

Corporate Governance

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. Corporate governance also includes the relationships among the many stakeholders involved and the goals for which the corporation is governed. It is a system of structuring, operating and controlling a company with a view to achieve long term strategic goals to satisfy shareholders, creditors, employees, customers and suppliers, and complying with the legal and regulatory requirements, apart from meeting environmental and local community needs. Key elements of good corporate governance principles include honesty, trust and integrity, openness, performance orientation, responsibility and accountability, mutual respect, and commitment to the organization. It further inspires and strengthens investor's confidence by ongoing commitment to overall growth of the Company.

Your Company adheres to the principles of corporate governance and commits itself to accountability and fiduciary duty in the implementation of guidelines and

2.1 Composition

The Company has an Executive Chairman. The Board comprised of ten directors, five of whom are Executive and remaining are non-executive independent directors, which is in conformity with clause 49 of the listing agreement. The category of directors as on 31st March 2010 is as follows :

Sl. No.	Name of the Director	Status / Designation	Category
1.	Dr Murali K. Divi	Chairman and Managing Director	Promoter and Executive Director
2.	Sri N V Ramana	Executive Director	Executive Director
3.	Sri Madhusudana Rao Divi	Director (Projects)	Executive Director
4.	Dr P Gundu Rao	Director (R&D)	Executive Director
5.	Sri Kiran S Divi	Director (Business Development)	Executive Director
6.	Dr K Satyanarayana	Director	Non-executive Independent Director
7.	Sri S Vasudev	Director	Non-executive Independent Director
8.	Sri G Venkata Rao	Director	Non-executive Independent Director
9.	Prof C Ayyanna	Director	Non-executive Independent Director
10.	Dr G Suresh Kumar	Director	Non-executive Independent Director

mechanisms to ensure its corporate responsibility to the members and other stakeholders. In accordance with the clause 49 of the Listing Agreement, a report in line with the requirement of the stock exchanges, on the practices followed by the company and other voluntary compliances is given below:

2. BOARD OF DIRECTORS

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

2.2 Number & Dates of Board Meetings held during the year.

During the financial year the Board has met five times, i.e. on 14th April 2009, 6th June 2009, 31st July 2009, 30th October 2009 and 29th January 2010. Director's attendance at the Board and General Meetings held during the financial year 2009-10 and number of other Directorship and Chairmanship/ Membership of Committees of each Director in various companies is as follows :

Sl. No.	Name of the Director	Attendance Particulars			No. of Directorships and Committee member/chairmanship in other Companies		
		No. of Board Meetings held	No. of Board Meetings attended	Last AGM	Directorships	Committee Memberships	Committee Chairmanships
1.	Dr Murali K. Divi	5	5	Yes	5	1	-
2.	Sri N V Ramana	5	5	Yes	2	-	-
3.	Sri Madhusudana Rao Divi	5	5	No	-	-	-
4.	Dr P Gundu Rao	5	4	Yes	-	-	-
5.	Sri Kiran S. Divi	5	4	Yes	2	-	-
6.	Dr K Satyanarayana	5	5	Yes	-	-	-
7.	Sri S Vasudev	5	5	Yes	-	-	-
8.	Sri G Venkata Rao	5	5	Yes	1	-	-
9.	Prof C Ayyanna	5	5	Yes	-	-	-
10.	Dr G Suresh Kumar	5	5	Yes	-	-	-

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

Re-appointment of Directors

Dr. P Gundu Rao is re-appointed for a further period of three years, subject to approval of members of the company at the ensuing Annual General Meeting, as Director (R&D) with effect from 27th August, 2010.

Brief profile of the directors retiring by rotation and seeking re-appointment

i) Dr. K. Satyanarayana

Dr. K. Satyanarayana holds M. S. (General Surgery) from Osmania Medical College, Hyderabad and also M. Ch. (Neurosurgery) from Christian Medical College, Vellore. He is a common fellow of Royal Infirmary, Edinburg, UK. He was a Professor of Neuro Surgery at Kakatiya Medical College, Warangal and at Gandhi Medical College, Hyderabad. Dr. Satyanarayana also worked as Professor & Head of Dept. of Neurosurgery at Osmania Medical College, Hyderabad and as the Director of Medical Education, Government of Andhra Pradesh. He has retired from Government service and is currently Consulting Neuro Surgeon at Vijaya Health Care, Durgabhai Deshmukh Hospital and Medwin Hospitals at Hyderabad.

Dr. K Satyanarayana joined the company as Director on 08.08.1995. He is not a director of any other company. He holds 10000 equity shares of the company as on 31st March 2010.

ii) Prof. C Ayyanna

Prof. C. Ayyanna holds a B.Tech degree in Chemical Engineering from Andhra University in 1965 and Ph.D., from Indian Institute of Science, Bangalore. He joined the faculty of Chemical Engineering at Andhra University, Visakhapatnam in 1974 and was elevated as Professor of Chemical Engineering in 1987. He is a Fellow of the Institution of Engineers (India), a Member of the Indian Institute of Chemical Engineers and also a Fellow of the Andhra Pradesh Academy of Sciences, Hyderabad. Prof. Ayyanna has undertaken research work relating to chemical engineering and biotechnology. He visited several universities in USA under the Indo-US Scientists Exchange program and several countries for presenting technical papers. He is presently Director of Gonna Institute of Information Technology & Sciences, Visakhapatnam.

Prof. C. Ayyanna joined the company as Director on 10.03.2001. He is not a Director in any other Company and not holding any equity shares of the company as on 31st March 2010.

iii) Dr. P. Gundu Rao

Dr. P. Gundu Rao holds a Masters Degree in Pharmacy from Banaras Hindu University. Dr. Gundu Rao obtained his Ph. D., from Friedrich Schiller University, Jena, Germany in 1962. He taught pharmaceutical sciences at the Birla Institute of Technology & Sciences (BITS), Pilani

for over a decade from 1957 to 1968 and was later Professor & Chairman at School of Pharmacy, Addis Ababa University, Ethiopia. He also served as a Professor and Principal at College of Pharmacy, Manipal and was associated with the college for over 24 years. He has published several research papers and technical articles and has authored books on inorganic pharmaceutical chemistry and biochemistry. Presently he is whole time Director and heads the R&D Division of your Company.

Dr. P Gundu Rao joined the company as Director on 10.02.1995. He is not a Director in any other Company. He holds 35990 equity shares of the company as on 31st March 2010.

3. COMMITTEES OF BOARD

a) Audit Committee

The primary objective of the Audit Committee of the company is to monitor and provide effective supervision of the management's financial reporting process with a view to ensure accurate, timely and proper disclosures and the transparency, integrity and quality of financial reporting. The Committee comprising of three Independent Directors, met five times during the year, i.e. on 14th April 2009, 6th June 2009, 31st July 2009, 30th October 2009 and 29th January 2010.

Name	Designation	No. of Meetings	
		Held	Attended
Mr. G. Venkata Rao	Chairman	5	5
Mr. S. Vasudev	Member	5	5
Dr. G. Suresh Kumar	Member	5	5

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

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

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

1. To oversee the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;
2. To recommend the appointment and re-appointment of the statutory auditor and the fixation of their remuneration;
3. To review with the management, the annual financial statements before submission to the board with particular reference to:
 - a. Matters required to be included in the Directors' Responsibility Statement to be included in the Board's Report in terms of clause (2AA) of Section 217 of the Companies Act, 1956;
 - b. Changes, if any, in accounting policies and practices and reasons for the same;
 - c. Major accounting entries involving estimates based on the exercise of judgment by management;
 - d. Significant adjustments made in the financial statements arising out of audit findings;
 - e. Compliance with listing and other legal requirements relating to financial statements;
 - f. Disclosure of any related party transactions; and,
 - g. Qualifications in the draft audit report.
4. To review the quarterly and half yearly financial results and the annual financial statements before they are submitted to board;
5. To review, with the management, performance of statutory and internal auditors, adequacy of the internal control systems, the internal audit reports relating to internal control weaknesses and letters of internal control weaknesses issued by the statutory auditors;
6. To review the adequacy of internal audit function, if any, including the structure of the internal audit department, staffing and seniority of the official heading the department, reporting structure coverage and frequency of internal audit;
7. To review, if necessary, the findings of any internal investigations by the internal auditors into matters where there is suspected fraud or irregularity or a failure of internal control systems of a material nature and reporting the matter to the board;
8. To discuss with statutory auditors before the audit commences, about the nature and scope of audit as well as post audit discussion to ascertain any area of concern;
9. To look into the reasons for substantial defaults in the payment to depositors, debenture holders, shareholders (in case of non-payment of declared dividends) and creditors, if any;
10. To review the management discussion and analysis of financial condition and results of operations;
11. To review the statement of significant related party transactions, submitted by management;
12. To monitor the use of issue proceeds;
13. To approve the appointment of CFO (i.e., the whole-time Finance Director or any other person heading the finance function or discharging that function) after assessing the qualifications, experience & background, etc. of the candidate; and,
14. Such other matters as may be required from time to time by any statutory, contractual or other

regulatory requirements to be attended to by such committee.

b) Remuneration and Compensation Committee

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

The said committee met five times during the year on 14th April 2009, 17th August 2009, 30th October 2009, 29th January 2010 and 25th March 2010 and the attendance of each member of the Committee is as follows:

Name	Designation	No. of Meetings	
		Held	Attended
Dr. K Satyanarayana	Chairman	5	5
Sri. S Vasudev	Member	5	5
Prof. C Ayyanna	Member	5	5

DETAILS OF REMUNERATION TO DIRECTORS

Executive Directors

(Rs. in Lakhs)

Name	Salary	PF	Perks	Commission	Options Value	Total	Stock Options Outstanding (Nos.)
Dr. Murali K. Divi	72.00	8.64	13.22	1252.73	-	1346.59	-
Sri. N V Ramana	60.00	7.20	12.47	626.37	23.60	729.64	Nil
Sri D Madhusudana Rao	48.00	5.76	12.00	-	-	65.76	-
Dr. P Gundu Rao	24.97	0.80	8.47	-	8.51	42.75	Nil
Sri. Kiran S. Divi	48.00	5.76	13.42	417.58	-	484.76	-
Total	252.97	28.16	59.58	2296.68	32.11	2669.50	

Non-Executive Directors

The Company does not pay any remuneration to Non-Executive Directors except sitting fees and reimbursement of travelling and out of pocket expenses for attending the Board/Committee meetings. The details of sitting fee paid to Non-Executive Directors during the year 2009-10 is as follows:

Sl. No.	Name of the Non-Executive Director	Designation	No. shares held	Sitting Fees (Rs. in Lakhs)
01	Dr. K Satyanarayana	Director	10000	2.00
02	Sri. S Vasudev	Director	Nil	3.00
03	Sri. G Venkata Rao	Director	3000	2.20
04	Prof. C Ayyanna	Director	Nil	2.00
05	Dr. G Suresh Kumar	Director	Nil	2.20

C) Shareholders / Investors' Grievance Committee

The Shareholders/Investors' Grievance Committee is empowered to approve issue of duplicate share certificates, to review all matters connected with the shares transfers and transmissions, to review the performance of the Registrar and Transfer Agents. The Committee also looks into redressing of shareholders'

complaints like non transfer of shares, non-receipt of dividend and Annual Report etc.

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

During the year the committee has met 5 times on 31st July 2009, 30th October 2009, 23rd November 2009, 2nd February 2010 and 25th March 2010 and considered the share transfers, issue of duplicate shares, rematerialisation of shares and other investor grievances.

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

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

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

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Complaints / Grievances received and attended

During the year under review, company has received a total of 46 complaints from investors. All were replied / resolved to the satisfaction of the investors and no complaints were outstanding.

d) Allotment Committee

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

The said committee met once during the year on 2nd August 2009 and the attendance of each member of the Committee is as follows:

Name	Designation	No. of Meetings	
		Held	Attended
Sri. G Venkata Rao	Chairman	1	1
Dr. P Gundu Rao	Member	1	1
Dr. G Suresh Kumar	Member	1	1
Sri. Kiran S. Divi	Member	1	1

The Company Secretary is the Secretary of the Committee.

Disclosure on legal proceedings pertaining to shares

There are no pending cases pertaining to shares as on 31.03.2010.

CEO and CFO Certification

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

Code of ethics and business conduct

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

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

I hereby confirm that the company has obtained from all the members of the board and senior management, affirmation that they have complied with the code of ethics and business conduct for directors and senior management in respect of the financial year 2009-10.

For and on behalf of the Board of Directors

Hyderabad
22nd May 2010

Dr. Murali K. Divi
Chairman & Managing Director



4. GENERAL BODY MEETINGS

Particulars of last three Annual General Meetings:

AGM	Year ended	Venue	Date & Time	Special Resolutions Passed
19 th	31.03.2009	KLN Prasad Auditorium, FAPCCI Premises, 11-6-841, Red Hills, Hyderabad – 500 004	17.08.2009 10 A.M	NIL
18 th	31.03.2008		16.08.2008 10 A.M	Increase of remuneration payable to Mr Kiran S Divi, Director (Business Development) of the company.
17 th	31.03.2007		03.09.2007 10 A.M	NIL

SPECIAL RESOLUTIONS THROUGH POSTAL BALLOT:

The Company has sought approval from members through Postal Ballot during the year through Notices dated 14th April 2009 and 6th June 2009 in respect of which results were declared on 20th May, 2009 and 22nd July 2009 respectively.

The details of the Special Resolutions approved through postal ballots are:

- a) For appointment of a relative of the director to an office or place of profit u/s 314(1B) of the Companies Act, 1956.

Item No.3: Appointment of a relative of the director to an office or place of profit u/s 314(1B) of the Companies Act, 1956

The results of the postal ballot as per the report dated 20th May, 2009 submitted by Mr. V. Bhaskara Rao, Scrutinizer are as follows:

Particulars	Item No. 3
Number of Valid Postal Ballot forms received	873
Votes in favour of the Resolution	36962041
Votes against the Resolution	45132
% of votes in favour of the Resolution	99.88%
Result	Approved by requisite majority

- b) For alteration of Articles of Association of the company:

Item No.2: Alteration of Authorised Capital in the Articles of Association of the company

The results of the postal ballot as per the report dated 22nd July, 2009 submitted by Mr. V. Bhaskara Rao, Scrutinizer are as follows:

Particulars	Item No. 2
Number of Valid Postal Ballot forms received	1367
Votes in favour of the Resolution	38190644
Votes against the Resolution	7237
% of votes in favour of the Resolution	99.98%
Result	Approved by requisite majority

The Company has complied with the procedures for the Postal Ballot in terms of the Companies (Passing of Resolution by Postal Ballot) Rules, 2001 and amendments thereto.

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

5. DISCLOSURES

A) Disclosures on Materially Significant Related Party Transactions

The Company does not have any related party transactions, which may have potential conflict with the interest of the Company. Other related party transactions have been reported at item No.14 of Notes to Accounts (Schedule - 24). The Register of Contracts containing transactions, in which Directors are interested, is placed before the Board regularly.

B) Cases of Non-Compliances / Penalties

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

C) Risk Management

The company has been addressing various risks impacting the company and the policy of the company

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on risk management is provided elsewhere in this annual report in Management Discussion and Analysis.

D) Whistle Blower Policy

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

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

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

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

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

6. MEANS OF COMMUNICATION

Quarterly, half-yearly and annual financial results of the Company are communicated to the Stock Exchanges immediately after the same are considered by the Board and are published in prominent English and Telugu newspapers. They are also made available on the Company's website, i.e. www.divislaboratories.com.

7. MANAGEMENT DISCUSSION AND ANALYSIS

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

8. GENERAL SHAREHOLDER INFORMATION

Annual General Meeting	Date: 13 th August 2010 Time: 10.00 A.M.
Venue	KLN Prasad Auditorium, FAPCCI Premises, 11-6-841, Red Hills, Hyderabad – 500 004
Financial Year	1 st April 2009 to 31 st March 2010
Book Closure Date	6 th July 2010 to 10 th July 2010
Dividend payment date	On or before 12 th September 2010
Listing on Stock Exchanges	a) Bombay Stock Exchange Ltd. b) National Stock Exchange of India Limited

Stock Code	BSE - 532488 NSE - DIVISLAB
ISIN No	INE361B01024

The Company has paid listing fees for 2010-11 to both the above Stock Exchanges.

9. DEPOSITORY REGISTRAR AND TRANSFER AGENT

M/s. Karvy Computershare Private Limited
Plot No 17-24, Vittal Rao Nagar,
Madhapur, HYDERABAD – 500 081
Phone No. 040-23420815-28
Fax : 040-23420814/ 23420857
Email: mailmanager@karvy.com

10. MARKET PRICE DATA

Monthly high and low quotations as well as the volume of shares traded at Mumbai and National Stock Exchanges for the financial year 2009-10 are as follows:

	Month	Mumbai Stock Exchange			National Stock Exchange		
		Low	High	Volume	Low	High	Volume
Pre Bonus	Apr-09	836.55	1009.95	721350	755.00	1009.00	2886429
	May-09	866.00	1212.00	660578	865.00	1204.90	3501886
	Jun-09	1028.00	1318.80	688951	1020.00	1299.00	2837173
	Jul-09	953.60	1183.75	380981	952.10	1184.00	1802568
Post Bonus*	Jul-09	527.00	589.00	93702	525.00	624.00	696639
	Aug-09	452.00	544.35	1912082	450.00	545.00	7939723
	Sep-09	485.25	577.00	2441242	502.30	578.15	8926643
	Oct-09	527.55	630.00	1840824	527.60	630.00	7860774
	Nov-09	518.00	614.00	1210700	518.15	612.00	4755201
	Dec-09	607.00	691.80	1646724	609.95	700.00	7251491
	Jan-10	570.10	714.95	956437	572.00	714.80	4817173
	Feb-10	558.00	645.00	788851	554.25	644.45	4780415
Mar-10	615.00	685.40	729106	551.00	685.95	4673421	

* Effective 30th July, 2009, the quotations for equity shares are on post bonus basis.

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

11. UNCLAIMED DIVIDEND AMOUNTS

In spite of periodic reminders during the last year, the following dividend amounts continue to remain unclaimed as at 31st March, 2010:

Financial Year	No. of warrants unclaimed	Unclaimed Dividend (Rs in Lakhs)
2002-2003	190	4.31
2003-2004	168	3.86
2004-2005	231	3.41
2005-2006	221	2.89
2006-2007	343	3.37
2007-2008	1458	4.56
2008-2009	1222	7.29

Members who did not encash their warrants or whose warrants are lost / misplaced are advised to get in touch with the Company Secretary and obtain duplicate dividend warrants.

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

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

Members who have not so far encashed the dividend warrant (s) are requested to seek issue of duplicate dividend warrant (s) in writing to the Company's Registrar and Transfer Agents, M/s. Karvy Computershare Private Limited immediately. **Members are requested to note that no claims shall lie against**

the Company in respect of any amounts which were unclaimed and unpaid for a period of seven years from the dates that they first became due for payment and no payment shall be made in respect of any such claims.

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

Financial year ended	Date of declaration of dividend	Due for transfer to IEPF on
31.03.2003	18.08.2003	17.09.2010
31.03.2004	09.08.2004	08.09.2011
31.03.2005	22.08.2005	21.09.2012
31.03.2006	02.09.2006	01.10.2013
31.03.2007	17.03.2007	16.04.2014
31.03.2008	16.08.2008	15.09.2015
31.03.2009	17.08.2009	16.09.2016

13. SHARE TRANSFER SYSTEM

The Share Transfer Committee approves transfer of shares in physical mode. The Company's RTA transfers the shares within 30 days of receipt of request. Dematerialization is done within 20 days of receipt of request along with the shares through the Depository Participant of the shareholder. The Share Transfer Committee / Grievance Committee generally meet once in a fortnight for approving share transfers and for attending to any grievances or complaints received from the members.

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

14. DISTRIBUTION OF SHAREHOLDING

Category	As on 31 st March, 2010				As on 31 st March, 2009			
	No. of Members		No. of Shares		No. of Members		No. of Shares	
	Total	%	Total	%	Total	%	Total	%
1 - 5000	34427	96.84	4568678	3.46	25531	97.87	2927301	4.52
5001 - 10000	537	1.51	2132940	1.61	234	0.90	922302	1.42
10001 - 20000	254	0.71	1990003	1.50	122	0.47	898271	1.39
20001 - 30000	83	0.23	1057463	0.80	55	0.21	676439	1.04
30001 - 40000	39	0.11	697596	0.53	21	0.08	383261	0.59
40001 - 50000	31	0.09	721500	0.55	17	0.06	379595	0.59
50001 - 100000	66	0.19	2276367	1.72	36	0.14	1282759	1.98
100001 & above	112	0.32	118699598	89.83	71	0.27	57288097	88.47
TOTAL	35549	100	132144145	100	26087	100	64758025	100

15. (i) Shareholding pattern

Category	As on 31.03.2010		As on 31.03.2009	
	No. of shares	% to share capital	No. of shares	% to share capital
Promoters	69195600	52.36	34584300	53.41
Mutual Funds and UTI	18190891	13.77	9000918	13.90
Banks/Financial institutions	313519	0.24	57154	0.09
Foreign Institutional Investors	20453970	15.48	10428674	16.10
Private Corporate Bodies	9763127	7.39	4043599	6.24
Indian Public	11978397	9.06	5543460	8.56
Non-Resident Indians/Overseas Corporate Bodies	1335086	1.01	633818	0.98
Clearing Members	59889	0.05	99263	0.15
Trusts	1456	0.00	22579	0.04
Directors (Not having control over the Company)	852210	0.64	344260	0.53
Grand Total	132144145	100	64758025	100

ii) Shareholding profile

Mode of Holding	As on 31.03.2010				As on 31.03.2009			
	No. of Holders	%	No. of shares	%	No. of Holders	%	No. of shares	%
Demat	35432	99.67	69258539	52.41	25967	99.54	33264700	51.37
Physical	117	0.33	62885606	47.59	120	0.46	31493325	48.63
Total	35549	100	132144145	100	26087	100	64758025	100

(iii) Dematerialization of shares and liquidity

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

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

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

As on March 31, 2010, 52.41 % of the shares were in demat mode.

(iv) Plant Location

- Unit I : Lingo jigudem Village, Choutuppal Mandal, Nalgonda Dist. (A.P.) Pin Code-508 252.
- EOU : Chippada Village, Bheemunipatnam Mandal, Visakhapatnam Dist. (A.P.) Pin Code - 531 162
- SEZ : Chippada Village, Bheemunipatnam Mandal, Visakhapatnam Dist. (A.P.) Pin Code - 531 162

16. CORRESPONDENCE ADDRESS

Ms. P V Lakshmi Rajani
 Company Secretary & Compliance Officer
 Divi's Laboratories Limited
 'Divi Towers', 7-1-77/E/1/303, Dharam Karan Road,
 Ameerpet, Hyderabad – 500 016, INDIA
 Phone : 040-2373 1318, 1760 / 61, Fax : 040-2373 3242
 email : cs@divislaboratories.com

For and on behalf of the Board of Directors

Dr. Murali K. Divi
 Chairman & Managing Director

Hyderabad
 22nd May 2010



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

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

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

For Divi's Laboratories Limited

Hyderabad
Date: 22nd May 2010

Dr. Murali K. Divi L. Kishorebabu
Chairman and Managing Director Chief Financial Officer

Certificate

To
The Members of
Divi's Laboratories Limited

We have examined the compliance of the conditions of corporate governance by DIVI'S LABORATORIES LIMITED, for the year ended on 31st March, 2010, as stipulated in clause 49 of the Listing Agreements of the said Company with Stock Exchanges in India.

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

In our opinion and to the best of our information and according to the explanations given to us, and based on the representations made by the Directors and the Management, we certify that the company has complied with the conditions of Corporate Governance as stipulated in clause 49 of the above mentioned Listing Agreements.

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

HYDERABAD
Date: 22nd May 2010

P V R K NAGESWARA RAO
Partner
Membership number : 18840