

DIVI'S LABORATORIES LIMITED

CIN: L24110TG1990PLC011854

Registered Office: Divi Towers, 1-72/23(P)/DIVIS/303,

Cyber Hills, Gachibowli, Hyderabad - 500 032, INDIA

Tel: +91-40-6696 6300, Fax: +91-40-6696 6460

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

33rd Annual General Meeting held on 28th August, 2023

CHAIRMAN'S SPEECH

Dear Shareholders and esteemed members of the Board,

Good morning to each one of you and a very warm welcome to the 33rd Annual General Meeting of Divi's Laboratories Limited. We trust that you and your loved ones are in good health.

The Annual Report for the year ended on March 31st, 2023, along with the notice of the meeting, the Board's Report, and the audited financial statements of the company have been duly circulated to you. With your permission, I consider them as read. As we virtually gather today, we deeply appreciate your generous support, and on behalf of the Board of Directors, I thank you for your valuable time and participation amidst your demanding schedules.

Over the past two years, the global pharmaceutical landscape has undergone enormous changes, after navigating the challenges posed by the pandemic. This shift is driven by rapid technological advancements, the need for more affordable medicines, and economic pressures compounded by uncertain global geopolitical conditions.

According to the January 2023 IMF report, the global medicine market is projected to reach USD1.9tn by 2027, with an estimated CAGR of 3-6%. The rising prevalence of chronic diseases is projected to fuel growth in the small molecule drug discovery sector, particularly within areas like oncology and neurology. According to IQVIA, the impending loss of exclusivity (LOE) is also expected to impact the industry significantly. While advanced economies might experience a moderate deceleration due to existing higher per capita usage, developing markets like Asia-Pacific, Latin America, India, and Africa-Middle East are poised for substantial growth in medicine consumption.

The Indian pharmaceutical industry is on a reassuring path, sustained by technological progress, and an expanded global presence driven by increased production volumes. Looking ahead, the India Brand Equity Foundation (IBEF) envisions significant growth, estimating a CAGR of 15% that could drive the domestic market to USD 130 bn by 2030.

The Indian active ingredients industry has undergone a remarkable transformation, transcending from being a producer of simple molecules to a currently preferred hub for high-value and complex APIs. According to a recent EY-FICCI report, Government initiatives are expected to be valuable in driving growth. Additionally, several capital expenditure initiatives are planned across the industry, with an emphasis on enhancing backward integration to APIs/KSMs and expanding production capacities. Furthermore, the Indian pharma industry is resolutely committed to meeting sustainability objectives, investing in both development capabilities and infrastructure to boost rapid drug discovery, solidifying its role as a reliable global drug supplier.

Your company successfully executed its capex initiatives and, in fact, has been able to implement fast-track projects efficiently and venture into expanding the contrast media API portfolio. In the face of market volatility, your company maintained efficient and sustainable operations, reinforcing the domestic supplier network and mitigating sourcing risk. I commend Divi's Management for their continued dedication in steering the company's success.

Thank you.

I would now request Dr. Murali Divi, our Managing Director to address the shareholders.

Dr. Ramesh Nimmagadda
Chairman

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MANAGING DIRECTOR'S SPEECH

Ladies and Gentlemen,

Good morning to each of you and a hearty welcome to the 33rd Annual General Meeting of Divi's Laboratories.

I'm pleased to bring to your notice that the financial year 2022-23 has been an important year for your company in terms of clearances and ongoing seamless construction of the Unit-3 manufacturing plant and marked our ability to adapt and evolve amidst the ever-changing market volatility. Our business model, fortified by our expanded capacities, product diversification strategy, process efficiency, and project execution, has helped us seize various new opportunities, as we ensure shared value creation for our stakeholders.

During the first half of FY22-23, the world encountered increased geopolitical tensions, which brought various challenges in the form of trade relations, inflation, and volatility in costs. Despite such global environment, the Indian Pharma industry displayed strength and adaptability, re-emerging as a reliable global pharma manufacturer.

With a strategy that embraces responsible growth, we navigated through the uncertain pharmaceutical and economic landscape of this year, while swiftly responding to emerging opportunities. Continuing our transformative growth to address evolving demands, requirements, and business necessities, Divi's is enhancing its steadfast position as a reliable API supplier to global pharmaceutical companies, a reputation solidified by the commitment and determined efforts of the entire Divi's family.

Looking ahead, our commitment to responsible growth through sustainability in chemistry and shared value creation for our stakeholders by actively pursuing our six growth engines remains steadfast. By leveraging our three decades of expertise in chemistry, execution excellence, and extensive capacities, we are focused on strengthening our industry leadership while contributing to the betterment of society. We strive to create long-term value by adopting robust growth strategies and implementing green chemistry principles that emphasize yield efficiency, recovery optimisation, and the preservation of valuable resources.

We will continue our journey of leadership through sustainable chemistry and be the most reliable supplier of high-quality APIs while generating value for all.

OPERATIONS FOR THE YEAR

Your company has been able to conduct its operations with agility, duly handling the challenges of an evolving industry landscape and post-pandemic demographic shifts, while simultaneously responding quickly to the emerging opportunities.

During the year, the Unit-3 greenfield project construction advanced seamlessly, and fast-track projects were executed with efficiency and on time. With a dynamic business model supported by our multi-purpose manufacturing facilities, we have been able to cater to customer demands and ensured swift deliveries.

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

- Our consolidated total income for the year was ₹8112 crores.
- Profit before Tax (PBT) for the year summed up to ₹2369 crores.
- Tax Provision for the current year amounted to ₹546 crores.
- Profit after Tax (PAT) for the year was ₹1823 crores.

- Earnings Per Share of ₹2/- each works out to ₹68.69 for the year.
- Out of the total revenue, North America accounted for 29% and Europe for 41%.

DIVIDEND

Your Board is pleased to recommend a dividend of ₹30 per equity share, i.e., 1,500% for the financial year ended March 31, 2023. The total dividend pay-out for the current year amounts to ₹796 crores.

OPERATIONS FOR THE QUARTER ENDING 30TH JUNE 2023

During the quarter, we continued to fulfill all commitments to our customers despite initial raw material volatility and pricing pressures across various regions. Procurement is actively being monitored to maintain a certain amount of inventory based on product criticality. We have experienced softening of raw materials prices compared to last financial year.

Shipping costs and timelines have gradually decreased, with both sea and air freight prices stabilising. Trade disruptions have also minimised along with container cost reductions. During the first quarter of the year 2023-24, your company earned a consolidated total income of ₹1859 crores, a Profit before tax of ₹492 crores, and a profit after tax of ₹356 crores.

CSR INITIATIVES

Over the years, Divi's has consistently upheld responsible operations and actively engaged in community-building initiatives that have positively contributed to the social and economic well-being of the weaker sections of the society. We continue to undertake various initiatives aimed at improving lives of the underprivileged, including empowerment of children, women, and differently abled, providing safe drinking water, executing plantation drives, and developing communities by providing access to healthcare, promoting animal welfare, and supporting holistic rural development in villages.

The CSR Expenditure during the year amounted to about ₹54 crores, benefitting over 8,60,000 people. I would like to highlight some of the notable CSR programs that were undertaken:

- Our healthcare initiatives covered 55 villages and benefited ~1,74,000 individuals.
- Student scholarships, playground development at SVLNS Govt Degree College Bheemili, and the transformative development of KG to PG Siricilla School and Gurukula Patasala at Choutuppal have collectively impacted over 84,000 students across more than 300 schools.
- Installation of RO water plants in 91 locations, aiding ~2,31,000 people in nearby villages, and ~1,57,000 individuals in 8 temples every day via Projects Sujalam and Jalaprasadam.
- ~60,000 saplings were planted increasing green cover across 10 villages in FY23.
- Animal welfare initiatives reached 95,000+ beneficiaries in 44 villages.
- Infrastructure upgradation of a visually impaired school for girls in Visakhapatnam while ensuring an adequate number of teaching and non-teaching staff for ~300 students in FY23.
- Livelihood generation programs benefitted ~1,000 women across 33 villages.
- Our Rural Development efforts reached 44 villages, collectively benefiting ~1,03,000 individuals in FY23.

CONCLUSION

Ladies and Gentlemen, on behalf of the Board, I extend my deepest gratitude to all our stakeholders - esteemed customers, vendors, business associates, banks, regulatory agencies, Government Departments, and our shareholders, for their continued support and good wishes. Your trust and encouragement have been instrumental to our success over the past three decades. Your confidence in Divi's drives us to continue our journey as a resilient business, and a reliable partner for the global pharmaceutical industry.

Thank you

Dr. Murali K. Divi
Managing Director