



Granules India Limited

11th Floor, 3rd Block, My Home Hub, Madhapur, Hyderabad - 500 081 INDIA
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E-mail mail@granulesindia.com URL www.granulesindia.com

Date: 26.02.2014

To,
The General Manager
Corporate Relation Department
Bombay Stock Exchange
1st Floor, Rotunda Building,
B.S Marg, Fort,
Mumbai (MH) – 400 001

Dear Sir,

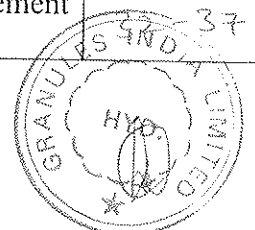
Ref: Clause 24(f) of the Listing Agreement.

Sub: Scheme of Arrangement.

This application is made in terms of clause 24(f) of the Listing Agreement. The Board of Directors (the Board) of Granules India Limited ('Granules' or 'Transferee Company') at its Board meeting held on 20th February 2014 have approved the Scheme of Arrangement between Granules India Limited and its wholly owned subsidiary i.e Auctus Pharma Limited ('Auctus' or 'Transferor Company') for amalgamation of Auctus with Granules. The Appointed Date for the Scheme shall be 1st April 2013. The Scheme of Arrangement involves the amalgamation of a wholly owned subsidiary i.e. Auctus ("Transferor Company"), with its holding company, i.e. Granules ("Transferee Company") pursuant to Section 391 and 394(1) of the Companies Act, 1956. With effect from the Appointed Date and upon the Scheme becoming effective, all the assets and liabilities of Auctus will get transferred to Granules. There will be no issue of shares to the shareholders in pursuant to the Scheme of Arrangement and shares held by Granules in Auctus shall stand cancelled.

In connection with the above and in compliance with the Listing Agreement, we are enclosing / providing the following documents / information as under:

Sr. No.	Documents to be submitted along with application under Clause 24(f) of the Listing Agreement	Page No.
1.	Certified true copy of the resolution passed by the Board of Directors of the Company. Annexure I	1-3
2.	Certified copy of the draft Scheme of Arrangement proposed to be filed before the High Court. Annexure II	4-22
3.	Valuation report from the Independent Chartered Accountant as applicable as per Para 4 of SEBI circular no. CIR/CFD/DIL/8/2013 dated May 21, 2013. Annexure III	23-23
4.	Report from the Audit Committee recommending the draft Scheme taking into consideration, inter alia, the valuation report at sr. no. 3 above. Annexure IV	24-26
5.	Fairness opinion by Merchant Banker. Annexure V	27-31
6.	Shareholding pattern of all the Companies pre and post amalgamation / arrangement as per Clause 35 of the Listing Agreement. Annexure VI	37



7.	Audited financials of the Transferee and Transferor Companies for the last 3 years and as on 31 st January 2014. Annexure VII	38-39
8.	An Undertaking certified by the Auditor stating the reasons for non-applicability of Para 5.16(a). Annexure VIII	40-40
9.	Certified copy of Board of Directors resolution approving the aforesaid Auditor's Undertaking certificate for non-applicability of Para 5.16(a). Annexure IX	41-41
10.	Compliance Report as per clause 49 of the Listing Agreement. Annexure X	42-42
11.	Complaint Report. Annexure XI	43-43
12.	Compliance Report with the requirements specified in Part – A of the circular CIR/CFD/DIL/5/2013 dated February 4, 2013. Annexure XII	44-45
13.	Name of the Designated Stock Exchange (DSE) for the purpose of coordinating with SEBI. Certified true copy of the resolution passed by the Board of Directors. Annexure XIII	46-46
14.	Brief details of the Transferee Company and Transferor Company as per prescribed format. Annexure XIV	47-49
15.	Networth certificate (excluding Revaluation Reserve) pre and post Scheme for the Transferor Company and Transferee Company. Annexure XV	50-52
16.	Capital evolution details of the Transferee Company and Transferor Company as per prescribed format. Annexure XVI	53-55
17.	Confirmation by the Company Secretary as per prescribed format. Annexure XVII	56-57
18.	Statutory Auditor's Certificate confirming the compliance of the accounting treatment as specified in the Clause 24(i) of the listing agreement. Annexure XVIII.	58-58
19.	Annual Reports of the Transferee Company and Transferor Company for the last financial year. Annexure XIX	59-207
20.	Processing fee (non-refundable) of Rs. 1,00,000/- plus Services Tax (i.e. Rs. 1,12,360/-) as applicable, favoring 'BSE Limited' Annexure XX	208-208
21.	Name & Designation of the Contact Person: Shivangi Sharma, Company Secretary & Compliance Officer Telephone Nos. (landline & mobile): 040-66760000, 07702888843 Email ID: shivangi.sharma@granulesindia.com;	—

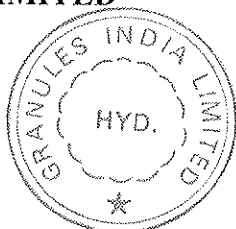
Request you to acknowledge receipt of above mentioned documents and process the application.

Thanking you.

Yours faithfully,

FOR GRANULES INDIA LIMITED


(SHIVANGI SHARMA)
COMPANY SECRETARY
COMPLIANCE OFFICER



Encl: As above.



Granules India Limited

11th Floor, 3rd Block, My Home Hub, Madhapur, Hyderabad - 500 081 INDIA
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CERTIFIED TRUE COPY OF THE RESOLUTIONS PASSED AT THE 156th MEETING OF THE BOARD OF DIRECTORS OF M/S. GRANULES INDIA LIMITED HELD ON THURSDAY, THE 20th DAY OF FEBRUARY, 2014 AT 4.00 P.M AT THE REGISTERED OFFICE OF THE COMPANY AT 2nd FLOOR, 3rd BLOCK, MY HOME HUB, MADHAPUR, HYDERABAD (A.P.) - 500081

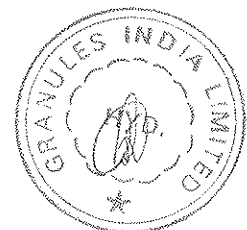
CONSIDERATION & APPROVAL OF THE DRAFT SCHEME OF ARRANGEMENT AND OTHER DOCUMENTS AS REQUIRED UNDER CLAUSE 24(F) OF THE LISTING AGREEMENT

“RESOLVED THAT pursuant to the provisions of section 391 and 394(1) of the Companies Act, 1956 and other applicable provisions, if any, of the Companies Act, 1956 or any amended Act, the memorandum of Association and Articles of Association and subject to approval of the financial institutions and banks, if required, of the Company and approval of the Hon’ble High Court Judicature of Andhra Pradesh state, Securities Exchange Board of India (SEBI) (including the stock exchange) and such other approvals / permissions as may be required under the applicable laws, regulations, listing agreements and guidelines issued by the regulatory authorities, the consent of the Board be and is hereby accorded for merger of Auctus Pharma Limited with the Company w.e.f. the appointed date i.e. 1st April 2013 or such other date as may be fixed by the High Court of Judicature of Andhra Pradesh state.”

“RESOLVED FURTHER THAT the draft Scheme of Arrangement as recommended by the Audit Committee of the Board, submitted to this meeting and duly initialed by the Chairman for the purpose of identification be and is hereby approved.”

“RESOLVED FURTHER THAT Mr. C. Krishna Prasad, Managing Director and/or Mr. Harsha Chigurupati, Executive Director, of the Company be and are hereby authorized jointly and severally to make such alterations and changes in the Scheme of Arrangement as may be expedient or necessary for satisfying the requirement or conditions imposed by the Stock Exchange or SEBI or Hon’ble High Court of Andhra Pradesh or any statutory authorities.”

“RESOLVED FURTHER THAT pursuant to clause 5.2 of SEBI Circular No. CIR/CFD/DIL/5/2013 dated February 04, 2013, the valuation report dated 20th February 2014, issued by M/s Mangaraju & Satyanarayana, Chartered Accountants, Independent Chartered Accountant, as recommended by the Audit Committee and placed before the Board, confirming that no valuation process is applicable to the Scheme, be and is hereby approved.”



“RESOLVED FURTHER THAT the report from the Audit Committee recommending the Draft scheme, taking into consideration, inter-alia the valuation report, as placed before the Board be and is hereby accepted and approved.”

“RESOLVED FURTHER THAT pursuant to SEBI Circular No. CIR/CFD/DIL/5/2013 dated February 04, 2013, the Fairness Opinion dated 20th February 2014 as recommended by the Audit Committee and placed before the Board, issued by Akasam Consulting Private Limited, Merchant Banker, be and is hereby approved.”

“RESOLVED FURTHER THAT the certificate dated 20th February 2014 as placed before the Committee, issued by M/s. Kumar & Giri, Statutory Auditors of the Company, in accordance with Clause 24(i) of the listing agreement, confirming the compliance of the accounting treatment in the aforesaid Scheme of Arrangement with the Accounting Standards specified by the Central Government in section 211(3C) of the Companies Act, 1956, as recommended by the Audit Committee and placed before the Board, be and is hereby approved.”

“RESOLVED FURTHER THAT the undertaking dated 20th February 2014, issued by M/s. Kumar & Giri, Statutory Auditors of the Company, in accordance with SEBI circular no. CIR/CFD/DIL/8/2013 dated 21.05.2013, confirming the non-applicability of Para 5.16(a) of the circular as recommended by the Audit Committee and placed before the Board, be and is hereby approved.”

“RESOLVED FURTHER THAT the pre and post scheme net worth certificates of the Company dated 20th February 2014 issued by M/s. Kumar & Giri, Statutory Auditors of the Company as recommended by the Audit Committee and placed before the Board, be and is hereby approved.”

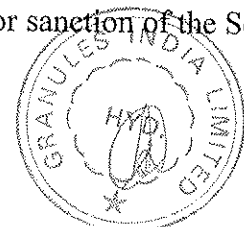
“RESOLVED FURTHER THAT BSE Limited be and is hereby appointed as the Designated Stock Exchange for purpose of coordinating with the Securities & Exchange Board of India (‘SEBI’).”

“RESOLVED FURTHER THAT any one of the following persons:

- a. Mr. C. Krishna Prasad, Managing Director
- b. Mr. Harsha Chigurupati, Executive Director
- c. Mr. VVS Murthy, Chief Financial Officer
- d. Ms. Shivangi Sharma, Company Secretary and Compliance Officer

(hereinafter referred to as ‘Authorised Persons’) be and are hereby authorized severally to monitor the process of all actions connected with the Scheme and to deal with all matters connected, consequential and incidental to procuring sanction, implementation and execution of the Scheme and in particular, take all the necessary steps in order:

- i to file the Scheme and / or any other information or documents / details with the concerned Stock Exchange or SEBI in order to obtain approval or sanction of the Scheme or for giving effect thereto;



- ii. to prepare and file affidavits, petitions, pleadings, application, sign vakalatnama or initiate any other proceedings incidental or deemed necessary or useful in connection with the above proceedings for the purpose of seeking dispensation from the convening and holding the court convened meeting of the shareholders of Auctus Pharma Limited and to engage Counsel, Advocates, Solicitors and other professionals, and sign and issue public advertisements and notices, if required;
- iii. to sign all applications, petitions, documents, relating to the Scheme or delegate such authority to another person by a valid Power of Attorney or other appropriate authorization;
- iv. to settle any question or difficulty that may arise with regard to the implementation of the above Scheme, and to give effect to the above resolution;
- v. to do all further acts, deeds, matters and things as may be necessary, proper or expedient to give effect to the Scheme and for matters connected therewith or incidental thereto.

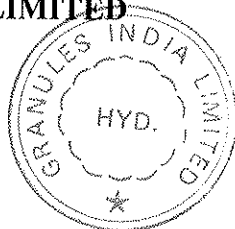
“RESOLVED FURTHER THAT the Common Seal of the Company, if required, be affixed to the documents, in the presence Mr. C. Krishna Prasad, Managing Director or Mr. Harsha Chigurupati, Executive Director, who shall sign the same in token thereof and Ms. Shivangi Sharma, Company Secretary who shall sign / countersign the same in token thereof.

CERTIFIED TRUE COPY

FOR GRANULES INDIA LIMITED


(SHIVANGI SHARMA)

COMPANY SECRETARY



SCHEME OF ARRANGEMENT

BETWEEN

AUCTUS PHARMA LIMITED

(Transferor Company)

AND

GRANULES INDIA LIMITED

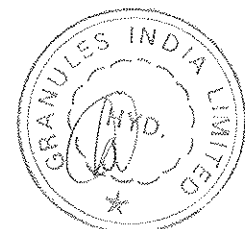
(Transferee Company)

AND

THEIR RESPECTIVE SHAREHOLDERS

WHEREAS:

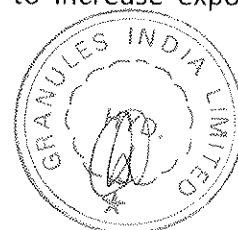
- A. **GRANULES INDIA LIMITED ('Granules')** is a Company formed and registered under the Companies Act 1956 having its registered office at 2nd Floor, 3rd Block, My Home Hub, Madhapur, Hyderabad (AP) 500 081.
- B. **AUCTUS PHARMA LIMITED ('Auctus')** is a Company formed and registered under the Companies Act 1956 having its registered office at 2nd Floor, 3rd Block, My Home Hub, Madhapur, Hyderabad (AP) 500 081. Auctus Pharma Limited is a wholly owned subsidiary of Granules India Limited.
- C. This Scheme of Arrangement (hereinafter referred to as the "**Scheme**") involves the amalgamation of a wholly owned subsidiary i.e. Auctus Pharma Limited (the "Transferor Company"), with its holding company, i.e. Granules India Limited (the "Transferee Company") pursuant to Section 391 and 394(1) of the Companies Act, 1956, which has been set forth in Part II herein under.



D. On the basis of discussions, meetings and consultations between members of the Boards of Directors of the Transferor Company and the Transferee Company, legal and other professional consultants, it has been decided to take appropriate steps to carry out effectively and efficiently the amalgamation of the above mentioned Transferor Company with the Transferee Company in the larger interest of the shareholders of the above mentioned Companies.

E. The Scheme of Arrangement will benefit the Transferor Company, the Transferee Company and their respective shareholders. The rationale and reasons for the proposed Scheme of Arrangement, inter alia, are summarized below:

- would enable focused strategic leadership and top management attention to be bestowed on the Undertaking of the Transferor Company so as to integrate the business synergies and reap the benefits of consolidation.
- would channelize synergies; enable optimum utilization of the available resources, broadening the customer base besides enabling a focused business approach for achieving optimization.
- would enable to achieve higher long-term financial returns and inculcation of greater financial strength and flexibility than could be achieved by the companies individually.
- would enable the Transferee Company to have diversified product portfolio which would enable it to manage risks in a better way.
- Would enable the Transferee Company to make value added products from Transferor Company's Active Pharmaceutical Ingredients to make Finished Dosages and Pharmaceutical Formulations Intermediates which would give higher returns and also exploit its customer base to increase exports of such



products which could result in higher foreign exchange earnings to the country and to the transferee company

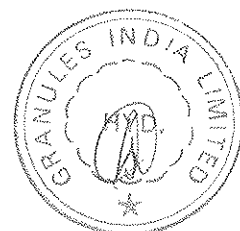
- would result in greater rationalization and help reduce duplication of systems and processes.
- would result in more efficient and more cost effective management system in view of consolidation of operations and larger size as the Transferor and Transferee are involved in the same line of business.
- would be beneficial for pooling of financial, managerial and technical resources, personnel capabilities, skills, expertise and technologies of the merging companies leading to increased competitive strength.

In view of the above benefits, the proposed amalgamation would result in an enhanced shareholder value.

F. This Scheme involves the amalgamation of the Transferor Company with the Transferee Company which has been set forth in Part II, as follows:

The transfer and vesting of the Undertaking of the Transferor Company, pursuant to Part II, by Auctus Pharma Limited, the Transferor Company to Granules India Limited, the Transferee Company, pursuant to Section 391 and Section 394(1) (a) of the Companies Act, 1956.

G. The Scheme also makes provisions for various other matters consequential, incidental or related thereto and otherwise integrally connected therewith-in Part II, which are common for the arrangement set out in Part II. Part I of this Scheme deals with the definitions of the expressions used in arrangement set out in Part II and details in respect of the incorporation and share capital of the Transferor Company and the Transferee Company.

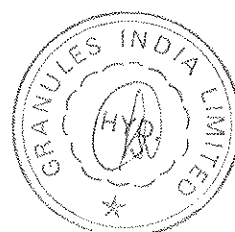


PART – I

1. DEFINITIONS

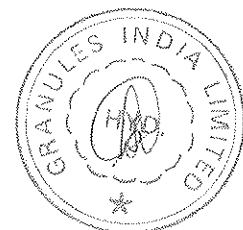
In this Scheme, unless repugnant to the meaning or context thereof, the following expressions shall have the following meanings:

- (i) “**Act**” means the Companies Act, 1956 and any amendments and/or re-enactment thereof, for the time being in force.
- (ii) “**Appointed Date**” means 1st April 2013 or such other date as may be fixed by the High Court of Judicature of Andhra Pradesh state.
- (iii) “**Board**” means the board of directors of the Transferor Company or of the Transferee Company, as the case may be, including any duly constituted committee thereof.
- (iv) “**Effective Date**” means the date on which the certified copies of the Order of the High Court of Judicature of Andhra Pradesh at Hyderabad or any other Court or authority of appropriate jurisdiction sanctioning the Scheme are filed with the Registrar of Companies, Andhra Pradesh.
- (v) “**Transferor Company**” means Auctus Pharma Limited (‘Auctus’), a Company formed and registered under the Companies Act 1956 having its registered office at 2nd Floor, 3rd Block, My Home Hub, Madhapur, Hyderabad (AP) 500 081.
- (vi) “**Transferee Company**” means Granules India Limited, a Company formed and registered under the Companies Act 1956 having its registered office at 2nd Floor, 3rd Block, My Home Hub, Madhapur, Hyderabad (AP) 500 081.
- (vii) “**Scheme**” means the Scheme of Arrangement as set out herein or with any modifications approved or imposed or directed by the High Court of Judicature of Andhra Pradesh at Hyderabad or authority of appropriate jurisdiction sanctioning the Scheme, as the case may be.
- (viii) “**Undertaking of the Transferor Company**” includes :-



- (a). all the assets and property of the Transferor Company as on the Appointed Date;
- (b). all debts, liabilities, duties, responsibilities and obligations of the Transferor Company as on the Appointed Date;

Without prejudice to the generality of the above, (i) the assets and property of the Transferor Company shall include the entire businesses and all rights, privileges, powers and authorities and all property, movable or immovable, real, corporeal or incorporeal, leasehold or otherwise, in possession or reversion, present or contingent of whatever nature and wheresoever situate, including fixed assets, if any, capital works in progress, current assets, investment of all kind, approvals, permissions, consents, exemptions, registrations, no-objection certificates and certifications, permits, quotas, rights, entitlements, tenancies, roof rights, trademarks, service marks, know-how, technical know-how, trade names, descriptions, trading style, franchises, labels, label designs, colour schemes, utility models, holograms, bar codes, designs, patents, copyrights, privileges and any rights, title or interest in intellectual property rights, benefits of security arrangements, contracts, agreements and all other rights including lease rights, licenses including those relating to trademarks, or service marks, easements, advantages, exemptions, benefits, powers and facilities of every kind, nature and description whatsoever of the Transferor Company or to which the Transferor Company is entitled including right to use of telephones, telex, facsimile connections and installations, electricity, power lines, communication lines and other services, reserves, deposits, provisions, funds, subsidies, grants, tax credits, and any accretions or additions arising to any of the foregoing on and after the Appointed Date and (ii) all the debts, liabilities, duties, responsibilities and obligations of the Transferor Company including all its obligations of whatsoever kind and liabilities which have arisen or accrued on or after the Appointed Date.



(ix) References in the Scheme to “upon the Scheme becoming effective” or “effectiveness of the Scheme” shall mean the Effective Date.

2. The Capital Structure of the Transferor Company and the Transferee Company as are parties to the present Scheme, is as under:

(i) Transferor Company

The Capital Structure of the Transferor Company as at 31st March 2013 is as follows:

SHARE CAPITAL	Rs.
AUTHORISED CAPITAL: 45,00,000 Equity Shares of Rs. 10/- each	4,50,00,000
ISSUED, SUBSCRIBED AND PAID-UP CAPITAL: 39,00,000 Equity Shares of Rs. 10/- each, fully paid up.	3,90,00,000

As on date, the entire issued and subscribed share capital is entirely held by the Transferee Company and its nominees.

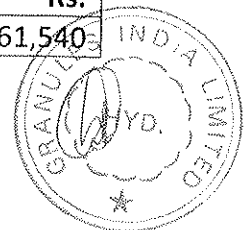
(ii) Transferee Company

The Capital Structure of the Transferee Company as at 31st March 2013 is as follows:

SHARE CAPITAL	Rs.
AUTHORISED CAPITAL: 3,00,00,000 Equity Shares of Rs.10/- each.	30,00,00,000
ISSUED, SUBSCRIBED AND PAID UP CAPITAL: 2,01,26,154 Equity Shares of Rs.10/- each.	20,12,61,540

During the current year, on account of allotment of fresh equity shares as per under mentioned, the issued, subscribed and paid up equity share capital as on date stands at Rs. 20,28,11,540 comprising 2,02,81,154 Equity Shares of Rs.10/- each. The details of the share allotment during the year are as under:

SHARE CAPITAL	Rs.
ISSUED, SUBSCRIBED AND PAID UP	20,12,61,540

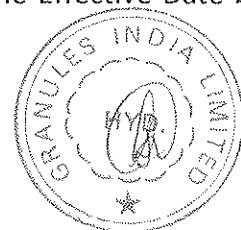


CAPITAL AS ON 31 ST MARCH 2013	
ALLOTMENT ON 25 TH APRIL 2013	50,000
ALLOTMENT ON 12 TH JUNE 2013	1,60,000
ALLOTMENT ON 11 TH JULY 2013	7,20,000
ALLOTMENT ON 2 ND AUGUST 2013	1,10,000
ALLOTMENT ON 13 TH AUGUST 2013	90,000
ALLOTMENT ON 31 ST AUGUST 2013	1,30,000
ALLOTMENT ON 16 TH OCTOBER 2013	50,000
ALLOTMENT ON 31 ST DECEMBER 2013	2,40,000
ISSUED, SUBSCRIBED AND PAID UP CAPITAL AS ON 31 ST DECEMBER 2013	20,28,11,540

PART II

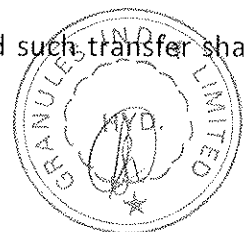
Amalgamation

- 3.1 (a). With effect from the Appointed Date and upon the Scheme becoming effective, all the assets and properties, both movable and immovable, investments, rights, title and interests comprised in the Undertaking of the Transferor Company shall pursuant to the Scheme being sanctioned by the High Court under Section 394(2) of the Act and without any further act or deed be transferred to, and vested in, or deemed to have been transferred to, and vested in, the Transferee Company so as to become as and from the Appointed Date, the estate, assets, rights, title and interests of the Transferee Company subject to Clause 3.2 of this Scheme in relation to charges thereon in favour of bank(s).
- (b). With effect from the Appointed Date and upon the Scheme becoming effective, all rights and licenses relating to trademarks, know-how, technical know-how, trade names, descriptions, trading style, franchises, labels, label designs, colour schemes, utility models, holograms, bar codes, copyrights, privileges and any rights, title or interest in intellectual property rights (including applications submitted to the registration authorities on or before the Effective Date by the



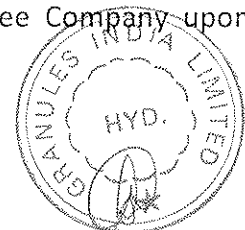
Transferor Company), tenancies, if any, with the consent of the landlord wherever necessary, powers, facilities of every kind and description of whatsoever nature in relation to the Undertaking of the Transferor Company to which the Transferor Company is a party or to the benefit of which the Transferor Company may be entitled/eligible and which are subsisting or have effect immediately before the Appointed Date, shall be in full force and effect on, or against, or in favour of, the Transferee Company as the case may be, and may be enforced as fully and effectually as if, instead of the Transferor Company, the Transferee Company had been a party or beneficiary or obligee thereto.

- (c). In particular, with effect from the Appointed Date and upon the Scheme becoming effective, all licenses, sanctions, consents, authorization, approvals and permissions (whether statutory or otherwise) of the Transferor Company pertaining to the conduct of its business (including, without limitation, benefits, remissions, special reservations, exemption available to the Transferor Company, under any income tax, sales tax (including any benefits related to the deferment of sales tax) and excise (whether modvat or cenvat) laws (whether such laws be enacted at the central and/or state levels including excise credits), shall vest in the Transferee Company and the concerned licensors and grantors of such approvals or permissions, shall endorse and record the Transferee Company on such approvals and permissions so as to empower and facilitate the approval and vesting of the Undertaking of the Transferor Company in the Transferee Company without hindrance or let from the Appointed Date.
- (d). All assets and properties as are moveable in nature, including investments, or are otherwise capable of transfer by physical delivery or by endorsement and delivery, shall stand so transferred by each of the Transferor Company, without requiring any deed or instrument of conveyance for the same and shall become the property of the Transferee Company accordingly and such transfer shall be



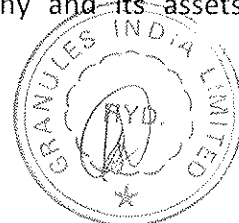
deemed to have taken place at the Registered Office of the Transferee Company in the State of Andhra Pradesh.

- (e). All debts, outstanding and receivables of the Transferor Company shall accordingly, on and from the Appointed Date and upon the Scheme becoming effective, stand transferred to and vested in the Transferee Company without any notice or other intimation to the debtors (though the Transferee Company may; if it deems appropriate, give notice to the debtors that the debts stand transferred and vested in the Transferee Company) and the debtors shall be obliged to make payment to the Transferee Company after the Effective Date.
- (f). The transfer/vesting, as aforesaid, shall be subject to existing charges/hypothecation/mortgage (if any as may be subsisting) over or in respect of the said assets or any part thereof. Provided, however, that any reference in any security documents or arrangements to which the Transferor Company is a party, to such assets of such Transferor Company offered or agreed to be offered as security for any financial assistance both availed and to be availed up to any limit for which sanctions have already been obtained by such Transferor Company shall be construed as reference only to the assets pertaining to such Transferor Company as are vested in the Transferee Company by virtue of this Clause to the end and intent that such security, mortgage and/or charge shall not extend or be deemed to extend to any of the assets or to any of the other units or divisions of the Transferee Company, unless specifically agreed to by the Transferee Company with such secured creditor(s).
- (g). All assets including investments acquired and liabilities incurred by the Transferor Company after the Appointed Date but prior to the Effective Date in relation to the Undertaking of the Transferor Company shall also without any further act, instrument or deed stand transferred to and vested in or be deemed to have been transferred to or vested in the Transferee Company upon the coming into effect of this Scheme.



3.2. TRANSFER OF LIABILITIES

- (i). With effect from the Appointed Date and upon the Scheme becoming effective, all debts (whether secured or unsecured), liabilities (including contingent liabilities, whether disclosed or undisclosed), taxes, duties and obligations of every kind, nature and description of the Transferor Company along with any charge, encumbrance, lien or security thereon shall also be vested and stand transferred to and be deemed to be and stand vested in the Transferee Company without any further act, or instrument or deed pursuant to the Scheme being sanctioned by the High Court under Section 394(2) of the Act so as to become the debts, liabilities, duties and obligations of the Transferee Company from the Appointed Date and further that it shall not be necessary to obtain the consent of any third party or other person who is a party to any contract or arrangement by virtue of which such debts, liabilities, duties and obligations have arisen in order to give effect to the provisions of this clause.
- (ii). With effect from the Appointed Date and upon the Scheme becoming effective, all the existing securities, mortgages, charges, encumbrances or liens (the Encumbrances), if any created by the Transferor Company after the Appointed Date, in terms of this Scheme, over the assets comprised in the Undertaking of the Transferor Company, transferred to the Transferee Company, by virtue of this Scheme and in so far as such Encumbrances secure or relate to the liabilities of such Transferor Company, the same shall, after the Effective Date continue to relate and attach to such assets or any part thereof to which they are related or attached prior to the Effective Date and as are transferred to the Transferee Company.
- (iii). Any reference in any security documents or arrangements (to which the Transferor Company is a party) to Transferor Company and its assets and



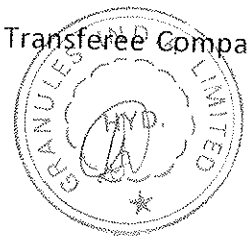
properties, shall be construed as a reference to the Transferee Company and the assets and properties of Transferor Company, transferred to the Transferee Company by virtue of this Scheme. Without any prejudice to the foregoing provisions and upon the effectiveness of this Scheme, the Transferee Company shall execute any and all instruments or documents or do all the acts and deeds as may be required, including the filing of necessary particulars and/or modification(s) of charges, with the Registrar of Companies, Andhra Pradesh to give formal effect to the above provisions, if required.

- (iv). The Scheme shall not operate to enlarge the security of any loan, deposit, mortgages, charges, encumbrances, liens or facility created by or available to the Transferor Company which shall vest in the Transferee Company by virtue of the Scheme and the Transferee Company shall not be obliged to create any further or additional security therefore after the Scheme has become effective or otherwise.

3.3 ACCOUNTING TREATMENT

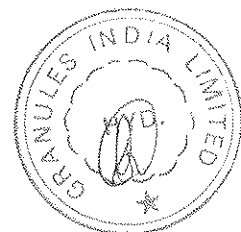
Upon the scheme becoming effective, Transferee Company shall account for the amalgamation in its books of account with effect from the Appointed Date as under:

- (a) Amalgamation of the Transferor Company with the Transferee Company shall be accounted for in accordance with "Purchase Method" of accounting as per Accounting Standard – 14 as notified under Section 211 (3C) of the Act.
- (b) All the assets, including but not limited to fixed assets, existing in India or outside India, intangibles and any other assets, whether recorded in the books or not, of the Transferor Company and transferred to and vested in Transferee Company



pursuant to the Scheme, subject to clause 3.3(d) of this Scheme, shall be recorded by Transferee Company at their respective fair values,.

- (c) All liabilities of Transferor Company and transferred to and vested in Transferee Company, subject to clause 3.3(d) of this Scheme, shall be recorded by Transferee Company at their respective book values.
- (d) Intercompany loans, investments and other balances and obligations, if any, on the Appointed Date shall stand cancelled and extinguished.
- (e) After giving effect to Clause 3.3(a) to 3.3(d) above, any excess of the aggregate value of the liabilities over the aggregate value of the assets of the Transferee Company shall be recognized in the Transferee Company's financial statements as Goodwill. If the aggregate value of liabilities of the Transferee Company is lower than the aggregate value of the assets of the Transferee Company, the difference shall be treated as Capital Reserve.
- (f) In case of any difference in accounting policy between the Transferor Company and the Transferee Company, the impact of the same till the Appointed Date will be quantified and recorded in accordance with applicable Accounting Standards notified under Section 211 (3C) of the Act to ensure that the financial statements of the Transferee Company reflect the financial position on the basis consistent accounting policy.
- (g) This Scheme is in compliance with Section 2 (1B) of the Income Tax Act, 1961 and is intended to be implemented accordingly.

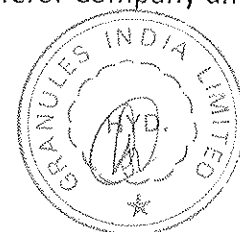


4. CONTRACTS, DEEDS AND OTHER INSTRUMENTS

- (a). With effect from the Appointed Date and upon the Scheme becoming effective, all contracts, deeds, bonds, agreements, schemes, arrangements and other instruments of whatsoever nature in relation to the Undertakings of the Transferor Company to which the Transferor Company is a party or to the benefit of which the Transferor Company may be entitled/eligible, and which are subsisting or have effect immediately before the Appointed Date, shall be in full force and effect on, or against, or in favour of the Transferee Company and may be enforced as fully and effectually as if, instead of the Transferor Company, the Transferee Company had been a party or beneficiary or obligee thereto.
- (b). For the avoidance of all doubt, it is expressly made clear that the transfer of respective Undertakings of the Transferor Company as contemplated herein, shall not affect the previous operation of any contract, agreement, deed or any instrument or the like to which the Transferor Company is a party or is the beneficiary of (as the case may be) and any reference in such agreements, contracts, deeds and instruments to the Transferor Company shall be construed as reference only to the Transferee Company with effect from the Effective Date.
- (c). The resolutions, if any, of the Transferor Company which are valid and subsisting on the Effective Date, shall continue to be valid and subsisting and be considered as resolutions of the Transferee Company and if any such resolutions have upper monetary or other limits being imposed under the provisions of the Act, or any other applicable provisions, then the said limits shall be added and shall constitute the aggregate of the said limits in the Transferee Company.

5. LEGAL PROCEEDINGS

On and from the Appointed Date and upon the Scheme becoming effective, all suits, actions and other legal proceedings by or against each of the Transferor Company under



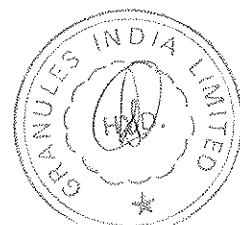
any statute or otherwise, whether pending, or arising, before the Appointed Date shall be continued and enforced by or against the Transferee Company.

6. EMPLOYEES

- (a). All permanent employees, if any, of the Transferor Company as on the Effective Date shall as from such date, become employees of the Transferee Company in such position, rank and designation as may be determined by the Transferee Company with the benefit of continuity of service and such that the terms and conditions of their employment with the Transferee Company are not less favourable than those applicable to them as employees of the Transferor Company on such date. With regard to provident fund, gratuity fund, superannuation fund or any other special fund created or existing for the benefit of such employees of the Transferor Company, from the Effective Date the Transferee Company shall stand substituted for the Transferor Company for all purposes whatsoever in relation to the administration or operation of such fund or funds and the obligation to make contributions to the said fund or funds in accordance with the provisions thereof as per the terms provided in the respective trust deeds or other documents provided that if the Transferee Company considers it desirable for the smooth administration, management, operation and uniformity of such funds, the same may be merged with similar funds of the Transferee Company.

It is the aim and intent of the Scheme that all the rights, duties, powers and obligations of the Transferor Company in relation to such schemes or funds shall become those of the Transferee Company. It is clarified that the services of the employees of the Transferor Company will be treated as having been continuous for the purpose of the aforesaid schemes, funds and trusts.

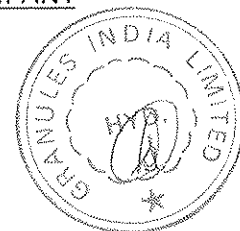
- (b). In the event that trustees are constituted as holders of any securities, trust funds or trust monies, in relation to any provident fund trust, gratuity trust or



superannuation trust of the Transferor Company, such funds shall be transferred by such trustees of the trusts of the Transferor Company, to separate trusts and the trustees of the Transferee Company set up for the same purpose and object and shall be deemed to be a transfer of trust property from one set of trustees to another set of trustees in accordance with the provisions of the relevant labour laws, Indian Trusts Act 1882, and the Income Tax Act, 1961 and relevant stamp legislations as applicable provided that if the Transferee Company considers it desirable for the smooth administration, management, operation and uniformity of such trusts of the respective Transferor Company, the same may be merged with similar trusts of the Transferee Company. Appropriate deeds of trusts and/or documents for transfer of trust properties shall be simultaneously executed upon the sanction of the Scheme in accordance with the terms hereof by the trustees of such trusts in favour of the trusts of the Transferee Company so as to continue the benefits of the employees. The provident fund trust, gratuity trust or superannuation trusts of the respective Transferor Company shall continue to hold such securities, trust funds and/or trust monies as hithertofore, till such time as the transfer to the trustees of the Transferee Company employee trusts is made.

- (c). The Transferee Company undertakes to continue to abide by any agreement(s)/settlement(s) entered into by the Transferor Company with any employees of the Transferor Company. The Transferee Company agrees that for the purpose of payment of any retrenchment, compensation, gratuity and other terminal benefits, the past services of such employees with the Transferor Company shall also be taken into account, and agrees and undertakes to pay the same as and when payable.

7. BUSINESS AND PROPERTY IN TRUST FOR THE TRANSFEE COMPANY



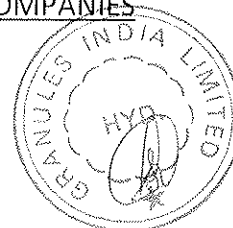
With effect from the Appointed Date and up to and including the Effective Date:

- (a). the Transferor Company shall carry on its business activities with reasonable diligence and business prudence and shall conduct its businesses in the ordinary course consistent with past practice.
- (b). Until the Effective Date and subject to such consents as may be necessary :
 - (i). the Transferor Company shall carry on and be deemed to have carried on its businesses and activities and shall hold and stand possessed of and shall be deemed to have held and stood possessed of the Undertaking of the Transferor Company on account of and in trust for the Transferee Company and the Transferor Company shall be entitled to sell or transfer any property or assets to any party including the Transferee Company, with the prior written consent of the Transferee Company;
 - (ii). all the profits or incomes accruing or arising to the Transferor Company or expenditure or losses incurred by the Transferor Company shall for all purposes be treated and be deemed to be and accrue as profits or incomes or expenditure or losses of the Transferee Company ;

8.0 NO ISSUE OF SHARES BY TRANSFEREE COMPANY

Since the Transferor Company, a wholly owned subsidiary of the Transferee Company, is being amalgamated into the Transferee Company there would be no issue of shares pursuant to the amalgamation. The entire share capital of the Transferor Company held by the Transferee Company shall stand cancelled upon the scheme being effective in terms hereof.

9.0 CLUBBING OF THE AUTHORISED CAPITAL OF THE TRANSFEROR COMPANIES



Upon the Scheme becoming effective, the authorized capital of the Transferor Company shall stand added to and clubbed with the authorized capital of the Transferee Company without payment of any fees or stamp duty and the relevant clause V of the Memorandum of Association of the Transferee Company and Article 3(a) of the Articles of Association of the Transferee Company shall be replaced accordingly and without any further act or deed, and the resultant authorized capital of the Transferee Company shall on and after the Effective Date be as follows:

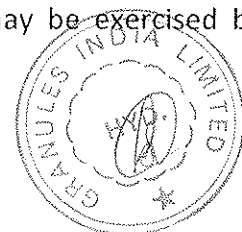
SHARE CAPITAL	Rs.
AUTHORISED CAPITAL	
3,45,00,000 Equity Shares of Rs.10/- each	34,50,00,000

10.0 DISSOLUTION OF THE TRANSFEROR COMPANY

With effect from the Effective Date, the Transferor Company shall stand dissolved without being wound up.

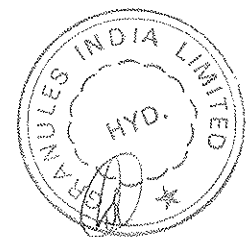
11. APPROVALS AND MODIFICATIONS

- (a). The Transferor Company and the Transferee Company may jointly assent from time to time on behalf of all persons concerned to any modifications or amendments or additions to the Scheme or to any conditions or limitations which the High Court of Andhra Pradesh and/or the other competent authorities, if any, under any law, may deem fit and approve of or impose and which the Transferor Company and the Transferee Company may in their discretion deem fit and may resolve all doubts or difficulties that may arise for carrying out the Scheme and do and execute all acts, deeds, matters and things necessary for bringing the Scheme into effect. The aforesaid powers of the Transferor Company and the Transferee Company may be exercised by their



respective boards of directors, a committee or committees of the board concerned or any director (hereafter referred as the “delegates”).

- (b). For the purpose of giving effect to the Scheme or any modifications or amendments thereof or additions thereto the delegate(s) of the Transferor Company and the Transferee Company may jointly give and are hereby authorized respectively to determine and give all such directions as are necessary including directions for settling or removing any difficulties, as the case may be, which shall be binding on all parties in the same manner as if the same were specifically incorporated in the Scheme.
- (c). After the dissolution of the Transferor Company, the Transferee Company acting through its board of directors or other persons, duly authorized by its board in this regard, shall be authorized, to take such steps, as may be necessary, desirable or proper to resolve any doubts, difficulties or questions that may arise, whether by reasons of any order of the High Court of Judicature of Andhra Pradesh at Hyderabad or of any directive or order of any other authorities or otherwise, in connection with this Scheme and/or matters concerning or connected therewith.
- (d). If any part of this Scheme hereof is ruled illegal or invalid by, or is not sanctioned by, any High Court, or is unenforceable under present or future laws, then it is the intention of the parties that such part shall be severable from the remainder of the Scheme, and the Scheme shall not be affected thereby, unless the deletion of such part shall cause this Scheme to become materially adverse to any party, in which case the parties shall attempt to bring about a modification in the Scheme, as will best preserve for the parties the benefits and obligations of the Scheme, including but not limited to such part.



12. SCHEME CONDITIONAL UPON

This Scheme is conditional upon the following approvals:

- (a). the approval of the Scheme by the requisite majority of the members and creditors, if any, of the Transferor Company, as required under Section 391 of the Act ;
- (b). the sanction of the Scheme by the High Court of Judicature of Andhra Pradesh at Hyderabad under Sections 391 and 394 of the Act and other applicable provisions of the Act, rules and regulations;

13. COSTS, CHARGES AND EXPENSES

Upon the Scheme becoming effective, all costs, charges, taxes including stamp duties, levies and all other expenses, if any, of the Transferor Company and the Transferee Company arising out of/or incurred after the Effective Date for carrying out and implementing the Scheme and matters incidental thereto, shall be borne and paid by the Transferee Company (save as otherwise expressly agreed in writing).

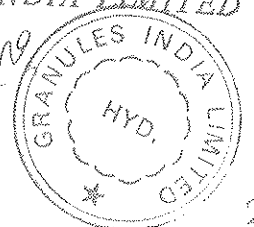
14. SANCTION AND APPROVALS NOT FORTHCOMING

Save and except in respect of any act or deed done prior thereto as is contemplated hereunder, or as to any right, liability or obligation which has arisen or accrued pursuant thereto and which shall be governed and be preserved or worked out as is specifically provided in the Scheme or as may otherwise arise in law, the Scheme shall stand revoked, cancelled and be of no effect if the events or sanctions and approvals referred to in Clause 11 have not occurred or have not been obtained by 30th September, 2014 or such extended period as may be agreed in writing between the each of the Transferor Company and the Transferee Company.

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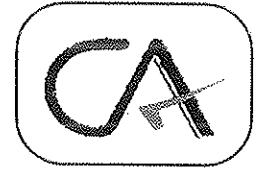
For GRANULES INDIA LIMITED

Company Secretary



Mangaraju & Satyanarayana

CHARTERED ACCOUNTANTS



To
The Board of Directors,
Granules India Limited,
2nd Floor, 3rd Block,
My Home Hub,
Madhapur,
Hyderabad – 81.

CERTIFICATE OF EXCHANGE RATIO

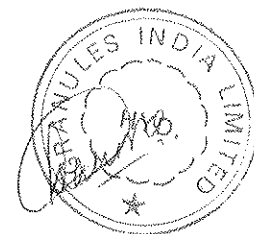
IN THE MATTER OF AMALGAMATION OF AUCTUS PHARMA LIMITED WITH GRANULES INDIA LIMITED

Based on the draft Scheme of Arrangement ("The Scheme") of Auctus Pharma Limited (APL) with Granules India Limited (GIL) and according to the information and explanations provided to us, we hereby certify as under:

- As on date GIL holds entire issued share capital of APL.
- Pursuant to the Scheme, shares in APL held by GIL will be cancelled and GIL shall not be required to issue and allot any shares to the members of APL.
- Accordingly no valuation process is applicable to the Scheme. In our opinion, we state that the above Scheme is fair and reasonable since the shareholders of GIL will continue to remain beneficial owners of GIL in the same proportion as they held it prior to the Scheme.
- This certificate is issued at the request of GIL in accordance with clause 24(f) of the listing agreement and SEBI Circular No.CIR/CFD/DIL/5/2013 dated February 4, 2014 read with clarifications provided by SEBI CIR/CFD/DIL/8/2013 dated May 21, 2013 and should not be used for any other purpose without our prior written consent.

For MANGARAJU & SATYANARAYANA
Chartered Accountants
Firm Reg. No: 014168S

Name: MANGARAJU D
M.No: 226265
Date: February 20th, 2014
Place: Hyderabad



Head Office :

13-1-23A, RR Pet, PB Street, Ward 23,
Tadepalligudem-534102
Mobile: +91-8978959068

Branch Office :

Flat No. 103, Reddy Complex, Opp: E-Seva, Chandanagar,
Hyderabad - 500 050
Mobile: +91-7386335285, eMail:ca.mrsn@gmail.com



Granules India Limited

11th Floor, 3rd Block, My Home Hub, Madhapur, Hyderabad - 500 081 INDIA
 Ph : +91-40-30660000, 66760000 Fax : +91-40-23115145
 E-mail : mail@granulesindia.com URL : www.granulesindia.com

Report of the Audit Committee of the Granules India Limited

Members Present:

Mr. L. S. Sarma	-	Chairman
Mr. C. Krishna Prasad	-	Member
Mr. A. Arun Rao	-	Member

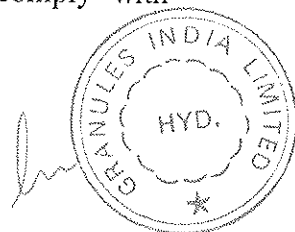
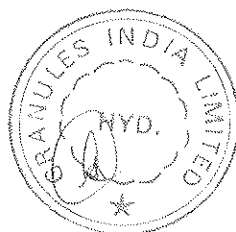
Background:

Granules India Limited (Transferee Company / Company) is a Public Limited Company incorporated under the Companies Act, 1956 with its registered office at 02nd Floor, 03rd Block, My Home Hub, Madhapur, Hyderabad (AP) – 500 081. The Company is engaged in the business of developing, manufacturing and marketing pharmaceutical products in various jurisdictions on a global scale. The equity shares of the Company are listed on the BSE Limited and the National Stock Exchange of India Limited.

Auctus Pharma Limited, a Company incorporated under the Companies Act, 1956 with its registered office at 02nd Floor, 03rd Block, My Home Hub, Madhapur, Hyderabad (AP) – 500 081 (Transferor Company / Auctus Pharma Limited). The Transferor Company is engaged in the business of developing, manufacturing, buying, selling and distributing pharmaceutical products in various jurisdictions.

The Board of Directors of the Transferee Company on 20th February 2014 had approved the Scheme of Arrangement (Scheme) for amalgamation of the Transferor Company and the Transferee Company.

In terms of the SEBI circular No. CIR/CFD/DIL/5/2013 dated February 4, 2013 (the Circular) the Audit Committee is required to recommend the Scheme taking into consideration the valuation report. The report of the Audit Committee is made in order to comply with requirements of the said circular.



The Audit Committee considered the following documents:

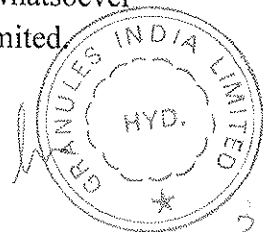
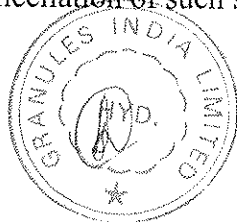
- (a) The Scheme of Arrangement;
- (b) The Valuation Report from an Independent Chartered Accountant in terms of SEBI Circular No. CIR/CFD/DIL/8/2013 dated May 21, 2013;
- (c) Fairness opinion from the Merchant Banker dated 20th February 2014; and
- (d) Certificate under clause 24(i) of the Listing Agreement from M/s. Kumar & Giri Chartered Accountants, Statutory Auditors of the Company, confirming that the accounting treatment contained in the scheme is in compliance with all the Accounting Standards specified by the Central Government in Section 211(3C) of the Companies Act, 1956.
- (e) An undertaking by the statutory auditors dated 20th February 2014, issued by M/s. Kumar & Giri Chartered Accountants, in relation to non-applicability of Para 5.16(a) of the Circular.
- (f) Pre Scheme and Post Scheme Net worth certificates of the Company both dated 20th February 2014, issued by statutory auditors M/s. Kumar & Giri Chartered Accountants.
- (g) Audited financial statement of the Company and Auctus Pharma Limited for the years March 31, 2013, March 31, 2012 and March 31, 2011.
- (h) Audited Financial Statement of the Company for the period April 1, 2013 to January 31, 2014.

The Transferee Company owns 100% of the paid-up share capital of the Transferor Company and as a result of the amalgamation, the shares of Auctus Pharma Limited held by the Company will stand cancelled, with no issuance of shares or payment of other consideration to the Transferor Company. There will be no change in the shareholding pattern of the Transferee Company on account of amalgamation.

Proposed Scheme of Arrangement:

The Committee noted that the salient features of the Scheme are as under:

- The Scheme provides for amalgamation of Auctus Pharma Limited into the Company.
- Proposed Appointed Date for the amalgamation will be 1st April 2013.
- Certificate has been obtained from the statutory auditors of the Company on the accounting treatment prescribed in the Scheme.
- “Nil Consideration” (Auctus Pharma Limited will be amalgamated into Granules India Limited and all assets and liabilities of Auctus Pharma Limited will get transferred to Granules India Limited). No new shares shall be issued or payment made in cash whatsoever by the Company in lieu of the cancellation of such shares of the Auctus Pharma Limited

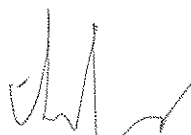


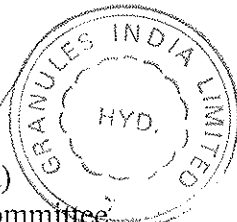
- Upon the proposed amalgamation becoming effective, all assets, liabilities, contracts, rights, obligations etc. of Auctus Pharma Limited shall stand transferred to Granules India Limited.
- Upon Scheme coming into effect, Auctus Pharma Limited shall stand dissolved without any further act or deed.

Recommendation of the Audit Committee:

The Audit Committee recommends the draft Scheme, inter-alia taking into consideration that there would not be any issuance of shares, for favorable consideration by the Board of Directors of the Company, Stock Exchange(s) and SEBI.

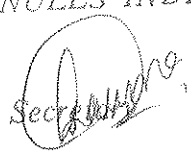
Date: 20.02.2014
Place: Hyderabad

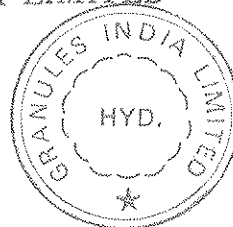

(L. S. Sarma)
Chairman, Audit Committee



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For GRANULES INDIA LIMITED

Company Secretary 



February 20, 2014

The Board of Directors
Granules India Limited
2nd Floor, 3rd Block
My Home Hub, Madhapur
Hyderabad – 500 081 (A.P.)

Sub: Fairness opinion on the proposed amalgamation of Auctus Pharma Limited with Granules India Limited pursuant to the Scheme of Arrangement under Sections 391 – 394 of the Companies Act, 1956

Dear Sirs,

We refer to the engagement letter dated February 19, 2014 with Granules India Limited (hereinafter referred to as "Granules"), wherein Granules has requested **akasam consulting private limited** ("akasam") to provide fairness opinion on the Scheme of Arrangement in relation to the amalgamation of 'Auctus Pharma Limited' with 'Granules India Limited'.

1. BACKGROUND OF THE COMPANIES

- 1.1 **Auctus Pharma Limited ('Auctus' or the 'Transferor Company')** is engaged in the business of manufacture and sale of bulk drugs and Intermediates.
- 1.2 **Granules India Limited ('Granules' or the 'Transferee Company')** is engaged in the business of manufacture and sale of APIs and pharmaceutical formulation intermediates.

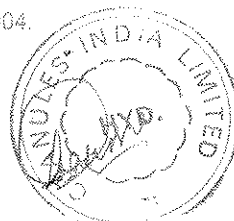
2. SCOPE AND PURPOSE OF THIS REPORT

- 2.1 We understand that the Board of Directors of Auctus and Granules are proposing to amalgamate both the Companies under a scheme of arrangement under the provisions of Sections 391-394 of the Companies Act, 1956 (hereinafter referred to as the "Scheme of Arrangement").
- 2.2 Auctus is a wholly owned subsidiary of Granules and Granules along with nominee shareholders is holding all the shares issued by Auctus.
- 2.3 In consideration of the transfer and vesting of the Assets and Liabilities pursuant to the Scheme of Arrangement, the entire share capital of Auctus held by Granules along with the nominee shareholders shall stand cancelled.



akasam consulting private limited

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mobile : 91777 73843

e-mail : info@akasamconsulting.com

- 2.4 In this connection, the management of Granules India Limited has engaged us to submit a report on the fairness of the Scheme of Arrangement as per the requirements of Securities and Exchange Board of India Circular No. CIR/CFD/DIL/5/2013 dated February 4, 2013 read with Circular No. CIR/CFD/DIL/8/2013 dated May 21 2013 and listing agreement entered by Granules India Limited with BSE Limited and the National Stock Exchange of India Limited. Our scope of work includes commenting only on the fairness of the Scheme of Arrangement.
- 2.5 This report is subject to the scope, limitations and disclaimers detailed hereinafter. As such the report is to be read in totality, not in parts and in conjunction with the relevant documents referred to herein. This report has been issued only for the purpose of facilitating the amalgamation of Auctus with Granules and should not be used for any other purpose.

3. SOURCES OF INFORMATION

We have relied on the following information for framing our opinion on the fairness of the Scheme of Arrangement:

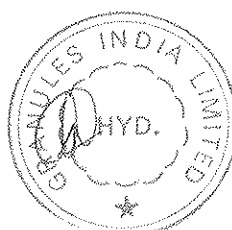
- a) Draft Scheme of Arrangement between Auctus and Granules.
- b) Audited financials of Auctus and Granules for financial years 2011-12, 2012-13 and for the period ended January 31, 2014.
- c) Other relevant information regarding Auctus and Granules.

4. RATIONALE AND KEY FEATURES OF SCHEME OF ARRANGEMENT

- 4.1 The rationale for the amalgamation as provided in the Scheme of Arrangement is as follows:

"The rationale and reasons for the proposed Scheme of Arrangement, inter alia, are summarized below

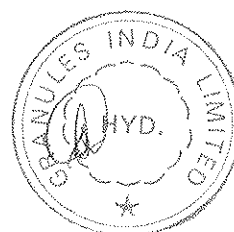
- a. would enable focused strategic leadership and top management attention to be bestowed on the Undertaking of the Transferor Company so as to integrate the business synergies and reap the benefits of consolidation.
- b. would channelize synergies; enable optimum utilization of the available resources, broadening the customer base besides enabling a focused business approach for achieving optimization.
- c. would enable to achieve higher long-term financial returns and inculcation of greater financial strength and flexibility than could be achieved by the companies individually.
- d. would enable the Transferee Company to have diversified product portfolio which would enable it to manage risks in a better way.



- e. Would enable the Transferee Company to make value added products from Transferor Company's Active Pharmaceutical Ingredients to make Finished Dosages and Pharmaceutical Formulations Intermediates which would give higher returns and also exploit its customer base to increase exports of such products which could result in higher foreign exchange earnings to the country and to the transferee company.
- f. would result in greater rationalization and help reduce duplication of systems and processes.
- g. would result in more efficient and more cost effective management system in view of consolidation of operations and larger size as the Transferor and Transferee are involved in the same line of business.
- h. would be beneficial for pooling of financial, managerial and technical resources, personnel capabilities, skills, expertise and technologies of the merging companies leading to increased competitive strength."

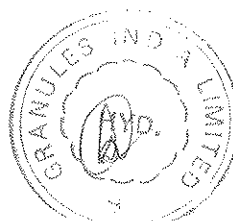
4.2 The key features of Scheme of Arrangement are as follows:

- 4.2.1 Upon the Effective Date and with effect from the Appointed Date and subject to the provisions of the Scheme of Arrangement, all Assets and Liabilities of Auctus shall, pursuant to Section 391 to 394 of the Act, without any further act, instrument or deed, be and stand transferred to and vested in and/or be deemed to have been and stand transferred to and vested in Granules.
- 4.2.2 Amalgamation of the Transferor Company with the Transferee Company shall be accounted for in accordance with "Purchase Method" of accounting as per Accounting Standard – 14.
- 4.2.3 As the Transferor Company, a wholly owned subsidiary of the Transferee Company, is being amalgamated into the Transferee Company there would be no issue of shares pursuant to the amalgamation. The entire share capital of the Transferor Company held by the Transferee Company shall stand cancelled upon the scheme being effective in terms hereof.
- 4.2.4 With effect from the Appointed Date, the Transferor Company shall stand dissolved without being wound up. Notwithstanding such dissolution, all transactions of or in relation to or involving the Transferor Company from the Appointed Date until the Effective Date shall be saved and shall remain unaffected, by virtue of such dissolution.



5. LIMITATIONS OF SCOPE AND REVIEW

- 5.1 Our Opinion and analysis is limited to the extent of review of documents as provided to us by Granules and the Scheme of Arrangement approved by the Board of Directors of Auctus and Granules.
- 5.2 We have relied upon the accuracy and completeness of all information and documents provided to us, without carrying out any due diligence or independent verification or validation of such information to establish its accuracy or sufficiency. We have not reviewed any financial forecasts relating to Auctus and Granules. We have not conducted any independent valuation or appraisal of any of the assets or liabilities of Auctus and Granules. In particular, we do not express any opinion as to the value of any asset of Auctus or Granules, its subsidiaries, whether at current prices or in the future.
- 5.3 We do not express any opinion as to the price at which shares of Granules may trade at any time, including subsequent to the date of this opinion. In rendering our opinion, we have assumed, that the Scheme of Arrangement will be implemented on the terms described therein, without any waiver or modification of any material terms or conditions, and that in the course of obtaining the necessary regulatory or third party approvals for the Scheme of Arrangement, no delay, limitation, restriction or condition will be imposed that would have an adverse effect on Auctus and Granules and its subsidiaries and respective shareholders.
- 5.4 We do not express any opinion as to any tax or other consequences that might arise from the Scheme of Arrangement on Auctus or Granules or their subsidiaries and their respective shareholders, nor does our opinion address any legal, tax, regulatory or accounting matters, as to which we understand that the Companies have obtained such advice as it deemed necessary from qualified professionals.
- 5.5 We assume no responsibility for updating or revising our opinion based on circumstances or events occurring after the date hereof. Our opinion is specific to the amalgamation of Auctus with Granules as contemplated in the Scheme of Arrangement provided to us and is not valid for any other purpose.
- 5.6 We have not in the past provided, and may currently or in the future provide, investment banking services to Granules and/or its subsidiaries or their respective affiliates that are unrelated to the proposed Scheme of Arrangement, for which services we have received or may receive customary fees. In addition, in the ordinary course of their respective businesses, affiliates of akasam may actively trade in the securities of Granules or its subsidiaries or group companies or for their own accounts and for the accounts of their customers and, accordingly, may at any time hold a position in such securities. Our engagement and the opinion expressed herein are for the use of the Board of Directors of Granules in connection with the consideration of the Scheme of Arrangement and for none other. Neither Granules, nor its affiliates, partners, directors,



shareholders, managers, employees or agents of any of them, makes any representation or warranty, express or implied, as to the information and documents provided to us, based on which the opinion has been issued. All such parties and entities expressly disclaim any and all liability for, or based on or relating to any such information contained therein.

5.7 Our opinion is not intended to and does not constitute a recommendation to any shareholder as to how such holder should vote or act in connection with the Scheme of Arrangement or any matter related thereto.

6. VALUATION REPORT

In the proposed Scheme of Arrangement, the entire share capital of Auctus held by Granules along with the nominee shareholders, shall stand cancelled and there shall not be any change in the shareholding pattern of Granules.

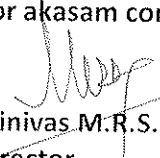
As per point 4.2 of SEBI Circular dated CIR/CFD/DIL/8/2013 dated May 21, 2013 to be read with SEBI Circular No. CIR/CFD/DIL/5/2013 dated February 4, 2013; 'Valuation Report from an Independent Chartered Accountant' need not be required in cases where there is no change in the shareholding pattern of the listed company.

Based on the above stated points, the Company has obtained a Report from M/s. Mangaraju & Satyanarayana, Chartered Accountants, wherein they have confirmed that, as the shares held in Auctus by Granules will be cancelled and Granules shall not be required to issue and allot any shares to the members of Auctus based on the Scheme of Arrangement, there shall not be any valuation process applicable to the Scheme of Arrangement.

7. OPINION

On the basis of our Scope and Limitations mentioned in this report and considering the Rationale of the Scheme of Arrangement, the Scheme of Arrangement of Auctus with Granules, in our opinion is fair.

For akasam consulting private limited

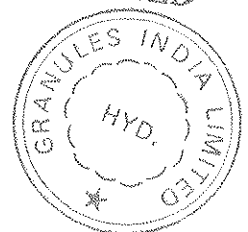

Srinivas M.R.S.
Director



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For GRANULES INDIA LIMITED


Company Secretary



ANNEXURE - VI

SHAREHOLDING PATTERN OF GRANULES INDIA LIMITED (TRANSFEREE COMPANY) PRE AND POST AMALGAMATION

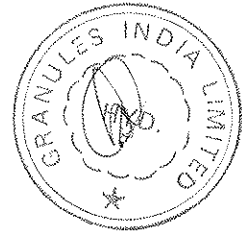
Introductory sub-table (I)(a)

Name of the Company: Granules India Limited
 Scrip Code: BSE 532482 NSE GRANULES
 Class of Security: Equity
 Name of the Scrip: Granules India Limited
 Quarter ended: December 31, 2013

Partly paid-up shares:-	No. of partly paid-up shares	As a % of total no. of partly paid-up	As a % of total no. of shares of the company
Held by promoter/promoter group	0	0	0
Held by public	0	0	0
Total - D	0	0	0

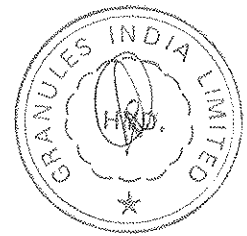
Outstanding convertible securities:-	No. of outstanding securities	As a % of total no. of outstanding	As a % of total no. of shares of the company, assuming
Held by promoter/promoter group	0	0	0
Held by public	0	0	0
Total - E	0	0	0

Warrants:-	No. of warrants	As a % of total no.	As a % of total no. of shares of the company, assuming
Held by promoter/promoter group	0	0	0
Held by public	0	0	0
Total - F	0	0	0
Total paid-up capital of the company,	20,281,154	0	100



(1)(a) Statement showing Shareholding Pattern:

Category code	Category of shareholder	Number of shareholders	Total number of shares	Number of shares held in dematerialized form	Total shareholding as a percentage of total number of shares		Shares pledged or otherwise encumbered	
					As a percentage of (A+B)	(VI)	As a percentage of (A+B+C)	(VII)
(I)	(II)	(III)	(IV)	(V)	(VI)	(VII)	(VIII)	(IX)
(A)	Shareholding of Promoter and Promoter Group							
(1)	Indian							
(a)	Individuals / Hindu Undivided Family	9	8,993,128	8,993,128	44.39	44.34	2,067,623	22.99
(b)	Central Govt/State Government(s)							
(c)	Bodies Corporate	2	749,127	749,127	3.70	3.69	378,207	50.49
(d)	Financial Institutions / Banks							
(e)	Any Other (specify)							
(2)	Sub-Total (A)(1)	11	9,742,255	9,742,255	48.08	48.04	2,445,830	73.48
	Foreign							
(a)	Individuals (Non Resident Individuals / Foreign Individuals	3	167,719	167,719	0.83	0.83		
(b)	Bodies Corporate							
(c)	Institutions							
(d)	Any Other (specify)							
	Sub-Total (A)(2)	3	167,719	167,719	0.83	0.83		
	Total shareholding of Promoter and Promoter Group (A)=(A)(1)+(A)(2)	14	9,909,974	9,909,974	48.91	48.86	2,445,830	73.48
(B)	Public shareholding							
(1)	Institutions							
(a)	Mutual Funds/UTI							
(b)	Financial Institutions / Banks	2	15,608	15,608	0.08	0.08		
(c)	Central Govt/State Government(s)							
(d)	Venture Capital Funds							
(e)	Insurance Companies							
(f)	Foreign Institutional Investors	3	312,040	312,040	1.54	1.54		
(g)	Foreign Venture Capital Investors							
(h)	Any Other (specify)							
	Sub-Total (B)(1)	5	327,648	327,648	1.62	1.62		

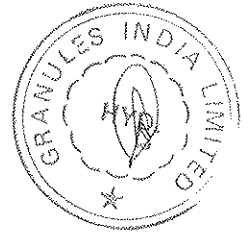


(1)(b) Statement showing holding of securities (including shares, warrants, convertible securities) of persons belonging to the category "Promoter and Promoter Group".

Sr. No.	Name of the shareholder	Total shares held		Encumbered shares (*)			Details of warrant			Details of convertible securities		Total shares (including underlying shares assuming full conversion of warrants and convertible securities) as a % of diluted share capital (XII)
		Number of Shares Held	As a % of grand total (A)+(B)+(C)	Number	As a Percentage	As a % of grand total A+B+C of sub clause (B) (a)	Number of warrants held	As a % total no. of warrants of same class	No. of convertible securities held	As a % of total no. of convertible securities of same class		
(I)	(II)	(III)	(IV)	(V)	(VI)=(V)/(III)*100	(VII)	(VIII)	(IX)	(X)	(XI)	(XII)	
1	C. Krishna Prasad	7,473,538	36.85	1,587,393	21.24	7.83	0.00	0.00	0.00	0.00	36.85	
2	Chigurupati Uma Devi	758,000	3.74	480,210	63.35	2.37	0.00	0.00	0.00	0.00	3.74	
3	Chigurupati Pragya	195,912	0.97	0	0.00	0.00	0.00	0.00	0.00	0.00	0.97	
4	Chigurupati Priyanka	194,612	0.96	0	0.00	0.00	0.00	0.00	0.00	0.00	0.96	
5	Chigurupati Harsha	192,123	0.95	0	0.00	0.00	0.00	0.00	0.00	0.00	0.95	
6	Harsha Chigurupati	68,843	0.34	0	0.00	0.00	0.00	0.00	0.00	0.00	0.34	
7	Suseela Devi Chigurupati	16,500	0.08	0	0.00	0.00	0.00	0.00	0.00	0.00	0.08	
8	Nageswara Rao Chigurupati	83,500	0.41	0	0.00	0.00	0.00	0.00	0.00	0.00	0.41	
9	Nageswara Rao Chigurupati	10,100	0.05	0	0.00	0.00	0.00	0.00	0.00	0.00	0.05	
10	Ramanavapuu Vijay	89,496	0.44	0	0.00	0.00	0.00	0.00	0.00	0.00	0.44	
11	Ramanavapuu Vijay	46,523	0.20	0	0.00	0.00	0.00	0.00	0.00	0.00	0.20	
12	Vidya Ramanavapuu	37,700	0.19	0	0.00	0.00	0.00	0.00	0.00	0.00	0.19	
13	Triton Securities Private Limited	682,927	3.37	378,207	55.38	1.86	0.00	0.00	0.00	0.00	3.37	
14	Tycho Technologies Pvt Ltd	66,200	0.33	0	0.00	0.00	0.00	0.00	0.00	0.00	0.33	
	TOTAL :	9,909,974	48.86	2,445,830	24.68	12.06	0.00	0.00	0.00	0.00	48.86	

(1)(c) Statement showing holding of securities (including shares, warrants, convertible securities) of persons belonging to the category "Public" and holding more than 1% of the total number of shares

Sr.	Name of the shareholder	Number of shares held	Shares as a percentage of total number of shares (i.e. Grant Total A+B+C) indicated in statement at para (f) (a) above	Details of warrants		Details of convertible securities		Total shares (including underlying shares assuming full conversion of warrants and convertible securities) as a % of diluted share capital
				Number of warrants held	As a % total no. of warrants of same class	No. of convertible securities held	% w.r.t of total no. of convertible securities of same class	
1	Investco Management LLC	2,211,200	10.90	0	0	0	0	10.90
2	Ridgeback Capital Asia Ltd	1,144,135	5.64	0	0	0	0	5.64
3	International Finance Corporation	1,311,328	6.47	0	0	0	0	6.47
4	Basava Sankarao Kelli	326,144	1.61					1.61
5	Sparrow Asia Diversified Opportunities Fund	219,000	1.08	0	0	0	0	1.08
	TOTAL :	5,211,807	25.70	0	0	0	0	25.70



(1)(c) (ii) Statement showing holding of securities (including shares, warrants, convertible securities) of persons, (together with PAC) belonging to the category "Public", and holding more than 5% of the total number of shares of the Company

Sr.	Names of the shareholders and the Persons Acting in Concert (PAC) with them	Number of shares	Shares as a percentage of total number of shares (i.e. Grant Total A+B+C) indicated in statement at para (1) (a) above	Details of warrants		Details of convertible securities		Total shares (including underlying shares assuming full conversion of warrants and convertible securities) as a % of diluted share capital
				Number of warrants held	As a % total no. of warrants of same class	No. of convertible securities held	% w.r.t of total no. of convertible securities of same class	
1	Investco Management LLC	2,211,200	10.90	0	0	0	0	10.90
2	Ridgeback Capital Asia Ltd	1,144,135	5.64	0	0	0	0	5.64
3	International Finance Corporation	1,311,328	6.47	0	0	0	0	6.47
	TOTAL :	4,666,663	23.01	0	0	0	0	23.01

(1)(d) Statement showing details of locked-in shares

Sr. No.	Name of the shareholder	Category	Number of locked-in shares	Locked-in shares as a percentage of total no. of shares (i.e. Grand Total (A)+(B)+(C) indicated in Statement at para (1)(a) above
1	NA	NA	NA	NA
2	NA	NA	NA	NA
3	NA	NA	NA	NA
4	NA	NA	NA	NA
5	NA	NA	NA	NA

(1)(e) Statement showing details of Depository Receipts (DRs)

Sr. No.	Type of outstanding DR (ADRS, GDR'S, SDR'S etc)	Number of outstanding DRs (ADRS, GDR'S, SDR'S etc)	Number of shares underlying outstanding DRs	Shares underlying outstanding DRs as a percentage of total number of shares (i.e., Grand Total (A)+(B)+(C) indicated in Statement at para (1)(a) above)
1	GDRs	20,000	20,000	0.10
	TOTAL :	20,000	20,000	0.00

(1)(f) Statement showing Holding of Depository Receipts (DRs), where underlying shares are in excess of 1% of the total number of shares

Sr. No.	Name of the DR Holder	Type of outstanding DR	Number of shares underlying outstanding DRs	Shares underlying outstanding DRs as a percentage of total number of shares (i.e., Grand Total (A)+(B)+(C) indicated in Statement at para (1)(a) above)
1	NIL	NIL	NIL	NIL
2				
3				
	TOTAL :			

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For GRANULES INDIA LIMITED



Company Secretary

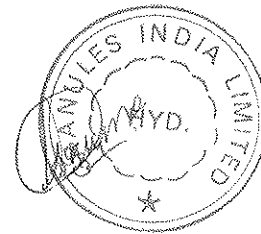

SHAREHOLDING PATTERN OF AUCTUS PHARMA LIMITED (TRANSFEROR COMPANY) PRE & POST AMALGAMATION

S. No.	Pre			Post		
	Name of the Shareholder	No. of Equity shares (of Rs. 10/- each)	%	Name of the Shareholder	No. of Equity Shares (of Rs. 10/- each)	%
1.	Granules India Limited (Body Corporate)	39,00,000	100%	*Not Applicable		
	TOTAL	39,00,000	100%			

*Pursuant to the Scheme of Amalgamation, the Company will get dissolved, without winding up, hence post amalgamation shareholding can't be provided.

For AUCTUS PHARMA LIMITED

VVS Murthy
VVS MURTHY
(AUTHORISED SIGNATORY)



ANNEXURE VII

The audited financial details of the Transferee Company for the previous 3 years along with the latest audited financial results as on 31st January 2014:

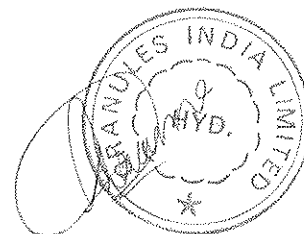
Name of the Company: GRANULES INDIA LIMITED

(Rs. in Crores)

	As per latest Audited Balance Sheet	As per last Audited Financial Year	1 year prior to the last Audited Financial Year	2 years prior to the last Audited Financial Year
	as on 31.01.2014	2012-13	2011-12	2010-11
Equity Paid up Capital	20.28	20.13	20.06	21.74
Reserves and surplus	312.01	250.37	224.68	200.33
Carry forward losses				
Net Worth	332.29	270.50	244.74	222.07
Miscellaneous Expenditure	3.90	4.74	0.42	1.14
Secured Loans	235.81	226.21	162.22	96.04
Unsecured Loans	0.65	0.75	0.75	5.75
Fixed Assets (Net)	375.64	336.44	266.23	229.12
Income from Operations	799.62	679.80	562.68	405.68
Total Income	802.13	681.52	563.89	406.39
Total Expenditure	710.96	637.44	523.55	378.99
Profit before Tax	91.16	44.07	40.34	27.40
Profit after Tax	60.69	30.18	27.31	21.72
Cash profit	90.92	53.48	49.19	40.60
EPS (INR) (Basic)	30.04	15.02	13.61	10.83
Book value (INR)	163.84	134.40	121.99	110.72

For Granules India Limited

(Shivangi Sharma)
Company Secretary



ANNEXURE VII

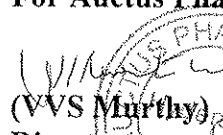
The audited financial details of the Transferor Company for the previous 3 years along with the latest audited financial results as on 31st January 2014:

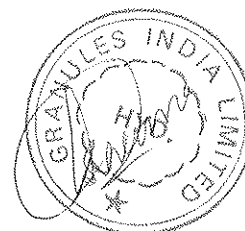
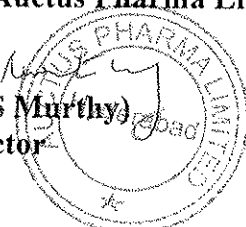
Name of the Company: AUCTUS PHARMA LIMITED

(Rs. in Crores)

	As per latest Audited Balance Sheet	As per last Audited Financial Year	1 year prior to the last Audited Financial Year	2 years prior to the last Audited Financial Year
	As on 31.01.2014	2012-13	2011-12	2010-11
Equity Paid up Capital	3.90	3.90	3.90	3.90
Reserves and surplus (Excl. carry forward losses)	21.75	21.75	22.30	19.19
Carry forward losses	8.76	3.50	0	0
Net Worth	16.89	22.15	26.20	23.09
Miscellaneous Expenditure	0	0	0	0
Secured Loans	25.73	26.83	24.98	20.61
Unsecured Loans	9.00	2.30	0.71	0
Fixed Assets (Net)	33.10	36.79	35.04	33.13
Income from Operations	100.84	114.21	96.30	94.51
Total Income	101.83	115.29	98.02	94.93
Total Expenditure	107.05	120.68	96.77	89.23
Profit/(Loss) before Tax	(5.27)	(5.70)	4.92	5.71
Profit/(Loss) after Tax	(5.27)	(4.05)	3.39	3.77
Cash Profit/(Loss)	(1.99)	(2.23)	7.85	6.08
EPS	(13.51)	(10.39)	8.69	9.67
Book value	43.29	56.80	67.19	59.20

For Auctus Pharma Limited


(VVS Murthy)
Director





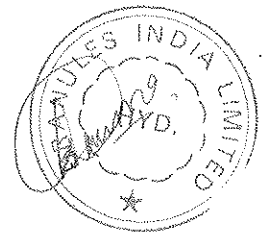
To,
 The Board of Directors
 Granules India Limited
 02nd Floor, 03rd Block,
 My Home Hub, Madhapur,
 Hyderabad (AP) – 500 081

Auditors Certificate

- 1) This certificate is issued solely at the request of the Company.
- 2) Pursuant to the Paragraph 5.16(a) of Circular no. CIR/CFD/DIL/8/2013 dated May 21, 2013 issued by the Securities Exchange Board of India ("SEBI") (hereinafter referred to as the "Circular"), it is our responsibility to examine the proposed Scheme and certify whether the requirement set out in Paragraph 5.16(a) of the Circular, are applicable to the proposed Scheme or not.
- 3) Based on our examination as above, the information and explanations furnished to us, we, the Statutory Auditor, certify that, to the best of our knowledge, the requirements set out in paragraph 5.16(a) of the Circular, are not applicable to the proposed Scheme.
- 4) This certificate has been issued for the sole use of the Board of Directors of the Company to whom it is addressed, to enable the Company to file its application with the Stock Exchanges and should not be used by any other person or for any other purpose.

For Kumar & Giri
 Chartered Accountants
 Firm No: 001584S

J. Bhadra Kumar
 Partner
 M.No: 25480
 Date: February 20, 2014
 Place: Hyderabad





Granules India Limited

11nd Floor, 3rd Block, My Home Hub, Madhapur, Hyderabad - 500 081 INDIA
 Ph : +91-40-30660000, 66760000 Fax : +91-40-23115145
 E-mail : mail@granulesindia.com URL : www.granulesindia.com

CERTIFIED TRUE COPY OF THE RESOLUTIONS PASSED AT THE 156th MEETING OF THE BOARD OF DIRECTORS OF M/S. GRANULES INDIA LIMITED HELD ON THURSDAY, THE 20th DAY OF FEBRUARY, 2014 AT 4.00 P.M AT THE REGISTERED OFFICE OF THE COMPANY AT 2nd FLOOR, 3rd BLOCK, MY HOME HUB, MADHAPUR, HYDERABAD (A.P.) – 500081

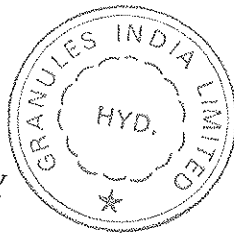
“RESOLVED FURTHER THAT the undertaking dated 20th February 2014, issued by M/s. Kumar & Giri, Statutory Auditors of the Company, in accordance with SEBI circular no. CIR/CFD/DIL/8/2013 dated 21.05.2013, confirming the non-applicability of Para 5.16(a) of the circular as recommended by the Audit Committee and placed before the Board, be and is hereby approved.”

CERTIFIED TRUE COPY

FOR GRANULES INDIA LIMITED


 (SHIVANGI SHARMA)

COMPANY SECRETARY



Quarterly Compliance Report on Corporate Governance

Name of the Company : M/S GRANULES INDIA LIMITED

Quarter ending on : December 31, 2013

Particulars	Clause of Listing agreement	Compliance Status Yes/No/NA	Remarks
I. Board of Directors	49 (I)		
(A) Composition of Board	49 (IA)	Yes	
(B) Non-executive Directors' compensation & disclosures	49 (IB)	Yes	
(C) Other provisions as to Board and Committees	49 (IC)	Yes	
(D) Code of Conduct	49 (ID)	Yes	
II. Audit Committee	49 (II)		
(A) Qualified & Independent Audit Committee	49 (IIA)	Yes	
(B) Meeting of Audit Committee	49 (IIB)	Yes	
(C) Powers of Audit Committee	49 (IIC)	Yes	
(D) Role of Audit Committee	49 (IID)	Yes	
(E) Review of Information by Audit Committee	49 (IIE)	Yes	
III. Subsidiary Companies	49 (III)	Yes	
IV. Disclosures	49 (IV)		
(A) Basis of related party transactions	49 (IV A)	Yes	
(B) Disclosure of Accounting Treatment	49 (IV B)	Not Applicable	
(C) Board Disclosures	49 (IV C)	Yes	
(D) Proceeds from public issues, rights issues, preferential issues etc.	49 (IV D)	Yes	
(E) Remuneration of Directors	49 (IV E)	Yes	
(F) Management	49 (IV F)	Yes	
(G) Shareholders	49 (IV G)	Yes	
V. CEO/CFO Certification	49 (V)	Yes	
VI. Report on Corporate Governance	49 (VI)	Yes	
VII. Compliance	49 (VII)	Yes	

For, Granules India Limited

(Shivangi Sharma)

Company Secretary & Compliance Officer

Date: 20.02.2014





Granules India Limited

11th Floor, 3rd Block, My Home Hub, Madhapur, Hyderabad - 500 081, INDIA
Ph : +91-40-30660000, 66760000 Fax : +91-40-23115145
E-mail : mail@granulesindia.com URL : www.granulesindia.com

ANNEXURE XI

THE COMPLAINTS REPORT WILL BE SUBMITTED WITHIN 7 DAYS OF EXPIRY OF 21 DAYS FROM THE DATE OF FILING OF DRAFT SCHEME.

Complaints Report:

Part A

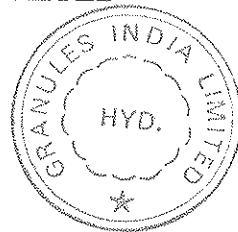
Sr. No.	Particulars	Number
1.	Number of complaints received directly	
2.	Number of complaints forwarded by Stock Exchange	
3.	Total Number of complaints/comments received (1+2)	
4.	Number of complaints resolved	
5.	Number of complaints pending	

Part B

Sr. No.	Name of complainant	Date of complaint	Status (Resolved/Pending)
1.			
2.			
3.			

FOR, GRANULES INDIA LIMITED

(Signature)
(SHIVANGI SHARMA)
COMPANY SECRETARY





Granules India Limited

11nd Floor, 3rd Block, My Home Plun, Madhapur, Hyderabad - 500 081, INDIA
Ph : +91-40-30660000, 66760000 Fax : +91-40-23115145
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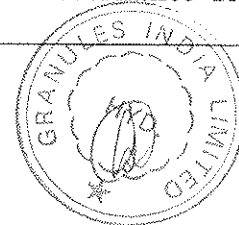
ANNEXURE XII

Compliance report with the requirements specified in Part-A of the circular CIR/CFD/DIL/5/2013 dated February 4, 2013 read with circular no. CIR/CFD/DIL/8/2013 dated May 21, 2013

Sub: Application under Clause 24(f) of the listing agreement for the proposed scheme of Amalgamation of Auctus Pharma Limited, a wholly owned subsidiary company of Granules India Limited with Granules India Limited.

In connection with the above application, we hereby confirm that we satisfy all the conditions as stipulated in the aforesaid SEBI circular, as given hereunder:

Sr. No.	Requirements as per CIR/CFD/DIL/5/2013 dated February 4, 2013 read with circular no. CIR/CFD/DIL/8/2013 dated May 21, 2013	Whether Complied or not & How
1.	Listed companies shall choose one of the stock exchanges having nation-wide trading terminals as the designated stock exchange for the purpose of coordinating with SEBI.	Yes, BSE. The Board of Directors of the Company appointed BSE Ltd as Designated Stock Exchange for the purpose of coordinating with SEBI vide resolution dated 20 th February 2014.
Compliance as per Part A, Annexure I to the Circular:		
2.	Documents to be submitted:	
2.a	Draft Scheme of arrangement/ amalgamation/ merger/ reconstruction/ reduction of capital, etc.	Yes, Scheme of Arrangement is attached as Annexure – II.
2.b	Valuation Report from Independent Chartered Accountant.	Yes, Valuation Report from Independent Chartered Accountant is attached as Annexure – III.
2.c	Report from the Audit Committee recommending the Draft Scheme	Yes, Report from Audit Committee is attached as Annexure –IV.
2.d	Fairness opinion by merchant banker	Yes, Fairness Opinion from the Merchant Banker is attached as Annexure –V.
2.e	Pre and post amalgamation shareholding pattern of unlisted company	Yes, shareholding pattern of unlisted Company attached as Annexure –VI.
2.f	Audited financials of last 3 years (financials not being more than 6 months old) of unlisted Company;	Yes, audited financials attached as Annexure – VII.
2.g	Compliance with Clause 49 of Listing Agreement	Yes, Corporate Governance Report attached as Annexure – X.



2.h	Complaints Report	Yes, Complaint Report attached as Annexure – XI (NIL). We will submit the complaints report within 7 days of the expiry of 21 days from the date of filing of documents with stock exchange(s).
3.	The equity shares sought to be listed are proposed to be allotted by the unlisted Issuer (transferee entity) to the holders of securities of a listed entity (transferor entity) pursuant to a scheme of reconstruction or amalgamation (Scheme) sanctioned by a High Court under Section 391-394 of the Companies Act, 1956	Not Applicable, since no fresh shares would be issued to the shareholders of pursuant to the Scheme of Arrangement.
4.	At least 25% of the post scheme paid up share capital of the transferee entity shall comprise of shares allotted to the public holders in the transferor entity.	Not Applicable.
5.	The transferee entity will not issue/reissue any shares, not covered under the Draft scheme.	Not Applicable, since no fresh shares would be issued to the shareholders of pursuant to the Scheme of Arrangement.
6.	As on date of application there are no outstanding warrants/ instruments/ agreements which give right to any person to take the equity shares in the transferee entity at any future date. If there are such instruments stipulated in the Draft scheme, the percentage referred to in point (4) above, shall be computed after giving effect to the consequent increase of capital on account of compulsory conversions outstanding as well as on the assumption that the options outstanding, if any, to subscribe for additional capital will be exercised.	Not Applicable, since no fresh shares would be issued to the shareholders of pursuant to the Scheme of Arrangement.
7.	The shares of the transferee entity issued in lieu of the locked-in shares of the transferor entity are subjected to the lock-in for the remaining period.	Not Applicable, since no fresh shares would be issued to the shareholders of pursuant to the Scheme of Arrangement.

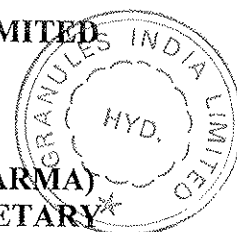
Date: 20.02.2014

For GRANULES INDIA LIMITED

Shivangi Sharma

(SHIVANGI SHARMA)

COMPANY SECRETARY*





Granules India Limited

11th Floor, 3rd Block, My Home Hub, Madhapur, Hyderabad - 500 081, INDIA
Ph. : +91-40-36660000, 66760000 Fax : +91-40-23115145
E-mail : mail@granulesindia.com URL : www.granulesindia.com

CERTIFIED TRUE COPY OF THE RESOLUTIONS PASSED AT THE 156th MEETING OF THE BOARD OF DIRECTORS OF M/S. GRANULES INDIA LIMITED HELD ON THURSDAY, THE 20th DAY OF FEBRUARY, 2014 AT 4.00 P.M AT THE REGISTERED OFFICE OF THE COMPANY AT 2nd FLOOR, 3rd BLOCK, MY HOME HUB, MADHAPUR, HYDERABAD (A.P.) – 500081

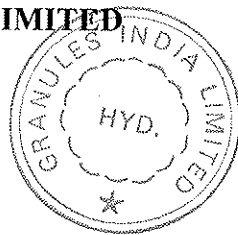
“RESOLVED FURTHER THAT BSE Limited be and is hereby appointed as the Designated Stock Exchange for purpose of coordinating with the Securities & Exchange Board of India (“SEBI”).”

CERTIFIED TRUE COPY

FOR GRANULES INDIA LIMITED


(SHIVANGI SHARMA)

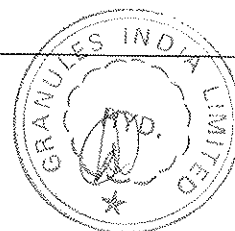
COMPANY SECRETARY



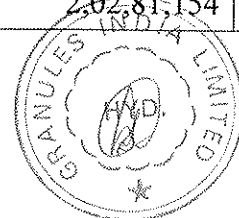
ANNEXURE - XIV

Brief particulars of the Transferee and Transferor Companies:

Particulars	Transferee Company	Transferor Company
Name of the Company	GRANULES INDIA LIMITED	AUCTUS PHARMA LIMITED
Date of Incorporation & details of name changes, if any	The Company was incorporated on 18.03.1991 as Granules India Private Limited Company subsequently its name was changed to Granules India Private Limited vide shareholders special resolution dated 10.11.1992.	The Company was originally incorporated as Sharp Organic Private Limited on 25.04.2000 and subsequently changed its name to Auctus Pharma Private Limited, thereafter the Company got converted into Public Limited Company vide shareholders special resolution dated 12.07.2007 and changed its name to Auctus Pharma Limited.
Registered Office	2 nd Floor, 3 rd Block, My Home Hub, Madhapur, Hyderabad (AP) - 500 081.	2 nd Floor, 3 rd Block, My Home Hub, Madhapur, Hyderabad (AP) - 500 081.
Brief particulars of the scheme	This Scheme of Arrangement involves the amalgamation of a wholly owned subsidiary i.e. Auctus Pharma Limited ("Transferor Company"), with its holding Company, i.e. Granules India Limited ("Transferee Company") pursuant to Section 391 and 394(1) of the Companies Act, 1956 as detailed in the Scheme of Arrangement attached as Annexure - II .	
Rationale for the scheme	In order to achieve focused strategic leadership and integrated business synergies for ensuring optimum utilization of the available resources and broadening of the customer base. The Scheme of Arrangement would enable the Company to achieve higher long-term returns, diversified value added product portfolio, reduction of duplication of systems & processes and efficiency of operations & management. With a view to effect such plan by pooling of financial, managerial and technical resources, personnel capabilities, skills, expertise and technologies of the merging companies leading to increased competitive strength and will be in the interests of maximizing overall shareholder value.	
Date of resolution passed by the Board of Director of the Company approving the scheme	20 th February 2014	19 th February 2014
Date of meeting of the Audit Committee in which the draft scheme has been approved	20 th February 2014	
Appointed Date	1 st April, 2013	1 st April, 2013
Name of Stock Exchanges where securities of the company are listed	National Stock Exchange Bombay Stock Exchange	NOT LISTED



Nature of Business	The Transferee Company is engaged in the business of developing, manufacturing and marketing of pharmaceutical products in various jurisdictions on a global scale.	The Transferor Company is engaged in the business of developing, manufacturing, buying, selling and distributing pharmaceutical products in various jurisdictions.		
Capital before the scheme	The Paid-up share capital of the Company is Rs. 20,28,11,540 divided into 2,02,81,154 equity shares of Rs. 10/- each.	The Paid-up share capital is Rs. 3,90,00,000 divided into 39,00,000 equity shares of Rs. 10/- each.		
No. of shares to be issued	NIL			
Cancellation of shares on account of cross holding, if any	NIL	Since the Company being wholly owned subsidiary of Transferee Company, the entire share capital of the Transferor Company held by the Transferee Company shall stand cancelled upon the scheme being effective.		
Capital after the scheme	The Paid-up share capital is Rs. 20,28,11,540 divided into 2,02,81,154 equity shares of Rs. 10/- each.	Pursuant to the scheme the Company will get dissolved, without being wound up.		
Net Worth	(Rs. in crores) Pre 328.40 Post 328.55	(Rs. in crores) Pre – 166.88 Post – not applicable		
Valuation by independent Chartered Accountant – Name of the valuer / valuer firm and Regn no.	M/s Mangaraju & Satyanarayana, Chartered Accountants Firm Registration no. – 014168S			
Methods of valuation and value per share arrived under each method with weight given to each method, if any.	Not Applicable			
Fair value per shares	Not Applicable			
Exchange ratio	Not Applicable.			
Name of the Merchant Banker giving fairness opinion	Akasam Consulting Private Limited “Akasam” 10-1-17/1/1, level 3 & 4, Masab Tank, Hyderabad 500 004 (AP)			
Shareholding pattern	Pre		Post	
	No. of Shares	% of holding	No. of Shares	% of holding
Promoter	99,09,974	48.86	99,09,974	48.86
Public	1,03,71,180	51.14	1,03,71,180	51.14
Custodian	0	0	0	0
TOTAL	2,02,81,154	100	2,02,81,154	100

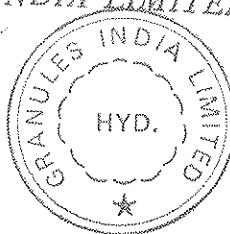


No of shareholders	11,650	11,650
Names of the Promoters	<p>Promoter's and Promoter's group (as shown in the shareholding pattern filed with the stock exchanges as per clause 35 of the listing agreement):</p> <ol style="list-style-type: none"> 1. Dr. Nageswara Rao Chigurupati 2. Mr. Krishna Prasad Chigurupati 3. Ms. Uma Devi Chigurupati 4. Mr. Harsha Chigurupati 5. Ms. Priyanka Chigurupati 6. Ms. Pragnya Chigurupati 7. Mr. Vijay Ramanavarapu 8. Ms. Vidya Ramanavarapu 9. Ms. Suseela Devi Chigurupati 10. M/s Triton Securities Private Limited 11. M/s Tyche Technologies Private Limited. 	<ol style="list-style-type: none"> 1. Mr. CH Karunakar 2. Mr. B Parvathaiah
Names of the Board of Directors	<ol style="list-style-type: none"> 1. Dr. C. Nageswara Rao 2. Mr. C. Krishna Prasad 3. Mr. L.S. Sarma 4. Mr. A.P. Kurian 5. Mr. C. Parthasarathy 6. Dr. Krishna Murthy Ella 7. Mr. Arun Rao Akinepally 8. Mr. K. B. Sankara Rao 9. Mr. Harsha Chigurupati 10. Mrs. Uma Devi Chigurupati 	<ol style="list-style-type: none"> 1. Mr. C. Krishna Prasad 2. Mr. K. B. Sankara Rao 3. Mr. VVS Murthy
Details regarding change in management control if any.	Not Applicable	

CERTIFIED TRUE COPY

For GRANULES INDIA LIMITED

Company Secretary





NET WORTH CERTIFICATE AS ON JANUARY 31, 2014
 (Pre-Merger)

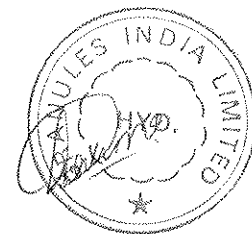
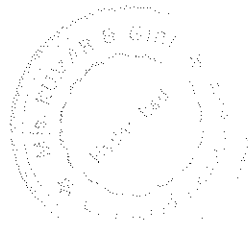
This is to confirm and certify that we have examined the records and documents produced before us by Granules India Limited (referred as 'Company'), having its registered office at 2nd Floor, 3rd Block, My Home Hub, Madhapur, Hyderabad – 500 081 and as per the information and explanations given to us by the management and its officers, the Net Worth of the Company is Rs 328,39,67,226/- (Rupees three hundred and twenty eight crores thirty nine lakhs sixty seven thousands two hundred and twenty six only) based on the audited financials as on January 31, 2014, on the basis of the following calculations:

Particulars	Amount (INR)
2,02,81,154 Equity share capital of Rs.10/- each (A)	20,28,11,540
Reserve & Surplus (other than revaluation reserves) (B)	312,01,23,585
Total (A+B)	332,29,35,125
Less: Accumulated losses / P&L Debit balance (C)	Nil
Less: Miscellaneous Expenditure (to the extent not written off or adjusted) (D)	3,89,67,899
Total Net worth (A+B-C-D)	328,39,67,226

This certificate has been issued on the specific request of the management of the Company for onward submission with stock exchanges only.

For Kumar & Giri
 Chartered Accountants
 Firm No: 001584S

J.Bhadra Kumar
 Partner
 M.No: 25480
 Date: February 20, 2014
 Place: Hyderabad





NET WORTH CERTIFICATE AS ON JANUARY 31, 2014
(Post-Merger)

This is to confirm and certify that we have examined the records and documents produced before us by Granules India Limited (referred as 'Company'), having its registered office at 2nd Floor, 3rd Block, My Home Hub, Madhapur, Hyderabad – 500 081 and as per the information and explanations given to us by the management and its officers, the Net Worth of the Company is Rs. 328,54,67,226/- (Rupees Three hundred and twenty eight crores fifty four lakhs sixty seven thousand two hundred and twenty six only) based on the audited financials as on January 31, 2014, on the basis of the following calculations:

Particulars	Amount (INR)
2,02,81,154 Equity share capital of Rs.10/- each (A)	20,28,11,540
Reserve & Surplus (other than revaluation reserves) (B)	312,16,23,585
Total (A+B)	332,44,35,125
Less: Accumulated losses / P&L Debit balance (C)	
Less: Miscellaneous Expenditure (to the extent not written off or adjusted) (D)	3,89,67,899
Total Net worth (A+B-C-D)	328,54,67,226

This certificate has been issued on the specific request of the management of the Company for onward submission with stock exchanges only.

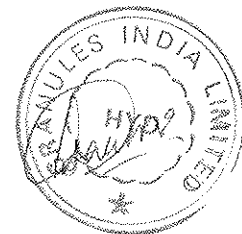
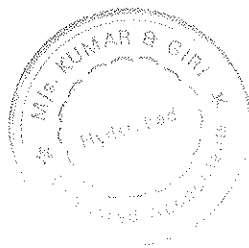
For Kumar & Giri
Chartered Accountants
Firm No: 001584S

J. Bhadra Kumar
Partner

M.No: 25480

Date: February 20, 2014

Place: Hyderabad





NET WORTH CERTIFICATE AS ON JANUARY 31, 2014

This is to confirm and certify that we have examined the records and documents produced before us by Auctus Pharma Limited (referred as 'Company'), having its registered office at 102, Aditya Trade Centre, Ameerpet, Hyderabad – 500 038 and as per the information and explanations given to us by the management and its officers, the Net Worth of the Company is Rs 16,88,52,393/- (Rupees Sixteen crores eighty eight lakhs fifty two thousands three hundred and ninety three only) based on the audited financials as on January 31, 2014, on the basis of the following calculations:

Particulars	Amount (INR)
39,00,000 Equity share capital of Rs.10/- each (A)	3,90,00,000
Reserve & Surplus (other than revaluation reserves) (B)	21,75,00,000
Total (A+B)	25,65,00,000
Less: Accumulated losses / P&L Debit balance (C)	8,76,47,607
Less: Miscellaneous Expenditure (to the extent not written off or adjusted) (D)	
Total Net worth (A+B-C-D)	16,88,52,393

This certificate has been issued on the specific request of the management of the Company for onward submission with stock exchanges only.

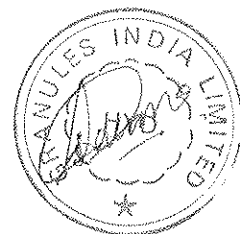
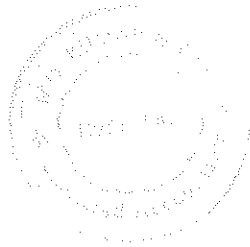
For Kumar & Giri
Chartered Accountants
Firm No: 001584S

J. Bhadra Kumar
Partner

M.No: 25480

Date: February 13, 2014

Place: Hyderabad



**DETAILS OF CAPITAL EVOLUTION OF THE GRANULES INDIA LIMITED
(TRANSFEREE COMPANY):**

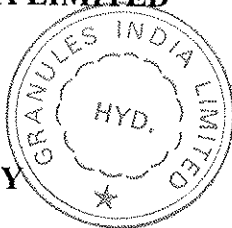
Date of Issue	No. of shares issued	Issue Price (Rs.)	Type of Issue (IPO/FPO/ Preferential Issue/ Scheme/ Bonus/ Rights, etc.)	Cumulative capital (No of shares)	Whether listed, if not listed, give reasons thereof
18.03.1991	20	10	Subscription to MOA & AOA	20	Yes
18.07.1991	4,980	10	Preferential Issue	5,000	Yes
24.03.1992	77,400	10	Preferential Issue	82,400	Yes
02.11.1992	100	10	Preferential Issue	82,500	Yes
30.03.1994	3,04,182	10	Preferential Issue	3,86,682	Yes
10.10.1994	7,59,800	10	Preferential Issue	11,46,482	Yes
20.02.1995	7,13,150	10	Preferential Issue	18,59,632	Yes
15.11.1995	18,40,250	20	Public Issue	36,99,882	Yes
09.06.2001	16,67,334	Not applicable	Share issue pursuant to High Court Order.	53,67,216	Yes
24.05.2002	14,02,524	14.26	Preferential Issue	67,69,740	Yes
14.06.2002	10,51,894	14.26	Preferential Issue	78,21,634	Yes
19.01.2004	45,980	14	Exercise of Stock Options	78,67,614	Yes
28.02.2004	20,000	14	Exercise of Stock Options	78,87,614	Yes
21.05.2004	4,14,000	83	Preferential Issue	83,01,614	Yes
02.11.2004	77,076	89	Preferential Issue	83,78,690	Yes
20.12.2004	55,670	14	Exercise of Stock Options	84,34,360	Yes
31.12.2004	1,22,765	107	Preferential Issue	85,57,125	Yes
20.01.2005	37,61,007	100.46	GDR Issue	1,23,18,132	Yes
13.01.2006	42,820	14	Exercise of Stock Options	1,23,60,952	Yes
11.12.2006	19,620	14	Exercise of Stock Options	1,23,80,572	Yes
19.01.2007	1,94,037	102.50	Conversion of warrants	1,25,74,609	Yes
04.04.2007	21,80,067	102.50	Preferential Issue	1,47,54,676	Yes
04.06.2007	22,11,200	105.50	Preferential Issue	1,69,65,876	Yes
14.06.2007	20,57,578	118.10	Preferential Issue	1,90,23,454	Yes
19.06.2007	10,00,180	102.50	Conversion of Warrants	2,00,23,634	Yes
30.07.2007	17,500	73	Exercise of Stock Options	2,00,41,134	Yes
29.12.2007	16,020	14	Exercise of Stock Options	2,00,57,154	Yes
30.07.2011	4,500	45	Exercise of Stock Options	2,00,61,654	Yes
31.05.2012	9,500	45	Exercise of Stock Options	2,00,71,154	Yes
25.10.2012	50,000	45	Exercise of Stock Options	2,01,21,154	Yes



23.01.2013	5,000	45	Exercise of Stock Options	2,01,26,154	Yes
25.04.2013	5,000	91	Exercise of Stock Options	2,01,31,154	Yes
12.06.2013	16,000	91	Exercise of Stock Options	2,01,47,154	Yes
11.07.2013	70,000	45	Exercise of Stock Options	2,02,17,154	Yes
11.07.2013	2,000	91	Exercise of Stock Options	2,02,19,154	Yes
02.08.2013	11,000	91	Exercise of Stock Options	2,02,30,154	Yes
13.08.2013	9,000	91	Exercise of Stock Options	2,02,39,154	Yes
31.08.2013	13,000	91	Exercise of Stock Options	2,02,52,154	Yes
16.10.2013	5,000	140	Exercise of Stock Options	2,02,57,154	Yes
31.12.2013	24,000	91	Exercise of Stock Options	2,02,81,154	Yes

FOR, GRANULES INDIA LIMITED

(Signature)
(SHIVANGI SHARMA)
COMPANY SECRETARY

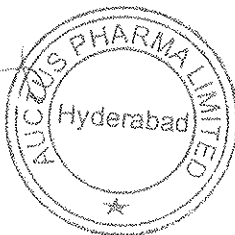
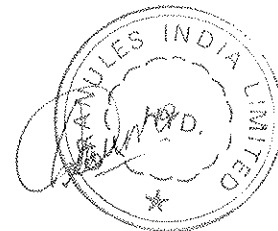


**DETAILS OF CAPITAL EVOLUTION OF THE AUCTUS PHARMA LIMITED
(TRANSFEROR COMPANY):**

Date of Issue	No. of shares issued	Issue Price (Rs.)	Type of Issue (IPO / FPO / Preferential Issue / Scheme / Bonus / Rights etc.)	Cumulative capital (No of shares)	Whether listed, if not listed, give reasons thereof
Incorporation	200	10/-	Preferential Issue	200	No, since it's an unlisted company
25.11.2000	19,99,800	10/-	Preferential Issue	20,00,000	No, since it's an unlisted company
27.03.2008	11,00,000	10/-	Pursuant to the Scheme of Amalgamation.	31,00,000	No, since it's an unlisted company
27.06.2008	2,50,000	10/-	Preferential Issue	33,50,000	No, since it's an unlisted company
27.10.2008	2,00,000	90/-	Preferential Issue	35,50,000	No, since it's an unlisted company
27.10.2008	50,000	90/-	Preferential Issue	36,00,000	No, since it's an unlisted company
14.03.2009	50,000	90/-	Preferential Issue	36,50,000	No, since it's an unlisted company
26.11.2009	50,000	90/-	Preferential Issue	37,00,000	No, since it's an unlisted company
09.03.2011	2,00,000	50/-	Preferential Issue	39,00,000	No, since it's an unlisted company
TOTAL	39,00,000				

FOR, AUCTUS PHARMA LIMITED

(Signature)
(VVS MURTHY)
DIRECTOR



Granules India Limited

11th Floor, 3rd Block, My Home Hub, Madhapur, Hyderabad - 500 081, INDIA
Ph : +91-40-30660000, 66760000 Fax : +91-40-23115145
E-mail : mail@granulesindia.com URL : www.granulesindia.com

ANNEXURE XVII

Date: 20.02.2014

To,
The General Manager,
Department of Corporate Services,
BSE Limited,
P.J. Towers, Dalal Street,
Mumbai – 400 001.

Dear Sir,

Sub: Application under Clause 24(f) of the listing agreement for the proposed scheme of Arrangement.

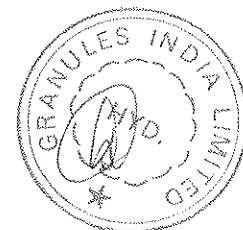
In connection with the above application, we hereby confirm that:

- a) The proposed scheme of arrangement does not in any way violate or override or circumscribe the provisions of the SEBI Act, 1992, the Securities Contracts (Regulation) Act, 1956, the Depositories Act, 1996, the Companies Act, 1956, the rules, regulations and guidelines made under these Acts, and the provisions as explained in clause 24(g) of the Listing agreement or the requirements of BSE Limited.
- b) In the explanatory statement to be forwarded by the company to the shareholders u/s 393 or accompanying a proposed resolution to be passed u/s 100 of the Companies Act, it shall disclose:
 - i) the pre and post-arrangement or amalgamation (expected) capital structure and shareholding pattern and
 - ii) the “fairness opinion” obtained from an Independent merchant banker on valuation of assets / shares done by the valuer for the company and unlisted company.
 - iii) The Complaint report as per Annexure III.
 - iv) The observation letter issued by the stock exchange.

NOT APPLICABLE


- c) The draft scheme of arrangement together with all documents mentioned in Clause 5.16 (c) SEBI Circular no. CIR/CFD/DIL/8/2013 dated May 21, 2013, has been disseminated on company's website as per Website link given hereunder:

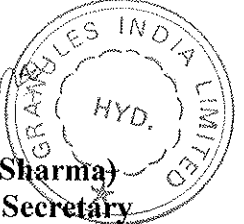
<http://granulesindia.com/pressrelease.php>



- d) The company shall disclose the observation letter of the stock exchange on its website within 24 hours of receiving the same.
- e) The company shall obtain shareholders' approval by way of special resolution passed through postal ballot/ e-voting. Further, the company shall proceed with the draft scheme only if the vote cast by the public shareholders in favor of the proposal is more than the number of votes cast by public shareholders against it: **NOT APPLICABLE**
- f) The documents filed by the Company with the Exchange are same / similar / identical in all respect, which have been filled by the Company with Registrar of Companies / SEBI / Reserve Bank of India, wherever applicable.
- g) There will be no alteration in the Share Capital of the unlisted transferor company from the one given in the draft scheme of arrangement.

Date: 20.02.2014


(Shivangi Sharma)
Company Secretary





ANNEXURE XVIII

To,
Department of Listing Operations
BSE Limited,
P.J. Towers, Dalal Street,
Mumbai – 400 001.

Dear Sir,

Sub: Application under Clause 24(f) of the listing agreement for the proposed scheme of arrangement between M/s Granules India Limited and M/s Auctus Pharma Limited

Ref: Certificate in accordance with Clause 24(i) of the listing agreement

We have examined the proposed accounting treatment specified in the scheme of amalgamation/ arrangement between Granules India Limited and Auctus Pharma Limited.

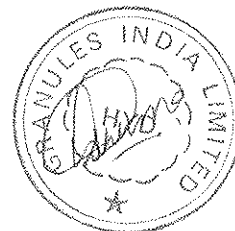
Based on our examination and according to the information and explanation given to us, we confirm that the accounting treatment contained in the aforesaid scheme is in compliance with all the Accounting Standards specified by the Central Government in Section 211(3C) of the Companies Act, 1956.

This certificate is issued at the request of the company in accordance with clause 24(f) of the listing agreement for onward submission to the BSE Exchange Limited with a view to obtaining the no-objection as required under clause 24(f) of the listing agreement.

For Kumar & Giri
Chartered Accountants
Firm No: 001584S

J. Bhadra Kumar
Partner
M.No: 25480

Date: February 20, 2014
Place: Hyderabad

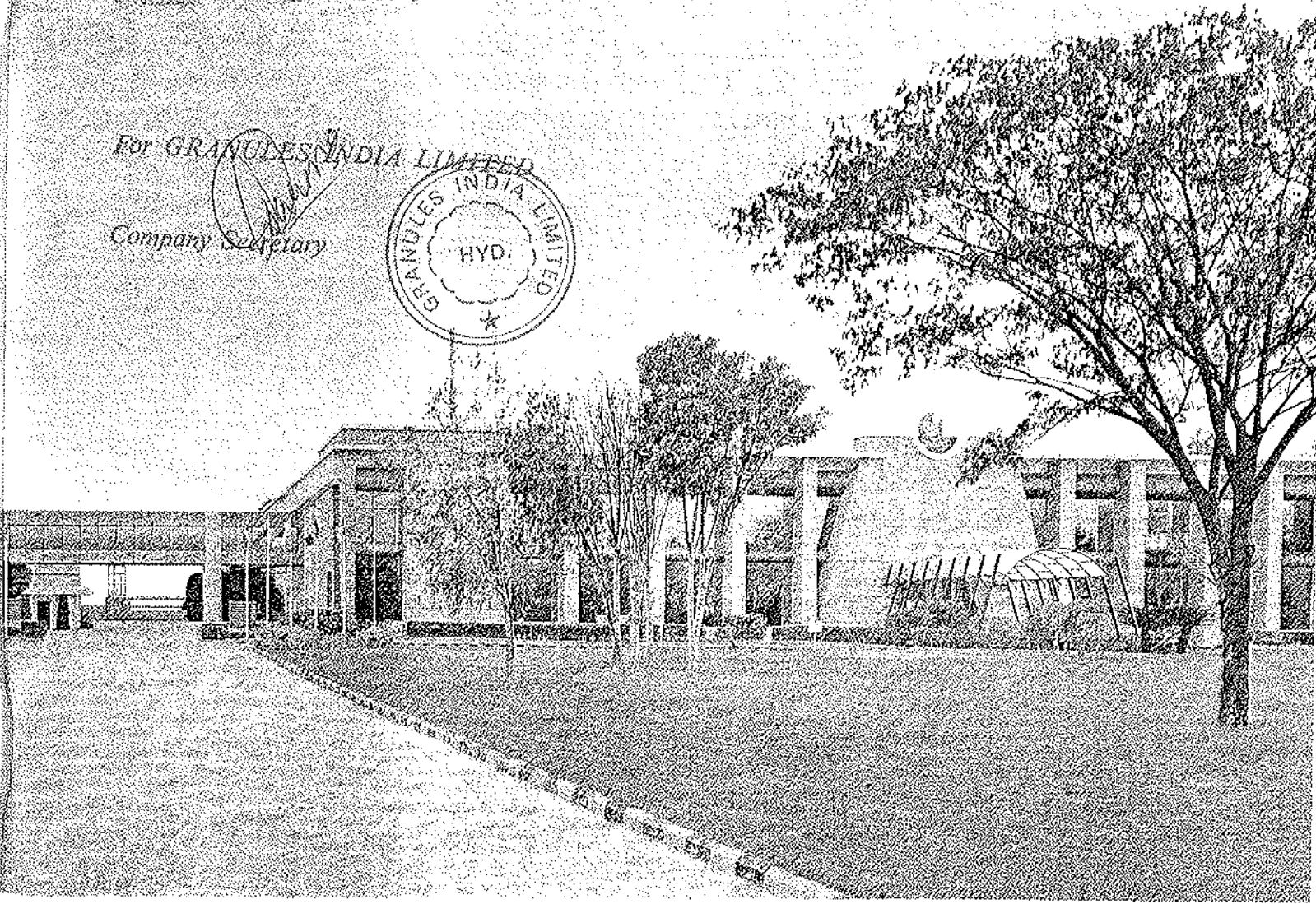


CLIMBING TO THE NEXT LEVEL

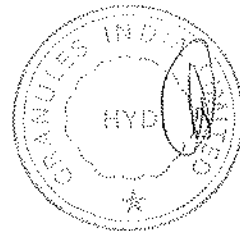
CERTIFIED TRUE COPY

For GRANULES INDIA LIMITED

Company Secretary



Granules India Limited | Annual Report 2012-13



Forward-looking statement

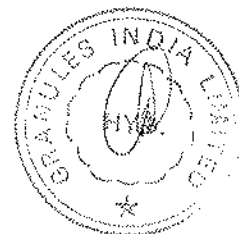
In this Annual Report we have disclosed forward-looking information to enable investors to comprehend our prospects and take informed investment decisions. This report and other statements - written and oral - that we periodically make contain forwardlooking statements that set out anticipated results based on the management's plans and assumptions. We have tried wherever possible to identify such statements by using words such as 'anticipates', 'estimates', 'expects', 'projects', 'intends', 'plans', 'believes', and words of similar substance in connection with any discussion of future performance.

We cannot guarantee that these forward looking statements will be realized, although we believe we have been prudent in assumptions. The achievement of results is subject to risks, uncertainties and even inaccurate assumptions. Should known or unknown risks or uncertainties materialize, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated or projected. Readers should bear this in mind.

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

Contents

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22 Management Team	23 Management Discussion and Analysis	34 Directors' Report	46 Corporate Governance Report
61 Financial Section	111 Notice		

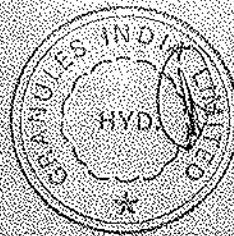




The rung of a ladder was never meant to rest upon, but only to hold a man's foot long enough to enable him to put the other somewhat higher.



- Thomas Huxley



RAPID CHANGES WITHIN THE PHARMA INDUSTRY WILL REQUIRE COMPANIES TO RE-STRATEGISE.

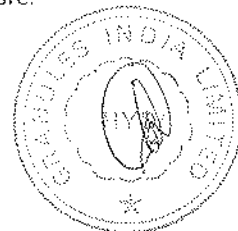
The global pharmaceutical industry is going through two critical shifts, making it imperative for companies to respond with speed and decisiveness.

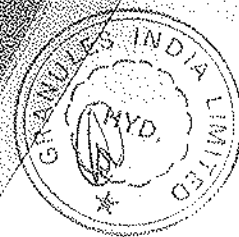
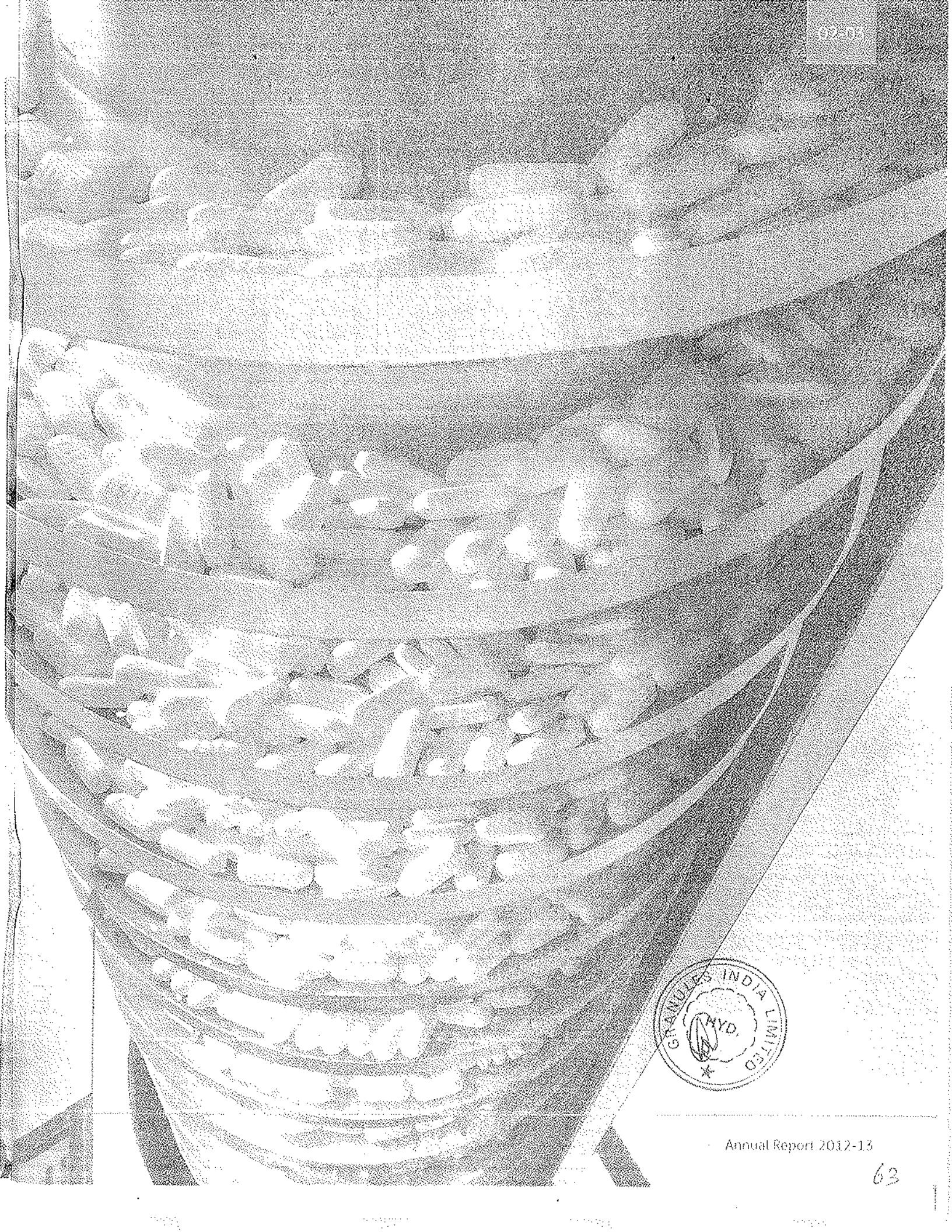
A Diminishing Drug Pipeline

The global pharmaceutical industry's product pipeline is not being replenished with the same speed as before because global regulatory agencies such as the U.S. FDA are becoming increasingly demanding with new drug approvals. In addition, rising R&D costs are compelling pharmaceutical companies to pare back on R&D spending. The downturn in the R&D pipeline has been overshadowed by the unprecedented wave of products going off-patent which many companies have capitalised on. However, companies will find it difficult to replicate their success in the future since the number of drugs going off-patent is diminishing.

Increasing Quality Standards

Governments around the world are ramping up public healthcare facilities to support an aging population. Governments are insisting on higher quality standards while concurrently pushing for lower prices. The result is that pharmaceutical companies need to enhance value in a holistic way to stay competitive. This is increasing competition and means that what worked in the past may not be enough to ensure future success. The result is that only companies that leverage innovation will endure.

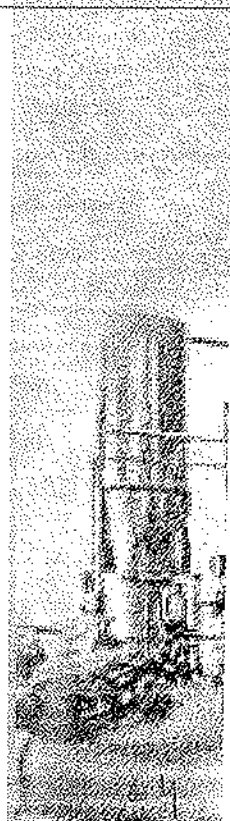
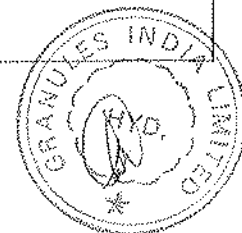


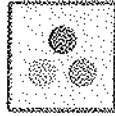


GRANULES IS READY
FOR THE FUTURE.

THE COMPANY'S
BUSINESS MODEL
PROMISES A
SUSTAINABLE
COMPETITIVE
ADVANTAGE.

TRANSLATING INTO
ATTRACTIVE REVENUE
GROWTH, MARGINS
AND HIGH BARRIERS
TO ENTRY.





FOCUS. SCALE. QUALITY. RELATIONSHIPS.

The global pharmaceutical industry is transforming with speed, making it imperative for players to adapt their business models to new scenarios.

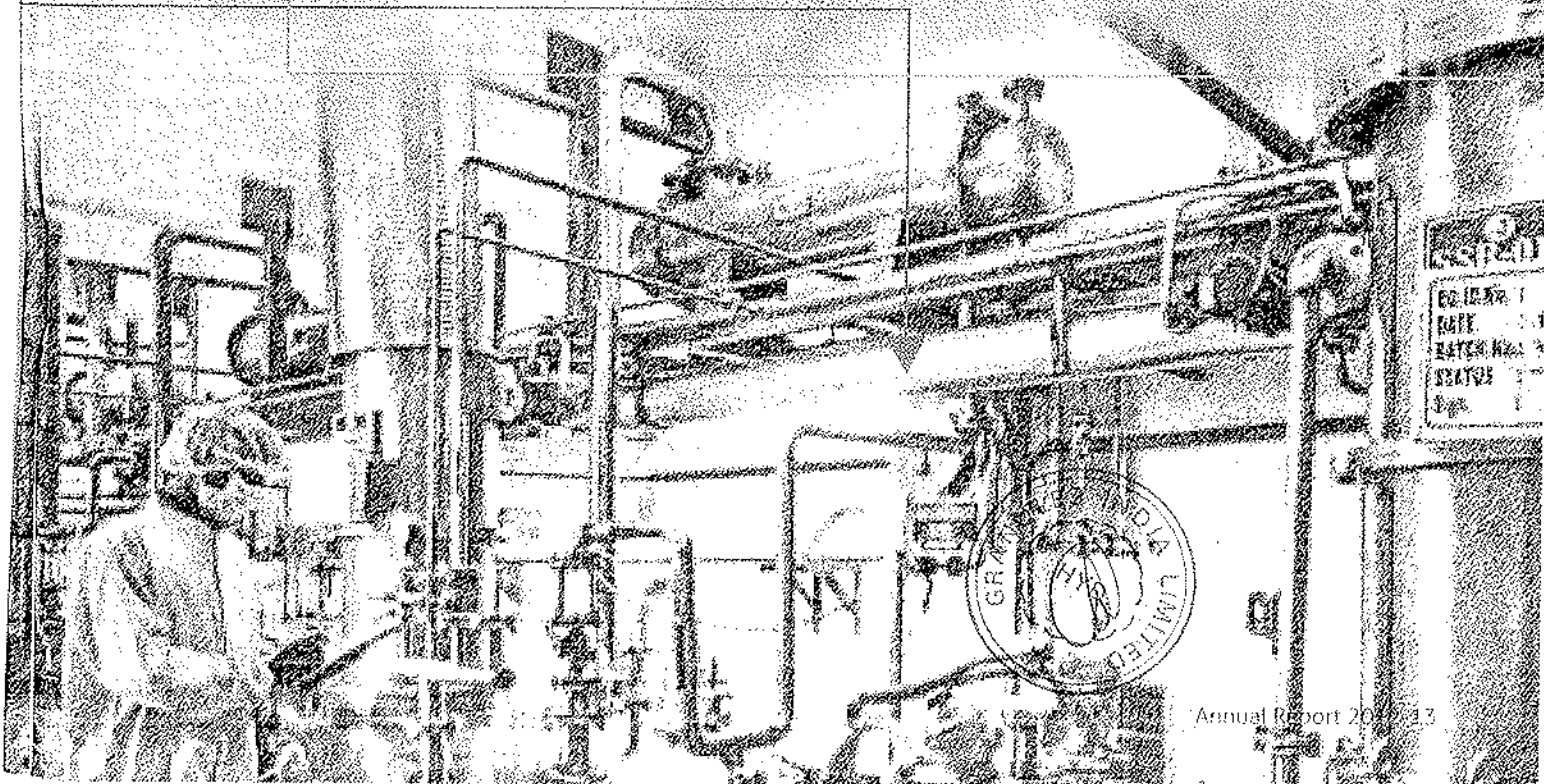
At Granules, we have proactively evolved our business model in order to be competitive and profitable.

To address the challenges of a competitive environment, Granules has found the ideal combination of focus, scale, quality and relationships. A combination of these

business drivers will translate into growing revenues, manufacturing efficiency, enduring customer relationships and robust profitability.

In addition, this business model has raised business entry barriers, protecting our company from competition and translating into sustainable revenue.

MAKING IT POSSIBLE FOR THE COMPANY TO CLIMB TO THE NEXT LEVEL.



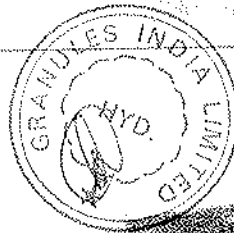


FOCUS

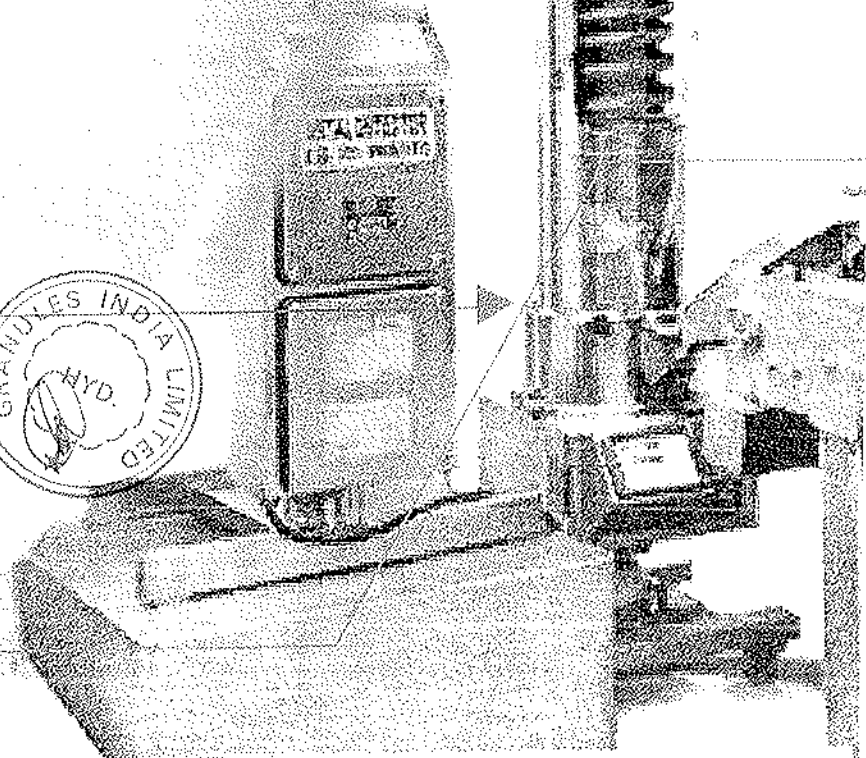
Over the last decade, a large number of drugs went off-patent. Instead of jumping from product to product to leverage short-term profits, we chose to focus on a select product portfolio. Our portfolio consists of safe, established products with a large, built-in user base with no alternatives. These products have been ignored by many pharmaceutical companies because the products are viewed as low-value commodities. However, we know there is tremendous opportunity in these products.

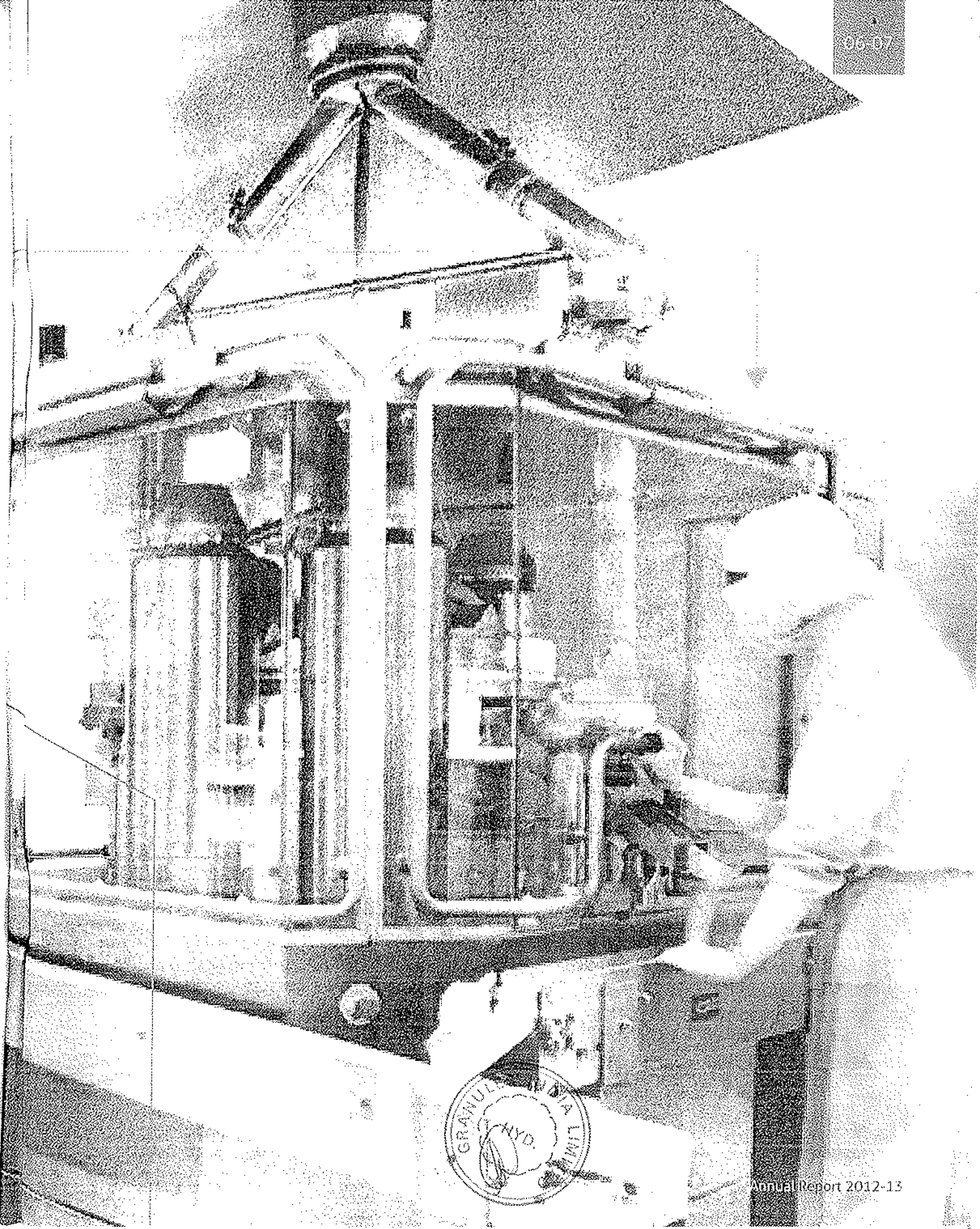
Our focus has enabled us to become manufacturing experts for our products. Through our Operational Excellence (OE) program, we have been able to establish unparalleled efficiencies that others cannot match. These efficiencies including increased productivity, reduced cycle time and lower wastage lets us offer a more cost-effective product which drives value for our customers.

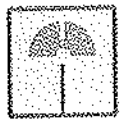
MAKING IT POSSIBLE FOR THE COMPANY TO CLIMB TO THE NEXT LEVEL.



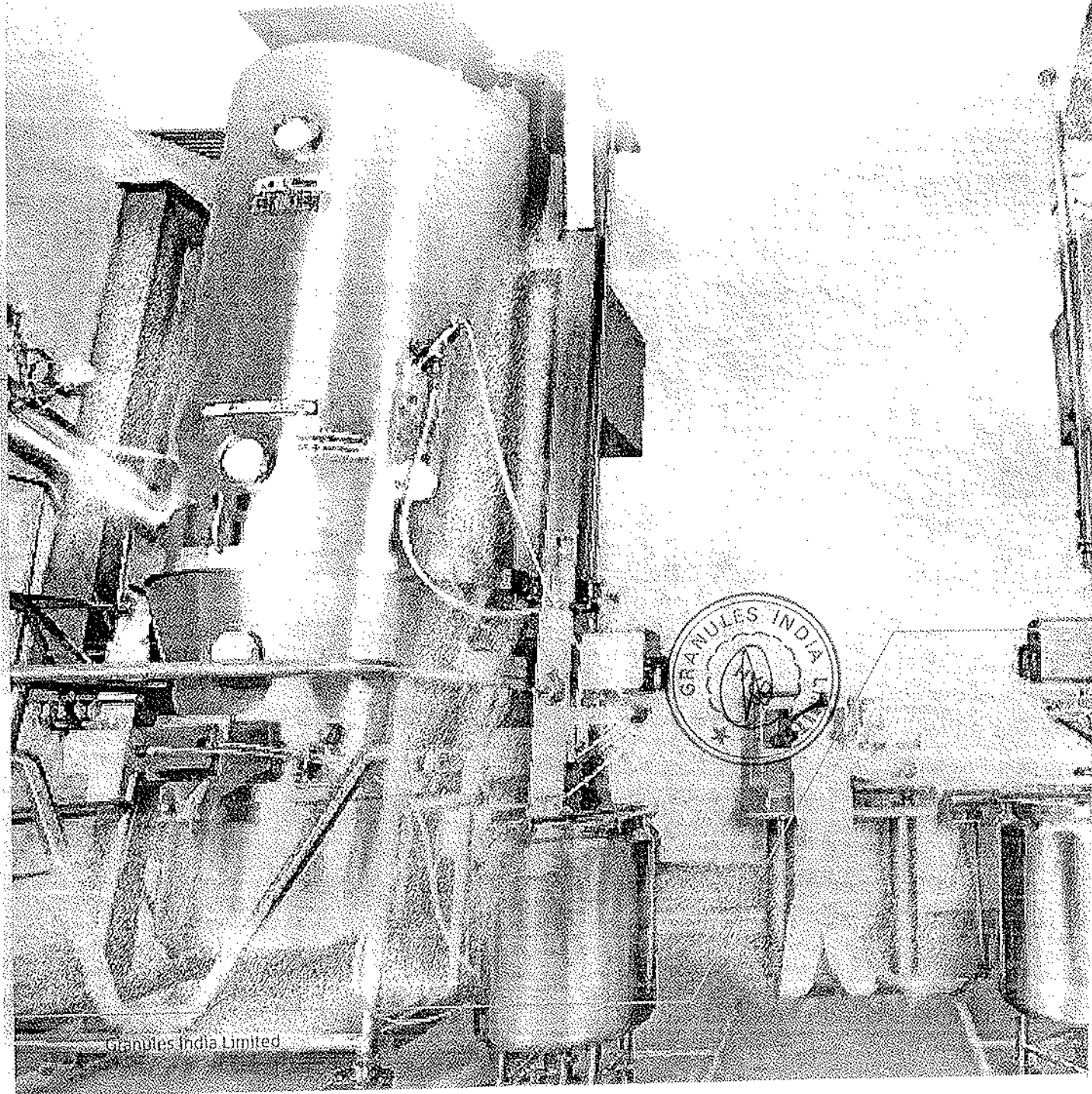
Granules India Limited



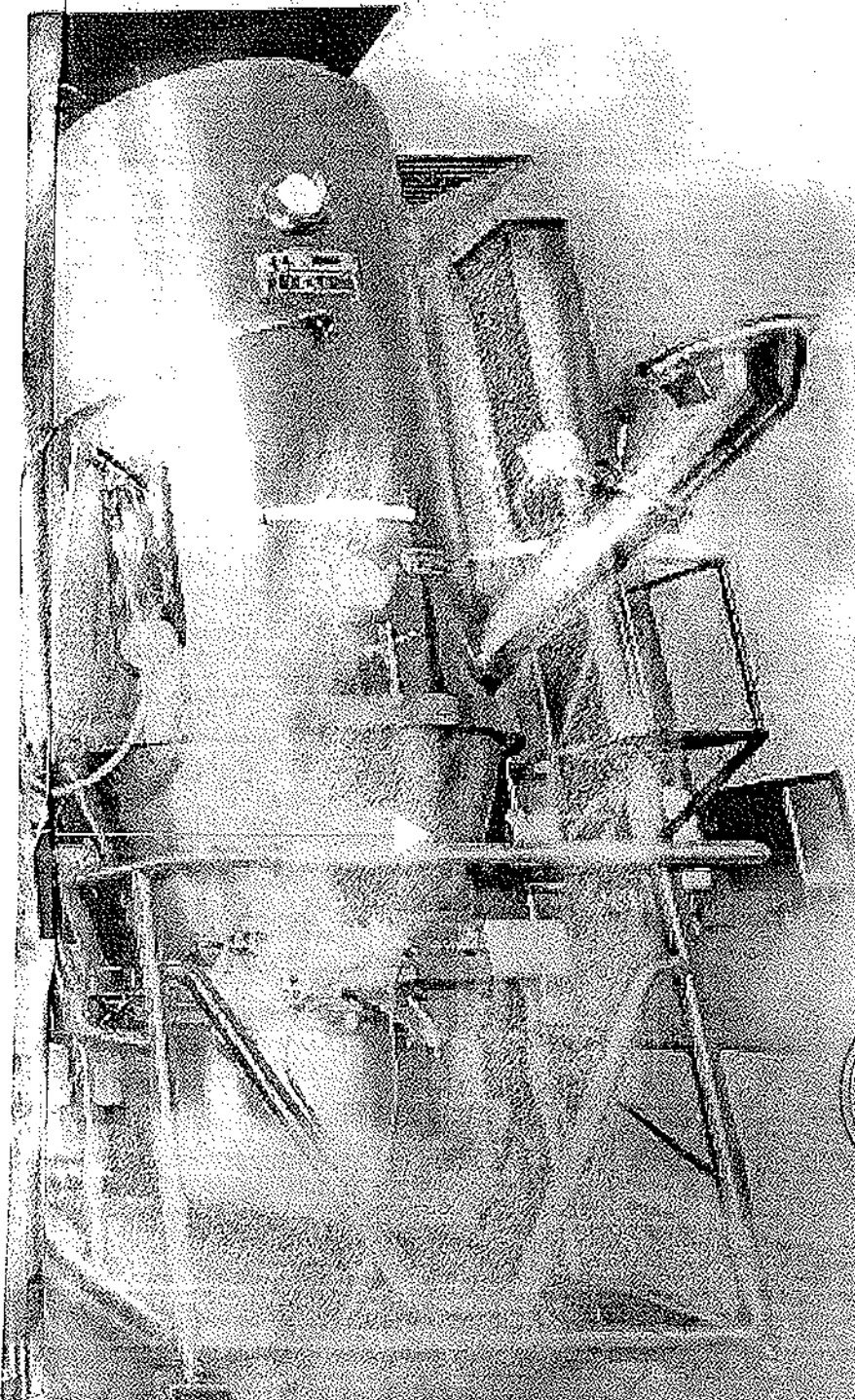




SCALE



Granules India Limited

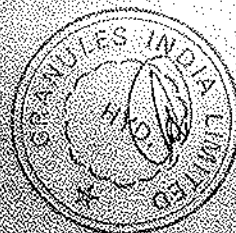


In the volume-driven segment of the pharmaceutical industry, scale gives companies pricing power.

At Granules, we have progressively invested in adding capacities scale with the objective to leverage economies of scale and to ensure sufficient supply for our customers.

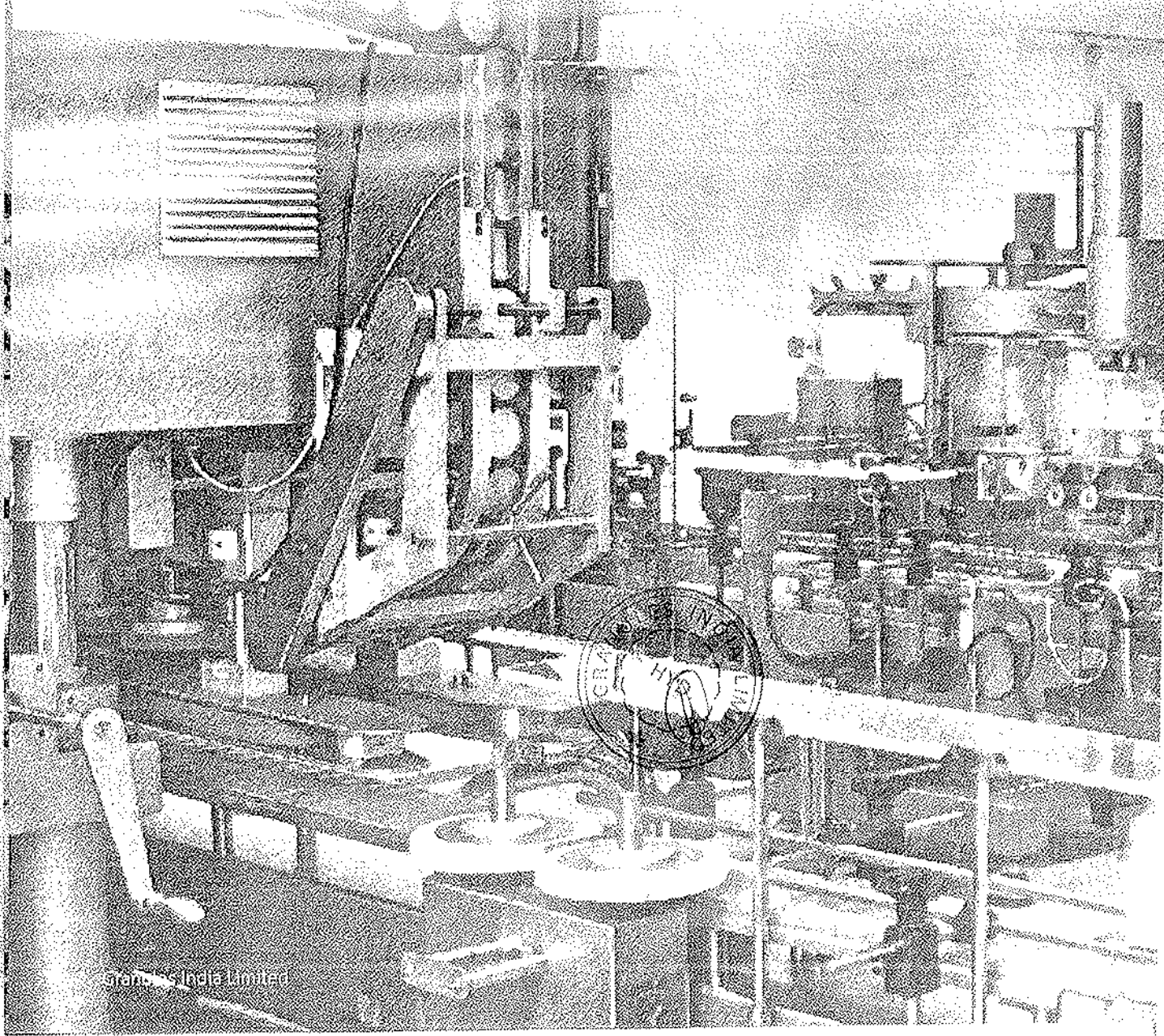
We are among the largest quality-conscious API manufacturers in the world by volume and possess the largest PFI facility in the industry along with one of the largest Finished Dosage capacities in the world. Our scale drives efficiencies throughout our process and empowers us to offer unmatched features such as a batch size of 11 million tablets and a six-ton PFI batch. Our focus on process innovation lets us leverage our scale which ultimately drives value for our customers.

MAKING IT POSSIBLE FOR THE COMPANY TO CLIMB TO THE NEXT LEVEL.





QUALITY



gran silgia limited

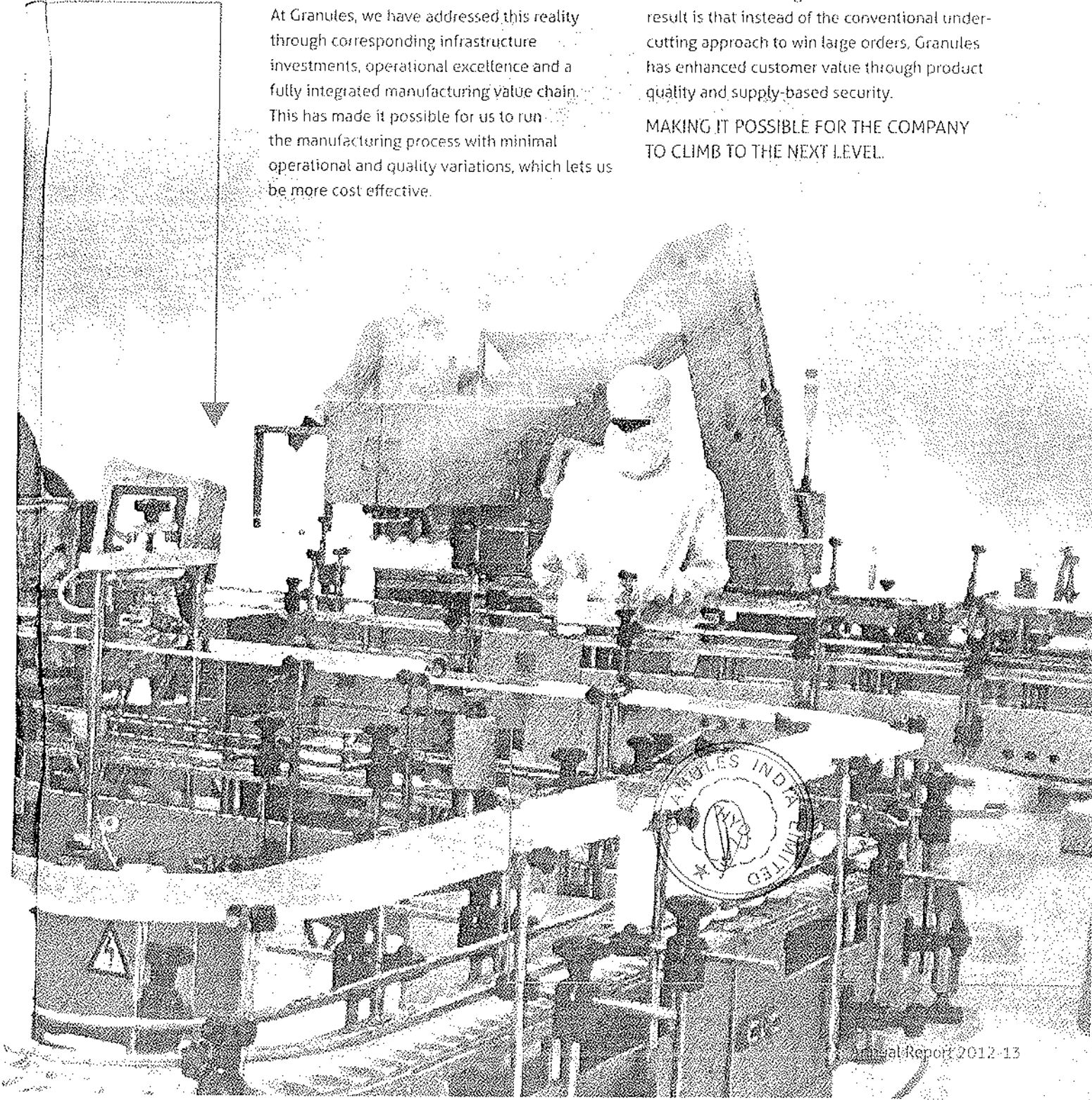
In an increasingly challenging industry, governments and consumers are insisting on lower prices while also demanding higher quality standards.

At Granules, we have addressed this reality through corresponding infrastructure investments, operational excellence and a fully integrated manufacturing value chain.

This has made it possible for us to run the manufacturing process with minimal operational and quality variations, which lets us be more cost effective.

While our products are considered to be commodities marked with surplus capacity, there is a shortage of high-quality material in the scale that leading customers demand. The result is that instead of the conventional undercutting approach to win large orders, Granules has enhanced customer value through product quality and supply-based security.

MAKING IT POSSIBLE FOR THE COMPANY TO CLIMB TO THE NEXT LEVEL.





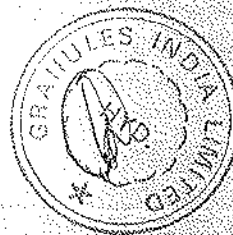
RELATIONSHIPS

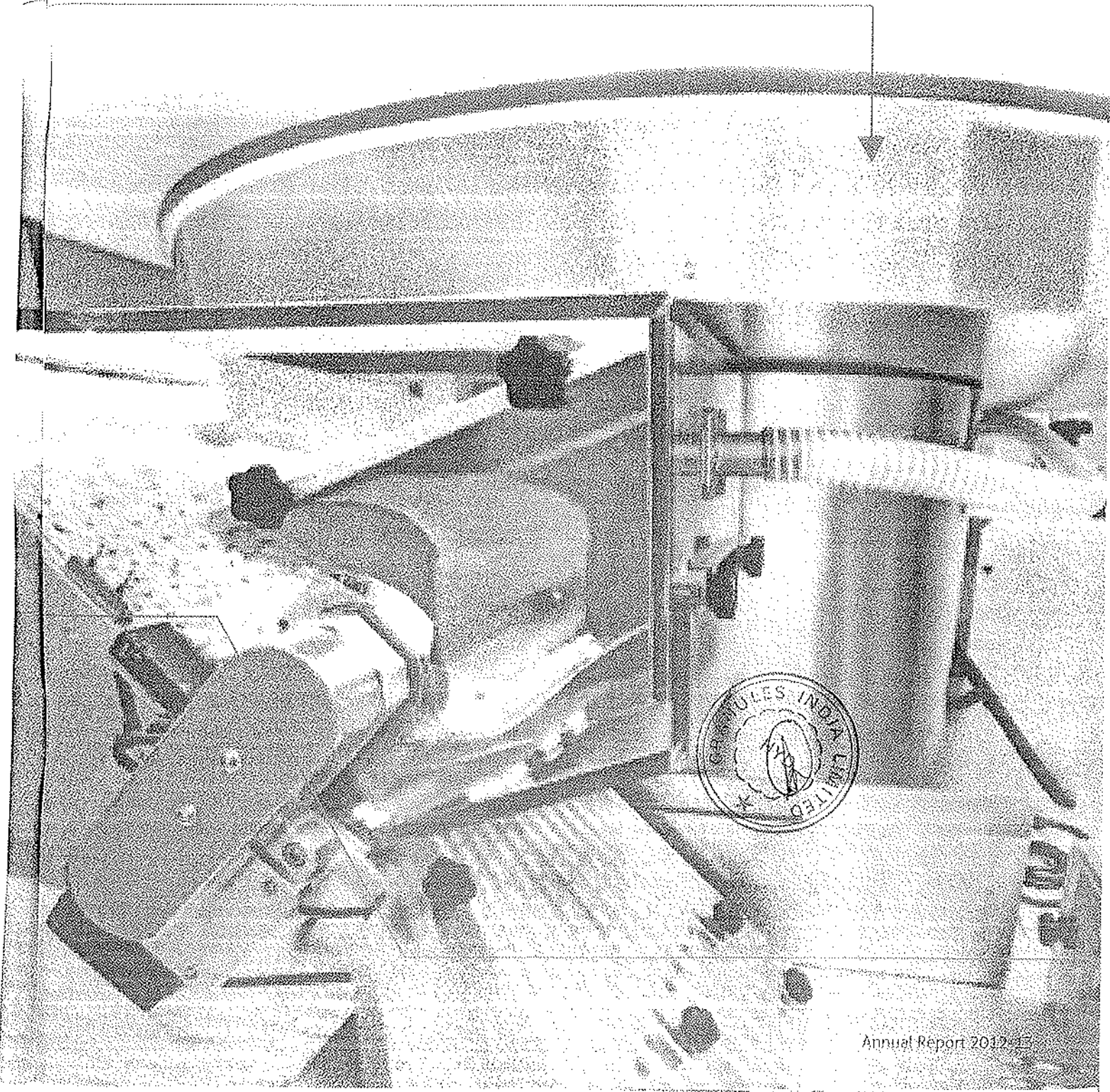
In a fast-evolving global pharmaceutical industry, companies need to enter into alliances and partnerships in order to grow and leverage skill-sets.

At Granules, we have entered into strategic customer relationships to enhance our growth. We have partnered with brand owners and generics leaders so we can grow together. Our Company has become a dependable partner that customers can rely on. Our partnership approach lets us shift the conversation from solely focusing on price to other components including quality, service levels and dependability.

In addition, we have partnered with leading manufacturers such as Ajinomoto OmniChem and Hubei Biocause so we can drive more value for our customers. Our expertise throughout the manufacturing value chain translates into value for our customers and lets us become a one-stop solution.

MAKING IT POSSIBLE FOR THE COMPANY TO CLIMB TO THE NEXT LEVEL.





Annual Report 2012-13

GRANULES INDIA LIMITED.

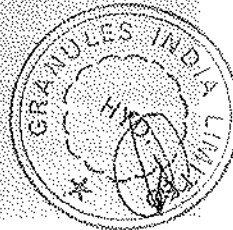
A GLOBAL MARKET LEADER IN PARACETAMOL, METFORMIN, IBUPROFEN, GUAIFENESIN AND METHOCARBAMOL.

Founded in 1984, Granules India is among the leading global manufacturers of select high volume drugs for quality-conscious customers.

The Company's integrated model for manufacturing APIs, PFIs and Finished Dosages makes it possible to provide products across the pharmaceutical manufacturing value chain which enhances competitiveness and customer value

The Company has established itself as a premier supplier to customers in the branded market space as well as leading generics companies through technological expertise, state-of-the-art manufacturing facilities and high product quality.

The Company enjoys complementary partnerships with leading companies including Ajinomoto, OmniChem, a leader in the CRAMS space, and Hubei Biocause, a premier Ibuprofen manufacturer.




Granules India Limited

A PIONEER IN THE PHARMACEUTICAL FORMULATION INTERMEDIATE SPACE. AMONG THE LARGEST GLOBAL PHARMACEUTICAL COMPANIES BY VOLUME.

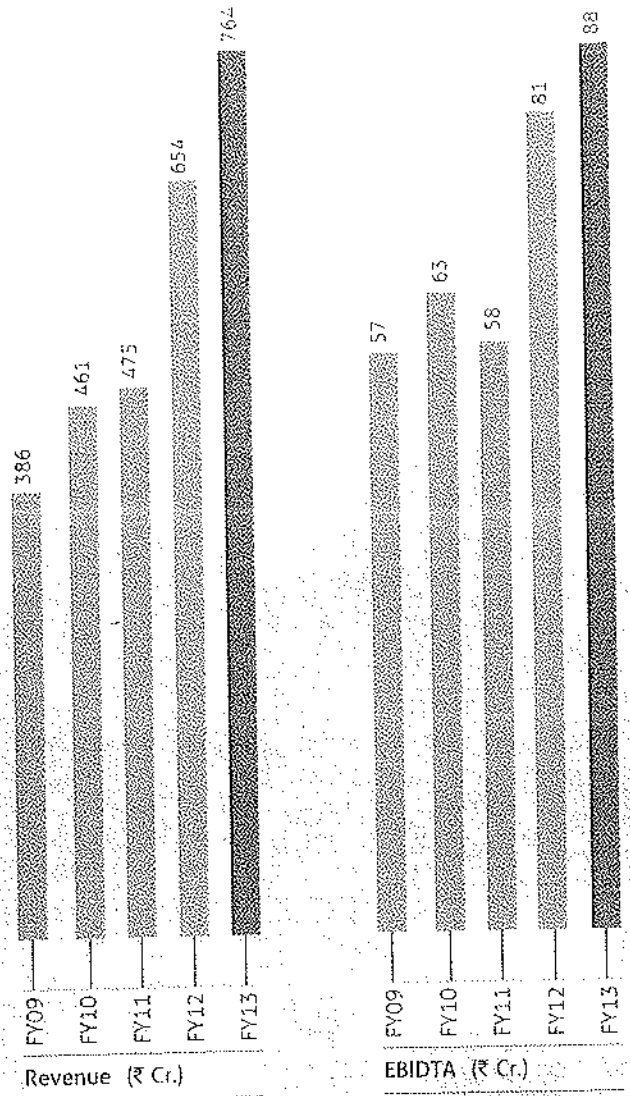
The Company services the needs of customers in 65 countries through its headquarters in Hyderabad and sales offices in the U.S., U.K., Colombia and China.

The Company has a strong "Operational Excellence" program and desires value through process innovation.

Turnover (Cr.)	764
Team Size	1,049
Market Presence	65
Enterprise Value (Cr.)	516



GRANULES.
ATTRACTIVE
NUMBERS.
ROBUST
FOUNDATION



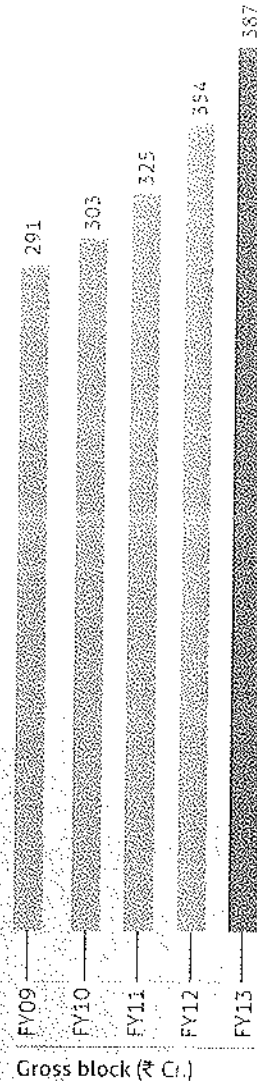
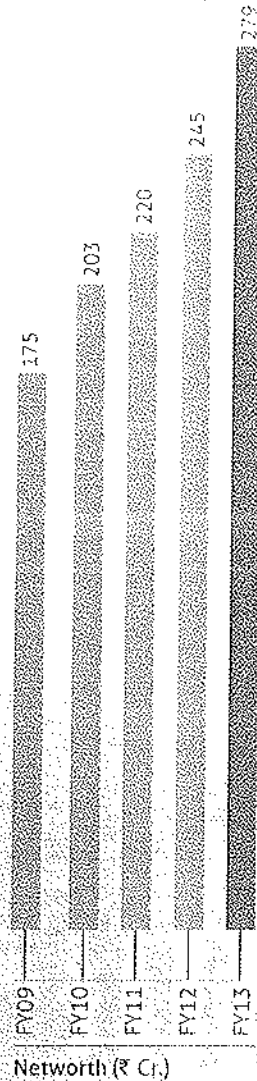
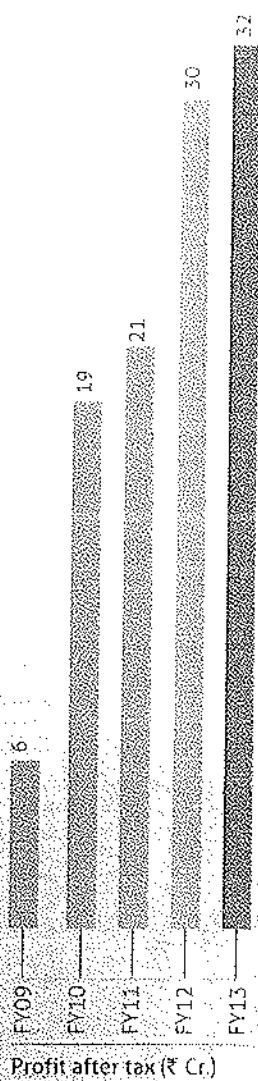
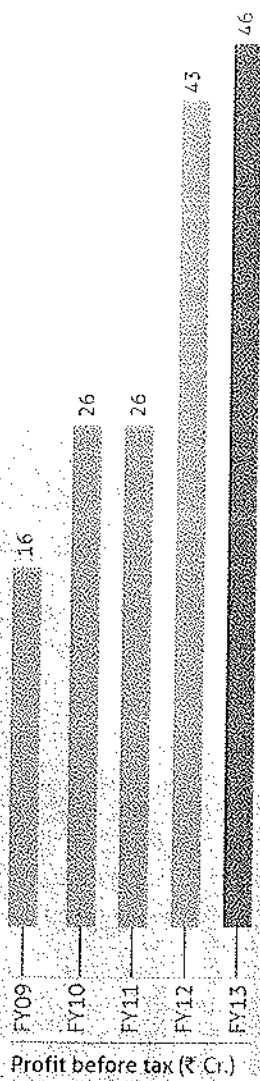
WHAT WE
ACHIEVED
IN FY13

Financial Highlights

	(₹ Cr.)		
	FY13	FY12	Change (%)
Net revenue	764	654	17
EBIDTA	88	81	9
Profit before tax	46	43	7
Profit after tax	32	30	7
Basic earning per share (₹)	16.21	14.93	9
Book value (₹)	139	122	14

Granules India Limited

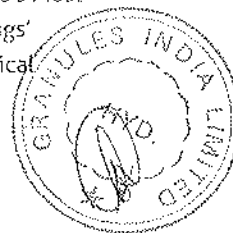




- ▶ Commissioned the Formulation Expansion at Gagillapur which included an increase in Finished Dosages and PFI capacities
- ▶ Commenced construction of a state-of-the-art warehouse at Gagillapur
- ▶ Received the Outstanding Exports - Formulations Award 2011-12 from

Pharmexcit, the Pharmaceutical Export Promotion Council of India

- ▶ Recognised as 'India's Most Admired Company in Exports' and 'India's Most Admired Company in Bulk Drugs' at the 5th Annual Pharmaceutical Business Leadership Awards



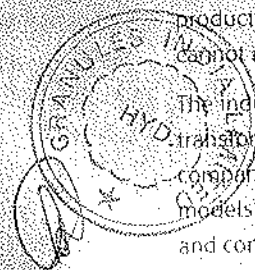
Statement from the Managing Director



Dear shareholders,

In Fiscal Year 2013, we articulated what has been our guiding principle for the past several years into a vision statement. Our vision "To be the global leader in pharmaceutical manufacturing through process innovation and unparalleled efficiencies" distinguishes us from others within our industry. Our relentless focus on process innovation and manufacturing efficiencies has resulted in a sustainable, competitive advantage that has enabled us to become a market leader for our products and derive value that others cannot match.

The industry is on the cusp of a transformation that will require companies to reassess their business models in order to thrive. Governments and consumers are requiring higher



quality products while concurrently seeking lower prices.

In the past, companies could mitigate cost pressures by shifting their product portfolio as drugs went off patent. However, due to the diminishing patent portfolio, this option will not be as viable in the future. We believe the future leaders within the pharmaceutical space will be companies that have a focused product portfolio. Companies will need to focus on how they can leverage manufacturing efficiencies in order to offer meaningful value to customers.

We will benefit from this inevitable industry trend because operational excellence is part of our DNA. We have already demonstrated that we are able to derive value where others cannot and we will benefit as the emphasis on efficient manufacturing becomes paramount.

Year in Review

During FY13, our revenue grew a robust 17% to ₹764 Cr., primarily due to our ability to optimise our existing capacities. Our Formulation expansion was set back by several months due to a delay in civil construction and challenges we faced during the manufacturing scale-up.

Given our focus on innovation, we decided not to replicate our existing technologies and proceeded with new processes that would drive further value for our customers. Due to the delays at our PFI facility, we were not able to capitalise on demand for our formulations. This hurt our profit margin in two ways. First, we had an

increase in API production but were unable to use that material for captive consumption and had to sell it in the domestic market. Second, we incurred costs to run the new formulation capacity including manpower without a concurrent increase in production.

Our capacities are on-line and we will continue to ramp up production as we receive customer approvals. While the delay in our expansion was frustrating, we believe over the long-run, our expanded capacities will offer us a competitive advantage and will further distinguish us within the industry. We believe our scale is an asset and that it allows us to cement relationships with key customers.

Climbing to the next level

Our Company is uniquely situated within the Pharmaceutical industry. Our vision has led us to follow an unconventional path that we believe offers sustainable revenues and a competitive advantage which we will continue to grow.

While we have made significant strides with our operations, we realise optimal performance is always a moving target. We are applying methods and best practices from our peers in the chemical industry in our factories. Implementing concepts such as continuous process manufacturing will provide us with tremendous opportunity and will let us increase the lead over our competitors.

We are also adding products to our portfolio in which we believe our manufacturing process gives us a competitive edge over current manufacturers. Since we are able to

We believe the future leaders within the pharmaceutical space will be companies that have a focused product portfolio. Companies will need to focus on how they can leverage manufacturing efficiencies in order to offer meaningful value to customers.

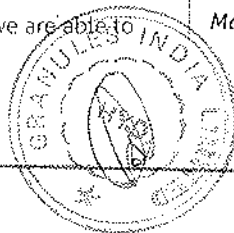
add value, we believe we can increase our market share in several products without sacrificing profitability.

Our relentless focus on efficiency has enabled us to drive value in products that many people are unable to profitability make. We have become synonymous with our products and continue to entrench ourselves which is why industry leaders are eager to continue working with us.

We are enthusiastic about Fiscal Year 2014 since our team will be ramping up production at our Formulation Unit. While this will certainly be an exciting year for us, I'm more pleased that our team has plans to ensure sustainable medium- and long-term revenue and profitably growth through our new technologies and our Granules-OmniChem Joint-Venture.

Sincerely

C. Krishna Prasad
Managing Director



BOARD OF DIRECTORS



01. Dr. C. Nageswara Rao - Chairman

Dr. C. Nageswara Rao is one of the promoters of Granules India Limited. Dr. Nageswara Rao has an M.S. in Surgery & Urology and was an active surgeon in Guntur for five decades. Dr. Nageswara Rao was the Chairman of Andhra Pradesh Medical Council and a member of the All India Medical Council, a Syndicate Member of Nagarjuna University and a Director of Hindustan Antibiotic Limited.

02. Mr. C. Krishna Prasad - Managing Director

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

03. Mr. L.S. Sarma - Director

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

04. Mr. A.P. Kurian - Director

Mr. Kurian served as the Chairman of the Association of Mutual Funds in India. Mr. Kurian has a rich career in the financial services area spread over four decades. During 1975-1993, Mr. Kurian was with Unit Trust of India and held several positions including Director-Investments, Director-Planning and Development and as an Executive Trustee. Since 1998, he has been the Executive Chairman of Association of Mutual Funds in India. He was on the Board of National Stock Exchange, Executive Committee of NSDL and several other committees associated with mutual funds and capital market.

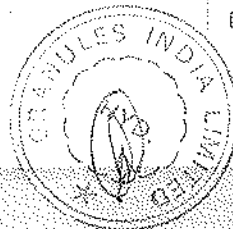
05. Mr. C. Parthasarathy - Director

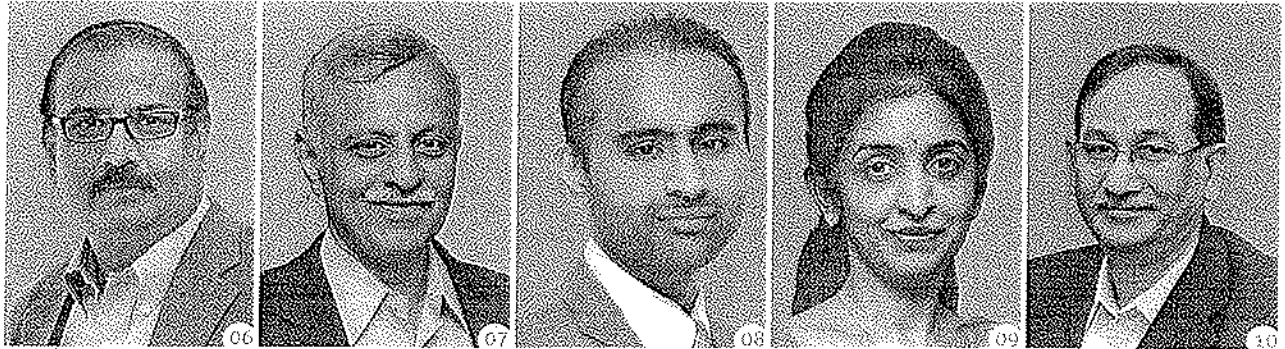
Mr. C.Parthasarathy is one of the founders of Karvy. As the Chairman of Karvy, he has been responsible for building Karvy as one of India's truly integrated financial services organisations. He oversees the group's operations and is responsible for the vision, business direction and technology value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

06. Dr. Krishna Murthy Ella - Director

Dr. Krishna Murthy Ella founded and established Bharat Biotech International Limited in 1996 along with his wife Ms. Suchitra Ella. The Company today, is on the forefront of Indian Biotechnology engaged in R&D, manufacturing and marketing of vaccines and bio-therapeutics. Dr. Ella was awarded his doctorate

Granules India Limited





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

07. Mr. Arun Rao Akinepally - Director

Mr. Akinepally Arun Rao is the Executive Director of Akin Laboratories Pvt Ltd., a formulation manufacturing Company. Mr. Arun Rao is on the Board of ESPI Industries and Chemicals Pvt Ltd, a leading manufacturer of antacids in India and is also Director of Sanzyme Limited. Mr. Arun Rao is a member of the Central Executive Council of the Indian Pharmaceutical Association. He was the Vice President and currently, a member of the Executive Committee of the Indian Pharmaceutical Association (Andhra Pradesh Branch). He is also a member of Executive Committee of Organisation of Pharmaceutical Manufacturers, Hyderabad.

08. Mr. Harsha Chigurupati - Executive Director

Mr. Chigurupati has been with Granules since 2005 and served as CMO from 2006-2010. As CMO, Mr. Chigurupati was instrumental in commercialising the Company's Finished Dosage Division and also changed the Company's focus to marquee customers in the regulated markets. As the Executive Director, Mr. Chigurupati is responsible for the standalone operations of Granules India including the P&L. Mr. Chigurupati has a Bachelor of Science in Business Management from Boston University.

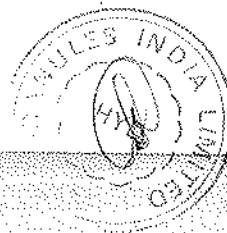
09. Mrs. Uma Chigurupati - Executive Director

Mrs. Chigurupati is Director of KRSMA Estates Private Limited, one of India's premier boutique wineries. Under her tenure, she has established a vineyard in Karnataka and has been overseeing the ongoing operations at the site. In addition, Mrs. Chigurupati is the Chairman of the Hyderabad IQF Foundation, which promotes health

awareness campaigns in Andhra Pradesh through multiple initiatives including hosting several races in Hyderabad including the Hyderabad Heritage Marathon. Mrs. Chigurupati has a post-graduate degree in soil microbiology from Nagarjuna University.

10. Mr. K.B. Sankara Rao - Additional Director

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



MANAGEMENT TEAM



01. Mr. C. Krishna Prasad
Managing Director

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

02. Mr. Harsha Chigurupati
Executive Director

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

Granules India Limited

standalone operations of Granules India including the P&L aspect.

03. Mr. B. Madhusudan Rao
Chief Operating Officer

Mr. B. Madhusudan Rao has over two decades of experience with global pharmaceutical companies. He previously served as COO of global generics at Orchid Pharmaceuticals where he was responsible for entire operations of global generics and CRAMS businesses as well as the P&L segment. Prior to that, Mr. Rao worked at Dr. Reddy's where he held various positions in global generics portfolio management; global regulatory affairs and compliance; API - new product development and corporate quality assurance and has led various initiatives including project management.

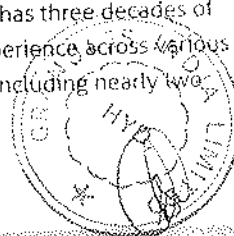
04. Mr. VVS Murthy
Chief Financial Officer

Mr. Murthy has three decades of finance experience across various industries including nearly two

decades in pharmaceuticals. Mr. Murthy previously was Group Chief Financial Officer at Dishman Pharmaceuticals which encompassed domestic as well as nine international operations. Prior to that, Mr. Murthy was VP - Finance at Dr. Reddy's where he had extensive roles including several international M&A transactions

05. Mr. Stefan Lohle
Chief Marketing Officer

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



MANAGEMENT DISCUSSION AND ANALYSIS

The Pharmaceutical Market

Global: Global medical spending is estimated to be around \$1,200 billion in 2016, a growth rate of 3%-6% over the next few years. Developed markets are expected to experience their lowest annual growth this year, at less than 1% or \$3 billion, and then rebound to \$18-20 billion in annual growth in the 2014-16 period.

The market for branded medicines is likely to experience 0%-3% annual growth through 2016 to \$615-\$645 billion, up from \$596 billion in 2011. In the major developed markets, branded medicine growth could be severely constrained at only \$10 billion over the five-year period due to patent expiries, increased cost-containment actions by payers and modest spending on newly launched products. Global generic spending is expected to increase from \$242 billion in 2011 to \$400-430 billion by 2016, fueled by volume growth in

pharmerging markets and the ongoing transition to generics in developed nations. The impact of patent expiries will be felt largely in the US whereas in Europe, limited savings from expiring patents are prompting policy shifts to encourage greater use of generics and lower reimbursement for these products.

The U.S. share of global spending is expected to decline from 41% in 2006 to 31% in 2016, while the share of spending from the top five European countries is expected to decline from 19% to 13%. Meanwhile, 17 high growth emerging markets are likely to contribute 30% of the total spending by 2016 as compared to 14% in 2006.

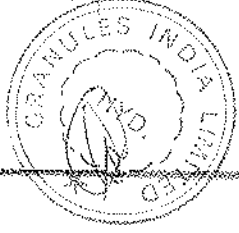
Granules' Product Overview

Granules focuses on pharmaceutical products with high API and/or finished dosage volume requirements. In many high-volume pharmaceutical products,

there are dozens of suppliers leading to oversupply. While there are large surpluses, high quality material for the regulated markets is in short supply and can only be serviced by a handful of suppliers.

Customers in the regulated markets and an increasingly growing number of customers in the semi-regulated markets require high-quality supplies. These customers value supply-based security and quality over pricing. Customers generally work closely with their suppliers' regulatory and quality control departments; once they select a supplier, the customer usually stays with the supplier for years and only periodically reviews alternatives.

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



Granules is among the leading producers of Paracetamol and Ibuprofen; the Company is also a reputed Metformin producer.

Analgesics market

The analgesics market, which focuses on pain relief, is one of the largest segments of the healthcare industry with sales worth approximately \$31 billion. The market is growing at a 2.7% CAGR. Going ahead, growth will be driven by an ageing population suffering chronic ailments and lifestyle diseases arising out of sedentary jobs.

Granules is among the leading producers of Paracetamol and Ibuprofen; the Company also competes in the Naproxen market. Paracetamol accounts for 58% of the analgesic market by volume and is widely used all over the world. Ibuprofen is the fastest growing product in the sector and is expected to surpass Aspirin, which is not growing as fast as it used to be. There are no analgesic products expected to replace the current leaders.

Paracetamol

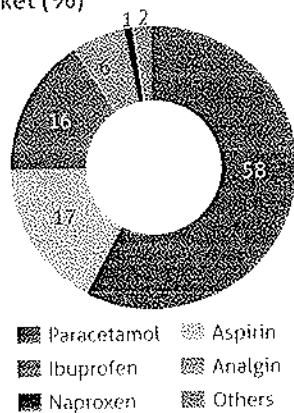
Paracetamol, also known as acetaminophen, is used to reduce body pains, headaches and lower fevers. The Paracetamol market continues to grow but there are signs of consolidation within the industry and increasing challenges for Chinese Paracetamol manufacturers. While many of these manufacturers targeted the emerging markets, which offer lower margins, manufacturers were able to gain market share and grow profits. However, many of the advantages that Chinese manufacturers had including an undervalued Chinese currency, low

employment costs and favourable interest rates are diminishing which has added pressures. In order to combat inflation, the Chinese government has let the RMB appreciate. During FY13, the RMB appreciated 1.5% which is slightly lower than the 3.0% appreciation in FY12. Due to the appreciation, the cost advantage from Chinese manufacturers has been greatly diminished which has added pressure for many manufacturers. In addition, labour and energy costs in China have increased by double-digits, which are adding further pressure for companies. Also, there is an increasing focus on quality from companies in the emerging markets which is resulting in extra costs for many Chinese manufacturers since they must adjust their processes to adhere to more stringent standards. Due to these pressures, several Chinese manufacturers have shut down while others have sold their facilities to larger players. Due to the diminishing value proposition from Chinese manufacturers, many customers in the emerging markets are qualifying Indian manufacturers which has resulted in higher capacity utilisation in FY13.

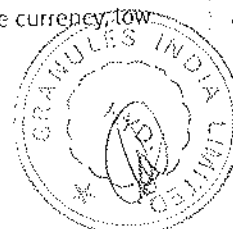
Ibuprofen

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

Constituents of the analgesic market (%)



Granules India Limited



why there are not as many suppliers. There are six primary manufacturers in the Ibuprofen market, which is growing in the mid-to-high single digits. The drug is becoming more popular due to an ageing population that wants to maintain their lifestyle. The Ibuprofen market, which faced pricing pressures in FY11 due to new capacity, has rebounded. Due to strong demand, pricing has increased in FY13 and appears to have stabilised.

Anti-Diabetic Market

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

source of new diabetes cases as they adapt Western lifestyles. There are multiple classes of drugs to treat diabetes which range from cheap, first-line therapy to expensive, advanced therapies

‡ **Biguanides:** The most popular drug in this category is Metformin, which lowers glucose levels. This is often used as the first response for Type II diabetes

‡ **DPP-4 Inhibitors:** This is the latest generation of diabetes drugs and over the next decade, several products will be released

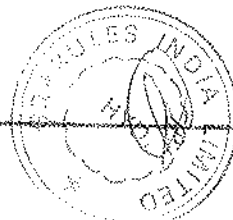
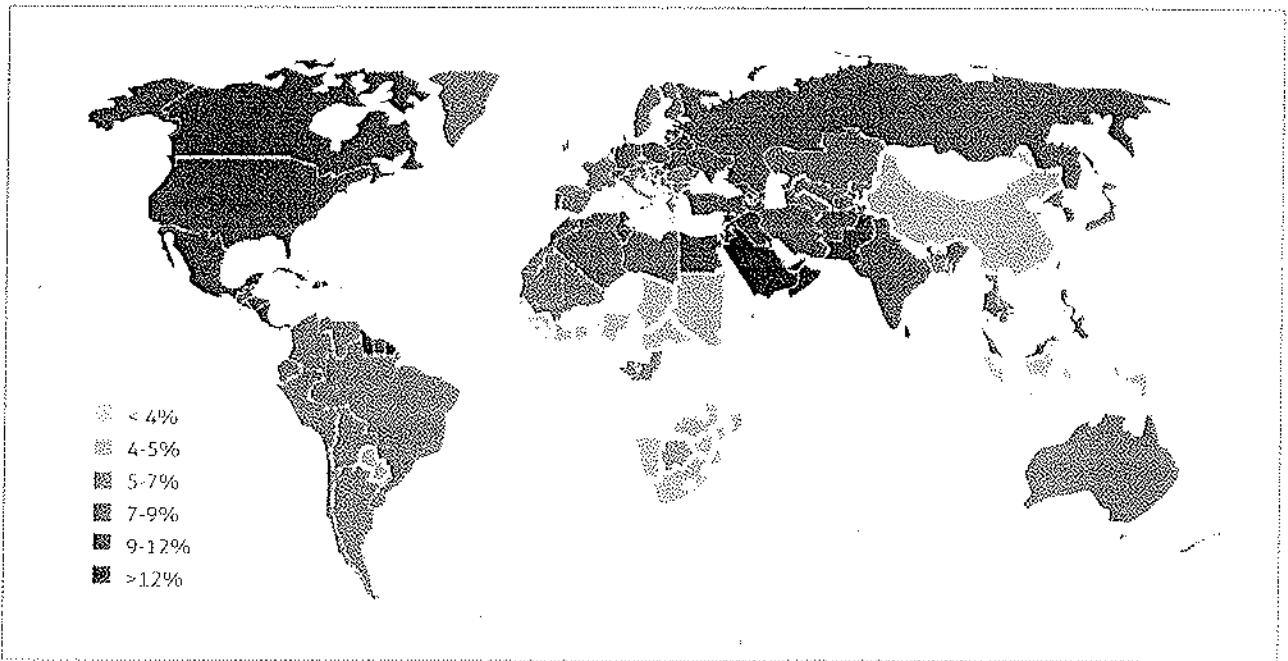
Diabetic cases are spread evenly throughout the world and there is a large opportunity for cost effective medication

Metformin

Metformin, a prescription drug, is the first biguanide oral anti-diabetic agent to be approved by the U.S. FDA after phenformin (phenethylbiguanide) was banned in the U.S. in 1977. Due to its relatively low cost and high-effectiveness, metformin is often used as a first-line therapy for patients with type-II diabetes

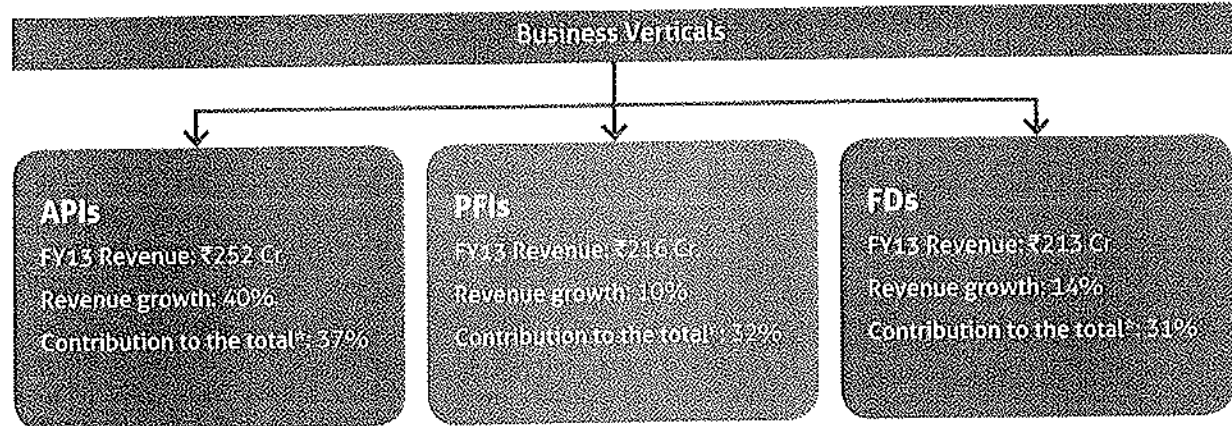
Annual production capacity for metformin is approximately 65,000 tonnes. Due the rising number of diabetic patients in the world, demand for Metformin is increasing and multiple suppliers are increasing capacity in order to meet global demand. The market is growing in the mid-teens and is expected to maintain the growth rate for the foreseeable future.

Countrywise diabetes rate (%)



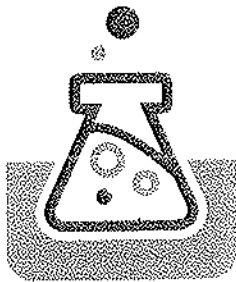
BUSINESS OPERATIONS

Granules has a presence across the pharmaceutical manufacturing value chain. The Company's operations are spread across four facilities – three in India and one in China.



* On standalone basis

Active Pharmaceutical Ingredients (API)



The Company's API vertical continued to report double-digit growth despite the markets for most of these products reporting single-digit growth. Granules entered this segment in 1984 through the manufacture of Paracetamol APIs and expanded into other products like Ibuprofen and Metformin. Over the decades, the

Company emerged among premier global API manufacturers due to a combination of scale, quality, compliance and reliability.

The Company has three API facilities; two located in India and a third in China. Due to a delay in the Gagillapur expansion, the Company marketed a larger quantity of APIs in FY13 but anticipates that its APIs will be progressively consumed largely for captive consumption in the future. The API vertical will continue to be critical to the Company's success since it will continue to represent the starting point of the Company's PPI and FD verticals.

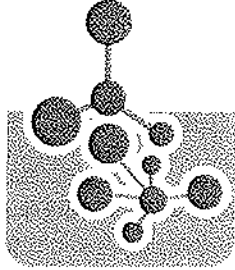
FY13 Highlights,

- ▶ API revenues increased 40% from ₹181 Cr. in FY12 to ₹252 Cr.
- ▶ Several initiatives to increase API capacity were implemented, a number of these finishing in late Q4FY12. The additional capacity was utilised in FY13.
- ▶ The delay in the Gagillapur Formulation expansion resulted in an increase API sales; APIs will be used more for captive consumption in FY14

Granules India Limited



Pharmaceutical Formulation Intermediates (PFI)



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

Granules entered this business segment in the early-90s following

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

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

FY13 Highlights

- ▶ Revenue increased 10% from ₹197 Cr. in FY12 to ₹216 Cr.
- ▶ The Company commercialised its Gagillapur facility expansion in March 2013; customer validations commenced in March 2013 and are expected to be completed in FY14.

Finished Dosages (FD)



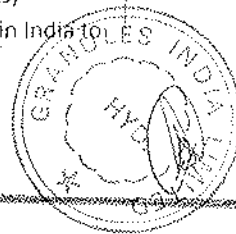
At Granules, the manufacture of finished dosages represents the apex of the value chain. The Company entered this business in FY09 with an installed capacity of six billion tablets. The business accounts for 31% of the Company's revenues.

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

manufacture bi-layered tablets.

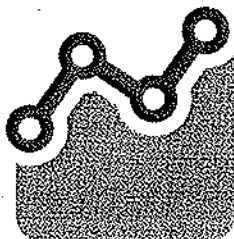
FY13 Highlights

- ▶ Revenue increased 14% from ₹185 Cr. in FY12 to ₹213 Cr.
- ▶ The Company commercialised the expansion of its Gagillapur facility, which substantially increased capacity from March 2013 onwards. Customer validations started in March 2013 and are expected to finish in FY14.



Annual Report 2012-13

Supply Chain



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

During the year under review, the Company strengthened its supply

chain management through various initiatives:

- ▶ Widened its vendor base across APIs, excipients and packaging material to provide for its expanded capacity
- ▶ Strengthened service level agreements with vendors to ensure adequate and timely input availability.
- ▶ Secured input availability for expanded formulation capacities

Operational Excellence



In a competitive capital-intensive business like pharmaceutical manufacture, success is derived from an ability to derive a higher output than the rated capacity with

the objective to reduce the effective capital cost per tonne to well below the industry benchmark.

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

The OE programme revolves around the Lean Six Sigma framework to ensure that the every customer consistently gets the desired product

quality and in the adequate quantity, in time, every time. At Granules, the success of the OE initiative helped unlock production capacities across all the manufacturing units accompanied by significant quality and efficiency improvements, reduction in waste generation and input optimisation - at only a marginal investment.

The Company successfully increased production with minimal expenditure, which strengthened its ROCE and spread costs across a wider base.

Human Resources

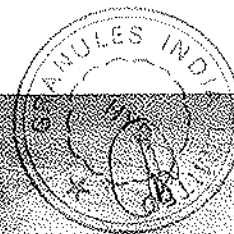


Granules India Limited

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

implementation capability of its team.

The HR Team has created a 'Centre of Excellence' to ensure teams collaborate in order to enrich the overall working culture, inculcate the right practices and foster holistic work ethics.



Quality Assurance



In a business as critical as that of pharmaceutical manufacture where the quality of our end product has a direct impact on human health, there is a premium on the ability

to maintain a high quality standard dictated by demanding regulatory authorities – batch after batch, across time.

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

▶ The Bonthapally and Gagillapur are largely close system operations with PLC controls and Level-II automation, minimising any need for human intervention

▶ Approvals from global regulatory authorities of stringent regulated markets – the U.S. FDA, MHRA, EDQM, Informed (EU), WHO GMP, KFDA, HHA (Germany), TPD-Canada, MCC and TGA.

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

Marketing



The Company has increased sales for 20 consecutive years. In addition, the Company generates majority

of its revenues from the regulated markets, resulting in stable customer relationships. Granules continues to invest in its marketing team; the Company has marketing executives and representatives in India, the U.S., U.K., Colombia and China to service the growing needs of more than 300 customers.

The Company created a multi-

locational customer management team to interact with customers at different hierarchies to maximise customer satisfaction. The team comprises experienced professionals who understand the unique dynamics of the markets of their presence and possess a deep technological understanding of Granules' product portfolio as well as customer needs.

Opportunities and Threats

The Company has several opportunities and threats.

The Company's biggest opportunity is the expansion of its Finished Dosage Division. The Division has grown in double digits since its inception in FY09 and the Company expects strong performance. The Company recently increased its Finished Dosage and PFI capacities in order to meet the demands of its customers. If the Company can execute orders on time and with proper quality, there is an opportunity to significantly grow the business. The Company also faces internal and external threats. Due to the Company's scale, quality rejections can have an impact particularly since the Company has a batch size of 6 tons in its PFI Facility. Also, the Company faces competition from

numerous competitors and faces the possibility of being undercut on pricing which might hurt sales and profits.

Internal control systems and their Adequacy

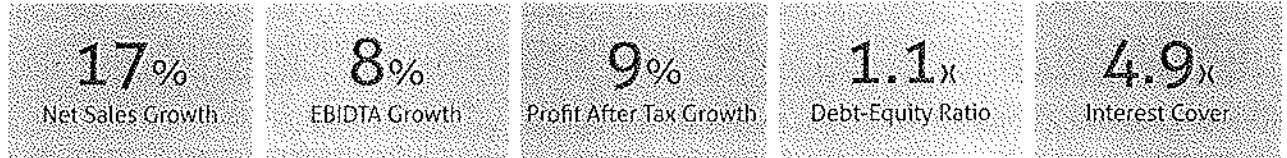
The Company's internal control and documented procedures encompass the globally-best financial and operating procedures which provide proper accounting control, monitor the Company's economic viability and efficiency and protects its assets from unauthorised use or losses and ensure the reliability of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



ANALYSIS OF FINANCIAL STATEMENTS

The Company recorded a higher topline and increased profits in FY13 due to increased capacity utilisation and product mix.

Snapshot

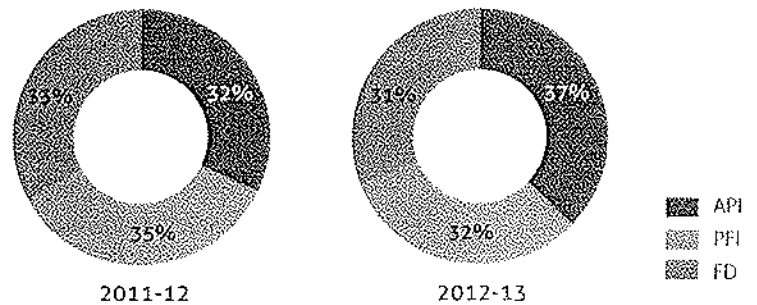


A) Analysis of the Statement of Profit and Loss

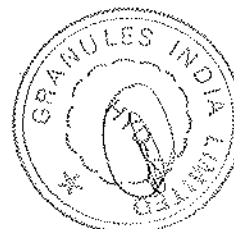
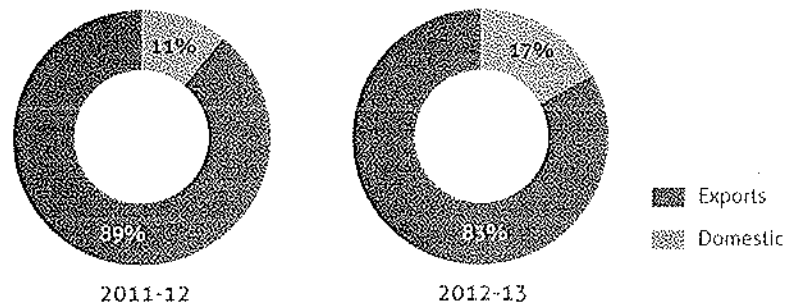
Revenue from Operations

The Company had double-digit growth in all three product segments, APIs, PFIs and Finished Dosages. While all the segments grew, the API segment constituted the largest portion of the revenue mix in FY13. Due to the delay in the Formulation Expansion, more APIs were sold instead of being used for captive consumption. The Company sold a large portion of its API in the domestic market in FY13 which led to an increase in overall domestic sales. The Company has strong backorders for its Formulation Division and expects an increase in sales in FY14 once the new capacity is on-line.

Revenue by product (%)



Revenue by geography (%)



Operating costs

Operating costs increased 17.6% over the previous year which is in-line with revenue growth. The increase in operating costs was primarily due to the rising energy costs, cost of key inputs, employee costs and marketing expenses. In order to mitigate energy costs, the Company focused on implementing Open Access Power at all of its Indian Facilities. At the end of FY13, the Company was still in the process of implementing the system but finished implementation in Q1FY14.

EBIDTA

EBIDTA increased 7.96% from ₹80.66 Cr in FY12 to ₹87.08 Cr. in

FY13 although the absolute margin fell 95 bps to 11.35% in FY13. This was primarily due two reasons. First, instead of using its additional APIs for captive consumption, the Company sold more APIs in FY13 which has a lower profit margin than Formulations. Second, the Company's Formulation Expansion was delayed in FY13 and faced scale-up issues after its completion. The Company had additional expenses including increased manpower at the facility without a concurrent increase in production.

Interest

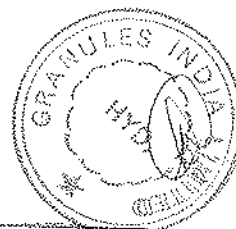
Interest liability increased 4.0% from ₹17.0 Cr. in FY12 to ₹17.7 Cr. in FY13

consequent to an increase in the Company's debt portfolio. While there was an increase, the interest cover got strengthened from 4.8x to 4.9x over the same period, reflecting the Company's ability to repay its interest liabilities.

Net profit

The Company earned a net profit of ₹32.6 Cr. in FY13 vs. ₹30.0 Cr. in FY12, an increase of 8.7%. In line with the net profit, the basic earnings per share increased from ₹14.93 to ₹16.21 over the same period.

	FY12		FY13		Growth as a percentage of sale %
	Amount (₹Cr.)	Proportion of total expenses (%)	Amount (₹Cr.)	Proportion of total expenses (%)	
Cost of Materials Consumed	414.4	67.7	467.0	64.8	2.24
Employee Benefits	45.5	7.4	59.7	8.3	(0.9%)
Other Expenses	114.9	18.8	152.7	21.2	(2.4%)
Finance Costs	17.0	2.8	17.7	2.5	0.3%
Depreciation	20.7	3.4	23.1	3.2	0.2%
TOTAL	612.4		720.1		



B) Analysis of the Balance Sheet

Capital employed

The capital employed in the business increased 32.7% from ₹348.2 Cr. as on March 31, 2012 to ₹462.0 Cr. as on March 31, 2013. The increase was due to an increase in external debt to fund the expansion in the Formulation Facility and addition to the reserves and surplus balance.

Shareholder's funds

Shareholders' funds increased 12.1% from ₹245.1 Cr. as on March 31, 2012 to ₹274.9 Cr. as on March 31, 2013. This increase was primarily due to the addition to reserves and surplus; the marginal increase in its equity capital was consequent to the shares issues on exercise of the employee stock options. The book value per share

increased from ₹122.17 as on March 31, 2012 to ₹136.41 as on March 31, 2013

Loan funds

Reliance on external increased 45% due to two reasons:

- ▶ Partially financing the expansion of the PFI and Finished Dosages Facilities
- ▶ An increase in working capital to meet the needs of a growing business

In FY13, the Company increased its foreign currency debt exposure, for long-term debt, to optimise interest costs. Despite the increase in the debt quantum, the Company's debt-equity stood at a healthy 1.4 x as on March 31, 2013. Excluding working capital loans, the debt-equity ratio was 1.1x as on March 31, 2013.

Fixed Assets

The addition to the gross block marks the capitalisation of a part of the PFI and FD capacity enhancement initiative and routine capital expenditure for sustaining efficiencies of its existing operating facilities.

Working Capital Management

Growth in the business operations increased the working capital requirement. Net current assets grew 11% from ₹260.3 Cr. as on March 31, 2012 to ₹288.9 Cr. as on March 31, 2013. The current ratio strengthened and stood at 1.4x as on March 31, 2013 against 1.2x as on March 31, 2012.

Debt Reconciliation (₹Cr.)

	As on March 31, 2012	As on March 31, 2013
Long-Term Debt	88.1	175.5
Short-Term Debt	102.1	85.5
Current maturities of long-term debt (payable in 2013-14)	13.5	9.5

C) Analysis of the Cash Flow Statement

The Company had an improvement in liquidity, reflected in cash flow from operations increasing to ₹92.2 Cr. in FY13 compared to ₹25.6 Cr. in FY12, an increase of 360%. This was achieved due to enhanced operating

efficiencies coupled with stringent working capital management.

In addition to internal generation, the Company funded investments through long-term loans including ₹99.0 Cr. in FY13; the increase in day-to-day

fund requirements was met by short-term facilities. The commissioning of the new PFI and FD facilities in FY14 will improve the Company liquidity position.

Granules India Limited





MANAGING BUSINESS UNCERTAINTIES

Every Company is under threat from unforeseen contingencies which can hamper its business prospects. At Granules, we understand the impact of industry uncertainties and their possible outcomes. We leverage this deep knowledge to undertake proactive counter-measures that strengthen our viability across verticals, products, geographies and market cycles

1

The Company's margins could face pressure due to competition

Risk mitigation:

The Company has focused on growing its formulation business. In FY13, the Company augmented its Finished Dosage Facility as well as its PFI facility. Due to the strong demand, this new capacity has been allocated to customers. Also, the Company is working with brand leaders as well as generics leaders who value long-term partnerships instead of solely focusing on price. The Company is also expanding its revenue in regulated markets, where due to their high switching costs, the entry of fresh competition is limited.

2

Excessive dependence on one geographic region could impact revenue in the event of a localised downturn.

Risk mitigation:

The Company enjoys a global footprint extending over 65 countries. No region accounted for more than 35% of sales.

Regulated markets: The Company's facilities are certified by authorities of all regulated markets. Sales in regulated markets accounted for 64% of the Company's revenues in FY13.





3

Huge capacity expansions could challenge business management capabilities.

Risk mitigation:

The Company's holistic investment across people, plant, processes and technology makes it possible to seamlessly manage its expanded operations.

Equipment investment: The focus on manufacturing excellence prompted the Company to invest in best-in-class, first-of-its-kind automation in India, which reduces the need for sizeable additions in terms of manpower.

People investment: The Company invested in skilled professionals handpicked from the best in the industry. The Company trained these professionals in the use of contemporary equipment facilitating a strong plant-people bond necessary for efficient operations.

4

The Company may not be able to sustain its growth momentum.

Risk mitigation:

The Company's medium-term plan comprises capacity enhancement, devising new products and forging business alliances.

The Company's new formulation capacity has been earmarked by multiple customers which will result in steady growth over the next several years. Also, the Company's JV, Granules-OmniChem's manufacturing facility will finish construction in FY14. The Company expects regulatory approvals in FY16 which will result in new revenue streams.

5

The Company could be stretched to fund its growth plans.

Risk mitigation:

The Company has mobilised large funds from global financial institutions, which could stretch its repayment capability.

Financial statements: The Company's debt was ₹321 crore as on March 31, 2013; debt-equity ratio was 1.4x on that date, while interest cover was at 4.9x in 2012-13, making it possible to mobilise additional low-cost funds, when needed. The Company's business liquidity and strong financial statements will enable it to mobilise low-cost funds.



DIRECTORS' REPORT

To the members,

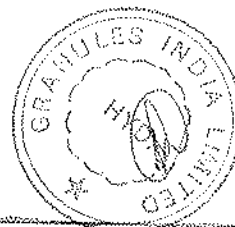
Your Directors are pleased to present the Annual Report, on the business and operations of Granules India Limited together with audited accounts for the financial year ended March 31, 2013.

Financial results

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

(₹ in lakhs)

Particulars	Standalone		Consolidated	
	Year ended March 31, 2013	Year ended March 31, 2012	Year ended March 31, 2013	Year ended March 31, 2012
Revenue from Operations	67,979.70	56,267.77	76,437.30	65,396.59
Other Income	171.81	120.82	206.04	137.51
Total Income	68,151.51	56,388.58	76,643.34	65,534.10
EBITDA	8,077.56	7,380.72	8,708.02	8,066.06
Less: Finance Costs	1,649.49	1,549.41	1,767.11	1,698.87
Less: Depreciation	2,020.89	1,797.60	2,308.46	2,069.54
Profit Before Tax	4,407.18	4,033.72	4,632.45	4,297.64
Less: Tax Expenses	1,389.65	1,303.09	1,375.73	1,302.37
Net Profit After Tax	3,017.53	2,730.63	3,256.73	2,995.28
Add: Surplus Brought Forward from Previous Year	9,937.97	7,878.45	9,952.14	7,647.84
Surplus Available	12,955.50	10,609.09	13,208.86	10,643.12
Appropriations made to Surplus:				
Provision for Dividend	402.52	401.23	402.52	401.23
Provision for Dividend Tax	68.41	65.09	68.41	65.09
Transfer to General Reserve	776.31	204.80	226.31	224.65
Balance Carried to Balance Sheet	12,258.24	9,937.97	12,511.62	9,952.15
Basic Earnings Per Share	15.02	13.61	16.21	14.93
Diluted Earnings Per Share	14.62	13.56	15.78	14.87





Review of Operations

During the year under review, there were many challenges in the macro-environment including a weak global economy. In spite of adverse conditions, your Company posted good results. The net sales of the Company in FY13 stood at ₹67,979.70 lakhs compared to the net sales of ₹56,267.77 lakhs in FY12, registering a growth of 20.8% in the current financial year. The EBITDA stood at ₹8,077.56 lakhs in FY13 compared to ₹7,380.72 lakhs in FY12, registering a growth of 9.4%. The profit after tax for FY13 stood at ₹3,017.53 lakhs compared to ₹2,730.63 lakhs in FY12, registering a growth of 10.5% in the current financial year. The Company continued to strengthen its position in the market and aims to increase productivity gains, volume growth and profit margins.

Transfer to General Reserves

The Company proposes to transfer ₹226.31 lakhs to General Reserve out of the profits available for appropriation, which is higher than the ₹204.80 lakhs transferred to the General Reserve in the previous year. With this addition, the total Reserves & Surplus (including Capital Reserve, Securities Premium Reserve, Central Subsidy, General Reserve and Surplus) as on March 31, 2013 is ₹25,036.68 lakhs as against the Paid up Capital of ₹2,012.62 lakhs.

Dividend

Your Directors are pleased to recommend for approval of the shareholders, a final dividend of 20% (₹2 per share) on 2,01,26,154 equity shares (face value of ₹10 each) of the Company with respect to the FY13. The dividend, if declared as above, would involve an outflow of ₹402.52 lakhs towards dividend and ₹68.41 lakhs towards dividend tax, resulting in a total outflow of ₹470.93 lakhs. Under the Income Tax Act, 1961, the dividend will be tax free in the hands of the shareholders. The members are requested to approve the final dividend. The dividend, subject to approval of shareholders at the Annual General Meeting on 19th August 2013, will be paid to the shareholders whose names appear in the Register of Members as on the date of book closure.

Share Capital

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

The Paid Up Share Capital of the Company increased from ₹20,06,16,540 (rupees twenty crores six lakhs sixteen thousand five hundred and forty only) divided into 2,00,61,654 equity shares of ₹10 each to ₹20,12,61,540 (rupees twenty crores twelve lakhs sixty one thousand five hundred and forty only) divided into 2,01,26,154 equity shares of ₹10/- each. During the year, Company allotted 64,500 (sixty four thousand five hundred) equity shares of ₹10 each on exercise of stock option issued under Granules India Equity Stock Option Plan 2002.

Transfer to the Investor Education & Protection Fund

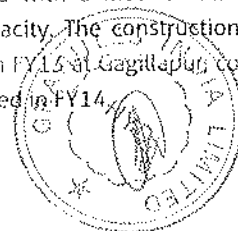
According to Section 205C of the Companies Act, 1956, read with Investor Education and Protection Fund (Awareness and Protection of Investors) Rules, 2001, the unclaimed dividend amounting to ₹1,58,395/- (rupees one lakh fifty eight thousand three hundred and ninety five only) for the financial year 2004-05, was transferred to the Investor Education and Protection Fund established by the Central Government during the year under review.

Expansions

During FY12, the Company commenced work on an expansion at its Gagillapur facility. The expansion involved a capacity expansion in the PFI and Finished Dosage facilities. The expansion mainly focused on efficient design and output in terms of material transfer and automation.

Upon completion of the PFI module, the Company faced initial scale up issues. The problems were addressed by the technical team along with outside consultants. The Finished Dosage (FD) facility was expanded from an existing capacity of 6 billion doses to 18 billion doses. Both expansions were done in an existing facility and did not require further regulatory approvals and will be used for manufacturing products for the regulated markets after completion of trials and necessary approvals from relevant customers.

In addition, during FY13, the Company completed an upgrade of its existing warehouse and also commenced construction of a new warehouse at its Gagillapur facility. The existing Finished Goods and Raw Material Warehouses were modified with a mobile racking system which has increased capacity. The construction of a new warehouse commenced in FY13 at Gagillapur; construction is expected to be completed in FY14.



Research & Development

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

The Company provides comprehensive drug development resources and solutions for pre-formulation, formulation development, analytical development, technology transfer cGMP, scale-up, stability and also co-ordinate for conducting bioavailability and bioequivalence studies for regulated and emerging markets. The Company possesses capabilities to develop several IR and MR solid dosage products and filing dossiers and ANDAs for regulated markets including the U.S., Canada, Europe, Australia and other countries. The Company has several programs for in-house R&D and formed alliances with national and international reputed institutions which focus on our activities on the themes of innovation, culture and growth.

Directors

The Board consists of executive and non-executive directors including independent directors who have wide and varied experience in different disciplines of corporate functioning. During the year under review, Mr. Joby Varughese John, Director resigned from the Directorship of the Company w.e.f December 26, 2012. The Board places on record its deep sense of appreciation for the guidance and services rendered by Mr. Joby Varughese John as Director of the Company.

Mr. Kolli Basava Sankar Rao was appointed as an Additional Director of the Company w.e.f February 19, 2013, to hold office up to date of the forthcoming Annual General Meeting. Notice was received from the Company's member under section 257 of the Companies Act, 1956 proposing the

candidature of Mr. Kolli Basava Sankara Rao as the Director of the Company. Resolutions seeking your approval to his appointment are in the notice convening the 22nd Annual General Meeting of the Company.

Pursuant to provisions of sections 255 and 256 of the Companies Act, 1956 and article 51 of the articles of association of the Company, Mr. A. Arun Rao, Non-Executive Director and Mr. Harsha Chigurupati, Executive Director of the Company are liable to retire by rotation at the ensuing Annual General Meeting and being eligible offers themselves for re-appointment to the office of directorship. Your Board of Directors recommend for their re-appointment.

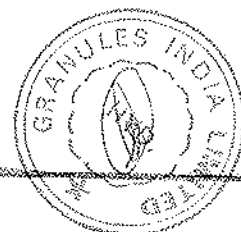
Brief profiles of Mr. A. Arun Rao, Mr. Harsha Chigurupati and Mr. Kolli Basava Sankar Rao, the nature of their expertise in specific functional areas and the number of companies in which they hold directorships and memberships/ chairmanships of committees of the Board, as stipulated under clause 49 of the listing agreement with the stock exchanges, are provided in the section on Corporate Governance in this Annual Report. Members are requested to refer to the said section of the Corporate Governance Report.

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

Corporate Governance Report

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

The Statutory Auditor's certificate, in accordance with clause 49 of the listing agreement is annexed with the Corporate





Governance Report. The Managing Director and Chief Financial Officer have given a certificate to the Board with regard to the financial statements for the year ending March 31, 2013, as contemplated under clause 49 of the listing agreement and the same is annexed with the Corporate Governance Report. A detailed report on corporate governance practices followed by your Company, in terms of clause 49 of the listing agreement with stock exchanges, is provided separately in this annual report. The members are requested to refer to the same.

Internal Audit & Controls

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

The Company's internal control systems are commensurate with the nature of its business and the size and complexity of its operations. The Audit Committee reviews adequacy and effectiveness of the Company's internal control environment and monitors the implementation of audit recommendations including those relating to strengthening of the Company's risk management policies and systems.

Your Company has proper process for Risk Management. Major risks identified by the businesses and functions are systematically addressed through mitigating actions on a continuing basis. These are discussed with both Business Review Committee and Audit Committee periodically.

Management Discussion and Analysis Statement

A management discussion and analysis statement as required under the clause 49 of the listing agreement is annexed, forming a part of the Director's Report. The members are requested to refer to the same.

Director's Responsibility Statement

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

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

Subsidiary Companies

▶ Granules USA Inc

Granules USA Inc, a wholly-owned subsidiary Company, operates for the marketing requirements of the Company in the U.S market. The Share Capital of the Company as on March 31, 2013 is ₹1,16,31,470 (rupees one crore sixteen lakhs thirty one thousand four hundred and seventy only). During FY13, the Company achieved a turnover of ₹7.510 lakhs and the profit after tax is ₹270.96 lakhs.

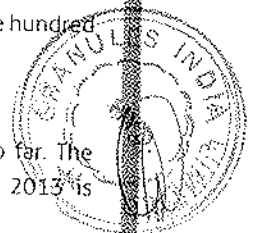
▶ GIL Lifesciences Private Limited

The Company is yet to commence its operations. As on March 31, 2013 the Authorised Share Capital of the Company is ₹3,50,00,000/- (rupees three crores fifty lakhs only) divided into 35,00,000 (thirty five lakhs) equity shares of ₹10/- each and the Paid Up Share Capital of the Company is ₹2,94,61,760 (rupees two crores ninety four lakhs sixty one thousand seven hundred and sixty only) divided into 29,46,176 (twenty nine lakhs forty six thousand one hundred and seventy six only) equity shares of ₹10 each.

▶ Granules Singapore Pte Ltd.

The Company has not commenced any activity so far. The Share Capital of the Company as on March 31, 2013 is ₹5,00,500 (rupees five lakhs five hundred only).

The relevant particulars of subsidiary companies and the consolidated final accounts for the year ended March 31, 2013, in accordance with the accounting standard AS-21



on consolidated financial statements, read with accounting standard AS-23 on accounting for investment in associates are appended to this Report.

Joint Venture Companies

† Granules-Bioclause Pharmaceutical Co. Limited

The Share Capital of the Company as on March 31, 2013 is ₹18,19,02,807/- (rupees eighteen crores nineteen lakhs two thousand eight hundred and seven only). During the FY13, the Company achieved a turnover of ₹10,244.63 lakhs.

† Granules OmniChem Private Limited

The Share Capital of the Company as on March 31, 2013 is ₹18,75,50,000 /-(rupees eighteen crores seventy five lakhs fifty thousand only). The Company has not yet commenced its commercial activity during the period under review hence there was no income during FY13. However the Company incurred a loss of ₹36,94,434 (rupees thirty six lakhs ninety four thousand four hundred and thirty four only). Granules OmniChem Private Limited is a 50:50 joint venture that will manufacture pharmaceutical intermediates and APIs in a greenfield facility in Visakhapatnam (AP) and mainly focus on high-value, low-volume APIs for the regulated markets. The Company will initially cater to Ajinomoto OmniChem's (one of the joint venture partners and shareholders) existing customers and will focus on oncology, cardiovascular and central nervous system (CNS) products. Granules India Limited will also purchase APIs from the joint venture Company and will offer finished dosages.

The joint venture Company is setting up 100% export oriented unit at Jawaharlal Nehru Pharma City (JNPC), Parwada Mandal, Visakhapatnam (AP) under the APIC special economic zone to manufacture active pharmaceutical ingredients. The construction of the unit (including manufacturing block, administration block, warehouse and utility electric substation block) and various installations are ongoing and expected to finish construction in mid-2013. The trial and commercial production is expected to commence by December 2013. The Company plans to obtain all necessary regulatory approvals from the U.S. Food and Drug Administration ("FDA") or relevant European regulatory authorities by March 31, 2016 and all Good Manufacturing Practice ("GMP") standards in relation to the unit by March 31, 2015.

Statement under Section 212 of the Companies Act, 1956

Pursuant to the provision of section 212(8) of the Companies Act, 1956, the Ministry of Corporate Affairs vide its circular no. 2/2011 dated February 8, 2011 has granted general exemption from attaching the balance sheet, profit & loss account and other documents of the subsidiary companies with the balance sheet of the Company. The Board of Directors of your Company has by a resolution, given consent for not attaching the balance sheet of the subsidiaries concerned. Accordingly, the annual accounts and other documents of Company's subsidiaries for the year ended March 31, 2013 are not attached to this Annual Report. Pursuant to Section 212 of the Companies Act, 1956 a brief statement related to subsidiary companies has been given as annexure to the balance sheet and the same forms a part of this Annual Report.

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

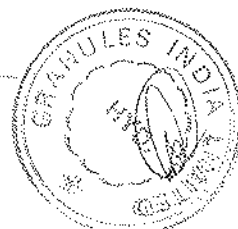
Auditors & their Report

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

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

Cost Auditors

M/s. EVS & Associates, Cost Accountants, were appointed as the Company's Cost Auditors to conduct cost audit





of Jeedimetta manufacturing unit and for issuance of Compliance Certificates as required under Companies (Cost Accounting Records) Rules, 2011 for Gagillapur and Bonthapally manufacturing unit of the Company for FY14. The Cost Audit Report and the Compliance Report for the financial year ended March 31, 2012 were duly filed with the Central Government.

Fixed Deposits

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

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

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

Human Resources

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

Particulars of Employees

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

Employee Stock Option Plan (ESOP)

Your Company implemented the Granules India Equity Stock Option Plan 2002 and Granules India Equity Stock Option Plan 2009, recognising the Directors as well as the employee's contribution to the organisation's success. During the year under review 64,500 options were exercised under Granules India Equity Option Plan 2002 at an exercise price of ₹45 (forty five) per share, resulting into allotment of 64,500 shares during the year. The said shares has been listed at Bombay Stock Exchange and National Stock Exchange and also approved for trading thereof. The Granules India Equity Stock Option Plan 2002 came to an end on October 29, 2009, however the grants made on April 25, 2009 under said plan are still under force.

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



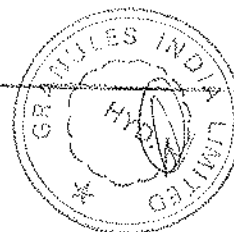
The details of the stock options granted / vested / exercised under the Granules India Equity Stock Option Plan 2002, are given below:

Sr. no.	Description	Details
(a)	Options granted	Nil
(b)	Pricing formula	Not Applicable
(c)	Options vested during the year	Nil
(d)	Options exercised during the year	64,500 options
(e)	Total number of shares arising as a result of exercise of options	64,500 equity shares
(f)	Options lapsed during the year	Nil
(g)	Variation in terms of options	Nil
(h)	Money realised by exercise of options during the year	₹29,02,500/-
(i)	Total number of options in force	70,000
(j)	Employee wise details of options granted during the year to:	
(j) (i)	Senior managerial personnel	Not Applicable
(j) (ii)	Any other employee who receives a grant in any one year of options amounting to 5% or more of options granted during the year.	Not Applicable
(j) (iii)	Identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant.	Not Applicable
(k)	Diluted Earnings per share (EPS) pursuant to issue of shares on exercise of options calculated in accordance with Accounting Standard (AS) 20 -- Earning per share.	₹14.62/- per share
(l)	Where the Company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost that shall have been recognised if it had used the fair value of the options.	Not Applicable
(m)	Weighted-average exercise prices and weighted-average fair values of options, whose exercise price either equals or exceeds or is less than the market price of the stock	₹45/- per share
(n)	Description of the method and significant assumptions used during the year to estimate the fair values of options.	Not Applicable.

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

Sr. no.	Description	Details
(a)	Options granted	6,00,000 options
(b)	Pricing formula	Closing market price as on the date prior to the grant date on national stock exchange (where there was highest trading volume).
(c)	Options vested during the year	Not Applicable
(d)	Options exercised during the year	Not Applicable
(e)	Total number of shares arising as a result of exercise of options	Not Applicable
(f)	Options lapsed during the year	Not Applicable
(g)	Variation in terms of options	Nil
(h)	Money realised by exercise of options during the year	Not Applicable
(i)	Total number of options in force	4,75,000

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Sr. no.	Description	Details
(j)	Employee wise details of options granted to:	
(j)(i)	Senior managerial personnel	No corporate executive on the Board has been granted any options.
(j)(ii)	Any other employee who receives a grant in any one year of options amounting to 5% or more of options granted during the year.	Nil
(j)(iii)	Identified employees who were granted option, during any one year, equal to or exceeding 1% of the issued capital (excluding outstanding warrants and conversions) of the Company at the time of grant.	Nil
(k)	Diluted Earnings per share (EPS) pursuant to issue of shares on exercise of options calculated in accordance with Accounting Standard (AS) 20 -- Earning per share.	₹14.62 per share
(l)	Where the Company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost that shall have been recognised if it had used the fair value of the options.	Not Applicable
(m)	Weighted-average exercise prices and weighted-average fair values of options, whose exercise price either equals or exceeds or is less than the market price of the stock	₹101.43/- per share
(n)	Description of the method and significant assumptions used during the year to estimate the fair values of options.	Not Applicable

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

Code of Conduct

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

Acknowledgements

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

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

On behalf of the Board

Sd/-

Dr. C. Nageswara Rao
Chairman

Place: Hyderabad

Date: April 25, 2013

Granules India Limited



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, 2013.

Form A – Particulars of Conservation of Energy

A. Power and fuel consumption

Particulars	FY 2012-13	FY 2011-12
1. Electricity		
Unit (KWH)	12,278,183.00	14,216,939.00
Total amount (₹ in lakhs)	827.20	616.38
Rate/Unit (₹)	6.74	4.34
Rate/Kg of production (₹)	3.45	3.08
2. Own generation from diesel generator		
Unit (KWH)	73,48,833.00	2,072,524.00
Total amount (₹ in lakhs)	1,075.28	362.35
Rate/unit (₹)	14.63	17.48
Unit/kg of production	0.31	0.12
Rate/kg of production (₹)	4.48	1.81
3. Coal		
Quantity (MT)	12,075.24	12,313.14
Total cost (₹ in lakhs)	715.58	661.30
Rate/Unit (₹)	5.93	5.37
Rate/kg of production (₹)	2.98	3.30
4. Furnace Oil, LSHS and LD oil		
Quantity (K. Ltrs.)	13.49	35.38
Total cost (₹ in lakhs)	6.88	13.04
Average/K. ltrs. (₹)	50.97	36.86
Rate/kg of production (₹)	0.03	0.07

B. Consumption per unit of production

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

Form B – Particulars of Absorption

Technology absorption, adaptation and innovation

1. Technology absorption, adaptation and innovation:

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

fits have been successfully developed and manufactured and more products are being formulated for the regulated markets. To meet customer demands, our teams focus on innovate techniques in product development.

For products where manufacturers transfer technology for site variations, our teams adapt to the process and



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reproduce prototypes to meet regulatory acceptance. The Company is continuously striving to strengthen its R&D teams and infrastructure.

2. Benefits derived as a result of the above efforts

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

3. Imported technology

There was no import of technology.

Research and Development (R&D)

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

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

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

The Company in the FY13, continued to work on ANDA filings. In addition, the Company worked on several site-transfers for its customers. R&D currently focuses on developing and filing generic products for regulated markets and also on large volume OTC drugs. The Company's philosophy is to have the best-to-file applications which will increase returns over the long-run. Going forward, the Company will focus on global filings for our products which will improve our efficiency. In addition, R&D is working to build a healthy products

portfolio for enhanced and sustainable growth on extending our product reach by adding filing for different doses for existing products and also adding value through applications such as extended release.

The Company currently offers the following Finished Dosage products:

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

▶ **Benefits derived as a result of the above R & D**

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

▶ **Future plan of action**

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

4. Expenditure on R & D

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

Details of R&D expenditures:		₹ in lakhs	
	2012-13	2011-12	
Salaries	204.45	209.56	
Consumables & Lab Chemicals	2.43	1.51	
Consultancy Charges	277.94	87.51	
Others	66.52	71.58	
Materials	106.17	34.20	
Total expenditure	657.51	404.36	

Form C – Foreign Exchange Earnings and Outgo

		₹ in lakhs	
Particulars	F.Y. 2012-13	F.Y. 2011-12	
Foreign Exchange Earnings	54,577.63	48,218.39	
Foreign Exchange Outgo	31,453.65	24,663.63	

On behalf of the Board

Sd/-

Place: Hyderabad

Date: April 25, 2013

Dr. C. Nageswara Rao

Chairman



ANNEXURE - II TO DIRECTORS' REPORT

Auditors' Certificate

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

We have examined the compliance of SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 by Granules India Limited, for the year ended on March 31, 2013.

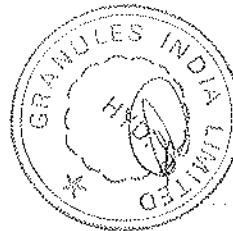
Our examination was limited to the implementation of the Granules India Equity Option Plan 2002 and Granules India Equity Option Plan 2009 by the Company for ensuring the compliance of the said guidelines.

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

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

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

Place: Hyderabad
Date: April 25, 2013



Annual Report 2012-13

CORPORATE GOVERNANCE REPORT

The detailed report on Corporate Governance, for the financial year ending March 31, 2013 pursuant to clause 49 of the listing agreement is set out below:

Company's Philosophy on Code of Corporate Governance

Granules India Limited ensures adherence and enforcement of the principles of corporate governance with a focus on transparency, professionalism, fairness and accountability. The Company's corporate governance philosophy encompasses not only regulatory and legal requirements, such as the terms of listing agreements with stock exchanges, but also voluntary practices aimed at a high level of business ethics, effective supervision and enhancement of value for all stakeholders. The Company believes that corporate governance has a role to ensure that the Directors of the Company are subject to their duties, obligations, accountability and responsibilities, to act in the best interest of the Company and to remain accountable to their shareholders and other beneficiaries for their corporate actions. The Company acknowledges the individual and collective responsibilities to manage the business activities with integrity. The Company lays greater emphasis on good corporate governance – which is believed as a key driver for sustainable corporate growth and long term value creation for all the stakeholders. This is Company's road to sustainable, profitable growth and creating long term value for the stakeholders, people and business partners.

The Board of Directors of your Company is responsible for and committed to sound principles of corporate governance in the Company. The Board plays a crucial role in overseeing how the management serves the short and long term interests of shareholders and other stakeholders.

The Board of Directors

Composition:

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

Granules India Limited

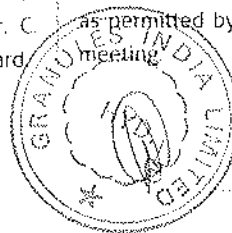
The code of conduct for all Directors and the Senior Management of the Company has been posted on the website of the Company at www.granulesindia.com. All Directors and the Senior Management personnel are under a requirement to affirm the compliance with the said code. The necessary declaration by the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

The Company has a Non-Executive Chairman who belongs to the promoters group and the number of Non-Executive Directors at seven is more than 50% of the Board of Directors. None of the Directors on the Board is a member of more than 10 (ten) Committees or Chairman of more than 5 (five) Committees as specified in clause 49 of the listing agreement, across all the companies in which he is a Director. The Directors made necessary disclosures regarding Committee positions in other public limited companies as on March 31, 2013.

Board Meetings:

The Company holds at least four board meetings in a year, once in each quarter inter – alia to review the financial results of the Company. The gap between the two board meetings does not exceed four calendar months. Apart from the four scheduled board meetings, additional board meetings are also convened to address the specific requirements of the Company. The board / committee meetings are pre-scheduled and a tentative annual calendar of board and committee meetings is circulated to the Directors well in advance to facilitate them to plan their schedule and to ensure meaningful participation in the meetings. However, in case of special and urgent business need, the board's approval is taken by passing resolutions by circulation,

as permitted by law, which is confirmed in the next board



The Board is regularly apprised and informed of important business related information. The agenda papers are circulated in advance to all the board members containing the detailed notes on the items to be discussed at the meeting to enable Directors to take informed decisions. Every Director on the Board is free to suggest any item for inclusion in the agenda for consideration of the Board. All the departments in the Company communicate to the Company Secretary well in advance, the matters requiring approval of the Board / Committees of the Board to enable inclusion of the same in the agenda of the Board / Committee meeting(s). The important decisions taken at the Board / Committee meetings are promptly communicated to the concerned department. Action taken report on the decisions / minutes of the previous meeting is placed at the succeeding meeting of the Board / Committee for noting. Along with other agenda item, compliance reports of applicable laws and minutes of the meetings of the committee are placed before the Board at regular intervals.

Six (06) Board meetings were held during the year April 2012 – March 2013 and the gap between any two meetings did not exceed four months. The dates on which the Board meetings were held are: 24th April 2012, 31st May 2012, 26th July 2012, 25th October 2012, 24th January 2013 and 19th February 2013. The Board passed one resolution by circulation effective from 10th September 2012.

Board Business:

The normal business of the Board includes

- Framing and overseeing progress of the Company's annual operating plans and budgets.
- Quarterly and annual business performance of the Company.
- Review of the annual report and accounts for adoption by the members.

- Functioning of the Board and its Committees.
- Review the functioning of the subsidiary and joint venture companies.
- Consider and approve declaration / recommendation of dividend.
- Recruitment of Directors on the Board and committees.
- Consideration of recruitments and resignations of senior management personnel including Chief Executive Officer, Chief Financial Officer and Company Secretary.
- Details of significant development in human resources and industrial relations front.
- Details of litigations, prosecutions etc.
- Details of foreign exchange exposures and the steps taken by the management to limit the risks of adverse exchange rate movement.
- Details of risk evaluation and internal controls.
- Reports on progress made on the ongoing projects.
- Status of compliance of regulatory, statutory or listing requirements and shareholders service etc.

Attendance and Directorship & Committee positions in other companies:

The names and categories of the Directors on the Board, their attendance at Board meetings held during the year April 2012 – March 2013 and the number of Directorships and Committee Chairmanships / Memberships held by them in other companies is given below. Other Directorships do not include Alternate Directorships, Directorships of Private Limited Companies, Directorship of Foreign Companies and Directorship of Companies under section 25 of Companies Act. The Chairmanship / Membership of Board Committees includes only Audit and Shareholders' / Investors' Grievance Committees as specified under clause 49 of the Listing Agreement.



Name	Category	Number of Board Meetings during the year April 2012 - March 2013**		Whether attended last AGM	Number of Director-ships in other public companies	Number of committee positions held in public companies	
		Held	Attended			Chairman	Member
Dr. C. Nageswara Rao Chairman DIN - 00179947	Non-Independent, Non-Executive	06	04	Yes	-	01	-
Mr. C. Krishna Prasad Managing Director DIN - 00020180	Non-Independent, Executive	06	06	Yes	-	-	02
Mr. L. S. Sarma DIN - 00009530	Independent, Non-Executive	06	06	Yes	02	01	03
Mr. A. P. Kurian DIN - 00008022	Independent, Non-Executive	06	03	Yes	03	-	05
Mr. C. Parthasarathy DIN - 00079232	Independent, Non-Executive	06	03	Yes	11	03	02
Dr. Krishna Murthy Ella DIN - 00072071	Independent, Non-Executive	06	02	No	02	-	02
Mr. Joby Varughese John* DIN - 03626555	Non-Independent, Non-Executive	06	04	No	-	-	-
Mr. A. Arun Rao DIN - 00876993	Independent, Non-Executive	06	05	Yes	01	-	01
Mr. Harsha Chigurupati Executive Director DIN - 01606477	Non-Independent, Executive	06	05	Yes	-	-	-
Mrs. Uma Devi Chigurupati** DIN - 00737689	Non-Independent, Executive	06	03	Yes	-	-	-
Mr. Kolti Basava Sankar Rao*** DIN - 05167550	Independent, Non-Executive	06	nil	No	-	-	-

Notes:

* Mr. Joby Varughese John resigned from the Directorship of the Company on December 26, 2012.

** Mrs. Uma Devi Chigurupati was appointed as an Executive Director of the Company, for a period of 5 (five) years with effect from May 31, 2012.

*** Mr. Kolti Basava Sankar Rao was appointed as an Additional Director of the Company w.e.f February 19, 2013, to hold office up to date of the forthcoming Annual General Meeting. Notice was received from the Company's member under section 257 of the Companies Act, 1956, proposing the candidature of Mr. Kolti Basava Sankar Rao as the Director of the Company. Resolutions seeking your approval to his appointment are in the Notice convening the 22nd Annual General Meeting of the Company.

**** This includes board meetings attended physically and also through electronic mode (video conference facility).



Non-Executive Directors interest:

None of the Non-Executive Directors has any pecuniary or material relationship or transaction with the Company except Dr. C. Nageswara Rao, who belong to promoters group of the Company. However the following is the shareholding of Non-Executive Directors as on March 31, 2013:

Sl. No.	Name of Non-Executive Director	No. of shares held	Percentage of paid-up capital
1.	Dr. C. Nageswara Rao	89,100	0.44%
2.	Mr. L.S. Sarma	506	0.002%
3.	Mr. A.P. Kurian	5,000	0.02%
4.	Mr. Arun Rao Akinepally	1,000	0.005%
5.	Dr. Krishna Murthy Ella	-	-
6.	Mr. C. Parthasarathy	-	-
7.	Mr. Kolti Basava Sankar Rao	3,71,695	1.85%

Retiring Directors:

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

Mr. A. Arun Rao

Mr. A. Arun Rao will be retiring at the ensuing Annual General Meeting and being eligible is proposed to be reappointed. He is a qualified Chemical Engineer from the University of Madras with a Post graduate degree in Chemical Engineering from the Illinois Institute of Technology, Chicago, USA. He is an Executive Director of Akin Laboratories Pvt Ltd., a formulation manufacturing Company and also a member of the central executive council of the Indian Pharmaceutical Association. He is also on the Board of ESPI Industries and Chemicals Private Limited, a leading manufacturer of antacids in India and is also Director of Sanzyme Limited.

Mr. Harsha Chigurupati

Mr. Harsha Chigurupati will be retiring at the ensuing Annual General Meeting and being eligible is proposed to be reappointed. He has been servicing the Company since June 2005. He had joined the Company as Chief Marketing Officer (CMO). As a CMO, Mr. Chigurupati was instrumental in Granules India's integrated business strategy. During his tenure, Granules India gained nearly 100 customers, including several marquee customers that constitute a large portion of Granules India sales. Mr. Harsha became an Executive Director on August 1, 2010. Mr. Chigurupati has a Bachelors of Science in Business Management from Boston University.

Mr. Kolti Basava Sankar Rao

Mr. K. B. Sankar Rao is post graduate from Andhra University

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

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

Committees of the Board

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



Audit Committee

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

The audit committee comprises of four members, with a majority being Independent Directors. The composition, procedures, powers and role of the Audit Committee constituted by the Board comply with the requirements of clause 49 of the listing agreement and section 292A of the Companies Act, 1956. The terms of reference of the Audit Committee are broadly as under:

- a. Overview of the Company's financial reporting process and disclosure of its financial information to ensure that the financial statements reflect a true and fair position and that sufficient and credible information is disclosed.
- b. Recommending the appointment and removal of statutory auditors, internal auditors and cost auditors, fixation of their audit fee and approval for payment for any other services.
- c. Reviewing financial statements and draft audit report, including quarterly / half-yearly financial information.
- d. Reviewing with the management the annual financial statements before submission to the Board, focusing primarily on:
 - ▶ The changes in accounting policies and practices
 - ▶ Major accounting entries based on exercise of judgment by the management
 - ▶ Qualifications in draft audit report
 - ▶ Significant adjustment arising out of audit
 - ▶ The going concern assumption
 - ▶ Compliance with the accounting standards, stock exchange & legal requirements concerning financial statements
 - ▶ Any related party transactions as per accounting standard 18.
- e. Reviewing, with the management, external and internal auditors, the adequacy and compliance of internal control systems

- f. Reviewing the adequacy of internal audit functions
- g. Discussion with the internal auditors on any significant findings and follow up thereon
- h. Reviewing the Company's financial and risk management policy.
- i. Any other function as delegated by the Board from time to time.

During the year April 2012 – March 2013, 4 (Four) Audit Committee meetings were held. The dates on which the said meetings were held are: 24th April 2012, 26th July 2012, 25th October 2012 and 23rd January 2013. The Audit Committee at its meeting held on 24th April 2012 considered the audited annual accounts for the financial year 2011-12.

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 2012-2013	
		Held	Attended
Mr. L. S. Sarma, Chairman	Independent, Non-Executive	04	04
Mr. A. P. Kurian	Independent, Non-Executive	04	03
Mr. A. Arun Rao	Independent, Non-Executive	04	04
Mr. C. Krishna Prasad	Non- Independent, Executive	04	04

The Audit Committee meetings are usually attended by the partner / representatives of Statutory Auditors, Internal Auditors and Cost Auditors. Mr. L.S. Sarma, Chairman of the Audit Committee, attended the previous Annual General Meeting of the Company held on July 2, 2012. Ms. Shivangi Sharma, Company Secretary of the Company also acts as the Secretary to the Audit Committee.

Compensation & Remuneration Committee

The Compensation & Remuneration Committee deals with all elements of remuneration package, stock options, service contracts and other terms and conditions of service of the executive directors, directors / promoters relatives and the senior management. The remuneration policy is directed towards rewarding performance, based on review of achievements on a periodical basis. The remuneration policy is in consonance with the existing industry practice.



The remuneration policy of the Company is primarily based on the criteria like performance of the Company, potential, experience and performance of individual personnel and external environment. The Compensation & Remuneration Committee currently comprises of three Independent, Non-Executive Directors and one Executive Director. Mr. L.S. Sarma, Independent Director, is the Chairman of the Committee.

5 (five) meetings of the Compensation & Remuneration Committee were held during the year 2012 – 2013. The dates on which the said meetings were held are: 9th April 2012, 31st May 2012, 26th July 2012, 25th October 2012 and 23rd January 2013. 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 2012-2013	
		Held	Attended
Mr. L. S. Sarma, Chairman	Independent, Non-Executive	5	5
Mr. A. P. Kurian	Independent, Non-Executive	5	3
Dr. Krishna Murthy Ella	Independent, Non-Executive	5	2
Mr. C. Krishna Prasad	Non-Independent, Executive	5	5

Details of remuneration paid to the Directors during the financial year April 2012 – March 2013 are as under:

Executive Directors:

Name	Salary	Perquisites	Commission	Total
Mr. C. Krishna Prasad, Managing Director	60.00	45.36	96.78	202.14
Mr. Harsha Chigurupati, Executive Director	35.28	Nil	Nil	35.28
Mrs. Uma Devi Chigurupati, Executive Director	19.08	Nil	160.31	179.39

(₹ in lakhs)

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

Name	Sitting fee (₹)
Dr. C. Nageswara Rao	1,25,000
Mr. L. S. Sarma	3,07,500
Mr. A. P. Kurian	1,35,000
Dr. Krishna Murthy Ella	52,500
Mr. C. Parthasarathy	97,500
Mr. Joby Varughese John**	60,000
Mr. Arun Rao Akinepally	1,80,000
Mr. Kolli Basava Sankara Rao**	17,500

* Mr. Joby Varughese John resigned from the Directorship of the Company with effect from December 26, 2012.

**Mr. Kolli Basava Sankar Rao was appointed as an Additional Director w.e.f. February 19, 2013 to hold office up to date of the forthcoming Annual General Meeting. Proposed resolutions seeking your approval to his appointment are forming part of the Agenda items in the notice convening the 22nd Annual General Meeting of the Company.

The Board vide its meeting dated April 24, 2012 had enhanced the sitting fees of the Board Meeting, Audit Committee Meeting and Compensation & Remuneration Committee Meeting from ₹7,500/- to ₹15,000/- per meeting and of the Business Review Committee Meeting from ₹15,000/- to ₹20,000/- per meeting. Subsequently due to levy of service tax on sitting fees, the sitting fees of Business Review Committee meeting was revised by the Board vide its meeting dated October 25, 2012 from ₹20,000/- to ₹17,500/- to ensure that the amount of sitting fees and service tax taken together does not exceed the maximum limit of ₹20,000/- as prescribed under the Companies Act, 1956.

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

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

Annual Report 2012-13



Share Transfer and Shareholders' / Investors' Grievance Committee

Share Transfer and Shareholders' / Investors' Grievance Committee of Directors was constituted to specifically look into the matters of investors' grievances such as transfer, transmission, split and consolidation of investors' holding, replacement of lost / mutilated / stolen share certificates, dematerialisation of shares, non-receipt of dividend / notices / annual reports and change of addresses, among others. The main object of the Committee is to strengthen investor relations. The Committee also evaluates the performance and service standards of the Registrar and Share Transfer Agent of the Company and also provides continuous guidance to improve the service levels for the investors.

The Committee meets every fortnight and during the year April - March 2013, 26 (twenty six) meetings were held. During the said period, 42 (forty two) complaints were received from the shareholders and all their grievances were redressed and no complaint is pending. 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 2012 - March 2013	
		Held	Attended
Dr. C. Nageswara Rao, Chairman	Non-Independent, Non-Executive	26	26
Mr. L.S. Sarma	Independent, Non-Executive	26	04
Mr. C. Krishna Prasad	Non-Independent, Executive	26	25

Company Secretary and Compliance Officer

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

Other Committees
Business Review Committee

The Board constituted a Business Review Committee to advice on all matters related to the management / operation of the Company. The Business Review Committee meets periodically to review inter alia the operational and financial performance of the Company. 05 (five) meetings of the Committee were held during the year April 2012 - March 2013 on 9th April 2012, 2nd July 2012, 23rd January 2013, 16th February 2013 and 21st March 2013. 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 2012 - March 2013	
		Held	Attended
Mr. C. Parthasarathy, Chairman	Independent, Non-Executive	05	03
Mr. L. S. Sarma	Independent, Non-Executive	05	05
Mr. C. Krishna Prasad	Non-Independent, Executive	05	05
Mr. A. Arun Rao	Independent, Non-Executive	05	04
Mr. Kolli Basava Sankar Rao*	Independent, Non-Executive	05	01

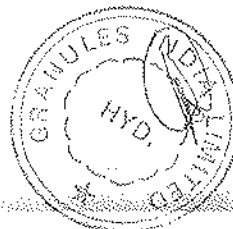
*Mr. Kolli Basava Sankara Rao was inducted as Member of the Business Review Committee w.e.f February 19, 2013.

General Body Meetings
Annual General Meetings

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

AGM	Year	Location	Date	Time	Number of special resolutions passed
21st	2012	Cyan Hall, Hotel Marigold, Ameerpet, Hyderabad	02/07/2012	4.00 PM	3
20th	2011	Residency Hall, Hotel Green Park, Ameerpet, Hyderabad	12/09/2011	4.00 PM	2
19th	2010	Residency Hall, Hotel Green Park, Ameerpet, Hyderabad	27/09/2010	4.00 PM	Nil

Granules India Limited



Extraordinary General Meeting

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

Postal Ballot

For the year ended March 31, 2013 there were no resolutions passed through postal ballot. At the ensuing Annual General Meeting, there is no resolution proposed to be passed through postal ballot.

Subsidiary Companies

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

Disclosures

During the year, there were no materially significant related party transactions, which could have potential conflict with the Company's interests at large. The register of contracts / arrangements containing the transactions in which the Directors are interested is placed before the Board regularly for its approval. Statement in summary form of transactions with related parties is placed before the audit committee for review. In compliance with the accounting standard 18, transactions with related parties are disclosed in the notes to accounts.

- i) The Company has a Risk Management Procedure in place which is reviewed periodically. Risk management is carried out to ensure the Company is not overly dependent on a particular product, customer or geography. In addition, the above facilitates not only in risk assessment and timely rectification but also helps in minimisation of risk associated with any strategic, operational, and financial and compliance risk across all business operations.
- ii) The Company complied with the requirements of the Stock Exchanges, SEBI and other statutory authorities on all matters related to capital markets; no penalties or strictures were imposed on the Company by the Stock Exchanges or SEBI or any other statutory authorities relating to the above. The Company is involved in a legal case related to disputes over title to shares arising in the ordinary course of share transfer operations; however, this is not material in nature.

iii) The Managing Director and the Chief Financial Officer have certified to the Board, the compliance of matters specified in clause 49V of the Listing Agreement, the same forms part of this Corporate Governance Report. The certificate has been reviewed by the Audit Committee and taken on record by the Board at the meeting held on April 25, 2013.

iv) The Company has laid down a "Code of Conduct" for the Directors and the Senior Management Personnel. The code has been posted on the website of the Company. The members of the Board and Senior Management Personnel of the Company have affirmed compliance with the Code of Conduct as at March 31, 2013. A declaration to this effect signed by Mr. C. Krishna Prasad, Managing Director is given in Annexure to this report.

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

vi) 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.

Means of Communication

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

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



com. Press releases made by the Company from time to time, besides being communicated to the stock exchanges, are also displayed on the Company's website.

Management Discussion and Analysis Report

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

General Shareholder Information

i) Annual General Meeting

Date : August 19, 2013
 Day : Monday
 Time : 4.00 PM
 Venue : Cyan Hall, Hotel Marigold,
 Ameerpet, Hyderabad
 (Andhra Pradesh).

ii) Financial year : April 1, 2012 to
 March 31, 2013.

iii) Date of : 13th August 2013 to
 Book Closure 19th August 2013
 (both days inclusive)

iv) Dividend : The final dividend, if declared,
 Payment shall be paid / credited on or
 before September 18, 2013.

v) Listing on : The Bombay Stock Exchange
 Stock Exchanges 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 2013-14.

viii) Annual : The Company has paid the
 Custodial fee Annual Custodial fee to the
 Depositories for the financial
 year 2013-14.

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

The tentative dates of meeting of Board of Directors
 for consideration of quarterly financial results for the
 financial year ending 31st March, 2014 are as follows:

Results	Tentative Dates
First quarter results	25th July 2013
Second quarter and half yearly results	30th October 2013
Third quarter results	23rd January 2014
Fourth quarter and annual results	24th April 2014

x) Market Price Data

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

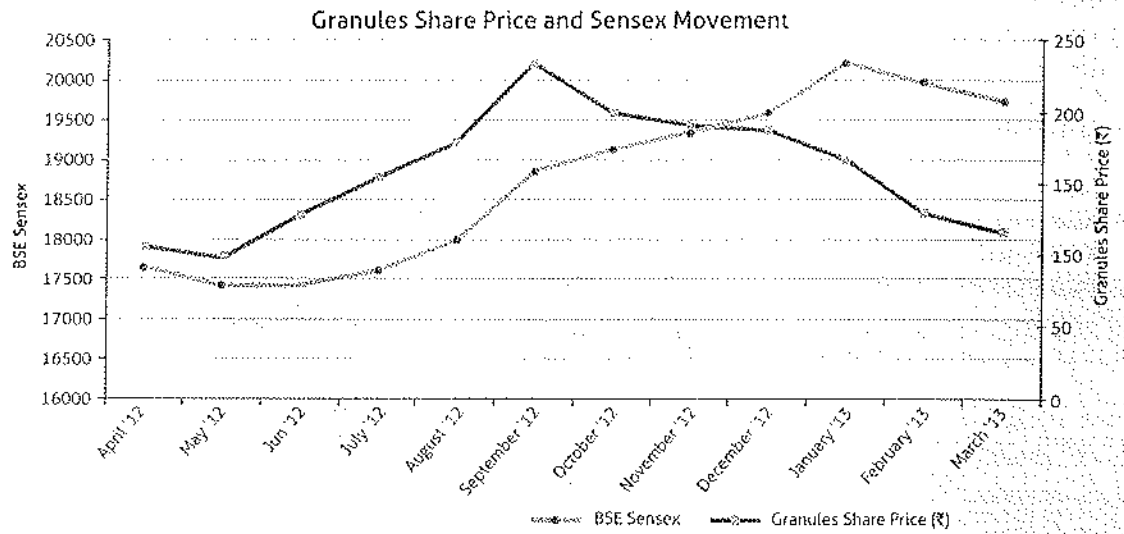
Month	Bombay Stock Exchange			National Stock Exchange		
	High	Low	Volume	High	Low	Volume
April 2012	105.06	79.05	5,00,581	106.20	79.05	10,18,013
May 2012	99.40	85.65	2,13,798	100.00	85.10	4,09,979
June 2012	128.70	91.00	6,53,828	130.00	91.35	13,89,604
July 2012	154.90	120.00	7,69,204	154.55	120.80	19,57,263
August 2012	178.50	127.15	7,65,209	179.90	126.75	22,32,491
September 2012	234.50	178.00	25,10,168	234.40	178.30	54,89,723
October 2012	200.00	172.00	10,35,528	198.90	171.10	17,96,536
November 2012	191.20	157.05	3,77,337	191.00	156.65	12,68,448
December 2012	187.70	157.20	2,44,929	187.90	156.70	7,59,994
January 2013	167.90	123.00	4,35,243	167.50	123.00	14,24,793
February 2013	129.80	102.00	2,20,295	128.35	102.30	8,22,710
March 2013	116.30	90.15	1,01,165	116.50	90.00	4,39,251

Granules India Limited

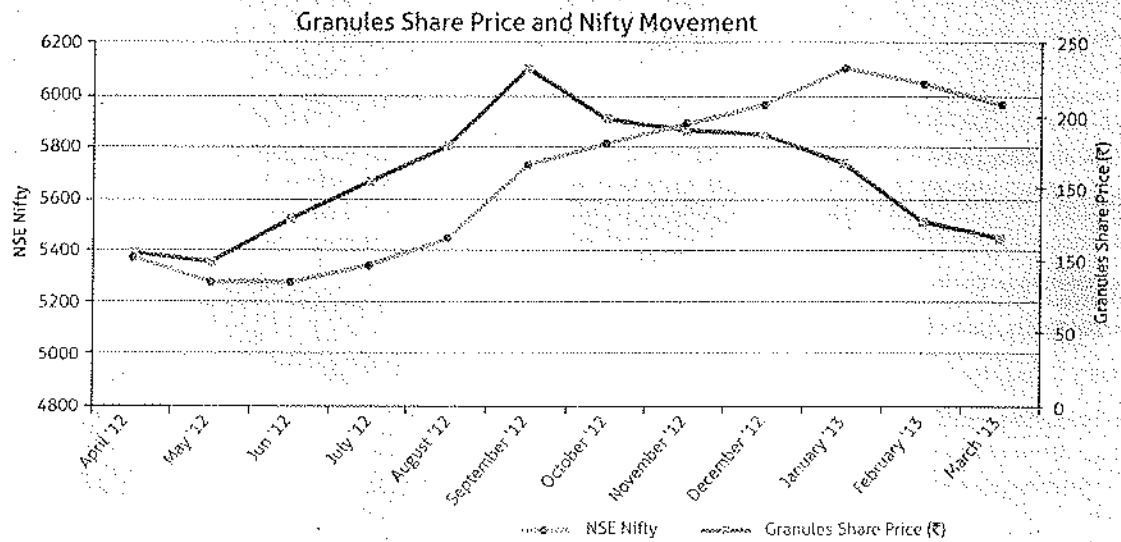


xi) Performance of Share Price

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



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

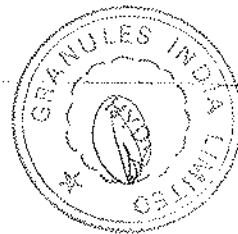


xii) Registrar and Transfer Agents

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

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

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Investor's correspondence may also be addressed to:
Ms. Shivangi Sharma
 Company Secretary & Compliance Officer
 Granules India Limited
 2nd Floor, 3rd Block, My Home Hub
 Madhapur, Hyderabad (AP) - 500081
 Tel: 91-40-66760000 Fax: 91-40-23115145
 investorrelations@granulesindia.com

xiii) Share Transfer System

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

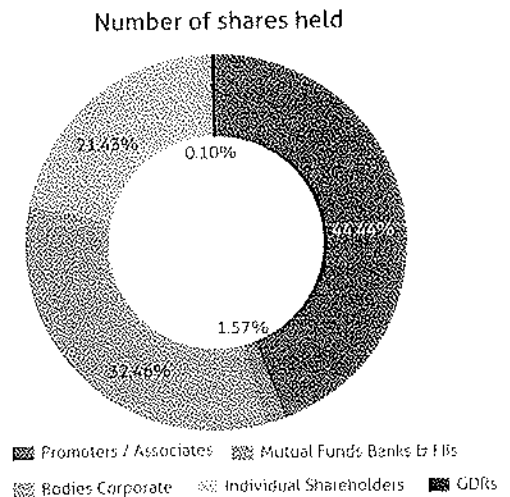
xiv) Shareholding
a) Distribution of shareholding as on March 31, 2013

Shareholding of nominal value	March 31, 2013				March 31, 2012			
	Number of shareholders		Number of shareholders		Number of shareholders		Number of shareholders	
	Total	%	Total	%	Total	%	Total	%
1 - 5,000	11,008	90.15	13,50,834	6.71	12,354	99.29	29,01,856	14.46
5,001 - 10,000	629	5.15	4,98,809	2.48	38	0.31	2,80,516	1.40
10,001 - 20,000	299	2.45	4,58,201	2.28	17	0.41	2,60,442	1.30
20,001 - 30,000	90	0.74	2,22,542	1.11	3	0.02	73,049	0.36
30,001 - 40,000	37	0.30	1,31,399	0.65	5	0.04	1,79,168	0.89
40,001 - 50,000	37	0.30	1,74,120	0.87	1	0.01	44,043	0.23
50,001 - 1,00,000	46	0.38	3,35,708	1.67	8	0.06	5,26,500	2.62
1,00,001 and above	65	0.53	1,69,54,541	84.24	16	0.13	1,57,96,080	78.74
TOTAL	12,211	100	2,01,26,154	100	12,442	100	2,00,61,654	100

b) Shareholding pattern as on March 31, 2013

Category	Number of shares held	Percent to capital
Promoters/Associates	89,44,057	44.44
Mutual Funds, Banks & FIs	3,15,743	1.57
Bodies Corporate	65,33,240	32.46
Individual Shareholders	43,13,114	21.43
GDRs	20,000	0.10
Total	2,01,26,154	100

The graphical presentation of the shareholding pattern of the Company as on March 31, 2013 is herein under provided:



Granules India Limited



- xv) **Dematerialisation of shares and liquidity**
The Company's shares are compulsorily traded in dematerialised form and are available for trading on both the depositories in India viz. the National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL). The Company's equity shares, representing 88.42% of the Company's share capital were dematerialised as on March 31, 2013.
- The Company's shares are regularly traded on the National Stock Exchange of India Limited and the Bombay Stock Exchange Limited, in electronic form.
- Under the depository system, the International Securities Identification Number (ISIN) allotted to the Company's shares is INE101D01012.
- xvi) **Outstanding GDRs / ADRs / warrants**
Out of 37,61,007 GDRs issued during the year 2004-05, 20,000 GDRs were outstanding as on March 31, 2013.
- xvii) **Plant locations:**
- Plot No. 15/A/1, Phase III, I.D.A. Jeedimetla, Hyderabad-500 055, Andhra Pradesh.
 - Temple Road, Bonthapally, P.O. Jinnaram (M), Medak-502 313, Andhra Pradesh.
 - Plot No. 160/A & 161/E, Gagillapur Village, Qutubullapur Mandal, Ranga Reddy District-500 043, Andhra Pradesh.
- R & D Centre:**
Formulations - Gagillapur, Qutubullapur Mandal, R R District (AP) -500 043.
- API - Plot No. 15/A/1, Phase-III, I.D.A, Jeedimetla, Hyderabad (AP) - 500 055.
- API - Gat no 258, Shreeram Building, Lawate Phata, Pirangut, Tal Mulshi, District Pune (MH)
- xviii) **Address for correspondence:**
Granules India Limited
2nd Floor, 3rd Block, My Home Hub,
Madhapur, Hyderabad (AP) - 500081, India
Tel: 91-40-66760000, Fax: 91-40-23115145
E-mail: mail@granulesindia.com
Website: www.granulesindia.com
- xix) **Prevention of Insider Trading:**
In accordance with the requirements of SEBI (Prohibition of Insider Trading) Regulations, 1992, the Company has instituted a code of conduct for prohibition of Insider Trading in the Company's Shares.
- xx) **Secretarial Audit for reconciliation of share capital:**
As stipulated by SEBI, a qualified Practising Company Secretary carries out the Secretarial Audit to reconcile the total admitted capital with National Securities Depository Limited (NSDL) and Central Depository Services (CDSL) and the total issued and paid-up capital. This audit is carried out every quarter and the report there on is submitted to the stock exchanges and is placed before the Board of Directors of the Company. The audit, inter alia, confirms that the listed and paid up capital of the Company is in agreement with the aggregate of the total number of shares in dematerialised form held with NSDL and CDSL and the total number of shares in physical form.
- xxi) **Corporate Identity Number (CIN):**
Corporate Identity Number (CIN) of the Company, allotted by the Ministry of Corporate Affairs, Government of India is L24110AP1991PLC012471.
- xxii) **Green Initiative in the Corporate Governance:**
As part of the Green Initiative process, the Company has taken an initiative of sending documents like Notice calling Annual General Meeting, Corporate Governance Report, Directors Report, Audited Financial Statements, Auditors Report, dividend intimations etc., by email. Physical copies are sent only to those shareholders whose email addresses are not registered with the Company and for the bounced-mail cases. Shareholders are requested to register their email id with Registrar and Transfer Agent / concerned Depository to enable the Company to send the documents in electronic form or inform the Company in case they wish to receive the above documents in paper mode.
- xxiii) The Company also invites the feedback and suggestions from its members with respect to the various matters and the feedback form is made available in the Company's website in the investors relation section under shareholders information option. The members are requested to send their feedback by writing to the Company Secretary & Compliance officer as mentioned earlier.

On behalf of the Board of Directors

Sd/-

Place: Hyderabad
Date: April 25, 2013

Dr. C. Nageswara Rao
Chairman



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

Name of Director	Mr. A. Arun Rao	Mr. Harsha Gijgurupati	Mr. Kollu Basava Sankar Rao
Date of Birth	06/06/1957	05/09/1983	10/01/1954
Age	55	29	59
Date of Appointment	27/04/2010	26/07/2010	19/02/2013
Experience in specific functional area	Wide experience in medical, chemical engineering and pharmaceutical field.	Wide experience in the pharmaceutical field.	Wide experience in medical and pharmaceutical field.
Qualification	M.S. (Chemical Engg.)	BBA	M.Pharm
Board membership of other Indian Companies	Akin Laboratories Private Limited ESPI Industries & Chemicals Private Limited SANZYME Limited	Pragnya Vineyards Private Limited Priyanka Vineyards Private Limited Gil Lifesciences Private Limited Granules OmniChem Private Limited	Raje Retail Private Limited
Chairman/member of the committee of the Board of Directors of the Company	Audit Committee – Member Business Review Committee – Member	Nil	Business Review Committee Meeting - Member
Chairman / Member of the committees in other companies in which he/she is a Director	Nil	Nil	Nil
Number of shares held in the Company	1,000	2,60,966	3,71,695

Granules India Limited



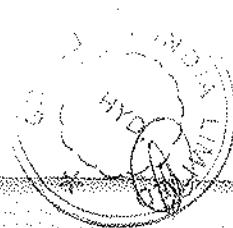
Certification on Financial Statements for the financial year ended March 31, 2013 pursuant to clause 49 (V) of the Listing Agreement

We hereby certify that:

- a. We have reviewed financial statements and the cash flow statement for the year ended March 31, 2013 and that to the best of our knowledge and belief :
 - i. these statements do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - ii. these statements together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b. There are, to the best of our knowledge and belief, no transactions entered into by the company during the period which are fraudulent, illegal or violative of the company's code of conduct.
- c. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps taken or propose to take to rectify these deficiencies.
- d. We have indicated to the auditors and the Audit committee
 - i. that there are no significant changes in internal control over financial reporting during the period;
 - ii. that there are no significant changes in accounting policies during the period; and
 - iii. that there are no instances of significant fraud of the management or an employee having a significant role in the company's internal control system over financial reporting.

Sd/-
VVS Murthy
Chief Financial Officer

Sd/-
C. Krishna Prasad
Managing Director



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Auditors' Certificate

To
The Members
Granules India Limited

We have examined the compliance of Corporate Governance by Granules India Limited, for the year ended on March 31, 2013, 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 M/s. Kumar & Giri
Chartered Accountants
Firm Regn No.0015845

Sd/-
J. Bhadra Kumar
Partner

Membership No. 25480

Place: Hyderabad
Date: April 25, 2013

Declaration Regarding Compliance with the Code of Conduct of the Company by board members and senior management personnel

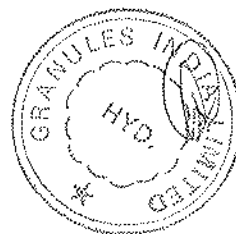
This is to confirm that the Company has adopted Code of Conduct for the Board of Directors and the Senior Management Personnel of the Company, which is available on the Company's website www.granulesindia.com.

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

Place: Hyderabad
Date: April 25, 2013

Granules India Limited

Sd/-
C. Krishna Prasad
Managing Director



AUDITORS REPORT

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

1. We have audited the attached Balance Sheet of M/s Granules India Limited, Hyderabad as on March 31, 2013 and the Profit and Loss Account and Cash Flow Statement of the Company for the year ended on that date, annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. Audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditor's Report) Order, 2003 issued by the Central Government of India in terms of section 227 (4A) of the Companies Act, 1956, we enclose in the Annexure, a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to in paragraph (3) & (4) above:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b) In our opinion, proper books of account as required by the Law have been kept by the Company so far as it appears from our examination of such books.
 - c) The Balance Sheet, Profit and Loss Account and Cash Flow Statement referred to in this report are in agreement with the Books of Account.
 - d) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement comply with the requirements of the Accounting Standards referred to in sub-section (3C) of Section 211 of the Companies Act, 1956.
 - e) On the basis of the written representations received from the directors, and taken on record by the Board of Directors, we report that none of the Directors are disqualified as on March 31, 2013, 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, 2013.
 - 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: 0015845

Sd/-

J. Bhadra Kumar
Partner

Membership No. 25480

Place: Hyderabad
Date: April 25, 2013



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

(I) Fixed Assets

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

(II) Inventory

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

(III) Loans taken / granted

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

(IV) Internal control

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

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

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

(V) Section 301

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

(VI) Public Deposits

The Company has not accepted any deposits from the public.

(VII) Internal Audit

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

(VIII) Cost Records

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

(IX) Statutory Dues

- a. The Company is regular in depositing with appropriate authorities undisputed statutory dues including Provident Fund, Employees State Insurance, Income tax, Customs Duty, Wealth Tax, Sales Tax, Excise Duty, Cess and other applicable statutory dues with the appropriate authorities. According to the information and explanations given to us no undisputed amounts payable in respect of outstanding statutory dues as at the last day of the year ending 31.03.2013 for period exceeding 6 months from the date they became payable.



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

Name of the statute	Nature of dues	₹ in Lakhs	Period for which the amount relate	Forum where dispute is pending
The Customs Act, 1962	Duty demand on imports under DEEC	32.57	1993-94	High Court, Andhra Pradesh
The Customs Act, 1962	Duty demand on export obligations	10.90	1993-94	Commissioner of Customs, Chennai
Service Tax	Penalty on Service Tax matters	89.37	2002-07	CESTAT, Bangalore
The Central Excise Act, 1944	Duty and Penalty on CENVAT availment	205.55	2006-09	CESTAT, Bangalore
The Income Tax Act, 1961	Tax demand on transfer pricing & other matters	721.39	2006-07 & 2007-08	ITAT, Hyderabad
The Income Tax Act, 1961	Tax demand on transfer pricing & other matters	508.99	2008-09	DRP, Hyderabad

(X) Accumulated losses / cash losses

The Company has no accumulated losses as on 31st March, 2013.

(XI) Repayment of Dues

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

(XII) Loans & Advances

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

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

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

(XIV) Financing Companies

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

(XV) Guarantee for Loans

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

(XVI) Term Loans

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

(XVII) Usage of Funds

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

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

(XVIII) Preferential Allotments

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

(XIX) Creation of Securities

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

(XX) Public Issue

The Company has not raised any money through Public Issue.

(XXI) 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: 0015845

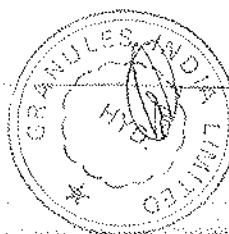
Sd/-

J. Bhadra Kumar
Partner

Membership No. 25480

Place: Hyderabad
Date: April 25, 2013

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Balance Sheet

(₹ in Lakhs)

	Note No.	As at 31 March 2013	As at 31 March 2012
I. EQUITY AND LIABILITIES			
(1) Shareholders' Funds			
(a) Share Capital	2.1	2,012.62	2,006.17
(b) Reserves & Surplus	2.2	25,036.68	22,467.52
		27,049.30	24,473.69
(2) Share Application Money Pending Allotment	2.1(f)	31.50	-
(3) Non-current liabilities			
(a) Long-term borrowings	2.3	14,072.37	8,805.34
(b) Deferred tax liabilities (Net)	2.4	2,509.86	2,309.18
(c) Long-term provisions	2.5	212.38	153.03
		16,794.61	11,267.55
(4) Current liabilities			
(a) Short-term borrowings	2.6	7,671.48	6,141.27
(b) Trade payables	2.7	8,384.75	6,422.69
(c) Other current liabilities	2.8	1,302.57	1,936.28
(d) Short-term provisions	2.9	470.93	466.32
		17,829.74	14,966.56
TOTAL		61,705.15	50,707.80
II. ASSETS			
(1) Non-current assets			
(a) Fixed Assets			
(i) Tangible assets	2.10	23,240.08	22,153.06
(ii) Intangible assets	2.11	1,243.38	1,562.33
(iii) Capital work-in-progress		9,160.26	2,907.52
		33,643.72	26,622.91
(b) Non-current investments	2.12	4,129.60	3,279.60
(c) Long-term loans and advances	2.13	1,252.76	2,034.88
(d) Other non-current assets	2.14	367.55	40.24
		39,393.63	31,977.63
(2) Current assets			
(a) Current Investments	2.15	945.92	-
(b) Inventories	2.16	10,849.07	8,857.36
(c) Trade receivables	2.17	6,809.66	5,302.80
(d) Cash and cash equivalents	2.18	615.97	2,365.20
(e) Short term loans and advances	2.19	564.79	263.94
(f) Other current assets	2.20	2,526.12	1,940.87
		22,311.53	18,730.17
TOTAL		61,705.15	50,707.80

As per our report of even date

for Kumar & Giri

Chartered Accountants

Firm Regn. No. 0015845

Sd/-

J. Bhadra Kumar

Partner

Membership No. 25480

Sd/-

Dr. C. Nageswara Rao

Chairman

Sd/-

 C. Krishna Prasad
 Managing Director

Place: Hyderabad

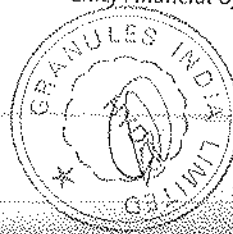
Date: April 25, 2013

Granules India Limited

Sd/-

 VVS. Murthy
 Chief Financial Officer

Sd/-

 Shivangi Sharma
 Company Secretary


Profit and Loss Statement

(₹ in Lakhs)

	Note No.	Year ended 31 March 2013	Year ended 31 March 2012
I. Revenue from operations	2.21	67,979.70	56,267.77
II. Other income	2.22	171.81	120.82
III. Total Revenue (I + II)		68,151.51	56,388.58
IV. EXPENSES :			
Cost of Materials consumed	2.23	42,525.84	36,139.93
Changes in inventories of finished goods and work-in- progress	2.24	(740.62)	(592.24)
Employee benefits expense	2.25	5,042.05	3,795.72
Other expenses	2.26	13,246.68	9,664.44
Total expenses		60,073.95	49,007.85
EBIDTA		8,077.56	7,380.72
Finance costs	2.27	1,649.49	1,549.41
Depreciation	2.10/2.11	2,020.89	1,797.60
Total Expenses		63,744.33	52,354.87
V. Profit before tax (III-IV)		4,407.18	4,033.72
VI. Tax expense :			
(1) Current tax		1,188.97	985.29
(2) Deferred tax		200.69	317.80
		1,389.65	1,303.09
VII. Profit/ (Loss) for the period (V-VI)		3,017.53	2,730.63
VIII. Earnings per equity share :			
(1) Basic		15.02	13.61
(2) Diluted		14.62	13.56

As per our report of even date
for Kumar & Giri
Chartered Accountants
Firm Regn. No. 0015845

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

Place: Hyderabad
Date: April 25, 2013

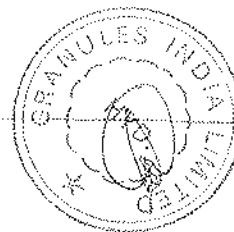
For and on behalf of the Board

Sd/-
Dr. C. Nageswara Rao
Chairman

Sd/-
C. Krishna Prasad
Managing Director

Sd/-
VVS. Murthy
Chief Financial Officer

Sd/-
Shivangi Sharma
Company Secretary



Annual Report 2012-13

**Cash Flow Statement**

(₹ in Lakhs)

	Year ended 31 March 2013	Year ended 31 March 2012
A. Cash Flow from Operating Activities		
Net Profit before tax	4,407.18	4,033.72
Adjustments for:		
Depreciation	2,020.89	1,797.60
Misc. Expenditure written off	108.64	72.96
(Profit) / Loss on sale of assets	-	1.50
(Profit) / Loss on sale of investments	-	(4.96)
Interest & dividend income	(118.16)	(63.42)
Interest & finance charges	1,649.49	1,549.41
Operating profit before working capital changes	8,068.04	7,386.81
Increase in Trade and other receivables	(1,711.88)	(2,742.69)
Increase in inventories	(1,991.71)	(2,843.98)
Increase / (decrease) in Payables & Other liabilities	1,799.10	3,283.49
Cash generated from operations	6,163.54	5,083.63
Direct Taxes paid	1,077.04	1,138.36
Net Cash from operating activities (A)	5,086.50	3,945.27
B. Cash flow from Investing Activities		
Purchase of fixed assets	(9,062.03)	(5,510.58)
Increase in Miscellaneous expenditure	(517.04)	(24.36)
Investments in Subsidiary companies	(850.00)	(1,030.03)
Investments in Others	(915.00)	-
Proceeds from Sale of investments	(30.92)	15.64
Proceeds from Sale of Fixed Assets	20.33	1.00
Interest / dividends received	188.36	72.43
Net Cash used in investing activities (B)	(11,166.29)	(6,475.89)
C. Cash flow from Financing Activities		
Increase / (decrease) in Working Capital Loans	1,530.21	1,361.64
Interest & finance charges paid	(1,663.68)	(1,528.78)
Increase in Share capital & Share Premium	60.52	2.02
Dividends paid (including dividend tax)	(465.30)	(349.15)
Proceeds from Long Term borrowings	6,297.04	6,499.50
Repayment of long term loans	(1,428.24)	(1,771.78)
Net Cash used in Financing Activities (C)	4,330.56	4,213.46
Net Increase / (Decrease) in cash & cash equivalents (A+B+C)	(1,749.23)	1,682.84
Cash equivalents (Opening Balance as at 01-04-2012)	2,365.20	682.35
Cash equivalents (Closing Balance as at 31-3-2013)	615.97	2,365.20

As per our report of even date

for Kumar & Giri
Chartered Accountants
Firm Regn. No. 0015845

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

Place, Hyderabad
Date: April 25, 2013

Granules India Limited

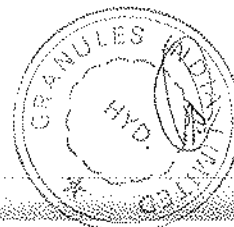
For and on behalf of the Board

Sd/-
Dr. C. Nageswara Rao
Chairman

Sd/-
VVS. Murthy
Chief Financial Officer

Sd/-
C. Krishna Prasad
Managing Director

Sd/-
Shivangi Sharma
Company Secretary



Significant accounting policies and Notes to audited Financial statement

CORPORATE INFORMATION

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

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 Basis of preparation

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

1.2 Use of estimates

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

1.3 Tangible Fixed Assets

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

1.4 Depreciation on tangible fixed assets

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

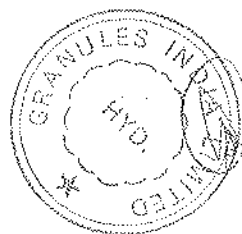
1.5 Expenditure during construction period

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

1.6 Intangible assets

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

Intangible assets are amortized on a straight line basis over the estimated useful economic life. The Company uses a rebuttable presumption that the useful life of an intangible asset will not exceed ten years from the date when the asset is available for use. If the persuasive evidence exists to the effect that the useful life of an intangible asset exceeds ten years, the Company amortizes the intangible asset over the best estimate of its useful life. Such intangible assets



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

and intangible assets not yet available for use are tested for impairment annually, either individually or at the cash-generating unit level. All other intangible assets are assessed for impairment whenever there is an indication that the intangible asset may be impaired.

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

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

1.7 Investments:

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

1.8 Valuation of Inventories:

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

1.9 Government grants:

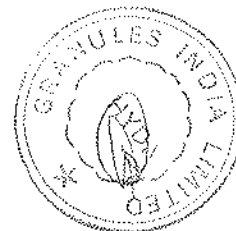
Government grants received in the nature of promoter's contribution and where no repayment is ordinarily expected are treated as capital reserve.

1.10 Foreign Exchange:

Foreign exchange transactions are recorded at the exchange rates prevailing at the time of transactions or at contracted rates. Current assets and current liabilities are translated at values prevailing at the Balance Sheet date. Gains/Losses, if any, arising thereby are recognized in the respective revenue or expense accounts. The foreign exchange variances resulting on account of loans used to acquire fixed assets are accounted as part of fixed assets.

1.11 Revenue Recognition:

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



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

1.12 Research and Development expenses:

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

1.13 Employee Retirement Benefits:

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

1.14 Borrowing costs:

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

1.15 Income tax expense:

1.15.1 Current Tax Expense

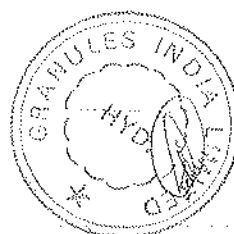
The Current charge for income tax is calculated in accordance with the tax regulations.

1.15.2 Deferred Tax Expense

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

1.16 Measurement of EBITDA

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



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

2. NOTES TO FINANCIAL STATEMENT

2.1 SHARE CAPITAL

(₹ in Lakhs)

Particulars	As at	
	31 March 2013	31 March 2012
Authorized Share capital		
3,00,00,000 Equity Shares of par value of ₹10 each (Previous year 3,00,00,000 Equity Shares of ₹10 each)	3,000.00	3,000.00
Issued, Subscribed and fully paid up shares		
2,01,26,154 fully paid up Equity Shares of par value of ₹10/- each (Previous year : 2,00,61,654 Equity Shares of ₹10 each)	2,012.62	2,006.17
Total Issued, Subscribed and fully paid-up Share Capital	2,012.62	2,006.17

- a) Reconciliation of the number of shares outstanding and the amount of share capital as at March 31, 2013 and March 31, 2012 is set out below:

Particulars	31 March 2013		31 March 2012	
	No. of shares	₹ in Lakhs	No. of shares	₹ in Lakhs
Number of shares at the beginning of the year	20,061,654	2,006.17	20,057,154	2,005.72
Add: Shares issued on exercise of employee stock options	64,500	6.45	4,500	0.45
Number of shares at the end of the year	20,126,154	2,012.62	20,061,654	2,006.17

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

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

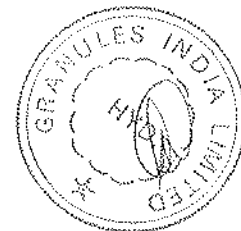
During the year end 31-Mar-2013, the amount of per share dividend recognized as distribution to equity shareholders was ₹2.00/- (31-Mar-2012: ₹2.00/-)

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

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

Particulars	31 March 2013		31 March 2012	
	No. of shares	%	No. of shares	%
C. Krishna Prasad	65,35,663	32.47	65,35,663	32.58
Investco Management LLC	22,11,200	10.99	22,11,200	11.02
Ridgeback Capital Asia Limited	20,72,504	10.30	21,80,067	10.87
International Finance Corporation	17,15,301	8.52	20,57,578	10.26

Granules India Limited



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

2.1 (1) SHARE APPLICATION MONEY PENDING FOR ALLOTMENT

During the year ended 31 March 2013, the Company has received amount to ₹31.50 Lakhs towards share application money. The proposed number of equity shares to be allotted against the share application money is 70,000 shares and such allotment would be at face value of ₹10 per equity share with a share premium of ₹35 per share. Further such allotment of equity shares would be within 6 months from the date of receipt of such application money and the Company has sufficient authorized capital to cover the share capital amount on allotment of shares out of share application money.

2.2 RESERVES & SURPLUS

(₹ in Lakhs)

Particulars	As at 31 March 2013	As at 31 March 2012
a) Capital Reserves	168.53	168.53
b) Security Premium Reserve		
Opening Balance	11,788.45	11,786.88
Add: Receipt on exercise of employee stock option plan (64,500 Shares @ ₹35 premium Per share)	22.58	1.57
Total (b):	11,811.02	11,788.45
c) Central Subsidy	12.14	12.14
d) General Reserve		
Opening Balance	560.43	355.63
Add: Transfer from Surplus	226.31	204.80
Closing balance	786.74	560.43
e) Surplus		
Opening balance	9,937.97	7,878.45
Add: Net profit after tax transferred from Statement of Profit and Loss	3,017.53	2,730.64
Amount available for appropriations	12,955.50	10,609.09
Appropriations:		
Proposed equity dividend	402.52	401.23
Tax on Proposed equity dividend	68.41	65.09
Transfer to General Reserve	226.31	204.80
Closing Balance (e)	12,258.24	9,937.97
Total (a+b+c+d+e)	25,036.68	22,467.52



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

2.3 LONG TERM BORROWINGS :

a) Term Loans (₹ in Lakhs)

Particulars	Non-Current Maturities		Current Maturities	
	As at 31-Mar-12	As at 31-Mar-12	As at 31-Mar-12	As at 31-Mar-12
Indian rupee loans from banks (Secured)	41.33	234.53	194.40	256.87
Foreign currency loans from banks (Secured)	-	-	-	405.88
Foreign currency loan from financial institutions (Secured)	13,827.24	8,449.28	658.44	618.24
Total	13,868.57	8,683.81	852.84	1,280.99

b) Other Term Liabilities: (₹ in Lakhs)

Particulars	Non-Current Maturities		Current Maturities	
	As at 31-Mar-12	As at 31-Mar-12	As at 31-Mar-12	As at 31-Mar-12
Finance lease obligations (Secured)	139.07	46.29	88.79	69.38
Deferred sales tax loan (Un-secured)	64.73	75.24	10.52	-
Total	203.80	121.53	99.30	69.38

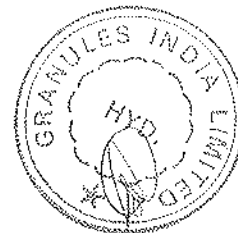
The above amounts includes (₹ in Lakhs)

Particulars	Non-Current Maturities		Current Maturities	
	As at 31-Mar-12	As at 31-Mar-12	As at 31-Mar-12	As at 31-Mar-12
Secured borrowings	14,007.64	8,730.10	941.63	1,350.37
Unsecured borrowings	64.73	75.24	10.52	-
Amount disclosed under the head "other current liabilities"	-	-	(952.14)	(1,350.37)
Net amount	14,072.37	8,805.34	-	-

All secured term loans are secured by a pari passu first charge on fixed assets and a pari passu second charge of the current assets of the Company. Of the Indian rupee loans from banks and foreign currency loans from banks, loans of ₹ Nil as on 31-Mar-2013 (₹467.14 lakhs as on 31-Mar-2012) are further guaranteed by the personal guarantee of the Managing Director.

Of the foreign currency loans from Financial Institutions on account of ₹10,974.00 lakhs as on 31-Mar-2013 (₹5,179.75 lakhs as on 31-Mar-2012) is further guaranteed by the personal guarantee of the Managing Director.

Deferred sales tax loan is interest free and payable in 34 yearly installments commencing from June 2013 onwards.



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

2.4 DEFERRED TAX LIABILITIES

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

(₹ in Lakhs)			
Particulars	Opening balance as on 1.4.2012	Charge/(Credit) during the period	Closing balance as on 31.03.13
Deferred tax liability			
Depreciation	2,358.02	214.53	2,572.55
Total	2,358.02	214.53	2,572.55
Deferred tax asset			
Leave encashment	27.23	12.72	39.95
Bonus	7.30	0.66	7.96
Gratuity	14.31	11.13	25.44
VRS	-	(10.66)	(10.66)
Total	48.84	13.85	62.69
Net Deferred tax liability	2,309.18	200.69	2,509.86

2.5 LONG – TERM PROVISIONS

(₹ in Lakhs)

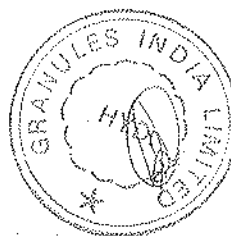
Particulars	As at	
	31 March 2013	31 March 2012
Provision for gratuity	94.84	69.11
Provision for leave benefits	117.54	83.92
Total	212.38	153.03

2.6 SHORT – TERM BORROWINGS

(₹ in Lakhs)

Loans repayable on demand from banks (Secured)	7,671.48	6,141.27
Total	7,671.48	6,141.27

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



Annual Report 2012-13

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

2.7 TRADE PAYABLES

(₹ in Lakhs)

Particulars	As at 31 March 2013	As at 31 March 2012
Trade payables (including acceptances)	8,384.75	6,422.69
Total	8,384.75	6,422.69

2.8 OTHER CURRENT LIABILITIES

(₹ in Lakhs)

Particulars	As at 31 March 2013	As at 31 March 2012
- Interest accrued but not due on borrowings	64.52	78.71
- Unpaid dividends	13.02	12.00
- Provision for employee benefits	116.58	100.81
- Duties and Taxes payable	83.90	91.96
- Managerial Commission payable	20.94	70.29
- Current maturities of Long term borrowings	952.14	1,350.37
- Others	51.46	232.14
Total	1,302.57	1,936.28

2.9 SHORT TERM PROVISIONS

(₹ in Lakhs)

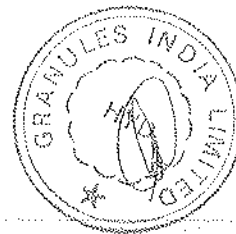
Particulars	As at 31 March 2013	As at 31 March 2012
- Provision for dividend	402.52	401.23
- Provision for dividend tax	68.41	65.09
Total	470.93	466.32

2.10 TANGIBLE ASSETS

(₹ in Lakhs)

Particulars	Land	Buildings	Plant & Machinery	Computers	Office Equipment	R&D Equipment	Furniture & Fixtures	Vehicles	Total
Cost or Valuation									
As at 31 March 2012	548.62	7,015.66	20,122.04	463.27	222.10	678.56	359.28	381.02	29,790.56
Additions	294.60	186.72	1,236.70	52.55	101.23	351.25	16.78	252.61	2,492.43
Disposals	-	-	(24.97)	(1.02)	(0.45)	-	-	(117.07)	(143.50)
Other adjustments	-	-	-	-	-	-	-	-	-
Exchange differences	-	72.59	244.27	-	-	-	-	-	316.86
As at 31 March 2013	843.22	7,274.97	21,578.04	514.80	322.89	1,029.80	376.06	516.56	32,456.34
Depreciation									
As at 31 March 2012	-	1,379.52	5,500.58	204.02	92.02	187.75	121.78	151.82	7,637.48
Charge for the year	-	238.61	1,269.89	70.38	13.70	43.39	24.69	41.28	1,701.94
Disposals	-	(0.01)	(24.45)	(1.00)	(0.01)	0.01	0.20	(97.91)	(123.17)
As at 31 March 2013	-	1,618.11	6,746.03	273.39	105.72	231.15	146.69	95.19	9,216.26
Net Block									
As at 31 March 2012	548.62	5,636.14	14,621.46	259.26	130.08	490.81	237.50	229.20	22,153.06
As at 31 March 2013	843.22	5,656.86	14,832.01	241.41	217.17	798.66	229.37	421.37	23,240.08

Note: Gross Block of Vehicles includes ₹252.61 Lakhs (Previous year ₹146.42 Lakhs) acquired on hire-purchase basis.



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

2.11 INTANGIBLE ASSETS

(₹ in Lakhs)

Particulars	Technical Know How	Total
Gross Block		
As at 31 March 2012	3,189.50	3,189.50
Additions	-	-
As at 31 March 2013	3,189.50	3,189.50
Depreciation		
As at 31 March 2012	1,627.18	1,627.18
Charge for the year	318.95	318.95
Disposals	-	-
As at 31 March 2013	1,946.13	1,946.13
Net Block		
As at 31 March 2012	1,562.33	1,562.33
As at 31 March 2013	1,243.38	1,243.38

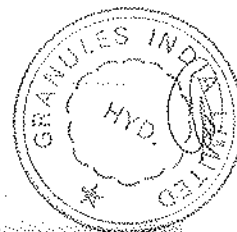
2.12 NON-CURRENT INVESTMENTS

- 1) Trade investments (valued at cost unless stated otherwise):
Investments in Equity Instruments

(₹ in Lakhs)

Particulars	As at 31 March 2013	As at 31 March 2012
a) Investment in subsidiaries (Unquoted)		
Granules USA Inc - Wholly owned subsidiary (7,00,000 fully paid equity shares)	116.31	116.31
GIL Life Sciences Pvt Ltd, Wholly owned subsidiary (29,46,176 fully paid equity shares of ₹10 each)	294.62	294.62
GIL Singapore PTE. Ltd, Wholly owned subsidiary (11000 shares)	5.01	5.01
Sub Total (a)	415.94	415.94
b) Investment in joint ventures		
Granules Biocause Pharmaceutical Co.Ltd (50% Joint-venture in equity)	1,819.03	1,819.03
Granules Omnicem Pvt Ltd (50% Joint -venture in equity)	1,875.50	1,025.50
Sub Total (b)	3,694.53	2,844.53
c) Other trade Investments (Unquoted)		
Jeedimetla Effluent Treatment Ltd (15,142 equity share of ₹100/- each including 1040 shares at a premium of ₹50/- each)	15.66	15.66
Patancheru Envitotech Ltd (34,040 equity shares of ₹10/- each)	3.40	3.40
Sub Total (c)	19.06	19.06
d) Quoted equity instruments		
Ipca Labs Ltd (50 shares of ₹10/- each, market value of ₹520/- as on 31-03-2013)	0.07	0.07
Sub Total (d)	0.07	0.07
Grand Total (a)+(b)+(c)+(d)	4,129.60	3,279.60

Annual Report 2012-13



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

Particulars	As at 31 March 2013	As at 31 March 2012
a) Capital Advances	257.49	966.28
b) Security deposits	332.24	292.18
c) Loans and advances to related parties		
i) GIL Life Sciences Pvt Ltd	10.20	10.00
ii) Granules Omnichem Pvt Ltd	-	8.63
iii) Granules Singapore Pte Ltd	9.04	2.07
d) Advance Tax including MAT credit	643.79	755.72
Total (a+b+c+d)	1,252.76	2,034.88

2.14 OTHER NON-CURRENT ASSETS

Gratuity Receivable (Unsecured, considered good)	9.90	11.80
Unamortized expenditure		
VRS Expenses	357.64	28.44
Total	367.55	40.24

2.15 CURRENT INVESTMENTS

Other Trade Investments		
BOB Poiner Liquid Growth Fund	588.26	-
Kotak Floater ST Growth Fund	357.65	-
Total	945.92	-

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

a) Raw Materials & Packing Material	4,237.59	4,206.29
b) Raw Material Inventory at Bonded Ware House	1,286.61	996.61
c) Work-in-progress	1,196.73	1,219.57
d) Finished goods	2,545.42	1,781.95
e) Materials in transit - RM & Finished Goods	754.43	96.50
f) Stores & Spares and Loose Tools	828.30	556.44
Total	10,849.07	8,857.36

2.17 TRADE RECEIVABLES (UNSECURED, CONSIDERED GOOD)

a) More than six months from due date	365.59	19.16
b) Less than six months from due date	6,444.07	5,283.64
Total	6,809.66	5,302.80

Granules India Limited



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

2.18 CASH AND CASH EQUIVALENTS

(₹ in Lakhs)

Particulars	As at	
	31 March 2013	31 March 2012
i) Balance with Banks in Current Accounts		
a) On current accounts	22.07	1,781.88
b) Unpaid Dividend account	13.02	12.00
c) Held as margin money for Letter of Credits, Bank Guarantees	577.25	569.71
ii) Cash on Hand	3.62	1.61
Total	615.97	2,365.20

2.19 SHORT TERM LOANS AND ADVANCES

Staff Advance	23.72	92.39
Prepaid Expenses	346.57	171.55
Others		
- Granules Omnichem (Amount paid towards investment in equity shares)	194.50	-
Total	564.79	263.94

2.20 OTHER CURRENT ASSETS

Balances with Excise Authorities	1,665.19	1,226.01
CST claim receivable from VSEZ	288.85	285.98
Other Receivables	19.07	16.07
Sales Tax receivable	324.27	275.04
Interest receivable	30.54	100.75
Discount Receivable	81.99	-
Unamortized expenditure		
GDR Expenses		23.79
VRS Expenses	116.21	13.23
Total	2,526.12	1,940.87



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

2.21 REVENUE FROM OPERATIONS

(₹ in Lakhs)

Particulars	For the year ended 31 March 2012	As at 31 March 2012
Sale of Products		
- Exports	57,837.85	51,189.42
- Domestic	12,065.23	6,041.17
Gross sales	69,903.09	57,230.59
Less: Excise Duty	1,923.38	962.82
Net sales	67,979.70	56,267.77

2.22 OTHER INCOME

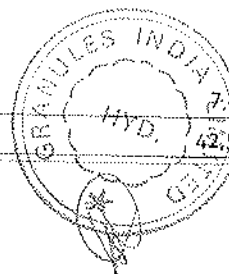
Interest accrued	80.43	62.80
Dividend income	37.72	0.62
Other operating Revenue	53.65	52.44
Net gain/(loss) on sale of investments	-	4.96
Total	171.81	120.82

2.23 COST OF MATERIAL CONSUMED

Inventory at the beginning of the year	4,206.29	2,388.87
Add: Purchases	42,557.14	37,957.35
	46,763.43	40,346.22
Less: Inventory at the end of the year	4,237.59	4,206.29
Cost of Material Consumed	42,525.84	36,139.93

Details of Raw material consumed

Para amino phenol	15,766.84	11,179.74
Acetic anhydride	4,710.63	4,179.22
Ibuprofen	3,976.66	3,524.97
Metformin HCL	2,677.51	2,240.38
Guaiacol	1,680.09	1,155.02
PVPK	1,445.67	943.06
Dicyandiamide	1,412.73	748.23
Paracetamol	858.30	1,973.37
DMA HCL	801.29	489.01
EHG Capsules	785.42	519.73
Ciprofloxacin	627.04	606.06
Omeprazole capsules	128.00	958.37
Others	7,655.62	7,622.78
Total	42,525.84	36,139.93



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

2.23 COST OF MATERIAL CONSUMED (contd.)

(₹ in Lakhs)

Details of Purchases

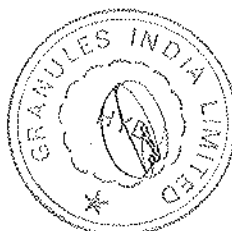
Particulars	As at 31 March 2013	As at 31 March 2012
Para amino phenol	15,997.14	11,310.07
Acetic anhydride	4,784.56	4,156.20
Ibuprofen	3,826.08	3,730.73
Metformin HCL	2,576.01	2,434.92
Guaiacol	1,702.71	1,164.08
PVPK	1,477.58	1,057.16
Dicyandiamide	1,461.82	746.80
Paracetamol	906.51	2,017.04
DMA HCL	793.14	494.79
EHG CAPSULES	574.98	650.23
Ciprofloxacin	550.31	689.19
Omeprazole capsules	24.63	979.92
Others	7,881.62	8,526.21
Total	42,557.14	37,957.35

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

Inventories at the end of the year		
Work-in-Process	1,196.73	1,219.57
Finished Goods	2,545.42	1,781.95
	3,742.14	3,001.52
Inventories at the beginning of the year		
Work-in-Progress	1,219.57	875.09
Finished Goods	1,781.95	1,534.19
	3,001.52	2,409.28
Net (Increase)/Decrease in Work-in-Process and Finished goods	(740.62)	(592.24)

2.25 EMPLOYEE BENEFIT EXPENSES

i) Salaries and wages	4,632.81	3,450.52
ii) Contribution to PF and ESI funds	136.49	105.04
iii) Staff welfare expenses	272.75	240.16
Total	5,042.05	3,795.72



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

2.26 OTHER EXPENSES

(₹ in Lakhs)

Particulars	As at 31 March 2015	As at 31 March 2012
Power & Fuel	2,624.94	1,653.06
Repairs & Maintenance		
- Factory Building	90.41	96.18
- Plant & Machinery	759.18	683.82
- Others	122.97	51.34
Effluent Treatment expenses	419.08	320.76
Consumables & Lab Chemicals	269.93	226.34
Freight Outward & Clearing Charges	4,304.09	3,219.73
Research & Development Expenses	453.06	194.80
Sales Commission	1,210.70	786.11
Travelling Expenses	455.80	388.99
Business Promotion Expense	173.86	393.23
Communication Expenses	83.58	79.69
Consultancy Charges	441.12	354.55
Directors Remuneration	113.56	92.70
Director Sitting fees	10.10	4.90
Insurance	175.47	171.11
Printing & Stationery	79.63	70.23
Auditors Remuneration	15.00	7.50
Rates & Taxes	94.39	79.50
Rent	222.31	217.42
Managerial commission	302.45	122.30
Net loss/(gain) on Sale of Asset	9.75	(1.50)
Sundry Expenses	706.68	378.72
Misc. Expenses Write off	108.64	72.96
Total	13,246.68	9,664.44

2.27 FINANCE COST

Interest on Term loan	264.05	343.45
Interest on Working Capital	844.03	785.97
Interest Others	84.65	67.96
Bank Charges	456.76	352.03
Total	1,649.49	1,549.41



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

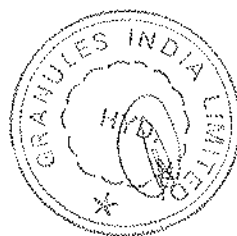
2.28 PAYMENT TO AUDITORS

(₹ in Lakhs)

Particulars	As at 31 March 2013	As at 31 March 2012
a) As Auditor	12.00	6.50
b) Tax Audit	3.00	1.00
Total	15.00	7.50

2.29 FOREIGN EXCHANGE OUTGO / EARNINGS

Particulars	As at 31 March 2013	As at 31 March 2012
a) Value of Imports		
i) Raw material	27,598.34	21,680.52
ii) Components and Spare Parts	122.77	94.95
iii) Capital goods	1,508.29	927.09
Total	29,229.40	22,702.56
b) Expenditure in foreign currency		
i) Travel	81.82	103.25
ii) Sales Commission	842.2	828.73
iii) Consultancy Charges	394.69	385.06
iv) Interest	610.18	262.71
v) Other Expenditure	295.36	381.32
Total	2,224.25	1,961.07
c) Total Value of Consumption		
i) Raw material		
a) Domestic	14,591.20	15,066.80
b) Import	27,934.64	21,073.13
ii) Spare Parts		
a) Domestic	659.54	587.80
b) Import	122.77	94.95
d) Dividends in Foreign Currency paid to Nonresidents.		
Non Resident shareholders		
i) Number of shareholders	6	8
ii) Shares held	4,440,467	4,480,770
iii) Year of Dividend	2011-12	2010-11
iv) Amount of Dividend paid	88.81	67.21
2) Earnings in foreign currency		
Export of goods calculated on F.O.B. basis	54,577.63	48,218.39



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

Details of imported and indigenous Raw materials & Spares consumed:

a) Raw materials consumed (₹ in Lakhs)

Particulars	31 March 2013		31 March 2012	
	Value	(%)	Value	(%)
Imported	27,934.64	65.69	21,073.13	58.31
Indigenous	14,591.20	34.31	15,066.80	41.69
Total	42,525.84	100.00	36,139.93	100.00

b) Spare parts

Particulars	31 March 2013		31 March 2012	
	Value	(%)	Value	(%)
Imported	122.77	15.69	94.95	13.91
Indigenous	659.54	84.31	587.80	86.09
Total	782.31	100.00	682.75	100.00

2.30 EMPLOYEE BENEFITS

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

(₹ in Lakhs)

Particulars	As at	
	31 March 2013	31 March 2012
Projected benefit obligation at the beginning of the period	96.22	89.73
Current service cost	94.84	69.11
Interest cost	19.65	17.71
Actuarial loss/(gain)	(23.69)	(8.37)
Benefits paid	(70.94)	(13.77)
Projected benefit obligation at the end of the period	53.54	96.22
Amounts recognized in the balance sheet		
Projected benefit obligation at the end of the period	53.54	96.22
Fair value of plan assets at end of the period	53.54	96.22
Funded status of the plans – (asset) / liability	-	-
Liability recognized in the balance sheet	-	-
Cost for the period		
Current service cost	94.84	69.11
Interest cost	19.65	17.71
Net actuarial (gain) / loss recognized in the period	-	-
Past service cost	-	-
Actual Return on Plan Assets*		
Assumptions		
Estimated rate of return on plan assets	9%	9%
Expected rate of salary increases	10%	10%



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

2.31 EMPLOYEE STOCK OPTION PLAN

Granules India Equity Option Plan 2002

- Pursuant to the decision of the shareholders at their meeting held on July 30, 2002, the Company has formulated an Employee Stock Option Plan 2002 to be administered by the Compensation & Remuneration Committee of the Board of Directors.
- Under the Plan, options not exceeding 391,082 have been reserved to be issued to the eligible directors and employees (Employees under permanent employment of the Company and its subsidiary Company (ies), including Directors of the Company and its subsidiary, whether whole time or not, whether working in India or abroad or otherwise, except the Promoter Directors and Promoter group employees), with each option conferring a right upon the Optionee to apply for one equity share.
- The exercise price of the options is the closing market price of the shares on that stock exchange where there is highest trading volume prior to the date of the grant i.e. the date of the Compensation & Remuneration Committee / Board meeting at which the grant of options is approved.
- Under the above Scheme, options were granted in three tranches viz. Grant I, Grant II & Grant III. The options granted under the Plan would vest not less than one year and not more than five years under Grant I & II and two years under Grant III from the respective date of grant of the options.
- The exercise price being equal to the closing market price prevailing on the date prior to the date of grant, there is no deferred compensation cost to be amortized over the vesting period.
- The following is the number of options outstanding during the year:

Particulars	31 March 2013		31 March 2012	
	No. of options	Weighted Average Exercise Price	No. of options	Weighted Average Exercise Price
At the beginning of the year	134,500	45.00	15,000	73.00
			1,39,000	45.00
Add: Granted during the year	-	-	-	-
Less: Exercised during the year	64,500	45.00	4,500	45.00
Less: Lapsed / Cancelled during the year	-	-	15,000	73.00
At the end of the year	70,000	45.00	1,34,500	45.00

Granules India Limited - Employee Stock Option Scheme 2009

- Pursuant to the decision of the shareholders at their meeting held on September 25, 2009, the Company has formulated an Employee Stock Option Scheme 2009 to be administered by the Compensation & Remuneration Committee of the Board of Directors.
- Under the Plan, options not exceeding 1,006,307 have been reserved to be issued to the eligible directors and employees (Employees under permanent employment of the Company and its subsidiary Company (ies), including Directors of the Company and its subsidiary, whether whole time or not, whether working in India or abroad or otherwise, except the Promoter Directors and Promoter group employees) with each option conferring a right upon the Optionee to apply for one equity share.
- The exercise price of the options is the closing market price of the shares on that stock exchange where there is highest trading volume prior to the date of the grant i.e. the date of the Compensation & Remuneration Committee / Board meeting at which the grant of options is approved.

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

- d) Under the above Scheme till date, options were granted in three tranches viz. Grant I, Grant II & Grant III. The options granted under the Plan shall start vesting in tranches after one year from the date of grant and not more than two, three and five years (differs from optionee to optionee) under Grant I and five years under Grant II & III from the respective date of grant of the options.
- 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	31 March 2013		31 March 2012	
	No. of options	Weighted Average Exercise Price	No. of options	Weighted Average Exercise Price
At the beginning of the year	-	-	-	-
Add: Granted during the year:				
Grant I	505,000	91.00	-	-
Grant II	75,000	140.00	-	-
Grant III	20,000	155.00	-	-
Less: Exercised during the year	-	-	-	-
Less: Lapsed / Cancelled during the year (Grant I)	(125,000)	91.00	-	-
At the end of the year	475,000	101.43	-	-

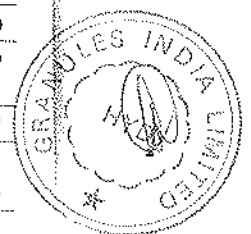
2.32

The Government of Andhra Pradesh, Commissionerate of Industries has vide its Letter No.20/2/9/0444/ID dated 11 October 1999 and its clarification vide Letter dated 4 August 2001 determined an eligibility of ₹184.12 lakhs towards Sales tax deferment on the sale of Paracetamol and the Sales tax payable by the Company for a period of 14 years commencing from 30 June 1998 to 29 June 2012 is deferred. The liability of ₹75.24 Lakhs as at 31 March 2013 (Previous year ₹75.24 lakhs) for the deferred Sales tax is shown under unsecured loans.

2.33 CONTINGENT LIABILITIES AND COMMITMENTS

(₹ in Lakhs)

Particulars	As at 31 March 2013	As at 31 March 2012
1) Contingent Liabilities		
a) Claims against the Company not acknowledged as debt		
Income Tax	1,230.38	1,670.21
Excise	205.55	205.55
Service Tax	89.37	89.37
Customs	43.47	43.47
Total	1,568.77	2,008.60
b) Bank Guarantees and LC	2,014.83	3,867.36
c) Bills discounted with banks	12,710.87	11,469.61
Total	16,294.47	17,345.57
2) Commitments		
a) Estimated amount of contracts to be executed on capital account	2,348.29	789.90
Grand Total	18,642.76	18,135.47



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

2.34

Sundry debtors include a sum of ₹3,040.17 Lakhs (Previous Year ₹3,414.45 lakhs) due from Subsidiary Company.

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

(₹ in Lakhs)

Particulars	Buildings	Office Equipment	R&D Equipment	Material Handling	Furniture & Fixtures	Electrical Installations	Computers	Total
Cost or Valuation								
At 31 March 2012	53.13	0.76	678.55	3.58	7.49	0.00	2.26	745.77
Additions	3.13	1.90	351.25	0.00	2.84	26.68	2.11	387.92
Disposals	-	-	-	-	-	-	-	-
At 31 March 2013	56.26	2.66	1,029.80	3.58	10.33	26.68	4.38	1,133.70
Depreciation								
As at 31 March 2012	11.03	0.27	187.74	1.05	2.83	-	2.21	205.14
Charge for the year								
Disposals	1.88	0.12	43.27	0.17	0.65	1.25	0.37	47.70
As at 31 March 2013	12.91	0.38	231.01	1.23	3.48	1.25	2.57	252.84
Net Block								
As at 31 March 2012	42.11	0.50	490.81	2.53	4.66	-	0.05	540.63
As at 31 March 2013	43.35	2.27	798.79	2.36	6.85	25.44	1.80	880.85

2.36

During the year, the Company has capitalized borrowing costs of ₹364.20 Lakhs (Previous Year ₹215.69 Lakhs).

2.37 SEGMENT REPORTING:

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

Particulars	(₹ in Lakhs)	
	As at 31 March 2013	As at 31 March 2012
a) Revenue		
i) Sale (Net of Excise Duty)		
Within India	10,141.85	5,078.35
Outside India	57,837.85	51,189.42
ii) Other Income		
Within India	171.81	120.82
Outside India	-	-

- b) Assets: All the assets of the Company, except the debtors and loans and advances amounting to ₹4,816.65 Lakhs (Previous year ₹3,677.59 Lakhs), are within India.

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**Significant accounting policies and Notes to audited Financial statement (Contd.)****2.38**

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

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

Sl.No	Name	Relationship
(i)	Granules USA Inc	Wholly owned subsidiary Company
(ii)	Gil. Life Sciences Private Limited	Wholly owned subsidiary Company
(iii)	Granules Singapore Pte Ltd	Wholly owned subsidiary Company
(iv)	Granules-Bioclause Pharmaceutical Co. Ltd	Joint -- Venture
(v)	Granules Omnicem Private Limited	Joint - Venture
(vi)	Key Management Personnel: Shri C. Krishna Prasad Mr.C.Harsha Ms. C. Uma Devi Dr. C. Nageswara Rao	Managing Director Executive Director Executive Director Non-Executive Chairman
(vii)	Others: Mr. Vijay Ramanavarapu Ms. C. Priyanka	Head Strategic Sourcing Manager Marketing (from 1 July, 2012)

b) Transactions with Subsidiary Company:

Particulars	(₹ in Lakhs)	
	As at 31 March 2013	As at 31 March 2012
(i) Granules USA Inc		
Transactions during the year :		
Sale of goods	7,047.61	8,573.01
Amounts outstanding at Balance Sheet date:		
Interest on loan		22.40
Equity subscribed	116.31	116.31
Amounts receivable for sales made	3,040.17	3,414.45

Particulars	(₹ in Lakhs)	
	As at 31 March 2013	As at 31 March 2012
(ii) Gil. Life Sciences Pvt Ltd		
Transactions during the year :		
Advance paid	0.20	-
Amounts outstanding at Balance Sheet date:		
Equity subscribed	294.62	294.62
Other advances	10.20	10.00



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

(iii) GIL Singapore PTE Ltd (₹ in Lakhs)

Particulars	As at 31 March 2013	As at 31 March 2012
Transactions during the year :		
Amount paid towards investment in equity shares	7.23	-
Amounts outstanding at Balance Sheet date:		
Equity subscribed	5.01	5.01
Amount paid towards investment in equity shares	9.30	2.07

c) Transactions with Joint-Venture (JV name: Granules-Bioclause Pharmaceutical Co. Ltd)

Particulars	As at 31 March 2013	As at 31 March 2012
Transactions during the year :		
Purchase of goods	2,500.71	1,556.76
Amounts outstanding at Balance Sheet date :		
Equity subscribed	1,819.03	1,819.03
Amounts payable for purchase of goods	460.78	207.62

d) Transactions with Joint-Venture (JV name: Granules Omnicem Private Ltd)

Particulars	As at 31 March 2013	As at 31 March 2012
Transactions during the year :		
Amount paid towards investment in equity shares	1,044.50	-
Amounts outstanding at Balance Sheet date :		
Equity subscribed	1,875.50	1,025.50
Amount paid towards investment in equity shares *	194.50	-

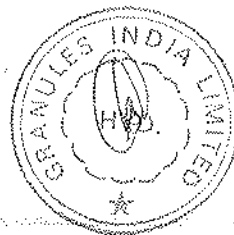
* ₹194.50 lakhs paid during the year pending for share allotment

e) Transactions with other related parties:

Particulars	As at 31 March 2013	As at 31 March 2012
Mr. C. Krishna Prasad, Managing Director		
Remuneration	202.14	182.21
Dr. C. Nageswarao, Chairman		
Sitting fee	1.45	0.78
Mr.C.Harsha, Executive Director		
Remuneration	35.28	32.88
Mrs.C.Uma Devi, Executive Director		
Remuneration (With effect from 31st May 2012)	179.39	-
Mr.Vijay Ramanavarapu, Head Strategic sourcing*		
(Consultancy charges & Salary for 2011-12 and Salary for 2012-13)	28.44	26.59
Ms. Priyanka		
Salary (With effect from 1st July 2012)	8.73	-

* ₹3.20 lakhs variable pay for 2011-12 paid in October 2012

Annual Report 2012-13



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

2.39 EARNINGS PER SHARE – BASIC AND DILUTED:

(₹ in Lakhs)

Particulars	As at	
	31 March 2013	31 March 2012
Net profit for the year (₹ Lakhs)	3,017.53	2,730.63
Weighted average number of shares outstanding during the year	200,75,102	200,58,642
Basic earnings per share (₹)	15.02	13.61
Diluted earnings per share (₹)	14.62	13.56
Nominal value of shares (₹)	10.00	10.00

2.40

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

2.41

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

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

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

Place: Hyderabad
Date: April 25, 2013

For and on behalf of the Board

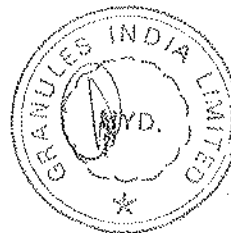
Sd/-
Dr. C. Nageswara Rao
Chairman

Sd/-
VVS. Murthy
Chief Financial Officer

Sd/-
C. Krishna Prasad
Managing Director

Sd/-
Shivangi Sharma
Company Secretary

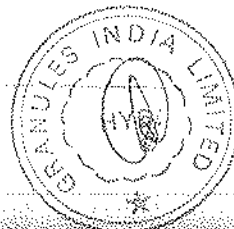
Granules India Limited



Annexure to the Balance Sheet as at 31st March, 2013

Statement pursuant to Section 212 of the Companies Act, 1956

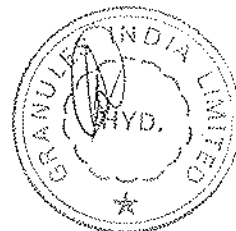
01.	Name of the subsidiary	Granules USA Inc.	Granules USA Inc.	Granules Singapore Pte. Ltd.	Granules Singapore Pte. Ltd.	Granules Singapore Pte. Ltd.	GIL Life Sciences Pvt. Ltd.	GIL Life Sciences Pvt. Ltd.
02.	Financial period ended	31st March, 2013	51st March, 2012	31st March, 2013	31st March, 2012	31st March, 2013	31st March, 2013	31st March, 2012
03.	Date from which it become a subsidiary.	5th March, 2003	5th March, 2003	18th Nov., 2008	18th Nov., 2008	19th July, 2007	19th July, 2007	19th July, 2007
04.	Holding Company's interest	100% (700,000 shares of USD 0.10 each fully paid up)	100% (700,000 shares of USD 0.10 each fully paid up)	100% (11000 shares of USD 1/- each fully paid up)	100% (11000 shares of USD 1/- each fully paid up)	100% (29,46,176 shares of ₹10 each fully paid up)	100% (29,46,176 shares of ₹10 each fully paid up)	100% (29,46,176 shares of ₹10 each fully paid up)
05.	The net aggregate amount of the profits or losses for the current period of the subsidiary so far as it concerns the members of the holding Company.							
	a. dealt with or provided for in the accounts of the holding Company.	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	b. not dealt with or provided for in the accounts of the holding Company.	Profit of ₹270.96 lakhs	Profit of ₹357.96 lakhs	Loss of ₹4.84 lakhs	Loss of ₹4.76 lakhs	Nil	Nil	Nil
06.	The net aggregate amount of the profits or losses for the previous financial years of the subsidiary so far as it concerns the members of the holding Company.							
	a. dealt with or provided for in the accounts of the holding Company.	Nil	Nil	Nil	Nil	Nil	Nil	Nil
	b. not dealt with or provided for in the accounts of the holding Company.	Profit of ₹3.99 lakhs	Loss of ₹266.97 lakhs	Loss of ₹17.84 lakhs	Loss of ₹13.00 lakhs	Nil	Nil	Nil





Consolidated Financial Statements

Granules India Limited



Consolidated Auditors' Report

To
The Board of Directors of
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 of M/s Granules USA Inc., M/s Granules Singapore Pte Ltd, GIL Life Sciences Pvt. Ltd. and joint-venture with M/s. Granules-Bioclause Pharmaceutical Co. Ltd., Granules Omnichem Pvt. Ltd. as on March 31, 2013 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 ₹14,744.86 lakhs as at March 31, 2013, the total revenue of ₹17,789.41 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 Standards (AS) 21, Consolidated Financial Statements

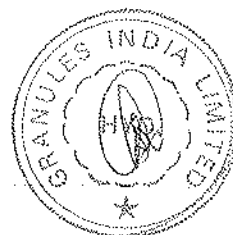
and Accounting Standard 27, Financial Reporting of Interest in Joint-ventures, issued by the Institute of Chartered Accountants of India and on the basis of separate audited financial statements of the group and unaudited financial statements of a consolidated entity.

5. 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, 2013.
 - 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: 0015845

Sd/-
J. Bhadra Kumar
Partner
Place: Hyderabad
Date: April 25, 2013

Membership No. 25480



Annual Report 2012-13

Consolidated Balance Sheet

(₹ in Lakhs)

	Note No.	As at 31 March 2013	As at 31 March 2012
I. EQUITY AND LIABILITIES			
(1) Shareholders' Funds	2.01	2,012.62	2,006.17
(a) Share Capital	2.02	25,441.01	22,502.74
(b) Reserves & Surplus		27,453.63	24,508.91
(2) Share application money pending for allotment	2.1(i)	31.50	-
(3) Non-current liabilities			
(a) Long-term borrowings	2.03	17,549.56	8,805.34
(b) Deferred tax liabilities (Net)	2.04	2,447.18	2,301.50
(c) Long-term provisions	2.05	213.53	153.03
		20,210.27	11,259.87
(4) Current liabilities			
(a) Short-term borrowings	2.06	8,545.98	10,205.75
(b) Trade payables	2.07	9,184.13	7,551.94
(c) Other current liabilities	2.08	2,377.26	3,138.65
(d) Short-term provisions	2.09	470.93	466.32
		20,578.30	21,362.66
TOTAL		68,273.70	57,131.44
II. ASSETS			
(1) Non-current assets			
(a) Fixed Assets	2.10	25,009.61	23,323.24
(i) Tangible assets	2.11	1,336.43	1,719.09
(ii) Intangible assets		10,880.24	2,929.63
(iii) Capital work-in-progress		37,226.28	27,971.96
(b) Non-current investments	2.12	19.14	19.14
(c) Long-term loans and advances	2.13	1,641.54	3,049.52
(d) Other non-current assets	2.14	499.21	64.73
		39,386.17	31,105.35
(2) Current assets			
(a) Current Investments	2.15	945.92	-
(b) Inventories	2.16	13,648.23	10,991.05
(c) Trade receivables	2.17	7,102.11	9,500.93
(d) Cash and cash equivalents	2.18	4,170.55	3,198.19
(e) Short term loans and advances	2.19	389.77	263.94
(f) Other current assets	2.20	2,630.93	2,071.98
		28,887.51	26,026.09
TOTAL		68,273.70	57,131.44

For and on behalf of the Board

As per our report of even date
for Kumar & Giri
Chartered Accountants
Firm Regn. No. 0015845

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

Place: Hyderabad
Date: April 25, 2013

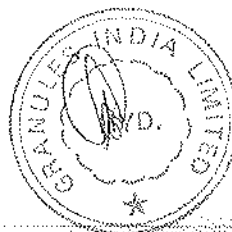
Granules India Limited

Sd/-
Dr. C. Nageswara Rao
Chairman

Sd/-
VVS. Murthy
Chief Financial Officer

Sd/-
C. Krishna Prasad
Managing Director

Sd/-
Shivangi Sharma
Company Secretary



Consolidated Profit and Loss Statement

(₹ in Lakhs)

	Note No.	Year ended 31 March 2013	Year ended 31 March 2012
I. Revenue from operations	2.21	76,437.30	65,396.59
II. Other income	2.22	206.04	137.51
III. Total Revenue (I + II)		76,643.34	65,534.10
IV. EXPENSES :			
Cost of Materials consumed	2.23	47,768.94	42,010.22
Changes in inventories of finished goods and work-in- progress	2.24	(1,077.05)	(573.69)
Employee benefits expense	2.25	5,971.18	4,545.86
Other expenses	2.26	15,272.25	11,485.66
Total expenses		67,935.32	57,468.04
EBIDTA		8,708.02	8,066.06
Finance costs	2.27	1,767.11	1,698.87
Depreciation	2.10/2.11	2,308.46	2,069.54
Total Expenses		72,010.89	61,236.46
V. Profit before tax (III-IV)		4,632.45	4,297.64
VI. Tax expense :			
(1) Current tax		1,238.74	985.51
(2) Deferred tax		136.98	316.86
		1,375.73	1,302.37
VII. Profit/ (Loss) for the period (V-VI)		3,256.73	2,995.28
VIII. Earnings per equity share :			
(1) Basic		16.21	14.93
(2) Diluted		15.78	14.87

As per our report of even date
for Kumar & Giri
Chartered Accountants
Firm Regn. No. 0015845

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

Place: Hyderabad
Date: April 25, 2013

For and on behalf of the Board

Sd/-
Dr. C. Nageswara Rao
Chairman

Sd/-
C. Krishna Prasad
Managing Director

Sd/-
VVS. Murthy
Chief Financial Officer

Sd/-
Shivangi Sharma
Company Secretary



Annual Report 2012-13

Consolidated Cash Flow Statement

(₹ in Lakhs)

	Year ended 31 March 2013	Year ended 31 March 2012
A. Cash Flow from Operating Activities		
Net Profit before tax	4,632.45	4,297.64
Adjustments for:		
Depreciation	2,308.46	2,069.54
Misc. Expenditure written off	108.64	72.96
(Profit) / Loss on sale of assets	68.15	1.19
(Profit) / Loss on sale of investments	-	(4.96)
Provision for doubtful debts/ written off	11.46	-
Interest & dividend income	(118.16)	(63.43)
Interest & finance charges	1,767.11	4,145.68
Operating profit before working capital changes	8,778.13	8,071.82
Increase in Trade and other receivables	2,878.03	(4,541.28)
Increase in inventories	(2,657.18)	(3,478.27)
Increase / (decrease) in Payable & Other liabilities	1,340.03	3,658.48
Cash generated from operations	10,339.01	3,710.75
Direct Taxes paid	1,120.22	1,151.10
Net Cash from operating activities (A)	9,218.79	2,559.65
B. Cash flow from Investing Activities		
Purchase of fixed assets	(11,644.61)	(5,502.05)
Increase in Miscellaneous expenditure	(517.04)	(24.36)
Investments in Others	(945.92)	-
Proceeds from Sale of investments	-	15.63
Proceeds from Sale of Fixed Assets	13.68	6.50
Interest / dividends received	214.75	57.58
Net Cash used in investing activities (B)	(12,879.13)	(5,446.69)
C. Cash flow from Financing Activities		
Increase / (decrease) in Working Capital Loans	(1,659.77)	1,890.48
Interest & finance charges paid	(1,778.64)	(1,678.99)
Increase in Share capital & Share Premium	60.53	2.02
Dividends paid (including dividend tax)	(465.30)	(349.15)
Proceeds from Long Term borrowings	9,904.12	6,794.25
Repayment of long term loans	(1,428.24)	(1,772.18)
Net Cash used in Financing Activities (C)	4,632.70	4,886.43
Net Increase / (Decrease) in cash & cash equivalents (A+B+C)	972.36	1,999.39
Cash equivalents (Opening Balance as at 01-04-2012)	3,198.19	1,198.79
Cash equivalents (Closing Balance as at 31-3-2013)	4,170.55	3,198.18

As per our report of even date

For and on behalf of the Board

for Kumar & Giri
Chartered Accountants
Firm Regn. No. 0015845

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

Sd/-
Dr. C. Nageswara Rao
Chairman

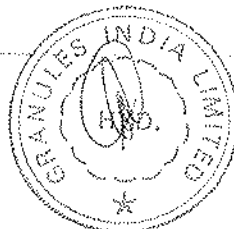
Sd/-
C. Krishna Prasad
Managing Director

Place: Hyderabad
Date: April 25, 2013

Sd/-
VVS. Murthy
Chief Financial Officer

Sd/-
Shivangi Sharma
Company Secretary

Granules India Limited



Significant accounting policies and Notes to audited Consolidated Financial statement

Corporate Information

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

1. SIGNIFICANT ACCOUNTING POLICIES

1.1 Principles of consolidation

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

1.2 Basis of preparation

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

1.3 Use of estimates

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

1.4 Tangible Fixed Assets:

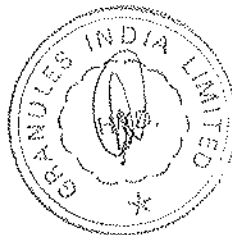
Fixed Assets are stated at cost less accumulated depreciation Cost is inclusive of duties & taxes (net of CENVAT / VAT), incidental expenses and erection / commissioning expenses.

1.5 Depreciation on tangible fixed assets:

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

1.6 Expenditure during construction period:

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



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

1.7 Intangible assets

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

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

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

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

1.8 Investments:

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

1.9 Valuation of Inventories:

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

1.10 Government Grants:

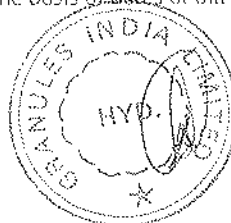
Government grants received in the nature of promoter's contribution and where no repayment is ordinarily expected are treated as capital reserve.

1.11 Foreign Exchange:

Foreign exchange transactions are recorded at the exchange rates prevailing at the time of transactions or at contracted rates. Current assets and current liabilities are translated at values prevailing at the Balance Sheet date. Gains/Losses, if any, arising thereby are recognized in the respective revenue or expense accounts. The foreign exchange variances resulting on account of loans used to acquire fixed assets are accounted as part of fixed assets.

1.12 Revenue Recognition:

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



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

1.13 Export Benefits:

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

1.14 Research and development expenses:

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

1.15 Employee Retirement Benefits:

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

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

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

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

1.16 Borrowing costs:

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

1.17 Income tax expense:

1.17.1 Current Tax Expense

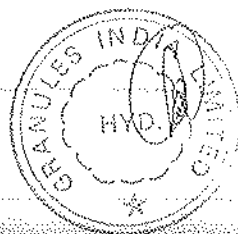
The Current charge for income tax is calculated in accordance with the tax regulations.

1.17.2 Deferred Tax Expense

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

1.18 Measurement of EBITDA

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



Significant accounting policies and Notes to audited Consolidated Financial statement (contd.)
2. NOTES TO FINANCIAL STATEMENT
2.1 SHARE CAPITAL

(₹ in Lakhs)

Particulars	As at	As at
	31 March 2013	31 March 2012
Authorized Share capital		
3,00,00,000 Equity Shares of par value of ₹10 each (Previous year 3,00,00,000 Equity Shares of ₹10 each)	3,000.00	3,000.00
Issued, Subscribed and fully paid up shares		
2,01,26,154 fully paid up Equity Shares of par value of ₹10/- each (Previous year : 2,00,61,654 Equity Shares of ₹10 each)	2,012.62	2,006.17
Total Issued, Subscribed and fully paid-up Share Capital	2,012.62	2,006.17

- a) Reconciliation of the number of shares outstanding and the amount of share capital as at March 31, 2013 and March 31, 2012 is set out below:

Particulars	31 March 2013		31 March 2012	
	No. of shares	₹ in Lakhs	No. of shares	₹ in Lakhs
Number of shares at the beginning of the year	20,061,654	2,006.17	20,057,154	2,005.72
Add: Shares issued on exercise of employee stock options	64,500	6.45	4,500	0.45
Number of shares at the end of the year	20,126,154	2,012.62	20,061,654	2,006.17

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

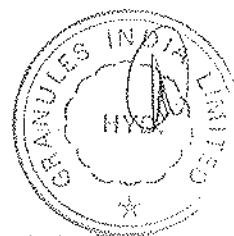
The Company has only one class of equity shares having a par value of ₹10/- . Each holder of equity shares is entitled to one vote per share. The Company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the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

During the year end 31-Mar-2013, the amount of per share dividend recognized as distribution to equity shareholders was ₹2.00/- (31-Mar-2012: ₹2.00/-)

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

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

Particulars	31 March 2013		31 March 2012	
	No. of Shares	%	No. of Shares	%
C. Krishna Prasad	65,35,663	32.47	65,35,663	32.58
Investco Management LLC	22,11,200	10.99	22,11,200	11.02
Ridgeback Capital Asia Limited	2,072,504	10.30	21,80,067	10.87
International Finance Corporation	1,715,301	8.52	20,57,578	10.26



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

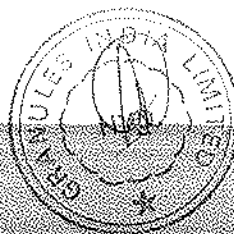
2.1 (I) SHARE APPLICATION MONEY PENDING FOR ALLOTMENT

During the year ended 31 March 2013, the Company has received an amount to ₹31.50 Lakhs towards share application money. The proposed number of equity shares to be allotted against the share application money is 70,000 shares and such allotment would be at face value of ₹10 per equity share with a share premium of ₹35 per share. Further such allotment of equity shares would be within 6 months from the date of receipt of such application money and the Company has sufficient authorized capital to cover the share capital amount on allotment of shares out of share application money.

2.2 RESERVES & SURPLUS

(₹ in Lakhs)

Particulars	As at 31 March 2013	As at 31 March 2012
a) Capital Reserves	168.53	168.53
b) Security Premium Reserve		
Opening Balance	11,789.66	11,788.09
Add: Receipt on exercise of employee stock option plan (64,500 Shares @ ₹35 premium Per share)	22.58	1.57
Closing balance	11,812.24	11,789.66
c) Central Subsidy	12.14	12.14
d) Foreign Currency Translation Reserve	129.89	-
e) General Reserve		
Opening Balance	580.28	355.63
Add: Transfer from Surplus	226.31	224.65
Closing balance	806.59	580.28
f) Surplus		
Opening balance	9,952.14	7,647.84
Add: Net profit after tax transferred from Statement of Profit and Loss	3,256.73	2,995.28
Amount available for appropriations	13,208.86	10,643.12
Appropriations:		
Proposed equity dividend	402.52	401.23
Tax on Proposed equity dividend	68.41	65.09
Transfer to General Reserve	226.31	224.65
Closing Balance (e)	12,511.62	9,952.14
Total (a+b+c+d+e)	25,441.02	22,502.74



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

2.4 DEFERRED TAX LIABILITIES

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

Particulars	(₹ in Lakhs)		
	Opening balance as on 1.4.2012	Charge/(Credit) during the period	Closing balance as on 31.03.13
Deferred tax liability			
Deprecation	2,358.02	214.53	2,572.55
Total	2,358.02	214.53	2,572.55
Deferred tax asset			
Leave encashment	27.23	12.72	39.95
Bonus	7.30	0.66	7.96
Gratuity	14.31	11.13	25.44
VRS	-	(10.66)	(10.66)
Others	7.68	55.00	62.68
Total	56.52	68.85	125.37
Net Deferred tax liability	2,301.50	145.68	2,447.18

2.5 LONG – TERM PROVISIONS

Particulars	As at	
	31 March 2013	31 March 2012
Provision for gratuity	95.13	69.11
Provision for leave benefits	118.40	83.92
Total	213.53	153.03

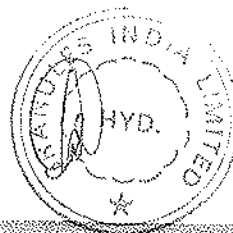
2.6 SHORT – TERM BORROWINGS

a) Loans repayable on demand from banks (Secured)	8,545.98	10,205.75
---	----------	-----------

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

2.7 TRADE PAYABLES

Trade payables (including acceptances)	9,184.13	7,551.94
Total	9,184.13	7,551.94



Significant accounting policies and Notes to audited Consolidated Financial statement (contd.)
2.3 LONG TERM BORROWINGS :

 a) Term Loans (₹ in Lakhs)

Particulars	Non-Current Maturities		Current Maturities	
	As at 31-Mar-13	As at 31-Mar-12	As at 31-Mar-13	As at 31-Mar-12
Indian rupee loans from banks (Secured)	41.33	234.53	194.40	256.87
Foreign currency loans from banks (Secured)	-	-	-	405.88
Foreign currency loan from financial institutions (Secured)	17,304.43	8,449.28	662.64	618.24
Total	17,345.76	8,683.81	857.04	1,280.99

b) Other Term Liabilities:

Particulars	Non-Current Maturities		Current Maturities	
	As at 31-Mar-13	As at 31-Mar-12	As at 31-Mar-13	As at 31-Mar-12
Finance lease obligations (Secured)	139.07	46.29	88.79	69.38
Deferred sales tax loan (Un- secured)	64.73	75.24	10.52	-
Total	203.80	121.53	99.30	69.38

The above amounts includes

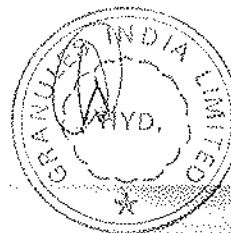
Particulars	Non-Current Maturities		Current Maturities	
	As at 31-Mar-13	As at 31-Mar-12	As at 31-Mar-13	As at 31-Mar-12
Secured borrowings	17,484.83	8,730.10	945.83	1,350.37
Unsecured borrowings	64.73	75.24	10.52	-
Amount disclosed under the head " other current liabilities "	-	-	(956.34)	(1,350.37)
Net amount	17,549.56	8,805.34	-	-

All secured term loans are secured by a paripassu first charge on fixed assets and a paripassu second charge of the current assets of the Company. Of the Indian rupee loans from banks and foreign currency loans from banks, loans of ₹ Nil as on 31-Mar-2013 (₹467.14 lakhs as on 31-Mar-2012) are further guaranteed by the personal guarantee of the Managing Director.

Of the foreign currency loans from Financial Institutions on account of ₹10,974.00 lakhs as on 31-Mar-2013 (₹5,179.75 lakhs as on 31-Mar-2012) is further guaranteed by the personnel guarantee of the Managing Director.

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

Granules India Limited



Significant accounting policies and Notes to audited Consolidated Financial statement (contd.)
2.8 OTHER CURRENT LIABILITIES

(₹ in Lakhs)

Particulars	As at	
	31 March 2013	31 March 2012
- Interest accrued but not due on borrowings	67.18	78.71
- Unpaid dividends	13.02	12.00
- Provision for employee benefits	116.58	100.81
- Duties and Taxes payable	120.69	91.96
- Managerial Commission payable	20.94	70.29
- Current maturities of Long term borrowings	952.14	1,350.37
- Others	1,086.69	1,434.51
Total	2,377.26	3,138.65

2.9 SHORT TERM PROVISIONS

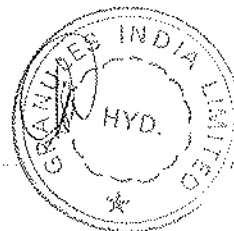
- Provision for dividend	402.52	401.23
- Provision for dividend tax	68.41	65.09
Total	470.93	466.32

2.10 TANGIBLE ASSETS

Particulars	Land	Buildings	Plant & Machinery	Computers	Office Equipment	R&D Equipment	Furniture & Fixtures	Vehicles	Total
As at 31 March 2012	845.35	7,511.03	21,399.10	463.27	237.54	678.56	364.95	381.02	31,880.82
Additions	1,045.38	186.72	1,353.52	54.79	102.46	351.25	20.47	262.55	3,377.15
Disposals	-	-	(283.65)	(1.02)	(0.45)	-	-	(117.07)	(402.18)
Other adjustments	-	-	-	-	-	-	-	-	-
Exchange differences	-	72.59	244.27	-	-	-	-	-	316.86
As at 31 March 2013	1,890.73	7,770.34	22,713.24	517.04	339.56	1,029.80	385.42	526.50	35,172.64
Depreciation									
As at 31 March 2012	-	1,501.04	6,283.54	204.01	107.33	187.75	122.10	151.82	8,557.59
Charge for the year	-	272.97	1,456.97	70.38	13.70	43.39	27.11	41.28	1,925.80
Disposals	-	(0.01)	(221.63)	(1.00)	(0.01)	0.01	0.20	(97.91)	(320.36)
As at 31 March 2013	-	1,774.00	7,518.88	273.39	121.03	231.15	149.41	95.19	10,163.03
Net Block	-	-	-	-	-	-	-	-	-
As at 31 March 2012	845.35	6,009.99	15,115.57	259.26	130.21	490.81	242.85	229.20	23,323.24
As at 31 March 2013	1,890.73	5,996.35	15,194.37	243.65	218.54	798.66	236.01	431.31	25,009.61

Note: Gross Block of Vehicles includes ₹252.61 Lakhs (Previous year ₹146.42 Lakhs) acquired on hire-purchase basis.

Granules India Limited



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

2.11 INTANGIBLE ASSETS

(₹ in Lakhs)

Particulars	Technical Know/How	Total
Gross Block		
As at 31 March 2012	3,568.71	3,568.71
Additions	-	-
As at 31 March 2013	3,568.71	3,568.71
Depreciation		
As at 31 March 2012	1,849.62	1,849.62
Charge for the year	382.66	382.66
Disposals	-	-
As at 31 March 2013	2,232.27	2,232.27
Net Block		
As at 31 March 2012	1,719.09	1,709.09
As at 31 March 2013	1,336.43	1,336.43

2.12 NON-CURRENT INVESTMENTS

- 1) Trade investments (valued at cost unless stated otherwise):
Investments in Equity Instruments

Particulars	As at 31 March 2013	As at 31 March 2012
a) Other trade Investments (Unquoted)		
Jeedimetta Effluent Treatment Ltd (15,142 equity share of ₹100/- each including 1,040 shares at a premium of ₹50/- each)	15.66	15.66
Patancheru Envitotech Ltd (34,040 equity shares of ₹10/- each)	3.40	3.40
Sub Total (a)	19.07	19.07
b) Quoted equity instruments		
Ipca Labs Ltd (50 shares of ₹10/- each, market value of ₹520/- as on 31-03-2013)	0.07	0.07
Sub Total (b)	0.07	0.07
Grand Total (a)+(b)	19.14	19.14



Annual Report 2012-13

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

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

Particulars	As at 31 March 2013	As at 31 March 2012
a) Capital Advances	662.10	966.28
b) Security deposits	333.55	293.39
c) Loans and advances to others	-	1,034.13
d) Advance Tax including MAT credit	645.89	755.72
Total (a+b+c+d)	1,641.54	3,049.52

2.14 OTHER NON-CURRENT ASSETS

Gratuity Receivable (Unsecured, considered good)	9.90	11.80
Unamortized expenditure	-	-
VRS Expenses	357.64	28.44
Ancillary costs	131.66	-
Others	-	24.49
Total	499.21	64.73

2.15 CURRENT INVESTMENTS

Other Trade Investments		
BOB Poiner Liquid Growth Fund	588.26	-
Kotak Floater ST Growth Fund	357.65	-
Total	945.92	-

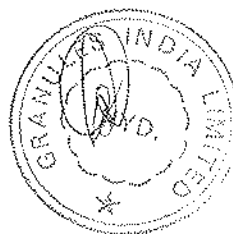
2.16 INVENTORIES (VALUED AT LOWER OF COST OR NET REALIZABLE VALUE)

a) Raw Materials & Packing Material	6,084.83	4,500.59
b) Raw Material Inventory at Bonded Ware House	1,286.61	996.61
c) Work-in-progress	1,196.73	1,219.57
d) Finished goods	3,445.37	3,178.93
e) Materials in transit - RM & Finished Goods	754.43	96.50
f) Stores & Spares and Loose Tools	880.26	998.86
Total	13,648.23	10,991.05

2.17 TRADE RECEIVABLES (UNSECURED, CONSIDERED GOOD)

a) More than six months from due date	412.92	19.16
b) Less than six months from due date	6,689.19	9,481.77
Total	7,102.11	9,500.93

Granules India Limited



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

2.18 CASH AND CASH EQUIVALENTS

(₹ in Lakhs)

Particulars	As at 31 March 2013	As at 31 March 2012
i) Balance with Banks in Current Accounts		
a) On current accounts	3,266.73	2,246.98
b) Unpaid Dividend account	13.02	12.00
c) Held as margin money for Letter of credits, Bank Guarantees & Fixed deposits	887.08	932.39
ii) Cash on Hand	3.73	6.82
Total	4,170.55	3,198.19

2.19 SHORT TERM LOANS AND ADVANCES

Staff Advance	23.72	92.39
Prepaid Expenses	362.24	171.55
Security Deposits	3.82	-
Total	389.77	263.94

2.20 OTHER CURRENT ASSETS

Balances with Excise Authorities	1,665.19	1,226.01
CST claim receivable from VSEZ	288.85	285.98
Other Receivables	19.07	16.07
Sales Tax receivable	324.36	275.04
Interest receivable	132.19	228.79
Discount Receivable	81.99	-
Unamortized expenditure	-	-
GDR Expenses	-	23.80
VRS Expenses	116.21	13.23
Preliminary Expenses	3.07	3.07
Total	2,630.93	2,071.98



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Significant accounting policies and Notes to audited Consolidated Financial statement (contd.)
2.21 REVENUE FROM OPERATIONS

(₹ in Lakhs)

Particulars	As at 31 March 2013	As at 31 March 2012
Sale of Products		
- Exports	63,772.49	58,489.52
- Domestic	14,606.64	7,869.89
Gross sales	78,379.13	66,359.41
Less: Excise Duty	1,941.82	962.82
Net sales	76,437.30	65,396.59

2.22 OTHER INCOME

Interest accrued	80.43	62.81
Dividend income	37.72	0.62
Other operating Revenue	87.89	69.12
Net gain/(loss) on sale of investments	-	4.96
Total	206.04	137.51

2.23 COST OF MATERIAL CONSUMED

Inventory at the beginning of the year	4,500.59	3,612.30
Add: Purchases	49,353.18	42,898.51
	53,853.77	46,510.81
Less: Inventory at the end of the year	6,084.83	4,500.59
Cost of Material Consumed	47,768.94	42,010.22

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

Inventories at the end of the year		
Work-in-Process	1,196.73	1,219.57
Finished Goods	3,445.37	2,345.48
	4,642.10	3,565.05
Inventories at the beginning of the year		
Work-in-Progress	1,219.57	875.09
Finished Goods	2,345.48	2,116.27
	3,565.05	2,991.36
Net (Increase)/Decrease in Work-in-Process and Finished goods	(1,077.05)	(573.69)

2.25 EMPLOYEE BENEFIT EXPENSES

i) Salaries and wages	5,561.31	4,200.63
ii) Contribution to PF and ESI funds	136.49	105.05
iii) Staff welfare expenses	273.38	240.18
Total	5,971.18	4,545.86

Granules India Limited



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

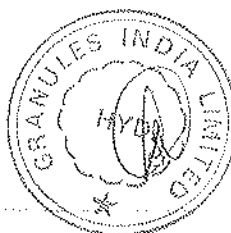
2.26 OTHER EXPENSES

(₹ in Lakhs)

Particulars	As at 31 March 2013	As at 31 March 2012
Power & Fuel	3,771.47	2,628.13
Repairs & Maintenance		
- Factory Building	90.41	96.18
- Plant & Machinery	843.65	859.69
- Others	199.68	89.61
Effluent Treatment expenses	430.26	329.31
Consumables & Lab Chemicals	285.05	244.05
Freight Outward & Clearing Charges	4,374.45	3,497.28
Research & Development Expenses	546.08	271.42
Sales Commission	1,211.46	786.11
Travelling Expenses	509.31	436.20
Business Promotion Expense	267.10	479.10
Communication Expenses	101.33	93.70
Consultancy Charges	453.39	362.72
Directors Remuneration	113.56	92.70
Director Sitting fees	12.72	7.17
Insurance	250.28	234.63
Printing & Stationary	90.09	76.27
Auditors Remuneration	32.97	17.10
Rates & Taxes	157.31	87.53
Rent	242.28	234.55
Managerial commission	302.45	122.30
Loss on sale of assets	68.15	1.19
Provisional for doubtful debts	11.48	-
Sundry Expenses	798.67	365.78
Misc. Expenses Write off	108.64	72.96
Total	15,272.25	11,485.66

2.27 FINANCE COST

Interest on Term loan	264.05	343.45
Interest on Working Capital	932.86	904.73
Interest Others	84.65	67.96
Bank Charges	485.55	382.73
Total	1,767.11	1,698.87



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

2.28

During the year, the Company has capitalized borrowing costs of ₹364.20 Lakhs (Previous Year ₹215.69 lakhs).

2.29 SEGMENT REPORTING:

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

Particulars	(₹ in Lakhs)	
	As at 31 March 2013	As at 31 March 2012
a) Revenue		
i) Sale (Net of Excise Duty)		
Within India	10,141.85	5,078.35
Outside India	66,295.45	60,318.24
ii) Other Income		
Within India	171.81	120.82
Outside India	34.23	16.69

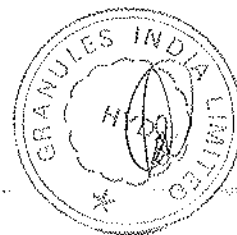
2.30

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

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

Sl.No	Name	Relationship
(i)	Granules USA Inc	Wholly owned subsidiary Company
(ii)	GIL Life Sciences Private Limited	Wholly owned subsidiary Company
(iii)	Granules Singapore Pte Ltd	Wholly owned subsidiary Company
(iv)	Granules-Bioclause Pharmaceutical Co. Ltd	Joint - Venture
(v)	Hubei Bioclause Saponin Limited	Subsidiary of Hubei Bioclause
(vi)	Zhaozuang Bioclause Pharmaceuticals Co.Ltd	Subsidiary of Hubei Bioclause
(vii)	Hubei Bioclause Pharmaceuticals Trade Co Ltd	Subsidiary of Hubei Bioclause
(viii)	Wuhan Bioclause Pharmaceuticals Develop Co Ltd	Subsidiary of Hubei Bioclause
(ix)	Granules Omnichem Private Limited	Joint - Venture
(x)	Key Management Personnel: Shri C. Krishna Prasad Mr.C.Harsha Ms. C. Uma Devi Dr. C. Nageswara Rao	Managing Director Executive Director Executive Director Non-Executive Chairman
(xi)	Others: Mr. Vijay Ramanavarapu Ms. C. Priyanka	Head Strategic Sourcing Manager Marketing (from 1 July, 2012)

Granules India Limited



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

b) Transactions with Subsidiary Company:

(i) Granules USA Inc

(₹ in Lakhs)

Particulars	As at 31 March 2013	As at 31 March 2012
Transactions during the year :		
Sale of goods	7,047.61	8,573.01
Amounts outstanding at Balance Sheet date:		
Interest on loan	-	22.40
Equity subscribed	116.31	116.31
Amounts receivable for sales made	3,040.17	3,414.45

(ii) GIL Life Sciences Pvt Ltd

Particulars	As at 31 March 2013	As at 31 March 2012
Transactions during the year :		
Advance paid	0.20	-
Amounts outstanding at Balance Sheet date:		
Equity subscribed	294.62	294.62
Other advances	10.20	10.00

(iii) GIL Singapore PTE Ltd

Particulars	As at 31 March 2013	As at 31 March 2012
Transactions during the year :		
Amount paid towards investment in equity shares	7.23	-
Amounts outstanding at Balance Sheet date:		
Equity subscribed	5.01	5.01
Amount paid towards investment in equity shares	9.30	2.07

c) Transactions with Joint-Venture (JV name: Granules-Biocause Pharmaceutical Co. Ltd)

Particulars	As at 31 March 2013	As at 31 March 2012
Transactions during the year :		
Purchase of goods	2,500.71	1,556.76
Amounts outstanding at Balance Sheet date :		
Equity subscribed	1,819.03	1,819.03
Amounts payable for purchase of goods	460.78	361.04

d) Transactions with Joint-Venture (JV name: Granules Omnicem Private Ltd)

Particulars	As at 31 March 2013	As at 31 March 2012
Transactions during the year :		
Amount paid towards investment in equity shares	1,044.50	-
Amounts outstanding at Balance Sheet date :		
Equity subscribed	1,875.50	1,025.50
Amount paid towards investment in equity shares *	194.50	-

* ₹194.50 lakhs paid during the year pending for share allotment.

Annual Report 2012-13



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

e) Transactions with other related parties: (₹ in Lakhs)

Particulars	As at 31 March 2013	As at 31 March 2012
Mr. C. Krishna Prasad, Managing Director Remuneration	202.14	182.21
Dr. C. Nageswarao, Chairman Sitting fee	1.45	0.78
Mr.C.Harsha, Executive Director Remuneration	35.28	32.88
Mrs.C.Urna Devi, Executive Director Remuneration (With effect from 31st May 2012)	179.39	-
Mr.Vijay Ramanavarapu, Head Strategic sourcing* (Consultancy charges & Salary for 2011-12 and Salary for 2012-13)	28.44	26.59
Ms. Priyanka Salary (With effect from 1st July 2012)	8.73	-

* ₹3.20 lakhs variable pay for 2011-12 paid in Oct, 12

2.31 EARNINGS PER SHARE – BASIC AND DILUTED:

Particulars	As at 31 March 2013	As at 31 March 2012
Net profit for the year (₹ Lakhs)	3,256.73	2,995.28
Weighted average number of shares outstanding during the year	200,89,773	200,61,654
Basic earnings per share (₹)	16.21	14.93
Diluted earnings per share (₹)	15.78	14.87
Nominal value of shares (₹)	10.00	10.00

2.32

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

2.33

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

As per our report of even date

for Kumar & Giri
Chartered Accountants
Firm Regn. No. 0015845

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

Place: Hyderabad
Date: April 25, 2013

Granules India Limited

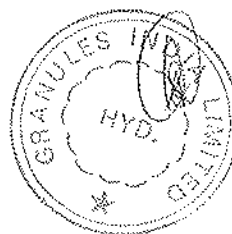
For and on behalf of the Board

Sd/-
Dr. C. Nageswara Rao
Chairman

Sd/-
VVS. Murthy
Chief Financial Officer

Sd/-
C. Krishna Prasad
Managing Director

Sd/-
Shivangi Sharma
Company Secretary





Granules India Limited

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

NOTICE

Notice is hereby given that the 22nd Annual General Meeting of Granules India Limited will be held on Monday, the 19th day of August 2013 at 4.00 PM at Cyan Hall, Hotel Marigold, Ameerpet, Hyderabad (AP), to transact the following businesses:

Ordinary Business:

1. To receive, consider and adopt the Audited Balance Sheet as at March 31, 2013 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 for the financial year ended 31st March 2013.
3. To appoint a Director in place of Mr. A. Arun Rao, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. Harsha Chigurupati, who retires by rotation and being eligible offers himself for re-appointment.
5. To re-appoint M/s. Kumar & Giri, Chartered Accountants, Hyderabad as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting and to fix their remuneration as may be decided by the Board.

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

"RESOLVED THAT pursuant to the provisions of section 224 and other applicable provisions, if any, of the Companies Act, 1956, M/s. Kumar & Giri, Chartered Accountants, Hyderabad with Firm Registration No. 0015845 be and are hereby re-appointed as the Statutory Auditors of the Company, to hold office from the conclusion of this Annual General Meeting till the conclusion of the next Annual General Meeting at a remuneration as may be mutually agreed to between the Board of Directors and M/s. Kumar & Giri, plus out of pocket expenses."

Special Business:

6. To consider the appointment of Mr. Kolli Basava Sankar Rao, who was appointed as an Independent Additional

Director by the Board w.e.f February 19, 2013, to hold that office up to date of ensuing Annual General Meeting.

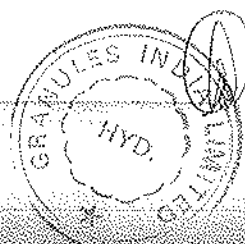
To consider and if thought fit, to pass, with or without modification(s), the following resolution as an **Ordinary Resolution**:

"RESOLVED THAT pursuant to the provisions of section 257 and other applicable provisions, if any, of the Companies Act, 1956 including any statutory modification(s) thereto or any re-enactment thereof for the time being in force, Mr. Kolli Basava Sankar Rao who was appointed as an Independent Additional Director by the Board w.e.f. February 19, 2013, in terms of provisions of section 260 of the Companies Act, 1956 and Articles of Association of the Company and whose term of office expires at the ensuing Annual General Meeting and in respect of whom the Company has received a notice in writing from a member proposing his candidature for the office of Director of the Company, be and is hereby appointed as an Independent Director of the Company, liable to retire by rotation."

7. To consider revision in remuneration of Mr. Harsha Chigurupati, Executive Director.

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

"RESOLVED THAT in accordance with the provisions of Sections 198, 309 and 310, read with Schedule XIII and other applicable provisions if any, of the Companies Act, 1956 (including any statutory modification(s) or re-enactment thereof, for the time being in force) and in partial modification of the earlier resolutions passed in the Annual General Meeting held on September 27, 2010 relating to payment of remuneration to Mr. Harsha Chigurupati, Executive Director and subject to such approvals and consents as may be necessary, the consent of the members of the Company be and is hereby accorded for revision by way of increase in the payment of managerial remuneration to Mr. Harsha Chigurupati, Executive Director of the Company from the existing Rs. 36 lakhs per annum to Rs. 60 lakhs per annum towards the aggregate of the monthly salary @



Annual Report 2012-13

Rs. 5,00,000/- per month which shall be inclusive of all perquisites & allowances and in addition, commission on net profits provided however, that the said salary and commission together shall not exceed 1 percent of the net profits of the Company calculated in accordance with the procedure laid down under sections 349 and 350 of the Companies Act, 1956, with effect from 01-04-2013 for the residuary period of his current tenure of appointment."

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

"RESOLVED FURTHER THAT notwithstanding anything contained hereinabove, where in any financial year during the currency of the appointment, the Company has no profits or its profits are inadequate, Mr. Harsha Chigurupati, Executive Director shall be paid remuneration by way of salary, allowances, perquisites and commission not exceeding the maximum limit to which he will be entitled as prescribed under Schedule XIII to the Companies Act, 1956 or such other limit as may be prescribed by the Government from time to time, as minimum remuneration."

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

"RESOLVED FURTHER THAT the Board be and is hereby authorized to do all such acts, deeds and matters and things as in its absolute discretion, it may consider necessary, expedient or desirable, and to settle any question, ambiguity or doubt that may arise in relation thereto, in order to give effect to the foregoing resolution. The limits of the remuneration specified above are the maximum limits and the Board / Compensation Committee at its discretion may revise the above limits within the maximum limits to comply with the requirements of sections 198, 309, 310 and other applicable provisions of the Companies Act, 1956 read with Schedule XIII to the Act."

8. To consider payment of remuneration in the form of commission to Non-Executive Directors of the Company.

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

Granules India Limited

"RESOLVED THAT pursuant to the provisions of section 309(4) and all other applicable provisions, if any, of the Companies Act, 1956 or any statutory modification(s), or re-enactment thereof for the time being in force and the Articles of Association of the Company and subject to all permissions, sanctions and approvals as may be necessary, approval of the members of the Company be and is hereby accorded for the payment of remuneration in the form of commission to Non-Executive Directors of the Company, at the rate not exceeding one percent of the net profits in aggregate to them in the manner laid down in section 198(1) read with section 349 and 350 of the Companies Act, 1956, for a period of five years commencing from 1st April 2013."

"RESOLVED FURTHER THAT remuneration in the form of commission to all of the Non-Executive Directors of the Company together shall not exceed one percent of the net profits to be computed in the manner laid down in section 198(1) read with sections 309(4), 349 and 350 of the Companies Act, 1956."

"RESOLVED FURTHER THAT the aggregate amount of remuneration payable by way of commission per year of the five years shall be distributed amongst the Non-Executive Directors and in such manner and in such proportion, as the Board of Directors on recommendation of Compensation & Remuneration Committee may, from time to time, determine."

"RESOLVED FURTHER THAT payment of remuneration in the form of commission at the rate not exceeding 1% of the net profits to the Non-Executive Directors of the Company shall be exclusive of sitting fees payable to which they are entitled for attending the meetings of Board and / or Committees."

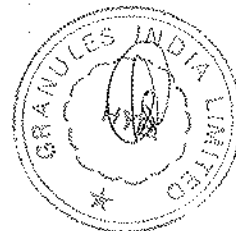
"RESOLVED FURTHER THAT the Board of Directors / Compensation & Remuneration Committee of the Company be and is hereby authorized to do all such acts, deeds, matters and things as may be considered necessary, proper or expedient in order to give effect to the above resolutions."

By order of the Board
For, Granules India Limited

Sd/-

Shivangi Sharma
Company Secretary

Place: Hyderabad
Date: 25.04.2013



NOTES:

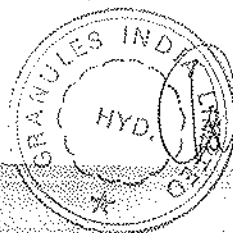
1. A MEMBER ENTITLED TO ATTEND AND VOTE AT THE MEETING IS ALSO ENTITLED TO APPOINT PROXY TO ATTEND AND VOTE ON HIS / HER BEHALF AND SUCH PROXY NEED NOT BE A MEMBER OF THE COMPANY. THE PROXIES, IN ORDER TO BE VALID AND EFFECTIVE SHOULD BE DEPOSITED AT THE REGISTERED OFFICE OF THE COMPANY, DULY COMPLETED AND SIGNED, NOT LATER THAN 48 HOURS BEFORE THE COMMENCEMENT OF THE MEETING.
2. An Explanatory Statement pursuant to section 173(2) of the Companies Act, 1956 relating to Special Business to be transacted at the meeting is annexed hereto and forms part of notice.
3. For the convenience of Members and proper conduct of the meeting, entry to the meeting venue will be regulated by attendance slip, enclosed to the Annual Report. Members/proxies are requested to duly fill the attendance slips and hand it over at the entrance of the meeting to attend the meeting. Members are also requested to bring their copies of the Annual Report to the meeting.
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 Agent.
7. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) by every participant in securities market. Members holding shares in electronic form are, therefore, requested to submit the PAN to their Depository Participants with whom they are maintaining their demat accounts. Members holding shares in physical form can submit their PAN details to M/s. Karvy Computershare Private Limited / Company.
8. Those members who have so far not en-cashed their dividend warrants for the below mentioned financial years, may claim or approach the Company for the

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

Financial year ended	Due date of transfer
30/06/2006	27/01/2014
30/06/2007	28/01/2015
30/06/2008	18/01/2016
31/03/2009	24/10/2016
31/03/2010	26/10/2017
31/03/2011	17/10/2018
31/03/2012	08/08/2019

9. Closure of register of Members and Dividend payment:
 - a) The Company has already notified closure of Register of Members and Transfer Books thereof from August 13, 2013 to August 19, 2013 (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 September 18, 2013.
 - c) Members may please note that the Dividend Warrants are payable at par at the designated branches of the Bank printed on reverse of the Dividend Warrant for an initial period of 3 months only. Thereafter, the Dividend Warrant on revalidation is payable only at limited centers/branches. The members are, therefore, advised to encash Dividend Warrants within the initial validity period.
10. Payment of Dividend through ECS:

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





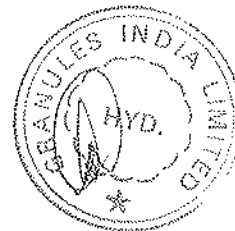
- i) Members holding shares in physical form are advised to submit the Bank mandate particulars of their bank account viz., name and address of the branch of the bank, 9 digit MICR code of the branch, type of account and account number latest by August 7, 2013 to the Company's Registrar and Share Transfer Agent.
- ii) In respect of shareholders holding shares in electronic form, the Company will make payment through ECS if the bank account details have been furnished by the shareholder to the concerned depository participant with whom the shareholder is maintaining his demat account. If, so far the bank details have not been furnished to the depository participant or change in the bank particulars already furnished, members are advised to submit the same to the depository participant.
11. Non-Resident Indian Shareholders are requested to inform M/s. Karvy Computershare Private Limited immediately of:
- a) the change in the residential status on return to India for permanent settlement.
- b) the particulars of the bank account maintained in India with complete name, branch, account number and address of the Bank, if not furnished earlier.
12. Corporate Members intending to depute their authorized representatives are requested to send a certified copy of the Board resolution authorizing their representatives to attend and vote at the Annual General Meeting.
13. M/s. Karvy Computershare Private Limited, (Plot nos. 17-24, Vittal Rao Nagar, Madhapur, Hyderabad (AP) 500 081) acts as the Company's Registrar and Share Transfer Agent for both manual and electronic form of shareholding. All communication relating to shares should be addressed directly to them.
14. Consequent upon the introduction of section 109A of the Companies Act, 1956, shareholders are entitled to make nomination in respect of shares held by them in physical form. Shareholders desirous of making nominations are requested to send their request in form 2B (which will be made available on request) to the Registrar and Share Transfer Agent i.e., M/s. Karvy Computershare Private Limited.
15. Members desiring to seek any information on the annual accounts are requested to write to the Company at an early date to enable compilation of information.
16. All documents referred to in the notice and explanatory statements are open for inspection at the Registered Office of the Company on all working days from 10.00 a.m. to 1.00 p.m. upto the date of the meeting.
17. Members are requested to please note that going forward, the documents like Notice calling Annual General Meeting, Corporate Governance Report, Directors Report, Audited Financial Statements, Auditors Report, etc. shall be circulated to the members in electronic form to the email address provided by them. The shareholders are requested to register their email address and changes therein from time to time by writing to the Registrar & Transfer Agent / Depository to enable us to send the documents in electronic form or let us know in case you wish to receive the above documents in paper mode.
18. The Company also invites the feedback and suggestions from its members with respect to the various matters. Feedback form is available on the Company's website in the investor's relation section under shareholders information option. The members are requested to send their feedback by writing to the Company Secretary & Compliance officer as mentioned earlier.

By order of the Board
For, Granules India Limited

Sd/-

Shivangi Sharma
Company Secretary

Place: Hyderabad
Date: 25.04.2013





EXPLANATORY STATEMENT

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

ITEM NO. 6

Pursuant to section 260 of the Companies Act, 1956 and the Articles of Association of the Company, the Board of Directors in accordance with the resolutions passed at their meeting held on February 19, 2013 appointed Mr. Kolli Basava Sankar Rao as an Independent Additional Director of the Company with effect from February 19, 2013. In terms of section 260 of the Act, Mr. Kolli Basava Sankar Rao holds office up to the date of ensuing Annual General Meeting. Notice in terms of provisions of section 257 of the Companies Act, 1956 along with the requisite deposit has been received from a member proposing the candidature of Mr. Kolli Basava Sankar Rao as an Independent Director of the Company.

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

His major key accomplishments were:

1. Implementation of "self-managed team" concept for the first time in pharmaceutical industry in India for improving plant operations, safety, quality and productivity.
2. Launching key products in emerging markets including India and Russia.
3. Setting-up matrix organization to ensure good balance between business linkages, product delivery and domain expertise.
4. Setting-up separate cross functional teams for managing the product development activity for in-house development as well as external development.
5. Institutionatizing the "Theory of Constraints (TOC)" based project management system for filing stage as well for launch stage for improvement of due date performance, reducing of the cycle time, increases in the number of projects delivered by the teams both in filing as well as launch stage.
6. Setting-up a process for identifying, developing and partnering with specialists/companies for strengthening the technology capabilities

7. Setting-up a process for collaboration with relevant experts outside and accessing them on need basis to help the projects progress smoothly

8. Identification of areas which are critical for success in API and finished dosages etc.,

Brief profile of Mr. Kolli Basava Sankar Rao, the nature of his expertise in specific functional areas as stipulated under clause 49 of the listing agreement with the stock exchanges, are provided in the section on Corporate Governance in this Annual Report. Members are requested to refer to the said section of the Corporate Governance Report. The copy of relevant resolution of the Board with respect to appointment of Mr. Kolli Basava Sankar Rao is available for inspection by Members at the Registered Office of the Company during business hours on any working day till the date of the forthcoming Annual General Meeting.

Mr. Kolli Basava Sankar Rao has confirmed that he is not disqualified from being appointed as Director under Section 274(1)(g) of the Act. Approval of the shareholders is sought by way of Ordinary Resolution in the Annual General Meeting for his appointment as Director.

The Board recommends the resolution as set out in Item no. 6 of the accompanying Notice for approval of the Members.

Except Mr. Kolli Basava Sankar Rao 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

Mr. Harsha Chigurupati has been with Granules since 2005 and served as CMO from 2006-2010. He joined the Board of the Company on July 26, 2010 as an Additional Director and was appointed as an Executive Director of the Company for a period of 5 (five) years with effect from August 1, 2010 on a remuneration of Rs. 36 lacs per annum.

Mr. Harsha Chigurupati since his association with the Company has implemented various new initiatives and strategies to strengthen the Marketing Department. Mr. Harsha Chigurupati has been focusing on proactive business development and strengthening the Company's geographic presence by entry into new markets on the one side and penetrating deeper into the existing ones on the other side. He has contributed to enhancement of Company's presence in the global market, particularly, the regulated markets. His contribution led to the addition of new customers including global branded MNCs. As an Executive Director,

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Mr. Chigurupati is responsible for the standalone operations of the Company including the Profit & Loss.

Mr. Harsha Chigurupati has been growing in the Company steadily and giving positive reserves and accordingly, his position and compensation payable to him are reviewed from time to time commensurate to his experience, exposure, qualifications, relevance and results. Considering these factors, the Board at its meeting held on 25th April, 2013 decided to increase the remuneration of Mr. Harsha Chigurupati as specified in the resolution however, subject to the approval of the members. The revised remuneration payable to Mr. Harsha Chigurupati has been approved by the Compensation & Remuneration Committee at its meeting held on April 24, 2013.

In view of the above, there is a necessity to pass appropriate resolutions in partial modification of the resolutions passed in the Annual General Meeting held on September 27, 2010 for effecting the increase in the remuneration being paid to Mr. Harsha Chigurupati, the Executive Director of the Company. In compliance with the provisions of section 198, 309 and 310 read with Schedule XIII and other applicable provisions if any of the Companies Act, 1956, the revised remuneration as specified in the resolution is now placed before the members for their approval and the same is set out under Item No.7 of the Notice. There is no change in the other terms and conditions of the appointment of Mr. Harsha Chigurupati as the Executive Director of the Company.

The members are requested to pass the relevant resolutions unanimously.

None of the Directors except Dr. C. Nageswara Rao, Chairman, Mr. C. Krishna Prasad, Managing Director, Mrs. C. Uma Devi, Executive Director and Mr. Harsha Chigurupati himself, in relation to the said resolution is in any way concerned / interested in this resolution.

ITEM NO. 8

Section 309(4) of the Companies Act, 1956 provides that in the case of a Director who is not the Managing Director nor Whole-Time Director / Executive Director, the Company may, by Special Resolution, authorize the payment of commission not exceeding 1 percent of the net profits per year for a period of five years in addition to the sitting fees for attending meetings of the Board and Committees. The Non-Executive Directors of your Company bring with them significant professional expertise and rich experience across a wide spectrum of functional areas such as marketing, technology, corporate strategy, information systems and finance. The experience of the Non-Executive Directors has helped the Company in achieving multifold growth. The

Non-Executive Directors have been devoting considerable time to the Company. The Board therefore felt necessary that adequate compensation should be given to the Non-Executive Directors of the Company so as to compensate them for their time and efforts and also, to retain and attract the pool of talent for the growth and prosperity of the Company.

The Compensation and Remuneration Committee in its meeting held on 24th April, 2013 considered the payment of remuneration to the Non-Executive Directors and approved the payment of commission to them on the net profits of the Company at the rate not exceeding one percent per annum for five years from 01-04-2013 and accordingly, recommended the same to the Board of Directors. The Board of Directors of the Company at their meeting held on 25th April, 2013 resolved for payment of commission to the Non-Executive Directors of the Company at the rate not exceeding 1% of the net profits as computed in the manner laid down under 309(4) read with sections 198, 349 and 350 of the Act in addition to the sitting fees to which they are entitled however, subject to the requisite approval of the same by the members. The said proposal for payment of commission requires the approval of shareholders by way of Special Resolution in accordance with the provisions of Section 309(4) of the Companies Act, 1956. This shall have effect for five years commencing from 1st April, 2013. The said quantum of one percent commission will be apportioned amongst the Non-Executive Directors of the Company as approved by the Board on the recommendation of Compensation & Remuneration Committee from time to time.

Dr. C. Nageswara Rao, Mr. L. S. Sama, Mr. A. P. Kurian, Mr. C. Parthasarathy, Dr. Krishna Murthy Ella, Mr. A. Arun Rao and Mr. K.B. Sankara Rao, Non-Executive Directors of the Company are individually interested in the resolution only to the extent of commission proposed to be payable to them individually. Mr. C. Krishna Prasad, Mrs. C. Uma Devi and Mr. Harsha Chigurupati being relatives of Dr. C. Nageswara Rao are also interested in the resolution only to the extent of commission proposed to be payable to Dr. C. Nageswara Rao.

In view of the above, the members are requested to pass the above resolutions as Special Resolutions unanimously.

By order of the Board
For, Granules India Limited

Place: Hyderabad
Date: 25.04.2013

Sd/-
Shivangi Sharma
Company Secretary

Granules India Limited





Granules India Limited

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

ELECTRONIC CLEARING SERVICE (CREDIT CLEARING) MANDATE FORM

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

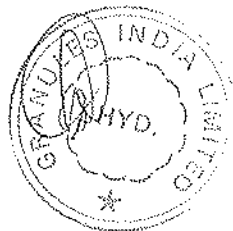
1.	Name of the sole/first Shareholder (IN BLOCK LETTERS)	:	
2.	Folio No./DP ID No. & Client ID No.	:	
3.	Particulars of Bank Account	:	
a	Name of the Bank	:	
b	Branch, Address & Telephone No. of the Branch	:	
c	Account No. (as appearing on the cheque book/ pass book)	:	
d	Account Type (Saving/Current/Cash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

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

Place:

Date:

Signature of the Sole/first Shareholder



Annual Report 2012-13

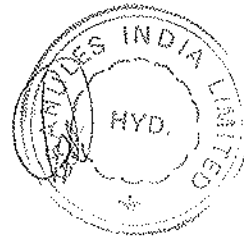
Notes:

1. Please fill in the Mandate Form and send it to:
 - i) the Depository Participant who is maintaining your Demat Account in case you hold shares electronically with a copy to the Company, in case there are any changes in your bank particulars.
 - ii) the Registrar and Share Transfer Agent of the Company, M/s. Karvy Computershare Private Limited, Plot nos. 17-24, Vittal Rao Nagar, Madhapur, Hyderabad (AP) 500 081, in case you hold shares in physical form.
2. Please attach a blank cancelled cheque or photocopy of a cheque. Alternatively, the above particulars may be attested by your bank manager.
3. In case of more than one folio/demat account please provide complete details on separate sheets.

4. The information provided by you will be treated confidential and would be utilized only for the purpose of effecting the payments meant for you. You also have a right to withdraw from this mode of payment by providing the company with an advance notice of 3 weeks.

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

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





Granules India Limited

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

PROXY FORM

22nd Annual General Meeting

Regd. Folio No.

*Demat A/c 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 22nd Annual General Meeting of the Company to be held at Cyan Hall, Hotel Marigold, Ameerpet, Hyderabad (AP), on
Monday, the 19th day of August 2013 at 4.00 PM and at any adjournment (s) thereof.

Signed this day of 2013

Affix Re.
15 paise
Revenue
Stamp

Signature

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

*Those who hold shares in demat form must quote their Demat A/c No. and Depository Participant (DP) ID. No.



Granules India Limited

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

ATTENDANCE SLIP

22nd Annual General Meeting

Regd. Folio No.

No. of shares held

*Demat A/c No.

DP ID. No.

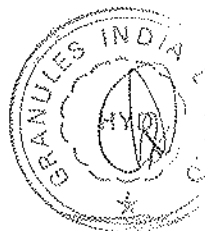
I certify that I am a Member/Proxy for the Member of the Company.

I hereby record my presence at the 22nd Annual General Meeting of the Company at Cyan Hall, Hotel Marigold, Ameerpet, Hyderabad (AP) on Monday, the 19th day of August 2013 at 4.00 PM.

.....
Member's/Proxy's Name

.....
Signature of Member/Proxy

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



CORPORATE INFORMATION

Board of Directors

Dr. C. Nageswara Rao	Chairman – Non-Executive, Non-Independent
Mr. C. Krishna Prasad	Managing Director – Non-Independent
Mr. L.S. Sarma	Director – Non-Executive, Independent
Mr. A.P. Kurian	Director – Non-Executive, Independent
Mr. C. Parthasarathy	Director – Non-Executive, Independent
Dr. Krishna Murthy Ella	Director – Non-Executive, Independent
Mr. Arun Rao Akinapally	Director – Non-Executive, Independent
Mr. Harsha Chigurupati	Executive Director – Non-Independent
Mrs. Uma Devi Chigurupati	Executive Director – Non-Independent
Mr. K.B. Sankara Rao	Additional Director

Chief Financial Officer

Mr. VVS Murthy

Chief Operating Officer

Mr. B. Madhusudan Rao

Chief Marketing Officer

Mr. Stefan Lohle

Company Secretary

Ms. Shivangi Sharma

Registered Office

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

Statutory Auditors

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

Internal Auditors

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

Registrar & Share Transfer Agent

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

Bankers

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

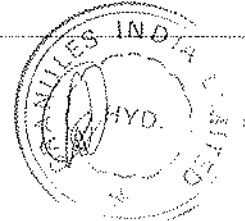
Plant Locations

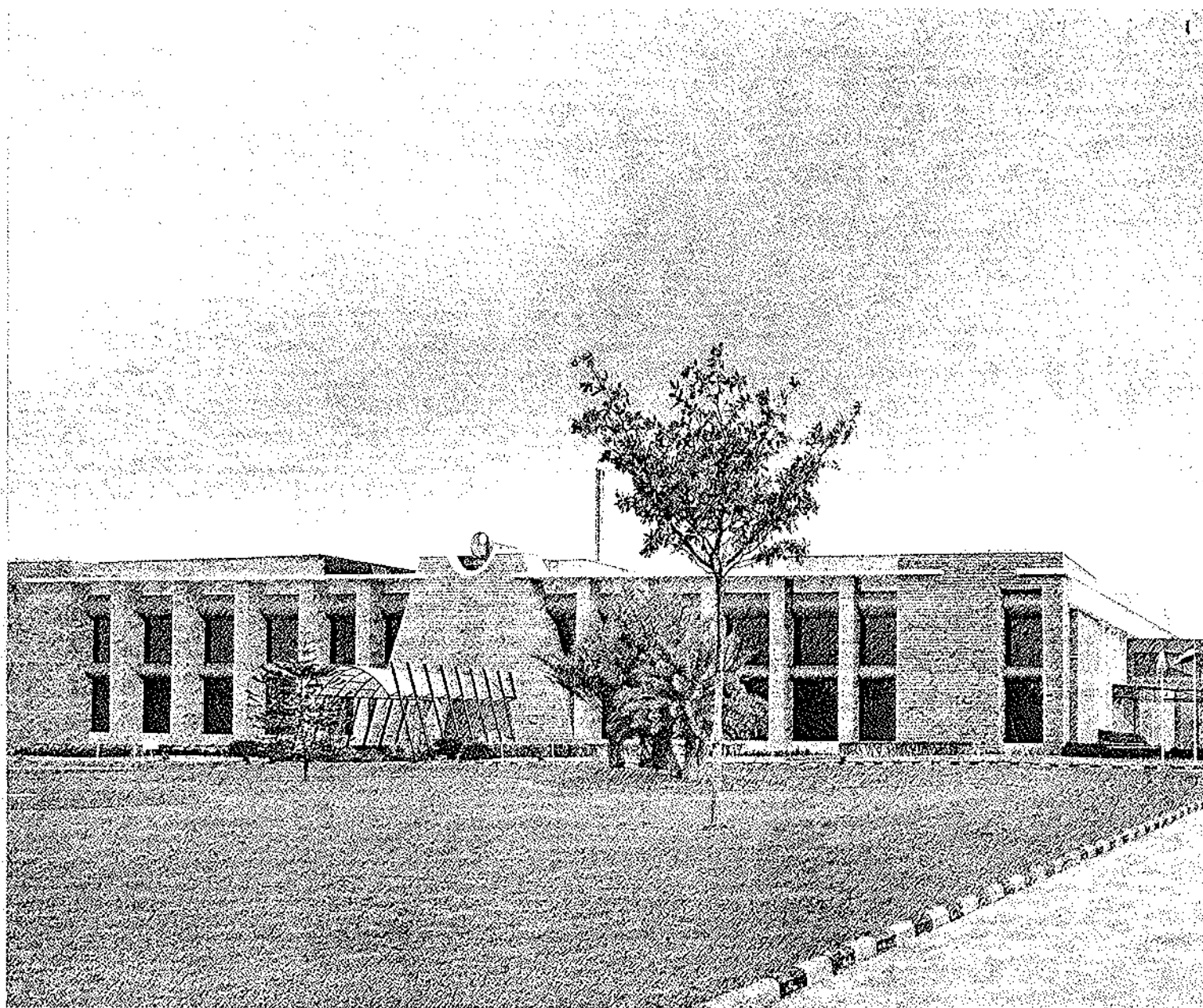
Plot No.15/A/1, Phase-III, I.D.A. Jeedimetla,
Hyderabad – 500 055, Andhra Pradesh,
Temple Road, Bonthapally, Medak District, A.P – 502 313,
Andhra Pradesh
Gagillapur, Qutubullapur Mandal, R. R. District,
A.P – 500 043, Andhra Pradesh

R&D Centre

Formulations: Gagillapur, Qutubullapur Mandal, R R District
(AP) – 500 043.
API: Plot No. 15/A/1, Phase-III, I.D.A, Jeedimetla, Hyderabad
(AP) – 500 055.
API: Gat no 258, Shreeram Building, Lawale Phata, Pirangut,
Tal Mulshi, District Pune (MH) 412 108

A TRISYS PRODUCT
info@trisyscom.com
www.kafajyothi.com



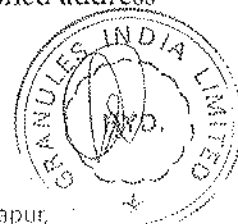


If undelivered, please return it to the under mentioned address

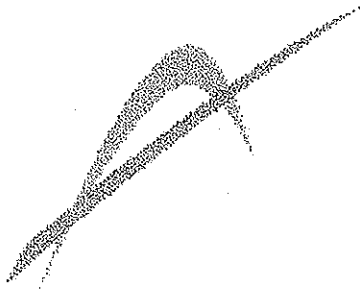


Granules India Limited

Regd. Office: 2nd Floor, 3rd Block, My Home Hub, Madhapur,
Hyderabad (AP) – 500 081 India
Tel: 91-40-66760000, Fax: 91-40-23115145



AUCTUS PHARMA LIMITED



13th Annual Report
2012 - 2013

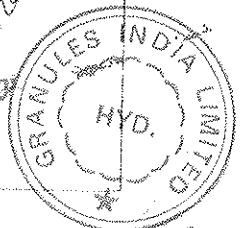
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For GRANULES INDIA LIMITED

For AUCTUS PHARMA LIMITED

Company Secretary

Director



Board of Directors : Mr. A. Siva Rama Prasad
Managing Director

Mr. S. Venkateswara Rao
Joint Managing Director

Mr. K. Subramanyeswara Rao
Non-Executive Director

Mr. T. Venkateswara Rao
Non-Executive Director

Mr. G. Nageswara Rao
Non-Executive Director

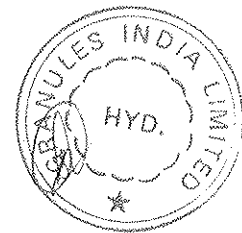
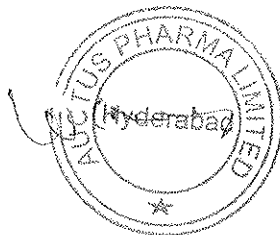
Bankers : Indian Bank,
Hyderabad Main Branch,
Surabhi Arcade, Bank Street,
Hyderabad - 500 001.

Auditors : K. Nagaraju & Associates
Chartered Accountants
No.1-8-197, Chikkadpally
Hyderabad - 500 020

Registered Office : 102, Aditya Trade Centre
Ameerpet, Hyderabad,
Andhra Pradesh
Pin - 500 038.

Plant Locations **Unit - II** : Plot No 8,
Jawaharlal Nehru Pharma City,
Parawada Village,
Visakhapatnam,
Andhra Pradesh
Pin - 531 021

Unit - III : Sy. 216, Bonthapally Village,
Jinnaram Mandal,
Medak District,
Andhra Pradesh
Pin - 502 313



**AUCTUS PHARMA LIMITED
HYDERABAD**


NOTICE

NOTICE is hereby given that the Thirteenth Annual General Meeting of the Members of **AUCTUS PHARMA LIMITED** will be held on Wednesday, the 18th day of September, 2013, at 11.00 A.M. at the Registered Office of the Company at Flat No.102, First Floor, Aditya Trade Centre, Ameerpet, Hyderabad-500 038 to transact the following business:

ORDINARY BUSINESS

1. To receive, consider and adopt the Audited Statement of Profit & Loss for the year ended 31st March, 2013, Cash Flow Statement and the Balance Sheet as at that date together with all the notes attached thereto and the Reports of the Board of Directors and the Auditors thereon.
2. To appoint a Director in place of Mr. K. Subramanyeswara Rao, who retires by rotation and, being eligible offers himself for re-appointment.
3. To appoint a Director in place of Mr. T. Venkateswara Rao, who retires by rotation and, being eligible offers himself for re-appointment.
4. To appoint Auditors to hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting of the Company and to fix their remuneration. M/s. K. Nagaraju & Associates, Chartered Accountants, Hyderabad, retire at the conclusion of this Annual General Meeting and are eligible for reappointment.

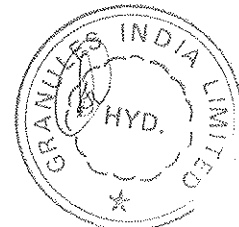
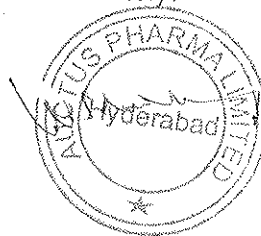
BY ORDER OF BOARD OF DIRECTORS
AUCTUS PHARMA LIMITED


A. Sivarama Prasad
Managing Director

Place: Hyderabad
Date : 19.07.2013

Notes:

1. A member entitled to attend and vote at the meeting is entitled to appoint a proxy/proxies to attend and vote on poll instead of himself/herself and such proxy need not be a member of the company.
2. Proxies to be effective must be deposited at the Registered Office of the Company not later than 48 hours before commencement of the Meeting.
3. Members are requested to intimate any change in their registered addresses to the Company at its Registered office immediately.



**AUCTUS PHARMA LIMITED
HYDERABAD**

DIRECTORS' REPORT

To
The Members of AUCTUS PHARMA LIMITED

Your Directors have pleasure in presenting the Thirteenth Annual Report of the Company together with the Audited Accounts for the financial year ended 31st March, 2013.

FINANCIAL RESULTS

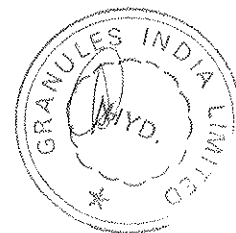
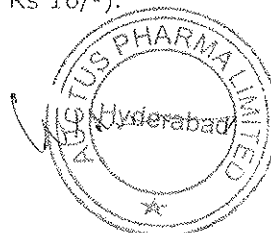
Particulars	Year Ended 31st March, 2013 Rs in lakhs	Year Ended 31st March, 2012 Rs in lakhs
Turnover and Other Income	1,152.90	9,801.82
Profit before Depreciation, finance costs, tax and exceptional items	212.60	1,527.54
Less: Depreciation	364.81	338.62
Finance cost	387.43	328.24
Exceptional items	(30.28)	367.91
Tax expense	(164.75)	153.99
Net Profit (Loss)	(405.17)	338.78
Profit brought forward from previous year	55.54	43.96
Balance available for appropriation	(349.63)	382.74
Dividend - Interim/Proposed	-	23.40
Tax on Proposed Dividend	-	3.80
Transferred to General Reserve	-	300.00
Balance Profit carried forward to Next Year	(349.63)	55.54

REVIEW OF OPERATIONS AND OUTLOOK

During the year under review, the Company recorded a Turnover and Other income of Rs. 1152.90 lakhs as against Rs. 9801.65 lakhs during the previous year. The Net Loss after taxes stood at Rs. 405.17 lakhs as against Net profit of Rs. 338.78 lakhs in the previous year. The loss during the year was due to minor fire accident at Unit - II, which affected the production in the third quarter, severe power shortage, increase in diesel and coal prices and low production yields in some of the initial batches of new products. Your Directors are hopeful of achieving good growth in the coming year.

DIVIDEND

Your Directors have not recommended the dividend for the financial year 2012 - 13 to the shareholders keeping in view of the conservation of resources. (Previous year Rs 1.50 per equity share of Rs 10/-).



APPROVALS

Your directors are pleased to inform you that the Unit - II at Parawada had been audited by European Medicines Authorities (EMA) and United States Food and Drug Administration (US FDA) and approved the plant. European Medicines Authorities have approved Valsartan, Losartan Potassium and Clopidogrel bisulphate HCL and US FDA has approved Zudovudine. These products have good market potential in India and abroad.

INVESTMENTS

The company has not made investments during the year.

DIRECTORS

Dr. B. Mohan ceased to be a Director due to his retirement from the Board with effect from 15th April 2013. The Board places on record their appreciation for the service rendered by him to the Company during his tenure.

Mr. K. Subramanyeswara Rao and **Mr. T. Venkateswara Rao** retire by rotation at the ensuing Annual General Meeting and, being eligible, offer themselves for re-appointment.

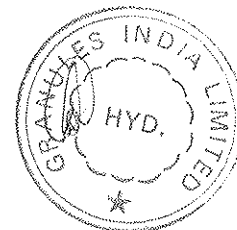
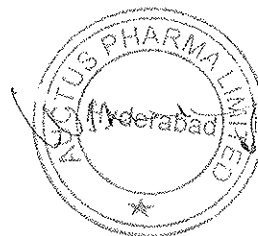
DIRECTORS' RESPONSIBILITY STATEMENT

Pursuant to the provisions of Section 217 (2AA) of the Companies Act, 1956 as amended, the Board of Directors hereby confirm:

- i) **THAT** in preparation of the annual accounts for the year ended 31st March 2013, the applicable Accounting Standards had been followed along with proper explanation relating to material departures;
- ii) **THAT** the Directors had selected such accounting policies and applied them consistently and made judgments and estimates that are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company at the end of the financial year 31st March, 2013 and of the profit/loss of the Company for that period;
- iii) **THAT** the Directors had 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;
- iv) **THAT** the Directors had prepared the annual accounts on a going concern basis.

AUDITORS

M/s K. Nagaraju & Associates, Chartered Accountants, the Statutory Auditors, retire at the conclusion of the ensuing Annual General Meeting and are eligible for reappointment.



COST AUDIT

In pursuance of Section 233(B) of the Companies Act, 1956, the Central Government has directed audit of the Cost Accounting Records of your Company. The Cost Audit Report for the Financial Year 2012-13 is under progress and the Report shall be submitted to the Central Government within the prescribed time limit.

COMPLIANCE CERTIFICATE

In accordance with the provisions of Section 383A of the Companies Act, 1956, the Company had obtained a Compliance Certificate from a practising Company Secretary and the same is attached herewith.

DEPOSITS

The Company has not accepted any deposits during the year under review.

PARTICULARS OF EMPLOYEES

There are no employees whose particulars are required to be disclosed in accordance with the provisions of Section 217 (2A) of the Companies Act, 1956, read with the Rules made thereunder.

PERSONNEL

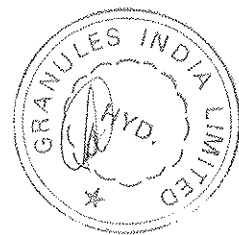
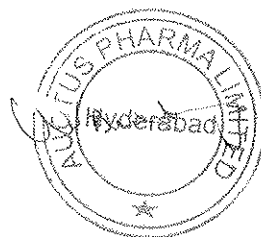
The relations with the workers and employees at all levels continued to be cordial during the year and the Directors are hopeful of the same in future also.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION AND FOREIGN EXCHANGE EARNINGS & OUTGO

In accordance with the provisions of Section 217 (1) (e) of the Companies Act, 1956, read with the Rules framed thereunder, the relevant information are furnished hereunder.

A. Conservation of energy

- (i) Energy conservation measures taken: Energy conservation is an on-going process in the company. Every effort is made towards optimum conservation of energy. Efforts are also directed towards elimination of wastage in all the areas of operation at the factory as well as offices.
- (ii) Additional Investments and proposals, if any, for reduction in consumption of energy. Additional Investments and proposals will be considered, as and when required.
- (iii) Benefits Derived have a result of the above Measures: Not significant.
- (iv) Total energy consumption and consumption per unit of production as per Form A - Enclosed.



B. Technology Absorption, Adaptation and Innovation.

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

The technology used by the company in manufacture of products is indigenous. The Company keeps itself abreast of latest developments in the industry and endeavors to adopt the same. All the operative personnel are fully trained in their respective fields.

Benefits derived as a result of the above efforts: not significant.

There is no imported technology.

C. Research and Development: Not significant.

D. Foreign Exchange earnings and outgo.

- a) Activities relating to exports: Initiatives taken to increase exports and export plans.

The Company has exported its products to the countries namely USA, Korea, China, Czech Republic, Mexico, Ukraine, Singapore and Philippines etc. The Company continues its marketing initiatives to increase exports and customer base.

- b) Foreign exchange earnings and outgo during the financial year ended 31st March, 2013.


1. Earnings: Rs 3528.83 lakhs on account of Exports (Previous year Rs 2838.77lakhs).
2. Outgo: Rs 2060.54 lakhs (Previous year - 1837.84 lakhs) for purchase of raw materials, Rs 62.65 lakhs (Previous year - Rs 23.46 lakhs) for purchase of capital items and Rs 28.37 lakhs (Previous year - Rs 39.91 lakhs) for Traveling expenses, subscriptions etc.


ACKNOWLEDGEMENTS

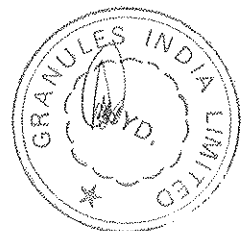
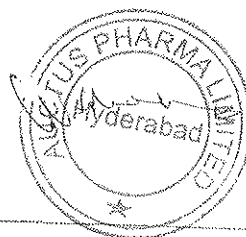
Your Directors take this opportunity to express their sincere thanks to the Banks, Government Agencies/Departments for their co-operation and support, the employees for their dedication and the Shareholders for the confidence reposed in the Management.

For and on behalf of the Board
AUCTUS PHARMA LIMITED

Place: Hyderabad
Date : 19.07.2013


A. Sivarama Prasad
Managing Director


S. Venkateswara Rao
Joint Managing Director



**AUCTUS PHARMA LIMITED
HYDERABAD**

ANNEXURE – I TO DIRECTORS' REPORT

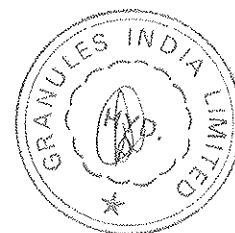
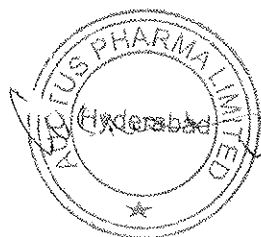
Information required under the companies (Disclosure of Particulars in the Report of Directors) Rules, 1988.

A) Conservation of Energy

The Details of conservation of energy in total and per unit are given below.

Energy Conservation

Power and Fuel consumption	31-03-2013	31-03-2012
1. Electricity		
a. Purchased		
Units	36,19,327	46,85,661
Total Amount	Rs 2,52,69,110	2,13,39,351
Unit Rate	Rs 6.98	4.55
b. Own Generation		
i. Through Diesel Generator		
No. of Liters	6,46,441	1,41,787
Total Amount	Rs 3,05,01,127	62,44,465
Cost Per Litre Diesel	Rs 47.18	44.04
ii. Through Steam Turbine/Generator		
Units per Litre of Oil	Nil	Nil
Cost Per Unit	Nil	Nil
2. Coal		
Quantity	MT 2,707	1,978
Cost	Rs 1,81,61,205	1,24,26,894
Average Rate/MT	Rs 6,708.98	6,282.56
B) Consumption per Unit of Production	Since the Company Manufactures different types of Bulk Drugs, Drug Intermediates, it is not practical to give consumption per unit of production.	
Electricity		
Coal		
Wood		





INDEPENDENT AUDITOR'S REPORT

To the Members of
Auctus Pharma Limited
Report on the Financial Statements

We have audited the accompanying financial statements of Auctus Pharma Limited ("the Company"), which comprise the Balance sheet as at March 31, 2013, and the Statement of Profit and Loss and Cash Flow statement for the year ended and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

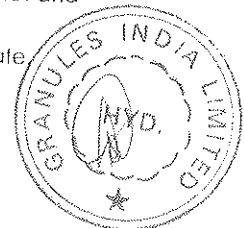
An audit involves performing procedure to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the Assessment of the risks of material misstatement of the financial statements, whether due to fraud or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

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

Opinion

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

- a. In the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013
- b. In the case of the Statement of Profit and Loss, of the loss for the year ended on that date: and
- c. In the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

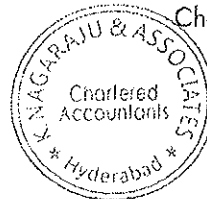


Report on Other Legal and Regulatory Requirements

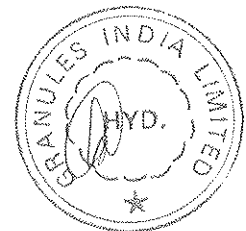
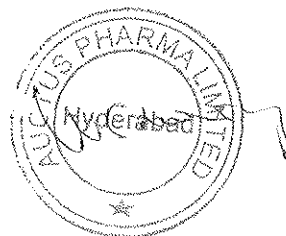
- 1) As required by the Companies (Auditor's Report) order, 2003 ("the order") issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters section in paragraphs 4 and 5 of the Order.
- 2) As required by section 227(3) of the Act, we report that:
 - 1) we have obtained all the information and explanations which to best of our knowledge and belief were necessary for the purpose of our audit;
 - 2) in our opinion proper books of account as required by law have been kept by the company so far as appears from our examination of those books;
 - 3) the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of accounts;
 - 4) in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in sub-section (3c) of section 211 of the Companies Act, 1956;
 - 5) on the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- 6) Since the central government has not issued any notification as to the rate at which the cess is to be paid under section 441A of the Companies Act, 1956 nor has it issued any Rules under the said section, prescribing the manner in which such cess is to be paid, no cess is due and payable by the Company.

Place: Hyderabad
Date: 19.07. 2013

For M/s. K. Nagaraju & associates
Firm Registration No: 002270S
Chartered Accountants

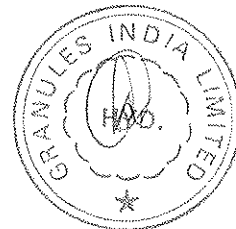
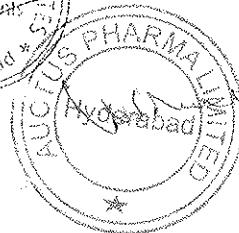


K. Nagaraju
(K. NAGARAJU)
Partner
M.No.24344



ANNEXURE TO THE AUDITORS REPORT REFERRED TO IN PARA 1 OF OUR REPORT OF EVEN DATE

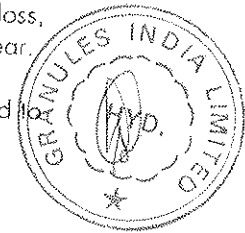
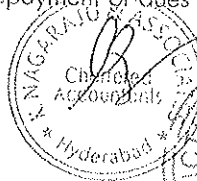
- I.
 - a) The company is maintaining proper records showing full particulars, including quantitative details and situation of fixed assets.
 - b) The Company has a phased programme of physical verification of Fixed Assets which in our opinion is reasonable having regard to the size of the company and nature of its business. No material discrepancies were noticed on such verification.
 - c) The Company has not disposed off substantial part of fixed assets during the period, which affects the going concern.
- II.
 - a) The inventory has been physically verified during the year by the Management. In our opinion, the frequency of verification is reasonable.
 - b) The procedure of physical verification of inventory followed by the management is reasonable and adequate in relation to size of the company and nature of its business.
 - c) The company is maintaining proper records of inventory and no material discrepancies were noticed on physical verification.
- III.
 - a) The Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act 1956.
 - b)
 - i) The Company has taken unsecured loan from three parties covered in the register maintained under section 301 of the Companies Act 1956. The maximum amount involved during the year was Rs 2,30,00,000/- and the year end balance was Rs 2,30,00,000/-.
 - ii) The rate of interest and other terms and conditions of loans taken by the company are not prejudicial to the interest of the company.
 - iii) The Company is regular in payment of the principal amount and interest there on.
- IV. In our opinion and according to explanations given to us, there are adequate internal control procedures commensurate with the size of the company and nature of its business for purchase of Inventory, Fixed Assets and for the Sale of goods and Services.



- V. a) In our opinion and according to the information and explanation given to us, since no contracts or arrangements referred to in Section 301 of the Companies Act, 1956 have been made by the company in respect of any party in the financial year, the entry in the register under Section 301 of the Companies Act, 1956 does not arise.
- b) According to the information and explanations given to us, as no such contracts or arrangements made by the company, the applicability of the clause of charging the reasonable price having regard to the prevailing market prices at the relevant time does not arise.
- VI. The company has not accepted deposits from the public and therefore Section 58A, 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed thereon do not apply.
- VII. In our opinion the Company has an internal audit system, commensurate with its size and nature of its business.
- VIII. We have broadly reviewed without making a detailed examination, the books of accounts and records maintained by the company pursuant to the rules made by the central government for maintenance of cost records under section 209 (1) (d) of the Companies Act, 1956 and we are of the opinion that prima facie the prescribed accounts and records have been maintained.
- IX. a) The company is regular in depositing Statutory dues including Provident Fund, Employees State Insurance, Income Tax, Sales Tax, Customs Duty, Excise, Cess, Wealth Tax, Service Tax and other statutory dues with appropriate authorities and at the last of the financial year there were no amounts outstanding which were due for more than 6 months from the date they become payable.
- b) According to information and explanation given to us, there are no dues of Sales Tax, Income Tax Customs Duty, Excise Duty and Cess, which have not been deposited on account of any dispute.
- c) According to the records of the Company, the dues outstanding of income-tax on account of any dispute is as follows

Name of the statute	Nature of due	Amount	Period to Which the amount relates	Forum where dispute is pending
IT Act, 1961	Tax	Rs 13,11,654	2003 - 04	IT Appellate Tribunal
IT Act, 1961	Tax	Rs 11,40,904	2004 - 05	IT Appellate Tribunal
IT Act, 1961	Penalty	Rs 8,98,393	2003 - 04	Comm. of IT (Appeals)
IT Act, 1961	Penalty	Rs 9,22,893	2004 - 05	Comm. Of IT (Appeals)

- X. For the financial year ending under report the company has accumulated loss, however it has no any accumulated loss in the immediately preceding financial year.
- XI. The Company has not defaulted in repayment of dues to financial institution and to the bank.



- XII. As explained 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.
- XIII. In our opinion the provisions of special statute applicable to chit fund are not applicable to this company.
- XIV. In our opinion, the company is not dealing or trading in shares, securities, debentures and other investments.
- XV. In our opinion and as per the information received and explanation given, the company has not given any Guarantees, which are prejudicial to the interest of the company.
- XVI. On the basis of review of utilization of funds pertaining to term loans on overall basis and related information as made available to us, the term loans taken by the Company have been applied for the purposes for which they are obtained.
- XVII. On the basis of an overall examination of the balance sheet of the Company, in our opinion and according to the information and explanations given to us, there are no funds raised on short-term basis, which have been used for long-term investments.
- XVIII. The company has not made any preferential allotment of shares to parties and companies covered under register maintained under Section 301 of the Companies Act, 1956.
- XIX. The Company has not issued any debentures during the period under review.
- XX. The company has not raised any money by public issue during the period under review.
- XXI. According to the information and explanation given to us, no frauds on or by the company has been noticed or reported during the period under review.

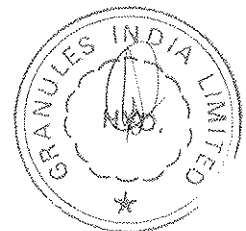
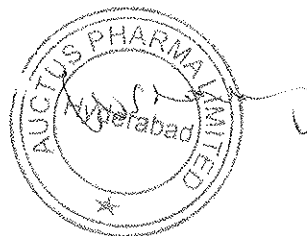
For M/s. K Nagaraju & Associates
Firm Registration No. 002270S
Chartered Accountants



K. Nagaraju
K. Nagaraju
Partner

Membership no: 24344

Place: Hyderabad.
Date : 19.07.2013



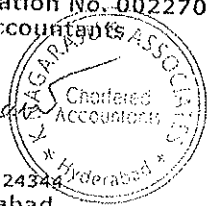
Particulars		Note	As at 31.03.2013 Rs.	As at 31.03.2012 Rs.
I.	EQUITY AND LIABILITIES			
	1. Shareholders' funds			
	Share capital	2.01	39,000,000	39,000,000
	Reserves and surplus	2.02	182,536,150	223,053,768
			221,536,150	262,053,768
	2. Non current liabilities			
	Long term borrowings	2.03	83,250,000	56,120,000
	Deferred tax liability (net)	2.04	5,423,222	23,703,661
			88,673,222	79,823,661
	3. Current liabilities			
	Short term borrowings	2.05	179,221,855	163,929,450
	Trade payables	2.06	389,152,592	212,556,934
	Other current liabilities	2.07	81,885,237	74,401,256
	Short term provisions	2.08	1,359,713	5,925,571
			651,619,397	456,813,211
			961,828,769	798,690,640
II.	ASSETS			
	1. Non current assets			
	Fixed assets			
	Tangible assets	2.09	367,927,401	350,387,358
	Long term loans and advances	2.10	7,310,471	3,814,285
			375,237,872	354,201,643
	2. Current assets			
	Inventory	2.11	183,473,310	121,291,028
	Trade receivables	2.12	304,507,146	253,098,254
	Cash and bank balances	2.13	8,693,014	9,120,812
	Short term loans and advances	2.14	88,677,824	60,073,087
	Other current assets	2.15	1,239,603	905,816
			586,590,897	444,488,997
			961,828,769	798,690,640
	Significant accounting policies			
	Notes to accounts	1		
		2		
	The accompanying notes are an integral part of financial statements			

As per our report of even date

For K. Nagaraju & Associates
Firm Registration No. 002270S
Chartered Accountants

K. Nagaraju
Partner

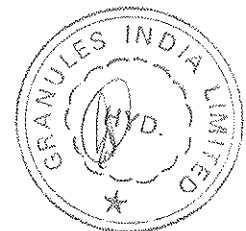
Membership no: 24344
Place: Hyderabad
Date : 19.07.2013



For and on behalf of the Board of Directors

A. Sivarama Prasad
Managing Director

S. Venkateswara Rao
Joint Managing Director



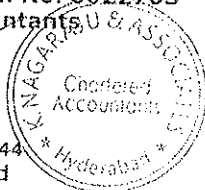
STATEMENT OF PROFIT AND LOSS FOR THE YEAR ENDED 31st MARCH 2013

	Particulars	Note	for the year ended 31.03.2013 Rs.	for the year ended 31.03.2012 Rs.
I	INCOME			
	Revenue from operations (Gross)	2.16	1,215,786,932	1,011,610,421
	Less: Excise Duty		73,665,987	48,559,148
	Revenue from operations (Net)		1,142,120,945	963,051,273
	Other income	2.17	10,765,990	17,130,770
	Total revenue		1,152,886,935	980,182,043
II	EXPENSES			
	Cost of materials Consumed	2.18	929,938,509	757,713,192
	Change in Inventories of finished goods and work in progress	2.19	(45,695,530)	(28,349,285)
	Employee benefits expenses	2.20	73,153,282	62,656,202
	Finance costs	2.21	38,742,614	32,823,916
	Depreciation	2.09	36,481,428	33,862,296
	Other expenses	2.22	174,230,621	108,990,159
	Total expenses		1,206,850,924	967,696,480
III	Profit before exceptional items and taxes		(53,963,989)	12,485,563
IV	Exceptional items	2.23	(3,028,322)	36,791,384
V	Profit before tax		(56,992,311)	49,276,947
VI	Tax expense			
	Current tax	2.24	-	3,727,558
	Deferred tax		(18,280,439)	10,806,931
	Tax relating to previous years		1,805,746	865,010
VII	Profit for the period		(16,474,693)	15,399,499
			(40,517,618)	33,877,448
VIII	EARNINGS PER SHARE			
	Basic		(10.39)	8.69
	Diluted		(10.39)	8.69
	Nominal Value per Share		10.00	10.00
	Significant accounting policies	1		
	Notes to accounts	2		
	The accompanying notes are an integral part of financial statements			

As per our report of even date

For K. Nagaraju & Associates
Firm Registration No. 002270S
Chartered Accountants

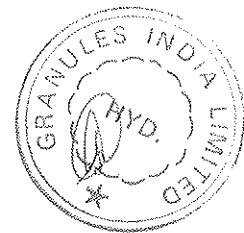
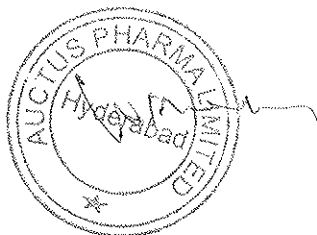
K. Nagaraju
Partner
Membership no: 24344
Place: Hyderabad
Date : 19.07.2013



For and on behalf of the Board of Directors

A. Sivarama Prasad
Managing Director

S. Venkateswara Rao
Joint Managing Director

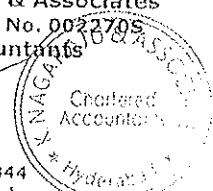


CASH FLOW STATEMENT FOR THE YEAR ENDED 31ST MARCH 2013

Particulars	for the year ended 31.03.2013 Rs.	for the year ended 31.03.2012 Rs.
A. CASH FLOW FROM OPERATING ACTIVITIES		
Net profit (loss) after extraordinary items and before taxes	(56,992,311)	49,276,947
Adjustments for :		
Depreciation	36,481,428	33,862,296
Interest expenses	35,242,963	29,337,559
Profit on sale of fixed assets	3,035,843	(36,677,932)
Operating Profit before working capital changes	17,767,923	75,798,870
Adjustments for :		
Decrease/(increase) in inventories	(62,182,282)	(42,032,003)
Decrease/(increase) in sundry debtors	(51,408,892)	25,829,345
Decrease/(increase) in short term loans and advances	(28,604,737)	(15,623,270)
Decrease/(increase) in long term loans and advances	(3,496,186)	3,978,555
Decrease/(increase) in other current assets	(333,787)	175,127
Increase (decrease) in other long term liabilities		(12,500,000)
Increase (decrease) in trade payables	176,595,658	(1,562,427)
Increase (decrease) in other current liabilities	15,593,981	(21,503,202)
Increase (decrease) in provision for retirement benefits	252,919	(211,119)
Increase (decrease) in short term borrowings	15,292,405	72,363,688
Cash generated from operations	61,709,081	8,914,694
Income tax paid	(3,904,916)	(15,626,718)
Interest paid	(35,242,963)	(29,337,559)
NET CASH FROM OPERATING ACTIVITIES (A)	40,329,125	39,749,287
B. CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(55,630,943)	(65,711,484)
Proceeds from sale of fixed assets	(1,426,373)	49,482,001
Sale of investments	-	62,750
NET CASH FROM INVESTING ACTIVITIES (B)	(57,057,316)	(16,166,733)
C. CASH FLOW FROM FINANCING ACTIVITIES		
Proceeds from issuance of share capital (including premium)	-	-
Proceeds from long term borrowings	55,910,000	14,917,801
Repayment of long term borrowings	(28,780,000)	(29,800,000)
Proceeds from short term borrowings	(8,110,000)	(6,690,000)
Dividend and dividend tax	(2,719,607)	-
NET CASH FROM FINANCING ACTIVITIES (C)	16,300,393	(21,572,199)
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS (A+B+C)	(427,798)	2,010,355
Cash and cash equivalents - opening Balance	9,120,812	7,110,457
Cash and cash equivalents - closing Balance	8,693,014	9,120,812
NET INCREASE/(DECREASE) IN CASH AND CASH EQUIVALENTS	(427,798)	2,010,355

As per our report of even date
For K. Nagaraju & Associates
Firm Registration No. 0022709
Chartered Accountants

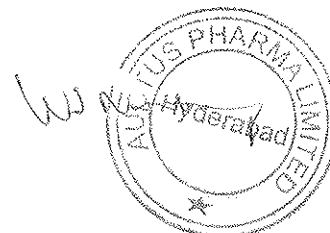
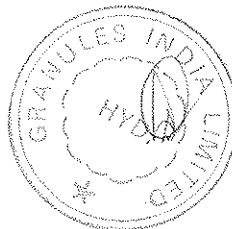
K. Nagaraju
Partner
Membership no: 24344
Place: Hyderabad
Date : 19.07.2013



For and on behalf of the Board of Directors

A. Sivarama Prasad
Managing Director

S. Venkateswara Rao
Joint Managing Director



AUCTUS PHARMA LIMITED

NOTE 1 : SIGNIFICANT ACCOUNTING POLICIES

a) Basis of preparation of financial statements:

The financial statements are prepared under the historical cost convention, in accordance with generally accepted accounting principles, applicable provisions of the Companies Act, 1956 and as per the accounting standards issued by the Institute of Chartered Accountants of India.

b) Fixed Assets and Depreciation:

i) Fixed assets are stated at cost less accumulated depreciation. Cost of acquisition of fixed assets is inclusive of freight, duties (net of Cenvat) and taxes, interest, if any on specific borrowings utilized for financing the assets up to the date of commissioning the cost of installation / erection and other incidental expenses.

ii) Depreciation on fixed assets is provided on the basis of Straight Line Method, at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956.

c) Investments:

Investments that are readily realizable and intended to be held for not more than year are classified as current investments. All other investments are classified as long term investments. Long-term investments are carried at cost. However, provision for diminution in value is made to recognized a decline, other than temporary, in the value of the investments. Current investments are carried at lower of cost and fair value determined on individual investment basis

d) Inventories:

i. Raw Materials, stores, spares and consumables are valued at cost, calculated on "First-in-First out" basis, which is either equal to or less than the realizable value.

ii. Finished goods and Work-in-process are valued at lower of cost and net realizable value. In respect of finished goods, cost includes materials, labour and a proportion of appropriate overheads.

e) Revenue recognition:

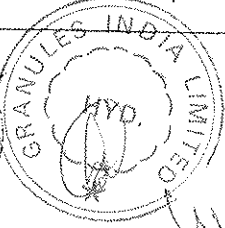
Revenue from indigenous sales is recognized on dispatch and revenue from exports is recognized on the date of bill of lading. Sales are net of excise duty, sales tax and returns.

f) Foreign currency transactions:

Foreign currency transactions are accounted at the exchange rates prevailing on the date of the transactions. Gains and losses, if any, at the year-end in respect of monetary assets and monetary liabilities not covered by the forward contracts are recognized in the Profit and Loss Account.

g) Retirement benefits:

Contributions payable to a defined benefit plan, determined by an independent actuary at the balance sheet date, are charged to the profit and loss account. Provision for leave encashment cost is made on the basis of actuarial valuation at the balance sheet date, carried over by an independent actuary. Contributions payable to the recognized provident fund, which is defined contribution scheme, are charged to the profit and loss account. All actuarial gains and losses arising during the year are recognized in the Profit and Loss Account of the year.



h) Taxation:

The provision for current income tax is ascertained on the basis of assessable Profits computed in accordance with the provisions of the Income Tax Act, 1961.

Deferred tax liability is recognized, subject to the consideration of prudence on timing differences, being the difference between taxable income and accounting income that originate in one period and are capable of reversal in one or more subsequent periods.

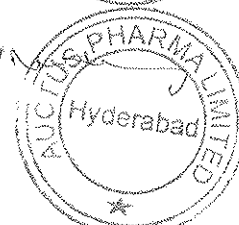
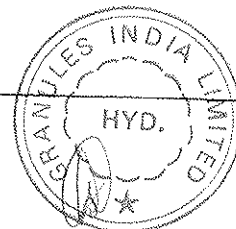
Deferred tax assets are recognised only to the extent there is reasonable certainty that the assets can be realised in future. Where there is unabsorbed depreciation or carry forward of losses, deferred tax assets are recognised only if there is a virtual certainty of realisation of such assets.

i) Segment Reporting:

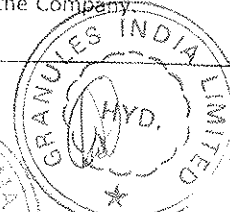
The Company is in business of manufacturing of bulk drugs and intermediates, hence total business of the company is treated as one single segment.

j) Government Grants

Grants and subsidies are recognized when there is a reasonable assurance that the grant or subsidy will be received and that all underlying conditions thereto will be complied with. Grants given with reference to the total investment are recognized as Capital Reserve and grants given relating to revenue are recognized on a systematic basis in the profit and loss account over the periods necessary to match them with the related costs which they are intended to compensate.

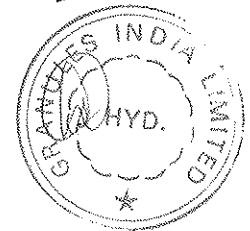


Particulars	As at 31-03-2013		As at 31-03-2012	
	Rs.	Rs.	Rs.	Rs.
2.1. Share capital				
Authorised				
4,500,000 (4,500,000) equity shares of Rs. 10/- each		45,000,000		45,000,000
Issued subscribed and paid-up				
3,900,000 (3,900,000) equity shares of Rs. 10/- each		39,000,000		39,000,000
		<u>39,000,000</u>		<u>39,000,000</u>
2.1.1 The details of shareholders holding more than 5% shares				
Name of the shareholder	No of shares	% held	No of shares	% held
S.Venkateswara Rao	1,286,500	32.99	1,284,000	32.92
A.Sivarama Prasad	1,184,000	30.36	1,181,500	30.29
A.Mahalkshmi	420,500	10.78	420,500	10.78
S.Lakshmi Devi	382,000	9.78	382,000	9.78
B.Sridhar	200,000	5.13	200,000	5.13
2.1.2 Reconciliation of number of shares outstanding at the beginning and end of the year	No of shares		No of shares	
Equity Shares at the beginning of the year	3,900,000		3,900,000	
2.2. Reserves and surplus				
Capital reserve				
Govt. investment subsidy		1,500,000		1,500,000
Securities premium		36,000,000		36,000,000
General reserve				
As per last balance sheet	180,000,000		150,000,000	
Add: Transfer from Statement of Profit and Loss	-	180,000,000	30,000,000	180,000,000
Surplus/(Deficit)				
As per last balance sheet	5,553,768		4,395,927	
Add: Profit/(Loss) for the year	(40,517,618)		33,877,448	
	<u>(34,963,850)</u>		<u>38,273,375</u>	
Less: Appropriations				
Transfer to general reserve			30,000,000	
Proposed dividend on equity shares (Dividend per share Rs 0 (Previous year Rs 1.50))			2,340,000	
Tax on dividend			379,607	
		<u>(34,963,850)</u>		<u>5,553,768</u>
		<u>182,536,150</u>		<u>223,053,768</u>
2.3. Long term borrowings				
Secured				
Term loans from Indian Bank		60,250,000		49,030,000
Unsecured				
Loans from Directors		23,000,000		7,090,000
		<u>83,250,000</u>		<u>56,120,000</u>
2.3.1 a. Term loans from Indian Bank are secured by first charge on immovable properties both present and future by equitable mortgage by deposit of title deeds of the Company's land wherever situated.				
b. Personal guarantees given by Managing Director and Joint Managing Director of the Company.				
c. There is no default in repayment of principal loan or interest thereon.				
2.3.2 Maturity profile of term loans are as set out below				
Term loan V from Indian Bank	Rate of Interest	1-2 years	2-3 years	3-4 years
Term loan VI from Indian Bank	BPLR+TP-1.50%	19,400,000	4,850,000	-
	BR+TP+2.75%	8,000,000	8,000,000	8,000,000
2.4. Deferred tax liability (net)				
Deferred tax liability				
On account of depreciation		26,717,347		24,062,760
Deferred tax assets				
On account of employee benefits	(441,159)		(359,099)	
On account of carried forward loss	(20,852,966)	(21,294,125)		(359,099)
		<u>5,423,222</u>		<u>23,703,661</u>
2.5. Short term borrowings				
Secured				
Cash credit from Indian bank		119,221,869		114,003,591
Packing credit loan from Indian bank		59,999,986		49,925,859
		<u>179,221,855</u>		<u>163,929,450</u>
2.5.1 a. Working capital loans from Indian Bank are secured by way of hypothecation of all stocks, book debts and other current assets both present and future.				
b. Personal guarantees given by Managing Director and Joint Managing Director of the Company.				
c. There is no default in repayment of principal loan or interest thereon.				

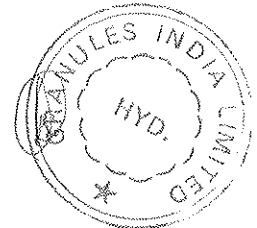
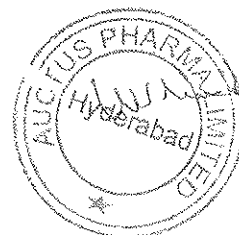


2.09. TANGIBLE ASSETS

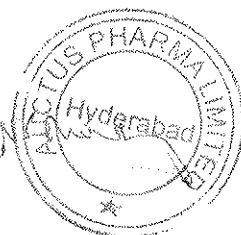
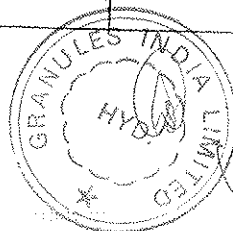
Name of the asset	GROSS BLOCK			DEPRECIATION			NET BLOCK			
	As at 01.04.2012 Rs.	Additions Rs.	Deletions Rs.	As at 31.03.2013 Rs.	Upto 01.04.2012 Rs.	For year Rs.	Deletions Rs.	Up to 31.03.2013 Rs.	As at 31.03.2013 Rs.	As at 31.03.2012 Rs.
Land	27,436,132	-	-	27,436,132	-	-	-	-	27,436,132	27,436,132
Buildings	97,460,702	10,947,160	-	108,407,862	9,857,387	3,354,754	-	13,212,151	95,195,711	87,603
Plant and machinery	246,372,330	23,852,477	1,747,217	268,477,590	73,218,510	26,484,384	422,568	99,280,326	169,197,264	173,153
Pipes and valves	36,185,630	8,055,332	-	44,240,962	6,819,207	622,387	-	7,441,593	36,799,369	29,366
Electrical installation	19,180,268	1,553,107	-	20,733,375	6,461,974	2,030,794	-	8,492,768	12,240,607	12,718
Lab equipment	17,737,422	8,678,326	-	26,415,748	6,721,037	2,457,245	-	9,178,282	17,237,466	11,016
Factory equipment	4,634,938	1,530,087	-	6,165,025	2,084,503	518,620	-	2,603,123	3,561,902	2,550
Computers	1,491,366	544,000	122,500	1,912,866	978,996	254,078	122,500	1,110,574	802,292	512
Furniture and fixtures	2,087,076	470,454	-	2,557,530	621,616	149,446	-	771,061	1,786,469	1,465
Vehicles	7,350,968	-	1,385,023	5,965,945	3,017,265	565,212	1,100,202	2,482,275	3,483,670	4,333
Office equipment	512,162	-	-	512,162	281,132	44,510	-	325,642	186,520	231
Total	460,448,994	55,630,943	3,254,740	512,825,197	110,061,637	36,481,429	1,645,270	144,897,796	367,927,401	350,387,333
Previous year	307,541,455	193,443,634	40,536,095	460,448,994	103,931,367	33,862,295	27,732,026	110,061,636	350,387,358	203,610



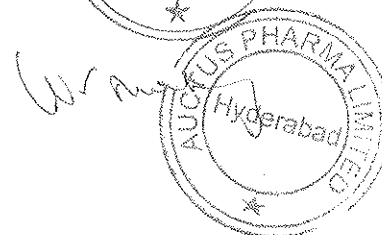
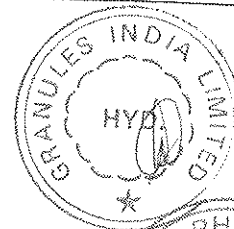
Particulars	As at 31-03-2013		As at 31-03-2012	
	Rs.	Rs.	Rs.	Rs.
2.6. Trade payables				
Micro, small and medium enterprises	2,829,084		1,614,004	
Others	386,323,508	389,152,592	210,942,930	212,556,934
2.7. Other current liabilities				
Current maturities of long term debt		28,780,000		36,890,000
Creditors for capital expenditure		13,568,688		10,091,658
Other payables		39,536,549		27,419,598
		81,885,237		74,401,256
2.8. Short term provisions				
for leave encasement				1,106,794
for income tax		1,359,713		2,099,170
for proposed dividend				2,340,000
for dividend tax				379,607
		1,359,713		5,925,571
2.10. Long term loans and advances (Unsecured and considered good)				
Security deposits		5,149,420		3,368,620
Capital advances for purchase of fixed assets		2,161,051		445,665
		7,310,471		3,814,285
2.11. Inventories (Valued at lower of cost or net realisable value)				
Stores and spares		2,396,665		1,840,022
Raw materials				
at stores	79,261,516		51,885,372	
in transit	1,343,678		12,789,713	
Work-in-progress		80,605,194		64,675,085
Finished goods		100,404,125		54,619,121
		67,326		156,800
		183,473,310		121,291,028
2.12. Trade receivables (Unsecured and considered good)				
Debts outstanding for a period exceeding six months from the date they are due for payment		1,800,142		-
Other debts		302,707,004		253,098,254
		304,507,146		253,098,254
2.13. Cash and bank balances				
Cash and cash equivalents consists of				
Balances with banks				
In current accounts				
Cash on hand		341,359		474,514
Other bank balances		219,010		245,832
Margin money deposits				
		8,132,645		8,400,466
		8,693,014		9,120,812
2.13.1 Fixed deposits with bank include deposits of Rs 50,00,000 (previous year Rs 77,00,000) with maturity of more than 12 months.				
2.14. Short term loans and advances (Unsecured and Considered good)				
Advances to material suppliers		1,621,459		1,247,361
Staff loans and advances		242,667		263,628
MAT credit entitlement		6,609,524		6,609,524
Balances with statutory/government authorities		78,203,210		50,950,189
Prepaid expenses		2,000,964		1,002,385
		88,677,824		60,073,087
2.15. Other current assets				
Interest accrued but not due		1,239,603		905,816



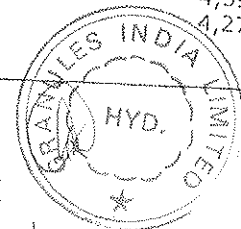
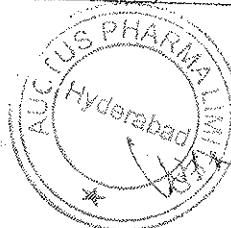
Particulars	2012 - 13		2011 - 12	
	Rs.	Rs.	Rs.	Rs.
2.16. Revenue from operations				
Sales of products				
Domestic	801,860,482		633,975,294	
Export	389,934,897	1,191,795,379	374,911,445	1,008,886,739
Other operating revenues				
Process income	20,087,720		482,450	
Export incentives	3,903,833	23,991,553	2,241,232	2,723,682
		1,215,786,932		1,011,610,421
2.17. Other income				
Interest		920,181		1,251,122
Exchange fluctuation (net)		5,948,330		10,307,334
Govt. subsidy		3,813,708		4,934,579
Others		83,771		637,735
		10,765,990		17,130,770
2.18. Cost of material consumed				
Imported	19.09%	177,494,044	24.14%	182,906,019
Indigenous	80.91%	752,444,465	75.86%	574,807,173
	100.00%	929,938,509	100.00%	757,713,192
2.18.1	Rawmaterial consumption includes an amount of Rs 22,50,995 being th insurance claim made on stocks due to fire accident.			
19. Change in inventories of finished goods and work in progress				
Opening stock				
Finished goods	156,800		3,059,565	
Work-in-progress	54,619,121	54,775,921	23,367,071	26,426,636
Closing stock				
Finished goods	67,326		156,800	
Work-in-progress	100,404,125	100,471,451	54,619,121	54,775,921
Net increase/(decrease)		45,695,530		28,349,285
2.20. Employee cost				
Salaries, wages and bonus		65,818,161		56,694,662
Contribution to provident fund and other funds		4,102,921		3,559,334
Staff welfare expenses		2,123,897		1,487,487
Gratuity and leave encashment		1,108,303		914,719
		73,153,282		62,656,202
2.20.1	The Company has a defined benefit gratuity plan. Every employee who has completed five years or more of service gets a gratuity on departure at 15 days last drawn salary for each completed year of service. The scheme is funded with an insurance company in the form of a qualifying insurance policy.			
2.20.2	The following tables summarise the components of net benefit expenses recognized in the Profit and Loss Account and amounts recoanized in the Balance Sheet:			
2.20.2.1	Changes in present value of obligation			
Present value of obligations as at the		1,205,959		1,133,163
Interest Cost		96,477		90,653
Current Service Cost		359,699		336,285
Benefits Paid		(150,245)		(346,802)
Actuarial (gain)/Loss on obligations		165,501		(7,340)
Present Value of obligations as at end of		1,677,391		1,205,959
2.20.2.2	Changes in the fair value of plan assets			
Fair value of plan assets at beginning of		1,408,740		1,255,654
Expected return on plan assets		153,504		128,003
Contributions		877,033		371,885
Benefits Paid		(150,245)		(346,802)
Actuarial gain/(loss) on Plan assets		nil		nil
Fair value of plan assets at the end of		2,289,032		1,408,740



Particulars	2012 - 13		2011 - 12	
	Rs.	Rs.	Rs.	Rs.
2.20.2.3 Fair value of plan assets				
Fair value of plan assets at beginning of		1,408,740		1,255,654
Actual return on plan assets		153,504		128,003
Contributions		877,033		371,885
Benefits Paid		(150,245)		(346,802)
Fair value of plan assets at the end of		2,289,032		1,408,740
Funded Status		611,641		202,781
Excess of Actual over estimated return		nil		nil
2.20.2.4 Actuarial gain/loss recognized				
Actuarial (gain)/loss on obligations		(165,501)		7,340
Actuarial (gain)/loss for the year - plan		nil		nil
Actuarial (gain)/loss on obligations		165,501		(7,340)
Actuarial (gain)/loss recognized in the		165,501		(7,340)
2.20.2.5 Net asset/liability recognized in the				
Present value of obligations as at the end of		1,677,391		1,205,959
Fair value of plan assets as at the end of the		2,289,032		1,408,740
Funded status		611,641		202,781
Net asset/(liability) recognized in		611,641		(202,781)
2.20.2.6 Expenses recognized in statement of profit				
and loss				
Current service cost		359,699		336,285
Interest cost		96,477		90,653
Expected return on plan assets		(153,504)		(128,003)
Net Actuarial (gain)/Loss recognized in		165,501		(7,340)
Expenses recognized in statement of		468,173		291,595
2.20.2.7 Assumptions				
Discount rate (p.a)		8%		8%
Salary Escalation		4%		4%
2.21. Financial cost				
Interest expenses				
for term loans		9,272,278		13,508,602
for working capital loans		24,514,746		15,552,907
for Others		1,455,939		276,050
Bank charges		3,499,651		3,486,357
		<u>38,742,614</u>		<u>32,823,916</u>
2.22. Other expenses				
Manufacturing expenses				
Carriage inwards	8,637,188		8,129,226	
Clearing and forwarding charges	4,320,702		2,864,834	
Stores,spares and consumables	6,729,923		7,108,653	
Power and fuel	73,931,442		40,010,710	
Repairs and maintenance:				
- Plant and machinery	3,327,512		3,334,422	
- Buildings	1,171,562		1,358,723	
- Others	7,996,441		4,187,153	
Effluent treatment charges	6,392,662		5,568,615	
Increase (Decrease) of Excise duty on	(9,843)		17,249	
Inventory				
Processing charges	17,570,310		2,151,565	
Other manufacturing expenses	6,208,772	136,276,671	4,126,756	78,857,906



Particulars	2012 - 13		2011 - 12	
	Rs.	Rs.	Rs.	Rs.
Establishment expenses				
Rent	381,300		346,800	
Rates and taxes	1,057,780		752,824	
Printing and stationery	1,235,650		1,200,997	
Postage, telegram and telephones	610,640		550,114	
Travelling and conveyance	5,882,983		4,477,547	
Vehicle maintenance	1,127,758		879,640	
Office equipment maintenance	70,721		49,347	
Legal and professional fee	390,500		540,225	
Registration, membership and filing fee	3,205,469		1,159,583	
Insurance	1,235,488		910,366	
Audit Fee - Statutory audit	60,000		50,000	
- Tax audit	25,000		25,000	
- Other services	15,000		15,000	
Loss on sale of asset	7,521		113,452	
Other office expenses	1,220,283	16,526,093	952,532	12,023,427
Selling expenses				
Carriage outward	11,878,386		8,959,215	
Sales commission	9,496,415		9,026,834	
Discounts	53,056	21,427,857	122,777	18,108,826
2.22.1 Expenditure in foreign currency		174,230,621		108,990,159
Registrations, traveling expenses, subscriptions etc		2,837,003		3,990,837
2.23. Exceptional item	Exceptional item includes short recovery of insurance claim of Rs 2,34,416 on stock and Rs 27,93,906 on repairs and renewals.			
2.24. Current tax				
Domestic tax				10,337,082
MAT credit entitlement				(6,609,524)
				3,727,558
2.25. Transactions with related parties during the year				
2.25.1 Key Management Personnel				
Mr. A. Sivarama Prasad				
Managerial Remuneration		4,752,000		4,499,000
Dividend				708,900
Rent		381,300		346,800
Mr. S. Venkateswara Rao				
Managerial Remuneration		4,752,000		4,499,000
Dividend				770,400
Dr. B.Mohan				
Managerial Remuneration		2,100,000		2,300,000
Dividend				90,000
2.25.2 Relatives of Key Management Personnel				
Mrs. S. Lakshmi Devi				
Dividend				229,200
Mrs. A. Maha Lakshmi				
Dividend				252,300
Mr. A. Vamsi Krishna				
Salary		412,000		38,400
Dividend				
2.26. Contingent liabilities				
Bills discounted with banks		76,340,936		58,770,503
Bank guarantees		6,198,660		4,591,069
Direct taxes in appeals		4,273,844		4,273,844

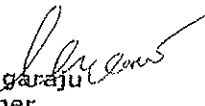


Particulars	2012 - 13		2011 - 12	
	Rs.	Rs.	Rs.	Rs.
2.27. Earning per share				
i. Net profit after taxes as per Statement of Profit and Loss attributable to equity shareholders		(40,517,618)		33,877,448
ii. Weighted average number of shares outstanding				
Basic		3,900,000		3,900,000
Diluted		3,900,000		3,900,000
Earning per shares (face value of Rs 10)				
Basic		(10.39)		8.69
Diluted		(10.39)		8.69
2.28. C.I.F. Value of imports				
Raw materials		206,054,790		183,783,747
Capital goods		6,264,543		2,346,252
2.29. Earnings in foreign currency				
FOB value of exports		352,883,441		283,877,211
2.30. Previous year figures have been regrouped/reclassified, wherever necessary to conform to the current year presentations.				


As per our report of even date


For K. Nagaraju & Associates
Firm Registration No. 002270S
Chartered Accountants

For and on behalf of the Board of Directors


K. Nagaraju
Partner
Membership no: 24344
Place: Hyderabad
Date : 19.07.2013



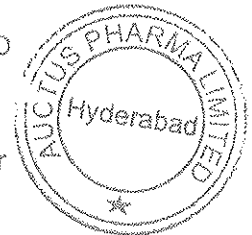

A. Sivarama Prasad
Managing Director


S. Venkateswara Rao
Joint Managing Director

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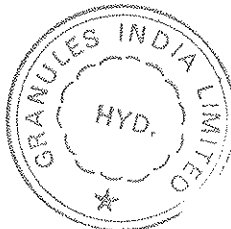
For AUCTUS PHARMA LIMITED

Director



For GRANULES INDIA LIMITED

Company Secretary



Granules India Limited

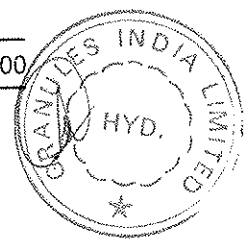
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 www.granulesindia.com Email : mail@granulesindia

Bombay Stock Exchange Limited
 I Floor, Rotunda
 B.S Marg, Fort

 Mumbai
 Maha Rastra 400 001 INDIA

Dear Sir/Madam,
 We are pleased to send to you Cheque Bearing No. 112412 dated 13-02-2014
 for Rs. 1,12,360.00 as per details mentioned below.

Invoice Date	Invoice Number	Description	Invoice Amount	Amount Paid	Balance
13-FEB-14	Adv.for merger	Advance for submission of merger documents with BSE	1,12,360.00	1,12,360.00	0.00
INR Total :				1,12,360.00	



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 Sardar Patel Road, Secunderabad - 500003
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A/c No. खाता क्र.	C.C. 323044000684
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Sudhakar P. Srinivasan
 Authorised Signatory

Please sign above

