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L. KISHORE BABU

Chief Financial Officer

A. Narendra

Company Secretary

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 Ltd.

Registered Office:

7-1-77/E/1/303, Divi Towers
Dharam Karan Road, Ameerpet
Hyderabad – 500 016
Tel: 91-40-2373 1318, 2373 1760/61
Fax: 91-40-2373 3242
E-mail: mail@divislaboratories.com
Website: www.divislaboratories.com

Factory:**UNIT 1 (Choutuppal)**

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

UNIT 2 (Chippada)

Chippada village, Bheemunipatnam Mandal,
Visakhapatnam Dist. (A.P.) Pin 531 163

R & D Centers:

1. C-26, 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 531 163

Summary Of Financials For The Past 5 Years

(Rs. In Lakhs)

PARTICULARS	FINANCIAL YEARS ENDED ON				
	31.03.2001	31.03.2002	31.03.2003	31.03.2004	31.03.2005
NET SALES	18798.89	20705.00	24651.97	30283.14	34737.83
OTHER INCOME	938.37	1320.02	1320.09	1445.15	1714.65
TOTAL INCOME	19737.26	22025.02	25972.06	31728.29	36452.48
Profit before Interest, Depreciation and Tax (PBDIT)	4485.12	5730.49	8264.33	11856.85	12167.99
Finance Charges	1002.99	704.59	444.94	336.39	429.89
Depreciation	729.37	795.31	886.73	1324.21	1506.68
Profit before tax (PBT)	2752.76	4230.59	6932.66	10196.26	10231.42
Provision for Taxation	124.67	573.31	1442.32	2911.94	3628.30
Profit After Tax (PAT)	2628.09	3657.28	5490.34	7284.31	6603.12
Equity Dividend	35%	50%	60%	80%	80%
Dividend payout	404.22	577.45	769.12	1025.50	1025.50
Equity Share Capital	1154.90	1154.90	1281.87	1281.87	1281.87
Reserves & Surplus	8143.69	9511.13	15510.31	21637.74	27084.12
Net Worth	8620.19	10666.03	16792.18	22919.61	28365.99
Gross Fixed Assets	12354.81	13131.59	19004.98	22360.32	25380.49
Net Fixed Assets	9546.86	9586.63	14592.55	16632.43	18154.39
Total Assets	18610.85	20515.59	29251.75	38342.38	37478.26
KEY INDICATORS					
Earnings per share (Rs.)	22.76	31.67	42.83	56.83	51.51
Cash Earnings Per Share - Rs.	29.07	38.55	49.75	67.16	63.27
Gross Turnover Per share - Rs.	170.90	190.71	202.61	247.52	284.37
Book Value per share- Rs.	74.64	92.35	131.00	178.80	221.29
Total Debt to Equity	0.56	0.42	0.26	0.29	0.23
PBDIT / Gross Turnover %	22.72	26.02	31.82	37.37	33.38
Net Profit Margin %	13.98	17.66	22.27	24.05	19.01
RONW %	30.49	34.29	32.70	31.78	23.28

Directors' Report

Dear Shareholders,

Your Directors have pleasure in placing before you the Fifteenth Annual Report of the Company together with the Audited Accounts for the year ended 31st March 2005.

FINANCIAL RESULTS

(Rs. in Lakhs)

Particulars	2004-05	2003-04
Sales (Net of Excise Duty)	34737.83	30283.14
Other income	1714.65	1445.15
Total Income	36452.48	31728.29
PBDIT	12167.99	11856.85
Finance Charges	429.89	336.39
Depreciation	1506.68	1324.21
Profit before tax	10231.42	10196.25
Provision for tax	3353.82	2464.37
Deferred Tax Liability	274.48	447.57
Profit after tax	6603.12	7284.31
Profit brought forward from previous year	13994.13	8616.71
Total available for Appropriation	20597.25	15901.02
Appropriations		
Proposed Dividend	1025.50	1025.50
Corporate Dividend Tax	143.82	131.39
General Reserve	745.00	750.00
Balance carried to Balance Sheet	18682.93	13994.13
Earnings Per Share (EPS)		
- Basic/Diluted (Rs.)	51.51	56.83

DIVIDEND

Your Directors recommend a dividend of Rs.8.00 per equity share of Rs.10/- each for the year 2004-05 subject to approval of the Members at the ensuing Annual General Meeting.

PERFORMANCE AND OPERATIONS REVIEW

During the year, Divi achieved a turnover of Rs.34737.83 lakhs

as against Rs. 30283.14 lakhs during the previous year reflecting a growth of 15%. Exports constituted 88% of total turnover and exports to advanced markets comprising Europe and America accounted for 62% of Company's business. Other Income earned during the year stood at Rs.1714.65 lakhs as against Rs. 1445.15 lakhs in the previous year. Profit after Tax (PAT) came to Rs.6603.12 lakhs as against Rs. 7284.31 lakhs during the previous year. Earnings Per Share for the year works to Rs.51.51 per share as against Rs. 56.83 last year.

Lower profitability during the year is due to the movement of certain products with higher material costs and increase in prices of petroleum and molasses based solvents besides incidence of higher taxation consequent to withdrawal of exemption on export profits. Some of the Custom Synthesis projects are going through a longer development phase resulting in delayed sales.

The first Manufacturing facility of the company at Choutuppal near Hyderabad was successfully inspected by US-FDA in May, 2004 without any Form-483 observations. The company currently has 19 DMFs for the US market.

During the year, the company has completed trials of a speciality ingredient for a large MNC company and the product has been well received by the customer. The project is in the process of commercialization for which the company is building a production facility to cater to the worldwide requirement of the speciality ingredient exclusively for this customer.

During the year, Divi has added 17 products to its product portfolio for generics APIs, future generics and custom synthesis.

TAXATION

Divi has made an Income-tax provision this year (including prior year adjustment) of Rs.3353.82 lakhs as against Rs.2464.37 lakhs during the previous year. An amount of Rs.274.48 lakhs has been provided during the year towards Deferred Tax Liability for the year as required under Accounting Standard AS-22 relating to "Accounting for Taxes on Income". Deferred Tax Liability provision during the previous year was Rs.447.57 lakhs.

FINANCE

During the year, Divi has cleared the outstanding FC loan to SBI. Divi has availed higher working capital limits, a bulk of these in foreign currency at competitive rates to cater to increased working capital requirements. Divi has been regular in payments of interest and other obligations with the Banks. Divi continues to avail the Sales Tax Deferment facility.

Directors' Report

CAPITAL EXPENDITURE

During the year, Divi has invested an amount of Rs.3035.21 lakhs towards capital expenditure at its Manufacturing facilities at Choutuppal (Unit-1) and Chippada (Unit-2). Broadly, capital expenditure was incurred at both the Units for the following:

- Additional machinery installed at both Unit-1 and Unit-2 for enhancing the production capacity
- a new Pilot Plant has been commissioned at Unit-2
- a new Research Centre (DRC) with 60 work stations is set up and is fully operational during the year
- Installation of equipment to improve of environment & safety in the Plants. As part of safety improvement, the fire hydrant system is developed as foam and water sprinkler system in all the production blocks.
- Bag filtration system installed to improve the environment.
- As a program of energy saving, the natural evaporation system is improved with introduction of Solar panels. Due to this, the rate of evaporation has increased by four-fold.
- to meet the increased production capacity, additions were made to Utilites and Services.
- Installed additional Laboratory instruments at the Research Centres.

RESEARCH AND DEVELOPMENT

During the year, technologies for some of the future generic APIs were developed and sampled to customers. With the commissioning of the 4th Research Centre (DRC) of Divi with 60 work stations at Unit-2 and addition of new Laboratory instruments including certain special equipment like NMR, LC-MS, GC-MS at other Centres, Divi is able to take up more projects both in custom synthesis and future generics. Currently, 180 scientists are deployed at the 4 Research Centres of the company. The company has so far filed 7 patents for process novelty.

FUTURE OUTLOOK

Divi has 19 DMF filings with US-FDA and this is expected to increase to about 25 by end of the year. Divi is working on 15 future generic compounds to have a strong pipeline to percolate revenues as and when the patents expire. Four of the Active Pharma Ingredients also have Certificate of Suitability (CoS) from Europe. Divi has successfully completed trials of a speciality ingredient jointly with a large MNC company. To commercialise this opportunity, Divi is in the process of setting up an Export

Oriented Unit with a capital investment of Rs.35 crores at its Unit-2.

Divi continues to have a unique positioning in the generic and custom synthesis businesses due to its respect for IPR, R&D capabilities, cGMP manufacturing facilities, cost competitiveness and non-competing business model.

Global therapeutic peptides market is currently valued at around \$ 1 billion and is estimated to double by 2010. The rising need for new therapeutic approaches combined with the potential of peptides as active pharma ingredients for effective drug formulation is contributing to rapid market development. Divi is the largest producer of peptide building blocks and will benefit from the world-wide growth in peptide business.

Carotenoids have already been developed by the company to commercial scale that are still to realise their commercial potential.

DIRECTORS

Mr G V Rao and Prof C. Ayyanna retire by rotation at this Annual General Meeting and are eligible for re-appointment.

Dr. P. Gundu Rao is proposed to be re-appointed as Whole-Time Director for a further period of 3 years with effect from 27th August 2004.

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, 2005 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. PVRK Nageswara Rao & Co., Chartered

Directors' Report

Accountants, Hyderabad retire at the ensuing Annual General Meeting and, being eligible, offer themselves for reappointment.

CORPORATE GOVERNANCE, MANAGEMENT DISCUSSION AND ANALYSIS

A separate report on Corporate Governance and Management Discussion & Analysis is included as a part of the 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 Account Standard No.AS-18.

DEPOSITS

Your Directors wish to inform that at the end of the year, there were no deposits which fell due but not paid.

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 to this report.

INCREASE IN SHAREHOLDING LIMITS OF FOREIGN INSTITUTIONAL INVESTORS (FIIs)

During the year, the Company has sought approval through Postal Ballot from the Members for increasing the Foreign Institutional Investors shareholding limits in the company from 24% to 30% of the paid up share capital of the company. The resolution was approved by the Members with requisite majority. The results of the postal ballot submitted by Mr. V. Bhaskara Rao, Scrutinizer to the postal ballot was given in the Corporate Governance Report annexed to this report.

PROPOSAL FOR DELISTING THE EQUITY SHARES FROM HYDERABAD STOCK EXCHANGE.

Members are informed that from the date of listing in the Hyderabad Stock Exchange (HSE), no or negligible trading in the company's shares was done on the Exchange till date, making the listing on the Exchange redundant. In view of this, the Company proposes to voluntarily delist its equity shares from Hyderabad Stock Exchange Ltd., pursuant to "Securities and Exchange Board of India (Delisting of Securities) Guidelines - 2003", as no purpose would be served to the investors due to a continued listing on the Exchange besides avoidable expenditure to the Company. However, the shares will continue to be listed

on BSE and NSE where regular trading is done in good volumes.

Further for the purpose of delisting, the company should have been listed for a minimum period of 3 years which would be completed in the month of March 2006. The Company intends to make an application to HSE for effecting delisting on completion of the 3 years as required under Securities and Exchange Board of India (Delisting of Securities) Guidelines – 2003.

The delisting of equity shares from the above Stock Exchange will not in any way affect the trading of the shares of the Company or cause any inconvenience to the Investors or members, as they have access to online trading of the shares of the company across the country, through NSE & BSE.

CERTIFICATIONS / AWARDS

During the year Divi has received the following awards:

- Vishwakarma Rashtriya Puraskar and National Safety Award from the Ministry of Labour, Government of India
- Good Practices in Cleaner Production and Pollution Control from AP Pollution Control Board.
- Certificate of Appreciation for achieving OHSAS-18001 from National Safety Council.

HUMAN RESOURCES

Divi continues to have cordial and harmonious relationship with the employees.

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 attached and forms part of the Report.

ACKNOWLEDGEMENTS

Your Directors gratefully acknowledge the continued assistance and co-operation extended by Government authorities, financial institutions and banks to the company. The Board expresses its appreciation of the understanding, dedication and support extended by the employees of the Company. Your Directors also sincerely acknowledge the confidence and faith reposed by the shareholders in the Company.

For and on behalf of the Board of Directors

Hyderabad
21st May, 2005

Murali K. Divi
Chairman and Managing Director

Annexure To The Directors' Report

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	2004-05	2003-04
1. Electricity		
(a) Purchases:		
Units	345,18,583	324,04,668
Total Amount - (Rs.lakhs)	1184.75	1114.15
Rate/Unit - Rs.	3.43	3.44
(b) Own generation:		
Through diesel Generator Units	867,744	1311,571
Units per Lt. of diesel	3.30	3.25
Cost/Unit - Rs.	7.76	6.69
2. Coal (D/C grade)		
Quantity (Mts)	18275.66	19173.41
Total Cost - (Rs.lakhs)	397.59	386.45
Average rate - Rs.	2.18	2.02

B. CONSUMPTION PER UNIT OF PRODUCTION:

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

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 lakhs)

Particulars	2004-05	2003-04
Capital	205.72	79.78
Recurring	740.16	679.20
Total	944.96	758.98
Total R&D Expenditure as a percentage of Sales	2.72%	2.51%

TECHNOLOGY ABSORPTION, ADAPTATION AND INNOVATION:

1. Efforts in brief, made towards technology absorption and adoption : No technology absorption is involved. The company has its own R&D Centre which has been developing and improving processes for manufacture of Active Pharmaceutical Ingredients and intermediates.
2. Benefits derived as a result of the above efforts : Processes for several new products have been developed. Process optimisation has been achieved in Production, which resulted in lower cost of production and substantial exports.
3. Information regards import of technology during the last 5 years : There is no import of technology.

Annexure To The Directors' Report

FORM - C

....FORM - C

Foreign Exchange earnings and outgo (Rs.in lakhs)

Particulars	2004-05 Amount	2003-04 Amount
(a) Foreign Exchange earnings:		
i) FOB Value of Exports	30159.19	25872.40
ii) Contract Research Fee	660.42	269.66
iii) Interest	Nil	1.13
(b) Foreign Exchange outgo:		
i) Remittance in Foreign Currency:		
Dividend (Net of Tax)	11.05	10.81
ii) CIF value of imports:		
Raw Materials	6403.71	5549.40
Capital Goods	356.41	210.46
Spares	34.36	25.80

(Rs.in lakhs)

Particulars	2004-05 Amount	2003-04 Amount
iii) Expenditure in Foreign Currency towards:		
Memberships and Subscriptions	1.36	3.06
Books and Periodicals	8.15	2.77
Traveling Expenses	38.18	42.14
Laboratory Chemicals	5.49	5.43
Consultancy Charges	64.42	41.34
Sales Commission	209.30	118.00
Foreign Bank Charges	25.64	17.92
Finance Charges	5.47	31.34
Others	21.34	15.90

ANNEXURE TO DIRECTORS' REPORT

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

Name and Shareholding >2%	Age (yrs)	Qualification	Designation	Date of commencement of employment	Experience (yrs)	Gross remuneration ¹ (Rs.lakhs)	Last employment
Sri Murali K. Divi (39.62%)	54	M. Pharm.	Chairman & Managing Director	10.10.1994	30	389.09	Managing Director, Cheminor Drugs Ltd.
Sri N.V.Ramana	47	B.Sc.(Chem)	Executive Director	26.12.1994	20	211.73	President, Enmark Exim Services.
Sri Madhusudana Rao Divi	61	M.E. (Structural Engg.)	Director (Projects)	14.10.1994	36	36.60	Executive Director, Sadah General Trading and Construction Co., Kuwait

Note: 1. Remuneration includes salary, allowances, company's contribution to Provident Fund, provision for Gratuity, provision for Leave encashment, Commission and Perquisites

2. All the above appointments are contractual.

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 global pharma industry is still on a growth path of about 5 to 7% and consequently there is a demand for API as well. However, the industry is undergoing a lot of structural changes viz.,

- more out-sourcing of early stage development and late life cycle products
- segregation of supply lines based on competitive positioning between existing integrated players and potential integrated players
- alignment of players without any API capability with pure API producers.

On a macro level, there are several pointers which clearly show that pharma business out of Asia is on a growth track mainly to supply to developed countries like US and Europe. There is, of course, a lot of churning because of a lot of capacity in Europe that will be rendered empty.

Company infrastructure

Divi operates from its Headquarters and Registered Office at Hyderabad. The company has two manufacturing facilities:

- The 1st Facility at village Lingojigudem, Choutuppal Mandal, Nalgonda district, about 60 KM from Hyderabad.
- The 2nd Facility at village Chippada, Bheemunipatnam Mandal, Visakhapatnam Dist. about 30 KM from the Port City of Visakhapatnam on the east coast.

The company has 4 Research Centers with the broad functional focus as under:

DRC – Hyderabad: Located at Sanathnagar, Hyderabad with a focus and thrust on custom synthesis, contract research for MNC companies as also future generics involving route design, route selection, establishing gram scale process and structural confirmation.

Plant R&D – Unit 1: The process development and scale up R&D is located at Unit-1 at Choutuppal. This team takes gram scale technologies from DRC or from customers and goes through various stages of development, process optimization, impurity profile, pilot studies, pre-validation batches, validation of process and transfer of technology to Plant. The team also review efficiency of processes each month and gives process support where required.

DRC – Vizag: Operates from Unit-2 with a team of 30 scientists undertaking similar research as DRC-Hyderabad.

Plant R&D – Unit 2: This is the second process development and scale up team located at Unit-2 at Chippada. This team takes gram scale technologies from DRC-Vizag or from customers and goes through various stages of development, process optimization, impurity profile, pilot studies, pre-validation batches, validation of process and transfer of technology to Plant. The team also review efficiency of processes each month and gives process support where required.

Internal Control systems

The company has an effective internal control system in place and this is continually reviewed for effectiveness and is augmented by written policies and guidelines, careful selection of qualified personnel and a continuous programme of internal audit. 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.

The internal control system of the company is also reviewed by the Audit Committee of the Board periodically, and suggestions and recommendations of the Committee are carried out.

Internal controls also include continuous monitoring and audit of quality systems, environment systems and occupational health and safety through ISO-9001, ISO-14001 and OHSAS-18001 series.

Opportunities and Threats

From the beginning of this year, India has moved to a compliance on the patent regime as required under WTO. The implementation mechanism, though not quite clear, the new environment has set in a more conducive atmosphere for out-sourcing by big pharma companies. The company, with its track record of compliance and respecting IPR even without the law in place, stands to gain further from increased custom synthesis opportunities.

For several developed countries, it has become an economic necessity to reduce their healthcare costs and consequently the cost of medicines and this is driving manufacturing towards Asia. Divi, with its infrastructure already acceptable to FDA standards, the regulatory mechanism in place and its experience of these markets, stands to benefit further in the generic business as well.

Risks and Concerns

The company manufactures Active Pharmaceutical Ingredients and Intermediates which are either Generics or custom manufactured for its customers. Some of these products are subject to regulatory approvals by the governments of user countries and the non-approval or withdrawal of existing approval may impact business. However, the company has a well spread product portfolio across a wide range of therapeutic uses, the largest product having sales of 22%, the top 5 products contributing about 50% of revenue and the top five customers account for 39% of its revenue.

The company manufactures various products that are subject to intellectual properties. The company's philosophy is to respect intellectual properties and hence always develop processes and

Management Discussion And Analysis

offer products that are patent non-infringing and avoid violating intellectual properties. This process is carried out by in-house due diligence team and, as and when necessary, expert opinion of external patent Attorney firms is obtained. Currently, the company has no issues in this area.

Being predominantly into exports constituting over 88% of total sales, the company's business carries risk of any negativity towards purchases from India and exchange risks. The company exports to several countries and the highest sales to a single country is 28% of revenue.

The company currently on a net basis operates in the following currencies:

USD	78%
Euro	2%
Sterling Pound & Others	9%

Some of the company's raw materials and transportation is dependant on the prices of crude and petroleum based products. The company has always been making efforts to pass on the increased costs. The company operates across varying value added products and makes efforts to balance the proportion of impact.

The company operates manufacturing facilities which uses various chemicals of varying hazards of handling. The company is always pursuing best operating conditions including ISO 18001 certification and dedicated safety teams. The company maintains adequate insurance coverage for both fixed and current assets.

Operational Performance

Analysis of profitability for the last two years is given hereunder:

(Rs. in Lakhs)

Particulars	2004-05	2003-04
Net Sales	34737.83	30283.14
Other income	1714.65	1445.15
Total Income	36452.48	31728.29
PBDIT	12167.99	11856.85
Finance charges	429.89	336.39
Depreciation	1506.68	1324.21
Profit before tax	10231.42	10196.25
Provision for tax	3353.82	2464.37
Deferred Tax Liability	274.48	447.57
Profit after tax	6603.12	7284.31
Earnings per Share (EPS)		
Basic/Diluted – (Rs.)	51.51	56.83
Dividend %	80%	80%
Dividend pay-out	15.53%	14.08%
Debt-Equity Ratio	0.23	0.29
Book Value per Share	221	179

Business

Divi has achieved a turnover net of taxes and duties of Rs. 34737.83 lakhs as compared to Rs. 30283.14 lakhs during the previous financial year, reflecting a growth of 15%.

Your company's product portfolio has about 90 products covering:

- i) Generic products such as Naproxen, Diltiazem, CIS (+) Hydroxy Lactum, Dextromethorphan Hbr., Nabumetone, Iopamidol, Methyl Dopa, Carbi Dopa, Levo Dopa, Phenylephrine and their intermediates.
- ii) New Chemistries comprising:
 - a. Custom Synthesis of APIs and Intermediates for MNC Pharma majors overseas.
 - b. Peptide building blocks.
 - c. Carotenoids.

Divi has added 17 APIs and intermediates to its product portfolio in the generics, future generics and custom synthesis business.

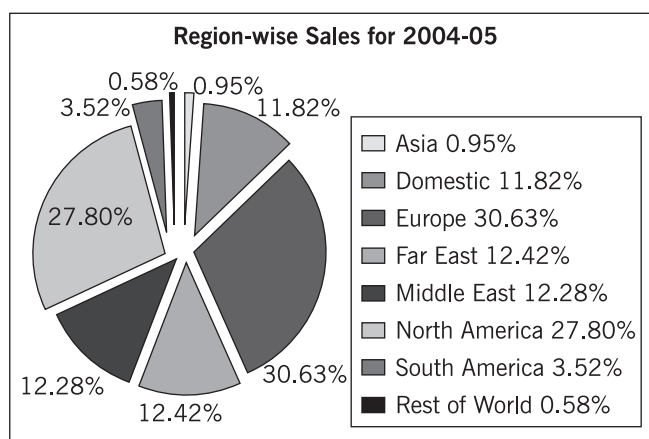
In the generics that are traditionally made at Divi, it is the most integrated player with global scales with positioning of being No.1 or No.2 in some of the leading products. The acceptance and appreciation that Divi is an independent API manufacturer that does not compete with its customer has opened up opportunities with several customers. Divi has developed an interesting pipeline for the future and the DMF filings with US-FDA has increased from 12 to 18 during the year.

Divi also custom manufactures API and intermediates and Divi has during the year added a new customer under a joint development of exclusive synthesis involving multi-year supply, which could be a platform for such works in the future.

Divi also is the first company to develop and manufacture synthetic carotenoids that have huge potential and still a growing business which Divi is pursuing. Divi is also the largest manufacturer of some peptide reagents and protected amino acids world-wide. This is an area where there is potential for high growth in view of several peptide drugs in development.

Exports

Exports constituted 88% of turnover during the year which is the same as in the previous year.



Management Discussion And Analysis

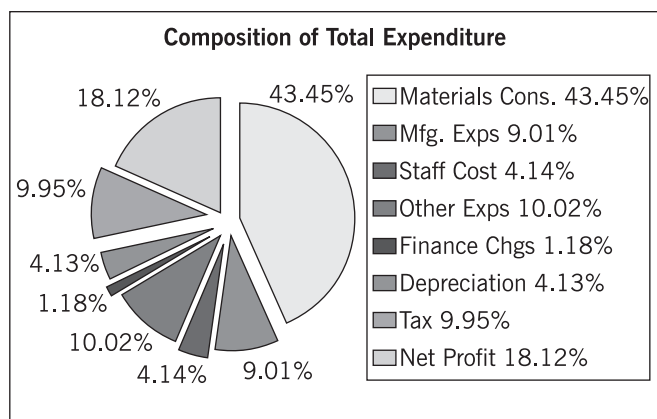
Other Income

Other Income mainly comprised Contract Research fee and sale/transfer of some of the export benefits (DEPB Credits) available to the company. Other Income for the year amounted to Rs.1714.65 lakhs as against Rs. 1445.15 lakhs for the previous year.

Income on contract research accounted for Rs.660.42 lakhs during the year as against Rs.275.23 lakhs during the last year. Income on Export benefits for the year came to at Rs. 903.02 lakhs as against Rs. 1036.68 lakhs during the last year. Lower income on Export benefit was the result of reduction in DEPB rates by the Government of India consequent to lowering the peak rate of customs duties for import of inputs.

Expenses

Distribution of Expenses and Profit margin for the year is reflected in the graph below:



Material costs

Raw material consumption for the year was Rs.18362.29 lakhs net of inter-unit transfers as against Rs. 17469.40 lakhs for the previous year. Closing Inventory of Raw materials was Rs. 2256.23 lakhs as against Rs. 1834.13 lakhs.

Work-in-Process at the year end amounted to Rs. 9619.01 lakhs and finished goods (net of duties) to Rs. 1318.39 lakhs as against Work-in-Process of Rs. 6964.83 lakhs and Finished Goods of Rs.1448.54 lakhs respectively during the previous year.

Increase in the levels of Work-in-Process is due to the commercial operations at two manufacturing facilities, strategies of production on campaign basis for large volume products, manufacture of new products and gearing up for the increased level of operations.

Manufacturing Expenses

Manufacturing expenses comprising of Power and Fuel, Repairs to Plant and stores consumption came to Rs.3284.14 lakhs for the year as against Rs.3013.96 lakhs for the last year. As a proportion of total income, these expenses have slightly reduced from 9.50% to about 9% on increased business volume.

Salaries and Wages

Although the expense on salaries has gone up by about 20% in absolute terms over the previous year, it constitutes about 4% of income and at the same level as in the previous year. The increase in salaries is on account of the induction of additional staff besides revision in remuneration during the later part of the year.

Other Expenses

Major components of Other Expenses comprise managerial remuneration, R&D expenses, Freight and handling charges, Vehicle maintenance, Factory upkeep, sales commission and general expenses. Other Expenses for the year amounted to Rs.3652.46 lakhs as against Rs.3021.57 lakhs. The increase is on account of increase in managerial remuneration, rates and taxes, sales commission besides other expenses that are operations related. As a proportion of total income, Other Expenses have increased from 9.5% during last year to 10% during the year.

Finance charges

Interest and Finance charges during the year have increased to Rs.429.89 lakhs as against Rs. 336.39 lakhs during the previous year due to availing higher working capital limits.

Profits before Depreciation, Interest and Taxes (EBITA)

EBITA for the year grew by about 2.6% to Rs. 12167.99 lakhs as against Rs. 11856.85 lakhs during the previous year.

Depreciation

Depreciation charge for the current year came to Rs.1506.68 lakhs including charge as compared to Rs. 1324.21 lakhs during the last year.

There was addition to Fixed Assets during the year to the tune of Rs. 3035.21 lakhs as against Rs. 3370.80 lakhs in the previous year.

Taxation

Divi had to provide for Income-tax of Rs.3353.82 lakhs for the current year. This includes income-tax of earlier years amounting to Rs.53.82 lakhs. Income-tax provision during the last year was Rs. 2464.37 lakhs.

Divi has also provided for Deferred Tax Liability of Rs. 274.48 lakhs for the year as against Rs. 447.57 lakhs during the previous year. Deferred Tax has been computed adopting the corporate tax rate approved in the Finance Act of 2005.

Profit after Tax

Profit after Tax during the year came to Rs.6603.12 lakhs as compared to Rs. 7284.31 lakhs during the previous year. Lower profitability during the year is due to the movement of certain

Management Discussion And Analysis

products with higher material costs and increase in prices of petroleum and molasses based solvents besides incidence of higher taxation consequent to withdrawal of exemption on export profits. Some of the Custom Synthesis projects are going through a longer development phase resulting in delayed sales.

Earnings Per Share

EPS for the year has worked out to Rs.51.51 per share as compared to Rs. 56.83 during the last year.

Dividend

Your Board has recommended a dividend of Rs. 8.00 per share for the year 2004-05, the same quantum as in the previous year. Dividend pay-out works out to 15.53% of the profits earned. An amount of Rs. 143.82 lakhs has been provided towards Corporate Dividend Tax during the year for the proposed dividend.

Financial condition

i) Secured Loans:

The company has repaid the outstanding FC loan to SBI. The company has availed higher working capital limits, for the growing business requirements, of which a major component is packing credit in foreign currency at very competitive rates.

ii) Fixed Assets

Addition to Fixed Assets during the year amounted to Rs.3035.21 lakhs invested at Choutuppal (Unit-1) and Chippada (Unit-2). Broadly, capital expenditure was incurred at both the Units for the following:

- Additional machinery installed at both Unit-1 and Unit-2 for enhancing the production capacity
- a new Pilot Plant has been commissioned at Unit-2
- a new Research Centre (DRC) with 60 work stations is set up and is fully operational during the year
- Installation of equipment to improve of environment & safety in the Plants. As part of safety improvement, the fire hydrant system is developed as foam and water sprinkler system in all the production blocks.
- Bag filtration system installed to improve the environment.
- As a program of energy saving, the natural evaporation system is improved with introduction of Solar panels. Due to this, the rate of evaporation has increased by four-fold.
- to meet the increased capacity, additions were made to Services also.
- Installed additional Laboratory instruments at the Research Centres.

iii) Inventories

Major items of Inventories as of 31st March, 2005:

Particulars	Rs. In Lakhs	
	2004-05	2003-04
Raw Materials	2256.23	1834.13
Work-in-Process	9619.01	6964.83
Finished Goods	1534.62	1680.31

Increase in the levels of Work-in-Process is due to the increased level of operations at the two manufacturing facilities, strategies of production on campaign basis and manufacture of new products.

iv) Debtors

Debtors as of 31st March, 2005 amounted to Rs. 10216.92 lakhs as against Rs. 8674.89 lakhs during the previous year. The company has provided for doubtful debts of Rs.21.20 lakhs and charged off an amount of Rs. 6.18 lakhs towards bad debts during the year.

v) Loans and Advances

Loans and advances as of 31st March, 2005 amounted to Rs.2582.22 lakhs as against Rs. 988.88 lakhs during the previous year. Increase in Loans and Advances is on account of increase in recoverable deposits, modvat credit balances, besides excess advance income-tax paid.

vi) Current Liabilities

Current Liabilities and provisions as of 31st March, 2005 amounted to Rs.7951.48 lakhs as against Rs. 6601.38 lakhs during the previous year. Increase is on account of higher level of purchases from suppliers besides higher level of advances from customers.

vii) Debt-Equity Ratio

Debt-equity ratio as of 31st March, 2005 works out to 0.23, based on total debt, as against 0.29 during the previous year.

Community Development activities

Divi continues to be associated with various community development activities in the villages around the company's Manufacturing Facilities. Divi contributed for several community development programs either on its own or through voluntary/ Government organizations.

Corporate Governance

1. COMPANY'S PHILOSOPHY ON CORPORATE GOVERNANCE

Corporate governance is about commitment to values and about ethical business conduct. It is about how an organization is managed. This includes its corporate and other structures, its culture, its policies and the manner in which it deals with various stakeholders. Accordingly, timely and accurate disclosure of information regarding the financial situation, performance, ownership and governance of the company, is an important part of corporate governance. This improves public understanding of the structure, activities and policies of the organization. Consequently, the organization is able to attract investors and to enhance the trust and confidence of the stakeholders.

The importance of corporate governance has always been recognized by your company and is manifest in its vision. In accordance with the Listing Agreement, a certificate from the Auditors of the Company for compliance of Corporate Governance by the Company during the financial year 2004 - 05 has been inserted elsewhere in this Annual Report. 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

A fundamental requirement for Board membership is independence, knowledge and experience based upon the absence of relationships and interest that could compromise, or could be perceived as compromising the ability of a Director to exercise judgement in the best interests of the Company.

2.1 Composition

The Board of Directors consists of ten directors, consisting of Five Executive Directors and Five Non-executive Directors.

Sri. Murali K. Divi, the promoter of the Company, is the Executive Chairman and Managing Director of the Company. The Board is classified broadly as follows:

Sl. No	Name of the Director	Status	Category
1.	Sri Murali K. Divi	Chairman & Managing Director	Promoter & 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 Devpt.)	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 Board Meetings & Procedures

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 important to the Board's understanding of the business in general and related matters tabled for discussion. The Agenda and relevant enclosures are distributed to the members of the Board sufficiently in advance of the meeting. Sensitive material, however, is presented for discussion at the meeting only. The meetings of the Board of Directors are generally held at Company's Registered Office at Hyderabad, and are scheduled well in advance.

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

During the year the Board has met four times. The dates on which the meetings were held are: 17th May, 2004, 28th July, 2004, 21st October, 2004 and 28th January, 2005.

Attendance at the Board Meetings during the financial year 2004-05, last Annual General Meeting and Number of other directorship and Chairmanship/ Membership of Committees of each Director in various companies:

Corporate Governance

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

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 Audit Committee was met four times during the year on 17th May, 2004, 28th July, 2004, 21st October, 2004 and 28th January, 2005.

The Committee consists three independent Directors and the attendance of each member of the Committee are given below:

Name	Designation	Committee meetings attended
Sri G. Venkata Rao	Chairman	4
Sri S. Vasudev	Member	4
Dr. G. Suresh Kumar	Member	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 and representatives of the Statutory Auditors as invitees for the relevant meetings.

Terms of reference of the Audit Committee include the following:

- To oversee the Company's financial information disclosure, review the adequacy of internal control systems.

- To hold periodic discussions with the Statutory Auditors of the Company concerning the accounts of the company, internal control systems, scope and observations of the Auditors.

- To review the un-audited financial statements before submission to the Board.

- To investigate into any matter in relation to items specified in Section 292A of the Companies Act, 1956 or as may be referred to it by the Board and for this purpose to seek any relevant information contained in the records of the Company and also seek external professional advice, if necessary.

- To make recommendations to the Board on any matter relating to the financial management of the Company, including the Audit report.

b) Remuneration Committee

The purpose of the Remuneration committee of the company shall be to discharge the Board's responsibilities relating to remuneration of the Company's Executive Directors. 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 Committee consists of Independent Directors and has met at once during the year on 17th May 2004 and the attendance of each member of the Committee is given below:

Name	Designation	Committee meetings attended
Dr. K. Satyanarayana	Chairman	1
Sri S. Vasudev	Member	1
Prof. C. Ayyanna	Member	1

Corporate Governance

DETAILS OF REMUNERATION TO DIRECTORS

Executive Directors:

(Rs. In Lakhs)					
Name	Salary	PF	Perquisites	Commission	Total
Sri Murali K. Divi	42.00	5.04	14.13	327.92	389.09
Sri N. V. Ramana	33.00	3.96	10.81	163.96	211.73
Sri Madhusudana Rao Divi	26.40	3.17	7.03	—	36.60
Dr. P. Gundu Rao	15.60	0.32	5.44	—	21.36
Sri Kiran S. Divi	16.44	1.97	4.35	—	22.76
Total	133.44	14.46	41.76	491.88	681.54

Non-Executive Directors:

The Company does not pay any remuneration to Non- Executive Directors except sitting fees for attending the meeting of the Board/ Committee and reimbursement of travelling and out of pocket expenses for attending such meetings. The details of sitting fee paid to Non-Executive Directors during the year 2004-05 are given below:

(Rs. In Lakhs)			
SI.No.	Name of the Non-Executive Director	Designation	Sitting Fees
01	Dr. K. Satyanarayana	Director	0.14
02	Sri S. Vasudev	Director	0.36
03	Sri G. Venkata Rao	Director	0.34
04	Prof. C. Ayyanna	Director	0.19
05	Dr. G. Suresh Kumar	Director	0.34

c) Shareholders / Investors' Grievance Committee

The Board has constituted a "Shareholders/Investors' Grievance Committee" comprising Executive Director, One Independent Non-Executive Director and Chief Financial Officer of the Company. The Committee, inter-alia, approves issue of duplicate certificates and overseas and reviews all matters connected with the securities transfers. The Committee also looks into redressing of shareholders' complaints like non transfer of shares, non-receipt of balance sheet, non-receipt of declared dividends, etc.

During the year the committee has met 21 times on 3rd April 2004, 17th April 2004, 30th April 2004, 15th May 2004, 29th May 2004, 5th June 2004, 19th June 2004, 6th July 2004, 20th July 2004, 9th August 2004, 21st August 2004, 11th September 2004, 25th September 2004, 16th October 2004, 6th November 2004, 22nd November 2004, 1st January 2005, 15th January 2005, 5th February 2005, 28th February 2005, 29th March 2005, and considered the share transfers, issue of duplicate shares, rematerialization of shares and other

investor grievances. The constitution of the Committee and the attendance of each member of the Committee is given below:

The constitution of the Committee and the attendance of each member of the Committee is given below:

Name	Designation	Committee meetings attended
Dr. G. Suresh Kumar	Chairman	21
Sri N. V. Ramana	Member	21
Sri L. Kishore Babu	Member	21

Sri A.Narendra, 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, complaints received from investors were replied / resolved to the satisfaction of the investors as follows:

Sl. No.	Subject Description	Opening	Inwarded	Outwarded	Closing
1.	Share Certificate/ Annual Report & others	0	13	12	1
2.	Dividend Related	0	39	39	0

The pending investor grievance, represent the investor compliant treated as pending grievance as per the directive of the Regional Stock Exchange as on 31st March 2005, which has subsequently been resolved on 19th May 2005.

Legal Proceedings

There are certain pending cases relating to disputes over title to shares, in which the Company is made a party. These cases are however not of material in nature.

Corporate Governance

4. GENERAL BODY MEETINGS

Particulars of last three Annual General Meetings:

AGM	Year ended	Venue	Date	Time
14 th	31.03.2004	KLN Prasad Auditorium, FAPCCI Premises, 11-6-841, Red Hills, Hyderabad – 500 004	09.08.2004	10 A.M
13 th	31.03.2003	KLN Prasad Auditorium, FAPCCI Premises, 11-6-841, Red Hills, Hyderabad – 500 004	18.08.2003	10 A.M
12 th	31.03.2002	Surana Udyog Auditorium, FAPCCI Premises, Red Hills, Hyderabad.	29.07.2002	10 A.M

SPECIAL RESOLUTIONS THROUGH POSTAL BALLOT

The Company has sought approval through Postal Ballot from the Members during the year for increasing the Foreign Institutional Investors shareholding limits in the company from 24% to 30% of the paid up share capital of the company. The resolution was approved by the Members with requisite majority. The results of the postal ballot as per the report dated 19th March 2005 submitted by Mr. V. Bhaskara Rao, Scrutinizer to the postal ballot is given below:

Sl. No.	Particulars	No. of Postal Ballots	% of Postal Ballots	No. of Shares considered	% of Shares
1.	Total postal ballot forms received	1253	100.00%	8798686	100.00%
2.	Less: Invalid postal ballot forms (as per register)	35	2.79%	4699	0.05%
3.	Net valid postal ballot forms (As per register)	1218	100%	8793987	100%
4.	Postal ballot forms with assent for the Resolution	1191	97.78%	8791694	99.97%
5.	Postal ballot forms with Dissent for the Resolution	27	2.22%	2293	0.03%

Sri N.V. Ramana Executive Director of the Company, has declared the results of the postal ballot at the Registered Office of the company on 19th March 2005 at 5.00 PM. The Company has complied with the procedures for the Postal Ballot in terms of the Companies (Passing of Resolution by Postal Ballot) Rules, 2001 and amendments thereto.

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. 12 of Notes to Accounts. The Register of Contracts containing transactions, in which Directors are interested, is being 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 penalties or strictures being imposed by SEBI or the Stock Exchanges does not arise.

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 usually Business Standard and Andhra Bhoomi. They are also published on the Company's website viz. 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

- i. Annual General Meeting
 - Date : 22nd August 2005
 - Time : 10.00 AM
- ii. Venue : KLN Prasad Auditorium,
FAPCCI Premises, 11-6-841,
Red Hills, Hyderabad – 500 004
- iii. Financial Calendar : 1st April to 31st March
- iv. Book Closure date : 13th Aug 2005 to 22nd Aug 2005
(Both Days inclusive)
- v. Dividend payment date: On or Before 21st Sept. 2005
- vi. Listing on Stock Exchange(s):
 - a) The Hyderabad Stock Exchange Limited
6-3-654 Adjacent to Erramanjil Bus Stop
Somajiguda, Hyderabad – 500 082
 - b) The Stock Exchange, Mumbai
1st Floor, New Trading Ring, Rotunda Bldg.,
P.J. Towers, Dalal Street, Fort, Mumbai – 400 001
 - c) National Stock Exchange of India Limited
Exchange Plaza, Bandra-Kurla Complex,
Bandra (East), Mumbai – 400 051

Corporate Governance

The Company has paid listing fees for 2005-06 to all the above Stock Exchanges.

vii. Stock Code

HSE : DLA
BSE : 532488
NSE : DIVISLAB

viii. ISIN No. : INE361 B 01016

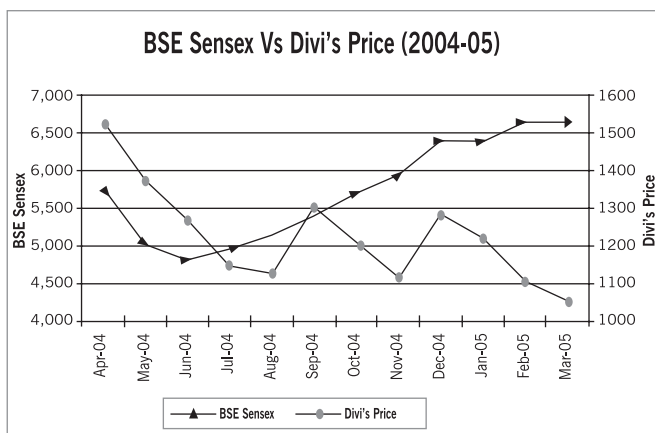
9. Market Price data :

Monthly high and low quotations as well as the volume of shares traded at Mumbai and National Stock Exchanges for the financial year 2004-05 are as follows:

Month	Mumbai Stock Exchange			National Stock Exchange		
	Low	High	Volume	High	Low	Volume
Apr-04	1426	1636	205113	1637	1441	764967
May-04	1156	1590	183956	1589	1163	673689
Jun-04	1111	1429	179940	1424	1124	694485
Jul-04	1056	1239	304000	1242	1056	657184
Aug-04	1042	1210	143579	1209	1040	749191
Sep-04	1160	1448	213887	1445	1147	1177836
Oct-04	1012	1410	171829	1411	1040	816511
Nov-04	1036	1195	383718	1195	1032	1114554
Dec-04	1118	1450	661465	1450	1121	1652673
Jan-05	1055	1388	258683	1410	1081	742048
Feb-05	1040	1173	202401	1174	1040	642090
Mar-05	940	1170	164683	1125	930	514087

No shares were traded from the Hyderabad Stock Exchange during year 2004-05.

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



10. Depository Registrar and Transfer Agent:

M/s. Karvy Computershare Private Limited
"Karvy House", Road No. 1, Avenue 4,
Banjara Hills, HYDERABAD – 500 034
Phone No. 040-23312454 /23320751 / 752
Fax : 040-23311968
Email: karvyhyd@karvy.com

11. Unclaimed Dividend Amounts

The following dividend amounts remained unclaimed as at 31st March, 2005:

Financial Year	No. of warrants unclaimed	Amount of Dividend unclaimed Rs. in Lakhs
1998-1999	108	1.43
1999-2000	127	2.00
2000-2001	86	1.96
2001-2002	97	3.44
2002-2003	210	5.05
2003-2004	191	4.70

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, dividends that remain unclaimed for a period of 7 years from the date of declaration will be transferred by the Company to the Investor Education and Protection Fund (IEPF) established by the Central Government pursuant to Section 205C of the Companies Act, 1956.

The Dividends for the year 1996-97 which remained unclaimed for 7 years from the date of declaration have been transferred to the Investor Education and Protection Fund established by the Central Government pursuant to Section 205C of the Companies Act, 1956. Consequently, no claim shall lie against the said Fund or the Company in respect of any amounts which were unclaimed and unpaid for a period of seven years from the date they first become due for payment.

Information in respect of such unclaimed dividend when due for transfer to the said Fund is given below:

Financial year ended	Date of declaration of dividend	Last date for claiming unpaid Dividend
31.03.1999	16.07.1999	15.07.2006
31.03.2000	15.04.2000	14.04.2007
31.03.2001	04.06.2001	03.06.2008
31.03.2002	11.03.2002	10.03.2009
31.03.2003	18.08.2003	17.08.2010
31.03.2004	09.08.2004	08.08.2011

Corporate Governance

Members who have not so far encashed the dividend warrant (s) are requested to seek issue of duplicate dividend warrant (s) by 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 or the said Fund 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.**

Pursuant to the provisions of Section 205A of the Companies Act, 1956, the Dividend declared and paid for the financial year 1996-97 and lying unclaimed in the Unclaimed Dividend Account of the Company was transferred to the Investor

Education and Protection Fund (IEPF) established by the Central Government pursuant to Section 205C of the Companies Act, 1956, as per the statutory requirements.

13. Share Transfer System

The Share Transfer Committee approves transfer of shares in physical mode.

The Company's Registrar 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 meets once in a fortnight for approving share transfers and for attending to any grievances or complaints from members.

14. Distribution of shareholding

Category	As on 31 st March 2005				As on 31 st March 2004			
	No. of Members		No. of Shares		No. of Members		No. of Shares	
	Total	%	Total	%	Total	%	Total	%
1 – 5000	10963	93.78	7995000	6.24%	7338	88.21	7897360	6.16
5001 – 10000	404	3.46	3390130	2.64%	527	6.33	4651960	3.63
10001 – 20000	150	1.28	2330640	1.82%	215	2.58	3412320	2.66
20001 – 30000	46	0.39	1172800	0.91%	70	0.84	1830360	1.43
30001 – 40000	29	0.25	1047300	0.82%	28	0.34	1033860	0.81
40001 – 50000	12	0.10	561480	0.44%	32	0.38	1484250	1.16
50001 – 100000	31	0.27	2307200	1.80%	37	0.44	2764200	2.15
100001 and above	55	0.47	109382450	85.33%	72	0.88	105112690	82.00
TOTAL	11690	100%	128187000	100%	8319	100.00	128187000	100.00

15. (i) Shareholding pattern

Category	As on 31.03.2005		As on 31.03.2004	
	No. of Shares	% to Share Capital	No. of Shares	% to Share Capital
Indian Promoters	6913441	53.93%	6927500	54.04%
Mutual Funds and UTI	878651	6.85%	829124	6.47%
Banks	7815	0.06%	2790	0.02%
FII's	2407772	18.78%	2004998	15.64%
Private Corporate Bodies	596698	4.65%	559645	4.37%
Indian Public	1748701	13.65%	2197183	17.14%
NRIs / OCBs	195573	1.53%	230291	1.79%
Clearing Members	18233	0.14%	14986	0.12%
Trusts	766	0.01%	1133	0.01%
Directors (Independent and not in control of the Company)	51050	0.40%	51050	0.40%
Grand Total	12818700	100.00%	12818700	100.00%

Corporate Governance

(ii) Shareholding profile:

Mode of Holding	As on 31.03.2005				As on 31.03.2004			
	No. of Holders	%	No. of shares	%	No. of Holders	%	No. of shares	%
Demat	11410	97.6	6040324	47.12	7568	90.97	4904235	38.26
Physical	280	2.4	6778376	52.88	751	9.03	7914465	61.74
Total	11690	100	12818700	100	8319	100	12818700	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 INE361 B 01016. 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.

(iv) Plant Location

Unit I: Lingojjudem village
Choutuppal Mandal
Nalgonda Dist. (A.P.)
Pin 508 252

Unit II: Chippada village
Bheemunipatnam mandal
Visakhapatnam Dist. (A.P.)
Pin 531 163

16. Address for correspondence

The Company Secretary & Compliance Officer
Divi's Laboratories Limited
'Divi Towers', 7-1-77/E/1/303, Dharam Karan Road,
Ameerpet, Hyderabad – 500 016, INDIA
Phone: 040-2373 1318, 760 / 761
Fax: 040-2373 3242
Email: mail@divislaboratories.com
Web Site : www.divislaboratories.com

For and on behalf of the Board of Directors

Hyderabad
21st May, 2005

Murali K. Divi
Chairman and Managing Director

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, 2005, 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 procedures and implementation thereof, adopted by the company for ensuring the compliance of the conditions of the Corporate Governance. 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, the company has complied with the conditions of Corporate Governance as stipulated in the above mentioned Listing Agreements.

We state that no investor grievance is pending for a period exceeding one month against the Company as per the records maintained by the Company and Depository Registrar and Transfer Agents which are presented to the Shareholders/Investors Grievance Committee, **except one investor grievance outstanding as on 31.03.2005 which has since been resolved.**

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

HYDERABAD
21.05.2005

P V R K NAGESWARA RAO
Partner

Auditors' Report

To
The Members of

DIVI'S LABORATORIES LIMITED

- 1 We have audited the attached Balance Sheet of **DIVI'S LABORATORIES LIMITED** as at 31st March 2005, 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 issued by the Central Government of India in terms of Section 227(4A) of the Companies Act, 1956, 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 in Section 211 (3C) of the Companies Act, 1956 to the extent applicable.
 - v) On the basis of the written representations received from the directors, as on 31.03.2005, and taken on record by the Board of Directors, we report that none of the directors is disqualified as on 31 st March, 2005 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 Companies Act, 1956 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, 2005;
 - 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

HYDERABAD
21.05.2005

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 FOR THE YEAR ENDED 31ST MARCH 2005

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. (a) The Company has not granted any loans, secured or unsecured to companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
 - (b) The Company has not taken any loans, secured or unsecured, from companies, firms or other parties covered in the register maintained under section 301 of the Companies Act, 1956.
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 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 directions issued by the Reserve Bank of India and the provisions of Section 58A and 58AA or any other relevant provisions of the Companies Act, 1956 and the rules framed there under where applicable and issuance of Order by the Company Law Board or National Company Law Tribunal or Reserve Bank of India or any Court or any other Tribunal in this regard does not arise.
7. As per the information and explanations given to us by the management, the Company's internal control procedures together with the internal checks conducted by the management staff during the year can be considered as an internal audit system commensurate with the size and nature of its business.
8. We have broadly reviewed without making a detailed examination of the records maintained by the Company pursuant to the order made by the Central Government 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 made and maintained.
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 with appropriate authorities 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 and in respect of these statutory dues, there are no outstanding dues as on 31.3.2005 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, Customs Duty, Wealth Tax., Service Tax and Cess which have not been deposited on account of any dispute as on 31.3.2005 except Income Tax and Excise Duty, the details of which are as given under:

Annexure

Name of the Statute	Period to which the amount relates	Nature of dues	Amount Rs.	Forum where dispute is pending
Income Tax	2002-03	Tax demanded on Completion of Assessment	42,27,763	Commissioner of Income Tax, Appeals – II, Hyderabad, A.P.
	2003-04	Tax demanded on Completion of Assessment	58,23,770	Commissioner of Income Tax, Appeals – II, Hyderabad, A.P.
Excise duty	1994-95	Claim for CENVAT Credit on Capital Goods	23,200	Customs, Excise and Gold (Control) Appellate Tribunal, Bangalore
	2002-03	Claim for CENVAT Credit on Capital Goods	69,76,130	Customs, Excise and Service Tax Appellate Tribunal, Bangalore, Karnataka
	2003-04	Claim for CENVAT Credit on Capital Goods	11,70,672	Commissioner of Central Excise & Customs (Appeals), Visakhapatnam, A.P.

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 institution or bank or debenture holders.

12. As per the information and explanations given to us, 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 Companies (Auditors' Report) Order, 2003 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, the provisions of Clause 4 (xiv) of the Companies (Auditors' Report) Order, 2003 are not applicable to the Company for this year.

15. As per the information and explanations given to us, there are no guarantees given for loans taken by others from financial institutions outstanding as on 31 st March 2005.

16. According to records of the Company the term loans raised during the year have been applied for the purposes for which they were raised.

17. As per the information and explanations given to us and on an overall examination of the balance sheet and cash flow statement of the company, we report that the short-term funds have not been used to finance long term investments made during the year.

18. As per the information and explanations given to us, during the year the Company has not made any preferential allotment of shares to parties and companies covered in the Register maintained under section 301 of the Companies Act, 1956.

19. The Company has not issued any debentures during the year, which requires the creation of security or charge.

20. During the year the Company has not made any public issues for which the management has to disclose the end use of money raised through that public issue.

21. As per the representation given by the Company and relied on by us, no fraud on or by the Company has been noticed or reported during the year.

For P V R K NAGESWARA RAO & CO.,
Chartered Accountants

HYDERABAD
21.05.2005

P V R K NAGESWARA RAO
Partner
Membership No. 18840

Balance Sheet As At 31st March 2005

(Rs. In Lakhs)

	Schedule No.	As At 31st March 2005	As At 31st March 2004
SOURCES OF FUNDS :			
SHARE HOLDERS' FUNDS :			
Share Capital	1	1281.87	1281.87
Reserves and Surplus	2	27084.12	21637.74
		28365.99	22919.61
LOAN FUNDS :			
Secured Loans	3	6287.96	5822.52
Unsecured Loans	4	321.08	770.11
		6609.04	6592.63
DEFERRED TAX LIABILITY (NET)	5	2503.23	2228.75
TOTAL		37478.26	31740.99
APPLICATION OF FUNDS :			
FIXED ASSETS :			
Gross Block	6	25380.49	22360.32
Less: Depreciation		7226.10	5727.89
Net Block		18154.39	16632.43
Capital Work - in - Progress		41.57	264.77
Advances for Capital Works		67.27	287.52
		18263.23	17184.72
INVESTMENTS	7	-	5.75
NET CURRENT ASSETS :			
CURRENT ASSETS, LOANS AND ADVANCES			
Inventories	8	13904.88	10759.52
Sundry Debtors	9	10216.92	8674.89
Cash and Bank Balances	10	448.78	719.21
Other Current Assets	11	13.71	9.39
Loans And Advances	12	2582.22	988.89
		27166.51	21151.90
LESS: CURRENT LIABILITIES AND PROVISIONS			
	13	7951.48	6601.38
TOTAL		19215.03	14550.52
ACCOUNTING POLICIES	20		
NOTES TO ACCOUNTS	21		

Per Our Report of Even Date
For P.V.R.K.NAGESWARA RAO & CO
Chartered Accountants

MURALI K.DIVI
Chairman and Managing Director

KIRAN S.DIVI
Director - Business Development

HYDERABAD
21.05.2005 **P.V.R.K.NAGESWARA RAO**
Partner

L. KISHOREBABU
Chief Financial Officer

A. NARENDRA
Company Secretary

Profit And Loss Account For The Year Ended 31st March 2005

(Rs. In Lakhs)

	Schedule No.	For the year ended 31st March 2005	For the year ended 31st March 2004
I. INCOME :			
Gross Sales		35126.58	30716.62
Less: Excise Duty		388.75	433.48
Net Sales		34737.83	30283.14
Other Income	14	1714.65	1445.15
	TOTAL	<u>36452.48</u>	<u>31728.29</u>
II. EXPENDITURE :			
Materials Consumed	15	15838.26	12581.80
Manufacturing Expenses	16	3284.14	3013.96
Salaries, Wages and other Allowances to Staff	17	1509.63	1254.11
Other Expenses	18	3652.46	3021.57
Finance Charges	19	429.89	336.39
Depreciation		1506.68	1324.21
	TOTAL	<u>26221.06</u>	<u>21532.04</u>
III. PROFIT FOR THE YEAR:		10231.42	10196.25
Less : <u>Provision for Taxation:</u>			
- Current Tax		3300.00	2430.00
- Deferred Tax		274.48	447.57
- Income-tax adjustment of earlier years		53.82	34.37
		<u>3628.30</u>	<u>2911.94</u>
Profit After Tax		6603.12	7284.31
Add : Profit brought forward from last year		13994.13	8616.71
		<u>20597.25</u>	<u>15901.02</u>
<u>Transfer to:</u>			
Proposed Dividend		1025.50	1025.50
Corporate Dividend Tax		143.82	131.39
General Reserve		745.00	750.00
Balance Carried to Balance Sheet		<u>18682.93</u>	<u>13994.13</u>
IV Earnings Per Share : Basic /Diluted (Rs.)		51.51	56.83
(Face Value Rs.10/- per share)			
ACCOUNTING POLICIES	20		
NOTES TO ACCOUNTS	21		

Per Our Report of Even Date
For P.V.R.K.NAGESWARA RAO & CO
Chartered Accountants

MURALI K.DIVI
Chairman and Managing Director

KIRAN S.DIVI
Director - Business Development

HYDERABAD
21.05.2005 **P.V.R.K.NAGESWARA RAO**
Partner

L. KISHOREBABU
Chief Financial Officer

A. NARENDRA
Company Secretary

Cash Flow Statement For The Year Ended 31st March 2005

(Rs. In Lakhs)

PARTICULARS	For the year ended 31st March 2005	For the year ended 31st March 2004
I CASH FLOW / (USED) FROM OPERATING ACTIVITIES:		
Net Profit Before Tax	10231.42	10196.25
Add/ (Less) : Adjustments for		
Depreciation	1506.68	1324.21
Provision for Doubtful Debts	14.88	(13.83)
Tools written off	2.41	1.54
Interest paid	311.38	199.68
Provision for decline in value of Investments	(0.61)	(3.26)
Loss on sale of Assets	4.22	3.79
Dividends received	-	(0.12)
Wealth Tax	1.31	0.85
Interest received	(29.60)	(20.56)
Bad debts written off	6.18	10.73
Profit on sale of Long term investments	(2.08)	-
	<u>1814.77</u>	<u>1503.03</u>
Operating Profit before working capital changes	12046.19	11699.28
Add / (Less) : Adjustments for Working Capital Changes :		
Trade and Other Receivables	(3155.93)	(2643.16)
Inventories	(3147.77)	(4049.28)
Trade Payables	1523.65	292.61
	<u>(4780.05)</u>	<u>(6399.83)</u>
Cash generated from operations	7266.14	5299.45
Less : Direct taxes paid	3477.11	2601.12
Net Cash flow from operating activities (I)	<u>3789.03</u>	<u>2698.33</u>
II CASH FLOW / (USED) FROM INVESTING ACTIVITIES:		
Purchase of Fixed assets	(2655.22)	(3596.18)
Sale of Fixed assets	2.35	2.93
Dividend Received on Investments	-	0.12
Sale of Long Term Investments	8.45	-
Subsidy Received	12.58	-
Net Cash used in Investing activities (II)	<u>(2631.84)</u>	<u>(3593.13)</u>

Cash Flow Statement

(Rs. In Lakhs)

PARTICULARS	For the year ended 31st March 2005	For the year ended 31st March 2004
III CASH FLOW/ (USED) FROM FINANCING ACTIVITIES:		
Interest received	25.28	25.86
Proceeds from Long Term Loans	50.97	60.56
Repayment of Long Term Loans	(260.34)	(568.42)
Proceeds from Short Term Loans	804.78	3430.90
Repayment of Short Term Loans	(579.00)	(668.27)
Interest Paid	(312.02)	(204.12)
Corporate Dividend Tax paid (CDT)	(131.39)	(98.54)
Dividend Paid	(1025.50)	(769.12)
Net Cash (Used) / flow in Financing Activities (III)	(1427.22)	1208.85
IV Net Increase / (Decrease) in cash and cash equivalents (I+II+III)	(270.03)	314.05
V Cash and Cash Equivalents as at the beginning of the year	448.55	134.50
VI Cash and Cash Equivalents as at the end of the year	178.52	448.55
Note: CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	2004-05	2003-04
Cash and Bank Balances as per the Balance Sheet	448.78	719.21
Less: Deposits Lodged towards Security Deposits, Margin Money against Bank Gurantees and other designated accounts dealt seperately.	270.26	270.66
	178.52	448.55

Note:

- The above cash flow statement has been prepared pursuant to Clause 32 of Listing Agreements with Stock Exchanges and under the indirect method set out in Accounting Standard -3 issued by the Institute of Chartered Accountants of India.
- Significant Accounting Policies (Schedule 20) and other Notes to Accounts (Schedule 21) form an Integral part of the Cash Flow Statement
- Previous year figures have been regrouped / reclassified to conform to current year classification.

Per Our Report of Even Date
For P.V.R.K.NAGESWARA RAO & CO
 Chartered Accountants

MURALI K.DIVI
 Chairman and Managing Director

KIRAN S.DIVI
 Director - Business Development

HYDERABAD
 21.05.2005 **P.V.R.K.NAGESWARA RAO**
 Partner

L. KISHOREBABU
 Chief Financial Officer

A. NARENDRA
 Company Secretary

Schedules

(Rs. In Lakhs)

	As At 31st March 2005	As At 31st March 2004
01. SHARE CAPITAL :		
<u>AUTHORISED :</u>		
1,50,00,000 Equity Shares of Rs. 10/- each	1500.00	1500.00
5,00,000 Redeemable Preference Shares of Rs.100/- each	500.00	500.00
	<u>2000.00</u>	<u>2000.00</u>
<u>ISSUED :</u>		
1,30,00,000 Equity Shares of Rs.10/- each	<u>1300.00</u>	<u>1300.00</u>
<u>SUBSCRIBED AND PAID-UP:</u>		
1,28,18,700 Equity shares of Rs.10/- each fully paid-up	<u>1281.87</u>	<u>1281.87</u>
(Of the above 1,50,000 Equity Shares of Rs.10/- each have been allotted as Bonus Shares on Capitalisation of General Reserve)		
02. RESERVES AND SURPLUS:		
<u>CAPITAL RESERVES :</u>		
Share Premium	4148.61	4148.61
Debenture Forfeiture Account	90.00	90.00
Debenture Premium Account	30.00	30.00
State Investment Subsidy	32.58	20.00
<u>REVENUE RESERVES :</u>		
<u>General Reserve:</u>		
As per Last account	3355.00	2605.00
Add: Transferred from Profit and Loss Account	<u>745.00</u> 4100.00	<u>750.00</u> 3355.00
PROFIT AND LOSS ACCOUNT(SURPLUS)	18682.93	13994.13
	<u>27084.12</u>	<u>21637.74</u>

Schedules

(Rs. In Lakhs)

	As At 31st March 2005	As At 31st March 2004
03 SECURED LOANS:		
<u>TERM LOANS :</u>		
From State Bank of India		
- Foreign Currency Loan	-	260.34
<u>WORKING CAPITAL LOANS:</u>		
From Banks	6278.40	5492.62
(Secured by equitable mortgage of the 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 and further Secured by Hypothecation of stocks, book debts and receivables of the Company and guaranteed by the Chairman and Managing Director of the Company)		
<u>OTHER LOANS :</u>		
From Banks	9.56	69.56
(Secured by hypothecation of Vehicles acquired against the Loan)	<u>6287.96</u>	<u>5822.52</u>
04.UNSECURED LOANS:		
Interest Free Sales Tax Loan	321.08	270.11
<u>Short Term Loans:</u>		
From Banks	-	500.00
	<u>321.08</u>	<u>770.11</u>
05.DEFERRED TAX LIABILITY(NET):		
Balance brought forward:	2228.75	1781.18
Add: Adjustments during the year	274.48	447.57
(Refer Note No.15 of Schedule 21		
Notes to accounts)	<u>2503.23</u>	<u>2228.75</u>

06. FIXED ASSETS		(Rs. in Lakhs)									
		GROSS BLOCK				DEPRECIATION			NET BLOCK		
Sl. No.	Description	Cost as at 01.04.2004	Additions	Deductions	Total Upto 31.03.2005	Upto 31.03.2004	For the Year	On Deductions	Total Upto 31.03.2005	At at 31.03.2005	As at 31.03.2004
1	LAND AND DEVELOPMENT	623.17	-	-	623.17	-	-	-	-	623.17	623.17
2	BUILDINGS	5381.32	348.11	-	5729.43	615.45	162.34	-	777.79	4951.64	4765.87
3	PLANT AND MACHINERY	14690.15	2185.47	5.96	16869.66	4730.82	1225.79	2.48	5954.13	10915.53	9959.33
4	LABORATORY EQUIPMENT	1085.81	422.42	-	1508.23	179.05	58.85	-	237.90	1270.33	906.76
5	FURNITURE AND FIXTURES	107.88	15.59	-	123.47	62.66	7.17	-	69.83	53.64	45.22
6	DATA PROCESSING EQUIPMENTS	134.39	32.10	-	166.49	64.18	19.26	-	83.44	83.05	70.21
7	VEHICLES	337.60	31.52	9.08	360.04	75.73	33.27	5.99	103.01	257.03	261.87
	TOTAL	22360.32	3035.21	15.04	25380.49	5727.89	1506.68	8.47	7226.10	18154.39	16632.43
	PREVIOUS YEAR	19004.98	3370.80	15.46	22360.32	4412.42	1324.21	8.74	5727.89	16632.43	14592.56

Schedules

(Rs. In Lakhs)

	As At 31st March 2005		As At 31st March 2004	
07. INVESTMENTS:- AT COST				
A. LONG - TERM				
NON-TRADE – QUOTED:	MARKET VALUE		MARKET VALUE	
Nil (Previous year 7840) Equity Shares of Rs.10/- each Fully paid up of Industrial Development Bank of India	–	–	4.55	6.37
Less : Provision for Decline in Value of Investments	–	–		1.82
(A)	<u>–</u>	<u>–</u>	<u>4.55</u>	<u>4.55</u>
B. LONG - TERM				
NON-TRADE – UNQUOTED:				
12000 Equity Shares of Rs.10/- each fully paid-up of Pattancheru Enviro-Tech Ltd.,		1.20		1.20
Less : Provision for Decline in Value of Investments		1.20		–
(B)		<u>–</u>		<u>1.20</u>
Total: (A+B)		<u>–</u>		<u>5.75</u>
Aggregate Value of Quoted Investments		–		4.55
Aggregate Market Value of Quoted Investments		–		4.55
Aggregate Value of Unquoted Investments		–		1.20
08. INVENTORIES:				
(As taken, Valued and Certified by the Management)				
Stock of Raw Materials		2256.23		1834.13
Stock of Stores and Spares		165.85		125.65
Stock of Work-in-Process		9619.01		6964.83
Stock of Finished Goods		1534.62		1680.31
Material in Transit		323.53		150.98
Tools and Spares		5.64		3.62
		<u>13904.88</u>		<u>10759.52</u>
09. SUNDRY DEBTORS:				
(Unsecured)				
Outstanding for a Period Exceeding six months :				
Considered good		141.37		453.67
Considered doubtful		21.20		6.32
		<u>162.57</u>		<u>459.99</u>
Less: Provision for Doubtful Debts		<u>21.20</u>		<u>6.32</u>
		141.37		453.67
Others:				
Considered good		10075.55		8221.22
		<u>10216.92</u>		<u>8674.89</u>

Schedules

(Rs. In Lakhs)

	As At 31st March 2005	As At 31st March 2004
10.CASH AND BANK BALANCES:		
Cash on Hand	16.02	22.99
Balance with Scheduled Banks :		
- In Current Accounts	181.10	144.07
- In Term Deposit Accounts	251.66	552.15
(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.251.64 lakhs (Previous Year Rs.252.13 lakhs) towards Margin on Letters of Credits and Guarantees issued by the Banks)		
	<u>448.78</u>	<u>719.21</u>
11.OTHER CURRENT ASSETS:		
Interest accrued on deposits	13.71	9.39
	<u>13.71</u>	<u>9.39</u>
12.LOANS AND ADVANCES		
(Unsecured, considered good, recoverable in cash or in kind or for value to be received)		
Deposits Recoverable	339.06	214.44
Advances to Suppliers	197.37	134.89
Advance for Expenses	8.64	7.96
Central Excise Duty	1293.98	510.67
Prepaid Expenses	67.27	69.31
Other Advances and Recoverables	166.12	51.62
Prepaid Taxes	509.78	—
(Net of Provision for Taxation)		
	<u>2582.22</u>	<u>988.89</u>

Schedules

(Rs. In Lakhs)

	As At 31st March 2005		As At 31st March 2004	
13. CURRENT LIABILITIES AND PROVISIONS				
A. Current Liabilities				
Acceptances		–		134.03
<u>Creditors for Capital Works:</u>				
Small Scale Industrial Undertakings (Refer Note No.6 of Schedule 21- Notes to accounts)	0.51		0.98	
Others	148.52	149.03	<u>211.51</u>	212.49
<u>Sundry Creditors:</u>				
Small Scale Industrial Undertakings (Refer Note No.6 of Schedule 21- Notes to accounts)	43.86		36.40	
Others	5501.10	5544.96	<u>4620.56</u>	4656.96
Advances from Customers		1069.57		299.43
Interest Accrued But Not Due		–		0.64
<u>Investors Education and Protection Fund:</u>				
Unclaimed Dividend		18.60		18.51
(Note: There is no amount due and outstanding to be credited to Investor Education and Protection Fund)				
		<u>6782.16</u>		<u>5322.06</u>
B. Provisions:				
Provision for Taxation (Net of Tax Paid)		–	122.43	
Proposed Dividend	1025.50		1025.50	
Corporate Dividend Tax	143.82		131.39	
		<u>1169.32</u>		<u>1279.32</u>
		<u>7951.48</u>		<u><u>6601.38</u></u>

Schedules

(Rs. In Lakhs)

	For the Year ended 31st March 2005	For the Year ended 31st March 2004
14. OTHER INCOME		
Dividend Received	—	0.12
Contract Research Fee	660.42	275.23
Export Benefits	903.02	1036.68
Gain on foreign Exchange Fluctuation	19.80	—
Interest Earned (Gross) (TDS Rs.6.44 lakhs) (Previous Year Rs.4.23 lakhs)	29.60	20.56
Profit on sale of Investments	2.08	—
Provision for doubtful debts written back	—	13.83
Provision for decline in value of Long Term Investments no longer required written back	0.61	3.26
Miscellaneous Income	99.12	95.47
	<u>1714.65</u>	<u>1445.15</u>
15. MATERIALS CONSUMED		
A. RAW MATERIALS CONSUMED		
Opening Stock	1834.13	2489.58
Add: Purchases	18916.38	16816.11
	20750.51	19305.69
Less: Closing Stock	2256.23	1834.13
Sales	131.99	2.16
	<u>2388.22</u>	<u>1836.29</u>
(A)	<u>18362.29</u>	<u>17469.40</u>
B (INCREASE) IN STOCKS :		
Closing Stock of :		
Finished Goods	1534.62	1680.31
Less: Central Excise duty liability	216.23	231.77
	1318.39	1448.54
Work-in-Progress	9619.01	6964.83
	<u>10937.40</u>	<u>8413.37</u>
Opening Stock of:		
Finished Goods	1680.31	1557.48
Less: Central Excise duty liability	231.77	321.54
	1448.54	1235.94
Work-in-Progress	6964.83	2289.83
	<u>8413.37</u>	<u>3525.77</u>
Increase in Stocks :	2524.03	4887.60
MATERIALS CONSUMED: (A-B)	<u>15838.26</u>	<u>12581.80</u>
16. MANUFACTURING EXPENSES		
Stores Consumed	611.92	519.60
Power and Fuel	1912.64	1788.64
Conversion Charges	28.33	11.60
Tools Written off	2.42	1.54
Repairs and Maintenance to :		
- Buildings	108.17	104.35
- Plant and Machinery	620.66	588.23
	<u>3284.14</u>	<u>3013.96</u>

Schedules

(Rs. In Lakhs)

	For the year ended 31st March 2005	For the year ended 31st March 2004
17.SALARIES,WAGES AND OTHER ALLOWANCES TO STAFF		
Salaries,Wages,Bonus and Other Allowances	1411.98	1141.84
Contribution to PF and ESI	40.94	34.74
Workmen and Staff Welfare expenses	56.71	77.53
	<u>1509.63</u>	<u>1254.11</u>
18.OTHER EXPENSES		
Managerial Remuneration	681.54	489.08
Directors' Sitting Fees	1.37	0.66
Printing and Stationery	64.54	46.44
Rent	20.90	23.07
Communication Expenses	37.57	37.85
Fees,Rates and Taxes	213.92	62.68
Travelling and Conveyance	129.65	132.42
Insurance	116.54	105.03
Repairs and Maintenance to Other Assets	18.25	17.69
Vehicle Maintenance	55.66	46.03
Payment to Auditors	14.71	9.81
Professional and Consultancy Charges	69.27	43.31
Factory Upkeep	135.07	126.63
Research and Development Expenses	740.16	679.20
Environment Management Expenses	102.82	106.45
Freight and Handling Charges	734.96	693.58
Advertisement	6.47	3.77
Discount	0.79	0.92
Sales Commission	278.20	177.09
General Expenses	201.64	166.00
Bad Debts Written-off	6.18	10.73
Provision for Doubtful Debts	14.88	—
Donations	3.15	6.00
Loss on Foreign Exchange Fluctuations	—	33.34
Loss on Sale of Assets	4.22	3.79
	<u>3652.46</u>	<u>3021.57</u>
19.FINANCE CHARGES		
Interest on Fixed Loans	10.15	44.34
Interest on Working Capital Loans	222.16	121.23
Interest to Others	79.07	34.11
Bank Charges and Commission	118.51	136.71
	<u>429.89</u>	<u>336.39</u>

Accounting Policies

20. ACCOUNTING POLICIES:

A. 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.
- ii. Depreciation on Fixed Assets is provided under Straight Line Method at the rates specified in Schedule XIV of the Companies Act, 1956.

B. 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.

C. INVESTMENTS:

Investments intended to be held for long term are treated as long-term investments and are valued at cost of acquisition. Provision for decline in value of Long Term Investments in the nature of permanent, if any, is made in the accounts.

D. INVENTORIES :

- i. Inventories are valued at lower of cost or net realisable value except in case of tools and spares. Cost is determined using average cost method. Tools and spares are valued on revaluation.
- ii. Stationery, Uniforms, Medical, Canteen and Books and Periodicals are charged off to the revenue at the time of purchase / payment.

E. EXCISE DUTY:

Excise Duty collected and paid is recorded separately and any excess payment thereof is treated as expense during the year. The value of closing stock of finished goods includes excise duty paid/payable on such stocks.

F. FOREIGN EXCHANGE TRANSACTIONS:

Transactions in Foreign Exchange, other than those covered by forward contracts are accounted for at the exchange rate prevailing on the date of transactions. Assets and liabilities other than those covered by forward contracts are revalued at the year-end rates. Realised Gains and Losses on foreign exchange transactions, other than those relating to fixed assets are recognised in the profit and loss account.

G. 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.

H. RETIREMENT BENEFITS:

i. GRATUITY AND EARNED LEAVE ENCASHMENT:

Accruing liability towards Gratuity and earned leave encashment to employees at the year end is provided on the basis of actuarial valuation made by an independent actuary.

ii. PROVIDENT FUND:

The company is contributing to the Employees Provident Fund maintained under the Employees Provident Fund scheme by the Central Government.

Accounting Policies

I. TAXATION:

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

Current Year 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.

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 reasonable certainty that sufficient future taxable income will be available against which such deferred tax assets can be realised.

J. EXPORT BENEFITS:

Advance Licences and Duty Entitlements against exports made by the company are accounted in the books on their utilisation/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.

K. REVENUE RECOGNITION:

- i. SALES: Domestic and export sales are recognized on dispatch of goods from the Factory and Port respectively.
- 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.

L. ACCOUNTING CONVENTION:

The financial statements are prepared under historical cost convention and on accrual basis.

Notes To Accounts

21. NOTES TO ACCOUNTS

- Previous year figures have been regrouped/ rearranged wherever necessary.
- CONTINGENT LIABILITIES:

Particulars	(Rs.in lakhs)	
	2004-05	2003-04
i) On account of Letters of Credit and bank guarantees issued by the bankers.	3108.01	2346.95
ii) On account of Foreign bills discounted with banks	–	60.92
iii) On account of Bonds executed with Central Excise authorities for clearing goods meant for export without payment of duty	–	3.17
iv) Claims against the company not acknowledged as debts	10.19	9.59
v) Demands being disputed / contested by the Company	286.33	207.71

- Estimated amount of contracts remaining to be executed on capital account and not provided for (Gross) **223.02** 682.22
- Land admeasuring 33.72 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.
- There are no specific claims on the company from Small Scale Industrial suppliers under the "Interest on Delayed Payments to Small Scale & Ancillary Industrial Undertakings Act, 1993".
- The names of Small Scale Industrial Undertakings to whom the company owes a sum outstanding for more than 30 days are (1) Calcutta Plastic Industries, (2) Godavari Plasto Containers Pvt Ltd, (3) GPC Flow Instruments Pvt. Ltd, (4) Costal Ammonia Pvt. Ltd, (5) Sri Sairam Polymers, (6) Durga Industries, (7) Maruthi Cores & Containers Pvt Ltd, (8) Super Olefins Pvt. Ltd (9) Coastal Plasto Containers (10) SPP Poly Pack Pvt. Ltd

The above information and that given in Schedule 13 A- Current Liabilities regarding Small Scale Industrial Undertakings has been determined to the extent such parties have been identified on the basis of information available with the company.

- AMOUNTS PAID/PAYABLE TO AUDITORS:

Particulars	(Rs. In lakhs)	
	2004-05	2003-04
Audit fees	6.61	5.40
Tax Audit fees	1.66	1.62
Certification charges	2.73	2.02
For Taxation matters	3.50	0.50
For Expenses	0.21	0.27
TOTAL	14.71	9.81

- MANAGERIAL REMUNERATION:

Particulars	(Rs. In lakhs)	
	2004-05	2003-04
Salary	133.44	119.40
Commission	491.88	320.18
Perquisites	41.76	36.62
Contribution to Provident Fund	14.46	12.88
Total	681.54	489.08

Notes To Accounts

9. 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 and Executive Director for the year ending 31st March, 2005

		(Rs. in Lakhs)	
Particulars	2004-05		
Profit as per Profit and Loss Account		10231.42	
Add: Managerial Remuneration	681.54		
Directors Sitting Fee	1.37		
Provision for Doubtful Debts	14.88		
Loss on Sale of Assets	4.22	702.01	
		10933.43	
Less: Provision for Diminution in Value of Investments Written back	0.61		
Profit on Sale of Investments	2.08	2.69	
PROFIT U/S 198 (1) of the Companies Act 1956		10930.74	
Commission @ 4.5% of the above		491.88	

10. Expenditure under the following heads of account include Prior Year Expenses detailed below:

			(Rs. in Lakhs)	
Particulars	2004-05	2003-04		
Stores Consumed	1.26	—		
Power and Fuel	0.70	—		
Others	0.60	0.32		
Total	2.56	0.32		

11. Segmental Reporting:

- (i) As the Company's business 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	2004-05		2003-04			
	Revenue	%	Revenue	%		
Exports	30986.59	88.21	26897.56	87.57		
Domestic	4139.99	11.79	3819.06	12.43		
Total	35126.58	100.00	30716.62	100.00		

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

Notes To Accounts

12. Transactions with Related Parties Pursuant To Accounting Standard – 18

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

i) KEY MANAGEMENT PERSONNEL:

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

ii) RELATIVES OF KEY MANAGEMENT PERSONNEL:

1. N. Laxmana Rao
2. Mallikarjuna Rao Divi
3. Nilima Divi

b) Transactions with Related Parties:

(Rs. In lakhs)

Particulars	2004-05		2003-04	
	Amount	Outstanding as at 31.03.2005	Amount	Outstanding as at 31.03.2004
Remuneration to Key Management Personnel	681.54	498.84	489.08	325.83
Lease Rent to Key Management Personnel	11.64	0.97	11.39	1.31
Salary and Allowances to Relatives of Key Management Personnel	5.16	0.30	4.50	0.41
Lease Rent to Relatives of Key Management Personnel	8.73	Nil	11.39	1.31
Sales Commission to a Company in which Key Management Personnel has substantial Interest.	—	—	15.95	12.31
Acceptance of Deposit from a Key Management Personnel	—	—	145.00	—
Repayment of Deposit to Key Management Personnel	—	—	145.00	—

13. Information on Leases as per Accounting Standard -19 on "Accounting for Leases":

(i) 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 20.37 lakhs (Previous Year Rs.22.77 lakhs).

14. Earnings per Share (EPS): - The Numerator and denominator used to calculate Earnings per Share:

(Rs. In lakhs)

Particulars	2004-05	2003-04
Profit attributable to Equity Shareholders (A)	6603.12	7284.31
Basic/Weighted average Number of Equity shares outstanding during the year (Nos.) (B)	12818700	12818700
Nominal Value of Equity Share (Rs.)	10/-	10/-
Earnings Per Share (Rs.) (A) / (B)	51.51	56.83

Notes To Accounts

15. DEFERRED TAX LIABILITY:

Movement of Provision for Deferred Tax for the year ended 31.03.2005 is as given below:

Particulars	(Rs. In lakhs)		
	(Liability)/Asset As at 01.04.2004	(Charges)/ Credit for the year	(Liability)/ Asset as at 31.03.2005
Timing Differences on account of:			
1. Depreciation on Assets	(2302.88)	(278.28)	(2581.16)
2. Expenses allowable on the basis of Payment	22.48	17.43	39.91
3. Others	51.65	(13.63)	38.02
TOTAL	(2228.75)	(274.48)	(2503.23)

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

Particulars	2004-05		2003-04	
	Qty MTs	Value (Rs.in lakhs)	Qty MTs	Value (Rs.in lakhs)
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) (As certified by the Management, But not verified by the Auditors, being a technical matter)		2000		1800
C. Actual production:				
Active Pharma Ingredients and Intermediates (MTs) (Net of Captive Consumption of 1168.22 MTs (Previous Year 1139.69MTs))		1331.43		1322.29
ii) Opening and Closing Stock of Finished Goods:				
<u>Opening Stock:</u>				
Active Pharma Ingredients and Intermediates	132.01	1680.31	137.40	1557.48
<u>Closing Stock:</u>				
Active Pharma Ingredients and Intermediates	114.80	1534.62	132.01	1680.31
iii) Details of Turnover: (Inclusive of samples)				
Active Pharma Ingredients and Intermediates	1348.64	35126.58	1327.68	30716.62
iv) Details of Raw Materials Consumed:				
P-Anisaldehyde	952.20	2130.84	685.54	1542.45
Benzothiozole	647.24	737.42	402.50	463.71
Iodine	76.81	536.13	86.21	515.52
Methyl Chloro Acetate	857.04	569.20	541.97	333.77
Toluene	3790.40	1168.62	4929.29	1191.70
Others		13220.08		13422.25
Total		18362.29		17469.40

Notes To Accounts

v) Value of Imported and Indigenous Raw Materials consumed and their percentage to total consumption:	2004-05 (Rs. In lakhs)		2003-04 (Rs. In lakhs)	
	Value	%	Value	%
Imported	6311.34	34.36	5503.34	31.50
Indigenous	12050.95	65.64	11966.06	68.50
Total	18362.29	100.00	17469.40	100.00

vi) Expenditure in Foreign Currency Towards:	Rs. in lakhs	
	2004-05	2003-04
Membership and Subscription	1.36	3.06
Books and Periodicals	8.15	2.77
Travelling Expenses	38.18	42.14
Lab Chemicals	5.49	5.43
Consultancy charges	64.42	41.34
Sales commission	209.30	118.00
Foreign Bank charges	25.64	17.92
Finance charges	5.47	31.34
Others	21.34	15.90
vii) Earnings in Foreign Exchange:		
FOB Value of Exports	30159.19	25872.40
Contract Research Fee	660.42	269.66
Interest	Nil	1.13
viii) CIF Value of Imports:		
Raw Materials	6403.71	5549.40
Capital Equipment	356.41	210.46
Spares	34.36	25.80
ix) Remittances in Foreign Currency for Dividend:		
A No. of Non-resident Shareholders	10	11
B No. of Shares held(Equity shares of Rs. 10/- each)	138000	180000
C Dividend Remitted(Net of Tax Rs. Nil)	11.05	10.81

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

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

SIGNATURES TO SCHEDULES 1 TO 21

Signed on 21st day of May, 2005 at Hyderabad.

Per Our Report of Even Date
For **P.V.R.K.NAGESWARA RAO & CO**
Chartered Accountants

MURALI K.DIVI
Chairman and Managing Director

KIRAN S.DIVI
Director - Business Development

P.V.R.K.NAGESWARA RAO
Partner

L. KISHOREBABU
Chief Financial Officer

A. NARENDRA
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	:		31.03.2005
(Rs.in lakhs)			
ii) Capital raised during the year			
Public issue	:		Nil
Rights issue	:		Nil
Bonus issue	:		Nil
Private Placement	:		Nil
iii) Position of Mobilisation and deployment of funds			
Total Liabilities	:		37478.26
Total Assets	:		37478.26
a) <u>Sources of funds</u>			
Paid-up capital	:		1281.87
Reserves and Surplus	:		27084.12
Secured Loans	:		6287.96
Unsecured Loans	:		321.08
Deferred Tax Liability	:		2503.23
b) <u>Application of funds</u>			
Net Fixed Assets	:		18263.23
Investments	:		Nil
Net Current Assets	:		19215.03
Misc Expenditure	:		Nil
Accumulated Losses	:		Nil
iv) Performance of Company			
Turnover	:		36452.48
Total Expenditure	:		26221.06
Profit/Loss before tax	:		10231.42
Profit/Loss after tax	:		6603.12
Earnings per share (Rs.)	:		51.51
Dividend (%)	:		80%
v) Generic names of three principal Products/services of company (as per monetary terms)			
1. Item Code No.(ITC Code)	:		2909.00
Product Description	:	CIS(+)	Hydroxy Lactum
2. Item Code No.(ITC Code)	:		2942.00
Product Description	:		Naproxen
3. Item Code No.(ITC Code)	:		2942.00
Product Description	:		Iopamidol

