



# Divi's Laboratories Limited

Date: July 25, 2022

To  
The Secretary  
National Stock Exchange of India Limited  
Exchange Plaza,  
Bandra-Kurla Complex, Bandra (East)  
MUMBAI – 400 051

To  
The Secretary  
BSE Limited  
Phiroze Jeejeebhoy Towers,  
Dalal Street  
MUMBAI – 400 001

Stock Code: DIVISLAB

Stock Code: 532488

Dear Sir/ Madam,

**Sub: Notice of 32<sup>nd</sup> Annual General Meeting and Annual Report for the financial year 2021-22**

As already informed vide our letter dated July 04, 2022, the 32<sup>nd</sup> Annual General Meeting (AGM) of the Company is scheduled to be held on Monday, August 22, 2022 at 10.00 a.m. IST through video conferencing (VC) / other audio-visual means (OAVM).

Pursuant to Regulation 34 of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, please find enclosed Notice convening the 32<sup>nd</sup> AGM of the Company and Annual Report for the financial year 2021-22, being sent to the members through electronic mode.

The Annual Report 2021-22 containing the Notice of the 32<sup>nd</sup> AGM is also uploaded on the Company's website at  
<https://www.divislabs.com/investor-relations/reports-and-filings/annual-reporting/>.

The Company is pleased to provide to its members the facility to exercise their right to vote on the resolutions proposed to be passed at the AGM by electronic means. The date and time of remote e-voting facility are as under:

|  |  |
|--|--|
| Cut-off date for determining the eligibility to vote by electronic means or during the AGM | Tuesday, August 16, 2022                     |
| Date and time of commencement of remote e-voting   | 9:00 a.m. (IST) on Thursday, August 18, 2022 |
| Date and time of end of remote e-voting  | 5:00 p.m. (IST) on Sunday, August 21, 2022   |

This is for your information and records.

Thanking you,

Yours faithfully,  
For Divi's Laboratories Limited

  
M. Satish Choudhury  
Company Secretary & Compliance Officer



Regd. Off. : Divi Towers, 1-72/23(P)/DIVIS/303, Cyber Hills, Gachibowli, Hyderabad - 500 032, Telangana, INDIA.

Tel : +91-40-6696 6300/400, Fax : 91-40-6696 6460., CIN : L24110TG1990PLC011854

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



*Divi's Laboratories Limited*



# Sustainable Chemistry

Striving for leadership  
through chemistry

32<sup>nd</sup>

Annual Report  
2021-22

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# Resilience to adversity. Committed to holistic growth.

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To know more about Divi's log on to

[www.divislabs.com](http://www.divislabs.com)



Scan the QR Code to view the report online

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#### Forward - looking statements

Some information in this report may contain forward - looking statements which include statements regarding Company's expected financial position and results of operations, business plans and prospects etc. and are generally identified by forward - looking words such as "believe," "plan," "anticipate," "continue," "estimate," "expect," "may," "will" or other similar words. Forward - looking statements are dependent on assumptions or basis underlying such statements. We have chosen these assumptions or basis in good faith, and we believe that they are reasonable in all material respects. However, we caution that actual results, performances or achievements could differ materially from those expressed or implied in such forward - looking statements. We undertake no obligation to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

**Divi's has remained resilient to adversities during the year and continuously leveraged its agile business model to mitigate risks in a mindful manner with a purposeful performance strategy.**

Over three decades, we have delivered sustainable growth, anchored on our core competencies of trust, technology and teamwork.

During the year, revenue of Divi's surpassed a Billion-dollar mark, making us one of the few companies reaching this milestone in the small molecule API segment. This is amidst the volatility and uncertainty in raw materials, challenges in logistics, energy crisis and geopolitical tensions.

We continue to maintain strategic relationships by fulfilling all commitments to our customers, business partners and other stakeholders.

Our efforts to create a future-ready enterprise have included Capacity Building, Backward Integration, Green Chemistry and, most importantly, Sustainable Operation.

## 04

### Notice

221 Notice of the 32<sup>nd</sup> Annual General Meeting





# Managing Director's Perspective



## Dear Shareholders,

The financial year 2021-22 began on a subdued note owing to repeated attacks of the pandemic, taking a severe toll on lives and economies. As the world navigated through the pandemic, the escalation of geopolitical strife compounded the crisis and brought numerous other challenges in the form of strained geopolitical and trade relations, a runaway inflation and unprecedented volatility in commodity costs.

In the face of such flux, the industry showed resilience and adaptability, ensuring continuous supply of medicines to help patients gain access to their medication.

The pandemic has accelerated significant change in the healthcare ecosystem, making it more adaptable and innovative in order to withstand

unexpected challenges and capitalise on the opportunities.

In this uncertain operating environment, our focus remained on the health and safety of our people, ensuring uninterrupted supply of our products to meet the evolving demand of our customers and our business needs. This has strongly positioned us as a reliable supplier to the global pharmaceutical companies.

## The year in review

The year had been challenging with several headwinds and against this backdrop, our results for the year demonstrate our execution prowess, agility, strategic clarity and the strength of supply chain.

Our core investment for the past two years on debottlenecking, capacity expansion and backward integration strength helped us achieve scale and de-risk external starting material dependence. Our agile business model and stable supply chain ensured minimal business disruption and uninterrupted supply to our customers across the globe.

The commitment and determined efforts of the entire Divi's family helped us live up to the name of a reliable supplier of API's.

As a global leader of API's, we have always accommodated the sudden increase in market demands quickly. We have also successfully completed the capacity expansions that we have taken up during the year.



Production Blocks - Exterior View

## Keeping our Green commitment

During the year FY2022, apart from creating additional capacities for our pipeline products and new capacities for emerging custom synthesis projects, we have also upgraded our utility infrastructure, which also includes environment management.

We strive to create brand value by adopting sustainable practices and implementing Green chemistry principles.

As an industry leader and a responsible enterprise, we served the communities around our manufacturing facilities in several ways by enhancing the village infrastructure, providing safe drinking water, empowering women and improving public healthcare.

## Future focused – Agile, consistent and reliable

As we enter a new financial year, we are better prepared to handle the evolving demand, continuous market volatility and an uncertain economic environment.

At Divi's, we aim to exceed the internal benchmark so that we can consistently deliver value to our customers, and also perform as a dependable supplier.

Our focus will remain on Continuous process innovation and Green chemistry implementation to further establish Divi's as a strong sustainable organisation and deliver value added performance.

I would like to take this opportunity and thank our employees for their consistent effort to deliver the best results despite the challenges. I thank all the stakeholders for reposing their trust in us, which has made Divi's a reliable brand.

We will continue to strive for leadership through chemistry and be the most reliable supplier of high-quality API's while creating value for all our stake holders.

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



# Board of Directors

## Executive Directors



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



**N. V. Ramana**  
Executive Director



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



**Nilima Prasad Divi**  
Whole-time Director  
(Commercial)



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

## Independent Directors



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



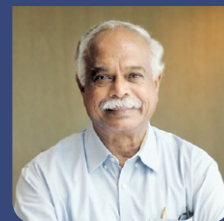
**Dr. G. Suresh Kumar**  
Independent Director



**R. Ranga Rao**  
Independent Director



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



**Dr. S. Ganapaty**  
Independent Director



**Prof. Sunaina Singh**  
Independent Director



**K.V. Chowdary**  
Independent Director

# Corporate Information

## Manufacturing Facilities

**Choutuppal Unit :**  
Lingojigudem Village  
Choutuppal Mandal  
Yadadri Bhuvanagiri Dist. (TG)  
Pin - 508252

**DC SEZ Unit**  
Lingojigudem Village  
Choutuppal Mandal  
Yadadri Bhuvanagiri Dist. (TG)  
Pin - 508252

**Export Oriented Unit:**  
Chippada Village  
Bheemunipatnam Mandal  
Visakhapatnam Dist. (A.P)  
Pin - 531163

**Divi's Pharma SEZ:**  
Chippada Village  
Bheemunipatnam Mandal  
Visakhapatnam Dist. (A.P)  
Pin - 531163

**DSN SEZ Unit:**  
Chippada Village  
Bheemunipatnam Mandal  
Visakhapatnam Dist. (A.P)  
Pin - 531163

**DCV SEZ Unit:**  
Chippada Village  
Bheemunipatnam Mandal  
Visakhapatnam Dist. (A.P)  
Pin - 531163

## R&D Centres

B-34, Industrial Estate  
Sanathnagar, Hyderabad.  
Pin - 500018

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

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

## Subsidiaries

Divis Laboratories (USA) Inc;  
New Jersey, USA

Divi's Laboratories Europe AG,  
Basel, Switzerland

## Registered Office

Divi Towers, 1-72/23(P)/DIVIS/303  
Cyber Hills, Gachibowli,  
Hyderabad, India  
Pin - 500032  
CIN : L24110TG1990PLC011854  
Phone : +91 40 66966300  
Fax: +91 40 66966460  
E-mail : mail@divislabs.com  
Website : [www.divislabs.com](http://www.divislabs.com)

## Auditors

**Statutory Auditors**  
Price Waterhouse Chartered  
Accountants LLP  
Unit-2B, 8<sup>th</sup> Floor  
Octave Block  
Block E1, Parcel-4  
Salarpuria Sattva Knowledge City  
Raidurg, Hyderabad  
Pin - 500081

## Cost Auditors

EVS & Associates  
Cost Accountants  
205, Raghava Ratna Towers,  
Chirag Ali Lane, Hyderabad  
Pin - 500001

## Secretarial Auditors

V. Bhaskara Rao & Co, Company  
Secretaries  
6-2-1085/B, Flat No.-105  
Badam Sohana Apts  
Raj Bhavan Road,  
Somajiguda, Hyderabad  
Pin - 500082

## Bankers

**State Bank of India**  
CCG Branch, Door No. 8-2-684/2/A  
I Floor, NSL Icon Building  
Anand Banjara Colony  
Road No. 12, Banjara Hills;  
Hyderabad  
Pin - 500034

**HDFC Bank Ltd**  
"Bank House", Wholesale Banking  
Operations, H.No.6-3-246 & 244  
Road No. 1, Banjara Hills;  
Hyderabad  
Pin - 500034

## Registrar & Share Transfer Agent

**Kfin Technologies Limited**  
Selenium Tower B, Plot No. 31-32  
Gachibowli, Financial Dist,  
Nanakramguda, Hyderabad  
Pin - 500032  
CIN: U72400TG2017PTC117649  
Phone No: 040-67161526,  
Fax: 040-23001153  
Toll Free No.: 1800 4258 998  
E-mail: einward.ris@kfintech.com

## Date, Time & Mode of AGM

Monday, August 22, 2022  
at 10.00 AM IST  
Through Video Conferencing (VC)/  
Other Audio Visual Means (OAVM)

# An Introduction to Divi's

## Divi's in 2022: Standing firm against volatility

Divi's Laboratories Limited is one of the leading pharmaceutical companies in the world, manufacturing Active Pharmaceutical Ingredients (APIs), Intermediates and Nutraceuticals.


Leveraging our state-of-the-art manufacturing facilities and research capabilities, we have earned a reputable name in manufacturing and supplying High-Quality Generics, Custom Synthesis of APIs and intermediates for global innovator companies and nutraceutical ingredients. We are one of the world's largest API companies, with two manufacturing units and a market presence across 100 countries. Backed by a team of ~16,500 people, and a portfolio of ~160 products across diverse therapeutic areas, we are making steady progress with disciplined execution.



**Vision**

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

We are committed to achieving our goal of sustainable chemistry by continuously optimising our processes and practices that not only protect, but improve human health, and preserve environment we operate in.



**Mission**

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

Divi's has established three R&D centers, each with a team of competent and qualified people who assist us in continuously improvising our processes. As a result, several process patents have been granted to us, maintaining market leadership for majority of our products, while ensuring that our operating practices are safe and sustainable.

**Our Business Values**



**Financial Stability**



**Trustworthy**



**Reliable Supply Partner**

















**Complimentary**



**Transparency**

**Snapshot of our capitals**

|                              |   |   |  |
|------------------------------|---|---|--|
| <b>Financial Capital</b>     | <br><b>₹ 8,99,108</b><br><small>Total Income (In Lakhs)</small>  | <br><b>₹ 3,98,772</b><br><small>EBDIT(In Lakhs)</small>                              | <br><b>₹ 2,94,854</b><br><small>Profit After Tax (In Lakhs)</small> |
| <b>Human Capital</b>         | <br><b>~16,500</b><br><small>Employees</small>                   | <br><b>~33,550</b><br><small>Safety training sessions</small>                        |  |
| <b>Manufacturing Capital</b> | <br><b>₹ 6,10,110</b><br><small>Gross Block (In Lakhs)</small> | <br><b>₹ 93,456</b><br><small>CAPEX (In Lakhs)</small>                             | <br><b>2</b><br><small>Manufacturing units</small>                |
| <b>Intellectual Capital</b>  | <br><b>42</b><br><small>Process patents</small>                | <br><b>₹ 14,977</b><br><small>R&amp;D spend in past three years (In Lakhs)</small> | <br><b>~400</b><br><small>R&amp;D team members</small>            |
| <b>Social Capital</b>        | <br><b>₹ 4,460</b><br><small>CSR spend (In Lakhs)</small>      | <br><b>267</b><br><small>Programmes and activities conducted</small>               | <br><b>~5,22,000</b><br><small>Beneficiaries</small>              |



# Unit -2

Visakhapatnam



# Unit -1

Hyderabad





# Resilient to Adversity

## Agile and Responsive

The uncertain market conditions, induced by the pandemic and geopolitical disorder, has resulted in business transformation for one and all. At Divis, we adapted and calibrated ourselves to emerge stronger from the adversity and sustain our market leadership in the API business segment.

Divis had remained resilient in the face of adversity, adapting and accelerating despite the disruptions that had arisen over time. We have prepared, perceived, and propelled ourselves towards change, thereby maintaining our leadership position within the segment.

Divis is now well-positioned to meet any increasing demand for Generic APIs while also supporting demand for new Custom Synthesis opportunities across its customer base.

Divis has come up with a six-point approach with an attempt to sustain the market leadership in the small molecule API segment.

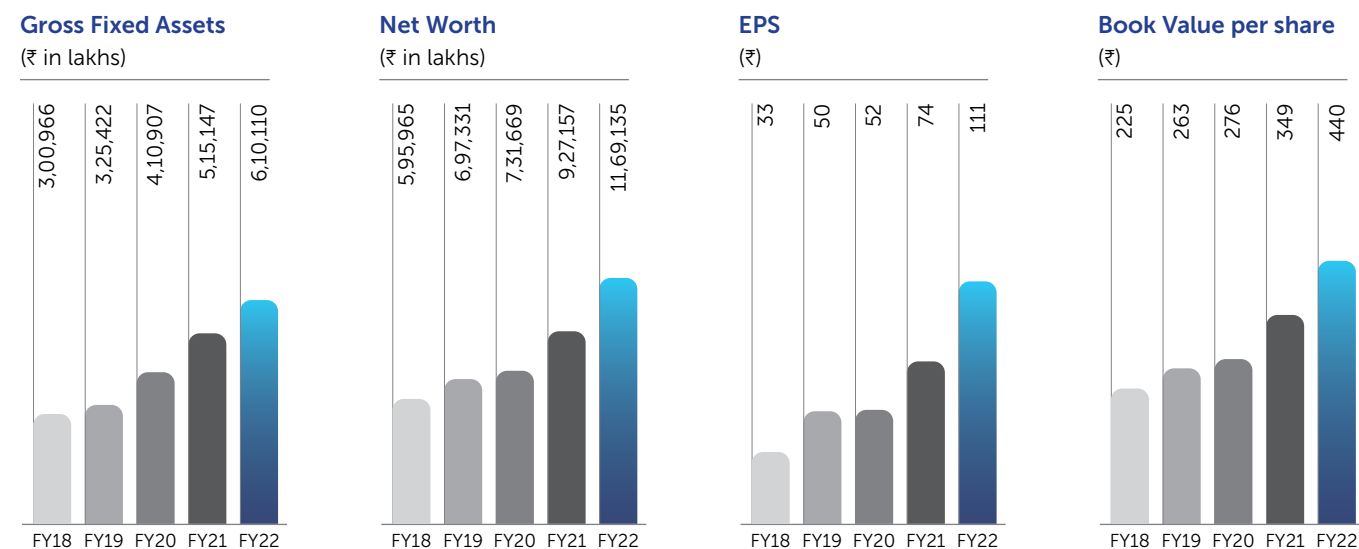
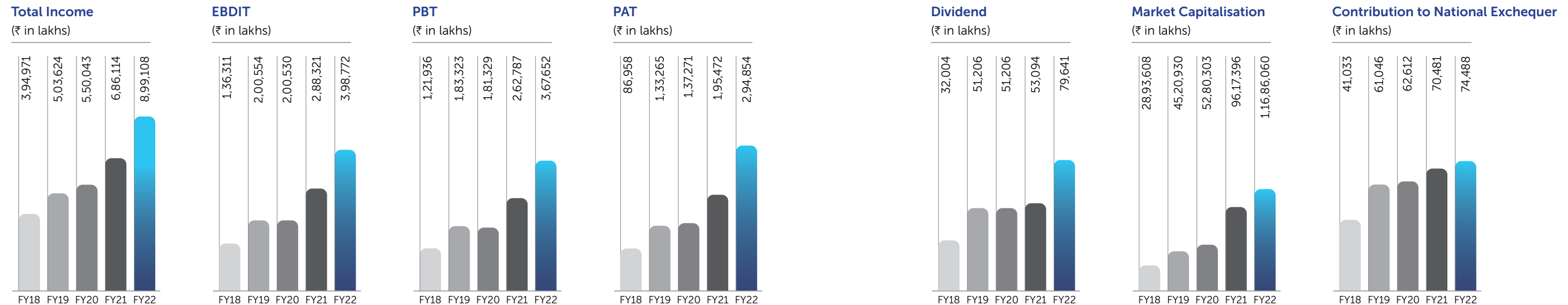


Production Block - Chemistry Area

### The six-point strategic approach

- 1 **Established Generics Portfolio**  
Continue to maintain leadership position in key Generic APIs
- 2 **Generics with growth potential**  
Invest in capacity expansion to address growing demand and sustain market share
- 3 **'Sartans'**  
Expand into all the major Sartan APIs based on our backward integration strength
- 4 **Contrast Media**  
Continue to develop and expand into multiple products of Contrast media
- 5 **Future Generics**  
Multiple APIs with patents expiring in the next 2-3 years were developed with sufficient capacities already established
- 6 **Custom Synthesis**  
Newer technology offerings to cater the requirements of Big Pharma companies

# Performance in Numbers



| Direct Economic Impact     | FY 2018  | FY 2019  | FY 2020  | FY 2021  | FY 2022  |
|----------------------------|----------|----------|----------|----------|----------|
| Revenue                    | 3,83,723 | 4,87,966 | 5,31,057 | 6,79,861 | 8,87,982 |
| Exports                    | 3,27,305 | 4,17,456 | 4,52,661 | 5,88,625 | 7,84,198 |
| Tax Expense                | 34,978   | 50,094   | 43,899   | 67,315   | 72,798   |
| Consumption of material    | 1,50,490 | 1,83,783 | 2,08,856 | 2,26,550 | 2,98,980 |
| Employee benefits Expenses | 44,627   | 53,072   | 60,836   | 80,868   | 92,655   |
| Finance charges            | 133      | 350      | 606      | 69       | 65       |
| Dividend & Dividend Tax    | 32,004   | 51,206   | 51,206   | 53,094   | 79,641   |

| Employees                               | FY 2018 | FY 2019 | FY 2020 | FY 2021 | FY 2022 |
|---|---------|---------|---------|---------|---------|
| Cost towards wages / salaries           | 43,065  | 50,738  | 57,855  | 77,291  | 88,202  |
| Other benefit costs                     | 2,541   | 2,334   | 2,981   | 3,577   | 4,453   |
| Total personal expenses                 | 45,606  | 53,072  | 60,836  | 80,868  | 92,655  |
| % to sales revenue                      | 12%     | 11%     | 11%     | 12%     | 10%     |
| Number of employees (Direct / Indirect) | 10,762  | 11,847  | 13,884  | 16,818  | 16,543  |

| Customers  | FY 2018  | FY 2019  | FY 2020  | FY 2021  | FY 2022  |
|--|----------|----------|----------|----------|----------|
| Total Income   | 3,94,971 | 5,03,624 | 5,50,043 | 6,86,114 | 8,99,108 |
| Debtors  | 1,11,211 | 1,28,224 | 1,53,321 | 1,74,556 | 2,56,990 |
| Payments received during the year                        | 3,83,802 | 4,86,611 | 5,24,946 | 6,64,879 | 7,08,437 |
| Debtors outstanding (in average number of days turnover) | 103      | 93       | 102      | 93       | 105      |

| Return on Net Worth |     |
|---------------------|-----|
| FY 2018             | 15% |
| FY 2019             | 19% |
| FY 2020             | 19% |
| FY 2021             | 21% |
| FY 2022             | 25% |

| Dividend Per Share (₹) |    |
|------------------------|----|
| FY 2018                | 10 |
| FY 2019                | 16 |
| FY 2020                | 16 |
| FY 2021                | 20 |
| FY 2022                | 30 |



# Our Global Footprint



| America           | FY 2018  | FY 2019  | FY 2020  | FY 2021  | FY 2022  |
|-------------------|----------|----------|----------|----------|----------|
| Sales (₹ lakhs)   | 1,08,749 | 1,27,212 | 1,21,813 | 1,58,652 | 3,83,291 |
| % Share           | 29%      | 27%      | 23%      | 24%      | 44%      |
| Europe            | FY 2018  | FY 2019  | FY 2020  | FY 2021  | FY 2022  |
| Sales (₹ lakhs)   | 1,63,798 | 2,17,452 | 2,49,850 | 3,17,415 | 2,86,480 |
| % Share           | 44%      | 46%      | 48%      | 47%      | 33%      |
| Asia              | FY 2018  | FY 2019  | FY 2020  | FY 2021  | FY 2022  |
| Sales (₹ lakhs)   | 34,730   | 59,183   | 59,474   | 82,675   | 79,807   |
| % Share           | 9%       | 12%      | 12%      | 12%      | 9%       |
| India             | FY 2018  | FY 2019  | FY 2020  | FY 2021  | FY 2022  |
| Sales (₹ lakhs)   | 48,014   | 56,266   | 68,071   | 80,130   | 87,724   |
| % Share           | 13%      | 12%      | 13%      | 12%      | 10%      |
| Rest of the World | FY 2018  | FY 2019  | FY 2020  | FY 2021  | FY 2022  |
| Sales (₹ lakhs)   | 20,028   | 13,609   | 21,524   | 29,883   | 34,620   |
| % Share           | 5%       | 3%       | 4%       | 4%       | 4%       |

# Financial Highlights

|  | FY2018   | FY2019   | FY2020   | FY2021    | FY2022    |
|--|----------|----------|----------|-----------|-----------|
| (₹ in lakhs)   |          |          |          |           |           |
| <b>Turnover and Profit</b>                           |          |          |          |           |           |
| Revenue  | 3,83,723 | 4,87,966 | 5,31,057 | 6,79,861  | 8,87,982  |
| Revenue Growth %                                     | -6%      | 27%      | 9%       | 28%       | 31%       |
| Other Income   | 11,248   | 15,658   | 18,986   | 6,253     | 11,126    |
| Total Income (₹ in Lakhs)                            | 3,94,971 | 5,03,624 | 5,50,043 | 6,86,114  | 8,99,108  |
| Total Income Growth %                                | -5%      | 28%      | 9%       | 25%       | 31%       |
| Profit before Interest, Depreciation and Tax.(EBDIT) | 1,36,311 | 2,00,554 | 2,00,530 | 2,88,321  | 3,98,772  |
| EBDIT to Sales %                                     | 35%      | 40%      | 36%      | 42%       | 44%       |
| EBDIT Growth   | -10%     | 47%      | 0.0%     | 44%       | 38%       |
| Finance Charges                                      | 133      | 350      | 606      | 69        | 65        |
| Depreciation   | 14,242   | 16,881   | 18,595   | 25,465    | 31,055    |
| Profit before tax ( PBT)                             | 1,21,936 | 1,83,323 | 1,81,329 | 2,62,787  | 3,67,652  |
| PBT Growth %   | -12%     | 50%      | -1%      | 45%       | 40%       |
| Provision for Taxation                               | 34,978   | 50,058   | 44,058   | 67,315    | 72,798    |
| Profit After Tax (PAT)                               | 86,958   | 1,33,265 | 1,37,271 | 1,95,472  | 2,94,854  |
| PAT Growth %   | -17%     | 53%      | 3%       | 42%       | 51%       |
| <b>Dividend, Share Capital And Capital Employed</b>  |          |          |          |           |           |
| Dividend   | 500%     | 800%     | 800%     | 1,000%    | 1,500%    |
| Dividend pay out                                     | 32,004   | 51,206   | 51,206   | 53,094    | 79,641    |
| Dividend pay-out (%)                                 | 37%      | 38%      | 37%      | 27%       | 27%       |
| Equity Share Capital                                 | 5,309    | 5,309    | 5,309    | 5,309     | 5,309     |
| Reserves & Surplus                                   | 5,90,656 | 6,92,022 | 7,26,360 | 9,21,848  | 11,63,826 |
| Net Worth  | 5,95,965 | 6,97,331 | 7,31,669 | 9,27,157  | 11,69,135 |
| Net Worth growth %                                   | 10%      | 17%      | 5%       | 27%       | 26%       |
| Gross Fixed Assets                                   | 3,00,966 | 3,25,422 | 4,10,907 | 5,15,147  | 6,10,110  |
| Net Fixed Assets                                     | 1,99,588 | 2,08,742 | 2,77,626 | 3,69,901  | 4,32,097  |
| Total Assets   | 6,80,778 | 8,04,018 | 8,51,411 | 10,72,377 | 13,30,786 |
| <b>Key Financial Indicators</b>                      |          |          |          |           |           |
| Earnings per share (face value of ₹ 2/-each)         | 33       | 50       | 52       | 74        | 111       |
| Cash Earnings Per Share (face value of ₹ 2/-each)    | 38       | 57       | 59       | 83        | 123       |
| Gross Turnover Per share (face value of ₹ 2/-each)   | 149      | 190      | 207      | 258       | 339       |
| Book Value per share (face value of ₹ 2/-each)       | 224      | 263      | 276      | 349       | 440       |
| Total Debt to Equity                                 | 0.011    | 0.015    | 0.005    | 0.00004   | 0         |
| EBDIT / Gross Turnover %                             | 35%      | 40%      | 36%      | 42%       | 44%       |
| Net Profit Margin %                                  | 22%      | 26%      | 25%      | 28%       | 33%       |
| RONW %   | 15%      | 19%      | 19%      | 21%       | 25%       |



# Empowering Communities

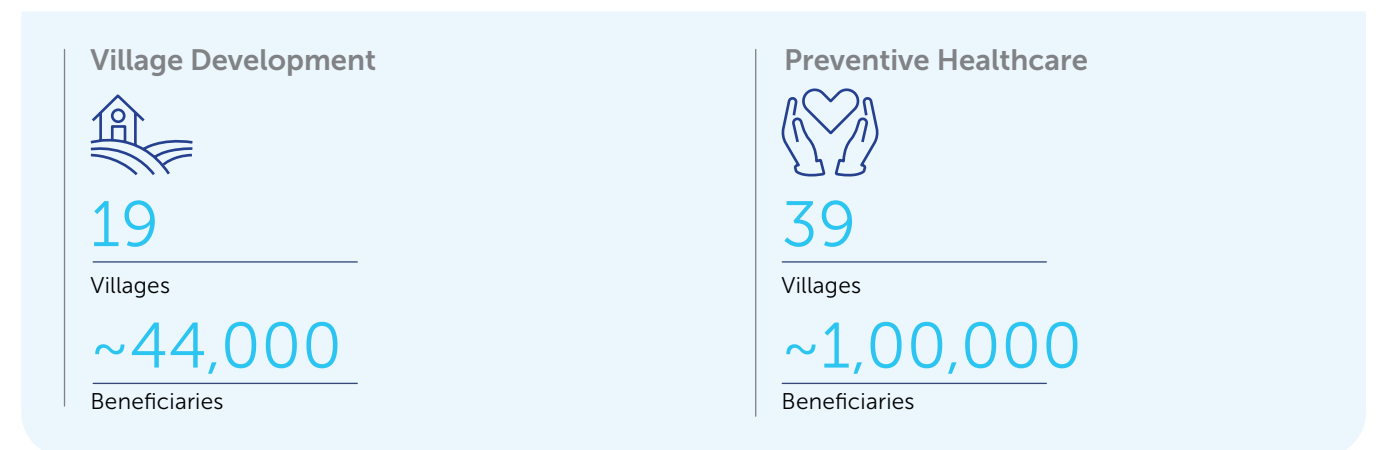
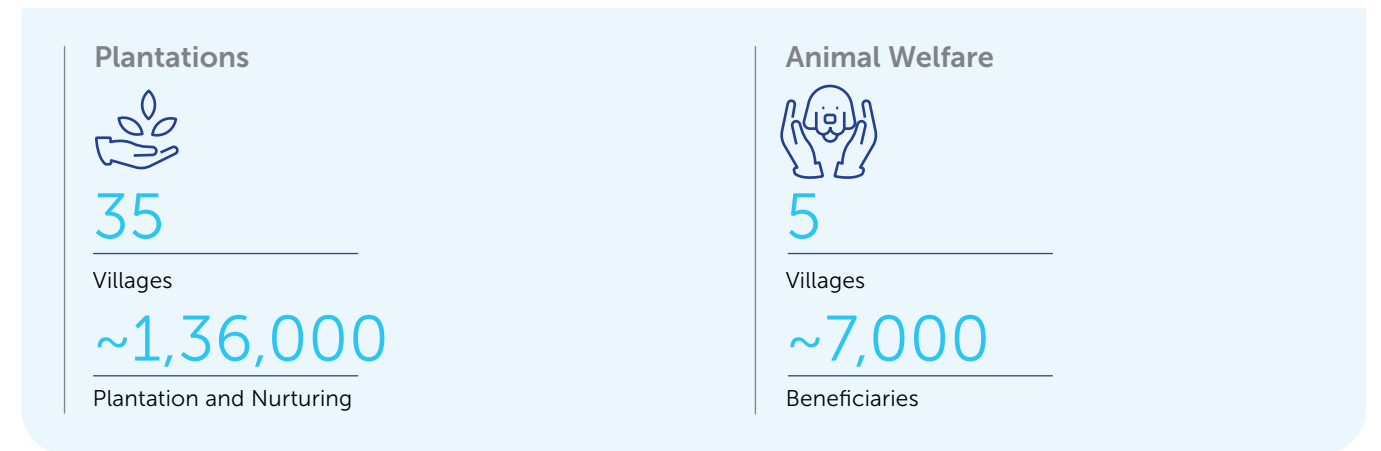
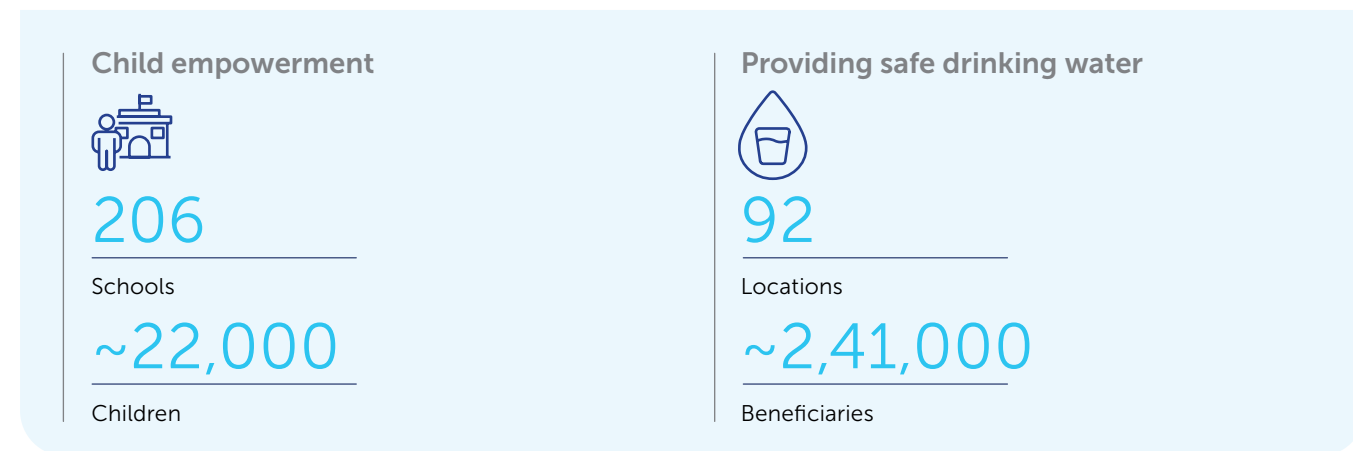
## Ensuring sustainable change

Over the past decade, Divi's has focused on several corporate social responsibility programmes and has impacted the lives of lakhs of people in Andhra Pradesh and Telangana. With a commitment to make meaningful change a reality, Divi's continues to undertake varied initiatives aimed at improving lives.

### Enabling social well-being

Over the years, Divi's has actively participated in community building efforts that contributed to the social and economic well-being of the weaker sections of society. We continue to undertake child empowerment projects, provide safe drinking water, execute plantation drives and provide access to healthcare through our CSR projects. Alongside, we are empowering women and the "differently abled," enabling animal welfare and the development of rural infrastructure.

### Initiatives of FY2021-22



# Child Empowerment

## Education opens the door to bright future

### Encouraging Education

Divi's has supported hundreds of Government schools in Telangana and Andhra Pradesh to improve their infrastructure and provide a conducive environment for learning and social development of children.

#### Initiatives:

- Construction of additional classrooms
- Supply of desk benches, notebooks, school bags, shoes and socks
- Providing RO water facility at schools
- Regular distribution of Horlicks sachets
- Provision for student scholarships
- Development of playground at Government Degree College, Bheemunipatnam
- Development of Gurukula Patasala at Choutuppal

### Distribution of Study material to 10<sup>th</sup> grade students



Schools



Children

### Distribution of Horlicks Sachets



Schools



Children

### Conducting Health Check-up camps

Regular health check-ups are conducted at all the Government schools to ensure a better health of the students.



Schools



Children

### Donation of Dual Desk Benches to Government schools



Schools



Children

### Installation of RO Units in Government Schools of Andhra Pradesh and Telangana



Schools



Children

### Construction of School Building



School



Children



# Sujalam- Safe Drinking Water

**On a mission to provide clean and safe drinking water**

Since 2014, Divi's has installed adequate safe water stations in Telangana and Andhra Pradesh, thereby providing safe drinking water to lakhs of people.

This initiative has become highly successful due to the active participation of local communities that own, operate, and maintain these facilities. Utilising the sophisticated process of multi-stage reverse osmosis, the water systems remove contaminants and dissolved solids from water, making it perfectly suitable for human consumption. It also deploys cutting-edge remote monitoring systems to ensure less than two percent downtime.

## Installation of RO waterplants in the communities surrounding Divi's



92

Safe Water stations



~2,41,000

Beneficiaries per day

# Plantation

## Planting for a Better Tomorrow

**Nurturing nature for sustainable development**

Planting saplings and promoting ecological balance to increase green cover is the most practiced custom at Divi's.

The impact of such plantation drives has improved the oxygen cover for the local population in the villages. Vrukshamitras are appointed for maintaining the plantations wherever needed.



35

Villages



~10,99,000

Plantations till date



~1,04,350 MT

Carbon sequestration from all trees / saplings planted

### Avenue Plantation



### Miyawaki Plantation





# Animal Welfare

## Ensuring Well-being of Livestock

### Nurturing domestic animals

In collaboration with the Animal Husbandry Department, Divi's supports local communities that are primarily dependent on farming and rearing livestock. By setting up veterinary camps and ensuring the well-being of domestic animals, the programmes continue to support local villages and have paved the path for steady employment generation.

#### Project Objectives:

- Set up Animal Wellness Camps to treat and raise awareness about disease prevention.
- Make dairy farming sustainable and economical.
- Enhance income generation opportunities for local women.
- Strengthen veterinary hospitals in Mandal headquarters

#### Project Output:

- Increase in income and better living standards of women involved in dairy farming.
- Improved health of animals.
- Better quality of service through dairy units.
- Enhanced economic condition of households.
- Ensuring the health and well-being of people through adequate consumption of milk in targeted households

#### Conducting Veterinary Camps



# Supporting Differently Aabled

### Serving the needy by providing extra care!

At Divi's, this is one such activity that is deeply associated with our heart and soul, helping the needy with all the facilities and creating a better place for them to live and aspire for a better tomorrow.

We took on the responsibility of enhancing the visually impaired school for girls in Visakhapatnam to empower the specially abled students. We upgraded the school's infrastructure and provided better amenities, as well as enough teaching and non-teaching staff.

#### Distribution of Laptops at Netravidyalaya



#### State Level Para Badminton Championship



#### VC School Auditorium opening



5

Villages



~7,000

Beneficiaries



2

Schools/Colleges



223

Students



# Empowering Women

## Enabling women to lead a dignified life

### Livelihood generation programmes for women

Divis continues to encourage and empower women with varied livelihood generation programmes. Through training and establishment of small-scale industries with necessary equipment for self-employment, we have supported over 1000 women from economically weaker sections of society. We have also developed a Skill Enhancement facility at Chippada Village to help women succeed in their chosen field.

#### Trainings offered:

- Sewing machine operation including embroidery
- General duty assistant
- Hospitality
- Basic knowledge on computers
- Manufacturing of Jute bags

#### Initiatives:

- Construction of mahila mandal buildings in villages
- Livelihood generation for women involved in Fishing
- Skill development for book binding, embroidery, arya work, tailoring and other livelihood generation programmes

### Donation of Sewing and Over Lock Machines



~50  
Beneficiaries

### Training for Jute Bag Production



~50  
Beneficiaries

# Supporting Grama Panchayat

## Aiming for holistic development of communities

### Providing Computer and Printer



~5,500  
Beneficiaries

### Medical camps

Several medical camps were conducted in areas around our manufacturing units to make quality healthcare easily accessible to marginalised communities.



4  
Villages

~6,000  
Beneficiaries

### Promoting Sports

#### Padamati Anvitha Reddy receives sponsorship for mountain climbing:

Avnitha Reddy, an MBA graduate from Telangana, became the first Indian to scale Russia's highest peak, Mt. Elbrus (5,642 metres), in winter. She achieved the remarkable feat on 7<sup>th</sup> December. She has also conquered the highest peak in the world, Mount Everest (8,849 metres) on May 16<sup>th</sup>.



₹5,00,000  
Assistance Provided

#### Financial support for girls pursuing Taekwondo and Fencing



₹50,000  
Assistance Provided



# Model Village

## A CSR Initiative by Divi's

The dedicated effort of Divi's has enabled it to build two model villages in India - Panthangi, a village in Choutuppal Mandal of Nalgonda district in Telangana and Chippada village in Bheemunipatnam Mandal of Visakhapatnam district in Andhra Pradesh.

Divi's has been financially supporting the development of model villages in areas where it operates to enhance community development, quality of education, skill development, animal welfare, nutrition, health, safe drinking water and sanitation.

### Impact on Panthangi village

Panthangi village in Telangana has immensely benefitted due to the Model Village Project. It has led to the following developments in the village.

- Infra Development – Building Roads & Community Halls
- Sewage System Development
- Safe Drinking Water
- Good Learning Systems for Children

### Village Development:

To ensure socio-economic development of the underserved communities, Divi's took the initiative to create employment opportunities, set up skill development center & empower local women of the village.



### Healthcare Facilities:

To ensure proper healthcare for villagers, public healthcare centers in the village were upgraded.



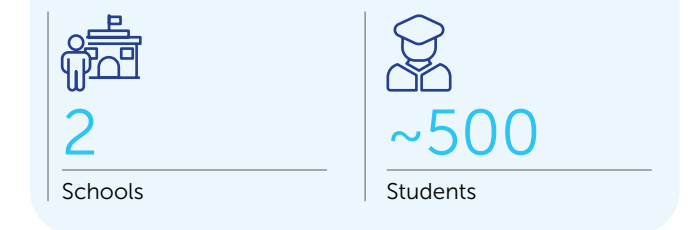
### Supply of safe drinking water:

To mitigate the acute drinking water shortage in the village due to high levels of fluoride in groundwater, Divi's installed three RO water treatment plants in the village to ensure steady supply of safe drinking water.



### Upgrading schools:

Divi's facilitated assistance to Government schools. Additional classrooms, computer and science labs, hostel with dining facility, were constructed. Adequate number of desks were also provided to students.



### Construction of underground drainage line and concrete roads:

To ensure proper health and sanitation, an underground drainage system was built in the village to control the spread of diseases. In addition, concrete roads were built to enable easy commuting.



# Model Village

## A CSR Initiative by Divi's

### Impact on Chippada village

Chippada village in Andhra Pradesh has immensely benefitted due to the Model Village Project. It has led to the following developments in the village.

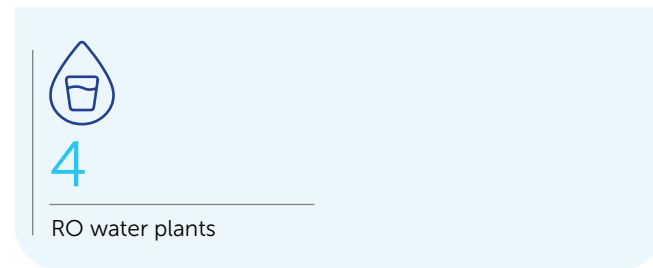
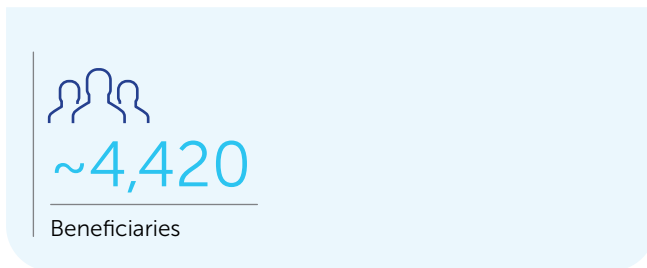
- Infra Development – Building Roads & Community Halls
- Sewage System Development
- Safe Drinking Water
- Good Learning Systems for Children

### Village Development:

To improve the living standards of villagers, this project helped to create livelihood opportunities, empower local women of the village. Besides, veterinary camps were held at regular intervals to support livestock farming and rearing.

### Rural Water Supply (RWS):

The village lacked a water storage facility. To address this issue, a water storage facility was built to ensure continuous supply of potable water to the villagers.



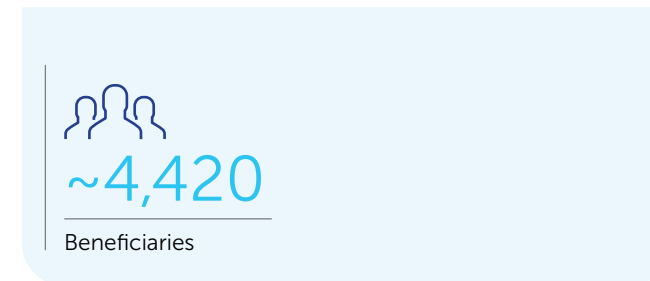
### Support to Education:

Government schools in the village had improved educational facilities for students, such as digital classrooms, hostel facilities, and dual desk benches.



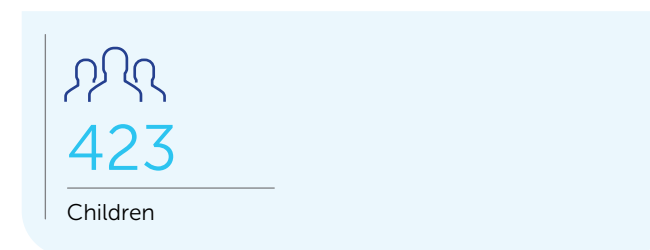
### Eye Check-Up Camp:

Free eye check-up camps were organised at the village and spectacles were also provided to patients.



### Health Check-Up Camp:

To ensure the health and well-being of local communities, we organised health check-up camps for villagers and Government school students. Regular check-ups and preventive healthcare procedures have enabled the villagers to lead a healthy life.





# Partnering for a Sustainable Future

## Building a Green tomorrow

At Divi's, we believe that the environment we operate is well treated by mindfully safeguarding the elements of the environment, creating ecological balance and consciously creating strategies that will benefit the environment both in the long and short term.

### Green Belt Development

#### Plantation details:



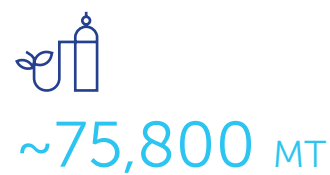
Plants/trees



Green belt area within our manufacturing facilities



CO<sub>2</sub>e emissions reduced during FY2021-22



Oxygen generated per year can benefit ~3,80,000 people

### Reducing Carbon Footprint

#### Initiatives:

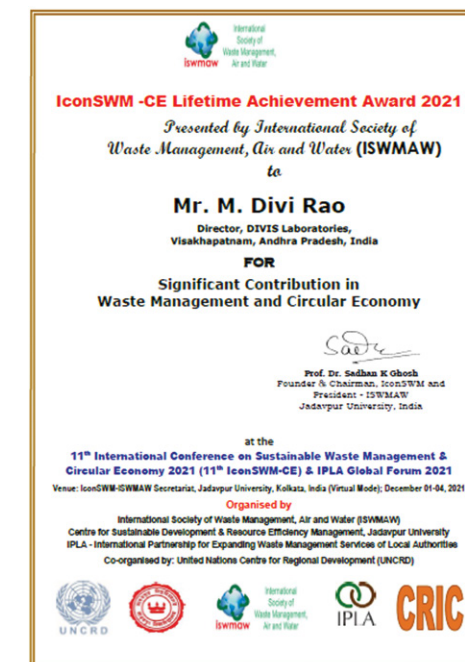
- Replaced screw type air compressors with energy efficient centrifugal air compressors - ~10,000 TCO<sub>2e</sub> ↓
- Replaced centrifuge and FBDs with ANFs & Dryers - ~2,640 TCO<sub>2e</sub> ↓
- Installing advanced and energy efficient equipment's - ~2,950 TCO<sub>2e</sub> ↓
- Other initiatives put together - ~5,700 TCO<sub>2e</sub> ↓

# Sustainability Awards & Recognition

Our commitment to being the most sustainable organisation in the industry has earned us a few awards that will encourage us to continue our commitment to the environment.



Gold Award for Excellence in EHS practices by CII in CII-SR EHS Excellence awards 2021



Lifetime Achievement Award for Significant Contribution in Waste Management and Circular Economy by ISWMAW



Best EHS Leadership Award by CII in CII-SR EHS Excellence awards 2021



# Partnering for a Sustainable Future

## Make Earth a better place to live

### Water Management

**Initiatives:**

- Establishing additional Sewage Treatment Plants (STPs) at manufacturing facilities helped in conservation of ~1,22,400 M<sup>3</sup>
- Implementing Green chemistry principles in process operations conserved ~36,375 M<sup>3</sup>



~1,86,300 M<sup>3</sup>

Raw water conserved, which is equivalent to water consumed by ~750 families per year



~110%

Increase in water recycling quantity during FY2021-22, compared to the base year 2019-20.

### Energy Management

**Initiatives:**

- Installed advanced and energy efficient equipment - ~1,08,79,000 KWH ↓
- Installed LT capacitor panels with automatic APFC controller for mini PCC - ~15,37,100 KWH ↓
- Arranged O<sub>2</sub> analyzers for process vessels - ~2,26,817 KWH ↓
- Optimized process equipment for filtration and drying - ~1,48,517 KWH ↓
- Other initiatives put together - ~46,07,509 KWH ↓



~ 1,73,99,000 KWH

Energy conserved during FY2021-22



### Waste Management

**Initiatives:**

- Established additional solvent recovery stations to recover and reuse solvents.
- Sending process solid residues, spent carbon, process waste salts to other industries to attain value recovery
- Returning used batteries to suppliers through buy-back policy



56,732 MT

Hazardous waste co-processed during FY2021-22



48,751 MT

Hazardous waste recycled / reused during FY2021-22



Unit 2 : Off-Ground Effluent Treatment Plant



# People and Safety

## Safety is a culture at Divi's

At Divi's, we prioritise well-being of employees, and this has served as one of our main pillars. The people first concept in Divi's enables safety to be the primary focus.

### Initiatives:

- Fully equipped in-house mobile emergency vans at strategic locations
- Augmenting PPEs by adding specialized PPEs like microchem.
- Motivational behavior based trainings through positive reinforcements.



### Training & Education:

- Carried out over ~33,550 EHS training sessions covering ~3,30,900 participants.
- Avg. training hours per year per employee during FY2021-22 is ~10Hrs

### Safety Indicators:

- ~27 million safe man hours during FY2021-22
- LTI severity rate: 0.078
- LTI frequency rate: 0.72

### Suraksha Puraskar Award 2021 by NSCI:

Divi's has received India's most prestigious safety award, Suraksha Puraskar Award in recognition of its commitment and adherence to Health & Safety standards.





# Business Responsibility Report

## SECTION A: GENERAL INFORMATION ABOUT THE COMPANY

|   |   |
|---|---|
| 1. Corporate Identity Number (CIN) of the Company                                 | L24110TG1990PLC011854   |
| 2. Name of the Company  | Divi's Laboratories Limited   |
| 3. Registered Address   | Divi Towers, 1-72/23(P)/DIVIS/303,<br>Cyber Hills, Gachibowli,<br>Hyderabad – 500 032, Telangana, India |
| 4. Website  | <a href="http://www.divislabs.com">www.divislabs.com</a>  |
| 5. E-mail Id  | <a href="mailto:mail@divislabs.com">mail@divislabs.com</a>  |
| 6. Financial Year reported  | April 2021 to March 2022  |
| 7. Sector(s) that the Company is engaged (industrial activity code-wise)          | Pharmaceuticals<br>NIC Code: 210  |
| 8. List of three products/services that the Company manufactures/provides         | 1. Generic Active Pharmaceutical Ingredients (APIs)<br>2. Custom synthesis<br>3. Nutraceuticals         |
| 9. Total number of Locations where business activity is undertaken by the Company |   |
| a. Number of International Locations  | Marketing subsidiaries at New Jersey in USA and Basel in Switzerland for our Nutraceutical Ingredients  |
| b. Number of National Locations   | 6 manufacturing facilities and 3 R&D Centres / PDSCs in India. Refer Page No.5 of the Annual Report     |
| 10. Markets served by the Company – Local/State/National/International            | In addition to pan India, our major markets include Europe, United States of America (USA) and Asia.    |

## SECTION B: FINANCIAL DETAILS OF THE COMPANY (as on March 31, 2022)

|  |   |
|--|---|
| 1. Paid-up Capital (INR)   | ₹ 5,309 lakhs   |
| 2. Total Income (INR)  | ₹ 8,99,108 lakhs  |
| 3. Total profit after taxes (INR)  | ₹ 2,94,854 lakhs  |
| 4. Total spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%) | 2.02% of the average net profits of the Company made during the three immediately preceding financial years.  |
| 5. List of activities in which expenditure in 4 above has been incurred:-                        | The major areas in which CSR expenditure has been incurred include: <ol style="list-style-type: none"> <li>Promoting education;</li> <li>Rural development</li> <li>Promoting health care including Covid relief measures;</li> <li>Safe drinking water;</li> <li>Environment sustainability;</li> <li>Empowering women;</li> <li>Promotion of rural sports;</li> <li>Swachh Bharat initiative;</li> <li>Livelihood enhancement program;</li> <li>Support to animal welfare, etc.</li> </ol> <p>Refer Annexure-IV – Annual Report on CSR Activities undertaken during the year forming part of the Boards' Report for FY 2021-22.</p> |



## SECTION C: OTHER DETAILS

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

## SECTION D: BR INFORMATION

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

|   |                                |
|---|--------------------------------|
| (a) Details of the Director/ Directors responsible for implementation of the BR policy/policies |                                |
| DIN Number  | 00005040                       |
| Name  | Dr. Murali K. Divi             |
| Designation   | Managing Director              |
| (b) Details of the BR head  |                                |
| DIN Number (if applicable)  | 00063843                       |
| Name  | Mr. Madhusudhana Rao Divi      |
| Designation   | Whole-time Director (Projects) |
| Telephone number  | 91-40-23786339                 |
| e-mail id   | raodivi@divislabs.com          |

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

Principle-wise Index:

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



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

| No. | Questions  | P1   | P2  | P3 | P4   | P5  | P6 | P7  | P8                        | P9  |
|-----|--|--|---|----|--|---|----|---|---------------------------|-----|
| 1   | Do you have a policy/policies for...   | Y  | Y   | Y  | Y  | Y   | Y  | NA  | Y                         | Y   |
| 2   | Has the policy being formulated in consultation with the relevant stakeholders?  | Y  | Y   | Y  | Y  | Y   | Y  | NA  | Y                         | Y   |
| 3   | Does the policy conform to any national / international standards? If yes, specify?  | Y*   | Y*  | Y* | Y*   | Y*  | Y* | NA  | Y*                        | Y** |
| 4   | Has the policy being approved by the board? If yes, has it been signed by MD/owner/ CEO/ appropriate Board Director?                       | Y  | Y   | Y  | Y  | Y   | Y  | NA  | Y                         | Y   |
| 5   | Does the company have a specified committee of the Board/ Director/ official to oversee the implementation of the policy?                  | Y*   | Y*  | Y* | Y*   | Y*  | Y* | NA  | Y*                        | Y*  |
| 6   | Indicate the link for the policy to be viewed online?  | <a href="http://www.divisilabs.com/wp-content/uploads/2022/02/Code-of-Ethics-and-Business-Conduct-of-Divis-Laboratories-Limited.pdf">www.divisilabs.com/wp-content/uploads/2022/02/Code-of-Ethics-and-Business-Conduct-of-Divis-Laboratories-Limited.pdf</a> | <a href="https://www.divisilabs.com/csr-and-sustainability/environment-health-safety/">https://www.divisilabs.com/csr-and-sustainability/environment-health-safety/</a> | NA | <a href="http://www.divisilabs.com/wp-content/uploads/2022/02/Code-of-Ethics-and-Business-Conduct-of-Divis-Laboratories-Limited.pdf">www.divisilabs.com/wp-content/uploads/2022/02/Code-of-Ethics-and-Business-Conduct-of-Divis-Laboratories-Limited.pdf</a> | <a href="https://www.divisilabs.com/csr-and-sustainability/environment-health-safety/">https://www.divisilabs.com/csr-and-sustainability/environment-health-safety/</a> | NA | <a href="https://www.divisilabs.com/CSR-Policy.pdf">https://www.divisilabs.com/CSR-Policy.pdf</a> | Available on our Intranet |     |
| 7   | Has the policy been formally communicated to all relevant internal and external stakeholders?  | Y  | Y   | Y  | Y  | Y   | Y  | NA  | Y                         | Y   |
| 8   | Does the company have in-house structure to implement the policies?  | Y  | Y   | Y  | Y  | Y   | Y  | NA  | Y                         | Y   |
| 9   | Does the company have a grievance redressal mechanism related to the policies to address stakeholders' grievances related to the policies? | Y  | Y   | Y  | Y  | Y   | Y  | NA  | NA                        | Y   |
| 10  | Has the company carried out independent audit/ evaluation of the working of this policy by an internal or external agency?                 | Y  | Y   | Y  | Y  | Y   | Y  | NA  | Y                         | Y   |

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

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

NA – Not Applicable



### 3. Governance related to BR

|   |  |  |
|---|--|--|
| a | Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company. Within 3 months, 3-6 months, Annually, More than 1 year | Annually   |
| b | Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?   | Yes, the Company publishes a BR report annually. Web link: <a href="https://www.divislab.com/Sustainability-Report-2022.pdf">https://www.divislab.com/Sustainability-Report-2022.pdf</a> |

## SECTION E: PRINCIPLE-WISE PERFORMANCE

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

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

The policy relating to ethics, bribery and corruption not only cover the company but also extend to our stakeholders, viz., suppliers, customers, employees etc. The Company's policy, Code of Ethics And Business Conduct (hereafter referred as Code of Conduct), affirms its commitment to the highest standards of integrity and ethics. The Code of Conduct guides all workforce including supervisory, executive and managerial employees of the Company as well as the Board members. Divi's Code of Conduct conforms to standards of corporate governance by complying with the applicable laws and regulations. This policy helps to ensure fulfilment of responsibilities towards stakeholders and implement standards with transparency, integrity, accountability and corporate social responsibility in all dealings. The policy is communicated to the employees across all the locations. The organization makes all the stakeholders aware of the company's policies. The policy documents are made available extensively for ready reference. If any unethical issues are identified or come to the notice, disciplinary actions like termination from job / discontinuation of contract or agreement are resorted to.

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

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

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

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

- i) Levetiracetam
  - ii) Upgradation to Energy Efficient Equipment
  - iii) Upgrading with advanced equipment
  - iv) Upgradation in material handling strategies
2. For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product (optional):

#### (a) Reduction during sourcing/production/ distribution achieved since the previous year throughout the value chain?

Improving resource productivity and ensuring a sustainable resource and materials management building on the principle of the 3Rs (reduce, reuse, recycle) is a central element of green growth policies. It helps to improve the workplace environment and reduce the environmental impacts by reducing the amount of resources needed and diminishing the associated environmental impacts, and sustain economic growth.

#### i) Levetiracetam

We have continued to apply green chemistry principles in our research and development pursuits for designing safe and resource efficient products. In Levetiracetam, green and cost-effective approaches were exercised to meet our business needs without compromising on the environmental considerations and we achieve in reducing process mass intensity for recovering valuable streams. Additionally, Reduced specific water demand.

#### ii) Upgradation to Energy Efficient Equipment

As a continual improvement on energy conservation, programs like Automatic Power Factor Correction systems at LT side, energy efficient centrifugal air compressors in place of screw air compressors benefited us in energy conservations by reducing the direct and indirect power losses. Other benefits include, reduction in operating costs, heat recovery, GHG emission reduction.



iii) **Adapting advanced equipment**

Upgrading from HPLC to UPLC method for in-process sample analysis in a process step benefitted in reduction of specific energy consumption, reduction of GHG emissions. This also benefitted in productivity increase.

iv) **Upgradation in material handling strategies**

In few of our products, Isolation of material between filtration and drying operations is eliminated by facility upgradations and by adopting latest equipment like Bottom Discharge Centrifuge, Rotary Vacuum Paddle Dryer of bulk, Silos. This aided us in reduction of time cycles in specific operations. Other associated benefits in these specific operations includes, workplace hygiene improvements and packing waste (PE bags, Sintex containers) generation, manpower are reduced.

(b) **Reduction during usage by consumers (energy, water) has been achieved since the previous year?**

Not applicable as the company is active ingredient manufacturer and its products are not for end user consumption.

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

Yes, the Company has laid down a Sustainable Procurement Policy and related standard operating procedure for the selection and approval of its vendors for sourcing of material. We have well defined & documented "Code of Conduct", wherein we ensure that our business partners are aware of the code of conduct and follow the same appropriately. As a policy, sustainable sourcing requirements are prioritized giving equal importance to Quality, Environment and ethical factors.

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

Divi's has a supply-chain policy aimed at sustainable sourcing of inputs. The Company has a supplier evaluation and qualification process. On-site audits / visits were planned to review the practices followed at

suppliers' sites towards this objective. The Company has a system in-place for compliance evaluation of the EHS aspects of key suppliers and vendors for critical raw materials / intermediates.

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

Yes, Divi's procures, where available, goods from local, small and domestic producers and most of the services from local communities.

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

Small scale industries form a crucial part of our business partner base. We have been making continuous efforts to encourage both local and small-scale business partners and providing technical support to meet our specific special requirements. The company has a comprehensive engagement model for encouraging local / small vendors. Majority of daily services are executed through engaging neighborhood communities. Local manufacturers were encouraged to take up the relevant material packing development activities that suites our safe material handling systems at operation areas.

Divi's has been continuously putting efforts in engaging services of local people, procurement of goods from the small producers and farmers in the surrounding rural areas. To achieve this objective, the company has established a community-based skill development center and taken up several multifarious programmes for upgrading their skills and business growth.

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

Yes, we have a mechanism named by-product value recovery management (BPVRM) to identify, recover/ recycle and reuse the process solvents and transferring the process waste to authorized agencies as part of partnership for green (P4G) program. Abiding to the slogan "Waste is not a waste", concepts of value recovery, resource efficiency and circular economy are escalated into our operations. The normal 3R approach (Recover, Recycle, Reuse) is extended to 12R+. These concepts are well practiced in the company and our revenues over the years got augmented on a steady basis by implementing circular economy through extended life cycle only.



Divi's has realized that co-processing of hazardous substances as alternate fuel in cement industry is beneficial, whereby hazardous wastes are not only destroyed at higher temperature, but its inorganic content gets fixed with the clinker apart from using the energy content of the waste. For the year under consideration, approximately 95% of the waste was recycled through co-processing. Spent catalysts are sent back to the vendor for regeneration and reuse.

We have taken targets for FY30 to minimize the intensity-based waste disposal by 25% and reduce plastic waste used for packing. In recognition to our continual efforts on sustainable waste management, our practices are recognised by various national & international agencies and during the reporting period we are awarded by ISWMAW during international summit on Waste Management.

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

Our Company promotes the well-being of all employees by providing equal opportunities, facilities and a workplace environment that is safe, hygienic, humane and which upholds the dignity of the employees. Employee health is given top priority. Employee exposure to chemicals is effectively controlled through a hierarchy of control. Periodical health monitoring, workplace monitoring & Industrial Hygiene studies are given high priority to ensure integrity of control measures and employee wellbeing. They are encouraged to provide their views and suggestions in improving and promoting the employee wellbeing. The company encourages participation of employees through various forums like Grievance Redressal Committee for the resolution of disputes or individual grievances of employees. Other avenues include Inter compliance committees named Canteen management committee, Safety committee. Management is accessible at all points of time to redress grievances and complaints of employees as per defined procedures. Employee feedback is taken to improve the workplace, EHS aspects and their wellbeing.

- 1. **Please indicate the total number of employees:** 16,543
- 2. **Please indicate the total number of employees hired on temporary/contractual/casual basis:** 5,968
- 3. **Please indicate the number of permanent women employees:** 1,225
- 4. **Please indicate the number of permanent employees with disabilities:** 24
- 5. **Do you have an employee association that is recognized by management?**

Divi's does not have any employee association or a trade union of workers.

- 6. **What percentage of your permanent employees is members of this recognized employee association?**  
Not applicable

**7. Please indicate the Number of complaints relating to child labor, forced labor, involuntary labor, sexual harassment in the last financial year and pending, as on the end of the financial year.**

| No. | Category                                   | No of complaints filed during the financial year | No of complaints pending as on end of the financial year |
|-----|--|--|--|
| 1   | Child labor/forced labor/involuntary labor | Nil  | Nil  |
| 2   | Sexual harassment                          | Nil  | Nil  |
| 3   | Discriminatory employment                  | Nil  | Nil  |

**8. What percentage of your under mentioned employees were given safety & skill up-gradation training in the last year?**

100%. All permanent employees and contract labour of manpower contractor, undergo safety training. Development opportunities for our employees are customized as per their functional needs. We have in-house skill enhancement programmes and also engage externally supported skill up-gradation programs for employees. All employees attend our Health & Safety training programs. Around 120+ skill upgradation training sessions by external expert agencies were given to our employees during this period.

**Principle 4: Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.**

**1. Has the company mapped its internal and external stakeholders? Yes/No**

Yes, we have identified the stakeholders, internal and external, who directly or indirectly influence our business operations. Our major stakeholders are employees, community & society, investors, shareholders, vendors, suppliers, Government and Regulators.

**2. Out of the above, has the company identified the disadvantaged, vulnerable & marginalized stakeholders.**

Yes, as a responsible organization, we are committed to work for the welfare of communities around us. Various vulnerable stakeholders around our manufacturing sites have been identified and we have devised and implemented various welfare & development, livelihood & skill upgradation programs for them from time to time.

**3. Are there any special initiatives taken by the company to engage with the disadvantaged, vulnerable and marginalized stakeholders. If so, provide details thereof, in about 50 words**

Yes. Special initiatives taken by the company to engage with the disadvantaged, vulnerable and marginalized stakeholders is by providing books, special aids, educational material for visually challenged, scholarship and school infrastructure.

**Principle 5: Businesses should respect and promote human rights**

**1. Does the policy of the company on human rights cover only the company or extend to the Group/Joint Ventures/Suppliers/Contractors/NGOs/Others?**

Our policy on human rights extends to all across the supply chain of our group including suppliers, contractors as well as the local communities and consumers.

**2. How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?**

We have not received any stakeholder complaints pertaining to this principle, during the financial year.

**Principle 6: Business should respect, protect, and make efforts to restore the environment**

**1. Does the policy related to Principle 6 cover only the company or extends to the Group/Joint Ventures/Suppliers/Contractors/NGOs/others.**

Yes, we have a well-defined Environment, Health and Safety policy and also an Environmental Sustainability Policy that cover not only the company but also extend to the whole organization including wholly owned subsidiaries / Suppliers / Contractors / NGOs / others. The Company is committed to operate all its units in an environmentally friendly manner while protecting the health and safety of its employees. As part of our corporate goals, we constantly make efforts to motivate our employees and other stakeholders to minimize environmental impact through several initiatives, e.g., green belt development to restore environment.

**2. Does the Company have strategies/ initiatives to address global environmental issues such as climate change, global warming, etc? Y/N. If yes, please give hyperlink for webpage etc.**

Yes, we have strategies/initiatives to address global environmental issues and the commitment pertaining to global warming, climate change & relevant biodiversity is clearly emphasized in our EHS policy and Sustainability policy. There is a continuous thrust on "Green Chemistry

principles" and the company identifies / develops processes to minimize consumption of energy & hazardous materials and similar thrust to recycle and reduce waste thereby minimizing the impact on environment. The details are available in the Company's website at <https://www.divislabs.com/csr-and-sustainability/environment-health-safety/>

Being a responsible organization, we keep on setting benchmarking GHG targets and achieving them year after year.

We also publicly disclose our carbon emission performance and strategy through CDP (Carbon Disclosure Project). During the year, we have achieved a "B-" in CDP Climate Strategy disclosure survey.

**3. Does the Company identify and assess potential environmental risks? Y/N**

Yes, the company has Environment Management System (EMS) and key environmental aspects and impacts / risks are identified and appropriate controls to eliminate / mitigate the risks are established.

Divi's recognises the significance of climate change impact on its business and monitors business risks and opportunities arising out of national and international regulations and protocols related to climate change. The Company is continuously striving to reduce its energy consumption, natural resource demand for reducing its carbon footprint. Employees have undergone various training programs, conducted GEMBA on energy management and implementation of energy efficiency measures and cleaner technology to accomplish the commitment towards environment protection.

The operational units are ISO 14001 certified and our GHG emissions are verified and evaluated for ISO 14064 certification by an accredited third party. The Company sets environmental targets and monitors its environmental performance on regular basis.

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

Currently, we are working on extending facilitation of solar energy panels. Divi's have implemented variety of projects related to clean technology and energy conservation.

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

Yes, the Company adapts the latest technologies towards Green Environment clean technology ie., energy efficiency, energy recovery & reuse, renewable energy, etc. Our EHS



policy emphasis on continual upgradation of our processes and operations to minimize risks and waste generation. It gives utmost importance for conservation of energy with the objective of improving yields or eliminating waste by increasing overall system efficiency and reviews the processes to minimize energy losses.

Optimum utilization of energy is achieved through energy efficient systems / equipment, using alternate renewable energy, for example, bio-briquettes, solar heaters and energy efficient lighting. We also achieve water conservation by harvesting rainwater, recycling process water & installing equipment and improving our processes to minimize water utilization.

As a responsible organization we have undertaken many energy conservation initiatives like

- Automatic Power Factor Correction systems at LT side
- Centrifugal air compressors replacing screw air compressors
- Process vessels RPM optimization studies
- Design upgradations in filtration aids
- Collecting and utilization of steam condensate water
- Upgradation in auto-drain valve systems of Air, Nitrogen holding tanks
- By upgrading brine handling and pumping system with add-on secondary pumps
- Auto tube cleaning system for brine chilling units and system
- Filtration and drying optimization studies
- O<sub>2</sub> analyzers for process vessels for optimizing nitrogen consumption for inertion
- Optimizing process equipment for filtration and drying operations

We have achieved significant savings in energy conservation and reduction in GHG emissions. The details are available in the Company's website at <https://www.divislabs.com/csr-and-sustainability/environment-health-safety/>

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

Yes, emissions and waste generated by our manufacturing facilities are within the permissible limits and are in conformance with the statutory requirements. This is continuously ensured by effective online monitoring systems installed at several locations that are also connected to SPCB, CPCB. Periodically, relevant details are

also submitted to these PCBs.

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

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

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

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

- (a) National Safety Council
- (b) Indian chemical council
- (c) Confederation of Indian industry
- (d) American Industrial Hygiene Association (AIHA)
- (e) Pharmaceuticals Export Promotion Council of India
- (f) Bulk Drug Manufacturers Association
- (g) National Fire Protection Association
- (h) Swiss-India Chamber of Commerce
- (i) Federation of Telangana and Andhra Pradesh Chambers of Commerce and Industry (FTACCI)

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

No.

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

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

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

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

Most of the programs/ projects undertaken by Divis are through in-house team. A separate department with qualified staff has been constituted for formulation, implementation and review of CSR activities. A few projects

are undertaken in association with NGOs/Charitable Trusts having expertise in certain initiatives undertaken.

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

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

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

Total expenditure incurred on community development initiatives during the financial year is ₹ 4,213 lakhs. The programs undertaken are as per the CSR Policy enumerated in Annual Report on CSR initiatives forming part of this Annual Report.

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

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

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

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

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

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

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

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

No

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

Yes, customer feedback is taken and evaluated periodically.



# Management Discussion And Analysis

## 1. Economy and Industry Outlook

### Global Pharma Industry Outlook & Emerging Trends:

As per IQVIA (formerly Quintiles and IMS Health, Inc.), the global medicine market is expected to grow at 3–6% CAGR through 2026, reaching about \$1.8 trillion in total market size in 2026, including spending on COVID-19 vaccines.

Developed countries will continue to hold the highest market share but the usual growth leaders are Pharmerging countries, due to their increased access to medicines and healthcare. New brand spending in developed markets through 2026 is projected to add \$195 billion excluding COVID-19 vaccines and novel therapeutics. There are expected to be 290-315 New Active substances (NAS) launched by 2026, on an average of 54-63 per year similar to the past five years.

Oncology, Immunology, Anti-diabetics, Neurology, Cardiology, Anti-coagulants, Respiratory & Pain will be the top 8 segments by value. The therapy areas with the highest forecast spending in 2026 are oncology, immunology, and anti-diabetics, followed by neurology. Oncology is projected to add 100 new treatments over five years. Generic share will rise, driven by, ongoing market dynamics around the use of medicines, the adoption of newer treatments, the impact of patent expiries and new generic competition, will all contribute to the market growth for the next five years.

Global medicine spending continues to increase, with most driven by new medicines, increasing by \$196 billion over the next five years compared to \$161 billion over the past five. Losses of exclusivity are expected to be significantly higher through 2026 at \$188 billion compared to the \$111 billion in the past five years, contributing to overall slowing growth. US market is forecasted to grow by 0-3% CAGR over the next five years. Spending in EU is expected to increase by a total of \$51 billion. Japan, the third largest global market, will have a flat to declining medicine. China is projected to exceed \$205 billion, an increase of more than \$35 billion and Pharmerging growth is expected to grow by \$128 billion.

According to Grand view research report, the API market is expected to grow at 6% CAGR in a forecasted period of 2022 – 2030 with revenue of approx. \$353 billion from \$222 billion. The growth can be attributed to the advancements in API manufacturing and the rising prevalence of chronic diseases. Favorable government policies for API production, along with changes in geopolitical situations, are boosting the market growth. The API market is undergoing immense changes due to supply chain disruption by COVID-19. Countries such as India are being preferred over China for the export of API owing to geopolitical situations and the demand to reduce dependence on China for API products.

### Indian Pharma Industry:

As per a leading rating firm, Indian pharma industry is approximately estimated to be valued at US\$ 49 billion in FY22, ~9% growth compared to FY21. In the same period, export market stood at ~ US\$ 23.3 billion. Pharma sector recorded good exports performance in 2021-22, with a remarkable growth of almost US\$10 billion in 8 years. The country's pharma sector witnessed a growth of 103% since 2013-14, from ₹ 90,415 crore in 2013-14 to ₹ 1,83,422 crore in 2021-22.

India is highest contributing market for export, first being North America, followed by African Countries & third comes Europe. The Indian active ingredients industry has progressed from being perceived as an industry manufacturing simple molecules to becoming the preferred destination for high value and complex APIs. The Indian Pharma industry right from APIs to finished dosage formulation are well poised to grow.

The Industry has seen significant amount of FDIs from last two years. The Investment interests have started to show good outcomes in overall business expansion of the industry both in terms of offerings and geographical access. It is a good sign indicating the prominent role India will play in the pharmaceutical supply to the world in years to come. Best quality with reliability at best price as an advantage of low cost of production and R&D boosts efficiency leading to competitive exports.

With many CAPEX planned with focus on backward integration to API/KSM and capacity expansion. India is expected to have more control over the supply chain as these capacities are commissioned. With all such strategic initiatives from both private organizations and government bodies, Indian Pharma will continue to grow and cater global demand as a reliable supplier.

### Covid-19 pandemic:

During the last two years, nations and economies across the world suffered unprecedented losses and challenges due to the Covid-19 pandemic putting huge pressure on healthcare infrastructure. People have endured two years of missed opportunities, missed education, missed connections with family and loved ones. As the pandemic mutated with several transmissible variants through waves, Governments, hospitals and pharma industry braced up and put humongous efforts to contain the spread, approve emergency use for multiple treatment regimens and vaccination of people. With availability of vaccines, there has been rapid efforts by Governments to vaccinate majority of its populations; and even booster doses have been administered which helped contain the subsequent waves of spread of the virus and avoid serious illness or casualties.

Spending on Covid-19 vaccines and novel therapeutics are expected to generate more than \$300 billion in spending over the same period, and the outlook is a cumulative \$133 billion higher than projected prior to the pandemic.

We have gone through a severe 2<sup>nd</sup> wave and the delta/omicron variant dominated 3<sup>rd</sup> wave this financial year. Currently with geopolitical tensions and lockdown in China due to Covid-19 has posed challenges across businesses. With supply chain and operational hurdles, there is inflation on rise.

### Company Overview

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

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

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

## 2.1 Manufacturing Facilities

The Company operates at two manufacturing locations:

- Unit- I, located at village Lingojugudem in Yadadri Bhuvanagiri District near Hyderabad comprises:
  - the first manufacturing facility operating since the year 1995.
  - the DC-SEZ Unit which was set up during the year 2019-20 is now fully operational.

- Unit-II, located at village Chippada, Bheemunipatnam Mandal, Visakhapatnam District, Andhra Pradesh State comprises:
  - An Export Oriented Unit which has been operating since the year 2003.
  - An SEZ Unit which went into commercial operations during the year 2006.
  - DSN SEZ Unit which went into commercial operations during the year 2011.
  - the DCV SEZ Unit, set up during the year 2019-20 is now fully operational.

All these Units have been adding production capacities and utility infrastructure and are upgraded and modernized from time to time.

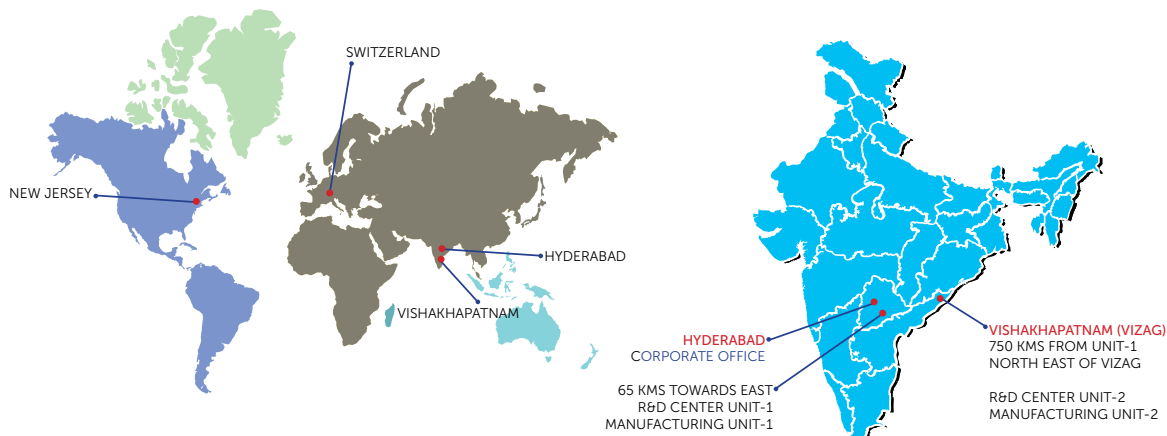
## 2.2 Research Centers

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

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

## 2.3 Subsidiaries

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





### 3. Internal Control systems

The Company has an adequate system of internal controls commensurate with the nature, size and complexity of its manufacturing, finance and marketing operations including controls over financial reporting.

The company has adopted well laid down processes and procedures, encapsulating all its operations, financial and compliance functions, for efficient and orderly conduct of its business, adherence to the Company Policies, safeguarding its assets, prevention and detection of frauds and errors, accuracy and completeness of the accounting records and timely preparation of reliable financial information and compliance with applicable statutes and rules and regulations thereunder.

Appropriate review and control mechanisms are in place for ensuring the internal control systems are operating effectively. 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, robustness of internal processes, policies and accounting procedures, compliance with laws and regulations. For this purpose, a yearly audit plan will be made with the approval of the Audit Committee of the Board of Directors.

The internal audit function, reports directly to the Audit Committee, maintaining independence and objectivity in its function. Based on the reports of internal audit function, respective process owners carryout corrective action in their areas. The Audit Committee reviews the significant audit observations and status of rectification measures thereon regularly.

The Audit committee also reviews internal controls over financial reporting and ascertain with the statutory auditors about its adequacy and effective operation. Based on its review and report of the statutory auditors, the internal financial controls during the year are adequate and operating effectively. The Company also encourages and recognizes improvements in work practices. The Management duly considers and takes appropriate action on the recommendations made by the internal auditors, statutory auditors, and the Audit Committee.

### 4. Risk Management

Divi's lays emphasis on risk management and has an enterprise-wide approach to risk management, which lays emphasis on identifying and managing key operational and

strategic risks with a dynamic business continuity plan. The Company strives to identify opportunities that enhance organisational values while managing or mitigating risks that can adversely impact its future performance through:

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

The Company continues its initiatives aimed at assessment and avoidance or minimization of various risks affecting its business and towards cost control and efficiency across its businesses and functions, taking appropriate measures and reviewing them from time to time. The company's risk management and control procedures involve prioritization and continuous assessment of these risks and devise appropriate controls, evaluating and reviewing the control mechanism and redesigning from time to time in the light of its effectiveness.

#### 4.1 Global markets

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

#### 4.2 Competition

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

**4.3 Covid-19 pandemic**

The unprecedented outbreak of SARS-CoV-2 corona virus has affected the population across the globe, several lives were lost creating disruptions in society and business. Governments, medical fraternity and research establishments across the globe put in humongous efforts to prevent spread and evolving protocols for covid appropriate behaviour besides working with research institutions for development and administration of vaccines and treatment regimens and approved emergency use authorisations for medicines as well as vaccines. While the vaccination of poluation has gathered pace which provided immunity and contained the spread, there have also been second and third waves of spread of the virus across several countries with several evolving variants such as Delta, Omicron etc., which the pharma industry and medical fraternity had to address in adopting appropriate treatment patterns.

The Company has been agile and swift in responding to this pandemic and put in place strict protocols at its facilities. Company has been reviewing all its business processes and production schedules, prioritizing activities of significance comprising covid appropriate behaviour of its employees following all safety and sanitization protocols; ensuring its supply chain engaging with the vendors and customers. Barring initial hiccups, the company has been able to maintain its operations and ensured uninterrupted supply active pharma ingredients to customers for making essential medicines. The company has also taken up vaccination of its employees and their family members.

**4.4 Regulatory and Quality Compliances**

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

**4.5 Patent compliance**

From the inception of its manufacturing operations, the Company has its stated policy of conforming to intellectual

property rights (IPR) and does not violate patents. The Company manufactures either patent-expired generics or undertakes custom synthesis of compounds for the innovator MNC companies. Divi's continually reviews patent compliance in its process development of active ingredients and has a monitoring mechanism to validate non-infringement of the processes developed.

**4.6 Human Resources**

We consider employees as an integral part of our operations and we put in place appropriate compensation plans, feedback process, continuing training and upgradation of skills in their functional areas. Employee relations are affable and harmonious with safe and healthy working environment and all-round contribution and participation in the growth. The Company sincerely appreciates the hardwork and dedication of employees despite the covid-19 pandemic and working in the factories/offices complying with all covid safety measures.

**4.7 Commercial and Financial Risks**

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

The Company has significant exports, besides imports of inputs and hence has a large exposure to exchange rate risks. Given the instability in the global, political and economic environment and bilateral trade issues, there has been significant volatility of foreign currency rates. Such events are outside the control or horizon of Indian companies and it is becoming very difficult to accurately predict currency movements. In the long run, we realise the best way to manage currency fluctuations is to have a better geographic balance in revenue mix factoring Company's competitive positioning, and to ensure a foreign currency match between liabilities and earnings.

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

**4.8 Insurance**

The Company's current and fixed assets as well as products are adequately insured against various risks like transit, fire



and allied risks, public and product liability, personnel, directors & officers' liability etc.

#### 4.9 Environment, health and safety

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

#### 4.10 Information Technology (IT)

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

The Company has implemented EDR (Extended Detection and Response), end point and server protection, automated prevention and detection solutions, including Perimeter security controls with web security tools, enhanced internal vulnerability detection and multiple network segmentations based on business criticality. The internal team regularly performs VAPT scan which is also reviewed by external consultants. Implemented absolute zero trust security architecture.

#### 4.11 Business continuity

The Company has appropriate strategies for business continuity for addressing disruptive events, of various nature, on business operations and has set up a comprehensive and proactive framework to mitigate such disruptive events by deploying available alternative solutions; and reduce their potential damages.

#### 4.12 Sustainable operations

As part of our efforts towards sustainable business operations, we assess the opportunities and risks associated with sustainable sourcing/utilization of

resources and manufacturing activity; and continually evaluate alternatives and implement optimum processes for sustainable and safe operations in order to minimize, mitigate or de-risk our business operations.

### 5. Regulatory Filings/Approvals

Divi's has triple certifications ISO-9001 (Quality Systems), ISO- 14001 (Environment Management Systems) and OHSAS-18001 (Occupational Health and Safety systems) for its manufacturing facilities and adheres to cGMP and standard operating practices in its manufacturing/operating activities and these certifications are renewed from time to time.

Our Unit-I has also received ISO 45001 certification for the Occupational health and safety management systems, which is a dynamic and process-based system.

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

Divi's has a total of 39 drug master files (DMFs) with US-FDA and 25 CEPs (Certificates of Suitability) issued by EDQM authorities. Divi's has filed for a total of 41 patents for generic products.

### 6. Business distribution

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

The Company operates predominantly in export markets and has a broad product portfolio under generics and custom synthesis. Among Divi's well distributed product range, some of the components of the business are given below:

| Particulars                         | 2021-22 | 2020-21 |
|-------------------------------------|---------|---------|
| Exports                             | 90%     | 88%     |
| Imports (% of material consumption) | 46%     | 44%     |
| Top 5 Products                      | 60%     | 49%     |
| Top 5 Customers                     | 54%     | 34%     |
| Exports in \$ terms                 | 88%     | 83%     |
| Exports in Pounds                   | 7%      | 10%     |
| Exports in Euro                     | 5%      | 5%      |

## 7. Performance and Operations Review

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

| Particulars                             | ₹ in lakhs) |          |
|---|-------------|----------|
|   | 2021-22     | 2020-21  |
| Revenue from operations                 | 8,87,982    | 6,79,861 |
| Other Income                            | 11,126      | 6,253    |
| Total Income                            | 8,99,108    | 6,86,114 |
| Expenditure bef. Deprecn & Fin. Cost    | 5,00,336    | 3,97,793 |
| PBDIT                                   | 3,98,772    | 2,88,321 |
| Finance Cost                            | 65          | 69       |
| Depreciation                            | 31,055      | 25,465   |
| Profit before Tax (PBT)                 | 3,67,652    | 2,62,787 |
| Tax expense:                            |             |          |
| Current Tax                             | 63,720      | 60,905   |
| Deferred Tax                            | 9,078       | 6,410    |
| Profit after Tax (PAT)                  | 2,94,854    | 1,95,472 |
| Other Comprehensive Income (net of tax) | 218         | 16       |
| Total Comprehensive Income              | 2,95,072    | 1,95,488 |
| Earnings per Share (EPS)                |             |          |
| Basic & Diluted (₹)                     | 111.07      | 73.63    |

We have been able to achieve yet another year of decent business growth and profitability. The company has been able to conduct its operations with agility and resilience, duly handling the unprecedented covid pandemic and simultaneously quickly responded to the emerging opportunities.

During the year, the fast-track project taken up for an MNC customer was fully operational and achieved significant business. With our dynamic business model supported by our multi-purpose manufacturing facilities, we have been able to cater to customer demands and ensure speed of delivery.

Total Income for the year has increased by 31% to ₹ 8,99,108 lakhs. Operating profit (PBDIT) for the year amounted to ₹ 3,98,772 lakhs as against an operating profit of ₹ 2,88,321 lakhs last year. Profit before Tax (PBT) for the year has grown by 40% to ₹ 3,67,652 lakhs as against a PBT of ₹ 2,62,787 lakhs for the last year.

Tax expense for the current year amounted to ₹ 63,720 lakhs as against a tax provision of ₹ 60,905 lakhs for the last year. Deferred tax charge for the year came to ₹ 9,078 lakhs as against ₹ 6,410 lakhs.

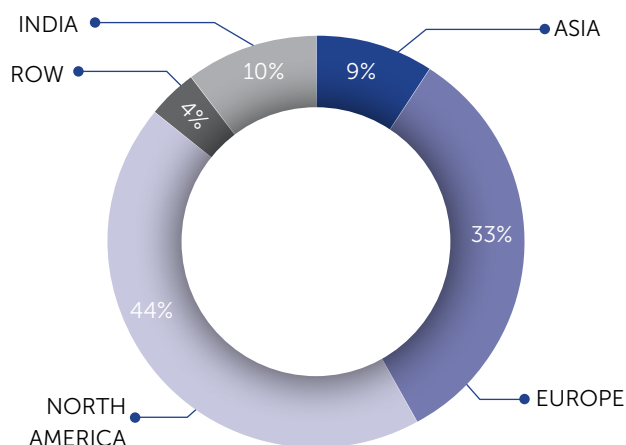
Profit after Tax (PAT) for the year grew by 51% to ₹ 2,94,854 lakhs as against a PAT of ₹ 1,95,472 lakhs last year.

### 7.1 Exports

Exports constituted 90% of sales revenue during the year. Exports to advanced markets comprising Europe and America accounted for 77% of business.

### 7.2 Region-wise Sales Revenue

| Region            | FY 2021-22      |               | FY 2020-21      |               |
|-------------------|-----------------|---------------|-----------------|---------------|
|                   | Sales revenue   | % Share       | Sales revenue   | % Share       |
| Asia              | 79,807          | 9.2%          | 82,675          | 12.4%         |
| Europe            | 2,86,480        | 32.8%         | 3,17,415        | 47.4%         |
| North America     | 3,83,291        | 44.0%         | 1,58,652        | 23.7%         |
| Rest of the World | 34,620          | 4.0%          | 29,883          | 4.5%          |
| India             | 877,24          | 10.0%         | 80,130          | 12.0%         |
| <b>Total</b>      | <b>8,71,922</b> | <b>100.0%</b> | <b>6,68,755</b> | <b>100.0%</b> |

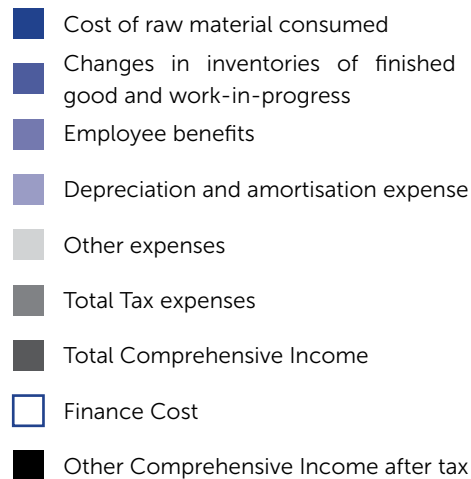
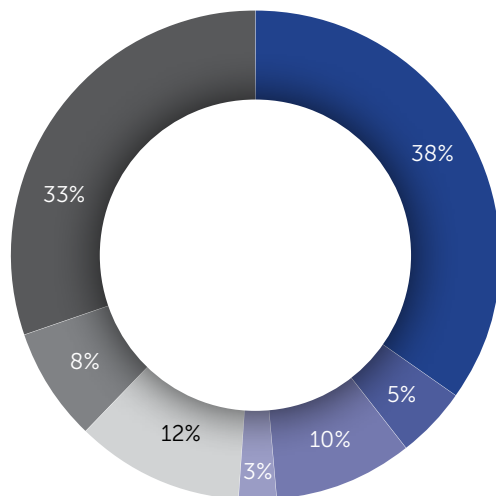


### 7.3 Other Income

Other Income mainly comprises of interest on deposits, gain on forex transactions and miscellaneous income. Other Income for the year amounted to ₹ 11,126 lakhs as against ₹ 6,253 lakhs last year. This year, we have a gain on forex transactions & translations amounting to ₹ 3,798 lakhs as against a loss of ₹ 77 lakhs last year (grouped under Other Expenses).



#### 7.4 Distribution of Total Revenue



#### 7.5 Material Costs

| Particulars   | ₹ in lakhs) |            |
|---|-------------|------------|
|   | FY 2021-22  | FY 2020-21 |
| Material consumption  | 3,43,979    | 2,36,550   |
| Changes in inventories of finished goods and work-in-progress | (44,999)    | (10,000)   |
| Net Material Consumption                                      | 2,98,980    | 2,26,550   |
| Revenue from Operations                                       | 8,87,982    | 6,79,861   |
| % of consumption to Revenue                                   | 33.7%       | 33.3%      |

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

Material consumption net of increase/decrease in stocks is about 33.7% of revenue from operations during the year as compared to 33.3% during the last year.

#### 7.6 Employee Benefits Expense

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

Expenses for the year amounted to ₹ 92,655 lakhs as against ₹ 80,868 lakhs during the last year. Of this, remuneration to Whole-time Directors accounted to ₹ 24,300 lakhs during the year as against ₹ 17,891 lakhs last year.

Employee cost for the year works out to about 10.4% of total revenue.

#### 7.7 Other Expenses

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

Other Expenses for the year accounted for ₹ 1,08,701 lakhs as against ₹ 90,375 lakhs during the last year.

Other Expenses account for 12.2% of total revenue.

#### 7.8 Capital Expenditure

During the year, we have capitalized Property, Plant and Equipment (PPE) and Intangible Assets valuing ₹ 93,456 lakhs. Capital WIP as at the year-end amounted to ₹ 46,993 lakhs.

During the year, the company has taken up several capacity expansion programs at the company's manufacturing facilities besides plant upgradation, augmenting the utility and support infrastructure.

#### 7.9 Non-current Investments:

Non-current Investments as at the end of the current year amounted to ₹ 7937 lakhs as against ₹ 737 lakhs as at the end of the last year.

#### 7.10 Income-tax assets

Income-tax assets net of provisions, refunds and adjustments, represent the amounts paid pending assessments and refund. Where orders have not been received for refunds claimed in earlier years, such amounts have been classified as non-current.

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#### 7.11 Other Non-current Assets

These are mainly advances for capex programs and other receivables being indirect tax refund claims.

#### 7.12 Inventory position

Inventory position for the last two years is as under:

| (₹ in lakhs)      |                      |                      |
|-------------------|----------------------|----------------------|
| Particulars       | As on March 31, 2022 | As on March 31, 2021 |
| Raw Materials     | 75,476               | 69,495               |
| Work-in-Progress  | 1,53,159             | 1,09,334             |
| Finished Goods    | 15,437               | 14,263               |
| Packing Materials | 916                  | 838                  |
| Stores and Spares | 19,417               | 10,340               |
| <b>Total</b>      | <b>2,64,405</b>      | <b>2,04,270</b>      |

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

#### 7.13 Trade Receivables

| (₹ in lakhs)                        |                      |                      |
|-------------------------------------|----------------------|----------------------|
| Particulars                         | As on March 31, 2022 | As on March 31, 2021 |
| Outstanding Receivables             | 2,57,062             | 1,74,765             |
| Less: Allowances for doubtful debts | 72                   | 209                  |
| Net Receivables                     | <b>2,56,990</b>      | 1,74,556             |
| <b>Average receivable days</b>      | 106                  | 94                   |

Trade Receivables at the year end came to ₹ 2,57,062 lakhs as against ₹ 1,74,556 lakhs last year. Trade Receivables include an amount of ₹ 26,870 lakhs due from subsidiaries.

#### 7.14 Other Financial Assets

These comprise security deposits and receivables on export incentives and insurance claims and are in the normal course of business.

#### 7.15 Other Current Assets

| (₹ in lakhs)                     |                      |                      |
|----------------------------------|----------------------|----------------------|
| Particulars                      | As on March 31, 2022 | As on March 31, 2021 |
| Indirect Taxes- ITC and deposits | 10,054               | 7,076                |
| Prepaid Expenses                 | 2,676                | 2,218                |
| Advances to suppliers            | 8,722                | 3,116                |
| Other receivables                | 129                  | 2,720                |
| <b>Total</b>                     | <b>21,581</b>        | <b>15,130</b>        |

The assets are monitored and reviewed periodically.

#### 7.16 Deferred Tax Liabilities

Deferred tax liabilities represent temporary differences arising between the tax base of assets using the liability method as also of employee benefit obligations. Deferred tax liability as of March 31, 2022 amounted to ₹ 42,140 lakhs as against ₹ 33,806 lakhs as of March 31, 2021.

#### 7.17 Trade Payables

Trade Payables for raw materials/services amounted to ₹ 77,130 lakhs as at the end of the year as against ₹ 74,878 lakhs as at the end of last year. Of the trade payables, an amount of ₹ 2,478 lakhs relates to dues to micro and small enterprises. Company follows consistent practices of procurement and avails efficient credit terms from vendors.

#### 7.18 Other Financial and Current Liabilities

Capital Creditors at the year end amounted to ₹ 5,543 lakhs as against ₹ 7,562 lakhs as on March 31, 2021. Aggregate amount of other Financial Liabilities for the year accounted to ₹ 6,289 lakhs as against ₹ 7,824 lakhs as at the end of last year.

Other Current liabilities for the current year amounted to ₹ 33,006 lakhs as against ₹ 25,901 lakhs as at the end of the last year. All obligations are discharged as per the terms agreed with the Vendors. Employee remuneration and all statutory dues are paid well within the due dates.

#### 7.19 Key Financial Ratios

| Particulars                    | 31-03-2022 | 31-03-2021 | Change |
|--------------------------------|------------|------------|--------|
| Return on Net Worth (%)        | 28.13%     | 23.57%     | 19.35% |
| Return on Capital Employed (%) | 33.85%     | 30.50%     | 10.98% |
| Basic EPS (₹)                  | 111.07     | 73.63      | 50.85% |
| Debtors Turnover               | 4.09       | 4.09       | 0%     |
| Inventory Turnover             | 3.76       | 3.47       | 8.36%  |



| Particulars                 | 31-03-2022 | 31-03-2021 | Change |
|-----------------------------|------------|------------|--------|
| Current ratio               | 7.10       | 5.63       | 26.11% |
| Debt Equity ratio **        | 0.00       | 0.00004    | -      |
| Operating profit margin (%) | 44.91%     | 42.41%     | 5.89%  |
| Net profit margin (%)       | 32.79%     | 28.49%     | 15.09% |

\*Previous year ratios rearranged to conform to amended schedule III guidelines.

\*\* There is no debt outstanding as on March 31, 2022.

#### Detailed explanation of ratios:

##### (i) Return on Net Worth/ (Equity)

Return on Net Worth/(Equity) is a measure of profitability generated to Equity holders. It is calculated by dividing the Net profit after tax for the year with Average Shareholder's equity during the year.

##### (ii) Return on Capital Employed

Return on Capital Employed is a ratio that measures the efficiency of the Company with which its capital is being employed. In other words, the ratio indicates the ability of the Company to generate returns for both equity and debt holders. It is calculated by dividing net operating profit (EBIT) by average capital employed i.e., Tangible networth+total debt+Deferred Tax liability.

##### (iii) Basic EPS

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

Basic EPS for the current year has increased by 51% over the previous year due to significant sales growth and profitability.

##### (iv) Debtors Turnover

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

##### (v) Inventory Turnover

Inventory Turnover is the number of times a Company sells and replaces its inventory during a period. It is

calculated by dividing the Revenue from sale of goods by average inventory.

##### (vi) Current Ratio

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

The Current Ratio has increased as there has been significant increase in bank deposits and other current assets due to better financial performance and business growth.

##### (vii) Debt Equity Ratio

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

Debit Equity ratio has reduced as the bank borrowings at the year-end are Nil. The company has no debt, and the company avails only non-fund limits and minimal funded limits from banks for operational needs.

##### (viii) Operating Profit Margin

Operating Profit Margin is a profitability or performance ratio used to calculate the percentage of profit a Company produces from its operations. It is calculated by dividing the Operating Profit (PBDIT) by Revenue from Operations.

##### (ix) Net Profit Margin

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

#### 7.21 Cautionary Statement

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

# Corporate Governance Report

Report, in line with the requirements of Regulation 34(3) read with Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, on Corporate Governance practices and other voluntary compliances followed by the Company:

## 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, vendors and other stakeholders.

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 conduct 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.

Further your Company complies with the requirements stipulated under Regulation 17 to 27 and 46 read with Schedule V and clauses (b) to (i) of sub-regulation (2) of Regulation 46 of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations").

## 2. BOARD OF DIRECTORS

The Board of Directors is the highest governance body constituted to oversee the Company's overall functioning. The responsibility of Board is to provide strategic guidance to the Company, to ensure effective monitoring of the management and to be accountable to the Company and the shareholders. The meetings of the Board of Directors are held generally at Company's Registered Office at Hyderabad, and are scheduled well in advance. In case of business exigencies or urgency of matters, resolutions are passed by circulation. Information relating to the business, operations and risks affecting the Company is regularly placed before the Board for its consideration apart from information as mentioned in Part A of Schedule II of SEBI Listing Regulations. The Board regularly reviews the compliance reports of all laws applicable to the Company.

### 2.1 Composition and category

The Board of the Company has a diverse mix of Executive and Non-Executive Directors. The Company appointed a non-executive director as Chairman of the Board of Directors with effect from April 01, 2020.

The Board comprises of twelve directors, five of whom are Executive and remaining are Non-executive Independent Directors, including two Woman Directors of which one is Non-executive Independent Director. The brief profiles of Directors are available at (<https://www.divislabs.com/api-manufacturing-company/leadership1/#board-of-directors>). The composition of the Board is in conformity with Regulation 17 of the SEBI Listing Regulations read with Section 149 of the Companies Act, 2013 ("the Act"). The category of directors as on March 31, 2022 is as follows:

| Name of the Director        | Designation                                     | Category                           |
|-----------------------------|---|------------------------------------|
| Dr. Ramesh B. V. Nimmagadda | Non-Executive Chairman, Director                | Non-executive Independent Director |
| Dr. Murali K. Divi          | Managing Director                               | Promoter and Executive Director    |
| Mr. N. V. Ramana            | Executive Director                              | Executive Director                 |
| Dr. Kiran S. Divi           | Whole-Time Director and Chief Executive Officer | Executive Director                 |
| Mr. Madhusudana Rao Divi    | Whole-Time Director (Projects)                  | Executive Director                 |
| Ms. Nilima Prasad Divi      | Whole-Time Director (Commercial)                | Executive Director                 |
| Dr. G. Suresh Kumar         | Director  | Non-executive Independent Director |
| Mr. R. Ranga Rao            | Director  | Non-executive Independent Director |
| Mr. K. V. K. Seshavataram   | Director  | Non-executive Independent Director |
| Dr. S. Ganapaty             | Director  | Non-executive Independent Director |
| Prof. Sunaina Singh         | Director  | Non-executive Independent Director |
| Mr. K.V. Chowdary           | Director  | Non-executive Independent Director |



## 2.2 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.

Four Board Meetings were held during the year under review and the gap between two meetings did not exceed one hundred and twenty days.

The said meetings were held on May 29, 2021, August 07, 2021, November 06, 2021 and February 11, 2022. The necessary quorum was present for all the meetings.

Due to the exceptional circumstances caused by the COVID-19 pandemic and consequent relaxations granted by MCA and SEBI, all Board meetings in financial year 2021-22 were held through video conferencing.

## 2.3 Attendance of directors

Directors' attendance at the Board and General Meetings held during the financial year 2021-22 is as follows:

| Name of the Director        | No. of Board Meetings |          | Attendance at Last AGM |
|-----------------------------|-----------------------|----------|------------------------|
|                             | Held                  | Attended |                        |
| Dr. Ramesh B. V. Nimmagadda | 4                     | 4        | Yes                    |
| Dr. Murali K. Divi          | 4                     | 4        | Yes                    |
| Mr. N. V. Ramana            | 4                     | 4        | Yes                    |
| Mr. Madhusudana Rao Divi    | 4                     | 4        | Yes                    |
| Dr. Kiran S. Divi           | 4                     | 3        | No                     |
| Ms. Nilima Prasad Divi      | 4                     | 3        | Yes                    |
| Dr. G. Suresh Kumar         | 4                     | 4        | Yes                    |
| Mr. R. Ranga Rao            | 4                     | 4        | Yes                    |
| Mr. K. V. K. Seshavataram   | 4                     | 3        | Yes                    |
| Dr. S. Ganapaty             | 4                     | 4        | Yes                    |
| Prof. Sunaina Singh         | 4                     | 3        | Yes                    |
| Mr. K.V. Chowdary           | 4                     | 4        | Yes                    |

## 2.4 Other directorships

None of the Directors on the Board:

- holds directorships in more than ten public companies;
- serves as Director or as Independent Directors (ID) in more than seven listed entities;
- holds more than 10 board committee memberships or 5 board committee chairmanships; and
- who are the Executive Directors serves as IDs in more than three listed entities.

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

| Name of the Director        | No. of other Directorships | In other Companies    |                         | Directorship in other listed entities (Category of Directorship) |
|-----------------------------|----------------------------|-----------------------|-------------------------|--|
|                             |                            | Committee Memberships | Committee Chairmanships |  |
| Dr. Ramesh B. V. Nimmagadda | -                          | -                     | -                       | -  |
| Dr. Murali K. Divi          | 3*                         | -                     | -                       | -  |
| Mr. N. V. Ramana            | -                          | -                     | -                       | -  |
| Mr. Madhusudana Rao Divi    | -                          | -                     | -                       | -  |
| Dr. Kiran S. Divi           | 3*                         | -                     | -                       | -  |

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### Corporate Governance Report

| Name of the Director      | No. of other Directorships | In other Companies    |                         | Directorship in other listed entities<br>(Category of Directorship)  |
|---------------------------|----------------------------|-----------------------|-------------------------|--|
|                           |                            | Committee Memberships | Committee Chairmanships |  |
| Ms. Nilima Prasad Divi    | 3*                         | -                     | -                       | -  |
| Dr. G. Suresh Kumar       | -                          | -                     | -                       | -  |
| Mr. R. Ranga Rao          | -                          | -                     | -                       | -  |
| Mr. K. V. K. Seshavataram | -                          | -                     | -                       | -  |
| Dr. S. Ganapaty           | -                          | -                     | -                       | -  |
| Prof. Sunaina Singh       | -                          | -                     | -                       | -  |
| Mr. K.V. Chowdary         | 6#                         | 7                     | 2                       | 1. CCL Products Limited,<br>Independent Director<br>2. Reliance Industries<br>Limited, Non- Executive<br>Director<br>3. Tata Motors Limited,<br>Independent Director |

\* Directorships in private limited companies.

# Includes 2 directorships in companies with charitable objects.

For the purpose of determination of limit of the Board Committees, Chairpersonship and membership of the Audit Committee and Stakeholders' Relationship Committee has been considered as per Regulation 26(1)(b) of SEBI Listing Regulations.

#### 2.5 Disclosure of relationship between Directors inter-se

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

#### 2.6 Shares held by Non-Executive Directors

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

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

#### 2.7 Meeting of Independent Directors

During the year under review, one meeting of the Independent Directors was held on February 03, 2022. The Independent Directors, inter-alia, reviewed the performance of Non-Independent Directors, Board as a whole and Chairman of the Company, taking into account the views of Executive Directors and Non-Executive Directors.

#### 2.8 Details of familiarization programmes for Independent Directors

Details of familiarisation programme of the Independent Directors are available on the website of the company at: <https://www.divisilabs.com/wp-content/uploads/2022/04/Familiarisation-Programs-for-Independent-Directors-2022.pdf>



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

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

| Skills                         | Discription  |
|--------------------------------|--|
| Global business                | Understanding the dynamics of global business relating to the operations of the Company and regulatory requirements in the geographical markets.   |
| Strategy, Planning & Marketing | Appreciation of long-term trends and understanding the competitive environment for Company's business globally, customer relationships and strategies for continuity and growth of business for its product range. |
| Governance                     | Knowledge of governance processes and compliance to applicable laws and regulations to service best interests of all stakeholders, maintaining Board and Management accountability and corporate ethics and values |
| Leadership                     | Experience in significant enterprise, distinct roles and responsibilities through organization structure, risk management and talent development and succession planning.  |
| Technology                     | Knowledge of technology related to Company's current and future products and business opportunities, of evolving trends of usage of its product range and of developing cost efficient processes                   |
| Legal, Commercial, Financial   | Knowledge about legal, commercial, financial skills for the Company's governance, accounting and financial management.   |

### Director-wise skills to be presented

| Name of the Director        | Global business | Strategy, Planning & Marketing | Governance | Leadership | Technology | Legal, Commercial, Financial |
|-----------------------------|-----------------|--------------------------------|------------|------------|------------|------------------------------|
| Dr. Murali K. Divi          | ✓               | ✓                              | ✓          | ✓          | ✓          | ✓                            |
| Mr. N. V. Ramana            | ✓               | ✓                              | ✓          | ✓          | ✓          | ✓                            |
| Mr. Madhusudana Rao Divi    |                 | ✓                              | ✓          | ✓          | ✓          |                              |
| Dr. Kiran S. Divi           | ✓               | ✓                              | ✓          | ✓          | ✓          | ✓                            |
| Ms. Nilima Prasad Divi      | ✓               | ✓                              | ✓          | ✓          |            | ✓                            |
| Dr. G. Suresh Kumar         | ✓               |                                | ✓          | ✓          | ✓          | ✓                            |
| Mr. R. Ranga Rao            | ✓               |                                | ✓          | ✓          | ✓          | ✓                            |
| Mr. K. V. K. Seshavatham    |                 | ✓                              | ✓          | ✓          |            | ✓                            |
| Dr. Ramesh B. V. Nimmagadda | ✓               |                                | ✓          | ✓          | ✓          |                              |
| Dr. S. Ganapaty             | ✓               |                                | ✓          | ✓          | ✓          |                              |
| Prof. Sunaina Singh         |                 |                                | ✓          | ✓          |            |                              |
| Mr. K.V. Chowdary           |                 | ✓                              | ✓          | ✓          |            | ✓                            |

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

Affairs in terms of Section 150 of the Act read with Rule 6 of the Companies (Appointment & Qualification of Directors) Rules, 2014.

## 3. AUDIT COMMITTEE

The primary objective of the Audit Committee of the Company is to monitor and provide effective supervision of the management's financial reporting process with a view to ensure accurate, timely and proper disclosures and transparency, integrity and quality of financial reporting.

**3.1. Terms of reference of the Committee include the following:**

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

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

**3.2 Composition of the Audit Committee and details of meetings held and attended by its members:**

The Committee comprises of four Independent Directors. Four meetings of the Audit Committee were held during the year under review on May 29, 2021, August 07, 2021,

November 06, 2021 and February 11, 2022. The gap between two meetings did not exceed one hundred and twenty days.

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

| Name                      | Designation | No. of Meetings |          |
|---------------------------|-------------|-----------------|----------|
|                           |             | Held            | Attended |
| Mr. K. V. K. Seshavataram | Chairman    | 4               | 3        |
| Dr. G. Suresh Kumar       | Member      | 4               | 4        |
| Mr. R. Ranga Rao          | Member      | 4               | 4        |
| Mr. K.V. Chowdary         | Member      | 4               | 4        |

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

Mr. K. V. K. Seshavataram, Chairman of the Audit Committee attended the AGM of the Company held on August 30, 2021.

**4. COMPENSATION, NOMINATION AND REMUNERATION COMMITTEE**

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

**4.1. Terms of reference of the Committee inter alia, include the following:**

- To formulate the criteria for determining qualifications, positive attributes and independence of a Director, and recommend to the Board a policy, relating to the remuneration for the Directors, Key Managerial Personnel and other employees.
- To formulate the criteria for evaluation of performance of Independent Directors and the Board; and evolve and review the policy on Board diversity.
- To identify/ evaluate persons for appointment to the Board or in senior management in accordance with the criteria laid down and to recommend to the Board their appointment and/ or removal.



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

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

The Committee comprises of six Independent Directors. The Committee met two times during the year under review on May 28, 2021 and February 03, 2022. The composition of the Committee and attendance of each member of the Committee is as follows:

| Name                        | Designation | No. of Meetings |          |
|-----------------------------|-------------|-----------------|----------|
|                             |             | Held            | Attended |
| Dr. G. Suresh Kumar         | Chairman    | 2               | 2        |
| Mr. R. Ranga Rao            | Member      | 2               | 2        |
| Dr. Ramesh B. V. Nimmagadda | Member      | 2               | 2        |
| Dr. S. Ganapaty             | Member      | 2               | 2        |
| Prof. Sunaina Singh         | Member      | 2               | 2        |
| Mr. K.V. Chowdary           | Member      | 2               | 2        |

Dr. G. Suresh Kumar, Chairman of the Compensation, Nomination and Remuneration Committee attended the AGM of the company held on August 30, 2021.

#### 4.3 Performance Evaluation

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

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

performance evaluation, it shall be determined whether to extend or continue the term of appointment of the Independent Director.

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

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

## 5. STAKEHOLDERS RELATIONSHIP COMMITTEE

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

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

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

The Stakeholders Relationship Committee consists of five Independent Directors and Chief Financial Officer of the Company. Dr. Ramesh B. V. Nimmagadda, Independent Director is acting as Chairman of the Committee.

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

Stakeholders Relationship Committee met three times during the year on May 28, 2021, November 05, 2021 and February 03, 2022 and considered issue of transfer / transmission of shares and other investor grievances.

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

| Name                        | Category                | Designation | No. of Meetings |          |
|-----------------------------|-------------------------|-------------|-----------------|----------|
|                             |                         |             | Held            | Attended |
| Dr. Ramesh B. V. Nimmagadda | Independent Director    | Chairman    | 3               | 3        |
| Mr. K.V.K. Seshavataram     | Independent Director    | Member      | 3               | 3        |
| Dr. S. Ganapaty             | Independent Director    | Member      | 3               | 3        |
| Prof. Sunaina Singh         | Independent Director    | Member      | 3               | 3        |
| Mr. K.V. Chowdary           | Independent Director    | Member      | 3               | 3        |
| Mr. L Kishore Babu          | Chief Financial Officer | Member      | 3               | 3        |

Dr. Ramesh B. V. Nimmagadda, Chairman of the Stakeholders Relationship Committee attended the AGM of the Company held on August 30, 2021.

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

## 5.2 Complaints / Grievances received and attended

During the year under review, Company has received 22 complaints from investors. All were replied/resolved to the satisfaction of the investors and no complaints were outstanding.

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

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

## 6. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

The Committee comprises of two Independent Directors and two Executive Directors. The Corporate Social

### 6.1 Composition of the Corporate Social Responsibility Committee and the details of meetings held and attended by its members:

The Committee met four times during the year on May 29, 2021, August 07, 2021, November 06, 2021 and February 11, 2022. The composition of the Committee and details of attendance of the Committee members is as follows:

| Name                       | Category             | Designation | No. of Meetings |          |
|----------------------------|----------------------|-------------|-----------------|----------|
|                            |                      |             | Held            | Attended |
| Mr. R. Ranga Rao           | Independent Director | Chairman    | 4               | 4        |
| Dr. Ramesh B.V. Nimmagadda | Independent Director | Member      | 4               | 4        |
| Dr. Murali K. Divi         | Executive Director   | Member      | 4               | 4        |
| Mr. Madhusudana Rao Divi   | Executive Director   | Member      | 4               | 4        |

## 7. RISK MANAGEMENT COMMITTEE

Risk Management Committee was constituted by the Board, consisting of Executive and Independent Directors, beside senior executives, to review the processes and procedures for ensuring that all strategic, operational and regulatory risks are properly identified and that appropriate systems of monitoring and mitigation are in place and to oversee and review the risk management framework, assessment of risks and minimization procedures. Risk Management

Committee of the Company meets from time to time to evaluate and ensure that the control mechanism operates effectively.

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



**7.1. Terms of reference of the Committee include the following:**

- To formulate a detailed risk management policy which shall include a framework for identification of internal and external risks faced by the company in particular including financial operational, sectoral, sustainability, information, cyber security risks and any other risks determined by the committee; measures for risk mitigation including systems and process for internal control of identified risks and business continuity plan
- To ensure that appropriate methodology, processes and systems are in place to monitor and evaluate risks associated with the business of the Company;
- To monitor and oversee implementation of the risk management policy, including evaluating the adequacy of risk management systems;
- To periodically review the risk management policy, at least once in two years, including by considering the changing industry dynamics and evolving complexity;
- To keep the board of directors informed about the nature and content of its discussions, recommendations and actions to be taken;
- The appointment, removal and terms of remuneration of the Chief Risk Officer (if any) shall be subject to review by the Risk Management Committee.

**7.2 Composition of the Risk Management Committee and the details of meetings held and attended by its members:**

The Risk Management Committee met three times during the year on May 01, 2021, October 16, 2021 and March 22, 2022. The composition of the Committee and details of attendance of the Committee members is as follows:

| Name                     | Category                           | Designation | No. of Meetings |          |
|--------------------------|------------------------------------|-------------|-----------------|----------|
|                          |                                    |             | Held            | Attended |
| Mr. Madhusudana Rao Divi | Executive Director                 | Chairman    | 3               | 2        |
| Dr. Kiran S. Divi        | Executive Director                 | Member      | 3               | 3        |
| Ms. Nilima Prasad Divi   | Executive Director                 | Member      | 3               | 3        |
| Dr. G. Suresh Kumar      | Independent Director               | Member      | 2               | 2        |
| Mr. L. Kishore Babu      | Chief Financial Officer            | Member      | 3               | 3        |
| Mr. L. Ramesh Babu       | Vice President (Procurement) & CIO | Member      | 3               | 3        |

**8. 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., No meetings of the Committee were held during the year.

**8.1 Composition of the Committee:**

| Name                | Category             | Designation |
|---------------------|----------------------|-------------|
| Dr. G. Suresh Kumar | Independent Director | Chairman    |
| Mr. R. Ranga Rao    | Independent Director | Member      |
| Dr. Kiran S. Divi   | Executive Director   | Member      |

The Company Secretary acts as Secretary of the Committee.

**9. REMUNERATION OF DIRECTORS FOR THE YEAR ENDED MARCH 31, 2022**

The Company's Nomination and Remuneration Policy for Directors, Key Managerial Personnel and other employees is available on the Company's website at: <https://www.divislab.com/NominationRemunerationPolicy.pdf>.

## Statutory Reports

### Corporate Governance Report

#### 9.1 Details of Remuneration to Executive Directors

(₹ in lakhs)

| Name                     | Salary     | PF        | Perquisites and allowances | Remuneration based on net profits | Total         |
|--------------------------|------------|-----------|----------------------------|-----------------------------------|---------------|
| Dr. Murali K. Divi       | 0          | 0         | 28                         | 11,013                            | 11,041        |
| Mr. N. V. Ramana         | 92         | 11        | 18                         | 5,506                             | 5,627         |
| Mr. Madhusudana Rao Divi | 92         | 11        | 12                         | 0                                 | 115           |
| Dr. Kiran S. Divi        | 52         | 6         | 38                         | 3,671                             | 3,767         |
| Ms. Nilima Prasad Divi   | 48         | 6         | 25                         | 3,671                             | 3,750         |
| <b>Total</b>             | <b>284</b> | <b>34</b> | <b>121</b>                 | <b>23,861</b>                     | <b>24,300</b> |

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

#### 9.2 Details of Remuneration to Non-Executive Directors

Non-Executive Independent Directors are paid sitting fees of ₹ 1 lakh for attending every meeting of the Board or Committee thereof. In addition to the sitting fee, each non-executive director is entitled to an annual remuneration of ₹ 20 lakhs per annum.

There were no pecuniary relationship or transactions of the Non-Executive Directors vis a vis the Company. The Company has not granted any stock options to any of its Non-Executive Directors. The Company also reimburses the out-of-pocket expenses incurred by the Non-Executive Directors for attending the meetings.

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

(₹ in lakhs)

| Name fo Non-Executive Director | Sitting Fees | Annual Remuneration# | Total      |
|--------------------------------|--------------|----------------------|------------|
| Dr. G. Suresh Kumar            | 12           | 20                   | 32         |
| Mr. R. Ranga Rao               | 14           | 20                   | 34         |
| Mr. K. V. K. Seshavataram      | 9            | 20                   | 29         |
| Dr. Ramesh B. V. Nimmagadda    | 13           | 20                   | 33         |
| Dr. S. Ganapaty                | 9            | 20                   | 29         |
| Prof. Sunaina Singh            | 7            | 20                   | 27         |
| Mr. K.V. Chowdary              | 13           | 20                   | 33         |
| <b>Total</b>                   | <b>77</b>    | <b>140</b>           | <b>217</b> |

# Annual remuneration of ₹ 20 lakhs paid to each of the non-executive director pursuant to shareholders' approval dated February 26, 2020.

## 10. GENERAL BODY MEETINGS

### 10.1 General Meetings

Location and time of last three Annual General Meetings ("AGM") and details of special resolutions, if any:

| Year ended | Date & Time        | Time       | Venue   |
|------------|--------------------|------------|---|
| 31.03.2021 | August 30, 2021    | 10.00 a.m. | 31 <sup>st</sup> AGM was held through Video Conferencing ("VC") / Other Audio Visual Means ("OAVM"). The deemed venue for the AGM shall be the Registered Office of the Company, i.e. 1-72/23(P)/DIVIS/303, Divi Towers, Cyber Hills, Gachibowli, Hyderabad – 500 032, Telangana, India |
| 31.03.2020 | September 14, 2020 | 10.00 a.m. | 30 <sup>th</sup> AGM was held through VC / "OAVM". The deemed venue for the AGM shall be the Registered Office of the Company, i.e. 1-72/23(P)/DIVIS/303, Divi Towers, Cyber Hills, Gachibowli, Hyderabad – 500 032, Telangana, India   |
| 31.03.2019 | August 23, 2019    | 10.00 a.m. | Global Peace Auditorium, Brahma Kumaris, Shanti Sarovar, Academy for Better World, Gachibowli, Hyderabad - 500 032  |



No special resolutions were passed in the previous three AGMs.

## 10.2 Special Resolutions through Postal Ballot

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

During the year ended March 31, 2022, the Company had sought the approval of the shareholders by way of Special Resolutions through notice of postal ballot dated February 11, 2022 for the following resolutions, which were duly passed on March 26, 2022 and the results of which were announced on March 28, 2022.

Mr. V. Bhaskara Rao (Membership No. F 5939, CP No.4182), Practicing Company Secretary, was appointed as the Scrutinizer to scrutinize the postal ballot and remote e-voting process in a fair and transparent manner.

| Special Resolution  | No. of Votes Polled | No. of Votes Cast in Favour | No. of Votes Cast Against | % of Votes Cast in Favour on Votes Polled | % of Votes Cast Against on Votes Polled |
|---|---------------------|-----------------------------|---------------------------|---|---|
| Re-appointment of Dr. Ramesh B.V. Nimmagadda (DIN: 07854042) as an Independent Director of the Company for a second term of 5 years   | 22,50,91,947        | 22,11,61,275                | 39,30,672                 | 98.25                                     | 1.75                                    |
| Re-appointment of Dr. Ganapaty Seru (DIN: 07872766) as an Independent Director of the Company for a second term of 5 years            | 22,48,33,978        | 22,16,94,407                | 31,39,571                 | 98.60                                     | 1.40                                    |
| Re-appointment of Ms. Nilima Prasad Divi (DIN: 06388001) as 'Whole-time Director (Commercial)' of the Company for a period of 5 years | 22,57,99,957        | 19,64,64,389                | 2,93,35,568               | 87.01                                     | 12.99                                   |

The postal ballot was carried out as per the provisions of Section 110 of the Act and other applicable provisions, if any, of the Act and Rule 20 and Rule 22 of the Companies (Management and Administration) Rules, 2014, as amended from time to time, read with the General Circular No. 14/2020 dated April 8, 2020, General Circular No. 17/2020 dated April 13, 2020, General Circular No.22/2020 dated June 15, 2020, General Circular No. 33/2020 dated September 28, 2020, General Circular No. 39/2020 dated December 31, 2020, General Circular No. 10/2021 dated June 23, 2021 and General Circular No. 20/2021 dated December 8, 2021 issued by the Ministry of Corporate Affairs.

In the ensuing 32<sup>nd</sup> AGM, no business is proposed to be transacted requiring a postal ballot.

## 11. MEANS OF COMMUNICATION

- Financial results, official news releases of the Company and other shareholder information including transcript of investor conference calls, are made available on the Company's website [www.divislabs.com](http://www.divislabs.com).
- Quarterly, half-yearly and annual financial results of the Company are communicated to the Stock Exchanges immediately after the same are approved by the Board and are published in all India editions of Financial Express and Hyderabad edition of Andhra Prabha.
- Annual Report containing, inter alia, Audited Standalone Financial Statements and Consolidated Financial Statements, Board's Report, Auditors' Report and other important information, is circulated to members and others entitled thereto. The document is also placed on the Company's website and submitted to the National Stock Exchange of India Limited (NSE) and BSE Limited (BSE).
- All periodical compliance filings like shareholding pattern, corporate governance report, company announcements, among others are filed electronically on NSE Electronic Application Processing System (NEAPS) and BSE Listing Centre.
- Reminders for unpaid dividend are sent to shareholders, regularly every year.

## 12. GENERAL SHAREHOLDER INFORMATION

### Annual General Meeting

|                                    |  |
|------------------------------------|--|
| Date:                              | August 22, 2022  |
| Time:                              | 10.00 a.m.   |
| Venue:                             | Annual General Meeting through Video Conferencing / Other Audio Visual Means facility [Deemed Venue for Meeting: Registered Office: 1-72/23(P)/Divis/303, Divi Towers, Cyber Hills, Gachibowli, Hyderabad – 500 032, Telangana, India]   |
| Financial Year:                    | April 01, 2021 to March 31, 2022   |
| Record Date:                       | August 12, 2022. Dividend will be paid within 30 days of declaration.  |
| ISIN No:                           | INE361B01024   |
| Listing on Stock Exchanges:        | National Stock Exchange of India Limited<br>Exchange Plaza, C-1, Block G, Bandra-Kurla Complex,<br>Bandra (East), Mumbai-400051.<br>BSE Limited<br>Phiroze Jeejeebhoy Towers, Dalal Street,<br>Mumbai-400 001<br>The listing fee for the financial year 2022-23 has been paid to both the Stock Exchanges. |
| Stock Code:                        | NSE : DIVISLAB<br>BSE : 532488   |
| Registrars & Transfer Agent (RTA): | Kfin Technologies Limited<br>Selenium Tower B, Plot No. 31 – 32,<br>Financial District, Nanakramguda,<br>Serilingampally, Hyderabad - 500032,<br>Rangareddy, Telangana, India  |

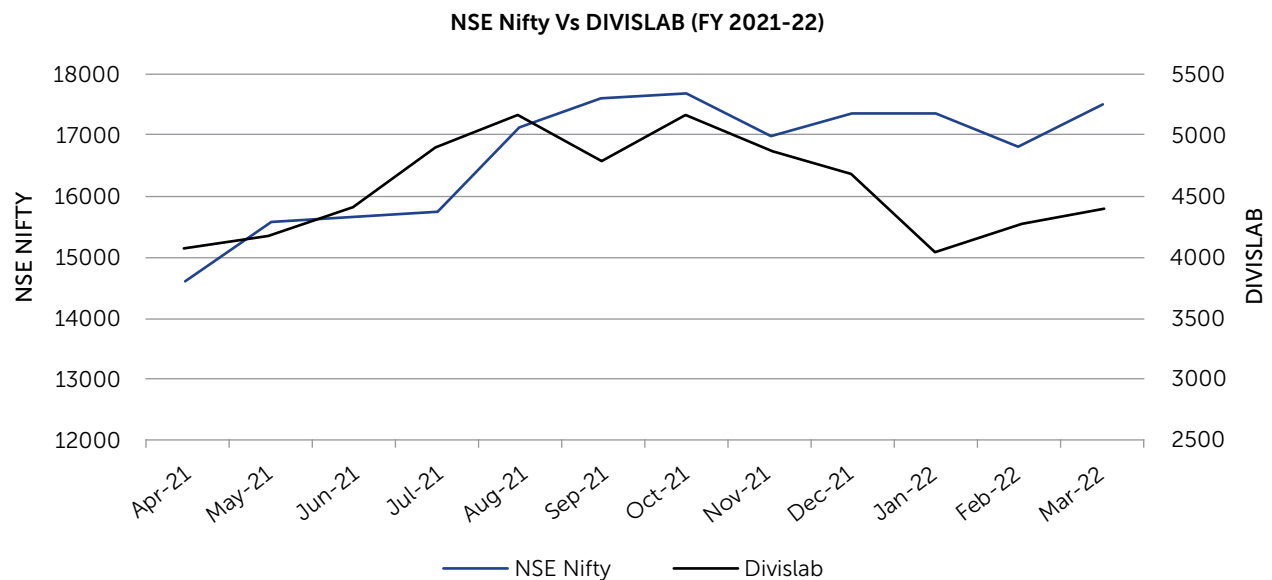
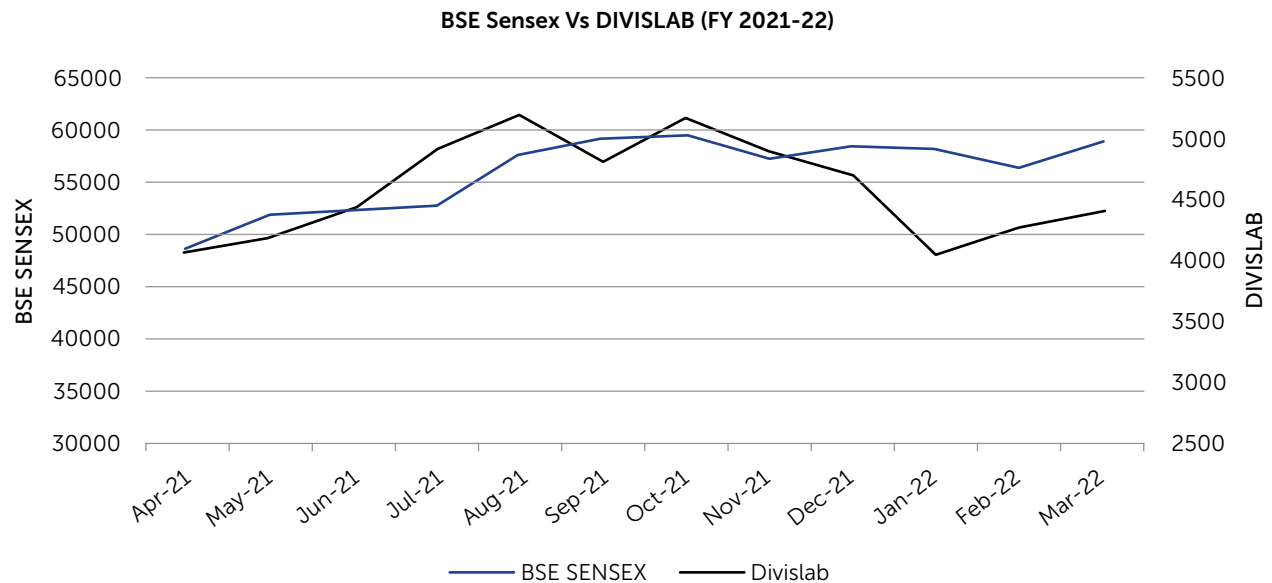
## 13. MARKET PRICE DATA

Monthly high and low quotations as well as the volume of shares traded at BSE Limited (BSE) and National Stock Exchange of India Limited (NSE) for the financial year 2021-22 are as follows:

| Month  | BSE      |          |          | NSE      |          |             |
|--------|----------|----------|----------|----------|----------|-------------|
|        | High (₹) | Low (₹)  | Volume   | High (₹) | Low (₹)  | Volume      |
| Apr-21 | 4,133.50 | 3,562.05 | 6,62,113 | 4,135.00 | 3,561.65 | 1,62,91,795 |
| May-21 | 4,284.05 | 3,882.15 | 6,77,201 | 4,284.20 | 3,962.05 | 1,32,71,198 |
| Jun-21 | 4,426.85 | 4,149.15 | 5,19,956 | 4,432.00 | 4,146.50 | 1,16,74,106 |
| Jul-21 | 4,944.85 | 4,395.00 | 3,88,859 | 4,944.75 | 4,412.85 | 1,02,36,884 |
| Aug-21 | 5,217.55 | 4,759.50 | 9,55,055 | 5,219.00 | 4,757.00 | 93,93,115   |
| Sep-21 | 5,269.00 | 4,703.20 | 5,28,577 | 5,271.65 | 4,701.00 | 96,47,607   |
| Oct-21 | 5,425.00 | 4,766.50 | 7,76,911 | 5,425.10 | 4,780.00 | 1,13,30,343 |
| Nov-21 | 5,283.40 | 4,635.25 | 4,02,722 | 5,285.05 | 4,635.00 | 1,27,45,774 |
| Dec-21 | 4,975.00 | 4,356.00 | 4,63,633 | 4,977.80 | 4,356.00 | 1,24,42,964 |
| Jan-22 | 4,707.80 | 3,790.00 | 3,63,596 | 4,708.75 | 3,788.95 | 1,08,41,231 |
| Feb-22 | 4,521.75 | 3,919.00 | 4,10,178 | 4,520.15 | 3,916.60 | 1,33,22,075 |
| Mar-22 | 4,625.00 | 3,975.00 | 3,34,322 | 4,625.00 | 3,974.05 | 89,37,455   |



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



**14. UNCLAIMED DIVIDEND AMOUNTS AND TRANSFER TO IEPF**

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

The Company has uploaded the details of unpaid and unclaimed dividends lying with the Company as on March

31, 2022 on the website of the Company, and on the website of the Ministry of Corporate Affairs.

During the year under review, the Company has credited unclaimed dividend of ₹ 10,14,560/- to the Investor Education and Protection Fund (IEPF) pursuant to Section 125(1) of the Act, pertaining to FY 2013-14.

Details of shares transferred to IEPF Authority during financial year 2021-22 are also available on the website of the Company ([www.divislab.com](http://www.divislab.com)). The Company has also uploaded these details on the website of the IEPF Authority ([www.iepf.gov.in](http://www.iepf.gov.in)).

Information in respect of such unclaimed dividends due for transfer to IEPF is as follows:

| Financial Year | Date of declaration of dividend | Amount outstanding as on March 31, 2022 (₹) | Due for transfer to IEPF on |
|----------------|---------------------------------|---|-----------------------------|
| 2014-2015      | 31.08.2015                      | 9,75,660/-                                  | 30.09.2022                  |
| 2015-2016      | 10.03.2016 (Interim)            | 11,89,580/-                                 | 09.04.2023                  |
| 2016-2017      | 25.09.2017                      | 19,53,560/-                                 | 24.10.2024                  |
| 2017-2018      | 10.09.2018                      | 6,38,260/-                                  | 09.10.2025                  |
| 2018-2019      | 23.08.2019                      | 19,63,824/-                                 | 22.09.2026                  |
| 2019-2020      | 12.02.2020 (Interim)            | 20,67,920/-                                 | 11.03.2027                  |
| 2020-2021      | 30.08.2021                      | 18,88,244/-                                 | 07.10.2028                  |

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

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

## 15. SHARE TRANSFER SYSTEM

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

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

## 16. DISTRIBUTION OF SHAREHOLDING AS ON MARCH 31, 2022

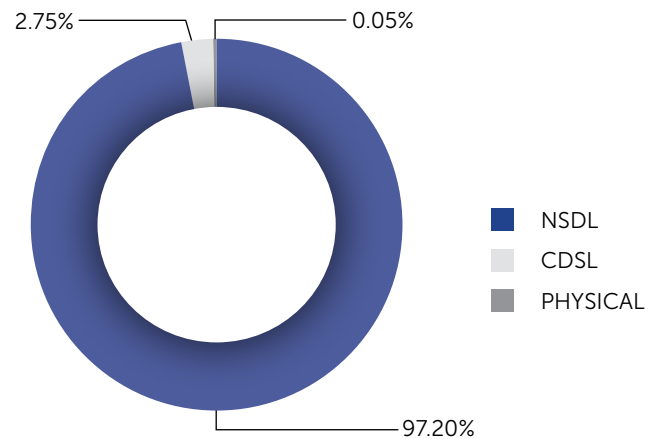
| Category<br>No of shares | Number of accounts | % of total accounts | Shareholding        | % of Share Capital |
|--------------------------|--------------------|---------------------|---------------------|--------------------|
| 1 – 5000                 | 3,21,827           | 99.32               | 1,47,74,009         | 5.57               |
| 5001 – 10000             | 785                | 0.24                | 28,22,480           | 1.06               |
| 10001 – 20000            | 507                | 0.16                | 37,77,991           | 1.42               |
| 20001 – 30000            | 193                | 0.06                | 23,71,533           | 0.89               |
| 30001 – 40000            | 139                | 0.04                | 24,81,460           | 0.93               |
| 40001 – 50000            | 69                 | 0.02                | 15,38,148           | 0.58               |
| 50001 – 100000           | 199                | 0.06                | 70,44,231           | 2.65               |
| 100001 & above           | 312                | 0.10                | 23,06,58,728        | 86.89              |
| <b>Total</b>             | <b>3,24,031</b>    | <b>100.00</b>       | <b>26,54,68,580</b> | <b>100.00</b>      |

## 17. (i) SHAREHOLDING PATTERN

| Category                      | As on March 31, 2022 |                    | As on March 31, 2021 |                    |
|-------------------------------|----------------------|--------------------|----------------------|--------------------|
|                               | No. of shares        | % of Share Capital | No. of shares        | % of Share Capital |
| Promoters & Promoter Group    | 13,78,94,200         | 51.94              | 13,78,99,200         | 51.95              |
| Mutual Funds                  | 3,63,29,188          | 13.68              | 3,34,18,248          | 12.59              |
| Alternative Investment Fund   | 10,16,752            | 0.38               | 10,60,023            | 0.40               |
| Foreign Portfolio Investors   | 4,89,88,899          | 18.45              | 5,27,47,409          | 19.87              |
| Banks/Financial institutions  | 1,19,640             | 0.05               | 1,42,106             | 0.05               |
| Qualified Institutional Buyer | 1,11,63,520          | 4.21               | 98,12,923            | 3.70               |
| Indian Public                 | 2,46,06,409          | 9.27               | 2,46,26,990          | 9.28               |
| NBFCs registered with RBI     | 1,485                | 0.00               | 4,000                | 0.00               |
| Trusts                        | 46,260               | 0.02               | 41,957               | 0.02               |
| Non-Resident Indian           | 16,19,215            | 0.61               | 16,61,749            | 0.63               |
| Clearing Members              | 1,35,721             | 0.05               | 4,28,865             | 0.16               |
| Corporate Bodies              | 35,20,345            | 1.33               | 35,97,764            | 1.36               |
| IEPF                          | 26,946               | 0.01               | 27,346               | 0.01               |
| <b>Grand Total</b>            | <b>26,54,68,580</b>  | <b>100.00</b>      | <b>26,54,68,580</b>  | <b>100.00</b>      |

## (ii) SHAREHOLDING PROFILE AS ON MARCH 31, 2022

| Particulars  | Number of accounts | Shareholding        | % of Share Capital |
|--------------|--------------------|---------------------|--------------------|
| NSDL         | 1,39,475           | 25,80,38,654        | 97.20              |
| CDSL         | 1,84,526           | 72,93,940           | 2.75               |
| Physical     | 30                 | 1,35,986            | 0.05               |
| <b>Total</b> | <b>3,24,031</b>    | <b>26,54,68,580</b> | <b>100.00</b>      |



## 18. DEMATERIALIZATION OF SHARES AND LIQUIDITY

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

International Securities Identification Number (ISIN) allotted for the Company by NSDL and CDSL is INE361B01024. In case a member wants his/her shares to be dematerialized, he/she may send the shares along with the request through his depository participant (DP) to the RTA, Kfin Technologies Limited.

The Company's Registrars promptly intimate the DPs in the event of any deficiency and shareholders are also kept abreast. Pending demat requests in the records of the Depositories, if any, are continually reviewed and appropriate actions are initiated. As on March 31, 2022, 99.95% of the shares were in demat mode



## Statutory Reports

Corporate Governance Report

### 19. OUTSTANDING GDRS / ADRS / WARRANTS OR ANY CONVERTIBLE INSTRUMENTS, CONVERSION DATE AND LIKELY IMPACT ON EQUITY

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

### 20. COMMODITY PRICE RISK OR FOREIGN EXCHANGE RISK AND HEDGING ACTIVITIES

The Company is not carrying on any Commodity Business and has not undertaken any hedging activities. The details of foreign currency exposure are disclosed in Notes to Standalone Financial Statements.

### 21. PLANT LOCATIONS

|                         |  |
|-------------------------|--|
| CHOUTUPPAL Unit:        | Lingojigudem Village, Choutuppal Mandal Yadagiri Bhuvanagiri Dist. (TS), Pin Code - 508 252. |
| EXPORT ORIENTED Unit:   | Chippada Village, Bheemunipatnam Mandal Visakhapatnam Dist. (A.P), Pin Code - 531 163        |
| DIVI'S PHARMA SEZ Unit: | 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        |
| DC SEZ Unit:            | Lingojigudem Village, Choutuppal Mandal Yadagiri Bhuvanagiri Dist. (TS), Pin Code - 508 252. |
| DCV SEZ Unit:           | Chippada Village, Bheemunipatnam Mandal Visakhapatnam Dist. (A.P), Pin Code - 531 163        |

### 22. ADDRESS FOR CORRESPONDENCE

All Members correspondence should be forwarded to Kfin Technologies Limited, the RTA of the Company or to the Company at the Registered Office of the Company at the addresses mentioned below.

| Registrar and Share Transfer Agents (RTA):  | Company:<br>Company Secretary, Compliance Officer and Nodal officer under IEPF   |
|---|--|
| <b>Kfin Technologies Limited</b><br><b>Unit: Divi's Laboratories Limited</b><br>Selenium Tower B, Plot No. 31 – 32,<br>Financial District, Nanakramguda,<br>Serilingampally, Hyderabad - 500032,<br>Rangareddy, Telangana, India<br>Phone No: +91 40-67161526;<br>Fax: +91 40-23001153<br>Toll Free No. 1800-3454-001<br>E-mail: <a href="mailto:einward.ris@kfinotech.com">einward.ris@kfinotech.com</a> | Mr. M. Satish Choudhury<br><b>Divi's Laboratories Limited</b><br>1-72/23(P)/DIVIS/303, Divi Towers,<br>Cyber Hills, Gachibowli,<br>Hyderabad – 500 032,<br>Telangana, India<br>Phone: +91 40 66966352;<br>Fax: +91 40-66966460<br>E-mail: <a href="mailto:cs@divislabs.com">cs@divislabs.com</a> |

### 23. CREDIT RATING

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

### 24. OTHER DISCLOSURES

#### A) Dividend Distribution Policy:

The Board of Directors adopted a Dividend Distribution Policy as per the statutory requirement of SEBI Listing Regulations and the Act. The said Policy is available on the website of the Company at: <https://www.divislabs.com/DividendDistributionPolicy.pdf>.

**B) Disclosures on Materially Significant Related Party Transactions**

The Company does not have any materially significant related party transactions, which may have potential conflict with the interest of the Company. Other related party transactions have been reported at Note no. 37 of notes to Standalone Financial Statements. The Register of Contracts, containing transactions in which Directors are interested, is placed before the Board regularly.

The Company has formulated a policy on materiality of Related Party Transactions and also on dealing with Related Parties. The policy is available on the website of the Company at <https://www.divislabs.com/RPT-Policy.pdf>

**C) Cases of Non-Compliances / Penalties**

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

**D) Whistle Blower Policy / Vigil Mechanism**

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

The Whistle Blower Policy may be accessed on the Company's website at: (<https://www.divislabs.com/WhistleBlowerPolicy.pdf>.)

**E)** Policy for determining material subsidiaries is disseminated on the website of the Company at (<https://www.divislabs.com/MaterialSubsidiaryPolicy.pdf>.)

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

**G) Fees paid for the services of Auditors**

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

| Particulars                       | ₹ in lakhs)                   |                               |
|-----------------------------------|-------------------------------|-------------------------------|
|                                   | For year ended March 31, 2022 | For year ended March 31, 2021 |
| As Statutory Auditor              | 40                            | 36                            |
| For quarterly reviews             | 24                            | 24                            |
| Re-imbusement of expenses         | 2                             | 3                             |
| <b>Total payments to auditors</b> | <b>66</b>                     | <b>63</b>                     |

**H) Sexual Harassment**

In compliance with Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 statement of complaints for the financial year ended March 31, 2022 is as follows:

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

**I)** The Company or its subsidiaries has not given any loans and advances in the nature of loans to firms / companies in which directors are interested.

**J)** The Company has not raised any funds through preferential allotment or QIP as specified under Regulation 32(7A) of SEBI Listing Regulations during the year under review.

**K)** There are no instances of recommendation of any committee of the Board which is mandatorily required and not accepted by the Board during the year under review.

**25.** The Company has complied with the requirements of the Schedule V Corporate Governance Report sub-para (2) to (10) of the SEBI Listing Regulations.

## 26. COMPLIANCE WITH MANDATORY REQUIREMENTS AND ADOPTION OF DISCRETIONARY REQUIREMENTS

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

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

Shareholder Rights: Half-yearly and other quarterly financial results are published in newspapers and uploaded on Company's website ([www.divislabs.com](http://www.divislabs.com));

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

### Subsidiaries

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

Place: Hyderabad  
Date: May 23, 2022

### CEO and CFO Certification

The CEO and CFO of the Company have certified to the Board in relation to reviewing financial statements and other information as required by Regulation 17(8) of the SEBI Listing Regulations and the certificate is appended.

### Code of Ethics and Business Conduct

The Company has adopted a Code of Ethics and Business Conduct ("The Code") for Directors and Senior Management. The Code is comprehensive in nature and applicable to all the 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.divislabs.com](http://www.divislabs.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 Chief Executive Officer and Managing Director is as follows:

We hereby confirm that the Company has obtained from all the members of the Board and senior management, affirmation that they have complied with the Code in respect of the financial year 2021-22.

### For and on behalf of the Board

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

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



# Certification of Chief Executive Officer and Chief Financial Officer

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

- a. We have reviewed the financial statements and the cash flow statement (Standalone and consolidated) for the year ended March 31, 2022 and to the best of our knowledge and belief these statements;
  - i. do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;
  - ii. together present a true and fair view of the Company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.
- b. There are, to the best of our knowledge and belief, no transactions entered into by the Company during the 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**

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

**L. Kishore Babu**  
Chief Financial Officer

Place: Hyderabad  
Date: May 23, 2022

# CERTIFICATION ON CORPORATE GOVERNANCE

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

We have examined the compliance of conditions of Corporate Governance by Divi's Laboratories Limited ('the Company'), for the year ended March 31, 2022, as stipulated in Regulations 17 to 27, clauses (b) to (i) of Regulations 46(2) and para C, D and E of Schedule V of the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") as amended from time to time.

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

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

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

Based on our examination of the relevant records and according to the information and explanations provided to us and the representations provided by the Management and considering the relaxations granted by the Ministry of Corporate Affairs and Securities and Exchange Board of India warranted due to the spread of the COVID-19 pandemic, we certify that the Company has complied with the conditions of Corporate Governance as stipulated in the SEBI Listing Regulations for the year ended on March 31, 2022.

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

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

**V. Bhaskara Rao**  
Proprietor

F.C.S.No.5939, C.P.No.4182  
UDIN: F005939D000360370

Place: Hyderabad  
Date: May 23, 2022

# CERTIFICATE OF NON-DISQUALIFICATION OF DIRECTORS

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

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

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

Based on our examination of relevant documents made available to us by the Company and such other verifications carried out by us as deemed necessary and to the extent possible, in our opinion and to the best of our information and according to the verifications (including Directors Identification Number (DIN) status at the portal [www.mca.gov.in](http://www.mca.gov.in)) as considered necessary and explanations furnished to me by the Company & its officers, we hereby certify that, for the financial year ending on March 31, 2022, none of the Directors on the Board of the Company as stated below have been debarred or disqualified from being appointed or continuing as Directors of companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs, or any such other Statutory Authority:

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

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

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

**V. Bhaskara Rao**  
Proprietor

Place: Hyderabad  
Date: May 23, 2022

F.C.S.No.5939, C.P.No.4182  
UDIN: F005939D000360436



# Board's Report

To  
The Members,  
**Divi's Laboratories Limited**

Your Directors' have pleasure in presenting the 32<sup>nd</sup> Annual Report of Divi's Laboratories Limited ("the Company" or "Divi's") along with the audited financial statements for the financial year ended March 31, 2022. The consolidated performance of the Company and its subsidiaries ("Group") has been referred to wherever required.

## Financial Results

Financial performance of the Company for the year ended March 31, 2022 is summarized below:

(₹ in lakhs)

| Particulars  | Standalone |          | Consolidated |          |
|--|------------|----------|--------------|----------|
|  | 2021-22    | 2020-21  | 2021-22      | 2020-21  |
| Revenue  | 8,87,982   | 6,79,861 | 8,95,983     | 6,96,940 |
| Other Income   | 11,126     | 6,253    | 11,387       | 6,256    |
| Total Income   | 8,99,108   | 6,86,114 | 9,07,370     | 7,03,196 |
| Expenditure before depreciation, interest                  | 5,00,336   | 3,97,793 | 5,07,789     | 4,10,946 |
| Profit before depreciation, interest and tax (PBDIT)       | 3,98,772   | 2,88,321 | 3,99,581     | 2,92,250 |
| Depreciation   | 31,055     | 25,465   | 31,151       | 25,559   |
| Finance Cost   | 65         | 69       | 80           | 87       |
| Profit before Tax (PBT)                                    | 3,67,652   | 2,62,787 | 3,68,350     | 2,66,604 |
| <b>Tax Expense:</b>  |            |          |              |          |
| Current Tax  | 63,720     | 60,905   | 64,400       | 61,646   |
| Deferred Tax   | 9,078      | 6,410    | 7,905        | 6,529    |
| Total Tax  | 72,798     | 67,315   | 72,305       | 68,175   |
| Profit after Tax (PAT)                                     | 2,94,854   | 1,95,472 | 2,96,045     | 1,98,429 |
| Other comprehensive Income (net of tax)                    | 218        | 16       | 406          | 40       |
| Total Comprehensive Income                                 | 2,95,072   | 1,95,488 | 2,96,451     | 1,98,469 |
| Earnings per Share of ₹ 2/- each (EPS) Basic & Diluted (₹) | 111.07     | 73.63    | 111.52       | 74.75    |

## Operations

### Standalone

We have been able to achieve yet another year of decent business growth and profitability. The company has been able to conduct its operations with agility and resilience, duly handling the unprecedented covid pandemic and simultaneously quickly responded to the emerging opportunities.

During the year, the fast-track project taken up for an MNC customer was fully operational and achieved significant business. With our dynamic business model supported by our multi-purpose manufacturing facilities, we have been able to cater to customer demands and ensure speed of delivery.

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

- Revenue for the year increased by 31% to ₹ 8,87,982 lakhs.

- Profit before Tax (PBT) for the year has grown by 40% to ₹ 3,67,652 lakhs.
- Tax Provision for the current year amounted to ₹ 72,798 lakhs as against a tax provision of ₹ 67,315 lakhs for the last year.
- Profit after Tax (PAT) for the year grew by 51% to ₹ 2,94,854 lakhs as against a PAT of ₹ 1,95,472 lakhs last year.
- Earnings Per Share of ₹ 2/- each works out to ₹ 111.07 for the year as against ₹ 73.63 last year.
- Out of the total revenue, North America accounted for 44% and Europe for 33%.

### Consolidated

The Group's total consolidated income increased by 29% to ₹ 9,07,370 lakhs from ₹ 7,03,196 lakhs in the previous year.

Profit before tax (PBT) for the year grew by 38% to ₹ 3,68,350 lakhs as against ₹ 2,66,604 lakhs in the previous year. Profit after Tax for the year has increased by 49% to ₹ 2,96,045 lakhs as against ₹ 1,98,429 lakhs in the previous year.

### Subsidiaries

The Company has 2 wholly owned subsidiaries viz., M/s. Divi's Laboratories (USA) Inc., in USA and M/s. Divi's Laboratories Europe AG in Switzerland, which 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 revenue of ₹ 48,845 lakhs as against ₹ 45,631 lakhs in the previous year, reflecting a growth of 7% of revenue at the subsidiary level.

Subsidiaries are successful in establishing their market presence and in achieving consistent revenue. There has been no material change in the nature of the business of the subsidiaries.

As per Section 129(3) of the Companies Act, 2013 read with Companies (Accounts) Rules, 2014, statement containing the salient features of the financial statement of Company's subsidiaries in form AOC-1 is annexed herewith as "Annexure I". Moreover, pursuant to provisions of Section 136(1) of the Companies Act, 2013, audited financial statements of the subsidiary companies are placed on the Company's website and can be accessed at (<https://www.divislabs.com/Subsidiary-Financials-2022.pdf>.) The Consolidated Financial Statements presented by the Company include the financial results of its subsidiary companies.

Policy for determining Material Subsidiaries, is available on the Company's corporate website and can be accessed at: (<https://www.divislabs.com/MaterialSubsidiaryPolicy.pdf>.) Presently, the Company does not have any material subsidiary.

### Consolidated financial statements

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

### Capital Expenditure

During the year, the Company has capitalized Property, Plant and Equipment (PPE) and Intangible Assets valuing ₹ 93,456 lakhs. Capital Work-in-Progress (WIP) as at the year-end amounted to ₹ 46,993 lakhs.

During the year, the company has taken up several capacity expansion programs at the Company's manufacturing facilities besides plant upgradation, augmenting the utility and support infrastructure.

### Material Changes and Commitments

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

### Dividend

Your Directors are pleased to recommend a dividend of ₹ 30/- per equity share of ₹ 2/- each, i.e., 1500% for the financial year ended March 31, 2022, subject to approval of members at the ensuing Annual General Meeting. The Dividend, if approved, will be paid to shareholders whose names appear in the Register of Members as on the book closure / record date.

The total dividend payout for the current year amounts to ₹ 79,641 lakhs as against ₹ 53,094 lakhs in the previous year. Dividend payout as a percentage of profits is 27% in line with the previous year. Payment of dividend to members will be subject to tax deduction at source (TDS) as per statutory requirement.

The dividend recommended is in accordance with the Company's Dividend Distribution Policy. The Dividend Distribution Policy is available on the Company's website and can be accessed at (<https://www.divislabs.com/DividendDistributionPolicy.pdf>.)

### Transfer to Reserves

The Directors have decided to retain the entire total comprehensive income for the current year in Other Equity.

### Deposits

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

### Loans, Guarantees or Investments

The Company has not given any loans or guarantees covered under the provisions of Section 186 of the Act. The details of investments made by the Company are given in the notes to the financial statements forming part of this annual report.

### Related Party Transactions

There are no materially significant related party transactions made by the Company with related parties which may have potential conflict of interest with the Company at large. As a matter of policy, your Company carries out transactions with related parties on an arms' length basis. Statement of these transactions is given at Note No. 37 of the Notes to financial statements.

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

## Statutory Reports

### Board's Report

The Policy on Materiality of Related Party Transactions and on dealing with Related Party Transactions as approved by the Board is available on the Company's website and can be accessed at (<https://www.divislabs.com/RPT-Policy.pdf>.)

### Internal Financial Controls

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

### Risk Management

The Company has a Risk Management Committee of the Board. The brief of terms of reference, composition and names of members and chairperson are set out in the Corporate Governance Report forming part of the Report.

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

The Risk Management Committee constantly evaluates various risks – business, customer concentration, supplier concentration, regulatory compliances, confidentiality of processes, consistency of cGMP practices, environment, employee health and safety etc., monitors risks and deploy appropriate control systems aimed at mitigating such risks to the extent possible. The Audit Committee reviews the risk elements of the company's business, finance, operations and compliance, and their respective mitigation strategies.

Further details on the Risk Management activities including key risks identified, and their mitigations are covered in Management Discussion and Analysis Report, forming part of this Annual Report.

During the financial year 2021-22, the focus areas of Risk Management Committee included review of cyber security and data protection, business continuity, various ESG risks.

### Management Discussion and Analysis

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

### Directors' Responsibility Statement

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

- a) the applicable accounting standards read with requirements of Schedule III to the Act have been followed in the

preparation of the annual accounts for the year ended March 31, 2022 and there are no material departures from the same;

- b) accounting policies selected were applied consistently and the judgements and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit of the Company for the period;
- c) 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.
- e) internal financial controls have been laid down and such controls are adequate and operating effectively;
- f) proper systems have been laid down to ensure compliance with the provisions of all applicable laws and such systems are adequate and operating effectively.

### Number of Meetings of Board of Directors

The Board meets at least four times in a year at quarterly intervals and more frequently if deemed necessary, to transact its business. During the financial year, the Board has met four times, i.e. May 29, 2021, August 07, 2021, November 06, 2021 and February 11, 2022.

### Directors and Key Managerial Personnel

During the financial year, the Members of the Company have approved re-appointment of Dr. Ramesh B.V. Nimmagadda as an Independent Director for a second term of 5 years effective from June 27, 2022, including approval pursuant to Regulation 17(1A) of the SEBI Listing Regulations for his continuation as Independent Director upon attaining 75 years of age on August 14, 2022. The Members also approved re-appointment of Dr. Ganapaty Seru as an Independent Director for a second term of 5 years effective from July 22, 2022.

Further, the Members have re-appointed Ms. Nilima Prasad Divi as Whole-time Director (Commercial) of the Company for a further period of 5 years with effect from June 27, 2022 and approved her remuneration.

Mr. N.V. Ramana and Mr. Madhusudana Rao Divi retires by rotation at the forthcoming 32<sup>nd</sup> AGM and being eligible, offer themselves for re-appointment.

### Declaration by Independent Directors

The Company received declaration from all the Independent Directors of the Company under Section 149(7) of the Act



and Regulation 25 of the SEBI Listing Regulations, confirming that they meet the criteria of independence as provided in Section 149(6) of the Act and Regulation 16(1)(b) of SEBI Listing Regulations and there has been no change in the circumstances affecting their status as Independent Directors of the Company. Further, they have confirmed compliance to the code of conduct for independent directors as prescribed in Schedule IV of the Act. In the opinion of the Board, the Independent Directors of the Company possess necessary expertise, integrity and experience.

### Performance Evaluation

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

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

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

The details of the Separate meeting of the Independent Directors are reported in the Report on Corporate Governance which forms part of the Board's Report.

### Policy on Directors' Appointment and Remuneration

The Policy on appointment and remuneration of directors, key managerial persons (KMP) and senior management including criteria for determining qualifications, positive attributes and director's independence as required under Section 178(3) of the Act, and Regulation 19 read with Schedule II Part D of SEBI Listing Regulations has been formulated by the Company, inter-alia includes:

- To identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down.
- To ensure a transparent board nomination process with the diversity of thought, experience, knowledge, perspective and gender in the Board.

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

Policy on Nomination and Remuneration of Directors, Key / Senior Managerial Personnel may be accessed on the Company's website at: <https://www.divislab.com/NominationRemunerationPolicy.pdf>.

### Remuneration details of Directors & KMP

Pursuant to Section 197(12) of the Act, read with Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the prescribed particulars pertaining to remuneration and other details are given in "Annexure – II" to this Report.

The non-executive directors of the Company had no pecuniary relationship or transactions with the Company, other than sitting fees, annual remuneration and reimbursement of expenses, if any.

During the year, Dr. Kiran S. Divi received ₹ 40 lakhs remuneration from the Company's wholly owned subsidiary, Divi's Laboratories Europe AG, for the services rendered by him in the capacity of Director. Pursuant to the terms of appointment of Dr. Kiran S. Divi to the extent of the remuneration paid at subsidiary is reduced from his salary payable by Divi's Laboratories Limited.

### Particulars of Employees

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

### Corporate Social Responsibility

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

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

## Statutory Reports

### Board's Report

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

### Business Responsibility Report

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

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

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

### Corporate Governance Report

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

### Audit Committee

The details pertaining to the role, objective and composition of the Audit Committee are included in the Corporate Governance Report forming part of this Annual Report.

### Vigil Mechanism

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

### Audit Reports

- Report of the Statutory Auditors on the financial statements for the year does not contain any qualification, reservation or adverse remark or disclaimer; or reporting of any offence or fraud.

- The Secretarial Audit Report does not contain any qualification, reservation or adverse remark or disclaimer.
- The Auditors have not reported any instances of frauds to the Audit Committee as prescribed under Section 143(12) of the Act.

### Statutory Auditors

M/s. Price Waterhouse Chartered Accountants LLP (Firm Registration No. 012754N/ N500016), chartered accountants, were appointed as statutory auditors of the Company to hold office for five consecutive years from the conclusion of the 27<sup>th</sup> Annual General Meeting (AGM) of the Company held on September 25, 2017 till the conclusion of the 32<sup>nd</sup> AGM to be held in the year 2022.

M/s. Price Waterhouse Chartered Accountants LLP will complete their first term of five consecutive years as the statutory auditors of the Company at the conclusion of the 32<sup>nd</sup> AGM of the Company.

Pursuant to Section 139(2) of the Act, the Company can appoint M/s. Price Waterhouse Chartered Accountants LLP for a second term of five consecutive years.

The Audit Committee and the Board of Directors recommend to the Members for the reappointment of M/s. Price Waterhouse Chartered Accountants LLP, as statutory auditors of the Company for a second term of five consecutive years from the conclusion of the 32<sup>nd</sup> AGM till the conclusion of 37<sup>th</sup> AGM to be held in the year 2027.

M/s. Price Waterhouse Chartered Accountants LLP have consented to the said reappointment, and confirmed that their reappointment, if made, would be within the limits specified under Section 141(3)(g) of the Act. They have further confirmed that they are not disqualified to be reappointed as statutory auditor in terms of the provisions of the Act, and the provisions of the Companies (Audit and Auditors) Rules, 2014, as amended from time to time.

### Secretarial Audit

Pursuant to provisions of Section 204 of the Act and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Board of Directors of the Company has appointed Mr. V. Bhaskara Rao, Practicing Company Secretary (PCS Registration No. 4182) as the Secretarial Auditor of the Company to conduct the Secretarial audit for the financial year 2021-22. The Secretarial Audit report for the financial year 2021-22 is annexed herewith as **"Annexure - VI"**.

### Cost Audit

Pursuant to the Section 148 of the Act and Rule 3 of the Companies (Cost Records and Audit) Rules, 2014 as amended,

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

#### Annual Return

In terms of Section 92(3) of the Act and Rule 12 of the Companies (Management and Administration) Rules, 2014, the Annual Return of the Company as on March 31, 2022 is available on the Company's website and can be accessed at (<https://www.divislabs.com/annual-return/2021-22.pdf>)

#### Other Disclosures

- Information on Unclaimed Dividend and transfer to IEPF is provided in the Corporate Governance Report.
- No Company has become or ceased to be its subsidiary, joint venture or associate company during the year.
- No significant and material orders were passed by the regulators or courts or tribunals impacting the going concern status and Company's operations in future.

- The Company has complied with provisions relating to the constitution of Internal Complaints Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and rules made thereunder and during the year under review, there were no complaints received or pending.
- The information with respect to Compensation, Nomination and Remuneration Committee, Stakeholders Relationship Committee, Risk management Committee are disclosed in the Corporate Governance Report forming part of the Annual Report.
- The Company has followed the applicable Secretarial Standards, i.e. SS-1 and SS-2, relating to 'Meetings of the Board of Directors' and 'General Meetings' respectively.

#### Acknowledgements

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

We are sure you will join our Directors in conveying our sincere appreciation to employees at all levels of the Company and its subsidiaries, for their hard work, dedication and commitment, in particular during this unprecedented year, thereby ensuring uninterrupted supply of life saving medicines across the globe.

#### For and on behalf of the Board

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

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

Place: Hyderabad  
Date: May 23, 2022



## ANNEXURE – I

## FORM AOC-1

## STATEMENT CONTAINING SALIENT FEATURES OF THE FINANCIAL STATEMENT OF SUBSIDIARIES

## Part A Subsidiaries

|         |   | (₹ in lakhs)   |  |
|---------|---|--|--|
| Sl. No. | Particulars   | Divis Laboratories (USA) Inc.                                    | Divi's Laboratories Europe AG.                                   |
| 1       | The date since when Subsidiary was acquired   | February 01, 2006  | February 06, 2006  |
| 2       | Reporting period for the Subsidiary   | April 01, 2021 to March 31, 2022                                 | April 01, 2021 to March 31, 2022                                 |
| 3       | Reporting Currency and Exchange rate as on the last date of the relevant financial year | 1 USD = ₹75.8071<br>Balance sheet<br>1 USD = ₹74.5122<br>for P&L | 1 CHF = ₹81.1120<br>Balance sheet<br>1 CHF = ₹81.9000<br>for P&L |
| 4       | Share Capital   | 87   | 404  |
| 5       | Reserves & Surplus  | 5,515  | 963  |
| 6       | Total assets  | 16,860   | 20,604   |
| 7       | Total liabilities   | 11,258   | 19,237   |
| 8       | Investments   | -  | -  |
| 9       | Turnover  | 23,516   | 25,329   |
| 10      | Profit before taxation  | 2,705  | (164)  |
| 11      | Provision for taxation  | 607  | 6  |
| 12      | Profit after taxation   | 2,098  | (170)  |
| 13      | Other Comprehensive Income after tax for the year                                       | 143  | 74   |
| 14      | Total Comprehensive Income for the year   | 2,241  | (96)   |
| 15      | Proposed Dividend   | -  | -  |
| 16      | % of shareholding   | 100%   | 100%   |

## For and on behalf of the Board

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

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

Place: Hyderabad  
Date: May 23, 2022

## ANNEXURE – II

### INFORMATION PURSUANT TO SECTION 197(12) OF THE ACT AND RULE 5 (1) OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014, AS AMENDED

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

| Sl. No | Name of Director / KMP and Designation                                       | Remuneration of Director/ KMP for the financial year (₹ in lakhs) | Ratio of remuneration of each Director to median remuneration of employees of the Company for the financial year | %increase/ (decrease) in remuneration in the financial year |
|--------|--|---|--|---|
| 1      | Dr. Murali K. Divi<br>Managing Director                                      | 11,041  | 2731   | 36.57%  |
| 2      | Mr. N.V. Ramana<br>Executive Director  | 5,627   | 1392   | 35.64%  |
| 3      | Dr. Kiran S. Divi<br>Whole-time Director and Chief Executive Officer         | 3,767   | 932  | 33.44%  |
| 4      | Ms. Nilima Prasad Divi<br>Whole-time Director (Commercial)                   | 3,750   | 928  | 35.92%  |
| 5      | Mr. Madhusudana Rao Divi<br>Whole-time Director (Projects)                   | 115   | 29   | 0.00%   |
| 6      | Dr. G. Suresh Kumar<br>Independent Director                                  | 32  | 8  | 6.67%   |
| 7      | Mr. R. Ranga Rao<br>Independent Director                                     | 34  | 8  | 0.00%   |
| 8      | Mr. K.V.K. Seshavataram<br>Independent Director                              | 29  | 7  | 0.00%   |
| 9      | Dr. Ramesh B.V. Nimmagadda<br>Non- Executive Chairman & Independent Director | 33  | 8  | 6.45%   |
| 10     | Dr. S. Ganapaty<br>Independent Director                                      | 29  | 7  | 7.41%   |
| 11     | Prof. Sunaina Singh<br>Independent Director                                  | 27  | 7  | 0.00%   |
| 12     | Mr. K.V. Chowdary<br>Independent Director                                    | 33  | 8  | 6.45%   |
| 11     | Mr. L. Kishore Babu<br>Chief Financial Officer                               | 293   | N.A.   | 1.91%   |
| 12     | Mr. M. Satish Choudhury<br>Company Secretary                                 | 27  | N.A.   | 20.87%  |

Note: Independent Directors were paid sitting fees @ ₹1 lakh per meeting for attending the Board and its Committee Meetings and annual remuneration of ₹ 20 lakhs per annum.

- (ii) The percentage increase in the median remuneration of employees in the financial year was 0.35%.
- (iii) As on March 31, 2022, the Company has 6,677 permanent employees on the rolls of Company as defined under said Rule 5(1).
- (iv) Average percentile increase already made in the salaries of employees other than the managerial personnel in the financial year was 8.02% whereas there was increase of 34.98% in the managerial remuneration.
- (v) It is hereby affirmed that the remuneration paid is as per the Remuneration Policy for Directors, Key Managerial Personnel, and other Employees.

For and on behalf of the Board

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

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

Place: Hyderabad  
Date: May 23, 2022

## ANNEXURE – III

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

| Name                  | Age (yrs) | Qualifications                          | Designation                                     | Date of commencement of employment | Experience (yrs) | Gross remuneration <sup>1</sup> (₹ lakhs) | Last employment   |
|-----------------------|-----------|---|---|------------------------------------|------------------|---|---|
| Dr. Murali K. Divi    | 71        | M. Pharm. Ph. D.                        | Managing Director                               | 12-Oct-90                          | 47               | 11041                                     | Managing Director, Cheminor Drugs Ltd.                                |
| N.V. Ramana           | 64        | B.Sc. (Chem)                            | Executive Director                              | 26-Dec-94                          | 37               | 5627                                      | President, Enmark Exim Services Pvt. Ltd.                             |
| Dr. Kiran S. Divi     | 45        | M. Pharm., Ph.D.                        | Whole-time Director and Chief Executive Officer | 10-Aug-01                          | 21               | 3767                                      | -   |
| Nilima Prasad Divi    | 40        | Masters in Intl business & Intl Finance | Whole-time Director (Commercial)                | 02-Jul-12                          | 15               | 3750                                      | -   |
| Madhusudhana Rao Divi | 77        | Post-graduate in Structural Engineering | Whole-time Director (Projects)                  | 01-Jul-97                          | 53               | 115                                       | Executive Director of Sadah General Trading & Contracting Co., Kuwait |
| L. Kishore Babu       | 72        | B.Com, FCMA                             | Chief Financial Officer                         | 20-Nov-94                          | 49               | 293                                       | Finance Manager, Nagarjuna Fertilizers & Chemical Ltd                 |
| Satya Prakash Divi    | 45        | MS (CIS), MBA                           | Vice President (Sales & Marketing)              | 01-Mar-13                          | 20               | 293                                       | VP, Marketing & IT, EF Int'l Academy, Switzerland                     |
| P. Srinivasa Rao      | 57        | M. Pharm                                | Chief Technologist                              | 01-Nov-90                          | 34               | 236                                       | Sr. Chemist, Cheminor Drugs Ltd.                                      |
| M. Ramesh Babu        | 56        | B. Sc.                                  | Chief Technologist                              | 01-Nov-90                          | 36               | 236                                       | R&D In-charge, Cheminor Drugs Ltd.                                    |
| Y.T.S. Prasad         | 54        | B.E., MBA                               | Global Quality Head                             | 01-Nov-90                          | 34               | 236                                       | Engineer (Devpt), Cheminor Drugs Ltd.                                 |
| G. Hemanth Kumar      | 62        | M. Sc.                                  | Vice President                                  | 01-Nov-94                          | 39               | 236                                       | Sr. Prodn. Manager, Sumitra Pharma Ltd.                               |
| Ramakrishna. S.       | 60        | M. Sc.                                  | Vice President                                  | 15-Feb-95                          | 39               | 236                                       | General Manager (Works), Vera Laboratories Ltd.                       |
| Dr. S. Devendra Rao   | 60        | M. Sc. Ph.D.                            | Vice President                                  | 10-Feb-95                          | 39               | 236                                       | Senior Manager (Prod), Natco Laboratories Ltd.                        |
| L. Ramesh Babu        | 69        | M.Com, MBA, LLB                         | Vice President (Procurement) & CIO              | 20-May-09                          | 33               | 215                                       | Group Captain, Indian Air Force                                       |



| Name                           | Age (yrs) | Qualifications      | Designation            | Date of commencement of employment | Experience (yrs) | Gross remuneration <sup>1</sup> (₹ lakhs) | Last employment  |
|--------------------------------|-----------|---------------------|------------------------|------------------------------------|------------------|---|--|
| L.V. Ramana                    | 52        | M. Sc.              | Vice President         | 12-Aug-91                          | 30               | 186                                       | -  |
| D. Madhu Babu                  | 61        | Masters in Planning | Vice President         | 02-May-16                          | 35               | 152                                       | Senior Vice President, IL&FS Cluster Development Initiative Ltd. |
| K. Subba Rao                   | 58        | MPM; LLB            | General Manager (P&A)  | 01-10-94                           | 35               | 134                                       | Personnel Officer, PR Cements Ltd.                               |
| A. Doraswamy                   | 51        | MBA                 | General Manager        | 06-Nov-95                          | 26               | 127                                       | -  |
| Dr. A.M.L. Punna Rao           | 52        | MSC, Ph.D.          | General Manager        | 01-Mar-2000                        | 30               | 123                                       | Asst. Manager - QC, Vera Laboratories Ltd.                       |
| P. Sudhakar                    | 55        | B.Com               | General Manager        | 01-Oct-94                          | 27               | 122                                       | -  |
| V. Naga Sekhar                 | 56        | BE (Mech)           | Deputy General Manager | 23-Mar-95                          | 31               | 122                                       | Maintenance Engineer, Vera Laboratories Ltd.                     |
| G. Veeraiah Chowdary           | 55        | B.Sc, MBA           | General Manager        | 01-Jun-95                          | 34               | 122                                       | Officer, Vera Laboratories Ltd.                                  |
| Y.S. Koteswara Rao             | 65        | B. Sc., BL., MBA    | General Manager        | 01-Jan-02                          | 22               | 122                                       | Own business   |
| E.S.V.S. Rama Krishna Prasad   | 47        | B.Sc.               | General Manager        | 06-Jan-18                          | 26               | 110                                       | Indian Navy  |
| Venkatesa Perumallu Pasumarthy | 60        | B.Com, FCA,         | General Manager        | 16-Sep-19                          | 35               | 108                                       | CFO, Alphageo (India) Limited                                    |
| Dr. B. Nageswara Rao           | 64        | M.Sc., Ph.D.        | General Manager        | 01-Dec-90                          | 33               | 104                                       | AGM, Cheminor Drugs Ltd  |

**Notes:**

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

**For and on behalf of the Board**

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

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

Place: Hyderabad  
Date: May 23, 2022

# ANNEXURE – IV

## ANNUAL REPORT ON CSR ACTIVITIES UNDERTAKEN DURING THE FINANCIAL YEAR 2021-2022

### 1. Brief outline on CSR Policy of the Company.

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

The objective of Divi's CSR Policy is:

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

The CSR projects undertaken are within the broad framework of Schedule VII of the Companies Act, 2013.

### 2. Composition of CSR Committee:

| Sl. No. | Name of Director           | Designation / Nature of Directorship       | Number of meetings of CSR Committee held during the year | Number of meetings of CSR Committee attended during the year |
|---------|----------------------------|--|--|--|
| 1       | Mr. R. Ranga Rao           | Chairman / Independent Director            | 4  | 4  |
| 2       | Dr. Murali K. Divi         | Member / Managing Director                 | 4  | 4  |
| 3       | Mr. Ramesh B.V. Nimmagadda | Member / Independent Director              | 4  | 4  |
| 4       | Mr. Madhusudana Rao Divi   | Member / Whole-time Director<br>(Projects) | 4  | 4  |

### 3. Provide the web-link where Composition of CSR Committee, CSR Policy and CSR projects approved by the Board are disclosed on the website of the company.

|                                    |   |
|------------------------------------|---|
| Composition of CSR Committee       | <a href="https://www.divislabs.com/investor-relations/corporate-governance/composition-of-committees/">https://www.divislabs.com/investor-relations/corporate-governance/composition-of-committees/</a> |
| CSR Policy                         | <a href="https://www.divislabs.com/CSR-Policy.pdf">https://www.divislabs.com/CSR-Policy.pdf</a>   |
| CSR projects approved by the Board | <a href="https://www.divislabs.com/csr-and-sustainability/csr/">https://www.divislabs.com/csr-and-sustainability/csr/</a>   |

**4. Provide the details of Impact assessment of CSR projects carried out in pursuance of sub-rule (3) of Rule 8 of the Companies (Corporate Social Responsibility Policy) Rules, 2014, if applicable (attach the report).**

The Company has been conducting internal assessments for the CSR Projects undertaken. As per the statutory requirement, Impact assessment of the following CSR projects carried out by an independent agency M/s. Deeksha, a registered non-profit society;

| Sl. No. | Name of the Project                            | Year of implementation | Expenditure (In ₹ lakhs) | Report  |
|---------|--|------------------------|--------------------------|---|
| 1       | Development of Model School at Siricilla       | 2020-21                | 319                      | Report available at <a href="https://www.divislabs.com/csr-and-sustainability/csr/">https://www.divislabs.com/csr-and-sustainability/csr/</a> |
| 2       | Development of Gurukula Patasala at Choutuppal | 2020-21                | 232                      |   |

**5. Details of the amount available for set off in pursuance of Rule 7(3) of the Companies (Corporate Social Responsibility Policy) Rules, 2014 and amount required for set off for the financial year, if any: Nil**

**6. Average net profit of the company as per Section 135(5): ₹2,08,313 lakhs**

**7. a) Two percent of average net profit of the Company as per Section 135(5): ₹ 4,167 lakhs**

**b) Surplus arising out of the CSR projects or programmes or activities of the previous financial years: Nil**

**c) Amount required to be set off for the financial year, if any: ₹ 247 lakhs**

**d) Total CSR obligation for the financial year (7a+7b-7c): ₹ 3,920 lakhs**

**8. (a) CSR amount spent or unspent for the financial year:**

| Total Amount Spent for the Financial Year (in ₹ lakhs) | Amount Unspent (in ₹ lakhs)   |                  |   |         |                  |
|--|---|------------------|---|---------|------------------|
|  | Total Amount transferred to Unspent CSR Account as per section 135(6) |                  | Amount transferred to any fund specified under Schedule VII as per second proviso to section 135(5) |         |                  |
|  | Amount.   | Date of transfer | Name of the Fund  | Amount. | Date of transfer |
| 4,213  | Nil   | -                | -   | Nil     | -                |

**(b) Details of CSR amount spent against ongoing projects for the financial year: Not Applicable**

**(c) Details of CSR amount spent against other than ongoing projects for the financial year:**

| (1)<br>Sl. No. | (2)<br>Name of the Project | (3)<br>Item from the list of activities in Schedule VII to the Act | (4)<br>Local area (Yes/ No) | (5)<br>Location of the project.  |          | (6)<br>Amount spent for the project (₹ in lakhs) | (7)<br>Mode of implementation - Direct (Yes/No) | (8)<br>Mode of implementation - Through implementing agency |                         |
|----------------|----------------------------|--|-----------------------------|--|----------|--|---|---|-------------------------|
|                |                            |  |                             | State  | District |  |   | Name  | CSR Registration number |
| 1              | Promoting Education        | (ii)   | Yes                         | Visakhapatnam, Vizianagaram and Krishna Districts in Andhra Pradesh and Yadadri Bhuvanagiri and Siricilla Districts in Telangana |          | 1200   | Yes   | -   | -                       |



**Statutory Reports**

## Board's Report

| (1)<br>Sl. No. | (2)<br>Name of the Project | (3)<br>Item from the list of activities in Schedule VII to the Act | (4)<br>Local area (Yes/No) | (5)<br>Location of the project.   |          | (6)<br>Amount spent for the project (₹ in lakhs) | (7)<br>Mode of implementation - Direct (Yes/No) | (8)<br>Mode of implementation - Through implementing agency |                         |
|----------------|----------------------------|--|----------------------------|---|----------|--|---|---|-------------------------|
|                |                            |  |                            | State   | District |  |   | Name  | CSR Registration number |
| 2              | Promoting Education        | (ii)   | Yes                        | Siricilla District in Telangana   |          | 110  | No  | Guide Indian Empowerment Village Foundation                 | CSR00000535             |
| 3              | Promoting Education        | (ii)   | Yes                        | Siricilla District in Telangana   |          | 100  | No  | Guide Indian Empowerment Village Foundation                 | CSR00000535             |
| 4              | Promoting Education        | (ii)   | Yes                        | Krishna District in Andhra Pradesh  |          | 265  | No  | Health and Education for All                                | CSR00008144             |
| 5              | Promoting Education        | (ii)   | Yes                        | Chittor District in Andhra Pradesh  |          | 100  | No  | Sri Kalyana Venkateswara Vedapatasala Trust                 | CSR00024915             |
| 6              | Public Health              | (i)  | Yes                        | Visakhapatnam, Vizianagaram and Krishna Districts in Andhra Pradesh and Yadadri Bhuvanagiri District in Telangana |          | 443  | Yes   | -   | -                       |
| 7              | Public Health              | (i)  | Yes                        | Hyderabad, Telangana  |          | 100  | No  | Alai Foundation   | CSR00005231             |
| 8              | Public Health              | (i)  | Yes                        | Hyderabad, Telangana  |          | 49   | No  | Fernandez Foundation  | CSR00023828             |
| 9              | Public Health              | (i)  | Yes                        | Hyderabad, Telangana  |          | 6  | No  | The Akshaya patra Foundation                                | CSR00000286             |
| 10             | Village Development        | (x)  | Yes                        | Visakhapatnam and Vizianagaram Districts in Andhra Pradesh and Yadadri Bhuvanagiri District in Telangana          |          | 896  | Yes   | -   | -                       |
| 11             | Village Development        | (x)  | Yes                        | Visakhapatnam Districts in Andhra Pradesh   |          | 5  | No  | Sri Saradha Peetam Charitable Trust                         | CSR00019853             |

| (1)<br>Sl. No. | (2)<br>Name of the Project      | (3)<br>Item from the list of activities in Schedule VII to the Act | (4)<br>Local area (Yes/No) | (5)<br>Location of the project.  |          | (6)<br>Amount spent for the project (₹ in lakhs) | (7)<br>Mode of implementation - Direct (Yes/No) | (8)<br>Mode of implementation - Through implementing agency |                         |
|----------------|---------------------------------|--|----------------------------|--|----------|--|---|---|-------------------------|
|                |                                 |  |                            | State  | District |  |   | Name  | CSR Registration number |
| 12             | Empowering Women                | (iii)  | Yes                        | Visakhapatnam District in Andhra Pradesh and Yadadri Bhuvanagiri District in Telangana                   |          | 22   | Yes   | -   | -                       |
| 13             | Animal welfare                  | (iv)   | Yes                        | Visakhapatnam and Vizianagaram Districts in Andhra Pradesh and Yadadri Bhuvanagiri District in Telangana |          | 2  | Yes   | -   | -                       |
| 14             | Animal welfare                  | (iv)   | No                         | New Delhi  |          | 500  | No  | People for Animals  | CSR00001927             |
| 15             | Support to Differently Abled    | (ii)   | Yes                        | Visakhapatnam District in Andhra Pradesh and Rangareddy District in Telangana                            |          | 47   | Yes   | -   | -                       |
| 16             | Livelihood Enhancement Projects | (ii)   | Yes                        | Visakhapatnam District in Andhra Pradesh   |          | 7  | Yes   | -   | -                       |
| 17             | Safe Drinking Water             | (i)  | Yes                        | Visakhapatnam and Vizianagaram Districts in Andhra Pradesh and Yadadri Bhuvanagiri District in Telangana |          | 263  | Yes   | -   | -                       |
| 18             | Environmental Sustainability    | (iv)   | Yes                        | Visakhapatnam and Vizianagaram Districts in Andhra Pradesh and Yadadri Bhuvanagiri District in Telangana |          | 242  | Yes   | -   | -                       |

## Statutory Reports

### Board's Report

| (1)<br>Sl. No. | (2)<br>Name of the Project                    | (3)<br>Item from the list of activities in Schedule VII to the Act | (4)<br>Local area (Yes/No) | (5)<br>Location of the project.  |          | (6)<br>Amount spent for the project (₹ in lakhs) | (7)<br>Mode of implementation - Direct (Yes/No) | (8)<br>Mode of implementation - Through implementing agency |                         |
|----------------|---|--|----------------------------|--|----------|--|---|---|-------------------------|
|                |   |  |                            | State  | District |  |   | Name  | CSR Registration number |
| 19             | Promoting Rural Sports                        | (vii)  | Yes                        | Visakhapatnam District in Andhra Pradesh and Yadadri Bhuvanagiri District in Telangana                   |          | 10   | Yes   | -   | -                       |
| 20             | Swachh Bharat                                 | (i)  | Yes                        | Visakhapatnam and Vizianagaram Districts in Andhra Pradesh and Yadadri Bhuvanagiri District in Telangana |          | 16   | Yes   | -   | -                       |
| 21             | Promotion and Development of arts and Culture | (i)  | Yes                        | Visakhapatnam District in Andhra Pradesh   |          | 0.40   | Yes   |   |                         |

Note: ₹247 lakhs set off amount is also included under promoting education.

(d) **Amount spent in Administrative Overheads:** ₹ 76 lakhs

(e) **Amount spent on Impact Assessment, if applicable:** Nil

(f) **Total amount spent for the Financial Year (8b+8c+8d+8e):** ₹ 4,460 lakhs

(g) **Excess amount for set off, if any**

| Sl. No. | Name of Director  | Amount (₹ in lakhs) |
|---------|---|---------------------|
| (i)     | Two percent of average net profit of the company as per Section 135(5)                                      | 4,167               |
| (ii)    | Total amount spent for the Financial Year   | 4,460               |
| (iii)   | Excess amount spent for the financial year [(ii)-(i)]   | 293                 |
| (iv)    | Surplus arising out of the CSR projects or programmes or activities of the previous financial years, if any | Nil                 |
| (v)     | Amount available for set off in succeeding financial years [(iii)-(iv)]                                     | 293                 |



**9. (a) Details of Unspent CSR amount for the preceding three financial years: Nil**

| Sl. No. | Preceding Financial Year | Amount transferred to Unspent CSR Account under Section 135 (6) (₹ in lakhs) | Amount spent in the reporting Financial Year (₹ in lakhs) | Amount transferred to any fund specified under Schedule VII as per Section 135(6), if any. |                     |                  | Amount remaining to be spent in succeeding financial years (₹ in lakhs) |
|---------|--------------------------|--|---|--|---------------------|------------------|---|
|         |                          |  |   | Name of the Fund   | Amount (₹ in lakhs) | Date of transfer |   |
| -       | -                        | Nil  | -   | -  | Nil                 | -                | -   |

**(b) Details of CSR amount spent in the financial year for ongoing projects of the preceding financial year(s):** Not Applicable

**10. In case of creation or acquisition of capital asset, furnish the details relating to the asset so created or acquired through CSR spent in the financial year (asset-wise details).**

- a) Date of creation or acquisition of the capital asset(s): None
- b) Amount of CSR spent for creation or acquisition of capital asset: Nil
- c) Details of the entity or public authority or beneficiary under whose name such capital asset is registered, their address etc: Not Applicable
- d) Provide details of the capital asset(s) created or acquired (including complete address and location of the capital asset): Not Applicable

**11. Specify the reason(s), if the company has failed to spend two per cent of the average net profit as per section 135(5):**  
Not Applicable

For **Divi's Laboratories Limited**

Place: Hyderabad  
Date: May 23, 2022

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

**R. Ranga Rao**  
Chairman CSR Committee  
DIN: 06409742

## ANNEXURE – V

### INFORMATION PURSUANT TO SECTION 134(3)(M) OF THE COMPANIES ACT 2013 READ WITH THE COMPANIES (ACCOUNTS) RULES, 2014.

#### A. Conservation of Energy

(i) Steps taken or impact on conservation of energy

Energy conservation refers to reducing energy consumption through optimal energy utilisation technologies, enhancing energy availability, resource efficiency as also use of renewable energy.

A dedicated energy management team focuses on energy management and constantly reviews the progress made. It has implemented a number of energy conservation initiatives. Some of key initiatives include:

- Replacing Centrifuges (CFs) & Fluidized Bed Dryers (FBDs) with Agitated Nutsche Filters (ANFs)
- Arranging dry-claw-vacuum pumps
- Replacing screw air compressor with energy efficient centrifugal air compressors
- Facilitating new purified water systems
- Installing Low Tension (LT) capacitor panels with Active/automatic power factor correction/ controllers (APFC controller)
- Installing add-on system for Room Temperature (RT) water & Brine pumps
- Arranging solar panels
- Installing Air jet mill and in- line shifter at manufacturing facility
- Installing Oxygen analysers for process vessels
- Installing shell in shell type glass lined heat exchanger instead
- Arranging Silo, Powder Transferring System (PTS) and auto filling weighing system for material packing
- Installing vacuum pumps & Clean in Place (CIP) pumps for Multiple Effect Evaporators (MEE)
- Enrouting sewage water to treatment plants

(ii) Steps taken by the Company for utilising alternate sources of energy

- Reduced process time cycles by process optimization
- Reduced process vessel revolutions per minute (RPM) by carrying optimization studies
- Reduced process vessel time cycles by minimizing analysis delays
- Arranging illumination sheets on roof

(iii) The capital investment on energy conservation equipment is ₹ 2,170 lakhs during the year.

## B. Technology Absorption

| Name of Director   |  |              |
|--|--|--------------|
| 1. Efforts in brief, made towards technology absorption                    | The Company has its own R&D Centres which develop technologies and processes for Active Pharmaceutical Ingredients and drug intermediates and these technologies are implemented at the Company's manufacturing facilities.  |              |
| 2. Benefits derived as a result of the above efforts                       | The Company constantly reviews, optimizes and improves its processes for its product range. These efforts have resulted in lower cost of production, achieve consistent exports and be competitive in the global market. The process upgradations also brought about improvement in green chemistry by reducing reagents, minimize wastes and increasing recoveries. |              |
| 3. Information regarding import of technology during the last three years. | There is no import of technology.  |              |
| 4. Expenditure incurred on research and development                        | (₹ in lakhs)   |              |
| Particulars  | 2021-22  | 2020-21      |
| Capital  | 410  | 25           |
| Recurring  | 5,495  | 5,101        |
| <b>Total</b>   | <b>5,905</b>   | <b>5,126</b> |
| Total R&D Expenditure as a % of Sales Revenue                              | 0.66%  | 0.75%        |

## C. Foreign Exchange Earnings and Outgo

|                                    | (₹ in lakhs) |          |
|------------------------------------|--------------|----------|
| Particulars                        | 2021-22      | 2020-21  |
| Foreign Exchange earnings          | 7,84,453     | 5,88,774 |
| Foreign Exchange outgo:            |              |          |
| - CIF Value of Imports             | 1,76,755     | 1,31,268 |
| - Expenditure in Foreign Currency  | 2,779        | 2,146    |
| Net Foreign Exchange Earning (NFE) | 6,04,919     | 4,55,360 |
| NFE / Earnings %                   | 77%          | 77%      |

For and on behalf of the Board

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

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

Place: Hyderabad  
Date: May 23, 2022



# ANNEXURE – VI

## FORM NO. MR-3

### SECRETARIAL AUDIT REPORT FOR THE FINANCIAL YEAR ENDED MARCH 31, 2022

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

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

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

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, the explanations and clarifications given to us and the representations made by the Management and considering the relaxations granted by the Ministry of Corporate Affairs and Securities and Exchange Board of India warranted due to the spread of the COVID-19 pandemic. We hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on March 31, 2022 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by Divi's Laboratories Limited ("the Company") for the financial year ended on March 31, 2022, according to the provisions of:

- (i) The Companies Act, 2013 (the Act) and the rules made there under;
- (ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under;
- (iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed there under;

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

- i. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018\*;

\* Not applicable to the Company during the Audit period

(vi) Other applicable Acts

- (a) The Factories Act, 1948
- (b) The Industrial Disputes Act, 1947
- (c) The Payment of Wages Act, 1936
- (d) The Minimum Wages Act, 1948
- (e) The Employees Provident Funds and Miscellaneous Provisions Act, 1952
- (f) The Payment of Bonus Act, 1965
- (g) The Payment of Gratuity Act, 1972
- (h) The Contract Labour (Regulation & Abolition) Act, 1970
- (i) The Maternity Benefit Act, 1961
- (j) The Child Labour (Prohibition & Regulation) Act, 1986
- (k) The Industrial Employment (Standing Order) Act, 1946
- (l) The Employee Compensation Act, 1923
- (m) The Apprentices Act, 1961
- (n) Equal Remuneration Act, 1976
- (o) The Employment Exchange (Compulsory Notification of Vacancies) Act, 1956
- (p) The Customs Act, 1962
- (q) The Foreign Trade (Development and Regulation) Act, 1992
- (r) The Shops and Establishment Act, 1988
- (s) The Water (Prevention and control of pollution) Act 1974, The Air (Prevention and control of pollution) Act 1981 and The Environment Protection Act, 1986 and rules made thereunder
- (t) The Public Liability Insurance Act, 1991
- (u) The Explosive Act, 1884
- (v) The Indian Boilers Act, 1923
- (w) The Patents Act, 1970
- (x) The Biological Diversity Act, 2002
- (y) The Food Safety and Standards Act, 2006
- (z) Special Economic Zones Act, 2005
- (aa) The Drug and Cosmetics Act, 1940
- (bb) The Narcotic Drugs and Psychotropic Substances Act, 1985
- (cc) Employee's State Insurance Act, 1948

- (dd) Factories and Establishment (National, Festival and Other Holidays) Acts of the applicable states, where the company has establishments.

- (ee) The Sexual Harassment of Women at Work Place (Prevention, Prohibition and Redressal) Act, 2013

- (ff) Labour Welfare Fund Acts of the applicable states, where the company has establishments.

- (gg) Conservation of Foreign Exchange and Prevention of Smuggling Act, 1974

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

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

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

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

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

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

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

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

## Statutory Reports

### Board's Report

other designated professionals.

We further report that, as informed, the Company has responded appropriately to notices/queries received from various statutory / regulatory authorities including initiating actions for corrective measures, wherever found necessary.

We further report that, during the audit period the company has carried the following transactions/actions bearing on the company affairs in pursuance of applicable acts, rules and regulations etc.

a. The Company has carried out the below Special Business items by way of passing special resolutions through postal ballot result dated 28.03.2022.

1. Re-appointment of Dr. Ramesh B.V. Nimmagadda

(DIN: 07854042) as an Independent Director of the Company to hold office for a second term of 5 (five) consecutive years, that is, from June 27, 2022 up to June 26, 2027.

2. Re-appointment of Dr. Ganapaty Seru (DIN: 07872766) as an Independent Director of the Company hold office for a second term of 5 (five) consecutive years, that is, from July 22, 2022 up to July 21, 2027.

3. Re-appointment of Ms. Nilima Prasad Divi (DIN: 06388001) as 'Whole-time Director (Commercial)' of the Company for a period of 5 years with effect from June 27, 2022.

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

**V. Bhaskara Rao**  
Proprietor

FCS No.5939, CP No.4182  
UDIN: F005939D000360359

Place: Hyderabad  
Date: May 23, 2022

# 'ANNEXURE- A'

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

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

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

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

**V. Bhaskara Rao**  
Proprietor

Place: Hyderabad  
Date: May 23, 2022

FCS No.5939, CP No.4182  
UDIN: F005939D000360359



Standalone  
**FINANCIAL  
STATEMENTS**

# Independent Auditor's Report

To the Members of **Divi's Laboratories Limited**

## Report on the audit of the Standalone financial statements

### Opinion

1. We have audited the accompanying standalone financial statements of Divi's Laboratories Limited ("the Company"), which comprise the Standalone Balance sheet as at March 31, 2022, and the Standalone Statement of profit and loss (including Other Comprehensive Income), the Standalone Statement of changes in equity and the Standalone Statement of cash flows for the year then ended, and Notes to Standalone Financial Statements, including a summary of significant accounting policies and other explanatory information.
2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2022, total comprehensive income (comprising of profit and other comprehensive income), changes in equity and its cash flows for the year then ended.

### Basis for Opinion

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

### Key audit matters

4. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. This matter was addressed in the context of our audit of the

standalone financial statements as a whole and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

### Key Audit Matter - Appropriateness of capitalisation of costs as per Ind AS 16 Property, Plant and Equipment

Refer to Note 3 (d) & 4 (c) to the standalone financial statements.

During the year, the company has incurred capital expenditure aggregating to ₹85,874 lakhs on Property, Plant and Equipment (representing Plant & Machinery and Roads & Buildings) and ₹69,387 lakhs on Capital work in progress towards assets under construction at various locations.

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

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

### How our audit addressed the Key Audit matter

Our procedures included the following:

- Understood, evaluated and tested the design and operating effectiveness of key controls relating to capitalisation of various costs incurred, including in relation to Roads & Building, Plant and Machinery and Capital work-in-progress.
- Tested the direct and indirect costs capitalised, on a sample basis, with the underlying supporting documents to ascertain the nature of costs and the basis for allocation, where applicable, and evaluated whether they meet the recognition criteria provided in the Ind AS 16, Property, Plant and Equipment.
- Tested, on a sample basis, the appropriateness of employee costs capitalised in relation to Plant and Machinery and Roads and Buildings based on verification of their timesheets etc.

### Independent Auditor's Report

- Tested other costs debited to Statement of profit and loss account, on a sample basis, to ascertain whether these meet the criteria for capitalisation.
- Assessed the adequacy of disclosures in the standalone financial statements.

Our procedures did not identify, any costs that are eligible for capitalisation are not appropriately capitalised or costs capitalised are not in accordance with the recognition criteria provided in Ind AS 16.

### Other Information

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

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

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

We have nothing to report in this regard.

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

6. The Company's Board of Directors is responsible for the matters stated in Section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities;

selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

In preparing the standalone financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

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

7. Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.
8. As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
  - Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
  - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, we are also responsible for

expressing our opinion on whether the company has adequate internal financial controls with reference to standalone financial statements in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
  - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
  - Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
9. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
10. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
11. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on other legal and regulatory requirements

12. As required by the Companies (Auditor's Report) Order, 2020 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act, we give in the "Annexure B" a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.
13. As required by Section 143(3) of the Act, we report that:
- (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
  - (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
  - (c) Standalone Balance Sheet, Standalone Statement of profit and loss (including other comprehensive income), Standalone Statement of changes in equity and Standalone Statement of cash flows dealt with by this Report are in agreement with the books of account.
  - (d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act.
  - (e) On the basis of the written representations received from the directors as on March 31, 2022 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2022 from being appointed as a director in terms of Section 164(2) of the Act.
  - (f) With respect to the adequacy of the internal financial controls with reference to standalone financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A".
  - (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
    - i. The Company has disclosed the impact of pending litigations on its financial position in its standalone financial statements – Refer Note 38 to the standalone financial statements;
    - ii. The Company did not have any long-term contracts for which there were any material foreseeable losses. The Company did not have any derivative contracts as at March 31, 2022.



- iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company during the year.
  - iv. (a) The management has represented that, to the best of its knowledge and belief, as disclosed in the notes to the accounts, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Company to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries"), with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries (Refer Note 39 (v) to the standalone financial statements);  
  
(b) The management has represented that, to the best of its knowledge and belief, as disclosed in the notes to the accounts, no funds have been received by the Company from any person(s) or entity(ies), including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Company shall, whether, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries (Refer Note 39 (v) to the standalone financial statements);  
  
(c) Based on such audit procedures that we considered reasonable and appropriate in the circumstances, nothing has come to our notice that has caused us to believe that the representations under sub-clause (a) and (b) contain any material misstatement.
  - v. The dividend declared and paid during the year by the Company is in compliance with Section 123 of the Act.
14. The Company has paid/ provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.

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

**Sunit Kumar Basu**  
Partner

Place: Hyderabad  
Date: May 23, 2022

Membership Number: 55000  
UDIN: 22055000AJKGLW7587

# Annexure A to Independent Auditor's Report

Referred to in paragraph 13(f) of the Independent Auditor's report of even date to the members of Divi's Laboratories Limited on the standalone financial statements for the year then ended March 31, 2022

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

1. We have audited the internal financial controls with reference to financial statements of Divi's Laboratories Limited ("the Company") as of March 31, 2022 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

## Management's Responsibility for Internal Financial Controls

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

## Auditor's Responsibility

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

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

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

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

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

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

7. Because of the inherent limitations of internal financial controls with reference to financial statements, including

### Independent Auditor's Report

the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to financial statements to future periods are subject to the risk that the internal financial controls with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

to financial statements and such internal financial controls with reference to financial statements were operating effectively as at March 31, 2022, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note issued by ICAI

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

### Opinion

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

Place: Hyderabad  
Date: May 23, 2022

**Sunit Kumar Basu**  
Partner  
Membership Number: 55000  
UDIN: 22055000AJKGLW7587

## Annexure B to Independent Auditor's Report

Referred to in paragraph 12 of the Independent Auditors' Report of even date to the members of Divi's Laboratories Limited on the standalone financial statements as of and for the year ended March 31, 2022.

- i. (a) (A) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of Property, Plant and Equipment.
- (B) The Company is maintaining proper records showing full particulars of Intangible Assets.
- (b) The Property, Plant and Equipment are physically verified by the Management according to a phased programme designed to cover all the items over a period of 3 years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the Property, Plant and Equipment has been physically verified by the Management during the year and no material discrepancies have been noticed on such verification.
- (c) The title deeds of all the immovable properties, as disclosed in Note 3 on Property, Plant and Equipment to the standalone financial statements, are held in the name of the Company.
- (d) The Company has chosen cost model for its Property, Plant and Equipment and intangible assets. Consequently, the question of our commenting on whether the revaluation is based on the valuation by a Registered Valuer, or specifying the amount of change, if the change is 10% or more in the aggregate of the net carrying value of each class of Property, Plant and Equipment or intangible assets does not arise.
- (e) Based on the information and explanations furnished to us, no proceedings have been initiated on (or) are pending against the Company for holding benami property under the Prohibition of Benami Property Transactions Act, 1988 (as amended in 2016) (formerly the Benami Transactions (Prohibition) Act, 1988 (45 of 1988)) and Rules made thereunder, and therefore the question of our commenting on whether the Company has appropriately disclosed the details in its financial statements does not arise.
- ii. (a) The physical verification of inventory excluding stocks with third parties has been conducted at reasonable intervals by the Management during the year and, in our opinion, the coverage and procedure of such verification by Management is appropriate. In respect of inventory lying with third parties, these have substantially been confirmed by them. The discrepancies noticed on physical verification of inventory as compared to book records were not 10% or more in aggregate for each class of inventory.
- (b) During the year, the Company has been sanctioned working capital limits in excess of ₹5 crores, in aggregate, from banks on the basis of security of current assets. The Company has filed quarterly statements with such banks, which are in agreement with the books of account; reviewed by us for the quarter ended June 30, 2021, September 30, 2021, December 31, 2021 and audited by us for the year ended March 31, 2022. (Also refer Note 18 (b) to the standalone financial statements)
- iii. (a) The Company has not granted secured/unsecured loans/advances in nature of loans, or stood guarantee, or provided security to any parties. The Company has subscribed in Secured Optionally convertible debentures of a company other than subsidiaries, joint ventures and associates. The aggregate amount during the year and balance outstanding at the balance sheet date with respect to such Secured Optionally convertible debentures are as per the table given below:

|   | Amount in ₹Lakhs |
|---|------------------|
| Aggregate amount subscribed during the year   | 7,200            |
| Balance outstanding as at balance sheet date in respect of the above (including accrued interest) | 7,200            |

(Also refer Note 6(b) to the standalone financial statements)



- (b) In respect of the aforesaid Secured Optionally Convertible debentures the terms and conditions under which such subscription was made are not prejudicial to the Company's interest.
- (c) In respect of the aforesaid Secured Optionally Convertible debentures, the schedule of repayment of principal and payment of interest has been stipulated. As at the reporting date, the principal amount or the interest amount have not become due for payment and therefore, the question of our commenting on whether the payments are regular or not does not arise.
- (d) In respect of the aforesaid Secured Optionally Convertible debentures, there is no amount which is overdue for more than ninety days.
- (e) There were no loans /advances in nature of loans which fell due during the year and were renewed/ extended. Further, no fresh loans were granted to same parties to settle the existing overdue loans/ advances in nature of loan.
- (f) There were no loans/advances in nature of loans which were granted during the year, including to promoters/ related parties.
- iv. In our opinion, and according to the information and explanations given to us, the Company has complied with the provisions of Sections 185 and 186 of the Companies Act, 2013 in respect of the investments made, by it.
- v. The Company has not accepted any deposits or amounts which are deemed to be deposits within the meaning of Sections 73, 74, 75 and 76 of the Act and the Rules framed there under to the extent notified.
- vi. Pursuant to the rules made by the Central Government of India, the Company is required to maintain cost records as specified under Section 148(1) of the Act in respect of its products. We have broadly reviewed the same and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
- vii (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing undisputed statutory dues in respect of income tax and provident fund, though there has been a slight delay in a few cases, and is regular in depositing undisputed statutory dues, including ,employees' state insurance, professional tax, duty of customs, goods and services tax and other material statutory dues, as applicable, with the appropriate authorities. Also, refer note 38(b) to the standalone financial statements regarding management's assessment on certain matters relating to provident fund.

- (b) According to the information and explanations given to us and the records of the Company examined by us, there are no statutory dues of Provident Fund, Employee state Insurance, Professional Tax, Goods and Service Tax, sales-tax, value added tax which have not been deposited on account of any dispute. The particulars of other statutory dues of income tax, Service Tax, entry tax, duty of customs and duty of excise as at March 31, 2022, which have not been deposited on account of a dispute, are as follows:

| Name of the statute | Nature of dues          | Disputed Amount (₹In lakhs) | Amount deposited (₹In lakhs) | Period to which the amount relates | Forum where the dispute is pending  |
|---------------------|-------------------------|-----------------------------|------------------------------|------------------------------------|---|
| Customs Act, 1962   | Penalty                 | 10.00                       | -                            | January, 2007                      | Customs, Excise and Service Tax Appellate Tribunal, South Zonal Bench, Chennai. |
| Customs Act, 1962   | Custom Duty and Penalty | 151.48                      | 3.36                         | June, 2006 to December, 2008       | High Court of Andhra Pradesh, Amaravathi  |
| Customs Act, 1962   | Custom Duty and Penalty | 36.70                       | -                            | March, 2012                        | Commissioner of Customs, Central Excise & Service tax Viskhapatnam              |
| Customs Act, 1962   | Custom Duty and Penalty | 63.15                       | -                            | November, 2012                     | Commissioner of Customs, Excise & Service tax Viskhapatnam                      |
| Customs Act, 1962   | Custom Duty and Penalty | 8.60                        | -                            | June, 2009 to March, 2010          | High Court of Andhra Pradesh Amaravathi   |

| Name of the statute                        | Nature of dues          | Disputed Amount (₹In lakhs) | Amount deposited (₹In lakhs) | Period to which the amount relates | Forum where the dispute is pending                                  |
|--|-------------------------|-----------------------------|------------------------------|------------------------------------|---|
| Customs Act, 1962                          | Custom Duty             | 48.26                       | 48.26                        | May, 2014 to February, 2018        | commissioner of customs (Appeals)                                   |
| Central Excise Act, 1944                   | Service tax and penalty | 19.33                       | 1.93                         | April, 2003 to March, 2004         | Customs, Central Excise & Service tax Appellate Tribunal, Hyderabad |
| Central Excise Act, 1944                   | Excise duty and Penalty | 244.09                      | 12.20                        | September, 2006 to December, 2008  | Customs, Central Excise & Service tax Appellate Tribunal, Hyderabad |
| Central Excise Act, 1944                   | Excise duty and Penalty | 9.38                        | -                            | July, 2009 to March, 2010          | High Court of Andhra Pradesh, Amaravathi                            |
| Central Excise Act, 1944                   | Service Tax and Penalty | 19.43                       | 0.97                         | May, 2011 to December, 2011        | High Court of Andhra Pradesh, Amaravathi                            |
| Central Excise Act, 1944                   | Service Tax and Penalty | 45.18                       | 3.77                         | April, 2010 to March, 2011         | Customs, Central Excise & Service tax Appellate Tribunal, Hyderabad |
| Entry of Goods in to Local areas Act, 2001 | Entry Tax               | 43.19                       | 10.80                        | Financial years 2014-15 to 2016-17 | High Court of Andhra Pradesh, Amaravathi                            |
| Income Tax Act, 1961                       | Interest                | 0.41                        | -                            | Financial year 2005-06             | Additional Commissioner of Income Tax, Range-I, Hyderabad           |

- viii. According to the information and explanations given to us and the records of the Company examined by us, there are no transactions in the books of account that has been surrendered or disclosed as income during the year in the tax assessments under the Income Tax Act, 1961, that has not been recorded in the books of account.
- ix. (a) According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of loans or other borrowings or in the payment of interest to any lender during the year.
- (b) According to the information and explanations given to us and on the basis of our audit procedures, we report that the Company has not been declared Wilful Defaulter by any bank or financial institution or government or any government authority.
- (c) According to the records of the Company examined by us and the information and explanations given to us, the Company has not obtained any term loans.
- (d) According to the information and explanations given to us, and the procedures performed by us, and on an overall examination of the financial statements of the Company, we report that no funds raised on short-term basis have been used for long-term purposes by the Company.
- (e) According to the information and explanations given to us and on an overall examination of the financial statements of the Company, we report that the Company has not taken any funds from any entity or person on account of or to meet the obligations of its subsidiaries, associates or joint ventures.
- (f) According to the information and explanations given to us and procedures performed by us, we report that the Company has not raised loans during the year on the pledge of securities held in its subsidiaries, joint ventures or associate companies.
- x. (a) The Company has not raised any money by way of initial public offer or further public offer (including debt instruments) during the year. Accordingly, the reporting under clause 3(x)(a) of the Order is not applicable to the Company.
- (b) The Company has not made any preferential allotment or private placement of shares or fully or partially or optionally convertible debentures during the year. Accordingly, the reporting under clause 3(x)(b) of the Order is not applicable to the Company.

- xi. (a) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud by the Company or on the Company, noticed or reported during the year, nor have we been informed of any such case by the Management.
- (b) During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, a report under Section 143(12) of the Act, in Form ADT-4, as prescribed under rule 13 of Companies (Audit and Auditors) Rules, 2014 was not required to be filed with the Central Government. Accordingly, the reporting under clause 3(xi)(b) of the Order is not applicable to the Company.
- (c) During the course of our examination of the books and records of the Company carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, and as represented to us by the management, no whistle-blower complaints have been received during the year by the Company. Accordingly, the reporting under clause 3(xi)(c) of the Order is not applicable to the Company.
- xii. As the Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it, the reporting under clause 3(xii) of the Order is not applicable to the Company.
- xiii. The Company has entered into transactions with related parties in compliance with the provisions of Sections 177 and 188 of the Act. The details of such related party transactions have been disclosed in the standalone financial statements as required under Indian Accounting Standard 24 "Related Party Disclosures" specified under Section 133 of the Act.
- xiv. (a) In our opinion and according to the information and explanation given to us, the Company has an internal audit system commensurate with the size and nature of its business.
- (b) The reports of the Internal Auditor for the period under audit have been considered by us.
- xv. The Company has not entered into any non-cash transactions with its directors or persons connected with him. Accordingly, the reporting on compliance with the provisions of Section 192 of the Act under clause 3(xv) of the Order is not applicable to the Company.
- xvi. (a) The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the reporting under clause 3(xvi)(a) of the Order is not applicable to the Company.
- (b) The Company has not conducted non-banking financial / housing finance activities during the year. Accordingly, the reporting under clause 3(xvi)(b) of the Order is not applicable to the Company.
- (c) The Company is not a Core Investment Company (CIC) as defined in the regulations made by the Reserve Bank of India. Accordingly, the reporting under clause 3(xvi)(c) of the Order is not applicable to the Company.
- (d) Based on the information and explanations provided by the management of the Company, the Group does not have any CICs, which are part of the Group. We have not, however, separately evaluated whether the information provided by the management is accurate and complete. Accordingly, the reporting under clause 3(xvi)(d) of the Order is not applicable to the Company.
- xvii. The Company has not incurred any cash losses in the financial year or in the immediately preceding financial year.
- xviii. There has been no resignation of the statutory auditors during the year and accordingly the reporting under clause (xviii) is not applicable.
- xix. According to the information and explanations given to us and on the basis of the financial ratios (Also refer Note 42 to the standalone financial statements), ageing and expected dates of realisation of financial assets and payment of financial liabilities, other information accompanying the financial statements, our knowledge of the Board of Directors and management plans and based on our examination of the evidence supporting the assumptions, nothing has come to our attention, which causes us to believe that any material uncertainty exists as on the date of the audit report that Company is not capable of meeting its liabilities existing at the date of balance sheet as and when they fall due within a period of one year from the balance sheet date. We, however, state that this is not an assurance as to the future viability of the Company. We further state that our reporting is based on the facts up to the date of the audit report and we neither give any guarantee nor any assurance that all liabilities falling due within a period of one year from the balance sheet date will get discharged by the Company as and when they fall due.
- xx. As at balance sheet date, the Company does not have any amount remaining unspent under Section 135(5) of the Act.



Accordingly, reporting under clause 3(xx) of the Order is not applicable.

xxi. The reporting under clause 3(xxi) of the Order is not applicable in respect of audit of Standalone Financial Statements. Accordingly, no comment in respect of the said clause has been included in this report.

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

**Sunit Kumar Basu**

Partner

Place: Hyderabad

Date: May 23, 2022

Membership Number: 55000

UDIN: 22055000AJKGLW7587



# Standalone Balance Sheet

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

| Particulars  | Note   | As at<br>March 31, 2022 | As at<br>March 31, 2021 |
|--|--------|-------------------------|-------------------------|
| <b>ASSETS</b>  |        |                         |                         |
| <b>Non-current assets</b>                                |        |                         |                         |
| Property, plant and equipment                            | 3      | 4,31,348                | 3,69,406                |
| Capital work-in-progress                                 | 4      | 46,993                  | 71,062                  |
| Intangible assets  | 5      | 749                     | 495                     |
| Financial assets   |        |                         |                         |
| (i) Investments  | 6      | 7,937                   | 737                     |
| (ii) Other financial assets                              | 13(a)  | 5,763                   | 5,661                   |
| Income tax assets (net)                                  | 7(a)   | 2,917                   | 6,860                   |
| Other non-current assets                                 | 8      | 5,483                   | 5,625                   |
| <b>Total Non-current assets</b>                          |        | <b>5,01,190</b>         | <b>4,59,846</b>         |
| <b>Current assets</b>                                    |        |                         |                         |
| Inventories  | 9      | 2,64,405                | 2,04,270                |
| Financial assets   |        |                         |                         |
| (i) Trade receivables                                    | 10     | 2,56,990                | 1,74,556                |
| (ii) Cash and cash equivalents                           | 11     | 1,19,956                | 2,01,630                |
| (iii) Bank balances other than (ii) above                | 12     | 1,60,412                | 12,571                  |
| (iv) Other financial assets                              | 13(b)  | 484                     | 947                     |
| Income tax assets (net)                                  | 7(b)   | 5,768                   | 3,427                   |
| Other current assets                                     | 14     | 21,581                  | 15,130                  |
| <b>Total Current assets</b>                              |        | <b>8,29,596</b>         | <b>6,12,531</b>         |
| <b>TOTAL ASSETS</b>                                      |        | <b>13,30,786</b>        | <b>10,72,377</b>        |
| <b>EQUITY AND LIABILITIES</b>                            |        |                         |                         |
| <b>Equity</b>  |        |                         |                         |
| Equity share capital                                     | 15 (a) | 5,309                   | 5,309                   |
| Other equity   | 15 (b) | 11,63,826               | 9,21,848                |
| <b>Total Equity</b>                                      |        | <b>11,69,135</b>        | <b>9,27,157</b>         |
| <b>Liabilities</b>                                       |        |                         |                         |
| <b>Non-current liabilities</b>                           |        |                         |                         |
| Provisions   | 16     | 2,671                   | 2,525                   |
| Deferred tax liabilities (net)                           | 17     | 42,140                  | 33,806                  |
| <b>Total Non-current liabilities</b>                     |        | <b>44,811</b>           | <b>36,331</b>           |
| <b>Current liabilities</b>                               |        |                         |                         |
| Financial liabilities                                    |        |                         |                         |
| (i) Borrowings   | 18     | -                       | 35                      |
| (ii) Trade payables                                      | 19     |                         |                         |
| a) Total outstanding dues of micro and small enterprises |        | 2,478                   | 3,248                   |
| b) Total outstanding dues other than (ii) (a) above      |        | 74,652                  | 71,630                  |
| (iii) Other financial liabilities                        | 20     | 6,289                   | 7,824                   |
| Other current liabilities                                | 21     | 33,006                  | 25,901                  |
| Provisions   | 16     | 415                     | 251                     |
| <b>Total current liabilities</b>                         |        | <b>1,16,840</b>         | <b>1,08,889</b>         |
| <b>Total Liabilities</b>                                 |        | <b>1,61,651</b>         | <b>1,45,220</b>         |
| <b>TOTAL EQUITY AND LIABILITIES</b>                      |        | <b>13,30,786</b>        | <b>10,72,377</b>        |

The accompanying notes are an integral part of the financial statements

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

For **Price Waterhouse Chartered Accountants LLP**  
Firm registration number: 012754N/N500016

**Sunit Kumar Basu**  
Partner  
Membership number: 55000

Place: Hyderabad  
Date: May 23, 2022

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

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

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

**L. Kishorebabu**  
Chief Financial Officer

**N.V. Ramana**  
Executive Director  
DIN: 00005031

**Nilima Prasad Divi**  
Whole-time Director  
(Commercial)  
DIN: 06388001

**M. Satish Choudhury**  
Company Secretary  
Membership No:A30204

# Standalone Statement of Profit and Loss

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

| Particulars  | Notes | For the year ended<br>March 31, 2022 | For the year ended<br>March 31, 2021 |
|--|-------|--------------------------------------|--------------------------------------|
| <b>Income</b>  |       |                                      |                                      |
| Revenue from operations  | 22    | 8,87,982                             | 6,79,861                             |
| Other income   | 23    | 11,126                               | 6,253                                |
| <b>Total Income</b>  |       | <b>8,99,108</b>                      | <b>6,86,114</b>                      |
| <b>Expenses</b>  |       |                                      |                                      |
| Cost of raw materials consumed                                       | 24    | 3,43,979                             | 2,36,550                             |
| Changes in inventories of finished goods and work-in-progress        | 25    | (44,999)                             | (10,000)                             |
| Employee benefits expense  | 26    | 92,655                               | 80,868                               |
| Finance costs  | 27    | 65                                   | 69                                   |
| Depreciation and amortisation expense                                | 28    | 31,055                               | 25,465                               |
| Other expenses   | 29    | 1,08,701                             | 90,375                               |
| <b>Total Expenses</b>  |       | <b>5,31,456</b>                      | <b>4,23,327</b>                      |
| <b>Profit before tax</b>   |       | <b>3,67,652</b>                      | <b>2,62,787</b>                      |
| <b>Tax expense</b>   | 30    |                                      |                                      |
| Current tax  |       | 63,720                               | 60,905                               |
| Deferred tax   |       | 9,078                                | 6,410                                |
| <b>Total Tax Expense</b>   |       | <b>72,798</b>                        | <b>67,315</b>                        |
| <b>Profit after tax</b>  |       | <b>2,94,854</b>                      | <b>1,95,472</b>                      |
| <b>Other Comprehensive Income</b>                                    |       |                                      |                                      |
| <b>(A) Items that will not be reclassified to profit or loss</b>     |       |                                      |                                      |
| Gain/(Loss) on remeasurements of post-employment benefit obligations |       | 335                                  | 25                                   |
| - Income tax relating to these items                                 |       | (117)                                | (9)                                  |
| <b>(B) Items that will be reclassified to profit or loss</b>         |       | -                                    | -                                    |
| <b>Other Comprehensive Income after tax</b>                          |       | <b>218</b>                           | <b>16</b>                            |
| <b>Total Comprehensive Income</b>                                    |       | <b>2,95,072</b>                      | <b>1,95,488</b>                      |
| <b>Earnings per share (Par value of ₹ 2 each)</b>                    |       |                                      |                                      |
| - Basic and Diluted  | 43    | <b>111.07</b>                        | <b>73.63</b>                         |

The accompanying notes are an integral part of the financial statements

This is the Standalone Statement of profit and loss referred to in our report of even date

**For Price Waterhouse Chartered Accountants LLP**  
Firm registration number: 012754N/N500016

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

**Sunit Kumar Basu**  
Partner  
Membership number: 55000

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

**N.V. Ramana**  
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Whole-time Director and  
Chief Executive Officer  
DIN: 00006503

**Nilima Prasad Divi**  
Whole-time Director  
(Commercial)  
DIN: 06388001

Place: Hyderabad  
Date: May 23, 2022

**L. Kishorebabu**  
Chief Financial Officer

**M. Satish Choudhury**  
Company Secretary  
Membership No: A30204

# Standalone Statement of Cash Flows

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

| Particulars   | Note  | For the year ended<br>March 31, 2022 | For the year ended<br>March 31, 2021 |
|---|-------|--------------------------------------|--------------------------------------|
| <b>Cash flows from operating activities</b>                                   |       |                                      |                                      |
| Profit before tax   |       | 3,67,652                             | 2,62,787                             |
| Adjustments for:  |       |                                      |                                      |
| Depreciation and amortisation expense   | 28    | 31,055                               | 25,465                               |
| Unrealised foreign exchange gain  |       | (567)                                | (1,376)                              |
| Interest income from financial assets at amortised cost                       | 23    | (6,896)                              | (5,724)                              |
| Net gain on redemption /disposal of investments                               | 23    | -                                    | (265)                                |
| Provision for doubtful debts / (written back) [including bad debts recovered] | 29    | (277)                                | (92)                                 |
| Finance costs   | 27    | 21                                   | 69                                   |
| Loss on disposal / discard of assets  | 29    | 205                                  | 596                                  |
| Government grants   | 23    | (9)                                  | (7)                                  |
|   |       | <b>3,91,184</b>                      | <b>2,81,453</b>                      |
| <b>Change in operating assets and liabilities</b>                             |       |                                      |                                      |
| (Increase) / Decrease in trade receivables                                    | 10    | (81,710)                             | (21,329)                             |
| (Increase) / Decrease in inventories  | 9     | (60,135)                             | (29,853)                             |
| Increase / (Decrease) in trade payables                                       | 19    | 2,429                                | 17,078                               |
| (Increase) / Decrease in other non current assets                             | 8     | 125                                  | (232)                                |
| (Increase) / Decrease in current Loans  |       | -                                    | 9                                    |
| (Increase) / Decrease in other current financial assets                       | 13(b) | 463                                  | (558)                                |
| (Increase) / Decrease in other non current financial assets                   | 13(a) | (93)                                 | (2,161)                              |
| (Increase) / Decrease in other current assets                                 | 14    | (6,451)                              | 7,075                                |
| Increase / (Decrease) in long term employee benefit obligation                | 16    | 481                                  | 498                                  |
| Increase / (Decrease) in short term employee benefit obligation               | 16    | 164                                  | 5                                    |
| Increase / (Decrease) in other financial liabilities                          | 20    | 502                                  | (2,864)                              |
| Increase / (Decrease) in other current liabilities                            | 21    | 7,036                                | 8,880                                |
|   |       | <b>2,53,995</b>                      | <b>2,58,001</b>                      |
| <b>Cash generated from operations</b>   |       |                                      |                                      |
| Income taxes paid including withholding tax and net of refunds                | 7(c)  | (62,979)                             | (63,296)                             |
|   |       | <b>1,91,016</b>                      | <b>1,94,705</b>                      |
| <b>Net cash inflow from operating activities</b>                              |       |                                      |                                      |
| <b>Cash flows from investing activities</b>                                   |       |                                      |                                      |
| Payments for property, plant and equipment                                    | 3,4,5 | (71,368)                             | (90,998)                             |
| Proceeds from sale of property, plant and equipment                           |       | -                                    | 15                                   |
| Payments for investments in Optionally Convertible Debentures                 | 6     | (7,200)                              | -                                    |
| Payments for purchase of investments in mutual funds                          | -     | -                                    | (10,000)                             |
| Proceeds out of redemption/disposal of Investments                            | -     | -                                    | 1,07,400                             |
| Interest received   | 23    | 6,681                                | 5,701                                |
| Proceeds from withdrawal of deposits  | 12    | 5,050                                | 6,810                                |
| Investment in deposits  | 12    | (1,52,703)                           | (11,394)                             |
|   |       | <b>(2,19,540)</b>                    | <b>7,534</b>                         |
| <b>Net cash inflow / (outflow) from investing activities</b>                  |       |                                      |                                      |

# Standalone Statement of Cash Flows

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

| Particulars   | Note | For the year ended<br>March 31, 2022 | For the year ended<br>March 31, 2021 |
|---|------|--------------------------------------|--------------------------------------|
| <b>Cash flows from financing activities</b>                               |      |                                      |                                      |
| Proceeds/(repayment) from working capital loans                           | 18   | (35)                                 | (3,328)                              |
| Finance costs   | 27   | (21)                                 | (69)                                 |
| Dividends paid to company's shareholders                                  |      | (53,094)                             | -                                    |
| <b>Net cash outflow from financing activities</b>                         |      | <b>(53,150)</b>                      | <b>(3,397)</b>                       |
| <b>Net increase/ (decrease) in cash and cash equivalents</b>              |      | <b>(81,674)</b>                      | <b>1,98,842</b>                      |
| Cash and cash equivalents at the beginning of the year                    |      | 2,01,630                             | 2,788                                |
| <b>Cash and cash equivalents at end of the year</b>                       |      | <b>1,19,956</b>                      | <b>2,01,630</b>                      |
| <b>Reconciliation of Cash and cash equivalents at the end of the year</b> |      |                                      |                                      |
| Cash and cash equivalents   | 11   | 1,19,956                             | 2,01,630                             |
| <b>Balances as per Statement of Cash flows</b>                            |      | <b>1,19,956</b>                      | <b>2,01,630</b>                      |

- The statement of standalone cash flows has been prepared under the indirect method as set out in Indian Accounting Standard (Ind AS 7) Statement of Cash Flows.
- The accompanying notes are an integral part of the financial statements

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

**For Price Waterhouse Chartered Accountants LLP**  
Firm registration number: 012754N/N500016

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

**Sunit Kumar Basu**  
Partner  
Membership number: 55000

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

**N.V. Ramana**  
Executive Director  
DIN: 00005031

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

**Nilima Prasad Divi**  
Whole-time Director  
(Commercial)  
DIN: 06388001

Place: Hyderabad  
Date: May 23, 2022

**L. Kishorebabu**  
Chief Financial Officer

**M. Satish Choudhury**  
Company Secretary  
Membership No:A30204



# Standalone Statement of changes in Equity

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

## a. Equity Share Capital

| S. No | Particulars                                      | As at<br>March 31, 2022 | As at<br>March 31, 2021 |
|-------|--|-------------------------|-------------------------|
| i     | Balance at the beginning of the reporting period | 5,309                   | 5,309                   |
| ii    | Balance at the end of the reporting period       | 5,309                   | 5,309                   |

## b. Other Equity

| S. No                       | Particulars  | Reserves And Surplus  |                                |                    |                      | Total            |
|-----------------------------|--|-----------------------|--------------------------------|--------------------|----------------------|------------------|
|                             |  | Securities<br>Premium | SEZ<br>Reinvestment<br>Reserve | General<br>Reserve | Retained<br>Earnings |                  |
| <b>As at March 31, 2021</b> |  |                       |                                |                    |                      |                  |
| i                           | Balance at the beginning of the previous reporting period  | 7,988                 | 36,928                         | 1,00,000           | 5,81,444             | 7,26,360         |
| ii                          | Profit after tax   | -                     | -                              | -                  | 1,95,472             | 1,95,472         |
| iii                         | Other Comprehensive Income after tax                       | -                     | -                              | -                  | 16                   | 16               |
| iv                          | Dividends paid to shareholders                             | -                     | -                              | -                  | -                    | -                |
| v                           | Transfer from retained earnings                            | -                     | 26,210                         | -                  | (26,210)             | -                |
| vi                          | Transfer to retained earnings                              | -                     | (8,109)                        | -                  | 8,109                | -                |
| vii                         | <b>Balance at the end of the previous reporting period</b> | <b>7,988</b>          | <b>55,029</b>                  | <b>1,00,000</b>    | <b>7,58,831</b>      | <b>9,21,848</b>  |
| <b>As at March 31, 2022</b> |  |                       |                                |                    |                      |                  |
| i                           | Balance at the beginning of the current reporting period   | 7,988                 | 55,029                         | 1,00,000           | 7,58,831             | 9,21,848         |
| ii                          | Profit after tax   | -                     | -                              | -                  | 2,94,854             | 2,94,854         |
| iii                         | Other Comprehensive Income after tax                       | -                     | -                              | -                  | 218                  | 218              |
| iv                          | Dividends paid to shareholders                             | -                     | -                              | -                  | (53,094)             | (53,094)         |
| v                           | Transfer from retained earnings                            | -                     | 12,520                         | -                  | (12,520)             | -                |
| vi                          | Transfer to retained earnings                              | -                     | (8,464)                        | -                  | 8,464                | -                |
| vii                         | <b>Balance at the end of the current reporting period</b>  | <b>7,988</b>          | <b>59,085</b>                  | <b>1,00,000</b>    | <b>9,96,753</b>      | <b>11,63,826</b> |

The accompanying notes are an integral part of the financial statements

This is the Standalone Statement of changes in equity referred to in our report of even date.

For **Price Waterhouse Chartered Accountants LLP**  
Firm registration number: 012754N/N500016

**Sunit Kumar Basu**  
Partner  
Membership number: 55000

Place: Hyderabad  
Date: May 23, 2022

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

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

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

**L. Kishorebabu**  
Chief Financial Officer

**N.V. Ramana**  
Executive Director  
DIN: 00005031

**Nilima Prasad Divi**  
Whole-time Director  
(Commercial)  
DIN: 06388001

**M. Satish Choudhury**  
Company Secretary  
Membership No:A30204

# Notes to Standalone Financial Statements

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

## 1. Corporate Information

- 1.1 Divi's Laboratories Limited (Divi's/'Company') is a Company limited by shares, incorporated and domiciled in India. The Company is engaged in the manufacture of Active Pharmaceutical ingredients (API's), Intermediates and Nutraceutical ingredients with predominance in exports. In addition to generic business, the Company, through its custom synthesis business, supports innovator pharma companies for their patented products business right from gram scale requirements for clinical trials to launch as well as late life cycle management. The Company is a public limited company and the Company's equity shares are listed in BSE Limited (BSE) and National Stock Exchange of India Limited (NSE) in India.
- 1.2 The Financial statements are approved for issue by the Company's Board of Directors on May 23, 2022.

## 2. Significant Accounting Policies

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

### 2.1 Basis of Preparation:

#### (i) Compliance with Ind AS

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

#### (ii) Historical cost convention

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

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

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

The following amendments to the standards are applicable for the reporting period commencing April 01, 2021. However, the application of the amendments to the standards did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods

- Extension of COVID-19 related concessions – amendments to Ind AS 116
- Interest Rate Benchmark Reform – amendments to Ind AS 109, financial instruments, Ind AS 107, Financial instruments: Disclosures, Ind AS 104, Insurance contracts and Ind AS 116, Leases

#### (iv) New amendments issued but not effective

The Ministry of Corporate Affairs has vide notification dated 23 March 2022 notified Companies (Indian Accounting Standards) Amendment Rules, 2022 which amends certain accounting standards, and are effective 1 April 2022.

These amendments are not expected to have a material impact on the company in the current or future reporting periods and on foreseeable future transactions.

#### (v) Reclassifications consequent to amendments to Schedule III

The Ministry of Corporate Affairs amended the Schedule III to the Companies Act, 2013 on 24 March 2021 to increase the transparency and provide additional disclosures to users of financial statements. These amendments are effective from 1 April 2021.

Consequent to above, the company has changed the classification/presentation of security deposits, in the current year.

The security deposits (which meet the definition of a financial asset as per Ind AS 32) have been included in "other financial assets" line item. Previously, these deposits were included in "loans" line item.

# Notes to Standalone Financial Statements

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

The company has reclassified comparative amounts to conform with current year presentation as per the requirements of Ind AS 1. The impact of such classifications is summarised below.

|                                      | (Rupees Lakhs)                               |                     |                             |
|--------------------------------------|--|---------------------|-----------------------------|
| Balance sheet(extract)               | 31 March 2021<br>(as previously<br>reported) | Increase/(Decrease) | 31 March 2021<br>(restated) |
| Loans (Non current)                  | 5,516  | (5,516)             | -                           |
| Other financial assets (Non current) | 145  | 5,516               | 5,661                       |

## (vi) Current and non-current classification

An asset / Liability is classified as current if:

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

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

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

## 2.2 Segment Reporting:

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. Managing Director of the Company has been identified as being the Chief Operating Decision Maker. Refer Note 35 for the segment information presented.

## 2.3 Foreign currency translation:

### (i) Functional and presentation currency

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

### (ii) Transactions and balances

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

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

## 2.4 Revenue recognition:

Revenue is measured at the transaction price determined under IND AS 115- Revenue from contracts with customers. Amounts disclosed as revenue are net of returns, trade allowances, rebates, Goods & Service Tax (GST) collections and amounts collected on behalf of third parties.

# Notes to Standalone Financial Statements

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

## (i) Revenue from Sale of Goods:

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

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

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

## (ii) Revenue from Sale of Services:

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

## (iii) Dividend Income:

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

## (iv) Interest Income:

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

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

## 2.5 Income Taxes:

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

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

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

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

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

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

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and



# Notes to Standalone Financial Statements

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

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

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

For operations carried out in Special Economic Zones which are entitled to tax holiday under the Income tax Act, 1961 no deferred tax is recognised in respect of temporary 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 temporary differences which reverse after the tax holiday period is recognised in the year in which temporary difference originate.

## 2.6 Impairment of assets:

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

## 2.7 Cash and cash equivalents:

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

## 2.8 Trade receivables:

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. Trade receivables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components, when they are recognised at fair value. The company holds the trade receivables with the objective of collecting the contractual cash flows and therefore measures them subsequently at amortised cost using the effective interest method, less loss allowance.

## 2.9 Inventories:

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

## 2.10 Investments and other financial assets:

### (i) Classification:

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

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

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

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt

# Notes to Standalone Financial Statements

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

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

## (ii) Recognition

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

## (iii) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

### Debt instruments

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

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

**Fair value through other comprehensive income (FVOCI):** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue, foreign exchange gains and

losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in other income using the effective interest rate method.

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

### Equity instruments

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

## (iv) Impairment of financial assets

The Company assesses on a forward-looking basis, the expected credit losses associated with its assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 33 details how the Company determines whether there has been a significant increase in credit risk.

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

# Notes to Standalone Financial Statements

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

## (v) Derecognition of financial assets

A financial asset is derecognized only when

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

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

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

## 2.11 Offsetting financial instruments:

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

## 2.12 Property, Plant & Equipment:

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

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate,

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

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

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

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

Following are the estimated useful lives:

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

The residual values are not more than 5% of the original cost of the asset. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

## 2.13 Intangible Assets:

### (i) Computer software

Computer software is stated at historical cost less amortisation. Historical cost includes expenditure that is directly attributable to the acquisition of the

# Notes to Standalone Financial Statements

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

computer software. Costs associated with maintaining software programmes are recognised as an expense as incurred.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

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

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

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

## (ii) Research and development

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

## (iii) Amortization methods and periods

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

## 2.14 Trade and Other Payables:

These amounts represent liabilities for goods and services provided to the company prior to the end of financial year

which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

## 2.15 Borrowings:

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

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

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

## 2.16 Borrowing Costs:

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



# Notes to Standalone Financial Statements

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

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

## 2.17 Provisions:

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

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

## 2.18 Employee benefits:

### (i) Short-term obligations

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

### (ii) Long-term employee benefit obligations

The liabilities for compensated absences are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. The benefits are discounted using the market yields at the end of the reporting period

that have terms approximating to the terms of the related obligations. Remeasurements as a result of the experience adjustments and changes in actuarial assumptions are recognized in profit or loss.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

### (iii) Post-employment obligations

The Company operates the following post-employment schemes:

#### (a) Defined benefit plans-Gratuity obligations

The liability or assets recognized in the balance sheet in respect of defined benefit gratuity plans is the present value of the defined benefit obligations at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method.

The present value of the defined benefit obligation denominated in INR is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation. The benefits which are denominated in currency other than INR, the cash flows are discounted using market yields determined by reference to high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit and loss.

Remeasurement gains and losses arising from experience adjustments and change in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

# Notes to Standalone Financial Statements

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Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service cost.

In respect of funded post-employment defined benefit plans, amounts due for payment within 12 months to the fund may be treated as 'current'. Regarding unfunded post-employment benefit plans, settlement obligations which are due within 12 months in respect of employees who have resigned or expected to resign or are due for retirement within the next 12 months is 'current'. The remaining amount attributable to other employees, who are likely to continue in the services for more than a year, is classified as "non-current".

Normally an actuary should determine the amount of current and non-current liability for unfunded post-employment benefit obligations.

## (b) Defined contribution plans

The Company pays provident fund contributions to publicly administered funds as per local regulations. The Company has no further payment obligations once the contributions have been paid. The contributions are accounted for as defined contribution plans and the contributions are recognized as employee benefit expense when they are due.

Termination benefits in the nature of voluntary retirement benefits are recognised in the Statement of Profit and Loss as and when incurred.

## 2.19 Dividends:

Provision is made for the amount of any dividend declared, being appropriately authorized and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period. Proposed dividend is recognised as a liability in the period in which it is declared by the Company, usually when approved by shareholders in a general meeting, or paid.

## 2.20 Contributed equity:

Equity shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

## 2.21 Earnings per share:

### (i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- The profit attributable to owners of the Company
- By the weighted average number of equity shares outstanding during the financial year, adjusted for bonus elements in equity shares issued during the year.

### (ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential equity shares, and
- the weighted average number of additional equity shares that would have been outstanding assuming the conversion of all dilutive potential equity shares.

## 2.22 Leases:

### As a lessee

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the company. Contracts may contain both lease and non-lease components. The company allocates the consideration in the contract to the lease and non-lease components based on their relative standalone prices.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the company under residual value guarantees
- the exercise price of a purchase option if the company is reasonably certain to exercise that option, and

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- payments of penalties for terminating the lease, if the lease term reflects the company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the company which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The company is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Short-term leases of equipment and all leases of low-value assets are recognised as expense over the lease term on straight-line basis or another systematic basis if that basis is more representative of the pattern of the benefit. Short-term leases are leases with a lease term of 12 months or less.

## As a lessor

Lease income from operating leases where the company is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature.

## 2.23 Contingent Liability & Commitments:

Contingent liability is disclosed in the case of:

- a present obligation arising from past events, when it is not probable that an outflow of resources will be required to settle the obligation.
- a present obligation arising from past events when no reliable estimate possible.
- a possible obligation arising from past events unless the probability of outflow of resources is remote.

Commitments include the amount of purchase order (net of advances) issued to parties for completion of assets.

## 2.24 Critical estimates and Judgements:

The preparation of financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also exercise judgement in applying the Company's accounting policies.

Detailed information about the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be different than those originally assessed. Detailed information about each of these estimates and judgements is included

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in relevant notes together with information about the basis of calculation for each affected line item in the financial statements.

The areas involving critical estimates or judgements are:

- (i) Estimation of current tax expense and current tax payable – refer Note: 30(a)
- (ii) Estimation of defined benefit obligations- refer note: 16
- (iii) Allowance for uncollected accounts receivable and advances. Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrevocable amounts. Individual trade receivables are written off when management deems them not to be collectible. Impairment is made on the expected credit losses, which are the present value of the cash shortfall over the expected life of the financial assets.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the company and that are believed to be reasonable under the circumstances.

## 2.25 Government grants:

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant

will be received and the company will comply with all attached conditions.

Government grants relating to income are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate and presented within other income.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets and presented within other income.

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

Export entitlements from government authorities are recognised in the statement of profit and loss as income or as a reduction from "Cost of materials consumed", when there is reasonable assurance that the entity will comply with the conditions attaching to them and the grants will be received

## 2.26 Rounding of Amounts:

All amounts disclosed in the financial statements and notes have been rounded off to the nearest lakhs as per the requirement of Schedule III of the Companies Act, 2013 unless otherwise stated.



# Notes to Standalone Financial statements

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

## Note 3: Property, plant and equipment

| Particulars                                     | Freehold Land | Plant and Machinery | Roads and Buildings | Furniture and Fixtures | Vehicles     | Office Equipment | Laboratory Equipment | Computer and data processing units | Total           |
|---|---------------|---------------------|---------------------|------------------------|--------------|------------------|----------------------|------------------------------------|-----------------|
| <b>Year ended March 31, 2021</b>                |               |                     |                     |                        |              |                  |                      |                                    |                 |
| <b>Gross carrying amount</b>                    |               |                     |                     |                        |              |                  |                      |                                    |                 |
| At the beginning of the year                    | 16,110        | 2,29,742            | 80,351              | 3,765                  | 866          | 2,554            | 14,384               | 1,519                              | 3,49,291        |
| Additions                                       | 1,041         | 77,298              | 33,854              | 606                    | 486          | 679              | 3,391                | 561                                | 1,17,916        |
| Disposals                                       | -             | (531)               | -                   | (7)                    | (3)          | (3)              | (59)                 | (5)                                | (608)           |
| At the end of the year                          | <b>17,151</b> | <b>3,06,509</b>     | <b>1,14,205</b>     | <b>4,364</b>           | <b>1,349</b> | <b>3,230</b>     | <b>17,716</b>        | <b>2,075</b>                       | <b>4,66,599</b> |
| <b>Accumulated depreciation</b>                 |               |                     |                     |                        |              |                  |                      |                                    |                 |
| At the beginning of the year                    | -             | 53,999              | 8,859               | 1,321                  | 359          | 1,437            | 5,205                | 845                                | 72,025          |
| Depreciation charge during the year             | -             | 18,989              | 3,405               | 387                    | 119          | 484              | 1,495                | 289                                | 25,168          |
| Disposals                                       | -             | -                   | -                   | -                      | -            | -                | -                    | -                                  | -               |
| At the end of the year                          | -             | <b>72,988</b>       | <b>12,264</b>       | <b>1,708</b>           | <b>478</b>   | <b>1,921</b>     | <b>6,700</b>         | <b>1,134</b>                       | <b>97,193</b>   |
| <b>Net carrying amount as at March 31, 2021</b> | <b>17,151</b> | <b>2,33,521</b>     | <b>1,01,941</b>     | <b>2,656</b>           | <b>871</b>   | <b>1,309</b>     | <b>11,016</b>        | <b>941</b>                         | <b>3,69,406</b> |
| <b>Year ended March 31, 2022</b>                |               |                     |                     |                        |              |                  |                      |                                    |                 |
| <b>Gross carrying amount</b>                    |               |                     |                     |                        |              |                  |                      |                                    |                 |
| At the beginning of the Year                    | 17,151        | 3,06,509            | 1,14,205            | 4,364                  | 1,349        | 3,230            | 17,716               | 2,075                              | 4,66,599        |
| Additions                                       | 123           | 56,575              | 29,299              | 611                    | 1,255        | 642              | 4,002                | 377                                | 92,884          |
| Disposals                                       | -             | (231)               | (2)                 | -                      | -            | -                | -                    | -                                  | (233)           |
| At the end of the year                          | <b>17,274</b> | <b>3,62,853</b>     | <b>1,43,502</b>     | <b>4,975</b>           | <b>2,604</b> | <b>3,872</b>     | <b>21,718</b>        | <b>2,452</b>                       | <b>5,59,250</b> |
| <b>Accumulated depreciation</b>                 |               |                     |                     |                        |              |                  |                      |                                    |                 |
| At the beginning of the year                    | -             | 72,988              | 12,264              | 1,708                  | 478          | 1,921            | 6,700                | 1,134                              | 97,193          |
| Depreciation charge during the year             | -             | 23,230              | 4,386               | 446                    | 215          | 407              | 1,687                | 366                                | 30,737          |
| Disposals                                       | -             | (28)                | -                   | -                      | -            | -                | -                    | -                                  | (28)            |
| At the end of the year                          | -             | <b>96,190</b>       | <b>16,650</b>       | <b>2,154</b>           | <b>693</b>   | <b>2,328</b>     | <b>8,387</b>         | <b>1,500</b>                       | <b>1,27,902</b> |
| <b>Net carrying amount as at March 31, 2022</b> | <b>17,274</b> | <b>2,66,663</b>     | <b>1,26,852</b>     | <b>2,821</b>           | <b>1,911</b> | <b>1,544</b>     | <b>13,331</b>        | <b>952</b>                         | <b>4,31,348</b> |

### Note:

- Title deeds of the Immovable properties included above are held in the name of the company.
- Movable fixed assets are pledged as security: Refer Note 18(d) for information on plant and equipment pledged as security for availing working capital facilities from Banks.
- Contractual obligations and other commitments: Refer Note 40 for disclosure of contractual and other commitments for the acquisition of property, plant and equipment.
- The Gross carrying amounts of Roads and Buildings and Plant and machinery includes staff cost of ₹437(March 31, 2021: ₹306) relating to projects team involved in supervision and monitoring of these projects and cost of power consumed of ₹281 (March 31, 2021: ₹242)
- The company has not revalued its Property, Plant and Equipment during the year or in the previous year

# Notes to Standalone Financial Statements

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

## Note 4: Capital work-in-progress

| Particulars                      | Amount        |
|----------------------------------|---------------|
| <b>Year ended March 31, 2021</b> |               |
| At the beginning of the year     | 91,969        |
| Additions                        | 97,444        |
| Capitalisations                  | (1,18,351)    |
| <b>As at March 31, 2021</b>      | <b>71,062</b> |
| <b>Year ended March 31, 2022</b> |               |
| At the beginning of the Year     | 71,062        |
| Additions                        | 69,387        |
| Capitalisations                  | (93,456)      |
| <b>As at March 31, 2022</b>      | <b>46,993</b> |

## Note 4(a): Capital work-in-progress ageing schedule

| As at March 31, 2022           | Amount in CWIP for a period of |           |           |                   | Total  |
|--------------------------------|--------------------------------|-----------|-----------|-------------------|--------|
|                                | Less than 1 year               | 1-2 years | 2-3 years | More than 3 years |        |
| Projects in progress           | 39,708                         | 5,161     | 1,332     | 792               | 46,993 |
| Projects temporarily suspended | -                              | -         | -         | -                 | -      |

| As at March 31, 2021           | Amount in CWIP for a period of |           |           |                   | Total  |
|--------------------------------|--------------------------------|-----------|-----------|-------------------|--------|
|                                | Less than 1 year               | 1-2 years | 2-3 years | More than 3 years |        |
| Projects in progress           | 56,582                         | 10,475    | 3,716     | 289               | 71,062 |
| Projects temporarily suspended | -                              | -         | -         | -                 | -      |

**Note 4(b):** There are no capital-work-in progress, whose completion is overdue or has exceeded its cost compared to its original plan as at March 31, 2022 and March 31, 2021.

**Note 4(c):** Assets under construction majorly consist of Roads & Buildings, Plant & Machinery and corresponding internal development costs. During the year, the Company has incurred capital costs of ₹69,387 on Capital work-in-progress at various locations and which includes staff cost of ₹131 (March 31, 2021: ₹155) relating to projects team involved in supervision and monitoring of these projects and cost of power consumed ₹39 (March 31, 2021: ₹84)

## Note 5: Intangible assets

| Particulars                      | Computer Software |
|----------------------------------|-------------------|
| <b>Year ended March 31, 2021</b> |                   |
| <b>Gross carrying amount</b>     |                   |
| At the beginning of the year     | 1,515             |
| Additions                        | 435               |
| Disposals                        | (3)               |
| At the end of the year           | <b>1,947</b>      |
| <b>Accumulated amortisation</b>  |                   |
| At the beginning of the year     | 1,155             |

# Notes to Standalone Financial Statements

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

## Note 5: Intangible assets (Contd..)

| Particulars                                     | Computer Software |
|---|-------------------|
| Amortisation charge during the year             | 297               |
| Disposals                                       | -                 |
| At the end of the year                          | <b>1,452</b>      |
| <b>Net carrying amount as at March 31, 2021</b> | <b>495</b>        |
| <b>Year ended March 31, 2022</b>                |                   |
| <b>Gross carrying amount</b>                    |                   |
| At the beginning of the Year                    | 1,947             |
| Additions                                       | 572               |
| Disposals                                       | -                 |
| At the end of the year                          | <b>2,519</b>      |
| <b>Accumulated amortisation</b>                 |                   |
| At the beginning of the Year                    | 1,452             |
| Amortisation charge during the year             | 318               |
| Disposals                                       | -                 |
| At the end of the year                          | <b>1,770</b>      |
| <b>Net carrying amount as at March 31, 2022</b> | <b>749</b>        |

### Note:

- a) The Company has not revalued intangible assets during the year or in the previous year

## Note 6: Non-Current Investments

| Particulars  | As at<br>March 31, 2022 | As at<br>March 31, 2021 |
|--|-------------------------|-------------------------|
| <b>(Unquoted, fully paid up)</b>   |                         |                         |
| <b>(a) Investment in equity instruments in subsidiary companies (at Cost)</b>                  |                         |                         |
| 2000 (March 31,2021:2000) ordinary shares of US\$ 0.01 each of Divis Laboratories (USA ) Inc * | 332                     | 332                     |
| 200 (March 31,2021:200) ordinary shares of CHF 500 each of Divi's Laboratories Europe AG **    | 404                     | 404                     |
| <b>Investment in equity instruments in other companies (at FVPL)</b>                           |                         |                         |
| 12000 ( March 31, 2021:12000) Equity Shares of ₹10/- each of Pattan Cheru Enviro Tech Limited  | 1                       | 1                       |
| <b>Total (equity instruments)</b>  | <b>737</b>              | <b>737</b>              |
| <b>(b) Investment in debentures in other companies (at FVPL)</b>                               |                         |                         |
| Redeemable 0.25%, 7,20,00,000 Optionally convertible debentures(OCDs) of ₹10/- each            | 7,200                   | -                       |
| <b>Total (debentures)</b>  | <b>7,200</b>            | <b>-</b>                |
| <b>Total Non- Current investments</b>  | <b>7,937</b>            | <b>737</b>              |
| Aggregate amount of unquoted investments   | 7,937                   | 737                     |
| Aggregate amount of quoted investments and market value thereof                                | -                       | -                       |
| Aggregate amount of impairment in the value of investment                                      | -                       | -                       |

\* ₹ 87 (2021: ₹ 87) included in the cost of investment is on account of fair valuation of interest free loans given to subsidiary.

\*\* ₹ 367 (2021: ₹ 367) included in the cost of investment is on account of fair valuation of interest free loans given to subsidiary.

# Notes to Standalone Financial Statements

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

## Note 7: Income tax assets (net)

| Particulars                                 | March 31, 2022 | March 31, 2021 |
|---|----------------|----------------|
| <b>7(a). Income tax asset - Non-Current</b> |                |                |
| Prepaid Income taxes                        | 2,917          | 6,877          |
| Provision for Income tax                    | -              | (17)           |
|   | <b>2,917</b>   | <b>6,860</b>   |
| <b>7(b). Income tax asset - Current</b>     |                |                |
| Prepaid Income taxes                        | 1,31,657       | 65,016         |
| Provision for Income tax                    | (1,25,889)     | (61,589)       |
|   | <b>5,768</b>   | <b>3,427</b>   |

## Note 7(c): Movement in Income tax assets

| Particulars  | March 31, 2022 | March 31, 2021 |
|--|----------------|----------------|
| Income tax assets - at the beginning of the year     | 10,287         | 7,905          |
| Add: Taxes paid during the year                      | 66,780         | 65,016         |
| Less: Others (refund received)                       | (3,801)        | (1,720)        |
| Less: Adjustments of current tax for prior years     | (281)          | 675            |
| Less: Current tax provision                          | (64,300)       | (61,589)       |
| <b>Net Income tax asset - at the end of the year</b> | <b>8,685</b>   | <b>10,287</b>  |

## Note 8: Other non-current assets

| Particulars  | March 31, 2022 | March 31, 2021 |
|--|----------------|----------------|
| Capital advances                                       | 4,832          | 4,849          |
| Pre-paid expenses                                      | 89             | 86             |
| Other receivables including indirect tax refund claims | 562            | 690            |
| <b>Total other non-current assets</b>                  | <b>5,483</b>   | <b>5,625</b>   |

## Note 9: Inventories

| Particulars  | March 31, 2022  | March 31, 2021  |
|--|-----------------|-----------------|
| (Valued at lower of cost and net realisable value) |                 |                 |
| Raw materials                                      | 75,476          | 69,495          |
| Work-in-progress                                   | 1,53,159        | 1,09,334        |
| Finished goods                                     | 15,437          | 14,263          |
| Packing material                                   | 916             | 838             |
| Stores and spares                                  | 19,417          | 10,340          |
| <b>Total Inventories</b>                           | <b>2,64,405</b> | <b>2,04,270</b> |

Raw materials and finished goods consists of goods in transit of ₹ 6,979 (March 31, 2021- ₹ 7,912) and ₹ 14,351 (March 31, 2021- ₹ 12,838) respectively.

### Amounts recognised in Profit and loss

Write-downs of Inventories to net realisable value and on account of slow moving inventory amounted to ₹ 548 (March 31, 2021 - ₹ 586). These were recognised in statement of profit and loss and included in 'Changes in inventories of finished goods and work in progress' and 'Cost of raw materials consumed'.



# Notes to Standalone Financial Statements

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

## Note 10: Trade receivables

| Particulars                            | March 31, 2022  | March 31, 2021  |
|--|-----------------|-----------------|
| Trade receivables from others          | 2,30,192        | 1,55,128        |
| Trade receivables from related parties | 26,870          | 19,637          |
| Gross trade receivables                | 2,57,062        | 1,74,765        |
| Less: Loss allowance                   | 72              | 209             |
| <b>Net trade receivables</b>           | <b>2,56,990</b> | <b>1,74,556</b> |
| Current portion                        | 2,56,990        | 1,74,556        |
| Non-current portion                    | -               | -               |

### (a) Security wise Break-up of trade receivables

| Particulars  | March 31, 2022  | March 31, 2021  |
|--|-----------------|-----------------|
| Trade Receivables considered Good- Secured                       | -               | -               |
| Trade Receivables considered Good - Unsecured                    | 2,56,990        | 1,74,556        |
| Trade Receivables which have significant increase in credit risk | 55              | 192             |
| Trade Receivables - credit impaired                              | 17              | 17              |
| <b>Total</b>   | <b>2,57,062</b> | <b>1,74,765</b> |
| Less: Loss allowance   | 72              | 209             |
| Total Trade receivables  | 2,56,990        | 1,74,556        |

### (b) Ageing of trade receivables

| Particulars                                    | Unbilled | Not due         | Outstanding for following periods from due date of payment |                   |            |           |                   | Total           |
|--|----------|-----------------|--|-------------------|------------|-----------|-------------------|-----------------|
|  |          |                 | Less than 6 months   | 6 Months - 1 year | 1-2 years  | 2-3 years | More than 3 years |                 |
| <b>March 31, 2022</b>                          |          |                 |  |                   |            |           |                   |                 |
| <b>Undisputed trade receivables</b>            |          |                 |  |                   |            |           |                   |                 |
| considered good                                | -        | 2,19,552        | 37,241   | 197               | -          | -         | -                 | 2,56,990        |
| which have significant increase in credit risk | -        | -               | -  | -                 | -          | -         | -                 | -               |
| credit impaired                                | -        | -               | -  | 17                | -          | -         | -                 | 17              |
| <b>Disputed trade receivables</b>              |          |                 |  |                   |            |           |                   |                 |
| considered good                                | -        | -               | -  | -                 | -          | -         | -                 | -               |
| which have significant increase in credit risk | -        | -               | -  | -                 | -          | -         | 55                | 55              |
| credit impaired                                | -        | -               | -  | -                 | -          | -         | -                 | -               |
| <b>Total</b>                                   | <b>-</b> | <b>2,19,552</b> | <b>37,241</b>  | <b>214</b>        | <b>-</b>   | <b>-</b>  | <b>55</b>         | <b>2,57,062</b> |
| Less: Loss allowance                           |          |                 |  |                   |            |           |                   | 72              |
| <b>Total trade receivables</b>                 |          |                 |  |                   |            |           |                   | <b>2,56,990</b> |
| <b>March 31, 2021</b>                          |          |                 |  |                   |            |           |                   |                 |
| <b>Undisputed trade receivables</b>            |          |                 |  |                   |            |           |                   |                 |
| considered good                                | -        | 1,36,501        | 35,609   | 2,336             | 110        | -         | -                 | 1,74,556        |
| which have significant increase in credit risk | -        | -               | -  | 5                 | 92         | 40        | -                 | 137             |
| credit impaired                                | -        | -               | -  | 17                | -          | -         | -                 | 17              |
| <b>Disputed trade receivables</b>              |          |                 |  |                   |            |           |                   |                 |
| considered good                                | -        | -               | -  | -                 | -          | -         | -                 | -               |
| which have significant increase in credit risk | -        | -               | -  | -                 | -          | -         | 55                | 55              |
| credit impaired                                | -        | -               | -  | -                 | -          | -         | -                 | -               |
| <b>Total</b>                                   | <b>-</b> | <b>1,36,501</b> | <b>35,609</b>  | <b>2,358</b>      | <b>202</b> | <b>40</b> | <b>55</b>         | <b>1,74,765</b> |
| Less: Loss allowance                           |          |                 |  |                   |            |           |                   | 209             |
| <b>Total trade receivables</b>                 |          |                 |  |                   |            |           |                   | <b>1,74,556</b> |

# Notes to Standalone Financial Statements

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

## Note 11: Cash and cash equivalents

| Particulars  | March 31, 2022  | March 31, 2021  |
|--|-----------------|-----------------|
| <b>Balances with banks</b>   |                 |                 |
| - in current accounts  | 598             | 703             |
| - in term deposits with maturity period not more than three months | 1,19,288        | 2,00,852        |
| Cash on hand   | 70              | 75              |
| <b>Total cash and cash equivalents*</b>                            | <b>1,19,956</b> | <b>2,01,630</b> |

\*There are no repatriation restrictions on cash and cash equivalents as at the end of reporting period and prior period.

## Note 12: Bank balances other than cash and cash equivalents

| Particulars   | March 31, 2022  | March 31, 2021 |
|---|-----------------|----------------|
| <b>Balances in earmarked accounts with Banks:</b>   |                 |                |
| - Unclaimed dividend  | 107             | 125            |
| Balances in term deposit accounts with maturity period of more than three months and not more than twelve months: |                 |                |
| - pledged towards overdraft facilities with Banks   | 7,241           | 7,048          |
| - pledged towards margin on Guarantees issued by Bank   | 374             | 348            |
| - other unencumbered deposits   | 1,52,690        | 5,050          |
| <b>Total Bank balances other than cash and cash equivalents</b>   | <b>1,60,412</b> | <b>12,571</b>  |

## Note 13: Other financial assets

### 13(a): Other financial assets - Non- current:

| Particulars  | March 31, 2022 | March 31, 2021 |
|--|----------------|----------------|
| <b>Security deposits</b>   | 5,609          | 5,516          |
| Term deposits with Bank with maturity period exceeding twelve months (pledged towards margin on guarantees issued by Bank) | 154            | 145            |
| <b>Total Other financial assets - Non -current</b>   | <b>5,763</b>   | <b>5,661</b>   |

### 13(b): Other financial assets - Current:

| Particulars                                   | March 31, 2022 | March 31, 2021 |
|---|----------------|----------------|
| Export incentive receivable                   | 105            | 114            |
| Rental deposit                                | 342            | 308            |
| Other deposits                                | 11             | 414            |
| Insurance claims receivable                   | 26             | 111            |
| <b>Total Other financial assets - Current</b> | <b>484</b>     | <b>947</b>     |
| <b>Total Other financial assets (a+b)</b>     | <b>6,247</b>   | <b>6,608</b>   |

# Notes to Standalone Financial Statements

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

## Note 14: Other current assets

| Particulars  | March 31, 2022 | March 31, 2021 |
|--|----------------|----------------|
| Indirect Taxes- Input Credits and deposits             | 10,054         | 7,076          |
| Prepaid expenses                                       | 2,676          | 2,218          |
| Advances to suppliers                                  | 8,722          | 3,116          |
| Other Receivables including indirect tax refund claims | 129            | 2,720          |
| <b>Total other current assets</b>                      | <b>21,581</b>  | <b>15,130</b>  |

## Note 15: Equity share capital and other equity

### Note 15(a): Equity share capital

#### (i) Authorised equity share capital

| Particulars                 | Number of shares    | Amount       |
|-----------------------------|---------------------|--------------|
| As at April 1, 2020         | 30,00,00,000        | 6,000        |
| Movement during the year    | -                   | -            |
| <b>As at March 31, 2021</b> | <b>30,00,00,000</b> | <b>6,000</b> |
| Movement during the year    | -                   | -            |
| <b>As at March 31, 2022</b> | <b>30,00,00,000</b> | <b>6,000</b> |

#### (ii) Issued, Subscribed and paid-up equity share capital

| Particulars                 | Number of shares    | Amount       |
|-----------------------------|---------------------|--------------|
| As at April 1, 2020         | 26,54,68,580        | 5,309        |
| Movement during the year    | -                   | -            |
| <b>As at March 31, 2021</b> | <b>26,54,68,580</b> | <b>5,309</b> |
| Movement during the year    | -                   | -            |
| <b>As at March 31, 2022</b> | <b>26,54,68,580</b> | <b>5,309</b> |

#### Terms and rights attached to equity shares

The Company has only one class of equity shares having par value of ₹ 2 per share. The Company declares and pays dividends in Indian rupees. In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders. Every holder of equity shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll, each share is entitled to one vote.

#### (iii) Details of shareholders holding more than 5% shares in the company

|                           | March 31, 2022   |           | March 31, 2021   |           |
|---------------------------|------------------|-----------|------------------|-----------|
|                           | Number of shares | % holding | Number of shares | % holding |
| Dr. Satchandra Kiran Divi | 5,40,00,000      | 20.34%    | 5,40,00,000      | 20.34%    |
| Mrs. Swarnalatha Divi     | 1,40,00,000      | 5.27%     | 1,40,00,000      | 5.27%     |
| Ms. Nilima Prasad Divi    | 5,40,00,000      | 20.34%    | 5,40,00,000      | 20.34%    |
| SBI Mutual Fund           | 1,38,35,574      | 5.21%     | 1,24,60,993      | 4.69%     |

# Notes to Standalone Financial Statements

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

## Note 15: Equity share capital and other equity (Contd..)

### Note15(a): Equity share capital (Contd..)

#### (iv) Shareholdings of Promoters and promoter group:

| Promoter Name                  | March 31, 2022   |                   |                             | March 31, 2021   |                   |                             |
|--------------------------------|------------------|-------------------|-----------------------------|------------------|-------------------|-----------------------------|
|                                | Number of shares | % of total shares | % of change during the year | Number of shares | % of total shares | % of change during the year |
| Dr. Murali Krishna Prasad Divi | 75,67,000        | 2.85%             | 0.00%                       | 75,67,000        | 2.85%             | 0.00%                       |
| Dr. Satchandra Kiran Divi      | 5,40,00,000      | 20.34%            | 0.00%                       | 5,40,00,000      | 20.34%            | 0.00%                       |
| Ms. Nilima Prasad Divi         | 5,40,00,000      | 20.34%            | 0.00%                       | 5,40,00,000      | 20.34%            | 0.00%                       |
| Mrs. Swarnalatha Divi          | 1,40,00,000      | 5.27%             | 0.00%                       | 1,40,00,000      | 5.27%             | 0.00%                       |
| Divis Biotech Private Limited  | 80,00,000        | 3.01%             | 0.00%                       | 80,00,000        | 3.01%             | 0.00%                       |
| Mr. Madhusudana Rao Divi       | 2,97,600         | 0.11%             | 0.00%                       | 3,02,600         | 0.11%             | (0.03)%                     |
| Mr. Babu Rajendra Prasad Divi  | 26,600           | 0.01%             | 0.00%                       | 26,600           | 0.01%             | 0.00%                       |
| Mr. Radhakrishna Rao Divi      | 3,000            | 0.00%             | 0.00%                       | 3,000            | 0.00%             | 0.00%                       |

### Note 15(b): Other Equity

| Particulars                                 | March 31, 2022   | March 31, 2021  |
|---|------------------|-----------------|
| <b>Reserves and Surplus</b>                 |                  |                 |
| Securities premium reserve                  | 7,988            | 7,988           |
| General reserve                             | 1,00,000         | 1,00,000        |
| Retained earnings                           | 9,96,753         | 7,58,831        |
| Special Economic Zone Re-investment reserve | 59,085           | 55,029          |
| <b>Total Other Equity</b>                   | <b>11,63,826</b> | <b>9,21,848</b> |

(i) As there was no movement in Securities premium reserve and General Reserve during the reporting year and previous year, reconciliation is not given.

#### (ii) Retained earnings

| Particulars   | March 31, 2022  | March 31, 2021  |
|---|-----------------|-----------------|
| At the beginning of the year  | 7,58,831        | 5,81,444        |
| Profit after tax for the Year   | 2,94,854        | 1,95,472        |
| Transfer to Special Economic Zone Re-investment reserve                       | (12,520)        | (26,210)        |
| Transfer from Special Economic Zone Re-investment reserve                     | 8,464           | 8,109           |
| Dividend paid   | (53,094)        | -               |
| Items of other comprehensive income recognised directly in retained earnings: |                 |                 |
| - Remeasurements of post employment benefit obligation, net of tax            | 218             | 16              |
| <b>At the end of the year</b>   | <b>9,96,753</b> | <b>7,58,831</b> |

#### (iii) Special Economic Zone Re-investment reserve

| Particulars                      | March 31, 2022 | March 31, 2021 |
|----------------------------------|----------------|----------------|
| At the beginning of the year     | 55,029         | 36,928         |
| Transfer from Retained Earnings  | 12,520         | 26,210         |
| Transferred to Retained Earnings | (8,464)        | (8,109)        |
| <b>At the end of the year</b>    | <b>59,085</b>  | <b>55,029</b>  |



# Notes to Standalone Financial Statements

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

## Note 15: Equity share capital and other equity (Contd..)

### Note 15(b): Other Equity (Contd..)

Nature and purpose of reserves:

#### Securities premium reserve:

Securities premium reserve is used to record the premium on issue of shares. The reserve is utilised in accordance with the provisions of the Act.

#### General Reserve:

General Reserves represent amounts transferred from Retained Earnings in earlier years under the provisions of the erstwhile Companies Act, 1956

#### Special Economic Zone Re-investment reserve:

Under the SEZ scheme, the unit which begins production of Goods/ services on or after April 1, 2005 is eligible for deduction of 100% of profits or gains derived from export of Goods/ services for the first five years, 50% of such profits or gains for a further period of 5 years and 50% of such profits or gains for the balance period of five years subject to creation of Special Economic Zone Re-investment reserve out of profits of eligible SEZ Units and utilisation of such reserve by the company for acquiring new plant and machinery for the purpose of its business as per the provisions of the Income Tax Act, 1961.

## Note 16: Provisions - Employee Benefit Obligations

|                      | March 31, 2022 |              |              | March 31, 2021 |              |              |
|----------------------|----------------|--------------|--------------|----------------|--------------|--------------|
|                      | Current        | Non-Current  | Total        | Current        | Non-Current  | Total        |
| Compensated Absences | 415            | 2,671        | 3,086        | 251            | 2,525        | 2,776        |
| Gratuity             | -              | -            | -            | -              | -            | -            |
|                      | <b>415</b>     | <b>2,671</b> | <b>3,086</b> | <b>251</b>     | <b>2,525</b> | <b>2,776</b> |

### (a) Compensated Absences obligations: (Defined benefit)

The Compensated Absences covers the company's liability for earned leave which is classified as other long-term benefits. The liabilities for earned leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured at the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. The benefit is discounted using the market yields at the end of the reporting period that have terms approximating to the terms of the related obligations. Remeasurements as a result of the experience adjustments and changes in actuarial assumptions are recognized in Other Comprehensive Income.

### (b) Post-employment obligations- Gratuity: (Defined benefit)

The Company provides gratuity for employees as per the Payment of Gratuity Act, 1972. Employees who are in continuous service for a period of 5 years are eligible for gratuity benefit. The amount of gratuity payable on retirement/termination is the employees' last drawn basic salary per month computed proportionately for 15 days' salary multiplied for the number of years of service. The gratuity plan is a funded plan and the Company makes contributions, through an approved trust, to recognised funds administered by Life Insurance Corporation of India (Insurer).

# Notes to Standalone Financial Statements

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

## Note 16: Provisions - Employee Benefit Obligations (Contd..)

### (b) Post-employment obligations- Gratuity: (Defined benefit) (Contd..)

- (i). The amounts recognised in the balance sheet and the movements in the net defined benefit obligation over the year are as follows:

| Particulars  | Present Value of obligation | Fair Value of Plan Assets | Net amount   |
|--|-----------------------------|---------------------------|--------------|
| <b>As at April 01, 2020</b>  | <b>3,272</b>                | <b>(3,463)</b>            | <b>(191)</b> |
| Current service cost   | 322                         | -                         | 322          |
| Interest expense/(income)  | 220                         | (234)                     | (14)         |
| <b>Amount recognized in Statement of profit and loss</b>                       | <b>542</b>                  | <b>(234)</b>              | <b>308</b>   |
| <b>Remeasurements</b>  |                             |                           |              |
| Return on plan assets, excluding amounts included in interest expense/(income) | -                           | 7                         | 7            |
| Actuarial (gain) / loss  | -                           | -                         | -            |
| (Gain)/loss from change in demographic assumptions                             | -                           | -                         | -            |
| (Gain)/loss from change in financial assumptions                               | (53)                        | -                         | (53)         |
| Experience (gains)/loss  | 65                          | -                         | 65           |
| <b>Amount recognized in other comprehensive income</b>                         | <b>12</b>                   | <b>7</b>                  | <b>19</b>    |
| <b>Amount recognized in total comprehensive income</b>                         | <b>554</b>                  | <b>(227)</b>              | <b>327</b>   |
| Employer contributions   | -                           | (229)                     | (229)        |
| Benefit payments   | (38)                        | 38                        | -            |
| <b>As at March 31, 2021</b>  | <b>3,788</b>                | <b>(3,881)</b>            | <b>(93)</b>  |

| Particulars  | Present Value of obligation | Fair Value of Plan Assets | Net amount   |
|--|-----------------------------|---------------------------|--------------|
| <b>As at April 01, 2021</b>  | <b>3,788</b>                | <b>(3,881)</b>            | <b>(93)</b>  |
| Current service cost   | 328                         | -                         | 328          |
| Interest expense/(income)  | 259                         | (277)                     | (18)         |
| <b>Amount recognized in Statement of profit and loss</b>                       | <b>587</b>                  | <b>(277)</b>              | <b>310</b>   |
| <b>Remeasurements</b>  |                             |                           |              |
| Return on plan assets, excluding amounts included in interest expense/(income) | -                           | 9                         | 9            |
| Actuarial (gain) / loss  | -                           | -                         | -            |
| (Gain)/loss from change in demographic assumptions                             | -                           | -                         | -            |
| (Gain)/loss from change in financial assumptions                               | (268)                       | -                         | (268)        |
| Experience (gains)/loss  | 167                         | -                         | 167          |
| <b>Amount recognized in other comprehensive income</b>                         | <b>(101)</b>                | <b>9</b>                  | <b>(92)</b>  |
| <b>Amount recognized in total comprehensive income</b>                         | <b>486</b>                  | <b>(268)</b>              | <b>218</b>   |
| Employer contributions   | -                           | (362)                     | (362)        |
| Benefit payments   | (57)                        | 57                        | -            |
| <b>As at March 31, 2022</b>  | <b>4,217</b>                | <b>(4,454)</b>            | <b>(237)</b> |

# Notes to Standalone Financial Statements

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

## Note 16: Provisions - Employee Benefit Obligations (Contd..)

### (b) Post-employment obligations- Gratuity: (Defined benefit) (Contd..)

- (i). The amounts recognised in the balance sheet and the movements in the net defined benefit obligation over the year are as follows: (Contd..)

The net liability disclosed above relates to funded plans as follows:

| Particulars                                | March 31, 2022 | March 31, 2021 |
|--|----------------|----------------|
| Present value of funded obligations        | 4,217          | 3,788          |
| Fair value of plan assets                  | (4,454)        | (3,881)        |
| <b>Deficit/ (Surplus) of funded plans*</b> | <b>(237)</b>   | <b>(93)</b>    |

\* Included under note 14 'Other current assets'

- (ii). Significant estimates: Actuarial assumptions

The significant actuarial assumptions were as follows:

| Particulars                     | March 31, 2022 | March 31, 2021 |
|---------------------------------|----------------|----------------|
| Discount rate                   | 7.39%          | 6.88%          |
| Salary growth rate              | 6%             | 6%             |
| Attrition rate depending on age | 1% to 3%       | 1% to 3%       |
| Retirement age                  | 60 years       | 60 years       |
| Average balance future service  | 29 years       | 29 years       |
| Mortality table                 | IALM(2012-14)  | IALM(2012-14)  |

- (iii). Sensitivity analysis

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

| Particulars   | March 31, 2022 | March 31, 2021 |
|---|----------------|----------------|
| Defined benefit obligation  | 4,217          | 3,788          |
| Increase / (Decrease) in Defined benefit obligation:              |                |                |
| Discount rate:(% change compared to base due to sensitivity)      |                |                |
| Increase : +1%  | (456)          | (430)          |
| Decrease: -1%   | 551            | 522            |
| Salary Growth rate:(% change compared to base due to sensitivity) |                |                |
| Increase : +1%  | 511            | 489            |
| Decrease: -1%   | (434)          | (409)          |
| Attrition rate:(% change compared to base due to sensitivity)     |                |                |
| Increase : +1%  | 77             | 46             |
| Decrease: -1%   | (88)           | (53)           |

# Notes to Standalone Financial Statements

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

## Note 16: Provisions - Employee Benefit Obligations (Contd..)

### (b) Post-employment obligations- Gratuity: (Defined benefit) (Contd..)

#### (iii). Sensitivity analysis (Contd..)

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as and when calculating the defined benefit liability recognised in the balance sheet. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior year.

### (c) Defined benefit liability and employer contributions

The Company has established a trust to administer its obligation for payment of gratuity to employees. The trust in turn contributes to a scheme administered by the Life Insurance Corporation of India (Insurer). Every year, the insurer carries out a funding valuation based on the latest employee data provided by the Company. Any deficit in the assets arising as a result of such valuation is funded by the Company. The company considers that the contribution rate set at the last valuation date is sufficient to eliminate the deficit over the agreed period and that regular contributions, which are based on service costs will not increase significantly. The trust has not changed the process used to manage the risks from previous years.

The major categories of plan assets are as follows:

| Particulars   | March 31, 2022 | March 31, 2021 |
|---|----------------|----------------|
| *Fund managed by Life Insurance Corporation of India (Unquoted) | 100%           | 100%           |

\*Fund is managed by LIC as per IRDA guidelines, category-wise composition of the plan assets is not available.

Contributions to post employment benefit plan for the year ending March 31, 2023 is expected to be ₹409

The weighted average duration of the defined benefit obligation is 13.32 years ( March 31, 2021 - 19.22 Years ). The expected maturity analysis of undiscounted gratuity is as follows:

| Particulars                         | Less than a year | Between 2-5 years | Between 6-10 years | Over 10 years | Total  |
|-------------------------------------|------------------|-------------------|--------------------|---------------|--------|
| <b>March 31, 2022</b>               |                  |                   |                    |               |        |
| Defined benefit obligation-gratuity | 409              | 829               | 1,239              | 10,519        | 12,996 |
| <b>March 31, 2021</b>               |                  |                   |                    |               |        |
| Defined benefit obligation-gratuity | 290              | 754               | 995                | 9,119         | 11,158 |

### (d) Risk exposure

Through its defined benefit plans, the company is exposed to a number of risks, the most significant of which are detailed below:

**Interest Rate Risk:** The plan exposes the Company to the risk of fall in interest rates. A fall in interest rates will result in an increase in the ultimate cost of providing the above benefit and will thus result in an increase in the value of the liability.

**Liquidity Risk:** . This is the risk that the company is not able to meet the short term gratuity pay-out. This may arise due to non-availability of enough cash / cash equivalents to meet the liabilities or holdings liquid assets not being sold in time.

**Salary Escalation Risk:** The present value of the defined benefit plans calculated with the assumption of salary increase rate of plan participants in future. Deviation in the rate of increase of salary in future for plan participants from the rate of increase in salary used to determine the present value obligation will have a bearing on the plan's liability.



# Notes to Standalone Financial Statements

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

## Note 16: Provisions - Employee Benefit Obligations (Contd..)

### (d) Risk exposure (Contd..)

**Demographic Risk:** The Company has used certain mortality and attrition assumptions in valuation of the liability. The Company is exposed to the risk of actual experience turning out to be worse compared to the assumption.

**Regulatory Risk:** Gratuity benefits are paid in accordance with the requirements of the Payment of Gratuity Act, 1972 (as amended from time to time). There is a risk of change in regulations requiring higher gratuity payouts (eg. Increase in the maximum limit on gratuity.)

**Asset Liability Mismatching or Market Risk:** The duration of the liability is longer compared to duration of assets, exposing the Company to market risk for volatilities/fall in interest rate.

**Changes in bond yields:** A decrease in bond yields will increase plan liabilities, although this will be partially off-set by an increase in the value of the plan's bond holdings.

### (e) Defined Contribution plans

**Employer's Contribution to Provident Fund:** Contributions are made to provident fund in India for employees at the rate of 12% of the employee's qualifying salary as per regulations. The contributions are made to registered provident fund administered by the Government. The obligation of the company is limited to the amount contributed and it has no further contractual nor any constructive obligation. The expense recognised during the period towards defined contribution plan is ₹ 2,108 (March 31, 2021- ₹ 1,750).

**Employer's Contribution to State Insurance Scheme:** Contributions are made to State Insurance Scheme for employees at the rate of 3.25%. The Contributions are made to Employee State Insurance Corporation (ESI), a Corporation administered by the Government. The obligation of the company is limited to the amount contributed and it has no further contractual nor any constructive obligation. The expense recognised during the period towards defined contribution plan is ₹ 311 (March 31, 2021- ₹ 303)

## Note 17: Deferred tax liabilities (net)

The balance comprises temporary differences attributable to:

| Particulars                                   | March 31, 2022 | March 31, 2021 |
|---|----------------|----------------|
| <b>Deferred tax liability / (asset) :</b>     |                |                |
| Property, plant and equipment                 | 44,297         | 35,110         |
| MAT credit entitlement                        | (744)          | -              |
| Employee Benefits                             | (1,392)        | (1,225)        |
| Others  | (21)           | (79)           |
| <b>Net deferred tax liabilities / (asset)</b> | <b>42,140</b>  | <b>33,806</b>  |

### Movement in deferred tax liabilities /(asset)

| Particulars                   | April 01, 2020 | Changes through Profit and Loss | Changes through OCI | March 31, 2021 |
|-------------------------------|----------------|---------------------------------|---------------------|----------------|
| Property, Plant and equipment | 26,263         | 8,847                           | -                   | 35,110         |
| Employee benefit expenses     | (1,019)        | (206)                           | -                   | (1,225)        |
| Others                        | 2,152          | (2,231)                         | -                   | (79)           |
| <b>Total</b>                  | <b>27,396</b>  | <b>6,410</b>                    | <b>-</b>            | <b>33,806</b>  |

# Notes to Standalone Financial Statements

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

## Note 17: Deferred tax liabilities (net) (Contd..)

### Movement in deferred tax liabilities /(asset) (Contd..)

| Particulars                         | April 01, 2021 | Changes through Profit and Loss | Changes through OCI | March 31, 2022 |
|-------------------------------------|----------------|---------------------------------|---------------------|----------------|
| Property, Plant and equipment       | 35,110         | 9,187                           | -                   | 44,297         |
| Employee benefit expenses           | (1,225)        | (167)                           | -                   | (1,392)        |
| Others                              | (79)           | 58                              | -                   | (21)           |
| <b>Total</b>                        | <b>33,806</b>  | <b>9,078</b>                    | <b>-</b>            | <b>42,884</b>  |
| <b>Deferred tax liability</b>       |                |                                 |                     | <b>42,884</b>  |
| Less: MAT credit Entitlement        |                |                                 |                     | 744            |
| <b>Deferred tax liability (net)</b> |                |                                 |                     | <b>42,140</b>  |

## Note 18: Current borrowings

| Particulars                       | Maturity Date and Terms of Payment | Interest rate | March 31, 2022 | March 31, 2021 |
|-----------------------------------|------------------------------------|---------------|----------------|----------------|
| Loans payable on demand:          |                                    |               |                |                |
| Secured from banks                |                                    |               |                |                |
| Working capital loans from banks* | Payable on demand                  | 7.1%          | -              | 35             |
| <b>Total current borrowings</b>   |                                    |               | <b>-</b>       | <b>35</b>      |

\*Represents temporary overdrafts

### a) Utilisation of borrowings availed from banks

The borrowings obtained by the company from banks have been applied for the purposes for which such loans were taken.

### b) Quarterly statements filed with banks

The quarterly statements of current assets filed by the company in respect of its working capital facilities with banks are in agreement with the books of accounts.

### c) Wilful defaulter

The Company has not been declared as wilful defaulter by any bank or financial institution or government or any government authority.

### d) Secured borrowings and assets pledged as security

Secured by pari-passu first charge on inventories, receivables and other current assets of the company and first charge on movable fixed assets of the company. The carrying amounts of financial and non-financial assets pledged as security for current borrowings as disclosed below.

# Notes to Standalone Financial Statements

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

## Note 18(d): Assets pledged as security

The carrying amounts of Company's assets pledged as security for working capital loans from banks:

| Particulars                          | March 31, 2022  | March 31, 2021  |
|--------------------------------------|-----------------|-----------------|
| <b>Current assets*</b>               |                 |                 |
| Inventory                            | 2,64,405        | 2,04,270        |
| Trade receivables                    | 2,56,990        | 1,74,556        |
| Other current assets                 | 3,08,201        | 2,33,705        |
|                                      | <b>8,29,596</b> | <b>6,12,531</b> |
| Movable fixed assets of the company# | -               | 2,50,314        |

\*Value of Letters of credit and guarantees outstanding as at March 31, 2022 is ₹ 12,088 (March 31, 2021 is ₹ 7,809)

# Charge against the movable fixed assets of the company has been satisfied in the current year

There were no delays in registration or satisfaction of charges with Registrar of Companies beyond the statutory period.

## Note 18(e): Net Debt reconciliation

This section sets out the changes in liabilities arising from financing activities in the statement of cash flows:

| Particulars                | March 31, 2022    | March 31, 2021    |
|----------------------------|-------------------|-------------------|
| Working Capital Loans      | -                 | 35                |
| Cash and cash equivalents  | (1,19,956)        | (2,01,630)        |
| <b>Net debt /(surplus)</b> | <b>(1,19,956)</b> | <b>(2,01,595)</b> |
| Net debt obligations       | -                 | -                 |

|  | Liabilities from financing activities | Other assets       |                         | Net debt          |
|--|---------------------------------------|--------------------|-------------------------|-------------------|
|  | Current Borrowings                    | Liquid Investments | Cash and Bank overdraft |                   |
| Net debt/(surplus) as at April 01,2020             | 3,363                                 | (97,135)           | (2,788)                 | (96,560)          |
| Cash Flows   | (3,328)                               | 97,400             | (1,98,842)              | (1,04,770)        |
| Interest Expense                                   | (20)                                  | -                  | -                       | (20)              |
| Interest paid                                      | 20                                    | -                  | -                       | 20                |
| Fair value adjustments /(gain) on redemption (net) | -                                     | (265)              | -                       | (265)             |
| <b>Net debt /(surplus) as at March 31, 2021</b>    | <b>35</b>                             | <b>-</b>           | <b>(2,01,630)</b>       | <b>(2,01,595)</b> |
| Net debt /(surplus) as at April 01, 2021           | 35                                    | -                  | (2,01,630)              | (2,01,595)        |
| Cash flows   | (35)                                  | -                  | 81,674                  | 81,639            |
| Interest expense                                   | (21)                                  | -                  | -                       | (21)              |
| Interest paid                                      | 21                                    | -                  | -                       | 21                |
| <b>Net debt /(surplus) as at March 31, 2022</b>    | <b>-</b>                              | <b>-</b>           | <b>(1,19,956)</b>       | <b>(1,19,956)</b> |

# Notes to Standalone Financial Statements

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

## Note 19: Trade payables

| Particulars  | March 31, 2022 | March 31, 2021 |
|--|----------------|----------------|
| <b>Current</b>   |                |                |
| Trade Payables -Micro and small enterprises (Refer note no.41) | 2,478          | 3,248          |
| Trade Payables -Others   | 74,652         | 71,630         |
| <b>Total Trade payables</b>                                    | <b>77,130</b>  | <b>74,878</b>  |

### (a) Ageing of trade payables

#### As at March 31, 2022

| Particulars                 | Unbilled      | Not due       | Outstanding for following periods from due date of payment |           |           |                   | Total         |
|-----------------------------|---------------|---------------|--|-----------|-----------|-------------------|---------------|
|                             |               |               | Less than 1 year   | 1-2 years | 2-3 years | More than 3 years |               |
| Undisputed trade payables   |               |               |  |           |           |                   |               |
| Micro and small enterprises | -             | 1,971         | 507  | -         | -         | -                 | 2,478         |
| Others                      | 19,506        | 21,443        | 33,703   | -         | -         | -                 | 74,652        |
| <b>Total trade payables</b> | <b>19,506</b> | <b>23,414</b> | <b>34,210</b>  | <b>-</b>  | <b>-</b>  | <b>-</b>          | <b>77,130</b> |

#### As at March 31, 2021

| Particulars                 | Unbilled      | Not due       | Outstanding for following periods from due date of payment |           |           |                   | Total         |
|-----------------------------|---------------|---------------|--|-----------|-----------|-------------------|---------------|
|                             |               |               | Less than 1 year   | 1-2 years | 2-3 years | More than 3 years |               |
| Undisputed trade payables   |               |               |  |           |           |                   |               |
| Micro and small enterprises | -             | 1,352         | 1,896  | -         | -         | -                 | 3,248         |
| Others                      | 18,243        | 16,399        | 36,988   | -         | -         | -                 | 71,630        |
| <b>Total trade payables</b> | <b>18,243</b> | <b>17,751</b> | <b>38,884</b>  | <b>-</b>  | <b>-</b>  | <b>-</b>          | <b>74,878</b> |

(b) There are no trade payables with no specified due date of payments as at March 31, 2022 and March 31, 2021.

(c) There are no disputed dues as at March 31, 2022 and March 31, 2021.

## Note 20: Other financial liabilities

| Particulars                              | March 31, 2022 | March 31, 2021 |
|--|----------------|----------------|
| <b>Current</b>                           |                |                |
| Capital creditors                        | 5,543          | 7,562          |
| Unclaimed dividend                       | 107            | 125            |
| Accrual for rebates / discounts          | 639            | 137            |
| <b>Total other financial liabilities</b> | <b>6,289</b>   | <b>7,824</b>   |



# Notes to Standalone Financial Statements

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

## Note 21: Other current liabilities

| Particulars                            | March 31, 2022 | March 31, 2021 |
|--|----------------|----------------|
| Statutory dues payable                 | 1,170          | 776            |
| Deferred revenue government grants     | 76             | 64             |
| Employee benefits payable              | 30,097         | 23,455         |
| Advance from customers                 | 1,663          | 1,606          |
| <b>Total Other current liabilities</b> | <b>33,006</b>  | <b>25,901</b>  |

## Note 22: Revenue from operations

| Particulars                                | March 31, 2022  | March 31, 2021  |
|--|-----------------|-----------------|
| Sale of products                           | 8,70,810        | 6,54,190        |
| Sale of Services:                          |                 |                 |
| Contract research fee                      | 1,112           | 14,565          |
| Other Operating Revenue:                   |                 |                 |
| Sale of scrap out of manufacturing process | 10,695          | 2,413           |
| Export incentives                          | 5,365           | 8,693           |
| <b>Total Revenue from operations</b>       | <b>8,87,982</b> | <b>6,79,861</b> |

### Note 22(a): Reconciliation of Revenue recognised with contract price:

| Particulars                                  | March 31, 2022  | March 31, 2021  |
|--|-----------------|-----------------|
| Contract price                               | 8,87,001        | 6,73,341        |
| Rebates / Discounts                          | (4,384)         | (2,173)         |
| <b>Revenue from contracts with customers</b> | <b>8,82,617</b> | <b>6,71,168</b> |

### Note 22(b): Disaggregation of Revenue:

The Company derives revenue from operations (Sale of products and services and other operating revenue) from the following geographical areas(based on where products and services are delivered):

| Region            | March 31, 2022                        |                         |                               | March 31, 2021                        |                         |                               |
|-------------------|---------------------------------------|-------------------------|-------------------------------|---------------------------------------|-------------------------|-------------------------------|
|                   | Revenue from contracts with customers | Other Operating Revenue | Total Revenue from operations | Revenue from contracts with customers | Other Operating Revenue | Total Revenue from operations |
| America           | 3,83,291                              | -                       | 3,83,291                      | 1,58,652                              | -                       | 1,58,652                      |
| Asia              | 79,807                                | -                       | 79,807                        | 82,675                                | -                       | 82,675                        |
| Europe            | 2,86,480                              | -                       | 2,86,480                      | 3,17,415                              | -                       | 3,17,415                      |
| India             | 98,419                                | 5,365                   | 1,03,784                      | 82,543                                | 8,693                   | 91,236                        |
| Rest of the world | 34,620                                | -                       | 34,620                        | 29,883                                | -                       | 29,883                        |
|                   | <b>8,82,617</b>                       | <b>5,365</b>            | <b>8,87,982</b>               | <b>6,71,168</b>                       | <b>8,693</b>            | <b>6,79,861</b>               |

# Notes to Standalone Financial Statements

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

## Note 23: Other income

| Particulars  | March 31, 2022 | March 31, 2021 |
|--|----------------|----------------|
| Interest income from financial assets at amortised cost    | 6,896          | 5,724          |
| Net gain on redemption /disposal of investments            | -              | 265            |
| Net gain on foreign currency transactions and translations | 3,798          | -              |
| Miscellaneous Income                                       | 423            | 257            |
| Government Grants  | 9              | 7              |
| <b>Total Other income</b>                                  | <b>11,126</b>  | <b>6,253</b>   |

## Note 24: Cost of raw materials consumed

| Particulars                                  | March 31, 2022  | March 31, 2021  |
|--|-----------------|-----------------|
| Raw materials at the beginning of the year   | 69,495          | 50,049          |
| Add: Purchases                               | 3,49,960        | 2,55,996        |
| Less: Raw materials at the end of the period | 75,476          | 69,495          |
| <b>Total Cost of raw materials consumed</b>  | <b>3,43,979</b> | <b>2,36,550</b> |

## Note 25: Changes in inventories of finished goods and work-in-progress

| Particulars  | March 31, 2022  | March 31, 2021  |
|--|-----------------|-----------------|
| <b>Opening Balance:</b>  |                 |                 |
| Finished goods   | 14,263          | 15,506          |
| Work-in-progress   | 1,09,334        | 98,091          |
|  | <b>1,23,597</b> | <b>1,13,597</b> |
| <b>Closing Balance:</b>  |                 |                 |
| Finished goods   | 15,437          | 14,263          |
| Work-in-progress   | 1,53,159        | 1,09,334        |
|  | <b>1,68,596</b> | <b>1,23,597</b> |
| <b>Total Changes in inventories of finished goods and work-in-progress</b> | <b>(44,999)</b> | <b>(10,000)</b> |

## Note 26: Employee benefits expense

| Particulars   | March 31, 2022 | March 31, 2021 |
|---|----------------|----------------|
| Salaries, wages, bonus and other allowances*                        | 88,202         | 77,291         |
| Contribution to provident fund and other fund (Refer note no.38(b)) | 2,108          | 1,750          |
| Contribution to ESI   | 311            | 303            |
| Staff welfare expenses  | 2,034          | 1,524          |
| <b>Total Employee benefits expense</b>                              | <b>92,655</b>  | <b>80,868</b>  |

\*Net of ₹ 131 ( March 31, 2021 ₹ 155) transferred to Capital work in progress (Refer Note 4)

# Notes to Standalone Financial Statements

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

## Note 27: Finance costs

| Particulars   | March 31, 2022 | March 31, 2021 |
|---|----------------|----------------|
| Interest and finance charges on financial liabilities carried at amortised cost | 21             | 20             |
| Interest on Income tax  | 1              | 1              |
| Charges for Letters of credit / Bank guarantees                                 | 43             | 48             |
| <b>Total Finance costs</b>  | <b>65</b>      | <b>69</b>      |

## Note 28: Depreciation and amortisation expense

| Particulars  | March 31, 2022 | March 31, 2021 |
|--|----------------|----------------|
| Depreciation on property, plant and equipment      | 30,737         | 25,168         |
| Amortisation of intangible assets                  | 318            | 297            |
| <b>Total Depreciation and amortisation expense</b> | <b>31,055</b>  | <b>25,465</b>  |

## Note 29: Other expenses

| Particulars  | March 31, 2022  | March 31, 2021 |
|--|-----------------|----------------|
| Consumption of stores and spares   | 6,364           | 5,594          |
| Packing materials consumed   | 5,939           | 5,097          |
| Power and fuel*  | 38,753          | 30,944         |
| Repairs and maintenance- buildings   | 2,910           | 1,788          |
| Repairs and maintenance- machinery   | 15,593          | 12,393         |
| Repairs and maintenance- others  | 188             | 157            |
| Insurance  | 2,602           | 2,158          |
| Rates and taxes, excluding taxes on income                                 | 1,690           | 1,247          |
| Non-Executive Directors' remuneration including sitting fees               | 217             | 209            |
| Printing and stationery  | 701             | 662            |
| Rental charges   | 1,033           | 1,035          |
| Communication expenses   | 149             | 144            |
| Travelling and conveyance  | 4,871           | 3,140          |
| Vehicle maintenance  | 109             | 101            |
| Payments to auditors (Refer note no.29(a))                                 | 66              | 63             |
| Legal and professional charges   | 759             | 780            |
| Factory upkeep   | 483             | 297            |
| Environment management expenses  | 4,013           | 2,781          |
| Advertisement and publication expenses                                     | 8               | 7              |
| Research and development expenses (Refer note no.29(c))                    | 2,029           | 1,497          |
| Sales commission   | 1,159           | 1,170          |
| Carriage outward   | 9,589           | 9,844          |
| General expenses   | 5,021           | 4,415          |
| Electricity service line charges   | 252             | 971            |
| Provision for doubtful debts/ (written back) including bad debts recovered | (277)           | (92)           |
| Net loss on foreign currency transactions and translations                 | -               | 77             |
| Corporate social responsibility activities (CSR) (Refer note no.29(b))     | 4,167           | 3,188          |
| Loss on disposal / discard of assets                                       | 205             | 596            |
| Bank charges   | 108             | 112            |
| <b>Total Other expenses</b>  | <b>1,08,701</b> | <b>90,375</b>  |

\*Net of ₹ 39 (March 31, 2021: ₹ 84) transferred to capital work in progress (refer note 4)

# Notes to Standalone Financial Statements

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

## Note 29(a): Details of payments to auditors

| Particulars                       | March 31, 2022 | March 31, 2021 |
|-----------------------------------|----------------|----------------|
| As Statutory Auditor              | 40             | 36             |
| For Quarterly Reviews             | 24             | 24             |
| Reimbursement of expenses         | 2              | 3              |
| <b>Total Payments to auditors</b> | <b>66</b>      | <b>63</b>      |

## Note 29(b)(i) : Expenditure on Corporate Social Responsibilities( CSR)

The Company has spent amounts as specified below towards various schemes of Corporate Social Responsibility activities as prescribed under Section 135 of the Companies Act, 2013.

| Particulars   | March 31, 2022   | March 31, 2021 |
|---|--|----------------|
| (i) Construction / acquisition of any asset   | -  | -              |
| (ii) On Purposes other than (i) above   | 4,213  | 3,435          |
| Total Amount spent during the year  | 4,213  | 3,435          |
| Add: Excess amount of CSR expenditure spent under 135(5) of the act in the earlier years. | 247  | -              |
| Less: Amount required to be spent for the year  | 4,167  | 3,188          |
| Excess amount of CSR expenditure spent under 135(5) of the act *                          | 293  | 247            |
| Amount of shortfall for the year  | -  | -              |
| Amount of cumulative shortfall at the end of the year                                     | -  | -              |
| Reason for shortfall  | N/A  | N/A            |
| iii) Nature of CSR activities   | Promoting healthcare, Education, Rural development, Empowering women, Safe drinking water, Environmental sustainability, Rural sports, Swatch Bharat programme, support to differently abled, livelihood enhancement etc., |                |

\* included in prepaid expenses refer note 14

ii) The Company does not carry any provisions for CSR expenses for the reporting year and for prior years.

iii) There are no transactions with related parties / trusts controlled by the company with respect to CSR Expenditure.

## Note 29(c): Research and development expenses\*

| Particulars                                 | March 31, 2022 | March 31, 2021 |
|---|----------------|----------------|
| Salaries, wages, bonus and other allowances | 3,268          | 3,369          |
| Contribution to provident and other funds   | 158            | 194            |
| Contribution to ESI                         | 8              | 9              |
| Staff welfare expenses                      | 32             | 32             |
| Consumption of stores and spares            | 749            | 674            |
| Power and fuel                              | 233            | 198            |
| Repairs to buildings                        | 26             | 10             |
| Repairs to machinery                        | 526            | 498            |
| Repairs to other assets                     | 18             | 20             |
| Rates and taxes, excluding taxes on income  | 5              | 31             |
| Printing and stationery                     | 20             | 16             |
| Communication expenses                      | -              | 2              |

# Notes to Standalone Financial Statements

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

## Note 29(c): Research and development expenses\* (Contd..)

| Particulars                                    | March 31, 2022 | March 31, 2021 |
|--|----------------|----------------|
| Travelling and conveyance                      | -              | 1              |
| Professional and consultancy charges           | 398            | -              |
| Miscellaneous expenses                         | 54             | 47             |
| <b>Total Research and development expenses</b> | <b>5,495</b>   | <b>5,101</b>   |

\* Research and development expenditure to the extent of ₹ 3,466(2021: ₹ 3,604) is grouped under employee benefit expenses (consists of Salaries, wages, bonus and other allowances, contribution to provident and other funds and staff welfare expenses) and ₹ 2,029 (2021: ₹ 1,497) is grouped under other expenses.

## Note 30(a): Tax expense

| Particulars  | March 31, 2022 | March 31, 2021 |
|--|----------------|----------------|
| <b>(i) Current tax expense</b>   |                |                |
| Current tax on profits for the year  | 63,439         | 61,580         |
| Current tax charge /(reversals) of earlier years                                   | 281            | (675)          |
| <b>Total current tax expense</b>   | <b>63,720</b>  | <b>60,905</b>  |
| <b>(ii) Deferred tax expense *</b>   |                |                |
| Decrease /(Increase) in deferred tax assets  | (109)          | (2,437)        |
| (Decrease) /Increase in deferred tax liabilities                                   | 8,443          | 8,847          |
| MAT credit entitlement   | 744            | -              |
| <b>Total Deferred tax expense/(benefit)</b>  | <b>9,078</b>   | <b>6,410</b>   |
| <b>(iii) Current Tax expense recognised in statement of profit and loss (i+ii)</b> | <b>72,798</b>  | <b>67,315</b>  |
| <b>(iv) Current Tax expense recognised in other comprehensive income</b>           |                |                |
| Tax expense / (benefit)  | 117            | 9              |
| <b>Total tax expense (iii+iv)</b>  | <b>72,915</b>  | <b>67,324</b>  |

\*Entire deferred tax for the year ended March 31, 2022 and March 31, 2021 relates to origination and reversal of temporary differences.

## 30 (b) Significant estimates:

The Company benefits from the tax holiday available for units set up under the Special Economic Zone Act, 2005. These tax holidays are available for a period of fifteen years from the date of commencement of operations. Under the SEZ scheme, the unit which begins production of Goods/services on or after April 01, 2005 and on or before June 30, 2020 will be eligible for deductions of 100% of profits or gains derived from export of Goods/services for the first five years, 50% of such profits or gains for a further period of five years and 50% of such profits or gains for the balance period of five years subject to creation of Special Economic Zone Re-investment Reserve out of profit of eligible SEZ Units and utilisation of such reserve in terms of the provisions of the Income Tax Act, 1961.

## 30 (c) Reconciliation of tax expense and the accounting profit multiplied by India's tax rate:

| Particulars   | March 31, 2022  | March 31, 2021 |
|---|-----------------|----------------|
| Profit from operations before income tax expenses   | 3,67,652        | 2,62,787       |
| <b>Tax at the Indian tax rate of 34.944%</b>  | <b>1,28,472</b> | <b>91,828</b>  |
| Tax effect of amounts which are not deductible/ (includible) in calculating taxable income: |                 |                |
| Expenses not deductible for tax purpose   | 1,239           | 1,086          |
| Income not includible for tax purpose   | (59,176)        | (23,192)       |



# Notes to Standalone Financial Statements

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

## 30 (c) Reconciliation of tax expense and the accounting profit multiplied by India's tax rate: (Contd..)

| Particulars                                  | March 31, 2022 | March 31, 2021 |
|--|----------------|----------------|
| Adjustments for current tax of prior periods | 281            | (675)          |
| Others                                       | 2,099          | (1,723)        |
| <b>Total tax expense</b>                     | <b>72,915</b>  | <b>67,324</b>  |

## Financial Instruments and Risk Management

### Note 31: Categories of Financial Instruments

| Particulars   | Notes | Level | March 31, 2022<br>Carrying Value /<br>Fair Value | March 31, 2021<br>Carrying Value /<br>Fair Value |
|---|-------|-------|--|--|
| <b>A. Financial assets</b>  |       |       |  |  |
| <b>Mandatorily measured at fair value through profit or loss</b>          |       |       |  |  |
| Investment in equity instruments of other companies                       | 6     | 3     | 1  | 1  |
| Investment in optionally convertible debentures (OCDs) of other companies |       |       | 7,200  | -  |
| <b>Total financial assets</b>   |       |       | <b>7,201</b>                                     | <b>1</b>   |

### Note 32: Fair value hierarchy

Fair value of the financial instruments is classified in various fair value hierarchies based on the following three levels:

**Level 1:** Quoted prices (unadjusted) in active market for identical assets or liabilities.

**Level 2:** Inputs other than quoted price included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

**Level 3:** Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs). If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case with listed instruments where market is not liquid and for unlisted instruments.

#### Valuation technique used to determine fair value:

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments.
- the fair value of remaining financial instruments is determined using discounted cash flow analysis.

#### Valuation Process:

The Finance and Accounts department of the Company performs the valuation of financial assets and liabilities required for financial reporting purposes, and report to the Board of Directors. The Level 3 inputs for investment in equity shares and OCDs are derived using the discounted cash flow analysis.

# Notes to Standalone Financial Statements

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

## Note 33: Financial Risk Management

The Company's activities expose it to credit risk, market risk, price risk and liquidity risk. The Company emphasizes on risk management and has an enterprise wide approach to risk management. The Company's risk management and control procedures involve prioritization and continuing assessment of these risks and devise appropriate controls, evaluating and reviewing the control mechanism.

### (A) Credit Risk:

Credit risk management

- I. Credit risk on cash and cash equivalents is limited as the Company generally invests in deposits with nationalised bank thereby minimising its risk.
- II. Credit risk on security deposits, term deposits, trade receivables and other financial assets are evaluated as follows:

#### Expected credit loss for financial assets:

| Category   | Basis for recognition of expected credit loss provision    | Asset Group  |
|--|--|--|
| Financial assets for which credit risk has not increased significantly since initial recognition | Loss allowance measured at 12 month expected credit losses | Other Non-Current Financial assets<br>Other Current Financial assets |

#### Expected credit loss for financial assets:

| Asset Group                        | March 31, 2022        |                      |                                  | March 31, 2021        |                      |                                  |
|------------------------------------|-----------------------|----------------------|----------------------------------|-----------------------|----------------------|----------------------------------|
|                                    | Gross carrying amount | Expected credit loss | Carrying amount net of provision | Gross carrying amount | Expected credit loss | Carrying amount net of provision |
| Other Non-Current Financial assets | 5,763                 | -                    | 5,763                            | 5,661                 | -                    | 5,661                            |
| Other Current Financial assets     | 484                   | -                    | 484                              | 947                   | -                    | 947                              |

#### Expected credit loss from treasury operations and for trade receivables:

Credit risk is the risk of financial loss to the Company if a customer to a financial instrument fails to meet its contractual obligations and arises primarily from trade receivables, treasury operations etc. Credit risk of the Company is managed at the Company level. In the area of treasury operations, the Company is presently exposed to risk relating to term deposits made with State Bank of India and Scheduled banks. The Company regularly monitors such deposits and credit ratings of the banks thereby minimising the risk.

The credit risk related to trade receivables is influenced mainly by the individual characteristics of each customer. The credit risk is managed by the company by establishing credit limits and continuously monitoring the credit worthiness of the customer. The Company also provides for expected credit losses, based on the payment profiles of sales over a period of 12 months before the reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables where it believes that there is high probability of default. The Company has considered possible effect from the pandemic relating to Covid-19 on Credit risks including forward looking information to develop expected credit losses.

# Notes to Standalone Financial Statements

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

## Note 33: Financial Risk Management (Contd..)

### (A) Credit Risk: (Contd..)

#### Expected credit loss from treasury operations and for trade receivables: (Contd..)

Following are the expected credit loss for trade receivables under simplified approach:

| Particulars                                       | March 31, 2022 | March 31, 2021 |
|---|----------------|----------------|
| Gross carrying amount of trade receivables        | 2,57,062       | 1,74,765       |
| Expected credit losses (loss allowance provision) | 72             | 209            |
| Net carrying amount of trade receivables          | 2,56,990       | 1,74,556       |

Expected credit loss for trade receivables under simplified approach as at March 31, 2022

| Ageing  | Not due         | Outstanding           |  |                        | Total           |
|---|-----------------|-----------------------|--|------------------------|-----------------|
|   |                 | for less than 90 days | for more than 90 days & less than 180 days | for more than 180 days |                 |
| Gross carrying amount of trade receivables        | 2,19,552        | 29,946                | 7,295                                      | 269                    | 2,57,062        |
| Provision for doubtful debts (specific)           | -               | -                     | -  | (55)                   | (55)            |
| Expected credit losses (loss allowance provision) | -               | -                     | -  | (17)                   | (17)            |
| <b>Net carrying amount of trade receivables</b>   | <b>2,19,552</b> | <b>29,946</b>         | <b>7,295</b>                               | <b>197</b>             | <b>2,56,990</b> |

Expected credit loss for trade receivables under simplified approach as at March 31, 2021

| Ageing  | Not due         | Outstanding           |  |                        | Total           |
|---|-----------------|-----------------------|--|------------------------|-----------------|
|   |                 | for less than 90 days | for more than 90 days & less than 180 days | for more than 180 days |                 |
| Gross carrying amount of trade receivables        | 1,36,501        | 31,099                | 4,510                                      | 2,655                  | 1,74,765        |
| Provision for doubtful debts (specific)           | -               | -                     | -  | (192)                  | (192)           |
| Expected credit losses (loss allowance provision) | -               | -                     | -  | (17)                   | (17)            |
| <b>Net carrying amount of trade receivables</b>   | <b>1,36,501</b> | <b>31,099</b>         | <b>4,510</b>                               | <b>2,446</b>           | <b>1,74,556</b> |

Reconciliation of loss allowance provision in respect of trade receivables:

| Particulars                               | Total        |
|---|--------------|
| <b>Loss allowance on April 01, 2020</b>   | <b>1,033</b> |
| Change in loss allowance                  |              |
| Add: Current year loss allowance provided | 95           |
| Less: Recoveries / Writeback              | (187)        |
| Less: Bad debts written off               | (732)        |
| <b>Loss allowance on March 31, 2021</b>   | <b>209</b>   |
| <b>Loss allowance on April 01, 2021</b>   | <b>209</b>   |
| Change in loss allowance                  |              |
| Add: Current year loss allowance provided | -            |
| Less: Recoveries / Writeback              | (137)        |
| Less: Bad debts written off               | -            |
| <b>Loss allowance on March 31, 2022</b>   | <b>72</b>    |

# Notes to Standalone Financial Statements

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

## Note 33: Financial Risk Management (Contd..)

### (B) Market Risk:

The Company has substantial exposure to foreign currency risk due to the significant exports. Sales to overseas customers and purchases from overseas suppliers are exposed to risk associated with fluctuation in the currencies of those countries vis-a-vis the functional currency i.e. Indian rupee. The Company manages currency fluctuations by having a better geographic balance in revenue mix and ensures a foreign currency match between liabilities and earnings. The Company believes that the best hedge against foreign exchange risk is to have a good business mix. The Company is very cautious towards hedging as it has a cost as well as its own risks. The Company continually reassesses the cost structure impact of the currency volatility and engages with customers addressing such risks.

#### (i) Foreign currency risk exposure:

|   | Currency | March 31, 2022             |                 | March 31, 2021             |                 |
|---|----------|----------------------------|-----------------|----------------------------|-----------------|
|   |          | Amount in foreign currency | Amount in ₹     | Amount in foreign currency | Amount in ₹     |
| <b>Receivables</b>                                      | ACU      | -*                         | 26              | -*                         | 29              |
|   | EUR      | 225                        | 19,048          | 141                        | 12,155          |
|   | GBP      | 172                        | 17,090          | 160                        | 16,094          |
|   | USD      | 2,602                      | 1,97,249        | 1,806                      | 1,32,681        |
| <b>Payable to suppliers</b>                             | USD      | (439)                      | (33,276)        | (549)                      | (40,333)        |
|   | EUR      | (7)                        | (560)           | (9)                        | (776)           |
|   | GBP      | -                          | -               | -*                         | -               |
|   | SEK      | -                          | -               | -*                         | (1)             |
|   | CHF      | -                          | -               | -*                         | (28)            |
|   | JPY      | (430)                      | (267)           | -                          | -               |
| <b>Net Foreign currency exposure Asset/ (Liability)</b> |          |                            | <b>1,99,310</b> |                            | <b>1,19,821</b> |

|   | Impact on profit after tax (Income) / Expense |                |
|---|---|----------------|
|   | March 31, 2022                                | March 31, 2021 |
| <b>USD Sensitivity:</b>                       |   |                |
| INR/USD -Increase by 3% (March 31, 2021: 5%)  | (3,200)                                       | (3,004)        |
| INR/USD -Decrease by 3% (March 31, 2021: 5%)  | 3,200   | 3,004          |
| <b>ACU Sensitivity:</b>                       |   |                |
| INR/ACU -Increase by 3% (March 31, 2021: 10%) | (1)   | (2)            |
| INR/ACU -Decrease by 3% (March 31, 2021: 10%) | 1   | 2              |
| <b>EUR Sensitivity:</b>                       |   |                |
| INR/EUR -Increase by 2% (March 31, 2021: 10%) | (240)   | (740)          |
| INR/EUR -Decrease by 2% (March 31, 2021: 10%) | 240   | 740            |
| <b>GBP Sensitivity:</b>                       |   |                |
| INR/GBP -Increase by 1% (March 31, 2021: 7%)  | (111)   | (733)          |
| INR/GBP -Decrease by 1% (March 31, 2021: 7%)  | 111   | 733            |
| <b>SEK Sensitivity:</b>                       |   |                |
| INR/SEK -Increase by 5%(March 31, 2021: 4%)   | -   | -*             |
| INR/SEK -Decrease by 5% (March 31, 2021: 4%)  | -   | -*             |

# Notes to Standalone Financial Statements

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

## Note 33: Financial Risk Management (Contd..)

### (B) Market Risk: (Contd..)

#### (i) Foreign currency risk exposure: (Contd..)

|  | Impact on profit after tax<br>(Income) / Expense |                |
|--|--|----------------|
|  | March 31, 2022                                   | March 31, 2021 |
| <b>CHF Sensitivity:</b>                      |  |                |
| INR/CHF -Increase by 5%(March 31, 2021: 4%)  | -  | -*             |
| INR/CHF -Decrease by 5% (March 31, 2021: 4%) | -  | -*             |
| <b>JPY Sensitivity:</b>                      |  |                |
| INR/JPY -Increase by 6%(March 31, 2021:NA)   | 10   | -              |
| INR/JPY -Decrease by 6% (March 31, 2021: NA) | (10)   | -              |

\* Amount is below the rounding off norm adopted by the company

#### (ii) Cash Flow and fair value interest rate risk:

Interest rate exposure: The Company does not have long term borrowings. The interest rate risk is towards short term working capital borrowings and from term deposits. Below is the sensitivity analysis, which presents impact on the cash flow due to the increase/decrease in the interest rates with all other variables held constant.

|  | Impact on profit after tax<br>(Income) / Expense |                |
|--|--|----------------|
|  | March 31, 2022                                   | March 31, 2021 |
| <b>Short term borrowings from Banks:</b>   |  |                |
| Interest rate-increase by 100 basis points | -*   | -*             |
| Interest rate-Decrease by 100 basis points | -*   | -*             |
| <b>Term Deposits with Banks:</b>           |  |                |
| Interest rate-increase by 100 basis points | (1,043)  | (82)           |
| Interest rate-Decrease by 100 basis points | 1,043  | 82             |

\* Amount is below the rounding off norm adopted by the company

### (C) Price Risk:

There are no company's investments which are subjected to price risk.

### (D) Liquidity Risk:

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding to meet obligations when due. Company's treasury maintains flexibility in funding by maintaining availability under deposits in banks, adequate limits in the current accounts etc.



# Notes to Standalone Financial Statements

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

## Note 33: Financial Risk Management (Contd..)

### (D) Liquidity Risk: (Contd..)

#### (i) Contractual maturities of financial liabilities:

|                             | March 31, 2022     |             |                     |               | March 31, 2021     |             |                     |               |
|-----------------------------|--------------------|-------------|---------------------|---------------|--------------------|-------------|---------------------|---------------|
|                             | Less than 6 months | 6-12 months | More than 12 months | Total         | Less than 6 months | 6-12 months | More than 12 months | Total         |
| Current Borrowings          | -                  | -           | -                   | -             | 35                 | -           | -                   | 35            |
| Trade payables              | 77,130             | -           | -                   | 77,130        | 74,878             | -           | -                   | 74,878        |
| Other financial liabilities | 6,289              | -           | -                   | 6,289         | 7,824              | -           | -                   | 7,824         |
| <b>Total</b>                | <b>83,419</b>      | <b>-</b>    | <b>-</b>            | <b>83,419</b> | <b>82,737</b>      | <b>-</b>    | <b>-</b>            | <b>82,737</b> |

## Note 34: Capital Management

- (a) The Company's financial strategy aims to provide adequate capital for its growth plans for sustained stakeholder value. The company's objective is to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. And depending on the financial market scenario, nature of the funding requirements and cost of such funding, the Company decides the optimum capital structure. The Company aims at maintaining a strong capital base so as to maintain adequate supply of funds towards future growth plans as a going concern.

#### Net debt to equity ratio

| Particulars                     | March 31, 2022 | March 31, 2021 |
|---------------------------------|----------------|----------------|
| Net debt                        | -              | 35             |
| Total Equity                    | 11,69,135      | 9,27,157       |
| <b>Net debt to equity ratio</b> | <b>NA</b>      | <b>0.00</b>    |

### (b) Dividend:

#### Dividend paid on equity shares:

| Particulars                | March 31, 2022 | March 31, 2021 |
|----------------------------|----------------|----------------|
| Dividends paid:            |                |                |
| Final dividend for 2020-21 | 53,094         | -              |

#### Proposed dividend not recognised at the end of the reporting period:

| Particulars                 | March 31, 2022 | March 31, 2021 |
|-----------------------------|----------------|----------------|
| On equity shares of ₹2 each |                |                |
| Dividend per equity share   | 30             | 20             |
| Dividend amount             | 79,641         | 53,094         |

Note: The dividend for the year ended March 31, 2022 proposed and recommended, is subject to the approval of shareholders at the ensuing annual general meeting.

# Notes to Standalone Financial Statements

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

## Note 35: Segment Information

### Description of segments and principal activities

The Managing Director has been identified as Chief Operating Decision Maker(CODM). Operating segments are defined as components of an enterprise for which discrete financial information is available. This is evaluated regularly by the CODM, in deciding how to allocate resources and assessing the Company's performance. The company is engaged in the manufacture of Active Pharmaceutical Ingredients (API's), Intermediates and Nutraceutical Ingredients and operates in a single operating segment.

The reportable segments have been provided in the Consolidated Financial Statements of the Company and therefore no separate disclosure on segment information is given in this standalone financial statements.

## Note 36: Leases

The Company has lease for office premise, which is renewable on a periodical basis and cancellable at the option of the lessee and lessor. Rental expenses for operating lease recognised in statement of profit and loss for the year is ₹ 870 (March 31, 2021: ₹ 829).

## Note 37: Related Party Transactions

(a) **Subsidiaries**

- : Divis Laboratories (USA) Inc.
- : Divi's Laboratories Europe AG.

(b) **Key Management personnel(KMP)**

- : Dr. Murali. K. Divi
- : Mr. N.V. Ramana
- : Mr. Madhusudana Rao Divi
- : Dr. Kiran S. Divi
- : Ms. Nilima Prasad Divi

(c) **Non-Executive Directors**

- : Mr. K V K Seshavataram (Independent Director)
- : Mr. R Ranga Rao (Independent Director)
- : Dr. G Suresh Kumar (Independent Director)
- : Dr. Ramesh B V Nimmagadda (Independent Director)
- : Dr. S Ganapaty (Independent Director)
- : Prof. Sunaina Singh (Independent Director)
- : Mr. K V Chowdary (Independent Director)

(d) **Relative of Key Management personnel**

- : Mr. Babu Rajendra Prasad Divi
- : Mr. Divi Radha Krishna Rao
- : Mr. Sri Ramachandra Rao Divi

# Notes to Standalone Financial Statements

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

## Note 37: Related Party Transactions (Contd..)

### (d) Relative of Key Management personnel (Contd..)

: Mrs. Jhansilakshmi Pendyala  
 : Mrs. Divi Swarna Latha  
 : Mrs. Divi Raja Kumari  
 : Mr. Divi Satyasayee Babu  
 : Mrs. Shanti Chandra Attaluri  
 : Mrs. N. Nirmala Kumari  
 : Mrs. N. Chandrika Lakshmi  
 : Mr. N. Venkata Aniruddh  
 : Mrs. N. Monisha  
 : Mr. N. Prashanth  
 : Mrs. L. Vijaya Lakshmi

### (e) Other related party

: Divi's Laboratories Employees' Gratuity Trust.

### (f) List of Related Parties over which Control / Significant Influence exists with whom the company has transactions :

|  | Relationship   |
|--|--|
| Divis Laboratories (USA) Inc.                  | Wholly owned subsidiary  |
| Divi's Laboratories Europe AG                  | Wholly owned subsidiary  |
| Divi's Properties Private Limited              | Company in which key management personnel have significant influence |
| Divi's Biotech Private Limited                 | Company in which key management personnel have significant influence |
| Divi's Laboratories Employees' Gratuity Trust. | Post employment benefit plan of Divi's Laboratories Ltd*             |

\*Refer Note No. 16(i) for information on transactions with post employment benefit plan mentioned above.

### (g) Summary of Related Party transactions and balances:

|   | March 31, 2022           |  | March 31, 2021           |  |
|---|--------------------------|--|--------------------------|--|
|   | Amount<br>(Transactions) | Outstanding<br>balance as at<br>March 31, 2022 | Amount<br>(Transactions) | Outstanding<br>balance as at<br>March 31, 2021 |
| (i) Managerial Remuneration and short term employee benefits to Key Management Personnel -refer 37(h) (i) | 24,300                   | 23,870   | 17,930                   | 17,469   |
| (ii) Remuneration and Sitting fees to non-executive directors-refer 37(h) (ii)                            | 217                      | -  | 209                      | -  |
| (iii) Dividend paid to Key Management Personnel -refer 37(h) (iii)  | 23,228                   | -  | -                        | -  |
| (iv) Dividend paid to Relatives of Key Management Personnel -refer 37(h) (iv )                            | 2,988                    | -  | -                        | -  |

# Notes to Standalone Financial Statements

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

## Note 37: Related Party Transactions (Contd..)

### (g) Summary of Related Party transactions and balances: (Contd..)

|   | March 31, 2022           |  | March 31, 2021           |  |
|---|--------------------------|--|--------------------------|--|
|   | Amount<br>(Transactions) | Outstanding<br>balance as at<br>March 31, 2022 | Amount<br>(Transactions) | Outstanding<br>balance as at<br>March 31, 2021 |
| (v) Salary and Allowances to Relatives of Key Management Personnel - Mr. Anirudh Nimmagadda   | 15                       | 2  | 14                       | 1  |
| (vi) Dividend paid to Company in which Key Management Personnel have Significant Influence - M/s Divi's Biotech Private Limited       | 1,600                    | -  | -                        | -  |
| (vii) Lease Rent to a Company in which Key Management Personnel have Significant Influence - M/s Divi's Properties Private Limited    | 870                      | -  | 829                      | -  |
| (viii) Rent Deposit to a Company in which Key Management Personnel have Significant Influence - M/s Divi's Properties Private Limited | -                        | 342  | -                        | 308  |
| (ix) Sales / Receivable - Subsidiary- Divi's Laboratories Europe AG   | 19,182                   | 16,398   | 11,262                   | 9,944  |
| (x) Sales / Receivable - Subsidiary- Divis Laboratories (USA) Inc.  | 16,332                   | 10,472   | 12,054                   | 9,693  |

| Committed future sales to related parties as at the year end: | March 31, 2022 | March 31, 2021 |
|---|----------------|----------------|
| (i) Subsidiary- Divi's Laboratories Europe AG                 | 455            | 1,106          |
| (ii) Subsidiary- Divis Laboratories (USA) Inc.                | -              | 615            |

### (h) Transactions with Related Parties:

|   | March 31, 2022           |  | March 31, 2021           |  |
|---|--------------------------|--|--------------------------|--|
|   | Amount<br>(Transactions) | Outstanding<br>balance as at<br>March 31, 2022 | Amount<br>(Transactions) | Outstanding<br>balance as at<br>March 31, 2021 |
| <b>(i) Managerial Remuneration and short term employee benefits to Key Management Personnel</b> |                          |  |                          |  |
| 1. Dr. Murali K. Divi   | 11,041                   | 11,013   | 8,084                    | 8,059  |
| 2. Mr. N.V. Ramana  | 5,627                    | 5,510  | 4,149                    | 4,033  |
| 3. Mr. Madhusudana Rao Divi   | 115                      | -  | 116                      | 1  |
| 4. Dr. Kiran S. Divi  | 3,767                    | 3,676  | 2,822                    | 2,688  |

# Notes to Standalone Financial Statements

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

## Note 37: Related Party Transactions (Contd..)

### (h) Transactions with Related Parties: (Contd..)

|  | March 31, 2022           |  | March 31, 2021           |  |
|--|--------------------------|--|--------------------------|--|
|  | Amount<br>(Transactions) | Outstanding<br>balance as at<br>March 31, 2022 | Amount<br>(Transactions) | Outstanding<br>balance as at<br>March 31, 2021 |
| 5. Ms. Nilima Prasad Divi  | 3,750                    | 3,671  | 2,759                    | 2,688  |
|  | <b>24,300</b>            | <b>23,870</b>                                  | <b>17,930</b>            | <b>17,469</b>                                  |
| <b>(ii) Remuneration including Sitting fees to non-executive directors</b> |                          |  |                          |  |
| 1. Mr. K.V.K. Seshavataram   | 29                       | -  | 29                       | -  |
| 2. Dr.G Suresh Kumar   | 32                       | -  | 30                       | -  |
| 3. Mr. R Ranga Rao   | 34                       | -  | 34                       | -  |
| 4. Dr. S. Ganapaty   | 29                       | -  | 27                       | -  |
| 5. Dr. Ramesh B V Nimmagadda   | 33                       | -  | 31                       | -  |
| 6. Prof. Sunaina Singh   | 27                       | -  | 27                       | -  |
| 7. Mr. K V Chowdary  | 33                       | -  | 31                       | -  |
|  | <b>217</b>               | <b>-</b>                                       | <b>209</b>               | <b>-</b>                                       |
| <b>(iii) Dividend paid to Key Management Personnel</b>                     |                          |  |                          |  |
| 1. Dr.Murali K. Divi   | 1,513                    | -  | -                        | -  |
| 2. Dr. Kiran S Divi  | 10,800                   | -  | -                        | -  |
| 3. Ms. Nilima Prasad Divi  | 10,800                   | -  | -                        | -  |
| 4. Mr. Madhusudana Rao Divi  | 61                       | -  | -                        | -  |
| 5. Mr. N.V. Ramana   | 54                       | -  | -                        | -  |
|  | <b>23,228</b>            | <b>-</b>                                       | <b>-</b>                 | <b>-</b>                                       |
| <b>(iv) Dividend paid to Relatives of Key Management Personnel</b>         |                          |  |                          |  |
| 1. Mr. Babu Rajendra Prasad Divi   | 5                        | -  | -                        | -  |
| 2. Mr. Divi Radha Krishna Rao  | 1                        | -  | -                        | -  |
| 3. Mrs. Jhansilakshmi Pendyala   | 2                        | -  | -                        | -  |
| 4. Mrs. Divi Swarna Latha  | 2,800                    | -  | -                        | -  |
| 5. Mrs. Divi Raja Kumari   | 3                        | -  | -                        | -  |
| 6. Mrs. Shanti Chandra Attaluri  | 55                       | -  | -                        | -  |
| 7. Mrs. N.Nirmala Kumari   | 8                        | -  | -                        | -  |
| 8. Mrs. N. Chandrika Lakshmi   | 11                       | -  | -                        | -  |
| 9. Mr. N. Venkata Aniruddh   | 34                       | -  | -                        | -  |
| 10. Mrs. N. Monisha  | 63                       | -  | -                        | -  |
| 11. Mr. N. Prashanth   | 6                        | -  | -                        | -  |
|  | <b>2,988</b>             | <b>-</b>                                       | <b>-</b>                 | <b>-</b>                                       |

### (i) Terms and Conditions

Transactions relating to dividends were on the same terms and conditions that applied to other equity shareholders



# Notes to Standalone Financial Statements

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

## Note 38: Contingent Liabilities:

| Particulars  | March 31, 2022 | March 31, 2021 |
|--|----------------|----------------|
| Claims against the Company not acknowledged as debts in respect of:  |                |                |
| Disputed demands for excise duty, customs duty, sales tax, service tax and Goods and service tax for various periods | 8,903          | 706            |

(a) It is not practicable for the company to estimate the timings of cash flows, if any, in respect of the above pending resolution of the respective proceedings.

(b) Provident Fund:

The Company is in the process of evaluating the impact of the recent Supreme Court Judgment in case of "Vivekananda Vidyamandir And Others Vs The Regional Provident Fund Commissioner (II) West Bengal" and the related circular (Circular No. C-1/1(33)2019/Vivekananda Vidya Mandir/284) dated March 20, 2019 issued by the Employees' Provident Fund Organisation in relation to non-exclusion of certain allowances from the definition of "basic wages" of the relevant employees for the purposes of determining contribution to provident fund under the Employees' Provident Funds & Miscellaneous Provisions Act, 1952. In the assessment of the management which is supported by legal advice, the aforesaid matter is not likely to have a significant impact and accordingly, no provision has been made in these financial statements.

## Note 39: Additional regulatory information required under Schedule III of Companies Act 2013:

(i) Details of Benami Property held

No proceedings have been initiated on or are pending against the company for holding benami property under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and rules made thereunder.

(ii) Relationship with struck off companies

The company has no transactions with the companies struck off under Companies Act, 2013 or Companies Act, 1956.

(iii) Compliance with number of layers of companies

The company has complied with the number of layers prescribed under the Companies Act, 2013.

(iv) Compliance with approved scheme(s) of arrangements

The company has not entered into any scheme of arrangements which has an accounting impact on current and previous financial year.

(v) Utilisation of borrowed funds and share premium

The company has not advanced or loaned or invested funds to any other person(s) or entity(ies), including foreign entities (Intermediaries) with the understanding that the Intermediary shall:

- a. directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the company (Ultimate Beneficiaries) or
- b. provide any guarantee, security or the like to or on behalf of the ultimate beneficiaries

The company has not received any fund from any person(s) or entity(ies), including foreign entities (Funding Party) with the understanding (whether recorded in writing or otherwise) that the company shall:

- a. directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party (Ultimate Beneficiaries) or
- b. provide any guarantee, security or the like on behalf of the ultimate beneficiaries

# Notes to Standalone Financial Statements

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

## Note 39: Additional regulatory information required under Schedule III of Companies Act 2013: (Contd..)

### (vi) Undisclosed income

There is no income surrendered or disclosed as income during the current or previous year in the tax assessments under the Income Tax Act, 1961.

### (vii) Loans or advances to specified persons

The company has not granted any loans or advances in the nature of loans to promoters, directors, KMP's and the related parties as defined under Companies Act, 2013.

### (viii) Details of crypto currency or virtual currency

The company has not traded or invested in crypto currency or virtual currency during the current or previous year.

## Note 40: Commitments

| Particulars  | March 31, 2022 | March 31, 2021 |
|--|----------------|----------------|
| <b>Property, Plant and Equipment:</b>  |                |                |
| (i) Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances)           | 14,035         | 14,011         |
| (ii) Capital commitment towards special economic zone re-investment obligation   | 59,085         | 55,029         |
| <b>Others:</b>   |                |                |
| (iii) On account of bonds or legal agreements executed with Central excise/ Customs authorities/ SEZ development commissioners | 43,967         | 40,967         |

## Note 41: Dues to micro and small enterprises

The Company has certain dues to Micro and Small enterprises registered (suppliers) under Micro, Small and Medium Enterprises Development Act, 2006 ('MSMED Act'). The disclosures pursuant to the said MSMED Act, to the extent the information is available with the company, are as follows.

| Particulars  | March 31, 2022 | March 31, 2021 |
|--|----------------|----------------|
| a (i) Principal amounts due to suppliers remaining unpaid as at the year-end             | 2,478          | 3,248          |
| (ii) Interest due to Suppliers remaining unpaid as at the year-end                       | -              | -              |
| b. Interest on payments beyond the appointed day paid to the suppliers during the year   | -              | -              |
| c. Interest due and payable for the delay in making payment to suppliers during the year | -              | -              |
| d. Amount of interest accrued and remaining unpaid to suppliers at the end of the year   | -              | -              |
| e. Amount of further interest remaining due and payable to suppliers in succeeding years | -              | -              |

# Notes to Standalone Financial Statements

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

## Note 42: Analytical Ratios

| S. No | Description                      | Numerator  | Denominator                   | March 31, 2022 | March 31, 2021 | % Variance |
|-------|----------------------------------|--|-------------------------------|----------------|----------------|------------|
| a     | Current Ratio                    | Total current assets                             | Total current liabilities     | 7.10           | 5.63           | 26.11%**   |
| b     | Debt - Equity Ratio              | Borrowings<br>(Refer note 18)                    | Total Equity                  | NA             | 0.00           | 0%         |
| c     | Debt Service Coverage Ratio      | Earnings available for debt service              | Debt service                  | NA             | NA             | NA#        |
| d     | Return on Equity Ratio           | Profit after tax                                 | Average Total Equity          | 28.13%         | 23.57%         | 19.35%     |
| e     | Inventory Turnover Ratio         | Revenue from sale of products<br>(Refer note 22) | Average Inventory             | 3.76           | 3.47           | 8.36%      |
| f     | Trade Receivables Turnover Ratio | Total Revenue from operations<br>(Refer note 22) | Average trade receivables     | 4.09           | 4.09           | 0%         |
| g     | Trade Payables Turnover Ratio    | Net credit purchases                             | Average trade payables        | 5.55           | 5.22           | 6.32%      |
| h     | Net Capital Turnover Ratio       | Total Revenue from operations<br>(Refer note 22) | Average working capital       | 1.46           | 1.55           | (5.81)%    |
| i     | Net Profit Ratio                 | Profit after tax                                 | Total Revenue from operations | 32.79%         | 28.49%         | 15.09%     |
| j     | Return on Capital Employed       | Earnings before interest and taxes               | Average capital employed      | 33.85%         | 30.50%         | 10.98%     |
| k     | Return on Investment             | Profit after tax                                 | Average total assets          | 24.54%         | 20.32%         | 20.77%     |

\*\*Increase in current assets due to better financial performance resulted in improved current ratio.

# There is no debt obligation (net) to the Company during the current year and previous year.

### Description of numerator and denominator:

#### a Current Ratio

Current Ratio is computed as a ratio of total current assets to total current liabilities

#### b Debt - Equity Ratio

Debt - Equity Ratio is computed as a ratio of borrowings to total equity

#### c Debt Service Coverage Ratio

Debt Service Coverage Ratio is computed as a ratio of earnings available for debt service to debt service

i) Earnings available for debt service is sum of profit after tax, finance cost and non cash expenditure

ii) Debt service is sum of finance cost and principal repayments

#### d Return on Equity Ratio

Return on Equity Ratio is computed as a ratio of profit after tax to average of opening & closing total equity (i.e., Average Total Equity)

# Notes to Standalone Financial Statements

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

## Note 42: Analytical Ratios (Contd..)

### e Inventory Turnover Ratio

Inventory Turnover Ratio is computed as a ratio of revenue from sale of products to average of opening & closing inventory (i.e., Average Inventory)

### f Trade Receivables Turnover Ratio

Trade Receivables Turnover Ratio is computed as a ratio of revenue from operations to average of opening & closing trade receivables (i.e., Average trade receivables)

### g Trade Payables Turnover Ratio

"Trade Payables Turnover Ratio is computed as a ratio of net credit purchases to average of opening & closing trade payables (i.e., Average trade payables)"

Net credit purchases consists of purchase of raw material, packing material, stores, spares & other products and services

### h Net Capital Turnover Ratio

Net Capital Turnover Ratio is computed as a ratio of revenue from operations to average of opening & closing working capital (i.e., Average working capital)

### i Net Profit Ratio

Net Profit Ratio is computed as a ratio of profit after tax to revenue from operations

### j Return on Capital Employed

Return on Capital Employed is computed as a ratio of profit before interest & taxes to average of opening & closing capital employed (i.e., Average Capital employed). Capital employed consists of total equity and deferred tax liability

### k Return on Investment

Return on investment is computed as ratio of Profit after tax to average of the opening and closing total assets (i.e., Average total assets)

## Note 43: Earnings per share

| Particulars  | March 31, 2022 | March 31, 2021 |
|--|----------------|----------------|
| (a) <b>Basic EPS</b>   |                |                |
| Basic earnings per share attributable to the equity holders of the company   | 111.07         | 73.63          |
| (b) <b>Diluted EPS</b>   |                |                |
| Diluted earnings per share attributable to the equity holders of the company | 111.07         | 73.63          |

# Notes to Standalone Financial Statements

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

## Note 43: Earnings per share (Contd..)

(c) Reconciliation of earnings used in calculating earnings per share

| Particulars   | March 31, 2022 | March 31, 2021 |
|---|----------------|----------------|
| Basic earnings per share  |                |                |
| Profit attributable to the equity holders of the company used in calculating basic earnings per share   | 2,94,854       | 1,95,472       |
| Diluted earnings per share  |                |                |
| Profit attributable to the equity holders of the company used in calculating diluted earnings per share | 2,94,854       | 1,95,472       |

(d) Weighted average number of shares used as the denominator

| Particulars  | March 31, 2022 | March 31, 2021 |
|--|----------------|----------------|
| Weighted average number of equity shares used as the denominator in calculating basic earnings per share   | 26,54,68,580   | 26,54,68,580   |
| Adjustments for calculation of diluted earnings per share:   | -              | -              |
| Weighted average number of equity shares used as the denominator in calculating diluted earnings per share | 26,54,68,580   | 26,54,68,580   |

## Note 44: Impact of Covid-19 Pandemic

The Company considered the uncertainty relating to the COVID-19 pandemic in assessing the recoverability of its inventories, receivables and investments. As the company is into essential manufacturing service, which is exempt from restrictions, the pandemic did not have any significant impact on its operations or its supply chain. In this regard, the Company has considered internal and external information while finalizing various estimates in relation to its financial statements upto the date of approval by the Board of Directors and has not identified any material impact on the carrying value of assets, liabilities or provisions.

The accompanying notes are an integral part of the financial statements

**For Price Waterhouse Chartered Accountants LLP**  
Firm registration number: 012754N/N500016

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

**Sunit Kumar Basu**  
Partner  
Membership number: 55000

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

**N.V. Ramana**  
Executive Director  
DIN: 00005031

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

**Nilima Prasad Divi**  
Whole-time Director  
(Commercial)  
DIN: 06388001

Place: Hyderabad  
Date: May 23, 2022

**L. Kishorebabu**  
Chief Financial Officer

**M. Satish Choudhury**  
Company Secretary  
Membership No:A30204



Consolidated  
**FINANCIAL  
STATEMENTS**

# Independent Auditor's Report

To the Members of Divi's Laboratories Limited

## Report on the Audit of the Consolidated Financial Statements

### Opinion

1. We have audited the accompanying consolidated financial statements of Divi's Laboratories Limited (hereinafter referred to as the "Holding Company") and its subsidiaries (Holding Company and its subsidiaries together referred to as "the Group"), (refer Note 1 to the attached consolidated financial statements), which comprise the Consolidated Balance Sheet as at March 31, 2022, and the Consolidated Statement of profit and loss (including Other Comprehensive Income), the Consolidated Statement of changes in equity and the Consolidated Statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information (hereinafter referred to as "the consolidated financial statements").
2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group, as at March 31, 2022, consolidated total comprehensive income (comprising of profit and other comprehensive income), consolidated changes in equity and its consolidated cash flows for the year then ended.

### Basis for Opinion

3. We conducted our audit in accordance with the Standards on Auditing (SAs) specified under Section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in India in terms of the Code of Ethics issued by the Institute of Chartered Accountants of India and the relevant provisions of the Act,

and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in sub-paragraph 14 of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

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

### Key Audit Matter - Appropriateness of capitalisation of costs as per Ind AS 16 Property, Plant and Equipment

Refer to Note 3 (iii) & 4(c) to the consolidated financial statements.

During the year, the holding company has incurred capital expenditure aggregating to ₹ 85,874 lakhs on Property, Plant and Equipment (representing Plant & Machinery and Roads & Buildings) and ₹ 69,387 lakhs on Capital work in progress towards assets under construction at various locations.

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

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

**How our audit addresses the Key Audit matter**

Our procedures included the following:

- Understood, evaluated and tested the design and operating effectiveness of key controls relating to capitalisation of various costs incurred, including in relation to Roads & Building, Plant and Machinery and Capital work-in-progress.
- Tested the direct and indirect costs capitalised, on a sample basis, with the underlying supporting documents to ascertain the nature of costs and the basis for allocation, where applicable, and evaluated whether they meet the recognition criteria provided in the Ind AS 16, Property, Plant and Equipment.
- Tested, on a sample basis, the appropriateness of employee costs capitalised in relation to Plant and Machinery and Roads and Buildings based on verification of their timesheets etc.
- Tested other costs debited to Statement of profit and loss account, on a sample basis, to ascertain whether these meet the criteria for capitalisation.
- Assessed the adequacy of disclosures in the consolidated financial statements.

Our procedures did not identify, any costs that are eligible for capitalisation are not appropriately capitalised or costs capitalised are not in accordance with the recognition criteria provided in Ind AS 16.

**Other Information**

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

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or

otherwise appears to be materially misstated. If, based on the work we have performed and the reports of the other auditors as furnished to us (Refer paragraph 14 below), we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

**Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements**

6. The Holding Company's Board of Directors is responsible for the preparation and presentation of these consolidated financial statements in term of the requirements of the Act that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows, and changes in equity of the Group in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under Section 133 of the Act. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring accuracy and completeness of the accounting records, relevant to the preparation and presentation of the consolidated financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.
7. In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group are responsible for assessing the ability of the Group to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.
8. The respective Board of Directors of the companies included in the Group are responsible for overseeing the financial reporting process of the Group.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

9. Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.
10. As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
  - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3) (i) of the Act, we are also responsible for expressing our opinion on whether the Holding company has adequate internal financial controls with reference to consolidated financial statements in place and the operating effectiveness of such controls.
  - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
  - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
  - Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the consolidated financial statements of such entities included in the consolidated financial statements of which we are the independent auditors. For the other entities included in the consolidated financial statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.
11. We communicate with those charged with governance of the Holding Company of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
12. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.
13. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

### Other Matters

14. The financial statements of two subsidiaries located outside India, included in the consolidated financial statements, which constitute total assets of ₹ 37,464 lakhs and net assets of

₹ 6,968 lakhs as at March 31, 2022, total revenues of ₹ 48,845 lakhs, total comprehensive income (comprising of profit and other comprehensive income) of ₹ 2,145 lakhs and net cash inflows amounting to ₹ 118 lakhs for the year then ended, have been prepared in accordance with accounting principles generally accepted in their respective countries and have been audited by other auditors under generally accepted auditing standards applicable in their respective countries. The Holding Company's management has converted the financial statements of such subsidiaries located outside India from the accounting principles generally accepted in their respective countries to the accounting principles generally accepted in India. We have audited these conversion adjustments made by the Holding Company's management. Our opinion in so far as it relates to the balances and affairs of such subsidiaries located outside India, including other information, is based on the report of other auditors and the conversion adjustments prepared by the management of the Holding Company and audited by us.

Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements certified by the Management.

### Report on Other Legal and Regulatory Requirements

15. "This report does not contain a statement on the matter specified in paragraph 3(xxi) of 'the Companies (Auditor's Report) Order, 2020' ("CARO 2020") issued by the Central Government of India in terms of sub-section (11) of Section 143 of the Act as, in our opinion, and according to the information and explanations given to us, CARO 2020 is not applicable to any of the subsidiaries included in these Consolidated Financial Statements."

As required by Section 143(3) of the Act, we report, to the extent applicable, that:

- (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.
- (b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.
- (c) The Consolidated Balance Sheet, the Consolidated Statement of profit and loss (including other

comprehensive income), the Consolidated Statement of changes in equity and the Consolidated Statement of cash flows dealt with by this Report are in agreement with the relevant books of account and records maintained for the purpose of preparation of the consolidated financial statements.

- (d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act.
- (e) On the basis of the written representations received from the directors of the Holding Company as on March 31, 2022 taken on record by the Board of Directors of the Holding Company, none of the directors of the Holding Company is disqualified as on March 31, 2022 from being appointed as a director in terms of Section 164(2) of the Act.
- (f) As there are no subsidiaries incorporated in India, this report does not contain a separate report on the internal financial controls with reference to consolidated financial statements of the Group under clause (i) of sub-section 3 of 143 of the Act.
- (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
  - i. The consolidated financial statements disclose the impact, if any, of pending litigations on the consolidated financial position of the Group - Refer Note 40 to the consolidated financial Statements.
  - ii. The Group had long-term contracts as at March 31, 2022 for which there were no material foreseeable losses. The Group did not have any derivative contracts for the year ended March 31, 2022.
  - iii. There has been no delay in transferring amounts required to be transferred, to the Investor Education and Protection Fund by the Holding Company.
  - iv. (a) The management of the Holding Company has represented that, to the best of their knowledge and belief, as disclosed in the notes to the accounts, no funds have been advanced or loaned or invested (either from borrowed funds or share premium or any other sources or kind of funds) by the Holding Company to or in any other person(s) or entity(ies), including foreign entities ("Intermediaries"),



with the understanding, whether recorded in writing or otherwise, that the Intermediary shall, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Company ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries. (Refer Note 41 (v) to the Consolidated financial statements)

- (b) The management of the Holding Company have represented to us that, to the best of their knowledge and belief, as disclosed in the notes to the accounts, no funds have been received by the Holding Company or any of such subsidiaries from any person(s) or entity(ies), including foreign entities ("Funding Parties"), with the understanding, whether recorded in writing or otherwise, that the Company or any of such subsidiaries shall, directly or indirectly, lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party ("Ultimate Beneficiaries") or provide any guarantee, security or the like on behalf of the Ultimate Beneficiaries. (Refer Note 41 (v) to the Consolidated financial statements)

- (c) Based on the audit procedures, that has been considered reasonable and appropriate in the circumstances, performed by us nothing has come to our notice that has caused us to believe that the representations under sub-clause (a) and (b) contain any material misstatement.

Reporting under Rule 11(e) of Companies (Audit and Auditors) Amendment Rules, 2021 is not applicable to the subsidiaries of the Holding Company, as there are no subsidiaries incorporated in India.

- v. The dividend declared and paid during the year by the Holding Company, is in compliance with Section 123 of the Act.

Reporting under Rule 11(f) of Companies (Audit and Auditors) Amendment Rules, 2021 is not applicable to the subsidiaries of the Holding Company, as there are no subsidiaries incorporated in India.

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

For **Price Waterhouse Chartered Accountants LLP**

Firm Registration Number: 012754N/N500016

**Sunit Kumar Basu**

Partner

Membership Number: 55000

UDIN: 22055000AJKGJG5805

Place: Hyderabad

Date : May 23, 2022

## Financial Statements

Consolidated Balance Sheet & Consolidated Statement of Profit and Loss

# Consolidated Balance Sheet

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

| Particulars  | Note  | As at<br>March 31, 2022 | As at<br>March 31, 2021 |
|--|-------|-------------------------|-------------------------|
| <b>ASSETS</b>  |       |                         |                         |
| <b>Non-current assets</b>                                |       |                         |                         |
| Property, plant and equipment                            | 3     | 4,31,412                | 3,69,466                |
| Right of use assets                                      | 3(a)  | 344                     | 426                     |
| Capital work-in-progress                                 | 4     | 46,993                  | 71,062                  |
| Intangible assets  | 5     | 749                     | 495                     |
| Financial assets   |       |                         |                         |
| (i) Investments  | 6     | 7,201                   | 1                       |
| (ii) Other financial assets                              | 14(a) | 5,775                   | 5,678                   |
| Income tax assets (net)                                  | 7(a)  | 2,917                   | 6,860                   |
| Deferred tax asset                                       | 18(a) | 1,447                   | 323                     |
| Other non-current assets                                 | 9     | 5,483                   | 5,625                   |
| <b>Total Non-current assets</b>                          |       | <b>5,02,321</b>         | <b>4,59,936</b>         |
| <b>Current assets</b>                                    |       |                         |                         |
| Inventories  | 10    | 2,82,862                | 2,14,523                |
| Financial assets   |       |                         |                         |
| (i) Trade receivables                                    | 11    | 2,42,388                | 1,67,652                |
| (ii) Cash and cash equivalents                           | 12    | 1,21,476                | 2,03,032                |
| (iii) Bank balances other than (ii) above                | 13    | 1,60,412                | 12,571                  |
| (iv) Other financial assets                              | 14(b) | 489                     | 947                     |
| Income tax assets (net)                                  | 7(b)  | 5,768                   | 3,427                   |
| Other current assets                                     | 15    | 21,755                  | 15,319                  |
| <b>Total Current assets</b>                              |       | <b>8,35,150</b>         | <b>6,17,471</b>         |
| <b>TOTAL ASSETS</b>                                      |       | <b>13,37,471</b>        | <b>10,77,407</b>        |
| <b>EQUITY AND LIABILITIES</b>                            |       |                         |                         |
| <b>Equity:</b>   |       |                         |                         |
| Equity share capital                                     | 16(a) | 5,309                   | 5,309                   |
| Other equity   | 16(b) | 11,67,509               | 9,24,152                |
| <b>Total Equity</b>                                      |       | <b>11,72,818</b>        | <b>9,29,461</b>         |
| <b>LIABILITIES</b>                                       |       |                         |                         |
| <b>Non-current liabilities</b>                           |       |                         |                         |
| Financial Liabilities                                    |       |                         |                         |
| (i) Lease Liabilities                                    | 3(b)  | 287                     | 369                     |
| Provisions   | 17    | 2,671                   | 2,525                   |
| Deferred tax liabilities (net)                           | 18(b) | 42,140                  | 33,806                  |
| <b>Total Non-current liabilities</b>                     |       | <b>45,098</b>           | <b>36,700</b>           |
| <b>Current liabilities</b>                               |       |                         |                         |
| Financial liabilities                                    |       |                         |                         |
| (i) Borrowings   | 19    | -                       | 35                      |
| (ii) Lease Liabilities                                   | 3(b)  | 82                      | 79                      |
| (iii) Trade payables                                     | 20    |                         |                         |
| a) Total outstanding dues of micro and small enterprises |       | 2,478                   | 3,248                   |
| b) Total outstanding dues other than (iii) (a) above     |       | 77,092                  | 73,072                  |
| (iv) Other financial liabilities                         | 21    | 6,289                   | 8,042                   |
| Current tax liabilities (net)                            | 8     | 168                     | 598                     |
| Other current liabilities                                | 22    | 33,031                  | 25,921                  |
| Provisions   | 17    | 415                     | 251                     |
| <b>Total current liabilities</b>                         |       | <b>1,19,555</b>         | <b>1,11,246</b>         |
| <b>Total Liabilities</b>                                 |       | <b>1,64,653</b>         | <b>1,47,946</b>         |
| <b>TOTAL EQUITY AND LIABILITIES</b>                      |       | <b>13,37,471</b>        | <b>10,77,407</b>        |

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

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

For **Price Waterhouse Chartered Accountants LLP**  
Firm registration number: 012754N/N500016

**Sunit Kumar Basu**  
Partner  
Membership number: 55000

Place: Hyderabad  
Date : May 23, 2022

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

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

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

**L. Kishorebabu**  
Chief Financial Officer

**N.V. Ramana**  
Executive Director  
DIN: 00005031

**Nilima Prasad Divi**  
Whole-time Director  
(Commercial)  
DIN: 06388001

**M. Satish Choudhury**  
Company Secretary  
Membership No:A30204

# Consolidated Statement of Profit and Loss

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

| Particulars   | Notes | For the year ended<br>March 31, 2022 | For the year ended<br>March 31, 2021 |
|---|-------|--------------------------------------|--------------------------------------|
| <b>Income</b>   |       |                                      |                                      |
| Revenue from operations   | 23    | 8,95,983                             | 6,96,940                             |
| Other income  | 24    | 11,387                               | 6,256                                |
| <b>Total Income</b>   |       | <b>9,07,370</b>                      | <b>7,03,196</b>                      |
| <b>Expenses</b>   |       |                                      |                                      |
| Cost of raw materials consumed  | 25    | 3,47,656                             | 2,39,744                             |
| Purchase of Stock-in-trade  |       | 1,441                                | 531                                  |
| Changes in inventories of finished goods, work-in-progress and stock-in-trade | 26    | (52,383)                             | (7,867)                              |
| Employee benefits expense   | 27    | 94,616                               | 82,576                               |
| Finance costs   | 28    | 80                                   | 87                                   |
| Depreciation and amortisation expense   | 29    | 31,151                               | 25,559                               |
| Other expenses  | 30    | 1,16,459                             | 95,962                               |
| <b>Total Expenses</b>   |       | <b>5,39,020</b>                      | <b>4,36,592</b>                      |
| <b>Profit before tax</b>  |       | <b>3,68,350</b>                      | <b>2,66,604</b>                      |
| <b>Tax expense</b>  | 31    |                                      |                                      |
| Current tax   |       | 64,400                               | 61,646                               |
| Deferred tax  |       | 7,905                                | 6,529                                |
| Total tax expense   |       | <b>72,305</b>                        | <b>68,175</b>                        |
| <b>Profit after tax for the year</b>  |       | <b>2,96,045</b>                      | <b>1,98,429</b>                      |
| <b>Other Comprehensive Income</b>   |       |                                      |                                      |
| <b>(A) Items that will not be reclassified to profit or loss</b>              |       |                                      |                                      |
| Gain on remeasurements of post-employment benefit obligations                 |       | 335                                  | 25                                   |
| Income tax relating to these items  |       | (117)                                | (9)                                  |
| <b>(B) Items that will be reclassified to profit or loss</b>                  |       |                                      |                                      |
| Exchange differences on translation of foreign operations                     |       | 233                                  | 22                                   |
| Income tax relating to these items  |       | (45)                                 | 2                                    |
| <b>Other Comprehensive Income after tax for the year</b>                      |       | <b>406</b>                           | <b>40</b>                            |
| <b>Total Comprehensive Income for the year</b>                                |       | <b>2,96,451</b>                      | <b>1,98,469</b>                      |
| <b>Earnings per share (Par value of ₹ 2 each)</b>                             |       |                                      |                                      |
| -Basic and Diluted  | 45    | 111.52                               | 74.75                                |

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

This is the Consolidated Statement of profit and loss referred to in our report of even date

For **Price Waterhouse Chartered Accountants LLP**  
Firm registration number: 012754N/N500016

**Sunit Kumar Basu**  
Partner  
Membership number: 55000

Place: Hyderabad  
Date : May 23, 2022

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

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

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

**L. Kishorebabu**  
Chief Financial Officer

**N.V. Ramana**  
Executive Director  
DIN: 00005031

**Nilima Prasad Divi**  
Whole-time Director  
(Commercial)  
DIN: 06388001

**M. Satish Choudhury**  
Company Secretary  
Membership No:A30204

# Consolidated Statement of Cash Flows

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

| Particulars   | Note  | For the year ended<br>March 31, 2022 | For the year ended<br>March 31, 2021 |
|---|-------|--------------------------------------|--------------------------------------|
| <b>Cash flows from operating activities</b>                                   |       |                                      |                                      |
| Profit before tax   |       | 3,68,350                             | 2,66,604                             |
| Adjustments for:  |       |                                      |                                      |
| Depreciation and amortisation expense   | 29    | 31,151                               | 25,559                               |
| Unrealised foreign exchange gain  |       | (544)                                | (1,328)                              |
| Exchange differences on translation of foreign operations                     |       | 233                                  | 22                                   |
| Interest income from financial assets at amortized cost                       | 24    | (6,896)                              | (5,724)                              |
| Net gain on redemption /disposal of investments                               | 24    | -                                    | (265)                                |
| Provision for doubtful debts / (written back) [including bad debts recovered] | 30    | (203)                                | (11)                                 |
| Finance costs   | 28    | 36                                   | 87                                   |
| Loss on disposal / discard of assets  | 30    | 205                                  | 596                                  |
| Government grants   | 24    | (9)                                  | (7)                                  |
|   |       | <b>3,92,323</b>                      | <b>2,85,533</b>                      |
| <b>Change in operating assets and liabilities</b>                             |       |                                      |                                      |
| (Increase) / Decrease in trade receivables                                    | 11    | (74,162)                             | (26,540)                             |
| (Increase) / Decrease in inventories  | 10    | (68,339)                             | (28,137)                             |
| Increase / (Decrease) in trade payables                                       | 20    | 3,427                                | 17,480                               |
| (Increase) / Decrease in current loans  |       | -                                    | 9                                    |
| (Increase) / Decrease in other non current assets                             | 9     | 125                                  | (232)                                |
| (Increase) / Decrease in other non-current financial assets                   | 14(a) | (88)                                 | (2,146)                              |
| (Increase) / Decrease in other current financial assets                       | 14(b) | 458                                  | (558)                                |
| (Increase) / Decrease in other current assets                                 | 15    | (6,436)                              | 7,242                                |
| (Decrease) / Increase in long term employee benefit obligation                | 17    | 481                                  | 498                                  |
| Increase / (Decrease) in short term employee benefit obligation               | 17    | 164                                  | 5                                    |
| Increase / (Decrease) in other financial liabilities                          | 21    | 284                                  | (2,901)                              |
| Increase / (Decrease) in other current liabilities                            | 22    | 7,041                                | 8,872                                |
|   |       | <b>2,55,278</b>                      | <b>2,59,125</b>                      |
| <b>Cash generated from operations</b>   |       | <b>2,55,278</b>                      | <b>2,59,125</b>                      |
| Income taxes paid including withholding tax and net of refunds                | 7,8   | (64,098)                             | (64,432)                             |
| <b>Net cash inflow from operating activities</b>                              |       | <b>1,91,180</b>                      | <b>1,94,693</b>                      |
| <b>Cash flows from investing activities</b>                                   |       |                                      |                                      |
| Payments for property, plant and equipment                                    | 3,4,5 | (71,320)                             | (91,019)                             |
| Proceeds from sale of property, plant and equipment                           |       | -                                    | 15                                   |
| Payments for investments in optionally convertible debentures                 | 6     | (7,200)                              | -                                    |
| Payments for purchase of investments in mutual funds                          |       | -                                    | (10,000)                             |
| Proceeds out of redemption/disposal of investments                            |       | -                                    | 1,07,400                             |
| Interest received   | 24    | 6,681                                | 5,701                                |
| Proceeds from withdrawal of deposits  | 13    | 5,050                                | 6,810                                |
| Investment in deposits  | 13    | (1,52,703)                           | (11,394)                             |
| <b>Net cash inflow / ( outflow) from investing activities</b>                 |       | <b>(2,19,492)</b>                    | <b>7,513</b>                         |

# Consolidated Statement of Cash Flows

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

| Particulars   | Note | For the year ended<br>March 31, 2022 | For the year ended<br>March 31, 2021 |
|---|------|--------------------------------------|--------------------------------------|
| <b>Cash flows from financing activities</b>                               |      |                                      |                                      |
| Proceeds/(repayment) from working capital loans                           | 19   | (35)                                 | (3,328)                              |
| Finance costs   | 28   | (36)                                 | (87)                                 |
| Principal elements of lease payments                                      | 3(b) | (79)                                 | (74)                                 |
| Dividend paid to company's shareholders                                   |      | (53,094)                             | -                                    |
| <b>Net cash outflow from financing activities</b>                         |      | <b>(53,244)</b>                      | <b>(3,489)</b>                       |
| <b>Net (Decrease)/ increase in cash and cash equivalents</b>              |      | <b>(81,556)</b>                      | <b>1,98,717</b>                      |
| Cash and cash equivalents at the beginning of the year                    |      | 2,03,032                             | 4,315                                |
| <b>Cash and cash equivalents at end of the year</b>                       |      | <b>1,21,476</b>                      | <b>2,03,032</b>                      |
| <b>Reconciliation of Cash and cash equivalents at the end of the year</b> |      |                                      |                                      |
| Cash and cash equivalents   | 11   | 1,21,476                             | 2,03,032                             |
| <b>Balances as per Statement of cash flows</b>                            |      | <b>1,21,476</b>                      | <b>2,03,032</b>                      |

- The Consolidated statement of cash flows has been prepared under the indirect method as set out in Indian Accounting Standard (Ind AS 7) Statement of cash flows.
- The accompanying notes are an integral part of the Consolidated financial statements.

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

For **Price Waterhouse Chartered Accountants LLP**  
Firm registration number: 012754N/N500016

**Sunit Kumar Basu**  
Partner  
Membership number: 55000

Place: Hyderabad  
Date : May 23, 2022

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

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

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

**L. Kishorebabu**  
Chief Financial Officer

**N.V. Ramana**  
Executive Director  
DIN: 00005031

**Nilima Prasad Divi**  
Whole-time Director  
(Commercial)  
DIN: 06388001

**M. Satish Choudhury**  
Company Secretary  
Membership No:A30204



# Consolidated Statement of Changes in Equity

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

## a. Equity Share Capital

| S. No | Particulars                                      | As at<br>March 31, 2022 | As at<br>March 31, 2021 |
|-------|--|-------------------------|-------------------------|
| i     | Balance at the beginning of the reporting period | 5,309                   | 5,309                   |
| ii    | Balance at the end of the reporting period       | 5,309                   | 5,309                   |

## (b) Other Equity

| S. No                       | Particulars  | Reserves And Surplus |                          |                 |                   | Other Comprehensive Income   | Total           |
|-----------------------------|--|----------------------|--------------------------|-----------------|-------------------|--|-----------------|
|                             |  | Securities Premium   | SEZ Reinvestment Reserve | General Reserve | Retained Earnings | Exchange differences on translating the financial statements of foreign operations |                 |
| <b>As at March 31, 2021</b> |  |                      |                          |                 |                   |  |                 |
| i                           | Balance at the beginning of the previous reporting period  | 7,988                | 36,928                   | 1,00,000        | 5,79,428          | 1,339  | 7,25,683        |
| ii                          | Profit after tax for the year                              | -                    | -                        | -               | 1,98,429          | -  | 1,98,429        |
| iii                         | Other Comprehensive Income after tax for the year          | -                    | -                        | -               | 16                | 24   | 40              |
| iv                          | Total comprehensive income for the previous year           | -                    | -                        | -               | 1,98,445          | 24   | 1,98,469        |
| v                           | Dividend paid to shareholders                              | -                    | -                        | -               | -                 | -  | -               |
| vi                          | Transfer from retained earnings                            | -                    | 26,210                   | -               | (26,210)          | -  | -               |
| vii                         | Transfer to retained earnings                              | -                    | (8,109)                  | -               | 8,109             | -  | -               |
| viii                        | <b>Balance at the end of the previous reporting period</b> | <b>7,988</b>         | <b>55,029</b>            | <b>1,00,000</b> | <b>7,59,772</b>   | <b>1,363</b>   | <b>9,24,152</b> |
| <b>As at March 31, 2022</b> |  |                      |                          |                 |                   |  |                 |
| i                           | Balance at the beginning of the current reporting period   | 7,988                | 55,029                   | 1,00,000        | 7,59,772          | 1,363  | 9,24,152        |
| ii                          | Profit after tax for the year                              | -                    | -                        | -               | 2,96,045          | -  | 2,96,045        |
| iii                         | Other Comprehensive Income after tax for the year          | -                    | -                        | -               | 218               | 188  | 406             |
| iv                          | Total comprehensive income for the current year            | -                    | -                        | -               | 2,96,263          | 188  | 2,96,451        |

# Consolidated Statement of Changes in Equity

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

## (b) Other Equity (Contd..)

| S. No | Particulars   | Reserves And Surplus |                          |                 |                   | Other Comprehensive Income   | Total            |
|-------|---|----------------------|--------------------------|-----------------|-------------------|--|------------------|
|       |   | Securities Premium   | SEZ Reinvestment Reserve | General Reserve | Retained Earnings | Exchange differences on translating the financial statements of foreign operations |                  |
| v     | Dividend paid to shareholders                             | -                    | -                        | -               | (53,094)          | -  | (53,094)         |
| vi    | Transfer from retained earnings                           | -                    | 12,520                   | -               | (12,520)          | -  | -                |
| vii   | Transfer to retained earnings                             | -                    | (8,464)                  | -               | 8,464             | -  | -                |
| viii  | <b>Balance at the end of the current reporting period</b> | <b>7,988</b>         | <b>59,085</b>            | <b>1,00,000</b> | <b>9,98,885</b>   | <b>1,551</b>   | <b>11,67,509</b> |

The accompanying notes are an integral part of the financial statements

This is the Consolidated Statement of changes in equity referred to in our report of even date

For **Price Waterhouse Chartered Accountants LLP**  
Firm registration number: 012754N/N500016

**Sunit Kumar Basu**  
Partner  
Membership number: 55000

Place: Hyderabad  
Date : May 23, 2022

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

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

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

**L. Kishorebabu**  
Chief Financial Officer

**N.V. Ramana**  
Executive Director  
DIN: 00005031

**Nilima Prasad Divi**  
Whole-time Director  
(Commercial)  
DIN: 06388001

**M. Satish Choudhury**  
Company Secretary  
Membership No:A30204

# Notes to the Consolidated Financial Statements

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

## 1. Corporate information:

- 1.1 Divi's Laboratories Limited ("Divi's"), (the 'company') is a company limited by shares, incorporated and domiciled in India. The Company is engaged in the manufacture of Active Pharmaceutical Ingredients (API's), Intermediates and Nutraceutical ingredients with predominance in exports. In addition to generic business, the company, through its Custom synthesis business, supports innovator pharma companies for their patented products business right from gram scale requirements for clinical trials to launch as well as late life cycle management. The Company is a public limited company and the Company's equity shares are listed in BSE Limited (BSE) and National Stock Exchange of India Limited (NSE) in India. The Company has two subsidiaries i.e., Divis Laboratories USA, Inc., ("Divis USA") incorporated in United States of America, Divi's Laboratories Europe AG ("Divi's Europe") incorporated in Switzerland, for marketing the Nutraceutical products (dietary supplements) and pharmaceutical ingredients of the Company. Divi's Laboratories Limited, Divis Laboratories USA Inc., and Divi's Laboratories Europe AG are hereinafter referred to as 'the Group'.
- 1.2 The Consolidated financial statements are approved for issue by the Company's Board of Directors on May 23, 2022.

## 2. Significant Accounting Policies

Significant accounting policies adopted in the preparation of these consolidated financial statements are detailed below. These policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements are for the group consisting of Divi's and its subsidiaries.

### 2.1 Basis of Preparation:

#### (i) Compliance with Ind AS

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

#### (ii) Historical cost convention

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

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

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

The following amendments to the standards are applicable for the reporting period commencing April 01, 2021. However, the application of the amendments to the standards did not have any impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods

- Extension of COVID-19 related concessions – amendments to Ind AS 116
- Interest Rate Benchmark Reform – amendments to Ind AS 109 financial instruments, Ind AS 107 Financial instruments: Disclosures, Ind AS 104, Insurance contracts and Ind AS 116, Leases

#### (iv) New amendments issued but not effective

The Ministry of Corporate Affairs has vide notification dated 23 March 2022 notified Companies (Indian Accounting Standards) Amendment Rules, 2022 which amends certain accounting standards, and are effective 1 April 2022.

These amendments are not expected to have a material impact on the group in the current or future reporting periods and on foreseeable future transactions.

#### (v) Reclassifications consequent to amendments to Schedule III

The Ministry of Corporate Affairs amended the Schedule III to the Companies Act, 2013 on 24 March 2021 to increase the transparency and provide additional disclosures to users of financial statements. These amendments are effective from 1 April 2021.

# Notes to the Consolidated Financial Statements

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

Consequent to above, the group has changed the classification/presentation of security deposits, in the current year.

The security deposits (which meet the definition of a financial asset as per Ind AS 32) have been included in "other financial assets" line item. Previously, these deposits were included in "loans" line item.

The group has reclassified comparative amounts to conform with current year presentation as per the requirements of Ind AS 1. The impact of such classifications is summarised below.

|                                      | (₹ in Lakhs)                              |                         |                             |
|--------------------------------------|---|-------------------------|-----------------------------|
| Balance sheet(extract)               | 31 March 2021<br>(as previously reported) | Increase/<br>(Decrease) | 31 March 2021<br>(restated) |
| Loans (Non current)                  | 5,533                                     | (5,533)                 | -                           |
| Other financial assets (Non current) | 145                                       | 5,533                   | 5,678                       |

## (vi) Principles of Consolidation

### Subsidiaries

Subsidiaries are entities over which Divi's has control. Divi's controls an entity where Divi's is exposed to, or has rights to, variable returns from its investment with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to Divi's and the same are deconsolidated from the date the control ceases.

The group combines the financial statements of the parent and its subsidiaries line by line adding together like items of assets, liabilities, equity, income, and expenses. Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

## (vii) Current and non-current classification

An asset / liability is classified as current if:

- The amount is expected to be realized or sold or consumed in the group's normal operating cycle; the liability is expected to be settled in normal operating cycle;
- Asset / liability is held primarily for the purpose of trading;
- Asset / Liability is expected to be realized/settled within twelve months after the reporting period; or

- The asset is cash or a cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. The group has no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

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

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

## 2.2 Segment Reporting:

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. Managing director has been identified as being the chief operating decision maker. Refer note 37 for the segment information presented.

## 2.3 Foreign currency translation:

### (i) Functional and presentation currency

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

# Notes to the Consolidated Financial Statements

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

## (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in statement of profit and loss. A monetary item for which settlement is neither planned nor likely to occur in the foreseeable future is considered as a part of the entity's net investment in that foreign operation.

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

## (iii) Group Companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the date of that balance sheet
- income and expenses are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- All resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities

are recognised in other comprehensive income. When a foreign operation is sold, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

## 2.4 Revenue recognition:

Revenue is measured at the transaction price determined under IND AS 115- Revenue from contracts with customers. Amounts disclosed as revenue are net of returns, trade allowances, rebates, Goods & Service Tax (GST) collections and amounts collected on behalf of third parties.

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

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

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

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

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

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

### (iii) Export incentives

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



# Notes to the Consolidated Financial Statements

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

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

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

#### (iv) Dividend Income:

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

#### (v) Interest Income:

Interest income from financial assets at fair value through profit or loss is disclosed as interest income within other income. Interest income on financial assets at amortised cost and financial assets at FVOCI is calculated using the effective interest method is recognised in the statement of profit and loss as part of other income. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

## 2.5 Income Taxes:

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

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company

and its subsidiaries generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

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

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

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

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

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

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

# Notes to the Consolidated Financial Statements

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

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

## 2.6 Impairment of assets:

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

## 2.7 Cash and cash equivalents:

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

## 2.8 Trade receivables:

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

## 2.9 Inventories:

Raw materials and stores, work-in-progress, traded and finished goods are stated at the lower of cost, calculated on weighted average basis, and net realizable value. Cost

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

## 2.10 Investments and other financial assets:

### (i) Classification:

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

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

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

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

### (ii) Recognition

Purchase and sale of financial assets are recognised on trade date, the date on which group commit to purchase or sale the financial assets

# Notes to the Consolidated Financial Statements

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

## (iii) Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

### Debt instruments

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

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

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

**Fair value through profit or loss:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt instrument that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or

loss and presented net in the statement of profit and loss within other gains/(losses) in the period in which it arises. Interest income from these financial assets is included in other income.

### Equity instruments

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

## (iv) Impairment of financial assets

The group assesses on a forward looking basis, the expected credit losses associated with its assets carried at amortised cost and FVOCI debt instruments. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 34 details how the group determines whether there has been a significant increase in credit risk.

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

## (v) Derecognition of financial assets

A financial asset is derecognized only when

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

Where the entity has transferred an asset, the group evaluates whether it has transferred substantially all risks and rewards of ownership of the financial asset. In

# Notes to the Consolidated Financial Statements

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

such cases, the financial asset is derecognized. Where the entity has not transferred substantially all risks and rewards of ownership of the financial asset the same is not derecognized.

Where the entity has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognised if the group has not retained control of the financial asset. Where the group retains control of the financial asset, the asset is continued to be recognised to the extent of continuing involvement in the financial asset.

## 2.11 Offsetting financial instruments:

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the group or the counterparty.

## 2.12 Property, Plant & Equipment:

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

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

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

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

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

Following are the estimated useful lives:

|                                    |               |
|------------------------------------|---------------|
| Plant & Machinery                  | 7.5-25 years  |
| Roads and Buildings                | 30 & 60 years |
| Furniture and Fixtures             | 10 – 15 years |
| Vehicles                           | 8-10 years    |
| Office Equipment                   | 5 years       |
| Laboratory Equipment               | 10 – 21 years |
| Computer and data processing units | 3-6 years     |

The residual values are not more than 5% of the original cost of the asset. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

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

## 2.13 Intangible Assets:

### (i) Computer software

Computer software is stated at historical cost less amortisation. Historical cost includes expenditure that is directly attributable to the acquisition of the computer software. Costs associated with maintaining software programmes are recognised as an expense as incurred.

Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use

# Notes to the Consolidated Financial Statements

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

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

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

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

## (ii) Research and development

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

## (iii) Amortization methods and periods

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

## 2.14 Trade and Other Payables:

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

## 2.15 Borrowings:

Borrowings are initially recognized at fair value, net of transaction cost incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption

amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

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

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

## 2.16 Borrowing Cost:

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

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

## 2.17 Provisions:

Provision for legal claims and volume discounts are recognized when the group has a present legal or constructive obligation as a result of past events, it is



# Notes to the Consolidated Financial Statements

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

probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

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

## 2.18 Employee benefits:

### (i) Short-term obligations

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

### (ii) Other long-term employee benefit obligations

The liabilities for compensated absences are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. The benefits are discounted using the market yields at the end of the reporting period that have terms approximating to the terms of the related obligations. Remeasurements as a result of the experience adjustments and changes in actuarial assumptions are recognized in profit or loss.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

### (iii) Post-employment obligations

The group operates the following post-employment schemes:

#### (a) Defined benefit plans-Gratuity obligations

The liability or assets recognized in the balance sheet in respect of defined benefit gratuity plans is the present value of the defined benefit obligations at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method.

The present value of the defined benefit obligation denominated in INR is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation. The benefits which are denominated in currency other than INR, the cash flows are discounted using market yields determined by reference to high-quality corporate bonds that are denominated in the current in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit and loss.

Remeasurement gains and losses arising from experience adjustments and change in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service cost.

In respect of funded post-employment defined benefit plans, amounts due for payment within 12 months to the fund may be treated as 'current'

# Notes to the Consolidated Financial Statements

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

and the contributions to the fund in excess of the obligation is recognised as current asset to the extent a cash refund or a reduction in future payments is available. Regarding unfunded post-employment benefit plans, settlement obligations which are due within 12 months in respect of employees who have resigned or expected to resign or are due for retirement within the next 12 months is 'current'. The remaining amount attributable to other employees, who are likely to continue in the services for more than twelve months, is classified as "non-current".

The amount of current and non-current liability for unfunded post-employment benefit obligations, will normally be determined by the actuary.

## (b) Defined contribution plans

The group pays provident fund contributions to publicly administered funds as per local regulations. The group has no further payment obligations once the contributions have been paid. The contributions are accounted for as defined contribution plans and the contributions are recognized as employee benefit expense when they are due.

Termination benefits in the nature of voluntary retirement benefits are recognised in the Statement of Profit and Loss as and when incurred.

## 2.19 Dividend:

Provision is made for the amount of any dividend declared, being appropriately authorized and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period. Proposed dividend is recognised as a liability in the period in which it is declared by the group, usually when approved by shareholders in a general meeting, or paid.

## 2.20 Contributed equity:

Equity shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

## 2.21 Earnings per share:

### (i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the group
- by the weighted average number of equity shares outstanding during the financial year, adjusted for bonus elements in equity shares issued during the year, if any.

### (ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential equity shares, and
- the weighted average number of additional equity shares that would have been outstanding assuming the conversion of all dilutive potential equity shares.

## 2.22 Leases:

As a lessee

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Contracts may contain both lease and non-lease components. The group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the company under residual value guarantees

# Notes to the Consolidated Financial Statements

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

- the exercise price of a purchase option if the company is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the company:

- where possible, uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received
- uses a build-up approach that starts with a risk-free interest rate adjusted for credit risk for leases held by the company which does not have recent third party financing, and
- makes adjustments specific to the lease, e.g. term, country, currency and security.

The group is exposed to potential future increases in variable lease payments based on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is reassessed and adjusted against the right-of-use asset.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received

- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the company is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with contracts that do not qualify under leases as per IND AS 116, short-term leases of equipment and all leases of low-value assets are recognised as expense over the lease term on straight-line basis or another systematic basis if that basis is more representative of the pattern of the benefit. Short-term leases are leases with a lease term of 12 months or less.

As a lessor

Lease income from operating leases where the group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature

## 2.23 Contingent Liability & Commitments:

Contingent liability is disclosed in the case of:

- a present obligation arising from past events, when it is not probable that an outflow of resources will be required to settle the obligation;
- a present obligation arising from past events, when no reliable estimate possible;
- a possible obligation arising from past events, unless the probability of outflow of resources is remote.

Commitments include the amount of purchase order (net of advances) issued to parties for completion of assets.

## 2.24 Critical estimates and Judgements:

The preparation of consolidated financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the group's accounting policies.

# Notes to the Consolidated Financial Statements

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

Detailed information about the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be different than those originally assessed. Detailed information about each of these estimates and judgements is included in relevant notes together with information about the basis of calculation for each affected line item in the consolidated financial statements.

The areas involving critical estimates or judgements are:

- (i) Estimation of current tax expense and payable – refer note: 31(b)
- (ii) Estimation of defined benefit obligations- refer note: 17
- (iii) Allowance for uncollected accounts receivable and advances. Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrevocable amounts. Individual trade receivables are written off when management deems them not to be collectible. Impairment is made on the expected credit losses, which are the present value of the cash shortfall over the expected life of the financial assets.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the group and that are believed to be reasonable under the circumstances.

## 2.25 Government grant:

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

Government grants relating to income are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate and presented within other income.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets and presented within other income.

Export entitlements from government authorities are recognised in the statement of profit and loss as a reduction from "Cost of materials consumed" when the right to receive credit as per the terms of the scheme is established in respect of the exports made by the group, and where there is no significant uncertainty regarding the ultimate realisation of the entitlement.

## 2.26 Rounding of Amounts:

All amounts disclosed in the consolidated financial statements and notes have been rounded off to the nearest lakhs as per the requirement of Schedule III of the Companies Act, 2013, unless otherwise stated.

# Notes to the Consolidated Financial Statements

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

## Note 3: Property, plant and equipment

|   | Freehold Land | Plant and Machinery | Roads and Buildings | Furniture and Fixtures | Vehicles     | Office Equipment | Laboratory Equipment | Computer and data processing units | Total           |
|---|---------------|---------------------|---------------------|------------------------|--------------|------------------|----------------------|------------------------------------|-----------------|
| <b>Year ended March 31, 2021</b>                |               |                     |                     |                        |              |                  |                      |                                    |                 |
| <b>Gross carrying amount</b>                    |               |                     |                     |                        |              |                  |                      |                                    |                 |
| At the beginning of the year                    | 16,110        | 2,29,742            | 80,351              | 3,794                  | 866          | 2,566            | 14,384               | 1,567                              | 3,49,380        |
| Additions                                       | 1,041         | 77,298              | 33,854              | 613                    | 486          | 681              | 3,391                | 573                                | 1,17,937        |
| Disposals                                       | -             | (531)               | -                   | (7)                    | (3)          | (5)              | (59)                 | (5)                                | (608)           |
| At the end of the year                          | <b>17,151</b> | <b>3,06,509</b>     | <b>1,14,205</b>     | <b>4,400</b>           | <b>1,349</b> | <b>3,244</b>     | <b>17,716</b>        | <b>2,135</b>                       | <b>4,66,709</b> |
| <b>Accumulated depreciation</b>                 |               |                     |                     |                        |              |                  |                      |                                    |                 |
| At the beginning of the year                    | -             | 53,999              | 8,859               | 1,330                  | 359          | 1,442            | 5,205                | 870                                | 72,064          |
| Depreciation charge during the year             | -             | 18,989              | 3,405               | 391                    | 119          | 485              | 1,495                | 295                                | 25,179          |
| Disposals                                       | -             | -                   | -                   | -                      | -            | -                | -                    | -                                  | -               |
| At the end of the year                          | -             | <b>72,988</b>       | <b>12,264</b>       | <b>1,721</b>           | <b>478</b>   | <b>1,927</b>     | <b>6,700</b>         | <b>1,165</b>                       | <b>97,243</b>   |
| <b>Net carrying amount as at March 31, 2021</b> | <b>17,151</b> | <b>2,33,521</b>     | <b>1,01,941</b>     | <b>2,679</b>           | <b>871</b>   | <b>1,317</b>     | <b>11,016</b>        | <b>970</b>                         | <b>3,69,466</b> |
| <b>Year ended March 31, 2022</b>                |               |                     |                     |                        |              |                  |                      |                                    |                 |
| <b>Gross carrying amount</b>                    |               |                     |                     |                        |              |                  |                      |                                    |                 |
| At the beginning of the year                    | 17,151        | 3,06,509            | 1,14,205            | 4,400                  | 1,349        | 3,244            | 17,716               | 2,135                              | 4,66,709        |
| Additions                                       | 123           | 56,575              | 29,299              | 616                    | 1,255        | 645              | 4,002                | 387                                | 92,902          |
| Disposals                                       | -             | (231)               | (2)                 | -                      | -            | -                | -                    | -                                  | (233)           |
| At the end of the year                          | <b>17,274</b> | <b>3,62,853</b>     | <b>1,43,502</b>     | <b>5,016</b>           | <b>2,604</b> | <b>3,889</b>     | <b>21,718</b>        | <b>2,522</b>                       | <b>5,59,378</b> |
| <b>Accumulated depreciation</b>                 |               |                     |                     |                        |              |                  |                      |                                    |                 |
| At the beginning of the year                    | -             | 72,988              | 12,264              | 1,721                  | 478          | 1,927            | 6,700                | 1,165                              | 97,243          |
| Depreciation charge for the year                | -             | 23,230              | 4,386               | 451                    | 215          | 409              | 1,687                | 373                                | 30,751          |
| Disposals                                       | -             | (28)                | -                   | -                      | -            | -                | -                    | -                                  | (28)            |
| At the end of the year                          | -             | <b>96,190</b>       | <b>16,650</b>       | <b>2,172</b>           | <b>693</b>   | <b>2,336</b>     | <b>8,387</b>         | <b>1,538</b>                       | <b>1,27,966</b> |
| <b>Net carrying amount as at March 31, 2022</b> | <b>17,274</b> | <b>2,66,663</b>     | <b>1,26,852</b>     | <b>2,844</b>           | <b>1,911</b> | <b>1,553</b>     | <b>13,331</b>        | <b>984</b>                         | <b>4,31,412</b> |

Note

- Movable fixed assets are pledged as security: Refer Note 19(d) for information on plant and equipment pledged as security for availing working capital facilities from Banks.
- Contractual obligations and other commitments: Refer Note 42 for disclosure of contractual and other commitments for the acquisition of property, plant and equipment.
- The Gross carrying amounts of Roads and Buildings and Plant and machinery includes staff cost of ₹ 437(March 31, 2021: ₹ 306) relating to projects team involved in supervision and monitoring of these projects and cost of power consumed of ₹ 281 (March 31, 2021: ₹ 242)
- The Group has not revalued its Property, Plant and Equipment during the year or in the previous year



# Notes to the Consolidated Financial Statements

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

## Note 3: Property, plant and equipment (Contd..)

### Note 3(a): Right of use of assets

|   | Building   |
|---|------------|
| <b>Year ended March 31, 2021</b>                |            |
| <b>Gross carrying amount</b>                    |            |
| At the beginning of the year                    | 530        |
| Additions                                       | -          |
| At the end of the year                          | <b>530</b> |
| <b>Accumulated Depreciation</b>                 |            |
| At the beginning of the year                    | 21         |
| Depreciation charge during the year             | 83         |
| At the end of the year                          | <b>104</b> |
| <b>Net carrying amount as at March 31, 2021</b> | <b>426</b> |
| <b>Year ended March 31, 2022</b>                |            |
| <b>Gross carrying amount</b>                    |            |
| At the beginning of the year                    | 530        |
| Additions                                       | -          |
| At the end of the year                          | <b>530</b> |
| <b>Accumulated Depreciation</b>                 |            |
| At the beginning of the year                    | 104        |
| Depreciation charge during the year             | 82         |
| At the end of the year                          | <b>186</b> |
| <b>Net carrying amount as at March 31, 2022</b> | <b>344</b> |

### Note 3(b): Lease Liabilities

|                    | March 31, 2022 | March 31, 2021 |
|--------------------|----------------|----------------|
| <b>Non-current</b> |                |                |
| Lease Liabilities  | 287            | 369            |
| <b>Current</b>     |                |                |
| Lease Liabilities  | 82             | 79             |
|                    | <b>369</b>     | <b>448</b>     |

### Note 3(c): Amounts recognised in the Statement of Profit and Loss:

|   | Note | March 31, 2022 | March 31, 2021 |
|---|------|----------------|----------------|
| Depreciation on right of use assets - Buildings | 29   | 82             | 83             |
| Interest expenses included in finance costs     | 28   | 15             | 18             |

## Note 4: Capital work-in-progress

| Particulars                      | Amount        |
|----------------------------------|---------------|
| <b>Year ended March 31, 2021</b> |               |
| At the beginning of the year     | 91,969        |
| Additions                        | 97,444        |
| Capitalisations                  | (1,18,351)    |
| <b>As at March 31, 2021</b>      | <b>71,062</b> |
| <b>Year ended March 31, 2022</b> |               |
| At the beginning of the year     | 71,062        |
| Additions                        | 69,387        |
| Capitalisations                  | (93,456)      |
| <b>As at March 31, 2022</b>      | <b>46,993</b> |

# Notes to the Consolidated Financial Statements

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

## Note 4: Capital work-in-progress (Contd..)

### Note 4(a) : Capital Work-in-progress ageing schedule

| As at March 31, 2022           | Amount in CWIP for a period of |           |           |                   | Total  |
|--------------------------------|--------------------------------|-----------|-----------|-------------------|--------|
|                                | Less than 1 year               | 1-2 years | 2-3 years | More than 3 years |        |
| Projects in progress           | 39,708                         | 5,161     | 1,332     | 792               | 46,993 |
| Projects temporarily suspended | -                              | -         | -         | -                 | -      |

| As at March 31, 2021           | Amount in CWIP for a period of |           |           |                   | Total  |
|--------------------------------|--------------------------------|-----------|-----------|-------------------|--------|
|                                | Less than 1 year               | 1-2 years | 2-3 years | More than 3 years |        |
| Projects in progress           | 56,582                         | 10,475    | 3,716     | 289               | 71,062 |
| Projects temporarily suspended | -                              | -         | -         | -                 | -      |

**Note 4(b):** There are no capital-work-in progress, whose completion is overdue or has exceeded its cost compared to its original plan as at March 31, 2022 and March 31, 2021.

**Note 4(c):** Assets under construction majorly consist of Roads & Buildings, Plant & Machinery and corresponding internal development costs. During the year, the company has incurred capital costs of ₹ 69,387 on Capital work-in-progress at various locations and which includes staff cost of ₹ 131 (March 31, 2021: ₹ 155) relating to projects team involved in supervision and monitoring of these projects and cost of power consumed ₹ 39 (March 31, 2021: ₹ 84)

## Note 5: Intangible assets

|   | Computer Software |
|---|-------------------|
| <b>Year ended March 31, 2021</b>                |                   |
| <b>Gross carrying amount</b>                    |                   |
| At the beginning of the year                    | 1,515             |
| Additions                                       | 435               |
| Disposals                                       | (3)               |
| At the end of the year                          | <b>1,947</b>      |
| <b>Accumulated amortisation</b>                 |                   |
| At the beginning of the year                    | 1,155             |
| Amortisation charges during the year            | 297               |
| Disposals                                       | -                 |
| At the end of the year                          | <b>1,452</b>      |
| <b>Net carrying amount as at March 31, 2021</b> | <b>495</b>        |
| <b>Year ended March 31, 2022</b>                |                   |
| <b>Gross carrying amount</b>                    |                   |
| At the beginning of the year                    | 1,947             |
| Additions                                       | 572               |
| Disposals                                       | -                 |
| At the end of the year                          | <b>2,519</b>      |

# Notes to the Consolidated Financial Statements

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

## Note 5: Intangible assets (Contd..)

|   | Computer Software |
|---|-------------------|
| <b>Accumulated amortisation</b>                 |                   |
| At the beginning of the year                    | 1,452             |
| Amortisation charge during the year             | 318               |
| Disposals                                       | -                 |
| At the end of the year                          | 1,770             |
| <b>Net carrying amount as at March 31, 2022</b> | <b>749</b>        |

### Note:

(a) The Group has not revalued intangible assets during the year or in the previous year

## Note 6: Non-Current Investments

|  | March 31, 2022 | March 31, 2021 |
|--|----------------|----------------|
| <b>(Unquoted, fully paid up)</b>   |                |                |
| <b>(a) Investment in equity instruments in other companies (at FVPL)</b>                       |                |                |
| 12000 (March 31, 2021: 12000) Equity Shares of ₹ 10/- each of Pattan Cheru Enviro Tech Limited | 1              | 1              |
| <b>Total (equity instrument)</b>   | <b>1</b>       | <b>1</b>       |
| <b>(b) Investment in debentures in other companies (at FVPL)</b>                               |                |                |
| Redeemable 0.25%, 7,20,00,000 Optionally convertible debentures(OCDs) of ₹ 10/- each           | 7,200          | -              |
| <b>Total (debentures)</b>  | <b>7,200</b>   | <b>-</b>       |
| <b>Total Non-current investments</b>   | <b>7,201</b>   | <b>1</b>       |
| Aggregate amount of unquoted investments   | 7,201          | 1              |
| Aggregate amount of quoted investments and market value thereof                                | -              | -              |
| Aggregate amount of impairment in the value of investment                                      | -              | -              |

## Note 7: Income tax assets (net)

|  | March 31, 2022 | March 31, 2021 |
|--|----------------|----------------|
| <b>7(a): Income tax assets - Non-current</b> |                |                |
| Prepaid income taxes                         | 2,917          | 6,877          |
| Provision for income tax                     | -              | (17)           |
|  | <b>2,917</b>   | <b>6,860</b>   |
| <b>7(b): Income Tax asset - Current</b>      |                |                |
| Prepaid income taxes                         | 1,31,657       | 65,016         |
| Provision for income tax                     | (1,25,889)     | (61,589)       |
|  | <b>5,768</b>   | <b>3,427</b>   |

# Notes to the Consolidated Financial Statements

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

## Note 7: Income tax assets (net) (Contd..)

### Note 7(c): Movement in Income tax assets

|   | March 31, 2022 | March 31, 2021 |
|---|----------------|----------------|
| Income tax assets - at the beginning of the year      | 10,287         | 7,905          |
| Add: Taxes paid during the year                       | 66,780         | 65,016         |
| Less :Others (refund received)                        | (3,801)        | (1,720)        |
| Less: Adjustments of current tax for prior years      | (281)          | 675            |
| Less: Current tax provision                           | (64,300)       | (61,589)       |
| <b>Net income tax assets - at the end of the year</b> | <b>8,685</b>   | <b>10,287</b>  |

## Note 8: Current tax liabilities (net)

|  | March 31, 2022 | March 31, 2021 |
|--|----------------|----------------|
| Provision for income tax                   | 680            | 834            |
| Prepaid income taxes                       | 512            | 236            |
| <b>Total Current tax liabilities (net)</b> | <b>168</b>     | <b>598</b>     |

### Note 8(a): Movement in current tax liabilities

|   | March 31, 2022 | March 31, 2021 |
|---|----------------|----------------|
| Current tax liabilities - at the beginning of the year    | 598            | 993            |
| Add: Foreign operations translation adjustment            | 45             | 9              |
| Less: Taxes paid during the year                          | (1,119)        | (1,136)        |
| Add: Adjustments  | (36)           | 83             |
| Add: Current tax provision                                | 680            | 649            |
| <b>Net current tax liability - at the end of the year</b> | <b>168</b>     | <b>598</b>     |

## Note 9: Other non-current assets

|  | March 31, 2022 | March 31, 2021 |
|--|----------------|----------------|
| Capital advances                                       | 4,832          | 4,849          |
| Pre-paid expenses                                      | 89             | 86             |
| Other receivables including indirect tax refund claims | 562            | 690            |
| <b>Total other non-current assets</b>                  | <b>5,483</b>   | <b>5,625</b>   |

## Note 10: Inventories

(Valued at lower of cost and net realisable value)

|                          | March 31, 2022  | March 31, 2021  |
|--------------------------|-----------------|-----------------|
| Raw materials            | 77,302          | 70,551          |
| Work-in-progress         | 1,53,159        | 1,09,334        |
| Finished goods           | 31,678          | 23,215          |
| Stock in trade           | 237             | 142             |
| Packing material         | 916             | 838             |
| Stores and spares        | 19,570          | 10,443          |
| <b>Total Inventories</b> | <b>2,82,862</b> | <b>2,14,523</b> |

# Notes to the Consolidated Financial Statements

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

## Note 10: Inventories (Contd..)

Raw materials and finished goods consists of goods in transit of ₹ 7,306 (March 31, 2021- ₹ 7,998) and ₹ 16,257 (March 31, 2021- ₹ 13,279) respectively.

### Amounts recognised in Profit and loss

Write-downs of Inventories to net realisable value and on account of slow moving inventory amounted to ₹ 533 (March 31, 2021 - ₹ 545). These were recognised in statement of profit and loss and included in 'Changes in inventories of finished goods and work in progress' and 'Cost of raw materials consumed'.

## Note 11: Trade receivables

|                                | March 31, 2022  | March 31, 2021  |
|--------------------------------|-----------------|-----------------|
| Trade receivables              | 2,42,900        | 1,68,207        |
| Less: Loss allowance           | 512             | 555             |
| <b>Total Trade receivables</b> | <b>2,42,388</b> | <b>1,67,652</b> |
| Current portion                | 2,42,388        | 1,67,652        |
| Non-current portion            | -               | -               |

### Note 11: (a) Security wise break-up of trade receivables

|  | March 31, 2022  | March 31, 2021  |
|--|-----------------|-----------------|
| Trade Receivables considered Good- Secured                       | -               | -               |
| Trade Receivables considered Good - Unsecured                    | 2,42,388        | 1,67,652        |
| Trade Receivables which have significant increase in credit risk | 495             | 538             |
| Trade Receivables - credit impaired                              | 17              | 17              |
| <b>Total</b>   | <b>2,42,900</b> | <b>1,68,207</b> |
| Less: Loss allowance   | 512             | 555             |
| <b>Total Trade receivables</b>                                   | <b>2,42,388</b> | <b>1,67,652</b> |

### Note 11: (b) Ageing of trade receivables

|  | Unbilled | Not due         | Outstanding for following periods from due date of payment |                   |            |            |                   | Total           |
|--|----------|-----------------|--|-------------------|------------|------------|-------------------|-----------------|
|  |          |                 | Less than 6 months   | 6 Months - 1 year | 1-2 years  | 2-3 years  | More than 3 years |                 |
| <b>March 31, 2022</b>                          |          |                 |  |                   |            |            |                   |                 |
| <b>Undisputed trade receivables</b>            |          |                 |  |                   |            |            |                   |                 |
| considered good                                | -        | 2,15,036        | 26,856   | 312               | 100        | 48         | 36                | 2,42,388        |
| which have significant increase in credit risk | -        | -               | -  | -                 | 88         | 89         | 263               | 440             |
| credit impaired                                | -        | -               | -  | 17                | -          | -          | -                 | 17              |
| <b>Disputed trade receivables</b>              |          |                 |  |                   |            |            |                   |                 |
| considered good                                | -        | -               | -  | -                 | -          | -          | -                 | -               |
| which have significant increase in credit risk | -        | -               | -  | -                 | -          | -          | 55                | 55              |
| credit impaired                                | -        | -               | -  | -                 | -          | -          | -                 | -               |
| <b>Total</b>                                   | <b>-</b> | <b>2,15,036</b> | <b>26,856</b>  | <b>329</b>        | <b>188</b> | <b>137</b> | <b>354</b>        | <b>2,42,900</b> |
| Less: Loss allowance                           |          |                 |  |                   |            |            |                   | 512             |
| <b>Total Trade receivables</b>                 |          |                 |  |                   |            |            |                   | <b>2,42,388</b> |



# Notes to the Consolidated Financial Statements

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

## Note 11: Trade receivables (Contd..)

|  | Unbilled | Not due         | Outstanding for following periods from due date of payment |                   |            |            |                   | Total           |
|--|----------|-----------------|--|-------------------|------------|------------|-------------------|-----------------|
|  |          |                 | Less than 6 months   | 6 Months - 1 year | 1-2 years  | 2-3 years  | More than 3 years |                 |
| <b>March 31, 2021</b>                          |          |                 |  |                   |            |            |                   |                 |
| <b>Undisputed trade receivables</b>            |          |                 |  |                   |            |            |                   |                 |
| considered good                                | -        | 1,39,777        | 27,006   | 307               | 215        | 326        | 21                | 1,67,652        |
| which have significant increase in credit risk | -        | -               | -  | 4                 | 101        | 368        | 10                | 483             |
| credit impaired                                | -        | -               | -  | 17                | -          | -          | -                 | 17              |
| <b>Disputed trade receivables</b>              |          |                 |  |                   |            |            |                   |                 |
| considered good                                | -        | -               | -  | -                 | -          | -          | -                 | -               |
| which have significant increase in credit risk | -        | -               | -  | -                 | -          | -          | 55                | 55              |
| credit impaired                                | -        | -               | -  | -                 | -          | -          | -                 | -               |
| <b>Total</b>                                   | <b>-</b> | <b>1,39,777</b> | <b>27,006</b>  | <b>328</b>        | <b>316</b> | <b>694</b> | <b>86</b>         | <b>1,68,207</b> |
| Less: Loss allowance                           |          |                 |  |                   |            |            |                   | 555             |
| <b>Total Trade receivables</b>                 |          |                 |  |                   |            |            |                   | <b>1,67,652</b> |

## Note 12: Cash and cash equivalents

|  | March 31, 2022  | March 31, 2021  |
|--|-----------------|-----------------|
| Balances with banks  |                 |                 |
| - in current accounts  | 2,117           | 2,105           |
| - in term deposits with maturity period not more than three months | 1,19,288        | 2,00,852        |
| Cash on hand   | 71              | 75              |
| <b>Total cash and cash equivalents*</b>                            | <b>1,21,476</b> | <b>2,03,032</b> |

\*There are no repatriation restrictions with regard to cash and cash equivalents as at the end of reporting period and prior period.

## Note 13: Bank balances other than cash and cash equivalents

|   | March 31, 2022  | March 31, 2021 |
|---|-----------------|----------------|
| Balances in earmarked accounts with Banks:  |                 |                |
| - Unclaimed dividend  | 107             | 125            |
| Balances in term deposit accounts with maturity period of more than three months and not more than twelve months: |                 |                |
| - pledged towards Margin on Guarantees issued by Bank   | 7,241           | 7,048          |
| - pledged towards overdraft facilities with Banks   | 374             | 348            |
| - other unencumbered deposits   | 1,52,690        | 5,050          |
| <b>Total Bank balances other than cash and cash equivalents</b>   | <b>1,60,412</b> | <b>12,571</b>  |

# Notes to the Consolidated Financial Statements

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

## Note 14: Other financial assets

### Note 14(a): Other financial assets-Non-current

|  | March 31, 2022 | March 31, 2021 |
|--|----------------|----------------|
| Security deposits  | 5,621          | 5,533          |
| Term deposits with bank with maturity period exceeding twelve months (pledged towards margin on guarantees issued by Bank) | 154            | 145            |
| <b>Total Other financial assets - Non -current</b>   | <b>5,775</b>   | <b>5,678</b>   |

### Note 14(b): Other financial assets-Current

|   | March 31, 2022 | March 31, 2021 |
|---|----------------|----------------|
| Export incentive receivable                   | 105            | 114            |
| Rental deposits                               | 347            | 308            |
| Others  | 11             | 414            |
| Insurance claims receivable                   | 26             | 111            |
| <b>Total Other financial assets - current</b> | <b>489</b>     | <b>947</b>     |
| <b>Total Other financial assets (a+b)</b>     | <b>6,264</b>   | <b>6,625</b>   |

## Note 15: Other current assets

|   | March 31, 2022 | March 31, 2021 |
|---|----------------|----------------|
| Indirect taxes- Input Credits                           | 10,186         | 7,233          |
| Prepaid expenses  | 2,709          | 2,250          |
| Advances to suppliers                                   | 8,731          | 3,116          |
| Other receivables (includes indirect tax refund claims) | 129            | 2,720          |
| <b>Total Other current assets</b>                       | <b>21,755</b>  | <b>15,319</b>  |

## Note 16: Note: Equity share capital and other equity

### Note 16(a): Equity share capital

#### (i) Authorised equity share capital

|                             | Number of shares    | Amount       |
|-----------------------------|---------------------|--------------|
| As at April 1, 2020         | 30,00,00,000        | 6,000        |
| Movement during the year    | -                   | -            |
| <b>As at March 31, 2021</b> | <b>30,00,00,000</b> | <b>6,000</b> |
| Movement during the year    | -                   | -            |
| <b>As at March 31, 2022</b> | <b>30,00,00,000</b> | <b>6,000</b> |

#### (ii) Issued, Subscribed and paid-up equity share capital

|                             | Number of shares    | Amount       |
|-----------------------------|---------------------|--------------|
| As at April 1, 2020         | 26,54,68,580        | 5,309        |
| Movement during the year    | -                   | -            |
| <b>As at March 31, 2021</b> | <b>26,54,68,580</b> | <b>5,309</b> |
| Movement during the year    | -                   | -            |
| <b>As at March 31, 2022</b> | <b>26,54,68,580</b> | <b>5,309</b> |

# Notes to the Consolidated Financial Statements

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

## Note 16: Note: Equity share capital and other equity (Contd..)

### Terms and rights attached to equity shares

The Group has only one class of equity shares having par value of ₹ 2 per share. The Company declares and pays dividends in Indian rupees. In the event of liquidation of the Group, the holders of equity shares will be entitled to receive remaining assets of the Group, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders. Every holder of equity shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

### (iii) Details of shareholders holding more than 5% shares in the company

|                           | March 31, 2022   |           | March 31, 2021   |           |
|---------------------------|------------------|-----------|------------------|-----------|
|                           | Number of shares | % holding | Number of shares | % holding |
| Dr. Satchandra Kiran Divi | 5,40,00,000      | 20.34%    | 5,40,00,000      | 20.34%    |
| Mrs. Swarnalatha Divi     | 1,40,00,000      | 5.27%     | 1,40,00,000      | 5.27%     |
| Ms. Nilima Prasad Divi    | 5,40,00,000      | 20.34%    | 5,40,00,000      | 20.34%    |
| SBI Mutual Fund           | 1,38,35,574      | 5.21%     | 1,24,60,993      | 4.69%     |

### (iv) Shareholdings of Promoters and promoter group:

| Promoter Name                  | March 31, 2022   |                   |                             | March 31, 2021   |                   |                             |
|--------------------------------|------------------|-------------------|-----------------------------|------------------|-------------------|-----------------------------|
|                                | Number of shares | % of total shares | % of change during the year | Number of shares | % of total shares | % of change during the year |
| Dr. Murali Krishna Prasad Divi | 75,67,000        | 2.85%             | 0.00%                       | 75,67,000        | 2.85%             | 0.00%                       |
| Dr. Satchandra Kiran Divi      | 5,40,00,000      | 20.34%            | 0.00%                       | 5,40,00,000      | 20.34%            | 0.00%                       |
| Ms. Nilima Prasad Divi         | 5,40,00,000      | 20.34%            | 0.00%                       | 5,40,00,000      | 20.34%            | 0.00%                       |
| Mrs. Swarnalatha Divi          | 1,40,00,000      | 5.27%             | 0.00%                       | 1,40,00,000      | 5.27%             | 0.00%                       |
| Divi's Biotech Private Limited | 80,00,000        | 3.01%             | 0.00%                       | 80,00,000        | 3.01%             | 0.00%                       |
| Mr. Madhusudana Rao Divi       | 2,97,600         | 0.11%             | 0.00%                       | 3,02,600         | 0.11%             | (0.03)%                     |
| Mr. Babu Rajendra Prasad Divi  | 26,600           | 0.01%             | 0.00%                       | 26,600           | 0.01%             | 0.00%                       |
| Mr. Radhakrishna Rao Divi      | 3,000            | 0.00%             | 0.00%                       | 3,000            | 0.00%             | 0.00%                       |

### Note 16 (b): Other Equity

|  | March 31, 2022   | March 31, 2021  |
|--|------------------|-----------------|
| <b>Reserves and surplus</b>  |                  |                 |
| Securities premium reserve   | 7,988            | 7,988           |
| General reserve  | 1,00,000         | 1,00,000        |
| Retained earnings  | 9,98,885         | 7,59,772        |
| Special Economic Zone Re-investment reserve                          | 59,085           | 55,029          |
|  | <b>11,65,958</b> | <b>9,22,789</b> |
| Other Comprehensive Income-exchange difference on foreign operations | 1,551            | 1,363           |
| <b>Total Other Equity</b>  | <b>11,67,509</b> | <b>9,24,152</b> |

- (i) As there was no movement in Securities premium reserve and General Reserve during the reporting year and previous year, reconciliation is not given.

# Notes to the Consolidated Financial Statements

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

## Note 16: Note: Equity share capital and other equity (Contd..)

### (ii) Retained earnings

|   | March 31, 2022  | March 31, 2021  |
|---|-----------------|-----------------|
| At the beginning of the year  | 7,59,772        | 5,79,428        |
| Profit after tax for the year   | 2,96,045        | 1,98,429        |
| Transfer to Special Economic Zone Re-investment reserve                       | (12,520)        | (26,210)        |
| Transfer from Special Economic Zone Re-investment reserve                     | 8,464           | 8,109           |
| Dividend paid to shareholders   | (53,094)        | -               |
| Items of other comprehensive income recognised directly in retained earnings: |                 |                 |
| - Remeasurements of post employment benefit obligation, net of tax            | 218             | 16              |
| <b>At the end of the year</b>   | <b>9,98,885</b> | <b>7,59,772</b> |

### (iii) Special Economic Zone Re-investment reserve

|                                  | March 31, 2022 | March 31, 2021 |
|----------------------------------|----------------|----------------|
| At the beginning of the year     | 55,029         | 36,928         |
| Transfer from Retained Earnings  | 12,520         | 26,210         |
| Transferred to Retained Earnings | (8,464)        | (8,109)        |
| <b>At the end of the year</b>    | <b>59,085</b>  | <b>55,029</b>  |

### Nature and purpose of reserves:

#### Securities premium reserve:

Securities premium reserve is used to record the premium on issue of shares. The reserve is utilised in accordance with the provisions of the Act.

#### General Reserve:

General Reserves represent amounts transferred from Retained Earnings in earlier years under the provisions of the erstwhile Companies Act, 1956.

#### Special Economic Zone Re-investment reserve:

Under the SEZ scheme, the unit which begins production of goods/ services on or after April 1, 2005 is eligible for deduction of 100% of profits or gains derived from export of goods/ services for the first five years, 50% of such profits or gains for a further period of five years and 50% of such profits or gains for the balance period of five years subject to creation of Special Economic Zone Re-investment Reserve out of profits of eligible SEZ Units and utilisation of such reserve by the company for acquiring new plant and machinery for the purpose of its business as per the provisions of the Income Tax Act, 1961.

## Note 17: Provisions - Employee Benefit Obligations

|                              | March 31, 2022 |              |              | March 31, 2021 |              |              |
|------------------------------|----------------|--------------|--------------|----------------|--------------|--------------|
|                              | Current        | Non-Current  | Total        | Current        | Non-Current  | Total        |
| Compensated Absences         | 415            | 2,671        | 3,086        | 251            | 2,525        | 2,776        |
| Gratuity ( Refer Note 17(b)) | -              | -            | -            | -              | -            | -            |
|                              | <b>415</b>     | <b>2,671</b> | <b>3,086</b> | <b>251</b>     | <b>2,525</b> | <b>2,776</b> |

# Notes to the Consolidated Financial Statements

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

## Note 17: Provisions - Employee Benefit Obligations (Contd..)

### (a) Compensated Absences obligations: (Defined benefit)

The Compensated Absences covers the company's liability for earned leave which is classified as other long-term benefits. The liabilities for earned leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured at the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. The benefit is discounted using the market yields at the end of the reporting period that have terms approximating to the terms of the related obligations. Remeasurements as a result of the experience adjustments and changes in actuarial assumptions are recognized in Other Comprehensive Income.

### (b) Post-employment obligations- Gratuity: (Defined benefit)

The Company provides gratuity for employees as per the Payment of Gratuity Act, 1972. Employees who are in continuous service for a period of 5 years are eligible for gratuity benefit. The amount of gratuity payable on retirement/termination is the employees' last drawn basic salary per month computed proportionately for 15 days' salary multiplied for the number of years of service. The gratuity plan is a funded plan and the Company makes contributions, through an approved trust, to recognised funds administered by Life Insurance Corporation of India (Insurer).

(i). The amounts recognised in the balance sheet and the movements in the net defined benefit obligation over the year are as follows:

|  | Present Value of obligation | Fair Value of Plan Assets | Net amount   |
|--|-----------------------------|---------------------------|--------------|
| <b>As at April 01, 2020</b>  | <b>3,272</b>                | <b>(3,463)</b>            | <b>(191)</b> |
| Current service cost   | 322                         | -                         | 322          |
| Interest expense/(income)  | 220                         | (234)                     | (14)         |
| <b>Amount recognized in Statement of profit and loss</b>                       | <b>542</b>                  | <b>(234)</b>              | <b>308</b>   |
| <b>Remeasurements</b>  |                             |                           |              |
| Return on plan assets, excluding amounts included in interest expense/(income) | -                           | 7                         | 7            |
| Actuarial (gain) / loss  | -                           | -                         | -            |
| (Gain)/loss from change in demographic assumptions                             | -                           | -                         | -            |
| (Gain)/loss from change in financial assumptions                               | (53)                        | -                         | (53)         |
| Experience (gains)/loss  | 65                          | -                         | 65           |
| <b>Amount recognized in other comprehensive income</b>                         | <b>12</b>                   | <b>7</b>                  | <b>19</b>    |
| <b>Amount recognized in total comprehensive income</b>                         | <b>554</b>                  | <b>(227)</b>              | <b>327</b>   |
| Employer contributions   | -                           | (229)                     | (229)        |
| Benefit payments   | (38)                        | 38                        | -            |
| <b>As at March 31, 2021</b>  | <b>3,788</b>                | <b>(3,881)</b>            | <b>(93)</b>  |

|  | Present Value of obligation | Fair Value of Plan Assets | Net amount  |
|--|-----------------------------|---------------------------|-------------|
| <b>As at April 01, 2021</b>                              | <b>3,788</b>                | <b>(3,881)</b>            | <b>(93)</b> |
| Current service cost                                     | 328                         | -                         | 328         |
| Interest expense/(income)                                | 259                         | (277)                     | (18)        |
| <b>Amount recognized in Statement of profit and loss</b> | <b>587</b>                  | <b>(277)</b>              | <b>310</b>  |



# Notes to the Consolidated Financial Statements

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

## Note 17: Provisions - Employee Benefit Obligations (Contd..)

|  | Present Value of obligation | Fair Value of Plan Assets | Net amount   |
|--|-----------------------------|---------------------------|--------------|
| <b>Remeasurements</b>  |                             |                           |              |
| Return on plan assets, excluding amounts included in interest expense/(income) | -                           | 9                         | 9            |
| Actuarial (gain) / loss  | -                           | -                         | -            |
| (Gain)/loss from change in demographic assumptions                             | -                           | -                         | -            |
| (Gain)/loss from change in financial assumptions                               | (268)                       | -                         | (268)        |
| Experience (gains)/loss  | 167                         | -                         | 167          |
| <b>Amount recognized in other comprehensive income</b>                         | <b>(101)</b>                | <b>9</b>                  | <b>(92)</b>  |
| <b>Amount recognized in total comprehensive income</b>                         | <b>486</b>                  | <b>(268)</b>              | <b>218</b>   |
| Employer contributions   | -                           | (362)                     | (362)        |
| Benefit payments   | (57)                        | 57                        | -            |
| <b>As at March 31, 2022</b>  | <b>4,217</b>                | <b>(4,454)</b>            | <b>(237)</b> |

The net liability disclosed above relates to funded plans are as follows:

|                                     | March 31, 2022 | March 31, 2021 |
|-------------------------------------|----------------|----------------|
| Present value of funded obligations | 4,217          | 3,788          |
| Fair value of plan assets           | (4,454)        | (3,881)        |
| Deficit/ (Surplus) of funded plans* | (237)          | (93)           |

\*Included under note 15 'Other current assets'

### (ii). Significant estimates: Actuarial assumptions

The significant actuarial assumptions were as follows:

|                                 | March 31, 2022 | March 31, 2021 |
|---------------------------------|----------------|----------------|
| Discount rate                   | 7.39%          | 6.88%          |
| Salary growth rate              | 6%             | 6%             |
| Attrition rate depending on age | 1% to 3%       | 1% to 3%       |
| Retirement age                  | 60 years       | 60 years       |
| Average balance future service  | 29 years       | 29 years       |
| Mortality table                 | IALM(2012-14)  | IALM(2012-14)  |

### (iii). Sensitivity analysis

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

|   | March 31, 2022 | March 31, 2021 |
|---|----------------|----------------|
| Defined benefit obligation  | 4,217          | 3,788          |
| Increase / (Decrease) in Defined benefit obligation:              |                |                |
| Discount rate:(% change compared to base due to sensitivity)      |                |                |
| Increase : +1%  | (456)          | (430)          |
| Decrease: -1%   | 551            | 522            |
| Salary Growth rate:(% change compared to base due to sensitivity) |                |                |

# Notes to the Consolidated Financial Statements

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

## Note 17: Provisions - Employee Benefit Obligations (Contd..)

|   | March 31, 2022 | March 31, 2021 |
|---|----------------|----------------|
| Increase : +1%  | 511            | 489            |
| Decrease: -1%   | (434)          | (409)          |
| Attrition rate:(% change compared to base due to sensitivity) |                |                |
| Increase : +1%  | 77             | 46             |
| Decrease: -1%   | (88)           | (53)           |

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as and when calculating the defined benefit liability recognised in the balance sheet. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior year.

### (c) Defined benefit liability and employer contributions

The Company has established a trust to administer its obligation for payment of gratuity to employees. The trust in turn contributes to a scheme administered by the Life Insurance Corporation of India (Insurer). Every year, the insurer carries out a funding valuation based on the latest employee data provided by the Company. Any deficit in the assets arising as a result of such valuation is funded by the Company. The company considers that the contribution rate set at the last valuation date is sufficient to eliminate the deficit over the agreed period and that regular contributions, which are based on service costs will not increase significantly. The trust has not changed the process used to manage the risks from previous years.

#### The major categories of plan assets are as follows:

|   | March 31, 2022 | March 31, 2021 |
|---|----------------|----------------|
| *Fund managed by Life Insurance Corporation of India (Unquoted) | 100%           | 100%           |

\*Fund is managed by LIC as per IRDA guidelines, category-wise composition of the plan assets is not available.

Contributions to post employment benefit plan for the year ending March 31, 2023 is expected to be ₹ 409

The weighted average duration of the defined benefit obligation is 13.32 years ( March 31, 2021 - 19.22 Years ). The expected maturity analysis of undiscounted gratuity is as follows:

|                                     | Less than a year | Between 2-5 years | Between 6-10 years | Over 10 years | Total  |
|-------------------------------------|------------------|-------------------|--------------------|---------------|--------|
| <b>March 31, 2022</b>               |                  |                   |                    |               |        |
| Defined benefit obligation-gratuity | 409              | 829               | 1,239              | 10,519        | 12,996 |
| <b>March 31, 2021</b>               |                  |                   |                    |               |        |
| Defined benefit obligation-gratuity | 290              | 754               | 995                | 9,119         | 11,158 |

### (d) Risk exposure

Through its defined benefit plans, the company is exposed to a number of risks, the most significant of which are detailed below:

**Interest Rate Risk:** The plan exposes the Company to the risk of fall in interest rates. A fall in interest rates will result in an increase in the ultimate cost of providing the above benefit and will thus result in an increase in the value of the liability.

**Liquidity Risk:** . This is the risk that the company is not able to meet the short term gratuity pay-out. This may arise due to non-availability of enough cash / cash equivalents to meet the liabilities or holdings liquid assets not being sold in time.

# Notes to the Consolidated Financial Statements

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

## Note 17: Provisions - Employee Benefit Obligations (Contd..)

**Salary Escalation Risk:** The present value of the defined benefit plans calculated with the assumption of salary increase rate of plan participants in future. Deviation in the rate of increase of salary in future for plan participants from the rate of increase in salary used to determine the present value obligation will have a bearing on the plan's liability.

**Demographic Risk:** The Company has used certain mortality and attrition assumptions in valuation of the liability. The Company is exposed to the risk of actual experience turning out to be worse compared to the assumption.

**Regulatory Risk:** Gratuity benefits are paid in accordance with the requirements of the Payment of Gratuity Act, 1972 (as amended from time to time). There is a risk of change in regulations requiring higher gratuity payouts (eg. Increase in the maximum limit on gratuity.)

**Asset Liability Mismatching or Market Risk:** The duration of the liability is longer compared to duration of assets, exposing the Company to market risk for volatilities/fall in interest rate.

**Investment Risk:** The probability and likelihood of occurrence of losses relative to the expected return on any particular investment.

**Changes in bond yields:** A decrease in bond yields will increase plan liabilities, although this will be partially off-set by an increase in the value of the plan's bond holdings.

### (e) Defined Contribution plans

**Employer's Contribution to Provident Fund:** Contributions are made to provident fund in India for employees at the rate of 12% of the employee's qualifying salary as per regulations. The contributions are made to registered provident fund administered by the Government. The obligation of the company is limited to the amount contributed and it has no further contractual nor any constructive obligation. The expense recognised during the period towards defined contribution plan is ₹ 2,108 (March 31, 2021- ₹ 1,750).

**Employer's Contribution to State Insurance Scheme:** Contributions are made to State Insurance Scheme for employees at the rate of 3.25%. The Contributions are made to Employee State Insurance Corporation (ESI), a Corporation administered by the Government. The obligation of the company is limited to the amount contributed and it has no further contractual nor any constructive obligation. The expense recognised during the period towards defined contribution plan is ₹ 311 (March 31, 2021- ₹ 303)

## Note 18: Deferred tax:

### Note 18(a): Deferred tax asset

The balance comprises temporary differences attributable to:

|   | March 31, 2022 | March 31, 2021 |
|---|----------------|----------------|
| <b>Deferred tax asset:</b>              |                |                |
| Deferred tax on intra group adjustments | 1,379          | 323            |
| Others                                  | 68             | -              |
| <b>Deferred tax asset</b>               | <b>1,447</b>   | <b>323</b>     |

# Notes to the Consolidated Financial Statements

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

## Note 18: Deferred tax: (Contd..)

### Note 18(b): Deferred tax liabilities (net)

The balance comprises temporary differences attributable to:

|  | March 31, 2022 | March 31, 2021 |
|--|----------------|----------------|
| <b>Deferred tax liability /(asset)</b> |                |                |
| Property, plant and equipment          | 44,297         | 35,110         |
| MAT credit entitlement                 | (744)          | -              |
| Employee benefits                      | (1,392)        | (1,225)        |
| Others                                 | (21)           | (79)           |
| <b>Net deferred tax liabilities</b>    | <b>42,140</b>  | <b>33,806</b>  |

### Movement in Deferred tax liabilities /(asset)

|   | April 01, 2020 | Changes through Profit and Loss | Changes through OCI | March 31, 2021 |
|---|----------------|---------------------------------|---------------------|----------------|
| Property, Plant and equipment             | 26,263         | 8,847                           | -                   | 35,110         |
| Employee benefit expenses                 | (1,019)        | (206)                           | -                   | (1,225)        |
| Others including intra-group adjustments  | 1,714          | (2,114)                         | (2)                 | (402)          |
| Foreign operations translation adjustment | -              | 2                               | -                   | -              |
| <b>Total</b>                              | <b>26,958</b>  | <b>6,529</b>                    | <b>(2)</b>          | <b>33,483</b>  |
| Net Deferred tax liability/(asset)        |                |                                 |                     | 33,483         |
| Deferred tax asset-Refer Note 18(a)       |                |                                 |                     | 323            |
| Deferred tax liability- Refer Note 18(b)  |                |                                 |                     | 33,806         |

|   | April 01, 2021 | Changes through profit and loss | Changes through OCI | March 31, 2022 |
|---|----------------|---------------------------------|---------------------|----------------|
| Property, Plant and equipment             | 35,110         | 9,187                           | -                   | 44,297         |
| Employee benefit expenses                 | (1,225)        | (167)                           | -                   | (1,392)        |
| Others including intra-group adjustments  | (402)          | (1,111)                         | 45                  | (1,468)        |
| Foreign operations translation adjustment | -              | (4)                             | -                   | -              |
| <b>Total</b>                              | <b>33,483</b>  | <b>7,905</b>                    | <b>45</b>           | <b>41,437</b>  |
| Net Deferred tax liability/(asset)        |                |                                 |                     | 41,437         |
| Less: MAT credit entitlement              |                |                                 |                     | 744            |
| Deferred tax asset-Refer Note 18(a)       |                |                                 |                     | 1,447          |
| Deferred tax liability- Refer Note 18(b)  |                |                                 |                     | 42,140         |

# Notes to the Consolidated Financial Statements

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

## Note 19: Current borrowings

|                                   | Maturity Date and Terms of Payment | Interest rate | March 31, 2022 | March 31, 2021 |
|-----------------------------------|------------------------------------|---------------|----------------|----------------|
| <b>Loans payable on demand:</b>   |                                    |               |                |                |
| Secured from Banks                |                                    |               |                |                |
| Working Capital Loans from Banks* | Payable on demand                  | 7.1%          | -              | 35             |
| <b>Total Current Borrowings</b>   |                                    |               | <b>-</b>       | <b>35</b>      |

\*Represents temporary overdrafts

- Utilisation of borrowings availed from banks  
The borrowings obtained by the company from banks have been applied for the purposes for which such loans were taken.
- Quarterly statements filed with banks  
The quarterly statements of current assets filed by the company in respect of its working capital facilities with banks are in agreement with the books of accounts.
- Wilful defaulter  
The Company has not been declared as wilful defaulter by any bank or financial institution or government or any government authority.

### Secured borrowings and assets pledged as security

Secured by pari-passu first charge on inventories, receivables and other current assets of the company and first charge on movable fixed assets of the company. The carrying amounts of financial and non-financial assets pledged as security for current borrowings as disclosed below.

### Note 19(d): Assets pledged as security

The carrying amounts of Company's assets pledged as security for working capital loans from banks:

|   | March 31, 2022  | March 31, 2021  |
|---|-----------------|-----------------|
| <b>Current Assets*</b>                      |                 |                 |
| Inventory                                   | 2,64,405        | 2,04,270        |
| Trade receivables                           | 2,56,990        | 1,74,556        |
| Other Current assets                        | 3,08,201        | 2,33,705        |
|   | <b>8,29,596</b> | <b>6,12,531</b> |
| <b>Movable fixed assets of the company#</b> |                 |                 |
|   | <b>-</b>        | <b>2,50,314</b> |

\*Value of Letters of credit and guarantees outstanding as at March 31, 2022 is ₹ 12,088 (March 31, 2021 is ₹ 7,809)

#Charge against the movable fixed assets of the company has been satisfied in the current year



# Notes to the Consolidated Financial Statements

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

## Note 19: Current borrowings (Contd..)

### Note 19(e): Net Debt reconciliation

This section sets out the changes in liabilities arising from financing activities in the statement of cash flows:

|                             | March 31, 2022    | March 31, 2021    |
|-----------------------------|-------------------|-------------------|
| Working Capital Loans       | -                 | 35                |
| Cash and cash equivalents   | (1,21,476)        | (2,03,032)        |
| <b>Net Debt /(Surplus)</b>  | <b>(1,21,476)</b> | <b>(2,02,997)</b> |
| <b>Net Debt Obligations</b> | <b>-</b>          | <b>-</b>          |

|   | Liabilities from financing activities | Other assets       |                         | Net debt          |
|---|---------------------------------------|--------------------|-------------------------|-------------------|
|   | Current Borrowings                    | Liquid Investments | Cash and Bank overdraft |                   |
| Net Debt/(surplus) as at April 01,2020              | 3,363                                 | (97,135)           | (4,315)                 | (98,087)          |
| Cash flows  | (3,328)                               | 97,400             | (1,98,717)              | (1,04,645)        |
| Interest expense                                    | 20                                    | -                  | -                       | 20                |
| Interest paid                                       | (20)                                  | -                  | -                       | (20)              |
| Fair value adjustments /(gain) on redemption (Net)  | -                                     | (265)              | -                       | (265)             |
| <b>Net Debt /(surplus) as at March 31, 2021</b>     | <b>35</b>                             | <b>-</b>           | <b>(2,03,032)</b>       | <b>(2,02,997)</b> |
| Net Debt /(surplus) as at April 01, 2021            | 35                                    | -                  | (2,03,032)              | (2,02,997)        |
| Cash flows  | (35)                                  | -                  | 81,556                  | 81,521            |
| Interest expense                                    | 21                                    | -                  | -                       | 21                |
| Interest paid                                       | (21)                                  | -                  | -                       | (21)              |
| Fair value adjustments / (Gain) on redemption (Net) | -                                     | -                  | -                       | -                 |
| <b>Net Debt /(surplus) as at March 31, 2022</b>     | <b>-</b>                              | <b>-</b>           | <b>(1,21,476)</b>       | <b>(1,21,476)</b> |

## Note 20: Trade payables

|  | March 31, 2022 | March 31, 2021 |
|--|----------------|----------------|
| <b>Current</b>   |                |                |
| Trade Payables -Micro and small enterprises (refer note no.43) | 2,478          | 3,248          |
| Trade Payables -Others   | 77,092         | 73,072         |
| <b>Total Trade payables</b>                                    | <b>79,570</b>  | <b>76,320</b>  |

# Notes to the Consolidated Financial Statements

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

## Note 20: Trade payables (Contd..)

### (a) Ageing of trade payables

As at March 31, 2022

| Particulars                      | Unbilled      | Not due       | Outstanding for following periods from due date of payment |           |           |                   | Total         |
|----------------------------------|---------------|---------------|--|-----------|-----------|-------------------|---------------|
|                                  |               |               | Less than 1 year   | 1-2 years | 2-3 years | More than 3 years |               |
| <b>Undisputed trade payables</b> |               |               |  |           |           |                   |               |
| Micro and small enterprises      | -             | 1,971         | 507  | -         | -         | -                 | 2,478         |
| Others                           | 19,506        | 22,982        | 34,600   | -         | 4         | -                 | 77,092        |
| <b>Total Trade payables</b>      | <b>19,506</b> | <b>24,953</b> | <b>35,107</b>  | <b>-</b>  | <b>4</b>  | <b>-</b>          | <b>79,570</b> |

As at March 31, 2021

| Particulars                      | Unbilled      | Not due       | Outstanding for following periods from due date of payment |            |           |                   | Total         |
|----------------------------------|---------------|---------------|--|------------|-----------|-------------------|---------------|
|                                  |               |               | Less than 1 year   | 1-2 years  | 2-3 years | More than 3 years |               |
| <b>Undisputed trade payables</b> |               |               |  |            |           |                   |               |
| Micro and small enterprises      | -             | 1,352         | 1,896  | -          | -         | -                 | 3,248         |
| Others                           | 18,243        | 17,478        | 37,095   | 252        | 4         | -                 | 73,072        |
| <b>Total Trade payables</b>      | <b>18,243</b> | <b>18,830</b> | <b>38,991</b>  | <b>252</b> | <b>4</b>  | <b>-</b>          | <b>76,320</b> |

(b) There are no trade payables with no specified due date of payments as at March 31, 2022 and March 31, 2021.

(c) There are no disputed dues as at March 31, 2022 and March 31, 2021.

## Note 21: Other financial liabilities

|  | March 31, 2022 | March 31, 2021 |
|--|----------------|----------------|
| <b>Current</b>                           |                |                |
| Capital creditors                        | 5,543          | 7,562          |
| Unclaimed dividend                       | 107            | 125            |
| Accrual for rebates / discounts          | 639            | 355            |
| <b>Total Other financial liabilities</b> | <b>6,289</b>   | <b>8,042</b>   |

## Note 22: Other current liabilities

|  | March 31, 2022 | March 31, 2021 |
|--|----------------|----------------|
| Statutory dues payable                 | 1,195          | 796            |
| Deferred revenue government grants     | 76             | 64             |
| Employee benefits payable              | 30,097         | 23,455         |
| Advance from customers                 | 1,663          | 1,606          |
| <b>Total Other current liabilities</b> | <b>33,031</b>  | <b>25,921</b>  |

# Notes to the Consolidated Financial Statements

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

## Note 23: Revenue from operations

|  | March 31, 2022  | March 31, 2021  |
|--|-----------------|-----------------|
| Sale of products                           | 8,78,811        | 6,71,269        |
| Sale of Services:                          |                 |                 |
| Contract research fee                      | 1,112           | 14,565          |
| Other Operating Revenue:                   |                 |                 |
| Sale of scrap out of manufacturing process | 10,695          | 2,413           |
| Export incentives                          | 5,365           | 8,693           |
| <b>Total Revenue from operations</b>       | <b>8,95,983</b> | <b>6,96,940</b> |

### Note 23(a): Reconciliation of Revenue recognised with contract price:

|  | March 31, 2022  | March 31, 2021  |
|--|-----------------|-----------------|
| Contract price                               | 8,93,454        | 6,90,420        |
| Rebates / Discounts                          | (2,836)         | (2,173)         |
| <b>Revenue from contracts with customers</b> | <b>8,90,618</b> | <b>6,88,247</b> |

### Note 23(b): Disaggregation of Revenue :

The Group derives revenue from operations (Sale of products and services and other operating revenue) at a point of time in the following geographical areas (based on where products and services are delivered):

| Region            | March 31, 2022                        |                         |                               | March 31, 2021                        |                         |                               |
|-------------------|---------------------------------------|-------------------------|-------------------------------|---------------------------------------|-------------------------|-------------------------------|
|                   | Revenue from contracts with customers | Other Operating Revenue | Total Revenue from operations | Revenue from contracts with customers | Other Operating Revenue | Total Revenue from operations |
| America           | 3,89,762                              | -                       | 3,89,762                      | 1,70,004                              | -                       | 1,70,004                      |
| Asia              | 79,807                                | -                       | 79,807                        | 82,675                                | -                       | 82,675                        |
| Europe            | 2,88,010                              | -                       | 2,88,010                      | 3,23,142                              | -                       | 3,23,142                      |
| India             | 98,419                                | 5,365                   | 1,03,784                      | 82,543                                | 8,693                   | 91,236                        |
| Rest of the world | 34,620                                | -                       | 34,620                        | 29,883                                | -                       | 29,883                        |
|                   | <b>8,90,618</b>                       | <b>5,365</b>            | <b>8,95,983</b>               | <b>6,88,247</b>                       | <b>8,693</b>            | <b>6,96,940</b>               |

## Note 24: Other income

|  | March 31, 2022 | March 31, 2021 |
|--|----------------|----------------|
| Interest income from financial assets at amortised cost    | 6,896          | 5,724          |
| Net gain on redemption of investments                      | -              | 265            |
| Net gain on foreign currency transactions and translations | 4,058          | -              |
| Miscellaneous income                                       | 424            | 260            |
| Government grants  | 9              | 7              |
| <b>Total Other income</b>                                  | <b>11,387</b>  | <b>6,256</b>   |

# Notes to the Consolidated Financial Statements

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

## Note 25: Cost of raw materials consumed

|   | March 31, 2022  | March 31, 2021  |
|---|-----------------|-----------------|
| Raw materials at the beginning of the year  | 70,551          | 50,706          |
| Add: Purchases                              | 3,54,407        | 2,59,589        |
| Less: Raw materials at the end of the year  | 77,302          | 70,551          |
| <b>Total Cost of raw materials consumed</b> | <b>3,47,656</b> | <b>2,39,744</b> |

## Note 26: Changes in inventories of finished goods, work-in-progress and stock-in-trade

|  | March 31, 2022  | March 31, 2021  |
|--|-----------------|-----------------|
| <b>Opening Balance:</b>  |                 |                 |
| Finished goods   | 23,215          | 18,839          |
| Stock-in-trade   | 142             | 7,894           |
| Work-in-progress   | 1,09,334        | 98,091          |
|  | <b>1,32,691</b> | <b>1,24,824</b> |
| <b>Closing Balance:</b>  |                 |                 |
| Finished goods   | 31,678          | 23,215          |
| Stock-in-trade   | 237             | 142             |
| Work-in-progress   | 1,53,159        | 1,09,334        |
|  | <b>1,85,074</b> | <b>1,32,691</b> |
| <b>Total changes in inventories of finished goods, work-in-progress and stock-in-trade</b> | <b>(52,383)</b> | <b>(7,867)</b>  |

## Note 27: Employee benefits expense

|  | March 31, 2022 | March 31, 2021 |
|--|----------------|----------------|
| Salaries, wages, bonus and other allowances*                         | 89,843         | 78,999         |
| Contribution to provident fund and other funds (Refer note no.40(b)) | 2,428          | 1,750          |
| Contribution to ESI  | 311            | 303            |
| Staff welfare expenses   | 2,034          | 1,524          |
| <b>Total Employee benefits expense</b>                               | <b>94,616</b>  | <b>82,576</b>  |

\*Net of ₹ 131 ( March 31, 2021 ₹ 155) transferred to Capital work in progress (Refer Note 4)

## Note 28: Finance costs

|   | March 31, 2022 | March 31, 2021 |
|---|----------------|----------------|
| Interest and finance charges on financial liabilities carried at amortised cost | 21             | 20             |
| Interest on lease liabilities   | 15             | 18             |
| Interest on Income tax  | 1              | 1              |
| Charges for Letters of credit / Bank guarantees                                 | 43             | 48             |
| <b>Total Finance costs</b>  | <b>80</b>      | <b>87</b>      |

# Notes to the Consolidated Financial Statements

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

## Note 29: Depreciation and amortisation expense

|   | March 31, 2022 | March 31, 2021 |
|---|----------------|----------------|
| Depreciation on property, plant and equipment           | 30,751         | 25,179         |
| Depreciation charge on right -of-use assets (Buildings) | 82             | 83             |
| Amortisation of intangible assets                       | 318            | 297            |
| <b>Total Depreciation and amortisation expense</b>      | <b>31,151</b>  | <b>25,559</b>  |

## Note 30: Other expenses

|  | March 31, 2022  | March 31, 2021 |
|--|-----------------|----------------|
| Consumption of stores and spare parts                                      | 6,364           | 5,594          |
| Packing materials consumed   | 6,110           | 5,265          |
| Conversion Charges   | 2,756           | 2,654          |
| Power and fuel*  | 38,753          | 30,944         |
| Repairs and maintenance- buildings   | 2,910           | 1,788          |
| Repairs and maintenance- machinery   | 15,593          | 12,393         |
| Repairs and maintenance- others  | 188             | 157            |
| Insurance  | 2,693           | 2,236          |
| Rates and taxes, excluding taxes on income                                 | 1,690           | 1,247          |
| Non-Executive Directors' remuneration including sitting fees               | 217             | 209            |
| Printing and stationery  | 758             | 712            |
| Rental charges   | 1,077           | 1,086          |
| Communication expenses   | 191             | 179            |
| Travelling and conveyance  | 5,030           | 3,177          |
| Vehicle maintenance  | 159             | 139            |
| Payments to auditors (Refer note No. 30(a))                                | 79              | 63             |
| Legal and professional charges   | 1,000           | 1,150          |
| Factory upkeep   | 483             | 297            |
| Environment management expenses  | 4,013           | 2,781          |
| Advertisement and publication expenses                                     | 16              | 7              |
| Research and development expenses (refer note no. 30(c))                   | 2,029           | 1,497          |
| Sales commission   | 1,341           | 1,289          |
| Carriage outward   | 11,344          | 11,107         |
| General expenses   | 6,896           | 4,686          |
| Electricity service line charges   | 480             | 971            |
| Provision for doubtful debts/ (written back) including Bad debts recovered | (203)           | (11)           |
| Net loss on foreign currency transactions and translations                 | -               | 438            |
| Corporate social responsibility activities (refer note no.30(b))           | 4,167           | 3,188          |
| Loss on disposal / discard of assets                                       | 205             | 596            |
| Bank charges   | 120             | 123            |
| <b>Total Other expenses</b>  | <b>1,16,459</b> | <b>95,962</b>  |

\*Net of ₹ 39 (March 31, 2021: ₹ 84) transferred to capital work in progress (refer note 4)



# Notes to the Consolidated Financial Statements

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

## Note 30: Other expenses (Contd..)

### Note 30(a): Details of payments to auditors

|                                   | March 31, 2022 | March 31, 2021 |
|-----------------------------------|----------------|----------------|
| As statutory auditor              | 40             | 36             |
| For quarterly reviews             | 24             | 24             |
| Reimbursement of expenses         | 2              | 3              |
| <b>Total payments to auditors</b> | <b>66</b>      | <b>63</b>      |

### Note 30(b)(i): Expenditure on Corporate Social Responsibilities (CSR)

The Company has spent amounts as specified below towards various schemes of Corporate Social Responsibility activities as prescribed under Section 135 of the Companies Act, 2013.

|   | March 31, 2022   | March 31, 2021 |
|---|--|----------------|
| (i) Construction / acquisition of any asset   | -  | -              |
| (ii) On Purposes other than (i) above   | 4,213  | 3,435          |
| Total Amount spent during the year  | 4,213  | 3,435          |
| Add: Excess amount of CSR expenditure spent under 135(5) of the act in the earlier years. | 247  | -              |
| Less: Amount required to be spent for the year  | 4,167  | 3,188          |
| Excess amount of CSR expenditure spent under 135(5) of the act *                          | 293  | 247            |
| Amount of shortfall for the year  | -  | -              |
| Amount of cumulative shortfall at the end of the year                                     | -  | -              |
| Reason for shortfall  | NA   | NA             |
| iii) Nature of CSR activities   | Promoting healthcare, Education, Rural development, Empowering women, Safe drinking water, Environmental sustainability, Rural sports, Swatch Bharat programme, Support to differently abled, Livelihood enhancement etc., |                |

\*Included in prepaid expenses -refer note 15

- ii) The Company does not carry any provisions for CSR expenses for the reporting year and for prior years.
- iii) There are no transactions with related parties / trusts controlled by the company with respect to CSR Expenditure.

### Note 30(c): Research and development expenditure\*

|   | March 31, 2022 | March 31, 2021 |
|---|----------------|----------------|
| Salaries, wages, bonus and other allowances | 3,268          | 3,369          |
| Contribution to provident and other funds   | 158            | 194            |
| Contribution to ESI                         | 8              | 9              |
| Staff welfare expenses                      | 32             | 32             |
| Consumption of stores and spares            | 749            | 674            |
| Power and fuel                              | 233            | 198            |
| Repairs to buildings                        | 26             | 10             |
| Repairs to machinery                        | 526            | 498            |
| Repairs to other assets                     | 18             | 20             |
| Rates and taxes, excluding taxes on income  | 5              | 31             |
| Printing and stationery                     | 20             | 16             |

# Notes to the Consolidated Financial Statements

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

## Note 30: Other expenses (Contd..)

|   | March 31, 2022 | March 31, 2021 |
|---|----------------|----------------|
| Communication expenses                            | -              | 2              |
| Travelling and conveyance                         | -              | 1              |
| Professional and consultancy charges              | 398            | -              |
| Miscellaneous expenses                            | 54             | 47             |
| <b>Total Research and development expenditure</b> | <b>5,495</b>   | <b>5,101</b>   |

\*Research and development expenditure to the extent of ₹ 3,466 (2021: ₹ 3,604) is grouped under employee benefit expenses (consists of Salaries, wages, bonus and other allowances, contribution to provident and other funds and staff welfare expenses) and ₹ 2,029 (2021: ₹ 1,497) is grouped under other expenses.

## Note 31(a): Tax expense

|   | March 31, 2022 | March 31, 2021 |
|---|----------------|----------------|
| <b>(i) Current tax expense</b>  |                |                |
| Current tax on profits for the year   | 64,155         | 62,238         |
| Current tax charge /(reversals) of earlier years                                    | 245            | (592)          |
| <b>Total current tax expense</b>  | <b>64,400</b>  | <b>61,646</b>  |
| <b>(ii) Deferred tax expense *</b>  |                |                |
| Decrease /(Increase) in deferred tax assets   | (1,278)        | (2,320)        |
| Foreign operations translation adjustment   | (4)            | 2              |
| (Decrease) /Increase in deferred tax liabilities                                    | 8,443          | 8,847          |
| MAT credit entitlement  | 744            | -              |
| <b>Total Deferred tax expense/(benefit)</b>   | <b>7,905</b>   | <b>6,529</b>   |
| <b>(iii) Current tax expense recognised in statement of profit and loss (i+ii)</b>  | <b>72,305</b>  | <b>68,175</b>  |
| <b>(iv) Current tax expense /(benefit) recognised in Other Comprehensive Income</b> |                |                |
| Current tax expense /(benefit)  | 117            | 9              |
| Deferred tax expense / (benefit)  | 45             | (2)            |
| <b>Total current tax expense recognised in Other Comprehensive Income</b>           | <b>162</b>     | <b>7</b>       |
| <b>Total current tax expense (iii+iv)</b>   | <b>72,467</b>  | <b>68,182</b>  |

\*Entire deferred tax for the year ended March 31, 2022 and March 31, 2021 relates to origination and reversal of temporary differences.

## 31(b) Significant estimates

The Company benefits from the tax holiday available for units set up under the Special Economic Zone Act, 2005 in India. These tax holidays are available for a period of fifteen years from the date of commencement of operations. Under the SEZ scheme, the unit which begins production of goods/services on or after April 1, 2005 will be eligible for deduction of 100% of profits or gains derived from export of goods/services for the first five years, 50% of such profits or gains for a further period of five years and 50% of such profits or gains for the balance period of five years subject to creation of Special Economic Zone Re-investment reserve out of profit of eligible SEZ Units and utilisation of such reserve by the company for acquiring new plant and machinery for the purpose of its business as per the provisions of the Income Tax Act, 1961.

# Notes to the Consolidated Financial Statements

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

## 31(c) Reconciliation of tax expense and the accounting profit multiplied by India's tax rate:

|   | March 31, 2022  | March 31, 2021 |
|---|-----------------|----------------|
| Profit from operations before income tax expenses   | 3,68,350        | 2,66,604       |
| <b>Tax at the Indian tax rate of 34.944%</b>  | <b>1,28,716</b> | <b>93,162</b>  |
| Tax effect of amounts which are not deductible/ (includible) in calculating taxable income: |                 |                |
| Expenses not deductible for tax purpose   | 1,239           | 1,086          |
| Income not includible for tax purpose   | (59,176)        | (23,192)       |
| Tax effect due to difference in overseas tax rates  | (656)           | (559)          |
| Adjustments for current tax of prior periods  | 245             | (592)          |
| Others  | 2,099           | (1,723)        |
| <b>Total tax expense</b>  | <b>72,467</b>   | <b>68,182</b>  |

## Financial Instruments and Risk Management

### Note 32: Categories of Financial Instruments

|   | Notes | Level | March 31, 2022             | March 31, 2021             |
|---|-------|-------|----------------------------|----------------------------|
|   |       |       | Carrying Value /Fair Value | Carrying Value /Fair Value |
| <b>A. Financial assets</b>  |       |       |                            |                            |
| <b>Mandatorily measured at fair value through profit or loss</b>          |       |       |                            |                            |
| Investment in optionally convertible debentures (OCDs) of other companies | 6     | 3     | 7,200                      | -                          |
| Investment in equity instruments of other companies                       |       |       | 1                          | 1                          |
| <b>Total financial assets</b>   |       |       | <b>7,201</b>               | <b>1</b>                   |

### Note 33: Fair Value Hierarchy

Fair value of the financial instruments is classified in various fair value hierarchies based on the following three levels:

**Level 1:** Quoted prices (unadjusted) in active market for identical assets or liabilities.

**Level 2:** Inputs other than quoted price included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

**Level 3:** Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs). If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case with listed instruments where market is not liquid and for unlisted instruments.

#### Valuation technique used to determine fair value:

Specific valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments.
- the fair value of remaining financial instruments is determined using discounted cash flow analysis.

# Notes to the Consolidated Financial Statements

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

## Note 33: Fair Value Hierarchy (Contd..)

### Valuation Process:

The Finance and Accounts department of the group performs the valuation of financial assets and liabilities required for financial reporting purposes, and report to the Board of Directors. The Level 3 inputs for investment in equity shares and OCDs are derived using the discounted cash flow analysis.

## Note 34: Financial Risk Management

The Group's activities expose it to credit risk, market risk, price risk and liquidity risk. The Group emphasizes on risk management and has an enterprise wide approach to risk management. The Group's risk management and control procedures involve prioritization and continuing assessment of these risks and devise appropriate controls, evaluating and reviewing the control mechanism.

### (A) Credit Risk:

#### Credit risk management

- I. Credit risk on cash and cash equivalents and investments is limited as the group generally invests in deposits with nationalised banks, thereby minimising its risk.
- II. Credit risk on security deposits, investments and trade receivables are evaluated as follows:

#### Expected credit loss for security deposits and loans:

| Category   | Basis for recognition of expected credit loss provision    | Asset Group  |
|--|--|--|
| Financial assets for which credit risk has not increased significantly since initial recognition | Loss allowance measured at 12 month expected credit losses | Other Non-current financial assets<br>Other Current financial assets |

#### Expected credit loss for security deposits and loans:

| Asset Group                        | March 31, 2022        |                      |                                  | March 31, 2021        |                      |                                  |
|------------------------------------|-----------------------|----------------------|----------------------------------|-----------------------|----------------------|----------------------------------|
|                                    | Gross carrying amount | Expected credit loss | Carrying amount net of provision | Gross carrying amount | Expected credit loss | Carrying amount net of provision |
| Other Non-current financial assets | 5,775                 | -                    | 5,775                            | 5,678                 | -                    | 5,678                            |
| Other Current Financial assets     | 489                   | -                    | 489                              | 947                   | -                    | 947                              |

#### Expected credit loss from treasury operations and for trade receivables:

Credit risk is the risk of financial loss to the group if a customer to a financial instrument fails to meet its contractual obligations and arises primarily from trade receivables, treasury operations etc. Credit risk of the group is managed at the group level. In the area of treasury operations, the group is presently exposed to risk relating to term deposits made with State Bank of India and Scheduled banks. The group regularly monitors such deposits and credit ratings of the banks thereby minimising the risk.

The credit risk related to trade receivables is influenced mainly by the individual characteristics of each customer. The credit risk is managed by the group by establishing credit limits and continuously monitoring the credit worthiness of the customer. The group also provides for expected credit losses, based on the payment profiles of sales over a period of 12 months before the reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are

# Notes to the Consolidated Financial Statements

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

## Note 34: Financial Risk Management (Contd..)

adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle the receivables where it believes that there is high probability of default. The group has considered possible effect from the pandemic relating to Covid-19 on Credit risks including forward looking information to develop expected credit losses.

Following are the expected credit loss for trade receivables under simplified approach:

|   | March 31, 2022 | March 31, 2021 |
|---|----------------|----------------|
| Gross carrying amount of trade receivables                | 2,42,900       | 1,68,207       |
| Less : Expected credit losses ( Loss allowance provision) | (512)          | (555)          |
| Net carrying amount of trade receivables                  | 2,42,388       | 1,67,652       |

Expected credit loss for trade receivables under simplified approach as at March 31, 2022

| Ageing  | Not due         | Outstanding           |  |                        | Total           |
|---|-----------------|-----------------------|--|------------------------|-----------------|
|   |                 | for less than 90 days | for more than 90 days & less than 180 days | for more than 180 days |                 |
| Gross carrying amount of trade receivables              | 2,15,036        | 23,347                | 3,509                                      | 1,008                  | 2,42,900        |
| Less: Provision for doubtful debts (specific)           | -               | -                     | -  | 495                    | 495             |
| Less: Expected credit losses (loss allowance provision) | -               | -                     | -  | 17                     | 17              |
| <b>Net carrying amount of trade receivables</b>         | <b>2,15,036</b> | <b>23,347</b>         | <b>3,509</b>                               | <b>496</b>             | <b>2,42,388</b> |

Expected credit loss for trade receivables under simplified approach as at March 31, 2021

| Ageing  | Not due         | Outstanding           |  |                        | Total           |
|---|-----------------|-----------------------|--|------------------------|-----------------|
|   |                 | for less than 90 days | for more than 90 days & less than 180 days | for more than 180 days |                 |
| Gross carrying amount of trade receivables              | 1,39,777        | 25,898                | 1,108                                      | 1,424                  | 1,68,207        |
| Less: Provision for doubtful debts (specific)           | -               | -                     | -  | 538                    | 538             |
| Less: Expected credit losses (loss allowance provision) | -               | -                     | -  | 17                     | 17              |
| <b>Net carrying amount of trade receivables</b>         | <b>1,39,777</b> | <b>25,898</b>         | <b>1,108</b>                               | <b>869</b>             | <b>1,67,652</b> |

Reconciliation of loss allowance provision in respect of trade receivables:

|   | Total        |
|---|--------------|
| <b>Loss allowance on April 01, 2020</b>         | <b>1,327</b> |
| <b>Change in loss allowance</b>                 |              |
| Add: Current year loss allowance provided       | 176          |
| Less: Foreign operations translation adjustment | (5)          |
| Less: Recoveries / Write back                   | (187)        |
| Less: Bad debts written off                     | (756)        |
| <b>Loss allowance on March 31, 2021</b>         | <b>555</b>   |
| <b>Loss allowance on April 01, 2021</b>         | <b>555</b>   |



# Notes to the Consolidated Financial Statements

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

## Note 34: Financial Risk Management (Contd..)

|   | Total      |
|---|------------|
| <b>Change in loss allowance</b>                 |            |
| Add: Current year loss allowance provided       | 190        |
| Less: Foreign operations translation adjustment | 20         |
| Less: Recoveries / Write back                   | (253)      |
| Less: Bad debts written off                     | -          |
| <b>Loss allowance on March 31, 2022</b>         | <b>512</b> |

### (B) Market Risk:

The group has substantial exposure to foreign currency risk due to the significant exports. Sales to other countries and purchases from overseas suppliers are exposed to risk associated with fluctuation in the currencies of those countries vis-a-vis the functional currency. The group manages currency fluctuations by having a better geographic balance in revenue mix and ensures a foreign currency match between liabilities and earnings. The group believes that the best hedge against foreign exchange risk is to have a good business mix. The group is very cautious towards hedging as it has a cost as well as its own risks. The group continually reassesses the cost structure impact of the currency volatility and engages with customers addressing such risks.

#### (i) Foreign currency risk exposure:

|   | Currency | March 31, 2022             |                 | March 31, 2021             |                 |
|---|----------|----------------------------|-----------------|----------------------------|-----------------|
|   |          | Amount in foreign currency | Amount in Rs    | Amount in foreign currency | Amount in Rs    |
| Receivables   | ACU      | -*                         | 26              | -*                         | 29              |
|   | EUR      | 119                        | 10,075          | 36                         | 3,103           |
|   | GBP      | 172                        | 17,123          | 160                        | 16,094          |
|   | USD      | 2,540                      | 1,92,557        | 1,662                      | 1,22,095        |
| Payable to suppliers and services                       | USD      | (405)                      | (30,703)        | (549)                      | (40,333)        |
|   | EUR      | (71)                       | (5,969)         | (16)                       | (776)           |
|   | GBP      | -                          | -               | -*                         | (1)             |
|   | SEK      | -                          | -               | -*                         | (1)             |
|   | CHF      | (1)                        | (81)            | -*                         | (28)            |
|   | JPY      | (430)                      | (268)           | -                          | -               |
| <b>Net foreign currency exposure asset/ (liability)</b> |          |                            | <b>1,82,760</b> |                            | <b>1,00,182</b> |

|  | Impact on profit after tax (Income) / Expense |                |
|--|---|----------------|
|  | March 31, 2022                                | March 31, 2021 |
| <b>USD Sensitivity:</b>                        |   |                |
| INR/USD -Increase by 3% ( March 31, 2021: 5%)  | (3,159)                                       | (2,660)        |
| INR/USD -Decrease by 3% (March 31, 2021:5%)    | 3,159   | 2,660          |
| <b>ACU Sensitivity:</b>                        |   |                |
| INR/AUC -Increase by 3% ( March 31, 2021: 10%) | (1)   | (2)            |
| INR/AUC -Decrease by 3% ( March 31, 2021: 10%) | 1   | 2              |

# Notes to the Consolidated Financial Statements

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

## Note 34: Financial Risk Management (Contd..)

|  | Impact on profit after tax<br>(Income) / Expense |                |
|--|--|----------------|
|  | March 31, 2022                                   | March 31, 2021 |
| <b>CHF Sensitivity:</b>                        |  |                |
| INR/CHF -Increase by 5% ( March 31, 2021: 4%)  | 3  | -*             |
| INR/CHF -Decrease by 5% ( March 31, 2021: 4%)  | (3)  | -*             |
| <b>EUR Sensitivity:</b>                        |  |                |
| INR/EUR -Increase by 2% ( March 31, 2021: 10%) | (53)   | (151)          |
| INR/EUR -Decrease by 2% ( March 31, 2021: 10%) | 53   | 151            |
| <b>GBP Sensitivity:</b>                        |  |                |
| INR/GBP -Increase by 1% ( March 31, 2021: 7%)  | (111)  | (733)          |
| INR/GBP -Decrease by 1% ( March 31, 2021: 7%)  | 111  | 733            |
| <b>JPY Sensitivity:</b>                        |  |                |
| INR/JPY -Increase by 6%(March 31, 2021:NA)     | 10   | -              |
| INR/JPY -Decrease by 6% (March 31, 2021: NA)   | (10)   | -              |
| <b>SEK Sensitivity:</b>                        |  |                |
| INR/SEK -Increase by 4%                        | -*   | -*             |
| INR/SEK -Decrease by 4%                        | -*   | -*             |

|  | Impact on profit after tax<br>(Income) / Expense |                |
|--|--|----------------|
|  | March 31, 2022                                   | March 31, 2021 |
| Short term borrowings from Banks:          |  |                |
| Interest rate-Increase by 100 basis points | -  | -*             |
| Interest rate-Decrease by 100 basis points | -  | -*             |
| Term Deposits with Banks:                  |  |                |
| Interest rate-Increase by 100 basis points | (1,043)  | (82)           |
| Interest rate-Decrease by 100 basis points | 1,043  | 82             |

\*Amount is below the rounding off norm adopted by the Group

### (C) Price Risk:

There are no group's investments which are subjected to price risk.

### (D) Liquidity Risk:

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding to meet obligations when due. Group's treasury maintains flexibility in funding by maintaining availability under deposits in banks, adequate limits in working capital loan accounts etc.

# Notes to the Consolidated Financial Statements

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

## Note 34: Financial Risk Management (Contd..)

### (i) Contractual maturities of financial liabilities:

|                             | March 31, 2022     |             |                     |               | March 31, 2021     |             |                     |               |
|-----------------------------|--------------------|-------------|---------------------|---------------|--------------------|-------------|---------------------|---------------|
|                             | Less than 6 months | 6-12 months | More than 12 months | Total         | Less than 6 months | 6-12 months | More than 12 months | Total         |
| Current Borrowings          | -                  | -           | -                   | -             | 35                 | -           | -                   | 35            |
| Trade payables              | 79,570             | -           | -                   | 79,570        | 76,320             | -           | -                   | 76,320        |
| Other financial liabilities | 6,289              | -           | -                   | 6,289         | 8,042              | -           | -                   | 8,042         |
| <b>Total</b>                | <b>85,859</b>      | <b>-</b>    | <b>-</b>            | <b>85,859</b> | <b>84,397</b>      | <b>-</b>    | <b>-</b>            | <b>84,397</b> |

## Note 35: Capital Management

- (a) The group's financial strategy aims to provide adequate capital for its growth plans for sustained stakeholder value. The group's objective is to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. And depending on the financial market scenario, nature of the funding requirements and cost of such funding, the group decides the optimum capital structure. The group aims at maintaining a strong capital base so as to maintain adequate supply of funds towards future growth plans as a going concern.

Net debt to equity ratio

|                                 | March 31, 2022 | March 31, 2021 |
|---------------------------------|----------------|----------------|
| Net debt                        | -              | 35             |
| Total Equity                    | 11,72,818      | 9,29,461       |
| <b>Net debt to equity ratio</b> | <b>NA</b>      | <b>0.00</b>    |

### (b) Dividend:

Dividend paid on equity shares:

|                            | March 31, 2022 | March 31, 2021 |
|----------------------------|----------------|----------------|
| Dividend paid:             |                |                |
| Final dividend for 2020-21 | 53,094         | -              |

Proposed dividend not recognised at the end of the reporting period:

|                              | March 31, 2022 | March 31, 2021 |
|------------------------------|----------------|----------------|
| On equity shares of ₹ 2 each |                |                |
| Dividend per equity share    | 30             | 20             |
| Dividend amount              | 79,641         | 53,094         |

Note: The dividend for the year ended March 31, 2022 proposed and recommended, is subject to the approval of shareholders at the ensuing annual general meeting.

# Notes to the Consolidated Financial Statements

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

## Note 36: Interest in Other Entities

The Company's subsidiaries as at March 31, 2022 are set out below. Unless otherwise stated, they have share capital consisting solely equity that are held directly by the Company.

| Name of the entity            | Place of Business/<br>Country of incorporation | Ownership interest held by the Company |                | Ownership interest held by Non-Controlling interests |                |                                  |
|-------------------------------|--|--|----------------|--|----------------|----------------------------------|
|                               |  | March 31, 2022                         | March 31, 2021 | March 31, 2022                                       | March 31, 2021 | Principal activity               |
| Divis Laboratories (USA) Inc  | USA  | 100%                                   | 100%           | 0%   | 0%             | Manufacturing and Trading of API |
| Divi's Laboratories Europe AG | Switzerland                                    | 100%                                   | 100%           | 0%   | 0%             | Manufacturing and Trading of API |

## Note 37: Segment Information

### Description of segments and principal activities

The Managing Director has been identified as being the Chief Operating Decision Maker(CODM). Operating segments are defined as components of an enterprise for which discrete financial information is available. This is evaluated regularly by the CODM, in deciding how to allocate resources and assessing the group's performance. The group is engaged in the manufacture of Active Pharmaceutical Ingredients (API's) and Intermediates and operates in a single operating segment.

The amount of revenue from operations from each country (based on where products and services are delivered) exceeding 10% of total revenue of the group and non-current assets broken down by location of the assets respectively are as follows:

|                    | India          |                | USA            |                | Other countries |                |
|--------------------|----------------|----------------|----------------|----------------|-----------------|----------------|
|                    | March 31, 2022 | March 31, 2021 | March 31, 2022 | March 31, 2021 | March 31, 2022  | March 31, 2021 |
| Revenue            | 1,03,784       | 91,236         | 2,00,469       | 1,37,855       | 5,91,730        | 4,67,849       |
| Non-current assets | 4,87,553       | 4,53,508       | 279            | 326            | 140             | 172            |

The revenue from transactions with one external customer exceeds 10% of the total revenue of the group for each of the two years ended March 31, 2022 and March 31, 2021

## Note 38: Foreign Subsidiaries considered for Consolidation

| Name of the entity            | Place of Business/<br>Country of incorporation | March 31, 2022 | March 31, 2021 |
|-------------------------------|--|----------------|----------------|
| Divis Laboratories (USA) Inc  | USA  | 100%           | 100%           |
| Divi's Laboratories Europe AG | Switzerland                                    | 100%           | 100%           |

# Notes to the Consolidated Financial Statements

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

## Note 39: Related Party Transactions

- (a) Key Management personnel(KMP) : Dr. Murali. K. Divi  
: Mr. N.V. Ramana  
: Mr. Madhusudana Rao Divi  
: Dr. Kiran S. Divi  
: Ms. Nilima Prasad Divi
- (b) Non-Executive Directors : Mr. K V K Seshavataram (Independent Director)  
: Mr. R Ranga Rao (Independent Director)  
: Dr. G Suresh Kumar (Independent Director)  
: Dr. Ramesh B V Nimmagadda (Independent Director)  
: Dr. S.Ganapaty ( Independent Director)  
: Prof. Sunaina Singh (Independent Director)  
: Mr. K V Chowdary (Independent Director)
- (c) Relative of Key Management personnel : Mr. Babu Rajendra Prasad Divi  
: Mr. Divi Radha Krishna Rao  
: Mr. Sri Ramachandra Rao Divi  
: Mrs. Jhansilakshmi Pendyala  
: Mrs. Divi Swarna Latha  
: Mrs. Divi Raja Kumari  
: Mr. Divi Satyasayee Babu  
: Mrs. Shanti Chandra Attaluri  
: Mrs. N. Nirmala Kumari  
: Mrs. N. Chandrika Lakshmi  
: Mr. N. Venkata Aniruddh  
: Mrs. N. Monisha  
: Mr. N. Prashanth  
: Mrs. L. Vijaya Lakshmi
- (d) Other related party : Divi's Laboratories Employees' Gratuity Trust.

### (e) List of related parties over which control / significant influence exists with whom the group has transactions :

|  | Relationship   |
|--|--|
| Divi's Properties Private Limited              | Company in which key management personnel have significant influence |
| Divi's Biotech Private Limited                 | Company in which key management personnel have significant influence |
| Divi's Laboratories Employees' Gratuity Trust. | Post employment benefit plan of Divi's Laboratories Ltd*             |

\*Refer Note No. 17(i) for information on transactions with post employment benefit plan mentioned above.



# Notes to the Consolidated Financial Statements

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

## Note 39: Related Party Transactions (Contd..)

### (f) Summary of Related Party transactions and balances:

|   | March 31, 2022           |  | March 31, 2021           |  |
|---|--------------------------|--|--------------------------|--|
|   | Amount<br>(Transactions) | Outstanding<br>balance as at<br>March 31, 2022 | Amount<br>(Transactions) | Outstanding<br>balance as at<br>March 31, 2021 |
| (i) Managerial Remuneration and short term employee benefits to Key Management Personnel -refer 39(g) (i)                             | 24,340                   | 23,870   | 17,930                   | 17,469   |
| (ii) Remuneration including sitting fees to non-executive directors-refer 39(g) (ii)  | 217                      | -  | 209                      | -  |
| (iii) Dividend paid to Key Management Personnel -refer 39(g) (iii)  | 23,228                   | -  | -                        | -  |
| (iv) Dividend paid to Relatives of Key Management Personnel -refer 39(g) (iv)   | 2,988                    | -  | -                        | -  |
| (v) Salary and Allowances to Relatives of Key Management Personnel - Mr. Anirudh Nimmagadda   | 15                       | 2  | 14                       | 1  |
| (vi) Dividend paid to Company in which Key Management Personnel have Significant Influence - M/s Divi's Biotech Private Limited       | 1,600                    | -  | -                        | -  |
| (vii) Lease Rent to a Company in which Key Management Personnel have Significant Influence - M/s Divi's Properties Private Limited    | 870                      | -  | 829                      | -  |
| (viii) Rent Deposit to a Company in which Key Management Personnel have Significant Influence - M/s Divi's Properties Private Limited | -                        | 342  | -                        | 308  |

### (g) Transactions with Related Parties:

|   | March 31, 2022           |  | March 31, 2021           |  |
|---|--------------------------|--|--------------------------|--|
|   | Amount<br>(Transactions) | Outstanding<br>balance as at<br>March 31, 2022 | Amount<br>(Transactions) | Outstanding<br>balance as at<br>March 31, 2021 |
| <b>(i) Managerial Remuneration and short term employee benefits to Key Management Personnel</b> |                          |  |                          |  |
| 1. Dr. Murali K. Divi   | 11,041                   | 11,013   | 8,084                    | 8,059  |
| 2. Mr. N.V. Ramana  | 5,627                    | 5,510  | 4,149                    | 4,033  |
| 3. Mr. Madhusudana Rao Divi   | 115                      | -  | 116                      | 1  |
| 4. Dr. Kiran S Divi   | 3,807                    | 3,676  | 2,822                    | 2,688  |
| 5. Ms. Nilima Prasad Divi   | 3,750                    | 3,671  | 2,759                    | 2,688  |
|   | <b>24,340</b>            | <b>23,870</b>                                  | <b>17,930</b>            | <b>17,469</b>                                  |

# Notes to the Consolidated Financial Statements

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

## Note 39: Related Party Transactions (Contd..)

|  | March 31, 2022           |  | March 31, 2021           |  |
|--|--------------------------|--|--------------------------|--|
|  | Amount<br>(Transactions) | Outstanding<br>balance as at<br>March 31, 2022 | Amount<br>(Transactions) | Outstanding<br>balance as at<br>March 31, 2021 |
| <b>(ii) Remuneration including sitting fees to non-executive directors</b> |                          |  |                          |  |
| 1. Mr. K.V.K. Seshavataram   | 29                       | -  | 29                       | -  |
| 2. Dr.G Suresh Kumar   | 32                       | -  | 30                       | -  |
| 3. Mr. R Ranga Rao   | 34                       | -  | 34                       | -  |
| 4. Dr.S. Ganapaty  | 29                       | -  | 27                       | -  |
| 5. Dr. Ramsh B V Nimmagadda  | 33                       | -  | 31                       | -  |
| 6. Prof. Sunaina Singh   | 27                       | -  | 27                       | -  |
| 7. Mr. K.V.Chowdary  | 33                       | -  | 31                       | -  |
|  | <b>217</b>               | <b>-</b>                                       | <b>209</b>               | <b>-</b>                                       |
| <b>(iii) Dividend paid to Key Management Personnel</b>                     |                          |  |                          |  |
| 1. Dr. Murali K. Divi  | 1,513                    | -  | -                        | -  |
| 2. Dr. Kiran S Divi  | 10,800                   | -  | -                        | -  |
| 3. Ms. Nilima Prasad Divi  | 10,800                   | -  | -                        | -  |
| 4. Mr. Madhusudana Rao Divi  | 61                       | -  | -                        | -  |
| 5. Mr. N.V. Ramana   | 54                       | -  | -                        | -  |
|  | <b>23,228</b>            | <b>-</b>                                       | <b>-</b>                 | <b>-</b>                                       |
| <b>(iv) Dividend paid to Relatives of Key Management Personnel</b>         |                          |  |                          |  |
| 1. Mr. Babu Rajendra Prasad Divi   | 5                        | -  | -                        | -  |
| 2. Mr. Divi Radha Krishna Rao  | 1                        | -  | -                        | -  |
| 3. Mrs. Jhansilakshmi Pendyala   | 2                        | -  | -                        | -  |
| 4. Mrs. Divi Swarna Latha  | 2,800                    | -  | -                        | -  |
| 5. Mrs. Divi Raja Kumari   | 3                        | -  | -                        | -  |
| 6. Mrs. Shanti Chandra Attaluri  | 55                       | -  | -                        | -  |
| 7. Mrs. N.Nirmala Kumari   | 8                        | -  | -                        | -  |
| 8 .Mrs. N. Chandrika Lakshmi   | 11                       | -  | -                        | -  |
| 9. Mr. N. Venkata Aniruddh   | 34                       | -  | -                        | -  |
| 10. Mrs. N. Monisha  | 63                       | -  | -                        | -  |
| 11. Mr. N. Prashanth   | 6                        | -  | -                        | -  |
|  | <b>2,988</b>             | <b>-</b>                                       | <b>-</b>                 | <b>-</b>                                       |

### (h) Terms and Conditions

Transactions relating to dividends were on the same terms and conditions that applied to other equity shareholders.

# Notes to the Consolidated Financial Statements

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

## Note 40: Contingent Liabilities:

|  | March 31, 2022 | March 31, 2021 |
|--|----------------|----------------|
| Claims against the Group not acknowledged as debts in respect of:  |                |                |
| Disputed demands for excise duty, customs duty, sales tax, service tax and Goods and service tax for various periods | 8,903          | 706            |

(a) It is not practicable for the Group to estimate the timings of cash flows, if any, in respect of the above pending resolution of the respective proceedings.

(b) Provident Fund:

The Company is in the process of evaluating the impact of the erstwhile Supreme Court Judgment in case of "Vivekananda Vidyamandir And Others Vs. The Regional Provident Fund Commissioner (II) West Bengal" and the related circular (Circular No. C-1/1(33)2019/Vivekananda Vidya Mandir/284) dated March 20, 2019 issued by the Employees' Provident Fund Organisation in relation to non-exclusion of certain allowances from the definition of "basic wages" of the relevant employees for the purposes of determining contribution to provident fund under the Employees' Provident Funds & Miscellaneous Provisions Act, 1952. In the assessment of the management which is supported by legal advice, the aforesaid matter is not likely to have a significant impact and accordingly, no provision has been made in these financial statements.

## Note 41: Additional regulatory information required under Schedule III of Companies Act 2013:

(i) Details of Benami Property held

No proceedings have been initiated on or are pending against the group for holding benami property under the Benami Transactions (Prohibition) Act, 1988 (45 of 1988) and Rules made thereunder.

(ii) Relationship with struck off companies

The Group has no transactions with the companies struck off under Companies Act, 2013 or Companies Act, 1956.

(iii) Compliance with number of layers of companies

The Group has complied with the number of layers prescribed under the Companies Act, 2013.

(iv) Compliance with approved scheme(s) of arrangements

The Group has not entered into any scheme of arrangements which has an accounting impact on current and previous financial year.

(v) Utilisation of borrowed funds and share premium

The Group has not advanced or loaned or invested funds to any other person(s) or entity(ies), including foreign entities (Intermediaries) with the understanding that the Intermediary shall:

- a. directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the group (Ultimate Beneficiaries) or
- b. provide any guarantee, security or the like to or on behalf of the ultimate beneficiaries

# Notes to the Consolidated Financial Statements

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

## Note 41: Additional regulatory information required under Schedule III of Companies Act 2013: (Contd..)

The Group has not received any fund from any person(s) or entity(ies), including foreign entities (Funding Party) with the understanding (whether recorded in writing or otherwise) that the group shall:

- a. directly or indirectly lend or invest in other persons or entities identified in any manner whatsoever by or on behalf of the Funding Party (Ultimate Beneficiaries) or
- b. provide any guarantee, security or the like on behalf of the ultimate beneficiaries

### (vi) Undisclosed income

There is no income surrendered or disclosed as income during the current or previous year in the tax assessments under the Income Tax Act, 1961.

### (vii) Loans or advances to specified persons

The Group has not granted any loans or advances in the nature of loans to promoters, directors, KMP's and the related parties as defined under Companies Act, 2013.

### (viii) Details of crypto currency or virtual currency

The Group has not traded or invested in crypto currency or virtual currency during the current or previous year.

## Note 42 : Commitments

|  | March 31, 2022 | March 31, 2021 |
|--|----------------|----------------|
| <b>Property, Plant and Equipment:</b>  |                |                |
| (i) Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances)           | 14,035         | 14,011         |
| (ii) Capital commitment towards Special economic zone re-investment obligation   | 59,085         | 55,029         |
| <b>Others:</b>   |                |                |
| (iii) On account of bonds or legal agreements executed with Central Excise/ Customs authorities/ SEZ development commissioners | 43,967         | 40,967         |

## Note 43: Dues to micro and small enterprises

The Company has certain dues to Micro and small enterprises registered (suppliers) under Micro, Small and Medium Enterprises Development Act, 2006 ('MSMED Act'). The disclosures pursuant to the said MSMED Act, to the extent the information is available with the company, are as follows.

|  | March 31, 2022 | March 31, 2021 |
|--|----------------|----------------|
| a (i) Principal amounts due to suppliers remaining unpaid as at the year end             | 2,478          | 3,248          |
| (ii) Interest due to Suppliers remaining unpaid as at the year end                       | -              | -              |
| b. Interest on payments beyond the appointed day paid to the suppliers during the year   | -              | -              |
| c. Interest due and payable for the delay in making payment to suppliers during the year | -              | -              |
| d. Amount of interest accrued and remaining unpaid to suppliers at the end of the year   | -              | -              |
| e. Amount of further interest remaining due and payable to suppliers in succeeding years | -              | -              |

# Notes to the Consolidated Financial Statements

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

## Note 44: Other disclosures:

Additional Information required by Schedule III of the Act

| March 31, 2022                                      | Net Assets (Total Assets minus Total Liabilities) |                  | Share in Profit or (Loss)             |                 | Share in Other Comprehensive Income             |             | Share in Total Comprehensive Income             |                 |
|---|---|------------------|---------------------------------------|-----------------|---|-------------|---|-----------------|
|   | As % of Consolidated net assets                   | Amount           | As % of Consolidated Profit or (Loss) | Amount          | As % of Consolidated Other Comprehensive Income | Amount      | As % of Consolidated Total Comprehensive Income | Amount          |
| <b>Parent:</b>                                      |   |                  |                                       |                 |   |             |   |                 |
| Divi's Laboratories Limited                         | 99.41%  | 11,69,135        | 99.35%                                | 2,94,854        | 50.11%  | 218         | 99.28%  | 2,95,072        |
| <b>Sub-total (A)</b>                                |   | <b>11,69,135</b> |                                       | <b>2,94,854</b> |   | <b>218</b>  |   | <b>2,95,072</b> |
| <b>Subsidiaries(Foreign):</b>                       |   |                  |                                       |                 |   |             |   |                 |
| Divis Laboratories (USA) Inc                        | 0.48%   | 5,601            | 0.71%                                 | 2,098           | 32.87%  | 143         | 0.75%   | 2,241           |
| Divi's Laboratories Europe AG                       | 0.11%   | 1,367            | (0.06%)                               | (170)           | 17.02%  | 74          | (0.03%)   | (96)            |
| <b>Sub-total of subsidiaries (B)</b>                |   | <b>6,968</b>     |                                       | <b>1,928</b>    |   | <b>217</b>  |   | <b>2,145</b>    |
| <b>Sub-total (A+B)</b>                              | <b>100%</b>                                       | <b>11,76,103</b> | <b>100%</b>                           | <b>2,96,782</b> | <b>100%</b>                                     | <b>435</b>  | <b>100%</b>                                     | <b>2,97,217</b> |
| <b>Adjustments arising out of Consolidation (C)</b> |   | <b>(3,285)</b>   |                                       | <b>(737)</b>    |   | <b>(29)</b> |   | <b>(766)</b>    |
| <b>Total (A+B+C)</b>                                |   | <b>11,72,818</b> |                                       | <b>2,96,045</b> |   | <b>406</b>  |   | <b>2,96,451</b> |

## Note 45: Earnings per share (EPS)

|  | March 31, 2022 | March 31, 2021 |
|--|----------------|----------------|
| <b>(a) Basic EPS</b>   |                |                |
| Basic earnings per share attributable to the equity holders of the company   | <b>111.52</b>  | 74.75          |
| <b>(b) Diluted EPS</b>   |                |                |
| Diluted earnings per share attributable to the equity holders of the company | <b>111.52</b>  | 74.75          |

# Notes to the Consolidated Financial Statements

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

## Note 45: Earnings per share (EPS) (Contd..)

### (c) Reconciliation of earnings used in calculating earnings per share

|   | March 31, 2022 | March 31, 2021 |
|---|----------------|----------------|
| <b>Basic earnings per share</b>   |                |                |
| Profit attributable to the equity holders of the company used in calculating basic earnings per share   | 2,96,045       | 1,98,429       |
| Adjustments for calculation of diluted earnings per share   | -              | -              |
| <b>Diluted earnings per share</b>   |                |                |
| Profit attributable to the equity holders of the company used in calculating diluted earnings per share | 2,96,045       | 1,98,429       |

### (d) Weighted average number of shares used as the denominator

|  | March 31, 2022 | March 31, 2021 |
|--|----------------|----------------|
| Weighted average number of equity shares used as the denominator in calculating basic earnings per share   | 26,54,68,580   | 26,54,68,580   |
| Adjustments for calculation of diluted earnings per share  | -              | -              |
| Weighted average number of equity shares used as the denominator in calculating diluted earnings per share | 26,54,68,580   | 26,54,68,580   |

## Note 46: Impact of Covid-19 Pandemic

The Group considered the uncertainty relating to the COVID-19 pandemic in assessing the recoverability of its inventories, receivables and investments. As the group is into essential manufacturing service, which is exempt from restrictions, the pandemic did not have any significant impact on its operations or its supply chain. In this regard, the Group has considered internal and external information while finalizing various estimates in relation to its financial statements upto the date of approval by the Board of Directors and has not identified any material impact on the carrying value of assets, liabilities or provisions.

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

### For Price Waterhouse Chartered Accountants LLP

Firm registration number: 012754N/N500016

### Sunit Kumar Basu

Partner

Membership number: 55000

For and on behalf of the Board of Directors of

### Divi's Laboratories Limited

### Dr. Murali K Divi

Managing Director

DIN: 00005040

### Dr. Kiran S Divi

Whole-time Director and

Chief Executive Officer

DIN: 00006503

### L. Kishorebabu

Chief Financial Officer

### N.V. Ramana

Executive Director

DIN: 00005031

### Nilima Prasad Divi

Whole-time Director

(Commercial)

DIN: 06388001

### M. Satish Choudhury

Company Secretary

Membership No:A30204

Place: Hyderabad

Date : May 23, 2022



# Notice of the 32<sup>nd</sup> Annual General Meeting

**NOTICE** is hereby given that the Thirty-Second Annual General Meeting (AGM) of the Members of Divi's Laboratories Limited ('the Company') will be held on Monday, August 22, 2022 at 10.00 a.m. IST through video conferencing ("VC") / other audio-visual means ("OAVM") to transact the following business:

## ORDINARY BUSINESS:

### Item No. 1 – Adoption of financial statements

To consider and adopt the audited financial statements of the Company, both standalone and consolidated, for the financial year ended March 31, 2022, and the reports of the Board of Directors' and Auditors' thereon.

### Item No. 2 – Declaration of dividend for the financial year 2021-22

To declare dividend of ₹ 30/- per Equity Share of face value ₹ 2/- each (i.e. @ 1500%) for the financial year ended March 31, 2022.

### Item No. 3 – Appointment of Mr. N.V. Ramana, who retires by rotation, as Director of the Company

To appoint a director in place of Mr. N.V. Ramana (DIN: 00005031), who retires by rotation at this Annual General Meeting and being eligible, offers himself for re-appointment.

### Item No. 4 – Appointment of Mr. Madhusudana Rao Divi, who retires by rotation, as Director of the Company

To appoint a director in place of Mr. Madhusudana Rao Divi (DIN: 00063843), who retires by rotation at this Annual General Meeting and being eligible, offers himself for re-appointment.

### Item No. 5 – Reappointment of M/s. Price Waterhouse Chartered Accountants LLP as Statutory Auditors of the Company

To appoint M/s. Price Waterhouse Chartered Accountants LLP as Statutory Auditors of the Company for a second term of five years and to fix their remuneration by passing the following resolution as an Ordinary Resolution:

**"RESOLVED THAT** pursuant to the provisions of Section 139, 141, 142 and all other applicable provisions, if any, of the Companies Act, 2013 ("Act") read with the Companies (Audit and Auditors) Rules, 2014, as amended from time to time, and pursuant to the recommendations of the Audit Committee and the Board of Directors of the Company, M/s. Price Waterhouse Chartered Accountants LLP (Firm Registration No.012754N/N500016), be and is hereby appointed as Statutory Auditors of the Company, for the second term of five years, who shall hold office from the conclusion this 32<sup>nd</sup> Annual General Meeting ("AGM") till the conclusion of the 37<sup>th</sup> AGM of the Company to be held in the year 2027, at such remuneration as may be mutually agreed between the Board of Directors of the Company and the Auditors in addition to reimbursement of all out of pocket expenses; and such remuneration may be paid on progressive billing basis."

**"RESOLVED FURTHER THAT** the Board of Directors of the Company (including its Committees thereof), be and is hereby authorized to do all such acts, deeds, matters and things as may be necessary, including filing the requisite forms or submission of documents with any authorities and accepting any modifications to the terms of appointment."

**By Order of the Board of Directors**

**M. Satish Choudhury**

Company Secretary  
Membership No. A30204

Place: Hyderabad  
Date: May 23, 2022

**Registered Office:**

1-72/23(P)/DIVIS/303,  
Divi Towers, Cyber Hills,  
Gachibowli, Hyderabad – 500 032  
CIN: L24110TG1990PLC011854  
Website: www.divislabs.com  
e-mail: mail@divislabs.com  
Tel: +91 40 66966300  
Fax: +91 40 66966460

**NOTES:**

1. In view of the ongoing Covid-19 pandemic, the Ministry of Corporate Affairs ("MCA") has, vide its General Circular No. 14/2020 dated April 08, 2020, General Circular No. 17/2020 dated April 13, 2020, General Circular No. 20/2020 dated May 05, 2020, General Circular No. 02/2021 dated January 13, 2021, General Circular No. 21/2021 dated December 14, 2021 and General Circular No. 02/2022 dated May 05, 2022 (collectively referred to as "MCA Circulars") and Securities Exchange Board of India ("SEBI") vide its Circular Nos. SEBI/HO/CFD/CMD1CIR/P/2020/79 dated May 12, 2020, SEBI/HO/CFD/CMD2/CIR/P/2021/11 dated January 15, 2021 and SEBI/HO/CFD/CMD2/CIR/P/2022/62 dated May 13, 2022 (collectively referred to as "SEBI Circulars"), permitted convening the Annual General Meeting ("AGM" / "Meeting") through Video Conferencing ("VC") or Other Audio Visual Means ("OAVM"), without physical presence of the members at a common venue. In accordance with the MCA Circulars, SEBI Circulars and provisions of the Companies Act, 2013 ("the Act") and the Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations"), the AGM of the Company is being held through VC / OAVM. The deemed venue for the AGM shall be the Registered Office of the Company.
2. Generally, a member entitled to attend and vote at the AGM is entitled to appoint a proxy to attend and vote on a poll instead of himself/herself and the proxy need not be a member of the Company. Since this AGM is being held through VC / OAVM, physical attendance of members has been dispensed with. Accordingly, the facility for appointment of proxies by the members will not be available for the AGM and hence, the proxy form and attendance slip are not annexed to this Notice.
3. Since the AGM will be held through VC/ OAVM, the route map of the venue of the Meeting is not annexed hereto.
4. Members attending the AGM through VC / OAVM shall be reckoned for the purpose of quorum under Section 103 of the Act.
5. In terms of the provisions of Section 152 of the Act, Mr. N.V. Ramana and Mr. Madhusudana Rao Divi, Directors of the Company, retire by rotation at the AGM. Compensation, Nomination and Remuneration Committee and the Board of Directors of the Company commend their respective re-appointments. Details of Directors seeking appointment/ re-appointment and Auditors proposed to be reappointed at the AGM, as required under Regulation 36(3) of SEBI Listing Regulations and the Secretarial Standard on General Meetings issued by the Institute of Company Secretaries of India are provided in the "Annexure" to the Notice of AGM.
6. The Register of directors and key managerial personnel and their shareholding, maintained under Section 170 of the Act, and the Register of Contracts or Arrangements in which the directors are interested, maintained under Section 189 of the Act, will be available electronically for inspection by the members during the AGM. All documents referred to in the Notice will also be available for electronic inspection without any fee by the members from the date of circulation of this Notice up to the date of AGM, i.e. August 22, 2022. Members seeking to inspect such documents can send an email to [cs@divisilabs.com](mailto:cs@divisilabs.com).
7. The Board of Directors at its meeting held on May 23, 2022, has recommended a dividend of ₹ 30/- per Equity Share of ₹ 2/- each (i.e. 1500%) for the financial year 2021-22, subject to the approval of the shareholders at the 32<sup>nd</sup> AGM. **The record date fixed is August 12, 2022 for determining the names of the members eligible for dividend on equity shares, if approved.**

If the dividend, as recommended by the Board of Directors, is approved at the AGM, payment of such dividend subject to deduction of tax at source will be made within a period of 30 days from the date of declaration as under:

  - a. To all Beneficial Owners in respect of shares held in dematerialized form as per the data as may be made available by the National Securities Depository Limited ("NSDL") and the Central Depository Services (India) Limited ("CDSL"), collectively referred to as "Depositories", as on record date.
  - b. To all Members in respect of shares held in physical form, after giving effect to valid transmission or transposition requests lodged with the Company as on record date.

Payment of dividend shall be made through electronic mode to the Members who have updated their bank account details. Dividend warrants / demand drafts will be dispatched to the registered address of the Members who have not updated their bank account details.

Members whose shareholding is in electronic mode are requested to notify any change in address or bank account details to their respective depository participant(s) (DP). Members whose shareholding is in physical mode are requested to opt for the Electronic Clearing System (ECS) mode to receive dividend on time. We urge members to utilize the ECS for receiving dividends. Please refer to note no. 10 for the process to be followed for updating bank account details.
8. Pursuant to the provisions of Section 124 of the Act, the unpaid or unclaimed dividend for the financial year 2014-15 is due to be transferred to the Investor Education

and Protection Fund ("IEPF") established by the Central Government. Unclaimed dividend for the year(s) 2014-15, 2015-16 (interim dividend) 2016-17, 2017-18, 2018-19, 2019-20 (interim dividend) and 2020-21 are held in separate Bank accounts and shareholders who have not received the dividend/ encashed the warrants are advised to write to the Company or to Registrar and Transfer Agent (RTA) of the Company, KFin Technologies Limited ("Kfin") with complete details.

The Company has transferred the unpaid or unclaimed dividends declared up to financial years 2013-14, from time to time, to IEPF. Details of dividends so far transferred to the IEPF Authority are available on the website of IEPF Authority and the same can be accessed through the link: [www.iepf.gov.in](http://www.iepf.gov.in).

The details of unpaid and unclaimed dividends lying with the Company as on March 31, 2022 are uploaded on the website of the Company and can be accessed through the link <https://www.divislabs.com/investor-relations/reports-and-filings/unclaimed-dividend/>

Pursuant to the applicable provisions of the Act read with Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 (as amended from time to time), equity shares in respect of which dividend has not been paid or claimed for seven consecutive years or more will be transferred to the demat account of IEPF Authority. The Company has already initiated necessary action for transfer of shares in respect of which dividend has not been paid or claimed by members for seven consecutive years or more. Members are advised to visit the website of the Company at <https://www.divislabs.com/investor-relations/reports-and-filings/unclaimed-dividend/> to ascertain the details of shares liable for transfer in the name of IEPF Authority.

Details of shares so far transferred to the IEPF Authority are available on the website of the Company [www.divislabs.com](http://www.divislabs.com) and the details have also been uploaded on the website of the IEPF Authority and can be accessed through the link: [www.iepf.gov.in](http://www.iepf.gov.in).

Members whose unclaimed dividend/ shares are transferred to the IEPF Authority can claim their unclaimed dividend and shares from the IEPF Authority by following the Refund Procedure as detailed on the website of IEPF Authority i.e. [www.iepf.gov.in](http://www.iepf.gov.in).

The concerned Members/investors are advised to visit the weblink of the IEPF Authority <http://iepf.gov.in/IEPF/refund.html>, or contact Company's RTA for detailed procedure to lodge the claim with IEPF Authority.

9. All documents/requests and other communications relating to shares should be addressed to the Company's RTA at the address mentioned below:

Kfin Technologies Limited  
(Formerly known as Kfin Technologies Private Limited)  
Unit: Divi's Laboratories Limited  
Selenium Tower B, Plot No. 31 – 32, Financial District,  
Nanakramguda, Serilingampally, Hyderabad - 500032  
Phone No: +91 40-67161526, Fax: +91 40-23001153  
Toll Free No. 1800-3454-001  
E-mail: [einward.ris@kfintech.com](mailto:einward.ris@kfintech.com)

10. We encourage members to support our commitment to environmental protection by choosing to receive the Company's communication through email. Members holding shares in demat mode, who have not registered their email addresses are requested to register their email addresses with their respective DP, and members holding shares in physical mode are requested to update their email addresses with the Company's RTA, to receive copies of the Annual Report 2021-22 in electronic mode.

As per the provisions of Section 72 of the Act, the facility for making nomination is available for the Members in respect of the shares held by them by submitting Form SH-13 to RTA (if holding physical shares) / to their DP (if holding demat shares).

Further, SEBI vide its Circular no. SEBI/HO/MIRSD\_RTAMB/P/CIR/2021/655 dated November 03, 2021 has introduced common and simplified norms for processing investor's service request by the RTA of the Company and mandatory norms for furnishing PAN, KYC and nomination details by holders of physical securities.

## AGM Notice

### Notice

Members may follow the process detailed below for registration of email ID to obtain the annual report, updating bank account details for the receipt of dividend and other information as per the aforementioned SEBI Circular:

| Type of holder  | Process to be followed   |                   |
|---|--|-------------------|
| Physical  | For availing the following investor services, send a written request in the prescribed forms to the RTA of the Company either by email to <a href="mailto:einward.ris@kfintech.com">einward.ris@kfintech.com</a> or by post to address mentioned at note no 9 above. |                   |
|   | Form for availing investor services to register PAN, email address, bank details and other KYC details or changes / update thereof for securities held in physical mode  | <b>Form ISR-1</b> |
|   | Update of signature of securities holder   | <b>Form ISR-2</b> |
|   | For nomination as provided in the Rules 19 (1) of Companies (Share capital and debenture) Rules, 2014  | <b>Form SH-13</b> |
|   | Declaration to opt out   | <b>Form ISR-3</b> |
|   | Cancellation of nomination by the holder(s) (along with ISR-3) / Change of Nominee   | <b>Form SH-14</b> |
|   | Form for requesting issue of Duplicate Certificate and other service requests for shares / debentures / bonds, etc., held in physical form   | <b>Form ISR-4</b> |
| The forms for updating the above details are available at <a href="https://www.divislabs.com/investor-relations/shareholders-contact/#downloads">https://www.divislabs.com/investor-relations/shareholders-contact/#downloads</a> |  |                   |
| Demat   | Please contact your Depository Participant (DP) and register your email address, bank account details in your demat account and nomination, as per the process advised by your DP.   |                   |

Members who have not registered their email address and in consequence the Annual Report, Notice of AGM and e-voting instructions cannot be serviced, may temporarily get their email address and mobile number registered with Kfin, by accessing the link: <https://ris.kfintech.com/clientservices/mobilereg/mobileemailreg.aspx> Members are requested to follow the process as guided to capture the email address and mobile number for sending the soft copy of the notice and e-voting instructions along with the User ID and Password. In case of any queries, Members may write to [einward.ris@kfintech.com](mailto:einward.ris@kfintech.com).

11. Any service request by a holder of physical shares shall be entertained by RTA only upon registration of the PAN, Bank details and the nomination. Further, in absence of the above information on or after April 01, 2023, the folios shall be frozen by the RTA in compliance with SEBI Circular. Any request on the said folio will be undertaken only after submission of the aforementioned information. If the folios continue to remain frozen as on December 31, 2025, the frozen folios shall be referred by RTA/Company to the administering authority under the Benami Transactions (Prohibitions) Act, 1988 and/or Prevention of Money Laundering Act, 2002.
12. Regulation 40 of SEBI Listing Regulations, as amended, mandates that transfer, transmission and transposition of securities of listed companies held in physical form shall be effected only in demat mode. Further, SEBI, vide its Circular dated January 25, 2022, has clarified that listed companies, with immediate effect, shall issue the securities only in demat

mode while processing investor service requests pertaining to issue of duplicate securities certificate, claim from unclaimed suspense account, renewal/exchange of securities certificate, endorsement, sub-division/splitting of securities certificate, consolidation of securities certificates/ folios, transmission, transposition etc. In view of this, Members holding shares in physical form are requested to consider converting their holdings to demat mode. Any shareholder who is desirous of dematerializing their securities may write to the Company at [cs@divislabs.com](mailto:cs@divislabs.com) or to the RTA at [einward.ris@kfintech.com](mailto:einward.ris@kfintech.com) for any clarifications, if needed.

13. Non-Resident Indian Members are requested to inform the RTA (if holding shares in physical mode) / respective DP (if holding shares in demat mode), immediately of:
  - a) Change in their residential status on return to India for permanent settlement; and
  - b) Particulars of their bank account maintained in India with account type, account number and name and address of the bank with pin code number, if not furnished earlier.
14. **Dispatch of Annual Report through Electronic Mode:**

In compliance with the MCA Circulars and SEBI Circulars, Notice of the AGM along with the Annual Report 2021-22 is being sent only through electronic mode to those Members whose email addresses are registered with the Company / the Depositories / RTA, unless any Member has requested for a physical copy of the same. Members may note that the

Notice and Annual Report 2021-22 will also be available on the Company's website at [www.divislabs.com](http://www.divislabs.com), websites of the Stock Exchanges, i.e., BSE Limited and National Stock Exchange of India Limited at [www.bseindia.com](http://www.bseindia.com) and [www.nseindia.com](http://www.nseindia.com) respectively. The Notice is also available on the website of Company's RTA at <https://evoting.kfintech.com>.

For receiving all communication (including Annual Report) from the Company electronically, members are requested to update their email addresses with RTA (if holding shares in physical mode) / respective DP (if holding shares in demat mode) as stated in note no. 10 above. In case of any queries/ difficulties in registering the e-mail address, Members may write to [cs@divislabs.com](mailto:cs@divislabs.com) or [einward.ris@kfintech.com](mailto:einward.ris@kfintech.com).

#### 15. Procedure for joining the AGM through VC/OAVM:

The Company will provide VC / OAVM facility to its Members for participating at the AGM through platform provided by Company's RTA, KFin Technologies Limited.

Members will be able to attend the AGM through VC / OAVM or view the live webcast at <https://emeetings.kfintech.com> by using their e-voting login credentials.

- a. Members are requested to follow the procedure given below:
  - i. Launch internet browser (chrome/firefox/safari) by typing the URL: <https://emeetings.kfintech.com>
  - ii. Enter the login credentials (i.e., User ID and password for e-voting).
  - iii. After logging in, click on "Video Conference" option
  - iv. Then click on camera icon appearing against AGM event of Divi's Laboratories Limited, to attend the Meeting.
- b. Members who do not have User ID and Password for e-voting or have forgotten the User ID and Password may retrieve the same by following the procedure given in the E-voting instructions.
- c. Members will be allowed to attend the AGM through VC / OAVM on first come, first served basis.
- d. Facility to join the meeting shall be opened thirty minutes before the scheduled time of the AGM and shall be kept open throughout the proceedings of the AGM.
- e. Members who need assistance before or during the AGM, can contact Kfin on [emeetings@kfintech.com](mailto:emeetings@kfintech.com) or call on toll free numbers 1800-425-8998 / 1800-345-4001 . Kindly quote your name, DP ID-Client ID / Folio no. and E-voting Event Number in all your communications.

- f. In case of joint holders attending the Meeting, only such joint holder who is higher in the order of names will be entitled to vote at the AGM.
- g. Members of the Company under the category of Institutional Investors are encouraged to attend and vote at the AGM.
- h. Institutional / Corporate shareholders (i.e. other than individuals, HUF, NRI, etc.) are required to send a scanned copy (PDF / JPG Format) of their respective Board Resolution / Power of Attorney / Authorization Letter, etc., authorizing their representative to attend the AGM through VC / OAVM on their behalf. The said Resolution /Authorization shall be sent to the Scrutinizer by e-mail from its registered e-mail address to [bhaskararaoandco@gmail.com](mailto:bhaskararaoandco@gmail.com) with a copy marked to [evoting@kfintech.com](mailto:evoting@kfintech.com). The scanned image of the above-mentioned documents should be in the naming format "Corporate Name EVEN".

16. Members who would like to express their views or ask questions during the AGM may register themselves by logging on to <https://emeetings.kfintech.com> and by clicking on the 'Speaker Registration' option available on the screen after log in. The Speaker Registration will be open from Thursday, August 18, 2022 to Friday, August 19, 2022. Members shall be provided a 'queue number' before the meeting. Only those members who are registered will be allowed to express their views or ask questions. The Company reserves the right to restrict the number of questions and number of speakers, depending upon availability of time as appropriate for smooth conduct of the AGM.
17. The Members who wish to post their questions prior to the meeting can do the same by visiting <https://emeetings.kfintech.com>. Please login through the user id and password provided in the mail received from Kfin. On successful login, select 'Post Your Question' option which will be opened from Thursday, August 18, 2022 to Friday, August 19, 2022.
18. All the shareholders attending the AGM will have option to post their comments / queries through a dedicated Chat box that will be available below the meeting screen.
19. **Procedure for 'remote e-voting' and e-voting at the AGM ('Insta Poll'):**

#### I E-voting Facility:

Pursuant to the provisions of Section 108 and other applicable provisions, if any, of the Act read with the Companies (Management and Administration) Rules, 2014, as amended, and Regulation 44 of SEBI Listing Regulations read with circular of SEBI on e-Voting facility provided by



listed entities, dated December 09, 2020, the Company is providing to its members facility to exercise their right to vote on resolutions proposed to be passed at AGM by electronic means ("e-voting"). Members may cast their votes remotely, using an electronic voting system on the dates mentioned herein below ("remote e-voting").

Further, the facility for voting through electronic voting system will also be made available at the Meeting ("Insta Poll") and members attending the Meeting who have not cast their vote(s) by remote e-voting will be able to vote at the Meeting through Insta Poll.

The Company has engaged the services of Kfin Technologies Limited as the agency to provide e-voting facility.

The manner of voting, including voting remotely by (i) individual shareholders holding shares of the Company in demat mode, (ii) shareholders other than individuals holding shares of the Company in demat mode, (iii) shareholders holding shares of the Company in physical mode, and (iv) Members who have not registered their e-mail address is explained in the instructions given herein below.

The remote e-voting facility will be available during the following voting period:

|                                  |  |
|----------------------------------|--|
| Commencement of remote e-voting: | 9:00 a.m. (IST) on Thursday, August 18, 2022 |
| End of remote e-voting:          | 5:00 p.m. (IST) on Sunday, August 21, 2022   |

The remote e-voting will not be allowed beyond the aforesaid date and time and the remote e-voting module shall be forthwith disabled by KFin upon expiry of the aforesaid period.

Voting rights of a Member /Beneficial Owner (in case of electronic shareholding) shall be in proportion to his/her share in the paid-up equity share capital of the Company as on the **cut-off date, i.e., Tuesday, August 16, 2022 ("Cut-off Date")**.

The Board of Directors of the Company has appointed Mr. V Bhaskara Rao, Practicing Company Secretary, (Membership No. FCS5939) as Scrutiniser to scrutinise the remote e-voting and Insta Poll process in a fair and transparent manner. He has communicated his willingness to be appointed and will be available for the said purpose.

**II. Information and instructions relating to e-voting are as under:**

- a. The members who have cast their vote(s) by remote e-voting may also attend the Meeting but shall not be entitled to cast their vote(s) again at the Meeting. Once the vote on a resolution is cast by a member, whether partially or otherwise, the member shall not be allowed to change it subsequently or cast the vote again.
- b. A member can opt for only single mode of voting per EVEN, i.e., through remote e-voting or voting at the Meeting (Insta Poll). If a member casts vote(s) by both modes, then voting done through remote e-voting shall prevail and vote(s) cast at the Meeting through Insta Poll shall be treated as "INVALID".
- c. A person, whose name is recorded in the register of members or in the register of beneficial owners maintained by the depositories as on Cut-off Date only shall be entitled to avail the facility of remote e-voting or for participation at the AGM and voting through Insta Poll. A person who is not a member as on the cut-off date, should treat the Notice for information purpose only.
- d. The Company has opted to provide the same electronic voting system at the Meeting, as used during remote e-voting, and the said facility shall be operational till all the resolutions proposed in the Notice are considered and voted upon at the Meeting and may be used for voting only by the Members holding shares as on the Cut-off Date who are attending the Meeting and who have not already cast their vote(s) through remote e-voting.

**III. Remote e-voting:**

**a. Information and instructions for 'remote e-voting' by Individual Shareholders holding shares of the Company in demat mode**

As per circular of SEBI on e-voting Facility provided by Listed Entities, dated December 09, 2020, **all "individual shareholders holding shares of the Company in demat mode" can cast their vote, by way of a single login credential, through their demat accounts / websites of Depositories / Depository Participants**. The procedure to login and access remote e-voting, as devised by the Depositories / Depository Participant(s), is given below:



## Procedure to login through websites of Depositories

| National Securities Depository Limited ("NSDL")   | Central Depository Services (India) Limited ("CDSL")  |
|---|---|
| <p><b>1. User already registered for IDeAS facility of NSDL may follow the following procedure:</b></p> <ol style="list-style-type: none"> <li>Type in the browser / Click on the following e-Services link: <a href="https://eservices.nSDL.com">https://eservices.nSDL.com</a></li> <li>Click on the button "Beneficial Owner" available for login under 'IDeAS' section.</li> <li>A new page will open. Enter your User ID and Password for accessing IDeAS.</li> <li>On successful authentication, you will enter your IDeAS service login. Click on "Access to e-Voting" under Value Added Services on the panel available on the left hand side.</li> <li>Click on "Active E-voting Cycles" option under E-voting.</li> <li>You will see Company Name: "Divi's Laboratories Limited" on the next screen. Click on the e-Voting link available against Divi's Laboratories Limited or select e-Voting service provider "Kfin" and you will be re-directed to the e-Voting page of Kfin to cast your vote without any further authentication.</li> </ol>  | <p><b>1. Existing user who have opted for Easi / Easiest facility of CDSL may follow the following procedure:</b></p> <ol style="list-style-type: none"> <li>Type in the browser / Click on any of the following links: <a href="https://web.cdslindia.com/myeasi/home/login">https://web.cdslindia.com/myeasi/home/login</a><br/>or<br/><a href="http://www.cdslindia.com">www.cdslindia.com</a> and click on New System Myeasi / Login to My Easi option under Quick Login (best operational in Internet Explorer 10 or above and Mozilla Firefox)</li> <li>Enter your User ID and Password for accessing Easi / Easiest.</li> <li>You will see Company Name: "Divi's Laboratories Limited" on the next screen. Click on the e-Voting link available against Divi's Laboratories Limited or select e-Voting service provider "Kfin" and you will be re-directed to the e-Voting page of Kfin to cast your vote without any further authentication.</li> </ol> |
| <p><b>2. Users not registered for IDeAS e-Services facility of NSDL may follow the following procedure:</b></p> <ol style="list-style-type: none"> <li>To register, type in the browser / Click on the following e-Services link: <a href="https://eservices.nSDL.com">https://eservices.nSDL.com</a></li> <li>Select option "Register Online for IDeAS" available on the left hand side of the page</li> <li>Proceed to complete registration using your DP ID, Client ID, Mobile Number etc.</li> <li>After successful registration, please follow steps given under Sr. No. 1 above to cast your vote.</li> </ol>  | <p><b>2. Users not registered for Easi/Easiest facility of CDSL may follow the following procedure:</b></p> <ol style="list-style-type: none"> <li>To register, type in the browser / Click on the following link: <a href="https://web.cdslindia.com/myeasi/Registration/EasiRegistration">https://web.cdslindia.com/myeasi/Registration/EasiRegistration</a></li> <li>Proceed to complete registration using your DP ID-Client ID (BO ID), etc.</li> <li>After successful registration, please follow steps given under Sr. No. 1 above to cast your vote.</li> </ol>   |
| <p><b>3. Users may directly access the e-Voting module of NSDL as per the following procedure:</b></p> <ol style="list-style-type: none"> <li>Type in the browser / Click on the following link: <a href="https://www.evoting.nSDL.com/">https://www.evoting.nSDL.com/</a></li> <li>Click on the button "Login" available under "Shareholder/Member" section.</li> <li>On the login page, enter User ID (that is, 16-character demat account number held with NSDL, starting with IN), Login Type, that is, through typing Password (in case you are registered on NSDL's e-voting platform)/ through generation of OTP (in case your mobile/e-mail address is registered in your demat account) and Verification Code as shown on the screen.</li> <li>On successful authentication, you will enter the e-voting module of NSDL. Click on "Active E-voting Cycles / VC or OAVMs" option under E-voting. You will see Company Name: "Divi's Laboratories Limited" on the next screen. Click on the e-Voting link available against Divi's Laboratories Limited or select e-Voting service provider "Kfin" and you will be re-directed to the e-Voting page of Kfin to cast your vote without any further authentication.</li> </ol> | <p><b>3. Alternatively, by directly accessing the e-Voting website of CDSL</b></p> <ol style="list-style-type: none"> <li>Type in the browser / Click on the following links: <a href="http://www.cdslindia.com">www.cdslindia.com</a> / <a href="https://www.evotingindia.com">https://www.evotingindia.com</a></li> <li>Provide Demat Account Number and PAN</li> <li>System will authenticate user by sending OTP on registered Mobile &amp; E-mail as recorded in the Demat Account.</li> <li>On successful authentication, you will enter the e-voting module of CDSL. Click on the e-Voting link available against Divi's Laboratories Limited or select e-Voting service provider "Kfin" and you will be re-directed to the e-Voting page of Kfin to cast your vote without any further authentication.</li> </ol>   |

### Procedure to login through their demat accounts / website of Depository Participant

- i. Individual shareholders holding shares of the Company in Demat mode can access e-voting facility provided by the Company using login credentials of their demat accounts (online accounts) through their demat accounts / websites of Depository Participants registered with NSDL/CDSL.
- ii. An option for "e-voting" will be available once they have successfully logged-in through their respective logins. Click on the option "e-voting" and they will be redirected to e-voting modules of NSDL/CDSL (as may be applicable).
- iii. Click on the e-voting link available against Divi's Laboratories Limited or select e-voting service provider "Kfin" and you will be re-directed to the e-voting page of Kfin to cast your vote without any further authentication.

**Members who are unable to retrieve User ID / Password are advised to use Forgot User ID and Forgot Password option available on the websites of the Depositories / Depository participants.**

#### Contact details in case of any technical issues NSDL website

Please contact NSDL helpdesk by sending a request at [evoting@nsdl.co.in](mailto:evoting@nsdl.co.in) or call at toll free no.: **1800 1020 990** and **1800 22 44 30**

#### Contact details in case of any technical issues CDSL website

Please contact CDSL helpdesk by sending a request at helpdesk. [evoting@cdslindia.com](mailto:evoting@cdslindia.com) or contact at **022- 23058738** or **022-23058542-43**

#### b. Information and instructions for 'remote e-voting' by (i) Shareholders other than individuals holding shares of the Company in demat mode and (ii) All shareholders holding shares in physical mode:

A. In case a Member receives an e-mail from the Company / Kfin i.e. for Members whose e-mail address is registered with the Company / Depository Participant(s):

- i. Launch internet browser by typing the URL: <https://evoting.kfintech.com>.
- ii. Enter the login credentials (User ID and password provided in the e-mail). The E-Voting Event Number+Folio No. or DP ID Client ID will be your User ID. If you are already registered with Kfin for e-voting, you can use the existing password for logging-in. If required, please visit <https://evoting.kfintech.com> or contact toll-free numbers 1800-309-4001 (from 9:00 a.m. to 6:00 p.m. on all working days) for assistance on your existing password.
- iii. After entering these details appropriately, click on "LOGIN".
- iv. You will now reach password change Menu wherein you are required to mandatorily change your password. The new password shall comprise of minimum 8 characters with at least one upper case (A- Z), one lower case (a-z), one numeric value (0-9) and a special character (@,#,\$, etc..). The system

will prompt you to change your password and update your contact details like mobile number, email ID etc. on first login. You may also enter a secret question and answer of your choice to retrieve your password in case you forget it. It is strongly recommended that you do not share your password with any other person and that you take utmost care to keep your password confidential.

- v. You need to login again with the new credentials.
- vi. On successful login, the system will prompt you to select the "EVEN" for Divi's Laboratories Limited and click on "Submit"
- vii. On the voting page, enter the number of shares (which represents the number of votes) as on the Cut-off Date under "FOR/AGAINST" or alternatively, you may partially enter any number in "FOR" and partially "AGAINST" but the total number in "FOR/AGAINST" taken together shall not exceed your total shareholding as mentioned herein above. You may also choose the option "ABSTAIN". If the Member does not indicate either "FOR" or "AGAINST" it will be treated as "ABSTAIN" and the shares held will not be counted under either head.
- viii. Members holding multiple folios/demat accounts shall choose the voting process separately for each folio/ demat accounts.

- ix. Voting has to be done for each item of the notice separately. In case you do not desire to cast your vote on any specific item, it will be treated as abstained.
- x. You may then cast your vote by selecting an appropriate option and click on "Submit".
- xi. A confirmation box will be displayed. Click "OK" to confirm else "CANCEL" to modify. Once you have voted on the resolution (s), you will not be allowed to modify your vote.
- xii. Institutional / Corporate shareholders (i.e. other than individuals, HUF, NRI, etc.) are required to send a scanned copy (PDF / JPG Format) of their respective Board Resolution / Power of Attorney / Authorization Letter, etc., authorizing their representative to attend the AGM through VC / OAVM on their behalf and to vote through remote e-voting. The said Resolution /Authorization shall be sent to the Scrutinizer by e-mail on its registered e-mail address to [bhaskararaoandco@gmail.com](mailto:bhaskararaoandco@gmail.com) with a copy marked to [evoting@kfintech.com](mailto:evoting@kfintech.com). The scanned image of the above-mentioned documents should be in the naming format "Corporate Name Even.".
- B. In case of a Member whose e-mail address is not registered / updated with the Company / Kfin / Depository Participant(s), please follow the following steps to generate your login credentials:**
- i. Please follow the steps for registration of e-mail address as mentioned in note no. 10 above.
- ii. After receiving the e-voting instructions, please follow all steps above to cast your vote by electronic means.
- iii. Any person who becomes a Member of the Company after dispatch of the Notice of the Meeting and holding shares as on the Cut-off Date / any Member who has forgotten the User ID and Password, may obtain / generate / retrieve the same from Kfin in the manner as mentioned below:
- 1) If the mobile number of the member is registered against Folio No./ DP ID Client ID, the member may send SMS: MYEPWD <space> E-Voting Event Number+Folio No. or DP ID Client ID to 9212993399
- Example for NSDL: MYEPWD <SPACE> IN12345612345678
- Example for CDSL: MYEPWD <SPACE> 1402345612345678
- Example for Physical: MYEPWD <SPACE> XXXX1234567890
- 2) If e-mail address or mobile number of the member is registered against Folio No. / DP ID Client ID, then on the home page of <https://evoting.kfintech.com/> , the member may click "Forgot Password" and enter Folio No. or DP ID Client ID and PAN to generate a password.
- 3) Members may call on Kfin's toll free number 1-800-309-4001 or write to them at [evoting@kfintech.com](mailto:evoting@kfintech.com). After due verification of the request, User ID and password will be sent to member.
- 4) If the Member is already registered with Kfin's e-voting platform, then he/she/ it can use his/her/its existing password for logging-in.
- iv. In case of any query and/or grievance, in respect of voting by electronic means, Members may refer to the Help & Frequently Asked Questions (FAQs) and E-voting user manual available at the download section of <https://evoting.kfintech.com> (Kfin Website) or contact at the details mentioned below for any e-voting related clarification/grievances:
- Mr. P Nageswara Rao, Manager,  
Kfin Technologies Limited  
(Unit: Divi's Laboratories Limited)  
Selenium Tower B, Plot 31-32, Gachibowli,  
Financial District,  
Nanakramguda, Hyderabad - 500 032  
Phone No. 040 – 67161526  
Toll free No. 1800-309-4001  
e-mail: [einward.ris@kfintech.com](mailto:einward.ris@kfintech.com) or  
[evoting@kfintech.com](mailto:evoting@kfintech.com)
- C. E-voting at AGM (Insta Poll):**
- Facility to vote through Insta Poll will be made available on the Meeting page (after you log into the Meeting) and will be activated once the Insta Poll is announced at the Meeting. An icon, "Vote", will be available at the bottom left on the Meeting Screen. Once the voting at the Meeting is announced by the Chairman, Members who have not cast their vote using remote e-voting will be able to cast their vote by clicking on this icon.

**D. E-voting Result:**

The Scrutiniser will, after the conclusion of e-voting at the Meeting, scrutinise the votes cast at the Meeting (Insta Poll) and votes cast through remote e-voting, make a consolidated Scrutiniser's Report and submit the same to the Chairman. The result of e-voting will be declared within forty-eight hours of the conclusion of the Meeting and the same, along with the consolidated Scrutiniser's Report, will be placed on the website of the Company at [www.divislabs.com](http://www.divislabs.com) and on the website of Kfin at: <https://evoting.kfintech.com>. The result will also be simultaneously be communicated to the Stock Exchanges.

**Subject to receipt of requisite number of votes, the Resolutions proposed in the Notice shall be deemed to be passed on the date of the Meeting, i.e., Monday, August 22, 2022.**

**20. Tax Deductible at Source / Withholding tax on Dividend:**

**Dividend income is taxable in the hands of shareholders and the Company is required to deduct tax at source at the prescribed rates from dividend paid to shareholders. The shareholders are requested to refer to the Income Tax Act, 1961 for the prescribed tax rates applicable to them.**

The Primary shareholder can request the Company to provide the credit of Tax Deducted at source on the dividend pay-outs by the Company, separately to the joint shareholders (beneficiary shareholder) of the said shares by submitting the declaration as per Rule 37BA of the Income Tax Rules, 1962. This declaration shall be submitted with the Company on or before **August 12, 2022** (i.e. Record Date). Any declarations as per Rule 37BA submitted after this date will not be considered. The information of the payee

and tax deducted thereon will be submitted to income tax department as per the details of primary shareholder provided by the Depositories / RTA or as per declarations under Rule 37BA received till the record date.

If shareholder is classified as "specified person" as per the provisions of section 206AB, tax will be deducted at the rate higher of the following:

- i. Twice the rate specified in the relevant provision of the Income-tax Act; or
- ii. Twice the rate or rates in force; or
- iii. At the rate of 5%.

The 'specified person' means a person who has:

- a) not filed return of income for the previous year 2020-21 relevant to the assessment year 2021-22; and
- b) subjected to tax deduction/collection at source in aggregate amounting to ₹ 50,000/-.

For this purpose, the Company will be relying on the information verified by the utility provided and available on the Income Tax website.

The rate of deduction of tax from dividend would vary depending on the residential status of the shareholder under the income tax act, as informed by the Depository Participant / Kfin, RTA of the Company. The Company will not entertain directly any request for change in the residential status of the shareholder. Such requests for change in residential status shall be submitted with respective Depository Participant / RTA along with requisite documents. It is reiterated that the residential status as informed by the DP/RTA as per their records as on the record date, will be the final for determination of rate of tax to be deducted from payment of dividend to the respective shareholder.

**A. Resident Shareholders:****1. Rate of Tax Deductible at Source from dividend:**

| Sr. No. | Particulars  | Rate of tax to be deducted | Documents required (if any) / Remarks   |
|---------|--|----------------------------|---|
| (1)     | (2)  | (3)                        | (4)   |
| 1       | Valid PAN updated in the Company's Register of Members | 10%                        | No document is required.<br><br>In case of resident individual shareholders, if dividend amount does not exceed ₹5,000/-, no tax will be deducted except in the circumstances detailed at Note (v) given below. |

| Sr. No. | Particulars  | Rate of tax to be deducted        | Documents required (if any) / Remarks  |
|---------|--|-----------------------------------|--|
| (1)     | (2)  | (3)                               | (4)  |
| 2       | No PAN/Invalid PAN is recorded in the Company's Register of Members  | 20%                               | Tax will be deducted, regardless of dividend amount. Please refer Note (v) given below.<br><br>All the shareholders are requested to update, on or before the record date, their PAN with their Depository Participant (if shares are held in electronic form) and Company / Kfin (if shares are held in physical form). Please quote all the folio numbers under which you hold your shares while updating the PAN details. |
| 3       | Availability of lower/ nil rate of tax deduction certificate issued by Income Tax Department u/s 197 of Income Tax Act, 1961 | Rate specified in the certificate | Lower tax deduction certificate obtained from Income Tax Authority is to be submitted on or before the record date. Else the tax will be deducted at the applicable rate of tax depending on residential status and status category of the shareholder.  |

**2. No Tax on dividend payment to resident shareholders will be deducted, if the Shareholders submit any of the documents listed below with the Company / Kfin/ Depository Participant on or before the record date i.e. August 12, 2022**

| Sr. No. | Category I and II Alternate Investment Fund  | Rate of tax to be deducted | Documents required (if any) / Remarks   |
|---------|--|----------------------------|---|
| (1)     | (2)  | (3)                        | (4)   |
| 1.      | Submission of Form 15G/15H   | Nil                        | Declaration in Form 15G (applicable to an individual who is below 60 years) / Form 15H (applicable to an individual who is 60 years and above), fulfilling certain conditions.<br><br>Please quote all the folio numbers under which you hold your shares in Declaration in Form 15G/15H  |
| 2.      | Shareholders to whom Section 194 of the Income Tax, 1961 does not apply as per second proviso to Section 194 such as LIC, GIC. etc.  | Nil                        | Self-declaration that it has full beneficial interest with respect to the shares owned by it along with self-attested copy of PAN card and copy of registration certification issued by the IRDAI.  |
| 3.      | Shareholder covered u/s 196 of Income Tax Act, 1961 such as Government, RBI, Corporations established by Central Act & Mutual funds. | Nil                        | Documentary evidence for coverage u/s 196 of Income Tax Act, 1961<br><br>Corporation established by Central Act:<br><br>Certificate of registration which indicates that it is Corporation established under central act and its income is exempt from income tax<br><br>Mutual funds:<br><br>Self-declaration that they are specified in Section 10 (23D) of the Act along with self-attested copy of PAN card and registration certificate. |
| 4.      | Category I and II Alternate Investment Fund  | Nil                        | SEBI registration certificate to claim benefit under section 197A (1F) of Income Tax Act, 1961<br><br>Self-declaration that they are specified in Section 10 (23FBA) of the Act and established as Category I or II AIF under the SEBI regulations along with self-attested copy of PAN card and registration certificate issued by SEBI.   |

| Sr. No. | Category I and II Alternate Investment Fund  | Rate of tax to be deducted | Documents required (if any) / Remarks   |
|---------|--|----------------------------|---|
| (1)     | (2)  | (3)                        | (4)   |
| 5.      | <ul style="list-style-type: none"> <li>• Recognised provident funds</li> <li>• Approved superannuation fund</li> <li>• Approved gratuity fund</li> </ul> | Nil                        | Necessary documentary evidence as per Circular No. 18/2017 issued by Central Board of Direct Taxes (CBDT).  |
| 6.      | National Pension Scheme  | Nil                        | No TDS/ withholding tax as per section 197A (1E) of Income Tax Act, 1961<br><br>Self-declaration that they are governed by the provisions of section 10(44) [Subsection 1E to Section 197A] of the Act and self-attested copy of PAN card and registration certificate. |
| 7.      | Any resident shareholder exempted from TDS deduction as per the provisions of Income Tax Act or by any other law or notification                         | Nil                        | Necessary documentary evidence substantiating exemption from deduction of TDS   |

**B. Non-Resident Shareholders:**

The normal rate of tax to be deducted from payment of dividend to non-resident shareholders is 20% plus applicable Surcharge and Additional Surcharge (Cess).

In case of shareholders listed below, on submission of the requisite documents listed in column (3) of the table below with the Company / Kfin (RTA) , the tax will be deducted at applicable rate mentioned in Column (2) of the below table:

| Sr. No. | Particulars   | Rate of tax to be deducted   | Documents required (if any) / Remarks  |
|---------|---|--|--|
| (1)     | (2)   | (3)  | (4)  |
| 1.      | Foreign Institutional Investors (FIIs) / Foreign Portfolio Investors (FPIs) / Other Non-Resident shareholders | 20% (plus applicable surcharge and cess) or tax rate as per applicable treaty, whichever is beneficial | <p>FPI / FII registration certificate in case of FIIs / FPIs.</p> <p>To avail beneficial rate of tax treaty following documents would be required to submit:</p> <ol style="list-style-type: none"> <li>1. Tax Residency certificate issued by revenue authority of country of residence of shareholder for the year in which dividend is received</li> <li>2. PAN or declaration as per Rule 37BC of Income Tax Rules, 1962 in a specified format.</li> <li>3. Form 10F filled &amp; duly signed</li> <li>4. Self-declaration for non-existence of permanent establishment/ fixed base in India</li> </ol> <p>(Note: Application of beneficial Tax Treaty Rate shall depend upon the completeness of the documents submitted by the Non-Resident shareholder and review to the satisfaction of the Company)</p> |



| Sr. No. | Particulars   | Rate of tax to be deducted    | Documents required (if any) / Remarks   |
|---------|---|-------------------------------|---|
| (1)     | (2)   | (3)                           | (4)   |
| 2.      | Indian Branch of a Foreign Bank   |                               | Lower tax deduction certificate u/s 195(3) obtained from Income Tax Authority; and<br><br>Self-declaration confirming that the income is received on its own account and not on behalf of the Foreign Bank and the same will be included in taxable income of the branch in India |
| 3.      | Availability of Lower/NIL rate of tax deduction certificate issued by Income Tax Authority  | Rate specified in certificate | Lower tax deduction certificate obtained from Income Tax Authority  |
| 4.      | Any non-resident shareholder exempted from withholding tax deduction as per the provisions of Income Tax Act or any other law such as The United Nations (Privileges and Immunities) Act 1947, etc. | NIL                           | Necessary documentary evidence substantiating exemption from withholding tax deduction  |

**C. Notes:**

- i. The Company will issue soft copy of the TDS certificate to its shareholders through e-mail registered with Kfin post payment of the income tax deducted and submission of respective return with income tax department and Shareholders will be able to download Form 26AS from the Income Tax Department's website at <https://incometaxindiaefiling.gov.in>.
- ii. The aforesaid documents such as Form 15G/ 15H, documents under sections 196, 197A, FPI Registration Certificate, Tax Residency Certificate, Lower Tax certificate etc. can be uploaded by using the link <https://ris.kfintech.com/form15/> on or before the record date i.e, August 12, 2022 to enable the Company to determine the appropriate TDS / withholding tax rate applicable. Any communication on the tax determination/deduction received after the record date will not be considered. Formats of Form 15G / Form 15H are available on the website of the Company and can be downloaded from the link <https://www.divislabs.com/investor-relations/shareholders-contact/#downloads>. Any member facing difficulty in submitting disclosures using the aforementioned link may please seek assistance by sending email to [inward.ris@kfintech.com](mailto:inward.ris@kfintech.com) and [cs@divislabs.com](mailto:cs@divislabs.com).
- iii. Application of TDS rate is subject to necessary verification by the Company of the details of the shareholder as available in Register of Members as on the record date and other documents available with the Company/ Kfin.
- iv. **In case TDS is deducted at a higher rate, an option is still available with the shareholder to file the return of income and claim an appropriate refund. Tax deducted by the Company is final and no claim shall lie against the Company for tax deducted at higher rate, for any reason, whatsoever.**
- v. No TDS will be deducted in case of resident individual shareholders who furnish their PAN details and whose dividend does not exceed ₹ 5,000/-. However, where the PAN is not updated in Company/ Kfin/ Depository Participant records or in case of an invalid PAN, the Company will deduct TDS u/s 194 without considering the exemption limit of ₹ 5,000/-.
- vi. **All the shareholders are requested to update their PAN with their Depository Participant (if shares are held in electronic form) and Company / Kfin (if shares are held in physical form) against all their folio holdings on or before record date i.e, August 12, 2022.**
- vii. In the event of any income tax demand (including interest, penalty, etc.) arising from any misrepresentation, inaccuracy or omission of information provided by the shareholder, such shareholder will be responsible to indemnify the Company and also, provide the Company with all information / documents and co-operation in any appellate proceedings.
- viii. This Communication is not exhaustive and does not purport to be a complete analysis or listing of all potential tax consequences in the matter of dividend payment. Shareholders should consult their tax advisors for requisite action to be taken by them.

# ANNEXURE TO NOTICE OF AGM

**Explanatory Statement & details of Directors seeking appointment/re-appointment and Auditors proposed to be reappointed at the AGM as required under Regulation 36(3) of SEBI Listing Regulations, and the Secretarial Standard on General Meetings issued by the Institute of Company Secretaries of India**

## **Item No. 3 – Appointment of Mr. N.V. Ramana, who retires by rotation, as Director of the Company**

### **Brief resume:**

Mr. N.V. Ramana has been the Executive Director of Divi's Laboratories Limited for the past 27 years.

He is a graduate in chemistry from Osmania University, India. He is also a Member of the American Chemical Society.

Mr. Ramana oversees functions relating to strategic planning, marketing, custom manufacturing, contract research of active pharma ingredients as also the nutraceutical business. He was instrumental in developing the nutraceutical business from conceptualisation, design, engineering, automation, development of products to suit end user requirements and developing marketing set up, managing subsidiaries and growth of business.

Prior to joining Divi's, Mr. Ramana had over 10 years of experience in the diverse international businesses, a substantial part of which is in the pharmaceutical industry; and was engaged in market research for active pharma ingredients, developing marketing strategies for API business and enhancing business for several pharma companies.

**Age:** 64 years

**Nature of his expertise in specific functional areas:** Strategic planning, marketing, custom manufacturing, contract research of active pharma ingredients as also the nutraceutical business.

**Disclosure of relationships between directors inter-se:** Mr. N.V. Ramana is not related to any of the directors of the Company.

**Directorships held in other companies:** Nil

**Memberships/Chairmanships of Committees in other companies:** He is neither a Member nor Chairman of Committees of other Companies.

**Shareholding in the Company:** 2,69,518 equity shares of ₹ 2/- each

**Remuneration proposed to be paid:** As per existing approved terms of appointment.

**Terms and conditions of appointment:** In terms of Section 152(6) of the Companies Act, 2013, Mr. N.V. Ramana who was re-appointed as an Executive Director of the Company by an Ordinary Resolution passed on October 07, 2019, is liable to retire by rotation.

**Date of first appointment on Board, last drawn remuneration and number of Board meetings attended:** He joined the Board of Directors of Divi's Laboratories Limited on October 12, 1994. His last drawn remuneration for the financial year 2021-22 is ₹ 5,627 lakhs including remuneration based on net profits. He attended 4 board meetings out of 4 meetings held during the financial year 2021-22.

Mr. N.V. Ramana is interested in the resolution set out at Item No. 3 of the Notice, as the same relates to his appointment. The relatives of Mr. N.V. Ramana may also be deemed to be interested in the resolution to the extent of their shareholding interest, if any, in the Company. Save and except the above, none of the other Directors / Key Managerial Personnel of the Company / their relatives is in any way, concerned or interested, financially or otherwise, in the resolution.

The Board recommends the resolution set forth in Item No.3 for approval of the members.

## **Item No. 4 – Appointment of Mr. Madhusudana Rao Divi, who retires by rotation, as Director of the Company**

### **Brief resume:**

Mr. Madhusudana Rao Divi is a post-graduate in Structural Engineering from Mysore University. He worked with M/s. Howe India and M/s. Towell Construction Company and executed several offshore constructions works, Defence and Civil construction works in India, Saudi Arabia, Iraq and Kuwait. Between 1990-1996, he was Executive Director of Sadah General Trading & Contracting Co., Kuwait and implemented several offshore and on-shore construction projects.

Mr. Madhusudana Rao Divi joined as a Director of Divi's Laboratories Limited in the year 1994 and has been a Whole-time Director since July 01, 1997. He looks after Project Implementation, Production Planning, Environment Management, Health and Safety, Plant Up-gradation to comply with regulatory requirements.

**Age:** 77 years

**Nature of his expertise in specific functional areas:**

Project implementation, production planning, environment management and regulatory affairs.

**Disclosure of relationships between directors inter-se:**

Mr. Madhusudana Rao Divi is related to Dr. Murali K. Divi, Managing Director of the Company.

**Directorships held in other companies:** Nil**Memberships/Chairmanships of Committees in other companies:** He is neither a Member nor Chairman of Committees of other Companies.

**Shareholding in the Company:** 2,97,600 equity shares of ₹ 2/- each

**Remuneration proposed to be paid:** As per existing approved terms of appointment.

**Terms and conditions of appointment:** In terms of Section 152(6) of the Companies Act, 2013, Mr. Madhusudana Rao Divi who was re-appointed as a Whole-time Director - Projects by a Special Resolution passed on February 26, 2020, is liable to retire by rotation.

**Date of first appointment on Board, last drawn remuneration and number of Board meetings attended:** He joined the Board of Directors of Divi's Laboratories Limited on October 14, 1994. His last drawn remuneration for the financial year 2021-22 is ₹ 115 lakhs. He attended 4 board meetings out of 4 meetings held during the financial year 2021-22.

Mr. Madhusudana Rao Divi is interested in the resolution set out at Item No. 4 of the Notice, as the same relates to his reappointment. Dr. Murali K. Divi being related to Mr. Madhusudana Rao Divi is deemed to be interested in the resolution. The relatives of Mr. Madhusudana Rao Divi may also be deemed to be interested in the resolution to the extent of their shareholding interest, if any, in the Company. Save and except the above, none of the other Directors / Key Managerial Personnel of the Company / their relatives is in any way, concerned or interested, financially or otherwise, in the resolution.

The Board recommends the resolution set forth in Item No. 4 for approval of the members.

**Item No. 5 - Reappointment of M/s. Price Waterhouse Chartered Accountants LLP as Statutory Auditors of the Company**

M/s. Price Waterhouse Chartered Accountants LLP (Firm Registration No. 012754N/ N500016), Chartered Accountants, (hereinafter referred to as PWC) were appointed as Statutory Auditors of the Company to hold office for five consecutive years from the conclusion of the 27<sup>th</sup> AGM of the Company

held on September 25, 2017 till the conclusion of the 32<sup>nd</sup> AGM to be held in the year 2022, subject to ratification by members every year. However, MCA vide its notification dated May 07, 2018, has omitted the requirement under the first proviso to Section 139 of the Act, and Rule 3(7) of the Companies (Audit and Auditors) Rules, 2014, regarding ratification of appointment of statutory auditors by members at every subsequent AGM. PWC will complete their first term of five consecutive years as the Statutory Auditors of the Company at the conclusion of the 32<sup>nd</sup> AGM of the Company.

Pursuant to Section 139(2) of the Act, the company can appoint an auditors firm for a second term of five consecutive years. Accordingly, PWC is eligible for reappointment for a further period of five years. Considering the evaluation of the past performance, experience, and expertise of PWC and based on the recommendation of the Audit Committee, the Board of Directors, at its meeting held on May 23, 2022, approved the reappointment of PWC as the Statutory Auditors of the Company to hold office for a second term of five consecutive years from the conclusion of the ensuing AGM until the conclusion of the 37<sup>th</sup> AGM to be held in the year 2027. The reappointment is subject to approval of the shareholders of the Company at the ensuing AGM.

PWC have consented to the said reappointment, and confirmed that their reappointment, if made, would be within the limits specified under Section 141(3)(g) of the Act. They have further confirmed that they are not disqualified to be reappointed as statutory auditor in terms of the provisions of the Sections 139(1), 141(2) and 141(3) of the Act, and the provisions of the Companies (Audit and Auditors) Rules, 2014, as amended from time to time. PWC also confirmed having a valid peer review certificate issued by the Peer Review Board of the Institute of Chartered Accountants of India.

The proposed remuneration to be paid to PWC for audit services for the financial year ending March 31, 2023, is ₹ 40 lakhs (Rupees Forty Lakh) plus applicable taxes and out-of-pocket expenses. Besides the audit services, the Company would also obtain certifications from the Statutory Auditors under various statutory regulations and certifications required by statutory authorities, audit/limited review related services under SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 and other permissible non-audit services as required from time to time, for which they will be remunerated separately on mutually agreed terms, as approved by the Board of Directors in consultation with the Audit Committee.

The Board of Directors and the Audit Committee shall approve revisions to the remuneration of the Statutory Auditors for the remaining part of the tenure. The Board of Directors, in consultation with the Audit Committee, may alter and vary the terms and conditions of appointment, including remuneration, in such manner and to such extent as may be mutually agreed with the Statutory Auditors.

**Brief profile of PWC:**

Price Waterhouse Chartered Accountants LLP is a separate, distinct and independent member firm of the PW India Network of Firms which include 11 similarly situated independent firms, each of which are registered with the Institute of Chartered Accountants of India. PwC is cumulatively more than 100 years old in India and has offices in 9 cities with over 5,500 people. The locations are Mumbai, Ahmedabad, Gurgaon, Bangalore, Jamshedpur, Kolkata, Hyderabad, Pune and Chennai. The registered office is at Sucheta Bhavan, 11A Vishnu Digambar Marg, New Delhi 110002. The firm has 196 assurance partners as on May 23, 2022.

None of the directors / key managerial personnel of the Company and their relatives are concerned or interested, financially or otherwise in the resolution set out at item no. 5 of the Notice.

The Board recommends the resolution set forth in item no. 5 for the approval of members.

**By Order of the Board of Directors**

**M. Satish Choudhury**

Company Secretary  
Membership No. A30204

Place: Hyderabad  
Date: May 23, 2022

**Registered Office:**

1-72/23(P)/DIVIS/303,  
Divi Towers, Cyber Hills,  
Gachibowli, Hyderabad – 500 032  
CIN: L24110TG1990PLC011854  
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## ***Divis Laboratories Limited***

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### **Registered office:**

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