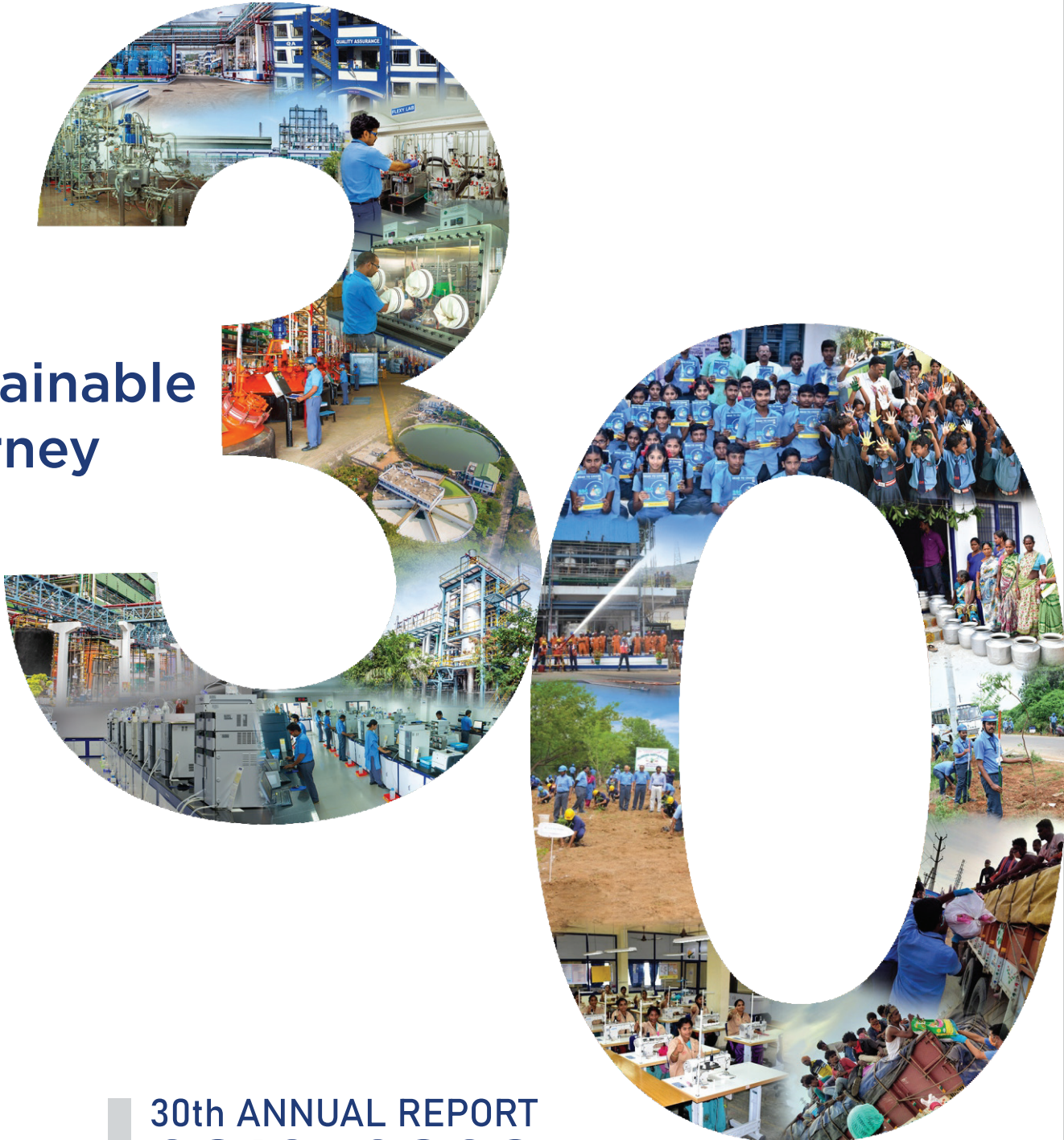




*Divi's Laboratories Limited*

# A Sustainable Journey



30th ANNUAL REPORT  
**2019-2020**

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# Three decades of focus on turning our vision into reality

2020 is a landmark year for Divi's. From a small but focused start as a 'reliable supplier of APIs' three decades ago, to a global leadership position through sustainable practices in every area of operations, we have grown from strength to strength. The company has set benchmarks by turning challenges into business success & creating value for all our stakeholders, including shareholders, customers, vendors, employees and communities at large.

Today, Divi's is acknowledged as one of the world's most ethical and future-ready supplier of high quality generic APIs, offering custom manufactured solutions to several global pharma companies and specialized nutraceutical ingredients manufacturers. We are committed to adhering to the mandated quality guidelines of global regulatory authorities, while simultaneously attaining sustainable growth in the journey ahead, as well.



# Looking Back and Looking Ahead, with Pride!

## Divi's in a nutshell

In September 2020, Divi's will celebrate 30 years of sustainable leadership through chemistry. At every step, this journey has been dotted with successes, accolades and recognition and not to mention challenges.

## Sustenance through actions, in the past 3 decades...

In the past three decades, Divi's has earned a global leadership position by continuous organic expansions, establishing robust quality management systems, investments in R&D of cutting-edge technologies, enhancing manufacturing capabilities and capacities and delivering products that meet global standards. As a result, today Divi's is recognized as one of the largest API manufacturers in the world.

Today, Divi's is recognized as a 'Vision-Led- Company'. Our strength lies in our ~14,000 employees who we are proud to say also have grown organically from 350 in the last 30 years,



Aerial view of our manufacturing facility at Chippada, Visakhapatnam

where committed teams collaborate and strive to manufacture high quality APIs, reaching ~100M people worldwide through our partners. Our tryst with innovation to keep improving our responsibility towards our business,



operations, customers, community, and environment will always be at the heart of our sustained success. As the demand for high quality and reliable APIs is growing, we will continue to remain focused on manufacturing generic APIs, offering custom synthesis solutions for innovator companies.

Our three value statements are not mere words but are our actions through which we have proved our sustenance.

## Maximizing value for all our stakeholders

We envision a future in which communities around our manufacturing units have a sustainable livelihood and we envision a future where we continue to share our values with all our employees. As a leader in API manufacturing we also see the opportunity to realize a better future for our APIs and promise to serve our customers with utmost transparency.

## A collaborative effort

As we step into the next decade, Divi's will leverage all our learnings for delivering increased value to all our stakeholders. We thank all our shareholders for their continued support. Your trust in us which has helped us reach this coveted milestone. We also thank each one of our ~14,000 employees for their dedication, our partners, our suppliers & statutory bodies for their support and guidance. We are confident that together, we will deliver a brighter future.





# From acorn to oak: 1990 – 2020

At the heart of quality API lies Divi's, and the heart of Divi's, its research...

Every API developed, manufactured and supplied by Divi's contributes to providing affordable medicine across the globe. Divi's has setup 3 R&D centres comprising a team of competent and qualified people that help us to continuously innovate our processes – the resultant of which, 10's of process patents granted and was able to attain global leadership position in majority of products manufactured.

## Establishing infrastructure

- 1990** Divi's Research Centre (DRC) is first established and thus begins our journey of development of commercial processes and supply to pharma companies
- 1995** Our first Manufacturing Facility, commences operations at Choutuppal near Hyderabad
- 2002** Our second Manufacturing Facility, commences operations at Chippada near Visakhapatnam
- 2003** Divi's goes public by filing for an IPO; we are listed in the BSE and NSE
- 2007** We establish a Nutraceutical facility at our Chippada unit
- 2010** We establish a new Research Centre in Hyderabad
- 2015** Our Corporate Office in Hyderabad gets inaugurated
- 2019** Significant Expansion of our manufacturing facilities begin with an 1800 Cr investment



## Research & Development, Inspection and Recognition

**1997** We file our first USDMF

**1999** We file our first Certificate of Suitability (CoS) in Europe

**2000** USFDA for the first time inspects our Manufacturing facility

**2005** Confederation of Indian Industry (CII) bestows us with the National Award for Excellence in Water Management

**2011** EU GMP and PDMA Japan inspect our manufacturing facilities for the first time

**2012** CNBC TV18 bestows our MD with the India Business Leader Award

**2014** Received The Golden Peacock Award for our CSR initiatives

**2019** Divi's is among the largest API manufacturers in the world

# Board of Directors

## Executive Directors

**Dr. Murali K. Divi**  
Managing Director



**N. V. Ramana**  
Executive Director



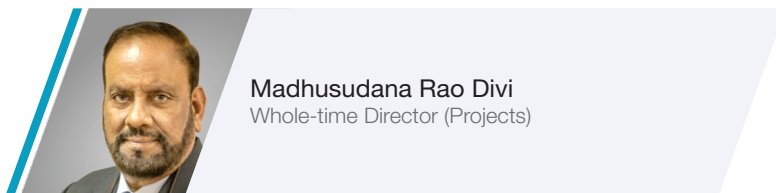
**Dr. Kiran S. Divi**  
Whole-time Director &  
Chief Executive Officer



**Nilima Motaparti**  
Whole-time Director  
(Commercial)



**Madhusudana Rao Divi**  
Whole-time Director (Projects)



## Independent Directors

**Dr. Ramesh B.V. Nimmagadda**  
Non-Executive Chairman &  
Independent Director



**Dr. G. Suresh Kumar**  
Independent Director



**R. Ranga Rao**  
Independent Director



**K.V.K. Seshavataram**  
Independent Director



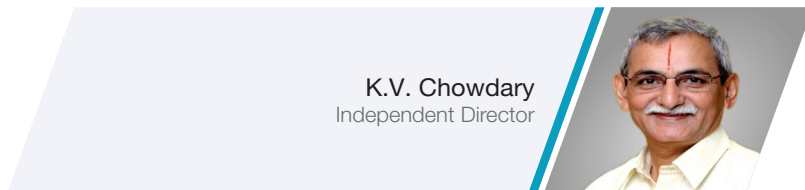
**Dr. S. Ganapaty**  
Independent Director



**Prof. Sunaina Singh**  
Independent Director



**K.V. Chowdary**  
Independent Director





# Corporate Information

## Manufacturing Facilities

### Choutuppal Unit:

Lingojigudem Village, Choutuppal Mandal, Yadadri Bhuvanagiri Dist. (TG), Pin – 508252

### DC SEZ Unit:

Lingojigudem Village, Choutuppal Mandal, Yadadri Bhuvanagiri Dist. (TG), Pin – 508252

### Export Oriented Unit:

Chippada Village, Bheemunipatnam Mandal, Visakhapatnam Dist. (A.P), Pin – 531163

### Divi's Pharma SEZ Unit:

Chippada Village, Bheemunipatnam Mandal, Visakhapatnam Dist. (A.P), Pin – 531163

### DSN SEZ Unit:

Chippada Village, Bheemunipatnam Mandal, Visakhapatnam Dist. (A.P), Pin – 531163

### DCV SEZ Unit:

Chippada Village, Bheemunipatnam Mandal, Visakhapatnam Dist. (A.P), Pin – 531163

## Registrar & Share Transfer Agent

### Kfin Technologies Private Limited

(Formerly known as Karvy Fintech Private Limited)

Selenium Tower B, Plot No. 31– 32, Gachibowli, Financial District, Nanakramguda, Hyderabad – 500 032.

CIN: U72400TG2017PTC117649

Phone No: 040-67161526 ;

Fax: 040-23001153

Toll Free No: 1800-4258-998

E-mail: [einward.ris@kfintech.com](mailto:einward.ris@kfintech.com)

## Date, Time & Mode of AGM -

Monday, 14th September, 2020 at 10,00 a.m. IST

Through Video Conferencing ("VC") / Other Audio Visual Means ("OAVM")

## R&D Centres

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

Lingojigudem Village, Choutuppal Mandal, Yadadri Bhuvanagiri Dist. (TG), Pin - 508 252

Chippada Village, Bheemunipatnam Mandal, Visakhapatnam Dist. (A.P), Pin – 531163

## Auditors

### Statutory Auditors

Price Waterhouse Chartered Accountants LLP,  
Unit - 2B, 8th Floor, Octave Block, Block E1,  
Parcel - 4, Salarpuria sattva knowledge city Raidurg, Hyderabad, Telangana - 500081

### Cost Auditor

EVS & Associates, Cost Accountants, 205, Raghava Ratna Towers, Chirag Ali Lane, Hyderabad - 500 001.

### Secretarial Auditor

V. Bhaskara Rao & Co, Company Secretaries,  
6-2-1085/B, Flat No.- 103, Badam Sohana Apts., Raj Bhavan Road, Somajiguda, Hyderabad - 500 082.

## Registered Office

Divi Towers, 1-72/23(P)/DIVIS/303, Cyber Hills, Gachibowli, Hyderabad - 500032, Telangana, India

CIN : L24110TG1990PLC011854

Phone : 040-2378 6300;

Fax: 040-2378 6460

E-mail : [mail@divisilabs.com](mailto:mail@divisilabs.com)

Website: [www.divisilabs.com](http://www.divisilabs.com)

## Subsidiaries

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

Divi's Laboratories Europe AG, Basel, Switzerland.

### State Bank of India

CCG Branch, Door No. 8-2-684/2/A, I Floor, NSL Icon Building, Anand Banjara Colony, Road No 12, Banjara Hills, Hyderabad – 500034.

### HDFC Bank Ltd

"Bank House", Wholesale Banking Operations, H.No.6-3-246 & 244, Road No. 1, Banjara Hills, Hyderabad, Telangana – 500034



# Divi's in 2020: Rising to meet the challenges of a new dawn

**Divi's Laboratories Limited is one of the leading pharmaceutical companies in the world. Established in 1990, we manufacture Active Pharmaceutical Ingredients (APIs) and Intermediates. With Six manufacturing facilities, market presence across 95 countries and team of ~14,000 people, we continue to innovate to bring better manufacturing processes that will facilitate affordable medicines.**

We are engaged in the manufacturing of leading generic APIs, Nutraceutical Ingredients and custom synthesis of APIs and Intermediates for global innovator companies. With a portfolio of 122 products across diverse therapeutic areas, we are one of the largest pharmaceutical companies in India. We are committed towards our goal of sustainable chemistry thereby optimizing our processes and practices that not only protect but also enhance human health and the environment.



## Snapshot, FY 2019-20

550043

Total Revenue (₹ in lakhs)

9% ↑

200530

EBIDTA (₹ in lakhs)

181329

Profit before tax (₹ in lakhs)

-1% ↓

137271

Profit after tax (₹ in lakhs)

3% ↑



## Vision

We envision creating value for all stakeholders by manufacturing high quality Generic APIs, Custom synthesis of APIs and Intermediates along with Nutraceutical Ingredients to the Global Pharmaceutical & Nutraceutical industry through sustainable leadership in chemistry.



## Mission

We at Divi's aim to be a responsible business, adding value through our core competency in the area of chemistry while adhering to our core values and serving the immediate community and at large through our diverse social initiatives that would establish a strong foundation for a better tomorrow for all stakeholders.



5280303

Market Capitalisation (₹ in lakhs)

**16.80% ↑**

731669

Network (₹ in lakhs)

**5% ↑**

410907

Gross Block (₹ in lakhs)

**26% ↑**

51.71

Earnings per share (₹)

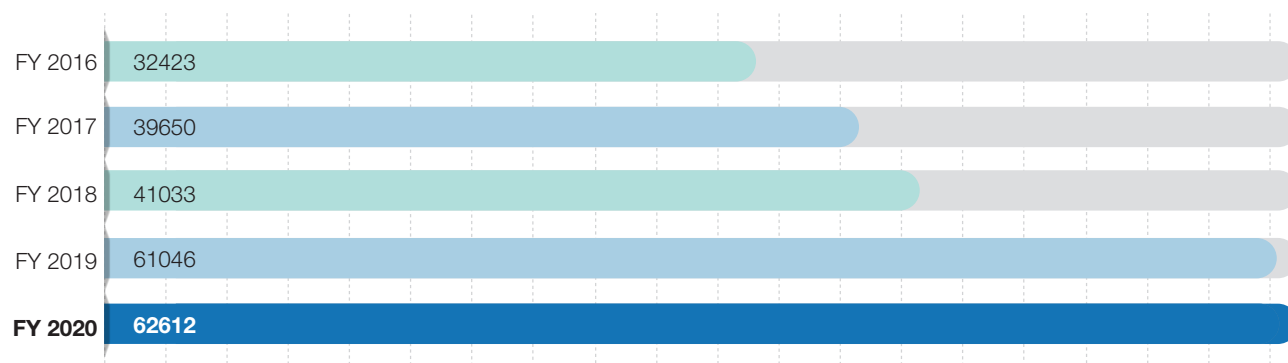
**3.01% ↑**





## Contribution to National Exchequer

(₹ in Lakhs)



## Direct Economic Impact

(₹ in Lakhs)

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Total Revenue	384577	414172	394971	503624	550043
Exports	325693	353148	327927	417456	452661
Tax Expense	26516	33540	34978	50022	43899
Consumption of material	149447	154158	150490	183783	208856
Employee benefits Expenses	35295	49033	44627	53072	60836
Interest	301	226	133	350	606
Dividend & Dividend Tax (for the year)	31951	31951	32004	51206	51206

## Employees

(₹ in Lakhs)

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Cost towards wages / salaries	33730	47853	43065	50738	57855
Other benefit costs	1565	2137	2541	2334	2981
Total personal expenses	35295	49990	45606	53072	60836
% to sales revenue	9.60%	12.07%	11.55%	10.54%	11.06%
Number of employees (Direct / Indirect)	9481	9735	10762	11847	13884

## Customers

(₹ in Lakhs)

	FY 2016	FY 2017	FY 2018	FY 2019	FY 2020
Total Revenue	384577	414172	394971	503624	550043
Debtors	96612	100042	111211	128224	153321
Payments received during the year	370268	410745	383802	486611	524946
Debtors outstanding (in average number of days turnover)	94	90	103	93	102

## Return on Network

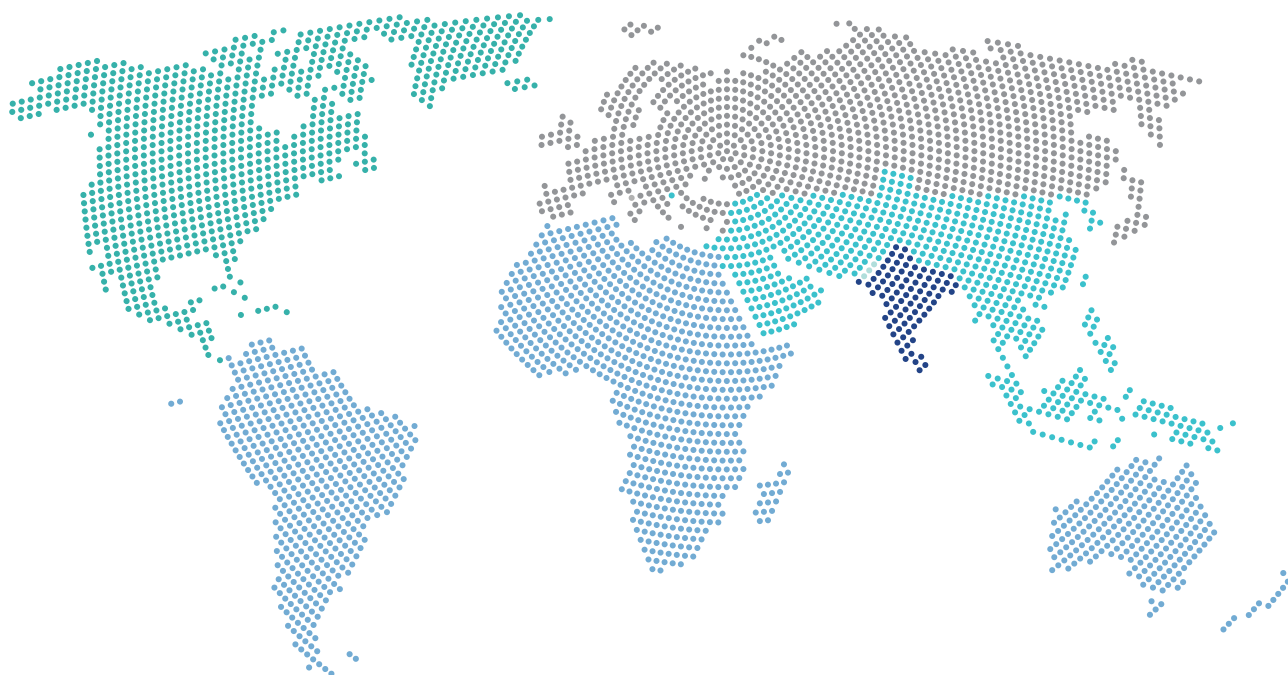
FY 2016	25.00%
FY 2017	19.00%
FY 2018	15.00%
FY 2019	19.11%
FY 2020	18.76%

## Dividend Per Share (₹)

FY 2016	10
FY 2017	10
FY 2018	10
FY 2019	16
FY 2020	16*

\*Interim

# Geographic Market Presence



## Geographical Market Presence

### AMERICA

	FY 2017	FY2018	FY2019	FY2020
REVENUE ₹ lakhs	1,33,808	1,08,749	1,27,212	1,21,813
% SHARE	33.00%	28.98%	26.85%	22.94%

### EUROPE

	FY 2017	FY2018	FY2019	FY2020
REVENUE ₹ lakhs	1,62,825	1,63,798	2,17,452	2,49,850
% SHARE	40.16%	43.64%	45.90%	47.05%

### INDIA

	FY 2017	FY2018	FY2019	FY2020
REVENUE ₹ lakhs	52,097	48,014	56,266	78,396
% SHARE	12.85%	12.79%	11.88%	14.8%

### ASIA

	FY 2017	FY2018	FY2019	FY2020
REVENUE ₹ lakhs	47,284	34,730	59,183	59,474
% SHARE	11.66%	9.25%	12.49%	11.2%

### REST OF THE WORLD

	FY 2017	FY2018	FY2019	FY2020
REVENUE ₹ lakhs	9,460	20,028	13,609	21,524
% SHARE	2.33%	5.34%	2.87%	4.1%

# Performance Highlights

(₹ in Lakhs)

<b>Turnover and Profit</b>	<b>2015-16</b>	<b>2016-17</b>	<b>2017-18</b>	<b>2018-19</b>	<b>2019-20</b>
REVENUE#	374985	406578	383723	487966	531057
Revenue Growth %	22%	8%	(-6%)	27%	9%
Other Income	9592	7594	11248	15658	18986
Total Revenue	384577	414172	394971	503624	550043
Total Income Growth (y-o-y)	23%	8%	(5%)	28%	9%
Profit before Interest, Depreciation and Tax. (EBDIT)	149640	151375	136311	200554	200530
EBDIT to Revenue %	39%	37%	35%	40%	36%
EBDIT Growth (y-o-y)	24%	1%	(10%)	47%	0.0%
Finance Charges	301	226	133	350	606
Depreciation	11810	12326	14242	16881	18595
Profit before tax (PBT) (beore OCI)	137529	138823	121936	183323	181329
PBT Growth (y-o-y)	29%	1%	(12%)	50%	-1%
Provision for Taxation	26445	33496	34978	50058	44058
Profit After Tax (PAT)	111084	105327	86958	133265	137271
PAT Growth (y-o-y)	31%	(5%)	(17%)	53%	3%
<b>Dividend, Share Capital and Capital Employed</b>					
Dividend	500%	500%	500%	800%	800%
Dividend payout	31951	31951	32004	51206	51206
Dividend payout (%)	29%	30%	37%	38%	37%
Equity Share Capital	5309	5309	5309	5309	5309
Reserves & Surplus	430395	535582	590656	692022	726360
Net Worth	435704	540891	595965	697331	731669
Net Worth growth %	22%	24%	10%	17%	5%
Gross Fixed Assets	219542	243724	300966	325422	410907
Net Fixed Assets	143864	155895	199588	208742	277626
Total Assets	496549	621008	680778	804018	851411
<b>Key Financial Indicators</b>					
Earnings per share (face value of ₹2/-each)	41.84*	39.68	32.76	50.20	51.71
Cash Earnings Per Share (face value of ₹2/-each)	46.29*	44.32	38.12	56.56	58.71
Gross Turnover Per share (face value of ₹2/-each)	145*	156	149	190	207
Book Value per share (face value of ₹2/-each)	164*	204	224	263	276
Total Debt to Equity	0.01	0.01	0.011	0.015	0.005
EBDIT / Gross Turnover %	39%	37%	35%	40%	36%
Net Profit Margin %	29%	25%	22%	26%	25%
RONW %	25%	19%	15%	19.11%	18.76%

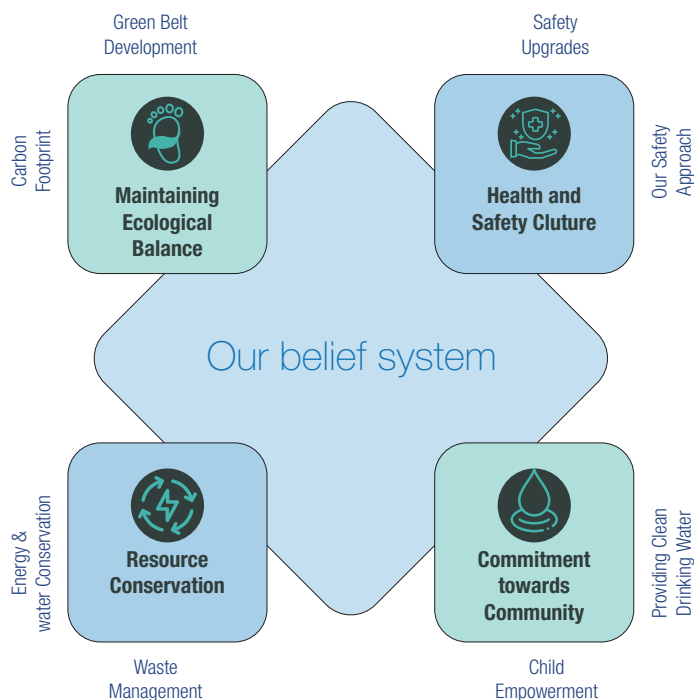
# Inclusive of excise duty except for 2019-20

\* Post bonus issue

# A sustainable future matters to us!

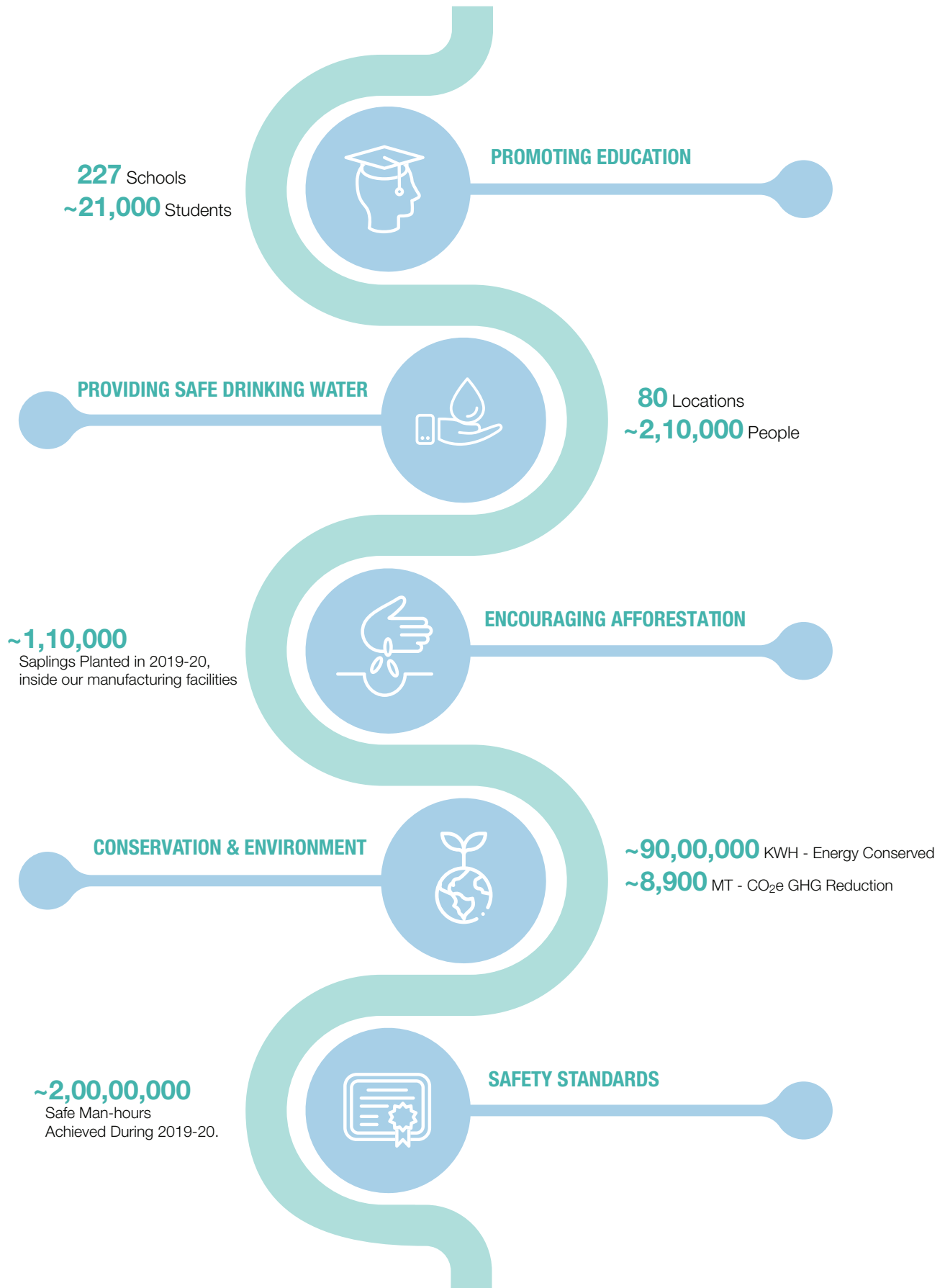
The sustained growth Divi's has seen in the last 30 years would mean nothing if we did not shape a better future all along. And, a better future is one in which the environment is safer. A safer environment leads to a happier community. At Divi's, we consider ourselves safe when both - our community's and environment's health remain uncompromised.

Divi's undeterred focus has always been the protection of our natural capital and making it accessible for the welfare of the community. We at Divi's understand the need for access to resources like water and land, and their importance in one's economic wellbeing. Sustainable development is more than just economic growth. The quality of growth matters as well as the quantity.





## Highlights 2019-20



# Celebrating the Act of Giving to the Community

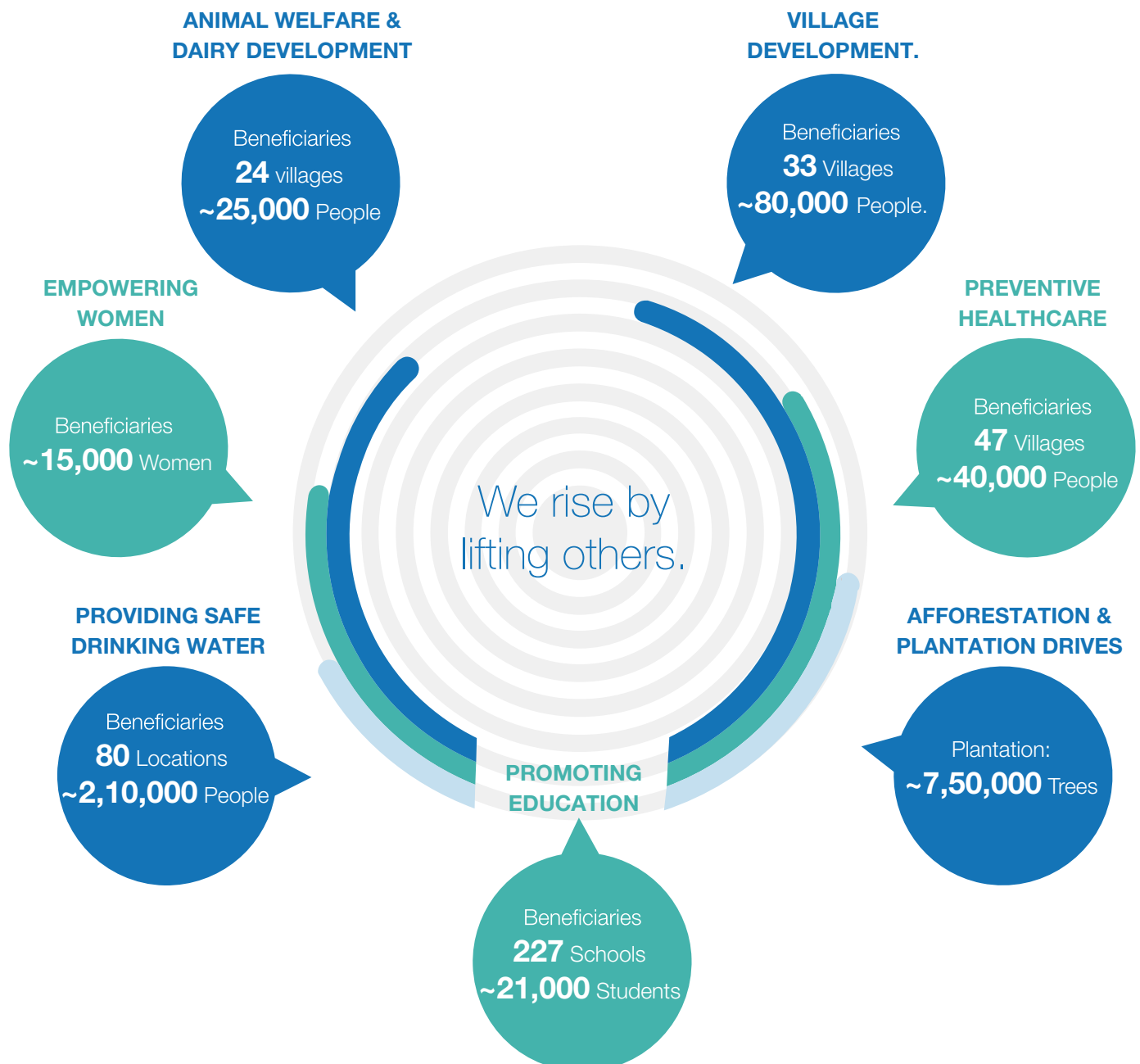


30 years of sustenance is what we call our journey. This sustenance came with belief and through actions, to not only become one of the world's leading API manufacturers, but to serve the community at large. Our strong belief in coexisting with the habitat is the key to our sustained growth. "We did not want to grow in isolation but wanted our community to join us in our journey of growth".



Divi's mission for the past 30 years, has been and will continue to be about "Sustenance through Actions". Whether it is promoting child empowerment, or ensuring safe drinking water, or conducting massive plantation drives, we have always stayed connected to our communities & nature. Access to education, health care, safe drinking water, empowerment of children and women, well-being of animals, betterment of livelihoods, development of rural infrastructure – it is in these actions that we want our stakeholders to take pride.

## Highlights 2019-20



# The Best Investment for the Future

Today's children are tomorrow's citizens, and it is they who determine our nation's future. We at Divi's want the future generations to learn to sustain while also learn to grow in their lives. This is only possible when today's children are empowered to do so. We want to ensure that the needs of the community are met without compromising on safety of the future generations.

"Opportunity sooner or later comes to all who work and wish." Divi's wishes to provide as many children the opportunity to learn and grow, so they become healthy and responsible citizens tomorrow. Our efforts at educating children are not limited to learning material alone but access to safe drinking water, nutritious food, regular health check-ups, appointment of teachers and setting up new infrastructure necessary for advanced learning at schools.





#### DISTRIBUTION OF BOOKS AND BAGS

Beneficiaries:  
**144** Villages  
**227** Schools  
 ~**21,000** Students

#### DISTRIBUTION OF UNIFORMS

Beneficiaries:  
**100** Villages  
**158** Schools  
 ~**14,000** Students

#### AID TO SECONDARY EDUCATION

Beneficiaries  
 (10th grade Students):  
**26** Villages  
**31** Schools  
 ~**2,000** Students

#### HEALTH CHECK-UP CAMPS

Beneficiaries:  
**51** Villages  
**90** Schools  
 ~**9,000** Students

#### DISTRIBUTION OF TEACHING MATERIALS

Beneficiaries:  
**128** Villages  
**162** Schools  
 ~**17,000** Students

#### SETTING UP OF SCIENCE LABS

Beneficiaries:  
**61** Villages  
**62** Schools  
 ~**11,000** Students

#### DISTRIBUTION OF WATER BOTTLES

Beneficiaries:  
**143** Villages  
**226** Schools  
 ~**21,000** Students

#### ENHANCEMENT OF CHILD NUTRITION

Beneficiaries (Each Day):  
**144** Villages  
**227** Schools  
 ~**21,000** Students

#### SUPPORT TO VISUALLY CHALLENGED

Beneficiaries:  
**2** Institutions  
 ~**300** Students

#### SCHOLARSHIPS TO MERIT STUDENTS

Beneficiaries:  
**23** Villages  
 ~**200** Students

Highlights  
2019-20



# Improve Water, Improve Life

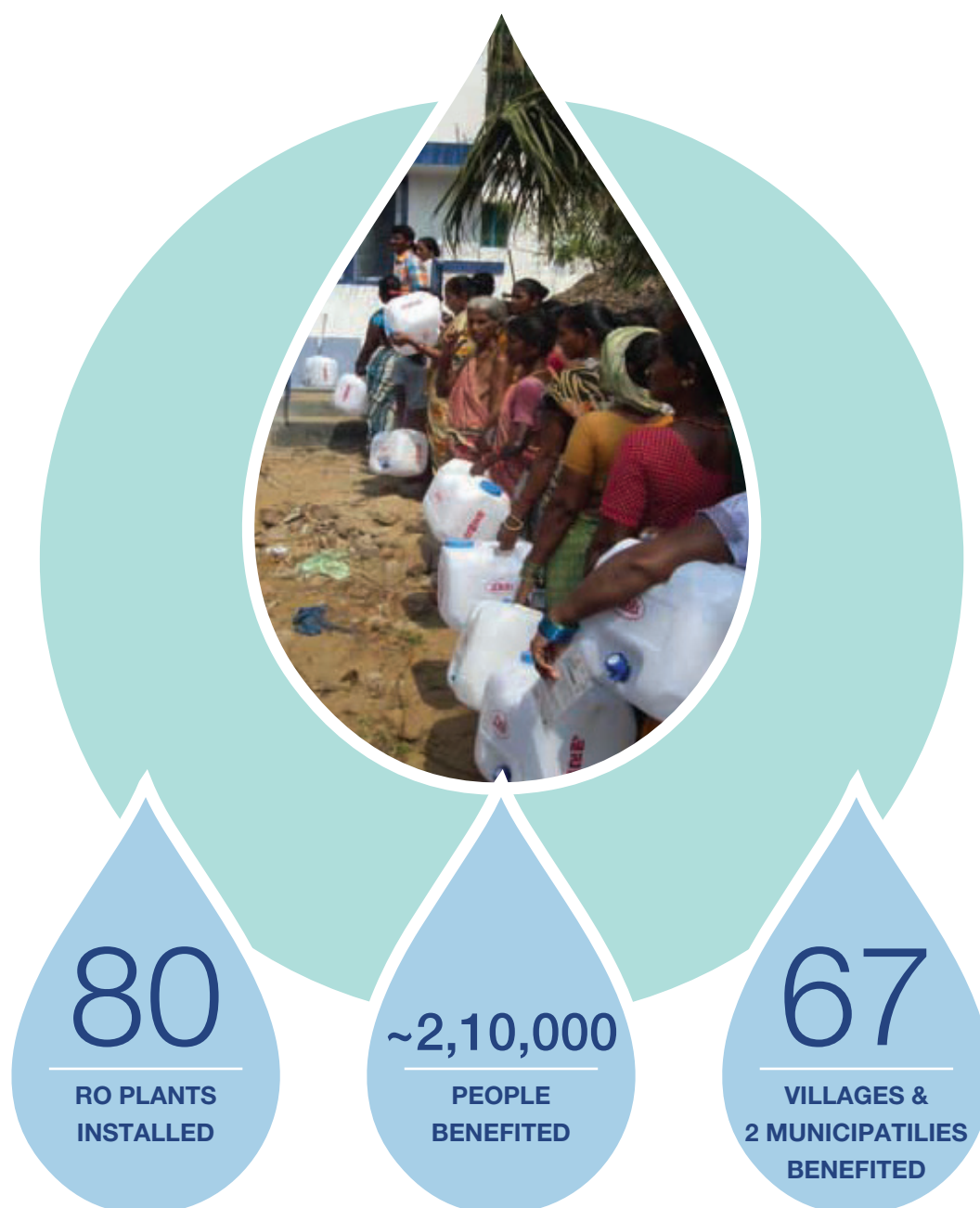
**“Project Sujalam - any time safe drinking water for all”. The brainchild of the man behind Divi's himself, Project Sujalam's objective is to make safe drinking water accessible to the communities around all Divi's manufacturing facilities.**



Divi's understands that water just isn't a priceless commodity but the essence of life. And to ensure lives in the communities around Divi's flourish, access to uncontaminated water is a must. Divi's has made it its mission over the past many years to use techniques like reverse osmosis to rid ground water of impurities like fluoride, lead, sodium, and chlorine while also installing storage water tanks in the local communities so that continuous drinking water is available, accessible and consumable.



## Highlights 2019-20



# Where There's Nature, There is a Future

Uncompromised safety of our future generations is paramount to Divi's. In every walk of our operations we ensure this, and celebrate this. 2020 is a landmark year for Divi's; not just because we have sustained for 30 years but we have sustained with values that matter to us. And one among those values that is most integral to Divi's sustenance is giving back to the mother earth. And what best way to do so than breathe life into the earth itself, through afforestation.



Each of our employees is a torchbearer of this value of ours, helping us plant approximately ~7,50,000 saplings, till date at our manufacturing facilities. Not just in the last one year but we have celebrated each of our last 30 years doing so; every year that Divi's has grown by, we have also grown trees alongside. We are active participants in both the Telangana and Andhra

Pradesh State Government's Harithaharam and Vanam-Manam projects through which we have planted nearly 2,00,000 saplings across 49 villages in both the Telugu speaking states. Clean water along with clean air are what we want to leave for our future generations – every sapling Divi's has planted and will plant is to achieve this.



## Highlights 2019-20

### Project 'Harithaharam' & 'Vanam-Manam'

**49**

Villages Covered

**~2,00,000**

Saplings Planted



### Plantation Drive: 'Miyawaki Technique'

**16**

Villages: Intense forestification

**13 Acres**

Targeted for the initial phase plantation



### Green Belt Development

**~7,50,000**

Total Saplings Planted till date at both our manufacturing facilities





# Strengthen Women, Transform Lives!

“There is no tool for development more effective than the empowerment of women.”

- Kofi Annan

Women are central to the process of any communities' overall development. It is therefore important to build a society where women shine. That's why, at Divi's we concentrate on improving the living standards of underprivileged women, by offering vocational education and training, thereby creating livelihood opportunities for them. This helps them to earn and give themselves and their families a better quality of life and also gives women the confidence to stand up for what is rightfully theirs.



# Smart Rural Habitation for a Successful Nation

Gandhiji said that India lives in its villages. Yet, life in a village is a life of deprivation. It is our mission to bring about positive changes in the villages around us. We are conscious of the need for development of social infrastructure, roads and proper sanitary system in the communities near our manufacturing units and we continuously work hand in hand with the Government to implement rural development plans to achieve Holistic Rural Development.



## Highlights 2019-20



**CONSTRUCTION OF ROADS,  
BUS SHELTERS,  
COMMUNITY HALLS  
AND DRAINS.**

10 Villages  
~48,000 People



**PROVIDING STREET-LIGHTS  
AND ACCESSORIES.**

23 Villages  
~25,000 People



**MATERIAL AID TO  
AGRICULTURE &  
FISHERMEN.**

~100 Coconut Farmers  
~10 Fishermen



**CONSTRUCTION/  
RENOVATION OF  
BURIAL GROUNDS.**

2 Villages  
~2,500 People



**CONSTRUCTION OF  
GRAMA PANCHAYAT  
BUILDINGS.**

1 Village  
~1,200 People



**CONSTRUCTION OF  
COMMUNITY AND  
INDIVIDUAL TOILETS.**

160 Toilets Constructed  
~700 People



**DEVELOPMENT OF  
TANKS AND PARKS.**

1 Village  
~2,500 People

# Every Life is Precious



Dairy farming is a way of life for many local communities in India. It plays an integral role in rural development and Divi's understands its importance. Hence, we initiated several animal welfare programmes to keep livestock healthy. This includes disease prevention, veterinary treatment, appropriate shelter management, nutrition and humane handling. Our initiatives result in the animals' mental and physical welfare and the welfare of people who live closely with animals, like farmers, animal breeders, veterinarians.



CAMPS ON  
DAIRY DEVELOPMENT &  
CATTLE FEED

24 Villages  
~24,000 People

## Highlights

IMPROVEMENT &  
SUPPORT TO  
VETERINARY DISPENSARIES

2 Veterinary Hospitals  
Supported

CONTRIBUTION OF  
MEDICAL EQUIPMENT,  
VACCINES & MEDICINES TO  
VETERINARY HOSPITALS

24 Villages  
~24,000 People

# Preventive healthcare

As the saying goes, prevention is better than cure! Divi's firmly believes that the provision of adequate healthcare is a basic necessity in any community. As a result, we encourage a preventive approach to healthcare. We try to achieve this by creating health awareness among the underprivileged people living near our manufacturing units. Our awareness initiatives have resulted in permanent changes in peoples' attitude towards hygiene, leading to prevention of illness to decrease the burden of disease and associated risk factors.



## Highlights 2019-20

### SUPPORTING 'PULSE POLIO' CAMPAIGN

47 Villages  
~14,000 Children



### ORGANIZATION OF EYE CAMPS

15 Villages  
~155 People

### AWARENESS ON SEASONAL DISEASES

27 Villages  
~25,000 People

### CANCER AWARENESS WALKS

~500 Participants  
Goal – Eradication  
of Cervical Cancer  
by 2030





# We Are In It Together

## Covid-19 Contributions

The times we find ourselves in are unprecedented in our lifetime. While it is important that we remain sustainable in our business during these trying times, it is equally important for us at Divi's to ensure our commitment to all our stakeholders.

We want to ensure our customers that the supply of our API shall remain uninterrupted; we want to assure our employees that while continuity of business is being ensured, it is not at the cost of their health; we want to assure our community that we will do more than ever to keep them safe from the pandemic in every possible manner we can; and finally we also want to assist the state and central governments in their efforts of extending pandemic care to our citizenry.

## Community Awareness about the Pandemic

The pandemic spread a lot of panic amongst our citizenry due to the information floating all around and people not knowing what to consume. This also led to a lot of anxiety in all. Divi's since the beginning of lockdown, has trotted 8 panchayats reaching around ~7,000 people spreading the importance of self-care and not flouting guidelines that have been laid to stop the spread of the pandemic.

## Sanitization

Employees of Divi's have been frontrunners over the past few months in both the Telugu speaking states in sanitization efforts of communities around our manufacturing facilities. Be it supplying bleaching powder to local authorities or spraying the disinfectant itself or sanitizing using sodium hypochlorite, Divi's outreach has directly and positively impacted the lives of ~5,00,000 people and 50 panchayats.

## Highlights

Contributed funds to CMRF, Telangana & AP  
**INR 10 Cr**

A Volunteering Hand by Divi's Employees  
**Beneficiaries: ~1,900 Migrant Workers a Day**

Sanitizing Communities around our Manufacturing Units and safeguarding their health:  
**Beneficiaries: ~5,00,000**





## Support – Infrastructure and Daily Supplies

Be it providing infrastructure to quarantine facilities set up by the governments, or collaborating with various civic bodies, or supporting the daily needs of those whose livelihoods have been affected due to the pandemic, Divi's realises that we can only fight this pandemic hand-in-hand by being appreciative, supportive and by complementing efforts of all.

## Support – Migrants, Frontline Warriors and Students

Our employees are our asset, and we can't thank them enough for what they have done to assist the migrants returning to their home states. We hold our heads high with pride in saying, our employees offered food by contributing their time and efforts to serve 1900 migrants everyday during the crisis.

We at Divi's salute astutely the efforts of all the brave frontline warriors risking their own lives to save us from the virus. As a small token of gratitude towards COVID-19 front-line warriors we are supporting state-local police and health care authorities by setting up disinfectant tunnels and providing water dispensers at police check posts, distributing disposable safety suits, nose masks, Protective eye gear etc.

Supporting the safety of Front-line warriors in AP & Telangana

**Beneficiaries:**  
**~5,000 people**  
**a Day**



Essentials for the needy

**Beneficiaries:**  
**~1,70,000 daily wage**  
**workers**

Provided infrastructure & safety supplies to Quarantine Centres

**Beneficiaries:**  
**~6,500 people**



Creating awareness and keeping the morale high

**Beneficiaries:**  
**~7,000 families**





## Water Conservation & Wastewater Management

At Divi's, wastewater is as important to us as fresh water. What we are trying to do is to lower our consumption of fresh water wherever possible and instead use treated water. Using our 3R principle of Reduce, Reuse and Recycle, we have been working towards reducing our water consumption year on year. In line with our water conservation principles, at Divi's we are mindful of the wastewater generated at our manufacturing facilities. We have developed ways to make the wastewater generated by us also a resource by using effluent treatments and reverse osmosis.

**Water Conservation:**  
**68% Increase**  
 in Water-recycling Potential  
 compared to 2018-19

**Waste Water Management:**  
**From 72% to 81.5%**  
**is the recovery**  
 % achieved through treatment of dissolved solids  
 and RO rejects, over the past 5 years.

# Prevention of accidents and promotion of well-being

**At Divi's, we implement every measure to ensure the safety of our assets; our employees are our most important asset, and we leave no stone unturned when it comes to ensuring their safety at work. We want our employees to feel happy at work, and feeling safe is integral to it.**

We adhere to the policies set forth by both Environmental Health and Safety & Occupational Health & Safety to ensure the wellbeing of our most important assets. Through continual audits, certifications, training, usage of protective equipment and in-house emergency response teams, we are proud to pronounce we have achieved 20 million safe man hours without reporting any reportable incidents during the FY.

Our employees' health is our wealth at Divi's.



## AUDITS

20 EHS audits undertaken by various multi national companies, statutory authorities and third party agencies.

## SAFE MAN-HOURS

20 million safe man hours for the year 2019-20 with no reportable incidents.

## MANAGEMENT SYSTEMS

ISO 14001 Re-certification  
OHSAS 18001 Re-certification  
ISO 14064 verification of GHGs

## EMERGENCY HANDLING

Fully equipped in-house mobile emergency van along with first line of defenders to handle emergencies.



## TRAINING

5200 EHS training programmes conducted during the year, representing 100% increase in the programmes conducted compared to the previous year.

## PERSONAL PROTECTIVE EQUIPMENT

3000/4000 overalls, FR uniforms & Suits, Aluminium fire entry suits, Arc flash suits and augmenting PPEs by adding specialized PPEs like micro-chem for handling critical materials



# Our Employees are our Matchless Strength

**Our employees are not only our most valued asset but also our strength. They are the torchbearers of our culture and tradition. When it comes to leading from the front in giving back to the community, Divi's employees volunteer.**

And we make it our own, to make sure our employees feel at home even at work. Their physical and mental health remain our top priority. Our yearly marathon participation, where most our employees are present, our state-of-the-art fitness centre at our corporate office, the spaces available for yoga and meditation and the inter-departmental sports meets are all a testament to our commitment to keeping our employees engaged.

Our employees are as important to us as any other stakeholder of ours, and an engaged employee translates into customer happiness.



## ENCOURAGING A HEALTHY LIFESTYLE:

Fitness centres and sports events



## INSPIRING OUR PEOPLE TO PLANT TREES:

A tree for every occasion



## GIVING BACK TO THE COMMUNITY:

Employee volunteerism through COVID 19 response, offering water and food to migrant workers





# Business Responsibility Report

## Section A: General Information about the Company

1.	Corporate Identity Number (CIN) of the Company	L24110TG1990PLC011854
2.	Name of the Company	Divi's Laboratories Limited
3.	Registered Address	Divi Towers, 1-72/23(P)/DIVIS/303, Cyber Hills, Gachibowli, Hyderabad – 500 032, Telangana, India
4.	Website	www.divislabs.com
5.	E-mail Id	mail@divislabs.com
6.	Financial Year reported	April 2019 to March 2020
7.	Sector(s) that the Company is engaged (industrial activity code-wise)	Pharmaceuticals NIC Code: 210
8.	List of three products/services that the Company manufactures/provides	Naproxen, Gabapentin, Dextromethorphan HBr
9.	Total number of Locations where business activity is undertaken by the Company	
	a. Number of International Locations	Marketing subsidiaries at New Jersey in USA and Basel in Switzerland for our Nutraceutical Ingredients
	b. Number of National Locations	6 manufacturing facilities and 3 R&D Centres / PDSCs in India. Refer Page No. 7 of the Annual Report
10.	Markets served by the Company – Local/State/ National/International	In addition to pan India, our major markets include Europe, United States of America (USA) and Asia.

## Section B: Financial Details of the Company (as on 31 March, 2020)

1.	Paid-up Capital (INR)	₹ 5,309 Lakhs
2.	Total Revenue (INR)	₹ 5,50,043 Lakhs
3.	Total profit after taxes (INR)	₹ 1,37,271 Lakhs
4.	Total spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%)	3.69% (₹ 5,068 Lakhs)
5.	List of activities in which expenditure in 4 above has been incurred:-	The major areas in which CSR expenditure has been incurred include: 1. Promoting education; 2. Rural development 3. Promoting health care; 4. Safe drinking water 5. Environment sustainability; 6. Empowering women 7. Promotion of rural sports; 8. Swachh Bharat initiative 9. Livelihood enhancement program. Refer Annexure-IV – Annual Report on CSR Activities undertaken during the year forming part of the Boards' Report for FY 2019-20.

## Section C: Other Details

1.	Does the Company have any Subsidiary Company/ Companies?	Yes. The Company has 2 foreign subsidiaries.
2.	Do the Subsidiary Company/ Companies participate in the BR Initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s)	Subsidiary Companies are closely integrated with our Corporate BR initiatives to the extend in conformity with applicable local laws.
3.	Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, More than 60%]	Yes. We have a Code of Conduct for stakeholders, which we expect them to follow.

## Section D: BR information

### 1. Details of Director/ Directors responsible for BR

#### (a) Details of the Director/ Directors responsible for implementation of the BR policy/policies

DIN Number	: 00005040
Name	: Dr. Murali K. Divi
Designation	: Managing Director

#### (b) Details of the BR head

DIN Number (if applicable)	: 00063843
Name	: Mr. Madhusudhana Rao Divi
Designation	: Whole-time Director- Projects
Telephone number	: 91-40-23786339
e-mail id	: raodivi@divislabs.com

## 2. Principle-wise (as per NVGs) BR Policy/policies

### (a) Principle-wise Index:

P1	Businesses should conduct and govern themselves with Ethics, Transparency and Accountability
P2	Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle
P3	Businesses should promote the wellbeing of all employees
P4	Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.
P5	Businesses should respect and promote human rights
P6	Business should respect, protect, and make efforts to restore the environment
P7	Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner
P8	Businesses should support inclusive growth and equitable development
P9	Businesses should engage with and provide value to their customers and consumers in a responsible manner

### (a) Details of compliance (Reply in Y/N)

No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1	Do you have a policy/policies for...	Y	Y	Y	Y	Y	Y	NA	Y	Y
2	Has the policy being formulated in consultation with the relevant stakeholders?	Y	Y	Y	Y	Y	Y	NA	Y	Y
3	Does the policy conform to any national / international standards? If yes, specify?	Y*	Y*	Y*	Y*	Y*	Y*	NA	Y*	Y**
4	Has the policy being approved by the board? If yes, has it been signed by MD/owner/ CEO/appropriate Board Director?	Y	Y	Y	Y	Y	Y	NA	Y	Y
5	Does the company have a specified committee of the Board/ Director/ official to oversee the implementation of the policy?	Y*	Y*	Y*	Y*	Y*	Y*	NA	Y*	Y*
6	Indicate the link for the policy to be viewed online?	www.divislabs.com	Available on our Intranet	NA	www.divislabs.com	www.divislabs.com	www.divislabs.com	NA	www.divislabs.com	Available on our Intranet

7	Has the policy been formally communicated to all relevant internal and external stakeholders?	Y	Y	Y	Y	Y	Y	NA	Y	Y
8	Does the company have in-house structure to implement the policies?	Y	Y	Y	Y	Y	Y	NA	Y	Y
9	Does the company have a grievance redressal mechanism related to the policies to address stakeholders' grievances related to the policies?	Y	Y	Y	Y	Y	Y	NA	NA	Y
10	Has the company carried out independent audit/ evaluation of the working of this policy by an internal or external agency?	Y	Y	Y	Y	Y	Y	NA	Y	Y

\*Policies conform to applicable laws and the national standards. Implementation of the Policies lie with the respective functional Heads and reviewed by the Management.

\*\*Divi's has policies and procedures in line with its business and conform to national and international standards relevant to the type of industry in which it operates.

NA – Not Applicable

### 3. Governance related to BR

a	Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company. Within 3 months, 3-6 months, Annually, More than 1 year	Annually
b	Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?	Yes, the Company publishes a BR report annually. Web link: <a href="https://www.divislab.com/wp-content/uploads/2020/Sustainability-Report-2019-20.pdf">https://www.divislab.com/wp-content/uploads/2020/Sustainability-Report-2019-20.pdf</a>

## Section E: Principle-wise Performance

### Principle 1: Businesses should conduct and govern themselves with Ethics, Transparency and Accountability

#### 1. Does the policy relating to ethics, bribery and corruption cover only the company? Does it extend to the Group/Joint Ventures/ Suppliers/Contractors/ NGOs /Others?

The policy extends to all our stakeholders like suppliers, customers, employees etc. Divi's Code of Ethics and Business Conduct conforms to standards of corporate governance by complying with laws and regulations and to fulfill the responsibilities to stakeholders and implement standards of transparency, integrity, accountability and corporate social responsibility in all dealings.

#### 2. How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management? If so, provide details thereof.

We have not received any significant complaints from stakeholders in the last financial year.

### Principle 2: Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle

#### 1. List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and/or opportunities.

- Gabapentin
- Levodopa
- Vent Gas Condensers (VGC) systems

#### 2. For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product(optional):

- Reduction during sourcing/production/ distribution achieved since the previous year throughout the value chain?
- Reduction during usage by consumers (energy, water) has been achieved since the previous year?

##### i) Gabapentin

As part of Continuous Improvement Initiatives, Divi's developed efficient process for manufacturing one of the intermediates of Gabapentin API.

Harsh conditions for acidic hydrolysis to open the imide ring in intermediate formation step was eliminated by adopting selective alkaline hydrolysis for opening the imide ring. With this improvement, we are able to process the reaction using milder temperature conditions with less number of steps in the synthesis.

#### ii) Levodopa

As part of Operation Green initiatives, waste minimization was done in intermediate steps and the resulting indirect benefits are significant reduction in water by 4800 M<sup>3</sup> per year, energy consumption by 1,14,000 KWH per year and reduction in carbon footprint by 105 TCO<sub>2</sub>e per year.

#### iii) Vent Gas Condensers (VGC) systems

We have installed an inline vent line gas condenser system to condense the escaping solvent vapors from high-pressure filtration operations. Installed one unit and recovered 680 KL of solvent from escaping vapors whereby 1.7 TCO<sub>2</sub>e of GHG emissions were reduced.

### 3. Does the company have procedures in place for sustainable sourcing (including transportation)?

#### (a) If yes, what percentage of your inputs was sourced sustainably? Also, provide details thereof, in about 50 words or so.

Yes, the Company has laid down a standard operating procedure for the selection and approval of its vendors for sourcing of material. We have a system in place for evaluating the EHS resources and compliance of key suppliers and vendors for key raw material / intermediates.

### 4. Has the company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work?

#### (a) If yes, what steps have been taken to improve their capacity and capability of local and small vendors?

Divi's has a supply-chain policy aimed at sustainable sourcing of inputs. The Company has a supplier evaluation and qualification process. On site audits/visits are made to review the practices followed at suppliers' sites towards this objective.

Steadfast resources are involved in sustainable sourcing activities including capacity building, developing long-term supplier partnerships, vendor development and performance management, and sharing best practices among all strategic business partners. We have a dedicated team for supply risk mitigation program to

develop alternate vendors wherever single vendors are considered critical for business continuity.

Indigenization of supplies is a key focus for our sustainable raw material sourcing. This approach aids us for lower procurement costs and improvement in overall quality of the products as the materials are delivered with shorter lead-times, with complete compliance control (especially temperature sensitive raw materials) and lower logistics costs.

### 5. Does the company have a mechanism to recycle products and waste? If yes what is the percentage of recycling of products and waste (separately as <5%, 5-10%, >10%). Also, provide details thereof

Yes, the Company has a mechanism to recycle products and waste. Solvents, reagents are recovered both onsite and offsite. >95 % of the waste is sent to cement and other industries for co-processing and recovery/reuse.

### Principle 3: Businesses should promote the wellbeing of all employees

Our Company promotes the well-being of all employees by providing equal opportunities, facilities and a workplace environment that is safe, hygienic, humane and which upholds the dignity of the employees. We encourage participation of employees through various committees. We have set up Grievance Redressal Committee for the resolution of disputes or grievances of employees. Management is accessible at all points of time to redress grievances and complaints of employees as per defined procedures.

1. Please indicate the total number of employees: 13884
2. Please indicate the total number of employees hired on temporary/contractual/casual basis: 4872
3. Please indicate the number of permanent women employees: 741
4. Please indicate the number of permanent employees with disabilities: 25
5. Do you have an employee association that is recognized by management? Divi's does not have any employee association or a trade union of workers.
6. What percentage of your permanent employees is members of this recognized employee association? Not applicable
7. Please indicate the number of complaints relating to child labor, forced labor, involuntary labor, sexual harassment in the last financial year and pending, as on the end of the financial year.

(Data as on 31 March, 2020)





**4. Does the Company have any project related to Clean Development Mechanism? If so, provide details thereof. Also, if Yes, whether any environmental compliance report is filed?**

We currently do not have any Clean Development Mechanism (CDM) projects.

**5. Has the Company undertaken any other initiatives on – clean technology, energy efficiency, renewable energy, etc. Y/N. If yes, please give hyperlink for web page etc.**

Yes, The Company utilises latest technologies towards Green Environment. Divi's EHS policy stresses on continuous process upgradation to minimize risks and wastage. It gives utmost importance for conservation of energy with the objective of improving yields or eliminating wastage by increasing overall system efficiency and reviews the processes to minimize energy losses.

Optimum utilization of energy is achieved through energy efficient systems/equipment, using alternate renewable energy and energy efficient lighting. We also achieve water conservation by harvesting rain water, recycling process water & installing equipment and improving our processes to minimize water utilization.

**6. Are the Emissions/Waste generated by the Company within the permissible limits given by CPCB/SPCB for the financial year being reported?**

Yes, the emissions/waste generated by our manufacturing facilities are well within the permissible limits. This is continuously ensured by effective online monitoring systems installed at several locations.

**7. Number of show cause/ legal notices received from CPCB/SPCB which are pending (i.e. not resolved to satisfaction) as on end of Financial Year.**

There were no show cause/ legal notices received from CPCB/SPCB in the reporting year.

**Principle 7: Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner**

**1. Is your company a member of any trade and chamber or association? If Yes, Name only those major ones that your business deals with:**

- (a) National Safety Council
- (b) Pharmaceuticals Export Promotion Council of India
- (c) Bulk Drug Manufacturers Association
- (d) National Fire Protection Association
- (e) Swiss-India Chamber of Commerce
- (f) The Federation of Telangana And Andhra Pradesh Chambers of Commerce And Industry

**2. Have you advocated/lobbied through above associations for the advancement or improvement of public good? Yes/No;**

No.

**Principle 8: Businesses should support inclusive growth and equitable development**

**1. Does the company have specified programs/ initiatives/projects in pursuit of the policy related to Principle 8? If yes details thereof.**

As part of its CSR policy, the company has taken up several initiatives in this regard for the communities or villages around the manufacturing sites. All our programs and initiatives have complemented and supported the development priorities of the local communities.

**2. Are the programs/projects undertaken through in-house team/own foundation/external NGO/ government structures/any other organization?**

As such most of the programs/ projects undertaken by Divi's are through in-house team. A separate department with qualified staff has been constituted for formulation, implementation and review of CSR activities. A few projects are undertaken in association with NGOs/Charitable Trusts having exercising in certain initiatives undertaken.

**3. Have you done any impact assessment of your initiative?**

Yes. We measure the outcome of every initiative implemented for the community through listening and feedback. The assessment helps us in designing new programs and initiatives to address the felt needs of local communities.

**4. What is your Company's direct contribution to community development projects- Amount in INR and the details of the projects undertaken.**

Total expenditure incurred on community development initiatives during the financial year is Rs. 5068 lakhs. The programs undertaken are as per the CSR Policy enumerated elsewhere.

**5. Have you taken steps to ensure that this community development initiative is successfully adopted by the community?**

Community development initiatives undertaken by Divi's are successfully adopted and continued by the local communities. We have adopted a collaborative and participatory approach in the formulation and implementation of community development programs for ensuring continuity and sustainability. Some of our initiatives have exit strategy wherein we handover the project, after successful implementation, to local administration for the community ownership.

**Principle 9: Businesses should engage with and provide value to their customers and consumers in a responsible manner**

**1. What percentage of customer complaints/consumer cases are pending as on the end of financial year?**

No pending complaints. The complaints are handled timely as per the internal SOP and responded to customers.

**2. Does the Company display product information on the product label, over and above what is mandated as per local laws? Yes/No/N.A. /Remarks**

Yes, all relevant product information such as name and grade of the product, batch number, manufacturing date, re-test date, quantity, manufacturer's details, storage and handling instructions, precautionary/ hazard statements, disposal procedures etc are provided on the labels.

**3. Is there any case filed by any stakeholder against the company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behavior during the last five years and pending as on the end of financial year.**

No

**4. Did your Company carry out any consumer survey/ consumer satisfaction trends?**

Yes, customer feedback is taken and evaluated periodically.

# Management Discussion And Analysis

## 1. Economy and Industry Outlook

### Global Pharmaceutical Industry outlook and Emerging Trends:

Global spending on medicines is forecast to reach \$1.5 trillion by 2021, up 33 percent from 2016 levels, according to a research released by the Quintiles IMS Institute. The growth is predicted on the basis of various factors like market drivers, current and upcoming trends, current growth pattern, and market challenges. While the major developed markets will remain the dominant contributor, the pharmerging markets' overall contribution to global sales growth will continue to rise to almost 35%. According to an in-depth analysis by a leading consulting firm, by 2023, North America is expected to retain its leading position in the global pharmaceuticals market with a market share of 45%. Asia Pacific pharmaceuticals market is expected to retain its second position with a market share of 24%. Europe is expected to be worth 20%. Latin America and Middle East and Africa (MEA) are expected to retain 11% market share of global pharmaceuticals market.

Apart from ageing and rising population, the improvements in purchasing power and access to quality healthcare and pharmaceuticals to poor and middle-class families worldwide also is the growth of global pharma industry. The new medicines will address significant unmet needs across wide range of disease areas including cancer, auto-immune, metabolic and central nervous system. Innovations in advanced biologics, nucleic acid therapeutics, cell therapies are also driving the global pharmaceuticals industry growth.

### Indian Pharmaceutical Industry Review:

India is prominent and rapidly growing its presence in global pharmaceuticals industry. The Indian pharmaceutical industry is the world's third largest by volume with an annual revenue of about USD41 billion (domestic formulations market and exports). It is the largest provider of generic medicines globally, occupying a 20% share in global supply by volume, and also supplies 62% of global demand for vaccines. The Indian pharma industry has been growing at a compounded annual growth rate (CAGR) of more than 15% over the past five years.

The Indian bulk drug industry has progressed from being perceived as an industry manufacturing simple API molecules to becoming the preferred destination for high value and complex APIs. The industry currently ranks third globally and has its advantages in terms of availability of a large pool of chemists and technologists, world-class facilities, and lowcost operations. The Government aims at reducing dependency on import of active pharma ingredients, its key starting materials or lower level intermediates in order to ensure sustainable growth and service the requirements of the global market. Towards this objective, Government is also setting up a taskforce to encourage domestic production of active pharma ingredients as well as

its starting materials and is making significant commitment of funds for creating infrastructure for the same. The Department of Pharmaceuticals aims to make the country a hub for end-to-end drug discovery under its 'Pharma Vision 2020'.

### COVID-19:

As economies around the world are suffering from the impact of COVID-19, several businesses are also experiencing challenges in operations and supply chain disruptions. Pharmaceutical companies are putting strenuous efforts to develop appropriate medicine/vaccine for this virus besides making timely availability of medicines to support the initiatives of the governments to contain the spread of the virus.

The COVID 19 outbreak has also presented Indian pharmaceutical companies an opportunity to become a preferred alternate hub for manufacturing APIs and intermediates. Having recognised this opportunity and declaring Indian pharma's over-dependence on Imported APIs/Intermediates/Key starting materials a threat to national security, the central government has approved a slew of measures to promote manufacturing of APIs and KSMs within the country.

### Company Overview

Divi's Laboratories Limited is a leading manufacturer of Active Pharmaceutical Ingredients ("API"), intermediates as well as nutraceutical ingredients offering quality products with the high level of compliance to customers in over 95 countries. The Company is recognised as a reliable supplier of generic APIs, a trustworthy custom manufacturer to big pharma and is among the top API manufacturers worldwide.

Divi's operates from its headquarters and registered office at Hyderabad. The Company has six multi-purpose manufacturing facilities from two sites with all support infrastructure like utilities, environment management and safety systems.

The Company has constantly been working towards improving quality systems, compliances to environment and safety while simultaneously creating additional capacities with supporting infrastructure; and is well equipped to service several projects of customers for custom synthesis opportunities as well as increase its generic business.

## 2.1 Manufacturing Facilities

The Company operates at two manufacturing locations:

- Unit I, which is the first facility located at village Lingojigudem in Yadadri Bhuvanagiri District (erstwhile Nalgonda District) near Hyderabad Telangana State, which started operations during the year 1995. This facility comprises 13 multi-purpose production blocks with finished product areas for manufacture of APIs and intermediates. Spread across about 500 acres equipped with diverse equipment for

handling various types of chemical reactions supported with all utilities and services; and has added capacities and are upgraded, renovated and modernized from time to time.

- We have set up a new DC-SEZ Unit on the available land at Unit-I and commenced commercial operations from a part of this facility during February, 2020.
- Unit-II, the other manufacturing facility is at village Chippada, Bheemunipatnam Mandal, Visakhapatnam District Andhra Pradesh State on a 490-acre site. This Unit houses:
  - o An Export Oriented Unit, which has 8 production blocks which has been operating since the year 2003.
  - o An SEZ Unit, which went into commercial operations during the year 2006 and has 9 production blocks with all required utilities and infrastructure.
  - o DSN SEZ Unit, which has 6 production blocks and went into commercial operations during the year 2011.
  - o All these Units have been adding capacities and are upgraded and modernized from time to time.
  - o We have set up a new DCV SEZ Unit which commenced commercial operations from a part of this facility during

March, 2020.

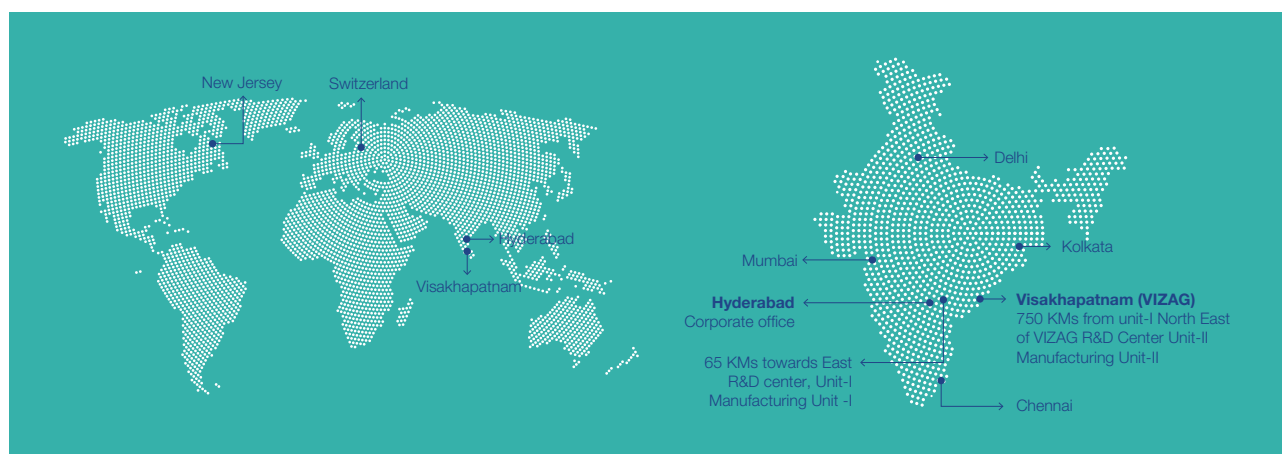
## 2.2 Research Centers

The Company has Research Centers called as DRC at Sanath Nagar, Hyderabad and Process Development & Support Centres (PDSCs) at the manufacturing sites. These centers are involved in development of processes for both new compounds and improvement of processes for compounds on the market.

PDSCs work on process development and scale up from gram scale further through various stages of development, process optimization, impurity profile, pilot studies, pre-validation batches, validation of process and transfer of technology to Plant. PDSCs also review improvement of processes and gives process support to the Plants from time to time.

## 2.3 Subsidiaries

The company has two subsidiaries M/s. Divi's Laboratories (USA) Inc., in the United States of America and M/s. Divi's Laboratories Europe AG in Switzerland for marketing its nutraceutical products and to provide a greater reach to customers within these regions.



## 3. Internal Control systems

The Company has in place adequate internal financial controls over financial reporting. It has adopted necessary policies and procedures for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, safeguarding of its assets, prevention and detection of frauds and errors, accuracy and completeness of the accounting records, and timely preparation of reliable financial information.

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 has effective implementation of internal control self assessment procedures to ensure compliance to policies, plans and statutory requirements.

Divi's encourages and recognizes improvements in work practices. The Company's internal control system and the internal financial control processes are reviewed by the Audit Committee periodically. The Management duly considers and takes appropriate action on the recommendations made by the internal auditors, statutory auditors and the Audit Committee.

## 4. Risks and Concerns

Divi's 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. The Company strives to identify opportunities that enhance

organisational values while managing or mitigating risks that can adversely impact its future performance through:

- Integrated process for identification, assessment and reporting
- Decentralized management of specific opportunities and risks and
- Aggregation at corporate level monitored by the Risk Management Committee with the overall direction and control by the Board.

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

## Risks and Risk Mitigation

### 4.1 Global markets

Divi's is engaged in manufacture of generic APIs, custom synthesis of active ingredients for innovator companies, other specialty chemicals and nutraceuticals. The Company is very selective in its product portfolio with a focus on export markets within the domain of its capabilities. As the company has significant exposure to export markets, and hence may have impact due to global economy or changing dynamics in the supply-chain of its products in the global markets besides any protective actions by governments of recipient countries.

### 4.2 Competition

In order to stay competitive vis-a-vis its peers in Europe and US, the Company lays great stress on leveraging its inherent skills and strengths in chemistry by building strong customer relationships supported by cost competitive and fast delivery structure. However, competition is inherent in the business of the Company as there are constant efforts in process innovation and cost competitiveness. Divi's continues to work towards optimizing its processes and upgrading its plant capacities and capabilities at its multi-purpose manufacturing facilities to stay competitive and compliant to regulations; and is also creating additional capacities addressing the anticipated or increasing business opportunities.

### 4.3 Covid-19 corona virus pandemic

In view of the SARS-CoV-2 coronavirus outbreak (Covid-19 pandemic), Government of India and the State Governments have issued guidelines, under the Disaster Management Act, to contain spread of the covid-19 virus, on measures for social distancing and imposed certain

lockdown restrictions since March 24, 2020. Government has exempted manufacturing units of essential goods including drugs and pharmaceuticals, medical devices, their raw materials and intermediates from the lockdown restrictions, amongst others. Governments have issued guidelines and standard operating procedures from time to time for movement of people and goods. The Company has been operating in compliance with the various advisories/guidelines passed by the Government of India, State Governments and statutory institutions.

The Company has been reviewing all its business processes and production schedules and put in place appropriate business continuity plans, prioritizing activities of significance. Our Marketing and Logistics department of the company has constantly engaged with the customers updating them about the supply schedules and ensuring commitments with minimal impact. Limited availability of airline/sea shipping options for freight movement has burdened our customers and freight costs have increased significantly. Marketing team has been communicating these challenges and vast majority of the customers have agreed to the revised shipment timelines along with the associated freight expenses. We expect the challenges related to freight movement expense to continue in the near future, till international passenger/cargo movement normalise. On supply side, we experienced some supply chain disruptions during first few weeks lockdown period, and the situation has significantly stabilized by mid of April 2020 as some of the domestic suppliers have been able to get permissions and address local challenges which resulted in modest increase in prices. our Procurement Department has been engaging with the vendors and the transporters to ensure timely supplies involving inter-state and intra-state movement as also with the overseas vendors and agents to ensure imports and clearances with minimal impact on schedules.

While the Company will continue to closely monitor any material changes to future economic conditions due to efforts on containment of covid-19 virus globally or domestically, based on its assessment of the situation, the company can only visualize minimal impact on its business operations. As the dynamic status of containment of covid-19 evolves going forward, the company would suitably address its business continuity plans.

While a significant part of the capex programs has been completed, there has been some delay in implementing the balance part of the capex programs taken up by the company due to non-availability of workmen of some contractors implementing the projects. Some initial disruptions have also been seen for getting supplies of inputs for the capex programs due to restrictions of movement of goods. Although we have seen improvement subsequently in terms of some of the workmen/technicians of contractors reporting for duty and materials arriving at site, we expect some delay in completing the capex projects. In respect of capital equipment, vendors started the manufacturing



with limited work force and we anticipate some delays in getting the equipment, which we are addressing with the vendors to minimize the delays.

#### 4.4 Regulatory and Quality Compliances

The Company devotes significant importance to the regulatory compliances as it accesses advanced markets like Europe and USA for a major part of its business. Risks relating to regulatory compliances to such markets are inherent to the Company's business. Divi's has put in place appropriate systems, processes, operations and procedures to monitor and ensure consistent practice for the evolving compliance regime for market access to the recipient countries of its products and specifications. The chemists and staff are periodically retrained so that they are fully aware of the latest regulations, quality testing, standard operating procedures and norms. Divi's has invested in extensive training to incorporate the cGMP updates into its operating systems. The company constantly reviews its policies and procedures to adhere conformity of the various global and domestic regulations for its manufacturing facilities or statutory compliances.

#### 4.5 Patent compliance

The Company manufactures either patent-expired generics or undertakes custom synthesis of compounds for the innovator MNC companies. Divi's continually reviews patent compliance in its process development of active ingredients and has a monitoring mechanism to validate non-infringement of the processes developed.

#### 4.6 Employee Relations

We consider employees as an integral part of our operations and we put in place appropriate compensation plans, feedback process, continuing training and upgradation of skills in their functional areas. Employee relations are affable and harmonious with safe and healthy working environment and all-round contribution and participation in the growth.

#### 4.7 Commercial and Financial Risks

With predominance of its exports, the Company is exposed to a wide spectrum of risks relating to markets, legal disputes relating to contracts, various statutory compliances, credit from suppliers or to customers or from banks/lenders, interest rates, liquidity as well as foreign exchange rate volatility, continuity in supply of raw materials and prices or of any sudden changes relating to trade and regulations by countries where company does business; and addresses these appropriately to mitigate or minimize these risks. Company constantly reviews its systems and processes and takes adequate measures to address these risks or meet its obligations.

Company has significant exports, besides imports of inputs and hence has a large exposure to exchange rate risks. Given the instability in the global, political and economic environment and bilateral trade issues, there has been

significant volatility of foreign currency rates. Such events are outside the control or horizon of Indian companies and it is becoming very difficult to accurately predict currency movements. In the long run, we realise the best way to manage currency fluctuations is to have a better geographic balance in revenue mix factoring Company's competitive positioning, and to ensure a foreign currency match between liabilities and earnings.

Company constantly reviews and aligns its policies and decisions to minimize the commercial and financial risks.

#### 4.8 Insurance

The Company's current and fixed assets as well as products are adequately insured against various risks like transit, fire and allied risks, public and product liability, personnel, directors & officers' liability etc.

#### 4.9 Environment, health and safety

As the Company's manufacturing operations involve complex chemical reactions, risks exist on any issues relating to safe operations and environment compliances. Divi's policies and processes are designed and reviewed from time to time to adhere to all applicable regulations on the environment management, employee health and safety. Divi's continually strives to optimize the resources and upgrade its processes in order to reduce the environmental impact of its processes, products and services, besides ensuring health and safety of employees involved in the processes.

#### 4.10 Information Technology

The Company has put in place an IT policy in order to ensure consistency, protection and security of data and IT systems to ensure smooth business processes. The systems used for information security are constantly tested, continuously updated and expanded. In addition, our employees are regularly trained on data protection and safety including secure online banking transactions. IT-related risk management exercise is conducted using appropriate protocols and tools.

#### 4.11 Sustainable operations

As part of our efforts towards sustainable business operations, we assess the opportunities and risks associated with sustainable sourcing/utilization of resources and manufacturing activity; and continually evaluate alternatives and implement optimum processes for sustainable and safe operations in order to minimize, mitigate or de-risk our business operations.

### 5. Regulatory Filings/Approvals

Divi's 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. The Company has also obtained Food Safety System Certification (FSSC) 22000 for vitamins and carotenoids, GMP+B2 certification for production of Feed Ingredients. All the manufacturing sites are periodically inspected by US-FDA, EU and other agencies.

Divi's has a total of 38 drug master files (DMFs) with US-FDA and 23 CEPs (Certificates of Suitability) issued by EDQM authorities. Divi's has filed for a total of 37 patents for generic products.

## 6. Business distribution

Our product portfolio comprises of two broad categories 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. Among Divi's well distributed product range, some of the components of the business are given below:

Particulars	2019-20	2018-19
Exports	87%	88%
Imports (% of material consumption)	50%	52%
Largest Product	18%	18%
Top 5 Products	47%	47%
Top 5 Customers	36%	37%
Exports in \$ terms	83%	84%
Exports in Pounds	11%	11%
Exports in Euro	5%	5%

## 7. Performance and Operations Review

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

(₹ in lakhs)		
Particulars	2019-20	2018-19
Revenue from operations	531057	487966
Other Income	18986	15658
Total Revenue	550043	503624
Expenditure bef. Deprecn & Fin. Cost	349513	303070
PBDIT	200530	200554
Finance Cost	606	350
Depreciation	18595	16881
Profit before Tax (PBT)	181329	183323
Provision for tax:		
Current Tax	38779	47245
Deferred Tax	5279	2813
Profit after Tax (PAT)	137271	133265
Other Comprehensive Income (net of tax)	(521)	105
Total Comprehensive Income	136750	133370
Earnings per Share (EPS)	51.71	50.20
Basic & Diluted (.)		

We have yet another year of successful operations during FY2019-20. Focus this year has been on completing the large capex programs taken up during the year, which comprised two brownfield projects, besides debottlenecking/ backward integration and utilities expansion projects.

Total revenue for the year has grown by 9% to ₹550043 lakhs as against total revenue of ₹503624 lakhs for the last year. Profit before tax (PBT) for the year amounted to ₹181329 lakhs as against ₹183323 lakhs for last year. Profit after Tax (PAT) before Other Comprehensive Income for the year amounted to ₹137271 lakhs as against a PAT of ₹133265 lakhs for the last year. Earnings Per Share of ₹2/- each works out to ₹51.71 for the year as against ₹50.20 for the last year.

Current tax provision for the year came to ₹38779 lakhs as against ₹47245 lakhs for the last year. While determining the tax provision for the year, due consideration has been given for enhanced additional depreciation and investment allowance available in respect of investment in plant and machinery for setting up new manufacturing units in notified backward areas in the state of Telangana and Andhra Pradesh. In addition, there was a reversal of current tax of earlier years amounting to ₹3370 lakhs. Deferred tax provision for the year was higher at ₹5279 lakhs as against ₹2813 lakhs and this is due to the timing difference of depreciation as the company has capitalized fixed assets of ₹87838 lakhs on completion of some of the capex projects.

### 7.1 Exports

Exports constituted 87% of sales revenue during the year. Exports to advanced markets comprising Europe and America accounted for 71% of business.

### 7.2 Region-wise Sales Revenue

(₹ in lakhs)				
Region	2019-20		2018-19	
	Sales revenue	% Share	Sales revenue	% Share
Asia	59474	11.4%	59183	12.5%
Europe	249850	48.0%	217452	45.9%
America	121813	23.4%	127212	26.8%
Rest of the World	21524	4.1%	13609	2.9%
India	68071	13.1%	56266	11.9%
<b>Total</b>	<b>520732</b>	<b>100.0%</b>	<b>473722</b>	<b>100.0%</b>



## 7.5 Material Costs

	(₹ in lakhs)	
Particulars	2019-20	2018-19
Material consumption	218266	208205
Changes in inventories of finished goods and work-in-progress	(9410)	(24422)
Net Material Consumption	208856	183783
Revenue from Operations	531057	487966
% of consumption to Revenue	39.3%	37.7%

Material consumption varies from product to product. The Company manufactures several active pharmaceutical ingredients and intermediates within the Generic and Customs synthesis groups as well as nutraceuticals. Manufacture of any product involves stage-wise controlled processing through its chemistry to the specifications under the standard operating practices complying to cGMP conditions.

Material consumption net of increase/decrease in stocks is about 39.3% of revenue during the year as compared to 37.7% during the last year.

## 7.6 Employee Benefits Expense

Employee benefits expense represent salaries and benefits to employees as also fixed and variable managerial remuneration of whole-time Directors as approved by members.

Expenses for the year amounted to ₹60836 lakhs as against ₹53072 lakhs during the last year. Of this, remuneration to whole-time Directors accounted to ₹10365 lakhs during the year as against ₹11061 lakhs last year.

Increase in employee expenses is on account of revision of salaries and induction of additional staff for the new manufacturing and expansion facilities. Employee cost for the year works out to about 11.06% of total revenue.

## 7.7 Other Expenses

Major items of Other Expenses are Power and Fuel, Stores & Spares, Packing Materials, Repairs, Carriage Outward, Travelling & Conveyance, Sales Commission, Legal & Professional charges, Environment Management Expenses and CSR Expenses.

Other Expenses for the year accounted for ₹79821 lakhs as against ₹66215 lakhs during the last year. This year, we have had 4 inspections by US-FDA and European Directorate of our manufacturing facilities at Unit-1 and Unit-II. There has been increase in Repairs & Maintenance, travel and professional charges. We have significantly stepped up CSR Expenditure during the year and also contributed ₹10 crores to the Chief Ministers' Relief Fund to support contain the Covid-19 pandemic. An amount of ₹400 lakhs was spent on contribution to political parties.

Other Expenses account for 14.50% of total revenue.

## 7.8 Capital Expenditure

We have taken up two brownfield projects called DCV SEZ Unit at village Chippada, Bheemunipatnam Mandal, Visakhapatnam and DC SEZ Unit at village Lingoigudem, Choutuppal Mandal, Yadadri Bhuvangiri District, Telangana with an estimated investment of ₹600 crores each. Besides this, we have also taken up debottlenecking, backward integration and utilities expansion projects at both the manufacturing sites.

The Company has commenced commercial operations from a part of the DC-SEZ Unit in February, 2020, and from a part of the DCV-SEZ Unit in March, 2020. A part of the backward integration, debottlenecking and utility expansion projects have come into utilization this year. The rest of these projects will be completed and come into utilization by end of second half of financial year 2020-21. The balance works of the brownfield projects of DC-SEZ and DCV-SEZ are also expected to be completed by second half of financial year 2020-21.

During the year, we have capitalized PPE and Intangible Assets valuing ₹87838 lakhs. Deductions of ₹361 lakhs represent Assets discarded during the year. Capital WIP as at the year-end amounted to ₹91969 lakhs.

## 7.9 Investments:

Non-current Investments primarily represent equity investments in 100% subsidiaries of the company.

The Company has been deploying its surplus cash accruals in short term debt funds of SBI Mutual Fund. Investment in the growth plan, which has indexation benefit, is classified as non-current investment. Investment in short-term direct fund (daily dividend re-investment plan, net of taxes) is classified as Current Investment.

During April, 2020, on our evaluation of liquidity position of the Mutual Fund industry in general due to the covid-19 virus pandemic, we have encashed all our holdings in mutual funds and moved them to short-term fixed deposits with State Bank of India. Hence, the investments are classified as current investments during the year.

Investment amount is lower as the company has already paid out interim dividend and has spent a significant amount on capex programs.

		(₹ in lakhs)	
Particulars	Classified as	31-03-20	31-03-19
SBI Mutual Fund	Non-current	--	54725
– direct growth			
SBI Mutual Fund	Current	97135	139834
– short term			
direct growth			
<b>Total</b>		<b>97135</b>	<b>194559</b>

The Company has earned an income of ₹9676 lakhs on its investments comprising dividend income, gain on redemption of mutual fund units and gain on fair value changes. Income earned last was year ₹11128 lakhs.



### 7.10 Income-tax assets

Income-tax assets net of provisions, refunds and adjustments, represent the amounts paid pending assessments and refund. As respective orders have been passed granting refunds for earlier years, the income tax assets have since been classified as current in financial statements.

### 7.11 Other Non-current Assets

Capital Advances amounted to ₹10918 lakhs as at the end of current year as against ₹20024 lakhs for the last year. We have taken up large capex programs, major part of which has been spent. Non-current assets are regularly monitored.

### 7.12 Inventory position

Inventory position for the last two years is as under:

(₹ in lakhs)		
Particulars	31-03-2020	31-03-2019
Raw Materials	50049	51210
Work-in-Progress	98091	92849
Finished Goods	15506	11338
Stores and Spares	10771	10921
<b>Total</b>	<b>174417</b>	<b>166318</b>

The Company undertakes campaign production of large volume products like Naproxen, Dextromethorphan and Gabapentin by running the plant at full stream and stock these products for sale – thus freeing the multi-purpose plants for producing other products; and hence carries significant volume of work-in-progress to be able to service the large volume products. As the company has a good market share for these products, we do not foresee any problem with marketing these products and managing the inventory cycle. We also augmented stock of raw materials to avoid any supply disruptions and ensure continued operations. Some of the finished goods / WIP have been written down to their Net Realisable Value. Slow moving and non-moving items have been fully provided for.

### 7.13 Trade Receivables

(₹ in lakhs)		
Particulars	31-03-2020	31-03-2019
Outstanding Receivables	154354	128318
Less: Allowances for doubtful debts	1033	94
Net Receivables	153321	128224
Average receivable days	102	96

Trade Receivables at the year end came to ₹153321 lakhs as against ₹128224 lakhs last year. There is a modest increase in debtor days due to changes in credit period to certain customers. Trade Receivables include an amount of ₹20189 lakhs due from subsidiaries.

### 7.14 Current Loans and other Current Financial Assets

(₹ in lakhs)		
Particulars	31-03-2020	31-03-2019
Loans to Employees	9	11
Export incentive receivable	40	25
Rental deposit	313	0
Insurance claims receivable	36	110
<b>Total</b>	<b>398</b>	<b>146</b>

### 7.15 Other Current Assets

(₹ in lakhs)		
Particulars	31-03-2020	31-03-2019
Indirect Taxes- Input Credits	15041	13021
Prepaid Expenses	1636	876
Advances to suppliers	2377	5665
Other receivables	3151	145
<b>Total</b>	<b>22205</b>	<b>19707</b>

There has been accumulation in Input Tax Credit under GST regime, as exports constitute a predominant part of our business and hence we started claiming refund of GST under the GST Rules.

### 7.16 Deferred Tax Liabilities

Deferred tax liabilities represent temporary differences arising between the tax base of assets using the liability method as also of employee benefit obligations. Deferred tax liability as of 31 March, 2020 amounted to ₹27396 lakhs as against ₹22118 lakhs as of 31 March, 2019.

### 7.17 Current Borrowings

Current borrowings representing working capital loans (secured) as at the end of the year amounted to ₹3363 lakhs as against ₹10560 lakhs as at the end of last year. Borrowings are secured against fixed deposits pledged with the bank. We will be paying interest on the borrowing only when there is utilization due to shortfall or mismatch between inflows-outflows while we earn some interest on our deposits. Any surplus amounts at the end of the day are deployed in money market mutual funds.

### 7.18 Trade Payables

Trade Payables for raw materials/services amounted to ₹58034 lakhs as at the end of the year as against ₹48331 lakhs as at the end of last year. Of the trade payables, an amount of ₹1174 relates to dues to micro and small enterprises. Company follows consistent practices of procurement and avails efficient credit terms from vendors.

### 7.19 Other Financial and Current Liabilities

Company has ongoing capex programs and has capital creditors. Capital Creditors at the year end amounted to ₹7192 lakhs against ₹3973 lakhs as on 31 March, 2019. All obligations are discharged as per the terms agreed with the Vendors. All statutory dues are paid well within the scheduled dates.

## 7.20 Key Financial Ratios

(₹ in lakhs)			
Particulars	31-03-20	31-03-19	Change
Return on Net Worth (%)	18.76%	19.11%	(2)%
Return on Capital Employed (%)	27.79%	30.62%	(9)%
Basic EPS (after exceptional items) (₹)	51.71	50.20	3%
Debtors Turnover	3.91	4.21	(7)%
Inventory Turnover	3.23	3.42	(6)%
Current ratio	5.16	5.58	(8)%
Debt Equity ratio	0.005	0.015	(69)%
Operating profit margin (%)	36.46%	39.82%	(8)%
Net profit margin (%)	24.96%	26.46%	(6)%

Detailed explanation of ratios:

### (i) Return on Net Worth

Return on Net Worth is a measure of profitability of a Company expressed as a percentage of network. It is calculated by dividing profit after tax for the year by average capital employed during the year.

Return on Network for the year has reduced by 2% primarily because we have taken up large capex projects during the year and utilized internal resources. We have had 4 inspections of our manufacturing facilities during the year by regulatory agencies. We also had incurred additional expenses on repairs and maintenance, and professional fee also significant CSR expenditure during the year.

### (ii) Return on Capital Employed

Return on Capital Employed is a ratio that measures a Company's profitability and the efficiency with which its capital is used. In other words, the ratio measures how well a Company is generating profits from its capital. It is calculated by dividing net operating profit (EBIT) by average capital employed during the year.

### (iii) Basic EPS

Earnings Per Share is the portion of a Company's profit allocated to each share. It serves as an indicator of a Company's profitability. It is calculated by dividing the profit after tax for the year by weighted average number of shares outstanding during the year.

Basic EPS for the current year has increased during the current year by 3% over the previous year.

### (iv) Debtors Turnover

The above ratio is used to quantify a Company's effectiveness in collecting its receivables or money owed by customers. The ratio shows how well a Company uses and manages the credit it extends to customers and how quickly that short-term debt is collected or is paid. It is calculated by dividing total revenue by average trade receivables.

### (v) Inventory Turnover

Inventory Turnover is the number of times a Company sells and replaces its inventory during a period. It is calculated by dividing total revenue by average inventory.

### (vi) Current Ratio

The Current Ratio is a liquidity ratio that measures a Company's ability to pay short-term obligations or those due within one year. It is calculated by dividing the current assets by current liabilities. Reduction in current ratio is due to moderate increase in current liabilities at the year end.

### (vii) Debt Equity Ratio

The ratio is used to evaluate a Company's financial leverage. It is a measure of the degree to which a Company is financing its operations through debt versus wholly owned funds. It is calculated by dividing a Company's net borrowings by its shareholder's equity.

Borrowings at the end of the year were lower compared to last year and these represent overnight balances. The company has no debt, but only working capital facilities; and infact has significant cash surpluses deployed in investments. As explained at para 7.17 above, the company will be paying interest on borrowings only when there is utilization.

### (viii) Operating Profit Margin

Operating Profit Margin is a profitability or performance ratio used to calculate the percentage of profit a Company produces from its operations. It is calculated by dividing the EBIT by total revenue.

### (ix) Net Profit Margin

The net profit margin is equal to how much net income or profit is generated as a percentage of revenue. It is calculated by dividing the net profit for the year by total revenue.

## 7.21 Cautionary Statement

This report may 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, market access related regulatory compliances, patent laws and domestic and international fiscal policies.



## 2.2 Attendance of directors

Directors' attendance at the Board and General Meetings held during the financial year 2019-20 is as follows:

Name of the Director	No. of Board Meetings		Attendance at Last AGM
	Held	Attended	
Dr. Murali K. Divi	7	7	Yes
Mr. N. V. Ramana	7	5	Yes
Mr. Madhusudana Rao Divi	7	5	Yes
Dr. Kiran S. Divi	7	5	No
Ms. Nilima Motaparti	7	7	Yes
Dr. G. Suresh Kumar	7	7	Yes
Mr. R. Ranga Rao	7	7	Yes
Mr. K. V. K. Seshavataram	7	7	Yes
Dr. Ramesh B. V. Nimmagadda	7	7	Yes
Dr. S. Ganapaty	7	7	Yes
Prof. Sunaina Singh	7	4	Yes
Mr. K.V. Chowdary*	3	3	Not Applicable

\* Appointed w.e.f 04 January, 2020.

## 2.3 Other directorships

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/she is a Director.

Name of other listed entities in which the Director is a director, number of other Directorships and Chairmanship/ Membership of Committees of each Director in various companies is as follows:

Name of the Director	No. of other Directorships	In other Companies		Directorship in other listed entity (Category of Directorship)
		Committee Memberships	Committee Chairmanships	
Dr. Murali K. Divi	3	-	-	-
Mr. N. V. Ramana	-	-	-	-
Mr. Madhusudana Rao Divi	-	-	-	-
Dr. Kiran S. Divi	3	-	-	-
Ms. Nilima Motaparti	3	-	-	-
Dr. G. Suresh Kumar	-	-	-	-
Mr. R. Ranga Rao	-	-	-	-
Mr. K. V. K. Seshavataram	-	-	-	-
Dr. Ramesh B. V. Nimmagadda	-	-	-	-
Dr. S. Ganapaty	-	-	-	-
Prof. Sunaina Singh	-	-	-	-
Mr. K.V. Chowdary	2	5	-	1. CCL Products Limited, Independent Director 2. Reliance Industries Limited, Non- Executive Director

## 2.4 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 seven times, i.e. on 25 May 2019, 10 August 2019, 23 August 2019, 05 November 2019, 04 January 2020, 05 February 2020 and 12 February 2020.

## 2.5 Disclosure of relationship between Directors inter-se

Dr. Murali K. Divi, Managing Director is the father of Dr. Kiran S. Divi, Whole-time Director & Chief Executive Officer and Ms. Nilima Motaparti, Whole-time Director (Commercial). Mr. Madhusudana Rao Divi, Whole-time Director (Projects) is brother of Dr. Murali K. Divi. None of the other Directors are related to each other.

## 2.6 Shares held by Non-Executive Directors

Except the following, none of the Non-Executive Directors hold any equity shares in the Company:

Name	Designation	No of shares held
Dr. G. Suresh Kumar	Non-executive Independent Director	400

## 2.7 Meeting of Independent Directors

During the year under review, the Independent Directors met on 05 February 2020, inter alia, to review the performance of Non-Independent Directors and the Board as a whole.



## 2.8 Details of familiarization programmes for Independent Directors

Details of familiarisation programme of the Independent Directors are available on the website of the Company at:

<https://www.divislab.com/wp-content/uploads/2018/09/Familiarisation-Programs.pdf>

## 2.9 List of Board's skills / expertise / competencies fundamental for the effective functioning of the Company

The Board has identified the following skills / expertise / competencies fundamental for the effective functioning of the Company which are currently available with the Board:

<b>Skills</b>	<b>Description</b>
Global business	Understanding the dynamics of global business relating to the operations of the Company and regulatory requirements in the geographical markets.
Strategy, Planning & Marketing	Appreciation of long-term trends and understanding the competitive environment for Company's business globally, customer relationships and strategies for continuity and growth of business for its product range.

Governance	Knowledge of governance processes and compliance to applicable laws and regulations to service best interests of all stakeholders, maintaining Board and Management accountability and corporate ethics and values
Leadership	Experience in significant enterprise, distinct roles and responsibilities through organization structure, risk management and talent development and succession planning.
Technology	Knowledge of technology related to Company's current and future products and business opportunities, of evolving trends of usage of its product range and of developing cost efficient processes
Legal, Commercial, Financial	Knowledge about legal, commercial, financial skills for the Company's governance, accounting and financial management.

### Director-wise skills to be presented.

<b>Name of the Director</b>	<b>Global business</b>	<b>Strategy, Planning &amp; Marketing</b>	<b>Governance</b>	<b>Leadership</b>	<b>Technology</b>	<b>Legal, Commercial, Financial</b>
Dr. Murali K. Divi	√	√	√	√	√	√
Mr. N. V. Ramana	√	√	√	√	√	√
Mr. Madhusudana Rao Divi		√	√	√	√	
Dr. Kiran S. Divi	√	√	√	√	√	√
Ms. Nilima Motaparti	√	√	√	√		√
Dr. G. Suresh Kumar	√		√	√	√	√
Mr. R. Ranga Rao	√		√	√	√	√
Mr. K. V. K. Seshavataram		√	√	√		√
Dr. Ramesh B. V. Nimmagadda	√		√	√	√	
Dr. S. Ganapaty	√		√	√	√	
Prof. Sunaina Singh			√	√		
Mr. K.V. Chowdary		√	√	√		√

2.10 In terms of Regulation 25(8) of SEBI Listing Regulations, Independent Directors have confirmed that they are not aware of any circumstance or situation which exists or may be reasonably anticipated that could impair or impact their ability to discharge their duties. Based on the declarations received from the Independent Directors, the Board of Directors has confirmed that they meet the criteria of independence as mentioned under Regulation 16(1)(b) of the SEBI Listing Regulations and that they are independent of the management.

### 3. 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 constitution, terms of reference, role and scope shall be as prescribed by Regulation 18 of SEBI Listing Regulations read with Section 177 of the Companies Act, 2013, inter-alia, covering:

- a) Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
- b) Scrutiny and review of all financial transactions, inter corporate loans, investments, funds utilization, related party transactions and the general financial condition of the Company;
- c) Recommendation for appointment, remuneration and terms of appointment of auditors of the Company and approval of remuneration of auditors;
- d) Review and monitor the auditor's independence and performance, and effectiveness of audit process;
- e) Reviewing, with the management, the periodic financial statements and auditor's report thereon before submission to the Board for approval;
- f) Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
- g) Evaluation of internal financial controls and risk management systems;
- h) To review the functioning of the Whistle Blower mechanism;
- i) To review statement of deviations in reporting to monitoring agencies.
- j) Approve policies in relation to the implementation of the Insider Trading Code and to supervise implementation of the same.

#### 3.1 Composition of the Audit Committee and details of meetings held and attended by its members:

The Committee comprises of four Independent Directors. Four meetings of the Audit Committee were held during the year under review on 25 May 2019, 10 August 2019, 05 November, 2019 and 05 February 2020. The gap between two meetings did not exceed one hundred and twenty days.

The composition of the Committee and details of attendance of the Committee members is as follows:

Name	Designation	No. of Meetings	
		Held	Attended
Mr. K. V. K. Seshavataram	Chairman	4	4
Dr. G. Suresh Kumar	Member	4	4
Mr. R. Ranga Rao	Member	4	4
Mr. K.V. Chowdary*	Member	1	1

\* Appointed as a member of this Committee w.e.f. 04 January, 2020

The meetings of Audit Committee are also attended by the Whole-time Director (Commercial), Chief Financial Officer, Internal Auditor and representatives of Statutory Auditors as special invitees. The Company Secretary acts as the Secretary to the Committee.

Mr. K. V. K. Seshavataram, Chairman of the Audit Committee attended the AGM of the Company held on 23 August 2019.

### 4. Compensation, Nomination And Remuneration Committee

Compensation, Nomination and Remuneration Committee comprises of six Independent Directors. The Constitution and terms of reference of the Compensation, Nomination and Remuneration Committee is in compliance with provisions of the Section 178 of the Companies Act, 2013, Regulation 19 of the SEBI Listing Regulations and SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as amended from time to time.

#### 4.1. Terms of reference of the Committee include the following:

- To formulate the criteria for determining qualifications, positive attributes and independence of a Director, and recommend to the Board a policy, relating to the remuneration for the Directors, key managerial personnel and other employees.
- To formulate the criteria for evaluation of performance of Independent Directors and the Board; and evolve and review the policy on Board diversity.

- To identify/ evaluate persons for appointment to the Board or in senior management in accordance with the criteria laid down and to recommend to the Board their appointment and/ or removal.
- Support the Board and Independent Directors in evaluation of the performance of the Board, its committees and individual directors.
- Recommend to the Board, all remuneration, in whatever form, payable to senior management.
- To administer, monitor and formulate Employees' Stock Option Scheme with terms and conditions relating to quantum, exercise, granting, vesting etc and evolve a procedure for making a fair and reasonable adjustment to the scheme in case of any corporate actions.
- To carry out any other function as mandated by the Board from time to time and/ or required by any statutory notification, amendment or modification, as may be applicable.

#### 4.2 Composition of the Compensation, Nomination and Remuneration Committee and the details of meetings held and attended by its members:

The Committee met four times during the year under review on 10 August, 2019, 23 August, 2019, 04 January, 2020 and 05 February, 2020. The composition of the Committee and attendance of each member of the Committee is as follows:

Name	Designation	No. of Meetings	
		Held	Attended
Dr. G. Suresh Kumar	Chairman	4	4
Mr. R. Ranga Rao	Member	4	4
Dr. Ramesh B. V. Nimmagadda	Member	4	4
Dr. S. Ganapaty	Member	4	4
Prof. Sunaina Singh <sup>#</sup>	Member	3	2
Mr. K.V. Chowdary <sup>*</sup>	Member	1	1

<sup>#</sup>Appointed as a member of this Committee w.e.f. 10 August, 2019

<sup>\*</sup>Appointed as a member of this Committee w.e.f. 04 January, 2020

Dr. G. Suresh Kumar, Chairman of the Compensation, Nomination and Remuneration Committee attended the AGM of the Company held on 23 August, 2019.

#### 4.3 Performance Evaluation

The Company has devised a Policy for Performance Evaluation of Independent Directors, Board, Committees and other individual Directors. The manner in which the evaluation has been carried out has been explained in the Board's Report.

Performance evaluation criteria is determined by the Compensation, Nomination and Remuneration Committee. Performance evaluation of Independent Directors shall be done by the entire Board of Directors (excluding the director being evaluated). On the basis of the report of performance evaluation, it shall be determined whether to extend or

continue the term of appointment of the Independent Director.

Independent Directors are expected to provide an effective monitoring role and to provide help and advice for the executive directors. The broad issues considered in evaluating Independent Directors are:

- Providing necessary guidance using their knowledge and experience in development of corporate strategy, major plan of action, risk policy, and setting performance objectives.
- Independence exercised in taking decisions, listening to views of others and maintaining their views with resolute attitude.
- Ability in assisting the Company in implementing the best corporate governance practices.
- Capability in exercising independent judgement to tasks where there is a potential for conflict of interest.
- Commitment in fulfilling the director's obligations fiduciary responsibilities.

## 5. Remuneration of Directors for the year ended March 31, 2020

The Company's Nomination and Remuneration Policy for Directors, Key Managerial Personnel and other employees is available on the Company's website at <https://www.divisilabs.com/wp-content/uploads/2020/06/NominationRemuneration-Policy.pdf>.

#### 5.1 Details of Remuneration to Executive Directors

(₹ In Lakhs)

Name	Salary	PF	Perks	Remuneration based on net profits	Total
Dr. Murali K. Divi	47	6	24	5159	5236
Mr. N. V. Ramana	86	10	15	2580	2691
Mr. Madhusudana Rao Divi	78	9	12	-	99
Dr. Kiran S. Divi	78	9	28	1720	1835
Ms. Nilima Motaparti	48	6	19	430	503
<b>Total</b>	<b>337</b>	<b>40</b>	<b>98</b>	<b>9889</b>	<b>10364</b>

Remuneration of Executive Directors comprises a fixed salary and annual remuneration based on profits of the Company. The tenure of office of the Managing Director and Whole-time Directors is for 5 (five) years from their respective dates of appointments and may be terminated by either party by giving three months' notice as per Company's policy. There is no separate provision for payment of severance fees.

## 5.2 Details of Remuneration to Non-Executive Directors

Non-Executive Independent Directors are paid sitting fees @ ₹1,00,000/- for attending each meeting of the Board or Committee thereof. In addition to the sitting fee, each non-executive director is entitled to annual remuneration @ ₹ 20,00,000/- per annum with effect from 01 January, 2020.

There were no pecuniary relationship or transactions of the Non-Executive Directors vis a vis the Company. The Company has not granted any stock options to any of its Non-Executive Directors.

The details of sitting fee and annual remuneration paid to Non-Executive Directors during the year is as follows:

(₹ In Lakhs)

Name of the Non-Executive independent Director	Sitting Fees	Annual Remuneration#	Total
Dr. G. Suresh Kumar	15	4.97	19.97
Mr. R. Ranga Rao	19	4.97	23.97
Mr. K. V. K. Seshavaram	15	4.97	19.97
Dr. Ramesh B. V. Nimmagadda	19	4.97	23.97
Dr. S. Ganapaty	15	4.97	19.97
Prof. Sunaina Singh	7	4.97	11.97
Mr. K.V. Chowdary*	6	4.81	10.81

# Annual remuneration paid to each of the non-executive director w.e.f. 01 January, 2020 on pro-rata basis pursuant to shareholders' approval dated 26 February, 2020.

\*Appointed w.e.f. 04.01.2020

## 6. Stakeholders Relationship Committee

The Stakeholders Relationship Committee is empowered, inter alia, to review all matters connected with the Company's share transfers and transmissions and redressal of shareholders/ investors' complaints like non-transfer of shares, non-receipt of dividend, Annual Report etc.

The composition and the terms of reference of Committee are in line with the requirements of provisions of the Companies Act, 2013 and Regulation 20 of SEBI Listing Regulations.

### 6.1 Composition of the Stakeholders Relationship Committee and the details of meetings held and attended by its members:

The Stakeholders Relationship Committee consists of five Non-Executive Independent Directors and Chief Financial Officer of the Company.

Mr. M. Satish Choudhury, Company Secretary is the Compliance Officer of the Company for attending to complaints / grievances of the members.

Stakeholders Relationship Committee met four times during the year on 25 May 2019, 10 August 2019, 05 November 2019 and 05 February 2020 and considered issue of duplicate share certificates, transfer / transmission of shares and other investor grievances.

The composition of the Committee and details of attendance of the Committee members is as follows:

(₹ In Lakhs)

Name	Designation	No. of meetings	
		Held	Attended
Dr. Ramesh B. V. Nimmagadda	Chairman	4	4
Mr. K.V.K. Seshavaram	Member	4	4
Dr. S. Ganapaty	Member	4	4
Prof. Sunaina Singh#	Member	2	1
Mr. K.V. Chowdary*	Member	1	1
Mr. L. Kishore Babu	Member	4	4

# Appointed as a member of this Committee w.e.f. 10 August, 2019

\* Appointed as a member of this Committee w.e.f. 04 January, 2020

Dr. Ramesh B. V. Nimmagadda, Chairman of the Stakeholders Relationship Committee attended the AGM of the Company held on 23 August 2019.

### 6.2 Complaints / Grievances received and attended

During the year under review, Company has received 19 complaints from investors. All were replied/resolved to the satisfaction of the investors and no complaints were outstanding.

## 7. Corporate Social Responsibility Committee

The Corporate Social Responsibility (CSR) Committee's responsibility is to assist the Board in undertaking CSR activities by way of formulating and monitoring CSR Policy of the Company.

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

- Formulate and recommend to the Board, a Corporate Social Responsibility Policy in line with the requirement of the Companies Act, 2013 which shall indicate the activities to be undertaken by the Company;
- Recommend the amount of expenditure to be incurred on CSR activities and
- Monitor the implementation of Corporate Social Responsibility Policy of the Company from time to time.





## 10.2 Special Resolutions through Postal Ballot

Details of special resolution passed through postal ballot, the persons who conducted the postal ballot exercise, details of the voting pattern and procedure of postal ballot:

During the year ended 31 March, 2020, the Company had sought the approval of the shareholders by way of Special Resolutions through notices of postal ballot dated 23 August, 2019 and 04 January, 2020 as detailed below:

### Postal Ballot conducted vide notice dated 23 August, 2019

The following special resolution was duly passed through postal ballot on 07 October, 2019 and the results were announced on 09 October, 2019.

Mr. V. Bhaskara Rao (Membership No. F5939), Practicing Company Secretary, was appointed as the Scrutinizer to scrutinize the postal ballot and remote e-voting process in a fair and transparent manner.

Resolution	No. of Votes Polled	No. of Votes Cast in Favour	No. of Votes Cast Against	% of Votes Cast in Favour on Votes Polled	% of Votes Cast Against on Votes Polled
Re-appointment of Dr. Murali K. Divi (DIN: 00005040) as Managing Director of the Company for a period of 5 years with effect from 10 October, 2019.	212954603	201676668	11277935	94.70	5.30

### Postal Ballot conducted vide notice dated 04 January, 2020

The following special resolutions were duly passed through postal ballot on 26 February, 2020 and the results were announced on 27 February, 2020.

Mr. V. Bhaskara Rao (Membership No. F5939), Practicing Company Secretary, was appointed as the Scrutinizer to scrutinize the postal ballot and remote e-voting process in a fair and transparent manner.

Resolution	No. of Votes Polled	No. of Votes Cast in Favour	No. of Votes Cast Against	% of Votes Cast in Favour on Votes Polled	% of Votes Cast Against on Votes Polled
Revision of remuneration payable to Ms. Nilima Motaparti (DIN: 06388001), Whole-time Director (Commercial) of the Company	216676825	171567416	45109409	79.18	20.82
Re-appointment of Dr. Kiran S. Divi (DIN: 00006503) as Whole-time Director and Chief Executive Officer of the Company	216708656	175261153	41447503	80.87	19.13
Re-appointment of Mr. Madhusudana Rao Divi (DIN: 00063843) as Whole-time Director (Projects) of the Company	216719158	214174405	2544753	98.83	1.17

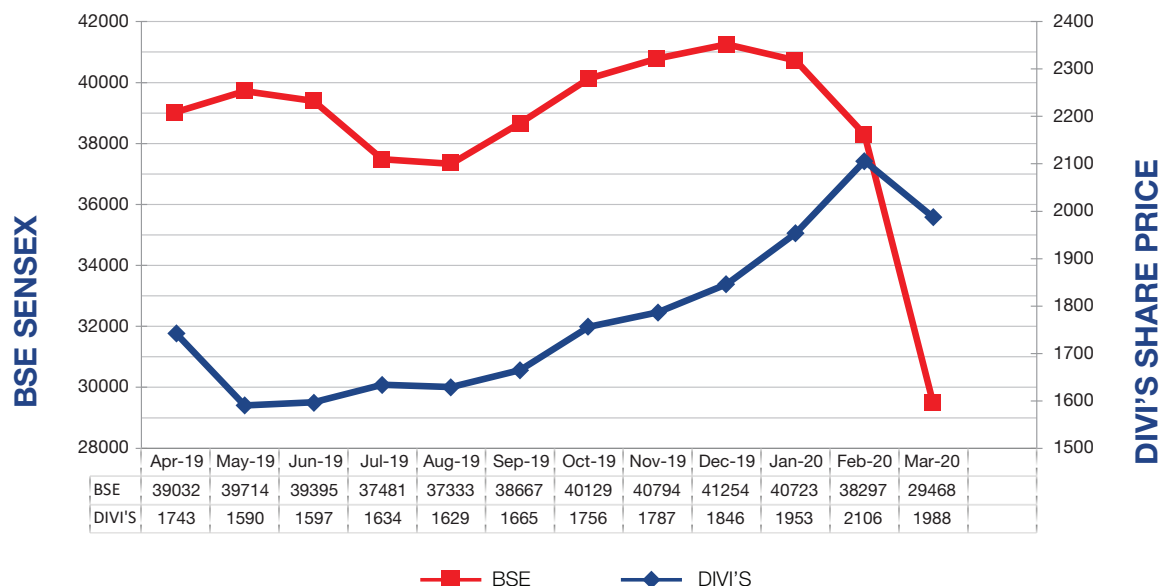
The postal ballot was carried out as per the provisions of Sections 108 and 110 and other applicable provisions of the Companies Act, 2013 read with the Rules framed thereunder.

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



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

### BSE Vs DIVI'S LABS (2019-20)



## 14. Unclaimed Dividend Amounts And Transfer To IEPF

The Company has transferred dividend amounts which remained unpaid or unclaimed for a period of seven years from the date of their transfer to unpaid dividend account, from time to time, on due dates to the Investor Education and Protection Fund (IEPF) administered by the Central Government.

The Company has uploaded the details of unpaid and unclaimed dividends lying with the Company as on 23 August, 2019 (date of last Annual General Meeting) on the website of the Company, and on the website of the Ministry of Corporate Affairs.

During the year under review, the Company has credited unclaimed dividend of ₹8,76,759/- to the Investor Education and Protection (IEPF) pursuant to Section 125(1) of the Companies Act, 2013.

Details of shares transferred to IEPF Authority during financial year 2019-20 are also available on the website of the Company ([www.divisilabs.com](http://www.divisilabs.com)). The Company has also uploaded these details on the website of the IEPF Authority ([www.iepf.gov.in](http://www.iepf.gov.in)).

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

	Date of declaration of dividend	Amount outstanding as on 31 March 2020 (Rs. In lakhs)	Due for transfer to IEPF on
2012-2013	05.08.2013	7.90	04.09.2020
2013-2014	25.08.2014	12.76	24.09.2021
2014-2015	31.08.2015	10.80	30.09.2022
2015-2016	10.03.2016 (Interim)	14.46	09.04.2023
2016-2017	25.09.2017	23.56	24.10.2024
2017-2018	10.09.2018	7.95	09.10.2025
2018-2019	23.08.2019	31.28	22.09.2026

In accordance with the provisions of Section 124(6) of the Companies Act, 2013 read with Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 (as amended from time to time), shares in respect of which dividend has not been paid or claimed for seven consecutive years or more, will be transferred to the demat account of IEPF Authority. The Company has sent notice to all shareholders whose shares are due to be transferred to the IEPF Authority. Members are advised to visit the website of the Company to ascertain the details of shares liable for transfer in the name of IEPF Authority.

Shareholders whose unclaimed dividend/ shares are transferred to the IEPF Authority can now claim their unclaimed dividend and shares from the Authority by following the Refund Procedure as detailed on the website of IEPF Authority.

## 15. Share Transfer System

In terms of Regulation 40(1) of SEBI Listing Regulations, as amended, securities can be transferred only in dematerialized form w.e.f. 01 April, 2019, except in case of request received for transmission or transposition of securities.. The shareholders who continue to hold shares and other types of securities of listed companies in physical form even after this date, will not be able to lodge the shares with Company / its RTA for further transfer. Hence, members holding shares in physical form are requested to consider converting their holdings to dematerialized form.

The Stakeholders Relationship Committee approves transfer of shares in physical mode with respect to requests for transmission and transposition of securities. The Company's RTA transfers the shares within 15 days of receipt of request, subject to documents being valid and complete in all respects. The Stakeholders Relationship Committee will meet as often as required to approve share transfers and to attend to any grievances or complaints received from the members.

## 16. Distribution of Shareholding as on 31 March 2020

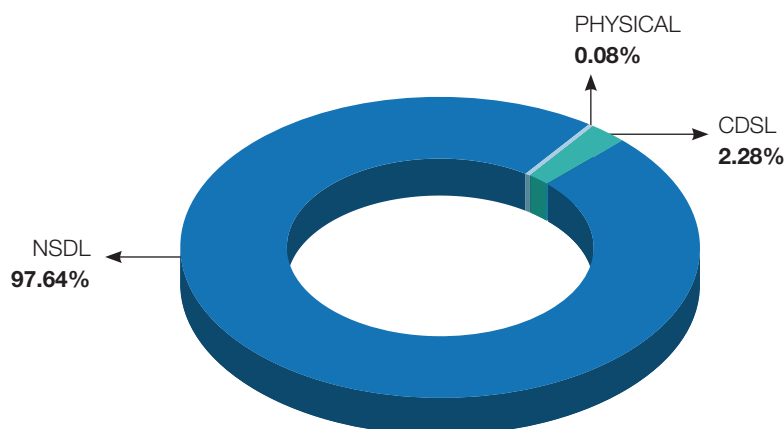
Category	No. of shareholders	% of shareholders	No. of shares	% of shareholding
1 – 5000	99113	97.97	11807812	4.45
5001 – 10000	724	0.72	2593517	0.98
10001 – 20000	482	0.48	3605269	1.36
20001 – 30000	212	0.21	2555890	0.96
30001 – 40000	128	0.13	2308327	0.87
40001 – 50000	58	0.06	1307311	0.49
50001 – 100000	172	0.17	6290296	2.37
100001 & above	280	0.28	235000158	88.52
<b>TOTAL</b>	<b>101169</b>	<b>100</b>	<b>265468580</b>	<b>100</b>

## 17. (i) Shareholding Pattern

Category	As on 31 March 2020		As on 31 March 2019	
	No. of shares	% to share capital	No. of shares	% to share capital
Promoters	137969360	51.97	138069360	52.01
Mutual Funds	38933320	14.67	36885049	13.89
Foreign Portfolio Investors	50647319	19.08	56301726	21.21
Banks/Financial institutions	2466048	0.93	867426	0.33
Indian Public	22747977	8.57	20299839	7.65
NBFCs registered with RBI	4800	0	11101	0
Trusts	983850	0.37	934582	0.35
Alternative Investment Fund	874390	0.33	0	0
Non-Resident Indians	999825	0.38	937036	0.35
Clearing Members	281666	0.11	1100194	0.41
Qualified Institutional Buyer	3597687	1.36	0	0
Non-Resident Indian - Non Repatriable	545188	0.21	468001	0.18
Private Corporate Bodies	5392058	2.03	9580167	3.61
IEPF	25092	0.01	14099	0.01
<b>Grand Total</b>	<b>265468580</b>	<b>100</b>	<b>265468580</b>	<b>100</b>

## (ii) Shareholding Profile As On 31 March 2020

Mode of holding	No. of holders	No. of Shares	% to Equity
N S D L	69620	259204040	97.64
C D S L	31513	6043554	2.28
PHYSICAL	36	220986	0.08
Total	101169	265468580	100.00



## 18. 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 Registrar are confirmed within the statutory period.

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. Kfin Technologies Private Limited.

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

As on 31 March 2020, 99.92 % of the shares were in demat mode.

## 19. Outstanding GDRs / ADRs / Warrants or any Convertible Instruments, conversion date and likely impact on Equity

The Company does not have any outstanding GDRs/ADRs/Warrants or any convertible instruments.

## 20. Commodity Price Risk or Foreign Exchange Risk and Hedging Activities

The Company is not carrying on any Commodity Business and has not undertaken any hedging activities.

## 21. Plant Locations

<b>Choutuppal Unit:</b>	Lingojigudem Village, Choutuppal Mandal, Nalgonda Dist. (TS), Pin Code - 508 252.
<b>Export Oriented Unit:</b>	Chippada Village, Bheemunipatnam Mandal Visakhapatnam Dist. (A.P), Pin Code - 531 163
<b>Divi's Pharma SEZ Unit:</b>	Chippada Village, Bheemunipatnam Mandal, Visakhapatnam Dist. (A.P), Pin Code - 531 163
<b>DSN SEZ Unit:</b>	Chippada Village, Bheemunipatnam Mandal, Visakhapatnam Dist. (A.P), Pin Code - 531 163
<b>DC SEZ Unit:</b>	Lingojigudem Village, Choutuppal Mandal, Nalgonda Dist. (TS), Pin Code - 508 252.
<b>DCV SEZ Unit:</b>	Chippada Village, Bheemunipatnam Mandal, Visakhapatnam Dist. (A.P), Pin Code - 531 163

## 22. Address for Correspondence

All Members correspondence should be forwarded to M/s. KFin Technologies Private Limited, the Registrar and Transfer Agent of the Company or to the Company at the Registered Office of the Company at the addresses mentioned below.



**Registrar and Share Transfer Agents:****KFin Technologies Private Limited**

(Formerly known as Karvy Fintech Private Limited)

**Unit: Divi's Laboratories Limited**

Selenium Tower B, Plot No. 31 – 32,  
Financial District, Nanakramguda,  
Serilingampally, Hyderabad - 500032,  
Rangareddy, Telangana, India  
CIN: U72400TG2017PTC117649  
Phone No: +91 40-67161526;  
Fax: +91 40-23001153  
Toll Free No. 1800-3454-001  
E-mail: einward.ris@kfintech.com  
Website : www.kfintech.com

**Company:**

The Company Secretary & Compliance Officer,

**Divi's Laboratories Limited**

1-72/23(P)/DIVIS/303, Divi Towers,  
Cyber Hills, Gachibowli, Hyderabad – 500 032,  
Telangana, INDIA  
CIN: L24110TG1990PLC011854  
Phone: +91 40-2378 6300;  
Fax: +91 40-2378 6460  
E-mail: cs@divislab.com  
Website: www.divislab.com

## 23. Credit Rating

CARE Ratings Limited has reaffirmed the credit rating for the Company as CARE AA+ Outlook: Stable for long-term bank facilities and AA+ (Stable) outlook: Stable, A+ for long/short-term bank facilities.

## 24. Other Disclosures

**A) Dividend Distribution Policy:**

This Policy is also available on the website of the Company:  
(<http://www.divislab.com>)

**1. Preamble**

This Policy has been adopted by the Board of Directors (the "Board") of Divi's Laboratories Limited (the "Company") at its meeting held on 12 August, 2016. The Board may review and amend this policy from time to time and shall comply with SEBI Listing Regulations and the provisions of the Companies Act, 2013 as amended.

**2. Policy**

The Board of Directors decides each year, in accordance with this policy, which portion of the earnings shall be retained to fund future growth or for other purposes and the portion of earnings to be distributed to reward shareholders for their investment in the Company.

Dividends are declared at the Annual General Meeting of the shareholders based on the recommendation by

the Board. The Board may recommend dividends, to be paid to shareholders, after taking into consideration the operating and financial performance of the Company, the advice of executive management and other relevant factors. The Board may also declare interim dividends.

This Policy sets out the parameters and circumstances that may be taken into account by the Board in determining recommendation of dividend and/or retain the profits earned by the Company.

**a) Statutory requirements:**

The Company shall observe the relevant statutory requirements for creation of any reserves from out of profits etc., as provided in the Companies Act, 2013 as applicable while taking decisions for dividend declaration or retention of profits.

**b) Prudential requirements:**

The Company shall analyse the prospective projects, capital expenditure for expansions, growth of business, working capital needs, acquisitions, strategic decisions or as a result of expanded capital on account of bonus, new issue of various classes of shares or debentures, which may need creation of healthy reserve, internal resources, servicing and capital conservation for such needs.

**c) External factors:**

The Board may take into account any external factors while considering recommending dividend, such as:

- Political, tax or regulatory changes relating to its business or declaration of dividend.
- Any material changes relating to the operations of the Company or the economic and technological environment impacting the business of the Company.
- Any significant change in the competitive conditions affecting the operations of the Company, which might require dynamic changes in operations or making significant investments.
- Any restrictions on payment of dividends by virtue of any regulation as may be applicable to the Company at the time of declaration of dividend.

**d) Expectations of stakeholders/ various classes of shares:**

The Board, while deciding recommendation of dividend, shall also factor the expectations of the stakeholders while also taking into account the needs of business and consistency of dividend payout.

**e) Utilisation of retained earnings:**

Profits as earned by the Company may either be retained in business for future business needs as detailed under (b) above or may be distributed to the shareholders

f) Manner of payout:

- Interim dividend, if any, may be declared by the Board.
- Recommendation of dividend, if any, shall be done by the Board, usually at the Board Meeting that considers and approves the annual financial statements.
- Dividend recommended by the Board is subject to approval by members at the annual general meeting of the Company.
- Payment of dividends shall be made within the stipulated time and in compliance with the regulations or the applicable laws.

g) Circumstances under which dividend may not be paid

The Board may in extraordinary circumstances like adverse market conditions, business uncertainty, inadequacy of profits etc., deviate from the policy parameters and may prune or not recommend dividend.

h) Multiple classes of shares

Factors, parameters and payment for dividend to different class of shares of the Company shall be similar to the policy formulated herein, and subject to the respective rights attached to each class of shares as per their terms of issue and in compliance with applicable regulations or laws.

## B) Disclosures on Materially Significant Related Party Transactions

The Company does not have any materially significant related party transactions, which may have potential conflict with the interest of the Company. Other related party transactions have been reported at Note No.39 of notes to Financial Statements. The Register of Contracts, containing transactions in which Directors are interested, is placed before the Board regularly.

The Company has formulated a policy on materiality of Related Party Transactions and also on dealing with Related Parties. The policy is also available on the website of the Company. (<https://www.divisilabs.com/wp-content/uploads/2020/06/RPT-Policy.pdf>).

## C) Cases of Non-Compliances / Penalties

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

## D) Whistle Blower Policy & Vigil Mechanism

To strengthen its policy of corporate transparency, the Company has established an empowering mechanism for employees and accordingly formulated a Whistle Blower Policy to provide a mechanism for directors and employees of the Company to report instances of unethical behavior, actual or suspected fraud, or violation of the Code of Ethics and Business Conduct, in good faith to the Vigilance Officer / Chairman of the Audit Committee. This mechanism also provides for adequate safeguards against victimization of director(s) / employee(s) who avail the mechanism and provides for direct access to the Chairman of the Audit Committee in exceptional cases. No personnel have been denied access to the Audit Committee.

The Whistle Blower Policy may be accessed on the Company's website at: <https://www.divisilabs.com/wp-content/uploads/2020/06/WhistleBlowerPolicy.pdf>

## E) Policy for determining material subsidiaries is disseminated on the website of the Company: (<https://www.divisilabs.com/wp-content/uploads/2020/06/Policy-on-Material-Subsidiary.pdf>)

## F) The Company has obtained a certificate from Mr. V. Bhaskara Rao, Practicing Company Secretary that none of the Directors on the Board of the Company has been debarred or disqualified from being appointed or continuing as Directors of Companies by the Board/Ministry of Corporate Affairs or any such statutory authority.

## G) Sexual Harassment

In compliance with Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 statement of complaints for the financial year ended 31 March, 2020:

Sl.No.	Particulars	No. of Complaints
1	Number of complaints pending as on beginning of the financial year	Nil
2	Number of complaints filed during the financial year	Nil
3	Number of complaints disposed of during the financial year	Nil
4	Number of complaints pending as on end of financial year	Nil

## H) Fees paid for the services of Auditors

Details of the total fees for all services paid by the Company and its subsidiaries, on a consolidated basis, to the statutory auditor and all entities in the network firm/network entity of which the statutory auditor is a part, are as follows:

Particulars	(Rs. In Lakhs)	
	For year ended March 31, 2020	For year ended March 31, 2019
As Statutory Auditor	32	30
For Quarterly Reviews	24	19
Re-imbursement of expenses	2	3
<b>Total payments to auditors</b>	<b>58</b>	<b>52</b>

- 25.** The Company has complied with the requirements of the Schedule V Corporate Governance Report sub-paras (2) to (10) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

## 26. Compliance with Mandatory Requirements and Adoption of Discretionary Requirements

The Company has complied with all the mandatory requirements of the Corporate Governance as stipulated in Schedule V of the SEBI Listing Regulations. Certificate from Mr. V. Bhaskara Rao, Practicing Company Secretary, confirming compliance with the conditions of Corporate Governance is annexed.

Status of adoption of the discretionary requirements pursuant to Regulation 27(1) of the SEBI Listing Regulations read with Part E of Schedule II is as under:

Shareholder Rights: Half-yearly and other quarterly financial statements are published in newspapers and uploaded on Company's website;

Audit Qualifications: The Company already has a regime of un-qualified financial statements. Auditors have raised no qualification on the financial statements.

## Subsidiaries

The Company has two foreign 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.

## 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 required by Regulation 17(8) of the SEBI Listing Regulations and the certificate is appended.

## Code of Ethics and Business Conduct

The Company has adopted a 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.divislab.com](http://www.divislab.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 Managing Director and Chief Executive Officer is as follows:

We 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 2019-20.

## For and on behalf of the Board

Hyderabad  
06 June, 2020

**Dr. Murali K. Divi**  
Managing Director  
(DIN: 00005040)

**Dr. Kiran S. Divi**  
Whole-time Director &  
Chief Executive Officer  
(DIN: 00006503)

## Certification of Chief Executive Officer and Chief Financial Officer

(Pursuant to Regulation 33 of the SEBI Listing Regulations)

We, Dr. Kiran S. Divi, Whole-time Director & Chief Executive Officer appointed in terms of the Companies Act, 2013 and Mr. L. Kishore Babu, Chief Financial Officer of Divi's Laboratories Limited, to the best of our knowledge and belief, certify that:

- a. We have reviewed the financial statements and the cash flow statement (Standalone and Consolidated) for the year ended 31 March, 2020 and to the best of our knowledge and belief these statements;
  - 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, to the best of our knowledge and belief, no transactions entered into by the Company during the period which are fraudulent, illegal or violative of the Company's code of conduct.
- c. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the Company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps 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 period;
  - ii. significant changes in accounting policies during the period 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

Hyderabad  
06 June, 2020

**Dr. Kiran S. Divi**  
Whole-time Director &  
Chief Executive Officer  
(DIN: 00006503)

**L. Kishore Babu**  
Chief Financial Officer



## CERTIFICATION ON CORPORATE GOVERNANCE

To  
The Members of  
Divi's Laboratories Limited  
CIN: L24110TG1990PLC011854  
1-72/23(P)/DIVIS/303, Divi Towers  
Cyber Hills, Gachibowli  
Hyderabad -500 032

We have examined the Compliance of conditions of Corporate Governance by Divi's Laboratories Limited (the Company), for the year ended 31 March 2020 as stipulated in Regulations 17 to 27 and clauses (b) to (i) of Regulations 46(2) and para C D and E of Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("the Listing Regulations")

The Compliance of the conditions of Corporate Governance is the responsibility of the management. This responsibility includes the design, implementation, and maintenance of internal control and procedures to ensure the compliance with the conditions of the Corporate Governance stipulated in Listing Regulations.

Our examination is limited to examining the procedures and implementation thereof, adopted by the company for ensuring the compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

We have examined the books of account and other relevant records and documents maintained by the company for the purposes of providing reasonable assurance on the compliance with Corporate Governance requirements by the Company.

Based on our examination of the relevant records and according to the information and explanations provided to us and the representations provided by the Management, we certify that the company has complied with the conditions of Corporate Governance as stipulated in Regulations 17 to 27 and clauses (b) to (i) of Regulations 46(2) and para C D and E of Schedule V of the SEBI Listing Regulations.

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 **V. Bhaskara Rao & Co.,**  
Company Secretaries

**V. Bhaskara Rao**  
Proprietor

F.C.S.No.5939, C.P.No.4182  
UDIN: F005939B000321782

Hyderabad  
06 June, 2020



## CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS

[Pursuant to Regulation 34(3) and Schedule V Para C clause (10)(i) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]

To,  
The Board of Directors  
Divi's Laboratories Limited,  
CIN: L24110TG1990PLC011854  
1-72/23(P)/DIVIS/303,  
Divi Towers Cyber Hills, Gachibowli,  
Hyderabad, Telangana-500032

We have examined the relevant registers, records, forms, returns and disclosures (hereinafter referred to as 'relevant documents') produced to us by M/s. Divi's Laboratories Limited, bearing CIN L24110TG1990PLC011854 and having Registered Office at 1-72/23(P)/DIVIS/303, Divi Towers, Cyber Hills, Gachibowli, Hyderabad, Telangana-500032 (hereinafter referred to as 'the Company') for the purpose of issuing this Certificate, in accordance with Regulation 34(3) read with Schedule V Para-C Sub clause 10 (i) of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Based on our examination of relevant documents made available to us by the Company and such other verifications carried out by us as deemed necessary and to the extent possible, in our opinion and to the best of our information and according to the verifications (including Directors Identification Number (DIN) status at the portal [www.mca.gov.in](http://www.mca.gov.in)) as considered necessary and explanations furnished to me by the Company & its officers, we hereby certify that, for the financial year ending on March 31, 2020, none of the Directors on the Board of the Company as stated below have been debarred or disqualified from being appointed or continuing as Directors of companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs, or any such other Statutory Authority:

Sl. No.	Name of Director	DIN
1.	Dr. Murali Krishna Prasad Divi	00005040
2.	Mr. Nimmagadda Venkata Ramana	00005031
3.	Dr. Satchandra Kiran Divi	00006503
4.	Mr. Kanteti Venkata Krishna Seshavataram	00060874
5.	Mr. Madhusudana Rao Divi	00063843
6.	Dr. Gangavarapu Suresh Kumar	00183128
7.	Ms. Motaparti Nilima	06388001
8.	Mr. Ranga Rao Ravipati	06409742
9.	Dr. Rameshbabu Venkata Nimmagadda	07854042
10.	Prof. Ganapaty Seru	07872766
11.	Prof. Sunaina Singh	08397250
12.	Mr. Kosaraju Veerayya Chowdary	08485334

Ensuring that the eligibility of for the appointment/continuity of every Director on the Board is the responsibility of the management of the Company. Our responsibility is to express an opinion on these based on our verification. This certificate is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

This Certificate has been issued at the request of the Company to make disclosure in its Corporate Governance Report of the Financial Year ended 31st March, 2020.

For **V. Bhaskara Rao & Co.,**  
Company Secretaries

**V. Bhaskara Rao**  
Proprietor

Hyderabad  
06 June, 2020

F.C.S.No.5939, C.P.No.4182  
UDIN: F005939B000321815

# Board's Report

To  
The Members,

Your Directors have pleasure in presenting the Annual Report of Divi's Laboratories Limited (the Company or Divi's) along with the audited financial statements for the financial year ended 31 March 2020. The consolidated performance of the Company and its subsidiaries has been referred to wherever required.

## Financial Results

Financial performance of the Company for the year ended 31 March 2020 is summarized below:

(₹ In Lakhs)

Particulars	Standalone		Consolidated	
	2019-20	2018-19	2019-20	2018-19
Revenue	531057	487966	539442	494626
Other Income	18986	15658	18963	15563
Total Revenue	550043	503624	558405	510189
Expenditure before depreciation and interest	349513	303070	357225	307442
Profit before depreciation, interest and tax (PBDIT)	200530	200554	201180	202747
Depreciation	18595	16881	18624	16890
Finance Cost	606	350	610	350
Profit before Tax (PBT)	181329	183323	181946	185507
Provision for Tax:				
Current Tax	38779	47245	39279	47551
Deferred Tax	5279	2813	5013	2682
Total tax provision	44058	50058	44292	50233
Profit after Tax (PAT)	137271	133265	137654	135274
Other comprehensive Income (net of tax)	(521)	105	35	(35)
Total Comprehensive Income	136750	133370	137689	135239
Earnings per Share (EPS) Basic & Diluted (₹)	51.71	50.20	51.85	50.96

## Operations

### Standalone

During the year under review, the Company has successfully completed the following inspections/audits:

- At the Company's Unit-II at Village Chippada, Bheemunipatnam District, Andhra Pradesh by US-FDA during June, 2019.
- Audit by HPRA (Ireland) and JAZMP (Slovenia) on behalf of EMA at Unit-II, in August, 2019
- At Unit-II by US-FDA during January, 2020
- At the Company's Unit-I facility at Lingoigudem, Bhuvanagiri Yadadri District, Telangana, by US-FDA during November, 2019

We reported in the last financial year that the Company is taking up two brownfield projects with an aggregate investment of ₹1200 crores:

- An SEZ Unit at our Unit-II at Visakhapatnam, named as DCV SEZ Unit, with an investment of ₹600 crores.

- Another SEZ Project called DC-SEZ with an investment of ₹600 crores in the available land at our Unit-I in Bhuvangiri-Yadadri (erstwhile Nalgonda) District, Telangana State.

The Company has commenced commercial operations from 05 February, 2020 from a part of the DC-SEZ Unit at village Lingoigudem, Choutuppal Mandal, Bhuvangiri Yadadri Dist., Telangana State. The Company has also commenced commercial production from 09 March, 2020 from a part of the DCV-SEZ Unit of the Company at Chippada Village, Bheemunipatnam Mandal, Visakhapatnam.

Besides the brownfield projects, the Company has taken up debottlenecking & backward integration programs at Unit-I as well as Unit-II by investing an aggregate amount of ₹300 crores, in addition to a project for augmentation of waste treatment infrastructure at Unit-II at an estimated cost of ₹150 crores.

A part of the backward integration, debottlenecking and utility expansion projects have come into utilization this year. The rest of these projects will be completed and come into utilization by end of second half of financial year 2020-21. The balance works of the brownfield projects of DC-SEZ and DCV-SEZ are also expected to be completed by second half of financial year 2020-21. There has been some delay in implementing the

large capex projects taken by the Company due to torrential rains as also the Covid-19 virus which impacted movement of people and goods.

We have had yet another year of successful operations during FY2019-20. Focus this year has been on completing the large capex programs taken up by the Company.

During the last quarter of the year, there has been an unprecedented SARS-CoV-2 (Covid-19) virus, a global pandemic, and all countries are fighting to contain this virus. More information on this is reported elsewhere and in the Management discussion. We are addressing the challenges of this Covid-19 virus for business continuity and completing the capex projects.

Some of the highlights of the operations for the year are:

- Total Income for the year increased by 9% to ₹550043 lakhs.
- Operating profit (PBDIT) for the year amounted to ₹200530 lakhs as against an operating profit of ₹200554 lakhs last year.
- Profit before Tax (PBT) for the year amounted to ₹181329 lakhs as against a PBT of ₹183323 lakhs for the last year.
- Tax Provision for the current year amounted to ₹40058 lakhs as against a tax provision of ₹50058 lakhs for the last year. Lower tax provision was due to availing additional depreciation and investment allowance for new projects set up in backward districts of Andhra Pradesh and Telangana and reversal of current tax of earlier years amounting to ₹3370 lakhs. There was also higher deferred tax provision for the year as the Company has capitalized fixed assets of ₹87838 lakhs on completion of some of the capex projects.
- Profit after Tax (PAT) before Other Comprehensive Income for the year amounted to ₹137271 lakhs as against a PAT of ₹133265 lakhs last year.
- Earnings Per Share of ₹2/- each works out to ₹51.71 for the year as against ₹50.20 last year.
- Out of the total revenue, 24% came from North America, 48% from Europe, 11% from Asia, 13% from India and 4% from rest of the World.

### Consolidated

Company's total consolidated income increased by 9% to ₹558405 lakhs from ₹510189 lakhs in the previous year.

The operating profit before depreciation, finance charges and tax (PBDIT) amounted to ₹201180 lakhs as against ₹202747 lakhs in the previous year. Profit after Tax, before Other Comprehensive Income, for the year accounted to ₹137654 lakhs as against ₹135274 lakhs in the previous year.

### Subsidiaries

Our subsidiaries viz., M/s. Divis Laboratories (USA) Inc., in

USA and M/s. Divi's Laboratories Europe AG in Switzerland are engaged in marketing/distribution of nutraceutical products and to provide a greater reach to customers within these regions.

During the year, the subsidiaries have achieved aggregate revenue of ₹32070 lakhs as against ₹35638 lakhs in the previous year, reflecting a drop of 10% of revenue at subsidiary level as we are directly servicing some large customers at parent level.

Subsidiaries have been having consistent profitable operations for the past few years, have cleared accumulated losses and turned into positive networth. There has been no material change in the nature of the business of the subsidiaries.

As per Section 129(3) of the Companies Act, 2013 read with Companies (Accounts) Rules, 2014, statement containing the salient features of the financial statement of Company's subsidiaries in form AOC-1 is annexed herewith as **"Annexure I"**. Moreover, pursuant to provisions of Section 136(1) of the Companies Act, 2013, audited financial statements of the subsidiary companies are placed on the website of the Company at [www.divisilabs.com](http://www.divisilabs.com). The Consolidated Financial Statements presented by the Company include the financial results of its subsidiary companies.

Policy for determining Material Subsidiaries, is available on the Company's corporate website at: <https://www.divisilabs.com/wp-content/uploads/2020/06/Policy-on-Material-Subsidiary.pdf>. Presently, the Company does not have any material subsidiary.

### Consolidated financial statements

As stipulated in the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") and the Companies Act, 2013, the consolidated financial statements have been prepared by the Company in accordance with the relevant accounting standards. The audited consolidated financial statements together with Auditors Report thereon form part of the Annual Report.

### Capital Expenditure

As members are aware, the Company has taken up two brownfield projects viz., DC-SEZ Project at Unit-I and DCV-SEZ Unit at Unit-II besides backward integration, debottlenecking and utility expansion projects at the existing facilities in order to cater to the increasing opportunities in generic and big pharma business.

Of the capex programs taken up, we have capitalised assets of ₹87838 lakhs, and an amount of ₹91969 lakhs is carried forward as Capital Work-in-Progress at the end of the year.

### Material Changes and Commitments

No other material changes and commitments have occurred after the close of the year till the date of this Report, which affect the financial position of the Company. Further, there is no change in the nature of business of the Company.

## Dividend

The Board has declared and paid an interim dividend of ₹16 per share of face value ₹2 each i.e., 800% for the financial year 2019-20. No final dividend is recommended.

The total dividend payout for the current year amounts to ₹51206 lakhs (inclusive of tax of ₹8731 lakhs) as against ₹51206 lakhs in the previous year. Dividend payout (including dividend tax) as a percentage of profits is 37% as compared to 38% in the previous year.

## Transfer to Reserves

The Directors have decided to retain the entire total comprehensive income of ₹136750 lakhs in the Retained Earnings.

## Deposits

The Company has not accepted any deposits from public covered by provisions of Section 73 of the Companies Act, 2013.

## Loans, Guarantees or Investments

During the year, the Company has not given any loans or guarantees covered under the provisions of Section 186 of the Companies Act, 2013.

The details of investments made by the Company are given in the notes to the financial statements.

## Related Party Transactions

There are no materially significant related party transactions made by the Company with Promoters, Key Managerial Personnel or other designated persons which may have potential conflict with interest of the Company at large. As a matter of policy, your Company carries out transactions with related parties on an arms' length basis. Statement of these transactions is given at Note No. 39 of the Notes to financial statements.

Accordingly, particulars of contracts or arrangements with related parties referred to in Section 188(1) along with the justification for entering into such contract or arrangement in Form AOC-2 does not form part of this report.

## Internal Financial Controls

Information in respect of internal financial controls and their adequacy is included in the Management Discussion and Analysis, which is a part of the Annual report.

## Risk Management

The Company has an enterprise-wide approach to risk management, which lays emphasis on identifying and managing key operational and strategic risks. The aim is to avoid or minimise risks that pose a threat to Divi's continued existence and to make improved managerial decisions to create value. The Company has been addressing various risks impacting the

Company and the policy and processes of the Company on risk management is provided in the Management Discussion and Analysis.

The Risk Management Committee constituted by the Company constantly evaluates various risks – business, customer concentration, supplier concentration, regulatory compliances, confidentiality of processes, consistency of cGMP practices, environment, employee health and safety etc., monitors risk and deploy appropriate control systems aimed at mitigating such risks to the extent possible.

In the wake of SARS-CoV-2 (Covid-19) pandemic and nationwide lockdown, the Company has ensured essential staffing for business continuity while following social distancing guidelines and adopted 'Work from Home' for other staff, wherever possible, whilst ensuring compliance with the directives issued by the Central Government, State Governments and local administration. We experienced some supply chain disruptions during the first few weeks of lockdown period during initial lockdown period which restricted movements. Our Managers and Executives have worked relentlessly to minimize disruptions in our production and supply schedules.

We remain committed to the health and safety of our employees and their families, as well as business continuity to safeguard the interests of all our stakeholders. The Company has been operating in compliance with the advisories/guidelines passed from time to time by the Government of India, State Governments/institutions.

## Management Discussion and Analysis

In terms of provisions of Regulation 34(2) of SEBI Listing Regulations report on Management Discussion & Analysis for the year under review is provided in a separate section forming part of this Annual Report.

## Directors' Responsibility Statement

As required under Section 134 (5) of the Companies Act, 2013, Directors of your Company hereby state and confirm that:

- the applicable accounting standards have been followed in the preparation of the annual accounts;
- 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 the end of the financial year and of the profit of the Company for the period;
- 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.

- e) internal financial controls have been laid down and such controls are adequate and operating effectively;
- f) proper systems have been laid down to ensure compliance with the provisions of all applicable laws and such systems are adequate and operating effectively.

## Number of Meetings of Board of Directors

The Board meets 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 seven times, i.e. on 25 May 2019, 10 August 2019, 23 August 2019, 05 November 2019, 04 January 2020, 05 February 2020 and 12 February 2020.

## Directors and Key Managerial Personnel

### Re- Appointment:

As per the provisions of the Companies Act, 2013, Mr. N.V. Ramana and Mr. Madhusudana Rao Divi will retire by rotation at the ensuing 30th Annual General Meeting and, being eligible, offer themselves for re-appointment. Brief profile of these directors is given in the notice convening the 30th Annual General Meeting for reference of the members.

Members have approved the continuance of directorship and re-appointment of Mr. K. V. K. Seshavataram as Non-executive Independent Director of the Company by special resolution passed through postal ballot for a second term of five years with effect from 23 June 2019. The Members also approved the continuance of Dr. G. Suresh Kumar and Mr. R. Ranga Rao as Independent Directors of the Company for a second term of 5 years effective from 01 April, 2019 by special resolution passed through postal ballot.

The appointment of Prof. Sunaina Singh as Independent Director for a period of 5 years with effect from 28 March, 2019 was approved by the members at the 29th Annual General meeting held on 23 August, 2019.

Members have approved re-appointment of Dr. Murali K. Divi as Managing Director by a special resolution (effective from 10 October, 2019) and Mr. N.V. Ramana as Executive Director by an ordinary resolution (effective from 26 December, 2019) through postal ballot for a period of 5 years each.

Members have also approved re-appointment of Dr. Kiran S. Divi as Whole-time Director and Chief Executive Officer and Mr. Madhusudana Rao Divi as Whole-time Director (Projects) through postal ballot for a period of 5 years each effective from 01 April, 2020.

### Appointment:

Your Board has appointed Mr. K.V. Chowdary as an Additional Independent Director, at its meeting held on 04 January, 2020 on the recommendation of the Nomination and Remuneration Committee. The Members approved appointment of Mr. K.V.

Chowdary as an Independent Director for a period of 5 years effective from 04 January, 2020, through postal ballot.

Pursuant to the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, the Board of Directors appointed Dr. Ramesh B.V. Nimmagadda, Independent Director as Non-executive Chairman with effect from 01 April, 2020.

During the year, the Board of Directors appointed Mr. M. Satish Choudhury as Company Secretary and Compliance Officer effective from 10 August, 2019. Mrs. P.V. Lakshmi Rajani resigned as Company Secretary and Compliance Officer of the Company effective from 31 May, 2019.

## Declaration by Independent Directors

The Company has obtained declaration from all independent directors of the Company under Section 149(7) of the Companies Act, 2013 confirming that they meet the criteria of independence as provided in Section 149(6) of the Companies Act, 2013 and Regulation 25 of SEBI Listing Regulations.

## Board Evaluation

The Board of Directors carried out an annual evaluation of its own performance, of the committees of the Board and of the individual directors pursuant to the provisions of the Companies Act, 2013 and SEBI Listing Regulations.

Performance evaluation was carried out on the basis of criteria evolved, as provided by the Guidance Note on Board Evaluation issued by Securities and Exchange Board of India, seeking inputs from the directors individually and the committees through a structured questionnaire which provides a valuable feedback for contribution to the Board, improving board effectiveness, maximising strengths and highlighting areas for further improvement etc.

In a separate meeting of the Independent Directors, performance of the non-independent directors and the Board as a whole was evaluated taking into account the views of the non-independent directors and the same was discussed in the Board Meeting. Performance evaluation of Independent Directors is done by the entire Board of Directors (excluding the directors being evaluated).

## Policy on Directors' Appointment and Remuneration

The Policy on appointment and remuneration of Directors, Key Managerial Persons and Senior Management including criteria for determining qualifications, positive attributes and director's independence as required under Section 178(3) of the Companies Act, 2013 and Regulation 19 read with Schedule II Part D of SEBI Listing Regulations has been formulated by the Company:

- To identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down.



- To ensure a transparent board nomination process with the diversity of thought, experience, knowledge, perspective and gender in the Board.
- To determine remuneration based on the Company's size and financial position and trends and practices on remuneration prevailing in peer companies, in the Pharma industry besides qualifications, skills, capabilities etc.,
- To carry out evaluation of the performance of Directors, as well as Key Managerial and Senior Management Personnel.
- To provide them rewards linked directly to their effort, performance, dedication and achievement relating to the Company's operations.
- To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.

Policy on Nomination and Remuneration of Directors, Key / Senior Managerial Personnel may be accessed on the Company's website at: <https://www.divislab.com/wp-content/uploads/2020/06/NominationRemuneration-Policy.pdf>

## Remuneration Details of Directors and KMP

Particulars required to be furnished under Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, as amended are given in "Annexure – II" and forms part of this Report.

## Particulars of Employees

Particulars of employees required to be furnished under Rule 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, as amended are given in "Annexure – III" and forms part of this Report.

## Corporate Social Responsibility

The Board of Directors has constituted Corporate Social Responsibility Committee (CSR Committee) consisting of members viz. Mr. R. Ranga Rao (Chairman), Dr. Murali K. Divi, Mr. Madhusudana Rao Divi and Dr. Ramesh B.V. Nimmagadda.

Corporate Social Responsibility Policy (CSR Policy) indicating the activities to be undertaken by the Company was adopted by the Board on the recommendation of the CSR Committee.

Report on Corporate Social Responsibility as per Rule 8 of Companies (Corporate Social Responsibility Policy) Rules, 2014 is prepared and the same is enclosed as "Annexure – IV" to this Report.

## Business Responsibility Report

Pursuant to the SEBI Listing Regulations, Business Responsibility Report (BRR) describing the initiatives taken by the Company is enclosed as part of this Report.

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

Particulars required under Section 134 (3) (m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014 is given in the "Annexure – V" to this report.

## Corporate Governance Report

The report on Corporate Governance as per Regulation 34(3) read with Schedule V of the SEBI Listing Regulations is included as a part of this Annual Report. The requisite certificate from Mr. V. Bhaskara Rao, Practicing Company Secretary confirming the compliance with the conditions of Corporate Governance is attached to the report on Corporate Governance.

## Audit Committee

The details pertaining to the role, objective and composition of the Audit Committee are included in the Corporate Governance Report which is part of the Annual Report for the year.

## Vigil Mechanism

The Company has established a vigil mechanism and formulated a Whistle Blower Policy to provide mechanism for directors and employees of the Company to report their concerns about any unethical behavior, actual or suspected fraud or violation of the Company's code of conduct or ethics policy. The Policy provides that the Company investigates such incidents, when reported, in an impartial manner and takes appropriate action to ensure that requisite standards of professional and ethical conduct are always upheld. This mechanism also provides for adequate safeguards against victimization of director(s)/ employee(s) who avail the mechanism and also provide for direct access to the Chairman of the Audit Committee in exceptional cases. The Whistle Blower Policy may be accessed on the Company's website at: <https://www.divislab.com/wp-content/uploads/2020/06/WhistleBlowerPolicy.pdf>

## Audit Reports

- Report of the Statutory Auditors for the year does not contain any qualification, reservation or adverse remark or disclaimer or reporting of any offence or fraud.
- The Secretarial Audit Report does not contain any qualification, reservation or adverse remark or disclaimer.

## Statutory Auditors

At the Annual General Meeting held on 25 September 2017, M/s Price Waterhouse Chartered Accountants LLP (Firm Registration No. 012754N/ N500016) were appointed as Statutory Auditors of the Company to hold office for five consecutive years till the conclusion of the 32nd Annual General Meeting of the Company in the calendar year 2022 (subject to ratification by the members at each Annual General Meeting).

In terms of first proviso to Section 139 of the Companies Act, 2013, the appointment of the auditors shall be placed for ratification at every Annual General Meeting. However, Companies (Amendment) Act, 2017 omitted the first proviso to Section 139 of Companies Act, 2013 that requires ratification of appointment of auditor at every annual general meeting.

Accordingly, M/s. Price Waterhouse Chartered Accountants LLP will continue as the Statutory Auditors of the Company till conclusion of 32nd Annual General Meeting of the Company.

## Secretarial Audit

Pursuant to provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Board of Directors of the Company has appointed Mr. V. Bhaskara Rao, Practicing Company Secretary (PCS Registration No. 4182) as the Secretarial Auditor of the Company to conduct the Secretarial audit for the financial year 2019-20. The Secretarial Audit report for the financial year 2019-20 is annexed herewith as **"Annexure VI"**.

## Cost Audit

Pursuant to the Section 148 of the Act and Rule 3 of the Companies (Cost Records and Audit) Rules, 2014 as amended, the Company maintains cost records in its books of account. As per Rule 4 of the said rules, the requirement for cost audit is not applicable to a company which is covered under Rule 3, and whose revenue from exports, in foreign exchange, exceeds seventy five per cent of its total revenue or which is operating from a special economic zone. However, Company has voluntarily opted for audit of cost records and appointed M/s. E.V.S & Associates, Cost Accountants as Cost Auditors.

## Extract of Annual Return

An Extract of Annual Return in Form MGT-9 as per the provisions of Section 92(3) of the Companies Act, 2013 and Rule 12 of Companies (Management and Administration) Rules, 2014, is enclosed as **"Annexure VII"** to this report and is also available

on the website of the Company at <https://www.divisilabs.com/wp-content/uploads/2020/07/FROM-NO.-MGT-9.pdf>

## Other Disclosures

- Information on Unclaimed Dividend and transfer to IEPF is provided in the Corporate Governance Report.
- No Company has become or ceased to be its subsidiary, joint venture or associate Company during the year.
- No significant and material orders were passed by the regulators or courts or tribunals impacting the going concern status and Company's operations in future.
- Company has complied with provisions relating to the constitution of Internal Complaints Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and rules made thereunder.
- No cases remain unresolved pursuant to the Sexual Harassment of Women at Work Place (Prevention, Prohibition and Redressal) Act, 2013 during the year under review.
- As per Regulation 43A of the SEBI Listing Regulations, the Dividend Distribution Policy is disclosed in the Corporate Governance Report and on the website of the Company.
- Directors of your Company hereby state and confirm that the Company has complied with all the applicable Secretarial Standards.

## Acknowledgements

Your Directors take this opportunity to thank the customers, shareholders, suppliers, bankers, business associates, financial institutions and Central and State Governments for their consistent support and encouragement to the Company.

We are sure you will join our Directors in conveying our sincere appreciation to all employees of the Company and its subsidiaries for their hard work and commitment.

**For and on behalf of the Board**

**Dr. Ramesh B.V. Nimmagadda**

Chairman  
(DIN: 07854042)

**Dr. Murali K. Divi**

Managing Director  
(DIN: 00005040)

Hyderabad  
06 June, 2020



## ANNEXURE – II

### INFORMATION PURSUANT TO RULE 5 (1) OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014, AS AMENDED

(i) The ratio of the remuneration of each director to the median remuneration of the employees of the Company for the financial year, the percentage increase in remuneration of each Director, Chief Financial Officer and Company Secretary for the year are given below:

Sl.No	Name of Director / KMP and Designation	Remuneration of Director/ KMP for the financial year (₹ in lakhs)	Ratio of remuneration of each Director to median remuneration of employees of the company for the financial year	%increase/ (decrease) in remuneration in the financial year
1	Dr. Murali K. Divi Managing Director	5236	1 : 0.0007852	(10.97)%
2	Mr. N.V. Ramana Executive Director	2692	1 : 0.0015275	(9.97)%
3	Dr. Kiran S. Divi Whole-time Director and Chief Executive Officer	1835	1 : 0.0022405	(9.30)%
4	Ms. Nilima Motaparti Whole-time Director (Commercial)	503	1 : 0.0081701	641.85%
5	Mr. Madhusudana Rao Divi Whole-time Director (Projects)	99	1 : 0.0413771	0.00%
6	Dr. G. Suresh Kumar * Independent Director	20	1 : 0.2058427	66.44%
7	Mr. R. Ranga Rao * Independent Director	24	1 : 0.1714965	84.41%
8	Mr. K.V.K. Seshavaram * Independent Director	20	1 : 0.2058427	99.73%
9	Dr. Ramesh B.V. Nimmagadda * Independent Director @	24	1 : 0.1714965	166.36%
10	Dr. S. Ganapaty* Independent Director	20	1 : 0.2058427	185.32%
11	Prof. Sunaina Singh* Independent Director	12	1 : 0.3433843	N.A.
12	Mr. K.V. Chowdary* Independent Director (w.e.f. 04.01.2020)	11	1 : 0.3803616	N.A.
13	Mr. L. Kishore Babu Chief Financial Officer	242	N.A.	6.30%
14	Mr. M. Satish Choudhury Company Secretary (w.e.f. 10.08.2019)	14	N.A.	N.A.
15	Mrs. P. V. Lakshmi Rajani Company Secretary (Upto 31.05.2019)	6	N.A.	N.A.

\* Independent Directors were paid sitting fees for attending the Board and its Committee Meetings and annual remuneration w.e.f. 01 January, 2020 @ Rs. 20 lakhs per annum, on pro-rata basis, pursuant to approval of shareholders dated 26 February, 2020.

@ Non-executive Chairman with effect from 01 April, 2020.

(ii) The percentage increase in the median remuneration of employees in the financial year was 2.24%.

(iii) As on 31 March, 2020, the Company has 4964 permanent employees on the rolls of Company as defined under said Rule 5(1).

(iv) Average percentile increase already made in the salaries of employees other than the managerial personnel in the financial year was 16.26% whereas there was decrease of 6.13% in the managerial remuneration.

(v) It is hereby affirmed that the remuneration paid is as per the Remuneration Policy for Directors, Key Managerial Personnel and other Employees.

**For and on behalf of the Board**

**Dr. Ramesh B.V. Nimmagadda**

Chairman  
(DIN: 07854042)

**Dr. Murali K. Divi**

Managing Director  
(DIN: 00005040)

Hyderabad  
06 June, 2020

# ANNEXURE – III

## INFORMATION PURSUANT TO RULE 5(2) AND 5(3) OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014

Name	Age (yrs)	Qualifications	Designation	Date of commencement of employment	Exp erience (yrs)	Gross remuneration <sup>1</sup> (₹ lakhs)	Last employment
Dr. Murali K. Divi	69	M. Pharm. Ph. D.	Managing Director	12-Oct-90	45	5236	Managing Director, Cheminor Drugs Ltd.
N.V. Ramana	62	B.Sc. (Chem)	Executive Director	26-Dec-94	35	2692	President, Enmark Exim Services Pvt. Ltd
Dr. Kiran S. Divi	43	M. Pharm., Ph.D.,	Whole-time Director and Chief Executive Officer	10-Aug-01	19	1835	-
Nilima Motaparti	38	Masters in Intl business & Intl Finance	Whole-time Director (Commercial)	02-Jul-12	13	503	-
L. Kishore Babu	70	B.Com, FCMA	Chief Financial Officer	20-Nov-94	47	242	Finance Manager, Nagarjuna Fert & Chem Ltd.,
Satya Prakash Divi	43	MS (CIS), MBA	Vice President (Sales & Marketing)	1-Mar-13	18	242	VP, Marketing & IT, EF Int'l Academy, Switzerland
Devendra Rao. S.	58	M. Sc.	General Manager	10-Feb-95	37	195	Senior Manager (Prod), Natco Laboratories Ltd.
Hemanth Kumar. G.	60	M. Sc.	General Manager	1-Nov-94	37	195	Sr. Prod'n. Manager, Sumitra Pharma Ltd.,
Prasad. Y.T.S.	52	B.E.	General Manager	1-Nov-90	32	195	Engineer (Devpt), Cheminor Drugs Ltd.,
Ramakrishna. S.	58	M. Sc.	General Manager	15-Feb-95	37	195	General Manager (Works), Vera Laboratories Ltd.
Ramesh Babu. M.	54	B. Sc.	General Manager Technical Operations	1-Nov-90	34	195	R&D Incharge, Cheminor Drugs Ltd.,
Srinivasa Rao. P	55	M. Pharm	Technical Operations Vice President (Procurement) & CIO	1-Nov-90	32	195	Sr. Chemist, Cheminor Drugs Ltd.
Ramesh Babu. L.	67	M.Com, MBA, LLB	General Manager	20-May-09	31	177	Group Captain, Indian Air Force
Ramana. L.V	50	M. Sc.	General Manager	12-Aug-91	28	149	-
Madhu Babu. D	59	Masters in Planning	Vice President	2-May-16	33	125	Senior Vice President, IL&FS Cluster Development Initiative Limited
Subba Rao K.	56	MPM, LLB	General Manager (P&A)	01-10-1994	33	108	Personnel Officer, PR Cements limited.

### Notes:

- 1) Remuneration includes salary, allowances, Company contribution to provident fund, remuneration based on net profits and benefits.
- 2) All the above appointments are contractual.
- 3) Dr. Murali K Divi, Managing Director and Mr. Madhusudana Rao Divi, Whole-time Director (Projects) are related to each other.
- 4) Dr. Murali K Divi, Managing Director, Dr. Kiran S Divi, Whole-time Director & Chief Executive Officer and Ms. Nilima Motaparti, Whole-time Director are related to each other.
- 5) Mr. L. Ramesh Babu, Vice President (Procurement) and Chief Information Officer is related to Mr. L. Kishore Babu, Chief Financial Officer.
- 6) No other employee mentioned above is related to any Director of the Company in terms of Section 2(77) of the Companies Act, 2013.

### For and on behalf of the Board

Hyderabad  
06 June, 2020

**Dr. Ramesh B.V. Nimmagadda**  
Chairman  
(DIN: 07854042)

**Dr. Murali K. Divi**  
Managing Director  
(DIN: 00005040)



## ANNEXURE – IV

### ANNUAL REPORT ON CSR ACTIVITIES UNDERTAKEN DURING THE YEAR

1. A brief outline of the Company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs.

Divi's strongly believe that Industrial Growth must contribute to the upliftment of the society around. Hence, the main focus of CSR is communities or villages around the manufacturing sites.

#### The objective of Divi's CSR Policy is:

- To make sure the business remains sustainable and continues to contribute to the welfare of all stakeholders.
- To take up programmes that benefit the neighboring communities in enhancing quality of life and economic well-being of the local populace.
- To facilitate a holistic approach based for a sustainable improvement in the social, economic and environmental situation of the needy and underserved.
- Also embedded in this objective is support to the marginalised cross section of the society by providing opportunities to improve their quality of life.

The CSR projects undertaken are within the broad framework of Schedule VII of the Companies Act, 2013. Details of the CSR policy and projects or programmes undertaken by the Company are available on the website of the Company: Web link: <https://www.divislabs.com/wp-content/uploads/2020/06/CSR-Policy.pdf>

2. Composition of the CSR Committee: Please refer to the Corporate Governance Report for the composition of CSR Committee.
3. Average net profit of the Company for last three financial years (₹ in lakhs) 1,48,368.62
4. Prescribed CSR Expenditure (two per cent of the amount as in item 3 above) (₹ in lakhs) 2,967.35
5. Details of CSR spent during the financial year:
  - (a) Total amount spent for the financial year (₹ in lakhs) 5067.88
  - (b) Amount unspent Nil
  - (c) Manner in which the amount spent during the financial year



4	Livelihood Enhancement	Livelihood Enhancement program	Local Siddipet, Telangana	119.58	119.58	119.58	Balavikasa Social Service Society
5	Support to differently abled	Promoting health care	Local Visakhapatnam in Andhra Pradesh	550.00	550.00	550.00	Divi's Foundation for Gifted Children
<b>(2) Overheads</b>							
1	Administrative Expenses & Salaries			54.40	54.03	54.03	
	<b>Total</b>			<b>5075.10</b>	<b>5067.89</b>	<b>5067.89</b>	

Note: The afore-mentioned CSR expenses include unspent CSR amounts pertaining to prior years

6. Responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company.

We hereby undertake that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company.

Hyderabad  
06 June, 2020

**R. Ranga Rao**  
Chairman, CSR Committee  
(DIN: 06409742)

**Dr. Murali K. Divi**  
Managing Director  
(DIN: 00005040)



### C. Foreign Exchange Earnings and Outgo

(₹ In Lakhs)

Particulars	2019-20	2018-19
Foreign Exchange earnings	448323	412376
Foreign Exchange outgo:		
- CIF Value of Imports	115972	121868
- Expenditure in Foreign Currency	2394	2183
Net Foreign Exchange Earning (NFE)	329957	288325
NFE / Earnings %	74%	70%

**For and on behalf of the Board**

**Dr. Ramesh B.V. Nimmagadda**

Chairman  
(DIN: 07854042)

**Dr. Murali K. Divi**

Managing Director  
(DIN: 00005040)

Hyderabad  
06 June, 2020



## ANNEXURE – VI

## FORM NO. MR-3

## SECRETARIAL AUDIT REPORT FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2020

[Pursuant to section 204(1) of the Companies Act, 2013 and Rule 9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014]

## SECRETARIAL AUDIT REPORT

To,  
The Members of  
Divi's Laboratories Limited  
CIN: L24110TG1990PLC011854  
1-72/23(P)/DIVIS/303, Divi Towers,  
Cyber Hills, Gachibowli,  
Hyderabad -500032.

We have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Divi's Laboratories Limited (hereinafter called the Company). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, we hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on 31.03.2020 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by Divi's Laboratories Limited ("the Company") for the financial year ended on 31.03.2020, according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made there under;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed there under;
- (iv) Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;

- (v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):- viz
  - a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;
  - b. The SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ;
  - c. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;
  - d. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018\*;
  - e. The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014\*;
  - f. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 \*;
  - g. The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;
  - h. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 \*; and
  - i. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018\*;

\* Not applicable to the Company during the Audit period

- (vi) Other applicable Acts
  - (a) Factories Act, 1948
  - (b) Industrial Disputes Act, 1947
  - (c) The Payment of Wages Act, 1936
  - (d) The Minimum Wages Act, 1948
  - (e) Employees Provident Funds and Miscellaneous Provisions Act, 1952

- (f) The Payment of Bonus Act, 1965
- (g) The Payment of Gratuity Act, 1972
- (h) The Contract Labour (Regulation & Abolition) Act, 1970
- (i) The Maternity Benefit Act, 1961
- (j) The Child Labour (Prohibition & Regulation) Act, 1986
- (k) The Industrial Employment (Standing Order) Act, 1946
- (l) The Employee Compensation Act, 1923
- (m) The Apprentices Act, 1961
- (n) Equal Remuneration Act, 1976
- (o) The Employment Exchange (Compulsory Notification of Vacancies) Act, 1956
- (p) Customs Act, 1962
- (q) Central Excise Act, 1944
- (r) Foreign Exchange Management Act, 1999
- (s) Foreign Trade (Development and Regulation) Act, 1992
- (t) Shops and Establishment Act, 1988
- (u) The Water (Prevention and control of pollution) Act 1974, The Air (Prevention and control of pollution) Act 1981 and The Environment Protection Act, 1986 and rules made thereunder
- (v) Public Liability Insurance Act, 1991
- (w) Explosive Act, 1884
- (x) Indian Boilers Act, 1923
- (y) The Patents Act, 1970
- (z) Biological Diversity Act, 2002
- (aa) Food Safety and Standards Act, 2006
- (bb) Special Economic Zones Act, 2005
- (cc) Drug and Cosmetics Act, 1940
- (dd) Narcotic Drugs and Psychotropic Substances Act, 1985
- (ee) Employee's State Insurance Act, 1948
- (ff) Andhra Pradesh Factories and Establishment (National, Festival and Other Holidays) Act, 1974
- (gg) The Sexual Harassment of Women at Work Place (Prevention, Prohibition and Redressal) Act, 2013

- (hh) The Andhra Pradesh Labour Welfare Fund Act, 1987
- (ii) Conservation of Foreign Exchange and Prevention of Smuggling Act, 1974

We have relied on the representations made by the Company, its officers and reports of Internal Auditors for systems and mechanism framed by the Company for compliances under other acts, Laws and regulations applicable to the Company as mentioned above.

We have also examined compliance with the applicable clauses of the following:

- (i) Secretarial Standards issued by The Institute of Company Secretaries of India
- (ii) The Listing Agreements entered into by the Company with Stock Exchanges and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;

We further report that the Board of Directors of the Company has duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Majority decisions are carried out unanimously and there were no dissenting members during the year under review.

We further report that there are adequate systems and processes in the Company Commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that, the compliance by the Company of applicable financial laws like direct and indirect tax laws and maintenance of financial records and books of accounts has not been reviewed in this audit since the same have been subject to review by statutory financial audit and other designated professionals.

**V. Bhaskara Rao & Co.,**  
Company Secretaries

**V. Bhaskara Rao**  
Proprietor

F.C.S.No.5939, C.P.No.4182  
UDIN: F005939B000321760

Hyderabad  
06 June, 2020



## ANNEXURE- A

To,  
The Members of  
Divi's Laboratories Limited  
CIN: L24110TG1990PLC011854  
1-72/23(P)/DIVIS/303, Divi Towers,  
Cyber Hills, Gachibowli,  
Hyderabad -500032.

Our report of even date is to be read along with this letter.

1. Maintenance of secretarial records is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Where ever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company

**V. Bhaskara Rao & Co.,**  
Company Secretaries

**V. Bhaskara Rao**  
Proprietor

F.C.S.No.5939, C.P.No.4182  
UDIN: F005939B000321760

Hyderabad  
06 June, 2020

# ANNEXURE VII

## FORM NO. MGT-9

### EXTRACT OF ANNUAL RETURN

as on the financial year ended on 31 March, 2020  
[ Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies  
(Management and Administration ) Rules, 2014]

#### I. REGISTRATION AND OTHER DETAILS:

i)	CIN		L24110TG1990PLC011854
ii)	Registration Date		12-10-1990
iii)	Name of the Company		DIVI'S LABORATORIES LIMITED
iv)	Category / Sub Category of the Company		Public Company/ Limited by shares
v)	Address of the Registered Office and Contact Details		1-72/23(P)/DIVIS/303, Divi Towers Cyber Hills, Gachibowli Hyderabad - 500 032 Telangana, India Tel: 040-23786300 Fax: 040-23786460 E-mail: mail@divislabs.com
vi)	Whether Listed Company	Yes/ No	YES
vii)	Name, Address & Contact details of Registrar and Transfer Agent		Kfin Technologies Private Limited Selenium Tower B, Plot No. 31& 32 Gachibowli, Financial District Nanakramguda Hyderabad - 500 032 Tel: 040-67161526 E-mail: nageswara.raop@kfintech.com

#### II. PRINCIPAL BUSINESS ACTIVITIES OF THE COMPANY

All the business activities contributing 10% or more of the total turnover of the Company:

SI No.	Name and description of main products / services	NIC code of the Product / Service	% to total turnover of the Company
1	Manufacturing of pharmaceutical ingredients	210	100%

#### III. PARTICULARS OF HOLDING, SUBSIDIARIES AND ASSOCIATE COMPANIES

SI No.	Name and address of the Company	CIN/ GLN	Holding / Subsidiary / Associate	% of shares held	Applicable Section
1	Divis Laboratories (USA) Inc., 325 Columbia Turnpike Suite 305, Florham Park, New Jersey 07932, USA	NA	Subsidiary	100	2(87)
2	Divi's Laboratories Europe AG Solothurnerstrasse 15 CH- Basel, Switzerland	NA	Subsidiary	100	2(87)

#### IV. SHARE HOLDING PATTERN (Equity Share Capital Breakup as percentage of Total Equity)

##### i) Category-wise Share Holding

	Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% change during the year
		Demat	Physical	Total	% of Total shares	Demat	Physical	Total	% of Total shares	
<b>A</b>	<b>PROMOTERS</b>									
<b>(1)</b>	<b>Indian</b>									
	Individuals / Hindu Undivided Family	130069360	0	130069360	49.00	129969360	0	129969360	48.96	-0.04
(b)	Central Government	0	0	0	0.00	0	0	0	0.00	0.00
(c)	State Government(s)	0	0	0	0.00	0	0	0	0.00	0.00
(d)	Bodies Corporate	8000000	0	8000000	3.01	8000000	0	8000000	3.01	0.00
(e)	Banks / Financial Institutions	0	0	0	0.00	0	0	0	0.00	0.00
(f)	Others	0	0	0	0.00	0	0	0	0.00	0.00
	<b>Sub-total A(1) :</b>	<b>138069360</b>	<b>0</b>	<b>138069360</b>	<b>52.01</b>	<b>137969360</b>	<b>0</b>	<b>137969360</b>	<b>51.97</b>	<b>-0.04</b>
<b>(2)</b>	<b>Foreign</b>									
(a)	NRIs - Individuals	0	0	0	0.00	0	0	0	0.00	0.00
(b)	Other - Individuals	0	0	0	0.00	0	0	0	0.00	0.00
(c)	Bodies Corporate	0	0	0	0.00	0	0	0	0.00	0.00
(d)	Banks / FI	0	0	0	0.00	0	0	0	0.00	0.00
(e)	Others	0	0	0	0.00	0	0	0	0.00	0.00
	<b>Sub-total A(2) :</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0.00</b>	<b>0.00</b>
	<b>Total Shareholding of Promoter A=A(1)+A(2) :</b>	<b>138069360</b>	<b>0</b>	<b>138069360</b>	<b>52.01</b>	<b>137969360</b>	<b>0</b>	<b>137969360</b>	<b>51.97</b>	<b>-0.04</b>
<b>B</b>	<b>Public Shareholding</b>									
<b>(1)</b>	<b>Institutions</b>									
(a)	Mutual Funds / UTI	36885049	0	36885049	13.89	38933320	0	38933320	14.67	0.77
(b)	Banks / Financial Institutions	867426	0	867426	0.33	2466048	0	2466048	0.93	0.60
(c)	Central Government / State Government(s)	0	0	0	0.00	0	0	0	0.00	0.00
(d)	Venture Capital Funds	0	0	0	0.00	0	0	0	0.00	0.00
(e)	Insurance Companies	0	0	0	0.00	0	0	0	0.00	0.00
(f)	FII's/ FPIs	56301726	0	56301726	21.21	50647319	0	50647319	19.08	-2.13
(g)	Foreign Venture Capital Investors	0	0	0	0.00	0	0	0	0.00	0.00
(h)	Others	0	0	0	0.00	0	0	0	0.00	0.00
	<b>Sub-total B(1) :</b>	<b>94054201</b>	<b>0</b>	<b>94054201</b>	<b>35.43</b>	<b>92046687</b>	<b>0</b>	<b>92046687</b>	<b>34.67</b>	<b>-0.76</b>



<b>(2) Non-institutions</b>										
(a) Bodies										
Corporate										
i) Indian	9580167	0	9580167	3.61	5392058	0	5392058	2.03	-1.58	
ii) Overseas	0	0	0	0.00	0	0	0	0.00	0.00	
(b) Individuals										
i) Individual										
shareholders										
holding nominal	17400271	347486	17747757	6.69	20101866	220986	20322852	7.66	0.97	
share capital										
up to Rs.2 lakh										
ii) Individual										
shareholders										
holding nominal	2201732	350350	2552082	0.96	2425125	0	2425125	0.91	-0.05	
share capital in										
excess of										
Rs.2 lakh										
Others -										
(c) i) Non Resident	1405037	0	1405037	0.53	1545013	0	1545013	0.58	0.05	
Indians										
ii) Trusts	934582	0	934582	0.35	983850	0	983850	0.37	0.02	
iii) Clearing	1100194	0	1100194	0.41	281666	0	281666	0.11	-0.31	
Members										
iv) NBFcs										
Registered with	11101	0	11101	0.00	4800	0	4800	0.00	-0.00	
RBI										
v) Alternative										
Investment	0	0	0	0.00	874390	0	874390	0.33	0.33	
Fund										
vi) Qualified										
Institutional	0	0	0	0.00	3597687	0	3597687	1.36	1.36	
Buyer										
vii) IEPF	14099	0	14099	0.01	25092	0	25092	0.01	0.00	
<b>Sub-total</b>	<b>32647183</b>	<b>697836</b>	<b>33345019</b>	<b>12.56</b>	<b>35231547</b>	<b>220986</b>	<b>35452533</b>	<b>13.35</b>	<b>0.79</b>	
<b>B(2) :</b>							0	0.00	0.00	
<b>Total Public</b>										
<b>Shareholding</b>	<b>126701384</b>	<b>697836</b>	<b>127399220</b>	<b>47.99</b>	<b>127278234</b>	<b>220986</b>	<b>127499220</b>	<b>48.03</b>	<b>0.04</b>	
<b>B=B(1)+B(2) :</b>										
<b>Shares held by</b>										
<b>C Custodian for</b>	0	0	0	0	0	0	0	0.00	0.00	
<b>GDRs &amp; ADRs</b>										
<b>GRAND</b>										
<b>TOTAL:</b>	<b>264770744</b>	<b>697836</b>	<b>265468580</b>	<b>100</b>	<b>265247594</b>	<b>220986</b>	<b>265468580</b>	<b>100</b>	<b>-</b>	
<b>[A+B+C]</b>										

## ii) Shareholding of Promoters

SI No.	Shareholder's Name	Shareholding at the beginning of the year (As on 01-04-2019)			Shareholding at the end of the year (As on 31-03-2020)			% change in shareholding during the year
		No. of Shares	% of total Shares of the Company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the Company	% of Shares Pledged / encumbered to total shares	
1	Nilima Motaparti	54000000	20.34	0.00	54000000	20.34	0.00	0.00
2	Divi Satchandra Kiran	54000000	20.34	0.00	54000000	20.34	0.00	0.00
3	Murali Krishna Prasad Divi	7567000	2.85	0.00	7567000	2.85	0.00	0.00
4	Divi Swarna Latha	14000000	5.27	0.00	14000000	5.27	0.00	0.00
5	Divi Madhusudana Rao	472760	0.18	0.00	372760	0.14	0.00	-0.04
6	Divi Babu Rajendra Prasad	26600	0.01	0.00	26600	0.01	0.00	0.00
7	Radhakrishna Rao Divi	3000	0.00	0.00	3000	0.00	0.00	0.00
8	Divis Biotech Private Limited	8000000	3.01	0.00	8000000	3.01	0.00	0.00
	<b>TOTAL</b>	<b>138069360</b>	<b>52.01</b>		<b>137969360</b>	<b>51.97</b>		<b>-0.04</b>

**iii) Change in Promoters' Shareholding**

SI No.	Name	Shareholding at the beginning of the year (As on 01-04-2019)		Cumulative Shareholding during the year (01-04-2019 to 31-03-2020)	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
1	At the beginning of the year	138069360	52.01		
2	Date wise Increase/ Decrease in promoters shareholding during the year *	-100000	0.04	137969360	51.97
3	At the end of the year	137969360	51.97		

\*Details of inter se transfer within promoters and decrease in the promoters' shareholding during the year:

SI No.	Name	Shareholding at the beginning of the year (As on 01-04-2019)		Date	Increase/ Decrease in shareholding	Reason	Cumulative Shareholding during the year (01-04-2019 to 31-03-2020)	
		No. of Shares	% of total Shares of the company				No. of Shares	% of total Shares of the company
<b>A</b>	<b>Promoters</b>							
1	MADHUSUDANA RAO DIVI							
	At the beginning of the year	472760	0.18	1-Apr-19				
	Date wise increase/decrease during the year			11-Dec-19	30000	Sale	442760	0.17
				17-Feb-20	20000	Sale	422760	0.16
				28-Feb-20	15000	Sale	407760	0.15
				4-Mar-20	5000	Sale	402760	0.15
				6-Mar-20	20000	Sale	382760	0.14
				19-Mar-20	5000	Sale	377760	0.14
				23-Mar-20	5000	Sale	372760	0.14
	At the end of the year			31-Mar-20			372760	0.14

**iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):**

SI No.	Name	Shareholding at the beginning of the year 01-04-2019		Cumulative Shareholding at the end of the year 31-03-2020	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
1	SBI MUTUAL FUND	12061718	4.54	12974870	4.89
2	AXIS MUTUAL FUND TRUSTEE LIMITED	4111031	1.55	6503299	2.45
3	RELIANCE CAPITAL TRUSTEE COMPANY LIMITED	7511601	2.83	5012698	1.89
4	GOVERNMENT PENSION FUND GLOBAL	4601104	1.73	4472028	1.68
5	LIFE INSURANCE CORPORATION OF INDIA**	503176	0.19	2342909	0.88
6	HDFC TRUSTEE COMPANY LTD	2263903	0.85	2318103	0.87
7	KOTAK FUNDS	2342393	0.88	2185639	0.82
8	UTI-UNIT LINKED INSURANCE PLAN**	1787069	0.67	2137885	0.81
9	AMUNDI FUNDS SBI FM EQUITY INDIA**	1463000	0.55	2075754	0.78
10	PINEBRIDGE INVESTMENTS GF MAURITIUS LIMITED	3060772	1.15	2056332	0.77
12	MIRAE ASSET EQUITY SAVINGS FUND*	2346593	0.88	1228717	0.46
13	BARON EMERGING MARKETS FUND*	2107356	0.79	1843505	0.69
14	M3 INVESTMENT PRIVATE LIMITED*	2040700	0.77	1500000	0.57

Note: The date-wise increase/ decrease in the shareholding of the top 10 shareholders is available on our website

\*Ceased to be in the list of Top 10 shareholders as on 31-03-2020. The same is reflected above since the shareholder was one of the Top 10 shareholders as on 01-04-2019.

\*\*Not in the list of Top 10 shareholders as on 01-04-2019. The same is reflected above since the shareholder was one of the Top 10 shareholders as on 31-03-2020. The above information is based on the weekly beneficiary position received from Depositories.

## v) Shareholding of Directors and Key Managerial Personnel:

SI No.	Name	Shareholding at the beginning of the year (As on 01-04-2019)		Cumulative Shareholding during the year (01-04-2019 to 31-03-2020)	
		No. of Shares	% of total Shares of the company	No. of Shares	% of total Shares of the company
<b>A</b>	<b>DIRECTORS</b>				
1	<b>MURALI KRISHNA PRASAD DIVI</b> <b>Managing Director</b>				
	At the beginning of the year	7567000	2.85		
	At the end of the year			7567000	2.85
2	<b>N. V. RAMANA,</b> <b>Executive Director</b>				
	At the beginning of the year	563078	0.21		
	30-12-2019- Disposal-Off Market Transfer (Gift)	240000	0.09	323078	0.12
	At the end of the year			323078	0.12
3	<b>MADHUSUDANA RAO DIVI</b> <b>Whole-time Director - Projects</b>				
	At the beginning of the year	472760	0.18		
	11-12-2019 - Sale	30000	0.01	442760	0.17
	17-02-2020 - Sale	20000	0.01	422760	0.16
	28-02-2020 - Sale	15000	0.01	407760	0.15
	04-03-2020 - Sale	5000	0.00	402760	0.15
	06-03-2020 - Sale	20000	0.01	382760	0.14
	19-03-2020 - Sale	5000	0.00	377760	0.14
	23-03-2020 - Sale	5000	0.00	372760	0.14
	At the end of the year			372760	0.14
4	<b>SATCHANDRA KIRAN DIVI</b> <b>Whole-time Director &amp; CEO</b>				
	At the beginning of the year	54000000	20.34		
	At the end of the year			54000000	20.34
5	<b>NILIMA MOTAPARTI</b> <b>Whole-time Director - Commercial</b>				
	At the beginning of the year	54000000	20.34		
	At the end of the year			54000000	20.34
6	<b>DR. GANGAVARAPU SURESH KUMAR,</b> <b>Independent Director</b>	-	-	-	-
	At the beginning of the year	0	0.00		
	13-03-2020 - purchase	200	0.00	200	0.00
	23-03-2020 - purchase	200	0.00	400	0.00
	At the end of the year			400	0.00
7	<b>RANGA RAO RAVIPATI</b> <b>Independent Director</b>	-	-	-	-
8	<b>KANTHETI VENKATA KRISHNA SESHAVATARAM</b> <b>Independent Director</b>	-	-	-	-
9	<b>DR. RAMESH B.V. NIMMAGADDA</b> <b>Independent Director</b>	-	-	-	-
10	<b>DR. GANAPATY SERU</b> <b>Independent Director</b>	-	-	-	-
11	<b>PROF. SUNAINA SINGH</b> <b>Independent Director</b>	-	-	-	-
12	<b>K.V. CHOWDARY</b> <b>Independent Director</b>	-	-	-	-
<b>B</b>	<b>KEY MANAGERIAL PERSONNEL</b>				
1	<b>L.KISHORE BABU</b> <b>Chief Financial Officer</b>				
	At the beginning of the year	250	0.00		
	At the end of the year			250	0.00
2	<b>M. Satish Choudhury</b> <b>Company Secretary</b>	-	-	-	-



**B. Remuneration to other Directors:**

(₹ in lakhs)

SI No.	Particulars of Remuneration	Name of Director							Total Amount
		Dr. G. Suresh Kumar	Mr. R. Ranga Rao	Mr. K.V.K. Seshavataram	Dr. Ramesh B.V. Nimmagadda	Dr. S. Ganapaty	Prof. Sunaina Singh	K.V. Chowdary*	
<b>1</b>	<b>Independent Directors</b>								
	Fee for attending board / committee meetings	15	19	15	19	15	7	6	96
	Commission	-	-	-	-	-	-	-	-
	Others - Annual Remuneration#	5	5	5	5	5	5	5	35
	<b>Total (1)</b>	<b>20</b>	<b>24</b>	<b>20</b>	<b>24</b>	<b>20</b>	<b>12</b>	<b>11</b>	<b>131</b>
<b>2</b>	<b>Other Non-Executive Directors</b>								
	Fee for attending board / committee meetings	-	-	-	-	-	-	-	-
	Commission	-	-	-	-	-	-	-	-
	Others	-	-	-	-	-	-	-	-
	<b>Total (2)</b>								
	<b>Total (B) = (1)+(2)</b>	<b>20</b>	<b>24</b>	<b>20</b>	<b>24</b>	<b>20</b>	<b>12</b>	<b>11</b>	<b>131</b>
	<b>Total Managerial Remuneration</b>								<b>10495</b>
	Overall Ceiling as per the Act	₹20060 lakhs (being 11% of the net profits of the Company calculated as per Section 198 read with Section 197 of the Companies Act, 2013)							

\*Appointed w.e.f 04 January, 2020

# Annual Remuneration paid w.e.f. 01 January, 2020



**C. REMUNERATION TO KEY MANAGERIAL PERSONNEL OTHER THAN MD/MANAGER/WTD**

(₹ in lakhs)

SI No.	Particulars of Remuneration	Key Managerial Personnel			Total
		Company Secretary (P V Lakshmi Rajani)*	Company Secretary (M. Satish Choudhury)**	CFO (L Kishore Babu)	
1	Gross Salary				
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	6	13	236	255
	(b) Value of perquisites u/s 17(2) of the Income-tax Act, 1961	-	-	-	-
	(c) Profits in lieu of salary under section 17(3) of the Income-tax Act, 1961	-	-	-	-
2	Stock Option	-	-	-	-
3	Sweat Equity	-	-	-	-
4	Commission	-	-	-	-
	- as % of profit				
	- others				
5	Others - PF	0	1	6	7
	<b>Total</b>	<b>6</b>	<b>14</b>	<b>242</b>	<b>262</b>

\* Resigned as Company Secretary w.e.f 31 May, 2019

\*\*Appointed as Company Secretary w.e.f. 10 August, 2019.

**VII PENALTIES / PUNISHMENT/ COMPOUNDING OF OFFENCES:**

There were no penalties/ punishments/ compounding of offences for breach of any section of Companies Act against the Company or its Directors or other Officers in default, if any during the year.

**For and on behalf of the Board**
**Dr. Ramesh B.V. Nimmagadda**

Chairman  
(DIN: 07854042)

**Dr. Murali K. Divi**

Managing Director  
(DIN: 00005040)

Hyderabad  
06 June, 2020

# Independent Auditor's Report

## To the Members of Divi's Laboratories Limited

### Report on the audit of the Standalone financial statements

#### Opinion

1. We have audited the accompanying standalone financial statements of Divi's Laboratories Limited ("the Company"), which comprise the balance sheet as at March 31, 2020, the statement of Profit and Loss (including Other Comprehensive Income), statement of changes in equity and statement of cash flows for the year then ended, and notes to the standalone financial statements, including a summary of significant accounting policies and other explanatory information.
2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2020, total comprehensive income (comprising of profit and other comprehensive income), changes in equity and its cash flows for the year then ended.

#### Basis for Opinion

3. We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Standalone Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the standalone financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

4. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Appropriateness of capitalisation of costs as per Ind AS 16 Property, Plant and Equipment

Refer to Note 3 to the standalone financial statements.

During the year, the Company has incurred capital expenditure aggregating to Rs. 81,908 lakhs on property, plant and equipment (representing Plant & Machinery and Roads & Buildings) and Rs. 130,616 lakhs on Capital work in progress in respect of its manufacturing facilities at Choutuppal and Visakhapatnam.

With regard to the capitalisation of Plant and Machinery, Roads & Buildings and Capital work in progress, Management has identified specific expenditure including employee costs and other overheads relating to each of the assets and has applied judgement to assess if the costs incurred in relation to these assets meet the recognition criteria of Property, Plant and Equipment in accordance with Ind AS 16.

This has been determined as a key audit matter due to the significance of the capital expenditure during the year and the risk that the elements of costs that are eligible for capitalisation are not appropriately capitalised in accordance with the recognition criteria provided in Ind AS 16.

#### How our audit addressed the key audit matter

We have performed procedures, including the following, in relation to testing of capitalisation of costs relating to Road and Buildings, Plant and Machinery and capital work-in-progress:

- Understood, evaluated and tested the design and operating effectiveness of key controls relating to capitalisation of various costs incurred, including in relation to Road and Buildings, Plant and Machinery and capital work-in-progress.
- Tested the direct and indirect costs capitalised, on a sample basis, with the underlying supporting documents to ascertain nature of costs and basis for allocation, where applicable, and evaluated whether they meet the recognition criteria provided in the Indian Accounting Standard 16, Property, Plant and Equipment.
- Tested, on a sample basis, the appropriateness of employee costs capitalised in relation to Plant and Machinery and Roads and Buildings based on factors such as review of their timesheets.
- Tested other costs debited to Statement of Profit and Loss Account, on a sample basis, to ascertain whether these meet the criteria for capitalisation.
- Ensured adequacy of disclosures in the standalone financial statements.

Our procedures as mentioned above, did not identify any costs that had been inappropriately capitalised.

#### Other Information

5. The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Management Discussion and Analysis, Board's Report, Business Responsibility Report, performance highlights, corporate social responsibility report and Corporate Governance Report, but does not include the standalone financial statements and our auditor's report thereon.

Our opinion on the standalone financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the standalone financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the standalone financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### Responsibilities of management and those charged with governance for the standalone financial statements

6. The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.
7. In preparing the standalone financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management

either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

#### Auditor's responsibilities for the audit of the standalone financial statements

8. Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.
9. As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:
- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
  - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3) (i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls with reference to standalone financial statements in place and the operating effectiveness of such controls.
  - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
  - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the

audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

10. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

11. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

12. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### Report on other legal and regulatory requirements

13. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

14. As required by Section 143(3) of the Act, we report that:

- We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.

(c) The Balance Sheet, the Statement of Profit and Loss (including other comprehensive income), the Statement of Changes in Equity and Cash Flow Statement dealt with by this Report are in agreement with the books of account.

(d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act.

(e) On the basis of the written representations received from the directors as on March 31, 2020 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2020 from being appointed as a director in terms of Section 164 (2) of the Act.

(f) With respect to the adequacy of the internal financial controls with reference to standalone financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A".

(g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

- The Company has disclosed the impact of pending litigations on its financial position in its standalone financial statements – Refer Note 40 to the standalone financial statements;
- The Company did not have any long-term contracts for which there were any material foreseeable losses. The Company did not have any derivative contracts for the year ended March 31, 2020.
- There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company;
- The reporting on disclosures relating to Specified Bank Notes is not applicable to the Company for the year ended March 31, 2020.

15. The Company has paid/ provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.

For **Price Waterhouse Chartered Accountants LLP**

Firm Registration Number: 012754N/N500016

**Sunit Kumar Basu**

Partner

Membership Number: 55000

UDIN: 20055000AAAACU5617

Place: Hyderabad

Date: June 06, 2020

# Annexure A to Independent Auditors' Report

**Referred to in paragraph 14 (f) of the Independent Auditors' Report of even date to the members of Divi's Laboratories Limited on the standalone financial statements for the year ended March 31, 2020**

## **Report on the Internal Financial Controls with reference to financial statements under Clause (i) of Sub-section 3 of Section 143 of the Act**

1. We have audited the internal financial controls with reference to financial statements of Divi's Laboratories Limited ("the Company") as of March 31, 2020 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

## **Management's Responsibility for Internal Financial Controls**

2. The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

## **Auditors' Responsibility**

3. Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing deemed to be prescribed under section 143(10) of the Act to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements was established and maintained and if such controls operated effectively in all material respects.
4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial

controls system with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system with reference to financial statements.

## **Meaning of Internal Financial Controls with reference to financial statements**

6. A company's internal financial controls with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls with reference to financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

## **Inherent Limitations of Internal Financial Controls with reference to financial statements**

7. Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any

evaluation of the internal financial controls with reference to financial statements to future periods are subject to the risk that the internal financial control controls with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

## Opinion

8. In our opinion, the Company has, in all material respects, an adequate internal financial controls system with reference to

financial statements and such internal financial controls with reference to financial statements were operating effectively as at March 31, 2020, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **Price Waterhouse Chartered Accountants LLP**

Firm Registration Number: 012754N/N500016

**Sunit Kumar Basu**

Partner

Membership Number: 55000

UDIN: 20055000AAAACU5617

Place: Hyderabad

Date: June 06, 2020





Customs Act, 1962	Custom duty	4,825,958	4,825,958	May, 2014 to February, 2018	The commissioner of customs (Appeals)
Central Excise Act, 1944	Penalty	24,408,690	-	September, 2006 to December, 2008	Commissioner of Customs, Central Excise & Service tax Viskhapatnam
Central Excise Act, 1944	Penalty	937,500	-	July, 2009 to March, 2010	High Court of Andhra Pradesh Amaravathi
Central Excise Act, 1944	Excise duty and Penalty	1,942,840	97,142	May, 2011 to December, 2011	Excise, Customs and Service Tax (Appeals), Vishakapatnam.
Central Excise Act, 1944	Service tax and Penalty	4,518,106	376,522	April, 2010 to March, 2011	Commissioner (Appeal-III), Customs, Central Excise & Service Tax, Hyderabad.
Entry of Goods in to Local areas Act, 2001	Entry Tax	5,373,828	2,059,962	Financial years 2004-05 to 2017-18	Sales Tax appellate tribunal, Hyderabad
Entry of Goods in to Local areas Act, 2001	Entry Tax	4,319,128	1,079,784	Financial years 20014-15 to 2016-17	High Court of Andhra Pradesh Amaravathi
Income Tax Act, 1961	Interest	40,512	-	Financial Year 2005-06	Additional Commissioner of Income Tax, Range-I, Hyderabad.

- viii. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of loans or borrowings to any financial institution or bank or Government. The Company has not issued any debentures as at the balance sheet date, and accordingly, to this extent, the provisions of Clause 3(xiii) of the Order are not applicable to the Company.
- ix. The Company has not raised any moneys by way of initial public offer, further public offer (including debt instruments) and term loans. Accordingly, the provisions of Clause 3(ix) of the Order are not applicable to the Company.
- x. 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 according to the information and explanations given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such case by the Management.
- xi. The Company has paid/ provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act. Also refer paragraph 15 of the Independent Auditor's report.

- xii. As the Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it, the provisions of Clause 3(xii) of the Order are not applicable to the Company.
- xiii. The Company has entered into transactions with related parties in compliance with the provisions of Sections 177 and 188 of the Act. The details of such related party transactions have been disclosed in the standalone financial statements as required under Indian Accounting Standard (Ind AS) 24, Related Party Disclosures specified under Section 133 of the Act.
- xiv. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, the provisions of Clause 3(xiv) of the Order are not applicable to the Company.
- xv. The Company has not entered into any non cash transactions with its directors or persons connected with him. Accordingly, the provisions of Clause 3(xv) of the Order are not applicable to the Company.
- xvi. The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the provisions of Clause 3(xvi) of the Order are not applicable to the Company.

For **Price Waterhouse Chartered Accountants LLP**  
Firm Registration Number: 012754N/ N500016

**Sunit Kumar Basu**

Partner

Membership Number: 55000

UDIN: 20055000AAAACU5617

Place: Hyderabad  
Date: June 06, 2020



# Standalone Balance sheet

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

Particulars	Note	As at March 31, 2020	As at March 31, 2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	277,266	208,339
Capital work-in-progress	3	91,969	49,191
Intangible assets	4	360	405
Financial assets			
(i) Investments	5	737	55,462
(ii) Loans	6	3,500	3,404
Income Tax assets (Net)	7	-	1,928
Other non-current assets	8	11,462	20,540
<b>Total Non-current assets</b>		<b>385,294</b>	<b>339,269</b>
<b>Current assets</b>			
Inventories	9	174,417	166,318
Financial assets			
(i) Investments	10	97,135	139,834
(ii) Trade receivables	11	153,321	128,224
(iii) Cash and cash equivalents	12	2,788	294
(iv) Bank balances other than (iii) above	13	7,948	10,226
(v) Loans	14	9	11
(vi) Other financial assets	15	389	135
Income Tax assets (Net)	7	7,905	-
Other current assets	16	22,205	19,707
<b>Total Current assets</b>		<b>466,117</b>	<b>464,749</b>
<b>TOTAL ASSETS</b>		<b>851,411</b>	<b>804,018</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity:</b>			
Equity share capital	17(a)	5,309	5,309
Other equity	17(b)	726,360	692,022
<b>Total Equity</b>		<b>731,669</b>	<b>697,331</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Provisions	18	2,052	1,317
Deferred tax liabilities (net)	19	27,396	22,118
<b>Total Non-current liabilities</b>		<b>29,448</b>	<b>23,435</b>
<b>Current liabilities</b>			
Financial liabilities			
(i) Borrowings	20	3,363	10,560
(ii) Trade payables	21		
-Total outstanding dues of micro and small enterprises		1,174	-
-Total outstanding dues of creditors other than micro and small enterprises		56,860	48,331
(iii) Other financial liabilities	22	10,302	6,289
Other current liabilities	23	18,349	17,961
Provisions	18	246	111
<b>Total current liabilities</b>		<b>90,294</b>	<b>83,252</b>
<b>TOTAL LIABILITIES</b>		<b>119,742</b>	<b>106,687</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>851,411</b>	<b>804,018</b>

The accompanying notes are an integral part of the financial statements.

This is the Standalone Balance Sheet referred to in our report of even date

**For Price Waterhouse Chartered Accountants LLP**

Firm registration number: 012754N/N500016

**Sunit Kumar Basu**

Partner

Membership number: 55000

Place: Hyderabad

Date: 06-06-2020

For and on behalf of the Board of Directors of

**Divi's Laboratories Limited**

**Dr. Murali K. Divi**

Managing Director

DIN: 00005040

**N.V. Ramana**

Executive Director

DIN: 00005031

**Dr. Kiran S. Divi**

Whole-time Director &

Chief Executive Officer

DIN: 00006503

**Nilima Motaparti**

Whole-time Director

(Commercial)

DIN: 06388001

**L. Kishore babu**

Chief Financial Officer

**M. Satish Choudhury**

Company Secretary

Membership No:A30204

# Standalone Statement of profit and loss

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

Particulars	Note	For the Year ended March 31, 2020	For the Year ended March 31, 2019
<b>Income</b>			
Revenue from operations	24	5,31,057	4,87,966
Other income	25	18,986	15,658
<b>Total Income</b>		<b>5,50,043</b>	<b>5,03,624</b>
<b>Expenses</b>			
Cost of raw materials consumed	26	2,18,266	2,08,205
Changes in inventories of finished goods and work-in-progress	27	(9,410)	(24,422)
Employee benefits expense	28	60,836	53,072
Finance costs	29	606	350
Depreciation and amortisation expense	30	18,595	16,881
Other expenses	31	79,821	66,215
<b>Total Expenses</b>		<b>3,68,714</b>	<b>3,20,301</b>
<b>Profit before tax</b>		<b>1,81,329</b>	<b>1,83,323</b>
<b>Tax expense</b>	<b>32</b>		
Current tax		38,779	47,245
Deferred tax		5,279	2,813
		<b>44,058</b>	<b>50,058</b>
<b>Profit after tax for the year</b>		<b>1,37,271</b>	<b>1,33,265</b>
<b>Other Comprehensive Income</b>			
<b>(A) Items that will not be reclassified to profit or loss</b>			
- Remeasurements of post-employment benefit obligations		(680)	141
- Income tax relating to these items		<b>159</b>	<b>(36)</b>
<b>(B) Items that will be reclassified to profit or loss</b>		<b>-</b>	<b>-</b>
<b>Other Comprehensive Income/(Loss) after tax for the year</b>		(521)	105
<b>Total Comprehensive Income for the year</b>		<b>1,36,750</b>	<b>1,33,370</b>
<b>Earnings per share (Par value of Rs.2 each)</b>			
-Basic and Diluted	43	51.71	50.20

The accompanying notes are an integral part of the financial statements.

This is the standalone statement of profit and loss referred to in our report of even date.

## For Price Waterhouse Chartered Accountants LLP

Firm registration number: 012754N/N500016

### Sunit Kumar Basu

Partner

Membership number: 55000

Place: Hyderabad

Date: 06-06-2020

For and on behalf of the Board of Directors of

## Divi's Laboratories Limited

### Dr. Murali K. Divi

Managing Director  
DIN: 00005040

### N.V. Ramana

Executive Director  
DIN: 00005031

### Dr. Kiran S. Divi

Whole-time Director &  
Chief Executive Officer  
DIN: 00006503

### Nilima Motaparti

Whole-time Director  
(Commercial)  
DIN: 06388001

### L. Kishore babu

Chief Financial Officer

### M. Satish Choudhury

Company Secretary  
Membership No:A30204



<b>Cash flows from financing activities</b>			
Proceeds/(repayment) from working capital loans	20	(6,107)	7,760
Interest paid	29	(606)	(350)
Dividends paid to company's shareholders (Including tax)		(1,02,412)	(32,004)
<b>Net cash inflow / (outflow) from financing activities</b>		<b>(1,09,125)</b>	<b>(24,594)</b>
<b>Net increase/ (decrease) in cash and cash equivalents</b>		<b>3,584</b>	<b>3,388</b>
Cash and cash equivalents at the beginning of the year		(796)	(4,184)
<b>Cash and cash equivalents at the end of the year</b>		<b>2,788</b>	<b>(796)</b>
<b>Reconciliation of Cash and cash equivalents at the end of the year</b>			
Cash and cash equivalents as per above comprise of the following:			
Cash and cash equivalents	12	2,788	294
Bank Overdrafts	20	-	(1,090)
<b>Balances as per Statement of Cash flows</b>		<b>2,788</b>	<b>(796)</b>

1. The Statement of Standalone cash flows has been prepared under the indirect method as set out in Indian Accounting Standard (Ind AS 7) -statement of cash flows.
2. Previous year figures have been regrouped /reclassified to conform to current year classification.
3. The accompanying notes are an integral part of the financial statements.

This is the Statement of Standalone cash flows referred to in our report of even date

#### For Price Waterhouse Chartered Accountants LLP

Firm registration number: 012754N/N500016

#### Sunit Kumar Basu

Partner

Membership number: 55000

Place: Hyderabad

Date: 06-06-2020

For and on behalf of the Board of Directors of  
**Divi's Laboratories Limited**

#### Dr. Murali K. Divi

Managing Director  
DIN: 00005040

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Whole-time Director  
(Commercial)  
DIN: 06388001

#### L. Kishore babu

Chief Financial Officer

#### M. Satish Choudhury

Company Secretary  
Membership No:A30204





# Standalone Statement of changes in equity

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

## a. Equity share capital

	Number of Shares	Amount
As at April 01, 2018	26,54,68,580	5,309
Changes in equity share capital	-	-
<b>As at March 31, 2019</b>	<b>26,54,68,580</b>	<b>5,309</b>
Changes in equity share capital	-	-
<b>As at March 31, 2020</b>	<b>26,54,68,580</b>	<b>5,309</b>

## b. Other Equity

	Reserves & surplus				
	Securities Premium	Special Economic Zone Re-investment reserve	General reserve	Retained earnings	Total other equity
<b>Balance as at April 1, 2018</b>	<b>7,988</b>	<b>6,476</b>	<b>1,00,000</b>	<b>4,76,192</b>	<b>5,90,656</b>
Profit after tax for the year	-	-	-	1,33,265	1,33,265
Other comprehensive income net of tax for the year	-	-	-	105	105
<b>Total comprehensive income for the year</b>				<b>1,33,370</b>	<b>1,33,370</b>
Transfer to Special Economic Zone Re-investment reserve	-	15,900	-	(15,900)	-
Utilisation of Special Economic Zone Re-investment reserve	-	(2,029)	-	2,029	-
Transactions with owners in their capacity as owners- Payment of dividends (including tax)	-	-	-	(32,004)	<b>(32,004)</b>
<b>Balance as at March 31, 2019</b>	<b>7,988</b>	<b>20,347</b>	<b>1,00,000</b>	<b>5,63,687</b>	<b>6,92,022</b>
<b>Balance at April 1, 2019</b>	<b>7,988</b>	<b>20,347</b>	<b>1,00,000</b>	<b>5,63,687</b>	<b>6,92,022</b>
Profit after tax for the year	-	-	-	1,37,271	1,37,271
Other comprehensive income net of tax for the year	-	-	-	(521)	(521)
<b>Total comprehensive income for the year</b>				<b>1,36,750</b>	<b>1,36,750</b>
Transfer to Special Economic Zone Re-investment reserve	-	20,394	-	(20,394)	-
Utilisation of Special Economic Zone Re-investment reserve	-	(3,813)	-	3,813	-
Transactions with owners in their capacity as owners- Payment of dividends (including tax)	-	-	-	(1,02,412)	(1,02,412)
<b>Balance at March 31, 2020</b>	<b>7,988</b>	<b>36,928</b>	<b>1,00,000</b>	<b>5,81,444</b>	<b>7,26,360</b>

The accompanying notes are an integral part of the financial statements

This is the Standalone Statement of Changes in Equity referred to in our report of even date

### For Price Waterhouse Chartered Accountants LLP

Firm registration number: 012754N/N500016

#### Sunit Kumar Basu

Partner

Membership number: 55000

Place: Hyderabad

Date: 06-06-2020

For and on behalf of the Board of Directors of

### Divi's Laboratories Limited

#### Dr. Murali K. Divi

Managing Director

DIN: 00005040

#### N.V. Ramana

Executive Director

DIN: 00005031

#### Dr. Kiran S. Divi

Whole-time Director & Chief Executive Officer

DIN: 00006503

#### Nilima Motaparti

Whole-time Director (Commercial)

DIN: 06388001

#### L. Kishore babu

Chief Financial Officer

#### M. Satish Choudhury

Company Secretary

Membership No:A30204

# Notes to Standalone Financial statements

## 1. Corporate Information

1.1 Divi's Laboratories Limited (Divi's/'Company') is a Company limited by shares, incorporated and domiciled in India. The Company is engaged in the manufacture of Active Pharmaceutical ingredients (API's), Intermediates and Nutraceutical ingredients with predominance in exports. In addition to generic business, the Company, through its custom synthesis business, supports innovator pharma companies for their patented products business right from gram scale requirements for clinical trials to launch as well as late life cycle management. The Company is a public limited company and the Company's equity shares are listed in BSE Limited (BSE) and National Stock Exchange of India Limited (NSE) in India.

1.2 The Financial statements are approved for issue by the Company's Board of Directors on June 06, 2020.

## 2. Significant Accounting Policies

Significant accounting policies adopted in the preparation of these financial statements are detailed below. These policies have been consistently applied to all the years presented, unless otherwise stated.

### 2.1 Basis of Preparation:

#### (i) Compliance with Ind AS

The financial statements comply in all material aspects with Indian Accounting Standards (Ind AS) notified under section 133 of the Companies Act, 2013 (the Act) [Companies (Indian Accounting Standards) Rules, 2015] and other relevant provisions of the Act and guidelines issued by Securities and Exchange Board of India (SEBI).

#### (ii) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the following:

- Certain financial assets and liabilities that are measured at fair value; (refer accounting policy regarding financial instruments)
- Defined benefit plans-plan assets measured at fair value

#### (iii) New and amended standards adopted by the Company

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 April 2019:

- Ind AS 116, Leases
- Long-term Interests in Associates and Joint

Ventures - Amendments to Ind AS 28, Investments in Associates and Joint Ventures

- Uncertainty over Income Tax Treatments - Appendix C to Ind AS 12, Income Taxes
- Plan Amendment, Curtailment or Settlement - Amendments to Ind AS 19, Employee Benefits
- Amendment to Ind AS 103, Business Combinations and Ind AS 111, Joint Arrangements
- Amendment to Ind AS 12, Income Taxes
- Amendment to Ind AS 23, Borrowing costs

The amendments listed above did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

#### (iv) Current and non-current classification

An asset / Liability are classified as current if:

- The amount is expected to be realized or sold or consumed in the Company's normal operating cycle; the liability is expected to be settled in normal operating cycle;
- Asset / liability is held primarily for the purpose of trading;
- Asset / Liability is expected to be realized/settled within twelve months after the reporting period; or
- The asset is cash or a cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. The liability has no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other assets / liabilities are classified as non-current.

The operating cycle is the time between acquisition of assets for processing and their realization in cash and cash equivalents. Based on the nature of products and time between acquisition of assets for processing and their realization in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current/non-current classification of assets and liabilities.

### 2.2 Segment Reporting:

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. Managing Director

of the Company has been identified as being the Chief Operating Decision Maker. Refer note 37 for the segment information presented.

## 2.3 Foreign currency translation:

### (i) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Indian rupee (INR), which is Divi's (the Company's) functional and presentation currency.

### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in statement of profit and loss.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equity instruments held at fair value through profit or loss are recognised in statement of profit and loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equity investments classified as FVOCI are recognised in other comprehensive income.

## 2.4 Revenue recognition:

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates, Goods & Service Tax (GST) collections and amounts collected on behalf of third parties.

### (i) Revenue from Sale of Goods:

Revenue from sale of goods is recognized when the customer obtains control of the Company's product, which occurs at a point in time, usually upon shipment, with payment terms typically in the range of 60 to 180 days after invoicing depending on product and geographic region. Taxes collected from customers relating to product sales and remitted to government authorities are excluded from revenues.

The Company does not expect to have any

contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the company does not adjust any of the transaction prices for the time value of money.

For contracts with multiple performance obligations, the Company allocates the transaction price to each performance obligation based on the relative standalone selling price. The Standalone selling price of each performance obligation is estimated using expected costs of satisfying such performance obligation and then an appropriate margin is added for such goods or services.

### (ii) Revenue from Sale of Services:

Revenue from Sale of services is recognised as per the terms of the contracts with customers when the related services are performed or the agreed milestones are achieved.

### (iii) Export incentives

Export incentives comprise of Duty draw back and MEIS (Merchandise Exports Incentive scheme) scrips.

Duty drawback is recognised as income when the right to receive credit as per the terms of the scheme is established in respect of the exports entitled for this benefit made and where there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.

MEIS scrips are freely transferable and can be utilised for the payment of customs duty. MEIS scrips are recognised either on transfer/sale of such scrips or when it is reasonably certain that such scrips can be utilised against import duties.

### (iv) Dividend Income:

Dividends are received from financial assets at fair value through profit or loss and at FVOCI. Dividends are recognised as other income in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of the investment.

### (v) Interest Income:

Interest income from financial assets at fair value through profit or loss is disclosed as interest income within other income. Interest income on financial assets at amortised cost and financial assets at FVOCI calculated using the effective interest method is recognised in the statement of profit and loss as part of other income. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a

financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

## 2.5 Income Taxes:

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries where it is not probable that the differences will reverse in the foreseeable future and taxable profit will not be available against which the temporary difference can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss,

except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

For operations carried out in Special Economic Zones which are entitled to tax holiday under the Income tax Act, 1961 no deferred tax is recognised in respect of timing differences which reverse during the tax holiday period, to the extent company's gross total income is subject to the deduction during the tax holiday period. Deferred tax in respect of timing differences which reverse after the tax holiday period is recognised in the year in which timing difference originate.

Deferred Tax Assets include Minimum Alternative Tax (MAT) paid in accordance with the tax laws in India, which is likely to give future economic benefits in the form of availability of set off against future income tax liability. Accordingly, MAT is recognized as deferred tax asset in the Balance sheet when the asset can be measured reliably and it is probable that the future economic benefit associated with the asset will be realized.

## 2.6 Impairment of assets:

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

## 2.7 Cash and cash equivalents:

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

## 2.8 Trade receivables:

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment, since, the company holds trade receivables with an objective to collect contractual cashflows.

## 2.9 Inventories:

Raw materials, stores and spares, work-in-progress and finished goods are stated at the lower of cost, calculated on weighted average basis, and net realizable value. Cost of raw materials and stores comprise of cost of purchases. Cost of work-in-progress and finished goods comprises cost of direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Cost of inventories also include all other cost incurred in bringing the inventories to their present location and condition. Costs of purchased inventory are determined after deducting rebates and discounts. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Items held for use in the production of inventory are not written below cost if the finished product in which these will be incorporated are expected to be sold at or above the cost.

## 2.10 Investments and other financial assets:

### (i) Classification:

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. The Company reclassifies debt investments when and only when its business model for managing those assets changes.

### (ii) Recognition

Purchases and sale of financial assets are recognised on trade date, the date on which company commit to purchase or sale the financial assets.

### (iii) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case

of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

## Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

**Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses). Impairment losses are presented as separate line item in the statement of profit and loss

**Fair value through other comprehensive income (FVOCI):** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue, foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/ (losses). Interest income from these financial assets is included in other income using the effective interest rate method.

**Fair value through profit or loss:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the statement of profit and loss within other gains/ (losses) in the period in which it arises. Interest income from these financial assets is included in other income.

## Equity instruments

The Company subsequently measures all equity investments at fair value. Where the Company's



management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments are recognised in profit or loss as other income when the Company's right to receive payments is established. Changes in the fair value of financial assets at fair value through profit or loss are recognised in other income in the statement of profit and loss. Impairment losses (and reversal of impairment losses) on equity investments measured at fair value are not reported separately from other changes in fair value.

#### (iv) Impairment of financial assets

The Company assesses on a forward looking basis, the expected credit losses associated with its assets carried at amortised cost and FVOCI debt instruments. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 35 details how the Company determines whether there has been a significant increase in credit risk.

For trade receivables only, the Company applies the simplified approach permitted by Ind AS 109 Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

#### (v) Derecognition of financial assets

A financial asset is derecognized only when

- the Company has transferred the rights to receive cash flow from the financial asset or
- retains the contractual rights to receive the cash flows of the financial assets, but assumes a contractual obligation to pay cash flows to one or more recipients.

Where the entity has transferred an asset, the Company evaluates whether it has transferred substantially all risks and rewards of ownership of the financial asset. In such cases, the financial asset is derecognized. Where the entity has not transferred substantially all risks and rewards of ownership of the financial asset the same is not derecognized.

Where the entity has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognised. Where the Company retains control of the financial asset, the asset is continued to be recognised to the extent of continuing involvement in the financial asset.

### 2.11 Offsetting financial instruments:

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where

there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

### 2.12 Property, Plant & Equipment:

Freehold land is carried at historical cost. All other items of property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. On transition to Ind AS, the Company had elected to continue with the carrying value of all its property, plant and equipment recognized as at 1st April 2015 measured as per the previous GAAP and use that carrying value as the deemed cost of the property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Capital work-in-progress includes cost of property, plant and equipment under installation/under development as at the balance sheet date.

#### (i) Depreciation methods, estimated useful lives and residual value

Depreciation on Property, Plant & Equipment is provided on straight-line basis to allocate their cost, net of residual value over the estimated useful lives of the assets. The useful lives have been determined in order to reflect the actual usage of the assets.

Following are the estimated useful lives:

Plant & Machinery	7.5-25 years
Roads and Buildings	30 & 60 years
Furniture and Fixtures	10 years
Vehicles	8 & 10 years
Office Equipments	5 years
Laboratory Equipments	10 years
Computer and data processing units	3-6 years

The residual values are not more than 5% of the original cost of the asset. The assets' residual



values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing proceeds with carrying amount. These are included in profit or loss within other income/ other expenses.

## 2.13 Intangible Assets:

### (i) Computer software

Costs associated with maintaining software programmes are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available and;
- the expenditure attributable to the software during its development can be reliably measured.

On transition to Ind AS, the Company had elected to continue with the carrying value of all of intangible assets recognized as at 1st April 2015 measured as per the previous GAAP and use that carrying value as the deemed cost of intangible assets.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is available for use.

### (ii) Research and development

Research and Development expenses that do not meet the criteria in (i) above are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

### (iii) Amortization methods and periods

The Company amortizes intangible assets over a period of 3 years based on their estimated useful lives.

## 2.14 Trade and Other Payables:

These amounts represent liabilities for goods and services provided to the company prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

## 2.15 Borrowings:

Borrowings are initially recognized at fair value, net of transaction cost incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other gains/(losses).

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Where there is a breach of a material provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand on the reporting date, the entity does not classify the liability as current, if the lender agreed, after the reporting period and before the approval of financial statements for issue, not to demand payment as consequence of the breach.

## 2.16 Borrowing Cost:

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing cost eligible for capitalization. Other borrowings costs are expensed in the period in which they are incurred.

## 2.17 Provisions:

Provision for legal claims and volume discounts are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provisions due to the passage of time is recognized as interest expense. Provision for litigation related obligation represents liabilities that are expected to materialize in respect of matters in appeal.

## 2.18 Employee benefits:

### (i) Short-term obligations

Liabilities for wages and salaries, bonus, ex-gratia etc. that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

### (ii) Other long-term employee benefit obligations

The liabilities for earned leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. The benefit are discounted using the market yields at the end of the reporting period that have terms approximating to the terms of the related obligations. Remeasurements as a result of the experience adjustments and changes in actuarial assumptions are recognized in profit or loss.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at

least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

### (iii) Post-employment obligations

The Company operates the following post-employment schemes:

#### (a) Defined benefit plans-Gratuity obligations

The liability or assets recognized in the balance sheet in respect of defined benefit gratuity plans is the present value of the defined benefit obligations at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method.

The present value of the defined benefit obligation denominated in INR is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation. The benefits which are denominated in currency other than INR, the cash flows are discounted using market yields determined by reference to high-quality corporate bonds that are denominated in the current in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit and loss.

Remeasurement gains and losses arising from experience adjustments and change in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service cost.

In respect of funded post-employment defined benefit plans, amounts due for payment within 12 months to the fund may be treated as 'current'. Regarding unfunded post-employment benefit plans, settlement obligations which are due within 12 months in respect of employees who have resigned or



asset is available for use by the company. Contracts may contain both lease and non-lease components. The company allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the company under residual value guarantees
- the exercise price of a purchase option if the company is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the company which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with contracts that do not qualify under leases as per IND AS 116, short-term leases of equipment and all leases of low-value assets are recognised as expense over the lease term on straight-line basis or another systematic basis if that basis is more representative of the pattern of the benefit. Short-term leases are leases with a lease term of 12 months or less.

#### As a lessor

Lease income from operating leases where the company is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature.

### 2.23 Contingent Liability & Commitments:

Contingent liability is disclosed in the case of:

- a present obligation arising from past events, when it is not probable that an outflow of resources will be required to settle the obligation;
- a present obligation arising from past events, when no reliable estimate possible;
- a possible obligation arising from past events, unless the probability of outflow of resources is remote.

Commitments include the amount of purchase order (net of advances) issued to parties for completion of assets.

## 2.24 Critical estimates and Judgements:

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also exercise judgement in applying the Company's accounting policies.

Detailed information about the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be different than those originally assessed. Detailed information about each of these estimates and judgements is included in relevant notes together with information about the basis of calculation for each affected line item in the financial statements.

The areas involving critical estimates or judgements are:

- (i) Estimation of current tax expense and payable – refer note : 32(b)
- (ii) Estimation of defined benefit obligations- refer note: 18
- (iii) Allowance for uncollected accounts receivable and advances. Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrevocable amounts. Individual trade receivables are written off when management deems them not to be collectible. Impairment is made on the expected credit losses, which are the present value of the cash shortfall over the expected life of the financial assets.

Estimates and judgements are continually evaluated. They are based on historical experience and other

factors, including expectations of future events that may have a financial impact on the company and that are believed to be reasonable under the circumstances.

## 2.25 Government grants:

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the company will comply with all attached conditions.

Government grants relating to income are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate and presented within other income.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets and presented within other income.

Export entitlements from government authorities are recognised in the statement of profit and loss as a reduction from "Cost of materials consumed" when the right to receive credit as per the terms of the scheme is established in respect of the exports made by the company, and where there is no significant uncertainty regarding the ultimate realisation of the entitlement.

## 2.26 Rounding of Amounts:

All amounts disclosed in the financial statements and notes have been rounded off to the nearest lakhs as per the requirement of Schedule III of the Companies Act, 2013 unless otherwise stated.



# Notes to Standalone Financial statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

## Note 3: Property, plant and equipment and Capital Work-in-Progress

	Freehold Land	Plant and Machinery	Roads and Buildings	Furniture and Fixtures	Vehicles	Office Equipments	Laboratory Equipments	Computer and data processing units	Total	Capital work-in-progress
<b>Year ended March 31, 2019</b>										
<b>Gross carrying amount</b>										
At the beginning of the year	10,217	156,223	52,930	3,268	683	1,874	9,804	1,035	236,034	11,976
Additions	4,577	14,948	4,533	142	51	388	1,468	55	26,162	63,393
Disposals/Transfers	-	(133)	-	-	-	-	(8)	-	(141)	(26,178)
<b>At the end of the year</b>	<b>14,794</b>	<b>171,038</b>	<b>57,463</b>	<b>3,410</b>	<b>734</b>	<b>2,262</b>	<b>11,264</b>	<b>1,090</b>	<b>262,055</b>	<b>49,191</b>
<b>Accumulated depreciation</b>										
At the beginning of the year	-	27,652	4,667	654	187	644	2,861	436	37,101	-
Depreciation charge during the year	-	12,565	2,001	324	83	374	1,068	200	16,615	-
Disposals	-	-	-	-	-	-	-	-	-	-
At the end of the year	-	40,217	6,668	978	270	1,018	3,929	636	53,716	-
<b>Net carrying amount as at March 31, 2019</b>	<b>14,794</b>	<b>130,821</b>	<b>50,795</b>	<b>2,432</b>	<b>464</b>	<b>1,244</b>	<b>7,335</b>	<b>454</b>	<b>208,339</b>	<b>49,191</b>
<b>Year ended March 31, 2020</b>										
<b>Gross carrying amount</b>										
At the beginning of the year	14,794	171,038	57,463	3,410	734	2,262	11,264	1,090	262,055	49,191
Additions	1,316	58,908	23,000	355	174	293	3,122	429	87,597	130,616
Disposals / Transfers	-	(204)	(112)	-	(42)	(1)	(2)	-	(361)	(87,838)
<b>At the end of the year</b>	<b>16,110</b>	<b>229,742</b>	<b>80,351</b>	<b>3,765</b>	<b>866</b>	<b>2,554</b>	<b>14,384</b>	<b>1,519</b>	<b>349,291</b>	<b>91,969</b>
<b>Accumulated depreciation</b>										
At the beginning of the year	-	40,217	6,668	978	270	1,018	3,929	636	53,716	-
Depreciation charge during the year	-	13,782	2,191	343	89	419	1,276	209	18,309	-
Disposals / Transfers	-	-	-	-	-	-	-	-	-	-
At the end of the year	-	53,999	8,859	1,321	359	1,437	5,205	845	72,025	-
<b>Net carrying amount as at March 31, 2020</b>	<b>16,110</b>	<b>175,743</b>	<b>71,492</b>	<b>2,444</b>	<b>507</b>	<b>1,117</b>	<b>9,179</b>	<b>674</b>	<b>277,266</b>	<b>91,969</b>

### Note

- (i) Movable assets are pledged as security  
Refer Note 20(a) for information on movable assets pledged as security for availing working capital facilities from Banks
- (ii) Contractual obligations and other commitments  
Refer Note 41 for disclosure of contractual and other commitments for the acquisition of property, plant and equipment
- (iii) Assets under construction majorly consist of Roads & Buildings, Plant & Machinery and corresponding internal development costs. During the year, the Company has incurred capital costs of Rs. 1,30,616 on Capital work-in-progress at Choutuppal and near Visakhapatnam and this includes staff cost of Rs. 110 (March 31, 2019:Rs. 41) relating to projects team involved in supervision and monitoring of these projects and cost of power consumed Rs. 118 (March 31, 2019:Rs. 40).



# Notes to Standalone Financial statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

## Note 4: Intangible assets

	Computer Software
Year ended March 31, 2019	
Gross carrying amount	
At the beginning of the year	1,258
Additions	16
<b>At the end of the year</b>	<b>1,274</b>
Accumulated amortisation	
At the beginning of the year	603
Amortisation charge during the year	266
<b>At the end of the year</b>	<b>869</b>
<b>Net carrying amount as at March 31, 2019</b>	<b>405</b>
Year ended March 31, 2020	
Gross carrying amount	
At the beginning of the year	1,274
Additions	241
<b>At the end of the year</b>	<b>1,515</b>
Accumulated amortisation	
At the beginning of the year	869
Amortisation charge during the year	286
<b>At the end of the year</b>	<b>1,155</b>
<b>Net carrying amount as at March 31, 2020</b>	<b>360</b>

## Note 5: Non-Current Investments

	March 31, 2020	March 31, 2019
<b>(a) (Unquoted, fully paid up)</b>		
<b>Investment in equity instruments in subsidiary companies (at Cost)</b>		
2000 (March 31,2019:2000) ordinary shares of US\$ 0.01 each of Divis Laboratories (USA ) Inc *	332	332
200 (March 31,2019:200) ordinary shares of CHF 500 each , of Divi's Laboratories Europe AG **	404	404
<b>Investment in equity instruments in other companies (at FVPL)</b>		
12000 ( March 31, 2019:12000) Equity Shares of ₹10/- each of Pattan Cheru Enviro Tech Limited	1	1
<b>Total (equity instrument)</b>	<b>737</b>	<b>737</b>
<b>(b) Investment in Quoted Mutual Funds (at FVPL)</b>		
SBI Mutual Fund under SBI Magnum Ultra Short Duration Fund - Direct Growth Scheme		
March 31, 2019: 13,12,526 Units @ Fair value of Rs. 4169.4946 per unit	-	54,725
<b>Total (Mutual funds )</b>	<b>-</b>	<b>54,725</b>
<b>Total Non-current investments</b>	<b>737</b>	<b>55,462</b>
Aggregate amount of unquoted investments	737	737
Aggregate amount of quoted investments and market value thereof	-	54,725
Aggregate amount of impairment in the value of investment	-	-

\*₹87 (2019: ₹87) included in the cost of investment is on account of fair valuation of interest free loans given to subsidiary.

\*\* ₹367 (2019: ₹367) included in the cost of investment is on account of fair valuation of interest free loans given to subsidiary.

# Notes to Standalone Financial statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

## Note 6: Non-Current Loans

	March 31, 2020	March 31, 2019
Security Deposits	3,500	3,404
<b>Total Non-current Loans</b>	<b>3,500</b>	<b>3,404</b>

### Break-up of security details

	March 31, 2020	March 31, 2019
Loans considered Good- Secured	-	-
Loans considered Good - Unsecured	3,500	3,404
Loans which have significant increase in credit risk	-	-
Loans - credit impaired	-	-
Total	<b>3,500</b>	<b>3,404</b>
Less: Loss Allowance	-	-
<b>Total Non-Current Loans</b>	<b>3,500</b>	<b>3,404</b>

## Note 7: Income Tax assets (net)

	March 31, 2020	March 31, 2019
<b>Non-current</b>		
Advance Income Tax	-	77,865
Provision for Income tax	-	(75,937)
	-	1,928
<b>Current</b>		
Advance Income Tax	97,275	-
Provision for Income tax	(89,370)	-
	7,905	-
<b>Total Income tax assets (net)</b>	<b>7,905</b>	<b>1,928</b>

## Note 7(a): Movement in Tax

	March 31, 2020	March 31, 2019
Income tax asset- at the beginning of the year	<b>1,928</b>	<b>881</b>
Add: Advance Tax paid including tax deducted at source	44,772	49,372
Less :Others (refund received)	(175)	(1,080)
Less: Adjustments of current tax for prior years	3,370	(55)
Less: Current tax provision	(41,990)	(47,190)
<b>Net Income Tax asset -at the end of the year</b>	<b>7,905</b>	<b>1,928</b>

## Note 8: Other non-current assets

	March 31, 2020	March 31, 2019
Capital advances	10,918	20,024
Pre-paid expenses	57	28
Other Receivables including indirect tax refund claims	487	488
<b>Total other non-current assets</b>	<b>11,462</b>	<b>20,540</b>

# Notes to Standalone Financial statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

## Note 9: Inventories (Valued at lower of cost and net realisable value)

	March 31, 2020	March 31, 2019
Raw materials	50,049	51,210
Work-in-progress	98,091	92,849
Finished goods	15,506	11,338
Stores and spares	10,771	10,921
<b>Total Inventories</b>	<b>1,74,417</b>	<b>1,66,318</b>

### Amounts recognised in profit or loss

Movement in provision for slow moving inventory and inventory write downs on account of net realisable value amounted to Rs. 660 (March 31, 2019 Rs.138) was credited to profit or loss and included in 'Changes in value of inventories of Finished goods and work in progress' and 'Cost of raw materials consumed' in statement of profit or loss.

## Note 10: Current investments

	March 31, 2020		March 31, 2019	
	Units	Amount	Units	Amount
<b>Investment in Quoted Mutual Funds (at FVPL)</b>				
SBI Mutual Fund under SBI Magnum low duration fund(Daily dividend plan) Fair value@ (March 31, 2019: ₹1010.94) per unit	-	-	1,38,32,033	1,39,834
SBI Mutual Fund under SBI Magnum Ultra Short Duration Fund - Direct Growth Scheme -@ Fair Value of 4479.648 per unit	21,68,363	97,135	-	-
<b>Total current investments</b>		<b>97,135</b>		<b>1,39,834</b>
Aggregate amount of quoted investments and market value thereof		97,135		1,39,834
Aggregate amount of unquoted investments		-		-

## Note 11: Trade receivables

	March 31, 2020	March 31, 2019
Trade receivables	1,34,165	1,09,602
Receivables from related parties	20,189	18,716
	1,54,354	1,28,318
Less: Loss Allowance	1,033	94
<b>Total Trade receivables</b>	<b>1,53,321</b>	<b>1,28,224</b>
Current portion	1,53,321	1,28,224
Non-current portion	-	-

### Break-up of security details

	March 31, 2020	March 31, 2019
Trade Receivables considered Good- Secured	-	-
Trade Receivables considered Good - Unsecured	1,53,321	1,28,224
Trade Receivables which have significant increase in credit risk	1,016	-
Trade Receivables - credit impaired	17	94
<b>Total</b>	<b>1,54,354</b>	<b>1,28,318</b>
Less: Loss Allowance	1,033	94
<b>Total Trade receivables</b>	<b>1,53,321</b>	<b>1,28,224</b>

# Notes to Standalone Financial statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

## Note 12: Cash and cash equivalents

	March 31, 2020	March 31, 2019
Balances with banks		
- in current accounts	724	233
- in term deposit accounts with maturity period not more than three months	2,001	-
Cash on hand	63	61
<b>Total cash and cash equivalents*</b>	<b>2,788</b>	<b>294</b>

\*There are no repatriation restrictions on cash and cash equivalents as at the end of reporting period and prior period.

## Note 13: Bank balances other than cash and cash equivalents

	March 31, 2020	March 31, 2019
Balances in earmarked accounts with Banks - Unclaimed dividend	109	97
Balances in term deposit accounts with maturity period of more than three months and not more than twelve months:		
- pledged towards margin on Guarantees issued by Bank	150	5,697
- pledged towards overdraft facilities with Banks	6,588	4,432
- other unencumbered deposits	1,101	-
<b>Total Bank balances other than cash and cash equivalents</b>	<b>7,948</b>	<b>10,226</b>

## Note 14: Current Loans

	March 31, 2020	March 31, 2019
Advances to employees	9	11
<b>Total Current Loans</b>	<b>9</b>	<b>11</b>

### Break-up of security details

	March 31, 2020	March 31, 2019
Loans considered Good- Secured	-	-
Loans considered Good - Unsecured	9	11
Loans which have significant increase in credit risk	-	-
Loans - credit impaired	-	-
<b>Total</b>	<b>9</b>	<b>11</b>
Less: Loss Allowance	-	-
<b>Total Current Loans</b>	<b>9</b>	<b>11</b>

## Note 15: Other Financial assets

	March 31, 2020	March 31, 2019
<b>Current:</b>		
Export incentive receivable	40	25
Rental Deposit	313	-
Insurance claims receivable	36	110
<b>Total Other Current Financial assets</b>	<b>389</b>	<b>135</b>

# Notes to Standalone Financial statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

## Note 16: Other current assets

	March 31, 2020	March 31, 2019
Indirect Taxes- Input Credits	15,041	13,021
Prepaid expenses	1,636	876
Advances to suppliers	2,377	5,665
Other Receivables including indirect tax refund claims	3,151	145
<b>Total Other current assets</b>	<b>22,205</b>	<b>19,707</b>

## Note 17: Equity share capital and other equity

### Note 17 (a): Equity share capital

#### (i) Authorised equity share capital

	Number of shares	Amount
As at April 1, 2018	30,00,00,000	6,000
Movement during the year	-	-
<b>As at March 31, 2019</b>	<b>30,00,00,000</b>	<b>6,000</b>
Movement during the year	-	-
<b>As at March 31, 2020</b>	<b>30,00,00,000</b>	<b>6,000</b>

#### (ii) Movements in Issued, Subscribed and paid-up equity share capital

	Number of shares	Amount
As at April 1, 2018	26,54,68,580	5,309
Movement during the year	-	-
<b>As at March 31, 2019</b>	<b>26,54,68,580</b>	<b>5,309</b>
Movement during the year	-	-
<b>As at March 31, 2020</b>	<b>26,54,68,580</b>	<b>5,309</b>

### Terms and rights attached to equity shares

- The Company has only one class of equity shares having par value of INR 2 per share. The Company declares and pays dividends in Indian rupees. 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. Every holder of equity shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.
- Aggregate number of Bonus shares issued during the period of five years immediately preceeding the reporting date:  
On September 28, 2015, the Company issued 13,27,34,290 equity shares of ₹2 each as fully paid bonus shares by capitalization of securities premium reserve.

# Notes to Standalone Financial statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

## (iii) Details of shareholders holding more than 5% shares in the company

	March 31, 2020		March 31, 2019	
	Number of shares	% holding	Number of shares	% holding
<b>Promoters Group</b>				
Dr.Murali Krishna Prasad Divi	75,67,000	2.85%	75,67,000	2.85%
Dr. Satchandra Kiran Divi	5,40,00,000	20.34%	5,40,00,000	20.34%
Mrs. Swarnalatha Divi	1,40,00,000	5.27%	1,40,00,000	5.27%
Ms. Nilima Motaparti	5,40,00,000	20.34%	5,40,00,000	20.34%
<b>Other than Promoters</b>	-	-	-	-

## Note 17 (b): Other Equity

	March 31, 2020	March 31, 2019
<b>Reserves and Surplus</b>		
Securities premium reserve	7,988	7,988
General reserve	1,00,000	1,00,000
Retained earnings	5,81,444	5,63,687
Special Economic Zone Re-investment reserve	36,928	20,347
Total	<b>7,26,360</b>	<b>6,92,022</b>
Others	-	-
<b>Total Other Equity</b>	<b>7,26,360</b>	<b>6,92,022</b>

(i) As there was no movement in Securities premium reserve and General Reserve during the reportint period and prior year, no reconciliation is given.

## (ii) Retained earnings

	March 31, 2020	March 31, 2019
At the beginning of the year	5,63,687	4,76,192
Profit after tax for the Year	1,37,271	1,33,265
Transfer to Special Economic Zone Re-investment reserve	(20,394)	(15,900)
Utilization of Special Economic Zone Re-investment reserve	3,813	2,029
Dividend paid including tax thereon	(1,02,412)	(32,004)
Items of other comprehensive income recognised directly in retained earnings:		
- Remeasurements of post employment benefit obligation, net of tax	(521)	105
<b>At the end of the year</b>	<b>5,81,444</b>	<b>5,63,687</b>

## (iii) Special Economic Zone Re-investment reserve

	March 31, 2020	March 31, 2019
At the beginning of the year	20,347	6,476
Transfer from Retained Earnings	20,394	15,900
Transferred to Retained Earnings on utilisation	(3,813)	(2,029)
<b>At the end of the year</b>	<b>36,928</b>	<b>20,347</b>



# Notes to Standalone Financial statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

## Nature and purpose of reserves:

### Securities premium reserve:

Securities premium reserve is used to record the premium on issue of shares. The reserve is utilised in accordance with the provisions of the Act.

### General Reserve:

General Reserves represent amounts transferred from Retained Earnings in earlier years under the provisions of the erstwhile Companies Act, 1956.

### Special Economic Zone Re-investment reserve:

Under the SEZ scheme, the unit which begins production of Goods/ services on or after April 1, 2005 will be eligible for deductions of 100% of profits or gains derived from export of Goods/ services for the first five years, 50% of such profits or gains for a further period of five years and 50% of such profits or gains for the balance period of five years subject to creation of Special Economic Zone Re-investment reserve out of profit of eligible SEZ Units and utilisation of such reserve by the company for acquiring new plant and machinery for the purpose of its business as per the provisions of the Income Tax Act, 1961.

## Note 18: Provisions - Employee Benefit Obligations

	March 31, 2020			March 31, 2019		
	Current	Non-Current	Total	Current	Non-Current	Total
Compensated Absences	246	2,052	2,298	111	1,317	1,428
Gratuity	-	-	-	-	-	-
<b>Total</b>	<b>246</b>	<b>2,052</b>	<b>2,298</b>	<b>111</b>	<b>1,317</b>	<b>1,428</b>

### (i) Compensated Absences obligations:

The Compensated Absences covers the company's liability for earned leave which is classified as other long-term benefits. The liabilities for earned leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured at the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. The benefit is discounted using the market yields at the end of the reporting period that have terms approximating to the terms of the related obligations. Remeasurements as a result of the experience adjustments and changes in actuarial assumptions are recognized in profit or loss.

**The amounts recognised in the balance sheet and the movements in the net defined benefit obligation over the year are as follows:**

	March 31, 2020	March 31, 2019
<b>At the beginning of the year</b>	<b>1,428</b>	<b>1,590</b>
Current service cost	601	(262)
Interest expense/(income)	108	122
Amount recognized in Statement of profit and loss	709	(140)
<b>Remeasurements</b>	-	-
Return on plan assets, excluding amounts included in interest expense/(income)	-	-
Actuarial (gain) / loss	-	-
(Gain)/loss from change in demographic assumptions	-	-
(Gain)/loss from change in financial assumptions	205	-
Experience (gains)/loss	(26)	-
Amount recognized in other comprehensive income	179	-
<b>Amount recognized in total comprehensive income</b>	<b>888</b>	<b>(140)</b>
Employer contributions -Benefits payments	(18)	(22)
<b>At the end of the year</b>	<b>2,298</b>	<b>1,428</b>

# Notes to Standalone Financial statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

The net liability disclosed above relates to funded and unfunded plans are as follows:

	March 31, 2020	March 31, 2019
Present value of obligations	2,298	1,428
Fair value of plan assets	-	-
Deficit/ (Surplus) of un-funded obligations	2,298	1,428

## (ii) Post-employment obligations- Gratuity

The Company provides gratuity for employees as per the Payment of Gratuity Act, 1972. Employees who are in continuous service for a period of 5 years are eligible for gratuity benefit. The amount of gratuity payable on retirement/termination is the employees' last drawn basic salary per month computed proportionately for 15 days' salary multiplied for the number of years of service. The gratuity plan is a funded plan and the Company makes contributions, through an approved trust, to recognised funds administered by Life Insurance Corporation of India.

**The amounts recognised in the balance sheet and the movements in the net defined benefit obligation over the year are as follows:**

	Present Value of obligation	Fair Value of Plan Assets	Net amount
<b>As at April 01, 2018</b>	<b>2,035</b>	<b>2,119</b>	<b>(84)</b>
Current service cost	359	-	359
Interest expense/(income)	157	160	(3)
Amount recognized in Statement of profit and loss	<b>516</b>	<b>160</b>	<b>356</b>
<b>Remeasurements</b>			
Return on plan assets, excluding amounts included in interest expense/(income)	-	-	-
Actuarial (gain) / loss	-	-*	-
(Gain)/loss from change in demographic assumptions	-	-	-
(Gain)/loss from change in financial assumptions	-	-	-
Experience (gains)/loss	(141)	-	(141)
Amount recognized in other comprehensive income	<b>(141)</b>	<b>-</b>	<b>(141)</b>
<b>Amount recognized in total comprehensive income</b>	<b>375</b>	<b>160</b>	<b>215</b>
Employer contributions	-	561	(561)
Benefit payments	(43)	(43)	-
<b>As at March 31, 2019</b>	<b>2,367</b>	<b>2,797</b>	<b>(430)</b>

	Present Value of obligation	Fair Value of Plan Assets	Net amount
<b>As at April 01, 2019</b>	<b>2,367</b>	<b>2,797</b>	<b>(430)</b>
Current service cost	270	-	270
Interest expense/(income)	180	232	(52)
Amount recognized in Statement of profit and loss	<b>450</b>	<b>232</b>	<b>218</b>
<b>Remeasurements</b>			
Return on plan assets, excluding amounts included in interest expense/(income)	-	-	-
Actuarial (gain) / loss	-	-	-
(Gain)/loss from change in demographic assumptions	-	-	-
(Gain)/loss from change in financial assumptions	336	-	336
Experience (gains)/loss	139	(26)	165
Amount recognized in other comprehensive income	<b>475</b>	<b>(26)</b>	<b>501</b>
<b>Amount recognized in total comprehensive income</b>	<b>925</b>	<b>206</b>	<b>719</b>
Employer contributions	-	480	(480)
Benefit payments	(20)	(20)	-
<b>As at March 31, 2020</b>	<b>3,272</b>	<b>3,463</b>	<b>(191)</b>

\* Amount is below the rounding off norms adopted by the company



# Notes to Standalone Financial statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

The major categories of plan assets are as follows:

	March 31, 2020	March 31, 2019
*Fund managed by Life Insurance Corporation of India (Unquoted)	100%	100%

\*Fund is managed by LIC as per IRDA guidelines, category-wise composition of the plan assets is not available.

Contributions to post employment benefit plan for the year ending March 31, 2021 is expected to be Rs 191.

The weighted average duration of the defined benefit obligation is 19.35 years ( March 31, 2019 - 20.94 Years ). The expected maturity analysis of undiscounted gratuity is as follows:

	Less than a year	Between 2-5 years	Between 6-10 years	Over 10 years	Total
<b>March 31, 2020</b>					
Defined benefit obligation-gratuity	267	604	867	7,850	9,588
<b>March 31, 2019</b>					
Defined benefit obligation-gratuity	193	232	513	7,426	8,364

## (v) Risk exposure

Through its defined benefit plans, the company is exposed to a number of risks, the most significant of which are detailed below:

**Interest Rate Risk:** The plan exposes the Company to the risk of fall in interest rates. A fall in interest rates will result in an increase in the ultimate cost of providing the above benefit and will thus result in an increase in the value of the liability.

**Liquidity Risk:** . This is the risk that the company is not able to meet the short term gratuity pay-out. This may arise due to non-availability of enough cash / cash equivalent to meet the liabilities or holdings in liquid assets not being sold in time.

**Salary Escalation Risk:** The present value of the defined benefit plans calculated with the assumption of salary increase rate of plan participants in future. Deviation in the rate of increase of salary in future for plan participants from the rate of increase in salary used to determine the present value obligation will have a bearing on the plan's liability.

**Demographic Risk:** The Company has used certain mortality and attrition assumptions in valuation of the liability. The Company is exposed to the risk of actual experience turning out to be worse compared to the assumption.

**Regulatory Risk:** Gratuity benefits is paid in accordance with the requirements of the Payment of Gratuity Act, 1972 (as amended from time to time). There is a risk of change in regulations requiring higher gratuity payouts (eg. Increase in the maximum limit on gratuity.)

**Asset Liability Mismatching or Market Risk:** The duration of the liability is longer compared to duration of assets, exposing the Company to market risk for volatilities/fall in interest rate.

**Investment Risk:** The probability and likelihood of occurrence of losses relative to the expected return on any particular investment.

**Asset Volatility:** The plan liabilities are calculated using a discount rate set with reference to bond yields; if plan assets under-perform this yield, this will create a deficit. Most of the plan asset investments are in fixed income securities with high grades and in government securities. A portion of the fund is invested in equity securities and in alternative investments which have low correlation with equity securities. The equity securities are expected to earn a return in excess of the discount rate and contribute to the plan deficit.

**Changes in bond yields:** A decrease in bond yields will increase plan liabilities, although this will be partially off-set by an increase in the value of the plan's bond holdings.

# Notes to Standalone Financial statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

## (vi) Defined Contribution plans

**Employer's Contribution to Provident Fund:** Contributions are made to provident fund in India for employees at the rate of 12% of basic salary as per regulations. The contributions are made to registered provident fund administered by the government. The obligation of the company is limited to the amount contributed and it has no further contractual nor any constructive obligation. The expense recognised during the period towards defined contribution plan is ₹1,427 (March 31, 2019 - ₹1,159) also refer Note.40(b)

**Employer's Contribution to State Insurance Scheme:** Contributions are made to State Insurance Scheme for employees at the rate of 3.25% (w.e.f. July 01, 2019) 4.75% (March 31, 2019). The Contributions are made to Employee State Insurance Corporation (ESI) administered by the Government. The obligation of the company is limited to the amount contributed and it has no further contractual nor any constructive obligation. The expense recognised during the period towards defined contribution plan is ₹284 (March 31, 2019- ₹287)

## Note 19: Deferred tax liabilities (net)

The balance comprises temporary differences attributable to:

	March 31, 2020	March 31, 2019
Deferred tax liability / (asset) :		
Property, plant and equipment	26,263	23,272
Employee Benefits	(1,019)	(965)
Others	2,152	(189)
<b>Net deferred tax liabilities / (asset) net</b>	<b>27,396</b>	<b>22,118</b>

Movement in Deferred tax liabilities /(Asset)

	April 01, 2018	Changes through Profit and Loss	Changes through OCI	March 31, 2019
Property, plant and equipment	20,594	2,678	-	23,272
Employee benefit expenses	(1,018)	17	36	(965)
Others	(307)	118	-	(189)

	April 01, 2019	Changes through Profit and Loss	Changes through OCI	March 31, 2020
Property, plant and equipment	23,272	3,807	-	27,079
Employee benefit expenses	(965)	(415)	-	(1,380)
Others	(189)	1,886	-	1,697

# Notes to Standalone Financial statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

## Note 20: Current borrowings

	Maturity Date and Terms of Payment	Interest rate	March 31, 2020	March 31, 2019
<b>Loans payable on demand:</b>				
Secured from Banks				
Working Capital Loans from Banks*	Payable on demand	7.60%**	3,363	9,470
Bank Overdrafts#	Payable on demand	7.70%#	-	1,090
<b>Total Current Borrowings</b>			<b>3,363</b>	<b>10,560</b>

\*Represents temporary overdrafts

\*\* 8.65% for year ended March 31, 2019

# 8.00% for year ended March 31, 2019

### Secured borrowings and assets pledged as security

Secured by pari-passu primary first charge on inventories, receivables and other current assets of the company and first charge on movable fixed assets of the company. The carrying amounts of financial and non-financial assets pledged as security for current and non-current borrowings are disclosed in Note 20(a)

### Note 20(a): Assets pledged as security

The carrying amounts of Company's assets pledged as security for working capital loans from banks:

	March 31, 2020	March 31, 2019
<b>Primary First Charge</b>		
Inventory	1,74,417	1,66,318
Accounts receivables	1,53,321	1,28,224
Other Current Assets	1,38,379	1,70,207
	<b>4,66,117</b>	<b>4,64,749</b>
<b>First Charge</b>		
Movable assets of the company	<b>1,89,664</b>	<b>1,42,750</b>

### Note 20(b): Net Debt reconciliation

This section sets out the changes in liabilities arising from Investing and financing activities in the statement of cash flows:

	March 31, 2020	March 31, 2019
Working Capital Loans	3,363	9470
Cash and cash equivalents	(2,788)	796
Liquid investments	(97,135)	(1,39,834)
Net Debt /(Surplus)	(96,560)	(1,29,568)
<b>Net Debt Obligations</b>	<b>-</b>	<b>-</b>





# Notes to Standalone Financial statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

## Note 24: Revenue from operations

	March 31, 2020	March 31, 2019
<b>Sale of products</b>	5,19,831	4,72,784
<b>Sale of Services:</b>		
Contract research fee	901	938
<b>Other Operating Revenue:</b>		
Export incentives	8,648	11,691
Sale of scrap out of manufacturing process	1,677	2,553
<b>Total Revenue from operations</b>	<b>5,31,057</b>	<b>4,87,966</b>

## Note 24(a): Reconciliation of Revenue recognised with contract price:

	March 31, 2020	March 31, 2019
Contract price	5,36,886	4,92,033
Rebates / Discounts	(5,829)	(4,067)
<b>Revenue from operations</b>	<b>5,31,057</b>	<b>4,87,966</b>

## Note 24(b): Disaggregation of Revenue :

The Company derives revenue from Operations (Sale of Products and services and other operating revenue) at a point of time in the following geographical areas (based on where products and services are delivered):

Region	March 31, 2020			March 31, 2019		
	Sale of Products & Services	Other Operating Revenue	Total Revenue	Sale of Products & Services	Other Operating Revenue	Total Revenue
America	1,21,813	-	1,21,813	1,27,212	-	1,27,212
Asia	59,474	-	59,474	59,183	-	59,183
Europe	2,49,850	-	2,49,850	2,17,452	-	2,17,452
India	68,071	10,325	78,396	56,266	14,244	70,510
Others	21,524	-	21,524	13,609	-	13,609
<b>Total</b>	<b>5,20,732</b>	<b>10,325</b>	<b>5,31,057</b>	<b>4,73,722</b>	<b>14,244</b>	<b>4,87,966</b>

## Note 25: Other income

	March 31, 2020	March 31, 2019
Interest income from financial assets at amortized cost	722	851
Dividend income from investments mandatorily measured at fair value through profit or loss	3,737	8,406
Net gain on financial assets mandatorily measured at fair value through profit or loss	4,499	2,625
Net gain on redemption / disposal of investments	1,440	97
Net gain on foreign currency transactions and translations	8,204	3,092
Provisions / Liabilities no longer required written back	-	429
Miscellaneous Income	379	157
Government Grants	5	1
<b>Total Other income</b>	<b>18,986</b>	<b>15,658</b>

# Notes to Standalone Financial statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

## Note 26: Cost of raw materials consumed

	March 31, 2020	March 31, 2019
Raw materials at the beginning of the year	51,210	38,631
Add: Purchases	2,17,105	2,20,784
Less: Raw materials at the end of the year	50,049	51,210
<b>Total Cost of raw materials consumed</b>	<b>2,18,266</b>	<b>2,08,205</b>

## Note 27: Changes in inventories of finished goods and work-in-progress

	March 31, 2020	March 31, 2019
<b>Opening Balance:</b>		
Finished goods	11,338	9,346
Work-in-progress	92,849	70,419
	<b>1,04,187</b>	<b>79,765</b>
<b>Closing Balance:</b>		
Finished goods	15,506	11,338
Work-in-progress	98,091	92,849
	<b>1,13,597</b>	<b>1,04,187</b>
<b>Total Changes in inventories of finished goods and work-in-progress</b>	<b>(9,410)</b>	<b>(24,422)</b>

## Note 28: Employee benefits expense

	March 31, 2020	March 31, 2019
Salaries, wages, bonus and other allowances	57,855	50,738
Contribution to provident fund and other funds (refer note 40(b))	1,427	1,159
Contribution to ESI	284	287
Staff welfare expenses	1,270	888
<b>Total Employee benefits expense*</b>	<b>60,836</b>	<b>53,072</b>

\*Net of ₹110 (March 31, 2019 ₹41) transferred to capital work-in-progress (Refer Note 3)

## Note 29: Finance costs

	March 31, 2020	March 31, 2019
Interest and finance charges on financial liabilities carried at amortised cost	549	30
Interest on Income tax	1	183
Charges for Letters of Credit / Bank Guarantees	56	137
<b>Total Finance costs</b>	<b>606</b>	<b>350</b>

## Note 30: Depreciation and amortisation expense

	March 31, 2020	March 31, 2019
Depreciation on property, plant and equipment	18,309	16,615
Amortisation of intangible assets	286	266
<b>Total Depreciation and amortisation expense</b>	<b>18,595</b>	<b>16,881</b>

# Notes to Standalone Financial statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

## Note 31: Other expenses

	March 31, 2020	March 31, 2019
Consumption of stores and spare parts	4,905	4,162
Packing materials consumed	4,129	3,859
Power and fuel*	26,787	24,866
Repairs and maintenance- buildings	2,135	1,515
Repairs and maintenance- machinery	10,811	7,854
Repairs and maintenance- others	235	115
Insurance	926	529
Rates and taxes, excluding taxes on income	1,251	860
Non-Executive Directors Remuneration including sitting fees	131	51
Printing and stationery	488	421
Rental charges	883	775
Communication expenses	147	124
Travelling and conveyance	2,486	1,233
Vehicle maintenance	127	117
Payments to Auditors - Refer Note 31(a)	58	52
Legal and professional charges	1,345	893
Factory upkeep	350	250
Environment management expenses	1,846	1,477
Advertisement and Publication expenses	31	33
Research and development expenses - Refer Note 31(c )	1,114	1,060
Sales commission	1,177	665
Carriage outward	6,303	5,553
General expenses	3,973	3,341
Electricity service line charges	1,286	12
Provision for doubtful debts [including Write off ₹57 (March 31, 2019- ₹62)]	996	63
Political Contributions	400	2,000
Donations	11	1,248
Expenditure on Corporate Social Responsibility activities and Covid-19 relief -Refer Note 31(b)	5,068	2,837
Loss on disposal / discard of assets	325	139
Bank charges	97	111
<b>Total Other expenses</b>	<b>79,821</b>	<b>66,215</b>

\*Net of ₹118 ( March 31, 2019 ₹40) transferred to capital work-in-progress (Refer Note 3)

## Note 31(a): Details of payments to auditors

	March 31, 2020	March 31, 2019
As Statutory Auditor	32	30
For Quarterly Reviews	24	19
Re-imbursement of expenses	2	3
<b>Total Payments to auditors</b>	<b>58</b>	<b>52</b>



# Notes to Standalone Financial statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

## Note 32: Tax expense

### (a) Income Tax Expense

	March 31, 2020	March 31, 2019
<b>Income tax expense</b>		
income tax on profits for the year	42,149	47,190
income tax reversals of earlier years	(3,370)	55
<b>Total income tax expense</b>	<b>38,779</b>	<b>47,245</b>
<b>Deferred tax expense *</b>		
Decrease /(Increase) in deferred tax assets	(233)	135
(Decrease) /Increase in deferred tax liabilities	5,512	2,678
<b>Total Deferred tax expense/(benefit)</b>	<b>5,279</b>	<b>2,813</b>
Income tax expense recognised in statement of profit and loss	44,058	50,058
Income tax expense recognised in other comprehensive income		
income tax expense / (benefit)	(159)	36
Deferred tax expense / (benefit)	-	-
Total Income tax expense recognised in Other Comprehensive Income	(159)	36
<b>Total Income tax expense</b>	<b>43,899</b>	<b>50,094</b>

\* Entire deferred tax for the year ended March 31, 2020 and March 31, 2019 relates to origination and reversal of temporary differences.

### (b) Significant estimates

In calculating the tax expense for the current period, the company has treated certain expenditures as deductible and non-deductible based on prior year completed assessments for tax purposes. The Company benefits from the tax holiday available for units set up under the Special Economic Zone Act, 2005. These tax holidays are available for a period of fifteen years from the date of commencement of operations. Under the SEZ scheme, the unit which begins production of Goods/services on or after April 1, 2005 will be eligible for deductions of 100% of profits or gains derived from export of Goods/services for the first five years, 50% of such profits or gains for a further period of five years and 50% of such profits or gains for the balance period of five years subject to creation of Special Economic Zone Re-investment out of profit of eligible SEZ Units and utilisation of such reserve in terms of the provisions of the Income Tax Act, 1961.

### (c) Reconciliation of tax expense and the accounting profit multiplied by India's tax rate:

	March 31, 2020	March 31, 2019
Profit from operations before income tax expenses	1,81,329	1,83,323
<b>Tax at the Indian tax rate of 34.944% (March 31, 2019: 34.944%).</b>	<b>63,364</b>	<b>64,060</b>
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Expenses not deductible for tax purpose	1,283	1,708
Income not considered for tax purpose	(16,237)	(15,434)
Impact on account of differential tax rate	(399)	(277)
Impact due to changes in the tax rate from previous year	(268)	192
Adjustments for current tax of prior periods	(3,370)	55
Others	(474)	(210)
<b>Total tax expenses</b>	<b>43,899</b>	<b>50,094</b>

The applicable Indian corporate statutory tax rate for the year ended March 31, 2020 and March 31, 2019 is 34.944% .



# Notes to Standalone Financial statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

## Financial Instruments and Risk Management

### Note 33: Categories of Financial Instruments

	Notes	Level	March 31, 2020	March 31, 2019
			Carrying Value /Fair Value	Carrying Value / Fair Value
<b>A. Financial assets</b>				
<b>Mandatorily measured at fair value through profit or loss</b>				
Investment in mutual funds	5, 10	1	97,135	1,94,559
Investment in equity instruments of other companies	5	3	1	1
<b>Total financial assets</b>			97,136	1,94,560

### Note 34: Fair value hierarchy

Fair value of the financial instruments is classified in various fair value hierarchies based on the following three levels:

**Level 1:** Quoted prices (unadjusted) in active market for identical assets or liabilities.

**Level 2:** Inputs other than quoted price are included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If significant inputs required to fair value an instrument are observable, the instrument is included in Level 2

**Level 3:** Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs). If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case with listed instruments where market is not liquid and for unlisted instruments.

#### Valuation technique used to determine fair value:

Specific Valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments.
- the fair value of remaining financial instruments is determined using discounted cash flow analysis.

#### Valuation Process:

The Finance and Accounts department of the Company performs the valuation of financial assets and liabilities required for financial reporting purposes, and report to the Board of Directors. The Level 3 inputs for investment in equity shares are derived using the discounted cash flow analysis.

# Notes to Standalone Financial statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

## Note 35: Financial Risk Management

The Company's activities expose it to market risk, price risk, liquidity risk and credit risk. The Company emphasizes on risk management and has an enterprise wide approach to risk management. 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.

### (A) Credit Risk:

#### Credit risk management

- I. Credit risk on cash and cash equivalents and investments is limited as the Company generally invests in deposits with SBI and Nationalised bank and debt funds of mutual funds thereby minimising its risk.
- II. Credit risk on security deposits, investments, loans and trade receivables are evaluated as follows:

#### Expected credit loss for security deposits and loans

Category	Basis for recognition of expected credit loss provision	Asset Group
Financial assets for which credit risk has not increased significantly since initial recognition	Loss allowance measured at 12 month expected credit losses	Security Deposits Loans to employees Other Non-Current Financial assets Other Current Financial assets

#### Expected credit loss for security deposits and loans:

Asset Group	March 31, 2020			March 31, 2019		
	Gross carrying amount	Expected credit loss	Carrying amount net of provision	Gross carrying amount	Expected credit loss	Carrying amount net of provision
Security Deposits	3,500	-	3,500	3,404	-	3,404
Loans to employees	9	-	9	11	-	11
Other Current Financial assets	389	-	389	135	-	135

Credit risk is the risk of financial loss to the Company if a customer to a financial instrument fails to meet its contractual obligations and arises primarily from trade receivables, treasury operations etc. Credit risk of the Company is managed at the Company level. In the area of treasury operations, the Company is presently exposed to risk relating to investment in mutual funds. The Company regularly monitors such investments and all the investments in mutual funds are held with SBI Mutual Funds through a funds management company in which SBI holds 67% of shareholding thereby minimises the risk.

The credit risk related to trade receivables is influenced mainly by the individual characteristics of each customer. The credit risk is managed by the company by establishing credit limits and continuously monitoring the credit worthiness of the customer. The Company also provides for expected credit losses based on the past experience where it believes that there is high probability of default. In general, all trade receivables greater than 180 days are reviewed and provided for by analysing individual receivables. The Company has considered possible effect from the pandemic relating to Covid-19 on Credit risks including forward looking information to develop expected credit losses.



# Notes to Standalone Financial statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

## (i) Foreign currency risk exposure:

	Currency	March 31, 2020		March 31, 2019	
		Amount in Foreign Currency	Amount	Amount in Foreign Currency	Amount
Receivables	USD	1,413	1,06,529	1,268	87,725
	GBP	163	15,199	154	13,923
	EUR	153	12,677	136	10,602
	ACU	1	66	6	399
	CHF	-	-	3	193
Payable to suppliers and services	USD	(355)	(26,776)	(347)	(24,036)
	EUR	(14)	(1,185)	(5)	(396)
	GBP	(2)	(150)	(3)	(246)
	JPY	-	-	(241)	(150)
	CHF	-*	-*	-	-
	CAD	-*	-*	-*	-*
<b>Net Foreign currency exposure Asset/(Liability)</b>			<b>1,06,360</b>		<b>88,014</b>

\* Amount is below the rounding off norm adopted by the company

	Impact on profit after tax (Income) / Expense	
	March 31, 2020	March 31, 2019
<b>USD Sensitivity:</b>		
INR/USD -Increase by 1%	(519)	(414)
INR/USD -Decrease by 1%	519	414
<b>GBP Sensitivity:</b>		
INR/GBP -Increase by 1%	(79)	(89)
INR/GBP -Decrease by 1%	79	89
<b>EUR Sensitivity:</b>		
INR/EUR -Increase by 1%	(75)	(66)
INR/EUR -Decrease by 1%	75	66
<b>ACU Sensitivity:</b>		
INR/ACU -Increase by 1%	(0)	(3)
INR/ACU -Decrease by 1%	0	3
<b>CHF Sensitivity:</b>		
INR/CHF -Increase by 1%	-	(1)
INR/CHF -Decrease by 1%	-	1
<b>JPY Sensitivity:</b>		
INR/JPY -Increase by 1%	-	1
INR/JPY -Decrease by 1%	-	(1)

\* Amount is below the rounding off norm adopted by the company



# Notes to Standalone Financial statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

	March 31, 2019		Total
	Less than 12 months	Greater than 12 months	
Current Borrowings	10,560	-	10,560
Trade payables	48,331	-	48,331
Other financial liabilities	6,289	-	6,289
Total	65,180	-	65,180

## Note 36: Capital Management

(a) The Company's financial strategy aims to provide adequate capital for its growth plans for sustained stakeholder value. The company's objective is to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. And depending on the financial market scenario, nature of the funding requirements and cost of such funding, the Company decides the optimum capital structure. The Company aims at maintaining a strong capital base so as to maintain adequate supply of funds towards future growth plans as a going concern.

### Net debt to Equity ratio

	March 31, 2020	March 31, 2019
Net debt	3,363	10,560
Total Equity	7,31,669	6,97,331
Net debt to Equity ratio	0.005	0.015

### (b) Dividends:

Dividend paid on Equity shares:

	March 31, 2020	March 31, 2019
<b>Dividends paid:</b>		
Final Dividend	42,475	26,547
Dividend Tax on final Dividend	8,731	5,457
Interim Dividend for 2019-20	42,475	-
Dividend Tax on Interim Dividend	8,731	-

Proposed Final dividend not recognised at the end of the reporting period:

	March 31, 2020	March 31, 2019
<b>On Equity Shares of Rs 2 each</b>		
Dividend proposed	-	42,475
Dividend Tax	-	8,731
Dividend per equity share	-	16

Note: The Interim Dividend paid during 2019-20 is proposed and recommended as dividend for the year ended March 31, 2020 for the approval of shareholders in the ensuing Annual General Meeting.





# Notes to Standalone Financial statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

## (e) List of Related Parties over which Control / Significant Influence exists with whom the company has transactions

	Relationship
Divis Laboratories (USA) Inc.	Wholly Owned Subsidiary
Divi's Laboratories Europe AG	Wholly Owned Subsidiary
Divi's Properties Private Limited	Company In Which Key Management Personnel have Significant Influence
Divi's Biotech Private Limited	Company In Which Key Management Personnel have Significant Influence
Divi's Laboratories Employees' Gratuity Trust.	Post employment benefit plan of Divi's Laboratories Ltd*

\*Refer Note No. 18(ii) for information on transactions with post employment benefit plan mentioned above.

## (f) Summary of Related Party transactions and balances:

	March 31, 2020		March 31, 2019	
	Amount (Transactions)	Outstanding balance as at March 31, 2020	Amount (Transactions)	Outstanding balance as at March 31, 2019
(i) Managerial Remuneration and short term employee benefits to Key Management Personnel -refer 39(g) (i)	10,365	9,922	11,061	10,584
(ii) Remuneration and Sitting fees to non-executive directors-refer 39(g) (i)	131	-	51	-
(iii) Dividend paid to Key Management Personnel -refer 39(g) (ii)	37,266	-	11,664	-
(iv) Dividend paid to Relatives of Key Management Personnel -refer 39(g) (iii)	4,865	-	1,538	-
(v) Salary and Allowances to Relatives of Key Management Personnel - Mr. Anirudh	13	1	13	1
(vi) Dividend paid to Company in which Key Management Personnel have Significant Influence - M/s Divi's Biotech Private Limited	2,560	-	800	-
(vii) Lease Rent to a Company in which Key Management Personnel have Significant Influence - M/s Divi's Properties Private Limited	883	-	775	-
(viii) Rent Deposit to a Company in which Key Management Personnel have Significant Influence - M/s Divi's Properties Private Limited	-	319	-	319
(ix) Loan/Advance received back from Subsidiary -Divi's Laboratories Europe AG	-	-	1,373	-
(x) Interest receivable on delayed receivables from subsidiary- Divi's Laboratories Europe AG	56	56	54	54
(xi) Interest receivable on delayed receivables from subsidiary- Divis Laboratories (USA) Inc.	6	6	49	49
(xii) Interest received /receivable on loan to subsidiary- Divi's Laboratories Europe AG	-	-	96	-
(xiii) Sales / Receivable - Subsidiary- Divi's Laboratories Europe AG	7,993	9,805	15,017	10,285
(xiv) Sales / Receivable - Subsidiary- Divis Laboratories (USA) Inc.	13,416	10,322	10,454	8,328
(xv) Purchase / payable -Materials from Subsidiary -Divi's Laboratories Europe AG.	12	-	99	-



# Notes to Standalone Financial statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

## (h) Terms and Conditions

Transactions relating to dividends were on the same terms and conditions that applied to other stake holders.

## Note 40: Contingent Liabilities:

	March 31, 2020	March 31, 2019
On account of Letter of Credit and Guarantees issued by the bankers.	21,834	10,877
Claims against the Company not acknowledged as debts in respect of:		
(i) Disputed demands for excise duty, customs duty, sales tax and service tax for various periods	753	782
(ii) Income Tax in relation to expenses disallowed in various assessments	18	18

Note: (a) It is not practicable for the company to estimate the timings of cash flows, if any, in respect of the above pending resolution of the respective proceedings.

Note: (b) Provident Fund

The Hon'ble Supreme court of India vide its judgment in February 2019 and subsequent review petition in August 2019 has ruled in respect of compenstion for the purpose of provident fund contribution under the Employees Provident Fund and Miscellaneous Provisions Act, 1952. In the assessment of the management supported by legal advise, the aforesaid matter is not likely to have a significant impact and accordingly, no provision has been made in the financial statements. The company will continue to monitor and evaluate its position based on further developments on the matter.

## Note 41: Commitments

	March 31, 2020	March 31, 2019
<b>Property, Plant and Equipment:</b>		
(i) Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances)	23,883	46,711
(ii) Capital commitment towards Special Economic Zone Re-investment Obligation	36,928	20,347
<b>Others:</b>		
(iii) On account of bonds and / or legal agreements executed with Central Excise/ Customs authorities/ SEZ Development Commissioners	38,967	24,400



# Notes to Standalone Financial statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

## Note 44: Changes in Accounting Policies :

The Ministry of Corporate Affairs (MCA), on March 30, 2019, notified Ind AS 116 "Leases" as part of the Companies (India Accounting Standard) Amendment Rules, 2019. The new standard is effective for accounting periods beginning on or after 1st April, 2019. The adoption of the standard did not have any material impact to the financial statements of the Company.

## Note 45: Impact of Covid-19 Pandemic

The Company considered the uncertainty relating to the COVID-19 pandemic in assessing the recoverability of its inventories, receivables and investments. As the company is into essential manufacturing service which is exempt from lockdown restrictions, there has been minimal impact in its operations and its supply chain. In this regard, the Company has considered internal and external information while finalizing various estimates in relation to its financial statements upto the date of approval by the Board of Directors and has not identified any material impact on the carrying value of assets, liabilities or provisions. As the outbreak continues to evolve, the Company will continue to closely monitor any material changes to future economic conditions

## Note 46:

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

The accompanying notes are an integral part of the financial statements

### For Price Waterhouse Chartered Accountants LLP

Firm registration number: 012754N/N500016

#### Sunit Kumar Basu

Partner

Membership number: 55000

Place: Hyderabad

Date: 06-06-2020

For and on behalf of the Board of Directors of

### Divi's Laboratories Limited

#### Dr. Murali K. Divi

Managing Director

DIN: 00005040

#### N.V. Ramana

Executive Director

DIN: 00005031

#### Dr. Kiran S. Divi

Whole-time Director &

Chief Executive Officer

DIN: 00006503

#### Nilima Motaparti

Whole-time Director

(Commercial)

DIN: 06388001

#### L. Kishore babu

Chief Financial Officer

#### M. Satish Choudhury

Company Secretary

Membership No:A30204



# Independent Auditor's Report

## To the Members of Divi's Laboratories Limited

### Report on the Audit of the Consolidated Financial Statements

#### Opinion

1. We have audited the accompanying consolidated financial statements of Divi's Laboratories Limited (hereinafter referred to as the 'Holding Company') and its subsidiaries (Holding Company and its subsidiaries together referred to as "the Group"), (refer Note 1 to the attached consolidated financial statements), which comprise the consolidated Balance Sheet as at March 31, 2020, and the consolidated Statement of Profit and Loss (including Other Comprehensive Income), the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information prepared based on the relevant records. (hereinafter referred to as "the consolidated financial statements").
2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at March 31, 2020, consolidated total comprehensive income (comprising of profit and other comprehensive income), consolidated changes in equity and its consolidated cash flows for the year then ended.

#### Basis for Opinion

3. We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in India in terms of the Code of Ethics issued by ICAI and the relevant provisions of the Act, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in sub-paragraph 14 of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our opinion.

#### Key Audit Matters

4. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Appropriateness of capitalisation of costs as per Ind AS 16 Property, Plant and Equipment

Refer to Note 3 to the consolidated financial statements.

During the year, the Holding Company has incurred capital expenditure aggregating to Rs. 81,908 lakhs on property, plant and equipment (representing Plant & Machinery and Roads & Buildings) and Rs. 130,616 lakhs on capital work in progress in respect of its manufacturing facilities at Choutuppal and Visakhapatnam.

With regard to the capitalisation of Plant and Machinery, Roads & Buildings and Capital work in progress, Management of the Holding Company has identified specific expenditure including employee costs and other overheads relating to each of the assets and has applied judgement to assess if the costs incurred in relation to these assets meet the recognition criteria of Property, Plant and Equipment in accordance with Ind AS 16.

This has been determined as a key audit matter due to the significance of the capital expenditure during the year and the risk that the elements of costs that are eligible for capitalisation are not appropriately capitalised in accordance with the recognition criteria provided in Ind AS 16.

#### How our audit addressed the key audit matter

We have performed procedures, including the following, in relation to testing of capitalisation of costs relating to Road and Buildings, Plant and Machinery and capital work-in-progress:

- Understood, evaluated and tested the design and operating effectiveness of key controls relating to capitalisation of various costs incurred, including in relation to Road and Buildings, Plant and Machinery and capital work-in-progress.
- Tested the direct and indirect costs capitalised, on a sample basis, with the underlying supporting documents to ascertain nature of costs and basis for allocation, where applicable, and evaluated whether they meet the recognition criteria provided in the Indian Accounting Standard 16, Property, Plant and Equipment.

- Tested, on a sample basis, the appropriateness of employee costs capitalised in relation to Plant and Machinery and Roads and Buildings based on factors such as review of their timesheets.
- Tested other costs debited to consolidated Statement of Profit and Loss Account, on a sample basis, to ascertain whether these meet the criteria for capitalisation.
- Ensured adequacy of disclosures in the consolidated financial statements.

Our procedures as mentioned above, did not identify any costs that had been inappropriately capitalised.

### Other Information

5. The Holding Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Management Discussion and Analysis, Board's Report, Business Responsibility Report, performance highlights, corporate social responsibility report and Corporate Governance Report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed and the reports of the other auditors as furnished to us (Refer paragraph 14 below), we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

6. The Holding Company's Board of Directors is responsible for the preparation and presentation of these consolidated financial statements in term of the requirements of the Act that give a true and fair view of the consolidated financial position, consolidated financial performance, consolidated cash flows and changes in equity of the Group in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments

and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

7. In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.
8. The respective Board of Directors of the companies included in the Group are responsible for overseeing the financial reporting process of the Group.

### Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

9. Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.
10. As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
  - Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
  - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3) (i) of the Act, we are also responsible for expressing our opinion on whether the Holding company has adequate internal financial controls with reference

to financial statements in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
  - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
  - Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
  - Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated financial statements of which we are the independent auditors. For the other entities included in the consolidated financial statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.
11. We communicate with those charged with governance of the Holding Company of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
12. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
13. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key

audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

#### Other Matters

14. The financial statements of two subsidiaries located outside India, included in the consolidated financial statements, which constitute total assets of Rs. 26,719 lakhs and net assets of Rs. 1,960 lakhs as at March 31, 2020, total revenue of Rs. 32,416 lakhs, total comprehensive income (comprising of profit and other comprehensive income) of Rs. 1,734 lakhs and net cash inflows amounting to Rs. 521 lakhs for the year then ended, have been prepared in accordance with accounting principles generally accepted in their respective countries and have been audited by other auditors under generally accepted auditing standards applicable in their respective countries. The Holding Company's management has converted the financial statements of such subsidiaries located outside India from the accounting principles generally accepted in their respective countries to the accounting principles generally accepted in India. We have audited these conversion adjustments made by the Holding Company's management. Our opinion in so far as it relates to the balances and affairs of such subsidiaries located outside India, including other information, is based on the report of other auditors and the conversion adjustments prepared by the management of the Holding Company and audited by us.

Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements certified by the Management.

#### Report on Other Legal and Regulatory Requirements

15. As required by Section 143(3) of the Act, we report, to the extent applicable, that:
- (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.
  - (b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.
  - (c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss (including other comprehensive income), Consolidated Statement of Changes in Equity and the Consolidated Cash Flow

Statement dealt with by this Report are in agreement with the relevant books of account and records maintained for the purpose of preparation of the consolidated financial statements.

- (d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act.
- (e) On the basis of the written representations received from the directors of the Holding Company as on March 31, 2020 taken on record by the Board of Directors of the Holding Company, none of the directors of the Holding Company is disqualified as on March 31, 2020 from being appointed as a director in terms of Section 164(2) of the Act.
- (f) As there are no subsidiaries incorporated in India, this report does not contain a separate report on the internal financial controls with reference to financial statements of the Group under clause (i) of sub – section 3 of sections 143 of the Act.
- (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

- i. The consolidated financial statements disclose the impact, if any, of pending litigations on the consolidated financial position of the Group– Refer Note 41 to the consolidated financial statements.
- ii. The Group had long-term contracts as at March 31, 2020 for which there were no material foreseeable losses. The Group did not have any derivative contracts for the year ended March 31, 2020
- iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company.
- iv. The reporting on disclosures relating to Specified Bank Notes is not applicable to the Group for the year ended March 31, 2020.

- 16. The Group has paid/ provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act

For **Price Waterhouse Chartered Accountants LLP**  
Firm Registration Number: 012754N/N500016

**Sunit Kumar Basu**

Partner

Membership Number: 55000

UDIN: 20055000AAAACT6703

Place: Hyderabad

Date: June 06, 2020



# Consolidated Balance sheet

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

Particulars	Note	As at March 31, 2020	As at March 31, 2019
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	277,316	208,372
Right of use assets	3(a)	509	-
Capital work-in-progress	3	91,969	49,191
Intangible assets	4	360	405
Financial assets			
(i) Investments	5	1	54,726
(ii) Loans	6	3,532	3,404
Income Tax Assets (Net)	7(a)	-	1,928
Deferred Tax Asset	19(a)	438	234
Other non-current assets	8	11,462	20,560
<b>Total Non-current assets</b>		<b>385,587</b>	<b>338,820</b>
<b>Current assets</b>			
Inventories	9	186,386	177,234
Financial assets			
(i) Investments	10	97,135	139,834
(ii) Trade receivables	11	141,335	116,337
(iii) Cash and cash equivalents	12	4,315	1,300
(iv) Bank balances other than (iii) above	13	7,948	10,226
(v) Loans	14	9	11
(vi) Other financial assets	15	389	135
Income Tax Assets (Net)	7(a)	7,905	-
Other current assets	16	22,561	19,928
<b>Total Current assets</b>		<b>467,983</b>	<b>465,005</b>
<b>TOTAL ASSETS</b>		<b>853,570</b>	<b>803,825</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity:</b>			
Equity share capital	17(a)	5,309	5,309
Other equity	17(b)	725,683	690,406
<b>Total Equity</b>		<b>730,992</b>	<b>695,715</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
<b>Financial Liabilities</b>			
Lease Liabilities	3(b)	447	-
Provisions	18	2,052	1,317
Deferred tax liabilities (net)	19(b)	27,396	22,118
<b>Total Non-current liabilities</b>		<b>29,895</b>	<b>23,435</b>
<b>Current liabilities</b>			
Financial liabilities			
(i) Borrowings	20	3,363	10,560
(i) Lease Liabilities	3(b)	75	-
(ii) Trade payables	21		
-Total outstanding dues of micro and small enterprises		1,174	-
-Total outstanding dues of creditors other than micro and small enterprises		57,898	49,226
(iii) Other financial liabilities	22	10,557	6,289
Current Tax Liabilities	7(b)	993	419
Other current liabilities	23	18,377	18,070
Provisions	18	246	111
<b>Total current liabilities</b>		<b>92,683</b>	<b>84,675</b>
<b>TOTAL LIABILITIES</b>		<b>122,578</b>	<b>108,110</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>853,570</b>	<b>803,825</b>

The accompanying notes are an integral part of the Consolidated financial statements.

This is the Consolidated Balance Sheet referred to in our report of even date

**For Price Waterhouse Chartered Accountants LLP**

Firm registration number: 012754N/N500016

**Sunit Kumar Basu**

Partner

Membership number: 55000

Place: Hyderabad

Date: 06-06-2020

For and on behalf of the Board of Directors of

**Divi's Laboratories Limited**

**Dr. Murali K. Divi**

Managing Director  
DIN: 00005040

**N.V. Ramana**

Executive Director  
DIN: 00005031

**Dr. Kiran S. Divi**

Whole-time Director &  
Chief Executive Officer  
DIN: 00006503

**Nilima Motaparti**

Whole-time Director  
(Commercial)  
DIN: 06388001

**L. Kishore babu**

Chief Financial Officer

**M. Satish Choudhury**

Company Secretary  
Membership No:A30204

# Consolidated Statement of profit and loss

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

Particulars	Note	For the Year ended March 31, 2020	For the Year ended March 31, 2019
<b>Income</b>			
Revenue from operations	24	539,442	494,626
Other income	25	18,963	15,563
<b>Total Income</b>		<b>558,405</b>	<b>510,189</b>
<b>Expenses</b>			
Cost of raw materials consumed	26	219,841	210,389
Purchase of Stock-in-trade		1,611	2,592
Changes in inventories of finished goods, work-in-progress and stock-in-trade	27	(10,598)	(30,459)
Employee benefits expense	28	62,105	54,227
Finance costs	29	610	350
Depreciation and amortization expense	30	18,624	16,890
Other expenses	31	84,266	70,693
<b>Total Expenses</b>		<b>376,459</b>	<b>324,682</b>
<b>Profit before tax</b>		<b>181,946</b>	<b>185,507</b>
<b>Income Tax expense</b>			
Current tax	32	39,279	47,551
Deferred tax	32	5,013	2,682
<b>Total Tax expense</b>		<b>44,292</b>	<b>50,233</b>
<b>Profit after tax for the year</b>		<b>137,654</b>	<b>135,274</b>
<b>Other Comprehensive Income</b>			
<b>(A) Items that will not be reclassified to profit or loss</b>			
- Remeasurement of post-employment benefit obligations		(680)	141
Income tax relating to these items		159	(36)
<b>(B) Items that will be reclassified to profit or loss</b>			
- Exchange differences on translation of foreign operations		618	(140)
- Income tax relating to these items		(62)	-
<b>Other Comprehensive Income/(Loss) after tax for the year</b>		<b>35</b>	<b>(35)</b>
<b>Total Comprehensive Income for the year</b>		<b>137,689</b>	<b>135,239</b>
<b>Earnings per share (Par value of Rs.2 each)</b>			
-Basic and Diluted	44	51.85	50.96

The accompanying notes are an integral part of the Consolidated financial statements

This is the Consolidated Statement of Profit and Loss referred to in our report of even date

## For Price Waterhouse Chartered Accountants LLP

Firm registration number: 012754N/N500016

### Sunit Kumar Basu

Partner

Membership number: 55000

Place: Hyderabad

Date: 06-06-2020

For and on behalf of the Board of Directors of

## Divi's Laboratories Limited

### Dr. Murali K. Divi

Managing Director  
DIN: 00005040

### N.V. Ramana

Executive Director  
DIN: 00005031

### Dr. Kiran S. Divi

Whole-time Director &  
Chief Executive Officer  
DIN: 00006503

### Nilima Motaparti

Whole-time Director  
(Commercial)  
DIN: 06388001

### L. Kishore babu

Chief Financial Officer

### M. Satish Choudhury

Company Secretary  
Membership No:A30204



# Consolidated Statement of cash flows

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

	Note	For the Year ended March 31, 2020	For the Year ended March 31, 2019
<b>Cash flow from operating activities</b>			
<b>Profit before tax</b>		<b>181,946</b>	<b>185,507</b>
Adjustments for:			
Depreciation and amortisation expense	30	18,624	16,890
Unrealised foreign exchange loss/ (gain)		(4,825)	3,079
Exchange difference on foreign Operations		618	(140)
Interest income from financial assets at amortized cost	25	(666)	(748)
Dividend income from investments mandatorily measured at fair value through profit or loss	25	(3,737)	(8,406)
Net gain on redemption /disposal of investments	25	(1,440)	(97)
Provision for doubtful debts [including Write off]	31	996	339
Provisions / Liabilities no longer required written back	25	-	(429)
Finance costs	29	610	350
Net gain on financial assets mandatorily measured at fair value through profit or loss	25	(4,499)	(2,625)
Loss on disposal / discard of assets	31	325	139
Government grants	25	(5)	(1)
		<b>187,947</b>	<b>193,858</b>
<b>Change in operating assets and liabilities</b>			
(Increase)/Decrease in trade receivables	11	(20,670)	(18,548)
(Increase)/Decrease in inventories	9	(9,152)	(42,167)
(Increase) /Decrease in other non current Loans	6	(128)	9
(Increase) /Decrease in other non current assets	8	(8)	246
(Increase) /Decrease in Current Loans and other current financial assets	14,15	(252)	819
(Increase) /Decrease in other current assets	16	(2,539)	(4,058)
(Decrease) /Increase in long term employee benefit obligation	18	870	(22)
Increase /(Decrease) in short term employee benefit obligation	18	(680)	141
Increase /(Decrease) in trade payables	21	9,385	8,416
Increase/ (Decrease) in other financial liabilities	22	1,037	2,219
Increase/(Decrease) in other current liabilities	23	307	2,961
<b>Cash generated from operations</b>		<b>166,117</b>	<b>143,874</b>
Income taxes paid including withholding tax and net of refunds		(44,523)	(48,444)
<b>Net cash inflow /(outflow) from operating activities</b>		<b>121,594</b>	<b>95,430</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment		(118,321)	(73,307)
Proceeds from sale of property, plant and equipment		36	2
Payments for purchase of Investments	5,10	(45,000)	(86,404)
Proceeds out of sale of Investments	5,10	148,363	83,496
Dividend received	25	3,737	8,406
Interest received	25	572	654
Proceeds from withdrawal of deposits	13	10,594	8,832
Investment in deposits		(8,328)	(10,219)
<b>Net cash inflow /( outflow) from investing activities</b>		<b>(8,347)</b>	<b>(68,540)</b>
<b>Cash flow from financing activities</b>			
Proceeds /(repayment) from working capital loans	20	(6,107)	7,760
Interest paid	29	(610)	(350)
Payment of principal element of Lease payments		(13)	-
Dividends paid to company's shareholders (Including Corporate Dividend tax)		(102,412)	(32,004)

<b>Net cash inflow / (outflow) from financing activities</b>		<b>(109,142)</b>	<b>(24,594)</b>
<b>Net increase in cash and cash equivalents</b>		<b>4,105</b>	<b>2,296</b>
Cash and cash equivalents at the beginning of the year		210	(2,086)
<b>Cash and cash equivalents at end of the year</b>		<b>4,315</b>	<b>210</b>
<b>Non-Cash financing activities:</b>			
-Acquisition of right of use assets		530	-
<b>Reconciliation of Cash and cash equivalents at the end of the year</b>			
Cash and cash equivalents as per above comprise of the following:			
Cash and cash equivalents	12	4,315	1,300
Bank Overdrafts	20	-	(1,090)
<b>Balances as per Statement of Cash flows</b>		<b>4,315</b>	<b>210</b>

1. The Statement of Consolidated cash flows has been prepared under the indirect method as set out in Indian Accounting Standard (Ind AS 7) -statement of cash flows."
2. The accompanying notes are an integral part of the Consolidated financial statements.
3. Previous year figures have been regrouped /reclassified to conform to current year classification.

This is the Statement of Consolidated cash flows referred to in our report of even date

**For Price Waterhouse Chartered Accountants LLP**

Firm registration number: 012754N/N500016

**Sunit Kumar Basu**

Partner

Membership number: 55000

Place: Hyderabad

Date: 06-06-2020

For and on behalf of the Board of Directors of

**Divi's Laboratories Limited**

**Dr. Murali K. Divi**

Managing Director  
DIN: 00005040

**N.V. Ramana**

Executive Director  
DIN: 00005031

**Dr. Kiran S. Divi**

Whole-time Director &  
Chief Executive Officer  
DIN: 00006503

**Nilima Motaparti**

Whole-time Director  
(Commercial)  
DIN: 06388001

**L. Kishore babu**

Chief Financial Officer

**M. Satish Choudhury**

Company Secretary  
Membership No:A30204



# Consolidated Statement of changes in equity

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

## a. Equity share capital

	Number of Shares	Amount
As at April 01, 2018	26,54,68,580	5,309
Changes in equity share capital	-	-
<b>As at April 1, 2019</b>	<b>26,54,68,580</b>	<b>5,309</b>
Changes in equity share capital	-	-
<b>As at March 31, 2020</b>	<b>26,54,68,580</b>	<b>5,309</b>

## b. Other Equity

	Reserves & surplus					Other Comprehensive Income-Exchange difference on foreign Operations	Total Other Equity
	Securities Premium	Special Economic Zone Re-investment reserve	General reserve	Retained earnings	Total		
<b>Balance at April 1, 2018</b>	<b>7,988</b>	<b>6,476</b>	<b>1,00,000</b>	<b>4,71,784</b>	<b>5,86,248</b>	<b>923</b>	<b>5,87,171</b>
Profit after tax for the year	-	-	-	1,35,274	1,35,274	-	1,35,274
Other comprehensive income for the year, net of income tax	-	-	-	105	105	(140)	(35)
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,35,379</b>	<b>1,35,379</b>	<b>(140)</b>	<b>1,35,239</b>
Transfer to Special Economic Zone Re-investment reserve	-	15,900	-	(15,900)	-	-	-
Utilisation of Special Economic Zone Re-investment reserve	-	(2,029)	-	2,029	-	-	-
Transactions with owners in their capacity as owners: -Payment of Dividend (Including tax)	-	-	-	(32,004)	(32,004)	-	(32,004)
<b>Balance at March 31, 2019</b>	<b>7,988</b>	<b>20,347</b>	<b>1,00,000</b>	<b>5,61,288</b>	<b>6,89,623</b>	<b>783</b>	<b>6,90,406</b>
<b>Balance at April 1, 2019</b>	<b>7,988</b>	<b>20,347</b>	<b>1,00,000</b>	<b>5,61,288</b>	<b>6,89,623</b>	<b>783</b>	<b>6,90,406</b>
Profit after tax for the year	-	-	-	1,37,654	1,37,654	-	1,37,654
Other comprehensive income for the year, net of Income tax	-	-	-	(521)	(521)	556	35
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,37,133</b>	<b>1,37,133</b>	<b>556</b>	<b>1,37,689</b>
Transfer to Special Economic Zone Re-investment reserve	-	20,394	-	(20,394)	-	-	-
Utilisation of Special Economic Zone Re-investment reserve	-	(3,813)	-	3,813	-	-	-
Transactions with owners in their capacity as owners: -Payment of Dividend (Including tax)	-	-	-	(1,02,412)	(1,02,412)	-	(1,02,412)
<b>Balance at March 31, 2020</b>	<b>7,988</b>	<b>36,928</b>	<b>1,00,000</b>	<b>5,79,428</b>	<b>7,24,344</b>	<b>1,339</b>	<b>7,25,683</b>

The accompanying notes are an integral part of the Consolidated financial statements

This is the Consolidated Statement of changes in equity referred to in our report of even date

### For Price Waterhouse Chartered Accountants LLP

Firm registration number: 012754N/N500016

#### Sunit Kumar Basu

Partner

Membership number: 55000

Place: Hyderabad

Date: 06-06-2020

For and on behalf of the Board of Directors of

### Divi's Laboratories Limited

#### Dr. Murali K. Divi

Managing Director  
DIN: 00005040

#### N.V. Ramana

Executive Director  
DIN: 00005031

#### Dr. Kiran S. Divi

Whole-time Director &  
Chief Executive Officer  
DIN: 00006503

#### Nilima Motaparti

Whole-time Director  
(Commercial)  
DIN: 06388001

#### L. Kishore babu

Chief Financial Officer

#### M. Satish Choudhury

Company Secretary  
Membership No:A30204

# Notes to Consolidated Financial statements

## 1. Background:

- 1.1 Divi's Laboratories Limited ("Divi's"), (the 'company') is a company limited by shares, incorporated and domiciled in India. The Company is engaged in the manufacture of Active Pharmaceutical ingredients (API's), Intermediates and Nutraceutical ingredients with predominance in exports. In addition to generic business, the company, through its Custom synthesis business, supports innovator pharma companies for their patented products business right from gram scale requirements for clinical trials to launch as well as late life cycle management. The Company is a public limited company and the Company's equity shares are listed in BSE Limited (BSE) and National Stock Exchange of India Limited (NSE) in India. The Company has two subsidiaries i.e., Divi's Laboratories USA, Inc., ("Divi's USA") incorporated in United States of America, Divi's Laboratories Europe AG ("Divi's Europe") incorporated in Switzerland, for marketing the Nutraceutical products (dietary supplements) and pharmaceutical ingredients of the Company. Divi's Laboratories Limited, Divi's Laboratories USA Inc., and Divi's Laboratories Europe AG are hereinafter referred to as 'the Group'.
- 1.2 The Consolidated Financial statements are approved for issue by the Company's Board of Directors on June 06, 2020.

## 2. Significant Accounting Policies

Significant accounting policies adopted in the preparation of these consolidated financial statements are detailed below. These policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements are for the group consisting of Divi's and its subsidiaries.

### 2.1 Basis of Preparation:

#### (i) Compliance with Ind AS

The consolidated financial statements comply in all material aspects with Indian Accounting Standards (Ind AS) notified under section 133 of the Companies Act, 2013 (the Act) [Companies (Indian Accounting Standards) Rules, 2015] and other relevant provisions of the Act and guidelines issued by Securities and Exchange Board of India (SEBI).

#### (ii) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for the following:

- Certain financial assets and liabilities that are measured at fair value; (refer accounting policy regarding financial instruments)
- Defined benefit plans – plan assets measured at fair value

#### (iii) New and Amended standard adopted by the Group

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 April 2019

- Ind AS 116, Leases
- Long-term Interests in Associates and Joint Ventures – Amendments to Ind AS 28, Investments in Associates and Joint Ventures.
- Uncertainty over Income Tax Treatments – Appendix C to Ind AS 12, Income Taxes.
- Plan Amendment, Curtailment or Settlement – Amendments to Ind AS 19, Employee Benefits.
- Amendment to Ind AS 103, Business Combinations and Ind AS 111, Joint Arrangements.
- Amendment to Ind AS 12, Income Taxes.
- Amendment to Ind AS 23, Borrowing costs

The accounting policy on Leases (Ind As 7), consequent to the adoption of Ind As 116- Leases effective from April 1, 2019 is amended. The impact of change in adoption is given in note 45. The other amendments listed above did not have any significant impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

#### (iv) Principles of Consolidation

##### Subsidiaries

Subsidiaries are entities over which Divi's has control. Divi's controls an entity where Divi's is exposed to, or has rights to, variable returns from its investment with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to Divi's and the same are deconsolidated from the date the control ceases.

The group combines the financial statements of the parent and its subsidiaries line by line adding together like items of assets, liabilities, equity, income and expenses. Intercompany

transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

#### **(v) Current and non-current classification**

An asset / Liability are classified as current if:

- (a) The amount is expected to be realized or sold or consumed in the group's normal operating cycle; the liability is expected to be settled in normal operating cycle;
- (b) Asset / liability is held primarily for the purpose of trading;
- (c) Asset / Liability is expected to be realized/settled within twelve months after the reporting period; or
- (d) The asset is cash or a cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. The liability has no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other assets / liabilities are classified as non-current.

The operating cycle is the time between acquisition of assets for processing and their realization in cash and cash equivalents. Based on the nature of products and time between acquisition of assets for processing and their realization in cash and cash equivalents, the group has ascertained its operating cycle as 12 months for the purpose of current/non-current classification of assets and liabilities.

## **2.2 Segment Reporting:**

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. Managing director has been identified as being the chief operating decision maker. Refer note 38 for the segment information presented.

## **2.3 Foreign currency translation:**

### **(i) Functional and presentation currency**

Items included in the consolidated financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated

financial statements are presented in Indian rupee (Rs.), which is Divi's ( the Company's) functional and presentation currency.

### **(ii) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in statement of profit and loss. A monetary item for which settlement is neither planned nor likely to occur in the foreseeable future is considered as a part of the entity's net investment in that foreign operation.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non- monetary assets and liabilities such as equity instruments held at fair value through profit or loss are recognised in statement of profit and loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equity investments classified as FVOCI are recognised in other comprehensive income.

### **(iii) Group Companies**

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the date of that balance sheet
- income and expenses are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- All resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised in other comprehensive income. When a foreign operation is sold, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

## 2.4 Revenue recognition:

Revenue is measured at the fair value of the consideration received or receivable. Amounts disclosed as revenue are net of returns, trade allowances, rebates, Goods & Service Tax (GST) collections and amounts collected on behalf of third parties.

### (i) Revenue from Sale of Goods:

Revenue from sale of goods is recognized when the customer obtains control of the Group's product, which occurs at a point in time, usually upon shipment, with payment terms typically in the range of 60 to 180 days after invoicing depending on product and geographic region. Taxes collected from customers relating to product sales and remitted to government authorities are excluded from revenues.

The Group does not expect to have any contracts where the period between the transfer of the promised goods or services to the customer and payment by the customer exceeds one year. As a consequence, the company does not adjust any of the transaction prices for the time value of money.

For contracts with multiple performance obligations, the Group allocates the transaction price to each performance obligation based on the relative standalone selling price. The Standalone selling price of each performance obligation is estimated using expected costs of satisfying such performance obligation and then an appropriate margin is added for such goods or services.

### (ii) Revenue from Sale of Services:

Revenue from Sale of services is recognised as per the terms of the contracts with customers when the related services are performed or the agreed milestones are achieved.

### (iii) Export incentives

Export incentives comprise of Duty draw back and MEIS (Merchandise Exports Incentive scheme) scrips.

Duty drawback is recognised as income when the right to receive credit as per the terms of the scheme is established in respect of the exports entitled for this benefit made and where there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.

MEIS scrips are freely transferable and can be utilised for the payment of customs duty. MEIS scrips are recognised either on transfer/sale of such scrips or when it is reasonably certain that such scrips can be utilised against import duties.

### (iv) Dividend Income:

Dividends are received from financial assets at fair value through profit or loss and at FVOCI. Dividends are recognised as other income in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of the investment.

### (v) Interest Income:

Interest income from financial assets at fair value through profit or loss is disclosed as interest income within other income. Interest income on financial assets at amortised cost and financial assets at FVOCI is calculated using the effective interest method is recognised in the statement of profit and loss as part of other income. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

## 2.5 Income Taxes:

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available



to utilize those temporary differences and losses.

Deferred tax liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries where it is not probable that the differences will reverse in the foreseeable future and taxable profit will not be available against which the temporary difference can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

For operations carried out in Special Economic Zones which are entitled to tax holiday under the Income tax Act, 1961 no deferred tax is recognised in respect of timing differences which reverse during the tax holiday period, to the extent company's gross total income is subject to the deduction during the tax holiday period. Deferred tax in respect of timing differences which reverse after the tax holiday period is recognised in the year in which timing difference originate.

Deferred Tax Assets include Minimum Alternative Tax (MAT) paid in accordance with the tax laws in India, which is likely to give future economic benefits in the form of availability of set off against future income tax liability. Accordingly, MAT is recognized as deferred tax asset in the Balance sheet when the asset can be measured reliably and it is probable that the future economic benefit associated with the asset will be realized.

## 2.6 Impairment of assets:

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are

separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

## 2.7 Cash and cash equivalents:

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

## 2.8 Trade receivables:

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment, since, group holds trade receivables with an objective to collect contractual cashflows.

## 2.9 Inventories:

Raw materials and stores, work-in-progress, traded and finished goods are stated at the lower of cost, calculated on weighted average basis, and net realizable value. Cost of raw materials and stores comprise of cost of purchases. Cost of work-in-progress and finished goods comprises cost of direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenses, the latter being allocated on the basis of normal operating capacity. Cost of inventories also include all other cost incurred in bringing the inventories to their present location and condition. Costs of purchased inventory are determined after deducting rebates and discounts. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Items held for use in the production of inventory are not written below cost if the finished product in which these will be incorporated are expected to be sold at or above the cost.

## 2.10 Investments and other financial assets:

### (i) Classification:

The group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those measured at amortised cost.

The classification depends on the entity's business

model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. The group reclassifies debt investments when and only when its business model for managing those assets changes.

## (ii) Recognition

Purchase and sale of financial assets are recognised on trade date, the date on which group commit to purchase or sale the financial assets

## (iii) Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

### Debt instruments

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

**Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses). Impairment losses are presented as separate line item in the statement of profit and loss

**Fair value through other comprehensive income (FVOCI):** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income (FVOCI). Movements in the

carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/ (losses). Interest income from these financial assets is included in other income using the effective interest rate method.

**Fair value through profit or loss:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instrument that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the statement of profit and loss within other gains/ (losses) in the period in which it arises. Interest income from these financial assets is included in other income.

### Equity instruments

The group subsequently measures all equity investments at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments are recognised in profit or loss as other income when the group's right to receive payments is established. Changes in the fair value of financial assets at fair value through profit or loss are recognised in other income in the statement of profit and loss. Impairment losses (and reversal of impairment losses) on equity investments measured at fair value are not reported separately from other changes in fair value.

## (iv) Impairment of financial assets

The group assesses on a forward looking basis, the expected credit losses associated with its assets carried at amortised cost and FVOCI debt instruments. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 35 details how the group determines whether there has been a significant increase in credit risk.

For trade receivables only, the group applies the simplified approach permitted by Ind AS 109 Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of the receivables.



- adequate technical, financial and other resources to complete the development and to use or sell the software are available and;
- the expenditure attributable to the software during its development can be reliably measured.

On transition to Ind AS, the group had elected to continue with the carrying value of all of intangible assets recognized as at 1st April 2015 measured as per the previous GAAP and use that carrying value as the deemed cost of intangible assets.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is available for use.

## (ii) Research and development

Research and Development expenses that do not meet the criteria in (i) above are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

## (iii) Amortization methods and periods

The group amortizes intangible assets over a period of 3 years based on their estimated useful lives.

## 2.14 Trade and Other Payables:

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

## 2.15 Borrowings:

Borrowings are initially recognized at fair value, net of transaction cost incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other gains/(losses).

Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Where there is a breach of a material provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand on the reporting date, the entity does not classify the liability as current, if the lender agreed, after the reporting period and before the approval of consolidated financial statements for issue, not to demand payment as consequence of the breach.

## 2.16 Borrowing Cost:

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing cost eligible for capitalization. Other borrowings costs are expensed in the period in which they are incurred.

## 2.17 Provisions:

Provision for legal claims and volume discounts are recognized when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provisions due to the passage of time is recognized as interest expense. Provision for litigation related obligation represents liabilities that are expected to materialize in respect of matters in appeal.





employee benefit expense when they are due.

Termination benefits in the nature of voluntary retirement benefits are recognised in the Statement of Profit and Loss as and when incurred.

## 2.19 Dividends:

Provision is made for the amount of any dividend declared, being appropriately authorized and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period. Proposed dividend is recognised as a liability in the period in which it is declared by the group, usually when approved by shareholders in a general meeting, or paid.

## 2.20 Contributed equity:

Equity shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

## 2.21 Earnings per share:

### (i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the group
- by the weighted average number of equity shares outstanding during the financial year, adjusted for bonus elements in equity shares issued during the year, if any.

### (ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential equity shares, and
- the weighted average number of additional equity shares that would have been outstanding assuming the conversion of all dilutive potential equity shares.

## 2.22 Leases:

### Till March 31, 2019:

#### As a lessee

Leases of property, plant and equipment where the group, as lessee, had substantially all the risks and rewards of ownership were classified as finance leases. Finance leases were capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding rental obligations, net of

finance charges, were included in borrowings or other financial liabilities as appropriate. Each lease payment is allocated between the liability and finance cost. The finance cost was charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period. The property, plant and equipment acquired under finance leases was depreciated over the asset's useful life or over the shorter of the asset's useful life and the lease term if there is no reasonable certainty that the company will obtain ownership at the end of the lease term.

Leases in which a significant portion of the risks and rewards of ownership were not transferred to the company as lessee were classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) were charged to profit or loss on a straight-line basis over the period of the lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

#### As a lessor

Lease income from operating leases where the group is a lessor was recognised in income on a straight-line basis over the lease term unless the receipts are structured to increase in line with expected general inflation to compensate for the expected inflationary cost increases. The respective leased assets are included in the balance sheet based on their nature.

### With effective from April 01 2019:

#### As a lessee

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Contracts may contain both lease and non-lease components. The group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the company under residual value guarantees
- the exercise price of a purchase option if the company is reasonably certain to exercise that option, and





- (iii) Allowance for uncollected accounts receivable and advances. Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrevocable amounts. Individual trade receivables are written off when management deems them not to be collectible. Impairment is made on the expected credit losses, which are the present value of the cash shortfall over the expected life of the financial assets.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the group and that are believed to be reasonable under the circumstances.

## 2.25 Government grant:

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

Government grants relating to income are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are

intended to compensate and presented within other income.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets and presented within other income.

Export entitlements from government authorities are recognised in the statement of profit and loss as a reduction from "Cost of materials consumed" when the right to receive credit as per the terms of the scheme is established in respect of the exports made by the group, and where there is no significant uncertainty regarding the ultimate realisation of the entitlement.

## 2.26 Rounding of Amounts:

All amounts disclosed in the consolidated consolidated financial statements and notes have been rounded off to the nearest lakhs as per the requirement of Schedule III, unless otherwise stated.

# Notes to the Consolidated Financial statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

## Note 3: Property, plant and equipment and Capital Work-in-Progress

	Freehold Land	Plant and Machinery	Roads and Buildings	Furniture and Fixtures	Vehicles	Office Equipments	Laboratory Equipments	Computer and data processing units	Total	Capital work-in-progress
<b>Year ended March 31, 2019</b>										
<b>Gross carrying amount</b>										
At the beginning of the year	10,217	1,56,223	52,930	3,279	683	1,882	9,804	1,069	2,36,087	11,976
Additions	4,577	14,948	4,533	146	51	389	1,468	61	26,173	63,393
Disposals/Transfers	-	(133)	-	-	-	-	(8)	-	(141)	(26,178)
<b>At the end of the year</b>	<b>14,794</b>	<b>1,71,038</b>	<b>57,463</b>	<b>3,425</b>	<b>734</b>	<b>2,271</b>	<b>11,264</b>	<b>1,130</b>	<b>2,62,119</b>	<b>49,191</b>
Accumulated depreciation										
At the beginning of the year	-	27,652	4,667	659	187	647	2,861	450	37,123	-
Depreciation charge during the year	-	12,565	2,001	327	83	375	1,068	205	16,624	-
Disposals / Transfers	-	-	-	-	-	-	-	-	-	-
<b>At the end of the year</b>	<b>-</b>	<b>40,217</b>	<b>6,668</b>	<b>986</b>	<b>270</b>	<b>1,022</b>	<b>3,929</b>	<b>655</b>	<b>53,747</b>	<b>-</b>
<b>Net carrying amount as at March 31, 2019</b>	<b>14,794</b>	<b>1,30,821</b>	<b>50,795</b>	<b>2,439</b>	<b>464</b>	<b>1,249</b>	<b>7,335</b>	<b>475</b>	<b>2,08,372</b>	<b>49,191</b>
<b>Year ended March 31, 2020</b>										
<b>Gross carrying amount</b>										
At the beginning of the year	14,794	1,71,038	57,463	3,425	734	2,271	11,264	1,130	2,62,119	49,191
Additions	1,316	58,908	23,000	372	174	297	3,122	443	87,632	1,30,616
Disposals / Transfers	-	(204)	(112)	(3)	(42)	(2)	(2)	(6)	(371)	(87,838)
<b>At the end of the year</b>	<b>16,110</b>	<b>2,29,742</b>	<b>80,351</b>	<b>3,794</b>	<b>866</b>	<b>2,566</b>	<b>14,384</b>	<b>1,567</b>	<b>3,49,380</b>	<b>91,969</b>
Accumulated depreciation										
At the beginning of the year	-	40,217	6,668	986	270	1,022	3,929	655	53,747	-
Depreciation charge for the year	-	13,782	2,191	344	89	420	1,276	215	18,317	-
Disposals / Transfers	-	-	-	-	-	-	-	-	-	-
At the end of the year	-	53,999	8,859	1,331	359	1,442	5,205	870	72,064	-
<b>Net carrying amount as at March 31, 2020</b>	<b>16,110</b>	<b>1,75,743</b>	<b>71,492</b>	<b>2,464</b>	<b>507</b>	<b>1,124</b>	<b>9,179</b>	<b>697</b>	<b>2,77,316</b>	<b>91,969</b>

### Note

- Movable assets are pledged as security  
Refer Note 20(a) for information on moveable assets pledged as security by the company
- Contractual obligations and other commitments  
Refer Note 42(a) for disclosure of contractual and other commitments for the acquisition of property, plant and equipment
- Assets under construction majorly consist of Roads & Buildings, Plant & Machinery and corresponding internal development costs. During the year, the Company has incurred capital costs of Rs. 1,30,616 on Capital work-in-progress at Choutuppal and near Visakhapatnam and this includes staff cost of Rs. 110 (March 31, 2019:Rs. 41) relating to projects team involved in supervision and monitoring of these projects and cost of power consumed Rs. 118 (March 31, 2019:Rs. 40).

# Notes to the Consolidated Financial statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

## Note 3(a) : Right of use assets

	Building
<b>Year ended March 31, 2019</b>	
<b>Gross carrying amount</b>	
At the beginning of the year	-
Additions	-
At the end of the year	-
<b>Accumulated Depreciation</b>	
At the beginning of the year	-
Depreciation charge during the year	-
At the end of the year	-
<b>Net carrying amount as at March 31, 2019</b>	-
<b>Year ended March 31, 2020</b>	
<b>Gross carrying amount</b>	
At the beginning of the year	-
Additions	530
At the end of the year	530
<b>Accumulated Depreciation</b>	
At the beginning of the year	-
Depreciation charge during the year	21
At the end of the year	21
<b>Net carrying amount as at March 31, 2020</b>	509

## Note 3(b)(i): Lease Liabilities

	March 31, 2020
<b>Non-current</b>	
Lease Liabilities	447
<b>Current</b>	
Lease Liabilities	75

## Note 3(b)(ii) : Amounts recognised in the Statement of Profit and Loss:

	Note	March 31, 2020
<b>Depreciation on right of use assets</b>		
-Buildings	30	21
Interest Expenses included in finance costs	29	5

## Note 4: Intangible assets

	Computer Software
<b>Year ended March 31, 2019</b>	
<b>Gross carrying amount</b>	
At the beginning of the year	1,258
Additions	16
<b>At the end of the year</b>	<b>1,274</b>
<b>Accumulated amortisation</b>	
At the beginning of the year	603
Amortisation charge during the year	266
At the end of the year	869
<b>Net carrying amount as at March 31, 2019</b>	<b>405</b>
<b>Year ended March 31, 2020</b>	
<b>Gross carrying amount</b>	
At the beginning of the year	1,274



# Notes to the Consolidated Financial statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

## Note 7(a)(i): Income Tax assets (Net)

	March 31, 2020	March 31, 2019
<b>Non-current</b>		
Advance Income Tax	-	77,865
Provision for Income tax	-	(75,937)
	-	<b>1,928</b>
<b>Current</b>		
Advance Income Tax	97,275	-
Provision for Income tax	(89,370)	-
	<b>7,905</b>	-
<b>Total Income Tax assets (Net)</b>	<b>7,905</b>	<b>1,928</b>

## Note 7(a)(ii): Movement in Tax

	March 31, 2020	March 31, 2019
Income Tax Asset -at the beginning of the year	1,928	881
Add: Advance tax paid including tax deducted at source	44,772	49,372
Less :Others (refund received)	(175)	(1,080)
Less: Adjustments of current tax for prior period	3,370	(55)
Less: Current tax provision	(41,990)	(47,190)
<b>Net Income tax Asset-at the end of the year</b>	<b>7,905</b>	<b>1,928</b>

## Note 7(b)(i): Current Tax Liabilities (net)

	March 31, 2020	March 31, 2019
Advance Income Taxes	-	-
Provision for Income tax	993	419
<b>Total Current Tax Liabilities (net)</b>	<b>993</b>	<b>419</b>

## Note 7(b)(ii): Movement in Tax

	March 31, 2020	March 31, 2019
Opening Income Tax Liability	419	270
Less: Tax Paid during current Period	-	(152)
Less: Adjustments	74	(123)
Add: Current tax provision	500	424
<b>Current Tax Liabilities (net)</b>	<b>993</b>	<b>419</b>

## Note 8: Other non-current assets

	March 31, 2020	March 31, 2019
Capital advances	10,918	20,024
Pre-paid expenses	57	28
Other Receivables including indirect tax refund claims	487	508
<b>Total other non-current assets</b>	<b>11,462</b>	<b>20,560</b>



# Notes to the Consolidated Financial statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

## Note 9: Inventories (Valued at lower of cost and net realisable value)

	March 31, 2020	March 31, 2019
Raw materials	50,706	51,957
Work-in-progress	98,091	92,849
Finished goods	18,839	14,042
Stock in trade	7,894	7,335
Stores and spares	10,856	11,051
<b>Total Inventories</b>	<b>1,86,386</b>	<b>1,77,234</b>

### Amounts recognised in profit or loss

Movement in provision for slow moving inventory and inventory write downs on account of net realisable value amounted to Rs. 660 (March 31, 2019 Rs. 138) was credited to profit or loss and included in 'Changes in inventories of finished goods, work-in-progress and stock-in-trade' and 'Cost of raw materials consumed' in statement of profit or loss.

## Note 10: Current investments

	March 31, 2020		March 31, 2019	
	Units	Amount	Units	Amount
<b>Investment in Quoted Mutual Funds (at FVPL)</b>				
SBI Mutual Fund under SBI Magnum low duration fund(Daily dividend plan) Fair value@ ₹1010.94 per unit	-	-	1,38,32,033	1,39,834
SBI Mutual Fund under SBI Magnum Ultra Short Duration Fund - Direct Growth Scheme -@ Fair Value of 4479.648 per unit	21,68,363	97,135	-	-
<b>Total current investments</b>		<b>97,135</b>		<b>1,39,834</b>
Aggregate amount of quoted investments and market value thereof		97,135		1,39,834
Aggregate amount of unquoted investments		-		-

## Note 11: Trade receivables

	March 31, 2020	March 31, 2019
Trade receivables	1,42,662	1,16,706
Less: Loss Allowance	1,327	369
<b>Total Trade receivables</b>	<b>1,41,335</b>	<b>1,16,337</b>
Current portion	1,41,335	1,16,337
Non-current portion	-	-

### Break-up of security details

	March 31, 2020	March 31, 2019
Trade Receivables considered Good- Secured	-	-
Trade Receivables considered Good - Unsecured	1,41,335	1,16,337
Trade Receivables which have significant increase in credit risk	1,310	-
Trade Receivables - credit impaired	17	369
<b>Total</b>	<b>1,42,662</b>	<b>1,16,706</b>
Less: Loss Allowance	1,327	369
<b>Total Trade receivables</b>	<b>1,41,335</b>	<b>1,16,337</b>

# Notes to the Consolidated Financial statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

## Note 12: Cash and cash equivalents

	March 31, 2020	March 31, 2019
Balances with banks		
- in current accounts	2,249	1,239
- in term deposit accounts with maturity period not more than three months	2,001	-
Cash on hand	65	61
<b>Total cash and cash equivalents*</b>	<b>4,315</b>	<b>1,300</b>

\*There are no repatriation restrictions with regard to cash and cash equivalents as at the end of reporting period and prior period.

## Note 13: Bank balances other than cash and cash equivalents

	March 31, 2020	March 31, 2019
Balances in earmarked accounts with Banks - Unclaimed dividend	109	97
Balances in term deposit accounts with maturity period of more than three months and not more than twelve months:		
- pledged towards margin on Guarantees issued by Bank	150	5,697
- pledged towards overdraft facilities with Banks	6,588	4,432
- other unencumbered deposits	1,101	-
<b>Total Bank balances other than cash and cash equivalents</b>	<b>7,948</b>	<b>10,226</b>

## Note 14: Current Loans

	March 31, 2020	March 31, 2019
Advances to employees	9	11
<b>Total Current Loans</b>	<b>9</b>	<b>11</b>

### Break-up of security details

	March 31, 2020	March 31, 2019
Loans considered Good- Secured	-	-
Loans considered Good - Unsecured	9	11
Loans which have significant increase in credit risk	-	-
Loans - credit impaired	-	-
<b>Total</b>	<b>9</b>	<b>11</b>
Less: Loss Allowance	-	-
<b>Total Current Loans</b>	<b>9</b>	<b>11</b>

## Note 15: Other Financial assets

	March 31, 2020	March 31, 2019
<b>Current:</b>		
Export incentive receivable	40	25
Rental Deposits	313	-
Insurance claims receivable	36	110
<b>Total Other Current Financial assets</b>	<b>389</b>	<b>135</b>



# Notes to the Consolidated Financial statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

## (iii) Details of shareholders holding more than 5% shares in the Company

	March 31, 2020		March 31, 2019	
	Number of shares	% holding	Number of shares	% holding
<b>PROMOTERS GROUP</b>				
Dr. Murali Krishna Prasad Divi	75,67,000	2.85%	75,67,000	2.85%
Dr. Satchandra Kiran Divi	5,40,00,000	20.34%	5,40,00,000	20.34%
Mrs. Swarnalatha Divi	1,40,00,000	5.27%	1,40,00,000	5.27%
Ms. Nilima Motaparti	5,40,00,000	20.34%	5,40,00,000	20.34%
<b>Other than Promoters</b>	-	-	-	-

## Note 17 (b): Other Equity

	March 31, 2020	March 31, 2019
<b>Reserves and surplus</b>		
Securities premium reserve	7,988	7,988
General reserve	1,00,000	1,00,000
Retained earnings	5,79,428	5,61,288
Special Economic Zone Re-investment reserve	36,928	20,347
	7,24,344	6,89,623
Other Comprehensive Income-Exchange difference on foreign operations	1,339	783
<b>Total Other Equity</b>	<b>7,25,683</b>	<b>6,90,406</b>

(i) As there was no movement in Securities premium reserve and General Reserve during the reporting period and prior period, no reconciliation is given.

(ii) Retained earning

	March 31, 2020	March 31, 2019
At the beginning of the year	5,61,288	4,71,784
Profit after tax for the Year	1,37,654	1,35,274
Transfer to Special Economic Zone Re-investment reserve	(20,394)	(15,900)
Utilisation of Special Economic Zone Re-investment reserve	3,813	2,029
Dividend paid including tax thereon	(1,02,412)	(32,004)
Items of other comprehensive income recognised directly in retained earnings:		
- Remeasurements of post employment benefit obligation, net of tax	(521)	105
<b>At the end of the year</b>	<b>5,79,428</b>	<b>5,61,288</b>

(iii) Special Economic Zone Re-investment reserve

	March 31, 2020	March 31, 2019
At the beginning of the year	20,347	6,476
Transfer from Retained Earnings	20,394	15,900
Utilization of Special Economic Zone Re-investment reserve	(3,813)	(2,029)
<b>At the end of the year</b>	<b>36,928</b>	<b>20,347</b>

### Nature and purpose of reserves:

#### Securities premium reserve:

Securities premium reserve is used to record the premium on issue of securities. This reserve is utilised in accordance with the provisions of the Act.

# Notes to the Consolidated Financial statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

## General Reserve:

General Reserve represents amounts transferred from Retained Earnings in earlier years under the provisions of the erstwhile Companies Act, 1956.

## Special Economic Zone Re-investment reserve:

Under the SEZ scheme, the unit which begins production of Goods/ services on or after April 1, 2005 will be eligible for deductions of 100% of profits or gains derived from export of Goods/ services for the first five years, 50% of such profits or gains for a further period of five years and 50% of such profits or gains for the balance period of five years subject to creation of Special Economic Zone Re-investment reserve out of profit of eligible SEZ Units and utilisation of such reserve by the company for acquiring new plant and machinery for the purpose of its business as per the provisions of the Income Tax Act, 1961.

## Note 18: Provisions - Employee Benefit Obligations

	March 31, 2020			March 31, 2019		
	Current	Non-Current	Total	Current	Non-Current	Total
Compensated Absences	246	2,052	2,298	111	1,317	1,428
Gratuity [Refer Note 18(ii)]	-	-	-	-	-	-
<b>Total</b>	<b>246</b>	<b>2,052</b>	<b>2,298</b>	<b>111</b>	<b>1,317</b>	<b>1,428</b>

### (i) Compensated Absences obligations:

The Compensated Absences covers the company's liability for earned leave which is classified as other long-term benefits. The liabilities for earned leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured at the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. The benefit is discounted using the market yields at the end of the reporting period that have terms approximating to the terms of the related obligations. Remeasurements as a result of the experience adjustments and changes in actuarial assumptions are recognized in profit or loss.

The amounts recognised in the balance sheet and the movements in the net defined benefit obligation over the year are as follows:

	March 31, 2020	March 31, 2019
<b>At the beginning of the year</b>	<b>1,428</b>	<b>1,590</b>
Current service cost	601	(262)
Interest expense/(income)	108	122
Amount recognized in Statement of profit and loss	709	(140)
<b>Remeasurements</b>	<b>-</b>	<b>-</b>
Return on plan assets, excluding amounts included in interest expense/(income)	-	-
Actuarial (gain) / loss	-	-
(Gain)/loss from change in demographic assumptions	-	-
(Gain)/loss from change in financial assumptions	205	-
Experience (gains)/loss	(26)	-
Amount recognized in other comprehensive income	179	-
<b>Amount recognized in total comprehensive income</b>	<b>888</b>	<b>(140)</b>
Employer contributions -Benefits payments	(18)	(22)
<b>At the end of the year</b>	<b>2,298</b>	<b>1,428</b>

# Notes to the Consolidated Financial statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

The net liability disclosed above relates to funded and unfunded plans are as follows:

	March 31, 2020	March 31, 2019
Present value of obligations	2,298	1,428
Fair value of plan assets	-	-
Deficit/ (Surplus) of un-funded obligations	2,298	1,428

## (ii) Post employment obligations gratuity

The Company provides gratuity for employees as per the Payment of Gratuity Act, 1972. Employees who are in continuous service for a period of 5 years are eligible for gratuity benefit. The amount of gratuity payable on retirement/termination is the employees' last drawn basic salary per month computed proportionately for 15 days' salary multiplied for the number of years of service. The gratuity plan is a funded plan and the Company makes contributions, through an approved trust, to recognised funds administered by Life Insurance Corporation of India.

**The amounts recognised in the balance sheet and the movements in the net defined benefit obligation over the year are as follows:**

	Present Value of obligation	Fair Value of Plan Assets	Net amount
<b>As at April 01, 2018</b>	<b>2,035</b>	<b>2,119</b>	<b>(84)</b>
Current service cost	359	-	359
Interest expense/(income)	157	160	(3)
Amount recognized in Statement of profit and loss	516	160	356
Remeasurements	-	-	-
Return on plan assets, excluding amounts included in interest expense/(income)	-	-	-
Actuarial (gain) / loss	-	-*	-
(Gain)/loss from change in demographic assumptions	-	-	-
(Gain)/loss from change in financial assumptions	-	-	-
Experience (gains)/loss	(141)	-	(141)
Amount recognized in other comprehensive income	(141)	-	(141)
<b>Amount recognized in total comprehensive income</b>	<b>375</b>	<b>160</b>	<b>215</b>
Employer contributions	-	561	(561)
Benefit payments	(43)	(43)	-
<b>As at March 31, 2019</b>	<b>2,367</b>	<b>2,797</b>	<b>(430)</b>

	Present Value of obligation	Fair Value of Plan Assets	Net amount
<b>As at April 01, 2019</b>	<b>2,367</b>	<b>2,797</b>	<b>(430)</b>
Current service cost	270	-	270
Interest expense/(income)	180	232	(52)
Amount recognized in Statement of profit and loss	450	232	218
Remeasurements	-	-	-
Return on plan assets, excluding amounts included in interest expense/(income)	-	-	-
Actuarial (gain) / loss	-	-	-
(Gain)/loss from change in demographic assumptions	-	-	-
(Gain)/loss from change in financial assumptions	336	-	336
Experience (gains)/loss	139	(26)	165
Amount recognized in other comprehensive income	475	(26)	501
<b>Amount recognized in total comprehensive income</b>	<b>925</b>	<b>206</b>	<b>719</b>
Employer contributions	-	480	(480)
Benefit payments	(20)	(20)	-
<b>As at March 31, 2020</b>	<b>3,272</b>	<b>3,463</b>	<b>(191)</b>

\* Amount is below the rounding off norms adopted by the company



# Notes to the Consolidated Financial statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

The net liability disclosed above relates to funded and unfunded plans are as follows:

	March 31, 2020	March 31, 2019
Present value of funded obligations	3,272	2,367
Fair value of plan assets	3,463	2,797
Deficit/ (Surplus) of funded plans*	(191)	(430)

\* Included under note 16 'Other current assets'

## Significant estimates: Actuarial assumptions and sensitivity

The significant actuarial assumptions were as follows:

	March 31, 2020	March 31, 2019
Discount rate	6.77%	7.63%
Salary growth rate	6%	6%
Attrition Rate	1% to 3% depending on age	1% to 3% depending on age
Retirement Age	60 years	60 years
Average Balance Future Services	29 years	29 years
Mortality Table	IALM(2012-14)	IALM(2006-08)

## (iii) Sensitivity analysis

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	March 31, 2020	March 31, 2019
Defined Benefit Obligation	3,272	2,367
Increase / (Decrease) in Defined Benefit Obligation:		
Discount rate:(% change compared to base due to sensitivity)		
Increase : +1%	(378)	(251)
Decrease: -1%	459	301
Salary Growth rate:(% change compared to base due to sensitivity)		
Increase : +1%	424	273
Decrease: -1%	(359)	(233)
Attrition rate:(% change compared to base due to sensitivity)		
Increase : +1%	37	63
Decrease: -1%	(43)	(74)

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as and when calculating the defined benefit liability recognised in the balance sheet. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

## (iv) Defined benefit liability and employer contributions

The Company has established a trust to administer its obligation for payment of Gratuity to employees. The trust in turn contributes to a scheme administered by the Life Insurance Corporation of India (Insurer). Every year, the insurer carries out a funding valuation based on the latest employee data provided by the Company. Any deficit in the assets arising as a result of such valuation is funded by the Company. The company considers that the contribution rate set at the last valuation date is sufficient to eliminate the deficit over the agreed period and that regular contributions, which are based on service costs will not increase significantly. The trust has not changed the process used to manage its risks from previous periods.

# Notes to the Consolidated Financial statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

## The major categories of plan assets are as follows:

	March 31, 2020	March 31, 2019
*Fund managed by Life Insurance Corporation Corporation of India (Unquoted)	100%	100%

\*Fund is managed by LIC as per IRDA guidelines, category-wise composition of the plan assets is not available.

Contributions to post employment benefit plan for the year ending March 31, 2021 is expected to be Rs 191.

The weighted average duration of the defined benefit obligation is 19.35 years ( March 31, 2019 - 20.94 Years ). The expected maturity analysis of undiscounted gratuity is as follows:

	Less than a year	Between 2-5 years	Between 6-10 years	Over 10 years	Total
<b>March 31, 2020</b>					
Defined benefit obligation-gratuity	267	604	867	7,850	9,588
<b>March 31, 2019</b>					
Defined benefit obligation-gratuity	193	232	513	7,426	8,364

## (v) Risk exposure

Through its defined benefit plans, the company is exposed to a number of risks, the most significant of which are detailed below:

**Interest Rate Risk:** The plan exposes the Company to the risk of fall in interest rates. A fall in interest rates will result in an increase in the ultimate cost of providing the above benefit and will thus result in an increase in the value of the liability.

**Liquidity Risk:** This is the risk that the company is not able to meet the short term gratuity pay-out. This may arise due to non-availability of enough cash / cash equivalent to meet the liabilities or holdings liquid assets not being sold in time.

**Salary Escalation Risk:** The present value of the defined benefit plans calculated with the assumption of salary increase rate of plan participants in future. Deviation in the rate of increase of salary in future for plan participants from the rate of increase in salary used to determine the present value obligation will have a bearing on the plan's liability.

**Demographic Risk:** The Company has used certain mortality and attrition assumptions in valuation of the liability. The Company is exposed to the risk of actual experience turning out to be worse compared to the assumption.

**Regulatory Risk:** Gratuity benefits is paid in accordance with the requirements of the Payment of Gratuity Act, 1972 (as amended from time to time). There is a risk of change in regulations requiring higher gratuity payouts (eg. Increase in the maximum limit on gratuity.)

**Asset Liability Mismatching or Market Risk:** The duration of the liability is longer compared to duration of assets, exposing the Company to market risk for volatilities/fall in interest rate.

**Investment Risk:** The probability and likelihood of occurrence of losses relative to the expected return on any particular investment.

**Asset Volatility:** The plan liabilities are calculated using a discount rate set with reference to bond yields; if plan assets under-perform this yield, this will create a deficit. Most of the plan asset investments are in fixed income securities with high grades and in government securities. A portion of the fund is invested in equity securities and in alternative investments which have low correlation with equity securities. The equity securities are expected to earn a return in excess of the discount rate and contribute to the plan deficit.

**Changes in bond yields:** A decrease in bond yields will increase plan liabilities, although this will be partially off-set by an increase in the value of the plan's bond holdings.

# Notes to the Consolidated Financial statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

## (vi) Defined Contribution plans

**Employer's Contribution to Provident Fund:** Contributions are made to provident fund in India for employees at the rate of 12% of basic salary as per regulations. The contributions are made to registered provident fund administered by the government. The obligation of the company is limited to the amount contributed and it has no further contractual nor any constructive obligation. The expense recognised during the period towards defined contribution plan is ₹1,467 (March 31, 2019 - ₹1,159) also refer Note.40(b)

**Employer's Contribution to State Insurance Scheme:** Contributions are made to State Insurance Scheme for employees at the rate of 4.75%. The Contributions are made to Employee State Insurance Corporation (ESI) administered by Government. The obligation of the company is limited to the amount contributed and it has no further contractual nor any constructive obligation. The expense recognised during the period towards defined contribution plan is ₹284 (March 31, 2019- ₹287)

## Note 19: Deferred Tax:

### Note 19(a): Deferred Tax Asset

The balance comprises temporary differences attributable to:

	March 31, 2020	March 31, 2019
<b>Deferred Tax Asset /(Liability):</b>		
Deferred Tax on intra group adjustments	438	234
		-
<b>Deferred tax Asset</b>	<b>438</b>	<b>234</b>

### Note 19(b): Deferred tax liabilities (net)

The balance comprises temporary differences attributable to:

	March 31, 2020	March 31, 2019
<b>Deferred Tax Liability / (Asset) :</b>		
Property, plant and equipment	26,263	23,272
Employee Benefits	(1,019)	(965)
Others	2,152	(189)
<b>Net deferred tax liabilities / (Asset ) net</b>	<b>27,396</b>	<b>22,118</b>

### Movement in Deferred tax liabilities /(Asset)

	April 01, 2018	Changes through Profit and Loss	Changes through OCI	March 31, 2019
Property, Plant and equipment	20,594	2,678	-	23,272
Employee benefit expenses	(1,017)	16	36	(965)
Others including intra-group adjustments	(411)	(12)	-	(423)
Net Deferred Tax Liability/(Asset)				21,884
Deferred Tax Asset - Refer Note 19(a)				234
Deferred Tax Liability - Refer Note 19(b)				22,118

# Notes to the Consolidated Financial statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

	April 01, 2019	Changes through Profit and Loss	Changes through OCI	March 31, 2020
Property, Plant and equipment	23,272	3,807	-	27,079
Employee benefit expenses	(965)	(415)	-	(1,380)
Others including intragroup adjustments	(423)	1,620	62	1,259
Net Deferred Tax Liability/(Asset)				26,958
Deferred Tax Asset - Refer Note 19(a)				438
Deferred Tax Liability - Refer Note 19(b)				27,396

## Note 20: Current borrowings

	Maturity Date and Terms of Payment	Interest rate	March 31, 2020	March 31, 2019
<b>Loans payable on demand:</b>				
<b>Secured from Banks</b>				
Working Capital Loans from Banks	Payable on demand	7.60%**	3,363	9,470
Bank Overdrafts*	Payable on demand	7.70%#	-	1,090
<b>Total Current Borrowings</b>			<b>3,363</b>	<b>10,560</b>

\*Represents temporary overdrafts

\*\* 8.65% for year ended March 31, 2019

# 8.00% for year ended March 31, 2019

### Secured borrowings and assets pledged as security

Secured by pari-passu primary first charge on inventories, receivables and other current assets of the company and first charge on movable fixed assets of the company. The carrying amounts of financial and non-financial assets pledged as security for current and non-current borrowings are disclosed in Note 20(a)

## Note 20(a): Assets pledged as security

The carrying amounts of Company's assets pledged as security for working capital loans from banks:

	March 31, 2020	March 31, 2019
Primary First Charge		
Inventory	1,74,417	1,66,318
Accounts receivables	1,53,321	1,28,224
Other Current Assets	1,38,379	1,70,207
	<b>4,66,117</b>	<b>4,64,749</b>
<b>First Charge</b>		
Movable assets of the company	<b>1,89,664</b>	<b>1,42,750</b>

## Note 20 (b): Net Debt Reconciliation

This section sets out the changes in liabilities arising from financing activities in the statement of cash flows:

	March 31, 2020	March 31, 2019
Working Capital Loans	3,363	9,470
Cash and cash equivalents	(4,315)	(210)
Liquid investments	(97,135)	(1,39,834)
Net Debt /(Surplus)	(98,087)	(1,30,574)
<b>Net Debt Obligations</b>	<b>-</b>	<b>-</b>

# Notes to the Consolidated Financial statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

	Liabilities from financing activities	Other assets		Net debt
	Current Borrowings	Liquid Investments	Cash and Bank overdraft	
Net Debt as at April 01, 2018	1,710	(1,88,928)	2,086	(1,85,132)
Cash Flows	7,760	49,578	(2,296)	55,042
Interest Expense	(350)	-	-	(350)
Interest paid	350	-	-	350
Fair value adjustments	-	(484)	-	(484)
<b>Net Debt /(surplus) as at March, 31, 2019</b>	<b>9,470</b>	<b>(1,39,834)</b>	<b>(210)</b>	<b>(1,30,574)</b>
Net Debt /(surplus) as at April 01, 2019	9,470	(1,39,834)	(210)	(1,30,574)
Cash Flows	(6,107)	47,198	(4,105)	36,986
Interest Expense	(606)	-	-	(606)
Interest paid	606	-	-	606
<b>Fair value adjustments</b>	<b>-</b>	<b>(4,499)</b>	<b>-</b>	<b>(4,499)</b>
<b>Net Debt /(surplus) as at March 31, 2020</b>	<b>3,363</b>	<b>(97,135)</b>	<b>(4,315)</b>	<b>(98,087)</b>

## Note 21: Trade payables

	March 31, 2020	March 31, 2019
<b>Current</b>		
Trade Payables -Micro enterprises and small enterprises (Refer Note 42(b))	1,174	-
Trade Payables -Others	57,898	49,226
<b>Total Trade payables</b>	<b>59,072</b>	<b>49,226</b>

## Note 22: Other Financial liabilities

	March 31, 2020	March 31, 2019
<b>Current</b>		
Capital creditors	7,192	3,973
Unclaimed dividend	109	97
Accrual for rebates / discounts	3,256	2,219
<b>Total Other financial liabilities</b>	<b>10,557</b>	<b>6,289</b>

## Note 23: Other current liabilities

	March 31, 2020	March 31, 2019
Statutory dues payable	823	342
Deferred Revenue Government Grants	54	35
Employee benefits payable	14,566	14,785
Advance from customers	2,934	2,908
<b>Total Other current liabilities</b>	<b>18,377</b>	<b>18,070</b>

# Notes to the Consolidated Financial statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

## Note 24: Revenue from operations

	March 31, 2020	March 31, 2019
<b>Sale of products</b>	<b>5,28,216</b>	<b>4,79,444</b>
<b>Sale of Services:</b>		
Contract research fee	901	938
<b>Other Operating Revenue:</b>		
Export incentives	8,648	11,691
Sale of scrap out of manufacturing process	1,677	2,553
<b>Total Revenue from operations</b>	<b>5,39,442</b>	<b>4,94,626</b>

## Note 24(a): Reconciliation of Revenue recognised with contract price:

	March 31, 2020	March 31, 2019
Contract price	5,45,643	4,98,167
Rebates / Discounts	(6,201)	(3,541)
<b>Revenue from operations</b>	<b>5,39,442</b>	<b>4,94,626</b>

## Note 24(b): Disaggregation of Revenue :

The Group derives revenue from Operations (Sale of Products and services and other operating revenue) at a point of time in the following geographical areas (based on where products and services are delivered):

Region	March 31, 2020			March 31, 2019		
	Sale of Products & Services	Other Operating Revenue	Total Revenue	Sale of Products & Services	Other Operating Revenue	Total Revenue
America (South & North)	1,24,864	-	1,24,864	1,32,533	-	1,32,533
Asia	59,474	-	59,474	59,183	-	59,183
Europe	2,55,184	-	2,55,184	2,18,791	-	2,18,791
India	68,071	10,325	78,396	56,266	14,244	70,510
Others	21,524	-	21,524	13,609	-	13,609
<b>Total</b>	<b>5,29,117</b>	<b>10,325</b>	<b>5,39,442</b>	<b>4,80,382</b>	<b>14,244</b>	<b>4,94,626</b>

## Note 25: Other income

	March 31, 2020	March 31, 2019
Interest income from financial assets at amortized cost	666	748
Dividend income from investments mandatorily measured at fair value through profit or loss	3,737	8,406
Net gain on financial assets mandatorily measured at fair value through profit or loss	4,499	2,625
Net gain on redemption of investments	1,440	97
Net gain on foreign currency transactions and translations	8,211	3,086
Provisions /liabilities no longer required written back	-	429
Miscellaneous income	405	171
Government Grants	5	1
<b>Total Other income</b>	<b>18,963</b>	<b>15,563</b>





# Notes to the Consolidated Financial statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

## Note 31: Other expenses

	March 31, 2020	March 31, 2019
Consumption of stores and spare parts	4,905	4,162
Packing materials consumed	4,247	3,991
Conversion Charges	1,924	2,197
Power and fuel*	26,787	24,866
Repairs and maintenance- buildings	2,135	1,515
Repairs and maintenance- machinery	10,811	7,854
Repairs and maintenance- others	248	118
Insurance	994	601
Rates and taxes, excluding taxes on income	1,251	860
Non-Executive Directors Remuneration including sitting fees	131	51
Printing and stationery	527	454
Rental charges	972	874
Communication expenses	185	161
Travelling and conveyance	2,666	1,403
Vehicle maintenance	157	149
Payments to Auditors - Refer Note 31(a)	58	52
Legal and professional charges	1,517	1,032
Factory upkeep	350	250
Environment management expenses	1,846	1,477
Advertisement	91	89
Research and development expenses - Refer Note 31(c )	1,114	1,060
Sales commission	1,230	747
Carriage outward	7,215	6,472
General expenses	4,715	3,565
Electricity Serviceline Charges	1,286	12
Provision for doubtful debts [including Write off Rs.57 (March31, 2019- Rs. 62)]	996	339
Donations	11	1,248
Political Contributions	400	2,000
Expenditure on Corporate Social Responsibility activities and Covid-19 relief -Refer Note 31(b)	5,068	2,837
Loss on disposal / discard of assets	325	139
Bank charges	104	118
<b>Total Other expenses</b>	<b>84,266</b>	<b>70,693</b>

\*Net of Rs.118 ( March 31, 2019: Rs.40) transferred to capital work-in-progress (Refer Note 3)

## Note 31(a): Details of payments to auditors

	March 31, 2020	March 31, 2019
As Statutory Auditor	32	30
For Quarterly Reviews	24	19
Re-imbursement of expenses	2	3
<b>Total Payments to auditors</b>	<b>58</b>	<b>52</b>

# Notes to the Consolidated Financial statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

## Note 31 (b): Expenditure on Corporate Social Responsibility activities and Covid-19 relief

The Company has spent amounts as specified below towards various schemes of Corporate Social Responsibility activities as prescribed under Section 135 of the Companies Act, 2013.

I. Gross amount required to be spent by the company during the year: Rs. 2,968 ( March 31, 2019 Rs. 2,824 ).

II. Amount spent during the year on :

	March 31, 2020	March 31, 2019
(A) As prescribed under Schedule VII of the Companies Act 2013 and General circular No. 15/2020 issued by Ministry of Corporate Affairs dated April 10, 2020		
(i) Construction/acquisition of any asset	-	-
(ii) On purposes other than (i) above	4,568	2,837
(B) Other than (A) above*	500	-
<b>Total</b>	<b>5,068</b>	<b>2,837</b>

\* Represents contribution to Andhra Pradesh Chief Minister's Relief Fund for Covid-19 relief

III. The Company does not carry any provisions for Corporate Social Responsibility expenses for the reporting period and earlier periods.

## Note 31 (c): Research and development expenses\*

	March 31, 2020	March 31, 2019
Salaries, wages, bonus and other allowances	2,550	2,317
Contribution to provident and other funds	119	72
Contribution to ESI	8	9
Staff welfare expenses	32	31
Materials and stores consumed	426	326
Power and fuel	171	175
Repairs to buildings	34	41
Repairs to machinery	375	400
Repairs to other assets	28	24
Rates and taxes, excluding taxes on income	22	7
Printing and stationery	18	18
Communication expenses	1	1
Travelling and conveyance	3	-
Miscellaneous expenses	36	68
<b>Total Research and development expenses</b>	<b>3,823</b>	<b>3,489</b>

\* Research and development expenditure to the extent of Rs. 2,709 (2019: Rs. 2,429) is grouped under employee benefit expenses (consists of Salaries, wages, bonus and other allowances, contribution to provident and other funds, contribution to ESI and staff welfare expenses) and Rs.1,114(2019: Rs.1,060) is grouped under other expenses.

# Notes to the Consolidated Financial statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

## Note 32: Income tax expense

This note provides an analysis of the Group's income tax expense, showing the amounts that are recognised and how the tax expense is affected by non-assessable and non-deductible items. It also explains significant estimates made in relation to the group's tax positions.

### (a) Income Tax Expense

	March 31, 2020	March 31, 2019
<b>Current tax</b>		
Current tax on profits for the year	42,649	47,614
Adjustments for current tax of prior periods	(3,370)	(63)
<b>Total current tax expense</b>	<b>39,279</b>	<b>47,551</b>
Decrease/ (Increase) in deferred tax assets	1,206	4
(Decrease)/ Increase in deferred tax liabilities	3,807	2,678
<b>Total Deferred tax expense/(benefit)</b>	<b>5,013</b>	<b>2,682</b>
Income tax expense recognised in statement of profit and loss	44,292	50,233
Income tax expense / (benefit) recognised in other comprehensive income	(159)	-
Deferred tax expense / (benefit) recognised in other comprehensive income.	62	36
<b>Total Income tax expense</b>	<b>44,195</b>	<b>50,269</b>

Entire deferred tax for the year ended March 31, 2020 and March 31, 2019 relates to origination and reversal of temporary differences.

### (b) Significant estimates (tax calculation note)

In calculating the tax expense for the current period, the Group has treated certain expenditures as deductible and non-deductible based on prior year completed assessments for tax purposes and has considered any uncertain tax positions while estimating the tax expense. The Company benefits from the tax holiday available for units set up under the Special Economic Zone Act, 2005. These tax holidays are available for a period of fifteen years from the date of commencement of operations. Under the SEZ scheme, the unit which begins production of Goods/services on or after April 1, 2005 will be eligible for deductions of 100% of profits or gains derived from export of Goods/services for the first five years, 50% of such profits or gains for a further period of five years and 50% of such profits or gains for the balance period of five years subject to creation of Special Economic Zone Re-investment reserve out of profit of eligible SEZ Units and utilisation of such reserve by the company for acquiring new plant and machinery for the purpose of its business as per the provisions of the Income Tax Act, 1961.

### (c) Reconciliation of tax expense and the accounting profit multiplied by India's tax rate:

	March 31, 2020	March 31, 2019
Profit from operations before income tax expenses	1,81,946	1,85,507
Tax at the Indian tax rate of 34.944% ( March 31, 2019: 34.944%)	<b>63,579</b>	<b>64,824</b>
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Expenses not deductible for tax purpose	1,283	1,708
Income not considered for tax purpose	(16,237)	(15,434)
Difference in Overseas tax rates	(230)	(339)
Impact on account of differential tax rates	(399)	(277)
Impact due to changes in the tax rate from previous year	(268)	192
Adjustments for current tax of prior periods	(3,370)	(63)
Others	(163)	(342)
<b>Income tax expenses</b>	<b>44,195</b>	<b>50,269</b>

The applicable Indian corporate statutory tax rate for the year ended March 31, 2020 and March 31, 2019 is 34.944%.



# Notes to the Consolidated Financial statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

## Note 35: Financial Risk Management

The group's activities expose it to market risk, price risk, liquidity risk and credit risk. The group emphasizes on risk management and has an enterprise wide approach to risk management. The group's risk management and control procedures involve prioritization and continuing assessment of these risks and devise appropriate controls, evaluating and reviewing the control mechanism.

### (A) Credit Risk:

#### Credit risk management

- I. Credit risk on cash and cash equivalents and investments is limited as the group generally invests in deposits and mutual funds with nationalised banks, thereby minimising its risk.
- II. Credit risk on security deposits, investments and trade receivables are evaluated as follows:

#### Expected credit loss for security deposits and loans:

Category	Basis for recognition of expected credit loss provision	Asset Group
Financial assets for which credit risk has not increased significantly since initial recognition	" - Loss allowance measured at 12 month expected credit losses"	"Security Deposits Loans to employees Other Non-Current Financial assets Other Current Financial assets"

#### Expected credit loss for security deposits and loans:

Asset Group	March 31, 2020			March 31, 2019		
	Gross carrying amount at default	Expected credit loss	Carrying amount net of provision	Gross carrying amount at default	Expected credit loss	Carrying amount net of provision
Security Deposits	3,532	-	3,532	3,404	-	3,404
Loans to employees	9	-	9	11	-	11
Other Current Financial assets	389	-	389	135	-	135

Credit risk is the risk of financial loss to the Company if a customer to a financial instrument fails to meet its contractual obligations and arises primarily from trade receivables, treasury operations etc. Credit risk of the Company is managed at the Company level. In the area of treasury operations, the Company is presently exposed to risk relating to investment in mutual funds. The Company regularly monitors such investments and all the investments in mutual funds are held with SBI Mutual Funds through a funds management company in which SBI holds majority of shareholding thereby minimises the risk.

The credit risk related to trade receivables is influenced mainly by the individual characteristics of each customer. The credit risk is managed by the company by establishing credit limits and continuously monitoring the credit worthiness of the customer. The Company also provides for expected credit losses based on the past experience where it believes that there is high probability of default. In general, all trade receivables greater than 180 days are reviewed and provided for by analysing individual receivables. The Company has considered possible effect from the pandemic relating to Covid-19 on Credit risks including forward looking information to develop expected credit losses.





# Notes to the Consolidated Financial statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

## (i) Foreign currency risk exposure:

Currency	March 31, 2020		March 31, 2019	
	Amount in Foreign Currency	Amount in rupees	Amount in Foreign Currency	Amount in rupees
Receivables				
USD	1,260	94,988	1,136	78,600
GBP	163	15,199	154	13,923
EUR	49	4,055	13	1,011
ACU	1	66	6	399
CHF	-	-	3	193
Payable to suppliers and services				
USD	(357)	(26,919)	(347)	(24,036)
GBP	(2)	(150)	(3)	(246)
EUR	(14)	(1,185)	(5)	(396)
CHF	(1)	(43)	-	-
JPY	-	-	(241)	(150)
CAD	-	-	-*	-*
<b>Net Foreign currency exposure Asset/(Liability)</b>		<b>86,011</b>		<b>69,298</b>

## Impact on profit after tax (Income) / Expense

	March 31, 2020	March 31, 2019
<b>USD Sensitivity:</b>		
INR/USD -Increase by 1%	(443)	(355)
INR/USD -Decrease by 1%	443	355
<b>GBP Sensitivity:</b>		
INR/GBP -Increase by 1%	(98)	(89)
INR/GBP -Decrease by 1%	98	89
<b>EUR Sensitivity:</b>		
INR/EUR -Increase by 1%	(19)	(4)
INR/EUR -Decrease by 1%	19	4
<b>ACU Sensitivity:</b>		
INR/ACU -Increase by 1%	(0)	(3)
INR/ACU -Decrease by 1%	0	3
<b>CHF Sensitivity:</b>		
INR/CHF -Increase by 1%	-	(1)
INR/CHF -Decrease by 1%	-	1
<b>JPY Sensitivity:</b>		
INR/JPY -Increase by 1%	-	1
INR/JPY -Decrease by 1%	-	(1)

\* Amount is below the rounding off norm adopted by the group.

## Impact on profit after tax (Income) / Expense

	March 31, 2020	March 31, 2019
<b>Short term Borrowing:</b>		
Interest rate-increase by 100 basis points	22	69
Interest rate-Decrease by 100 basis points	(22)	(69)
<b>Fixed Deposits:</b>		
Interest rate-increase by 100 basis points	(51)	(66)
Interest rate-Decrease by 100 basis points	51	66

# Notes to the Consolidated Financial statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

## (C) Price Risk:

The company is exposed to risk from investments in mutual funds. The company has invested in quoted debt mutual funds with SBI Mutual Fund. The Company is very cautious in their investment decisions and takes a conservative approach of investing in funds with minimal risk. The table below summarises the impact of increase/(decrease) in the Net Asset Value (NAV) of these investments

The analysis is based on the assumption that the NAV has (increased)/decreased by 1% with all other variables held constant.

	Impact on profit after tax (Income) / Expense	
	March 31, 2020	March 31, 2019
<b>SBI-Magnum low duration fund (Daily dividend plan)</b>		
-Increase in NAV by 1%	-	(1,398)
-Decrease in NAV by 1%	-	1,398
<b>SBI Magnum Ultra Short Duration Fund - Direct Growth</b>		
-Increase in NAV by 1%	(971)	(547)
-Decrease in NAV by 1%	971	547

## (D) Liquidity Risk:

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding to meet obligations when due and to close out market positions. Group's treasury maintains flexibility in funding by maintaining availability under deposits in banks, adequate limits in the current accounts etc.

### (i) Contractual Maturities of financial liabilities:

	March 31, 2020		
	Less than 12 months	Greater than 12 months	Total
Current Borrowings	3,363	-	3,363
Trade payables	59,072	-	59,072
Other financial liabilities	10,557	-	10,557
<b>Total</b>	<b>72,992</b>	<b>-</b>	<b>72,992</b>

	March 31, 2019		
	Less than 12 months	Greater than 12 months	Total
Current Borrowings	10,560	-	10,560
Trade payables	49,226	-	49,226
Other financial liabilities	6,289	-	6,289
<b>Total</b>	<b>66,075</b>	<b>-</b>	<b>66,075</b>

# Notes to the Consolidated Financial statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

## Note 36: Capital Management

(a) The group's financial strategy aims to provide adequate capital for its growth plans for sustained stakeholder value. The group's objective is to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. And depending on the financial market scenario, nature of the funding requirements and cost of such funding, the group decides the optimum capital structure. The group aims at maintaining a strong capital base so as to maintain adequate supply of funds towards future growth plans as a going concern.

### Net debt to Equity ratio

	March 31, 2020	March 31, 2019
Net debt	3,363	10,560
Total Equity	7,30,992	6,95,715
Net debt to Equity ratio	0.005	0.015

### (b) Dividends:

Dividend paid on Equity shares:

	March 31, 2020	March 31, 2019
<b>Dividends paid:</b>		
Final Dividend	42,475	26,547
Dividend Tax on final Dividend	8,731	5,457
Interim Dividend for 2019-20	42,475	-
Dividend Tax on Interim Dividend	8,731	-

Proposed Final dividend not recognised at the end of the reporting period:

	March 31, 2020	March 31, 2019
On Equity Shares of Rs 2 each		
Dividend proposed	-	42,475
Dividend Tax	-	8,731
Dividend per equity share	-	16

Note: The Interim Dividend paid during 2019-20 is proposed and recommended as Dividend for the year ended March 31, 2020 for the approval of shareholders in the ensuing Annual General Meeting.

## Note 37: Interest in Other Entities

The Company's subsidiaries as at March 31, 2020 are set out below. Unless otherwise stated, they have share capital consisting solely of equity shares that are held directly by the Company.

Name of the entity	Place of Business/ Country of incorporation	Ownership interest held by the Company		Ownership interest held by Non-Controlling interests		Principal activity
		March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019	
Divis Laboratories (USA) Inc	USA	100%	100%	0%	0%	Manufacturing and Trading of Nutraceutical Ingredients
Divi's Laboratories Europe AG	SWITZERLAND	100%	100%	0%	0%	Manufacturing and Trading of Nutraceutical Ingredients

# Notes to the Consolidated Financial statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

## Note 38: Segment Information

### Description of segments and principal activities

The Managing Director has been identified as being the Chief Operating Decision Maker(CODM). Operating segments are defined as components of an enterprise for which discrete financial information is available. This is evaluated regularly by the CODM, in deciding how to allocate resources and assessing the group's performance. The group is engaged in the manufacture of Active Pharmaceutical Ingredients (API's) and Intermediates and operates in a single operating segment.

The amount of revenue from operations by each country (based on where products and services are delivered) exceeding 10% of total revenue of a group and non-current assets broken down by location of the assets respectively are as follows:

	India		USA		Other Countries	
	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019	March 31, 2020	March 31, 2019
Revenue	78,396	70,510	99,309	95,293	3,61,737	328,823
Non-current Assets	381,057	280,403	356	27	202	26

The revenue from transactions with one external customer exceed 10% of the total revenue of the group for each of the year ended March 31, 2020 and March 31, 2019

## Note 39: Foreign Subsidiaries considered for Consolidation

Name of the entity	Place of Business/ Country of incorporation	March 31, 2020	March 31, 2019
Divis Laboratories (USA) Inc	USA	100%	100%
Divi's Laboratories Europe AG	SWITZERLAND	100%	100%

## Note 40: Related Party Transactions

### (a) Key Management personnel(KMP)

: Dr. Murali. K. Divi  
 : Mr. N.V. Ramana  
 : Mr. D. Madhusudana Rao  
 : Dr. Kiran S. Divi  
 : Mrs. Nilima Motaparti  
 : Mr. K. V. K. Seshavataram (Independent Director)  
 : Mr. R Ranga Rao ( Independent Director)  
 : Dr. G. Suresh Kumar (Independent Director)  
 : Dr. Ramesh B V Nimmagadda ( Independent Director)  
 : Dr. S Ganapaty ( Independent Director)  
 : Prof. Sunaina Singh (Independent Director)  
 : Mr K. V. Chowdary (w.e.f January 04, 2020) (Independent Director)

# Notes to the Consolidated Financial statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

<b>(b) Relative of Key Management personnel</b>	: Mrs. D. Swarna Latha
	: Mr. D. Babu Rajendra Prasad
	: Mr. D. Radha Krishna Rao
	: Mr. D. Sri Ramachandra Rao
	: Mrs. D. Raja Kumari
	: Mr. D. Satyasayee Babu
	: Mrs. A. Shanti Chandra
	: Mrs. N. Nirmala Kumari
	: Mrs. N. Chandrika Lakshmi
	: Mr. N.V.Anirudh
	: Mrs. N. Monisha
	: Mrs. Jhansi Lakshmi Pendyala
	: Mr. N. Prashanth
	: Mrs. L. Vijaya Lakshmi
<b>(c) Other related party</b>	: Divi's Laboratories Employees' Gratuity Trust.

## **(d) List of Related Parties over which Control / Significant Influence exists with whom the group has transactions :**

	Relationship
Divi's Properties Private Limited	Company In Which Key Management Personnel have Significant Influence
Divi's Biotech Private Limited	Company In Which Key Management Personnel have Significant Influence
Divi's Laboratories Employees' Gratuity Trust.	Post employment benefit plan of Divi's Laboratories Ltd*

\*Refer Note No. 18(ii) for information on transactions with post employment benefit plan mentioned above.

## **(e) Summary of Related Party transactions and balances:**

	March 31, 2020		March 31, 2019	
	Amount (Transactions)	Outstanding balance as at March 31, 2020	Amount (Transactions)	Outstanding balance as at March 31, 2019
(i) Managerial Remuneration and short term employee benefits to Key Management Personnel -refer 39(f) (i)	10,365	9,922	11,061	10,584
(ii) Remuneration and sitting fee to non-executive directors-refer 39(f) (i)	131	-	51	-
(iii) Dividend paid to Key Management Personnel -refer 39(f) (ii)	37,266	-	11,664	-
(iv) Dividend paid to Relatives of Key Management Personnel -refer 39(f) (iii )	4,865	-	1,538	-
(v) Salary and Allowances to Relatives of Key Management Personnel - Mr. Anirudh	13	1	13	1
(vi) Dividend paid to Company in which Key Management Personnel have Significant Influence - M/s Divi's Biotech Private Limited	2,560	-	800	-
(vii) Lease Rent to a Company in which Key Management Personnel have Significant Influence - M/s Divi's Properties Private Limited	883	-	775	-
(viii) Rent Deposit to a Company in which Key Management Personnel have Significant Influence - M/s Divi's Properties Private Limited	-	319	-	319





# Notes to the Consolidated Financial statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

## (g) Terms and Conditions

Transactions relating to dividends were on the same terms and conditions that applied to other stake holders.

## Note 41: Contingent Liabilities:

	March 31, 2020	March 31, 2019
On account of Letter of Credit and Guarantees issued by the bankers.	21,834	10,877
Claims against the Group not acknowledged as debts in respect of:		
(i) Disputed demands for excise duty, customs duty, sales tax and service tax for various periods	753	782
(ii) Income Tax in relation to expenses disallowed in various assessments	18	18

Note: (a) It is not practicable for the Group to estimate the timings of cash flows, if any, in respect of the above pending resolution of the respective proceedings.

Note: (b) Provident Fund

The Hon'ble Supreme court of India vide its judgment in February 2019 and subsequent review petition in August 2019 has ruled in respect of compensation for the purpose of provident fund contribution under the Employees Provident Fund and Miscellaneous Provisions Act, 1952. In the assessment of the management supported by legal advise, the aforesaid matter is not likely to have a significant impact and accordingly, no provision has been made in the financial statements. The company will continue to monitor and evaluate its position based on further developments on the matter.

## Note 42(a) : Commitments

	March 31, 2020	March 31, 2019
<b>Property, Plant and Equipment:</b>		
(i) Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances)	23,883	46,711
(ii) Capital commitment towards Special Economic Zone Re-investment Obligation	36,928	20,347
<b>Others:</b>		
(iii) On account of bonds and / or legal agreements executed with Central Excise/ Customs authorities/ SEZ Development Commissioners	38,967	24,400

## Note 42(b): Dues to micro and small enterprises

The Company has certain dues to Micro enterprises and Small enterprises (suppliers) registered under Micro, Small and Medium Enterprises Development Act, 2006 ('MSMED Act'). The disclosures pursuant to the said MSMED Act, to the extent the information is available with the company, are as follows.

	March 31, 2020	March 31, 2019
a (i) Principal amounts due to suppliers remaining unpaid as at the year-end	1174	-
a (ii) Interest due to suppliers remaining unpaid as at the year-end	-	-
b. Interest on payments beyond the appointed day paid to the suppliers during the year	-	-
c. Interest due and payable for the delay in making payment to suppliers during the year	-	-
d. Amount of interest accrued and remaining unpaid to suppliers at the end of the year	-	-
e. Amount of further interest remaining due and payable to suppliers in succeeding years	-	-



# Notes to the Consolidated Financial statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

## (d) Weighted average number of shares used as the denominator

	March 31, 2020	March 31, 2019
Weighted average number of equity shares used as the denominator in calculating basic earnings per share	26,54,68,580	26,54,68,580
Adjustments for calculation of diluted earnings per share:	-	-
<b>Weighted average number of equity shares used as the denominator in calculating diluted earnings per share</b>	<b>26,54,68,580</b>	<b>26,54,68,580</b>

## Note 45: Changes in Accounting Policies :

(i) Effective April 1, 2019 the group has adopted Ind AS 116. The Group has used modified retrospective approach for transition from Ind AS 17, "Leases". Based on the adoption of new standard, no reclassifications and adjustments were required in respect of previously existing lease contracts. The new accounting policies are disclosed in note 2.22.

The adoption of the new standard has resulted in recognition of Right-of-use assets and lease liabilities on transition date. Assets and liabilities arising from a lease are initially measured on a present value basis. Present value is computed using the incremental borrowing rates.

### Measurement of lease liabilities

	March 31, 2019
Operating lease commitments disclosed as at 31 March 2019	157
Discounted using the lessee's incremental borrowing rate at the date of initial application	-
(Less): short-term leases not recognised as a liability	4
(Less): low-value leases not recognised as a liability	153
<b>Lease liability recognised as at 1 April 2019</b>	<b>-</b>

## Note 46: Impact of Covid-19 Pandemic

The group considered the uncertainty relating to the COVID-19 pandemic in assessing the recoverability of its inventories, receivables and investments. As the group is into essential manufacturing service which is exempt from lockdown restrictions, there has been minimal impact in its operations and its supply chain. In this regard, the group has considered internal and external information while finalizing various estimates in relation to its financial statements upto the date of approval by the Board of Directors and has not identified any material impact on the carrying value of assets, liabilities or provisions. As the outbreak continues to evolve, the group will continue to closely monitor any material changes to future economic conditions

## Note 47: Previous year figures have been regrouped /reclassified to conform to current year classification.

The accompanying notes are an integral part of the Consolidated financial statements

### For Price Waterhouse Chartered Accountants LLP

Firm registration number: 012754N/N500016

#### Sunit Kumar Basu

Partner

Membership number: 55000

Place: Hyderabad

Date: 06-06-2020

For and on behalf of the Board of Directors of

### Divi's Laboratories Limited

#### Dr. Murali K. Divi

Managing Director

DIN: 00005040

#### N.V. Ramana

Executive Director

DIN: 00005031

#### Dr. Kiran S. Divi

Whole-time Director &

Chief Executive Officer

DIN: 00006503

#### Nilima Motaparti

Whole-time Director

(Commercial)

DIN: 06388001

#### L. Kishore babu

Chief Financial Officer

#### M. Satish Choudhury

Company Secretary

Membership No:A30204

# Notice of Annual General Meeting

NOTICE is hereby given that the Thirtieth Annual General Meeting (AGM) of the Members of Divi's Laboratories Limited ('the Company') will be held on Monday, 14 September, 2020 at 10.00 a.m. IST through Video Conferencing ("VC") / Other Audio Visual Means ("OAVM") to transact the following business:

## ORDINARY BUSINESS:

### Item No. 1 – Adoption of financial statements

To consider and adopt the audited financial statements of the Company, both standalone and consolidated, for the financial year ended 31 March, 2020 and the reports of the Board of Directors and Auditors thereon.

### Item No. 2 - To confirm interim dividend paid during the financial year 2019-20

To confirm the interim dividend of ₹16/- per equity share paid during the year as dividend for the financial year 2019-20.

### Item No. 3 – Re-appointment of Mr. N.V. Ramana, retiring on rotation, as Director of the Company

To appoint a director in place of Mr. N.V. Ramana (DIN: 00005031), who retires by rotation at this Annual General

Meeting and being eligible, offers himself for re-appointment.

### Item No. 4 – Re-appointment of Mr. Madhusudana Rao Divi, retiring on rotation, as Director of the Company

To appoint a director in place of Mr. Madhusudana Rao Divi (DIN: 00063843), who retires by rotation at this Annual General Meeting and being eligible, offers himself for re-appointment.

By Order of the Board of Directors

**M. Satish Choudhury**

Company Secretary

Membership No. A30204

**Hyderabad**  
06 June, 2020

### Registered Office:

1-72/23(P)/DIVIS/303,  
Divi Towers, Cyber Hills,  
Gachibowli, Hyderabad – 500 032  
CIN: L24110TG1990PLC011854  
Website: www.divislabs.com  
e-mail: mail@divislabs.com  
Tel: +91 40 23786300  
Fax: +91 40 23786460

## NOTES

1. In view of the Covid-19 pandemic, the Ministry of Corporate Affairs ("MCA") has vide its circular dated May 5, 2020 read together with circulars dated April 8, 2020 and April 13, 2020 (collectively referred to as "MCA Circulars") permitted convening the Annual General Meeting ("AGM" / "Meeting") through Video Conferencing ("VC") or Other Audio Visual Means ("OAVM"), without the physical presence of the members at a common venue. In accordance with the MCA Circulars, provisions of the Companies Act, 2013 ("the Act") and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations"), the 30th AGM of the Company is being held through VC / OAVM. The deemed venue for the AGM shall be the Registered Office of the Company.
2. Pursuant to the provisions of the Act, generally a member entitled to attend and vote at the AGM is entitled to appoint a proxy to attend and vote on a poll instead of himself/herself and the proxy need not be a member of the Company. Since this AGM is being held through VC / OAVM pursuant to the MCA Circulars, physical attendance of members has been dispensed with. Accordingly, the facility for appointment of proxies by the members will not be available for the AGM and hence the Proxy Form and Attendance Slip are not annexed to this Notice.
3. Since the AGM will be held through VC/ OAVM, the route map of the venue of the Meeting is not annexed hereto.
4. In terms of the provisions of Section 152 of the Act, Mr. N.V. Ramana and Mr. Madhusudana Rao Divi, Directors, retire by rotation at the AGM. Compensation, Nomination and Remuneration Committee and the Board of Directors of the Company commend their respective re-appointments. Details of Directors retiring by rotation /seeking appointment /re-appointment at this AGM are provided in the "Annexure" to the Notice.
5. The Register of Members and Share Transfer Books of the Company will remain closed from 08 September, 2020 to 14 September, 2020 (both days inclusive).
6. The Board of Directors of the Company declared interim dividend @ 800%, i.e. ₹16/- per share of ₹2/- each, for the financial year 2019-20 and the same was paid on 28 February, 2020.
7. Pursuant to the provisions of Section 124 of the Act, the unpaid or unclaimed dividend for the financial year 2012-13 is due to be transferred to the Investor Education and Protection Fund ("IEPF") established by the Central Government. Unclaimed dividend for the year(s) 2012-13, 2013-14, 2014-15, 2015-16 (interim dividend) 2016-17, 2017-18, 2018-19 and 2019-20 (interim dividend) are held in separate Bank accounts and shareholders who have not received the dividend/ encashed the warrants are advised to write to the Company or Registrar and Share Transfer Agents with complete details.

The Company has transferred the unpaid or unclaimed dividends declared up to financial years 2011- 12, from time to time, to the Investor Education and Protection Fund ("IEPF") established by the Central Government. Details of dividends so far transferred to the IEPF Authority are available on the website of IEPF Authority and the same can be accessed through the link: [www.iepf.gov.in](http://www.iepf.gov.in).

The details of the unpaid/ unclaimed amounts lying with the Company upto 31 March, 2019 is uploaded on the website of the IEPF Authority and can be accessed through the link: [www.iepf.gov.in](http://www.iepf.gov.in).

Pursuant to the applicable provisions of the Act read with Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 (as amended from time to time), equity shares in respect of which dividend has not been paid or claimed for seven consecutive years or more will be transferred to the demat account of IEPF Authority. The Company has already initiated necessary action for transfer of all shares in respect of which dividend has not been paid or claimed by members for seven consecutive years or more. Members are advised to visit the website of the Company [www.divislab.com](http://www.divislab.com) to ascertain the details of shares liable for transfer in the name of IEPF Authority.

Details of shares so far transferred to the IEPF Authority are available on the website of the Company [www.divislab.com](http://www.divislab.com) and the details have also been uploaded on the website of the IEPF Authority and can be accessed through the link: [www.iepf.gov.in](http://www.iepf.gov.in).

Members whose unclaimed dividend/ shares are transferred to the IEPF Authority can claim their unclaimed dividend and shares from the IEPF Authority by following the Refund Procedure as detailed on the website of IEPF Authority i.e. [www.iepf.gov.in](http://www.iepf.gov.in).

8. Members holding shares in physical form are requested to notify immediately any change in their address to the Company's RTA. Members holding shares in electronic form may intimate any such changes to their respective Depository Participants (DPs).
9. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) and bank account details of the members holding securities in physical form. Members holding shares in physical form have to compulsorily furnish the details to Registrar and Share Transfer Agent, KFin Technologies Private Limited ("KFinTech") / Company for registration / updation.

Non-Resident Indian members are requested to inform KFinTech / respective DPs, immediately of any change in their residential status on return to India for permanent settlement by submitting particulars of their bank account maintained in India with complete name, branch, account type, account number and address of the bank with pin code number, if not already furnished.

Members holding shares in electronic form are also requested to submit their PAN and bank details to their Depository Participants with whom they are maintaining their demat accounts.

10. SEBI has amended the SEBI Listing Regulations disallowing the listed companies from accepting requests for transfer of securities which are held in physical form, with effect from 1 April, 2019. The Members who continue to hold shares in physical form even after this date, will not be able to lodge the securities with the Company / its RTA for transfer. They will need to convert them to demat form compulsorily if they wish to effect any transfer. Only the requests for transmission and transposition of securities in physical form, will be accepted by the Company / RTA. Further, the transfer deed(s) once lodged prior to 1 April, 2019 and returned due to deficiency in the document may be relogged for transfer even after 1 April, 2019.
11. Members holding shares in single name and physical form are advised to make nomination in respect of their shareholding in the Company. Shareholders desirous of making nominations are requested to send their requests to the Registrar and Share Transfer Agent, KFin Technologies Private Limited.
12. In compliance with the MCA Circulars and SEBI Circular dated May 12, 2020, Notice of the AGM along with the Annual Report 2019-20 is being sent only through electronic mode to those Members whose email addresses are registered with the Company/ Depositories. Members may note that the Notice and Annual Report 2019-20 will also be available on the Company's website [www.divislab.com](http://www.divislab.com), websites of the Stock Exchanges, i.e., BSE Limited and National Stock Exchange of India Limited at [www.bseindia.com](http://www.bseindia.com) and [www.nseindia.com](http://www.nseindia.com) respectively, and on the website of Company's Registrar and Transfer Agent, KFin Technologies Private Limited ("KFinTech") at <https://evoting.karvy.com>
13. For receiving all communication (including Annual Report) from the Company electronically:
  - a) Members holding shares in dematerialised mode are requested to register / update their email addresses with the relevant Depository Participant.
  - b) Members holding shares in physical mode and who have not registered / updated their email address with the Company are requested to register / update the same by writing to the Company's Registrar and Share Transfer Agent, KFinTech with details of folio number and attaching a self-attested copy of PAN card at [einward.ris@kfinetech.com](mailto:einward.ris@kfinetech.com) or to the Company at [cs@divislab.com](mailto:cs@divislab.com).
14. The Register of Directors and Key Managerial Personnel and their shareholding maintained under Section 170 of the Act, the Register of Contracts or Arrangements in which the directors are interested, maintained under Section 189 of the Act, and the relevant documents referred to in the Notice will be available electronically for inspection by the members



during the AGM. All documents referred to in the Notice will also be available electronically for inspection without any fee by the members from the date of circulation of this Notice up to the date of AGM. Members seeking to inspect such documents can send an email to [cs@divislab.com](mailto:cs@divislab.com).

#### **15. PROCEDURE FOR JOINING THE AGM THROUGH VC / OAVM:**

The Company will provide VC / OAVM facility to its Members for participating at the AGM through platform provided by M/s KFin Technologies Private Limited.

- a) Members will be able to attend the AGM through VC / OAVM or view the live webcast at <https://emeetings.kfintech.com> by using their e-voting login credentials.

Members are requested to follow the procedure given below:

- i. Launch internet browser (chrome/firefox/safari) by typing the URL: <https://emeetings.kfintech.com>
  - ii. Enter the login credentials (i.e., User ID and password for e-voting).
  - iii. After logging in, click on "Video Conference" option
  - iv. Then click on 'camera' icon appearing against AGM event of Divi's Laboratories Limited, to attend the Meeting.
- b) Members who do not have User ID and Password for e-voting or have forgotten the User ID and Password may retrieve the same by following the procedure given in the E-voting instructions.
- c) Members are encouraged to join the Meeting through Laptops with Google Chrome for better experience.
- d) Further Members will be required to allow Camera, if any, and hence use Internet with a good speed to avoid any disturbance during the meeting.

Please note that Participants Connecting from Mobile Devices or Tablets or through Laptop connecting via Mobile Hotspot may experience Audio/Video loss due to Fluctuation in their respective network. It is therefore recommended to use Stable Wi-Fi or LAN Connection to mitigate any kind of aforesaid glitches.

- e) Members who would like to express their views or ask questions during the AGM may register themselves by logging on to <https://emeetings.kfintech.com> and clicking on the 'Speaker Registration' option available on the screen after log in. The Speaker Registration will be open during Tuesday, 08 September, 2020 (9.00 a.m. IST) to Wednesday, 09 September, 2020 (5.00 p.m. IST). Only those members who are registered will be allowed to express their views or ask questions. The Company reserves the right to restrict the number of questions and number of speakers, depending upon availability of time as appropriate for smooth conduct of the AGM.

- f) Members will be allowed to attend the AGM through VC / OAVM on first come, first served basis.
- g) The Members can join the AGM 15 minutes before and after the scheduled time of the commencement of the Meeting by following the procedure mentioned in the Notice.
- h) Upto 1000 members will be able to join on a first come first served basis to the AGM.
- i) Members who need assistance before or during the AGM, can contact KFinTech on [emeetings@kfintech.com](mailto:emeetings@kfintech.com) or call on toll free numbers 1800-345-4001. Kindly quote your name, DP ID-Client ID / Folio no. and E-voting Event Number in all your communications.
- j) 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 at the AGM.
- k) No restrictions is applicable for joining into the AGM in respect of large Members (Members holding 2% or more shareholding), Promoters, Institutional Investors, Directors, Key Managerial Personnel, the Chairpersons of the Audit Committee, Compensation, Nomination and Remuneration Committee and Stakeholders Relationship Committee, Auditors etc.
- l) Members attending the AGM through VC / OAVM shall be reckoned for the purpose of quorum under Section 103 of the Act.
- m) Members of the Company under the category of Institutional Investors are encouraged to attend and vote at the AGM.

#### **16. PROCEDURE FOR REMOTE E-VOTING AND E-VOTING AT THE AGM:**

Pursuant to the provisions of Section 108 and other applicable provisions, if any, of the Companies Act, 2013 read with the Companies (Management and Administration) Rules, 2014, as amended, and Regulation 44 of SEBI Listing Regulations, the Company is providing to its members facility to exercise their right to vote on resolutions proposed to be passed at AGM by electronic means ("e-voting"). Members may cast their votes remotely, using an electronic voting system on the dates mentioned herein below ("remote e-voting").

Further, the facility for voting through electronic voting system will also be made available at the AGM ("Insta Poll") and members attending the AGM who have not cast their vote(s) by remote e-voting will be able to vote at the Meeting through Insta Poll.

The Company has engaged the services of KFinTech as the agency to provide e-voting facility.

The manner of voting remotely by members holding shares in dematerialized mode, physical mode and for members who have not registered their email addresses is provided in the instructions given below.

The remote e-voting facility will be available during the following voting period:

Commencement of remote e-voting:	9:00 a.m. (IST) on Thursday, 10 September, 2020
End of remote e-voting:	5:00 p.m. (IST) on Sunday, 13 September, 2020

The remote e-voting will not be allowed beyond the aforesaid date and time and the remote e-voting module shall be forthwith disabled by KFinTech upon expiry of the aforesaid period.

Voting rights of a member /beneficial owner (in case of electronic shareholding) shall be in proportion to his share in the paid-up equity share capital of the Company as on the cut-off date, i.e., Monday, 07 September, 2020.

The Board of Directors of the Company has appointed Mr. V Bhaskara Rao, Practicing Company Secretary, as Scrutiniser to scrutinise the remote e-voting and Insta Poll process in a fair and transparent manner and they have communicated their willingness to be appointed and will be available for the said purpose.

## Information and instructions relating to e-voting are as under:

- i. The members who have cast their vote(s) by remote e-voting may also attend the Meeting but shall not be entitled to cast their vote(s) again at the Meeting. Once the vote on a resolution is cast by a member, whether partially or otherwise, the member shall not be allowed to change it subsequently or cast the vote again.
- ii. A member can opt for only single mode of voting per EVEN, i.e., through remote e-voting or voting at the Meeting (Insta Poll). If a member casts vote(s) by both modes, then voting done through remote e-voting shall prevail and vote(s) cast at the Meeting shall be treated as "INVALID".
- iii. A person, whose name is recorded in the register of members or in the register of beneficial owners maintained by the depositories as on the cut-off date, i.e., Monday, 07 September, 2020 only shall be entitled to avail the facility of remote e-voting or for participation at the AGM and voting through Insta Poll. A person who is not a member as on the cutoff date, should treat the Notice for information purpose only.
- iv. Any person who becomes a member of the Company after dispatch of the Notice of the Meeting and holding shares as on the cut-off date may obtain the User ID and password from KFinTech in the manner as mentioned below:
  - a) If the mobile number of the Member is registered against Folio No./DP ID Client ID, the Member may send SMS: MYEPWD <space> E-Voting Event Number + Folio No. or DP ID Client ID to 9212993399

Example for NSDL - MYEPWD <SPACE> IN12345612345678

Example for CDSL - MYEPWD <SPACE> 1402345612345678

Example for Physical- MYEPWD <SPACE> XXXX1234567890

- b) If e-mail address or mobile number of the Member is registered against Folio No./DP ID Client ID, then on the home page of <https://evoting.karvy.com> the Member may click "Forgot Password" and enter Folio No. or DP ID Client ID and PAN to generate a password.
  - c) Member may call KFinTech toll free number 1800-3454-001 for any assistance.
  - d) Member may send an e-mail request to [evoting@kfintech.com](mailto:evoting@kfintech.com).
- If the member is already registered with KFinTech's e-voting platform, then he/she can use his/her existing password for logging in.
- v. The Company has opted to provide the same electronic voting system at the Meeting, as used during remote e-voting, and the said facility shall be operational till all the resolutions proposed in the Notice are considered and voted upon at the Meeting and may be used for voting only by the members holding shares as on the cut-off date who are attending the Meeting and who have not already cast their vote(s) through remote e-voting.

### vi. Information and instructions for remote e-voting:

#### I (A) In case a member receives an e-mail from the Company / KFinTech [for members whose e-mail addresses are registered with the Company / Depository Participant(s)]:

- i. Launch internet browser by typing the URL: <https://evoting.karvy.com>
- ii. Enter the login credentials (User ID and password given in the e-mail). The E-Voting Event Number+Folio No. or DP ID Client ID will be your User ID. However, if you are already registered with KFinTech for e-voting, you can use the existing password for logging in. If required, please visit <https://evoting.karvy.com> or contact toll-free number 1800-345-4001 (from 9:00 a.m. to 6:00 p.m.) for your existing password.
- iii. After entering these details appropriately, click on "LOGIN".
- iv. You will now reach Password Change Menu wherein you are required to mandatorily change your password upon logging-in for the first time. The new password shall comprise minimum 8 characters with at least one upper case (A-Z), one lower case (a-z), one numeric (0-9) and a special character (@, #, \$, etc.). The system will prompt you to change your password and update your contact details like mobile number, e-mail address, etc. on first login. You may also enter a secret question and answer of your choice to

retrieve your password in case you forget it. **It is strongly recommended that you do not share your password with any other person and that you take utmost care to keep your password confidential.**

- v. You need to login again with the new credentials.
- vi. On successful login, the system will prompt you to select the E-Voting Event Number (EVEN) for Divi's Laboratories Limited. Shareholders to select the respective EVENS and vote depending upon their shareholding.
- vii. On the voting page, enter the number of shares as on the cut-off date under either "FOR" or "AGAINST" or alternatively, you may partially enter any number under "FOR" / "AGAINST", but the total number under "FOR" / "AGAINST" taken together should not exceed your total shareholding as on the cut-off date. You may also choose to "ABSTAIN" and vote will not be counted under either head.
- viii. Members holding shares under multiple folios / demat accounts shall choose the voting process separately for each of the folios / demat accounts.
- ix. Voting has to be done for each item of the Notice separately. In case you do not desire to cast your vote on any specific item, it will be treated as "ABSTAINED".
- x. You may then cast your vote by selecting an appropriate option and click on "SUBMIT".
- xi. A confirmation box will be displayed. Click "OK" to confirm, else "CANCEL" to modify.
- xii. Once you confirm, you will not be allowed to modify your vote.
- xiii. Corporate / Institutional Members (i.e., other than Individuals, HUFs, NRIs, etc.) are also required to send legible scanned certified true copy (in PDF Format) of the Board Resolution / Power of Attorney / Authority Letter, etc., together with attested specimen signature(s) of the duly authorized representative(s), to the Scrutiniser at e-mail id: bhaskararaoandco@gmail.com with a copy marked to evoting@kfinetech.com. It is also requested to upload the same in the e-voting module in their login. The naming format of the aforesaid legible scanned document shall be "Corporate Name EVENT NO."

**I (B) In case of a member whose e-mail address is not registered / updated with the Company / KFinTech / Depository Participant(s), please follow the following steps to generate your login credentials:**

- a) Members holding shares in physical mode and who have not registered / updated their email address with the Company are requested to register / update the same by writing to the Company's Registrar and Share Transfer Agents, KFinTech with details of folio number and attaching a self-attested copy of PAN card at einward.ris@kfinetech.com or to the Company at cs@divisilabs.com.

- b) Members holding shares in dematerialised mode who have not registered their e-mail addresses with their Depository Participant(s) are requested to register / update their email addresses with the Depository Participant(s) with whom they maintain their demat accounts.

- c) After due verification, the KFinTech will forward your login credentials to your registered email address.
- d) Follow the instructions at I (A). (a) to (m) to cast your vote.

- II. You can also update your mobile number and e-mail id in the user profile details of the folio which may be used for sending further communication(s).

- III. Once the vote on a resolution is cast by a member, whether partially or otherwise, the member shall not be allowed to change it subsequently or cast the vote again.

- IV. In case of any query pertaining to e-voting, members may refer to the "Help" and "FAQs" sections / E-voting user manual available through a dropdown menu in the "Downloads" section of KFinTech's website for e-voting: <https://evoting.karvy.com> or contact KFinTech as per the details given under sub-point no. V below.

- V. Members are requested to note the following contact details for addressing e-voting grievances:  
Mr. P Nageswara Rao, Manager  
KFin Technologies Private Limited  
Selenium Tower B, Plot 31-32,  
Gachibowli, Financial District,  
Nanakramguda, Hyderabad 500 032  
Phone No.: +91 40 67161526  
Toll-free No.: 1800-345-4001  
E-mail: nageswara.raop@kfinetech.com

**vii. Information and instructions for Insta Poll:**

Facility to cast vote through Insta Poll will be made available on the Video Conferencing screen and will be activated once the Insta Poll is announced at the Meeting.

- viii. The Scrutiniser will, after the conclusion of e-voting at the Meeting, scrutinise the votes cast at the Meeting (Insta Poll) and votes cast through remote e-voting, make a consolidated Scrutiniser's Report and submit the same to the Chairman. The result of e-voting will be declared within forty-eight hours of the conclusion of the Meeting and the same, along with the consolidated Scrutiniser's Report, will be placed on the website of the Company: [www.divisilabs.com](http://www.divisilabs.com) and on the website of KFinTech at: <https://evoting.karvy.com>. The result will simultaneously be communicated to the stock exchanges.
- ix. Subject to receipt of requisite number of votes, the Resolutions proposed in the Notice shall be deemed to be passed on the date of the Meeting, i.e., Monday, 14 September, 2020.

# ANNEXURE

## Details of Directors seeking appointment/re-appointment at the AGM as required under Regulation 36(3) of SEBI Listing Regulations, and the Secretarial Standard on General Meetings issued by the Institute of Company Secretaries of India:

### Item No. 3

Mr. N.V. Ramana has been the Executive Director of Divi's Laboratories Limited for the past 27 years.

He is a graduate in chemistry from Osmania University, India. He is also a Member of the American Chemical Society.

Mr. Ramana oversees functions relating to strategic planning, marketing, custom manufacturing, contract research of active pharma ingredients as also the nutraceutical business. He was instrumental in developing the nutraceutical business from conceptualisation, design, engineering, automation, development of products to suit end user requirements and developing marketing set up, managing subsidiaries and growth of business.

Prior to joining Divi's, Mr. Ramana had over 10 years of experience in the diverse international businesses, a substantial part of which is in the pharmaceutical industry; and was engaged in market research for active pharma ingredients, developing marketing strategies for API business and enhancing business for several pharma companies.

**Age:** 62 years

**Nature of his expertise in specific functional areas:** Strategic planning, marketing, custom manufacturing, contract research of active pharma ingredients as also the nutraceutical business.

**Disclosure of relationships between directors inter-se:** Mr. N.V. Ramana is not related to any of the directors of the Company.

**Directorships held in other companies:** Nil

**Memberships/ Chairmanships of Committees in other companies:**

He is neither a Member nor Chairman of Committees of other Companies.

**Shareholding in the Company:**

He holds 3,23,078 equity shares of the Company.

For details such as number of meetings of the Board attended during the year and remuneration drawn, please refer to the Board's Report and the Corporate Governance Report.

Except Mr. N.V. Ramana and his relatives to the extent of their shareholding interest, if any, none of the Directors or Key Managerial Personnel of the Company is in any way, concerned or interested in the resolution. The Board commends the Resolution at Item No. 3 for approval by the members.

### Item No. 4

Mr. Madhusudana Rao Divi is a post-graduate in Structural Engineering from Mysore University. He worked with M/s. Howe India and M/s. Towell Construction Company and executed several offshore construction works, Defence and Civil construction works in India, Saudi Arabia, Iraq and Kuwait. Between 1990-1996, he was Executive Director of Sadah General Trading & Contracting Co., Kuwait and implemented several offshore and on-shore construction projects.

Mr. Madhusudana Rao Divi joined as a Director of Divi's Laboratories Limited in the year 1994 and has been a Whole-time Director since 01 July, 1997. He looks after Project Implementation, Production Planning, Environment Management, Health and Safety, Plant Up-gradation to comply with regulatory requirements.

Mr. Madhusudana Rao Divi is related to Dr. Murali K. Divi, Managing Director of the Company.



**Age:** 75 years

**Nature of his expertise in specific functional areas:** Project implementations production planning, environment management and regulatory affairs.

**Directorships held in other companies:** Nil

**Memberships/ Chairmanships of Committees in other companies:**

He is neither a Member nor Chairman of Committees of other Companies.

**Shareholding in the Company:**

He holds 3,72,760 equity shares of the Company.

For details such as number of meetings of the Board attended during the year and remuneration drawn, please refer to the Board's Report and the Corporate Governance Report.

Dr. Murali K. Divi, Managing Director being related to Mr. Madhusudana Rao Divi is deemed to be interested in the resolution. The relatives of Mr. Madhusudana Rao Divi may also be deemed to be interested in the resolution to the extent of their shareholding interest, if any, in the Company. Save and except the above, none of the other Directors / Key Managerial Personnel of the Company / their relatives is in any way, concerned or interested, financially or otherwise, in the resolution. The Board commends the Resolution at Item No. 4 for approval by the members.

**By Order of the Board of Directors**

**M. Satish Choudhury**

Company Secretary

Membership No. A30204

Place: Hyderabad

Date: June 06, 2020

**Registered Office:**

1-72/23(P)/DIVIS/303,

Divi Towers, Cyber Hills,

Gachibowli, Hyderabad – 500 032

CIN: L24110TG1990PLC011854

Website: [www.divislabs.com](http://www.divislabs.com)

e-mail: [mail@divislabs.com](mailto:mail@divislabs.com)

Tel: +91 40 23786300

Fax: +91 40 23786460







***Divi's Laboratories Limited***

**Registered office:**

Divi Towers, 1-72/23(P)/DIVIS/303,  
Cyber Hills, Gachibowli, Hyderabad - 500 032, Telangana, India  
Phone : 040 - 2378 6300, Fax : 040 - 2378 6460,  
E-mail : [mail@divislabs.com](mailto:mail@divislabs.com), [www.divislabs.com](http://www.divislabs.com)