



Granules India Limited

Revving up

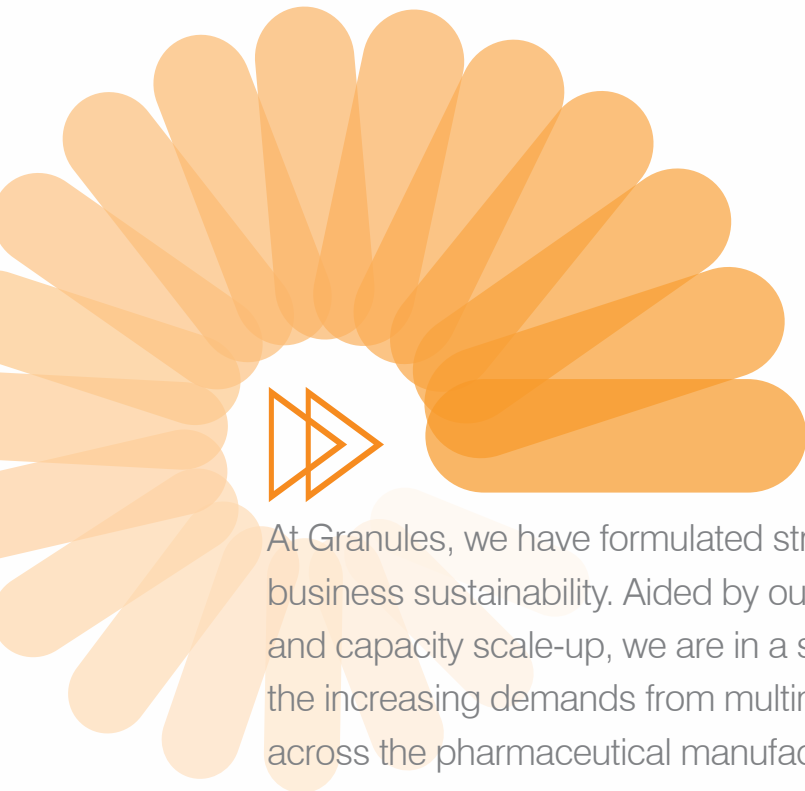
FORWARD LOOKING STATEMENT

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

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

- 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:

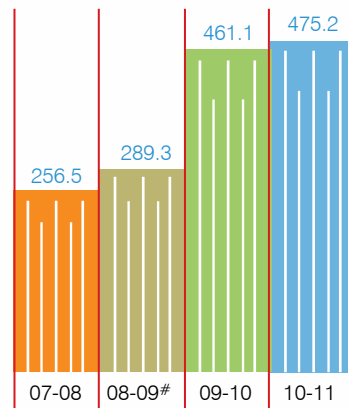
India - Outskirts of Hyderabad at Bonthapally, Gagillapur and Jeedimetla; China - Jingmen, Hubei

Years in numbers*



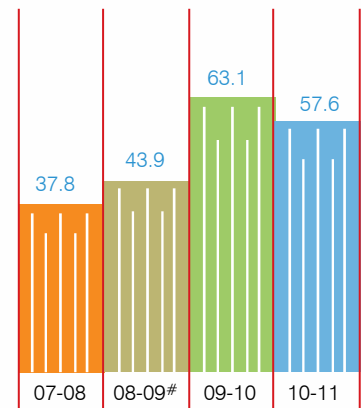
NET SALES

(₹ Cr.)



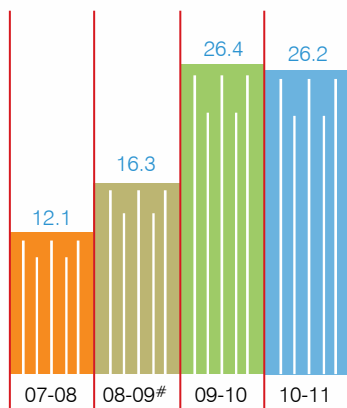
EBIDTA

(₹ Cr.)



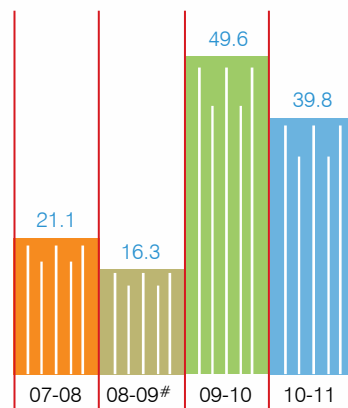
PBT excluding F/X Fluctuations

(₹ Cr.)



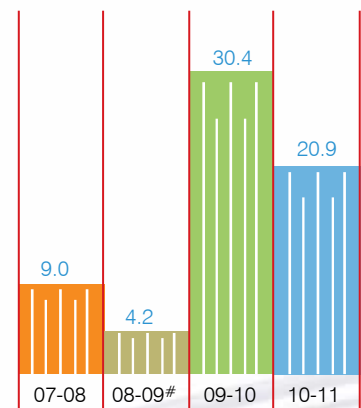
CASH PROFIT

(₹ Cr.)



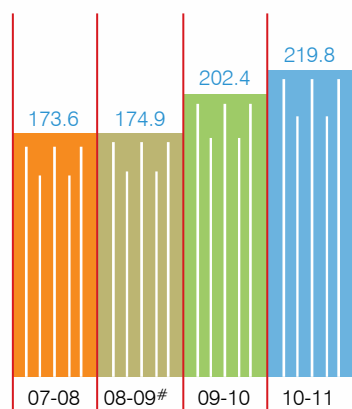
PAT

(₹ Cr.)

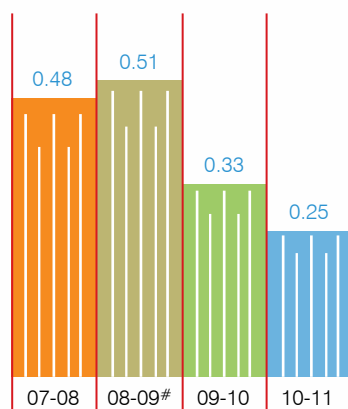


NETWORTH

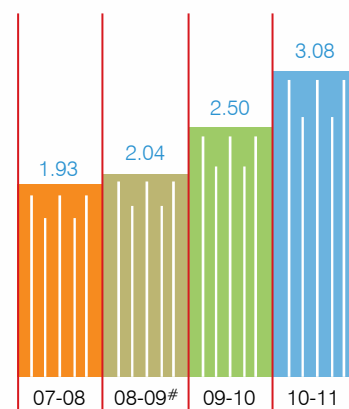
(₹ Cr.)



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.