

Building on our
Success.

Forward-Looking Statement

Statements in this report that describe the Company's objectives, projections, estimates, expectations or predictions of the future may be 'forward-looking statements' within the meaning of the applicable securities laws and regulations. The Company cautions that such statements involve risks and uncertainty and that actual results could differ materially from those expressed or implied. Important factors that could cause differences include raw materials' cost or availability, cyclical demand and pricing in the Company's principal markets, changes in government regulations, economic developments within the countries in which the Company conducts business and other factors relating to the Company's operations, such as litigation, labour negotiations and fiscal regimes.

Content

Corporate and Financial Highlights and Outlook, 2009-10	2
Vision and Corporate Profile	4
Managing Director's Message	6
Growth Strategy	8
Review of Financial Performance, 2009-10	10
Managing Risks at Granules	12
Management Discussion and Analysis	13
Board of Directors	20
Corporate Information	21
Directors' Report	22
Corporate Governance Report	31
Auditors' Report	43
Balance Sheet	46
Profit and Loss Account	47
Schedules	48
Cash Flow Statement	64
Balance Sheet Abstract	65
Section 212	66
Consolidated Accounts	67
Subsidiary Accounts	83
Notice	115
Proxy Form & Attendance Slip	

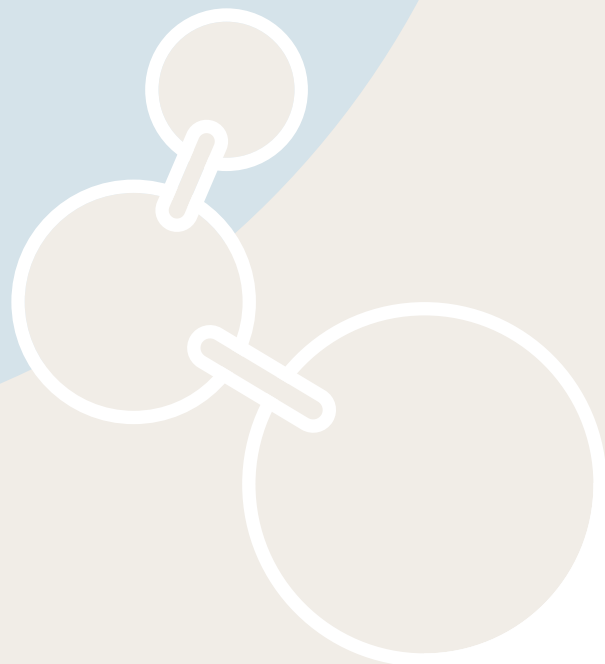
Exporting to over **50** countries

Serving over **300** customers

Five-year revenue CAGR of **27.5%**

Five-year net income CAGR of **39.1%**

Granules has developed the building blocks to succeed as a vertically integrated pharmaceutical manufacturer. We have a strategy in place that will continue to increase shareholder value and will make us the leader in the markets we compete in.



Highlights, 2009-10

Organisation

- Received U.S. FDA approval for our Metformin 500mg, 850mg and 1000mg Abbreviated New Drug Application (ANDA)
- Signed several material finished dosage contracts
- Implemented an Organizational Excellence Program which has helped increased production and reduced downtime
- Increased utilization at Bonthapally and Gagillapur

Financials (Consolidated)

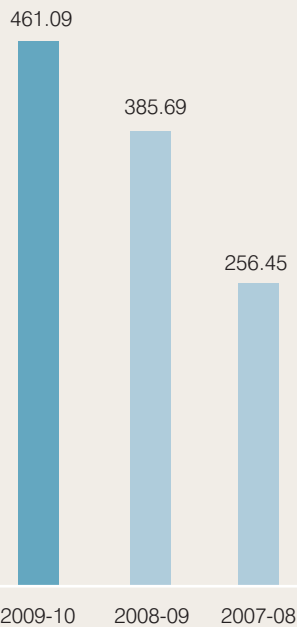
- Grew revenue to Rs. 461.0 cr. in FY09-10 from Rs. 289.2 cr. in FY08-09, an increase of 59.4% (19.5% on an annualised basis)
- Reduced loans to Rs. 146.7 cr. from Rs. 185.5 cr., a decrease of 27.3%
- Increased shareholder equity by 15.68% to Rs. 202.38 cr.
- Declared a dividend of Rs. 1.25 per share (Rs. 10 face value)

Outlook, 2010-11

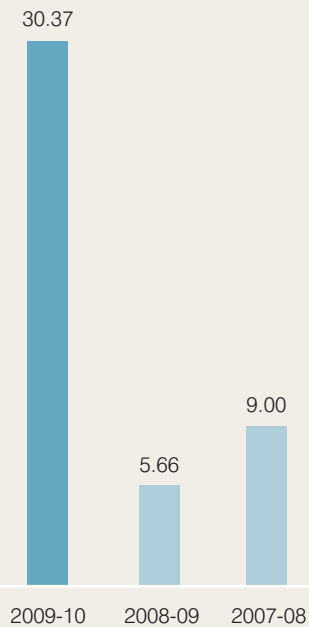
- Expand our finished dosage utilization and sign more contracts
- Increase production capacities at all our facilities
- Enter into long-term contracts with customers and vendors
- Strengthen our chemical and formulation R&D infrastructure
- Strengthen our team with skilled professionals

Financial Highlights

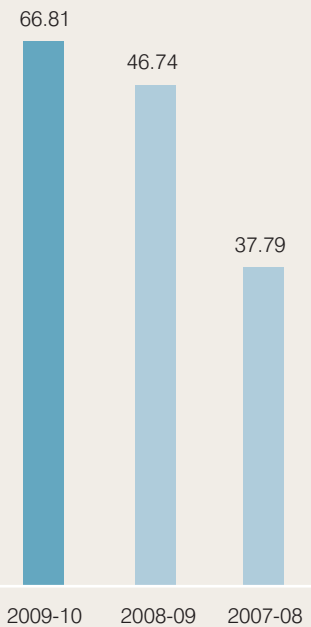
Net Sales (Rs. in cr.)



Net Profit (Rs. in cr.)

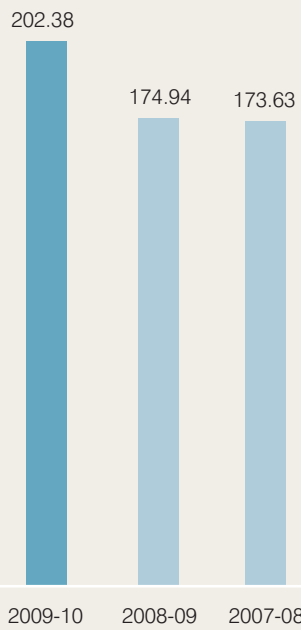


EBITDA (Rs. in cr.)

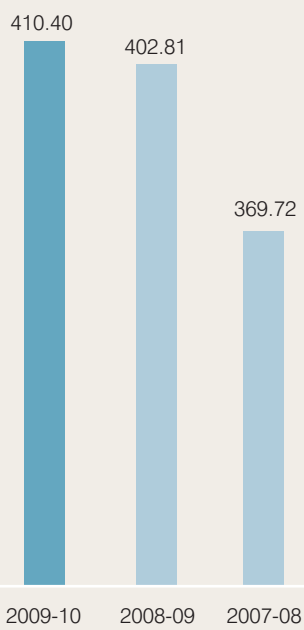




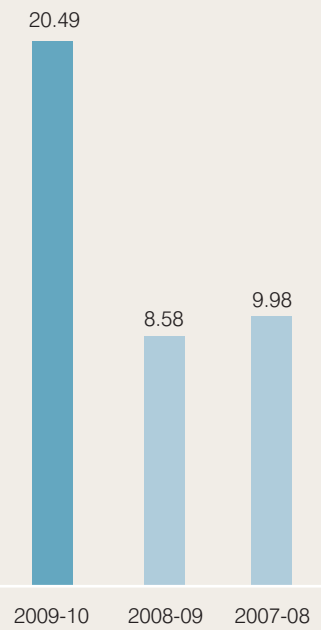
Net Worth (Rs. in cr.)



Total Assets (Rs. in cr.)



ROCE (%)



Our Vision

To be the leader in the large volume pharmaceutical product segment.

Our Business

A vertically integrated B2B pharmaceutical player with manufacturing and marketing capabilities that span the entire pharmaceutical value chain from active pharmaceutical ingredients (APIs) to pharmaceutical formulation intermediates (PFIs) and finished dosages (FDs).

Specialisation in products such as paracetamol, ibuprofen, guaifenesin, metformin and their derivatives relating to PFIs and finished dosages.

Our Presence

- Headquartered in Hyderabad, Andhra Pradesh, India
- Satellite offices in the U.S., E.U., Latin America and China
- Manufacturing facilities on the outskirts of Hyderabad at Bonthapally, Gagillapur and Jeedimetla
- Ibuprofen manufacturing facility in Jigmen, China through a 50:50 joint-venture with Hubei Biocause Heilen Pharmaceutical Co. Ltd

Manufacturing Facilities

Location	Manufacture	Capacity	Approvals
Bonthapally, Andhra Pradesh	API (Paracetamol)	10,000 MTPA	U.S. FDA, EDQM, Infarmed (EU)
Gagillapur, Andhra Pradesh	PFI	7,200 MTPA	U.S. FDA, German HA, Australian TGA, Infarmed (EU)
	Formulations	Six billion tablets per annum (scalable to 12 billion tablets per annum)	U.S. FDA, Infarmed (EU) Australian TGA
	Research & Development	3,500 sq. ft Class 100,000 Facility	Australian TGA
Jeedimetla, Andhra Pradesh	API (multi-product)	1,800 MTPA	U.S. FDA, EDQM, KFDA, Authority for Social Affairs, Family, Health and Consumer Protection, Hamburg (Germany)
	PFI (multiple small volume facility)	1,200 MTPA	
Jingmen, China (under a 50:50 Joint-Venture with Hubei Biocause Heilen Pharmaceutical Co. Ltd)	API (Ibuprofen)	4,800 MTPA	U.S. FDA, EDQM, TPD – Canada, MCC, Russian Health Authorities



Markets

- Enjoys a reach spanning over 50 countries
- Possesses an established presence in the U.S., E.U., Latin America and China





Managing Director's Message

Dear Shareholders

Granules India had a strong year with several remarkable accomplishments despite challenging market conditions which included increased competition and rising raw material prices. Our Company was able to navigate through these obstacles because we implemented several steps that enabled us to tackle these challenges.

First, let me recap our 2009-2010 fiscal year. During the fiscal year, we reported record revenue of Rs. 461.0 cr., an increase of 19.5% over the prior annualized fiscal year. Revenue growth was primarily driven by increased utilization at all our facilities and strong growth at our joint-venture in China. In addition to growing revenue, we increased profitability and reported a net profit of Rs.30.4 cr. which is a profit margin of 6.6%. The Company's performance during FY10 has put us on strong financial footing; our long-term debt is Rs. 146.7 cr., which gives us a debt to equity ratio of 0.72x. Our low leverage ratio allows us to focus on growing the business for the future whether it is purchasing state-of-the-art equipment that will lower costs or investing in projects which can give us a competitive edge.

Our strong financial results are due to long-term steps we took to strengthen our vertically-integrated manufacturing value chain. We bolstered our formulation unit over the last year by signing several material contracts with marquee customers. Once we fully commence production for these contracts, we will utilize a significant portion of our existing formulation capacity. In addition, we received U.S. FDA approval for our first abbreviated new drug application (ANDA). Having an approved ANDA puts us in an elite group of Indian pharmaceutical companies that have the R&D expertise to produce their own drugs instead of relying on site transfers from customers. Our ANDAs will allow us to more effectively compete in the U.S. market.

Second, we strengthened our active pharmaceutical ingredient (API) and pharmaceutical formulation intermediate (PFI) units by launching an Operational Excellence (OE) program. The OE program required multiple cross-functional teams throughout the organization, which provided insight that enabled us to do more with our existing assets. Among



its numerous accomplishments, the OE program reduced production downtime, lowered waste and improved production rates at our factories. By increasing efficiencies, we were able to mitigate rising raw material prices.

Looking to the Future

While we have implemented the necessary measures to tackle today's challenges, we must continue to differentiate ourselves from competitors by providing value-added services and high levels of customer service.

First, we are taking the necessary steps to strengthen all three components of our value chain to ensure our product mix will be more evenly allocated in the future. We expect several more of our ANDAs to be approved in the current fiscal year, which will strengthen our standing in the market place. In addition, our R&D team continues to work on methods that will garner greater efficiencies with our API and PFI production as well as working with customers to ensure we meet their requirements.

Another way we will distinguish ourselves from competitors is our strong environmental record. Customers are now considering their supplier's environmental record in purchasing decisions. This trend bodes well for us since being conscious of our environmental impact has been in our nature since our inception. One example of our commitment to the environment is the initiatives at our Bonthapally unit. During 2009, we designed and implemented innovative solutions at Bonthapally that found new uses for nearly 3.6 million liters of water that would have been sent to a treatment facility and also reduced our coal usage by nearly 2,000 tons. We will continue to focus on reducing our environmental impact in order to be a good corporate citizen while also lowering costs.

We will also continue to improve customer service levels by having a more knowledgeable and responsive workforce. To ensure our employees have the appropriate skill-sets, we have invested in over 7,000 man hours of training throughout the last year. We have empowered employees by delegating decision making authority throughout the organization. With these changes, we will be able to better serve our customers while concurrently increasing accountability throughout the Company and allowing employees to prioritize their time more effectively.

We are in the strongest position we have ever been in and are set to go to the next level due to efforts from every department within our Company. Our operations team has increased efficiency across the value chain while our finance team has positioned our balance sheet so we can take on projects that will allow us to continue to innovate. We are striving to be an industry leading vertically-integrated manufacturer and I am confident that we have developed a strategy which will allow us to build on our success.

Yours sincerely,



C. Krishna Prasad
Managing Director



Vertical Integration

Our vertically-integrated manufacturing process allows us to meet the needs of our customers throughout the pharmaceutical value chain

- One of the world's largest granulation (PFI) plants with a 7,200 MTPA capacity
- Large capacity facilities for paracetamol (10,000 MTPA) and ibuprofen (4,800 MTPA),
- Strategic product portfolio focused on high-volume products such as paracetamol, ibuprofen, guaifenesin, metformin and other related PFIs and formulations
- Infrastructure designed for large-scale production, including the largest batch size in the world for PFIs at 6 MT
- Filing ANDAs to strengthen our formulations unit.



Long-term Commitments with MNCs

We want to supply our products to quality-conscious pharmaceutical MNCs in the regulated and semi-regulated markets

- Focus on regulated and quality-conscious markets and customers in the U.S., E.U., Latin America, Australia and Canada
- All our facilities have been approved by leading regulatory agencies including the U.S. FDA
- We have entered into long-term contracts with multiple companies for various products through our value chain
- Focus on strengthening relationships with select global MNCs by remaining close to their development and adding value through our offices in the U.S., United Kingdom, Colombia and China

Focus on high-margin, high growth products

Our future growth will be driven by our formulations division

- Received approval for our Metformin 500 mg, 850 mg and 1000 mg ANDA from the U.S. FDA
- Increased capacity utilisation in the last fiscal year and expect a further ramp-up in the current year
- Signed several formulation contracts within the last year with leading MNCs
- Expect to receive approval for several more ANDAs within the fiscal year
- Our formulation facility has received approval from leading regulatory agencies including the U.S. FDA, TGA and E.U.



Review of Our Consolidated Financial Performance, 2009 -10

The Company's accounts for the 2009 – 2010 fiscal year cover the twelve month period from April 1, 2009 to March 31, 2010. The Company is proactively working towards adapting the process and policies as included in the International Financial Reporting Standards (IFRS).

(Rs. in cr.)

	2009-10	2008-09 *	Percentage Growth**
Net Sales	461.09	289.27	19.55%
EBIDTA	66.81	46.74	7.20%
Profit before tax	37.60	7.02	402.27%
Profit after tax	30.37	4.25	435.63%
Cash profit	48.95	16.05	128.74%
Earnings per share after extraordinary items (Basic) (Rs.)	15.14	2.12	434.98%

* Figures for the previous 2008-09 (9 months) were not annualised

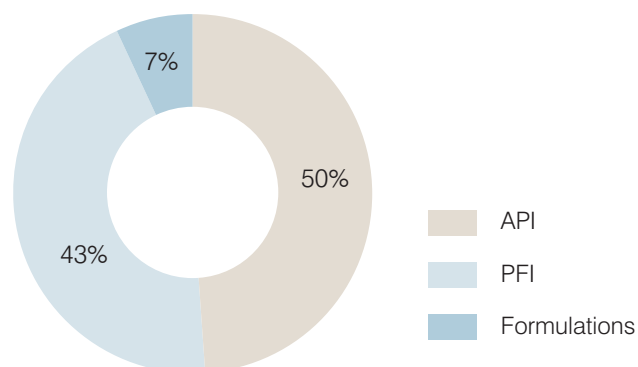
** Percentage growth annualised

Revenue

The Company's net sales increased by 19.55% (on an annualised FY09 basis) from Rs. 289.27 cr. in 2008-09 (9 months) to Rs. 461.09 cr. in 2009-10 (12 months) due to higher sales volumes, enhanced marketing initiatives and higher realisations across most segments.

Revenue by Geography: Exports increased by 17.02% from Rs. 235.05 cr. in 2008-09 (9 months) to Rs. 366.74 cr. in 2009-10 (12 months) due to an increase in wallet share from existing markets and targeting new markets. Net domestic sales increased by 27.78% from Rs. 59.70 cr. in 2008-09 (9 months) to Rs. 101.72 cr. in 2009-10 (12 months).

Revenue by Product %



EBITDA and Net Profit Margins: The Company's EBITDA margin decreased by 167 basis points from 16.16% in 2008-09 to 14.49% in 2009-10. The EBITDA margin fell due to an increase in raw material costs. The Company was able to partially offset this by reducing manufacturing and distribution expenses. The Company's net profit increased by 512 basis points from 1.47% in 2008-09 to 6.59% in 2009-10 due to a 16.04% reduction in financing costs.

Cost

Total cost (excluding depreciation, interest & finance charges and foreign exchange gains) increased by 21.49% from Rs. 246.54 cr. in 2008-09 (9 months) to Rs. 399.65 cr. in 2009-10 (12 months) due to increased production.

Capital Employed

The Company's capital employed increased by 1.80% from Rs. 264.44 cr. in 2008-09 to Rs. 269.17 cr. in 2009-10 due to a decrease in Secured and Unsecured loans, which fell by 36.66 cr. The Company reported a 20.49% return on average capital employed during 2009-10.

Shareholders' Funds

Shareholders' funds (equity capital plus reserves and surplus) increased by 15.69% from Rs. 174.94 cr. in 2008-09 to Rs. 202.38 cr. in 2009-10.

Reserves and surpluses increased by 17.91% from Rs. 153.20 cr. in 2008-09 to Rs. 180.64 cr. in 2009-10, which reflects the Company's performance. Free reserves comprised 34.68% of the reserves as of 31st March 2010, which indicated self-reliability. The Company generated a net return on net worth of 15.01% during 2009-10 vs. 2.43% in 2008-2009.

External Funds

The Company's external funding decreased by 19.99% from Rs. 183.34 cr. at the end of 2008-09 to Rs. 146.70 cr. at the end of 2009-10. External funding included a foreign exchange restatement of Rs. 8.16 cr. for our foreign currency term loans. Due to the Company's internal accruals and business

growth, secured loans and unsecured loans fell by 18.19% and 37.33% in 2009-10, respectively. The debt-equity ratio fell from 1.05x to 0.72x. The Company's interest cost decreased by Rs. 33.52 cr., or 16.04% in 2009-10 compared to 2008-09 (annualised). The Company's interest cover stood at 4.45x in 2009-10 compared to 2.27x in 2008-09.

Gross Block

The Company's gross block increased by 4.14% from Rs. 290.73 cr. in 2008-09 to Rs. 302.76 cr. in 2009-10 due to several expansions. Depreciation was calculated on straight-line method. Accumulated depreciation on the gross block increased from 54.30% in 2008-09 to 38.50% in 2009-10 due to a higher portion of new assets. Capital work-in-progress increased 21.28% from Rs. 2.02 cr. to Rs. 2.45 cr. in 2009-10.

Working Capital

Due to enhanced operations, inputs and overheads, the Company's working capital outlay fell from Rs. 123.21 cr. in 2008-09 to Rs. 121.67 cr. in 2009-10. Correspondingly, working capital as a proportion of employed capital decreased from 46.62% in 2008-09 to 45.20% in 2009-10.

Inventory: Inventory increased by 15.33% from Rs. 59.51 cr. in 2008-09 to Rs. 68.63 cr. Raw materials formed 42.37% of the inventory, work-in-progress 9.29%, finished goods 40.81% while the balance is attributable to consumable and packing materials, stores and spares. The inventory cycle decreased from 75 days to 54 days of turnover.

Sundry Debtors: On account of expanding operations, debtors increased 4.32% from Rs. 63.12 cr. in 2008-09 to Rs. 65.85 cr. in 2009-10. The debtors' cycle decreased from 80 days of turnover to 52 days.

Foreign Exchange Management

Approximately 78.0% of the Company's revenue was derived through exports in 2009-10. The Company has a significant foreign currency exposure by way of long term debt. The exposure is not covered; there was a gain of Rs. 8.16 cr. due to currency exchange rate fluctuations.

Managing Risks at Granules

At Granules, our ongoing objective is to reinforce a culture where risks are estimated, controlled and countered through an institutionalised approach.

<p>Regulatory Risk The Company may not possess the necessary regulatory approvals for manufacturing facilities.</p>	<p>Risk Mitigation</p> <ul style="list-style-type: none"> ■ The Company successfully completed 43 audits. ■ The Company has received regulatory approvals from major regulatory agencies, such as the U.S. FDA, Australian TGA, Canadian TPD and German Health Authority.
<p>Operations Risk The Company may have inadequate operational facilities, affecting production.</p> <p>Risk Mitigation</p> <ul style="list-style-type: none"> ■ The Company possesses three internationally benchmarked manufacturing facilities in India and one in China. ■ The Company ensures preventive maintenance for all 	<p>facilities, minimising breakdowns and enhancing uninterrupted operation.</p> <ul style="list-style-type: none"> ■ The Company ensures strict adherence to quality management systems through robust quality processes. ■ The Company possesses integrated facilities ranging from the manufacture of PFIs (strategically backward integrated through in-house API manufacture) to finished dosages (tablets).
<p>Raw Material Risk The Company's inability to procure quality raw material at the right time and price can affect profitability.</p> <p>Risk Mitigation</p> <ul style="list-style-type: none"> ■ The Company entered into long-term contracts with approved vendors, establishing itself as a preferred buyer. 	<ul style="list-style-type: none"> ■ The Company conducted vendor rating to minimise supply interruptions. ■ The Company implemented ERP, strengthening raw material planning. ■ The Company substitutes expensive material with easily available economical alternatives without compromising end-product quality.
<p>Geographic Risk A limited geographic footprint could hamper growth.</p> <p>Risk Mitigation</p> <ul style="list-style-type: none"> ■ The Company is present in 51 countries with the individual revenue contributions not exceeding 24.3% 	<ul style="list-style-type: none"> ■ Plans to enhance penetration in Southeast Asia and Gulf Cooperation Council countries ■ Revenues from international markets accounted for 79.1% of aggregate revenues with the U.S. contributing 23.5% to turnover, Latin America 19.2%, the EU 24.3% and the rest of the contribution from Canada, Australia and Asia.
<p>Product Portfolio Risk A limited product portfolio may not be able to cater to wider customer demands, endangering business prospects.</p> <p>Risk Mitigation</p> <ul style="list-style-type: none"> ■ The Company's presence across the value chain – APIs, PFIs and formulations – provides it with a competitive advantage. 	<ul style="list-style-type: none"> ■ Apart from being a leading paracetamol manufacturer, the Company also caters to high-margin prescription products such as guaifenesin, ibuprofen and metformin ■ The Company launched five formulation products for several customers in 2009-10; 17 new formulation products are in the pipeline for 2010-11.
<p>Environment Risk Untreated effluent release could lead to environmental degradation and consequent closure.</p> <p>Risk Mitigation</p> <ul style="list-style-type: none"> ■ The Company proactively invested in modern effluent treatment units, curbing effluent generation to below permissible limits and targeting zero discharge status in 2010. 	<ul style="list-style-type: none"> ■ Implemented 'Environmental Best Practices' at the Gagillapur plant (recognised by the CII). ■ Developed a green belt in and around all plants; used recycled water for gardening and landscaping. ■ Conducted training for employees to inculcate environment-friendly practices.

Management Discussion and Analysis

Global Overview

In 2009, the global pharmaceutical market grew 7.0% to \$808.5 billion. The North American market, witnessed 5.5% growth, which is substantially stronger than the sluggish 1.4% growth in 2008. The emerging markets which include Asia, Africa, Australia and Latin America accelerated their already

rapid growth by growing 15.9% and 12.7%, respectively. Growth in the pharmaceutical market will be affected by several factors including the continuing geographic shift to the emerging markets, major shifts in pharmaceutical spending by the public sector and the dominance of generic drugs.

Global Pharmaceutical Market by Region

Region	Market Size, 2008		Growth rate					
	(\$ in billions)	YoY Growth	2010(E)		2009	–	2014(E)	
North America	\$322.1	5.5%	3.0%	– 5.0%	3.0%	–	6.0%	
Europe	\$247.6	4.8%	3.0%	– 5.0%	3.0%	–	6.0%	
Asia / Africa / Australia	\$102.6	15.9%	13.0%	– 15.0%	12.0%	–	15.0%	
Japan	\$90.3	2.1%	0.0%	– 2.0%	2.0%	–	5.0%	
Latin America	\$45.8	12.7%	10.0%	– 12.0%	12.0%	–	15.0%	
Total	\$808.4	7.0%	4.0%	– 6.0%	5.0%	–	8.0%	

The “Pharmerging Markets”, which comprises of 17 emerging economies including China, India, Brazil and Russia, will constitute 46% of the growth in the global pharmaceutical market between 2008 and 2013 according to IMS Health. The pharmerging markets are growing faster than expected; in 2006, IMS predicted the top 7 pharmerging countries would contribute 20% to global pharmaceutical growth, however they provided 29% of the growth. The increase in the contribution rate is attributable to a growing GDP, expanded access to healthcare and stronger intellectual property (IP) rights.

China is the largest contributor to growth in this segment; it will provide an additional \$40 billion in growth through 2013. China’s growth is due to the government’s \$125 billion funding for healthcare and the government’s goal to have near universal healthcare by 2011. The next three biggest markets: India, Brazil and Russia will each provide anywhere from \$5 billion to \$15 billion in growth. While each of these countries has their own unique growth drivers; the overlapping reason for growth is due to a rising middle class and the proliferation of private insurance.

While the pharmerging markets offer great business potential; the complexities are daunting. Several countries have regulations which favour local firms while other countries still have weak IP rights. In addition, each one of these countries have vastly different regulatory requirements. Understanding the markets in each of these countries will be time-consuming, however if a firm makes the effort, they will be rewarded with a lucrative market.

Contribution Rate to Pharmaceutical Growth

	2009	2013 (E)	2008 - 2013 (E)
U.S	32.0%	22.0%	23.0%
E.U	9.0%	9.0%	9.0%
Japan	10.0%	7.0%	6.0%
Canada	2.0%	2.0%	2.0%
South Korea	2.0%	2.0%	2.0%
Pharmerging Markets	37.0%	48.0%	46.0%
Rest of the World	9.0%	11.0%	12.0%

One of the biggest healthcare stories in the last year was the passage of universal health care in the U.S. The U.S. health care bill will have numerous implications for the world's largest pharmaceutical market. Although all of the provisions in the bill will not be enacted for several years, the bill is already affecting the industry. Insurance companies are reducing costs by forcing patients to switch to generic drugs, which cost less. Also, since an additional thirty-four million Americans will have access to healthcare, there will be an opportunity for pharmaceutical companies to access a new revenue base. Another opportunity for the healthcare industry is reaching out to patients who will be more likely to go to their physician for preventative care.

While the U.S. healthcare plan will open up a new market, other countries including France, Germany, Turkey and Spain have announced plans to reduce drug spending growth including restricting access to certain care and reducing reimbursements. Austerity plans throughout Europe might spur other countries facing mounting deficits to take on similar actions as well.

Finally, generic drugs will continue to become a more popular alternative in the next several years. Products which generate more than \$142 billion are expected to face generic competition in major developed markets over the next five years according to IMS Health. This will have major ramifications for the industry since the shift to lower-cost generics will reduce total drug spending by about \$80 - \$100 billion worldwide through 2014. The U.S. will carry the burden as nearly two-thirds of the total value of patents will expire in this time frame, with the peak expiration happening in 2011 and 2012.

Product Segments Developments

Paracetamol

Paracetamol (also known as acetaminophen) is the world's most widely consumed analgesic, accounting for nearly 63% of overall consumption. Paracetamol is a safe, affordable and efficient product with millions of users throughout the world. The drug is used to reduce body pains, headaches and fevers.

Paracetamol is an off-patent product whose market continues to grow two to three percent by volume annually. The total annual market for paracetamol is estimated at approximately 105,000 tonnes, the highest consumption being in the U.S.

and Europe. Global paracetamol capacity, which is predominately based in China and India, is estimated to be around 137,000 tonnes, a 74.5% utilisation rate.

Ibuprofen

Ibuprofen is a popular analgesic primarily used for arthritis relief and fever reduction. The drug is popular in North America and Western Europe, which account for nearly 60% of global sales. Sales of ibuprofen are rapidly growing as its popularity grows in other markets. In 2009, production increased by 4.5% over 2008, to slightly over 28,000 tonnes. Ibuprofen is a more complex analgesic to manufacture compared to paracetamol, which is why there are not as many suppliers. There are four manufacturers that control approximately 65.0% of the market. The two largest, BASF and Albemarle, are Western-based companies while the next two, Shasun and Granules Biocause, are based in Asia.

Guaifenesin

Guaifenesin is an off-patent product which helps loosen and liquefy mucus. Respiratory illnesses such as bronchitis and the common cold typically cause excess or thick mucus. Guaifenesin is the only expectorant approved by the FDA to treat these ailments. The drug helps loosen mucus and thin bronchial secretions to rid the bronchial passageways of mucus and make cough more productive. Guaifenesin is available in both long-acting and short-acting formulations and as a single ingredient or in combination with other active ingredients. Long-acting formulations are typically in tablet form and dosed every 12 hours. Short-acting or immediate-release formulations are often in liquid form and are dosed every four to six hours.

Common products with guaifenesin include Mucinex and Robitussin DAC. These products were among the first to be granted OTC status by the U.S. FDA. The guaifenesin market is approximately 3,500 tonnes, with over 60.0% of sales coming from North America.

Metformin

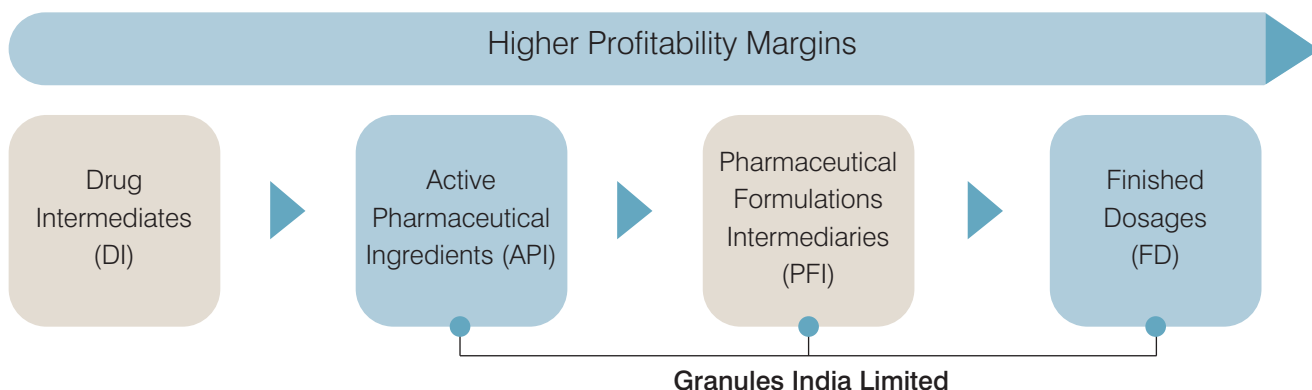
Metformin (N, N-dimethylbiguanide), a prescription drug, is the first biguanide oral anti-diabetic agent to be approved by the FDA after phenformin (phenethylbiguanide) was banned in the U.S. in 1977. The annual production capacity for the drug is approximately 25,000 tonnes. Wanbury Limited, an Indian company, has an 8,500 tonne per annum production capability, the largest in the world.

Diabetes is a lucrative market; the number of people with diabetes is expected to grow from 246 million to 380 million by 2025. The market opportunity has grown from \$21.0 billion in 2006 to \$24 billion in 2008 and is expected to grow to \$34.5

billion by 2013 as more treatment options are released. The emerging markets are expected to be a major source of new diabetes cases as they adapt the western lifestyle; India and China alone have over 80 million cases of diabetes.

Operations

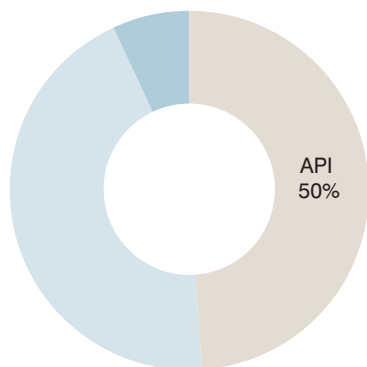
The Pharmaceutical Manufacturing Value Chain



API Division

Overview

The Company's API facilities are located at Bonthapally and Jeedimetla in Andhra Pradesh and in Jingmen, Hubei, China. The Bonthapally unit manufactures Paracetamol API while the Jeedimetla unit manufactures APIs such as Metformin, Methocarbamol, Guaifenesin and Phenazopyridine. The Jingmen unit manufactures Ibuprofen API.



Highlights, 2009-10

- Analyzed and optimized machine run time at all our facilities which directly led to higher monthly production rates
- Successfully increased production for several products at Jeedimetla
- Installed a new coal-based boiler at Bonthapally to support an increase in production
- Successfully completed over 20 regulatory agency and customer audits during the fiscal year
- Minimized the number of contract workers in order to improve quality

API Product List

Paracetamol

Ibuprofen

Metformin HCl

Guaifenesin

Methocarbamol

Oxymetazoline

Phenazopyridine HCL

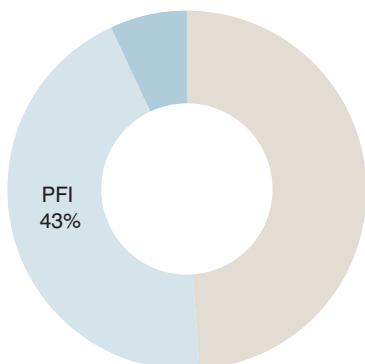
Road Ahead

- Install a dedicated, independent facility for special grades at Bonthapally
- Increase production at all locations through equipment and process upgrades
- Strict adherence to quality management systems through robust quality processes
- Continuous training for production floor personnel
- Continue proper planning of production schedules with equipment preventive maintenance

PFI Division

Overview

The Company's PFI facilities at Gagillapur and Jeedimetla manufacture combination PFIs using multiple APIs. These PFIs have received regulatory approvals from major regulatory agencies such as the U.S. FDA, Australian TGA, Canadian TPD and German HA.



Highlights, 2008-09

- Achieved LEVEL 1A certification
- Increased utilisation by double digit growth rate at Gagillapur
- Experienced an upswing in multi-active PFIs

Road Ahead

- Target conversion of more PFI into finished dosages in 2010-11
- Strict adherence to quality management systems through robust quality processes
- Continuous training for shop floor personnel
- Proper planning of production schedules with equipment preventive maintenance
- Increase capacity by de-bottlenecking manufacturing processes.

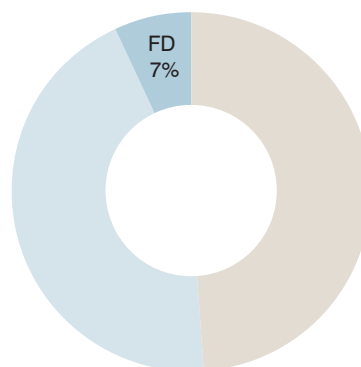
PFI Product list

Single Actives	Multiple Actives
Paracetamol	Paracetamol
Ibuprofen	Ibuprofen
Metformin HCl	Guaifenesin
Guaifenesin	Chlophenaramine Maleate
Naproxen	Diphenhydramine
Methocarbamol	Ephedrine HCl
Analgin	Phenylephrine
Azithromycin	Pseudoephedrine HCl
Ciproflaxacin	Sulphamethoxazole
Gabapentin	Trimethoprim
Gemfibrozil	
Glucosamine	
Phenazopyridine HCl	

Formulations Division

Overview

The Company's facility at Gagillapur has an annual capacity of six billion tablets, and is designed to produce 12 billion tablets annually. The state-of-the-art plant has automated processes, robust infrastructure, superior quality systems and accreditations from the U.S. FDA, E.U. and World Health Organisation.



Highlights, 2008-09

- Received U.S. FDA approval for our Metformin 500 mg, 850 mg and 1,000 mg ANDA
- Signed several material contracts with MNCs
- Commissioned a low-volume PFI project

- Increased tablet encapsulation manufacturing capacity by adding additional lines
- Completed 13 audits

Road Ahead

- Targeted procurement of new coating equipment and new blister packing machine to augment customer requirements
- Will increase capacity utilisation as our current formulation contracts start the commercialisation process
- Will have low-volume PFI project commercialized by Q3FY11

Formulations Product List

Paracetamol
Ibuprofen
Metformin
Guaifenesin
Methocarbamol
Naproxen Sodium
Chlorpheniramine Maleate
Dextromethorphan
Diphenhydramine HCl
Phenylephrine HCl
Pseudoephedrine HCl

Raw Materials Management

Overview

The Company's bulk raw material procurement translated into competitive sourcing. The Company's 100% export-orientation attracted zero-duty imports from China, France, Germany, Taiwan, Korea, etc., which were done following stringent audits.

Highlights, 2009-10

- Continue to implement just-in-time delivery, which has reduced raw material inventory
- Increased coordination between departments to ensure better planning for raw materials
- Renegotiated contracts based on quality and delivery performance

Road Ahead

- Build stronger vendor relationships in order to get a cost advantage and increase operational flexibility
- Assist vendors and help them in improve their quality standards
- Hold suppliers more accountable for their social and environmental impact



Research and Development

Overview

The Company's R&D infrastructure represents an effective edge, reflected in the introduction of pioneering products and processes around a superior price-value proposition. The Company consistently invests in new product development as well as process improvement, leading to enhanced yield and profitability.

The Company's R&D infrastructure specializes in the development of PFI and finished dosage products. The R&D department offers end-to-end solutions for OTC-monograph, required for filing ANDAs. The Company is capable of developing and filing ANDAs/Dossiers in the U.S., Europe, Australia and other areas.

Highlights, 2009-10

- The Company invested Rs. 3.67 cr. in R&D, focusing on technology development and transfer for OTC products, OTC ANDA products, rapid release gels and Rx ANDA products

Road Ahead

- Target is to file several more ANDAs during the fiscal year
- Anticipate approval for previously filed ANDAs.

Marketing

Overview

The Company enjoys a wide global presence in diverse, value-added and relevant segments, catering to the growing partnership needs of pharmaceutical majors in global environments.

Highlights, 2009-10

- Increased annualized API sales by 34.1% and finished dosages by 115.1% year over year

Road Ahead

- Maintain non-competing relationships with customers
- Scale volumes from existing customers
- Increase share in existing markets
- Enter Southeast Asia and Gulf Cooperation Council countries

Environment, Health and Safety

Overview

At Granules, safe disposal of liquid pollutants, solid wastes and control of air emissions are of top priority in order to ensure eco friendly environment. Employee health and safe working measures are also among the major priorities

Highlights, 2009-10

Environment

- To control emission levels, the Company installed boilers of better efficacy at all manufacturing sites
- Thorough studies have been conducted to control liquid effluent
- Segregated liquid effluents into two streams
- Minimized usage of water at all manufacturing sites
- Observance of eco-friendly measures by the employees
- Continuous stack monitoring system with proper controls
- Developed and maintaining green belt in and around all manufacturing sites

Safety and Health

- Conducted Hazard Analysis and Risk Assessment (HARA) for each manufactured product
- Trained employees on material safety data sheets of each material used for process
- Trained employees for emergency preparedness
- Invested in employee periodic health check-up programs
- Created on-site emergency plans at all sites

Road Ahead

- All facilities should have (a) zero liquid discharge status (b) zero accident zone status (c) zero occupational health hazard status

Human Resources

Overview

The Company has focused on employee development and created a learning and performance oriented culture through the institutionalization of its processes and performance management systems. The Company had 676 employees on its direct payroll as on 31st March, 2010 with an average employee age of around 32 years, highlighting a young a dynamic work culture

Highlights, 2009-10

- Hired 136 professionals
- Extensive training of over 700 person days in technical and behavioural facets
- Developed a level and grade structure which brought in more clarity and transparency on roles and responsibilities of employees across levels
- Redesigned the organizational structures of all key functions and seamlessly integrated to support business processes
- Implemented incentive schemes to encourage employees to perform better
- Implemented compensation structure which is simple, employee friendly and compliant to statutory tax rules
- Commenced employee engagement initiatives to strengthen employee relationships within the company
- Created communication forums for employees to know events throughout the Company

Road Ahead

- Talent management initiatives to strengthen middle and senior leadership pipeline
- Extensive and continuous training throughout the organisation
- Strengthen talent acquisition process

Operational Excellence

Overview

In order to serve our customers better, Granules adopted a holistic approach of excellence throughout our manufacturing chain. The Company has a dedicated team of Certified Lean Six Sigma Black Belts available to enhance the culture of lean manufacturing.

Highlights, 2009-10

- After a successful OE initiative, decided to create a dedicated department
- Increased the daily production rate for products at several facilities
- Identified methods to reduce the cost of manufacturing
- Reduced manufacturing variations which led to a lower number of rejected batches

Road Ahead

- Will continue to implement lean manufacturing process including identifying bottlenecks, improving yields and managing inventory
- Reduce waste by addressing effluent treatment and reprocessing costs
- Will explore reducing costs by introducing new technologies and exploring alternative processes

Internal Control

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.

Board of Directors



1. Dr. C. Nageswara Rao
2. Mr. C. Krishna Prasad
3. Mr. L.S. Sarma

4. Mr. A.P. Kurian
5. Mr. C. Parthsarathy
6. Dr. Krishna M Ella

7. Mr. Philip Herbert Strenger
8. Mr. Arun Rao Akinapally
9. Mr. Harsha Chigurupati

Corporate Information

Board of Directors

Dr. C. Nageswara Rao

Chairman – Non-Executive, Non-Independent

Shri L.S.Sarma

Director – Non-Executive, Independent

Shri A.P.Kurian

Director – Non-Executive, Independent

Shri C.Parthasarathy

Director – Non-Executive, Independent

Dr.Krishna Murthy Ella

Director – Non-Executive, Independent

Shri Philip Herbert Strenger

Additional Director – Non-Executive, Non-Independent

Shri Arun Rao Akinepally

Additional Director – Non-Executive, Independent

Shri C.Krishna Prasad

Managing Director – Non-Independent

Shri Harsha Chigurupati

Executive Director – Non-Independent

President (API) & Chief Finance Officer

Mr. Pranesh Raj Mathur

Registered Office

2nd Floor, 3rd Block, My Home Hub, Madhapur, Hyderabad- 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 – 500 016

Internal Auditors

M/s. Dhanunjaya & Prabhakar

Chartered Accountants

302, Wings, 8-3-960/6/2, Srinagar Colony, Hyderabad - 500073

Bankers

Andhra Bank

ING Vysya Bank

IndusInd Bank

Bank of Baroda

Union Bank of India

Export-Import Bank of India

State Bank of Travancore

International Finance Corporation

Share Transfer Agents

CIL Securities Limited

214, Chirag Ali Lane, Abids, Hyderabad - 500001

Ph: 91-40-66661267, 91-40-23203155

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

Gagillapur, Qutubullapur Mandal

Ranga Reddy District – 500 043, Andhra Pradesh

Directors' Report

To the members,

The Directors submit the Annual Report of the Company together with the audited statement of accounts for the year ended March 31, 2010.

1. Financial Results

(Rs. in lakhs)

Particulars	Year ended March 31, 2010	9-month period ended March 31, 2009
Sales	38,619.49	25,387.36
Other income	48.90	85.47
Total income	38,668.39	25,472.83
Expenditure before Depreciation, Interest and Tax	32,387.50	22,258.54
Interest and finance charges	1,639.98	1,453.83
Depreciation and amortization	1,589.67	974.79
Profit before tax	3,051.25	785.67
Provision for taxes including deferred tax and FBT	656.40	277.15
Profit after tax	2,394.85	508.52
Add: Surplus brought forward	4,123.36	3,921.16
Surplus available	6,518.22	4,429.69
Appropriations		
Dividend	250.71	250.71
Tax on distributed profits	42.61	42.61
Transfer to General Reserve	60.00	13.00
Balance carried to Balance Sheet	6,164.89	4,123.36

2. Dividend

In view of the Company's profitable performance, the Directors are pleased to recommend for approval of the shareholders, a dividend of 12.5% on 2,00,57,154 equity shares (face value of Rs.10 each) of the Company in respect of the financial year 2009-10. The dividend, if declared as above, would involve an outflow of Rs. 250.71 lakhs towards dividend and Rs. 42.61 lakhs towards dividend tax, resulting in a total outflow of Rs. 293.32 lakhs. Under the Income Tax Act, 1961, the dividend will be tax free in the hands of the shareholders.

During the year under review, the Company was not required to transfer any unpaid / unclaimed dividends pertaining to the previous years to the Investor Education and Protection Fund.

3. Transfer to Reserves

The Company proposes to transfer Rs. 60.00 lakhs to the General Reserve out of the amount available for appropriations. After the appropriations, it is proposed to retain Rs.2,041.53 lakhs from the current year's profits.

4. Operating Results

The Company achieved a turnover of Rs.38,619.49 lakhs showing a growth of 14.1% compared to the previous year. The operating profit during the year was Rs.10,103 lakhs.

5. Funding

During the year under review, the Company has not obtained any external funding.

6. Research and Development

R & D activity at Granules India is a two-fold strategy with research on the API front and development of finished dosages.

The Company is taking specific steps in developing new processes for the production of various APIs to build on its strength as a cost leader. During the fiscal year 2009-10, API activity has been strengthened due to the addition of new members, developing a provision for new infrastructure and building relationships with various academic and research organisations. The Company's API laboratory has been approved by the Department of Science & Technology, Government of India. This will enable the Company to forge new relationships with academic and research institutions.

The Company has also been making significant efforts on the R & D activity in the finished dosage space. Our first ANDA was approved in April 2010 and we expect the other ANDAs to be approved during the current financial year. With this, we can proudly state that your Company has the capability of launching new drugs in regulated markets. The efforts continue to build strength in the formulations R & D.

7. Directors

During the year under review, Mr. Philip Herbert Strenger was appointed as an Additional Director of the Company w.e.f December 23, 2009, to hold office up to date of the forthcoming Annual General Meeting.

Changes in Directorate after Balance Sheet date:

- a. Mr.Arun Rao Akinapally was appointed as Additional Director by resolution of the Board passed by circulation on April 27,

2010. Mr.Arun Rao is an Independent Director.

- b. Mr.Harsha Chigurupati was appointed as an Additional Director w.e.f July 26, 2010 and subsequently as Executive Director w.e.f August 1, 2010. Mr.Harsha Chigurupati is a Non-Independent, Executive Director

Notice was received from the Company's members under Section 257 of the Companies Act, 1956 proposing the candidature of Mr. Philip Herbert Strenger, Mr.Arun Rao Akinapally and Mr.Harsha Chigurupati for appointment as the Company's Directors. Resolutions seeking your approval to their appointment are in the Notice convening the 19th Annual General Meeting of the Company.

Pursuant to Article 51 of the Articles of Association of the Company, Mr.A.P.Kurian will retire by rotation at the forthcoming Annual General Meeting and being eligible offers himself for re-appointment as Director. Your Board of Directors recommend his re-appointment.

Brief profiles of Mr.Philip Herbert Strenger, Mr.Arun Rao Akinapally, Mr.Harsha Chigurupati and Mr.A.P.Kurian; 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.

8. Corporate Governance Report and Management Discussion and Analysis Statement

A Report on Corporate Governance and a Management Discussion and Analysis statement are attached to this Report, which form part of this Annual Report.

9. Directors' 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. The applicable accounting standards issued by the Institute of Chartered Accountants of India were followed
- ii. Appropriate accounting policies were applied consistently. Judgment and estimates that were reasonable and prudent were made so as 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 for safeguarding the Company's assets and for preventing and detecting fraud and other irregularities.
- iv. The annual accounts were prepared on a going concern basis.

10. 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. During 2009-10, the subsidiary company achieved a turnover of Rs. 10,486 lakhs.

The relevant particulars of Granules USA Inc. and the consolidated final accounts for the period ended March 31, 2010, 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.

GIL Lifesciences Private Limited

GIL Lifesciences Private Limited, a wholly-owned subsidiary of the Company has acquired land for setting up a unit for manufacture of APIs. The feasibility of setting up a project at this land is being examined.

Granules Singapore Pte Ltd.

The Company has not commenced any activity from this wholly-owned subsidiary company.

11. Joint Venture Company

Granules-Biocrine Pharmaceutical Co. Ltd.

During 2009-10, Granules-Biocrine Pharmaceutical Co. Ltd, the joint venture company achieved a total turnover of Rs.13,830 lakhs.

12. Explanation to Qualifications in Auditors' Report

a. Dues to micro, small and medium enterprises (Clause 4(a) of the Auditors' Report)

In view of its long standing relationship with these particular enterprises, your Company enjoys credit period higher than that prescribed by law and the outstanding dues are paid accordingly. However, your Company would ensure that the outstanding dues to these parties would be minimized over a period.

b. Confirmation of balances (Clause 4(b) of the Auditors' Report)

Your Company has circulated letters to debtors and creditors for confirmation of balances. Your Company has received confirmation from 318 accounts and the same are in agreement with the balances as per the Company's books.

13. Statement under section 212 of the Companies Act, 1956

A statement pursuant to section 212 of the Companies Act, 1956 related to Subsidiary Companies has been given as Annexure to the Balance Sheet and forms part of this Annual Report.

14. Auditors

M/s.Kumar & Giri, Chartered Accountants, who are the statutory auditors of the Company hold office, in accordance with the provisions of the Companies Act, 1956, up to the conclusion of the forthcoming Annual General Meeting and have confirmed their eligibility and willingness for re-appointment.

15. 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 the bulk drugs division of the Company for 2009-10. The said appointment was approved by the Central Government.

16. Fixed Deposits

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

17. Conservation of Energy and Technology Absorption, among others

The particulars as prescribed under Section 217(1)(e) of the Companies Act, 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 are set out in Annexure I to this Report.

18. Human Resources

In your Company, we have a philosophy of respect, empowerment and continuous development that helps us enjoy sustained healthy employee relations. Towards this effort, your

Company has implemented numerous initiatives such as the introduction of a robust Performance Management System, Plant Performance Incentive Scheme, Level-Grade Restructuring, Lean Recruitment Process and Training programs across all levels of the Organisation for developing & improving its human capital.

19. Particulars of Employees

Information as required under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975, is given in Annexure II to this Report.

20. Employee Stock Option Plan

Your Company implemented the Granules India Equity Option Plan 2002 with the objective of enhanced employee commitment.

The details of the stock options granted under the Granules India Equity Option Plan 2002, including grants to the senior management are given below:

Description	Details
(a) Options granted during the year	1,39,000
(b) Pricing formula	Market price as on the date of grant
(c) Options vested	3,000 options out of those granted during the financial year 2006-07
(d) Options exercised	Nil
(e) Total number of shares arising as a result of exercise of options	Not Applicable
(f) Options lapsed during the year	Nil
(g) Variation in terms of options	Nil
(h) Money realized by exercise of options during the year	Nil
(i) Total number of options in force	1,54,000
(j) Employee wise details of options granted to:	
(i) Senior Managerial Personnel	<ol style="list-style-type: none">1. Mr. Jonathan Berlent (President, U.S Operations) – 70,000 options2. Dr. A. Bhaskar Krishna (Chief Operating Officer) – 40,000 options3. Mr. Pranesh Raj Mathur (Chief Finance Officer) – 10,000 options4. Mr. I. Murali Prasad (GM, Operations) – 4,500 options5. Mr. P. Srinivasa Reddy (GM, Operations) – 4,500 options

Description	Details
(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	1. Mr. Jonathan Berlent – 70,000 options 2. Dr. A. Bhaskar Krishna – 40,000 options 3. Mr. Pranesh Raj Mathur – 10,000 options
(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	Rs.11.94
(l) Where the Company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost that shall have been recognized if it had used the fair value of the options	Since the pricing formula adopted is the market price of the shares prevailing on the date of grant, no intrinsic value is applicable and hence, no employee compensation on account of employee stock options is calculated
(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	No such instances during the year
(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 III to this report.

21. Related Party Transactions

As a matter of policy, your Company carries out transactions with related parties on an arm's length basis. Statement of these transactions is given in the Notes to Accounts in compliance of Accounting Standard AS – 18.

22. Acknowledgements

The Directors thank the Company's customers, vendors, investors, business associates, bankers and financial institutions for their support to the Company.

The Directors also thank the Government of India and the

governments of various countries, the concerned state governments and other government departments and governmental agencies for their cooperation.

The Directors place on record their appreciation of the contributions made by every member of the Granules family.

On behalf of the Board of Directors

Place: Hyderabad

Date: July 26, 2010

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, 2010.

FORM A – Particulars of Conservation of Energy

A. Power and fuel consumption

Particulars	For the year ended March 31, 2010	For the 9-month period ended March 31, 2009
1. Electricity		
Unit (KWH)	11,060,322.00	1,03,76,693.00
Total amount (Rs. in lakhs)	409.39	269.29
Rate/Unit (Rs.)	3.70	2.60
Rate/Kg of production (Rs.)	2.49	2.48
2. Own generation from Diesel generator		
Unit (KWH)	18,06,195.00	7,72,903.00
Total amount (Rs. in lakhs)	243.40	93.72
Rate/unit (Rs.)	13.48	12.13
Unit/kg of production (Rs.)	0.11	0.07
Rate/kg of production (Rs.)	1.48	0.86
3. Coal		
Quantity (MT)	10,282.46	6,371.54
Total cost (Rs. in lakhs)	367.25	239.95
Rate/Unit (Rs.)	3.57	3.77
Rate/kg of production (Rs.)	2.24	2.21
4. Furnace oil, LSHS and LD oil		
Quantity (K. Ltrs.)	338.49	385.37
Total cost (Rs. in lakhs)	80.20	83.17
Average/K. ltrs. (Rs.)	23.69	21.58
Rate/kg of production (Rs.)	0.49	0.77

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. Efforts, in brief, made towards technology absorption, adaptation and innovation:

Granules enhances the impact of its research through a number of carefully targeted initiatives both in the API and Finished dosage areas. The Company has been building relationships with various scientific and academic institutions in order to develop processes that will give a cost leadership in the product lines with which it is associated. The Company has also improved its processes with various initiatives such as the Organisational Excellence programs where processes are optimized for yield and cycle time reductions.

The Company is strengthening the R & D teams and infrastructure to improve the activity. The Company is also taking up projects to have specific ANDAs and Marketing Authorizations in the regulated markets for finished dosages.

2. Benefits derived as a result of the above efforts

- Ability to market a product with regulatory approvals thus improving the time-to-market for our customers.
- Recognition of laboratories that will enable the Company to attract appropriate talent for research activities and also forge relationships with academic and research institutions.

- Reduction in cost of production by increased yield and reduction in cycle time.

3. Imported technology

There was no import of technology

Research and Development (R & D)

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

- Initial study of alternative processes for production of API's with a more efficient cost structure.

2. Benefits derived as a result of the above R & D

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

3. Future plan of action

Several large volume generic products were identified and development and filing (in all regulated markets) is planned in the Europe, the U.S and Canada.

4. Expenditure on R & D

The expenditure on R & D during the year 2009-10 was approximately Rs.329.12 lakhs.

FORM C – Foreign Exchange Earnings and Outgo

(Rs. in lakhs)

Particulars	2009-10	2008-09 (9 months)
Foreign exchange earnings	31,225.90	18,878.22
Foreign exchange outgo	19,471.01	12,104.45

On behalf of the Board of Directors

Place: Hyderabad
Date: July 26, 2010

Dr. C. Nageswara Rao
Chairman

Annexure - II to Directors' Report

Information pursuant to Section 217 (2A) of the Companies Act, 1956 read with Companies (Particulars of Employees) Rules, 1975

Name	Age (years)	Qualification	Designation	Date of commencement of employment	Experience (years)	Gross remuneration (Rs. lakhs)	Last employment
Mr.C.Krishna Prasad	55	B.Sc.	Managing Director	August 31, 1994	26	159.55	–
Mr. Harsha Chigurupati	26	BBA	Chief Marketing Officer	September 1, 2006	4	24.00	–
Dr. Bhaskar Krishna Arumugam	40	B.Tech (Chemical), MBA, Ph.D	Chief Operating Officer	April 4, 2007	13	52.13	Eastman Chemical Co. Kingsport, USA
Mr. N. D. Poonja	63	M.Pharmacy	Director – Technical Affairs	November 26, 2008	38	36.00	Strides Acrolabs Limited, Bangalore
Mr.Pranesh Raj Mathur	54	ACA, MBA	Chief Finance Officer	April 6, 2009	30	35.58	Athena Chattisgarh Power Pvt Ltd., Hyderabad
Mr.V.Sivarami Reddy *	48	M.Pharmacy	Associate Vice President - Projects	February 5, 2010	20	4.39	MSN Laboratories, Hyderabad

* Employed for part of the year

Notes:

1. Remuneration includes salary, allowances, company contribution to provident fund and perquisites valued on the basis provided in the Income Tax Act 1961.
2. The nature of employment of the above employees is permanent.
3. Mr.Harsha Chigurupati is related to Mr. C. Krishna Prasad, Managing Director and Dr. C. Nageswara Rao, Chairman.

On behalf of the Board of Directors

Place: Hyderabad
Date: July 26, 2010

Dr. C. Nageswara Rao
Chairman

Annexure - III to Directors' Report

Auditors' Certificate

To
The Members of
Granules India Limited

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, 2010.

Our examination was limited to the implementation of the Granules India Equity Option Plan 2002, 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.

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

J. Bhadra Kumar
Partner
Membership No.25480

Place: Hyderabad
Date: July 26, 2010

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 adopted Code of Conduct for the Board of Directors and the senior management personnel of the Company, which is available at www.granulesindia.com.

I declare that the Board of Directors and the senior management personnel affirmed compliance with the Code of Conduct of the Company.

C. Krishna Prasad
Managing Director

Place: Hyderabad
Date: July 26, 2010

I Corporate Governance

I. Company's philosophy on Code of Governance

The Company adheres to good corporate practices and is constantly striving to better them and adopt emerging best practices. Adherence to business ethics and commitment to corporate social responsibility would help the Company achieve its goal of maximising value for all its stakeholders. The Company believes that good Corporate Governance practices should be enshrined in all activities of the Company. This would ensure efficient conduct of affairs of the Company and help the Company achieve its goal of maximizing value for all its stakeholders. The Company will continue to focus its resources, strengths and strategies to achieve its vision, while upholding the core values of transparency, integrity, honesty and accountability, which are fundamental to the Company.

The Company has a strong legacy of fair, transparent and ethical governance practices. The Company is in compliance with the requirements of the revised guidelines on Corporate Governance stipulated under Clause 49 of the Listing Agreement with the stock exchanges. The Company's Corporate Governance philosophy was further strengthened through the Code of Conduct for Senior Management.

II. Board of Directors

- i) Your Company has an optimum combination of executive, non-executive, independent and non-independent directors in terms of clause 49 of the Listing Agreement entered into with the Stock exchanges. The Company has a total of nine directors of whom, two are executive and seven are non-executive. The total number of independent directors is five.
- 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; the number of Independent Directors at five is more than one-third of the total number of Directors.
- iii) None of the Directors on the Board is a member of more than 10 committees or Chairman of more than five committees as specified in Clause 49, across all the companies in which he is a Director. The Directors made

necessary disclosures regarding committee positions in other public companies as on March 31, 2010.

Board Meetings:

- iv) Six Board meetings were held during the year April 2009 – March 2010 and the gap between any two meetings did not exceed four months. The dates on which the Board meetings were held are as follows: April 25, July 25, August 24, September 25 and October 26 in 2009 and January 22 in 2010.
- v) The following information inter alia is usually placed before the Board:
 - a. Annual operating plans and budgets (including capital budgets) and updates
 - b. Quarterly results of the Company and its operating divisions
 - c. Minutes of meeting of Audit Committee, Management 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.
 - e. Public or product liability claims of substantial nature
 - f. Quarterly details of foreign exchange exposures and the steps taken to limit the risks of adverse exchange rate movement.
- vi) The names and categories of the Directors on the Board, their attendance at Board meetings held during the year April 2009 – March 2010 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 and of companies incorporated outside India. Chairmanship / Membership of Board Committees include only Audit and Shareholders' / Investors' Grievance Committees.

Name	Category	Number of Board Meetings during the year April 2009 – March 2010		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, (Chairman)	Non-Independent, Non-Executive	6	6	Yes	–	1	–
Shri C. Krishna Prasad, (Managing Director)	Non-Independent, Executive	6	6	Yes	–	–	2
Shri L. S. Sarma	Independent, Non-Executive	6	6	Yes	3	1	4
Shri A. P. Kurian	Independent, Non-Executive	6	3	No	5	–	5
Shri C. Parthasarathy	Independent, Non-Executive	5	2	Yes	11	–	–
Dr. Krishna Murthy Ella	Independent, Non-Executive	5	4	Yes	3	–	2
Shri Phillip Brian Logan*	Non-Executive	5	3	Yes	NA	NA	NA
Shri N. R. Ganti #	Independent, Non-Executive	1	1	NA	NA	NA	NA
Shri Philip Herbert Strenger **	Non-Executive, Non-Independent	1	1	NA	–	–	–
Shri Arun Rao Akinepally***	Independent, Non-Executive	0	0	NA	–	–	–
Shri Harsha Chigurupati \$	Non-Independent, Executive	0	0	NA	–	–	–

Shri N. R. Ganti resigned as Director w.e.f. May 15, 2009

* Shri Phillip Brian Logan resigned as Director w.e.f. December 23, 2009

** Shri Philip Herbert Strenger was appointed as Additional Director w.e.f. December 23, 2009

*** Shri Arun Rao Akinepally was appointed as Additional Director w.e.f. April 27, 2010

\$ Shri Harsha Chigurupati was appointed as Additional Director w.e.f. July 26, 2010 and subsequently as Executive Director w.e.f. August 1, 2010

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:

Sl. No.	Name of Non-Executive Director	No. of shares held	Percentage of paid-up capital
1.	Dr.C.Nageswara Rao	9,365	0.05%
2.	Shri L.S.Sarma	10,000	0.05%
3.	Shri A.P.Kurian	5,000	0.025%
4.	Shri Arun Rao Akinepally	1,000	0.005%
5.	Dr.Krishna Murthy Ella	–	–
6.	Shri C.Parthasarathy	–	–
7.	Shri Philip Herbert Strenger	–	–

III. Audit Committee

- i) 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.
- ii) The terms of reference of the Audit Committee are broadly as under:
- Overview of the Company's financial reporting process and disclosure of its financial information to ensure that the financial statements reflect a true and fair position and that sufficient and credible information is disclosed.
 - Recommending the appointment and removal of external auditors, fixation of audit fee and approval for payment for any other services.
 - Reviewing financial statements and draft audit report, including quarterly / half yearly financial information.
 - Reviewing with the management the annual financial statements before submission to the Board, focusing primarily on:
 - The changes in accounting policies and practices
 - Major accounting entries based on exercise of judgment by the management
 - Qualifications in draft audit report
 - Significant adjustment arising out of audit
 - The going concern assumption
 - Compliance with accounting standards
 - Compliance with stock exchange and legal

- requirements concerning financial statements
- Any related party transactions as per Accounting Standard 18
- Reviewing, with the management, external and internal auditors, the adequacy and compliance of internal control systems
 - Reviewing the adequacy of internal audit functions
 - Discussion with internal auditors on any significant findings and follow up thereon
 - Reviewing the findings of internal investigations by 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
 - 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
 - Reviewing the Company's financial and risk management policy
- iii) The Audit Committee comprises of four members, with a majority being independent directors. Shri L. S. Sarma, Chairman and Mr.A.P.Kurian, Member are experts in the finance and accounting function.
- iv) Five Audit Committee meetings were held during the year 2009–2010. The dates on which the said meetings were held are as follows: April 25, July 25, September 25 and October 26 in 2009 and January 22 in 2010. The Audit Committee at its meeting held on July 25, 2009 considered the Audited Annual Accounts for the financial year 2008-09.

- 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 2009–2010	
		Held	Attended
Shri L. S. Sarma, Chairman	Independent, Non-Executive	5	5
Shri N. R. Ganti*	Independent, Non-Executive	1	1
Shri A. P. Kurian	Independent, Non-Executive	5	3
Shri Arun Rao Akinepally **	Independent, Non-Executive	0	NA
Shri C. Krishna Prasad	Non-Independent, Executive	5	5

* Shri N. R. Ganti resigned as Director w.e.f. May 15, 2009, after the date of this report

** Shri Arun Rao Akinepally was appointed as Additional Director w.e.f April 27, 2010

vi) The Audit Committee meetings are usually attended by the representatives of Statutory Auditors and Internal Auditors. Shri L.S. Sarma, the Chairman of the Audit Committee, attended the previous Annual General Meeting of the Company held on September 25, 2009.

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.

ii) The Compensation & Remuneration Committee currently comprises three Independent, Non-Executive Directors and one Executive Director. Shri L.S.Sarma, Independent Director, is the Chairman of the Committee.

iii) 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.

iv) Two meetings of the Compensation & Remuneration Committee were held during the year 2009–2010. The dates on which the said meetings were held are as follows: April 25, 2009 and July 24, 2009.

v) 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 2009–2010	
		Held	Attended
Shri L. S. Sarma, Chairman	Independent, Non-Executive	2	2
Shri A. P. Kurian	Independent, Non-Executive	2	1
Dr. Krishna Murthy Ella	Independent, Non-Executive	2	1
Shri C. Krishna Prasad	Non-Independent, Executive	2	2

vi) Details of remuneration paid to Directors during financial year 2009–2010

a) Executive Director

(Rs. in lakhs)

Name	Salary	Perquisites	Commission	Total
Shri C. Krishna Prasad	47.50	23.22	88.83	159.55

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

Name	Sitting fee (Rs.)
Dr. C. Nageswara Rao	105,000
Shri L. S. Sarma	190,000
Shri A. P. Kurian	52,500
Shri N. R. Ganti	27,500
Shri Philip Brian Logan	15,000
Dr. Krishna Murthy Ella	37,500
Shri C.Parthsarathy	15,000
Shri Philip Herbert Strenger	7,500

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, dematerialization of shares, non-receipt of dividend / notices / annual reports and change of addresses, among others. The main object of the Committee is to strengthen investor relations.
- ii) Dr. C. Nageswara Rao, non-executive director is the Chairman of the Share Transfer and Shareholders'/ Investors' Grievance Committee
- iii) The Committee meets every fortnight and during the year 2009-10, 25 meetings were held. During the said period, 107 complaints were received from the shareholders and all the complaints were resolved.
- iv) The composition of the Committee and the details of meetings attended by its members are given below:

Name	Category	Number of meetings during the period July 2008–March 2009	
		Held	Attended
Shri N. R. Ganti *	Independent, Non-Executive	2	2
Dr. C. Nageswara Rao, Chairman	Non-Independent, Non-Executive	25	24
Shri L.S.Sarma	Independent, Non-Executive	25	4
Shri C. Krishna Prasad	Non-Independent, Executive	25	20

*Shri N.R. Ganti resigned as Director w.e.f May 15, 2009.

- v) Ms. T. Swapna, Assistant Manager (Secretarial and Legal) is the Compliance Officer of the Company.
- vi) Number of shareholders' complaints received – 107
- vii) Number not solved to the satisfaction of the shareholders – Nil
- viii) Number of pending complaints – Nil

VI. Other Committees

Management Committee

- i) The Board constituted a Management Committee to advice on all matters related to the management of the Company. The Management Committee meets once in two months to review inter alia the operational and financial performance of the Company.
- ii) Nine meetings of the Committee were held during the year 2009-2010 on April 25, May 22, June 19, July 25, August 25, September 24 & November 30 in 2009 and January 21 and March 29 in 2010.
- 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 period April 2009–March 2010	
		Held	Attended
Shri N. R. Ganti *	Independent, Non-Executive	1	1
Shri L. S. Sarma	Independent, Non-Executive	9	9
Shri C. Krishna Prasad	Non-Independent, Executive	9	9

* Shri N. R. Ganti resigned as Director of the Company w.e.f May 15, 2009

VII. General Body Meetings

Annual General Meetings

AGM	Year	Location	Date	Time	Number of special resolutions passed
18th	2009	Residency Hall Hotel Green Park Ameerpet, Hyderabad	25/09/2009	4.00 p.m	4
17th	2008	Chancery Hall Hotel Green Park Ameerpet, Hyderabad	19/12/2008	4.00 p.m	1
16th	2007	Chancery Hall Hotel Green Park Ameerpet, Hyderabad	29/12/2007	4.00 p.m	–

Extraordinary General Meeting

No extraordinary general meeting of the members was held during the year.

Postal Ballot

For the year ended March 31, 2010, 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 and the same is reviewed periodically.
- 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.
- 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, 2010.
- vi) All the mandatory requirements of clause 49 of the Listing Agreement on Corporate Governance have been complied with.
- vii) The Company fulfilled / adopted the following non-mandatory requirements as prescribed in Annexure ID to Clause 49 of the Listing Agreement with the stock exchanges:
 - a) The Company set up a Compensation & Remuneration Committee (Please see the paragraph on Compensation & Remuneration Committee for details).
 - b) The Company has set up a suitable mechanism for employees to report to the management concerns about unethical behaviour, actual or suspected fraud or violation of the Company's code of conduct; and adequate safeguards provided against victimisation of 'Whistle blowers'.
 - c) The statutory financial statements of the Company are unqualified.

viii) 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, Pune, Ahmedabad and Kochi editions) 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 : September 27, 2010
Time : 4.00 pm
Venue : Residency Hall, Green Park Hotel,
Ameerpet, Hyderabad

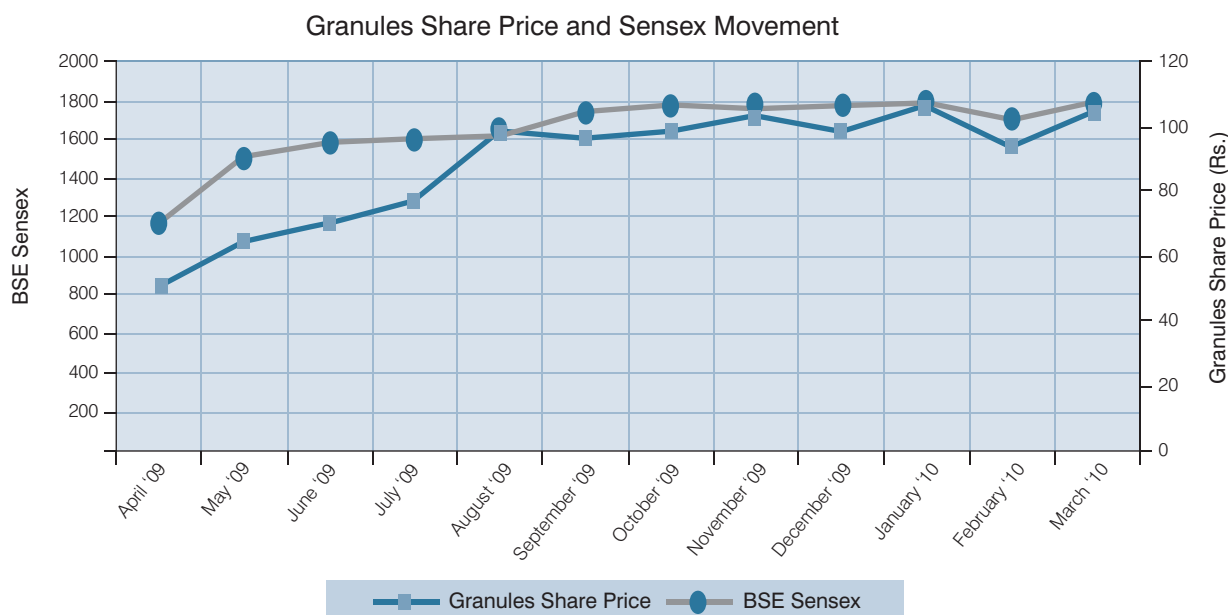
- ii) Financial year : April 1, 2009 to March 31, 2010
- iii) Date of Book Closure : September 21, 2010 to September 27, 2010 (both days inclusive)
- iv) Dividend Payment : The final dividend, if declared, shall be paid / credited on or before October 26, 2010
- v) Listing on Stock Exchanges : The Bombay 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 2010-11
- viii) Annual Custodial fee : The Company has paid the Annual Custodial fee to the Depositories for the financial year 2010-11

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	BSE			NSE		
	High	Low	Volume	High	Low	Volume
April 2009	48.80	36.00	89,632	51.50	37.35	1,16,642
May 2009	63.40	38.00	1,21,560	62.05	41.05	2,28,476
June 2009	69.00	57.20	3,07,775	69.50	52.60	5,05,411
July 2009	75.70	60.50	1,34,017	76.50	59.10	2,85,791
August 2009	97.00	68.55	6,95,632	97.20	68.70	13,85,617
September 2009	94.75	78.00	9,50,467	94.70	72.30	19,65,649
October 2009	97.00	80.10	7,14,546	96.40	80.25	15,07,755
November 2009	102.00	78.65	7,04,282	102.20	78.00	13,08,626
December 2009	97.45	88.00	4,55,262	97.80	87.00	7,16,897
January 2010	105.00	86.50	20,58,479	105.00	89.65	31,13,574
February 2010	92.75	85.65	2,80,087	93.25	83.00	4,33,553
March 2010	102.50	89.55	7,48,893	102.45	90.00	11,45,322

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



ix) **Registrar and Transfer Agents**

M/s. CIL Securities Limited were appointed as Registrars and Transfer Agents and Depository Transfer Agents 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

Investors' correspondence may also be addressed to

The Compliance Officer
 Granules India Limited
 2nd Floor, 3rd Block, My Home Hub
 Madhapur, Hyderabad - 500081
 Tel: 91-40-66760000 Fax: 91-40-23115145
 E-mail: investorrelations@granulesindia.com

x) **Share Transfer System**

Share transfers are processed by the Registrar and Share Transfer Agents 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.

xi) Shareholding

a) Distribution of shareholding as on March 31, 2010

Shareholding of nominal value	March 31, 2010				March 31, 2009			
	Number of shareholders		Number of shares		Number of shareholders		Number of shares	
	Total	%	Total	%	Total	%	Total	%
1 – 5000	14,984	99.34	3,517,762	17.54	18,942	99.43	4,325,162	21.56
5001 – 10000	46	0.31	332,235	1.66	49	0.26	368,540	1.84
10001 – 20000	23	0.15	356,894	1.78	29	0.15	428,476	2.14
20001 – 30000	5	0.03	120,264	0.60	6	0.03	149,645	0.75
30001 – 40000	2	0.01	69,859	0.35	3	0.02	98,876	0.48
40001 – 50000	2	0.01	86,672	0.43	1	0.01	43,543	0.22
50001 – 100000	5	0.03	367,586	1.83	5	0.03	336,454	1.68
100001 and above	16	0.12	15,205,882	75.81	16	0.07	14,306,458	71.33
TOTAL	15,083	100.00	20,057,154	100.00	19,051	100.00	20,057,154	100.00

b) Distribution pattern as on March 31, 2010

Category	Number of shares held	Percent to capital	Number of members
Promoters/associates	6,927,039	34.54	17
Mutual funds, banks & FIs	116,428	0.58	2
Bodies corporate	7,104,785	35.42	401
Individual shareholders	5,335,862	26.60	14,661
GDRs	573,040	2.86	1
Total	20,057,154	100	15,083

xii) Dematerialization of shares and liquidity

The Company's shares are compulsorily traded in dematerialised form and are available for trading on both the depositories in India viz. the National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL). The Company's equity shares, representing 77.44% of the Company's share capital were dematerialised as on March 31, 2010.

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.

xiii) Outstanding GDRs / ADRs / warrants

Out of 37,61,007 GDRs issued during the year 2004-05, 5,73,040 GDRs were outstanding as on March 31, 2010.

xiv) 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

Plot No. 160/A & 161/E, Gagillapur Village, Qutubullapur Mandal, R R District-500 043, Andhra Pradesh

xv) Address for correspondence

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

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

Name of Director	Mr. A.P. Kurian	Mr. Harsha Chigurupati	Mr. Philip Herbert Strenger	Mr. Arun Rao Akinepally
Date of Birth	26.06.1933	05.09.1983	03.11.1953	06.06.1957
Date of Appointment	07.06.2003	26.07.2010	23.12.2009	27.04.2010
Relationship with other Directors	None	i. Son of Mr.C.Krishna Prasad, Managing Director ii. Grandson of Dr.C. Nageswara Rao, Chairman	None	None
Expertise in specific functional area	Mr.Kurian, is the Chairman of Association of Mutual Funds in India. He has a career in financial services area spread over more than four decades. He served the Reserve Bank of India as Advisor – Economics Department. He is on the Board of National Stock Exchange, Executive Committee of NSDL and several other Committees associated with Mutual Funds and Capital Market.	Mr. Chigurupati has served at Granules India Limited from September 2006. In his most recent capacity, he served as Chief Marketing Officer. Mr. Chigurupati was instrumental in developing Granules India's vertically-integrated business strategy. During his tenure, Granules India gained nearly 100 customers, including several multi-national companies that constitute a large portion of Granules India's sales.	Mr. Strenger is Senior Vice President – EMEA and Global Pharma/Beverage for International Specialty Products Inc. ("ISP"), and is based in Cologne Germany. In these roles Mr. Strenger is responsible for the management and profitability of the ISP business in Europe, Middle East and Africa across Business Units, and on a global basis is responsible for the strategy and growth of the ISP Pharmaceutical and Beverage business.	Mr. Arun Rao is a qualified Chemical Engineer from the University of Madras with a Post graduate degree in Chemical Engineering from the Illinois Institute of Technology, Chicago, USA. He is 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 was the Vice President and currently, a member of the Executive Committee of the Indian Pharmaceutical Association (Andhra Pradesh Branch). He is also a member of Executive Committee of Organization of Pharmaceutical Manufacturers, Hyderabad.
Qualification	M.A (Economics)	BBA	B.Sc.	M.S (Chemical)
Board membership of other Indian Companies	1. Geojit BNP Paribas Financial Services Ltd 2. Association of Mutual Finds in India 3. Muthoot Capital Services Ltd 4. Muthoot Fincorp Ltd 5. National Stock Exchange of India Ltd 6. JP Morgan Asset Management India Pvt Ltd	1. GIL Lifesciences Pvt. Ltd. 2. Chigurupati Nourishment Pvt Ltd 3. Pragnya Vineyards Pvt Ltd 4. Priyanka Vineyards Pvt Ltd	Nil	1. Akin Laboratories Pvt Ltd 2. ESPI Industries & Chemicals Pvt Ltd

Name of Director	Mr. A.P. Kurian	Mr. Harsha Chigurupati	Mr. Philip Herbert Strenger	Mr. Arun Rao Akinepally
Chairman/member of the committee of the Board of Directors of the Company	Member: 1. Audit Committee 2. Compensation & Remuneration Committee	Nil	Nil	Nil
Chairman / member of the committees in other companies in which he is a Director	Member 1. Geojit BNP Paribas Financial Services Ltd – Audit Committee 2. Muthoot Capital Services Ltd – Audit Committee 3. National Stock Exchange of India Limited (a) Audit Committee (b) Compensation Committee (c) Committee for Approval of Acquisition of Premises (d) Committee for declaration of defaults (e) Committee for Monitoring Compliance of suggestions given in SEBI Inspection Reports (SEBI Inspection Committee) (f) Ethics Committee (g) Committee for Approval of Share Transfers	Nil	Nil	Nil
Number of shares held in the company	5,000 shares of Rs.10 each	2,36,166 shares of Rs.10 each	Nil	1,000 shares of Rs.10 each

I Auditors' Certificate

To
The Members of
Granules India Limited

We have examined the compliance of corporate governance by Granules India Limited, for the year ended on March 31, 2010, as stipulated in clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

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

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

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

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

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

J. Bhadra Kumar
Partner
Membership No.25480

Place: Hyderabad
Date: July 26, 2010

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, 2010 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 (Auditors' 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 the above, our comments are as under:
 - a) Reference is invited to Note No. B (3) under Schedule No. R regarding dues to micro, small and medium enterprises.
 - b) Reference is invited to Note No. B (19) under Schedule No. R regarding confirmation of balances.
5. 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 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, 2010, 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, 2010.
 - 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
Membership No. 25480

Place: Hyderabad
Date: May 5, 2010

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

- | | |
|--|--|
| <p>I) Fixed Assets</p> <p>a) The Company is maintaining proper records showing full particulars including quantitative details and situation of fixed assets of the Company.</p> <p>b) The physical verification of fixed assets is being carried out as per the programme drawn up and to the extent the physical verification is carried out, no material discrepancies were noticed on such verification.</p> <p>II) Inventory</p> <p>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.</p> <p>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.</p> <p>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.</p> <p>III) Loans Taken / Granted</p> <p>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.</p> <p>IV) Internal Control</p> <p>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</p> | <p>purchase of inventory keeping in view of the expansion.</p> <p>b) There are no major weaknesses in the internal control procedures.</p> <p>V) Section 301</p> <p>Necessary entries were made in the register maintained under sec.301 of the Companies Act, 1956.</p> <p>VI) Public Deposits</p> <p>The Company has not accepted any deposits from the public.</p> <p>VII) Internal Audit</p> <p>The Company has an internal audit system so as to be commensurate with its size and the nature of its business.</p> <p>VIII) Cost Records</p> <p>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.</p> <p>IX) Statutory Dues</p> <p>The Company is generally regular in depositing undisputed statutory dues including Provident Fund, Employees State Insurance, Income tax, Customs Duty, Wealth Tax, Sales Tax, Excise Duty, Cess and other statutory dues with the appropriate authorities. There are no arrears of outstanding statutory dues as at the last day of the year ending March 31, 2010 for period exceeding 6 months from the date they became payable, excepting an amount of Rs.11.47 lakhs representing unpaid dividend.</p> <p>X) Accumulated Losses / Cash Losses</p> <p>The Company has no accumulated losses.</p> <p>XI) Repayment of Dues</p> <p>There are minor delays in repayment of dues to banks.</p> |
|--|--|

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

The term loans are applied for the purpose for which the loans were obtained.

XVII) Usage of Funds

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

XVIII) Preferential Allotments

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

XIX) Creation of Securities

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

XX) Public Issue

The Company has not raised any money through Public Issue.

XXI) Fraud

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

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

J. Bhadra Kumar
Partner
Membership No. 25480

Place: Hyderabad
Date: May 5, 2010

Balance Sheet as at March 31, 2010

(Amount in Rupees)

Particulars	Schedule No.	As at March 31, 2010	As at March 31, 2009
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	A	217,424,066	217,424,066
Reserves & Surplus	B	1,821,094,165	1,610,941,359
Loan Funds			
Secured Loans	C	899,727,138	1,081,632,716
Unsecured Loans	D	107,524,468	107,524,468
Deferred Tax Liability		137,347,075	123,563,413
Total Sources of Funds		3,183,116,912	3,141,086,022
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	E	2,788,055,102	2,680,883,981
Less: Accumulated Depreciation		592,486,880	435,835,472
Net Block		2,195,568,222	2,245,048,509
Add: Capital Work in Progress including advances (Net)		21,751,241	20,224,425
		2,217,319,463	2,265,272,934
Investments	F	226,023,154	216,713,567
Current Assets, Loans & Advances	G		
Inventories		515,987,522	371,478,844
Sundry Debtors		315,045,934	305,452,594
Cash & Bank Balances		94,330,948	74,977,784
Other Current Assets		8,372,656	7,485,716
Loans and Advances		201,677,383	193,095,187
		1,135,414,443	952,490,125
Less: Current Liabilities & Provisions	H		
Current Liabilities		381,726,366	279,186,155
Provisions		29,332,335	33,507,592
Net Current Assets		724,355,743	639,796,378
Miscellaneous Expenditure (to the extent not written off or adjusted)	I	15,418,552	19,303,143
Total Application of Funds		3,183,116,912	3,141,086,022
Significant accounting policies and notes to accounts	R		

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: May 5, 2010

Dr. C. Nageswara Rao
Chairman
C. Krishna Prasad
Managing Director
Pranesh Raj Mathur
Chief Financial Officer

Profit & Loss Account for the year ended March 31, 2010

(Amount in Rupees)

Particulars	Schedule No.	Year ended March 31, 2010	9 Months ended March 31, 2009
INCOME			
Gross Sales		3,939,015,732	2,597,810,798
Less: Excise duty & Sales Tax		77,066,697	59,074,565
Net Sales	J	3,861,949,035	2,538,736,233
Other Income	K	4,890,447	8,546,919
		3,866,839,482	2,547,283,152
EXPENDITURE			
Cost of Materials consumed	L	2,431,131,682	1,557,896,011
Manufacturing Expenses	M	420,534,406	272,759,275
R & D Expenses	N	32,912,119	27,844,438
Marketing & Selling Expenses	O	276,291,486	156,680,619
Administrative Expenses	P	186,823,928	119,453,310
Interest and Finance Charges	Q	163,997,608	145,383,034
Depreciation		158,967,386	97,478,814
Misc. Expenditure written off		6,295,156	2,179,208
Total Expenses		3,676,953,771	2,379,674,709
Profit before tax and exceptional items		189,885,711	167,608,443
Foreign Exchange Fluctuations		(115,239,044)	89,041,209
Profit before tax		305,124,755	78,567,234
Less: Provision for taxes :			
Current Tax Expense		51,855,952	8,901,667
Deferred Tax Expense		13,783,662	18,025,211
Fringe Benefit Tax		–	787,917
Net Profit after Taxes		239,485,141	50,852,439
Add: Profit brought forward from previous year		412,336,370	392,116,265
Balance available for appropriation		651,821,511	442,968,704
Less: Provision for dividend		25,071,443	25,071,443
Provision for dividend tax		4,260,892	4,260,891
Transfer to General Reserve		6,000,000	1,300,000
Surplus carried forward to Balance Sheet		616,489,176	412,336,370
Weighted average No. of shares		20,057,154	20,057,154
Basic/Diluted Earnings per share		11.94	2.54
Basic Earnings per share (annualised)		–	3.38
Significant accounting policies and notes to accounts	R		

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: May 5, 2010

Dr. C. Nageswara Rao

Chairman

C. Krishna Prasad

Managing Director

Pranesh Raj Mathur

Chief Financial Officer

Schedules forming part of Balance Sheet as at March 31, 2010

(Amount in Rupees)

	As at March 31, 2010	As at March 31, 2009
SCHEDULE A SHARE CAPITAL		
Authorised Capital		
3,00,00,000 Equity Shares of Rs. 10 each (Previous year 3,00,00,000 Equity Shares of Rs. 10 each)	300,000,000	300,000,000
	300,000,000	300,000,000
Issued, Subscribed and Paid up Capital		
2,00,57,154 Equity Shares of Rs.10/- each. (Previous year : 2,00,57,154 equity shares of Rs.10 each) (Of the above 24,12,134 equity shares of Rs.10/- each issued for consideration otherwise than cash, of which 16,67,334 equity shares are issued as per the Scheme of Amalgamation)	200,571,540	200,571,540
Add: Forfeited shares Consists of 39,000 equity shares and 17,60,783 warrants (Previous year consists of 39,000 equity shares and 17,60,783 warrants)	16,852,526	16,852,526
	217,424,066	217,424,066

	Opening Balance	Additions	Withdrawals	Closing Balance
SCHEDULE B RESERVES & SURPLUS				
General Reserve	18,703,369	6,000,000	-	24,703,369
Central Subsidy	1,214,159	-	-	1,214,159
Share Premium	1,178,687,461	-	-	1,178,687,461
Profit & loss Account	412,336,370	204,152,806	-	616,489,176
	1,610,941,359	210,152,806	-	1,821,094,165

	As at March 31, 2010	As at March 31, 2009
SCHEDULE C SECURED LOANS		
I) Term Loans		
From Banks	665,052,248	888,106,516
Interest accrued and due	-	2,475,276
II) Hire purchase Loans	2,898,660	4,152,551
III) Working Capital Borrowings from Banks	231,776,230	186,898,374
Total (I+II+III)	899,727,138	1,081,632,716

SCHEDULE D UNSECURED LOANS		
From Banks	100,000,000	100,000,000
Sales Tax Deferment Loan	7,524,468	7,524,468
	107,524,468	107,524,468

Schedules forming part of Balance Sheet as at March 31, 2010

SCHEDULE E FIXED ASSETS										(Amount in Rupees)	
Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK		
	As on April 1, 09	Additions	Deletions	Total as on March 31, 10	As on April 1, 09	For the Period	On Deletions	As on March 31, 10	As on March 31, 10	As on March 31, 09	
Land	54,861,965	-	-	54,861,965	-	-	-	-	54,861,965	54,861,965	
Buildings	670,348,790	1,204,959	-	671,553,749	70,804,739	22,070,537	-	92,875,276	578,678,473	599,544,051	
Plant & Machinery	1,583,983,406	79,652,685	2,719,954	1,660,916,137	259,851,901	100,209,521	2,315,978	357,745,444	1,303,170,693	1,324,131,505	
Computers	11,454,927	25,124,269	-	36,579,196	6,951,691	3,484,013	-	10,435,704	26,143,492	4,503,236	
Office equipment	19,082,203	573,243	-	19,655,446	6,537,532	833,589	-	7,371,121	12,284,325	12,544,671	
Furniture & Fixtures	33,468,904	967,212	-	34,436,116	5,797,140	2,102,913	-	7,900,053	26,536,063	27,671,764	
Vehicles	20,661,004	2,368,708	-	23,029,712	12,330,689	1,640,785	-	13,971,474	9,058,238	8,330,315	
Technical Knowhow	287,022,781	-	-	287,022,781	73,561,780	28,626,028	-	102,187,808	184,834,973	213,461,001	
Total	2,680,883,980	109,891,076	2,719,954	2,788,055,102	435,835,472	158,967,386	2,315,978	592,486,880	2,195,568,222	2,245,048,508	
Previous year total	1,753,028,846	985,806,523	57,951,389	2,680,883,980	391,608,524	97,478,812	53,251,862	435,835,472	2,245,048,508	1,361,420,322	

Note: Gross Block of Vehicles includes Rs10,843,478/- (Previous year Rs.12,649,701/-) acquired on hire-purchase basis.

	As at March 31, 2010	As at March 31, 2009
SCHEDULE F INVESTMENTS		
(At Cost less provision for diminution in value)		
Quoted		
Long term - non-trade		
Andhra Bank (11,277 shares of Rs.10/- each, market value Rs.104.50 as on March 31, 2010)	1,014,930	1,014,930
Ipca Labs Ltd (50 shares of Rs.10/- each, market value Rs. 269.20 as on March 31, 2010)	7,100	-
Baroda Pioneer PSU Bond fund (5041 units @ Rs.10/- each, market value Rs.10/- as on March 31, 2010)	50,487	-
	1,072,517	1,014,930
Unquoted		
Long term - Trade		
Jeedimetla Effluent Treatment Ltd. (15,142 Equity shares of Rs.100/- each)	1,566,200	1,566,200
Pattancheru Envirotech Ltd (34,040 Equity shares of Rs. 10/- each)	340,400	340,400
	1,906,600	1,906,600
Subsidiaries		
(Unquoted Shares)		
Granules USA Inc - Wholly owned subsidiary 7,00,000 fully paid equity shares	11,631,470	2,379,470
GIL Life Sciences Pvt Ltd., Wholly owned subsidiary (2,946,176 fully paid equity shares of Rs.10 each)	29,461,760	29,461,760
GIL Singapore PTE Ltd., Wholly owned subsidiary (1,000 shares of USD1 each fully paid up)	48,000	48,000
Joint Venture		
(Unquoted Shares)		
Granules Biocause Pharmaceutical Co. Ltd. (50% Joint-venture in equity)	181,902,807	181,902,807
	226,023,154	216,713,567

Schedules forming part of Balance Sheet as at March 31, 2010

(Amount in Rupees)

	As at March 31, 2010	As at March 31, 2009
SCHEDULE G CURRENT ASSETS, LOANS & ADVANCES		
i) Stock in Hand		
Raw Materials	239,464,379	150,824,096
Finished Goods	162,893,906	101,027,145
Work In Process	63,751,019	83,633,015
Consumable and packing materials	17,604,160	12,793,302
Stores and Spares	32,274,058	23,201,286
	515,987,522	371,478,844
ii) Sundry Debtors		
(Unsecured, considered good)		
a) For more than six months	35,094,419	26,370,200
b) Others	279,951,515	279,082,394
	315,045,934	305,452,594
iii) Cash & Bank Balances		
Cash on hand	173,427	110,634
Bank Balances		
With scheduled banks:		
– in current account	15,621,577	6,009,852
– in deposit accounts (including margin money)	78,535,944	68,857,297
	94,330,948	74,977,784
iv) Other Current Assets		
Interest receivable	8,372,656	7,485,716
	8,372,656	7,485,716
v) Loans & Advances		
(Unsecured, considered good)		
Advances to suppliers	18,800,680	4,437,493
Deposits	22,906,001	21,300,270
CENVAT balances	98,039,900	81,596,865
Prepaid expenses	17,646,534	24,986,789
Sales tax refund receivable	22,034,895	20,378,426
Advance Tax	1,502,566	–
Import entitlements	3,043,487	16,874,123
Other advances	17,703,320	23,521,222
	201,677,383	193,095,187

Schedules forming part of Balance Sheet as at March 31, 2010

(Amount in Rupees)

	As at March 31, 2010	As at March 31, 2009
SCHEDULE H CURRENT LIABILITIES & PROVISIONS		
Current Liabilities		
Due to Small Scale Industrial Undertakings	12,975,554	24,415,183
Due to Others		
– for goods & services	315,523,321	211,815,353
– for Capital goods	4,231,493	16,247,286
Advances from Customers	26,885,211	13,090,251
Unpaid dividends	1,146,594	1,377,882
Interest accrued but not due	11,720,762	3,585,598
Other Liabilities	9,243,431	8,654,601
	381,726,366	279,186,155
Provisions		
Provision for taxation (net of advances)	–	4,175,258
Provision for dividend	25,071,443	25,071,443
Provision for dividend tax	4,260,892	4,260,891
	29,332,335	33,507,592
SCHEDULE I MISCELLANEOUS EXPENDITURE		
(To the extent not written off or adjusted)		
(i) Public Issue Expenses		
Opening Balance	10,795,773	12,358,185
Less: Written off during the year	3,037,730	1,562,412
	7,758,043	10,795,773
(ii) VRS Expenses		
Opening Balance	8,507,370	10,382,025
Additions / (Reversals) during the year	2,410,565	(1,257,859)
Less: Written off during the year	3,257,426	616,796
	7,660,509	8,507,370
Total (i +ii)	15,418,552	19,303,143

Schedules forming part of Profit & Loss Account for the year ended March 31, 2010

(Amount in Rupees)

	Year ended March 31, 2010	9 Months ended March 31, 2009
SCHEDULE J SALES		
Export Sales	3,059,214,254	2,067,180,018
Domestic Sales	850,761,853	506,172,110
By products	25,653,707	20,186,495
Export benefits	3,385,918	4,272,175
Gross Sales	3,939,015,732	2,597,810,798
Less: Excise duty & sales tax	77,066,697	59,074,565
Net Sales	3,861,949,035	2,538,736,233

Schedules forming part of Profit & Loss Account for the year ended March 31, 2010

(Amount in Rupees)

	Year ended March 31, 2010	9 Months ended March 31, 2009
SCHEDULE K OTHER INCOME		
Interest received	2,231,737	6,120,010
Dividends received	51,463	22,669
Sale of Scrap	2,282,530	2,329,532
Insurance Claims received	233,770	74,708
Profit on sale of Assets	90,947	–
	4,890,447	8,546,919

	Year ended March 31, 2010	9 Months ended March 31, 2009
SCHEDULE L COST OF MATERIALS CONSUMED		
a) Consumption of Raw material	2,371,128,927	1,512,466,169
b) Consumption of Packing Materials	101,987,520	58,863,052
c) (Increase)/Decrease in Stocks		
(i) (Increase)/Decrease in WIP		
Opening stock	83,633,015	62,854,214
Closing Stock	63,751,019	83,633,015
	19,881,996	(20,778,801)
(ii) (Increase)/Decrease in FG		
Opening stock	101,027,145	108,372,736
Closing Stock	162,893,906	101,027,145
	(61,866,761)	7,345,591
Total (Increase)/Decrease in stocks	(41,984,765)	(13,433,210)
Total cost of material consumed (a+b+c)	2,431,131,682	1,557,896,011

	Year ended March 31, 2010	9 Months ended March 31, 2009
SCHEDULE M MANUFACTURING EXPENSES		
Salaries, Wages & Benefits	162,523,667	104,965,824
Contribution to PF/ESI	6,446,676	5,211,819
Employee welfare expenses	5,457,745	3,496,442
Conversion charges	30,932,500	15,406,000
Power & Fuel	110,024,431	68,612,939
Effluent Treatment expenses	24,454,835	22,737,438
Repairs & Maintenance		
– Factory Building	4,071,980	6,962,374
– Plant & Machinery	49,849,177	27,329,726
– Others	3,054,166	2,840,875
Consumables & Lab Chemicals	16,909,476	9,202,901
Analytical Fees	1,940,807	2,695,662
Others	4,868,946	3,297,276
	420,534,406	272,759,275

Schedules forming part of Profit & Loss Account for the year ended March 31, 2010

(Amount in Rupees)

	Year ended March 31, 2010	9 Months ended March 31, 2009
SCHEDULE N R & D EXPENSES		
Salaries	5,589,359	3,695,909
Consumables & Lab Chemicals	19,133,510	5,241,761
Materials	8,189,250	18,906,768
	32,912,119	27,844,438

SCHEDULE O MARKETING & SELLING EXPENSES		
Business Promotion expenses	14,217,167	15,898,307
Sales Commission	64,751,551	27,437,443
Freight & Clearing charges	172,534,097	101,065,451
Discount	4,651,020	32,177
Travelling expenses	20,137,650	12,247,242
	276,291,486	156,680,619

SCHEDULE P ADMINISTRATIVE EXPENSES		
Salaries, Wages & Benefits	46,614,477	23,958,209
Contribution to PF/ESI	1,422,715	803,948
Employee welfare expenses	1,916,880	1,234,714
Directors' remuneration	4,750,000	2,250,000
Managerial Commission	8,867,446	1,342,275
Repairs & Maintenance - Others	1,269,666	906,913
Rent	16,946,538	11,987,968
Rates & Taxes	4,826,822	1,634,387
Auditors' remuneration	850,000	350,000
Insurance	13,678,295	5,710,073
Consultancy & Professional Charges	40,874,388	34,361,586
Communication expenses	6,738,257	4,542,457
Printing & stationery	4,549,372	3,548,687
Travelling & Conveyance	20,186,923	15,747,826
Directors' sitting fees	450,000	330,000
Advertisement Charges	244,110	366,737
Donations	1,907,533	592,624
Loss on sale of assets / write off	–	920,800
Sundry expenses	10,730,506	8,864,106
	186,823,928	119,453,310

SCHEDULE Q INTEREST AND FINANCE CHARGES		
Interest on Term loans	50,829,145	37,598,428
Interest on Working Capital	73,198,108	72,567,137
Interest Others	9,455,787	7,080,942
Bank Charges	30,514,568	28,136,527
	163,997,608	145,383,034

Schedules forming part of Balance Sheet and Profit & Loss Account

SCHEDULE R SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

A) SIGNIFICANT ACCOUNTING POLICIES:

- 1) **System of Accounting:** 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.
- 2) **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.
- 3) **Depreciation:** 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.
- 4) **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 pre-operative 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.
- 5) **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.
- 6) **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.
- 7) **Government Grants:** Government grants received in the nature of promoter's contribution and where no repayment is ordinarily expected are treated as capital reserve.
- 8) **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 Profit and Loss account.
- 9) **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.
- 10) **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.

Schedules forming part of Balance Sheet and Profit & Loss Account

SCHEDULE R SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)

11) Research and Development Expenses:

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

12) Employee Retirement Benefits:

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

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.

- b) 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.
- c) 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.

- 13) **Borrowing Costs:** Borrowing costs incurred in relation to the acquisition and construction 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.

14) Income Tax Expense:

- a) Current Tax Expense
The current charge for income tax is calculated in accordance with the tax regulations.
- b) 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.

B) NOTES TO ACCOUNTS:

1) Contingent liabilities not provided for in respect of:

(Rupees in Lakhs)

	As at March 31, 2010	As at March 31, 2009
a) Claims against the Company not acknowledged as debts: Customs duty	210.93	43.47
b) Estimated amount of contracts remaining to be executed on Capital account and not provided for (net of advances)	426.56	–
c) Letters of credit and Bank Guarantees issued by Bank	1,812.73	1,965.02
d) Bills discounted with banks	7,893.38	8,050.26

Schedules forming part of Balance Sheet and Profit & Loss Account

SCHEDULE R SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)

2) Secured Loans:

- a) Term loans: Term loans from Banks are secured by equitable mortgage of Land and buildings and hypothecation of plant and machinery located at Jeedimetla, Gagillapur and Bonthapally on pari passu basis.
Term loans are further secured by second charge on hypothecation of stocks of raw materials, finished goods, semi finished goods and receivables.
- b) Working capital facilities: The working capital facilities from Banks are secured by hypothecation of stocks of raw materials, finished goods, semi finished goods and receivables on pari passu basis. The working capital facilities are further secured by a second charge on the fixed assets of the Company.
- c) All the above loans except loan from International Finance Corporation are further secured by personal guarantee of the Managing Director. The Company has requested Consortium Bankers to waive the personal guarantee of the Managing Director, which is under active consideration.
- d) Hire purchase loans are secured by hypothecation of the asset purchased.

- 3) Disclosure of Sundry Creditors under Current Liabilities is based on the information available with the Company regarding the status of the suppliers defined under the 'Micro, Small and Medium Enterprises Development Act, 2006:

	(Rupees in Lakhs)	
	As at March 31, 2010	As at March 31, 2009
a) Principal Amount Overdue	17.16	90.68
Number of Parties	9	14
Interest amount payable thereon	0.42	-
b) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified	0.42	-
c) The amount of interest accrued and remaining unpaid at the end of each accounting year	0.42	-
d) The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 2	0.42	-

4) Particulars of Production, Sales and Stock of Finished Goods (Previous year figures in brackets).

(Qty in. M. Tons and Value Rs. in Lakhs)

Product	Opening stock		Production	Closing Stock		Sales	
	Qty	Value	Qty	Qty	Value	Qty	Value
API's	265.59 (302.37)	594.68 (558.58)	10,307.58 (6,486.29)	560.39 (265.59)	1,184.33 (594.68)	6,830.19 (3,713.88)	15,927.66 (9,896.92)
PFI' s	122.38 (106.96)	344.08 (406.17)	5,800.76 (4,250.00)	132.44 (122.38)	435.19 (344.08)	5,450.93 (3,985.47)	18,940.94 (14,588.20)
Formulations (Tablets) (in '000)	42,012.06 (7,917.05)	71.51 (6.91)	5,33,586.59 (1,98,825.90)	1,926.00 (42,012.06)	9.41 (71.51)	5,73,672.64 (1,64,730.90)	3,750.89 (902.24)
Total							38,619.49
Total							(25,387.36)

Note: Captive consumption of APIs is 3,075.00 MT and PFI is 238.37 (Previous Year API is 2,809.19 MT and that of PFI's is 249.10) included in Production.

Schedules forming part of Balance Sheet and Profit & Loss Account

SCHEDULE R SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)

5) Consumption of Raw materials during the year:

(Qty in. M. Tons and Value Rs. in Lakhs)

Name of the material	2009-10		2008-09	
	Qty	Value	Qty	Value
Para Amino Phenol	6,824.35	8,765.57	4,039.80	5,780.78
Acetic Anhydride	6,883.10	3,483.69	4,237.14	2,255.99
Ibuprofen	619.60	2,866.26	347.91	1,587.28
Paracetamol	1,612.08	3,255.92	993.44	1,462.89
Guaiacol	433.60	1,211.42	370.00	1,384.85
PVPK	88.57	603.01	63.84	383.85
Ciprofloxacin	22.05	343.98	16.96	236.11
Dicyandiamide	488.26	403.19	230.51	349.82
EHG Capsules (Qty in million No's)	154.60	376.31	43.71	93.64
Epichlorohydrin	354.96	269.18	260.10	239.57
Others	-	2,132.76	-	1,443.51
Total		23,711.29		15,124.66

6) Computation of Net Profit u/s 198 read with Section 309 (5) of Companies Act, 1956

(Rupees in Lakhs)

	Year ended March 31, 2010	9 Months ended March 31, 2009
Profit before Income tax as per Profit & Loss account	3,051.25	785.67
Add: Directors' remuneration	47.50	22.50
Directors' commission	88.67	13.42
Directors' sitting fees	4.50	3.30
Loss / (Profit) on assets sold / written off (Net)	(0.91)	9.20
Total	3,191.01	834.09
Total remuneration payable including commission @5%	159.55	41.71
Less: Remuneration & perquisites paid	70.72	28.27
Balance being commission payable	88.83	13.44

7) Payment to Auditors

(Rupees in Lakhs)

Particulars	2009-10	2008-09
a) As Auditor	5.50	4.75
b) As Advisor in respect of tax matters	3.00	0.51
Total	8.50	5.26

8) Licensed, Installed capacity and actual production of Active Pharmaceutical Ingredients (APIs), Pharmaceutical Formulation Intermediates (PFIs) (As certified by the Management)

(Rupees in Lakhs)

	2009-10	2008-09
Capacity and Production		
i) Licensed Capacity (Metric tones per annum)	NA	NA
ii) Installed Capacity (Metric tones per annum)		
APIs	9,751.00	9,751.00
PFIs	8,400.00	8,400.00
Tablets (in millions)	6,172.800	6,172.80
iii) Production (Metric tones)		
APIs	10,307.58	6,486.29
PFIs	5,800.76	4,250.00
Tablets (in millions)	533.59	198.83

Schedules forming part of Balance Sheet and Profit & Loss Account

SCHEDULE R SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)

9) Foreign Exchange outgo/earnings towards: (Rupees in Lakhs)

Outgo in Foreign Currency	2009-10	2008-09
Import of goods	18,295.07	11,429.87
Foreign travel	12.56	6.55
Sales commission	405.17	152.79
Consultancy charges	58.22	109.10
Capital assets	280.99	177.47
Interest	372.54	135.96
Other expenditure	46.46	92.71
Earnings in Foreign Currency		
Export sales realized	31,225.90	18,878.22

10) Details of Imported and Indigenous Raw Materials: (Rupees in Lakhs)

Name of the material	2009-10		2008-09	
	Value	%	Value	%
Imported	18,411.82	77.65	11,776.90	76.90
Indigenous	5,299.47	22.35	3,536.83	23.10
Total	23,711.29	100.00	15,313.73	100.00

11) During the year, the Company has not capitalized any borrowing costs (Previous year Rs.1,044.89 lakhs were capitalized for Tablet facility at Gagillapur, grouped under Capital Work in Progress).

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

	2009-10	2008-09
a) Revenue		
i) Sale (Net of Excise Duty)		
Within India	8,027.35	4,715.56
Outside India	30,592.14	20,671.80
ii) Other Income		
Within India	48.90	80.12
Outside India	-	5.35

b) Assets: All the assets of the Company, except the debtors and loans and advances amounting to Rs.1,935.12 lakhs (Previous year Rs.1,518.18 lakhs), are within India.

Schedules forming part of Balance Sheet and Profit & Loss Account

SCHEDULE R SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)

13) **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 nature of relationships:

Name	Relationship
(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-Biocause Pharmaceutical Co. Ltd	Joint – Venture
(v) Key management personnel: Shri C. Krishna Prasad	Managing Director
(vi) Others: Dr. C. Nageswara Rao	Non Executive Chairman
Mr.C.Harsha	Chief Marketing Officer
(vii) Mr.Vijay Ramanavarapu	Consultant

b) Transactions with Subsidiary Company:	(Rupees in Lakhs)	
	March 31, 2010	March 31, 2009
(i) Granules USA Inc		
Sale of goods	9,024.54	6,928.46
Purchase of capital goods	234.14	–
Others	27.32	29.94
Interest on unsecured loan	–	5.35
Amounts outstanding at Balance Sheet date:		
Interest on loan	22.40	22.40
Equity subscribed	92.52	23.79
Amounts receivable for sales made	3,554.15	4,552.51
(ii) GIL Lifesciences Private Limited		
Loan granted	10.00	–
Amounts outstanding at Balance Sheet date:		
Equity subscribed	294.62	294.62
Loan granted	10.00	–
(iii) GIL Singapore PTE Ltd		
Equity Participation	–	0.40
Advance for expenses	–	2.07
Amount outstanding at Balance Sheet date:		
Equity subscribed	0.48	0.48
Advance for expenses	2.07	2.07
c) Transactions with Joint-Venture		
Purchase of goods	2,722.83	1374.97
Amounts outstanding at Balance sheet date:		
Equity Subscribed	1,819.03	1,819.03
Amounts payable for purchase of goods	547.06	69.71
d) Transactions with other related parties:		
i) Mr. C. Krishna Prasad, Managing Director:		
Remuneration	159.55	41.71
ii) Dr. C. Nageswara Rao, Chairman:		
Sitting fee paid	1.05	0.20
iii) Mr.C.Harsha, Chief Marketing Officer		
Salary paid	20.60	15.45
iv) Mr.Vijay Ramanavarapu, Consultant		
Consultancy charges	8.50	–

Schedules forming part of Balance Sheet and Profit & Loss Account

SCHEDULE R SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)

14) Employee Benefits

a) 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:

(Rupees in Lakhs)

Particulars	Gratuity Plan	
	2009-10	2008-09
Projected benefit obligation at the beginning of the period	68.44	54.92
Current service cost	10.00	12.60
Interest cost	6.62	5.28
Actuarial loss/(gain)	–	–
Benefits paid	(7.37)	(4.36)
Projected benefit obligation at the end of the period	77.69	68.44
Amounts recognized in the balance sheet		
Projected benefit obligation at the end of the period	77.69	68.44
Fair value of plan assets at end of the period	77.69	68.44
Funded status of the plans – (asset) / liability	–	–
Liability recognized in the balance sheet	–	–
Cost for the period		
Current service cost	10.00	12.60
Interest cost	6.62	5.20
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	9.15%	9.15%
Expected rate of salary increases	4%	4%

*details of the scheme with Life Insurance Corporation of India

Schedules forming part of Balance Sheet and Profit & Loss Account

SCHEDULE R SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)

15) Granules India Equity Option Plan 2002

- a) 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.
- b) 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.
- c) 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.
- d) 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.
- e) The exercise price being equal to the closing market price prevailing on the date prior to the date of grant, there is no deferred compensation cost to be amortized over the vesting period.
- f) The following is the number of options outstanding during the year:

Particulars	Year ended March 31, 2010		9 months ended March 31, 2009	
	No. of options	Weighted Average Exercise Price (Rs.)	No. of options	Weighted Average Exercise Price (Rs.)
At the beginning of the year	15,000	73.00	43,000	73.00
Add: Granted during the year	139,000	45.00	–	–
Less: Exercised during the year	–	–	–	–
Less: Lapsed / Cancelled during the year	–	–	28,000	73.00
At the end of the year	154,000	47.72	15,000	73.00

Granules India Limited – Employee Stock Option Scheme 2009

- a) 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.
- b) Under the Plan, options not exceeding 1,002,857 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.
- c) No options were granted under the above Scheme. Hence, there is no deferred compensation cost to be amortized.

Schedules forming part of Balance Sheet and Profit & Loss Account

SCHEDULE R SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)

16) Earnings per share – Basic and Diluted:

	2009-10	2008-09
Net profit for the year (Rs. in lakhs)	2,368.30	508.52
Weighted average number of shares outstanding during the year	20,057,154	20,057,154
Basic earnings per share (Rs.)	11.94	2.54
Basic Earnings per share (annualized)	–	3.38
Nominal value of shares (Rs.)	10.00	10.00

- 17) 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:

	Opening balance as on 1.4.2009	Charge/(Credit) during the period	Closing balance as on 31.3.2010
(Rupees in Lakhs)			
Deferred tax liability			
Depreciation	1,396.04	349.82	1,745.86
Total	1,396.04	349.82	1,745.86
Deferred tax asset			
Leave encashment	18.45	5.02	23.47
Bonus	11.45	2.06	13.51
MAT Credit	130.50	204.90	335.40
Total	160.40	211.98	372.38
Net Deferred tax liability	1,235.64	137.84	1,373.48

- 18) Sundry debtors include a sum of Rs. 3,554.15 lakhs (Previous year: Rs.4,552.51 lakhs) due from a subsidiary company.
- 19) Balances appearing under Sundry creditors, Capital WIP, Loans & Advances and debtors are subject to confirmation and / or reconciliation, if any.

20) Amortization of Miscellaneous Expenditure:

- GDR issue expenses of Rs.151.89 lakhs carried forward from earlier years are amortized over a period of 5 years commencing from the year in which the Projects commence commercial production. Tablet Block at Gagillapur had commenced commercial production during September 2008; hence the issue expenses are proportionately amortized.
- The Company has implemented a Voluntary Retirement Scheme (VRS). The total cost of separation of Rs.24.11 lakhs excluding Gratuity under the Gratuity scheme applicable to the employees is amortized over a period of 5 years.
- In accordance with the SEBI (Employee Stock Option Scheme) Guidelines, 1999, the excess of market price of shares at the date of grant of options under Employee Stock Option Scheme, 2002 over the exercise price is to be treated as employee compensation. However, as the market price and the exercise price are the same, there is no employee compensation resulting out of the ESOPs granted during the year which is to be amortized over vesting period as per SEBI Guidelines.

- 21) The Government of Andhra Pradesh, Commissionerate of Industries has vide its Letter No.20/2/9/0444/ID dated October 11, 1999 and its clarification vide Letter dated August 4, 2001 determined an eligibility of Rs.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

Schedules forming part of Balance Sheet and Profit & Loss Account

SCHEDULE R SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS *(Contd.)*

from June 30, 1998 to June 29, 2012 is deferred. The liability of Rs.75.24 lakhs as at March 31, 2010 (Previous year Rs.75.24 lakhs) for the deferred Sales tax is shown under unsecured loans.

- 22) In terms of accounting policy 11 for the accrual of export benefits, estimated benefits of Rs.146.16 lakhs (Previous year Rs.168.74 lakhs) have been taken into account under the DEEC/DEPB Schemes.
- 23) Previous year figures are not comparable as current year consists of twelve months as against nine months in the previous year.
- 24) Figures in Balance Sheet and Profit & Loss account have been rounded off to the nearest Rupee and figures in Notes 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: May 5, 2010

For and on behalf of the Board

Dr. C. Nageswara Rao

Chairman

C. Krishna Prasad

Managing Director

Pranesh Raj Mathur

Chief Financial Officer

Cash Flow Statement for the year ended March 31, 2010

(Amount in Rupees)

Particulars	Year ended March 31, 2010		9 Months ended March 31, 2009
A CASH FLOW FROM OPERATING ACTIVITIES			
Net Profit before tax		305,124,755	78,567,232
Adjustments for:			
Depreciation	158,967,386		97,478,814
Misc. Expenditure written off	6,295,156		2,179,208
(Profit) / Loss on sale of assets	(90,947)		920,800
Foreign Currency restatement on term loans	(80,985,680)		88,506,146
Interest & dividend income	(2,283,200)		(6,142,679)
Interest & finance charges	133,483,040	215,385,755	117,246,507
Operating profit before working capital changes		520,510,510	378,756,028
Increase in Trade and other receivables		(16,672,970)	(96,203,013)
Increase in inventories		(144,508,678)	(79,866,756)
Increase/(decrease) in Payables		102,771,499	58,298,944
Cash generated from operations		462,100,361	260,985,203
Direct Taxes paid		57,533,776	14,027,374
Net Cash from operating activities		404,566,585	246,957,829
B CASH FLOW FROM INVESTING ACTIVITIES			
Purchase of fixed assets	(111,417,892)		(80,663,417)
Increase in Miscellaneous expenditure	(2,410,565)		1,257,859
Investments in Subsidiary companies	(9,252,000)		(48,000)
Other investments	(57,587)		-
Sale of Fixed Assets	494,924		3,778,727
Interest/dividends received	1,396,260		752,066
Net Cash used in investing activities		(121,246,860)	(74,922,765)
C CASH FLOW FROM FINANCING ACTIVITIES			
Increase/(decrease) in Working Capital Loans	44,877,856		16,754,328
Interest paid	(135,958,316)		(115,992,320)
Dividends paid (including dividend tax)	(29,563,622)		(28,828,807)
Proceeds from Long Term borrowings	16,438,550		75,495,636
Repayment of long term loans	159,761,030		(103,670,145)
Net Cash used in Financing Activities		(263,966,562)	(156,241,308)
Net Increase in cash & cash equivalents (A+B+C)		19,353,163	15,793,756
Cash equivalents (Opening Balance as at 01-04-2009)		74,977,785	59,184,029
Cash equivalents (Closing Balance as at March 31, 2010)		94,330,948	74,977,785

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: May 5, 2010

64 | Granules India Limited

Dr. C. Nageswara Rao

Chairman

C. Krishna Prasad

Managing Director

Pranesh Raj Mathur

Chief Financial Officer

Balance Sheet Abstract and Company's General Business Profile

I. Registration Details:

Registration No. State Code
 Balance Sheet Date (Refer code list)

II. Capital Raised during the year (Amount in Thousand of Rupees)

Public Issue Right Issue
 Bonus Issue Private Placement

III. Position of Mobilisation and Deployment of Funds (Amount in Thousand of Rupees)

Total Liabilities Total Assets

Sources of Funds

Paid-up capital Reserves & Surplus
 Secured Loans Unsecured loans
 Deferred tax liability

Application of Funds

Net Fixed Assets Investments
 Net Current Assets Misc. Expenditure

IV. Performance of Company (Amount in Thousand of Rupees)

Turnover Total Expenditure
 Profit before tax Profit / (Loss) after tax
 Earning per share Dividend %

V. Generic names of principal products/services of the Company (As per Monetary terms)

Item Code No. (ITC Code)
 Product Description

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: May 5, 2010

Dr. C. Nageswara Rao

Chairman

C. Krishna Prasad

Managing Director

Pranesh Raj Mathur

Chief Financial Officer

Annexure to the Balance Sheet as at March 31, 2010

Statement pursuant to Section 212 of the Companies Act, 1956.

01.	Name of the subsidiary	Granules USA Inc.	GIL Lifesciences Pvt. Ltd.	Granules Singapore Pte Ltd
02.	Financial period ended	March 31, 2010	March 31, 2010	March 31, 2010
03.	Date from which it become a subsidiary.	March 5, 2003	July 19, 2007	November 18, 2008
04.	Holding company's interest	100% (700,000 shares of USD 0.10 each fully paid up)	100% (29,46,176 shares of Rs. 10 each fully paid up)	100% (1,000 shares of USD1 each fully paid up)
05.	The net aggregate amount of the profits or losses for the current period of the subsidiary so far as it concerns the members of the holding company.			
	a. dealt with or provided for in the accounts of the holding company.	Nil	Nil	Nil
	b. not dealt with or provided for in the accounts of the holding company.	Profit of Rs.11.23 lakhs	Nil	Loss of Rs. 2.38 Lakhs
06.	The net aggregate amount of the profits or losses for the previous financial years of the subsidiary so far as it concerns the members of the holding company.			
	a. dealt with or provided for in the accounts of the holding company.	Nil	Nil	Nil
	b. not dealt with or provided for in the accounts of the holding company.	Loss of Rs.524.04 lakhs	Nil	Loss of Rs. 1.11 Lakhs

For and on behalf of the Board

Dr. C. Nageswara Rao
Chairman

C. Krishna Prasad
Managing Director

Place: Hyderabad
Date: May 5, 2010

Pranesh Raj Mathur
Chief Financial Officer

Consolidated Auditors' Report

To

The Board of Directors

M/s GRANULES INDIA LIMITED

Hyderabad - 500 081

1. We have audited the attached consolidated Balance Sheet of **M/s. Granules India Limited, its subsidiaries, M/s. Granules USA Inc., M/s. GIL Lifesciences Private Limited & M/s. Granules Singapore Pte Ltd and joint-venture, M/s. Granules-Biocyte Pharmaceutical Co. Ltd.**, as on March 31, 2010 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.
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. We did not audit the financial statements of the subsidiaries and the joint-venture, whose financial statements reflect total assets of Rs.7,562.85 lakhs as at March 31, 2010, the total revenue of Rs.17,401.58 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.
4. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard (AS) 21, Consolidated Financial Statements and Accounting Standard 27, Financial Reporting of Interest in Joint-ventures, issued by the Institute of Chartered

Accountants of India and on the basis of separate audited financial statements of the group and unaudited financial statements of a consolidated entity.

5. Further to the above, our comments are as under:
 - a. Reference is invited to Note No. B (3) Schedule No. R regarding dues to micro, small and medium enterprises,
 - b. Reference is invited to Note No. B (12) under Schedule No. R regarding confirmation of balances.
6. In our opinion, and to the best of our information and according to the explanations given to us, the said consolidated Balance Sheet, consolidated Profit & Loss Account and consolidated Cash Flow Statement read together with the significant accounting policies and notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India –
 - i. in so far as it relates to the consolidated Balance Sheet, of the state of affairs of the Company as on March 31, 2010.
 - ii. 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.
 - iii. 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: May 5, 2010

Consolidated Balance Sheet as at March 31, 2010

(Amount in Rupees)

Particulars	Schedule No.	As at March 31, 2010	As at March 31, 2009
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	A	217,424,066	217,424,066
Reserves & Surplus	B	1,806,379,125	1,531,991,837
Loan Funds			
Secured Loans	C	1,358,493,423	1,660,478,486
Unsecured Loans	D	108,524,468	173,163,312
Deferred Tax Liability		136,845,139	122,655,199
Total Sources of Funds		3,627,666,222	3,705,712,900
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	E	3,027,571,765	2,907,348,065
Less: Accumulated Depreciation		659,869,219	476,441,695
Net Block		2,367,702,546	2,430,906,370
Add: Capital Work in Progress including advances (Net)		24,548,675	20,224,425
		2,392,251,221	2,451,130,795
Investments	F	2,979,117	2,921,530
Current Assets, Loans & Advances	G		
Inventories		686,334,098	595,105,726
Sundry Debtors		658,535,139	631,247,795
Cash & Bank Balances		134,743,292	128,385,790
Other Current Assets		18,558,197	11,203,372
Loans and Advances		210,555,286	208,078,072
		1,708,726,012	1,574,020,755
Less: Current Liabilities & Provisions	H		
Current Liabilities		462,680,745	308,462,479
Provisions		29,334,683	33,507,593
Net Current Assets		1,216,710,584	1,232,050,683
Miscellaneous Expenditure (to the extent not written off or adjusted)	I	15,725,301	19,609,892
Total Application of Funds		3,627,666,222	3,705,712,900
Significant accounting policies and notes to accounts	R		

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: May 5, 2010

Dr. C. Nageswara Rao
Chairman
C. Krishna Prasad
Managing Director
Pranesh Raj Mathur
Chief Financial Officer

Consolidated Profit & Loss Account for the year ended March 31, 2010

(Amount in Rupees)

Particulars	Schedule No.	Year ended March 31, 2010	9 Months ended March 31, 2009
INCOME			
Net Sales	J	4,610,892,654	2,892,748,249
Other Income	K	10,735,928	10,029,406
		4,621,628,582	2,902,777,655
EXPENDITURE			
Cost of Materials consumed	L	2,861,604,103	1,764,726,055
Manufacturing Expenses	M	543,407,521	324,779,220
R & D Expenses	N	36,706,847	27,844,438
Marketing & Selling Expenses	O	309,065,180	185,011,677
Administrative Expenses	P	239,464,042	160,869,954
Interest and Finance Charges	Q	175,489,818	156,757,593
Depreciation		185,743,509	117,997,888
Misc. Expenditure written off		6,295,156	2,179,208
Total Expenses		4,357,776,175	2,740,166,033
Profit before tax and exceptional items		263,852,407	162,611,623
Foreign Exchange Fluctuations		(112,110,904)	92,404,739
Profit before tax		375,963,311	70,206,883
Less: Current Tax Expense		58,469,285	8,928,894
Deferred Tax Expense		13,774,405	18,025,211
Fringe Benefit Tax		–	787,917
Net Profit after Taxes		303,719,621	42,464,861
Add profit brought forward from previous year		333,264,856	321,432,329
Balance available for appropriation		636,984,477	363,897,190
Less: Provision for dividend		25,071,443	25,071,443
Provision for dividend tax		4,260,892	4,260,892
Transfer to General Reserve		6,000,000	1,300,000
Surplus carried forward to Balance Sheet		601,652,142	333,264,856
Weighted average No. of shares		20,057,154	20,057,154
Basic/Diluted Earnings per share		15.14	2.12
Significant accounting policies and notes to accounts	R		

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: May 5, 2010

Dr. C. Nageswara Rao

Chairman

C. Krishna Prasad

Managing Director

Pranesh Raj Mathur

Chief Financial Officer

Schedules forming part of Consolidated Balance Sheet as at March 31, 2010

(Amount in Rupees)

	As at March 31, 2010	As at March 31, 2009
SCHEDULE A SHARE CAPITAL		
Authorised Capital		
3,00,00,000 Equity Shares of Rs. 10 each (Previous year 3,00,00,000 Equity Shares of Rs. 10 each)	300,000,000	300,000,000
	300,000,000	300,000,000
Issued, Subscribed and Paid up Capital		
2,00,57,154 Equity Shares of Rs.10/- each. (Of the above 24,12,134 equity shares of Rs.10/- each issued for consideration otherwise than cash, of which 16,67,334 equity shares are issued as per the Scheme of Amalgamation)	200,571,540	200,571,540
Add: Shares forfeited	16,852,526	16,852,526
Consists of 39,000 equity shares and 17,60,783 warrants (Previous year consists of 39,000 equity shares and 17,60,783 warrants)		
	217,424,066	217,424,066

SCHEDULE B RESERVES & SURPLUS		
General Reserve	24,703,369	18,703,369
Central Subsidy	1,214,159	1,214,159
Share Premium	1,178,809,454	1,178,809,454
Profit & loss Account	601,652,142	333,264,855
	1,806,379,125	1,531,991,837

SCHEDULE C SECURED LOANS		
I) Term loans		
from Banks	665,052,248	888,106,516
Interest accrued and due	-	2,475,276
II) Hire purchase loans	2,898,660	4,152,551
III) Working Capital Borrowings from banks	690,542,515	765,744,143
Total (I+II+III)	1,358,493,423	1,660,478,486

SCHEDULE D UNSECURED LOANS		
From Banks	100,000,000	100,000,000
From Others	1,000,000	65,638,844
Sales Tax Deferment Loan	7,524,468	7,524,468
	108,524,468	173,163,312

Schedules forming part of Consolidated Balance Sheet as at March 31, 2010

SCHEDULE E FIXED ASSETS

(Amount in Rupees)

Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As on April 1, 09	Additions	Deletions	Total as on March 31, 10	As on April 1, 09	For the Period	On Deletions	As on March 31, 10	As on March 31, 10	As on March 31, 09
Land	84,687,395	170,831	–	84,858,226	–	–	–	–	84,858,226	84,687,395
Buildings	717,291,834	1,204,959	–	718,496,793	74,832,890	24,768,366	–	99,601,256	618,895,536	642,458,944
Plant & Machinery	1,696,693,883	89,487,663	2,719,954	1,783,461,592	288,439,346	119,304,469	2,315,978	405,427,837	1,378,033,755	1,408,254,537
Computers	11,454,927	25,124,269	–	36,579,196	6,951,692	3,484,013	–	10,435,705	26,143,491	4,503,235
Office equipment	20,172,821	822,586	–	20,995,407	7,584,501	885,425	–	8,469,926	12,525,481	12,588,320
Furniture & Fixtures	34,035,493	967,212	–	35,002,705	5,827,731	2,102,913	–	7,930,644	27,072,061	28,207,762
Vehicles	20,661,007	2,368,708	–	23,029,715	12,330,689	1,640,785	–	13,971,474	9,058,241	8,330,318
Technical Knowhow	322,350,706	2,797,425	–	325,148,131	80,474,846	33,557,531	–	114,032,377	211,115,754	241,875,860
Total	2,907,348,065	122,943,653	2,719,954	3,027,571,765	476,441,695	185,743,502	2,315,978	659,869,219	2,367,702,546	2,430,906,370
Previous year totals	1,973,830,495	991,468,956	57,951,388	2,907,348,065	411,695,667	117,997,888	53,251,862	476,441,695	2,430,906,369	1,562,134,828

Note: Gross Block of Vehicles includes Rs. 10,843,478 (Previous Year Rs. 12,649,701) acquired on hire-purchase basis.

	As at March 31, 2010	As at March 31, 2009
SCHEDULE F INVESTMENTS		
(At Cost less provision for diminution in value)		
Quoted		
Long term - non-trade		
Andhra Bank (11,277 shares of Rs.10/- each, market value Rs. 104.50 as on March 31, 2010)	1,014,930	1,014,930
Ipca Labs Ltd (50 shares of Rs.10/- each, market value Rs. 269.20 as on March 31, 2010)	7,100	–
Baroda Pioneer PSU Bond fund (5,041 units @ Rs.10/- each, market value Rs.10/- as on March 31, 2010)	50,487	–
	1,072,517	1,014,930
Unquoted		
Long term - Trade		
Jeedimetla Effluent Treatment Ltd. (15,142 Equity shares of Rs.100/- each)	1,566,200	1,566,200
Pattancheru Envirotech Ltd (34,040 equity shares of Rs. 10/- each)	340,400	340,400
	1,906,600	1,906,600
	2,979,117	2,921,530

Schedules forming part of Consolidated Balance Sheet as at March 31, 2010

(Amount in Rupees)

	As at March 31, 2010	As at March 31, 2009
SCHEDULE G CURRENT ASSETS, LOANS & ADVANCES		
i) Stock in Hand		
Raw Materials	290,803,890	176,718,752
Finished Goods	280,068,416	296,950,239
Work In Process	63,751,019	83,633,015
Consumable and packing materials	18,958,621	14,602,434
Stores and Spares	32,752,152	23,201,286
	686,334,098	595,105,726
ii) Sundry Debtors		
(Unsecured, considered good)		
For more than six months	35,094,419	43,446,686
Others	630,801,716	594,989,692
	665,896,135	638,436,378
Less: Provision for doubtful debts	7,360,996	7,188,583
	658,535,139	631,247,795
iii) Cash & Bank Balances		
Cash on hand	496,240	191,029
Bank Balances:		
With scheduled banks:		
– in current account	40,880,176	59,337,464
– in deposit accounts (including margin money)	93,366,876	68,857,297
	134,743,292	128,385,790
iv) Other Current Assets		
Interest receivable	16,613,495	8,098,519
Others	1,944,702	3,104,852
	18,558,197	11,203,372
v) Loans & Advances		
(Unsecured, considered good)		
Advances to suppliers	23,208,780	9,192,820
Deposits	22,994,518	21,400,081
CENVAT balances	98,039,900	81,596,866
Prepaid expenses	17,646,534	25,054,039
Sales tax refund receivable	26,526,125	20,378,426
Import entitlements	2,451,199	16,874,120
Other advances	19,688,230	33,581,720
	210,555,286	208,078,072

Schedules forming part of Consolidated Balance Sheet as at March 31, 2010

(Amount in Rupees)

	As at March 31, 2010	As at March 31, 2009
SCHEDULE H CURRENT LIABILITIES & PROVISIONS		
Current Liabilities		
Due to Small Scale Industrial Undertakings	12,975,554	24,415,183
Sundry Creditors		
– for goods & services	358,410,578	240,088,853
– for Capital goods	4,231,493	16,247,286
Advances from Customers	26,885,211	13,090,251
Unpaid dividends	1,146,594	1,377,882
Interest Accrued but not due	11,720,762	3,585,598
Other Liabilities	47,310,553	9,657,426
	462,680,745	308,462,479
Provisions		
Provision for taxation (net of advances)	2,348	4,175,259
Provision for dividend	25,071,443	25,071,443
Provision for dividend tax	4,260,892	4,260,892
	29,334,683	33,507,593

SCHEDULE I MISCELLANEOUS EXPENDITURE

(To the extent not written off or adjusted)

(i) Public Issue Expenses		
Opening Balance	10,795,773	12,358,185
Less: Written off during the year	3,037,730	1,562,412
	7,758,043	10,795,773
(ii) VRS Expenses		
Opening Balance	8,507,370	10,382,025
Additions during the year	2,410,565	(1,257,859)
Less: Written off during the year	3,257,426	616,796
	7,660,509	8,507,370
(iii) Preliminary Expenses	306,749	306,749
Total (i+ii+iii)	15,725,301	19,609,892

Schedules forming part of Consolidated Profit & Loss Account for the year ended March 31, 2010

(Amount in Rupees)

	Year ended March 31, 2010	9 Months ended March 31, 2009
SCHEDULE J SALES		
Export Sales	3,667,417,635	2,350,527,879
Domestic Sales	991,502,091	576,836,264
By products	25,653,707	20,186,495
Export benefits	3,385,918	4,272,175
Gross Sales	4,687,959,351	2,951,822,813
Less: Excise duty & Sales Tax	77,066,697	59,074,564
Net Sales	4,610,892,654	2,892,748,249

Schedules forming part of Consolidated Profit & Loss Account for the year ended March 31, 2010

(Amount in Rupees)

	Year ended March 31, 2010	9 Months ended March 31, 2009
SCHEDULE K OTHER INCOME		
Interest	4,718,759	5,904,062
Dividends received	51,463	22,669
Sale of Scrap	4,525,258	4,027,967
Insurance Claims received	233,770	74,708
Subsidy received	1,114,823	–
Profit on sale of Assets	90,947	–
Other Income	908	–
	10,735,928	10,029,406

SCHEDULE L COST OF MATERIALS CONSUMED		
a) Consumption of Raw material	2,724,908,019	1,679,723,533
b) Consumption of Packing Materials	110,882,727	63,042,687
c) (Increase)/Decrease in Stocks		
(i) (Increase)/Decrease in WIP		
Opening stock	83,633,015	62,854,214
Closing Stock	63,751,019	83,633,015
	19,881,996	(20,778,801)
(ii) (Increase)/Decrease in FG		
Opening stock	224,348,711	267,087,347
Closing Stock	218,417,350	224,348,711
	5,931,361	42,738,636
Total (Increase)/Decrease in stocks	25,813,357	21,959,835
Total cost of material consumed (a+b+c)	2,861,604,103	1,764,726,055

SCHEDULE M MANUFACTURING EXPENSES		
Salaries, Wages	185,112,121	117,403,624
Contribution to PF/ESI	6,446,676	5,211,819
Employee welfare expenses	5,457,745	3,496,442
Conversion charges	30,932,500	15,406,000
Power & Fuel	186,105,105	94,164,868
Effluent Treatment expenses	24,738,915	22,737,438
Repairs & Maintenance		
– Factory Building	4,071,980	6,962,374
– Plant & Machinery	67,676,852	37,572,256
– Others	3,054,166	2,840,875
Consumables & Lab Chemicals	16,913,749	9,202,901
Analytical Fees	1,957,840	3,125,436
Others	10,939,872	6,655,186
	543,407,521	324,779,220

Schedules forming part of Consolidated Profit & Loss Account for the year ended March 31, 2010

(Amount in Rupees)

	Year ended March 31, 2010	9 Months ended March 31, 2009
SCHEDULE N R & D EXPENSES		
Salaries	5,589,359	3,695,909
Consumables & Lab Chemicals	19,133,510	5,241,761
Materials	8,189,250	18,906,768
	32,912,119	27,844,438

SCHEDULE O MARKETING & SELLING EXPENSES		
Business Promotion expenses	20,562,493	22,678,065
Sales Commission	64,751,551	29,001,586
Freight & Clearing Charges	194,525,878	118,905,623
Advertisement	1,163,669	98,550
Discount	4,651,020	32,177
Travelling expenses	23,410,569	14,295,677
	309,065,180	185,011,677

SCHEDULE P ADMINISTRATIVE EXPENSES		
Salaries, Wages & bonus	78,566,715	49,731,227
Contribution to Provident Fund	1,422,715	803,948
Employee welfare expenses	1,944,854	1,238,492
Directors' remuneration	4,750,000	2,250,000
Managerial Commission	8,867,446	1,342,275
Repairs & Maintenance - Others	1,469,643	935,233
Rent	18,723,434	13,311,473
Rates & Taxes	5,907,792	2,313,871
Auditors' remuneration	2,002,633	824,301
Insurance	16,215,972	7,063,670
Consultancy & Professional Charges	45,838,330	37,464,060
Communication expenses	8,363,937	5,282,153
Printing & stationery	5,054,631	3,995,840
Travelling & Conveyance	20,850,683	16,500,951
Directors' sitting fees	450,000	330,000
Advertisement Charges	244,110	366,737
R & D Fee	–	927,129
Donations	1,907,533	592,624
Provision for Doubtful Debts	1,046,008	(273,929)
Loss on sale of assets / write off	–	920,800
Sundry expenses	15,837,607	14,949,099
	239,464,042	160,869,954

SCHEDULE Q INTEREST AND FINANCE CHARGES		
Interest on Term loans	50,829,145	37,598,428
Interest on Working Capital	81,794,155	81,625,809
Interest Others	9,455,787	7,502,800
Bank Charges	33,410,730	30,030,557
	175,489,818	156,757,593

Schedules forming part of Consolidated Balance Sheet and Profit & Loss Account

SCHEDULE R SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

A) SIGNIFICANT ACCOUNTING POLICIES:

- 1) **System of Accounting:** 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.
- 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 USA Inc, Granules Singapore Pte. Ltd. and Granules Biocause Pharmaceutical Co. Limited (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.
- 3) **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.
- 4) **Depreciation:** 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.
- 5) **Expenditure during construction period:** Expenditure (including finance cost relating to borrowed funds for construction or acquisition of fixed assets) incurred on projects under implementation are treated as Preoperative expenses pending allocation to the assets and are shown under "Capital Work in Progress" and the same are apportioned to fixed assets on commencement of commercial production.
- 6) **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.
- 7) **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.
- 8) **Government Grants:** Government grants received in the nature of promoter's contribution and where no repayment is ordinarily expected are treated as capital reserve.
- 9) **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 Profit and Loss account.
- 10) **Revenue Recognition:**
 - a) Revenue from sales is recognized when significant risk and rewards in respect of ownership of the products are transferred.

Schedules forming part of Consolidated Balance Sheet and Profit & Loss Account

SCHEDULE R SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)

- 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.
- 11) 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.
- 12) Research and Development Expenses:**
- a) Research costs not resulting in any tangible property/equipment are charged to revenue as and when incurred.
 - b) Know-how / product development costs incurred on an individual project are carried forward when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortized over the period of expected future benefits from the related project, not exceeding ten years.
 - c) The carrying value of know-how / product development costs are reviewed for impairment annually when the asset is not yet in use and otherwise when events or changes in circumstances indicate that the carrying value may not be recoverable.
- 13) Employee Retirement Benefits:**
- a) **Defined Contributions Plan:** Contributions paid/payable to the defined contribution plan of Provident Fund for certain employees covered under the scheme are recognized in the Profit and Loss account each year.

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.
 - b) **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.
 - c) **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.
- 14) Borrowing Costs:** Borrowing costs incurred in relation to the acquisition and construction 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.
- 15) Income Tax Expense:**
- a) **Current Tax Expense**
The current charge for income tax is calculated in accordance with the tax regulations.
 - b) **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.

Schedules forming part of Consolidated Balance Sheet and Profit & Loss Account

SCHEDULE R SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)

B) NOTES TO ACCOUNTS:

1) Contingent liabilities not provided for in respect of:

(Rupees in Lakhs)

	As at March 31, 2010	As at March 31, 2009
a) Claims against the Company not acknowledged as debts: Customs duty	210.93	43.47
b) Estimated amount of contracts remaining to be executed on Capital account and not provided for (net of advances)	426.56	–
c) Letters of credit and Bank Guarantees issued by Bank	1,812.73	1,965.02
d) Bills discounted with banks-Subsidiary Company bills	3,601.09	4,676.96
e) Bills discounted with banks-Others	4,292.29	3,373.30

2) Secured Loans:

- a) **Term loans:** Term loans from Banks are secured by equitable mortgage of Land and buildings and hypothecation of plant and machinery located at Jeedimetla, Gagillapur and Bonthapally on pari passu basis.

Term loans are further secured by second charge on hypothecation of stocks of raw materials, finished goods, semi finished goods and receivables.

- b) **Working Capital facilities:** The working capital facilities from Banks are secured by hypothecation of stocks of raw materials, finished goods, semi finished goods and receivables on pari passu basis. The working capital facilities are further secured by a second charge on the fixed assets of the Company.

- c) All the above loans except loan from International Finance Corporation are further secured by personal guarantee of the Managing Director. The Company has requested Consortium Bankers to waive the personal guarantee of the Managing Director, which is under active consideration.

- d) Hire purchase loans are secured by hypothecation of the asset purchased.

- 3) Disclosure of Sundry Creditors under Current Liabilities is based on the information available with the Company regarding the status of the suppliers defined under the 'Micro, Small and Medium Enterprises Development Act, 2006:

(Rupees in Lakhs)

	March 31, 2010	March 31, 2009
a) Principal Amount Overdue	17.16	90.68
No. of parties	9	14
Interest amount payable thereon	0.42	–
b) The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified	0.42	–
c) The amount of interest accrued and remaining unpaid at the end of each accounting year	0.42	–
d) The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 2	0.42	–

Schedules forming part of Consolidated Balance Sheet and Profit & Loss Account

SCHEDULE R SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)

4) Remuneration to Managing Director (Rupees in Lakhs)		
Particulars	2009-10	2008-09
Salary	47.50	22.50
Commission	88.67	13.42
Perquisites	23.22	5.79
Total	159.39	41.71

5) Remuneration to Statutory Auditors (Rupees in Lakhs)		
Particulars	2009-10	2008-09
a) As Auditor	17.03	7.73
b) As adviser in respect of taxation matters	3.00	0.51
Total	20.03	8.24

6) During the year, the Company has not capitalized any borrowing costs (Previous year Rs.1,044.89 were capitalized for Tablet facility at Gagillapur, grouped under Capital Work in Progress).

7) **Segment Reporting:** The Company has only one business segment of "Pharmaceuticals". Therefore, the secondary segment is geographical, which is given under:

			(Rupees in Lakhs)	
			2009-10	2008-09
a) Revenue				
i) Sale (Net of Excise Duty)				
Within India			8,027.35	4,715.56
Outside India			38,081.58	24,211.92
ii) Other Income				
Within India			48.90	80.12
Outside India			58.46	20.17

b) **Assets:** All the assets of the Company, except the debtors and loans and advances amounting to Rs.1,935.12 lakhs (Previous year Rs.1,518.18 lakhs), are within India

8) **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 nature of relationships:

Name	Relationship
(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-Biocause Pharmaceutical Co. Ltd	Joint – Venture
(v) Hubei Biocause Saponin Limited	Subsidiary of Hubei Biocause
(vi) Zhaozhang Biocause Pharmaceutical Co., Ltd	Subsidiary of Hubei Biocause
(vii) Hubei Biocause Pharmaceutical Trade Co., Ltd	Subsidiary of Hubei Biocause
(viii) Wuhan Biocause Pharmaceutical Develop Co., Ltd	Subsidiary of Hubei Biocause
(ix) Key management personnel: Shri C. Krishna Prasad	Managing Director
(x) Others: Dr. C. Nageswara Rao Mr.C.Harsha Mr.Vijay Ramanavarpu	Non executive Chairman Chief Marketing Officer Consultant

Schedules forming part of Consolidated Balance Sheet and Profit & Loss Account

SCHEDULE R SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)

b) Transactions with Subsidiary company:		(Rupees in Lakhs)	
		March 31, 2010	March 31, 2009
(i) Granules USA Inc			
Sale of goods		9,024.54	6,928.46
Purchase of capital goods		234.14	–
Others		27.32	29.94
Interest on unsecured loan		–	5.35
Amounts outstanding at Balance sheet date:			
Interest on loan		22.40	22.40
Equity subscribed		92.52	23.79
Amounts receivable for sales made		3,554.15	4,552.51
(ii) GIL Lifesciences Private Limited			
Equity participation		–	294.62
Loan granted		10.00	–
Amounts outstanding at Balance sheet date:			
Equity participation		294.62	294.62
Loan granted		10.00	–
(iii) GIL Singapore PTE Ltd			
Equity Participation		–	0.48
Advance for expenses		–	2.07
Amount outstanding at Balance Sheet date:			
Equity participation		0.48	0.48
Advance for expenses		2.07	2.07
c) Transactions with Joint-Venture			
Purchase of goods		2,722.83	1,374.97
Amounts outstanding at Balance Sheet date:			
Equity participation		1,819.03	1,819.03
Amounts payable for purchase of goods		547.06	69.71
d) Transactions with other related parties:			
Mr. C. Krishna Prasad, Managing Director:			
Remuneration		159.55	41.71
Dr. C. Nageswara Rao, Chairman:			
Sitting fee paid		1.05	0.20
Mr. Harsha Chigurupati, Chief Marketing Officer:			
Salary paid		20.60	15.45
Mr. Vijay Ramanavarapu, Consultant:			
Consultancy charges		8.50	–

9) Earnings per share – Basic and Diluted:

Particulars	2009-10	2008-09
Net profit for the year (Rs. in lakhs)	3,037.62	424.65
Weighted average number of shares outstanding during the year	2,00,57,154	2,00,57,154
Earnings per share (Rs.)	15.14	1.96
Basic Earnings per share (annualized)	–	4.16
Nominal value of shares (Rs.)	10.00	10.00

Schedules forming part of Consolidated Balance Sheet and Profit & Loss Account

SCHEDULE R SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)

- 10) 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 the accounts are as follows:

	Opening balance as on 1.4.2009	Charge/(Credit) during the period	Closing balance as on 31.3.2010
(Rupees in Lakhs)			
Deferred tax liability			
Depreciation	1,396.04	349.82	1,745.86
Total	1,396.04	349.82	1,745.86
Deferred tax asset			
Leave encashment	18.45	5.02	23.47
Bonus	11.45	2.06	13.51
MAT Credit	130.50	204.90	335.40
Others	10.59	(5.57)	5.02
Total	170.99	206.41	377.40
Net Deferred tax liability	1,225.05	143.41	1,368.46

- 11) Sundry debtors include a sum of Rs. 3,554.15 lakhs (Previous year 4,552.51 lakhs) due from a subsidiary company.
- 12) Balances appearing under Sundry creditors, Loans and advances and debtors are subject to confirmation and / or reconciliation, if any.
- 13) **Amortization of Miscellaneous Expenditure:**
- GDR issue expenses of Rs.151.89 lakhs carried forward from earlier years are amortized over a period of 5 years commencing from the year in which the Projects commence commercial production. Tablet Block at Gagillapur had commenced commercial production during September 2008, hence the issue expenses are proportionately amortized.
 - The Company has implemented a Voluntary Retirement Scheme (VRS). The total cost of separation of Rs. 24.11 lakhs excluding Gratuity under the Gratuity scheme applicable to the employees is amortized over a period of 5 years.
 - In accordance with the SEBI (Employee Stock Option Scheme) Guidelines, 1999, the excess of market price of shares at the date of grant of options under Employee Stock Option Scheme, 2002 over the exercise price is to be treated as employee compensation. However, as the market price and the exercise price are the same, there is no employee compensation resulting out of the ESOPs granted during the year which is to be amortized over vesting period as per SEBI Guidelines.
- 14) The Government of Andhra Pradesh, Commissionerate of Industries has vide its Letter No.20/2/9/0444/ID dated October 11, 1999 and its clarification vide Letter dated August 4, 2001 determined an eligibility of Rs.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 June 30, 1998 to June 29, 2012 is deferred. The liability of Rs.75.24 lakhs as at March 31, 2010 (Previous year Rs.75.24 lakhs) for the deferred Sales tax is shown under unsecured loans.
- 15) In terms of accounting policy 11 for the accrual of export benefits, estimated benefits of Rs.146.16 lakhs (Previous year Rs.168.74 lakhs) have been taken into account under the DEEC/DEPB Schemes.
- 16) Previous year figures are not comparable as current year consists of twelve months as against nine months in the previous year.
- 17) Figures in Balance Sheet and Profit & Loss account have been rounded off to the nearest Rupee and figures in Notes 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 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: May 5, 2010

Dr. C. Nageswara Rao
Chairman

C. Krishna Prasad
Managing Director

Pranesh Raj Mathur
Chief Financial Officer

Consolidated Cash Flow Statement for the year ended March 31, 2010

(Amount in Rupees)
9 Months ended
March 31, 2009

Particulars	Year ended March 31, 2010			
A CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit before tax		375,963,311		70,206,883
Adjustments for:				
Depreciation	185,743,509		117,997,888	
Misc. Expenditure written off	6,295,156		2,179,208	
(Profit) / Loss on sale of assets	(90,947)		920,529	
Foreign currency restatement on term loans	(80,985,680)			
Provision for doubtful debts	1,046,008		(273,929)	
Interest & dividend income	(4,770,223)		(5,926,731)	
Interest & finance charges	142,079,088	249,316,911	126,727,307	241,624,272
Operating profit before working capital changes		625,280,222		311,831,155
Increase in Trade and other receivables		(28,604,408)		(276,155,269)
Increase in inventories		(91,228,371)		(66,471,605)
Increase/(decrease) in Payables		154,449,554		(85,669,475)
Cash generated from operations		659,896,996		(116,465,194)
Direct Taxes paid		62,642,196		6,318,765
Net Cash from operating activities		597,254,800		(122,783,959)
B. CASH FLOW FROM INVESTING ACTIVITIES				
Purchase of fixed assets		(127,898,379)		93,183,253
Increase in Miscellaneous expenditure		(2,410,565)		(1,257,859)
Other investments		(57,587)		–
Sale of Fixed Assets		494,923		(3,778,726)
Interest/dividends received		(3,744,752)		178,018
Net Cash used in investing activities		(133,616,361)		88,324,686
C. CASH FLOW FROM FINANCING ACTIVITIES				
Increase/(Decrease) in Working Capital Loans		(75,201,628)		259,322,118
Interest paid		(144,554,364)		(125,472,849)
Dividends paid		(29,563,623)		(28,828,808)
Proceeds from Long Term and other borrowings		16,438,550		202,096,271
Repayment of long term loans		(159,761,029)		(141,764,633)
Proceeds from Unsecured Loans		(64,638,844)		65,638,844
Net Cash used in Financing Activities		(457,280,938)		230,990,943
Net Increase in cash & cash equivalents (A+B+C)		6,357,502		19,882,298
Cash equivalents (Opening Balance as at April 1, 2009)		128,385,790		108,503,492
Cash equivalents (Closing Balance as at March 31, 2010)		134,743,292		128,385,790

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: May 5, 2010

Dr. C. Nageswara Rao

Chairman

C. Krishna Prasad

Managing Director

Pranesh Raj Mathur

Chief Financial Officer

Directors' Overview

Current market trends continue to reinforce the need for cost competitive, high quality pharmaceuticals; private label and generic products speak to this need. Granules as an organization strives to fulfill this market need with products produced under our current good manufacturing practices (cGMP), in FDA inspected facilities, with quality driven systems and manufacturing sites and an overall quality mind set with each and every product we produce.

The fiscal year ending March 31, 2010 was a year of transition with consolidated growth. This year's revenue for Granules USA, Inc. was approximately USD 21.5 mn as compared to USD 19.9 mn for the previous twelve month period ending March 31, 2009. Overall, Granules USA's domestic sales remain over 20% of Granules India Ltd.'s total global revenue. Top line revenue growth was relatively flat as the business mix in the United States started the migration toward providing finished dosage manufacturing in comparison to our previously almost exclusive API (Active Pharmaceutical Ingredient) and PFI (Pharmaceutical Formulation Intermediate) powder sales. This planned transition, while allowing for increased margins to Granules as a whole as we provide a larger portion of the value chain, is expected to negatively impact revenues in this coming fiscal year. Specifically, in the first half of fiscal 2010-11, new finished dosage product launches will ramp to replace lost lower margin volume PFI sales due to the loss of a key customer. Our immediate marketing efforts continue with the intent of solidifying existing customer relationships and growing new partnerships with both our current and new product offerings.

Although Granules considers its business to be defensive in nature, Granules USA Inc.'s business is currently concentrated with a few key select customers. With an eye toward growth, we are focusing on increasing the range and reach of our product offerings in order to expand our customer base. Toward that end, our product development initiatives at Granules India Ltd. are based upon expanding our finished dosage offerings with the intent of adding to our value proposition to targeted partners in the pharmaceutical marketplace. We expect these efforts to provide for additional sell through of existing products in both the Private Label and Branded marketplace while our additional product offerings add to our sales in the FDA approved product Private Label (OTC) and Generic (Rx) space. With these initiatives, we look to leverage our embedded infrastructure and product line offerings to a broader market segment by allowing customers to choose amongst API, PFI and finished dosage product solutions from Granules.

In these fast evolving and motivating times, we welcome the challenges offered in the global cost conscious environment and truly appreciate the loyalty and support of our customers, suppliers and stakeholders as we strive to meet these challenges into the future.

Sincerely

Jonathan Berlent
President
Granules USA Inc.

Granules USA Inc.

Professional Accountant Associates

To
The Board of Directors
Granules USA Inc.

101, Howard Blvd.,
Mt. Arlington, New Jersey, 07856

We have reviewed the accompanying balance sheet of Granules USA Inc., as of March 31, 2010, and the related statements of income, retained earnings, and cash flows for the period April 1, 2009 to March 31, 2010, in accordance with Statements on Standards for Accounting and Review Services issued by the American Institute of Certified Public Accountants. All of the information included in the financial statements is the representation of the management of Granules USA, Inc.

Review consists principally of inquiries of Company personnel and analytical procedures applied to financial data. It is substantially less in scope than an audit in accordance with generally accepted auditing standards, the objective of which is the expression of an opinion regarding the financial statements taken as a whole. Accordingly, we do not express such an opinion.

Based on our review, we are not aware of any material modifications that should be made to the accompanying financial statements in order for them to be in conformity with generally accepted accounting principles.

Anjali Patel, CPA

April 26, 2010

Balance Sheet as at March 31, 2010

(Amount in Rupees)

Particulars	Schedule No.	As at March 31, 2010	As at March 31, 2009
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	A	11,631,470	2,379,470
Total Sources of Funds		11,631,470	2,379,470
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	B	2,111,719	1,862,376
Less: Accumulated Depreciation		1,205,739	1,140,049
Net Block		905,980	722,327
Current Assets, Loans & Advances			
Inventories	C	74,031,259	164,428,738
Sundry Debtors		220,649,177	265,458,830
Cash & Bank Balances		12,237,366	6,529,902
Loans and Advances		2,121,503	10,060,497
		309,039,304	446,477,967
Less: Current Liabilities & Provisions			
Current Liabilities	D	349,941,503	497,225,399
Net Current Assets		(40,902,199)	(50,747,432)
Miscellaneous Expenditure (to the extent not written off or adjusted)			
Profit & Loss Account		51,627,689	52,404,575
Total Application of Funds		11,631,470	2,379,470

As per our report of even date

For and on behalf of the Board

For Professional Accountant Associates

Anjali Patel

CPA

Place: New Jersey

Date: April 26, 2010

Jonathan Berlent

President

Profit & Loss Account for the Period ended March 31, 2010

(Amount in Rupees)

Particulars	Schedule No.	Year ended March 31, 2010	9 Months ended March 31, 2009
INCOME			
Sales(net)		1,048,654,324	892,821,649
Other Income	E	2,487,022	–
		1,051,141,346	892,821,649
EXPENDITURE			
Cost of Goods Sold	F	998,309,086	830,644,073
Marketing & Selling Expenses	G	19,867,739	17,997,829
Administrative Expenses	H	35,789,436	38,974,783
Interest and Finance Charges	I	1,747,355	1,420,368
Depreciation		65,691	189,722
		1,055,779,308	889,226,775
Profit before tax before extraordinary items		(4,637,962)	3,594,874
Foreign exchange fluctuation		(5,414,847)	8,502,085
Profit before tax		776,885	(4,907,211)
Less: Current Tax Expense		–	–
Deferred Tax Expense		–	–
Fringe Benefit Tax		–	–
Net Profit after Taxes		776,885	(4,907,211)
Balance transferred to Balance Sheet		776,885	(4,907,211)
Add profit brought forward from previous year		(52,404,575)	(47,497,365)
Surplus carried forward to Balance Sheet		(51,627,690)	(52,404,575)

As per our report of even date

For and on behalf of the Board

For Professional Accountant Associates

Anjali Patel

CPA

Place: New Jersey

Date: April 26, 2010

Jonathan Berlent

President

Schedules forming part of Balance Sheet as at March 31, 2010

(Amount in Rupees)

	As at March 31, 2010	As at March 31, 2009
SCHEDULE A SHARE CAPITAL		
Authorised Capital		
Common stock, 2,500,000 shares of \$0.10 par value (Previous year Common stock, 1500 shares of \$100 par value)	11,125,000	6,675,000
	11,125,000	6,675,000
Issued, Subscribed and Paid up Capital		
500,000 Shares of \$ 0.10 each (Previous year : 500 shares of \$100 each)	11,631,470	2,379,470
	11,631,470	2,379,470

SCHEDULE B FIXED ASSETS

Particulars	GROSS BLOCK				DEPRECIATION				NET BLOCK	
	As on April 1, 09	Additions	Deletions	Total as on March 31, 10	As on April 1, 09	For the Year	On Deletions	As on March 31, 10	As on March 31, 10	As on March 31, 09
Office equipment	1,090,618	249,343	-	1,339,961	1,046,969	51,836	-	1,098,805	241,156	43,649
Furniture & Fixtures	566,590	-	-	566,590	30,591	-	-	30,591	535,999	535,999
Technical Knowhow	205,168	-	-	205,168	62,488	13,855	-	76,343	128,825	142,680
Total	1,862,376	249,343	-	2,111,719	1,140,049	65,691	-	1,205,739	905,980	722,327

	As at March 31, 2010	As at March 31, 2009
SCHEDULE C CURRENT ASSETS, LOANS & ADVANCES		
i) Stock in hand		
Finished Goods	74,031,259	164,428,738
	74,031,259	164,428,738
ii) Sundry Debtors (Unsecured, considered good)		
Receivables	224,585,089	269,896,920
Less: Provision for Doubtful debts	(3,935,912)	(4,438,090)
	220,649,177	265,458,830
iii) Cash & bank balances		
– in current account	12,237,366	6,529,902
	12,237,366	6,529,902
iv) Loans & Advances		
Other current assets	2,121,503	10,060,498
	2,121,503	10,060,498

SCHEDULE D CURRENT LIABILITIES & PROVISIONS

Due to creditors for goods & services	342,593,604	494,506,639
Other liabilities	7,347,899	2,718,760
	349,941,501	497,225,399

Schedules forming part of Profit & Loss Account for the year ended March 31, 2009

(Amount in Rupees)

	Year ended March 31, 2010	9 months ended March 31, 2009
SCHEDULE E OTHER INCOME		
Other income	2,487,022	–
	2,487,022	–

SCHEDULE F COST OF GOODS SOLD		
Cost of Goods Sold		
i) Purchases	907,911,589	796,679,564
ii) (Increase)/Decrease in Finished goods		
Opening stock	164,428,755	198,393,264
Closing Stock	74,031,256	164,428,755
Total (Increase)/Decrease in stocks	90,397,496	33,964,509
Cost of Goods Sold	998,309,086	830,644,073

SCHEDULE G MARKETING & SELLING EXPENSES		
Sales Commission		1,564,143
Freight and Clearing charges	16,978,785	14,782,766
Travelling expenses	2,888,954	1,650,921
	19,867,739	17,997,829

SCHEDULE H ADMINISTRATIVE EXPENSES		
Salaries, Wages & Bonus	24,682,424	20,850,681
Repairs & Maintenance - Others	24,154	20,010
Rent	1,776,896	1,323,505
Rates & Taxes	459,911	10,194,945
Insurance	2,182,358	996,278
Consultancy & Professional Charges	5,143,648	3,471,214
Communication Expenses	1,239,415	739,695
Printing & Stationery	191,932	288,725
Research Expense	17,036	429,774
Utilities	–	32,543
Advertisement Charges	71,663	23,969
Sundry Expenses	–	603,444
	35,789,436	38,974,783

SCHEDULE I INTEREST AND FINANCE CHARGES		
Interest on Working Capital	–	224,476
Bank Charges	1,747,355	1,195,892
	1,747,355	1,420,368

Schedules forming part of Balance Sheet and Profit & Loss Account

SCHEDULE K SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A summary of the significant accounting policies applied in the preparation of the accompanying financial statements are as follows:

1. Business

Granules USA Inc. ("Granules and the "Company") was incorporated on March 5, 2003 in Delaware. Granules is a wholly owned subsidiary of Granules India Limited ("GIL"), a company incorporated in India.

Granules acts as an exclusive front-end value chain for GIL and develops markets for the products manufactured by GIL. The business of GIL comprises of manufacture and sale of pharmaceutical products.

2. Basis of presentation

- a. The accompanying financial statements for the period April 1, 2009 to March 31, 2010, are prepared in accordance with the accounting principles generally accepted in the United States of America ('US GAAP')
- b. In preparing the Company's financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period, the important estimates made by the Company in preparing these financial statements include those on the useful life of property and equipment, the valuation of deferred taxes and allowance for doubtful debts and actual results could differ from those estimates.

3. Cash and cash equivalents

The Company considers all highly liquid investments and deposits with an original maturity of ninety days or less to be cash equivalents. Cash and cash equivalents comprise cash on hand and balance with banks.

4. Inventories

Inventories consist of products purchased from GIL, and are stated at cost. The cost of the products is determined using the first in first out ('FIFO') method.

5. Accounts Receivables

The Company provides allowance for doubtful accounts equal to the estimated uncollectable amounts in the aggregate, based on the present and prospective financial condition of customers and ageing of accounts receivables after considering historical experience and economic environment.

6. Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. Depreciation provided over the estimated useful economic life of the assets using the straight-line method. Depreciation of an asset commences when the asset is put to use. The estimated useful lives used to determine depreciation are:

Furniture and fixture	7 years
Computers	5 years

7. Intangible Assets

Purchased trademarks are capitalized at cost; intangible assets with finite useful life are amortized over the useful or economic life of the intangible asset.

8. Revenue

Customers of the Company consist primarily of large pharmaceutical companies. Revenue from product sales is recognized when the merchandise is shipped to customers and all the four of the following criteria are met: (i) persuasive evidence that an arrangement exists; (ii) delivery of the products has occurred; (iii) the selling price is both fixed and determinable and; (iv) collectibles is reasonably probable.

Provisions for sales discount, damaged product returns, exchanges for expired products are established as a reduction of product sales revenue at the time such revenues are recognized. Certain charge backs and rebate programs extended to

Schedules forming part of Balance Sheet and Profit & Loss Account

SCHEDULE K SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)

customers pursuant to the industry standards, are recognized as a reduction from product sales revenues at the time of shipment.

9. Research and Development

Research and development costs are expensed when incurred. Expenditure for obtaining regulatory approvals and registration of products is charged to revenue when incurred. During the period April 1, 2009 to March 31, 2010, the Company incurred Rs 17,033 on research and development.

NOTE B – CASH AND EQUIVALENTS

The cash and cash equivalents of the Company comprise of:

(Amount in Rupees)

	As of March 31, 2010
Checking account the PNC Bank-2 accounts aggregating	12,237,366

Generally bank balance only to Rs 4,491,000 is FDIC insured, But for the current year under the new policy it is FDIC insured up to Rs 11,227,500

NOTE C – INVENTORIES

Inventories comprise of:

(Amount in Rupees)

	As of March 31, 2010
Traded Goods	70,705,451
Goods-in-transit	3,325,808
Total	74,031,259

NOTE D – ACCOUNTS RECEIVABLES

Granules accounts receivables are primarily related to sale of granules to pharmaceutical companies. Credit is extended based on prior experience with the customer and evaluation of customers' financial condition. Granules had gross receivables from outside customers of Rs 224,585,089 as of March 31, 2010. The Company had provided for doubtful allowance Rs 3,935,912 in the previous year for the amount owed by Leiner, which has filed for bankruptcy.

An agreement was entered into with Pharbest Pharmaceutical Corporation on February 2, 2010, whereby the Company accepted Rs 7,185,600 in full and final settlement of the outstanding balance of Rs 9,361,939. The balance of Rs 2,176,339 is still shown as outstanding in accounts receivable.

There is an outstanding balance due from Kirk Pharmaceuticals of Rs 15,584,893. Kirk Pharmaceuticals have filed Chapter 11 in bankruptcy. There is less likelihood of recovering this amount. No provision for bad debt has been made in the accounts.

Schedules forming part of Balance Sheet and Profit & Loss Account

SCHEDULE K SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)

NOTE E – OTHER CURRENT ASSETS

Other current assets comprise of: (Amount in Rupees)

	As of March 31, 2010
Other advances	2,121,503
Total	2,121,503

The Company had made a loan to Lehigh Valley Technologies Inc for Rs 16,205,414 payable in 56 equal weekly installments of Rs 318,996 commencing from May 18, 2008. Interest chargeable was at 8% per annum. The loan amount was fully paid. No provision for accrued interest has been made.

NOTE F – PROPERTY AND EQUIPMENT

Property and equipment comprise of the following: (Amount in Rupees)

	As of March 31, 2010
Furniture and fixtures	535,999
Computer equipment	1,339,961
Less: Accumulated depreciation	(1,098,805)
Total	777,155

NOTE G – INTANGIBLES

Intangibles comprise of: (Amount in Rupees)

	As of March 31, 2010
Trade marks	205,168
Less: Accumulated amortization	(76,343)
Total	128,825

NOTE H – OTHER CURRENT LIABILITIES

Other current liabilities comprise of the following: (Amount in Rupees)

	As of March 31, 2010
Accrued expenses	647,179
Loan from Granules India Limited	1,986,288
Total	2,633,467

The Company received a loan of Rs 6,736,500 from its parent company GIL. This loan carries 7% simple interest. The outstanding amount represents the interest that has not been paid.

NOTE I – COMMITMENTS AND CONTINGENCIES

There are no commitments or contingencies as on March 31, 2010.

NOTE J – NET OPERATING LOSSES CARRIED FORWARD

As at March 31, 2010, the Company had Rs 53,687,185 in Federal net operating loss and Rs.51,545,016 New Jersey State operating loss carry forwards which can be carried forward for future utilization within 15-20 years.

Schedules forming part of Balance Sheet and Profit & Loss Account

NOTE K – RELATED PARTY TRANSACTIONS

The Company had following transactions and balances with its parent, GIL:

(Amount in Rupees)

	Year ended March 31, 2010
Purchases by the Company from GIL	908,360,440
Interest due on short term loan	1,904,176
<i>Related party balances at the year end:</i>	
Accounts payable by the Company to GIL	342,588,210
Short-term loan interest payable by the Company to GIL	1,904,176
Accounts Receivable from GIL to the Company	22,674,430

NOTE L – SEGMENT INFORMATION

The Company's main business is marketing of pharmaceutical products of the parent company. The management views the Company's operations as a single reportable segment.

NOTE M – CONCENTRATION

The Company's future results of operations involve a number of risks and uncertainties. Factors that could affect future operating results and cause actual results to vary materially from expectations include but are not limited to government regulations, competition, reliance on certain customers and credit risk.

The Company has concentration in respect of region in which it operates, which is the USA. The Company has concentration in receivables and revenue. Contract Pharmacal, Amneal, LNK and Perrigo constitute approximately 6%, 4%, 34% and 27% of the accounts receivables and approximately 5%, 9%, 55%, and 20% of the revenue respectively.

NOTE N – STOCKHOLDERS' EQUITY

The authorized share capital of the Company has been changed from 1,500 equity shares of no par value to 2,500,000 shares of \$0.10 each. The Company had issued 500 equity shares of \$ 100 each, which are converted into 500,000 shares (forward stock split). Each share carries an equal voting right and is entitled to an equal share in the assets of the Company at liquidation. 200,000 shares were issued on November 23, 2009 for \$200,000.

As per our report of even date

For and on behalf of the Board

For Professional Accountant Associates

Anjali Patel

CPA

Place: New Jersey

Date: April 26, 2010

Jonathan Berlent

President

Cash Flow Statement for the year ended March 31, 2010

(Amount in Rupees)

Particulars	Year ended March 31, 2010		9 months ended March 31, 2009
A CASH FLOW FROM OPERATING ACTIVITIES			
Net Profit before tax and extraordinary items		776,885	(4,907,211)
Adjustments for:			
Depreciation	65,691		189,723
		65,691	189,723
Operating profit before working capital changes		842,575	(4,717,488)
Increase in Trade and other receivables		52,748,647	(132,014,216)
Increase in inventories		90,397,479	33,964,526
Increase/(decrease) in Trade Payables		(147,283,896)	113,245,911
Cash generated from operations		(3,295,194)	10,478,733
Net Cash from operating activities		(3,295,194)	10,478,733
B Cash flow from Investing Activities			
Purchase of fixed assets	249,343		86,462
Net Cash used in Investing Activities		249,343	86,462
C Cash flow from Financing Activities			
Proceeds from issue of share capital including premium	9,252,000		
Proceeds from Long Term & Other Borrowings	–		(8,166,333)
Net Cash used in Financing Activities		9,252,001	(8,166,333)
Net Increase/(decrease) in cash & cash equivalents (A+B+C)		5,707,464	2,225,938
Cash equivalents (Opening Balance as at April 1, 2009)		6,529,902	4,303,964
Cash equivalents (Closing Balance as at March 31, 2010)		12,237,366	6,529,902

As per our report of even date

For and on behalf of the Board

For Professional Accountant Associates

Anjali Patel

CPA

Place: New Jersey

Date: April 26, 2010

Jonathan Berlent

President

Directors' Report

Your Directors have pleasure in presenting the Third Annual Report of the Company together with the Audited statement of Accounts for the year ended March 31, 2010.

COMPANY PERFORMANCE

The land was acquired for setting up a Pharmaceutical manufacturing unit in near future at Jawaharlal Nehru Pharma City (JNPC), Parwada Mandal, Visakhapatnam.

DIRECTORS

There is no change in the constitution of the Board of Directors.

AUDITORS

M/s.Vijaya Bhaskar & Co., Chartered Accountants, the retiring auditors are eligible for reappointment.

DIRECTORS' RESPONSIBILITY STATEMENT

As required under Sec. 217(2AA) of the Companies Act, 1956, your directors wish to state:

- (a) that in preparation of the annual accounts, the applicable accounting standards had been followed along with proper explanation relating to material departures;
- (b) that they have selected such accounting policies and applied them consistently and made judgements and estimates that were reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year and of the profit or loss of the Company for the year under review;
- (c) that they have taken proper and sufficient care for the maintenance of adequate accounting records in accordance with the provisions of the Companies Act, 1956 for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities; and
- (d) that they have prepared the accounts for the year ended March 31, 2010 on a 'going concern' basis

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE FLUCTUATIONS

The relevant information as required under section 217 (2) of

the Companies Act, 1956 is not enclosed since the said provisions are not applicable to the Company.

No research and development was undertaken during the year and no expenses have been incurred on research and development during the year.

FIXED DEPOSITS

During the year under review, your Company did not accept or invite any deposits from the public.

DIVIDENDS

In view of non-commencement of business, your directors are unable to recommend any dividend.

PARTICULARS OF EMPLOYEES

There are no employees, employed throughout the year and in receipt of Rs. 24,00,000/- or more per annum or employed for part of the year and in receipt of Rs. 2,00,000/- per month.

SECRETARIAL COMPLIANCE CERTIFICATE

Pursuant Section 383A of Company's Act, 1956 the secretarial compliance certificate issued by practicing Company Secretary is attached to this report.

ACKNOWLEDGEMENTS

The Directors thank the shareholders, bankers and other stakeholders for their support to the Company.

For and on behalf of the Board

C. Krishna Prasad
Director

Harsha Chigurupati
Director

Place: Hyderabad
Date : August 12, 2010

Secretarial Compliance Certificate

Registration Number: U24230AP2007PTC054839

Nominal Capital: Rs 30,000,000.00

To

The Members of

M/S. GIL Lifesciences Private Limited

Hyderabad-500081

We have examined the registers, records, books and papers of M/S.GIL LIFESCIENCES PRIVATE LIMITED (the Company) as required to be maintained under the Companies Act, 1956 (the Act) and the rules made there under and also the provisions contained in the Memorandum and Articles of Association of the Company for the financial year ended March 31, 2010 (Financial year from April 1, 2009 to March 31, 2010). In our opinion and to the best of our information and according to the examinations carried out by us and explanations furnished to us by the Company, its officers and agents, we certify that in respect of the aforesaid financial year:

1. The Company has kept and maintained all registers as stated in Annexure 'A' to this certificate, as per the provisions and the rules made there under and all entries therein have been duly recorded
2. The Company has duly filed the forms and returns as stated in Annexure 'B' to this certificate with the Registrar of Companies and other authorities as required under the Act and the rules made there under.
3. The Company is a Private Limited Company, and has the minimum prescribed paid-up capital and its maximum number of members during the said financial year were 2 excluding its present and past employees and the Company during the year under scrutiny:
 - i) has not invited public to subscribe for its Shares or Debentures; and
 - ii) has not invited or accepted any deposits from persons other than its members, directors or their relatives.
4. The Board of Directors have duly met 4 times on April 30, 2009, 23-07-2009,25-11-2009 and February 19, 2010 in respect of which meetings proper notices were given and the proceedings were properly recorded and signed.
5. The Company was not required to close its Register of Members during the financial year under review.
6. The Annual General Meeting for the financial year ended on March 31, 2009 was held on September 30, 2009 after giving notice to the members of the Company and resolutions passed thereat were duly recorded in Minutes Book maintained for the purpose.
7. No Extraordinary General Meeting was held during the financial year.
8. The Company has not advanced any loans to its directors or persons or firms or companies referred to under Section 295 of the Act.
9. The Company has not entered into any contracts falling within the purview of Section 297 of the Act.
10. The Company was not required to make any entries in the register maintained under Section.301 of the Act.
11. The provisions of Section 314 of the Act have not been attracted and, therefore, no approvals were required to be obtained.
12. The Company has not issued any duplicate share certificates during the financial year under review.
13. The Company:
 - i) was not required to deliver certificates as there was no allotment/ transfer/ transmission of securities during the year.
 - ii) was not required to deposit any amount in a separate Bank Account as no dividend was declared during the year under review.
 - iii) was not required to post warrants to any member (s) of the Company as no dividend was declared during the year under review.
 - iv) duly complied with the requirements of Section 217 of the Act.
14. The Board of Directors of the Company is duly constituted. There was no appointment of additional directors, alternate directors and directors to fill casual vacancy during the financial year.
15. The Company has not appointed Managing Director/Whole-time Director during the financial year.

Secretarial Compliance Certificate (Contd.)

16. The Company has not appointed any sole selling agents during the financial year under review.
17. The Company was not required to obtain any approvals of the Central Government, Company Law Board, Regional Director, Registrar of Companies and/or such other authorities prescribed under various provisions of the Act during the financial year.
18. The Directors have disclosed their interest in other firms/companies to the Board of Directors pursuant to the provisions of the Act and the rules made there under.
19. The Company has not issued any shares or other securities during the financial year.
20. The Company has not bought back any shares during the financial year under review.
21. The Company has so far not issued any redeemable preference shares/debentures.
22. During the year under review, the Company has not declared any dividend, rights shares and bonus shares and, hence, the question of keeping in abeyance rights to dividend, rights shares and bonus shares, pending registration of transfer of shares, does not arise.
23. The Company has not invited/accepted any deposits falling within the purview of Section 58A of the Act during the financial year.
24. The Company has not made any borrowings during the financial year.
25. The Company has not made any loans or advances or given guarantees or provided securities to other bodies corporate and consequently no entries have been made in the register kept for the purpose.
26. The Company has not altered the provisions of the Memorandum with respect to situation of the Company's registered office from one State to another during the year under review.
27. The Company has not altered the provisions of the Memorandum with respect to the objects of the Company during the year under review.
28. The Company has not altered the provisions of the Memorandum with respect to name of the company during the year under review.
29. The Company has not altered the provisions of the Memorandum with respect to share capital of the company during the year under review.
30. The Company not altered its Articles of Association during the financial year.
31. There was no prosecution initiated against or show cause notices received by the Company, during the financial year, for offences under the Act and consequently the question of fines or penalties does not arise.
32. The Company has not received any money as security from its employees during the financial year under review.
33. The Company has not constituted any fund under the provisions of Section 418 of the Act and, hence, the provisions of Section 418 of the Act are not applicable.

For S. Srikanth & Associates
Company Secretaries

S. Srikanth
Proprietor

Place: Hyderabad
Date: August 12, 2010

C. P. No: 7999

Annexure – A

Registers as maintained by the Company:

1. Register of Contracts u/s 301(3) of the Act
2. Register of Members u/s 150 of the Act
3. Register of Directors u/s 303 of the Act
4. Register of Directors' Shareholding u/s 307 of the Act
5. Minutes of General Meetings u/s 193 of the Act
6. Minutes of Board of Directors Meetings u/s 193 of the Act
7. Register of Fixed Assets

For **S. Srikanth & Associates**
Company Secretaries

S. Srikanth
Proprietor
C. P. No: 7999

Place: Hyderabad
Date: August 12, 2010

Annexure – B

Forms and Returns as filed by the Company with the Registrar of Companies, Regional Director, Central Government or other authorities during the year ended March 31, 2010

Sl. No.	Form No.	Relevant Section	Description	Date of Filing	Whether filed within prescribed time Yes/No	If delay in filing Whether Requisite Additional fee Paid Yes/No.
1.	Form No. 23AC and 23ACA	220	Annual Accounts for the Financial year ended March 31, 2009 laid and adopted by members in Annual General Meeting held on September 30, 2009	28.11.2009	No	Yes
2.	Form No. 66	383A	Compliance Certificate for Financial Year ended on March 31, 2009	06.11.2009	No	Yes
3.	Form No. 20B	159	Annual Return in connection with the Annual General Meeting held on September 30, 2009	30.11.2009	Yes	Not Applicable

For **S. Srikanth & Associates**
Company Secretaries

S. Srikanth
Proprietor
C. P. No: 7999

Place: Hyderabad
Date: August 12, 2010

Auditors' Report to Members

We have audited the attached Balance Sheet of GIL Lifesciences Private Limited as at March 31, 2010. 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 the audit in accordance with auditing standards accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financials are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audit provides a reasonable basis for our opinion.

We report as follows:

1. As required by the Companies (Auditors' Report) Order, 2003 issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, we enclose a statement on the matters specified in Paragraphs 4 and 5 of the said order:
2. Further to our comments in the Statement referred to in paragraph(1) above:
 - a) We have obtained all the information and explanation which, to the best of our knowledge and belief, were necessary for the purposes of our audit.
 - b) In our opinion, proper books of account as required by law have been kept by the Company in so far as it appears from our examination of the books.

- c) The Balance Sheet referred to in the Report are in agreement with the books of account.
- d) In our opinion, the accounts have been prepared in accordance with the Accounting standards referred to in sub-section 3(c) of section 211 of the Companies Act, 1956.
- e) On the basis of written review of written representations received from the directors, and taken on record by the Board of Directors, none of the director is disqualified as on March 31, 2010 from being appointed as director in terms of clause (g) of section 274(1) of the Companies Act, 1956.
- f) In our opinion and to the best of our information and according to the explanation given to us, the said accounts read with the notes thereon give the information required by the Companies Act, 1956 in the manner so required and give a true and fair view:

in so far as it relates to the Balance Sheet, of the state of affairs of the Company as at March 31, 2010.

For Vijaya Bhaskar & Co.,
Chartered Accountants

A. Vijaya Bhaskar
Partner

Place: Hyderabad
Date : April 30, 2010

Membership No. 200213

Annexure to Auditors' Report

- | | |
|---|---|
| <p>(i) a) The Company does not own any fixed assets other than land and has maintained proper records for the situation of fixed assets.</p> <p>b) The fixed assets(land) has been physically verified by the company during the year in accordance with a programme of verification, which in our opinion is reasonable having regard to the size of the Company and the nature of its business.</p> <p>c) In our opinion and according to the information and explanations given to us, a substantial part of fixed assets have not been disposed of by the Company during the year.</p> <p>(ii) a) There are no stocks of the Company as at March 31, 2010 and hence the clause (ii) of CARO, 2003 is not applicable.</p> <p>b) The terms and conditions of the loan are not prima facie prejudicial to the interests of the Company.</p> <p>c) In the absence of specific terms and conditions as to the repayment of the loan, we are unable to offer our comment upon.</p> <p>(iv) In our opinion and according to the information and explanations given to us, there are adequate internal control procedures commensurate with the size of the Company and the nature of its business for the expenses and we have not observed any continuing failure to correct weakness in such internal controls.</p> <p>(v) In our opinion and according to the information and explanations given to us, there are no transactions that need to be entered into the Register maintained under Section 301 of the Companies Act, 1956.</p> <p>(vi) The Company has not accepted any deposits from the public within the meaning of Section 58 A and 58 AA of the Companies Act, 1956 and the rules framed thereunder.</p> <p>(vii) In our opinion, the reporting on the internal audit system of the Company is not applicable.</p> <p>(viii) Maintenance of cost records under Section 209(i) (d) of the Companies Act, 1956 is not applicable to this Company.</p> <p>(ix) The disclosure under Clause (ix) relating to statutory dues is not applicable to the Company.</p> <p>(x) The Company does not have accumulated losses as at March 31, 2010 and has not incurred cash losses during the financial year ended on that date or in the</p> | <p>immediately preceding previous financial year.</p> <p>(xi) The Company has not availed any loans from banks or institutions, hence the comment on the default in repayment is not applicable.</p> <p>(xii) According to the information and explanations given to us, the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities.</p> <p>(xiii) The Provisions of any special statute as specified under paragraph (xiii) of the Order are not applicable to the Company.</p> <p>(xiv) In our opinion, the Company is not dealing in or trading in shares, securities, debentures and other investments.</p> <p>(xv) According to the information and explanation given to us, the Company has not given any guarantees for the loans taken by others from banks or financial institutions.</p> <p>(xvi) The Company has not raised any term loans during the year.</p> <p>(xvii) According to the information and explanation given to us and on an overall examination of the Balance Sheet of the Company, we report that no funds raised on a short term basis were used for long term investment.</p> <p>(xviii) The Company has not made any preferential allotment of shares to parties and companies covered in the register maintained under section 301 of the Company's Act during the year.</p> <p>(xix) The Company has not made any preferential allotment of shares to parties and Companies covered in the Register maintained under section 301 of the Companies Act, 1956 during the year.</p> <p>(xx) The Company has not raised any money by Public Issue during the year.</p> <p>(xxi) According to the information and explanations given to us, no fraud on or by the Company has been noticed or reported during the course of our audit.</p> |
|---|---|

For Vijaya Bhaskar & Co.,
Chartered Accountants

A. Vijaya Bhaskar
Partner

Place: Hyderabad
Date : April 30, 2010

Membership No. 200213

Balance Sheet as at March 31, 2010

(Amount in Rupees)

Particulars	Schedule No.	As at March 31, 2010	As at March 31, 2009
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	A	29,461,760	29,461,760
Loan Funds			
Unsecured Loans	B	1,000,000	–
Total Funds Employed		30,461,760	29,461,760
APPLICATION OF FUNDS:			
Fixed Assets			
Gross Block	C	29,996,261	29,825,431
Less: Depreciation		–	–
Net Block		29,996,261	29,825,431
Current Assets, Loans and Advances:			
Cash and Bank balances	D	280,524	79,053
		280,524	79,053
Less: Current Liabilities and Provisions:			
Current Liabilities	E	121,773	749,472
Provisions		–	–
Net current assets		158,751	(670,419)
Miscellaneous expenditure			
(to the extent not written off or adjusted)	F		
Preliminary expenses		306,748	306,748
Total Funds Used		30,461,760	29,461,760
Significant Accounting Policies and Notes to the accounts	G		

As per our report attached

For and on behalf of the Board of Directors

For Vijaya Bhaskar & Co.,
Chartered Accountants

A. Vijaya Bhaskar
Partner
Membership No. 200213
Place: Hyderabad
Date : April 30, 2010

C. Krishna Prasad
Director

Harsha Chigurupati
Director

Schedules forming part of Balance Sheet as at March 31, 2010

(Amount in Rupees)

	As at March 31, 2010	As at March 31, 2009
SCHEDULE A SHARE CAPITAL		
Authorised:		
30,00,000 Equity Shares of Rs.10/- each	30,000,000	30,000,000
Issued, subscribed & Paid up:		
29,46,176 Equity Shares of Rs.10/- each fully paid up	29,461,760	29,461,760
	29,461,760	29,461,760

SCHEDULE B UNSECURED LOANS

	As at March 31, 2010	As at March 31, 2009
Inter corporate Loan from Granules India Limited, (Holding Company)	1,000,000	-
	1,000,000	-

SCHEDULE C FIXED ASSETS

Particulars	GROSS BLOCK			DEPRECIATION			NET BLOCK	
	As on March 31, 2009	Additions during the year	As on March 31, 2010	As on March 31, 2009	For the period	Upto March 31, 2010	As on March 31, 2010	As on March 31, 2009
1. Land(including development)	29,673,035	-	29,673,035	-	-	-	29,673,035	28,950,315
2. Pre-operative expenses pending capitalisation	152,396	170,830	323,226	-	-	-	323,226	83,443
Total	29,825,431	170,830	29,996,261	-	-	-	29,996,261	29,033,758
Previous Year	29,033,758	791,673	29,825,431	-	-	-	29,825,431	29,033,758

	As at March 31, 2010	As at March 31, 2009
SCHEDULE D CURRENT ASSETS, LOANS AND ADVANCES		
Cash and Bank balances		
Cash on hand	466	2,266
Balance with Scheduled Banks in Current account	280,058	76,787
	280,524	79,053

SCHEDULE E CURRENT LIABILITIES AND PROVISIONS

	As at March 31, 2010	As at March 31, 2009
Current Liabilities		
Other Creditors	-	722,720
Other liabilities	121,773	26,752
	121,773	749,472

SCHEDULE F MISCELLANEOUS EXPENDITURE

	As at March 31, 2010	As at March 31, 2009
(to the extent not written off or adjusted)		
Preliminary Expenses	306,748	306,748
Less:Written off	-	-
	306,748	306,748

Schedules forming part of Balance Sheet and Profit & Loss Account

SCHEDULE G SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS

A. STATEMENT OF SIGNIFICANT ACCOUNTING POLICIES

1. Nature of Operations

The Company was incorporated on July 19, 2007 and is promoted by Granules India Limited. The Company was incorporated to carry on the business of manufacturers, dealers, distributors, agents, exporters, importers, processors and developers of all types of drugs and chemicals.

2. Basis of Accounting

The financial Statements of the Company are prepared under the historical cost convention in accordance with the generally accepted accounting principles applicable in India and the provisions of the Indian Companies Act, 1956.

3. Fixed Assets

Fixed assets are stated at cost of acquisition.

4. Preliminary Expenses

Preliminary expenses will be amortized over a period of 5 years from the year of commencement of business.

(Amount in Rupees)

B. NOTES TO ACCOUNTS

	2009-10	2008-09
1) Contingent Liabilities	Nil	Nil
2) As the Company is yet to commence its business, the information required under Paragraph 3 and 4 of Part II of Schedule VI of the Companies Act, 1956 is not furnished.		
	2009-10	2008-09
3) Remuneration to the Auditors:		
Audit fee	9,376	9,376
4) Particulars of Remuneration to Directors	Nil	Nil
5) Earnings in Foreign Currency	Nil	Nil
6) CIF Value of imports	Nil	Nil

7) The Company has no employees in its rolls.

8) Since the Company is yet to commence the business, all the expenses incurred during the period amounting to Rs.1,70,830 is transferred to Pre-operative expenditure pending capitalization.

9) Related Party Disclosures

Disclosures as required by Accounting Standard 18(AS-18) 'Related Party Disclosures' issued by the Institute of Chartered Accountants of India is as follows:

a) Names of Related parties and description of relationship:

Name	Relationship
(i) Granules India Limited	Holding Company
(ii) Granules USA Inc.	Fellow Subsidiary
(iii) Granules Singapore Pte Ltd	Fellow Subsidiary
(iv) Granules Biocause Pharmaceutical Ltd, China	Associates
(v) Key Management Personnel	Mr.C.Krishna Prasad, Director Mr.C.Harsha, Director

Schedules forming part of Balance Sheet and Profit & Loss Account

SCHEDULE G SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO THE ACCOUNTS (Contd.)

b) Details of transactions with related parties:

Granules India Limited, Holding company

Nature	2009-10 Rs.	2008-09 Rs.
Unsecured loan received	10,00,000	Nil
Amounts outstanding at Balance Sheet date	10,00,000	Nil

- 10) The segment information as required under Accounting Standard 17(AS-17) is not reported as the Company is yet to commence the business. There are no reportable geographical segments.
- 11) The disclosure about the suppliers for their status under Micro, Small and Medium Enterprises Development Act, 2006 is not applicable as there are no balances of Sundry Creditors who are registered under the said Act at the year end.
- 12) The disclosure on the Deferred Tax asset/liability as required under the Accounting Standard 22(AS-22) is not applicable.
- 13) APIIC issued a Show cause notice for non compliance of construction within the given time and asked to surrender the land to APIIC. The Company along with other allottees of Land approached the Hon'ble High court of Andhra Pradesh and obtained a stay order. The matter is pending for hearing before Hon'ble High court of Andhra Pradesh.
- 14) The figures have been rounded off to the nearest rupee.

As per our report attached

For and on behalf of the Board of Directors

For Vijaya Bhaskar & Co.,

Chartered Accountants

A. Vijaya Bhaskar

Partner

Membership No. 200213

Place: Hyderabad

Date : April 30, 2010

C. Krishna Prasad

Director

Harsha Chigurupati

Director

Directors' Report

The Directors submit their report to the members together with the financial statements of the Company for the financial year ended March 31, 2010.

1. Directors

The Directors in office at the date of this report are: -
Mr. Chigurupati Krishna Prasad
Ms. Beulah Shanthini

2. Arrangements to enable Directors to acquire Shares or Debentures

Neither during nor at the end of the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits through the acquisition of shares in, or debentures of the Company or any other body corporate.

3. Directors' interests in Shares or Debentures

The following directors, who held office at the end of the financial year, had according to the register of directors' shareholdings required to be kept under section 164 of the Companies Act Cap 50, an interest in the Company and related corporations as stated below:

Holding Company	No. of shares	
	At April 1, 2009	At March 31, 2010
Granules India Limited	Shares of Rupees 10 each	
Mr. Chigurupati Krishna Prasad	4,653,445	4,653,445

4. Directors' Contractual Benefits

During the year no director has received or become entitled to receive a benefit by reason of a contract made by the Company or by a related corporation with the director or with a firm of which he is a member or with a Company in which he has a substantial financial interest other than those disclosed in the financial statements.

5. Share Options

No options were granted during the financial year to take up un-issued shares of the company.

No shares were issued by virtue of the exercise of options.

There were no un-issued shares under option at the end of the financial period.

6. Independent Auditor

The independent auditor, M/s MGI N Rajan Associates, Certified Public Accountants has expressed its willingness to accept re-appointment.

Mr. Chigurupati Krishna Prasad
Director

Ms. Beulah Shanthini
Director

Place: Singapore/India
Date: April 27, 2010

Statement by Directors

In our opinion, the accompanying balance sheet, statement of comprehensive income, statement of changes in equity and cash flow statement together with the notes thereon, are drawn up in accordance with and comply with the Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company as at March 31, 2010 and of the results of the business, changes in equity and cash flows of the Company for the financial year ended on that date and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Mr. Chigurupati Krishna Prasad
Director

Ms. Beulah Shanthini
Director

Place: Singapore/India
Date: April 27, 2010

Independent Auditors' Report to the members of Granules Singapore Pte Ltd

We have audited the accompanying financial statements of the Company, which comprise the Balance Sheet as at March 31, 2010, and statement of comprehensive income, statement of changes in equity and cash flow statement for the financial year ended March 31, 2010, and a summary of significant accounting policies and other explanatory notes.

Management's' Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the provisions of the Singapore Companies Act (Cap.50) (the "Act") and Singapore Financial Reporting Standards. This responsibility includes:

- a) devising and maintaining a system of internal accounting controls sufficient to provide reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss account and balance sheet and to maintain accountability of assets;
- b) selecting and applying appropriate accounting policies; and
- c) making accounting estimates that are reasonable in the circumstances.

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's

judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the Auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion,

- a) the financial statements are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Company as at March 31, 2010 and the results, changes in equity and cash flows of the Company for the financial year ended on that date; and
- b) the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

MGI N Rajan Associates
Public Accountants and
Certified Public Accountants

Place: Singapore,
Date: April 27, 2010

Granules Singapore Pte Ltd

Balance Sheet as at March 31, 2010

(Amount in Rupees)

Particulars	Schedule No.	As at March 31, 2010	As at March 31, 2009
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	A	48,000	48,000
Total Sources of Funds		48,000	48,000
APPLICATION OF FUNDS			
Current Assets, Loans & Advances			
Cash & Bank Balances	B	24,970	41,272
Loans and Advances		88,518	167,061
		113,488	208,333
Less: Current Liabilities & Provisions			
Current Liabilities	C	481,705	338,225
Net Current Assets		(368,217)	(129,892)
Miscellaneous Expenditure			
(to the extent not written off or adjusted)			
Profit & Loss Account		416,217	177,892
Total Application of Funds		48,000	48,000
Significant accounting policies and notes to accounts	E		

As per our report of even date

For and on behalf of the Board

MGI N Rajan Associates
Public Accountants and
Certified Public Accountants

Mr. Chigurupati Krishna Prasad
Director

Ms. Beulah Shanthini
Director

Place: Singapore

Date: April 27, 2010

Profit & Loss Account for the year ended March 31, 2010

(Amount in Rupees)

Particulars	Schedule No.	Year ended March 31, 2010	9 months ended March 31, 2009
INCOME			
Sales(net)		–	–
Other Income		908	–
		908	–
EXPENDITURE			
Administrative Expenses	D	239,233	177,892
		239,233	177,892
Profit before tax		(238,325)	(177,892)
Net Profit after Taxes		(238,325)	(177,892)
Balance transferred to Balance Sheet		(238,325)	(177,892)
Add profit brought forward from previous year		(177,892)	–
Surplus carried forward to Balance Sheet		(416,217)	(177,892)
Significant accounting policies and notes to accounts	E		

As per our report of even date

MGI N Rajan Associates
Public Accountants and
Certified Public Accountants

For and on behalf of the Board

Mr. Chigurupati Krishna Prasad
Director

Ms. Beulah Shanthini
Director

Place: Singapore
Date: April 27, 2010

Schedules forming part of Balance Sheet as at March 31, 2010

(Amount in Rupees)

	As at March 31, 2010	As at March 31, 2009
SCHEDULE A SHARE CAPITAL		
Authorised capital		
1000 Shares of USD 1 Each	48,000	48,000
Issued, Subscribed and Paid up Capital		
1000 Shares of USD 1 Each	48,000	48,000
	48,000	48,000

SCHEDULE B CURRENT ASSETS, LOANS & ADVANCES

i) Cash & bank balances		
– in current account	24,970	41,272
	24,970	41,272
ii) Loans & Advances		
Deposits	88,518	99,811
Prepaid expenses	–	67,250
	88,518	167,061

SCHEDULE C CURRENT LIABILITIES & PROVISIONS

Due to creditors for goods & services	481,705	338,225
	481,705	338,225

Schedules forming part of Profit and Loss Account for the year ended March 31, 2010

(Amount in Rupees)

	Year ended March 31, 2010	9 months ended March 31, 2009
SCHEDULE D ADMINISTRATIVE EXPENSES		
Consultancy & Professional Charges	270,072.08	56,833.00
Foreign Exchange Loss	(30,838.86)	1,709.30
Auditors fees	–	48,728.12
Sundry Expenses	–	70,621.18
	239,233.22	177,891.60

Schedules forming part of Balance Sheet and Profit & Loss Account

SCHEDULE E SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General

The Company is incorporated in Singapore as a limited liability Company and domiciled in the Republic of Singapore.

The principal activities of the Company are that to carry on the business of general importers & exporters. However, the Company has not commenced any activities during the year.

The Company's registered office address:

10 Jalan Basar, Unit #10-12, Sim Lim Tower, Singapore 208787.

These financial statements were presented in United States dollar which is the Company's functional currency. The financial statements of the Company for the year ended March 31, 2010 were authorised for issue in accordance with a resolution of the directors on the date of the statement by directors.

2. Significant Accounting Policies

2.1 Basis Of Preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS"). The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of the financial statements in conformity with Singapore Financial Reporting Standards requires using of estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and reported amounts of revenues and expenses during the financial period. The Company has assessed that there are no estimates (or) judgments used that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within next financial year.

New Accounting Standards and FRS Interpretations not yet Adopted

The Company has not applied the following accounting standards which are relevant (including their consequential amendments) and interpretations that have been issued as of the balance sheet date but are not yet effective:

Reference	Description	Effective for annual periods beginning on or after
FRS 1	Presentation of Financial Statements-Revised presentation	January 1, 2009
FRS 23	Borrowing costs	January 1, 2009

2.2 Financial Assets

Loans and Receivables

Loans and receivables include "cash and cash equivalents"

These financial asset are initially recognised at fair value plus transaction cost and subsequently carried at amortised cost using the effective interest method. They are presented as current assets, except for those maturing later than 12 months after the balance sheet which are presented as non-current assets.

The Company assesses at each balance sheet date whether there is objective evidence that these financial assets are impaired and recognises an allowance for impairment when such evidence exists. Allowance for impairment is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

Schedules forming part of Balance Sheet and Profit & Loss Account

SCHEDULE E SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)

2.3 Financial Liabilities

Financial liabilities include trade payables and other payables. Financial liabilities are recognised on the balance sheet when, and only when, the Company becomes a party to the contractual provisions of the financial instrument. Financial liabilities are initially recognised at fair value of the consideration received less directly attributable transaction costs and subsequently measured at amortised cost using the effective interest rate method.

2.4 Cash and Cash Equivalents

Cash and bank balances comprise cash on hand and balances with bank in current accounts and bank deposits.

2.5 Currency Translation

Functional currency

Items included in the financial statements are measured using the currency that best reflects the economic substance of the underlying events and circumstances relevant to the Company ("the functional currency"). The financial statements are prepared in United States dollar, which is the functional currency of the Company.

Transactions and balances

Monetary assets and liabilities in foreign currencies are translated into United States dollar at rates of exchange closely approximating those ruling at balance sheet date. Transactions in foreign currencies are converted at rates closely approximating those ruling at transaction dates. Exchange differences arising from such transactions are recorded in the profit and loss account in the period in which they arise. However, where a foreign currency transaction is to be settled at a contracted rate or is covered by a related or matching forward exchange contract, the rate of exchange specified in the contract will be used and any corresponding monetary assets or liabilities will not be retranslated.

2.6 Income taxes

Current income tax liabilities for current and prior periods are recognised at the amounts expected to be paid to the tax authorities, using the tax rates (and tax laws) that have been enacted or substantially enacted by the balance sheet date.

Deferred income tax assets / liabilities are recognised for all deductible / taxable temporary differences arising between the tax bases of assets and liabilities and tax assets / liabilities and their carrying amounts in the financial statements except when the deferred income tax assets / liabilities arise from the initial recognition of an asset or liability in a transaction that is not a business combination and at the time of the transaction, affects neither accounting nor taxable profit or loss.

Deferred tax asset is recognised to the extent that is probable that future taxable profit will be available against which the temporary differences can be utilised.

Current and deferred income taxes are recognised as income or expenses in the income statement for the period, except to the extent that the tax arises from a transaction which is recognised directly to equity.

2.7 Related Party

For the purpose of these financial statements, parties are considered to be related to the Company if the Company has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Company and the party are subject to common control or significant influence. Related parties may be individuals or other entities.

2.8 Share capital

Ordinary shares are classified as equity. Incremental external costs directly attributable to the issue of new shares, other than on a business combination, are shown in equity as a deduction, net of tax, from the proceeds. Share issue costs incurred directly in connection with a business combination are included in the cost of acquisition.

Schedules forming part of Balance Sheet and Profit & Loss Account

SCHEDULE E SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)

3. Taxation

(Amount in Rupees)

	March 31, 2010	March 31, 2009
Current Tax Expense	–	–

The tax expense on the results of the financial year varies from the amount of income tax determined by applying the Singapore statutory rate of income tax on Company's profit as a result of the following:

(Amount in Rupees)

	As at March 31, 2010	As at March 31, 2009
(Loss) before taxation	(2,69,193)	(1,70,336)
Tax at statutory rate of 17% (2009 : 17%)	(45,773)	(28,955)
Tax on non deductibles	–	8,027
Deferred tax asset not recognised for the loss	(45,773)	(20,928)
	–	–

4. Cash and Cash Equivalents

(Amount in Rupees)

	As at March 31, 2010	As at March 31, 2009
Cash at bank	24,970	41,272
	24,970	41,272

5. Other receivables

(Amount in Rupees)

	As at March 31, 2010	As at March 31, 2009
Prepayment	–	59,640
Deposit	88,518	88,518
	88,518	1,48,158

6. Amount Due to Holding Company

The amount due to holding company is for non trading transaction, unsecured and has no fixed repayment terms. The Company is wholly owned subsidiary of Granules India Ltd, India which is also ultimate holding company.

7. Share Capital

(Amount in Rupees)

	No of shares issued	As at March 31, 2010	As at March 31, 2009
Fully paid ordinary shares with no par value			
Balance at the beginning of the year	1,000	48,000	48,000
Balance at the end of the year	1,000	48,000	48,000

The ordinary shares are denominated in United States dollars. The holder of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction.

Schedules forming part of Balance Sheet and Profit & Loss Account

SCHEDULE E SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS (Contd.)

Capital Management

The Company has not commenced its business during the period and hence capital management is not applicable.

8. FINANCIAL RISK MANAGEMENT

The Company does not have any written financial risk management policies and guidelines. The Company does not hold or issue derivative financial instruments for trading purposes or to hedge against fluctuations, if any, in interest rates and foreign exchange. The Company's exposure to financial risks associated with financial instruments held in the ordinary course of business include:

a) Price Risk

i) Currency risk

Currency risk is the risk that the value of a financial instrument will fluctuate due to changes in foreign exchange rates. The Company is not exposed to any significant currency risk.

However, the Company does not use any financial derivatives such as foreign currency forward contracts, foreign currency options or swaps for hedging purposes.

ii) Interest Rate Risk

Interest rate risk is the risk that the value of a financial instrument will fluctuate due to changes in market interest rates.

The Company has no interest-bearing financial instruments, hence, is not exposed to any movements in market interest rates.

iii) Market Risk

Market risk is the risk that the value of a financial instrument will fluctuate due to changes in market prices whether those changes are caused by factors specific to the individual security or its issuer or factors affecting all securities traded in the market.

The Company does not hold any quoted or marketable financial instrument, hence, is not exposed to any movements in market prices.

b) Credit Risk

Credit risk is the risk that one party to a financial instrument will fail to discharge an obligation and cause the other party to incur a financial loss.

The Company has no significant concentrations of credit risk.

Cash is held with financial institutions of good standing / established financial institutions / reputable financial institutions.

c) Liquidity Risk

Liquidity or funding risk is the risk that an enterprise will encounter difficulty in raising funds to meet commitments associated with financial instruments. Liquidity risk may result from an inability to sell a financial asset quickly at close to its fair value. The Company ensures that there are adequate funds to meet all its obligations in a timely and cost-effective manner.

The Company maintains sufficient level of cash and cash equivalents and continued financial support from the holding company to meet its working capital requirements.

Schedules forming part of Balance Sheet and Profit & Loss Account

SCHEDULE E SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS *(Contd.)*

d) Cash Flow Risk

Cash flow risk is the risk that future cash flows associated with a monetary financial instrument will fluctuate in amount.

The Company is not exposed to any cash flows risk as it does not have any monetary financial instruments with variable interest rates.

9. FAIR VALUE OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The carrying amount of financial assets and financial liabilities recorded in the financial statements represents their respective net fair values, determined in accordance with the accounting policies disclosed in Note 2 to the financial statements.

As per our report of even date

MGI N Rajan Associates
Public Accountants and
Certified Public Accountants

For and on behalf of the Board

Mr. Chigurupati Krishna Prasad
Director

Ms. Beulah Shanthini
Director

Place: Singapore
Date: April 27, 2010

Cash Flow Statement for the year ended March 31, 2010

(Amount in Rupees)

Particulars	Year ended		9 months ended	
	March 31, 2010		March 31, 2009	
A. CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit before tax and extraordinary items		(238,325)		(177,892)
Operating profit/ (Loss) before working capital changes		–		(177,892)
Increase in Trade and other receivables		78,544		(167,061)
Increase/(decrease) in Trade Payables		143,480		338,225
Cash generated from operations		(16,302)		(6,728)
Net Cash from operating activities		(16,302)		(6,728)
B. CASH FLOW FROM INVESTING ACTIVITIES				
C. CASH FLOW FROM FINANCING ACTIVITIES				
Proceeds from issue of share capital including premium	–	–	48,000	48,000
Net Cash used in Financing Activities		–		48,000
Net Increase/(decrease) in cash & cash equivalents (A+B+C)		(16,302)		41,272
Cash equivalents (Opening Balance as at July 1, 2008)		41,272		–
Cash equivalents (Closing Balance as at March 31, 2009)		24,970		41,272

As per our report of even date

For and on behalf of the Board

MGI N Rajan Associates
Public Accountants and
Certified Public Accountants

Mr. Chigurupati Krishna Prasad
Director

Ms. Beulah Shanthini
Director

Place: Singapore

Date: April 27, 2010



Granules India Limited

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

Notice

Notice is hereby given that the Nineteenth Annual General Meeting of the members of Granules India Limited will be held on Monday, the 27th day of September 2010 at 4.00 P.M. at Residency Hall, Green Park Hotel, Ameerpet, Hyderabad, to transact the following business:

Ordinary Business:

1. To consider and adopt the Audited Balance Sheet as at March 31, 2010 and the Profit and Loss Account for the year ended as on that date along with schedules and notes appended thereto and the reports of Directors and Auditors thereon.
2. To declare dividend on equity shares.
3. To appoint a Director in place of Mr.A.P.Kurian, who retires by rotation and being eligible offers himself for re-appointment.
4. To 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 authorize the Board of Directors to fix their remuneration.

Special Business:

5. To appoint Mr. Philip Herbert Strenger as Director

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 of the Companies Act, 1956, Mr.Philip Herbert Strenger who was appointed as an Additional Director with effect from December 23, 2009 be and is hereby appointed as a Director of the Company, liable to retire by rotation.”

6. To appoint Mr. Arun Rao Akinepally as Director

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 of the Companies Act, 1956, Mr.Arun Rao Akinepally who was appointed as an Additional Director with effect from April 27, 2010 be and is hereby appointed as a Director of the Company, liable to retire by rotation.”

7. To appoint Mr. Harsha Chigurupati as Director

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 of the Companies Act, 1956, Mr.Harsha Chigurupati who was appointed as an Additional Director with effect from July 26, 2010 be and is hereby appointed as a Director of the Company, liable to retire by rotation.”

8. Appointment of Mr.Harsha Chigurupati as Executive Director

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

“RESOLVED THAT in accordance with the provisions of Sections 198, 269, 309, 310, 311 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 the appointment of Mr.Harsha Chigurupati as Executive Director of the Company, for a period of 5 (five) years with effect from August 1, 2010, on the following terms and conditions.”

Salary

Rs.36 lakhs per annum

Perquisites and Allowances

The following perquisites and allowances shall form part of the total salary of Rs.36 lakhs per annum:

- i) Reimbursement of medical expenses – Rs.18,000 per annum
- ii) Leave travel Allowance – Rs.72,000 per annum
- iii) Provision of car with reimbursement of driver's salary and fuel expenses subject to a maximum of Rs.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)

Other Perquisites / Benefits

The following perquisites / benefits shall be provided over and above the salary:

- i) Gratuity to be calculated however, at a rate not exceeding half month's salary for each completed year of service.
- ii) Encashment of leave as per the rules of the Company at the end of tenure.

"RESOLVED FURTHER THAT the aggregate of above salary, perquisites and allowances 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, Mr.Harsha Chigurupati shall be paid remuneration by way of salary, allowances and perquisites not exceeding the maximum limits as prescribed under Schedule XIII to the Companies Act, 1956 or such other limits as may be prescribed by the Government from time to time as minimum remuneration."

"RESOLVED FURTHER THAT Mr.Harsha 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 authorized to take all such steps as may be necessary, proper or expedient to give effect to this resolution."

By order of the Board
for Granules India limited

Place: Hyderabad
Date: July 26, 2010

Dr. C.Nageswara Rao
Chairman

NOTES:

1. A Member entitled to attend and vote is entitled to appoint Proxy to attend and vote instead of himself and the Proxy need not be a Member of the Company. The proxies, in order to be effective should be deposited at the Registered Office of the Company not less 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.
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. Members who hold shares in dematerialization form are requested to write their client ID and DP ID numbers and those who hold shares in physical form are requested to write their Folio Number in the attendance slip for attending the meeting.
6. Members are requested to notify immediately any change in their address to the Share Transfer Agents.
7. 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
31/03/2002	24/10/2010
30/06/2004	19/01/2012
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	24/10/2017

8. Closure of register of Members and Dividend payment:

- a) The Company has already notified closure of Register of Members and Transfer Books thereof from September 21, 2010 to September 27, 2010 (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 October 26, 2010.
- 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.

9. 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 Service (ECS) / National Electronic Clearing Services (NECS). The ECS facility is currently available at 15 centres specified in the Mandate form enclosed in this Annual Report. The NECS facility is available around 40,000 locations across the country.

- 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 September 15, 2010 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 / NECS 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.

10. 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.

11. Corporate Members intending to depute their authorized representatives are requested to send a duly certified copy of the Board resolution authorizing their representatives to attend and vote at the Annual General Meeting.

12. 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.

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

14. 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.

EXPLANATORY STATEMENT

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

Item No. 5

The Board of Directors, under Section 260 of the Companies Act, 1956 and the Articles of Association of the Company, appointed Mr. Phillip Herbert Strenger as Additional Director of the Company with effect from December 23, 2009 by resolution of the Board of Directors passed by circulation.

In terms of Section 260 of the Act, Mr. Phillip Herbert Strenger holds office up to the date of this Annual General Meeting.

The Company has received notice in writing from Mr. S. Srinivasa Rao, member (Folio No. IN300476-42066082), along with a deposit of Rs. 500/-, proposing the candidature of Mr. Phillip Herbert Strenger for the office of Director of the Company under Section 257 of the Act.

Mr. Phillip Herbert Strenger 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.

Brief profile of the proposed appointee is annexed to the Notice.

The Board recommends the resolution as set out in Item no. 5 for your approval.

Except Mr. Phillip Herbert Strenger 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. 6

The Board of Directors, under Section 260 of the Companies Act, 1956 and the Articles of Association of the Company, appointed Mr. Arun Rao Akinepally as Additional Director of the Company with effect from April 27, 2010 by resolution of the Board of Directors passed by circulation.

In terms of Section 260 of the Act, Mr. Arun Rao Akinepally holds office up to the date of this Annual General Meeting.

The Company has received notice in writing from Mr. J. Satyanarayana, member (Folio No. IN300239-10982917),

along with a deposit of Rs. 500/-, proposing the candidature of Mr. Arun Rao Akinepally for the office of Director of the Company under Section 257 of the Act.

Mr. Arun Rao Akinepally 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.

Brief profile of the proposed appointee is annexed to the Notice.

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

Except Mr. Arun Rao Akinepally 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

The Board of Directors, under Section 260 of the Companies Act, 1956 and the Articles of Association of the Company, appointed Mr. Harsha Chigurupati as Additional Director of the Company at their meeting held on July 26, 2010.

In terms of Section 260 of the Act, Mr. Harsha Chigurupati holds office up to the date of this Annual General Meeting.

The Company has received notice in writing from Mr. S. Gopala Krishna Murthy (Folio No. IN301549-15512575), along with a deposit of Rs. 500/-, proposing the candidature of Mr. Harsha Chigurupati for the office of Director of the Company under Section 257 of the Act.

Mr. Harsha Chigurupati 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.

Brief profile of the proposed appointee is annexed to the Notice.

The Board recommends the resolution as set out in Item no. 7 for your approval.

Except Dr.C.Nageswara Rao, Chairman and Mr.C.Krishna Prasad, Managing Director who are relatives of Mr.Harsha Chigurupati and Mr.Chigurupati himself relating to his appointment, no other Director is in any way concerned / interested in this resolution.

Item No.8

Mr.Harsha Chigurupati has been associated with the Company since 2006 till July 2010. He last held the position of Chief Marketing Officer of the Company. During his tenure, Mr.Chigurupati has implemented various new initiatives and strategies to strengthen the Marketing Department. Mr.Chigurupati has been focused on proactive business development by strengthening the Company's geographic presence by entry into new markets on the one hand, and penetrating deeper into the existing ones on the other. Mr.Chigurupati has contributed to enhancement of Company's presence in the global market, particularly, the regulated markets. His contribution led to the addition of 56 new customers during the year 2008-09 and 40 new customers during the year 2009-10. These new customers include global branded MNCs.

In view of his expertise and managerial abilities, the Board at its meeting held on July 26, 2010 appointed Mr. Chigurupati as an Executive Director of the Company for a period of five years w.e.f August 1, 2010, on such terms and conditions and at such remuneration specified in the resolution and subject to the

approval of the members in the forthcoming Annual General meeting. The remuneration payable to Mr.Harsha Chigurupati has been approved by the Compensation & Remuneration Committee at its meeting held on July 26, 2010.

The above may also be considered as an abstract of the terms of appointment of Mr.Harsha Chigurupati as an Executive Director of the Company and a memorandum of concern or interest in the said appointment in accordance with the provisions of section 302 of the Companies Act, 1956.

In compliance with the provisions of section 198, 269 and 309 read with Schedule XIII to the Companies Act, 1956, the terms of appointment and remuneration as specified in the resolution are now placed before the members for their approval.

The Board recommends the resolution as set out in Item no. 8 for your approval.

None of the directors except Shri C.Krishna Prasad, Managing Director and Dr.C.Nageswara Rao, Chairman and Mr.Harsha Chigurupati himself, in relation to his appointment is in any way concerned / interested in this resolution.

By order of the Board
for Granules India limited

Place: Hyderabad
Date: July 26, 2010

Dr. C.Nageswara Rao
Chairman

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

Name of Director	Mr. A.P. Kurian	Mr. Harsha Chigurupati	Mr. Philip Herbert Strenger	Mr. Arun Rao Akinepally
Date of Birth	26.06.1933	05.09.1983	03.11.1953	06.06.1957
Date of Appointment	07.06.2003	26.07.2010	23.12.2009	27.04.2010
Relationship with other Directors	None	i. Son of Mr.C.Krishna Prasad, Managing Director ii. Grandson of Dr.C. Nageswara Rao, Chairman	None	None
Expertise in specific functional area	Mr.Kurian, is the Chairman of Association of Mutual Funds in India. He has a career in financial services area spread over more than four decades. He served the Reserve Bank of India as Advisor – Economics Department. He is on the Board of National Stock Exchange, Executive Committee of NSDL and several other Committees associated with Mutual Funds and Capital Market.	Mr. Chigurupati has served at Granules India Limited from September 2006. In his most recent capacity, he served as Chief Marketing Officer. Mr. Chigurupati was instrumental in developing Granules India's vertically-integrated business strategy. During his tenure, Granules India gained nearly 100 customers, including several multi-national companies that constitute a large portion of Granules India's sales.	Mr. Strenger is Senior Vice President – EMEA and Global Pharma/Beverage for International Specialty Products Inc. ("ISP"), and is based in Cologne Germany. In these roles Mr. Strenger is responsible for the management and profitability of the ISP business in Europe, Middle East and Africa across Business Units, and on a global basis is responsible for the strategy and growth of the ISP Pharmaceutical and Beverage business.	Mr. Arun Rao is a qualified Chemical Engineer from the University of Madras with a Post graduate degree in Chemical Engineering from the Illinois Institute of Technology, Chicago, USA. He is 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 was the Vice President and currently, a member of the Executive Committee of the Indian Pharmaceutical Association (Andhra Pradesh Branch). He is also a member of Executive Committee of Organization of Pharmaceutical Manufacturers, Hyderabad.
Qualification	M.A (Economics)	BBA	B.Sc.	M.S (Chemical)
Board membership of other Indian Companies	1. Geojit BNP Paribas Financial Services Ltd 2. Association of Mutual Finds in India 3. Muthoot Capital Services Ltd 4. Muthoot Fincorp Ltd 5. National Stock Exchange of India Ltd 6. JP Morgan Asset Management India Pvt Ltd	1. GIL Lifesciences Pvt. Ltd. 2. Chigurupati Nourishment Pvt Ltd 3. Pragnya Vineyards Pvt Ltd 4. Priyanka Vineyards Pvt Ltd	Nil	1. Akin Laboratories Pvt Ltd 2. ESPI Industries & Chemicals Pvt Ltd

Name of Director	Mr. A.P. Kurian	Mr. Harsha Chigurupati	Mr. Philip Herbert Strenger	Mr. Arun Rao Akinepally
Chairman/member of the committee of the Board of Directors of the Company	Member: 1. Audit Committee 2. Compensation & Remuneration Committee	Nil	Nil	Nil
Chairman / member of the committees in other companies in which he is a Director	Member 1. Geojit BNP Paribas Financial Services Ltd – Audit Committee 2. Muthoot Capital Services Ltd – Audit Committee 3. National Stock Exchange of India Limited (a) Audit Committee (b) Compensation Committee (c) Committee for Approval of Acquisition of Premises (d) Committee for declaration of defaults (e) Committee for Monitoring Compliance of suggestions given in SEBI Inspection Reports (SEBI Inspection Committee) (f) Ethics Committee (g) Committee for Approval of Share Transfers	Nil	Nil	Nil
Number of shares held in the company	5,000 shares of Rs.10 each	2,36,166 shares of Rs.10 each	Nil	1,000 shares of Rs.10 each



Granules India Limited

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

PROXY FORM

19th Annual General Meeting – September 27, 2010

Regd. Folio No.	
-----------------	--

DP ID No.	
-----------	--

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 19th Annual General Meeting of the Company to be held at Residency Hall, Green Park Hotel, Ameerpet, Hyderabad, on Monday, the 27th day of September 2010 at 4.00 p.m. and at any adjournment (s) thereof.

Signed this day of 2010

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.



Granules India Limited

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

ATTENDANCE SLIP

19th Annual General Meeting – September 27, 2010

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 19th Annual General Meeting of the Company at Residency Hall, Green Park Hotel, Ameerpet, Hyderabad, on Monday, the 27th day of September 2010 at 4.00 p.m.

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

A **TRISYS** PRODUCT

info@trisycom.com

www.kalajothi.com



2nd Floor, 3rd Block
My Home Hub, Madhapur
Hyderabad - 500 081
www.granulesindia.com