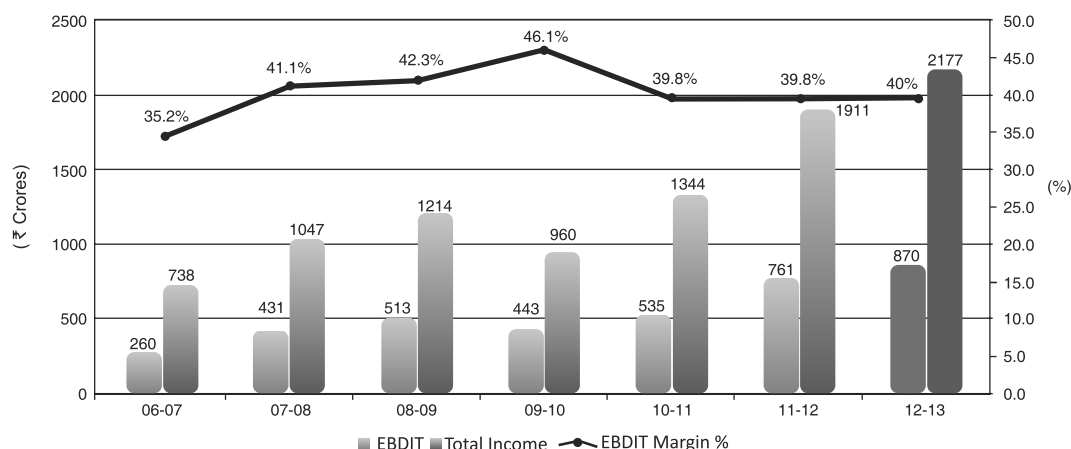


Performance Highlights

(₹ Lakhs)

Turnover and Profit	2008-09	2009-10	2010-11	2011-12	2012-13
Sales	119056	92929	130544	183949	212395
Sales Growth %	15%	(22%)	41%	41%	15%
Other Income	2301	3069	3860	7120	5345
Total Income	121357	95998	134404	191069	217740
Total Income Growth %	16%	(21%)	40%	42%	14%
Profit before Interest, Depreciation and Tax (PBDIT)	51339	44255	53459	76063	87026
Finance Charges	723	276	219	374	178
Depreciation	4782	5145	5335	6203	7690
Profit Before Tax (PBT)	45834	38834	47905	69486	79158
PBT Growth %	19%	(15%)	23%	45%	14%
Provision for Taxation	3389	4414	4348	14889	18016
Profit After Tax (PAT)	42446	34420	43557	54597	61142
PAT Growth %	20%	(19%)	27%	25%	12%
Dividend, Share Capital and Capital Employed					
Dividend	300%	300%	500%	650%	750%
Dividend (and tax thereon) payout	4558	9246	15411	20055	23294
Dividend payout %	10.7%	26.9%	35.4%	36.7%	38.1%
Equity Share Capital	1295	2643	2652	2655	2655
Reserves & Surplus	124884	151565	180153	214825	252673
Networth	126179	154208	182805	217480	255328
Networth growth %	44%	22%	19%	19%	17%
Gross Fixed Assets	78249	83265	88534	109163	133788
Net Fixed Asset	58967	58967	58973	73819	90850
Total Assets	136299	162683	190600	280297	319591
Key Financial Indicators					
Earnings per share (face value of ₹ 2/-each) ₹	65.59	26.40*	32.90	41.15	46.06
Cash Earnings Per Share (face value of ₹ 2/-each) ₹	72.98	29.94*	36.93	45.83	51.86
Gross Turnover Per share (face value of ₹ 2/-each) ₹	187.40	72.65*	101.51	144.01	164.04
Book Value per share (face value of ₹ 2/-each) ₹	194.85	116.70*	138.06	163.92	192.36
Total Debt to Equity	0.04	0.02	0.01	0.02	0.01
EBDIT / Gross Turnover %	42%	46%	40%	40%	40%
Net Profit Margin on sales %	35%	37%	33%	30%	29%
Return On Networth %	34%	22%	24%	25%	24%

* Post Bonus Issue



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Corporate Information

Registered Office :

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

Manufacturing Facilities :

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

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

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

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

R&D Centres :

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

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

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

Subsidiaries :

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

Divi's Laboratories Europe AG
Basel, Switzerland.

Chief Financial Officer :

L. KISHORE BABU

Company Secretary :

P. V. LAKSHMI RAJANI

Registrar & Share Transfer Agent :

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

Auditors :

Statutory Auditor :

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

Cost Auditor :

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

Bankers :

State Bank of Hyderabad

State Bank of India

The Lakshmi Vilas Bank Limited

Bank of Nova Scotia

Shares listed at :

National Stock Exchange of
India Limited

BSE Limited

Management Discussion And Analysis

Economy

The continuing global economic crisis is adding another layer of complexity to an already challenging market environment. India's economic growth began slowing because of a tight monetary policy, intended to address persistent inflation, and a decline in investment caused by investor pessimism about domestic economic reforms and the global situation. To achieve the level of strong economic performance of recent past, the country will require continuing effort to widen the ambit of economic reform, and difficult decisions will have to be taken to deal with the emerging challenges within India and worldwide.

Industry Outlook

Pharmaceutical market research firm, IMS Health forecast that the global spending on medicines annually will grow from about \$956 bn in 2011 to nearly \$1.2 trillion by the year 2016, as the pharmerging markets, biologics and generics contribute a greater share of spending. Developed markets will decline to 57% of global spending due to patent expiries, slower brand spending growth and increased cost containment actions by payers. In next five years, pharmerging markets share of spending will increase by 10% points to 30% of global spending.

IMS Health predicts that North and South America, Europe and Japan will continue to account for a full 85% of the Global pharma market well into the 21st century.

The generic drug market is gaining increasing ground over branded pharmaceuticals, with the FDA reporting that generics account for more than 70% of prescription drugs in the US, according to BCC Research report. The global generic drug market should grow at a CAGR of 15% over 5 years. While US market for generic drugs is forecast to show more than 10% CAGR, reaching \$54, Japan is likely to see over 12% growth to exceed \$9.5 billion in 2014.

With strong presence both within the patented and generic active ingredient segments, your company will continue to support its customers by offering cost competitive and faster delivery structure.

Company infrastructure

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

Unit I : The 1st Facility at village Lingojugudem, Choutuppal Mandal, Nalgonda district, about 60 KM from Hyderabad developed on a 500 acres site and comprises of 13 production buildings, a Pilot Plant and a kilo lab. The plant consists of around 342 reactors totaling a capacity of 1578 m³ supported with all utility and service units. The production buildings

have clearly defined finished product areas for APIs with clean air, purified water systems that operate under full cGMP as per US-FDA guidelines.

Export Oriented Unit : The 2nd Facility is at village Chippada, Bheemunipatnam Mandal, Visakhapatnam Dist. about 30 KM from the port city of Visakhapatnam on the east coast. The Unit has 8 production blocks with around 186 reactors totalling a capacity of 1539 m³ with all utility and service units.

SEZ Unit : The 3rd facility is at village Chippada, Bheemunipatnam Mandal, Visakhapatnam Dist. An area of 260 acres was approved and notified as Sector Specific Special Economic Zone in Pharma Sector with Divi's Laboratories Limited as a Developer and Divi's (SEZ) as a production unit. The Unit has 9 production blocks with around 299 reactors totaling a capacity of 2413 m³ with all required utility and infrastructure.

DSN SEZ Unit : The 4th facility is at Pharma SEZ at village Chippada, Bheemunipatnam Mandal, Visakhapatnam Dist. The Unit has 5 production blocks with around 205 reactors totaling a capacity of 2213 m³ with all required utility and infrastructure.

Research Centres : The company has 4 Research Centers with the well defined functional focus on custom synthesis, contract research for MNC companies as also future generics involving processes like route design, route selection, establishing gram scale process and structural confirmation, process optimization, impurity profile, pilot studies, pre-validation batches, validation of process and transfer of technology to Plant, review efficiency of processes and ongoing process.

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

Internal Control systems

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

We believe that the company's overall system of internal control is adequate given the size and nature of operations and effective implementation of internal control self assessment procedures and ensure compliance to policies, plans and statutory requirements. Effective internal control implies the organization generates reliable financial reporting and substantially complies with the laws and regulations that apply to it.

Divi encourages and recognizes improvements in work practices. The internal control system of the company is also reviewed by the Audit Committee periodically. The Management duly considers and takes appropriate action on the recommendations made by the statutory auditors, internal auditors and the independent Audit Committee. They assess whether the controls are properly designed, implemented and working effectively, and make recommendations on how to improve internal control.

Risks and Concerns

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

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

The company continues its initiatives aimed at assessment and avoidance of various risks affecting its business and towards cost control and efficiency across its businesses and functions, taking appropriate measures and reviewing them from time to time. The company's current and fixed assets as well as products are adequately insured against various risks. Over 77% of sales constitute supplies to regulated markets in Europe and USA and the company devotes significant importance to the regulatory compliances.

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

Regulatory Filings/Approvals

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

Divi has a total of 37 drug master files (DMFs) with US-FDA and 204 EDMFs and 16 CoS (Certificates of Suitability) with various European Union authorities. Divi has filed a total number of 8 patents for generic products.

Business distribution

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

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

Particulars	2012-13	2011-12
Exports	90%	89%
Imports (% of material consumption)	41%	39%
Largest Product	17%	19%
Top 5 Products	48%	51%
Top 5 Customers	45%	46%
Exports in \$ terms	79%	82%
Exports in Pounds	16%	14%
Exports in Euro	5%	4%

Performance and Operations Review

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

(Rs. in Crores)

Particulars	2012-13	2011-12	Growth%
Net Sales & Service Income	2123.95	1839.49	15%
Other operating income	4.94	5.44	
Other income	48.51	65.76	
Total Income	2177.40	1910.69	14%
Expenditure	1307.14	1150.06	
PBDIT	870.26	760.63	14%
Finance Cost	1.78	3.74	
Depreciation	76.90	62.03	
Profit before tax (PBT)	791.58	694.86	14%

Particulars	2012-13	2011-12	Growth%
Provision for tax			
Current Tax	153.00	132.83	
MAT Credit Utilisation	7.90	3.68	
Deferred Tax Liability	19.26	12.38	
Profit after tax (PAT)	611.42	545.97	12%
Earnings per Share (EPS) (Rs.)			
a) Basic & Diluted	46.06	41.15	

The company has achieved a sales growth of 15% for the year, on the back of a decent growth of 41% achieved during the last year.

Provision has been made for Rs. 160.90 crores towards Income-tax for the current year (including MAT credit utilization of Rs.7.90 crores). Provision for last year amounted to Rs.136.51 crores including a MAT credit utilization of Rs.3.68 crores. An amount of Rs. 19.26 crores has been provided towards Deferred Tax Liability during the year as against Rs. 12.38 crores during the previous year.

PAT for the year amounted to Rs.611.42 crores, reflecting a growth of 12%. Earnings Per Share of Rs.2/- each works out to Rs. 46.06 for the year as against Rs. 41.15 last year.

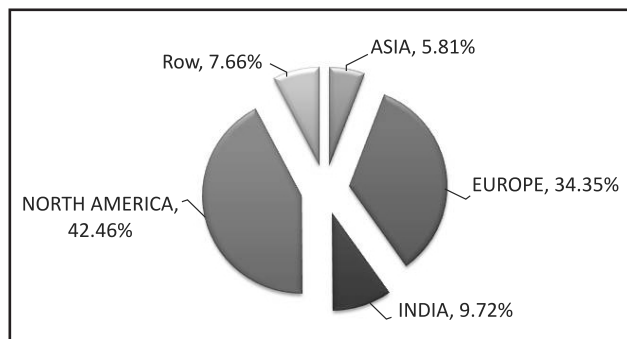
During the year, Divi has added 9 products to its product portfolio of which 3 are generic APIs and intermediates and 6 are custom synthesis APIs and intermediates.

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

Exports

Exports constituted around 90% of gross sales during the year as against 89% in the previous year. Exports to advanced markets comprising Europe and America accounted for 77% of business.

Region	2012-13		2011-12	
	Sales Rs. Crores	% Share	Sales Rs. Crores	% Share
Asia	122.19	5.81%	274.76	14.9%
Europe	722.10	34.35%	517.21	28.0%
India	204.31	9.72%	180.41	10.7%
America	892.55	42.46%	789.80	42.8%
Rest of the World	161.04	7.66%	67.47	3.6%
Total	2102.19	100.00%	1829.65	100.00%



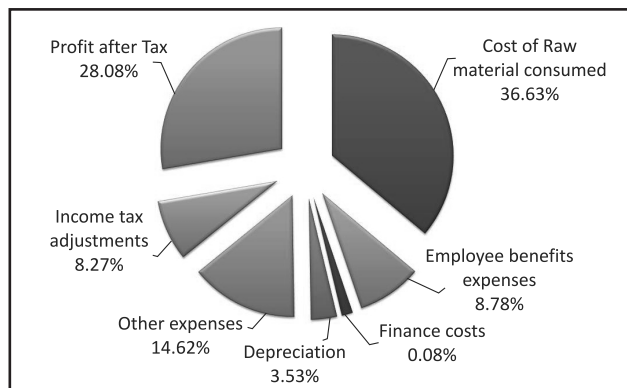
Other Income

While Other operating income comprises duty drawback credits and sale of waste materials from manufacturing process, Other Income (non-operating) comprises interest income, dividend income on investments, gain on foreign currency transactions and other miscellaneous income.

Other Operating Income for the year amounted to Rs.4.94 crores as against Rs. 5.44 crores in the previous year.

On Other income, we earned a dividend income of Rs.29.81 crores on our investments in liquid funds Income as against a dividend income of Rs. 35.52 crores during last year. We had a gain of Rs.15.16 crores for the year on foreign currency transactions as against a gain of Rs. 27.60 crores last year.

Distribution of Total Income



Material Costs

(Rs. in Crores)

Particulars	2012-13	2011-12
Material consumption	897.90	771.77
Changes in Inventories of finished goods, stock-in-trade and work-in-progress	(100.33)	(10.66)
Net Material Consumption	797.57	761.11
Net Sales	2123.95	1839.49
% of consumption to Sales	37.55%	41.38%

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

Material consumption net of increase/decrease in stocks is about 38% of sales during the year as compared to 41% during the last year, variation being the result of product mix as each product will have a different material consumption.

Employee Benefits Expense

Employee benefits expense represent salaries and benefits to employees and directors; as also managerial commission to Directors as approved by members.

Costs for the year have amounted to Rs.191.20 crores as against Rs.145.16 crores during the last year. Of this, remuneration to Directors including commission accounted to Rs.50.62 crores during the year as against Rs.43.94 crores last year.

Increase in salaries is on account of the induction of additional staff at the manufacturing facilities as well as pay revision of employees. We have added about 1700 employees during the year for the additional capacities created at the existing units as also the new DSN SEZ Unit.

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

Research and Development Expenses

R&D Expenses during the year amounted to Rs.24.00 crores as against Rs. 18.86 crores during the last year. Major components are Salaries and consumable stores.

Other Expenses

Power and Fuel has been a major part of Other Expenses, which came to Rs.136.25 crores for the year as against Rs. 86.13 crores for the last year. Increase in the power and fuel is due to:

- Non-availability of power from the Government grid as also increase of power tariff by the Government
- To bridge the shortfall as also the increasing requirement of the manufacturing facilities, we had to buy power from private producers through bidding on power exchange at very high prices.
- increase in fuel prices being administered prices

Besides power and fuel, major components of Other Expenses include Consumption of Stores, Repairs to Machinery, Carriage outward, Environment Management and General Expenses.

Consumption of Stores and Spares for the year came to Rs.20.02 crores as against Rs.14.77 crores for last year. Repairs to Machinery for the year came to Rs.27.18 crores

as against Rs.19.30 crores for last year. The plant near Hyderabad, being over 15 years old, has taken higher repairs and maintenance during the year.

Other Expenses account for 15% of sales of which Manufacturing expenses accounted for 9.6% of sales.

Finance Cost

Finance Cost for the year amounted to Rs.1.78 crores as against Rs. 3.74 crores during the previous year. As the company has generated significant cash surpluses, utilization of working capital has been minimal.

Earnings before Depreciation, Interest and Taxes (EBITA)

EBITA for the year grew by about 14% to Rs.870.26 crores as against Rs. 760.63 crores during the previous year. EBITA to Net Sales works out to 41% for the year, the same as last year.

Depreciation

Depreciation charge for the current year came to Rs.76.90 crores as compared to Rs. 62.03 crores during the last year.

During the year, addition to Fixed Assets accounted to Rs.247.90 crores as against Rs. 211.46 crores in the previous year.

Taxation

For the current year, our tax liability came to Rs.153.00 crores in addition to MAT credit utilization of Rs.7.90 crores. For the last year, the Tax provision amounted to Rs. 132.83 crores besides a MAT Credit utilisation of Rs. 3.68 crores.

Deferred Tax

Divi has also provided for Deferred Tax Liability of Rs.19.26 crores for the year as against Rs. 12.38 crores last year.

Profit after Tax

Profit after Tax for the year accounted for Rs.611.42 crores as against Rs. 545.97 crores during the previous year resulting in a growth of 12% over last year.

Earnings Per Share

Earnings Per Share for the year works out to Rs.46.06 per share of Rs.2 each as against Rs. 41.15 last year on Basic as well as Diluted basis.

Dividend

Your Board has recommended a dividend of Rs.15 per share of face value Rs.2 each or 750% for the year 2012-13. Dividend for the previous year was Rs.13 per share or 650%.

Outgo this year accounts for Rs.199.10 crores as against Rs. 172.55 crores last year. Dividend pay-out for the year works out to 38.1% of profits earned as against 32% last year. An amount of Rs. 33.84 crores (Rs.27.99 crores last year) has been provided during the year towards Corporate Dividend Tax.

Transfer to General Reserves

We propose to transfer an amount of Rs.150 crores to General Reserve for facilitating the dividend for the year.

Reserves and Surplus

Total Reserves of your company, including the surplus in Statement of Profit and Loss after provision for dividend, as at the end of the year stand at Rs. 2526.73 crores.

Long Term Borrowings

Long-Term borrowings comprise sales tax deferment aggregating to Rs.2.10 crores, repayable over the next 5 years.

Deferred Tax Liabilities

Deferred tax Liabilities at the end of the year amounted to Rs.86.55 crores as against Rs.67.29 crores last year. Addition during the year was Rs.19.26 crores. Deferred Taxes are mainly the result of timing difference between the depreciation allowed under the Income-tax Act vis-à-vis the depreciation under the Companies Act.

Long-term Provisions

We have a long-term provision for leave encashment aggregating to Rs.2.39 crores as against Rs.1.65 crores.

Short Term Borrowings

Working capital loans (secured) as at the end of the year amounted to Rs.30.51 crores as against Rs.50.20 crores. Of this, an amount of Rs.8.63 crores has been utilized as on 31-03-2013 against a fixed deposit of Rs.25.00 crores. This way, we will be paying interest only when there is shortfall of liquid funds or mismatch between inflows-outflows and we earn some interest on our surplus funds.

Utilisation at the year-end reflects outstanding cheques or overnight balances which will get cleared with fresh inflows of sale proceeds.

Trade Payables

Trade Payables being Sundry Creditors for Raw Materials/ Services amounted to Rs.158.31 crores as at the end of the year as against Rs. 157.31 crores as at the end of last year.

Other Current Liabilities

(Rs. in crores)		
Particulars	31.03.2013	31.03.2012
Secured Long Term loans payable within one year and interest accrued	0.46	2.70
Advance from Customers	17.73	10.33
Unpaid dividends	0.43	0.40
Creditors for Capital Works	21.74	39.99
Statutory Liabilities	3.55	1.28
Employee benefits payable	57.97	50.09
Others	27.47	29.91
Total	129.35	134.70

Short Term Provisions

(Rs. in crores)

Particulars	31.03.2013	31.03.2012
Provision for employee benefits (leave encashment /gratuity)	0.48	0.59
Provision for Mark-to-Market losses on forward contracts	-	7.08
Proposed Dividend	199.10	172.55
Provision for tax on Proposed Dividend	33.84	27.99
Total	233.42	208.21

Capital Expenditure

It may be recalled that the company has taken up implementation of a new Unit called DSN SEZ Unit at its Pharma SEZ at Visakhapatnam during the year 2011. The initial project cost for the Unit was Rs.200 crores. We have taken up an additional expansion at the unit estimated at Rs. 150 crores to cater to increasing business opportunities and this is expected to be completed during the next financial year.

A major part of the capex has been undertaken at the DSN Unit. An amount of Rs.303.41 crores is being carried forward as Capital WIP and these assets would be capitalized and would commence operations during the next financial year.

Capital expenditure incurred at the existing Units is to enhance capacity and upgrading utilities in order to conform to best environment practices and zero discharge of effluents.

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

Fixed Assets

During the year, an amount of Rs.247.90 crores has been added to the Fixed Assets to enhance capacities at the company's existing facilities as well as expansion at the new DSN SEZ Unit.

Deductions during the year amounted to Rs.1.65 crores representing assets discarded.

Non-current Investment

This comprises of investment in subsidiaries :

(Rs. in crores)

Particulars	31.03.2013	31.03.2012
Divis Laboratories (USA) Inc.	2.46	2.46
Divi's Laboratories Europe AG	0.36	0.36
Total	2.82	2.82

Long-Term Loans and Advances

(Rs. in crores)

Particulars	31.03.2013	31.03.2012
Capital Advances	19.85	67.39
Security Deposits	12.30	7.44
Advances to related parties	44.86	43.41
Pre-paid Expenses	0.07	0.11
Pre-paid Taxes	23.31	-
Other Loans and Advances	6.88	6.34
Total	107.27	124.69

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

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

Current Investments

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

(Rs. in crores)

Particulars	31.03.2013	31.03.2012
SBI Mutual Fund - short term direct fund	387.79	377.04
SBI Mutual Fund - short term regular Fund	20.02	-
SBI Mutual Fund - Debt Fund	-	100.00
Total	407.81	477.04

We have earned a dividend income (net of tax) of Rs.29.81 crores during the year on these Investments as against an income of Rs. 35.52 crores during the last year.

Inventories

(Rs. in crores)

Particulars	As on 31.03.2013	As on 31.03.2012
Raw Materials	294.15	245.54
Work-in-Progress	405.21	314.35
Finished Goods	28.83	18.52
Stock-in-Trade	0.09	0.07
Stores and Spares	77.67	72.49
Total	805.95	650.97

Increase in inventory of raw materials is due to increased level of operations at the existing units besides commencement of operations at the DSN SEZ. It may also be noted that the company undertakes campaign production of high-volume products like Naproxen and Dextromethorphan by running the plant at full stream and stock these products for sale - thus freeing the multi-purpose plants for producing other products. As the company has a very large market share for these products, we do not foresee any problem with selling these products.

Slow moving and non-moving items have been fully provided for.

Trade Receivables

(Rs. in crores)

Particulars	As on 31.03.2013	As on 31.03.2012
Outstanding for a period exceeding six months from the date they became due for payment	12.02	6.41
Others	546.88	527.56
Total	558.90	533.97
Average Receivables (days)	96	106

Trade Receivables at the year end came to Rs.558.90 crores as against Rs. 533.97 crores as at 31-03-2012. Increase in trade receivables is due to the higher sales during the last quarter of the year. The company normally offers a credit ranging between 0-60 days to its customers.

Trade Receivables outstanding for a period exceeding six months from the date they became due for payment amounted to Rs.12.02 crores (Rs. 6.41 crores last year) constituting about 2.15% of total outstandings.

The company has provided for doubtful debts of Rs.0.37 crores. Bad debts for the year have been negligible of Rs.0.10 crores.

Investments in Subsidiaries and Advances

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

(Rs. in crores)

Particulars	DIVI USA	DIVI SWISS	TOTAL
Subscription to Equity	2.46 (\$550,000)	0.36 (CHF100,000)	2.82
Advances to Subsidiaries	19.05	25.81	44.86
Total	21.51	26.17	47.68

Short-Term Loans and Advances

(Rs. in crores)

Particulars	As on 31.03.2013	As on 31.03.2012
Central Excise duty deposits	11.42	13.60
Prepaid Expenses	2.61	1.89
Advances to suppliers	25.38	28.03
Advances to employees	0.08	0.02
Other advances/receivables	20.29	10.63
MAT Credit Entitlements	0.11	8.01
Prepaid Taxes (Net of provision for Taxation)	-	1.85
Total	59.89	64.03

Cautionary Statement

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

Other Current Assets

(Rs. in crores)

Particulars	As on 31.03.2013	As on 31.03.2012
Interest accrued on deposits	1.44	0.48
Export Incentives	2.94	2.44
Insurance claims receivable	1.70	0.10
Other receivables	0.60	0.50
Total	6.68	3.52



Corporate Governance

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

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

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

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

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

2. BOARD OF DIRECTORS

2.1 Composition

The Company has an Executive Chairman. The Board comprised of nine directors, four of whom are Executive and remaining are non-executive independent directors, which is in conformity with clause 49 of the listing agreement. The category of directors as on 31st March 2013 is as follows:

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

*Ceased to be a Director w.e.f. 03.11.2012

**Appointed as an additional Director w.e.f. 03.11.2012

2.2 Board Procedures

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

2.3 Number & Dates of Board Meetings held during the year

The Board meets in executive session at least four times in a year at quarterly intervals and more frequently if deemed necessary, to transact its business. During the financial year the Board has met four times, i.e. on 12th May 2012, 4th August 2012, 3rd November 2012 and 2nd February 2013. Director's attendance at the Board and General Meetings held during the financial year 2012-13 and number of other Directorships and Chairmanship/ Membership of Committees of each Director in various companies is as follows:

Name of the Director	Attendance Particulars			No. of Directorships and Committee member/chairmanship in other Companies		
	No. of Board Meetings Held	No. of Board Meetings Attended	Last AGM	Director-ships	Committee Member-ships	Committee Chairman-ships
Dr. Murali K. Divi	4	4	Yes	7	1	-
Sri. N. V. Ramana	4	4	Yes	2	-	-
Sri. Madhusudana Rao Divi	4	4	No	-	-	-
Sri. Kiran S. Divi	4	4	Yes	3	-	-
Dr. K. Satyanarayana	4	4	Yes	-	-	-
Sri. S. Vasudev	4	4	Yes	-	-	-
Sri. G. Venkat Rao*	4	3	Yes	1	-	-
Prof. C. Ayyanna	4	4	Yes	-	-	-
Dr. G. Suresh Kumar	4	4	No	-	-	-
Sri. R. Ranga Rao**	4	2	No	-	-	-

*Ceased to be a Director w.e.f. 03.11.2012

**Appointed as an additional Director w.e.f. 03.11.2012

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

Brief profile of the directors seeking appointment / re-appointment at this Annual General Meeting:

Name of the Director	Dr. G. Suresh Kumar	Mr. Madhusudana Rao Divi	Mr. R. Ranga Rao
Date of Appointment	10.03.2001	14.10.1994	03.11.2012
Date of Birth	22.01.1951	14.01.1944	10.07.1951
Qualifications	MBBS from Gandhi Medical College, Hyderabad. M.S. (General Surgery) from Gulbarga University, Karnataka.	Post-graduate degree in Structural Engineering from Mysore University, Karnataka.	Post-graduate degree in Pharmacy from College of Pharmacy, Manipal, Karnataka.
Expertise in specific functional areas	Worked with the Ministry of Health, Government of Algeria between 1978 and 1983. He is a practicing Consultant Surgeon at several multispecialty hospitals at Hyderabad.	Started his career as a Senior Engineer with M/s Howe India and had executed several offshore construction contracts such as Vizag Outer Harbour Project. In 1975, he joined M/s. Towell Construction Company and has executed large defence and civil construction contracts in Saudi Arabia, Iraq and Kuwait. Between 1990-1996, he was Executive Director of Sadah General Trading and Contracting Co., Kuwait and implemented several offshore and on-shore construction projects. He looks after Environment Management, project implementation, production planning and regulatory affairs. He is responsible for successfully implementing the new Projects of the company, Plant upgradation to comply with FDA requirements, Environment management and over-seeing logistics at Plant.	Started his career as an Analyst in a Pharma unit at Vijayawada. In 1978, he joined the State Government service in the Drugs Control Department. He worked at different levels and retired as Director, Drugs Control Administration, Govt. of Andhra Pradesh in 2009. He also served as a member of different committees formed by Director General, Drugs Controller, Govt. of India to assist the department for the betterment of availability of safe and quality drugs to the public. He also served as a President, Indian Pharmaceutical Association, AP State Branch for two years.
Directorships held in other companies	Not a Director in any other Company.	Not a Director in any other Company.	Not a Director in any other Company.
Memberships/ Chairmanships of committees in other companies	Neither a Member nor Chairman of Committees of other Companies.	Neither a Member nor Chairman of Committees of other Companies.	Neither a Member nor Chairman of Committees of other Companies.
Shareholding of Non-Executive Directors in the company	Holding 500 equity shares of the company as on 31 st March 2013.	Not applicable.	Not holding any equity shares of the company as on 31 st March 2013.

3. COMMITTEES OF BOARD

a) Audit Committee

The primary objective of the Audit Committee of the company is to monitor and provide effective supervision of the management's financial reporting process with a view to ensure accurate, timely and proper disclosures and transparency, integrity and quality of financial reporting. The Committee comprising of three Independent Directors, met four times during the year, i.e. on 12th May 2012, 4th August 2012, 3rd November 2012 and 2nd February 2013.

Name	Designation	No. of Meetings Held	No. of Meetings Attended
Sri. S. Vasudev	Chairman	4	4
Dr. G. Suresh Kumar	Member	4	4
Sri. R. Ranga Rao	Member	4	1

Note : 1. Mr. G. Venkata Rao was member of the Committee upto 3rd November, 2012 and he attended all the meetings of the Committee held during his tenure. Mr. Ranga Rao was appointed as member of the Committee in his place.

2. Mr. S. Vasudev was appointed as Chairman of the Committee in place of Mr. G. Venkata Rao, who was the former Chairman of the Committee.

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

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

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

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

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

b) Remuneration and Compensation Committee

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

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

The said committee met once during the year on 12th May 2012 and the attendance of each member of the Committee is as follows:

Name	Designation	No. of Meetings Held	No. of Meetings Attended
Dr. K. Satyanarayana	Chairman	1	1
Sri. S. Vasudev	Member	1	1
Prof. C. Ayyanna	Member	1	1
Sri. G. Venkat Rao*	Member	1	1
Sri. R. Ranga Rao**	Member	1	-

*Ceased to be a Director w.e.f. 03.11.2012

**Appointed as an additional Director w.e.f. 03.11.2012

Details of Remuneration to Executive Directors

(Rs. in Lakhs)					
Name	Salary	PF	Perks	Commission	Total
Dr. Murali K. Divi	90.00	10.80	14.96	2529.92	2645.68
Sri. N.V. Ramana	84.00	10.08	12.15	1264.96	1371.19
Sri. D. Madhusudana Rao	78.00	9.36	12.00	-	99.36
Sri. Kiran S. Divi	78.00	9.36	14.74	843.31	945.41
Total	330.00	39.60	53.85	4638.19	5061.64

Non-Executive Directors

The Company does not pay any remuneration to Non- Executive Directors except sitting fees and reimbursement of travelling and out of pocket expenses for attending the Board/Committee meetings. The details of sitting fee paid to Non-Executive Directors during the year 2012-13 is as follows:

Name of the Non-Executive Director	Designation	No. of shares held	Sitting Fees (Rs. In Lakhs)
Dr. K. Satyanarayana	Director	10000	1.00
Sri. S. Vasudev	Director	Nil	1.80
Sri. G. Venkat Rao*	Director	3000	1.40
Prof. C. Ayyanna	Director	Nil	1.00
Dr. G. Suresh Kumar	Director	500	1.60
Sri. R. Ranga Rao**	Director	Nil	0.60

*Ceased to be a Director w.e.f. 03.11.2012

**Appointed as an additional Director w.e.f. 03.11.2012

c) Shareholders / Investors' Grievance Committee

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

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

During the year the committee met 6 times on 4th June 2012, 22nd June 2012, 2nd July 2012, 25th July, 2012, 3rd September 2012 and 21st December 2012 and considered the share transfers, issue of duplicate shares, rematerialisation of shares and other investor grievances.

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

Name	Designation	No. of Meetings Held	No. of Meetings Attended
Dr. G. Suresh Kumar	Chairman	6	6
Sri. N.V. Ramana	Member	6	6
Sri. L. Kishore Babu	Member	6	5

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

Complaints / Grievances received and attended

During the year under review, company has received a total of 36 complaints from investors. All were replied / resolved to the satisfaction of the investors and no complaints were outstanding.

Allotment Committee

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

The Company Secretary is the Secretary of the Committee.

Subsidiaries

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

Disclosure on legal proceedings pertaining to shares

There are no pending cases pertaining to shares as on 31.03.2013.

CEO and CFO Certification

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

Code of ethics and business conduct

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

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

I hereby confirm that the company has obtained from all the members of the board and senior management, affirmation that they have complied with the code of ethics and business conduct for directors and senior management in respect of the financial year 2012-13.

For and on behalf of the Board of Directors

Hyderabad
20th May 2013

Dr. MURALI K. DIVI
Chairman and Managing Director

4. GENERAL BODY MEETINGS

Particulars of last three Annual General Meetings:

AGM	Year ended	Venue	Date & Time	Special Resolutions passed for
22 nd	31.03.2012	KLN Prasad Auditorium, FAPCCI Premises, 11-6-841, Red Hills, Hyderabad – 500 004	06.08.2012 10 AM	Appointment of a relative of Director to an office or place of profit U/s 314.
21 st	31.03.2011		08.08.2011 10 AM	NIL
20 th	31.03.2010		13.08.2010 10 AM	Re-appointment of Dr.P.Gundu Rao as Director (R&D) of the Company.

SPECIAL RESOLUTIONS THROUGH POSTAL BALLOT

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

The Company sought approval through Postal Ballot dated 07.03.2012 from the Members for re-appointment and revision in remuneration of Mr. Madhusudana Rao Divi as Director - Projects and Mr. Kiran S Divi as Director & President – Operations of the Company; and Enhancement of remuneration of Dr. Murali K Divi, Chairman & Managing Director and Mr. N V Ramana, Executive Director of the Company. Mr. V. Bhaskara Rao, Practicing Company Secretary has been appointed as Scrutinizer for conducting Postal Ballot. The results were declared on 20th April 2012.

The results of the postal ballot as per the report dated 20th April, 2012 submitted by Mr. V. Bhaskara Rao, Scrutinizer are as follows:

RESOLUTION 1 - Ordinary Resolution for re-appointment and revision in remuneration of Mr. Madhusudana Rao Divi as Director - Projects of the Company:

Particulars	Number of Members	Number of Votes	Percentage of Votes
Total Postal Ballots received	911	93790723	100.00
·Postal Ballots - Valid	894	93786870	99.996
·Postal Ballots - Invalid	17	3853	0.004
Postal Ballots - in favour of the Resolution	831	93781714	99.995
Postal Ballots - against the Resolution	63	5156	0.005

RESOLUTION 2 - Ordinary Resolution for re-appointment and revision in remuneration of Mr. Kiran S. Divi as Director & President-Operations of the Company:

Particulars	Number of Members	Number of Votes	Percentage of Votes
Total Postal Ballots received	911	93790723	100.00
·Postal Ballots - Valid	894	93786870	99.996
·Postal Ballots - Invalid	17	3853	0.004
Postal Ballots - in favour of the Resolution	823	93622482	99.825
Postal Ballots - against the Resolution	71	164388	0.175

RESOLUTION 3 - Ordinary Resolution for enhancement of remuneration of Dr. Murali K. Divi, Chairman & Managing Director of the Company:

Particulars	Number of Members	Number of Votes	Percentage of Votes
Total Postal Ballots received	911	93790723	100.00
·Postal Ballots - Valid	894	93786870	99.996
·Postal Ballots - Invalid	17	3853	0.004
Postal Ballots - in favour of the Resolution	806	93613374	99.815
Postal Ballots - against the Resolution	88	173496	0.185

RESOLUTION 4 - Ordinary Resolution for enhancement of remuneration of Mr. N. V. Ramana, Executive Director of the Company:

Particulars	Number of Members	Number of Votes	Percentage of Votes
Total Postal Ballots received	911	93790723	100.00
·Postal Ballots - Valid	894	93786870	99.996
·Postal Ballots - Invalid	17	3853	0.004
Postal Ballots - in favour of the Resolution	805	93613137	99.815
Postal Ballots - against the Resolution	89	173733	0.185

The Resolution Nos. 1, 2, 3 and 4, were accordingly carried by the requisite majority.

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

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

5. DISCLOSURES

A) Disclosures on Materially Significant Related Party Transactions

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

B) Cases of Non-Compliances / Penalties

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

C) Risk Management

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

D) Whistle Blower Policy

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

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

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

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

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

6. MEANS OF COMMUNICATION

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

7. MANAGEMENT DISCUSSION AND ANALYSIS

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

8. GENERAL SHAREHOLDER INFORMATION

Annual General Meeting :	Date : 5 th August, 2013 Time: 10.00 AM
Venue :	KLN Prasad Auditorium, FAPCCI Premises, 11-6-841, Red Hills, Hyderabad - 500 004
Financial Year :	1 st April, 2012 to 31 st March, 2013
Book Closure Date :	29 th July, 2013 to 2 nd August, 2013
Dividend payment date :	19 th August, 2013
Listing on Stock Exchanges :	a) BSE Limited b) National Stock Exchange of India Limited
Stock Code :	BSE - 532488 NSE - DIVISLAB
ISIN No :	INE361B01024

The Company has paid listing fees for the year 2013-14 to both the above Stock Exchanges.

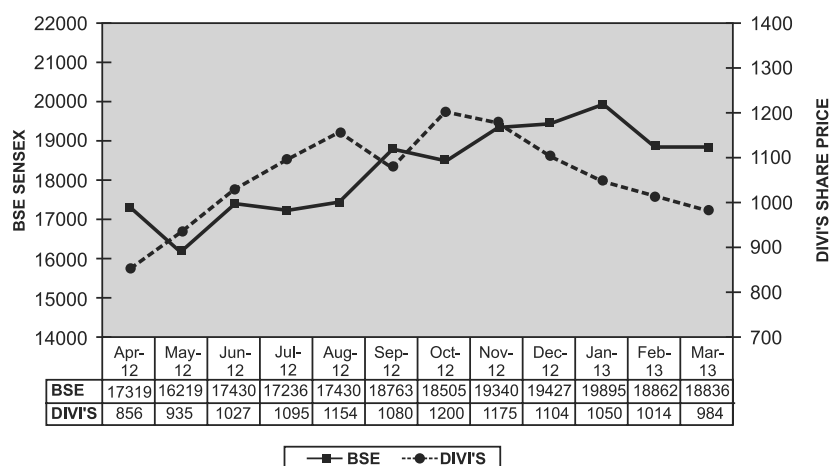
9. MARKET PRICE DATA

Monthly high and low quotations as well as the volume of shares traded at BSE and National Stock Exchanges for the financial year 2012-13 are as follows:

Month	BSE Limited			National Stock Exchange		
	Low	High	Volume	Low	High	Volume
Apr-12	752.05	861.70	338399	748.30	861.95	3390690
May-12	810.10	951.00	709944	810.00	950.80	5437349
Jun-12	898.30	1033.00	300902	898.95	1033.00	4084982
Jul-12	1011.00	1113.00	395386	1010.00	1113.75	3463008
Aug-12	1090.00	1201.00	536298	1090.10	1201.70	4877593
Sep-12	1025.20	1175.00	694656	1025.00	1175.00	5976316
Oct-12	1084.70	1202.00	416329	1084.45	1201.00	4914990
Nov-12	1101.55	1233.00	324602	1104.00	1234.40	9524848
Dec-12	1046.00	1195.00	2245205	1045.00	1198.00	5446277
Jan-13	1005.15	1118.75	445125	1005.00	1119.30	3200248
Feb-13	994.65	1120.00	169363	994.00	1079.35	2626460
Mar-13	925.00	1056.00	157127	924.45	1058.40	3387454

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

BSE Vs DIVISLAB (2012-13)



10. UNCLAIMED DIVIDEND AMOUNTS

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

Members who have not so far encashed the dividend warrant(s) are requested to seek issue of duplicate dividend warrant(s) in writing to the Company's Registrar and Transfer Agents, M/s. Karvy Computershare Private Limited immediately. **Members are requested to note that no claims shall lie against the Company in respect of any amounts which were unclaimed and unpaid for a period of seven years from the dates that they first became due for payment and no payment shall be made in respect of any such claims.**

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

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

Financial Year	Date of declaration of dividend	Amount outstanding as on 31.03.2013 (Rs. In lakhs)	Due for transfer to IEPF on
2005-2006	02.09.2006	2.82	01.10.2013
2006-2007	17.03.2007	3.30	16.04.2014
2007-2008	16.08.2008	4.23	15.09.2015
2008-2009	17.08.2009	6.30	16.09.2016
2009-2010	13.08.2010	5.82	12.09.2017
2010-2011	08.08.2011	12.58	07.09.2018
2011-2012	06.08.2012	8.03	05.09.2019

11. SHARE TRANSFER SYSTEM

The Share Transfer Committee approves transfer of shares in physical mode. The Company's RTA transfers the shares within 15 days of receipt of request. Dematerialization is done within 15 days of receipt of request along with the shares through the Depository Participant of the shareholder. The Share Transfer Committee / Grievance Committee generally meets once in a fortnight for approving share transfers and for attending to any grievances or complaints received from the members.

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

12. DISTRIBUTION OF SHAREHOLDING

Category	As on 31 st March 2013				As on 31 st March 2012			
	No. of Members		No. of Shares		No. of Members		No. of Shares	
	Total	%	Total	%	Total	%	Total	%
1 - 5000	33759	96.85	4209666	3.17	38517	97.26	4549986	3.43
5001 - 10000	428	1.23	1706318	1.28	451	1.14	1780556	1.34
10001 - 20000	254	0.73	1948166	1.47	249	0.62	1913914	1.44
20001 - 30000	93	0.27	1175694	0.89	94	0.24	1201013	0.90
30001 - 40000	45	0.13	784540	0.59	42	0.11	740222	0.56
40001 - 50000	40	0.11	910315	0.69	33	0.08	755455	0.57
50001 - 100000	89	0.25	3266947	2.46	74	0.19	2726836	2.05
100001 - above	149	0.43	118732644	89.45	143	0.36	119066308	89.71
TOTAL	34857	100	132734290	100	39603	100	132734290	100

13. (I) SHAREHOLDING PATTERN

Category	As on 31.03.2013		As on 31.03.2012	
	No. of shares	% to share capital	No. of shares	% to share capital
Promoters	69222100	52.15	69222100	52.15
Mutual Funds and UTI	17599044	13.26	22506892	16.96
Banks/Financial institutions	70178	0.05	503278	0.38
Foreign Institutional Investors	18597857	14.01	12761845	9.61
Private Corporate Bodies	14893368	11.22	14502556	10.93
Indian Public	10008144	7.54	11190796	8.43
Non-Resident Indians/ Overseas Corporate Bodies	1045130	0.79	1098975	0.83
Clearing Members	428252	0.32	237765	0.18
Trusts	203247	0.15	613	0.00
Directors (Not having control over the Company)	666970	0.51	709470	0.53
Grand Total	132734290	100	132734290	100

(II) SHAREHOLDING PROFILE

Mode of Holding	As on 31.03.2013			As on 31.03.2012		
	No. of Holders	No. of shares	% to Equity	No. of Holders	No. of shares	% to Equity
Demat	34781	132008575	99.45	39509	131861370	99.34
Physical	76	725715	0.55	94	872920	0.66
Total	34857	132734290	100	39603	132734290	100

14. DEMATERIALIZATION OF SHARES AND LIQUIDITY

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

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

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

As on March 31, 2013, 99.45 % of the shares were in demat mode.

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

We have no GDRs/ADRs or any commercial instrument.

16. PLANT LOCATIONS

Choutuppal Unit :

Lingoijigudem Village,
Choutuppal Mandal
Nalgonda Dist. (A.P.),
Pin Code - 508 252.

Export Oriented Unit :

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

Divi's Pharma SEZ :

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

DSN SEZ Unit :

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

17. CORRESPONDENCE ADDRESS

Depository Registrar and Transfer Agent

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

Company Secretary & Compliance Officer

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

For and on behalf of the Board of Directors

Hyderabad
20th May 2013

Dr. MURALI K. DIVI
Chairman and Managing Director

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

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

- a. We have reviewed balance sheet and statement of profit and loss (consolidated and unconsolidated) and notes on accounts as well as the cash flow statements and the directors' report :
 - i. do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
 - ii. together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b. There are no transactions entered into by the company during the year which are fraudulent, illegal or violative of the company's code of conduct.
- c. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.
- d. We have indicated to the auditors and the Audit committee
 - i. significant changes in internal control over financial reporting during the year;
 - ii. significant changes in accounting policies during the year and that the same have been disclosed in the notes to the financial statements; and
 - iii. instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

For Divi's Laboratories Limited

Hyderabad
20.05.2013

Dr. MURALI K. DIVI	L. KISHORE BABU
Chairman and Managing Director	Chief Financial Officer

Certificate

To
The Members of
DIVI'S LABORATORIES LIMITED

We have examined the compliance of the conditions of corporate governance by *DIVI'S LABORATORIES LIMITED*, for the year ended on 31st March, 2013, as stipulated in clause 49 of the Listing Agreement of the said Company with Stock Exchanges.

The compliance of the conditions of corporate governance is the responsibility of the management. Our examination was limited to a review of the procedures and implementation thereof, adopted by the company for ensuring the compliance with the conditions of the Corporate Governance as stipulated in the said clause. It is neither an audit nor an expression of opinion on the financial statements of the company.

In our opinion and to the best of our information and according to the explanations given to us, and based on the representations made by the Directors and the Management, we certify that the company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreement.

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

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

Hyderabad
20.05.2013

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

Directors' Report

Dear Shareholders,

Your Directors have pleasure in placing before you the Twenty Third Annual Report of the Company together with the Audited Accounts for the year ended 31st March 2013.

FINANCIAL RESULTS

Particulars	(Rs. in crores)	
	2012-13	2011-12
Net Sales	2123.95	1839.49
Other Operating Income	4.94	5.44
Other income	48.51	65.76
Total Income	2177.40	1910.69
Expenditure	1307.14	1150.06
PBDIT	870.26	760.63
Depreciation	76.90	62.03
Finance Cost	1.78	3.74
Profit before tax (PBT)	791.58	694.86
<u>Provision for tax</u>		
Current Tax	153.00	132.83
MAT Credit Utilisation	7.90	3.68
Deferred Tax Liability	19.26	12.38
Profit after tax (PAT)	611.42	545.97
Earnings per Share (EPS)		
a) Basic (Rs.)	46.06	41.15
b) Diluted (Rs.)	46.06	41.15

Your company has achieved a sales growth of 15% for the year on the back of a decent growth of 41% achieved during the last year.

We made a provision of Rs. 160.90 crores towards Income-tax this year (including MAT credit utilization of Rs.7.90 crores). Provision for last year amounted to Rs.136.51 crores including a MAT credit utilization of Rs.3.68 crores. An amount of Rs. 19.26 crores has been provided towards Deferred Tax Liability during the year as against Rs. 12.38 crores during the previous year.

PAT amounted to Rs.611.42 crores for the year, reflecting a growth of 12%. Earnings Per Share of Rs.2/- each works out to Rs. 46.06 for the year as against Rs. 41.15 last year.

DIVIDEND

Your Directors are pleased to recommend a dividend of Rs.15 per equity share of Rs.2/- each, i.e., 750% for the year 2012-13 subject to approval of members.

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 sales of Rs.90.78 crores for the nutraceutical products in North America and Europe.

Brief operations of the subsidiaries are as under :

Particulars	Divis Laboratories (USA) Inc.,		Divi's Laboratories Europe AG		Total	
	31-03-13	31-03-12	31-03-13	31-03-12	31-03-13	31-03-12
Year ended						
Sales	62.02	51.90	28.76	22.94	90.78	74.84
Other income	0	0	0.01	0.01	0.01	0.01
Total Income	62.02	51.90	28.77	22.95	90.79	74.85
Expenditure	66.89	59.78	29.69	29.24	96.58	89.02
Depreciation	0.04	0.04	0.01	0.01	0.05	0.05
Loss before tax	4.91	7.92	0.93	6.30	5.84	14.22
Tax Asset	(0.94)	(1.52)	0	0	(0.94)	(1.52)
Net Loss	3.97	6.40	0.93	6.30	4.90	12.70

Losses for the current year at the subsidiaries have significantly reduced as compared to the previous year.

Auditors of these subsidiaries have observed that the subsidiaries have suffered recurring losses, lack sufficient

liquidity to continue operations and to continue as a going-concern depends on the temporary funding by the parent and successful realization of their business plans.

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

Emphasis-of-Matter - Audit observations

Our Auditors have observed that the network of the subsidiaries has eroded and consequent possibility of any temporary impairment of investment by way of equity in subsidiaries amounting to Rs.281.61 lakhs and recovery of loans of Rs.4486.31 lakhs given to the subsidiaries.

The nutraceutical business has been established based on the strengths of Divi's Labs in handling complex chemistry whereby all the synthetic carotenoids have been developed and produced on a commercial scale for the first time in India. Over the last few years, we have made significant progress in terms of implementing the nutra facility and stabilising operations. Technical/Quality/Regulatory Experts employed at the subsidiaries have also helped in implementation of the nutra facility and the various processes of approvals and qualifications.

Different application forms have also been fully developed and now the nutraceutical forms are offered for the entire use base in the pharma, food supplement and color applications as also for animal health segments. Approval processes are very elaborate and time consuming. Approvals have since been received from several major users and the outlook now looks very positive.

With the significant efforts having been made in stabilizing operations and qualifications from several customers, the company is confident of achieving profitability at the subsidiaries and recovery of the loans given in the foreseeable future.

CONSOLIDATED ACCOUNTS

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

Financial summary of consolidated accounts :

(Rs. in crores)

Particulars	2012-13	2011-12
Net Sales	2139.90	1858.43
Other Operating Income	4.94	5.44
Other income	44.81	56.05
Total Income	2189.65	1919.92
Expenditure	1329.68	1173.47
PBDIT	859.97	746.45
Depreciation	76.95	62.08
Finance Cost	1.78	3.74
Profit before tax (PBT)	781.24	680.63
Provision for tax		
Current Tax	153.00	132.83
MAT Credit Utilisation	7.90	3.68
Deferred Tax Liability	18.33	10.86
Profit after tax (PAT)	602.01	533.26
Earnings per Share (EPS)		
a) Basic (Rs.)	45.35	40.19
b) Diluted (Rs.)	45.35	40.19

DIRECTORS

Dr. G. Suresh Kumar and Mr. Madhusudana Rao Divi will retire by rotation at the ensuing Annual General Meeting and, being eligible, offer themselves for re-appointment.

Mr. Ranga Rao Ravipati has been appointed as Additional Director (Independent and Non-Executive) with effect from 3rd November, 2012. It is proposed to appoint him as Director of the Company, liable to retire by rotation, at the ensuing Annual General Meeting.

Mr. G. Venkata Rao has resigned as a Director of the company with effect from 3rd November, 2012 due to personal reasons and other pre-occupations. The Directors place on record their appreciation for the contribution made by Mr. G. Venkata Rao during his long tenure on the Board since 10.03.2001.

DIRECTORS' RESPONSIBILITY STATEMENT

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

- the applicable accounting standards have been followed in the preparation of the annual accounts;
- the accounting policies selected were applied consistently and the judgements and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at 31st March, 2013 and its profit for the year ended on that date;
- proper and sufficient care has been taken for the maintenance of adequate accounting records in

accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;

- d) the annual accounts have been prepared on a going concern basis.

AUDITORS

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

COST AUDIT

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

The relevant cost audit report for the financial year 2011-12 has been filed within the due date on 29th January, 2013. The due date for filing the report was 28th February, 2013.

MANAGEMENT DISCUSSION AND ANALYSIS

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

CORPORATE GOVERNANCE AND SHAREHOLDERS' INFORMATION

A report on Corporate Governance is included as a part of this Annual Report. Certificate from the Statutory Auditors of the company M/s. P.V.R.K. Nageswara Rao & Co., Chartered Accountants confirming the compliance with the conditions of Corporate Governance as stipulated under Clause 49 of the Listing Agreement is attached to this report.

RELATED PARTY TRANSACTIONS

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

FIXED DEPOSITS

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

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION AND FOREIGN EXCHANGE EARNINGS AND OUTGO

Particulars required under Section 217 (1) (e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in the Annexure - I to this report.

HUMAN RESOURCES

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

ACKNOWLEDGEMENTS

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

For and on behalf of the Board

Hyderabad
20th May, 2013

Dr. MURALI K. DIVI
Chairman and Managing Director

Annexure - I**Information pursuant to Section 217(1)(e) of the Companies Act 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.****FORM - A**

Form for disclosure of particulars with respect to Conservation of Energy

A. CONSERVATION OF ENERGY**Power and Fuel consumption**

Particulars	2012-13	2011-12
1. Electricity		
(a) Purchases :		
Units	14,42,26,769	11,44,19,352
Total Amount - (Rs.crores)	95.26	46.42
Rate/Unit - Rs.	6.60	4.06
(b) Own generation :		
Through diesel Generator Units	51,11,404	72,44,181
Units per Lt. of diesel	3.41	3.47
Cost/Unit - Rs.	23.45	15.52
2. Coal (D/C grade)		
Quantity (Kgs)	8,20,65,000	7,07,59,000
Total Cost - (Rs.crores)	30.68	26.28
Average rate - Rs.	3.74	3.71

B. CONSUMPTION PER UNIT OF PRODUCTION :

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

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

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

4. Expenditure on R&D :

(Rs.in Crores)

Particulars	2012-13	2011-12
a) Capital	4.23	9.41
b) Recurring	24.00	18.86
c) Total	28.23	28.27
d) Total R&D Expenditure as a percentage of Sales	1.32%	1.52%

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION :

- Efforts in brief, made towards technology absorption and adoption. : The company has its own R&D Centre which develops technologies and processes for Active Pharmaceutical Ingredients and drug intermediates and these technologies are absorbed and implemented at the company's Plants.
- Benefits derived as a result of the above efforts : The company constantly has been executing process developments for its product range. Process optimization has been achieved in Production, which resulted in lower cost of production and substantial exports. The developments implemented brought more green chemistry by reducing reagents, minimize wastes and increasing recoveries.
- Information regards import of technology during the last 5 years. : There is no import of technology.

FORM - C

(Rs.in Crores)

Foreign Exchange Earnings and Outgo

(Rs.in Crores)		
Particulars	2012-13	2011-12
(a) Foreign Exchange earnings :		
i) FOB Value of Exports	1860.16	1606.88
ii) Contract Research Fee	2.24	5.90
iii) Jobwork Charges	16.53	2.31
(b) Foreign Exchange outgo :		
i) Remittance in Foreign Currency :		
Dividend (Net of Tax)	0.07	0.05
ii) CIF value of imports :		
Raw Materials	447.99	348.64
Packing Materials	1.12	1.72
Lab Materials	2.03	1.18

Particulars	2012-13	2011-12
Capital Goods	16.24	11.55
Components & Spares	0.76	0.74
iii) Expenditure in Foreign Currency towards : (on accrual basis)		
Memberships and Subscriptions	0.75	0.49
Books and Periodicals	0.10	0.21
Traveling Expenses	0.97	0.66
Consultancy Charges	2.64	1.54
Sales Commission	4.37	3.73
Foreign Bank Charges	0.49	0.56
Interest	0.01	0.08
Others	2.08	0.69

Annexure – II

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

Name	Age (yrs)	Qualifications	Designation	Date of commencement of employment	Experience (yrs)	Gross remuneration (Rs.Crores)	Last employment
Dr. Murali K. Divi	62	M. Pharm. Ph. D.	Chairman & Managing Director	12-Oct-90	38	26.46	Managing Director, Cheminor Drugs Ltd.
Ramana N.V.	55	B.Sc. (Chem)	Executive Director	26-Dec-94	28	13.71	President, Enmark Exim Services Pvt. Ltd
Madhusudana Rao Divi	69	M.E.(Structural Engg.)	Director-Projects	14-Oct-94	44	0.99	Executive Director, Sadah General Trading & Const Co., Kuwait
Kiran S. Divi	37	B. Pharm.	Director & President - Operations	10-Aug-01	12	9.45	-
Chandra S. Divi	45	B.E.	General Manager	19-Oct-94	19	0.84	-
Devendra Rao S.	51	M. Sc.	General Manager	10-Feb-95	30	0.90	Senior Manager (Prod), Natco Pharma Ltd.
Hemanth Kumar G.	53	M. Sc.	General Manager	1-Nov-94	30	0.87	Sr. Prodn. Manager, Sumitra Pharma Ltd.,
Kishore Babu L.	61	B.Com, FCMA	Chief Financial Officer	20-Nov-94	40	1.01	Finance Manager, Nagarjuna Fert & Chem Ltd.,

Name	Age (yrs)	Qualifications	Designation	Date of commencement of employment	Experience (yrs)	Gross remuneration (Rs.Crores)	Last employment
Prasad Y.T.S.	45	B.E.	General Manager	1-Nov-90	25	0.90	Engineer (Devpt), Cheminor Drugs Ltd.,
Ramakrishna S.	51	M. Sc.	General Manager	15-Feb-95	30	0.87	General Manager (Works), Vera Laboratories Ltd.
Ramesh Babu M.	47	B. Sc.	Chief Technologist	1-Nov-90	27	0.90	R&D Incharge, Cheminor Drugs Ltd.,
Srinivasa Rao P.	48	B. Pharm	Chief Technologist	1-Nov-90	25	0.90	Sr. Chemist, Cheminor Drugs Ltd.
Ramesh Babu L.	57	M.Com, MBA, LLB	Chief Information Officer	20-May-09	24	0.67	Group Captain, Indian Air Force

Notes:

- 1) Remuneration includes salary, allowances, company contribution to provident fund, Commission, benefits and value of stock options.
- 2) All the above appointments are contractual.
- 3) Dr. Murali K. Divi, Chairman and Managing Director and Mr. Madhusudana Rao Divi, Director - Projects are related to each other.
- 4) Dr. Murali K. Divi, Chairman and Managing Director and Mr. Kiran S. Divi, Director & President - Operations are related to each other.
- 5) Mr. L. Ramesh Babu, Chief Information Officer is related to Mr. N. V. Ramana, Executive Director of the company.
- 6) No other employee mentioned above is related to any Directors of the Company.

For and on behalf of the Board

Hyderabad
20th May, 2013

Dr. MURALI K. DIVI
Chairman and Managing Director

Independent Auditor's Report

To

The Members of

DIVI'S LABORATORIES LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of DIVI'S LABORATORIES LIMITED ("the Company"), which comprise the Balance Sheet as at March 31, 2013, and the Statement of Profit and Loss and Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of these financial statements that give a true and fair view of the financial position, financial performance and cash flows of the Company in accordance with the Accounting Standards referred to in sub-section (3C) of section 211 of the Companies Act, 1956 ("The Act"). This responsibility includes the design, implementation and maintenance of internal control 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.

Auditor's Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those Standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us, the financial statements give the information required by the Act in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:

- a. in the case of the Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
- b. in the case of the Statement of Profit and Loss, of the profit for the year ended on that date; and
- c. in the case of the Cash Flow Statement, of the cash flows for the year ended on that date.

Emphasis of Matter

We draw attention to Note No 31(II)(9)(c) regarding investments in wholly owned subsidiaries whose net worth are eroded and the consequent possibility of impairment of the equity investment of Rs. 281.61 lakhs made and non-recovery or partial recovery loans of Rs. 4486.31 lakhs given to them by the company. For reasons explained in the said Note, including the subsidiaries future business plans and growth prospects, such impairment if any is considered to be temporary in nature and no provision is considered necessary in the accounts of the company. Our opinion is not qualified in respect of this matter.

Report on Other Legal and Regulatory Requirements

1. As required by the Companies (Auditor's Report) Order, 2003 ("the Order"), issued by the Central Government of India in terms of sub-section (4A) of section 227 of the Act, we give in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the Order.
2. As required by section 227(3) of the Act, we report that:
 - a. we have obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purpose of our audit;
 - b. in our opinion proper books of account as required by law have been kept by the Company so far as appears from our examination of those books;
 - c. the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement dealt with by this Report are in agreement with the books of account;
 - d. in our opinion, the Balance Sheet, Statement of Profit and Loss, and Cash Flow Statement comply with the Accounting Standards referred to in subsection (3C) of section 211 of the Companies Act, 1956;
 - e. on the basis of written representations received from the directors as on March 31, 2013, and taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2013, from being appointed as a director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.

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

Hyderabad.
20.05.2013

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

ANNEXURE TO INDEPENDENT AUDITOR'S REPORT
Referred to in Paragraph 1 under the heading of 'Report on
Other Legal and Regulatory Requirements' of our report of
even date

1. (a) The company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.
 (b) As explained to us, the fixed assets have been physically verified by the management according to the phased programme designed to cover all the fixed assets on rotation basis. In respect of fixed assets verified according to this programme, which is considered reasonable, no material discrepancies were noticed on such verification.
 (c) The Company has not disposed off substantial part of fixed assets during the year, which affect the going concern assumption.
2. (a) The inventories of the Company have been physically verified by the Management during the year at reasonable intervals except stocks lying with others which have been verified with reference to confirmations, certificates and other relevant documents where available.
 (b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 (c) The Company has maintained proper records of inventories and the discrepancies noticed on physical verification of stocks as compared to book records, which in our opinion were not material, have been properly dealt with in the books of account.
3. The Company has neither granted nor taken any loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under section 301 of the Act. Consequently, the provisions of Clause 4(iib), 4(iic), 4(iid), 4(iiif) and 4(iiig) of the Order are not applicable to the Company.
4. In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls with regard to purchase of inventory, fixed assets and for the sale of goods and services.
5. (a) According to the information and explanations given to us and as confirmed by the Company Secretary and Management of the Company, we are of the opinion that the particulars of contracts or arrangements that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
 (b) In our opinion and according to the information and explanations given to us, the transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of Rs. 5,00,000/- in respect of each party have been made at prices which are reasonable having regard to prevailing market prices at the relevant time.
6. According to the information and explanations given to us, the Company has not accepted any deposits from the public covered by the directives issued by the Reserve Bank of India and the provisions of Section 58A and 58AA or any other relevant provisions of the Act and the rules framed there under. Consequently, the provisions of Clause 4(vi) of the Order are not applicable to the Company.
7. In our opinion and according to the explanations given to us, the Company has an internal audit system commensurate with the size and nature of its business.
8. We have broadly reviewed the records maintained by the Company pursuant to the order made by the Central Government of India, for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed records have been maintained and are being made up. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
9. (a) According to the records of the Company and as per the information and explanations given to us, the Company is generally regular in depositing the undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs duty, Excise duty, Cess and other material statutory dues applicable to it with the appropriate authorities. In respect of these statutory dues, there are no outstanding dues as on 31.03.2013 which are outstanding for a period of more than six months from the date they became payable.
 (b) According to the records of the Company and as per the information and explanations given to us, there are no dues of Sales Tax, Wealth Tax and Cess which have not been deposited on account of any dispute as on 31.3.2013 except Excise Duty, Customs Duty, Service Tax and Income Tax, the details of which are as given under:

Name of the Statute	Period to which the amount relates	Nature of dues	Amount Rs. in lakhs	Forum where dispute is pending
Customs Act, 1962	August 2005	Penalty and fine for non-fulfillment of export obligation against goods imported under DEEC Scheme	0.30	Customs, Excise & Service Tax Appellate Tribunal, South Zonal Bench, Bangalore
Customs Act, 1962	January, 2007	Penalty for non-fulfillment of export obligation against goods imported under DEEC Scheme	10.00	Customs, Excise & Service Tax Appellate Tribunal, South Zonal Bench, Chennai
Customs Act, 1962	June, 2006 to July, 2008	Customs duty foregone on materials used for manufacture of non-excisable goods, Penalty for non-payment of customs duty and Penalty for improper utilisation of Cenvat Credit	16.00	Customs, Excise & Service Tax Appellate Tribunal, South Zonal Bench, Bangalore
Customs Act, 1962	August, 2008 to December, 2008	Penalty for non-payment of Customs duty and for improper utilisation of Cenvat Credit	2.00	Commissioner of Central Excise(Appeals), Visakhapatnam
Central Excise Act, 1944	September, 2006 to December, 2008	Excise duty and penalty on exempted goods	244.09	Customs, Excise & Service Tax Appellate Tribunal, South Zonal Bench, Bangalore
Customs Act, 1962	June, 2009 to March, 2010	Penalty for non-payment of Customs duty and for improper utilisation of Cenvat Credit.	1.25	Customs, Excise & Service Tax Appellate Tribunal, South Zonal Bench, Bangalore
Central Excise Act, 1944	July, 2009 to March, 2010	Excise duty and penalty on exempted goods	9.37	Customs, Excise & Service Tax Appellate Tribunal, South Zonal Bench, Bangalore
Central Excise Act, 1944	June, 2010 to March, 2011	Difference in duty and penalty for Domestic clearances	39.04	Customs, Excise & Service Tax Appellate Tribunal, South Zonal Bench, Bangalore
Service Tax under the Finance Act, 1994	April, 2006 to December, 2006	Penalty on Service Tax	22.69	Customs, Excise & Service Tax Appellate Tribunal, South Zonal Bench, Bangalore
Income Tax Act, 1961	2005-06	Interest for delay in payment of advance fringe benefit tax demanded on completion of assessment	0.41	Additional Commissioner of Income Tax, Range-1, Hyderabad
Income Tax Act, 1961	2007-08	Income Tax and Interest demanded on completion of assessment	63.09	Commissioner of Income Tax, (Appeals) - II, Hyderabad
Income Tax Act, 1961	2008-09	Income Tax and Interest demanded on completion of assessment	2136.82	Commissioner of Income Tax, (Appeals) - II, Hyderabad

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

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

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

Hyderabad
20.05.2013

Balance Sheet as at 31st March, 2013

(Rs. in Lakhs)

Particulars	Note No.	As At 31 st March, 2013		As At 31 st March, 2012	
EQUITY AND LIABILITIES					
Shareholders' funds					
Share capital	1	2654.69		2654.69	
Reserves and surplus	2	<u>252673.12</u>	255327.81	<u>214824.87</u>	217479.56
Non-current liabilities					
Long-term borrowings	3	210.04		255.69	
Deferred tax liabilities (Net)	4	8655.21		6728.72	
Other Long-term liabilities	5	-		625.49	
Long-term provisions	6	<u>239.09</u>	9104.34	<u>164.62</u>	7774.52
Current liabilities					
Short-term borrowings	7	3051.45		5020.37	
Trade payables	8	15830.73		15731.14	
Other current liabilities	9	12935.35		13469.51	
Short-term provisions	10	<u>23341.64</u>	55159.17	<u>20821.40</u>	55042.42
TOTAL			<u>319591.32</u>		<u>280296.50</u>
ASSETS					
Non-current assets					
Fixed assets					
Tangible assets	11	90849.90		73819.49	
Capital work -in- progress		30341.44		18157.78	
Expenditure during construction period pending Capitalisation	12	-		41.06	
		<u>121191.34</u>		92018.33	
Non-current investments	13	281.61		281.61	
Long-term loans and advances	14	10727.05		12469.08	
Other non-current assets	15	-	132200.00	392.76	105161.78
Current assets					
Current investments	16	40781.36		47703.90	
Inventories	17	80594.84		65096.85	
Trade receivables	18	55890.06		53396.72	
Cash and Bank balances	19	3468.28		2182.24	
Short-term loans and advances	20	5989.11		6403.03	
Other current assets	21	<u>667.67</u>	187391.32	<u>351.98</u>	175134.72
TOTAL			<u>319591.32</u>		<u>280296.50</u>
Summary of Significant Accounting Policies and Other Explanatory Information	31				

For and on behalf of the Board

Per Our Report of Even Date
For P.V.R.K. NAGESWARA RAO & CO
 Chartered Accountants
 Firm's Registration Number : 0022835

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

P.V.R.K. NAGESWARA RAO
 Partner
 Membership Number : 18840
 Hyderabad
 20.05.2013

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

Statement of Profit and Loss for the Year ended 31st March, 2013

(Rs. in Lakhs)

Particulars	Note No.	For the Year ended 31 st March, 2013	For the Year ended 31 st March, 2012
REVENUE			
Revenue from operations			
Sale of products		211755.17	184734.65
Sale of traded goods		13.79	5.11
Sale of services	22	2162.35	978.76
Other operating revenues	23	493.86	543.72
		<u>214425.17</u>	<u>186262.24</u>
Less: Excise duty		1536.18	1769.43
		<u>212888.99</u>	<u>184492.81</u>
Other income	24	4851.25	6576.07
Total Revenue		<u>217740.24</u>	<u>191068.88</u>
EXPENSES			
Cost of Raw materials consumed	25	89789.81	77177.30
Purchases of Stock-in-trade		9.43	10.06
Changes in inventories of finished goods, stock-in-trade and work-in-progress	26	(10033.10)	(1065.66)
Employee benefits expense	27	19120.18	14515.62
Finance costs	28	177.65	374.32
Research and development expenses	29	2399.87	1885.93
Depreciation		7689.56	6203.11
Other expenses	30	29428.35	22482.69
Total Expenses		<u>138581.75</u>	<u>121583.37</u>
Profit before tax		79158.49	69485.51
Tax expense			
Current tax		15300.00	13275.00
MAT credit utilisation		853.00	292.00
Deferred tax		1926.49	1237.53
MAT credit Adjustments		(63.12)	75.68
Income tax adjustments		-	8.37
		<u>18016.37</u>	<u>14888.58</u>
Profit for the Year		<u>61142.12</u>	<u>54596.93</u>
Earnings per equity share			
(Face value Rs.2/- per share)			
Basic and Diluted (Rs.)		46.06	41.15
Summary of Significant Accounting Policies and Other Explanatory Information	31		

For and on behalf of the Board

Per Our Report of Even Date
For P.V.R.K. NAGESWARA RAO & CO
Chartered Accountants
Firm's Registration Number : 0022835

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

P.V.R.K. NAGESWARA RAO
Hyderabad Partner
20.05.2013 Membership Number : 18840

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

Cash flow Statement for the Year ended 31st March, 2013

(Rs. in Lakhs)

Particulars	For the Year ended 31 st March, 2013	For the Year ended 31 st March, 2012
I CASH FLOW / (USED) FROM OPERATING ACTIVITIES :		
Profit before tax for the year	79158.49	69485.51
Add/ (Less) : Adjustments for :		
Depreciation	7689.56	6203.11
Provision for Doubtful Debts	36.73	10.02
Unrealised Foreign Exchange loss / (Gain)	876.74	(806.08)
Provision for diminution in value of investments no longer required	-	(9.64)
Provision for Doubtful Debts no longer required	(4.91)	(11.18)
Interest Expense	75.39	249.47
Interest Income	(272.44)	(69.84)
Bad debts written off	10.05	-
Claims written off	0.76	0.14
Dividend from Current Investments	(2980.78)	(3552.40)
Loss on Sale of Assets (Net)	-	0.02
Book Deficit on Assets Discarded	69.81	93.98
	5500.91	2107.60
	84659.40	71593.11
Add / (Less) : Adjustments for Working Capital Changes :		
(Increase) in Long term Loans and Advances	(536.05)	(4523.69)
(Increase) / Decrease in Other non current assets	151.25	(24.14)
(Increase) in Inventories	(15497.99)	(10790.30)
(Increase) in Trade Receivables	(3629.63)	(12623.53)
(Increase) in Fixed Deposits pledged with Banks and dividend accounts with banks	(1528.66)	(1042.49)
(Increase) in Short term Loans and Advances	(561.61)	(1978.64)
(Increase) in Other Current Assets	(219.13)	(130.67)
Increase in Trade Payables	411.56	3113.22
Increase in Other Current Liabilities	1511.54	2967.78
(Decrease) in Short Term Provisions	(11.49)	(428.91)
(Decrease) in Other Long term Liabilities	(623.61)	(336.06)
Increase / (Decrease) in Long term Provisions	74.47	(117.16)
	(20459.35)	(25914.59)
Cash generated from operations	64200.05	45678.52
Less : Direct taxes paid	17445.88	12273.25
Net Cash flow from operating activities	46754.17	33405.27

Particulars	For the Year ended 31 st March, 2013	For the Year ended 31 st March, 2012
II CASH FLOW / (USED) FROM INVESTING ACTIVITIES :		
Purchase of Fixed assets	(34003.40)	(28911.81)
Sale of Fixed assets	-	2.80
Redemption of Current Investments	8924.81	10034.84
Investments In Current Investments	(2002.27)	(5165.28)
Dividend from Current Investments	2980.78	3552.40
Interest Received	175.88	52.41
Net Cash (used) in Investing activities	<u>(23924.20)</u>	<u>(20434.64)</u>
III CASH FLOW/ (USED) FROM FINANCING ACTIVITIES :		
Consideration for Issue of Shares under ESOP	-	139.19
Repayment of Long-Term Borrowings	(268.21)	(236.43)
Proceeds from Short-Term Borrowings	(1968.92)	3657.93
Interest Paid	(76.74)	(251.13)
(Loss) on Forex Hedging / Swap Arrangements	(707.41)	(1003.50)
Dividend Paid (including Corporate Dividend Tax)	(20051.31)	(15416.92)
Net Cash (Used) in Financing Activities	<u>(23072.59)</u>	<u>(13110.86)</u>
IV Net Increase / (Decrease) in cash and cash equivalents	(242.62)	(140.23)
V Cash and Cash Equivalents as at the beginning of the year	820.24	960.47
VI Cash and Cash Equivalents as at the end of the year	577.62	820.24
Note : CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>2012-13</u>	<u>2011-12</u>
Cash and Bank Balances as per Balance Sheet	3468.28	2182.24
Less: Deposits lodged towards Security Deposits, Margin Money against Bank Gurantees and other designated accounts dealt seperately.	2890.66	1362.00
	<u>577.62</u>	<u>820.24</u>

Note:

1. Previous year figures have been regrouped / reclassified to conform to current year classification.
2. The Cash Flow Statement has been prepared under 'Indirect Method' in accordance with the requirement of Accounting Standard-3 "Cash Flow Statement" issued under Companies (Accounting Standards) Rules, 2006.
3. Summary of Significant Accounting Policies and Other Explanatory Information (Note No 31) form an Integral part of the Cash Flow Statement.

For and on behalf of the Board

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

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

Hyderabad
20.05.2013
P.V.R.K. NAGESWARA RAO
Partner
Membership Number : 18840

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

Notes to Balance Sheet

(Rs. in Lakhs)

Note No.	Particulars	As At 31 st March, 2013	As At 31 st March, 2012
1	SHARE CAPITAL		
	Authorised :		
	15,00,00,000 Equity Shares of Rs.2/- each	<u>3000.00</u>	<u>3000.00</u>
	Issued :		
	13,27,34,290 Equity Shares of Rs.2/- each	<u>2654.69</u>	<u>2654.69</u>
	Subscribed and paid up :		
	13,27,34,290 Equity Shares of Rs 2/- each fully paid up	<u>2654.69</u>	<u>2654.69</u>

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

Particulars	As at 31 st March, 2013 Number	As at 31 st March, 2012 Number
Shares outstanding at the beginning of the year	132734290	132595110
Shares issued during the year - ESOP	-	139180
Shares outstanding at the end of the year	132734290	132734290

The details of Shareholders holding more than 5% equity shares is set out below :

Name of Shareholder	As at 31 st March, 2013		As at 31 st March, 2012	
	No. of Shares Held	% of Holding	No. of Shares Held	% of Holding
PROMOTERS GROUP :				
Dr.Murali Krishna Prasad Divi	7783500	5.86	7783500	5.86
Satchandra Kiran Divi	23000000	17.33	23000000	17.33
Swarnalatha Divi	7000000	5.27	7000000	5.27
Nilima Motaparti	27000000	20.34	27000000	20.34
OTHER THAN PROMOTERS GROUP :				
Reliance Capital Trustee Company Limited	10073608	7.59	11873711	8.95

Aggregate number of bonus shares issued during the period of five years immediately preceding the reporting date

On 2nd August 2009, the company issued 6,48,47,975 equity shares of Rs. 2/- each as fully paid bonus shares by capitalisation of general reserve and other free reserves.

Terms/rights attached to equity shares :

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

During the year ended 31st March 2013, the amount of per share dividend recognised as distribution to equity shareholders was Rs. 15/- (31 st March 2012 : Rs. 13/-)

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

(Rs. in Lakhs)

Note No.	Particulars	As At 31 st March, 2013	As At 31 st March, 2012
2	RESERVES AND SURPLUS		
	Capital Reserve	32.58	32.58
	Securities Premium Account :		
	As Per Last Account	10642.34	10408.02
	Add: Premium on allotment of equity shares against options availed under ESOP Scheme	- 10642.34	234.32 10642.34
	Share Options Outstanding Account :		
	As Per Last Account	-	97.92
	Less: Exercise of Options Granted	-	97.92 -
	Refer Note No. 31 (II)(6)		
	General Reserve :		
	As Per Last Account	40000.00	27500.00
	Add: Amount transferred from Statement of Profit and Loss	15000.00 55000.00	12500.00 40000.00
	Balance in Statement of Profit and Loss (Surplus) :		
	As Per Last Account	164149.95	142114.13
	Add: Profit as per Statement of Profit and Loss	61142.12	54596.93
	Total available for allocations and appropriations	225292.07	196711.06
	Less: Allocations and appropriations :		
	Proposed Dividend	19910.14	17255.46
	Provision for Corporate Dividend Tax	3383.73	2799.27
	Dividend of earlier year	-	5.49
	Corporate Dividend Tax of earlier year	-	0.89
	Amount transferred to General Reserve	15000.00	12500.00
	Profit carried forward to next year	186998.20	164149.95
		252673.12	214824.87
3	LONG-TERM BORROWINGS		
	Term Loans (Secured) :		
	From Banks	-	249.66
	Less: Current maturities of long-term debt	-	249.66 -
	1. Nature of Security :		
	Secured by equitable mortgage of specified immovable properties of the Company and further secured by first charge of all the movables (Save and except Book-debts) including movable machinery, machinery spares, tools and accessories present and future, subject to prior charge created and / or to be created in favour of the bankers on the stocks for working Capital Requirements.		
	2. The above Term Loans and interest due thereon have been paid upto date and there are no continuing defaults.		

(Rs. in Lakhs)

Note No.	Particulars	As At 31 st March, 2013	As At 31 st March, 2012
	Deferred Payment Liabilities (Unsecured) :		
	Deferred Sales Tax Credit	255.69	274.24
	Less: Current maturities of long-term debt	45.65	18.55
		210.04	255.69
	1. Term of Repayment :		
	Period : 14 Years		
	Number of Installments due : 5		
	Rate of Interest : Interest free		
	2. The above liability due thereon has been paid upto date and there are no continuing defaults.		
		210.04	255.69
4	DEFERRED TAX LIABILITIES (NET)		
	Opening balance at the beginning of the year	6728.72	5491.19
	Add: Adjustments during the year	1926.49	1237.53
	Refer Note No. 31 (II)(16)		
		8655.21	6728.72
5	OTHER LONG-TERM LIABILITIES		
	Trade Payables :		
	Dues of Micro and Small Enterprises	-	-
	Dues of Enterprises other than Micro and Small Enterprises	-	1.88
	Refer Note No. 31 (II)(8)		
	Others :		
	Advance from Customers	-	540.36
	Other Payables	-	83.25
		-	623.61
		-	625.49
6	LONG-TERM PROVISIONS		
	Provision for employee benefits	239.09	164.62
	Refer Note No. 31 (II)(11)		
		239.09	164.62
7	SHORT-TERM BORROWINGS		
	Loans repayable on demand :		
	Working Capital Loans from banks (Secured) :	2188.03	4506.20
	1. Nature of Security :		
	(Secured by hypothecation of stocks, book debts and receivables and further secured by second charge on fixed assets of the company)		
	2. There are no defaults in repayment of loans and interest		
	3. The above loans carry interest @ 11% to 12.50% p.a.		
	Overdraft against Fixed Deposits from banks (Secured) :	863.42	514.17
	1. Nature of Security :		
	(Secured by hypothecation of Fixed Deposits of the company)		

		(Rs. in Lakhs)	
Note No.	Particulars	As At 31 st March, 2013	As At 31 st March, 2012
	2. There are no defaults in repayment of loans and interest		
	3. The above loans carry interest @ 9.50% to 9.75% p.a.		
		<u>3051.45</u>	<u>5020.37</u>
8	TRADE PAYABLES		
	Dues of Micro and Small Enterprises	-	-
	Dues of Enterprises other than Micro and Small Enterprises	15830.73	15731.14
	Refer Note No. 31 (II)(8)	<u>15830.73</u>	<u>15731.14</u>
9	OTHER CURRENT LIABILITIES		
	Current maturities of long-term debt	45.65	268.21
	Interest accrued but not due on borrowings	-	1.35
	Advance from customers	1772.68	1033.27
	Unpaid dividends	43.08	39.66
	(Of the above, there is no amount due and outstanding to be credited to Investor Education and Protection Fund)		
	Other Payables :		
	Creditors for Capital Works	2173.72	3998.93
	Statutory liabilities	355.56	128.05
	Employee benefits payable	5797.05	5008.66
	Others	<u>2747.61</u>	<u>2991.38</u>
		<u>11073.94</u>	<u>12127.02</u>
		<u>12935.35</u>	<u>13469.51</u>
10	SHORT-TERM PROVISIONS		
	Provision for employee benefits	47.77	59.26
	Refer Note No. 31 (II)(11)		
	Provision for mark-to-market losses on derivative contracts	-	707.41
	Proposed Dividend	19910.14	17255.46
	Provision for Tax on Proposed Dividend	3383.73	2799.27
		<u>23341.64</u>	<u>20821.40</u>

11. FIXED ASSETS (Rs. in Lakhs)

Sl. No.	Description	GROSS BLOCK			DEPRECIATION			NET BLOCK			
		Cost as at 01.04.2012	Additions	Deductions	Total Upto 31.03.2013	Upto 01.04.2012	For the Year	On Deductions	Total Upto 31.03.2013	As at 31.03.2013	As at 31.03.2012
TANGIBLE ASSETS :											
1	Free hold Land and Development	2030.04	408.45	-	2438.49	-	-	-	-	2438.49	2030.04
2	Buildings	20648.73	4794.37		25443.10	3322.78	688.44	-	4011.22	21431.88	17325.95
3	Plant and Equipment	77791.56	18093.85	164.96	95720.45	29443.86	6499.85	95.15	35848.56	59871.89	48347.70
4	Laboratory Equipment	5856.95	759.07	-	6616.02	1363.60	301.36	-	1664.96	4951.06	4493.35
5	Furniture and Fittings	481.63	142.49	-	624.12	246.99	44.65	-	291.64	332.48	234.64
6	Vehicles	545.39	54.53	-	599.92	382.43	42.60	-	425.03	174.89	162.96
7	Office and other Equipment	1446.76	401.24	-	1848.00	345.09	67.90	-	412.99	1435.01	1101.67
8	Computers	362.15	135.78	-	497.93	238.97	44.76	-	283.73	214.20	123.18
	Total	109163.21	24789.78	164.96	133788.03	35343.72	7689.56	95.15	42938.13	90849.90	73819.49
	Previous year Total	88534.21	21146.54	517.54	109163.21	29561.35	6203.11	420.74	35343.72	73819.49	58972.86

Note: Additions to fixed assets during the year includes value of capital expenditure towards Research and Development aggregating to Rs. 423.46 Lakhs (previous year Rs.941.47 Lakhs) (Refer Note No. 31(II)(10))

12. Expenditure during construction period pending Capitalisation for the year 2012-13

(Rs. in Lakhs)

Particulars	As at 31 st March, 2012	For the Year	As at 31 st March, 2013
Materials consumed	309.20	-	309.20
Salaries,wages,bonus and other allowances	31.69	-	31.69
Contribution to Provident and other funds	0.87	-	0.87
Staff welfare expenses	1.29	-	1.29
Interest	1.63	-	1.63
Power and fuel	6.88	-	6.88
Repairs to Machinery	1.48	-	1.48
Insurance	0.09	-	0.09
Rates and taxes, excluding taxes on income	0.08	-	0.08
Printing and stationery	0.21	-	0.21
Communication expenses	0.01	-	0.01
Travelling and conveyance	0.31	-	0.31
Professional and consultancy charges	0.03	-	0.03
General expenses	10.72	-	10.72
Bank charges and commission	0.40	-	0.40
Freight outward	0.47	-	0.47
Depreciation	0.11	-	0.11
Net gain on foreign currency transaction and translation	(0.04)	-	(0.04)
Stock out of trial runs	(324.35)	-	(324.35)
	<u>41.06</u>	<u>-</u>	<u>41.06</u>
Less: Expenditure capitalised during the year			<u>41.06</u>
Balance			Nil

(Rs. in Lakhs)

Note No.	Particulars	As At 31 st March, 2013	As At 31 st March, 2012
13	NON-CURRENT INVESTMENTS (Long Term Investments) Investments in Equity Instruments (Non Trade, Unquoted, fully paid up) : (At Cost less provision for other than temporary diminution in value) In Subsidiary Companies : - Divi's Laboratories (USA) Inc 2,000 Ordinary Shares of US\$0.01 each - Divi's Laboratories (EUROPE) AG 200 Shares of CHF 500 each In Other Companies : Pattan Cheru Enviro - Tech Limited 12,000 Equity Shares of Rs.10/- each Less: Provision for diminution in value of Investments	245.43 36.18 1.20 1.20 <u>281.61</u> <u>282.81</u> 1.20	245.43 36.18 1.20 1.20 <u>281.61</u> <u>282.81</u> 1.20
14	LONG-TERM LOANS AND ADVANCES (Unsecured, considered good) Capital Advances Security Deposits Loans and advances to related parties Refer Note No. 31 (II) (13) Pre-paid Expenses Prepaid Taxes (Net of Provision for Taxation) Other Loans and advances	1985.31 1229.30 4486.31 7.21 2330.77 688.15 <u>10727.05</u>	6739.50 743.69 4340.97 11.26 - 633.66 <u>12469.08</u>
15	OTHER NON CURRENT ASSETS Long term trade receivables : Unsecured , considered good Unsecured , considered doubtful Less: Provision for doubtful debts Other receivables : Unsecured , considered good Unsecured , considered doubtful Less: Provision for doubtful debts	- 59.35 <u>59.35</u> - 0.60 <u>0.60</u> <u>-</u>	241.51 27.65 27.65 - 151.25 0.48 0.48 <u>392.76</u>
16	CURRENT INVESTMENTS Investments in Mutual Funds : Unquoted (At lower of Cost and Fair Value) SBI Mutual Fund - SBI-SHF-Ultra Short Term Plan Institutional Plan - Direct daily Dividend Scheme 38,72,911 (Previous year 37,68,129) Units of Rs.1000/- each Fair Value: Rs.38780.76 Lakhs (Previous Year: Rs.37703.90 Lakhs) SBI-ULTRA Short term Debt Fund -Regular daily Dividend Plan 1,99,970 (Previous year Nil) Units of Rs.1000/- each Fair Value Rs. 2002.27 Lakhs (Previous Year Rs.Nil)	38779.09 2002.27	37703.90 -

(Rs. in Lakhs)

Note No.	Particulars	As At 31 st March, 2013	As At 31 st March, 2012
	SBI Mutual Fund - SBI Debt Fund Series Nil (Previous Year 10,00,00,000 Units of Rs.10/- each Fair Value Rs.Nil (Previous Year Rs. 10024.08 Lakhs)	-	10000.00
		<u>40781.36</u>	<u>47703.90</u>
	Aggregate amount of unquoted investments	<u>40781.36</u>	<u>47703.90</u>
	Aggregate Provision for diminution in value of Investments	<u>-</u>	<u>-</u>
17	INVENTORIES (Valued at lower of Cost and Net realisable Value)		
	Raw Materials (including stock in transit of Rs.945.91 lakhs (previous year Rs.238.33 lakhs)	29414.96	24553.89
	Work - in - Progress	40521.12	31434.95
	Finished Goods	2882.55	1851.70
	Stock - in - Trade (including stock in transit of Rs.Nil (previous year 7.42 lakhs)	9.53	7.42
	Stores and Spares	<u>7766.68</u>	<u>7248.89</u>
		<u>80594.84</u>	<u>65096.85</u>
18	TRADE RECEIVABLES (Unsecured, Considered Good) Outstanding for a period exceeding six months from the date they became due for payment Others	1201.71 <u>54688.35</u> <u>55890.06</u>	641.21 <u>52755.51</u> <u>53396.72</u>
19	CASH AND BANK BALANCES Cash and Cash Equivalents : Cash on Hand Balance with Banks In Current Accounts Other Bank Balances : In Unclaimed Dividend accounts Balances with banks to the extent held as Margin Money (Towards margin on Letters of Credit and Guarantees issued by banks)	4.26 <u>573.36</u> 577.62 43.08 2847.58 <u>3468.28</u>	10.12 <u>810.12</u> 820.24 39.66 1322.34 <u>2182.24</u>
20	SHORT-TERM LOANS AND ADVANCES (Unsecured, considered good) Central excise duty deposit Prepaid expenses Advances to suppliers Advances to employees Other advances and receivables Prepaid Taxes (Net of Provision for Taxation) MAT Credit Entitlements	1141.48 260.76 2538.30 8.44 2029.14 - 10.99 <u>5989.11</u>	1359.81 189.39 2802.99 2.20 1062.88 184.89 800.87 <u>6403.03</u>
21	OTHER CURRENT ASSETS Interest accrued on deposits Export Incentives receivable Insurance claims receivable Other receivables	144.10 294.32 169.78 59.47 <u>667.67</u>	47.54 244.37 9.70 50.37 <u>351.98</u>

Notes to Statement of Profit and Loss

(Rs. in Lakhs)

Note No.	Particulars	For the year ended 31 st March, 2013	For the year ended 31 st March, 2012
22	SALE OF SERVICES		
	Contract research fee	255.14	603.36
	Job work charges	1907.21	375.40
		<u>2162.35</u>	<u>978.76</u>
23	OTHER OPERATING REVENUES		
	Export incentives	136.14	254.71
	Sale of scrap out of manufacturing process	357.72	289.01
		<u>493.86</u>	<u>543.72</u>
24	OTHER INCOME		
	Interest income	272.44	69.84
	Dividend income from current investments	2980.78	3552.40
	Net gain on foreign currency transaction and translation	1516.40	2760.16
	Sale of other scrap	18.40	11.73
	Provision for diminution in value of current investments no longer required	-	9.64
	Excess Liabilities Written back	44.88	145.35
	Provision for doubtful debts no longer required	4.91	11.18
	Other non-operating Income	13.44	15.77
		<u>4851.25</u>	<u>6576.07</u>
25	COST OF RAW MATERIALS CONSUMED		
	Refer Note No. 31 (II)(17)		
	Opening Inventory	24553.89	16847.61
	Add: Purchases during the year	94650.88	84883.58
		<u>119204.77</u>	<u>101731.19</u>
	Less: Closing Inventory	29414.96	24553.89
		<u>89789.81</u>	<u>77177.30</u>
26	CHANGE IN INVENTORY OF FINISHED GOODS, STOCK-IN-TRADE AND WORK-IN-PROGRESS		
	<u>Finished Goods :</u>		
	Closing Inventory	2882.55	1851.70
	Opening Inventory	1851.70	1172.36
		<u>(1030.85)</u>	<u>(679.34)</u>
	Excise duty adjustment in movement in finished goods inventory	(86.03)	(22.89)
		<u>(944.82)</u>	<u>(656.45)</u>
	<u>Stock - in - Trade :</u>		
	Closing Inventory	9.53	(7.42)
	Opening Inventory	7.42	-
		<u>(2.11)</u>	<u>(7.42)</u>
	<u>Work-in-Progress :</u>		
	Closing Inventory	40521.12	31434.95
	Opening Inventory	31434.95	31033.16
		<u>(9086.17)</u>	<u>(401.79)</u>
		<u>(10033.10)</u>	<u>(1065.66)</u>

(Rs. in Lakhs)

Note No.	Particulars	For the year ended 31 st March, 2013	For the year ended 31 st March, 2012
27	EMPLOYEE BENEFITS EXPENSE		
	Salaries, wages, bonus and other allowances	18108.09	13775.31
	Contribution to Provident and other funds	301.70	213.34
	Contribution to ESI	125.50	97.10
	Staff welfare expenses	584.89	429.87
		<u>19120.18</u>	<u>14515.62</u>
28	FINANCE COSTS		
	Interest expense	49.55	114.42
	Interest on Income Tax	25.84	135.05
	Other borrowing costs	100.51	100.41
	Net loss on foreign currency transaction and translation	1.75	24.44
		<u>177.65</u>	<u>374.32</u>
29	RESEARCH AND DEVELOPMENT EXPENSES		
	Raw Materials Consumed	50.66	50.18
	Salaries, wages, bonus and other allowances	1418.52	1140.84
	Contribution to Provident and other funds	51.60	31.73
	Contribution to ESI	8.29	6.89
	Staff Welfare expenses	2.12	1.96
	Stores consumed	400.52	357.13
	Power and fuel	182.03	120.21
	Repairs to Buildings	3.47	8.32
	Repairs to Machinery	103.65	18.87
	Repairs to other assets	89.32	6.83
	Rates and taxes, excluding taxes on income	31.43	16.93
	Printing and stationery	8.62	7.61
	Communication expenses	1.86	3.66
	Travelling and conveyance	0.57	0.72
	Vehicle maintenance	0.24	2.65
	Professional and consultancy charges	0.42	48.99
	Miscellaneous expenses	46.21	62.05
	Bank charges and commission	0.34	0.36
		<u>2399.87</u>	<u>1885.93</u>
30	OTHER EXPENSES		
	Consumption of stores and spare parts	2002.18	1477.48
	Packing materials consumed	1775.35	1521.72
	Power and fuel	13625.16	8613.30
	Repairs to Buildings	238.05	226.69
	Repairs to Machinery	2717.56	1929.61
	Repairs to other assets	84.28	63.78
	Insurance	271.12	208.34
	Rates and taxes, excluding taxes on income	326.56	147.19

(Rs. in Lakhs)

Note No.	Particulars	For the year ended 31 st March, 2013	For the year ended 31 st March, 2012
	Directors sitting fees	7.40	7.60
	Printing and stationery	203.42	189.15
	Rent	59.97	56.70
	Communication expenses	77.45	79.40
	Travelling and conveyance	319.18	302.12
	Vehicle maintenance	196.19	195.17
	Payment to Auditors :		
	As Statutory Auditors	20.00	20.00
	As Tax Auditors	10.00	9.00
	For Certification	11.50	10.50
	For Quarterly Reviews	9.00	7.50
	For Taxation Matters	-	14.00
	For Reimbursement of expenses	0.97	0.65
	Professional and consultancy charges	305.93	162.94
	Factory upkeep	276.67	272.91
	Environment management expenses	626.76	732.97
	Advertisement	8.61	7.78
	Sales commission	529.05	494.82
	Carriage outward	4232.47	4503.60
	General expenses	1294.74	1017.87
	Bad debts written off	10.05	-
	Provision for doubtful debts	36.73	10.02
	Donations	1.03	0.85
	Loss on sale of assets (Net of profit on sale of Assets of Rs.Nil (previous year Rs. 0.46 Lakhs)	-	0.02
	Book deficit on assets discarded	69.81	93.98
	Claims Written off	0.76	0.14
	Bank charges	78.06	84.45
	Prior year expenses	2.34	20.44
		29428.35	22482.69

31. Summary of Significant Accounting Policies and Other Explanatory Information :

I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. BASIS OF PREPARATION :

The financial statements have been prepared in accordance with the generally accepted accounting principles in India under the historical cost convention on an accrual basis in all material respects with the notified Accounting Standards by the Companies (Accounting Standards) Rules, 2006(as amended), other pronouncements of the Institute of Chartered Accountants of India and the relevant provisions of the Companies Act, 1956. The accounting policies have been consistently applied by the Company and are consistent with those used in the previous year. The financial statements are presented in Indian rupees rounded off to the nearest lakh.

All assets and liabilities have been classified as current or non-current as per the company's normal operating cycle and other criteria set out in Revised Schedule VI to the Companies Act, 1956. 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.

B. USE OF ESTIMATES :

The preparation of financial statements in conformity with generally accepted accounting principles requires the management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent liabilities on the date of financial statements and reported amounts of revenues and expenses for the year. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. Difference between actual results and estimates are recognised in the period in which the results are known / materialised.

C. FIXED ASSETS AND DEPRECIATION :

- i. Fixed assets are stated at cost of acquisition including freight, duties and installation expenses and expenditure during construction where applicable and net of CENVAT and Value Added Tax credit availed against Tax or cess paid on such items.
- ii. Depreciation on Fixed Assets is provided under Straight Line Method at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956.
- iii. Depreciation is provided at one hundred per cent for assets costing less than Rs.5,000/-
- iv. Depreciation on Fixed Assets used for the Project under construction is included under Expenditure during construction period Pending Capitalisation.
- v. Expenditure directly relating to construction activity is capitalised. Indirect expenditure is capitalised to the extent those relate to the construction activity or is incidental thereto. Income earned during the construction period is deducted from the total expenditure relating to construction activity.

D. IMPAIRMENT OF ASSETS :

The company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the Statement of Profit and Loss. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of amortised historical cost.

E. INVESTMENTS :

- i. Investments that are readily realisable and intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as long term investments.
- ii. Current investments are carried at lower of cost and fair value determined on individual investment basis.
- iii. Long-term investments are carried at cost of acquisition. Provision is made for decline, other than temporary, in the value of investments.

- iv. On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged or credited to the statement of profit and loss.

F. INVENTORIES :

Raw materials, stores and spares are valued at lower of cost, calculated on weighted average basis, and net realisable value. Items held for use in the production of inventories are not written down below cost if the finished product in which these will be incorporated are expected to be sold at or above cost.

Finished goods and work-in-progress are valued at lower of cost and net realisable value. Cost includes materials, labour and a proportion of appropriate overheads based on normal operating capacity. Cost of finished goods includes excise duty. Cost is determined on a weighted average basis.

Trading goods are valued at lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, reduced by the estimated costs of completion and costs to effect the sale.

G. RESEARCH AND DEVELOPMENT :

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

H. EXCISE DUTY :

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

I. EMPLOYEE STOCK OPTION SCHEME :

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

J. FOREIGN EXCHANGE TRANSACTIONS :

- i. Initial Recognition: Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and foreign currency at the date of the transaction.
- ii. Conversion: Foreign currency monetary items are reported at year-end rates. Non-monetary items which are carried in terms of historical cost denominated in foreign currency are reported using the exchange rate at the date of the transaction.
- iii. Exchange difference: Exchange differences arising on the settlement of monetary items or on reporting monetary items of Company at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expense in the year in which they arise.
- iv. Forward exchange contracts not intended for trading purpose: In case of forward exchange contracts, difference between forward rate and the exchange rate on the date of transaction is recognised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.

K. EMPLOYEE BENEFITS :

- i. Short-Term Benefits :

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

- ii. Long-Term Benefits :

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

b. Gratuity :

The Company makes contribution to a scheme administered by the Life Insurance Corporation of India ('LIC') to discharge gratuity liabilities to the employees. Annual contribution to the fund as determined by the LIC is expensed in the year of contribution. The shortfall between the accumulated funds available with LIC and liability as determined on the basis of an actuarial valuation is provided for at the year-end. The actuarial gains / losses are immediately taken to the Statement of profit and loss.

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

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

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

L. TAXES ON INCOME :

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

ii. Current Year Income Tax :

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

iii. Deferred Income Tax :

Deferred Income Taxes are recognised for the future tax consequences attributable to timing differences between the financial statement determination of income and their recognition for tax purposes. The effect of a change in tax rates on deferred tax assets and liabilities is recognised in income using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax assets are recognised only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised. In situations where the company has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognised only if there is virtual certainty supported by convincing evidence that they can be realised against future taxable profits.

In the situations where the company is 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.

Unrecognised deferred tax assets of earlier years are reassessed and recognised to the extent that it has become reasonably Certain or virtually certain, as the case may be that future taxable income will be available against which such deferred tax assets can be realised.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realised. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

iv. Minimum Alternate Tax (MAT) Credit :

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

M. EXPORT BENEFITS :

Export benefits on account of duty drawback and export promotion schemes are accrued and accounted in the year of export, and are included in other operating revenue. Other benefits in the form of advance authorisation for imports are accounted for on purchase of imported materials.

N. REVENUE RECOGNITION :

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured.

i. SALES :

Revenue from sale of goods is recognised when significant risks and rewards in respect of ownership of products are transferred to the customers. Revenue from domestic sales is recognised on delivery of products to customers from the factories of the company. Revenue from export sales is recognised when the significant risks and rewards of ownership are transferred to the customers which is based upon the terms of the applicable contract.

Revenue from product sales is stated exclusive of returns, sales tax and applicable trade discounts and allowances.

- ii.** Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.
- iii.** Dividend on shares held by the company is recognised when the right of the company to receive the same is established.
- iv.** Service income is recognised as per the terms of the contracts with customers when the related services are performed or the agreed milestones are achieved.

O. BORROWING COSTS :

Borrowing cost includes interest, ancillary costs incurred in connection with the arrangement of borrowings and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

Borrowing costs directly attributable to acquisition or construction of Fixed Assets which necessarily take a Substantial period of time to get ready for their intended use, incurred till the time of commencement of commercial production or their intended use are capitalised. All other borrowing costs are expensed in the period they occur.

P. LEASES :

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

Q. PROPOSED / INTERIM DIVIDEND :

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

R. EARNINGS PER SHARE :

- i.** The basic earnings per share (EPS) is calculated by dividing the net profit or loss for the year attributable to equity shareholders by the weighted average number of equity shares outstanding during the year.
- ii.** For the purpose of calculating diluted earnings per share, the net profit or loss for the year attributable to equity shareholders and the weighted average number of equity shares outstanding during the year are adjusted for the effects of all dilutive potential equity shares.

S. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS :

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

T. CASH AND CASH EQUIVALENTS :

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

II. Other Explanatory Information

1. CORPORATE INFORMATION :

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

2. Previous year figures have been regrouped/ recast/ rearranged wherever necessary to conform to current year classification.

3. CONTINGENT LIABILITIES AND COMMITMENTS :

(Rs. in Lakhs)

Particulars	2012-13	2011-12
A. CONTINGENT LIABILITIES		
(i) On account of Letter of Credit and Guarantees issued by the bankers.	3878.06	4721.40
(ii) Demands being disputed / contested by the Company	2681.39	621.20
B. COMMITMENTS		
(i) Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances)	3663.91	9553.05
(ii) On account of bonds and / or legal agreements executed with Central Excise/ Customs authorities/ Development Commissioners	11950.00	11950.00
(iii) Derivative related commitments	-	3069.39

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

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

6. EMPLOYEE STOCK OPTION SCHEME :

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

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

Particulars	2012-13 Option exercisable for Equity share of Rs. 2/- each (Nos.)	2011-12 Option exercisable for Equity share of Rs. 2/- each (Nos.)
At the beginning of the year	-	1,39,180
Granted during the year	-	-
Expired/Forfeited during the year	-	-
Bonus Issue	-	-
Exercised during the year	-	1,39,180
At the end of the year	-	-

7. DERIVATIVE INSTRUMENTS :

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

b. The details of outstanding foreign exchange forward contracts are:

(Rs. in Lakhs)

Nature of Contract	Currency	As on 31.3.2013		As On 31.3.2012	
		No.	Amount	No.	Amount
Sell	USD/INR	--	--	2	3069.39

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

(Amount in Lakhs)

Particulars	Type of Foreign Currency	As on 31.3.2012		As on 31.3.2011	
		Foreign Currency	Amount	Foreign Currency	Amount
1 Payable for Supplies and services	EURO	3.66	254.45	1.07	73.39
	CHF	-	-	0.01	0.43
	USD	125.82	6843.28	169.90	8691.58
	NOK	9.47	93.50	-	-
2 Advance Payments to Supplies and Services	EURO	0.54	37.39	1.62	110.76
	JPY	17.13	9.89	-	-
	USD	17.63	958.84	13.80	706.20
	NOK	-	-	34.62	305.84
3 Receivables for Supplies and Services	EURO	58.45	4064.63	24.73	1690.02
	GBP	89.78	7390.46	55.75	4560.07
	USD	713.60	38812.43	802.81	41068.76
	ACU	-	-	1.42	72.83
4 Advance Receipts for Supplies and Services	EURO	0.002	0.12	1.35	92.59
	GBP	1.66	136.65	3.20	261.68
	USD	28.83	1568.18	29.17	1492.22
5 Interest Payable	USD	Nil	Nil	0.02	1.35
6 Loans and Advances	CHF	45.20	2580.99	45.20	2548.90
	USD	35.03	1905.32	35.03	1792.07
7 Term Loans	USD	-	-	4.88	249.66
	TOTAL		64656.13		63718.35

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

8. DUES OF MICRO AND SMALL ENTERPRISES :

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

Particulars	2012-13	2011-12
a. Principal amount remaining unpaid as on 31st March	NIL	NIL
b. Interest due thereon as on 31st March	NIL	NIL
c. Interest paid by the Company in terms of Section 16 of Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of payment made to the supplier beyond the appointed day during the year	NIL	NIL
d. Interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Act	NIL	NIL
e. Interest accrued and remaining unpaid as at 31 st March	NIL	NIL
f. Further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under Section 23 of the Act	NIL	NIL

9. **ADVANCES TO SUBSIDIARIES :**

- a. The Company has undertaken to provide financial assistance to its wholly owned subsidiaries Viz., Divis Laboratories (USA) Inc., and Divi's Laboratories Europe AG by way of loans with no specific repayment schedule. In respect of loan to Divi's Laboratories Europe AG, the same is subordinated to other creditors to the extent of CHF 45,00,000 equivalent to Rs.2569.95 lakhs (Previous year CHF 45.00 lakhs equivalent to Rs. 2538.00 Lakhs.)

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

(Rs. in Lakhs)

Particulars	Balance as on		Maximum Balance Outstanding during the Year	
	31.03.2013	31.03.2012	2012-13	2011-12
Divis Laboratories (USA) Inc	1905.32	1792.07	1905.32	1792.07
Divis Laboratories Europe AG	2580.99	2548.90	2580.99	2548.90

- c. In respect of above loans to subsidiaries, Management is confident to achieve profitability and continued development of current and new sales bases and the introduction of new profitable products in its current markets. Based on improved market at subsidiaries, the management is confident to achieve good progress on turnover and profitability of these subsidiaries. As per the projections/ cash in-flows submitted by the wholly owned subsidiaries, the accumulated losses will be recovered in future. The advances will be repaid by the subsidiaries in near future. In view of the above, no provision for decline in value of investment /advances has been made in accounts for the year ended 31.03.2013 as the decline is temporary in nature.

10. **Details of capital expenditure incurred for Research and Development are given below :**

(Rs. in Lakhs)

Particulars	2012-13	2011-12
Buildings	59.20	343.53
Plant and machinery	28.96	71.68
Lab equipment	296.67	496.75
Data processing equipment	4.90	10.87
Office equipment	8.75	18.57
Furniture	24.98	0.07
Total	423.46	941.47

11. EMPLOYEE BENEFITS :

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

I. Defined Contribution Schemes :

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

(Rs. in Lakhs)

Particulars	2012-13	2011-12
Employer's Contribution to Provident Fund	286.57	221.15
Employer's Contribution to State Insurance Scheme	133.79	103.99

II. Defined Benefit Plans :**GRATUITY**

(Rs. in Lakhs)

Particulars	2012-13	2011-12
A) Components of Employer Expense		
Current Service Cost	35.07	25.91
Interest Cost on Benefit Obligation	41.42	31.75
Expected Return On Plan Assets	(53.40)	Nil
Net Actuarial Gain /Loss Recognised	79.23	(89.66)
Past Service Cost	0.67	Nil
Total expense recognised in Statement of Profit and Loss	102.99	(32.00)
B) Actual Return on Plan Assets	(53.40)	Nil
C) Net Asset /Liability recognised in Balance Sheet		
Defined Benefit Obligation	659.30	517.82
Fair Value Of Plan Assets	(692.39)	(517.82)
Status(Surplus/Deficit)	(33.09)	Nil
Unrecognised Past Service Cost	Nil	Nil
Net Asset/Liability recognised in Balance Sheet	Nil	Nil
D) Changes in the PV of DBO		
Opening Defined Benefit Obligation	517.82	559.65
Interest Cost	41.42	31.75
Current Service Cost	35.07	25.91
Benefits Paid	(14.24)	(9.83)
Actuarial(gains)losses on obligation	79.23	(89.66)
Closing Defined Benefit obligation	659.30	517.82
E) Changes in Fair Value of Plan Assets		
Opening Fair Value of Plan Assets	517.82	469.99
Expected Return	53.40	Nil
Contributions	135.41	47.83
Benefits Paid	(14.24)	Nil
Actuarial Gain/loss	Nil	Nil
Closing Fair value of Plan Assets	692.39	517.82
F) Movement in Balance Sheet		
Opening liability	-	559.65
Expenses as above	102.99	(32.00)
Contribution Paid	(136.08)	(527.65)
Closing Net Liability	(33.09)	Nil
G) Actuarial assumptions :		
Retirement age	60 years	60 years
Future Salary Rise	7%	7%
Rate of Discounting	8%	8%
Attrition Rate	6%	6%
Rate of Return on Plan Assets	9.25%	9.25%
Av Balance Future Service	31.29 Years	31.29 Years
Mortality Table	LIC (1994 -96)	LIC (1994 -96)

III Defined Benefit Plans :

LEAVE ENCASHMENT (UNFUNDED):

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

(Rs. in Lakhs)

Particulars	2012-13	2011-12
A Reconciliation of opening and closing balances of Defined Benefit obligation :		
Defined Benefit obligation at beginning of the year	223.88	210.30
Current Service Cost	18.77	4.05
Interest Cost	17.91	16.82
Actuarial (gain)/loss	40.96	(3.46)
Benefits paid	(14.66)	(3.83)
Defined Benefit obligation at year end	286.86	223.88
B Expenses recognised during the year :		
Current Service Cost	18.77	4.05
Interest Cost on benefit obligation	17.91	16.82
Expected return on plan assets	NIL	NIL
Actuarial (gain)/loss	40.96	(3.46)
Net benefit expense	77.64	17.41
C Actuarial assumptions :		
Mortality Table (L.I.C)	1994-96 (Ultimate)	1994-96 (Ultimate)
Discount rate (per annum)	8.00%	8.00%
Attrition Rate (per annum)	6.00%	6.00%
Rate of escalation in salary (per annum)	7.00%	7.00%

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

12. SEGMENT REPORTING :

Segments are identified in line with AS 17 "Segment Reporting", taking into consideration the internal organisation and management structure as well as the differential risk and returns of the segment.

a. Identification of reportable segments :

(i) **Business Segments :**

The company is engaged in manufacturing and sale of Active Pharma Ingredients and Intermediates which is considered the Primary reportable business segment.

(ii) **Geographical Segments :**

Revenue is segregated into two segments namely India (Sales to customers with in India) and other countries (Sales to customers outside India) on the basis of geographical location of customers for the purpose of reporting geographical segments.

b. In accordance with Accounting Standard 17 - Segment Reporting, segment information has been provided in the Consolidated Financial Statements of the Company and therefore no separate disclosure on segment information is given in these standalone financial statements.

13. DISCLOSURE OF RELATED PARTIES/RELATED PARTY TRANSACTIONS PURSUANT TO ACCOUNTING STANDARD (AS) 18 “RELATED PARTY DISCLOSURES” :

(i) Names of Key Management Personnel with whom transactions were carried out during the year :

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

(ii) Names of Relatives of Key Management Personnel with whom transactions were carried out during the year :

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

(iii) List of Related Parties over which Control exists and status of transactions entered during the year :

Name of the related party	Relationship	Transactions entered During the year (Yes / No)
1 Divis Laboratories (USA) Inc	Wholly Owned Subsidiary	Yes
2 Divi's Laboratories EUROPE AG	Wholly Owned Subsidiary	Yes
3 Divi's Biotech Private Limited	Company In Which Key Management Personnel have Significant Influence	No
4 Divis Pharmaceuticals Private Limited	Company In Which Key Management Person has Significant Influence	No
5 Divi's Resorts Private Limited	Company In Which Key Management Personnel have Significant Influence	No
6 Touchstone Equities Limited	Company In Which Key Management Person has Significant Influence	No
7 Divi's Properties Private Limited	Company In Which Key Management Personnel have Significant Influence	No

Transactions with Related Parties :

(Rs. in Lakhs)

Sl. No.	Particulars	2012-13		2011-12	
		Amount	Outstanding as at 31.03.2013	Amount	Outstanding as at 31.03.2012
1	Managerial Remuneration to Key Management Personnel	5061.64	4660.43	4393.77	4083.96
2	Lease Rent to Key Management Personnel	29.99	2.70	28.35	2.46
3	Lease Rent to Relative of Key Management Personnel	29.98	2.70	28.35	2.46
4	Salary and Allowances to Relatives of Key Management Personnel	13.74	1.09	4.31	0.32
5	Advances to Subsidiaries	-	4486.31	-	4340.97
6	Sales to Subsidiaries	6512.25	6107.72	4780.70	5048.40
7	Purchases of Goods and Materials from Subsidiaries	20.66	-	41.19	41.06

Disclosure in respect of transactions which are more than 10% of the total transactions of the same type with related parties during the year : (Rs. in Lakhs)

Nature of transaction	Name of the party	2012-13	2011-12
Managerial Remuneration	Dr. Murali. K. Divi	2645.68	2314.85
	Mr. N.V. Ramana	1371.19	1189.04
	Mr. D. Madhusudana Rao	99.36	65.76
	Mr. Kiran S. Divi	945.41	807.51
Salary and Allowances	Mr. N. Laxmana Rao	1.68	2.15
	Mr. D.Mallikarjuna Rao	2.23	2.16
	Mrs. Nilima Motaparti	9.83	-
Rent	Mr. Kiran S. Divi	29.99	28.35
	Mrs. Nilima Motaparti	29.98	28.35
Sales to Subsidiaries	Divis Laboratories (USA) Inc.	4566.85	3869.09
	Divi's Laboratories EUROPE AG	1945.40	911.61

14. LEASES :

The Company has operating lease for office premise, which is renewable on a periodical basis and cancellable at its option. Rental expenses for operating lease recognised in Statement of Profit and Loss for the year is Rs.59.97 Lakhs (Previous Year Rs.56.70 Lakhs).The future minimum lease payments are as given below :

Year Ending :	2012-13	2011-12
Not later than one year	64.18	50.97
Later than one year and not later than five years	234.92	9.73
Later than Five years	-	-

(Rs. in Lakhs)

15. EARNINGS PER SHARE (EPS) :

The Numerator and denominator used to calculate Earnings Per Share :

Particulars	2012-13	2011-12
A <u>EARNINGS</u> :		
Profit attributable to Equity Shareholders	61142.12	54596.93
B <u>NO. OF SHARES</u> :		
Weighted average number of Equity shares outstanding during the year (Nos.)	13,27,34,290	13,26,73,325
C <u>EARNINGS PER SHARE</u> :		
Earnings Per Share of Par Value of Rs. 2/- each - Basic and Diluted - Rs.	46.06	41.15

(Rs. in Lakhs except Earnings per Share)

16. DEFERRED TAX :

Movement of Provision for Deferred Tax for the year ended 31.03.2013 is as given below :

Particulars	As at 01.04.2012	(Charges)/ Credit for the year	As at 31.03.2013
Timing Differences on account of:			
Deferred Tax Liability:			
Depreciation on Assets	6887.23	1971.98	8859.21
Total (A)	6887.23	1971.98	8859.21
Deferred Tax Assets:			
Expenses allowable on the basis of Payment	149.00	34.22	183.22
Others	9.51	11.27	20.78
Total (B)	158.51	45.49	204.00
Net (A-B)	6728.72	1926.49	8655.21

(Rs. in Lakhs)

17. DETAILS OF RAW MATERIALS CONSUMED :

(Rs. in Lakhs)

Raw Materials	2012-13	2011-12
Toluene	4912.38	3573.72
Beta Naphthol	2482.85	2693.45
Methanol	3235.92	2673.13
Ethyl acetate	2792.25	2326.87
Caustic soda lye	2940.42	2096.13
Para anisaldehyde	2252.29	1817.23
Secondary butyl alcohol	1497.58	1533.35
1,1 Cyclo hexane diacetic acid	4262.28	5052.79
Aluminium chloride	1078.47	1285.97
Others	64335.37	54124.66
TOTAL	89789.81	77177.30

18. PURCHASE OF TRADED GOODS :

(Rs. in Lakhs)

Particulars	Purchases	
	2012-13	2011-12
Active Pharma Ingredients and Intermediates	9.43	10.06

19. DETAILS OF FINISHED GOODS :

(Rs. in Lakhs)

Particulars	Sales Value		Closing Inventory		Opening Inventory	
	2012-13	2011-12	2012-13	2011-12	2012-13	2011-12
Manufactured Goods						
Active Pharma Ingredients and Intermediates	211755.17	184734.65	2882.55	1851.70	1851.70	1172.36
Traded Goods						
Active Pharma Ingredients and Intermediates	13.79	5.11	9.53	7.42	7.42	-

20. DETAILS OF WORK-IN-PROGRESS :

(Rs. in Lakhs)

Particulars	Closing Inventory	
	2012-13	2011-12
Active Pharma Ingredients and Intermediates	40521.12	31434.95

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

(Rs. in Lakhs)

Particulars	2012-13	2011-12
Raw Materials	44798.98	34864.14
Packing Material	111.66	172.18
Lab Chemicals	203.01	118.19
Components, Spare parts and Others	75.72	74.50
Capital goods	1624.25	1155.36

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

(Rs. in Lakhs)

Particulars	2012-13	2011-12
Membership and Subscription	74.90	49.38
Books and Periodicals	10.48	20.52
Travelling Expenses	97.27	66.02
Consultancy charges	264.33	154.23
Sales commission	436.63	372.60
Foreign Bank charges	48.83	55.69
Interest	0.70	8.26
Others	207.90	69.03

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

(Rs. in Lakhs)

Particulars	2012-13		2011-12	
A. Raw Materials	Value	%	Value	%
Imported	37029.06	41.24%	30319.93	39.29%
Indigenous	52760.75	58.76%	46857.37	60.71%
Total	89789.81	100.00%	77177.30	100.00%
B. Spare parts and components				
Imported	225.26	17.91%	102.21	6.14%
Indigenous	1032.28	82.09%	1563.31	93.86%
Total	1257.54	100.00%	1665.52	100.00%

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

Particulars		2012-13	2011-12
A Total No. of Non-resident Shareholders	(Nos.)	3	3
B Total No. of Shares held by them(Equity Shares of Rs. 2/- each)	(Nos.)	51000	51000
C Year to which dividend related to		2011-12	2010-11
D Amount of dividend Remitted(Net of Tax Rs. NIL)	(Rs.in Lakhs)	6.63	5.10

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

(Rs. in Lakhs)

Particulars	2012-13	2011-12
FOB Value of Exports	186016.33	160688.38
Contract Research Fee	224.39	589.58
Job work charges	1653.04	230.93

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

For and on behalf of the Board

Per Our Report of Even Date

For P.V.R.K. NAGESWARA RAO & CO

Chartered Accountants

Firm's Registration Number : 0022835

P.V.R.K. NAGESWARA RAO

Hyderabad Partner

20.05.2013 Membership Number : 18840

Dr. MURALI K. DIVI

Chairman and Managing Director

N.V. RAMANA

Executive Director

L. KISHOREBABU

Chief Financial Officer

P.V. LAKSHMI RAJANI

Company Secretary

Statement Pursuant to Section 212 of The Companies Act, 1956 Relating to Subsidiary Companies

Sl. No.	Particulars	DIVIS LABORATORIES (USA) INC.	DIVI'S LABORATORIES EUROPE AG
1	Financial year of the subsidiary company ended on	31 st March, 2013	31 st March, 2013
2	Holding company's interest	100% in equity shares	100% in equity shares
3	No. of shares held by the holding company in the subsidiary	2000	200
4	The net aggregate of profits or losses of the subsidiary for the current period so far as it concerns the members of the holding company		
	a. Dealt with or provided for in the accounts of the holding company (INR in Lakhs)	Nil	Nil
	b. Not dealt with or provided for in the accounts of the holding company	Rs. (397.51) Lakhs USD (261312)	Rs. (93.30) Lakhs CHF (145496.39)
5	The net aggregate of profits or losses for previous financial years of the subsidiary so far as it concerns the members of the holding company		
	a. Dealt with or provided for in the accounts of the holding company	Nil	Nil
	b. Not dealt with or provided for in the accounts of the holding company	Rs. (2214.51) Lakhs USD (3278546)	Rs. (2622.92) Lakhs CHF (4244138.29)
6	Changes in the interest of Divi's Laboratories Limited, between the end of the last financial year and 31st March, 2013	Nil	Nil
7	Material changes between the end of the last financial year and 31st March, 2013	Nil	Nil

For and on behalf of the Board

Hyderabad
20th May 2013

Dr. MURALI K. DIVI
Chairman and Managing Director

Independent Auditor's Report

To
The Board of Directors of
DIVI'S LABORATORIES LIMITED

We have audited the accompanying consolidated financial statements of DIVI'S LABORATORIES LIMITED ("the Company") and its subsidiaries, which comprise the consolidated Balance Sheet as at March 31, 2013, and the consolidated Statement of Profit and Loss and consolidated Cash Flow Statement for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of these consolidated financial statements that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows of the Company in accordance with accounting principles generally accepted in India; this responsibility includes the design, implementation and maintenance of internal control relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with the Standards on Auditing issued by the Institute of Chartered Accountants of India. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Company's preparation and presentation of the consolidated financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of the accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion and to the best of our information and according to the explanations given to us and based on the consideration of the reports of the other auditors on the financial statements of the subsidiaries as noted below, the consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India:

- in the case of the consolidated Balance Sheet, of the state of affairs of the Company as at March 31, 2013;
- in the case of the consolidated Statement of Profit and Loss, of the profit for the year ended on that date; and
- in the case of the consolidated Cash Flow Statement, of the cash flows for the year ended on that date.

Other Matter

We did not audit the financial statements of two subsidiaries, whose financial statements reflect total assets (net) of Rs. 6343.70 lakhs as at March 31, 2013, total revenues of Rs. 9079.10 lakhs and net cash outflows amounting to Rs. 290.35 lakhs for the year then ended. These financial statements have been audited by other auditors whose reports have been furnished to us by the Management, and our opinion is based solely on the reports of the other auditors. Our opinion is not qualified in respect of this matter.

For P.V.R.K. NAGESWARA RAO & CO.,
Chartered Accountants
Firm's Registration Number: 0022835

Hyderabad
20.05.2013

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

Consolidated Balance Sheet as at 31st March, 2013

(Rs. in Lakhs)

Particulars	Note No.	As At 31 st March, 2013		As At 31 st March, 2012	
EQUITY AND LIABILITIES					
Shareholders' funds					
Share capital	1	2654.69		2654.69	
Reserves and surplus	2	247404.97	250059.66	210497.54	213152.23
Non-current liabilities					
Long-term borrowings	3	210.04		255.69	
Deferred tax liabilities (Net)	4	7922.29		6089.36	
Other Long-term liabilities	5	-		625.49	
Long-term provisions	6	239.09	8371.42	164.62	7135.16
Current liabilities					
Short-term borrowings	7	3051.45		5020.37	
Trade payables	8	16044.40		15953.97	
Other current liabilities	9	13007.89		13582.61	
Short-term provisions	10	23341.64	55445.38	20821.40	55378.35
TOTAL			313876.46		275665.74
ASSETS					
Non-current assets					
Fixed assets					
Tangible assets	11	90871.64		73841.64	
Capital work -in- progress		30341.44		18157.78	
Expenditure during construction period pending Capitalisation	12	-		41.06	
		121213.08		92040.48	
Non-current investments	13	-		-	
Long-term loans and advances	14	6252.23		8137.67	
Other non-current assets	15	-	127465.31	392.76	100570.91
Current assets					
Current investments	16	40781.36		47703.90	
Inventories	17	83569.42		67896.26	
Trade receivables	18	51199.93		49508.11	
Cash and Bank balances	19	4089.24		3093.55	
Short-term loans and advances	20	6103.53		6541.03	
Other current assets	21	667.67	186411.15	351.98	175094.83
TOTAL			313876.46		275665.74
Summary of Significant Accounting Policies and Other Explanatory Information	31				

For and on behalf of the Board

Per Our Report of Even Date
For P.V.R.K. NAGESWARA RAO & CO
Chartered Accountants
Firm's Registration Number : 0022835

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

P.V.R.K. NAGESWARA RAO
Partner
Membership Number : 18840
Hyderabad
20.05.2013

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

Consolidated Statement of Profit and Loss for the Year ended 31st March, 2013

(Rs. in Lakhs)

Particulars	Note No.	For the Year ended 31 st March, 2013	For the Year ended 31 st March, 2012
REVENUE			
Revenue from operations			
Sale of products		206231.88	180790.30
Sale of traded goods		7132.29	5843.66
Sale of services	22	2162.35	978.76
Other operating revenues	23	493.86	543.72
		<u>216020.38</u>	<u>188156.44</u>
Less: Excise duty		1536.18	1769.43
		<u>214484.20</u>	<u>186387.01</u>
Other income	24	4480.78	5604.83
Total Revenue		<u>218964.98</u>	<u>191991.84</u>
EXPENSES			
Cost of Raw materials consumed	25	90062.73	77104.71
Purchases of Stock-in-trade		30.56	-
Changes in inventories of finished goods, stock-in-trade and work-in-progress	26	(10230.44)	(940.84)
Employee benefits expense	27	19772.05	15085.27
Finance costs	28	177.65	374.32
Research and development expenses	29	2399.87	1885.92
Depreciation		7694.76	6208.16
Other expenses	30	30933.69	24211.44
Total Expenses		<u>140840.87</u>	<u>123928.98</u>
Profit before tax		<u>78124.11</u>	<u>68062.86</u>
Tax expense			
Current tax		15300.00	13275.00
MAT credit utilisation		853.00	292.00
Deferred tax		1832.93	1085.40
MAT credit Adjustments		(63.12)	75.68
Income tax adjustments		-	8.37
		<u>17922.81</u>	<u>14736.45</u>
Profit for the Year		<u>60201.30</u>	<u>53326.41</u>
Earnings per equity share			
(Face value Rs.2/- per share)			
Basic and Diluted (Rs.)		45.35	40.19
Summary of Significant Accounting Policies and Other Explanatory Information	31		

For and on behalf of the Board

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

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

P.V.R.K. NAGESWARA RAO
Hyderabad Partner
20.05.2013 Membership Number : 18840

L. KISHOREBABU
Chief Financial Officer

P.V. LAKSHMI RAJANI
Company Secretary

Consolidated Cash flow Statement for the Year ended 31st March, 2013

(Rs. in Lakhs)

Particulars	For the Year ended 31 st March, 2013	For the Year ended 31 st March, 2012
I CASH FLOW / (USED) FROM OPERATING ACTIVITIES :		
Profit before tax for the year	78124.11	68062.86
Add/ (Less) : Adjustments for :		
Depreciation	7694.76	6208.16
Provision for Doubtful Debts	36.73	10.02
Unrealised Foreign Exchange loss / (Gain)	1295.98	(232.89)
Provision for diminution in value of investments no longer required	-	(9.64)
Provision for Doubtful Debts no longer required	(4.91)	(11.18)
Interest Expense	75.39	249.47
Interest Income	(272.65)	(70.04)
Bad debts written off	10.36	1.32
Claims written off	0.76	0.14
Dividend from Current Investments	(2980.78)	(3552.40)
Loss on Sale of Assets (Net)	-	0.02
Book Deficit on Assets Discarded	69.81	93.99
	5925.45	2686.97
	84049.56	70749.83
Add / (Less) : Adjustments for Working Capital Changes :		
(Increase) in Long term Loans and Advances	(535.87)	(4526.73)
(Increase) / Decrease in Other non current assets	151.25	(24.14)
(Increase) in Inventories	(15673.16)	(10725.71)
(Increase) in Trade Receivables	(2869.19)	(11490.98)
(Increase) in Fixed Deposits pledged with Banks and dividend accounts with banks	(1528.66)	(1042.49)
(Increase) in Short term Loans and Advances	(527.74)	(1632.23)
(Increase) in Other Current Assets	(219.13)	(130.67)
Increase in Trade Payables	158.19	3159.18
Increase in Other Current Liabilities	1470.96	3049.36
(Decrease) in Short Term Provisions	(11.49)	(428.91)
(Decrease) in Other Long term Liabilities	(623.61)	(336.06)
Increase / (Decrease) in Long term Provisions	74.47	(117.16)
	(20133.98)	(24246.54)
Cash generated from operations	63915.58	46503.29
Less : Direct taxes paid	17447.18	12667.58
Net Cash flow from operating activities	46468.40	33835.71
II CASH FLOW / (USED) FROM INVESTING ACTIVITIES:		
Purchase of Fixed assets	(34008.19)	(28918.44)
Sale of Fixed assets	-	2.80
Redemption of Current Investments	8924.81	10034.84
Investments In Current Investments	(2002.27)	(5165.28)

Particulars	For the Year ended 31 st March, 2013	For the Year ended 31 st March, 2012
Dividend from Current Investments	2980.78	3552.40
Interest Received	176.09	52.61
Net Cash (used) in Investing activities	<u>(23928.78)</u>	<u>(20441.07)</u>
III CASH FLOW/ (USED) FROM FINANCING ACTIVITIES:		
Consideration for Issue of Shares under ESOP	-	139.18
Repayment of Long-Term Borrowings	(268.21)	(236.43)
Proceeds from Short-Term Borrowings	(1968.92)	3657.94
Interest Paid	(76.74)	(251.13)
(Loss) on Forex Hedging / Swap Arrangements	(707.41)	(1003.50)
Dividend Paid (including Corporate Dividend Tax)	(20051.31)	(15416.92)
Net Cash (Used) in Financing Activities	<u>(23072.59)</u>	<u>(13110.86)</u>
IV Net Increase / (Decrease) in cash and cash equivalents	(532.97)	283.78
V Cash and Cash Equivalents as at the beginning of the year	1731.55	1447.77
VI Cash and Cash Equivalents as at the end of the year	1198.58	1731.55
Note: CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	<u>2012-13</u>	<u>2011-12</u>
Cash and Bank Balances as per Balance Sheet	4089.24	3093.55
Less: Deposits lodged towards Security Deposits, Margin Money against Bank Gurantees and other designated accounts dealt seperately.	<u>2890.66</u>	<u>1362.00</u>
	<u>1198.58</u>	<u>1731.55</u>

- Note: 1 Previous year figures have been regrouped / reclassified to conform to current year classification.
- 2 The Cash Flow Statement has been prepared under 'Indirect Method' in accordance with the requirement of Accounting Standard-3 "Cash Flow Statement" issued under Companies (Accounting Standards) Rules, 2006.
- 3 Summary of Significant Accounting Policies and Other Explanatory Information (Note No 31) form an Integral part of the Cash Flow Statement.

For and on behalf of the Board

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

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

P.V.R.K. NAGESWARA RAO
Partner
Hyderabad
20.05.2013
Membership Number : 18840

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

Notes to Consolidated Balance Sheet

(Rs. in Lakhs)

Note No.	Particulars	As At 31 st March, 2013	As At 31 st March, 2012
1	SHARE CAPITAL		
	Authorised :		
	15,00,00,000 Equity Shares of Rs.2/- each	<u>3000.00</u>	<u>3000.00</u>
	Issued:		
	13,27,34,290 Equity Shares of Rs.2/- each	<u>2654.69</u>	<u>2654.69</u>
	Subscribed and paid up :		
	13,27,34,290 Equity Shares of Rs 2/- each fully paid up	<u>2654.69</u>	<u>2654.69</u>

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

Particulars	As at 31 st March, 2013 Number	As at 31 st March, 2012 Number
Shares outstanding at the beginning of the year	132734290	132595110
Shares issued during the year - ESOP	-	139180
Shares outstanding at the end of the year	132734290	132734290

The details of Shareholders holding more than 5% equity shares is set out below :

Name of Shareholder	As at 31 st March, 2013 No. of Shares Held % of Holding		As at 31 st March, 2012 No. of Shares Held % of Holding	
PROMOTERS GROUP :				
Dr.Murali Krishna Prasad Divi	7783500	5.86	7783500	5.86
Satchandra Kiran Divi	23000000	17.33	23000000	17.33
Swarnalatha Divi	7000000	5.27	7000000	5.27
Nilima Motaparti	27000000	20.34	27000000	20.34
OTHER THAN PROMOTERS GROUP :				
Reliance Capital Trustee Company Limited	10073608	7.59	11873711	8.95

Aggregate number of bonus shares issued during the period of five years immediately preceding the reporting date

On 2nd August 2009, the company issued 6,48,47,975 equity shares of Rs. 2/- each as fully paid bonus shares by capitalisation of general reserve and other free reserves.

Terms/rights attached to equity shares :

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

During the year ended 31st March 2013, the amount of per share dividend recognised as distribution to equity shareholders was Rs.15/- (31 st March 2012 : Rs. 13/-)

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

(Rs. in Lakhs)

Note No.	Particulars	As At 31 st March, 2013	As At 31 st March, 2012
2	RESERVES AND SURPLUS		
	Capital Reserve	32.58	32.58
	Securities Premium Account :		
	As Per Last Account	10642.34	10408.02
	Add: Premium on allotment of equity shares against options availed under ESOP Scheme	- 10642.34	<u>234.32</u> 10642.34
	Share Options Outstanding Account :		
	As Per Last Account	-	97.92
	Less: Exercise of Options Granted	-	<u>97.92</u>
	Refer Note No. 31 (II)(6)	-	-
	General Reserve :		
	As Per Last Account	40000.00	27500.00
	Add: Amount transferred from Statement of Profit and Loss	15000.00 55000.00	<u>12500.00</u> 40000.00
	Foreign Currency Translation Reserve	19.29	19.29
	Balance in Statement of Profit and Loss (Surplus) :		
	As Per Last Account	159803.33	139038.03
	Add: Profit as per Statement of Profit and Loss	60201.30	<u>53326.41</u>
	Total available for allocations and appropriations	220004.63	192364.44
	Less: Allocations and appropriations :		
	Proposed Dividend	19910.14	17255.46
	Provision for Corporate Dividend Tax	3383.73	2799.27
	Dividend of earlier year	-	5.49
	Corporate Dividend Tax of earlier year	-	0.89
	Amount transferred to General Reserve	15000.00	<u>12500.00</u>
	Profit carried forward to next year	181710.76	159803.33
		247404.97	<u>210497.54</u>
3	LONG-TERM BORROWINGS		
	Term Loans (Secured) :		
	From Banks	-	249.66
	Less: Current maturities of long-term debt	-	<u>249.66</u>
	1. Nature of Security :		
	Secured by equitable mortgage of specified immovable properties of the Company and further secured by first charge of all the movables (Save and except Book-debts) including movable machinery, machinery spares, tools and accessories present and future, subject to prior charge created and / or to be created in favour of the bankers on the stocks for working Capital Requirements.		
	2. The above Term Loans and interest due thereon have been paid upto date and there are no continuing defaults.		

(Rs. in Lakhs)

Note No.	Particulars	As At 31 st March, 2013	As At 31 st March, 2012
	Deferred Payment Liabilities (Unsecured) :		
	Deferred Sales Tax Credit	255.69	274.24
	Less : Current maturities of long-term debt	45.65	18.55
		210.04	255.69
	1. Term of Repayment :		
	Period : 14 Years		
	Number of Installments due : 5		
	Rate of Interest : Interest free		
	2. The above liability due thereon has been paid upto date and there are no continuing defaults.		
		210.04	255.69
4	DEFERRED TAX LIABILITIES(NET)		
	Opening balance at the beginning of the year	6089.36	5003.96
	Add: Adjustments during the year	1832.93	1085.40
	Refer Note No. 31 (II) (13)(ii)		
		7922.29	6089.36
5	OTHER LONG-TERM LIABILITIES		
	Trade Payables :		
	Dues of Micro and Small Enterprises	-	-
	Dues of Enterprises other than Micro and Small Enterprises	-	1.88
	Others :		
	Advance from Customers	-	540.36
	Other Payables	-	83.25
		-	623.61
		-	625.49
6	LONG-TERM PROVISIONS		
	Provision for employee benefits	239.09	164.62
	Refer Note No. 31 (II)(9)		
		239.09	164.62
7	SHORT-TERM BORROWINGS		
	Loans repayable on demand :		
	Working Capital Loans from banks (Secured) :	2188.03	4506.20
	1. Nature of Security :		
	(Secured by hypothecation of stocks, book debts and receivables and further secured by second charge on fixed assets of the company)		
	2. There are no defaults in repayment of loans and interest		
	3. The above loans carry interest @ 11% to 12.50% p.a.		
	Overdraft against Fixed Deposits from banks (Secured) :	863.42	514.17
	1. Nature of Security :		
	(Secured by hypothecation of Fixed Deposits of the company)		
	2. There are no defaults in repayment of loans and interest		
	3. The above loans carry interest @ 9.50% to 9.75% p.a.		
		3051.45	5020.37

(Rs. in Lakhs)

Note No.	Particulars	As At 31 st March, 2013	As At 31 st March, 2012
8	TRADE PAYABLES		
	Dues of Micro and Small Enterprises	-	-
	Dues of Enterprises other than Micro and Small Enterprises	16044.40	15953.97
		16044.40	15953.97
9	OTHER CURRENT LIABILITIES		
	Current maturities of long-term debt	45.65	268.21
	Interest accrued but not due on borrowings	-	1.35
	Advance from customers	1783.70	1033.27
	Unpaid dividends	43.08	39.66
	(Of the above, there is no amount due and outstanding to be credited to Investor Education and Protection Fund)		
	Other Payables :		
	Creditors for Capital Works	2173.72	3998.93
	Statutory liabilities	360.81	128.05
	Employee benefits payable	5797.05	5008.66
	Others	2803.88	3104.48
		11135.46	12240.12
		13007.89	13582.61
10	SHORT-TERM PROVISIONS		
	Provision for employee benefits Refer Note No. 31 (II)(9)	47.77	59.26
	Provision for mark-to-market losses on derivative contracts	-	707.41
	Proposed Dividend	19910.14	17255.46
	Provision for Tax on Proposed Dividend	3383.73	2799.27
		23341.64	20821.40

11. CONSOLIDATED FIXED ASSETS

(Rs. in Lakhs)

Sl. No.	Description	GROSS BLOCK			DEPRECIATION			NET BLOCK			
		Cost as at 01.04.2012	Additions	Deductions	Total Upto 31.03.2013	Upto 01.04.2012	For the Year	On Deductions	Total Upto 31.03.2013	As at 31.03.2013	As at 31.03.2012
TANGIBLE ASSETS :											
1	Free hold Land and Development	2030.04	408.45	-	2438.49	-	-	-	-	2438.49	2030.04
2	Buildings	20648.73	4794.37		25443.10	3322.78	688.44	-	4011.22	21431.88	17325.95
3	Plant and Equipment	77791.56	18089.85	164.96	95716.45	29443.86	6499.85	95.15	35848.56	59867.89	48347.70
4	Laboratory Equipment	5856.95	759.07	-	6616.02	1363.60	301.36	-	1664.96	4951.06	4493.35
5	Furniture and Fittings	494.16	143.56	-	637.72	251.05	45.95	-	297.00	340.72	243.11
6	Vehicles	545.39	54.53	-	599.92	382.43	42.60	-	425.03	174.89	162.96
7	Office and other Equipment	1454.23	406.15	-	1860.38	348.50	68.62	-	417.12	1443.26	1105.73
8	Computers	384.30	138.59	-	522.89	251.50	47.94	-	299.44	223.45	132.80
Total		109205.36	24794.57	164.96	133834.97	35363.72	7694.76	95.15	42963.33	90871.64	73841.64
Previous year Total		88570.15	21153.17	517.96	109205.36	29576.71	6208.16	421.15	35363.72	73841.64	58993.44

Note: Additions to fixed assets during the year includes value of capital expenditure towards Research and Development aggregating to Rs. 423.46 Lakhs (previous year Rs.941.47 Lakhs) (Refer Note No. 31(I)(8))

12. Expenditure during construction period pending Capitalisation for the year 2012-13

(Rs. in Lakhs)

Particulars	As at 31 st March, 2012	For the Year	As at 31 st March, 2013
Materials consumed	309.20	-	309.20
Salaries,wages,bonus and other allowances	31.69	-	31.69
Contribution to Provident and other funds	0.87	-	0.87
Staff welfare expenses	1.29	-	1.29
Interest	1.63	-	1.63
Power and fuel	6.88	-	6.88
Repairs to Machinery	1.48	-	1.48
Insurance	0.09	-	0.09
Rates and taxes, excluding taxes on income	0.08	-	0.08
Printing and stationery	0.21	-	0.21
Communication expenses	0.01	-	0.01
Travelling and conveyance	0.31	-	0.31
Professional and consultancy charges	0.03	-	0.03
General expenses	10.72	-	10.72
Bank charges and commission	0.40	-	0.40
Freight outward	0.47	-	0.47
Depreciation	0.11	-	0.11
Net gain on foreign currency transaction and translation	(0.04)	-	(0.04)
Stock out of trial runs	(324.35)	-	(324.35)
	41.06	-	41.06
Less: Expenditure capitalised during the year			41.06
Balance			Nil

(Rs. in Lakhs)

Note No.	Particulars	As At 31 st March, 2013	As At 31 st March, 2012
13	NON-CURRENT INVESTMENTS		
	<i>(Long Term Investments)</i>		
	Investments in Equity Instruments		
	(Non Trade, Unquoted, fully paid up) :		
	(At Cost less provision for other than temporary diminution in value)		
	In Other Companies:		
	Pattan Cheru Enviro - Tech Limited		
	12,000 Equity Shares of Rs.10/- each	1.20	1.20
	Less: Provision for diminution in value of Investments	1.20 -	1.20 -
		-	-
	Aggregate amount of unquoted Investments	1.20	1.20
	Aggregate provision made for diminution in value of investments	1.20	1.20
14	LONG-TERM LOANS AND ADVANCES		
	(Unsecured, considered good)		
	Capital Advances	1985.31	6739.50
	Security Deposits	1239.31	753.25
	Pre-paid Expenses	7.21	11.26
	Prepaid Taxes (Net of Provision for Taxation)	2332.25	-
	Other Loans and advances	688.15	633.66
		6252.23	8137.67
15	OTHER NON CURRENT ASSETS		
	Long term trade receivables :		
	Unsecured , considered good	-	241.51
	Unsecured , considered doubtful	59.35	27.65
	Less: Provision for doubtful debts	59.35 -	27.65 -
	Other receivables :		
	Unsecured , considered good	-	151.25
	Unsecured , considered doubtful	0.60	0.48
	Less: Provision for doubtful debts	0.60 -	0.48 -
		-	392.76
16	CURRENT INVESTMENTS		
	Investments in Mutual Funds :		
	Unquoted (At lower of Cost and Fair Value)		
	SBI Mutual Fund - SBI-SHF-Ultra Short Term Plan		
	Institutional Plan - Direct daily Dividend Scheme	38779.09	37703.90
	38,72,911 (Previous year 37,68,129) Units of		
	Rs.1000/- each Fair Value: Rs.38780.76 Lakhs		
	(Previous Year: Rs.37703.90 Lakhs)		
	SBI-ULTRA Short term Debt Fund -Regular daily		
	Dividend Plan	2002.27	-
	1,99,970 (Previous year Nil) Units of Rs.1000/- each		
	Fair Value Rs. 2002.27 Lakhs (Previous Year Rs.Nil)		

(Rs. in Lakhs)

Note No.	Particulars	As At 31 st March, 2013	As At 31 st March, 2012
	SBI Mutual Fund - SBI Debt Fund Series Nil (Previous Year 10,00,00,000 Units of Rs.10/- each Fair Value Rs.Nil (Previous Year Rs. 10024.08 Lakhs)	-	10000.00
		<u>40781.36</u>	<u>47703.90</u>
	Aggregate amount of unquoted investments	<u>40781.36</u>	<u>47703.90</u>
	Aggregate Provision for diminution in value of Investments	-	-
17	INVENTORIES (Valued at lower of Cost and Net realisable Value)		
	Raw Materials	29460.10	24621.18
	(including stock in transit of Rs.945.91 lakhs (previous year Rs.238.33 lakhs)		
	Work - in - Progress	40521.12	31434.95
	Finished Goods	3523.97	2466.72
	Stock - in - Trade	2280.82	2107.77
	(including stock in transit of Rs.Nil (previous year 7.42 lakhs)		
	Stores and Spares	7783.41	7265.64
		<u>83569.42</u>	<u>67896.26</u>
18	TRADE RECEIVABLES (Unsecured, Considered Good)		
	Outstanding for a period exceeding six months from the date they became due for payment	837.27	676.74
	Others	50362.66	48831.37
		<u>51199.93</u>	<u>49508.11</u>
19	CASH AND BANK BALANCES		
	Cash and Cash Equivalents :		
	Cash on Hand	4.59	10.24
	Balance with Banks		
	In Current Accounts	1193.99	1721.31
	Other Bank Balances :		
	In Unclaimed Dividend accounts	43.08	39.66
	Balances with banks to the extent held as Margin Money (Towards margin on Letters of Credit and Guarantees issued by banks)	2847.58	1322.34
		<u>4089.24</u>	<u>3093.55</u>
20	SHORT-TERM LOANS AND ADVANCES (Unsecured, considered good)		
	Central excise duty deposit	1141.48	1359.81
	Prepaid expenses	306.34	215.70
	Advances to suppliers	2538.35	2802.99
	Advances to employees	8.44	2.20
	Other advances and receivables	2097.93	1174.39
	Prepaid Taxes (Net of Provision for Taxation)	-	185.07
	MAT Credit Entitlements	10.99	800.87
		<u>6103.53</u>	<u>6541.03</u>
21	OTHER CURRENT ASSETS		
	Interest accrued on deposits	144.10	47.54
	Export Incentives receivable	294.32	244.37
	Insurance claims receivable	169.78	9.70
	Other receivables	59.47	50.37
		<u>667.67</u>	<u>351.98</u>

Notes to Consolidated Statement of Profit and Loss

(Rs. in Lakhs)

Note No.	Particulars	For the Year Ended 31 st March, 2013	For the Year Ended 31 st March, 2012
22	SALE OF SERVICES		
	Contract research fee	255.14	603.36
	Job work charges	1907.21	375.40
		<u>2162.35</u>	<u>978.76</u>
23	OTHER OPERATING REVENUES		
	Export incentives	136.14	254.71
	Sale of scrap out of manufacturing process	357.72	289.01
		<u>493.86</u>	<u>543.72</u>
24	OTHER INCOME		
	Interest income	272.65	70.04
	Dividend income from current investments	2980.78	3552.40
	Net gain on foreign currency transaction and translation	1145.21	1788.17
	Sale of other scrap	18.40	11.73
	Provision for diminution in value of current investments no longer required	-	9.64
	Excess Liabilities Written back	44.88	-
	Provision for doubtful debts no longer required	4.91	11.18
	Other non-operating Income	13.95	161.67
		<u>4480.78</u>	<u>5604.83</u>
25	COST OF RAW MATERIALS CONSUMED		
	Opening Inventory	24621.18	16859.33
	Add: Purchases during the year	94901.65	84866.56
		119522.83	101725.89
	Less: Closing Inventory	29460.10	24621.18
		<u>90062.73</u>	<u>77104.71</u>
26	CHANGE IN INVENTORY OF FINISHED GOODS, STOCK-IN-TRADE AND WORK-IN-PROGRESS		
	<u>Finished Goods :</u>		
	Closing Inventory	3523.97	2466.72
	Opening Inventory	<u>2466.72</u>	<u>1561.20</u>
		(1057.25)	(905.52)
	Excise duty adjustment in movement in finished goods inventory	(86.03)	(22.89)
		<u>(971.22)</u>	<u>(882.63)</u>
	<u>Stock - in - Trade :</u>		
	Closing Inventory	2280.82	2107.77
	Opening Inventory	<u>2107.77</u>	<u>2451.35</u>
		(173.05)	343.58
	<u>Work-in-Progress :</u>		
	Closing Inventory	40521.12	31434.95
	Opening Inventory	<u>31434.95</u>	<u>31033.16</u>
		(9086.17)	(401.79)
		<u>(10230.44)</u>	<u>(940.84)</u>

(Rs. in Lakhs)

Note No.	Particulars	For the Year Ended 31 st March, 2013	For the Year Ended 31 st March, 2012
27	EMPLOYEE BENEFITS EXPENSE		
	Salaries, wages, bonus and other allowances	18759.96	14344.96
	Contribution to Provident and other funds	301.70	213.34
	Contribution to ESI	125.50	97.10
	Staff welfare expenses	584.89	429.87
		<u>19772.05</u>	<u>15085.27</u>
28	FINANCE COSTS		
	Interest expense	49.55	114.42
	Interest on Income Tax	25.84	135.05
	Other borrowing costs	100.51	100.41
	Net loss on foreign currency transaction and translation	1.75	24.44
		<u>177.65</u>	<u>374.32</u>
29	RESEARCH AND DEVELOPMENT EXPENSES		
	Raw Materials Consumed	50.66	50.18
	Salaries, wages, bonus and other allowances	1418.52	1146.02
	Contribution to Provident and other funds	51.60	26.55
	Contribution to ESI	8.29	6.89
	Staff Welfare expenses	2.12	1.96
	Stores consumed	400.52	357.13
	Power and fuel	182.03	120.21
	Repairs to Buildings	3.47	8.32
	Repairs to Machinery	103.65	18.87
	Repairs to other assets	89.32	6.83
	Rates and taxes, excluding taxes on income	31.43	16.93
	Printing and stationery	8.62	7.60
	Communication expenses	1.86	3.66
	Travelling and conveyance	0.57	0.72
	Vehicle maintenance	0.24	2.65
	Professional and consultancy charges	0.42	48.99
	Miscellaneous expenses	46.21	62.05
	Bank charges and commission	0.34	0.36
		<u>2399.87</u>	<u>1885.92</u>
30	OTHER EXPENSES		
	Consumption of stores and spare parts	2002.18	1477.19
	Packing materials consumed	1818.08	1551.37
	Conversion Charges	733.51	1040.56
	Power and fuel	13625.16	8613.30
	Repairs to Buildings	238.05	226.69

(Rs. in Lakhs)

Note No.	Particulars	For the Year Ended 31 st March, 2013	For the Year Ended 31 st March, 2012
	Repairs to Machinery	2717.56	1929.61
	Repairs to other assets	86.25	68.65
	Insurance	320.00	224.50
	Rates and taxes, excluding taxes on income	328.08	151.32
	Directors sitting fees	7.40	8.29
	Printing and stationery	218.84	209.44
	Rent	93.59	87.09
	Communication expenses	97.61	98.76
	Travelling and conveyance	421.77	388.66
	Vehicle maintenance	212.91	207.96
	Payment to Auditors :		
	As Statutory Auditor	20.00	20.00
	As Subsidiary Auditor	11.77	12.90
	As Tax Auditors	10.00	9.00
	For Certification	11.50	10.50
	For Quarterly Reviews	9.00	7.50
	For Taxation Matters	-	14.00
	For Reimbursement of expenses	1.21	0.65
	Professional and consultancy charges	358.85	216.94
	Factory upkeep	276.67	272.91
	Environment management expenses	626.76	732.97
	Advertisement	43.67	34.20
	Sales commission	582.31	548.05
	Carriage outward	4503.43	4780.61
	General expenses	1355.43	1054.02
	Bad debts written off	10.36	1.32
	Provision for doubtful debts	36.73	10.02
	Donations	1.03	0.85
	Loss on sale of assets (Net of profit on sale of Assets of Rs.Nil (previous year Rs. 0.46 Lakhs))	-	0.02
	Book deficit on assets discarded	69.81	93.99
	Claims Written off	0.76	0.14
	Bank charges	81.07	87.02
	Prior year expenses	2.34	20.44
		30933.69	24211.44

31. Summary of Significant Accounting Policies and Other Explanatory Information

I. Summary Of Significant Accounting Policies :

1. BASIS OF PREPARATION

The consolidated financial statements have been prepared under historical cost convention and on accrual basis of accounting in accordance with the generally accepted accounting principles in India. These statements have been prepared in compliance with Accounting Standards notified by Companies Accounting Standards Rules, 2006 (as amended), other pronouncements of the Institute of Chartered Accountants of India and relevant provisions of the Companies Act, 1956 and also the Guidelines Issued by the Securities and Exchange Board of India (SEBI) using uniform accounting policies except otherwise stated for like transactions and other events in similar circumstances.

All assets and liabilities have been classified as current or non-current as per the company's normal operating cycle and other criteria set out in Revised Schedule VI to the Companies Act, 1956. 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. PRINCIPLES OF CONSOLIDATION :

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

3. USAGE OF ESTIMATES :

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires that the management makes estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities as at the date of the consolidated financial statements and the reported amounts of revenue and expenses for the year. Although these estimates are based upon management's best knowledge of current events and actions, actual results could differ from these estimates. Difference between actual results and estimates are recognised in the period in which the results are known / materialised.

4. FIXED ASSETS AND DEPRECIATION :

- a. Fixed assets are stated at cost of acquisition including freight, duties and installation expenses and expenditure during construction where applicable and net of CENVAT and Value Added Tax credit availed against Tax or cess paid on such items. Borrowing costs directly attributable to acquisition or construction of Fixed Assets which necessarily take a Substantial period of time to get ready for their intended use, incurred till the time of commencement of commercial production or their intended use are capitalised.
- b. Depreciation on Fixed Assets is provided under Straight Line Method at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956 or at the rates based on their estimated useful lives of the Assets.
- c. Depreciation is provided at one hundred per cent for assets costing less than Rs.5,000/-
- d. Depreciation on Fixed Assets used for the Project under construction is included under Expenditure during construction period Pending Capitalisation.
- e. Expenditure directly relating to construction activity is capitalized. Indirect expenditure is capitalized to the extent those relate to the construction activity or is incidental thereto. Income earned during the construction period is deducted from the total expenditure relating to construction activity.

5. IMPAIRMENT OF ASSETS :

The company assesses at each balance sheet date whether there is any indication that an asset may be impaired. If any such indication exists, the company estimates the recoverable amount of the asset. If such recoverable amount of the asset or the recoverable amount of the cash generating unit to which the asset belongs is less than its carrying amount, the carrying amount is reduced to its recoverable amount. The reduction is treated as an impairment loss and is recognised in the Statement of Profit and Loss. If at the balance sheet date there is an indication that if a previously assessed impairment loss no longer exists, the recoverable amount is reassessed and the asset is reflected at the recoverable amount subject to a maximum of amortised historical cost.

6. INVESTMENTS :

- a) Investments that are readily realisable and are intended to be held for not more than one year from the date on which such investments are made, are classified as current investments. All other investments are classified as long term investments.
- b) Current investments are carried at lower of cost and fair value determined on individual investment basis.
- c) Long-term investments are carried at cost of acquisition. Provision is made for decline, other than temporary, in the value of investments.
- d) On disposal of an investment, the difference between its carrying amount and net disposal proceeds is charged or credited to the statement of profit and loss.

7. INVENTORIES :

Raw materials, packing materials, stores, spares and consumables are valued at lower of cost, calculated on "Weighted average cost method" basis, and net realizable value. Items held for use in the production of inventories are not written down below cost if the finished product in which these will be incorporated are expected to be sold at or above cost.

Finished goods and work-in-progress are valued at lower of cost and net realizable value. Cost includes materials, labour and a proportion of appropriate overheads based on normal operating capacity. Cost of finished goods includes excise duty. Cost is determined on a weighted average basis.

Trading goods are valued at lower of cost and net realizable value.

Net realisable value is the estimated selling price in the ordinary course of business, reduced by the estimated costs of completion and costs to effect the sale.

8. RESEARCH AND DEVELOPMENT :

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

9. EXCISE DUTY :

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

10. EMPLOYEE STOCK OPTION SCHEME :

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

11. FOREIGN EXCHANGE TRANSACTIONS :

a. Initial Recognition :

Foreign currency transactions are recorded in the reporting currency, by applying to the foreign currency amount the exchange rate between the reporting currency and foreign currency at the date of the transaction.

b. Conversion :

Foreign currency monetary items are reported at year-end rates. Non-monetary items which are carried in terms of historical cost denominated in foreign currency are reported using the exchange rate at the date of the transaction.

c. Exchange difference :

Exchange differences arising on the settlement of monetary items or on reporting monetary items of Company at rates different from those at which they were initially recorded during the year, or reported in previous financial statements, are recognised as income or as expense in the year in which they arise.

d. Forward exchange contracts not intended for trading purpose :

In case of forward exchange contracts, difference between forward rate and the exchange rate on the date of transaction is recognised as expense or income over the life of the contract. Exchange differences on such contracts are recognised in the statement of profit and loss in the year in which the exchange rates change. Any profit or loss arising on cancellation or renewal of forward exchange contract is recognised as income or as expense for the year.

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

12. EMPLOYEE BENEFITS :

i Short-Term Benefits :

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

ii Long-Term Benefits :

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

b. Gratuity :

The Company makes contribution to a scheme administered by the Life Insurance Corporation of India('LIC') to discharge the gratuity liabilities to the employees. Annual Contribution to the fund as determined by the Life Insurance Corporation of India is expensed in that year of contribution. The Shortfall between the accumulated funds available with LIC and liability as determined on the basis of an actuarial valuation is provided for at the year- end. The actuarial gains/ losses are immediately taken to the Statement of Profit and Loss.

Leave Encashment :

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

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

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

13. TAXES ON INCOME :

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

ii. Current Year Tax :

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

iii. Deferred Tax :

Deferred Income Taxes are recognized for the future tax consequences attributable to timing differences between the financial statement determination of income and their recognition for tax purposes. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax is measured based on the tax rates and the tax laws enacted or substantively enacted at the balance sheet date. Deferred tax assets are recognized only to the extent that there is reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realized. In situations where the company

has unabsorbed depreciation or carry forward tax losses, all deferred tax assets are recognized only if there is virtual certainty supported by convincing evidence that they can be realized against future taxable profits.

In the situations where the company is entitled to tax holiday under the Income tax Act, 1961 no deferred tax is recognized 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 recognized in the year in which timing difference originate.

Unrecognized deferred tax assets of earlier years are reassessed and recognized to the extent that it has become reasonably Certain or virtually certain, as the case may be that future taxable income will be available against which such deferred tax assets can be realized.

The carrying amount of deferred tax assets are reviewed at each balance sheet date. The Company writes-down the carrying amount of a deferred tax asset to the extent that it is no longer reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available against which deferred tax asset can be realized. Any such write-down is reversed to the extent that it becomes reasonably certain or virtually certain, as the case may be, that sufficient future taxable income will be available.

iv. Minimum Alternate Tax (MAT) Credit :

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

14. EXPORT BENEFITS :

Export benefits on account of duty drawback and export promotion schemes are accrued and accounted in the year of export, and are included in other operating revenue. Other benefits in the form of advance authorisation for imports are accounted for on purchase of imported materials.

15. REVENUE RECOGNITION :

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the company and the revenue can be reliably measured

i. SALES :

Revenue from sale of goods is recognised when significant risks and rewards in respect of ownership of products are transferred to the customers. Revenue from domestic sales is recognised on delivery of products to customers from the factories of the company. Revenue from export sales is recognised when the significant risks and rewards of ownership are transferred to the customers which is based upon the terms of the applicable contract.

Revenue from product sales is stated exclusive of returns, sales tax and applicable trade discounts and allowances.

- ii Interest income is recognised on a time proportion basis taking into account the amount outstanding and the rate applicable.
- iii Dividend on shares held by the company is recognised when the right of the company to receive the same is established.
- iv Service income is recognised as per the terms of the contracts with customers when the related services are performed or the agreed milestones are achieved.

16. BORROWING COSTS :

Borrowing cost includes interest, ancillary costs incurred in connection with the arrangement of borrowings and exchange differences arising from foreign currency borrowings to the extent they are regarded as an adjustment to the interest cost.

Borrowing costs directly attributable to acquisition or construction of Fixed Assets which necessarily take a Substantial period of time to get ready for their intended use, incurred till the time of commencement of commercial production or their intended use are capitalized. All other borrowing costs are expensed in the period they occur.

17. LEASES :

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

18. PROPOSED / INTERIM DIVIDEND :

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

19. EARNINGS PER SHARE :

- i. The basic earnings per share (EPS) is computed by dividing the net profit after tax for the year by the weighted average number of equity shares outstanding during the year.
- ii. For the purpose of calculating diluted earnings per share, net profit after tax for the year and the weighted average number of shares outstanding during the year are adjusted for the effects of dilutive potential equity shares.

20. PRELIMINARY / SET UP EXPENDITURE :

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

21. PROVISIONS, CONTINGENT LIABILITIES, AND CONTINGENT ASSETS :

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

22. CASH AND CASH EQUIVALENTS :

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

II. OTHER EXPLANATORY INFORMATION

1. CORPORATE INFORMATION :

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

2. LIST OF FOREIGN SUBSIDIARIES CONSIDERED FOR CONSOLIDATION :

S.No. Name of the Entity	Country of Incorporation	Extent of Holding	
		As on 31.3.2013	As on 31.3.2012
1. Divis Laboratories (USA) Inc	USA	100%	100%
2. Divi's Laboratories Europe AG	SWITZERLAND	100%	100%

3. Previous year figures have been regrouped/ recast/ rearranged wherever necessary to conform to current year classification.

4. CONTINGENT LIABILITIES AND COMMITMENTS :

Particulars	(Rs. in Lakhs)	
	2012-13	2011-12
A. CONTINGENT LIABILITIES		
(i) On account of Letters of Credit and Guarantees issued by the bankers.	3878.06	4721.40
(ii) Demands being disputed / contested by the Company	2681.39	621.20
B. COMMITMENTS		
(i) Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances)	3663.91	9553.05
(ii) On account of bonds and / or legal agreements executed with Central Excise/ Customs authorities/ Development Commissioners	11950.00	11950.00
(iii) Derivative related commitments	Nil	3069.39
(iv) The Company leases premises in Florham Park, New Jersey for its office. The Lease will expire on April 30, 2015. The Company entered into operating lease agreement for two vehicles expiring on December 10, 2013 and March 26, 2013. Future minimum Lease payments are	62.11	122.19
(v) The Company has agreements with several of its employees which provide for, among other things, base salaries and benefits such as health insurance and Pension matching. Each employment agreement includes the confidentiality clause pertaining to any internal non-public trade information.		

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

6. EMPLOYEE STOCK OPTION SCHEME :

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

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

Particulars	2012-13 Option exercisable for Equity share of Rs. 2/- each (Nos.)	2011-12 Option exercisable for Equity share of Rs. 2/- each (Nos.)
At the beginning of the year	Nil	1,39,180
Granted during the year	Nil	Nil
Expired/Forfeited during the year	Nil	Nil
Bonus Issue	Nil	Nil
Exercised during the year	Nil	1,39,180
At the end of the year	Nil	Nil

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

8. Details of capital expenditure incurred for Research and Development are given below :

Particulars	2012-13	2011-12
Buildings	59.20	343.53
Plant and machinery	28.96	71.68
Lab equipment	296.67	496.75
Data processing equipment	4.90	10.87
Office equipment	8.75	18.57
Furniture	24.98	0.07
Total	423.46	941.47

9. EMPLOYEE BENEFITS :

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

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

Particulars	2012-13	2011-12
Employer's Contribution to Provident Fund	296.66	221.15
Employer's Contribution to State Insurance Scheme	133.79	103.99

II. Defined Benefit Plans :

GRATUITY

(Rs. in Lakhs)

Particulars	2012-13	2011-12
A) Components of Employer Expense		
Current Service Cost	35.07	25.91
Interest Cost on Benefit Obligation	41.42	31.75
Expected Return On Plan Assets	(53.40)	Nil
Net Actuarial Gain /Loss Recognised	79.23	(89.66)
Past Service Cost	0.67	Nil
Total expense recognised in Statement of Profit and Loss	102.99	(32.00)
B) Actual Return on Plan Assets	(53.40)	Nil
C) Net Asset /Liability recognised in Balance Sheet		
Defined Benefit Obligation	659.30	517.82
Fair Value Of Plan Assets	(692.39)	(517.82)
Status(Surplus/Deficit)	(33.09)	Nil
Unrecognised Past Service Cost	Nil	Nil
Net Asset/Liability recognised in Balance Sheet	Nil	Nil
D) Changes in the PV of DBO		
Opening Defined Benefit Obligation	517.82	559.65
Interest Cost	41.42	31.75
Current Service Cost	35.07	25.91
Benefits Paid	(14.24)	(9.83)
Actuarial(gains)losses on obligation	79.23	(89.66)
Closing Defined Benefit obligation	659.30	517.82
E) Changes in Fair Value of Plan Assets		
Opening Fair Value of Plan Assets	517.82	469.99
Expected Return	53.40	Nil
Contributions	135.41	47.83
Benefits Paid	(14.24)	Nil
Actuarial Gain/loss	Nil	Nil
Closing Fair value of Plan Assets	692.39	517.82
F) Movement in Balance Sheet		
Opening liability	-	559.65
Expenses as above	102.99	(32.00)
Contribution Paid	(136.08)	(527.65)
Closing Net Liability	(33.09)	Nil
G) Actuarial assumptions:		
Retirement age	60 years	60 years
Future Salary Rise	7%	7%
Rate of Discounting	8%	8%
Attrition Rate	6%	6%
Rate of Return on Plan Assets	9.25%	9.25%
Av Balance Future Service	31.29 Years	31.29 Years
Mortality Table	LIC (1994 -96)	LIC (1994 -96)

III. Defined Benefit Plans :

LEAVE ENCASHMENT (UNFUNDED) :

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

(Rs. in Lakhs)

Particulars	2012-13	2011-12
A Reconciliation of opening and closing balances of Defined Benefit obligation :		
Defined Benefit obligation at beginning of the year	223.88	210.30
Current Service Cost	18.77	4.05
Interest Cost	17.91	16.82
Actuarial (gain)/loss	40.96	(3.46)
Benefits paid	(14.66)	(3.83)
Defined Benefit obligation at year end	286.86	223.88
B Expenses recognised during the year :		
Current Service Cost	18.77	4.05
Interest Cost on benefit obligation	17.91	16.82
Expected return on plan assets	NIL	NIL
Actuarial (gain)/loss	40.96	(3.46)
Net benefit expense	77.64	17.41
C Actuarial assumptions :		
Mortality Table (L.I.C)	1994-96 (Ultimate)	1994-96 (Ultimate)
Discount rate (per annum)	8.00%	8.00%
Attrition Rate (per annum)	6.00%	6.00%
Rate of escalation in salary (per annum)	7.00%	7.00%

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

10. SEGMENT REPORTING :

Segments are identified in line with AS 17 "Segment Reporting", taking into consideration the internal organisation and management structure as well as the differential risk and returns of the segment.

a) Identification of reportable segments

(i) Business Segments :

The company is engaged in manufacturing and sale of Active Pharma Ingredients and Intermediates which is considered the Primary reportable business segment.

(ii) Geographical Segments :

Revenue is segregated into two segments namely India (Sales to customers with in India) and other countries (Sales to customers outside India) on the basis of geographical location of customers for the purpose of reporting geographical segments.

(b) Financial Information as required in respect of reportable segments is as given below :

(Rs. in Lakhs)

Details	India		Other Countries		Total	
	31.03.2013	31.03.2012	31.03.2013	31.03.2012	31.03.2013	31.03.2012
Revenue (From external Customers)	23846.93	21863.28	191679.59	165749.44	215526.52	187612.72
Carrying amount of Segment Assets	308715.69	270625.52	5160.77	5040.22	313876.46	275665.74
Additions to Fixed Assets	24789.78	21146.54	4.79	6.63	24794.57	21153.17

11. DISCLOSURE OF RELATED PARTIES/RELATED PARTY TRANSACTIONS PURSUANT TO ACCOUNTING STANDARD (AS) 18 “RELATED PARTY DISCLOSURES” :

(i) Names of Key Management Personnel with whom transactions were carried out during the year :

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

(ii) Names of Relatives of Key Management Personnel with whom transactions were carried out during the year :

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

(iii) List of Related Parties over which Control exists and status of transactions entered during the year :

Sl.No.	Name of the Related Party	Relationship	Transactions Entered During the year (Yes / No)
1	Divi's Biotech Private Limited	Company In Which Key Management Personnel have Significant Influence	No
2	Divis Pharmaceuticals Private Limited	Company In Which Key Management Person has Significant Influence	No
3	Divi's Resorts Private Limited	Company In Which Key Management Personnel have Significant Influence	No
4	Touchstone Equities Limited	Company In Which Key Management Person has Significant Influence	No
5	Divi's Properties Private Limited	Company In Which Key Management Personnel have Significant Influence	No

Transactions with Related Parties :

(Rs. in Lakhs)

Particulars	2012-13		2011-12	
	Amount	Outstanding as at 31.03.2013	Amount	Outstanding as at 31.03.2012
1 Managerial Remuneration to Key Management Personnel	5061.64	4660.43	4393.77	4083.96
2 Lease Rent to Key Management Personnel	29.99	2.70	28.35	2.46
3 Lease Rent to Relative of Key Management Personnel	29.98	2.70	28.35	2.46
4 Salary and Allowances to Relatives of Key Management Personnel	13.74	1.09	4.31	0.32

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

(Rs. in Lakhs)

Nature of transaction	Name of the party	2012-13	2011-12
Managerial Remuneration	Dr. Murali. K. Divi	2645.68	2314.85
	Mr. N.V. Ramana	1371.19	1189.04
	Mr. D. Madhusudana Rao	99.36	65.76
	Mr. Kiran S. Divi	945.41	807.51
Salary and Allowances	Mr. N. Laxmana Rao	1.68	2.15
	Mr. D.Mallikarjuna Rao	2.23	2.16
	Mrs. Nilima Motaparti	9.83	-
Rent	Mr. Kiran S. Divi	29.99	28.35
	Mrs. Nilima Motaparti	29.98	28.35

12. LEASES :

The Company has operating leases for premises and vehicles, which is renewable on a periodical basis and cancellable at its option. Rental expenses for operating lease recognised in Statement of Profit and Loss for the year is Rs 93.59 Lakhs (Previous Year Rs. 87.09 Lakhs).The future minimum lease payments are as given under :

(Rs. in Lakhs)

Year Ending :	2012-13	2011-12
Not later than one year	95.47	85.65
Later than one year and not later than five years	265.74	68.15
Later than five years	-	-

13. INCOME TAX EXPENSE :

(i) TAX CREDIT ENTITLEMENTS :

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

(ii) DEFERRED TAX LIABILITY :

Movement of Provision for Deferred Tax for the year ended 31.03.2013 is as given below :

(Rs. in Lakhs)

Particulars	As at 01.04.2012	(Charges)/ Credit for the year	As at 31.03.2013
Timing Differences on account of:			
<u>Deferred Tax Liability:</u>			
Depreciation on Assets	6972.64	1971.98	8944.62
Total (A)	6972.64	1971.98	8944.62
<u>Deferred Tax Assets:</u>			
Expenses allowable on the basis of Payment	149.00	127.78	276.78
Others	734.28	11.27	745.55
Total (B)	883.28	139.05	1022.33
Net (A-B)	6089.36	1832.93	7922.29

14. EARNINGS PER SHARE (EPS) :

The Numerator and denominator used to calculate Earnings Per Share:

Particulars	(Rs. in Lakhs except Earnings per Share)	
	2012-13	2011-12
A EARNINGS :		
Profit attributable to Equity Shareholders	60201.30	53326.41
B NO. OF SHARES:		
Weighted average number of Equity shares outstanding during the year (Nos.)	13,27,34,290	13,26,73,325
C EARNINGS PER SHARE:		
Earnings Per Share of Par Value of Rs.2/- each-Basic and Diluted (Rs.)	45.35	40.19

15. The audited financial statements of foreign subsidiaries have been prepared in accordance with the generally accepted accounting principle of its country of incorporation. The difference in accounting policies of the company and its subsidiaries are not material.

16. FINANCIAL INFORMATION OF SUBSIDIARY COMPANIES :

(Amount In Lakhs)

Name of Subsidiary Company	Divis Laboratories (USA) Inc.		Divi's Laboratories Europe AG.	
	2012-13	2011-12	2012-13	2011-12
Reporting Currency	USD	USD	CHF	CHF
Capital	0.01	0.01	36.18	36.18
Reserves	(1959.01)	(1561.50)	(2613.71)	(2520.41)
Total Assets	4058.34	4035.38	2285.36	2134.05
Total Liabilities	4058.34	4035.38	2285.36	2134.05
Investments	Nil	NIL	Nil	NIL
Turnover	6202.07	5190.09	2877.03	2295.36
Profit /(Loss) Before Taxation	(491.07)	(792.49)	(93.30)	(630.17)
Provision for Taxation	93.56	152.13	Nil	NIL
Profit / (Loss)after Taxation	(397.51)	(640.36)	(93.30)	(630.17)
Proposed Dividend	Nil	NIL	Nil	NIL
Country	USA	USA	Switzerland	Switzerland

Exchange Rate as on 31.03.2013: USD = Rs.54.3893, CHF = Rs.57.11

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

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

Hyderabad
20.05.2013

For and on behalf of the Board

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

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

Notice

Notice is hereby given that the Twenty Third Annual General Meeting of the Members of DIVI'S LABORATORIES LIMITED will be held **on Monday the 5th day of August, 2013 at 10.00 A.M.** at KLN Prasad Auditorium, FAPCCI Premises, 11-6-841, Red Hills, Hyderabad – 500 004 to transact the following business:

ORDINARY BUSINESS :

- 1 To consider and adopt the audited Balance Sheet as at 31st March 2013, the Statement of Profit and Loss for the year ended 31st March 2013 along with the reports of Directors and the Auditors thereon.
- 2 To declare dividend for the financial year 2012 - 2013.
- 3 To appoint a Director in place of Dr. G. Suresh Kumar, who retires by rotation and being eligible, offers himself for reappointment.
- 4 To appoint a Director in place of Mr. Madhusudana Rao Divi, who retires by rotation and being eligible, offers himself for reappointment.
- 5 To appoint M/s. P.V.R.K. Nageswara Rao & Co., Chartered Accountants, Hyderabad (Firm's Regn. No. 002283S) as Auditors of the Company who shall hold office from the conclusion of this Annual General Meeting until the conclusion of the next Annual General Meeting and to fix their remuneration.

SPECIAL BUSINESS :

- 6 To consider and if thought fit, to pass with or without modification, the following resolution as **an ORDINARY RESOLUTION** :

"RESOLVED THAT pursuant to the provisions of Section 260 of the Companies Act, 1956 and the Article 129 of Articles of Association of the Company, Mr. R. Ranga Rao, who was appointed as an Additional Director at the meeting of the Board of Directors of the Company and who holds office upto the date of ensuing Annual General Meeting of the Company and in respect of whom the Company has received notice from a member under Section 257 of the Companies Act, 1956 proposing his candidature, be and is hereby appointed as a Director of the Company, liable to retire by rotation."

For and on behalf of the Board of Directors

Dr. MURALI K. DIVI
Chairman and Managing Director

Hyderabad
20th May 2013

NOTES :

1. *A member entitled to attend and vote at the meeting, is entitled to appoint a proxy to attend and vote instead of himself and such proxy need not be a member of the Company. The instrument appointing proxy should, however, be deposited at the Registered Office of the Company not less than **forty-eight hours** before the commencement of the meeting.*
2. Pursuant to Clause 49 of the Listing Agreement, additional information on directors seeking appointment / re-appointment at the annual general meeting is provided in the Annual Report.
3. Members / proxies are requested to bring the attendance slips duly filled in for attending the meeting and bring their copies of the Annual Report to the meeting.
4. In case of Joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.
5. Members who hold shares in dematerialized form are requested to write their Client ID and DP ID numbers and those who hold shares in physical form are requested to write their Folio Number in the attendance slip for attending the meeting.
6. Closure of register of Members and Dividend :
 - (a) The Company has notified that Register of Members and Transfer Books will be closed from 29th July, 2013 to 2nd August, 2013 (both days inclusive) for determining the names of the Members eligible for dividend, if approved, on equity shares. In respect of shares held in Electronic form, the dividend will be paid on the basis of particulars of beneficial ownership furnished by the Depositories for this purpose.
 - (b) The dividend on equity shares, as recommended by the Board of Directors, if declared at the Annual General Meeting, will be paid to those shareholders whose name appears in Register of Members as on 2nd August, 2013
 - (c) Members may please note that the Dividend Warrants are payable at par at the designated branches of the Bank printed on reverse of the Dividend Warrant for an initial period of 3 months only. Thereafter, the Dividend Warrant on revalidation is payable only at limited centers / branches. The members are, therefore, advised to encash Dividend Warrants within the initial validity period.

7. Bank particulars :

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

- (i) Name of the Sole / First joint holder and the Folio Number.
- (ii) Particulars of Bank account, viz.,
 - Name of the Bank
 - Name of the Branch
 - Complete address of the Bank with Pin Code Number
 - Account type, whether Savings (SB) or Current account (CA)
 - Bank Account Number allotted by the Bank

8. Shareholders holding shares in electronic form may kindly note that their Bank account details as furnished by their Depositories to the Company will be printed on their Dividend Warrants as per the applicable regulations of the Depositories and the Company will not entertain any direct request from such shareholders for deletion of / change in such Bank details. Further, instructions, if any, already given by them in respect of shares held in physical form will not be automatically applicable to shares held in the electronic mode. **Shareholders are requested to intimate immediately any change in their address or bank mandates to their depository participants with whom they are maintaining their demat accounts or to the company's share transfer agent, M/s Karvy Computershare Private Limited, if the shares are held in physical form.**

9. Non-Resident Indian Shareholders are requested to inform the registrars, M/s. Karvy Computershare Private Limited immediately :

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

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

11. Consequent upon the introduction of Section 109A of the Companies Act, 1956, shareholders are entitled to

make nomination in respect of shares held by them in physical form. Shareholders desirous of making nominations are requested to send their requests in Form 2B (which will be made available on request) to the Registrar and Share Transfer Agent M/s. Karvy Computershare Private Limited.

12. M/s. Karvy Computershare Private Limited, Plot No 17-24, Vittal Rao Nagar, Madhapur, Hyderabad – 500 081 acts as the Company's Registrar and Share Transfer Agent for physical transfer of shares and all correspondence may be addressed directly to them. In respect of shares held in Electronic form, shareholders may send requests or correspond through their respective Depository Participants.

13. Unclaimed dividend for the year(s) 2005-06, 2006-07, 2007-08, 2008-09, 2009-10 2010-11 and 2011-12 are held in separate Bank accounts and shareholders who have not received the dividend / encashed the warrants are advised to write to the Company with complete details.

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

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

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

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

Item No.6:

Mr. R. Ranga Rao was appointed as Additional Director by the Board on 3rd November, 2012 pursuant to the provisions of Section 260 of the Companies Act, 1956 and holds office up to the date of this Annual General Meeting. The Company has received a notice in writing from a member pursuant to the provisions of Section 257 of the Companies Act, 1956 proposing the name of Mr. R. Ranga Rao for the office of Director.

Mr. R. Ranga Rao is a Post Graduate in Pharmacy. He started his career as an Analyst in a Pharma unit at Vijayawada, (A.P) During the year 1978, he joined service with the Government of Andhra Pradesh in the Drugs Control Department. He worked at different levels and retired as Director, Drugs Control Administration, Govt. of Andhra Pradesh during the year 2009.

Hyderabad
20th May 2013

During his tenure with the Government of Andhra Pradesh, Mr. Ranga Rao served as a member of several committees formed by Director General, Drugs Controller, Govt. of India to assist the department for the betterment of availability of safe and quality drugs to the public. He also served as a President, Indian Pharmaceutical Association, AP State Branch for two years.

Keeping in view the experience and expertise of Mr. R. Ranga Rao, the Board considers it desirable that the Company should receive the benefit of his valuable experience and advice and accordingly commends the Resolution at Item No. 6 for approval by the Members.

None of the Directors, except Mr. R. Ranga Rao is concerned or interested in the proposed resolution.

For and on behalf of the Board of Directors

Dr. MURALI K. DIVI
Chairman and Managing Director

BLANK



Divi's Laboratories Limited

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

PROXY FORM 23rd ANNUAL GENERAL MEETING

Regd. Folio No. _____

No. of shares held _____

*Client ID. _____

DP ID No. _____

I / We _____ R/o _____
_____ being a member / members of the Company hereby appoint
_____ or failing him / her _____

R/o _____ as my / our proxy to vote for me / us on my / our behalf at the 23rd Annual General Meeting of the Company to be held at KLN Prasad Auditorium, FAPCCI Premises, 11-6-841, Red Hills, Hyderabad - 500 004 on Monday the 5th August, 2013 at 10.00 A.M. and at any adjournment(s) thereof.

Signed this _____ day of _____ 2013.

Affix
Revenue
Stamp

Signature

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

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



Divi's Laboratories Limited

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

ATTENDANCE SLIP 23rd ANNUAL GENERAL MEETING

Regd. Folio No. _____

*Client ID. _____

DP ID No. _____

No. of shares held _____

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

I hereby record my presence at the 23rd Annual General Meeting of the Company at KLN Prasad Auditorium, FAPCCI Premises, 11-6-841, Red Hills, Hyderabad - 500 004 on Monday the 5th August, 2013 at 10.00 A.M.

Member's / Proxy's name in
BLOCK Letters

Signature of Member / Proxy

Note: Please fill up this attendance slip and hand it over at the entrance of the meeting hall. Members are requested to bring their copy of the Annual report to the Meeting.




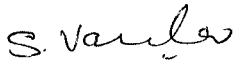
*Those who hold shares in demat form must quote their Client ID and Depository Participant ID.





Divi's Laboratories Limited

FORM A

1.	Name of the Company:	DIVI'S LABORATORIES LIMITED
2.	Annual financial statements for the year ended	31 st March 2013
3.	Type of Audit observation	Matter of Emphasis
4.	Frequency of observation	First time
5.	signed by- • CEO/ Managing Director - Dr. Murali K. Divi • CFO - Mr. L. Kishore Babu • Auditor of the company - Mr. P.V.R.K. Nageswara Rao • Audit Committee Chairman - Mr. S. Vasudev	   

"An ISO-9001, ISO-14001 and OHSAS-18001 Triple certified company"

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

Tel : 91-40-2378 6300, Fax : 91-40-2378 6460

E-mail : mail@divislaboratories.com, Website : www.divislaboratories.com