

ANNUAL REPORT 20001 20002

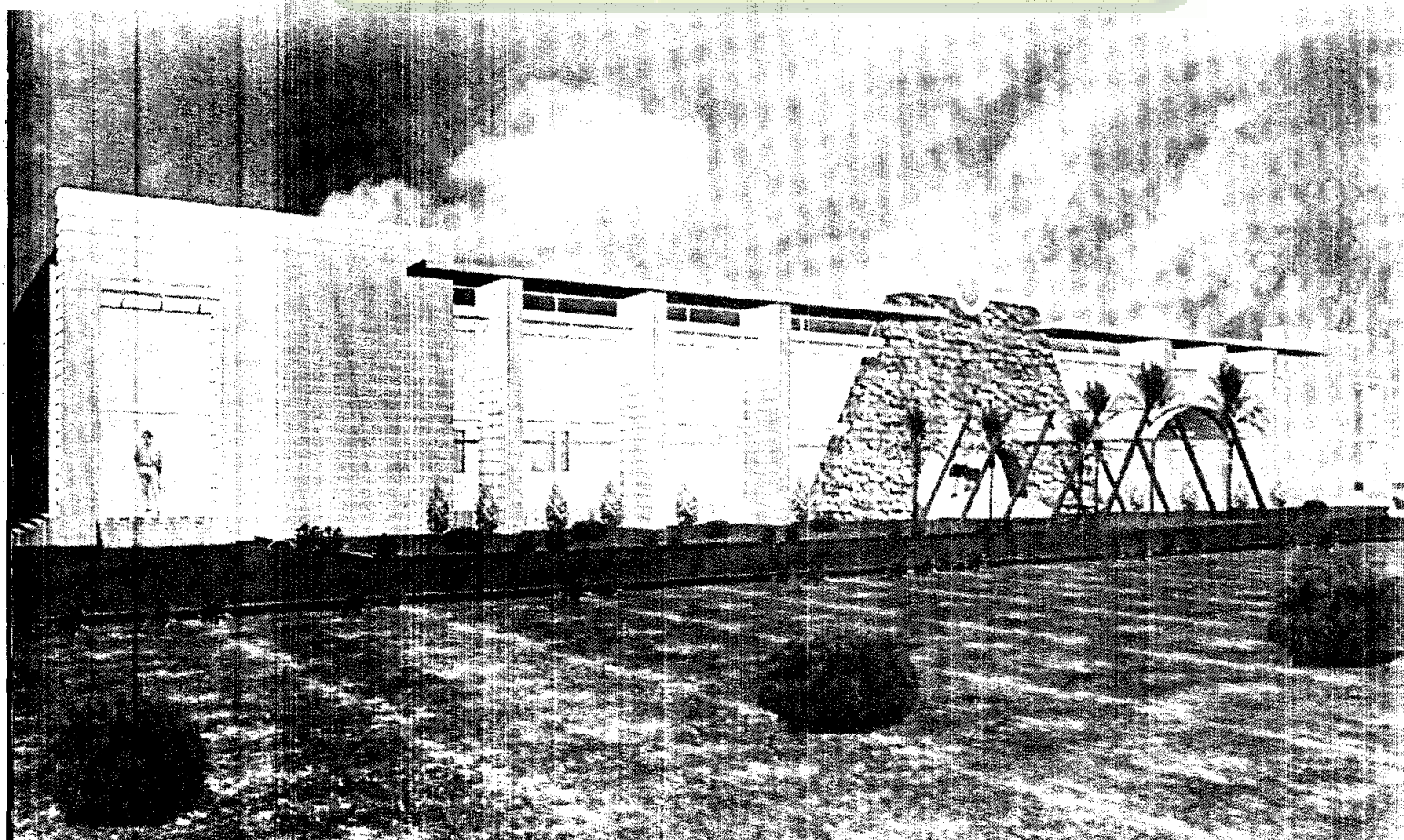


Granules India Limited

CONTENTS

	Page
• The Board of Directors	1
• Notice	2
• Directors' Report	8
• Corporate Governance	14
• Auditor's Report	19
• Balance Sheet	22
• Profit & Loss Account	28
• Notes on Accounts	31
• Cash Flow	36
• Balance Sheet Abstract & Company Profile	38
• Attendance Slip & Proxy Form	39

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**The Board of Directors**

Dr. C. Nageswara Rao	:	Chairman
Shri. L.S. Sarma	:	Director
Dr. P. Narsimha Rao	:	Director
Shri. N. R. Ganti	:	Director
Shri. C. Krishna Prasad	:	Managing Director
Smt. K. V. Shenoy	:	Nominee Director, IDBI

Auditors

M/s. V. Amarnath & Associates
Chartered Accountants
204, Santhoshima Complex, R.T.C. 'X' Roads,
Musheerabad, Hyderabad- 500 020

Bankers

Andhra Bank
Somajiguda Branch, Hyderabad

Bank of Maharashtra
Khairatabad Branch, Hyderabad

Punjab National Bank
Hi-tech City Branch, Madhapur

Registered Office

8-2-293/A/A/2, Road No.2,
Banjara Hills,
Hyderabad- 500 033

Share Transfer Agents

Management Consultants,
A2 D, HUDA Complex,
Tarnaka, Hyderabad



Notice

Notice is hereby given that the Eleventh Annual General Meeting of the Members of Granules India Limited will be held on Tuesday, 30th day of July, 2002 at 4:00 P.M. at West Minister Hall, Hotel Central Court, Lakdi Ka Pool, Hyderabad, to transact the following business:

Ordinary Business:

1. To receive, consider and adopt the audited Balance Sheet as at 31st March, 2002 and the Profit and Loss account for the year ended on that date along with schedules and notes appended thereto and the reports of Directors and Auditors thereon.
2. To appoint a director in place of Mr.L.S. Sarma, who retires by rotation and being eligible offers himself for re-appointment.
3. To appoint M/s. V. Amarnath & Associates, Chartered Accountants as Statutory Auditors, who shall hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

Special Business:

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

“RESOLVED THAT pursuant to the provisions of Section 293(1) (d) of the Companies Act, 1956, the Company hereby accords its consent to the Board of Directors of the Company, borrowing any sum or sums of money from time to time from any one or more of the Company’s bankers and / or from any one or more other persons, firms, bodies corporate, or financial institutions whether by way of advances, deposits, loans, non convertible debentures or otherwise and whether unsecured or secured notwithstanding that the moneys to be borrowed together with moneys already borrowed by Company (apart from the temporary loans obtained from the Company’s Bankers in the ordinary course of business) will or may exceed the aggregate of the paid-up capital of the Company and its free reserves, that is to say, reserves not set apart for any specific purpose but, so however, that the total amount upto which the moneys may be borrowed by the Board of Directors and outstanding shall not exceed the sum of Rs. 75.00 Crores at any one time”
5. To consider and if thought fit, pass with or without modification(s), the following resolution as an Ordinary Resolution:

“RESOLVED THAT the consent of the Company be and is hereby accorded under Section 293 (1) (a) of the Companies Act, 1956 to the Board of Directors of the Company for mortgaging/ charging all the immovable and movable properties of the company both present and future and the whole of the undertaking of the company on such terms and conditions, as may be agreed to between the Board and Lender(s) to secure the borrowings, which may exceed the paid-up share capital and free reserves in the ordinary course of the business but not exceeding Rs. 75 Crores at any one time.
6. To consider and if thought fit, pass with or without modification(s), the following resolution as a Special Resolution:

“RESOLVED THAT pursuant to Section 81(1A) and other applicable provisions, if any, of the Companies Act, 1956 (including any statutory modification or re-enactment thereof, for the time being) and in accordance with Securities Exchange Board of India (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999, the consent of the Company be and is hereby accorded to the Board of Directors of the Company (hereinafter referred to as the Board which term shall include any committee of the Directors duly authorised in this behalf) to further issue or earmark additional equity shares as may be decided by the Board/Committee not exceeding 5% of the Paid-up Share Capital of the Company to its employees present and future, whether in India or abroad, whether shareholder of the company or not (hereinafter collectively referred to as “Employees”), at such prices and other terms and conditions as the Board/Committee may in its absolute discretion think fit under the Employees Stock Option Scheme.

RESOLVED FURTHER THAT the Board be and is hereby authorised to take necessary steps for listing of the securities/ shares allotted under the Employees Stock Option Scheme on the Stock Exchanges where the Company’s shares are listed as per the terms and conditions of Listing Agreement with the concerned stock exchanges and other applicable guidelines, rules and regulations.

RESOLVED FURTHER THAT the Board be and is hereby authorised to delegate all or any of the powers herein conferred to any committee of the Directors of the Company to give effect to the resolution.



RESOLVED FURTHER THAT for the purpose of giving effect to the above, the Board/ Committee be and is hereby authorised to do all things necessary and take such actions as may be necessary or expedient to formulate or amend or alter or adopt any modification or redefine the proposal or scheme or plan of Employees Stock Option Scheme based on the guidelines issued by the Securities Exchange Board of India or any statutory authority from time to time.”

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

“RESOLVED THAT pursuant to the provisions of Section 31 and other applicable provisions, if any, of the Companies Act, 1956, the Articles of Association of the Company be altered in the manner following:

After Article 11A the following Article 11B be inserted:

“11B. Shares at the disposal of the Directors:

Subject to the provisions of Section 81 of the Act and these Articles, the shares in the capital of the company for the time being shall be under the control of the Directors who may issue, allot or otherwise dispose of the same or any of them to such persons, in such proportion and on such terms and conditions and either at a premium or at par or (subject to the compliance with the provision of Section 79 of the Act) at a discount and at such time as they may from time to time think fit and with the sanction of the company in the General Meeting to give any person or persons the option or right to call for any shares either at par or premium during such time and for such consideration as the Directors may think fit, and may issue and allot shares in the capital of the company on payment in full or part of any property sold and transferred or for any services rendered to the company in the conduct of its business and any shares which may so be allotted may be issued as fully paid up shares and if so issued, shall be deemed to be fully paid shares. Provided that option or right to call of shares shall not be given to any person or persons without the sanction of the company in the General Meeting.”

Sub- Clause 2 of Article 12 of the Articles of Association of the Company be deleted and in its place the following Article be substituted:

“12 (2) Limitation of time for issue of certificates:

Every member shall be entitled, without payment, to one or more certificates in marketable lots, for all the shares of each class or denomination registered in his name, or if the Directors so approve (upon paying such fee as the Directors may from time to time determine) to several certificates each for one or more of such shares and the company shall complete have ready for delivery such certificates within three months from the date of allotment, unless the conditions of issue thereof otherwise provide or within one month of the receipt of the application of registration of transfer, transmission, sub-division, consolidation or renewal of any of its shares as the case may be. Every certificate of shares shall be under the seal of the company and shall specify the number and distinctive numbers of shares in respect of which it is issued and amount paid-up thereon and shall be in such form as the directors may prescribe or approve, provided that in respect of a share or shares held jointly by several persons, the company shall not be borne to issue more than one certificate and delivery of a certificate of shares to one of several joint holders shall be sufficient delivery to all such holder.”

Sub- Clause 3 of Article 12 of the Articles of Association of the Company be deleted and in its place the following Article be substituted:

“12(3) Issue of New Certificate in Place of one Defaced, Lost or Destroyed:

If any certificate be worn out, defaced, mutilated or torn or if there be no further space on the back thereof for endorsement of transfer, then upon production and surrender thereof to the Company, a new certificate may be issued in lieu thereof, and if any certificate lost or destroyed then upon proof thereof to the satisfaction of the company and on execution of such indemnity as the company deem adequate, being given, a new certificate in lieu thereof shall be given to the party entitled to such lost or destroyed certificate.

Every certificate under the Article shall be issued without payment of fees if the Directors so decide, or on payment of such fees (not exceeding Rs.2/- for each certificate) as the Directors shall prescribe. Provided that no fee shall be charged for issue of new certificates in replacement of those which are old, defaced or worn out or where there is no further space on the back thereof for endorsement of transfer.



Provided that notwithstanding what is stated above, the Directors shall comply with such Rules or Regulation or requirements of any Stock Exchange or the Rules made under the Act or the rules made under Securities Contracts (Regulation) Act, 1956 or any other Act, or rules applicable in this behalf.

The provisions of this Article shall mutatis mutandis apply to the calls on debentures of the Company.”

The second para of Article 13 (e) (ii) of the Articles of Association of the Company be deleted and Article 13 (f) be inserted after Article 13 (e)(ii):

“ 13 (f) Payment in Anticipation of Call may carry interest:

The Directors may, if they think fit, subject to the provisions of Section 92 of the Act, agree to and receive from any member willing to advance the same whole or any part of the moneys due upon the shares held by him beyond the sums actually called for, and upon the amount so paid or satisfied in advance, or so much thereof as from time to time exceeds the amount of the calls then made upon the shares in respect of which such advance has been made, the company may pay interest at such rate, as the member paying such sum in advance and the Directors agree upon provided that money paid in advance of calls shall not confer a right to participate in profits or dividend. The Directors may at any time repay the amount so advanced.

The members shall not be entitled to any voting rights in respect of the moneys so paid by him until the same would but for such payment, become presently payable.

The provisions of these Articles shall mutatis mutandis apply to the calls on debentures of the Company.”

In Article 14 (a) of the Articles of Association of the Company the following words shall be added at the end:

“The provisions of these Articles shall mutatis mutandis apply to lien on debentures of the Company.”

Sub- Clause (a) of Article 16 of the Articles of Association of the Company be deleted and in its place the following Article be substituted:

“16 (a) Instrument of Transfer:

The instrument of transfer shall be in writing and all provisions of Section 108 of the Companies Act, 1956 and statutory modification thereof for the time being shall be duly complied with in respect of all transfer of shares and registration thereof.”

Sub- Clause (b) of Article 16 of the Articles of Association of the Company be deleted and in its place the following Article be substituted:

“16 (b) No Fee on Transfer or Transmission:

No fee shall be charged for registration of transfer, transmission, probate, Succession Certificate and Letters of administration, Certificate of Death or Marriage, Power of Attorney or similar other document.”

Sub- Clause (c) of Article 16 of the Articles of Association of the Company be deleted and in its place the following Article be substituted:

“16(c) Directors may Refuse to Register Transfer:

Subject to the provisions of Section 111 of the Act, the Board of Directors may at any time in their absolute discretion and without assigning any reasons decline to register any transfer of or transmission by operation of law of the right to a share, whether fully paid-up or not and whether transfer or is a member of the company or not and may also decline to register any transfer of shares on which the company has a lien. Provided further that the registration of transfer shall not be refused on the ground of the transferor being alone or either jointly with any other person or persons indebted to the company on any account except a lien on the shares.”



Sub- Clause (d) of Article 16 of the Articles of Association of the Company be deleted:

Article 19 of the Articles of Association of the Company be deleted and in its place the following Article be substituted:

“19 Term of issue of Debenture:

Any debentures, debenture-stock or other securities may be issued at a discount, premium or otherwise and may be issued on condition that they shall be convertible into shares of any denomination and with any privileges and conditions as to redemption, surrender, drawing, allotment of shares, attending (but not voting) at the General Meeting, appointment of Directors and otherwise Debentures with the right to conversion into or allotment of shares shall be issued only with the consent of the company in the General Meeting by a Special Resolution.”

Article 84 of the Articles of Association of the Company be deleted and in its place the following Article be substituted:

“84 Unpaid or Unclaimed Dividend:

Where the Company has declared a dividend but which has not been paid or the dividend warrant in respect thereof has not been posted within 30 days from the date of declaration to any shareholder entitled to the payment of the dividend, the Company shall within 7 days from the date of expiry of the said period of 30 days open a special account in that behalf in any scheduled bank called “Unpaid Dividend of Granules India Limited” and transfer to the said account, the total amount of dividend which remains unpaid or in relation to which no dividend warrant has been posted.

The Company shall transfer any money transferred to the unpaid dividend account of the Company, which remains unpaid or unclaimed for a period of seven years from the date of such transfer, to the Investor Education and Protection Fund (Fund).

No claims shall lie against the Fund or the Company in respect of individual amounts which were unclaimed and unpaid for a period of seven years from the dates that they first became due for payment and no payment shall be made in respect of any such claims.

By order of the Board
For Granules India limited

Place: Hyderabad
Date : 21.06.2002

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(C. Krishna Prasad)
Managing Director

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 the Member of the Company. The instrument appointing Proxy should however, be deposited at the Registered Office of the Company not less than 48 hours before the commencement of the Meeting.
2. Members are requested to notify immediately any change in their address to the Share Transfer Agents.
3. The Register of Members and Share transfer books of the Company will be closed from 24th July 2002 to 30th July 2002 (both days inclusive).
4. Securities & Exchange Board of India has made trading in the shares of the Company compulsory in dematerialised form for all investors with effect 26.03.2001. Shareholders are requested to open an account with Depository Participants, if not done so far.
5. The introduction of Section 109A by the Companies (Amendment) Act, 1999 provides for Nomination by the shareholders of the Company in the prescribed Form No.2B. The Shareholders are requested to avail this facility.
6. The relative Explanatory Statement pursuant to Section 173(2) of the Companies Act, 1956 in respect of business under item no. 4 to 7 is annexed herewith.



Explanatory Statement
(Pursuant To Section 173 (2) of The Companies Act, 1956)

ITEM No. 4 & 5

Your Company is in the process of expanding its operations and to meet the increased financial needs, it is proposed to borrow funds either by way of term loans or non-convertible debentures. As per the provisions of Section 293 (1) (d) and Section 293 (1) (a) the Board of Directors cannot, except with the consent of the shareholders in the General Meeting, borrow from time to time such sums of money and mortgage the properties of the Company in excess of the aggregate of the paid up capital and free reserves. The Board is of the opinion that it is necessary to acquire this power and commends passing of the said resolution.

None of the directors are in any way concerned or interested in the said resolution proposed to be passed.

ITEM No. 6

To motivate, reward and retain the key performers and to attract the talented personnel, your Directors seek the approval of the shareholders to set up an Employee Stock Option Scheme (ESOS) either by issuing further equity shares or by earmarking equity shares not exceeding 5% of the Paid-up Capital (Equity Share Capital) for granting of stock options under the scheme as may be formulated by the Board/ Committee and modified/ redefined from time to time within the framework of SEBI guidelines and to be designated as "Granules India Employees Stock Option Scheme". It is proposed to cover employees present and future including working directors under Stock Option Scheme.

The total number of options to be granted	Not exceeding 5% of the present equity share capital of the company.
Identification of classes of employees entitled to participate in the Stock Options	Employees present and future including Working Directors of the Company as per the scheme to be formulated by the Board/Committee
Requirements of vesting and maximum period of Vesting	The vesting period ranges from 1 to 5 years. The same may be modified by the Board /Committee as may be deemed fit.
Exercise price and pricing formula	In accordance with the SEBI (Employees Stock Option Scheme and Employees Stock Purchase Scheme) Guidelines, 1999.
Exercise period and process of exercise	5 years from the date of vesting (subject to modification as may be decided by the Board/Committee). Process involves intimation of exercise of options to the designated officer of the company .
The appraisal process for determining the eligibility of employees to the stock options	The Board/ Compensation Committee will decide the eligibility of employees entitled to stock options.
Maximum number of options to be issued per employee and in aggregate	The number of options to be issued per employee will be recommended by the Compensation Committee for the approval of the Board.

The Company shall conform to the accounting policies specified in Clause 13.1 of the SEBI (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999.

The Shareholders consent is therefore, sought to authorise the Board of Directors to issue equity shares in the manner set out in the resolution.

Your Directors recommend the resolution for your approval.

None of the Directors of the Company is in any way concerned or interested in the passing of the resolution except to the extent of any options, which may be granted pursuant to the scheme.

**ITEM No.7**

It is proposed that for better visibility and to gain better liquidity of its equity shares, the equity shares of the Company be listed on the Mumbai Stock Exchange. As per Listing norms of the Mumbai Stock Exchange, certain clauses of the Articles of Association of the Company have to be amended or altered or deleted, as set out in the resolution given under item no 7 of the notice. The provisions of Section 31 of the Companies Act, 1956 state that any alterations in the Articles have to be approved by the shareholders in the General Meeting. The Board is of the opinion that the said alterations are in the interest of the shareholders and commends the passing of the proposed resolution.

None of the directors are in any way concerned or interested in the said resolution proposed to be passed.

**By order of the Board
For Granules India limited**

**Place: Hyderabad
Date :21.06.2002**

**Sd/-
(C. Krishna Prasad)
Managing Director**

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Director's Report

Dear Shareholder,

Your Directors have pleasure in placing before you the Eleventh Annual Report and the Audited Statement of Accounts of the Company for the Financial Year ended on 31st March, 2002.

Financial Highlights

(Amount in Lakhs)

<i>Particulars</i>	<i>2001-2002</i>	<i>2000-2001</i>
Sales	6175.14	5403.23
Other Income	30.31	31.28
Total Income	6205.45	5434.51
Expenditure before depreciation, interest & tax	5463.01	4944.85
Depreciation	111.70	94.73
Interest & Finance Charges	311.61	288.42
Profit/ (Loss) before tax	319.14	106.51
Provision for Tax	34.57	9.84
Prior period expenses	2.42	7.43
Profit/ (Loss) after tax	282.14	89.24

Operations

Your company has put up commendable performance during the year. Strategies that were implemented by your company to enhance exports and also increase value added products have started to pay dividends. Exports as a percentage of over all sales grew to 58% from the previous year figure of 47%. Similarly, sale of value added granulated products grew to 49% of over all sales (previous year 33%).

During the year under review, your company has earned a total income of Rs.6205.45 lakhs as against Rs. 5434.51 lakhs during the last year reflecting a growth of 14%. Profit after Tax for the year at Rs. 284.56 lakhs, was 194% higher compared to last year (Rs.96.67 lakhs). Increase in profitability was essentially due to sale of more value added products and also due to the constant efforts made by your company in improving yields, process optimization and maintaining fixed costs on increased operations.

Business Prospects

Your company is known for its superior quality directly compressible (DC) granules and is on its way to be one of the key players in the world in supporting the formulation manufacturers by providing quality products at reasonable price. Your company is developing new combination DC products and sustained release drugs for regulated markets like USA and is poised to attain a significant market presence in every area of its business.

Your Company has built a team of Chemistry and Pharmacy professionals. This team is now poised to handle complex Chemical Processes, multi stage synthesis and offer solutions in the field of Solid Dosage Technologies.

Expansion Project for granulation (Gagillapur)

The expansion project is under advanced stage of implementation and scheduled to go on stream by Dec,2002. The plant is coming up as per world-class standards fully compliant with cGMP. Once commissioned the plant would be the world's largest and most sophisticated facility dedicated to granulation.

Quality Accreditations: -

- ❖ Your Company DC facility has been inspected and certified by
 - TGA, Australia (1995 & 2000)
 - German Health Authorities (1995, 1997 & 2000)
 - US FDA (2002)