



Divi's Laboratories Limited

Date: August 30, 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: Chairman's Speech and Managing Director's Speech delivered at the 31st Annual General Meeting of the Company

The Chairman's Speech and Managing Director's Speech, delivered at the 31st Annual General Meeting of the Company held today, i.e., on Monday, August 30, 2021, is enclosed herewith.

This is for your information and records.

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.

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DIVI'S LABORATORIES LIMITED

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31st Annual General Meeting, 30th August, 2021

CHAIRMAN'S SPEECH

Esteemed Shareholders, my colleagues on the Board, Good Morning to you all. A very warm welcome to the 31st Annual General Meeting of Divi's Laboratories Limited. We hope you and your families are healthy and safe. The Annual Report for the year ended 31st March, 2021 along with notice of the meeting, Board's Report and the audited financial statements of the Company have been circulated to you. With your permission, I take them as read.

We meet once again through a virtual meeting, amid unprecedented times, where the world is in the grip of second and a possible third waves of the pandemic. This has been a challenging year for each one of us as we witnessed the heart-breaking impact of the pandemic, that devastated lives and livelihoods, rendering a severe blow to societies and economies. My heart goes out to everyone who has suffered the loss of their loved ones.

In these times, I must say that we are greatly inspired by and pay our respects to the countless frontline warriors, owing to whose selfless service, the society and the community continues to breathe. I am confident that we shall overcome these tough times very soon with large vaccination drives being conducted across the country and yet remain to follow social distancing, wearing a mask and frequent sanitization.

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 & Pharming 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.

With the kind of hazards encountered during the last few years, 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. Pricing of medicines will be under increased scrutiny, an event that was already under way in most developed markets.

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

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 2nd wave of the pandemic in India. Covid-19 has clearly highlighted the importance of a strong healthcare system. As India continues to fight Covid-19 and stabilize 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 as it has also presented the Indian pharmaceutical companies with an opportunity to become a preferred alternate hub for APIs and intermediates.

Your company continues to operate its plants and sites in accordance with the advisories issued from time to time by the Governments, while strictly adhering to the prescribed safety protocols. As a responsible corporate citizen, our company continues to work strongly with various local authorities, agencies and hospitals supporting them not just through financial commitments but also meeting their requirements around sanitization products and services.

Much like other businesses, there were a few disruptions within our business operations, but I am pleased to state that your company has been able to deliver an outstanding performance in the financial year 2020-21, as our Management Team and every member of Divi's family have been relentlessly working on safeguarding the business continuity, ensuring efficient operations beside meeting the requirements of customers for the well-being of people worldwide.

Thank You!

Dr. Ramesh Nimmagadda



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31st Annual General Meeting, 30th August, 2021

MANAGING DIRECTOR'S SPEECH

Ladies and Gentlemen,

All through its journey, 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.

Our Chairman briefly touched upon the global environment in general and the current COVID-19 pandemic situation. I would now highlight on the measures taken by your company in addressing the pandemic.

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.

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.

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 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.

OPERATIONS FOR THE YEAR

I would like to brief you on highlights of business operations during the year under review:

- ↑ Our consolidated Revenue for the year increased by 26% to ₹ 7032 Crores.
- ↑ Operating profit (PBDIT) for the year amounted to ₹ 2923 crores as against an operating profit of ₹ 2012 crores for the last year.
- ↑ Profit before Tax (PBT) for the year grew by 47% to ₹ 2666 crores as against a PBT of ₹ 1819 crores for the last year.
- ↑ Total Tax Provision for the current year amounted to ₹ 682 crores as against a tax provision of ₹ 443 crores for the last year.
The company has capitalized fixed assets of ₹ 1183 crores during the year.
- ↑ Profit after Tax (PAT) before Other Comprehensive Income for the year amounted to ₹ 1984 crores as against a PAT of ₹ 1377 crores for the last year, reflecting a growth of 44%.
- ↑ Earnings Per Share of ₹ 2/- each works out to ₹ 74.75 for the year as against ₹ 51.85 for the last year.
- ↑ Out of the total revenue, 23% came from North America, 47% from Europe, 12% from Asia, 13% from India and 5% from rest of the World.

The ₹ 2,500 crores of CAPEX have been implemented since 2018, and the debottlenecking and backward integration programs taken up during these last two years have also become fully operational along with the most modern wastewater treatment facility. One initiative of particular interest is our drive towards green chemistry. We have a group of dedicated scientists at both these facilities who constantly revisit the chemistry of our existing products to see possibilities of process efficiency and lowering the costs. The end goal is to minimize wastage, maximize profits and move towards greener chemistry.



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. The total dividend pay-out for the current year amounts to ₹ 531 Crores as against ₹ 512 crores in the previous year.

OPERATIONS FOR QUARTER ENDING 30TH JUNE, 2021

Your Company has put in place several measures to ensure business continuity with uninterrupted production and supplies to our customers, yet focusing on the ongoing expansion to create a steady supply platform. We have completed many of the expansion and debottlenecking activities planned during the quarter with slight delay caused by the second wave. During the quarter, we have capitalized assets of ₹270 crores, most of which was for the fast-track project and we have ₹579 crores of CWIP in projects, especially for creating capacities for new generic molecules; and validation for these new generics are progressing very well.

During the first quarter of the year 2021-22, your company has achieved a consolidated revenue of ₹ 1997 crores reflecting a growth of 14% over the corresponding quarter of the previous year. Profit before tax for the quarter amounted to ₹ 814 crores, a growth of 23%. Tax provision for the quarter came higher at ₹ 257 crores. We have earned a profit after tax of ₹557 crores for the quarter.

CSR INITIATIVES

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. 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.

- Distributed sanitizing material to several villages around our manufacturing facilities and the Municipal Administrations nearby.
- Provided PPE kits, hand gloves, face masks, medical kits, furniture, beds and mattresses to both Government aided and privately managed health care centres.
- Provided food to COVID-19 frontline workers, volunteers, staff of government medical/multi-lateral agencies, and migrant workers during the lockdown period.
- Supplied oxygen cylinders and concentrators to Government hospitals in Telangana & Andhra Pradesh!
- Set up Oxygen generation plants in two major hospitals, helping patients have access to uninterrupted oxygen supply!
- Supplying essential healthcare supplies to existing healthcare centres and setting up a new Covid-19 healthcare centre, accommodating ~50 patients!

Divi's mission, for the past 31 years, has been and will continue to be about "Sustaining Growth, with a Purpose". Whether it is promoting child empowerment, or ensuring safe drinking water, or conducting massive plantation drives, we have always stayed connected to our communities & nature. Access to education, health care, safe drinking water, empowerment of children and women, well-being of animals, betterment of livelihoods, development of rural infrastructure – it is in these actions that we want our stakeholders to take pride. At Divi's, we diligently follow our social responsibility efforts to strive to create a positive impact in the lives of people through our initiatives aimed at improving their quality of life.

Your company has significantly stepped up the CSR Expenditure during the year to about ₹ 32 crores. I would highlight some of our CSR programs undertaken during the year:

- Development of infrastructure for Model School, Siricilla with amenities like School Library, Football Court, Dining Hall, Computer Lab and Science Lab.
- Distribution of note books and nutritional products to students benefiting ~15,000 students.
- Setting up of digital classrooms in 9 schools, benefiting ~560 students.
- Operating and maintenance of 81 RO plants benefiting ~2,15,000 people through 'Project Sujalam – any time safe drinking water for all' making safe drinking water accessible to the communities around our manufacturing facilities.
- Led major plantation drives in the Choutuppall & Bhimili regions, where we have overseen over 1 lakh plantations in villages.
- Initiated several animal welfare programmes in 28 villages, benefiting ~50,000 people.
- Significant projects undertaken under Village development, such as Development of Children's Park, Gym equipment distribution, Cricket kits distribution, Distribution of LED lights and Provision of kitchen shed and toilets

CONCLUSION

Ladies and Gentlemen, on behalf of the Board, I would like to thank all our stakeholders—esteemed customers, vendors, business associates, banks, regulatory agencies, Government Departments and our shareholders for their continued support and good wishes. I would like to thank all our employees for their unstinted efforts and dedication in ensuring the continuity of our manufacturing and business activities duly complying with the safety and hygiene protocols at the workplace.

Our commitment to being a reliable supplier, delivering quality APIs - remains unchanged!

Warm regards,

Dr. Murali K. Divi