



Divi's Laboratories Limited

Date: 14 September, 2020

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 30th Annual General Meeting of the Company

The Chairman's Speech and Managing Director's Speech, delivered at the 30th Annual General Meeting of the Company held today, i.e., on 14 September, 2020, 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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Chairman's Speech

30th Annual General Meeting, 14th September, 2020

Ladies and Gentlemen,

Good Morning to you all. It gives me great pleasure to welcome you to this 30th Annual General Meeting of **Divi's Laboratories Limited**.

The Annual Report for the year ended 31st March, 2020 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 but amid some unprecedented times, when the entire world and India is grappling with the COVID-19 pandemic. Governments all over are staring at this huge challenge of arresting the spread of the pandemic while also having to jumpstart economies that have almost come to a standstill. This unabated situation of the pandemic is weighing down heavily on the already strained medical infrastructure.

This epidemic is different in the sense that there is very little natural immunity to this virus, has no certain cure yet, and highly infectious. This has led to a new normal in conducting our daily lives and business activities. Despite the humungous ongoing efforts of several companies to quickly develop vaccines or medicines with clinical trials already underway, our only defense remains to be social distancing, wearing a mask and frequent sanitization.

In this environment, we convene for the first ever virtual Annual General Meeting of your Company, and my first Annual General Meeting after assuming charge as Chairman of the Company in April 2020.

Quintiles IMS Institute's research forecasts global spending on medicines to reach \$1.5 trillion by 2021, a massive 33 percent increase since 2016. This forecast has been based on various factors such as market drivers, current and upcoming trends, current growth pattern and market challenges. While the major developed markets will remain the dominant contributors, the pharmerging markets' overall contribution to global sales growth will continue to rise to almost 35%. An in-depth analysis by a leading consulting firm also confirms that, come 2023, North America is expected to retain its leading position in the global pharmaceuticals market with a market share of 45%. Asia-Pacific pharmaceuticals market is expected to retain its second position with a market share of 24% while Europe's share expected to be worth 20%.

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

The Indian bulk drug industry has progressed from being perceived as a manufacturer of simple API molecules to becoming the preferred destination for high value and complex APIs. The industry currently ranks third globally taking advantage of its large pool of chemists & technologists, world-class facilities, and low-cost operations. The Government of India aims at reducing dependency on import of API and its key starting materials or lower level intermediates to ensure sustainable growth and service the requirements of the global market.

As economies around the world continue to be strained by the impact of COVID-19, several businesses are also experiencing challenges in operations and supply chain disruptions. Pharmaceutical companies are making serious efforts to develop appropriate remedy for this virus; besides making timely availability of medicines to support the initiatives of the governments to contain the spread of the virus. The COVID 19 outbreak has also presented Indian pharmaceutical companies with an opportunity to become a preferred alternate hub for APIs and intermediates.

I am pleased to state that, while your company has been able to perform satisfactorily in the FY 2019-20, our management team has been relentlessly working on safeguarding the business continuity in order to ensure near normal operations to meet the requirements of customers for the well-being of people worldwide.

Thank You!

Dr. Ramesh Nimmagadda
Chairman & Independent Director



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Managing Director's Speech

30th Annual General Meeting, 14th September, 2020

Ladies and Gentlemen,

Very good morning to you all, and a hearty welcome to this 30th Annual General Meeting of **DIVI'S LABORATORIES LIMITED**.

Three decades of our focused start as a reliable supplier of APIs, through sustainable practices in every area of operations, your company has grown from strength to strength. The company has set benchmarks by turning challenges into business success and creating value for all stakeholders.

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

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.

The COVID-19 crisis is a societal crisis threatening lives and the well-being of our society with a potential to fundamentally reshape the world. The global economic fallout due to this crisis is inevitable. The world must come together collectively in search of long-lasting solutions, so the lives and livelihood of our people can be protected. COVID-19 has heavily impacted all industries - small, medium and large. Governments across the world are finding ways to provide succor to the entire Socio-Economic sections of the society while simultaneously addressing the slowing economies. While the Pharma industry as such remains less impacted because of the need to support lifesaving medicines, industry continues to face certain difficulties as well. Fluctuations in costs, availability of raw materials, supply chain issues to name a few. We are closely monitoring the everchanging situations caused by this pandemic and are optimistic about ensuring uninterrupted supply of our API.

The pandemic has only increased our responsibility to manufacture new APIs for COVID-19 while potential vaccine is being developed worldwide.

I am glad to state that Divi's as a responsible API manufacturer, quickly developed the process for Hydroxychloroquine and Favipiravir manufacturing from indigenous raw materials. These drugs are currently approved for treating COVID-19 and we are completely prepared to meet the demand.

Divi's has also developed the process for four difficult-to-make intermediates of Remdesivir which is also currently being used to treat COVID-19 patients and we are ready to supply if the need arises.

OPERATIONS FOR THE YEAR

I would like to brief you on salient features of business during the year under review. During the year, our:

- Total Revenues for the year increased by 9% to ₹ 5500 crores.
- Operating profit (PBDIT) for the year amounted to ₹ 2005 crores as against an operating profit of ₹ 2006 crores for the last year.
- Profit before Tax (PBT) for the year amounted to ₹ 1813 crores as against a PBT of ₹ 1833 crores for the last year.
- Tax Provision for the current year amounted to ₹ 441 crores as against a tax provision of ₹ 501 crores for the last year. Lower tax provision was due to availing additional depreciation and investment allowance for new projects set up in backward districts of Andhra Pradesh and Telangana and reversal of current tax of earlier year's amounting to ₹ 34 crores. There was also higher deferred tax provision for the year as the company has capitalized fixed assets of ₹ 878 crores on completion of some of the capex projects.
- Profit after Tax (PAT) before Other Comprehensive Income for the year amounted to ₹ 1373 crores as against a PAT of ₹ 1333 crores for the last year.
- Earnings Per Share of ₹ 2/- each works out to ₹ 51.71 for the year as against ₹ 50.20 for the last year.
- Out of the total revenue, 24% came from North America, 48% from Europe, 11% from Asia, 13% from India and 4% from rest of the World.

DIVIDEND

The Board has declared and paid an interim dividend of ₹ 16 per share of face value ₹ 2 each i.e., 800% for the financial year 2019-20. Your Board recommends members to confirm this interim dividend as dividend for the financial year 2019-20.

The total dividend payout for the current year amounts to ₹ 512 crores (inclusive of tax of ₹ 87 crores) as against ₹ 512 crores for the last year. Dividend payout (including dividend tax) as a percentage of profits for the current year is 37% against 38% for the last year.

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

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

We reported in the last financial year that the Company has taken up large capex programs for a total amount of about ₹ 1800 crores, comprising two brownfield projects, debottlenecking and backward integration programs in order to minimize dependency on supplies of raw materials from China, upgrading utilities and quality control infrastructure, setting up a most modern wastewater treatment facility, building future chemistry blocks with automation and maximum mechanization. A part of the brownfield projects at DC-SEZ Unit at Choutuppal, Telangana and DCV-SEZ Unit at Chippada, Andhra Pradesh have commenced operations during the year, qualification batches are completed and awaiting regulatory approvals. A part of the backward integration, debottlenecking and utility expansion projects have also come into utilization during the year.

For the rest of the Capex programs, our contractors are experiencing delays due to shortages of technicians and also delays by equipment vendors because of the disruptions caused by COVID-19. Our Engineering department is closely coordinating with contractors and vendors for the expeditious completion of the Capex programs. We expect that these projects will be completed and come into utilization by end of financial year 2020-21.

OPERATIONS FOR QUARTER ENDED 30TH JUNE, 2020

The beginning of Q1 FY21 witnessed the challenges posed by COVID-19 pandemic. By mid-April 2020, your company was able to sustain its operations with minimal impact at normal pace at both our manufacturing facilities. At Divi's, we remain committed to focus on health and well-being of our employees by closely monitoring guidelines issued by Governments and adapting to the safety plans that reflect the constantly changing guidelines. The company has put in place several measures in order to fortify our business continuity by ensuring timely procurement of raw materials, strategic implementation of production schedules, and swiftly organizing the shipment of finished products to our customers. We have been constantly communicating and updating our customers about the supply schedules and ensuring commitments with minimal impact. We have been able to move goods to our manufacturing sites from both domestic and import sources by constantly communicating with our associated vendors to ensure supply, factoring minimal impact due to COVID-19 situation.

I am pleased to report that, during the quarter ended 30th June, 2020, the company has achieved a total revenue of ₹ 1,728 crores, reflecting a growth of 48% year on year. While the profit before tax has accounted to ₹ 661 crores, reflecting a growth of 81% year on year, the profit after tax has accounted to ₹ 492 Crores reflecting a growth of 84%. This is the highest ever quarterly revenue and profits generated by your company.

CSR INITIATIVES

30 years of sustenance is what we call our journey. This sustenance came with belief and through actions, to not only become one of the world's leading API manufacturer, but to serve the community at large. Our strong belief in coexisting with the habitat is the key to our sustained growth. "We did not want to grow in isolation but wanted our community to join us in our journey of growth". Divi's mission for the past 30 years, has been and will continue to be about "Sustenance through Actions". Whether it is promoting child empowerment, or ensuring safe drinking water, or conducting massive plantation drives, we have always stayed connected to our communities & nature. Access to education, health care, safe drinking water, empowerment of children and women, well-being of animals, betterment of livelihoods, development of rural infrastructure - it is in these actions that we want our stakeholders to take pride. At Divi's, we are sure we shall make you proud.

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

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 ₹ 51 crores. In addition to regular CSR activities, Divis has taken up several activities during Covid Pandemic. I would highlight some of our CSR programs undertaken during the year:

- Improved the infrastructure in 227 schools by establishing libraries, computer labs, digital classrooms, and science labs.
- Supported the construction of a centralized kitchen capable of 30,000 meals per day through the Akshayapatra Foundation. A total of 20,664 talented yet vulnerable students have benefited during the year through this program.
- Significantly stepped up our efforts on village development by supporting the construction of roads/drains, bus shelters, and community centers, facilities at cremation grounds, panchayat buildings, drinking water tanks, cattle care sheds and parks, benefiting 67 villages with a population of 2,10,000. Your company has funded the construction of community and individual toilets for deprived families pledging our efforts to the Swacch Bharat Mission.
- Promoted rural sports, distributed sports kits to several schools and villages; and supported Mandal level sports competitions.
- For the past few years, we have been constantly supporting differently abled children through various initiatives. In schools for visually challenged children, we renovated dining halls, added new dining tables, and assisted students with admissions into higher education courses. Because of this initiative so far, 45 Visually Challenged students have completed SSC and joined in intermediate courses at Netravidyalaya, Hyderabad.
- We supported an organization involved in care, well-being, and treatment of gifted children born with autism spectrum disorders.
- Planted about 1 lakh trees, adjacent to public roads using Miyawaki plantation techniques. 2 lakh trees were also planted assisting the Government's Haritha Haram & Vanam-Manam projects.
- As an effort towards empowering rural women, we have distributed sewing machines. We also supported the skill development centres managed by local women. The face masks that were made here were distributed among villages, quarantine centers and migrant workers.

CSRACTIVITIES RELATED TO COVID PANDAMIC

- 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 quarantine centers.
- Provided food to COVID-19 frontline workers, volunteers, staff of government medical/multi-lateral agencies, and migrant workers during the lockdown period.
- Provided food provisions, masks, sanitizers and soaps to about 1,50,000 people to 98 villages around our manufacturing facilities.

CONCLUSION

Ladies and Gentlemen, on behalf of the Board, I would like to thank all our stakeholders - customers, vendors, business associates, Banks, Government Departments and regulatory agencies for their continued support. I would like to thank our employees across all aspects of our business who are safeguarding the continuity of all the business activities while maintaining social distancing and hygiene guidelines throughout their time in the workplace.

Thank you, ladies and gentlemen, for your kind attention

With warm regards

Dr. Murali K. Divi

Managing Director