



Granules India Limited

Revving up up

FORWARD LOOKING STATEMENT

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

We cannot guarantee that these forward-looking statements will be realised, although we believe we have been prudent in assumptions. The achievements of results are subject to risks, uncertainties, and even inaccurate assumptions. Should known or unknown risks or uncertainties materialise, or should underlying assumptions prove inaccurate, actual results could vary materially from those anticipated, estimated, or projected. Readers should keep this in mind. We undertake no obligation to publicly update any forward-looking statements, whether as a result of new information, future events or otherwise.

Contents

» Granules Today	02
» Financial Performance	04
» Rewing up	06
» Managing Director's Review	14
» Board of Directors	18
» Statutory Reports	
Management Discussion and Analysis	20
Directors' Report	32
Corporate Governance Report	42
» Financial Section	
Standalone Financial Statements	57
Statement Pursuant to Section 212	82
Consolidated Financial Statements	83
» Notice	101



At Granules, we have formulated strategies with a vision of long-term business sustainability. Aided by our operational excellence program and capacity scale-up, we are in a stronger position than ever, to meet the increasing demands from multinational corporations for products across the pharmaceutical manufacturing value chain.

Having put the right practices in place, we're revved up to rise to the next orbit of growth with marked revenue visibility and margin stability.



The quick read

Granules is a vertically integrated formulation manufacturer present across all three lines of the pharmaceutical manufacturing value chain:




ACTIVE PHARMACEUTICAL INGREDIENTS (APIs)

PHARMACEUTICAL FORMULATION INTERMEDIATES (PFIs)

FINISHED DOSAGES (FDs)



 Formulations facility

The Company's large-scale, world class manufacturing facilities specialise in manufacturing Paracetamol, Ibuprofen, Metformin, Guaifenesin and their combination and derivatives relating to PFIs and finished dosages. Granules' array of products and its variants are used in a wide range of pharmaceutical applications.

Granules is committed to be a one-stop shop for customers. The Company has a team of product specialists, application technologists, research scientists and regulatory advisors who assist customers with all their needs from finding the correct API grade to finalising tablet packing material. The Company's value proposition has led customers to source their product requirements to Granules. The Company's strengths include:

- Manufacturing PFIs (strategically backward integrated through in-house manufacture of APIs) to finished dosages
- Putting customers at ease by filing ANDA / dossiers for finished dosages, which are repacked and marketed by the customers under their own brand name
- Relieving customers from regulatory rigors as well as manufacturing and cleaning process-validation
- Significant savings for customers in sampling, analytical, regulatory, R&D and manufacturing resources

<p>15,200 MTPA API manufacturing capacity</p>	<p>8,400 MTPA PFI manufacturing capacity</p>	<p>6 bn finished dosages FD production capacity</p>
<p>Serves 300+ customers</p>	<p>Presence across 50+ countries</p>	<p>Accounts for 10% of global production of Paracetamol</p>

- Among the **top global manufacturers** of Ibuprofen and Metformin
- **Pioneered** the concept of commercialising PFIs
- Possesses **industry-leading 6 MT** single batch size for manufacturing PFIs
- Approvals from **leading regulatory agencies** – U.S. FDA; EDQM; Infarmed (E.U.), German HA; the Australian TGA; KFDA; Authority for Social Affairs; Family, Health and Consumer Protection, Hamburg (Germany); TPD – Canada; MCC and Russian Health Authorities Canada; MCC and Russian Health Authorities

Presence

HEADQUARTERS:

Hyderabad, Andhra Pradesh, India

SATELLITE OFFICES:

United States, England, Colombia and China

MANUFACTURING FACILITIES:

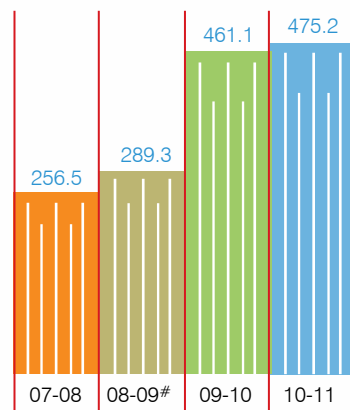
India - Outskirts of Hyderabad at Bonthapally, Gagillapur and Jeedimetla; China - Jingmen, Hubei

Years in numbers*



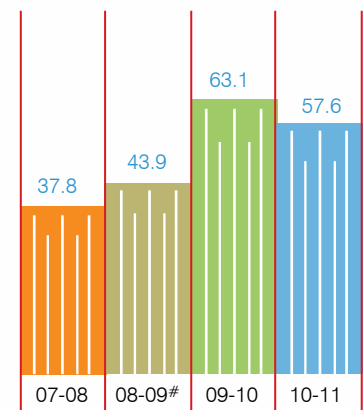
NET SALES

(₹ Cr.)



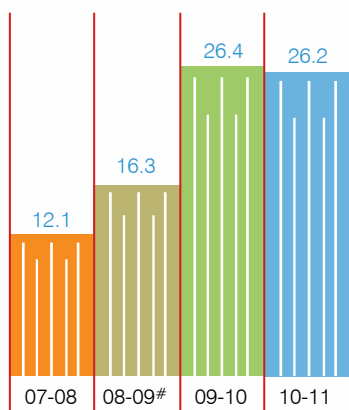
EBIDTA

(₹ Cr.)



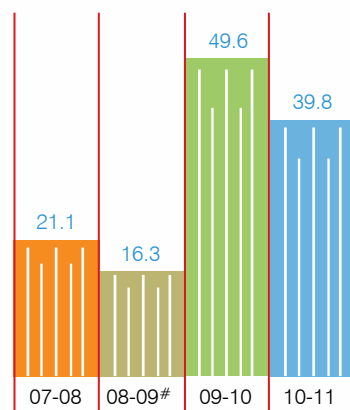
PBT excluding F/X Fluctuations

(₹ Cr.)



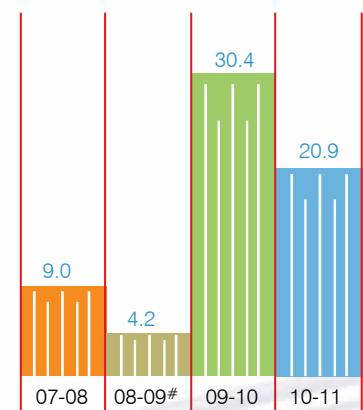
CASH PROFIT

(₹ Cr.)

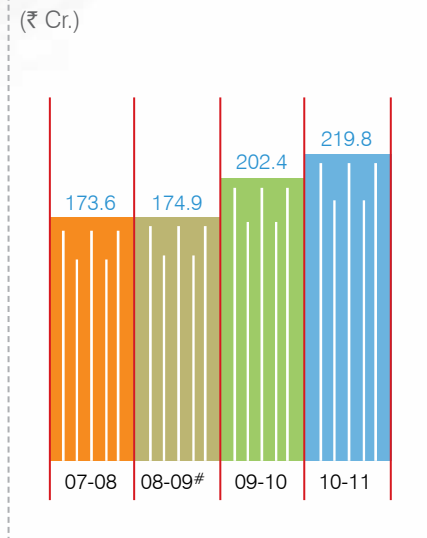


PAT

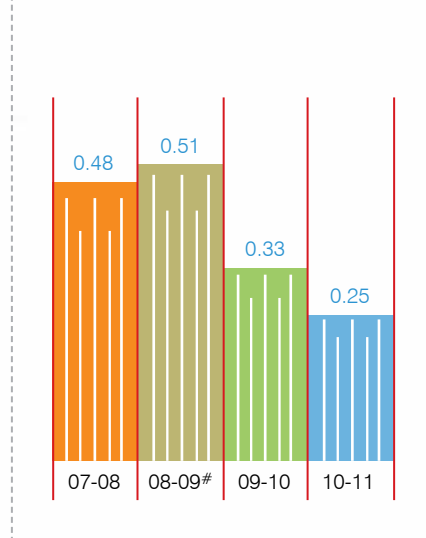
(₹ Cr.)



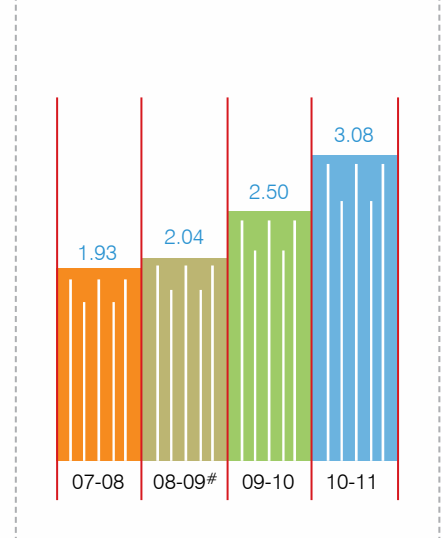
NETWORTH



DEBT EQUITY



INTEREST COVER



*On a consolidated basis
9-month year

STRATEGIC JOINT VENTURE WITH AJINOMOTO OMNICHEM

In July 2011, Granules entered the contract manufacturing sector by signing a Joint Venture Agreement with Ajinomoto OmniChem and decided to form Granules-OmniChem Private Limited, a 50:50 joint venture company. The new entity will deliver value through a unique contract manufacturing platform by leveraging Granules' technological capabilities and efficient processes and OmniChem's extensive product portfolio and existing customers. A greenfield facility will be set up in the Pharmacity SEZ Zone in Vishakhapatnam. The construction of the facility is expected to begin in November 2011 and commercial production will commence in January 2013. The JV will initially focus on APIs and intermediates in the cardiovascular, central nervous system (CNS) and oncology therapeutic sectors for patented, brand name products. The JV will also work on second generation manufacturing processes and will develop new chemical entities in the future. In addition, Granules will produce formulations from the JV's APIs.

9% to 25%

Proportion of finished dosage revenue to total revenue in FY10 and FY11

20%

Increase in dividend

2

ANDAs approved – Metformin 500 mg, 850 mg & 1000 mg and Ibuprofen 200 mg



Capacity Enhancements

At Granules, we have undertaken capacity enhancements at our facilities in order to meet the increasing requirements of our customers who look to us for highly-efficient solutions that lower their costs.



6 bn doses to 18 bn doses



 Blister Packing Machine



Expansion at the FD facility in Gagillapur

The addition of two new lines at our factory in Gagillapur will increase capacity from 6 bn doses to 18 bn doses. Since this large expansion is taking place within an existing facility, we are not required to seek approvals from regulatory agencies again and will be able to commercialise our products from day one. The expansions are expected to be completed by March, 2012.

7,200 tpa to 16,400 tpa



 High-Shear Granulation



Expansion at the PFI facility in Gagillapur

Our existing PFI workshops at Gagillapur produce 7,200 tpa. We have added two more workshops at this facility – Module C and D – which will enhance our capacity by 8,000 tpa and 1,200 tpa respectively. Module-D became operational in June and Module-C will be operational by March, 2012.

780 tpa to 960 tpa (Guaifenesin)
960 tpa to 1,200 tpa (Metformin)



▶ Big Bags Conveyor



Expansion at API facility in Jeedimetla

We recently de-bottlenecked capacities through our operational excellence programme. By inspecting every step of our manufacturing process, we were able to increase production capacity of Guaifenesin and Metformin with minimal investments.

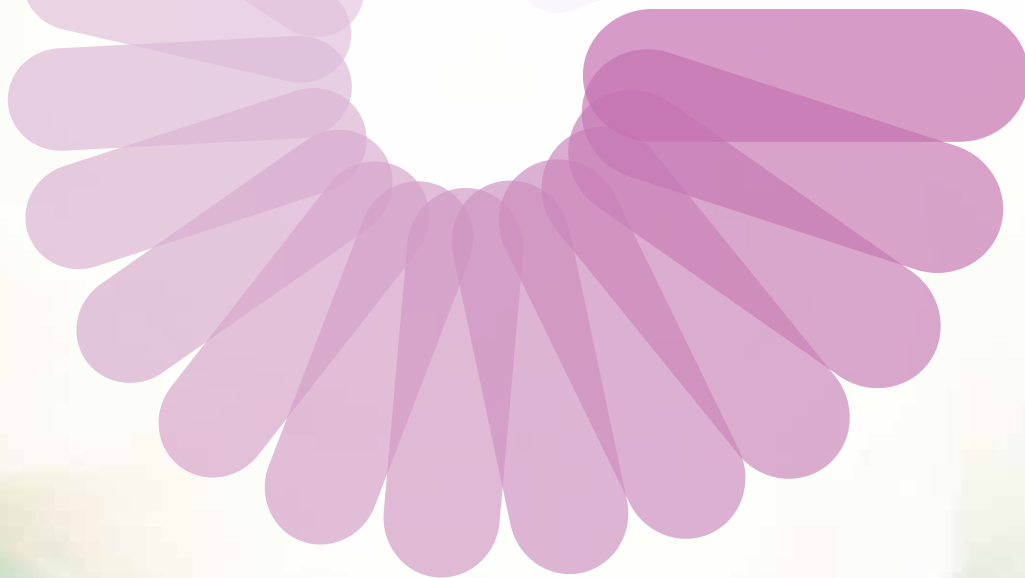
Granules is also building a new, state-of-the-art (fully automated) warehouse at Gagillapur to support these expansions. The facility will be ready by mid 2012.

These expansions validate Granules' integrated model and will enable even greater value addition to global pharmaceutical companies.



Operational Excellence

Our operational excellence (OE) programme sets us apart from competition. Strategy implementation across the value chain helps us ensure production efficiency, process fine-tuning, yield improvement and reduction in waste.



The OE programme is divided into three levels for maximum efficiency:



▶▶ Tablet de-duster



Strategic

Customer value is the key focus at this level. The Company frames strategies to address customer segments, market share, product mix, resource deployment and utilisation with an objective of improving profitability and serving the customer better.

Tactical

Execution acquires prime importance at this level. The Company frames strategies to ensure value flow, information flow, material flow and work flow to raise through-put.

Operational

At this stage, we obsess about production efficiency. The Company frames strategies to ensure perfection in the manufacturing process, minimising variation and waste.

Productivity improvement (API production)

25% Paracetamol and Metformin

20% Guaifenesin

Every company lauds its 'green' initiatives. But our OE programs enabled us to reduce waste and improve yields, which highlights our heightened commitment to nature conservation.

Outcome of 'green initiatives'

3.6 mn litres per year

Reduction in waste water discharge

2,000 MTPA

Reduction in coal usage through new processes and improved efficiency

70 MTPA

Reduced the usage of highly corrosive material



▶ TBottle Packing



▶ Auto coater

The Lean Six Sigma Framework

The success of our excellence strategies revolves around the Lean Six Sigma Framework, which is as follows:



Planning (R&D)

- Project management - development lead time and time to market
- Best process selection
- New technology
- Quality by design

Build (Scale Up)

- Repeatability and reproducibility at any scale
- Alternate process
- Waste elimination at source
- Procurement
- Solvent recovery establishment

Optimisation (Production)

- Process optimisation
- Waste management
- Recycle and reuse
- Overall Plant effectiveness
- Inventory
- Debottlenecking capacity
- Intermediate sourcing
- Cost benchmarking

Commercialisation (Product launch)

- On time in full
- New technology
- Cost leadership
- Asset management and utilisation
- First time right



From the Managing Director's Desk



I am proud that we are able to offer such high levels of quality and manufacturing efficiencies. Our hard work has allowed us to become the preferred partner in our industry and while our success is rewarding, I am happier that we are building and leveraging our competitive advantage.



Our finished dosage division, which had ₹ 9 Cr. in sales two years ago reached ₹ 101 Cr. We received approval for two abbreviated new drug applications (ANDAs) which will enable us to participate in the lucrative U.S. formulation market.

Dear Shareholders

It was an exciting year at Granules due to several notable accomplishments. Our finished dosage division, which had ₹ 9 Cr. in sales two years ago reached ₹ 101 Cr. We received approval for two abbreviated new drug applications (ANDAs) which will enable us to participate in the lucrative U.S. formulation market. We also started an expansion plan that will increase capacities across all three divisions. In addition, we started an exciting new chapter by entering the CRAMs business by forming a joint-venture with Ajinomoto OmniChem.

OFFERING VALUE

Our goal is to be the industry leader in the products we offer. In order to accomplish this, we are focused on high-volume, off-patent products that have sustained, long-term demand with no viable alternatives for the foreseeable future. Our focus has enabled us to develop our competitive advantage of manufacturing high quality products through efficient processes. The core of this advantage is our vertical integration and the scale of our operations.

To distinguish ourselves from others, we are vertically integrated and are able to offer our customers all three components of the pharma manufacturing value chain - APIs, PFIs and FDs. Our vertical integration provides customers with a wide range of benefits such as freeing up their manufacturing capacity by sourcing their requirements through our efficient processes.

Customers can also manage fluctuations in their needs by purchasing material from any of our three components. In addition to helping our customers as their needs change, our vertically integrated model ensures business stability since the three components of our model cater to a diverse set of customers as well as a variety of geographies.

The second component of our competitive advantage is the scale of our operations. Granules' current facilities are among the largest in the industry, including the largest PFI facility in the world. Due to our large capacities and batch sizes, we have economies of scale and are able to reduce costs for customers. Also, our capacities enable us to increase wallet share with leading brands since they can allocate large portions of their requirements with us.



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BUILDING A SUSTAINABLE FUTURE

While we have an advantage over our competitors, it is critical that we strengthen our competitive advantage. Granules is bolstering our competitive advantage in two ways; our Operational Excellence (OE) team finds ways of improving existing processes while our R&D department works on developing cutting-edging technologies.

Our OE team is dedicated to look at existing processes and develop methods to improve them, whether it is removing bottlenecks for productivity enhancement or reducing effluents for optimising costs. This program has been successful and has led to numerous accomplishments including improving our Metformin and Guaifenesin API output by 25% and 20%, respectively. The team has also implemented systems that have standardised quality and reduced variation. Due to our culture of continuous improvement, we are able to garner efficiencies that provide an advantage over our competitors.

While our OE programme improves existing assets, our R&D team is developing innovative, industry-disruptive process technologies that will provide a sustainable, patent-protected competitive advantage. Our efforts paid off during the year when we filed our first patent application. We are working on several new technologies that we intend to implement over the next few years.

BUSINESS PERFORMANCE

While all three divisions had positive developments, our finished dosage division continued to break out and grew 170% to ₹ 101 Cr. We expect strong sales to continue due to the approval of two ANDAs. We received approval for a Metformin ANDA, which is the world's most popular diabetes medication and a Ibuprofen ANDA, which is the fastest growing mainstream analgesic OTC product. In addition, we commercialised several formulation

contracts that will ramp up during the current fiscal year; the increased utilisation will lower our overheads and improve profitability. While all our divisions will grow in absolute terms, we expect formulation sales to contribute an even larger portion of our overall revenue mix. Given our performance and contracted sales pipeline, our Board of Directors voted to increase our dividend by 20%

LOOKING FORWARD

Our goal has always been to be a premier Company in the products we compete in and I believe Granules has reached this stage. Customers in our field recognise that we are the preferred partner since we offer an ideal blend of quality, service, and scale. While we have several advantages, we are not resting and are working on ways to strengthen our capabilities.

Since we are focused on maintaining our position as an industry leader, we are increasing our capacities. We are tripling our finished dosage capacity, more than doubling our PFI capacity and increasing our API capacity. These capacities are being added with new technologies that are more efficient than our existing processes. The expansion will allow Granules to gain more PFI and formulation market share and will strengthen our vertically integrated model. While we are committed to our current product portfolio, we are focused on leveraging our strengths.

In July 2011, we entered the CRAMs sector by forming Granules-OmniChem Pvt. Limited, a 50:50 joint venture with Ajinomoto OmniChem. The JV will manufacture products including APIs and intermediates for branded, patented products owned by innovator companies. Since we have partnered with a company that has an established track record and existing customers, we can focus on leveraging our strength in efficient manufacturing. We are very excited about this opportunity because it will

allow Granules to enter new therapeutic sectors including cardiovascular, central nervous system (CNS) and oncology. In addition, Granules will manufacture formulations in these sectors. Both of these opportunities will help further develop our business and increase profitability.

I am proud that we are able to offer such high levels of quality and manufacturing efficiencies. Our hard work has allowed us to become the preferred partner in our industry and while our success is rewarding, I am happier that we are building and leveraging our competitive advantage. I believe we have developed a framework that will bring significant success to Granules and all its shareholders over the next several years.

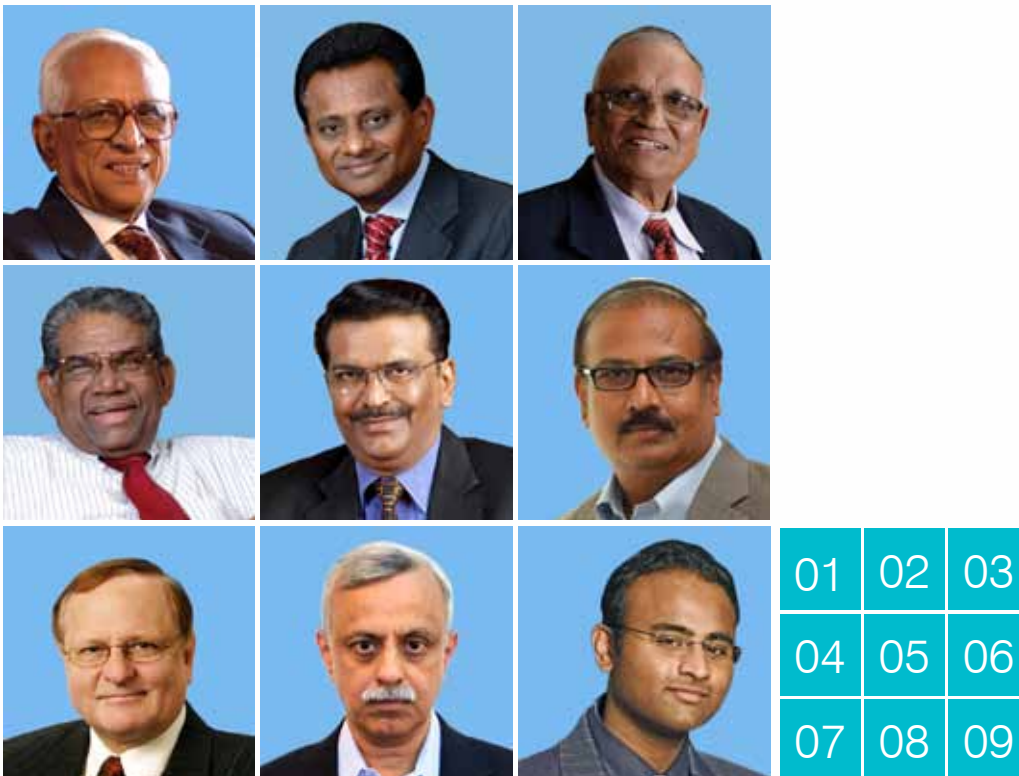
Warm regards



C. Krishna Prasad

Managing Director

Profile of the Board of Directors

01 ▷▷ Dr. C. Nageswara Rao, *Chairman*

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

02 ▷▷ Mr. Krishna Prasad, *Managing Director*

Mr. Krishna Prasad is a technocrat with 30 years of experience in the pharmaceutical industry. In 1984, he established Triton Laboratories Limited, one of the largest manufacturers of Paracetamol in the world.

Mr. Prasad pioneered the concept of commercialising Pharmaceutical Formulation Intermediates (PFI) and established Granules India to promote PFIs. With his leadership, Granules is among the premier pharmaceutical companies in the world and has a footprint in over 50 countries. Mr. Prasad has won various awards and is the first Indian to run a marathon on seven continents and the North Pole.

03 ▶▶ Mr. L. S. Sarma, *Director*

Mr. L.S. Sarma is a nationally recognised executive in the financial industry. During his career, he served as a General Manager at Industrial Development Bank of India (IDBI), Director of ECGC and Dena Bank. In addition, he worked for the International Trade Centre, as an Export Credit Consultant. He currently serves as a board member at Hexaware Technologies Limited.

04 ▶▶ Mr. A. P. Kurian, *Director*

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

05 ▶▶ Mr. Comandur Parthasarathy, *Director*

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

06 ▶▶ Mr. Krishna Murthy Ella, *Director*

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

07 ▶▶ Mr. Philip Herbert Strenger, *Director*

Mr. Strenger is Senior Vice President – EMEA and Global Pharma/Beverage for International Specialty Products Inc. Mr. Strenger is responsible for the management and profitability of the ISP business in Europe, Middle East and Africa across Business Units, and on a global basis is responsible for the strategy and growth of the ISP Pharmaceutical and Beverage business. He holds a Bachelor of Science degree in Chemistry from the University of Southern California in Los Angeles.

08 ▶▶ Mr. Arun Rao, *Director*

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

09 ▶▶ Mr. Harsha Chigurupati, *Executive Director*

Mr. Harsha Chigurupati has been with Granules India since June 2005. As Chief Marketing Officer, Mr. Chigurupati was instrumental in Granules India's vertically-integrated business strategy. During his tenure, Granules India gained nearly 100 customers, including several multi-national companies that constitute a large portion of Granules India's sales. Mr. Chigurupati has a Bachelors of Science in Business Management from Boston University.



The global pharmaceutical market grew 4.1% in 2010 to reach \$856 bn. The market is expected to grow approximately 28% by 2015 to reach \$1.1 tn.

The Global Pharmaceutical Market

The global pharmaceutical market grew 4.1% in 2010 to reach \$856 bn. The market is expected to grow approximately 28% by 2015 to reach \$1.1 tn. Market growth will be driven by a continuing shift to generics and the rapid growth of “pharmerging” markets. In addition, drugs in the diabetic and oncology therapeutic sectors will grow more rapidly than other sectors. In order to take advantage of the market situation, pharmaceutical companies will need to strengthen production capabilities to meet demand and streamline their supply chain to meet the dynamics of each unique market.

Global pharma market over the years

Year	2005	2006	2007	2008	2009	2010	2015E
In \$ bn	605	651	720	788	819	856	1,100
In growth %	7.2	7	6.9	6.1	7.1	4.1	28%

(Source: IMS Health)

The U.S. pharmaceutical market

2010	\$ 310.6 bn
2015	\$320 - \$350 bn

The EU5* pharmaceutical market

2010	\$ 147.4 bn
2015	\$130- \$160 bn

The “pharmerging”** countries

2010	\$ 150.5 bn
2015	\$285 - \$315 bn



Fluid-Bed Granulators

*Germany, France, Italy, Spain and U.K.

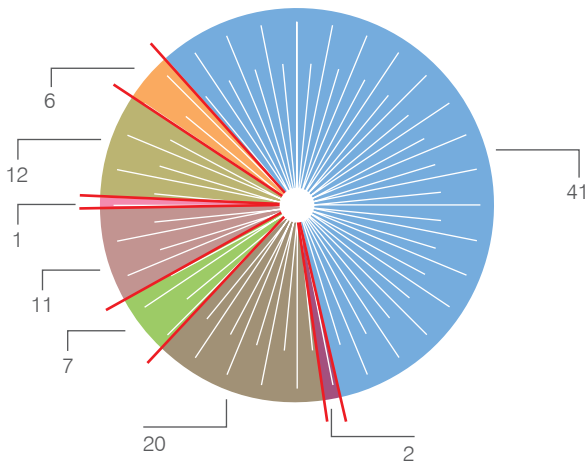
** The 17 “pharmerging” countries comprise China, India, Russia, Brazil, Turkey, Venezuela, Poland, Argentina, Mexico, Vietnam, South Africa, Thailand, Indonesia, Romania, Egypt, Pakistan and Ukraine.

(Sources: IMS Health and India Pharma 2020, McKinsey Research Report)

Region wise contribution to the global pharma market between 2005 and 2015 (%)

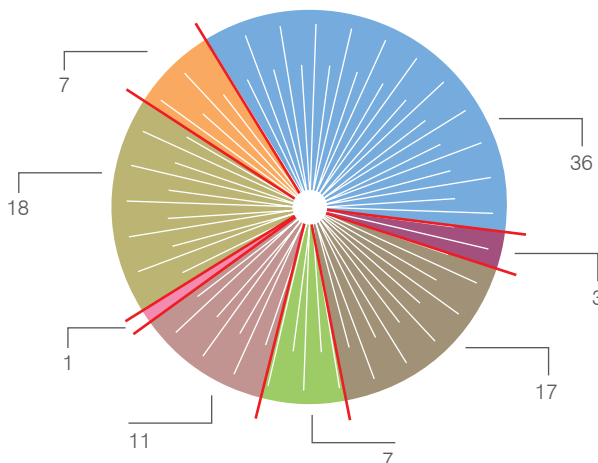
2005

\$605 bn



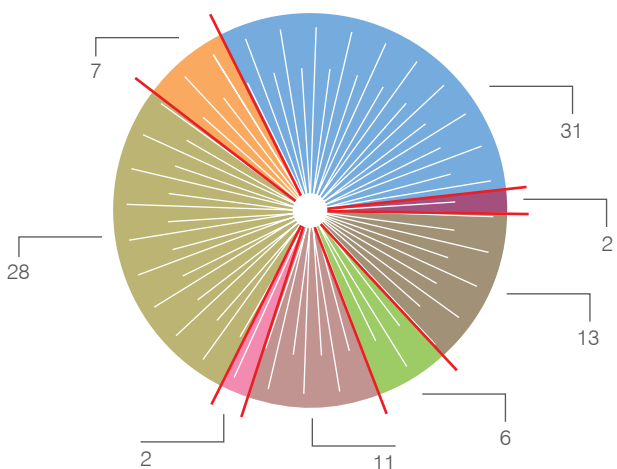
2010

\$856 bn



2015(E)

\$1,056-1,095 bn



(Source: IMS Health)

The global pharmaceutical market witnessed two major shifts during 2010

- Demand from patented to generic drugs
- Growth from developed pharmaceutical markets to pharmerging markets

THE DEMAND SHIFT

Spending for patented products will be flat from 2010 through 2015 due to large number of blockbuster drugs that will go off-patent. Growth will be driven by the generics market. This market reached **\$234 bn** in 2010 and is expected to grow to **\$400 - \$430 bn** by 2015. Approximately **70%** of this growth will be outside the developed markets. This shift will result in the share of patented medicines to fall from **64%** in 2010 to **53%** in 2015 while the share of generics is expected to rise from **27%** in 2010 to **39%** in 2015.

The generic drugs market has been rapidly growing primarily due to two factors: a large number of drugs losing their patent protection, and the mounting pressure from consumers and governments to lower drug costs. In fact, the next five years will be goldmines for new entrants in the generics segment. The number of branded drugs to release from the clutches of patents between 2011 and 2015 will be worth over **\$100 bn** in sales, with more than **50%** expected to lose protection in 2011 and 2012 alone.

The generic drugs industry also stands to benefit from the competition that will arise from the demand by the consumers and governments to lower drug costs despite rising development costs and increased regulatory scrutiny. In 2010, the U.S. government passed a universal health care bill which will affect pharmaceutical companies across the world. Due to these dynamics, **60%** of generics growth will be from increased penetration rates while **40%** will be due to newly available generics.

(Sources: IMS Health)

THE GROWTH SHIFT

Over the next several years, growth in the developed market will slow and the pharmerging market will lead industry growth. Within the pharmerging markets, growth will primarily be driven by countries in Asia including India, China, Malaysia, South Korea and Indonesia. This market benefits from low penetration which is rising due a growing middle class and increased healthcare awareness levels. The middle class has more disposable income and is able to seek medical care for health care issues that might have been ignored in the past. In addition, the middle class is living longer and is seeking medication for chronic and lifestyle diseases.

Healthcare awareness is rising due to increased government initiatives and the proliferation of medical insurance. In order to lower healthcare costs, governments are conducting more public drives to encourage people to seek preventive care. Also, medical insurance is becoming more popular in pharmerging companies so consumers are visiting physicians more often than the past.

Granules' Product Overview

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

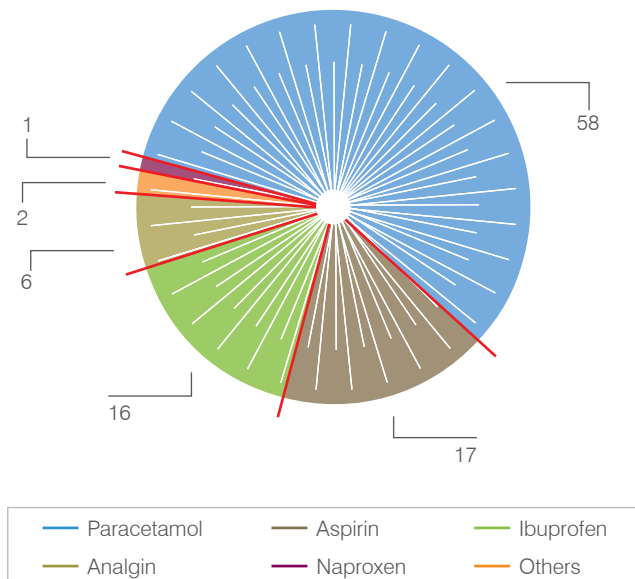
Customers in the regulated markets including North America and Europe require high-quality supplies with stringent quality controls. These customers value supply security and quality over pricing. Customers work very closely with their supplier's regulatory and quality control departments and once they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

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

ANALGESICS MARKET

The analgesics market, which focuses on offering pain relief, is one of the largest segments of the healthcare industry with sales of approximately **\$31 bn**. The market is growing at a **2.7% CAGR**.

Constituents of the analgesic market (%)



Future growth will be driven by an ageing population that will have chronic ailments including arthritis and lifestyle changes include more sedentary jobs and higher obesity rates.

Granules is among the leading producers of Paracetamol and Ibuprofen and also competes in the Naproxen and Analgin markets. Paracetamol holds **58%** of the analgesic market by volume and is widely used around the world. Ibuprofen is the fastest growing product in the sector and is expected to surpass Aspirin, whose growth rate has slowed. There are no analgesic products in the pipeline that are expected to replace the current leading products.

Paracetamol

Paracetamol, also known as acetaminophen, is used to reduce body pains, headaches and lower fevers. The past year was interesting for Paracetamol because of a global inventory correction and multiple product recalls by a major brand. In 2009, many suppliers anticipated a surge in demand because of the outbreak of swine flu and purchased more Paracetamol than normal. However, fears of swine flu were overblown and a global pandemic never materialised. Due to this, many suppliers started 2010 with excess inventory and reduced orders until inventory came down to normal levels. McNeil, the producer of Tylenol, had multiple product recalls during 2010 and was forced to pull its product from store shelves. Consumers who wanted Paracetamol were required to buy generic versions due the shortage of Tylenol. Industry analysts feel consumers might not return to Tylenol since most consumers saw no difference between a brand version of Paracetamol and a generic version.

In the past several months, Rhodia, which sold its French-based facility several years ago, signalled its exit from the Paracetamol world by selling its China-based API facility as part of a broader asset sale. Due to the plant's close proximity to a city, the China facility's long-term viability is in doubt.

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 why there are not as many suppliers. Approximately 6 manufacturers control the Ibuprofen market, which is growing in the mid-to-high single digits. The drug is becoming more popular due to an ageing population that wants to maintain their lifestyle. Over the past year, Indian- and Chinese-based suppliers have increased capacity to capture a larger market share. The increase in market supply has led to pricing pressures as manufacturers have been forced to reduce prices to sell their new capacity.

ANTI-DIABETIC MARKET

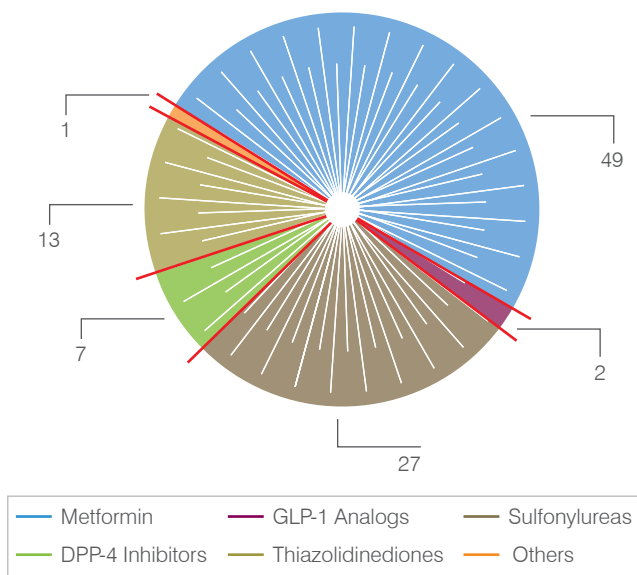
The anti-diabetic market is extremely lucrative due to the growing number of people with diabetes. The number of people with diabetes is expected to grow from **246 mn** in 2008 to **380 mn** by 2025. The emerging markets are expected to be a major source of new diabetes cases as they adapt Western lifestyles.

Medication for diabetes excluding insulin is expected to grow from **\$24 bn** today to **\$55 bn** by 2019. 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

Constituents of diabetes medication (%)



METFORMIN

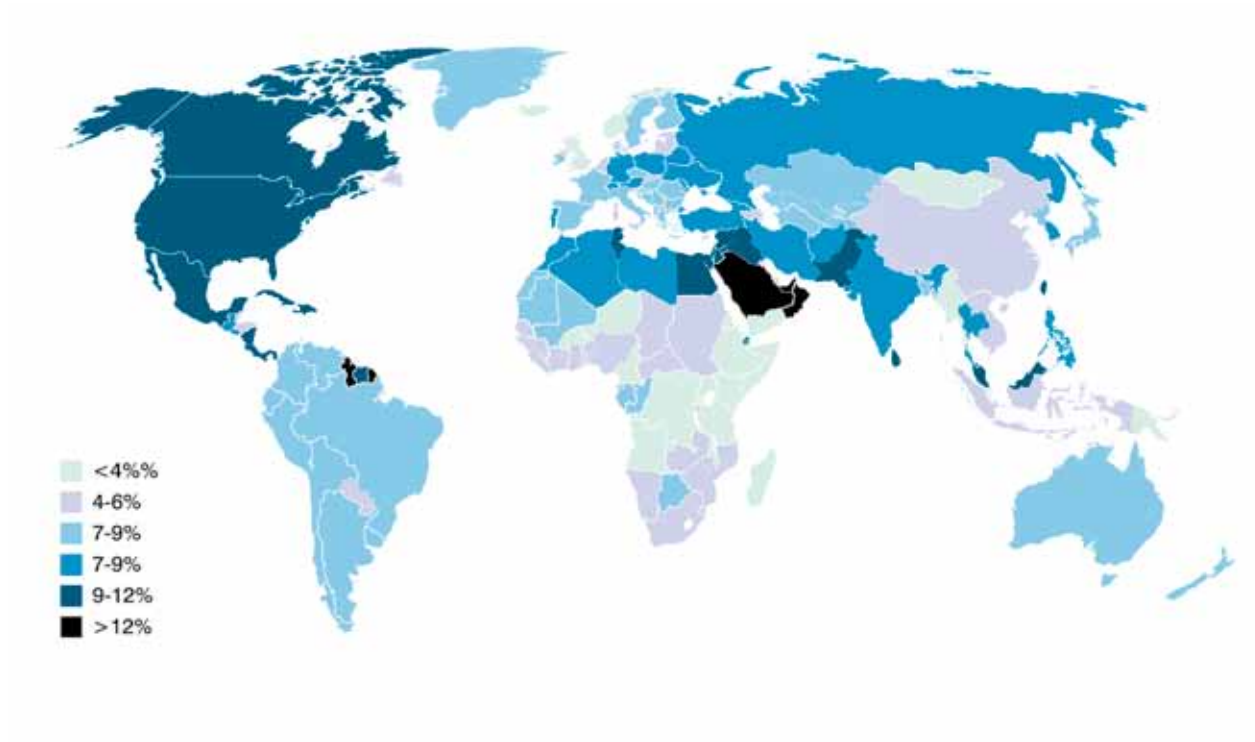
Metformin, a prescription drug, is the first biguanide oral anti-diabetic agent to be approved by the U.S. FDA after phenformin (phenethylbiguanide) was banned in the U.S. in 1977. Due to its relatively low cost and high-effectiveness, metformin is often used as a first-line therapy for patients with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

Annual production capacity for metformin is approximately **25,000 tonnes**. Approximately **50%** of the capacity is based in India. Wanbury Limited, an Indian company, has an **8,500 tonne** production capability, the largest in the world. Due to the rising number of diabetic patients in the world, demand for metformin is increasing and multiple suppliers are increasing capacity in order to meet global demand.

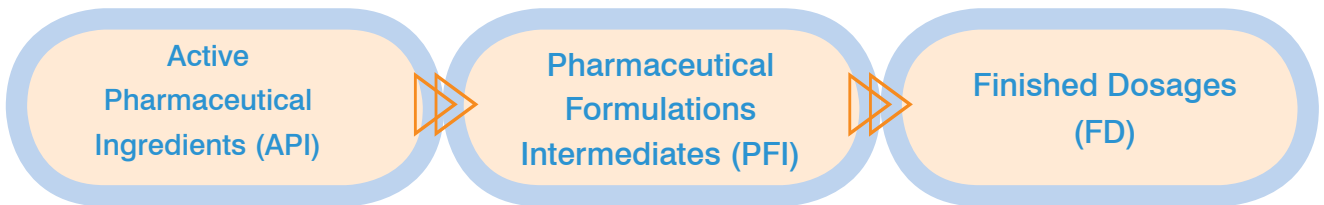


Packed Blisters

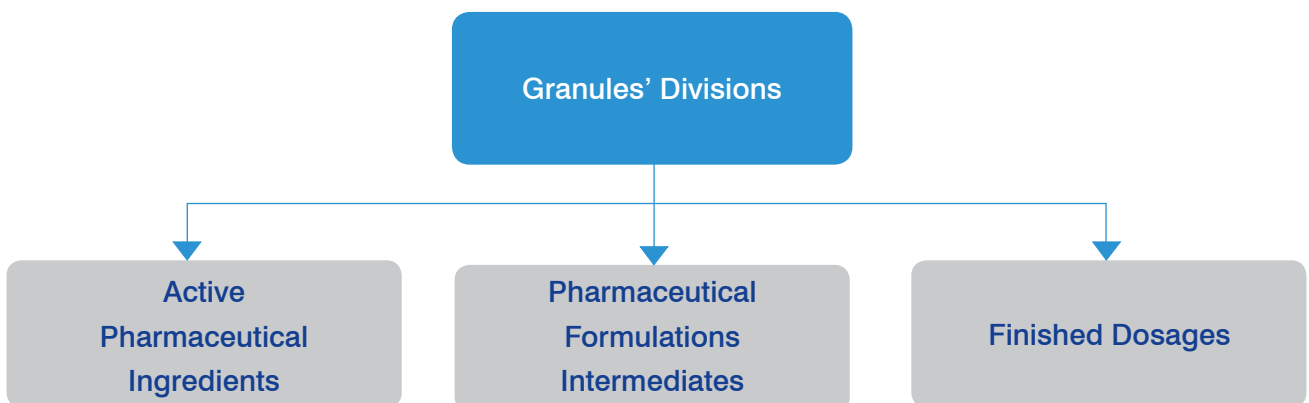
Country-wise diabetes rate (%)



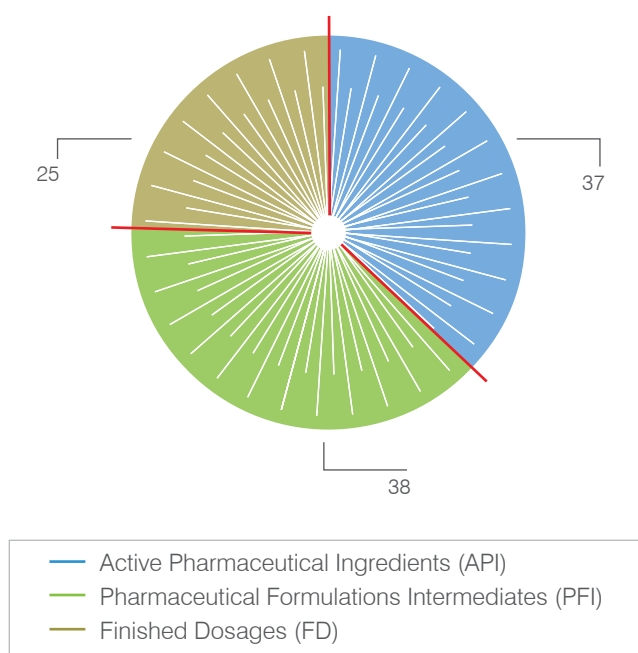
Granules' Value Chain



Divisional Review



Business Divisions Revenue Break-up, 2010-11(%)



ACTIVE PHARMACEUTICAL INGREDIENTS (API)

The API division has some of the largest global manufacturing capabilities in the products we compete in. Granules' extensive knowledge of APIs and comprehensive research and development has contributed to focused portfolio of high quality products.

Facilities	Capacity	Approvals
Bonthapally, Andhra Pradesh	8,000 MTPA	U.S. FDA, EDQM, Infarmed (EU), ISO 9001:2008, WHO-GMP
Jeedimetla, Andhra Pradesh	2,400 MTPA	U.S. FDA, EDQM, KFDA, HHA(Germany), WHO GMP
Jingmen, Hubei, China	4,800 MTPA	U.S. FDA, EDQM, TPD – Canada, MCC, Russian Health Authorities

API Portfolio

- Paracetamol
- Ibuprofen
- Metformin HCl
- Guaifenesin
- Methocarbamol
- Oxymetazoline
- Phenazopyridine HCl

PHARMACEUTICAL FORMULATIONS INTERMEDIATES (PFI)

Granules pioneered the concept of commercialising PFIs. The division manufactures single- and multiple active PFIs at two facilities in Hyderabad. Granules' flagship facility in Gagillapur has the largest PFI manufacturing facility in the world. The facility uses high-shear and fluid bed granulation processes, with 6 MT batch sizes, the largest in the industry. As a result, customers enjoy reduced testing, easy documentation, quicker product clearances and lower regulatory costs.

Facilities	Capacity	Approvals
Gagillapur, Andhra Pradesh	7,200 MTPA	U.S. FDA, TGA, Infarmed (EU), WHO GMP
Jeedimetla, Andhra Pradesh	1,200 MTPA	HHA (Germany)

PFIs manufactured (single actives)

- Paracetamol
- Ibuprofen
- Metformin HCl
- Guaifenesin
- Methocarbamol
- Gemfibrozil
- Ciprofloxacin HCl
- Naproxen
- Analgin
- Glucosamine
- Phenazopyridine HCl

PFIs manufactured (multiple actives)

- Paracetamol and Chlorpheniramine Maleate
- Paracetamol and Diphenhydramine HCl
- Paracetamol, Chlorpheniramine Maleate and Phenylephrine
- Guaifenesin and Ephedrine HCl
- Ibuprofen and Pseudoephedrine HCl
- Trimethoprim and Sulphamethoxazole

FINISHED DOSAGES (FD)

Granules' finished dosage facility has automated processes, robust infrastructure, and superior quality systems that produce formulations much more efficiently than others. In order to fully service customers, Granules offers finished dosages in bulk, blister packs and bottles.

Facilities	Capacity	Approvals
Gagillapur, Andhra Pradesh	Six bn tablets per annum	U.S. FDA, TGA, Informed (EU), WHO GMP

Finished Dosages portfolio (Single actives)

- Paracetamol
- Ibuprofen
- Guaifenesin
- Metformin HCl
- Naproxen Sodium
- Diphenhydramine

Finished Dosages portfolio (Multiple Actives)

- Ibuprofen and Methocarbamol
- Ibuprofen and Pseudoephedrine HCl
- Ibuprofen, Pseudoephedrine HCl and Chlorpheniramine Maleate
- Paracetamol and Diphenhydramine HCl
- Paracetamol and Methocarbamol
- Paracetamol, Phenylephrine HCl and Chlorpheniramine Maleate
- Paracetamol, Phenylephrine HCl and Dextromethorphan HBr
- Paracetamol and Diphenhydramine HCl
- Paracetamol & Phenylephrine HCl

Types of Finished Dosages

Tablets
Caplets
Press Fit (Rapid Release Tablets)
Capsules
Sachets

Developments in 2010-11

In order to meet the needs of customers, Granules has scaled up production and invested in R&D.

- Received approval for two ANDAs – Metformin (500 mg, 850 mg and 1000 mg) and Ibuprofen (200 mg)
- Launched capacity expansion projects in the PFI and Finished Dosages divisions
- Achieved a capacity run rate of over 50% in the Finished Dosage unit during Q4
- Increased API capacity by de-bottlenecking
- Enhanced efficiencies across divisions through significant investments in R&D
- Launched several new products in the Finished Dosage division

Raw Material Management

Granules' supply chain provides competitive advantage and ensures sustainable growth with the increasing scale of operations. The supply chain team has implemented systems that have streamlined processes and made Granules' products more cost-effective. The following strategic initiatives have been taken to align the activities of SCM in line with the Company's objectives:

- Integrated the Purchase, Commercial and Logistics departments into Supply Chain
- Transitioned functions into an ERP system
- Implemented statistical methods for inventory management for optimum utilisation of available warehouse space and working capital
- Implemented a systematic approach for vendor development

Research and Development

As a frontrunner in several product and process ranges, Granules' core competence lies in its in-depth research and development capabilities. Through its consistent investments in product development, process improvement and adoption of world-class technology, the Company offers a superior price-value proposition to its customers.

The 3,500 sq. ft R&D centre located at Gagillapur, Andhra Pradesh, has been approved by the TGA. The R&D department offers end-to-end solutions for pre-formulation, formulation development, analytical development, cGMP, scale-ups, and OTC monograph for filing ANDAs. It also develops and files ANDAs/Dossiers and IR and MR solid dosage products in US, Europe and Australia. The R&D centre also conducts bioavailability and bioequivalence studies for regulated and emerging markets.

Goal

To build a sound base for sustained growth across all 3 divisions: APIs, PFIs and FDs through the development of innovative, industry-disruptive technologies by leveraging our accumulated R&D expertise.

Developments in 2010-11

- Filed our first patent application and preparing to file several more
- Made progress in developing new API technologies that would offer a competitive advantage
- Focused on developing and filing generics, large volumes of OTC drugs, press fit/express fit (gel caps) OTC products, immediate release/delayed release generics and capsules for regulated markets

Marketing

Granules' marketing team has a presence in India, U.S., U.K, Colombia and China in order to meet the needs of our 300+ customers. Our team consists of experienced professionals who understand the unique dynamics of the markets they focus in. They have a deep technological understanding of Granules' products and can assist customers in choosing the proper product for their needs.

Human Resources

A pharma company like Granules excels, most importantly, on the collective strength of its people. Employee development at Granules is of utmost importance. The Company strives to create a learning-based and performance oriented culture. In order to make Granules a preferred employer for young talent, the Company undertakes a number of initiatives to build and strengthen the talents of a young employee base.

705 Employee strength

213 Hired during the year

32 Average employee age

Developments in 2010-11

To obtain the best talent in the industry and also retain and motivate towards better productivity, we took the following steps in the year under review:

- Initiated a campus recruitment process
- Significantly progressed in institutionalising the performance management system
- Implemented the higher education programme for potential operators at entry level
- Held a 360-degree feedback session for all members of the senior management
- Developed more communication outlets for employees including an in-house newsletter and bi-annual open house sessions

Environment, Health and Safety

At Granules, we assign top most priority to safe disposal of liquid pollutants and solid wastes and control of air emissions to maintain an eco friendly environment. We also lay equal importance to measure employee health and safe working measures.

Developments in 2010-11

- Introduced procedures that reduced water usage by 3.6 mn litres, coal usage by 2,000 tons and corrosive material by 70 tons
- Installed equipment to reduce effluents and increase monitoring controls
- Increased the green belt in and around several manufacturing sites
- Conducted Hazard Analysis and Risk Assessment (HARA) for each manufactured product
- Training imparted to employees on material safety of each material used and on emergency situation handling

Financial Review

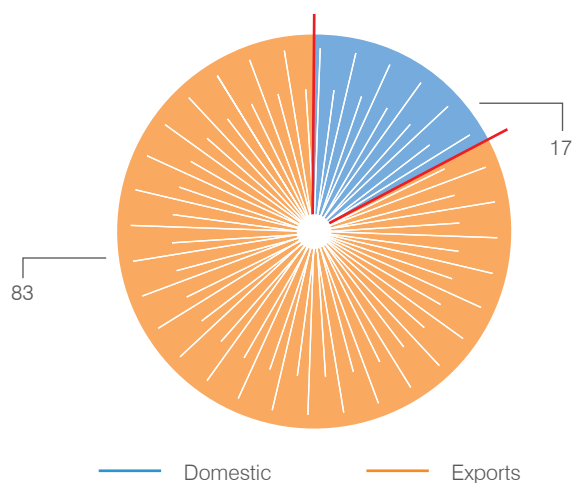
HIGHLIGHTS 2010-11

- Net Consolidated sales increased 3% from ₹ 461 Cr. in 2009-10 to ₹ 476 Cr. in 2010-11
- EBIDTA declined 8% from ₹ 63 Cr. in 2009-10 to ₹ 58 Cr. in 2010-11
- Basic EPS at ₹ 10.83
- Net worth increased from ₹ 202 Cr. to ₹ 220 Cr. consequently book value of share increased from ₹ 101 to ₹ 110.
- Dividend increased to 15% from 12.5%

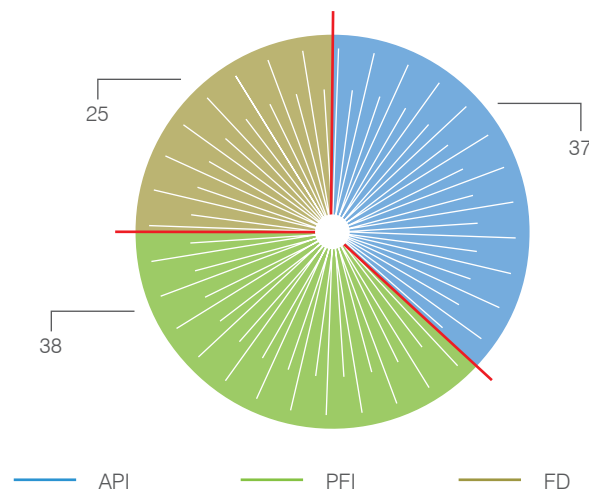
REVENUE ANALYSIS

Revenue growth was fueled by a 170% growth in formulation sales. API sales were lower due to higher requirement for captive consumption from tablets and due to a global Paracetamol inventory correction.

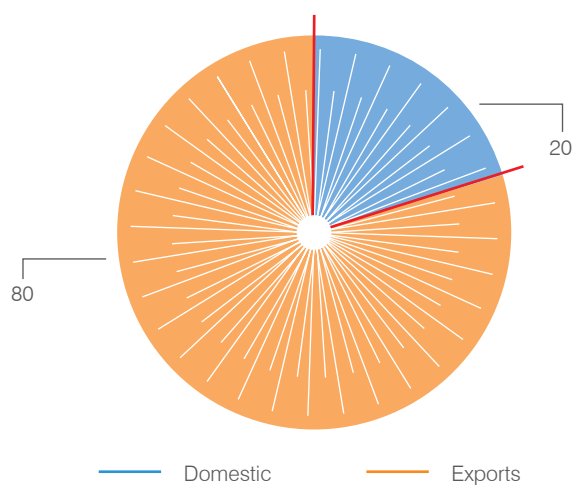
Revenues by geography - 2010-11 (%)



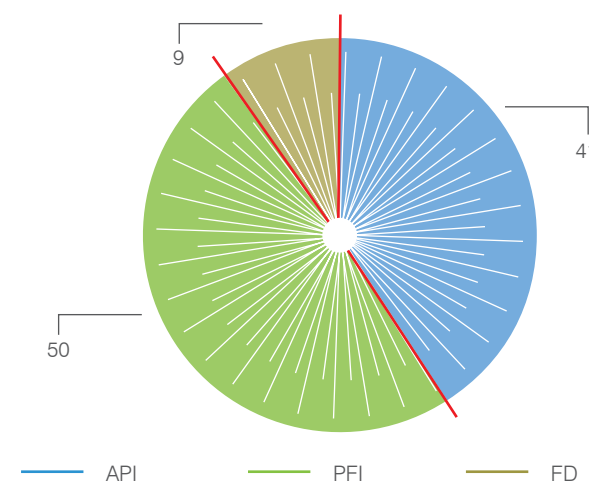
Revenues by products - 2010-11 (%)



Revenues by geography - 2009-10 (%)



Revenues by products - 2010-11 (%)



Cost analysis

Key cost components as a percentage of total revenue (%)

	2010-11	2009-10
Raw material	62.09	61.92
Manufacturing expenses	12.34	11.76
R&D expenses	0.72	0.79
Marketing and selling expense	7.39	6.69
Administrative Expenses	5.35	5.18
Depreciation	3.85	4.02
Interest and finance charges	2.64	3.80
Miscellaneous	0.12	0.14

Raw material prices rose due to an increase in the price of crude oil and government regulations in China. The Company was able to leverage its natural strength of surplus availability of foreign currency to reduce its Interest and finance charges by 28% resulting in a saving of ₹ 4.96 Crs.

Capital employed (₹ Cr.)

Particulars	2010-11	2009-10	% change
Shareholder's fund	220	202	9
Loan funds	137	147	(7)

SHAREHOLDER'S FUND

Total shareholder's fund (equity capital and reserves and surplus) increased 9% over the previous year owing to an increase in reserves and surplus and transfer from profit and loss account. It reported a total return on networth of 9.5%.

LOAN FUNDS

Total loans declined 7% over the previous year owing to a decline in secured and unsecured loans as a result of repayments during the year.

GROSS BLOCK

Gross block increased 7% over the previous year because Granules purchased equipment for its PFI and finished dosage expansion. The Company charged depreciation on the straight line method. Total accumulated depreciation as a percentage of total gross block was reported to be 26%, indicating the contemporariness of the assets.

WORKING CAPITAL MANAGEMENT

Working capital requirement of the Company increased 5% over the previous year owing to increase in turnover. Both sundry debtors and inventories increased 9% over the previous year, in line with the business growth.

FOREX MANAGEMENT

With significant portion of revenues skewed towards exports, the Company remains exposed towards any adverse foreign currency fluctuation. During the year, restated its foreign currency debt outstanding at the end of the year as per the Accounting standards which resulted in a foreign currency gain of ₹ 38 lakhs.

De-risking framework

Risk Management is an integral part at Granules. With a view to ensuring that the Company's operations remain smooth and efficient, we have identified a few risks and measures to mitigate them effectively.

REGULATORY RISK

The absence of necessary regulatory approvals may have a negative impact on the manufacturing operations of the Company.

Mitigation

- The Company enjoys regulatory approvals from the U.S. FDA, EDQM, Infarmed (EU), German HA, Australian TGA, KFDA, Authority for Social Affairs, Family, Health and Consumer Protection, Hamburg (Germany), TPD – Canada, MCC and Russian Health Authorities
- The Company also conducts periodical audits to ensure that the plant conforms to required norms

RAW MATERIAL COST

In event of a hike in raw material prices, the operational profitability may be affected adversely.

Mitigation

- The Company has been able to maintain marginal control on price volatility because of its bulk purchase policy
- A major part of business is carried out on a 'cost plus' basis, taking into account the industry movement of oil prices

SINGLE PRODUCT DEPENDENCE

A slowdown in the demand for one of the core products can reduce revenue.

Mitigation

- The Company has diversified its product portfolio by expanding into Ibuprofen, Metformin, Guaifenesin and Naproxen. Several of these products are analgesics so if demand for Paracetamol falls, these products will gain market share. In addition, the Company has products in different therapeutic sectors including anti-diabetes and nasal decongestion. These sectors are not correlated to analgesics and have different growth factors
- In order to diversify revenue for each product, the Company offers multiple combination and derivatives of APIs, PFIs and FDs. Each of these combination and derivatives targets customers in various markets throughout the world
- The Company's facilities can be re-calibrated to manufacture different products if the demand for the current product portfolio decreases

CAPACITY RISK

The Company may not be able to meet the market demand in the event of capacity constraints.

Mitigation

- Considering the high acceptance level of the products and services, the Company is in the process of expansion across all its facilities to cater to the increasing demand from existing as well as new customers

FINANCIAL RISK

The Company's market capitalisation may be affected in the event of poor financial performance.

Mitigation

- The Company's large scale manufacturing facility enables volumes, whereas extension via integration in its value chain provides margins, thus ensuring proper balance between revenues and margins

Opportunities and Threats

The Company's operations have several opportunities and threats. The Company's biggest opportunity is the expansion of the FD division. The division has grown from ₹ 9 Cr. to ₹ 101 Cr. in two years. Granules expects the division to continue growing as the Company commercialises existing orders.

Due to strong demand, Granules is tripling finished dosage capacity to 18 billion doses to fulfill existing and anticipated orders. The Company also sees opportunities in API and PFI sales due to prevailing market conditions. The Company does face threats including increased competition from Asia. While Asian companies still offer lower quality than the Company, quality and customer service is improving and customers will consider purchasing PFIs and FDs from Asia in the future. In addition, any quality failures on the Company's part may have a material affect on financials.

Internal Control System and their adequacy

The Company's internal control and documented procedures encompass financial and operating procedures --- providing proper accounting control, monitoring the Company's economic viability and efficiency and protecting assets from unauthorised use or losses --- to ensure the reliability of financial and operational information. The Audit Committee of the Board of Directors regularly reviews future plans, significant audit findings and adequacy of internal controls, as well as compliance with accounting standards.



▶ Blister Packing Machine



Directors' Report

To the Members

The Directors submit the Annual Report of the Company together with the audited statement of accounts for the year ended March 31, 2011.



FINANCIAL RESULTS

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

Particulars	(₹ lakhs)			
	Standalone		Consolidated	
	Year ended March 31, 2011	Year ended March 31, 2010	Year ended March 31, 2011	Year ended March 31, 2010
Net Sales	40,567.70	38,619.49	47,517.97	46,108.93
Other Income	71.17	48.00	80.25	107.36
Total Income	40,638.87	38,667.49	47,598.22	46,216.29
Profit Before Depreciation, Interest and Tax	5,464.16	6,280.90	5,765.69	7,371.97
Less: Interest and Finance Charges	1,136.20	1,639.98	1,258.69	1,754.90
Less: Depreciation	1,588.13	1,589.67	1,831.47	1,857.43
Profit Before Tax	2,739.83	3,051.25	2,675.53	3,759.64
Less: Provision for Taxes Including Deferred Tax	568.01	656.40	585.95	722.44
Net Profit After Taxes	2,171.82	2,394.85	2,089.58	3,037.20
Add: Surplus Brought Forward from Previous Year	6,164.89	4,123.36	6,016.52	3,332.64
Surplus Available	8,336.72	6,518.22	8,106.10	6,369.84
Appropriations made to Surplus:				
Provision for Dividend	300.86	250.71	300.86	250.71
Provision for Dividend Tax	48.81	42.61	48.80	42.61
Transfer to General Reserve	108.60	60.00	108.60	60.00
Balance Carried to Balance Sheet	7,878.45	6,164.89	7,647.84	6,016.52
Basic Earnings Per Share	10.83	11.94	10.42	15.14
Diluted Earnings Per Share	10.78	11.89	10.37	15.08

2. DIVIDEND

In view of the Company's profitable performance, the Directors are pleased to recommend for approval of the shareholders, a dividend of 15% on 2,00,57,154 equity shares (face value of ₹ 10 each) of the Company with respect to the financial year 2010-11. The dividend, if declared as above, would involve an outflow of ₹ 300.86 lakhs towards dividend and ₹ 48.81 lakhs towards dividend tax, resulting in a total outflow of ₹ 349.67 lakhs. Under the Income Tax Act, 1961, the dividend will be tax free in the hands of the shareholders.

3. TRANSFER TO THE INVESTOR EDUCATION AND 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 ₹ 71,215/- (Seventy One Thousand Two Hundred and Fifteen only) for the Financial Year 2002-03, was transferred to the Investor Education and Protection Fund established by the Central Government during the year under review.

4. TRANSFER TO GENERAL RESERVES

The Company proposes to transfer ₹ 108.60 lakhs to the General Reserve out of the amount available for appropriations. After the appropriations, it has been proposed to retain ₹ 1,713.56 lakhs from the current year's profits.

5. REVIEW OF OPERATIONS

The net sales of the Company for the financial year 2010-11 stood at ₹ 40,567.70 lakhs compared to the net sales of ₹ 38,619.49 lakhs in the previous Financial Year 2009-10, registering a growth of 5% in the current financial year. The profit before interest, depreciation and tax stood at ₹ 5,464.16 lakhs and profit after taxes stood at ₹ 2,171.82 lakhs during the current financial year. The Company continued to strengthen its position in the rapidly growing market and aims at achieving productivity gains, growth in volumes, sustained margins and neutralising cost increases.

6. FUNDING

During the year under review, the Company has not sought or received any external funding.

7. RESEARCH & DEVELOPMENT

The Company is committed to building a sound base for sustained growth both in both API and PFI businesses through the development of innovative, future-oriented technologies, intellectual property protection and engineering technologies in stable-ops by leveraging our collective R&D expertise resulting in value for all stakeholders. Our unrelenting focus on R&D has yielded achievements in year ending March 2011. The Company filed first patent application during the year and is also preparing to file several more patent applications. The Company is also developing API technologies which will offer higher quality material. R&D efforts also helped in improving operational productivity.

To face challenges in the business environment, the Company has strengthened its R&D by enhancing resources and creating new facilities. The Company also lined up several programmes for in-house R&D and formed alliances with national and international reputed institutions. We are positioning the period covered by the 2011-2012 Plan as a time of transformation, in which the Company will move forward from our past successes and grow into a new Granules which focuses on our activities on the themes of Innovation, Culture and Growth.

8. 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 the following changes were witnessed:

- a. Mr. Arun Rao Akinepally was appointed Additional Independent Director by resolution of the Board passed by circulation on April 27, 2010 duly confirmed by the shareholders in the Annual General Meeting dated September 27, 2010.
- b. Mr. Harsha Chigurupati was appointed as an Additional Director by Board Resolution on July 26, 2010 and was subsequently confirmed and appointed as an Executive Director for a period of five years w.e.f August 1, 2010 by the shareholders in the Annual General Meeting dated September 27, 2010.

There is no change in the Board after the date of Balance Sheet.

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. L.S. Sarma and Mr. C. Parthasarathy, Independent Directors of the Company are liable to retire by rotation at the ensuing Annual General Meeting and being eligible offers themselves for re-appointment to the office of Directorship. Your Board of Directors recommend for their re-appointment.

Brief profiles of Mr. L.S. Sarma and Mr. C. Parthasarathy, 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.

The Board has formed different Committees delegating various functions, the description of the same is provided in the Corporate Governance Report, attached herewith.

9. CORPORATE GOVERNANCE REPORT

Your Company is committed to good Corporate Governance Practices and following the guidelines prescribed by the Stock Exchange Board of India from time to time. 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. The Statutory Auditors Certificate, dated July 28, 2011 in accordance with Clause 49 of the Listing Agreement is annexed with Corporate Governance Report.

Mr. C. Krishna Prasad, Managing Director and Mr. Pranesh Raj Mathur, CFO and President (API), have given a Certificate to the Board with regard to the Financial Statements for the Year ending March 31, 2011 and the same is annexed with Corporate Governance Report, as contemplated in Clause 49 of the Listing Agreement.

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.

10. MANAGEMENT DISCUSSION AND ANALYSIS STATEMENT

A Management Discussion and Analysis statement as required under the clause 49 of the Listing Agreement is annexed, forming a part of the Directors Report.

11. 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.
- 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 prevent and detect fraud and other irregularities.
- iv. The annual accounts were prepared on a going concern basis.

12. SUBSIDIARY COMPANIES

Granules USA Inc.

Granules USA Inc., a wholly-owned subsidiary company, operates for the marketing requirements of the Company in the U.S. During the financial year 2010-11, the Company achieved a turnover of ₹ 7,543.74 lakhs.

GIL Lifesciences Private Limited

GIL Lifesciences Private Limited, a wholly-owned subsidiary of the Company has acquired land at Jawaharlal Nehru Pharma City (JNPC), Parwada Mandal, Visakhapatnam (AP) to set up a Pharmaceutical manufacturing unit. The Company is yet to commence operations here.

Granules Singapore Pte Limited

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

The relevant particulars of subsidiary companies and the consolidated final accounts for the year ended March 31, 2011,

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.

13. JOINT VENTURE COMPANIES

Granules-Biocause Pharmaceutical Co. Limited

During the financial year 2010-11, Granules-Biocause Pharmaceutical Co. Limited, our Joint Venture Company achieved a turnover of ₹ 6,299.46 lakhs.

The Company has signed Joint Venture Agreement with a Belgium based Company, S. A. Ajinomoto Omnicem N.V. on July 14, 2011 for the purpose of establishing a 50:50 Joint Venture Company in India for manufacture of pharmaceutical intermediates and APIs. The incorporation of the Joint Venture Company is under process however, the name of the proposed company "Granules Omnicem Private Limited" has been approved by the Registrar of Companies, Hyderabad (AP).

14. STATEMENT UNDER SECTION 212 OF THE COMPANIES ACT, 1956

Pursuant to the General Circular no. 2/2011 dated February 8, 2011 issued by Ministry of Corporate Affairs, the Company is entitled for exemption from the provisions of section 212 of the Companies Act, 1956 and the Company has complied with the requisite criteria mentioned in the above stated circular. However, a brief statement pursuant to section 212 of the Companies Act, 1956 related to Subsidiary Companies has been given as Annexure to the Balance Sheet and forms a part of this Annual Report.

Copies of the Annual Report of the Subsidiary Companies and the related detailed information will be made available to any member of the Company and its Subsidiaries who may be interested in obtaining the same. The Annual Report of the Subsidiaries Companies will also be kept open for inspection by any investor at the Registered Office of the Company and that of the respective Subsidiary Companies. The consolidated Annual Report is attached with the Annual Report of the Company.

15. AUDITORS AND THEIR REPORT

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

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

16. COST AUDITORS

M/s. EVS & Associates, Cost Accountants, were appointed as the Company's Cost Auditors subject to the consent of the Government of India to conduct cost audit of the bulk drugs and formulations division of the Company for the Financial Year 2010-11. The said appointment was approved by the Central Government.

17. 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.

18. 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.

19. HUMAN RESOURCES

Your Company continued to have cordial relations with its employees. Your Company is striving relentlessly to strengthen talent pipeline across all levels and to drive performance orientation as work culture by implementing various schemes, system, process and programs from time to time resulting in all around development of the employees and vibrant work culture. Your Company has robust process of human resources development which is provided for in Management Discussion and Analysis.

20. 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, form part of this Report as 'Annexure II'. However in pursuance of section 219(1)(b)(iv) of the Companies Act, 1956, this report is being sent to all shareholders of the Company, excluding the aforesaid information and the said particulars are made available at the Registered Office of the Company. The members interested in obtaining such particulars may write to the Company Secretary at the Registered Office of the Company.

21. EMPLOYEE STOCK OPTION PLAN

Your Company implemented the Granules India Equity Option Plan 2002 with the objective of enhanced employee commitment. The details of the stock options granted under the Granules India Equity Option Plan 2002, are given below:

Sr. no.	Description	Details
(a)	Options granted during the year	NIL
(b)	Pricing formula	Not Applicable.
(c)	Options vested during the year	3,750 options out of those granted during the financial year 2006-07. 69,500 options out of those granted during the financial year 2009-10.
(d)	Options exercised during the year	Nil
(e)	Total number of shares arising as a result of exercise of options	Not Applicable
(f)	Options lapsed during the year	Nil
(g)	Variation in terms of options	Nil
(h)	Money realised by exercise of options during the year	Nil
(i)	Total number of options in force	1,54,000
(j)	Employee wise details of options granted 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

Sr. no.	Description	Details
(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.	Not Applicable
(l)	Where the Company has calculated the employee compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost that shall have been recognised if it had used the fair value of the options.	Not Applicable
(m)	Weighted-average exercise prices and weighted-average fair values of options, whose exercise price either equals or exceeds or is less than the market price of the stock	Not Applicable
(n)	Description of the method and significant assumptions used during the year to estimate the fair values of options.	Not Applicable

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

22. RELATED PARTY TRANSACTIONS

As a matter of policy, your Company carries out transactions with related parties on an arm's length basis. Statement of these transactions is given in the Notes to Accounts (Point no. 13) in compliance of Accounting Standard (AS) 18.

23. 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 is provided herein as 'Annexure IV' and forms part of Directors Report.

24. 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.

On behalf of the Board of Directors

Sd/-

L. S. Sarma

Director

Sd/-

C. Krishna Prasad

Managing Director

Place: Hyderabad

Date: July 28, 2011

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, 2011.

FORM A – PARTICULARS OF CONSERVATION OF ENERGY

A. Power and fuel consumption

Particulars	F.Y. 2010-11	F.Y. 2009-10
1. Electricity		
Unit (KWH)	12,624,084.00	11,060,322.00
Total amount (₹ in lakhs)	525.05	409.39
Rate/Unit (₹)	4.16	3.70
Rate/Kg of production (₹)	3.19	2.49
2. Own generation from Diesel generator		
Unit (KWH)	1,674,843.00	18,06,195.00
Total amount (₹ in lakhs)	233.84	243.40
Rate/unit (₹)	13.96	13.48
Unit/kg of production (₹)	0.10	0.11
Rate/kg of production (₹)	1.42	1.48
3. Coal		
Quantity (MT)	11,169.28	10,282.46
Total cost (₹ in lakhs)	485.85	367.25
Rate/Unit (₹)	4.35	3.57
Rate/kg of production (₹)	2.96	2.24
4. Furnace Oil, LSHS and LD Oil		
Quantity (K. Ltrs.)	19.70	338.49
Total cost (₹ in lakhs)	6.63	80.20
Average/K. ltrs. (₹)	33.67	23.69
Rate/kg of production (₹)	0.04	0.49

B. Consumption per unit of production

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

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

FORM B – PARTICULARS OF ABSORPTION

Technology absorption, adaptation and innovation

1. Technology absorption, adaptation and innovation:

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

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

2. Benefits derived as a result of the above efforts

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

3. Imported technology

There was no import of technology.

Research and Development (R & D)

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

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

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

The Company in the previous financial year received approvals for 2 ANDAs. R&D currently focuses on developing and filing generic products for regulated markets and also on large volume OTC drugs, quick to launch and to earn faster returns on the investment. The products are:-

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

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

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

3. Future plan of action

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

4. Expenditure on R & D

The expenditure on R & D during the year 2010-11 was approximately ₹ 234.03 lakhs.

FORM C – FOREIGN EXCHANGE EARNINGS AND OUTGO

Particulars	₹ in lakhs	
	F.Y. 2010-11	F.Y. 2009-10
Foreign exchange earnings	31,559.89	31,225.90
Foreign exchange outgo	25,218.39	23,117.59

On behalf of the Board of Directors

Sd/-

L. S. Sarma

Director

Sd/-

C. Krishna Prasad

Managing Director

Place: Hyderabad

Date: July 28, 2011

Annexure III 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, 2011.

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

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

For **M/S.KUMAR & GIRI**
Chartered Accountants
Firm Regn No.001584S

Sd/-

J. BHADRA KUMAR
Partner
Membership No.25480

Place: Hyderabad
Date: July 28, 2011

Annexure IV to Directors' Report

DECLARATION REGARDING COMPLIANCE WITH THE CODE OF CONDUCT OF THE COMPANY BY BOARD MEMBERS AND SENIOR MANAGEMENT PERSONNEL

This is to confirm that the Company adopted Code of Conduct for the Board of Directors and the senior management personnel of the Company, which is available on 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: July 28, 2011

Sd/-

C. KRISHNA PRASAD

Managing Director



Corporate Governance

Company's philosophy on Code of Governance

The Company has drawn up good corporate governance practices, defining the role of the Board of Directors, establishing Directors accountability to the shareholders, investors and interest group and setting out guidelines for more effective performance. The Company believes that Corporate Governance has a role to ensure that the Directors of the Company are subject to their duties, obligations and ensure that the Directors are accountable to their shareholders and other beneficiaries for their corporate actions.

The Corporate Governance practices adopted by the Company, adheres to the following:

- Transparency in decision making.
- Accountability, which follows from transparency in assigning responsibilities.
- Safeguarding the interests of the stakeholders and the investors in the organisation.
- Commitment of the management for the principle of integrity.
- Compliance with legal and the administrative framework created by the government.

The Company commits itself to accountability and fiduciary duty in the implementation of guidelines and mechanism to ensure its corporate responsibility to the members and other stakeholders. The Company will continue to safeguard its core values and to position itself from time to time to be at par with any other world class company in operating practices.

The Company is in compliance with the requirements of the revised guidelines on Corporate Governance stipulated under Clause 49 of the Listing Agreement with the Stock Exchanges. The Company's Corporate Governance philosophy was further strengthened through the Code of Conduct for Senior Management Personnel.

Board of Directors

- i) Your Company has an optimum combination of executive, non-executive, independent and non-independent directors in terms of clause 49 of the Listing Agreement entered into with the Stock Exchanges. The Company has a total of nine directors of whom, two are executive and seven are non-executive. The total number of Independent Directors is five. The Independent Directors are professional with high credentials, who actively contribute in the deliberations of the Board, covering all strategic policy matters and strategic decisions.
- ii) The number of non-executive directors at seven is more than 50% of the Board of Directors. The Company has a Non-Executive Chairman who belongs to the promoters group and hence the number of Independent Directors at five fulfills the condition of having atleast one-half of Board as Independent Directors.
- iii) None of the Directors on the Board is a member of more than 10 committees or Chairman of more than five committees as specified in Clause 49, across all the

companies in which he is a Director. The Directors made necessary disclosures regarding committee positions in other public limited companies as on March 31, 2011.

Board Meetings

- iv) Four (04) Board meetings were held during the year April 2010 – March 2011 and the gap between any two meetings did not exceed four months. The dates on which the Board meetings were held are as follows: May 05, July 26, October 28, and January 27 in 2011.
- v) The following information inter alia is usually placed before the Board:
 - a. Annual operating plans and budgets (including capital budgets) and updates.
 - b. Quarterly results of the Company and its operating divisions.
 - c. Minutes of meeting of Audit Committee, Management Committee, Compensation & Remuneration Committee and details of share transfers.
 - d. Information on new recruitments and resignations of senior management personnel i.e., officers just below the Board level.
 - e. Public or product liability claims of substantial nature.
 - f. Quarterly details of foreign exchange exposures and the steps taken to limit the risks of adverse exchange rate movement.
 - g. Sale of investments or assets which is not in normal course of business.
 - h. Details of any Joint Venture Agreement.
 - i. Status of compliance of regulatory, statutory or listing requirements and shareholders service etc.
- vi) The names and categories of the Directors on the Board, their attendance at Board meetings held during the year April 2010 – March 2011 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.

Name	Director Identification Number (DIN)	Category	Number of Board Meetings during the year April 2010 – March 2011		Whether attended last AGM	Number of Directorships in other public companies	Number of committee positions held in public companies	
			Held	Attended			Chairman	Member
Dr. C. Nageswara Rao, (Chairman)	00179947	Non-Independent, Non-Executive	04	03	Yes	-	01	-
Mr. C. Krishna Prasad, (Managing Director)	00020180	Non-Independent, Executive	04	04	Yes	-	-	02
Mr. L. S. Sarma	00009530	Independent, Non-Executive	04	04	Yes	02	01	03
Mr. A. P. Kurian	00008022	Independent, Non-Executive	04	02	Yes	04	-	06
Mr. C. Parthasarathy	00079232	Independent, Non-Executive	04	01	No	11	03	01
Dr. Krishna Murthy Ella	00072071	Independent, Non-Executive	04	04	No	02	-	02
Mr. Philip Herbert Strenger	02827760	Non-Independent, Non-Executive,	04	01	No	-	-	-
Mr. Arun Rao*	00876993	Independent, Non-Executive	04	04	Yes	-	-	01
Mr. Harsha Chigurupati**	01606477	Non-Independent, Executive	02	01	Yes	-	-	-

* Mr. A. Arun Rao was appointed as Additional Director w.e.f April 27, 2010 and his appointment was regularised in the Annual General Meeting dated September 27, 2010.

**Mr. Harsha Chigurupati was appointed as Additional Director w.e.f. July 26, 2010 and was subsequently confirmed and appointed as a Executive Director for a period of five years w.e.f. August 1, 2010 by the shareholders in the Annual General Meeting dated September 27, 2010.

vii) None of the non-executive directors has any pecuniary or material relationship or transaction with the Company.

viii) The following is the shareholding of Non-Executive Directors:

Sl. No.	Name of Non-Executive Director	No. of shares held	Percentage of paid-up capital
1.	Dr. C. Nageswara Rao	3,000	0.015%
2.	Shri L. S. Sarma	506	0.002%
3.	Shri A. P. Kurian	5,000	0.025%
4.	Shri Arun Rao Akinepally	1,000	0.005%
5.	Dr. Krishna Murthy Ella	-	-
6.	Shri C. Parthasarathy	-	-
7.	Shri Philip Herbert Strenger	-	-

Audit Committee

- i) The Company has qualified and independent Audit Committee.
- ii) The composition, procedures, powers and role of the Audit Committee constituted by the Board comply with the requirements of Clause 49 of the Listing Agreement and Section 292A of the Companies Act, 1956.
- iii) The terms of reference of the Audit Committee are broadly as under:
 - a. Overview of the Company's financial reporting process and disclosure of its financial information to ensure that the financial statements reflect a true and fair position and that sufficient and credible information is disclosed.
 - b. Recommending the appointment and removal of statutory auditors, internal auditors and cost auditors, fixation of their audit fee and approval for payment for any other services.
 - c. Reviewing financial statements and draft audit report, including quarterly / half yearly financial information.
 - d. Reviewing with the management the annual financial statements before submission to the Board, focusing primarily on
 - The changes in accounting policies and practices
 - Major accounting entries based on exercise of judgment by the management
 - Qualifications in draft audit report
 - Significant adjustment arising out of audit
 - The going concern assumption
 - Compliance with accounting standards
 - Compliance with stock exchange and legal requirements concerning financial statements
- e. 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 internal auditors on any significant findings and follow up thereon
- h. Reviewing the findings of internal investigations by internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the Board
- i. Discussion with external auditors, before the audit commences, on nature and scope of audit as well as post-audit discussion to ascertain any area of concern.
- j. Reviewing the Company's financial and risk management policy.
- k. Any other function as delegated by the Board from time to time.
- iv) The Audit Committee comprises of four members, with a majority being independent directors. Mr. L. S. Sarma, Chairman and Mr. A. P. Kurian, Member are experts in the finance and accounting function.
- v) Four Audit Committee meetings were held during the year 2010 – 2011. The dates on which the said meetings were held are as follows: May 05, July 26, October 28 and January 27 in 2011. The Audit Committee at its meeting held on May 05, 2010 considered the Audited Annual Accounts for the financial year 2009-10.
- vi) 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 2010–2011	
		Held	Attended
Mr. L. S. Sarma, Chairman	Independent, Non-Executive	04	04
Mr. A. P. Kurian	Independent, Non-Executive	04	02
Mr. Arun Rao Akinepally*	Independent, Non-Executive	04	04
Mr. C. Krishna Prasad	Non-Independent, Executive	04	04

*Shri Arun Rao Akinepally was appointed as Additional Director w.e.f April 27, 2010 and his appointment was regularised in the Annual General Meeting dated September 27, 2010.

- vii) The Audit Committee meetings are usually attended by the representatives of Statutory Auditors and Internal Auditors. Shri L. S. Sarma, the Chairman of the Audit Committee, attended the previous Annual General Meeting of the Company held on September 27, 2010.
- viii) Ms. Shivangi Sharma, Company Secretary also acts as the Secretary to the Committee.
- ii) The Compensation & Remuneration Committee currently comprises three Independent, Non-Executive Directors and one Executive Director. Mr. L. S. Sarma, Independent Director, is the Chairman of the Committee.
- iii) The remuneration policy is directed towards rewarding performance, based on review of achievements on a periodical basis. The remuneration policy is in consonance with the existing industry practice.

Compensation & Remuneration Committee

- i) The Compensation & Remuneration Committee administers the Employee Stock Option Scheme and deals with all elements of remuneration package, stock options, service contracts and other terms and conditions of service of the Executive Directors and the Senior Management.
- iv) Two meetings of the Compensation & Remuneration Committee were held during the year 2010 – 2011. The dates on which the said meetings were held are as follows: May 5, 2010 and July 26, 2010.
- v) The composition of the Compensation & Remuneration Committee and particulars of meetings attended by the members of the Committee are given below:

Name	Category	Number of meetings during the year 2010–2011	
		Held	Attended
Mr. L. S. Sarma, Chairman	Independent, Non-Executive	2	2
Mr. A. P. Kurian	Independent, Non-Executive	2	1
Dr. Krishna Murthy Ella	Independent, Non-Executive	2	1
Mr. C. Krishna Prasad	Non-Independent, Executive	2	2

- vi) Details of remuneration paid to Directors during financial year 2010–2011.

a) Executive Director

(₹ in lakhs)

Name	Salary	Perquisites	Commission	Total
Mr. C. Krishna Prasad	60.00	20.87	62.60	143.47
Mr. Harsha Chigurupati	28.51	5.36	0.00	33.87

b) Non-Executive Directors

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

Name	Sitting fee (₹)
Dr. C. Nageswara Rao	70,000
Mr. L. S. Sarma	1,82,500
Mr. A. P. Kurian	37,500
Dr. Krishna Murthy Ella	37,500
Mr. C. Parthasarathy	7,500
Mr. Philip Herbert Strenger	7,500
Mr. Arun Rao Akinepally	75,000

Share Transfer and Shareholders'/Investors' Grievance Committee

- i) A Share Transfer and Shareholders' / Investors' Grievance Committee of Directors was constituted to specifically look into the matters of investors' grievances such as transfer, transmission, split and consolidation of investors' holding, replacement of lost / mutilated / stolen share certificates, dematerialisation of shares, non-receipt of dividend / notices / annual reports and change of addresses, among others. The main object of the Committee is to strengthen investor relations.
- ii) Dr. C. Nageswara Rao, Non-Executive Director is the Chairman of the Share Transfer and Shareholders'/Investors' Grievance Committee.
- iii) The Committee meets every fortnight and during the year 2010-11, 24 meetings were held. During the said period, 48 (forty Eight) complaints were received from the shareholders and all the complaints were resolved.
- iv) The composition of the Committee and the details of meetings attended by its members are given below:

Name	Category	Number of meetings during the period April 2010 - March 2011	
		Held	Attended
Dr. C. Nageswara Rao, Chairman	Non-Independent, Non-Executive	24	19
Shri L. S. Sarma	Independent, Non-Executive	24	10
Shri C. Krishna Prasad	Non-Independent, Executive	24	20

- v) Ms. Shivangi Sharma had been appointed as a Company Secretary & Compliance Officer of the Company with effect from March 1, 2011.
- vi) Number of shareholders' complaints received – 48 (Forty Eight)
- vii) Number of shareholders' complaints not resolved to the satisfaction of the shareholders – Nil
- viii) Number of pending complaints – Nil

Other Committees

Business Review Committee (formerly known as Management Committee)

- i) The Board constituted a Management Committee to advice on all matters related to the management of the Company. The Management Committee meets once in two months to review inter alia the operational and financial performance of the Company.
- ii) The Committee vide its meeting dated July 8, 2011 resolved to change the name of Management Committee to "Business Review Committee".
- iii) Six meetings of the Committee were held during the year 2010-2011 on May 05, July 24, September 28 and November 30 in 2010 and January 28 and March 25 in 2011.
- iv) The composition of the Committee and the details of meetings attended by its members are given below:

Name	Category	Number of meetings during the period April 2010 - March 2011	
		Held	Attended
Mr. L. S. Sarma	Independent, Non-Executive	06	06
Mr. C. Krishna Prasad	Non-Independent, Executive	06	06
Mr. Arun Rao Akinepally*	Independent, Non-Executive	06	01

*Shri Arun Rao Akinepally was appointed as Additional Director w.e.f April 27, 2010 and his appointment was regularised in the Annual General Meeting dated September 27, 2010.

General Body Meetings

Annual General Meetings

AGM	Year	Location	Date	Time	Number of special resolutions passed
19th	2010	Residency Hall Hotel Green Park Ameerpet, Hyderabad	27/09/2010	4.00 PM	Nil
18th	2009	Residency Hall Hotel Green Park Ameerpet, Hyderabad	25/09/2009	4.00 PM	4
17th	2008	Chancery Hall Hotel Green Park Ameerpet, Hyderabad	19/12/2008	4.00 PM	1

Extraordinary General Meeting

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

Postal Ballot

For the year ended March 31, 2011, 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. Limited.

Code of Conduct

The Board had laid down a Code of Conduct for all Board Members and Senior Management of the Company and the same is also posted on the website of the Company (www.granulesindia.com). The Declaration by Mr. C. Krishna Prasad, Managing Director of the Company with regard to the Compliance with the Code of Conduct by Board of Directors and Senior Management Personnel is annexed with the Directors' Report.

Disclosures

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

- ii) The Company has a Risk Management Procedure in place and the same is reviewed periodically.
- iii) The Company complied with the requirements of the stock exchanges, SEBI and other statutory authorities on all matters related to capital markets; no penalties or strictures were imposed on the Company by the stock exchanges or SEBI or any other statutory authorities relating to the above.
- iv) The Managing Director and the Chief Finance Officer have certified to the Board, the compliance of matters specified in clause 49V of the Listing Agreement.
- v) The members of the Board and senior management personnel of the Company have affirmed compliance with the Code of Conduct as at March 31, 2011.
- vi) All the mandatory requirements of clause 49 of the Listing Agreement on Corporate Governance have been complied with.
- vii) The Company fulfilled / adopted the following non-mandatory requirements as prescribed in Annexure ID to Clause 49 of the Listing Agreement with the stock exchanges:
 - a) The Company set up a Compensation & Remuneration Committee (Please see the paragraph on Compensation & Remuneration Committee for details).
 - b) The Company has set up a suitable mechanism for employees to report to the management concerns about unethical behaviour, actual or suspected fraud or violation of the Company's code of conduct; and adequate safeguards provided against victimisation of 'Whistle blowers'.

c) The statutory financial statements of the Company are unqualified.

viii) Secretarial Audit

A qualified practicing Company Secretary carried out secretarial audit to reconcile the total admitted capital with the National Securities Depository Limited (NSDL) and the Central Depository Services (India) Limited (CDSL) and the total issued and listed capital. The secretarial audit report confirms that the total paid-up capital was in agreement with the total number of shares in physical form and the total number of dematerialised shares held with NSDL and CDSL.

Means of Communication

The quarterly, half-yearly and annual financial results of the Company are communicated to the Stock Exchanges immediately after the same are approved by the Board and are published in the prominent English and Telugu newspapers namely, Business Standard, (Hyderabad, Mumbai, Pune, Ahmedabad and Kochi editions) and Andhra Prabha (Regional Edition). The results are also displayed on the Company's website viz. www.granulesindia.com. Press releases made by the Company from time to time, besides being communicated to the stock exchanges, are also displayed on the Company's website. The Management Discussion and Analysis Report forms part of this Report and is provided elsewhere in this Report.

General Shareholder Information

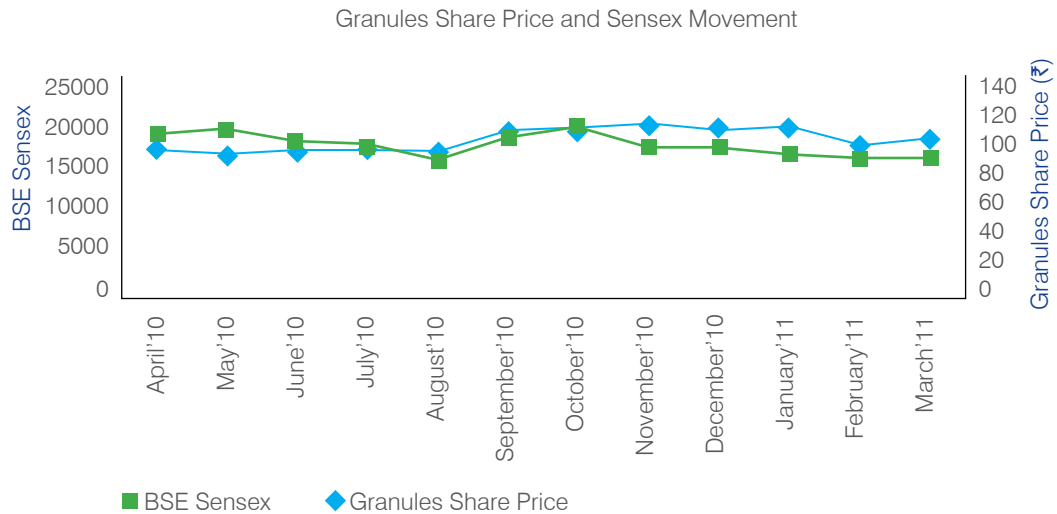
i) Annual General Meeting	
Date	: September 12, 2011
Day	: Monday
Time	: 4.00 PM
Venue	: Residency hall, Green Park Hotel, Ameerpet, Hyderabad (Andhra Pradesh)
ii) Financial year	: April 1, 2010 to March 31, 2011
iii) Date of Book Closure	: September 6, 2011 to September 12, 2011 (both days inclusive)
iv) Dividend Payment	: The final dividend, if declared, shall be paid / credited on or before October 11, 2011
v) Listing on Stock Exchanges	: The Bombay Stock Exchange Limited (BSE) The National Stock Exchange of India Limited (NSE)
vi) Stock codes/ symbol	
At BSE	: 532482
At NSE	: GRANULES
vii) Listing fee	: The Company has paid the listing fee to the Stock Exchanges for the financial year 2011-12
viii) Annual Custodial fee Custodial financial year	: The Company has paid the Annual fee to the Depositories for the 2011-12

ix) Market Price Data

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

Month	Bombay Stock Exchange			National Stock Exchange		
	High	Low	Volume	High	Low	Volume
April 2010	112.65	90.15	16,26,752	112.80	94.00	4,28,690
May 2010	114.90	92.00	8,88,889	114.90	90.80	6,07,517
June 2010	107.20	92.55	8,67,122	107.25	93.25	4,87,062
July 2010	104.90	90.50	12,40,590	104.70	90.55	6,18,701
August 2010	96.10	90.00	4,82,970	96.00	90.00	6,91,195
September 2010	109.80	92.25	11,66,441	109.70	92.25	7,37,043
October 2010	116.55	94.75	19,00,933	116.35	94.75	6,67,867
November 2010	103.80	90.20	4,40,714	103.80	91.00	4,14,780
December 2010	104.40	85.30	5,49,551	104.50	85.05	4,02,090
January 2011	98.50	87.00	1,40,544	96.90	87.00	2,68,713
February 2011	96.70	83.60	65,281	95.90	83.00	1,55,070
March 2011	96.50	90.75	3,30,726	104.00	90.15	2,77,660

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


ix) Registrar and Transfer Agents

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

CIL Securities Limited

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

Investor's correspondence may also be addressed to:

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

x) 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.

xi) Shareholding

a) Distribution of shareholding as on March 31, 2011

Shareholding of nominal value	March 31, 2011				March 31, 2010			
	Number of shareholders		Number of shares		Number of shareholders		Number of shares	
	Total	%	Total	%	Total	%	Total	%
1 – 5,000	11,907	91.31	15,49,347	7.73	14,984	99.34	35,17,762	17.54
5,001 – 10,000	635	4.87	5,24,429	2.61	46	0.31	3,32,235	1.66
10,001 – 20,000	256	1.97	3,95,746	1.97	23	0.15	3,56,894	1.78
20,001 – 30,000	90	0.69	2,34,254	1.17	5	0.03	1,20,264	0.60
30,001 – 40,000	35	0.27	1,25,081	0.62	2	0.01	69,859	0.35
40,001 – 50,000	34	0.26	1,65,009	0.82	2	0.01	86,672	0.43
50,001 – 1,00,000	33	0.25	2,53,891	1.27	5	0.03	3,67,586	1.83
1,00,001 and above	50	0.38	1,68,09,397	83.81	16	0.12	1,52,05,882	75.81
Total	13,040	100	2,00,57,154	100	15,083	100.00	2,00,57,154	100.00

b) Distribution pattern as on March 31, 2011

Category	Number of shares held	Percent to capital	Number of members
Promoters/Associates	79,04,992	39.41	16
Mutual Funds, Banks and FIs	2,97,870	1.49	4
Bodies Corporate	68,55,706	34.18	327
Individual Shareholders	44,25,546	22.06	12,692
GDRs	5,73,040	2.86	1
Total	2,00,57,154	100	13,040

xii) 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 77.47% of the Company's share capital were dematerialised as on March 31, 2011.

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

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

xiii) Outstanding GDRs / ADRs / warrants

Out of 37,61,007 GDRs issued during the year 2004-05, 5,73,040 GDRs were outstanding as on March 31, 2011.

xiv) Plant locations

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

R & D centre:

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

xv) Address for correspondence:

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

(xvi) 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.

(xvii) Secretarial Audit for Reconciliation of Capital:

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

(xviii) Corporate Identity Number (CIN):

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

(xix) Green Initiative in the Corporate Governance:

The Ministry of Corporate Affairs vide its Circular No. 18/2011 dated 29.04.2011 has taken the Green Initiative in the Corporate Governance by allowing the paperless compliances by the Company after considering section 2, 4, 5 and 81 of Information Technology Act, 2000 for legal validity of compliances under Companies Act, 1956 through electronic mode wherein Company can send the copy of Annual Report to its shareholders through email. Keeping in view the aforesaid, the shareholders are requested to register their email address and changes therein from time to time, with the Company by writing to the Company Secretary & Compliance officer as mentioned earlier or by writing to the Registrar & Transfer Agent or to the concerned depository.

Shareholders may also register their email id by visiting the Company website at www.granulesindia.com and following the link <http://121.246.146.252/gogreen/> in the investors relation section under shareholders information option.

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

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

Name of Director	Mr. L.S. Sarma	Mr. C. Parthasarathy
Date of Birth	11.10.1928	07.07.1955
Date of Appointment	30.01.2000	27.05.2009
Relationship with other Directors	None Acting as Independent Director	None Acting as Independent Director
Expertise in specific functional area	Mr. L.S. Sarma, is a retired bank executive. He was General Manager – Industrial Development Bank of India (IDBI), Director of ECGC and Dena Bank. He worked for International Trade Centre, Zeniva, ITC (Unctad/Gatt) as an Export Credit Consultant. He has held prestigious positions and gained expertise in the filed of banking and financial management.	Mr. C. Parthasarathy is one of the founders of Karvy. As a Chairman of the group, 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. He is a fellow member of the Institute of Chartered Accountants of India and the Institute of Company Secretaries of India. He also holds graduate degrees in Science and Law. Under his stewardship, Karvy has grown into an all India organisation enjoying leadership positions in all business segments in which it is present. Karvy Computershare is the largest Registrar and Transfer Agent in India and amongst the leading transfer agent in terms of investor folios serviced in the world. Karvy Computershare services approximately 60 mn investor folios for leading corporates and mutual funds in India.
Qualification	M.Com, CAIIB	B.Sc, LLB, FCA and FCS
Board membership of other Indian Companies	<ol style="list-style-type: none"> 1. Caliber Point Business Solutions Limited 2. Hexaware Technologies Limited 	<ol style="list-style-type: none"> 1. Karvy Computershare Private Limited 2. Karvy Comtrade Limited 3. Karvy Consultants Limited 4. Karvy Global Services Limited 5. Karvy Global Services Inc, USA 6. Karvy Inc, USA 7. Karvy Insurance Broking Limited 8. Karvy Investor Services Limited 9. Karvy Data Management Services Limited 10. Karvy Infrastructure Resources Pvt. Limited 11. EPR Pharmaceuticals Private Limited 12. Nova Consultants Limited 13. AIP Power Private Limited 14. Ocean Sparkle Limited 15. Pennar Industries Limited 16. Srisairam Projects Limited 17. Karvy Stock Broking Limited 18. Financial Intermediaries Association of India 19. Multidimension Entertainments Pvt. Limited 20. TMI e2E Academy Private Limited

Name of Director	Mr. L.S. Sarma	Mr. C. Parthasarathy
Chairman/member of the committee of the Board of Directors of the Company	Chairman: 1. Audit Committee. 2. Compensation and Remuneration Committee. 3. Business Review Committee. Member: 1. Share transfer and Shareholders / investors Grievance Committee.	Nil
Chairman / Member of the committees in other companies in which he is a Director	Chairman: 1. Hexaware Technologies Limited a. Remuneration Committee 2. Calibre Point Business Solution Limited a. Board Committee b. Remuneration Committee Member: 1. Hexaware Technologies Limited a. Audit Committee b. Banking and Treasury Committee 2. Calibre Point Business Solution Limited a. Audit Committee	Chairman: 1. Karvy Global Services Limited a. Audit Committee 2. Karvy Investor Services Limited a. Audit Committee 3. Ocean Sparkle Limited a. Audit Committee b. Investment Committee c. Remuneration Committee 4. Pennar Industries Limited a. Sub Committee – Corporate Strategy Member: 1. Karvy Stock Broking Limited a. Audit Committee b. Investment Committee c. Remuneration Committee d. Customer Service Committee e. Risk and Compliance Committee 2. Ocean Sparkle Limited a. Management and Administrative Committee
Number of shares held in the Company	506 (Five Hundred and Six)	Nil

MD and CFO certification on Financial Statements

Dated April 18, 2011

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

Dear Sirs'

Sub: Certification on Financial Statements for the financial year ended, March 31, 2011

- a. We have reviewed financial statements and the cash flow statement for the year ended March 31, 2011 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/-

Pranesh Raj Mathur

Chief Finance Officer
& President (API)

Sd/-

C. Krishna Prasad

Managing Director

Auditors' Certificate

To

The Members
Granules India Limited
2nd Floor, 3rd Block,
My Home Hub, Madhapur,
Hyderabad (AP) 500 081

We have examined the compliance of Corporate Governance by **Granules India Limited**, for the year ended on March 31, 2011, as stipulated in clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

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

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

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

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

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

Sd/-
J. Bhadra Kumar
Partner

Membership No.25480

Place: Hyderabad
Date: July 28, 2011

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, 2011 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 the above, our comments are as under:
 - a) Reference is invited to Note No. B (3) under Schedule No. R regarding dues to micro, small and medium enterprises
 5. Further to our comments in the Annexure referred to in paragraph (3) & (4) above:
 - a) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - b) In our opinion, proper books of account as required by 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, 2011, 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, 2011
 - ii) in so far as it relates to the Profit & Loss Account, of the Profit of the company for the year ended on that date
 - iii) in case of the Cash Flow Statement, of the cash flows for the year ended on that date.

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

Sd/-

J. Bhadra Kumar

Partner

Membership No. 25480

Place: Hyderabad

Date: April 29, 2011

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.

(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

The Company is generally regular in depositing undisputed statutory dues including Provident Fund, Employees State Insurance, Income tax, Customs Duty, Wealth Tax, Sales Tax, Excise Duty, Cess and other statutory dues with the appropriate authorities. There are no arrears of outstanding statutory dues as at the last day of the year ending 31.03.2011 for period exceeding 6 months from the date they became payable, excepting an amount of ₹ 11.49 lakhs representing unpaid dividend.

(X) ACCUMULATED LOSSES / CASH LOSSES

The Company has no accumulated losses as on March 31, 2011.

(XI) REPAYMENT OF DUES

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

(XII) LOANS & ADVANCES

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

(XIII) CHIT – FUND COMPANIES/ NIDHI/MUTUAL BENEFIT SOCIETIES

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

(XIV) FINANCING COMPANIES

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

(XV) GUARANTEE FOR LOANS

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

(XVI) TERM LOANS

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

(XVII) USAGE OF FUNDS

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

(XVIII) PREFERENTIAL ALLOTMENTS

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

(XIX) CREATION OF SECURITIES

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

(XX) PUBLIC ISSUE

The Company has not raised any money through Public Issue.

(XXI) FRAUDS

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

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

Sd/-

J. Bhadra Kumar

Partner

Membership No. 25480

Place: Hyderabad

Date: April 29, 2011

Balance Sheet

 as at March 31, 2011

(Amount in ₹)

Particulars	Schedule No.	As at	As at
		March 31, 2011	March 31, 2010
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	A	217,424,066	217,424,066
Reserves & Surplus	B	2,003,310,381	1,821,094,166
Loan Funds			
Secured Loans	C	960,375,115	899,727,138
Unsecured Loans	D	57,524,468	107,524,468
Deferred Tax Liability		199,137,843	170,886,505
Total Sources of Funds		3,437,771,873	3,216,656,342
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	E	2,980,720,969	2,788,055,102
Less: Accumulated Depreciation		750,841,750	592,486,880
Net Block		2,229,879,219	2,195,568,222
Add: Capital Work in Progress including advances (Net)		61,363,668	21,751,241
		2,291,242,887	2,217,319,463
Investments	F	226,025,218	226,023,154
Current Assets, Loans & Advances			
Inventories	G	601,337,377	515,987,522
Sundry Debtors		375,450,505	315,045,934
Cash & Bank Balances		68,234,713	94,330,949
Other Current Assets		10,976,581	8,372,656
Loans and Advances		266,644,567	235,216,812
		1,322,643,743	1,168,953,873
Less: Current Liabilities & Provisions	H		
Current Liabilities		378,580,257	381,726,365
Provisions		34,966,389	29,332,335
Net Current Assets		909,097,097	757,895,173
Miscellaneous Expenditure (to the extent not written off or adjusted)	I	11,406,670	15,418,552
Total Application of Funds		3,437,771,873	3,216,656,342
Significant accounting policies and notes to accounts	R		

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

For and on behalf of the Board

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

Sd/-
Dr.C.Nageswara Rao
Chairman

Sd/-
C.Krishna Prasad
Managing Director

Place: Hyderabad
Date: April 29, 2011

Sd/-
Pranesh Raj Mathur
Chief Finance Officer
& President - API

Sd/-
Shivangi Sharma
Company Secretary

Profit & Loss Account for the year ended March 31, 2011

Particulars	Schedule No.	(Amount in ₹)	
		Year ended March 31, 2011	Year ended March 31, 2010
INCOME			
Gross Sales		4,129,620,299	3,939,015,732
Less: Excise duty & Sales Tax		72,850,528	77,066,697
Net Sales	J	4,056,769,771	3,861,949,035
Other Income	K	7,117,153	4,799,500
		4,063,886,924	3,866,748,535
EXPENDITURE			
Cost of Materials Consumed	L	2,512,718,119	2,431,131,682
Manufacturing Expenses	M	464,802,052	420,534,406
R & D Expenses	N	23,403,325	32,912,119
Marketing & Selling Expenses	O	326,678,236	279,295,420
Administrative Expenses	P	188,110,517	183,729,046
Interest and Finance Charges	Q	113,620,007	163,997,608
Depreciation		158,813,062	158,967,386
Misc. Expenditure written off		5,568,636	6,295,156
Total Expenses		3,793,713,954	3,676,862,823
Profit before tax and exceptional items		270,172,970	189,885,712
Foreign Exchange Fluctuations		(3,810,410)	(115,239,044)
Profit before tax		273,983,380	305,124,756
Less: Provision for taxes :			
Current Tax Expense		28,549,436	31,366,003
Deferred Tax Expense		28,251,340	34,273,611
Net Profit after Taxes		217,182,604	239,485,142
Add: Profit brought forward from previous year		616,489,177	412,336,370
Balance available for appropriation		833,671,781	651,821,512
Less: Provision for Dividend		30,085,731	25,071,443
Provision for Dividend Tax		4,880,658	4,260,892
Transfer to General Reserve		10,860,000	6,000,000
Balance transferred to Balance Sheet		787,845,392	616,489,177
Surplus carried forward to Balance Sheet		787,845,392	616,489,177
Weighted average No. of shares		20,057,154	20,057,154
Basic Earnings per share		10.83	11.94
Diluted Earnings per share		10.78	11.89
Significant accounting policies and notes to accounts	R		

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

For and on behalf of the Board

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

Sd/-
Dr. C. Nageswara Rao
Chairman

Sd/-
C. Krishna Prasad
Managing Director

Place: Hyderabad
Date: April 29, 2011

Sd/-
Pranesh Raj Mathur
Chief Finance Officer
& President - API

Sd/-
Shivangi Sharma
Company Secretary

Cash Flow Statement

 for the year ended March 31, 2011

Particulars	(Amount in ₹)	
	For the year ended March 31, 2011	For the year ended March 31, 2010
A CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax	273,983,380	305,124,756
Adjustments for:		
Depreciation	158,813,062	158,967,386
Misc. Expenditure written off	5,568,636	6,295,156
(Profit) / Loss on sale of assets	287,500	(90,947)
Provision for doubtful debts	4,942,078	-
Foreign Currency restatement on term loans	(3,810,410)	(80,985,680)
Interest & dividend income	(4,175,805)	(2,283,200)
Interest & finance charges	113,620,007	133,483,040
	275,245,069	215,385,755
Operating profit before working capital changes	549,228,449	520,510,511
Increase in Trade and other receivables	(71,552,186)	(16,672,970)
Increase in inventories	(85,349,855)	(144,508,678)
Increase/(decrease) in Payable	2,691,885	102,771,499
Cash generated from operations	395,018,293	462,100,362
Direct Taxes paid	53,771,655	57,533,776
Net Cash from operating activities	341,246,638	404,566,586
B CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(233,182,642)	(111,417,892)
Increase in Miscellaneous expenditure	(1,556,754)	(2,410,565)
Investments in Subsidiary companies	-	(9,252,000)
Other investments	(2,064)	(57,587)
Proceeds from Sale of Fixed Assets	158,654	494,924
Interest/dividends received	1,571,879	1,396,260
Net Cash used in investing activities	(233,010,926)	(121,246,860)
C CASH FLOW FROM FINANCING ACTIVITIES		
Increase/(decrease) in Working Capital Loans	183,325,748	44,877,856
Interest paid	(119,460,497)	(135,958,316)
Dividends paid (including dividend tax)	(29,329,838)	(29,563,622)
Proceeds from Long Term borrowings	70,818,939	16,438,550
Repayment of short term loans	(100,000,000)	-
Repayment of long term loans	(189,686,299)	(159,761,030)
Proceeds from Unsecured Loans	50,000,000	-
Net Cash used in Financing Activities	(134,331,947)	(263,966,562)
Net Increase/(Decrease) in cash & cash equivalents (A+B+C)	(26,096,235)	19,353,164
Cash equivalents (Opening Balance as at 01-04-2010)	94,330,949	74,977,785
Cash equivalents (Closing Balance as at 31-03-2011)	68,234,713	94,330,949

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

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

For and on behalf of the Board

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

Sd/-
Dr.C.Nageswara Rao
Chairman

Sd/-
C.Krishna Prasad
Managing Director

Place: Hyderabad
Date: April 29, 2011

Sd/-
Pranesh Raj Mathur
Chief Finance Officer
& President - API

Sd/-
Shivangi Sharma
Company Secretary

Schedules forming part of Balance Sheet as at March 31, 2011

(Amount in ₹)

Particulars	As at	
	March 31, 2011	March 31, 2010

SCHEDULE : A - SHARE CAPITAL

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

SCHEDULE : B - RESERVES & SURPLUS

General Reserve	35,563,369	24,703,369
Central Subsidy	1,214,159	1,214,159
Share Premium	1,178,687,461	1,178,687,461
Profit & Loss Account	787,845,392	616,489,177
	2,003,310,381	1,821,094,166

SCHEDULE : C - SECURED LOANS

I) Term loans		
from Banks	544,569,743	665,052,248
II) Hire purchase loans	703,394	2,898,660
III) Working Capital Borrowings from banks	415,101,978	231,776,230
Total (I+II+III)	960,375,115	899,727,138

SCHEDULE : D - UNSECURED LOANS

From Banks	50,000,000	100,000,000
Sales Tax Deferment Loan	7,524,468	7,524,468
	57,524,468	107,524,468

Schedules forming part of Balance Sheet as at March 31, 2011

SCHEDULE: E - GROSS BLOCK

Fixed Assets	GROSS BLOCK			DEPRECIATION			NET BLOCK		
	As on 1-Apr-10	Additions	Deletions	Total as on 31-Mar-11	As on 1-Apr-10	For the Period	On Deletions	As on 31-Mar-11	As on 31-Mar-10
Land	54,861,965	-	-	54,861,965	-	-	-	54,861,965	54,861,965
Buildings	671,553,754	2,715,393	-	674,269,147	92,875,276	22,116,667	-	559,277,204	578,678,473
Plant & Machinery	1,602,254,392	146,134,351	-	1,748,388,743	344,730,710	97,116,122	-	1,306,541,911	1,257,523,683
Computers	36,579,197	7,010,622	38,462	43,551,357	10,435,704	3,582,119	29,308	29,562,842	26,143,492
Office Equipment	19,655,446	287,739	-	19,943,185	7,371,121	840,515	-	11,731,549	12,284,325
R&D Equipment	58,661,745	980,997	-	59,642,742	13,014,733	2,773,405	-	43,854,605	45,647,009
Furniture & Fixtures	34,436,115	282,366	-	34,718,481	7,900,053	2,078,777	-	24,739,650	26,536,063
Vehicles	23,029,712	4,231,128	865,883	26,394,957	13,971,474	1,670,680	428,883	11,181,686	9,058,238
Technical Know-how	287,022,780	31,927,611	-	318,950,391	102,187,808	28,634,775	-	188,127,808	184,834,973
Total	2,788,055,106	193,570,207	904,345	2,980,720,968	592,486,878	158,813,061	458,191	2,229,879,219	2,195,568,222
Previous year totals	2,680,883,980	109,891,076	2,719,954	2,788,055,106	435,835,472	158,967,386	2,315,978	2,195,568,222	2,245,048,508

Note: Gross Block of Vehicles includes ₹ 29,03,605/- (Previous year ₹ 1,08,43,478/-) acquired on hire-purchase basis.

Schedules forming part of Balance Sheet as at March 31, 2011

Particulars	(Amount in ₹)	
	As at March 31, 2011	As at March 31, 2010
SCHEDULE : F - INVESTMENTS		
(At Cost less provision for dimunition in value)		
Quoted		
Long term - non-trade		
Andhra Bank (11,277 shares of ₹ 10/- each, market value ₹ 150.95 as on 31-03-2011)	1,014,930	1,014,930
Ipca Labs Ltd (50 shares of ₹ 10/- each, market value ₹ 301.60 as on 31-03-2011)	7,100	7,100
Baroda Pioneer PSU Bond fund (5,174.130 units @ ₹ 10/- each, market value ₹ 10.1565 as on 31-03-11)	52,551	50,487
	1,074,581	1,072,517
Unquoted		
Long term - Trade		
Jeedimetla Effluent Treatment Ltd. (15,142 Equity shares of ₹ 100/- each including 1040 shares at a premium of ₹ 50/- each)	1,566,200	1,566,200
Pattancheru Envirotech Ltd (34,040 Equity shares of ₹ 10/- each)	340,400	340,400
	1,906,600	1,906,600
Subsidiaries		
(Unquoted Shares)		
Granules USA Inc - Wholly owned subsidiary 7,00,000 fully paid equity shares	11,631,470	11,631,470
GIL Life Sciences Pvt Ltd., Wholly owned subsidiary (29,46,176 fully paid equity shares of ₹ 10 each)	29,461,760	29,461,760
GIL Singapore PTE Ltd., Wholly owned subsidiary (1000 shares)	48,000	48,000
Joint Ventures		
(Unquoted Shares)		
Granules Biocause Pharmaceutical Co. Ltd. (50% Joint-venture in equity)	181,902,807	181,902,807
	226,025,218	226,023,154

Schedules forming part of Balance Sheet as at March 31, 2011

Particulars	(Amount in ₹)	
	As at March 31, 2011	As at March 31, 2010
SCHEDULE : G - CURRENT ASSETS, LOANS & ADVANCES		
i) Stock in hand		
Raw Materials	282,152,022	239,464,379
Finished Goods	153,419,496	162,893,906
Work In Process	87,509,009	63,751,019
Consumable and packing materials	31,385,714	17,604,160
Stores and Spares	46,871,136	32,274,058
	601,337,377	515,987,522
ii) Sundry Debtors		
(Unsecured, considered good)		
a) For more than six months	20,016,817	35,094,419
b) Others	360,375,766	279,951,515
	380,392,583	315,045,934
Less: Provision for doubtful debts	4,942,078	-
	375,450,505	315,045,934
iii) Cash & bank balances		
Cash on hand	135,736	173,427
Bank Balances:		
With scheduled banks:		
- in current accounts	10,097,693	14,586,524
- in deposit accounts (including margin money)	56,784,244	78,535,944
- in dividend accounts	1,217,040	1,035,054
	68,234,713	94,330,949
iv) Other current assets		
Interest receivable	10,976,581	8,372,656
	10,976,581	8,372,656
v) Loans & Advances		
(Unsecured, considered good)		
Advances to suppliers	7,950,522	18,800,680
Deposits	24,454,096	22,906,001
CENVAT Balances	112,704,754	98,039,900
Prepaid expenses	13,570,368	17,646,534
Sales tax refund receivable	27,957,918	22,034,895
Advance Tax including MAT	60,264,213	35,041,995
Import entitlements	1,105,487	3,043,464
Other advances	18,637,209	17,703,343
	266,644,567	235,216,812

Schedules forming part of Balance Sheet as at March 31, 2011

(Amount in ₹)

Particulars	As at March 31, 2011	As at March 31, 2010
SCHEDULE : H - CURRENT LIABILITIES & PROVISIONS		
Current liabilities		
Due to Small Scale Industrial Undertakings	21,397,858	12,975,554
Due to Others		
- for goods & services	299,473,269	315,523,321
- for Capital goods	41,632,780	4,231,493
Advances from Customers	2,861,053	28,641,520
Unpaid dividends	1,149,091	1,146,594
Interest accrued but not due	5,880,273	11,720,762
Other Liabilities (including statutory dues but not due)	6,185,933	7,487,121
	378,580,257	381,726,365
Provisions		
Provision for dividend	30,085,731	25,071,443
Provision for dividend tax	4,880,658	4,260,892
	34,966,389	29,332,335

SCHEDULE : I - MISCELLANEOUS EXPENDITURE

(To the extent not written off or adjusted)

(i) Public Issue Expenses		
Opening Balance	7,758,043	10,795,773
Less: Written off during the year	2,689,368	3,037,730
	5,068,675	7,758,043
(ii) VRS Expenses		
Opening Balance	7,660,509	8,507,370
Additions during the year	1,556,754	2,410,565
Less: Written off during the year	2,879,268	3,257,426
	6,337,995	7,660,509
Total (i+ii)	11,406,670	15,418,552

Schedules forming part of Profit & Loss Account for the year ended March 31, 2011

Particulars	(Amount in ₹)	
	For the Year ended March 31, 2011	For the Year ended March 31, 2010
SCHEDULE : J - SALES		
Export Sales	3,347,427,345	3,059,214,254
Domestic Sales	728,666,426	850,761,853
By products	52,159,986	25,653,707
Export benefits	1,366,542	3,385,918
Gross Sales	4,129,620,299	3,939,015,732
Less: Excise duty & sales tax	72,850,528	77,066,697
Net Sales	4,056,769,771	3,861,949,035

SCHEDULE : K - OTHER INCOME		
Interest received	4,117,206	2,231,737
Dividends received	58,599	51,463
Sale of Scrap	2,941,348	2,282,530
Insurance Claims received	-	233,770
	7,117,153	4,799,500

SCHEDULE: L - COST OF MATERIALS CONSUMED		
a) Consumption of Raw material	2,365,169,388	2,371,128,927
b) Consumption of Packing Materials	161,832,311	101,987,520
c) (Increase)/Decrease in Stocks		
(i) (Increase)/Decrease in WIP		
Opening stock	63,751,019	83,633,015
Closing Stock	87,509,009	63,751,019
	(23,757,990)	19,881,996
(ii) (Increase)/Decrease in FG		
Opening stock	162,893,906	101,027,145
Closing Stock	153,419,496	162,893,906
	9,474,410	(61,866,761)
Total (Increase)/Decrease in stocks	(14,283,580)	(41,984,765)
Total cost of material consumed (a+b+c)	2,512,718,119	2,431,131,682

Schedules forming part of Profit & Loss Account for the year ended March 31, 2011

(Amount in ₹)

Particulars	For the Year ended March 31, 2011	For the Year ended March 31, 2010
SCHEDULE : M - MANUFACTURING EXPENSES		
Salaries, Wages & Benefits	188,941,654	162,523,667
Contribution to PF/ESI	7,493,068	6,446,676
Employee welfare expenses	10,159,602	5,457,745
Conversion charges	9,931,840	30,932,500
Power & Fuel	125,137,882	110,024,431
Effluent Treatment expenses	27,454,104	24,454,835
Repairs & Maintenance		
- Factory Building	7,156,429	4,071,980
- Plant & Machinery	50,872,296	49,849,177
- Others	2,785,316	3,054,166
Consumables & Lab Chemicals	26,871,888	16,909,476
Analytical Fees	2,906,130	1,940,807
Others	5,091,843	4,868,946
	464,802,052	420,534,406

SCHEDULE : N - R & D EXPENSES

Salaries	9,563,114	5,589,359
Consumables & Lab Chemicals	46,796	19,133,510
Consultancy Charges	7,450,448	-
Others	4,256,672	-
Materials	2,086,295	8,189,250
	23,403,325	32,912,119

SCHEDULE: O - MARKETING & SELLING EXPENSES

Business Promotion expenses	14,124,968	14,217,167
Sales Commission	74,213,128	64,751,551
Freight & Clearing charges	208,370,563	172,534,097
Salaries & Benefits - Marketing	8,896,382	3,003,935
Discount allowed	3,612,085	4,651,020
Travelling expenses	17,461,110	20,137,650
	326,678,236	279,295,420

Schedules forming part of Profit & Loss Account for the year ended March 31, 2011

Particulars	(Amount in ₹)	
	For the Year ended March 31, 2011	For the Year ended March 31, 2010
SCHEDULE: P - ADMINISTRATIVE EXPENSES		
Salaries, Wages & Benefits	52,576,377	43,610,542
Contribution to PF/ESI	1,990,653	1,422,715
Employee welfare expenses	3,821,623	1,916,880
Directors remuneration	8,180,000	4,750,000
Managerial Commission	6,261,000	8,867,446
Repairs & Maintenance - Others	1,023,536	1,269,666
Rent	19,553,680	16,946,538
Rates & Taxes	4,573,195	4,826,822
Auditors' remuneration	750,000	850,000
Insurance	14,124,485	13,678,295
Consultancy & Professional Charges	28,642,816	40,874,388
Communication expenses	7,088,623	6,738,257
Printing & stationery	4,955,925	4,549,372
Travelling & Conveyance	17,197,484	20,186,923
Directors sitting fees	417,500	450,000
Advertisement Charges	490,366	244,110
Donations	1,341,932	1,907,533
Provision for Doubtful Debts	4,942,078	-
Loss on sale of assets / write off	287,500	(90,947)
Sundry expenses	9,891,744	10,730,506
Sub Total	188,110,517	183,729,046

SCHEDULE: Q - INTEREST AND FINANCE CHARGES		
Interest on Term loans	36,346,885	50,829,145
Interest on Working Capital	52,153,151	73,198,108
Interest Others	2,357,428	9,455,787
Bank Charges	22,762,543	30,514,568
	113,620,007	163,997,608

Schedules forming part of Profit & Loss Account for the year ended March 31, 2011

SCHEDULE: R - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO ACCOUNTS

A) Significant Accounting Policies:

- 1) **System of accounting:** The accounts have been prepared and presented under the historical cost convention method on the accrual basis of accounting in accordance with the accounting principles generally accepted in India and comply with the Accounting Standards issued by Institute of Chartered Accountants of India (ICAI) to the extent applicable.
- 2) **Fixed Assets:** Fixed Assets are stated at cost less accumulated depreciation Cost is inclusive of duties & taxes (net of CENVAT / VAT), incidental expenses and erection / commissioning expenses.
- 3) **Depreciation:** Depreciation on fixed assets is provided on straight-line method at the rates specified in Schedule XIV of the Companies Act, 1956. The depreciation on incremental value arising from the revaluation of the fixed assets is charged to Revaluation Reserve Account.
- 4) **Expenditure during construction period:** Expenditure (including finance cost relating to borrowed funds for construction or acquisition of fixed assets) incurred on projects under implementation are treated as 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.
- 5) **Investments:** Long-term investments and investments in subsidiary companies are carried at cost. Provision for diminution in value is made whenever necessary in accordance with the Accounting Standards in force.
- 6) **Valuation of Inventories:**
 - a) Inventories are valued at the lower of cost or net realisable value.
 - b) Inventories of raw material, consumables and stores and spares are valued at cost as per FIFO method. Cost does not include duties and taxes that are subsequently recoverable.
 - c) Cost for the purpose of finished goods and material in process is computed on the basis of cost of material, labour and other related overheads.
 - d) Goods in transit are stated at costs accrued up to the date of Balance Sheet.
 - e) Stocks with consignment agents are stated at costs accrued up to the date of the Balance sheet.
- 7) **Government grants:** Government grants received in the nature of promoter's contribution and where no repayment is ordinarily expected are treated as capital reserve.
- 8) **Foreign Exchange:** Foreign exchange transactions are recorded at the exchange rates prevailing at the time of transactions or at contracted rates. Current assets and current liabilities are translated at values prevailing at the Balance Sheet date. Gains/Losses, if any, arising thereby are recognised in the Profit and Loss account.
- 9) **Revenue Recognition:**
 - a) Revenue from sales is recognised when significant risk and rewards in respect of ownership of the products are transferred.
 - b) Revenue from domestic sales is recognised 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 recognised on the basis of dates of Bill of Lading.
- 10) **Export Benefits:** Advance licenses are issued to the Company under the Advance License Scheme [Duty Exemption Entitlement Certificate (DEEC Scheme)] / duty entitlement credited under the Duty Entitlement Pass Book Scheme (DEPB Scheme) on the export of the goods manufactured by it. Whenever export sales are made by the Company, pending receipt of imported duty-paid raw materials under the DEEC / DEPB Schemes, the cost of domestic raw materials actually consumed for the purpose of such exports is compensated and / or matched by accruing the value of the benefit under the DEEC / DEPB Scheme.

Schedules forming part of Profit & Loss Account for the year ended March 31, 2011

11) Research and development expenses:

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

12) Employee Retirement Benefits:

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

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

- b) Defined Benefit Plan: Gratuity for certain employees is covered under a scheme of Life Insurance Corporation of India (LIC) and contributions in respect of such scheme are recognised in the Profit and Loss account. The liability as at the Balance Sheet date is provided for based on the actuarial valuation carried out in accordance with revised Accounting Standard 15 as at the end of the year/period.
- c) Other long term employee benefits: Other long term employee benefits comprise of leave encashment which is provided on the actuarial valuation carried out in accordance with revised Accounting Standard 15 as at the end of the year/period.

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

14) Income tax expense:

- a) Current Tax Expense
The Current charge for income tax is calculated in accordance with the tax regulations.
- b) Deferred Tax Expense
Deferred income tax reflects the impact of timing difference between accounting income and tax income for the year / period. Deferred tax is measured based on the tax rates and the tax laws enacted at the Balance Sheet date. Deferred tax asset is recognised only to the extent of certainty of realisation of such asset.

B) Notes To Accounts:

1) Contingent liabilities not provided for in respect of:

Particulars	(₹ in Lakhs)	
	As at March 31, 2011	As at March 31, 2010
a) Claims against the Company not acknowledged as debts:		
Customs duty	705.39	210.93
b) Estimated amount of contracts remaining to be executed on Capital account and not provided for (net of advances)	930.39	426.56
c) Letters of credit and Bank Guarantees issued by Banks	2,202.52	1,812.73
d) Bills discounted with banks	8,511.11	7,893.38

2) Secured loans:

Schedules forming part of Profit & Loss Account for the year ended March 31, 2011

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

Term loans are further secured by second charge on hypothecation of stocks of raw materials, finished goods, semi finished goods and receivables. The term loans from Kotak Mahindra Bank, Exim Bank and State Bank of Travancore are further secured by personal guarantee of the Managing Director.

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

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

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

(₹ in Lakhs)

SL.No	Particulars	As at	
		March 31, 2011	March 31, 2010
a)	Principal Amount Overdue	-	17.16
	Number of Parties	-	9
	Interest amount payable thereon	-	0.42
b)	The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified	-	0.42
c)	The amount of interest accrued and remaining unpaid at the end of each accounting year	-	0.42
d)	The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 2	-	0.42

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

(Qty in. M.T. and Value ₹ in Lakhs)

Product	Opening stock		Production	Closing Stock		Sales	
	Qty	Value		Qty	Qty	Value	Qty
APIs	560.39	1,184.33	9,934.58	427.89	1,102.50	6,053.93	15,076.58
	(265.59)	(594.68)	(10,307.58)	(560.39)	(1,184.33)	(6,838.62)	(15,927.66)
PFI's	132.44	435.19	5,469.65	152.21	429.90	4,612.34	15,473.79
	(122.38)	(344.08)	(5,800.76)	(132.44)	(435.19)	(5,552.33)	(18,940.94)
Formulations	1,926.01	9.41	20,00,696.80	33,454.43	1.79	19,69,168.37	10,017.33
(Tablets)	(42,012.06)	(71.51)	(5,33,586.59)	(1,926.01)	(9.41)	(5,73,672.64)	(3,750.89)
(in '000)							
						Total	40,567.70
						Total	(38,619.49)

Note: Captive consumption of API's is 4,013.16 M.T. (Previous year 3,174.16 M.T.) and PFI is 837.53 M.T. (Previous year 238.37 M.T.) included in Production.

Schedules forming part of Profit & Loss Account for the year ended March 31, 2011

5) Consumption of Raw materials during the year:

Name of the material	(Qty in M.T. Value ₹ in Lakhs)			
	2010-11		2009-10	
	Qty	Value	Qty	Value
Para Amino Phenol	6,659.60	9,573.06	6,824.35	8,765.57
Acetic Anhydride	6,525.69	3,173.01	6,883.10	3,483.69
Ibuprofen	668.21	2,870.18	619.60	2,866.26
Paracetamol	399.40	791.05	1,612.08	3,255.92
Guaiacol	394.80	1,080.56	433.60	1,211.42
PVPK	96.50	717.95	88.57	603.01
Ciprofloxacin	42.72	589.96	22.05	343.98
Dicyandiamide	661.38	608.99	488.26	403.19
EHG Capsules (Qty in million No's)	638.92	1,050.86	154.60	376.31
Omeprazole Capsules (Qty in million No's)	31.31	500.59	9.88	258.58
Epichloro Hydrin	333.18	365.12	354.96	269.18
Others		2,330.36		1,874.18
Total		23,651.69		23,711.29

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

Particulars	(₹ in Lakhs)	
	Year ended	Year ended
	March 31, 2011	March 31, 2010
Profit before Income tax as per Profit & Loss account	2,739.83	3,051.25
Add: Directors remuneration	81.80	47.50
Directors' commission	62.61	88.67
Directors sitting fees	4.18	4.50
Loss / (Profit) on assets sold / written off (Net)	2.87	(0.91)
Total	2,891.29	3,191.01
Total remuneration payable including commission @5%	143.47	159.55
Less: Remuneration & perquisites paid	80.87	70.72
Balance being commission payable	62.60	88.83

7) Payment to Auditors

Particulars	(₹ In Lakhs)	
	2010-11	2009-10
a) As Auditor	6.50	5.50
b) As Advisor in respect tax matters	1.00	3.00
Total	7.50	8.50

Schedules forming part of Profit & Loss Account for the year ended March 31, 2011

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

SL. No.	Particulars	(Qty in M.T.)	
		2010-11	2009-10
	Capacity and Production		
i)	Licensed Capacity (Metric tones per annum)	NA	NA
ii)	Installed Capacity (Metric tones per annum)		
	APIs	10,400.00	9,751.00
	PFIs	8,400.00	8,400.00
	Tablets (in millions)	6,000.00	6,172.80
iii)	Production (Metric tones)		
	APIs	9,934.58	10,307.58
	PFIs	5,469.65	5,800.76
	Tablets (in millions)	2,000.70	533.59

- 9) Foreign Exchange outgo/earnings towards:

Outgo in Foreign Currency	(₹ in Lakhs)	
	2010-11	2009-10
Import of goods	17,544.51	18,295.07
Foreign travel	62.02	12.56
Sales commission	6,030.89	4,051.75
Consultancy charges	126.90	58.22
Capital assets	1,205.65	280.99
Interest	159.32	372.54
Other expenditure	89.10	46.46
Earnings in Foreign Currency		
Export sales realised	31,559.89	31,225.90

- 10) Details of Imported and Indigenous Raw Materials:

Raw materials consumed – Imported/ Indigenous

Name of the materials	(₹ in Lakhs)			
	2010-11		2009-10	
	Value	Percentage (%)	Value	Percentage (%)
Imported	18,226.67	77.06	18,411.82	77.65
Indigenous	5,425.03	22.94	5,299.47	22.35
Total	23,651.69	100.00	23,711.29	100.00

Schedules forming part of Profit & Loss Account for the year ended March 31, 2011

- 11) During the year, the Company has capitalised borrowing costs of ₹ 44.92 lakhs (Previous year nil)
- 12) **Segment reporting:** The Company has only one business segment of "Pharmaceuticals". The secondary segment is geographical, which is given as under :

Particulars	(₹ in Lakhs)	
	2010-11	2009-10
a) Revenue		
i) Sale (Net of Excise Duty)		
Within India	7,079.76	7,993.49
Outside India	33,487.94	30,626.00
ii) Other Income		
Within India	71.17	48.00
Outside India	-	-

b) Assets: All the assets of the Company, except the debtors and loans and advances amounting to ₹ 2,447.69 lakhs (Previous year ₹ 1,935.12 lakhs), are within India.

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

a) Names of related parties and the description of relationship

SL. No	Name	Relationship
(i)	Granules USA Inc	Wholly owned subsidiary Company
(ii)	GIL Lifesciences Private Limited	Wholly owned subsidiary Company
(iii)	Granules Singapore Pte Ltd	Wholly owned subsidiary Company
(iv)	Granules-Biocause Pharmaceutical Co. Ltd	Joint – Venture
(v)	Key management personnel: Shri C. Krishna Prasad	Managing Director
(vi)	Others: Dr. C. Nageswara Rao Mr.C.Harsha	Non Executive Chairman Executive Director
(vii)	Mr.Vijay Ramanavarapu	Consultant

b) Transactions with Subsidiary Company:

(i) Granules USA Inc

Particulars	(₹ in Lakhs)	
	March 31, 2011	March 31, 2010
Transactions during the year :		
Sale of goods	7,021.32	9,024.54
Purchase of capital goods	-	234.14
Equity subscribed	-	92.52
Others	-	27.32
Amounts outstanding at Balance Sheet date:		
Interest on loan	22.40	22.40
Equity subscribed	116.31	116.31
Amounts receivable for sales made	4,150.83	3,554.15

Schedules forming part of Profit & Loss Account for the year ended March 31, 2011

(ii) GIL Life Sciences Pvt Ltd

Particulars	(₹ in Lakhs)	
	March 31, 2011	March 31, 2010
Transactions during the year :		
Loan granted	-	10.00
Amounts outstanding at Balance Sheet date:		
Equity subscribed	294.62	294.62
Loan granted	10.00	10.00

(iii) GIL Singapore PTE Ltd

Particulars	(₹ in Lakhs)	
	March 31, 2011	March 31, 2010
Transactions during the year :		
Advance for expenses	4.52	2.07
Amounts outstanding at Balance Sheet date:		
Equity subscribed	0.48	0.48
Loan granted	6.59	2.07

Transactions with Joint-Venture

Particulars	(₹ in Lakhs)	
	March 31, 2011	March 31, 2010
Transactions during the year :		
Purchase of goods	2,812.81	2,722.83
Amounts outstanding at Balance Sheet date :		
Equity subscribed	1,819.03	1,819.03
Amounts payable for purchase of goods	361.04	547.06

c) Transactions with other related parties:

Particulars	(₹ In lakhs)	
	2010-11	2009-10
Mr. C. Krishna Prasad, Managing Director Remuneration	122.61	136.17
Dr. C. Nageswara Rao, Chairman Sitting fee	0.73	1.05
Mr. C. Harsha, Executive Director Remuneration	24.80	24.00
Mr. Vijay Ramanavarapu, Consultant Consultancy charges	22.00	8.50

Schedules forming part of Profit & Loss Account for the year ended March 31, 2011

14) Employee Benefits

a) Defined benefit plans:

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

(₹ in Lakhs)

Particulars	Gratuity Plan	
	2010-11	2009-10
Projected benefit obligation at the beginning of the period	77.69	68.44
Current service cost	60.03	10.00
Interest cost	13.96	6.62
Actuarial loss/(gain)	(0.08)	-
Benefits paid	(13.59)	(7.37)
Projected benefit obligation at the end of the period	89.73	77.69
Amounts recognised in the balance sheet		
Projected benefit obligation at the end of the period	89.73	77.69
Fair value of plan assets at end of the period	89.73	77.69
Funded status of the plans – (asset) / liability	-	-
Liability recognised in the balance sheet	-	-
Cost for the period		
Current service cost	60.03	10.00
Interest cost	13.96	6.62
Net actuarial (gain) / loss recognised in the period	-	-
Past service cost	-	-
Actual Return on Plan Assets*		
Assumptions	8%	8%
Estimated rate of return on plan assets	-	9.15%
Expected rate of salary increases	4%	4%

15) Employee Stock Option Plan

Granules India Equity Option Plan 2002

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

Schedules forming part of Profit & Loss Account for the year ended March 31, 2011

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

Particulars	Year ended March 31, 2011		Year ended March 31, 2010	
	No. of options	Weighted Average Exercise Price (₹)	No. of options	Weighted Average Exercise Price (₹)
At the beginning of the year	15,000	73.00	15,000	73.00
	1,39,000	45.00	1,39,000	45.00
Add: Granted during the year				
Less: Exercised during the year	-	-	-	-
Less: Lapsed / Cancelled during the year	-	-	-	-
At the end of the year	1,54,000	-	1,54,000	-

Granules India Limited - Employee Stock Option Scheme 2009

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

16) Earnings per share – Basic and Diluted:

Particulars	2010-11	2009-10
Net profit for the year (₹ in lakhs)	2,171.83	2,394.85
Weighted average number of shares outstanding during the year	200,571,154	200,571,154
Basic earnings per share (₹)	10.83	11.94
Nominal value of shares (₹)	10.00	10.00

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

Particulars	(₹ in Lakhs)		
	Opening balance as on 1.4.2010	Charge/(Credit) during the period	Closing balance as on 31.3.2011
Deferred tax liability			
Depreciation	1,745.86	303.80	2,049.66
Total	1,745.86	303.80	2,049.66
Deferred tax asset			
Leave encashment	23.48	(0.73)	22.74
Bonus	13.51	(2.87)	10.64
Gratuity	-	8.47	8.47
Provision for Doubtful Debts	-	16.42	16.42
Total	36.99	21.29	58.28
Net Deferred tax liability	1,708.87	282.51	1,991.38

Schedules forming part of Profit & Loss Account for the year ended March 31, 2011

- 18) Sundry debtors include a sum of ₹ 4,150.83 lakhs (Previous year: ₹ 3,554.15 lakhs) due from a subsidiary Company.
- 19) Amortisation of Miscellaneous Expenditure:
- GDR issue expenses of ₹ 151.89 lakhs carried forward from earlier years are amortised over a period of 5 years commencing from the year in which the Projects commence commercial production. Tablet Block at Gagillapur had commenced commercial production during September 2008, hence the issue expenses are proportionately amortised.
 - The Company has implemented a Voluntary Retirement Scheme (VRS). The total cost of separation of ₹ 15.57 lakhs excluding Gratuity under the Gratuity scheme applicable to the employees is amortised over a period of 5 years.
- 20) The Government of Andhra Pradesh, Commissionerate of Industries has vide its Letter No.20/2/9/0444/ID dated October 11, 1999 and its clarification vide Letter dated August 4, 2001 determined an eligibility of ₹ 184.12 lakhs towards Sales tax deferment on the sale of Paracetamol and the Sales tax payable by the Company for a period of 14 years commencing from June 30, 1998 to June 29, 2012 is deferred. The liability of ₹ 75.24 lakhs as at March 31, 2011 (Previous year ₹ 75.24 lakhs) for the deferred Sales tax is shown under unsecured loans.
- 21) In terms of accounting policy 11 for the accrual of export benefits, estimated benefits of ₹ 150.57 lakhs (Previous year ₹ 146.16 lakhs) have been taken into account under the DEEC/DEPB Schemes.
- 22) Research and Development Fixed Assets (included in schedule 5)

(₹ in Lakhs)

Particulars	Gross Block				Depreciation				Net Block	
	As on	Additions	Deletions	Total as on	As on	For the	Deletions	As on	As on	As on
	01-04-10			31-03-11	01-04-10	period		31-03-11	31-03-11	31-03-10
Buildings	53.13	-	-	53.13	7.48	1.77	-	9.26	43.87	45.64
Office	0.76	-	-	0.76	0.20	0.03	-	0.24	0.52	0.55
Equipment										
R&D	586.62	9.81	-	596.43	130.15	27.73	-	157.88	438.55	456.47
Equipment										
Material	3.58	-	-	3.58	0.71	0.17	-	0.88	2.70	2.87
Handling										
Equipment										
Furniture & Fixtures	7.49	-	-	7.49	1.89	0.47	-	2.36	5.13	5.60
Computers	2.26	-	-	2.26	1.49	0.36	-	1.85	0.42	0.78
Total	653.84	9.81	-	663.65	141.93	30.54	-	172.47	491.18	511.92

- 23) Previous year's figures have been regrouped / reclassified wherever necessary to confirm to current year's classification.
- 24) Figures in Balance Sheet and Profit & Loss account have been rounded off to the nearest Rupee and figures in Notes have been rounded off to the nearest thousand and have been expressed in terms of decimals of thousands.

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

For and on behalf of the Board

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

Sd/-
Dr.C.Nageswara Rao
Chairman

Sd/-
C.Krishna Prasad
Managing Director

Place: Hyderabad
Date: April 29, 2011

Sd/-
Pranesh Raj Mathur
Chief Finance Officer
& President - API

Sd/-
Shivangi Sharma
Company Secretary

Balance Sheet Abstract and Company's General Business Profile

I) Registration Details

Registration no. 0 1 - 1 2 4 7 1

State Code 0 1

(Refer code list)

Balance Sheet date 3 1 0 3 2 0 1 1
Date Month Year

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

Public issue

N I L

Bonus issue

N I L

Right issue

N I L

Private Placement

N I L

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

Total liabilities

3 4 3 7 7 7 2

Sources of Funds

Paid-up capital

2 1 7 4 2 4

Secured Loans

9 6 0 3 7 5

Application of funds

Net fixed assets

2 2 9 1 2 4 3

Net Current Assets

9 0 9 0 9 7

Total assets

3 4 3 7 7 7 2

Reserves & surplus

2 0 0 3 3 1 0

Unsecured loans

5 7 5 2 4

Deferred tax liability

1 9 9 1 3 8

Investment

2 2 6 0 2 5

Misc. Expenditure

1 1 4 0 7

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

Turnover

4 0 5 6 7 7 0

Profit before tax

2 7 3 9 8 3

Earning per share

1 0 . 8 3

Total expenditure

3 7 8 9 9 0 4

Profit after tax

2 1 7 1 8 3

Dividend rate %

1 5 . 0 0

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

Item Code No. 2 9 4 2 0 0 0
(ITC Code)

Product Description B U L K D R U G S G R A N U L A T I O N S & F O R M U L A T I O N S

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

For and on behalf of the Board

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

Sd/-
Dr.C.Nageswara Rao
Chairman

Sd/-
C.Krishna Prasad
Managing Director

Place: Hyderabad
Date: April 29, 2011

Sd/-
Pranesh Raj Mathur
Chief Finance Officer
& President - API

Sd/-
Shivangi Sharma
Company Secretary

ANNEXURE TO THE BALANCE SHEET AS AT MARCH 31, 2011
Statement pursuant to Section 212 of the Companies Act, 1956.

01.	Name of the subsidiary	Granules USA Inc.
02.	Financial period ended	March 31, 2011
03.	Date from which it become a subsidiary.	March 5, 2003
04.	Holding company's interest	100% (700,000 shares of USD 0.10 each fully paid up)
05.	The net aggregate amount of the profits or losses for the current period of the subsidiary so far as it concerns the members of the holding company.	
	a. dealt with or provided for in the accounts of the holding company.	Nil
	b. not dealt with or provided for in the accounts of the holding company.	Loss of ₹ 112.11 lakhs
06.	The net aggregate amount of the profits or losses for the previous financial years of the subsidiary so far as it concerns the members of the holding company.	
	a. dealt with or provided for in the accounts of the holding company.	Nil
	b. not dealt with or provided for in the accounts of the holding company.	Loss of ₹ 624.93 lakhs

01.	Name of the subsidiary	GIL Lifesciences Pvt. Ltd.
02.	Financial period ended	March 31, 2011
03.	Date from which it become a subsidiary.	July 19, 2007
04.	Holding company's interest	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
	b. not dealt with or provided for in the accounts of the holding company.	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
	b. not dealt with or provided for in the accounts of the holding company.	Nil

01.	Name of the subsidiary	Granules Singapore PTE Ltd
02.	Financial period ended	March 31, 2011
03.	Date from which it become a subsidiary.	November 18, 2008
04.	Holding company's interest	100% (1000 shares of US\$ 1 each fully paid up))
05.	The net aggregate amount of the profits or losses for the current period of the subsidiary so far as it concerns the members of the holding company.	
	a. dealt with or provided for in the accounts of the holding company.	Nil
	b. not dealt with or provided for in the accounts of the holding company.	Loss of ₹ 4.07 Lakhs
06.	The net aggregate amount of the profits or losses for the previous financial years of the subsidiary so far as it concerns the members of the holding company.	
	a. dealt with or provided for in the accounts of the holding company.	Nil
	b. not dealt with or provided for in the accounts of the holding company.	Loss of ₹ 8.24 Lakhs

For and on behalf of the Board

Sd/-

Dr.C.Nageswara Rao
Chairman

Sd/-

C.Krishna Prasad
Managing Director

Sd/-

Pranesh Raj Mathur
Chief Finance Officer
& President - API

Sd/-

Shivangi Sharma
Company Secretary

Place: Hyderabad
Date: April 29, 2011

Consolidated Auditors' Report

To

The Board of Directors

M/s GRANULES INDIA LIMITED

Hyderabad - 500 081.

1. We have audited the attached consolidated Balance Sheet of **M/s Granules India Limited, its subsidiaries of M/s Granules USA Inc., M/s Granules Singapore Pte Ltd, GIL Lifesciences Pvt Ltd and joint-venture with M/s. Granules-Biocauste Pharmaceutical Co. Ltd.**, as on March 31, 2011 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 ₹ 7,873.23 lakhs as at March 31, 2011, the total revenue of ₹ 13,843.21 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. Further to the above, our comments are as under:
 - a. Reference is invited to Note No. B (3) Schedule No. R regarding dues to micro, small and medium enterprises,
6. In our opinion, and to the best of our information and according to the explanations given to us, the said consolidated Balance Sheet, consolidated Profit & Loss Account and consolidated Cash Flow Statement read together with the significant accounting policies and notes thereon, give the information required by the Companies Act, 1956, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India –
 - i. in so far as it relates to the consolidated Balance Sheet, of the state of affairs of the Company as on March 31, 2011.
 - ii. in so far as it relates to the consolidated Profit & Loss Account, of the Profit of the Company for the period ended on that date.
 - iii. in case of the consolidated Cash Flow Statement, of the cash flows for the period ended on that date.

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

Sd/-

J. Bhadra Kumar

Partner

Membership No. 25480

Place: Hyderabad

Date: April 29, 2011

Consolidated Balance Sheet as at March 31, 2011

(Amount in ₹)

Particulars	Schedule No.	As at	
		March 31, 2011	March 31, 2010
SOURCES OF FUNDS			
Shareholders' Funds			
Share Capital	A	217,424,066	217,424,066
Reserves & Surplus	B	1,980,371,116	1,806,379,123
Loan Funds			
Secured Loans	C	1,313,938,608	1,358,493,423
Unsecured Loans	D	58,524,468	108,524,468
Deferred Tax Liability		198,565,389	170,384,573
Total Sources of Funds		3,768,823,647	3,661,205,653
APPLICATION OF FUNDS			
Fixed Assets			
Gross Block	E	3,226,074,819	3,027,571,765
Less: Accumulated Depreciation		839,866,712	659,869,219
Net Block		2,386,208,106	2,367,702,546
Add: Capital Work in Progress including advances (Net)		68,507,972	24,548,675
		2,454,716,078	2,392,251,221
Investments			
	F	2,981,181	2,979,117
Current Assets, Loans & Advances			
	G		
Inventories		751,277,848	686,334,098
Sundry Debtors		716,129,830	658,535,139
Cash & Bank Balances		119,878,721	134,743,292
Other Current Assets		22,294,663	18,558,197
Loans and Advances		269,681,069	244,686,980
		1,879,262,131	1,742,857,706
Less: Current Liabilities & Provisions			
	H		
Current Liabilities		544,882,772	463,273,009
Provisions		34,966,389	29,334,683
Net Current Assets		1,299,412,970	1,250,250,014
Miscellaneous Expenditure			
(to the extent not written off or adjusted)	I	11,713,418	15,725,301
Total Application of Funds		3,768,823,647	3,661,205,653
Significant accounting policies and notes to accounts	R		

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

For and on behalf of the Board

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

Sd/-
Dr.C.Nageswara Rao
Chairman

Sd/-
C.Krishna Prasad
Managing Director

Place: Hyderabad
Date: April 29, 2011

Sd/-
Pranesh Raj Mathur
Chief Finance Officer
& President - API

Sd/-
Shivangi Sharma
Company Secretary

Consolidated Profit & Loss Account for the year ended March 31, 2011

Particulars	Schedule No.	(Amount in ₹)	
		Year ended March 31, 2011	Year ended March 31, 2010
INCOME			
Gross Sales		4,824,648,093	4,687,959,351
Less: Excise duty & Sales Tax		72,850,528	77,066,697
Net Sales	J	4,751,797,565	4,610,892,654
Other Income	K	8,024,548	10,735,928
		4,759,822,113	4,621,628,582
EXPENDITURE			
Cost of Materials Consumed	L	2,955,540,434	2,861,604,103
Manufacturing Expenses	M	587,571,735	543,407,521
R & D Expenses	N	34,091,240	36,706,847
Marketing & Selling Expenses	O	351,848,117	309,065,180
Administrative Expenses	P	254,594,253	239,464,043
Interest and Finance Charges	Q	125,868,800	175,489,817
Depreciation		183,146,999	185,743,509
Misc. Expenditure written off		5,568,636	6,295,156
Total Expenses		4,498,230,214	4,357,776,176
Profit before tax and exceptional items		261,591,899	263,852,406
Foreign Exchange Fluctuations		(5,961,785)	(112,110,904)
Profit before tax		267,553,684	375,963,310
Less: Provision for taxes :			
Current Tax Expense		30,323,600	58,469,285
Deferred Tax Expense		28,271,702	13,774,405
Net Profit after Taxes		208,958,382	303,719,620
Add: Profit brought forward from previous year		601,652,141	333,264,856
Balance available for appropriation		810,610,522	636,984,476
Less: Provision for Dividend		30,085,731	25,071,443
Provision for Dividend tax		4,880,658	4,260,892
Transfer to General Reserve		10,860,000	6,000,000
Surplus carried forward to Balance Sheet		764,784,134	601,652,141
Surplus carried forward to Balance Sheet		764,784,134	601,652,141
Weighted average No. of shares		20,057,154	20,057,154
Basic Earnings per share		10.42	15.14
Diluted Earnings per share		10.37	15.08
Significant accounting policies and notes to accounts	R		

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

For and on behalf of the Board

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

Sd/-
Dr. C. Nageswara Rao
Chairman

Sd/-
C. Krishna Prasad
Managing Director

Place: Hyderabad
Date: April 29, 2011

Sd/-
Pranesh Raj Mathur
Chief Finance Officer
& President - API

Sd/-
Shivangi Sharma
Company Secretary

Consolidated Cash Flow Statement for the year ended March 31, 2011

Particulars	(Amount in ₹)	
	For the period ended March 31, 2011	For the period ended March 31, 2010
A CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit before tax	267,553,684	375,963,310
Adjustments for:		
Depreciation	183,146,999	185,743,509
Misc. Expenditure written off	5,568,636	6,295,156
(Profit) / Loss on sale of assets	4,122,648	(90,947)
Foreign currency restatement on term loans	(5,961,785)	(80,985,680)
Provision for doubtful debts	22,529,282	1,046,008
Interest & dividend income	(4,175,805)	(4,770,223)
Interest & finance charges	125,868,800	331,098,774
Operating profit before working capital changes	598,652,458	625,280,221
Increase in Trade and other receivables	(79,543,766)	(28,604,408)
Increase in inventories	(64,943,751)	(91,228,371)
Increase/(decrease) in Payable	87,447,755	154,449,554
Cash generated from operations	541,612,696	659,896,996
Direct Taxes paid	55,991,131	62,642,196
Net Cash from operating activities	485,621,565	597,254,800
B CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of fixed assets	(249,626,265)	(127,898,379)
Increase in Miscellaneous expenditure	(1,556,754)	(2,410,565)
Other investments	(2,064)	(57,587)
Sale of Fixed Assets	(108,237)	494,923
Interest/dividends received	439,340	(3,744,753)
Net Cash used in investing activities	(250,853,981)	(133,616,361)
C CASH FLOW FROM FINANCING ACTIVITIES		
Increase/(Decrease) in Working Capital Loans	78,122,956	(75,201,628)
Interest paid	(131,709,289)	(144,554,364)
Dividends paid	(29,329,838)	(29,563,623)
Proceeds from Long term loans	(306,402,284)	16,438,550
Repayment of long term loans	189,686,299	(159,761,029)
Repayment of short term loans	(100,000,000)	-
Proceeds from Unsecured Loans	50,000,000	(64,638,844)
Repayment of Unsecured Loans	-	-
Net Cash used in Financing Activities	(249,632,156)	(457,280,938)
Net Increase/(Decrease) in cash & cash equivalents (A+B+C)	(14,864,571)	6,357,502
Cash equivalents (Opening Balance as at 01-04-2010)	134,743,292	128,385,790
Cash equivalents (Closing Balance as at 31-03-2011)	119,878,721	134,743,292

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

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

For and on behalf of the Board

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

Sd/-
Dr.C.Nageswara Rao
Chairman

Sd/-
C.Krishna Prasad
Managing Director

Place: Hyderabad
Date: April 29, 2011

Sd/-
Pranesh Raj Mathur
Chief Finance Officer
& President - API

Sd/-
Shivangi Sharma
Company Secretary

Schedules forming part of Consolidated Balance Sheet

as at March 31, 2011

(Amount in ₹)

Particulars	As at	
	March 31, 2011	March 31, 2010
SCHEDULE : A - SHARE CAPITAL		
Authorised Capital		
3,00,00,000 Equity Shares of ₹ 10 each (Previous year 3,00,00,000 Equity Shares of ₹ 10 each)	300,000,000	300,000,000
	300,000,000	300,000,000
Issued, Subscribed and Paid up Capital		
2,00,57,154 Equity Shares of ₹ 10/- each. (Previous year: 2,00,57,154 equity shares of ₹ 10 each) (Of the above 24,12,134 equity shares of ₹ 10/- each issued for consideration otherwise than cash, of which 16,67,334 equity shares are issued as per the Scheme of Amalgamation)	200,571,540	200,571,540
Add: Forfeited shares Consists of 39,000 equity shares and 17,60,783 warrants (Previous year consists of 39,000 equity shares and 17,60,783 warrants)	16,852,526	16,852,526
	217,424,066	217,424,066

SCHEDULE : B - RESERVES & SURPLUS

General Reserve	35,563,369	24,703,369
Central Subsidy / Capital Reserve	1,214,159	1,214,159
Share Premium	1,178,809,454	1,178,809,454
Profit & Loss Account	764,784,134	601,652,141
	1,980,371,116	1,806,379,123

SCHEDULE : C - SECURED LOANS

I) Term loans		
from Banks	544,569,743	665,052,248
II) Hire purchase loans	703,394	2,898,660
III) Working Capital Borrowings from banks	768,665,471	690,542,515
Total (I+II+III)	1,313,938,608	1,358,493,423

SCHEDULE : D - UNSECURED LOANS

From Banks	50,000,000	100,000,000
From Others	1,000,000	1,000,000
Sales Tax Deferment Loan	7,524,468	7,524,468
	58,524,468	108,524,468

Schedules forming part of Consolidated Balance Sheet

as at March 31, 2011

SCHEDULE: E - GROSS BLOCK

Fixed Assets (Consolidated)

Particulars	GROSS BLOCK			DEPRECIATION			NET BLOCK		
	As on 1-Apr-10	Additions	Deletions	Total as on 31-Mar-11	As on 1-Apr-10	For the Period	On Deletions	As on 31-Mar-11	As on 31-Mar-10
Land	84,858,226	(26,580)	-	84,831,646	-	-	-	84,831,646	84,858,226
Buildings	718,496,798	5,309,586	-	723,806,384	99,601,256	24,583,277	-	599,621,851	618,895,541
Plant & Machinery	1,724,799,847	155,459,362	6,259,569	1,873,999,640	392,413,104	113,787,973	2,691,313	1,370,489,876	1,332,386,743
R&D Equipment	58,661,745	980,997	-	59,642,742	13,014,733	2,773,405	-	43,854,605	45,647,012
Computers	36,579,197	7,010,622	38,462	43,551,357	10,435,705	3,582,119	29,308	29,562,841	26,143,492
Office equipment	20,995,407	491,870	-	21,487,278	8,469,926	1,093,012	-	11,924,339	12,525,481
Furniture & Fixtures	35,002,705	282,366	-	35,285,071	7,930,644	2,078,777	-	25,275,650	27,072,061
Vehicles	23,029,712	4,231,128	865,883	26,394,957	13,971,474	1,670,680	428,883	11,181,686	9,058,238
Technical Know-how	325,148,140	31,927,603	-	357,075,743	114,032,377	33,577,746	-	209,465,620	211,115,763
Total	3,027,571,777	205,666,955	7,163,914	3,226,074,817	659,869,219	183,146,990	3,149,504	839,866,705	2,367,702,558
Previous year totals	2,907,348,065	122,943,653	2,719,954	3,027,571,765	476,441,695	185,743,502	2,315,978	2,367,702,546	2,430,906,370

Note: Gross Block of Vehicles includes ₹ 29,03,605/- (Previous year ₹ 1,08,43,478/-) acquired on hire-purchase basis.

Schedules forming part of Consolidated Balance Sheet

as at March 31, 2011

Particulars	(Amount in ₹)	
	As at March 31, 2011	As at March 31, 2010
SCHEDULE : F - INVESTMENTS		
(At Cost less provision for dimunition in value)		
Quoted		
Long term - non-trade		
Andhra Bank	1,014,930	1,014,930
(11,277 shares of ₹ 10/- each, market value ₹ 150.95 as on 31-03-2011)		
Ipca Labs Ltd	7,100	7,100
(50 shares of ₹ 10/- each, market value ₹ 301.60 as on 31-03-2011)		
Baroda Pioneer PSU Bond fund		
(5,174.130 units @ ₹ 10/- each, market value ₹ 10.1565 as on 31-03-11)	52,551	50,487
	1,074,581	1,072,517
Unquoted		
Long term - Trade		
Jeedimetla Effluent Treatment Ltd.	1,566,200	1,566,200
(15,142 Equity shares of ₹ 100/- each including 1040 shares at a premium of ₹ 50/- each)		
Pattancheru Envirotech Ltd	340,400	340,400
(34,040 Equity shares of ₹ 10/- each)		
	1,906,600	1,906,600
	2,981,181	2,979,117

Schedules forming part of Consolidated Balance Sheet

as at March 31, 2011

Particulars	(Amount in ₹)	
	As at March 31, 2011	As at March 31, 2010
SCHEDULE : G - CURRENT ASSETS, LOANS & ADVANCES		
i) Stock in hand		
Raw Materials	324,752,053	290,803,890
Finished Goods	257,795,944	280,068,416
Work In Process	87,509,009	63,751,019
Consumable and packing materials	34,349,705	18,958,621
Stores and Spares	46,871,137	32,752,152
	751,277,848	686,334,098
ii) Sundry Debtors		
(Unsecured, considered good)		
a) For more than six months	20,016,817	35,094,419
b) Others	704,716,843	630,801,716
	724,733,660	665,896,135
Less: Provision for doubtful debts	8,603,830	7,360,996
	716,129,830	658,535,139
iii) Cash & bank balances		
Cash on hand	148,683	496,240
Bank Balances:		
With scheduled banks:		
- in current account	53,185,518	40,880,176
- in deposit accounts (including margin money)	65,327,480	93,366,876
Unutilised issue proceeds with scheduled banks:		
- in dividend account	1,217,040	-
	119,878,721	134,743,292
iv) Other current assets		
Interest receivable	12,559,456	16,613,495
Others	9,735,206	1,944,702
	22,294,662	18,558,197
v) Loans & Advances		
(Unsecured, considered good)		
Advances to suppliers	10,328,336	23,208,780
Deposits	24,559,261	22,994,518
CENVAT Balances	112,704,754	98,039,900
Prepaid expenses	13,570,368	17,646,534
Sales tax refund receivable	28,147,553	26,526,125
Import entitlements	1,105,487	3,043,487
Advance Tax including MAT	59,113,725	33,539,429
Other advances	20,151,585	19,688,207
	269,681,069	244,686,980

Schedules forming part of Consolidated Balance Sheet

as at March 31, 2011

(Amount in ₹)

Particulars	As at	
	March 31, 2011	March 31, 2010
SCHEDULE : H - CURRENT LIABILITIES & PROVISIONS		
Current liabilities		
Due to Small Scale Industrial Undertakings	21,397,858	12,975,554
Sundry Creditors		
- for goods & services	340,761,554	358,410,578
- for Capital goods	41,632,780	4,231,493
Advances from Customers	2,861,053	26,885,211
Unpaid dividends	1,149,091	1,146,594
Interest accrued but not due	5,880,273	11,720,762
Other Liabilities	131,200,163	47,902,817
	544,882,772	463,273,009
Provisions		
Provision for taxation (net of advances)	-	2,348
Provision for dividend	30,085,731	25,071,443
Provision for dividend tax	4,880,658	4,260,892
	34,966,389	29,334,683

SCHEDULE : I - MISCELLANEOUS EXPENDITURE

(To the extent not written off or adjusted)		
(i) Public Issue Expenses		
Opening Balance	7,758,043	10,795,773
Less: Written off during the year	2,689,368	3,037,730
	5,068,675	7,758,043
(ii) VRS Expenses		
Opening Balance	7,660,509	8,507,370
Additions during the year	1,556,754	2,410,565
Less: Written off during the year	2,879,268	3,257,426
	6,337,995	7,660,509
(iii) Preliminary Expenses		
	306,748	306,749
	306,748	306,749
Total (i+ii)	11,713,418	15,725,301

Schedules forming part of Consolidated Profit & Loss Account

for the year ended March 31, 2011

(Amount in ₹)

Particulars	For the Year ended March 31, 2011	For the Year ended March 31, 2010
SCHEDULE : J - SALES		
Export Sales	3,924,541,876	3,667,417,635
Domestic Sales	846,579,688	991,502,091
By products	52,159,986	25,653,707
Export benefits	1,366,542	3,385,918
Gross Sales	4,824,648,093	4,687,959,351
Less: Excise duty & sales tax	72,850,528	77,066,697
Net Sales	4,751,797,565	4,610,892,654

SCHEDULE : K - OTHER INCOME

Interest	4,117,206	4,718,759
Dividends received	58,599	51,463
Sale of Scrap	5,077,371	4,525,258
Insurance Claims received	-	233,770
Subsidy received	(1,228,628)	1,114,823
Profit on sale of Assets	-	90,947
Other Income	-	908
	8,024,548	10,735,928

SCHEDULE: L - COST OF MATERIALS CONSUMED

a) Consumption of Raw material	2,723,795,513	2,724,908,019
b) Consumption of Packing Materials	248,713,057	110,882,727
c) (Increase)/Decrease in Stocks		
(i) (Increase)/Decrease in WIP		
Opening stock	63,751,019	83,633,015
Closing stock	87,509,009	63,751,019
	(23,757,990)	19,881,996
(ii) (Increase)/Decrease in FG		
Opening stock	218,417,350	224,348,711
Closing stock	211,627,496	218,417,350
	6,789,854	5,931,361
Total (Increase)/Decrease in stocks	(16,968,136)	25,813,357
Total cost of material consumed (a+b+c)	2,955,540,434	2,861,604,103

Schedules forming part of Consolidated Profit & Loss Account

for the year ended March 31, 2011

(Amount in ₹)

Particulars	For the Year ended March 31, 2011	For the Year ended March 31, 2010
SCHEDULE : M - MANUFACTURING EXPENSES		
Salaries, Wages	211,480,343	185,112,121
Contribution to PF/ESI	7,493,067	6,446,676
Employee welfare expenses	10,159,602	5,457,745
Conversion charges	9,931,840	30,932,500
Power & Fuel	194,165,081	186,105,105
Effluent Treatment expenses	36,560,948	24,738,915
Repairs & Maintenance		
- Factory Building	7,156,429	4,071,980
- Plant & Machinery	60,624,096	67,676,852
- Others	2,785,316	3,054,166
Consumables & Lab chemicals	32,997,641	16,913,749
Analytical fees	3,149,634	1,957,840
Others	11,067,738	10,939,872
	587,571,735	543,407,521

SCHEDULE : N - R & D EXPENSES		
Salaries	9,563,114	5,589,359
Consumables & Lab chemicals	46,796	19,133,510
Consultancy charges	7,450,448	-
Others	4,256,672	-
Materials	2,086,295	8,189,250
	23,403,325	32,912,119

SCHEDULE: O - MARKETING & SELLING EXPENSES		
Business Promotion expenses	15,893,874	20,562,493
Sales Commission	73,975,547	64,751,551
Freight & Clearing charges	225,536,571	194,525,878
Salaries & Benefits - Marketing	9,527,916	1,163,669
Advertisement	3,717,143	-
Discount	3,612,085	4,651,020
Travelling expenses	19,584,981	23,410,569
	351,848,117	309,065,180

Schedules forming part of Consolidated Profit & Loss Account

for the year ended March 31, 2011

(Amount in ₹)

Particulars	For the Year ended March 31, 2011	For the Year ended March 31, 2010
SCHEDULE: P - ADMINISTRATIVE EXPENSES		
Salaries, Wages & bonus	79,736,648	78,566,715
Contribution to Provident Fund	1,990,653	1,422,715
Employee welfare expenses	3,834,407	1,944,854
Directors remuneration	8,180,000	4,750,000
Managerial Commission	6,261,000	8,867,446
Repairs & Maintenance - Others	1,185,012	1,469,643
Rent	21,253,396	18,723,434
Rates & Taxes	5,276,062	5,907,792
Auditors' remuneration	1,266,703	2,002,633
Insurance	21,257,060	16,215,972
Consultancy & Professional charges	30,805,165	45,838,330
Communication expenses	8,848,688	8,363,937
Printing & stationery	5,362,376	5,054,631
Travelling & Conveyance	18,446,328	20,850,683
Directors sitting fees	417,500	450,000
Advertisement charges	490,366	244,110
Donations	1,341,932	1,907,533
Provision for Doubtful Debts	22,529,282	1,046,008
Loss on sale of assets / write off	4,122,648	-
Sundry expenses	11,989,029	15,837,607
Sub Total	254,594,253	239,464,043

SCHEDULE: Q - INTEREST AND FINANCE CHARGES

Interest on Term loans	36,346,885	50,829,145
Interest on Working capital	61,982,904	81,794,155
Interest others	2,432,722	9,455,787
Bank charges	25,106,289	33,410,730
	125,868,800	175,489,817

Schedules forming part of Consolidated Profit & Loss Account

for the year ended March 31, 2011

SCHEDULE: R - SIGNIFICANT ACCOUNTING POLICIES AND NOTES TO CONSOLIDATED ACCOUNTS

A) Significant Accounting Policies:

- 1) **System of accounting:** The accounts have been prepared and presented under the historical cost convention method on the accrual basis of accounting in accordance with the accounting principles generally accepted in India and comply with the Accounting Standards issued by Institute of Chartered Accountants of India (ICAI) to the extent applicable.
- 2) **Principles of consolidation:** The financial statements are prepared in accordance with the principles and procedures required for the preparation and presentation of consolidated financial statements as laid down on the accounting standards on Consolidated Financial Statements by the ICAI. The financial statements of the parent Company, Granules India Limited, GIL Lifesciences Private Limited, Granules Singapore PTE Ltd, Granules USA Inc and Granules Biocause Pharmaceutical Co. Limited (50% joint-venture) have been combined on a line-by-line basis by adding together book values of like items of assets, liabilities, income and expenses after eliminating intra-group balances and transactions and resulting unrealized gains / losses. Exchange differences resulting from the difference due to transactions of foreign currency assets and liabilities in subsidiary company is disclosed as foreign currency translation adjustment. The consolidated financial statements are prepared applying uniform accounting policies for like transactions and other events in similar circumstances in use at the parent and subsidiary company.
- 3) **Fixed Assets:** Fixed Assets are stated at cost less accumulated depreciation. Cost is inclusive of duties & taxes (net of CENVAT / VAT), incidental expenses and erection / commissioning expenses.
- 4) **Depreciation:** Depreciation on fixed assets is provided on straight-line method at the rates specified in Schedule XIV of the Companies Act, 1956. The depreciation on incremental value arising from the revaluation of the fixed assets is charged to Revaluation Reserve Account.
- 5) **Expenditure during construction period:** Expenditure (including finance cost relating to borrowed funds for construction or acquisition of fixed assets) incurred on projects under implementation are treated as Preoperative expenses pending allocation to the assets and are shown under "Capital Work in Progress" and the same are apportioned to fixed assets on commencement of commercial production.
- 6) **Investments:** Long-term investments and investments in subsidiary companies are carried at cost. Provision for diminution in value is made whenever necessary in accordance with the Accounting Standards in force.
- 7) **Valuation of Inventories:**
 - a) Inventories are valued at the lower of cost or net realizable value.
 - b) Inventories of raw material, consumables and stores and spares are valued at cost as per FIFO method. Cost does not include duties and taxes that are subsequently recoverable.
 - c) Cost for the purpose of finished goods and material in process is computed on the basis of cost of material, labour and other related overheads.
 - d) Goods in transit are stated at costs accrued up to the date of Balance Sheet.
 - e) Stocks with consignment agents are stated at costs accrued up to the date of the Balance sheet.
- 8) **Government grants:** Government grants received in the nature of promoter's contribution and where no repayment is ordinarily expected are treated as capital reserve.
- 9) **Foreign Exchange:** Foreign exchange transactions are recorded at the exchange rates prevailing at the time of transactions or at contracted rates. Current assets and current liabilities are translated at values prevailing at the Balance Sheet date. Gains/Losses, if any, arising thereby are recognised in the Profit and Loss account.
- 10) **Revenue Recognition:**
 - a) Revenue from sales is recognised when significant risk and rewards in respect of ownership of the products are transferred.

Schedules forming part of Consolidated Profit & Loss Account for the year ended March 31, 2011

- b) Revenue from domestic sales is recognised 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 recognised on the basis of dates of Bill of Lading.
- 11) **Export Benefits:** Advance licenses are issued to the company under the Advance License Scheme [Duty Exemption Entitlement Certificate (DEEC Scheme)] / duty entitlement credited under the Duty Entitlement Pass Book Scheme (DEPB Scheme) on the export of the goods manufactured by it. Whenever export sales are made by the Company, pending receipt of imported duty-paid raw materials under the DEEC / DEPB Schemes, the cost of domestic raw materials actually consumed for the purpose of such exports is compensated and / or matched by accruing the value of the benefit under the DEEC / DEPB Scheme.
- 12) **Research and development expenses:**
- a) Research costs not resulting in any tangible property/equipment are charged to revenue as and when incurred.
 - b) Know-how / product development costs incurred on an individual project are carried forward when its future recoverability can reasonably be regarded as assured. Any expenditure carried forward is amortized over the period of expected future benefits from the related project, not exceeding ten years.
 - c) The carrying value of know-how / product development costs are reviewed for impairment annually when the asset is not yet in use and otherwise when events or changes in circumstances indicate that the carrying value may not be recoverable.
- 13) **Employee Retirement Benefits:**
- a) **Defined Contributions Plan:** Contributions paid/payable to the defined contribution plan of Provident Fund for certain employees covered under the scheme are recognized in the Profit and Loss account each year.

The Company makes contributions to a State operated contribution scheme for certain employees at a specified percentage of the employees' salary. The Company has an obligation only to the extent of the defined contribution.
 - b) **Defined Benefit Plan:** Gratuity for certain employees is covered under a scheme of Life Insurance Corporation of India (LIC) and contributions in respect of such scheme are recognized in the Profit and Loss account. The liability as at the Balance Sheet date is provided for based on the actuarial valuation carried out in accordance with revised Accounting Standard 15 as at the end of the year/period.
 - c) **Other long term employee benefits:** Other long term employee benefits comprise of leave encashment which is provided on the actuarial valuation carried out in accordance with revised Accounting Standard 15 as at the end of the year/period.
- 14) **Borrowing costs:** Borrowing costs incurred in relation to the acquisition and construction of assets are capitalised as part of the cost of such assets up to the date when such assets are ready for intended use. Other borrowing costs are charged as an expense in the year in which they are incurred.
- 15) **Income tax expense:**
- a) **Current Tax Expense**
The Current charge for income tax is calculated in accordance with the tax regulations.
 - b) **Deferred Tax Expense**
Deferred income tax reflects the impact of timing difference between accounting income and tax income for the year / period. Deferred tax is measured based on the tax rates and the tax laws enacted at the Balance Sheet date. Deferred tax asset is recognized only to the extent of certainty of realization of such asset.

Schedules forming part of Consolidated Profit & Loss Account

for the year ended March 31, 2011

B) Notes To Accounts:

1) Contingent liabilities not provided for in respect of:

Particulars	(₹ in Lakhs)	
	As at March 31, 2011	As at March 31, 2010
a) Claims against the Company not acknowledged as debts:		
Customs duty	705.39	210.93
b) Estimated amount of contracts remaining to be executed on Capital account and not provided for (net of advances)	930.39	426.56
c) Letters of credit and Bank Guarantees issued by Banks	2,202.52	1,812.73
d) Bills discounted with banks-Subsidiary Company bills	3,535.63	3,601.09
e) Bills discounted with banks-Others	4,975.48	4,292.29

2) Secured loans:

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

Term loans are further secured by second charge on hypothecation of stocks of raw materials, finished goods, semi finished goods and receivables. The term loans from Kotak Mahindra Bank, Exim Bank and State Bank of Travancore are further secured by personal guarantee of the Managing Director.

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

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

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

SL.No	Particulars	(₹ in Lakhs)	
		As at March 31, 2011	As at March 31, 2010
a)	Principal Amount Overdue	-	17.16
	Number of Parties	-	9.00
	Interest amount payable thereon	-	0.42
b)	The amount of interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified	-	0.42
c)	The amount of interest accrued and remaining unpaid at the end of each accounting year	-	0.42
d)	The amount of further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under section 2	-	0.42

Schedules forming part of Consolidated Profit & Loss Account

for the year ended March 31, 2011

4) Remuneration to Managing Director

Particulars	(₹ In Lakhs)	
	As at 2010-11	As at 2009-10
Salary	60.00	47.50
Commission	62.61	88.67
Perquisites	20.87	23.22
Total	143.48	159.39

5) Remuneration to Statutory Auditors

Particulars	(₹ In Lakhs)	
	As at 2010-11	As at 2009-10
a) As Auditor	11.67	17.03
b) As adviser in respect of taxation matters	1.00	3.00
Total	12.67	20.03

6) During the year the Company has capitalized borrowing costs of ₹ 44.92 lakhs (Previous year NIL)

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

Particulars	(₹ in Lakhs)	
	As at 2010-11	As at 2009-10
a) Revenue		
i) Sale (Net of Excise Duty)		
- Within India	7,079.76	7,993.49
- Outside India	40,436.46	38,115.44
ii) Other Income		
- Within India	71.17	48.00
- Outside India	9.07	59.36

b) Assets: All the assets of the company, except the debtors and loans and advances amounting to ₹ 2,447.69 lakhs (Previous year ₹ 1,935.12 lakhs), are within India

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

a) Names of related parties and the description of relationship

SL. No	Name	Relationship
(i)	Granules USA Inc	Wholly owned subsidiary company
(ii)	GIL Lifesciences Private Limited	Wholly owned subsidiary company
(iii)	Granules Singapore Pte Ltd	Wholly owned subsidiary company
(iv)	Granules-Biocese Pharmaceutical Co. Ltd	Joint – Venture
(v)	Hubei Biocese Saponin Limited	Subsidiary of Hubei Biocese
(vi)	Zhaozuang Biocese Pharmaceutical Co., Ltd	Subsidiary of Hubei Biocese
(vii)	Hubei Biocese Pharmaceutical Trade Co., Ltd	Subsidiary of Hubei Biocese
(viii)	Wuhan Biocese Pharmaceutical Develop Co., Ltd	Subsidiary of Hubei Biocese
(ix)	Key management personnel:	
	Shri C. Krishna Prasad	Managing Director
(vii)	Others:	
	Dr. C. Nageswara Rao	Non executive Chairman
	Mr. C.Harsha	Executive Director
	Mr. Vijay Ramanavaru	Consultant

Schedules forming part of Consolidated Profit & Loss Account

b) Transactions with Subsidiary Company:

(i) Granules USA Inc

Particulars	(₹ in Lakhs)	
	March 31, 2011	March 31, 2010
Sale of goods	7,021.32	9,024.54
Purchase of capital goods	-	234.14
Equity subscribed	-	92.52
Others	-	27.32
Interest on unsecured loan	-	-
Amounts outstanding at Balance sheet date		
Interest on loan	22.40	22.40
Equity subscribed	116.31	116.31
Amounts receivable for sales made	4,150.83	3,554.15

(ii) GIL Life sciences Private Limited

Particulars	(₹ in Lakhs)	
	March 31, 2011	March 31, 2010
Equity subscribed	-	-
Loan granted	-	10.00
Amounts outstanding at Balance Sheet date:		
Equity subscribed	294.62	294.62
Loan granted	10.00	10.00

(iii) GIL Singapore PTE Ltd

Particulars	(₹ in Lakhs)	
	March 31, 2011	March 31, 2010
Equity Participation		
Advance for expenses	4.52	2.07
Amount outstanding at Balance Sheet date:		
Equity participation	0.48	0.48
Share application money	6.59	2.07

(iv) Transactions with Joint-Venture

Particulars	(₹ in Lakhs)	
	March 31, 2011	March 31, 2010
Purchase of goods		
Amounts outstanding at Balance Sheet date:		
Equity participation	1,819.03	1,819.03
Amounts payable for purchase of goods	361.04	547.06

(v) Transactions with other related parties

Particulars	(₹ in Lakhs)	
	March 31, 2011	March 31, 2010
Mr. C. Krishna Prasad, Managing Director:		
Remuneration	122.61	136.17
Dr. C. Nageswara Rao, Chairman:		
Sitting fee paid	0.73	1.05
Mr. Harsha Chigurupati, Executive Director		
Remuneration	24.80	24.00
Mr. Vijay Ramanavarapu, Consultant		
Consultancy charges	22.00	8.50

9) Earnings per share – Basic and Diluted:

Particulars	(₹ in Lakhs)	
	As at 2010-11	As at 2009-10
Net profit for the year (₹ in lakhs)	2,089.58	3,037.20
Weighted average number of shares outstanding during the year	2,00,57,154	2,00,57,154
Earnings per share (₹)	10.42	15.14
Basic Earnings per share (annualized)	-	-
Nominal value of shares (₹)	10.00	10.00

Schedules forming part of Consolidated Profit & Loss Account for the year ended March 31, 2011

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

Particulars	(₹ in Lakhs)		
	Opening balance as on April 1, 2010	Charge/(Credit) during the period	Closing balance as on March 31, 2011
Deferred tax liability			
Depreciation	1,745.86	303.80	2,049.66
Total	1,745.86	303.80	2,049.66
Deferred tax asset			
Leave encashment	23.48	(0.73)	22.75
Bonus	13.51	(2.87)	10.64
Gratuity	-	8.47	8.47
Provision for Doubtful Debts	-	16.42	16.42
Others	5.02	0.70	5.72
Total	42.01	21.99	64.00
Net Deferred tax liability	1,703.85	281.81	1,985.66

- 11) Sundry debtors include a sum of ₹ 4150.83 lakhs (Previous year: ₹ 3554.15 lakhs) due from a subsidiary Company.
- 12) **Amortisation of Miscellaneous Expenditure:**
- GDR issue expenses of ₹ 151.89 lakhs carried forward from earlier years are amortized over a period of 5 years commencing from the year in which the Projects commence commercial production. Tablet Block at Gagillapur had commenced commercial production during September 2008, hence the issue expenses are proportionately amortized.
 - The company has implemented a Voluntary Retirement Scheme (VRS). The total cost of separation of ₹ 15.57 lakhs excluding Gratuity under the Gratuity scheme applicable to the employees is amortized over a period of 5 years.
- 13) The Government of Andhra Pradesh, Commissionerate of Industries has vide its Letter No 20/2/9/0444/ID dated October 11, 1999 and its clarification vide Letter dated August 4, 2001 determined an eligibility of ₹ 184.12 lakhs towards Sales tax deferment on the sale of Paracetamol and the Sales tax payable by the Company for a period of 14 years commencing from June 30, 1998 to June 29, 2012 is deferred. The liability of ₹ 75.24 lakhs as at March 31, 2011 (Previous year ₹ 75.24 lakhs) for the deferred Sales tax is shown under unsecured loans
- 14) In terms of accounting policy 11 for the accrual of export benefits, estimated benefits of ₹ 150.57 lakhs (Previous year ₹ 146.16 lakhs) have been taken into account under the DEEC/DEPB Schemes.
- 15) Previous year's figures have been regrouped / reclassified wherever necessary to confirm to current year's classification.
- 16) Figures in Balance Sheet and Profit & Loss account have been rounded off to the nearest Rupee and figures in Notes have been rounded off to the nearest thousand and have been expressed in terms of decimals of thousands.

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

For and on behalf of the Board

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

Sd/-
Dr.C.Nageswara Rao
Chairman

Sd/-
C.Krishna Prasad
Managing Director

Place: Hyderabad
Date: April 29, 2011

Sd/-
Pranesh Raj Mathur
Chief Finance Officer
& President - API

Sd/-
Shivangi Sharma
Company Secretary



Granules India Limited

Regd. Office: 2nd Floor, 3rd Block, My Home Hub, Madhapur, Hyderabad (AP) - 500081

NOTICE

Notice is hereby given that the Twentieth Annual General Meeting of the members of Granules India Limited will be held on Monday, the 12th day of September 2011 at 4.00 PM at Residency Hall, Green Park Hotel, Ameerpet, Hyderabad (AP), to transact the following business:

ORDINARY BUSINESS:

1. To consider and adopt the Audited Balance Sheet as at March 31, 2011 and the Profit and Loss Account for the year ended as on that date along with schedules and notes appended thereto and the reports of Directors and Auditors thereon.
2. To declare dividend on equity shares.
3. To appoint a Director in place of Mr. L.S. Sarma, who retires by rotation and being eligible offers himself for re-appointment.
4. To appoint a Director in place of Mr. C. Parthasarathy, who retires by rotation and being eligible offers himself for re-appointment.
5. To appoint M/s. Kumar & Giri, Chartered Accountants, Hyderabad as Statutory Auditors of the Company to hold office from the conclusion of this Annual General Meeting until the conclusion of next Annual General Meeting and to authorize the Board of Directors to fix their remuneration.

SPECIAL BUSINESS:

6. **To consider appointment of Mr. Vijay Ramanavarapu in terms of Section 314 of the Companies Act, 1956.**

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

“RESOLVED THAT pursuant to the provisions of Section 314(1B) and all 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 subject to the approval of the Central Government and such other approvals as

may be necessary, the consent of the Company be and is hereby accorded to Mr. Vijay Ramanavarapu, relative of Dr. C. Nageswara Rao, Chairman, to hold an office or place of profit as Head – Strategic Sourcing in the Company, with effect from October 1, 2011 or such other date as the Central Government may approve, at a remuneration of ₹ 32,00,000/- (rupees thirty two lakhs only) per annum, inclusive of all, as per the Company’s Employment Rules.”

“RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to take all necessary consequential actions and steps as also, to make any incidental provisions to the above resolution.”

7. **To consider the Alteration of the Articles of Association of the Company to incorporate the clauses of “Green Initiative in the Corporate Governance” introduced by Ministry of Corporate Affairs, Government of India.**

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 section 31 of the Companies Act, 1956 and all other applicable provisions, if any of the Companies Act, 1956, the Articles of Association of the Company be and is hereby altered as follows:

After Article 20 (g) under heading “GENERAL MEETINGS”, the following Article numbered 20 (h) shall be inserted as under:

- 20 (h) That in accordance with the implementation of the Green Initiatives in the Corporate Governance and the Circulars and Notifications issued by the Central Government, the Company may also allow the participation of the shareholders in the General Meeting through video conferencing facility and voting thereon by electronic mode or in also such other mode as may be permitted by the Government of India, from time to time.

After Article 21 (c) under heading “NOTICES FOR GENERAL MEETINGS”, the following Article numbered 21 (d) shall be inserted as under:

21 (d) The Company may send notice of the General Meeting in physical form through post or with necessary information by email through electronic mode or in any other form as may be permitted by the Government of India, from time to time to the shareholders of the Company.

After Article 26 under heading “DOCUMENTS TO BE ANNEXED TO THE NOTICE”, the following Article numbered 26 (a) shall be inserted as under:

26 (a) All the documents required to be annexed with the notice may be sent in physical form through post or by email through electronic mode or in any other form as may be permitted by the Government of India, from time to time.

After Article 52 (k) under heading “PROCEEDINGS OF THE BOARD”, the following Article numbered 52 (l) shall be inserted as under:

52 (l) The Company may also allow participation of the Directors in the Board / Committee Meeting and voting thereon through video conferencing or by any other electronic mode as may be permitted by the Government of India, from time to time. The Notice along with its annexures for calling the Board Meeting may be sent in physical form through post or also by email through electronic mode or in any other form as may be permitted by the Government of India, from time to time.

“RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorized to take all necessary consequential actions and steps as may be required in this regard.”

By order of the Board
For, Granules India Limited

Place: Hyderabad
Date: July 28, 2011

Shivangi Sharma
Company Secretary

NOTES:

1. A Member entitled to attend and vote is entitled to appoint Proxy to attend and vote instead of himself and the Proxy need not be a Member of the Company. The proxies, in order to be effective should be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.

2. An Explanatory Statement pursuant to section 173(2) of the Companies Act, 1956 relating to Special Business to be transacted at the meeting is annexed hereto.
3. Members/proxies are requested to duly fill the attendance slips for attending the meeting and bring their copies of the Annual Report to the meeting.
4. In case of joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
5. Members who hold shares in dematerialization form are requested to write their client ID and DP ID numbers and those who hold shares in physical form are requested to write their Folio Number in the attendance slip for attending the meeting.
6. Members are requested to notify immediately any change in their address to the Share Transfer Agent.
7. Those members who have so far not encashed their dividend warrants for the below mentioned financial years, may claim or approach the Company for the payment thereof as the same will be transferred to the Investor Education and Protection Fund (IEPF) of the Central Government, pursuant to Section 205C of the Companies Act, 1956 on the respective dates mentioned there against. Kindly note that after the said dates, the members will lose their right to claim such dividend.

Financial year ended	Due date of transfer
30/06/2004	19/01/2012
30/06/2005	04/01/2013
30/06/2006	27/01/2014
30/06/2007	28/01/2015
30/06/2008	18/01/2016
31/03/2009	31/10/2016
31/03/2010	02/11/2017

8. Closure of register of Members and Dividend payment:
 - a) The Company has already notified closure of Register of Members and Transfer Books thereof from September 06, 2011 to September 12, 2011 (both days inclusive) for determining the names of Members eligible for dividend, if approved, on equity shares. In respect of shares held in electronic form, the dividend will be paid on the basis of particulars of beneficial ownership furnished by the Depositories for this purpose.
 - b) The dividend on equity shares, as recommended by the Board of Directors, if

declared at the Annual General Meeting, will be paid on or before October 11, 2011.

- c) Members may please note that the Dividend Warrants are payable at par at the designated branches of the Bank printed on reverse of the Dividend Warrant for an initial period of 3 months only. Thereafter, the Dividend Warrant on revalidation is payable only at limited centers/branches. The members are, therefore, advised to encash Dividend Warrants within the initial validity period.

9. Payment of Dividend through ECS:

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

- i) Members holding shares in physical form are advised to submit the Bank mandate particulars of their bank account viz., name and address of the branch of the bank, 9 digit MICR code of the branch, type of account and account number latest by September 01, 2011 to the Company's Registrar and Share Transfer Agent.
- ii) In respect of shareholders holding shares in electronic form, the Company will make payment through ECS if the bank account details have been furnished by the shareholder to the concerned depository participant with whom the shareholder is maintaining his demat account. In case, so far the bank details have not been furnished to the depository participant or change in the bank particulars already furnished, advised to submit the same to the depository participant.

10. Non-Resident Indian Shareholders are requested to inform M/s.CIL Securities Limited immediately of:

- a) the change in the Residential status on return to India for permanent settlement.
- b) the particulars of the Bank Account maintained in India with complete name, branch, account number and address of the Bank, if not furnished earlier.

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

12. M/s. CIL Securities Limited, (214, RAGHAVA RATNA TOWERS, CHIRAG ALI LANE, HYDERABAD - 500 001) acts as the Company's Registrar and Share Transfer Agent for both manual and electronic form of shareholding. All communication relating to shares should be addressed directly to them.

13. Consequent upon the introduction of Section 109A of the Companies Act, 1956, shareholders are entitled to make nomination in respect of shares held by them in physical form. Shareholders desirous of making nominations are requested to send their request in Form 2B (which will be made available on request) to the Registrar and Share Transfer Agent i.e., M/s.CIL Securities Limited.

14. Members desiring to seek any information on the Annual Accounts are requested to write to the Company at an early date to enable compilation of information.

15. The shareholders are requested to register their email address and changes therein from time to time, with the company by writing to the Company Secretary & Compliance officer or by writing to the Registrar & Transfer Agent or to the concerned depository. Shareholders may also register their email id by visiting the Company website at www.granulesindia.com and following the link <http://121.246.146.252/gogreen/> in the investors relation section under shareholders information option.

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

By order of the Board
For, Granules India Limited

Place: Hyderabad
Date: July 28, 2011

Shivangi Sharma
Company Secretary

Explanatory Statement

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

ITEM NO. 6

Mr. Vijay Ramanavarapu was an investment banking analyst from July 2006 – June 2009. As an analyst, he focused on valuation and strategic analysis. His valuation skills include public comparable and transaction analysis, LBOs, DCFs and sum-of-the-parts and M&A analysis. His strategic analysis includes comprehensive industry research within the consumer and technology fields. Mr. Vijay Ramanavarapu holds a Bachelor of Business Administration in Finance (cum laude) and a Bachelor of Arts in Political Science (cum laude) from The Ohio State University, Ohio (US).

Mr. Ramanavarapu has been a consultant for Granules India since 2009. As a consultant, he has helped manage Granules' Joint Venture with Hubei Biocause including assisting the JV management team with marketing initiatives and financial controls. Mr. Ramanavarapu also works with Granules' Chinese suppliers in order to help Granules form a pricing strategy through market intelligence. In addition, Mr. Ramanavarapu has assisted the Granules' management team with strategic and valuation analysis. He has necessary exposure to the international market and its dynamics especially in Pharmaceutical industry. In a way, Mr. Ramanavarapu has gained the expertise and ability to head the strategic sourcing functions. The functions of the "Head – Strategic Sourcing will include setting of pricing, setting of quantity, ensuring quality, ensuring supply security of the material to be procured etc., apart from others. Therefore, the above post is part of the key Management Personnel of the Company and a vital and confidential one. This post requires a person of known sources with requisite merit and experience criteria. The Management felt that Mr. Vijay Ramanavarapu has complied with the requisite criteria and he, being the relative is expected to be more committed and confidential and will render justice to his appointment.

His credentials are well known to the top management of the Company. Further, the services proposed to be taken from him are multifaceted and the Company would therefore be benefitted by appointing him as an employee on the rolls of the Company on whole time basis so that, he would be in full time employment of the Company and service and can work in a more accountable manner. In light of the above, it is proposed to appoint Mr. Vijay Ramanavarapu, as Head – Strategic Sourcing in the Company. The proposed remuneration of ₹ 32,00,000/- per annum is commensurate with his experience and is in line with the prevailing industry standards.

Mr. Vijay Ramanavarapu being related to Dr. C. Nageswara Rao, Chairman, Mr. C. Krishna Prasad, Managing Director and Mr. Harsha Chigurupati, Director, in terms of Section 314(1B) of the Companies Act, 1956, this resolution is required to be passed as a Special Resolution, and shall be subject to prior approval of Ministry of Corporate Affairs, Government of India.

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

None of the Directors except Dr. C. Nageswara Rao, Chairman, Mr. C. Krishna Prasad, Managing Director and Mr. Harsha Chigurupati, Director, is interested in this resolution.

ITEM NO. 7

The Ministry of Corporate Affairs, after considering various provisions of Information Technology Act, 2000 for legal validity of compliances under Companies Act, 1956, has recently taken a "Green Initiative in the Corporate Governance" by allowing paperless compliances by the Companies in the matters like holding meetings through video conferencing and sending notices through email and electronic mode apart from others. In this regard, the Ministry issued various circulars and notifications. As these Green Initiatives are beneficial to the Company as well its members of the Board and the shareholders and above all, a social necessity in the present day.

It is proposed to suitably amend the Articles by briefly incorporating the "Green Initiatives" in the Corporate Governance, as set out in the Resolutions.

None of the Directors of the Company is, in any way, concerned or interested in the resolution.

Your Directors, therefore, recommend the resolution to be passed as Special Resolution as set out in Item no. 7 of the Notice.

By order of the Board
For, Granules India Limited

Place: Hyderabad
Date: July 28, 2011

Shivangi Sharma
Company Secretary

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

Name of Director	Mr. L.S. Sarma	Mr. C. Parthasarathy
Date of Birth	11.10.1928	07.07.1955
Date of Appointment	30.01.2000	27.05.2009
Relationship with other Directors	None Acting as Independent Director	None Acting as Independent Director
Expertise in specific functional area	Mr. L.S. Sarma, is a retired bank executive. He was General Manager – Industrial Development Bank of India (IDBI), Director of ECGC and Dena Bank. He worked for International Trade Centre, Zeniva, ITC (Unctad/Gatt) as an Export Credit Consultant. He has held prestigious positions and gained expertise in the filed of banking and financial management.	Mr. C. Parthasarathy is one of the founders of Karvy. As a Chairman of the group, 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. He is a fellow member of the Institute of Chartered Accountants of India and the Institute of Company Secretaries of India. He also holds graduate degrees in Science and Law. Under his stewardship, Karvy has grown into an all India organisation enjoying leadership positions in all business segments in which it is present. Karvy Computershare is the largest Registrar and Transfer Agent in India and amongst the leading transfer agent in terms of investor folios serviced in the world. Karvy Computershare services approximately 60 mn investor folios for leading corporates and mutual funds in India.
Qualification	M.Com, CAIIB	B.Sc, LLB, FCA and FCS
Board membership of other Indian Companies	<ol style="list-style-type: none"> 1. Caliber Point Business Solutions Limited 2. Hexaware Technologies Limited 	<ol style="list-style-type: none"> 1. Karvy Computershare Private Limited 2. Karvy Comtrade Limited 3. Karvy Consultants Limited 4. Karvy Global Services Limited 5. Karvy Global Services Inc, USA 6. Karvy Inc, USA 7. Karvy Insurance Broking Limited 8. Karvy Investor Services Limited 9. Karvy Data Management Services Limited 10. Karvy Infrastructure Resources Pvt. Limited 11. EPR Pharmaceuticals Private Limited 12. Nova Consultants Limited 13. AIP Power Private Limited 14. Ocean Sparkle Limited 15. Pennar Industries Limited 16. Srisairam Projects Limited 17. Karvy Stock Broking Limited 18. Financial Intermediaries Association of India 19. Multidimension Entertainments Pvt. Limited 20. TMI e2E Academy Private Limited

Name of Director	Mr. L.S. Sarma	Mr. C. Parthasarathy
Chairman/member of the committee of the Board of Directors of the Company	Chairman: 1. Audit Committee. 2. Compensation and Remuneration Committee. 3. Business Review Committee. Member: 1. Share transfer and Shareholders / investors Grievance Committee.	Nil
Chairman / Member of the committees in other companies in which he is a Director	Chairman: 1. Hexaware Technologies Limited a. Remuneration Committee 2. Calibre Point Business Solution Limited a. Board Committee b. Remuneration Committee Member: 1. Hexaware Technologies Limited a. Audit Committee b. Banking and Treasury Committee 2. Calibre Point Business Solution Limited a. Audit Committee	Chairman: 1. Kary Global Services Limited a. Audit Committee 2. Kary Investor Services Limited a. Audit Committee 3. Ocean Sparkle Limited a. Audit Committee b. Investment Committee c. Remuneration Committee 4. Pennar Industries Limited a. Sub Committee – Corporate Strategy Member: 1. Kary Stock Broking Limited a. Audit Committee b. Investment Committee c. Remuneration Committee d. Customer Service Committee e. Risk and Compliance Committee 2. Ocean Sparkle Limited a. Management and Administrative Committee
Number of shares held in the Company	506 (Five Hundred and Six)	Nil



Granules India Limited

Regd. Office: 2nd Floor, 3rd Block, My Home Hub, Madhapur, Hyderabad - 500081

PROXY FORM

20th Annual General Meeting

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

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

*Demat A/c No	
---------------	--

No. of Shares	
---------------	--

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 20th Annual General Meeting of the Company to be held at Residency Hall, Green Park Hotel Ameerpet, Hyderabad (A.P.), on Monday, the 12th day of September 2011 at 4.00 P.M. and at any adjournment (s) thereof.

Signed this day of, 2011.

Signature-----

Re. 15 paise
Affix
Revenue
Stamp

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 - 500081

ATTENDANCE SLIP

20th Annual General Meeting

Regd. Folio No	
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DP ID. No	
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*Demat A/c No	
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No. of Shares	
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I certify that I am a Member/Proxy for the Member of the Company.

I hereby record my presence at the 20th Annual General Meeting of the Company at Residency Hall, Green Park Hotel Ameerpet, Hyderabad (A.P.), Hyderabad, on Monday, the 12th day of September 2011 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

Place:

Date:

Signature of the Member or Proxy (as the case may be) attending the Meeting



Granules India Limited

Regd. Office: 2nd Floor, 3rd Block, My Home Hub, Madhapur, Hyderabad - 500081

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

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.CIL Securities Limited, 214, Raghava Ratna Towers, Chirag Ali Lane, Hyderabad – 500 001, 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 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.

Corporate Information

Board of Directors

Dr. C. Nageswara Rao	<i>Chairman – Non-Executive, Non-Independent</i>
Mr. C. Krishna Prasad	<i>Managing Director – Non - Independent</i>
Mr. L.S. Sarma	<i>Director – Non-Executive, Independent</i>
Mr. A.P. Kurian	<i>Director – Non-Executive, Independent</i>
Mr. C. Parthasarathy	<i>Director – Non-Executive, Independent</i>
Dr. Krishna Murthy Ella	<i>Director – Non-Executive, Independent</i>
Mr. Philip Herbert Strenger	<i>Additional Director – Non - Executive, Non-Independent</i>
Mr. Arun Rao Akinepally	<i>Additional Director – Non - Executive, Independent</i>
Mr. Harsha Chigurupati	<i>Executive Director – Non - Independent</i>

Chief Executive Officer

Dr. A. Bhaskar Krishna

President (API) & Chief Finance Officer

Mr. Pranesh Raj Mathur

Company Secretary & Compliance Officer

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) - 500073

Bankers

Andhra Bank
ING Vysya Bank
IndusInd Bank
Bank of Baroda
Union Bank of India
Export-Import Bank of India
State Bank of Travancore
International Finance Corporation

Share Transfer Agents

CIL Securities Limited
214, Chirag Ali Lane, Abids, Hyderabad (AP) - 500001
Ph: 91-40-66661267, 91-40-23203155

Plant Locations

Plot No.15/A/1, Phase-III, I.D.A. Jeedimetla, Hyderabad (AP)– 500 055
Temple Road, Bonthapally, Medak District, AP – 502 313
Gagillapur, Qutubullapur Mandal, R. R. District, AP – 500 043

R & D Centre

Formulations - Gagillapur, Qutubullapur Mandal, Ranga Reddy District, AP – 500 043
API - Plot No.15/A/1, Phase-III, I.D.A. Jeedimetla, Hyderabad (AP)– 500 055



Granules India Limited

Granules is a vertically integrated, world-class, large scale manufacturing company partnering with market leaders to offer unique value and extensive range of pharmaceutical products and services to support its customers and global network of associates. It is present across all three lines of the pharmaceutical manufacturing value chain - Active Pharmaceutical Ingredients (APIs), Pharmaceutical Formulation Intermediates (PFIs) and Finished Dosages (FDs) - and specialises in manufacturing Paracetamol, Ibuprofen, Metformin, Guaifenesin and their combination and derivatives relating to PFIs and finished dosages.

BSE Code: 532482

NSE Symbol: GRANULES

Bloomberg Ticker : GRAN:IN

Registered office:

2nd Floor, 3rd Block, My Home Hub, Madhapur,
Hyderabad (AP) - 500081

Ph: 91-40-66760000; **Fax:** 91-40-23115145

www.granulesindia.com