

## Performance Highlights

(Rs. in Lakhs)

Turnover and Profit	2007-08	2008-09	2009-10	2010-11	2011-12
Sales .....	103318	119056	92929	130544	183949
Sales Growth % .....	43%	15%	(22%)	41%	41%
Other Income .....	1361	2301	3069	3860	7120
Total Income .....	104680	121357	95998	134404	191069
Total Income Growth % .....	42%	16%	(21%)	40%	42%
Profit before Interest Depreciation and Tax (PBDIT) .....	43051	51339	44255	53459	76063
Finance Charges .....	1018	723	276	219	374
Depreciation .....	3565	4782	5145	5335	6203
Profit Before Tax ( PBT) .....	38469	45834	38834	47905	69486
PBT Growth % .....	70%	19%	(15%)	23%	45%
Provision for Taxation .....	3113	3389	4414	4348	14889
Profit After Tax (PAT) .....	35356	42446	34420	43557	54597
PAT Growth % .....	84%	20%	(19%)	27%	25%

### Dividend, Share Capital and Capital Employed

Dividend .....	200%	300%	300%	500%	650%
Dividend (and tax thereon) payout .....	3021	4558	9246	15411	20055
Dividend payout % .....	8.5%	10.7%	26.9%	35.4%	36.7%
Equity Share Capital .....	1291	1295	2643	2652	2655
Reserves & Surplus .....	86107	124884	151565	180153	214825
Networth .....	87399	126179	154208	182805	217480
Networth growth % .....	61%	44%	22%	19%	19%
Gross Fixed Assets .....	64193	78249	83265	88534	109163
Net Fixed Assets .....	49687	58967	58967	58973	73819
Total Assets .....	100136	136299	162683	190600	280297

### Key Financial Indicators

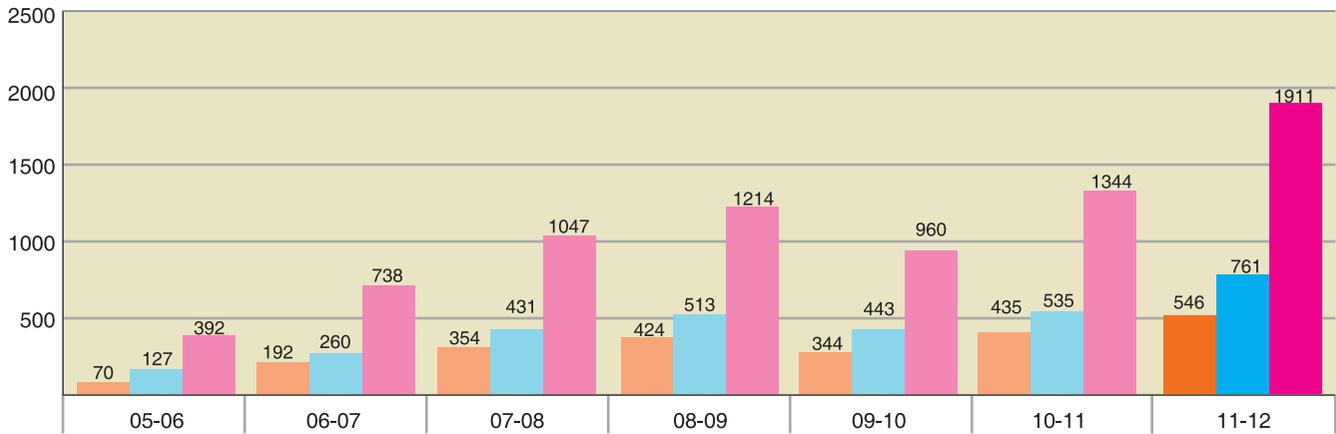
Earnings per share (face value of Rs.2/-each) Rs. ....	54.77	65.59	26.40*	32.90	41.15
Cash Earnings Per Share (face value of Rs.2/-each) Rs. ....	60.29	72.98	29.94*	36.93	45.83
Gross Turnover Per share (face value of Rs.2/-each) Rs. ....	162.15	187.40	72.65*	101.51	144.01
Book Value per share (face value of Rs.2/-each) Rs. ....	135.38	194.85	116.70*	138.06	163.92
Total Debt to Equity .....	0.10	0.04	0.02	0.01	0.02
PBDIT / Gross Turnover % .....	41%	42%	46%	40%	40%
Net Profit Margin on sales % .....	34%	35%	37%	33%	30%
Return On Networth % .....	40%	34%	22%	24%	25%

\* Post Bonus Issue

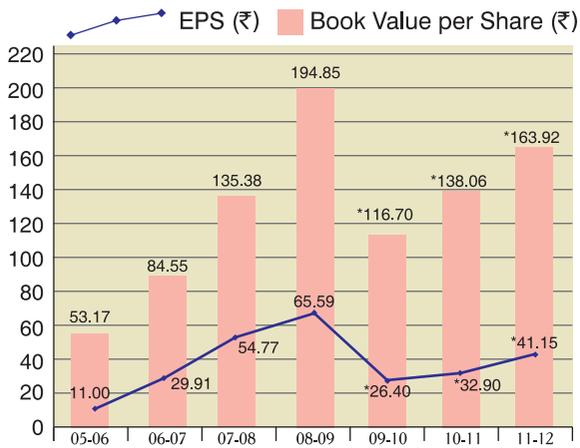
# Key Financial Indicators

PAT EBDITA Total Income

(₹ Crores)

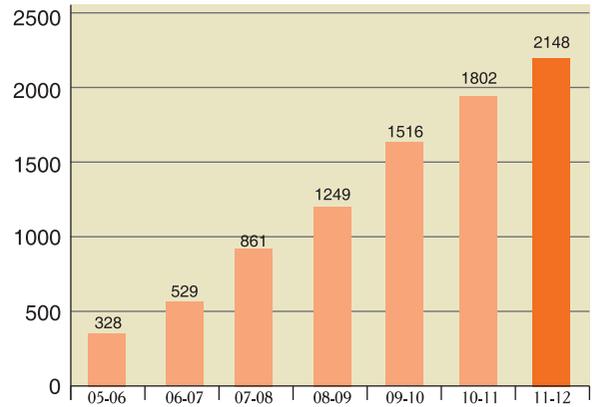


Key Financial Indicators

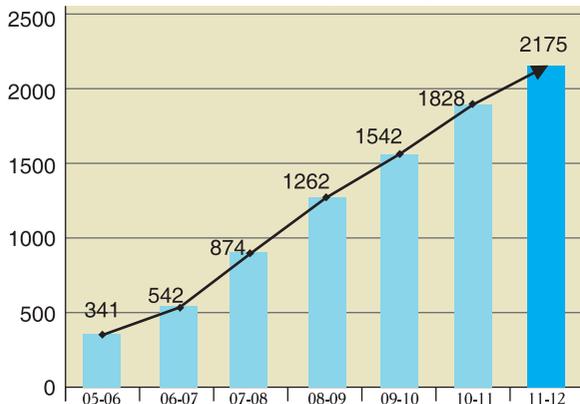


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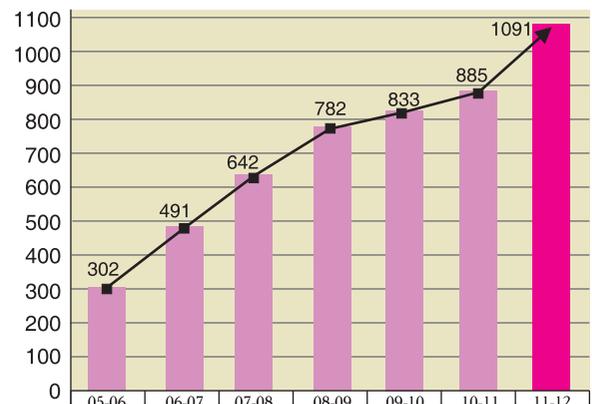
Reserves & Surplus (₹ Crores)



Networth (₹ Crores)



Fixed Assets (₹ Crores)



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# Corporate Information

## Registered Office :

7-1-77/E/1/303, Divi Towers,  
Dharam Karan Road, Ameerpet,  
Hyderabad - 500 016  
Tel : 91-40-2378 6300  
Fax : 91-40-2378 6460  
E-mail : mail@divislaboratories.com  
URL : www.divislaboratories.com

## Manufacturing Facilities :

**Choutuppal Unit (DTA)**  
Lingojigudem Village,  
Choutuppal Mandal, Nalgonda Dt.  
(A.P.) Pin 508 252

**100% Export Oriented  
Unit - Chippada**  
Chippada Village,  
Bheemunipatnam Mandal,  
Visakhapatnam Dist. (A.P.)  
Pin 531 163

**Divi's Pharma SEZ**  
Chippada Village,  
Bheemunipatnam Mandal,  
Visakhapatnam Dist. (A.P.)  
Pin 531 163

**DSN SEZ Unit**  
Chippada Village,  
Bheemunipatnam Mandal,  
Visakhapatnam Dist. (A.P.)  
Pin 531 163

## R&D Centres :

B-34, Industrial Estate  
Sanathnagar,  
Hyderabad - 500 018

Lingojigudem Village  
Choutuppal Mandal  
Nalgonda Dist, (A.P.) - 508 252

Chippada Village  
Bheemunipatnam Mandal  
Visakhapatnam Dist. (A.P.) -  
Pin 531 163

## Subsidiaries :

Divis Laboratories (USA) Inc.  
New Jersey, USA.

Divi's Laboratories Europe AG  
Basel, Switzerland.

## Chief Financial Officer :

L. KISHORE BABU

## Company Secretary :

P.V. LAKSHMI RAJANI

## Registrar & Share Transfer Agent :

Karvy Computershare  
Private Limited  
Plot No.17-24, Vittal Rao Nagar,  
Madhapur,  
Hyderabad - 500 081

## Auditors :

**Statutory Auditor:**  
M/s. P.V.R.K. Nageswara Rao & Co.  
Chartered Accountants  
109, Metro Residency  
6-3-1247, Rajbhavan Road  
Hyderabad - 500 082

**Cost Auditor:**  
EVS & Associates.,  
Cost Accountants  
206, Raghava Ratna Towers,  
Chirag Ali Lane,  
Hyderabad - 500 001

## Bankers :

State Bank of Hyderabad

State Bank of India

The Lakshmi Vilas Bank Limited

Bank of Nova Scotia

## Shares listed at :

National Stock Exchange of  
India Limited

Bombay Stock Exchange Limited

# Management Discussion And Analysis

## Economy

The year 2011 was probably one of the toughest years for the Indian economy in recent times. The adverse performance of all the key economic indicators weighed heavily on the Indian economy throughout the year. Headline and food inflation indices were at high single digit levels and showed no signs of cooling off throughout the year.

## Industry Outlook

Pharmaceutical market research firm, IMS Health forecast that the global pharmaceutical market will grow between 3% and 6% annually upto 2015, based on sales of US\$ 856 billion in 2010. In the five preceding years, the market grew by an average of 6.2% per year. According to the data, overall market volume should increase by between US\$ 210 billion and US\$ 240 billion up until 2015, then reaching a total volume of between US\$ 1,065 billion and US\$ 1,095 billion.

While the U.S. market represented 36% of the global market in 2010, this share is expected to decline to 31% by 2015. The United States will still be the world's largest market (US\$ 320 billion to US\$ 350 billion). IMS Health sees Japan remaining in second place in 2015 (11% share, US\$ 110 billion to US\$ 140 billion), followed by China (US\$ 115 billion to US\$ 125 billion) and Germany (US\$ 38 billion to US\$ 43 billion).

Future level of global spending on medicines has implications for healthcare systems and policy makers across developed and emerging economies. Unprecedented dynamics are at play – including historically high levels of patent expiry, rapid expansion of demand for medicines in the world's growing economies, fewer new medicines reaching patients, and more moderate uptake of those that do become available. These dynamics are driving rapid shifts in the mix of spending between branded products and generics; and between spending in the major developed countries and those 17 high growth emerging countries referred to as 'pharmerging'.

Pharmaceutical industry is presently facing many challenges and uncertainties. The industry continues to grow modestly, while adapting to unparalleled changes. This is putting pressure on the companies to focus on ways to increase the productivity and streamline the significant overheads.

In order to stay competitive vis-a-vis its peers in Europe and US, the company lays great stress on leveraging its inherent

strengths of playing a complementary and non-conflict role building strong customer relationships supported by developing cost competitive and faster delivery structure.

## Company infrastructure

Divi operates from its Headquarters and Registered Office at Hyderabad. The company has four multi-purpose manufacturing facilities with all support infrastructure like Utilities, environment management and safety systems.

**Unit I:** The 1<sup>st</sup> Facility at village Lingo jigudem, Choutuppall Mandal, Nalgonda district, about 60 KM from Hyderabad developed on a 500 acre site and comprises of 13 production buildings, a Pilot Plant and a kilo lab. The plant consists of around 322 reactors totalling a capacity of 1425 m<sup>3</sup> supported with all utility and service units. The production buildings have clearly defined finished product areas for APIs with clean air, purified water systems that operate under full cGMP as per US-FDA guidelines.

**Export Oriented Unit :** The 2<sup>nd</sup> Facility is at village Chippada, Bheemunipatnam Mandal, Visakhapatnam Dist. about 30 KM from the port city of Visakhapatnam on the east coast. The Unit has 8 production blocks with around 175 reactors totalling a capacity of 1413 m<sup>3</sup> with all utility and service units.

**SEZ Unit :** The 3<sup>rd</sup> facility is at village Chippada, Bheemunipatnam Mandal, Visakhapatnam Dist. An area of 260 acres was approved and notified as Sector Specific Special Economic Zone in Pharma Sector with Divi's Laboratories Limited as a Developer and Divi's (SEZ) as a production unit. The Unit has 9 production blocks with around 253 reactors totalling a capacity of 1820 m<sup>3</sup> with all required utility and infrastructure.

**DSN SEZ Unit :** This 4<sup>th</sup> facility has been set up at our Pharma SEZ at village Chippada during the year 2011 at an estimated cost of Rs.200 crores. This facility commenced operations during the first quarter of the year 2011-12. The Unit will have 5 production blocks with around 186 reactors totalling a capacity of 2000 m<sup>3</sup> with all required utility and infrastructure.

**Research Centres:** The company has 4 Research Centers with the well defined functional focus on custom synthesis, contract research for MNC companies as also future generics involving processes like route design, route selection,

establishing gram scale process and structural confirmation, process optimization, impurity profile, pilot studies, pre-validation batches, validation of process and transfer of technology to Plant, review efficiency of processes and ongoing process.

The company has constantly been augmenting capacities to cater to increasing business needs.

### Internal Control systems

The Company maintains a system of well established policies and procedures for internal control of operations and activities, and these are continually reviewed for effectiveness. The internal control system is supported by qualified personnel and a continuous program of internal audit. The prime objective of such audits is to test the adequacy and effectiveness of all internal control systems laid down by the management and to suggest improvements.

We believe that the company's overall system of internal control is adequate given the size and nature of operations and effective implementation of internal control self assessment procedures and ensure compliance to policies, plans and statutory requirements.

Divi encourages and recognizes improvements in work practices. The internal control system of the company is also reviewed by the Audit Committee periodically. The Management duly considers and takes appropriate action on the recommendations made by the statutory auditors, internal auditors and the independent Audit Committee.

### Risks and Concerns

Divi lays emphasis on risk management and has an enterprise-wide approach to risk management, which lays emphasis on identifying and managing key operational and strategic risks. Through this approach, the company strives to identify opportunities that enhance organisational values while managing or mitigating risks that can adversely impact its future performance.

Divi is engaged in manufacture of generic APIs, custom synthesis of active ingredients for innovator companies and other specialty chemicals like peptides and nutraceuticals. The company constantly reviews its policies and procedures to adhere to conformity to the various regulatory approvals for its manufacturing facilities and its commitment to IPR. The company is very selective in its product portfolio with a focus on export markets within the domain of its capabilities and does not transgress in unrelated expansions, diversification or acquisitions.

The company continues its initiatives aimed at assessment and avoidance of various risks affecting its business and towards cost control and efficiency across its businesses and

functions, taking appropriate measures and reviewing them from time to time. The company's current and fixed assets as well as products are adequately insured against various risks. Over 70% of sales constitute supplies to regulated markets in Europe and USA and the company devotes significant importance to the regulatory compliances.

The company's risk management and control procedures involve prioritization and continuing assessment of these risks and devise appropriate controls, evaluating and reviewing the control mechanism and redesigning it from time to time in the light of its effectiveness.

### Regulatory Filings/Approvals

Divi has triple Certifications ISO-9001 (Quality Systems), ISO-14001 (Environment Management Systems) and OHSAS-18001 (Occupational Health and Safety systems) for its manufacturing facilities and adheres to cGMP and standard operating practices in its manufacturing/operating activities and these certifications are renewed from time to time. All the manufacturing sites have been inspected by US-FDA, barring the recently implemented DSN SEZ Unit which expects an inspection next year.

Divi has a total of 36 drug master files (DMFs) with US-FDA and 190 EDMFs and 13 CoS (Certificates of Suitability) with various European Union authorities. Divi has filed a total number of 22 patents in India and 17 in USA for generic products.

### Business distribution

Our product portfolio comprises of two broad segments i) Generic APIs (active pharma ingredients) and Nutraceuticals and ii) Custom Synthesis of APIs, intermediates and specialty ingredients for innovator pharma giants.

The company operates predominantly in export markets and has a broad product portfolio under generics and custom synthesis. Business has been growing decently across both these segments and is broadly equal distributed. Among Divi's well distributed products range, some of the components of the business is given below :

Particulars	2011-12	2010-11
Exports	89%	92%
Imports	39%	33%
(% of material consumption)		
Largest Product	19%	22%
Top 5 Products	51%	52%
Top 5 Customers	46%	47%
Exports in \$ terms	82%	74%
Exports in Pounds	14%	21%
Exports in Euro	4%	5%

## Performance and Operations Review

Analysis of profitability for the current and the last financial years is given hereunder :

Particulars	(Rs. in Crores)		
	2011-12	2010-11	Growth%
Net Sales & Service Income	<b>1839.49</b>	1308.66	41%
Other operating income	<b>5.44</b>	6.21	
Other income	<b>65.76</b>	29.23	
Total Income	<b>1910.69</b>	1344.10	42%
Expenditure	<b>1150.06</b>	810.18	
PBDIT	<b>760.63</b>	533.92	42%
Finance Cost	<b>3.74</b>	1.52	
Depreciation	<b>62.03</b>	53.35	
Profit before tax (PBT)	<b>694.86</b>	479.05	45%
<u>Provision for tax :</u>			
Current Tax	<b>133.59</b>	39.20	
MAT Credit Utilisation	<b>2.92</b>	1.28	
Deferred Tax Liability	<b>12.38</b>	3.00	
Profit after tax (PAT)	<b>545.97</b>	435.57	25%
Earnings per Share (EPS)			
a) Basic	<b>41.15</b>	32.90	
b) Diluted	<b>41.15</b>	32.88	

We have had a very satisfactory business performance this financial year. We achieved a sales growth of 41% over the last year. PBT amounted to Rs.695 crores for the year, reflecting a growth of 45%.

Some of the capex programmes taken up at the existing Units have become operational during the year. The DSN SEZ Unit has also become operational during the year. These capacity additions have contributed to business during the year.

We have made a provision of Rs.136.51 crores towards Income-tax as against Rs.40.48 crores during the last year – as no tax holiday is available to EOU Unit from this financial year and as our first SEZ Unit is eligible only for 50% of tax exemption from this year. Deferred Tax provision for the year amounted to Rs.12.38 crores as against Rs.3.00 crores during last year.

Profit after Tax (PAT) for the year came to Rs.546 crores as against Rs.436 crores during the previous year, a growth of 25%. Earnings Per Share of Rs.2/- each works out to Rs. 41.15 for the year as against Rs. 32.90 last year.

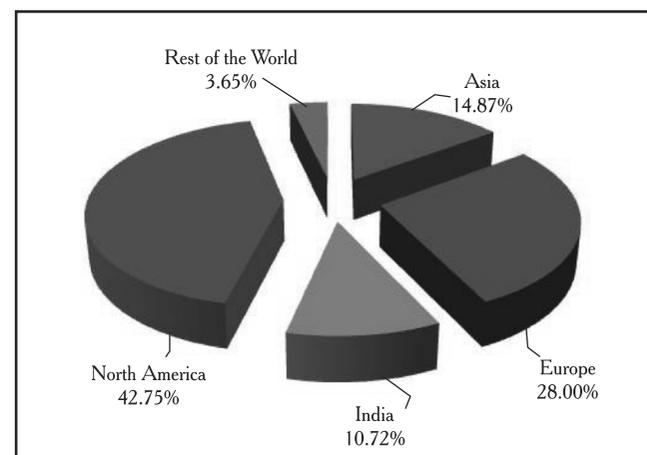
During the year, Divi has added 8 products to its product portfolio of which 3 are generic APIs and intermediates and 5 are custom synthesis APIs and intermediates.

Your company continues to work towards optimizing the capacities created at its multi-purpose manufacturing facilities and also adding additional capacities aimed at the business opportunities available to it in its domain of capability in line with its strategy to work with innovators playing a complementary role and non-compete model with its generic customers.

### Exports

Exports constituted around 89% of gross sales during the year as against 92% in the previous year. Exports to advanced markets comprising Europe and America accounted for 71% of business.

Particulars	2011-12		2010-11	
	Sales Rs.Crores	% Share	Sales Rs.Crores	% Share
Asia	<b>274.76</b>	<b>14.9%</b>	168.66	12.9%
Europe	<b>517.21</b>	<b>28.0%</b>	388.52	29.8%
India	<b>198.11</b>	<b>10.7%</b>	102.16	7.8%
North America	<b>789.80</b>	<b>42.8%</b>	586.62	44.9%
Rest of the World	<b>67.47</b>	<b>3.6%</b>	59.48	4.6%
Total	<b>1829.56</b>	<b>100.0%</b>	1305.44	100.0%



### Other Income

While other operating income comprises duty drawback credits and sale of waste materials from manufacturing

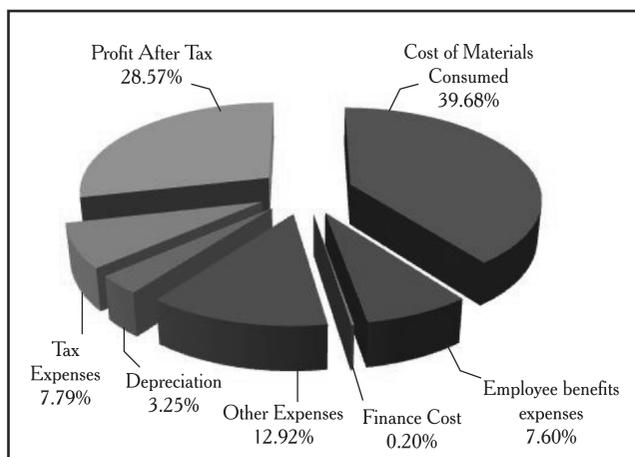
process, other income (non-operating) comprises interest income, dividend income on investments, gain on foreign currency transactions and other miscellaneous income.

Other operating income for the year amounted to Rs.5.44 crores as against Rs. 6.21 crores in the previous year.

On other income, we earned a dividend income of Rs.35.52 crores on our investments in liquid funds Income as against a dividend income of Rs. 24.32 crores during last year.

We had a gain of Rs.27.60 crores for the year on foreign currency transactions as against as against a gain of Rs. 3.36 crores last year. This represents translation gains/losses on the outstanding balances as also the MTM gains/losses on the outstanding forex derivative contracts.

**Distribution of Total Income**



**Material Costs**

(Rs. in Crores)

Particulars	2011-12	2010-11
Material consumption	<b>768.68</b>	486.68
Inc/(Dec) in Stocks	<b>(10.66)</b>	34.52
Net Material Consumption	<b>758.02</b>	521.20
Net Sales	<b>1839.49</b>	1308.66
% of consumption to Sales	<b>41.2%</b>	39.8%

Raw material consumption varies from product to product. Manufacture of an active pharma ingredient or intermediate involves stage-wise controlled processing of the product through it chemistry to the specifications under the standard operating practices complying to cGMP conditions.

Material consumption net of increase/decrease in stocks is about 41% of sales during the year as compared to 40% during the last year, variation being the result of product mix as each product will have a different material consumption.

**Employee Costs**

Employee costs represent salaries and benefits to employees, directors as also commission to Directors.

Costs for the year have amounted to Rs.145.16 crores against Rs.112.06 crores during the last year. Of this, remuneration to Directors accounted to Rs.43.94 crores during the year as against Rs.31.57 crores last year.

Increase in salaries is on account of the induction of additional staff at the manufacturing facilities and revision in remuneration of employees.

We have added 630 employees during the year for the additional capacities created at the existing units as also the new DSN SEZ Unit.

Employee cost for the year works out to about 8% of sales for the year as against 9% for the previous year.

**Research and Development Expenses**

R&D Expenses during the year amounted to Rs.18.86 crores as against Rs. 15.98 crores during the last year. Major components are salaries and consumable stores.

**Other Expenses**

Manufacturing expenses comprising of Power and Fuel, Repairs to Plant and Stores Consumption came to Rs.140.78 crores for the year as against Rs. 102.07 crores for the last year. Increase in the manufacturing expenses is due to increase in the prices of coal and diesel besides higher level of operations. Manufacturing expenses account for about 8% of sales turnover.

Apart from manufacturing expenses, other expenses for the year amounted to Rs.106.00 crores as against Rs. 74.85 crores during the previous year. Major components of other expenses include Carriage outward, R&D expenses, Environment management and General expenses.

Carriage outward expenses for the year have been higher at Rs.45.04 crores as against Rs. 23.21 crores. This is due to steep increase in sea/air freight rates besides increase in the business volume. The company has spent significantly higher amount this year on Environment management expenses at Rs.7.33 crores during the year as against Rs. 5.57 crores spent during the last year. The company has been giving top priority to environment management.

**Finance Cost**

Finance Cost for the year amounted to Rs.3.74 crores as against Rs. 1.52 crores during the previous year. As the company has generated significant cash surpluses, utilization of working capital has been minimal.

**Earnings before Depreciation, Interest and Taxes (EBITA)**

EBITA for the year grew by about 42% to Rs.760.63 crores as against Rs. 533.92 crores during the previous year.

EBITA to Net Sales works out to 41% for the year, the same as last year.

### Depreciation

Depreciation charge for the current year came to Rs.62.03 crores as compared to Rs. 53.35 crores during the last year.

During the year, addition to Fixed Assets accounted to Rs.211.46 crores as against Rs. 53.60 crores in the previous year.

### Taxation

For the current year, our tax liability came to Rs.133.59 crores in addition to MAT credit utilization of Rs.2.92 crores. For the last year, the Tax provision amounted to Rs. 39.20 crores besides a MAT Credit utilisation of Rs. 1.28 crores.

The substantial increase in taxation during the current year is due to the fact that the EOU Unit has lost the tax holiday and has now come under the regular tax provisions and the first SEZ Unit now qualifies only for 50% exemption of export profits. DSN Unit would be eligible for 100% exemption of export profits for 5 years commencing from this year.

### Deferred Tax

Divi has also provided for Deferred Tax Liability of Rs.12.38 crores for the year as against Rs. 3.00 crores last year.

### Profit after Tax

Profit after Tax for the year accounted for Rs.545.97 crores as against Rs. 435.57 crores during the previous year resulting in a growth of 25% over last year.

### Earnings Per Share

Earnings Per Share for the year works out to Rs.41.15 per share of Rs.2 each as against Rs. 32.90 last year on absolute basis and to Rs.41.15 per share as against Rs. 32.88 last year on diluted basis.

### Dividend

Your Board has recommended a dividend of Rs.13 per share of face value Rs.2 each or 650% for the year 2011-12. Dividend for the previous year was Rs.10 per share or 500%. Outgo this year accounts for Rs.172.55 crores as against Rs. 132.60 crores last year. Dividend pay-out for the year works out to 32% of profits earned as against 30% last year. An amount of Rs.27.99 crores (Rs.21.51 crores last year) has been provided during the year towards Corporate Dividend Tax.

### Transfer to General Reserves

We propose to transfer an amount of Rs.125 crores to General Reserve for facilitating the dividend for the year.

### Equity Capital

The company's equity capital has increased by Rs.0.03 crores during the year on allotment of 1,39,180 equity shares of Rs.2 each to employees under the Company's Employee Stock Option Scheme.

### Reserves

Total Reserves of your company, including the surplus in the P&L Account, as at the end of the year stand at Rs.2148.25 crores.

### Long Term Borrowings

Long-Term borrowings comprise sales tax deferment aggregating to Rs.2.56 crores, repayable over the next 6 years.

### Deferred Tax Liabilities

Deferred tax Liabilities at the end of the year amounted to Rs.67.29 crores as against Rs.54.91 crores last year. Addition during the year was Rs.12.38 crores. Deferred Taxes are mainly the result of timing difference between the depreciation allowed under the Income-tax Act vis-à-vis the depreciation under the Companies Act.

### Other Long Term Liabilities

Particulars	(Rs. in Crores)	
	31.03.2012	31.03.2011
Trade Payables	0.02	0.02
Advance from Customers	5.40	6.08
Retention money	0.11	0.73
Creditors for Capital Works	-	1.76
Other Creditors	0.72	1.03
Total	6.25	9.62

### Long-term Provisions

We have a long-term provision for leave encashment aggregating to Rs.1.65 crores as against Rs.2.82 crores.

LT Provision for gratuity is Nil as we now have taken a Gratuity policy from LIC and made a payment of Rs.5.18 crores towards the gratuity liability upto 31-3-2012. LT Provision on this account for the last year was Rs.1.21 crores.

Dues on this account within one year have been reported as short-term provisions.

### Short Term Borrowings

Working capital loans (secured) as at the end of the year amounted to Rs.50.20 crores as against Rs.13.62 crores.

Major part of the Utilisation at the year-end reflects only a float being cheques issued. Utilisation of Working capital has been minimal, due to significant cash accruals position.

## Trade Payables

Trade Payables being Sundry Creditors for Raw Materials/ Services amounted to Rs.157.31 crores as at the end of the year as against Rs.121.24 crores as at the end of last year. Increase in creditors is on account of increased level of operations.

## Other Current Liabilities

We had a Foreign currency Loan from SBI, Bahrain taken for the capex programmes about 6 years ago. An amount of \$488,035 is outstanding as at the end of the year, which is repayable within the next one year and hence classified as Short-term Liability.

This loan carries an interest rate of 2.181% per annum at the current Libor. (1.60% + Libor of 0.581%)

Particulars	(Rs. in Crores)	
	31.03.2012	31.03.2011
Secured Long Term loans payable within one year and interest accrued	2.70	4.53
Advance from Customers	10.30	17.80
Unpaid dividends	0.40	0.31
Creditors for Capital Works	39.99	24.53
Statutory Liabilities	1.28	1.52
Others	80.00	56.34
<b>Total</b>	<b>134.70</b>	<b>105.04</b>

## Short Term Provisions

Particulars	(Rs. in Crores)	
	31.03.2012	31.03.2011
Provision for employee benefits (leave encashment/gratuity)	0.59	4.88
Provision for Mark-to-Market losses on forward contracts	7.07	8.94
Proposed Dividend	172.55	132.60
Provision for tax on Dividend	27.99	21.51
<b>Total</b>	<b>208.21</b>	<b>167.92</b>

## Capital Expenditure

During the last couple of years, the company has taken up several capex programmes across its Units aimed at enhancing capacities as also upgrading utilities to conform to best environment practices and zero discharge of effluents. Some of the capacities created have become operational and have contributed to business growth.

As you are aware, we have set up DSN SEZ Unit at our Pharma SEZ with an estimated investment of Rs.200 crores. DSN SEZ Unit commenced commercial operations during June, 2011. As at the end of the year, an amount of Rs.213.44 crores has been spent on the DSN SEZ Unit, of which assets have been capitalized to the tune of Rs.78.32

crores. The balance of the Capital Work-in-Progress would be capitalized early next year.

Expenditure pending allocation has been provided conservatively - and mainly comprise of power/fuel and salaries of mangers incurred on the DSN SEZ Project.

As the company has significant accumulation of cash reserves, all capex has been funded with internal accruals.

## Fixed Assets

During the year, an amount of Rs.211 crores has been added to the Fixed Assets to enhance/debottleneck capacities at the company's Plants.

Deductions during the year amounted to Rs.4.92 crores representing assets discarded and Rs.0.26 crores representing sale of vehicles.

## Non-current Investment

This comprises of investment in subsidiaries :

Particulars	(Rs. in Crores)	
	31.03.2012	31.03.2011
Divis Laboratories (USA) Inc.	2.46	2.46
Divi's Laboratories Europe AG	0.36	0.36
<b>Total</b>	<b>2.82</b>	<b>2.82</b>

## Long-Term Loans and Advances

These advances have been outstanding for more than year and hence classified as Long term :

Particulars	(Rs. in Crores)	
	31.03.2012	31.03.2011
Capital Advances	67.39	24.99
Security Deposits	7.44	6.77
Advances to related parties	43.41	37.70
Prepaid Expenses	0.11	0.08
Other Loans and Advances	6.34	4.18
<b>Total</b>	<b>124.70</b>	<b>73.72</b>

Security Deposits comprise mainly electricity deposits. No further advances are made to Subsidiaries, other than what was given during the last year. Increase is on account of currency translation.

Other Loans and Advances comprise VAT claims and advances for suppliers other than capital advances.

## Other Non-Current Assets

Particulars	(Rs. in Crores)	
	31.03.2012	31.03.2011
Receivables outstanding for more than one year	2.42	2.17
Insurance Claims pending for more than one year	1.51	1.51
<b>Total</b>	<b>3.93</b>	<b>3.69</b>

## Current Investments

The company has been deploying its surplus cash accruals into medium-short term funds of SBI Mutual Fund

Particulars	(Rs. in Crores)	
	31.03.2012	31.03.2011
SBI Mutual Fund - Short term	<b>377.04</b>	325.39
SBI Mutual Fund - Income Fund	-	75.25
SBI Mutual Fund - Debt Fund	<b>100.00</b>	125.00
Total	<b>477.04</b>	525.64

We have earned a dividend income (net of tax) of Rs.35.52 crores during the year on these Investments as against an income of Rs. 24.32 crores during the last year.

## Inventories

Particulars	(Rs. in Crores)	
	As on 31.03.2012	As on 31.03.2011
Raw Materials	<b>245.54</b>	171.31
Work-in-Progress	<b>314.35</b>	310.33
Finished Goods	<b>18.52</b>	11.73
Stock-in-Trade	<b>0.07</b>	-
Stores and Spares	<b>71.35</b>	49.69
Loose Tools	<b>1.14</b>	0.01
Total	<b>650.97</b>	543.07

Increase in inventory of raw materials is due to increased level of operations at the existing units besides commencement of operations at the DSN SEZ. While the WIP has been more or less at the same levels, there is a significant increase in raw materials.

It may also be noted that the company undertakes campaign production of products by running the plant at full stream and stock these products for sale – thus freeing the multi-purpose plants for producing other products. As the company has a very large market share for some products, we donot foresee any problem with sale of the products. Slow moving and non-moving items have been fully provided for.

## Trade Receivables

Particulars	(Rs. in Crores)	
	As on 31.03.12	As on 31.03.11
Outstanding > 6 months	<b>6.42</b>	1.16
Others	<b>528.05</b>	391.62
Total	<b>534.47</b>	392.78
Average Receivables (days)	<b>106</b>	109

Trade Receivables at the year end came to Rs.534.47 crores as against Rs. 392.78 crores as at 31-03-2011. Increase in debtors is due to the significantly higher sales during the last quarter of the year. The company normally offers a credit ranging between 60-90 days to its customers.

Trade Receivables over 6 months amounted to Rs.6.42 crores (Rs. 1.16 crores last year) constituting about 1.2% of total outstandings.

The company has provided for doubtful debts of Rs.0.14 crores. Bad debts for the year have been negligible as against bad debts of Rs.0.01 crores last year.

## Investments in Subsidiaries and Advances

The company has invested the following amounts in the subsidiaries Divis Laboratories (USA) Inc., in the United States of America and M/s. Divi's Laboratories Europe AG in Switzerland.

Particulars	(Rs. in Crores)		
	Divi's Laboratories USA Inc., Europe AG.		Total
Subscription to Equity	2.46	0.36	2.82
	(\$550,000)	(CHF100,000)	
Advances to Subsidiaries (incl. interest receivable of Rs.0.87 crores from Europe)	17.92	25.49	43.41
Total	20.38	25.85	46.23

In view of the negative networth of the US subsidiary, we have, during the last year, converted \$500,000 from out of the loan provided to Divis Laboratories (USA) Inc., into equity.

## Short-Term Loans and Advances

Particulars	(Rs. in Crores)	
	As on 31.03.2012	As on 31.03.2011
Cenvat Credits	<b>13.60</b>	4.59
Prepaid Expenses	<b>1.89</b>	1.44
Other advances/receivables	<b>38.78</b>	24.78
MAT Credit Entitlements	<b>8.01</b>	11.68
Prepaid Taxes	<b>1.85</b>	15.63
Total	<b>64.13</b>	58.12

## Other Current Assets

Particulars	(Rs. in Crores)	
	As on 31.03.2012	As on 31.03.2011
Interest accrued on deposits	<b>0.48</b>	0.30
Export Incentives	<b>2.44</b>	1.14
Total	<b>2.92</b>	1.44

## Cautionary Statement

This report may also contain certain statements that the company believes are or may be considered to be 'forward looking statements' which are subject to certain risks and uncertainties. These estimates and judgments relating to the financial statements have been made on a prudent and reasonable basis, in order that the statements reflect, in a true and fair manner, the state of affairs and profits for the year. Actual results may differ materially from those expressed or implied. Significant factors that could influence the Company's operations include government regulations, tax regimes, patent laws and domestic and international fiscal policies.

# Corporate Governance

Report in line with the requirements of the stock exchanges under clause 49 of the Listing Agreement, on the practices followed by the company and other voluntary compliances is furnished below :

## 1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Corporate governance is the set of processes, customs, policies, laws and institutions affecting the way a company is directed, administered or controlled. It is a system of structuring, operating and controlling a company with a view to achieve long term strategic goals to satisfy shareholders, creditors, employees, customers and suppliers.

Corporate governance is based on principles such as conducting the business with all integrity and fairness, being transparent with regard to all transactions, making all the necessary disclosures and decisions, complying with all the laws of the land, accountability and responsibility towards the stakeholders and commitment to conducting business in an ethical manner.

Your Company adheres to the principles of corporate governance and commits itself to accountability and fiduciary duty in the implementation of guidelines and mechanisms to ensure its corporate responsibility to the members and other stakeholders.

## 2. BOARD OF DIRECTORS

### 2.1 Composition

The Company has an Executive Chairman. The Board comprised of nine directors, four of whom are Executive and remaining are non-executive independent directors, which is in conformity with clause 49 of the listing agreement. The category of directors as on 31<sup>st</sup> March 2012 is as follows :

Name of the Director	Status / Designation	Category
Dr. Murali K. Divi	Chairman and Managing Director	Promoter and Executive Director
Sri. N. V. Ramana	Executive Director	Executive Director
Sri. Madhusudana Rao Divi	Director - Projects	Executive Director
Dr. P. Gundu Rao**	Director (R&D)	Non-executive Director*
Sri. Kiran S. Divi	Director & President - Operations	Executive Director
Dr. K. Satyanarayana	Director	Non-executive Independent Director
Sri. S. Vasudev	Director	Non-executive Independent Director
Sri. G. Venkata Rao	Director	Non-executive Independent Director
Prof. C. Ayyanna	Director	Non-executive Independent Director
Dr. G. Suresh Kumar	Director	Non-executive Independent Director

\*Resigned as Whole-time Director w.e.f. 01.06.2011

\*\*Ceased to be a Director w.e.f. 31.12.2011

## 2.2 Board Procedures

The Company Secretary, in consultation with the Chairman and Managing Director, prepares the agenda for the meeting and circulates the same along with relevant enclosures to the Board members sufficiently in advance of the meeting. Information and data that are more important to the Board's understanding of the business in general and related matters are tabled for discussion. The meetings of the Board of Directors are generally held at Company's Registered Office at Hyderabad, and are scheduled well in advance.

## 2.3 Number & Dates of Board Meetings held during the year

The Board meets in executive session at least four times in a year at quarterly intervals and more frequently if deemed necessary, to transact its business. During the financial year the Board has met four times, i.e. on 20<sup>th</sup> May 2011, 6<sup>th</sup> August 2011, 1<sup>st</sup> November 2011 and 28<sup>th</sup> January 2012. Director's attendance at the Board and General Meetings held during the financial year 2011-12 and number of other Directorships and Chairmanship/ Membership of Committees of each Director in various companies is as follows :

Name of the Director	Attendance Particulars			No. of Directorships and Committee member / chairmanship in other Companies		
	No. of Board Meetings		Last AGM	Directorships	Committee Memberships	Committee Chairmanships
	Held	Attended				
Dr. Murali K. Divi	4	4	Yes	6	1	-
Sri. N. V. Ramana	4	4	Yes	2	-	-
Sri. Madhusudana Rao Divi	4	3	Yes	-	-	-
Dr. P. Gundu Rao*	4	1	No	-	-	-
Sri. Kiran S. Divi	4	3	Yes	2	-	-
Dr. K. Satyanarayana	4	3	No	-	-	-
Sri. S. Vasudev	4	4	Yes	-	-	-
Sri. G. Venkat Rao	4	4	Yes	1	-	-
Prof. C. Ayyanna	4	3	Yes	-	-	-
Dr. G. Suresh Kumar	4	3	Yes	-	-	-

\*Ceased to be a Director w.e.f. 31.12.2011

No Director holds membership of more than 10 committees of Boards nor is a Chairman of more than 5 Committees of Boards of all the companies in which he is a Director.

## Brief profile of the directors retiring by rotation and seeking re-appointment at this Annual General Meeting :

Name of the Director	Dr. K. Satyanarayana	Mr. S. Vasudev	Mr. Kiran S. Divi
Date of Appointment	08.08.1995	09.08.2004*	10.08.2001
Date of Birth	20.12.1942	25.12.1940	06.10.1976
Qualification	M. S. (General Surgery) from Osmania Medical College, Hyderabad. M. Ch. (Neurosurgery) from Christian Medical College, Vellore.	Postgraduate degree in Chemical Engineering from Madras University	Bachelor of Pharmacy from College of Pharmacy, Manipal.
Expertise in specific functional areas	He is a common fellow of Royal Infirmary, Edinburg, UK. He was a Professor of Neuro Surgery at Kakatiya Medical College, Warangal and at Gandhi Medical College, Hyderabad. He also worked as Professor & Head of Dept. of Neurosurgery at Osmania Medical College, Hyderabad and as the Director of Medical Education, Government of AP. He has retired from Government service and is currently Consulting Neuro Surgeon at Vijaya Health Care, Durgabhai Hospital and Medwin Hospitals at Hyderabad.	He started his career with Reserve Bank of India and was deputed to the Industrial Development Bank of India (IDBI). He worked with IDBI for 25 years and has gained wide experience in term lending finance. Later he worked with Apollo Hospitals Group as their Vice President (Finance) from 1988-89 in charge of Hotels, Hospital and Financial Services divisions. He has also worked as a Consultant with the Asian Development Bank, Manila.	He was involved in understanding the markets in USA in respect of active Pharma ingredients and intermediates for about two years before joining the Board. He is responsible for marketing the company's generic products in the USA, which is considered an important value market for the Pharma ingredients.
Directorships held in other companies	Not a Director in any other Company	Not a Director in any other Company	Divis Biotech Private Limited Divi's Resorts Private Limited
Memberships/Chairmanships of committees in other companies	Neither a Member nor Chairman of Committees of other Companies.	Neither a Member nor Chairman of Committees of other Companies.	Neither a Member nor Chairman of Committees of other Companies.
Shareholding of Non-Executive Directors in the company	Holds 10000 equity shares of the company as on 31 <sup>st</sup> March 2012.	Not holding any equity shares of the company as on 31 <sup>st</sup> March 2012	Not applicable

\*joined the company as Director being nominee of IDBI on 01.12.1999 and appointed as Director liable to retire by rotation on 9<sup>th</sup> August 2004.

### 3. COMMITTEES OF BOARD

#### a) Audit Committee

The primary objective of the Audit Committee of the company is to monitor and provide effective supervision of the management's financial reporting process with a view to ensure accurate, timely and proper disclosures and transparency, integrity and quality of financial reporting. The Committee comprising of three Independent Directors, met four times during the year, i.e. on 20<sup>th</sup> May 2011, 6<sup>th</sup> August 2011, 1<sup>st</sup> November 2011 and 28<sup>th</sup> January 2012.

Name	Designation	No. of Meetings Held	No. of Meetings Attended
Sri. G. Venkat Rao	Chairman	4	4
Sri. S. Vasudev	Member	4	4
Dr. G. Suresh Kumar	Member	4	3

The Company Secretary acts as Secretary to the Committee. The meetings of the Audit Committee were also attended by the Executive Director, the Chief Financial Officer, internal auditor and representatives of Statutory Auditors of the Company.

The constitution, terms of reference, role and scope are in line with those prescribed by Clause 49 of the Listing Agreement with the stock exchanges read with Section 292A of the Companies Act, 1956.

The brief terms of reference of the Audit Committee are as follows :

1. To oversee the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
2. To recommend the appointment and re-appointment of the statutory auditors and the fixation of their remuneration;
3. To review with the management, the annual financial statements before submission to the board with particular reference to:
  - a. Matters required to be included in the Directors' Responsibility Statement to be included in the Board's Report in terms of clause (2AA) of Section 217 of the Companies Act, 1956;
  - b. Changes, if any, in accounting policies and practices and reasons for the same;
  - c. Major accounting entries involving estimates based on the exercise of judgment by management;
  - d. Significant adjustments made in the financial statements arising out of audit findings;
  - e. Compliance with listing and other legal requirements relating to financial statements;
  - f. Disclosure of any related party transactions; and
  - g. Qualifications in the draft audit report.
4. To review the quarterly and half yearly financial results and the annual financial statements before they are submitted to board;
5. To review, with the management, performance of statutory and internal auditors, adequacy of the internal control systems, the internal audit reports relating to internal control weaknesses and letters of internal control weaknesses issued by the statutory auditors.
6. To review the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
7. To review, if necessary, the findings of any internal investigations by the 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;

8. To discuss with statutory auditors before the audit commences, about the nature and scope of audit as well as post audit discussion to ascertain any area of concern;
9. To look into the reasons for substantial defaults in the payment to depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors, if any;
10. To review the management discussion and analysis of financial condition and results of operations;
11. To review the statement of significant related party transactions, submitted by management;
12. To monitor the use of issue proceeds;
13. To approve the appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience & background, etc. of the candidate; and,
14. Such other matters relating to any statutory, contractual or other regulatory requirements to be attended to by such committee from time to time.

#### b) Remuneration and Compensation Committee

The purpose of the Remuneration and Compensation committee of the company shall be to discharge the Board's responsibilities relating to remuneration of the Company's Executive Directors and also to administer the employee's stock option scheme. The committee has overall responsibility for approving, evaluating and recommending plans, policies and programs relating to remuneration of Executive Directors of the Company.

Payment of Commission and Sitting Fees to the Non-Executive Directors and payment of Salary, Commission and Perquisites to the Whole time Directors are made in accordance with industry norms and subject to the overall ceilings imposed by the Companies Act, 1956 and other applicable statutes, if any.

The said committee met three times during the year on 20<sup>th</sup> May 2011, 6<sup>th</sup> August 2011 and 1<sup>st</sup> November 2011 and the attendance of each member of the Committee is as follows:

Name	Designation	No. of Meetings Held	No. of Meetings Attended
Dr. K. Satyanarayana	Chairman	3	2
Sri. S. Vasudev	Member	3	3
Prof. C. Ayyanna	Member	3	2
Sri. G. Venkat Rao	Member	3	3

#### Details of Remuneration to Executive Directors

(Rs. in Lakhs)

Name	Salary	PF	Perks	Commission	Total
Dr. Murali K. Divi	72.00	8.64	15.09	2219.12	2314.85
Sri. N. V. Ramana	60.00	7.20	12.28	1109.56	1189.04
Sri. D. Madhusudana Rao	48.00	5.76	12.00	-	65.76
Dr. P. Gundu Rao*	4.97	0.16	11.48	-	16.61
Sri. Kiran S. Divi	48.00	5.76	14.05	739.70	807.51
<b>Total</b>	<b>232.97</b>	<b>27.52</b>	<b>64.90</b>	<b>4068.38</b>	<b>4393.77</b>

\*Resigned as Whole-time Director w.e.f. 01.06.2011

### Non-Executive Directors

The Company does not pay any remuneration to Non- Executive Directors except sitting fees and reimbursement of travelling and out of pocket expenses for attending the Board/Committee meetings. The details of sitting fee paid to Non-Executive Directors during the year 2011-12 is as follows :

Name of the Non-Executive Director	Designation	No. of shares held	Sitting Fees (Rs. in Lakhs)
Dr. K. Satyanarayana	Director	10000	1.00
Sri. S. Vasudev	Director	Nil	2.20
Sri. G. Venkat Rao	Director	3000	2.20
Prof. C. Ayyanna	Director	Nil	1.00
Dr. G. Suresh Kumar	Director	Nil	1.20

### c) Shareholders / Investors' Grievance Committee

The Shareholders/Investors' Grievance Committee is empowered to approve issue of duplicate share certificates, to review all matters connected with the shares transfers and transmissions, to review the performance of the Registrar and Transfer Agents. The Committee also looks into redressing of shareholders' complaints like non transfer of shares, non-receipt of dividend and Annual Report etc.

The Shareholders/Investors' Grievance Committee consists of Executive Director, One Independent Non-Executive Director and Chief Financial Officer of the Company.

During the year the committee has met 4 times on 16<sup>th</sup> May 2011, 3<sup>rd</sup> June 2011, 20<sup>th</sup> July 2011 and 12<sup>th</sup> January 2012 and considered the share transfers, issue of duplicate shares, rematerialisation of shares and other investor grievances.

The constitution of the Committee and the attendance of each member of the Committee is as follows :

Name	Designation	No. of Meetings Held	No. of Meetings Attended
Dr. G. Suresh Kumar	Chairman	4	4
Sri. N. V. Ramana	Member	4	4
Sri. L. Kishore Babu	Member	4	4

Ms P. V. Lakshmi Rajani, Company Secretary is the Compliance Officer of the Company for attending to Complaints / Grievances of the members.

### Complaints / Grievances received and attended

During the year under review, company has received a total of 68 complaints received from investors. All were replied / resolved to the satisfaction of the investors and no complaints were outstanding.

### Allotment Committee

The Allotment Committee oversees the issues relating to allotment of shares under various corporate actions like Mergers, Amalgamations, Preferential Issue, Rights Issue, Bonus Issue etc.,

The Company Secretary is the Secretary of the Committee.

### Subsidiaries

The Audit Committee reviews the financial statements of the subsidiary companies. During the year, the Board took on record the minutes of the Board meetings of the subsidiary companies.

### Disclosure on legal proceedings pertaining to shares

There are no pending cases pertaining to shares as on 31.03.2012.

### CEO and CFO Certification

The CEO and CFO of the company have certified to the Board in relation to reviewing financial statements and other information as mentioned in Para V of clause 49 of the listing agreement and the required certificate is appended.

### Code of ethics and business conduct

The Company has adopted the Code of ethics and business conduct for Directors and Senior Management. The code is comprehensive in nature and applicable to all Directors, Executive as well as Non- Executive and to Senior Management of the company.

Copy of the said Code is available on the Company's website, [www.divislaboratories.com](http://www.divislaboratories.com). The code has been circulated to all the members of the Board and Senior Management and the compliance of the same has been affirmed by them. A declaration signed by the Chairman & Managing Director is as follows:

I hereby confirm that the company has obtained from all the members of the board and senior management, affirmation that they have complied with the code of ethics and business conduct for directors and senior management in respect of the financial year 2011-12.

For and on behalf of the Board

Visakhapatnam  
12<sup>th</sup> May, 2012

**Dr. MURALI K. DIVI**  
Chairman & Managing Director

### 4. GENERAL BODY MEETINGS

Particulars of last three Annual General Meetings :

AGM	Year ended	Venue	Date & Time	Special Resolutions Passed
21 <sup>st</sup>	31.03.2011	KLN Prasad Auditorium, FAPCCI Premises, 11-6-841, Red Hills, Hyderabad - 500 004	08.08.2011 10 AM	NIL
20 <sup>th</sup>	31.03.2010		13.08.2010 10 AM	Re-appointment of Dr.P.Gundu Rao as Director (R&D) of the Company.
19 <sup>th</sup>	31.03.2009		17.08.2009 10 AM	NIL

### SPECIAL RESOLUTIONS THROUGH POSTAL BALLOT

No special resolutions have been passed through postal ballot during the year.

The Company sought approval through Postal Ballot dated 07.03.2012 from the Members for re-appointment and revision in remuneration of Mr. Madhusudana Rao Divi as Director - Projects and Mr. Kiran S. Divi as Director & President - Operations of the Company; and Enhancement of remuneration of Dr. Murali K. Divi, Chairman & Managing Director and Mr. N. V. Ramana, Executive Director of the Company. Mr. V. Bhaskara Rao, Practicing Company Secretary has been appointed as Scrutinizer for conducting Postal Ballot. The results were declared on 20<sup>th</sup> April 2012. Since, the resolution is passed and approved by Members in the financial year 2012-13, details of results will be taken into consideration in the next Annual Report.

The Company has complied with the procedures for the Postal Ballot in terms of the Companies (Passing of Resolution by Postal Ballot) Rules, 2011 and amendments thereto.

In the ensuing AGM, no business is proposed to be transacted requiring a postal ballot.

## 5. DISCLOSURES

### A) Disclosures on Materially Significant Related Party Transactions

The Company does not have any related party transactions, which may have potential conflict with the interest of the Company. Other related party transactions have been reported at item No.13 of Notes on Accounts (Note No.31). The Register of Contracts containing transactions, in which Directors are interested, is placed before the Board regularly.

### B) Cases of Non-Compliances / Penalties

There has been no instance of non-compliance by the Company on any matter related to capital markets. Hence, the question of imposition of penalties or strictures by SEBI or the Stock Exchanges does not arise.

### C) Risk Management

The company has been addressing various risks impacting the company and the policy of the company on risk management is provided elsewhere in this annual report in Management Discussion and Analysis.

### D) Whistle Blower Policy

To strengthen its policy of corporate transparency, the company has established an innovative and empowering mechanism for employees. Employees can report to the management their concerns about unethical behaviour, actual or suspected fraud or violation of the company's code of conduct or ethics policy.

### E) Compliance with mandatory requirements and adoption of non mandatory requirements of Clause 49

The Company has complied with all the mandatory requirements of the code of corporate governance as stipulated in clause 49 of the listing agreement with the stock exchanges. Certificates from M/s. P.V.R.K. Nageswara Rao & Co., Auditors of the Company, Dr. Murali K. Divi, Chairman and Managing Director and Mr. L Kishore Babu, Chief Financial Officer, confirming compliance with the conditions of Corporate Governance as stipulated under clause 49 of the Listing Agreement, are annexed.

The company has constituted Remuneration committee. A detailed note on compensation / remuneration is provided elsewhere in the report.

As on date, the company has not adopted other non-mandatory requirements i.e., half-yearly declaration of financial performance to shareholders, training of board members, mechanism for evaluating non-executive board members.

## 6. MEANS OF COMMUNICATION

Quarterly, half-yearly and annual financial results of the Company are communicated to the Stock Exchanges immediately after the same are considered by the Board and are published in the all India editions of Financial Express and Hyderabad edition of Andhra Prabha. The results and official news releases of the Company are also made available on the Company's website, i.e. [www.divislaboratories.com](http://www.divislaboratories.com).

## 7. MANAGEMENT DISCUSSION AND ANALYSIS

This information is set out in a separate section included in this annual report.

## 8. GENERAL SHAREHOLDER INFORMATION

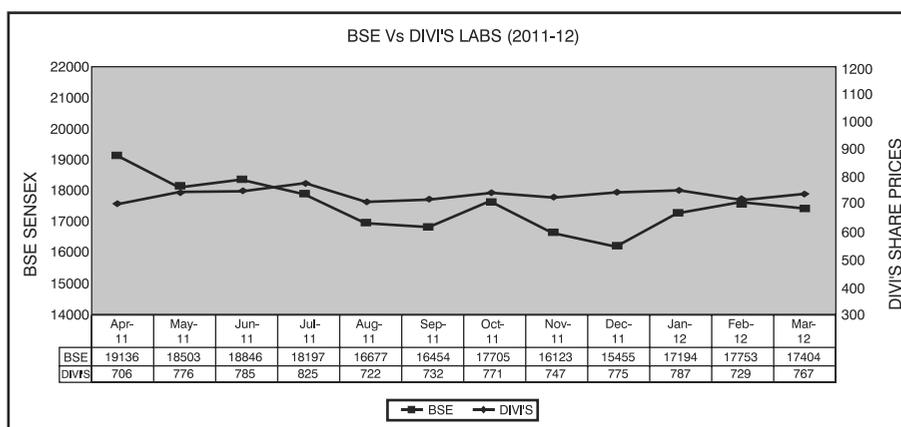
Annual General Meeting	Date: 6th August 2012 Time: 10.00 A.M.	Stock Code	<b>BSE - 532488</b> <b>NSE - DIVISLAB</b>
Venue	KLN Prasad Auditorium, FAPCCI Premises, 11-6-841, Red Hills, Hyderabad - 500 004	ISIN No	<b>INE361B01024</b>
Financial Year	1 <sup>st</sup> April 2011 to 31 <sup>st</sup> March 2012	The Company has paid listing fees for 2011-12 to both the above stock exchanges	
Book Closure Date	30th July 2012 to 3rd August 2012		
Dividend payment date	21st August 2012		
Listing on Stock Exchanges	a) Bombay Stock Exchange Ltd. b) National Stock Exchange of India Limited		

## 9. MARKET PRICE DATA

Monthly high and low quotations as well as the volume of shares traded at Bombay and National Stock Exchanges for the financial year 2011-12 are as follows:

Month	Bombay Stock Exchange			National Stock Exchange		
	Low	High	Volume	Low	High	Volume
Apr-11	668.00	724.50	746980	617.00	730.00	2331191
May-11	672.10	777.40	3379657	672.30	777.00	11295081
Jun-11	715.00	806.90	383556	712.20	806.00	4628476
Jul-11	781.90	842.50	320594	783.00	841.90	3518799
Aug-11	690.00	831.90	347686	690.05	833.85	3006121
Sep-11	701.05	763.00	301396	701.90	764.70	2252222
Oct-11	711.00	777.75	158614	704.60	778.00	1981776
Nov-11	695.00	785.40	239293	693.10	778.95	2914260
Dec-11	715.00	790.00	221155	710.95	789.50	3119567
Jan-12	753.45	825.30	332134	694.00	822.35	3417686
Feb-12	711.00	799.00	424988	710.60	798.90	4924270
Mar-12	714.00	771.00	230519	715.05	772.05	3053524

Chart given below shows the stock performance at **closing prices** in comparison to the broad-based index such as BSE Sensex.



## 10. UNCLAIMED DIVIDEND AMOUNTS

In spite of periodic reminders to members during the last year, the following dividend amounts continue to remain unclaimed as at 31<sup>st</sup> March, 2012 :

Financial Year	No. of warrants unclaimed	Unclaimed Dividend (Rs in Lakhs)
2004-2005	229	3.34
2005-2006	219	2.83
2006-2007	342	3.32
2007-2008	1446	4.29
2008-2009	1202	6.33
2009-2010	1047	5.91
2010-2011	1023	13.68

Members who did not encash their warrants or whose warrants are lost / misplaced are advised to get in touch with the Company Secretary and obtain duplicate dividend warrants.

Members are also advised to update their correspondence address in their demat accounts in case of their holdings in electronic form or inform their latest correspondence address to the Registrars in case of holdings in physical form.

11. Pursuant to the provisions of Section 205A of the Companies Act, 1956, the dividend for the following years, which remain unclaimed for seven years, will be transferred to Investor Education and Protection Fund (IEPF) established by the Central Government pursuant to Section 205C of the Companies Act, 1956.

Members who have not so far encashed the dividend warrant(s) are requested to seek issue of duplicate dividend warrant(s) in writing to the Company's Registrar and Transfer Agents, M/s. Karvy Computershare Private Limited immediately. **Members are requested to note that no claims shall lie against the Company in respect of any 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.**

Information in respect of such unclaimed dividends due for transfer to the Investor Education and Protection Fund (IEPF) is as follows :

Financial Year ended	Date of declaration of dividend	Due for transfer to IEPF on
31.03.2005	22.08.2005	21.09.2012
31.03.2006	02.09.2006	01.10.2013
31.03.2007	17.03.2007	16.04.2014
31.03.2008	16.08.2008	15.09.2015
31.03.2009	17.08.2009	16.09.2016
31.03.2010	13.08.2010	12.09.2017
31.03.2011	08.08.2011	07.09.2018

## 12. SHARE TRANSFER SYSTEM

The Share Transfer Committee approves transfer of shares in physical mode. The Company's RTA transfers the shares within 30 days of receipt of request. Dematerialization is done within 20 days of receipt of request along with the shares through the Depository Participant of the shareholder. The Share Transfer Committee / Grievance Committee generally meets once in a fortnight for approving share transfers and for attending to any grievances or complaints received from the members.

Members may please note that Securities and Exchange Board of India (SEBI) has made it mandatory to furnish PAN particulars for registration of physical share transfer requests. Hence, all members are required to furnish their PAN particulars in the transfer deed while seeking transfer of shares.

## 13. DISTRIBUTION OF SHAREHOLDING

Category	As on 31 <sup>st</sup> March 2012				As on 31 <sup>st</sup> March 2011			
	No. of Members		No. of Shares		No. of Members		No. of Shares	
	Total	%	Total	%	Total	%	Total	%
1 - 5000	38517	97.26	4549986	3.43	31245	96.76	4080940	3.08
5001 - 10000	451	1.14	1780556	1.34	492	1.52	1942502	1.46
10001 - 20000	249	0.63	1913914	1.44	230	0.71	1803571	1.36
20001 - 30000	94	0.24	1201013	0.90	75	0.23	956827	0.72
30001 - 40000	42	0.11	740222	0.56	44	0.14	778273	0.59
40001 - 50000	33	0.08	755455	0.57	28	0.09	630961	0.48
50001 - 100000	74	0.19	2726836	2.05	67	0.21	2387080	1.80
100001 - above	143	0.36	119066308	89.70	109	0.34	120014956	90.51
<b>TOTAL</b>	<b>39603</b>	<b>100</b>	<b>132734290</b>	<b>100</b>	<b>32290</b>	<b>100</b>	<b>132595110</b>	<b>100</b>

## 14. (I) SHAREHOLDING PATTERN

Category	As on 31.03.2012		As on 31.03.2011	
	No. of shares	% to share capital	No. of shares	% to share capital
Promoters	69222100	52.15	69222900	52.21
Mutual Funds and UTI	22506892	16.96	17492497	13.19
Banks/Financial institutions	503278	0.38	834652	0.63
Foreign Institutional Investors	12761845	9.61	20306327	15.31
Private Corporate Bodies	14502556	10.93	11535922	8.70
Indian Public	11190796	8.43	11114870	8.39
Non-Resident Indians/ Overseas Corporate Bodies	1098975	0.83	1164758	0.88
Clearing Members	237765	0.18	190626	0.14
Trusts	613	0.00	1098	0.00
Directors (Not having control over the Company)	709470	0.53	731460	0.55
<b>Grand Total</b>	<b>132734290</b>	<b>100</b>	<b>132595110</b>	<b>100</b>

## (II) SHAREHOLDING PROFILE

Mode of Holding	As on 31.03.2012			As on 31.03.2011		
	No. of Holders	No. of shares	% to Equity	No. of Holders	No. of shares	% to Equity
Demat	39509	131861370	99.34	32180	69829690	52.66
Physical	94	872920	0.66	110	62765420	47.34
<b>Total</b>	<b>39603</b>	<b>132734290</b>	<b>100</b>	<b>32290</b>	<b>132595110</b>	<b>100</b>

## 15. DEMATERIALIZATION OF SHARES AND LIQUIDITY

The Company's shares have been mandated for compulsory trading in demat form. Valid demat requests received by the Company's Depository Registrar are confirmed within the statutory period.

The International Securities Identification Number (ISIN) allotted for the Company by NSDL and CDSL is INE361B01024. In case a member wants his shares to be dematerialized, he may send the shares along with the request through his depository participant (DP) to the Registrars, M/s. Karvy Computershare Private Limited.

The Company's Depository Registrars promptly intimate the DPs in the event of any deficiency and the shareholder is also kept abreast. Pending demat requests in the records of the Depositories, if any, are continually reviewed and appropriate action initiated.

As on March 31, 2012, 99.34 % of the shares were in demat mode.

## 16. Outstanding GDRs/ADRs/warrants or any convertible instruments, conversion date and likely impact on equity

We have no GDRs/ADRs or any commercial instrument.

## 17. PLANT LOCATIONS

**Choutuppal Unit :**  
Lingojigudem Village,  
Choutuppal Mandal  
Nalgonda Dist. (A.P.),  
Pin Code - 508 252.

**100% EOU-Chippada :**  
Chippada Village  
Bheemunipatnam Mandal  
Visakhapatnam Dist. (A.P.)  
Pin Code - 531 163

**Divi's Pharma SEZ :**  
Chippada Village  
Bheemunipatnam Mandal  
Visakhapatnam Dist.(A.P.)  
Pin Code - 531 163

**DSN SEZ Unit :**  
Chippada Village  
Bheemunipatnam Mandal,  
Visakhapatnam Dist. (A.P.)  
Pin Code - 531 163

**18. CORRESPONDENCE ADDRESS****Depository Registrar and Transfer Agent**

M/s. Karvy Computershare Private Limited  
Plot No 17-24, Vittal Rao Nagar,  
Madhapur, Hyderabad - 500 081  
Phone No. 040-44655000, Fax : 040-23420814  
Toll Free No. : 1800-3454-001  
Email : [einward.ris@karvy.com](mailto:einward.ris@karvy.com)

**Company Secretary & Compliance Officer**

Ms. P. V. Lakshmi Rajani  
Divi's Laboratories Limited  
'Divi Towers', 7-1-77/E/1/303, Dharam Karan Road,  
Ameerpet, Hyderabad - 500 016, INDIA.  
Phone : 040-2378 6300, Fax : 040-2378 6460  
E-mail : [cs@divislaboratories.com](mailto:cs@divislaboratories.com)

For and on behalf of the Board

Visakhapatnam  
12<sup>th</sup> May, 2012

**Dr. MURALI K. DIVI**  
Chairman & Managing Director

## Certification of Chairman and Managing Director and Chief Financial Officer pursuant to Clause 49 of the Listing Agreement

We, Dr. Murali K. Divi, Chairman and Managing Director appointed in terms of the Companies Act, 1956 and Mr. L. Kishore Babu, Chief Financial Officer of the Company to the best of our knowledge and belief, certify that:

- a. We have reviewed balance sheet and statement of profit and loss (consolidated and unconsolidated) and notes on accounts as well as the cash flow statements and the directors' report :
  - i. do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - ii. 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 no transactions entered into by the company during the year 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 we have taken or propose to take to rectify these deficiencies.
- d. We have indicated to the auditors and the Audit committee
  - i. significant changes in internal control over financial reporting during the year;
  - ii. significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
  - iii. instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

For Divi's Laboratories Limited

Visakhapatnam  
12.05.2012

**Dr. MURALI K. DIVI**      **L. KISHOREBABU**  
Chairman and Managing Director      Chief Financial Officer

### CERTIFICATE

To

The Members of

#### ***DIVI'S LABORATORIES LIMITED***

We have examined the compliance of the conditions of corporate governance by *DIVI'S LABORATORIES LIMITED*, for the year ended on 31st March, 2012, as stipulated in clause 49 of the Listing Agreements of the said Company with Stock Exchanges in India.

The compliance of the conditions of corporate governance is the responsibility of the management. Our examination was limited to a review of the procedures and implementation thereof, adopted by the company for ensuring the compliance with the conditions of the Corporate Governance as stipulated in the said clause. 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, and based on the representations made by the Directors and the Management, we certify that the company has complied with the conditions of Corporate Governance as stipulated in Clause 49 of the above mentioned Listing Agreements.

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 **P.V.R.K. NAGESWARA RAO & CO.,**  
Chartered Accountants  
Firm's Registration Number : 002283S

**P.V.R.K. NAGESWARA RAO**  
Partner  
Membership No. 18840

Vishakapatnam  
12-05-2012

# Directors' Report

Dear Shareholders,

Your Directors have pleasure in placing before you the Twenty Second Annual Report of the Company together with the Audited Accounts for the year ended 31<sup>st</sup> March 2012.

## FINANCIAL RESULTS

Particulars	(Rs. in Crores)	
	2011-12	2010-11
Net Sales	<b>1839.49</b>	1308.66
Other Operating Income	<b>5.44</b>	6.21
Other income	<b>65.76</b>	29.23
Total Income	<b>1910.69</b>	1344.10
Expenditure	<b>1150.06</b>	810.18
PBDIT	<b>760.63</b>	533.92
Depreciation	<b>62.03</b>	53.35
Finance Cost	<b>3.74</b>	1.52
Profit before tax (PBT)	<b>694.86</b>	479.05
<u>Provision for tax :</u>		
Current Tax	<b>133.59</b>	39.20
MAT Credit Utilisation	<b>2.92</b>	1.28
Deferred Tax Liability	<b>12.38</b>	3.00
Profit after tax (PAT)	<b>545.97</b>	435.57
Earnings per Share (EPS)		
a) Basic	<b>41.15</b>	32.90
b) Diluted	<b>41.15</b>	32.88

We have had a very satisfactory business performance this financial year. We achieved a growth of sales of 41% over the last year. PBT amounted to Rs.695 crores for the year, reflecting a growth of 45%.

Some of the capex programmes taken up at the existing Units have become operational during the year. The new DSN SEZ Unit has also become operational during the year. These capacity additions have contributed to business during the year.

We have made a provision of Rs.136.51 crores towards Income-tax as against Rs.40.48 crores during the last year – as no tax holiday is available to EOU Unit from this financial year and as our first SEZ Unit is eligible only for 50% of tax exemption from this year. Deferred Tax provision for the year amounted to Rs.12.38 crores as against Rs.3.00 crores during last year.

Profit after Tax (PAT) for the year came to Rs.546 crores as against Rs.436 crores during the previous year, a growth of 25%. Earnings Per Share of Rs.2/- each works out to Rs. 41.15 for the year as against Rs. 32.90 last year.

## DIVIDEND

Your Directors are pleased to recommend a dividend of Rs.13/- per equity share of Rs.2/- each, i.e., 650% for the year 2011-12 subject to approval of members.

## EQUITY CAPITAL

During the year, we allotted 1,39,180 equity shares of Rs.2 each to employees on exercise of their stock options.

As a result of the allotment of shares under ESOP scheme, the paid-up equity capital of the company has increased by Rs.0.03 crores to Rs.26.55 crores and an addition of Rs. 1.36 crores to the Share Premium Account.

## EMPLOYEE STOCK OPTION SCHEME

The Employee Stock Option Scheme (ESOP 2006) approved by the company provided for vesting of stock options in 4 tranches. The fourth/last tranche under this Scheme was vested on 13<sup>th</sup> March, 2010 and all the options have been exercised by the employees. There are no outstanding options as at the end of the year. Under the Scheme, the total number of options exercised / shares allotted are 37,92,815.

As per the provisions of Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme), Guidelines, 1999, disclosures with respect to Scheme are given in the Annexure - I to this report.

## SUBSIDIARIES

We have two wholly owned subsidiaries viz., M/s. Divis Laboratories (USA) Inc., in USA and M/s. Divi's Laboratories Europe AG in Switzerland which are engaged in marketing of nutraceutical products and to provide a greater reach to customers within these regions. During the year, the subsidiaries have enhanced their reach to customers in North America and Europe and contributed net sales of Rs.81 crores for the nutraceutical products to the company.

While loss for current year at Divis Laboratories (USA) is Rs.6.40 crores, the loss at Divi's Laboratories Europe is Rs.6.30 crores.

Auditors of these subsidiaries have observed that they have negative networth and suffer from deficiency of cash for continuing operations as a going-concern without the support of the parent. The losses in the subsidiaries are on account of low level of operations at the subsidiaries.

In accordance with the general circular issued by the Ministry of Corporate Affairs, Government of India, the Balance Sheet, Profit and Loss Account and other documents of the subsidiary companies are not being attached with the Balance Sheet of the Company. Shareholders, who wish to have a copy of the full report and accounts of the subsidiaries, will be provided the same on receipt of a written request from them. These documents will be put up on the website of the company viz., [www.divislaboratories.com](http://www.divislaboratories.com) and will also be available for inspection at the Registered Office of the Company and that of the respective subsidiary companies on any working day during business hours. The Consolidated Financial Statements presented by the Company include the financial results of its subsidiary companies.

### CONSOLIDATED ACCOUNTS

As stipulated in the listing agreement with the stock exchanges, the consolidated financial statements have been prepared by the Company in accordance with the relevant accounting standards under the Companies Act, 1956. The audited consolidated financial statements together with Auditors Report thereon form part of the Annual report.

Financial summary of consolidated accounts :

(Rs. in Crores)

Particulars	2011-12	2010-11
Net Sales	<b>1858.59</b>	1310.33
Other Operating Income	<b>5.44</b>	6.21
Other income	<b>56.05</b>	27.12
Total Income	<b>1920.08</b>	1343.66
Expenditure	<b>1173.63</b>	816.37
PBDIT	<b>746.45</b>	527.29
Depreciation	<b>62.08</b>	53.40
Finance Cost	<b>3.74</b>	1.52
Profit before tax (PBT)	<b>680.63</b>	472.37
<u>Provision for tax :</u>		
Current Tax	<b>133.59</b>	39.20
MAT Credit Utilisation	<b>2.92</b>	1.28
Deferred Tax Liability	<b>10.86</b>	2.62
Profit after tax (PAT)	<b>533.26</b>	429.27
Earnings per Share (EPS)		
a) Basic	<b>40.19</b>	32.42
b) Diluted	<b>40.19</b>	32.41

### DIRECTORS

Dr. K. Satyanarayana, Mr. S. Vasudev and Mr. Kiran S. Divi will retire by rotation at the ensuing Annual General Meeting and, being eligible, offer themselves for re-appointment.

Dr. P. Gundu Rao has resigned as a Director of the company with effect from 31<sup>st</sup> December, 2011 as he has relocated to USA and wishes to spend more time with his family.

### DIRECTORS' RESPONSIBILITY REPORT

As required under Section 217 (2AA) of the Companies Act, 1956, Directors of your company hereby state and confirm that :

- the applicable accounting standards have been followed in the preparation of the annual accounts
- the accounting policies selected were applied consistently and the judgements and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31<sup>st</sup> March, 2012 and its profit for the year ended on that date;
- proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities.
- the annual accounts have been prepared on a going concern basis.

### AUDITORS

The Auditors, M/s. P.V.R.K. Nageswara Rao & Co., Chartered Accountants, Hyderabad retire at the ensuing Annual General meeting and, being eligible, offer themselves for reappointment.

### COST AUDIT

Pursuant to Section 233B of the Companies Act, 1956, the Central Government has prescribed Cost Audit for the company. Based on recommendations of the audit committee and subject to approval of the Central Government, M/s. EVS & Associates, Cost Accountants, Hyderabad have been appointed as Cost Auditors for the year.

The relevant cost audit report for the financial year 2010-11 has been filed within the due date on 3<sup>rd</sup> September, 2011. The due date for filing the report was 27<sup>th</sup> September, 2011.

### MANAGEMENT DISCUSSION AND ANALYSIS

A report on Management Discussion & Analysis is provided as part of this Annual Report.

## **CORPORATE GOVERNANCE AND SHAREHOLDERS' INFORMATION**

A report on Corporate Governance is included as a part of this Annual Report.

## **RELATED PARTY TRANSACTIONS**

As a matter of policy, your Company carries out transactions with related parties on an arms-length basis. Statement of these transactions is given in the Notes to Accounts attached in compliance of Accounting Standard No.AS-18.

## **FIXED DEPOSITS**

Your Directors wish to inform that the Company has not accepted any deposits from public covered by provisions of Section 58A of the Companies Act, 1956.

## **CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION**

Particulars required under Section 217 (1) (e) of the Companies Act, 1956 read with Rule 2 of the Companies

(Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in the Annexure – II to this report.

## **HUMAN RESOURCES**

Particulars of employees required to be furnished under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are given in the Annexure - III attached and forms part of this Report.

## **ACKNOWLEDGEMENTS**

We thank our customers, suppliers and investors for their continued support. We also gratefully acknowledge the continued assistance and co-operation extended by Government authorities, financial institutions and banks to the company. The Board expresses its appreciation for the dedication and commitment extended by its employees at all levels and their contribution to the growth and progress of the company.

For and on behalf of the Board

**Dr. MURALI K. DIVI**  
Chairman & Managing Director

Visakhapatnam  
12<sup>th</sup> May, 2012

## Annexure I

Pursuant to Guideline 12 of the Securities and Exchange Board of India (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as amended, the details of Divi's Employee Stock Option Scheme 2006 as on 31st March 2012 are as under :

a) Options granted on 13-03-2006					23,24,600
Adjusted options after bonus issue					15,19,170*
Total No. of options					38,43,770
b) Pricing formula as follows :					
Vesting Period		Vesting Proportion			Exercise Price Amount
End of One year from the date of Grant		20 %			At Rs.1 each *
End of Two years from the date of Grant		25 %			At Rs.100 each *
End of Three years from the date of Grant		25 %			At Rs.100 each *
End of Four years from the date of Grant		30 %			At Rs.100 each *
c) Options vested during the year					Nil
d) Options exercised during the year					139180*
e) Total number of shares arising as a result of exercise of option					139180 *
f) Options lapsed during the year					Nil
g) Variation of terms of options					No. of outstanding options and the exercise price have been adjusted consequent to the bonus issue.
h) Money realized by exercise of options					Rs. 13918000
i) Total number of options in force					Nil
j) Employee wise details of options granted to :					
i. Senior Managerial Personnel :					
Name	Options granted	Adjusted for bonus	Options Exercised During the year	Options Outstanding	
			Exercise Price (Rs)	No. of options	As on 31.03.2012
Mr. N. V. Ramana	236700	260370	100	Nil	Nil
Dr. P. Gundu Rao	46200	50820	100	Nil	Nil
Dr. B. Nageswara Rao	50300	80480	100	Nil	Nil
Mr. P. Srinivasa Rao	50300	80480	100	Nil	Nil
Mr. M. Ramesh Babu	50300	80480	100	Nil	Nil
Mr. Y. T. S. Prasad	39100	62560	100	Nil	Nil
Mr. G. Hemanth Kumar	50300	80480	100	30180	Nil
Mr. S. Devendra Rao	56000	89600	100	Nil	Nil
Mr. S. Ramakrishna	49000	78400	100	Nil	Nil
Mr. L. Kishorebabu	50100	42585	100	Nil	Nil
Dr. M.N.A.Rao	39200	43120	100	Nil	Nil
Mr. Chandra S. Divi	72600	116160	100	Nil	Nil
Dr. P.V. Subba Rao	9000	14400	100	Nil	Nil
Dr. A.S.R.Anjaneyulu	9000	14400	100	Nil	Nil
Mr. P. Ramaiah Chowdary	22300	35680	100	Nil	Nil

\* adjusted due to the bonus issue

ii) Employees receives a grant of 5 % or more of options granted during that year

Mr. N. V. Ramana, Executive Director

iii) Employees receives grant of 1 % or more of issued capital

None

Diluted Earnings per share (EPS) pursuant to issue of shares on exercise of options calculated in accordance with Accounting Standard AS-20 EPS

The stock-based compensation cost as per the intrinsic value method for the financial year 2011-12 is Nil as no shares have been vested during the financial year

Where the Company has calculated the employees compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall be recognized if the Company had used the fair value methods and its impact on profits and on EPS of the Company.

N.A.

Weighted average exercise price of options granted during the year whose

- Exercise price equals market price
- Exercise price is greater than market price
- Exercise is less than market price

Nil  
Nil  
Nil

Weighted average fair value of options granted during the year whose

- Exercise price equals market price
- Exercise price is greater than market price
- Exercise is less than market price

Nil  
Nil  
Nil

A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted-average information:

Variables

Risk-free interest rate  
Expected life  
Expected volatility  
Dividend yield

No options have been vested during the financial year 2011-12.

Price of the underlying share in market at the time of the option grant (adjusted to the current face value Rs.2 each)

## Annexure - II

### Information pursuant to Section 217(1)(e) of the Companies Act 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

#### FORM - A

Form for disclosure of particulars with respect to Conservation of Energy

#### A. CONSERVATION OF ENERGY

Power and Fuel consumption

Particulars	2011-12	2010-11
1. Electricity		
(a) Purchases :		
Units	11,44,19,352	9,67,05,237
Total Amount - (Rs.crores)	46.42	37.85
Rate/Unit - Rs.	4.06	3.91
(b) Own generation :		
Through diesel Generator Units	72,44,181	30,94,977

Units per Lt. of diesel	3.47	3.47
Cost/Unit - Rs.	15.52	11.00
2. Coal (D/C grade)		
Quantity (Kgs)	7,07,59,000	5,75,08,000
Total Cost - (Rs.crores)	26.28	18.24
Average rate - Rs.	3.71	3.17

#### B. CONSUMPTION PER UNIT OF PRODUCTION :

Products  
Electricity (Units)  
Coal (D/C Grade)  
Others (Specify) } Since the Company manufactures different types of active pharmaceutical ingredients and intermediates, it is not practicable to give consumption per unit of production.

**FORM - B****Form for disclosure of particulars with respect to technology absorption****RESEARCH AND DEVELOPMENT (R&D) :**

1. Specific areas in which R&D is carried out by the Company. : Process development for Active Pharmaceutical Ingredients and intermediates.
2. Benefits derived as a result of the above R&D : Developed new products and achieved cost and process efficiencies on existing products.
3. Future plan of action : To develop processes for newer products and intermediates.

4. Expenditure on R&D : (Rs.in Crores)

Particulars	2011-12	2010-11
a) Capital	9.41	5.68
b) Recurring	18.86	15.98
c) Total	28.27	21.66
d) Total R&D Expenditure as a percentage of Sales	1.53%	1.66%

**TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION :**

1. Efforts in brief, made towards technology absorption and adoption. : The company has its own R&D Centre which develops technologies and processes for Active Pharmaceutical Ingredients and drug intermediates and these technologies are absorbed and implemented at the company's Plants.
2. Benefits derived as a result of the above efforts : The company constantly has been executing process developments for its product range. Process optimization has been achieved in Production, which resulted in lower cost of production and substantial exports. The developments implemented brought more green chemistry by reducing reagents, minimize wastes and increasing recoveries.

3. Information regards import of technology during the last 5 years. : There is no import of technology.

**FORM - C****Foreign Exchange Earnings and Outgo**

Particulars	(Rs.in Crores)	
	2011-12	2010-11
(a) Foreign Exchange earnings :		
i) FOB Value of Exports	1606.89	1181.19
ii) Contract Research Fee	5.89	2.38
iii) Jobwork Charges	2.31	-
(b) Foreign Exchange outgo :		
i) Remittance in Foreign Currency :		
Dividend (Net of Tax)	0.05	0.03
ii) CIF value of imports :		
Raw Materials	348.64	236.99
Packing Materials	1.72	0.67
Lab Materials	1.18	0.64
Capital Goods	11.55	12.24
Components & Spares	0.74	1.79
iii) Expenditure in Foreign Currency towards : (on accrual basis)		
Memberships and Subscriptions	0.49	0.52
Books and Periodicals	0.21	0.08
Traveling Expenses	0.66	0.45
Consultancy Charges	1.54	0.49
Sales Commission	3.73	2.61
Foreign Bank Charges	0.56	0.42
Interest	0.08	0.27
Others	0.69	0.40

## Annexure – III

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

Name	Age (yrs)	Qualifications	Designation	Date of commencement of employment	Experience (yrs)	Gross remuneration (Rs.Crores)	Last employment
Dr. Murali K. Divi	61	M. Pharm. Ph.D.	Chairman & Managing Director	12-Oct-90	37	23.15	Managing Director, Cheminor Drugs Ltd.
Ramana N.V.	54	B.Sc.(Chem)	Executive Director	26-Dec-94	27	11.89	President, Enmark Exim Services Pvt.Ltd
Madhusudana Rao Divi	68	M.E. (Structural Engg.)	Director-Projects	1-Jul-97	43	0.66	Executive Director, Sadah General Trading and Construction Co., Kuwait
Kiran S. Divi	36	B. Pharm.	Director & President - Operations	10-Aug-01	11	8.08	-
Chandra S. Divi	44	B.E.	General Manager	19-Oct-94	19	0.69	-
Devendra Rao S.	50	M.Sc.	General Manager	10-Feb-95	29	0.77	Sr. Manager (Prod) Natco Pharma Ltd
Hemanth Kumar G.	52	M.Sc.	General Manager	1-Nov-94	29	0.77	Sr. Prod. Manager Sumitra Pharma Ltd
Kishorebabu L.	60	B.Com, FCMA	Chief Financial Officer	20-Nov-94	39	0.85	Finance Manager, Nagarjuna Fertilizers & Chemicals Ltd.
Prasad Y.T.S.	44	B.E.	General Manager	1-Nov-90	24	0.77	Engineer (Devpt) Cheminor Drugs Ltd.
Ramakrishna S.	50	B.Sc.	General Manager	15-Feb-95	29	0.77	General Manager (Works) Vera Labs Ltd.
Ramesh Babu M.	46	B.Sc.	Chief Technologist	1-Nov-90	26	0.77	R&D Incharge Cheminor Drugs Ltd.
Srinivasa Rao P.	47	B.Pharm.	Chief Technologist	1-Nov-90	24	0.77	Sr. Chemist Cheminor Drugs Ltd.

Notes :

- 1) Remuneration includes salary, allowances, company contribution to provident fund, provision for gratuity, provision for leave encashment, Commission, benefits and value of stock options.
- 2) All the above appointments are contractual.
- 3) Dr Murali K Divi, Chairman and Managing Director, Mr. Madhusudana Rao Divi, Director - Projects and Mr. Kiran S Divi, Director & President - Operations are related to each other. No other employee mentioned above is related to any Director of the Company.

For and on behalf of the Board

Visakhapatnam  
12<sup>th</sup> May, 2012

**Dr. MURALI K. DIVI**  
Chairman & Managing Director

## Auditors' Report

To

The Members of

### **DIVI'S LABORATORIES LIMITED**

1. We have audited the attached Balance Sheet of DIVI'S LABORATORIES LIMITED ('the Company') as at 31st March 2012, the Statement of Profit and Loss and also the Cash Flow Statement 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. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. As required by the Companies (Auditors' Report) Order, 2003 ('the Order') issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956 ('the Act'), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
4. Further to our comments in the Annexure referred to above, we report that:
  - i) 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.

- ii) In our opinion, proper books of account as required by Law have been kept by the Company so far as appears from our examination of these books.
- iii) The Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report are in agreement with the books of account.
- iv) In our opinion, the Balance Sheet, Statement of Profit and Loss and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Section 211 (3C) of the Act, 1956 to the extent applicable.
- v) On the basis of the written representations received from the directors, as on 31.03.2012, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31st March, 2012 from being appointed as director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
- vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read in conjunction with the notes and accounting policies thereon give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
  - a) in the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2012;
  - b) in the case of Statement of Profit and Loss, of the profit for the year ended on that date; and
  - c) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

For **P.V.R.K. NAGESWARA RAO & CO.**,  
Chartered Accountants  
Firm's Registration Number : 002283S

**P.V.R.K. NAGESWARA RAO**  
Partner  
Membership No. 18840

Visakhapatnam  
12-05-2012

## Annexure

### ANNEXURE REFERRED TO IN PARAGRAPH 3 OF AUDIT REPORT OF EVEN DATE ON THE ACCOUNTS OF DIVI'S LABORATORIES LIMITED ('THE COMPANY') FOR THE YEAR ENDED 31ST MARCH 2012

1. (a) The company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.
- (b) As explained to us, the fixed assets have been physically verified by the management according to the phased programme designed to cover all the fixed assets on rotation basis. In respect of fixed assets verified according to this programme, which is considered reasonable, no material discrepancies were noticed on such verification. As regards capital works in-progress, the same will be verified by the management on completion of assets.
- (c) The fixed assets disposed off during the year did not represent substantial part of fixed assets of the Company, which will affect the going concern status of the Company.
2. (a) The inventories of the Company have been physically verified by the Management during the year at reasonable intervals except stocks lying with others which have been verified with reference to confirmations, certificates and other relevant documents where available.
- (b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
- (c) The Company has maintained proper records of inventories and the discrepancies noticed on physical verification of stocks as compared to book records, which in our opinion were not material, have been properly dealt with in the books of account.
3. The Company has neither granted nor taken any loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under section 301 of the Act. Consequently, the provisions of Clause 4(iii b), 4(iii c), 4(iii d), 4(iii f) and 4(iii g) of the Order are not applicable to the Company.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls with regard to purchase of inventory, fixed assets and for the sale of goods and services.
5. (a) According to the information and explanations given to us and as confirmed by the Company Secretary and Management of the Company, we are of the opinion that the particulars of contracts or arrangements that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
- (b) In our opinion and according to the information and explanations given to us, there are no transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of Rs.5,00,000/- in respect of each party during the year.
6. According to the information and explanations given to us, the Company has not accepted any deposits from the public covered by the directives issued by the Reserve Bank of India and the provisions of Section 58A and 58AA or any other relevant provisions of the Act and the rules framed there under. Consequently, the provisions of Clause 4(vi) of the Order are not applicable to the Company.
7. In our opinion and according to the explanations given to us, the Company has an internal audit system commensurate with the size and nature of its business.
8. We have broadly reviewed the records maintained by the Company pursuant to the order made by the Central Government of India, for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed records have been maintained and are being made up. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
9. (a) According to the records of the Company and as per the information and explanations given to us, the Company is generally regular in depositing the undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs duty, Excise duty, Cess and other material statutory dues applicable to it with the appropriate authorities. In respect of these statutory dues, there are no outstanding dues as on 31.03.2012 which are outstanding for a period of

more than six months from the date they became payable.

- (b) According to the records of the Company and as per the information and explanations given to us,

there are no dues of Sales Tax, Wealth Tax and Cess which have not been deposited on account of any dispute as on 31.3.2012 except Excise Duty, Customs Duty, Service Tax and Income Tax, the details of which are as given under :

Name of the Statute	Period to which the amount relates	Nature of dues	Amount Rs. in lakhs	Forum where dispute is pending
Customs Act, 1962	August 2005	Penalty and fine for non-fulfillment of export obligation against goods imported under DEEC Scheme	0.30	Customs, Excise & Service Tax Appellate Tribunal, South Zonal Bench, Bangalore
Customs Act, 1962	January, 2007	Penalty for non-fulfillment of export obligation against goods imported under DEEC Scheme	10.00	Customs, Excise & Service Tax Appellate Tribunal, South Zonal Bench, Chennai
Customs Act, 1962	June, 2006 to July, 2008	Customs duty foregone on materials used for manufacture of non-excisable goods, Penalty for non-payment of customs duty and Penalty for improper utilisation of Cenvat Credit	16.00	Customs, Excise & Service Tax Appellate Tribunal, South Zonal Bench, Bangalore
Customs Act, 1962	August, 2008 to December, 2008	Penalty for non-payment of Customs duty and for improper utilisation of Cenvat Credit	2.00	Commissioner of Central Excise(Appeals), Visakhapatnam
Central Excise Act, 1944	September, 2006 to December, 2008	Excise duty and penalty on exempted goods	244.09	Customs, Excise & Service Tax Appellate Tribunal, South Zonal Bench, Bangalore
Customs Act, 1962	June, 2009 to March, 2010	Penalty for non-payment of Customs duty and for improper utilisation of Cenvat Credit.	1.25	Preferring to file appeal before Customs, Excise & Service Tax Appellate Tribunal, South Zonal Bench, Bangalore
Central Excise Act, 1944	July, 2009 to March, 2010	Excise duty and penalty on exempted goods	9.37	Preferring to file appeal before Customs, Excise & Service Tax Appellate Tribunal, South Zonal Bench, Bangalore.
Central Excise Act, 1944	March, 2007 to July, 2007	Penalty on irregular availment of Cenvat Credit.	22.37	Commissioner of Central Excise (Appeals), Visakhapatnam
Customs Act, 1962	March, 2007 to September, 2007	Penalty on imported Raw Material	1.00	Commissioner of Central Excise (Appeals), Visakhapatnam
Central Excise Act, 1944	June, 2010 to March, 2011	Difference in duty and penalty for Domestic clearances	39.04	Preferring to file appeal before Commissioner of Central Excise (Appeals), Visakhapatnam

Central Excise Act, 1944	June, 2006 to December, 2007	Penalty and interest for Domestic clearances	0.59	Commissioner of Central Excise (Appeals), Visakhapatnam
Service Tax under the Finance Act, 1994	April, 2006 to December, 2006	Penalty on Service Tax	22.69	Customs, Excise & Service Tax Appellate Tribunal, South Zonal Bench, Bangalore
Income Tax Act, 1961	2005-06	Interest for delay in payment of advance fringe benefit tax demanded on completion of assessment	0.41	Additional Commissioner of Income Tax, Range-1, Hyderabad.
Income Tax Act, 1961	2007-08	Income Tax and Interest demanded on completion of assessment	63.09	Commissioner of Income Tax, (Appeals ) - II, Hyderabad.

10. As per the information and explanations given to us and on an overall examination of the financial statements of the company for the current and immediately preceding financial year, we report that the Company does not have any accumulated losses at the end of the current financial year nor incurred cash losses in the current and immediately preceding financial year.
11. According to records of the Company, during the year the Company has not defaulted in repayment of dues to financial institutions or banks or debenture holders.
12. As per the information and explanations given to us, as the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities to any body during the year.
13. In our opinion, as the Company is not a chit fund or a nidhi or mutual benefit fund or society, the provisions of Clause 4 (xiii) of the Order are not applicable to the Company for this year.
14. In our opinion, as the Company is not dealing in or trading in Shares, Securities, debentures and other investments.
15. As per the information and explanations given to us, the Company has not given any guarantees for loans taken by others from banks or financial institutions.
16. According to records of the Company, the Company has not raised any term loans during the year and in respect of term loans raised in earlier years, the same have been applied for the purposes for which they were raised in the corresponding years.
17. According to records and on an overall examination of the balance sheet of the company, we report that the funds raised on short term basis have not been used for long term investments.
18. As per the information and explanations given to us, the Company has not made any preferential allotment of shares to parties covered in the Register maintained under section 301 of the Act during the year.
19. As the Company has not issued any debentures during the year, which requires the creation of security or charge, the provisions of Clause 4(xix) are not applicable to the Company.
20. As the Company has not raised any money by public issues during the year, the provisions of Clause 4(xx) are not applicable to the Company.
21. During the course of our examination of the books and records of the Company carried out in accordance with the generally accepted auditing practices in India, and as per the representation given by the Company and relied on by us, we have neither come across any instance of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of such cases by the management.

For **P.V.R.K. NAGESWARA RAO & CO.**,  
Chartered Accountants  
Firm's Registration Number : 002283S

Visakhapatnam  
12-05-2012

**P.V.R.K. NAGESWARA RAO**  
Partner  
Membership No. 18840

## Balance Sheet As At 31st March, 2012

(Rs. in Lakhs)

Particulars	Note No.	As At 31st March, 2012		As At 31st March, 2011	
<b>EQUITY AND LIABILITIES</b>					
<b>Shareholders' funds</b>					
Share capital	1	2654.69		2651.90	
Reserves and surplus	2	<u>214824.87</u>	<u>217479.56</u>	<u>180152.65</u>	182804.55
<b>Non-current Liabilities</b>					
Long-term borrowings	3	255.69		492.12	
Deferred tax liabilities (Net)	4	6728.72		5491.19	
Other Long-term liabilities	5	625.49		961.55	
Long-term provisions	6	<u>164.62</u>	<u>7774.52</u>	<u>281.78</u>	7226.64
<b>Current Liabilities</b>					
Short-term borrowings	7	5020.37		1362.44	
Trade payables	8	15731.14		12123.54	
Other current liabilities	9	13469.51		10503.59	
Short-term provisions	10	<u>20821.40</u>	<u>55042.42</u>	<u>16792.49</u>	40782.06
<b>TOTAL</b>			<u><u>280296.50</u></u>		<u><u>230813.25</u></u>
<b>ASSETS</b>					
<b>Non-current assets</b>					
<b>Fixed assets</b>					
Tangible assets	11	73819.49		58972.86	
Capital work -in- progress		18157.78		10371.58	
Unallocated expenditure pending capitalisation	12	<u>41.06</u>		<u>61.99</u>	
		<u>92018.33</u>		<u>69406.43</u>	
Non-current investments	13	281.61		281.61	
Long-term loans and advances	14	12469.08		7372.19	
Other non-current assets	15	<u>392.76</u>	<u>105161.78</u>	<u>368.62</u>	77428.85
<b>Current assets</b>					
Current investments	16	47703.90		52563.82	
Inventories	17	65096.85		54306.55	
Trade receivables	18	53447.09		39278.01	
Cash and Bank balances	19	2182.24		1279.98	
Short-term loans and advances	20	6412.73		5812.23	
Other current assets	21	<u>291.91</u>	<u>175134.72</u>	<u>143.81</u>	153384.40
<b>TOTAL</b>			<u><u>280296.50</u></u>		<u><u>230813.25</u></u>
Significant Accounting Policies and Notes on Accounts	31				

For and on behalf of the Board

Per Our Report of Even Date  
**For P.V.R.K. NAGESWARA RAO & CO**  
 Chartered Accountants  
 Firm's Registration Number : 002283S

**Dr. MURALI K. DIVI**  
 Chairman and Managing Director

**N.V. RAMANA**  
 Executive Director

**P.V.R.K. NAGESWARA RAO**  
 Partner  
 Membership Number : 18840  
 Visakhapatnam  
 12.05.2012

**L. KISHOREBABU**  
 Chief Financial Officer

**P.V. LAKSHMI RAJANI**  
 Company Secretary

## Statement of Profit and Loss for the Year ended 31st March, 2012

(Rs. in Lakhs)

Particulars	Note No.	For the Year ended 31st March, 2012	For the Year ended 31st March, 2011
<b>REVENUE</b>			
<b>Revenue from operations</b>			
Sale of products		184734.65	131949.04
Sale of traded goods		5.11	-
Sale of services	22	978.76	321.64
Other operating revenues	23	543.72	621.45
		<u>186262.24</u>	<u>132892.13</u>
Less : Excise duty		1769.43	1405.18
		<u>184492.81</u>	<u>131486.95</u>
Other income	24	6576.07	2922.53
Total Revenue		<u>191068.88</u>	<u>134409.48</u>
<b>EXPENSES</b>			
Cost of Raw materials consumed	25	76867.99	48667.97
Purchases of Stock-in-trade		10.06	-
Changes in inventories of finished goods, work-in-progress and Stock-in-trade	26	(1065.66)	3452.29
Employee benefits expense	27	14515.62	11205.56
Finance costs	28	374.32	151.65
Research and development expenses	29	1885.93	1598.09
Depreciation		6203.11	5335.15
Other expenses	30	22792.00	16093.80
Total Expenses		<u>121583.37</u>	<u>86504.51</u>
<b>Profit before tax</b>		<b>69485.51</b>	<b>47904.97</b>
Tax expense			
Current tax		13275.00	3920.00
MAT credit utilisation		292.00	127.60
Deferred tax		1237.53	300.69
Income tax adjustments		84.05	0.07
		<u>14888.58</u>	<u>4348.36</u>
<b>Profit for the Year</b>		<b>54596.93</b>	<b>43556.61</b>
<b>Earnings per equity share</b>			
(Face value Rs.2/- per share)			
Basic		41.15	32.90
Diluted		41.15	32.88
Number of shares used in computing earnings per share			
Basic		132673325	132408135
Diluted		132673325	132465615
Significant Accounting Policies and Notes on Accounts 31			

For and on behalf of the Board

Per Our Report of Even Date

For **P.V.R.K. NAGESWARA RAO & CO**  
Chartered Accountants  
Firm's Registration Number : 002283S

**Dr. MURALI K. DIVI**  
Chairman and Managing Director

**N.V. RAMANA**  
Executive Director

**P.V.R.K. NAGESWARA RAO**  
Partner  
Membership Number : 18840

**L. KISHOREBABU**  
Chief Financial Officer

**P.V. LAKSHMI RAJANI**  
Company Secretary

Visakhapatnam  
12.05.2012

## Cash flow Statement For The Year Ended 31st March, 2012

(Rs. in Lakhs)

Particulars	For the Year ended 31st March, 2012	For the Year ended 31st March, 2011
<b>I CASH FLOW / (USED) FROM OPERATING ACTIVITIES :</b>		
Profit before tax for the year	69485.51	47904.97
Add/ (Less) : Adjustments for :		
Depreciation	6203.11	5335.15
Provision for Doubtful Debts	10.02	13.52
Unrealised Foreign Exchange loss / (Gain)	(806.08)	(479.36)
Provision for diminution in value of investments no longer required	(9.64)	-
Provison for Doubtful Debts no longer required	(11.18)	-
Interest Expense	249.47	66.30
Wealth Tax	0.59	0.83
Interest Income	(69.84)	(120.35)
Bad debts written off	-	0.13
Claims Written off	0.14	-
Provision for diminution in value of investments	-	9.64
Dividend from Current Investments	(3552.40)	(2432.22)
Loss on Sale of Assets (Net)	0.02	0.45
Book Deficit on Assets Discarded	93.98	18.06
	<u>2108.19</u>	<u>2412.15</u>
	71593.70	50317.12
Add / (Less) : Adjustments for Working Capital Changes :		
(Increase) in Inventories	(10790.30)	(6349.28)
(Increase) in Trade Receivables	(12623.53)	(15993.30)
(Increase) in Fixed Deposits pledged with Banks and dividend accounts with banks	(1042.49)	(12.51)
(Increase)/ Decrease in Other Receivables	(6657.14)	564.84
Increase in Trade Payables and Other Payables	5198.87	7411.00
	<u>(25914.59)</u>	<u>(14379.25)</u>
Cash generated from operations	45679.11	35937.87
Less : Direct taxes paid	12273.84	3342.08
Net Cash flow from operating activities	<u>33405.27</u>	<u>32595.79</u>
<b>II CASH FLOW / (USED) FROM INVESTING ACTIVITIES :</b>		
Purchase of Fixed assets	(28911.81)	(16262.91)
Sale of Fixed assets	2.80	0.70
Sale of Current Investments	10034.84	58386.25

Particulars	(Rs. in Lakhs)	
	For the Year ended 31st March, 2012	For the Year ended 31st March, 2011
Purchase of Current Investments	(5165.28)	(66832.21)
Investments In Subsidiary Companies	-	(223.25)
Dividend from Current Investments	3552.40	2432.22
Interest Received	52.41	300.23
<b>Net Cash (used) in Investing activities</b>	<b>(20434.64)</b>	<b>(22198.97)</b>
<b>III CASH FLOW/ (USED) FROM FINANCING ACTIVITIES :</b>		
Consideration for Issue of Shares under ESOP	139.19	450.97
Repayment of Long Term Borrowings	(236.43)	(1783.62)
Proceeds from Short Term Borrowings	3657.93	803.30
Interest Paid	(251.13)	(68.35)
(Loss) on Forex Hedging / Swap Arrangements	(1003.50)	(573.02)
Dividend Paid (including Corporate Dividend Tax )	(15416.92)	(9245.50)
<b>Net Cash (Used) in Financing Activities</b>	<b>(13110.86)</b>	<b>(10416.22)</b>
IV Net Increase / (Decrease) in cash and cash equivalents	(140.23)	(19.40)
V Cash and Cash Equivalents as at the beginning of the year	960.47	979.87
VI Cash and Cash Equivalents as at the end of the year	820.24	960.47
<b>Note : CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>		
Cash and Bank Balances as per Balance Sheet	2182.24	1279.98
Less : Deposits lodged towards Security Deposits, Margin Money against Bank Gurantees and other designated accounts dealt seperately.	1362.00	319.51
	<b>820.24</b>	<b>960.47</b>

- Note :**
- 1 Figures in brackets indicate cash outgo.
  - 2 The above cash flow statement has been prepared under the indirect method set out in Accounting Standard -3 notified under the Companies Act, 1956
  - 3 Significant Accounting Policies and Notes on Accounts (Note No.31) form an Integral part of the Cash Flow Statement
  - 4 Previous year figures have been regrouped / reclassified to conform to current year classification.

For and on behalf of the Board

Per Our Report of Even Date  
For **P.V.R.K. NAGESWARA RAO & CO**  
Chartered Accountants  
Firm's Registration Number : 002283S

**Dr. MURALI K. DIVI**  
Chairman and Managing Director

**N.V. RAMANA**  
Executive Director

**P.V.R.K. NAGESWARA RAO**  
Partner  
Membership Number : 18840

**L. KISHOREBABU**  
Chief Financial Officer

**P.V. LAKSHMI RAJANI**  
Company Secretary

Visakhapatnam  
12.05.2012

## Notes to Balance Sheet

(Rs. in Lakhs)

Note No.	Particulars	As at 31st March, 2012	As at 31st March, 2011
1.	<b>SHARE CAPITAL :</b>		
	<b>Authorised :</b>		
	15,00,00,000 Equity Shares of Rs.2/- each	<u>3000.00</u>	<u>3000.00</u>
	<b>Issued :</b>		
	13,27,34,290 (Previous Year 13,25,95,110) Equity Shares of Rs.2/- each	<u>2654.69</u>	<u>2651.90</u>
	<b>Subscribed and paid up :</b>		
	13,27,34,290 (Previous Year 13,25,95,110) Equity Shares of Rs 2/- each fully paid up (Of the above 6,55,97,975 Equity Shares of Rs.2/- each have been allotted as Bonus Shares)	<u>2654.69</u>	<u>2651.90</u>

**Reconciliation of the number of Equity Shares Outstanding is set out below :**

Particulars	As at 31st March, 2012 Number	As at 31st March, 2011 Number
Shares outstanding at the beginning of the year	132595110	132144145
Shares issued during the year - ESOP	139180	450965
Shares outstanding at the end of the year	132734290	132595110

**The details of Shareholders holding more than 5% of the equity capital is set out below :**

Name of Shareholder	As at 31st March, 2012		As at 31st March, 2011	
	No. of Shares Held	% of Holding	No. of Shares Held	% of Holding
<b>PROMOTERS GROUP :</b>				
Dr.Murali Krishna Prasad Divi	7783500	5.86	50783500	38.30
Satchandra Kiran Divi	23000000	17.33	7000000	5.28
Swarnalatha Divi	7000000	5.27	7000000	5.28
Nilima Motaparti	27000000	20.35	-	-
<b>OTHER THAN PROMOTERS GROUP :</b>				
Reliance Capital Trustee Company Limited	11873711	8.95	11744879	8.86

**Terms/rights attached to equity shares :**

The company has only one class of equity shares having a par value of Rs.2/- per share. Each holder of equity shares is entitled to one vote per share. The company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

During the year ended 31st March 2012, the amount of per share dividend recognised as distributions to equity shareholders was Rs.13/- (31 st March 2011 : Rs. 10/-)

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

(Rs. in Lakhs)

Note No.	Particulars	As at 31st March, 2012		As at 31st March, 2011	
<b>2.</b>	<b>RESERVES AND SURPLUS :</b>				
	<b>Capital Reserve</b>		<b>32.58</b>		32.58
	<b>Securities Premium Account :</b>				
	As Per Last Account	<b>10408.02</b>		9648.79	
	Add : Premium on allotment of equity shares against options availed under ESOP Scheme	<b>234.32</b>	<b>10642.34</b>	<u>759.23</u>	10408.02
	<b>Share Options Outstanding Account :</b>				
	As Per Last Account	<b>97.92</b>		415.20	
	Less : Exercise of Options Granted	<b>97.92</b>	-	<u>317.28</u>	97.92
	<b>General Reserve :</b>				
	As Per Last Account	<b>27500.00</b>		20000.00	
	Add : Amount transferred from Statement of Profit and Loss	<b>12500.00</b>	<b>40000.00</b>	<u>7500.00</u>	27500.00
	<b>Balance in Statement of Profit and Loss (Surplus) :</b>				
	As Per Last Account	<b>142114.13</b>		121468.06	
	<b>Add : Profit as per Statement of Profit and Loss</b>	<b>54596.93</b>		<u>43556.61</u>	
	Total available for allocations and appropriations	<b>196711.06</b>		165024.67	
	<b>Less : Allocations and appropriations :</b>				
	Proposed Dividend	<b>17255.46</b>		13259.51	
	Provision for Corporate Dividend Tax	<b>2799.27</b>		2151.03	
	Dividend of earlier year	<b>5.49</b>		-	
	Corporate Dividend Tax of earlier year	<b>0.89</b>		-	
	Amount transferred to General Reserve	<b>12500.00</b>		<u>7500.00</u>	
	Profit carried forward to next year		<b>164149.95</b>		142114.13
			<b>214824.87</b>		<u>180152.65</u>
<b>3.</b>	<b>LONG-TERM BORROWINGS :</b>				
	<b>Term Loans (Secured) :</b>				
	From Banks	<b>249.66</b>		653.68	
	Less : Current maturities of long-term debt	<b>249.66</b>	-	<u>435.79</u>	217.89
	<b>1. Nature of Security :</b>				
	Secured by equitable mortgage of specified immovable properties of the Company and further secured by first charge of all the movables (Save and except Book-debts) including movable machinery, machinery spares, tools and accessories present and future, subject to prior charge created and / or to be created in favour of the bankers on the stocks for working Capital Requirements.				

Note No.	Particulars	As at 31st March, 2012		As at 31st March, 2011	
	<b>2. Terms of Repayment :</b>				
	Period : 7 years				
	Number of Installments due : 2 quarterly instalments				
	Amount of Installments due : USD 4,88,035				
	Rate of Interest : 160 BP over 6 month LIBOR				
	3. The above Term Loans and interest due thereon have been paid upto date and there are no continuing defaults.				
	<b>Deferred Payment Liabilities (Unsecured) :</b>				
	Deferred Sales Tax Credit	274.24		288.46	
	Less: Current maturities of long-term debt	18.55	255.69	14.23	274.23
	<b>1. Term of Repayment :</b>				
	Period : 14 Years				
	Number of Installments due : 6				
	Rate of Interest : Interest free				
	2. The above liability has been paid upto date and there are no continuing defaults.		255.69		492.12
4.	<b>DEFERRED TAX LIABILITIES( NET) :</b>				
	Opening balance at the beginning of the year	5491.19		5190.50	
	Add : Adjustments during the year	1237.53		300.69	
		6728.72		5491.19	
5.	<b>OTHER LONG-TERM LIABILITIES :</b>				
	<b>Trade Payables :</b>				
	Dues of Micro and Small Enterprises	-		-	
	Dues of Enterprises other than Micro and Small Enterprises	1.88		1.89	
	<b>Others :</b>				
	Advance from Customers	540.36		608.09	
	Creditors for Capital Works	-		175.48	
	Other Payables	83.25	623.61	176.09	959.66
			625.49		961.55
6.	<b>LONG-TERM PROVISIONS :</b>				
	Provision for employee benefits	164.62		281.78	
		164.62		281.78	
7.	<b>SHORT-TERM BORROWINGS :</b>				
	<b>Loans repayable on demand :</b>				
	<b>Working Capital Loans from banks (Secured) :</b>	5020.37		1362.44	
	<b>1. Nature of Security :</b>				
	(Secured by hypothecation of stocks, book debts and receivables and further secured by second charge on specified fixed assets of the company)				

		(Rs. in Lakhs)	
Note No.	Particulars	As at 31st March, 2012	As at 31st March, 2011
	2. There are no defaults in repayment of loans and interest		
	3. The above loans carry interest @ 14% to 15% p.a.		
		<u>5020.37</u>	<u>1362.44</u>
<b>8.</b>	<b>TRADE PAYABLES :</b>		
	Dues of Micro and Small Enterprises	-	-
	Dues of Enterprises other than Micro and Small Enterprises	<u>15731.14</u>	<u>12123.54</u>
		<u>15731.14</u>	<u>12123.54</u>
<b>9.</b>	<b>OTHER CURRENT LIABILITIES :</b>		
	Current maturities of long-term debt	<u>268.21</u>	450.01
	Interest accrued but not due on borrowings	<u>1.35</u>	3.01
	Advance from Customers	<u>1033.27</u>	1780.46
	Unpaid Dividends	<u>39.66</u>	31.29
	(Of the above, there is no amount due and outstanding to be credited to Investor Education and Protection Fund)		
	<b>Other Payables :</b>		
	Creditors for Capital Works	<u>3998.93</u>	2452.50
	Statutory Liabilities	<u>128.05</u>	152.09
	Others	<u>8000.04</u>	5634.23
		<u>12127.02</u>	<u>8238.82</u>
		<u>13469.51</u>	<u>10503.59</u>
<b>10.</b>	<b>SHORT-TERM PROVISIONS :</b>		
	Provision for Employee benefits	<u>59.26</u>	488.17
	Provision for mark-to-market losses on derivative contracts	<u>707.41</u>	893.78
	Proposed Dividend	<u>17255.46</u>	13259.51
	Provision for Tax on Proposed Dividend	<u>2799.27</u>	2151.03
		<u>20821.40</u>	<u>16792.49</u>

## 11. FIXED ASSETS :

(Rs. in Lakhs)

Sl. No.	Description	GROSS BLOCK			DEPRECIATION			NET BLOCK		
		Cost as at 01.04.2011	Additions	Total Upto 31.03.2012 Deductions	Upto 01.04.2011	For the Year	On Deductions	Total Upto 31.03.2012	As at 31.03.2012	As at 31.03.2011
<b>TANGIBLE ASSETS :</b>										
1	Land and Development	2010.42	19.62	-	-	-	-	-	2030.04	2010.42
2	Buildings	17042.65	3606.20	0.12	2756.84	565.95	0.01	3322.78	17325.95	14285.81
3	Plant and Equipment	61866.29	16331.25	405.98	24549.17	5228.34	333.65	29443.86	48347.70	37317.12
4	Laboratory Equipment	5012.20	844.75	-	1113.08	250.52	-	1363.60	4493.35	3899.12
5	Furniture and Fittings	446.40	36.07	0.84	222.65	24.94	0.60	246.99	234.64	223.75
6	Vehicles	527.31	43.82	25.74	364.02	41.41	23.00	382.43	162.96	163.29
7	Office and other Equipment	1258.92	229.98	42.14	310.98	57.31	23.20	345.09	1101.67	947.94
8	Computers	370.02	34.85	42.72	244.61	34.64	40.28	238.97	123.18	125.41
	<b>Total</b>	88534.21	21146.54	517.54	29561.35	6203.11	420.74	35343.72	73819.49	58972.86
	Previous year Total	83265.18	5360.03	91.00	24298.00	5335.15	71.80	29561.35	58972.86	58967.18

(Rs. in Lakhs)

Note No.	Particulars	As at 31st March, 2011	For the Year	As at 31st March, 2012
<b>12.</b>	<b>STATEMENT OF UNALLOCATED EXPENDITURE PENDING CAPITALISATION INCURRED UPTO 31ST MARCH 2012 :</b>			
	Materials consumed	-	1124.72	<b>1124.72</b>
	Salaries,wages,bonus and other allowances	43.13	72.15	<b>115.28</b>
	Contribution to Provident and other funds	1.03	1.05	<b>2.08</b>
	Contribution to ESI	0.05	1.03	<b>1.08</b>
	Staff welfare expenses	0.05	4.65	<b>4.70</b>
	Interest	3.24	2.68	<b>5.92</b>
	Power and fuel	3.06	21.97	<b>25.03</b>
	Repairs to Machinery	-	5.39	<b>5.39</b>
	Insurance Premium	-	0.32	<b>0.32</b>
	Rates and taxes, excluding taxes on income	0.19	0.09	<b>0.28</b>
	Printing and stationery	0.27	0.49	<b>0.76</b>
	Communication expenses	0.02	-	<b>0.02</b>
	Travelling and conveyance	0.31	0.81	<b>1.12</b>
	Professional and consultancy charges	0.11	-	<b>0.11</b>
	General expenses	10.02	28.96	<b>38.98</b>
	Bank charges and commission	0.67	0.77	<b>1.44</b>
	Freight outward	-	1.73	<b>1.73</b>
	Depreciation	-	0.40	<b>0.40</b>
	Net gain on foreign currency transactions	(0.16)	-	<b>(0.16)</b>
	Stock out of trial runs	-	(1179.84)	<b>(1179.84)</b>
		61.99	87.37	<b>149.36</b>
	Less : Expenditure capitalised during the year			<b>108.30</b>
	Balance			<b>41.06</b>
		As at 31st March, 2012		As at 31st March, 2011
<b>13.</b>	<b>NON-CURRENT INVESTMENTS :</b>			
	<i>(Long Term Investments)</i>			
	Investments in Equity Instruments (Non Trade, Unquoted, fully paid up) :			
	(At Cost less provision for other than temporary diminution in value)			
	(i) In Subsidiary Companies :			
	- Divis Laboratories (USA ) Inc 2,000 Ordinary Shares of US\$0.01 each		<b>245.43</b>	245.43
	- Divi's Laboratories EUROPE AG 200 Shares of CHF 500 each		<b>36.18</b>	36.18
	(ii) In Other Companies :			
	Pattan Cheru Enviro - Tech Limited 12,000 Equity Shares of Rs.10/- each	<b>1.20</b>		1.20
	Less : Provision for diminution in value of Investments	<b>1.20</b>	-	1.20

(Rs. in Lakhs)

Note No.	Particulars	As at 31st March, 2012	As at 31st March, 2011
		<u>281.61</u>	<u>281.61</u>
	(i) Aggregate amount of unquoted Investments	<u>282.81</u>	282.81
	(ii) Aggregate provision made for diminution in value of investments	1.20	1.20
<b>14.</b>	<b>LONG-TERM LOANS AND ADVANCES :</b> (Unsecured, considered good)		
	Capital Advances	<b>6739.50</b>	2499.08
	Security Deposits	<b>743.69</b>	677.47
	Loans and advances to related parties	<b>4340.97</b>	3769.57
	Pre-paid Expenses	<b>11.26</b>	8.28
	Other Loans and advances	<b>633.66</b>	417.79
		<u>12469.08</u>	<u>7372.19</u>
<b>15.</b>	<b>OTHER NON - CURRENT ASSETS :</b>		
	Long term trade receivables :		
	Unsecured, considered good	<b>241.51</b>	217.38
	Unsecured, considered doubtful	<b>28.13</b>	26.89
	Less : Provision for doubtful debts	<b>28.13</b>	-
	Other receivables	<b>151.25</b>	151.24
		<u>392.76</u>	<u>368.62</u>
<b>16.</b>	<b>CURRENT INVESTMENTS :</b>		
	Investments in Mutual Funds :		
	Unquoted ( At lower of Cost and Net Asset Value)		
A	SBI Mutual Fund - SBI-SHF-Ultra Short Term Fund Institutional Plan - Daily Dividend Scheme 37,68,129 (Previous year 32,51,91,090) Units of Rs.1000/- each (Previous Year 10/- each) ( Net Asset Value : Rs.37703.90 lakhs, Previous Year : Rs.32538.62 lakhs)	<b>37703.90</b>	32538.62
B	SBI Mutual Fund - SBI-Magnum Income Fund FR Savings Plus Bond Plan - Dividend Nil (Previous year 7,07,20,919) Units of Rs.10/- each ( Net Asset Value Rs. Nil (Previous Year Rs.7525.20 lakhs)	-	7534.84
	Less : Provision for diminution in value of Investments	-	9.64
C	SBI Mutual Fund - SBI Debt Fund Series 10,00,00,000 (Previous Year 12,50,00,000) Units of Rs.10/- each ( Net Asset Value Rs. 10024.08 Lakhs (Previous Year Rs. 12555.25 lakhs)	<b>10000.00</b>	12500.00
		<u>47703.90</u>	<u>52563.82</u>
	(i) Aggregate amount of unquoted investments	<b>47703.90</b>	52573.46
	(ii) Aggregate Provision for diminution in value of Investments	-	9.64

(Rs. in Lakhs)

Note No.	Particulars	As at 31st March, 2012	As at 31st March, 2011
<b>17</b>	<b>INVENTORIES :</b> <b>(Valued at lower of Cost and Net realisable Value)</b>		
	Raw Materials (including stock in transit of Rs.238.33 lakhs (previous year Rs.283.75 lakhs)	24553.89	17131.36
	Work - in - Progress	31434.95	31033.16
	Finished Goods	1851.70	1172.36
	Stock - in - Trade (including stock in transit of Rs.7.42 lakhs (previous year Nil)	7.42	-
	Stores and Spares	7135.30	4968.93
	Loose Tools	113.59	0.74
		<u>65096.85</u>	<u>54306.55</u>
<b>18</b>	<b>TRADE RECEIVABLES :</b> (Unsecured, Considered Good) Outstanding for a period exceeding six months from the date they became due for payment :		
	Others	642.29	115.98
		52804.80	39162.03
		<u>53447.09</u>	<u>39278.01</u>
<b>19</b>	<b>CASH AND BANK BALANCES :</b> <b>Cash and Cash Equivalents :</b>		
	Cash on Hand	10.12	8.96
	Balances with banks :		
	In Current accounts	810.12	951.51
	In Unclaimed Dividend accounts	39.66	31.29
	Balances with banks to the extent held as Margin Money (Towards margin on Letter of Credits and Guarantees issued by banks)	1322.32	288.20
	Term deposits held for more than 12 months maturity (Pledged with Department of Commercial Taxes, Government of Andhra Pradesh)	0.02	0.02
		<u>2182.24</u>	<u>1279.98</u>
<b>20</b>	<b>SHORT-TERM LOANS AND ADVANCES :</b> (Unsecured, considered good)		
	Central excise duty deposit	1359.81	458.98
	Prepaid expenses	189.39	143.85
	Other advances and receivables	3877.77	2477.96
	MAT Credit Entitlements	800.87	1168.55
	Prepaid Taxes (Net of Provision for Taxation)	184.89	1562.89
		<u>6412.73</u>	<u>5812.23</u>
<b>21</b>	<b>OTHER CURRENT ASSETS :</b>		
	Interest accrued on deposits	47.54	30.11
	Export Incentives receivable	244.37	113.70
		<u>291.91</u>	<u>143.81</u>

## Notes to Statement of Profit and Loss

(Rs. in Lakhs)

Note No.	Particulars	For the Year Ended 31st March, 2012		For the Year Ended 31st March, 2011	
<b>22</b>	<b>SALE OF SERVICES :</b>				
	Contract research fee		603.36		238.40
	Job work charges		375.40		83.24
			<u>978.76</u>		<u>321.64</u>
<b>23</b>	<b>OTHER OPERATING REVENUES :</b>				
	Export incentives		254.71		420.17
	Sale of scrap out of manufacturing process		289.01		201.28
			<u>543.72</u>		<u>621.45</u>
<b>24</b>	<b>OTHER INCOME :</b>				
	Interest income		69.84		120.35
	Dividend income from current investments		3552.40		2432.22
	Net gain on foreign currency transactions		2760.16		335.69
	Sale of other scrap		11.73		15.04
	Provision for diminution in value of investments no longer required		9.64		-
	Provision for doubtful debts no longer required		11.18		-
	Other non-operating Income		161.12		19.23
			<u>6576.07</u>		<u>2922.53</u>
<b>25</b>	<b>COST OF RAW MATERIALS CONSUMED :</b>				
	Opening Inventory		16847.61		10446.35
	Add : Purchases during the year		84574.27		55069.23
			<u>101421.88</u>		<u>65515.58</u>
	Less : Closing Inventory		24553.89		16847.61
			<u>76867.99</u>		<u>48667.97</u>
<b>26</b>	<b>CHANGE IN INVENTORY OF FINISHED GOODS AND WORK-IN-PROGRESS :</b>				
	<u>Finished Goods :</u>				
	Closing Inventory	1851.70		1172.36	
	Opening Inventory	1172.36	(679.34)	5612.78	4440.42
	Less : Excise duty adjustment in movement in finished goods inventory		(22.89)		6.66
			<u>(656.45)</u>		<u>4433.76</u>
	<u>Stock - in - Trade :</u>				
	Closing Inventory	(7.42)		-	
	Opening Inventory	-	(7.42)	-	-
	<u>Work-in-Progress :</u>				
	Closing Inventory	31434.95		31033.16	
	Opening Inventory	31033.16	(401.79)	30051.69	(981.47)
			<u>(1065.66)</u>		<u>3452.29</u>

(Rs. in Lakhs)

Note No.	Particulars	For the Year Ended 31st March, 2012	For the Year Ended 31st March, 2011
<b>27</b>	<b>EMPLOYEE BENEFITS EXPENSE :</b>		
	Salaries, wages, bonus and other allowances	13775.31	10339.11
	Contribution to Provident and other funds	213.34	415.25
	Contribution to ESI	97.10	97.72
	Staff welfare expenses	429.87	353.48
		<u>14515.62</u>	<u>11205.56</u>
<b>28</b>	<b>FINANCE COSTS :</b>		
	Interest expense	114.42	65.95
	Interest on Income Tax	135.05	0.35
	Other borrowing costs	100.41	80.18
	Net loss on foreign currency transactions and translation	24.44	5.17
		<u>374.32</u>	<u>151.65</u>
<b>29</b>	<b>RESEARCH AND DEVELOPMENT EXPENSES :</b>		
	Raw Materials Consumed	50.18	54.32
	Salaries, wages, bonus and other Allowances	1140.84	1026.30
	Contribution to Provident and other funds	31.73	22.77
	Contribution to ESI	6.89	10.29
	Staff Welfare expenses	1.96	1.89
	Stores consumed	357.13	243.25
	Power and fuel	120.21	83.45
	Repairs to Buildings	8.32	7.17
	Repairs to Machinery	18.87	82.83
	Repairs to other assets	6.83	22.58
	Rates and taxes, excluding taxes on income	16.93	7.28
	Printing and stationery	7.61	7.33
	Communication expenses	3.66	0.30
	Travelling and conveyance	0.72	0.28
	Vehicle maintenance	2.65	1.44
	Professional and consultancy charges	48.99	0.01
	Miscellaneous expenses	62.05	26.26
	Bank charges and commission	0.36	0.34
		<u>1885.93</u>	<u>1598.09</u>
<b>30</b>	<b>OTHER EXPENSES :</b>		
	Consumption of stores and spare parts	1477.48	1250.90
	Packing materials consumed	1521.72	939.35
	Conversion charges	309.33	15.46
	Power and fuel	8613.30	6265.05
	Repairs to Buildings	226.69	185.75

(Rs. in Lakhs)

Note No.	Particulars	For the Year Ended 31st March, 2012	For the Year Ended 31st March, 2011
	Repairs to Machinery	1929.61	1550.90
	Repairs to other assets	63.78	97.07
	Insurance Premium	208.34	153.08
	Rates and taxes, excluding taxes on income	147.19	171.34
	Directors sitting fees	7.60	8.40
	Printing and stationery	189.15	160.72
	Rent	56.70	54.00
	Communication expenses	79.40	76.65
	Travelling and conveyance	302.12	223.69
	Vehicle maintenance	195.17	179.15
	<u>Payment to Auditors :</u>		
	As Statutory Auditors	20.00	18.00
	As Tax Auditors	9.00	7.00
	For Certification	10.50	10.00
	For Quarterly Reviews	7.50	6.00
	For Taxation Matters	14.00	-
	For Reimbursement of expenses	0.65	0.68
	Professional and consultancy charges	162.94	81.91
	Factory upkeep	272.91	101.38
	Environment management expenses	732.97	557.40
	Advertisement	7.78	16.12
	Sales commission	494.82	343.72
	Carriage outward	4503.60	2321.32
	General expenses	1017.85	992.54
	Bad debts written off	-	0.13
	Interest receivable from a Subsidiary written off	-	190.67
	Provision for doubtful debts	10.02	13.52
	Provision for diminution in value of investments	-	9.64
	Donations	0.85	0.66
	Loss on sale of assets (Net of profit on sale of Assets of Rs. 0.46 lakhs (previous year Rs. Nil))	0.02	0.45
	Book deficit on assets discarded	93.98	18.06
	Claims Written off	0.14	-
	Bank charges	84.45	72.06
	Prior year expenses	20.44	1.03
		<u>22792.00</u>	<u>16093.80</u>

## 31. Significant Accounting Policies And Notes On Accounts :

### I. SIGNIFICANT ACCOUNTING POLICIES

#### A. ACCOUNTING CONVENTION :

The financial statements are prepared under historical cost convention on the accrual basis of accounting in accordance with generally accepted accounting principles in India and the Accounting Standards issued under the relevant provisions of the Companies Act, 1956.

#### B. FIXED ASSETS AND DEPRECIATION :

- i. Fixed assets are stated at cost of acquisition including freight, duties and installation expenses and expenditure during construction where applicable and net of CENVAT and Value Added Tax credit availed against Tax or cess paid on such items.
- ii. Depreciation on Fixed Assets is provided under Straight Line Method at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956.
- iii. Depreciation is provided at one hundred per cent for assets costing less than Rs.5,000/-
- iv. Depreciation on Fixed Assets used for the Project under construction is included under Unallocated Expenditure Pending Capitalisation.
- v. Revenue Expenditure incurred during the construction period of the Project is shown under "Unallocated Expenditure Pending Capitalisation" till the commencement of the commercial production or their intended use and the same is being capitalised by allocating to relevant assets in the ratio of their direct costs.

#### C. IMPAIRMENT OF ASSETS :

The carrying amounts of the assets are being tested on annual basis for impairment so as to determine the provision required for impairment loss if any or for reversal of the provision, if any, required on account of impairment loss recognised in previous periods.

#### D. INVESTMENTS :

- i. Investments are classified into Current and Long-term investments.
- ii. Current investments are valued at lower of cost and fair value.
- iii. Long-term investments are valued at cost of acquisition. Provision is made for decline, other than temporary, in the value of investments.
- iv. On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged or credited to the statement of profit and loss.

#### E. INVENTORIES :

Inventories are valued at lower of cost and net realisable value. The Cost of inventories is being determined under weighted average cost method

#### F. RESEARCH AND DEVELOPMENT :

Revenue Expenditure incurred for Research and Development is written off in the same year. Capital expenditure on Research and Development is shown as additions to Fixed Assets.

#### G. EXCISE DUTY :

Excise Duties recovered are included in "Gross Sales". Excise duty on despatches is shown as an item of expense and deducted from Gross Sales. The value of closing stock of finished goods includes excise duty paid / payable on such stocks wherever applicable.

#### H. EMPLOYEE STOCK OPTION SCHEME :

In accordance with the Securities and Exchange Board of India guidelines, the excess of the market price of the shares, at the date of grant of option under the employee stock option scheme, over the exercise price is treated as employee compensation and the same is amortised over the vesting period of the stock options.

#### I. FOREIGN EXCHANGE TRANSACTIONS :

- i. Transactions in Foreign Exchange, other than those covered by forward contracts are accounted for at the exchange rate prevailing on the date of transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the Statement of Profit and Loss.

- ii. Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date other than those covered by forward contracts are translated at the year end rates. The resultant exchange differences are recognised in the statement of profit and loss.
- iii. Non-monetary assets and liabilities are recorded at the rates prevailing on the date of the transaction.
- iv. Forward contracts are being entered into to mitigate the foreign currency risk of the underlying outstanding at the balance sheet date and also to hedge the foreign currency risk of firm commitments or highly probable forecast transactions.

In case of forward contracts not intended for trading or speculative purposes, the premium or discount on all such contracts is amortised as income or expense over the life of the contract. Any profit or loss arising on cancellation or renewal of forward contracts is recognised as income or expense for the period. The exchange differences, consisting of the difference between (a) the foreign currency amount of the contract translated at the exchange rate at the reporting date or the settlement date where the transaction is settled during the reporting period and (b) the same foreign currency amount translated at the latter of the date of inception of the forward exchange contract and the last reporting date, are recognised in the statement of profit and loss in the reporting period in which the exchange rates change.

In case of other forward contracts, the gain or loss, computed considering the exchange difference between the forward rate available at the reporting date for the remaining maturity of the contract and the contracted forward rate, is recognised as income or expense in the statement of profit and loss.

#### J EMPLOYEE BENEFITS :

##### i. Short-Term Benefits :

Short Term Employee Benefits, at the undiscounted amount in the year in which the services have been rendered, are charged off to the Statement of Profit and Loss.

##### ii. Long-Term Benefits :

a. The Contributions to Provident Fund and Employee State Insurance Schemes, which are defined contribution schemes, to the relevant funds administered and managed by the Central Government of India, are charged off to the Statement of Profit and Loss as and when incurred. The Company has no further obligations under these plans beyond its monthly contributions.

b. Gratuity : The Company makes contribution to a scheme administered by the Life Insurance Corporation of India to discharge the gratuity liabilities to the employees. Annual Contribution to the fund as determined by the Life Insurance Corporation of India is expensed in that year of contribution.

Leave Encashment : The Company records its unavailed leave liability based on actuarial valuation using projected unit credit method

c. Actuarial gains / losses arising during the year are recognised in the Statement of Profit and Loss.

iii. Terminal Benefits are recognised as an expense as and when incurred.

#### K. TAXES ON INCOME :

i. Tax expense is the aggregate of current year income tax, deferred income tax charged or credited to the Statement of Profit and Loss.

##### ii. Current Year Income Tax :

The Provision for taxation is based on assessable profits of the company as determined under the Income Tax Act, 1961. The Company also provides for such disallowances made on completion of assessment pending appeals, as considered appropriate depending on the merits of each case.

##### iii. Deferred Income Tax :

Deferred Income Taxes are recognized for the future tax consequences attributable to timing differences between the financial statement determination of income and their recognition for tax purposes. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognized and carried forward only to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realised.

##### iv. Minimum Alternate Tax (MAT) Credit :

MAT credit is recognised, as an Asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified year. In the year in which the Minimum Alternative tax (MAT) credit becomes

eligible to be recognised as an asset in accordance with the recommendation contained in Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the statement of profit and loss and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

**L. EXPORT BENEFITS :**

Advance Licences and Duty Entitlements against exports made by the company are accounted in the books on their utilization / disposal. However, the value of unutilised unconditional customs duty credit granted against Exports under Duty Entitlement Pass Book Scheme is being provided in the Books of Account.

**M. REVENUE RECOGNITION :**

**i. SALES :**

Domestic Sales :

Revenue from domestic sales is recognised on delivery of products to customers from the factories of the company.

Export Sales :

Revenue from export sales is recognised when the significant risks and rewards of ownership are transferred to the customers which is based upon the terms of the applicable contract.

- ii. Dividend on shares held by the company is recognised when the right of the company to receive the same is established and interest on deposits is accounted on accrual basis.
- iii. Service income is recognised as per the terms of the contracts with customers when the related services are performed or the agreed milestones are achieved.

**N. BORROWING COSTS :**

Borrowing costs that are attributable to the acquisition or construction of a qualifying asset are capitalised as part of cost of such asset till such time the asset is ready for its intended use. Other borrowing costs are recognised as expense for the period.

**O. LEASES :**

Lease of assets under which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under operating leases are recognised as an expense on a straight line basis over the period of lease.

**P. PROPOSED / INTERIM DIVIDEND :**

Dividends, if any, as recommended by the directors are accounted in the books of account, pending approval at the Annual General Meeting.

**Q. EARNINGS PER SHARE :**

- i. The basic earnings per share is calculated considering the weighted average number of equity shares outstanding during the year.
- ii. The diluted earnings per share is calculated considering the effects of potential equity shares on net profits after tax for the year and weighted average number of equity shares outstanding during the year.

**R. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS :**

Provisions, involving substantial degree of estimation in measurement, are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities, which are possible or present obligations that may but probably will not require outflow of resources, are not recognised but are disclosed in the Notes to the financial statements. Contingent Assets are neither recognised nor disclosed in the financial statements.

**S. USE OF ESTIMATES :**

The preparation of financial statements require estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognized in the period in which the results are known / materialized.

**T. CASH AND CASH EQUIVALENTS :**

Cash and cash equivalents for the purpose of cash flow statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

## II. NOTES ON ACCOUNTS

### 1. CORPORATE INFORMATION :

Divi's Laboratories Limited (the Company or Divi's) is a India based manufacturer of Active Pharmaceutical Ingredients and Intermediates having headquarters at Hyderabad, India. The major portion of its turnover is on account of export of products to European and American countries. The Company's main manufacturing and research and development facilities are located in the State of Andhra Pradesh, India. The Equity Shares of the Company are listed in The Bombay Stock Exchange Limited, Mumbai and The National Stock Exchange, Mumbai.

### 2. PRESENTATION AND DISCLOSURE OF FINANCIAL STATEMENTS :

During the year ended 31<sup>st</sup> March 2012, the Revised Schedule VI notified under the Companies Act 1956, has become applicable to the company, for preparation and presentation of its financial statements. Adoption of Revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. The company has also reclassified the previous year figures in accordance with the requirements applicable in the current year.

### 3. CONTINGENT LIABILITIES AND COMMITMENTS :

(Rs. in Lakhs)

	2011-12	2010-11
<b>A. CONTINGENT LIABILITIES</b>		
(i) On account of Letters of Credit and Guarantees issued by the bankers.	4721.40	3510.49
(ii) Demands being disputed / contested by the Company	621.20	1768.86
<b>B. COMMITMENTS</b>		
(i) Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances)	9553.05	5501.22
(ii) On account of bonds and / or legal agreements executed with Central Excise / Customs authorities/ Development Commissioners	11950.00	10750.00
(iii) Derivative related commitments	3069.39	8037.00

4. In the opinion of Board, assets other than Fixed Assets and non-current investments have a value on realization in the ordinary course of business atleast equal to the amount at which they are stated and provision for all known liabilities have been made.

5. Excise duty on sales for the year has been disclosed as reduction from turnover. Excise duty relating to the difference between closing stock and opening stock has been included in Note No. 26 "Change in Inventory of Finished Goods, Work-in-Progress and Stock-in-Trade".

### 6. EMPLOYEE STOCK OPTION SCHEME :

In respect of Options granted to employees during the year 2005-06 under the Employees Stock Option Scheme, in accordance with the guidelines issued by Securities and Exchange Board of India, the accounting value of Options, determined based on market price of the share on the day of the grant of the Option, is accounted as Deferred Employee Compensation Costs and the same is being amortised on straight line basis over the vesting period (2006-07 to 2009-10) of Stock Options.

The Movement of Stock Options during the year is as detailed below :

	2011-12 Option exercisable for Equity share of Rs. 2/- each (Nos.)	2010-11 Option exercisable for Equity share of Rs. 2/- each (Nos.)
At the beginning of the year	1,39,180	5,90,145
Granted during the year	Nil	Nil
Expired/Forfeited during the year	Nil	Nil
Bonus Issue	Nil	Nil
Exercised during the year	1,39,180	4,50,965
At the end of the year	Nil	1,39,180

## 7. DERIVATIVE INSTRUMENTS :

- a. The Company uses foreign exchange forward contracts and options to hedge its foreign currency exposures relating to the underlying transactions and firm commitments, to reduce the foreign exchange fluctuation risk or cost to the Company. The Company does not use these derivative instruments for trading and speculative purposes.
- b. The details of outstanding foreign exchange forward contracts are :

(Rs. in Lakhs)

Nature of Contract	Currency	As on 31.03.2012		As on 31.03.2011	
		No.	Amount	No.	Amount
i. Sell	USD/INR	2	3069.39	2	8037.00

- c. The details of net foreign currency exposures that are not hedged by any derivative instruments or otherwise are as under :

(Rs. in Lakhs)

S. No.	Particulars	Type of Foreign Currency	As on 31.03.2012		As on 31.03.2011	
			Foreign Currency	Amount	Foreign Currency	Amount
1	Payable for Supplies and services	EURO	1.07	73.39	0.42	26.65
		CHF	0.01	0.43	1.69	82.50
		GBP	-	-	0.22	16.10
		USD	169.90	8691.58	137.11	6121.94
		JPY	-	-	34.80	18.80
2	Advance Payments to Supplies and Services	EURO	1.62	110.76	0.54	33.85
		CHF	-	-	0.17	8.06
		JPY	-	-	32.77	17.70
		USD	13.80	706.20	13.61	607.51
		GBP	-	-	0.23	16.41
		NOK	34.62	305.84	-	-
3	Receivables for Supplies and Services	EURO	24.73	1690.02	13.97	883.58
		GBP	55.75	4560.07	80.60	5797.12
		USD	802.81	41068.76	668.19	29834.65
		ACU	1.42	72.83	2.58	115.10
4	Advance Receipts for Supplies and Services	EURO	1.35	92.59	0.21	12.98
		GBP	3.20	261.68	3.20	230.07
		USD	29.17	1492.22	47.77	2132.94
5	Interest Payable	USD	0.02	1.35	0.07	3.01
6	Loans and Advances	CHF	45.20	2548.90	45.20	2205.44
		USD	35.03	1792.07	35.03	1564.14
7	Term Loans	USD	4.88	249.66	14.64	653.68
		TOTAL	63718.35		50382.23	

- d. The losses on account of Exchange difference on Foreign Currency Forward Contracts and Options have been fully provided for in the books of accounts and the outstanding provision for loss at the year end is Rs 707.41 Lakhs (Previous year Rs.893.78 Lakhs).

**8. DUES OF MICRO AND SMALL ENTERPRISES :**

The information as required to be disclosed under Schedule VI of the Companies Act, 1956 w.r.t. Micro and Small Enterprises under the Micro, Small and Medium Enterprises Development Act, 2006 (Act) is as given below and the information mentioned at Note No 5 - Other Long-term Liabilities and Note No. 8 - Trade Payables w.r.t. dues of Micro and Small Enterprises, has been determined to the extent such parties have been identified on the basis of information available with the Company and relied on by the auditors :

	2011-12	2010-11
a. Principal amount remaining unpaid as on 31st March	NIL	NIL
b. Interest due thereon as on 31st March	NIL	NIL
c. Interest paid by the Company in terms of Section 16 of Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of payment made to the supplier beyond the appointed day during the year	NIL	NIL
d. 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 under the Act	NIL	NIL
e. Interest accrued and remaining unpaid as at 31 st March	NIL	NIL
f. 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 23 of the Act	NIL	NIL

**9. Information pursuant to Clause 32 of Listing Agreement with Stock Exchanges w.r.t. Loans and Advances in the nature of loans to wholly owned Subsidiaries is as given below :**

(Rs. in Lakhs)

Particulars	Balance as on		Maximum Balance Outstanding during the year	
	31.03.2012	31.03.2011	2011-12	2010-11
a. Divis Laboratories (USA) Inc (Excluding interest)	1792.07	1564.14	1792.07	1564.14
b. Divi's Laboratories Europe AG (Excluding interest)	2548.90	2205.44	2548.90	2205.44

**10. Land admeasuring 29.30 acres acquired under deeds of assignment and under possession of the company at Chippada village, Bheemunipatnam Mandal, Visakhapatnam Dist. is yet to be registered in the name of the company.****11.EMPLOYEE BENEFITS :**

The disclosures required under Accounting Standard 15 "Employee Benefits" notified in the Companies (Accounting Standards) Rules 2006, are given below:

i. Defined Contribution Schemes : Contributions to Defined Contribution Schemes charged off for the year are as under :

(Rs. in Lakhs)

	2011-12	2010-11
Employer's Contribution to Provident Fund	221.15	177.75
Employer's Contribution to State Insurance Scheme	103.99	108.06

(Rs. in Lakhs)

	2011-12	2010-11
ii. Defined Benefit Plans :		
<b>GRATUITY :</b>		
A Reconciliation of opening and closing balances of Defined Benefit obligation :		
Defined Benefit obligation at beginning of the year	559.65	229.29
Current Service Cost	25.91	33.24
Interest Cost	31.75	12.61
Actuarial (gain)/loss	(89.66)	288.89
Benefits paid	(9.83)	(4.38)
Transferred to Gratuity Fund with LIC	(517.82)	-
Defined Benefit obligation at year end	Nil	559.65
B Expenses recognised during the year :		
Current Service Cost	25.91	33.24
Interest Cost on benefit obligation	31.75	12.61
Expected return on plan assets	NIL	NIL
Actuarial (gain)/loss	(89.66)	288.89
Net benefit expense	(32.00)	334.74
C Actuarial assumptions :		
Mortality Table (L.I.C)	1994-96 (Ultimate)	1994-96 (Ultimate)
Discount rate (per annum)	8.00%	5.50%
Attrition Rate (per annum)	6.00%	10.00%
Rate of escalation in salary (per annum)	7.00%	10.00%

Notes on Accounts

## iii. Defined Benefit Plans :

**LEAVE ENCASHMENT (UNFUNDED) :**

The present value of obligation in respect of Provision for Payment Leave encashment is determined, based on actuarial valuation using the Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation, recognised and charged off during the year are as under:

(Rs. in Lakhs)

	2011-12	2010-11
A Reconciliation of opening and closing balances of Defined Benefit obligation :		
Defined Benefit obligation at beginning of the year	210.30	167.60
Current Service Cost	4.05	12.72
Interest Cost	16.82	9.22
Actuarial (gain)/loss	(3.46)	23.08
Benefits paid	(3.83)	(2.32)
Defined Benefit obligation at year end	223.88	210.30

(Rs. in Lakhs)

	2011-12	2010-11
B Expenses recognised during the year :		
Current Service Cost	4.05	12.72
Interest Cost on benefit obligation	16.82	9.22
Expected return on plan assets	NIL	NIL
Actuarial (gain)/loss	(3.46)	23.08
Net benefit expense	17.41	45.02
C Actuarial assumptions :		
Mortality Table (L.I.C)	1994-96 (Ultimate)	1994-96 (Ultimate)
Discount rate (per annum)	8.00%	5.50%
Attrition Rate (per annum)	6.00%	10.00%
Rate of escalation in salary (per annum)	7.00%	10.00%

The estimates of rate of escalation in salary considered in actuarial valuation, is determined after taking in to account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. The above information is certified by the actuary.

#### 12.SEGMENTAL REPORTING :

- (i) As the Company's business for the year consists of one reportable business segment of manufacturing and sale of Active Pharma Ingredients and Intermediates and consists of major revenue on account of exports out of India, no separate disclosures pertaining to attributable Revenues, Profits, Assets, Liabilities and Capital Employed are given.
- (ii) As part of Secondary reporting, revenues are attributed to geographical areas based on the location of the customers as detailed below :

(Rs. in Lakhs)

Particulars	2011-12		2010-11	
	Revenue	%	Revenue	%
Exports	164923.82	89.28	120327.57	91.19
Domestic	19810.83	10.72	11621.47	8.81
Total	184734.65	100.00	131949.04	100.00

Note : The Company does not track its assets and liabilities by geographical area

#### 13.TRANSACTIONS WITH RELATED PARTIES :

- a) The List of Related Parties with whom transactions have taken place and nature of relationship is :
  - i) KEY MANAGEMENT PERSONNEL :
    1. Dr. Murali K. Divi
    2. Mr. N.V. Ramana
    3. Dr. P. Gundu Rao
    4. Mr. D. Madhusudana Rao
    5. Mr. Kiran S. Divi

## ii) RELATIVES OF KEY MANAGEMENT PERSONNEL :

1. Mr. N. Lakshmana Rao
2. Mr. Mallikarjuna Rao Divi
3. Mrs. Nilima Motaparti

## (iii) SUBSIDIARIES :

1. Divis Laboratories (USA) Inc
2. Divi's Laboratories Europe AG

## b) Transactions with Related Parties :

(Rs. in Lakhs)

S. No.	Particulars	2011-12		2010-11	
		Amount	Outstanding as at 31.03.2012	Amount	Outstanding as at 31.03.2011
1	Managerial Remuneration to Key Management Personnel	<b>4393.77</b>	<b>4083.96</b>	3157.08	2828.97
2	Lease Rent to Key Management Personnel	<b>28.35</b>	<b>2.46</b>	27.00	2.31
3	Lease Rent to Relative of Key Management Personnel	<b>28.35</b>	<b>2.46</b>	27.00	2.31
4	Salary and Allowances to Relatives of Key Management Personnel	<b>4.31</b>	<b>0.32</b>	4.31	0.32
5	Investment in Capital of Subsidiaries	-	-	223.25	281.61
6	Advances to Subsidiaries	-	<b>4340.97</b>	-	3769.57
7	Sales to Subsidiaries	<b>4780.70</b>	<b>5048.40</b>	5302.78	3663.47
8	Purchases of Goods and Materials from Subsidiaries	<b>41.19</b>	<b>41.06</b>	4.40	4.33
9	Interest receivable from a Subsidiary written off	-	-	190.67	-

## c) Disclosure in respect of transactions which are more than 10% of the total transactions of the same type with related parties during the year :

(Rs. in Lakhs)

Name of transaction	Name of the Party	2011-12	2010-11
Managerial Remuneration	Dr. Murali K. Divi	<b>2314.85</b>	1628.87
	Mr. N.V. Ramana	<b>1189.04</b>	846.26
	Dr. P. Gundu Rao	<b>16.61</b>	37.67
	Mr. D. Madhusudana Rao	<b>65.76</b>	65.76
	Mr. Kiran S. Divi	<b>807.51</b>	578.52
Salary and Allowances	Mr. N. Lakshmana Rao	<b>2.15</b>	2.15
	Mr. D.Mallikarjuna Rao	<b>2.16</b>	2.16
Rent	Mr. Kiran S. Divi	<b>28.35</b>	27.00
	Mrs. Nilima Motaparti	<b>28.35</b>	27.00

(Rs. in Lakhs)

Name of transaction	Name of the Party	2011-12	2010-11
Sales to Subsidiaries	Divis Laboratories (USA) Inc.	<b>3869.09</b>	4182.13
	Divi's Laboratories Europe AG	<b>911.61</b>	1120.65
Purchase of Goods and Materials from Subsidiaries	Divi's Laboratories Europe AG	<b>10.06</b>	4.40
	Divis Laboratories (USA) Inc.	<b>31.13</b>	-
Interest from a Subsidiary written off	Divis Laboratories (USA) Inc.	-	190.67
Investment in Capital of Subsidiaries	Divis Laboratories (USA) Inc.	-	223.25

**14. LEASES :**

The Company has operating lease for office premise, which is renewable on a periodical basis and cancellable at its option. Rental expenses for operating lease recognised in Profit and Loss account for the year is Rs.56.70 Lakhs (Previous Year Rs.54.00 Lakhs).

The future minimum lease payments are as given below :

(Rs. in Lakhs)

Year Ending :	2011-12	2010-11
Not later than one year	<b>50.97</b>	56.70
Later than one year and not later than five years	<b>9.73</b>	60.70
Later than Five years	-	-

**15. EARNINGS PER SHARE (EPS) :**

The Numerator and denominator used to calculate Earnings Per Share :

	2011-12	2010-11
<b>A EARNINGS :</b>		
Profit attributable to Equity Shareholders ( Rs. in Lakhs)	<b>54596.93</b>	43556.61
<b>B NO. OF SHARES :</b>		
Weighted average number of Equity shares outstanding during the year (Nos.) - Basic	<b>13,26,73,325</b>	13,24,08,135
Add : Weighted average number of equity shares arising out of outstanding stock options that have diluting effect on Earnings Per Share	-	57,480
Weighted average number of Equity Shares outstanding during the year- Diluted	<b>13,26,73,325</b>	13,24,65,615
<b>C EARNINGS PER SHARE :</b>		
Earnings Per Share of Par Value Rs. 2/- each - Basic	<b>41.15</b>	32.90
Earnings Per Share of Par Value Rs. 2/- each - Diluted	<b>41.15</b>	32.88

**16. DEFERRED TAX :**

Movement of Provision for Deferred Tax for the year ended 31.03.2012 is as given below :

(Rs. in Lakhs)

Particulars	As at 01.04.2011	(Charges)/ Credit for the year	As at 31.03.2012
Timing Differences on account of :			
<u>Deferred Tax Liability :</u>			
a. Depreciation on Assets	5812.63	1074.60	<b>6887.23</b>
Total (A)	5812.63	1074.60	<b>6887.23</b>
<u>Deferred Tax Assets :</u>			
b. Expenses allowable on the basis of Payment	308.60	(159.60)	<b>149.00</b>
c. Others	12.84	(3.33)	<b>9.51</b>
Total (B)	321.44	(162.93)	<b>158.51</b>
Net (A-B)	5491.19	1237.53	<b>6728.72</b>

**17. DETAILS OF RAW MATERIALS CONSUMED :**

(Rs. in Lakhs)

Raw Materials	2011-12	2010-11
TOLUENE	<b>3573.72</b>	2300.34
BETA NAPHTHOL	<b>2693.45</b>	2392.20
METHANOL	<b>2673.13</b>	1515.56
ETHYL ACETATE	<b>2326.87</b>	1157.77
CAUSTIC SODA LYE	<b>2096.13</b>	1185.43
P-ANISALDEHYDE	<b>1817.23</b>	911.53
SECONDARY BUTYL ALCOHOL	<b>1533.35</b>	1271.79
ISO PROPYL ALCOHOL (IPA)	<b>1442.38</b>	731.77
ALUMINIUM CHLORIDE	<b>1285.97</b>	1129.35
METHYLENE CHLORIDE	<b>1198.58</b>	976.68
OTHERS	<b>56227.18</b>	35095.55
TOTAL	<b>76867.99</b>	48667.97

**18. PURCHASE OF TRADED GOODS :**

(Rs. in Lakhs)

Particulars	Purchases	
	2011-12	2010-11
Active Pharma Ingredients and Intermediates	<b>10.06</b>	-

**19. DETAILS OF FINISHED GOODS :**

(Rs. in Lakhs)

Particulars	Sales Value		Closing Inventory		Opening Inventory	
	2011-12	2010-11	2011-12	2010-11	2011-12	2010-11
<b>Manufactured Goods</b>						
Active Pharma Ingredients and Intermediates	<b>184734.65</b>	131949.04	<b>1851.70</b>	1172.36	<b>1172.36</b>	5612.78
<b>Traded Goods</b>						
Active Pharma Ingredients and Intermediates	<b>5.11</b>	-	<b>7.42</b>	-	-	-

**20. DETAILS OF WORK-IN-PROGRESS :**

(Rs. in Lakhs)

Particulars	Closing Inventory	
	2011-12	2010-11
Active Pharma Ingredients and Intermediates	<b>31434.95</b>	31033.16

**21. VALUE OF IMPORTS CALCULATED ON C.I.F BASIS :**

(Rs. in Lakhs)

	2011-12	2010-11
	(i) Raw Materials	<b>34864.14</b>
(ii) Packing Material	<b>172.18</b>	67.24
(iii) Lab Chemicals	<b>118.19</b>	64.23
(iv) Components and Spare parts	<b>74.50</b>	179.29
(v) Capital goods	<b>1155.36</b>	1223.66

**22. EXPENDITURE IN FOREIGN CURRENCY (On accrual basis) :**

(Rs. in Lakhs)

Particulars	2011-12	2010-11
Membership and Subscription	<b>49.38</b>	51.54
Books and Periodicals	<b>20.52</b>	7.74
Travelling Expenses	<b>66.02</b>	45.34
Consultancy charges	<b>154.23</b>	48.53
Sales commission	<b>372.60</b>	261.19
Foreign Bank charges	<b>55.69</b>	42.30
Interest	<b>8.26</b>	27.03
Others	<b>69.03</b>	40.16

**23. VALUE OF ALL IMPORTED RAW MATERIALS, SPARE PARTS AND COMPONENTS CONSUMED DURING THE FINANCIAL YEAR AND THE TOTAL VALUE OF ALL INDIGENOUS RAW MATERIALS, SPARE PARTS AND COMPONENTS SIMILARLY CONSUMED AND THE PERCENTAGE OF EACH TO THE TOTAL CONSUMPTION :**

(Rs. in Lakhs)

	2011-12		2010-11	
	Value	%	Value	%
<b>A. Raw Materials</b>				
Imported	<b>30319.93</b>	<b>39.44%</b>	16187.52	33.26%
Indigenous	<b>46548.06</b>	<b>60.56%</b>	32480.45	66.74%
Total	<b>76867.99</b>	<b>100.00%</b>	48667.97	100.00%
<b>B. Spare parts and components</b>				
Imported	<b>102.21</b>	<b>6.14%</b>	59.21	4.48%
Indigenous	<b>1563.31</b>	<b>93.86%</b>	1263.57	95.52%
Total	<b>1665.52</b>	<b>100.00%</b>	1322.78	100.00%

**24. AMOUNT REMITTED IN FOREIGN CURRENCY ON ACCOUNT OF DIVIDENDS :**

		2011-12	2010-11
A	Total No. of Non-resident Shareholders (Nos.)	3	3
B	Total No. of Shares held by them (Equity Shares of Rs. 2/- each) (Nos.)	51,000	51,000
C	Year to which dividend related to	2010-11	2009-10
D	Amount of dividend Remitted (Net of Tax Rs. NIL) (Rs.in Lakhs.)	5.10	3.06

**25. EARNINGS IN FOREIGN EXCHANGE (On accrual basis) :**

		(Rs. in Lakhs)	
		2011-12	2010-11
	FOB Value of Exports	160688.38	118118.94
	Contract Research Fee	589.58	238.40
	Job work charges	230.93	-

26. The Ministry of Corporate Affairs, Government of India, vide General Circular No. 2 and 3 dated 8th February 2011 and 21st February 2011 respectively has granted a general exemption from compliance with section 212 of the Companies Act, 1956, subject to fulfillment of conditions stipulated in the circular. The Company has satisfied the conditions stipulated in the circular and hence is entitled to exemption. Necessary information relating to the subsidiaries has been included in Consolidated Financial Statements.

Signed on 12th day of May, 2012 at Visakhapatnam.

For and on behalf of the Board

Per Our Report of Even Date  
**For P.V.R.K. NAGESWARA RAO & CO**  
 Chartered Accountants  
 Firm's Registration Number : 002283S

**Dr. MURALI K. DIVI**                      **N.V. RAMANA**  
 Chairman and Managing Director      Executive Director

**P.V.R.K. NAGESWARA RAO**  
 Partner  
 Membership Number : 18840

**L. KISHOREBABU**                      **P.V. LAKSHMI RAJANI**  
 Chief Financial Officer                  Company Secretary

## Statement Pursuant To Section 212 Of The Companies Act, 1956 Relating To Subsidiary Companies

Sl. No.	Particulars	DIVIS LABORATORIES (USA) INC.	DIVI'S LABORATORIES EUROPE AG
1	Financial year of the subsidiary company ended on	31st March, 2012	31st March, 2012
2	Holding company's interest	100% in equity shares	100% in equity shares
3	No. of shares held by the holding company in the subsidiary	2000	200
4	The net aggregate of profits or losses of the subsidiary for the current period so far as it concerns the members of the holding company		
	a. Dealt with or provided for in the accounts of the holding company (INR in Lakhs)	Nil	Nil
	b. Not dealt with or provided for in the accounts of the holding company	Rs. (640.36) Lakhs USD (352054)	Rs. (630.17) Lakhs CHF (367832.51)
5	The net aggregate of profits or losses for previous financial years of the subsidiary so far as it concerns the members of the holding company		
	a. Dealt with or provided for in the accounts of the holding company	Nil	Nil
	b. Not dealt with or provided for in the accounts of the holding company	Rs. (1817.00) Lakhs USD (3017234)	Rs. (2531.23) Lakhs CHF (4098642)
6	Changes in the interest of Divi's Laboratories Limited, between the end of the last financial year and 31st March, 2012	Nil	Nil
7	Material changes between the end of the last financial year and 31st March, 2012	Nil	Nil

For and on behalf of the Board

**Dr. MURALI K. DIVI**  
Chairman and Managing Director

**N.V. RAMANA**  
Executive Director

Visakhapatnam  
12.05.2012

**L. KISHOREBABU**  
Chief Financial Officer

**P.V. LAKSHMI RAJANI**  
Company Secretary

## Auditors' Report On Consolidated Financial Statements

To  
The Board of Directors,  
**DIVI'S LABORATORIES LIMITED**  
**Hyderabad.**

1. We have audited the attached consolidated Balance Sheet of **DIVI'S LABORATORIES LIMITED** ('the Company') and its Subsidiaries as at March 31, 2012 and also the consolidated Statement of profit and loss and the consolidated cash flow statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These consolidated financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information of the Company and its Subsidiaries. Our responsibility is to express an opinion on these consolidated 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 whether the consolidated financial statements are free of material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of 2 (Two) Subsidiaries whose financial statements reflect their share of total assets of Rs.6169.43 Lakhs as at 31st March, 2012 and their share of total loss of Rs.1422.66 Lakhs and their net cash inflows amounting to Rs.424.01 Lakhs for the year ended on that date as considered in the consolidated financial statements. The financial statements and other financial information of these subsidiaries have been audited by other auditors, whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of these subsidiaries, is based solely on the reports of such other auditors.
4. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard 21 - Consolidated Financial Statements, notified under the provisions of the Companies Act, 1956.
5. Based on our audit and on consideration of the reports of other auditors on separate financial statements and on the other financial information of the entities, in our opinion and to the best of our information and according to the explanations given to us, the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India in the case of :
  - (i) Consolidated Balance Sheet, of the consolidated state of affairs of the Company and its subsidiaries as at March 31, 2012;
  - (ii) Consolidated Statement of Profit and Loss, of the consolidated results of operations of the Company and its subsidiaries for the year ended on that date; and
  - (iii) Consolidated Cash Flow Statement, of the consolidated cash flows of the Company and its subsidiaries for the year ended on that date.

For **P.V.R.K. NAGESWARA RAO & CO.,**  
Chartered Accountants  
Firm's Registration Number : 002283S

**P.V.R.K. NAGESWARA RAO**  
Partner  
Membership No. 18840

Visakhapatnam  
12-05-2012

## Consolidated Balance Sheet as at 31st March, 2012

(Rs. in Lakhs)

Particulars	Note No.	As At 31st March, 2012		As At 31st March, 2011	
<b>EQUITY AND LIABILITIES</b>					
<b>Shareholders' funds</b>					
Share capital	1	<b>2654.69</b>		2651.90	
Reserves and surplus	2	<b>210497.54</b>	<b>213152.23</b>	177095.85	179747.75
<b>Non-current Liabilities</b>					
Long-term borrowings	3	<b>255.69</b>		492.12	
Deferred tax liabilities (Net)	4	<b>6089.36</b>		5003.96	
Other Long-term liabilities	5	<b>625.49</b>		961.55	
Long-term provisions	6	<b>164.62</b>	<b>7135.16</b>	281.78	6739.41
<b>Current Liabilities</b>					
Short-term borrowings	7	<b>5020.37</b>		1362.43	
Trade payables	8	<b>15953.97</b>		12300.41	
Other current liabilities	9	<b>13582.61</b>		10535.11	
Short-term provisions	10	<b>20821.40</b>	<b>55378.35</b>	16792.49	40990.44
<b>TOTAL</b>			<b>275665.74</b>		<b>227477.60</b>
<b>ASSETS</b>					
<b>Non-current assets</b>					
<b>Fixed assets</b>					
Tangible assets	11	<b>73841.64</b>		58993.44	
Capital work in progress		<b>18157.78</b>		10371.58	
Unallocated expenditure pending capitalisation	12	<b>41.06</b>		61.99	
		<b>92040.48</b>		69427.01	
Non-current investments	13	-		-	
Long-term loans and advances	14	<b>8137.67</b>		3610.94	
Other non-current assets	15	<b>392.76</b>	<b>100570.91</b>	368.62	73406.57
<b>Current assets</b>					
Current investments	16	<b>47703.90</b>		52563.82	
Inventories	17	<b>67896.26</b>		57170.55	
Trade receivables	18	<b>49558.48</b>		36523.26	
Cash and Bank balances	19	<b>3093.55</b>		1767.28	
Short-term loans and advances	20	<b>6550.73</b>		5902.31	
Other current assets	21	<b>291.91</b>	<b>175094.83</b>	143.81	154071.03
<b>TOTAL</b>			<b>275665.74</b>		<b>227477.60</b>
Significant Accounting Policies and Notes on Accounts	31				

For and on behalf of the Board

Per Our Report of Even Date  
**For P.V.R.K. NAGESWARA RAO & CO**  
 Chartered Accountants  
 Firm's Registration Number : 002283S

**Dr. MURALI K. DIVI**  
 Chairman and Managing Director

**N.V. RAMANA**  
 Executive Director

**P.V.R.K. NAGESWARA RAO**  
 Partner  
 Membership Number : 18840

**L. KISHOREBABU**  
 Chief Financial Officer

**P.V. LAKSHMI RAJANI**  
 Company Secretary

Visakhapatnam  
 12.05.2012

## Consolidated Statement of Profit and Loss for the Year ended 31st March, 2012

(Rs. in Lakhs)

Particulars	Note No.	For the Year ended 31st March, 2012	For the Year ended 31st March, 2011
<b>REVENUE</b>			
<b>Revenue from operations</b>			
Sale of products		186650.18	132116.52
Sale of services	22	978.76	321.64
Other operating revenues	23	543.72	621.45
		<u>188172.66</u>	<u>133059.61</u>
Less: Excise duty		1769.43	1405.18
		<u>186403.23</u>	<u>131654.43</u>
<b>Other income</b>	24	<b>5604.83</b>	<b>2711.91</b>
<b>Total Revenue</b>		<u><b>192008.06</b></u>	<u><b>134366.34</b></u>
<b>EXPENSES</b>			
Cost of materials consumed	25	77104.71	48824.39
Changes in inventories of finished goods, work-in-progress and Stock-in-trade	26	(940.84)	2458.06
Employee benefits expense	27	15085.27	11722.79
Finance costs	28	374.32	151.65
Research and development expenses	29	1885.92	1598.09
Depreciation		6208.16	5339.63
Other expenses	30	24227.66	17034.29
<b>Total Expenses</b>		<u><b>123945.20</b></u>	<u><b>87128.90</b></u>
<b>Profit before tax</b>		<b>68062.86</b>	<b>47237.44</b>
<b>Tax expense</b>			
Current tax		13275.00	3920.00
MAT credit utilisation		292.00	127.60
Deferred tax		1085.40	262.83
Income tax adjustments		84.05	0.07
		<u>14736.45</u>	<u>4310.50</u>
<b>Profit for the Year</b>		<u><b>53326.41</b></u>	<u><b>42926.94</b></u>
<b>Earnings per equity share :</b>			
(Face value Rs.2/- per share)			
Basic		40.19	32.42
Diluted		40.19	32.41
Number of shares used in computing earnings per share			
Basic		132673325	132408135
Diluted		132673325	132465615
Significant Accounting Policies and Notes on Accounts	31		

For and on behalf of the Board

Per Our Report of Even Date  
**For P.V.R.K. NAGESWARA RAO & CO**  
 Chartered Accountants  
 Firm's Registration Number : 002283S

**Dr. MURALI K. DIVI**  
 Chairman and Managing Director

**N.V. RAMANA**  
 Executive Director

**P.V.R.K. NAGESWARA RAO**  
 Partner  
 Membership Number : 18840

**L. KISHOREBABU**  
 Chief Financial Officer

**P.V. LAKSHMI RAJANI**  
 Company Secretary

Visakhapatnam  
 12.05.2012

Consolidated Statement of Profit and Loss

## Consolidated Cash Flow Statement For The Year Ended 31st March, 2012

(Rs. in Lakhs)

Particulars	For the Year ended 31st March, 2012	For the Year ended 31st March, 2011
<b>I CASH FLOW / (USED) FROM OPERATING ACTIVITIES :</b>		
Profit before tax for the year	68062.86	47237.44
Add/ (Less) : Adjustments for :		
Depreciation	6208.16	5339.63
Provision for Doubtful Debts	10.02	13.52
Unrealised Foreign Exchange (Gain)	(232.89)	(208.82)
Provision for diminution in value of investments no longer required	(9.64)	-
Provison for Doubtful Debts no longer required	(11.18)	-
Interest Expense	249.47	66.30
Wealth Tax	0.59	0.83
Interest Income	(70.04)	(120.49)
Bad debts written off	1.32	0.40
Claims written off	0.14	-
Provision for diminution in value of investments	-	9.64
Dividend from Current Investments	(3552.40)	(2432.22)
Loss on Sale of Assets (Net)	0.02	0.45
Book Deficit on Assets Discarded	93.99	18.21
	<u>2687.56</u>	<u>2687.45</u>
	70750.42	49924.89
Add / (Less) : Adjustments for Working Capital Changes :		
(Increase) in Inventories	(10725.71)	(7320.11)
(Increase) in Trade Receivables	(11490.98)	(16094.64)
(Increase) in Fixed Deposits pledged with Banks and dividend accounts with banks	(1042.49)	(12.51)
(Increase)/ Decrease in Other Receivables	(6313.77)	294.30
Increase in Trade Payables and Other Payables	5326.41	9205.36
	<u>(24246.54)</u>	<u>(13927.60)</u>
Cash generated from operations	46503.88	35997.29
Less : Direct taxes paid	12668.17	3342.08
<b>Net Cash flow from operating activities</b>	<u>33835.71</u>	<u>32655.21</u>
<b>II CASH FLOW / (USED) FROM INVESTING ACTIVITIES :</b>		
Purchase of Fixed assets	(28918.44)	(16271.77)
Sale of Fixed assets	2.80	0.70
Sale of Current Investments	10034.84	58386.25
Purchase of Current Investments	(5165.28)	(66978.15)

Particulars	(Rs. in Lakhs)	
	For the Year ended 31st March, 2012	For the Year ended 31st March, 2011
Dividend from Current Investments	3552.40	2432.22
Interest Received	52.61	300.23
<b>Net Cash (used) in Investing activities</b>	<b>(20441.07)</b>	<b>(22130.52)</b>
<b>III CASH FLOW/ (USED) FROM FINANCING ACTIVITIES :</b>		
Consideration for Issue of Shares under ESOP	139.18	450.96
Repayment of Long Term Borrowings	(236.43)	(1783.61)
Proceeds from Short Term Borrowings	3657.94	803.30
Interest Paid	(251.13)	(68.21)
Gain / (Loss) on Forex Hedging / Swap Arrangements	(1003.50)	(573.02)
Dividend Paid (including Corporate Dividend Tax )	(15416.92)	(9245.50)
<b>Net Cash (Used) in Financing Activities</b>	<b>(13110.86)</b>	<b>(10416.08)</b>
IV Net Increase / (Decrease) in cash and cash equivalents	283.78	108.61
V Cash and Cash Equivalents as at the beginning of the year	1447.77	1339.16
VI Cash and Cash Equivalents as at the end of the year	1731.55	1447.77
<b>Note : CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR</b>	<b>2011-12</b>	<b>2010-11</b>
Cash and Bank Balances as per Balance Sheet	3093.55	1767.28
Less : Deposits lodged towards Security Deposits, Margin Money against Bank Gurantees and other designated accounts dealt seperately.	1362.00	319.51
	<b>1731.55</b>	<b>1447.77</b>

**Note :** 1 Figures in brackets indicate cash outgo.

2 The above cash flow statement has been prepared under the indirect method set out in Accounting Standard -3 notified under the Companies Act, 1956

3 Significant Accounting Policies and Notes on Accounts (Note No.31) form an Integral part of the Cash Flow Statement

4 Previous year figures have been regrouped / reclassified to conform to current year classification.

For and on behalf of the Board

Per Our Report of Even Date  
For **P.V.R.K. NAGESWARA RAO & CO**  
Chartered Accountants  
Firm's Registration Number : 002283S

**Dr. MURALI K. DIVI**  
Chairman and Managing Director

**N.V. RAMANA**  
Executive Director

**P.V.R.K. NAGESWARA RAO**  
Partner  
Membership Number : 18840

**L. KISHOREBABU**  
Chief Financial Officer

**P.V. LAKSHMI RAJANI**  
Company Secretary

Visakhapatnam  
12.05.2012

## Notes To Consolidated Balance Sheet

(Rs. in Lakhs)

Note No.	Particulars	As at 31st March, 2012	As at 31st March, 2011
<b>1.</b>	<b>SHARE CAPITAL :</b>		
	<b>Authorised :</b>		
	15,00,00,000 Equity Shares of Rs.2/- each	<u>3000.00</u>	<u>3000.00</u>
	<b>Issued :</b>		
	13,27,34,290 (Previous Year 13,25,95,110) Equity Shares of Rs.2/- each	<u>2654.69</u>	<u>2651.90</u>
	<b>Subscribed and paid up :</b>		
	13,27,34,290 (Previous Year 13,25,95,110) Equity Shares of Rs 2/- each fully paid up (Of the above 6,55,97,975 Equity Shares of Rs.2/- each have been allotted as Bonus Shares)	<u>2654.69</u>	<u>2651.90</u>

### Reconciliation of the number of Equity Shares Outstanding is set out below :

Particulars	As at 31st March, 2012 Number	As at 31st March, 2011 Number
Shares outstanding at the beginning of the year	<b>132595110</b>	132144145
Shares issued during the year - ESOP	<b>139180</b>	450965
Shares outstanding at the end of the year	<b>132734290</b>	132595110

### The details of Shareholders holding more than 5% of the equity capital is set out below :

Name of Shareholder	As at 31st March, 2012		As at 31st March, 2011	
	No. of Shares Held	% of Holding	No. of Shares Held	% of Holding
<b>PROMOTERS GROUP :</b>				
Dr. Murali Krishna Prasad Divi	<b>7783500</b>	<b>5.86</b>	50783500	38.30
Satchandra Kiran Divi	<b>23000000</b>	<b>17.33</b>	7000000	5.28
Swarnalatha Divi	<b>7000000</b>	<b>5.27</b>	7000000	5.28
Nilima Motaparti	<b>27000000</b>	<b>20.35</b>	-	-
<b>OTHER THAN PROMOTERS GROUP :</b>				
Reliance Capital Trustee Company Limited	<b>11873711</b>	<b>8.95</b>	11744879	8.86

### Terms/rights attached to equity shares :

The company has only one class of equity shares having a par value of Rs.2/- per share. Each holder of equity shares is entitled to one vote per share. The company declares and pays dividends in Indian rupees. The dividend proposed by the Board of Directors is subject to the approval of the shareholders in the ensuing Annual General Meeting.

During the year ended 31st March 2012, the amount of per share dividend recognised as distributions to equity shareholders was Rs.13/- (31st March 2011 : Rs. 10/-)

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

(Rs. in Lakhs)

Note No.	Particulars	As at 31st March, 2012		As at 31st March, 2011	
<b>2.</b>	<b>RESERVES AND SURPLUS :</b>				
	<b>Capital Reserve</b>		<b>32.58</b>		32.58
	<b>Securities Premium Account :</b>				
	As Per Last Account		10408.02		9648.79
	Add : Premium on allotment of equity shares against options availed under ESOP Scheme		234.31		759.23
			<b>10642.33</b>		10408.02
	<b>Share Options Outstanding Account :</b>				
	As Per Last Account		97.92		415.20
	Less : Exercise of Options Granted		97.92		317.28
			-		97.92
	<b>General Reserve :</b>				
	As Per Last Account		27500.00		20000.00
	Add : Amount transferred from Consolidated Statement of Profit and Loss		12500.00		7500.00
			<b>40000.00</b>		27500.00
	<b>Foreign Currency Translation Reserve</b>		19.29		19.29
	<b>Balance in Consolidated Statement of Profit and Loss (Surplus) :</b>				
	As Per Last Account		139038.04		119021.64
	<b>Add : Profit as per Consolidated Statement of Profit and Loss</b>		<b>53326.41</b>		42926.94
	Total available for allocations and appropriations		<b>192364.45</b>		161948.58
	<b>Less : Allocations and appropriations :</b>				
	Proposed Dividend		17255.46		13259.51
	Provision for Corporate Dividend Tax		2799.27		2151.03
	Dividend of earlier year		5.49		-
	Corporate Dividend Tax of earlier year		0.89		-
	Amount transferred to General Reserve		12500.00		7500.00
	Profit carried forward to next year		<b>159803.34</b>		139038.04
			<b>210497.54</b>		177095.85
<b>3.</b>	<b>LONG-TERM BORROWINGS :</b>				
	<b>Term Loans (Secured) :</b>				
	From Banks		249.66		653.68
	Less : Current maturities of long-term debt		249.66		435.79
			-		217.89

Note No.	Particulars	As at 31st March, 2012		As at 31st March, 2011	
	<b>1. Nature of Security :</b>				
	Secured by equitable mortgage of specified immovable properties of the Company and further secured by first charge of all the movables (Save and except Book-debts) including movable machinery, machinery spares, tools and accessories present and future, subject to prior charge created and / or to be created in favour of the bankers on the stocks for working Capital Requirements.				
	<b>2. Terms of Repayment :</b>				
	Period : 7 years				
	Number of Installments due : 2 quarterly instalments				
	Amount of Installments due : USD 4,88,035				
	Rate of Interest : 160 BP over 6 month LIBOR				
	<b>3. The above Term Loans and interest due thereon have been paid upto date and there are no continuing defaults.</b>				
	<b>Deferred Payment Liabilities (Unsecured) :</b>				
	Deferred Sales Tax Credit	274.24		288.46	
	Less: Current maturities of long-term debt	18.55	255.69	14.23	274.23
	<b>1. Term of Repayment :</b>				
	Period : 14 Years				
	Number of Installments due : 6				
	Rate of Interest : Interest free				
	<b>2. The above liability has been paid upto date and there are no continuing defaults.</b>		255.69		492.12
	<b>4. DEFERRED TAX LIABILITIES( NET) :</b>				
	Opening balance at the beginning of the year		5003.96		4741.13
	Add : Adjustments during the year		1085.40		262.83
			6089.36		5003.96
	<b>5. OTHER LONG-TERM LIABILITIES :</b>				
	<b>Trade Payables :</b>				
	Dues of Micro and Small Enterprises		-		-
	Dues of Enterprises other than Micro and Small Enterprises		1.88		1.89
	<b>Others :</b>				
	Advance from Customers	540.36		608.09	
	Creditors for Capital Works	-		175.48	
	Other Payables	83.25	623.61	176.09	959.66
			625.49		961.55

(Rs. in Lakhs)

Note No.	Particulars	As at 31st March, 2012	As at 31st March, 2011
<b>6.</b>	<b>LONG-TERM PROVISIONS :</b>		
	Provision for employee benefits	164.62	281.78
		<u>164.62</u>	<u>281.78</u>
<b>7.</b>	<b>SHORT-TERM BORROWINGS :</b>		
	<b>Loans repayable on demand :</b>		
	<b>Working Capital Loans from banks (Secured) :</b>	5020.37	1362.43
	<b>1. Nature of Security :</b>		
	(Secured by hypothecation of stocks and book debts and receivables and further secured by second charge on specified fixed assets of the company)		
	<b>2.</b> There are no defaults in repayment of loans and interest		
	<b>3.</b> The above loans carry interest @ 14% to 15% p.a.	<u>5020.37</u>	<u>1362.43</u>
<b>8.</b>	<b>TRADE PAYABLES :</b>		
	Dues of Micro and Small Enterprises	-	-
	Dues of Enterprises other than Micro and Small Enterprises	15953.97	12300.41
		<u>15953.97</u>	<u>12300.41</u>
<b>9.</b>	<b>OTHER CURRENT LIABILITIES :</b>		
	Current maturities of long-term debt	268.21	450.01
	Interest accrued but not due on borrowings	1.35	3.01
	Advance from Customers	1033.27	1780.46
	Unpaid Dividends	39.66	31.29
	(Of the above, there is no amount due and outstanding to be credited to Investor Education and Protection Fund)		
	<b>Other Payables :</b>		
	Creditors for Capital Works	3998.93	2452.50
	Statutory Liabilities	128.05	152.09
	Others	8113.14	5665.75
		<u>12240.12</u>	<u>8270.34</u>
		<u>13582.61</u>	<u>10535.11</u>
<b>10.</b>	<b>SHORT-TERM PROVISIONS :</b>		
	Provision for Employee benefits	59.26	488.17
	Provision for mark-to-market losses on derivative contracts	707.41	893.78
	Proposed Dividend	17255.46	13259.51
	Provision for Tax on Proposed Dividend	2799.27	2151.03
		<u>20821.40</u>	<u>16792.49</u>

**11. CONSOLIDATED FIXED ASSETS :** (Rs. in Lakhs)

Sl. No.	Description	GROSS BLOCK			DEPRECIATION			NET BLOCK			
		Cost as at 01.04.2011	Additions	Deductions	Total Upto 31.03.2012	Upto 01.04.2011	For the Year	On Deductions	Total Upto 31.03.2012	As at 31.03.2012	As at 31.03.2011
<b>TANGIBLE ASSETS :</b>											
1	Land and Development	2010.42	19.62	-	<b>2030.04</b>	-	-	-	-	<b>2030.04</b>	2010.42
2	Buildings	17042.65	3606.20	0.12	<b>20648.73</b>	2756.84	565.95	0.01	<b>3322.78</b>	<b>17325.95</b>	14285.81
3	Plant and Equipment	61866.29	16331.25	405.98	<b>77791.56</b>	24549.17	5228.34	333.65	<b>29443.86</b>	<b>48347.70</b>	37317.12
4	Laboratory Equipment	5012.20	844.75	-	<b>5856.95</b>	1113.08	250.52	-	<b>1363.60</b>	<b>4493.35</b>	3899.12
5	Furniture and Fittings	457.46	37.54	0.84	<b>494.16</b>	225.56	26.09	0.60	<b>251.05</b>	<b>243.11</b>	231.90
6	Vehicles	527.31	43.82	25.74	<b>545.39</b>	364.02	41.41	23.00	<b>382.43</b>	<b>162.96</b>	163.29
7	Office and other Equipment	1263.89	232.48	42.14	<b>1454.23</b>	313.53	58.17	23.20	<b>348.50</b>	<b>1105.73</b>	950.36
8	Computers	389.93	37.51	43.14	<b>384.30</b>	254.51	37.68	40.69	<b>251.50</b>	<b>132.80</b>	135.42
<b>Total</b>		88570.15	21153.17	517.96	<b>109205.36</b>	29576.71	6208.16	421.15	<b>35363.72</b>	<b>73841.64</b>	58993.44
	Previous year Total	83293.08	5368.89	91.82	<b>88570.15</b>	24309.55	5339.63	72.47	<b>29576.71</b>	<b>58993.44</b>	58983.53

(Rs. in Lakhs)

Note No.	Particulars	As at 31st March, 2011	For the Year	As at 31st March, 2012
<b>12.</b>	<b>STATEMENT OF UNALLOCATED EXPENDITURE PENDING CAPITALISATION INCURRED UPTO 31ST MARCH 2012 :</b>			
	Materials consumed	-	1124.72	<b>1124.72</b>
	Salaries,wages,bonus and other allowances	43.13	72.15	<b>115.28</b>
	Contribution to Provident and other funds	1.03	1.05	<b>2.08</b>
	Contribution to ESI	0.05	1.03	<b>1.08</b>
	Staff welfare expenses	0.05	4.65	<b>4.70</b>
	Interest	3.24	2.68	<b>5.92</b>
	Power and fuel	3.06	21.97	<b>25.03</b>
	Repairs to Machinery	-	5.39	<b>5.39</b>
	Insurance Premium	-	0.32	<b>0.32</b>
	Rates and taxes, excluding taxes on income	0.19	0.09	<b>0.28</b>
	Printing and stationery	0.27	0.49	<b>0.76</b>
	Communication expenses	0.02	-	<b>0.02</b>
	Travelling and conveyance	0.31	0.81	<b>1.12</b>
	Professional and consultancy charges	0.11	-	<b>0.11</b>
	General expenses	10.02	28.96	<b>38.98</b>
	Bank charges and commission	0.67	0.77	<b>1.44</b>
	Freight outward	-	1.73	<b>1.73</b>
	Depreciation	-	0.40	<b>0.40</b>
	Net gain on foreign currency transactions	(0.16)	-	<b>(0.16)</b>
	Stock out of trial runs	-	(1179.84)	<b>(1179.84)</b>
		61.99	87.37	<b>149.36</b>
	Less : Expenditure capitalised during the year			<b>108.30</b>
	Balance			<b>41.06</b>

	As at 31st March, 2012	As at 31st March, 2011
<b>13. NON-CURRENT INVESTMENTS :</b>		
<i>(Long Term Investments)</i>		
<b>Investments in Equity Instruments (Non Trade, Unquoted, fully paid up) :</b>		
(At Cost less provision for other than temporary diminution in value)		
<b>In Other Companies :</b>		
Pattan Cheru Enviro - Tech Limited		
12,000 Equity Shares of Rs.10/- each	<b>1.20</b>	1.20
Less : Provision for diminution in value of Investments	<b>1.20</b>	1.20

(Rs. in Lakhs)

Note No.	Particulars	As at 31st March, 2012	As at 31st March, 2011
		-	-
	Aggregate amount of unquoted Investments	1.20	1.20
	Aggregate provision made for diminution in value of investments	1.20	1.20
<b>14.</b>	<b>LONG-TERM LOANS AND ADVANCES :</b>		
	(Unsecured, considered good)		
	Capital Advances	6739.50	2499.08
	Security Deposits	753.25	685.79
	Loans and advances to related parties	-	-
	Pre-paid Expenses	11.26	8.28
	Other Loans and advances	633.66	417.79
		<u>8137.67</u>	<u>3610.94</u>
<b>15.</b>	<b>OTHER NON CURRENT ASSETS :</b>		
	<b>Long term trade receivables :</b>		
	Unsecured, considered good	241.51	217.38
	Unsecured, considered doubtful	28.13	26.89
	Less : Provision for doubtful debts	28.13	26.89
	Other receivables	151.25	151.24
		<u>392.76</u>	<u>368.62</u>
<b>16.</b>	<b>CURRENT INVESTMENTS :</b>		
	<b>Investments in Mutual Funds :</b>		
	<b>Unquoted ( At lower of Cost and Net Asset Value)</b>		
A	SBI Mutual Fund - SBI-SHF-Ultra Short Term Fund Institutional Plan - Daily Dividend Scheme 37,68,129 (Previous year 32,51,91,090) Units of Rs.1000/- each (Previous Year 10/- each) (Net Asset Value : Rs.37703.90 lakhs, Previous Year : Rs.32538.62 lakhs)	37703.90	32538.62
B	SBI Mutual Fund - SBI-Magnum Income Fund FR Savings Plus Bond Plan - Dividend Nil (Previous year 7,07,20,919) Units of Rs.10/- each (Net Asset Value Rs. Nil (Previous Year Rs.7525.20 lakhs) Less : Provision for diminution in value of Investments	-	7534.84
		-	9.64
C	SBI Mutual Fund - SBI Debt Fund Series 10,00,00,000 (Previous Year 12,50,00,000) Units of Rs.10/- each (Net Asset Value Rs. 10024.08 Lakhs (Previous Year Rs. 12555.25 lakhs)	10000.00	12500.00
		<u>47703.90</u>	<u>52563.82</u>
	(i) Aggregate amount of unquoted investments	47703.90	52573.46
	(ii) Aggregate Provision for diminution in value of Investments	-	9.64

(Rs. in Lakhs)

Note No.	Particulars	As at 31st March, 2012	As at 31st March, 2011
<b>17.</b>	<b>INVENTORIES : (Valued at lower of Cost and Net realisable Value)</b>		
	Raw Materials (including stock in transit of Rs.238.33 lakhs (previous year Rs.283.75 lakhs)	24621.18	17143.08
	Work - in - Progress	31434.95	31033.16
	Finished Goods	2466.72	1561.20
	Stock - in - Trade (including stock in transit of Rs.63.19 lakhs (previous year Nil))	2107.77	2451.35
	Stores and Spares	7152.05	4981.02
	Loose Tools	113.59	0.74
		<u>67896.26</u>	<u>57170.55</u>
<b>18.</b>	<b>TRADE RECEIVABLES :</b>		
	(Unsecured, Considered Good)		
	Outstanding for a period exceeding six months from the date they became due for payment :	676.74	162.60
	Others	48881.74	36360.66
		<u>49558.48</u>	<u>36523.26</u>
<b>19.</b>	<b>CASH AND BANK BALANCES :</b>		
	<b>Cash and Cash Equivalents :</b>		
	Cash on Hand	10.24	9.05
	<b>Balances with banks :</b>		
	In Current accounts	1721.31	1438.72
	In Unclaimed Dividend accounts	39.66	31.29
	Balances with banks to the extent held as Margin Money (Towards margin on Letter of Credits and Guarantees issued by banks)	1322.32	288.20
	Term deposits held for more than 12 months maturity (Pledged with Department of Commercial Taxes, Government of Andhra Pradesh)	0.02	0.02
		<u>3093.55</u>	<u>1767.28</u>
<b>20.</b>	<b>SHORT-TERM LOANS AND ADVANCES :</b>		
	(Unsecured, considered good)		
	Central excise duty deposit	1359.81	458.98
	Prepaid expenses	215.70	166.43
	Other advances and receivables	3989.28	2545.30
	MAT Credit Entitlements	800.87	1562.89
	Prepaid Taxes (Net of Provision for Taxation)	185.07	1168.71
		<u>6550.73</u>	<u>5902.31</u>
<b>21.</b>	<b>OTHER CURRENT ASSETS :</b>		
	Interest accrued on deposits	47.54	30.11
	Export Incentives receivable	244.37	113.70
		<u>291.91</u>	<u>143.81</u>

## Notes to Consolidated Statement of Profit and Loss

(Rs. in Lakhs)

Note No.	Particulars	For the Year Ended 31st March, 2012	For the Year Ended 31st March, 2011
<b>22.</b>	<b>SALE OF SERVICES :</b>		
	Contract research fee	603.36	238.40
	Job work charges	375.40	83.24
		<u>978.76</u>	<u>321.64</u>
<b>23.</b>	<b>OTHER OPERATING REVENUES :</b>		
	Export incentives	254.71	420.17
	Sale of scrap out of manufacturing process	289.01	201.28
		<u>543.72</u>	<u>621.45</u>
<b>24.</b>	<b>OTHER INCOME :</b>		
	Interest income	70.04	120.49
	Dividend income from current investments	3552.40	2432.22
	Net gain on foreign currency transactions	1788.17	124.47
	Sale of other scrap	11.73	15.04
	Provision for diminution in value of investments no longer required	9.64	-
	Provision for doubtful debts no longer required	11.18	-
	Other non-operating Income	161.67	19.69
		<u>5604.83</u>	<u>2711.91</u>
<b>25.</b>	<b>COST OF RAW MATERIALS CONSUMED :</b>		
	Opening Inventory	16859.33	10487.20
	Add : Purchases during the year	84866.56	55196.52
		<u>101725.89</u>	<u>65683.72</u>
	Less : Closing Inventory	24621.18	16859.33
		<u>77104.71</u>	<u>48824.39</u>
<b>26.</b>	<b>CHANGE IN INVENTORY OF FINISHED GOODS AND WORK-IN-PROGRESS :</b>		
	<u>Finished Goods :</u>		
	Closing Inventory	2466.72	1561.20
	Opening Inventory	1561.20	5917.71
	Less : Excise duty adjustment in movement in finished goods inventory	(22.89)	6.66
		<u>(882.63)</u>	<u>4349.85</u>

(Rs. in Lakhs)

Note No.	Particulars	For the Year Ended 31st March, 2012		For the Year Ended 31st March, 2011	
	<u>Stock - in - Trade :</u>				
	Closing Inventory	<b>2107.77</b>		2451.35	
	Opening Inventory	<b>2451.35</b>	<b>343.58</b>	1541.03	(910.32)
	<u>Work-in-Progress :</u>				
	Closing Inventory	<b>31434.95</b>		31033.16	
	Opening Inventory	<b>31033.16</b>	<b>(401.79)</b>	30051.69	(981.47)
			<b>(940.84)</b>		<b>2458.06</b>
<b>27.</b>	<b>EMPLOYEE BENEFITS EXPENSE :</b>				
	Salaries, wages, bonus and other allowances		<b>14344.96</b>		10812.47
	Contribution to Provident and other funds		<b>213.34</b>		415.25
	Contribution to ESI		<b>97.10</b>		97.72
	Staff welfare expenses		<b>429.87</b>		397.35
			<b>15085.27</b>		<b>11722.79</b>
<b>28.</b>	<b>FINANCE COSTS :</b>				
	Interest expense		<b>114.42</b>		65.95
	Interest on Income Tax		<b>135.05</b>		0.35
	Other borrowing costs		<b>100.41</b>		80.18
	Net loss on foreign currency transactions and translation		<b>24.44</b>		5.17
			<b>374.32</b>		<b>151.65</b>
<b>29.</b>	<b>RESEARCH AND DEVELOPMENT EXPENSES :</b>				
	Raw Materials Consumed		<b>50.18</b>		54.32
	Salaries, wages, bonus and other Allowances		<b>1146.02</b>		1026.30
	Contribution to Provident and other funds		<b>26.55</b>		22.77
	Contribution to ESI		<b>6.89</b>		10.29
	Staff Welfare expenses		<b>1.96</b>		1.89
	Stores consumed		<b>357.13</b>		243.25
	Power and fuel		<b>120.21</b>		83.45
	Repairs to Buildings		<b>8.32</b>		7.17
	Repairs to Machinery		<b>18.87</b>		82.83
	Repairs to other assets		<b>6.83</b>		22.58
	Rates and taxes, excluding taxes on income		<b>16.93</b>		7.28
	Printing and stationery		<b>7.60</b>		7.33
	Communication expenses		<b>3.66</b>		0.30
	Travelling and conveyance		<b>0.72</b>		0.28
	Vehicle maintenance		<b>2.65</b>		1.44
	Professional and consultancy charges		<b>48.99</b>		0.01
	Miscellaneous expenses		<b>62.05</b>		26.26
	Bank charges and commission		<b>0.36</b>		0.34
			<b>1885.92</b>		<b>1598.09</b>

(Rs. in Lakhs)

Note No.	Particulars	For the Year Ended 31st March, 2012	For the Year Ended 31st March, 2011
<b>30.</b>	<b>OTHER EXPENSES :</b>		
	Consumption of stores and spare parts	1477.19	1250.90
	Packing materials consumed	1551.37	956.17
	Conversion charges	1040.56	580.52
	Power and fuel	8613.30	6265.05
	Repairs to Buildings	226.69	185.75
	Repairs to Machinery	1929.61	1550.90
	Repairs to other assets	68.65	97.32
	Insurance Premium	224.50	177.73
	Rates and taxes, excluding taxes on income	151.32	171.66
	Directors sitting fees	8.29	8.40
	Printing and stationery	209.44	167.95
	Rent	87.09	78.91
	Communication expenses	98.76	91.93
	Travelling and conveyance	388.66	300.26
	Vehicle maintenance	207.96	191.51
	<u>Payment to Auditors :</u>		
	As Statutory Audit	32.90	35.88
	As Tax Auditors	9.00	7.00
	For Certification	10.50	10.00
	For Quarterly Reviews	7.50	6.00
	For Taxation Matters	14.00	-
	For Reimbursement of expenses	0.65	0.68
	Professional and consultancy charges	216.94	136.91
	Factory upkeep	272.91	101.38
	Environment management expenses	732.97	557.40
	Advertisement	34.20	72.29
	Sales commission	548.05	446.38
	Carriage outward	4796.83	2460.84
	General expenses	1054.02	1006.79
	Bad debts written off	1.32	0.40
	Provision for doubtful debts	10.02	13.52
	Provision for diminution in value of investments	-	9.64
	Donations	0.85	0.66
	Loss on sale of assets (Net of profit on sale of assets of Rs. 0.46 lakhs ( Previous year Rs. Nil))	0.02	0.45
	Book deficit on assets discarded	93.99	18.21
	Claims written off	0.14	-
	Bank charges	87.02	73.87
	Prior year expenses	20.44	1.03
		<u>24227.66</u>	<u>17034.29</u>

## 31. Significant Accounting Policies And Notes On Accounts :

### I. SIGNIFICANT ACCOUNTING POLICIES :

#### 1. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS :

The consolidated financial statements have been prepared under historical cost convention and on accrual basis of accounting in accordance with the generally accepted accounting principles in India. These statements have been prepared in compliance with notified Accounting Standards issued under the provisions of the Companies Act, 1956 and also the Guidelines Issued by the Securities and Exchange Board of India. (SEBI).

#### 2. PRINCIPLES OF CONSOLIDATION :

- a. The consolidated financial statements include the financial statements of Divi's Laboratories Limited (Divi's), the Parent Company and its subsidiary companies in which Divi's, directly or indirectly, has an interest of more than one half voting power or otherwise has the power to control the composition of Board of Directors.
- b. The consolidated financial statements have been prepared combining the financial statements of the parent company and the subsidiary companies on a line by line basis by adding together the book value of like items of assets, liabilities, income and expenses after eliminating intra-group balances and transactions and resulting unrealised profits in full. Unrealised losses resulting from intra group transactions have also been eliminated except to the extent that recoverable value of related assets is lower than their cost.
- c. The Excess / deficit of cost to the parent company of its investments in the subsidiaries over its portion of equity at the respective dates on which investments in such entities were made is recognized in the financial statements as goodwill / capital reserve.
- d. The consolidated financial statements have been presented to the extent possible, in the same format as that adopted by the parent company for its separate financial statements.
- e. The consolidated statements have been prepared using uniform accounting principles for like transactions and other events in similar circumstances.

#### 3. USAGE OF ESTIMATES :

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires that the management makes estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities as at the date of the consolidated financial statements and the reported amounts of revenue and expenses for the year. Actual results could differ from these estimates and the difference if any will be recognised prospectively.

#### 4. FIXED ASSETS AND DEPRECIATION :

- a. Fixed assets are stated at cost of acquisition including freight, duties and installation expenses and expenditure during construction where applicable and net of tax credits availed against tax or cess paid on such items. Borrowing costs directly attributable to acquisition or construction of Fixed Assets which necessarily take a Substantial period of time to get ready for their intended use, incurred till the time of commencement of commercial production or their intended use are capitalised.
- b. Depreciation on Fixed Assets is provided under Straight Line Method at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956 or at the rates based on their estimated useful lives of the Assets.
- c. Depreciation is provided at one hundred per cent for assets costing less than Rs.5,000/-
- d. Depreciation on Fixed Assets used for the Project under construction is included under Unallocated Expenditure Pending Capitalisation.
- e. Revenue Expenditure incurred during the construction period of the Project is shown under "Unallocated Expenditure Pending Capitalisation" till the commencement of the commercial production and the same will be capitalized by allocating to relevant assets in the ratio of their direct cost.

- f. The carrying amounts of the assets are being tested on annual basis for impairment so as to determine the provision required for impairment loss if any or for reversal of the provision, if any, required on account of impairment loss recognised in previous periods.

**5. INVESTMENTS :**

- a) Investments are classified into Current and Long-term investments
- b) Current investments are valued at lower of cost and fair value.
- c) Long-term investments are valued at cost of acquisition, provision is made for decline, other than temporary, in the value of investments.

**6. INVENTORIES :**

Inventories are valued at lower of cost and net realisable value. The cost of inventories is being determined using weighted average cost method.

**7. RESEARCH AND DEVELOPMENT :**

Revenue Expenditure incurred for Research and Development is written off in the same year. Capital expenditure on Research and Development is shown as additions to Fixed Assets.

**8. EXCISE DUTY :**

Excise Duties recovered are included in "Gross Sales". Excise duty on despatches is shown as an item of expense and deducted from Gross Sales. The value of closing stock of finished goods includes excise duty paid / payable on such stocks wherever applicable.

**9. EMPLOYEE STOCK OPTION SCHEME :**

In accordance with the Securities and Exchange Board of India guidelines, the excess of the market price of the shares, at the date of grant of option under the employee stock option scheme, over the exercise price is treated as employee compensation and amortised over the vesting period of the stock options.

**10. FOREIGN EXCHANGE TRANSACTIONS :**

- a. Transactions in Foreign Exchange, other than those covered by forward contracts are accounted for at the exchange rate prevailing on the date of transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the Statement of Profit and Loss.
- b. Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date other than those covered by forward contracts are translated at the year end rates. The resultant exchange differences are recognised in the Statement of Profit and loss.
- c. Non-monetary assets and liabilities are recorded at the rates prevailing on the date of the transaction.
- d. Forward contracts are being entered into to mitigate the foreign currency risk of the underlying outstanding at the balance sheet date and also to hedge the foreign currency risk of firm commitments or highly probable forecast transactions. In case of forward contracts not intended for trading or speculative purposes, the premium or discount on all such contracts is amortised as income or expense over the life of the contract. Any profit or loss arising on cancellation or renewal of forward contracts is recognised as income or expense for the period. The exchange differences, consisting of the difference between (a) the foreign currency amount of the contract translated at the exchange rate at the reporting date or the settlement date where the transaction is settled during the reporting period and (b) the same foreign currency amount translated at the latter of the date of inception of the forward exchange contract and the last reporting date, are recognised in the statement of profit and loss in the reporting period in which the exchange rates change. In case of other forward contracts, the gain or loss, computed considering the exchange difference between the forward rate available at the reporting date for the remaining maturity of the contract and the contracted forward rate, is recognised as income or expense in the statement of profit and loss for the period.

- e. In case of foreign subsidiaries, assets, liabilities, Income and expenditure of such subsidiaries are translated considering that the operations of the subsidiaries are in the nature of integral foreign operations. The resulting net exchange difference on translation is charged / credited to Statement of Profit and Loss.

#### 11. EMPLOYEE BENEFITS :

##### i. Short-Term Benefits :

Short Term Employee Benefits, at the undiscounted amount in the year in which the services have been rendered, are charged off to the Statement of Profit and Loss.

##### ii. Long-Term Benefits :

a. The Contributions to Provident Fund and Employee State Insurance Schemes, which are defined contribution schemes, to the relevant funds administered and managed by the Central Government of India, are charged off to the Statement of Profit and Loss as and when incurred. The Company has no further obligations under these plans beyond its monthly contributions.

b. Gratuity :The Company makes contribution to a scheme administered by the Life Insurance Corporation of India to discharge the gratuity liabilities to the employees. Annual Contribution to the fund as determined by the Life Insurance Corporation of India is expensed in that year of contribution.

Leave Encashment : The Company records its unavailed leave liability based on actuarial valuation using projected unit credit method

c. Actuarial gains / losses arising during the year are recognised in the Statement of Profit and Loss.

iii. Terminal Benefits are recognised as an expense as and when incurred.

#### 12. TAXES ON INCOME :

i. Tax expense is the aggregate of current year tax, deferred tax charged or credited to the Statement of Profit and Loss for the year.

##### ii. Current Year Tax :

The Provision for taxation is based on assessable profits of the company as determined under the relevant tax laws of the respective countries / States.

##### iii. Deferred Tax :

Deferred Income Taxes are recognized for the future tax consequences attributable to timing differences between the financial statement determination of income and their recognition for tax purposes. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognized and carried forward only to the extent that it has become reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which such deferred tax assets can be realised.

##### iv. Minimum Alternate Tax (MAT) Credit :

MAT credit is recognised, as an Asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified year. In the year in which the Minimum Alternative tax (MAT) credit becomes eligible to be recognised as an asset in accordance with the recommendation contained in Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the statement of profit and loss and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

#### 13. EXPORT BENEFITS :

Advance Licences and Duty Entitlements against exports made by the company are accounted in the books on their utilization / disposal. However, the value of unutilised unconditional customs duty credit granted against Exports under Duty Entitlement Pass Book Scheme is being provided in the Books of Account.

**14. REVENUE RECOGNITION :****i. SALES :**

Domestic Sales :

Revenue from domestic sales is recognised on delivery of products to customers from the factories of the company.

Export Sales :

Revenue from export sales is recognised when the significant risks and rewards of ownership are transferred to the customers which is based upon the terms of the applicable contract.

ii. Dividend on shares held by the company is recognised when the right of the company to receive the same is established. Interest on deposits is accounted on accrual basis.

iii. Service income is recognised as per the terms of the contracts with customers when the related services are performed or the agreed milestones are achieved.

**15. BORROWING COSTS :**

Borrowing costs that are attributable to the acquisition or construction of a qualifying asset are capitalised as part of cost of such asset till such time the asset is ready for its intended use. Other borrowing costs are recognised as expense for the period.

**16. LEASES :**

Lease of assets under which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under operating leases are recognised as an expense on a straight line basis over the period of lease.

**17. PROPOSED / INTERIM DIVIDEND :**

Dividends, if any, as recommended by the directors are accounted in the books of account, pending approval at the Annual General Meeting.

**18. EARNINGS PER SHARE :**

i. The basic earnings per share is calculated considering the weighted average number of equity shares outstanding during the year.

ii. The diluted earnings per share is calculated considering the effects of potential equity shares on net profits after tax for the year and weighted average number of equity shares outstanding during the year.

**19. PRELIMINARY / SET UP EXPENDITURE :**

Preliminary Expenditure is charged to Statement of Profit and Loss in the year / period in which it is incurred.

**20. PROVISIONS, CONTINGENT LIABILITIES, AND CONTINGENT ASSETS :**

Provisions, involving substantial degree of estimation in measurement, are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities, which are possible or present obligation that may, but probably will not require outflow of resources, are not recognised but are disclosed in the notes to the financial statements. Contingent Assets are neither recognised nor disclosed in the financial statements.

**21. CASH AND CASH EQUIVALENTS :**

Cash and cash equivalents for the purpose of cash flow statement comprise cash at bank and in hand and short-term investments with an original maturity of three months or less.

## II. CONSOLIDATED NOTES ON ACCOUNTS

### 1. CORPORATE INFORMATION :

Divi's Laboratories Limited (the Company or Divi's) is a India based manufacturer of Active Pharmaceutical Ingredients and Intermediates having headquarters at Hyderabad, India. A major portion of its turnover is on account of export of products to European and American countries. The Company's main manufacturing and research and development facilities are located in the State of Andhra Pradesh, India. Equity Shares of the Company are listed in The Bombay Stock Exchange Limited, Mumbai and The National Stock Exchange, Mumbai. The Company has two Subsidiaries viz., Divis Laboratories (USA) Inc., and Divi's Laboratories Europe AG looking after manufacturing and marketing of Neutraceutical products in North American and European Countries.

### 2. LIST OF FOREIGN SUBSIDIARIES CONSIDERED FOR CONSOLIDATION :

S. No.	Name of the Entity	Country of Incorporation	Extent of Holding	
			As on 31.03.2012	As on 31.03.2011
1.	Divis Laboratories (USA) Inc	USA	100%	100%
2.	Divi's Laboratories Europe AG	SWITZERLAND	100%	100%

### 3. PRESENTATION AND DISCLOSURE OF FINANCIAL STATEMENTS :

During the year ended 31st March 2012, the Revised Schedule VI notified under the Companies Act 1956, has become applicable to the company, for preparation and presentation of its financial statements. Adoption of Revised Schedule VI does not impact recognition and measurement principles followed for preparation of financial statements. However, it has significant impact on presentation and disclosures made in the financial statements. The company has also reclassified the previous year figures in accordance with the requirements applicable in the current year.

### 4. CONTINGENT LIABILITIES AND COMMITMENTS :

	(Rs. in Lakhs)	
	2011-12	2010-11
<b>A. CONTINGENT LIABILITIES</b>		
(i) On account of Letters of Credit and Guarantees issued by the bankers.	4721.40	3510.49
(ii) Demands being disputed / contested by the Company	621.20	1768.86
<b>B. COMMITMENTS</b>		
(i) Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances)	9553.05	5501.22
(ii) On account of bonds and / or legal agreements executed with Central Excise/ Customs authorities/ Development Commissioners	11950.00	10750.00
(iii) Derivative related commitments	3069.39	8037.00
(iv) The Company leases premises in Florham Park, New Jersey for its office. The Lease will expire on April 30, 2015. The Company entered into operating lease agreement for two vehicles expiring on December 10, 2013 and March 26, 2013. Future minimum Lease payments are	122.19	139.12
(v) The Company has agreements with several of its employees which provide for, among other things, base salaries and benefits such as health insurance and Pension matching. Each employment agreement includes the confidentiality clause pertaining to any internal non-public trade information.		

5. In the opinion of Board, assets other than Fixed Assets and non-current investments have a value on realization in the ordinary course of business atleast equal to the amount at which they are stated and provision for all known liabilities have been made.

## 6. EMPLOYEE STOCK OPTION SCHEME :

In respect of Options granted to employees during the year 2005-06 under the Employees Stock Option Scheme, in accordance with the guidelines issued by Securities and Exchange Board of India, the accounting value of Options, determined based on market price of the share on the day of the grant of the Option, is accounted as Deferred Employee Compensation Cost and the same is being amortised on straight line basis over the vesting period (2006-07 to 2009-10) of Stock Options.

The Movement of Stock Options during the year is as detailed below :

	2011-12	2010-11
	Option exercisable for Equity share of Rs. 2/- each (Nos.)	Option exercisable for Equity share of Rs. 2/- each (Nos.)
At the beginning of the year	1,39,180	5,90,145
Granted during the year	Nil	Nil
Expired/Forfeited during the year	Nil	Nil
Bonus Issue	Nil	Nil
Exercised during the year	1,39,180	4,50,965
At the end of the year	Nil	1,39,180

7. Land admeasuring 29.30 acres acquired under deeds of assignment and under possession of the company at Chippada village, Bheemunipatnam Mandal, Visakhapatnam Dist. is yet to be registered in the name of the company.

## 8. EMPLOYEE BENEFITS :

The disclosures required under Accounting Standard 15 "Employee Benefits" notified in the Companies (Accounting Standards) Rules 2006, are given below :

### i. Defined Contribution Schemes :

Contributions to Defined Contribution Schemes charged off for the year are as under :

(Rs. in Lakhs)

	2011-12	2010-11
Employer's Contribution to Provident Fund	221.15	177.75
Employer's Contribution to State Insurance Scheme	103.99	108.06
ii. Defined Benefit Plans :		
<b>GRATUITY</b>		
A Reconciliation of opening and closing balances of Defined Benefit obligation :		
Defined Benefit obligation at beginning of the year	559.65	229.29
Current Service Cost	25.91	33.24
Interest Cost	31.75	12.61
Actuarial (gain)/loss	(89.66)	288.89
Benefits paid	(9.83)	(4.38)
Transferred to Gratuity Fund with LIC	(517.82)	-
Defined Benefit obligation at year end	Nil	559.65
B Expenses recognised during the year :		
Current Service Cost	25.91	33.24
Interest Cost on benefit obligation	31.75	12.61
Expected return on plan assets	NIL	NIL

	2011-12	2010-11
Actuarial (gain)/loss	<b>(89.66)</b>	288.89
Net benefit expense	<b>(32.00)</b>	334.74
C Actuarial assumptions :		
Mortality Table (L.I.C)	<b>1994-96 (Ultimate)</b>	1994-96 (Ultimate)
Discount rate (per annum)	<b>8.00%</b>	5.50%
Attrition Rate (per annum)	<b>6.00%</b>	10.00%
Rate of escalation in salary (per annum)	<b>7.00%</b>	10.00%

iii. Defined Benefit Plans :

**LEAVE ENCASHMENT (UNFUNDED) :**

The present value of obligation in respect of Provision for Payment Leave encashment is determined, based on actuarial valuation using the Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation, recognised and charged off during the year are as under:

	(Rs. in Lakhs)	
	2011-12	2010-11
A Reconciliation of opening and closing balances of Defined Benefit obligation:		
Defined Benefit obligation at beginning of the year	<b>210.30</b>	167.60
Current Service Cost	<b>4.05</b>	12.72
Interest Cost	<b>16.82</b>	9.22
Actuarial (gain)/loss	<b>(3.46)</b>	23.08
Benefits paid	<b>(3.83)</b>	(2.32)
Defined Benefit obligation at year end	<b>223.88</b>	210.30
B Expenses recognised during the year :		
Current Service Cost	<b>4.05</b>	12.72
Interest Cost on benefit obligation	<b>16.82</b>	9.22
Expected return on plan assets	<b>NIL</b>	NIL
Actuarial (gain)/loss	<b>(3.46)</b>	23.08
Net benefit expense	<b>17.41</b>	45.02
C Actuarial assumptions :		
Mortality Table (L.I.C)	<b>1994-96 (Ultimate)</b>	1994-96 (Ultimate)
Discount rate (per annum)	<b>8.00%</b>	5.50%
Attrition Rate (per annum)	<b>6.00%</b>	10.00%
Rate of escalation in salary (per annum)	<b>7.00%</b>	10.00%

The estimates of rate of escalation in salary considered in actuarial valuation, is determined after taking in to account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. The above information is certified by the actuary.

#### 9. SEGMENTAL REPORTING :

- i) As the Company's business for the current year consists of one reportable business segment of manufacturing and sale of Active Pharma Ingredients and Intermediates and consists of major revenue on account of exports out of India, no separate disclosures pertaining to attributable Revenues, Profits, Assets, Liabilities and Capital Employed are given.
- ii) As part of Secondary reporting, revenues are attributed to geographical areas based on the location of the customers as detailed below :

(Rs. in Lakhs)

Particulars	2011-12		2010-11	
	Revenue	%	Revenue	%
European	53082.74	28.44	45017.59	34.07
American Countries	79528.71	42.61	42942.13	32.50
India	19815.94	10.62	11621.47	8.80
Other Countries	34222.79	18.33	32535.33	24.63
<b>Total</b>	<b>186650.18</b>	<b>100.00</b>	<b>132116.52</b>	<b>100.00</b>

#### 10. TRANSACTIONS WITH RELATED PARTIES :

- a) The List of Related Parties with whom transactions have taken place and nature of relationship is :

- i) KEY MANAGEMENT PERSONNEL :

1. Dr. Murali K. Divi
2. Mr. N. V. Ramana
3. Dr. P. Gundu Rao
4. Mr. D. Madhusudana Rao
5. Mr. Kiran S. Divi

- ii) RELATIVES OF KEY MANAGEMENT PERSONNEL :

1. Mr. N. Lakshmana Rao
2. Mr. Mallikarjuna Rao Divi
3. Mrs. Nilima Motaparti

- b) Transactions with Related Parties :

(Rs. in Lakhs)

S. No.	Particulars	2011-12		2010-11	
		Amount	Outstanding as at 31.03.2012	Amount	Outstanding as at 31.03.2011
1	Managerial Remuneration to Key Management Personnel	4393.77	4083.96	3157.08	2828.97
2	Lease Rent to Key Management Personnel	28.35	2.46	27.00	2.31
3	Lease Rent to Relative of Key Management Personnel	28.35	2.46	27.00	2.31
4	Salary and Allowances to Relatives of Key Management Personnel	4.31	0.32	4.31	0.32

- c) Disclosure in respect of transactions which are more than 10% of the total transactions of the same type with related parties during the year :

		(Rs. in Lakhs)	
Name of transaction	Name of the Party	2011-12	2010-11
Managerial Remuneration	Dr. Murali K. Divi	<b>2314.85</b>	1628.87
	Mr. N.V. Ramana	<b>1189.04</b>	846.26
	Dr. P. Gundu Rao	<b>16.61</b>	37.67
	Mr. D. Madhusudana Rao	<b>65.76</b>	65.76
	Mr. Kiran S. Divi	<b>807.51</b>	578.52
Salary and Allowances	Mr. N. Lakshmana Rao	<b>2.15</b>	2.15
	Mr. D.Mallikarjuna Rao	<b>2.16</b>	2.16
Rent	Mr. Kiran S. Divi	<b>28.35</b>	27.00
	Mrs. Nilima Motaparti	<b>28.35</b>	27.00

#### 11. LEASES :

The Company has operating leases for premises and vehicles, which is renewable on a periodical basis and cancellable at its option. Rental expenses for operating lease recognised in Statement of Profit and Loss for the year is Rs 87.09 Lakhs (Previous Year Rs. 89.15 Lakhs). The future minimum lease payments are as given under :

		(Rs. in Lakhs)	
Year Ending :		2011-12	2010-11
Not later than one year		<b>85.65</b>	86.97
Later than one year and not later than five years		<b>68.15</b>	141.95
Later than Five years		-	-

#### 12. INCOME TAX EXPENSE :

##### (i) TAX CREDIT ENTITLEMENTS :

Tax credit entitlements wherever available under the relevant tax laws and it is estimated to be certain in availing the tax credit within the specified period prescribed under the relevant tax laws is recognized as " Tax Credit Entitlements " in the accounts.

##### (ii) DEFERRED TAX LIABILITY :

Movement of Provision for Deferred Tax for the year ended 31.03.2012 is as given below :

		(Rs. in Lakhs)	
Particulars	As at 01.04.2011	(Charges)/ Credit for the year	As at 31.03.2012
Timing Differences on account of :			
<b>Deferred Tax Liability :</b>			
a. Depreciation on Assets	5898.04	1074.60	<b>6972.64</b>
Total (A)	5898.04	1074.60	<b>6972.64</b>
<b>Deferred Tax Assets :</b>			
b. Expenses allowable on the basis of Payment	308.60	(159.60)	<b>149.00</b>
c. <b>Others</b>	585.48	148.8	<b>734.28</b>
Total (B)	894.08	10.80	<b>883.28</b>
Net (A-B)	5003.96	1085.40	<b>6089.36</b>

### 13. EARNINGS PER SHARE (EPS) :

The Numerator and denominator used to calculate Earnings Per Share :

	2011-12	2010-11
<b>A EARNINGS :</b>		
Profit attributable to Equity Shareholders ( Rs. in Lakhs)	<b>53,326.41</b>	42,926.94
<b>B NO. OF SHARES :</b>		
Weighted average number of Equity shares outstanding during the year (Nos.) - Basic	<b>13,26,73,325</b>	13,24,08,135
Add :Weighted average number of equity shares arising out of outstanding stock options that have diluted effect on Earnings Per Share (Nos.)	-	57,480
Weighted average number of Equity Shares outstanding during the year (Nos.) - Diluted	<b>13,26,73,325</b>	13,24,65,615
<b>C EARNING PER SHARE :</b>		
Earnings Per Share of Par Value - Basic	<b>40.19</b>	32.42
Earnings Per Share of Par Value - Diluted	<b>40.19</b>	32.41

### 14. FINANCIAL INFORMATION OF SUBSIDIARY COMPANIES :

Rs. in Lakhs

Name of Subsidiary Company	Divis Laboratories (USA) Inc.		Divi's Laboratories Europe A.G.	
	2011-12	2010-11	2011-12	2010-11
Reporting Currency	<b>USD</b>	USD	<b>CHF</b>	CHF
Capital	<b>0.01</b>	0.01	<b>36.18</b>	36.18
Reserves	<b>(1561.50)</b>	(921.14)	<b>(2520.41)</b>	(1890.24)
Total Assets	<b>4035.38</b>	3478.36	<b>2134.05</b>	1451.90
Total Liabilities	<b>4035.38</b>	3478.36	<b>2134.05</b>	1451.90
Investments	<b>NIL</b>	NIL	<b>NIL</b>	NIL
Turnover	<b>5210.92</b>	4403.87	<b>2295.49</b>	1434.68
Profit /(Loss) Before Taxation	<b>(792.49)</b>	(101.15)	<b>(630.17)</b>	(566.38)
Provision for Taxation	<b>(152.13)</b>	(37.86)	<b>NIL</b>	NIL
Profit / (Loss) After Taxation	<b>(640.36)</b>	(63.29)	<b>(630.17)</b>	(566.38)
Proposed Dividend	<b>NIL</b>	NIL	<b>NIL</b>	NIL
Country	<b>USA</b>	USA	<b>Switzerland</b>	Switzerland

Exchange Rate as on 31.03.2012: USD = Rs.51.1565, CHF = Rs.56.40

Signed on 12<sup>th</sup> day of May, 2012 at Visakhapatnam

For and on behalf of the Board

Per Our Report of Even Date  
**For P.V.R.K. NAGESWARA RAO & CO**  
 Chartered Accountants  
 Firm's Registration Number : 002283S

**Dr. MURALI K. DIVI**  
 Chairman and Managing Director

**N.V. RAMANA**  
 Executive Director

**P.V.R.K. NAGESWARA RAO**  
 Partner  
 Membership Number : 18840

**L. KISHOREBABU**  
 Chief Financial Officer

**P.V. LAKSHMI RAJANI**  
 Company Secretary

# Notice of Annual General Meeting

Notice is hereby given that the Twenty Second Annual General Meeting of the Members of DIVI'S LABORATORIES LIMITED will be held as per the schedule given below:

**Day and Date** : Monday, August 6th, 2012

**Time** : 10.00 a.m.

**Venue** : KLN Prasad Auditorium, FAPCCI Premises, 11-6-841, Red Hills, Hyderabad - 500 004.

## ORDINARY BUSINESS :

1. To consider and adopt the audited Balance Sheet as at 31<sup>st</sup> March 2012, the Profit and Loss account for the year ended 31<sup>st</sup> March 2012 along with the reports of Directors and the Auditors thereon.
2. To declare dividend for the financial year 2011 - 2012.
3. To appoint a Director in place of Dr. K. Satyanarayana, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Mr. S. Vasudev, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint a Director in place of Mr. Kiran S. Divi, who retires by rotation and being eligible, offers himself for reappointment.
6. To appoint M/s. P.V.R.K. Nageswara Rao & Co., Chartered Accountants, Hyderabad (Firm's Regn. No. 002283S) as Auditors of the Company who shall hold office from the conclusion of the ensuing Annual General Meeting to the conclusion of next Annual General Meeting and to fix their remuneration.

## SPECIAL BUSINESS :

7. To consider and if thought fit, to pass with or without modification, the following resolution as a **SPECIAL RESOLUTION**:

“RESOLVED THAT pursuant to the provisions of Section 314(1) and other applicable provisions, if any, of the companies Act, 1956 (including any statutory modifications or re-enactments thereof for the time being in force), consent of the Company be and is hereby accorded to the appointment of **Ms. Nilima Motaparti**, daughter of Dr. Murali K. Divi, Chairman and Managing Director and sister of Mr. Kiran S. Divi, Director & President - Operations of the Company, to hold an office

or place of profit in the company as Chief Controller (Commercial) in the management cadre of the Company (or any other designation and roles which the Board / Committee of the Board may decide from time to time) for a period of three years with effect from 2<sup>nd</sup> July, 2012 on a monthly remuneration of Rs. 1,00,000/- p.m together with the usual benefits and perquisites including bonus, retiring gratuity and provident fund benefits as may be conferred by the company, as applicable to employees occupying similar posts in the said management cadre, with normal increment as per the general policy of the Company.

RESOLVED FURTHER THAT the Board of Directors of the Company be and is hereby authorised to do all such acts, deeds and things in order to give effect to the above resolution.”

For and on behalf of the Board

Visakhapatnam  
12<sup>th</sup> May, 2012

**Dr. MURALI K. DIVI**  
Chairman and Managing Director

## NOTES :

1. A member entitled to attend and vote at the meeting, is entitled to appoint a proxy to attend and vote instead of himself and such proxy need not be a member of the Company. The instrument appointing proxy should, however, be deposited at the Registered Office of the Company not less than forty-eight hours before the commencement of the meeting.
2. Pursuant to Clause 49 of the Listing Agreement additional information on directors seeking appointment / re-appointment at the annual general meeting is provided in the Annual Report.

3. Members / proxies are requested to bring the attendance slips duly filled in 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 dematerialized 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. Closure of register of Members and Dividend :
  - (a) The Company has notified that Register of Members and Transfer Books will be closed from 30th July, 2012 to 3rd August, 2012 (both days inclusive) for determining the names of the 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 to those shareholders whose name appears in Register of Members as on 3rd August, 2012.
  - (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 6 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.
7. Bank particulars :
 

In order to provide protection against fraudulent encashment of the warrant, shareholders holding shares in physical form are requested to intimate the Company under the signature of sole / first joint holder, the following information to be incorporated on the Dividend Warrants:

  - (i) Name of the Sole / First joint holder and the Folio Number.
  - (ii) Particulars of Bank account, viz.,
    - Name of the Bank
    - Name of the Branch
    - Complete address of the Bank with Pin Code Number
    - Account type, whether Savings (SB) or Current account (CA)
    - Bank Account Number allotted by the Bank
8. Shareholders holding shares in electronic form may kindly note that their Bank account details as furnished by their Depositories to the Company will be printed on their Dividend Warrants. As per the applicable regulations of the Depositories, the Company will not entertain any direct request from such shareholders for deletion of / change in such Bank details. Further, instructions, if any, already given by them in respect of shares held in physical form will not be automatically applicable to shares held in the electronic mode. Shareholders are requested to intimate immediately any change in their address or bank mandates to their depository participants with whom they are maintaining their demat accounts or to the company's share transfer agent, M/s Karvy Computershare Private Limited, if the share are held in physical form.
9. Non-Resident Indian Shareholders are requested to inform the registrars, M/s. Karvy Computershare Private Limited immediately :
  - 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 type, account number and address of the Bank, if not furnished earlier.
10. Corporate Members intending to send 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.
11. 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 requests in Form 2B (which will be made available on request) to the Registrar and Share Transfer Agent M/s. Karvy Computershare Private Limited.
12. M/s. Karvy Computershare Private Limited, Plot No 17-24, Vittal Rao Nagar, Madhapur, Hyderabad – 500 081 acts as the Company's Registrar and Share Transfer Agent for physical transfer of shares and all correspondence may be addressed directly to them. In respect of shares held in Electronic form, shareholders may send requests or correspond through their respective Depository Participants.
13. Unclaimed dividend for the year(s) 2004-05, 2005-06, 2006-07, 2007-08, 2008-09, 2009-10 and 2010-11 are

held in separate Bank accounts and shareholders who have not received the dividend / encashed the warrants are advised to write to the Company with complete details.

14. The Ministry of Corporate Affairs (“Ministry”), Government of India, has taken a “Green Initiative in Corporate Governance” by allowing paperless compliances by companies through electronic mode. As per the Circular, companies can now send various notices /documents (including notice calling Annual General Meeting, Audited Financial Statements, Directors’ Report, Auditors’ Report etc) to their shareholders through electronic mode, to the registered email addresses of the shareholders.

Notices/documents including the Annual Report are now being sent by electronic mode to the shareholders whose e-mail address has been registered with the Company. Members who would like to receive such notices / documents in electronic mode in lieu of physical copy and who have not registered their e-mail addresses so far or who would like to update their e-mail addresses already registered, are requested to register/update their e-mail addresses :

- in respect of electronic shareholding - through their respective Depository Participants;
- in respect of physical shareholding - by sending a request to the Company’s Share Transfer Agent, mentioning therein their folio number and e-mail address.

## **EXPLANATORY STATEMENT UNDER SECTION 173 (2) OF THE COMPANIES ACT, 1956.**

### **Item No. 7 :**

Ms. Nilima Motaparti has a Masters Degree in International Business from GITAM Institute of Foreign Trade, Visakhapatnam and Masters Degree in International Finance from Glasgow University, U.K. She would oversee the commercial functions comprising Procurement and Finance and work towards cost efficiency in these areas.

In terms of section 314 (1) of the said Act, appointment of a relative of a Director to any office or place of profit in the company requires approval of shareholders by Special Resolution.

Ms. Nilima Motaparti is part of the promoter group; and is a relative of Dr. Murali K. Divi, Chairman and Managing Director and Mr. Kiran S. Divi, Director & President-Operations of the Company as per section 6 of the Companies Act and her proposed appointment would be an office of profit requiring shareholders approval.

Hence, the Special Resolution at Item No 7 of the accompanying Notice which your Directors recommend for your approval.

None of the Directors, except Dr. Murali K. Divi, Chairman and Managing Director and Mr. Kiran S. Divi, Director & President - Operations of the Company being related to Ms. Nilima Motaparti, are deemed to be concerned and interested in the said resolution.

For and on behalf of the Board

Visakhapatnam  
12<sup>th</sup> May, 2012

**Dr. MURALI K. DIVI**  
Chairman and Managing Director

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## Divi's Laboratories Limited

7-1-77/E/1/303, Divi Towers, Dharam Karan Road,  
Ameerpet, Hyderabad - 500 016.

### PROXY FORM 22<sup>nd</sup> ANNUAL GENERAL MEETING

Regd. Folio No. \_\_\_\_\_

\*Client ID. \_\_\_\_\_

DP ID No. \_\_\_\_\_

I / We \_\_\_\_\_ R/o \_\_\_\_\_

\_\_\_\_\_ being a member / members of the Company hereby appoint  
\_\_\_\_\_ or failing him / her \_\_\_\_\_

R/o \_\_\_\_\_ as my / our proxy to vote for me / us on my / our behalf at the 22<sup>nd</sup> Annual General Meeting of the Company to be held at KLN Prasad Auditorium, FAPCCI Premises, 11-6-841, Red Hills, Hyderabad - 500 004 on Monday the 6<sup>th</sup> August, 2012 at 10.00 A.M. and at any adjournment(s) thereof.

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2012.

Affix  
Revenue  
Stamp

\_\_\_\_\_  
Signature

Note: This form, in order to be valid and effective, should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the meeting.

\*Those who hold shares in demat form must quote their Client ID and Depository Participant ID.



## Divi's Laboratories Limited

7-1-77/E/1/303, Divi Towers, Dharam Karan Road,  
Ameerpet, Hyderabad - 500 016.

### ATTENDANCE SLIP 22<sup>nd</sup> ANNUAL GENERAL MEETING

Regd. Folio No. \_\_\_\_\_

\*Client ID. \_\_\_\_\_

DP ID No. \_\_\_\_\_

No. of shares held \_\_\_\_\_

I certify that I am a Member / Proxy for the Member of the Company.

I hereby record my presence at the 22<sup>nd</sup> Annual General Meeting of the Company at KLN Prasad Auditorium, FAPCCI Premises, 11-6-841, Red Hills, Hyderabad - 500 004 on Monday the 6<sup>th</sup> August, 2012 at 10.00 A.M.

\_\_\_\_\_  
Member's / Proxy's name in  
BLOCK Letters

\_\_\_\_\_  
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 copy of the Annual report to the Meeting.

\*Those who hold shares in demat form must quote their Client ID and Depository Participant ID.

