



# Divi's Laboratories Limited

Date: August 02, 2021

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 31<sup>st</sup> Annual General Meeting and Annual Report for the financial year 2020-21**

As already informed vide our letter dated July 19, 2021, the 31<sup>st</sup> Annual General Meeting (AGM) of the Company is scheduled to be held on Monday, August 30, 2021 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 31<sup>st</sup> AGM of the Company and Annual Report for the financial year 2020-21, being sent to the members through electronic mode.

The Annual Report 2020-21 containing the Notice of 31<sup>st</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	Monday, August 23, 2021
Date and time of commencement of remote e-voting	9:00 a.m. (IST) on Thursday, August 26, 2021
Date and time of end of remote e-voting	5:00 p.m. (IST) on Sunday, August 29, 2021

This is for your information and records.

Thanking you,

Yours faithfully,  
For Divi's Laboratories Limited

**M. Satish Choudhury**  
Company Secretary & Compliance Officer



**“An ISO-9001, ISO-14001 and OHSAS-18001 Triple certified company”**

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

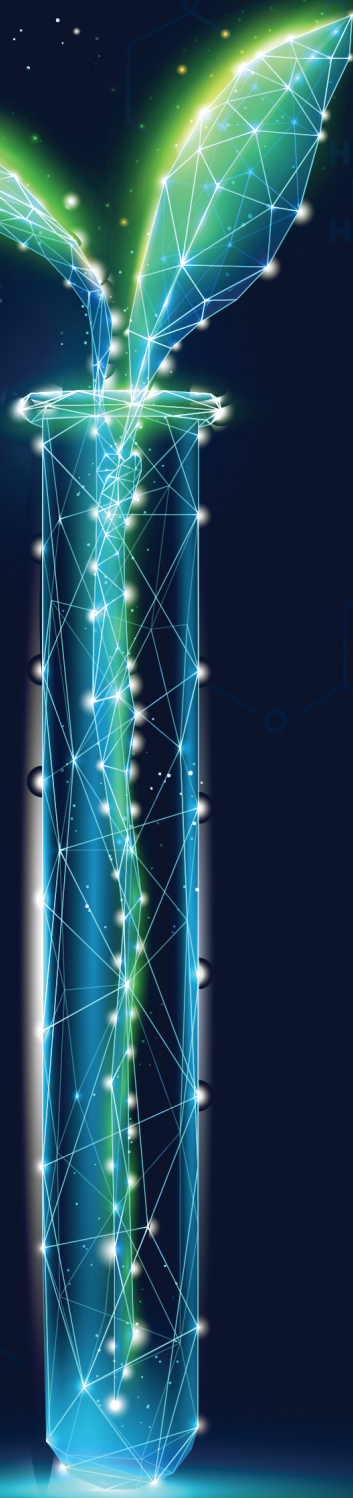
Tel : 91-40-2378 6300, Fax : 91-40-2378 6460, CIN : L24110TG1990PLC011854

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



*Divi's Laboratories Limited*

# Sustainable Chemistry



31<sup>st</sup>

Annual Report  
2020-21

Striving for leadership through chemistry.

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“Sustaining Growth, with a Purpose.”

Divi's has always believed and focused on a purposeful performance strategy to sustain a long-term value creation business model. Sustaining growth with a purpose has been the key to creating long-term, sustainable values for all our stakeholders.

Over the past three decades, our foundation has been built on trust, technology, sustainability and our people at the centre of it all, which helped us achieve sustainable growth and performance.

Over the past year, the Covid-19 pandemic has shifted how businesses are viewed by customers, suppliers, investors and regulators – which allowed us to redefine, create and deliver value to all our stakeholders. Our effort to be future ready has helped define our purpose, which has been integrating capacity building, backward integration, growth and most of all, sustainable operations.



Scan the QR Code to view the report online



To know more about the company log on to [www.divilabs.com](http://www.divilabs.com)

#### 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.



# Message from Managing Director



Over the course of the past 30 years, your Company has kept its focus on the principle of 'Sustained Growth' making sure that the leaps we take, contribute positively to the continued rigor of our operations. Our long-term plan is founded on this purpose of maintaining sustainability, which has helped us scale our operations over time. This has improved our overall reach and has generated greater value for our brand, as we now head into a new decade as one of the leaders in this industry.

## The Year in Perspective – A bird's eye view

On the business front, your Company has shown incredible resilience and momentum in response to the Covid-19 pandemic. It has been a year of challenges and uncertainty and we are proud of the relentless commitment and dedication of the entire Divi's family. Our agility, adaptability, resilience and responsiveness to our customer needs, earned us tremendous goodwill and has enhanced our standing in the market. We faced operational challenges due to restricted movement and disrupted supply lines during the first few months of the pandemic, in 2020. As the second wave of the pandemic unfolded with predictions of a third wave in the near future, our focus continues to be on our people's health and safety, ensuring uninterrupted supplies of APIs to our customers.

### Dear Shareholders,

The year 2020-21 has seen the emergence of a health crisis caused by the Covid-19 pandemic and has been immensely challenging for each one of us. The loss of lives and livelihoods has left a lasting pain, which is sure to leave an indelible mark on us. My heart goes out to everyone out there who has suffered the loss of their loved one.

In responding to these challenges, we were guided by our core principles and we remained true to our purpose of maintaining sustainable operations. Being at the forefront of the pharmaceutical industry, Divi's as a company in its capacity has been contributing to fight the pandemic since Day 1 and we continue to do our part in helping communities around our manufacturing units.

“  
**Our focus remains steadfast on operating our assets and facilities at full capacity, putting in place our expansion plans and keeping the safety of our employees at the forefront.**”



Aerial view of the manufacturing facility in visakhapatnam

Our business performance in the year is also a reflection of the innate adaptability within the company. The early months of the pandemic brought disruption and uncertainty to our business and to all our customers, colleagues, suppliers and shareholders. When the worldwide lockdown disturbed economic activity across virtually all sectors, Divi's responded with speed and agility, embracing a new operating model due to the kind of expansion programmes we undertook over the years. Despite the intensity of the second wave of Covid-19, we believe that we are in a far better place as we complete FY2021.

### The Road Ahead - Purpose, People, Planet

We are entering FY2022 powered by strong sustainable strategies and are more determined to keep formulating robust strategies and means to combat the challenges thrown at us by the pandemic. Our focus remains steadfast on operating our assets and facilities at full capacity, putting in place our expansion plans and keeping the safety of our employees at the forefront.

I take immense pride in the way our employees have demonstrated strength, conviction and courage

during these difficult times and I am indebted to each one of them for having stood solidly behind the company. Most importantly, I would like to thank our shareholders, for the overwhelming trust, support, and confidence in Divi's. Our commitment to being a reliable supplier, delivering quality APIs - remains unchanged.

Regards,

**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 - 500032,  
Telangana, India  
CIN : L24110TG1990PLC011854  
Phone : 040-2378 6300;  
Fax: 040-2378 6460  
E-mail : mail@divislabs.com  
Website : www.divislabs.com

## Auditors

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

## Cost Auditor

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

## Secretarial Auditor

V. Bhaskara Rao & Co, Company  
Secretaries,  
6-2-1085/B, Flat No.- 103,  
Badam Sohana Apts.,  
Raj Bhavan Road, Somajiguda,  
Hyderabad - 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 - 500034.

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

## Registrar & Share Transfer Agent

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

## Date, Time & Mode of AGM

Monday, 30<sup>th</sup> August, 2021  
at 10.00 AM IST  
Through Video Conferencing (VC)  
Other Audio Visual Means (OAVM)

# Introduction to Divi's

## Divi's in 2021: Setting the stage for sustenance

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

Through our scale, reach and range of activities, we are at the forefront of manufacturing leading generic compounds, nutraceutical ingredients and custom synthesis of APIs and Intermediates for global innovator companies.

granted and we were able to attain global leadership position in majority of the products manufactured, while making sure our processes and practices are sustainable.

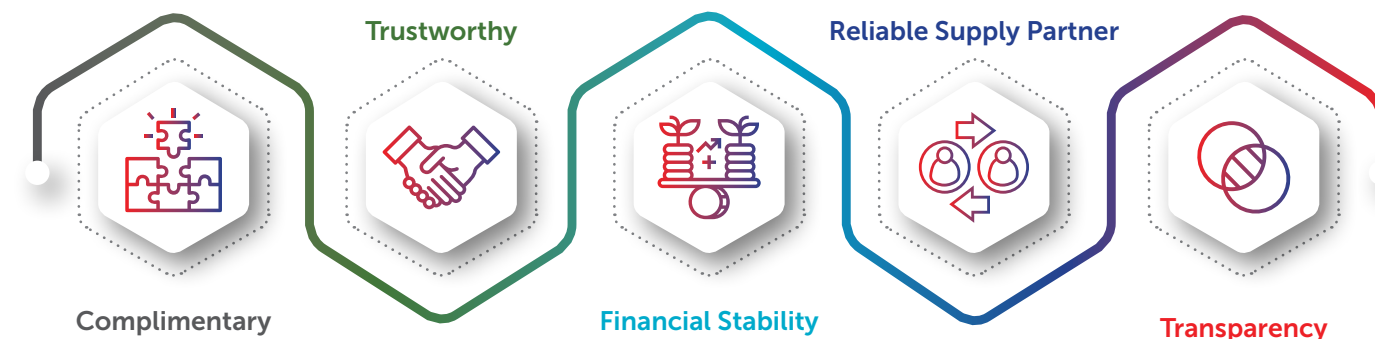
With two manufacturing units, market presence across ~95 countries, a team of ~17,000 people, a portfolio of ~130 products across diverse therapeutic areas, we are one of the largest API companies in the world. We are committed towards our goal of sustainable chemistry, thereby optimising our processes and practices that not only protect, but also enhance human health and the environment.

Divi's has set up three R&D centres comprising a team of competent and qualified people that help us to continuously innovate our processes – the result of which, 10's of process patents were

**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 & Nutraceutical industry through sustainable leadership in chemistry.

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

### Our Business Values:



### Snapshot of our capitals

Financial Capital	Human Capital	Manufacturing Capital	Intellectual Capital	Social Capital
₹ 6,86,114 Total Revenue (In Lakhs)	~17,000 Employees	₹ 5,15,147 Gross Block (In Lakhs)	40 Process patents	₹ 3,435 CSR spend (In Lakhs)
₹ 2,88,321 EBIT (In Lakhs)	~21,000 Safety training sessions	₹ 1,18,351 CAPEX (In Lakhs)	₹ 12,413 R&D spend in past three years (In Lakhs)	~120 Programmes and activities conducted
₹ 1,95,472 Profit After Tax (In Lakhs)		2 Manufacturing units	~500 R&D team members	~4,00,000 Beneficiaries



# Setting the Stage for Sustenance

At Divi's, we aim at creating maximum positive impact along with the best output as a responsible API manufacturing company. We continue on our path to fully integrate sustainability into all of our core businesses and manufacturing functions.

We have worked hard on developing our technology and methodology in the background, while presenting the company's choices in the forefront. These choices represent our agility, reliability, commitment and responsibility.

We as an organisation have been driving towards setting the stage for sustenance in all the operational aspects through a "proactive" approach rather than a "problem-solving" approach. We have defined our approach by emphasising the facilitation for business growth through investments in backward integration, creation of significant capacities, investments in newer technologies that enables sustainable operations which will make us future ready.

Setting the stage for sustenance at this juncture is a given for Divi's, than a choice. Divi's has always vied for positive change that represents the divergence of technological innovation and a purpose driven growth. Today, Divi's is recognised as a 'Vision-Led- Company, where committed teams collaborate and strive to manufacture high quality APIs, while simultaneously strategising to attain sustainable growth in the journey ahead, as well.

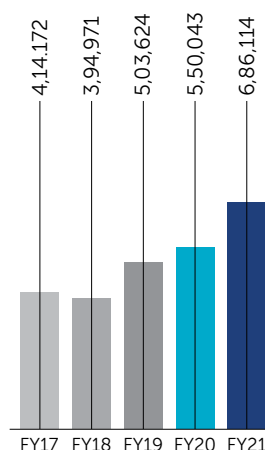


New DCV-SEZ Capitalized

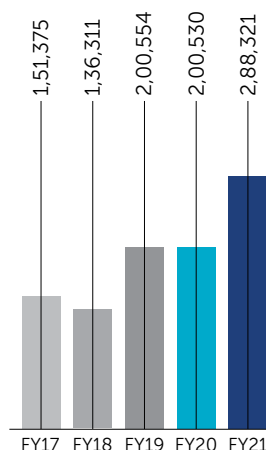


# Growing Footprint

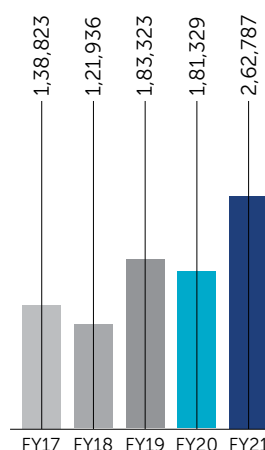
**Total Revenue**  
(₹ in lakhs)



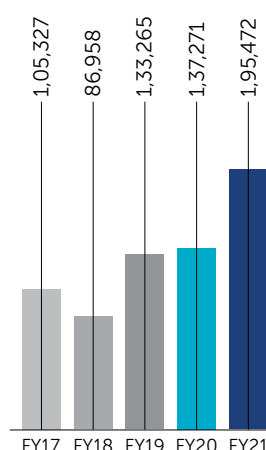
**EBIT**  
(₹ in lakhs)



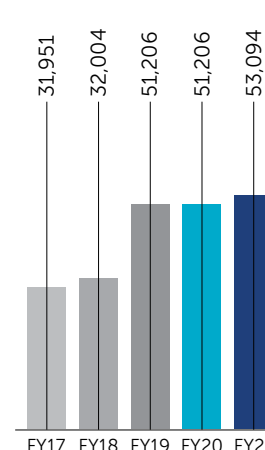
**PBT**  
(₹ in lakhs)



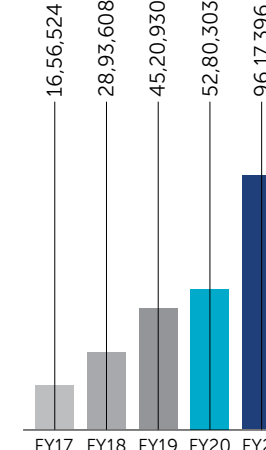
**PAT**  
(₹ in lakhs)



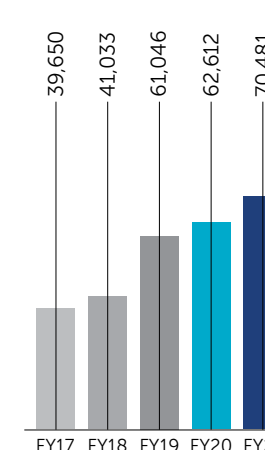
**Dividend**  
(₹ in lakhs)



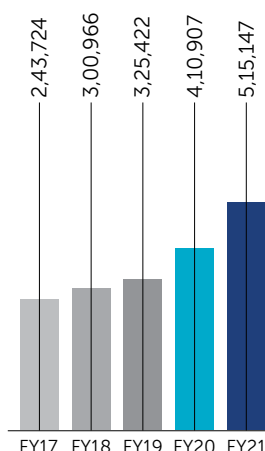
**Market Capitalisation**  
(₹ in lakhs)



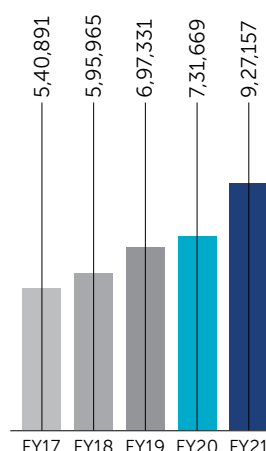
**Contribution to National Exchequer**  
(₹ in lakhs)



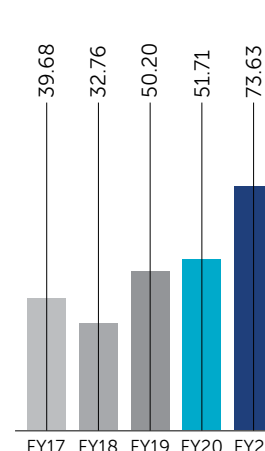
**Gross Fixed Assets**  
(₹ in lakhs)



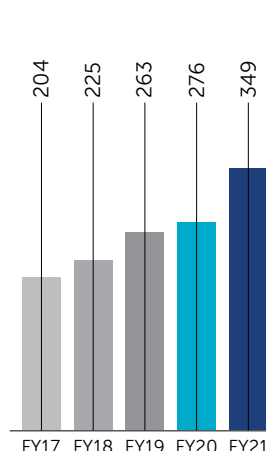
**Net Worth**  
(₹ in lakhs)



**EPS**  
(₹)



**Book Value per share**  
(₹)



Direct Economic Impact	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Total Revenue	4,14,172	3,94,971	5,03,624	5,50,043	6,86,114
Exports	3,53,148	3,27,305	4,17,456	4,52,661	5,88,625
Tax Expense	33,540	34,978	50,094	43,899	67,315
Consumption of material	1,54,158	1,50,490	1,83,783	2,08,856	2,26,550
Employee benefits Expenses	49,033	44,627	53,072	60,836	80,868
Interest	226	133	350	606	69
Dividend & Dividend Tax	31,951	32,004	51,206	51,206	53,094

Employees	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Cost towards wages / salaries	47,853	43,065	50,738	57,855	77,291
Other benefit costs	2,137	2,541	2,334	2,981	3,577
Total personal expenses	49,990	45,606	53,072	60,836	80,868
% to sales revenue	12.07%	11.55%	10.54%	11.06%	11.79%
Number of employees (Direct / Indirect)	9,735	10,762	11,847	13,884	16,818

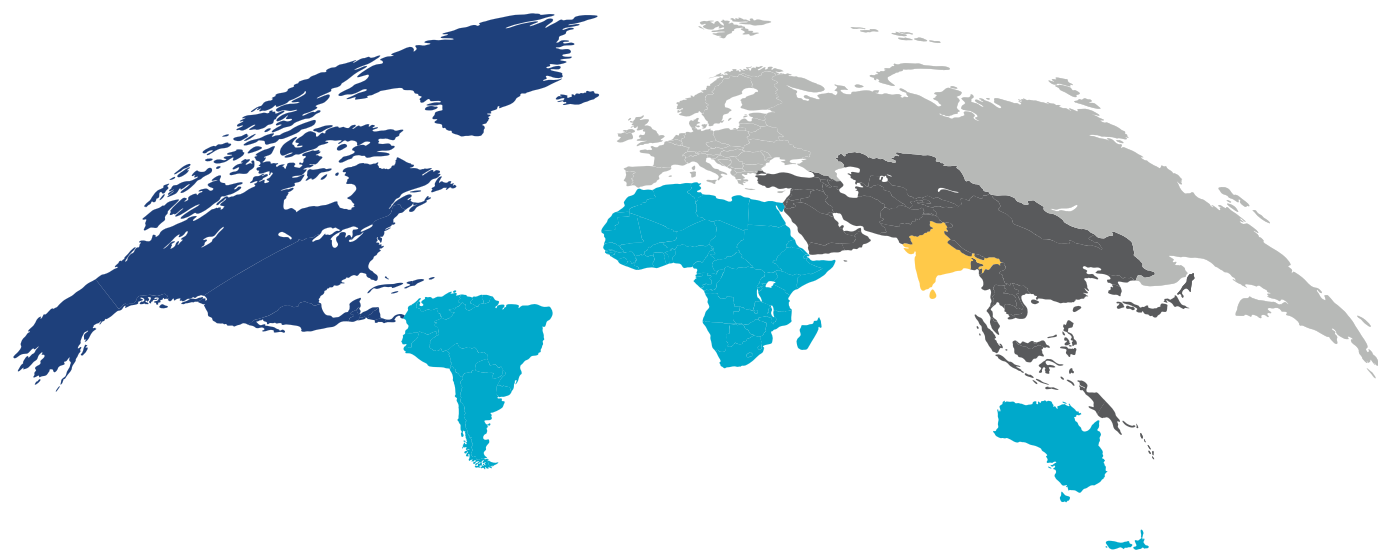
Customers	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Total Revenue	4,14,172	3,94,971	5,03,624	5,50,043	6,86,114
Debtors	1,00,042	1,11,211	1,28,224	1,53,321	1,74,556
Payments received during the year	4,10,745	3,83,802	4,86,611	5,24,946	6,64,879
Debtors outstanding (in average number of days turnover)	90	103	93	102	93

Return on Net Worth	
FY 2017	19%
FY 2018	15%
FY 2019	19%
FY 2020	19%
FY 2021	21%

Dividend Per Share	
FY 2017	10%
FY 2018	10%
FY 2019	16%
FY 2020	16%
FY 2021	20%



# Geographic Presence



America	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Revenue (₹ lakhs)	1,33,808	1,08,749	1,27,212	1,21,813	1,58,652
% Share	33%	29%	27%	23%	23%

Europe	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Revenue (₹ lakhs)	1,62,825	1,63,798	2,17,452	2,49,850	3,17,415
% Share	40%	44%	46%	47%	47%

Asia	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Revenue (₹ lakhs)	47,284	34,730	59,183	59,474	82,675
% Share	12%	9%	12%	11%	12%

India	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Revenue (₹ lakhs)	52,097	48,014	56,266	78,396	91,236
% Share	13%	13%	12%	15%	13%

Rest of the World	FY 2017	FY 2018	FY 2019	FY 2020	FY 2021
Revenue (₹ lakhs)	9,460	20,028	13,609	21,524	29,883
% Share	2%	5%	3%	4%	5%

# Financial Highlights

	FY2017	FY2018	FY2019	FY2020	FY2021
(₹ in lakhs)					
<b>Turnover and Profit</b>					
Revenue	4,06,578	3,83,723	4,87,966	5,31,057	6,79,861
Revenue Growth %	8%	-6%	27%	9%	28%
Other Income	7,594	11,248	15,658	18,986	6,253
Total Income (₹ in Lakhs)	4,14,172	3,94,971	5,03,624	5,50,043	6,86,114
Total Income Growth %	8%	-5%	28%	9%	25%
Profit before Interest, Depreciation and Tax.(EBDIT)	1,51,375	1,36,311	2,00,554	2,00,530	2,88,321
EBDIT to Sales %	37%	35%	40%	36%	42%
EBDIT Growth	1%	-10%	47%	0.0%	43.8%
Finance Charges	226	133	350	606	69
Depreciation	12,326	14,242	16,881	18,595	25,465
Profit before tax ( PBT)	1,38,823	1,21,936	1,83,323	1,81,329	2,62,787
PBT Growth %	1%	-12%	50%	-1%	45%
Provision for Taxation	33,496	34,978	50,058	44,058	67,315
Profit After Tax (PAT)	1,05,327	86,958	1,33,265	1,37,271	1,95,472
PAT Growth %	-5%	-17%	53%	3%	42%
<b>Dividend, Share Capital And Capital Employed</b>					
Dividend	500%	500%	800%	800%	1,000%
Dividend pay out	31,951	32,004	51,206	51,206	53,094
Dividend pay-out (%)	30%	37%	38%	37%	27%
Equity Share Capital	5,309	5,309	5,309	5,309	5,309
Reserves & Surplus	5,35,582	5,90,656	6,92,022	7,26,360	9,21,848
Net Worth	5,40,891	5,95,965	6,97,331	7,31,669	9,27,157
Net Worth growth %	24%	10%	17%	5%	27%
Gross Fixed Assets	2,43,724	3,00,966	3,25,422	4,10,907	5,15,147
Net Fixed Assets	1,55,895	1,99,588	2,08,742	2,77,626	3,69,901
Total Assets	6,21,008	6,80,778	8,04,018	8,51,411	10,72,377
<b>Key Financial Indicators</b>					
Earnings per share (face value of ₹ 2/-each)	39.68	32.76	50.20	51.71	73.63
Cash Earnings Per Share (face value of ₹ 2/-each)	44.32	38.12	56.56	58.71	83.23
Gross Turnover Per share (face value of ₹ 2/-each)	156	149	190	207	258
Book Value per share (face value of ₹ 2/-each)	204	224	263	276	349
Total Debt to Equity	0.01	0.011	0.015	0.005	0.00004
EBDIT / Gross Turnover %	37%	35%	40%	36%	42%
Net Profit Margin %	25%	22%	26%	25%	28%
RONW %	19%	15%	19%	19%	21%



# Driven by Sustainability & Safe Culture - A better life

At Divi's, we believe in devising innovative systems, which allow us to balance growth and help us understand how to contribute positively to our society. Our continuous effort is to improve the way of living for everyone around us.

Divi's undeterred focus has always been the protection of our natural capital and making it accessible for the welfare of the community. We understand the need for access to resources like water & land, and their importance in one's economic well-being and hence have set clear goals and long-term strategies towards building a safe environment and a healthy community.



**Preventive Healthcare:**  
Including Covid Initiatives

~4,00,000  
Beneficiaries



**Providing Safe Drinking Water**

81  
Locations  
~2,15,000  
People



**Encouraging Afforestation**

~1,35,000  
saplings planted



Recently Installed Solvent Recovery System, Visakhapatnam



**Conservation and Environment**

~4,100 MWH  
Energy Conserved during FY2020-21  
~13,100 MT  
CO<sub>2</sub>e GHG Reduction during FY2020-21



**Safety Standards**

~2,30,00,000  
Safe man hours achieved during FY2020-21



# Growing Together

Divi's has been at the forefront when it comes to safety and wellness of the communities around us. We continue to manage our operations and create a positive impact on the lives around the communities we operate.

Over the past 30 years, Divi's has been all about 'Sustenance through Actions' and will continue to follow this principle. We continue to promote child empowerment, provision to safe drinking water, undertake green plantation drives, provide access to healthcare measures, empower women, focus on the well-being of animals, betterment of livelihood and development of rural infrastructure to empower lives around us.

We believe these initiatives not only improve the individual quality of life but also the health and well-being of the communities we serve.



Distribution of Horlicks sachets at Government schools

## Initiatives of FY2020-21



Child empowerment

~15,000  
Children



Afforestation

~1,35,000  
Saplings Planted



Providing safe drinking water

81  
locations  
~2,15,000  
People



Animal welfare

28  
Villages  
~50,000  
People



Village development

33  
Villages  
~80,000  
People



Setting up of community Covid center with beds & oxygen cylinders



# Child Empowerment

## Education for all

The country aims at ensuring better education for all and a better quality of life for children through education. However, a large section of our society is still unable to send their children to school. Divi's supports children from economically-backward families with access to quality education.

At Divi's, we believe that education is one of the most effective ways to even the odds of a person and set them up for success in life. The focus is on providing inclusive and equitable quality education. Through the schools around our manufacturing facilities, we facilitate quality education, scholarships, technical and vocational education to children.

Divi's wishes to provide children the opportunity to learn and grow, so they become healthy and responsible citizens of tomorrow. Our efforts at empowering children are not limited to learning material alone but access to safe drinking water, nutritious food, regular health check-ups, appointment of teachers and setting up new infrastructure necessary for advanced learning at schools.

### Highlights of FY2020-21



**Distribution of note books and nutritional products to students**

**105**  
No. of Schools  
**~15,000**  
Students



Providing notebooks to children



**Theme paintings & gym equipment**

**5**  
No. of Schools  
**~660**  
Students



**Digital class rooms**

**9**  
No. of Schools  
**~560**  
Students



Development of infrastructure, Model School - Sircilla

## Shaping dreams

We have also strived to contribute towards uplifting children who are visually challenged, so that they can gain access to higher studies. Divi's has been supporting schools with visually-challenged students and recently has taken up the responsibility to sponsor the education of one such meritorious student from Yendada, who we believe can excel through her hard work and determination. We hope she reaches greater heights!

## Development of Model School, Sircilla

We realise that children require a safe environment where they can be nurtured and provided guidance to overcome academic hurdles and grow as capable individuals. In our endeavour to contribute towards the growth and development of the future of deserving children, Divi's continues to support the development of various Government schools and one such school developed this year is the Model School at Sircilla, with several facilities.



Computer lab for visually-challenged children

### Facilities provided at school:



**School Building**



**Football Court**



**Computer Lab**



**Science Lab**



**Library**



**Dinning Hall**



# Providing Safe Drinking Water

## Project Sujalam

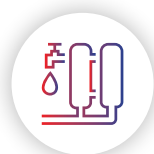
Divi's endeavours to make safe drinking water available to those who do not have access to potable water. Our 'Project Sujalam – any time safe drinking water for all' - aims to make safe drinking water accessible to the communities around our manufacturing facilities.

### Water purification programme

At Divi's, we understand that water is a fundamental right to life and should be available to everyone. It brings us immense joy to help the people who do not have direct access to safe drinking water.

The water in and around Andhra Pradesh and Telangana contains dangerously high levels of fluoride which we aim to purify through our Water Purification Programme 'SUJALAM'. We have made it our mission over the past many years to use techniques like reverse osmosis to get rid of ground water impurities like fluoride, lead, sodium, and chlorine while also installing storage water tanks in the local communities, so that continuous drinking water is available, accessible and consumable.

### Highlights



81

RO Plants Installed



~2,15,000

People Benefitted



RO plant installed at Allamdevi Cheruvu - Visakhapatnam

# Planting seeds of Hope

Divi's is proactively taking steps to restore the green cover of the planet. What better way of sustaining our ecology than to plant seeds for our future generations?

'A tree for every occasion' has been a tradition at Divi's for years. All our employees are dedicated to our values of restoration and preservation with great enthusiasm. We have led major plantation drives in the Choutuppal & Bhimili regions, where we have overseen over 1 lakh plantations in villages. Promoting greenery in these regions has helped improve the ecological balance and has created a healthy environment.

We have also observed the importance of oxygen cover that these plantations provide to the local population in the villages. Every sapling Divi's has planted and will plant is to facilitate clean air for our future generations. Over 5 lakh cubic metres of oxygen has been estimated to be released by the plantation drives taken up by Divi's.

### Plantation Covered:



30

Villages Covered



~1,35,000

Number of Plantations



102

Number of VrukshaMitras



Haritha Haram: Plantation Programme - Telangana



# Animal Welfare

An often-overlooked part of our system are the domestic animals around communities. We understand that dairy farming is an important source of subsidiary income to small/marginal agricultural farmers. In addition to milk, the manure provides a good source of organic matter for improving soil fertility and crop yields.

Divi's understands the importance of dairy farming in the local communities and has initiated several animal welfare programmes to keep the livestock healthy. This includes disease prevention, veterinary treatment, appropriate shelter management, nutrition and humane handling.

Since agriculture is mostly seasonal, there is a possibility of finding employment throughout the year for the rural population through dairy farming.

The company has proposed several initiatives, which focuses on women who are the driving force of this programme and play a significant role in dairy farming. Increasing animal productivity, better health and breeding facilities and management of dairy animals can reduce the cost of milk production and help them achieve a sustainable income.

### Objectives of the project:

- To achieve 40% income increase for participating women
- To make dairy farming a sustainable and expandable activity

### Project output:

- Increase in income and better living standards of the women involved in dairy farming
- Improved health of animals
- Improved milk consumption pattern and nutritional status of the target households



28

Villages



~50,000

People Benefitted



Conducting veterinary Health Camp

# Setting the path to Development

The people living in villages are sometimes deprived of basic community infrastructure, due to lack of proximity to urban areas. Under-developed infrastructure, roads, educational centres and lack of medical facilities are a hindrance. Divi's strives to bridge this imbalance by contributing towards the development of the rural areas.

### Kondappa Tank (Visakhapatnam)

Recently, we developed various facilities at the Kondappa Tank area, by setting up of a walking track and a Health Arena for elders. This facility has been constructed for the usage of people for recreation and health activities. The area has been developed with green cover to provide a sense of recreation to the elderly and children.



### Significant projects undertaken by Divi's in FY2020-21:

- Development of Children's Park at P.M Palem
- Gym equipment distribution to Cherukupalli Panchayat
- Cricket kits distribution to two villages
- Hyrdaulic Auto to Gudiwada Panchayat
- Distribution of LED lights to Thudem
- Provision of kitchen shed and toilets at Maddipeta



Development of Kondappa Tank, Sangivalasa - Vishakhapatnam



# Covid-19 Aid – Lending a Helping hand

The year 2020 shook the global community to its core and despite all the pain and suffering, the unbreakable human spirit has shone through. While we emerged stronger and wiser from the Covid-19 pandemic, we are acutely aware that the pandemic has widened socio-economic inequities.

This has made our resolution to help our communities become stronger and made us realise that our responsibility towards them has to increase significantly.

While our cause to help people continues, we also work to remain steadfast in sustaining our API supply operations. For our employees, we plan to learn from the new operating techniques practiced today, to ensure

continuity of work through the pandemic, making their safety and health our utmost priority. We assure our community that we will take the best measures to keep them safe during these difficult times.

## Helping Fight Covid-19

### Lending a helping hand to ~1,900 migrants a day by Divi's employees!

At a time when the migrant workers set out on long and arduous journey to their hometowns, Divi's employees volunteered and came forward to help them by providing food and water to help them throughout their journey. Migrant workers travelling through Andhra Pradesh and Telangana to their respective states i.e West Bengal, Pondicherry, Orissa and Tamil Nadu each day by road were provided with fruits, snacks and refreshments voluntarily by employees.



### Sanitising communities around our manufacturing units, safeguarding the health of ~5,00,000 people!

During the first wave of Covid-19, Divi's initiated by sanitising communities using sodium hypochlorite, spraying bleaching solution and provided bleaching powder to the local authorities around the villages near our manufacturing units.



### Distribution of essential provisions to the needy, supporting the well-being of ~1,10,000 people!

Divi's distributed rice and essential provisions such as pulses, cooking oil and soaps to support the needy in the communities around our manufacturing units.



### Supporting the safety & well-being of ~5,000 Covid-19 front-line warriors a day!

Divi's expressed its gratitude towards Covid-19 frontline warriors by supporting state-local police and health care authorities by setting up disinfectant tunnels and providing water dispensers at police check posts, distributing disposable safety suits, nose masks, protective eye gear etc.



### Supplying basic needs & hygiene essentials to Quarantine centres, comforting ~6,500 people a day!

Divi's supported the efforts of local/state government to manage the Covid-19 situation and contributed to the situation by providing essential products that help maintain personal hygiene and comfort in quarantine centres, where they are most needed.



### Creating awareness among the communities with ~7,000 families on Covid-19!

The Covid-19 outbreak has left many people feeling worried, isolated, lonely and stressed, due to the misquoted information regarding the pandemic. Divi's realised that there is a need to raise awareness, build solidarity, support each other, and be kind during these tough times.





# Covid-19 Aid – Lending a Helping hand



## Supplying oxygen cylinders and concentrators to Government hospitals in Telangana & Andhra Pradesh!

Recently, as the Covid-19 cases in the nation were on the rise, the need for oxygen cylinders and concentrators for hospitalised Covid-19 patients has increased drastically. The scenario of oxygen shortage turned many into using oxygen concentrators, due to the unavailability of oxygen cylinders.

In this crisis situation, Divi's extended its support by providing oxygen cylinders and concentrators to the Government hospitals in AP & Telangana. We hope that, this initiative helped in keeping the patients safe & have access to uninterrupted oxygen during hospitalisation.



1,050

Total Number of Oxygen Cylinders provided



100

Total Number of Oxygen Concentrators provided



## Setting up Oxygen generation plants in two major Government hospitals, helping patients have access to uninterrupted oxygen supply!

Amidst the oxygen shortage across the nation due to the sudden increase in Covid-19 cases, the need for oxygen at the hospitals and healthcare centres had reached its threshold.

Upon the request of the state and local government authorities, the team at Divi's converted two of its nitrogen plants to oxygen plants and installed them in two major hospitals in Telangana and Andhra Pradesh. Divi's shall continue to take initiatives in its capacity to contain Covid-19 and extend its support in saving lives.

## Sanitising communities and spreading awareness around our manufacturing units, benefitting ~1,35,000 people!

Sanitisation is a preventive and strategic method to contain the spread of Covid-19. With a surge in the second wave of Covid-19 pandemic, one key challenge is to ensure that the virus does not affect people in the rural areas.

Divi's has always taken multiple measures with an intention to promote health and well-being of the communities around its manufacturing units. Divi's team has been on the ground, undertaking sanitisation activities in the communities and villages around its manufacturing units. Also, Divi's resumed back its activities on spreading awareness in the rural communities, helping the people understand the ever-changing guidelines and information about the pandemic. We hope that these initiatives helped people take necessary precautionary measures to self-care and care of the community.



55

No of Villages/ Communities sanitised



~1,35,000

People Benefitted

## Supplying essential healthcare supplies to existing healthcare centres and setting up a new Covid-19 healthcare centre, accommodating ~50 patients!

Divi's has always supported and will continue to support the efforts of local/state governments to manage the current Covid-19 situation. Divi's has set up a new community Covid-19 centre with ~50 beds and adequate oxygen cylinders near Visakhapatnam, Andhra Pradesh. In addition to this, Divi's has contributed towards providing healthcare equipment and supplies to the community healthcare centre in Choutuppal, Telangana.

Divi's believes that in these challenging times, it is vital for all of us to understand the community needs and keep them covered, in our capacity.





# Giving back to Earth

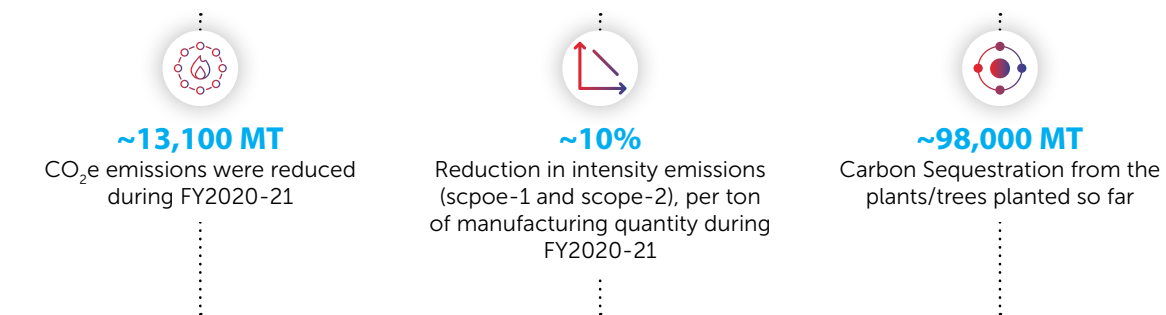
Divi's recognises the need to fight pollution and climate change to help sustain our ecological balance. In this regard we have joined hands with our employees and the community to establish a culture which takes care of the environment.

## Green Belt Development

### Plantation details



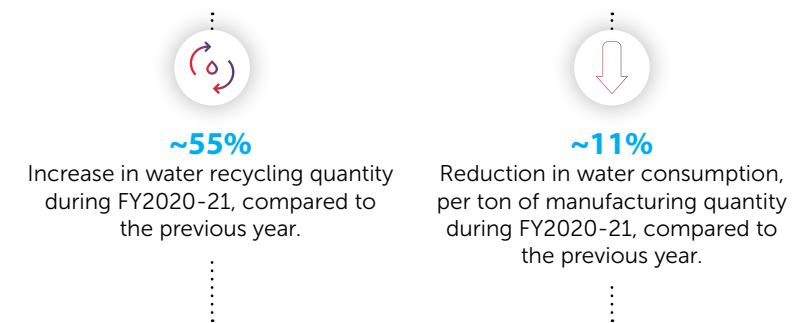
## Reducing Carbon Footprint



### Key initiatives:

- Reduction in process time cycle and process optimization helped in reducing ~1,600 MT CO<sub>2</sub>e
- Modifications/upgradations in equipment design triggered in reducing ~4,800 MT CO<sub>2</sub>e
- Upgradation in recovery systems and additional add-ons nullified ~3,100 MT CO<sub>2</sub>e emissions
- Other operational upgradations benefited in reducing ~3,600 MT CO<sub>2</sub>e

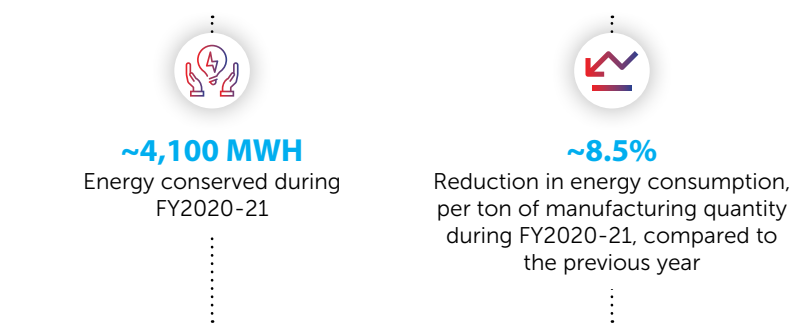
## Water Management:



### Key initiatives:

- Collecting condensate water and re-utilising for steam generation triggered in conserving water by ~23,000 M<sup>3</sup>
- Making use of LLE (Liquid-Liquid-Extraction) system for solvent recovery conserved water by ~1,500 M<sup>3</sup>

## Energy Management



### Key initiatives:

- Installing 4,800 LED bulbs conserved energy by ~2,300 MWH
- Equipment design modifications triggered in conserving energy by ~900 MWH
- Collecting and re-using condensate water helped in conservation of energy by ~400 MWH

## Waste Management



### Key initiatives:

- Upgrading to electronic mode training system has helped reduce paper consumption by ~4,00,000 no's
- Process improvements through Green Chemistry Principles aided in improving recovery & reuse potential
- Used batteries were returned to suppliers through buy-back policy
- Established best in class solvent recovery stations to recover and re-use solvents



State-of-the-art, Off-ground Effluent Treatment Plant, facilitating a sustainable operating environment - Unit 2, Visakhapatnam



# People First

Our employees are the main pillars of our organisation helping our operations excel beyond our expectations. Their dedication to Divi's is inspirational and deserves a fair response in terms of their safety and well-being. Our organizational efforts, policies and values are directed in such a way that it does not compromise on the environment, employee health and safety while creating value for our stakeholders. We strive to reduce the environmental impact of our processes, products and services.

- **Encouraging a healthy lifestyle:** Fitness centres and sports events
- **Inspiring our people to plant trees:** Making planting trees our signature
- **Giving back to the community:** Voluntary efforts by our employees to help in Covid-19 relief measures for migrant workers with food & water

We adhere to the policies set forth by both environmental health & safety and occupational health & safety agencies to ensure the well-being of our most important assets. Through regular audits, certifications, training, usage of protective equipment and in-house emergency response teams, we cultivate safe conditions for our teams to thrive and conduct operations without any hindrances. We have achieved **~23 million** safe man hours for the year with no reportable incidents by strengthening EHS metrics and focusing on near-miss incidents.



## Management Systems

ISO 14001  
ISO 45001  
ISO 14064



## Training & Education

1 Carried out over **~21,000** EHS training sessions covering **~2,47,000** participants.



2 Avg. training hours per year per employee during the reporting period is **~14 Hrs**



## Safety Indicators

~23 million safe man hours during FY2020-21

LTI frequency rate: **0.72**

LTI severity rate: **0.143**



## Awards



1 4-Star Rating in 13<sup>th</sup> CII-SR EHS Excellence Awards.



2 Best Corporate Social Responsibility Practices Award.





# Business Responsibility Report

## SECTION A: GENERAL INFORMATION ABOUT THE COMPANY

1. Corporate Identity Number (CIN) of the Company	L24110TG1990PLC011854
2. Name of the Company	Divi's Laboratories Limited
3. Registered Address	Divi Towers, 1-72/23(P)/DIVIS/303, Cyber Hills, Gachibowli, Hyderabad – 500 032, Telangana, India
4. Website	www.divislabs.com
5. E-mail Id	mail@divislabs.com
6. Financial Year reported	April 2020 to March 2021
7. Sector(s) that the Company is engaged (industrial activity code-wise)	Pharmaceuticals NIC Code: 210
8. List of three products/services that the Company manufactures/provides	Naproxen, Gabapentin, Dextromethorphan HBr
9. Total number of Locations where business activity is undertaken by the Company	
a. Number of International Locations	Marketing subsidiaries at New Jersey in USA and Basel in Switzerland for our Nutraceutical Ingredients
b. Number of National Locations	6 manufacturing facilities and 3 R&D Centres / PDSCs in India. Refer Page No. 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, 2021)

1. Paid-up Capital (INR)	₹ 5,309 Lakhs
2. Total Revenue (INR)	₹ 6,86,114 Lakhs
3. Total profit after taxes (INR)	₹ 1,95,472 Lakhs
4. Total spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%)	2.15% of the average net profits of the company made during the immediately three 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: 1. Promoting education; 2. Rural development 3. Promoting health care including Covid relief measures; 4. Safe drinking water; 5. Environment sustainability; 6. Empowering women; 7. Promotion of rural sports; 8. Swachh Bharat initiative; 9. Livelihood enhancement program; 10. Support to Disaster Management Authority, etc.  Refer Annexure-IV – Annual Report on CSR Activities undertaken during the year forming part of the Boards' Report for FY 2020-21.

## SECTION C: OTHER DETAILS

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

## SECTION D: BR INFORMATION

<b>1. Details of Director/ Directors responsible for BR</b>	
(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	NA
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="https://www.divislab.com/Code-of-conduct.pdf">https://www.divislab.com/Code-of-conduct.pdf</a>	<a href="https://www.divislab.com/csr-and-sustainability/environment-health-safety/">https://www.divislab.com/csr-and-sustainability/environment-health-safety/</a>	NA	<a href="https://www.divislab.com/Code-of-conduct.pdf">https://www.divislab.com/Code-of-conduct.pdf</a>	<a href="https://www.divislab.com/Code-of-conduct.pdf">https://www.divislab.com/Code-of-conduct.pdf</a>	<a href="https://www.divislab.com/csr-and-sustainability/environment-health-safety/">https://www.divislab.com/csr-and-sustainability/environment-health-safety/</a>	NA	<a href="https://www.divislab.com/CSR-Policy.pdf">https://www.divislab.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-2021.pdf">https://www.divislab.com/Sustainability-Report-2021.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 last financial year.

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

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

(a) By-product management with specialized recovery units

- (b) Upgradation to energy efficient equipment
- (c) Replacement of equipment to reduce the Steam losses
- (d) Silos for handling powder material

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

Being an API manufacturing company, no product will directly reach the consumer, hence point (b) is not applicable.

i) By-product management with specialized recovery units

Earlier, we used to send a few azeotrope-mixtures of solvents to cement industries where they were used as fuels as we had no recovery system. This led us with no option other than using fresh solvent for each batch thereby wasting precious resources. We have now established PSDS (Pressure Swing Distillation System) to separate an azeotrope of homogenous mixed solvents, thereby recovering them as virgin solvents. Due to this implementation of this process, solvent recovery increased by over 95%. Other resulted benefits include significant annual reduction of water by ~2,200 M<sup>3</sup>, energy consumption by 25%, hazardous waste generation by 95% and GHG emissions by ~2,860 TCO<sub>2</sub>e.

ii) Upgradation to Energy Efficient Equipment

Based on continual energy conservation assessments, schemes like replacement of screw air compressors with energy efficient centrifugal air compressors benefited us in reducing energy consumption. In addition to lower maintenance, other benefits linked to this initiative include reduction in 39% of



operating costs, power consumption by 40%, heat recovery achievement up to 500 GJ and as a result, GHG emission associated with this operation is reduced by ~3,498 TCO<sub>2</sub>e per year.

iii) **Replacement of equipment to reduce the Steam losses**

Replaced less efficient steam traps with advanced compact models. In addition to the decrease in process time cycles, this initiative contributed in significant reduction in water by 150 million litres, power consumption by ~5,719 MWH and GHG emissions by ~9,800 TCO<sub>2</sub>e per year.

iv) **Silos for handling powder material**

Implementation of bulk powder material handling through silos helped the company with yearly reduction in usage of PE bags by 42,144 numbers in addition to water conservation and associated GHG emissions. This initiative benefited us in minimizing process operation time cycles, hazardous waste and manpower.

local / small vendors. Majority of daily services are executed through engaging neighbourhood communities.

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 centre 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, the Company has a mechanism to recycle the process solvents and dispose process waste to authorized offsite facilities for their reuse. The concept of circular economy is 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. The Company considers waste as a valuable resource and has been meticulously abiding by, since inception, the principle of Value Recovery Management (VRM). The normal 3R approach (Recover, Recycle, Reuse) is extended to 12R+ in the Company. After extracting whatever possible from the by-products (waste), the remaining residues that cannot be gainfully consumed back in our processes even after treatment or unusable as fuel are escorted out to other industries for their use under Partnership for Green Programme.

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.

**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 subjected to hierarchy of controls and periodical health monitoring. 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:** 16,818
2. **Please indicate the total number of employees hired on temporary/contractual/casual basis:** 6,058
3. **Please indicate the number of permanent women employees:** 1,112
4. **Please indicate the number of permanent employees with disabilities:** 25
5. **Do you have an employee association that is recognized by management?**  
Divi's does not have any employee association or a trade union of workers.
6. **What percentage of your permanent employees is members of this recognized employee association?**  
Not applicable
7. **Please indicate the Number of complaints relating to child labor, forced labor, involuntary labor, sexual harassment in the last financial year and pending, as on the end of the financial year.**

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 programmes.

**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



organisation 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, Divi's have strategies/initiatives to address global environmental issues and the commitment pertaining to global warming, climate change & relevant biodiversity is clearly emphasised in Company's 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.divislab.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 are publicly disclosing our carbon footprint through Carbon Disclosure Project (CDP).

**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.

The operational units are ISO 14001 certified and our GHG emissions are verified and evaluated for ISO-14064 certification by an accredited third party.

**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?**

Divi's does not have any specific project registered with Clean Development Mechanism. 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 goes on adopting latest technologies towards Green Environment clean technology, that is, energy

efficiency, renewable energy, etc. Divi's EHS policy stresses on continuous process upgradation to minimize risks and wastage. It gives utmost importance for conservation of energy with the objective of improving yields or eliminating wastage by increasing overall system efficiency and reviews the processes to minimize energy losses.

Optimum utilization of energy is achieved through energy efficient systems / equipment, using alternate renewable energy, 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.

We have implemented various energy conservation projects during the year across various business units thereby achieving energy saving of ~4100 MWH and ~13100 MT of CO<sub>2</sub>e Green House Gases (GHG) emission reduction. The details are available in the Company's website at <https://www.divislab.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 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) Pharmaceuticals Export Promotion Council of India
- (c) Bulk Drug Manufacturers Association
- (d) National Fire Protection Association
- (e) Swiss-India Chamber of Commerce
- (f) The Federation of Telangana And Andhra Pradesh Chambers of Commerce And Industry

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

No.

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

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

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

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

Most of the programs/ projects undertaken by Divi's are through in-house team. A separate department with qualified staff has been constituted for formulation, implementation and review of CSR activities. A few projects are undertaken in association with NGOs/Charitable Trusts having 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 ₹ 3,435 lakhs. The programs undertaken are as per the CSR Policy enumerated in the CSR Annual Report forming part of the Board 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 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.) which monitors global healthcare and clinical research, the global medicine market is expected to grow at 3–6% CAGR through 2025, reaching about \$1.6 trillion in total market size in 2025. Developed countries will continue to hold the highest market share & Pharmerging markets with good growth rates. Oncology, Immunology, Anti-diabetics, Neurology, Cardiology, Anti-coagulants, Respiratory & Pain will be the top 8 segments by value. The generic share of spending is also expected to 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, which will all contribute to the market growth for the next five years.

In developed countries, the adoption of new treatments, patent lifecycles and competition from generics and biosimilars, are expected to continue as the main factors influencing medicine spending and growth. During 2021–2025, the developed market CAGR is expected to be 2–5%. In Pharmerging countries, dramatic increase in healthcare access was the largest driver of change in the use of medicines historically. Growth in the region will be led by China, which is expected to accelerate post-Covid, driven by greater uptake and use of medicines. Pharmerging markets are expected to have the highest growth rates at 7–10% CAGR during 2021–2025.

Healthcare is likely to be on top of the strategic agenda across geographies. The pharma industry will be closely monitored by governments in all countries in times to come. The biggest factor to look out for are the shifts in policies regarding healthcare and medicine spending. The pricing of medicines will be under increased scrutiny, an event that was already under way in most developed markets.

### Indian Pharma Industry

As per a leading consulting firm Pharmexcil, the Indian pharma industry is approximately valued at US\$ 45 billion in FY21, ~8% growth compared to FY20. In the same period, the domestic market stood at US\$ 20.7 billion, which grew 2.1%, and the export market at US\$ 24.4 billion, grew 18.7%.

India is the highest contributing market for export, first being North America, followed by the African countries & then Europe. As per IBEF, the Indian pharmaceutical sector supplies over 50% of the global demand for various vaccines, 40% of the generic demand for the US and 25% of all medicines for the UK.

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. India ranks 3<sup>rd</sup> worldwide for pharmaceutical production by volume and 14<sup>th</sup> by value. The Indian Pharma industry right from APIs to finished dosage formulation is well poised to grow.

The industry has seen significant amount of FDIs this year. Investment in companies ranges from APIs to formulations, human care to veterinary care. The Government also aims at reducing dependency on import of active pharma ingredients, its key starting materials or lower level intermediates to ensure sustainable growth and service the requirements of the global market. Towards this objective, the Government has announced the production-linked incentive (PLI) scheme and has been moving actively towards scaling the domestic manufacture of APIs/KSMs. With businesses moving India towards de-risking supply chain & investments pooling in, the capacity expansion will be enormous, catering to the global demand.

### Covid-19 pandemic

With the rise of Covid-19 pandemic, economies around the world have suffered, and several businesses are also experiencing challenges in operations and supply chains again with the rise in 2<sup>nd</sup> wave of the pandemic in India. The pharma industry is at the forefront to combat Covid-19 and is gearing up to develop and manufacture vaccines and medicines to fight coronavirus, taking support of internal/external research. Vaccination drives have started, with capacity expansions and more vaccine approvals in the near future, creates a positive outlook for fighting the pandemic. Covid-19 has clearly highlighted the importance of a strong healthcare system. As India continues to fight Covid-19 and stabilise its economic growth trajectory, it is the right time for the country to apply learnings from the challenges and best practices that emerged during the pandemic.

Overall, domestic market growth for the year in India was slightly impacted due to Covid-19. However, the domestic business has seen an upward trend from the lockdown in 2020 and made a good rebound in recent months. On the other hand, the export market has grown significantly. This growth is likely to be sustained and will move further in the years to come.

In the global market, including the estimates of higher spending from Covid-19 vaccines and lower spending from existing treatments due to disruptions from the pandemic, the five-year CAGR to 2025 is expected to be 4.6%, compared to 4.5% if the pandemic had not taken place.

A range of changes in the use of medicines will be prompted by Covid-19, with demand for new vaccines and therapeutics as well as shifts in demand for existing therapies and changes in patient behaviours. While the pandemic has dominated much of the past year, the wider trends on the use of medicines continue to evolve relatively unchanged.

## 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.

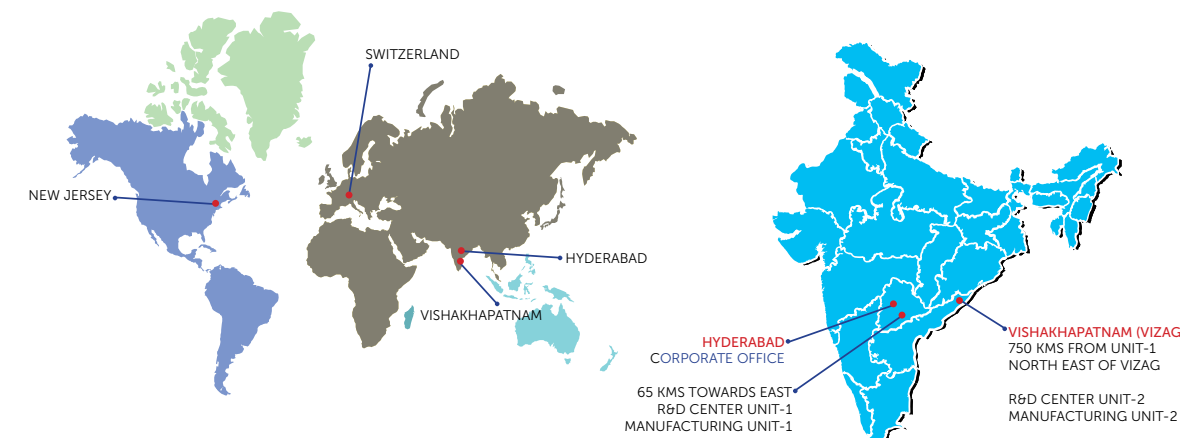
Divi's operates from its headquarters with its registered office at Hyderabad. The Company has six multi-purpose manufacturing facilities from two sites with all support infrastructure like utilities, environment management and safety systems.

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

## 2.1 Manufacturing Facilities

The Company operates at two manufacturing locations:

- Unit I, which is the first facility located at village Lingojugudem in Yadadri Bhuvanagiri District (erstwhile Nalgonda District) near Hyderabad, Telangana State, which started operations during the year 1995. Spread across about 500 acres equipped with diverse equipment for handling various types of chemical reactions supported with all utilities and services; and has been adding capacities and being upgraded, renovated and modernised from time to time.
- We have set up a new DC-SEZ Unit on the available land at Unit-I and commenced commercial operations from a part of this facility during February, 2020, has now become fully operational.
- Unit-II, the other manufacturing facility is at village Chippada, Bheemunipatnam Mandal, Visakhapatnam



District, Andhra Pradesh State on a 490-acre site. This unit houses:

- o An Export Oriented Unit which has been operating since the year 2003.
- o An SEZ Unit which went into commercial operations during the year 2006.
- o DSN SEZ Unit which went into commercial operations during the year 2011.
- o All these units have been adding production capacities and utility infrastructure and are upgraded and modernised from time to time.
- o We have set up a new DCV SEZ Unit which commenced commercial operations from a part of this facility during March, 2020.

## 2.2 Research Centres

The Company has Research centres called as DRC at Sanath Nagar, Hyderabad and Process Development & Support Centres (PDSCs) at the manufacturing sites. These 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 optimisation, impurity profile, pilot studies, pre-validation batches, validation of process and transfer of technology to Plant. PDSCs also review improvement of processes and gives process support to the plants from time to time.

## 2.3 Subsidiaries

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



### 3. Internal Control systems

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

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

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

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

### 4. Risks and Concerns

Divi's lays emphasis on risk management and has an enterprise-wide approach to risk management, which lays emphasis on identifying and managing key operational and strategic risks. The Company strives to identify opportunities that enhance organisational values while managing or mitigating risks that can adversely impact its future performance through:

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

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

#### Risks and Risk Mitigation

##### 4.1 Global markets

Divi's manufactures 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 the 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 optimising 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 minimise risks/threats and avail the opportunities that emerge for business growth.

##### 4.3 Covid-19 pandemic

There has been an unprecedented outbreak of CoV-2 coronavirus (Covid-19) which has affected the population across the globe and has been declared a pandemic. The virus multiplies in the body of an infected person and from there can be transmitted to others. The virus is released in the saliva droplets and nasal discharge of an infected person through exhalation, speaking, singing, coughing, and sneezing etc. Governments, medical fraternity and research establishments across the globe are grappling with development and administration of vaccines to prevent multiplication of the virus and for appropriate medication

for treatment. Governments of countries have been issuing guidelines for Covid appropriate behaviour to contain the spread of the Covid-19 virus, testing, tracing, isolation and treatment of the virus in likely infected persons, on measures for social distancing and imposed certain lockdown restrictions from time to time.

The Company has been operating in compliance with the various advisories/ guidelines passed by the Government of India, State Governments and statutory institutions. The Company has been reviewing all its business processes and production schedules and put in place appropriate business continuity plans, prioritising activities of significance comprising Covid-appropriate behaviour of its employees following all safety and sanitisation 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 is constantly working with the local Governments and closely monitoring the dynamic changes in the spread of the virus and taking up measures to contain or minimize the spread among its employees and ensure business continuity. Besides this, the company is also supporting the initiatives of the Government in this regard and contributing covid protection materials.

As the pandemic has been spreading to the remote villages in the second wave, the Company has supported the initiatives of Government by providing oxygen cylinders and concentrators and generation plants to Government hospitals and public health centres, sanitising the village communities and spreading awareness by providing covid essential healthcare supplies, safety equipment for frontline warriors and provided hospital beds with necessary infrastructure for the Covid healthcare centres.

##### 4.4 Regulatory and Quality Compliances

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

global and domestic regulations for its manufacturing facilities or statutory compliances.

##### 4.5 Patent compliance

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

##### 4.6 Human resources

We consider employees as an integral part of our operations and we put in place appropriate compensation plans, feedback processes, 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 and Covid-appropriate behaviour.

##### 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 the Company does business; and addresses these appropriately to mitigate or minimise 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 the 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 minimise 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 optimise the resources and upgrade its processes to reduce the environmental impact of its processes, products and services, besides ensuring health and safety of the employees involved in the processes.

#### 4.10 Information technology

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

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. We regularly perform VAPT scan with internal team which is also reviewed by external consultants. Implemented absolute zero trust security architecture.

#### 4.11 Sustainable operations

As part of our efforts towards sustainable business operations, we assess the opportunities and risks associated with sustainable sourcing/utilisation of resources and manufacturing activity; and continually evaluate alternatives and implement optimum processes for sustainable and safe operations in order to minimise, 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 24 CEPs (Certificates of Suitability) issued by EDQM authorities. Divi's has filed for a total of 40 patents for generic products.

#### 6. Business Distribution

Our product portfolio comprises 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 the 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	2020-21	2019-20
Exports	88%	87%
Imports (% of material consumption)	44%	50%
Largest Product	20%	18%
Top 5 Products	49%	47%
Top 5 Customers	34%	36%
Exports in \$ terms	83%	83%
Exports in Pounds	10%	11%
Exports in Euro	5%	5%

#### 7. Performance and Operations Review

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

Particulars	₹ in Lakhs	
	2020-21	2019-20
Revenue from operations	6,79,861	5,31,057
Other Income	6,253	18,986
Total Revenue	6,86,114	5,50,043
Expenditure bef. Deprecn & Fin. Cost	3,97,793	3,49,513
PBDIT	2,88,321	2,00,530
Finance Cost	69	606
Depreciation	25,465	18,595
Profit before Tax (PBT)	2,62,787	1,81,329
Provision for tax:		
Current Tax	60,905	38,779
Deferred Tax	6,410	5,279
Profit after Tax (PAT)	1,95,472	1,37,271
Other Comprehensive Income (net of tax)	16	(521)
Total Comprehensive Income	1,95,488	1,36,750
Earnings per Share (EPS) Basic & Diluted (₹)	73.63	51.71

The current financial year has reflected the benefit of operations from the capex programmes taken up by the Company during the last two years. The debottlenecking and backward integration programmes taken up during the last two years have become fully operational; and have reduced dependence on key starting materials besides achieving productivity and cost efficiency. We also continuously evaluate our existing processes for products and have been able to optimise the processes complying to green chemistry besides achieving cost savings.

During the year, we have earned income on contract research fee of ₹ 14,565 lakhs as against a fee of ₹ 901 lakhs last year. A major part of the earning was for process development of a custom synthesis project on fast-track and we also created a production facility for manufacture of the product as per the requirements of the customer.

Total Income for the year increased by 25% to ₹ 6,86,114 lakhs. Operating profit (PBDIT) for the year amounted to ₹ 2,88,321 lakhs as against an operating profit of ₹ 2,00,530 lakhs last year. Profit before Tax (PBT) for the year has grown by 45% to ₹ 2,62,787 lakhs as against a PBT of ₹ 1,81,329 lakhs for the last year.

Tax Provision for the current year amounted to ₹ 60,905 lakhs as against a tax provision of ₹ 38,779 lakhs for the last year. Deferred tax provision for the year came to ₹ 6,410 lakhs as against ₹ 5,279 lakhs and this is due to the timing difference of depreciation as the company has capitalised fixed assets of ₹ 1,18,351 lakhs on completion of some of the capex projects including addition of intangible assets.

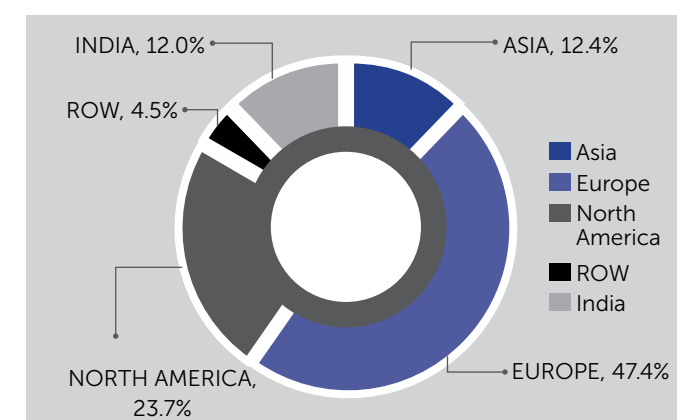
Profit after Tax (PAT) before other comprehensive income for the year grew by 42% to ₹ 1,95,472 lakhs against a PAT of ₹ 1,37,271 lakhs last year.

#### 7.1 Exports

Exports constituted 88% of sales revenue during the year. Exports to advanced markets comprising Europe and America accounted for 71% of business.

#### 7.2 Region-wise sales revenue

Region	2020-21		2019-20	
	Sales revenue	% Share	Sales revenue	% Share
Asia	82,675	12.4%	59,474	11.4%
Europe	3,17,415	47.4%	2,49,850	48.0%
North America	1,58,652	23.7%	1,21,813	23.4%
Rest of the World	29,883	4.5%	21,524	4.1%
India	80,130	12.0%	68,071	13.1%
<b>Total</b>	<b>6,68,755</b>	<b>100.0%</b>	<b>5,20,732</b>	<b>100.0%</b>

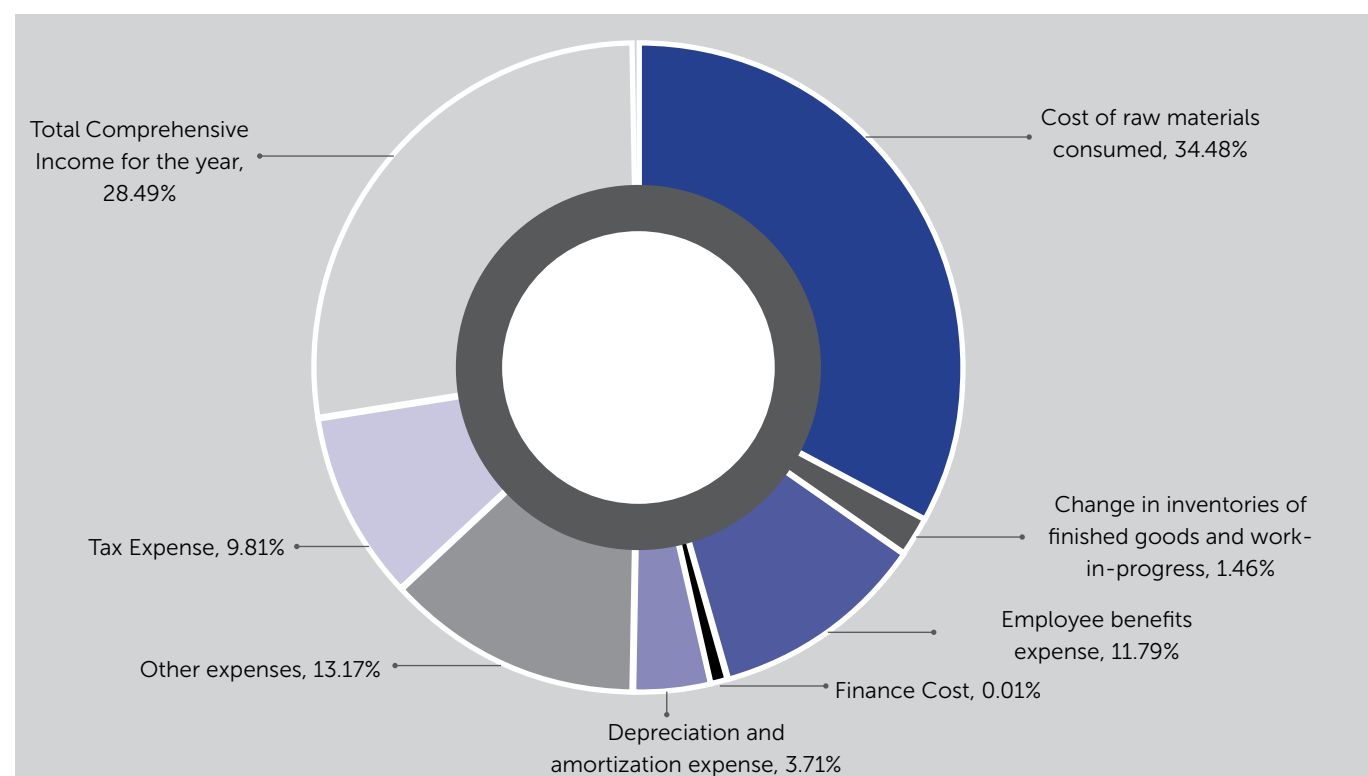


#### 7.3 Other income

Other Income mainly comprises interest on deposits and miscellaneous income. Other Income for the year amounted to ₹ 6,253 lakhs against ₹ 18,986 lakhs last year. This year, we have a loss on forex transactions and translations amounting to ₹ 77 lakhs (grouped under Other Expenses) as against a gain of ₹ 8,204 lakhs last year.



#### 7.4 Distribution of total income



#### 7.5 Material Costs

Particulars	₹ in Lakhs	
	2020-21	2019-20
Material consumption	2,36,550	2,18,266
Changes in inventories of finished goods and work-in-progress	(10,000)	(9,410)
Net Material Consumption	2,26,550	2,08,856
Revenue from Operations	6,79,861	5,31,057
% of consumption to Revenue	33.3%	39.3%

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 33.3% of revenue from operations during the year as

compared to 39.3% during the last year. Besides a favourable product mix, we have been able to achieve significantly lower material consumption due to backward integration which reduced dependence on key starting materials, improved cost efficiency through process optimisation.

#### 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 ₹ 80,868 lakhs as against ₹ 60,836 lakhs during the last year. Of this, remuneration to whole-time Directors accounted to ₹ 17,891 lakhs during the year as against ₹ 10,365 lakhs last year.

Increase in employee expenses is on account of revision of salaries and induction of additional staff for the new manufacturing and expansion facilities. The Company has also given one months' salary as incentive to employees in appreciation of their dedication and hard work during the Covid-19 pandemic, and they made sure that they

attended to their duties in plants and offices following Covid-appropriate behaviour and safety protocols to ensure production of life saving medicines. Employee cost for the year works out to about 11.8% 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 ₹ 90,375 lakhs as against ₹ 79,821 lakhs during the last year.

Other Expenses account for 13.2% of total revenue.

#### 7.8 Capital expenditure

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

The brownfield projects of DC-SEZ Unit and DCV-SEZ Units have become fully operational. The backward integration, debottlenecking and utility expansion projects have been fully implemented. A part of the capex programme taken up with an estimate investment of ₹ 400 crore, for fast tracking a customs synthesis project, came into operations during March, 2021 and the rest of this project will be completed and begin utilisation during the first half of financial year 2021-22.

During the year, we have capitalised PPE and Intangible Assets valuing ₹ 1,18,351 lakhs. Deductions of ₹ 611 lakhs represent Assets discarded net during the year. Capital WIP as at the year-end amounted to ₹ 71,062 lakhs.

#### 7.9 Investments:

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

During April, 2020, on our evaluation of liquidity position of the Mutual Fund industry in general due to the Covid-19 pandemic, we encashed our holdings in mutual funds and moved them to short-term fixed deposits with the State Bank of India (SBI).

We have fixed deposits with SBI aggregating to an amount of ₹ 2,00,852 lakhs reported under Cash and cash equivalents.

#### 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.

#### 7.11 Non-current loans and assets

We have security deposits of ₹ 5,516 lakhs for the year as against deposits of ₹ 3,500 lakhs with various departments and others as per contract terms. Capital Advances amounted to ₹ 4,849 lakhs as at the end of current year as against ₹ 10,918 lakhs for the last year. We have taken up large capex programmes during the year and a major part of which has been spent. Non-current assets are regularly monitored.

#### 7.12 Inventory position

Inventory position for the last two years is as under:

Particulars	₹ in Lakhs	
	31-03-2021	31-03-2020
Raw Materials	69,495	50,049
Work-in-Progress	1,09,334	98,091
Finished Goods	14,263	15,506
Packing Materials	838	434
Stores and Spares	10,340	10,337
<b>Total</b>	<b>2,04,270</b>	<b>1,74,417</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

Particulars	₹ in Lakhs	
	31-03-2021	31-03-2020
Outstanding Receivables	1,74,765	1,54,354
Less: Allowances for doubtful debts	209	1,033
<b>Net Receivables</b>	<b>1,74,556</b>	<b>1,53,321</b>
<b>Average receivable days</b>	<b>94</b>	<b>105</b>

Trade Receivables at the year end came to ₹ 1,74,556 lakhs as against ₹ 1,53,321 lakhs last year. Trade Receivables include an amount of ₹ 19,638 lakhs due from subsidiaries.

### 7.14 Other Financial Assets

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

### 7.15 Other Current Assets

Particulars	₹ in Lakhs	
	31-03-2021	31-03-2020
Indirect Taxes- Input Credits	6,392	15,041
Prepaid Expenses	2,218	1,636
Advances to suppliers	3,116	2,377
Other receivables	3,404	3,151
<b>Total</b>	<b>15,130</b>	<b>22,205</b>

We have been able to obtain refunds of the Input Taxes from time to time as the refund process under the GST regime has since stabilised and as exports constitute a predominant part of our business.

### 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, 2021 amounted to ₹ 33,806 lakhs as against ₹ 27,396 lakhs as of March 31, 2020.

### 7.17 Current Borrowings

Current borrowings representing working capital loans (secured) as at the end of the year amounted to ₹ 35 lakhs as against ₹ 3,363 lakhs as at the end of last year. Bank Borrowings are secured against fixed deposits pledged with the bank. We will be paying interest on the borrowing only when there is utilization due to shortfall or mismatch

between inflows-outflows while we earn some interest on our deposits. Any surplus amounts at the end of the day are deployed in deposits which yield interest.

### 7.18 Trade Payables

Trade Payables for raw materials/services amounted to ₹ 74,878 lakhs as at the end of the year against ₹ 58,034 lakhs as at the end of last year. Of the trade payables, an amount of ₹ 3,248 lakhs relates to dues to micro and small enterprises. The Company follows consistent practices of procurement and avails efficient credit terms from vendors.

### 7.19 Other Financial and Current Liabilities

The Company has ongoing capex programs and has capital creditors. Capital Creditors at the year end amounted to ₹ 7,562 lakhs against ₹ 7,192 lakhs as on March 31, 2020. All obligations are discharged as per the terms agreed with the Vendors. Employee remuneration and all statutory dues are paid well within the scheduled dates.

### 7.20 Key Financial Ratios

Particulars	₹ in Lakhs		
	31-03-2021	31-03-2020	Change
Return on Net Worth (%)	21.08%	18.75%	12%
Return on Capital Employed (%)	34.69%	27.79%	25%
Basic EPS (after exceptional items) (₹)	73.63	51.71	42%
Debtors Turnover	4.19	3.91	7%
Inventory Turnover	3.62	3.23	12%
Current ratio	5.63	5.16	9%
Debt Equity ratio	0.00004	0.005	(99)%
Operating profit margin (%)	42.02%	36.46%	15%
Net profit margin (%)	28.49%	24.96%	14%

Detailed explanation of ratios:

#### (i) Return on Net Worth

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

#### (ii) Return on Capital Employed

Return on Capital Employed is a ratio that measures a Company's profitability and the efficiency with which its

capital is used. In other words, the ratio measures how well a Company is generating profits from its capital. It is calculated by dividing net operating profit (EBIT) by average capital employed during the year.

Return on capital employed has increased by 25% over the last year. The Company has taken up several capex programs and debottlenecking/backward programs during the last two years and the additional/new capacities created have resulted in increased business, reduced dependency on starting materials from external sources and also achieved cost efficiency.

#### (iii) Basic EPS

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

Basic EPS for the current year has increased during the current year by 42% over the previous year. Besides explanation at ii) above, the capex programmes have been taken up with internal resources.

#### (iv) Debtors Turnover

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

#### (v) Inventory Turnover

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

#### (vi) Current Ratio

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

#### (vii) Debt-Equity Ratio

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

Debit-Equity ratio has reduced by 99% as the bank borrowings at the year-end are much lower than last year. The Company has no debt, but only working capital facilities which comprise non-fund limits and minimal funded limits for operational needs. In fact, the company has significant cash surpluses. As explained at para 7.17 above, the Company will be paying interest on borrowings only when there is utilization on account of overnight balances in the cash credit accounts with banks.

#### (viii) Operating Profit Margin

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

#### (ix) Net Profit Margin

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

### 7.21 Cautionary Statement

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



# 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 the practices followed by the Company and other voluntary compliances:

## 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.

The 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. Pursuant to SEBI Listing Regulations, the Company appointed a Non-Executive Director as Chairman of the Board of Directors effective 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.divislab.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, 2021 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 June 06, 2020, August 08, 2020, November 07, 2020 and February 06, 2021. 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 FY 2021 were held through Video Conferencing.

## 2.3 Attendance of Directors

Directors' attendance at the Board and General Meetings held during the financial year 2020-21 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	4	Yes
Ms. Nilima Prasad Divi	4	4	Yes
Dr. G. Suresh Kumar	4	4	Yes
Mr. R. Ranga Rao	4	4	Yes
Mr. K. V. K. Seshavataram	4	4	Yes
Dr. S. Ganapaty	4	4	Yes
Prof. Sunaina Singh	4	4	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 of each Director in various companies is as follows:

Name of the Director	No. of other Directorships	In other Companies		Directorship in other listed entity (Category of Directorship)
		Committee Memberships	Committee Chairmanships	
Dr. Ramesh B. V. Nimmagadda	-	-	-	-
Dr. Murali K. Divi	3*	-	-	-
Mr. N. V. Ramana	-	-	-	-
Mr. Madhusudana Rao Divi	-	-	-	-
Dr. Kiran S. Divi	3*	-	-	-
Ms. Nilima Prasad Divi	3*	-	-	-
Dr. G. Suresh Kumar	-	-	-	-
Mr. R. Ranga Rao	-	-	-	-



Name of the Director	No. of other Directorships	In other Companies		Directorship in other listed entity (Category of Directorship)
		Committee Memberships	Committee Chairmanships	
Mr. K. V. K. Seshavataram	-	-	-	-
Dr. S. Ganapaty	-	-	-	-
Prof. Sunaina Singh	-	-	-	-
Mr. K.V. Chowdary	3	6	-	1. CCL Products Limited, Independent Director 2. Reliance Industries Limited, Non-Executive Director 3. Tata Motors Limited, Independent Director

\* Directorships in private limited companies.

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 of the Director	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 02, 2021. 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.divislab.com//Familiarisation-Program.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	Description
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

Skills	Description
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. Seshavataram		√	√	√		√
Dr. Ramesh B. V. Nimmagadda	√		√	√	√	
Dr. S. Ganapaty	√		√	√	√	
Prof. Sunaina Singh			√	√		
Mr. K.V. Chowdary		√	√	√		√

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

read with Section 177 of the Companies Act, 2013, inter-alia, covering:

- 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;
- Scrutiny and review of all financial transactions, inter corporate loans, investments, funds utilization, related party transactions and the general financial condition of the Company;
- Recommendation for appointment, remuneration and terms of appointment of auditors of the Company and approval of remuneration of auditors;
- Review and monitor the auditor's independence and performance, and effectiveness of audit process;
- Reviewing, with the management, the periodic financial statements and auditor's report thereon before submission to the Board for approval;
- Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;
- Evaluation of internal financial controls and risk management systems;

## 3. AUDIT COMMITTEE

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

The constitution, terms of reference, role and scope shall be as prescribed by Regulation 18 of SEBI Listing Regulations

- h) To review the functioning of the Whistle Blower mechanism;
- i) To review statement of deviations in reporting to monitoring agencies.
- j) Approve policies in relation to the implementation of the Insider Trading Code and to supervise implementation of the same.

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

The Committee comprises of four Independent Directors. Four meetings of the Audit Committee were held during the year under review on June 06, 2020, August 08, 2020, November 07, 2020 and February 06, 2021. The gap between two meetings did not exceed one hundred and twenty days.

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

Name	Designation	No. of Meetings	
		Held	Attended
Mr. K. V. K. Seshavataram	Chairman	4	4
Dr. G. Suresh Kumar	Member	4	4
Mr. R. Ranga Rao	Member	4	4
Mr. K.V. Chowdary	Member	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 special invitees. The Company Secretary acts as the Secretary to the Committee.

Mr. K. V. K. Seshavataram, Chairman of the Audit Committee attended the AGM of the company held on September 14, 2020.

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

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

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

- To formulate the criteria for determining qualifications, positive attributes and independence of a Director, and recommend to the Board a policy, relating to the remuneration for the Directors, Key Managerial Personnel and other employees.
- To formulate the criteria for evaluation of performance of Independent Directors and the Board; and evolve and review the policy on Board diversity.
- To identify/ evaluate persons for appointment to the Board or in senior management in accordance with the criteria laid down and to recommend to the Board their appointment and/ or removal.
- Support the Board and Independent Directors in evaluation of the performance of the Board, its committees and individual directors.
- Recommend to the Board, all remuneration, in whatever form, payable to senior management.
- To administer, monitor and formulate Employees' Stock Option Scheme with terms and conditions relating to quantum, exercise, granting, vesting etc and evolve a procedure for making a fair and reasonable adjustment to the scheme in case of any corporate actions.
- To carry out any other function as 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 June 06, 2020 and February 02, 2021. 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 September 14, 2020.

#### 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 Companies Act, 2013 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.

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 once during the year on November 07, 2020 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	Designation	No. of Meetings	
		Held	Attended
Dr. Ramesh B. V. Nimmagadda	Chairman	1	1
Mr. K.V.K. Seshavataram	Member	1	1
Dr. S. Ganapaty	Member	1	1
Prof. Sunaina Singh	Member	1	1
Mr. K.V. Chowdary	Member	1	1
Mr. L. Kishore Babu	Member	1	1

Dr. Ramesh B. V. Nimmagadda, Chairman of the Stakeholders Relationship Committee attended the AGM of the Company held on September 14, 2020.

#### 5.2 Complaints / Grievances received and attended

During the year under review, Company has received 17 complaints from investors. All were replied/resolved to the satisfaction of the investors and no complaints were outstanding.

#### 6. CORPORATE SOCIAL RESPONSIBILITY COMMITTEE

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

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

- (a) Formulate and recommend to the Board, a Corporate Social Responsibility Policy in line with the requirement of the Companies Act, 2013 which shall indicate the activities to be undertaken by the Company;



(b) Recommend the amount of expenditure to be incurred on CSR activities and

(c) Monitor the implementation of Corporate Social Responsibility Policy of the Company from time to time.

#### 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 June 06, 2020, August 08, 2020, November 07, 2020 and February 06, 2021. The composition of the Committee and details of attendance of the Committee members is as follows:

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

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

Name	Designation	No. of Meetings	
		Held	Attended
Mr. Madhusudana Rao Divi	Chairman	2	—*
Dr. Kiran S. Divi	Member	2	2
Ms. Nilima Prasad Divi	Member	2	2
Mr. L. Kishore Babu	Member	2	2
Mr. L. Ramesh Babu	Member	2	2

\*Joined meetings vide teleconference and hence attendance not recorded.

## 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	Whole-time Director & Chief Executive Officer	Member

The Company Secretary acts as Secretary of the Committee.

## 9. REMUNERATION OF DIRECTORS FOR THE YEAR ENDED MARCH 31, 2021

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.divislabs.com/NominationRemunerationPolicy.pdf>.

## 7. RISK MANAGEMENT COMMITTEE

Risk Management Committee was constituted by the Board 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 Composition of the Risk Management Committee and the details of meetings held and attended by its members:

Risk Management Committee met twice during the year on June 01, 2020 and February 01, 2021.

## 9.1 Details of Remuneration to Executive Directors

Name	Salary	PF	Perks	Remuneration based on net profits	
				Based on net profits	Total
Dr. Murali K. Divi	12	0	13	8,059	8,084
Mr. N. V. Ramana	104	11	4	4,030	4,149
Mr. Madhusudana Rao Divi	104	11	1	0	116
Dr. Kiran S. Divi	104	11	21	2,686	2,822
Ms. Nilima Prasad Divi	60	6	7	2,686	2,759
<b>Total</b>	<b>384</b>	<b>39</b>	<b>46</b>	<b>17,461</b>	<b>17,930</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 @ ₹ 1,00,000/- for attending every meeting of the Board or Committee thereof. In addition to the sitting fee, each non-executive director is entitled to annual remuneration @ ₹ 20,00,000/- per annum.

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:

Name of the Non-Executive Director	Sitting Fees	Annual Remuneration#	
		Annual Remuneration#	Total
Dr. G. Suresh Kumar	10	20	30
Mr. R. Ranga Rao	14	20	34
Mr. K. V. K. Seshavaram	9	20	29
Dr. Ramesh B. V. Nimmagadda	11	20	31
Dr. S. Ganapaty	7	20	27
Prof. Sunaina Singh	7	20	27
Mr. K.V. Chowdary	11	20	31
<b>Total</b>	<b>69</b>	<b>140</b>	<b>209</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
March 31, 2020	September 14, 2020	10.00 a.m.	30 <sup>th</sup> AGM 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
March 31, 2019	August 23, 2019		Global Peace Auditorium,
March 31, 2018	September 10, 2018	10.00 a.m.	Brahma Kumaris, Shanti Sarovar, Academy for Better World, Gachibowli, Hyderabad - 500 032

No special resolution was passed in the previous three AGMs.

## 10.2 Special Resolutions through Postal Ballot

During the financial year ended March 31, 2021, the Company has not passed any resolutions through postal ballot.

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

## 11. MEANS OF COMMUNICATION

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

## 12. GENERAL SHAREHOLDER INFORMATION

### Annual General Meeting

Date: August 30, 2021  
 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 1, 2020 to March 31, 2021  
**Book Closure Date** As mentioned in the Notice of this AGM  
**ISIN No** INE361B01024

**Listing on Stock Exchanges** National Stock Exchange of India Limited  
 Exchange Plaza, C-1, Block G,  
 Bandra-Kurla Complex,  
 Bandra (East), Mumbai-400051.  
 BSE Limited  
 Phiroze Jeejeebhoy Towers, Dalal Street,  
 Mumbai-400 001

**Stock Code** NSE : DIVISLAB  
 BSE : 532488

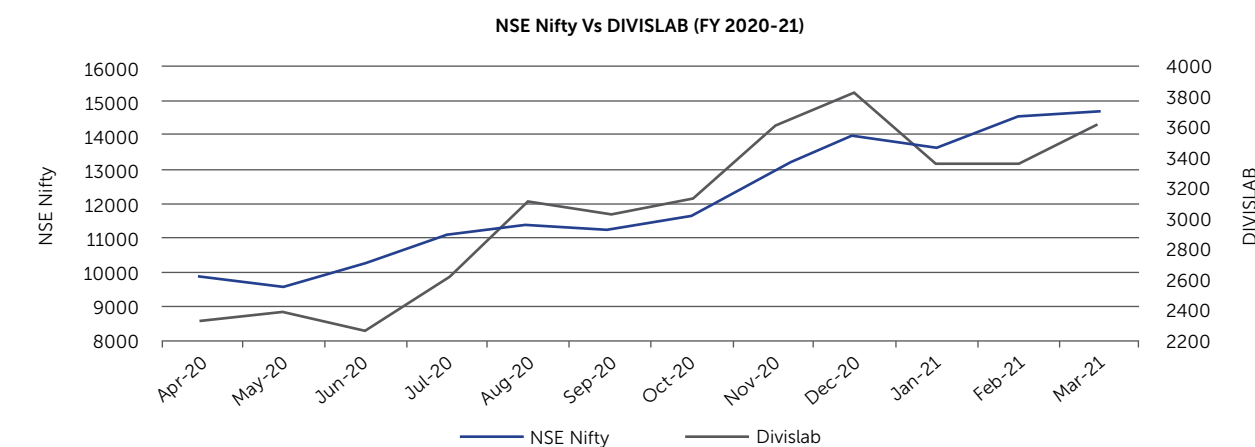
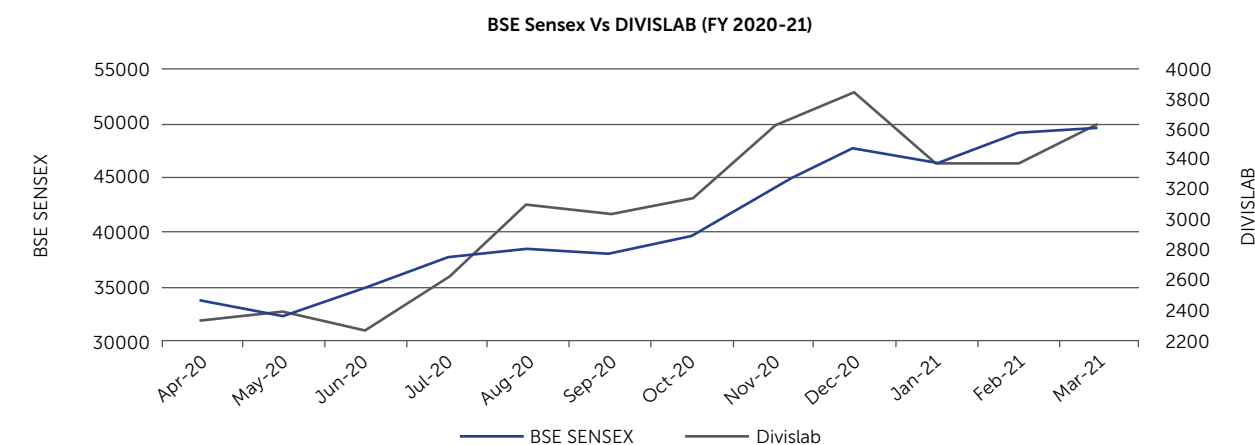
The listing fee for the financial year 2021-22 has been paid to the above Stock Exchanges.

## 13. MARKET PRICE DATA

Monthly high and low quotations as well as the volume of shares traded at BSE and National Stock Exchanges for the financial year 2020-21 are as follows:

Month	BSE Limited			National Stock Exchange		
	Low (₹)	High (₹)	Volume	Low (₹)	High (₹)	Volume
Apr-2020	1824.15	2473.65	5,66,735	1822.95	2474.45	2,19,05,664
May-2020	2229.65	2419.00	2,66,932	2226.00	2413.00	1,11,72,075
Jun-2020	2267.30	2537.70	4,73,358	2267.00	2537.95	1,71,74,983
Jul-2020	2094.60	2645.00	11,86,347	2090.05	2645.60	3,23,87,246
Aug-2020	2604.00	3378.65	11,31,419	2602.05	3335.00	3,69,94,874
Sep-2020	2986.70	3388.00	10,98,727	2985.00	3389.00	3,07,36,504
Oct-2020	3015.00	3264.45	5,91,810	3015.00	3269.90	2,40,45,120
Nov-2020	3040.00	3655.00	8,65,677	3040.30	3659.90	3,59,27,567
Dec-2020	3543.65	3857.70	6,87,143	3543.80	3859.00	2,25,14,891
Jan-2021	3361.10	3913.00	21,37,135	3360.10	3914.95	1,52,59,423
Feb-2021	3311.20	3886.00	10,26,685	3311.40	3888.00	2,08,65,263
Mar-2021	3154.50	3641.00	4,72,692	3153.30	3640.65	1,46,79,341

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 September 14, 2020 (date of last Annual General Meeting) on the website of the Company, and on the website of the Ministry of Corporate Affairs.

During the year under review, the Company has credited unclaimed dividend of ₹ 7,75,290/- to the Investor Education and Protection (IEPF) pursuant to Section 125(1) of the Companies Act, 2013 pertaining to FY 2012-13.

Details of shares transferred to IEPF Authority during financial year 2020-21 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 the Investor Education and Protection Fund (IEPF) is as follows:

Financial Year	Date of declaration of dividend	Amount outstanding as on March 31, 2021 (₹)	Due for transfer to IEPF on
2013-2014	25.08.2014	12,63,480	24.09.2021
2014-2015	31.08.2015	10,75,520	30.09.2022
2015-2016	10.03.2016 (Interim)	14,05,020	09.04.2023
2016-2017	25.09.2017	20,81,080	24.10.2024
2017-2018	10.09.2018	6,94,850	09.10.2025
2018-2019	23.08.2019	26,07,008	22.09.2026
2019-2020	12.02.2020 (Interim)	33,28,736	11.03.2027

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

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

#### 15. SHARE TRANSFER SYSTEM

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

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

#### 16. DISTRIBUTION OF SHAREHOLDING AS ON MARCH 31, 2021

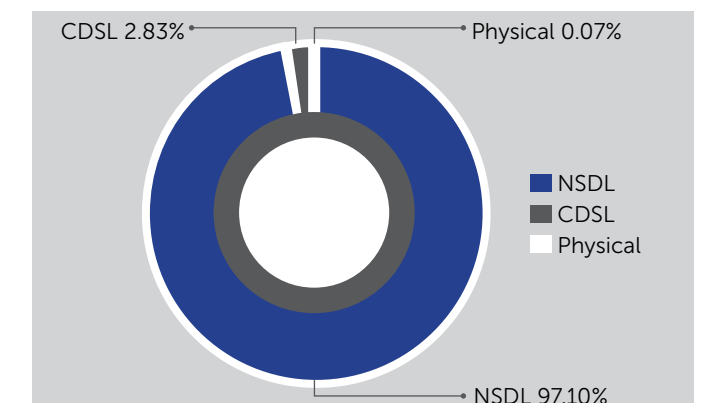
Category	No. of shareholders	% of shareholders	No. of shares	% of shareholding
1 – 5000	2,16,538	98.96	1,42,53,025	5.37
5001 – 10000	782	0.36	28,12,456	1.06
10001 – 20000	532	0.24	39,24,184	1.48
20001 – 30000	218	0.10	26,76,210	1.01
30001 – 40000	163	0.07	28,87,528	1.09
40001 – 50000	61	0.03	13,70,072	0.52
50001 – 100000	175	0.08	62,18,214	2.34
100001 & above	336	0.15	23,13,26,891	87.14
<b>Total</b>	<b>2,18,805</b>	<b>100</b>	<b>26,54,68,580</b>	<b>100</b>

#### 17. (i) SHAREHOLDING PATTERN

	As on March 31, 2021		As on March 31, 2020	
	No. of shares	% to share capital	No. of shares	% to share capital
Promoter & Promoter Group	13,78,99,200	51.95	13,79,69,360	51.97
Mutual Funds	3,34,18,248	12.59	3,89,33,320	14.67
Alternative Investment Fund	10,60,023	0.40	8,74,390	0.33
Foreign Portfolio Investors	5,27,47,409	19.87	5,06,47,319	19.08
Banks/Financial institutions	1,42,106	0.05	24,66,048	0.93
Qualified Institutional Buyer	98,12,923	3.70	35,97,687	1.36
Indian Public	2,46,26,990	9.28	2,27,47,977	8.57
NBFCs registered with RBI	4,000	0.00	4,800	0.00
Trusts	41,957	0.02	9,83,850	0.37
Non-Resident Indians	10,59,919	0.40	9,99,825	0.38
Clearing Members	4,28,865	0.16	2,81,666	0.11
Non-Resident Indian - Non Repatriable	6,01,830	0.23	5,45,188	0.21
Private Corporate Bodies	35,97,764	1.36	53,92,058	2.03
IEPF	27,346	0.01	25,092	0.01
<b>Total</b>	<b>26,54,68,580</b>	<b>100</b>	<b>26,54,68,580</b>	<b>100</b>

#### (ii) SHAREHOLDING PROFILE AS ON MARCH 31, 2021

Mode of holding	No. of holders	No. of Shares	% to Equity
N S D L	1,16,751	25,77,58,308	97.10%
C D S L	1,02,022	75,18,786	2.83%
Physical	32	1,91,486	0.07%
<b>Total</b>	<b>2,18,805</b>	<b>26,54,68,580</b>	<b>100%</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 Registrar and Share Transfer Agent, M/s. Kfin Technologies Private Limited.

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

As on March 31, 2021, 99.93% of the shares were in demat mode.

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

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

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

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

## 21. PLANT LOCATIONS

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

## 22. ADDRESS FOR CORRESPONDENCE

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

<b>Registrar and Share Transfer Agents:</b> <b>KFin Technologies Private Limited</b> <i>Unit: Divi's Laboratories Limited</i> Selenium Tower B, Plot No. 31 – 32, Financial District, Nanakramguda, Serilingampally, Hyderabad - 500032, Rangareddy, Telangana, India CIN: U72400TG2017PTC117649 Phone No: +91 40-67161526; Fax: +91 40-23001153 Toll Free No. 1800-3454-001 E-mail: einward.ris@kfintech.com Website : www.kfintech.com	<b>Company:</b> The Company Secretary & Compliance Officer, <b>Divi's Laboratories Limited</b> 1-72/23(P)/DIVIS/303, Divi Towers, Cyber Hills, Gachibowli, Hyderabad – 500 032, Telangana, India CIN: L24110TG1990PLC011854 Phone: +91 40 66966352; Fax: +91 40-2378 6460 E-mail: cs@divislabs.com Website: www.divislabs.com
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## 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 Companies Act, 2013. The said Policy is available in 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. 38 of notes to Financial Statements. The Register of Contracts, containing transactions in which Directors are interested, is placed before the Board regularly.

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

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

### G) Sexual Harassment

In compliance with Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 statement of complaints for the financial year ended March 31, 2021 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

### H) Fees paid for the services of Auditors

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

Particulars	₹ In Lakhs	
	For year ended March 31, 2021	For year ended March 31, 2020
As Statutory Auditor	36	32
For Quarterly Reviews	24	24
Re-imbursment of expenses	3	2
<b>Total payments to auditors</b>	<b>63</b>	<b>58</b>



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

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

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

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

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

### CEO and CFO Certification

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

### Code of Ethics and Business Conduct

The Company has adopted a Code of Ethics and Business Conduct for Directors and Senior Management. The code is comprehensive in nature and applicable to all Directors, Executive as well as Non-Executive and to Senior Management of the Company.

Copy of the said Code is available on the Company's website: [www.divislab.com](http://www.divislab.com). The code has been circulated to all the members of the Board and Senior Management and the compliance of the same has been affirmed by them. A declaration signed by the Chairman 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 of ethics and business conduct for directors and senior management in respect of the financial year 2020-21.

### For and on behalf of the Board

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

Hyderabad  
May 29, 2021

**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, 2021 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 29, 2021

# 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, 2021, 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")

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, 2021.

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: F005939C000383351

Place: Hyderabad  
Date: May 29, 2021

# 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, 2021, 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 Seshavatham	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  
F.C.S.No.5939, C.P.No.4182  
UDIN: F005939C000383239

Place: Hyderabad  
Date: May 29, 2021



# Board's Report

To  
The Members,

Your Directors have pleasure in presenting the Annual Report of Divis Laboratories Limited (the Company or Divis) along with the audited financial statements for the financial year ended March 31, 2021. The consolidated performance of the Company and its subsidiaries has been referred to wherever required.

## Financial Results

Financial performance of the Company for the year ended March 31, 2021 is summarized below:

Particulars	Standalone		Consolidated	
	2020-21	2019-20	2020-21	2019-20
Revenue	6,79,861	5,31,057	6,96,940	5,39,442
Other Income	6,253	18,986	6,256	18,963
Total Revenue	6,86,114	5,50,043	7,03,196	5,58,405
Expenditure before depreciation and interest	3,97,793	3,49,513	4,10,946	3,57,225
Profit before depreciation, interest and tax (PBDIT)	2,88,321	2,00,530	2,92,250	2,01,180
Depreciation	25,465	18,595	25,559	18,624
Finance Cost	69	606	87	610
Profit before Tax (PBT)	2,62,787	1,81,329	2,66,604	1,81,946
Provision for Tax:				
Current Tax	60,905	38,779	61,646	39,279
Deferred Tax	6,410	5,279	6,529	5,013
Total tax provision	67,315	44,058	68,175	44,292
Profit after Tax (PAT)	1,95,472	1,37,271	1,98,429	1,37,654
Other comprehensive Income (net of tax)	16	(521)	40	35
Total Comprehensive Income	1,95,488	1,36,750	1,98,469	1,37,689
Earnings per Share (EPS) Basic & Diluted (₹)	73.63	51.71	74.75	51.85

## Operations

### Standalone

The current financial year has reflected the benefit of operations from the capex programs taken up by the Company during the last two years. The debottlenecking and backward integration programs taken up during the last two years have also become fully operational; and has reduced our dependence on key starting materials besides achieving productivity and cost efficiency. Validations have been completed for several active pharmaceutical ingredients in both the generic and Custom Synthesis products.

Ever since the outbreak of the Covid-19 pandemic, the Company has put in appropriate measures and protocols for the health and safety of its employees; besides streamlining the operations and maintaining the supply chain which enabled the Company to continue uninterrupted supply of active pharmaceutical ingredients to customers globally.

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

- Total Income for the year increased by 25% to ₹68,6114 lakhs.
- Operating profit (PBDIT) for the year amounted to ₹2,88,321 lakhs as against an operating profit of ₹2,00,530 lakhs last year.
- Profit before Tax (PBT) for the year has grown by 45% to ₹2,62,787 lakhs as against a PBT of ₹1,81,329 lakhs for the last year.
- Tax Provision for the current year amounted to ₹67,315 lakhs as against a tax provision of ₹44,058 lakhs for the last year.
- Profit after Tax (PAT) before other comprehensive income for the year grew by 42% to ₹1,95,472 lakhs as against a PAT of ₹1,37,271 lakhs last year.
- Earnings Per Share of ₹2/- each works out to ₹73.63 for the year as against ₹51.71 last year.
- Out of the total revenue, 24% came from North America, 48% from Europe, 12% from Asia, 12% from India and 4% from rest of the World.

### Consolidated

The Company's total consolidated income increased by 26% to ₹7,03,196 lakhs from ₹5,58,405 lakhs in the previous year.

The operating profit before depreciation, finance charges and tax (PBDIT) amounted to ₹2,92,250 lakhs as against ₹2,01,180 lakhs in the previous year. Profit after Tax, before Other Comprehensive Income, for the year accounted to ₹1,98,429 lakhs as against ₹1,37,654 lakhs in the previous year.

### Subsidiaries

Our subsidiaries viz., M/s. Divis Laboratories (USA) Inc., in USA and M/s. Divis Laboratories Europe AG in Switzerland are engaged in marketing/distribution of nutraceutical products and to provide a greater reach to customers within these regions.

During the year, the subsidiaries have achieved revenue of ₹45,631 lakhs as against ₹32,070 lakhs in the previous year, reflecting a growth of 42% of revenue at the subsidiary level.

Subsidiaries have been having consistent profits and have improved network over the years. 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 (the Act) 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-2021.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 consolidated financial statements have been prepared by the Company in accordance with the relevant accounting standards. The audited consolidated financial statements together with Auditors Report thereon form part of the Annual Report.

### Capital Expenditure

During the financial year 2020-21, the Company has capitalised assets of ₹1,18,351 lakhs, and an amount of ₹71,062 lakhs is carried forward as capital work-in-progress at the end of the year.

The new brownfield DC SEZ and DCV SEZ Units and the debottlenecking / backward integration programs taken up by the Company have become fully operational during the year. Modernisation and upgradation of wastewater treatment plants at the manufacturing sites has been implemented.

During the year, we have also taken up another capex program with an estimated investment of ₹400 crores for fast-tracking a customs synthesis project. A part of the project has been completed and became operational and the rest of the capex will be completed during early part of the next financial year.

In respect of the Kakinada site, we have received final judgement from High Court dismissing the claims of the previous landowners. We are waiting for the final go-ahead from APIIC to hand over the balance land to us. We plan to implement the Project on receiving the possession of the balance part of the land.

### Material Changes and Commitments

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

### Dividend

Your Directors are pleased to recommend a dividend of ₹20/- per equity share of ₹2/- each, i.e., 1000% for the financial year ended March 31, 2021, subject to approval of members at the ensuing Annual General Meeting.

The total dividend payout for the current year amounts to ₹53,094 lakhs as against ₹51,206 lakhs in the previous year. Dividend payout as a percentage of profits is 27% as compared to 37% in the previous year. As members are aware, with effect from April 01, 2020, the Government has abolished the dividend distribution tax and dividend income is now taxable at the hands of shareholders. Hence 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 of ₹1,95,488 lakhs in the reserves (Retained Earnings).

### Deposits

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

## Loans, Guarantees or Investments

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

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

## Related Party Transactions

There are no materially significant related party transactions made by the Company with 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. 38 of the Notes to financial statements.

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

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 is a part of the Annual report.

## Risk Management

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

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

Further details on the Risk Management activities including the implementation of risk management policy, key risks identified, and their mitigations are covered in Management Discussion and Analysis section, which forms part of the Annual Report.

## Management Discussion and Analysis

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

## Directors' Responsibility Statement

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

- the applicable accounting standards 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, 2021 and there are no material departures from the same;
- accounting policies selected were applied consistently and the judgements and estimates made are reasonable and prudent so as to give a true and fair view of the state of affairs of the Company as at the end of the financial year and of the profit of the Company for the period;
- proper and sufficient care has been taken for the maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Company and for preventing and detecting fraud and other irregularities;
- the annual accounts have been prepared on a going concern basis.
- internal financial controls have been laid down and such controls are adequate and operating effectively;
- 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. on June 06, 2020, August 08, 2020, November 07, 2020 and February 06, 2021.

## Directors and Key Managerial Personnel

As per the provisions of the Companies Act, 2013 and the Articles of Association of the Company, Dr. Kiran S. Divi and Ms. Nilima Prasad Divi, Directors of the Company, will retire by rotation at the ensuing Annual General Meeting and being eligible, the Directors offer themselves for re-appointment. The Board of Directors, on recommendation of Compensation, Nomination and Remuneration Committee, has recommended their re-appointment.

## Declaration by Independent Directors

The Company has obtained declaration from all Independent Directors of the Company under Section 149(7) of the Companies (the Act), 2013 confirming that they meet the criteria of independence as provided in Section 149(6) of the Companies Act, 2013 and Regulation 25 of SEBI Listing Regulations. There has been no change in the circumstances affecting their status as Independent Directors of the Company.

## 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).

## Policy on Directors' Appointment and Remuneration

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

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

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

## Remuneration Details of Directors and KMP

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

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.

## Particulars of Employees

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

## Corporate Social Responsibility

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



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

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

### Business Responsibility Report

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

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

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

### Corporate Governance Report

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

### Audit Committee

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

### Vigil Mechanism

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

### Statutory Auditors

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

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

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

### Secretarial Audit

Pursuant to provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Board of Directors of the Company has appointed Mr. V. Bhaskara Rao, Practicing Company Secretary (PCS Registration No. 4182) as the Secretarial Auditor of the Company to conduct the Secretarial audit for the financial year 2020-21. The Secretarial Audit report for the financial year 2020-21 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 Companies Act, 2013 and Rule 12 of the Companies (Management and Administration) Rules, 2014, the Annual Return of the Company as on March 31, 2021 is available on the Company's website and can be accessed at <https://www.divislabs.com/annual-return/2020-21.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.

Date: May 29, 2021

- 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)  
Place: Chennai

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

# ANNEXURE – I

## FORM AOC-1

### STATEMENT PURSUANT TO SECTION 129(3) OF THE COMPANIES ACT, 2013 RELATING TO SUBSIDIARY COMPANIES

Sl. No.	Particulars	(₹ in Lakhs)	
		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, 2020 to March 31, 2021	April 01, 2020 to March 31, 2021
3	Reporting Currency and Exchange rate as on the last date of the relevant financial year	USD = ₹ 73.4850 Balance sheet USD = ₹ 74.2274 for P&L	CHF = ₹ 77.8700 Balance sheet CHF = ₹ 80.4585 for P&L
4	Share Capital	87	404
5	Reserves & Surplus	3,274	1,060
6	Total assets	14,391	13,236
7	Total liabilities	11,030	11,772
8	Investments	-	-
9	Turnover	23,722	21,909
10	Profit before taxation	2,923	761
11	Provision for taxation	639	101
12	Profit after taxation	2,284	660
13	Other Comprehensive Income after tax for the year	(51)	(29)
14	Total Comprehensive Income for the year	2,233	631
15	Proposed Dividend	-	-
16	% of shareholding	100%	100%

For and on behalf of the Board

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

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

Date: May 29, 2021

# ANNEXURE – II

## INFORMATION PURSUANT TO 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 Managing Director	8,084	1,868	54.41%
2	Mr. N.V. Ramana Executive Director	4,149	958	54.13%
3	Dr. Kiran S. Divi Whole-time Director and Chief Executive Officer	2,822	652	53.80%
4	Ms. Nilima Prasad Divi Whole-time Director (Commercial)	2,759	637	448.34%
5	Mr. Madhusudana Rao Divi Whole-time Director (Projects)	115	27	16.23%
6	Dr. G. Suresh Kumar * Independent Director	30	7	50.21%
7	Mr. R. Ranga Rao * Independent Director	34	8	41.83%
8	Mr. K.V.K. Seshavataram * Independent Director	29	7	45.20%
9	Dr. Ramesh B.V. Nimmagadda * Non- Executive Chairman & Independent Director®	31	7	29.31%
10	Dr. S. Ganapaty* Independent Director	27	6	35.18%
11	Prof. Sunaina Singh* Independent Director	27	6	125.51%
12	Mr. K.V. Chowdary* Independent Director	31	7	186.80%
13	Mr. L. Kishore Babu Chief Financial Officer	287	N.A.	18.73%
14	Mr. M. Satish Choudhury Company Secretary	22	N.A.	18.20%

\* Independent Directors were paid sitting fees for attending the Board and its Committee Meetings and annual remuneration of ₹ 20 lakhs per annum pursuant to approval of shareholders dated February 26, 2020.  
@ Non-Executive Chairman with effect from April 01, 2020.

- (ii) The percentage increase in the median remuneration of employees in the financial year was 5.29%.
- (iii) As on March 31, 2021, the Company has 5,847 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 29% whereas there was increase of 71% 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)  
Place: Chennai

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

Date: May 29, 2021



# 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	70	M. Pharm. Ph. D.	Managing Director	12-Oct-90	46	8,084	Managing Director, Cheminor Drugs Ltd.
N.V. Ramana	63	B.Sc. (Chem)	Executive Director	26-Dec-94	36	4,149	President, Enmark Exim Services Pvt. Ltd.
Dr. Kiran S. Divi	44	M. Pharm., Ph.D.	Whole-time Director and Chief Executive Officer	10-Aug-01	20	2,822	-
Nilima Prasad Divi	39	Masters in Intl business & Intl Finance	Whole-time Director (Commercial)	02-Jul-12	14	2,759	-
Madhusudhana Rao Divi	76	Post-graduate in Structural Engineering	Whole-time Director (Projects)	01-Jul-97	52	115	Executive Director of Sadah General Trading & Contracting Co., Kuwait
L. Kishore Babu	71	B.Com, FCMA	Chief Financial Officer	20-Nov-94	48	287	Finance Manager, Nagarjuna Fertilizers & Chemical Ltd
Satya Prakash Divi	44	MS (CIS), MBA	Vice President (Sales & Marketing)	01-Mar-13	19	287	VP, Marketing & IT, EF Int'l Academy, Switzerland
Dr. S. Devendra Rao	59	M. Sc., Ph.D.	General Manager	10-Feb-95	38	232	Senior Manager (Prod), Natco Laboratories Ltd. Sr. Prod.
Hemanth Kumar. G.	61	M. Sc.	General Manager	01-Nov-94	38	232	Manager, Sumitra Pharma Ltd.
Prasad. Y.T.S.	53	B.E., MBA	Quality Head	01-Nov-90	33	232	Engineer (Devpt), Cheminor Drugs Ltd.
Ramakrishna. S.	59	M. Sc.	General Manager	15-Feb-95	38	232	General Manager (Works), Vera Laboratories Ltd.
Ramesh Babu. M.	55	B. Sc.	General Manager Technical Operations	01-Nov-90	35	232	R&D Incharge, Cheminor Drugs Ltd.
Srinivasa Rao. P	56	M. Pharm	General Manager Technical Operations	01-Nov-90	33	232	Sr. Chemist, Cheminor Drugs Ltd.
Ramesh Babu. L.	68	M.Com, MBA, LLB	Vice President (Procurement) & CIO	20-May-09	32	211	Group Captain, Indian Air Force
Ramana. L.V	51	M. Sc.	General Manager	12-Aug-91	29	183	-

Name	Age (yrs)	Qualifications	Designation	Date of commencement of employment	Experience (yrs)	Gross remuneration <sup>1</sup> (₹ lakhs)	Last employment
Madhu Babu. D	60	Masters in Planning	Vice President	02-May-16	34	149	Senior Vice President, IL&FS Cluster Development Initiative Ltd.
Subba Rao K.	57	MPM; LLB	General Manager (P&A)	01-10-94	34	128	Personnel Officer, PR Cements Ltd.
Doraswamy A.	50	MBA	General Manager	06-Nov-95	25	119	-
Sudhakar P.	54	B.Com	Deputy General Manager	01-Oct-94	26	118	-
Naga Sekhar V.	55	BE (Mech)	Deputy General Manager	23-Mar-95	30	118	Maintenance Engineer, Vera Laboratories Ltd.
Veeraiah Chowdary G	54	B.Sc, MBA	General Manager	01-Jun-95	33	118	Officer, Vera Laboratories Ltd.
Dr. A.M.L. Punna Rao	51	MSC, Ph.D.	General Manager	01-Mar-2000	29	118	Asst. Manager - QC, Vera Laboratories Ltd.
Koteswara Rao Y.	64	B. Sc., BL., MBA	General Manager	01-Jan-02	21	118	Own business
Rama Krishna Prasad E.S.V.S.	46	B.Sc.	General Manager	06-Jan-18	25	107	Commander, Indian Navy
Dr. Nageswara Rao B	63	M.Sc., Ph.D.	General Manager	01-Dec-90	32	102	AGM, Cheminor Drugs Ltd
Dr. M.N.A. Rao	70	M.Pharm, Ph.D	General Manager	17-Apr-97	47	102	Professor, College of Pharmacy, Manipal

### Notes:

- 1) Remuneration includes salary, allowances, Company contribution to provident fund, remuneration based on net profits and benefits.
- 2) All the above appointments are contractual.
- 3) Dr. Murali K Divi, Managing Director and Mr. Madhusudana Rao Divi, Whole-time Director (Projects) are related to each other.
- 4) Dr. Murali K Divi, Managing Director, Dr. Kiran S Divi, Whole-time Director & Chief Executive Officer and Ms. Nilima 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)

Place: Chennai

**Dr. Murali K. Divi**

Managing Director

(DIN: 00005040)

Place: Hyderabad

Date: May 29, 2021

# ANNEXURE – IV

## ANNUAL REPORT ON CSR ACTIVITIES UNDERTAKEN DURING THE FINANCIAL YEAR 2020-2021

### 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 based for a sustainable improvement in the social, economic and environmental situation of the needy and underserved.
- Also embedded in this objective is support to the marginalised cross section of the society by providing opportunities to improve their quality of life.

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

### 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.	Dr. Ramesh B.V. Nimmagadda	Member / Independent Director	4	4
4.	Mr. Madhusudana Rao Divi	Member / Whole-time Director	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.divislab.com/investor-relations/corporate-governance/composition-of-committees/">https://www.divislab.com/investor-relations/corporate-governance/composition-of-committees/</a>
CSR Policy	<a href="https://www.divislab.com/CSR-Policy.pdf">https://www.divislab.com/CSR-Policy.pdf</a>
CSR projects approved by the Board	<a href="https://www.divislab.com/csr-and-sustainability/csr/">https://www.divislab.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).

Not applicable for the financial year under review.

### 5. Details of the amount available for set off in pursuance of sub-rule (3) of rule 7 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): ₹1,59,416 lakhs

7. a) Two percent of average net profit of the company as per section 135(5): ₹3,188 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: Nil

d) Total CSR obligation for the financial year (7a+7b-7c): ₹3,188 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
3,435	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) Sl. No	(2) Name of the Project	(3) Item from the list of activities in Schedule VII to the Act	(4) Local area (Yes/No)	(5) Location of the project.		(6) Amount spent for the project (₹ in lakhs)	(7) Mode of implementation - Direct (Yes/No)	(8) 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		921	Yes	-	-
2	Public Health	(i)	Yes	Visakhapatnam, Vizianagaram and Krishna Districts in Andhra Pradesh and Yadadri Bhuvanagiri District in Telangana		389	Yes	-	-
3	Public Health	(i)	Yes	Hyderabad, Telangana		3	No	Basavatarakam Cancer Hospital	Not Available
4	Public Health	(i)	No	New Delhi		2	No	Prabhav Foundation	Not Available
5	Village Development	(x)	Yes	Visakhapatnam and Vizianagaram Districts in Andhra Pradesh and Yadadri Bhuvanagiri District in Telangana		615	Yes	-	-
6	Empowering Women	(iii)	Yes	Yadadri Bhuvanagiri District in Telangana		19	Yes	-	-



(1) Sl. No	(2) Name of the Project	(3) Item from the list of activities in Schedule VII to the Act	(4) Local area (Yes/No)	(5) Location of the project.		(6) Amount spent for the project (₹ in lakhs)	(7) Mode of implementation - Direct (Yes/No)	(8) Mode of implementation - Through implementing agency	
				State	District			Name	CSR Registration number
7	Animal welfare	(iv)	Yes	Visakhapatnam and Vizianagaram Districts in Andhra Pradesh and Yadadri Bhuvanagiri District in Telangana		12	Yes	-	-
8	Support to Differently Aabled	(ii)	Yes	Visakhapatnam District in Andhra Pradesh		10	Yes	-	-
9	Livelihood Enhancement Projects	(ii)	Yes	Visakhapatnam District in Andhra Pradesh		-*	Yes	-	-
10	Safe Drinking Water	(i)	Yes	Visakhapatnam and Vizianagaram Districts in Andhra Pradesh and Yadadri Bhuvanagiri District in Telangana		109	Yes	-	-
11	Environmental Sustainability	(iv)	Yes	Visakhapatnam and Vizianagaram Districts in Andhra Pradesh and Yadadri Bhuvanagiri District in Telangana		460	Yes	-	-
12	Promoting Rural Sports	(vii)	Yes	Visakhapatnam District in Andhra Pradesh		67	Yes	-	-
13	Swaach Bharat	(i)	Yes	Visakhapatnam and Vizianagaram Districts in Andhra Pradesh and Yadadri Bhuvanagiri District in Telangana		69	Yes	-	-
14	Support to Disaster management Authority	(xii)	Yes	Hyderabad, Telangana		500	Yes	-	-
15	Contribution for restoration of sites of historical importance	(v)	No	Ayodhya, Uttar Pradesh		200	Yes	-	-

\* below rounding-off amount

(d) Amount spent in Administrative Overheads: ₹59 lakhs

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

(f) Total amount spent for the Financial Year (8b+8c+8d+8e): ₹3,435 lakhs

(g) Excess amount for set off, if any

Sl. No.	Particular	Amount (₹ in lakhs)
(i)	Two percent of average net profit of the company as per section 135(5)	3,188
(ii)	Total amount spent for the Financial Year	3,435
(iii)	Excess amount spent for the financial year [(ii)-(i)]	247
(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)]	247

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	
1.	-	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 and on behalf of the Board

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

**R. Ranga Rao**  
Chairman CSR Committee  
DIN: 06409742  
Place: Martur, Prakasam Dist.

Date: May 29, 2021

# 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 them are:

- Installed O<sub>2</sub> analyzers for process vessels
- Installed Airton energy saver for Air Conditioning systems
- Facilitated specialized solvent recovery equipment
- Utilized higher micron size filters for product isolation
- Improved water conservation by utilizing condensate/purified water
- Reduced process time cycles by process optimization
- Reduced process vessel RPM by carrying optimization studies
- Provided variable frequency drives to optimize power utilization
- Replaced the HPSV bulbs and ordinary bulbs with high efficiency LED bulbs
- Replaced old steam traps with new models
- Replaced centrifuges and fluid bed dryers with Agitated Nutsch Filters
- Replaced steam jet ejector pumps with dry-claw-vacuum pumps

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

- Alternative heating through solar panels
- Solar street lighting throughout the manufacturing sites

(iii) The capital investment on energy conservation equipment is ₹ 1,432 lakhs

### B. Technology Absorption

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	2020-21	2019-20
Capital	25	123
Recurring	5,101	3,823
<b>Total</b>	<b>5,126</b>	<b>3,946</b>
<b>Total R&amp;D Expenditure as a % of Sales Revenue</b>	<b>0.75%</b>	<b>0.76%</b>

### C. Foreign Exchange Earnings and Outgo

(₹ in Lakhs)

Particulars	2020-21	2019-20
Foreign Exchange earnings	5,88,774	4,48,323
Foreign Exchange outgo:		
- CIF Value of Imports	1,31,268	1,15,972
- Expenditure in Foreign Currency	2,146	2,394
Net Foreign Exchange Earning (NFE)	4,55,360	3,29,957
NFE / Earnings %	77%	74%

For and on behalf of the Board

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

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

Date: May 29, 2021



# ANNEXURE – VI

## FORM NO. MR-3

### SECRETARIAL AUDIT REPORT FOR THE FINANCIAL YEAR ENDED MARCH 31, 2021

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

### SECRETARIAL AUDIT REPORT

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

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

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit, 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, 2021 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, 2021, 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) Factories Act, 1948
- (b) Industrial Disputes Act, 1947
- (c) The Payment of Wages Act, 1936
- (d) The Minimum Wages Act, 1948
- (e) Employees Provident Funds and Miscellaneous Provisions Act, 1952
- (f) The Payment of Bonus Act, 1965
- (g) The Payment of Gratuity Act, 1972
- (h) The Contract Labour (Regulation & Abolition) Act, 1970
- (i) The Maternity Benefit Act, 1961
- (j) The Child Labour (Prohibition & Regulation) Act, 1986
- (k) The Industrial Employment (Standing Order) Act, 1946
- (l) The Employee Compensation Act, 1923
- (m) The Apprentices Act, 1961
- (n) Equal Remuneration Act, 1976
- (o) The Employment Exchange (Compulsory Notification of Vacancies) Act, 1956
- (p) Customs Act, 1962
- (q) Central Excise Act, 1944
- (r) Foreign Exchange Management Act, 1999
- (s) Foreign Trade (Development and Regulation) Act, 1992
- (t) Shops and Establishment Act, 1988
- (u) The Water (Prevention and control of pollution) Act 1974, The Air (Prevention and control of pollution) Act 1981 and The Environment Protection Act, 1986 and rules made thereunder

- (v) Public Liability Insurance Act, 1991
- (w) Explosive Act, 1884
- (x) Indian Boilers Act, 1923
- (y) The Patents Act, 1970
- (z) Biological Diversity Act, 2002
- (aa) Food Safety and Standards Act, 2006
- (bb) Special Economic Zones Act, 2005
- (cc) Drug and Cosmetics Act, 1940
- (dd) Narcotic Drugs and Psychotropic Substances Act, 1985
- (ee) Employee's State Insurance Act, 1948
- (ff) Andhra Pradesh Factories and Establishment (National, Festival and Other Holidays) Act, 1974
- (gg) The Sexual Harassment of Women at Work Place (Prevention, Prohibition and Redressal) Act, 2013
- (hh) The Andhra Pradesh Labour Welfare Fund Act, 1987
- (ii) Conservation of Foreign Exchange and Prevention of Smuggling Act, 1974

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

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

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

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

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance and a system exists for

seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

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

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

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

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.

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

**V. Bhaskara Rao**  
Proprietor  
FCS No.5939, CP No.4182  
UDIN: F005939C000383272

Place: Hyderabad  
Date: May 29, 2021

## '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 & Co.,**  
Company Secretaries

**V. Bhaskara Rao**  
Proprietor  
FCS No.5939, CP No.4182  
UDIN: F005939C000383272

Place: Hyderabad  
Date: May 29, 2021



# 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 balance sheet as at March 31, 2021, and the statement of Profit and Loss (including Other Comprehensive Income), statement of changes in equity and statement of cash flows for the year then ended, and notes to the standalone financial statements, including a summary of significant accounting policies and other explanatory information.
2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2021, total comprehensive income (comprising of profit and other comprehensive income), changes in equity and its cash flows for the year then ended.

#### Basis for opinion

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

#### Key audit matters

4. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the

standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

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

Refer to Note 3 (iii) & (iv) to the standalone financial statements.

During the year, the Company has incurred capital expenditure aggregating to ₹ 1,11,152 lakhs on Property, Plant and Equipment (representing Plant & Machinery and Roads & Buildings) and ₹ 97,444 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 has identified specific expenditure including employee costs and other overheads relating to each of the assets and has applied judgement to assess if the costs incurred in relation to these assets meet the recognition criteria of Property, Plant and Equipment in accordance with Ind AS 16.

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

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

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

- Understood, evaluated and tested the design and operating effectiveness of key controls relating to capitalisation of various costs incurred, including in relation to Road and 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 nature of costs and basis for allocation, where applicable, and evaluated whether they meet the recognition criteria provided in the Indian Accounting Standard 16, Property, Plant and Equipment.
- Tested, on a sample basis, the appropriateness of employee costs capitalised in relation to Plant and Machinery and Roads and Buildings based on factors such as review of their timesheets.

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

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

#### Other Information

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

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

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

We have nothing to report in this regard.

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

6. The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating

effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

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

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

8. Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

9. As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls with reference to standalone financial statements in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

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

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

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

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

#### Report on other legal and regulatory requirements

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

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

- We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.
- In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.
- The Balance Sheet, the Statement of Profit and Loss (including other comprehensive income), the Statement of Changes in Equity and Cash Flow Statement dealt with by this Report are in agreement with the books of account.
- In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act.
- On the basis of the written representations received from the directors as on March 31, 2021 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2021 from being appointed as a director in terms of Section 164 (2) of the Act.
- 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".
- With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
  - The Company has disclosed the impact of pending litigations on its financial position in its standalone financial statements – Refer Note 39 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, 2021
- iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company
- iv. The reporting on disclosures relating to Specified Bank Notes is not applicable to the Company for the year ended March 31, 2021
- 15. The Company has paid/ provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.

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

**Sunit Kumar Basu**  
Partner  
Membership Number: 55000  
UDIN: 21055000AAAAET3838

Place: Kolkata  
Date: May 29, 2021

## Annexure A to Independent Auditors' Report

**Referred to in paragraph 14 (f) of the Independent Auditors' Report of even date to the members of Divi's Laboratories Limited on the standalone financial statements for the year ended March 31, 2021**

### 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, 2021 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

### Management's Responsibility for Internal Financial Controls

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

### Auditors' Responsibility

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

to financial statements was established and maintained and if such controls operated effectively in all material respects.

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

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

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

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

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

## Opinion

8. In our opinion, the Company has, in all material respects, an adequate internal financial controls system with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at March 31, 2021, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

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

**Sunit Kumar Basu**  
Partner  
Membership Number: 55000  
UDIN: 21055000AAAAET3838

Place: Kolkata  
Date: May 29, 2021

# Annexure B to Independent Auditors' Report

Referred to in paragraph 13 of the Independent Auditors' Report of even date to the members of Divi's Laboratories Limited on the standalone financial statements for the year ended March 31, 2021

- i. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.
- (b) The fixed assets 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 fixed assets 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 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.
- ii. The physical verification of inventory [excluding stocks with third parties] have been conducted at reasonable intervals by the Management during the year. 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 material.
- iii. The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Act. Therefore, the provisions of Clause 3(iii), (iii)(a), (iii)(b) and (iii)(c) of the said Order are not applicable to the Company.
- iv. The Company has not granted any loans or made any investments, or provided any guarantees or security to the parties covered under Section 185 and 186. Therefore, the provisions of Clause 3(iv) of the said Order are not applicable to the Company.
- v. The Company has not accepted any deposits from the public 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 professional tax though there has been a slight delay in a few cases, and is regular in depositing undisputed statutory dues, including provident fund, employees' state insurance, goods and services taxes, duty of customs and other material statutory dues, as applicable, with the appropriate authorities. Also refer note 39(b) to the 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 dues of sales-tax, service-tax, value added tax which have not been deposited on account of any dispute. The particulars of dues of income tax, entry tax, duty of customs and duty of excise as at March 31, 2021 which have not been deposited on account of a dispute, are as follows:

Name of the statute	Nature of dues	Disputed Amount (₹)	Amount deposited (₹)	Period to which the amount relates	Forum where the dispute is pending
Customs Act, 1962	Penalty	10,00,000	-	January, 2007	Customs, Excise and Service Tax Appellate Tribunal, South Zonal Bench, Chennai.
Customs Act, 1962	Custom duty and Penalty	1,51,48,315	3,36,475	June, 2006 to December, 2008	High court of Andhra Pradesh, Amaravathi
Customs Act, 1962	Custom duty and Penalty	36,69,894	-	March, 2012	Commissioner of Customs, Central Excise & Service tax, Visakhapatnam
Customs Act, 1962	Custom duty and Penalty	63,14,711	-	November, 2012	Commissioner of Customs, Central Excise & Service tax, Visakhapatnam
Customs Act, 1962	Custom duty and Penalty	8,59,631	-	June, 2009 to March, 2010	High court of Andhra Pradesh, Amaravathi
Customs Act, 1962	Custom duty	48,25,958	48,25,958	May, 2014 to February, 2018	The Commissioner of Customs (Appeals)
Central Excise Act, 1944	Excise duty and Penalty	2,44,08,690	-	September, 2006 to December, 2008	Commissioner of Customs, Central Excise & Service tax, Visakhapatnam
Central Excise Act, 1944	Service tax and penalty	19,32,610	1,93,261	April 2003- March 2004	CESTAT, Regional Bench, Hyderabad
Central Excise Act, 1944	Excise duty and Penalty	9,37,500	-	July, 2009 to March, 2010	High court of Andhra Pradesh, Amaravathi
Central Excise Act, 1944	Service tax and penalty	19,42,840	97,142	May, 2011 to December, 2011	Excise, Customs and Service Tax (Appeals), Visakhapatnam.
Central Excise Act, 1944	Service tax and Penalty	45,18,106	3,76,522	April, 2010 to March, 2011	Commissioner (Appeal-III), Customs, Central Excise & Service tax, Hyderabad.
Entry of goods in to Local areas Act, 2011	Entry Tax	7,43,520	2,60,110	Financial year 2017-18	Sales Tax appellate tribunal, Hyderabad
Entry of goods in to Local areas Act, 2011	Entry Tax	43,19,128	10,79,784	Financial years 2014-15 to 2016-17	High court of Andhra Pradesh, Amaravathi
Income Tax Act, 1961	Interest	40,512	-	Financial year 2005-06	Additional Commissioner of Income Tax, Range-I, Hyderabad.

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

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

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

**Sunit Kumar Basu**  
Partner  
Membership Number: 55000  
UDIN: 21055000AAAET3838

Place: Kolkata  
Date: May 29, 2021

## Standalone Balance Sheet

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

Particulars	Note	As at March 31, 2021	As at March 31, 2020
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	3,69,406	2,77,266
Capital work-in-progress	3	71,062	91,969
Intangible assets	4	495	360
Financial assets			
(i) Investments	5	737	737
(ii) Loans	6(a)	5,516	3,500
(iii) Other financial assets	14(a)	145	-
Income tax assets (net)	7(a)	6,860	-
Other non-current assets	8	5,625	11,462
<b>Total Non-current assets</b>		<b>4,59,846</b>	<b>3,85,294</b>
<b>Current assets</b>			
Inventories	9	2,04,270	1,74,417
Financial assets			
(i) Investments	10	-	97,135
(ii) Trade receivables	11	1,74,556	1,53,321
(iii) Cash and cash equivalents	12	2,01,630	2,788
(iv) Bank balances other than (iii) above	13	12,571	7,948
(v) Loans	6(b)	-	9
(vi) Other financial assets	14(b)	947	389
Income tax assets (net)	7(b)	3,427	7,905
Other current assets	15	15,130	22,205
<b>Total Current assets</b>		<b>6,12,531</b>	<b>4,66,117</b>
<b>TOTAL ASSETS</b>		<b>10,72,377</b>	<b>8,51,411</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity</b>			
Equity share capital	16(a)	5,309	5,309
Other equity	16(b)	9,21,848	7,26,360
<b>Total Equity</b>		<b>9,27,157</b>	<b>7,31,669</b>
<b>Liabilities</b>			
<b>Non-current liabilities</b>			
Provisions	17	2,525	2,052
Deferred tax liabilities (net)	18	33,806	27,396
<b>Total Non-current liabilities</b>		<b>36,331</b>	<b>29,448</b>
<b>Current liabilities</b>			
Financial liabilities			
(i) Borrowings	19	35	3,363
(ii) Trade payables	20		
- Total outstanding dues of micro and small enterprises		3,248	1,174
- Total outstanding dues of creditors other than micro and small enterprises		71,630	56,860
(iii) Other financial liabilities	21	7,824	10,302
Other current liabilities	22	25,901	18,349
Provisions	17	251	246
<b>Total current liabilities</b>		<b>1,08,889</b>	<b>90,294</b>
<b>TOTAL LIABILITIES</b>		<b>1,45,220</b>	<b>1,19,742</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>10,72,377</b>	<b>8,51,411</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: Kolkata  
Date: May 29, 2021

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

**Dr. Murali K. Divi**  
**N.V. Ramana**  
**Dr. Kiran S. Divi**  
**Nilima Prasad Divi**  
**L. Kishorebabu**  
**M. Satish Choudhury**  
Managing Director, DIN: 00005040  
Executive Director, DIN: 00005031  
Whole-time Director and Chief Executive Officer, DIN: 00006503  
Whole-time Director (Commercial), DIN: 06388001  
Chief Financial Officer  
Company Secretary, Membership No:A30204

Place: Hyderabad  
Date: May 29, 2021

## 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 March 31, 2021	For the year ended March 31, 2020
<b>Income</b>			
Revenue from operations	23	6,79,861	5,31,057
Other income	24	6,253	18,986
<b>Total Income</b>		<b>6,86,114</b>	<b>5,50,043</b>
<b>Expenses</b>			
Cost of raw materials consumed	25	2,36,550	2,18,266
Changes in inventories of finished goods and work-in-progress	26	(10,000)	(9,410)
Employee benefits expense	27	80,868	60,836
Finance costs	28	69	606
Depreciation and amortisation expense	29	25,465	18,595
Other expenses	30	90,375	79,821
<b>Total Expenses</b>		<b>4,23,327</b>	<b>3,68,714</b>
<b>Profit before tax</b>		<b>2,62,787</b>	<b>1,81,329</b>
<b>Tax Expense:</b>	31		
Current tax		60,905	38,779
Deferred tax		6,410	5,279
<b>Total Tax Expense</b>		<b>67,315</b>	<b>44,058</b>
<b>Profit after tax for the Year</b>		<b>1,95,472</b>	<b>1,37,271</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		25	(680)
- Income tax relating to these items		(9)	159
<b>(B) Items that will be reclassified to profit or loss</b>		-	-
<b>Other Comprehensive Income/(Loss) after tax for the Year</b>		<b>16</b>	<b>(521)</b>
<b>Total Comprehensive Income for the Year</b>		<b>1,95,488</b>	<b>1,36,750</b>
<b>Earnings per share (Par value of ₹2 each)</b>			
- Basic and Diluted	42	73.63	51.71

The accompanying notes are an integral part of the financial statements

This is the Standalone Statement of Profit and Loss referred to in our report of even date

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

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

Place: Kolkata  
Date: May 29, 2021

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

**Dr. Murali K. Divi**  
**N.V. Ramana**  
**Dr. Kiran S. Divi**  
**Nilima Prasad Divi**  
**L. Kishorebabu**  
**M. Satish Choudhury**  
Managing Director, DIN: 00005040  
Executive Director, DIN: 00005031  
Whole-time Director and Chief Executive Officer, DIN: 00006503  
Whole-time Director (Commercial), DIN: 06388001  
Chief Financial Officer  
Company Secretary, Membership No:A30204

Place: Hyderabad  
Date: May 29, 2021



## Standalone Statement of Cash Flows

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

Particulars	Notes	For the year ended March 31, 2021	For the year ended March 31, 2020
<b>Cash flow from operating activities</b>			
Profit before tax		2,62,787	1,81,329
Adjustments for:			
Depreciation and amortisation expense	29	25,465	18,595
Unrealised foreign exchange gain		(1,376)	(4,864)
Interest income from financial assets at amortized cost	24	(5,724)	(722)
Dividend income from investments mandatorily measured at fair value through profit or loss	24	-	(3,737)
Net gain on financial assets mandatorily measured at fair value through profit or loss	24	-	(4,499)
Net gain on redemption /disposal of investments	24	(265)	(1,440)
Provision for doubtful debts / (written back) [including Write off]	30	(92)	996
Finance costs	28	69	606
Loss on disposal / discard of assets	30	596	325
Government grants	24	(7)	(5)
		<b>2,81,453</b>	<b>1,86,584</b>
<b>Change in operating assets and liabilities</b>			
(Increase) / Decrease in trade receivables	11	(21,329)	(20,743)
(Increase) / Decrease in inventories	9	(29,853)	(8,099)
Increase / (Decrease) in trade payables	20	17,078	9,242
(Increase) / Decrease in non current Loans	6 (a)	(2,016)	(96)
(Increase) / Decrease in current Loans	6 (b)	9	2
(Increase) / Decrease in other non current assets	8	(232)	(28)
(Increase) /Decrease in other current financial assets	14(b)	(558)	(254)
(Increase) /Decrease in other non current financial assets	14(a)	(145)	-
(Increase) / Decrease in other current assets	15	7,075	(2,498)
Increase / (Decrease) in long term employee benefit obligation	17	498	870
Increase / (Decrease) in short term employee benefit obligation	17	5	(680)
Increase / (Decrease) in other financial liabilities	21	(2,864)	782
Increase / (Decrease) in other current liabilities	22	8,880	362
		<b>2,58,001</b>	<b>1,65,444</b>
<b>Cash generated from operations</b>			
Income taxes paid including withholding tax and net of refunds	7(c)	(63,296)	(44,597)
		<b>1,94,705</b>	<b>1,20,847</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment	3,4	(90,998)	(1,18,286)
Proceeds from sale of property, plant and equipment	3	15	36
Payments for purchase of Investments	10	(10,000)	(45,000)
Proceeds out of redemption/disposal of Investments	10	1,07,400	1,48,363
Dividend received	24	-	3,737
Interest received	24	5,701	746

## Standalone Statement of Cash Flows

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

Particulars	Notes	For the year ended March 31, 2021	For the year ended March 31, 2020
Proceeds from withdrawal of deposits	13	6,810	10,594
Investment in deposits	13	(11,394)	(8,328)
		<b>7,534</b>	<b>(8,138)</b>
<b>Net cash inflow / (outflow) from investing activities</b>			
<b>Cash flows from financing activities</b>			
Proceeds/(repayment) from working capital loans	19	(3,328)	(6,107)
Finance costs	28	(69)	(606)
Dividends paid to company's shareholders (Including tax)		-	(1,02,412)
		<b>(3,397)</b>	<b>(1,09,125)</b>
<b>Net cash inflow / (outflow) from financing activities</b>			
<b>Net increase/ (decrease) in cash and cash equivalents</b>		<b>1,98,842</b>	<b>3,584</b>
Cash and cash equivalents at the beginning of the year		2,788	(796)
		<b>2,01,630</b>	<b>2,788</b>
<b>Cash and cash equivalents at end of the year</b>			
<b>Reconciliation of Cash and cash equivalents at the end of the year</b>			
Cash and cash equivalents	12	2,01,630	2,788
		<b>2,01,630</b>	<b>2,788</b>
<b>Balances as per Statement of Cash flows</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 Statement of Standalone Cash Flows referred to in our report of even date

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

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

Place: Kolkata  
Date: May 29, 2021

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

**Dr. Murali K. Divi** Managing Director, DIN: 00005040  
**N.V. Ramana** Executive Director, DIN: 00005031  
**Dr. Kiran S. Divi** Whole-time Director and Chief Executive Officer, DIN: 00006503  
**Nilima Prasad Divi** Whole-time Director (Commercial), DIN: 06388001  
**L. Kishorebabu** Chief Financial Officer  
**M. Satish Choudhury** Company Secretary, Membership No:A30204

Place: Hyderabad  
Date: May 29, 2021

## Standalone Statement of changes in equity

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

### a. Equity share capital

	Number of Shares	Amount
<b>As at April 01, 2019</b>	<b>26,54,68,580</b>	<b>5,309</b>
Changes in equity share capital	-	-
<b>As at March 31, 2020</b>	<b>26,54,68,580</b>	<b>5,309</b>
Changes in equity share capital	-	-
<b>As at March 31, 2021</b>	<b>26,54,68,580</b>	<b>5,309</b>

### b. Other equity

	Reserves and Surplus				Total other equity
	Securities Premium	Special Economic Zone Re-investment reserve	General reserve	Retained earnings	
<b>Balance as at April 01, 2019</b>	<b>7,988</b>	<b>20,347</b>	<b>1,00,000</b>	<b>5,63,687</b>	<b>6,92,022</b>
Profit after tax for the year	-	-	-	1,37,271	1,37,271
Other comprehensive income net of tax for the year	-	-	-	(521)	(521)
<b>Total comprehensive income for the year</b>				<b>1,36,750</b>	<b>1,36,750</b>
Transactions with owners in their capacity as owners:					
Payment of dividends (including tax)	-	-	-	(1,02,412)	(1,02,412)
Transfer to Special Economic Zone Re-investment reserve	-	20,394	-	(20,394)	-
Utilisation of Special Economic Zone Re-investment reserve	-	(3,813)	-	3,813	-
<b>Balance as at March 31, 2020</b>	<b>7,988</b>	<b>36,928</b>	<b>1,00,000</b>	<b>5,81,444</b>	<b>7,26,360</b>
<b>Balance as at April 01, 2020</b>	<b>7,988</b>	<b>36,928</b>	<b>1,00,000</b>	<b>5,81,444</b>	<b>7,26,360</b>
Profit after tax for the Year	-	-	-	1,95,472	1,95,472
Other comprehensive income net of tax for the Year	-	-	-	16	16
<b>Total comprehensive income for the Year</b>				<b>1,95,488</b>	<b>1,95,488</b>
Transfer to Special Economic Zone Re-investment reserve	-	26,210	-	(26,210)	-
Utilisation of Special Economic Zone Re-investment reserve	-	(8,109)	-	8,109	-
<b>Balance at March 31, 2021</b>	<b>7,988</b>	<b>55,029</b>	<b>1,00,000</b>	<b>7,58,831</b>	<b>9,21,848</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: Kolkata  
Date: May 29, 2021

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

**Dr. Murali K. Divi** Managing Director, DIN: 00005040  
**N.V. Ramana** Executive Director, DIN: 00005031  
**Dr. Kiran S. Divi** Whole-time Director and Chief Executive Officer, DIN: 00006503  
**Nilima Prasad Divi** Whole-time Director (Commercial), DIN: 06388001  
**L. Kishorebabu** Chief Financial Officer  
**M. Satish Choudhury** Company Secretary, Membership No:A30204

Place: Hyderabad  
Date: May 29, 2021

## Notes to Standalone Financial Statements

### 1. Corporate Information

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

1.2 The Financial statements are approved for issue by the Company's Board of Directors on May 29, 2021.

### 2. Significant Accounting Policies

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

#### 2.1 Basis of Preparation:

##### (i) Compliance with Ind AS

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

##### (ii) Historical cost convention

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

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

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

The Company has applied the following standards and amendments for the first time for their annual reporting period commencing April 01, 2020:

- Definition of Material – amendments to Ind AS 1 and Ind AS 8
- Definition of a Business – amendments to Ind AS 103
- Covid-19 related concessions – amendments to Ind AS 116
- Interest Rate Benchmark Reform – amendments to Ind AS 109 and Ind AS 107

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

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

An asset / liability is classified as current if:

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

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

The operating cycle is the time between acquisition of assets for processing and their realization in



## Notes to Standalone Financial Statements

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 36 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.

#### (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.

## Notes to Standalone Financial Statements

### (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 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.

## Notes to Standalone Financial Statements

### 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 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.

## Notes to Standalone Financial Statements

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 34 details how the Company determines whether there has been a significant increase in credit risk.

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

#### (v) Derecognition of financial assets

A financial asset is derecognized only when

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

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

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

### 2.11 Offsetting financial instruments:

Financial assets and liabilities are offset, and the net amount is reported in the balance sheet where there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on



## Notes to Standalone Financial Statements

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 April 01, 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 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 April 01, 2015 measured as per the previous GAAP and use that carrying value as the deemed cost of intangible assets.

## Notes to Standalone Financial Statements

### (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.

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

## Notes to Standalone Financial Statements

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.

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.

## Notes to Standalone Financial Statements

### (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 stand-alone prices.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the company under residual value guarantees
- the exercise price of a purchase option if the company is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the company exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability. The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the company, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.



## Notes to Standalone Financial Statements

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 in relevant notes together with information about the basis of calculation for each affected line item in the financial statements.

## Notes to Standalone Financial Statements

The areas involving critical estimates or judgements are:

- Estimation of current tax expense and current tax payable – refer Note : 31(b)
- Estimation of defined benefit obligations- refer note: 17
- 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 and Capital Work-in-Progress

	Freehold Land	Plant and Machinery	Roads and Buildings	Furniture and Fixtures	Vehicles	Office Equipments	Laboratory Equipments	Computer and data processing units	Total	Capital work-in-progress
<b>Year ended March 31, 2020</b>										
Gross carrying amount										
At the beginning of the year	14,794	1,71,038	57,463	3,410	734	2,262	11,264	1,090	2,62,055	49,191
Additions	1,316	58,908	23,000	355	174	293	3,122	429	87,597	1,30,616
Disposals	-	(204)	(112)	-	(42)	(1)	(2)	-	(361)	(87,838)
<b>At the end of the year</b>	<b>16,110</b>	<b>2,29,742</b>	<b>80,351</b>	<b>3,765</b>	<b>866</b>	<b>2,554</b>	<b>14,384</b>	<b>1,519</b>	<b>3,49,291</b>	<b>91,969</b>
Accumulated depreciation										
At the beginning of the year	-	40,217	6,668	978	270	1,018	3,929	636	53,716	-
Depreciation charge during the year	-	13,782	2,191	343	89	419	1,276	209	18,309	-
Disposals	-	-	-	-	-	-	-	-	-	-
<b>At the end of the year</b>	<b>-</b>	<b>53,999</b>	<b>8,859</b>	<b>1,321</b>	<b>359</b>	<b>1,437</b>	<b>5,205</b>	<b>845</b>	<b>72,025</b>	<b>-</b>
<b>Net carrying amount as at March 31, 2020</b>	<b>16,110</b>	<b>1,75,743</b>	<b>71,492</b>	<b>2,444</b>	<b>507</b>	<b>1,117</b>	<b>9,179</b>	<b>674</b>	<b>2,77,266</b>	<b>91,969</b>
<b>Year ended March 31, 2021</b>										
Gross carrying amount										
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	91,969
Additions	1,041	77,298	33,854	606	486	679	3,391	561	1,17,916	97,444
Disposals	-	(531)	-	(7)	(3)	(3)	(59)	(5)	(608)	(1,18,351)
<b>At the end of the Year</b>	<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>71,062</b>
Accumulated depreciation										
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	-	-	-	-	-	-	-	-	-	-
<b>At the end of the Year</b>	<b>-</b>	<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>-</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>71,062</b>

- (i) Movable assets are pledged as security : Refer Note 19(a) for information on plant and equipment pledged as security for availing working capital facilities from Banks.
- (ii) Contractual obligations and other commitments: Refer Note 40 for disclosure of contractual and other commitments for the acquisition of property, plant and equipment.
- (iii) Assets under construction majorly consist of Roads & Buildings, Plant & Machinery and corresponding internal development costs. During the year, the Company has incurred capital costs of ₹97,444 on Capital work-in-progress at various locations and this includes staff cost of ₹155 (March 31, 2020: ₹110) relating to projects team involved in supervision and monitoring of these projects and cost of power consumed ₹ 84 (March 31, 2020: ₹118)
- (iv) The Gross carrying amounts of Roads and Buildings and Plant and machinery includes staff cost of ₹306 (March 31,2020 ₹ 144) relating to projects team involved in supervision and monitoring of these projects and cost of power consumed of ₹242(March 31,2020 ₹165)

## Notes to Standalone Financial Statements

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

### Note 4: Intangible assets

	Computer Software
<b>Year ended March 31, 2020</b>	
<b>Gross carrying amount</b>	
At the beginning of the year	1,274
Additions	241
Disposals	-
<b>At the end of the year</b>	<b>1,515</b>
<b>Accumulated amortisation</b>	
At the beginning of the year	869
Amortisation charge during the year	286
Disposals	-
<b>At the end of the year</b>	<b>1,155</b>
<b>Net carrying amount as at March 31, 2020</b>	<b>360</b>
<b>Year ended March 31, 2021</b>	
<b>Gross carrying amount</b>	
At the beginning of the Year	1,515
Additions	435
Disposals	(3)
<b>At the end of the year</b>	<b>1,947</b>
<b>Accumulated amortisation</b>	
At the beginning of the Year	1,155
Amortisation charge during the Year	297
Disposals	-
<b>At the end of the year</b>	<b>1,452</b>
<b>Net carrying amount as at March 31, 2021</b>	<b>495</b>

### Note 5: Non-Current Investments

	March 31, 2021	March 31, 2020
<b>(a) (Unquoted, fully paid up)</b>		
<b>Investment in equity instruments in subsidiary companies (at Cost)</b>		
2000 (March 31, 2020:2000) ordinary shares of US\$ 0.01 each of Divis Laboratories (USA )Inc *	332	332
200 (March 31, 2020:200) 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, 2020:12000) 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>Total Non-current investments</b>	<b>737</b>	<b>737</b>
Aggregate amount of unquoted investments	737	737
Aggregate amount of quoted investments and market value thereof	-	-
Aggregate amount of impairment in the value of investment	-	-

\* ₹ 87 (2020: ₹ 87) included in the cost of investment is on account of fair valuation of interest free loans given to subsidiary.

\*\* ₹ 367 (2020: ₹ 367) included in the cost of investment is on account of fair valuation of interest free loans given to subsidiary.



## Notes to Standalone Financial Statements

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

### Note 6: Loans

	March 31, 2021	March 31, 2020
<b>6(a): Loans - non-current:</b>		
Security Deposits	5,516	3,500
<b>Total Loans - non-current</b>	<b>5,516</b>	<b>3,500</b>
<b>6(b): Loans -current:</b>		
Advances to employees	-	9
<b>Total Loans - Current</b>	<b>-</b>	<b>9</b>

### Security wise break up of loans:

	March 31, 2021	March 31, 2020
Loans considered Good- Secured	-	-
Loans considered Good - Unsecured	5,516	3,509
Loans which have significant increase in credit risk	-	-
Loans - credit impaired	-	-
<b>Total</b>	<b>5,516</b>	<b>3,509</b>
Less: Loss Allowance	-	-
<b>Total Loans</b>	<b>5,516</b>	<b>3,509</b>

### Note 7: Income Tax Assets (net)

	March 31, 2021	March 31, 2020
<b>7(a). Income Tax asset - Non-Current</b>		
Prepaid Income Taxes	6,877	-
Provision for income tax	(17)	-
	<b>6,860</b>	<b>-</b>
<b>7(b). Income Tax asset - Current</b>		
Prepaid Income Taxes	65,016	97,275
Provision for income tax	(61,589)	(89,370)
	<b>3,427</b>	<b>7,905</b>
<b>Total Income tax Assets</b>	<b>10,287</b>	<b>7,905</b>

### Note 7(c): Movement in Income tax assets

	March 31, 2021	March 31, 2020
Income tax Assets - at the beginning of the year	7,905	1,928
Add: Taxes paid during the year	65,016	44,772
Less :Others (refund received)	(1,720)	(175)
Less: Adjustments of current tax for prior years	675	3,370
Less: Current tax provision	(61,589)	(41,990)
<b>Net Income tax Asset - at the end of the year</b>	<b>10,287</b>	<b>7,905</b>

## Notes to Standalone Financial Statements

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

### Note 8: Other non-current assets

	March 31, 2021	March 31, 2020
Capital advances	4,849	10,918
Pre-paid expenses	86	57
Other Receivables including indirect tax refund claims	690	487
<b>Total other non-current assets</b>	<b>5,625</b>	<b>11,462</b>

### Note 9: Inventories

	March 31, 2021	March 31, 2020
(Valued at lower of cost and net realisable value)		
Raw materials	69,495	50,049
Work-in-progress	1,09,334	98,091
Finished goods	14,263	15,506
Packing material	838	434
Stores and spares	10,340	10,337
<b>Total Inventories</b>	<b>2,04,270</b>	<b>1,74,417</b>

Raw Materials and finished goods consists of goods in transit of ₹ 7,912 (March 31, 2020- ₹ 10,239) and ₹ 12,838 (March 31, 2020- ₹ 12,159) respectively.

### Amounts recognised in profit or loss

Write-downs of Inventories to net realisable value and on account of slow moving inventory amounted to ₹ 586 (For the year ended March 31, 2020, there was a reversal of Write-downs amounting ₹ 660). These were recognised in statement of profit or loss and included in 'Changes in inventories of Finished goods and work in progress' and 'Cost of raw materials consumed'.

### Note 10: Current investments

	March 31, 2021		March 31, 2020	
	Units	Amount	Units	Amount
<b>Investment in Quoted Mutual Funds (at FVPL)</b>				
(March 31, 2020: SBI Mutual Fund under SBI Magnum Ultra Short Duration Fund - Direct Growth Scheme -@ Fair Value of ₹ 4479.648 per unit)	-	-	21,68,363	97,135
<b>Total current investments</b>		<b>-</b>		<b>97,135</b>
Aggregate amount of quoted investments and market value thereof		-		97,135
Aggregate amount of unquoted investments		-		-

### Note 11: Trade receivables

	March 31, 2021	March 31, 2020
Trade receivables from others	1,55,128	1,34,165
Trade receivables from related parties	19,637	20,189
Gross trade receivables	1,74,765	1,54,354
Less: Loss allowance	209	1,033
<b>Net trade receivables</b>	<b>1,74,556</b>	<b>1,53,321</b>
Current portion	1,74,556	1,53,321
Non-current portion	-	-

## Notes to Standalone Financial Statements

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

### Note 11: Trade receivables (Contd..)

	March 31, 2021	March 31, 2020
Trade receivables considered Good- Secured	-	-
Trade receivables considered Good - Unsecured	1,74,556	1,53,321
Trade receivables which have significant increase in credit risk	192	1,016
Trade receivables - credit impaired	17	17
<b>Total</b>	<b>1,74,765</b>	<b>1,54,354</b>
Less: Loss Allowance	209	1,033
<b>Net trade receivables</b>	<b>1,74,556</b>	<b>1,53,321</b>

### Note 12: Cash and cash equivalents

	March 31, 2021	March 31, 2020
Balances with banks		
- in current accounts	703	724
- in terms deposits with maturity period not more than three months	2,00,852	2,001
Cash on hand	75	63
<b>Total cash and cash equivalents*</b>	<b>2,01,630</b>	<b>2,788</b>

\*There are no repatriation restrictions on cash and cash equivalents as at the end of reporting period and prior period.

### Note 13: Bank balances other than cash and cash equivalents

	March 31, 2021	March 31, 2020
Balances in earmarked accounts with Banks:		
- Unclaimed dividend	125	109
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	7,048	6,588
- pledged towards margin on Guarantees issued by Bank	348	150
- other unencumbered deposits	5,050	1,101
<b>Total Bank balances other than cash and cash equivalents</b>	<b>12,571</b>	<b>7,948</b>

### Note 14: Other Financial assets

	March 31, 2021	March 31, 2020
<b>14(a): Other financial assets - Non- current:</b>		
Term deposits with Bank with maturity period exceeding twelve months (pledged towards margin on guarantees issued by Bank)	145	-
<b>Total Other Financial assets - Non -current</b>	<b>145</b>	<b>-</b>
<b>14(b): Other financial assets - Current:</b>		
Export incentive receivable	114	40
Rental Deposit	308	313
Other Deposits	414	-
Insurance claims receivable	111	36
<b>Total Other Financial assets - Current</b>	<b>947</b>	<b>389</b>
<b>Total Other Financial assets</b>	<b>1,092</b>	<b>389</b>

## Notes to Standalone Financial Statements

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

### Note 15: Other current assets

	March 31, 2021	March 31, 2020
Indirect Taxes- Input Credits	6,392	15,041
Prepaid expenses	2,218	1,636
Advances to suppliers	3,116	2,377
Other Receivables including indirect tax refund claims	3,404	3,151
<b>Total Other current assets</b>	<b>15,130</b>	<b>22,205</b>

### Note 16: Equity share capital and other equity

#### Note 16(a): Equity share capital

##### (i) Authorised equity share capital

	Number of shares	Amount
As at April 01, 2019	30,00,00,000	6,000
Movement during the year	-	-
<b>As at March 31, 2020</b>	<b>30,00,00,000</b>	<b>6,000</b>
Movement during the year	-	-
<b>As at March 31, 2021</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 01, 2019	26,54,68,580	5,309
Movement during the year	-	-
<b>As at March 31, 2020</b>	<b>26,54,68,580</b>	<b>5,309</b>
Movement during the year	-	-
<b>As at March 31, 2021</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.

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

On 28, 2015, the Company has issued 13,27,34,290 equity shares of ₹ 2 each as fully paid bonus shares by capitalization of securities premium reserve.

##### (iii) Details of shareholders holding more than 5% shares in the company

	March 31, 2021		March 31, 2020	
	Number of shares	% holding	Number of shares	% holding
PROMOTERS GROUP				
Dr.Murali Krishna Prasad Divi *	75,67,000	2.85%	75,67,000	2.85%
Dr. Satchandra Kiran Divi	5,40,00,000	20.34%	5,40,00,000	20.34%
Mrs. Swarnalatha Divi	1,40,00,000	5.27%	1,40,00,000	5.27%
Ms. Nilima Prasad Divi	5,40,00,000	20.34%	5,40,00,000	20.34%

\* given as an additional information



## Notes to Standalone Financial Statements

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

### Note 16(b): Other Equity

	March 31, 2021	March 31, 2020
<b>Reserves and Surplus</b>		
Securities premium reserve	7,988	7,988
General reserve	1,00,000	1,00,000
Retained earnings	7,58,831	5,81,444
Special Economic Zone Re-investment reserve	55,029	36,928
<b>Total Other Equity</b>	<b>9,21,848</b>	<b>7,26,360</b>

(i) As there was no movement in Securities premium reserve and General Reserve during the reporting period and previous year, reconciliation is not given.

### (ii) Retained earnings

	March 31, 2021	March 31, 2020
At the beginning of the year	5,81,444	5,63,687
Profit after tax for the Year	1,95,472	1,37,271
Transfer to Special Economic Zone Re-investment reserve	(26,210)	(20,394)
Utilization of Special Economic Zone Re-investment reserve	8,109	3,813
Dividend paid including tax thereon	-	(1,02,412)
Items of other comprehensive income recognised directly in retained earnings:		
- Remeasurements of post employment benefit obligation, net of tax	16	(521)
<b>At the end of the year</b>	<b>7,58,831</b>	<b>5,81,444</b>

### (iii) Special Economic Zone Re-investment reserve

	March 31, 2021	March 31, 2020
At the beginning of the year	36,928	20,347
Transfer from Retained Earnings	26,210	20,394
Transferred to Retained Earnings on utilisation	(8,109)	(3,813)
<b>At the end of the year</b>	<b>55,029</b>	<b>36,928</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 01, 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 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 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 Standalone Financial Statements

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

### Note 17: Provisions - Employee Benefit Obligations

	March 31, 2021			March 31, 2020		
	Current	Non-Current	Total	Current	Non-Current	Total
Compensated Absences	251	2,525	2,776	246	2,052	2,298
Gratuity	-	-	-	-	-	-
	<b>251</b>	<b>2,525</b>	<b>2,776</b>	<b>246</b>	<b>2,052</b>	<b>2,298</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).

(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, 2019</b>	<b>2,367</b>	<b>2,797</b>	<b>(430)</b>
Current service cost	270	-	270
Interest expense/(income)	180	232	(52)
Amount recognized in Statement of profit and loss	450	232	218
<b>Remeasurements</b>			
Return on plan assets, excluding amounts included in interest expense/(income)	-	-	-
Actuarial (gain) / loss	-	-	-
(Gain)/loss from change in demographic assumptions	-	-	-
(Gain)/loss from change in financial assumptions	336	-	336
Experience (gains)/loss	139	(26)	165
<b>Amount recognized in other comprehensive income</b>	<b>475</b>	<b>(26)</b>	<b>501</b>
Amount recognized in total comprehensive income	<b>925</b>	<b>206</b>	<b>719</b>
Employer contributions	-	480	(480)
Benefit payments	(20)	(20)	-
<b>As at March 31, 2020</b>	<b>3,272</b>	<b>3,463</b>	<b>(191)</b>

## Notes to Standalone 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>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)
Amount recognized in Statement of profit and loss	542	234	308
<b>Remeasurements</b>			
Return on plan assets, excluding amounts included in interest expense/(income)	-	-	-
Actuarial (gain) / loss	-	-	-
(Gain)/loss from change in demographic assumptions	-	-	-
(Gain)/loss from change in financial assumptions	(53)	-	(53)
Experience (gains)/loss	65	-	65
Amount recognized in other comprehensive income	<b>12</b>	-	<b>12</b>
Amount recognized in total comprehensive income	<b>554</b>	<b>234</b>	<b>320</b>
Employer contributions	-	222	(222)
Benefit payments	(38)	(38)	-
<b>As at March 31, 2021</b>	<b>3,788</b>	<b>3,881</b>	<b>(93)</b>

The net liability disclosed above relates to funded plans are as follows:

	March 31, 2021	March 31, 2020
Present value of funded obligations	3,788	3,272
Fair value of plan assets	3,881	3,463
Deficit/ (Surplus) of funded plans*	(93)	(191)

\* Included in note 15 'Other current assets'

### (ii) Significant estimates: Actuarial assumptions

The significant actuarial assumptions were as follows:

	March 31, 2021	March 31, 2020
Discount rate	6.88%	6.77%
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, 2021	March 31, 2020
Defined Benefit Obligation	3788	3272
Increase / (Decrease) in Defined Benefit Obligation:		
Discount rate:(% change compared to base due to sensitivity)		
Increase : +1%	(430)	(378)
Decrease: -1%	522	459
Salary Growth rate:(% change compared to base due to sensitivity)		
Increase : +1%	489	424
Decrease: -1%	(409)	(359)

## Notes to Standalone 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, 2021	March 31, 2020
Attrition rate:(% change compared to base due to sensitivity)		
Increase : +1%	46	37
Decrease: -1%	(53)	(43)

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as and when calculating the defined benefit liability recognised in the balance sheet. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period

### (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, 2021	March 31, 2020
*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, 2022 is expected to be ₹ 290.

The weighted average duration of the defined benefit obligation is 19.22 years ( March 31, 2020 - 19.35 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, 2021</b>					
Defined benefit obligation-gratuity	290	754	995	9,119	11,158
<b>March 31, 2020</b>					
Defined benefit obligation-gratuity	267	604	867	7,850	9,588

### (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 equivalent to meet the liabilities or holdings liquid assets not being sold in time.

**Salary Escalation Risk:** The present value of the defined benefit plans calculated with the assumption of salary increase rate of plan participants in future. Deviation in the rate of increase of salary in future for plan participants from the rate of increase in salary used to determine the present value obligation will have a bearing on the plan's liability.



## Notes to Standalone 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..)

**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 ₹ 1,750 (March 31, 2020- ₹ 1,427).

**Employer's Contribution to State Insurance Scheme:** Contributions are made to State Insurance Scheme for employees at the rate of 3.25% (March 31, 2020: 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 ₹ 303 (March 31, 2020- ₹ 284)

### Note 18: Deferred tax liabilities (net)

The balance comprises temporary differences attributable to:

	March 31, 2021	March 31, 2020
<b>Deferred Tax Liability / (Asset) :</b>		
Property, plant and equipment	35,110	26,263
Employee Benefits	(1,225)	(1,019)
Others	(79)	2,152
<b>Net deferred tax liabilities</b>	<b>33,806</b>	<b>27,396</b>

### Movement in Deferred tax liabilities /(Asset)

	April 01, 2019	Changes through Profit and Loss	Changes through OCI	March 31, 2020
Property, Plant and equipment	23,272	2,991	-	26,263
Employee benefit expenses	(965)	(54)	-	(1,019)
Others	(190)	2,342	-	2,152
<b>Total</b>	<b>22,117</b>	<b>5,279</b>	<b>-</b>	<b>27,396</b>

## Notes to Standalone Financial Statements

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

### Movement in Deferred tax liabilities /(Asset) (Contd..)

	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>

### Note 19: Current borrowings

	Maturity Date and Terms of Payment	Interest rate	March 31, 2021	March 31, 2020
<b>Loans payable on demand:</b>				
Secured from Banks				
Working Capital Loans from Banks*	Payable on demand	7.1%**	35	3,363
<b>Total Current Borrowings</b>			<b>35</b>	<b>3,363</b>

\*Represents temporary overdrafts

\*\* 7.6% for year ended March 31, 2020

### Secured borrowings and assets pledged as security

Secured by pari-passu primary first charge on inventories, receivables and other current assets of the company and first charge on movable Fixed assets of the company. The carrying amounts of financial and non-financial assets pledged as security for current and non-current borrowings are disclosed in Note 19(a).

### Note 19(a): Assets pledged as security

The carrying amounts of Company's assets pledged as security for fund and non-fund based working capital facilities from banks:

	March 31, 2021	March 31, 2020
<b>First Charge</b>		
Inventory*	2,04,270	1,74,417
Accounts receivables	1,74,556	1,53,321
Other Current Assets	2,33,705	1,38,379
	<b>6,12,531</b>	<b>4,66,117</b>
<b>Second Charge</b>		
Movable assets of the company	2,50,314	1,89,664

\*Value of Letters of credit and guarantees outstanding as at March 31, 2021 is ₹ 7,809 (March 31, 2020 is ₹ 21,834)

## Notes to Standalone Financial Statements

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

### Note 19(b): Net Debt reconciliation

This section sets out the changes in liabilities arising from financing activities in the statement of cash flows:

	March 31, 2021	March 31, 2020
Working Capital Loans	35	3363
Cash and cash equivalents	(2,01,630)	(2,788)
Liquid investments	-	(97,135)
<b>Net Debt /(Surplus)</b>	<b>(2,01,595)</b>	<b>(96,560)</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, 2019	9,470	(1,39,834)	796	(1,29,568)
Cash Flows	(6,107)	47,198	(3,584)	37,507
Interest Expense	(606)	-	-	(606)
Interest paid	606	-	-	606
Fair value adjustments	-	(4,499)	-	(4,499)
<b>Net Debt /(surplus) as at March 31, 2020</b>	<b>3,363</b>	<b>(97,135)</b>	<b>(2,788)</b>	<b>(96,560)</b>
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>

### Note 20: Trade payables

	March 31, 2021	March 31, 2020
<b>Current</b>		
Trade Payables -Micro and small enterprises (Refer Note No.41)	3,248	1,174
Trade Payables -Others	71,630	56,860
<b>Total Trade payables</b>	<b>74,878</b>	<b>58,034</b>

### Note 21: Other Financial liabilities

	March 31, 2021	March 31, 2020
<b>Current</b>		
Capital creditors	7,562	7,192
Unclaimed dividend	125	109
Accrual for rebates / discounts	137	3,001
<b>Total Other financial liabilities</b>	<b>7,824</b>	<b>10,302</b>

## Notes to Standalone Financial Statements

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

### Note 22: Other current liabilities

	March 31, 2021	March 31, 2020
Statutory dues payable	776	795
Deferred Revenue Government Grants	64	54
Employee benefits payable	23,455	14,566
Advance from customers	1,606	2,934
<b>Total Other current liabilities</b>	<b>25,901</b>	<b>18,349</b>

### Note 23: Revenue from operations

	March 31, 2021	March 31, 2020
<b>Sale of products</b>	6,54,190	5,19,831
<b>Sale of Services:</b>		
Contract research fee	14,565	901
<b>Other Operating Revenue:</b>		
Export incentives	8,693	8,648
Sale of scrap out of manufacturing process	2,413	1,677
<b>Total Revenue from operations</b>	<b>6,79,861</b>	<b>5,31,057</b>

### Note 23(a): Reconciliation of Revenue recognised with contract price:

	March 31, 2021	March 31, 2020
Contract price	6,82,034	5,36,886
Rebates / Discounts	(2,173)	(5,829)
<b>Revenue from operations</b>	<b>6,79,861</b>	<b>5,31,057</b>

### Note 23(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, 2021			March 31, 2020		
	Sale of Products & Services	Other Operating Revenue	Total Revenue from operations	Sale of Products & Services	Other Operating Revenue	Total Revenue from operations
America	1,58,652	-	1,58,652	1,21,813	-	1,21,813
Asia	82,675	-	82,675	59,474	-	59,474
Europe	3,17,415	-	3,17,415	2,49,850	-	2,49,850
India	80,130	11,106	91,236	68,071	10,325	78,396
Others	29,883	-	29,883	21,524	-	21,524
	<b>6,68,755</b>	<b>11,106</b>	<b>6,79,861</b>	<b>5,20,732</b>	<b>10,325</b>	<b>5,31,057</b>



## Notes to Standalone Financial Statements

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

### Note 24: Other income

	March 31, 2021	March 31, 2020
Interest income from financial assets at amortised cost	5,724	722
Dividend income from investments mandatorily measured at fair value through profit or loss	-	3,737
Net gain on redemption /disposal of investments	265	1,440
Net gain on financial assets mandatorily measured at fair value through profit or loss	-	4,499
Net gain on foreign currency transactions and translations	-	8,204
Miscellaneous Income	257	379
Government Grants	7	5
<b>Total Other income</b>	<b>6,253</b>	<b>18,986</b>

### Note 25: Cost of raw materials consumed

	March 31, 2021	March 31, 2020
Raw materials at the beginning of the year	50,049	51,210
Add: Purchases	2,55,996	2,17,105
Less: Raw materials at the end of the period	69,495	50,049
<b>Total Cost of raw materials consumed</b>	<b>2,36,550</b>	<b>2,18,266</b>

### Note 26: Changes in inventories of finished goods and work-in-progress

	March 31, 2021	March 31, 2020
<b>Opening Balance:</b>		
Finished goods	15,506	11,338
Work-in-progress	98,091	92,849
	<b>1,13,597</b>	<b>1,04,187</b>
<b>Closing 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>Total Changes in inventories of finished goods and work-in-progress</b>	<b>(10,000)</b>	<b>(9,410)</b>

### Note 27: Employee benefits expense

	March 31, 2021	March 31, 2020
Salaries, wages, bonus and other allowances	77,291	57,855
Contribution to provident fund and other fund- refer note 39(b)	1,750	1,427
Contribution to ESI	303	284
Staff welfare expenses	1,524	1,270
<b>Total Employee benefits expense*</b>	<b>80,868</b>	<b>60,836</b>

\*Net of ₹ 155 (March 31, 2020 ₹110) transferred to Capital work in progress (Refer Note 3)

## Notes to Standalone Financial Statements

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

### Note 28: Finance costs

	March 31, 2021	March 31, 2020
Interest and finance charges on financial liabilities carried at amortised cost	20	549
Interest on Income tax	1	1
Charges for Letters of Credit / Bank Guarantees	48	56
<b>Total Finance costs</b>	<b>69</b>	<b>606</b>

### Note 29: Depreciation and amortisation expense

	March 31, 2021	March 31, 2020
Depreciation on property, plant and equipment	25,168	18,309
Amortisation of intangible assets	297	286
<b>Total Depreciation and amortisation expense</b>	<b>25,465</b>	<b>18,595</b>

### Note 30: Other expenses

	March 31, 2021	March 31, 2020
Consumption of stores and spares	5,594	4,905
Packing materials consumed	5,097	4,129
Power and fuel*	30,944	26,787
Repairs and maintenance- buildings	1,788	2,135
Repairs and maintenance- machinery	12,393	10,811
Repairs and maintenance- others	157	235
Insurance	2,158	926
Rates and taxes, excluding taxes on income	1,247	1,251
Non-Executive Directors' Remuneration including sitting fees	209	131
Printing and stationery	662	488
Rental charges	1,035	883
Communication expenses	144	147
Travelling and conveyance	3,140	2,486
Vehicle maintenance	101	127
Payments to Auditors -refer note 30(a)	63	58
Legal and professional charges	780	1,345
Factory upkeep	297	350
Environment management expenses	2,781	1,846
Advertisement and Publication expenses	7	31
Research and development expenses-refer note 30(c)	1,497	1,114
Sales commission	1,170	1,177
Carriage outward	9,844	6,303
General expenses	4,415	3,973
Electricity service line charges	971	1,286
Provision for doubtful debts/ (written back)	(92)	996
Political Contributions	-	400
Donations	-	11
Net Loss on Foreign Currency transactions and translations	77	-
Corporate Social Responsibility activities and Covid-19 expenses- refer note 30(b)	3,188	5,068
Loss on disposal / discard of assets	596	325
Bank charges	112	97
<b>Total Other expenses</b>	<b>90,375</b>	<b>79,821</b>

\*Net of ₹ 84 (March 31, 2020: ₹ 118) transferred to capital work in progress (refer note 3)

## Notes to Standalone Financial Statements

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

### Note 30(a): Details of payments to auditors

	March 31, 2021	March 31, 2020
As Statutory Auditor	36	32
For Quarterly Reviews	24	24
Re-imbursment of expenses	3	2
<b>Total Payments to auditors</b>	<b>63</b>	<b>58</b>

### Note 30(b): Expenditure on Corporate Social Responsibilities and Covid-19 relief

The Company has spent amounts as specified below towards various schemes of Corporate Social Responsibility activities as prescribed under Section 135 of the Companies Act, 2013.

	March 31, 2021	March 31, 2020
(A) As Prescribed under Schedule VII of the Companies Act, 2013 and General Circular No.15/2020 issued by Ministry of Corporate Affairs dated April 10, 2020.		
(i) Construction / acquisition of any asset	-	-
(ii) On Purposes other than (i) above	3,435	4,568
(B) Other than (A) above**	-	500
<b>Total Amount spent during the year</b>	<b>3,435</b>	<b>5,068</b>
Less: Amount required to be spent for the year	3,188	2,968
Amount carried forward for succeeding years *	247	NA
(As per third proviso to Section 135(5) of the Companies Act, 2013 effective from January 22, 2021)		

\* included in Prepaid Expenses (refer note 15)

\*\*represents contributions to Andhra Pradesh Chief Minister's Relief Fund for Covid-19 relief.

The Company does not carry any provisions for Corporate Social Responsibility expenses for the reporting period and for prior periods.

### Note 30(c): Research and development expenses\*

	March 31, 2021	March 31, 2020
Salaries, wages, bonus and other allowances	3,369	2,550
Contribution to provident and other funds	194	119
Contribution to ESI	9	8
Staff welfare expenses	32	32
Materials and stores consumed	674	426
Power and fuel	198	171
Repairs to buildings	10	34
Repairs to machinery	498	375
Repairs to other assets	20	28
Rates and taxes, excluding taxes on income	31	22
Printing and stationery	16	18
Communication expenses	2	1
Travelling and conveyance	1	3
Miscellaneous expenses	47	36
<b>Total Research and development expenses</b>	<b>5,101</b>	<b>3,823</b>

\* Research and development expenditure to the extent of ₹ 3,604 (2020: ₹ 2,709) 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 ₹ 1,497 (2020: ₹ 1,114) is grouped under other expenses.

## Notes to Standalone Financial Statements

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

### Note 31(a): Tax expense

	March 31, 2021	March 31, 2020
(i) Current tax expense		
Current tax on profits for the year	61,580	42,149
Current tax reversals of earlier years	(675)	(3,370)
<b>Total current tax expense</b>	<b>60,905</b>	<b>38,779</b>
(ii) Deferred tax expense*		
Decrease /(Increase) in deferred tax Assets	(2,437)	(233)
(Decrease) /Increase in deferred tax liabilities	8,847	5,512
<b>Total Deferred tax expense/(benefit)</b>	<b>6,410</b>	<b>5,279</b>
(iii) Current Tax expense recognised in statement of profit and loss (i+ii)	67,315	44,058
(iv) Current Tax expense recognised in other comprehensive income		
Tax expense / (benefit)	9	(159)
Deferred tax expense / (benefit)	-	-
<b>Total Income tax expense recognised in Other Comprehensive Income</b>	<b>9</b>	<b>(159)</b>
<b>Total tax expense (iii+iv)</b>	<b>67,324</b>	<b>43,899</b>

\*Entire deferred tax for the year ended March 31, 2021 and March 31, 2020 relates to origination and reversal of temporary differences.

### (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.

### (c) Reconciliation of tax expense and the accounting profit multiplied by India's tax rate:

	March 31, 2021	March 31, 2020
Profit from operations before income tax expenses	2,62,787	1,81,329
<b>Tax at the Indian tax rate of 34.944% (March 31, 2020: 34.944%)</b>	<b>91,828</b>	<b>63,364</b>
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Expenses not deductible for tax purpose	1,086	1,283
Income not considered for tax purpose	(23,192)	(16,237)
Impact on account of differential tax rate	-	(399)
Impact due to change in the tax rate from previous year	-	(268)
Adjustments for current tax of prior periods	(675)	(3,370)
Others	(1,723)	(474)
<b>Total tax expense</b>	<b>67,324</b>	<b>43,899</b>



# Notes to Standalone Financial Statements

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

## Financial Instruments and Risk Management

### Note 32: Categories of Financial Instruments

	Notes	Level	March 31, 2021 Carrying Value / Fair Value	March 31, 2020 Carrying Value / Fair Value
<b>A. Financial assets</b>				
<b>a) Mandatorily measured at fair value through profit or loss</b>				
Investment in mutual funds	10	1	-	97,135
Investment in equity instruments of other companies	5	3	1	1
<b>Total Financial assets</b>			<b>1</b>	<b>97,136</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.

#### Valuation Process:

The Finance and Accounts department of the Company performs the valuation of financial assets and liabilities required for financial reporting purposes, and report to the Board of Directors. The Level 3 inputs for investment in equity shares are derived using the discounted cash flow analysis.

### Note 34: 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

- Credit risk on cash and cash equivalents is limited as the Company generally invests in deposits with nationalised bank thereby minimising its risk.

# Notes to Standalone Financial Statements

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

## Note 34: Financial Risk Management (Contd..)

- Credit risk on security deposits, term deposits and trade receivables are evaluated as follows:

#### Expected credit loss for security deposits and loans:

Category	Basis for recognition of expected credit loss provision	Asset Group
Financial assets for which credit risk has not increased significantly since initial recognition	Loss allowance measured at 12 month expected credit losses	Security Deposits Advances to Employees Other Non-Current Financial assets Other Current Financial assets

#### Expected credit loss for deposits and loans:

Asset Group	March 31, 2021			March 31, 2020		
	Gross carrying amount	Expected credit loss	Carrying amount net of provision	Gross carrying amount	Expected credit loss	Carrying amount net of provision
Security Deposits	5,516	-	5,516	3,500	-	3,500
Other Non-Current Financial assets	145	-	145	-	-	-
Advances to employees	-	-	-	9	-	9
Other Current Financial assets	947	-	947	389	-	389

#### 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.

Following are the Expected credit loss for trade receivables under simplified approach:

	March 31, 2021	March 31, 2020
Gross carrying amount of trade receivables	1,74,765	1,54,354
Expected credit losses ( Loss allowance provision)	209	1,033
Net carrying amount of trade receivables	1,74,556	1,53,321

## Notes to Standalone Financial Statements

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

### Note 34: Financial Risk Management (Contd..)

Expected credit loss for trade receivables under simplified approach as at March 31, 2021

Ageing	Not due	Outstanding			Total
		for < 90 days	> 90 days & < 180 days	for > 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:

	Total
Loss Allowance on April 01, 2019	94
Change in Loss Allowance	
Add: Current year loss allowance provided	996
Less: Recoveries / Writeback	-
Less: Bad debts written off	(57)
Loss Allowance on March 31, 2020	1,033
Loss Allowance on April 01, 2020	1,033
Change in Loss Allowance	
Add: Current year loss allowance provided	95
Less: Recoveries / Writeback	(187)
Less: Bad debts written off	(732)
Loss Allowance on March 31, 2021	209

### (B) Market Risk:

The Company 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 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, 2021		March 31, 2020	
		Amount in Foreign Currency	Amount in Rs	Amount in Foreign Currency	Amount in Rs
Receivables	ACU	-*	29	1	66
	EUR	141	12,155	153	12,677
	GBP	160	16,094	163	15,199
	USD	1,806	1,32,681	1,413	1,06,529
Payable to suppliers and services	USD	(549)	(40,333)	(355)	(26,776)
	EUR	(9)	(776)	(14)	(1,185)
	GBP	-*	-	(2)	(150)

## Notes to Standalone 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) Foreign currency risk exposure: (Contd..)

	Currency	March 31, 2021		March 31, 2020	
		Amount in Foreign Currency	Amount in Rs	Amount in Foreign Currency	Amount in Rs
	SEK	-*	(1)	-	-
	CHF	-*	(28)	-	-
	CAD	-	-	-*	-*
<b>Net Foreign currency exposure Asset/(Liability)</b>			<b>1,19,821</b>		<b>1,06,360</b>

	Impact on profit after tax (Income) / Expense	
	March 31, 2021	March 31, 2020
<b>USD Sensitivity:</b>		
INR/USD -Increase by 5% ( March 31, 2020: 1%)	(3,004)	(519)
INR/USD -Decrease by 5% (March 31, 2020: 1%)	3,004	519
<b>ACU Sensitivity:</b>		
INR/AUC -Increase by 10% ( March 31, 2020: 1%)	(2)	0
INR/AUC -Decrease by 10% ( March 31, 2020: 1%)	2	0
<b>EUR Sensitivity:</b>		
INR/EUR -Increase by 10% ( March 31, 2020: 1%)	(740)	(75)
INR/EUR -Decrease by 10% ( March 31, 2020: 1%)	740	75
<b>GBP Sensitivity:</b>		
INR/GBP -Increase by 7% ( March 31, 2020: 1%)	(733)	(79)
INR/GBP -Decrease by 7% ( March 31, 2020: 1%)	733	79
<b>SEK Sensitivity:</b>		
INR/SGD -Increase by 4%( March 31, 2020: 1%)	-*	-
INR/SGD -Decrease by 4% ( March 31, 2020: 1%)	-*	-
<b>CHF Sensitivity:</b>		
INR/CHF -Increase by 4%( March 31, 2020: 1%)	-*	-
INR/CHF -Decrease by 4% ( March 31, 2020: 1%)	-*	-
<b>CAD Sensitivity:</b>		
INR/CAD -Increase by 4%( March 31, 2020: 1%)	-	-*
INR/CAD -Decrease by 4% ( March 31, 2020: 1%)	-	-*

\*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 (Income) / Expense	
	March 31, 2021	March 31, 2020
Short term borrowings from Banks:		
Interest rate-increase by 100 basis points	-*	22
Interest rate-Decrease by 100 basis points	-*	(22)

\*Amount is below the rounding off norm adopted by the company



## Notes to Standalone Financial Statements

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

### Note 34: Financial Risk Management (Contd..)

	Impact on profit after tax (Income) / Expense	
	March 31, 2021	March 31, 2020
Term Deposits with Banks:		
Interest rate-increase by 100 basis points	(82)	(51)
Interest rate-Decrease by 100 basis points	82	51

### (C) Price Risk:

As on March 31, 2021, the company's investments are not subjected to price risk. The table below summarises the impact of increase/(decrease) in the Net Asset Value (NAV) of the investments in debt mutual funds held with SBI Mutual funds as on March 31, 2020.

The analysis is based on the assumption that the NAV has (increased)/decreased by 1% with all other variables held constant.

	Impact on profit after tax (Income) / Expense	
	March 31, 2021	March 31, 2020
SBI Magnum Ultra Short Duration Fund - Direct Growth		
- Increase in NAV by 1%	-	(971)
- Decrease in NAV by 1%	-	971

### (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.

#### (i) Contractual Maturities of financial liabilities:

	March 31, 2021		
	Less than 12 months	Greater than 12 months	Total
Current Borrowings	35	-	35
Trade payables	74,878	-	74,878
Other financial liabilities	7,824	-	7,824
<b>Total</b>	<b>82,737</b>	<b>-</b>	<b>82,737</b>

	March 31, 2020		
	Less than 12 months	Greater than 12 months	Total
Current Borrowings	3,363	-	3,363
Trade payables	58,034	-	58,034
Other financial liabilities	10,302	-	10,302
<b>Total</b>	<b>71,699</b>	<b>-</b>	<b>71,699</b>

## Notes to Standalone Financial Statements

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

### Note 35: Capital Management

(a) The Company's financial strategy aims to provide adequate capital for its growth plans for sustained stakeholder value. The company's objective is to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. And depending on the financial market scenario, nature of the funding requirements and cost of such funding, the Company decides the optimum capital structure. The Company aims at maintaining a strong capital base so as to maintain adequate supply of funds towards future growth plans as a going concern.

#### Net debt to Equity ratio

	March 31, 2021	March 31, 2020
Net debt	35	3,363
Total Equity	9,27,157	7,31,669
<b>Net debt to Equity ratio</b>	<b>0.00</b>	<b>0.005</b>

#### (b) Dividends:

Dividend paid on Equity shares:

	March 31, 2021	March 31, 2020
Dividends paid:		
Final Dividend	-	42,475
Dividend Tax on final Dividend	-	8,731
Interim Dividend for 2019-20	-	42,475
Dividend Tax on Interim Dividend	-	8,731

Proposed dividend not recognised at the end of the reporting period:

	March 31, 2021	March 31, 2020
On Equity Shares of ₹ 2 each		
Dividend per equity share	20	-
Dividend Amount	53,094	-

Note: The Dividend for the year ended March 31, 2021 proposed and recommended, is subject to the approval of shareholders in the ensuing Annual General Meeting.

### Note 36: 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.

## Notes to Standalone Financial Statements

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

### Note 37: 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 ₹ 881 (March 31, 2020: ₹ 811).

### Note 38: Related Party Transactions

<b>(a) Subsidiaries</b>	:	Divis Laboratories (USA) Inc.
	:	Divi's Laboratories Europe AG.
<b>(b) Key Management personnel(KMP)</b>	:	Dr. Murali K. Divi
	:	Mr. N.V. Ramana
	:	Mr. Madhusudana Rao Divi
	:	Dr. Kiran S. Divi
	:	Ms. Nilima Prasad Divi
<b>(c) Non-Executive Directors</b>	:	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)
<b>(d) Relative of Key Management personnel</b>	:	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
<b>(e) Other related party</b>	:	Divi's Laboratories Employees' Gratuity Trust.

## Notes to Standalone Financial Statements

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

### Note 38: Related Party Transactions (Contd..)

#### (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. 17(ii) for information on transactions with post employment benefit plan mentioned above.

#### (g) Summary of Related Party transactions and balances:

	March 31, 2021		March 31, 2020	
	Amount (Transactions)	Outstanding balance as at March 31, 2021	Amount (Transactions)	Outstanding balance as at March 31, 2020
(i) Managerial Remuneration and short term employee benefits to Key Management Personnel -refer 38(h) (i)	17,930	17,469	10,365	9,922
(ii) Remuneration and Sitting fees to non-executive directors-refer 38(h) (ii)	209	-	131	-
(iii) Dividend paid to Key Management Personnel -refer 38(h) (iii)	-	-	37,266	-
(iv) Dividend paid to Relatives of Key Management Personnel -refer 38(h) (iv )	-	-	4,865	-
(v) Salary and Allowances to Relatives of Key Management Personnel - Mr. Anirudh Nimmagadda	14	1	13	1
(vi) Dividend paid to Company in which Key Management Personnel have Significant Influence - M/s Divi's Biotech Private Limited	-	-	2,560	-
(vii) Lease Rent to a Company in which Key Management Personnel have Significant Influence - M/s Divi's Properties Private Limited	829	-	883	-
(viii) Rent Deposit to a Company in which Key Management Personnel have Significant Influence - M/s Divi's Properties Private Limited	-	308	-	319
(ix) Interest receivable on delayed receivables from subsidiary- Divi's Laboratories Europe AG	-	-	56	56
(x) Interest receivable on delayed receivables from subsidiary- Divis Laboratories (USA) Inc.	-	-	6	6
(xi) Sales / Receivable - Subsidiary- Divi's Laboratories Europe AG	11,262	9,944	7,993	9,805
(xii) Sales / Receivable - Subsidiary- Divis Laboratories (USA) Inc.	12,054	9,693	13,416	10,322
(xiii) Purchase / payable -Materials from Subsidiary -Divi's Laboratories Europe AG.	-	-	12	-

## Notes to Standalone Financial Statements

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

### Note 38: Related Party Transactions (Contd..)

#### (g) Summary of Related Party transactions and balances: (Contd..)

Committed future sales to related parties as at the year end:

	March 31, 2021	March 31, 2020
(i) Subsidiary- Divis Laboratories Europe AG	1,106	1,420
(ii) Subsidiary- Divis Laboratories (USA) Inc.	615	771

#### (h) Transactions with Related Parties:

	March 31, 2021		March 31, 2020	
	Amount (Transactions)	Outstanding balance as at March 31, 2021	Amount (Transactions)	Outstanding balance as at March 31, 2020
<b>(i) Managerial Remuneration and short term employee benefits to Key Management Personnel</b>				
1. Dr. Murali K. Divi	8,084	8,059	5,236	5,161
2. Mr. N.V. Ramana	4,149	4,033	2,692	2,589
3. Mr. Madhusudana Rao Divi	116	1	99	8
4. Dr. Kiran S Divi	2,822	2,688	1,835	1,729
5. Ms. Nilima Prasad Divi	2,759	2,688	503	435
	<b>17,930</b>	<b>17,469</b>	<b>10,365</b>	<b>9,922</b>
<b>(ii) Remuneration including Sitting fees to non-executive directors</b>				
1. Mr. K.V.K. Seshavataram	29	-	20	-
2. Dr.G Suresh Kumar	30	-	20	-
3. Mr. R Ranga Rao	34	-	24	-
4. Dr. S. Ganapaty	27	-	20	-
5. Dr. Ramesh B V Nimmagadda	31	-	24	-
6. Prof. Sunaina Singh	27	-	12	-
7. Mr. K V Chowdary	31	-	11	-
	<b>209</b>	<b>-</b>	<b>131</b>	<b>-</b>
<b>(iii) Dividend paid to Key Management Personnel</b>				
1. Dr Murali K. Divi	-	-	2,421	-
2. Dr Kiran S Divi	-	-	17,280	-
3. Ms Nilima Prasad Divii	-	-	17,280	-
4. Mr. Madhusudana Rao Divi	-	-	143	-
5. Mr. N.V. Ramana	-	-	142	-
	<b>-</b>	<b>-</b>	<b>37,266</b>	<b>-</b>
<b>(iv) Dividend paid to Relatives of Key Management Personnel</b>				
1. Mr. Babu Rajendra Prasad Divi	-	-	9	-
2. Mr. Divi Radha Krishna Rao	-	-	1	-
3. Mr. Sri Ramachandra Rao Divi	-	-	-*	-
4. Mrs. Jhansilakshmi Pendyala	-	-	3	-
5. Mrs. Divi Swarna Latha	-	-	4,480	-
6. Mrs. Divi Raja Kumari	-	-	5	-
7. Mr. Divi Satyasayee Babu	-	-	3	-

## Notes to Standalone Financial Statements

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

### Note 38: Related Party Transactions (Contd..)

#### (h) Transactions with Related Parties: (Contd..)

	March 31, 2021		March 31, 2020	
	Amount (Transactions)	Outstanding balance as at March 31, 2021	Amount (Transactions)	Outstanding balance as at March 31, 2020
8. Mrs. Shanti Chandra Attaluri	-	-	169	-
9. Mrs. N.Nirmala Kumari	-	-	20	-
10. Mrs. N. Chandrika Lakshmi	-	-	9	-
11. Mr. N. Venkata Aniruddh	-	-	55	-
12. Mrs. N. Monisha	-	-	101	-
13. Mr. N. Prashanth	-	-	10	-
14. Mrs. L. Vijaya Lakshmi	-	-	-*	-
	<b>-</b>	<b>-</b>	<b>4,865</b>	<b>-</b>

\*Amount is below the rounding off norms adopted by the company

#### (i) Terms and Conditions

Transactions relating to dividends were on the same terms and conditions that applied to other equity shareholders

### Note 39: Contingent Liabilities:

	March 31, 2021	March 31, 2020
Claims against the Company not acknowledged as debts in respect of:		
(i) Disputed demands for excise duty, customs duty, sales tax and service tax for various periods	706	753
(ii) Income Tax in relation to expenses disallowed in various assessments	-	18

Note:(a) It is not practicable for the company to estimate the timings of cash flows, if any, in respect of the above pending resolution of the respective proceedings.

Note: (b) Provident Fund:

The 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.



## Notes to Standalone Financial Statements

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

### Note 40: Commitments

	March 31, 2021	March 31, 2020
<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)	14,011	23,883
(ii) Capital commitment towards Special Economic Zone Re-investment Obligation	55,029	36,928
<b>Others:</b>		
(iii) On account of bonds and / or legal agreements executed with Central Excise/ Customs authorities/ SEZ Development Commissioners	40,967	38,967

### Note 41: Dues to micro and small enterprises

The Company has certain dues to Micro enterprises 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, 2021	March 31, 2020
a (i) Principal amounts due to suppliers remaining unpaid as at the year-end	3,248	1,174
a (ii) Interest due to Suppliers remaining unpaid as at the year-end	-	-
b. Interest on payments beyond the appointed day paid to the suppliers during the year	-	-
c. Interest due and payable for the delay in making payment to suppliers during the year	-	-
d. Amount of interest accrued and remaining unpaid to suppliers at the end of the year	-	-
e. Amount of further interest remaining due and payable to suppliers in succeeding years	-	-

### Note 42: Earnings per share (EPS)

	March 31, 2021	March 31, 2020
(a) Basic EPS		
Basic earnings per share attributable to the equity holders of the company	73.63	51.71
(b) Diluted EPS		
Diluted earnings per share attributable to the equity holders of the company	73.63	51.71

(c) Reconciliation of earnings used in calculating earnings per share

	March 31, 2021	March 31, 2020
<b>Basic earnings per share</b>		
Profit attributable to the equity holders of the company used in calculating basic earnings per share	1,95,472	1,37,271
<b>Diluted earnings per share</b>		
Profit attributable to the equity holders of the company used in calculating diluted earnings per share	1,95,472	1,37,271

## Notes to Standalone Financial Statements

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

### Note 42: Earnings per share (EPS) (Contd..)

(d) Weighted average number of shares used as the denominator

	March 31, 2021	March 31, 2020
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 43: Impact of Covid-19 Pandemic

The Company considered the uncertainty relating to the Covid-19 pandemic in assessing the recoverability of its inventories, receivables and investments. As the company is into essential manufacturing service, which is exempt from lockdown restrictions, the pandemic did not have any significant impact in 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. As the outbreak continues to evolve, the Company will continue to closely monitor any material changes to future economic conditions.

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  
**L. Kishorebabu** Chief Financial Officer  
**M. Satish Choudhury** Company Secretary, Membership No:A30204

Place: Kolkata  
Date: May 29, 2021

Place: Hyderabad  
Date: May 29, 2021

# Independent Auditor's Report

To the Members of  
Divi's Laboratories Limited

## Report on the Audit of the Consolidated Financial Statements

### Opinion

- 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, 2021, and the consolidated Statement of Profit and Loss (including Other Comprehensive Income), the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information prepared based on the relevant records (hereinafter referred to as "the consolidated financial statements").
- 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, 2021, 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

- We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in India in terms of the Code of Ethics issued by ICAI and the relevant provisions of the Act, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of

their reports referred to in sub-paragraph 14 of the Other Matters paragraph below, is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

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

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

Refer to Note 3 (iii) & (iv) to the consolidated financial statements.

During the year, the holding company has incurred capital expenditure aggregating to ₹ 1,11,152 lakhs on Property, Plant and Equipment (representing Plant & Machinery and Roads & Buildings) and ₹ 97,444 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 overheads relating to each of the assets and has applied judgement to assess if the costs incurred in relation to these assets meet the recognition criteria of Property, Plant and Equipment in accordance with Ind AS 16.

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

### How our audit addressed the key audit matter

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

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

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

### Other Information

- 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

- The Holding Company's Board of Directors is responsible for the preparation and presentation of these consolidated financial statements in term of the requirements of the Act that give a true and fair view of the consolidated financial

position, consolidated financial performance, consolidated cash flows and changes in equity of the Group in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

- 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.

- 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

- 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.
- As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Holding company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated financial statements of which we are the independent auditors. For the other entities included in the consolidated financial statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

11. We communicate with those charged with governance of the Holding Company of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.
12. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that 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 ₹27,648 lakhs and net assets of ₹4,846 lakhs as at March 31, 2021, total revenue of ₹ 45,631 lakhs, total comprehensive income (comprising of profit and other comprehensive income) of ₹ 2,886 lakhs and net cash outflows amounting to ₹ 125 lakhs for the year then ended, have been prepared in accordance with accounting principles generally accepted in their respective countries and have been audited by other auditors under generally accepted auditing standards applicable in their respective countries. The Holding Company's management has converted the financial statements of such subsidiaries located outside India from the accounting principles generally accepted in their respective countries to the accounting principles generally accepted in India. We have audited these conversion adjustments made by the Holding Company's management. Our opinion in so far as it relates to the balances and affairs of such subsidiaries located outside India, including other information, is based on the report of other auditors and the conversion adjustments prepared by the management of the Holding Company and audited by us.

Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with

respect to our reliance on the work done and the reports of the other auditors and the financial statements certified by the Management.

#### Report on Other Legal and Regulatory Requirements

15. As required by Section 143(3) of the Act, we report, to the extent applicable, that:
  - (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.
  - (b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.
  - (c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss (including other comprehensive income), Consolidated Statement of Changes in Equity and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account and records maintained for the purpose of preparation of the consolidated financial statements.
  - (d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act.
  - (e) On the basis of the written representations received from the directors of the Holding Company as on March 31, 2021 taken on record by the Board of Directors of the Holding Company, none of the directors of the

Place: Kolkata  
Date: May 29, 2021

Holding Company is disqualified as on March 31, 2021 from being appointed as a director in terms of Section 164(2) of the Act.

- (f) As there are no subsidiaries incorporated in India, this report does not contain a separate report on the internal financial controls with reference to financial statements of the Group under Clause (i) of sub – section 3 of 143 of the Act.
- (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:
  - i. The consolidated financial statements disclose the impact, if any, of pending litigations on the consolidated financial position of the Group – Refer Note 41 to the consolidated financial statements.
  - ii. The Group had long-term contracts as at March 31, 2021 for which there were no material foreseeable losses. The Group did not have any derivative contracts for the year ended March 31, 2021.
  - iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company.
  - iv. The reporting on disclosures relating to Specified Bank Notes is not applicable to the Group for the year ended March 31, 2021.
16. The Group has paid/ provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.

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

**Sunith Kumar Basu**  
Partner  
Membership Number 55000  
UDIN:21055000AAAES2820



## Consolidated Balance Sheet

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

Particulars	Note	As at March 31, 2021	As at March 31, 2020
<b>ASSETS</b>			
<b>Non-current assets</b>			
Property, plant and equipment	3	3,69,466	2,77,316
Right of use assets	3(a)	426	509
Capital work-in-progress	3	71,062	91,969
Intangible assets	4	495	360
Financial assets			
(i) Investments	5	1	1
(ii) Loans	6(a)	5,533	3,532
(ii) Other financial assets	15(a)	145	-
Income Tax Assets (Net)	7(a)	6,860	-
Deferred Tax Asset	19(a)	323	438
Other non-current assets	9	5,625	11,462
<b>Total Non-current assets</b>		<b>4,59,936</b>	<b>3,85,587</b>
<b>Current assets</b>			
Inventories	10	2,14,523	1,86,386
Financial assets			
(i) Investments	11	-	97,135
(ii) Trade receivables	12	1,67,652	1,41,335
(iii) Cash and cash equivalents	13	2,03,032	4,315
(iv) Bank balances other than (iii) above	14	12,571	7,948
(v) Loans	6(b)	-	9
(vi) Other financial assets	15(b)	947	389
Income Tax Assets (Net)	7(b)	3,427	7,905
Other current assets	16	15,319	22,561
<b>Total Current assets</b>		<b>6,17,471</b>	<b>4,67,983</b>
<b>TOTAL ASSETS</b>		<b>10,77,407</b>	<b>8,53,570</b>
<b>EQUITY AND LIABILITIES</b>			
<b>Equity:</b>			
Equity share capital	17(a)	5,309	5,309
Other equity	17(b)	9,24,152	7,25,683
<b>Total Equity</b>		<b>9,29,461</b>	<b>7,30,992</b>
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Financial Liabilities			
(i) Lease Liabilities	3(b)	369	447
Provisions	18	2,525	2,052
Deferred tax liabilities (net)	19(b)	33,806	27,396
<b>Total Non-current liabilities</b>		<b>36,700</b>	<b>29,895</b>
<b>Current liabilities</b>			
Financial liabilities			
(i) Borrowings	20	35	3,363
(ii) Lease Liabilities	3(b)	79	75
(iii) Trade payables	21	-	-
- Total outstanding dues of micro and small enterprises		3,248	1,174
- Total outstanding dues of creditors other than micro and small enterprises		73,072	57,898
(iv) Other financial liabilities	22	8,042	10,557
Current Tax Liabilities	8	598	993
Other current liabilities	23	25,921	18,377
Provisions	18	251	246
<b>Total current liabilities</b>		<b>1,11,246</b>	<b>92,683</b>
<b>TOTAL LIABILITIES</b>		<b>1,47,946</b>	<b>1,22,578</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>10,77,407</b>	<b>8,53,570</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: Kolkata  
Date: May 29, 2021

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

**Dr. Murali K. Divi** Managing Director, DIN: 00005040  
**N.V. Ramana** Executive Director, DIN: 00005031  
**Dr. Kiran S. Divi** Whole-time Director and Chief Executive Officer, DIN: 00006503  
**Nilima Prasad Divi** Whole-time Director (Commercial), DIN: 06388001  
**L. Kishorebabu** Chief Financial Officer  
**M. Satish Choudhury** Company Secretary, Membership No:A30204

Place: Hyderabad  
Date: May 29, 2021

## 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 March 31, 2021	For the year ended March 31, 2020
<b>Income</b>			
Revenue from operations	24	6,96,940	5,39,442
Other income	25	6,256	18,963
<b>Total Income</b>		<b>7,03,196</b>	<b>5,58,405</b>
<b>Expenses</b>			
Cost of raw materials consumed	26	2,39,744	2,19,841
Purchase of Stock-in-trade		531	1,611
Changes in inventories of finished goods, work-in-progress and stock-in-trade	27	(7,867)	(10,598)
Employee benefits expense	28	82,576	62,105
Finance costs	29	87	610
Depreciation and amortization expense	30	25,559	18,624
Other expenses	31	95,962	84,266
<b>Total Expenses</b>		<b>4,36,592</b>	<b>3,76,459</b>
<b>Profit before tax</b>		<b>2,66,604</b>	<b>1,81,946</b>
<b>Income Tax expense</b>	32		
Current tax		61,646	39,279
Deferred tax		6,529	5,013
Total tax expense		68,175	44,292
<b>Profit after tax for the year</b>		<b>1,98,429</b>	<b>1,37,654</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		25	(680)
Income tax relating to these items		(9)	159
<b>(B) Items that will be reclassified to profit or loss</b>			
Exchange differences on translation of foreign operations		22	618
Income tax relating to these items		2	(62)
<b>Other Comprehensive Income/(Loss) after tax for the year</b>		<b>40</b>	<b>35</b>
<b>Total Comprehensive Income for the year</b>		<b>1,98,469</b>	<b>1,37,689</b>
<b>Earnings per share (Par value of ₹2 each)</b>			
-Basic and Diluted	44	74.75	51.85

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: Kolkata  
Date: May 29, 2021

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

**Dr. Murali K. Divi** Managing Director, DIN: 00005040  
**N.V. Ramana** Executive Director, DIN: 00005031  
**Dr. Kiran S. Divi** Whole-time Director and Chief Executive Officer, DIN: 00006503  
**Nilima Prasad Divi** Whole-time Director (Commercial), DIN: 06388001  
**L. Kishorebabu** Chief Financial Officer  
**M. Satish Choudhury** Company Secretary, Membership No:A30204

Place: Hyderabad  
Date: May 29, 2021

## Consolidated Statement of Cash Flows

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

Particulars	Notes	For the year ended March 31, 2021	For the year ended March 31, 2020
<b>Cash flow from operating activities</b>			
Profit before tax		2,66,604	1,81,946
Adjustments for:			
Depreciation and amortisation expense	30	25,559	18,624
Unrealised foreign exchange loss/ (gain)		(1,328)	(4,825)
Exchange difference on foreign Operations		22	618
Interest income from financial assets at amortized cost	25	(5,724)	(666)
Dividend income from investments mandatorily measured at fair value through profit or loss	25	-	(3,737)
Net gain on redemption /disposal of investments	25	(265)	(1,440)
Provision for doubtful debts [including Write off]	31	(11)	996
Finance costs	29	87	610
Net gain on financial assets mandatorily measured at fair value through profit or loss	25	-	(4,499)
Loss on disposal / discard of assets	31	596	325
Government grants	25	(7)	(5)
		<b>2,85,533</b>	<b>1,87,947</b>
<b>Change in operating assets and liabilities</b>			
(Increase)/Decrease in trade receivables	12	(26,540)	(20,670)
(Increase)/Decrease in inventories	10	(28,137)	(9,152)
Increase / (Decrease) in trade payables	21	17,480	9,385
(Increase) / Decrease in non-current Loans	6 (a)	(2,001)	(128)
(Increase) / Decrease in current Loans	6 (b)	9	2
(Increase) /Decrease in other non current assets	9	(232)	(8)
(Increase) /Decrease in other non current financial assets	15(a)	(145)	-
(Increase) /Decrease in other current financial assets	15(b)	(558)	(254)
(Increase) /Decrease in other current assets	16	7,242	(2,539)
Increase / (Decrease) in long term employee benefit obligation	18	498	870
Increase /(Decrease) in short term employee benefit obligation	18	5	(680)
Increase/ (Decrease) in other financial liabilities	22	(2,901)	1,037
Increase/(Decrease) in other current liabilities	23	8,872	307
		<b>2,59,125</b>	<b>1,66,117</b>
<b>Cash generated from operations</b>			
Income taxes paid including withholding tax and net of refunds	7, 8	(64,432)	(44,523)
		<b>1,94,693</b>	<b>1,21,594</b>
<b>Cash flows from investing activities</b>			
Payments for property, plant and equipment	3, 4	(91,019)	(1,18,321)
Proceeds from sale of property, plant and equipment	3	15	36
Payments for purchase of Investments	11	(10,000)	(45,000)
Proceeds out of sale of Investments	11	1,07,400	1,48,363
Dividend received	25	-	3,737
Interest received	25	5,701	572
Proceeds from withdrawal of deposits	13	6,810	10,594
Investment in deposits	13	(11,394)	(8,328)
		<b>7,513</b>	<b>(8,347)</b>
<b>Cash flows from financing activities</b>			
Proceeds from working capital loans	20	(3,328)	(6,107)
Finance costs	29	(87)	(610)

## Consolidated Statement of Cash Flows

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

Particulars	Notes	For the year ended March 31, 2021	For the year ended March 31, 2020
Principal elements of Lease payments		(74)	(13)
Dividends paid to company's shareholders (Including tax)		-	(1,02,412)
		<b>(3,489)</b>	<b>(1,09,142)</b>
<b>Net cash inflow / (outflow) from financing activities</b>			
<b>Net increase in cash and cash equivalents</b>		<b>1,98,717</b>	<b>4,105</b>
Cash and cash equivalents at the beginning of the year		4,315	210
<b>Cash and cash equivalents at end of the year</b>		<b>2,03,032</b>	<b>4,315</b>
<b>Non-Cash financing activities:</b>			
<b>Acquisition of right of use assets</b>		-	<b>530</b>
<b>Reconciliation of Cash and cash equivalents at the end of the year</b>			
Cash and cash equivalents		2,03,032	4,315
<b>Balances as per Statement of Cash flows</b>		<b>2,03,032</b>	<b>4,315</b>

- The Consolidated Cash flow statement 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 Cash Flow statement 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: Kolkata  
Date: May 29, 2021

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

**Dr. Murali K. Divi** Managing Director, DIN: 00005040  
**N.V. Ramana** Executive Director, DIN: 00005031  
**Dr. Kiran S. Divi** Whole-time Director and Chief Executive Officer, DIN: 00006503  
**Nilima Prasad Divi** Whole-time Director (Commercial), DIN: 06388001  
**L. Kishorebabu** Chief Financial Officer  
**M. Satish Choudhury** Company Secretary, Membership No:A30204

Place: Hyderabad  
Date: May 29, 2021

# Consolidated Statement of Changes in Equity

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

## a. Equity share capital

	Number of Shares	Amount
As at April 01, 2019	26,54,68,580	5,309
Changes in equity share capital	-	-
<b>As at April 01, 2020</b>	<b>26,54,68,580</b>	<b>5,309</b>
Changes in equity share capital	-	-
<b>As at March 31, 2021</b>	<b>26,54,68,580</b>	<b>5,309</b>

## b. Other equity

	Reserves and Surplus					Other Comprehensive Income-Exchange difference on foreign Operations	Total Other Equity
	Securities Premium	Special Economic Zone Re-investment reserve	General reserve	Retained earnings	Total		
<b>Balance at April 01, 2019</b>	<b>7,988</b>	<b>20,347</b>	<b>1,00,000</b>	<b>5,61,288</b>	<b>6,89,623</b>	<b>783</b>	<b>6,90,406</b>
Profit after tax for the year	-	-	-	1,37,654	1,37,654	-	1,37,654
Other comprehensive income for the year, net of income tax	-	-	-	(521)	(521)	556	35
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,37,133</b>	<b>1,37,133</b>	<b>556</b>	<b>1,37,689</b>
Transactions with owners in their capacity as owners:							
Payment of Dividend (Including tax)	-	-	-	(1,02,412)	(1,02,412)	-	(1,02,412)
Transfer to Special Economic Zone Re-investment reserve	-	20,394	-	(20,394)	-	-	-
Utilisation of Special Economic Zone Re-investment reserve	-	(3,813)	-	3,813	-	-	-
<b>Balance at March 31, 2020</b>	<b>7,988</b>	<b>36,928</b>	<b>1,00,000</b>	<b>5,79,428</b>	<b>7,24,344</b>	<b>1,339</b>	<b>7,25,683</b>
<b>Balance at April 01, 2020</b>	<b>7,988</b>	<b>36,928</b>	<b>1,00,000</b>	<b>5,79,428</b>	<b>7,24,344</b>	<b>1,339</b>	<b>7,25,683</b>
Profit after tax for the year	-	-	-	1,98,429	1,98,429	-	1,98,429
Other comprehensive income for the year, net of Income tax	-	-	-	16	16	24	40
<b>Total comprehensive income for the year</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>1,98,445</b>	<b>1,98,445</b>	<b>24</b>	<b>1,98,469</b>
Transfer to Special Economic Zone Re-investment reserve	-	26,210	-	(26,210)	-	-	-
Utilisation of Special Economic Zone Re-investment reserve	-	(8,109)	-	8,109	-	-	-
<b>Balance at March 31, 2021</b>	<b>7,988</b>	<b>55,029</b>	<b>1,00,000</b>	<b>7,59,772</b>	<b>9,22,789</b>	<b>1,363</b>	<b>9,24,152</b>

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

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

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

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

Place: Kolkata  
Date: May 29, 2021

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

**Dr. Murali K. Divi** Managing Director, DIN: 00005040  
**N.V. Ramana** Executive Director, DIN: 00005031  
**Dr. Kiran S. Divi** Whole-time Director and Chief Executive Officer, DIN: 00006503  
**Nilima Prasad Divi** Whole-time Director (Commercial), DIN: 06388001  
**L. Kishorebabu** Chief Financial Officer  
**M. Satish Choudhury** Company Secretary, Membership No:A30204

Place: Hyderabad  
Date: May 29, 2021

# Notes to the Consolidated Financial Statements

## 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., Divi's Laboratories USA, Inc., ("Divi's USA") incorporated in United States of America, Divi's Laboratories Europe AG ("Divi's Europe") incorporated in Switzerland, for marketing the Nutraceutical products (dietary supplements) and pharmaceutical ingredients of the Company. Divi's Laboratories Limited, Divi's Laboratories USA Inc., and Divi's Laboratories Europe AG are hereinafter referred to as 'the Group'.

1.2 The Consolidated Financial statements are approved for issue by the Company's Board of Directors on May 29, 2021.

## 2. Significant Accounting Policies

Significant accounting policies adopted in the preparation of these consolidated financial statements are detailed below. These policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements are for the group consisting of Divi's and its subsidiaries.

### 2.1 Basis of Preparation:

#### (i) Compliance with Ind AS

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

#### (ii) Historical cost convention

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

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

#### (iii) New and Amended standard adopted by the Group

The group has applied the following standards and amendments for the first time for their annual reporting period commencing April 01, 2020

- Definition of Material – amendments to Ind AS 1 and Ind AS 8
- Definition of a Business – amendments to Ind AS 103
- Covid-19 related concessions – amendments to Ind AS 116
- Interest Rate Benchmark Reform – amendments to Ind AS 109 and Ind AS 107

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

#### (iv) 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



## Notes to the Consolidated Financial Statements

expenses. Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

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

An asset / Liability 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 liability has no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

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

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

### 2.2 Segment Reporting:

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. Managing director has been identified as being the chief operating decision maker. Refer note 38 for the segment information presented.

### 2.3 Foreign currency translation:

#### (i) Functional and presentation currency

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

#### (ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in statement of profit and loss. A monetary item for which settlement is neither planned nor likely to occur in the foreseeable future is considered as a part of the entity's net investment in that foreign operation.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. 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:

## Notes to the Consolidated Financial Statements

- 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.

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

## Notes to the Consolidated Financial Statements

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

### 2.5 Income Taxes:

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

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

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

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

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

Deferred tax assets are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries where it is not probable that the differences will reverse in the foreseeable future

and taxable profit will not be available against which the temporary difference can be utilized.

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

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

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

### 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

## Notes to the Consolidated Financial Statements

subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

### 2.8 Trade receivables:

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

### 2.9 Inventories:

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

### 2.10 Investments and other financial assets:

#### (i) Classification:

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

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

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

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model

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

#### (ii) Recognition

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

#### (iii) Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

#### Debt instruments

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

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

**Fair value through other comprehensive income (FVOCI):** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are

## Notes to the Consolidated Financial Statements

taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/ (losses). Interest income from these financial assets is included in other income using the effective interest rate method.

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

### Equity instruments

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

### (iv) Impairment of financial assets

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

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

### (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 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

## Notes to the Consolidated Financial Statements

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 April 01, 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
- 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 April 01, 2015 measured as per the previous GAAP and use that carrying value as the deemed cost of intangible assets.



# Notes to the Consolidated Financial Statements

## (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 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.

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

### 2.17 Provisions:

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

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

### 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

# Notes to the Consolidated Financial Statements

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' 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.

## Notes to the Consolidated Financial Statements

### (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 Dividends:

Provision is made for the amount of any dividend declared, being appropriately authorized and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period. Proposed dividend is recognised as a liability in the period in which it is declared by the group, usually when approved by shareholders in a general meeting, or paid.

### 2.20 Contributed equity:

Equity shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

### 2.21 Earnings per share:

#### (i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the group
- by the weighted average number of equity shares outstanding during the financial year, adjusted for bonus elements in equity shares issued during the year, if any.

### (ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential equity shares, and
- the weighted average number of additional equity shares that would have been outstanding assuming the conversion of all dilutive potential equity shares.

### 2.22 Leases:

As a lessee

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the group. Contracts may contain both lease and non-lease components. The group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the company under residual value guarantees
- the exercise price of a purchase option if the company is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the company exercising that option.

## Notes to the Consolidated Financial Statements

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

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:

- Estimation of current tax expense and payable – refer note : 32(b)
- Estimation of defined benefit obligations- refer note: 18
- 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 and Capital Work-in-Progress

	Freehold Land	Plant and Machinery	Roads and Buildings	Furniture and Fixtures	Vehicles	Office Equipments	Laboratory Equipments	Computer and data processing units	Total	Capital work-in-progress
<b>Year ended March 31, 2020</b>										
Gross carrying amount	14,794	1,71,038	57,463	3,425	734	2,271	11,264	1,130	2,62,119	49,191
At the beginning of the year	1,316	58,908	23,000	372	174	297	3,122	443	87,632	1,30,616
Additions	-	(204)	(112)	(3)	(42)	(2)	(2)	(6)	(371)	(87,838)
Disposals	-	2,29,742	80,351	3,794	866	2,566	14,384	1,567	3,49,380	91,969
<b>At the end of the year</b>	<b>16,110</b>	<b>2,29,742</b>	<b>80,351</b>	<b>3,794</b>	<b>866</b>	<b>2,566</b>	<b>14,384</b>	<b>1,567</b>	<b>3,49,380</b>	<b>91,969</b>
Accumulated depreciation										
At the beginning of the year	-	40,217	6,668	986	270	1,022	3,929	655	53,747	-
Depreciation charge during the year	-	13,782	2,191	344	89	420	1,276	215	18,317	-
Disposals	-	-	-	-	-	-	-	-	-	-
<b>At the end of the year</b>	<b>-</b>	<b>53,999</b>	<b>8,859</b>	<b>1,330</b>	<b>359</b>	<b>1,442</b>	<b>5,205</b>	<b>870</b>	<b>72,064</b>	<b>-</b>
<b>Net carrying amount as at March 31, 2020</b>	<b>16,110</b>	<b>1,75,743</b>	<b>71,492</b>	<b>2,464</b>	<b>507</b>	<b>1,124</b>	<b>9,179</b>	<b>697</b>	<b>2,77,316</b>	<b>91,969</b>
<b>Year ended March 31, 2021</b>										
Gross carrying amount	16,110	2,29,742	80,351	3,794	866	2,566	14,384	1,567	3,49,380	91,969
At the beginning of the year	1,041	77,298	33,854	613	486	681	3,391	573	1,17,937	97,465
Additions	-	(531)	-	(7)	(5)	(3)	(59)	(5)	(608)	(1,18,372)
Disposals	-	3,06,509	1,14,205	4,400	1,349	3,244	17,716	2,135	4,66,709	71,062
<b>At the end of the year</b>	<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>71,062</b>
Accumulated depreciation										
At the beginning of the year	-	53,999	8,859	1,330	359	1,442	5,205	870	72,064	-
Depreciation charge for the year	-	18,989	3,405	391	119	485	1,495	295	25,179	-
Disposals	-	-	-	-	-	-	-	-	-	-
<b>At the end of the year</b>	<b>-</b>	<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>-</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>71,062</b>

- Movable assets are pledged as security : Refer Note 20(a) for information on plant and equipment pledged as security for availing working capital facilities from Banks.
- Contractual obligations and other commitments: Refer Note 42(a) for disclosure of contractual and other commitments for the acquisition of property, plant and equipment.
- Assets under construction majorly consist of Roads & Buildings, Plant & Machinery and corresponding internal development costs. During the year, the Group has incurred capital costs of ₹ 97,465 on Capital work-in-progress at various locations and this includes staff cost of ₹ 155 (March 31, 2020: ₹ 110) relating to projects team involved in supervision and monitoring of the projects and cost of power consumed ₹ 84 (March 31, 2020: ₹ 118)
- The Gross carrying amounts of Roads and Buildings and Plant and machinery includes staff cost of ₹ 306 (March 31, 2020 ₹ 144) relating to projects team involved in supervision and monitoring of these projects and cost of power consumed of ₹ 242 (March 31, 2020 ₹ 165)



## Notes to the Consolidated Financial Statements

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

### Note 3(a): Right of use of assets

	Building
<b>Year ended March 31, 2020</b>	
<b>Gross carrying amount</b>	
At the beginning of the year	-
Additions	530
At the end of the year	530
<b>Accumulated Depreciation</b>	
At the beginning of the year	-
Depreciation charges during the year	21
At the end of the year	21
<b>Net carrying amount as at March 31, 2020</b>	<b>509</b>
<b>Year ended March 31, 2021</b>	
Gross carrying amount	
At the beginning of the year	530
Additions	-
At the end of the year	530
<b>Accumulated Depreciation</b>	
At the beginning of the year	21
Depreciation charge during the year	83
<b>At the end of the year</b>	<b>104</b>
<b>Net carrying amount as at March 31, 2021</b>	<b>426</b>

### Note 3(b) (i) : Lease Liabilities

	March 31, 2021	March 31, 2020
<b>Non-current</b>		
Lease Liabilities	369	447
<b>Current</b>		
Lease Liabilities	79	75
	<b>448</b>	<b>522</b>

### Note 3(b) (ii) : Amounts recognised in the Statement of Profit and Loss:

	Note	March 31, 2021	March 31, 2020
Depreciation on right of use assets (Buildings)	30	83	21
Interest Expenses included in finance costs	29	18	5

### Note 4: Intangible assets

	Computer Software
<b>Year ended March 31, 2020</b>	
Gross carrying amount	
At the beginning of the year	1,274
Additions	241
Disposals	-
<b>At the end of the year</b>	<b>1,515</b>
Accumulated amortisation	
At the beginning of the year	869

## Notes to the Consolidated Financial Statements

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

### Note 4: Intangible assets (Contd..)

	Computer Software
Amortisation charges during the year	286
Disposals	-
<b>At the end of the year</b>	<b>1,155</b>
<b>Net carrying amount as at March 31, 2020</b>	<b>360</b>
<b>Year ended March 31, 2021</b>	
Gross carrying amount	
At the beginning of the year	1,515
Additions	435
Disposals	(3)
<b>At the end of the year</b>	<b>1,947</b>
Accumulated amortisation	
At the beginning of the year	1,155
Amortisation charge during the year	297
Disposals	-
<b>At the end of the year</b>	<b>1,452</b>
<b>Net carrying amount as at March 31, 2021</b>	<b>495</b>

### Note 5: Non-Current Investments

	March 31, 2021	March 31, 2020
<b>(Unquoted, fully paid up)</b>		
<b>Investment in equity instruments in other companies (at FVPL)</b>		
12000 (March 31, 2020: 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>Total Non-current investments</b>	<b>1</b>	<b>1</b>
Aggregate amount of unquoted investments	1	1
Aggregate amount of quoted investments and market value thereof	-	-
Aggregate amount of impairment in the value of investment	-	-

### Note 6: Loans

	March 31, 2021	March 31, 2020
<b>6(a): Loans - non-current:</b>		
Security Deposits	5,533	3,532
<b>Total Loans - Non Current</b>	<b>5,533</b>	<b>3,532</b>
<b>6(b): Loans - current:</b>		
Advances to Employees	-	9
<b>Total Loans - Current</b>	<b>-</b>	<b>9</b>

## Notes to the Consolidated Financial Statements

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

### Note 6: Loans (Contd..)

#### Security wise break-up of Loans:

	March 31, 2021	March 31, 2020
Loans considered Good- Secured	-	-
Loans considered Good - Unsecured	5,533	3,541
Loans which have significant increase in credit risk	-	-
Loans - credit impaired	-	-
<b>Total</b>	<b>5,533</b>	<b>3,541</b>
Less: Loss Allowance	-	-
<b>Total Loans</b>	<b>5,533</b>	<b>3,541</b>

### Note 7: Income Tax assets (Net)

	March 31, 2021	March 31, 2020
<b>7(a): Income tax assets - Non-current</b>		
Advance income taxes	6,877	-
Provision for Income tax	(17)	-
	<b>6,860</b>	-
<b>7(b): Income tax assets - Current</b>		
Advance income taxes	65,016	97,275
Provision for Income tax	(61,589)	(89,370)
	<b>3,427</b>	<b>7,905</b>
<b>Total Income Tax assets (Net)</b>	<b>10,287</b>	<b>7,905</b>

### Note 7(c): Movement in income tax assets

	March 31, 2021	March 31, 2020
Income tax assets - at the beginning of the year	7,905	1,928
Add: Advance Tax paid including tax deducted at source	65,016	44,772
Less :Others (refund received)	(1,720)	(175)
Less: Adjustments of current tax for prior years	675	3,370
Less: Current tax provision	(61,589)	(41,990)
<b>Net income tax assets - at the end of the year</b>	<b>10,287</b>	<b>7,905</b>

### Note 8: Current Tax Liabilities (net)

	March 31, 2021	March 31, 2020
Provision for income tax	834	993
Prepaid income taxes	236	-
<b>Total Current Tax Liabilities (net)</b>	<b>598</b>	<b>993</b>

### Note 8(a): Movement in current tax liabilities

	March 31, 2021	March 31, 2020
Income Tax Liabilities - at the beginning of the year	993	419
Add: Foreign operations translation adjustment	9	-
Less: Tax Paid during the year	(1,136)	-
Add: Adjustments	83	74
Add: Current tax provision	649	500
<b>Net current tax liabilities - at the end of the year</b>	<b>598</b>	<b>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 9: Other non-current assets

	March 31, 2021	March 31, 2020
Capital advances	4,849	10,918
Pre-paid expenses	86	57
Other Receivables including indirect tax refund claims	690	487
<b>Total other non-current assets</b>	<b>5,625</b>	<b>11,462</b>

### Note 10: Inventories

(Valued at lower of cost and net realisable value)

	March 31, 2021	March 31, 2020
Raw materials	70,551	50,706
Work-in-progress	1,09,334	98,091
Finished goods	23,215	18,839
Stock in trade	142	7,894
Stock Packing Material	838	434
Stores and spares	10,443	10,422
<b>Total Inventories</b>	<b>2,14,523</b>	<b>1,86,386</b>

Raw Materials and finished goods consists of goods in transit of ₹ 7,998 (March 31, 2020- ₹ 10,390) and ₹ 13,279 (March 31, 2020- ₹ 12,395) respectively.

#### Amounts recognised in profit or loss

Write-downs of Inventories to net realisable value and on account of slow moving inventory amounted to ₹ 545 (For the year ended March 31, 2020: there was a reversal of Write-downs amounting ₹ 660). These were recognised in statement of profit or loss and included in 'Changes in inventories of Finished goods and work in progress' and 'Cost of raw materials consumed'.

### Note 11: Current investments

	March 31, 2021		March 31, 2020	
	Units	Amount	Units	Amount
<b>Investment in Quoted Mutual Funds (at FVPL)</b>				
(March 31, 2020: SBI Mutual Fund under SBI Magnum Ultra Short Duration Fund - Direct Growth Scheme -@ Fair Value of ₹ 4479.648 per unit)	-	-	21,68,363	97,135
<b>Total current investments</b>		-		<b>97,135</b>
Aggregate amount of quoted investments and market value thereof		-		97,135
Aggregate amount of unquoted investments		-		-

### Note 12: Trade receivables

	March 31, 2021	March 31, 2020
Trade receivables	1,68,207	1,42,662
Less: Loss Allowance	555	1,327
<b>Total Trade receivables</b>	<b>1,67,652</b>	<b>1,41,335</b>
Current portion	1,67,652	1,41,335
Non-current portion	-	-

## Notes to the Consolidated Financial Statements

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

### Note 12: Trade receivables (Contd..)

#### Security Break-up of trade receivables

	March 31, 2021	March 31, 2020
Trade Receivables considered Good- Secured	-	-
Trade Receivables considered Good - Unsecured	1,67,652	1,41,335
Trade Receivables which have significant increase in credit risk	538	1,310
TradeReceivables - credit impaired	17	17
<b>Total</b>	<b>1,68,207</b>	<b>1,42,662</b>
Less: Loss Allowance	555	1,327
<b>Total Trade receivables</b>	<b>1,67,652</b>	<b>1,41,335</b>

### Note 13: Cash and cash equivalents

	March 31, 2021	March 31, 2020
Balances with banks		
- in current accounts	2,105	2,249
- in terms deposits with maturity period not more than three months	2,00,852	2,001
Cash on hand	75	65
<b>Total cash and cash equivalents*</b>	<b>2,03,032</b>	<b>4,315</b>

\*There are no repatriation restrictions with regard to cash and cash equivalents as at the end of reporting period and prior period.

### Note 14: Bank balances other than cash and cash equivalents

	March 31, 2021	March 31, 2020
Balances in earmarked accounts with Banks:		
- Unclaimed dividend	125	109
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	7,048	150
- pledged towards overdraft facilities with Banks	348	6,588
- other unencumbered deposits	5,050	1,101
<b>Total Bank balances other than cash and cash equivalents</b>	<b>12,571</b>	<b>7,948</b>

### Note 15: Other Financial assets

	March 31, 2021	March 31, 2020
<b>Note 15(a): Other Financial assets-Non-current</b>		
Term deposits with Bank with maturity period exceeding twelve months (pledged towards margin on guarantees issued by Bank)	145	-
<b>Total Other Financial assets - Non -current</b>	<b>145</b>	<b>-</b>
<b>Note 15(b): Other Financial assets-Current</b>		
Export incentive receivable	114	40
Rental Deposits	308	313
Others	414	-
Insurance claims receivable	111	36
<b>Total Other Financial assets - current</b>	<b>947</b>	<b>389</b>
<b>Total Other Financial assets</b>	<b>1,092</b>	<b>389</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: Other current assets

	March 31, 2021	March 31, 2020
Indirect Taxes- Input Credits	6,549	15,041
Prepaid expenses	2,250	1,697
Advances to suppliers	3,116	2,380
Other Receivables (includes indirect tax refund claims)	3,404	3,443
<b>Total Other current assets</b>	<b>15,319</b>	<b>22,561</b>

### Note 17: Equity share capital and other equity

#### Note17 (a): Equity share capital

##### (i) Authorised equity share capital

	Number of Shares	Amount
As at April 01, 2019	30,00,00,000	6,000
Movement during the year	-	-
<b>As at March 31, 2020</b>	<b>30,00,00,000</b>	<b>6,000</b>
Movement during the year	-	-
<b>As at March 31, 2021</b>	<b>30,00,00,000</b>	<b>6,000</b>

##### (ii) Movements in Issued, subscribed and paid-up equity share capital

	Number of Shares	Amount
As at April 01, 2019	26,54,68,580	5,309
Movement during the year	-	-
<b>As at March 31, 2020</b>	<b>26,54,68,580</b>	<b>5,309</b>
Movement during the year	-	-
<b>As at March 31, 2021</b>	<b>26,54,68,580</b>	<b>5,309</b>

#### 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.

#### Aggregate number of Bonus shares issued during the period of five years immediately preceding the reporting date:

On 28, 2015, the Group has issued 13,27,34,290 equity shares of ₹ 2 each as fully paid bonus shares by capitalization of securities premium reserve.



## Notes to the Consolidated Financial Statements

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

### Note 17: Equity share capital and other equity (Contd..)

(iii) Details of shareholders holding more than 5% shares in the Company

	March 31, 2021		March 31, 2020	
	Number of shares	% holding	Number of shares	% holding
<b>PROMOTERS GROUP</b>				
Dr.Murali Krishna Prasad Divi*	75,67,000	2.85%	75,67,000	2.85%
Dr. Satchandra Kiran Divi	5,40,00,000	20.34%	5,40,00,000	20.34%
Mrs. Swarnalatha Divi	1,40,00,000	5.27%	1,40,00,000	5.27%
Ms. Nilima Prasad Divi	5,40,00,000	20.34%	5,40,00,000	20.34%

\*given as an additional information

### Note 17 (b): Other Equity

	March 31, 2021	March 31, 2020
Reserves and surplus		
Securities premium reserve	7,988	7,988
General reserve	1,00,000	1,00,000
Retained earnings	7,59,772	5,79,428
Special Economic Zone Re-investment reserve	55,029	36,928
	<b>9,22,789</b>	<b>7,24,344</b>
Other Comprehensive Income-Exchange difference on foreign operations	1,363	1,339
<b>Total Other Equity</b>	<b>9,24,152</b>	<b>7,25,683</b>

(i) As there was no movement in Securities premium reserve and General Reserve during the reporting period and prior period reconciliation is not given.

(ii) Retained earnings

	March 31, 2021	March 31, 2020
At the beginning of the year	5,79,428	5,61,288
Profit after tax for the year	1,98,429	1,37,654
Transfer to Special Economic Zone Re-investment reserve	(26,210)	(20,394)
Utilization of Special Economic Zone Re-investment reserve	8,109	3,813
Dividend paid including tax thereon	-	(1,02,412)
Items of other comprehensive income recognised directly in retained earnings:		
- Remeasurements of post employment benefit obligation, net of tax	16	(521)
<b>At the end of the year</b>	<b>7,59,772</b>	<b>5,79,428</b>

(iii) Special Economic Zone Re-investment reserve

	March 31, 2021	March 31, 2020
At the beginning of the year	36,928	20,347
Transfer from Retained Earnings	26,210	20,394
Utilization of Special Economic Zone Re-investment reserve	(8,109)	(3,813)
<b>At the end of the year</b>	<b>55,029</b>	<b>36,928</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.

## Notes to the Consolidated Financial Statements

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

### Note 17 (b): Other Equity (Contd..)

#### 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 01, 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 profits of the eligible SEZ Units and utilisation of such reserve by the company for acquiring new plant and machinery for the purpose of its business as per the provisions of the Income Tax Act, 1961.

### Note 18: Provisions - Employee Benefit Obligations

	March 31, 2021			March 31, 2020		
	Current	Non-Current	Total	Current	Non-Current	Total
Compensated Absences	251	2,525	2,776	246	2,052	2,298
Gratuity [Refer Note 18(b)]	-	-	-	-	-	-
	<b>251</b>	<b>2,525</b>	<b>2,776</b>	<b>246</b>	<b>2,052</b>	<b>2,298</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 parent company 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, 2019</b>	<b>2,367</b>	<b>2,797</b>	<b>(430)</b>
Current service cost	270	-	270
Interest expense/(income)	180	232	(52)
Amount recognized in Statement of profit and loss	<b>450</b>	<b>232</b>	<b>218</b>
<b>Remeasurements</b>			
Return on plan assets, excluding amounts included in interest expense/(income)	-	-	-
Actuarial (gain) / loss	-	-	-

## Notes to the Consolidated Financial Statements

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

### Note 18: Provisions - Employee Benefit Obligations (Contd..)

	Present Value of obligation	Fair Value of Plan Assets	Net amount
(Gain)/loss from change in demographic assumptions	-	-	-
(Gain)/loss from change in financial assumptions	336	-	336
Experience (gains)/loss	139	(26)	165
<b>Amount recognized in other comprehensive income</b>	<b>475</b>	<b>(26)</b>	<b>501</b>
<b>Amount recognized in total comprehensive income</b>	<b>925</b>	<b>206</b>	<b>719</b>
Employer contributions	-	480	(480)
Benefit payments	(20)	(20)	-
<b>As at March 31, 2020</b>	<b>3,272</b>	<b>3,463</b>	<b>(191)</b>

	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)	-	-	-
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>-</b>	<b>12</b>
<b>Amount recognized in total comprehensive income</b>	<b>554</b>	<b>234</b>	<b>320</b>
Employer contributions	-	222	(222)
Benefit payments	(38)	(38)	-
<b>As at March 31, 2021</b>	<b>3,788</b>	<b>3,881</b>	<b>(93)</b>

The net liability disclosed above relates to funded plans are as follows:

	March 31, 2021	March 31, 2020
Present value of funded obligations	3,788	3,272
Fair value of plan assets	3,881	3,463
Deficit/ (Surplus) of funded plans*	(93)	(191)

\*Included in note 16 'Other current assets'

#### (ii) Significant estimates: Actuarial assumptions

The significant actuarial assumptions were as follows:

	March 31, 2021	March 31, 2020
Discount rate	6.88%	6.77%
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 Services	29 years	29 years
Mortality Table	IALM(2012-14)	IALM(2012-14)

## Notes to the Consolidated Financial Statements

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

### Note 18: Provisions - Employee Benefit Obligations (Contd..)

#### (iii) Sensitivity analysis

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	March 31, 2021	March 31, 2020
Defined Benefit Obligation	3788	3272
Increase / (Decrease) in Defined Benefit Obligation:		
Discount rate:(% change compared to base due to sensitivity)		
Increase : +1%	(430)	(378)
Decrease: -1%	522	459
Salary Growth rate:(% change compared to base due to sensitivity)		
Increase : +1%	489	424
Decrease: -1%	(409)	(359)
Attrition rate:(% change compared to base due to sensitivity)		
Increase : +1%	46	37
Decrease: -1%	(53)	(43)

The above sensitivity analysis is based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as and when calculating the defined benefit liability recognised in the balance sheet. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

#### (c) Defined benefit liability and employer contributions

The Company has established a trust to administer its obligation for payment of Gratuity to company 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, 2021	March 31, 2020
*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, 2022 is expected to be ₹ 290

The weighted average duration of the defined benefit obligation is 19.22 years ( March 31, 2020 -19.35 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, 2021</b>					
Defined benefit obligation-gratuity	290	754	995	9,119	11,158
<b>March 31, 2020</b>					
Defined benefit obligation-gratuity	267	604	867	7,850	9,588

## Notes to the Consolidated Financial Statements

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

### Note 18: Provisions - Employee Benefit Obligations (Contd..)

#### (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 equivalent to meet the liabilities or holdings liquid assets not being sold in time.

**Salary Escalation Risk:** The present value of the defined benefit plans calculated with the assumption of salary increase rate of plan participants in future. Deviation in the rate of increase of salary in future for plan participants from the rate of increase in salary used to determine the present value obligation will have a bearing on the plan's liability.

**Demographic Risk:** The Company has used certain mortality and attrition assumptions in valuation of the liability. The Company is exposed to the risk of actual experience turning out to be worse compared to the assumption.

**Regulatory Risk:** Gratuity benefits is paid in accordance with the requirements of the Payment of Gratuity Act, 1972 (as amended from time to time). There is a risk of change in regulations requiring higher gratuity payouts (eg. Increase in the maximum limit on gratuity.)

**Asset Liability Mismatching or Market Risk:** The duration of the liability is longer compared to duration of assets, exposing the Company to market risk for volatilities/fall in interest rate.

**Investment Risk:** The probability and likelihood of occurrence of losses relative to the expected return on any particular investment.

**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 basic salary as per regulations. The contributions are made to registered provident fund administered by the Government. The obligation of the company is limited to the amount contributed and it has no further contractual nor any constructive obligation. The expense recognised during the period towards defined contribution plan is ₹ 1,750 (March 31, 2020: ₹ 1,427)

**Employer's Contribution to State Insurance Scheme:** Contributions are made to State Insurance Scheme for employees at the rate of 3.25%.(March 31, 2020: 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 ₹ 303 (March 31, 2020: ₹ 284)

### Note 19: Deferred Tax:

#### Note 19(a): Deferred Tax Asset

The balance comprises temporary differences attributable to:

	March 31, 2021	March 31, 2020
<b>Deferred Tax Asset/(Liability):</b>		
Deferred Tax on intra group adjustments	323	438
<b>Deferred tax Asset</b>	<b>323</b>	<b>438</b>

## Notes to the Consolidated Financial Statements

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

### Note 19(b): Deferred tax liabilities (net)

The balance comprises temporary differences attributable to:

	March 31, 2021	March 31, 2020
<b>Deferred Tax Liability / (Asset) :</b>		
Property, plant and equipment	35,110	26,263
Employee Benefits	(1,225)	(1,019)
Others	(79)	2,152
<b>Net deferred tax liabilities</b>	<b>33,806</b>	<b>27,396</b>

#### Movement in Deferred tax liabilities /(Asset)

	April 01, 2019	Changes through Profit and Loss	Changes through OCI	March 31, 2020
Property, Plant and equipment	23,272	2,991	-	26,263
Employee benefit expenses	(965)	(54)	-	(1,019)
Others including intra-group adjustments	(424)	2,076	62	1,714
<b>Total</b>	<b>21,883</b>	<b>5,013</b>	<b>62</b>	<b>26,958</b>
Net Deferred Tax Liability/(Asset)				26,958
Deferred Tax Asset - Refer Note 19(a)				438
Deferred Tax Liability - Refer Note 19(b)				27,396

	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 intragroup 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 19(a)				323
Deferred Tax Liability - Refer Note 19(b)				33,806

### Note 20: Current borrowings

	Maturity Date and Terms of Payment	Interest rate	March 31, 2021	March 31, 2020
<b>Loans payable on demand:</b>				
Secured from Banks				
Working Capital Loans from Banks	Payable on demand	7.1%**	35	3,363
<b>Total Current Borrowings</b>			<b>35</b>	<b>3,363</b>

\*Represents temporary overdrafts

\*\*7.6% for year ended March 31, 2020

#### Secured borrowings and assets pledged as security

Secured by pari-passu primary first charge on inventories, receivables and other current assets of the company and first charge on movable Fixed assets of the company. The carrying amounts of financial and non-financial assets pledged as security for current and non-current borrowings are disclosed in Note 20(a).



## Notes to the Consolidated Financial Statements

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

### Note 20(a): Assets pledged as security

The carrying amounts of Company's assets pledged as security for fund and non-fund based working capital facilities from banks:

	March 31, 2021	March 31, 2020
<b>Primary First Charge</b>		
Inventory	2,04,270	1,74,417
Accounts receivables	1,74,556	1,53,321
Other Current Assets	2,33,705	1,38,379
<b>First Charge</b>		
Movable assets of the company	<b>2,50,314</b>	<b>1,89,664</b>

Value of Letters of credit and guarantees outstanding as at March 31, 2021 is ₹ 7,809 (March 31, 2020 is ₹ 21,834)

### Note 20 (b): Net Debt Reconciliation

This section sets out the changes in liabilities arising from financing activities in the statement of cash flows:

	March 31, 2021	March 31, 2020
Working Capital Loans	35	3,363
Cash and cash equivalents	(2,03,032)	(4,315)
Liquid investments	-	(97,135)
<b>Net Debt /(Surplus)</b>	<b>(2,02,997)</b>	<b>(98,087)</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, 2019	9,470	(1,39,834)	(210)		(1,30,574)
Cash Flows	(6,107)	47,198	(4,105)		36,986
Interest Expense	(606)	-	-		(606)
Interest paid	606	-	-		606
Fair value adjustments	-	(4,499)	-		(4,499)
<b>Net Debt /(surplus) as at March, 31, 2020</b>	<b>3,363</b>	<b>(97,135)</b>	<b>(4,315)</b>		<b>(98,087)</b>
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)
Foreign Exchange adjustments	-	-	-		-
Interest Expense	20	-	-		20
Interest paid	(20)	-	-		(20)
Fair value adjustments	-	(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>

## Notes to the Consolidated Financial Statements

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

### Note 21: Trade payables

	March 31, 2021	March 31, 2020
<b>Current</b>		
Trade Payables -Micro and small enterprises (Refer Note 42(b))	3,248	1,174
Trade Payables -Others	73,072	57,898
<b>Total Trade payables</b>	<b>76,320</b>	<b>59,072</b>

### Note 22: Other Financial liabilities

	March 31, 2021	March 31, 2020
<b>Current</b>		
Capital creditors	7,562	7,192
Unclaimed dividend	125	109
Accrual for rebates / discounts	355	3,256
<b>Total Other financial liabilities</b>	<b>8,042</b>	<b>10,557</b>

### Note 23: Other current liabilities

	March 31, 2021	March 31, 2020
Statutory dues payable	796	823
Deferred Revenue Government Grants	64	54
Employee benefits payable	23,455	14,566
Advance from customers	1,606	2,934
<b>Total Other current liabilities</b>	<b>25,921</b>	<b>18,377</b>

### Note 24: Revenue from operations

	March 31, 2021	March 31, 2020
<b>Sale of products</b>	<b>6,71,269</b>	<b>5,28,216</b>
<b>Sale of Services:</b>		
Contract research fee	14,565	901
<b>Other Operating Revenue:</b>		
Export incentives	8,693	8,648
Sale of scrap out of manufacturing process	2,413	1,677
<b>Total Revenue from operations</b>	<b>6,96,940</b>	<b>5,39,442</b>

### Note 24(a): Reconciliation of Revenue recognised with contract price:

	March 31, 2021	March 31, 2020
Contract price	6,99,113	5,45,643
Rebates / Discounts	(2,173)	(6,201)
<b>Revenue from operations</b>	<b>6,96,940</b>	<b>5,39,442</b>

## Notes to the Consolidated Financial Statements

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

### Note 24(b): Disaggregation of Revenue :

The Group derives revenue from Operations (Sale of Products & 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, 2021			March 31, 2020		
	Sale of Products & Services	Other Operating Revenue	Total Revenue	Sale of Products & Services	Other Operating Revenue	Total Revenue
America (South & North)	1,70,004	-	1,70,004	1,24,864	-	1,24,864
Asia	82,675	-	82,675	59,474	-	59,474
Europe	3,23,142	-	3,23,142	2,55,184	-	2,55,184
India	80,130	11,106	91,236	68,071	10,325	78,396
Others	29,883	-	29,883	21,524	-	21,524
	<b>6,85,834</b>	<b>11,106</b>	<b>6,96,940</b>	<b>5,29,117</b>	<b>10,325</b>	<b>5,39,442</b>

### Note 25: Other income

	March 31, 2021	March 31, 2020
Interest income from financial assets at amortized cost	5,724	666
Dividend income from investments mandatorily measured at fair value through profit or loss	-	3,737
Net gain on financial assets mandatorily measured at fair value through profit or loss	-	4,499
Net gain on redemption of investments	265	1,440
Net gain on foreign currency transactions and translations	-	8,211
Miscellaneous Income	260	405
Government Grants	7	5
<b>Total Other income</b>	<b>6,256</b>	<b>18,963</b>

### Note 26: Cost of raw materials consumed

	March 31, 2021	March 31, 2020
Raw materials at the beginning of the year	50,706	51,957
Add: Purchases	2,59,589	2,18,590
Less: Raw materials at the end of the year	70,551	50,706
<b>Total Cost of raw materials consumed</b>	<b>2,39,744</b>	<b>2,19,841</b>

### Note 27: Changes in inventories of finished goods, work-in-progress and stock-in-trade

	March 31, 2021	March 31, 2020
Opening Balance:		
Finished goods	18,839	14,042
Stock-in-trade	7,894	7,335
Work-in-progress	98,091	92,849
	<b>1,24,824</b>	<b>1,14,226</b>
Closing Balance:		
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>Total Changes in inventories of finished goods, work-in-progress and stock-in-trade</b>	<b>(7,867)</b>	<b>(10,598)</b>

## Notes to the Consolidated Financial Statements

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

### Note 28: Employee benefits expense

	March 31, 2021	March 31, 2020
Salaries, wages, bonus and other allowances	78,999	59,124
Contribution to provident fund and other funds (Refer Note: 41(b))	1,750	1,427
Contribution to ESI	303	284
Staff welfare expenses	1,524	1,270
<b>Total Employee benefits expense*</b>	<b>82,576</b>	<b>62,105</b>

\*Net of ₹ 155 (March 31, 2020: ₹110) transferred to capital work-in-progress (Refer Note 3)

### Note 29: Finance costs

	March 31, 2021	March 31, 2020
Interest and finance charges on financial liabilities carried at amortised cost	20	548
Interest on Lease Liabilities	18	5
Interest on Income tax	1	1
Charges for Letters of Credit / Bank Guarantees	48	56
<b>Total Finance costs</b>	<b>87</b>	<b>610</b>

### Note 30: Depreciation and amortisation expense

	March 31, 2021	March 31, 2020
Depreciation on property, plant and equipment	25,179	18,317
Depreciation charge on right -of-use assets	83	21
Amortisation of intangible assets	297	286
<b>Total Depreciation and amortisation expense</b>	<b>25,559</b>	<b>18,624</b>

### Note 31: Other expenses

	March 31, 2021	March 31, 2020
Consumption of stores and spare parts	5,594	4,905
Packing materials consumed	5,265	4,247
Conversion Charges	2,654	1,924
Power and fuel*	30,944	26,787
Repairs and maintenance- buildings	1,788	2,135
Repairs and maintenance- machinery	12,393	10,811
Repairs and maintenance- others	157	248
Insurance	2,236	994
Rates and taxes, excluding taxes on income	1,247	1,251
Non-Executive Directors Remuneration including sitting fees	209	131
Printing and stationery	712	527
Rental charges	1,086	972
Communication expenses	179	185
Travelling and conveyance	3,177	2,666
Vehicle maintenance	139	157
Payments to Auditors - Refer Note 31(a)	63	58
Legal and professional charges	1,150	1,517
Factory upkeep	297	350
Environment management expenses	2,781	1,846
Advertisement	7	91
Research and development expenses - Refer Note 31(c)	1,497	1,114

## Notes to the Consolidated Financial Statements

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

### Note 31: Other expenses (Contd..)

	March 31, 2021	March 31, 2020
Sales commission	1,289	1,230
Carriage outward	11,107	7,215
General expenses	4,686	4,715
Electricity Serviceline Charges	971	1,286
Provision for doubtful debts/(written back)	(11)	996
Donations	-	11
Net Loss on foreign currency transactions and translations	438	-
Political Contributions	-	400
Corporate Social Responsibility activities expenses -Refer Note 31(b)	3,188	5,068
Loss on disposal / discard of assets	596	325
Bank charges	123	104
<b>Total Other expenses</b>	<b>95,962</b>	<b>84,266</b>

\*Net of ₹ 84 (March 31, 2020: ₹118) transferred to capital work-in-progress (Refer Note 3)

### Note 31(a): Details of payments to auditors

	March 31, 2021	March 31, 2020
As Statutory Auditor	36	32
For Quarterly Reviews	24	24
Re-imbursment of expenses	3	2
<b>Total Payments to auditors</b>	<b>63</b>	<b>58</b>

### Note 31(b): Expenditure on Corporate Social Responsibilities and Covid-19 relief

The Company has spent amounts as specified below towards various schemes of Corporate Social Responsibility activities as prescribed under Section 135 of the Companies Act, 2013.

	March 31, 2021	March 31, 2020
(A) As Prescribed under Schedule VII of the Companies Act, 2013 and General Circular No.15/2020 issued by Ministry of Corporate Affairs dated April 10, 2020.		
(i) Construction / acquisition of any asset	-	-
(ii) On Purposes other than (i) above	3,435	4,568
(B) Other than (A) above**	-	500
<b>Total Amount spent during the year</b>	<b>3,435</b>	<b>5,068</b>
Less: Amount required to be spent for the year	3,188	2,968
Amount carried forward for succeeding years*	247	NA
(As per third proviso to Section 135(5) of the Companies Act, 2013 effective from January 22, 2021)		

\*Included in Prepaid expenses (refer note 16)

\*\*represents contributions to Andhra Pradesh Chief Minister's Relief Fund for Covid-19 relief.

The Company does not carry any provisions for Corporate Social Responsibility expenses for the reporting period and for prior periods.

## Notes to the Consolidated Financial Statements

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

### Note 31 (c): Research and development expenditure\*

	March 31, 2021	March 31, 2020
Salaries, wages, bonus and other allowances	3,369	2,550
Contribution to provident and other funds	194	119
Contribution to ESI	9	8
Staff welfare expenses	32	32
Materials and stores consumed	674	426
Power and fuel	198	171
Repairs to buildings	10	34
Repairs to machinery	498	375
Repairs to other assets	20	28
Rates and taxes, excluding taxes on income	31	22
Printing and stationery	16	18
Communication expenses	2	1
Travelling and conveyance	1	3
Miscellaneous expenses	47	36
<b>Total Research and development expenditure</b>	<b>5,101</b>	<b>3,823</b>

\*Research and development expenditure to the extent of ₹ 3,604 (2020: ₹ 2,709) is grouped under employee benefit expenses (consists of Salaries, wages, bonus and other allowances, contribution to provident and other funds, contribution to ESI and staff welfare expenses) and ₹1,497(2020: ₹1,114) is grouped under other expenses.

### Note 32(a): Tax expense

	March 31, 2021	March 31, 2020
<b>(i) Current tax expense</b>		
Current tax on profits for the year	62,238	42,649
Adjustment for current tax of prior year	(592)	(3,370)
<b>Total current tax expense</b>	<b>61,646</b>	<b>39,279</b>
<b>(ii) Deferred tax expense *</b>		
Decrease /(Increase) in deferred tax assets	(2,320)	1,206
Foreign operations translation adjustment	2	-
(Decrease) /Increase in deferred tax liabilities	8,847	3,807
<b>Total Deferred tax expense/(benefit)</b>	<b>6,529</b>	<b>5,013</b>
<b>(iii) Current tax expense recognised in statement of profit and loss (i+ii)</b>	<b>68,175</b>	<b>44,292</b>
<b>(iv) Current tax expense /(benefit) recognised in Other Comprehensive Income</b>		
Tax expense /(benefit)	9	(159)
Deferred tax expense / (benefit)	(2)	62
Total tax expense recognised in Other Comprehensive Income	7	(97)
<b>Total tax expense (iii+iv)</b>	<b>68,182</b>	<b>44,195</b>

\* Entire deferred tax for the year ended March 31, 2021 and March 31, 2020 relates to origination and reversal of temporary differences.

### (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 01, 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)

### Note 32(a): Tax expense (Contd..)

#### (c) Reconciliation of tax expense and the accounting profit multiplied by India's tax rate:

	March 31, 2021	March 31, 2020
Profit from operations before income tax expenses	2,66,604	1,81,946
Tax at the Indian tax rate of 34.944% (March 31, 2020: 34.944%)	93,162	63,579
Tax effect on expenses not deductible for tax purpose	1,086	1,283
Tax effect on income not considered for tax purpose	(23,192)	(16,237)
Tax effect due to difference in Overseas tax rates	(559)	(230)
Impact on account of differential tax rates	-	(399)
Impact due to changes in the tax rate from previous year	-	(268)
Adjustments for current tax of prior periods	(592)	(3,370)
Others	(1,723)	(163)
<b>Total tax expenses</b>	<b>68,182</b>	<b>44,195</b>

### Financial Instruments and Risk Management

#### Note 33: Categories of Financial Instruments

	Notes	Level	March 31, 2021 Carrying Value / Fair Value	March 31, 2020 Carrying Value / Fair Value
<b>A. Financial assets</b>				
<b>a) Mandatorily measured at fair value through profit or loss</b>				
i) Investment in mutual funds	10	1	-	97,135
ii) Investment in equity instruments in other companies	5	3	1	1
<b>Total Financial assets</b>			<b>1</b>	<b>97,136</b>

#### Note 34: Fair Value Hierarchy

Fair value of the financial instruments is classified in various fair value hierarchies based on the following three levels:

**Level 1:** Quoted prices (unadjusted) in active market for identical assets or liabilities.

**Level 2:** Inputs other than quoted price are included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

**Level 3:** Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs). If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case with listed instruments where market is not liquid and for unlisted instruments.

#### Valuation technique used to determine fair value:

Specific Valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments.
- the fair value of remaining financial instruments is determined using discounted cash flow analysis.

#### Valuation Process:

The Finance and Accounts department of the 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 are derived using the 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 35: Financial Risk Management

The group's activities expose it to credit risk, market risk, price risk and liquidity risk. The group emphasises 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

- 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.
- Credit risk on security deposits, term deposits and trade receivables are evaluated as follows:

Expected credit loss for security deposits and loans:

Category	Basis for recognition of expected credit loss provision	Asset group
Financial assets for which credit risk has not increased significantly since initial recognition	- Loss allowance measured at 12 month expected credit losses	Security Deposits Advances to Employees Other Non-Current Financial assets Other Current Financial assets

Expected credit loss for security deposits and loans:

Asset group	March 31, 2021			March 31, 2020		
	Gross carrying amount	Expected credit loss	Carrying amount net of provision	Gross carrying amount	Expected credit loss	Carrying amount net of provision
Security Deposits	5,533	-	5,533	3,532	-	3,532
Advances to employees	-	-	-	9	-	9
Other Non-Current Financial assets	145	-	145	-	-	-
Other Current Financial assets	947	-	947	389	-	389

#### 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 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.

## Notes to the Consolidated Financial Statements

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

### Note 35: Financial Risk Management (Contd..)

Following are the Expected credit loss for trade receivables under simplified approach:

	March 31, 2021	March 31, 2020
Gross carrying amount of trade receivables	1,68,207	1,42,662
Less : Expected credit losses (Loss allowance provision)	(555)	(1,327)
Net carrying amount of trade receivables	1,67,652	1,41,335

Expected credit loss for trade receivables under simplified approach as at March 31, 2021

Ageing	Not due	Outstanding FOR < 90 days	Outstanding > 90 days & < 180 days	Outstanding FOR > 6 Ms	Total
Gross carrying amount of trade receivables	1,29,943	31,099	4,510	2,655	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>1,29,943</b>	<b>31,099</b>	<b>4,510</b>	<b>2,100</b>	<b>1,67,652</b>

Reconciliation of Loss Allowance Provision in respect of trade receivables:

<b>Loss Allowance on April 01, 2019</b>	<b>369</b>
<b>Change in Loss Allowance</b>	
Add: Current year loss allowance provided	996
Less: Foreign operations translation adjustment	19
Less: Recoveries / Write back	-
Less: Bad debts written off	(57)
<b>Loss Allowance on March 31, 2020</b>	<b>1,327</b>
<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) 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, 2021		March 31, 2020	
		Amount in Foreign Currency	Amount in Rs	Amount in Foreign Currency	Amount in Rs
Receivables	ACU	-*	29	1	66
	EUR	36	3,103	49	4,055
	GBP	160	16,094	163	15,199

## Notes to the Consolidated Financial Statements

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

### Note 35: Financial Risk Management (Contd..)

	Currency	March 31, 2021		March 31, 2020	
		Amount in Foreign Currency	Amount in Rs	Amount in Foreign Currency	Amount in Rs
Payable to suppliers and services	USD	1,662	1,22,095	1,260	94,988
	USD	(549)	(40,333)	(357)	(26,919)
	EUR	(16)	(776)	(14)	(1,185)
	GBP	-*	(1)	(2)	(150)
	SEK	-*	(1)	-	-
	CHF	-*	(28)	(1)	(43)
	CAD	-	-	-*	-*
<b>Net Foreign currency exposure Asset/ (Liability)</b>			<b>1,00,182</b>		<b>86,011</b>

	Impact on profit after tax (Income) / Expense	
	March 31, 2021	March 31, 2020
<b>USD Sensitivity:</b>		
INR/USD -Increase by 5% ( March 31, 2020: 1%)	(2,660)	(443)
INR/USD -Decrease by 5% (March 31, 2020: 1%)	2,660	443
<b>ACU Sensitivity:</b>		
INR/AUC -Increase by 10% ( March 31, 2020: 1%)	(2)	-
INR/AUC -Decrease by 10% ( March 31, 2020: 1%)	2	-
<b>EUR Sensitivity:</b>		
INR/EUR -Increase by 10% ( March 31, 2020: 1%)	(151)	(19)
INR/EUR -Decrease by 10% ( March 31, 2020: 1%)	151	19
<b>GBP Sensitivity:</b>		
INR/GBP -Increase by 7% ( March 31, 2020: 1%)	(733)	(98)
INR/GBP -Decrease by 7% ( March 31, 2020: 1%)	733	98
<b>SEK Sensitivity:</b>		
INR/SGD -Increase by 4%( March 31, 2020: 1%)	-*	-
INR/SGD -Decrease by 4% ( March 31, 2020: 1%)	-*	-
<b>CHF Sensitivity:</b>		
INR/CHF -Increase by 4%( March 31, 2020: 1%)	-*	-
INR/CHF -Decrease by 4% ( March 31, 2020: 1%)	-*	-
<b>CAD Sensitivity:</b>		
INR/CAD -Increase by 4%( March 31, 2020: 1%)	-	-*
INR/CAD -Decrease by 4% ( March 31, 2020: 1%)	-	-*

\*Amount is below the rounding off norm adopted by the group

	Impact on profit after tax (Income) / Expense	
	March 31, 2021	March 31, 2020
Short term Borrowing:		
Interest rate-increase by 100 basis points	-*	22
Interest rate-Decrease by 100 basis points	-*	(22)
Fixed Deposits:		
Interest rate-increase by 100 basis points	(82)	(51)
Interest rate-Decrease by 100 basis points	82	51

\*Amount is below the rounding off norm adopted by the group

## Notes to the Consolidated Financial Statements

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

### Note 35: Financial Risk Management (Contd..)

#### (C) Price Risk:

As on March 31, 2021, the Group's investments are not subjected to price risk. The table below summarises the impact of increase/ (decrease) in the Net Asset Value (NAV) of the investments in debt mutual funds held with SBI Mutual funds as on March 31, 2020.

The analysis is based on the assumption that the NAV has (increased)/decreased by 1% with all other variables held constant.

	Impact on profit after tax (Income) / Expense	
	March 31, 2021	March 31, 2020
SBI Magnum Ultra Short Duration Fund - Direct Growth		
-Increase in NAV by 1%	-	(971)
-Decrease in NAV by 1%	-	971

#### (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.

#### (i) Contractual Maturities of financial liabilities:

	March 31, 2021		
	Less than 12 months	Greater than 12 months	Total
Current Borrowings	35	-	35
Trade payables	76,320	-	76,320
Other financial liabilities	8,042	-	8,042
<b>Total</b>	<b>84,397</b>	<b>-</b>	<b>84,397</b>

	March 31, 2020		
	Less than 12 months	Greater than 12 months	Total
Current Borrowings	3,363	-	3,363
Trade payables	59,072	-	59,072
Other financial liabilities	10,557	-	10,557
<b>Total</b>	<b>72,992</b>	<b>-</b>	<b>72,992</b>

### Note 36: Capital Management

- (a) The group's financial strategy aims to provide adequate capital for its growth plans for sustained stakeholder value. The group's objective is to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. 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, 2021	March 31, 2020
Net debt	35	3363
Total Equity	9,29,461	730992
<b>Net debt to Equity ratio</b>	<b>0.000</b>	<b>0.005</b>

## Notes to the Consolidated Financial Statements

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

### Note 36: Capital Management (Contd..)

- (b) Dividends:

Dividend paid on Equity shares:

	March 31, 2021	March 31, 2020
Dividends paid:		
Final Dividend	-	42,475
Dividend Tax on final Dividend	-	8,731
Interim Dividend for 2019-20	-	42,475
Dividend Tax on Interim Dividend	-	8,731

Proposed dividend not recognised at the end of the reporting period:

	March 31, 2021	March 31, 2020
On Equity Shares of ₹2 each		
Dividend per equity share	20	-
Dividend Amount	53,094	-

Note: The Dividend for the year ended March 31, 2021 proposed and recommended, is subject to the approval of shareholders in the ensuing Annual General Meeting.

### Note 37: Interest in Other Entities

The Company's subsidiaries as at March 31, 2021 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/ Country of incorporation	Ownership interest held by the Company		Ownership interest held by Non-Controlling interests		Principal activity
		March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020	
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 38: Segment Information

#### Description of segments and principal activities

The Managing Director has been identified as being the Chief Operating Decision Maker (CODM). Operating segments are defined as components of an enterprise for which discrete financial information is available. This is evaluated regularly by the CODM, in deciding how to allocate resources and assessing the group's performance. The group is engaged in the manufacture of Active Pharmaceutical Ingredients (API's) and Intermediates and operates in a single operating segment.

The amount of revenue from operations 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, 2021	March 31, 2020	March 31, 2021	March 31, 2020	March 31, 2021	March 31, 2020
Revenue from operations	91,236	78,396	1,37,855	99,309	4,67,849	3,61,737
Non-current Assets	4,53,862	3,81,057	39	356	33	202

The revenue from transactions with one external customer exceed 10% of the total revenue of the group for each of the two years ended March 31, 2021 and March 31, 2020



## Notes to the Consolidated Financial Statements

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

### Note 39: Foreign Subsidiaries considered for Consolidation

Name of the entity	Place of Business/ Country of incorporation	March 31, 2021	March 31, 2020
Divi's Laboratories (USA) Inc	USA	100%	100%
Divi's Laboratories Europe AG	SWITZERLAND	100%	100%

### Note 40: Related Party Transactions

#### (a) Key Management personnel(KMP)

: Dr. Murali K. Divi  
: Mr. N.V. Ramana  
: Mr. 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 Ramana  
: 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. 18(b) 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 40: Related Party Transactions (Contd..)

#### (f) Summary of Related Party transactions and balances:

	March 31, 2021		March 31, 2020	
	Amount (Transactions)	Outstanding balance as at March 31, 2021	Amount (Transactions)	Outstanding balance as at March 31, 2020
(i) Managerial Remuneration and short term employee benefits to Key Management Personnel -refer 40(g) (i)	17,930	17,469	10,365	9,922
(ii) Remuneration and sitting fees to non-executive directors-refer 40(g) (ii)	209	-	131	-
(iii) Dividend paid to Key Management Personnel -refer 40(g) (iii)	-	-	37,266	-
(iv) Dividend paid to Relatives of Key Management Personnel -refer 40(g) (iv)	-	-	4,865	-
(v) Salary and Allowances to Relatives of Key Management Personnel - Mr. Anirudh	14	1	13	1
(vi) Dividend paid to Company in which Key Management Personnel have Significant Influence - M/s Divi's Biotech Private Limited	-	-	2,560	-
(vii) Lease Rent to a Company in which Key Management Personnel have Significant Influence - M/s Divi's Properties Private Limited	829	-	883	-
(viii) Rent Deposit to a Company in which Key Management Personnel have Significant Influence - M/s Divi's Properties Private Limited	-	308	-	319

#### (g) Transactions with Related Parties:

	March 31, 2021		March 31, 2020	
	Amount (Transaction)	Outstanding balance as at March 31, 2021	Amount (Transactions)	Outstanding balance as at March 31, 2020
(i) Managerial Remuneration and short term employee benefits to Key Management Personnel				
1. Dr. Murali K. Divi	8,084	8,059	5,236	5,161
2. Mr. N.V. Ramana	4,149	4,033	2,692	2,589
3. Mr. Madhusudana Rao Divi	116	1	99	8
4. Dr. Kiran S Divi	2,822	2,688	1,835	1,729
5. Ms. Nilima Prasad Divi	2,759	2,688	503	435
	<b>17,930</b>	<b>17,469</b>	<b>10,365</b>	<b>9,922</b>
(ii) Remuneration including sitting fees to non-executive directors				
1. Mr. K.V.K. Seshavataram	29	-	20	-
2. Dr.G Suresh Kumar	30	-	20	-

## Notes to the Consolidated Financial Statements

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

### Note 40: Related Party Transactions (Contd..)

	March 31, 2021		March 31, 2020	
	Amount (Transaction)	Outstanding balance as at March 31, 2021	Amount (Transactions)	Outstanding balance as at March 31, 2020
3. Mr. R Ranga Rao	34	-	24	-
4. Dr.S. Ganapaty	27	-	20	-
5. Dr. Ramsh B V Nimmagadda	31	-	24	-
6. Prof. Sunaina Singh	27	-	12	-
7. Mr. K.V.Chowdary	31	-	11	-
	<b>209</b>	<b>-</b>	<b>131</b>	<b>-</b>
(iii) Dividend paid to Key Management Personnel				
1. Dr. Murali K. Divi	-	-	2,421	-
2. Dr. Kiran S Divi	-	-	17,280	-
3. Ms. Nilima Prasad Divi	-	-	17,280	-
4. Mr. Madhusudana Rao Divi	-	-	143	-
5. Mr. N.V. Ramana	-	-	142	-
	-	-	<b>37,266</b>	<b>-</b>
(iv) Dividend paid to Relatives of Key Management Personnel				
1. Mr. Babu Rajendra Prasad Divi	-	-	9	-
2. Mr. Divi Radha Krishna Rao	-	-	1	-
3. Mr. Sri Ramachandra Rao Divi	-	-	-*	-
4. Mrs. Jhansilakshmi Pendyala	-	-	3	-
5. Mrs. Divi Swarna Latha	-	-	4,480	-
6. Mrs. Divi Raja Kumari	-	-	5	-
7. Mr. Divi Satyasayee Babu	-	-	3	-
8. Mrs. Shanti Chandra Attaluri	-	-	169	-
9. Mrs. N. Nirmala Kumari	-	-	20	-
10. Mrs. N. Chandrika Ramana	-	-	9	-
11. Mr. N. Venkata Aniruddh	-	-	55	-
12. Mrs. N. Monisha	-	-	101	-
13. Mr. N. Prashanth	-	-	10	-
14. Mrs. L. Vijaya Lakshmi	-	-	-*	-
	-	-	<b>4,865</b>	<b>-</b>

\*Amount is below the rounding off norms adopted by the group

### (h) Terms and Conditions

Transactions relating to dividends were on the same terms and conditions that applied to other equity shareholders.

### Note 41: Contingent Liabilities:

	March 31, 2021	March 31, 2020
Claims against the Group not acknowledged as debts in respect of:		
(i) Disputed demands for excise duty, customs duty, sales tax and service tax for various periods	706	753
(ii) Income Tax in relation to expenses disallowed in various assessments	-	18

Note: (a) It is not practicable for the Group to estimate the timings of cash flows, if any, in respect of the above pending resolution of the respective proceedings.

## Notes to the Consolidated Financial Statements

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

### Note 41: Contingent Liabilities: (Contd..)

Note: (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 42(a) : Commitments

	March 31, 2021	March 31, 2020
<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)	14,011	23,883
(ii) Capital commitment towards Special Economic Zone Re-investment Obligation	55,029	36,928
<b>Others:</b>		
(iii) On account of bonds and / or legal agreements executed with Central Excise/ Customs authorities/ SEZ Development Commissioners	40,967	38,967

### Note 42(b): 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, 2021	March 31, 2020
a (i) Principal amounts due to suppliers remaining unpaid as at the year-end	3,248	1,174
a (ii) Interest due to Suppliers remaining unpaid as at the year-end	-	-
b. Interest on payments beyond the appointed day paid to the suppliers during the year	-	-
c. Interest due and payable for the delay in making payment to suppliers during the year	-	-
d. Amount of interest accrued and remaining unpaid to suppliers at the end of the year	-	-
e. Amount of further interest remaining due and payable to suppliers in succeeding years	-	-

## Notes to the Consolidated Financial Statements

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

### Note 43: Other disclosures:

Additional Information required by Schedule III of the Act

March 31, 2021	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	99.48%	9,27,157	98.51%	1,95,472	(35.56)%	16	98.55%	1,95,488
<b>Sub-total (A)</b>		<b>9,27,157</b>		<b>1,95,472</b>		<b>16</b>		<b>1,95,488</b>
<b>Subsidiaries(Foreign):</b>								
Divis Laboratories (USA) Inc	0.36%	3,376	1.15%	2,284	80.00%	(36)	1.13%	2,248
Divi's Laboratories Europe AG	0.16%	1,470	0.34%	663	55.56%	(25)	0.32%	638
<b>Sub-total of subsidiaries (B)</b>		<b>4,846</b>		<b>2,947</b>		<b>(61)</b>		<b>2,886</b>
<b>Sub-total (A+B)</b>	<b>100%</b>	<b>9,32,003</b>	<b>100%</b>	<b>1,98,419</b>	<b>100%</b>	<b>(45)</b>	<b>100%</b>	<b>1,98,374</b>
Adjustments arising out of Consolidation (c)		(2,542)		10		85		95
<b>Total (A+B+C)</b>		<b>9,29,461</b>		<b>1,98,429</b>		<b>40</b>		<b>1,98,469</b>

### Note 44: Earnings per share (EPS)

	March 31, 2021	March 31, 2020
<b>(a) Basic EPS</b>		
Basic earnings per share attributable to the equity holders of the company	74.75	51.85
<b>(b) Diluted EPS</b>		
Diluted earnings per share attributable to the equity holders of the company	74.75	51.85

### (c) Reconciliation of earnings used in calculating earnings per share

	March 31, 2021	March 31, 2020
<b>Basic earnings per share</b>		
Profit attributable to the equity holders of the company used in calculating basic earnings per share	1,98,429	1,37,654
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	1,98,429	1,37,654

### (d) Weighted average number of shares used as the denominator

	March 31, 2021	March 31, 2020
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

## Notes to the Consolidated Financial Statements

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

### Note 45: Impact of Covid-19 Pandemic

The group considered the uncertainty relating to the Covid-19 pandemic in assessing the recoverability of its inventories, receivables and investments. As the group is into essential manufacturing service, which is exempt from lockdown restrictions, the pandemic did not have any significant impact in 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. As the outbreak continues to evolve, the group will continue to closely monitor any material changes to future economic conditions.

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

#### For Price Waterhouse Chartered Accountants LLP

Firm registration number: 012754N/N500016

#### Sunit Kumar Basu

Partner

Membership number: 55000

Place: Kolkata

Date: May 29, 2021

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

#### Dr. Murali K. Divi

N.V. Ramana

Dr. Kiran S. Divi

Nilima Prasad Divi

L. Kishorebabu

M. Satish Choudhury

Place: Hyderabad

Date: May 29, 2021

Managing Director, DIN: 00005040

Executive Director, DIN: 00005031

Whole-time Director and Chief Executive Officer, DIN: 00006503

Whole-time Director (Commercial), DIN: 06388001

Chief Financial Officer

Company Secretary, Membership No:A30204



# Notice of Annual General Meeting

**NOTICE** is hereby given that the Thirty-First Annual General Meeting (AGM) of the Members of Divi's Laboratories Limited ('the Company') will be held on Monday, August 30, 2021 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, 2021, and the reports of the Board of Directors' and Auditors' thereon.

### Item No. 2 – To declare dividend for the financial year 2020-21

To declare dividend of ₹ 20/- per equity share of face value ₹ 2/- each (i.e. @ 1000%) for the financial year ended March 31, 2021.

### Item No. 3 – To re-appoint Dr. Kiran S. Divi, who retires by rotation, as Director of the Company

To appoint a director in place of Dr. Kiran S. Divi (DIN: 00006503), who retires by rotation at this Annual General Meeting and being eligible, offers himself for re-appointment.

## NOTES:

1. In view of the ongoing Covid-19 pandemic, the Ministry of Corporate Affairs ("MCA") has, vide its circular dated January 13, 2021 read together with circulars dated April 08, 2020, April 13, 2020 and May 05, 2020 (collectively referred to as "MCA Circulars"), and Securities Exchange Board of India ("SEBI") vide its circular dated January 15, 2021 read with its circular dated May 12, 2020 (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, 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.

### Item No. 4 – To re-appoint Ms. Nilima Prasad Divi, who retires by rotation, as Director of the Company

To appoint a director in place of Ms. Nilima Prasad Divi (DIN: 06388001), who retires by rotation at this Annual General Meeting and being eligible, offers herself for re-appointment.

### By Order of the Board of Directors

**M. Satish Choudhury**

Company Secretary  
Membership No. A30204

Hyderabad  
May 29, 2021

### Registered Office:

1-72/23(P)/DIVIS/303,  
Divi Towers, Cyber Hills,  
Gachibowli, Hyderabad – 500 032  
CIN: L24110TG1990PLC011854  
Website: www.divislabs.com  
e-mail: mail@divislabs.com  
Tel: +91 40 23786300  
Fax: +91 40 23786460

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, Attendance Slip are not annexed to this Notice.

3. Since the AGM will be held through VC/ OAVM, the route map of the venue of the Meeting is not annexed hereto.

4. In terms of the provisions of Section 152 of the Act, Dr. Kiran S. Divi and Ms. Nilima Prasad Divi, Directors, retire by rotation at the AGM. The Compensation, Nomination and Remuneration Committee and the Board of Directors of the Company commend their respective re-appointments. Details of Directors retiring by rotation at this AGM are provided in the "Annexure" to the Notice.

5. The Board of Directors at its meeting held on May 29, 2021, has recommended a dividend of ₹ 20/- per equity share of ₹ 2/- each (i.e. 1000%) for the financial year 2020-21, subject to the approval of the shareholders at the 31<sup>st</sup> AGM.

The Register of Members and Share Transfer Books of the Company will remain closed from **Friday, August 20, 2021 to Sunday, August 22, 2021 (both days inclusive)** for determining the names of the members eligible for dividend, if approved, on equity shares.

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:

- 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 "Depositories", as on end of day on Thursday, **August 19, 2021;**
- 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 end of day on Thursday, **August 19, 2021.**

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 despatched to the registered address of the Members who have not updated their bank account details.

6. Pursuant to the provisions of Section 124 of the Act, the unpaid or unclaimed dividend for the financial year 2013-14 is due to be transferred to the Investor Education and Protection Fund ("IEPF") established by the Central Government. Unclaimed dividend for the year(s) 2013-14, 2014-15, 2015-16 (interim dividend) 2016-17, 2017-18, 2018-19 and 2019-20 (interim dividend) are held in separate Bank accounts and shareholders who have not received the dividend/ encashed the warrants are advised to write to the Company or Registrar and Share Transfer Agents with complete details.

The Company has transferred the unpaid or unclaimed dividends declared up to financial years 2012-13, from time to time, to the Investor Education and Protection Fund established by the Central Government. Details of dividends so far transferred to the IEPF Authority are available on the website of IEPF Authority and the same can be accessed through the link: [www.iepf.gov.in](http://www.iepf.gov.in).

The details of unpaid and unclaimed dividends lying with the Company as on March 31, 2021 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/>

Details of unpaid and unclaimed dividends for the financials years up to March 31, 2020 are also uploaded on the website of the IEPF Authority and can be accessed through the link: [www.iepf.gov.in](http://www.iepf.gov.in)

Pursuant to the applicable provisions of the Act read with Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 (as amended from time to time), equity shares in respect of which dividend has not been paid or claimed for seven consecutive years or more will be transferred to the demat account of IEPF Authority. The Company has already initiated necessary action for transfer of 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 Registrar and Transfer Agent, KFin Technologies Private Limited ("KFinTech") for detailed procedure to lodge the claim with IEPF Authority.

7. Members are requested to intimate changes, if any, pertaining to their name, postal address, e-mail address, telephone / mobile numbers, Permanent Account Number (PAN), mandates, nominations, power of attorney, etc., to their Depository Participants (DP) if the shares are held by them in electronic form and to KFinTech if the shares are held by them in physical form.

**To register e-mail address for all future correspondence and update the bank account details, please follow the below process:**

#### a. Physical Holding:

Send a request to KFinTech at [einward.ris@kfintech.com](mailto:einward.ris@kfintech.com):

- To register e-mail address, please provide Folio No., Name of shareholder, scanned copy of the share

certificate (front and back) and copy of PAN (self-attested scanned copies)

- ii. To update bank account details, please send the following additional documents / information followed by the hard copies:
  - a) Name of the bank and branch address,
  - b) Type of bank account i.e., savings or current,
  - c) Bank account no. allotted after implementation of core banking solutions,
  - d) 9-digit MICR code no., and
  - e) 11-digit IFSC code
  - f) Original cancelled cheque bearing the name of the first shareholder, failing which a copy of the bank passbook / statement attested by a bank

**b. Demat Holding:**

Please contact your DP and follow the process advised by your DP.

8. As per Regulation 40 of SEBI Listing Regulations, as amended, securities of listed companies can be transferred only in dematerialized form with effect from, April 01, 2019, except in case of request received for transmission or transposition and re-lodged transfers of securities. Further, SEBI vide its circular no. SEBI/HO/MIRSD/RTAMB/CIR/P/2020/236 dated December 02, 2020 had fixed March 31, 2021 as the cut-off date for re-lodgment of transfer deeds and the shares that are re-lodged for transfer shall be issued only in demat mode. In view of this and to eliminate all risks associated with physical shares and for ease of portfolio management, members holding shares in physical form are requested to consider converting their holdings to dematerialized form. Members can contact the Company or Company's Registrar and Transfer Agent KFinTech, for assistance in this regard.
9. 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. Members who have not yet registered their nomination are requested to register the same by submitting Form No. SH-13. The said form can be downloaded from the Company's website <https://www.divislab.com/wp-content/uploads/2021/05/Nomination-form-Shareholders.pdf>. Members are requested to submit the said details to their DP in case the shares are held by them in electronic form and to KFinTech in case the shares are held in physical form.
10. Non-Resident Indian Members are requested to inform the Company / KFinTech (if shareholding is in physical

mode) / respective DPs (if shareholding is 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.

**11. 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 2020-21 is being sent only through electronic mode to those Members whose email addresses are registered with the Company/ Depositories. Members may note that the Notice and Annual Report 2020-21 will also be available on the Company's website at [www.divislab.com](http://www.divislab.com), websites of the Stock Exchanges, i.e., BSE Limited and National Stock Exchange of India Limited at [www.bseindia.com](http://www.bseindia.com) and [www.nseindia.com](http://www.nseindia.com) respectively, and on the website of Company's Registrar and Transfer Agent, KFin Technologies Private Limited at <https://evoting.kfintech.com>.

For receiving all communication (including Annual Report) from the Company electronically:

- a. Members holding shares in dematerialised mode are requested to register / update their email addresses with the relevant Depository Participant.
- b. Members holding shares in physical mode and who have not registered / updated their email address with the Company are requested to register / update the same by writing to the Company's Registrar and Share Transfer Agent, KFinTech with details of folio number and attaching a self-attested copy of PAN card at [einward.ris@kfintech.com](mailto:einward.ris@kfintech.com) or to the Company at [cs@divislab.com](mailto:cs@divislab.com).

**12. Procedure for joining the AGM through VC/OAVM:**

The Company will provide VC / OAVM facility to its Members for participating at the AGM through platform provided by M/s KFin Technologies Private Limited.

- a. Members will be able to attend the AGM through VC / OAVM or view the live webcast at <https://emeetings.kfintech.com> by using their e-voting login credentials.

Members are requested to follow the procedure given below:

- i. Launch internet browser (chrome/firefox/safari) by typing the URL: <https://emeetings.kfintech.com>

- ii. Enter the login credentials (i.e., User ID and password for e-voting).
- iii. After logging in, click on "Video Conference" option
- iv. Then click on camera icon appearing against AGM event of Divi's Laboratories Limited, to attend the Meeting.

- b. Members who do not have User ID and Password for e-voting or have forgotten the User ID and Password may retrieve the same by following the procedure given in the E-voting instructions.

- c. Members 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 KFinTech on [emeetings@kfintech.com](mailto:emeetings@kfintech.com) or call on toll free number 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 attending the AGM through VC / OAVM shall be reckoned for the purpose of quorum under Section 103 of the Act.

- h. Members of the Company under the category of Institutional Investors are encouraged to attend and vote at the AGM.

- i. 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 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".

13. Members who would like to express their views or ask questions during the AGM may register themselves by logging on to <https://emeetings.kfintech.com> and clicking on the 'Speaker Registration' option available on the screen after log in. The Speaker Registration will be open during Thursday, August 26, 2021 to Friday, August 27, 2021. 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.

14. 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 Kfintech. On successful login, select 'Post Your Question' option which will be opened from Thursday, August 26, 2021 to Friday, August 27, 2021.

15. 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.

**16. 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 KFinTech 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 26, 2021
End of remote e-voting:	5:00 p.m. (IST) on Sunday, August 29, 2021



The remote e-voting will not be allowed beyond the aforesaid date and time and the remote e-voting module shall be forthwith disabled by KFinTech upon expiry of the aforesaid period.

Voting rights of a Member /Beneficial Owner (in case of electronic shareholding) shall be in proportion to his share in the paid-up equity share capital of the Company as on the **cut-off date, i.e., Monday, August 23, 2021 ("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 and 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 the cut-off date, i.e., Monday, August 23, 2021 ("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 cutoff 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:

### National Securities Depository Limited ("NSDL")

#### 2. Users not registered for IDeAS e-Services facility of NSDL may follow the following procedure:

- i. To register, type in the browser / Click on the following e-Services link: <https://eservices.nsdl.com>
- ii. Select option "Register Online for IDeAS" available on the left hand side of the page
- iii. Proceed to complete registration using your DP ID, Client ID, Mobile Number etc.
- iv. After successful registration, please follow steps given under Sr. No. 1 above to cast your vote.

#### 3. Users may directly access the e-Voting module of NSDL as per the following procedure:

- i. Type in the browser / Click on the following link: <https://www.evoting.nsdl.com/>
- ii. Click on the button "Login" available under "Shareholder/Member" section.
- iii. 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.
- iv. 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 "KFinTech" and you will be re-directed to the e-Voting page of KFinTech to cast your vote without any further authentication.

### Central Depository Services (India) Limited ("CDSL")

#### 2. Users not registered for Easi/Easiest facility of CDSL may follow the following procedure:

- i. To register, type in the browser / Click on the following link: <https://web.cdslindia.com/myeasi/Registration/EasiRegistration>
- ii. Proceed to complete registration using your DP ID-Client ID (BO ID), etc.
- iii. After successful registration, please follow steps given under Sr. No. 1 above to cast your vote.

#### 3. Alternatively, by directly accessing the e-Voting website of CDSL

- i. Type in the browser / Click on the following links: [www.cdslindia.com](http://www.cdslindia.com) / <https://www.evotingindia.com>
- ii. Provide Demat Account Number and PAN
- iii. System will authenticate user by sending OTP on registered Mobile & E-mail as recorded in the Demat Account.
- iv. 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 "KFinTech" and you will be re-directed to the e-Voting page of KFinTech to cast your vote without any further authentication.

## Procedure to login through websites of Depositories

### National Securities Depository Limited ("NSDL")

#### 1. User already registered for IDeAS facility of NSDL may follow the following procedure:

- i. Type in the browser / Click on the following e-Services link: <https://eservices.nsdl.com>
- ii. Click on the button "Beneficial Owner" available for login under 'IDeAS' section.
- iii. A new page will open. Enter your User ID and Password for accessing IDeAS.
- iv. 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.
- v. Click on "Active E-voting Cycles" option under E-voting.
- vi. 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 "KFinTech" and you will be re-directed to the e-Voting page of KFinTech to cast your vote without any further authentication.

### Central Depository Services (India) Limited ("CDSL")

#### 1. Existing user who have opted for Easi / Easiest facility of CDSL may follow the following procedure:

- i. Type in the browser / Click on any of the following links: <https://web.cdslindia.com/myeasi/home/login> or [www.cdslindia.com](http://www.cdslindia.com) 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)
- ii. Enter your User ID and Password for accessing Easi / Easiest.
- iii. 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 "KFinTech" and you will be re-directed to the e-Voting page of KFinTech to cast your vote without any further authentication.

## 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 "KFinTech" and you will be re-directed to the e-Voting page of KFinTech 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 on 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 on CDSL website**

Please contact CDSL helpdesk by sending a request at [helpdesk.evoting@cdslindia.com](mailto:helpdesk.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 / KFinTech 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://emeetings.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 KFinTech 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 Divis 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 / KFinTech / Depository Participant(s), please follow the following steps to generate your login credentials:**

- i. Members holding shares in physical mode, who have not registered / updated their e-mail address with the Company, are requested to register / update the same by writing to the Company with details of folio number and attaching a self-attested copy of PAN card and copy of share certificate at [cs@divislab.com](mailto:cs@divislab.com) or to KFinTech at [einward.ris@kfintech.com](mailto:einward.ris@kfintech.com).
- ii. Members holding shares in dematerialised mode who have not registered their e-mail address with their Depository Participant(s) are requested to register / update their e-mail address with the Depository Participant(s) with which they maintain their demat accounts.
- iii. After due verification, the Company / KFinTech will forward your login credentials to your registered e-mail address.
- iv. After receiving the e-voting instructions, please follow all steps above to cast your vote by electronic means.
- v. **Any person who becomes a Member of the Company after despatch 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 KFinTech 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 KFinTech'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 KFinTech's e-voting platform, then he/she/ it can use his/her/its existing password for logging-in.
- vi. 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> (KFinTech Website) or contact at the details mentioned below for any e-voting related clarification/grievances:

Mr. P Nageswara Rao, Manager,  
KFin Technologies Private Limited  
(Unit: Divis 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.divislab.com](http://www.divislab.com) and on the website of KFinTech at: <https://evoting.kfintech.com>. The result will 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 30, 2021.**

#### 17. 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 rates applicable to them.

The shareholders are requested to update their PAN with the Company/KFin Technologies Private Limited (Registrar and Transfer Agent) (in case of shares held in physical mode) and with the Depositories/ Depository Participants (in case of shares held in demat mode).

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.

If shareholder is classified as "specified person" as per the provision of section 206AB, tax will be deducted at the rate higher of the following:

- Twice the rate specified in the relevant provision of the Income-tax Act; or
- Twice the rate or rates in force; or
- The rate of 5%.

The 'specified person' means a person who has:

- not filed return of income for both of the two assessment years relevant to the two previous years immediately prior to the previous year in which tax is required to be deducted, for which the time limit of filing return of income under sub-section (1) of section 139 has expired; and
- subjected to tax deduction/collection at source in aggregate amounting to ₹ 50,000/-

These provisions are effective from July 01, 2021. The Company will be relying on the information verified by the utility available on the Income Tax website.

The withholding tax rate would vary depending on the residential status of the shareholder and documents submitted by shareholder with the Company/ KFinTech/ Depository Participant.

#### A. Resident Shareholders:

##### 1. Tax Deductible at Source for Resident Shareholders

Sr. No.	Particulars	Withholding tax rate	Documents required (if any) / Remarks
1.	Valid PAN updated in the Company's Register of Members	10%	No document required. If dividend does not exceed ₹ 5,000/-, no TDS/ withholding tax will be deducted. Also, please refer note (v) below.
2.	No PAN/Valid PAN not updated in the Company's Register of Members	20%	<b>TDS/ Withholding tax will be deducted, regardless of dividend amount, if PAN of the shareholder is not registered with the Company/ KFinTech/ Depository Participant.</b> <b>All the shareholders are requested to update, on or before August 19, 2021, their PAN with their Depository Participant (if shares are held in electronic form) and Company / KFinTech (if shares are held in physical form). Please quote all the folio numbers under which you hold your shares while updating the records.</b> Please also refer note (v) below.
3.	Availability of lower/nil 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 to be submitted on or before August 19, 2021

##### 2. No Tax Deductible at Source on dividend payment to resident shareholders if the Shareholders submit following documents as mentioned below with the Company / KFinTech/ Depository Participant on or before August 19, 2021

Sr. No.	Particulars	Withholding tax rate	Documents required (if any) / Remarks
1.	Submission of form 15G/15H	Nil	Declaration in Form No. 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
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 Corporation established by Central Act: Certificate of registration which indicates that it is corporation established under central act and its income is exempt from income tax Mutual fund: 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 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.
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 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 table below shows the withholding tax on dividend payment to non-resident shareholders who submit, on or before August 19, 2021, the following document(s), as mentioned below, to the Company / KFinTech. In case all necessary documents are not submitted, then the TDS/ Withholding tax will be deducted @ 20% (plus applicable surcharge and cess).

Sr. No.	Particulars	Withholding tax rate	Documents required (if any) / Remarks
1.	Foreign Institutional Investors (FIIs) / Foreign Portfolio Investors (FPIs) / Other Non-Resident shareholders	20% (plus applicable surcharge and cess) or tax treaty rate, whichever is beneficial	FPI registration certificate in case of FIIs / FPIs. To avail beneficial rate of tax treaty following tax documents would be required: 1. Tax Residency certificate issued by revenue authority of country of residence of shareholder for the year in which dividend is received 2. PAN or declaration as per Rule 37BC of Income Tax Rules, 1962 in a specified format. 3. Form 10F filled & duly signed 4. Self-declaration for non-existence of permanent establishment/ fixed base in India  (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)
2.	Indian Branch of a Foreign Bank	Nil	Lower tax deduction certificate u/s 195(3) obtained from Income Tax Authority 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 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:**

- The Company will issue soft copy of the TDS certificate to its shareholders through e-mail registered with KFinTech post payment of the dividend. Shareholders will be able to download Form 26AS from the Income Tax Department's website <https://incometaxindiaefiling.gov.in>.
- 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 August 19, 2021 to enable the Company to determine the appropriate TDS / withholding tax rate applicable. Any communication on the tax determination/deduction received after August 19, 2021 shall 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.divislab.com/investor-relations/shareholders-contact/#downloads>. If facing any difficulty in submitting disclosures using the aforementioned link, please seek assistance by sending email to [einward.ris@kfintech.com](mailto:einward.ris@kfintech.com) and [cs@divislab.com](mailto:cs@divislab.com).**

- Application of TDS rate is subject to necessary verification by the Company of the shareholder details as available in Register of Members as on the August 19, 2021, and other documents available with the Company/ KFinTech.
- 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.**
- 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/ KFinTech/ 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/-.

- All the shareholders are requested to update their PAN with their Depository Participant (if shares are held in electronic form) and Company / KFinTech (if shares are held in physical form) against all their folio holdings on or before August 19, 2021.
- 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.
- 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'

**Details of Directors seeking appointment/re-appointment at the AGM as required under Regulation 36(3) of SEBI Listing Regulations, and the Secretarial Standard on General Meetings issued by the Institute of Company Secretaries of India:**

### Item No. 3

**Dr. Kiran S. Divi (DIN: 00006503)**

#### Brief resume:

Dr. Kiran S. Divi holds a post graduate degree in Pharmacy from Jawaharlal Nehru Technological University (JNTU), Kakinada, Andhra Pradesh. He holds a Ph.D. degree from Gandhi Institute of Technology and Management, Visakhapatnam.

Dr. Kiran S. Divi joined Divi's Laboratories Limited on August 10, 2001 as Director (Business Development). Dr. Kiran S. Divi was later designated as 'Whole-time Director and Chief Executive Officer of the Company'. He is responsible for Manufacturing operations, Marketing, Quality Assurance and Regulatory Affairs and Corporate HR.

**Age:** 44 years

**Nature of his expertise in specific functional areas:** Manufacturing operations, Marketing, Quality Assurance and Regulatory Affairs, and Corporate HR.

**Disclosure of relationships between directors inter-se:** Dr Kiran S. Divi is related to Dr. Murali K. Divi, Managing Director and Ms. Nilima Prasad Divi, Whole-time Director (Commercial) of the Company.

#### Directorships held in other companies:

- Divi's Biotech Private Limited
- Divi's Resorts and Agro Farms Private Limited
- Divi's Properties Private Limited

Except Divi's Laboratories Limited, Dr. Kiran S. Divi does not hold directorship in any other listed company.

**Memberships/Chairmanships of Committees in other companies:** Nil

**Shareholding in the Company:** 5,40,00,000 equity shares of ₹ 2/- each (20.34%)

**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, Dr. Kiran S. Divi who was re-appointed as a Whole-time Director and Chief Executive Officer by 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 August 10, 2001. His last drawn remuneration for the financial year 2020-21 is ₹ 2,822 lakhs including remuneration based on net profits. He attended 4 Board meetings out of 4 meetings held during the financial year 2020-21.

Dr. Kiran S. Divi is interested in the resolution set out at Item No. 3 of the Notice, as the same relates to his re-appointment. Dr. Murali K. Divi and Ms. Nilima Prasad Divi being related to Dr. Kiran S. Divi are deemed to be interested in the resolution. The relatives of Dr. Kiran S. 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.3 for approval of the members.

### Item No. 4

**Ms. Nilima Prasad Divi (DIN: 06388001)**

#### Brief resume:

Ms. Nilima Prasad Divi has a Master's Degree in International Business from Gitam Institute of Foreign Trade, Visakhapatnam and in International Finance from Glasgow University, U.K. Ms. Nilima has significant international exposure in UK and Scotland for over 5 years before joining the Company and acquired commercial acumen and familiarity with international business environment.

Ms. Nilima Prasad Divi joined the Company during 2012 in the management cadre of the Company. She joined the Board as a Whole-time Director on June 27, 2017.

Ms. Nilima Prasad Divi, Whole-time Director (Commercial) of the Company oversees the commercial functions comprising of Sourcing, Risk Mitigation as well as Corporate Finance/ Accounting/ Taxation /Secretarial / Investor Relations, CSR Projects. She is also Chief Control Officer and work towards control, mainly in matters pertaining to commercial functions as well as projects.

**Age:** 38 years

**Nature of her expertise in specific functional areas:** Sourcing, Risk Mitigation, Corporate Finance /Accounting /Taxation/ Secretarial/ Investor Relations, CSR Projects

**Disclosure of relationships between directors inter-se:** Ms. Nilima Prasad Divi is related to Dr. Murali K. Divi, Managing Director and Dr. Kiran S. Divi, Whole-time Director and Chief Executive Officer of the Company.

#### Directorships held in other companies:

- Divi's Biotech Private Limited
- Divi's Resorts and Agro Farms Private Limited
- Divi's Properties Private Limited

Except Divi's Laboratories Limited, Ms. Nilima Prasad Divi does not hold directorship in any other listed company.

**Memberships/Chairmanships of Committees in other companies:** Nil

**Shareholding in the Company:** 5,40,00,000 equity shares of ₹ 2/- each (20.34%)

**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, Ms. Nilima Prasad Divi who was appointed as a Whole-time Director at the Annual General Meeting held on September 25, 2017 and as per revision of remuneration approved by Special Resolution 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:** She joined the Board of Directors of Divi's Laboratories Limited on June 27, 2017. Her last drawn remuneration for the financial year 2020-21 is ₹ 2,759

lakhs including remuneration based on net profits. She attended 4 Board meetings out of 4 meetings held during the financial year 2020-21.

Ms. Nilima Prasad Divi is interested in the resolution set out at Item No. 4 of the Notice, as the same relates to her reappointment. Dr. Murali K. Divi and Dr. Kiran S. Divi being related to Ms. Nilima Prasad Divi are deemed to be interested in the resolution. The relatives of Ms. Nilima 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.

**By Order of the Board of Directors**

**M. Satish Choudhury**

Company Secretary  
Membership No. A30204

Hyderabad  
May 29, 2021

#### Registered Office:

1-72/23(P)/DIVIS/303,  
Divi Towers, Cyber Hills,  
Gachibowli, Hyderabad – 500 032  
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Website: www.divislabs.com  
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Tel: +91 40 23786300  
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***Divi's Laboratories Limited***

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**Registered office:**

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Telangana, India

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