

Contents

3	● PERFORMANCE HIGHLIGHTS
5	● MANAGEMENT DISCUSSION & ANALYSIS
10	● CORPORATE GOVERNANCE
18	● DIRECTORS' REPORT
24	● AUDITORS' REPORT
	STANDALONE FINANCIALS
28	● Balance Sheet
29	● Profit & Loss Account
30	● Cash Flow Statement
32	● Schedules
41	● Accounting Policies
44	● Notes to Accounts
	CONSOLIDATED FINANCIALS
54	● Balance Sheet
55	● Profit & Loss Account
56	● Cash Flow Statement
58	● Schedules
67	● Accounting Policies
71	● Notes to Accounts
76	● Notice

Corporate Information

Registered Office :
 7-1-77/E/1/303, Divi Towers
 Dharam Karan Road, Ameerpet
 Hyderabad - 500 016
 Tel : 91-40-2378 6300
 Fax : 91-40-2378 6460
 e-mail : mail@divislaboratories.com
 URL : www.divislaboratories.com

Manufacturing Facilities :

Choutuppal Unit
 Lingojigudem Village, Choutuppal Mandal
 Nalgonda Dist. (A.P.) Pin 508 252

100% Export Oriented Unit - Chippada
 Chippada Village,
 Bheemunipatnam Mandal,
 Visakhapatnam Dist. (A.P.) Pin 531 162

Divi's Pharma SEZ
 Chippada Village, Bheemunipatnam Mandal,
 Visakhapatnam Dist. (A.P.) Pin 531 162

DSN SEZ Unit
 Chippada Village,
 Bheemunipatnam Mandal,
 Visakhapatnam Dist. (A.P.) Pin 531 162

R & D Centres :

1. B-34, Industrial Estate
 Sanathnagar, Hyderabad. Pin 500 018
2. Lingojigudem Village
 Choutuppal Mandal
 Nalgonda Dist (A.P.) 508 252
3. Chippada Village
 Bheemunipatnam Mandal
 Visakhapatnam Dist. (A.P.) Pin 531 162

Subsidiaries :

Divis Laboratories (USA) Inc.
 New Jersey, USA.

Divi's Laboratories Europe AG
 Basel, Switzerland.

Registrar & Share Transfer Agent :
 Karvy Computershare Private Limited
 Plot No.17-24, Vittal Rao Nagar,
 Madhapur, HYDERABAD - 500 081

Chief Financial Officer :
 L. KISHORE BABU

Company Secretary :
 P.V. LAKSHMI RAJANI

Auditors :
 M/s. P.V.R.K. Nageswara Rao & Co.
 Chartered Accountants
 109, Metro Residency
 6-3-1247, Rajbhavan Road
 Hyderabad - 500 082

Bankers :

- State Bank of Hyderabad
- State Bank of India
- The Lakshmi Vilas Bank Limited
- Bank of Nova Scotia

Shares listed at :

- National Stock Exchange of India Limited
- Bombay Stock Exchange Limited

Performance Highlights

(Rs. in Lakhs)

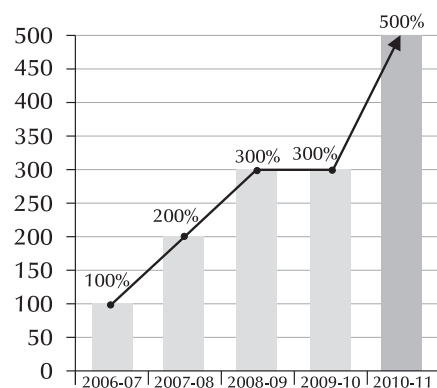
Turnover and Profit	2006-07	2007-08	2008-09	2009-10	2010-11
Sales	72442	103318	119056	92929	130544
Sales Growth %	90%	43%	15%	(22%)	41%
Other Income	1361	1361	2301	3069	3860
Total Income	73803	104680	121357	95998	134404
Total Income Growth %	88%	42%	16%	(21%)	40%
Profit before Interest Depreciation and Tax (PBDIT)	25961	43051	51339	44255	53459
Finance Charges	1057	1018	723	276	219
Depreciation	2233	3565	4782	5145	5335
Profit before tax (PBT)	22670	38469	45834	38834	47905
PBT Growth %	112%	70%	19%	(15%)	23%
Provision for Taxation	3496	3113	3389	4414	4348
Profit After Tax (PAT)	19175	35356	42446	34420	43557
PAT Growth %	172%	84%	20%	(19%)	27%

Dividend, Share Capital and Capital Employed	2006-07	2007-08	2008-09	2009-10	2010-11
Dividend	100%	200%	300%	300%	500%
Dividend payout	1472	3021	4558	9246	15411
Dividend payout %	7.7%	8.5%	10.7%	26.9%	35.4%
Equity Share Capital	1291	1291	1295	2643	2652
Reserves & Surplus	52913	86107	124884	151565	180153
Networth	54205	87399	126179	154208	182805
Networth growth %	59%	61%	44%	22%	19%
Gross Fixed Assets	49067	64193	78249	83265	88534
Net Fixed Assets	38119	49687	58967	58967	58973
Total Assets	72553	100136	136299	162683	190600

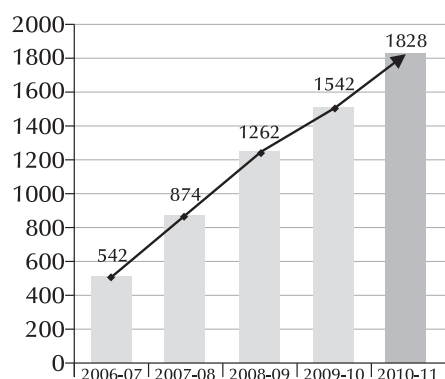
Key Financial Indicators	2006-07	2007-08	2008-09	2009-10	2010-11
Earnings per share (face value of Rs.2/-each) Rs.	29.91	54.77	65.59	26.40*	32.90*
Cash Earnings Per Share (face value of Rs.2/-each) Rs.	33.39	60.29	72.98	29.94*	36.93*
Gross Turnover Per share (face value of Rs.2/-each) Rs.	115.12	162.15	187.40	72.65*	101.51*
Book Value per share (face value of Rs.2/-each) Rs.	84.55	135.38	194.85	116.70*	138.06*
Total Debt to Equity	0.28	0.10	0.04	0.02	0.01
PBDIT / Gross Turnover %	35%	41%	42%	46%	40%
Net Profit Margin %	26%	34%	35%	37%	33%
Return On Networth %	35%	40%	34%	22%	24%

* Post Bonus Issue

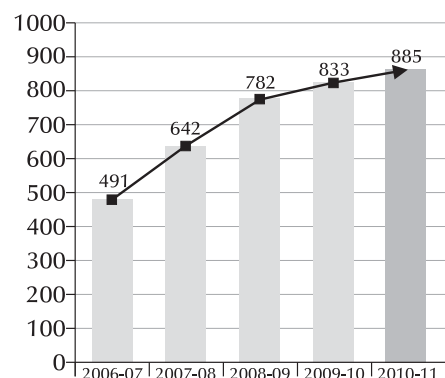
DIVIDEND

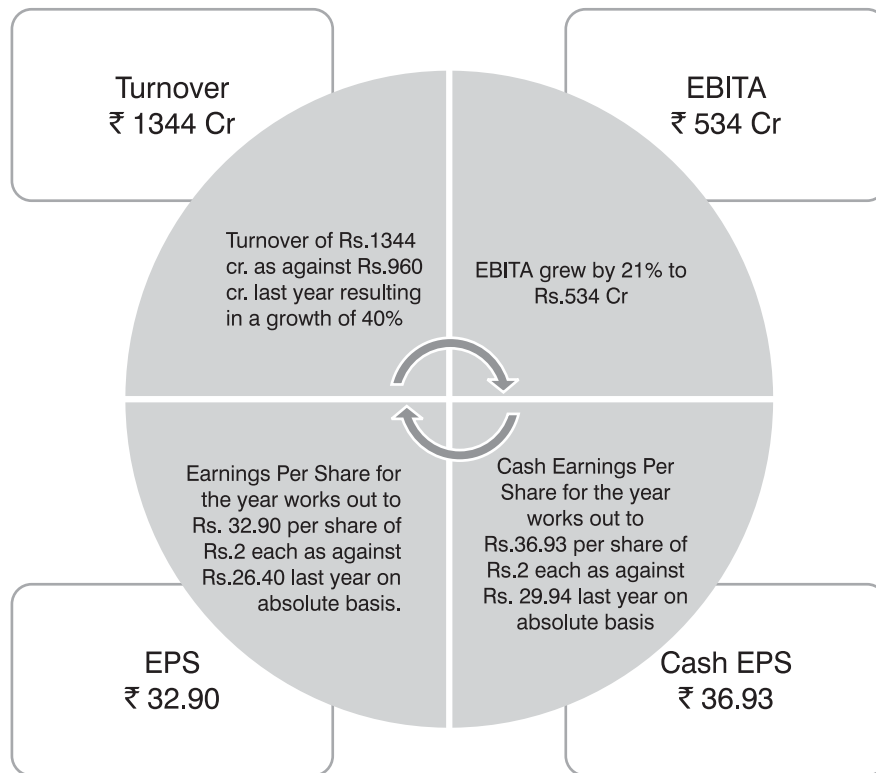


NETWORTH ₹ Cr

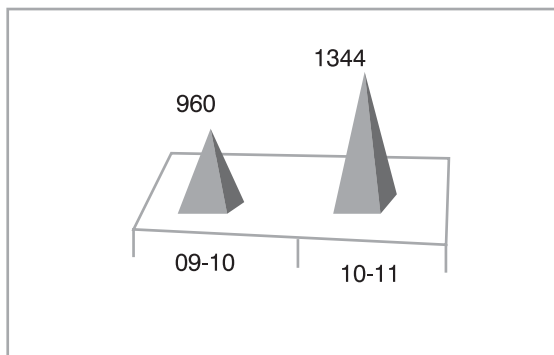


FIXED ASSETS ₹ Cr

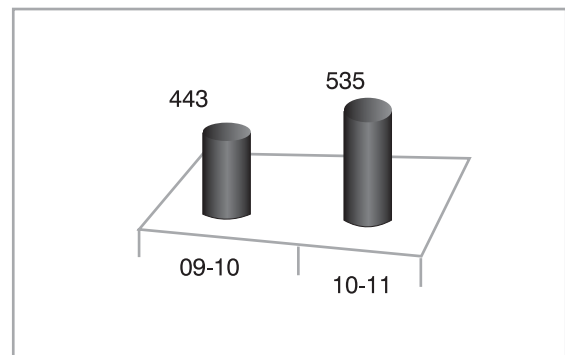




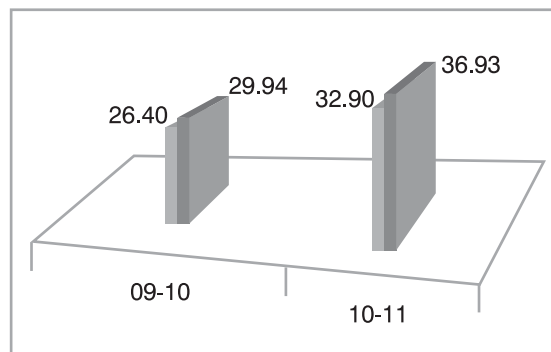
Turnover ₹ Cr.



EBITA ₹ Cr.



EPS & Cash EPS ₹



Management Discussion And Analysis

Overview

The financial statements have been prepared in compliance with the requirements of the Companies Act, 1956 and Generally Accepted Accounting Principles (GAAP) in India. The management of Divi's Laboratories accepts responsibility for the integrity and objectivity of these financial statements as well as for various estimates and judgments used therein. 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. This report may also 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.

Industry and Structure

The value of the global pharmaceutical market is expected to grow 5-7 percent in 2011, to US\$880 billion, compared with a 4-5 percent pace this year, according to IMS Health. IMS expect the pharmerging markets to continue their rapid expansion next year and remain strong sources of growth, and also see the potential for several significant innovative treatment options that are becoming available for patients. Divergent growth rates are expected for developed and pharmerging markets. As countries recover from the global economic crisis at different rates, there is growing divergence in the pace of pharmaceutical growth among major markets.

IMS Health is predicting that emerging markets will expand by \$90 billion during 2009-13, contributing about 48% of annual pharmaceutical market growth in 2013. This comes at a time when the global multinational pharma firms are looking to these markets - with their rising GDPs, expanding access to healthcare and improving intellectual property and regulatory regimes - to fill the revenue gap felt in mature markets. By 2011, IMS expects the eight emerging markets will have taken their place in the top 20 pharma world rankings.

In the emerging global competitive environment, the company is well positioned to cater to the growing supply opportunities to the big pharma.

Company infrastructure

Divi operates from its Headquarters and Registered Office at Hyderabad. The company has three multi-purpose manufacturing facilities with a total reactor capacity of 4,500 cu.m., with all support infrastructure like Utilities, environment management and safety systems.

- The 1st Facility at village Lingojjudem, Choutuppal Mandal, Nalgonda district, about 60 KM from Hyderabad.
- The 2nd Facility is a 100% Export Oriented Unit at village Chippada, Bheemunipatnam Mandal, Visakhapatnam Dist. about 30 KM from the port city of Visakhapatnam on the east coast.

- The 3rd facility is an SEZ Unit at village Chippada, Bheemunipatnam Mandal, Visakhapatnam Dist.
- A new facility called "DSN SEZ Unit" is being set up at our Pharma SEZ at village Chippada, Bheemunipatnam Mandal, Visakhapatnam Dist., at an estimated cost of Rs.200 crores. This facility has commissioned trial runs during the first quarter of the year 2011-12.

The company has 4 Research Centres with the well defined functional focus on custom synthesis, contract research for MNC companies as also future generics involving processes like route design, route selection, establishing gram scale process and structural confirmation, process optimization, impurity profile, pilot studies, pre-validation batches, validation of process and transfer of technology to Plant, review efficiency of processes and ongoing process.

The company has constantly been augmenting capacities to cater to increasing business needs.

Internal Control systems

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 program 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 effective implementation of internal control self assessment procedures and ensure compliance to policies, plans and statutory requirements.

Divi encourages and recognizes improvements in work practices. The internal control system of the company is also reviewed by the Audit Committee periodically. The Management duly considers and takes appropriate action on the recommendations made by the statutory auditors, internal auditors and the independent Audit Committee.

Risks and Concerns

Divi 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. Through this approach, the company strives to identify opportunities that enhance organisational values while managing or mitigating risks that can adversely impact its future performance.

Divi is engaged in manufacture of generic APIs, custom synthesis of active ingredients for innovator companies and other specialty chemicals like peptides and nutraceuticals. The company constantly reviews its policies and procedures to

adhere to conformity to the various regulatory approvals for its manufacturing facilities, its commitment to IPR. The company is very selective in its product portfolio with a focus on export markets within the domain of its capabilities and does not transgress in unrelated expansions, diversification or acquisitions.

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 current and fixed assets as well as products are adequately insured against various risks. Over 75% of sales constitute supplies to regulated markets in Europe and USA and the company devotes significant importance to the regulatory compliances.

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 and redesigning it from time to time in the light of its effectiveness.

Tax Structures under EOU and SEZ schemes

Divi's Laboratories has an EOU Unit as well as an SEZ Unit at vill Chippada, Bheemunipatnam Mandal, Visakhapatnam Dist in the state of Andhra Pradesh. The DSN SEZ Unit being implemented is expected to commence commercial operations during early part of next financial year.

Tax exemption scheme for the EOU Units expired by 31st March, 2011. The SEZ Unit which commenced commercial operations during the year 2006 will be eligible for exemption of 50% of export profits from April, 2011 for the next 5 years. The new DSN SEZ Unit would be eligible for exemption of 100% of export profits for 5 years from April, 2011 as it is expected to commence commercial operations during the next fiscal.

Regulatory Filings /Approvals

Divi 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. All the manufacturing sites have been inspected by US-FDA.

As at the end of the year, Divi has a total of 41 drug master files (DMFs) with US-FDA and Certificate of Suitability with European Directorate for 12 products. It also has filed several dossiers for 28 products with other countries. We have so far filed 18 patents in India and 12 patents in the USA for generic products.

Business distribution

Divi's product portfolio comprises of Generic APIs (active pharma ingredients), Nutraceuticals and Custom Synthesis of APIs, intermediates and specialty ingredients for innovator pharma giants.

The company operates predominantly in export markets and has a broad product portfolio of APIs and Intermediates categorised under generics and custom synthesis. Business has been growing decently in these categories. Among Divi's well distributed product range, some of the components of the business is given below :

Particulars	2010-11	2009-10
Exports	93%	91%
Imports (% of material consumption)	33%	39%
Largest Product	20%	18%
Top 5 Products	52%	55%
Top 5 Customers	47%	49%

While 77% of sales constitute exports in USD, about 19% constitute exports in GBP.

Performance and Operations Review

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

(Rs. in Crores)

Particulars	2010-11	2009-10	Growth%
Net Sales	1305.44	929.29	41%
Other operating income	13.08	17.36	
Other income	25.52	13.33	
Total Income	1344.04	959.98	40%
Expenditure	809.46	517.43	
PBDIT	534.58	442.55	21%
Finance charges	2.18	2.76	
Depreciation	53.35	51.45	
Profit before tax (PBT)	479.05	388.34	23%
Provision for tax :			
Current Tax	39.20	31.20	
MAT Credit Utilisation	1.28	9.60	
Deferred Tax	3.00	3.34	
Profit after tax (PAT)	435.57	344.20	27%
Earnings per Share (EPS) Rs.			
a) Basic	32.90	26.40	
b) Diluted	32.88	26.35	

During the year, Divi achieved a turnover of Rs.1305 crores as against Rs.929 crores during the previous year resulting in a growth of 41%. Exports constituted 93% of total turnover as against 91% during the last year. Profit after Tax (PAT) for the year amounted to Rs.436 crores as against Rs. 344 crores during the last year, a growth of 27%.

Business has grown satisfactorily across all the segments, especially during the second half. The issue of destocking of inventory at our customers seen during the last year is done with and we see normal flow of business across the product portfolio of the company.

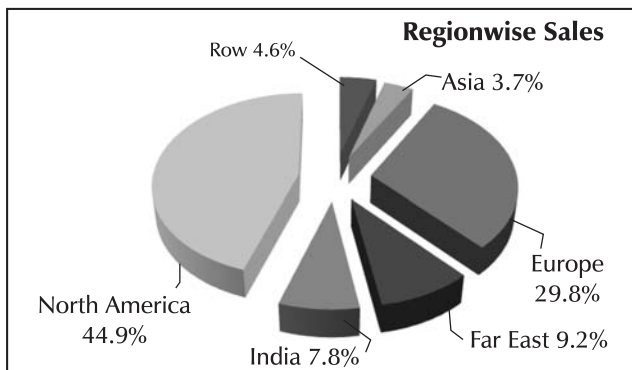
During the year, Divi has added 21 products to its product portfolio of which 8 are generic APIs and intermediates and 13 are custom synthesis APIs and intermediates.

Your company continues to work towards optimizing the capacities at its multi-purpose manufacturing facilities and also adding additional capacities aimed at the business opportunities available to it in its domain of capability in line with its strategy to work with innovators playing a complementary role and non-compete model with its generic customers.

Exports

Exports constituted around 93% of gross sales during the year as against 91% in the previous year. Exports to advanced markets comprising Europe and America accounted for 82% of business.

Particulars	2010-2011		2009-2010	
	Sales Rs. in Crores	% Shares	Sales Rs. in Crores	% Shares
Asia	48.32	3.7%	28.66	3.1%
Europe	388.52	29.8%	247.58	26.7%
Far East	120.34	9.2%	47.72	5.1%
India	102.16	7.8%	81.09	8.7%
North America	586.62	44.9%	461.31	49.6%
Rest of the World	59.48	4.6%	62.93	6.8%
Total	1305.44	100.0%	929.29	100.0%

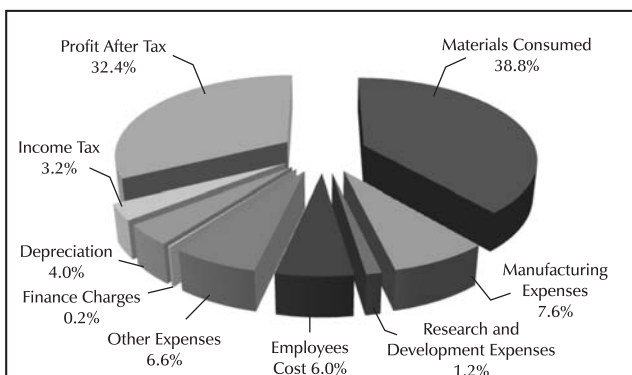


Other Income

Other Income mainly comprised of Dividend income on investments, Export benefits besides miscellaneous income. Other Income for the year amounted to Rs.38.60 crores, as against Rs. 30.69 crores in the previous year.

We earned a dividend income of Rs.24.32 crores on our investments in liquid funds as against a dividend income of Rs. 11.38 crores during last year. Income on contract research accounted for Rs.2.38 crores during the year as against Rs. 6.12 crores during the last year. Income on export benefits for the year came to Rs.4.20 crores as against Rs. 2.18 crores during the last year. Miscellaneous Income during the year amounted to Rs.3.19 crores as against Rs. 5.27 crores during last year. We also had a gain on forex fluctuations aggregating to Rs.3.31 crores for the year as against a gain of Rs. 3.60 crores last year. This represents translation gains/losses on the outstanding balances as also the MTM gains/losses on the outstanding forex derivative contracts.

Distribution of Income



Material costs

Raw material consumption for the year accounted to Rs.486.68 crores as against Rs. 395.21 crores for the previous year. Raw material consumption varies from product to product. Manufacture of an active pharma ingredient or intermediate involves stage-wise production processing of the product through its chemistry to the specifications under the standard operating practices complying to cGMP conditions.

(Inc)/Decrease in stocks is represented by :

Particulars	2010-11	2009-10
Closing Stocks of:		
Work-in-Process	310.33	300.51
Finished Goods (net of excise)	11.72	56.12
Less: Opening Stock of :		
Work-in-Process	300.51	163.49
Finished Goods	56.12	94.08
Excise duty adjustments	0.06	0.16
(Inc.)/Dec in stocks	34.52	(99.24)

Material consumption net of increase/decrease in stocks is about 40% of sales during the year as compared to 32% during the last year, variation being the result of product mix as each product will have a different material consumption.

Manufacturing Expenses

Manufacturing expenses comprising of Power and Fuel, Repairs to Plant and stores consumption came to Rs.102.07 crores for the year as against Rs. 71.74 crores for the last year. Increase in the manufacturing expenses is due to increase in the prices of coal and diesel besides higher level of operations.

Repairs and Maintenance during the year has been higher at Rs.15.51 crores as against Rs.10.31 crores during the last year. During the last quarter of the current year, we have done a major maintenance at our Unit-1 in preparation for a German customer audit.

Manufacturing expenses account for about 7 to 8% of turnover.

Employee Costs

Staff costs for the year have amounted to Rs.80.48 crores as against Rs. 68.46 crores during the last year. Increase in salaries is on account of the induction of additional staff at the manufacturing facilities and revision in remuneration of employees.

In addition, as per the latest amendment to the Payment of Gratuity Act enhancing the ceiling limit of gratuity, we have provided an amount of Rs.3.35 crores during the year towards outstanding gratuity obligation as against a provision of Rs.0.31 crores during the last year.

Employee cost accounted for about 6% of total income.

Research and Development Expenses

R&D Expenses during the year amounted to Rs.15.98 crores as against Rs.11.28 crores during the last year. Major components are Salaries and consumable stores.

Other Expenses

Other Expenses for the year amounted to Rs.89.71 crores as against Rs. 69.98 crores incurred during the previous year. Major components of Other Expenses include Freight and handling, Managerial Remuneration and Environment Management Expenses.

Managerial remuneration for the year amounted to Rs.31.57 crores as against Rs. 26.70 crores last year. Freight and Handling charges for the year have been higher at Rs.25.02 crores as against Rs.15.26 crores. This is due to steep increase in sea/air freight rates besides increase in the business volume. The company has spent significantly higher amount this year on Environment Management Expenses at Rs.5.57 crores as against Rs.2.53 crores spent during the last year. The company has been giving top priority to environment management.

During the year, we have also charged off accumulated interest of earlier years aggregating to Rs.1.91 crores in addition to waiving the interest for the current year on the loans given to the subsidiaries to partly defray the continuing losses at the subsidiaries.

Finance charges

Interest and Finance charges during the year amounted to Rs.2.18 crores as against Rs. 2.76 crores during the previous year. As the company has generated significant cash surpluses, utilization of working capital has been minimal.

Profits before Depreciation Interest and Taxes (EBITA)

EBITA for the year grew by about 21% to Rs.534.58 crores as against Rs. 442.55 crores during the previous year.

Depreciation

Depreciation charge for the current year came to Rs.53.35 crores as compared to Rs. 51.45 crores during the last year.

During the year, addition to Fixed Assets accounted to Rs.53.60 crores as against Rs. 54.24 crores in the previous year.

Taxation

For the current year, our tax liability came to Rs.40.48 crores including the utilization a MAT credit of Rs.1.28 crores. For the last year, the Tax provision amounted to Rs. 40.80 crores of which the company was eligible for a MAT Credit utilisation of Rs. 9.60 crores.

The company has three manufacturing facilities, Unit-1 near Hyderabad, EOU and SEZ Units near Visakhapatnam. Our EOU and SEZ Units were eligible for 100% tax exemption from export profits for the year.

Deferred Tax

Divi has also provided for Deferred Tax Liability of Rs.3.00 crores for the year as against Rs. 3.34 crores during the previous year.

Profit after Tax

Profit after Tax for the year accounted for Rs.435.57 crores as against Rs. 344.20 crores during the previous year resulting in a growth of 27% over last year.

Earnings Per Share

Earnings Per Share for the year works out to Rs.32.90 per share of Rs.2 each as against Rs. 26.40 last year on absolute basis and to Rs.32.88 per share as against Rs. 26.35 last year on diluted basis.

Dividend

Your Board has recommended a dividend of Rs.10 per share of face value Rs.2 each or 500% for the year 2010-11. Dividend for the previous year was Rs.6 per share or 300%.

Outgo this year accounts for Rs.132.60 crores as against Rs.79.29 crores last year. Dividend pay-out for the year works out to 30% of profits earned as against 23% last year. An amount of Rs.21.51 crores (Rs. 13.17 crores last year) has been provided during the year towards Corporate Dividend Tax.

Transfer to General Reserves

We propose to transfer an amount of Rs.75 crores to General Reserve for facilitating the dividend for the year and leaving a balance of Rs.1421.14 crores in the Profit and Loss Account.

Equity Capital

The company's equity capital has increased by Rs.0.09 crores during the year on allotment of 4,50,965 equity shares of Rs.2 each to employees under the Company's Employee Stock Option Scheme.

Reserves

Total Reserves of your company including the surplus in the P&L Account as at the end of the year stand at Rs.1801.53 crores.

Secured Loans

Term Loans, availed at competitive terms, are being repaid as per the schedule. Utilisation of working capital loans has reduced substantially as cash flows generation has been significant.

As at the end of the year under review, we have a Foreign Currency loan of Rs.6.54 crores (\$1,464,000) is outstanding as at the end of the year and is carrying an interest rate of 1.90281% per annum at the current Libor and is expected to be repaid within the next year.

Working capital utilization has been minimal at Rs.13.62 crores and is utilized only as a float in view of the comfortable funds position of your company.

Unsecured Loans

We have an interest-free Unsecured loan (being sales-tax deferment enjoyed by your company on setting up its first greenfield project near Hyderabad) of Rs.2.88 crores as at the end of the year. This will be paid to the Government of Andhra Pradesh in instalments over the next 7 years.

Fixed Assets

During the year, an amount of Rs.53.60 crores has been added to the Fixed Assets to enhance/debottleneck capacities at the company's Plants. Deductions during the year amounted to Rs.0.91 crores representing assets sold and assets discarded.

Capital Work-in-Progress

During the year, the company has taken up implementation of a new SEZ Unit at its Divi's Pharma SEZ with an estimated investment of Rs.200 crores for creating additional capacities for the new opportunities in generic as well as custom synthesis segment. This is besides the normal capex planned at the existing Units.

In addition to the Assets capitalized during the year, we have spent an aggregate amount of Rs.129.34 crores at the existing Units as well as for the new SEZ Unit towards Capital W.I.P. till 31st March, 2011 :

(Rs. in Crores)

Particulars	2010-11
Capital Work-in-Progress	103.72
Expenditure pending allocation	0.62
Advances for Capital Works	25.00
Total	129.34

Of this, an amount of Rs.73.72 crores was incurred on the DSN Project till end of the year.

Capital expenditure incurred at the Units is to enhance capacity and upgrading utilities in order to conform to best environment practices and zero discharge of effluents.

Expenditure pending allocation has been provided conservatively — and mainly comprise power/fuel and salaries of mangers incurred on the DSN SEZ Project.

As the company has significant accumulation of cash reserves, all capex has been funded with internal accruals.

Investments

We have invested the surpluses generated from operations in short-term money market mutual funds and debt funds. An amount of Rs.525.64 crores was invested in liquid/debt funds of SBI Mutual Fund as at the year-end as against an investment of Rs.441.28 during the previous year.

We have converted an amount of Rs.2.23 crores (\$500,000) from out of the loans given to Divi's Laboratories (USA) Inc., into equity in order to increase the capitalization of the subsidiary in view of the accumulated negative network. We will undertake a similar exercise for Divis Laboratories Europe AG during the next financial year.

Inventories

(Rs. in Crores)		
Particulars	2010-11	2009-10
Raw Materials	171.32	108.14
Work-in-Process	310.33	300.52
Finished Goods	11.72	56.13
Stores and Spares	49.70	14.78
Total	543.07	479.57

Increase in the levels of Raw Materials is due to the increased level of operations at the three manufacturing facilities, strategies of production on campaign basis and manufacture of new products. We also started stocking raw materials for the new DSN SEZ Unit which is expected to commence trial runs shortly. We have provided for the non/slow moving stocks.

Debtors

Debtors as of 31st March, 2011 amounted to Rs.394.95 crores as against Rs. 234.44 crores during the previous year.

(Rs. in Crores)		
Particulars	2010-11	2009-10
Debtors < 6 months	368.28	228.64
Debtors over 6 months	26.96	5.95
Total Debtors	395.24	234.59
Less : Prov. for Doubt full Debts	0.29	0.15
Total	394.95	234.44
Average Debtor days	110	92

Average debtors days have been higher due to significantly higher turnover during the last quarter of the year. The company has provided for doubtful debts of Rs.0.14 crores. Bad debts for the year have been negligible as against bad debts of Rs.0.01 crores last year.

Loans and Advances

Loans and advances as of 31st March, 2011 amounted to Rs.109.50 crores as against Rs. 104.06 crores during the previous year. A major part of the loans comprise i) Advances to Suppliers of Rs.21.81 crores (Rs.4.53 crores) ii) loans to subsidiaries amounting to Rs.37.70 crores (Rs. 39.16 crores) iii) Mat Credits of Rs.11.69

crores (Rs. 12.96 crores) and iv) Prepaid Taxes of Rs.15.63 Crores (Rs. 22.70 crores).

Current Liabilities and provisions

Current Liabilities as of 31st March, 2011 amounted to Rs.240.32 crores as against Rs. 163.24 crores during the previous year.

(Rs. in Crores)		
Particulars	2010-11	2009-10
For supplies/services	216.10	157.55
Advance from customer	23.88	5.34
Others	0.34	0.35
Total	240.32	163.24

Liabilities for supplies have been higher due to higher level of operations during the year as also stocking of materials for the new SEZ Unit being implemented.

Provisions for the year amounted to Rs.161.80 crores as against Rs. 96.42 crores during last year. Of this, dividend proposed for the year amounted to Rs.132.60 crores as against a dividend provision of Rs. 79.29 crores during last year.



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 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.

2.1 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 2011 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

2.2 Number & Dates of Board Meetings held during the year

During the financial year the Board has met four times, i.e. on 22nd May 2010, 12th August 2010, 9th November 2010 and 4th February 2011. Director's attendance at the Board and General Meetings held during the financial year 2010-11 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	4	4	Yes	5	1	-
2.	Sri N V Ramana	4	4	Yes	2	-	-
3.	Sri Madhusudana Rao Divi	4	4	Yes	-	-	-
4.	Dr P Gundu Rao	4	4	Yes	-	-	-
5.	Sri Kiran S. Divi	4	3	Yes	2	-	-
6.	Dr K Satyanarayana	4	3	Yes	-	-	-
7.	Sri S Vasudev	4	4	Yes	-	-	-
8.	Sri G Venkat Rao	4	4	Yes	1	-	-
9.	Prof C Ayyanna	4	4	Yes	-	-	-
10.	Dr G Suresh Kumar	4	4	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

There are no changes in directors during the year.

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

i) Mr. G. Venkata Rao

Mr. G. Venkata Rao is a Science graduate from Andhra University, post-graduate in Law from Osmania University and is a Fellow Member of the Institute of Chartered Accountants of India. Mr. Rao started his career with Canara Bank in 1962 as Inspecting Officer and had diverse experience with the Bank for about 30 years. He was Finance Director of a paper mill as a nominee of the Bank and was also Managing Director of Canfin Homes Limited, Bangalore. Between 1992-1997, he was the Chairman and Chief Executive of the Lakshmi Vilas Bank Limited. He was member of the Managing Committee of Indian Banks Association, member of the Governing Board of Southern Indian Bank's Staff Training College and member of the Managing Committee of Private Bankers Association. He is a Director of Biological E. Limited.

Mr. G. Venkata Rao joined the company as Director on 10.03.2001. He is Chairman of the Audit Committee and Review Committee of the company. He holds 3000 equity shares of the company as on 31st March 2011.

ii) Dr. G. Suresh Kumar

Dr G Suresh Kumar is a Consulting Surgeon and holds an MBBS degree from Gandhi Medical College, Hyderabad and

M.S. (General Surgery) from Gulbarga University, Karnataka. He worked with the Ministry of Health, Government of Algeria between 1978 and 1983. He is a practicing Consultant Surgeon at several multispecialty hospitals at Hyderabad.

Dr. Suresh Kumar joined the company as Director on 10.03.2001. He is not a director of any other company and not holding any equity shares of the company as on 31st March 2011.

iii) Mr. Madhusudana Rao Divi

Mr. Madhusudhana Rao Divi is a post-graduate in Structural Engineering from Mysore University. He started his career as a Senior Engineer with M/s Howe India and had executed several offshore construction contracts such as Vizag Outer Harbour Project. In 1975, he joined M/s. Towell Construction Company and has executed large defence and civil construction contracts in Saudi Arabia, Iraq and Kuwait. Between 1990-1996, he was Executive Director of Sadah General Trading and Contracting Co., Kuwait and implemented several offshore and on-shore construction projects.

Mr. Rao Divi looks after Environment Management, project implementation, production planning and regulatory affairs. Mr. Rao Divi is responsible for successfully implementing the new Projects under capital expenditure plans of the company, Plant upgradation to comply with FDA requirements, Environment management and overseeing logistics at Plant.

Mr. Rao Divi joined the company as Director on 01.10.1994. He is not a Director in any other Companies. He holds 127800 equity shares of the company as on 31st March 2011.

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 four times during the year, i.e. on 22nd May 2010, 12th August 2010, 9th November 2010 and 4th February 2011.

Name	Designation	No. of Meetings	
		Held	Attended
Sri G Venkat Rao	Chairman	4	4
Sri S Vasudev	Member	4	4
Dr G Suresh Kumar	Member	4	4

The Company Secretary acts as Secretary to the Committee. 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 auditors 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 four times during the year on 22nd May 2010, 12th August 2010, 9th November 2010 and 4th February 2011 and the attendance of each member of the Committee is as follows:

Name	Designation	No. of Meetings	
		Held	Attended
Dr. K Satyanarayana	Chairman	4	3
Sri. S Vasudev	Member	4	4
Prof. C Ayyanna	Member	4	4

DETAILS OF REMUNERATION TO DIRECTORS

Executive Directors

(Rs. in Lakhs)

Name	Salary	PF	Perks	Commission	Total
Dr. Murali K. Divi	7200000	864000	1483881	153338846	162886727
Sri. N V Ramana	6000000	720000	1236289	76669423	84625712
Sri D Madhusudana Rao	4800000	576000	1200000	-	6576000
Dr. P Gundu Rao	2764752	88272	913596	-	3766620
Sri. Kiran S. Divi	4800000	576000	1363639	51112949	57852588
Total	25564752	2824272	6197405	281121218	315707647

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 2010-11 is as follows:

Sl. No.	Name of the Non-Executive Director	Designation	No. of shares held	Sitting Fees (Rs. in Lakhs)
01	Dr K Satyanarayana	Director	10000	1.20
02	Sri S Vasudev	Director	Nil	2.40
03	Sri G Venkat Rao	Director	3000	1.60
04	Prof C Ayyanna	Director	Nil	1.60
05	Dr G Suresh Kumar	Director	Nil	1.60

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 25th April 2010, 8th June 2010, 21st August 2010, 22nd December 2010 and 12th January 2011 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.

Complaints / Grievances received and attended

During the year under review, company has received a total of 34 complaints received 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 Company Secretary is the Secretary of the Committee.

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.

Disclosure on legal proceedings pertaining to shares

There are no pending cases pertaining to shares as on 31.03.2011.

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 2010-11.

For and on behalf of the Board of Directors

Hyderabad
20th May, 2011

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
20 th	31.03.2010	KLN Prasad Auditorium, FAPCCI Premises, 11-6-841, Red Hills, Hyderabad - 500 004	13.08.2010 10 A.M	Re-appointment of Dr.P.Gundu Rao as Director (R&D) of the Company.
19 th	31.03.2009		17.08.2010 10 A.M	Nil
18 th	31.03.2008		16.08.2010 10 A.M	Increase of remuneration payable to Mr Kiran S Divi, Director (Business Development) of the company.

SPECIAL RESOLUTIONS THROUGH POSTAL BALLOT

No special resolutions have been passed through postal ballot during the year.

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 - 25). 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 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: 8 th August 2011 Time: 10.00 A.M.
Venue	KLN Prasad Auditorium, FAPCCI Premises, 11-6-841, Red Hills, Hyderabad — 500 004
Financial Year	1 st April 2010 to 31 st March 2011
Book Closure Date	18 th June 2011 to 24 th June 2011
Dividend payment date	19 th August 2011
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 2011-12 to both the above stock exchanges

9 DEPOSITORY REGISTRAR AND TRANSFER AGENT

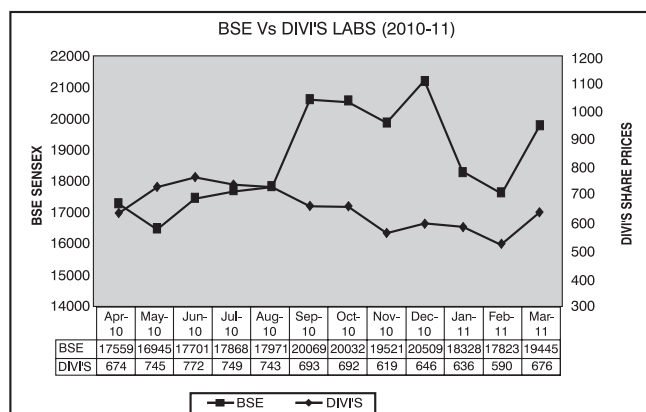
M/s. Karvy Computershare Private Limited
Plot No 17-24, Vittal Rao Nagar,
Madhapur, HYDERABAD - 500 081
Phone No. 040-23420815-28
Fax : 040-23420814 / 23420857
Email: mailmanager@karvy.com

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 2010-11 are as follows:

Month	Mumbai Stock Exchange			National Stock Exchange		
	Low	High	Volume	Low	High	Volume
Apr-10	668.05	726.50	550170	634.00	727.00	4106814
May-10	662.00	750.00	892728	662.00	748.00	4666519
Jun-10	725.25	783.80	463221	725.50	784.40	3102175
Jul-10	742.05	797.70	568039	742.05	797.10	2803475
Aug-10	643.00	770.40	964935	710.10	771.15	2923951
Sep-10	640.00	775.90	540360	685.00	776.00	4053955
Oct-10	681.00	736.90	284598	682.00	736.90	3030334
Nov-10	594.10	757.00	508091	594.05	757.00	5340645
Dec-10	590.00	657.95	346010	589.00	657.00	3255418
Jan-11	592.05	674.55	174244	592.00	674.55	1750239
Feb-11	585.00	673.85	1062419	585.15	673.85	3454987
Mar-11	582.05	692.50	335218	581.75	692.00	2112787

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, 2011:

Financial Year	No. of warrants unclaimed	Unclaimed Dividend (Rs in Lakhs)
2003-2004	167	3.86
2004-2005	231	3.41
2005-2006	220	2.83
2006-2007	343	3.37
2007-2008	1453	4.46
2008-2009	1206	6.74
2009-2010	1066	6.62

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
31.03.2010	13.08.2010	12.09.2017

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, 2011				As on 31 st March, 2010			
	No. of Members		No. of Shares		No. of Members		No. of Shares	
	Total	%	Total	%	Total	%	Total	%
1 - 5000	31245	96.76	4080940	3.08	34427	96.84	4568678	3.46
5001 - 10000	492	1.52	1942502	1.46	537	1.51	2132940	1.61
10001 - 20000	230	0.71	1803571	1.36	254	0.71	1990003	1.50
20001 - 30000	75	0.23	956827	0.72	83	0.23	1057463	0.80
30001 - 40000	44	0.14	778273	0.59	39	0.11	697596	0.53
40001 - 50000	28	0.09	630961	0.48	31	0.09	721500	0.55
50001 - 100000	67	0.21	2387080	1.80	66	0.19	2276367	1.72
100001 & above	109	0.34	120014956	90.51	112	0.32	118699598	89.83
TOTAL	32290	100	132595110	100	35549	100	132144145	100

15 (i) Shareholding pattern

Category	As on 31.03.2011		As on 31.03.2010	
	No. of Shares	% to share capital	No. of Shares	% to share capital
Promoters	69222900	52.21	69195600	52.36
Mutual Funds and UTI	17492497	13.19	18190891	13.77
Banks/Financial institutions	834652	0.63	313519	0.24
Foreign Institutional Investors	20306327	15.31	20453970	15.48
Private Corporate Bodies	11535922	8.70	9763127	7.39
Indian Public	11114870	8.39	11978397	9.06
Non-Resident Indians / Overseas Corporate Bodies	1164758	0.88	1335086	1.01
Clearing Members	190626	0.14	59889	0.05
Trusts	1098	0.00	1456	0.00
Directors (Not having control over the Company)	731460	0.55	852210	0.64
Grand Total	132595110	100	132144145	100

ii) Shareholding profile

Mode of Holding	As on 31.03.2011				As on 31.03.2010			
	No. of Holders	%	No. of shares	%	No. of Holders	%	No. of shares	%
Demat	32180	99.66	69829690	52.66	35432	99.67	69258539	52.41
Physical	110	0.34	62765420	47.34	117	0.33	62885606	47.59
Total	32290	100	132595110	100	35549	100	132144145	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, 2011, 52.66 % of the shares were in demat mode.

(iv) Plant Location

Unit I : Lingojugudem 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 : 040-2378 6300 Fax : 040-2378 6460
 email : cs@divislaboratories.com

For and on behalf of the Board of Directors

Hyderabad
 20th May, 2011

Dr. Murali K. Divi
 Chairman & Managing Director

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: 20th May, 2011

Dr. Murali K. Divi
Chairman and Managing Director

L. Kishorebabu
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, 2011, 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 : 0022835

HYDERABAD
Date : 20th May, 2011

P.V.R.K. NAGESWARA RAO
Partner
Membership number : 18840

Directors' Report

Dear Shareholders,

Your Directors have pleasure in placing before you the Twenty first Annual Report of the Company together with the Audited Accounts for the year ended 31st March 2011.

FINANCIAL RESULTS

(Rs. in Crores)

Particulars	2010-11	2009-10
Net Sales	1305.44	929.29
Other operating income	13.08	17.36
Other income	25.52	13.33
Total Income	1344.04	959.98
Expenditure	809.46	517.43
PBDIT	534.58	442.55
Finance charges	2.18	2.76
Depreciation	53.35	51.45
Profit before tax (PBT)	479.05	388.34
Provision for tax		
Current Tax	39.20	31.20
MAT Credit Utilisation	1.28	9.60
Deferred Tax	3.00	3.34
Profit after tax (PAT)	435.57	344.20
Earnings per Share (EPS)		
a) Basic	32.90	26.40
b) Diluted	32.88	26.35

During the year, Divi achieved a turnover of Rs.1305 crores as against Rs.929 crores during the previous year resulting in a growth of 41%. Exports constituted 93% of total turnover as against 91% during the last year. Profit after Tax (PAT) for the year amounted to Rs.436 crores as against Rs. 344 crores during the last year, a growth of 27%.

Business has grown satisfactorily across all the segments, especially during the second half. The issue of destocking of inventory at our customers seen during the last year is done with and we see normal flow of business across the product portfolio of the company.

DIVIDEND

Your Directors are pleased to recommend a dividend of Rs.10/- per equity share of Rs.2/- each, i.e., 500% for the year 2010-11 subject to approval of members.

TAXATION

We made a provision of Rs. 40.48 crores towards Income-tax this year (including MAT credit utilization of Rs.1.28 crores. Provision for last year amounted to Rs.40.80 crores including a MAT credit utilization of Rs.9.60 crores.

An amount of Rs. 3.00 crores has been provided towards Deferred Tax Liability during the year as against Rs. 3.34 crores during the previous year.

EQUITY CAPITAL

During the year, we allotted 4,50,965 equity shares of Rs.2 each to employees on exercise of their stock options.

As a result of the the allotment of shares under ESOP scheme, the paid-up equity capital of the company has increased by Rs.0.09 crores to Rs.26.52 crores and an addition of Rs. 7.59 crores to the Share Premium Account.

EMPLOYEE STOCK OPTION SCHEME

The Employee Stock Option Scheme (ESOP 2006) approved by the company provided for vesting of stock options in 4 tranches. The fourth/last tranche under this Scheme was vested on 13th March, 2010 and a majority of the options have been exercised by the employees. There are 1,39,180 outstanding options yet to be exercised as at the end of the year.

As per the provisions of Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme), Guidelines, 1999, disclosures with respect to Scheme are given in the Annexure - I to this report.

SUBSIDIARIES

Your company has two wholly owned subsidiaries viz., M/s. Divis Laboratories (USA) Inc., in USA and M/s. Divi's Laboratories Europe AG in Switzerland for marketing its nutraceutical products and a greater reach to customers within these regions. While loss for current year at Divis Laboratories (USA) is Rs.0.63 crores, the loss at Divi's Laboratories Europe is Rs.5.66 crores.

Auditors of these subsidiaries have observed that they have negative network and suffer from deficiency of cash for continuing operations as a going-concern without the support of the parent. The losses in the subsidiaries are on account of low level of operations at the subsidiaries. With the expected increase in the level of operations, the subsidiaries would be getting into cash profits shortly.

During the year, we have enhanced the equity capital in Divis Laboratories (USA) Inc., by converting Rs.2.23 crores from out of the loans given to the subsidiary into equity capital. We would also be increasing the equity capital of Divi's Laboratories Europe AG during the next fiscal.

In accordance with the general circular issued by the Ministry of Corporate Affairs, Government of India, the Balance Sheet, Profit and Loss Account and other documents of the subsidiary companies are not being attached with the Balance Sheet of the Company. Shareholders who wish to have a copy of the full report and accounts of the subsidiaries will be provided the same on receipt of a written request from them. These documents will be put up on the website of the company viz., www.divislaboratories.com and will also be available for inspection at the Registered Office of the Company and that of the respective subsidiary companies on any working day during business hours. The Consolidate Financial Statements presented by the Company include the financial results of its subsidiary companies.

CONSOLIDATED ACCOUNTS

As stipulated in the listing agreement with the stock exchanges, the consolidated financial statements have been prepared by the Company in accordance with the relevant accounting standards under the Companies Act, 1956. The audited consolidated financial statements together with Auditors Report thereon form part of the Annual report. The consolidated net profits after tax of the company and its subsidiaries for the year amounted to Rs.429.27 crores as compared to Rs.340.33 crores in the previous year representing a basic earning per share of Rs.32.42 and Rs.32.41 per share on diluted basis for the current year as against Rs. 26.11 and Rs. 26.06 respectively for the previous year.

DIRECTORS

Sri G.Venkata Rao, Dr. G. Suresh Kumar and Sri Madhusudana Rao Divi will retire by rotation at the ensuing Annual General Meeting and, being eligible, offer themselves for re-appointment.

Dr. P. Gundu Rao has resigned from his whole-time employment with the company as he wishes to relocate to the U.S.A. to spend time with his family. Dr. Gundu Rao will, however, continue as a Non-Executive Director of the company.

DIRECTORS' RESPONSIBILITY REPORT

As required under Section 217 (2AA) of the Companies Act, 1956, Directors of your company hereby state and confirm that:

- a) the applicable accounting standards have been followed in the preparation of the annual accounts
- b) the 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 31st March, 2011 and its profit for the year ended on that date;
- c) 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.
- d) the annual accounts have been prepared on a going concern basis.

AUDITORS

The Auditors, M/s. P.V.R.K. Nageswara Rao & Co., Chartered Accountants, Hyderabad retire at the ensuing Annual General meeting and, being eligible, offer themselves for reappointment.

COST AUDIT

Pursuant to Section 233B of the Companies Act, 1956, the Central Government has prescribed Cost Audit for the company. Based on recommendations of the audit committee and subject to the approval of the Central Government, M/s. EVS & Associates, Cost Accountants, Hyderabad have been appointed as Cost Auditors for the year.

The relevant cost audit report for the financial year 2009-10 was filed within the due date on 20th August, 2010. The due date for filing the report was 27th September, 2010.

MANAGEMENT DISCUSSION AND ANALYSIS

A report on Management Discussion & Analysis is provided as part of this Annual Report.

CORPORATE GOVERNANCE AND SHAREHOLDERS' INFORMATION

A report on Corporate Governance is included as a part of this Annual Report.

RELATED PARTY TRANSACTIONS

As a matter of policy, your Company carries out transactions with related parties on an arms-length basis. Statement of these transactions is given in the Notes to Accounts attached in compliance of Accounting Standard No. AS-18.

FIXED DEPOSITS

Your Directors wish to inform that the Company has not accepted any deposits from public covered by provisions of Section 58A of the Companies Act, 1956.

CONSERVATION OF ENERGY, TECHNOLOGY ABSORPTION

Particulars required under Section 217 (1) (e) of the Companies Act, 1956 read with Rule 2 of the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988 is given in the Annexure - II to this report.

HUMAN RESOURCES

Particulars of employees required to be furnished under Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of Employees) Rules, 1975 are given in the Annexure - III attached and forms part of this Report.

ACKNOWLEDGEMENTS

We thank all our customers, suppliers and investors for their continued support. We also gratefully acknowledge the continued assistance and co-operation extended by Government authorities, financial institutions and banks to the company. The Board expresses its appreciation for the dedication and commitment extended by its employees and their contribution to the growth and progress of the company.

For and on behalf of the Board of Directors

Hyderabad
20th May, 2011

Dr. Murali K. Divi
Chairman & Managing Director

Annexure-I

Statement of Stock Options as at 31st March 2011, pursuant to Guideline 12 of the Securities and Exchange Board of India (Employees Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as amended, the details of Divi's Employee Stock Option Scheme 2006 as under :

a) Options granted on 13-03-2006	23,24,600	
Adjusted options after bonus issue	15,19,170 *	
Total No. of options	38,43,770	
b) Pricing formula as follows :		
Vesting Period	Vesting Proportion	Exercise Price Amount
End of One year from the date of Grant	20 %	At Rs.1 each *
End of Two years from the date of Grant	25 %	At Rs.100 each *
End of Three years from the date of Grant	25 %	At Rs.100 each *
End of Four years from the date of Grant	30 %	At Rs.100 each *
c) Options vested during the year	Nil	
d) Options exercised during the year	4,50,965 *	
e) Total number of shares arising as a result of exercise of option	4,50,965 *	
f) Options lapsed during the year	Nil	
g) Variation of terms of options	No. of outstanding options and the exercise price have been adjusted consequent to the bonus issue.	
h) Money realized by exercise of options	Rs. 4,50,96,500	
i) Total number of options in force	1,39,180*	

j) Employee wise details of options granted to :

i) Senior Managerial Personnel :

Name	Options granted	Adjusted for bonus	Options Exercised During the year		Options Outstanding
			Exercise Price (Rs)	No. of options	As on 31.03.2011
Mr. N V Ramana	236700	260370	100	Nil	Nil
Dr. P Gundu Rao	46200	50820	100	Nil	Nil
Dr. B Nageswara Rao	50300	80480	100	27060	Nil
Mr. P Srinivasa Rao	50300	80480	100	Nil	Nil
Mr. M Ramesh Babu	50300	80480	100	Nil	Nil
Mr. Y T S Prasad	39100	62560	100	62560	Nil
Mr. G Hemanth Kumar	50300	80480	100	25150	30180
Mr. S Devendra Rao	56000	89600	100	Nil	Nil
Mr. S Ramakrishna	49000	78400	100	Nil	Nil
Mr. L Kishorebabu	50100	42585	100	Nil	Nil
Dr. M.N.A.Rao	39200	43120	100	Nil	Nil
Mr. Chandra S. Divi	72600	116160	100	Nil	Nil
Dr. P.V. Subba Rao	9000	14400	100	1600	Nil
Dr. A.S.R.Anjaneyulu	9000	14400	100	5400	Nil
Mr. P. Ramaiah Chowdary	22300	35680	100	Nil	Nil

* adjusted due to the bonus issue

ii) Employee receives a grant of 5 % or more of options granted during that year	Mr. N.V. Ramana, Executive Director
iii) Employee receives grant of 1 % or more of issued capital	None
Diluted Earnings per share (EPS) pursuant to issue of shares on exercise of options calculated in accordance with Accounting Standard AS-20 EPS	The stock-based compensation cost as per the intrinsic value method for the financial year 2010-11 is Nil as no shares have been vested during the period.
Where the Company has calculated the employees compensation cost using the intrinsic value of the stock options, the difference between the employee compensation cost so computed and the employee compensation cost that shall be recognized if the Company had used the fair value methods and its impact on profits and on EPS of the Company.	NA
Weighted- average exercise price of options granted during the year whose	
- Exercise price equals market price	Nil
- Exercise price is greater than market price	Nil
- Exercise is less than market price	Nil
Weighted- average fair value of options granted during the year whose	
- Exercise price equals market price	Nil
- Exercise price is greater than market price	Nil
- Exercise is less than market price	Nil
A description of the method and significant assumptions used during the year to estimate the fair values of options, including the following weighted-average information :	
Variables	
Risk-free interest rate	
Expected life	No options have been vested during the financial year 2010-11.
Expected volatility	
Dividend yield	
Price of the underlying share in market at the time of the option grant (adjusted to the current face value Rs.2 each)	

Annexure-II

Information pursuant to Section 217(1)(e) of the Companies Act 1956 read with the Companies (Disclosure of Particulars in the Report of Board of Directors) Rules, 1988.

FORM - A

Form for disclosure of particulars with respect to Conservation of Energy

A. CONSERVATION OF ENERGY

Power and Fuel consumption

Particulars	2010-11	2009-10
1. Electricity		
(a) Purchases :		
Units	9,67,05,237	8,07,01,209
Total Amount		
- (Rs.crores)	37.85	25.04
Rate/Unit - Rs.	3.91	3.10

(b) Own generation :

Through diesel		
Generator Units	30,94,977	40,87,730
Units per Lt. of diesel	3.47	3.53
Cost/Unit - Rs.	11.00	10.00

2. Coal (D/C grade)

Quantity (Kgs)	5,75,08,000	4,55,94,240
Total Cost - (Rs.crores)	18.24	13.15
Average rate - Rs.	3.17	2.88

B. CONSUMPTION PER UNIT OF PRODUCTION

Products	} Since the Company manufactures different types of active pharmaceutical ingredients and intermediates, it is not practicable to give consumption per unit of production.
Electricity (Units)	
Coal (D/C Grade)	
Others (Specify)	

Annexure-II

FORM - B

Form for disclosure of particulars with respect to technology absorption

RESEARCH AND DEVELOPMENT (R&D) :

1. Specific areas in which R&D is carried out by the Company. : Process development for Active Pharmaceutical Ingredients and intermediates.
2. Benefits derived as a result of the above R&D : Developed new products and achieved cost and process efficiencies on existing products.
3. Future plan of action : To develop processes for newer products and intermediates.
4. Expenditure on R&D :

Amount (Rs. in Crores)

Particulars	2010-11	2009-10
a) Capital	5.68	10.17
b) Recurring	15.98	11.28
c) Total	21.66	21.45
d) Total R&D Expenditure as a percentage of Sales	1.66%	2.31%

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION :

1. Efforts in brief, made towards technology absorption and adoption. : The company has its own R&D Centre which develops technologies and processes for Active Pharmaceutical Ingredients and drug intermediates and these technologies are absorbed and implemented at the company's Plants.
2. Benefits derived as a result of the above efforts : The company constantly has been executing process developments for its product range. Process optimization has been achieved in Production, which resulted in lower cost of production and substantial exports. The developments implemented brought more green chemistry by reducing reagents, minimize wastes and increasing recoveries.
3. Information regards import of technology during the last 5 years. : There is no import of technology.

FORM - C

Foreign Exchange Earnings and Outgo

Amount (Rs.in Crores)

Particulars	2010-11	2009-10
(a) Foreign Exchange earnings : (On accrual basis)		
i) FOB Value of Exports	1181.19	835.54
ii) Contract Research Fee	2.38	6.12
iii) Professional fee	-	-
iv) Interest	-	1.33
v) Others	-	0.12
(b) Foreign Exchange outgo :		
i) Remittance in Foreign Currency:		
Dividend (Net of Tax)	0.03	0.02
ii) CIF value of imports :		
Raw Materials	236.99	129.36
Capital Goods	12.24	0.92
Spares	1.79	0.77
iii) Expenditure in Foreign Currency towards :		
Memberships and Subscriptions	0.52	0.25
Books and Periodicals	0.08	0.06
Traveling Expenses	0.45	0.36
Consultancy Charges	0.49	0.52
Sales Commission	2.61	2.10
Foreign Bank Charges	0.42	0.06
Finance Charges	0.27	0.65
Software Expenses	0.07	-
Others	0.33	0.89
iv) Advances to subsidiaries	-	39.16

Information pursuant to Section 217 (2A) of the Companies Act, 1956 read with the Companies (Particulars of employees) Rules, 1975

Name	Age (yrs)	Qualifications	Designation	Date of commencement of employment	Experience (yrs)	Gross remuneration (Rs.Crores)	Last employment
Employed through out the year :							
Dr. Murali K. Divi	60	M. Pharm. Ph.D.	Chairman & Managing Director	12-Oct-90	36	16.29	Managing Director, Cheminor Drugs Ltd.
Ramana N.V.	53	B.Sc.(Chem)	Executive Director	26-Dec-94	26	8.46	President, Enmark Exim Services Pvt.Ltd
Madhusudana Rao Divi	67	M.E. (Structural Engg.)	Director (Projects)	1-Jul-97	42	0.66	Executive Director, Sadah General Trading and Construction Co., Kuwait
Kiran S. Divi	35	B. Pharm.	Director (Business Development)	10-Aug-01	10	5.79	-
Chandra S. Divi	43	B.E.	General Manager	19-Oct-94	18	0.66	-
Devendra Rao S.	49	M.Sc.	General Manager	10-Feb-95	28	0.75	Sr. Manager (Prod) Natco Pharma Ltd
Hemanth Kumar G.	51	M.Sc.	General Manager	1-Nov-94	28	0.76	Sr. Prod. Manager Sumitra Pharma Ltd
Kishorebabu L.	59	B.Com, FICWA	Chief Financial Officer	20-Nov-94	38	0.84	Finance Manager, Nagarjuna Fertilizers & Chemicals Ltd.
Prasad Y.T.S.	43	B.E.	General Manager	1-Nov-90	23	0.72	Engineer (Devpt) Cheminor Drugs Ltd.
Ramakrishna S.	49	B.Sc.	General Manager	15-Feb-95	28	0.74	General Manager (Works) Vera Labs Ltd.
Ramesh Babu M.	45	B.Sc.	Chief Technologist	1-Nov-90	25	0.73	R&D Incharge Cheminor Drugs Ltd.
Srinivasa Rao P.	46	B.Pharm.	Chief Technologist	1-Nov-90	23	0.73	Sr. Chemist Cheminor Drugs Ltd.

Note : 1) Remuneration includes salary, allowances, company contribution to provident fund, provision for gratuity, provision for leave encashment, Commission, benefits and value of stock options.

2) All the above appointments are contractual.

3) Dr Murali K Divi, Chairman and Managing Director, Mr Madhusudana Rao Divi, Director (Projects) and Sri Kiran S Divi, Director (Business Development) are related to each other. No other employee mentioned above is related to any Directors of the Company.

Auditors' Report

To
The Members of
DIVI'S LABORATORIES LIMITED

- 1 We have audited the attached Balance Sheet of **DIVI'S LABORATORIES LIMITED** ('the Company') as at 31st March 2011, the Profit and Loss Account and also the Cash Flow Statement for the year ended on that date annexed thereto. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.
 - 2 We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
 - 3 As required by the Companies (Auditors' Report) Order, 2003 (' the Order') issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956 (' the Act'), we enclose in the Annexure a statement on the matters specified in paragraphs 4 and 5 of the said Order.
 - 4 Further to our comments in the Annexure referred to above, we report that:
 - i) We have obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purpose of our audit.
 - ii) In our opinion, proper books of account as required by Law have been kept by the Company so far as appears from our examination of these books.
- iii) The Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report are in agreement with the books of account.
 - iv) In our opinion, the Balance Sheet, Profit and Loss Account and Cash Flow Statement dealt with by this report comply with the Accounting Standards referred to in Section 211 (3C) of the Act, 1956 to the extent applicable.
 - v) On the basis of the written representations received from the directors, as on 31.03.2011, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 st March, 2011 from being appointed as director in terms of clause (g) of sub-section (1) of section 274 of the Companies Act, 1956.
 - vi) In our opinion and to the best of our information and according to the explanations given to us, the said accounts read in conjunction with the notes and accounting policies thereon give the information required by the Act, in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India:
 - a) in the case of Balance Sheet, of the state of affairs of the Company as at 31st March, 2011;
 - b) in the case of Profit and Loss Account, of the profit for the year ended on that date; and
 - c) in the case of Cash Flow Statement, of the cash flows for the year ended on that date.

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

Hyderabad
20-05-2011

P.V.R.K. NAGESWARA RAO
Partner
Membership No. 18840

Annexure

ANNEXURE REFERRED TO IN PARAGRAPH 3 OF AUDIT REPORT OF EVEN DATE ON THE ACCOUNTS OF DIVI'S LABORATORIES LIMITED ('THE COMPANY') FOR THE YEAR ENDED 31st MARCH 2011

- 1 (a) The company has maintained proper records showing full particulars including quantitative details and situation of Fixed Assets.
 - (b) As explained to us, the fixed assets have been physically verified by the management according to the phased programme designed to cover all the fixed assets on rotation basis. In respect of fixed assets verified according to this programme, which is considered reasonable, no material discrepancies were noticed on such verification. As regards capital works in-progress, the same will be verified by the management on completion of assets.
 - (c) The fixed assets disposed off during the year did not represent substantial part of fixed assets of the Company, which will affect the going concern status of the Company.
- 2 (a) The inventories of the Company have been physically verified by the Management during the year at reasonable intervals except stocks lying with others which have been verified with reference to confirmations, certificates and other relevant documents where available.
 - (b) The procedures of physical verification of inventories followed by the management are reasonable and adequate in relation to the size of the Company and the nature of its business.
 - (c) The Company has maintained proper records of inventories and the discrepancies noticed on physical verification of stocks as compared to book records, which in our opinion were not material, have been properly dealt with in the books of account.
- 3 The Company has neither granted nor taken any loans, secured or unsecured to/from companies, firms or other parties covered in the register maintained under section 301 of the Act. Consequently, the provisions of Clause 4(iiiib), 4(iiiic), 4(iiid), 4(iiif) and 4(iiig) of the Order are not applicable to the Company.
- 4 In our opinion and according to the information and explanations given to us, there are adequate internal control systems commensurate with the size of the Company and the nature of its business with regard to purchase of inventory, fixed assets and for the sale of goods and services. During the course of our audit, we have not observed any continuing failure to correct major weaknesses in internal controls with regard to purchase of inventory, fixed assets and for the sale of goods and services.
- 5 (a) According to the information and explanations given to us and as confirmed by the Company Secretary and Management of the Company, we are of the opinion that the particulars of contracts or arrangements that need to be entered into the register maintained under section 301 of the Companies Act, 1956 have been so entered.
 - (b) In our opinion and according to the information and explanations given to us, there are no transactions made in pursuance of contracts or arrangements entered in the register maintained under Section 301 of the Companies Act, 1956 and exceeding the value of Rs.5,00,000/- in respect of each party during the year.
- 6 According to the information and explanations given to us, the Company has not accepted any deposits from the public covered by the directives issued by the Reserve Bank of India and the provisions of Section 58A and 58AA or any other relevant provisions of the Act and the rules framed there under. Consequently, the provisions of Clause 4(vi) of the Order are not applicable to the Company.
- 7 In our opinion and according to the explanations given to us, the Company has an internal audit system commensurate with the size and nature of its business.
- 8 We have broadly reviewed the records maintained by the Company pursuant to the order made by the Central Government of India, for the maintenance of cost records under Section 209(1)(d) of the Companies Act, 1956 and are of the opinion that prima facie the prescribed records have been maintained and are being made up. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.
- 9 (a) According to the records of the Company and as per the information and explanations given to us, the Company is generally regular in depositing the undisputed statutory dues including Provident Fund, Investor Education and Protection Fund, Employees State Insurance, Income Tax, Sales Tax, Wealth Tax, Service Tax, Customs duty, Excise duty, Cess and other material statutory dues applicable to it with the appropriate authorities. In respect of these statutory dues, there are no outstanding dues as on 31.03.2011 which are outstanding for a period of more than six months from the date they became payable.
 - (b) According to the records of the Company and as per the information and explanations given to us, there are no dues of Sales Tax, Wealth Tax, Excise Duty and Cess which have not been deposited on account of any dispute as on 31.3.2011 except Customs Duty, Service Tax and Income Tax, the details of which are as given under :

Name of the Statute	Period to which the amount relates	Nature of dues	Amount Rs. in lakhs	Forum where dispute is pending
Customs Act 1962	August, 2005	Penalty and fine for non-fulfillment of export obligation against goods imported under DEEC Scheme	0.30	Customs, Excise & Service Tax Appellate Tribunal, south Zonal Bench, Bangalore
Customs Act 1962	January, 2007	Penalty for non-fulfillment of export obligation against goods imported under DEEC Scheme	10.00	Customs, Excise & Service Tax Appellate Tribunal, south Zonal Bench, Chennai
Customs Act 1962	June, 2006 to July, 2007	Customs duty foregone on materials used for manufacture of non-excisable goods, penalty for non-payment of customs duty and penalty for improper utilisation of Cenvat Credit	8.00	Customs, Excise & Service Tax Appellate Tribunal, south Zonal Bench, Bangalore
Customs Act 1962	August, 2007 to July, 2008	Penalty for non-payment of customs duty and penalty for improper utilisation of Cenvat Credit	8.00	Customs, Excise & Service Tax Appellate Tribunal, south Zonal Bench, Bangalore
Customs Act 1962	August, 2008 to December 2008	Penalty for non-payment of customs duty and penalty for improper utilisation of Cenvat Credit	2.00	Commissioner of Central Excise (Appeals), Visakhapatnam
Service Tax Under the Finance Tax, 1994	April, 2006 to December 2006	Penalty on Service Tax	22.69	Customs, Excise & Service Tax Appellate Tribunal, south Zonal Bench, Bangalore
Income Tax Act, 1961	2005-06	Interest for delay in payment of advance fringe benefit tax demanded on completion of assessment	0.41	Additional Commissioner of Income Tax, Range - I, Hyderabad.

10. As per the information and explanations given to us and on an overall examination of the financial statements of the company for the current and immediately preceding financial year, we report that the Company does not have any accumulated losses at the end of the current financial year nor incurred cash losses in the current and immediately preceding financial year.

11. According to records of the Company, during the year the Company has not defaulted in repayment of dues to financial institutions or banks or debenture holders.

12. As per the information and explanations given to us, as the Company has not granted any loans and advances on the basis of security by way of pledge of shares, debentures and other securities to any body during the year.

13. In our opinion, as the Company is not a chit fund or a nidhi or mutual benefit fund or society, the provisions of Clause 4 (xiii) of the Order are not applicable to the Company for this year.

14. In our opinion, as the Company is not dealing in or trading in Shares, Securities, debentures and other investments.

15. As per the information and explanations given to us, the Company has not given any guarantees for loans taken by others from banks or financial institutions.

16. According to records of the Company, the Company has not raised any term loans during the year and in respect of term loans raised in earlier years, the same have been applied for the purposes for which they were raised in the corresponding years.

17. According to records and on an overall examination of the balance sheet of the company, we report that the funds raised on short term basis have not been used for long term investments.

18. As per the information and explanations given to us, the Company has not made any preferential allotment of shares to parties covered in the Register maintained under section 301 of the Act during the year.

19. As the Company has not issued any debentures during the year, which requires the creation of security or charge, the provisions of Clause 4(xix) are not applicable to the Company.

20. As the Company has not raised any money by public issues during the year, the provisions of Clause 4(xx) are not applicable to the Company.

21. 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 as per the representation given by the Company and relied on by us, we have neither come across any instance of material fraud on or by the Company, noticed or reported during the year, nor have we been informed of such cases by the management.

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

P.V.R.K. NAGESWARA RAO
Partner
Membership No. 18840

HYDERABAD
20th May, 2011



Balance Sheet As At 31st March, 2011

(Rs. in Lakhs)

Particulars	Schedule No.	As At 31st March, 2011		As At 31st March, 2010	
SOURCES OF FUNDS :					
SHARE HOLDERS' FUNDS :					
Share Capital	1	2651.91		2642.88	
Reserves and Surplus	2	180152.64	182804.55	151564.63	154207.51
LOAN FUNDS :					
Secured Loans	3	2016.11		2984.65	
Unsecured Loans	4	288.46	2304.57	300.24	3284.89
DEFERRED TAX LIABILITY (NET)	5		5491.19		5190.50
TOTAL			190600.31		162682.90
APPLICATION OF FUNDS :					
FIXED ASSETS :					
Gross Block	6	88534.21		83265.18	
Less : Depreciation		29561.35		24298.00	
Net Block		58972.86		58967.18	
Capital Work - in - Progress		10371.58		2039.08	
Unallocated Expenditure Pending Capitalisation	7	61.99		-	
Advances for Capital Works		2499.08	71905.51	336.23	61342.49
INVESTMENTS	8		52845.43		44185.86
NET CURRENT ASSETS :					
A.CURRENT ASSETS, LOANS AND ADVANCES :					
Inventories	9	54306.55		47957.27	
Sundry Debtors	10	39495.39		23444.15	
Cash and Bank Balances	11	1279.98		1286.87	
Other Current Assets	12	30.11		27.08	
Loans and Advances	13	10950.27		10405.72	
			106062.30		83121.09
B.CURRENT LIABILITIES AND PROVISIONS :					
Current Liabilities	14	24032.44		16324.15	
Provisions	15	16180.49		9642.39	
			40212.93		25966.54
NET CURRENT ASSETS (A-B)			65849.37		57154.55
TOTAL			190600.31		162682.90
SIGNIFICANT ACCOUNTING POLICIES	24				
NOTES TO ACCOUNTS	25				

For and on behalf of the Board

Per Our Report of Even Date
For P.V.R.K. NAGESWARA RAO & CO
 Chartered Accountants
 Firm's Registration Number : 002283S

Dr. MURALI K. DIVI
 Chairman and Managing Director

N.V. RAMANA
 Executive Director

HYDERABAD
 20.05.2011
P.V.R.K. NAGESWARA RAO
 Partner
 Membership Number : 18840

L. KISHOREBABU
 Chief Financial Officer

P.V. LAKSHMI RAJANI
 Company Secretary

Profit And Loss Account For The Year Ended 31st March, 2011

(Rs. in Lakhs)

Particulars	Schedule No.	For the Year ended 31st March, 2011	For the Year ended 31st March, 2010
I. INCOME :			
Gross Sales		131949.04	93502.80
Less : Excise Duty		1405.18	573.61
Net Sales		130543.86	92929.19
Other Income	16	3860.44	3068.68
TOTAL		134404.30	95997.87
II. EXPENDITURE :			
Raw Materials Consumed	17	48667.97	39520.60
Manufacturing Expenses	18	10207.41	7173.65
Research and Development Expenses	19	1598.09	1128.30
Employee benefits expense	20	8048.48	6846.25
Other Expenses	21	8971.40	6997.72
Finance Costs	22	218.54	275.78
Depreciation		5335.15	5145.16
(Increase) / Decrease in Stocks	23	3452.29	(9923.74)
TOTAL		86499.33	57163.72
III. PROFIT FOR THE YEAR :			
		47904.97	38834.15
Less : Income Tax Expense :			
-Current Income Tax		3920.00	3120.00
-MAT Credit Utilisation		127.60	960.00
		4047.60	4080.00
-Income-tax adjustment of earlier years		0.07	(0.29)
		4047.67	4079.71
-Deferred Income Tax		300.69	333.98
		4348.36	4413.69
IV. PROFIT AFTER TAX :			
		43556.61	34420.46
Add : Profit brought forward from last year		121468.06	101593.10
		165024.67	136013.56
Less : Appropriations :			
Proposed Dividend		13259.51	7928.65
Corporate Dividend Tax		2151.03	1316.85
General Reserve		7500.00	5300.00
Balance Carried to Balance Sheet		22910.54	14545.50
		142114.13	121468.06
V. EARNINGS PER SHARE :			
(Face Value Rs.2/- per share)			
Basic EPS		32.90	26.40
Diluted EPS		32.88	26.35
SIGNIFICANT ACCOUNTING POLICIES	24		
NOTES TO ACCOUNTS	25		

For and on behalf of the Board

Per Our Report of Even Date
For P.V.R.K. NAGESWARA RAO & CO
 Chartered Accountants
 Firm's Registration Number : 002283S

Dr. MURALI K. DIVI
 Chairman and Managing Director

N.V. RAMANA
 Executive Director

HYDERABAD
 20.05.2011

P.V.R.K. NAGESWARA RAO
 Partner
 Membership Number : 18840

L. KISHOREBABU
 Chief Financial Officer

P.V. LAKSHMI RAJANI
 Company Secretary

Cash Flow Statement For The Year Ended 31st March, 2011

(Rs. in Lakhs)

Particulars	For the year ended 31st March, 2011		For the year ended 31st March, 2010	
I CASH FLOW FROM / (USED IN) OPERATING ACTIVITIES :				
Profit before tax for the year		47904.97		38834.15
Add / (Less) : <u>Adjustments for :</u>				
Depreciation	5335.15		5145.16	
Provision for Doubtful Debts (Written back) (Net)	13.52		(2.98)	
Loss /(Gain) on Forex Hedging / Swap Arrangements	(60.75)		(2264.60)	
Interest Expense	66.30		119.00	
Loss on Sale of Assets	0.45		(14.70)	
Employee Stock Compensation Costs Amortised	-		225.70	
Decline in value of Current Investments	9.64		-	
Wealth Tax	0.83		1.06	
Interest Income	(120.35)		(195.42)	
Bad debts written off	0.13		1.24	
Dividends Received	(2432.22)		(1137.93)	
Book Deficit on Assets Discarded	18.06	2830.76	259.35	2135.88
	50735.73		40970.03	
Add / (Less) : <u>Adjustments for Working Capital Changes :</u>				
(Increase) / Decrease in Sundry Debtors	(16064.89)		4886.20	
(Increase) in Inventories	(6349.28)		(8366.52)	
Decrease in Loans and Advances	294.30		902.31	
Increase in Current Liabilities	7334.52		3536.53	
Decrease / (Increase) in Fixed Deposits pledged with Banks and dividend accounts with banks	(12.51)	(14797.86)	289.38	1247.90
Cash generated from operations		35937.87		42217.93
Less : Direct taxes paid		3342.08		5450.85
Net Cash flow from operating activities (I)		32595.79		36767.08
II CASH FLOW FROM / (USED IN) INVESTING ACTIVITIES :				
Purchase of Fixed assets		(16262.91)		(6017.15)
Sale of Fixed Assets		0.70		34.14
Redemption of Current Investments		58386.25		4490.88
Investment in Current Investments		(66832.21)		(31437.93)
Investment in a Subsidiary Company		(223.25)		-
Dividend from Current Investments		2432.22		1137.93
Interest received		300.23		74.42
Net Cash (used in) Investing activities (II)		(22198.97)		(31717.71)
III CASH FLOW FROM / (USED IN) FINANCING ACTIVITIES :				
Consideration for issue of Shares under ESOP		450.97		2628.09
Repayment of Long Term Loans		(1771.84)		(2304.00)
Increase of Short Term Loans		803.30		336.64
Repayment of Unsecured Loans		(11.78)		(11.74)
Interest Paid		(68.35)		(127.89)
Loss on Forex Hedging / Swap Arrangements		(573.02)		(728.86)
Dividend paid including Corporate Dividend Tax		(9245.50)		(4552.13)
Net Cash (used in) Financing Activities (III)		(10416.22)		(4759.89)

(Rs. in Lakhs)

Particulars	For the year ended 31st March, 2011	For the year ended 31st March, 2010
IV Net Increase / (Decrease) in cash and cash equivalents (I+II+III)	(19.40)	289.48
V Cash and Cash Equivalents as at the beginning of the year	979.87	690.39
VI Cash and Cash Equivalents as at the end of the year	960.47	979.87
<hr/>		
Note : CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	2010-11	2009-10
Cash and Bank Balances as per the Balance Sheet	1279.98	1286.87
Less: Deposits lodged towards Security Deposits, Margin Money against Bank Gurantees and other designated accounts dealt seperately.	319.51	307.00
	960.47	979.87

Note :

1. Figures in brackets indicate cash outgo.
2. The above cash flow statement has been prepared under the indirect method set out in Accounting Standard -3 notified under the Companies Act, 1956
3. Significant Accounting Policies (Schedule 24) and other Notes to Accounts (Schedule 25) form an Integral part of the Cash Flow Statement
4. Previous year figures have been regrouped / reclassified wherever necessary to conform to current year classification

For and on behalf of the Board

Per Our Report of Even Date
For P.V.R.K. NAGESWARA RAO & CO
Chartered Accountants
Firm's Registration Number : 002283S

Dr. MURALI K. DIVI
Chairman and Managing Director

N.V. RAMANA
Executive Director

HYDERABAD
20.05.2011

P.V.R.K. NAGESWARA RAO
Partner
Membership Number : 18840

L. KISHOREBABU
Chief Financial Officer

P.V. LAKSHMI RAJANI
Company Secretary

Schedules

(Rs. in Lakhs)

Particulars	As At 31st March, 2011		As At 31st March, 2010	
1. SHARE CAPITAL :				
<u>AUTHORISED :</u>				
15,00,00,000 Equity Shares of Rs. 2/- each		3000.00		3000.00
		3000.00		3000.00
<u>ISSUED :</u>				
13,25,95,110 (Previous Year 13,21,44,145) Equity Shares of Rs.2/- each		2651.91		2642.88
<u>SUBSCRIBED AND PAID-UP :</u>				
13,25,95,110 (Previous Year 13,21,44,145) Equity Shares of Rs.2/- each fully paid up (Of the above 6,55,97,975 Equity Shares of Rs.2/- each have been allotted as Bonus Shares on Capitalisation of General Reserve and other free reserves)		2651.91		2642.88
2. RESERVES AND SURPLUS :				
<u>CAPITAL RESERVES :</u>				
<u>Share Premium :</u>				
As Per Last Account		9648.79		6399.42
Add : Premium on allotment of equity share against options availed under ESOP Scheme		759.22		4426.33
Less : Utilised for issue of Bonus Shares		- 10408.01	(1176.96)	9648.79
<u>Debenture Forfeiture Account :</u>				
As Per Last Account		-		90.00
Less : Utilised for Issue of Bonus shares		-		90.00
<u>Debenture Premium Account :</u>				
As Per Last Account		-		30.00
Less : Utilised for Issue of Bonus shares		-		30.00
State investment Subsidiary		32.58		32.58
<u>EMPLOYEE STOCK OPTIONS OUTSTANDING :</u>				
As per last account		415.20		2265.42
<u>Deductions during the period :</u>				
Less : On exercise of Options granted		317.28		1850.22
Less : On Forfeiture of Options granted		- 97.92		415.20
<u>REVENUE RESERVES :</u>				
<u>General Reserve :</u>				
As per Last account		20000.00		14700.00
Add : Transferred from Profit and Loss Account		7500.00	27500.00	5300.00
Profit and Loss Account (SURPLUS)		142114.13		121468.06
		180152.64		151564.63

(Rs. in Lakhs)

Particulars	As At 31st March, 2011	As At 31st March, 2010
3. SECURED LOANS :		
<u>TERM LOANS :</u>		
From Banks :		
Foreign currency Term Loans (Secured by equitable mortgage of specified immovable properties of the Company and further secured by first charge of all the movables (Save and except Book-debts) including movable machinery, machinery spares, tools and accessories present and future, subject to prior charge created and / or to be created in favour of the bankers on the stocks for Working Capital Requirements)	653.68	2425.52
<u>WORKING CAPITAL LOANS :</u>		
From Banks (Secured by Hypothecation of stocks, book-debts and receivables and further secured by second charge on specified fixed assets of the Company)	1362.43	559.13
	2016.11	2984.65
4. UNSECURED LOANS :		
Deferred Sales Tax Credit	288.46	300.24
	288.46	300.24
5. DEFERRED TAX LIABILITY(NET) :		
Balance brought forward	5190.50	4856.52
Add : Adjustments during the year (Refer Note No.6 of Schedule 25 -Notes to Accounts)	300.69	333.98
	5491.19	5190.50

6. FIXED ASSETS : (Rs. in Lakhs)

Sl. No.	Description	GROSS BLOCK			DEPRECIATION			NET BLOCK			
		Cost as at 01.04.2010	Additions	Deduct-ions	Total Upto 31.03.2011	Upto 01.04.2010	For the Year	On Deduct-ions	Total Upto 31.03.2011	At at 31.03.2011	As at 31.03.2010
1	LAND AND DEVELOPMENT	1871.95	138.47	-	2010.42	-	-	-	-	2010.42	1871.95
2	BUILDINGS	16581.50	461.15	-	17042.65	2255.95	500.89	-	2756.84	14285.81	14325.55
3	PLANT AND MACHINERY	58468.83	3459.85	62.39	61866.29	20201.02	4391.45	43.30	24549.17	37317.12	38267.81
4	LABORATORY EQUIPMENT	4026.41	997.26	11.47	5012.20	911.48	208.89	7.29	1113.08	3899.12	3114.93
5	FURNITURE AND FITTINGS	416.34	30.77	0.71	446.40	195.35	27.93	0.63	222.65	223.75	220.99
6	DATA PROCESSING EQUIPMENT	323.58	51.36	4.92	370.02	216.73	32.56	4.68	244.61	125.41	106.85
7	VEHICLES	526.17	6.30	5.16	527.31	258.60	109.44	4.02	364.02	163.29	267.57
8	OFFICE AND OTHER EQUIPMENT	1050.40	214.87	6.35	1258.92	258.87	63.99	11.88	310.98	947.94	791.53
	TOTAL	83265.18	5360.03	91.00	88534.21	24298.00	5335.15	71.80	29561.35	58972.86	58967.18
	PREVIOUS YEAR TOTAL	78248.92	5424.05	407.79	83265.18	19281.85	5145.16	129.01	24298.00	58967.18	58967.07

(Rs. in Lakhs)

Particulars	As At 31st March, 2011
7. STATEMENT SHOWING EXPENDITURE PENDING CAPITALISATION :	
Power and Fuel	3.06
Salaries,Wages,Bonus and Other Allowances	43.13
Contribution to PF and ESI	1.08
Workmen and Staff Welfare expenses	0.05
Printing and Stationery	0.27
Communication Expenses	0.02
Fees, Rates and Taxes	0.19
Travelling and Conveyance	0.31
Professional and Consultancy Charges	0.11
Donations	0.02
General Expenses	10.00
Interest	3.24
Bank Charges and Commission	0.67
Foreign Exchange Fluctuations	(0.16)
Total	61.99

Particulars	As At 31st March, 2011	As At 31st March, 2010
8 INVESTMENTS :		
I. CURRENT INVESTMENTS :		
NON-TRADE - UNQUOTED :		
In Mutual Funds :		
A. SBI Mutual Fund - SBI-SHF-Ultra Short Term Fund Institutional Plan - Daily Dividend Scheme- 32,51,91,090 (Previous year 44,10,40,605) Units of Rs.10/- each	32538.62	44127.50
(Net Asset Value: Rs.32538.62 Lakhs, Previous Year : Rs.44130.52 Lakhs) (24,38,53,688 Units purchased, 2,03,55,249 Units cumulated, 38,00,58,452 Units sold during the Year)		
B. SBI Mutual Fund - SBI-Magnum Income Fund FR Savings Plus Bond Plan - Dividend- 7,07,20,919 Units of Rs.10/- each	7534.84	-
(Net Asset Value: Rs.7525.20 Lakhs) (7,03,93,452 Units purchased and 3,27,467 Units cumulated)		
Less : Provision for decline in Value of Investments	9.64	-
C. SBI Mutual Fund - SBI Debt Fund Series - 90 Days - 41-Dividend 12,50,00,000 Units of Rs.10/- each	12500.00	-
(Net Asset Value: Rs.12555 Lakhs)		
	52563.82	44127.50

(Rs. in Lakhs)

Particulars	As At 31st March, 2011		As At 31st March, 2010	
II. LONG - TERM INVESTMENTS :				
NON-TRADE - UNQUOTED :				
A. In Subsidiaries :				
- Divis Laboratories (USA) Inc 2000 (Previous Year: 1000) Ordinary Shares of US\$0.01 each fully paid-up	245.43		22.18	
- Divi's Laboratories EUROPE AG 200 Shares of CHF 500 each fully paid up	36.18	281.61	36.18	58.36
B In Other Companies :				
Pattancheru Enviro - Tech Limited 12000 Equity Shares of Rs.10/- each fully paid-up	1.20		1.20	
Less : Provision for decline in Value of Investments	1.20	-	1.20	-
Total Investments	52845.43		44185.86	
Aggregate Value of Quoted Securities		Nil		Nil
Aggregate Market Value of Quoted Securities		Nil		Nil
Aggregate Value of Unquoted Securities	52856.27		44187.06	
9 INVENTORIES :				
(As Certified by the Management)				
Raw Materials	16847.61		10446.35	
Stores and Spares	4969.67		1477.90	
Work-in-Process	31033.16		30051.69	
Finished Goods	1172.36		5612.78	
Material in Transit	283.75		368.55	
	54306.55		47957.27	
10 SUNDRY DEBTORS :				
(Unsecured)				
Outstanding for a Period Exceeding Six Months				
-Considered Good	2666.95		580.54	
-Considered doubtful	28.77		15.26	
	2695.72		595.80	
Less : Provision for Doubtful Debts	28.77	2666.95	15.26	580.54
Others :				
-Considered Good	36828.44		22863.61	
	39495.39		23444.15	
11 CASH AND BANK BALANCES :				
Cash on Hand	8.96		10.19	
Balance with Scheduled Banks :				
- In Current Accounts	951.51		969.68	
- In Unclaimed Dividend Accounts	31.29		29.68	
- In Term Deposit Accounts (Of the above, Rs.0.02 lakhs (Previous year Rs.0.02 lakhs) has been pledged with Department of Commercial Taxes, Government of Andhra Pradesh and Rs. 288.20 Lakhs (Previous year Rs 277.30 Lakhs) towards Margin on Letter of Credits and Guarantees Issued by Banks)	288.22		277.32	
	1279.98		1286.87	

(Rs. in Lakhs)

Particulars	As At 31st March, 2011	As At 31st March, 2010
12 OTHER CURRENT ASSETS :		
Interest accrued on deposits	30.11	27.08
	30.11	27.08
13 LOANS AND ADVANCES :		
(Unsecured, considered good, recoverable in cash or in kind or for value to be received)		
Deposits Recoverable	677.47	530.00
Advances to Suppliers	2181.51	453.10
Central Excise Duty Deposit	458.98	384.86
Prepaid Expenses	152.13	101.21
Other Advances and Recoverables	979.17	1455.34
Prepaid Income Tax (Net of Provision for Tax)	1562.89	2269.55
MAT Credit Entitlements	1168.55	1296.15
Advances to Subsidiaries (Maximum amount outstanding during the Year Rs.3769.57 Lakhs, Previous Year Rs.3915.51)	3769.57	3915.51
	10950.27	10405.72
14 CURRENT LIABILITIES :		
<u>CREDITORS FOR CAPITAL WORKS :</u>		
- Dues of Micro and Small Enterprises (Refer Note No.12 of Schedule 25 -Notes to Accounts)	-	14.63
- Dues of Enterprises other than Micro and small Enterprises	447.06	777.97
	447.06	792.60
<u>SUNDRY CREDITORS :</u>		
- Dues of Micro and Small Enterprises (Refer Note No.12 of Schedule 25 -Notes to Accounts)	-	46.09
- Dues of Enterprises other than Micro and small Enterprises	21162.54	14916.78
	21162.54	14962.87
Advances from Customers	2388.55	533.94
Interest Accrued But Not Due	3.00	5.06
<u>INVESTORS EDUCATION AND PROTECTION FUND :</u>		
Unclaimed Dividend (Of the above,there is no amount due and outstanding to be credited to Investor Education and Protection Fund)	31.29	29.68
	24032.44	16324.15
15 PROVISIONS :		
Provision for Employee Retirement Benefits	769.95	396.89
Proposed Dividend	13259.51	7928.65
Provision for Corporate Dividend Tax	2151.03	1316.85
	16180.49	9642.39

(Rs. in Lakhs)

Particulars	For the year ended 31st March, 2011	For the year ended 31st March, 2010
16 OTHER INCOME :		
Contract Research Fee	238.40	612.05
Export Benefits	420.17	218.31
Interest Earned (Gross) (TDS Rs.13.39 Lakhs (Previous Year Rs.11.98 Lakhs))	120.35	195.42
Gain on Foreign Exchange Fluctuations	330.52	359.76
Dividend from current non trade investments	2432.22	1137.93
Provision for doubtful debts written back	-	4.42
Bad debts Recovered	-	0.32
Profit on sale of Assets (Net)	-	14.70
Miscellaneous Income	318.78	525.77
	3860.44	3068.68
17 RAW MATERIALS CONSUMED :		
Opening Stock	10446.35	11843.88
Add : Purchases	55069.23	38239.23
	65515.58	50083.11
Less : Closing Stock	16847.61	10446.35
Sales	-	116.16
	16847.61	10562.51
	48667.97	39520.60
18 MANUFACTURING EXPENSES :		
Stores Consumed	2190.25	1485.47
Power and Fuel	6265.05	4513.46
Conversion Charges	15.46	-
Repairs and Maintenance to :		
- Buildings	185.75	143.94
- Plant and Machinery	1550.90	1030.78
	10207.41	7173.65
19 RESEARCH AND DEVELOPMENT EXPENSES :		
Raw Materials Consumed	54.32	90.12
Stores Consumed	243.25	106.86
Power and Fuel	83.45	37.29
Repairs and Maintenance to :		
- Buildings	7.17	0.02
- Plant and Machinery	82.83	3.48
Salaries, Wages, Bonus and Other Allowances	1026.30	802.16
Contribution to PF and ESI	33.07	23.35
Workmen and Staff Welfare expenses	1.89	2.20
Printing and Stationery	7.32	1.18
Communication Expenses	0.30	0.21
Fees, Rates and Taxes	7.28	10.25

(Rs. in Lakhs)

Particulars	For the year ended 31st March, 2011	For the year ended 31st March, 2010
Travelling and Conveyance	0.28	0.34
Repairs and Maintenance to other Assets	22.58	2.91
Vehicle Maintenance	1.44	1.34
Professional and Consultancy Charges	0.01	-
Freight and Handling Charges	7.56	0.43
General Expenses	18.70	45.98
Bank Charges and Commission	0.34	0.18
	1598.09	1128.30
20 EMPLOYEE BENEFITS EXPENSE :		
Salaries, Wages, Bonus and Other Allowances	7471.58	6198.59
Contribution to PF and ESI	223.42	170.09
Workmen and Staff Welfare expenses	353.48	283.99
Amortisation of Deferred Employee Compensation (Exclusive of Rs Nil Lakhs (Previous year Rs.32.12 Lakhs) Included in other heads of expenditure)	-	193.58
	8048.48	6846.25
21 OTHER EXPENSES :		
Managerial Remuneration	3157.08	2669.50
Directors' Sitting Fees	8.40	11.40
Printing and Stationery	160.72	154.33
Rent	54.00	51.43
Communication Expenses	76.65	83.55
Fees, Rates and Taxes	171.34	176.03
Travelling and Conveyance	223.69	208.01
Insurance	153.08	130.51
Repairs and Maintenance to other Assets	97.07	44.54
Vehicle Maintenance	179.15	125.20
Payment to Auditors (Refer Note No.8 of Schedule 25 -Notes to Accounts)	41.68	43.34
Professional and Consultancy Charges	81.90	78.06
Factory Upkeep	101.38	204.68
Environment Management Expenses	557.40	252.82
Freight and Handling Charges	2502.20	1526.14
Advertisement	16.12	10.50
Sales Commission	343.72	294.18
General Expenses	811.66	637.71
Bad Debts Written-off	0.13	1.24
Interest receivable from a Subsidiary written off	190.67	-
Provision for Doubtful Debts	13.52	1.44
Provision for Decline in Value of Investments	9.64	-
Donations	0.66	23.25

(Rs. in Lakhs)

Particulars	For the year ended 31st March, 2011	For the year ended 31st March, 2010
Loss on Sale of Assets	0.45	-
Book Deficit on Assets Discarded	18.06	259.35
Prior Year Expenses	1.03	10.51
	8971.40	6997.72
22 FINANCE COSTS :		
Interest on Fixed Loans	27.03	64.92
Interest on Working Capital Loans	37.16	41.99
Interest to Others	2.11	12.09
Bank Charges and Commission	152.24	156.78
	218.54	275.78
23 (INCREASE) / DECREASE IN STOCKS :		
i Closing Stock of :		
Finished Goods	1172.36	5612.78
Work-in-Progress	31033.16	30051.69
	32205.52	35664.47
ii Opening Stock of :		
Finished Goods	5612.78	9408.00
Work-in-Progress	30051.69	16349.18
	35664.47	25757.18
iii Excise Duty adjustment in movement in Finished Goods Inventory	6.66	16.45
(Increase) / Decrease in Stocks (i-ii+iii)	3452.29	(9923.74)

Accounting Policies

24. SIGNIFICANT ACCOUNTING POLICIES:

A. ACCOUNTING CONVENTION :

The financial statements are prepared under historical cost convention on the accrual basis of accounting in accordance with generally accepted accounting principles in India and the Accounting Standards issued under the relevant provisions of the Companies Act, 1956.

B. FIXED ASSETS AND DEPRECIATION :

- i. Fixed assets are stated at cost of acquisition including freight, duties and installation expenses and expenditure during construction where applicable and net of CENVAT and Value Added Tax credit availed against Tax or cess paid on such items.
- ii. Depreciation on Fixed Assets is provided under Straight Line Method at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956.
- iii. Depreciation is provided at one hundred per cent for assets costing less than Rs.5,000/-
- iv. Depreciation on Fixed Assets used for the Project under construction is included under Unallocated Expenditure Pending Capitalisation.
- v. Revenue Expenditure incurred during the construction period of the Project is shown under "Unallocated Expenditure Pending Capitalisation" till the commencement of the commercial production or their intended use and the same is being capitalised by allocating to relevant assets in the ratio of their direct costs.

C. IMPAIRMENT OF ASSETS :

The carrying amount of the assets are being tested on annual basis for impairment so as to determine the provision required for impairment loss if any or for reversal of the provision, if any, required on account of impairment loss recognised in previous periods.

D. INVESTMENTS :

- i. Investments are classified into Current and Long Term investments.
- ii. Current investments are valued at lower of cost and fair value.
- iii. Long-term investments are valued at cost of acquisition. Provision is made for decline, other than temporary, in the value of investments.

E. INVENTORIES :

Inventories are valued at lower of cost and net realisable value. The Cost of inventories is being determined under weighted average cost method

F. RESEARCH AND DEVELOPMENT :

Revenue Expenditure incurred for Research and Development is written off in the same year. Capital expenditure on Research and Development is shown as additions to Fixed Assets.

G. EXCISE DUTY :

Excise Duties recovered are included in "Gross Sales". Excise duty on despatches is shown as an item of expense and deducted from Gross Sales. The value of closing stock of finished goods includes excise duty paid / payable on such stocks wherever applicable.

H. EMPLOYEE STOCK OPTION SCHEME :

In accordance with the Securities and Exchange Board of India guidelines, the excess of the market price of the shares, at the date of grant of option under the employee stock option scheme, over the exercise price is treated as employee compensation and the same is amortised over the vesting period of the stock options.

I. FOREIGN EXCHANGE TRANSACTIONS :

- i. Transactions in Foreign Exchange, other than those covered by forward contracts are accounted for at the exchange rate prevailing on the date of transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the Profit and Loss Account.
- ii. Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date other than those covered by forward contracts are translated at the year end rates. The resultant exchange differences are recognised in the profit and loss account.
- iii. Non-monetary assets and liabilities are recorded at the rates prevailing on the date of the transaction.

- iv. Forward contracts are being entered into to mitigate the foreign currency risk of the underlying outstanding at the balance sheet date and also to hedge the foreign currency risk of firm commitments or highly probable forecast transactions.

In case of forward contracts not intended for trading or speculative purposes, the premium or discount on all such contracts is amortised as income or expense over the life of the contract. Any profit or loss arising on cancellation or renewal of forward contracts is recognised as income or expense for the period. The exchange differences, consisting of the difference between (a) the foreign currency amount of the contract translated at the exchange rate at the reporting date or the settlement date where the transaction is settled during the reporting period and (b) the same foreign currency amount translated at the latter of the date of inception of the forward exchange contract and the last reporting date, are recognised in the profit and loss account in the reporting period in which the exchange rates change.

In case of other forward contracts, the gain or loss, computed considering the exchange difference between the forward rate available at the reporting date for the remaining maturity of the contract and the contracted forward rate, is recognised as income or expense in the statement of profit and loss.

J. EMPLOYEE BENEFITS :

- i. Short-Term Benefits :

Short Term Employee Benefits, at the undiscounted amount in the year in which the services have been rendered, are charged off to the Profit and Loss Account.

- ii. Long-Term Benefits :

- a. The Contributions to Provident Fund and Employee State Insurance Schemes, which are defined contribution schemes, to the relevant funds administered and managed by the Central Government of India, are charged off to the Profit and Loss Account as and when incurred. The Company has no further obligations under these plans beyond its monthly contributions.

- b. Provision for Gratuity and Leave Encashment, which are defined benefit plans, is made on the basis of an actuarial valuation at the balance sheet date carried out by an independent actuary under Projected Unit Credit Method.

- c. Actuarial gains / losses arises during the year are recognised in the Profit and Loss Account.

- iii. Terminal Benefits are recognised as an expense as and when incurred.

K. TAXES ON INCOME :

- i. Tax expense is the aggregate of current year income tax, deferred income tax charged or credited to the Profit and Loss account.

- ii. **Current Year Income Tax :**

The Provision for taxation is based on assessable profits of the company as determined under the Income Tax Act, 1961. The Company also provides for such disallowances made on completion of assessment pending appeals, as considered appropriate depending on the merits of each case.

- iii. **Deferred Income Tax :**

Deferred Income Taxes are recognized for the future tax consequences attributable to timing differences between the financial statement determination of income and their recognition for tax purposes. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognized and carried forward only to the extent that there is a virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

- iv. **Minimum Alternate Tax (MAT) Credit :**

MAT credit is recognised, as an Asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified year. In the year in which the Minimum Alternative tax (MAT) credit becomes eligible to be recognised as an asset in accordance with the recommendation contained in Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit and loss account and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

L. EXPORT BENEFITS :

Advance Licences and Duty Entitlements against exports made by the company are accounted in the books on their utilization / disposal. However, the value of unutilised unconditional customs duty credit granted against Exports under Duty Entitlement Pass Book Scheme is being provided in the Books of Account.

M. REVENUE RECOGNITION :

i. SALES :

Domestic Sales :

Revenue from domestic sales is recognised on delivery of products to customers from the factories of the company.

Export Sales :

Revenue from export sales is recognised when the significant risks and rewards of ownership are transferred to the customers which is based upon the terms of the applicable contract.

- ii Dividend on shares held by the company is recognised when the right of the company to receive the same is established and interest on deposits is accounted on accrual basis.
- iii Service income is recognised as per the terms of the contracts with customers when the related services are performed or the agreed milestones are achieved.

N. BORROWING COSTS :

Borrowing costs that are attributable to the acquisition or construction of a qualifying asset are capitalised as part of cost of such asset till such time as the asset is ready for its intended use. Other borrowing costs are recognised as expense for the period.

O. LEASES :

Lease of assets under which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under operating leases are recognised as an expense on a straight line basis over the period of lease.

P. PROPOSED / INTERIM DIVIDEND :

Dividends, if any, as recommended by the directors are accounted in the books of account, pending approval at the Annual General Meeting.

Q. EARNINGS PER SHARE :

- i. The basic earnings per share is calculated considering the weighted average number of equity shares outstanding during the year.
- ii The diluted earnings per share is calculated considering the effects of potential equity shares on net profits after tax for the year and weighted average number of equity shares outstanding during the year.

R. PROVISIONS, CONTINGENT LIABILITIES AND CONTINGENT ASSETS :

Provisions, involving substantial degree of estimation in measurement, are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities, which are possible or present obligations that may but probably will not require outflow of resources, are not recognised but are disclosed in the Notes to the financial statements. Contingent Assets are neither recognised nor disclosed in the financial statements.

S. USE OF ESTIMATES :

The preparation of financial statements require estimates and assumptions to be made that affect the reported amount of assets and liabilities on the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Difference between the actual results and estimates are recognized in the period in which the results are known / materialized.



Notes To Accounts

25. NOTES TO ACCOUNTS

1 Previous year figures have been regrouped/ recast/ rearranged wherever necessary to conform to current year classification.

2 CONTINGENT LIABILITIES :

Particulars	(Rs. in Lakhs)	
	2010-11	2009-10
i) On account of Letters of Credit and Guarantees issued by the bankers.	3510.49	4404.68
ii) On account of bonds and / or legal agreements executed with Central Excise/ Customs authorities/ Development Commissioners	10750.00	7250.00
iii) Demands being disputed / contested by the Company	1768.86	1778.64

3 Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances) 5501.22 691.96

4 Land admeasuring 29.30 acres acquired under deeds of assignment and under possession of the company at Chippada village, Bheemunipatnam Mandal, Visakhapatnam Dist. is yet to be registered in the name of the company.

5 Excise duty on sales for the year has been disclosed as reduction from turnover. Excise duty relating to the difference between closing stock and opening stock has been included in Schedule 23 "(Increase) in Stocks".

6 Deferred Tax :

Movement of Provision for Deferred Tax for the year ended 31.03.2011 is as given below :

Particulars	As at 01.04.2010	(Charges) / Credit for the year	As at
			31.03.2011
<u>Timing Differences on account of:</u>			
Deffered Tax (Liability) :			
a. Depreciation on Assets	(5371.16)	(441.47)	(5812.63)
Total (A)	(5371.16)	(441.47)	(5812.63)
Deferred Tax Assets :			
b. Expenses allowable on the basis of Payment	175.20	133.40	308.60
c. Others	5.46	7.38	12.84
Total (B)	180.66	140.78	321.44
Net (A-B)	(5190.50)	(300.69)	(5491.19)

7 EMPLOYEE STOCK OPTION SCHEME :

In respect of Options granted to employees during the year 2005-06 under the Employees Stock Option Scheme, in accordance with the guidelines issued by Securities and Exchange Board of India, the accounting value of Options, determined based on market price of the share on the day of the grant of the Option, is accounted as Deferred Employee Compensation Costs and the same is being amortised on straight line basis over the vesting period of Stock Options. Consequently for the Current Year, an amount of Rs. Nil/(Previous year Rs. 225.70 Lakhs) has been amortised.

The Movement of Stock Options during the year is as detailed below :

Particulars	2010-11	2009-10
	Option exercisable for Equity share of Rs. 2/- each Nos.	Option exercisable for Equity share of Rs. 2/- each Nos.
At the beginning of the year	5,90,145	16,09,990
Granted during the year	Nil	Nil
Expired/Forfeited during the year	Nil	870
Bonus Issue	Nil	15,19,170
Exercised during the year	4,50,965	25,38,145
At the end of the year	1,39,180	5,90,145

8 PAYMENT TO AUDITORS :

(Rs. in Lakhs)		
Particulars	2010-11	2009-10
As Auditors	18.00	15.00
For Tax Audit	7.00	6.50
For Certification	10.00	7.50
For Quarterly Reviews	6.00	5.25
For Taxation Matters	-	8.50
For Reimbursement of Expenses	0.68	0.59
TOTAL	41.68	43.34

9 MANAGERIAL REMUNERATION :

(Rs. in Lakhs)		
Particulars	2010-11	2009-10
Salary	255.65	252.97
Commission	2811.21	2296.68
Perquisites	61.98	59.57
Contribution to Provident Fund	28.24	28.16
Amortisation of Deferred Employee Compensation Costs	-	32.12
Total	3157.08	2669.50

10 CALCULATION OF COMMISSION :

Computation of Net Profit in accordance with Section 349 read with section 198 of the Companies Act, 1956 with relevant details of the calculation of commission payable by way of percentage of such Profits to Chairman and Managing Director, Executive Director and Director (Business development) for the year ending 31st March, 2011.

(Rs. in Lakhs)		
Particulars	2010-11	
Profit as per Profit and Loss Account	47904.97	
Add : Managerial Remuneration	3157.08	
Directors Sitting Fee	8.40	
Depreciation as per books of account.	5335.15	
Provision for doubtful debts	13.52	
Wealth Tax	0.83	
Book deficit on Assets discarded	18.06	
Loss on Sale of Assets	0.45	
Provision for decline in value of current investment	9.64	8543.13
	56448.10	
Less : Depreciation as specified u/s 350	5335.15	
PROFIT U/S 198 (1) of the Companies Act 1956	51112.95	
Commission @ 5.5% of the above	2811.21	

11 EMPLOYEE BENEFITS :

The disclosures required under Accounting Standard 15 "Employee Benefits" notified in the Companies (Accounting Standards) Rules 2006, are given below

I. Defined Contribution Schemes:

Contributions to Defined Contribution Schemes charged off for the year are as under:

(Rs. in Lakhs)		
Particulars	2010-11	2009-10
Employer's Contribution to Provident Fund	177.75	151.12
Employer's Contribution to State Insurance Scheme	108.06	70.49

II. Defined Benefit Plans :

The present value of obligation in respect of Provision for Payment of Gratuity and Leave encashment is determined, based on actuarial valuation using the Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation, recognised and charged off during the year are as under :

Particulars	(Rs. in Lakhs)			
	Gratuity Unfunded		Leave Encashment Unfunded	
	2010-11	2009-10	2010-11	2009-10
a. Reconciliation of opening and closing balances of Defined Benefit obligation :				
Defined Benefit obligation at beginning of the year	229.29	198.44	167.60	140.52
Current Service Cost	33.24	26.27	12.72	8.07
Interest Cost	12.61	10.91	9.22	7.73
Actuarial (gain)/loss	288.89	(6.00)	23.08	12.63
Benefits paid	(4.38)	(0.33)	(2.32)	(1.35)
Defined Benefit obligation at year end	559.65	229.29	210.30	167.60
b. Expenses recognised during the year :				
Current Service Cost	33.24	26.27	12.72	8.07
Interest Cost on benefit obligation	12.61	10.91	9.22	7.73
Expected return on plan assets	NIL	NIL	NIL	NIL
Actuarial (gain)/loss	288.89	(6.00)	23.08	12.63
Net benefit expense	334.74	31.18	45.02	28.43
c. Actuarial assumptions :				
Mortality Table (L.I.C)	1994-96	1994-96	1994-96	1994-96
	(Ultimate)	(Ultimate)	(Ultimate)	(Ultimate)
Discount rate (per annum)	5.50%	5.50%	5.50%	5.50%
Attrition Rate (per annum)	10.00%	10.00%	10.00%	10.00%
Rate of escalation in salary (per annum)	10.00%	10.00%	10.00%	10.00%

The estimates of rate of escalation in salary considered in actuarial valuation, is determined after taking in to account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. The above information is certified by the actuary.

12 DUES OF MICRO AND SMALL ENTERPRISES :

The information as required to be disclosed under Schedule VI of the Companies Act, 1956 w.r.t. Micro and Small Enterprises under the Micro, Small and Medium Enterprises Development Act, 2006(Act) is as given below and the information mentioned at Sch No.14 - Current Liabilities w.r.t. dues of Micro and Small Enterprises, has been determined to the extent such parties have been identified on the basis of information available with the Company and relied on by the auditors :

Particulars	(Rs. in Lakhs)	
	2010-11	2009-10
a. Principal amount remaining unpaid as on 31 st March	NIL	60.72
b. Interest due thereon as on 31 st March	NIL	NIL
c. Interest paid by the Company in terms of Section 16 of Micro, Small and Medium Enterprises Development Act, 2006, along with the amount of payment made to the supplier beyond the appointed day during the year	NIL	NIL
d. Interest due and payable for the period of delay in making payment (which have been paid but beyond the appointed day during the year) but without adding the interest specified under the Act	NIL	NIL
e. Interest accrued and remaining unpaid as at 31 st March	NIL	NIL
f. Further interest remaining due and payable even in the succeeding years, until such date when the interest dues as above are actually paid to the small enterprise for the purpose of disallowance as a deductible expenditure under Section 23 of the Act	NIL	NIL

13 SEGMENTAL REPORTING :

- (i) As the Company's business for the year consists of one reportable business segment of manufacturing and sale of Active Pharma Ingredients and Intermediates and consists of major revenue on account of exports out of India, no separate disclosures pertaining to attributable Revenues, Profits, Assets, Liabilities and Capital Employed are given.
- (ii) As part of Secondary reporting, revenues are attributed to geographical areas based on the location of the customers as detailed below :

(Rs. in Lakhs)

Particulars	2010-11		2009-10	
	Revenue	%	Revenue	%
Exports	120327.57	91.19	84820.67	90.71
Domestic	11621.47	8.81	8682.13	9.29
Total	131949.04	100.00	93502.80	100.00

Note: The Company does not track its assets and liabilities by geographical area.

14 TRANSACTIONS WITH RELATED PARTIES :

- a) The List of Related Parties with whom transactions have taken place and nature of relationship is:

i) KEY MANAGEMENT PERSONNEL :

1. Dr. Murali. K. Divi
2. Mr. N.V. Ramana
3. Dr. P. Gundu Rao
4. Mr. D. Madhusudana Rao
5. Mr. Kiran S. Divi

ii) RELATIVES OF KEY MANAGEMENT PERSONNEL :

1. Mr. N. Laxmana Rao
2. Mr. Mallikarjuna Rao Divi
3. Mrs. Nilima Motaparti

(iii) SUBSIDIARIES:

1. Divis Laboratories (USA) Inc
2. Divi's Laboratories EUROPE AG

- b) Transactions with Related Parties :

(Rs. in Lakhs)

Particulars	2010-11		2009-10	
	Amount	Outstanding as at 2010-11	Amount	Outstanding as at 2009-10
1. Managerial Remuneration to Key Management Personnel	3157.08	2828.97	2669.50	2322.78
2. Lease Rent to Key Management Personnel	27.00	2.31	25.72	NIL
3. Lease Rent to Relative of Key Management Personnel	27.00	2.31	25.72	NIL
4. Salary and Allowances to Relatives of Key Management Personnel	4.31	0.32	4.31	0.32
5. Investment in Capital of Subsidiaries	223.25	281.61	-	58.36
6. Repayment of Advances from Subsidiaries	-	-	196.75	-
7. Advances to Subsidiaries	-	3694.55	740.07	3657.59
8. Interest from Subsidiary	-	75.02	132.64	257.93
9. Sales to Subsidiaries	5302.78	3663.47	2352.77	1835.87
10. Purchases of Materials from Subsidiaries	4.40	4.33	-	-
11. Interest receivable from a Subsidiary written off	190.67	-	-	-

- c) Disclosure in respect of transactions which are more than 10% of the total transactions of the same type with related parties during the year :

		(Rs. in Lakhs)	
Nature of transaction	Name of the party	2010-11	2009-10
Managerial Remuneration	Dr. Murali. K. Divi	1628.87	1346.59
	Mr. N.V. Ramana	846.26	729.64
	Dr. P. Gundu Rao	37.67	42.76
	Mr. D. Madhusudana Rao	65.76	65.76
	Mr. Kiran S. Divi	578.52	484.76
Salary and Allowances	Mr. N. Laxmana Rao	2.15	2.15
	Mr. D.Mallikarjuna Rao	2.16	2.16
Rent	Mr. Kiran S. Divi	27.00	25.72
	Mrs. Nilima Motaparti	27.00	25.72
Advances to Subsidiaries	Divis Laboratories (USA) Inc.	-	411.31
	Divi's Laboratories EUROPE AG	-	328.77
Repayment of advance by Subsidiaries	Divi's Laboratories EUROPE AG	-	196.75
Interest from Subsidiary	Divis Laboratories (USA) Inc.	-	69.39
	Divi's Laboratories EUROPE AG	-	63.25
Sales to Subsidiaries	Divis Laboratories (USA) Inc.	4182.13	2068.90
	Divi's Laboratories EUROPE AG	1120.65	283.87
Purchase of Materials from Subsidiaries	Divi's Laboratories EUROPE AG	4.40	-
Interest from a Subsidiary written off	Divis Laboratories (USA) Inc.	190.67	-
Investment in Capital of Subsidiaries	Divis Laboratories (USA) Inc.	223.25	-

15 LEASES :

The Company has operating lease for office premise, which is renewable on a periodical basis and cancellable at its option. Rental expenses for operating lease recognised in Profit and Loss account for the year is Rs.54.00 Lakhs (Previous Year Rs. 51.43 Lakhs).

The Future minimum lease payments are as given below :

		(Rs. in Lakhs)	
Year Ending		2010-11	2009-10
Not later than one year		56.70	54.00
Later than one year and not later than five years		60.70	118.33
Later than Five years		-	-

16 EARNINGS PER SHARE (EPS) :

The Numerator and denominator used to calculate Earnings Per Share :

(Rs. in Lakhs except Earnings per Share)

Year Ending		2010-11	2009-10
A. <u>EARNINGS</u> :			
	Profit attributable to Equity Shareholders	43556.61	34420.46
B. <u>NO. OF SHARES</u> :			
	Weighted average number of Equity shares outstanding during the year (Nos.) - Basic	13,24,08,135	13,03,68,808
Add :	Weighted average number of equity shares arising out of out standing stock options that have diluting effect on Earnings Per Share	57,480	2,43,724
	Weighted average number of Equity Shares outstanding during the year- Diluted	13,24,65,615	13,06,12,532
C. <u>EARNINGS PER SHARE</u> :			
	Earnings Per Share of Par Value Rs. 2/- each - Basic	32.90	26.40
	Earnings Per Share of Par Value Rs. 2/- each - Diluted	32.88	26.35

17 ADVANCES TO SUBSIDIARIES :

- a. The Company has undertaken to provide financial assistance to its wholly owned subsidiaries Viz., Divis Laboratories (USA) Inc., and Divi's Laboratories Europe AG by way of loans with no specific repayment schedule. In respect of loan to Divi's Laboratories Europe AG, the same is subordinated to other creditors to the extent of CHF 40,00,000 equivalent to Rs.1952.00 Lakhs (Previous year CHF 40.00 Lakhs equivalent to Rs. 1695.60 Lakhs)
- b. Information pursuant to Clause 32 of Listing Agreement with Stock Exchanges w.r.t. to Loans and Advances in the nature of loans to wholly owned Subsidiaries is as given below:

(Rs. in Lakhs)

Particulars	Balance as on		Maximum Balance Outstanding during the year	
	31.03.2011	31.03.2010	2010-11	2009-10
a. Divis Laboratories (USA) Inc (Excluding interest)	1564.14	1807.00	1564.14	1807.00
b. Divi's Laboratories Europe AG (Excluding interest)	2130.43	1850.58	2130.42	2095.27

18 DERIVATIVE INSTRUMENTS :

- a. The Company uses foreign exchange forward contracts and options to hedge its foreign currency exposures relating to the underlying transactions and firm commitments, to reduce the foreign exchange fluctuation risk or cost to the Company. The Company does not use these derivative instruments for trading and speculative purposes.
- b. The details of outstanding foreign exchange forward contracts are :

Nature of Contract	Currency	As on 31.3.2011		As on 31.3.2010	
		No.	Amount	No.	Amount
Sell	USD/INR	2	8037.00	2	13542.00

- c. The details of net foreign currency exposures that are not hedged by any derivative instruments or otherwise are as under :

(Rs. in Lakhs)

S.No.	Particulars	Type of Foreign Currency	As on 31.3.2011		As on 31.3.2010	
			Foreign Currency	Amount	Foreign Currency	Amount
1.	Payable for Supplies and services	EURO	0.42	26.65	0.23	14.02
		CHF	1.69	82.50	0.01	0.32
		GBP	0.22	16.10	0.01	0.09
		USD	137.11	6121.94	27.93	1260.79
		JPY	34.80	18.80	-	-
2.	Advance Payments to Supplies and Services	EURO	0.54	33.85	0.41	25.07
		CHF	0.17	8.06	-	-
		JPY	32.77	17.70	47.50	23.01
		USD	13.61	607.51	1.97	88.95
		GBP	0.23	16.41	-	-
3.	Receivables for Supplies and Services	CAD	-	-	0.17	7.51
		EURO	13.97	883.58	16.63	1007.11
		GBP	80.60	5797.12	54.55	3710.96
		USD	668.19	29834.65	366.96	16564.69
4.	Advance Receipts for Supplies and services	ACU	2.58	115.10	NIL	NIL
		EURO	0.21	12.98	0.30	17.90
		GBP	3.20	230.07	4.05	275.80
5.	Interest Receivable	USD	47.77	2132.94	5.20	234.76
		CHF	1.54	75.02	1.54	65.16
6.	Interest Payable	USD	-	-	4.27	192.77
		USD	0.07	3.01	0.11	5.06
7.	Loans and Advances	CHF	43.66	2130.42	43.66	1850.58
		USD	35.03	1564.14	40.03	1807.00
8.	Term Loans	USD	14.64	653.68	53.73	2425.52
	TOTAL		50382.23			29577.07

- d. The losses on account of Exchange difference on Foreign Currency Forward Contracts and Options have been fully provided for in the books of accounts and the outstanding provision for loss at the year end is Rs 893.78 Lakhs (Previous year Rs.1,527.56 Lakhs).

19 Additional information as required under Part - II of schedule VI of the companies Act, 1956 :

Particulars		2010-11	2009-10
i) Details of capacities and production :			
A. Registered capacity :			
Active Pharma Ingredients and Intermediates	(MTs)	N.A.	N.A.
B. Installed capacity :			
Active Pharma Ingredients and Intermediates	(MTs)	4500	4000
(As certified by the Management, but not verified by the Auditors, being a technical matter)			
C. Actual production :			
Active Pharma Ingredients and Intermediates	(MTs)	2595.39	2327.97
(Net of Captive Consumption of 6421.08 MTs (Previous year 3525.88 MTs))			

Particulars	2010-11		2009-10	
	Qty. MTs	Value (Rs. in Lakhs)	Qty. MTs	Value (Rs. in Lakhs)
ii) Opening and Closing Stock of Finished Goods :				
<u>Opening Stock :</u>				
Active Pharma Ingredients and Intermediates	776.97	5612.78	597.13	9408.00
<u>Closing Stock :</u>				
Active Pharma Ingredients and Intermediates	29.20	1172.36	776.97	5612.78
iii) Details of Turnover :				
Active Pharma Ingredients and Intermediates	3343.16	131949.04	2148.13	93502.80
iv) Details of Raw Materials Consumed :				
P-Anisaldehyde	253.80	911.53	383.40	1143.80
Iodine	92.24	1233.21	54.99	769.78
Toluene	4955.71	2300.34	4352.21	1695.17
Methanol	10878.97	1515.56	9068.24	861.29
Aluminium Chloride	2746.97	1129.35	2212.32	693.23
Beta Naphtol	1970.00	2392.20	1790.85	1905.00
Others		39185.78		32452.33
Total		48667.97		39520.60

Particulars	2010-11		2009-10	
	Value (Rs. in Lakhs)	%	Value (Rs. in Lakhs)	%
v) Value of Imported and Indigenous Raw Materials consumed and their percentage to total consumption :				
Imported	16187.52	33.26%	15376.22	38.91%
Indigenous	32480.45	66.74%	24144.38	61.09%
Total	48667.97	100.00%	39520.60	100.00%

Particulars	(Rs. in Lakhs)	
	2010-11	2009-10
vi) Expenditure in Foreign Currency Towards : (On accrual basis)		
Membership and Subscription	51.54	24.87
Books and Periodicals	7.74	6.21
Travelling Expenses	45.34	35.63
Consultancy charges	48.53	51.58
Sales commission	261.19	209.55
Foreign Bank charges	42.30	5.58
Finance charges	27.03	64.90
Others	40.16	89.49
vii) Earnings in Foreign Exchange : (On accrual basis)		
FOB Value of Exports	118118.94	83539.53
Contract Research Fee	238.40	612.05
Interest	-	132.64
Others	-	12.16
viii) CIF Value of Imports :		
Raw Materials	23699.03	12935.58
Capital Equipment	1223.66	92.23
Stores and Spares	179.29	77.20
ix) Remittances in Foreign Currency for Dividend :		
A No. of Non-resident Shareholders (Nos.)	3	3
B No. of Shares held(Equity Shares of Rs. 2/- each) (Nos.)	51,000	25,500
C Dividend Remitted(Net of Tax Rs. NIL) (Rs.in Lakhs.)	3.06	1.53

20 In the opinion of management the current assets, loans and advances are expected to realise the value stated in the accounts, in the ordinary course of business and provision for known liabilities has been made.

21 The Ministry of Corporate Affairs, Government of India, vide General Circular No. 2 and 3 dated 8th February 2011 and 21st February 2011 respectively has granted a general exemption from compliance with section 212 of the Companies Act, 1956, subject to fulfillment of conditions stipulated in the circular. The Company has satisfied the conditions stipulated in the circular and hence is entitled to exemption. Necessary information relating to the subsidiaries has been included in Consolidated Financial Statements.

22 The schedules referred to in the Balance sheet form an integral part of Accounts.

23 Additional information as required under Part — IV to Schedule VI of the Companies Act, 1956 is given in Annexure.

SIGNATURES TO SCHEDULES 1 TO 25
Signed **20th the day of May, 2011** at Hyderabad.

For and on behalf of the Board

Per Our Report of Even Date
For P.V.R.K. NAGESWARA RAO & CO
Chartered Accountants
Firm's Registration Number : 0022835

Dr. MURALI K. DIVI
Chairman and Managing Director

N.V. RAMANA
Executive Director

P.V.R.K. NAGESWARA RAO
Partner
Membership Number : 18840

L. KISHOREBABU
Chief Financial Officer

P.V. LAKSHMI RAJANI
Company Secretary

Additional Information As Required Under Part-IV To Schedule VI Of The Companies Act, 1956

i)	Registration Details		
	Registration No	:	01-11854
	State Code	:	01
	Balance Sheet Date	:	31.03.2011
			(‘Rs.’000)
ii)	Capital raised during the year		
	Public issue	:	Nil
	Rights issue	:	Nil
	Bonus issue	:	Nil
	Private Placement	:	903
iii)	Position of Mobilisation and deployment of funds		
	Total Liabilities	:	19060031
	Total Assets	:	19060031
	Sources of funds :		
	Paid-up capital	:	265191
	Reserves and Surplus	:	18015264
	Secured Loans	:	201611
	Unsecured Loans	:	28846
	Deferred Tax Liability	:	549119
	Application of funds :		
	Net Fixed Assets	:	7190551
	Investments	:	5284543
	Net Current Assets	:	6584937
	Misc Expenditure	:	NIL
	Accumulated Losses	:	NIL
iv)	Performance of Company		
	Turnover	:	13440430
	Total Expenditure	:	8649933
	Profit Before Tax	:	4790497
	Profit After Tax	:	4355661
	Earnings per share (Rs.)	:	32.90
	Dividend (%)	:	500 %
v)	Generic names of three principal Products/services of company (As per monetary terms)		
	1. Item Code No.(ITC Code)	:	2907.29.90
	Product Description	:	Naproxen
	2. Item Code No.(ITC Code)	:	2942.00.90
	Product Description	:	Dextromethorphan Hbr
	3. Item Code No.(ITC Code)	:	2942.00.90
	Product Description	:	Levetiracetam

Audit Report on Consolidated Financial Statements

To

The Board of Directors

DIVI'S LABORATORIES LIMITED

Hyderabad

1. We have audited the attached consolidated Balance Sheet of **DIVI'S LABORATORIES LIMITED** ('the Company') and its Subsidiaries as at March 31, 2011 and also the consolidated profit and loss account and the consolidated cash flow statement for the year ended on that date annexed thereto, which we have signed under reference to this report. These consolidated financial statements are the responsibility of the Company's management and have been prepared by the management on the basis of separate financial statements and other financial information of the Company and its Subsidiaries. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.
2. We conducted our audit in accordance with auditing standards generally accepted in India. Those Standards require that we plan and perform the audit to obtain reasonable assurance whether the consolidated financial statements are free of material misstatement. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.
3. We did not audit the financial statements of 2 (Two) Subsidiaries whose financial statements reflect their share of total assets of Rs. 4930.26 Lakhs as at 31st March, 2011 and their share of total loss of Rs. 667.53 Lakhs and their net cash inflows amounting to Rs.128.01 Lakhs for the year ended on that date as considered in the

consolidated financial statements. The financial statements and other financial information of these subsidiaries have been audited by other auditors, whose reports have been furnished to us, and our opinion, in so far as it relates to the amounts included in respect of these subsidiaries, is based solely on the reports of such other auditors.

4. We report that the consolidated financial statements have been prepared by the Company's management in accordance with the requirements of Accounting Standard 21 - Consolidated Financial Statements, notified under the provisions of the Companies Act, 1956.
5. Based on our audit and on consideration of the reports of other auditors on separate financial statements and on the other financial information of the entities, in our opinion and to the best of our information and according to the explanations given to us, the attached consolidated financial statements give a true and fair view in conformity with the accounting principles generally accepted in India in the case of:
 - (i) Consolidated Balance Sheet, of the consolidated state of affairs of the Company and its subsidiaries as at March 31, 2011;
 - (ii) Consolidated Profit and Loss Account, of the consolidated results of operations of the Company and its subsidiaries for the year ended on that date; and
 - (iii) Consolidated Cash Flow Statement, of the consolidated cash flows of the Company and its subsidiaries for the year ended on that date.

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

HYDERABAD
20-05-2011

P.V.R.K. NAGESWARA RAO
Partner
Membership No. 18840



Consolidated Balance Sheet As At 31st March, 2011

(Rs. in Lakhs)

Particulars	Schedule No.	As At 31st March, 2011		As At 31st March, 2010	
SOURCES OF FUNDS :					
SHARE HOLDERS' FUNDS :					
Share Capital	1	2651.91		2642.88	
Reserves and Surplus	2	177095.84	179747.75	149137.50	151780.38
LOAN FUNDS :					
Secured Loans	3	2016.11		2984.65	
Unsecured Loans	4	288.46	2304.57	300.24	3284.89
DEFERRED TAX LIABILITY (NET)	5		5003.96		4741.13
TOTAL		187056.28		159806.40	
APPLICATION OF FUNDS :					
FIXED ASSETS :					
Gross Block	6	88570.15		83293.08	
Less : Depreciation		29576.71		24309.55	
Net Block		58993.44		58983.53	
Capital Work - in - Progress		10371.58		2039.08	
Unallocated Expenditure Pending Capitalisation	7	61.99		-	
Advances for Capital Works		2499.08	71926.09	336.23	61358.84
INVESTMENTS	8		52563.82		44127.50
NET CURRENT ASSETS :					
A. CURRENT ASSETS, LOANS AND ADVANCES					
Inventories	9	57170.55		49850.44	
Sundry Debtors	10	36740.64		22320.46	
Cash and Bank Balances	11	1767.28		1646.16	
Other Current Assets	12	30.11		27.08	
Loans And Advances	13	7279.11		6554.93	
			102987.69		80399.07
B. CURRENT LIABILITIES AND PROVISIONS					
Current Liabilities	14	24240.83		16434.51	
Provisions	15	16180.49		9644.50	
			40421.32		26079.01
NET CURRENT ASSETS (A-B)			62566.37		54320.06
TOTAL		187056.28		159806.40	
SIGNIFICANT ACCOUNTING POLICIES	24				
NOTES TO ACCOUNTS	25				

For and on behalf of the Board

Per Our Report of Even Date
For P.V.R.K. NAGESWARA RAO & CO
 Chartered Accountants
 Firm's Registration Number : 002283S

Dr. MURALI K. DIVI
 Chairman and Managing Director

N.V. RAMANA
 Executive Director

HYDERABAD
 20.05.2011
P.V.R.K. NAGESWARA RAO
 Partner
 Membership Number : 18840

L. KISHOREBABU
 Chief Financial Officer

P.V. LAKSHMI RAJANI
 Company Secretary

Consolidated Profit And Loss Account For The Year Ended 31st March, 2011

(Rs. in Lakhs)

Particulars	Schedule No.	For the year ended 31st March, 2011	For the year ended 31st March, 2010
I INCOME :			
Gross Sales		132116.52	94735.52
Less : Excise Duty		1405.18	573.61
Net Sales		130711.34	94161.91
Other Income	16	3649.82	3432.69
TOTAL		134361.16	97594.60
II EXPENDITURE :			
Raw Materials Consumed	17	48824.39	39657.76
Manufacturing Expenses	18	10789.13	7455.62
Research and Development Expenses	19	1598.09	1128.30
Employee Benefits Expense	20	8565.71	7334.59
Other Expenses	21	9328.36	7398.58
Finance Costs	22	220.35	277.94
Depreciation		5339.63	5148.48
(Increase) /Decrease in stocks	23	2458.06	(9339.41)
TOTAL		87123.72	59061.86
III PROFIT FOR THE YEAR :		47237.44	38532.74
Less : Income Tax Expense :			
-Current Tax		3920.00	3120.00
-MAT Credit Utilisation		127.60	960.00
-Income-tax adjustment of earlier years		0.07	(0.29)
		4047.67	4079.71
-Deferred Tax		262.83	419.38
		4310.50	4499.09
IV PROFIT AFTER TAX :		42926.94	34033.65
Add : Profit brought forward from last year		119021.64	99533.49
		161948.58	133567.14
Less : Appropriations :			
Proposed Dividend		13259.51	7928.65
Corporate Dividend Tax		2151.03	1316.85
General Reserve		7500.00	5300.00
		22910.54	14545.50
Balance Carried to Balance Sheet		139038.04	119021.64
V EARNINGS PER SHARE :			
(Face Value Rs.2/- per share)			
Basic EPS (Rs.)		32.42	26.11
Diluted EPS (Rs.)		32.41	26.06
SIGNIFICANT ACCOUNTING POLICIES	24		
NOTES TO ACCOUNTS	25		

For and on behalf of the Board

Per Our Report of Even Date
For P.V.R.K. NAGESWARA RAO & CO
 Chartered Accountants
 Firm's Registration Number : 002283S

Dr. MURALI K. DIVI
 Chairman and Managing Director

N.V. RAMANA
 Executive Director

HYDERABAD
 20.05.2011

P.V.R.K. NAGESWARA RAO
 Partner
 Membership Number : 18840

L. KISHOREBABU
 Chief Financial Officer

P.V. LAKSHMI RAJANI
 Company Secretary

Consolidated Cash Flow Statement For The Year Ended 31st March, 2011

(Rs. in Lakhs)

Particulars	For the year ended 31st March, 2011	For the year ended 31st March, 2010
I CASH FLOW FROM / (USED IN) OPERATING ACTIVITIES :		
Profit before tax for the year	47237.44	38532.74
Add/(Less) : Adjustments for :		
Depreciation	5339.63	5148.48
Provision for Doubtful Debts (Written back)(Net)	13.52	(15.13)
Loss on Forex Hedging / Swap Arrangements	(60.75)	(2264.60)
Interest Expense	66.30	119.00
Loss /(Gain) on Sale of Assets	0.45	(14.70)
Employee stock compensation costs amortised	-	225.70
Decline in value of Current Investments	9.64	-
Wealth Tax	0.83	1.06
Interest Income	(120.49)	(63.63)
Bad debts written off	0.40	17.31
Dividend from Current Investments	(2432.22)	(1137.93)
Book Deficit on Assets Discarded	18.21	259.35
	2835.52	2274.91
	50072.96	40807.65
Add/(Less) : Adjustments for Working Capital Changes :		
(Increase)/ Decrease in Sundry Debtors	(16166.23)	4525.01
(Increase) in Inventories	(7320.11)	(7722.29)
Decrease in Loans and Advances	294.30	1154.83
Increase in Current Liabilities	9128.88	3331.22
Decrease in Fixed Deposits pledged with Banks and dividend accounts with banks	(12.51)	289.38
	(14075.67)	1578.15
Cash generated from operations	35997.29	42385.80
Less : Direct taxes paid	3342.08	5450.85
Net Cash flow from operating activities I	32655.21	36934.95
II CASH FLOW FROM / (USED IN) INVESTING ACTIVITIES :		
Purchase of Fixed assets	(16271.77)	(6017.46)
Sale of Fixed Assets	0.70	34.14
Redemption of Current Investments	58386.25	(31437.93)
Investment in Current Investments	(66978.15)	4490.88
Dividend from Current Investments	2432.22	1137.93
Interest received	300.23	74.42
Net Cash (used in) Investing activities II	(22130.52)	(31718.02)

(Rs. in Lakhs)

Particulars	For the year ended 31st March, 2011	For the year ended 31st March, 2010
III CASH FLOW FROM / (USED IN) FINANCING ACTIVITIES :		
Consideration for Issue of Shares under ESOP	450.96	2628.09
Repayment of Long Term Loans	(1771.84)	(2304.00)
Repayment of Short Term Loans	803.30	336.64
Repayment of Unsecured Loans	(11.77)	(11.74)
Interest Paid	(68.21)	(127.89)
(Loss) on Forex Hedging / Swap Arrangements	(573.02)	(728.86)
Dividend Paid (including Corporate Dividend Tax)	(9245.50)	(4552.13)
Net Cash (used in) Financing Activities III	(10416.08)	(4759.89)
IV Net Increase in cash and cash equivalents (I+II+III)	108.61	457.04
V Cash and Cash Equivalents as at the beginning of the year	1339.16	882.12
VI Cash and Cash Equivalents as at the end of the year	1447.77	1339.16
Note : CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR		
Cash and Bank Balances as per the Balance Sheet	1767.28	1646.16
Less : Deposits lodged towards Security Deposits, Margin Money against Bank Gurantees and other designated accounts dealt seperately.	319.51	307.00
	1447.77	1339.16

Note :

- Figures in brackets indicate cash outgo.
- The above cash flow statement has been prepared under the indirect method set out in Accounting Standard -3 notified under the Companies Act, 1956
- Significant Accounting Policies (Schedule 24) and other Notes to Accounts (Schedule 25) form an Integral part of the Cash Flow Statement.
- Previous year figures have been regrouped / reclassified wherever necessary to conform to current year classification.

For and on behalf of the Board

Per Our Report of Even Date
For P.V.R.K. NAGESWARA RAO & CO
Chartered Accountants
Firm's Registration Number : 0022835

Dr. MURALI K. DIVI
Chairman and Managing Director

N.V. RAMANA
Executive Director

HYDERABAD
20.05.2011

P.V.R.K. NAGESWARA RAO
Partner
Membership Number : 18840

L. KISHOREBABU
Chief Financial Officer

P.V. LAKSHMI RAJANI
Company Secretary

Consolidated Schedules

(Rs. in Lakhs)

Particulars	As At 31st March, 2011	As At 31st March, 2010
1. SHARE CAPITAL :		
<u>AUTHORISED :</u>		
15,00,00,000 Equity Shares of Rs. 2/- each	3000.00	3000.00
	3000.00	3000.00
<u>ISSUED :</u>		
13,25,95,110 (Previous Year 13,21,44,145) Equity Shares of Rs 2/- each	2651.91	2642.88
<u>SUBSCRIBED AND PAID-UP :</u>		
13,25,95,110 (Previous Year 13,21,44,145) Equity Shares of Rs.2/- each fully paid up	2651.91	2642.88
(Of the above 6,55,97,975 Equity Shares of Rs.2/- each have been allotted as Bonus Shares on Capitalisation of General Reserve and other free reserves)		
2. RESERVES AND SURPLUS :		
<u>CAPITAL RESERVES :</u>		
Share Premium :		
As per Last Account	9648.79	6399.42
Add : Premium on Allotment of Equity Shares against options availed under ESOP Scheme	759.22	4426.33
Less : Utilised for issue of Bonus Shares	- 10408.01	1176.96
		9648.79
<u>Debenture Forfeiture Account :</u>		
As per Last Account	-	90.00
Less : Utilised for issue of Bonus shares	-	90.00
		-
<u>Debenture Premium Account :</u>		
As per Last Account	-	30.00
Less : Utilised for issue of Bonus shares	-	30.00
		-
State Investment Subsidy	32.58	32.58
<u>EMPLOYEE STOCK OPTION OUTSTANDING :</u>		
As per Last account	415.20	2265.42
Less : Appropriation on allotment of shares	317.28	-
Less : Deletions during the year	-	1850.22
	97.92	415.20
Less : Deferred Employee Compensation Costs	- 97.92	-
		415.20

(Rs. in Lakhs)

Particulars	As At 31st March, 2011		As At 31st March, 2010	
<u>REVENUE RESERVES :</u>				
<u>General Reserve :</u>				
As per Last account	20000.00		14700.00	
Add : Transferred from Profit and Loss Account	7500.00	27500.00	5300.00	20000.00
Foreign Currency Translation Reserve		19.29		19.29
PROFIT AND LOSS ACCOUNT (SURPLUS)		139038.04		119021.64
		177095.84		149137.50
3. SECURED LOANS :				
<u>TERM LOANS :</u>				
From Banks :				
Foreign Currency Term Loans		653.68		2425.52
(Secured by equitable mortgage of specified immovable properties of the Company and further secured by first charge of all the movables (Save and except Book-debts) including movable machinery, machinery spares, tools and accessories present and future, subject to prior charge created and / or to be created in favour of the bankers on the stocks for Working Capital Requirements)				
<u>WORKING CAPITAL LOANS :</u>				
From Banks		1362.43		559.13
(Secured by Hypothecation of stocks, book-debts and receivables and further secured by second charge on specified fixed assets of the Company)				
		2016.11		2984.65
4. UNSECURED LOANS :				
Deferred Sales tax Credit		288.46		300.24
		288.46		300.24
5. DEFERRED TAX LIABILITY (NET) :				
		5003.96		4741.13

6. FIXED ASSETS : (Rs. in Lakhs)

Sl. No.	Description	GROSS BLOCK			DEPRECIATION			NET BLOCK			
		Cost as at 01.04.2010	Additions	Deduct-ions	Total Upto 31.03.2011	Upto 01.04.2010	For the Year	On Deduct-ions	Total Upto 31.03.2011	At at 31.03.2011	As at 31.03.2010
1	LAND AND DEVELOPMENT	1871.95	138.47	-	2010.42	-	-	-	-	2010.42	1871.95
2	BUILDINGS	16581.50	461.15	-	17042.65	2255.95	500.89	-	2756.84	14285.81	14325.55
3	PLANT AND MACHINERY	58468.83	3459.85	62.39	61866.29	20201.02	4391.45	43.30	24549.17	37317.12	38267.81
4	LABORATORY EQUIPMENT	4026.41	997.26	11.47	5012.20	911.48	208.89	7.29	1113.08	3899.12	3114.93
5	FURNITURE AND FITTINGS	423.00	35.17	0.71	457.46	197.23	28.96	0.63	225.56	231.90	225.77
6	DATA PROCESSING EQUIPMENT	339.85	55.82	5.74	389.93	224.45	35.41	5.35	254.51	135.42	115.40
7	VEHICLES	526.17	6.30	5.16	527.31	258.60	109.44	4.02	364.02	163.29	267.57
8	OFFICE AND OTHER EQUIPMENT	1055.37	214.87	6.35	1263.89	260.82	64.59	11.88	313.53	950.36	794.55
	TOTAL	83293.08	5368.89	91.82	88570.15	24309.55	5339.63	72.47	29576.71	58993.44	58983.53
	PREVIOUS YEAR TOTAL	78276.50	5424.37	407.79	83293.08	19290.08	5148.48	129.01	24309.55	58983.53	58986.42

(Rs. in Lakhs)

Particulars	As At 31st March, 2011
7. STATEMENT SHOWING EXPENDITURE PENDING CAPITALISATION :	
Power and Fuel	3.06
Salaries,Wages,Bonus and Other Allowances	43.13
Contribution to PF and ESI	1.08
Workmen and Staff Welfare expenses	0.05
Printing and Stationery	0.27
Communication Expenses	0.02
Fees,Rates and Taxes	0.19
Travelling and Conveyance	0.31
Professional and Consultancy Charges	0.11
Donations	0.02
General Expenses	10.00
Interest	3.24
Bank Charges and Commission	0.67
Foreign Exchange Fluctuations	(0.16)
TOTAL	61.99

Particulars	As At 31st March, 2011	As At 31st March, 2010
-------------	---------------------------	---------------------------

8 INVESTMENTS :

NON TRADE - UNQUOTED

A. CURRENT INVESTMENTS :

	Cost	Cost
In Mutual Funds :		
i. SBI Mutual Fund - SBI-SHF-Ultra Short Term Fund Institutional Plan - Daily Dividend Scheme- 32,51,91,090 (Previous year 44,10,40,605) Units of Rs.10/- each (Net Asset Value: Rs.32538.62 Lakhs, Previous Year: Rs.44130.52 Lakhs) (24,38,53,688 Units purchased, 2,03,55,249 Units cumulated, 38,00,58,452 Units sold during the Year)	32538.62	44127.50
ii. SBI Mutual Fund - SBI-Magnum Income Fund FR Savings Plus Bond Plan - Dividend- 7,07,20,919 Units of Rs.10/- each (Net Asset Value: Rs.7525.20Lakhs) (7,03,93,452 Units purchased and 3,27,467 Units cumulated)	7534.84	-
Less : Provision for decline in Value of Investments	9.64	-
iii. SBI Mutual Fund - SBI Debt Fund Series - 90 Days - 41-Dividend 12,50,00,000 Units of Rs.10/- each (Net Asset Value: Rs.12555 Lakhs)	12500.00	-

(Rs. in Lakhs)

Particulars	As At 31st March, 2011		As At 31st March, 2010	
B. LONG - TERM				
In Other Companies				
Pattancheru Enviro - Tech Limited	1.20		1.20	
12000 Equity Shares of Rs. 10/ Each fully Paid-up Less : Provision for decline in value of Investments	1.20	-	1.20	
Total	52563.82		44127.50	
Aggregate Value of Quoted Securities	-		-	
Aggregate Market Value of Quoted Securities	-		-	
Aggregate Value of UnQuoted Securities	52574.66		44128.70	
9 INVENTORIES :				
(As Certified by the Management)				
Raw Materials	16859.33		10487.20	
Stores and Spares	4981.76		1484.26	
Work-in-Process	31033.16		30051.69	
Finished Goods	4012.55		7458.74	
Material in Transit	283.75		368.55	
	57170.55		49850.44	
10 SUNDRY DEBTORS :				
(Unsecured)				
Outstanding for a Period Exceeding Six Months				
- Considered Good	2670.97		587.59	
- Considered Doubtful	28.77		15.26	
	2699.74		602.85	
Less : Provision for Doubtful Debts	28.77	2670.97	15.26	587.59
Others :				
- Considered Good	34069.67		21732.87	
	36740.64		22320.46	
11 CASH AND BANK BALANCES :				
Cash on Hand	9.05		10.27	
Balance with Banks :				
- In Current Accounts	1438.72		1328.89	
- In Unclaimed Dividend Accounts	31.29		29.68	
- In Term Deposit Accounts (Of the above, Rs.0.02 lakhs-(Previous year Rs.0.02 lakhs) has been pledged with Government Department and Central excise Rs.288.20 lakhs (Previous Year Rs.277.30 lakhs) towards Margin on Letters of Credits and guarantees issued by the Banks)	288.22		277.32	
	1767.28		1646.16	
12 OTHER CURRENT ASSETS :				
Interest accrued on deposits	30.11		27.08	
	30.11		27.08	

(Rs. in Lakhs)

Particulars	As At 31st March, 2011	As At 31st March, 2010
13 LOANS AND ADVANCES :		
(Unsecured, considered good, recoverable in cash or in kind or for value to be received)		
Deposits Recoverable	685.79	532.96
Advances to Suppliers	2181.51	453.10
Prepaid Expenses	174.72	140.75
Other Advances and Recoverable	1505.49	1862.31
Prepaid Income Tax (Net of Provision for Taxation)	1168.71	2269.66
MAT Credit Entitlements	1562.89	1296.15
	7279.11	6554.93
14 CURRENT LIABILITIES :		
Creditors for Capital Works	447.06	792.60
Sundry Creditors	21370.93	15033.84
Advances from Customers	2388.55	573.33
Interest Accrued But Not Due	3.00	5.06
Unclaimed Dividends	31.29	29.68
	24240.83	16434.51
15 PROVISIONS :		
Provision for Employee Retirement Benefits	769.95	399.00
Proposed Dividend	13259.51	7928.65
Provision for Corporate Dividend Tax	2151.03	1316.85
	16180.49	9644.50

(Rs. in Lakhs)

Particulars	For the year ended 31st March, 2011	For the year ended 31st March, 2010
16 OTHER INCOME :		
Contract Research Fee	238.40	612.05
Export Benefits	420.17	218.31
Interest Earned (Gross) (TDS Rs.13.39 Lakhs (Previous Year Rs.11.98 Lakhs)	120.49	63.63
Dividends from Current Non Trade Investments	2432.22	1137.93
Profit on sale of Assets (Net)	-	14.70
Bad debts recovered	-	0.32
Provision for doubtful debts written back	-	16.57
Miscellaneous Income	319.24	543.71
Gain on forex fluctuations	119.30	825.47
	3649.82	3432.69
17 RAW MATERIALS CONSUMED :		
Opening Stock	10487.20	11943.36
Add : Purchases	55196.52	38317.76
	65683.72	50261.12
Less : Closing Stock	16859.33	10487.20
Sales	-	116.16
	16859.33	10603.36
	48824.39	39657.76
18 MANUFACTURING EXPENSES :		
Stores Consumed	2206.91	1496.72
Power and Fuel	6265.05	4513.46
Conversion Charges	580.52	270.72
Repairs and Maintenance to :		
- Buildings	185.75	143.94
- Plant and Machinery	1550.90	1030.78
	10789.13	7455.62
19. RESEARCH AND DEVELOPMENT EXPENSES :		
Raw Materials Consumed	54.32	90.12
Stores Consumed	243.25	106.86
Power and Fuel	83.45	37.29
Repairs and Maintenance to :		
- Buildings	7.17	0.02
- Plant and Machinery	82.83	3.48
Salaries, Wages, Bonus and Other Allowances	1026.30	802.16
Contribution to PF and ESI	33.07	23.35
Workmen and Staff Welfare expenses	1.89	2.20
Printing and Stationery	7.32	1.18
Communication Expenses	0.30	0.21
Fees, Rates and Taxes	7.28	10.25

(Rs. in Lakhs)

Particulars	For the year ended 31st March, 2011	For the year ended 31st March, 2010
Travelling and Conveyance	0.28	0.34
Repairs and Maintenance to other Assets	22.58	2.91
Vehicle Maintenance	1.44	1.34
Professional and Consultancy Charges	0.01	-
Freight and Handling Charges	7.56	0.43
General Expenses	18.70	45.98
Bank Charges and Commission	0.34	0.18
TOTAL	1598.09	1128.30
20 EMPLOYEE BENEFITS EXPENSE :		
Salaries, Wages, Bonus and Other Allowances	7944.94	6651.70
Contribution to Provident and Other Funds	223.42	170.09
Workmen and Staff Welfare expenses	397.35	319.22
Amortisation of Differed Employees Compensation Costs (Exclusive of Rs.Nil (Previous Year Rs. 32.12 Lakhs) included in Other heads of Expenditure)	-	193.58
	8565.71	7334.59
21 OTHER EXPENSES :		
Managerial Remuneration	3157.08	2669.50
Directors' Sitting Fees	8.40	11.40
Printing and Stationery	167.95	159.77
Rent	78.91	65.73
Communication Expenses	91.93	99.09
Fees, Rates and Taxes	171.66	176.44
Travelling and Conveyance	300.26	273.85
Insurance	177.73	151.74
Repairs and Maintenance to other Assets	97.32	74.66
Vehicle Maintenance	191.51	135.96
Remuneration to Auditors	59.56	60.78
Professional and Consultancy Charges	126.07	128.87
Factory Upkeep	101.38	204.68
Environment Management Expenses	557.40	252.82
Freight and Handling Charges	2697.50	1630.69
Advertisement	16.12	10.50
Sales Commission	446.77	351.78
General Expenses	836.90	628.46
Bad Debts Written-off	0.40	17.31
Provision for Doubtful Debts	13.52	1.44
Donations	0.66	23.25
Prior Year Expenses	1.03	10.51
Book deficit on Assets Discarded	18.21	259.35

(Rs. in Lakhs)

Particulars	For the year ended 31st March, 2011	For the year ended 31st March, 2010
Loss on sale of asset	0.45	-
Provision for decline in value of current Investments	9.64	-
	9328.36	7398.58
22 FINANCE COSTS :		
Interest on Fixed Loans	27.03	64.92
Interest on Working Capital Loans	37.16	41.99
Interest to Others	2.11	12.09
Bank Charges and Commission	154.05	158.94
	220.35	277.94
23 (INCREASE) / DECREASE IN STOCKS :		
I Closing Stock of :		
Finished Goods	4012.55	7458.74
Work in Process	31033.16	30051.69
	35045.71	37510.43
II Opening Stock of :		
Finished Goods	7458.74	11838.29
Work in Process	30051.69	16349.18
	37510.43	28187.47
III Excise Duty adjustment in movement in Finished Goods Inventory	6.66	16.45
(Increase) / Decrease in Stocks : (I - II + III)	2458.06	(9339.41)

Consolidated Accounting Policies

24. SIGNIFICANT ACCOUNTING POLICIES :

1 BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS :

The consolidated financial statements have been prepared under historical cost convention and on accrual basis of accounting in accordance with the generally accepted accounting principles in India. These statements have been prepared in compliance with notified Accounting Standard issued under the provisions of the Companies Act, 1956 and also the Guidelines Issued by the Securities and Exchange Board of India. (SEBI).

2 PRINCIPLES OF CONSOLIDATION :

- a. The consolidated financial statements include the financial statements of Divi's Laboratories Limited (Divi's), the Parent Company and its subsidiary companies in which Divi's, directly or indirectly, has an interest of more than one half voting power or otherwise has the power to control the composition of Board of Directors.
- b. The consolidated financial statements have been prepared combining the financial statements of the parent company and the subsidiary companies on a line by line basis by adding together the book value of like items of assets, liabilities, income and expenses after eliminating intra-group balances and transactions and resulting unrealised profits in full. Unrealised losses resulting from intra group transactions have also been eliminated except to the extent that recoverable value of related assets is lower than their cost.
- c. The Excess / deficit of cost to the parent company of its investments in the subsidiaries over its portion of equity at the respective dates on which investments in such entities were made is recognized in the financial statements as goodwill / capital reserve.
- d. The consolidated financial statements have been presented to the extent possible, in the same format as that adopted by the parent company for its separate financial statements.
- e. The consolidated statements have been prepared using uniform accounting principles for like transaction and other events in similar circumstances.

3 USAGE OF ESTIMATES :

The preparation of consolidated financial statements in conformity with generally accepted accounting principles requires that the management makes estimates and assumptions that affect the reported amounts of assets and liabilities, disclosure of contingent liabilities as at the date of the consolidated financial statements and the reported amounts of revenue and expenses for the year. Actual results could differ from these estimates and the difference if any will be recognised prospectively.

4 FIXED ASSETS AND DEPRECIATION :

- a. Fixed assets are stated at cost of acquisition including freight, duties and installation expenses and expenditure during construction where applicable and net of tax credits availed against tax or cess paid on such items. Borrowing costs directly attributable to acquisition or construction of Fixed Assets which necessarily take a Substantial period of time to get ready for their intended use, incurred till the time of commencement of commercial production or their intended use are capitalised.
- b. Depreciation on Fixed Assets is provided under Straight Line Method at the rates and in the manner specified in Schedule XIV of the Companies Act, 1956 or at the rates based on their estimated useful lives of the Assets.
- c. Depreciation is provided at one hundred per cent for assets costing less than Rs.5,000/-
- d. Depreciation on Fixed Assets used for the Project under construction is included under Unallocated Expenditure Pending Capitalisation.
- e. Revenue Expenditure incurred during the construction period of the Project is shown under "Unallocated Expenditure Pending Capitalisation" till the commencement of the commercial production and the same will be capitalized by allocating to relevant assets in the ratio of their direct cost.
- f. The carrying amount of the assets are being tested on annual basis for impairment so as to determine the provision required for impairment loss if any or for reversal of the provision, if any, required on account of impairment loss recognised in previous periods.

5 INVESTMENTS :

- a) Investments are classified into Current and Long Term Investments.
- b) Current investments are valued at lower of cost and fair value.
- c) Long term investment are valued at cost or acquisition, provision is made for decline, other than temporary, in the value of investments.

6 INVENTORIES :

Inventories are valued at lower of cost and net realisable value. The cost of inventories is being determined using weighted average cost method.

7 RESEARCH AND DEVELOPMENT :

Revenue Expenditure incurred for Research and Development is written off in the same year. Capital expenditure on Research and Development is shown as additions to Fixed Assets.

8 EXCISE DUTY :

Excise Duties recovered are included in "Gross Sales". Excise duty on despatches is shown as an item of expense and deducted from Gross Sales. The value of closing stock of finished goods includes excise duty paid / payable on such stocks wherever applicable.

9 EMPLOYEE STOCK OPTION SCHEME :

In accordance with the Securities and Exchange Board of India guidelines, the excess of the market price of the shares, at the date of grant of option under the employee stock option scheme, over the exercise price is treated as employee compensation and amortised over the vesting period of the stock options.

10 FOREIGN EXCHANGE TRANSACTIONS :

- a. Transactions in Foreign Exchange, other than those covered by forward contracts are accounted for at the exchange rate prevailing on the date of transactions. Exchange differences arising on foreign currency transactions settled during the year are recognised in the Profit and Loss Account.
- b. Monetary assets and liabilities denominated in foreign currencies as at the balance sheet date other than those covered by forward contracts are translated at the year end rates. The resultant exchange differences are recognised in the profit and loss account.
- c. Non-monetary assets and liabilities are recorded at the rates prevailing on the date of the transaction.
- d. Forward contracts are being entered into to mitigate the foreign currency risk of the underlying outstanding at the balance sheet date and also to hedge the foreign currency risk of firm commitments or highly probable forecast transactions.

In case of forward contracts not intended for trading or speculative purposes, the premium or discount on all such contracts is amortised as income or expense over the life of the contract. Any profit or loss arising on cancellation or renewal of forward contracts is recognised as income or expense for the period. The exchange differences, consisting of the difference between (a) the foreign currency amount of the contract translated at the exchange rate at the reporting date or the settlement date where the transaction is settled during the reporting period and (b) the same foreign currency amount translated at the latter of the date of inception of the forward exchange contract and the last reporting date, are recognised in the profit and loss account in the reporting period in which the exchange rates change.

In case of other forward contracts, the gain or loss, computed considering the exchange difference between the forward rate available at the reporting date for the remaining maturity of the contract and the contracted forward rate, is recognised as income or expense in the statement of profit and loss for the period.

- e. In case of foreign subsidiaries, assets, liabilities, Income and expenditure of such subsidiaries are translated considering that the operations of the subsidiaries are in the nature of integral foreign operations. The resulting net exchange difference on translation is charged / credited to Profit and Loss account.

11 EMPLOYEE BENEFITS :**i Short-Term Benefits :**

Short-Term benefits, at the undiscounted amount in the year in which the services have been rendered are charged off to the Profit and Loss Account.

ii. Long-Term Benefits :

- a. The contributions to Provident Fund, State Insurance and other schemes, which are defined contribution schemes, generally to relevant funds administered and managed by the Government or Statutory Bodies are charged off to the Profit and Loss Account as when incurred. There is no other obligation under these plans beyond its monthly contributions.
- b. Provision for Gratuity and Leave Encashment, which are defined benefit plans, wherever applicable is made on the basis of actuarial valuation at the Balance Sheet Date carried out by an independent actuary under Project Unit Credit Method.
- c. Actuarial gains / losses arises during the year are recognised in the Profit and Loss Account.

iii. Terminal Benefits are recognised as an expense as and when incurred.

12 TAXES ON INCOME :

i. Tax expense is the aggregate of current year tax, deferred tax charged or credited to the Profit and Loss account for the year.

ii. Current Year Tax :

The Provision for taxation is based on assessable profits of the company as determined under the relevant tax laws of the respective countries / States.

iii. Deferred Tax :

Deferred Income Taxes are recognized for the future tax consequences attributable to timing differences between the financial statement determination of income and their recognition for tax purposes. The effect of a change in tax rates on deferred tax assets and liabilities is recognized in income using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax assets are recognized and carried forward only to the extent that there is a virtual certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised under the relevant tax laws of the respective countries / States.

iv. Minimum Alternate Tax (MAT) Credit :

MAT credit is recognised, as an Asset only when and to the extent there is convincing evidence that the Company will pay normal income tax during the specified year. In the year in which the Minimum Alternative tax (MAT) credit becomes eligible to be recognised as an asset in accordance with the recommendation contained in Guidance Note issued by the Institute of Chartered Accountants of India, the said asset is created by way of a credit to the profit and loss account and shown as MAT Credit Entitlement. The Company reviews the same at each balance sheet date and writes down the carrying amount of MAT Credit Entitlement to the extent there is no longer convincing evidence to the effect that Company will pay normal Income Tax during the specified period.

13 EXPORT BENEFITS :

Advance Licences and Duty Entitlements against exports made by the company are accounted in the books on their utilization / disposal. However, the value of unutilised unconditional customs duty credit granted against Exports under Duty Entitlement Pass Book Scheme is being provided in the Books of Account

14 REVENUE RECOGNITION :

i. SALES :

Domestic Sales :

Revenue from domestic sales is recognised on delivery of products to customers from the factories of the company.

Export Sales :

Revenue from export sales is recognised when the significant risks and rewards of ownership are transferred to the customers which is based upon the terms of the applicable contract.

ii. Dividend on shares held by the company is recognised when the right of the company to receive the same is established. Interest on deposits is accounted on accrual basis.

iii. Service income is recognised as per the terms of the contracts with customers when the related services are performed or the agreed milestones are achieved.

15 BORROWING COSTS :

Borrowing costs that are attributable to the acquisition or construction of a qualifying asset are capitalised as part of cost of such asset till such time as the asset is ready for its intended use. Other borrowing costs are recognised as expense for the period.

16 LEASES :

Lease of assets under which all the risks and rewards of ownership are effectively retained by the lessor are classified as operating leases. Lease payments under operating leases are recognised as an expense on a straight line basis over the period of lease.

17 PROPOSED / INTERIM DIVIDEND :

Dividends, if any, as recommended by the directors are accounted in the books of account, pending approval at the Annual General Meeting.

18 EARNINGS PER SHARE :

i. The basic earnings per share is calculated considering the weighted average number of equity shares outstanding during the year

- ii The diluted earnings per share is calculated considering the effects of potential equity shares on net profits after tax for the year and weighted average number of equity shares outstanding during the year.

19 PRELIMINARY / SET UP EXPENDITURE :

Preliminary Expenditure is charged to Profit and Loss Account in the year / period in which it is incurred.

20 PROVISIONS, CONTINGENT LIABILITIES, AND CONTINGENT ASSETS :

Provisions, involving substantial degree of estimation in measurement, are recognised when there is a present obligation as a result of past events and it is probable that there will be an outflow of resources. Contingent Liabilities, which are possible or present obligation that may, but probably will not require outflow of resources, are not recognised but are disclosed in the notes to the financial statements. Contingent Assets are neither recognised nor disclosed in the financial statements.



Consolidated Notes To Accounts

25. NOTES TO ACCOUNTS (CONSOLIDATED)

1 DESCRIPTION OF THE BUSINESS :

Divi's Laboratories Limited (the Company or Divi's) is a India based manufacturer of Active Pharmaceutical Ingredients and Intermediates having headquarters at Hyderabad, India. Major portion of its turnover is on account of export of its products to European and American countries. The Company's main manufacturing and research and development facilities are located in the State of Andhra Pradesh, India. The Equity Shares of the Company are listed in The Bombay Stock Exchange Limited, Mumbai and The National Stock Exchange, Mumbai. The Company has two Subsidiaries viz., Divis Laboratories (USA) Inc., and Divis Laboratories Europe AG looking after marketing of Neutraceutical products in North American and European Countries.

2 LIST OF FOREIGN SUBSIDIARIES CONSIDERED FOR CONSOLIDATION :

S.No.	Name of the Entity	Country of Incorporation	Extent of Holding	
			As on 31.3.2011	As on 31.3.2010
1.	Divis Laboratories (USA) Inc	USA	100%	100%
2.	Divi's Laboratories Europe AG	SWITZERLAND	100%	100%

3 Previous year figures have been regrouped/ recast/ rearranged wherever necessary to conform to current year classification.

4 CONTINGENT LIABILITIES :

S.No.	Particulars	(Rs. in Lakhs)	
		2010-11	2009-10
i)	On account of Letters of Credit and Guarantees issued by the bankers	3510.49	4404.68
ii)	On account of bonds and / or legal agreements executed with regulated authorities.	10750.00	7250.00
iii)	Demands being disputed / contested by the Company	1768.86	1778.64

5 Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of Advances) as on 31.3.2011 is Rs. 5501.22 Lakhs (As on 31.3.2010 Rs. 691.96 Lakhs)

6 Land admeasuring 29.30 acres acquired under deeds of assignment and under possession of the company at Chippada village, Bheemunipatnam Mandal, Visakhapatnam Dist. Andhra Pradesh, India is yet to be registered in the name of the company.

7 EMPLOYEE STOCK OPTIONS :

The Company has granted the Options to its eligible employees during the year 2005-06, under the Employees Stock Option Scheme, in accordance with the guidelines issued by Securities and Exchange Board of India. The accounting value of Options, determined based on market price of the share on the day of the grant of the Option, is accounted as Deferred Employee Compensation Costs, which is being amortised on a straight line basis over the vesting period of the Options. Consequently for the Current Year, an amount of Rs. Nil (Previous year Rs. 225.70 Lakhs) has been amortised.

The Movement of Stock Options during the year is as detailed below :

Particulars	2010-11 Nos	2009-10 Nos
At the beginning of the year	5,90,145	16,09,990
Granted during the year	Nil	Nil
Expired/Forfeited during the year	Nil	870
Bonus Issue	Nil	15,19,170
Exercised during the year	4,50,965	25,38,145
At the end of the year	1,39,180	5,90,145

8 PAYMENT TO AUDITORS :

(Rs. in Lakhs)

Particulars	2010-11	2009-10
Statutory Audit Fees	28.75	21.65
Tax Audit Fees	7.00	6.50
Certification Charges	10.00	7.50
For Quarterly Reviews	6.00	5.25
For Other Matters	7.13	19.29
For Reimbursement of Expenses	0.68	0.59
Total	59.56	60.78

9 MANAGERIAL REMUNERATION :

(Rs. in Lakhs)

Particulars	2010-11	2009-10
Salary	255.65	252.97
Commission	2811.21	2296.68
Perquisites	61.98	59.57
Contribution to Provident and other Funds	28.24	28.16
Amortisation of Deferred Employee Compensation Costs	-	32.12
Total	3157.08	2669.50

10 EMPLOYEE BENEFITS :

Disclosures required under Accounting Standard 15 "Employee Benefits" notified in the Companies (Accounting Standards) Rules 2006, are given below:

I) Defined Contribution Schemes :

Contributions to Defined Contribution Schemes charged off for the year are as under:

(Rs. in Lakhs)

Particulars	2010-11	2009-10
Employer's Contribution to Provident Fund etc.	177.75	151.12
Employer's Contribution to State Insurance Scheme	108.06	70.49

II) Defined Benefit Plans :

The present value of obligation in respect of Provision for Payment of Gratuity and Leave encashment is determined, based on actuarial valuation using the Projected Unit Credit Method, which recognises each period of service as giving rise to additional unit of employee benefit entitlement and measures each unit separately to build up the final obligation, recognised and charged off during the year are as under :

(Rs. in Lakhs)

Particulars	Gratuity Unfunded		Leave Encashment Unfunded	
	2010-11	2009-10	2010-11	2009-10
a. Reconciliation of opening and closing balances of Defined Benefit obligation :				
Defined Benefit obligation at beginning of the year	229.29	198.44	167.60	140.52
Current Service Cost	33.24	26.27	12.72	8.07
Interest Cost	12.61	10.91	9.22	7.73
Actuarial (gain)/loss	288.89	(6.00)	23.08	12.63
Benefits paid	(4.38)	(0.33)	(2.32)	(1.35)
Defined Benefit obligation at year end	559.65	229.29	210.30	167.60
b. Expenses recognised during the year				
Current Service Cost	33.24	26.27	12.72	8.07
Interest Cost on benefit obligation	12.61	10.91	9.22	7.73
Expected return on plan assets	NIL	NIL	NIL	NIL
Actuarial (gain)/loss	288.89	(6.00)	23.08	12.63
Net benefit expense	334.74	31.18	45.02	28.43

c. Actuarial assumptions :

Mortality Table (L.I.C)	1994-96 (Ultimate)	1994-96 (Ultimate)	1994-96 (Ultimate)	1994-96 (Ultimate)
Discount rate (per annum)	5.50%	5.50%	5.50%	5.50%
Attrition Rate	10.00%	10.00%	10.00%	10.00%
Rate of escalation in salary (per annum)	10.00%	10.00%	10.00%	10.00%

The estimates of rate of escalation in salary considered in actuarial valuation, taken into account inflation, seniority, promotion and other relevant factors including supply and demand in the employment market. The above information is certified by the Actuary.

11 SEGMENTAL REPORTING :

As the Company's business for the current year consists of one reportable business segment of manufacturing and sale of Active Pharma Ingredients and Intermediates and consists of major revenue on account of exports out of India, no separate disclosures pertaining to attributable Revenues, Profits, Assets, Liabilities and Capital Employed are given.

As part of Secondary reporting, revenues are attributed to geographical areas based on the location of the customers as detailed below :

Particulars	2010-11		2009-10	
	Revenue	%	Revenue	%
European	45017.59	34.07	25290.39	26.70
American Countries	42942.13	32.50	49183.98	51.92
India	11621.47	8.80	6328.42	6.68
Other Countries	32535.33	24.63	13931.79	14.70
Total	132116.52	100.00	94734.58	100.00

Note : The Company does not track its assets and liabilities by geographical area.

12 TRANSACTIONS WITH RELATED PARTIES :

a) The list of related parties with whom transactions have taken place and nature of relationship is :

i) KEY MANAGEMENT PERSONNEL :

Sl. No.	Name of the person
1.	Dr. Murali. K. Divi
2.	Mr. N.V. Ramana
3.	Dr. P. Gundu Rao
4.	Mr. D. Madhusudana Rao
5.	Mr. Kiran S. Divi

ii) RELATIVES OF KEY MANAGEMENT PERSONNEL:

Sl. No.	Name of the person
1.	Mr. N. Laxmana Rao
2.	Mr. Mallikarjuna Rao Divi
3.	Mrs. Nilima Motaparti

b) Transactions with Related Parties :

Particulars	2010-11		2009-10	
	Amount	Outstanding as at 2010-11	Amount	Outstanding as at 2009-10
Managerial Remuneration to Key Management Personnel	3157.08	2828.97	2669.50	2322.78
Lease Rent to Key Management Personnel	27.00	2.31	25.72	NIL
Lease Rent to Relative of Key Management Personnel	27.00	2.31	25.72	NIL
Salary and Allowances to Relatives of Key Management Personnel	4.31	0.32	4.31	0.32

- c) Disclosure in respect of transactions which are more than 10% of the total transactions of the same type with related parties during the year :

		(Rs. in Lakhs)	
Nature of transaction	Name of the party	2010-11	2009-10
Managerial Remuneration	Dr. Murali. K. Divi	1628.87	1346.59
	Mr. N.V. Ramana	846.26	729.64
	Dr. P. Gundu Rao	37.67	42.76
	Mr. D. Madhusudana Rao	65.76	65.76
	Mr. Kiran S. Divi	578.52	484.76
Salary and Allowances	Mr. N. Laxmana Rao	2.15	2.15
	Mr. D.Mallikarjuna Rao	2.16	2.16
Rent	Mr. Kiran S. Divi	27.00	25.72
	Mrs. Nilima Motaparti	27.00	25.72

13 LEASES :

The Company has operating leases for premises and vehicles, which is renewable on a periodical basis and cancellable at its option. Rental expenses for operating lease recognised in Profit and Loss account for the year is Rs 89.15 Lakhs (Previous Year Rs. 65.73 Lakhs).

The future minimum lease payments are as given under :

Year Ending	2010-11	2009-10
Not later than one year	86.97	58.24
Later than one year and not later than five years	141.95	118.33
Later than five years	-	-

14 INCOME TAX EXPENSE :

(i) TAX CREDIT ENTITLEMENTS :

Tax credit entitlements, wherever available under the relevant tax laws and it is estimated to be certain in availing the tax credit within the specified period prescribed under the relevant tax laws, is recognized as " Tax Credit Entitlements " in the accounts.

(ii) DEFERRED TAX LIABILITY :

Movement of Provision for Deferred Tax for the year ended 31.03.2011 is as given below :

Particulars	As at 01.04.2010	(Charges) / Credit for the year	As at 31.03.2011
Timing Differences on account of :			
Deferred Tax (Liability) :			
a. Depreciation on Assets	(5456.57)	(441.47)	(5898.04)
Total (A)	(5456.57)	(441.47)	(5898.04)
Deferred Tax Assets :			
b. Expenses allowable on the basis of payment	175.20	133.40	308.60
c. Others	540.24	45.24	585.48
Total (B)	715.44	178.64	894.08
Net (A-B)	(4741.13)	(262.83)	(5003.96)

15 EARNINGS PER SHARE (EPS) :

The Numerator and denominator used to calculate Earnings Per Share:

(Rs. in Lakhs except Earnings per Share)

Year Ending	2010-11	2009-10
A EARNINGS :		
Profit attributable to Equity Shareholders	42926.94	34033.65
B. NO. OF SHARES :		
Weighted average number of Equity shares outstanding during the year (Nos.) - Basic	13,24,08,135	13,03,68,808
Add : Weighted average number of equity shares arising out of outstanding stock options that have diluted effect on Earnings Per Share (Nos.)	57,480	2,43,724
Weighted average number of Equity Shares outstanding during the year (Nos.) - Diluted	13,24,65,615	13,06,12,532
C. EARNINGS PER SHARE :		
Earnings Per Share of Par Value — Basic	32.42	26.11
Earnings Per Share of Par Value — Diluted	32.41	26.06

16 FINANCIAL INFORMATION OF SUBSIDIARY COMPANIES :

(Rs. in Lakhs)

Name of Subsidiary Company	Divis Laboratories (USA) Inc.	Divi's Laboratories Europe A.G.
Reporting Currency	USD	CHF
Capital	0.01	36.18
Reserves	(921.14)	(1890.24)
Total Assets	3478.36	1451.90
Total Liabilities	3478.36	1451.90
Investments	NIL	NIL
Turnover	4403.87	1434.68
Profit /(Loss) Before Taxation	(101.15)	(566.38)
Provision for Taxation	(37.86)	NIL
Profit / (Loss)after Taxation	(63.29)	(566.38)
Proposed Dividend	NIL	NIL
Country	USA	Switzerland

Exchange Rate as on 31.03.2011: USD = Rs.44.65, CHF = Rs.48.80

17 The schedules referred to in the Balance sheet form an integral part of Accounts.

SIGNATURES TO SCHEDULES 1 TO 25
Signed on 20th day of May, 2011 at Hyderabad.

For and on behalf of the Board

Per Our Report of Even Date
For P.V.R.K. NAGESWARA RAO & CO
Chartered Accountants
Firm's Registration Number : 002283S

Dr. MURALI K. DIVI
Chairman and Managing Director

N.V. RAMANA
Executive Director

P.V.R.K. NAGESWARA RAO
Partner
Membership Number : 18840

L. KISHOREBABU
Chief Financial Officer

P.V. LAKSHMI RAJANI
Company Secretary

Notice of Annual General Meeting

Notice is hereby given that the Twenty First Annual General Meeting of the Members of DIVI'S LABORATORIES LIMITED will be held as per the schedule given below :

Day and Date	: Monday, August 8th, 2011
Time	: 10.00 a.m.
Venue	: KLN Prasad Auditorium, FAPCCI Premises, 11-6-841, Red Hills, Hyderabad - 500 004.

ORDINARY BUSINESS:

1. To consider and adopt the audited Balance Sheet as at 31st March 2011, the Profit and Loss account for the year ended 31st March 2011 along with the reports of Directors and the Auditors thereon.
2. To declare dividend for the financial year 2010 - 2011.
3. To appoint a Director in place of Mr. G Venkata Rao, who retires by rotation and being eligible, offers himself for reappointment.
4. To appoint a Director in place of Dr. G. Suresh Kumar, who retires by rotation and being eligible, offers himself for reappointment.
5. To appoint a Director in place of Mr. Madhusudana Rao Divi, who retires by rotation and being eligible, offers himself for reappointment.
6. To appoint M/s. P.V.R.K. Nageswara Rao & Co., Chartered Accountants, Hyderabad (Firm's Regn. No. 002283S) as Auditors of the Company who shall hold office from the conclusion of the ensuing Annual General Meeting to the conclusion of next Annual General Meeting and to fix their remuneration.

For and on behalf of the Board of Directors

Hyderabad
20th May, 2011

Dr. Murali K. Divi
Chairman and Managing Director

NOTES :

1. A member entitled to attend and vote at the meeting, is entitled to appoint a proxy to attend and vote instead of himself and such proxy need not be a member of the Company. The instrument appointing proxy should, however, be deposited at the Registered Office of the Company not less than forty-eight hours before the commencement of the meeting.
2. Pursuant to Clause 49 of the Listing Agreement additional information on directors seeking appointment / re-appointment at the annual general meeting is annexed hereto.
3. Members / proxies are requested to bring the attendance slips duly filled in for attending the meeting and bring their copies of the Annual Report to the meeting.
4. 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.
5. Members who hold shares in dematerialized form are requested to write their Client ID and DP ID numbers and those who

hold shares in physical form are requested to write their Folio Number in the attendance slip for attending the meeting.

6. Closure of register of Members and Dividend :
 - (a) The Company has notified that Register of Members and Transfer Books will be closed from 18th June 2011 to 24th June 2011 (both days inclusive) for determining the names of the Members eligible for dividend, if approved, on equity shares. In respect of shares held in Electronic form, the dividend will be paid on the basis of particulars of beneficial ownership furnished by the Depositories for this purpose.
 - (b) The dividend on equity shares, as recommended by the Board of Directors, if declared at the Annual General Meeting, will be paid to those shareholders whose name appears in Register of Members as on 24th June 2011.
 - (c) Members may please note that the Dividend Warrants are payable at par at the designated branches of the Bank printed on reverse of the Dividend Warrant for an initial period of 6 months only. Thereafter, the Dividend Warrant on revalidation is payable only at limited centers / branches. The members are, therefore, advised to encash Dividend Warrants within the initial validity period.

7. Bank particulars :

In order to provide protection against fraudulent encashment of the warrant, shareholders holding shares in physical form are requested to intimate the Company under the signature of sole / first joint holder, the following information to be incorporated on the Dividend Warrants :

- (i) Name of the Sole / First joint holder and the Folio Number.
 - (ii) Particulars of Bank account, viz.,
 - Name of the Bank
 - Name of the Branch
 - Complete address of the Bank with Pin Code Number
 - Account type, whether Savings (SB) or Current account (CA)
 - Bank Account Number allotted by the Bank
8. Shareholders holding shares in electronic form may kindly note that their Bank account details as furnished by their Depositories to the Company will be printed on their Dividend Warrants as per the applicable regulations of the Depositories and the Company will not entertain any direct request from such shareholders for deletion of / change in such Bank details. Further, instructions, if any, already given by them in respect of shares held in physical form will not be automatically applicable to shares held in the electronic mode. Shareholders are requested to intimate immediately any change in their

address or bank mandates to their depository participants with whom they are maintaining their demat accounts or to the company's share transfer agent, M/s Karvy Computershare Private Limited, if the share are held in physical form.

9. Non-Resident Indian Shareholders are requested to inform the registrars, M/s. Karvy Computershare Private Limited immediately :
 - a) The change in the Residential status on return to India for permanent settlement.
 - b) The particulars of the Bank Account maintained in India with complete name, branch, account type, account number and address of the Bank, if not furnished earlier.
10. Corporate Members intending to send their authorized representatives are requested to send a duly certified copy of the Board resolution authorizing their representatives to attend and vote at the Annual General Meeting.
11. Consequent upon the introduction of Section 109A of the Companies Act, 1956, shareholders are entitled to make nomination in respect of shares held by them in physical form. Shareholders desirous of making nominations are requested to send their requests in Form 2B (which will be made available on request) to the Registrar and Share Transfer Agent M/s. Karvy Computershare Private Limited.

12. M/s. Karvy Computershare Private Limited, Plot No 17-24, Vittal Rao Nagar, Madhapur, Hyderabad - 500 081 acts as the Company's Registrar and Share Transfer Agent for physical transfer of shares and all correspondence may be addressed directly to them. In respect of shares held in Electronic form, shareholders may send requests or correspond through their respective Depository Participants.
13. Unclaimed dividend for the year(s) 2003-04, 2005-06, 2006-07, 2007-08, 2008-09 and 2009-10 are held in separate Bank accounts and shareholders who have not received the dividend / encashed the warrants are advised to write to the Company with complete details.
14. Members desiring to seek any information on the annual accounts are requested to write to the company at an early date to enable the management to keep the information ready.

For and on behalf of the Board of Directors

Hyderabad
20th May, 2011

Dr. Murali K. Divi
Chairman and Managing Director



BLANK



Divi's Laboratories Limited

7-1-77/E/1/303, Divi Towers, Dharam Karan Road,
Ameerpet, Hyderabad - 500 016.

PROXY FORM 21st ANNUAL GENERAL MEETING

Regd. Folio No. _____

*Client ID. _____

DP ID No. _____

I / We _____ R/o _____

_____ being a member / members of the Company hereby appoint
_____ or failing him / her _____

R/o _____ as my / our proxy to vote for me / us on my / our behalf
at the 21st Annual General Meeting of the Company to be held at KLN Prasad Auditorium, FAPCCI Premises, 11-6-841, Red Hills,
Hyderabad - 500 004 on Monday the 8th August, 2011 at 10.00 A.M. and at any adjournment(s) thereof.

Affix
Revenue
Stamp

Signed this _____ day of _____ 2011.

Signature

Note: This form, in order to be valid and effective, should be duly stamped, completed and signed and must be deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the meeting.

*Those who hold shares in demat form must quote their Client ID and Depository Participant ID.



Divi's Laboratories Limited

7-1-77/E/1/303, Divi Towers, Dharam Karan Road,
Ameerpet, Hyderabad - 500 016.

ATTENDANCE SLIP 21st ANNUAL GENERAL MEETING

Regd. Folio No. _____

*Client ID. _____

DP ID No. _____

No. of shares held _____

I certify that I am a Member / Proxy for the Member of the Company.

I hereby record my presence at the 21st Annual General Meeting of the Company at KLN Prasad Auditorium, FAPCCI Premises,
11-6-841, Red Hills, Hyderabad - 500 004 on Monday the 8th August, 2011 at 10.00 A.M.

Member's / Proxy's name in
BLOCK Letters

Signature of Member / Proxy

Note: Please fill up this attendance slip and hand it over at the entrance of the meeting hall. Members are requested to bring their copy of the Annual report to the Meeting.

*Those who hold shares in demat form must quote their Client ID and Depository Participant ID.