other investments	15.63	(0.02)
Sale of Fixed Assets	6.50	(1.08)
Interest/dividends received	57.58	4.39
Net Cash used in investing activities	(6,748.08)	(2,508.54)
C. Cash Flow from Financing Activities		
Increase/(Decrease) in Working Capital Loans	2,941.43	1,281.23
Interest paid	(1,678.97)	(1,317.09)
Dividends paid	(349.15)	(293.30)
Increase in Share capital & Share Premium	2.03	–
Proceeds from Long Term	6,489.82	(3,064.02)
Repayment of long term loans	(1,772.18)	1,896.86
Repayment of short term loans		(1,000.00)
Net Cash used in Financing Activities	5,632.97	(2,496.32)
Net Increase in cash & cash equivalents (A+B+C)	1,999.41	(148.65)
Cash equivalents (Opening Balance as at 1-04-2011)	1,198.79	1,347.43
Cash equivalents (Closing Balance as at 31-03-2012)	3,198.19	1,198.79

Notes: Cash flow statement has been prepared following the indirect method. Interest paid, direct taxes paid, dividend paid are on the basis of actual movement of cash

As per our report of even date

For and on behalf of the Board

for Kumar & Giri

Chartered Accountants

Firm Regn. No. 001584S

J. Bhadra Kumar

Partner

Membership No. 25480

Place: Hyderabad

Date: April 24, 2012

Dr. C. Nageswara Rao

Chairman

Pranesh Raj Mathur

Chief Financial Officer

& President - API

C. Krishna Prasad

Managing Director

Shivangi Sharma

Company Secretary

Significant accounting policies and Notes to audited Consolidated Financial statements
Corporate information

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

1. SIGNIFICANT ACCOUNTING POLICIES
1.1 Change in accounting policy
Presentation and disclosure of financial statements

During the year ended 31 March 2012, the revised Schedule VI notified under the Companies Act 1956, has become applicable to the Company, for preparation and presentation of its financial statements. The Company has also reclassified the previous year figures in accordance with the requirements applicable in the current year.

1.2 Principles of consolidation

The financial statements are prepared in accordance with the principles and procedures required for the preparation and presentation of consolidated financial statements as laid down on the accounting standards on Consolidated Financial Statements by the ICAI. The financial statements of the parent Company, Granules India Limited, GIL Lifesciences Private Limited, Granules Singapore PTE Ltd, Granules USA Inc and Granules Biocause Pharmaceutical Co. Limited (50% joint-venture), Granules Omnicem Pvt. Ltd (50% joint-venture), have been combined on a line-by-line basis by adding together book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances and transactions and resulting unrealized gains / losses. Exchange differences resulting from the difference due to transactions of foreign currency assets and liabilities in subsidiary company is disclosed as foreign currency translation adjustment. The consolidated financial statements are prepared applying uniform accounting policies for like transactions and other events in similar circumstances in use at the parent and subsidiary company.

1.3 Basis of preparation

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

1.4 Use of estimates

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

1.5 Tangible Fixed Assets:

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

1.6 Depreciation on tangible fixed assets:

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

1.7 Expenditure during construction period:

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

1.8 Intangible assets

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired

Significant accounting policies and Notes to audited Consolidated Financial statements (Contd.)

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

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

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

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

1.9 Investments:

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

1.10 Valuation of Inventories:

- Inventories are valued at the lower of cost or net realizable value.
- Inventories of raw material, consumables and stores and spares are valued at cost as per FIFO method. Cost does not include duties and taxes that are subsequently recoverable.
- 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.
- Goods in transit are stated at costs accrued up to the date of Balance Sheet.
- Stocks with consignment agents are stated at costs accrued up to the date of the Balance sheet.

1.11 Government grants:

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

1.12 Foreign Exchange:

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

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

1.13 Revenue Recognition:

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

Significant accounting policies and Notes to audited Consolidated Financial statements (Contd.)

1.14 Export Benefits:

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

1.15 Research and development expenses:

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

1.16 Employee Retirement Benefits:

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

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

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

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

1.17 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.

1.18 Income tax expense:

1.18.1 Current Tax Expense

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

1.18.2 Deferred Tax Expense

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

1.19 Measurement of EBITDA

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

Significant accounting policies and Notes to audited Consolidated Financial statements (Contd.)
2. NOTES TO FINANCIAL STATEMENTS
2.1 SHARE CAPITAL
(₹ in lakhs)

	As at 31 March 2012	As at 31 March 2011
Authorized Share capital		
3,00,00,000 Equity Shares of par value of ₹ 10 each (Previous year 3,00,00,000 Equity Shares of ₹ 10 each)	3,000.00	3,000.00
Issued, Subscribed and fully paid up shares		
2,00,61,654 fully paid up Equity Shares of par value of ₹ 10/- each (Previous year : 2,00,57,154 equity shares of ₹ 10 each)	2,006.17	2,005.72
Total issued, subscribed and fully paid - up share capital	2,006.17	2,005.72

(a) Reconciliation of the number of shares outstanding and the amount of share capital as at March 31, 2012 and March 31, 2011 is set out below:

Particulars	As at 31 March 2012		As at 31 March 2011	
	No. of shares	₹ Lakhs	No. of shares	₹ Lakhs
Number of shares at the beginning of the year	20,057,154	2,005.72	20,057,154	2,005.72
Add: Shares issued on exercise of employee stock options	4,500	0.45	-	-
Number of shares at the end of the year	20,061,654	2,006.17	20,057,154	2,005.72

(b) Terms/Rights attached to equity shares:

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

During the year end 31-Mar-2012, the amount of per share dividend recognized as distribution to equity shareholders was ₹ 2.00/- (31-Mar-2011: ₹ 1.50/-)

In the event of liquidation of the Company, the holders of equity shares will be entitled to receive remaining assets of the Company after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders.

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

Particulars	31 March 2012		31 March 2011	
	No. of shares	%	No. of shares	%
C. Krishna Prasad	65,35,663	32.38	56,36,963	28.10
ISP Investco LLC	22,11,200	11.02	22,11,200	11.02
Ridbeback Capital Asia Pvt Ltd	21,80,067	10.87	21,80,067	10.87
International Finance Corporation	20,57,578	10.26	20,57,578	10.26

Significant accounting policies and Notes to audited Consolidated Financial statements (Contd.)
2.2 RESERVES AND SURPLUS
(₹ in lakhs)

Particulars	As at 31 March 2012	As at 31 March 2011
a) Capital reserves	168.53	168.53
b) Securities Premium Reserve		
Opening balance	11,788.09	11,788.09
Add: Receipt on exercise of employee stock option plan	1.58	-
Closing balance	11,789.67	11,788.09
c) Central Subsidy	12.14	12.14
d) General reserve		
Opening balance	355.63	247.03
Add: Transfer from surplus	224.65	108.60
Closing balance	580.28	355.63
e) Surplus		
Opening balance	7,647.84	6,016.52
Add: Net profit after tax transferred from Statement of Profit and Loss	2,995.27	2,089.58
Amount available for appropriations	10,643.11	8,106.11
Appropriations:		
Proposed equity dividend	401.23	300.86
Tax on Proposed equity dividend	65.09	48.81
Transfer to General Reserve	224.65	108.60
Closing Balance	9,952.14	7,647.84
Total (a+b+c+d+e)	22,502.76	19,972.24

2.3 LONG-TERM BORROWINGS:
(₹ in lakhs)

Particulars	Non-current		Current maturities	
	31-March-12	31-March-11	31-March-12	31-March-11
Indian rupee loans from banks (Secured)	234.53	467.00	256.87	345.74
Foreign currency loans from banks (Secured)	-	312.34	405.88	703.59
Foreign currency loan from financial institutions (Secured)	8,449.28	2,928.69	618.24	588.35
Total	8,683.81	3,808.03	1,280.99	1,637.68

b) Other Term Liabilities:

Particulars	Non-current		Current maturities	
	31-March-12	31-March-11	31-March-12	31-March-11
Finance lease obligations (Secured)	46.29	-	69.38	7.03
Deferred sales tax loan (Unsecured)	75.24	75.24	-	-
Total	121.53	75.24	69.38	7.03

Significant accounting policies and Notes to audited Consolidated Financial statements (Contd.)
2.3 LONG-TERM BORROWINGS: (Contd.)

Particulars	(₹ in lakhs)			
	Non-current		Current maturities	
	31-March-12	31-March-11	31-March-12	31-March-11
Secured borrowings	8,730.10	3,708.03	1,350.37	–
Unsecured borrowings	75.24	75.24	–	–
Amount disclosed under the head "other current liabilities"			(1,350.37)	(1,644.71)
Net amount	8,805.34	3,783.27	–	(1,644.71)

All secured term loans are secured by a pari passu first charge on fixed assets and a pari passu second charge of the current assets of the Company. Of the Indian rupee loans from banks and Foreign currency loans from banks, loans of ₹ 467.14 lakhs as on 31-Mar-2012 (₹ 1,086.79 lakhs as on 31-Mar-2011) are further guaranteed by the personal guarantee of the Managing Director.

Of the foreign currency loans from Financial Institutions on account of ₹ 5,179.75 lakhs as on 31-Mar-2012 (Nil as on 31-Mar-2011) is further guaranteed by the personnel guarantee of the Managing Director.

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

2.4 DEFERRED TAX LIABILITIES

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

Particulars	(₹ in lakhs)		
	Opening balance as on 1.4.2011	Charge/(Credit) during the period	Closing balance as on 31.03.2012
Deferred tax liability			
Depreciation	2,049.66	308.36	2,358.02
Total	2,049.66	308.36	2,358.02
Deferred tax asset			
Leave encashment	22.74	4.49	27.23
Bonus	10.64	(3.34)	7.30
Gratuity	8.47	5.84	14.31
Provision for Doubtful Debts	16.42	16.42	–
Others	5.72	7.67	7.68
Total	64.00	31.08	56.52
Net Deferred tax liability	1,985.65	277.28	2,301.50

2.5 LONG-TERM PROVISIONS:

Particulars	(₹ in lakhs)	
	As at 31 March 2012	As at 31 March 2011
Provision for gratuity	69.11	50.50
Provision for leave benefits	83.92	68.49
Total	153.03	118.99

2.6 SHORT-TERM BORROWINGS

a) Loans repayable on demand from banks (Secured)	5,218.94	4,064.25
b) Short term loans from banks (Unsecured)	6,141.28	4,251.02
Total	11,360.22	8,315.27

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

Significant accounting policies and Notes to audited Consolidated Financial statements (Contd.)
2.7 TRADE PAYABLES

Particulars	(₹ in lakhs)	
	As at 31 March 2012	As at 31 March 2011
Trade payables (including acceptances)	7,551.94	5,180.53
Total	7,551.94	5,180.53

2.8 OTHER CURRENT LIABILITIES

– Interest accrued but not due on borrowings	78.71	58.80
– Unpaid dividends	12.00	10.76
– Provision for employee benefits	100.81	88.73
– Duties and Taxes payable	91.96	28.94
– Managerial Commission payable	70.29	26.11
– Current maturities of Long term borrowings	1,350.37	1,644.71
– Others	280.04	7.16
Total	1,984.18	1,865.21

2.9 SHORT TERM PROVISIONS

– Provision for dividend	401.23	300.86
– Provision for dividend tax	65.09	48.80
Total	466.32	349.66

2.10 TANGIBLE ASSETS

Particulars	(₹ in lakhs)								
	Land	Buildings	Plant & Machinery	Computers	Office Equipment	R&D Equipment	Furniture & Fixtures	Vehicles	Total
Cost or Valuation									
As at 31 March 2011	848.32	7,238.06	18,742.05	435.51	214.87	596.43	352.85	263.95	28,692.04
Additions	(2.97)	272.97	2,696.23	27.76	22.85	82.13	12.09	146.42	3,257.48
Disposals	–	–	(39.17)	–	(0.18)	–	–	(29.35)	(68.69)
Other adjustments									
As at 31 March 2012	845.35	7,511.03	21,399.10	463.27	237.54	678.56	364.95	381.02	31,880.82
Depreciation									
As at 31 March 2011	–	1,241.85	5,035.10	139.89	95.63	157.88	100.09	152.13	6,922.57
Charge for the year	–	259.60	1,281.02	64.13	11.75	29.86	22.00	28.06	1,696.03
Disposals	–	–	(32.58)	–	(0.05)	–	–	(28.37)	(61.01)
As at 31 March 2012	–	1,501.04	6,283.54	204.01	107.33	187.75	122.10	151.82	8,557.59
Net Block									
As at 31 March 2011	848.32	5,996.22	13,706.95	295.63	119.24	438.55	252.76	111.82	21,769.48
As at 31 March 2012	845.35	6,009.99	15,115.57	259.26	130.21	490.81	242.85	229.20	23,323.24

Significant accounting policies and Notes to audited Consolidated Financial statements (Contd.)
2.11 INTANGIBLE ASSETS (₹ in lakhs)

Particulars	Technical Know How	Total
Gross Block		
As at 31 March 2011	3,568.71	3,568.71
Additions	–	–
As at 31 March 2012	3,568.71	3,568.71
Depreciation		
As at 31 March 2011	1,476.10	1,308.23
Charge for the year	373.52	373.52
Disposals	–	–
As at 31 March 2012	1,849.62	1,849.62
Net Block		
As at 31 March 2011	2,092.60	2,092.39
As at 31 March 2012	1,719.09	1,719.09

2.12 NON-CURRENT INVESTMENTS
1) Trade investments (valued at cost unless stated otherwise):

Particulars	(₹ in lakhs)	
	As at 31 March 2012	As at 31 March 2011
Investments in Equity Instruments		
a) Investment in Joint-venture (Unquoted)		
Granules Omnichem Pvt Ltd (50% Joint-venture in equity)	1,025.50	–
Sub Total (a)	1,025.50	–
b) Other trade Investments (Unquoted)		
Jeedimetla Effluent Treatment Ltd (15,142 equity share of ₹ 100/- each including 1,040 shares at a premium of ₹ 50/- each)	15.66	15.66
Patancheru Envitotech Ltd (34,040 equity shares of ₹ 10/- each)	3.40	3.40
Sub Total (b)	19.06	19.06
c) Quoted equity instruments		
Andhra Bank Current Year Nil (Previous Year 11,277 shares of ₹ 10/- each)	–	10.15
Ipca Labs Ltd 50 shares of ₹ 10/- each, market value of ₹ 335/- as on 31-03-2012	0.07	0.07
Baroda Pioneer PSU Bond fund Current Year Nil (Previous Year 5,174.13 units @ ₹ 10/- each)	–	0.53
Sub Total (c)	0.07	10.75
Grand Total (a)+(b)+(c)	1,044.64	29.81

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

a) Capital Advances	966.28	230.23
b) Security deposits	293.39	249.54
c) Loans and advances to related parties		
i) Granules Omnichem Pvt Ltd	8.63	–
d) Advance Tax including MAT credit	755.72	591.14
Total (a+b+c+d)	2,024.02	1,070.91

Significant accounting policies and Notes to audited Consolidated Financial statements (Contd.)
2.14 OTHER NON-CURRENT ASSETS (₹ in lakhs)

Particulars	As at 31 March 2012	As at 31 March 2011
Gratuity Receivable (Unsecured, considered good)	11.80	11.80
Other Advances	24.49	15.14
Total	36.29	26.94

2.15 INVENTORIES (VALUED AT LOWER OF COST OR NET REALIZABLE VALUE)

a) Raw Materials & Packing Material	5,497.20	3,247.52
b) Work-in-progress	3,275.42	2,577.96
c) Finished goods	1,219.57	875.09
d) Stores & Spares and Loose Tools	998.86	812.21
Total	10,991.05	7,512.78

2.16 TRADE RECEIVABLES (UNSECURED, CONSIDERED GOOD)

a) More than six months from due date	19.16	130.56
b) Less than six months from due date	9,481.77	7,030.74
Total	9,500.93	7,161.30

2.17 CASH AND CASH EQUIVALENTS

i) Balance with Banks in Current Accounts		
a) On current accounts	2,246.98	533.27
b) Unpaid Dividend account	12.00	10.76
c) Held as margin money for Letter of Credits & Bank		
Guarantees	932.39	653.27
ii) Cash on Hand	6.82	1.49
Total	3,198.19	1,198.79

2.18 SHORT TERM LOANS AND ADVANCES

Staff Advance	92.39	67.69
Prepaid Expenses	171.55	135.70
Total	263.94	203.39

2.19 OTHER CURRENT ASSETS

Balances with Excise Authorities	1,226.01	1,160.14
CST claim receivable from VSEZ	285.98	156.02
Other Receivables	16.06	43.75
Sales Tax receivable	275.04	125.45
Interest receivable	228.79	222.95
Unamortized expenditure		
GDR Expenses	23.79	50.69
VRS Expenses	41.69	63.38
Preliminary Expenses	3.07	3.07
Total	2,100.43	1,825.45

Significant accounting policies and Notes to audited Consolidated Financial statements (Contd.)
2.20 REVENUE FROM OPERATIONS (₹ in lakhs)

Particulars	2011-12	2010-11
Sale of Products		
– Exports	58,489.52	39,259.08
– Domestic	7,869.89	8,987.40
Gross Sales	66,359.41	48,246.48
Less: Excise Duty	962.82	728.51
Net sales	65,396.59	47,517.98

2.21 OTHER INCOME

Interest accrued	62.81	41.17
Dividend income	0.62	0.59
Other operating Revenue	67.03	38.49
Net gain/(loss) on sale of investments	4.96	–
Net gain/(loss) on sale of Assets	–	–
Total	135.42	80.25

2.22 COST OF MATERIAL CONSUMED

Inventory at the beginning of the year	3,612.30	3,516.99
Add : Purchases	44,094.15	29,794.91
	47,706.45	33,311.90
Less: Inventory at the end of the year	5,696.22	3,586.81
Cost of Material Consumed	42,010.22	29,725.09

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

Inventories at the end of the year		
Work-in-Process	1,219.57	875.09
Finished Goods	2,345.48	2,116.27
	3,565.05	2,991.36
Inventories at the beginning of the year		
Work-in-Progress	875.09	637.51
Finished Goods	2,116.27	2,184.17
	2,991.36	2,821.68
Net (Increase)/Decrease in Work-in-Process and Finished goods	(573.69)	(169.68)

2.24 EMPLOYEE BENEFIT EXPENSES

i) Salaries and wages	4,200.63	3,103.21
ii) Contribution to PF and ESI funds	105.05	94.84
iii) Staff welfare expenses	240.17	139.81
Total	4,545.86	3,337.86

Significant accounting policies and Notes to audited Consolidated Financial statements (Contd.)
2.25 OTHER EXPENSES (₹ in lakhs)

Particulars	2011-12	2010-11
Power & Fuel	2,628.13	1,941.65
Repairs & Maintenance		
– Plant & Machinery	859.69	606.24
– Buildings	96.17	71.56
– Others	39.44	27.85
Consumables & Lab Chemicals	244.04	329.98
Effluent Treatment Expenses	329.31	365.61
Conversion charges	–	99.32
Watch & Ward Expenses	61.90	50.0
Pooja Expenses	3.78	0.92
Freight & Cartage	7.77	–
Analytical Fee	98.83	31.50
Other Manufacturing Expenses	62.98	59.76
Business Promotion Expenses	479.10	196.11
Freight outward & Clearing charges	3,497.28	2,255.37
Sales Commission	786.11	739.75
Travelling Expenses-Marketing	200.03	283.10
Discount Account	31.80	36.12
Research & Development Expenses	271.42	245.28
Communication Expenses	93.70	88.49
Consultancy charges	362.72	308.05
Director Sitting Fee	7.17	4.18
Insurance	234.63	212.57
Printing & Stationery	76.27	53.62
Computer Maintenance	50.17	11.85
Travelling Expenses	236.16	97.28
Auditors Remuneration	17.10	12.67
Rates & Taxes	87.53	52.76
Rent	234.55	212.53
Sundry Expenses	140.37	119.89
Advertisement Charges	4.04	4.90
Directors Remuneration	92.70	81.80
Donations	44.21	13.42
Loss on Sale of Assets	1.18	41.23
Managerial Commission	122.30	62.61
Provision for doubtful debts	(2.10)	225.29
Total	11,500.51	8,943.20

2.26 FINANCE COST

Interest on Term loan	343.44	363.47
Interest on Working Capital	904.73	619.83
Interest Others	67.96	24.33
Bank Charges	382.73	251.06
Forex Fluctuations	(89.91)	(59.62)
Total	1,608.96	1,199.07

Significant accounting policies and Notes to audited Consolidated Financial statements (Contd.)
2.27

Sundry debtors include a sum of ₹ 5,302.80 lakhs (Previous Year ₹ 3,754.51 lakhs) due from Subsidiary Company.

2.28

During the year, the Company had capitalized borrowing costs of ₹ 215.69 lakhs (Previous Year ₹ 44.92 lakhs)

2.29

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

Particulars	(₹ in lakhs)	
	2011-12	2010-11
a) Revenue		
i) Sale (Net of Excise Duty)		
Within India	5,078.35	7,079.76
Outside India	60,318.24	40,436.46
ii) Other Income		
Within India	107.57	71.17
Outside India	27.85	9.07

b) **Assets:** All the assets of the Company, except the debtors and loans and advances amounting to ₹ 3, 677.59 lakhs (Previous year ₹ 2447.69 lakhs), are within India.

2.30

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

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

Sl. No.	Name	Relationship	(₹ in lakhs)
(i)	Granules USA Inc	Wholly owned subsidiary Company	
(ii)	GIL Lifesciences Private Limited	Wholly owned subsidiary Company	
(iii)	Granules Singapore Pte Ltd	Wholly owned subsidiary Company	
(iv)	Granules-Bioclause Pharmaceutical Co. Ltd	Joint - Venture	
(v)	Hubei Bioclause Saponin Limited	Subsidiary of Hubei Bioclause	
(vi)	Zhaozuang Bioclause Pharmaceutical Co., Ltd	Subsidiary of Hubei Bioclause	
(vii)	Hubei Bioclause Pharmaceutical Trade Co., Ltd	Subsidiary of Hubei Bioclause	
(viii)	Wuhan Bioclause Pharmaceutical Develop Co., Ltd	Subsidiary of Hubei Bioclause	
(ix)	Key management personnel: Shri C. Krishna Prasad	Managing Director	
(x)	Others:		
	1) Dr. C. Nageswara Rao	Non Executive Chairman	
	2) Mr. C. Harsha	Executive Director	
	3) Mr. Vijay Ramanavarapu	Consultant (From 1 April - 30 Sep 11) Head - Strategic Sourcing (From 1 Oct 11)	

Significant accounting policies and Notes to audited Consolidated Financial statements (Contd.)
b) Transactions with Subsidiary Company:
i) Granules USA Inc

Particulars	(₹ in lakhs)	
	As at 31 March 2012	As at 31 March 2011
Transactions during the year :		
Sale of goods	8,573.01	7,021.32
Amounts outstanding at Balance Sheet date:		
Interest on loan	22.40	22.40
Equity subscribed	116.31	116.31
Amounts receivable for sales made	3,414.45	4,150.83

ii) GIL Life Science Pvt Ltd

Particulars	(₹ in lakhs)	
	As at 31 March 2012	As at 31 March 2011
Transactions during the year :		
Loan granted	-	10.00
Amounts outstanding at Balance Sheet date:		
Equity subscribed	294.62	294.62
Loan granted	10.00	10.00

iii) GIL Singapore PTE Ltd

Particulars	(₹ in lakhs)	
	As at 31 March 2012	As at 31 March 2011
Transactions during the year :		
Advance for expenses	-	4.52
Amounts outstanding at Balance Sheet date:		
Equity subscribed	5.01	0.48
Loan granted	2.07	6.59

c) Transactions with Joint-Venture

Particulars	(₹ in lakhs)	
	As at 31 March 2012	As at 31 March 2011
Transactions during the year :		
Purchase of goods	1,556.76	2,812.81
Amounts outstanding at Balance Sheet date:		
Equity subscribed	1,819.03	1,819.03
Amounts payable for purchase of goods	361.04	361.04

d) Transactions with other related parties

Particulars	(₹ in lakhs)	
	2011-12	2010-11
Mr. C. Krishna Prasad, Managing Director		
Remuneration	182.21	122.61
Dr. C. Nageswara Rao, Chairman		
Sitting fee	0.78	0.73
Mr. C. Harsha, Executive Director		
Remuneration	32.88	24.80
Mr. Vijay Ramanavarapu		
Consultancy charges & Salary	26.59	22.00

Significant accounting policies and Notes to audited Consolidated Financial statements (Contd.)
2.31 EARNINGS PER SHARE – BASIC AND DILUTED:

Particulars	(₹ in lakhs)	
	2011-12	2010-11
Net profit for the year (₹ in lakhs)	2,995.27	2,089.58
Weighted average number of shares outstanding during the year	2,00,61,654	2,00,57,154
Earnings per share (₹)	14.93	10.42
Nominal value of shares (₹)	10.00	10.00

2.32

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

2.33

Figures in Balance Sheet, Statement of Profit and Loss and Notes to audited Financial statements have been rounded off to the nearest thousand and have been expressed in terms of decimals of thousands.

As per our report of even date

for Kumar & Giri

Chartered Accountants

Firm Regn. No. 001584S

J. Bhadra Kumar

Partner

Membership No. 25480

Place: Hyderabad

Date: April 24, 2012

For and on behalf of the Board

Dr. C. Nageswara Rao

Chairman

C. Krishna Prasad

Managing Director

Pranesh Raj Mathur

Chief Financial Officer
& President - API

Shivangi Sharma

Company Secretary



Granules India Limited

Regd. Office: Second Floor, Block III, My Home Hub, Madhapur, Hyderabad - 500 081

Notice

Notice is hereby given that the Twenty First Annual General Meeting of the Members of Granules India Limited will be held on Monday, the 02nd day of July 2012 at 4.00 PM at Cyan Hall, Hotel Marigold, Ameerpet, Hyderabad (AP), to transact the following business:

ORDINARY BUSINESS:

- To consider and adopt the Audited Balance Sheet as at March 31, 2012 and the Profit and Loss Account for the year ended as on that date along with schedules and notes appended thereto and the reports of Directors and Auditors thereon.
- To declare Dividend on Equity Shares.
- To appoint a Director in place of Dr. C. Nageswara Rao, who retires by rotation and being eligible offers himself for re-appointment.
- To appoint a Director in place of Dr. Krishna Murthy Ella, who retires by rotation and being eligible offers himself for re-appointment.
- To re-appoint M/s. Kumar & Giri, Chartered Accountants, Hyderabad as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting and to fix their remuneration and to pass with or without modification(s), the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT pursuant to the provisions of section 224 and other applicable provisions, if any, of the Companies Act, 1956, M/s. Kumar & Giri, Chartered Accountants, Hyderabad with Firm Registration No. 001584S be and are hereby re-appointed as the Statutory Auditors of the Company, to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting at a remuneration as may be mutually agreed to between the

Board of Directors and M/s. Kumar & Giri, plus out of pocket expenses, in connection with the work of audit to be carried out by them."

SPECIAL BUSINESS:

- To consider the appointment of Mr. Joby Varughese John, who was appointed as an Additional Director by the Board w.e.f October 17, 2011, to hold that office up to date of ensuing Annual General Meeting.

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

"RESOLVED THAT pursuant to the provisions of section 257 and all other applicable provisions, if any, of the Companies Act, 1956 including any statutory modification(s) thereto or any re-enactment thereof for the time being in force, Mr. Joby Varughese John who was appointed as an Additional Director by the Board w.e.f. October 17, 2011, in terms of provisions of section 260 of the Companies Act, 1956 and Articles of Association of the Company and whose term of office expires at the ensuing Annual General Meeting and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director of the Company, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

- To consider the appointment of Mrs. Uma Devi Chigurupati, who was appointed as an Additional Director by the Board w.e.f May 31, 2012, to hold that office up to date of ensuing Annual General Meeting.

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

"RESOLVED THAT pursuant to the Articles of Association of the Company and provisions of section 257 and all

other applicable provisions, if any, of the Companies Act, 1956 including any statutory modification(s) thereto or any re-enactment thereof for the time being in force, Mrs. Uma Devi Chigurupati who was appointed as an Additional Director by the Board with effect from May 31, 2012, in terms of provisions of section 260 of the Companies Act, 1956 and Articles of Association of the Company and whose term of office expires at the ensuing Annual General Meeting and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director of the Company, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

8. Appointment of Mrs. Uma Devi Chigurupati as an Executive Director

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

"RESOLVED THAT in accordance with the provisions of sections 198, 269 and 309 read with section 349 & 350 and further read with schedule XIII and other applicable provisions of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof, for the time being in force) and subject to such approvals and consents as may be necessary, the consent of the members be and is hereby accorded for appointment of Mrs. Uma Devi Chigurupati as an Executive Director of the Company, for a period of 5 (five) years with effect from May 31, 2012, on the following terms and conditions:

Mrs. Uma Devi Chigurupati shall be paid remuneration partly by way of monthly salary and partly by way of commission on net profit calculated as per section 349 & 350 read with section 198 and 309 of the Companies Act, 1956 but subject to the aggregate remuneration to be paid to Mrs. Uma Devi Chigurupati shall not exceed 4% of the net profit of the Company calculated as stated above.

Mrs. Uma Devi Chigurupati shall be paid the remuneration, within the above limits as follows:

Salary
₹24,00,000 (twenty four lakhs) per annum

The following perquisites and allowances shall form part of the total salary of ₹24,00,000 (2 lakhs per month) per

annum as under:

- i) Reimbursement of medical expenses – ₹18,000 per annum
- ii) Leave Travel Allowance – ₹72,000 per annum
- iii) Provision of car with reimbursement of driver's salary and fuel expenses subject to a maximum of ₹2,40,000 per annum
- iv) Reimbursement of insurance premium for coverage under Personal Accident Policy (self & dependants)
- v) Reimbursement of insurance premium for coverage under Mediclaim Policy (self & dependants).
- vi) Gratuity to be calculated however, at a rate not exceeding half month's salary for each completed year of service.

"RESOLVED FURTHER THAT the aggregate of above salary, perquisites, allowances and commission taken together shall be subject to the overall ceilings laid down under section 198 and 309 read with schedule XIII to the Companies Act, 1956."

"RESOLVED FURTHER THAT notwithstanding anything contained hereinabove, where in any financial year during the currency of this appointment, the Company has no profits or its profits are inadequate, Mrs. Uma Devi Chigurupati shall be paid remuneration not exceeding the maximum limits permissible under schedule XIII to the Companies Act, 1956 as minimum remuneration or such other limits as may be prescribed by the Government from time to time as minimum remuneration subject to consents and approvals as may be required under law."

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

"RESOLVED FURTHER THAT the Board be and is hereby authorised to take all such steps as may be necessary, proper or expedient to give effect to this resolution."

9. To consider appointment of Ms. Priyanka Chigurupati to the place of profit pursuant to section 314 of the Companies Act, 1956.

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

"RESOLVED THAT pursuant to the provisions of section 314 and all other applicable provisions of the Companies Act, 1956, including any statutory modification(s) or re-enactment, thereof and subject to such approvals, permissions and sanctions, if any required, the consent of the Company be and is hereby accorded to Ms. Priyanka Chigurupati, relative of Directors to hold an office or place of profit under the Company as "Manager – Business Development" or with such other designation as the Board of Directors of the Company may, from time to time decide, upon an initial remuneration of ₹12,00,000 (rupees twelve lakhs) per annum with effect from July 1, 2012 as under:

Salary Structure Per Annum	
Basic Salary:	₹ 4,80,000 per annum
House Rent Allowance:	₹ 1,92,000 per annum
Conveyance Allowance:	₹ 9,600 per annum
Education Allowance:	₹ 9,600 per annum
Special Allowance:	₹ 4,54,800 per annum
Medical Reimbursement:	₹ 18,000 per annum
Leave Travel Allowance:	₹ 36,000 per annum
Total	₹ 12,00,000 per annum

"RESOLVED FURTHER THAT the Board be and is hereby authorised to elevate Ms. Priyanka Chigurupati to higher cadre and / or grant her increments as per the policies of the Company subject to such increment not exceeding 20% per year or such other percentage as the policies of the Company may permit but the overall remuneration with the increments from time to time shall not exceed ₹30,00,000 (rupees thirty lakhs) per annum, inclusive of all components."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to take all necessary consequential actions and steps as may be required to give effect to the above resolution."

10. To consider revision in remuneration of Mr. Vijay Ramanavarapu in terms of Section 314 of the Companies Act, 1956

To consider and if thought fit, to pass, with or without

Place: Hyderabad
Date: May 31, 2012

modification(s), the following resolution as Special Resolution:

"RESOLVED THAT pursuant to provisions of section 314 and other applicable provisions, if any, of the Companies Act, 1956 including statutory modification or re-enactment thereof, the Director's Relatives (Office or Place of Profit) Rules, 2003 and as approval accorded by the Board of Directors at their meeting held on April 24, 2012 and subject to such further approvals including the approval of Central Government, as may be required, the consent of the Company be and is hereby accorded for revision of remuneration of Mr. Vijay Ramanavarapu, relative of Directors which was fixed at ₹32,00,000 (thirty two lakhs) per annum inclusive of all with effect from October 1, 2011 by granting him increments not exceeding 20% per annum as per the policies of the Company or such higher percentage as may be permitted by the policies of the Company but the remuneration with increments granted to him from time to time shall not exceed ₹50,00,000 (fifty lakhs) per annum, inclusive of all."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to promote him to higher cadre and / or sanction him increments within the said cadre or higher cadre as and when the Board of Directors deem fit, subject, however to the rules and regulations of the Company in force, from time to time, including with the approval of the Central Government, as may be required, pursuant to the provisions of section 314 and other applicable provisions of the Companies Act, 1956."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to take, perform and execute such further steps, acts, deeds and matters as may be necessary, proper and expedient to give effect to this resolution."

"RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to agree to such modification and / or variation as may be suggested by the Central Government while granting its approval."

By order of the Board
For Granules India Limited

Shivangi Sharma
Company Secretary

NOTES:

1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ALSO ENTITLED TO APPOINT PROXY TO ATTEND AND VOTE INSTEAD OF HIMSELF / HERSELF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXIES, IN ORDER TO BE VALID AND EFFECTIVE SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. An Explanatory Statement pursuant to section 173(2) of the Companies Act, 1956 relating to Special Business to be transacted at the meeting is annexed hereto and forms part of notice.
3. Members / proxies are requested to duly fill the attendance slips for attending the meeting and bring their copies of the Annual Report to the meeting.
4. 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.
5. Corporate Members are requested to send a duly certified copy of the Board Resolution authorising their representative to attend and vote at the Annual General Meeting.
6. Members who hold shares in dematerialisation form are requested to write their client ID and DP ID numbers and those who hold shares in physical form are requested to write their Folio Number in the attendance slip for attending the meeting.
7. Members are requested to notify immediately any change in their address to the Share Transfer Agents.
8. Those members who have so far not encashed their dividend warrants for the below mentioned financial years, may claim or approach the Company for the payment thereof as the same will be transferred to the Investor Education and Protection Fund (IEPF) of the Central Government, pursuant to section 205C of the Companies Act, 1956 on the respective dates mentioned there against. Kindly note that after the said dates, the members will lose their right to claim such dividend.

Financial year ended	Due date of transfer
30/06/2005	04/01/2013
30/06/2006	27/01/2014
30/06/2007	28/01/2015
30/06/2008	18/01/2016
31/03/2009	24/10/2016
31/03/2010	26/10/2017
31/03/2011	17/10/2018

9. Closure of register of Members and Dividend payment:
 - a) The Company has already notified closure of Register of Members and Transfer Books thereof from June 26, 2012 to July 02, 2012 (both days inclusive) for determining the names of Members eligible for dividend, if approved, on equity shares. In respect of shares held in electronic form, the dividend will be paid on the basis of particulars of beneficial ownership furnished by the Depositories for this purpose.
 - b) The dividend on equity shares, as recommended by the Board of Directors, if declared at the Annual General Meeting, will be paid on or before July 31, 2012.
 - c) Members may please note that the Dividend Warrants are payable at par at the designated branches of the Bank printed on reverse of the Dividend Warrant for an initial period of 3 months only. Thereafter, the Dividend Warrant on revalidation is payable only at limited centers/branches. The members are, therefore, advised to encash Dividend Warrants within the initial validity period.
10. Payment of Dividend through ECS:

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

 - i) Members holding shares in physical form are advised to submit the Bank mandate particulars of their bank account viz., name and address of the branch of the bank, 9 digit MICR code of the branch, type of account and account number latest by June 22, 2012 to the Company's Registrar and Share Transfer Agent.

- ii) In respect of shareholders holding shares in electronic form, the Company will make payment through ECS if the bank account details have been furnished by the shareholder to the concerned depository participant with whom the shareholder is maintaining his demat account. In case, so far the bank details have not been furnished to the depository participant or change in the bank particulars already furnished, advised to submit the same to the depository participant.
11. Non-Resident Indian Shareholders are requested to inform M/s. CIL Securities Limited immediately of:
 - a) the change in the Residential status on return to India for permanent settlement.
 - b) the particulars of the Bank Account maintained in India with complete name, branch, account number and address of the Bank, if not furnished earlier.
12. Corporate Members intending to depute their authorised representatives are requested to send a duly certified copy of the Board resolution authorising their representatives to attend and vote at the Annual General Meeting.
13. M/s. CIL Securities Limited, (214, Raghava Ratna Towers, Chirag Ali Lane, Hyderabad - 500 001) acts as the Company's Registrar and Share Transfer Agent for both manual and electronic form of shareholding. All communication relating to shares should be addressed directly to them.
14. Consequent upon the introduction of section 109A of the Companies Act, 1956, shareholders are entitled to make nomination in respect of shares held by them in physical form. Shareholders desirous of making nominations are requested to send their request in Form 2B (which will be made available on request) to the Registrar and Share

Place: Hyderabad
Date: May 31, 2012

Transfer Agent i.e., M/s. CIL Securities Limited.

15. Members desiring to seek any information on the Annual Accounts are requested to write to the Company at an early date to enable compilation of information.
16. All documents referred to in the Notice and Explanatory Statements are open for inspection at the Registered Office of the Company on all working days from 10.00 a.m. to 1.00 p.m. upto the date of the meeting.
17. Request you to please note that going forward, the documents like Notice calling Annual General Meeting, Corporate Governance Report, Directors Report, Audited Financial Statements, Auditors Report, etc. shall be circulated to the members in electronic form to the email address provided by you and made available to us by the Depository / Registrar & Share Transfer Agents (RTA). **The shareholders are requested to register their email address and changes therein from time to time by writing to the Registrar & Transfer Agent / Depository to enable us to send the documents in electronic form or let us know in case you wish to receive the above documents in paper mode.** Shareholders may also register their email id by visiting the Company website at www.granulesindia.com and following the link <http://121.246.146.252/gogreen/> in the investors relation section under shareholders information option.
18. The Company also invites the feedback and suggestions from its members with respect to the various matters, the feedback form is available in the Company's website in the investors relation section under shareholders information option. The members are requested to send their feedback by writing to the Company Secretary & Compliance officer as mentioned earlier.

By order of the Board
For Granules India Limited

Shivangi Sharma
Company Secretary

EXPLANATORY STATEMENT

[Pursuant to Section 173(2) of the Companies Act, 1956]

ITEM NO. 6

Pursuant to section 260 of the Companies Act, 1956 and the Articles of Association of the Company, the Board of Directors in accordance with the resolutions passed at their meeting held on October 17, 2011 appointed Mr. Joby Varughese John as an Additional Director of the Company with effect from October 17, 2011. In terms of section 260 of the Act, Mr. Joby Varughese John holds office up to the date of ensuing Annual General Meeting. Notice in terms of provisions of section 257 of the Companies Act, 1956 along with the requisite deposit has been received from a member proposing the candidature of Mr. Joby Varughese John as a Director of the Company.

Mr. Joby Varughese John is an investment professional with 40 North Industries in New York City. In his role, he is responsible for strategic investments and business initiatives at many of its operating companies focused on chemicals, building materials and general industrials. Mr. Joby Varughese John joined 40 North Industries in 2004 through one of their operating companies and during this period, he has been involved in manufacturing, purchasing, financial, corporate development and M&A roles.

Mr. Joby Varughese John has Bachelors and Masters of Science degrees in Chemical Engineering as well as a MBA in Finance. He started his career in the chemical industry and spent 9 (nine) years working for Exxon and Exxon-Shell JV, Infineum. After gaining increasing responsibilities in the plant operations, and process & product development, he went on to manage the global manufacturing/business analysis team at Infineum.

Brief profile of Mr. Joby Varughese John, the nature of his expertise in specific functional areas as stipulated under clause 49 of the Listing Agreement with the stock exchanges, are provided in the section on Corporate Governance in this Annual Report. Members are requested to refer to the said section of the Corporate Governance Report.

Mr. Joby Varughese John has confirmed that he is not disqualified from being appointed as Director under Section 274(1)(g) of the Act. Approval of the shareholders is sought by

way of **Ordinary Resolution** in the Annual General Meeting for his appointment as Director.

The Board recommends the resolution as set out in Item no. 6 for your approval.

Except Joby Varughese John who is interested in the matter relating to his appointment, no other Director of the Company is in any way concerned / interested in this resolution.

ITEM NO. 7 & 8

Mrs. Uma Devi Chigurupati is a Post Graduate in Soil Microbiology from Nagarjuna University and has rich experience of 29 (twenty nine) years in various fields. Mrs. Uma Devi Chigurupati with Mr. C. Krishna Prasad, Managing Director had co-promoted Triton Laboratories Private Limited in the year 1984. Triton Laboratories Private Limited was a bulk drug manufacturing company and mainly exports its products to the U.S and other developed countries market. Mrs. Uma Devi Chigurupati was also Director (Quality Control) of Triton Laboratories Private Limited and was involved with Triton on a full time basis in its day to day working till the time Triton Laboratories Private Limited got amalgamated with Granules India Limited in the year 1998. Currently, Mrs. Uma Devi Chigurupati is a Director of KRSMA Estates Private Limited and also holds Directorship in the other associate companies. Mrs. Uma Devi Chigurupati is an excellent manager and has created extensive wide network with many leading manufacturers and distributors all over the world. She has necessary exposure to the international market and its dynamics especially in manufacturing industry. Being closely associated with the Company and its promoters, her credentials are well known to the top management of the Company. From past 10 (ten) years Mrs. Uma Devi Chigurupati is actively involved in many philanthropic activities like distributing of braille books for blind children to all the blind schools in the state etc., through various NGO's. She is also Chairman of Hyderabad 10K foundation and organized various events for promoting fitness and healthy lifestyle amongst the citizens of Hyderabad.

The Board of Directors under section 260 of the Companies Act, 1956 and the Articles of Association of the Company,

appointed Mrs. Uma Devi Chigurupati as an Additional Director of the Company with effect from May 31, 2012 by resolution of the Board of Directors at its meeting dated May 31, 2012. In terms of section 260 of the Act, Mrs. Uma Devi Chigurupati holds office up to the date of forthcoming Annual General Meeting. Notice in terms of provisions of section 257 of the Companies Act, 1956 along with the requisite deposit has been received from a member proposing the candidature of Mrs. Uma Devi Chigurupati as a Director of the Company.

The Board recommends the resolution to be passed as an Ordinary Resolution as set out in Item no. 7 for your approval.

Further, in view of her expertise and managerial abilities, subsequent to Mrs. Uma's appointment as an Additional Director the Board at its meeting held on May 31, 2012, subject to the approval of members, also appointed Mrs. Uma Devi Chigurupati as an Executive Director of the Company for a period of 5 (five) years w.e.f May 31, 2012, on a remuneration to be partly paid by way of monthly salary and partly by way of commission on net profit calculated as per section 349 and 350 of the Companies Act, 1956, but subject to the aggregate remuneration to be paid shall not exceed 4% of the net profit of the Company calculated as stated above. The monthly component of the remuneration within the aforesaid limit shall be as specified in the resolution. The remuneration payable to Mrs. Uma Devi Chigurupati has been approved by the Compensation & Remuneration Committee at its meeting dated May 31, 2012. In compliance with the provisions of section 198, 269 and 309 read with schedule XIII to the Companies Act, 1956, the terms of appointment as an Executive Director and remuneration as specified in the resolution are now placed before the members for their approval.

The Board recommends the resolution to be passed as Special Resolution as set out in Item no. 8 for your approval.

Brief profile of Mrs. Uma Devi Chigurupati, the nature of her expertise in specific functional areas as stipulated under clause 49 of the Listing Agreement with the stock exchanges, are provided in the section on Corporate Governance in this Annual Report. Members are requested to refer to the said section of the Corporate Governance Report. Mrs. Uma Devi Chigurupati has confirmed that she is not disqualified from being appointed as Director under section 274(1)(g) of the Act.

Except Mr. C. Nageswara Rao, Chairman, Mr. C. Krishna Prasad,

Managing Director, Mr. Harsha Chigurupati, Executive Director and Mrs. Uma Devi Chigurupati, herself, are interested in the matter relating to her appointment, no other Director of the Company is in any way concerned / interested in this resolution.

ITEM NO. 9

Ms. Priyanka Chigurupati, holds a Bachelors of Science & Associates of Applied Science in Marketing from Case Western Reserve University and Parsons The New School for Design. Ms. Priyanka Chigurupati had handled various assignments relating to marketing and public relations. Ms. Priyanka is proposed to be appointed as Manager – Business Development in the marketing department at an initial remuneration of ₹12,00,000 (twelve lakhs) per annum with effect from July 1, 2012 and thereafter based on her performance and policies of the Company, elevate her to higher post and grant her annual increments not exceeding 20% per year subject to overall limit of ₹30,00,000 (thirty lakhs) per annum, inclusive of all, as may be recommended by the Compensation and Remuneration Committee and approved by Board. Ms. Priyanka Chigurupati, being the relative is expected to be more committed and confidential and will render justice to her appointment. Being in full time employment of the Company, she can work in a more accountable manner.

Ms. Priyanka Chigurupati is relative of Dr. C. Nageswara Rao, Chairman, Mr. C. Krishna Prasad, Managing Director, Mr. Harsha Chigurupati, Executive Director and Mrs. Uma Devi Chigurupati, Additional Director of the Company. Being related to the Directors, in terms of section 314 of the Companies Act, 1956, read with Director's Relatives (Office or Place of Profit) Rules, 2003, her appointment is required to be approved by the Members. The appointment of Ms. Priyanka Chigurupati has been approved by Compensation and Remuneration Committee at its meeting dated April 9, 2012 and subsequently by Board at its meeting dated April 24, 2012.

The Board recommends this resolution as set out in Item no. 9 for your approval.

In view of the applicability of the provisions of section 314 of the Companies Act, 1956, the resolution is required to be passed as a **Special Resolution** and none of the Directors except Dr. C. Nageswara Rao, Mr. C. Krishna Prasad, Mr. Harsha Chigurupati and Mrs. Uma Devi Chigurupati, who are relatives,



Granules India Limited

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

ELECTRONIC CLEARING SERVICE (CREDIT CLEARING) MANDATE FORM

are interested in this resolution.

ITEM NO. 10

The appointment of Mr. Vijay Ramanavarapu, relative of Dr. C. Nageswara Rao, Chairman, Mr. C. Krishna Prasad, Managing Director, Mr. Harsha Chigurupati, Executive Director and Mrs. Uma Devi Chigurupati, Additional Director of the Company, as Head – Strategic Sourcing with effect from October 1, 2011, at a remuneration of ₹32,00,000/- per annum, was approved at the Compensation & Remuneration Committee followed by the Board of Directors at its Meeting dated July 28, 2011 and subsequently by the shareholders at the Annual General Meeting dated September 12, 2011. His appointment was also approved by the Central Government as required under section 314 of the Companies Act vide its letter no. B24297152/4/2011–CL. VII dated May 8, 2012 for a period of three (3) years with effect from October 1, 2011 to September 30, 2014.

The remuneration of Mr. Vijay Ramanavarapu was initially fixed at ₹32,00,000 per annum, inclusive of all, as per the Company's Employment Rules without any provision for yearly increment. As per Company's Employment Rules, every employee is entitled to get yearly increment based on his performance. Since the Company is undergoing several expansions which will might increase the job scope and responsibility of Mr. Vijay Ramanavarapu as Head – Strategic Sourcing, it is proposed to revise his remuneration which was

fixed at ₹32 lakhs per annum inclusive of all with effect from October 1, 2011, by subjecting it to annual increments as per policy of the Company with each increment not exceeding 20% or higher as may be permitted by the policies of the Company with overall remuneration not exceeding ₹50,00,000 (fifty lakhs) per annum, inclusive of all.

Pursuant to section 314 of the Companies Act, 1956, read with Director's Relatives (Office or Place of Profit) Rules, 2003, any revision in remuneration of Mr. Vijay Ramanavarapu, relative of Directors shall require prior approval of the shareholders by a **Special Resolution** in the General meeting of the Company and also prior approval of Central Government. The proposal has already been approved by Compensation and Remuneration Committee and Board of Directors at their meetings dated April 9, 2012 and April 24, 2012 respectively.

The Company shall file an appropriate application with Central Government for approval. The revision in remuneration will be effective only after obtaining the necessary approvals in this regard.

The Board of Directors recommends the passing of the resolutions under section 314 of the Companies Act, 1956 by way of a **Special Resolution** and none of the Directors except Dr. C. Nageswara Rao, Mr. C. Krishna Prasad, Mr. Harsha Chigurupati and Mrs. Uma Devi Chigurupati, who are relatives, are interested in this resolution.

By order of the Board
For Granules India Limited

Shivangi Sharma
Company Secretary

Place: Hyderabad
Date: May 31, 2012

Shareholder's authorisation to receive dividends through Electronic Credit Clearing Mechanism.

1.	Name of the sole/first Shareholder (IN BLOCK LETTERS)	
2.	Folio No./DP ID No. & Client ID No.	
3.	Particulars of Bank Account	
	a Name of the Bank	
	b Branch, Address & Telephone No. of the Branch	
	c Account No. (as appearing on the cheque book/pass book)	
	d Account Type (Saving/Current/Cash Credit Account)	
	e Ledger No./ Ledger Folio No. (if appearing on the cheque book/pass book)	
	f 9 Digit Code No. of the Bank & Branch appearing on the MICR Cheque issued by the bank	

I hereby declare that the particulars given above are correct and complete. If the transaction is delayed or not effected at all for reasons of incomplete or incorrect information, I will not hold Granules India Limited responsible.

Place:

Date :

Signature of the Sole/First Shareholder

Notes:

- Please fill in the Mandate Form and send it to:
 - the Depository Participant who is maintaining your Demat Account in case you hold shares electronically with a copy to the Company, in case there are any changes in your bank particulars.
 - the Registrar and Share Transfer Agent of the Company, M/s.CIL Securities Limited, 214, Raghava Ratna Towers, Chirag Ali Lane, Hyderabad – 500 001, in case you hold shares in physical form.
- Please attach a blank cancelled cheque or photocopy of a cheque. Alternatively, the above particulars may be attested by your bank manager.
- In case of more than one folio/demat account please complete details on separate sheets.
- The information provided by you will be treated confidential and would be utilised only for the purpose of effecting the payments meant for you. You also have a right to withdraw from this mode of payment by providing the Company with an advance notice of 3 weeks.

At present the Reserve Bank of India at the following centres makes the ECS facility available at Ahmedabad, Bangalore, Bhubhaneshwar, Chennai, Chandigarh, Guwahati, Hyderabad, Jaipur, Kolkata, Kanpur, Mumbai, New Delhi, Nagpur, Patna and Trivendrum.

The members located at other than the above list of centers will continue to receive the dividend warrants with bank particulars, if any, despite ECS mandate.



Granules India Limited

Regd. Office: Second Floor, Block III, My Home Hub, Madhapur, Hyderabad - 500081

PROXY FORM

21st Annual General Meeting

Regd. Folio No.	
*Demat A/c No.	

DP ID No.	
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I / We-----of-----
 -----in the district of-----being a member/members of the Company hereby
 appoint-----of-----or failing him/her of-----in the
 district of-----as my / our Proxy to vote for me / us on my / our behalf at the 21st Annual General
 Meeting of the Company to be held at Cyan Hall, Marigold Hotel, Ameerpet, Hyderabad (AP), on Monday, the 02nd day of
 July 2012 at 4.00 PM and at any adjournment (s) thereof.

Signed this day of 2012

Affix
 Re. 15 paisa
 Revenue
 Stamp

Signature.....

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

*Those who hold shares in demat form must quote their Demat A/c No. and Depository Participant (DP) ID. No.



Granules India Limited

Regd. Office: Second Floor, Block III, My Home Hub, Madhapur, Hyderabad - 500081

ATTENDANCE SLIP

21st Annual General Meeting

Regd. Folio No.	
*Demat A/c No.	

DP ID No.	
No. of Shares held	

I certify that I am a Member/Proxy for the Member of the Company.

I hereby record my presence at the 21st Annual General Meeting of the Company at Cyan Hall, Marigold Hotel, Ameerpet, Hyderabad (AP) on Monday, the 02nd day of July 2012 at 4.00 PM.

Member's/Proxy's Name

Signature of Member/Proxy

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

Corporate Information

Board of Directors

Dr. C. Nageswara Rao	<i>Chairman – Non-Executive, Non-Independent</i>
Mr. C. Krishna Prasad	<i>Managing Director – Non-Independent</i>
Mr. L.S. Sarma	<i>Director – Non-Executive, Independent</i>
Mr. A.P. Kurian	<i>Director – Non-Executive, Independent</i>
Mr. C. Parthasarathy	<i>Director – Non-Executive, Independent</i>
Dr. Krishna Murthy Ella	<i>Director – Non-Executive, Independent</i>
Mr. Arun Rao Akinpally	<i>Director – Non-Executive, Independent</i>
Mr. Joby Varughese John	<i>Additional Director – Non-Executive, Non-Independent</i>
Mr. Harsha Chigurupati	<i>Executive Director – Non-Independent</i>
Mrs. Uma Devi Chigurupati	<i>Additional Director – Non-Independent</i>

Chief Executive Officer

Dr. A. Bhaskar Krishna

Chief Financial Officer

Mr. VVS Murthy

President (API)

Mr. Pranesh Raj Mathur

Company Secretary

Ms. Shivangi Sharma

Registered Office

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

Statutory Auditors

M/s. Kumar & Giri

Chartered Accountants

D. No. 1-11-126/D, Opp. Aeroview Towers,
Begumpet, Hyderabad (AP) – 500 016

Internal Auditors

M/s. Dhanunjaya & Prabhakar

Chartered Accountants

302, Wings, 8-3-960/6/2, Srinagar Colony,
Hyderabad (AP)- 500 073

Share Transfer Agents

CIL Securities Limited

214, Chirag Ali Lane, Abids, Hyderabad - 500 001
Ph: 91-40-66661267, 91-40-23203155

Bankers

Andhra Bank
ING Vysya Bank
IndusInd Bank
Bank of Baroda
Union Bank of India
Export-Import Bank of India
State Bank of Travancore
Hong Kong & Shanghai Banking Corporation
International Finance Corporation
DEG

Plant Locations

Plot No.15/A/1, Phase-III, I.D.A. Jeedimetla, Hyderabad –
500 055, Andhra Pradesh,
Temple Road, Bonthapally, Medak District, A.P – 502 313,
Andhra Pradesh
Gagillapur, Qutubullapur Mandal, R. R. District,
A.P – 500 043, Andhra Pradesh

R&D Centre

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

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

API: Gat no 258, Shreeram Building, Lawale Phata, Pirangut,
Tal Mulshi, District Pune (MH) 412 108

