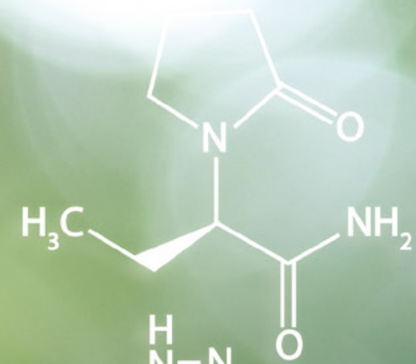
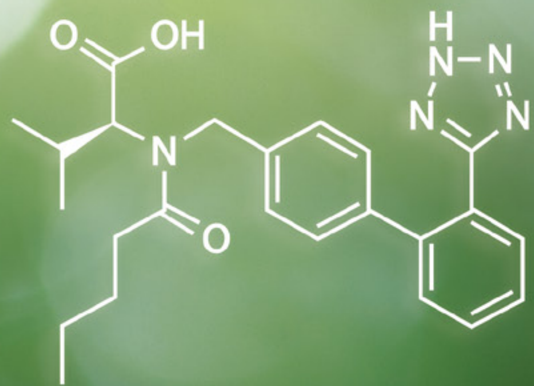
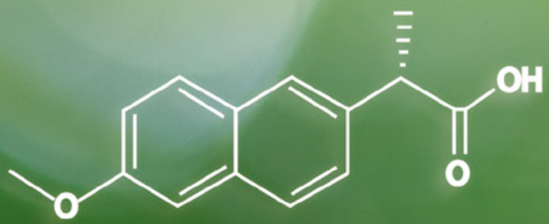
Divi's Laboratories Limited

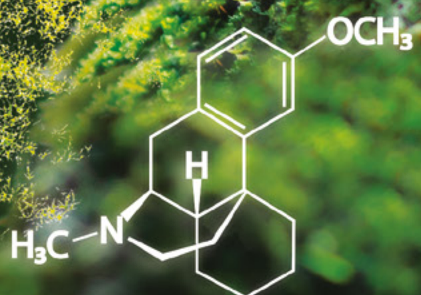
Sustainable Chemistry

Striving for leadership
through chemistry









29th Annual Report 2018-19

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You can also find this report online on:
www.divislabs.com

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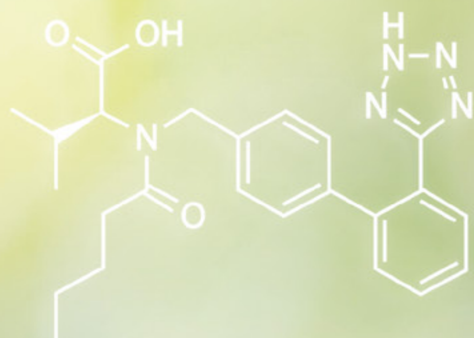


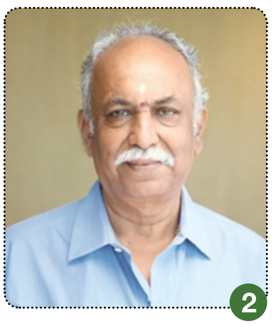
At Divi's, we believe that what we manufacture to protect the health of people should also protect the environment. We, therefore, put our best minds to work to innovate and evolve our product processes, chemicals and stewardship practices across all sectors to produce safer chemicals. Divi's steadfast commitment towards creating innocuous and affordable products benefits the people, the Company, it's customers and the planet earth. Our financial performance has reached newer heights while consistently ensuring sustainability.

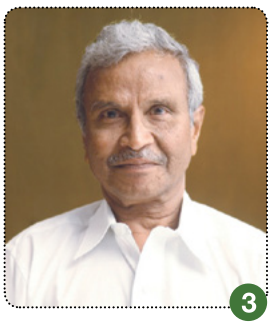
We also ensure that all the natural resources that are utilised in the production are used optimally. When we ensure our societal responsibilities are carried well, and our environment is made safer, we call our progress, quality growth.

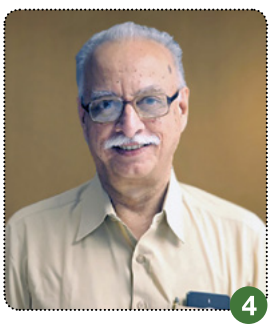
Board of Directors

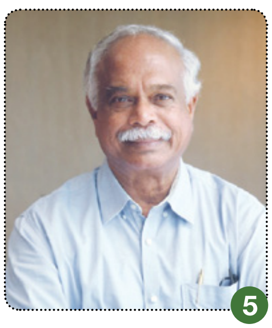
Executive Directors

1. Dr. Murali. K. Divi
   Chairman & Managing Director
2. N. V. Ramana
   Executive Director
3. Madhusudana Rao Divi
   Whole-time Director
4. Kiran S. Divi
   Whole-time Director
5. Nilima Motaparti
   Whole-time Director









Independent Directors

1. Dr. G. Suresh Kumar
   Independent Director
2. R. Ranga Rao
   Independent Director
3. K. V. K Seshavataram
   Independent Director
4. Dr. Ramesh B V Nimmagadda
   Independent Director
5. Dr. S. Ganapaty
   Independent Director
6. Prof. Sunaina Singh
   Additional Director

Corporate Information

Manufacturing Facilities

Choutuppal Unit :
Lingojigudem Village, Choutuppal Mandal,
Yadadri Bhuvanagiri Dist. (TG), Pin - 508252

DC SEZ Unit – Ongoing Project
Lingojigudem Village, Choutuppal Mandal,
Yadadri Bhuvanagiri Dist. (TG), Pin – 508252

Export Oriented Unit:
Chippada Village, Bheemunipatnam Mandal
Visakhapatnam Dist. (A.P), Pin - 531163

Divi's Pharma SEZ:
Chippada Village, Bheemunipatnam Mandal
Visakhapatnam Dist. (A.P), Pin - 531163

DSN SEZ Unit:
Chippada Village, Bheemunipatnam Mandal
Visakhapatnam Dist. (A.P), Pin - 531163

DCV SEZ Unit: Ongoing Project
Chippada Village, Bheemunipatnam Mandal
Visakhapatnam Dist. (A.P), Pin – 531163

Registrar & Share Transfer Agent

Karvy Fintech Private Limited

Karvy Selenium Tower B, Plot No. 31-32,
Gachibowli, Financial Dist, Nanakramguda,
Hyderabad - 500032.
CIN: U72400TG2017PTC117649

R&D Centres

B-34, Industrial Estate, Sanathnagar,
Hyderabad. Pin - 500 018

Lingojigudem Village, Choutuppal Mandal,
Yadadri Bhuvanagiri Dist. (TG), Pin - 508 252

Chippada Village, Bheemunipatnam Mandal,
Visakhapatnam Dist. (A.P), Pin - 531163

Subsidiaries

Divis Laboratories (USA) Inc, New Jersey,USA.
Divi's Laboratories Europe AG, Basel,
Switzerland.

Auditors

Statutory Auditors

Price Waterhouse Chartered Accountants LLP
Plot no. 77/A, 8-2-624/A/1, 3rd Floor,
Road No. 10, Banjara Hills,
Hyderabad – 500034.

Cost Auditor

EVS & Associates, Cost Accountants,
205, Raghava Ratna Towers, Chirag Ali Lane,
Hyderabad - 500 001.

Secretarial Auditor

V. Bhaskara Rao & Co, Company Secretaries,
6-2-1085/B, Flat No.- 103, Badam Sohana
Apts., Raj Bhavan Road, Somajiguda,
Hyderabad - 500 082.

Bankers

State Bank of India

CCG Branch, Door No. 8-2-684/2/A,
I Floor, NSL Icon Building,
Anand Banjara Colony,
Road No 12, Banjara Hills,
Hyderabad – 500034.

HDFC Bank Ltd
"Bank House", Wholesale Banking
Operations,H.No.6-3-246 & 244,
Road No. 1,Banjara Hills,
Hyderabad, Telangana – 500034

Date, Time and Venue of AGM

23 August 2019, 10.00 AM

Global Peace Auditorium, Brahma Kumaris,
Shanti Sarovar, Academy for Better World,
Gachibowli,
Hyderabad- 500032, Telangana, India

Registered Office

Divi Towers, 1-72/23(P)/DIVIS/303,
Cyber Hills, Gachibowli,
Hyderabad - 500032, Telangana, India
CIN : L24110TG1990PLC011854
Phone : 040-2378 6300;
Fax: 040-2378 6460
E-mail : mail@divislabs.com
Website : www.divislabs.com

Introducing Divi's

Divi's is leading manufacturer of active pharma ingredients (API) with predominance in exports; and exports to advanced markets in Europe and America constitute about 73% of its revenue.

At Divi's, we constantly evaluate and review our chemistry processes for a sustainable future. We are passionate about chemistry and conscious about our customers' requirements. To be a leading API supplier for our customers, we constantly review our processes, upgrade our skills and manufacturing facilities while complying to quality and cGMP regulations; and also add value to society. The approximately 12,000 employees of the Company work on optimising our business processes.

The world is changing more rapidly than ever before, driven by demographic changes and digital technologies. Pharmaceutical Industry faces diverse social and environmental challenges due to limited natural resources and increasing consumer demands. Chemistry is key to solving many of these challenges. We are augmenting our expertise and evaluating our processes in order to develop innovative, competitive and responsible solutions for sustainable operations.

As part of our aspiration for a sustainable and competitive business in our domain, we plan our growth with social commitment to create value for society. To achieve this, we have set ourselves appropriate financial and non-financial targets.

Vision

We envision creating value for all stakeholders by manufacturing high quality Generic APIs, Custom synthesis of APIs & Intermediates along with Nutraceutical Ingredients to the Global Pharmaceutical & Nutraceutical industry through sustainable leadership in chemistry.

Mission

We at Divi's aim to be a responsible business, adding value through our core competency in the area of chemistry while adhering to our core values and serving the immediate community and at large through our diverse social initiatives that would establish a strong foundation for a better tomorrow for all stakeholders.

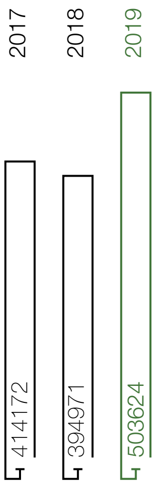
Snapshot, FY 2018-19

503624 Total Revenue (₹ in lakhs) 28% ↑	**200554** EBIDTA (₹ in lakhs) 47% ↑	**4520930** Market Capitalisation as on 31 March 2019 (₹ in lakhs) 56% ↑	**697331** Networth (₹ in lakhs) 17% ↑
183323 Profit before tax (₹ in lakhs) 50% ↑	**133265** Profit after tax (₹ in lakhs) 53% ↑	**325422** Gross Block (₹ in lakhs) 8% ↑	**50.20** Earnings per share (₹) 53% ↑

Sustainable Performance

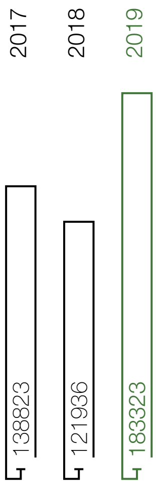
TOTAL REVENUE
(₹ In Lakhs)

28%
Growth

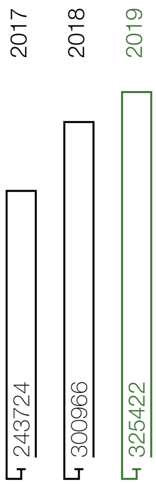


PBT
(₹ In Lakhs)

50%
Growth

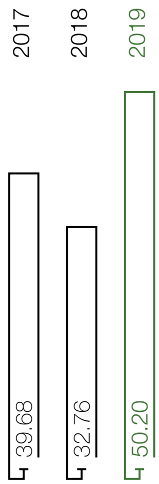


GROSS FIXED ASSETS
(₹ In Lakhs)

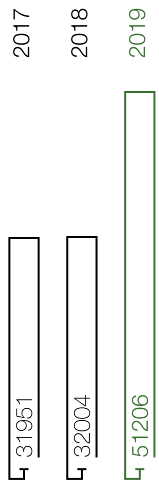


EPS
(₹)

53.24%
Growth

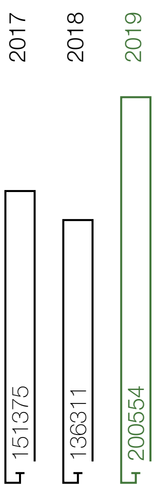


DIVIDEND
(₹ In Lakhs)



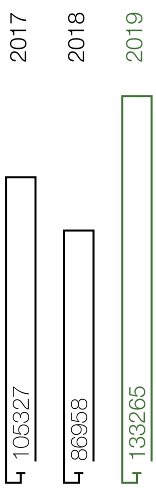
EBIDTA
(₹ In Lakhs)

47%
Growth



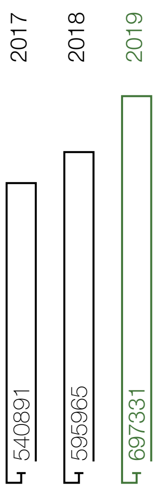
PAT
(₹ In Lakhs)

53%
Growth



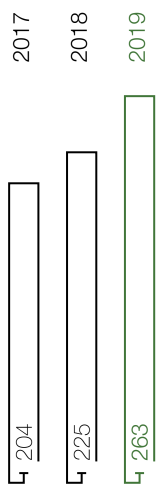
NETWORTH
(₹ In Lakhs)

17.10%
Growth



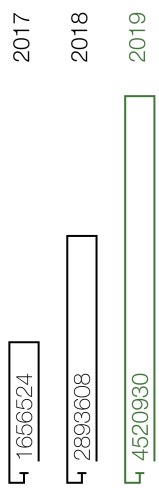
BOOK VALUE PER SHARE (₹)

17.10%
Growth

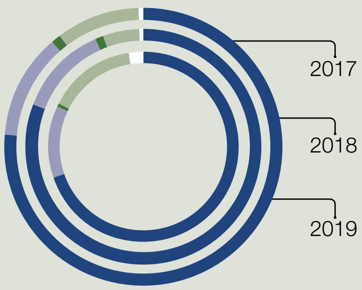


MARKET CAPITALISATION
(₹ In Lakhs)

56.3%
Growth



NATIONAL EXCHEQUER



₹ in Lakhs

	FY2016		FY2017		FY2018		FY2019	
	₹	%	₹	%	₹	%	₹	%
Tax Expense	26516	81.78%	33540	84.59%	34951	85.18%	50094	82.06%
Corporate Dividend tax	5404	16.67%	5404	13.63%	5457	13.30%	8731	14.30%
Other taxes	362	1.12%	502	1.27%	461	1.12%	447	0.73%
Customs duty	141	0.43%	204	0.51%	164	0.40%	1774	2.91%
Total	**32423**	**100.00%**	**39650**	**100.00%**	**41033**	**100.00%**	**61046**	**100.00%**

DIRECT ECONOMY IMPACT

₹ in Lakhs

	FY2017	FY2018	FY2019
Total Revenue	414172	394971	503624
Exports	353148	327927	417456
Tax Expense	33540	34978	50022
Consumption of Material	154158	150490	183783
Employee Benefit Expenses	49033	44627	53072
Interest	226	133	350
Dividend & Dividend Tax	31951	32004	51206

EMPLOYEES

	FY2017	FY2018	FY2019
Cost towards wages / salaries	47853	43065	50738
Other benefit costs	2137	2541	2334
Total personnel costs	49990	45606	53072
% of Sales Revenue	12.07%	11.55%	10.54%
Number of employees	9735	10762	11847

CUSTOMERS

₹ in Lakhs

	FY2017	FY2018	FY2019
Total Revenue	414172	394971	503624
Debtors	100042	111211	128224
Payments received during the year	410745	383802	486611
Debtors' outstanding (in average number of days)	90	103	93

Geographical Market Presence

AMERICA

	FY2017	FY2018	FY2019
Sales ₹ Lakhs	133808	108749	127212
% Share	33%	28.98%	26.85%

ASIA

	FY2017	FY2018	FY2019
Sales ₹ Lakhs	47284	34730	59183
% Share	11.66%	9.25%	12.49%

EUROPE

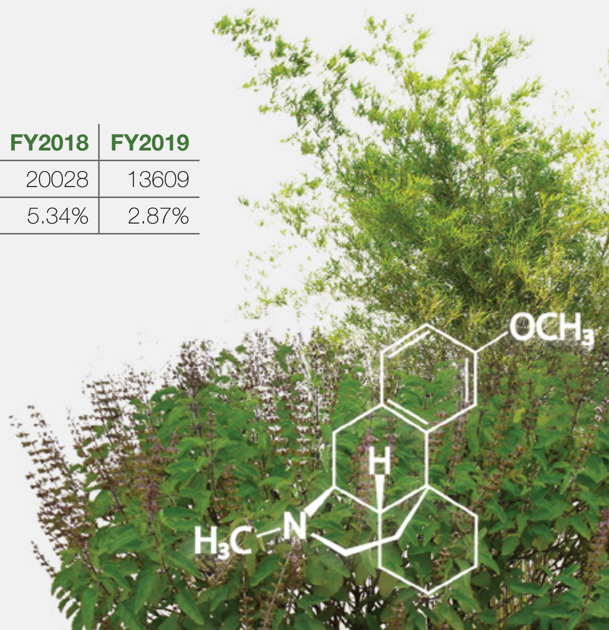
	FY2017	FY2018	FY2019
Sales ₹ Lakhs	162825	163798	217452
% Share	40.16%	43.64%	45.90%

REST OF THE WORLD

	FY2017	FY2018	FY2019
Sales ₹ Lakhs	9460	20028	13609
% Share	2.33%	5.34%	2.87%

INDIA

	FY2017	FY2018	FY2019
Sales ₹ Lakhs	52097	48014	56266
% Share	12.85%	12.79%	11.88%



Performance Highlights

₹ in Lakhs

	FY2014-15	FY2015-16	FY2016-17	FY2017-18	FY2018-19
Turnover and Profit	**Indian GAAP**	**Ind AS**			
Revenue#	308401	374985	406578	383723	487966
Revenue Growth (y-o-y)	23%	22%	8%	(6%)	27%
Other Income	4284	9592	7594	11248	15658
Total Revenue	312685	384577	414172	394971	503624
Total Income Growth (y-o-y)	20%	23%	8%	(5%)	28%
Profit before Interest, depreciation and tax. (EBDIT)	120489	149640	151375	136311	200554
EBDIT to Revenue	39%	39%	37%	35%	40%
EBDIT Growth (y-o-y)	9%	24%	1%	(10%)	47%
Finance Charges	186	301	226	133	350
Depreciation	13585	11810	12326	14242	16881
Profit before tax (PBT)	106718	137529	138823	121936	183323
PBT Growth (y-o-y)	6%	29%	1%	(12%)	50%
Provision for Taxation	22012	26445	33496	34978	50058
Profit After Tax (PAT) (before OCI)	84706	111084	105327	86958	133265
PAT Growth (y-o-y)	7%	31%	(5%)	(17%)	53%
Dividend, Share Capital and Capital Employed					
Dividend	1000%	500%	500%	500%	800%
Dividend Amount	31951	31951	31951	32004	51206
Dividend payout (%)	38%	29%	30%	37%	38%
Equity Share Capital	2655	5309	5309	5309	5309
Reserves & Surplus	353541	430395	535582	590656	692022
Net Worth	356196	435704	540891	595965	697331
Net Worth growth %	17%	22%	24%	10%	17%
Gross Fixed Assets	195240	219542	243724	300966	325422
Net Fixed Assets	130873	143864	155895	199588	208742
Total Assets	447477	496549	621008	680778	804018
Key Financial Indicators					
Earnings per share (face value of ₹2/- each)	63.82	41.84*	39.68	32.76	50.20
Cash Earnings Per Share (face value of ₹2/- each)	74.05	46.29*	44.32	38.12	56.56
Gross Turnover Per share (face value of ₹2/- each)	236	145*	156	149	190
Book Value per share (face value of ₹2/- each)	268	164*	204	224	263
Net Debt to Equity	0.010	0.010	0.010	0.011	0.015
EBDIT / Gross Turnover %	39%	39%	37%	35%	40%
Net Profit Margin %	27%	29%	25%	22%	26%
RONW %	22%	25%	19%	15%	19%

 # Inclusive of excise duty
** Post Bonus Issue*

Responsibility at Core

At Divi's we diligently follow our social responsibility efforts to strive to create a positive impact in the lives of people through our initiatives aimed at improving their quality of life.

While the Governments are making serious efforts towards improving the living standards of our people particularly in the rural hinterland, there remains a large section of the society struggling with very basic needs such as education and health. To supplement these efforts, Divi's, Laboratories has been focussing on social initiatives by reaching out to deprived sections of society around its manufacturing sites.

We continue to take long-term view of our business with a strong commitment to work for sustainable living along with creating economic value towards sustainable living and empowerment.

Our key focus areas:

Promoting Education

Public Health

Rural Development

Empowering Women

Promoting Rural Sports

Animal Welfare & Dairy Development

Support to Differently Abled People

Livelihood Enhancement project

Safe Drinking Water

Swachh Bharat

Environmental Sustainability

Promoting Education

Quality of and access to education is a major concern in rural schools as there are fewer teachers, lack of proper text books and learning material in many rural schools. We realise the importance of education in development of any person's life for understanding, gainful occupation and empowerment. We undertake a wide gamut of activities enumerated below and help ensure proper education facilities provided to children especially the underprivileged ones.

Key Activities	Outcomes in FY 2018-19		
To encourage young minds to attend school and to support the schools, we provided students with basic necessities such as note books, uniforms, school accessories and furniture and also contribute for teachers' salaries	**42** Villages covered	**59** Government schools reached	**5770** Students impacted through this initiative.
All-in-one books to SSC students to ensure they study and score well in their examination.	**47** Villages covered	**47** Government schools reached	**1957** Students impacted through this initiative.
We ensure that proper nutrition is provided to students by distributing Horlicks sachets on a regular basis.	**43** Villages covered	**62** Government schools reached	**6005** Students per day benefited through this initiative.

Key Activities	Outcomes in FY 2018-19		
As part of digitization program, we ensure that students in the rural area are benefited by this technology access. We have provided computer labs and digital training rooms.	**11** Digital class rooms established	**22** Computer labs established	**172** Computers installed
We have been constantly working towards improvement in the infrastructure of schools. Some of our contributions include provision of iron grills for safety of children and distribution of duel desk benches.	**3798** Duel desk benches distributed	**7** Provided iron grills in primary schools	
In order to ensure that education is provided to deserving students, we give merit base scholarship.	**135** Students awarded with scholarship	**37** Villages covered	
We provided teaching/learning materials to enhance the learning experience of young minds	**23** Schools provided with teaching learning materials	**1350** Students benefited	
To beautify the walls around the school at R. Tallavalasa village, we undertook theme wall painting activity.	**71** Students benefited		
We undertook construction of play school for toddlers at Anganwadi Building at Manthena village.	**800** Families benefited		

Mid-day Meal Initiative for schools

Centralized kitchen at Gambhiram Village by Akshaya Patra Foundation has become operational. Divi's supported this facility. The kitchen is equipped with latest green and efficient technology.

30,000

Children per day from government schools at Vishakhapatnam and vizianagaram districts benefited from this kitchen

Healthcare

Rural Health care is one of biggest challenges faced by Governments in India, and over 70 percent of population live in rural areas with inadequate health facilities. To supplement the efforts of the Government, we also do our part to contribute to good health and well-being of the people around our manufacturing sites. Our contribution includes giving the resources and medical help to cure and prevent various health problems. On an on-going basis, we organize free eye and dental camps, ORT training and pulse polio campaigns, preventive camps Japanese Encephalitis and provide nutritious food to TB patients and created awareness on cervical cancer through cancer walk.

During the year under review, we provided free of cost treatment to children born with Cleft Lip and Palate Deformities. The treatment was provided by an expert team of doctors from Canada.

123 Children under the age of 15 years were provided free treatment during the year.

On TB day, we extended our support to TB patients in 100+ villages by providing them with nutritious food to 82 TB patients.

At regular intervals, we organize health check-up camps at schools to ensure physical fitness of students.

42
Villages covered

59
Government schools reached

5770
Students benefited through this initiative.

Rural Development

Rural development projects are one of the key focus areas of Divi's. Through our intervention, we strive to provide basic amenities and infrastructure along with improving the connectivity to remote villages. Our approach towards rural development has been on understanding the needs of the people and trying to fulfil the same in co-ordination with the local communities. During the year, we distributed street lights, constructed roads, drainages and developed burial grounds. We also extended our support to the victims of the recent Titly Cyclone in North Coastal Districts of Andhra Pradesh by providing them with basic amenities. To strengthen the law and supervision in the rural areas, we donated bikes to traffic police department of Vizianagaram District and even initiated construction of police control room in Visakhapatnam region in Andhra Pradesh.

₹ 11 crore

Contribution towards improvement of Gudivada Annavaram Road near our manufacturing site.

Empowering Women

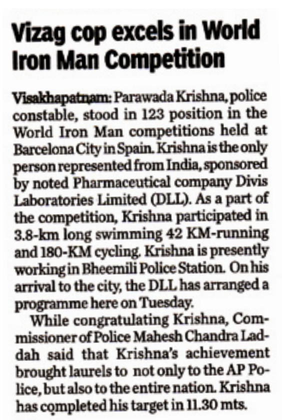
Women form an integral part of society and need support for skill development and upgradation to empower them to participate in the mainstream of society. We have been following a focused approach of providing training for self-employment opportunities to women in the backward regions. We have constructed Mahila Mandal Building at Panthangi and Lingojigudem Villages in Telangana State. We undertook various training programmes such as tailoring, books binding, Aarya work and embroidery to empower women to be self-reliant and generate financial resource for their families.

Promoting Rural Sports

Donation of Cement Benches to the Cricket Ground, Pedanagamayyapalem

Support for Constitutional Level Sports Meet

Support to Mr. Paravada Krishna for Participating in World Ironmen Championship



Vizag cop excels in World Iron Man Competition

Visakhapatnam: Parawada Krishna, police constable, stood in 123 position in the World Iron Man competitions held at Barcelona City in Spain. Krishna is the only person represented from India, sponsored by noted Pharmaceutical company Divis Laboratories Limited (DLL). As a part of the competition, Krishna participated in 3.8-km long swimming 42 KM-running and 180-KM cycling. Krishna is presently working in Bheemili Police Station. On his arrival to the city, the DLL has arranged a programme here on Tuesday.

While congratulating Krishna, Commissioner of Police Mahesh Chandra Laddah said that Krishna's achievement brought laurels to not only to the AP Police, but also to the entire nation. Krishna has completed his target in 11.30 mts.

Animal Welfare and Dairy Development

Livestock plays an important role in rural economy in India and a good number of families depend upon livestock for their livelihood. We have been closely working with experts to enhance veterinary care by conducting camps and equip veterinary hospitals with the required medical equipment, vaccination and medicines. To further extend our support to farmers, we conducted expert advisory camps on dairy development, cattle feed and animal welfare.

Support to differently abled

For the past few years, we have been constantly supporting differently abled children through various initiatives. In schools for visually challenged children, we renovated dining hall, donated dining tables and assisted students to get admission for higher education. Through this initiative so far, 45 Visually Challenged students have completed SSC and joined in intermediate courses at Netravidyalaya, Hyderabad.

Livelihood Enhancement

At our skill development centre, we undertake a wide range of training programmes to enhance skills and competency of underprivileged people and help them secure income-generating opportunities. We offer free training courses in the field of sewing machine operator, general duty assistant and hospitality. So far 273 youth from our nearby community were trained and have got placements in various locations.

Safe Drinking water

A large section of the society is still deprived of clean drinking water facility. To address this challenge, we initiated 'SUJALAM', a protected drinking water scheme. Through this scheme we installed RO plants in villages and initiated smart card system for any time water (ATW) and handed over to the local community or administration. We also ensured that safe and clean drinking water is available at several villages by building tanks and providing water through water tankers, especially in summer.

Drinking Water Tanks

Constructed 7 storage/distribution tanks with a pipeline from Gostani river near our Unit-II to provide water to 15 villages and 13,000 people are getting clean water every day. So far, our SUJALAM Scheme has benefited 1,75,000 villagers of 47 villages by 65 RO Plants.

Swachh Bharat

In support to the swachh bharat initiatives of the Governments, we undertook various initiatives to maintain cleanliness and hygiene in the rural villages. These initiatives include setting up of swachh bins for disposal of Recyclable and Biodegradable waste separately and collection of waste by tricycles. Engaging with local panchayats, we contribute monthly wages to helpers to ensure regular cleaning of Swachh bins in 28 locations.

Environmental Sustainability

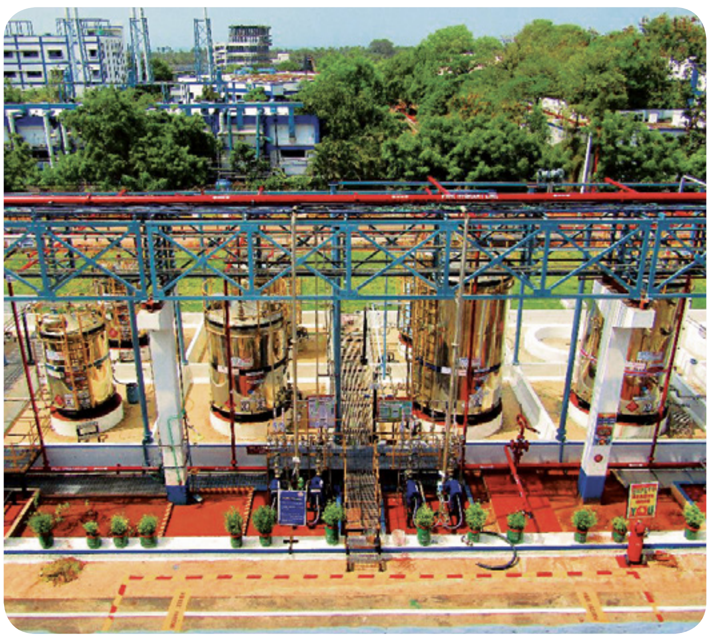
We conduct our business in a sustainable and responsible manner by optimising our processes, conserving resources and taking necessary steps to protect the environment. Our comprehensive approach towards environmental sustainability includes:

- Continuously reviewing and evaluating our manufacturing processes to ensure optimisation of inputs and time cycles, eliminating wastages and follow green chemistry principles.
- Recover, recycle and reuse solvents by continuously upgrading processes.
- Standardise material handling and reduce leaks or wastages.
- Minimise consumption of utilities like steam, power, nitrogen etc., thereby achieving operational efficiency.
- Effective water conservation by improving condensate temperature, water recovery and reusing the water from RO plant.
- Process wastes generated are sent to other industries like cement, paint, paper & pulp, leather, phenol, acid, textile, brick etc., and are used as alternate fuel thus saving valuable resources.
- Provide and maintain significant greenery cover across our manufacturing sites with several forest species and maintain good ecological balance.

Operational Safety

Our EHS Management team, along with the Production and Process Managers, constantly review all manufacturing processes and align our standard operating procedures aimed at safe and efficient handling by employees. Major initiatives taken during the year are:

- Dedicated facility for handling high pressure hydrogenation reactions.
- Procurement of raw materials in bulk instead of drums, re-designed storage tank systems with additional safety features for containment and provision of nitrogen blanketing systems for flammable storage tanks to prevent hazards. Tanks that store flammable substances have been shifted to safe distance from manufacturing blocks to minimize inherent risks. Mass flow meters were installed to avoid overflow scenarios.
- Eliminated manual handling during material charging into vessels by adopting closed charging methods like Glove Boxes, FIBC handling through jib crane / monorail, PTS, Hoppers including man-way purge type also.
- Introduced slurry transfers instead of solid material handling (offloading, carrying, charging) to avoid employee exposure. Closed handling of catalysts is being followed to prevent the fire hazards.
- Installed online earth monitoring systems for operating equipment like reactors, ANFs, etc. Introduced in-situ cleaning for vessels to avoid explosive atmosphere and ensure workplace safety.
- Extended fixed and portable systems for detecting various gases in process areas. Taken up several dust control measures like Antistatic Flexible Sleeves, Dust leak test programs, etc.
- Arranged oxygen analyzers to the vessels for continuous monitoring of required oxygen levels.
- Established automatic CO2 suppression system to electrical panels and automatic explosion suppression system to critical equipment to control/avert damage.
- Provided automatic high velocity water sprinkler system for power transformers.



Business Responsibility Report

Section A: General Information about the Company

1.	Corporate Identity Number (CIN) of the Company	L24110TG1990PLC011854
2.	Name of the Company	Divi's Laboratories Limited
3.	Registered Address	Divi Towers, 1-72/23(P)/DIVIS/303, Cyber Hills, Gachibowli, Hyderabad – 500 032, Telangana, India
4.	Website	www.divislabs.com
5.	E-mail Id	mail@divislabs.com
6.	Financial Year reported	April 2018 to March 2019
7.	Sector(s) that the Company is engaged (industrial activity code-wise)	Pharmaceuticals NIC Code: 2100
8.	List of three products/services that the Company manufactures/ provides	Naproxen, Gabapentin, Dextromethorphan HBr
9.	Total number of Locations where business activity is undertaken by the Company	
	a. Number of International Locations	We have marketing subsidiaries at New Jersey in USA and Basel in Switzerland for our nutraceutical products
	b. Number of National Locations	4 manufacturing facilities and 3 R&D Centres. Refer Page No. 3
10.	Markets served by the Company – Local/State/National/International	Our major markets include Europe, United States of America (USA) and Asia

Section B: Financial Details of the Company

1.	Paid-up Capital	₹5309 Lakhs
2.	Total Revenue	₹503624 Lakhs
3.	Total profit after taxes	₹133265 Lakhs
4.	Total spending on Corporate Social Responsibility (CSR) as percentage of profit after tax (%)	2.13%
5.	List of activities in which expenditure in 4 above has been incurred:-	Refer Page No. 63 & 64

Section C: Other Details

1.	Does the Company have any Subsidiary Company/ Companies?	Yes
2.	Do the Subsidiary Company/ Companies participate in the BR Initiatives of the parent company? If yes, then indicate the number of such subsidiary company(s)	Our Subsidiary Companies are closely integrated with our Corporate BR initiatives
3.	Do any other entity/entities (e.g. suppliers, distributors etc.) that the Company does business with, participate in the BR initiatives of the Company? If yes, then indicate the percentage of such entity/entities? [Less than 30%, 30-60%, More than 60%]	Yes. We have a Code of Conduct for stakeholders, which we expect them to follow.

Section D: BR Information

1.	**Details of Director/ Directors responsible for BR**	
	(a) Details of the Director/ Directors responsible for implementation of the BR policy/policies	
	DIN Number	00005040
	Name	Dr. Murali K. Divi
	Designation	Chairman & Managing Director
	(b) Details of the BR head	
	DIN Number (if applicable)	
	Name	Mr. Madhusudhana Rao Divi
	Designation	Whole-time Director
	Telephone number	91-40-23786339
	e-mail id	kishore@divislabs.com

2. Principle-wise (as per NVGs) BR Policy/policies

(a) Details of Compliance (Reply in Y/N)

No.	Questions	P1	P2	P3	P4	P5	P6	P7	P8	P9
1.	Do you have a policy/policies for…	Yes	Yes	Yes	Yes	Yes	Yes	NA	Yes	Yes
2.	Has the policy being formulated in consultation with the relevant stakeholders?	Yes	Yes	Yes	Yes	Yes	Yes		Yes	Yes
3.	Does the policy conform to any national / international standards? If yes, specify?	Yes*	Yes*	Yes*	Yes*	Yes*	Yes*		Yes*	Yes **
4.	Has the policy being approved by the board? If yes, has it been signed by MD/owner/ CEO/ appropriate Board Director?	Yes	Yes	Yes	Yes	Yes	Yes		Yes	Yes
5.	Does the company have a specified committee of the Board/ Director/ official to oversee the implementation of the policy?	Yes*	Yes*	Yes*	Yes*	Yes*	Yes*		Yes*	Yes*
6.	Indicate the link for the policy to be viewed online?	www.divislabs.com	Available on our Intranet	NA	www.divislabs.com	www.divislabs.com	www.divislabs.com		www.divislabs.com	Available on our Intranet
7.	Has the policy been formally communicated to all relevant internal and external stakeholders?	Yes	Yes	Yes	Yes	Yes	Yes		Yes	Yes
8.	Does the company have in-house structure to implement the policies?	Yes	Yes	Yes	Yes	Yes	Yes		Yes	Yes
9.	Does the company have a grievance redressal mechanism related to the policies to address stakeholders' grievances related to the policies?	Yes	Yes	Yes	Yes	Yes	Yes		NA	Yes
10.	Has the company carried out independent audit/ evaluation of the working of this policy by an internal or external agency?	Yes	Yes	Yes	Yes	Yes	Yes		Yes	Yes

*Policies conform to applicable laws and the national standards. Implementation of the Policies lie with the respective functional Heads and reviewed by the Management.
**Divi's has policies and procedures in line with its business and conform to national and international standards relevant to the type of industry in which it operates

Principle-wise Index:

P1 - Code of Ethics and Business Conduct
P2 - Product Lifecycle Sustainability (EHS Policy)
P3 - Employee Wellbeing
P4 - Stakeholder Engagement
P5 - Human Rights Statement (code of conduct)
P6 - EHS Policy
P7 - Policy Advocacy statement (N.A.)
P8 - CSR Policy
P9 - Quality Policy

3. Governance related to BR

a Indicate the frequency with which the Board of Directors, Committee of the Board or CEO to assess the BR performance of the Company. Within 3 months, 3-6 months, Annually, More than 1 year

Annually

b Does the Company publish a BR or a Sustainability Report? What is the hyperlink for viewing this report? How frequently it is published?

Yes, the company publishes a BR report annually. Web link: https://www.divislabs.com/csr-and-responsibility/

Principle 1: Businesses should conduct and govern themselves with Ethics, Transparency and Accountability

1. Does the policy relating to ethics, bribery and corruption cover only the company? Does it extend to the Group/ Joint Ventures/ Suppliers/Contractors/NGOs /Others?

The Policy extends to all our stakeholders like suppliers, customers, employees etc. Divi's Code of Ethics and Business Conduct conforms to standards of corporate governance by complying with laws and regulations and to fulfill the responsibilities to stakeholders and implement standards of transparency, integrity, accountability and corporate social responsibility in all dealings.

2. How many stakeholder complaints have been received in the past financial year and what percentage was satisfactorily resolved by the management? If so, provide details thereof.

We have not received any significant complaints from stakeholders in the last financial year.

Principle 2: Businesses should provide goods and services that are safe and contribute to sustainability throughout their life cycle

1. List up to 3 of your products or services whose design has incorporated social or environmental concerns, risks and/or opportunities.

- Hydrogen Chemistry
- Safe handling to reduce exposure of chemicals to environment
- Reduction of carbon foot print

2. For each such product, provide the following details in respect of resource use (energy, water, raw material etc.) per unit of product(optional):

(a) Reduction during sourcing/production/ distribution achieved since the previous year throughout the value chain?

(b) Reduction during usage by consumers (energy, water) has been achieved since the previous year?

Due to the change in design and process of the products, we have been able to achieve the following:

- dedicated manufacturing facility constructed for handling high pressure hydrogenation reactions for handling critical reactions/materials.
- reduction of inherent risks.
- eliminated several open solid material charging into vessels by adopting closed charging methodologies like Glove Boxes, FIBC handling with Jib crane / Monorail, PTS, Hoppers, Manway purge hoppers.
- closed handling of catalysts to avoid the fire hazards.
- installed ductless hoods, bio-safety cabinets, filters and carbon cartridges in quality control units to minimize the emissions.
- achieved significant reduction of greenhouse gases during the year through process related initiatives.

3. Does the company have procedures in place for sustainable sourcing (including transportation)?

(a) If yes, what percentage of your inputs was sourced sustainably? Also, provide details thereof, in about 50 words or so.

Yes, Divi's has a responsible supply-chain policy aimed at sustainable sourcing of inputs. The Company has a supplier evaluation and qualification process. On-site audits/visits are made to review the practices followed at suppliers' site towards this objective.

4. **Has the company taken any steps to procure goods and services from local & small producers, including communities surrounding their place of work? If yes, what steps have been taken to improve their capacity and capability of local and small vendors?**

   Yes, Divi's procures, where available, goods and services from local and small producers. We have a comprehensive engagement model for encouraging local/small vendors. 48% of Divi's procurement is from domestic producers and 52% from international producers.

   Divi's has continuously put efforts to increase the procuring of goods and services from the local youth, small producers and farmers in the surrounding communities and towards this objective, established a community based skill development centre and also took up several agri programs for upgrading their skills and business growth, which helped source food and other items and services from the surrounding villages.

5. **Does the company have a mechanism to recycle products and waste? If yes what is the percentage of recycling of products and waste (separately as <5%, 5-10%, >10%). Also, provide details thereof**

   Yes, we have a mechanism to recycle the process solvents and allow our wastes to recycle at authorized offsite facilities. Divi's realized that co-processing of hazardous substances as alternate fuel in cement industry is beneficial whereby hazardous wastes are not only destroyed at higher temperature, but its inorganic content gets fixed with the clinker apart from using the energy content of the waste.

Principle 3: Businesses should promote the wellbeing of all employees

Our Company promotes the well-being of all employees by providing equal opportunities, facilities and a workplace environment that is safe, hygienic, humane and which upholds the dignity of the employees. We encourage participation of employees through various committees. We have set up Grievance Redressal Committee for the resolution of disputes or grievances of employees. Management is accessible at all points of time to redress grievances and complaints of employees as per defined procedures.

1. **Please indicate the total number of employees:** 11,847

2. **Please indicate the total number of employees hired on temporary/contractual/casual basis:** 4,310

3. **Please indicate the number of permanent women employees:** 537

4. **Please indicate the number of permanent employees with disabilities:** 26

5. **Do you have an employee association that is recognized by management?** Divi's does not have any employee association or a trade union of workers.

6. **What percentage of your permanent employees is members of this recognized employee association?** Not applicable

7. **Please indicate the number of complaints relating to child labor, forced labor, involuntary labor, sexual harassment in the last financial year and pending, as on the end of the financial year.**

No.	Category	No. of complaints filed during the financial year	No. of complaints pending as at end of the financial year
1	Child labor/forced labor/involuntary labor	Nil	Nil
2	Sexual harassment	1	Nil
3	Discriminatory employment	Nil	Nil

8. **What percentage of your under mentioned employees were given safety & skill up-gradation training in the last year?**

   All permanent employees and contract labor of manpower contractor undergo safety training. Development opportunities for our employees are customized as per their functional needs. We have in-house skill enhancement programs and externally supported skill up-gradation programs for employees. All employees attend our Health & Safety training programmes.

Principle 4: Businesses should respect the interests of, and be responsive towards all stakeholders, especially those who are disadvantaged, vulnerable and marginalized.

1. **Has the company mapped its internal and external stakeholders? Yes/No**

   Yes, we have identified the stakeholders, internal and external, who directly or indirectly influence our business operations. Our major stakeholders are employees, community & society, investors, shareholders, vendors, suppliers, Government and regulators.

2. **Out of the above, has the company identified the disadvantaged, vulnerable & marginalized stakeholders.**

   Yes, as a responsible organization, we are committed to work for the welfare of communities around us. Various vulnerable stakeholders around our manufacturing sites have been identified and we have devised and implemented various welfare & development, livelihood & skill upgradation programs for them from time to time.

3. **Are there any special initiatives taken by the company to engage with the disadvantaged, vulnerable and marginalized stakeholders. If so, provide details thereof, in about 50 words**

   Yes. Special initiatives are taken by the company to engage with the disadvantaged, vulnerable and marginalized stakeholders by providing books, special aids, educational material for visually challenged, scholarship and school infrastructure.

Principle 5: Businesses should respect and promote human rights

1. **Does the policy of the company on human rights cover only the company or extend to the Group/Joint Ventures/ Suppliers/Contractors/NGOs/Others?**

   Our policy on human rights extends to all across the supply chain of our group including suppliers, contractors as well as the local communities and consumers.

2. **How many stakeholder complaints have been received in the past financial year and what percent was satisfactorily resolved by the management?**

   We have not received any stakeholder complaints pertaining to this principle, during the financial year.

Principle 6: Business should respect, protect, and make efforts to restore the environment

1. **Does the policy related to Principle 6 cover only the company or extends to the Group/Joint Ventures/ Suppliers/Contractors/NGOs/others.**

   As part of our corporate goals, the Policy demonstrates our commitment to maintain a high standard of environmental protection, sharing of best practices and providing a safe and healthy workplace. The policy is accessible to all our employees & interested parties and to ensure compliance.

2. **Does the company have strategies/ initiatives to address global environmental issues such as climate change, global warming, etc? Y/N. If yes, please give hyperlink for webpage etc.**

   Yes, there is a continuous thrust on "Green Chemistry principles" and the company identifies processes to minimize consumption of hazardous materials & energy, recycle and reduce waste, thereby minimizing the impact on environment. This is made available on our Company's website at https://www.divislabs.com/csr-and-responsibility/.

3. **Does the company identify and assess potential environmental risks? Y/N**

   Yes, the company has Environment Management System (EMS) and key environmental impact/risks are identified and appropriate controls to eliminate/mitigate the risks are identified and established.

4. **Does the company have any project related to Clean Development Mechanism? If so, provide details thereof. Also, if Yes, whether any environmental compliance report is filed?**

   We currently do not have any Clean Development Mechanism (CDM) projects.

5. **Has the company undertaken any other initiatives on – clean technology, energy efficiency, renewable energy, etc. Y/N. If yes, please give hyperlink for web page etc.**

   Yes, The Company utilises latest technologies towards Green Environment. Divi's EHS policy stresses on continuous process upgradation to minimize risks and wastage. It gives utmost importance for conservation of energy with the objective of improving yields or eliminating wastage by increasing overall system efficiency and reviews the processes to minimize energy losses.

   Optimum utilization of energy is achieved through energy efficient systems/equipment, using alternate renewable energy and energy efficient lighting. We also achieve water conservation by harvesting rain water, recycling process water & installing equipment and improving our processes to minimize water utilization.

6. **Are the Emissions/Waste generated by the company within the permissible limits given by CPCB/SPCB for the financial year being reported?**

   Yes, the emissions/waste generated by our manufacturing facilities are well within the permissible limits. This is continuously ensured by effective online monitoring systems installed at several locations.

7. **Number of show cause/ legal notices received from CPCB/SPCB which are pending (i.e. not resolved to satisfaction) as on end of Financial Year.**

   There were no show cause/ legal notices received from CPCB/ SPCB in the reporting year.

Principle 7: Businesses, when engaged in influencing public and regulatory policy, should do so in a responsible manner

1. **Is your company a member of any trade and chamber or association? If Yes, Name only those major ones that your business deals with:**

   (a) National Safety Council
   (b) Pharmaceuticals Export Promotion Council of India
   (c) Bulk Drug Manufacturers Association
   (d) National Fire Protection Association
   (e) Swiss-India Chamber of Commerce
   (f) The Federation of Telangana And Andhra Pradesh Chambers of Commerce And Industry

2. **Have you advocated/lobbied through above associations for the advancement or improvement of public good? Yes/No;**

   No.

Principle 8: Businesses should support inclusive growth and equitable development

1. **Does the company have specified programs/initiatives/ projects in pursuit of the policy related to Principle 8? If yes details thereof.**

   As part of its CSR policy, the company has taken up several initiatives in this regard for the communities or villages around the manufacturing sites. All our programs and initiatives have complemented and supported the development priorities of the local communities.

2. **Are the programs/projects undertaken through in-house team/own foundation/external NGO/government structures/any other organization?**

   All the programs/ projects undertaken by Divi's are through in-house team. A separate department with qualified staff has been constituted for formulation, implementation and review of CSR activities.

3. **Have you done any impact assessment of your initiative?**

   Yes. We measure the outcome of every initiative implemented for the community through listening and feedback. The assessment helps us in designing new programs and initiatives to address the felt needs of local communities.

4. **What is your company's direct contribution to community development projects- Amount in INR and the details of the projects undertaken.**

   Total expenditure incurred on community development initiatives during the financial year is ₹2837 lakhs. The programs undertaken are as per the CSR Policy enumerated elsewhere.

5. **Have you taken steps to ensure that this community development initiative is successfully adopted by the community?**

   Community development initiatives undertaken by Divi's are successfully adopted and continued by the local communities. We have adopted a collaborative and participatory approach in the formulation and implementation of community development programs for ensuring continuity and sustainability. Some of our initiatives have exit strategy wherein we handover the project, after successful implementation, to local administration for the community ownership.

Principle 9: Businesses should engage with and provide value to their customers and consumers in a responsible manner

1. **What percentage of customer complaints/consumer cases are pending as at the end of financial year?**

   No pending complaints. The complaints are handled timely as per the internal SOP and responded to customers.

2. **Does the company display product information on the product label, over and above what is mandated as per local laws? Yes/No/N.A. /Remarks**

   Yes, all the relevant product information such as name and grade of the product, batch number, manufacturing date, re-test date, quantity, manufacturer's details, storage and handling instructions, precautionary/ hazard statements, disposal procedures etc are provided on the labels.

3. **Is there any case filed by any stakeholder against the company regarding unfair trade practices, irresponsible advertising and/or anti-competitive behavior during the last five years and pending as on the end of financial year.**

   No

4. **Did your company carry out any consumer survey/ consumer satisfaction trends?**

   Yes, customer feedback is taken and evaluated periodically.

Management Discussion and Analysis

1. Economy and Industry Outlook

Global spending on medicines reached $1.2 trillion in 2018 and is set to be about $1.3 trillion by 2019, growing at about 4–5% globally. By the year 2023, global spending is expected to exceed $1.5 trillion. (IQVIA Institute forecast, January 2019).

Global growth of medicine spending through 2023 will primarily be driven by developed markets and their adoption of a wave of newly launched innovative products. Growth in the United States will be driven by new products and pricing adjustments. Global growth will be driven by expanded access and use of medicines in pharmerging markets with demographic growth, affordability and government spending. Pharmerging market growth continues to derive primarily from increasing per capita use due to increasing urbanization and growing middle class, but some markets are seeing wider uptake of newer medicines as patients' ability to afford their share of costs improves with economic growth.

Research and development pipelines are growing while success rates are continuing at historic levels and may result in more new product launches in the next five years. New products will also contribute a larger average annual spending on an absolute dollar basis but may account for a lower percentage of brand spending, as the market for brands will grow overall. Over the next five years, life sciences companies will continue to develop and invest in artificial intelligence, machine learning and deep learning programs that might lead to breakthroughs impacting the discovery and accelerated development of medicines.

2. Company Overview

Divi's Laboratories Limited is a leading manufacturer of Active Pharmaceutical Ingredients ("API"), intermediates as well as nutraceutical ingredients offering quality products with the high level of compliance to customers in over 95 countries. Company is recognised as a reliable supplier of generic APIs, a trustworthy custom manufacturer to big pharma and is among the top API manufacturers worldwide.

Divi's operates from its headquarters and registered office at Hyderabad. The Company has four multi-purpose manufacturing facilities from two sites with all support infrastructure like utilities, environment management and safety systems.

Company has constantly been working towards improving quality systems, compliances to environment and safety while simultaneously creating additional capacities with supporting infrastructure; and is well equipped to service several projects of customers for custom synthesis opportunities as well as increase its generic business.

2.1 Manufacturing Facilities

The company operates at two manufacturing locations:

- Unit I, which is the first facility located at village Lingojigudem in Yadadri Bhuvanagiri District near Hyderabad (Telangana) which started operations during the year 1995. This facility comprises 13 multi-purpose production blocks with finished product areas for manufacture of APIs and intermediates. Spread across about 500 acres equipped with diverse equipment for handling various types of chemical reactions supported with all utilities and services; and has added capacities and are upgraded, renovated and modernized from time to time.
- Unit-II at village Chippada, Bheemunipatnam Mandal, about 30 KM from Visakhapatnam (Andhra Pradesh) on a 490-acre site. This Unit houses:
    - An Export Oriented Unit, which has 8 production blocks which has been operating since the year 2003.
    - An SEZ Unit, which went into commercial operations during the year 2006 and has 9 production blocks with all required utilities and infrastructure.
    - DSN SEZ Unit, which has 6 production blocks and went into commercial operations during the year 2011.
    - All these Units have been adding capacities and are upgraded and modernized from time to time.

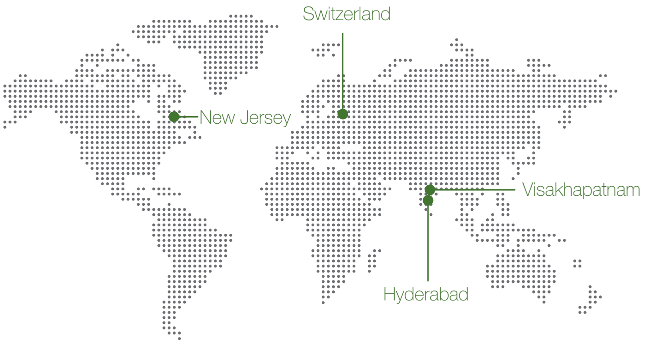
2.2 Research Centers

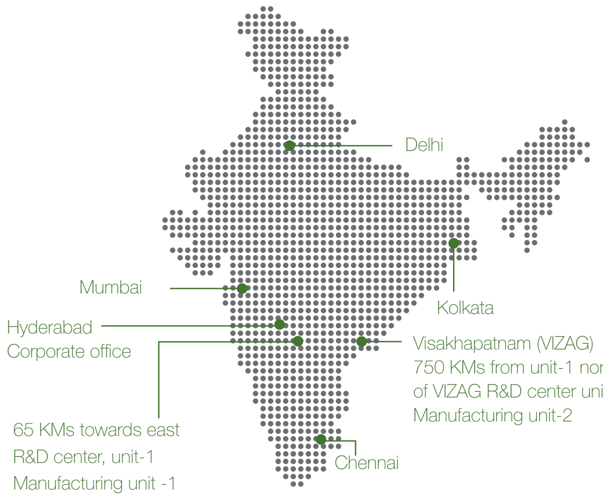
The Company has Research Centers at Sanathnagar, Hyderabad and at the manufacturing sites. These centers are involved in development of processes for both new compounds and improvement of processes for compounds on the market.

Centres at the manufacturing sites are categorized as Development and Service Centres. Process Development Centers work on process development and scale up from gram scale further through various stages of development, process optimization, impurity profile, pilot studies, pre-validation batches, validation of process and transfer of technology to Plant. The Process Service Centers review improvement of processes and gives process support to the Plants from time to time.

2.3 Subsidiaries

The company has two subsidiaries M/s. Divi's Laboratories (USA) Inc., in the United States of America and M/s. Divi's Laboratories Europe AG in Switzerland for marketing its nutraceutical products and to provide a greater reach to customers within these regions.





3. Internal Control systems

The Company has in place adequate internal financial controls over financial reporting. It has adopted necessary policies and procedures for ensuring the orderly and efficient conduct of its business, including adherence to Company's policies, safeguarding of its assets, prevention and detection of frauds and errors, accuracy and completeness of the accounting records, and timely preparation of reliable financial information.

The Company maintains a system of well established policies and procedures for internal control of operations and activities and these are continually reviewed for effectiveness. The internal control system is supported by qualified personnel and a continuous program of internal audit. The prime objective of such audits is to test the adequacy and effectiveness of all internal control systems laid down by the management and to suggest improvements.

We believe that the Company's overall system of internal control is adequate given the size and nature of operations and has effective implementation of internal control self assessment procedures to ensure compliance to policies, plans and statutory requirements.

Divi's encourages and recognizes improvements in work practices. The Company's internal control system and the internal financial control processes are reviewed by the Audit Committee periodically. The Management duly considers and takes appropriate action on the recommendations made by the internal auditors, statutory auditors and the Audit Committee.

4. Risks and Concerns

Divi's lays emphasis on risk management and has an enterprise-wide approach to risk management, which lays emphasis on identifying and managing key operational and strategic risks. The Company strives to identify opportunities that enhance organisational values while managing or mitigating risks that can adversely impact its future performance through:

- Integrated process for identification, assessment and reporting
- Decentralized management of specific opportunities and risks and
- Aggregation at corporate level monitored by the Risk Management Committee with the overall direction and control by the Board.

The Company continues its initiatives aimed at assessment and avoidance of various risks affecting its business and towards cost control and efficiency across its businesses and functions, taking appropriate measures and reviewing them from time to time. The company's risk management and control procedures involve prioritization and continuous assessment of these risks and devise appropriate controls, evaluating and reviewing the control mechanism and redesigning from time to time in the light of its effectiveness.

Risks and Risk Mitigation

4.1 Global markets

Divi's is engaged in manufacture of generic APIs, custom synthesis of active ingredients for innovator companies, other specialty chemicals and nutraceuticals. The Company is very selective in its product portfolio with a focus on export markets within the domain of its capabilities. As the company has significant exposure to export markets, and hence may have impact due to global economy or changing dynamics in the supply-chain of its products in the global markets besides any protective actions by governments of recipient countries.

4.2 Competition

In order to stay competitive vis-a-vis its peers in Europe and US, the Company lays great stress on leveraging its inherent skills and strengths in chemistry by building strong customer relationships supported by cost competitive and fast delivery structure. However, competition is inherent in the business of the Company as there are constant efforts in process innovation and cost competitiveness. Divi's continues to work towards optimizing its processes and upgrading its plant capacities and capabilities at its multi-purpose manufacturing facilities to stay competitive and compliant to regulations; and is also creating additional capacities addressing the anticipated or increasing business opportunities.

4.3 Regulatory and Quality Compliances

The Company devotes significant importance to the regulatory compliances as it accesses advanced markets like Europe and USA for a major part of its business. Risks relating to regulatory compliances to such markets are inherent to the Company's business. Divi's has put in place appropriate systems, processes, operations and procedures to monitor and ensure consistent practice for the evolving compliance regime for market access to the recipient countries of its products and specifications. The chemists and staff are periodically retrained so that they are fully aware of the latest regulations, quality testing, standard operating procedures and norms. Divi's has invested in extensive training to incorporate the cGMP updates into its operating systems. The company constantly reviews its policies and procedures to adhere conformity of the various global and domestic regulations for its manufacturing facilities or statutory compliances.

4.4 Patent compliance

The Company manufactures either patent-expired generics or undertakes custom synthesis of compounds for the innovator MNC companies. Divi's continually reviews patent compliance in its process development of active ingredients and has a monitoring mechanism to validate non-infringement of the processes developed.

4.5 Employee Relations

We consider employees as an integral part of our operations and we put in place appropriate compensation plans, feedback process, continuing training and upgradation of skills in their functional areas. Employee relations are affable and harmonious with safe and healthy working environment and all-round contribution and participation in the growth.

4.6 Commercial and Financial Risks

With predominance of its exports, the Company is exposed to a wide spectrum of risks relating to markets, legal disputes relating to contracts, various statutory compliances, credit from suppliers or to customers or from banks/lenders, interest rates, liquidity as well as foreign exchange rate volatility, continuity in supply of raw materials and prices or of any sudden changes relating to trade and regulations by countries where company does business; and addresses these appropriately to mitigate or minimize these risks. Company constantly reviews its systems and processes and takes adequate measures to address these risks or meet its obligations.

Company has significant exports, besides imports of inputs and hence has a large exposure to exchange rate risks. Given the instability in the global, political and economic environment and bilateral trade issues, there has been significant volatility of foreign currency rates. Such events are outside the control or horizon of Indian companies and it is becoming very difficult to accurately predict currency movements. In the long run, we realise the best way to manage currency fluctuations is to have a better geographic balance in revenue mix factoring Company's competitive positioning, and to ensure a foreign currency match between liabilities and earnings.

Company constantly reviews and aligns its policies and decisions to minimize the commercial and financial risks.

4.7 Insurance

The Company's current and fixed assets as well as products are adequately insured against various risks like transit, fire and allied risks, public and product liability, personnel, directors & officers' liability etc.

4.8 Environment, health and safety

As the Company's manufacturing operations involve complex chemical reactions, risks exist on any issues relating to safe operations and environment compliances. Divi's policies and processes are designed and reviewed from time to time to adhere to all applicable regulations on the environment management, employee health and safety. Divi's continually strives to optimize the resources and upgrade its processes in order to reduce the environmental impact of its processes, products and services, besides ensuring health and safety of employees involved in the processes.

4.9 Information Technology

The Company has put in place an IT policy in order to ensure consistency, protection and security of data and IT systems to ensure smooth business processes. The systems used for information security are constantly tested, continuously updated and expanded. In addition, our employees are regularly trained on data protection and safety including secure online banking transactions. IT-related risk management exercise is conducted using appropriate protocols and tools.

4.10 Sustainable operations

As part of our efforts towards sustainable business operations, we assess the opportunities and risks associated with sustainable sourcing/utilization of resources and manufacturing activity; and continually evaluate alternatives and implement optimum processes for sustainable and safe operations in order to minimize, mitigate or de-risk our business operations.

5. Regulatory Filings/Approvals

Divi's has triple Certifications ISO-9001 (Quality Systems), ISO-14001 (Environment Management Systems) and OHSAS-18001 (Occupational Health and Safety systems) for its manufacturing facilities and adheres to cGMP and standard operating practices in its manufacturing/operating activities and these certifications are renewed from time to time. The company has also obtained Food Safety System Certification (FSSC) 22000 for vitamins and carotenoids. All the manufacturing sites are periodically inspected by US-FDA, EU and other agencies.

Divi's has a total of 39 drug master files (DMFs) with US-FDA and 22 CEPs (Certificates of Suitability) issued by EDQM authorities. Divi's has filed for a total of 37 patents for generic products.

6. Business distribution

Our product portfolio comprises of two broad categories i) Generic APIs (Active Pharma Ingredients) and Nutraceuticals and ii) Custom Synthesis of APIs, intermediates and specialty ingredients for innovator pharma giants.

The Company operates predominantly in export markets and has a broad product portfolio under generics and custom synthesis. Among Divi's well distributed product range, some of the components of the business are given below:

Particulars	2018-19	2017-18
Exports	88%	87%
Imports (% of material consumption)	52%	52%
Largest Product	18%	15%
Top 5 Products	47%	46%
Top 5 Customers	37%	42%
Exports in $ terms	84%	86%
Exports in Pounds	11%	11%
Exports in Euro	5%	3%

7. Performance and Operations Review

Analysis of profitability (Standalone) for the current and the last financial years is given hereunder:

(₹ in lakhs)

Particulars	2018-19	2017-18
Revenue	487966	383723
Other Income	15658	11248
Total Revenues	503624	394971
Expenditure	303070	258660
PBDIT	200554	136311
Finance Cost	350	133
Depreciation	16881	14242
Profit before Tax (PBT)	183323	121936
Provision for tax:		
Current Tax	47245	28713
Deferred Tax	2813	6265
Profit after Tax (PAT)	133265	86958
Other Comprehensive Income (net of tax)	105	67
Total Comprehensive Income	133370	87025
Earnings per Share (EPS)		
Basic & Diluted (₹)	50.20	32.76

Operations for the year reflect normalized operations after successful closure of audits by US-FDA for Company's Unit-II at Visakhapatnam, Andhra Pradesh during the last year. The Company's Unit-I at Choutuppal, Telangana State was also inspected by the US-FDA during May 2018; and was concluded without any observations.

Total revenue for the year has increased by 28% to ₹503624 lakhs. Revenues for the last year were impacted due to the Import Alert issued by US-FDA on the Company's Unit-II. PBDIT for the year grew by 47% to ₹200554 lakhs. Tax provision accounted to ₹50058 lakhs.

Profit after Tax (PAT) before Other Comprehensive Income for the year amounted to ₹133265 lakhs as against a PAT of ₹86958 lakhs for the last year. Earnings Per Share of ₹2/- each works out to ₹50.20 for the year as against ₹32.76 for the last year.

7.1 Exports

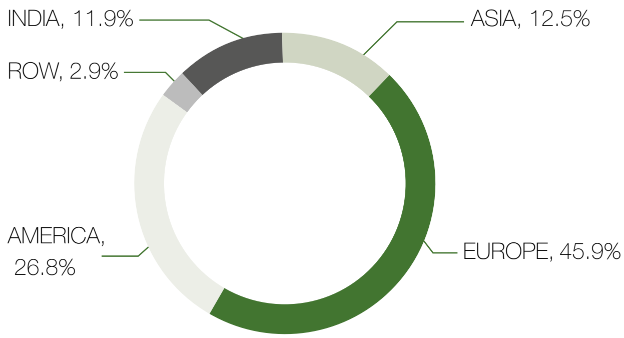
Exports constituted 88% of sales revenue during the year. Exports to advanced markets comprising Europe and America accounted for 73% of business.

7.2 Region-wise Sales Revenue

(₹ in lakhs)

Region	2018-19		2017-18	
	Sales revenue ₹ lakhs	% Share	Sales revenue ₹ lakhs	% Share
Asia	59183	12.5%	34730	9.3%
Europe	217452	45.9%	163798	43.6%
America	127212	26.8%	108749	29.0%
Rest of the World	13609	2.9%	20028	5.3%
India	56266	11.9%	48014	12.8%
Total	473722	100.0%	375319	100.0%

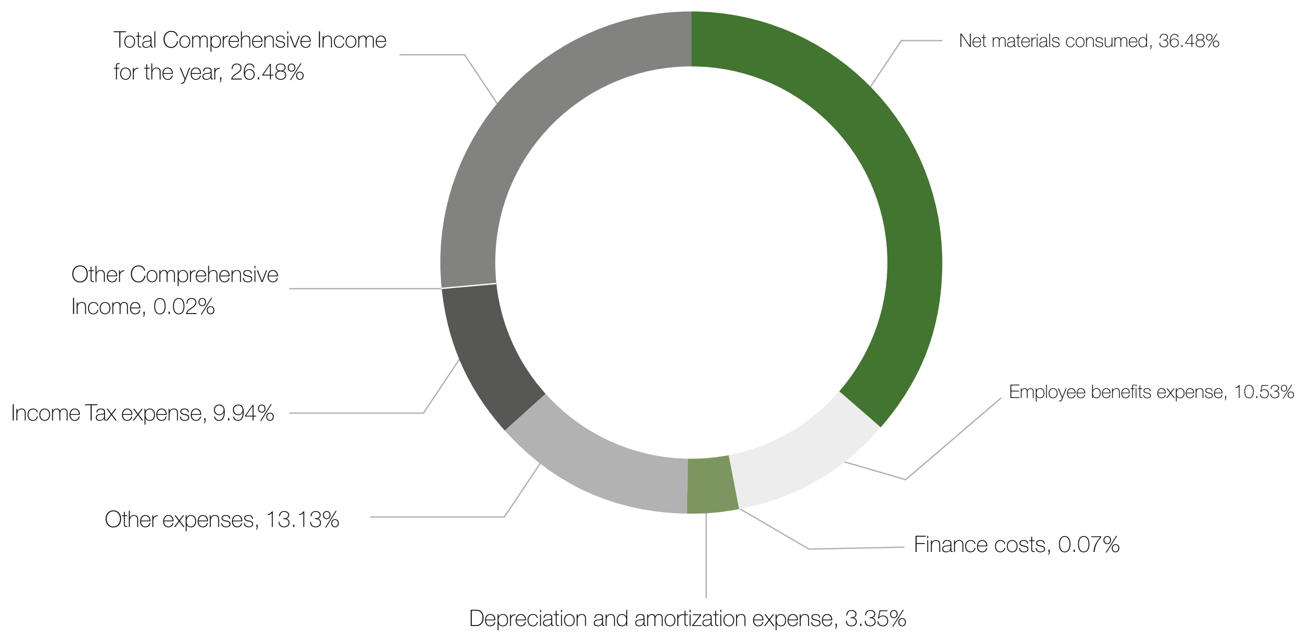
Region wise Sales Revenue



7.3 Other Income

Other Income mainly comprises of Dividend Income, gain on forex fluctuation and net gain on financial assets measured at fair value. Other Income for the year amounted to ₹15658 lakhs as against ₹11248 lakhs last year. Gain on foreign currency transactions for the year amounted to ₹3092 lakhs as against ₹2460 lakhs last year.

7.4 Distribution of Total Revenue



7.5 Material Costs

₹ in lakhs

Particulars	2018-19	2017-18
Material consumption	208205	152428
Changes in inventories of finished goods and work-in-progress	(24422)	(1938)
Net Material Consumption	183783	150490
Revenue from Operations	487966	383723
% of consumption to Revenue	37.7%	39.2%

Material consumption varies from product to product. The Company manufactures several active pharmaceutical ingredients and intermediates within the Generic and Customs synthesis groups as well as nutraceuticals. Manufacture of any product involves stage-wise controlled processing through its chemistry to the specifications under the standard operating practices complying to cGMP conditions.

Material consumption net of increase/decrease in stocks is about 37.7% of total revenue during the year as compared to 39.2% during the last year.

7.6 Employee Benefits Expense

Employee benefits expense represent salaries and benefits to employees as also managerial remuneration and commission to Directors as approved by members.

Expenses for the year amounted to ₹53072 lakhs as against ₹44627 lakhs during the last year. Of this, remuneration to Directors including commission accounted to ₹11061 lakhs during the year as against ₹7631 lakhs last year.

Increase in employee expenses is on account of revision of salaries and induction of additional staff at the manufacturing facilities.

Employee cost for the year works out to about 10.5% of total revenue.

7.7 Other Expenses

Major items of Other Expenses are Power and Fuel, Stores & Spares, Packing Materials, Repairs, Carriage Outward, Sales Commission, Legal & Professional charges, Environment Management Expenses and CSR Expenditure.

Other Expenses for the year accounted for ₹66215 lakhs as against ₹61414 lakhs during the last year. This year we have spent an amount of ₹2000 lakhs on contribution to political parties. We also made a donation of ₹12 crores to an approved charitable trust engaged in treatment of children born with autism spectrum disorders. While there is a slight increase in power & fuel cost, our CSR spend has significantly increased as we have taken up several social initiatives.

Other Expenses account for 13.1% of revenue.

7.8 Capital Expenditure

During the year, we have capitalized PPE and Intangible Assets valuing ₹26178 lakhs. Deductions of ₹141 lakhs represent Assets discarded during the year.

We have taken up two brownfield projects called DCV SEZ Unit at Chippada, Bheemunipatnam and DC SEZ Unit at Choutuppal, Nalgonda with an estimated investment of ₹600 crores each. Besides this, we have also taken up debottlenecking and backward integration at both the manufacturing sites.

Capital WIP as at the year-end amounted to ₹49191 lakhs.

Addition to Fixed Assets at the existing Units is primarily to enhance capacities as well as upgrading utilities and infrastructure for compliances. As the Company has significant accumulation of cash reserves, all capex programs are funded with internal accruals.

7.9 Investments:

The Company has been deploying its surplus cash accruals in short term funds of SBI Mutual Fund. Investment in the growth fund plan is classified as non-current investment. This plan has indexation benefit, and will, in the long-term, be giving higher yield. Investment in short-term direct fund (daily dividend re-investment plan, net of taxes) is classified as Current Investment.

₹ in lakhs

Particulars	Classified as	2018-19	2017-18
SBI Mutual Fund – direct growth	Non-current	54725	-
SBI Mutual Fund – short term direct fund	Current	139834	188929
Total		**194559**	**188929**

The Company has earned a dividend income (net of tax) of ₹8406 lakhs during the year on these Investments as against an income of ₹7612 lakhs during the last year. Gain from redemption of mutual fund units amounted to ₹97 lakhs for the year as against a gain of ₹8 lakhs last year.

7.10 Income-tax assets

Income-tax assets net of provisions, refunds and adjustments, represent the amounts paid pending assessments and refund.

7.11 Other Non-current Assets

Capital Advances have increased to ₹20024 lakhs as at the end of current year as against ₹8298 lakhs for the last year in view of the capex programs taken up during the last quarter of the current year. Non-current assets are regularly monitored.

7.12 Inventory position

Inventory position for the last two years is as under:

₹ in lakhs

Particulars	31-03-2019	31-03-2018
Raw Materials	51210	38631
Work-in-Progress	92849	70419
Finished Goods	11338	9346
Stores and Spares	10921	9743
Total	**166318**	**128139**

The Company undertakes campaign production of large volume products like Naproxen, Dextromethorphan and Gabapentin by running the plant at full stream and stock these products for sale – thus freeing the multi-purpose plants for producing other products; and hence carries significant volume of work-in-progress to be able to service the large volume products. As the company has a good market share for these products, we do not foresee any problem with marketing these products and managing the inventory cycle. We also augmented stock of raw materials to avoid any supply disruptions and ensure continued operations. Some of the finished goods / WIP have been written down to their Net Realisable Value. Slow moving and non-moving items have been fully provided for.

7.13 Trade Receivables

₹ in lakhs

Particulars	31-03-2019	31-03-2018
Outstanding for a period exceeding six months from the date they became due for payment	727	3106
Others	127591	108283
Less: Allowances for doubtful debts	94	178
Total	**128224**	**111211**
Average receivable days	93	103

Trade Receivables at the year end came to ₹128224 lakhs as against ₹111211 lakhs last year. Increase in debtors is due to higher sales.

Trade Receivables outstanding for a period exceeding six months from the date they became due for payment amounted to ₹720 lakhs (₹ 3106 lakhs last year). Trade Receivables for the year include an amount of ₹18716 lakhs due from subsidiaries.

7.14 Current Loans & Other Current Financial Assets

₹ in lakhs

Particulars	31-03-2019	31-03-2018
Loans to Employees	11	17
Export incentive receivable	25	21
Insurance claims receivable	110	927
Loans to subsidiary	-	1469
Total	**146**	**2434**

7.15 Other Current Assets

₹ in lakhs

Particulars	31-03-2019	31-03-2018
Indirect Taxes- Input Credits	13021	10503
Prepaid Expenses	876	577
Advances to suppliers	5665	4026
Other receivables	145	424
Total	**19707**	**15530**

There has been accumulation in Input Tax Credit under GST regime, as exports constitute a predominant part of our business and hence we started claiming refund of GST under the GST Rules.

7.16 Deferred Tax Liabilities

Deferred tax liabilities represent temporary differences arising between the tax base of assets using the liability method as also of employee benefit obligations. Deferred tax liability as of 31-03-2019 amounted to ₹22118 lakhs as against ₹19269 lakhs as of 31-03-2018.

7.17 Current Borrowings

Current borrowings representing working capital loans (secured) as at the end of the year amounted to ₹10560 lakhs as against ₹6311 lakhs as at the end of last year. Of this, an amount of ₹1090 lakhs has been utilized during the year as loan against fixed deposits pledged with the bank. We will be paying interest on the borrowing only when there is utilization due to shortfall or mismatch between inflows-outflows while we earn some interest on our deposits. Any surplus amounts at the end of the day are deployed in money market mutual funds.

7.18 Trade Payables

Trade Payables for raw materials/services amounted to ₹48331 lakhs as at the end of the year as against ₹40565 lakhs as at the end of last year. Company follows consistent practices of procurement and avails efficient credit terms from vendors.

7.19 Other Financial and Current Liabilities

Company has ongoing capex programs and has capital creditors. All obligations are discharged as per the terms agreed with the parties. All statutory dues are paid well within the scheduled dates.

7.20 Key Financial Ratios

₹ in lakhs

Particulars	31-03-2019	31-03-2018	Change
Return on Net Worth (%)	19.11%	14.59%	31%
Return on Capital Employed (%)	30.62%	20.77%	29%
Basic EPS (after exceptional items) (₹)	50.20	32.76	53%
Debtors Turnover	4.21	3.73	13%
Inventory Turnover	3.42	3.11	10%
Current ratio	5.58	7.11	(22%)
Debt Equity ratio	0.015	0.011	36%
Operating profit margin (%)	39.82%	34.51%	15%
Net profit margin (%)	26.46%	22.02%	20%

Detailed explanation of ratios:

(i) Return on Net Worth

Return on Net Worth is a measure of profitability of a Company expressed as a percentage of networth. It is calculated by dividing profit after tax for the year by average capital employed during the year.

Return on Networth for the year has increased by 31% primarily because margins/profits were impacted during the last year (base effect) due to the import alert and warning letter issued by US-FDA on the company's Unit-II at Visakhapatnam, as explained in the Board's report. There was also significant expenditure incurred last year for remediation measures for addressing the issues raised by FDA.

(ii) Return on Capital Employed

Return on Capital Employed is a ratio that measures a Company's profitability and the efficiency with which its capital is used. In other words, the ratio measures how well a Company is generating profits from its capital. It is calculated by dividing net operating profit (EBIT) by average capital employed during the year.

Increase in the ratio for the current year is due to reasons explained above.

(iii) Basic EPS

Earnings Per Share is the portion of a Company's profit allocated to each share. It serves as an indicator of a Company's profitability. It is calculated by dividing the net profit for the year by weighted average number of shares outstanding during the year.

Basic EPS for the current year has increased during the current year by 53% over the previous year. While the business, margin and profitability have been impacted during previous year as explained above, the current year reflected in normalized operations after successful closure of audits by US-FDA for company's Unit-2 at Visakhapatnam, Andhra Pradesh.

(iv) Debtors Turnover

The above ratio is used to quantify a Company's effectiveness in collecting its receivables or money owed by customers. The ratio shows how well a Company uses and manages the credit it extends to customers and how quickly that short-term debt is collected or is paid. It is calculated by dividing total revenue by average trade receivables.

(v) Inventory Turnover

Inventory Turnover is the number of times a Company sells and replaces its inventory during a period. It is calculated by dividing total revenue by average inventory.

(vi) Current Ratio

The Current Ratio is a liquidity ratio that measures a Company's ability to pay short-term obligations or those due within one year. It is calculated by dividing the current assets by current liabilities.

Decrease in current ratio during the year is due to the classification of a part of the investments as non-current as explained in para 7.9 above.

(vii) Debt Equity Ratio

The ratio is used to evaluate a Company's financial leverage. It is a measure of the degree to which a Company is financing its operations through debt versus wholly owned funds. It is calculated by dividing a Company's net borrowings by its by its shareholder's equity.

Borrowings at the end of the year have increased compared to last year and the increase represents overnight balances. As explained at para 7.17 above, the company will be paying interest on borrowings only when there is utilisation.

(viii) Operating Profit Margin

Operating Profit Margin is a profitability or performance ratio used to calculate the percentage of profit a Company produces from its operations. It is calculated by dividing the EBIT by total revenue.

(ix) Net Profit Margin

The net profit margin is equal to how much net income or profit is generated as a percentage of revenue. It is calculated by dividing the net profit for the year by total revenue.

7.21 Cautionary Statement

This report may 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. 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. Actual results may differ materially from those expressed or implied. Significant factors that could influence the Company's operations include government regulations, tax regimes, market access related regulatory compliances, patent laws and domestic and international fiscal policies.

CORPORATE GOVERNANCE REPORT

Report, in line with the requirements of Regulation 34(3) read with Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015, on the practices followed by the Company and other voluntary compliances:

1. Company's Philosophy on Corporate Governance

Corporate Governance is the set of processes, customs, policies, laws and institutions affecting the way a company is directed, administered or controlled. It is a system of structuring, operating and controlling a company with a view to achieve long-term strategic goals to satisfy shareholders, creditors, employees, customers, vendors and other stakeholders.

Corporate governance is based on principles such as conducting the business with all integrity and fairness, being transparent with regard to all transactions, making all the necessary disclosures and decisions, complying with all the laws of the land, accountability and responsibility towards the stakeholders and commitment to conduct business in an ethical manner.

Your Company adheres to the principles of corporate governance and commits itself to accountability and fiduciary duty in the implementation of guidelines and mechanisms to ensure its corporate responsibility to the members and other stakeholders.

The Company is in compliance with the requirements stipulated under Regulation 17 to 27 and 46 read with Schedule V of Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") as amended, with regard to Corporate Governance.

2. Board of Directors

The Board of Directors is the highest governance body constituted to oversee the Company's overall functioning. The responsibility of Board is to provide strategic guidance to the Company, to ensure effective monitoring of the management and to be accountable to the Company and the shareholders. The meetings of the Board of Directors are held generally at Company's Registered Office at Hyderabad, and are scheduled well in advance. In case of business exigencies or urgency of matters, resolutions are passed by circulation. Information relating to the business, operations and risks affecting the Company is regularly placed before the Board for its consideration apart from information as mentioned in Part A of Schedule II of SEBI Listing Regulations. The Board regularly reviews the compliance reports of all laws applicable to the Company, prepared by the Company.

2.1 Composition and category

The Board comprises of eleven directors, five of whom are Executive and remaining are Non-executive Independent Directors, including two Woman Directors of which one is Non-executive Independent Director. The Company has an Executive Chairman. The category of directors as on 31 March 2019 is as follows:

Name of the Director	Designation	Category
Dr. Murali K. Divi	Chairman and Managing Director	Promoter and Executive Director
Mr. N. V. Ramana	Executive Director	Executive Director
Mr. Madhusudana Rao Divi	Whole-Time Director	Executive Director
Mr. Kiran S. Divi	Whole-Time Director	Executive Director
Ms. Nilima Motaparti	Whole-Time Director	Executive Director
Dr. G. Suresh Kumar	Director	Non-executive Independent Director
Mr. R. Ranga Rao	Director	Non-executive Independent Director
Mr. K. V. K. Seshavataram	Director	Non-executive Independent Director
Dr. Ramesh B. V. Nimmagadda	Director	Non-executive Independent Director
Dr. S. Ganapaty	Director	Non-executive Independent Director
Prof. Sunaina Singh*	Additional Director	Non-executive Independent Director

*Appointed w.e.f 28.03.2019

2.2 Attendance of Directors

Directors' attendance at the Board and General Meetings held during the financial year 2018-19 is as follows:

Name of the Director	No. of Board Meetings		Attendance at last AGM
	Held	Attended	
Dr. Murali K. Divi	6	6	Yes
Mr. N. V. Ramana	6	6	Yes
Mr. Madhusudana Rao Divi	6	5	Yes
Mr. Kiran S. Divi	6	5	No
Ms. Nilima Motaparti	6	6	Yes
Dr. G. Suresh Kumar	6	6	Yes
Mr. R. Ranga Rao	6	6	Yes
Mr. K. V. K. Seshavataram	6	6	Yes
Dr. Ramesh B. V. Nimmagadda	6	6	Yes
Dr. S. Ganapaty	6	5	Yes

2.3 Other Directorships

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/she is a Director.

Number of other Directorships and Chairmanship/ Membership of Committees of each Director in various companies is as follows:

Name of the Director	No. of other Directorships	In other companies	
		Committee Memberships	Committee Chairmanships
Dr. Murali K. Divi	5	1	-
Mr. N. V. Ramana	-	-	-
Mr. Madhusudana Rao Divi	-	-	-
Mr. Kiran S. Divi	3	-	-
Ms. Nilima Motaparti	3	-	-
Dr. G. Suresh Kumar	2	-	-
Mr. R. Ranga Rao	1	-	1
Mr. K. V. K. Seshavataram	-	-	-
Dr. Ramesh B. V. Nimmagadda	-	-	-
Dr. S. Ganapaty	-	-	-
Prof. Sunaina Singh	-	-	-

None of the Directors hold directorship in any other listed company.

In terms of Regulation 25(8) of SEBI Listing Regulations, Independent Directors have confirmed that they are not aware of any circumstance or situation which exists or may be reasonably anticipated that could impair or impact their ability to discharge their duties. Based on the declarations received from the Independent Directors, the Board of Directors has confirmed that they meet the criteria of independence as mentioned under Regulation 16(1)(b) of the SEBI Listing Regulations and that they are independent of the management.

2.4 Number & Dates of Board Meetings held during the year

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. During the financial year, the Board has met six times, i.e. on 26 May 2018, 04 August 2018, 27 October 2018, 02 February 2019, 09 March 2019 and 28 March 2019.

2.5 Disclosure of relationship between Directors inter-se

Dr. Murali K. Divi, Chairman & Managing Director is the father of Mr. Kiran S. Divi and Ms. Nilima Motaparti, Whole-time

Directors. Mr. Madhusudana Rao Divi, Whole-time Director is brother of Dr. Murali K. Divi. None of the other Directors are related to each other.

2.6 Shares held by Non-Executive Directors

None of the Non-Executive Directors hold any equity shares in the Company.

2.7 Meeting of Independent Directors

During the year under review, the Independent Directors met on 02 February 2019, inter alia, to review the performance of Non-Independent Directors and the Board as a whole.

2.8 Details of familiarization programmes for Independent Directors

Details of familiarisation programme of the Independent Directors are available on the website of the Company at: https://www.divislabs.com/wp-content/uploads/2018/09/Familiarisation-Programs-for-Independent-Directors.pdf

2.9 List of Board's skills/expertise/competencies fundamental for the effective functioning of the Company:

The Board has identified the following skills/expertise/competencies fundamental for the effective functioning of the Company which are currently available with the Board:

Global business	Understanding the dynamics of global business relating to the operations of the Company and regulatory requirements in the geographical markets.
Marketing & Strategy	Understanding the competitive environment for Company's business globally, customer relationships and strategies for continuity and growth of business for its product range.
Governance	Knowledge of governance processes and compliance to applicable laws and regulations to service best interests of all stakeholders, maintaining Board and Management accountability and corporate ethics and values
Leadership	Experience in significant enterprise, distinct roles and responsibilities through organization structure, risk management and talent development and succession planning.
Technology	Knowledge of technology related to Company's current and future products and business opportunities, of evolving trends of usage of its product range and of developing cost efficient processes

3. 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 transparency, integrity and quality of financial reporting.

The constitution, terms of reference, role and scope shall be as prescribed by Regulation 18 of SEBI Listing Regulations read with Section 177 of the Companies Act, 2013 covering:

a) Oversight of the Company's financial reporting process and the disclosure of its financial information to ensure that the financial statement is correct, sufficient and credible;

b) Scrutiny and review of all financial transactions, inter corporate loans, investments, funds utilization, related party transactions and the general financial condition of the Company;

c) Recommendation for appointment, remuneration and terms of appointment of auditors of the Company and approval of remuneration of auditors;

d) Review and monitor the auditor's independence and performance, and effectiveness of audit process;

e) Reviewing, with the management, the periodic financial statements and auditor's report thereon before submission to the Board for approval;

f) Reviewing, with the management, performance of statutory and internal auditors, adequacy of the internal control systems;

g) Evaluation of internal financial controls and risk management systems;

h) To review the functioning of the Whistle Blower mechanism;

i) To review statement of deviations in reporting to monitoring agencies.

3.1 Composition of the Audit Committee and the details of meetings held and attended by its members:

The Committee comprises of three Independent Directors. The Company Secretary acts as Secretary of the Committee. The Audit Committee also invites attendance at the meetings of the Whole-time Director, the Chief Financial Officer, Internal Auditor and representatives of Statutory Auditors of the Company.

The Committee met four times during the year, i.e. on 26 May 2018, 04 August 2018, 27 October 2018 and 02 February 2019.

Name	Designation	No. of Meetings	
		Held	Attended
Mr. K. V. K. Seshavataram	Chairman	4	4
Dr. G. Suresh Kumar	Member	4	4
Mr. R. Ranga Rao	Member	4	4

4. Compensation, Nomination and Remuneration Committee

Compensation, Nomination and Remuneration Committee comprises of four Independent Directors. The Constitution and terms of reference of the Compensation, Nomination and Remuneration Committee is in compliance with provisions of the Companies Act, 2013, Regulation 19 of the SEBI Listing Regulations, and SEBI (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999, as amended from time to time.

4.1. Terms of Reference of the Committee include the following:

- To formulate the criteria for determining qualifications, positive attributes and independence of a Director, and recommend to the Board a policy, relating to the remuneration for the Directors, key managerial personnel and other employees.
- To formulate the criteria for evaluation of performance of Independent Directors and the Board; and evolve and review the policy on Board diversity.
- To identify/ evaluate persons for appointment to the Board or in senior management in accordance with the criteria laid down and to recommend to the Board their appointment and/ or removal.
- Support the Board and Independent Directors in evaluation of the performance of the Board, its committees and individual directors.
- Recommend to the Board, all remuneration, in whatever form, payable to senior management.
- To administer, monitor and formulate Employees' Stock Option Scheme with terms and conditions relating to quantum, exercise, granting, vesting etc and evolve a procedure for making a fair and reasonable adjustment to the scheme in case of any corporate actions.
- To carry out any other function as is mandated by the Board from time to time and/ or required by any statutory notification, amendment or modification, as may be applicable.

4.2 Composition of the Compensation, Nomination and Remuneration Committee and the details of meetings held and attended by its members:

The Committee met two times during the year, i.e. on 02 February 2019 and 28 March 2019. Attendance of each member of the Committee is as follows:

Name	Designation	No. of Meetings	
		Held	Attended
Dr. G. Suresh Kumar	Chairman	2	2
Mr. R. Ranga Rao	Member	2	2
Dr. Ramesh B. V. Nimmagadda	Member	2	2
Dr. S. Ganapaty	Member	2	2

4.3 Performance Evaluation

The Company has devised a Policy for Performance Evaluation of Independent Directors, Board, Committees and other individual Directors. The manner in which the evaluation has been carried out has been explained in the Board's Report.

The performance evaluation of Independent Directors shall be done by the entire Board of Directors (excluding the director being evaluated). On the basis of the report of performance evaluation, it shall be determined whether to extend or continue the term of appointment of the Independent Director.

Independent Directors are expected to provide an effective monitoring role and to provide help and advice for the executive directors. The broad issues considered in evaluating Independent Directors are:

- Providing necessary guidance using their knowledge and experience in development of corporate strategy, major plan of action, risk policy, and setting performance objectives.
- Independence exercised in taking decisions, listening to views of others and maintaining their views with resolute attitude.
- Ability in assisting the Company in implementing the best corporate governance practices.
- Capability in exercising independent judgement to tasks where there is a potential for conflict of interest.
- Commitment in fulfilling the director's obligations fiduciary responsibilities.

5. Remuneration of Directors

5.1 Details of Remuneration to Executive Directors

(₹ in Lakhs)

Name	Salary	PF	Perks	Commission	Total
Dr. Murali K. Divi	90	11	19	5761	5881
Mr. N. V. Ramana	84	10	15	2881	2990
Mr. Madhusudana Rao Divi	78	9	12	--	99
Mr. Kiran S. Divi	78	9	15	1921	2023
Ms. Nilima Motaparti	48	6	14	--	68
Total	**378**	**45**	**75**	**10563**	**11061**

5.2 Details of Remuneration to Non-Executive Directors

There were no pecuniary relationship or transactions of the Non-Executive Directors vis a vis the Company. The Company does not pay any remuneration to Non-Executive Directors except sitting fees and reimbursement of travelling and out of pocket expenses for attending the Board/ Committee meetings. The Company has not granted any stock options to any of its Non-Executive Directors. The details of sitting fee paid to Non-Executive Directors during the year 2018-19 is as follows:

(₹ in Lakhs)

Name of the Non-Executive Director	Sitting Fees
Dr. G. Suresh Kumar	12
Mr. R. Ranga Rao	13
Mr. K. V. K. Seshavataram	10
Dr. Ramesh B. V. Nimmagadda	9
Dr. S. Ganapaty	7
Prof. Sunaina Singh*	-

*Appointed w.e.f 28.03.2019

6. Stakeholders Relationship Committee

The Stakeholders Relationship Committee is empowered, inter alia, to review all matters connected with the Company's share transfers and transmissions and redressal of shareholders/ investors' complaints like non-transfer of shares, non-receipt of dividend, Annual Report etc.

The composition and the terms of reference of Committee are in line with the requirements of provisions of the Companies Act, 2013 and Regulation 20 of SEBI Listing Regulations.

6.1 Composition of the Stakeholders Relationship Committee and the details of meetings held and attended by its members:

The Stakeholders Relationship Committee consists of three Independent Non-Executive Directors and Chief Financial Officer of the Company. The Company Secretary is the Compliance Officer of the Company for attending to complaints / grievances of the members.

Stakeholders Relationship Committee met four times during the year on 26 May 2018, 04 August 2018, 27 October 2018 and 02 February 2019 and considered issue of duplicate share certificates, transfer / transmission of shares and other investor grievances.

Name	Designation	No. of Meetings	
		Held	Attended
Dr. Ramesh B. V. Nimmagadda	Chairman	4	4
Mr. K.V.K. Seshavataram	Member	4	4
Dr. S. Ganapaty	Member	4	4
Mr. L Kishore Babu	Member	4	4

6.2 Complaints / Grievances received and attended

During the year under review, Company has received 26 complaints from investors. All were replied/resolved to the satisfaction of the investors and no complaints were outstanding.

7. Corporate Social Responsibility Committee

The Corporate Social Responsibility (CSR) Committee's responsibility is to assist the Board in undertaking CSR activities by way of formulating and monitoring CSR Policy of the Company.

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

(a) Formulate and recommend to the Board, a Corporate Social Responsibility Policy in line with the requirement of the Companies Act, 2013 which shall indicate the activities to be undertaken by the Company;

(b) Recommend the amount of expenditure to be incurred on CSR activities and

(c) Monitor the implementation of Corporate Social Responsibility Policy of the Company from time to time.

7.1 Composition of the Corporate Social Responsibility Committee and the details of meetings held and attended by its members:

CSR Committee met five times during the year on 26 May 2018, 04 August 2018, 27 October 2018, 02 February 2019 and 28 March 2019. The attendance of each member of the Committee is as follows:

Name	Designation	No. of Meetings	
		Held	Attended
Mr. R. Ranga Rao	Chairman	5	5
Dr. Murali K. Divi	Member	5	5
Mr. N. V. Ramana*	Member	5	4
Mr. Madhusudana Rao Divi	Member	5	5
Dr. Ramesh B.V. Nimmagadda*	Member	5	1

*Due to reconstitution of the CSR Committee by the Board of Directors at its meeting held on 09 March 2019, Mr. N.V. Ramana ceased to be the member of the Committee and Dr. Ramesh B.V. Nimmagadda was appointed as member of the Committee w.e.f. 09 March 2019.

8. Risk Management Committee

Risk Management Committee was constituted by the Board to review the processes and procedures for ensuring that all strategic, operational and regulatory risks are properly identified and that appropriate systems of monitoring and mitigation are in place and to oversee and review the risk management framework, assessment of risks and minimization procedures. Risk Management Committee of the Company meets from time to time to evaluate and ensure that the control mechanism operates effectively.

The Company constantly evaluates various risks – business, customer concentration, supplier concentration, regulatory compliances, confidentiality of processes, consistency of cGMP practices, environment, employee health and safety etc., monitoring the risks and deploy appropriate control systems aimed at mitigating such risks to the extent possible.

8.1 Composition of the Risk Management Committee and the details of meetings held and attended by its members:

Risk Management Committee met once during the year on 10 September 2018. The attendance of each member of the Committee is as follows:

Name	Designation	No. of Meetings	
		Held	Attended
Mr. Madhusudana Rao Divi	Chairman	1	1
Mr. N. V. Ramana*	Member	1	0
Mr. Kiran S. Divi	Member	1	0
Ms. Nilima Motaparti*	Member	1	0
Mr. L. Kishore Babu	Member	1	1
Mr. L. Ramesh Babu	Member	1	1

*Due to reconstitution of the Risk Management Committee by the Board of Directors at its meeting held on 09 March 2019, Mr. N.V. Ramana ceased to be the member of the Committee and Ms. Nilima Motaparti was appointed as member of the Committee w.e.f. 09 March 2019.

9. Allotment Committee

The Allotment Committee oversees the issues relating to allotment of shares under various corporate actions like Mergers, Amalgamations, Preferential Issue, Rights Issue, Bonus Issue etc., No meetings of the Committee were held during the year.

9.1 Composition of the Committee:

Name	Category	Designation
Dr. G. Suresh Kumar	Independent Director	Chairman
Mr. R. Ranga Rao	Independent Director	Member
Mr. Kiran S. Divi	Whole-time Director	Member

The Company Secretary acts as Secretary of the Committee.

10. General Body Meetings

10.1 General Meetings

Location and time of last three Annual General Meetings and details of special resolutions, if any:

Year ended	Date & Time	Venue	Details of Special Resolutions passed, if any
31 March 2018	10 September 2018 at 10 AM	Global Peace Auditorium, Brahma Kumaris, Shanti Sarovar, Academy for Better World, Gachibowli, Hyderabad - 500 032	Nil
31 March 2017	25 September 2017 at 10 AM		Nil
31 March 2016	29 August 2016 at 10 AM	Sundarayya Vignana Kendram (SVK), Gachibowli X-Roads, Green Lands Colony, Besides Centre for Good Governance, Serilingampalli Mandal, Hyderabad – 500 032	Nil

10.2 Special Resolutions through Postal Ballot

Details of special resolution passed through postal ballot, the persons who conducted the postal ballot exercise, details of the voting pattern and procedure of postal ballot:

The Company had sought the approval of the shareholders by way of Special Resolutions through notice of postal ballot dated 02 February 2019 for the following resolutions, which were duly passed and the results of which were announced on 18 March 2019.

Mr. V. Bhaskara Rao (Membership No. F 5939), Practicing Company Secretary, was appointed as the Scrutinizer to scrutinize the postal ballot and remote e-voting process in a fair and transparent manner.

Resolution	No. of Votes Polled	No. of Votes Cast in Favour	No. of Votes Cast Against	% of Votes Cast in Favour on Votes Polled	% of Votes Cast Against on Votes Polled
Re-appointment of Dr. G. Suresh Kumar (DIN: 00183128) as an Independent Director for a second term of five consecutive years	220231528	199357530	20873998	90.52	9.48
Re-appointment of Mr. R. Ranga Rao (DIN: 06409742) as an Independent Director for a second term of five consecutive years	220247148	220028052	219096	99.90	00.10
Approval for continuance of Directorship of Mr. K. V. K. Seshavataram (DIN: 00060874), as a Non- Executive Independent Director of the Company	220247245	220151716	95529	99.96	00.04
Re-appointment of Mr. K. V. K. Seshavataram (DIN: 00060874) as an Independent Director for a second term of five consecutive years	220247245	220147948	99297	99.96	00.04

The postal ballot was carried out as per the provisions of Sections 108 and 110 and other applicable provisions of the Companies Act, 2013 read with the Rules framed thereunder.

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

11. 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 all India editions of Financial Express and Hyderabad edition of Andhra Prabha.
- Financial results, official news releases of the Company and other shareholder information are also made available on the Company's website, i.e. www.divislaboratories.com or www.divislabs.com.
- Annual Report containing, inter alia, Audited Annual Accounts, Consolidated Financial Statements, Board's Report, Auditors' Report and other important information is circulated to members and others entitled thereto. The document is also placed on the Company's website and sent to Stock Exchanges.
- All periodical compliance filings like shareholding pattern, corporate governance report, company announcements, among others are filed electronically on NSE Electronic Application Processing System (NEAPS) and BSE Listing Centre.

12. General Shareholder Information

Annual General Meeting

Date:	23 August 2019
Time:	10.00 a.m.
Venue:	Global Peace Auditorium, Brahma Kumaris, Shanti Sarovar, Academy for Better World, Gachibowli, Hyderabad - 500 032
Financial Year	1 April 2018 to 31 March 2019

Dividend payment date	On or before 06 September 2019
Book Closure Date	17 August 2019 to 23 August 2019
ISIN No	INE361B01024
Listing on Stock Exchanges	BSE Limited Phiroze Jeejeebhoy Towers, Dalal Street, Mumbai-400 001 National Stock Exchange of India Limited Exchange Plaza, Bandra-Kurla Complex, Bandra (East), Mumbai–400051.
Stock Code	BSE - 532488 NSE - DIVISLAB

The Company has paid listing fees for the year 2018-19 to both the above Stock Exchanges.

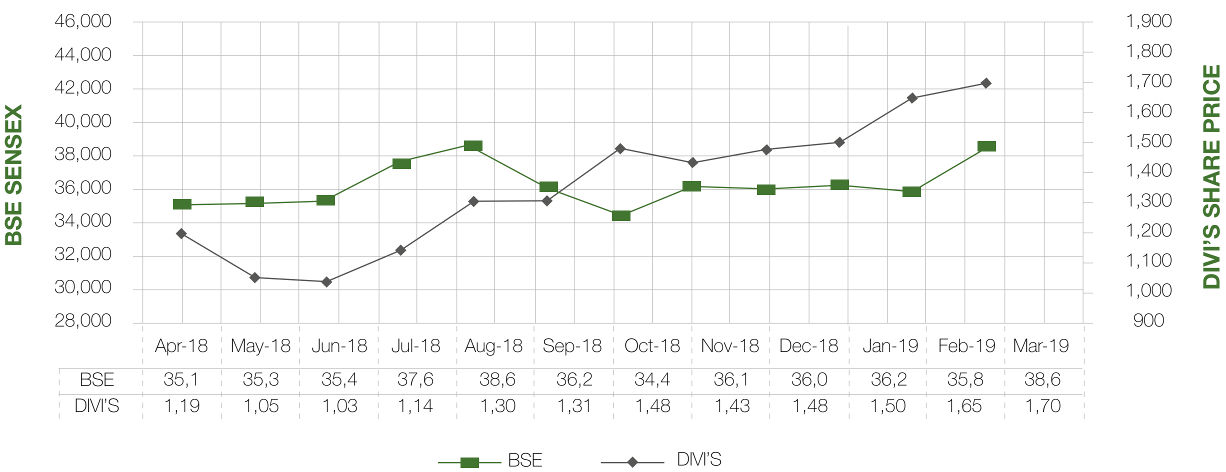
13. Market Price Data

Monthly high and low quotations as well as the volume of shares traded at BSE and National Stock Exchanges for the financial year 2018-19 are as follows:

Month	BSE Limited			National Stock Exchange		
	Low (₹)	High (₹)	Volume	Low (₹)	High (₹)	Volume
Apr-18	1081.10	1207.85	486240	1079.25	1208.75	11232912
May-18	1041.00	1220.00	664839	1042.20	1223.00	12340331
Jun-18	994.95	1115.00	782143	994.95	1116.90	15601316
Jul-18	1024.85	1165.15	723975	1025.25	1164.55	16948316
Aug-18	1079.80	1327.00	959889	1080.00	1328.00	24339155
Sep-18	1233.00	1425.60	1185338	1232.80	1425.00	23575924
Oct-18	1214.25	1511.90	1323954	1212.50	1512.00	27161123
Nov-18	1421.00	1577.00	1671365	1420.00	1578.00	33887688
Dec-18	1422.00	1551.00	495571	1420.05	1553.15	13227401
Jan-19	1429.30	1547.70	570640	1428.25	1548.00	11091285
Feb-19	1488.90	1697.65	734603	1488.65	1700.00	19010885
Mar-19	1639.30	1767.10	425548	1636.00	1774.95	12592802

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

BSE Vs DIVI'S LABS (2018-19)



14. Unclaimed Dividend Amounts and Transfer to IEPF

The Company has transferred dividend amounts which remained unpaid or unclaimed for a period of seven years from the date of their transfer to unpaid dividend account, from time to time, on due dates to the Investor Education and Protection Fund (IEPF) administered by the Central Government.

The Company has uploaded the details of unpaid and unclaimed dividends lying with the Company as on 10 September 2018 (date of last Annual General Meeting) on the website of the Company, and on the website of the Ministry of Corporate Affairs.

During the year under review, the Company has credited ₹12.57 lakhs to the Investor Education and Protection (IEPF) pursuant to Section 125(1) of the Companies Act, 2013.

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

	Date of declaration of dividend	Amount outstanding as on 31 March 2019 (₹In lakhs)	Due for transfer to IEPF on
2011-2012	06.08.2012	8.78	05.09.2019
2012-2013	05.08.2013	8.80	04.09.2020
2013-2014	25.08.2014	13.97	24.09.2021
2014-2015	31.08.2015	11.83	30.09.2022
2015-2016	(Interim) 10.03.2016	15.68	09.04.2023
2016-2017	25.09.2017	29.07	24.10.2024
2017-2018	10.09.2018	9.18	09.10.2025

In accordance with the provisions of Section 124(6) of the Companies Act, 2013 read with Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 (as amended from time to time), shares in respect of which dividend has not been paid or claimed for seven consecutive years or more, will be transferred to the demat account of IEPF Authority. The Company has sent notice to all shareholders whose shares are due to be transferred to the IEPF Authority. Members are advised to visit the website of the company to ascertain the details of shares liable for transfer in the name of IEPF Authority.

Shareholders whose unclaimed dividend/ shares are transferred to the IEPF Authority can now claim their unclaimed dividend and shares from the Authority by following the Refund Procedure as detailed on the website of IEPF Authority.

15. Share Transfer System

The Stakeholders Relationship Committee approves transfer of shares in physical mode. The Company's RTA transfers the shares within 15 days of receipt of request, subject to documents being valid and complete in all respects. Dematerialization is done within 15 days of receipt of request along with the shares through the Depository Participant of the shareholder. The Stakeholders Relationship Committee will meet as often as required to approve share transfers and to attend to any grievances or complaints received from the members.

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

16. Distribution of Shareholding as on 31 March 2019

Category	No. of shareholders	% of shareholders	No. of shares	% of shareholding
1 – 5000	79077	97.66	9153445	3.45
5001 – 10000	635	0.78	2298181	0.87
10001 – 20000	481	0.59	3637885	1.37

Category	No. of shareholders	% of shareholders	No. of shares	% of shareholding
20001 – 30000	173	0.21	2099001	0.79
30001 – 40000	115	0.14	2087387	0.78
40001 – 50000	61	0.08	1403403	0.53
50001 – 100000	150	0.19	5415946	2.04
100001 & above	280	0.35	239373332	90.17
TOTAL	**80,972**	**100**	**265468580**	**100**

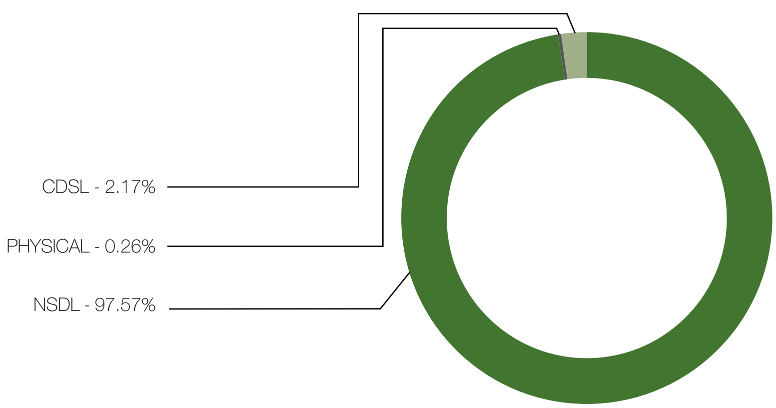
17. (i) Shareholding Pattern

Category	As on 31 March 2019		As on 31 March 2018	
	No. of shares	% to share capital	No. of shares	% to share capital
Promoters	138069360	52.01	138181232	52.05
Mutual Funds	36885049	13.89	41025312	15.45
Banks/Financial institutions/NBFCs	878527	0.33	886347	0.33
Foreign Portfolio Investors	56301726	21.21	48862026	18.41
Private Corporate Bodies	9580167	3.61	10997986	4.14
Indian Public	20299839	7.65	22366479	8.43
Non-Resident Indians	1405037	0.53	1579752	0.60
Clearing Members	1100194	0.41	349352	0.13
Trusts	934582	0.35	662643	0.25
Alternative Investment Fund	--	--	554069	0.21
IEPF	14099	0.01	3382	0.00
Grand Total	**265468580**	**100**	**265468580**	**100**

(ii) Shareholding Profile as on 31 March 2019

Mode of holding	No. of holders	No. of Shares	% to Equity
N S D L	56925	259019903	97.57
C D S L	23997	5750841	2.17
PHYSICAL	50	697836	0.26
Total	**80972**	**265468580**	**100**

Shareholding Profile as on 31 March 2019



18. 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 Registrar are confirmed within the statutory period.

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

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

As on 31 March 2019, 99.74 % of the shares were in demat mode.

19. Outstanding GDRS/ADRS/Warrants or Any Convertible Instruments, Conversion Date and Likely Impact on Equity

We have no GDRs/ADRs or any commercial instrument.

20. Commodity Price Risk or Foreign Exchange Risk and Hedging Activities

The Company is not carrying on any Commodity Business and has not undertaken any hedging activities.

21. Plant Locations

Choutuppal Unit:	Lingojigudem Village, Choutuppal Mandal Nalgonda Dist. (TS), Pin Code - 508252.
Export Oriented Unit:	Chippada Village, Bheemunipatnam Mandal Visakhapatnam Dist. (A.P), Pin Code - 531163
Divi's Pharma SEZ:	Chippada Village, Bheemunipatnam Mandal Visakhapatnam Dist. (A.P), Pin Code - 531163
DSN SEZ Unit:	Chippada Village, Bheemunipatnam Mandal Visakhapatnam Dist. (A.P), Pin Code - 531163

22. Address for Correspondence

Registrar and Share Transfer Agents:

M/s. Karvy Fintech Private Limited
Unit: Divi's Laboratories Limited
Karvy Selenium Tower B,
Plot No. 31 – 32, Gachibowli,
Financial District, Nanakramguda,
Hyderabad – 500 032,
Telangana, INDIA
CIN: U72400TG2017PTC117649
Phone No: 040-67161526;
Fax: 040-23001153
Toll Free No. 1800-3454-001
E-mail: einward.ris@karvy.com

Company:

The Company Secretary & Compliance Officer,
Divi's Laboratories Limited
1-72/23(P)/DIVIS/303, Divi Towers,
Cyber Hills, Gachibowli,
Hyderabad – 500 032,
Telangana, INDIA
CIN: L24110TG1990PLC011854
Phone: 040-2378 6300;
Fax: 040-2378 6460
E-mail: cs@divislabs.com

23. Credit Rating

CARE Ratings Limited has reaffirmed the credit rating for the Company as CARE AA+ Outlook: Stable for long-term bank facilities and AA+ (Stable) outlook: Stable, A+ for long/short-term bank facilities.

24. Other Disclosures

A) Dividend Distribution Policy:

This Policy is also available on the website of the Company: (http://www.divislabs.com)

1. Preamble

This Policy has been adopted by the Board of Directors (the "Board") of Divi's Laboratories Limited (the "Company") at its meeting held on 12 August, 2016. The Board may review and amend this policy from time to time and shall comply with SEBI Listing Regulations and the provisions of the Companies Act, 2013 as amended.

2. Policy

The Board of Directors decides each year, in accordance with this policy, which portion of the earnings shall be retained to fund future growth or for other purposes and the portion of earnings to be distributed to reward shareholders for their investment in the Company.

Dividends are declared at the Annual General Meeting of the shareholders based on the recommendation by the Board. The Board may recommend dividends, to be paid to shareholders, after taking into consideration the operating and financial performance of the Company, the advice of executive management and other relevant factors. The Board may also declare interim dividends.

This Policy sets out the parameters and circumstances that may be taken into account by the Board in determining recommendation of dividend and/or retain the profits earned by the Company.

a) Statutory requirements:

The Company shall observe the relevant statutory requirements for creation of any reserves from out of profits etc., as provided in the Companies Act, 2013 as applicable while taking decisions for dividend declaration or retention of profits.

b) Prudential requirements:

The Company shall analyse the prospective projects, capital expenditure for expansions, growth of business, working capital needs, acquisitions, strategic decisions or as a result of expanded capital on account of bonus, new issue of various classes of shares or debentures, which may need creation of healthy reserve, internal resources, servicing and capital conservation for such needs.

c) External factors:

The Board may take into account any external factors while considering recommending dividend, such as:

- o Political, tax or regulatory changes relating to its business or declaration of dividend
- o Any material changes relating to the operations of the Company or the economic and technological environment impacting the business of the Company
- o Any significant change in the competitive conditions affecting the operations of the Company, which might require dynamic changes in operations or making significant investments.
- o Any restrictions on payment of dividends by virtue of any regulation as may be applicable to the Company at the time of declaration of dividend.

d) Expectations of stakeholders/ various classes of shares:

The Board, while deciding recommendation of dividend, shall also factor the expectations of the stakeholders while also taking into account the needs of business and consistency of dividend payout.

e) Utilisation of retained earnings:

Profits as earned by the Company may either be retained in business for future business needs as detailed under (b) above or may be distributed to the shareholders

f) Manner of payout:

- o Interim dividend, if any, may be declared by the Board.
- o Recommendation of dividend, if any, shall be done by the Board, usually at the Board Meeting that considers and approves the annual financial statements.
- o Dividend recommended by the Board is subject to approval by members at the annual general meeting of the Company.
- o Payment of dividends shall be made within the stipulated time and in compliance with the regulations or the applicable laws.

g) Circumstances under which dividend may not be paid

The Board may in extraordinary circumstances like adverse market conditions, business uncertainty, inadequacy of profits etc., deviate from the policy parameters and may prune or not recommend dividend.

h) Multiple classes of shares

Factors, parameters and payment for dividend to different class of shares of the Company shall be similar to the policy formulated herein, and subject to the respective rights attached to each class of shares as per their terms of issue and in compliance with applicable regulations or laws.

B) Disclosures on Materially Significant Related Party Transactions

The Company does not have any materially significant related party transactions, which may have potential conflict with the interest of the Company. Other related party transactions have been reported at Note No.39 of notes to Financial Statements. The Register of Contracts, containing transactions in which Directors are interested, is placed before the Board regularly.

The Company has formulated a policy on materiality of Related Party Transactions and also on dealing with Related Parties. The policy is also available on the website of the Company.(https://www.divislabs.com/wp-content/uploads/2018/07/Related-Party-Transactions-Policy-1.pdf)

C) Cases of Non-Compliances / Penalties

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

D) Vigil Mechanism

Information relating to Vigil mechanism has been provided in the Board's Report. The Vigil mechanism policy is available on the website of the Company

E) Whistle Blower Policy

To strengthen its policy of corporate transparency, the Company has established an empowering mechanism for employees and accordingly formulated Whistle Blower Policy to provide a mechanism for directors and employees of the Company to report instances of unethical behavior, actual or suspected fraud, or violation of the Code of Ethics and Business Conduct in good faith to the Vigilance Officer / Chairman of the Audit Committee. This mechanism also provides for adequate safeguards against victimization of director(s) / employee(s) who avail the mechanism and provides for direct access to the Chairman of the Audit Committee in exceptional cases. No personnel have been denied access to the Audit Committee.

F) Policy for determining material subsidiaries is disseminated on the website of the Company: (https://www.divislabs.com/wp-content/uploads/2018/07/Policy-on-Material-Subsidiary_1.pdf)

G) The Company has obtained a certificate from Mr. V. Bhaskara Rao, Practicing Company Secretary that none of the Directors on the Board of the Company has been debarred or disqualified from being appointed or continuing as Directors of Companies by the Board/Ministry of Corporate Affairs or any such statutory authority.

H) Sexual Harassment

In compliance with Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 statement of complaints for the financial year ended 31 March, 2019:

Sl. No.	Particulars	Number
1	Number of complaints filed during the financial year	1
2	Number of complaints disposed of during the financial year	1
3	Number of complaints pending as on end of financial year	Nil

I) Fees paid for the services of Auditors

Details of the total fees for all services paid by the Company and its subsidiaries, on a consolidated basis, to the statutory auditor and all entities in the network firm/network entity of which the statutory auditor is a part, are as follows:

(₹ in lakhs)

Particulars	For year ended March 31, 2019	For year ended March 31, 2018
As Statutory Auditor	30	26
For Quarterly Reviews	19	16
Re-imbursement of expenses	3	1
Total payments to auditors	**52**	**43**

25. The Company has complied with the requirements of the Schedule V Corporate Governance Report sub-paras (2) to (10) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015.

26. Compliance with Mandatory Requirements and Adoption of Discretionary Requirements

The Company has complied with all the mandatory requirements of the Corporate Governance as stipulated in Schedule V of the SEBI Listing Regulations. Certificates from Mr. V. Bhaskara Rao, Practicing Company Secretary, confirming compliance with the conditions of Corporate Governance are annexed.

Status of adoption of the discretionary requirements pursuant to Regulation 27(1) of the SEBI Listing Regulations read with Part E of Schedule II is as under:

Shareholder Rights: Half-yearly and other quarterly financial statements are published in newspapers and uploaded on Company's website;

Audit Qualifications: The Company already has a regime of un-qualified financial statements. Auditors have raised no qualification on the financial statements.

27. Compliance with Corporate Governance Requirements Specified in Regulation 17 to 27 and Clauses (B) to (I) of Sub-Regulation (2) of Regulation 46 are as Follows:

Regulation	Particulars of Regulation	Compliance Status (Yes/ No)
17	Board of Directors	Yes
18	Audit Committee	Yes
19	Nomination and Remuneration Committee	Yes
20	Stakeholders Relationship Committee	Yes
21	Risk Management Committee	Yes
22	Vigil Mechanism	Yes
23	Related Party Transactions	Yes
24	Corporate Governance requirements with respect to subsidiary of the Company	Yes
25	Obligations with respect to Independent Directors	Yes
26	Obligations with respect to Directors and Senior Management	Yes
27	Other Corporate Governance requirements	Yes
46(2)(b) to (i)	Website	Yes

Subsidiaries

The Company has two foreign subsidiaries. The Audit Committee reviews the financial statements of the subsidiary companies. During the year, the Board took on record the minutes of the Board meetings of the subsidiary companies.

CEO and CFO Certification

The CMD and CFO of the Company have certified to the Board in relation to reviewing financial statements and other information as required by Regulation 17(8) of the SEBI Listing Regulations and the certificate is appended.

Code of Ethics and Business Conduct

The Company has adopted a Code of Ethics and Business Conduct for Directors and Senior Management. The code is comprehensive in nature and applicable to all Directors, Executive as well as Non-Executive and to Senior Management of the Company.

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

I hereby confirm that the Company has obtained from all the members of the Board and senior management, affirmation that they have complied with the code of ethics and business conduct for directors and senior management in respect of the financial year 2018-19.

For and on behalf of the Board

Dr. Murali K. Divi
Chairman & Managing Director
(DIN: 00005040)

Hyderabad
25 May 2019

CERTIFICATION BY CHAIRMAN AND MANAGING DIRECTOR AND CHIEF FINANCIAL OFFICER

We, Murali K. Divi, Chairman and Managing Director appointed in terms of the Companies Act, 2013 and Mr. L. Kishore Babu, Chief Financial Officer to the best of our knowledge and belief, certify that:

a. We have reviewed the financial statements and cash flow statement (standalone and consolidated) for the period ended 31 March, 2019 and to the best of our knowledge and belief these statements;

   i. do not contain any materially untrue statement or omit any material fact or contain statements that might be misleading;

   ii. together present a true and fair view of the company's affairs and are in compliance with existing accounting standards, applicable laws and regulations.

b. There are, to the best of our knowledge and belief, no transactions entered into by the company during the period which are fraudulent, illegal or violative of the company's code of conduct.

c. We accept responsibility for establishing and maintaining internal controls for financial reporting and that we have evaluated the effectiveness of internal control systems of the company pertaining to financial reporting and we have disclosed to the auditors and the Audit Committee, deficiencies in the design or operation of such internal controls, if any, of which we are aware and the steps we have taken or propose to take to rectify these deficiencies.

d. We have indicated to the auditors and the Audit committee

   i. significant changes in internal control over financial reporting during the period;

   ii. significant changes in accounting policies during the period and that the same have been disclosed in the notes to the financial statements; and

   iii. instances of significant fraud of which we have become aware and the involvement therein, if any, of the management or an employee having a significant role in the company's internal control system over financial reporting.

For **Divi's Laboratories Limited**

Dr. Murali K. Divi
Chairman & Managing Director
(DIN: 00005040)

L Kishore Babu
Chief Financial Officer

Hyderabad
25 May 2019

CERTIFICATION ON CORPORATE GOVERNANCE

To
The Members of
Divi's Laboratories Limited
CIN: L24110TG1990PLC011854
1-72/23(P)/DIVIS/303, Divi Towers
Cyber Hills, Gachibowli
Hyderabad -500 032

We have examined the Compliance of conditions of Corporate Governance by DIVI'S Laboratories Limited (the Company), for the year ended 31 March 2019 as stipulated in Regulations 17 to 27 and clauses (b) to (i) of Regulations 46(2) and para C, D and E of Schedule V of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("the Listing Regulations")

The Compliance of the conditions of Corporate Governance is the responsibility of the management. This responsibility includes the design, implementation, and maintenance of internal control and procedures to ensure the compliance with the conditions of the Corporate Governance stipulated in Listing Regulations.

Our examination is limited to examining the procedures and implementation thereof, adopted by the company for ensuring the compliance with the conditions of Corporate Governance. It is neither an audit nor an expression of opinion on the financial statements of the company.

We have examined the books of account and other relevant records and documents maintained by the company for the purposes of providing reasonable assurance on the compliance with Corporate Governance requirements by the Company.

Based on our examination of the relevant records and according to the information and explanations provided to us and the representations provided by the Management, we certify that the company has complied with the conditions of Corporate Governance as stipulated in Regulations 17 to 27 and clauses (b) to (i) of Regulations 46(2) and para C. D and E of Schedule V of the SEBI Listing Regulations.

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 **V. Bhaskara Rao & Co.**,
Company Secretaries

V. Bhaskara Rao
Proprietor
F.C.S.No.5939, C.P.No.4182

Place: Hyderabad
Date: 25 May 2019

Certificate of Non-Disqualification of Directors

[Pursuant to Regulation 34(3) and Schedule V Para C clause (10)(i) of the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015]

To,
The Board of Directors
Divi's Laboratories Limited,
CIN: L24110TG1990PLC011854
1-72/23(P)/DIVIS/303,
Divi Towers Cyber Hills, Gachibowli,
Hyderabad, Telangana-500032

We have examined the relevant registers, records, forms, returns and disclosures (hereinafter referred to as 'relevant documents') produced to us by M/s. Divi's Laboratories Limited, bearing CIN L24110TG1990PLC011854 and having Registered Office at 1-72/23(P)/ DIVIS/303, Divi Towers, Cyber Hills, Gachibowli, Hyderabad, Telangana-500032 (hereinafter referred to as 'the Company') for the purpose of issuing this Certificate, in accordance with Regulation 34(3) read with Schedule V Para-C Sub clause 10 (i) of the Securities Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015.

Based on our examination of relevant documents made available to us by the Company and such other verifications carried out by us as deemed necessary and to the extent possible, in our opinion and to the best of our information and according to the verifications (including Directors Identification Number (DIN) status at the portal www.mca.gov.in) as considered necessary and explanations furnished to me by the Company & its officers, we hereby certify that, for the financial year ending on March 31, 2019, none of the Directors on the Board of the Company as stated below have been debarred or disqualified from being appointed or continuing as Directors of companies by the Securities and Exchange Board of India, Ministry of Corporate Affairs, or any such other Statutory Authority:

Sl. no.	Name of Director	DIN
1.	Dr. Murali Krishna Prasad Divi	00005040
2.	Mr. Nimmagadda Venkata Ramana	00005031
3.	Mr. Satchandra Kiran Divi	00006503
4.	Mr. Kanteti Venkata Krishna Seshavataram	00060874
5.	Mr. Madhusudana Rao Divi	00063843
6.	Dr. Gangavarapu Suresh Kumar	00183128
7.	Ms. Motaparti Nilima	06388001
8.	Mr. Ranga Rao Ravipati	06409742
9.	Dr. Rameshbabu Venkata Nimmagadda	07854042
10.	Prof. Ganapaty Seru	07872766
11.	Prof. Sunaina Singh	08397250

Ensuring that the eligibility of for the appointment/continuity of every Director on the Board is the responsibility of the management of the Company. Our responsibility is to express an opinion on these based on our verification. This certificate is neither an assurance as to the future viability of the Company nor of the efficiency or effectiveness with which the management has conducted the affairs of the Company.

This Certificate has been issued at the request of the Company to make disclosure in its Corporate Governance Report of the Financial Year ended 31st March, 2019.

For **V. Bhaskara Rao & Co.**,
Company Secretaries

V. Bhaskara Rao
Proprietor
F.C.S.No.5939, C.P.No.4182

Place: Hyderabad
Date: 25 May 2019

Board's Report

To
The Members,

Your Directors have pleasure in presenting the Annual Report of Divi's Laboratories Limited (the Company or Divi's) along with the audited financial statements for the financial year ended March 31, 2019. The consolidated performance of the Company and its subsidiaries has been referred to wherever required.

Financial Results

Financial performance of the Company for the year ended 31 March 2019 is summarized below:

(₹ lakhs)

Particulars	Standalone		Consolidated	
	2018-19	2017-18	2018-19	2017-18
Revenue	487966	383723	494626	391278
Other Income	15658	11248	15563	11344
Total Revenues	503624	394971	510189	402622
Expenditure	303070	258660	307442	265107
Profit before depreciation, interest and tax (PBDIT)	200554	136311	202747	137515
Depreciation	16881	14242	16890	14249
Finance Cost	350	133	350	133
Profit before Tax (PBT)	183323	121936	185507	123133
Provision for Tax:				
Current Tax	47245	28713	47551	28983
Deferred Tax	2813	6265	2682	6449
Total tax provision	50058	34978	50233	35432
Profit after Tax (PAT)	133265	86958	135274	87701
Other comprehensive Income (net of tax)	105	67	(35)	990
Total Comprehensive Income	133370	87025	135239	88691
Earnings per Share (EPS) Basic & Diluted (₹)	50.20	32.76	50.96	33.04

Operations

Operations for the year reflect normalized operations after successful closure of audits by US-FDA for Company's Unit-II at Visakhapatnam, Andhra Pradesh during the last year. The Company's Unit-I at Choutuppal, Telangana State was also inspected by the US-FDA during May 2018 and was concluded without any observations.

Standalone

- Total Revenues for the year increased by 28% to ₹503624 lakhs.
- Operating profit (PBDIT) for the year grew by 47% to ₹200554 lakhs as against an operating profit of ₹136311 lakhs last year.
- Profit before Tax (PBT) for the year amounted to ₹183323 lakhs as against a PBT of ₹121936 lakhs for the last year.
- Tax Provision for the current year amounted to ₹50058 lakhs as against a tax provision of ₹34978 lakhs for the last year.
- Profit after Tax (PAT) before Other Comprehensive Income for the year amounted to ₹133265 lakhs as against a PAT of ₹86958 lakhs last year.
- Earnings Per Share of ₹2/- each works out to ₹50.20 for the year as against ₹32.76 last year.
- Out of the total revenue, 27% came from North America, 46% from Europe, 12% from Asia, 12% from India and 3% from rest of the World.

Consolidated

Our total revenues on consolidated basis increased by 27% to ₹510189 lakhs from ₹402622 lakhs in the previous year.

The operating profit before depreciation, finance charges and tax (PBDIT) amounted to ₹202747 lakhs as against ₹137515 lakhs in the previous year. Profit after Tax, before Other Comprehensive Income, for the year accounted to ₹135274 lakhs as against ₹87701 lakhs in the previous year.

Subsidiaries

Our subsidiaries viz., M/s. Divi's Laboratories (USA) Inc., in USA and M/s. Divi's Laboratories Europe AG in Switzerland are engaged in marketing/distribution of nutraceutical products and to provide a greater reach to customers within these regions.

During the year, the subsidiaries have achieved aggregate turnover of ₹35638 lakhs as against ₹22593 lakhs in the previous year, reflecting a growth of 58% for the nutraceutical products in North America and Europe.

Subsidiaries have been having consistent profitable operations for the past few years, have cleared accumulated losses and turned into positive networth. There has been no material change in the nature of the business of the subsidiaries.

As per Section 129(3) of the Companies Act, 2013 read with Companies (Accounts) Rules, 2014, statement containing the salient features of the financial statement of Company's subsidiaries in form AOC-1 is annexed herewith as "**Annexure I**". Moreover, pursuant to provisions of Section 136(1) of the Companies Act, 2013, audited financial statements of the subsidiary companies are placed on the website of the Company at www.divislabs.com. The Consolidated Financial Statements presented by the Company include the financial results of its subsidiary companies.

Policy for determining Material Subsidiaries, is available on the Company's corporate website at: https://www.divislabs.com/wp-content/uploads/2018/07/Policy-on-Material-Subsidiary_1.pdf Presently, the Company does not have any material subsidiary.

Consolidated Accounts

As stipulated in the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ("SEBI Listing Regulations") and the Companies Act, 2013, the consolidated financial statements have been prepared by the Company in accordance with the relevant accounting standards. The audited consolidated financial statements together with Auditors Report thereon form part of the Annual report.

Capital Expenditure

In order to cater to the increasing opportunities in generic and big pharma business, the Company is taking up two brownfield projects with an aggregate investment of ₹1200 crores:

- An SEZ Unit at our Unit-II at Visakhapatnam, named as DCV SEZ Unit, with an investment of ₹600 crores. (revised from the estimate of ₹400 crores announced at the last General Meeting).
- Another SEZ Project with an investment of ₹600 crores in the available land at our Unit-I in Bhuvangiri-Yadadri (erstwhile Nalgonda) District, Telangana State.

Work has already commenced and the Projects are expected to be completed by end of the year 2019-20 barring unforeseen circumstances. The Company has also taken up debottlenecking programs at Unit-I as well as Unit-II by investing an aggregate amount of ₹300 crores –which would also create additional capacities for existing products. In addition, we have also taken up augmentation of waste treatment infrastructure at Unit-II at an estimated cost of ₹150 crores.

Material Changes and Commitments

No other material changes and commitments have occurred after the close of the year till the date of this Report, which affect the financial position of the Company. Further, there is no change in the nature of business of the Company.

Dividend

Your Directors are pleased to recommend a dividend of ₹16/- per equity share of ₹2/- each, i.e., 800% for the financial year ended 31 March 2019, subject to approval of members at the ensuing Annual General Meeting.

The total dividend payout for the current year amounts to ₹51206 lakhs (inclusive of tax of ₹8731 lakhs) as against ₹32004 lakhs in the previous year. Dividend payout (including dividend tax) as a percentage of profits is 38% as compared to 37% in the previous year.

Transfer to Reserves

The Directors have decided to retain the entire total comprehensive income of ₹133370 lakhs in the Retained Earnings.

Deposits

The Company has not accepted any deposits from public covered by provisions of Section 73 of the Companies Act, 2013.

Loans, Guarantees or Investments

During the year, the Company has not given any loans or guarantees covered under the provisions of Section 186 of the Companies Act, 2013.

The details of investments made by the Company are given in the notes to the financial statements.

Related Party Transactions

There are no materially significant related party transactions made by the Company with Promoters, Key Managerial Personnel or other designated persons which may have potential conflict with interest of the Company at large. As a matter of policy, your Company carries out transactions with related parties on an arms' length basis. Statement of these transactions is given at Note No. 39 of the Notes to Accounts.

Accordingly, particulars of contracts or arrangements with related parties referred to in Section 188(1) along with the justification for entering into such contract or arrangement in Form AOC-2 does not form part of this report.

Internal Financial Controls

Information in respect of internal financial controls and their adequacy is included in the Management Discussion and Analysis, which is a part of the Annual report.

Risk Management

The Company has an enterprise-wide approach to risk management, which lays emphasis on identifying and managing key operational and strategic risks. The aim is to avoid or minimise risks that pose a threat to Divi's continued existence and to make improved managerial decisions to create value. The Company has been addressing various risks impacting the Company and the policy and processes of the Company on risk management is provided in the Management Discussion and Analysis.

The Risk Management Committee constituted by the Company constantly evaluates various risks – business, customer concentration, supplier concentration, regulatory compliances, confidentiality of processes, consistency of cGMP practices, environment, employee health and safety etc., monitors risk and deploy appropriate control systems aimed at mitigating such risks to the extent possible.

Management Discussion and Analysis

In terms of provisions of Regulation 34(2) of SEBI Listing Regulations report on Management Discussion & Analysis for the year under review is provided in a separate section forming part of this Annual Report.

Directors' Responsibility Statement

As required under Section 134 (5) of the Companies Act, 2013, 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) 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 the end of the financial year and of the profit of the Company for the period;

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;

e) internal financial controls have been laid down and such controls are adequate and operating effectively;

f) proper systems have been laid down to ensure compliance with the provisions of all applicable laws and such systems are adequate and operating effectively.

Number of Meetings of Board of Directors

The Board meets at least four times in a year at quarterly intervals and more frequently if deemed necessary, to transact its business. During the financial year, the Board has met six times, i.e. on 26 May 2018, 04 August 2018, 27 October 2018, 02 February 2019, 09 March 2019 and 28 March 2019.

Directors and Key Managerial Personnel

Re- Appointment:

As per the provisions of the Companies Act, 2013 Mr. Kiran S. Divi and Ms. Nilima Motaparti, Whole-time Directors will retire by rotation at the ensuing 29th Annual General Meeting (AGM) and, being eligible, offer themselves for re-appointment.

Members have approved the re-appointment of Dr. G. Suresh Kumar and Mr. R. Ranga Rao as Non-executive Independent Directors of the Company by special resolution passed through postal ballot for a second term of five years with effect from 31 March 2019.

Members have approved the continuance of directorship and re-appointment of Mr. K. V. K. Seshavataram as Non-executive Independent Director of the Company by special resolution passed through postal ballot for a second term of five years with effect from 23 June 2019.

Appointment:

Your Board has appointed Prof. Sunaina Singh as an Additional Independent Director, at its meeting held on 28 March 2019 on the recommendation of the Nomination and Remuneration Committee. The Board commends her appointment as an Independent Director for your approval.

Brief profile of the directors proposed for appointment/ re-appointment is given in the notice convening the 29th AGM for reference of the members.

Declaration by Independent Directors

The Company has obtained declaration from all independent directors of the Company under Section 149(7) of the Companies Act, 2013 confirming that they meet the criteria of independence as provided in Section 149(6) of the Companies Act, 2013 and Regulation 25 of SEBI Listing Regulations.

Board Evaluation

The Board of Directors carried out an annual evaluation of its own performance, of the committees of the Board and of the individual directors pursuant to the provisions of the Companies Act, 2013 and SEBI Listing Regulations.

Performance evaluation was carried out on the basis of criteria evolved, as provided by the Guidance Note on Board Evaluation issued by Securities and Exchange Board of India, seeking inputs from the directors individually and the committees through a structured questionnaire which provides a valuable feedback for contribution to the Board, improving board effectiveness, maximising strengths and highlighting areas for further improvement etc.,

In a separate meeting of the Independent Directors, performance of the non-independent directors and the Board as a whole was evaluated taking into account the views of the non-independent directors and the same was discussed in the Board Meeting. Performance evaluation of Independent Directors is done by the entire Board of Directors (excluding the directors being evaluated).

Policy on Directors' Appointment and Remuneration

The Policy on appointment and remuneration of Directors, Key Managerial Persons and Senior Management including criteria for determining qualifications, positive attributes and director's independence as required under Section 178(3) of the Companies Act, 2013 and Regulation 19 read with Schedule II Part D of SEBI Listing Regulations has been formulated by the Company:

- To identify persons who are qualified to become directors and who may be appointed in senior management in accordance with the criteria laid down.
- To ensure a transparent board nomination process with the diversity of thought, experience, knowledge, perspective and gender in the Board.
- To determine remuneration based on the Company's size and financial position and trends and practices on remuneration prevailing in peer companies, in the Pharma industry besides qualifications, skills, capabilities etc.,
- To carry out evaluation of the performance of Directors, as well as Key Managerial and Senior Management Personnel.
- To provide them rewards linked directly to their effort, performance, dedication and achievement relating to the Company's operations.
- To retain, motivate and promote talent and to ensure long term sustainability of talented managerial persons and create competitive advantage.

Policy on Nomination and Remuneration of Directors, Key / Senior Managerial Personnel may be accessed on the Company's website at: https://www.divislabs.com/wp-content/uploads/2018/07/Nomination-and-Remuneration-policy18-1.pdf

Remuneration Details of Directors and KMP

Particulars required to be furnished under Rule 5(1) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, as amended are given in "**Annexure – II**" and forms part of this Report.

Particulars of Employees

Particulars of employees required to be furnished under Rule 5(2) and 5(3) of the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, as amended are given in "**Annexure – III**" and forms part of this Report.

Corporate Social Responsibility

The Board of Directors has constituted Corporate Social Responsibility Committee (CSR Committee) consisting of members viz. Mr. R. Ranga Rao (Chairman), Dr. Murali K. Divi, Mr. Madhusudana Rao Divi and Dr. Ramesh B.V. Nimmagadda.

Corporate Social Responsibility Policy (CSR Policy) indicating the activities to be undertaken by the Company was adopted by the Board on the recommendation of the CSR Committee.

Report on Corporate Social Responsibility as per Rule 8 of Companies (Corporate Social Responsibility Policy) Rules, 2014 is prepared and the same is enclosed as "**Annexure – IV**" to this Report.

Business Responsibility Report

Pursuant to the SEBI Listing Regulations, Business Responsibility Report (BRR) describing the initiatives taken by the Company is enclosed as part of this Report.

Conservation of Energy, Technology Absorption and Foreign Exchange Earnings & Outgo

Particulars required under Section 134 (3) (m) of the Companies Act, 2013 read with Rule 8(3) of the Companies (Accounts) Rules, 2014 is given in the "**Annexure – V**" to this report.

Corporate Governance Report

The report on Corporate Governance as per Regulation 34(3) read with Schedule V of the SEBI Listing Regulations is included as a part of this Annual Report. The requisite certificate from Mr. V. Bhaskara Rao, Practicing Company Secretary confirming the compliance with the conditions of Corporate Governance is attached to the report on Corporate Governance.

Audit Committee

The details pertaining to the role, objective and composition of the Audit Committee are included in the Corporate Governance Report which is part of the Annual Report for the year.

Vigil Mechanism

The Company has established a vigil mechanism and formulated a Whistle Blower Policy to provide mechanism for directors and employees of the Company to report their concerns about any unethical behavior, actual or suspected fraud or violation of the Company's code of conduct or ethics policy. The Policy provides that the Company investigates such incidents, when reported, in an impartial manner and takes appropriate action to ensure that requisite standards of professional and ethical conduct are always upheld. This mechanism also provides for adequate safeguards against victimization of director(s)/ employee(s) who avail the mechanism and also provide for direct access to the Chairman of the Audit Committee in exceptional cases. The Whistle Blower Policy may be accessed on the Company's website at:
https://www.divislabs.com/wp-content/uploads/2019/03/Whistle-blower-policy.pdf

Audit Reports

- Report of the Statutory Auditors for the year does not contain any qualification, reservation or adverse remark or disclaimer or reporting of any offence or fraud.
- The Secretarial Audit Report does not contain any qualification, reservation or adverse remark or disclaimer.

Statutory Auditors

At the Annual General Meeting held on 25 September 2017, M/s Price Waterhouse Chartered Accountants LLP (Firm Registration No. 012754N/ N500016) were appointed as Statutory Auditors of the Company to hold office for five consecutive years till the conclusion of the 32nd Annual General Meeting of the Company in the calendar year 2022 (subject to ratification by the members at each Annual General Meeting).

In terms of first proviso to Section 139 of the Companies Act, 2013, the appointment of the auditors shall be placed for ratification at every Annual General Meeting. However, Companies (Amendment) Act, 2017 omitted the first proviso to Section 139 of Companies Act, 2013 that requires ratification of appointment of auditor at every annual general meeting.

Accordingly, M/s. Price Waterhouse Chartered Accountants LLP will continue as the Statutory Auditors of the Company till conclusion of 32nd Annual General Meeting of the Company.

Secretarial Audit

Pursuant to provisions of Section 204 of the Companies Act, 2013 and the Companies (Appointment and Remuneration of Managerial Personnel) Rules, 2014, the Board of Directors of the Company has appointed Mr. V. Bhaskara Rao, Practicing Company Secretary (PCS Registration No. 4182) as the Secretarial Auditor of the Company to conduct the Secretarial audit for the financial year 2018-19. The Secretarial Audit report for the financial year 2018-19 is annexed herewith as "**Annexure VI**".

Cost Audit

Pursuant to the Section 148 of the Act and Rule 3 of the Companies (Cost Records and Audit) Rules, 2014 as amended, the Company maintains cost records in its books of account. As per Rule 4 of the said rules, the requirement for cost audit is not applicable to a company which is covered under Rule 3, and whose revenue from exports, in foreign exchange, exceeds seventy five per cent of its total revenue or which is operating from a special economic zone. However, Company has voluntarily opted for audit of cost records and appointed M/s. E.V.S & Associates, Cost Accountants as Cost Auditors.

Extract of Annual Return

An Extract of Annual Return in Form MGT-9 as per the provisions of Section 92(3) of the Companies Act, 2013 and Rule 12 of Companies (Management and Administration) Rules, 2014, is enclosed as "**Annexure VII**" to this report and is also available on the website of the Company at https://www.divislabs.com/wp-content/uploads/2019/07/FROM-NO.-MGT-9.pdf.

Other Disclosures

- Information on Unclaimed Dividend and transfer to IEPF is provided in the Corporate Governance Report.
- No company has become or ceased to be its subsidiary, joint venture or associate company during the year.
- No significant and material orders were passed by the regulators or courts or tribunals impacting the going concern status and Company's operations in future.
- Company has complied with provisions relating to the constitution of Internal Complaints Committee under the Sexual Harassment of Women at Workplace (Prevention, Prohibition and Redressal) Act, 2013 and rules made thereunder.
- No cases remain unresolved pursuant to the Sexual Harassment of Women at Work Place (Prevention, Prohibition and Redressal) Act, 2013 during the year under review.
- As per Regulation 43A of the SEBI Listing Regulations, the Dividend Distribution Policy is disclosed in the Corporate Governance Report and on the website of the Company.
- Directors of your company hereby state and confirm that the Company has complied with all the applicable Secretarial Standards.

Acknowledgements

The Directors thank the customers, vendors, various Government departments and agencies, investors and its banks for their continuous support. The Directors also appreciate and value the commitment and contribution by its employees at all levels.

For and on behalf of the Board

Dr. Murali K. Divi
Chairman & Managing Director
(DIN: 00005040)

Place: Hyderabad
Date: 25 May 2019

ANNEXURE – I

FORM AOC-1

STATEMENT PURSUANT TO SECTION 129(3) OF THE COMPANIES ACT, 2013 RELATING TO SUBSIDIARY COMPANIES

₹ in lakhs

Sl. No	Particulars	Divis Laboratories (USA) Inc.	Divi's Laboratories Europe AG.
1	The date since when Subsidiary was acquired	1 February 2006	6 February 2006
2	Reporting period for the Subsidiary	31 March 2019	31 March 2019
3	Reporting Currency and Exchange rate as on the last date of the relevant financial year	USD = 69.1713 Balance sheet USD = 69.9103 for P&L	CHF = 69.56 Balance sheet CHF = 70.4459 for P&L
4	Share Capital	87	404
5	Reserves & Surplus	(83)	(180)
6	Total assets	9046	11634
7	Total liabilities	9046	11634
8	Investments	-	-
9	Turnover	16282	19356
10	Profit before taxation	2058	963
11	Provision for taxation	594	126
12	Profit after taxation	1464	837
13	Other Comprehensive Income after tax for the year	(102)	(18)
14	Total Comprehensive Income for the year	1362	819
15	Proposed Dividend	-	-
16	% of shareholding	100%	100%

For and on behalf of the Board

Dr. Murali K. Divi
Chairman & Managing Director
(DIN: 00005040)

Place: Hyderabad
Date: 25 May 2019

ANNEXURE – II

INFORMATION PURSUANT TO RULE 5 (1) OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014, AS AMENDED

(i) The ratio of the remuneration of each Director to the median remuneration of the employees of the Company for the financial year, the percentage increase in remuneration of each Director, Chief Financial Officer and Company Secretary are given below:

Sl. No	Name of Director / KMP and Designation	Remuneration of Director/ KMP for financial year (₹ in lakhs)	Ratio of remuneration of each Director to median remuneration of employees of the Company for the financial year	% increase/ (decrease) in remuneration in the financial year
1	Dr. Murali K. Divi Chairman & Managing Director	5881	1 : 0.0006838	46.29%
2	Mr. N.V. Ramana Executive Director	2990	1 : 0.0013450	45.23%
3	Mr. Madhusudana Rao Divi Whole-time Director	99	1 : 0.0404702	0.00%
4	Mr. Kiran S. Divi Whole-time Director	2023	1 : 0.0019875	44.27%
5	Ms. Nilima Motaparti Whole-time Director	68	1 : 0.0592816	34.25%
6	Dr. G. Suresh Kumar * Independent Director	12	1 : 0.3350935	14.01%
7	Mr. R. Ranga Rao * Independent Director	13	1 : 0.3093171	23.52%
8	Mr. K.V.K. Seshavataram * Independent Director	10	1 : 0.4021122	24.69%
9	Dr. Ramesh B.V. Nimmagadda * Independent Director	9	1 : 0.4467913	63.49%
10	Dr. S. Ganapaty* Independent Director	7	1 : 0.5744460	133.33%
12	Mr. L. Kishore Babu Chief Financial Officer	228	N.A.	8.66%
13	Mrs. P. V. Lakshmi Rajani Company Secretary	32	N.A.	41.06%

* Independent Directors were paid sitting fees for attending the Meetings

(ii) The percentage increase in the median remuneration of employees in the financial year was 3.96%.

(iii) As on 31 March 2019, the Company has 4407 permanent employees on the rolls of Company as defined under rule 5(1) of the Companies Act 2013.

(iv) Average percentile increase already made in the salaries of employees other than the managerial personnel in the financial year was 18% whereas the increase in the managerial remuneration was 44%.

(v) It is hereby affirmed that the remuneration paid is as per the Remuneration Policy for Directors, Key Managerial Personnel and other Employees.

For and on behalf of the Board

Dr. Murali K. Divi
Chairman & Managing Director
(DIN: 00005040)

Place: Hyderabad
Date: 25 May 2019

ANNEXURE – III

INFORMATION PURSUANT TO RULE 5(2) AND 5(3) OF THE COMPANIES (APPOINTMENT AND REMUNERATION OF MANAGERIAL PERSONNEL) RULES, 2014

Name	Age (yrs)	Qualifications	Designation	Date of commencement of employment	Experience (yrs)	Gross remuneration [1] (₹ lakhs)	Last employment
Dr. Murali K. Divi	68	M. Pharm. Ph. D.	Chairman & Managing Director	12-Oct-90	44	5881	Managing Director, Cheminor Drugs Ltd.
Ramana. N.V.	61	B.Sc. (Chem)	Executive Director	26-Dec-94	34	2990	President, Enmark Exim Services Pvt. Ltd
Kiran S. Divi	43	M. Pharm.	Whole-time Director	10-Aug-01	18	2023	--
Devendra Rao. S.	57	M. Sc.	General Manager	10-Feb-95	36	184	Senior Manager (Prod), Natco Laboratories Ltd.
Hemanth Kumar. G.	59	M. Sc.	General Manager	1-Nov-94	36	184	Sr. Prodn. Manager, Sumitra Pharma Ltd.,
Kishore Babu. L.	67	B.Com, FCMA	Chief Financial Officer	20-Nov-94	46	228	Finance Manager, Nagarjuna Fert & Chem Ltd.,
Madhu Babu. D	58	Masters in Planning	Vice President	2-May-16	32	114	Senior Vice President, IL&FS Cluster Development Initiative Limited
Prasad. Y.T.S.	51	B.E.	General Manager	1-Nov-90	31	184	Engineer (Devpt), Cheminor Drugs Ltd.,
Ramakrishna. S.	57	M. Sc.	General Manager	15-Feb-95	36	184	General Manager (Works), Vera Laboratories Ltd.
Ramana. L.V	49	M. Sc.	General Manager	12-Aug-91	27	138	--
Ramesh Babu. L.	63	M.Com, MBA, LLB	Vice President (Procurement) & CIO	20-May-09	30	167	Group Captain, Indian Air Force
Ramesh Babu. M.	53	B. Sc.	General Manager Technical Operations	1-Nov-90	33	184	R&D Incharge, Cheminor Drugs Ltd.,
Satya Prakash Divi	42	MS (CIS), MBA	Vice President (Sales & Marketing)	1-Mar-13	17	228	VP, Marketing & IT, EF International Academy, Switzerland
Srinivasa Rao. P	54	M. Pharm	General Manager Technical Operations	1-Nov-90	31	184	Sr. Chemist, Cheminor Drugs Ltd.

Notes:

1) Remuneration includes salary, allowances, company contribution to provident fund, Commission and benefits.
2) All the above appointments are contractual.
3) Dr Murali K Divi, Chairman and Managing Director and Mr. Madhusudana Rao Divi, Whole-time Director are related to each other.
4) Dr Murali K Divi, Chairman and Managing Director and Mr. Kiran S Divi, Whole-time Director are related to each other.
5) Mr. L. Ramesh Babu, Vice President (Procurement) and Chief Information Officer is related Mr. L. Kishore Babu, Chief Financial Officer.
6) No other employee mentioned above is related to any Director of the Company in terms of Section 2 of the Companies Act, 2013.

For and on behalf of the Board

Dr. Murali K. Divi
Chairman & Managing Director
(DIN: 00005040)

Place: Hyderabad
Date: 25 May 2019

ANNEXURE – IV

REPORT ON CSR ACTIVITIES UNDERTAKEN DURING THE YEAR

1. A brief outline of the Company's CSR policy, including overview of projects or programs proposed to be undertaken and a reference to the web-link to the CSR policy and projects or programs.

   Divi's strongly believe that Industrial Growth must contribute to the upliftment of the society around. Hence, the main focus of CSR is communities or villages around the manufacturing sites.

   The objective of Divi's CSR Policy is:

   - To make sure the business remains sustainable and continues to contribute to the welfare of all stakeholders.
   - To take up programmes that benefit the neighboring communities in enhancing quality of life and economic well-being of the local populace.
   - To facilitate a holistic approach based for a sustainable improvement in the social, economic and environmental situation of the needy and underserved.
   - Also embedded in this objective is support to the marginalised cross section of the society by providing opportunities to improve their quality of life.

   The CSR projects undertaken are within the broad framework of Schedule VII of the Companies Act, 2013. Details of the CSR policy and projects or programmes undertaken by the Company are available on the website of the Company: Web link: https://www.divislabs.com/wp-content/uploads/2018/07/Divis-CSR-Policy-1.pdf

2. Composition of the CSR Committee:

   Please refer to the Corporate Governance Report for the composition of CSR Committee.

3. Average net profit of the company for last three financial years (₹ in lakhs) 141209
4. Prescribed CSR Expenditure (two per cent of the amount as in item 3 above) (₹ in lakhs) 2824
5. Details of CSR spent during the financial year:
   (a) Total amount to be spent for the financial year (₹ in lakhs) 2824
   (b) Amount unspent Nil
   (c) Manner in which the amount spent during the financial year

Details of Corporate Social Responsibility activities under taken and manner in which the amount has been spent during the Year 2018-19:

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Sl. No	**CSR project or activity identified**	**Sector in which the project is covered**	**Projects or programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken**	**Amount outlay (budget) Project or program wise (₹ in lakhs)**	**Amount spent on the projects or programs Sub heads: (1) Direct expenditure on projects or programs (2) Overheads (*) (₹ in lakhs)**	**Cumulative expenditure upto the reporting period (₹ in lakhs)**	**Amount spent: Direct or through implementing agency**
(1)	**Direct Expenditure**						
1.	Promoting education	Promoting Education		1200	1205	1205	
2.	Public Health	Promoting health care		80	52	52	

(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
Sl. No	**CSR project or activity identified**	**Sector in which the project is covered**	**Projects or programs (1) Local area or other (2) Specify the State and district where projects or programs was undertaken**	**Amount outlay (budget) Project or program wise (₹ in lakhs)**	**Amount spent on the projects or programs Sub heads: (1) Direct expenditure on projects or programs (2) Overheads (*) (₹ in lakhs)**	**Cumulative expenditure upto the reporting period (₹ in lakhs)**	**Amount spent: Direct or through implementing agency**
3.	Village Development	Rural development	Local	1400	1279	1279	
4.	Women Welfare & Economic Empowerment	Empowering Women		10	9	9	
5.	Support to differently abled		State of Telangana	20	16	16	
6.	Animal Welfare & Dairy Development	Animal Welfare	State of Andhra Pradesh	10	4	4	
7.	Drinking water schemes	Safe Drinking Water		140	145	145	
8.	Environmental Sustainability	Environment Sustainability		100	71	71	Direct
9.	Promotion of Rural Sports	Promotion of Rural Sports		10	9	9	
10.	Swachh Bharat	Swachh Bharat		10	6	6	
11.	Livelihood Enhancement	Livelihood Enhancement program		5	1	1	
(2)	**Overheads**						
	Administrative Expenses & Salaries			50	40	40	
	Total			3035	2837	2837	

6. Responsibility statement of the CSR Committee that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company

   We hereby undertake that the implementation and monitoring of CSR Policy, is in compliance with CSR objectives and Policy of the Company.

Dr. Murali K. Divi
Chairman and Managing Director
(DIN: 00005040)

R. Ranga Rao
Chairman, CSR Committee
(DIN: 06409742)

Place: Hyderabad
Date: 25 May 2019

ANNEXURE - V

Information pursuant to Section 134(3)(m) of the Companies Act 2013 read with the Companies (Accounts) Rules, 2014.

A. Conservation of Energy

(i) Steps taken or impact on conservation of energy

Energy conservation refers to reducing energy consumption through optimal energy utilisation technologies, enhancing energy availability, resource efficiency as also use of renewable energy.

A dedicated energy management team focuses on energy management and constantly reviews the progress made. It has implemented a number of energy conservation initiatives. Some of them are:

- Replacing brine circulation to chilled water system by modifying the utility system
- Improved water conservation utilizing condensate/purified water
- Reduction of time cycles by optimizing processes
- Installed heat recovery exchangers for energy recovery
- Provided variable frequency drives and eliminated booster pumps for brine circulation
- Replaced the HPSV bulbs with high efficiency LED bulbs

(ii) Steps taken by the company for utilising alternate sources of energy

- Alternative heating through solar panels
- Usage of Steam in cooking instead of LPG for efficient energy consumption
- Effluent evaporation using Solar Evaporation system
- Solar street lighting/ solar fencing

(iii) The capital investment on energy conservation equipment is ₹641 lakhs

B. Technology Absorption

1. Efforts in brief, made towards technology absorption	The Company has its own R&D Centres which develop technologies and processes for Active Pharmaceutical Ingredients and drug intermediates and these technologies are implemented at the Company's manufacturing facilities.
2. Benefits derived as a result of the above efforts	The Company constantly reviews, optimizes and improves its processes for its product range. These efforts have resulted in lower cost of production, achieve consistent exports and be competitive in the global market. The process upgradations also brought about improvement in green chemistry by reducing reagents, minimize wastes and increasing recoveries.
3. Information regarding import of technology during the last three years.	There is no import of technology.
4. Expenditure incurred on research and development	

₹ in lakhs

Particulars	2018-19	2017-18
Capital	305	1134
Recurring	3489	3177
Total	**3794**	**4312**
Total R&D Expenditure as a percentage of Sales Revenue	0.78%	1.12%

C. Foreign Exchange Earnings and Outgo

₹ in lakhs

Particulars	2018-19	2017-18
Foreign Exchange earnings	412376	323590
Foreign Exchange outgo:		
- CIF Value of Imports	121868	84852
- Expenditure in Foreign Currency	2183	5571
Net Foreign Exchange Earning (NFE)	288325	233167
NFE / Earnings %	70%	72%

For and on behalf of the Board

Dr. Murali K. Divi
Chairman & Managing Director
(DIN: 00005040)

Place: Hyderabad
Date: 25 May 2019

ANNEXURE - VI

FORM NO. MR-3

SECRETARIAL AUDIT REPORT FOR THE FINANCIAL YEAR ENDED 31ST MARCH 2019

[Pursuant to section 204(1) of the Companies Act, 2013 and Rule 9 of the Companies (Appointment and Remuneration Personnel) Rules, 2014]

SECRETARIAL AUDIT REPORT

To,
The Members of
Divi's Laboratories Limited
CIN: L24110TG1990PLC011854
1-72/23(P)/DIVIS/303, Divi Towers,
Cyber Hills, Gachibowli,
Hyderabad -500032.

We have conducted the Secretarial Audit of the compliance of applicable statutory provisions and the adherence to good corporate practices by Divi's Laboratories Limited (herein after called the Company). Secretarial Audit was conducted in a manner that provided us a reasonable basis for evaluating the corporate conducts/statutory compliances and expressing our opinion thereon.

Based on our verification of the Company's books, papers, minute books, forms and returns filed and other records maintained by the Company and also the information provided by the Company, its officers, agents and authorized representatives during the conduct of secretarial audit. We hereby report that in our opinion, the Company has, during the audit period covering the financial year ended on 31.03.2019 complied with the statutory provisions listed hereunder and also that the Company has proper Board-processes and compliance-mechanism in place to the extent, in the manner and subject to the reporting made hereinafter:

We have examined the books, papers, minute books, forms and returns filed and other records maintained by Divi's Laboratories Limited ("the Company") for the financial year ended on 31.03.2019, according to the provisions of:

(i) The Companies Act, 2013 (the Act) and the rules made there under;

(ii) The Securities Contracts (Regulation) Act, 1956 ('SCRA') and the rules made there under;

(iii) The Depositories Act, 1996 and the Regulations and Bye-laws framed there under;

(iv) Foreign Exchange Management Act, 1999 and the rules and regulations made there under to the extent of Foreign Direct Investment, Overseas Direct Investment and External Commercial Borrowings;

(v) The following Regulations and Guidelines prescribed under the Securities and Exchange Board of India Act, 1992 ('SEBI Act'):- viz

a. The Securities and Exchange Board of India (Substantial Acquisition of Shares and Takeovers) Regulations, 2011;

b. The SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 ;

c. The Securities and Exchange Board of India (Prohibition of Insider Trading) Regulations, 2015;

d. The Securities and Exchange Board of India (Issue of Capital and Disclosure Requirements) Regulations, 2018*;

e. The Securities and Exchange Board of India (Employee Stock Option Scheme and Employee Stock Purchase Scheme) Guidelines, 1999 and the Securities and Exchange Board of India (Share Based Employee Benefits) Regulations, 2014*;

f. The Securities and Exchange Board of India (Issue and Listing of Debt Securities) Regulations, 2008 *;

g. The Securities and Exchange Board of India (Registrars to an Issue and Share Transfer Agents) Regulations, 1993 regarding the Companies Act and dealing with client;

h. The Securities and Exchange Board of India (Delisting of Equity Shares) Regulations, 2009 *; and

i. The Securities and Exchange Board of India (Buyback of Securities) Regulations, 2018*;

* Not applicable to the Company during the Audit period

(vi) Other applicable Acts

(a) Factories Act, 1948
(b) Industrial Disputes Act,1947
(c) The Payment of Wages Act, 1936
(d) The Minimum Wages Act,1948
(e) Employees Provident Funds and Miscellaneous Provisions Act, 1952
(f) The Payment of Bonus Act, 1965
(g) The Payment of Gratuity Act, 1972
(h) The Contract Labour (Regulation & Abolition) Act, 1970
(i) The Maternity Benefit Act,1961
(j) The Child Labour (Prohibition & Regulation) Act, 1986
(k) The Industrial Employment (Standing Order) Act, 1946

(l) The Employee Compensation Act, 1923
(m) The Apprentices Act, 1961
(n) Equal Remuneration Act, 1976
(o) The Employment Exchange (Compulsory Notification of Vacancies) Act, 1956
(p) Customs Act, 1962
(q) Central Excise Act, 1944
(r) Foreign Exchange Management Act, 1999
(s) Foreign Trade (Development and Regulation) Act, 1992
(t) Shops and Establishment Act, 1988
(u) The Water (Prevention and control of pollution) Act 1974, The Air (Prevention and control of pollution) Act 1981 and The Environment Protection Act, 1986 and rules made thereunder
(v) Public Liability Insurance Act, 1991
(w) Explosive Act, 1884
(x) Indian Boilers Act, 1923
(y) The Patents Act, 1970
(z) Biological Diversity Act, 2002
(aa) Food Safety and Standards Act, 2006
(bb) Special Economic Zones Act, 2005
(cc) Drug and Cosmetics Act, 1940
(dd) Narcotic Drugs and Psychotropic Substances Act, 1985
(ee) Employee's State Insurance Act, 1948
(ff) Andhra Pradesh Factories and Establishment (National, Festival and Other Holidays) Act, 1974
(gg) The Sexual Harassment of Women at Work Place (Prevention, Prohibition and Redressal) Act, 2013
(hh) The Andhra Pradesh Labour Welfare Fund Act, 1987
(ii) Conservation of Foreign Exchange and Prevention of Smuggling Act, 1974

We have relied on the representations made by the Company, its officers and reports of Internal Auditors for systems and mechanism framed by the Company for compliances under other acts, Laws and regulations applicable to the Company as mentioned above.

We have also examined compliance with the applicable clauses of the following:

(i) Secretarial Standards issued by The Institute of Company Secretaries of India
(ii) The Listing Agreements entered into by the Company with Stock Exchanges and Securities and Exchange Board of India (Listing Obligations and Disclosure Requirements) Regulations, 2015;

We further report that the Board of Directors of the Company has duly constituted with proper balance of Executive Directors, Non-Executive Directors and Independent Directors. The changes in the composition of the Board of Directors that took place during the period under review were carried out in compliance with the provisions of the Act.

Adequate notice is given to all directors to schedule the Board Meetings, agenda and detailed notes on agenda were sent at least seven days in advance and a system exists for seeking and obtaining further information and clarifications on the agenda items before the meeting and for meaningful participation at the meeting.

Majority decisions are carried out unanimously and there were no dissenting members during the year under review.

We further report that there are adequate systems and processes in the Company commensurate with the size and operations of the Company to monitor and ensure compliance with applicable laws, rules, regulations and guidelines.

We further report that, the compliance by the Company of applicable financial laws like direct and indirect tax laws and maintenance of financial records and books of accounts has not been reviewed in this audit since the same have been subject to review by statutory financial audit and other designated professionals.

We further report that, as informed, the Company has responded appropriately to notices/queries received from various statutory / regulatory authorities including initiating actions for corrective measures, wherever found necessary.

V.Bhaskara Rao and Co
Company Secretaries

V.Bhaskara Rao
Proprietor
FCS No.5939, CP No.4182

Place: Hyderabad
Date: 25 May 2019

'ANNEXURE A'

To,

The Members of

Divi's Laboratories Limited

CIN: L24110TG1990PLC011854

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

Cyber Hills, Gachibowli,

Hyderabad -500032.

Our report of even date is to be read along with this letter.

1. Maintenance of secretarial records is the responsibility of the management of the Company. Our responsibility is to express an opinion on these secretarial records based on our audit.
2. We have followed the audit practices and processes as were appropriate to obtain reasonable assurance about the correctness of the contents of the Secretarial records. The verification was done on test basis to ensure that correct facts are reflected in secretarial records. We believe that the processes and practices, we followed provide a reasonable basis for our opinion.
3. We have not verified the correctness and appropriateness of financial records and Books of Accounts of the Company.
4. Wherever required, we have obtained the Management representation about the compliance of laws, rules and regulations and happening of events etc.
5. The compliance of the provisions of Corporate and other applicable laws, rules, regulations, standards is the responsibility of management. Our examination was limited to the verification of procedures on test basis.
6. The Secretarial Audit report is neither an assurance as to the future viability of the Company nor of the efficacy or effectiveness with which the management has conducted the affairs of the Company

V.Bhaskara Rao and Co
Company Secretaries

V.Bhaskara Rao
Proprietor
FCS No.5939, CP No.4182

Place: Hyderabad
Date: 25 May 2019

ANNEXURE VII

FORM NO. MGT-9
EXTRACT OF ANNUAL RETURN

as on the financial year ended on 31 March 2019
[Pursuant to Section 92(3) of the Companies Act, 2013 and Rule 12(1) of the Companies (Management and Administration) Rules, 2014]

I. Registration and Other Details:

i)	CIN		L24110TG1990PLC011854
ii)	Registration Date		12-10-1990
iii)	Name of the Company		DIVI'S LABORATORIES LIMITED
iv)	Category / Sub Category of the Company		Public Company/ Limited by shares
v)	Address of the Registered Office and Contact Details		1-72/23(P)/DIVIS/303, Divi Towers
			Cyber Hills, Gachibowli,
			Hyderabad - 500 032
			Telangana, India
			Tel: 040-23786300 Fax: 040-23786460
			E-mail: mail@divislabs.com
vi)	Whether Listed Company	Yes/ No	YES
vii)	Name, Adrress & Contact details of Registrar and Transfer Agent		KARVY FINTECH PVT. LTD
			Karvy Selenium Tower B, Plot No. 31& 32
			Gachibowli, Financial District
			Nanakramguda, Hyderabad - 500 032
			Tel: 040-67161526
			E-mail: nageswara.raop@karvy.com

II. Principal Business Activities of the Company

All the business activities conributing 10% or more of the total turnover of the Company:

Sl No.	Name and description of main products / services	NIC code of the Product / Service	% to total turnover of the Company
1	Naproxen	29183090	18%

III. Particulars of Holding, Subsidiaries and Associate Companies

Sl No.	Name and address of the Company	CIN/ GLN	Holding / Subsidiary / Associate	% of shares held	Applicable Section
1	Divis Laboratories (USA) Inc.,	NA	Subsidiary	100	2(87)
	325 Columbia Turnpike				
	Suite 305, Florham Park,				
	New Jersy 07932, USA				
2	Divi's Laboratories Europe AG	NA	Subsidiary	100	2(87)
	Solothurnerstrasse 15				
	CH- Basel, Switzerland				

IV. Share Holding Pattern (Equity Share Capital Breakup as Percentage of Total Equity)

i) Category-wise Share Holding

	Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% change during the year
		Demat	Physical	Total	% of Total shares	Demat	Physical	Total	% of Total shares	
A	**PROMOTERS**									
(1)	**Indian**									
(a)	Individuals / Hindu Undivided Family	130181232	0	130181232	49.04	130069360	0	130069360	49.00	-0.04
(b)	Central Government	0	0	0	0.00	0	0	0	0.00	0.00
(c)	State Government(s)	0	0	0	0.00	0	0	0	0.00	0.00
(d)	Bodies Corporate	8000000	0	8000000	3.01	8000000	0	8000000	3.01	0.00
(e)	Banks / Financial Institutions	0	0	0	0.00	0	0	0	0.00	0.00
(f)	Others	0	0	0	0.00	0	0	0	0.00	0.00
	Sub-total A(1) :	**138181232**	**0**	**138181232**	**52.05**	**138069360**	**0**	**138069360**	**52.01**	**-0.04**
(2)	**Foreign**									
(a)	NRIs - Individuals	0	0	0	0.00	0	0	0	0.00	0.00
(b)	Other - Individuals	0	0	0	0.00	0	0	0	0.00	0.00
(c)	Bodies Corporate	0	0	0	0.00	0	0	0	0.00	0.00
(d)	Banks / FI	0	0	0	0.00	0	0	0	0.00	0.00
(e)	Others	0	0	0	0.00	0	0	0	0.00	0.00
										0.00
	Sub-total A(2) :	**0**	**0**	**0**	**0.00**	**0**	**0**	**0**	**0.00**	**0.00**
										0.00
	Total Shareholding of Promoter A=A(1)+A(2):	**138181232**	**0**	**138181232**	**52.05**	**138069360**	**0**	**138069360**	**52.01**	**-0.04**
B	**Public Shareholding**									
(1)	**Institutions**									
(a)	Mutual Funds / UTI	41025312	0	41025312	15.45	36885049	0	36885049	13.89	-1.56
(b)	Banks / Financial Institutions	838261	0	838261	0.32	867426	0	867426	0.33	0.01
(c)	Central Government /	0	0	0	0.00	0	0	0	0.00	0.00
(d)	State Government(s)	0	0	0	0.00	0	0	0	0.00	0.00
(e)	Venture Capital Funds	0	0	0	0.00	0	0	0	0.00	0.00
(f)	Insurance Companies	0	0	0	0.00	0	0	0	0.00	0.00
(g)	FIIs/ FPIs	48862026	0	48862026	18.41	56301726	0	56301726	21.21	2.80
(h)	Foreign Venture Capital Investors	0	0	0	0.00	0	0	0	0.00	0.00
(i)	Others	0	0	0	0.00	0	0	0	0.00	0.00
	Sub-total B(1) :	**90725599**	**0**	**90725599**	**34.18**	**94054201**	**0**	**94054201**	**35.43**	**1.25**
(2)	**Non-institutions**									
(a)	Bodies Corporate									
	i) Indian	10997986	0	10997986	4.14	9580167	0	9580167	3.61	-0.53
	ii) Overseas	0	0	0	0.00	0	0	0	0.00	0.00
(b)	Individuals									0.00
	i) Individual shareholders holding nominal share capital up to ₹2 lakh	19261085	400103	19661188	7.41	17400271	347486	17747757	6.69	-0.72

	Category of Shareholders	No. of Shares held at the beginning of the year				No. of Shares held at the end of the year				% change during the year
		Demat	Physical	Total	% of Total shares	Demat	Physical	Total	% of Total shares	
ii)	Individual shareholders holding nominal share capital in excess of ₹2 lakh	2354941	350350	2705291	1.02	2201732	350350	2552082	0.96	-0.06
(c)	Others -									
i)	Non Resident Indians	1579752	0	1579752	0.60	1405037	0	1405037	0.53	-0.07
ii)	Trusts	662643	0	662643	0.25	934582	0	934582	0.35	0.10
iii)	Clearing Members	349352	0	349352	0.13	1100194	0	1100194	0.41	0.28
iv)	NBFcs Registered with RBI	48086	0	48086	0.02	11101	0	11101	0.00	-0.01
v)	Alternative Investment Fund	554069	0	554069	0.21	0	0	0	0.00	-0.21
vi)	IEPF	3382	0	3382	0.00	14099	0	14099	0.01	0.00
	Sub-total B(2) :	**35811296**	**750453**	**36561749**	**13.77**	**32647183**	**697836**	**33345019**	**12.56**	**-1.21**
										0.00
	Total Public Shareholding B=B(1)+B(2) :	**126536895**	**750453**	**127287348**	**47.95**	**126701384**	**697836**	**127399220**	**47.99**	**0.04**
C	Shares held by Custodian for GDRs & ADRs	0	0	0	0	0	0	0	0	0.00
	GRAND TOTAL: [A+B+C]	**264718127**	**750453**	**265468580**	**100**	**264770744**	**697836**	**265468580**	**100**	**-**

ii) Shareholding of Promoters

SI No.	Shareholder's Name	Shareholding at the beginning of the year (As on 01-04-2018)			Shareholding at the end of the year (As on 31-03-2019)			% change in shareholding during the year
		No. of Shares	% of total Shares of the Company	% of Shares Pledged / encumbered to total shares	No. of Shares	% of total Shares of the Company	% of Shares Pledged / encumbered to total shares	
1	NILIMA MOTAPARTI	54000000	20.34	0.00	54000000	20.34	0.00	0.00
2	DIVI SATCHANDRA KIRAN	46000000	17.33	0.00	54000000	20.34	0.00	3.01
3	MURALI KRISHNA PRASAD DIVI	15567000	5.86	0.00	7567000	2.85	0.00	-3.01
4	DIVI SWARNA LATHA	14000000	5.27	0.00	14000000	5.27	0.00	0.00
5	DIVI MADHUSUDANA RAO	584632	0.22	0.00	472760	0.18	0.00	-0.04
6	DIVI BABU RAJENDRA PRASAD	26600	0.01	0.00	26600	0.01	0.00	0.00
7	RADHAKRISHNA RAO DIVI	3000	0.00	0.00	3000	0.00	0.00	0.00
8	DIVIS BIOTECH PRIVATE LIMITED	8000000	3.01	0.00	8000000	3.01	0.00	0.00
	TOTAL	**138181232**	**52.05**		**138069360**	**52.01**		**-0.04**

iii) Change in Promoters' Shareholding

SI No.	Name	Shareholding at the beginning of the year (As on 01-04-2018)		Cumulative Shareholding during the year (01-04-2018 to 31-03-2019)	
		No. of Shares	% of total Shares of the company	No. of Shares	% of total Shares of the company
1	At the beginning of the year	138181232	52.05		
2	Date wise Increase/ Decrease in promoters shareholding during the year *	-111872	-0.04	138069360	52.01
3	At the end of the year	138069360	52.01		

*Details of inter se transfer within promoters and decrease in the promoters' shareholding during the year:

SI No.	Name	Shareholding at the beginning of the year (As on 01-04-2018)		Date	Increase/ Decrease in shareholding	Reason	Cumulative Shareholding during the year (01-04-2018 to 31-03-2019)	
		No. of Shares	% of total Shares of the Company				No. of Shares	% of total Shares of the Company
A	Promoters							
1	MURALI KRISHNA PRASAD DIVI							
	At the beginning of the year	15567000	5.86	1-Apr-18				
	Date wise increase/Decrease during the year			31-Oct-18	8000000	Disposal-Off Market Transfer-gift	7567000	2.85
	At the end of the year			31-Mar-19			7567000	2.85
2	DIVI SATCHANDRA KIRAN							
	At the beginning of the year	46000000	17.33	1-Apr-18				
	Date wise increase/Decrease during the year			31-Oct-18	8000000	Acquisition-Off Market Transfer-gift	54000000	20.34
	At the end of the year			31-Mar-19			54000000	20.34
3	MADHUSUDANA RAO DIVI							
	At the beginning of the year	584632	0.22	1-Apr-18				
	Date wise increase/Decrease during the year			10-Apr-18	5626	Sale	579006	0.22
				13-Apr-18	4374	Sale	574632	0.22
				16-Apr-18	10000	Sale	564632	0.21
				18-Apr-18	13200	Sale	551432	0.21
				20-Apr-18	1800	Sale	549632	0.21
				24-Apr-18	9561	Sale	540071	0.20
				27-Apr-18	5439	Sale	534632	0.20
				30-Apr-18	5000	Sale	529632	0.20
				11-Jul-18	10000	Sale	519632	0.20
				24-Aug-18	7654	Sale	511978	0.19
				27-Aug-18	2500	Sale	509478	0.19
				2-Nov-18	3000	Sale	506478	0.19
				9-Nov-18	12000	Sale	494478	0.19
				12-Nov-18	7000	Sale	487478	0.18
				16-Nov-18	5000	Sale	482478	0.18
				19-Nov-18	1000	Sale	481478	0.18
				22-Nov-18	3718	Sale	477760	0.18
				8-Feb-19	4000	Sale	473760	0.18
				15-Mar-19	1000	Sale	472760	0.18
	At the end of the year			31-Mar-19			472760	0.18

iv) Shareholding Pattern of top ten Shareholders (other than Directors, Promoters and Holders of GDRs and ADRs):

Sl No.	Name	Shareholding at the beginning of the year 01-04-2018		Cumulative Shareholding at the end of the year 31-03-2019	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
1	SBI MUTUAL FUND	12252813	4.62	12061718	4.54
2	RELIANCE CAPITAL TRUSTEE COMPANY LIMITED	13425419	5.06	7511601	2.83
3	GOVERNMENT PENSION FUND GLOBAL	4546265	1.71	4601104	1.73
4	AXIS MUTUAL FUND TRUSTEE LIMITED	2910663	1.10	4111031	1.55
5	PINEBRIDGE INVESTMENTS GF MAURITIUS LIMITED	3060772	1.15	3060772	1.15
6	MIRAE ASSET EQUITY SAVINGS FUND**	0	0.00	2346593	0.88
7	KOTAK FUNDS**	1525054	0.57	2342393	0.88
8	HDFC TRUSTEE CO LTD	2311900	0.87	2263903	0.85
9	BARON EMERGING MARKETS FUND	2769049	1.04	2107356	0.79
10	M3 INVESTMENT PRIVATE LIMITED**	2040700	0.77	2040700	0.77
11	L AND T MUTUAL FUND TRUSTEE LTD*	3342596	1.26	1890000	0.71
12	PINEBRIDGE GLOBAL FUNDS - PINEBRIDGE INDIA EQUITY*	3227059	1.22	1263883	0.48
13	DSP BLACKROCK TAX SAVER FUND*	3107855	1.17	1712224	0.64

Note: The date-wise increase/ decrease in the shareholding of the top 10 shareholders is available on our website

*Ceased to be in the list of Top 10 shareholders as on 31-03-2019. The same is reflected above since the shareholder was one of the Top 10 shareholders as on 01-04-2018.
**Not in the list of Top 10 shareholders as on 01-04-2018. The same is reflected above since the shareholder was one of the Top 10 shareholders as on 31-03-2019.

The above information is based on the weekly beneficiary position received from Depositories.

v) Shareholding of Directors and Key Managerial Personnel:

Sl No.	Name	Shareholding at the beginning of the year (As on 01-04-2018)		Cumulative Shareholding during the year (01-04-2018 to 31-03-2019)	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
A	**DIRECTORS**				
1	**MURALI KRISHNA PRASAD DIVI** **Chairman and Managing Director**				
	At the beginning of the year	15567000	5.86		
	31-10-2018- Disposal-Off Market Transfer (gift)	8000000	3.01	7567000	2.85
	At the end of the year			7567000	2.85
2	**N. V. RAMANA** **Executive Director**				
	At the beginning of the year	563078	0.21		
	At the end of the year			563078	0.21
3	**MADHUSUDANA RAO DIVI** **Whole-time Director**				
	At the beginning of the year	584632	0.22		
	10-04-2018- Sale	5626	0.00	579006	0.22
	13-04-2018- Sale	4374	0.00	574632	0.22
	16-04-2018- Sale	10000	0.00	564632	0.21
	18-04-2018-Sale	13200	0.00	551432	0.21
	20-04-2018- Sale	1800	0.00	549632	0.21

SI No.	Name	Shareholding at the beginning of the year (As on 01-04-2018)		Cumulative Shareholding during the year (01-04-2018 to 31-03-2019)	
		No. of Shares	% of total Shares of the Company	No. of Shares	% of total Shares of the Company
	24-04-2018-Sale	9561	0.00	540071	0.20
	27-04-2018- Sale	5439	0.00	534632	0.20
	30-04-2018-Sale	5000	0.00	529632	0.20
	11-07-2018-Sale	10000	0.00	519632	0.20
	24-08-2018-Sale	7654	0.00	511978	0.19
	27-08-2018-Sale	2500	0.00	509478	0.19
	02-11-2018-Sale	3000	0.00	506478	0.19
	09-11-2018-Sale	12000	0.00	494478	0.19
	12-11-2018-Sale	7000	0.00	487478	0.18
	16-11-2018-Sale	5000	0.00	482478	0.18
	19-11-2018-Sale	1000	0.00	481478	0.18
	22-11-2018-Sale	3718	0.00	477760	0.18
	08-02-2019-Sale	4000	0.00	473760	0.18
	15-03-2019-Sale	1000	0.00	472760	0.18
	At the end of the year			472760	0.18
4	**SATCHANDRA KIRAN DIVI** **Whole-time Director**				
	At the beginning of the year	46000000	17.33		
	31-10-2018-Acqusition-Off Market Transfer (gift)	8000000	3.01	54000000	20.34
	At the end of the year			54000000	20.34
5	**NILIMA MOTAPARTI** **Whole-time Director**				
	At the beginning of the year	54000000	20.34		
	At the end of the year			54000000	20.34
6	**DR. GANGAVARAPU SURESH KUMAR** **Independent Director**	-	-	-	-
7	**RANGA RAO RAVIPATI** **Independent Director**	-	-	-	-
8	**KANTHETI VENKATA KRISHNA SESHAVATARAM** **Independent Director**	-	-	-	-
9	**DR. RAMESH B.V. NIMMAGADDA** **Independent Director**	-	-	-	-
10	**DR. GANAPATY SERU** **Independent Director**	-	-	-	-
11	**PROF. SUNAINA SINGH*** **Additional Director**	-	-	-	-
B	**KEY MANAGERIAL PERSONNEL**				
1	**L.KISHORE BABU** **Chief Financial Officer**				
	At the beginning of the year	250	0.00		
	At the end of the year			250	0.00
2	**P V LAKSHMI RAJANI** **Company Secretary**	-	-	-	-

*The opening holding has been considered from the date on which she was appointed as an Additional Director.

V. Indebtedness

Indebtedness of the Company including interest outstanding/accrued but not due for payment

(₹ in lakhs)

	Secured Loans excluding deposits	Unsecured Loans	Deposits	Total Indebtedness
Indebtedness at the beginning of the financial year				
i) Principal Amount	6311	-	-	6311
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	**6311**	**-**	**-**	**6311**
Change in Indebtedness during the financial year				
Addition	4249	-	-	4249
Reduction	-	-	-	-
Net Change	**4249**	**-**	**-**	**4249**
Indebtedness at the end of the financial year				
i) Principal Amount	10560	-	-	10560
ii) Interest due but not paid	-	-	-	-
iii) Interest accrued but not due	-	-	-	-
Total (i+ii+iii)	**10560**	**-**	**-**	**10560**

VI Remuneration of Directors and Key Managerial Personnel

A. Remuneration to Managing Director, Whole-time Directors and/or Manager:

(₹ in lakhs)

SI No.	Particulars of Remuneration	Name of MD/ WTD/ Manager					Total Amount
		Dr. Murali K. Divi	Mr. N.V. Ramana	Mr. Madhusudana Rao Divi	Mr. Kiran S. Divi	Ms. Nilima Motaparti	
1	Gross Salary						
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961	90	84	78	78	48	378
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961	19	15	12	15	14	75
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	-	-	-	-	-	-
2	Stock Option	-	-	-	-	-	-
3	Sweat Equity	-	-	-	-	-	-
4	Commission						
	- as % of profit	5761	2881		1921		10563
	- others	-	-	-	-	-	-
5	Others - PF	11	10	9	9	6	45
	Total (A)	**5881**	**2990**	**99**	**2023**	**68**	**11061**
	Ceiling as per the Act	₹19205 lakhs (being 10% of the net profits of the Company calculated as per Section 198 of the Companies Act, 2013)					

B. Remuneration to other Directors:

(₹ in lakhs)

Sl No.	Particulars of Remuneration	Name of Director						Total Amount
		Dr. G. Suresh Kumar	Mr. R. Ranga Rao	Mr. K.V.K. Seshavataram	Dr. Ramesh B.V. Nimmagadda	Dr. S. Ganapaty	Prof. Sunaina Singh*	
1	**Independent Directors**							
	Fee for attending board / committee meetings	12	13	10	9	7	0	51
	Commission	-	-	-	-	-	-	-
	Others	-	-	-	-	-	-	-
	Total (1)	**12**	**13**	**10**	**9**	**7**	**0**	**51**
2	**Other Non-Executive Directors**							
	Fee for attending board / committee meetings	-	-	-	-	-	-	-
	Commission	-	-	-	-	-	-	-
	Others	-	-	-	-	-	-	-
	Total (2)							
	Total (B) = (1)+(2)	**12**	**13**	**10**	**9**	**7**	**0**	**51**
	Total Mangerial Remuneration							**11112**
	Overall Ceiling as per the Act	₹21126 lakhs (being 11% of the net profits of the Company calculated as per Section 198 of the Companies Act, 2013)						

*Appointed w.e.f 28 March 2019

C. Remuneration to Key Managerial Personnel Other than MD/Manager/WTD

(₹ in lakhs)

Sl No.	Particulars of Remuneration	Key Managerial Personnel			Total
		CEO	Company Secretary (P V Lakshmi Rajani)	CFO (L Kishore Babu)	
1	Gross Salary				
	(a) Salary as per provisions contained in section 17(1) of the Income-tax Act, 1961		31	222	253
	(b) Value of perquisites u/s 17(2) Income-tax Act, 1961		-	-	-
	(c) Profits in lieu of salary under section 17(3) Income-tax Act, 1961	Not Applicable	-	-	-
2	Stock Option		-	-	-
3	Sweat Equity		-	-	-
4	Commission - as % of profit - others		-	-	-
5	Others - PF		1	5	6
	Total		**32**	**227**	**259**

VII Penalties / Punishment/ Compounding of Offences:

There were no penalties/ punishments/ compounding of offences for breach of any section of Companies Act against the Company or its Directors or other Officers in default, if any during the year.

For and on behalf of the Board

Dr. Murali K. Divi
Chairman & Managing Director
(DIN: 00005040)

Place: Hyderabad
Date: 25 May 2019

Independent Auditor's Report

TO
THE MEMBERS OF
DIVI'S LABORATORIES LIMITED

Report on the audit of the Standalone financial statements

Opinion

1. We have audited the accompanying standalone financial statements of Divi's Laboratories Limited ("the Company"), which comprise the balance sheet as at March 31, 2019, the statement of profit and loss (including Other Comprehensive Income), the statement of changes in equity and statement of cash flows for the year then ended, and notes to the standalone financial statements, including a summary of significant accounting policies and other explanatory information.

2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid standalone financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the state of affairs of the Company as at March 31, 2019, total comprehensive income (comprising of profit and other comprehensive income), changes in equity and its cash flows for the year then ended.

Basis for opinion

3. We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Standalone Financial Statements section of our report. We are independent of the Company in accordance with the Code of Ethics issued by the Institute of Chartered Accountants of India together with the ethical requirements that are relevant to our audit of the standalone financial statements under the provisions of the Act and the Rules thereunder, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the Code of Ethics. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key audit matters

4. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the standalone financial statements of the current period. These matters were addressed in the context of our audit of the standalone financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Appropriateness of capitalisation of costs as per Ind AS 16 Property, Plant and Equipment

Refer to Note 3 to the standalone financial statements

During the year, the Company has incurred capital costs aggregating to ₹19,481 lakhs on property, plant and equipment (representing Plant & Machinery and Roads & Buildings) and ₹63,393 lakhs on Capital work-in-progress for expansion of its manufacturing facilities at Choutuppal (Unit-1) and Visakhapatnam (Unit-2).

With regard to the capitalisation of Plant and Machinery, Roads and Buildings and Capital work-in-progress, Management has identified certain specific costs incurred for staff costs and other overheads relating to each of the assets and capital work-in-progress and has applied judgement to assess if the costs incurred in relation to these assets and capital work-in-progress meet the recognition criteria of Property, Plant and Equipment in accordance with Ind AS 16.

This has been determined as a key audit matter due to the significance of the capital expenditure during the year and the risk that the elements of costs that are eligible for capitalisation are not appropriately capitalised in accordance with the recognition criteria provided in Ind AS 16.

How our audit addressed the key audit matter

We have performed procedures, including the following, in relation to testing of capitalisation of costs relating to Road and Buildings, Plant and Machinery and capital work-in-progress:

- Understood, evaluated and tested the design and operating effectiveness of key controls relating to capitalisation of various costs incurred, including in relation to Plant and Machinery, Roads and Buildings and capital work-in-progress.

- Tested the direct and indirect costs capitalised, on a sample basis, with the underlying supporting documents to ascertain nature of costs and basis for allocation, where applicable, and evaluated whether they meet the recognition criteria provided in the Indian Accounting Standard 16, Property, Plant and Equipment

- Tested, on a sample basis, the employee costs capitalized in relation to Plant and Machinery and Roads and Buildings based on factors such as review of their timesheets.

- Tested other costs debited to Statement of Profit and Loss Account, on a sample basis, to ascertain whether these meet the criteria for capitalisation.
- Ensuring adequacy of disclosures in the financial statements

Our procedures as mentioned above, did not identify any costs that had been inappropriately capitalised.

Other Information

5. The Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Management Discussion and Analysis, Board's Report, Business Responsibility Report, performance highlights, Corporate social responsibility report and Corporate Governance Report, but does not include the financial statements and our auditor's report thereon.

   Our opinion on the financial statements does not cover the other information and we will not express any form of assurance conclusion thereon.

   In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

   We have nothing to report in this regard.

Responsibilities of management and those charged with governance for the standalone financial statements

6. The Company's Board of Directors is responsible for the matters stated in section 134(5) of the Act with respect to the preparation of these standalone financial statements that give a true and fair view of the financial position, financial performance, changes in equity and cash flows of the Company in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act. This responsibility also includes maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding of the assets of the Company and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring the accuracy and completeness of the accounting records, relevant to the preparation and presentation of the standalone financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error.

7. In preparing the standalone financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Company or to cease operations, or has no realistic alternative but to do so. Those Board of Directors are also responsible for overseeing the Company's financial reporting process.

Auditor's responsibilities for the audit of the standalone financial statements

8. Our objectives are to obtain reasonable assurance about whether the standalone financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these standalone financial statements.

9. As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

   - Identify and assess the risks of material misstatement of the standalone financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
   - Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under Section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.
   - Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
   - Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude

that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the standalone financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the standalone financial statements, including the disclosures, and whether the standalone financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

10. We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

11. We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

12. From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the standalone financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Report on other legal and regulatory requirements

13. As required by the Companies (Auditor's Report) Order, 2016 ("the Order"), issued by the Central Government of India in terms of sub-section (11) of section 143 of the Act, we give in the Annexure B a statement on the matters specified in paragraphs 3 and 4 of the Order, to the extent applicable.

14. As required by Section 143(3) of the Act, we report that:

    (a) We have sought and obtained all the information and explanations which to the best of our knowledge and belief were necessary for the purposes of our audit.

    (b) In our opinion, proper books of account as required by law have been kept by the Company so far as it appears from our examination of those books.

    (c) The Balance Sheet, the Statement of Profit and Loss including other comprehensive income, the Statement of Changes in Equity and Cash Flow Statement dealt with by this Report are in agreement with the books of account.

    (d) In our opinion, the aforesaid standalone financial statements comply with the Accounting Standards specified under Section 133 of the Act.

    (e) On the basis of the written representations received from the directors as on March 31, 2019 taken on record by the Board of Directors, none of the directors is disqualified as on March 31, 2019 from being appointed as a director in terms of Section 164 (2) of the Act.

    (f) With respect to the adequacy of the internal financial controls with reference to financial statements of the Company and the operating effectiveness of such controls, refer to our separate Report in "Annexure A".

    (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditors) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

        i. The Company has disclosed the impact of pending litigations on its financial position in its standalone financial statements – Refer Note 40

        ii. The Company did not have any long-term contracts for which there were any material foreseeable losses. The Company did not have any derivatives contracts as at March 31, 2019.

        iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Company.

        iv. The reporting on disclosures relating to Specified Bank Notes is not applicable to the Company for the year ended March 31, 2019.

For **Price Waterhouse Chartered Accountants LLP**
Firm Registration Number: 012754N/N500016

Sunit Kumar Basu
Partner
Membership Number 55000

Place: Hyderabad
Date: May 25, 2019

Annexure A to Independent Auditors' Report

Referred to in paragraph 14(f) of the Independent Auditors' Report of even date to the members of Divi's Laboratories Limited on the standalone financial statements for the year ended March 31, 2019

Report on the Internal Financial Controls with reference to financial statements under Clause (i) of Sub-section 3 of Section 143 of the Act

1. We have audited the internal financial controls with reference to financial statements of Divi's Laboratories Limited ("the Company") as of March 31, 2019 in conjunction with our audit of the standalone financial statements of the Company for the year ended on that date.

Management's Responsibility for Internal Financial Controls

2. The Company's management is responsible for establishing and maintaining internal financial controls based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India (ICAI). These responsibilities include the design, implementation and maintenance of adequate internal financial controls that were operating effectively for ensuring the orderly and efficient conduct of its business, including adherence to company's policies, the safeguarding of its assets, the prevention and detection of frauds and errors, the accuracy and completeness of the accounting records, and the timely preparation of reliable financial information, as required under the Act.

Auditors' Responsibility

3. Our responsibility is to express an opinion on the Company's internal financial controls with reference to financial statements based on our audit. We conducted our audit in accordance with the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting (the "Guidance Note") and the Standards on Auditing deemed to be prescribed under section 143(10) of the Act to the extent applicable to an audit of internal financial controls, both applicable to an audit of internal financial controls and both issued by the ICAI. Those Standards and the Guidance Note require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether adequate internal financial controls with reference to financial statements was established and maintained and if such controls operated effectively in all material respects.

4. Our audit involves performing procedures to obtain audit evidence about the adequacy of the internal financial controls system with reference to financial statements and their operating effectiveness. Our audit of internal financial controls with reference to financial statements included obtaining an understanding of internal financial controls with reference to financial statements, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

5. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion on the Company's internal financial controls system with reference to financial statements.

Meaning of Internal Financial Controls with reference to financial statements

6. A company's internal financial controls with reference to financial statements is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal financial controls with reference to financial statements includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorisations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorised acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Inherent Limitations of Internal Financial Controls with reference to financial statements

7. Because of the inherent limitations of internal financial controls with reference to financial statements, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may occur and not be detected. Also, projections of any evaluation of the internal financial controls with reference to financial statements to future periods are subject to the risk that the internal financial control controls with reference to financial statements may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Opinion

8. In our opinion, the Company has, in all material respects, an adequate internal financial controls system with reference to financial statements and such internal financial controls with reference to financial statements were operating effectively as at March 31, 2019, based on the internal control over financial reporting criteria established by the Company considering the essential components of internal control stated in the Guidance Note on Audit of Internal Financial Controls Over Financial Reporting issued by the Institute of Chartered Accountants of India.

For **Price Waterhouse Chartered Accountants LLP**
Firm Registration Number: 012754N/N500016

Sunit Kumar Basu
Partner
Membership Number 55000

Place: Hyderabad
Date: May 25, 2019

Annexure B to Independent Auditors' Report

Referred to in paragraph 13 of the Independent Auditors' Report of even date to the members of Divi's Laboratories Limited on the standalone financial statements as of and for the year ended March 31, 2019

i. (a) The Company is maintaining proper records showing full particulars, including quantitative details and situation, of fixed assets.

(b) The fixed assets are physically verified by the Management according to a phased programme designed to cover all the items over a period of three years which, in our opinion, is reasonable having regard to the size of the Company and the nature of its assets. Pursuant to the programme, a portion of the fixed assets has been physically verified by the Management during the year and no material discrepancies have been noticed on such verification.

(c) The title deeds of immovable properties, as disclosed in Note 3 on fixed assets to the standalone financial statements, are held in the name of the Company.

ii. The physical verification of inventory have been conducted at reasonable intervals by the Management during the year. The discrepancies noticed on physical verification of inventory as compared to book records were not material.

iii. The Company has not granted any loans, secured or unsecured, to companies, firms, Limited Liability Partnerships or other parties covered in the register maintained under Section 189 of the Act. Therefore, the provisions of Clause 3(iii), (iii)(a), (iii)(b) and (iii)(c) of the said Order are not applicable to the Company.

iv. The Company has not granted any loans or made any investments, or provided any guarantees or security to the parties covered under Section 185 and 186. Therefore, the provisions of Clause 3(iv) of the said Order are not applicable to the Company.

v. The Company has not accepted any deposits from the public within the meaning of Sections 73, 74, 75 and 76 of the Act and the Rules framed there under to the extent notified.

vi. Pursuant to the rules made by the Central Government of India, the Company is required to maintain cost records as specified under Section 148(1) of the Act in respect of its products. We have broadly reviewed the same, and are of the opinion that, prima facie, the prescribed accounts and records have been made and maintained. We have not, however, made a detailed examination of the records with a view to determine whether they are accurate or complete.

vii. (a) According to the information and explanations given to us and the records of the Company examined by us, in our opinion, the Company is generally regular in depositing undisputed statutory dues in respect of income tax, though there has been a slight delay in a few cases and is regular in depositing undisputed statutory dues including provident fund, employees' state insurance, sales tax, service tax, duty of customs, duty of excise, value added tax, cess, goods and service tax and other material statutory dues as applicable, with the appropriate authorities. Also refer note 40 (b) to the financial statements regarding management's assessment on certain matters relating to provident fund.

(b) According to the information and explanations given to us and the records of the Company examined by us, there are no dues of sales tax, service-tax, value added tax which have not been deposited on account of any dispute. The particulars of dues of income tax, entry tax, duty of customs, and duty of excise as at March 31, 2019 which have not been deposited on account of a dispute, are as follows.

Name of the Statue	Nature of Dues	Disputed Amount (₹)	Amount deposited (₹)	Period to which the amount relates	Forum where the dispute is pending
Customs Act, 1962	Penalty	1,000,000	-	January, 2007	Customs, Excise and Service Tax Appellate Tribunal, South Zonal Bench, Chennai.
Customs Act, 1962	Penalty	15,148,315	336,475	June, 2006 to December, 2008	Customs, Excise and Service Tax Appellate Tribunal, South Zonal Bench, Bangalore.
Customs Act, 1962	Customs duty and Penalty	3,669,894	-	March, 2012	Customs, Excise and Service Tax Appellate Tribunal, South Zonal Bench, Bangalore.
Customs Act, 1962	Customs duty and Penalty	6,314,711	-	November, 2012	Customs, Excise and Service Tax Appellate Tribunal, South Zonal Bench, Bangalore.

Name of the Statue	Nature of Dues	Disputed Amount (₹)	Amount deposited (₹)	Period to which the amount relates	Forum where the dispute is pending
Customs Act, 1962	Penalty	859,631	-	June,2009 to March, 2010	Customs, Excise and Service Tax Appellate Tribunal, South Zonal Bench, Bangalore.
Customs Act, 1962	Customs duty	4,988,859	4,988,859	May, 2014 to February, 2018	The commissioner of customs (Appeals)
Central Excise Act, 1944	Penalty	24,408,690	-	September, 2006 to December, 2008	Customs, Excise and Service Tax Appellate Tribunal, South Zonal Bench, Bangalore.
Central Excise Act, 1944	Penalty	937,500	-	July,2009 to March, 2010	Customs, Excise and Service Tax Appellate Tribunal, South Zonal Bench, Bangalore.
Central Excise Act, 1944	Excise duty and Penalty	1,942,840	97,142	May,2011 to December, 2011	Excise, Customs and Service Tax (Appeals), Visakhapatnam.
Central Excise Act, 1944	Excise duty and Penalty	76,644	5,266	Financial years 2014 to 2017	Commissioner of Customs, (Appeals), Custom House, Port Area, Visakhapatnam
Central Excise Act, 1944	Service tax and Penalty	3,506,524	263,000	April, 2012 to March, 2013	Assistant Registrar, The Customs, Excise & Service Tax Appellate Tribunal, Hyderabad
Central Excise Act, 1944	Service tax and Penalty	4,518,106	376,522	April, 2010 to March, 2011	Commissioner (Appeal-III), Customs, Central Excise & Service Tax, Hyderabad.
Entry of Goods into Local areas Act, 2001	Entry Tax	46,30,657	17,99,856	Financial years 2004-05 to 2016-17	Sales Tax appellate tribunal, Hyderabad
Entry of Goods into Local areas Act, 2001	Entry Tax	43,19,128	539,892	Financial years 2014-15 to 2016-17	Sales Tax appellate tribunal, Vijayawada
Income Tax Act, 1961	Interest	40,512	-	Financial Year 2005-06	Additional Commissioner of Income Tax, Range-I, Hyderabad.

viii. According to the records of the Company examined by us and the information and explanation given to us, the Company has not defaulted in repayment of loans or borrowings to any financial institution or bank or Government or dues to debenture holders as at the balance sheet date.

ix. The Company has not raised any moneys by way of initial public offer, further public offer (including debt instruments) and term loans. Accordingly, the provisions of Clause 3(ix) of the Order are not applicable to the Company.

x. During the course of our examination of the books and records of the Company, carried out in accordance with the generally accepted auditing practices in India, and according to the information and explanations given to us, we have neither come across any instance of material fraud by the Company or on the Company by its officers or employees, noticed or reported during the year, nor have we been informed of any such case by the Management.

xi. The Company has paid/provided for managerial remuneration in accordance with the requisite approvals mandated by the provisions of Section 197 read with Schedule V to the Act.

xii. As the Company is not a Nidhi Company and the Nidhi Rules, 2014 are not applicable to it, the provisions of Clause 3(xii) of the Order are not applicable to the Company.

xiii. The Company has entered into transactions with related parties in compliance with the provisions of Sections 177 and 188 of the Act. The details of such related party transactions have been disclosed in the standalone financial statements as required under Indian Accounting Standard (Ind AS) 24, Related Party Disclosures specified under Section 133 of the Act.

xiv. The Company has not made any preferential allotment or private placement of shares or fully or partly convertible debentures during the year under review. Accordingly, the provisions of Clause 3(xiv) of the Order are not applicable to the Company.

xv. The Company has not entered into any non cash transactions with its directors or persons connected with him. Accordingly, the provisions of Clause 3(xv) of the Order are not applicable to the Company.

xvi. The Company is not required to be registered under Section 45-IA of the Reserve Bank of India Act, 1934. Accordingly, the provisions of Clause 3(xvi) of the Order are not applicable to the Company.

For **Price Waterhouse Chartered Accountants LLP**
Firm Registration Number: 012754N/N500016

Sunit Kumar Basu
Partner
Membership Number 55000

Place: Hyderabad
Date: May 25, 2019

Standalone Balance Sheet

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

Particulars	Note	As at March 31, 2019	As at March 31, 2018
ASSETS			
Non-current assets			
Property, plant and equipment	3	2,08,339	1,98,933
Capital work-in-progress	3	49,191	11,976
Intangible assets	4	405	655
Financial assets			
(i) Investments	5	55,462	737
(ii) Loans	6	3,404	3,394
Income Tax assets (Net)	7	1,928	881
Other non-current assets	8	20,540	8,811
Total Non-current assets		**3,39,269**	**2,25,387**
Current assets			
Inventories	9	1,66,318	1,28,139
Financial assets			
(i) Investments	10	1,39,834	1,88,929
(ii) Trade receivables	11	1,28,224	1,11,211
(iii) Cash and cash equivalents	12	294	417
(iv) Bank balances other than (iii) above	13	10,226	8,731
(v) Loans	14	11	1,486
(vi) Other financial assets	15	135	948
Other current assets	16	19,707	15,530
Total Current assets		**4,64,749**	**4,55,391**
TOTAL ASSETS		**8,04,018**	**6,80,778**
EQUITY AND LIABILITIES			
Equity:			
Equity share capital	17(a)	5,309	5,309
Other equity:			
(i) Reserves and surplus	17(b)	6,92,022	5,90,656
Total Equity		**6,97,331**	**5,95,965**
LIABILITIES			
Non-current liabilities			
Provisions	18	1,317	1,495
Deferred tax liabilities (net)	19	22,118	19,269
Total Non-current liabilities		**23,435**	**20,764**
Current liabilities			
Financial liabilities			
(i) Borrowings	20	10,560	6,311
(ii) Trade payables			
-Total outstanding dues of micro enterprises and small enterprises		-	-
-Total outstanding dues of creditors other than micro enterprises and small enterprises	21	48,331	40,565
(iii) Other financial liabilities	22	6,289	2,233
Provisions	18	111	94
Other current liabilities	23	17,961	14,846
Total current liabilities		**83,252**	**64,049**
TOTAL LIABILITIES		**1,06,687**	**84,813**
TOTAL EQUITY AND LIABILITIES		**8,04,018**	**6,80,778**

The accompanying notes are an integral part of the financial statements
This is the Standalone Balance Sheet referred to in our report of even date

For Price Waterhouse Chartered Accountants LLP
Firm registration number: 012754N/N500016

Sunit Kumar Basu
Partner
Membership number: 55000

Place: Hyderabad
Date: 25-05-2019

For and on behalf of the Board of Directors of
Divi's Laboratories Limited

Dr. Murali K Divi
Chairman and Managing Director
DIN: 00005040

Kiran S Divi
Director
DIN: 00006503

L. Kishorebabu
Chief Financial Officer

P.V. Lakshmi Rajani
Company Secretary

Standalone Statement of Profit and Loss

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

Particulars	Note	For the Year ended March 31, 2019	For the Year ended March 31, 2018
Revenue			
Revenue from operations	24	4,87,966	3,83,723
Other income	25	15,658	11,248
Total Revenue		**5,03,624**	**3,94,971**
Expenses			
Cost of raw materials consumed	26	2,08,205	1,52,428
Changes in inventories of finished goods and work-in-progress	27	(24,422)	(1,938)
Excise duty		-	2,129
Employee benefits expense	28	53,072	44,627
Finance costs	29	350	133
Depreciation and amortization expense	30	16,881	14,242
Other expenses	31	66,215	61,414
Total Expenses		**3,20,301**	**2,73,035**
Profit before tax		**1,83,323**	**1,21,936**
Income Tax expense	32		
Current tax		47,245	28,713
Deferred tax		2,813	6,265
Profit after tax for the year		**1,33,265**	**86,958**
Other Comprehensive Income			
(A) Items that will not be reclassified to profit or loss			
-Remeasurements of post-employment benefit obligations		141	94
Income tax relating to these items		(36)	(27)
(B) Items that will be reclassified to profit or loss		-	-
Other Comprehensive Income/(Loss) after tax for the year, net of tax		105	67
Total Comprehensive Income for the year		**1,33,370**	**87,025**
Earnings per share (Par value of ₹2 each)			
-Basic and Diluted	43	50.20	32.76

The accompanying notes are an integral part of the financial statements
This is the Standalone statement of Profit and Loss referred to in our report of even date

For Price Waterhouse Chartered Accountants LLP
Firm registration number: 012754N/N500016

For and on behalf of the Board of Directors of
Divi's Laboratories Limited

Sunit Kumar Basu
Partner
Membership number: 55000

Dr. Murali K Divi
Chairman and Managing Director
DIN: 00005040

Kiran S Divi
Director
DIN: 00006503

Place: Hyderabad
Date: 25-05-2019

L. Kishorebabu
Chief Financial Officer

P.V. Lakshmi Rajani
Company Secretary

Standalone Statement of Cash Flow

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

	Note	For the Year ended March 31, 2019	For the Year ended March 31, 2018
Cash flow from operating activities			
Profit before income tax		1,83,323	1,21,936
Adjustments for:			
Depreciation and amortisation expense	30	16,881	14,242
Unrealised foreign exchange loss		3,647	(3,536)
Interest Income	25	(851)	(674)
Dividend classified as investing cash flows	25	(8,406)	(7,612)
Gain on sale of investments	25	(97)	(8)
Provision for doubtful debts	31	63	61
Provisions / Liabilities no longer required written back	25	(429)	-
Finance costs	29	350	133
Changes in fair value of mutual funds	25	(2,625)	(260)
Loss on disposal / discard of assets	31	139	626
Government grant	25	(1)	-
		1,91,994	**1,24,908**
Change in operating assets and liabilities			
(Increase) in trade receivables	11	(20,384)	(6,486)
(Increase) in inventories	9	(38,179)	(2,563)
Increase / (Decrease) in trade payables	21	8,077	(4,357)
Decrease / (Increase) in other non current Loans	6	(10)	1,814
Decrease / (Increase) in other non current assets	8	(3)	12
(Increase) /Decrease in Current Loans and other current financial assets	14,15	1,723	(980)
(Increase) in other current assets	16	(4,177)	(8,821)
Payment towards long term employee benefit obligation	18	(22)	(35)
Increase in short term employee benefit obligation	18	141	33
Increase/ (Decrease) in other financial liabilities	22	2,219	(439)
Increase in other current liabilities	23	3,319	241
Cash generated from operations		**1,44,698**	**1,03,327**
Income taxes paid including withholding tax and net of refunds		(48,292)	(26,855)
Net cash inflow from operating activities		**96,406**	**76,472**
Cash flows from investing activities			
Payments for property, plant and equipment		(73,294)	(27,387)
Proceeds from sale of property, plant and equipment		2	13
Gain on Sale of investments	25	97	8
Payments for purchase of Investments	5,10	(86,404)	(74,500)
Proceeds out of sale of Investments	5,10	83,399	48,903
Dividend received	25	8,406	7,612
Interest received	25	757	711
Investment in deposits	13	(1,387)	(2,949)
Net cash (outflow) from investing activities		**(68,424)**	**(47,589)**

Standalone Statement of Cash Flow

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

	Note	For the Year ended March 31, 2019	For the Year ended March 31, 2018
Cash flows from financing activities			
Proceeds from working capital loans	20	7,760	641
Interest paid	29	(350)	(133)
Dividends paid to company's shareholders (Including Corporate Dividend tax)		(32,004)	(31,925)
Net cash inflow / (outflow) from financing activities		**(24,594)**	**(31,417)**
Net increase (decrease) in cash and cash equivalents		**3,388**	**(2,534)**
Cash and cash equivalents at the beginning of the financial year		(4,184)	(1,650)
Cash and cash equivalents at end of the year		**(796)**	**(4,184)**
Reconciliation of Cash and cash equivalents as per the Cash Flow Statement			
Cash and cash equivalents as per above comprise of the following:			
Cash and cash equivalents (Refer Note 12)		294	417
Bank Overdrafts (Refer Note 20)		(1,090)	(4,601)
Balances as per Statement of Cash flows		**(796)**	**(4,184)**

1. The Cash flow statement has been prepared under the indirect method as set out in Indian Accounting Standard (Ind AS 7) Statement of Cash Flows.
2. The accompanying notes are an integral part of the financial statements.
3. Previous year figures have been regrouped /reclassified to conform to current year classification.

This is the Standalone Cash Flow statement referred to in our report of even date

For Price Waterhouse Chartered Accountants LLP
Firm registration number: 012754N/N500016

For and on behalf of the Board of Directors of
Divi's Laboratories Limited

Sunit Kumar Basu
Partner
Membership number: 55000

Dr. Murali K Divi
Chairman and Managing Director
DIN: 00005040

Kiran S Divi
Director
DIN: 00006503

Place: Hyderabad
Date: 25-05-2019

L. Kishorebabu
Chief Financial Officer

P.V. Lakshmi Rajani
Company Secretary

Standalone Statement of Changes in Equity

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

a. Equity share capital

	Number of Shares	Amount
As at April 01, 2017	26,54,68,580	5,309
Changes in equity share capital	-	-
As at April 1, 2018	**26,54,68,580**	**5,309**
Changes in equity share capital	-	-
As at March 31, 2019	**26,54,68,580**	**5,309**

b. Other Equity

	Reserves & surplus				
	Securities Premium	**Special Economic Zone Re-investment reserve**	**General reserve**	**Retained earnings**	**Total Equity**
Balance at April 1, 2017	**7,988**	**19,900**	**1,00,000**	**4,07,694**	**5,35,582**
Profit for the year	-	-	-	86,958	86,958
Other comprehensive income for the year, net of income tax	-	-	-	67	67
Total comprehensive income for the year	**-**	**-**	**-**	**87,025**	**87,025**
Transactions with owners in their capacity as owners:					
Payment of dividends (including tax)	-	-	-	(31,951)	(31,951)
Transfer to Special Economic Zone Re-investment reserve	-	8,927	-	(8,927)	-
Utilisation of Special Economic Zone Re-investment reserve	-	(22,351)	-	22,351	-
Balance at March 31, 2018	**7,988**	**6,476**	**1,00,000**	**4,76,192**	**5,90,656**
Balance at April 1, 2018	7,988	6,476	1,00,000	4,76,192	5,90,656
Profit for the year	-	-	-	1,33,265	1,33,265
Other comprehensive income for the year, net of income tax	-	-	-	105	105
Total comprehensive income for the year	-	-	-	1,33,370	1,33,370
Transactions with owners in their capacity as owners:					
Payment of dividends (including tax)	-	-	-	(32,004)	(32,004)
Transfer to Special Economic Zone Re-investment reserve	-	15,900	-	(15,900)	-
Utilisation of Special Economic Zone Re-investment reserve	-	(2,029)	-	2,029	-
Balance at March 31, 2019	**7,988**	**20,347**	**1,00,000**	**5,63,687**	**6,92,022**

The accompanying notes are an integral part of the financial statements
This is the Standalone Statement of changes in Equity referred to in our report of even date

For Price Waterhouse Chartered Accountants LLP
Firm registration number: 012754N/N500016

Sunit Kumar Basu
Partner
Membership number: 55000

Place: Hyderabad
Date: 25-05-2019

For and on behalf of the Board of Directors of
Divi's Laboratories Limited

Dr. Murali K Divi
Chairman and Managing Director
DIN: 00005040

Kiran S Divi
Director
DIN: 00006503

L. Kishorebabu
Chief Financial Officer

P.V. Lakshmi Rajani
Company Secretary

Notes to Standalone Financial Statements

1. Background:

1.1 (Divi's), (the 'company') is a company limited by shares, incorporated and domiciled in India. The company is engaged in the manufacture of Active Pharmaceutical ingredients (API's), Intermediates and Nutraceutical ingredients with predominance in exports. In addition to generic business, the company, through its Custom synthesis business, supports innovator pharma companies for their patented products business right from gram scale requirements for clinical trials to launch as well as late life cycle management. The Company is a public limited company and the Company's equity shares are listed on the BSE Limited and National Stock Exchange of India Limited (NSE) in India.

1.2 The Financial statements are approved for issue by the Company's Board of Directors on May 25, 2019.

2. Significant Accounting Policies

This note provides a list of the significant accounting policies adopted in the preparation of these financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of Preparation:

(i) Compliance with Ind AS

The financial statements comply in all material aspects with Indian Accounting Standards (Ind AS) notified under section 133 of the Companies Act, 2013 (the Act) [Companies (Indian Accounting Standards) Rules, 2015] and other relevant provisions of the Act and guidelines issued by Securities and Exchange Board of India (SEBI).

(ii) Historical cost convention

The financial statements have been prepared on a historical cost basis, except for the following:

- Certain financial assets and liabilities that are measured at fair value; (refer accounting policy regarding financial instruments)
- Defined benefit plans – plan assets measured at fair value

(iii) Amended standard adopted by the Company

The company has applied the following standards and amendments for the first time for their annual reporting period commencing 1 April 2018

- Ind AS 115, Revenue from contracts with customers
- Appendix B, Foreign currency Transactions and Advance consideration to Ind AS 21. The effects of changes in Foreign Exchange Rates

The amendments listed above did not have any significant impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(iv) Current and non-current classification

An asset / liability is classified as current if:

(a) The amount is expected to be realized or sold or consumed in the Company's normal operating cycle; the liability is expected to be settled in normal operating cycle;

(b) Asset / liability is held primarily for the purpose of trading;

(c) Asset / liability is expected to be realized/settled within twelve months after the reporting period; or

(d) The asset is cash or a cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. The liability has no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other assets / liabilities are classified as non-current.

The operating cycle is the time between acquisition of assets for processing and their realization in cash and cash equivalents. Based on the nature of products and time between acquisition of assets for processing and their realization in cash and cash equivalents, the Company has ascertained its operating cycle as 12 months for the purpose of current/non-current classification of assets and liabilities.

(v) Recent Accounting Pronouncements:

Appendix C, Uncertainty over Income Tax Treatments, to Ind AS 12, 'Income Taxes'

The appendix explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:

Notes to Standalone Financial Statements

- how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty;
- that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, i.e. the detection risk should be ignored;
- that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment;
- that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty; and
- that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

The Company operates in limited countries and tax jurisdictions and has substantially completed assessing its existing models and processes which it has developed to account for tax uncertainties against the specific guidance in the Appendix C to Ind AS 12 to consider the impact on income tax accounting in respect of its material tax jurisdictions. Basis such assessment, the application of this guidance is not expected to have material impact on its financial statements.

Long-term Interests in Associates and Joint Ventures – Amendments to Ind AS 28, 'Investment in Associates and Joint Ventures'

The amendments clarify the accounting for long-term interests in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture, but to which equity accounting is not applied. Entities must account for such interests under Ind AS 109 'Financial Instruments' before applying the loss allocation and impairment requirements in Ind AS 28.

Since the Company does not have associates or joint ventures, the amendments will not have any impact on its financial statements.

Prepayment Features with Negative Compensation – Amendments to Ind AS 109, 'Financial Instruments'

The narrow-scope amendments made to Ind AS 109 enable entities to measure certain prepayable financial assets with negative compensation at amortised cost. These assets, which include some loan and debt securities, would otherwise have to be measured at fair value through profit or loss. To qualify for amortised cost measurement, the negative compensation must be 'reasonable compensation for early termination of the contract' and the asset must be held within a 'held to collect' business model.

These amendments are not expected to have any impact on the financial statements of the Company.

Plan Amendment, Curtailment or Settlement – Amendments to Ind AS 19, 'Employee Benefits'

The amendments to Ind AS 19 clarify the accounting for defined benefit plan amendments, curtailments and settlements. They confirm that entities must:

- calculate the current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement by using the updated assumptions from the date of the change;
- any reduction in a surplus should be recognised immediately in profit or loss either as part of past service cost, or as a gain or loss on settlement. In other words, a reduction in a surplus must be recognised in profit or loss even if that surplus was not previously recognised because of the impact of the asset ceiling; and
- separately recognise any changes in the asset ceiling through other comprehensive income.

These amendments will apply to any future plan amendments, curtailments, or settlements of the Company on or after 1 April 2019. The Company does not have any impact on account of this amendment.

Ind AS 103, 'Business Combinations'

The amendments clarify that obtaining control of a business that is a joint operation, is a business combination achieved in stages. The acquirer should re-measure its previously held interest in the joint operation at fair value at the acquisition date.

Notes to Standalone Financial Statements

These amendments will apply to future business combinations of the Company for which acquisition date is on or after 1 April 2019. These amendments do not have any impact on the financial statements of the Company.

Ind AS 111, 'Joint Arrangements'

The amendments clarify that the party obtaining joint control of a business that is a joint operation should not re-measure its previously held interest in the joint operation.

These amendments will apply to future transactions of the Company in which it obtains joint control of a business on or after 1 April 2019. These amendments do not have any impact on the financial statements of the Company.

Amendment to Ind AS 12, Income Taxes

The amendments clarify that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised. These requirements apply to all income tax consequences of dividends. Previously, it was unclear whether the income tax consequences of dividends should be recognised in profit or loss, or in equity, and the scope of the existing guidance was ambiguous.

The amendments are effective on or after 1 April 2019 and the Company will apply the amendments for the financial statements prepared on or after 1 April 2019.

Ind AS 23, 'Borrowing Costs'

The amendments clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

Since the Company does not have qualifying assets, these amendments do not have any impact on the financial statements of the Company.

Ind AS 116, 'Leases'

Ind AS 116 was notified by Ministry of Corporate Affairs on 30 March 2019 and it is applicable for annual reporting periods beginning on or after 1 April 2019.

Ind AS 116 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and finance leases and requires recognition of an asset (the right-of-use of the leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.

The statement of profit and loss will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like EBITDA will change.

Operating cash flows will be higher as repayments of the lease liability and related interest are classified within financing activities.

The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under Ind AS 116, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Company is in the process of reviewing all of its leasing arrangements in light of the new lease accounting rules in Ind AS 116. The standard will affect primarily the accounting for the Company's operating leases. The Company intends to apply simplified transition approach and will not restate comparative information in the financial statements for the year ending 31 March 2020 to show the impact of adopting Ind AS 116.

2.2 Segment Reporting:

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. The Chairman and Managing Director has been identified as being the Chief Operating Decision Maker. Refer note 37 for the segment information presented.

2.3 Foreign currency translation:

(i) Functional and presentation currency

Items included in the financial statements of the Company are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The financial statements are presented in Indian rupee (INR), which is Divi's (the Company's) functional and presentation currency.

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(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in statement of profit and loss.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equity instruments held at fair value through profit or loss are recognised in statement of profit and loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equity investments classified as FVOCI are recognised in other comprehensive income.

2.4 Revenue recognition:

Revenue is measured at fair value of the consideration received or receivable. Amounts disclosed as revenue are inclusive of excise duty and net of returns, trade allowances, rebates, sales tax, value added taxes, Goods & Service Tax (GST) and amounts collected on behalf of third parties.

(i) Revenue from Sale of Goods:

Effective April 1, 2018, the Company adopted Ind AS 115 "Revenue from Contracts with Customers" using the modified retrospective method. Also, refer note 44. The following is a summary of new and/or revised significant accounting policies related to revenue recognition. Refer Note 2 "Significant Accounting Policies," in the Company's 2018 Annual Report for the policies in effect for revenue prior to April 1, 2018.

Revenue from sale of goods is recognized when the customer obtains control of the Company's product, which occurs at a point in time, usually upon shipment, with payment terms typically in the range of 60 to 180 days after invoicing depending on product and geographic region. The Company elected the practical expedient approach not to adjust the amount of consideration for the effects of a significant financing component for all instances in which the period between payment and transfer of the goods will be one year or less. Taxes collected from customers relating to product sales and remitted to government authorities are excluded from revenues.

For contracts with multiple performance obligations, the Company allocates the transaction price to each performance obligation based on the relative standalone selling price. The Standalone selling price of each performance obligation is estimated using expected costs of satisfying such performance obligation and then an appropriate margin is added for such goods or services.

(ii) Revenue from Sale of Services:

Revenue from Sale of services is recognised as per the terms of the contracts with customers when the related services are performed or the agreed milestones are achieved.

(iii) Export incentives:

Export incentives comprise of Duty draw back and MEIS (Merchandise Exports Incentive scheme) scrips.

Duty drawback is recognised as income when the right to receive credit as per the terms of the scheme is established in respect of the exports made and where there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.

MEIS scrips are freely transferable and can be utilised for the payment of customs duty. MEIS scrips are recognised either on transfer/sale of such scrips or when it is reasonably certain that such scrips can be utilised against customs duty on imports.

(iv) Dividend Income:

Dividends are received from financial assets at fair value through profit or loss and at FVOCI. Dividends are recognised as other income in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of the investment.

(v) Interest Income:

Interest income from financial assets at fair value through profit or loss is disclosed as interest income within other income. Interest income, on financial assets at amortised

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cost and financial assets at FVOCI, is calculated using the effective interest method and the same is recognised in the statement of profit and loss as part of other income. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.5 Income Taxes:

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries where the Company is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries where it is not probable that the differences will reverse in the foreseeable future and taxable profit will not be available against which the temporary difference can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

For operations carried out in Special Economic Zones which are entitled to tax holiday under the Income tax Act, 1961 no deferred tax is recognised in respect of timing differences which reverse during the tax holiday period, to the extent company's gross total income is subject to the deduction during the tax holiday period. Deferred tax in respect of timing differences which reverse after the tax holiday period is recognised in the year in which timing difference originate.

Deferred Tax Assets include Minimum Alternative Tax (MAT) paid in accordance with the tax laws in India, which is likely to give future economic benefits in the form of availability of set off against future income tax liability. Accordingly, MAT is recognized as deferred tax asset in the Balance sheet when the asset can be measured reliably and it is probable that the future economic benefit associated with the asset will be realized.

2.6 Impairment of assets:

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

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2.7 Cash and cash equivalents:

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

2.8 Trade receivables:

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment, since the company holds trade receivables with an objective to collect contractual cash flows.

2.9 Inventories:

Raw materials and stores, work-in-progress, traded and finished goods are stated at the lower of cost, calculated on weighted average basis, and net realizable value. Cost of raw materials and stores comprise of costs of purchases. Cost of work-in-progress and finished goods comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Cost of inventories also include all other costs incurred in bringing the inventories to their present location and condition. Costs of purchased inventory are determined after deducting rebates and discounts. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Items held for use in the production of inventory are not written below cost if the finished product in which these will be incorporated are expected to be sold at or above cost.

2.10 Investments and other financial assets:

(i) Classification:

The Company classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the Company has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. The Company reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition

Purchases and sale of financial assets are recognised on trade date, the date on which company commits to purchase or sale the financial assets.

(iii) Measurement

At initial recognition, the Company measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the Company's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Company classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses). Impairment losses are presented as separate line item in the statement of profit and loss

Fair value through other comprehensive income (FVOCI): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash

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flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses, which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in other income using the effective interest rate method.

Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the statement of profit and loss within other gains/(losses) in the period in which it arises. Interest income from these financial assets is included in other income.

Equity instruments

Subsequent measurements of all equity investments are done at fair value. Where the Company's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments are recognised in profit or loss as other income when the Company's right to receive payments is established. Changes in the fair value of financial assets at fair value through profit or loss are recognised in other income in the statement of profit and loss. Impairment losses (and reversal of impairment losses) on equity investments measured at fair value are not reported separately from other changes in fair value.

(iv) Impairment of financial assets

The Company assesses on a forward looking basis, the expected credit losses associated with its assets carried at amortised cost and FVOCI debt instruments. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 35 details how the Company determines whether there has been a significant increase in credit risk.

For trade receivables only, the Company applies the simplified approach permitted by Ind AS 109 Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(v) Derecognition of financial assets

A financial asset is derecognized only when

- the Company has transferred the rights to receive cash flow from the financial asset or
- retains the contractual rights to receive the cash flows of the financial assets, but assumes a contractual obligation to pay cash flows to one or more recipients.

Where the entity has transferred an asset, the Company evaluates whether it has transferred substantially all risks and rewards of ownership of the financial asset. In such cases, the financial asset is derecognized. Where the entity has not transferred substantially all risks and rewards of ownership, the financial asset is not derecognized.

Where the entity has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognised if the Company has not retained control of the financial asset. Where the Company retains control of the financial asset, the asset is continued to be recognised to the extent of continuing involvement in the financial asset.

2.11 Offsetting financial instruments:

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

2.12 Property, Plant & Equipment:

Freehold land is carried at historical cost. All other items of property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. On

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transition to Ind AS, the Company had elected to continue with the carrying value of all its property, plant and equipment recognized as at 1st April 2015 measured as per the previous GAAP and use that carrying value as the deemed cost of the property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Company and the cost of the item can be measured reliably. The carrying amount of any component accounted for as separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Capital work-in-progress includes cost of property, plant and equipment under installation/development as at the balance sheet date.

(i) Depreciation methods, estimated useful lives and residual value

Depreciation on Property, Plant & Equipment is provided on straight-line basis to allocate their cost, net of residual value over the estimated useful lives of the assets. The useful lives have been determined in order to reflect the actual usage of the assets.

Following are the estimated useful lives:

Plant & Machinery	7.5-25 years
Roads and Buildings	30 & 60 years
Furniture and Fixtures	10 years
Vehicles	8 & 10 years
Office Equipments	5 years
Laboratory Equipments	10 years
Computer and data processing units	3-6 years

The residual values are not more than 5% of the original cost of the asset. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing proceeds with carrying amount. These are included in profit or loss within other income/other expenses.

2.13 Intangible Assets:

(i) Computer software

Costs associated with maintaining software are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the Company are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available and;
- the expenditure attributable to the software during its development can be reliably measured.

On transition to Ind AS, the Company had elected to continue with the carrying value of all of intangible assets recognized as at 1st April 2015 measured as per the previous GAAP and use that carrying value as the deemed cost of intangible assets.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is available for use.

(ii) Research and development

Research and Development expenditure that do not meet the criteria in (i) above are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

(iii) Amortization methods and periods

The Company amortizes intangible assets over a period of 3 years based on their estimated useful lives.

2.14 Trade and Other Payables:

These amounts represent liabilities for goods and services provided to the company prior to the end of financial year

Notes to Standalone Financial Statements

which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

2.15 Borrowings:

Borrowings are initially recognized at fair value, net of transaction cost incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other gains/(losses).

Borrowings are classified as current liabilities unless the Company has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Where there is a breach of a material provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand on the reporting date, the entity does not classify the liability as current, if the lender agreed, after the reporting period and before the approval of financial statements for issue, not to demand payment as consequence of the breach.

2.16 Borrowing Cost:

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing cost eligible for capitalization. Other borrowings costs are expensed in the period in which they are incurred.

2.17 Provisions:

Provision for legal claims and volume discounts are recognized when the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provisions due to the passage of time is recognized as interest expense. Provision for litigation related obligation represents liabilities that are expected to materialize in respect of matters in appeal.

2.18 Employee benefits:

(i) Short-term obligations

Liabilities for wages and salaries, bonus, ex-gratia etc. that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

(ii) Other long-term employee benefit obligations

The liabilities for earned leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. The benefits are discounted using the market yields at the end of the reporting period that have terms approximating to the terms of the related obligations. Remeasurements as a result of the experience adjustments and changes in actuarial assumptions are recognized in profit or loss.

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The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

(iii) Post-employment obligations

The Company operates the following post-employment schemes:

(a) Defined benefit plans-Gratuity obligations

The liability or assets recognized in the balance sheet in respect of defined benefit gratuity plans is the present value of the defined benefit obligations at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method.

The present value of the defined benefit obligation denominated in INR is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation. The benefits which are denominated in currency other than INR, the cash flows are discounted using market yields determined by reference to high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit and loss.

Remeasurement gains and losses arising from experience adjustments and change in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service cost.

In respect of funded post-employment defined benefit plans, amounts due for payment within 12 months to the fund may be treated as 'current'. Regarding unfunded post-employment benefit plans, settlement obligations which are due within 12 months in respect of employees who have resigned or expected to resign or are due for retirement within the next 12 months is 'current'. The remaining amount attributable to other employees, who are likely to continue in the services for more than a year, is classified as "non-current".

Normally, an actuary should determine the amount of current and non-current liability for unfunded post-employment benefit obligations.

(b) Defined contribution plans

The Company pays provident fund contributions to publicly administered funds as per local regulations. The Company has no further payment obligations once the contributions have been paid. The contributions are accounted for as defined contribution plans and the contributions are recognized as employee benefit expense when they are due.

2.19 Dividends:

Provision is made for the amount of any dividend declared, being appropriately authorized and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period. Proposed dividend is recognised as a liability in the period in which it is declared by the Company, usually when approved by shareholders in a general meeting, or paid.

2.20 Contributed equity:

Equity shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.21 Earnings per share:

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- The profit attributable to owners of the Company
- By the weighted average number of equity shares outstanding during the financial year, adjusted for bonus elements in equity shares issued during the year.

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(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential equity shares, and
- the weighted average number of additional equity shares that would have been outstanding assuming the conversion of all dilutive potential equity shares.

2.22 Leases:

At the inception of a lease, the lease arrangement is classified as either a finance lease or an operating lease, based on the substance of the lease arrangement.

As a Lessee:

Leases of property, plant and equipment where the Company, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of minimum lease payments. The corresponding rental obligations, net of finance charges, are included in borrowing or other financial liabilities as appropriate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the Company as lessee are classified as operating leases. Payments made under operating leases (net of any incentives received from lessor) are charged to profit or loss on straight-line basis over the period of the lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

Deposits provided to Lessor:

The Company is generally required to pay refundable security deposits in order to obtain property leases from various lessors. Such security deposits are financial assets and are recorded at fair value on initial recognition. The difference between the initial fair value and the refundable amount of deposit is recognised as lease prepayments. The initial fair value is estimated as the present value of the refundable amount of security deposit, discounted using the market interest rates for similar instruments.

Subsequent to initial recognition, the security deposit is measured at amortised cost using the effective interest method with carrying amount increased over the lease period up to the refundable amount. The amount of increase in the carrying amount of deposit is recognised as interest income. The lease repayment is amortised on straight-line basis over the lease term as lease rentals expense.

2.23 Contingent Liability & Commitments:

Contingent liability is disclosed in the case of:

- a present obligation arising from past events, when it is not probable that an outflow of resources will be required to settle the obligation;
- a present obligation arising from past events, when no reliable estimate is possible;
- a possible obligation arising from past events, unless the probability of outflow of resources is remote.

Commitments include the amount of purchase order (net of advances) issued to parties for completion of assets.

2.24 Critical estimates and Judgements:

The preparation of financial statements requires the use of accounting estimates, which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Company's accounting policies.

This note provides an overview of the areas that involve a higher degree of judgement or complexity, and of items, which are more likely to be materially adjusted due to estimates and assumptions turning out to be different than those originally assessed. Detailed information about each of these estimates and judgements is included in relevant notes together with information about the basis of calculation for each affected line item in the financial statements.

The areas involving critical estimates or judgements are:

(i) Estimation of current tax expense and payable – refer note : 32(b)

(ii) Estimation of defined benefit obligations- refer note: 18

(iii) Allowance for uncollected accounts receivable and advances. Trade receivables do not carry any interest and are stated at their nominal value as reduced by

Notes to Standalone Financial Statements

appropriate allowances for estimated irrevocable amounts. Individual trade receivables are written off when management deems them not to be collectible. Impairment is made on the expected credit losses, which are the present value of the cash shortfall over the expected life of the financial assets.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the company and that are believed to be reasonable under the circumstances.

2.25 Government grant:

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

Government grants relating to income are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate and presented within other income.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets and presented within other income.

Export entitlements from government authorities are recognised in the statement of profit and loss as a reduction from "Cost of materials consumed" when the right to receive credit as per the terms of the scheme is established in respect of the exports made by the Company, and where there is no significant uncertainty regarding the ultimate realisation of the entitlement.

2.26 Rounding of Amounts:

All amounts disclosed in the financial statements and notes have been rounded off to the nearest lakhs as per the requirement of Schedule III, unless otherwise stated.

Notes to Standalone Financial Statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

Note 3: Property, plant and equipment and Capital Work-in-Progress

	Land	Plant and Machinery	Roads and Buildings	Furniture and Fixtures	Vehicles	Office Equipments	Laboratory Equipments	Computer and data processing units	Total	Capital work-in-progress
Year ended March 31, 2018										
Gross carrying amount										
Opening Gross carrying amount	7,626	1,15,481	42,382	2,963	565	1,580	7,267	810	1,78,674	44,357
Additions	2,591	41,335	10,574	305	131	294	2,538	231	57,999	25,618
Disposals/Transfers	-	(593)	(26)	-	(13)		(1)	(6)	(639)	(57,999)
Closing gross carrying amount	**10,217**	**1,56,223**	**52,930**	**3,268**	**683**	**1,874**	**9,804**	**1,035**	**2,36,034**	**11,976**
Accumulated depreciation										
Opening accumulated depreciation	-	17,290	2,901	346	105	323	1,890	249	23,104	-
Depreciation charge during the year	-	10,362	1,766	308	82	321	971	187	13,997	-
Disposals	-	-	-	-	-	-	-	-	-	-
Closing accumulated depreciation	**-**	**27,652**	**4,667**	**654**	**187**	**644**	**2,861**	**436**	**37,101**	**-**
Net carrying amount as at March 31, 2018	**10,217**	**1,28,571**	**48,263**	**2,614**	**496**	**1,230**	**6,943**	**599**	**1,98,933**	**11,976**
Year ended March 31, 2019										
Gross carrying amount										
Opening Gross carrying amount	10,217	1,56,223	52,930	3,268	683	1,874	9,804	1,035	2,36,034	11,976
Additions	4,577	14,948	4,533	142	51	388	1,468	55	26,162	63,393
Disposals / Transfers	-	(133)	-	-	-	-	(8)	-	(141)	(26,178)
Closing gross carrying amount	14,794	1,71,038	57,463	3,410	734	2,262	11,264	1,090	2,62,055	49,191
Accumulated depreciation										
Opening accumulated depreciation	-	27,652	4,667	654	187	644	2,861	436	37,101	-
Depreciation charge during the year	-	12,565	2,001	324	83	374	1,068	200	16,615	-
Disposals	-	-	-	-	-	-	-	-	-	-
Closing accumulated depreciation	-	40,217	6,668	978	270	1,018	3,929	636	53,716	-
Net carrying amount as at March 31, 2019	**14,794**	**1,30,821**	**50,795**	**2,432**	**464**	**1,244**	**7,335**	**454**	**2,08,339**	**49,191**

Note

(i) Movable assets are pledged as security

Refer Note 20(a) for information on plant and equipment pledged as security by the company

(ii) Contractual obligations and other commitments

Refer Note 41 for disclosure of contractual and other commitments for the acquisition of property, plant and equipment

(iii) Assets under construction majorly consist of Roads & Buildings, Plant & Machinery and corresponding internal development costs. During the year, the Company has incurred capital costs of ₹63,393 on various projects undertaken as part of expansion plans of its manufacturing facilities at Choutuppal (Unit-1) and near Visakhapatnam (Unit-2) and this includes staff cost of ₹41 relating to projects team involved in supervision and monitoring of these projects and cost of power consumed ₹40.

Notes to Standalone Financial Statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

Note 4: Intangible assets

	Computer Software
Year ended March 31, 2018	
Gross carrying amount	
Opening Gross carrying amount	683
Additions	575
Closing gross carrying amount	**1,258**
Accumulated amortisation	
Opening accumulated amortisation	358
Amortisation charges during the year	245
Closing accumulated amortisation	603
Net carrying amount as at March 31, 2018	**655**
Year ended March 31, 2019	
Gross carrying amount	
Opening Gross carrying amount	1,258
Additions	16
Closing gross carrying amount	1,274
Accumulated amortisation	
Opening accumulated amortisation	603
Amortisation charge during the year	266
Closing accumulated amortisation	**869**
Net carrying amount as at March 31, 2019	**405**

Note 5: Non-Current Investments

		March 31, 2019	March 31, 2018
(a)	**(Unquoted, fully paid up)**		
	Investment in equity instruments in subsidiary companies (at cost)		
	2000 ordinary shares of US$ 0.01 each (March 31,2018:2000) of Divis Laboratories (USA) Inc *	332	332
	200 ordinary shares of CHF 500 each (March 31,2018:200), of Divi's Laboratories Europe AG **	404	404
	Investment in equity instruments in other companies (at FVPL)		
	12000 Equity Shares of ₹10/- each (March 31, 2018:12000) of Pattan Cheru Enviro Tech Limited	1	1
	Total (equity instrument)	**737**	**737**
(b)	**Investment in Quoted Mutual Funds (at FVPL)**		
	SBI Magnum Ultra Short Duration Fund - Direct Growth		
	13,12,526 Units @ Fair value of ₹4,169.4946 per unit	54,725	-
	Total (Mutual funds)	**54,725**	**-**
	Total Non-Current investments	**55,462**	**737**
	Aggregate amount of unquoted investments	737	737
	Aggregate amount of quoted investments and market value thereof	54,725	-
	Aggregate amount of impairment in the value of investment	-	-

* ₹87 (2018: ₹87) included in the cost of investment is on account of fair valuation of interest free loans given to subsidiary.

** ₹367 (2018: ₹367) included in the cost of investment is on account of fair valuation of interest free loans given to subsidiary.

Notes to Standalone Financial Statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

Note 6: Non-Current Loans

	March 31, 2019	March 31, 2018
Security Deposits	3,404	3,394
Total Non-Current Loans	**3,404**	**3,394**

Break-up of security details

	March 31, 2019	March 31, 2018
Loans considered Good- Secured	-	-
Loans considered Good - Unsecured	3,404	3,394
Loans which have significant increase in credit risk	-	-
Loans - credit impaired	-	-
Total	**3,404**	**3,394**
Less: Loss Allowance	-	-
Total Non-Current Loans	**3,404**	**3,394**

Note 7: Income Tax assets(net)

	March 31, 2019	March 31, 2018
Advance Tax	77,865	1,57,112
Provision for Income tax	(75,937)	(1,56,231)
Total Income tax assets (net)	**1,928**	**881**

Note 7(a): Movement in Tax

	March 31, 2019	March 31, 2018
Opening Net Advance Taxes	881	2,766
Add: Advance tax paid including tax deducted at source	49,372	26,855
Less :Others (refund received)	(1,080)	-
Less: Adjustments of current tax for prior period	(55)	-
Less: Current tax provision	(47,190)	(28,740)
Net Advance Taxes	**1,928**	**881**

Note 8: Other non-current assets

	March 31, 2019	March 31, 2018
Capital advances	20,024	8,298
Pre-paid expenses	28	22
Other Receivables including indirect tax refund claims	488	491
Total Other non-current assets	**20,540**	**8,811**

Notes to Standalone Financial Statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

Note 9: Inventories (Valued at lower of cost and net realisable value)

	March 31, 2019	March 31, 2018
Raw materials [including stock in transit of ₹12,875 (March 31, 2018: ₹7,872)]	51,210	38,631
Work-in-progress	92,849	70,419
Finished goods [including stock in transit of ₹7,473 (March 31, 2018: 5,540)]	11,338	9,346
Stores and spares	10,921	9,743
Total Inventories	**1,66,318**	**1,28,139**

Amounts recognised in profit or loss

Write-down of inventories to net realisable value and provision for slow moving amounted to ₹4,437 (March 31, 2018 - ₹4,575) as at the year end. An amount of ₹138 was credited to profit or loss (March 31, 2018- ₹2,662 was charged to profit or loss) and included in 'Changes in value of inventories of Finished goods and work in progress ' and 'Cost of raw materials consumed' in statement of profit or loss.

Note 10: Current investments

	March 31, 2019		March 31, 2018	
	Units	Amount	Units	Amount
Investment in Quoted Mutual Funds (at FVPL)				
SBI-Magnum low duration fund (Daily dividend plan) Fair value@ ₹1,010.94 (March 31, 2018: ₹1,008) per unit	1,38,32,033	1,39,834	1,61,37,146	1,62,663
SBI Treasury Advantage Fund (Direct daily dividend plan) Fair value@ ₹ Nil (March 31, 2018: ₹1,012.33) per unit	-	-	25,94,596	26,266
Total Current investments		**1,39,834**		**1,88,929**
Aggregate amount of quoted investments and market value thereof		139,834		188,929
Aggregate amount of unquoted investments		-		-

Note 11: Trade receivables

	March 31, 2019	March 31, 2018
Trade receivables	1,09,602	96,697
Receivables from related parties (Refer note 39)	18,716	14,692
Less: Loss Allowance	94	178
Total Trade receivables	**1,28,224**	**1,11,211**
Current portion	1,28,224	1,11,211
Non-current portion	-	-

Break-up of security details

	March 31, 2019	March 31, 2018
Trade Receivables considered Good- Secured	-	-
Trade Receivables considered Good - Unsecured	1,28,224	1,11,211
Trade Receivables which have significant increase in credit risk	-	-
Trade Receivables - credit impaired	94	178
Total	**1,28,318**	**1,11,389**
Less: Loss Allowance	94	178
Total Trade receivables	**1,28,224**	**1,11,211**

Notes to Standalone Financial Statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

Note 12: Cash and cash equivalents

	March 31, 2019	March 31, 2018
Balances with banks - in current accounts	233	407
Cash on hand	61	10
Total cash and cash equivalents*	**294**	**417**

*There are no repatriation restrictions with regard to cash and cash equivalents as at the end of reporting period and prior period.

Note 13: Bank balances other than cash and cash equivalents

	March 31, 2019	March 31, 2018
Unclaimed dividend	97	83
Balances with banks to the extent held as margin money (towards margin on Letters of Credit & Bank Guarantees issued by bank etc.)	-	-*
In Fixed Deposits with maturity of more than three months but less than twelve months (pledged towards Overdraft facilities from banks)	10,129	8,648
Total Bank balances other than cash and cash equivalents	**10,226**	**8,731**

* Amount is below the rounding off norm adopted by the company

Note 14: Current Loans

	March 31, 2019	March 31, 2018
Loans to employees	11	17
Loans to a subsidiary (Refer note 39)	-	1,469
Total Current Loans	**11**	**1,486**

Break-up of security details

	March 31, 2019	March 31, 2018
Loans considered Good- Secured	-	-
Loans considered Good - Unsecured	11	1,486
Loans which have significant increase in credit risk	-	-
Loans - credit impaired	-	-
Total	**11**	**1,486**
Less: Loss Allowance	-	-
Total Current Loans	**11**	**1,486**

Note 15: Other Current Financial assets

	March 31, 2019	March 31, 2018
Export incentive receivable	25	21
Insurance claims receivable	110	927
Total Other Current Financial assets	**135**	**948**

Notes to Standalone Financial Statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

Note 16: Other current assets

	March 31, 2019	March 31, 2018
Indirect Taxes- Input Credits	13,021	10,503
Prepaid expenses (including prepaid gratuity, refer note 18)	876	577
Advances to suppliers	5,665	4,026
Other Receivables including indirect tax refund claims	145	424
Total Other current assets	**19,707**	**15,530**

Note: Equity share capital and other equity

Note17 (a): Equity share capital

(i) Authorised equity share capital

	Number of shares	Amount
As at April 1, 2017	30,00,00,000	6,000
Movement during the year	-	-
As at March 31, 2018	**30,00,00,000**	**6,000**
Movement during the year	-	-
As at March 31, 2019	**30,00,00,000**	**6,000**

(ii) Movements in paid-up equity share capital

	Number of shares	Amount
As at April 1, 2017	26,54,68,580	5,309
Movement during the year	-	-
As at March 31, 2018	**26,54,68,580**	**5,309**
Movement during the year	-	-
As at March 31, 2019	**26,54,68,580**	**5,309**

Terms and rights attached to equity shares

- The Company has only one class of equity shares having par value of INR 2 per share. The Company declares and pays dividends in Indian rupees. In the event of liquidation of the company, the holders of equity shares will be entitled to receive remaining assets of the company, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders. Every holder of equity shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

- Aggregate number of Bonus shares issued during the period of five years immediately preceding the reporting date:

  On September 28, 2015, the Company issued 13,27,34,290 equity shares of ₹2 each as fully paid bonus shares by capitalization of securities premium reserve.

Notes to Standalone Financial Statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

(iii) Details of shareholders holding more than 5% shares in the company

	March 31, 2019		March 31, 2018	
	Number of shares	% holding	Number of shares	% holding
Promoters Group				
Dr.Murali Krishna Prasad Divi	75,67,000	2.85%	1,55,67,000	5.86%
Mr. Satchandra Kiran Divi	5,40,00,000	20.34%	4,60,00,000	17.33%
Mrs. Swarnalatha Divi	1,40,00,000	5.27%	1,40,00,000	5.27%
Ms. Nilima Motaparti	5,40,00,000	20.34%	5,40,00,000	20.34%
Other than Promoters				
Reliance Capital Trustee Company Limited	75,11,601	2.83%	1,34,25,419	5.06%

Note 17 (b): Reserves and surplus

	March 31, 2019	March 31, 2018
Securities premium reserve	7,988	7,988
General reserve	1,00,000	1,00,000
Retained earnings	5,63,687	4,76,192
Special Economic Zone Re-investment reserve	20,347	6,476
Total Reserves and surplus	**6,92,022**	**5,90,656**

(i) There was no movement in Securities premium reserve and General Reserve during the year and previous year. Hence no reconciliation is required to be given.

(ii) Retained earning

	March 31, 2019	March 31, 2018
Opening balance	4,76,192	4,07,694
Net profit for the Year	1,33,265	86,958
Transfer to Special Economic Zone Re-investment reserve	(15,900)	(8,927)
Utilization of Special Economic Zone Re-investment reserve	2,029	22,351
Dividend	(26,547)	(26,547)
Corporate Dividend Tax	(5,457)	(5,404)
Items of other comprehensive income recognised directly in retained earnings:		
- Remeasurements of post employment benefit obligation, net of tax	105	67
Closing balance	**5,63,687**	**4,76,192**

(iii) Special Economic Zone Re-investment reserve

	March 31, 2019	March 31, 2018
Opening balance	6,476	19,900
Transfer from Retained Earnings	15,900	8,927
Utilization of Special Economic Zone Re-investment reserve	(2,029)	(22,351)
Closing Balance	**20,347**	**6,476**

Notes to Standalone Financial Statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

Nature and purpose of reserves:

Securities premium reserve:

Securities premium reserve is used to record the premium on issue of shares. The reserve is utilised in accordance with the provisions of the Act.

General Reserve:

General Reserves represent amounts transferred from Retained Earnings in earlier years under the provisions of the erstwhile Companies Act, 1956.

Special Economic Zone Re-investment reserve:

Under the SEZ scheme, the unit which begins production of Goods/ services on or after April 1, 2005 will be eligible for deductions of 100% of profits or gains derived from export of Goods/ services for the first five years, 50% of such profits or gains for a further period of five years and 50% of such profits or gains for the balance period of five years subject to creation of Special Economic Zone Re-investment reserve out of profit of eligible SEZ Units and utilisation of such reserve by the company for acquiring new plant and machinery for the purpose of its business as per the provisions of the Income Tax Act, 1961. (Refer Note 41)

Note 18: Provisions - Employee Benefit Obligations

	March 31, 2019			March 31, 2018		
	Current	Non-Current	Total	Current	Non-Current	Total
Compensated Absences	111	1,317	1,428	94	1,495	1,589
Gratuity [refer Note 18(ii)]	-	-	-		-	-
	111	1,317	1,428	94	1,495	1,589

(i) Compensated Absences obligations:

The Compensated Absences covers the group's liability for earned leave which is classified as other long-term benefits.

(ii) Post-employment obligations- Gratuity

The Company provides gratuity for employees in India as per the Payment of Gratuity Act, 1972. Employees who are in continuous service for a period of 5 years are eligible for gratuity. The amount of gratuity payable on retirement/termination is the employees' last drawn basic salary per month computed proportionately for 15 days' salary multiplied for the number of years of service. The gratuity plan is a funded plan and the Company makes contributions to recognised funds in India through an approved trust administered by Life Insurance Corporation of India.

The amounts recognised in the balance sheet and the movements in the net defined benefit obligation over the year are as follows:

	Present Value of obligation	Fair Value of Plan Assets	Net amount
As at April 01, 2017	**1,714**	**1,675**	**39**
Current service cost	309	-	309
Interest expense/(income)	120	115	5
Amount recognized in Statement of profit and loss	**429**	**115**	**314**
Remeasurements			
Return on plan assets, excluding amounts included in interest expense/(income)	-	-	-
Actuarial (gain) / loss	-	10	(10)
(Gain)/loss from change in demographic assumptions	312	-	312
(Gain)/loss from change in financial assumptions	(312)	-	(312)
Experience (gains)/loss	(84)	-	(84)

Notes to Standalone Financial Statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

	Present Value of obligation	Fair Value of Plan Assets	Net amount
Amount recognized in other comprehensive income	**(84)**	**10**	**(94)**
Amount recognized in total comprehensive income	**345**	**125**	**220**
Employer contributions	-	343	(343)
Benefit payments	(24)	(24)	-
As at March 31, 2018	**2,035**	**2,119**	**(84)**

	Present Value of obligation	Fair Value of Plan Assets	Net amount
As at April 01, 2018	**2,035**	**2,119**	**(84)**
Current service cost	359	-	359
Interest expense/(income)	157	160	(3)
Amount recognized in Statement of profit and loss	**516**	**160**	**356**
Remeasurements	-	-	-
Return on plan assets, excluding amounts included in interest expense/(income)	-	-	-
Actuarial (gain) / loss	-	-*	-
(Gain)/loss from change in demographic assumptions	-	-	-
(Gain)/loss from change in financial assumptions	-	-	-
Experience (gains)/loss	(141)	-	(141)
Amount recognized in other comprehensive income	**(141)**	**-**	**(141)**
Amount recognized in total comprehensive income	**375**	**160**	**215**
Employer contributions	-	561	(561)
Benefit payments	(43)	(43)	-
As at March 31, 2019	**2,367**	**2,797**	**(430)**

* Amount is below the rounding off norms adopted by the company

The net liability disclosed above relates to funded and unfunded plans are as follows:

	March 31, 2019	March 31, 2018
Present value of funded obligations	2,367	2,035
Fair value of plan assets	2,797	2,119
Deficit/ (Surplus) of funded plans*	**(430)**	**(84)**

* Included under note 16 'Other current assets'

Significant estimates: Actuarial assumptions and sensitivity

The significant actuarial assumptions were as follows:

	March 31, 2019	March 31, 2018
Discount rate	7.63%	7.71%
Salary growth rate	6%	6%
Attrition Rate	1% to 3% depending on age	1% to 3% depending on age
Retirement Age	60 years	60 years
Average Balance Future Services	29 years	29 years
Mortality Table	IALM(2006-08)	IALM(2006-08)

Notes to Standalone Financial Statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

(iii) Sensitivity analysis

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	March 31, 2019	March 31, 2018
Defined Benefit Obligation	2,367	2,035
Increase / (Decrease) in Defined Benefit Obligation:		
Discount rate:(% change compared to base due to sensitivity)		
Increase : +1%	(251)	(217)
Decrease: -1%	301	260
Salary Growth rate:(% change compared to base due to sensitivity)		
Increase : +1%	273	235
Decrease: -1%	(233)	(203)
Attrition rate:(% change compared to base due to sensitivity)		
Increase : +50%	63	58
Decrease: -50%	(74)	(69)
Mortality rate:(% change compared to base due to sensitivity)		
Increase : +10%	3	3
Decrease: -10%	(3)	(3)

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as and when calculating the defined benefit liability recognised in the balance sheet. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

(iv) Defined benefit liability and employer contributions

The Company has established a trust to purchase insurance policy to provide for payment of gratuity to the employees. Every year, the insurance company carries out a funding valuation based on the latest employee data provided by the Company. Any deficit in the assets arising as a result of such valuation is funded by the Company. The company considers that the contribution rate set at the last valuation date is sufficient to eliminate the deficit over the agreed period and that regular contributions, which are based on service costs will not increase significantly.

The Company makes contributions to Defined benefit plans for qualifying employees. These Plans are administered through approved Trust, which operate in accordance with the Trust Deed, Rules and applicable Statutes. The concerned Trust is managed by Trustees who provide strategic guidance with regard to the management of investments and liabilities and also periodic review of its performance. The trust in turn contributes to a scheme administered by the Life Insurance corporation of India to discharge gratuity liability to the employees. The trust has not changed the processes used to manage its risks from previous periods. A large portion of assets consists of government and corporate bonds, although invested in equities, cash and mutual funds. The plan asset mix is in compliance with the requirements of the respective local regulations.

The major categories of plans assets are as follows:

	March 31, 2019	March 31, 2018
Central Government Securities	687	441
State Government Securities	1,188	961
SCD /Bonds	623	583
Equity	180	43
Fixed Deposits	9	77
Others	110	14
	2,797	**2,119**

Contributions to post employment benefit plan for the year ending March 31, 2020 is expected to be ₹429.

Notes to Standalone Financial Statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

The weighted average duration of the defined benefit obligation is 20.94 years (March 31, 2018 - 20.94 Years). The expected cash flows over the next years is as follows:

	Less than a year	Between 2-5 years	Between 6-10 years	Over 10 years	Total
March 31, 2019					
Defined benefit obligation-gratuity	193	232	513	7,426	8,364
March 31, 2018					
Defined benefit obligation-gratuity	162	164	463	6,500	7,289

(v) Risk exposure

Through its defined benefit plans, the company is exposed to a number of risks, the most significant of which are detailed below:

Interest Rate Risk: The plan exposes the Company to the risk of fall in interest rates. A fall in interest rates will result in an increase in the ultimate cost of providing the above benefit and will thus result in an increase in the value of the liability.

Liquidity Risk: . This is the risk that the company is not able to meet the short term gratuity pay-out. This may arise due to non-availability of enough cash / cash equivalent to meet the liabilities or holdings illiquid assets not being sold in time.

Salary Escalation Risk: The present value of the defined benefit plans calculated with the assumption of salary increase rate of plan participants in future. Deviation in the rate of increase of salary in future for plan participants from the rate of increase in salary used to determine the present value obligation will have a bearing on the plan's liability.

Demographic Risk: The Company has used certain mortality and attrition assumptions in valuation of the liability. The Company is exposed to the risk of actual experience turning out to be worse compared to the assumption.

Regulatory Risk: Gratuity benefit is paid in accordance with the requirements of the Payment of Gratuity Act, 1972 (as amended from time to time). There is a risk of change in regulations requiring higher gratuity payouts (eg. Increase in the maximum limit on gratuity.)

Asset Liability Mismatching or Market Risk: The duration of the liability is longer compared to duration of assets, exposing the Company to market risk for volatilities/fall in interest rate.

Investment Risk: The probability and likelihood of occurrence of losses relative to the expected return on any particular investment.

Asset Volatility: The plan liabilities are calculated using a discount rate set with reference to bond yields; if plan assets under-perform this yield, this will create a deficit. Most of the plan asset investments are in fixed income securities with high grades and in government securities. A portion of the fund is invested in equity securities and in alternative investments which have low correlation with equity securities. The equity securities are expected to earn a return in excess of the discount rate and contribute to the plan deficit. The company has a risk management strategy where the aggregate amount of risk exposure on a portfolio level is maintained at a fixed range. Any deviations from the range are corrected by rebalancing the portfolio. The company intends to maintain the investment mix in the continuing years.

Changes in bond yields: A decrease in bond yields will increase plan liabilities, although this will be partially off-set by an increase in the value of the plan's bond holdings.

Notes to Standalone Financial Statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

(vi) Defined Contribution plans

Employer's Contribution to Provident Fund**:** Contributions are made to provident fund in India for employees at the rate of 12% of basic salary as per regulations. The contributions are made to registered provident fund administered by the government. The obligation of the company is limited to the amount contributed and it has no further contractual nor any constructive obligation. The expense recognised during the period towards defined contribution plan is ₹1,159 (March 31, 2018- ₹1,032) also refer Note.40(b)

Employer's Contribution to State Insurance Scheme**:** Contributions are made to State Insurance Scheme for employees at the rate of 4.75%. The Contributions are made to Employee State Insurance Corporation (ESI) to the respective State Governments of the Company's location. This Corporation is administered by the Government and the obligation of the company is limited to the amount contributed and it has no further contractual nor any constructive obligation. The expense recognised during the period towards defined contribution plan is ₹287 (March 31, 2018- ₹242)

Note 19: Deferred tax liabilities (net)

The balance comprises temporary differences attributable to:

	March 31, 2019	March 31, 2018
Deferred Tax Liability / (Asset) :		
Property, plant and equipment	23,272	20,594
Employee Benefits	(965)	(1,018)
Others	(189)	(307)
Net Deferred tax liabilities / (Asset) net	**22,118**	**19,269**

Movement in Deferred tax liabilities /(Asset)

	April 01, 2017	Changes through Profit and Loss	Changes through OCI	March 31, 2018
Property, Plant and equipment	17,173	3,421	-	20,594
Employee benefit expenses	(787)	(231)	-	(1,018)
Others	(3,383)	3,076	-	(307)

	April 01, 2018	Changes through Profit and Loss	Changes through OCI	March 31, 2019
Property, Plant and equipment	20,594	2,678	-	23,272
Employee benefit expenses	(1,018)	17	36	(965)
Others	(307)	118	-	(189)

Notes to Standalone Financial Statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

Note 20: Current borrowings

	Maturity Date and Terms of Payment	Interest rate	March 31, 2019	March 31, 2018
Loans payable on demand:				
Secured from Banks				
Working Capital Loans from Banks*	Payable on demand	8.65%**	9,470	1,710
Bank Overdrafts*	Payable on demand	8.00%#	1,090	4,601
Total Current Borrowings			**10,560**	**6,311**

*Represents temporary overdrafts
** 8.35% for year ended March 31, 2018
# 5.25% for year ended March 31, 2018

Secured borrowings and assets pledged as security

Secured by pari-passu first charge on inventories, receivables and other current assets of the company and pari-passu second charge on movable property, plant and equipment of the company, both present and future. The carrying amounts of financial and non-financial assets pledged as security for current and non- current borrowings are disclosed in Note 20(a)

Note 20(a): Assets pledged as security

The carrying amounts of Company's assets pledged as security for working capital loans from banks:

	March 31, 2019	March 31, 2018
First Charge		
Inventory	1,66,318	1,28,139
Accounts receivables	1,28,224	1,11,211
Other Current Assets	1,70,207	2,16,041
	4,64,749	**4,55,391**
Second Charge		
Movable assets of the company	**1,42,750**	**1,49,049**

Note 20(b): Net Debt reconciliation

This section sets out the changes in liabilities arising from financing activities in the statement of cash flows:

	March 31, 2019	March 31, 2018
Cash and cash equivalents	(796)	(4,184)
Liquid investments	1,39,834	1,88,929
Working Capital Loans	(9,470)	(1,710)
Net Debt	**1,29,568**	**1,83,035**

Notes to Standalone Financial Statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

	Other assets		Liabilities from financing activities	
	Cash and bank Overdraft	Liquid Investments	Current Borrowings	Total
Net Debt as at April 01,2017	(1,650)	1,63,072	(1,069)	1,60,353
Cash Flows	(2,534)	25,597	(641)	22,422
Foreign Exchange adjustments	-	-	-	-
Interest Expense	-	-	133	133
Interest paid	-	-	(133)	(133)
Fair value adjustments	-	260	-	260
Net Debt as at March 31, 2018	**(4,184)**	**1,88,929**	**(1,710)**	**1,83,035**
Net Debt as at April 01, 2018	(4,184)	1,88,929	(1,710)	1,83,035
Cash Flows	3,388	(49,579)	(7,760)	(53,951)
Foreign Exchange adjustments	-	-	-	-
Interest Expense	-	-	(350)	(350)
Interest paid	-	-	350	350
Fair value adjustments	-	484	-	484
Net Debt as at March 31, 2019	**(796)**	**1,39,834**	**(9,470)**	**1,29,568**

Note 21: Trade payables

	March 31, 2019	March 31, 2018
Current		
Trade Payables -Micro enterprises and small enterprises (Refer Note 42)	-	-
Trade Payables -Others	48,331	40,565
Total Trade payables	**48,331**	**40,565**

Note 22: Other Financial liabilities

	March 31, 2019	March 31, 2018
Current		
Capital creditors	3,973	2,150
Unclaimed dividend	97	83
Accrual for rebates / discounts	2,219	-
Total Other Financial liabilities	**6,289**	**2,233**

Note 23: Other current liabilities

	March 31, 2019	March 31, 2018
Statutory dues payable	621	395
Deferred Revenue Government Grants	35	-
Employee benefits payable	14,397	10,675
Advance from customers	2,908	3,776
Total Other current liabilities	**17,961**	**14,846**

Notes to Standalone Financial Statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

Note 24: Revenue from operations

	For the Year ended March 31, 2019	For the Year ended March 31, 2018
Sale of products	4,72,784	3,72,220
Sale of Services:		
Contract research fee	938	3,099
Other Operating Revenue:		
Export incentives	11,691	6,518
Sale of scrap out of manufacturing process	2,553	1,886
Total Revenue from operations	**4,87,966**	**3,83,723**

Note 24(a): Reconciliation of Revenue recognised with contract price:

	March 31, 2019*
Contract price	4,92,033
Rebates / Discounts	(4,067)
Revenue from operations	**4,87,966**

Note 24(b):Disaggregation of Revenue :

The Group derives revenue from Operations (Sale of Products and services and other operating revenue) at a point of time in the following geographical areas(based on where products and services are delivered):

Region	March 31, 2019		
	Sale of Products & Services	Other Operating Revenue	Total Revenue*
America	1,27,212	-	1,27,212
Asia	59,183	-	59,183
Europe	2,17,452	-	2,17,452
India	56,266	14,244	70,510
Others	13,609	-	13,609
	4,73,722	**14,244**	**4,87,966**

* As permitted under the transitional provisions in Ind AS 115, the disclosures as of March 31, 2018 are not disclosed.

Note 25: Other income

	March 31, 2019	March 31, 2018
Interest income from financial assets at amortized cost	851	674
Dividend income from investments mandatorily measured at fair value through profit or loss	8,406	7,612
Net gain on foreign currency transactions and translations	3,092	2,460
Net gain on financial assets mandatorily measured at fair value through profit or loss	2,625	260
Net gain on sale of investments	97	8
Sale of other scrap	157	231
Provisions / Liabilities no longer required written back	429	3
Government Grants	1	-
Total Other income	**15,658**	**11,248**

Notes to Standalone Financial Statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

Note 26: Cost of raw materials consumed

	March 31, 2019	March 31, 2018
Raw materials at the beginning of the year	38,631	38,198
Add: Purchases	2,20,784	1,52,861
Less: Raw materials at the end of the year	51,210	38,631
Total Cost of raw materials consumed	**2,08,205**	**1,52,428**

Note 27: Changes in inventories of finished goods and work-in-progress

	March 31, 2019	March 31, 2018
Opening Balance:		
Finished goods	9,346	8,433
Work-in-progress	70,419	69,394
	79,765	**77,827**
Closing Balance:		
Finished goods	11,338	9,346
Work-in-progress	92,849	70,419
	1,04,187	**79,765**
Total Changes in inventories of finished goods and work-in-progress	**(24,422)**	**(1,938)**

Note 28: Employee benefits expense

	March 31, 2019	March 31, 2018
Salaries, wages, bonus and other allowances	50,738	42,178
Contribution to provident fund and other funds [also refer note: 40(b)]	1,159	1,032
Contribution to ESI	287	242
Staff welfare expenses	888	1,175
Total Employee benefits expense	**53,072**	**44,627**

Note 29: Finance costs

	March 31, 2019	March 31, 2018
Interest and finance charges on financial liabilities carried at amortised cost	30	53
Interest on Income tax	183	2
Charges for Letters of Credit / Bank Guarantees	137	78
Total Finance costs	**350**	**133**

Note 30: Depreciation and amortisation expense

	March 31, 2019	March 31, 2018
Depreciation on property, plant and equipment	16,615	13,997
Amortisation of intangible assets	266	245
Total Depreciation and amortisation expense	**16,881**	**14,242**

Notes to Standalone Financial Statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

Note 31: Other expenses

	March 31, 2019	March 31, 2018
Consumption of stores and spare parts	4,162	3,468
Packing materials consumed	3,859	3,665
Power and fuel	24,866	22,873
Repairs and maintenance- buildings	1,515	1,823
Repairs and maintenance- machinery	7,854	6,458
Repairs and maintenance- others	115	128
Insurance	529	503
Rates and taxes, excluding taxes on income	860	626
Directors' sitting fees	51	39
Printing and stationery	421	457
Rental charges	775	741
Communication expenses	124	130
Travelling and conveyance	1,233	1,382
Vehicle maintenance	117	48
Payments to Auditors - Refer Note 31(a)	52	43
Legal and professional charges	893	4,931
Factory upkeep	250	315
Environment management expenses	1,477	1,373
Advertisement	33	21
Research and development expenses -Refer Note 31(c)	1,060	1,011
Sales commission	665	746
Carriage outward	5,553	5,070
General expenses	3,353	3,078
Provision for doubtful debts [including Write off ₹62 (2018: ₹4)]- Refer Note 35(A)	63	61
Donations	1,248	2
Political Contributions	2,000	-
Corporate Social Responsibility expenses -Refer Note 31(b)	2,837	1,698
Loss on disposal / discard of assets	139	626
Bank charges	111	98
Total Other expenses	**66,215**	**61,414**

Note 31(a): Details of payments to auditors

	March 31, 2019	March 31, 2018
Payments to auditors		
As Statutory Auditor	30	26
For Quarterly Reviews	19	16
Re-imbursement of expenses	3	1
Total Payments to auditors	**52**	**43**

Notes to Standalone Financial Statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

Note 31 (b): Corporate Social Responsibility Expenditure

	March 31, 2019	March 31, 2018
Amount required to be spent as per section 135 of the Act	2,824	2,719
Amount spent during the year on		
(i) Construction/acquisition of any asset	-	-
(ii) On purposes other than (i) above		
- Promoting education	1,205	1,035
- Promoting healthcare	52	98
- Rural Development	1,279	304
- Empowering Women	9	9
- Animal Welfare	4	3
- Safe drinking water	145	64
- Environmental sustainability	71	57
- Promotion of rural sports	9	9
- Swatch Bharat programme	6	34
- Support to Differently abled	16	30
- Livelihood Enhancement	1	20
- Others	40	35
Total Corporate Social Responsibility Expenditure	**2,837**	**1,698**

Note 31 (c): Research and development expenditure*

	March 31, 2019	March 31, 2018
Raw materials consumed	67	51
Salaries, wages, bonus and other allowances	2,317	2,064
Contribution to provident and other funds	72	67
Contribution to ESI	9	7
Staff welfare expenses	31	28
Stores consumed	259	227
Power and fuel	175	163
Repairs to buildings	41	64
Repairs to machinery	400	267
Repairs to other assets	24	143
Rates and taxes, excluding taxes on income	7	42
Printing and stationery	18	19
Communication expenses	1	-
Travelling and conveyance	-	1
Professional and consultancy charges	-	4
Miscellaneous expenses	68	30
Total Research and development expenditure	**3,489**	**3,177**

* Research and development expenditure to the extent of ₹2,429 (2018: ₹2,166) is grouped under employee benefit expenses (consists of Salaries, wages, bonus and other allowances, contribution to provident and other funds, contribution to ESI and staff welfare expenses) and ₹1,060 (2018: ₹1,011) is grouped under other expenses.

Notes to Standalone Financial Statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

Note 32: Income tax expense

This note provides an analysis of the Company's income tax expense, showing the amounts that are recognised directly in equity and how the tax expense is affected by non-assessable and non-deductible items. It also explains significant estimates made in relation to the Company's tax positions.

(a) Income tax expense

	March 31, 2019	March 31, 2018
Current tax		
Current tax on profits for the year	47,190	28,713
Adjustments for current tax of prior periods	55	-
Total current tax expense	**47,245**	**28,713**
Deferred tax	2,813	6,265
Decrease /(Increase) in deferred tax assets	135	2,844
(Decrease) /Increase in deferred tax liabilities	2,678	3,421
Total Deferred tax expense/(benefit)	**2,813**	**6,265**
Income tax expense recognised in statement of profit and loss	**50,058**	**34,978**
Income tax expense recognised in other comprehensive income	**36**	**27**
Total Income tax expense	**50,094**	**35,005**

Entire deferred tax for the year ended March 31, 2019 and March 31, 2018 relates to origination and reversal of temporary differences.

(b) Significant estimates (tax calculation note)

In calculating the tax expense for the current period, the company has treated certain expenditures as deductible and non-deductible based on prior year completed assessments for tax purposes. The Company benefits from the tax holiday available for units set up under the Special Economic Zone Act, 2005. These tax holidays are available for a period of fifteen years from the date of commencement of operations. Under the SEZ scheme, the unit which begins production of Goods/services on or after April 1, 2005 will be eligible for deductions of 100% of profits or gains derived from export of Goods/services for the first five years, 50% of such profits or gains for a further period of five years and 50% of such profits or gains for the balance period of five years subject to creation of Special Economic Zone Re-investment out of profit of eligible SEZ Units and utilisation of such reserve by the company for acquiring new plant and machinery for the purpose of its business as per the provisions of the Income Tax Act, 1961.

(c) Reconciliation of tax expense and the accounting profit multiplied by India's tax rate:

	March 31, 2019	March 31, 2018
Profit from operations before income tax expenses	1,83,323	1,21,936
Tax at the Indian tax rate of 34.944% (March 31, 2018-34.608%)	**64,060**	**42,200**
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Expenses not deductible for tax purpose	1,708	614
Income not considered for tax purpose	(15,434)	(10,770)
Impact on account of differential tax rates	(277)	-
Impact due to changes in the tax rate from previous year	192	-
Adjustments for current tax of prior periods	55	-
MAT Credit utilised	-	3,107
Others	(210)	(146)
Income tax expenses	**50,094**	**35,005**

The applicable Indian corporate statutory tax rate for the year ended March 31, 2019 and March 31, 2018 is 34.944% and 34.608%, respectively. The increase in the corporate statutory tax rate to 34.944% is consequent to changes made in the Finance Act, 2018.

Notes to Standalone Financial Statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

Financial Instruments and Risk Management

Note 33: Categories of Financial Instruments

	Notes	Level	March 31, 2019 Carrying Value / Fair Value	March 31, 2018 Carrying Value / Fair Value
A. Financial assets				
a) Mandatorily measured at fair value through profit or loss				
i) Investment in mutual funds	5, 10	1	1,94,559	1,88,929
ii) Investment in equity instruments in other companies	5	3	1	1
Total Financial assets			**1,94,560**	**1,88,930**

Note 34: Fair Value Hierarchy

Fair value of the financial instruments is classified in various fair value hierarchies based on the following three levels:

Level 1: Quoted prices (unadjusted) in active market for identical assets or liabilities.

Level 2: Inputs other than quoted price are included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs). If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case with listed instruments where market is not liquid and for unlisted instruments.

Valuation technique used to determine fair value:

Specific Valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments.
- the fair value of remaining financial instruments is determined using discounted cash flow analysis.

Valuation Process:

The Finance and Accounts department of the Company performs the valuation of financial assets and liabilities required for financial reporting purposes, and report to the Board of Directors. The Level 3 inputs for investment in equity shares are derived using the discounted cash flow analysis.

Notes to Standalone Financial Statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

Note 35: Financial Risk Management

The Company's activities expose it to market risk, price risk, liquidity risk and credit risk. The Company emphasizes on risk management and has an enterprise wide approach to risk management. The Company's risk management and control procedures involve prioritization and continuing assessment of these risks and devise appropriate controls, evaluating and reviewing the control mechanism.

(A) Credit Risk:

Credit risk management

I. Credit risk on cash and cash equivalents and investments is limited as the Company generally invests in deposits and mutual funds with nationalised banks, thereby minimising its risk.

II. Credit risk on security deposits, investments, loans given to a subsidiary and trade receivables are evaluated as follows:

Expected credit loss for security deposits and loans:

Category	Basis for recognition of expected credit loss provision	Asset Group
Financial assets for which credit risk has not increased significantly since initial recognition	Loss allowance measured at 12 month expected credit losses	Security Deposits Loans to employees Other Non-Current Financial assets Other Current Financial assets

Expected credit loss for security deposits and loans:

Asset Group	March 31, 2019			March 31, 2018		
	Gross carrying amount at default	Expected credit loss	Carrying amount net of provision	Gross carrying amount at default	Expected credit loss	Carrying amount net of provision
Security Deposits	3,404	-	3,404	3,394	-	3,394
Loans to employees	11	-	11	17	-	17
Loans to a subsidiary	-	-	-	1,469	-	1,469
Other Current Financial assets	135	-	135	948	-	948

Credit risk is the risk of financial loss to the Company if a customer to a financial instrument fails to meet its contractual obligations and arises primarily from trade receivables, treasury operations etc. Credit risk of the Company is managed at the Company level. In the area of treasury operations, the Company is presently exposed to risk relating to investment in mutual funds. The Company regularly monitors such investments and all the investments in mutual funds are held with State Bank of India which is a nationalised bank, thereby minimises the risk.

The credit risk related to trade receivables is influenced mainly by the individual characteristics of each customer. The credit risk is managed by the company by establishing credit limits and continuously monitoring the credit worthiness of the customer. The Company also provides for expected credit losses based on the past experience where it believes that there is high probability of default. In general, all trade receivables greater than 180 days are reviewed and provided for by analysing individual receivables.

Notes to Standalone Financial Statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

Following are the Expected credit loss for trade receivables under simplified approach:

	March 31, 2019	March 31, 2018
Gross carrying amount of trade receivables	1,28,318	1,11,389
Expected credit losses (Loss allowance provision)	94	178
Net carrying amount of trade receivables	1,28,224	1,11,211

Expected credit loss for trade receivables under simplified approach as at March 31, 2019.

Ageing	Not due	Outstanding FOR < 90 days	Outstanding > 90 days & < 180 days	Outstanding FOR > 6 Ms	Total
Gross carrying amount of trade receivables	94,310	28,461	4,820	727	1,28,318
Provision for doubtful debts (Specific)	-	-	-	79	79
Expected credit losses (Loss allowance provision)	11	4	-*	-	15
Net carrying amount of trade receivables	94,299	28,457	4,820	648	1,28,224

* Amount is below the rounding off norms adopted by the company

Reconciliation of Loss Allowance Provision in respect of trade receivables:

Loss Allowance on April 01, 2017	**123**
Change in Loss Allowance	
Add: Current year loss allowance provided	61
Less: Recoveries / Writeback	(1)
Less: Bad debts written off	(5)
Loss Allowance on March 31, 2018	**178**
Loss Allowance on April 01, 2018	178
Change in Loss Allowance	
Add: Current year loss allowance provided	63
Less: Recoveries / Write back	(85)
Less: Bad debts written off	(62)
Loss Allowance on March 31, 2019	**94**

(B) Market Risk:

The Company has substantial exposure to foreign currency risk due to the significant exports. Sales to other countries and purchases from overseas suppliers are exposed to risk associated with fluctuation in the currencies of those countries vis-a-vis the functional currency i.e. Indian rupee. The Company manages currency fluctuations by having a better geographic balance in revenue mix and ensures a foreign currency match between liabilities and earnings. The Company believes that the best hedge against foreign exchange risk is to have a good business mix. The Company is very cautious towards hedging as it has a cost as well as its own risks. The Company continually reassesses the cost structure impact of the currency volatility and engages with customers addressing such risks.

Notes to Standalone Financial Statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

(i) Foreign currency risk exposure:

	Currency	March 31, 2019		March 31, 2018	
		Amount in Foreign Currency	Amount in ₹	Amount in Foreign Currency	Amount in ₹
Receivables	ACU	6	399	2	160
	CHF	3	193	3	191
	EUR	136	10,602	79	6,346
	GBP	154	13,923	141	13,035
	USD	1,268	87,725	1,135	73,837
Loan to Subsidiaries	CHF	-	-	21	1,469
Payable to suppliers and services	USD	(347)	(24,036)	(314)	(20,396)
	EUR	(5)	(396)	(6)	(474)
	JPY	(241)	(150)	-	-
	CAD	-*	-*	-	-
	GBP	(3)	(246)	-*	(1)
Net Foreign currency exposure Asset/ (Liability)			**88,014**		**74,167**

*Amount is below the rounding off norm adopted by the company

	Impact on profit after tax (Income) / Expense	
	March 31, 2019	March 31, 2018
USD Sensitivity:		
INR/USD -Increase by 1%	(414)	(344)
INR/USD -Decrease by 1%	414	344
ACU Sensitivity:		
INR/ACU -Increase by 1%	(3)	(1)
INR/ACU -Decrease by 1%	3	1
CHF Sensitivity:		
INR/CHF -Increase by 1%	(1)	(11)
INR/CHF -Decrease by 1%	1	11
EUR Sensitivity:		
INR/EUR -Increase by 1%	(66)	(39)
INR/EUR -Decrease by 1%	66	39
GBP Sensitivity:		
INR/GBP -Increase by 1%	(89)	(83)
INR/GBP -Decrease by 1%	89	83
JPY Sensitivity:		
INR/JPY -Increase by 1%	1	-*
INR/JPY -Decrease by 1%	(1)	-*

* Amount is below the rounding off norm adopted by the company

Notes to Standalone Financial Statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

(ii) Cash Flow and fair value interest rate risk:

Interest rate exposure: The Company does not have long term borrowings and interest rate risk is towards short term working capital borrowings and fixed deposits. Below is the sensitivity analysis. The analysis presents the cash flow due to the increase/decrease in the interest rates with all other variables held constant.

	Impact on profit after tax (Income) / Expense	
	March 31, 2019	**March 31, 2018**
Short term Borrowing:		
Interest rate-increase by 100 basis points	69	41
Interest rate-Decrease by 100 basis points	(69)	(41)
Fixed Deposits:		
Interest rate-increase by 100 basis points	(66)	(57)
Interest rate-Decrease by 100 basis points	66	57

(c) Price Risk:

The Company is exposed to risk from investments in mutual funds. The company has invested in quoted debt mutual funds with State Bank of India. The Company is very cautious in their investment decisions and takes a conservative approach of investing in nationalised banks with minimal risk. The table below summarises the impact of increase/(decrease) in the Net Asset Value(NAV) of these investments

The analysis is based on the assumption that the NAV has (increased)/decreased by 1% with all other variables held constant.

	Impact on profit after tax (Income) / Expense	
	March 31, 2019	**March 31, 2018**
SBI-Magnum low duration fund (Daily dividend plan)		
-Increase in NAV by 1%	(1,398)	(1,627)
-Decrease in NAV by 1%	1,398	1,627
SBI Treasury Advantage Fund (Direct daily dividend plan)		
-Increase in NAV by 1%	-	(263)
-Decrease in NAV by 1%	-	263
SBI Magnum Ultra Short Duration Fund - Direct Growth		
-Increase in NAV by 1%	(547)	-
-Decrease in NAV by 1%	547	-

(d) Liquidity Risk:

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding to meet obligations when due and to close out market positions. Company's treasury maintains flexibility in funding by maintaining availability under deposits in banks, adequate limits in the current accounts etc.

Notes to Standalone Financial Statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

(i) Contractual Maturities of financial liabilities:

	March 31, 2019		
	Less than 12 months	Greater than 12 months	Total
Current Borrowings	10,560	-	10,560
Trade payables	48,331	-	48,331
Other financial liabilities	6,289	-	6,289
Total	**65,180**	**-**	**65,180**

	March 31, 2018		
	Less than 12 months	Greater than 12 months	Total
Current Borrowings	6,311	-	6,311
Trade payables	40,565	-	40,565
Other financial liabilities	2,233	-	2,233
Total	**49,109**	**-**	**49,109**

Note 36: Capital Management

(a) The Company's financial strategy aims to provide adequate capital for its growth plans for sustained stakeholder value. The company's objective is to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. And depending on the financial market scenario, nature of the funding requirements and cost of such funding, the Company decides the optimum capital structure. The Company aims at maintaining a strong capital base so as to maintain adequate supply of funds towards future growth plans as a going concern.

Net debt to Equity ratio

	March 31, 2019	March 31, 2018
Net debt	10,560	6311
Total Equity	6,97,331	5,95,965
Net debt to Equity ratio	0.015	0.011

(b) Dividends:

Dividend paid on Equity shares:

	March 31, 2019	March 31, 2018
Dividends paid:		
Final Dividend	26,547	26,547
Dividend Tax on final Dividend	5,457	5,404
Interim Dividend	-	-

Proposed dividends* not recognised at the end of the reporting period:

	March 31, 2019	March 31, 2018
On Equity Shares of ₹2 each		
Dividend proposed	42,475	26,547
Dividend Tax	8,731	5,457
Dividend per equity share	16	10

*This proposed dividend is subject to approval of shareholders in the ensuing Annual General Meeting

Notes to Standalone Financial Statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

Note 37: Segment Information

Description of segments and principal activities

The Chairman and Managing Director has been identified as being the Chief Operating Decision Maker(CODM). Operating segments are defined as components of an enterprise for which discrete financial information is available. This is evaluated regularly by the CODM, in deciding how to allocate resources and assessing the Company's performance. The company is engaged in the manufacture of Active Pharmaceutical Ingredients (API's), Intermediates and Nutraceutical Ingredients and operates in a single operating segment.

The reportable segments have been provided in the Consolidated Financial Statements of the Company and therefore no separate disclosure on segment information is given in these standalone financial statements.

Note 38: Leases

The Company has operating lease for office premise, which is renewable on a periodical basis and cancellable at its option. Rental expenses for operating lease recognised in Statement of Profit and Loss for the year is ₹775 (Previous Year is ₹741)

Note 39: Related Party Transactions

(a) Subsidiaries	: Divis Laboratories (USA) Inc.
	: Divi's Laboratories Europe AG.
(b) Key Management personnel(KMP)	: Dr. Murali. K. Divi
	: Mr. N.V. Ramana
	: Mr. D. Madhusudana Rao
	: Mr. Kiran S. Divi
	: Mrs. Nilima Motaparti
	: Mr. K V K Seshavataram
	: Mr. R Ranga Rao
	: Dr.G Suresh Kumar
	: Mrs. S. Sridevi (resigned w.e.f 22.06.2017)
	: Dr Ramesh B V Nimmagadda
	: Dr S Ganapaty
	: Prof. Sunaina Singh (w.e.f 28.03.2019)
(c) Relative of Key Management personnel	: Mrs. D. Swarna Latha
	: Mr. D. Babu Rajendra Prasad
	: Mr. D. Radha Krishna Rao
	: Mr.D. Sri Ramachandra Rao
	: Mrs. D. Raja Kumari
	: Mr. D. Satyasayee Babu
	: Mrs. A. Shanti Chandra
	: Mrs. N. Nirmala Kumari
	: Mrs. N. Chandrika Ramana
	: Mr. N.V.Anirudh
	: Mrs. N. Monisha
	: Mrs. Jhansi Lakshmi Pendyala
	: Mr. N. Prashanth
	: Mrs. L. Vijaya Lakshmi
(d) Other related party	: Divi's Laboratories Employees' Gratuity Trust.

Notes to Standalone Financial Statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

Disclosure pursuant to the Regulation 34(3) read with para A of Schedule V to SEBI Listing Regulations, 2015:

Loans and advances in the nature of loans to subsidiaries:

Name of the entity	Balances as on		Maximum Balance Outstanding during the year	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Divis Laboratories Europe AG	-	1,469	1,469	2,382

(e) List of Related Parties over which Control / Significant Influence exists with whom the company has transactions :

	Relationship
Divis Laboratories (USA) Inc.	Wholly Owned Subsidiary
Divi's Laboratories Europe AG	Wholly Owned Subsidiary
Divi's Properties Private Limited	Company In Which Key Management Personnel have Significant Influence
Divi's Biotech Private Limited	Company In Which Key Management Personnel have Significant Influence
Divi's Laboratories Employees' Gratuity Trust.	Post employment benefit plan of Divi's Laboratories Ltd*

*Refer Note No. 18(ii) for information on transactions with post employment benefit plan mentioned above.

(f) Summary of Related Party transactions and balances:

	March 31, 2019		March 31, 2018	
	Amount (Transactions)	Outstanding balance as at March 31, 2019	Amount (Transactions)	Outstanding balance as at March 31, 2018
(i) Managerial Remuneration and short term employee benefits to Key Management Personnel -refer 39(g) (i)	11,061	10,584	7,631	7,173
(ii) Sitting fees to non-executive directors-refer 39(g) (i)	51	-	39	-
(iii) Dividend paid to Key Management Personnel -refer 39(g) (ii)	11,664	-	11,707	-
(iv) Dividend paid to Relatives of Key Management Personnel -refer 39(g) (iii)	1,538	-	1,528	-
(v) Salary and Allowances to Relatives of Key Management Personnel - Mr. Anirudh	13	1	12	1
(vi) Dividend paid to Company in which Key Management Personnel have Significant Influence - M/s Divi's Biotech Private Limited	800	-	800	-
(vii) Lease Rent to a Company in which Key Management Personnel have Significant Influence - M/s Divi's Properties Private Limited	775	-	719	-
(viii) Rent Deposit to a Company in which Key Management Personnel have Significant Influence - M/s Divi's Properties Private Limited	-	319	-	325
(ix) Loan/Advance received back from Subsidiary -Divi's Laboratories Europe AG	1,373	-	914	1,373
(x) Interest receivable on delayed receivables from subsidiary- Divi's Laboratories Europe AG	54	54	-	-

Notes to Standalone Financial Statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

	March 31, 2019		March 31, 2018	
	Amount (Transactions)	Outstanding balance as at March 31, 2019	Amount (Transactions)	Outstanding balance as at March 31, 2018
(xi) Interest receivable on delayed receivables from subsidiary- Divis Laboratories (USA) Inc.	49	49	-	-
(xii) Interest received /receivable on loan to subsidiary- Divi's Laboratories Europe AG	96	-	131	96
(xiii) Interest received /receivable on loan to subsidiary- Divis Laboratories (USA) Inc.	-	-	32	-
(xiv) Sales / Receivable - Subsidiary- Divi's Laboratories Europe AG	15,017	10,285	6,452	6,551
(xv) Sales / Receivable - Subsidiary- Divis Laboratories (USA) Inc.	10,454	8,328	6,730	8,141
(xvi) Purchase / payable -Materials from Subsidiary -Divi's Laboratories Europe AG.	99	-	6	2

Committed future sales to related parties as at the year end:	March 31, 2019*
(i) Subsidiary- Divi's Laboratories Europe AG	276
(ii) Subsidiary- Divis Laboratories (USA) Inc.	350

* As permitted under the transitional provisions in Ind AS 115, the disclosures as of March 31, 2018 are not disclosed.

(g) Transactions with Related Parties:

	March 31, 2019		March 31, 2018	
	Amount (Transactions)	Outstanding balance as at March 31, 2019	Amount (Transactions)	Outstanding balance as at March 31, 2018
(i) Managerial Remuneration and short term employee benefits to Key Management Personnel				
1. Dr Murali K. Divi	5,881	5,766	4,020	3,906
2. Sri N.V. Ramana	2,990	2,885	2,059	1,955
3. Sri Madhusudana Rao Divi	99	5	99	4
4. Sri Kiran S Divi	2,023	1,925	1,402	1,305
5. Mrs Nilima Motaparti	68	3	51	3
	11,061	**10,584**	**7,631**	**7,173**
Sitting fees to non-executive directors				
6. Sri K.V.K. Seshavataram	10	-	8	-
7. Dr.G Suresh Kumar	12	-	11	-
8. Sri R Ranga Rao	13	-	11	-
9. Smt S. Sridevi	-	-	1	-
10. Dr.S. Ganapaty	7	-	3	-
11. Dr. Ramsh B V Nimmagadda	9	-	5	-
	51	**-**	**39**	**-**

Notes to Standalone Financial Statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

	March 31, 2019		March 31, 2018	
	Amount (Transactions)	Outstanding balance as at March 31, 2019	Amount (Transactions)	Outstanding balance as at March 31, 2018
(ii) Dividend paid to Key Management Personnel				
1. Dr Murali K. Divi	1,557	-	1,557	-
2. Sri Kiran S Divi	4,600	-	4,600	-
3. Mrs Nilima Motaparti	5,400	-	5,400	-
4. Sri Madhusudana Rao Divi	51	-	58	-
5. Sri N.V. Ramana	56	-	92	-
	11,664	**-**	**11,707**	**-**
(iii)Dividend paid to Relatives of Key Management Personnel				
1. Mr. Babu Rajendra Prasad Divi	3	-	3	-
2. Mr. Divi Radha Krishna Rao	-*	-	-*	-
3. Mr. Sri Ramachandra Rao Divi	-*	-	5	-
4. Mrs. Jhansilakshmi Pendyala	1	-	1	-
5. Mrs. Divi Swarna Latha	1400	-	1400	-
6. Mrs. Divi Raja Kumari	2	-	2	-
7. Mr. Divi Satyasayee Babu	20	-	36	-
8. Mrs. Shanti Chandra Attaluri	53	-	53	-
9. Mrs. Nimmagadda Nirmala Kumari	8	-	8	-
10. Mrs. N. Chandrika Ramana	9	-	-*	-
11. Mr. N. Venkata Aniruddh	12	-	-*	-
12. Mrs. N. Monisha	26	-	15	-
13. Mr. N. Prashanth	4	-	4	-
14. Mrs. L. Vijaya Lakshmi	-*	-	1	-
	1538	**-**	**1528**	**-**

* Amount is below the rounding off norms adopted by the company

(h) Terms and Conditions

Transactions relating to dividends were on the same terms and conditions that applied to other stake holders.

Note 40: Contingent Liabilities:

	March 31, 2019	March 31, 2018
On account of Letter of Credit and Guarantees issued by the bankers.	10,877	11,806
Claims against the Company not acknowledged as debts in respect of:		
(i) Disputed demands for excise duty, customs duty, sales tax and service tax for various periods	782	783
(ii) Income Tax in relation to expenses disallowed in various assessments	18	22

Notes to Standalone Financial Statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

Note: (a) It is not practicable for the company to estimate the timings of cash flows, if any, in respect of the above pending resolution of the respective proceedings.

Note: (b) Provident Fund

The Company is in the process of evaluating the impact of the recent Supreme Court Judgment in case of "Vivekananda Vidyamandir And Others Vs The Regional Provident Fund Commissioner (II) West Bengal" and the related circular (Circular No. C-I/1(33)2019/Vivekananda Vidya Mandir/284) dated March 20, 2019 issued by the Employees' Provident Fund Organisation in relation to non-exclusion of certain allowances from the definition of "basic wages" of the relevant employees for the purposes of determining contribution to provident fund under the Employees' Provident Funds & Miscellaneous Provisions Act, 1952. In the assessment of the management which is supported by legal advice, the aforesaid matter is not likely to have a significant impact and accordingly, no provision has been made in these Financial Statements.

Note 41: Commitments

	March 31, 2019	March 31, 2018
Property, Plant and Equipment:		
(i) Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances)	46,711	8,803
(ii) Capital commitment towards Special Economic Zone Re-investment Obligation	20,347	6,476
Others:		
(iii) On account of bonds and / or legal agreements executed with Central Excise/ Customs authorities/ SEZ Development Commissioners	24,400	22,400

Note 42: Payables to Micro, Small & Medium Enterprises

There are no dues to Micro, Small and Medium Enterprises as at year end. The identification of Micro, Small and Medium Enterprises as defined under the provisions of "Micro, Small and Medium Enterprises development Act, 2006" is based on management knowledge of their status.

Note 43: Earnings per share

	March 31, 2019	March 31, 2018
(a) Basic EPS		
Basic earnings per share attributable to the equity holders of the company	50.20	32.76
(b) Diluted EPS		
Diluted earnings per share attributable to the equity holders of the company	50.20	32.76

(c) Reconciliation of earnings used in calculating earnings per share

	March 31, 2019	March 31, 2018
Basic earnings per share		
Profit attributable to the equity holders of the company used in calculating basic earnings per share	1,33,265	86,958
Diluted earnings per share		
Profit attributable to the equity holders of the company used in calculating diluted earnings per share	1,33,265	86,958

Notes to Standalone Financial Statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

(d) Weighted average number of shares used as the denominator

	March 31, 2019	March 31, 2018
Weighted average number of equity shares used as the denominator in calculating basic earnings per share	26,54,68,580	26,54,68,580
Adjustments for calculation of diluted earnings per share:	-	-
Weighted average number of equity shares used as the denominator in calculating diluted earnings per share	**26,54,68,580**	**26,54,68,580**

Note 44: Changes in Accounting Policies :

The Company applied Ind AS 115 for the first time using the modified retrospective method of adoption with the date of initial application of April 01,2018. Under this method any cumulative effect of initially applying Ind AS 115 can be shown as an adjustment to the opening balance of retained earnings as at April 01, 2018. The effect on adoption of Ind AS 115 was insignificant and hence, no adjustments were made to opening balance of retained earnings.

Note 45: Events occurring after the reporting period:

Refer Note 36 for the final dividend recommended by the Board which is subject to the approval of shareholders at the ensuing Annual General Meeting.

Note 46: Previous year figures have been regrouped /reclassified to conform to current year classification.

The accompanying notes are an integral part of the financial statements

For Price Waterhouse Chartered Accountants LLP
Firm registration number: 012754N/N500016

For and on behalf of the Board of Directors of
Divi's Laboratories Limited

Sunit Kumar Basu
Partner
Membership number: 55000

Dr. Murali K Divi
Chairman and Managing Director
DIN: 00005040

Kiran S Divi
Director
DIN: 00006503

Place: Hyderabad
Date: 25-05-2019

L. Kishorebabu
Chief Financial Officer

P.V. Lakshmi Rajani
Company Secretary

Independent Auditor's Report

TO
THE MEMBERS OF
DIVI'S LABORATORIES LIMITED

Report on the Audit of the Consolidated Financial Statements

Opinion

1. We have audited the accompanying consolidated financial statements of Divi's Laboratories Limited (hereinafter referred to as the "Holding Company") and its subsidiaries (Holding Company and its subsidiaries together referred to as "the Group") (refer Note 1 to the attached consolidated financial statements), which comprise the consolidated Balance Sheet as at March 31, 2019, the consolidated Statement of Profit and Loss (including Other Comprehensive Income), the consolidated statement of changes in equity and the consolidated cash flows Statement for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies and other explanatory information prepared based on the relevant records (hereinafter referred to as "the consolidated financial statements").

2. In our opinion and to the best of our information and according to the explanations given to us, the aforesaid consolidated financial statements give the information required by the Companies Act, 2013 ("the Act") in the manner so required and give a true and fair view in conformity with the accounting principles generally accepted in India, of the consolidated state of affairs of the Group as at March 31, 2019, consolidated total comprehensive income (comprising of consolidated profit and consolidated other comprehensive loss), consolidated changes in equity and its consolidated cash flows for the year then ended.

Basis for Opinion

3. We conducted our audit in accordance with the Standards on Auditing (SAs) specified under section 143(10) of the Act. Our responsibilities under those Standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the ethical requirements that are relevant to our audit of the consolidated financial statements in India in terms of the Code of Ethics issued by ICAI and the relevant provisions of the Act, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained and the audit evidence obtained by the other auditors in terms of their reports referred to in sub-paragraph 14 of the Other Matters paragraph below is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

4. Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

   Appropriateness of capitalisation of costs as per Ind AS 16 Property, Plant and Equipment

   Refer to Note 3 to the consolidated financial statements

   During the year, the Holding Company has incurred capital costs aggregating to ₹19,481 lakhs on property, plant and equipment (representing Plant & Machinery and Roads & Buildings) and ₹63,393 lakhs on Capital work-in-progress for expansion of its manufacturing facilities at Choutuppal (Unit-1) and Visakhapatnam (Unit-2).

   With regard to the capitalisation of Plant and Machinery, Roads and Buildings and Capital work-in-progress, Management of the Holding Company has identified certain specific costs incurred for staff costs and other overheads relating to each of the assets and capital work-in-progress and has applied judgement to assess if the costs incurred in relation to these assets and capital work-in-progress meet the recognition criteria of Property, Plant and Equipment in accordance with Ind AS 16.

   This has been determined as a key audit matter due to the significance of the capital expenditure during the year and the risk that the elements of costs that are eligible for capitalisation are not appropriately capitalised in accordance with the recognition criteria provided in Ind AS 16.

   How our audit addressed the key audit matter

   We have performed procedures, including the following, in relation to testing of capitalisation of costs relating to Road and Buildings, Plant and Machinery and capital work-in-progress:

   - Understood, evaluated and tested the design and operating effectiveness of key controls relating to capitalisation of various costs incurred, including in relation to Plant and Machinery, Roads and Buildings and capital work-in-progress.

- Tested the direct and indirect costs capitalised, on a sample basis, with the underlying supporting documents to ascertain nature of costs and basis for allocation, where applicable, and evaluated whether they meet the recognition criteria provided in the Indian Accounting Standard 16, Property, Plant and Equipment
- Tested, on a sample basis, the employee costs capitalised in relation to Plant and Machinery and Roads and Buildings based on factors such as review of their timesheets.
- Tested other costs debited to Statement of Profit and Loss Account, on a sample basis, to ascertain whether these meet the criteria for capitalisation.
- Ensuring adequacy of disclosures in the financial statements

Our procedures as mentioned above, did not identify any costs that had been inappropriately capitalised.

Other Information

5. The Holding Company's Board of Directors is responsible for the other information. The other information comprises the information included in the Management Discussion and Analysis, Board's Report, Business Responsibility Report, performance highlights, Corporate social responsibility report and Corporate Governance Report, but does not include the consolidated financial statements and our auditor's report thereon.

   Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

   In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed and the reports of the other auditors as furnished to us (Refer paragraph 14 below), we conclude that there is a material misstatement of this other information, we are required to report that fact.

   We have nothing to report in this regard.

   Responsibilities of Management and Those Charged with Governance for the Consolidated Financial Statements

6. The Holding Company's Board of Directors is responsible for the preparation and presentation of these consolidated financial statements in term of the requirements of the Act that give a true and fair view of the consolidated financial position, consolidated financial performance and consolidated cash flows, and changes in equity of the Group in accordance with the accounting principles generally accepted in India, including the Accounting Standards specified under section 133 of the Act. The respective Board of Directors of the companies included in the Group are responsible for maintenance of adequate accounting records in accordance with the provisions of the Act for safeguarding the assets of the Group and for preventing and detecting frauds and other irregularities; selection and application of appropriate accounting policies; making judgments and estimates that are reasonable and prudent; and the design, implementation and maintenance of adequate internal financial controls, that were operating effectively for ensuring accuracy and completeness of the accounting records, relevant to the preparation and presentation of the financial statements that give a true and fair view and are free from material misstatement, whether due to fraud or error, which have been used for the purpose of preparation of the consolidated financial statements by the Directors of the Holding Company, as aforesaid.

7. In preparing the consolidated financial statements, the respective Board of Directors of the companies included in the Group are responsible for assessing the ability of the Group entities to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

8. The respective Board of Directors of the companies included in the Group are responsible for overseeing the financial reporting process of the Group.

   Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

9. Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

10. As part of an audit in accordance with SAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

    - Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal controls relevant to the audit in order to design audit procedures that are appropriate in the circumstances. Under section 143(3)(i) of the Act, we are also responsible for expressing our opinion on whether the Holding company has adequate internal financial controls with reference to financial statements in place and the operating effectiveness of such controls.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the audit of the financial statements of such entities included in the consolidated financial statements of which we are the independent auditors. For the other entities included in the consolidated financial statements, which have been audited by other auditors, such other auditors remain responsible for the direction, supervision and performance of the audits carried out by them. We remain solely responsible for our audit opinion.

11. We communicate with those charged with governance of the Holding Company of which we are the independent auditors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

12. We also provide those charged with governance of the Holding Company with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

13. From the matters communicated with those charged with governance of the Holding Company, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Other Matters

14. The financial statements of two subsidiaries located outside India, included in the consolidated financial statements, which constitute total assets of ₹20,365 lakhs and net assets of ₹227 lakhs as at March 31, 2019, total revenue of ₹32,230 lakhs, profit of ₹2,321 lakhs (comprising of profit and other comprehensive income) and net cash outflows amounting to ₹1,137 lakhs for the year then ended have been prepared in accordance with accounting principles generally accepted in their respective countries and have been audited by other auditors under generally accepted auditing standards applicable in their respective countries. The Company's management has converted the financial statements of such subsidiaries located outside India from the accounting principles generally accepted in their respective countries to the accounting principles generally accepted in India. We have audited these conversion adjustments made by the Company's management. Our opinion in so far as it relates to the balances and affairs of such subsidiaries located outside India, including other information, is based on the report of other auditors and the conversion adjustments prepared by the management of the Company and audited by us.

    Our opinion on the consolidated financial statements, and our report on Other Legal and Regulatory Requirements below, is not modified in respect of the above matters with respect to our reliance on the work done and the reports of the other auditors and the financial statements certified by the Management.

Report on Other Legal and Regulatory Requirements

15. As required by Section 143(3) of the Act, we report, to the extent applicable, that:

    (a) We have sought and obtained all the information and explanations, which to the best of our knowledge and belief were necessary for the purposes of our audit of the aforesaid consolidated financial statements.

    (b) In our opinion, proper books of account as required by law relating to preparation of the aforesaid consolidated financial statements have been kept so far as it appears from our examination of those books and the reports of the other auditors.

    (c) The Consolidated Balance Sheet, the Consolidated Statement of Profit and Loss (including other comprehensive income), Consolidated Statement of Changes in Equity and the Consolidated Cash Flow Statement dealt with by this Report are in agreement with the relevant books of account and records maintained for the purpose of preparation of the consolidated financial statements.

    (d) In our opinion, the aforesaid consolidated financial statements comply with the Accounting Standards specified under Section 133 of the Act.

    (e) On the basis of the written representations received from the directors of the Holding Company as on March 31, 2019 taken on record by the Board of Directors of the Holding Company, none of the directors of the Holding Company is disqualified as on March 31, 2019 from being appointed as a director in terms of Section 164(2) of the Act.

    (f) As there are no subsidiaries incorporated in India, this report does not contain a separate report on the internal financial controls with reference to financial statements of the Group under clause (i) of sub – section 3 of section 143 of the Act.

    (g) With respect to the other matters to be included in the Auditor's Report in accordance with Rule 11 of the Companies (Audit and Auditor's) Rules, 2014, in our opinion and to the best of our information and according to the explanations given to us:

        i. The consolidated financial statements disclose the impact, if any, of pending litigations on the consolidated financial position of the Group - Refer Note 41 to the consolidated financial statements.

        ii. The Group had long-term contracts as at March 31, 2019 for which there were no material foreseeable losses. The Group did not have any derivatives contracts as at March 31, 2019.

        iii. There has been no delay in transferring amounts, required to be transferred, to the Investor Education and Protection Fund by the Holding Company during the year ended March 31, 2019.

        iv. The reporting on disclosures relating to Specified Bank Notes is not applicable to the Group for the year ended March 31, 2019.

For **Price Waterhouse Chartered Accountants LLP**
Firm Registration Number: 012754N/N500016

Sunit Kumar Basu
Partner
Membership Number 55000

Place: Hyderabad
Date: May 25, 2019

Consolidated Balance Sheet

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

Particulars	Note	As at March 31, 2019	As at March 31, 2018
ASSETS			
Non-current assets			
Property, plant and equipment	3	2,08,372	1,98,964
Capital work-in-progress	3	49,191	11,976
Intangible assets	4	405	655
Financial assets			
(i) Investments	5	54,726	1
(ii) Loans	6	3,404	3,413
Income Tax Assets (Net)	7(a)	1,928	881
Deferred Tax Asset	19(a)	234	103
Other non-current assets	8	20,560	9,080
Total Non-current assets		**3,38,820**	**2,25,073**
Current assets			
Inventories	9	1,77,234	1,35,067
Financial assets			
(i) Investments	10	1,39,834	1,88,928
(ii) Trade receivables	11	1,16,337	1,01,436
(iii) Cash and cash equivalents	12	1,300	2,515
(iv) Bank balances other than (iii) above	13	10,226	8,731
(v) Loans	14	11	17
(vi) Other financial assets	15	135	948
Other current assets	16	19,928	15,870
Total Current assets		**4,65,005**	**4,53,512**
TOTAL ASSETS		**8,03,825**	**6,78,585**
EQUITY AND LIABILITIES			
Equity:			
Equity share capital	17(a)	5,309	5,309
Other equity:			
(i) Reserves and surplus	17(b)	6,89,623	5,86,248
(ii) Other Equity		783	923
Total Equity		**6,95,715**	**5,92,480**
LIABILITIES			
Non-current liabilities			
Provisions	18	1,317	1,495
Deferred tax liabilities (net)	19(b)	22,118	19,268
Total Non-current liabilities		**23,435**	**20,763**
Current liabilities			
Financial liabilities			
(i) Borrowings	20	10,560	6,311
(ii) Trade payables	21		
-Total outstanding dues of micro enterprises and small enterprises		-	-
-Total outstanding dues of creditors other than micro enterprises and small enterprises		49,226	41,121
(iii) Other financial liabilities	22	6,289	2,233
Provisions	18	111	94
Current Tax liabilities (net)	7(b)	419	270
Other current liabilities	23	18,070	15,313
Total Current liabilities		**84,675**	**65,342**
TOTAL LIABILITIES		**1,08,110**	**86,105**
TOTAL EQUITY AND LIABILITIES		**8,03,825**	**6,78,585**

The accompanying notes are an integral part of the Consolidated financial statements
This is the Consolidated Balance Sheet referred to in our report of even date

For Price Waterhouse Chartered Accountants LLP
Firm registration number: 012754N/N500016

Sunit Kumar Basu
Partner
Membership number: 55000

Place: Hyderabad
Date: 25-05-2019

For and on behalf of the Board of Directors of
Divi's Laboratories Limited

Dr. Murali K Divi
Chairman and Managing Director
DIN: 00005040

Kiran S Divi
Director
DIN: 00006503

L. Kishorebabu
Chief Financial Officer

P.V. Lakshmi Rajani
Company Secretary

Consolidated Statement of Profit and Loss

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

Particulars	Note	For the Year ended March 31, 2019	For the Year ended March 31, 2018
Revenue			
Revenue from operations	24	4,94,626	3,91,278
Other income	25	15,563	11,344
Total Revenue		**5,10,189**	**4,02,622**
Expenses			
Cost of raw materials consumed	26	2,10,389	1,52,857
Purchase of Stock-in-trade		2,592	216
Changes in inventories of finished goods, work-in-progress and stock-in-trade	27	(30,459)	333
Excise duty		-	2,129
Employee benefits expense	28	54,227	45,606
Finance costs	29	350	133
Depreciation and amortization expense	30	16,890	14,249
Other expenses	31	70,693	63,966
Total Expenses		**3,24,682**	**2,79,489**
Profit before tax		**1,85,507**	**1,23,133**
Income Tax expense	32		
Current tax		47,551	28,983
Deferred tax		2,682	6,449
Profit after tax for the year		**1,35,274**	**87,701**
Other Comprehensive Income			
(A) Items that will not be reclassified to profit or loss			
-Remeasurement of post-employment benefit obligations		141	94
Income tax relating to these items		(36)	(27)
(B) Items that will be reclassified to profit or loss			
-Exchange differences on translation of foreign operations		(140)	923
Other Comprehensive Income/(Loss) after tax for the year, net of tax		(35)	990
Total Comprehensive Income for the year		**1,35,239**	**88,691**
Earnings per share (Par value of ₹2 each)			
-Basic and Diluted	44	50.96	33.04

The accompanying notes are an integral part of the Consolidated financial statements
This is the Consolidated Statement of Profit and Loss referred to in our report of even date

For Price Waterhouse Chartered Accountants LLP
Firm registration number: 012754N/N500016

Sunit Kumar Basu
Partner
Membership number: 55000

Place: Hyderabad
Date: 25-05-2019

For and on behalf of the Board of Directors of
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DIN: 00005040

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DIN: 00006503

L. Kishorebabu
Chief Financial Officer

P.V. Lakshmi Rajani
Company Secretary

Consolidated Statement of Cash Flow

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

	Note	For the Year ended March 31, 2019	For the Year ended March 31, 2018
Cash flow from operating activities			
Profit before income tax		1,85,507	1,23,133
Adjustments for:			
Depreciation and amortisation expense	30	16,890	14,249
Unrealised foreign exchange loss (net)		2,939	(3,535)
Interest Income	25	(748)	(435)
Dividend classified as investing cash flows	25	(8,406)	(7,612)
Gain on sale of investments	25	(97)	(8)
Provision for doubtful debts	31	339	61
Provisions / Liabilities no longer required written back	25	(429)	-
Finance costs	29	350	133
Changes in fair value of mutual funds	25	(2,625)	(260)
Loss on disposal / discard of assets	31	139	626
Government grant	25	(1)	-
		1,93,858	**1,26,352**
Change in operating assets and liabilities			
(Increase) in trade receivables	11	(18,548)	(6,908)
(Increase) in inventories	9	(42,167)	(2,424)
Increase / (Decrease) in trade payables	21	8,416	(4,127)
Decrease in other non current Loans	6	9	612
Decrease / (Increase) in other non current assets	8	246	(243)
(Increase) /Decrease in Current Loans and other current financial assets	14,15	819	(139)
(Increase) in other current assets	16	(4,058)	(8,938)
Payment towards long term employee benefit obligation	18	(22)	(35)
Increase in short term employee benefit obligation	18	141	33
Increase/ (Decrease) in other financial liabilities	22	2,219	(439)
Increase in other current liabilities	23	2,961	697
Cash generated from operations		**1,43,874**	**1,04,441**
Income taxes paid including withholding tax and net of refunds		(48,444)	(26,855)
Net cash inflow from operating activities		**95,430**	**77,586**
Cash flows from investing activities			
Payments for property, plant and equipment		(73,307)	(27,388)
Proceeds from sale of property, plant and equipment		2	13
Gain on Sale of investments	25	97	8
Payments for purchase of Investments	5,10	(86,404)	(74,500)
Proceeds out of sale of Investments	5,10	83,399	48,904
Dividend received	25	8,406	7,612
Interest received	25	654	472
Investment in deposits	13	(1,387)	(2,951)
Net cash (outflow) from investing activities		**(68,540)**	**(47,830)**

Consolidated Statement of Cash Flow

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

	Note	For the Year ended March 31, 2019	For the Year ended March 31, 2018
Cash flows from financing activities			
Proceeds from working capital loans	20	7,760	641
Interest paid	29	(350)	(133)
Dividends paid to company's shareholders (Including Corporate Dividend tax)		(32,004)	(31,924)
Net cash inflow / (outflow) from financing activities		**(24,594)**	**(31,416)**
Net increase (decrease) in cash and cash equivalents		**2,296**	**(1,660)**
Cash and cash equivalents at the beginning of the financial year		(2,086)	(426)
Cash and cash equivalents at end of the year		**210**	**(2,086)**
Reconciliation of Cash and cash equivalents as per the Cash Flow Statement			
Cash and cash equivalents as per above comprise of the following:			
Cash and cash equivalents (Refer Note 12)		1,300	2,515
Bank Overdrafts (Refer Note 20)		(1,090)	(4,601)
Balances as per Statement of Cash flows		**210**	**(2,086)**

1. The Consolidated Cash Flow Statement has been prepared under the indirect method as set out in Indian Accounting Standard (Ind AS 7) Statement of Cash Flows.
2. The accompanying notes are an integral part of the Consolidated financial statements.
3. Previous year figures have been regrouped /reclassified to conform to current year classification.

This is the Consolidated Cash Flow Statement referred to in our report of even date

For Price Waterhouse Chartered Accountants LLP
Firm registration number: 012754N/N500016

Sunit Kumar Basu
Partner
Membership number: 55000

Place: Hyderabad
Date: 25-05-2019

For and on behalf of the Board of Directors of
Divi's Laboratories Limited

Dr. Murali K Divi
Chairman and Managing Director
DIN: 00005040

Kiran S Divi
Director
DIN: 00006503

L. Kishorebabu
Chief Financial Officer

P.V. Lakshmi Rajani
Company Secretary

Consolidated Statement of Changes in Equity

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

a. Equity share capital

	Number of Shares	Amount
As at April 01, 2017	26,54,68,580	5,309
Changes in equity share capital	-	-
As at April 1, 2018	**26,54,68,580**	**5,309**
Changes in equity share capital	-	-
As at March 31, 2019	**26,54,68,580**	**5,309**

b. Other Equity

	Reserves & surplus					
	Securities Premium	Special Economic Zone Re-investment reserve	General reserve	Retained earnings	Other reserves	Total Equity
Balance at April 1, 2017	**7,988**	**19,900**	**1,00,000**	**4,02,542**	**-**	**5,30,430**
Profit for the year	-	-	-	87,701		87,701
Other comprehensive income for the year, net of income tax	-	-	-	67	923	990
Total comprehensive income for the year	**-**	**-**	**-**	**87,768**	**923**	**88,691**
Transactions with owners in their capacity as owners:						
Payment of dividends (including tax)	-	-	-	(31,950)	-	(31,950)
Transfer to Special Economic Zone Re-investment reserve	-	8,927	-	(8,927)	-	-
Utilisation of Special Economic Zone Re-investment reserve	-	(22,351)	-	22,351	-	-
Balance at March 31, 2018	**7,988**	**6,476**	**1,00,000**	**4,71,784**	**923**	**5,87,171**
Balance at April 1, 2018	7,988	6,476	1,00,000	4,71,784	923	5,87,171
Profit for the year	-	-	-	1,35,274	-	1,35,274
Other comprehensive income for the year, net of Income tax	-	-	-	105	(140)	(35)
Total comprehensive income for the year	-	-	-	1,35,379	(140)	1,35,239
Transactions with owners in their capacity as owners:						
Payment of dividends (including tax)	-	-	-	(32,004)	-	(32,004)
Transfer to Special Economic Zone Re-investment reserve	-	15,900	-	(15,900)	-	-
Utilisation of Special Economic Zone Re-investment reserve	-	(2,029)	-	2,029	-	-
Balance at March 31, 2019	**7,988**	**20,347**	**1,00,000**	**5,61,288**	**783**	**6,90,406**

The accompanying notes are an integral part of the Consolidated financial statements

This is the Consolidated Statement of changes in Equity referred to in our report of even date

For Price Waterhouse Chartered Accountants LLP
Firm registration number: 012754N/N500016

Sunit Kumar Basu
Partner
Membership number: 55000

Place: Hyderabad
Date: 25-05-2019

For and on behalf of the Board of Directors of
Divi's Laboratories Limited

Dr. Murali K Divi
Chairman and Managing Director
DIN: 00005040

Kiran S Divi
Director
DIN: 00006503

L. Kishorebabu
Chief Financial Officer

P.V. Lakshmi Rajani
Company Secretary

Notes to Consolidated Financial Statements

1. Background:

1.1 Divi's Laboratories Limited ("Divi's"), (the 'company') is a company limited by shares, incorporated and domiciled in India. The Company is engaged in the manufacture of Active Pharmaceutical Ingredients (API's), Intermediates and Nutraceutical ingredients with predominance in exports. In addition to generic business, the company, through its Custom synthesis business, supports innovator pharma companies for their patented products business right from gram scale requirements for clinical trials to launch as well as late life cycle management. The Company is a public limited company and the Company's equity shares are listed on BSE Limited (BSE) and National Stock Exchange of India Limited (NSE) in India. The Company has two subsidiaries i.e., Divis Laboratories (USA) Inc., ("Divi's USA") incorporated in United States of America, Divi's Laboratories Europe AG ("Divi's Europe") incorporated in Switzerland, for marketing the Nutraceutical products (dietary supplements) and pharmaceutical ingredients of the Company. Divi's Laboratories Limited, Divis Laboratories (USA) Inc., and Divi's Laboratories Europe AG are hereinafter referred to as 'the Group'.

1.2 The Consolidated Financial statements are approved for issue by the Company's Board of Directors on May 25, 2019.

2. Significant Accounting Policies

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated. The consolidated financial statements are for the group consisting of Divi's and its subsidiaries.

2.1 Basis of Preparation:

(i) Compliance with Ind AS

The consolidated financial statements comply in all material aspects with Indian Accounting Standards (Ind AS) notified under section 133 of the Companies Act, 2013 (the Act) [Companies (Indian Accounting Standards) Rules, 2015] and other relevant provisions of the Act and guidelines issued by Securities and Exchange Board of India(SEBI).

(ii) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for the following:

- Certain financial assets and liabilities that are measured at fair value; (refer accounting policy regarding financial instruments)
- Defined benefit plans – plan assets measured at fair value

(iii) Amended standard adopted by the Group

The group has applied the following standards and amendments for the first time for their annual reporting period commencing 1 April 2018

- Ind AS 115, Revenue from contracts with customers.
- Appendix B, Foreign currency Transactions and Advance consideration to Ind AS 21. The effects of changes in Foreign Exchange Rates.

The amendments listed above did not have any significant impact on the amounts recognised in prior periods and are not expected to significantly affect the current or future periods.

(iv) Principles of Consolidation

Subsidiaries

Subsidiaries are all entities over which the group has control. The group controls as entity when the group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the group. They are deconsolidated from the date the control ceases.

The group combines the financial statements of the parent and its subsidiaries line by line adding together like items of assets, liabilities, equity, income and expenses. Intercompany transactions, balances and unrealised

Notes to Consolidated Financial Statements

gains on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the group.

(v) Current and non-current classification

An asset / liability is classified as current if:

(a) The amount is expected to be realized or sold or consumed in the group's normal operating cycle; the liability is expected to be settled in normal operating cycle;

(b) Asset / liability is held primarily for the purpose of trading;

(c) Asset / liability is expected to be realized/settled within twelve months after the reporting period; or

(d) The asset is cash or a cash equivalent unless it is restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period. The liability has no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

All other assets / liabilities are classified as non-current.

The operating cycle is the time between acquisition of assets for processing and their realization in cash and cash equivalents. Based on the nature of products and time between acquisition of assets for processing and their realization in cash and cash equivalents, the group has ascertained its operating cycle as 12 months for the purpose of current/non-current classification of assets and liabilities.

(vi) Recent Accounting Pronouncements:

Appendix C, Uncertainty over Income Tax Treatments, to Ind AS 12, 'Income Taxes'

The appendix explains how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment. In particular, it discusses:

- how to determine the appropriate unit of account, and that each uncertain tax treatment should be considered separately or together as a group, depending on which approach better predicts the resolution of the uncertainty;
- that the entity should assume a tax authority will examine the uncertain tax treatments and have full knowledge of all related information, i.e. that detection risk should be ignored;
- that the entity should reflect the effect of the uncertainty in its income tax accounting when it is not probable that the tax authorities will accept the treatment;
- that the impact of the uncertainty should be measured using either the most likely amount or the expected value method, depending on which method better predicts the resolution of the uncertainty; and
- that the judgements and estimates made must be reassessed whenever circumstances have changed or there is new information that affects the judgements.

The group operates in limited countries and tax jurisdictions and has substantially completed assessing its existing models and processes which it has developed to account for tax uncertainties against the specific guidance in the Appendix C to Ind AS 12 to consider the impact on income tax accounting in respect of its material tax jurisdictions. Basis such assessment, the application of this guidance is not expected to have material impact on its consolidated financial statements.

Long-term Interests in Associates and Joint Ventures – Amendments to Ind AS 28, 'Investment in Associates and Joint Ventures'

The amendments clarify the accounting for long-term interests in an associate or joint venture, which in substance form part of the net investment in the associate or joint venture, but to which equity accounting is not applied. Entities must account for such interests under Ind AS 109 'Financial Instruments' before applying the loss allocation and impairment requirements in Ind AS 28.

Since the group does not have associates or joint ventures, the amendments will not have any impact on its consolidated financial statements.

Prepayment Features with Negative Compensation – Amendments to Ind AS 109, 'Financial Instruments'

The narrow-scope amendments made to Ind AS 109 enable entities to measure certain prepayable financial assets with negative compensation at amortised cost.

Notes to Consolidated Financial Statements

These assets, which include some loan and debt securities, would otherwise have to be measured at fair value through profit or loss. To qualify for amortised cost measurement, the negative compensation must be 'reasonable compensation for early termination of the contract' and the asset must be held within a 'held to collect' business model.

These amendments are not expected to have any impact on the consolidated financial statements of the group.

Plan Amendment, Curtailment or Settlement – Amendments to Ind AS 19, 'Employee Benefits'

The amendments to Ind AS 19 clarify the accounting for defined benefit plan amendments, curtailments and settlements. They confirm that entities must:

- calculate the current service cost and net interest for the remainder of the reporting period after a plan amendment, curtailment or settlement by using the updated assumptions from the date of the change;
- any reduction in a surplus should be recognised immediately in profit or loss either as part of past service cost, or as a gain or loss on settlement. In other words, a reduction in a surplus must be recognised in profit or loss even if that surplus was not previously recognised because of the impact of the asset ceiling; and
- Separately recognise any changes in the asset ceiling through other comprehensive income.

These amendments will apply to any future plan amendments, curtailments, or settlements of the group on or after 1 April 2019. The Group does not have any impact on account of this amendment.

Ind AS 103, 'Business Combinations'

The amendments clarify that obtaining control of a business that is a joint operation, is a business combination achieved in stages. The acquirer should re-measure its previously held interest in the joint operation at fair value at the acquisition date.

These amendments will apply to future business combinations of the Group for which acquisition date is on or after 1 April 2019. These amendments do not have any impact on the consolidated financial statements of the Group.

Ind AS 111, 'Joint Arrangements'

The amendments clarify that the party obtaining joint control of a business that is a joint operation should not re-measure its previously held interest in the joint operation.

These amendments will apply to future transactions of the Group in which it obtains joint control of a business on or after 1 April 2019. These amendments do not have any impact on the consolidated financial statements of the Group.

Amendment to Ind AS 12, Income Taxes

The amendments clarify that the income tax consequences of dividends on financial instruments classified as equity should be recognised according to where the past transactions or events that generated distributable profits were recognised. These requirements apply to all income tax consequences of dividends. Previously, it was unclear whether the income tax consequences of dividends should be recognised in profit or loss, or in equity, and the scope of the existing guidance was ambiguous.

The amendments are effective on or after 1 April 2019 and the Group will apply the amendments for the consolidated financial statements prepared on or after 1 April 2019.

Ind AS 23, 'Borrowing Costs'

The amendments clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

Since the Group does not have qualifying assets, these amendments do not have any impact on the consolidated financial statements of the Group.

Ind AS 116, 'Leases'

Ind AS 116 was notified by Ministry of Corporate Affairs on 30 March 2019 and it is applicable for annual reporting periods beginning on or after 1 April 2019.

Ind AS 116 will affect primarily the accounting by lessees and will result in the recognition of almost all leases on balance sheet. The standard removes the current distinction between operating and finance leases and requires recognition of an asset (the right-of-use of the

Notes to Consolidated Financial Statements

leased item) and a financial liability to pay rentals for virtually all lease contracts. An optional exemption exists for short-term and low-value leases.

The statement of profit and loss will also be affected because the total expense is typically higher in the earlier years of a lease and lower in later years. Additionally, operating expense will be replaced with interest and depreciation, so key metrics like EBITDA will change.

Operating cash flows will be higher as repayments of the lease liability and related interest are classified within financing activities.

The accounting by lessors will not significantly change. Some differences may arise as a result of the new guidance on the definition of a lease. Under Ind AS 116, a contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

The Group in the process of reviewing all of its leasing arrangements in light of the new lease accounting rules in Ind AS 116. The standard will affect primarily the accounting for the Group's operating leases. The Group intends to apply simplified transition approach and will not restate comparative information in the consolidated financial statements for the year ending 31 March 2020 to show the impact of adopting Ind AS 116.

2.2 Segment Reporting:

Operating segments are reported in a manner consistent with the internal reporting provided to the Chief Operating Decision Maker. The Chairman and Managing Director has been identified as being the chief operating decision maker. Refer note 38 for the segment information presented.

2.3 Foreign currency translation:

(i) Functional and presentation currency

Items included in the consolidated financial statements of each of the group's entities are measured using the currency of the primary economic environment in which the entity operates ('the functional currency'). The consolidated financial statements are presented in Indian rupee (₹), which is Divi's (the Company's) functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are generally recognised in statement of profit and loss. A monetary item for which settlement is neither planned nor likely to occur in the foreseeable future is considered as a part of the entity's net investment in that foreign operation.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equity instruments held at fair value through profit or loss are recognised in statement of profit and loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equity investments classified as FVOCI are recognised in other comprehensive income.

(iii) Group Companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities are translated at the closing rate at the date of that balance sheet
- income and expenses are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions), and
- All resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities are recognised in other comprehensive income. When a foreign operation is sold, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

2.4 Revenue recognition:

Revenue is measured at fair value of the consideration received or receivable. Amounts disclosed as revenue are

Notes to Consolidated Financial Statements

inclusive of excise duty and net of returns, trade allowances, rebates, Goods & Service Tax (GST) and amounts collected on behalf of third parties.

(i) Revenue from Sale of Goods:

Effective April 1, 2018, the Group adopted Ind AS 115 "Revenue from Contracts with Customers" using the modified retrospective method. Also, refer note 44. The following is a summary of new and/or revised significant accounting policies related to revenue recognition. Refer Note 2 "Significant Accounting Policies," in the Company's 2018 Annual Report for the policies in effect for revenue prior to April 1, 2018

Revenue from sale of goods is recognized when the customer obtains control of the Group's product, which occurs at a point in time, usually upon shipment, with payment terms typically in the range of 60 to 180 days after invoicing depending on product and geographic region. The Group elected the practical expedient approach, not to adjust the amount of consideration for the effects of a significant financing component for all instances in which the period between payment and transfer of the goods will be one year or less. Taxes collected from customers relating to product sales and remitted to government authorities are excluded from revenues.

For contracts with multiple performance obligations, the Group allocates the transaction price to each performance obligation based on the relative standalone selling price. The Standalone selling price of each performance obligation is estimated using expected costs of satisfying such performance obligation and then an appropriate margin is added for such goods or services.

(ii) Revenue from Sale of Services:

Revenue from Sale of services is recognised as per the terms of the contracts with customers when the related services are performed or the agreed milestones are achieved.

(iii) Export incentives

Export incentives comprise of Duty draw back and MEIS (Merchandise Exports Incentive scheme) scrips.

Duty drawback is recognised as income when the right to receive credit as per the terms of the scheme is established in respect of the exports made and where there is no significant uncertainty regarding the ultimate collection of the relevant export proceeds.

MEIS scrips are freely transferable and can be utilised for the payment of customs duty. MEIS scrips are recognised either on transfer/sale of such scrips or when it is reasonably certain that such scrips can be utilised against customs duty on imports.

(iv) Dividend Income:

Dividends are received from financial assets at fair value through profit or loss and at FVOCI. Dividends are recognised as other income in profit or loss when the right to receive payment is established. This applies even if they are paid out of pre-acquisition profits, unless the dividend clearly represents a recovery of part of the cost of the investment.

(v) Interest Income:

Interest income from financial assets at fair value through profit or loss is disclosed as interest income within other income. Interest income on financial assets at amortised cost and financial assets at FVOCI is calculated using the effective interest method and the same is recognised in the statement of profit and loss as part of other income. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

2.5 Income Taxes:

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting period in the countries where the company and its subsidiaries generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax

Notes to Consolidated Financial Statements

bases of assets and liabilities and their carrying amounts in the consolidated financial statements. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled.

Deferred tax assets are recognised for all deductible temporary differences and unused tax losses only if it is probable that future taxable amounts will be available to utilize those temporary differences and losses.

Deferred tax liabilities are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred tax assets are not recognised for temporary differences between the carrying amount and tax bases of investments in subsidiaries where it is not probable that the differences will reverse in the foreseeable future and taxable profit will not be available against which the temporary difference can be utilized.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets and liabilities and when the deferred tax balances relate to the same taxation authority. Current tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

For operations carried out in Special Economic Zones which are entitled to tax holiday under the Income tax Act, 1961 no deferred tax is recognised in respect of timing differences which reverse during the tax holiday period, to the extent company's gross total income is subject to the deduction during the tax holiday period. Deferred tax in respect of timing differences which reverse after the tax holiday period is recognised in the year in which timing difference originate.

Deferred Tax Assets include Minimum Alternative Tax (MAT) paid in accordance with the tax laws in India, which is likely to give future economic benefits in the form of availability of set off against future income tax liability. Accordingly, MAT is recognized as deferred tax asset in the Balance sheet when the asset can be measured reliably and it is probable that the future economic benefit associated with the asset will be realized.

2.6 Impairment of assets:

Assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

2.7 Cash and cash equivalents:

For the purpose of presentation in the statement of cash flows, cash and cash equivalents includes cash on hand, deposits held at call with financial institutions, other short-term, highly liquid investments with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities in the balance sheet.

2.8 Trade receivables:

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment, since the group holds trade receivables with an objective to collect contractual cash flows.

2.9 Inventories:

Raw materials and stores, work-in-progress, traded and finished goods are stated at the lower of cost, calculated on weighted average basis, and net realizable value. Cost of raw materials and stores comprise of costs of purchases. Cost of work-in-progress and finished goods comprises direct materials, direct labour and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. Cost of inventories also include all other costs incurred in bringing the inventories to their present location and condition. Costs of

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purchased inventory are determined after deducting rebates and discounts. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and the estimated costs necessary to make the sale. Items held for use in the production of inventory are not written below cost if the finished product in which these will be incorporated are expected to be sold at or above cost.

2.10Investments and other financial assets:

(i) Classification:

The group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income, or through profit or loss), and
- those measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments, this will depend on whether the group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income. The group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition

Purchases and sale of financial assets are recognised on trade date, the date on which the group commits to purchase or sale the financial assets.

(iii) Measurement

At initial recognition, the group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Debt instruments

Subsequent measurement of debt instruments depends on the group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in other gains/(losses). Impairment losses are presented as separate line item in the statement of profit and loss.

Fair value through other comprehensive income (FVOCI): Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at fair value through other comprehensive income (FVOCI). Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in other gains/(losses). Interest income from these financial assets is included in other income using the effective interest rate method.

Fair value through profit or loss: Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the statement of profit and loss within other gains/(losses) in the period in which it arises. Interest income from these financial assets is included in other income.

Equity instruments

Subsequent measurements of all equity investments are done at fair value. Where the group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no

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subsequent reclassification of fair value gains and losses to profit or loss. Dividends from such investments are recognised in profit or loss as other income when the group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in other income in the statement of profit and loss. Impairment losses (and reversal of impairment losses) on equity investments measured at fair value are not reported separately from other changes in fair value.

(iv) Impairment of financial assets

The group assesses on a forward looking basis, the expected credit losses associated with its assets carried at amortised cost and FVOCI debt instruments. The impairment methodology applied depends on whether there has been a significant increase in credit risk. Note 35 details how the group determines whether there has been a significant increase in credit risk.

For trade receivables only, the group applies the simplified approach permitted by Ind AS 109 Financial Instruments, which requires expected lifetime losses to be recognised from initial recognition of the receivables.

(v) Derecognition of financial assets

A financial asset is derecognized only when

- the group has transferred the rights to receive cash flow from the financial asset or
- retains the contractual rights to receive the cash flows of the financial assets, but assumes a contractual obligation to pay cash flows to one or more recipients.

Where the entity has transferred an asset, the group evaluates whether it has transferred substantially all risks and rewards of ownership of the financial asset. In such cases, the financial asset is derecognized. Where the entity has not transferred substantially all risks and rewards of ownership, the financial asset is not derecognized.

Where the entity has neither transferred a financial asset nor retains substantially all risks and rewards of ownership of the financial asset, the financial asset is derecognised if the group has not retained control of the financial asset. Where the group retains control of the financial asset, the asset is continued to be recognised to the extent of continuing involvement in the financial asset.

2.11 Offsetting financial instruments:

Financial assets and liabilities are offset and the net amount is reported in the balance sheet where there is a legally enforceable right to offset the recognized amounts and there is an intention to settle on a net basis or realize the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the group or the counterparty.

2.12 Property, Plant & Equipment:

Freehold land is carried at historical cost. All other items of property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items. On transition to Ind AS, the group had elected to continue with the carrying value of all its property, plant and equipment recognized as at 1st April 2015 measured as per the previous GAAP and use that carrying value as the deemed cost of the property, plant and equipment.

Subsequent costs are included in the asset's carrying amount or recognized as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as separate asset is derecognized when replaced. All other repairs and maintenance are charged to profit or loss during the reporting period in which they are incurred.

Capital work-in-progress includes cost of property, plant and equipment under installation/development as at the balance sheet date.

(i) Depreciation methods, estimated useful lives and residual value

Depreciation on Property, Plant & Equipment is provided on straight-line basis to allocate their cost, net of residual value over the estimated useful lives of the assets. The useful lives have been determined in order to reflect the actual usage of the assets.

Following are the estimated useful lives:

Plant & Machinery	7.5-25 years
Roads and Buildings	30 & 60 years

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Furniture and Fixtures	10 – 15 years
Vehicles	8-10 years
Office Equipments	5 years
Laboratory Equipments	10 – 21 years
Computer and data processing units	3-6 years

The residual values are not more than 5% of the original cost of the asset. The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount.

Gains and losses on disposal are determined by comparing proceeds with carrying amount. These are included in profit or loss within other income.

2.13 Intangible Assets:

(i) Computer software

Costs associated with maintaining software are recognised as an expense as incurred. Development costs that are directly attributable to the design and testing of identifiable and unique software products controlled by the group are recognised as intangible assets when the following criteria are met:

- it is technically feasible to complete the software so that it will be available for use
- management intends to complete the software and use or sell it
- there is an ability to use or sell the software
- it can be demonstrated how the software will generate probable future economic benefits
- adequate technical, financial and other resources to complete the development and to use or sell the software are available and;
- the expenditure attributable to the software during its development can be reliably measured.

On transition to Ind AS, the group had elected to continue with the carrying value of all of intangible assets recognized as at 1st April 2015 measured as per the previous GAAP and use that carrying value as the deemed cost of intangible assets.

Capitalised development costs are recorded as intangible assets and amortised from the point at which the asset is available for use.

(ii) Research and development

Research and Development expenditure that do not meet the criteria in (i) above are recognized as an expense as incurred. Development costs previously recognized as an expense are not recognized as an asset in a subsequent period.

(iii) Amortization methods and periods

The group amortizes intangible assets over a period of 3 years based on their estimated useful lives.

2.14 Trade and Other Payables:

These amounts represent liabilities for goods and services provided to the group prior to the end of financial year which are unpaid. Trade and other payables are presented as current liabilities unless payment is not due within 12 months after the reporting period. They are recognized initially at their fair value and subsequently measured at amortized cost using the effective interest method.

2.15 Borrowings:

Borrowings are initially recognized at fair value, net of transaction cost incurred. Borrowings are subsequently measured at amortized cost. Any difference between the proceeds (net of transaction costs) and the redemption amount is recognized in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognized as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw down occurs. To the extent there is no evidence that it is probable that some or all the facility will be drawn down, the fee is capitalized as a prepayment for liquidity services and amortized over the period of the facility to which it relates.

Borrowings are removed from the balance sheet when the obligation specified in the contract is discharged, cancelled or expired. The difference between the carrying amount of a financial liability that has been extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss as other gains/(losses).

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Borrowings are classified as current liabilities unless the group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Where there is a breach of a material provision of a long-term loan arrangement on or before the end of the reporting period with the effect that the liability becomes payable on demand on the reporting date, the entity does not classify the liability as current, if the lender agreed, after the reporting period and before the approval of consolidated financial statements for issue, not to demand payment as consequence of the breach.

2.16 Borrowing Cost:

General and specific borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalized during the period of time that is required to complete and prepare the asset for its intended use or sale. Qualifying assets are assets that necessarily take a substantial period of time to get ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing cost eligible for capitalization. Other borrowings costs are expensed in the period in which they are incurred.

2.17 Provisions:

Provision for legal claims and volume discounts are recognized when the group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and the amount can be reliably estimated. Provisions are not recognized for future operating losses.

Provisions are measured at the present value of management's best estimate of the expenditure required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provisions due to the passage of time is recognized as interest expense. Provision for litigation related obligation represents liabilities that are expected to materialize in respect of matters in appeal.

2.18 Employee benefits:

(i) Short-term obligations

Liabilities for wages and salaries, bonus, ex-gratia etc. that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognized in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled. The liabilities are presented as current employee benefit obligations in the balance sheet.

(ii) Other long-term employee benefit obligations

The liabilities for earned leave are not expected to be settled wholly within 12 months after the end of the period in which the employees render the related service. They are therefore measured as the present value of expected future payments to be made in respect of services provided by employees up to the end of the reporting period using the projected unit credit method. The benefit are discounted using the market yields at the end of the reporting period that have terms approximating to the terms of the related obligations. Remeasurements as a result of the experience adjustments and changes in actuarial assumptions are recognized in profit or loss.

The obligations are presented as current liabilities in the balance sheet if the entity does not have an unconditional right to defer settlement for at least twelve months after the reporting period, regardless of when the actual settlement is expected to occur.

(iii) Post-employment obligations

The group operates the following post-employment schemes:

(a) Defined benefit plans-Gratuity obligations

The liability or assets recognized in the balance sheet in respect of defined benefit gratuity plans is the present value of the defined benefit obligations at the end of the reporting period less the fair value of plan assets. The defined benefit obligation at the end of the reporting period less the fair value of plan assets. The defined benefit obligation is calculated annually by actuaries using the projected unit credit method.

The present value of the defined benefit obligation denominated in INR is determined by discounting the estimated future cash outflows by reference to market yields at the end of the reporting period on government bonds that have terms approximating to the terms of the related obligation. The benefits which are denominated in currency other than INR, the cash flows are discounted using market yields

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determined by reference to high-quality corporate bonds that are denominated in the currency in which the benefits will be paid, and that have terms approximating to the terms of the related obligation.

The net interest cost is calculated by applying the discount rate to the net balance of the defined benefit obligation and the fair value of plan assets. This cost is included in employee benefit expense in the statement of profit and loss.

Remeasurement gains and losses arising from experience adjustments and change in actuarial assumptions are recognized in the period in which they occur, directly in other comprehensive income. They are included in retained earnings in the statement of changes in equity and in the balance sheet.

Changes in the present value of the defined benefit obligation resulting from plan amendments or curtailments are recognized immediately in profit or loss as past service cost.

In respect of funded post-employment defined benefit plans, amounts due for payment within 12 months to the fund may be treated as 'current'. Regarding unfunded post-employment benefit plans, settlement obligations which are due within 12 months in respect of employees who have resigned or expected to resign or are due for retirement within the next 12 months is 'current'. The remaining amount attributable to other employees, who are likely to continue in the services for more than a year, is classified as "non-current".

Normally, an actuary should determine the amount of current and non-current liability for unfunded post-employment benefit obligations.

(b) Defined contribution plans

The group pays provident fund contributions to publicly administered funds as per local regulations. The group has no further payment obligations once the contributions have been paid. The contributions are accounted for as defined contribution plans and the contributions are recognized as employee benefit expense when they are due.

Termination benefits in the nature of voluntary retirement benefits are recognised in the Statement of Profit and Loss as and when incurred.

2.19 Dividends:

Provision is made for the amount of any dividend declared, being appropriately authorized and no longer at the discretion of the entity, on or before the end of the reporting period but not distributed at the end of the reporting period. Proposed dividend is recognised as a liability in the period in which it is declared by the group, usually when approved by shareholders in a general meeting, or paid.

2.20 Contributed equity:

Equity shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

2.21 Earnings per share:

(i) Basic earnings per share

Basic earnings per share is calculated by dividing:

- the profit attributable to owners of the group
- By the weighted average number of equity shares outstanding during the financial year, adjusted for bonus elements in equity shares issued during the year.

(ii) Diluted earnings per share

Diluted earnings per share adjusts the figures used in the determination of basic earnings per share to take into account:

- the after income tax effect of interest and other financing costs associated with dilutive potential equity shares, and
- the weighted average number of additional equity shares that would have been outstanding assuming the conversion of all dilutive potential equity shares.

2.22 Leases:

At the inception of a lease, the lease arrangement is classified as either a finance lease or an operating lease, based on the substance of the lease arrangement.

As a Lessee:

Leases of property, plant and equipment where the group, as lessee, has substantially all the risks and rewards of ownership are classified as finance leases. Finance leases

Notes to Consolidated Financial Statements

are capitalised at the lease's inception at the fair value of the leased property or, if lower, the present value of minimum lease payments. The corresponding rental obligations, net of finance charges, are included in borrowing or other financial liabilities as appropriate. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Leases in which a significant portion of the risks and rewards of ownership are not transferred to the group, as lessee, are classified as operating leases. Payments made under operating leases (net of any incentives received from lessor) are charged to profit or loss on straight-line basis over the period of the lease unless the payments are structured to increase in line with expected general inflation to compensate for the lessor's expected inflationary cost increases.

Deposits provided to Lessor:

The group is generally required to pay refundable security deposits in order to obtain property leases from various lessors. Such security deposits are financial assets and are recorded at fair value on initial recognition. The difference between the initial fair value and the refundable amount of deposit is recognised as lease prepayments. The initial fair value is estimated as the present value of the refundable amount of security deposit, discounted using the market interest rates for similar instruments.

Subsequent to initial recognition, the security deposit is measured at amortised cost using the effective interest method with carrying amount increased over the lease period up to the refundable amount. The amount of increase in the carrying amount of deposit is recognised as interest income. The lease repayment is amortised on straight-line basis over the lease term as lease rentals expense.

2.23 Contingent Liability & Commitments:

Contingent liability is disclosed in the case of:

- a present obligation arising from past events, when it is not probable that an outflow of resources will be required to settle the obligation;
- a present obligation arising from past events, when no reliable estimate is possible;
- a possible obligation arising from past events, unless the probability of outflow of resources is remote.

Commitments include the amount of purchase order (net of advances) issued to parties for completion of assets.

2.24 Critical estimates and Judgements:

The preparation of consolidated financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the group's accounting policies.

This note provides an overview of the areas that involved a higher degree of judgement or complexity, and of items which are more likely to be materially adjusted due to estimates and assumptions turning out to be different than those originally assessed. Detailed information about each of these estimates and judgements is included in relevant notes together with information about the basis of calculation for each affected line item in the consolidated financial statements.

The areas involving critical estimates or judgements are:

(i) Estimation of current tax expense and payable – refer note : 32(b)

(ii) Estimation of defined benefit obligations- refer note: 18

(iii) Allowance for uncollected accounts receivable and advances. Trade receivables do not carry any interest and are stated at their nominal value as reduced by appropriate allowances for estimated irrevocable amounts. Individual trade receivables are written off when management deems them not to be collectible. Impairment is made on the expected credit losses, which are the present value of the cash shortfall over the expected life of the financial assets.

Estimates and judgements are continually evaluated. They are based on historical experience and other factors, including expectations of future events that may have a financial impact on the group and that are believed to be reasonable under the circumstances.

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2.25 Government grant:

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the group will comply with all attached conditions.

Government grants relating to income are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate and presented within other income.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets and presented within other income.

Export entitlements from government authorities are recognised in the statement of profit and loss as a reduction from "Cost of materials consumed" when the right to receive credit as per the terms of the scheme is established in respect of the exports made by the group, and where there is no significant uncertainty regarding the ultimate realisation of the entitlement.

2.26 Rounding of Amounts:

All amounts disclosed in the consolidated financial statements and notes have been rounded off to the nearest lakhs as per the requirement of Schedule III, unless otherwise stated.

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(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

Note 3: Property, plant and equipment and Capital Work-in-Progress

	Land	Plant and Machinery	Roads and Buildings	Furniture and Fixtures	Vehicles	Office Equipments	Laboratory Equipments	Computer and data processing units	Total	Capital work-in-progress
Year ended March 31, 2018										
Gross carrying amount										
Opening Gross carrying amount	7,626	1,15,481	42,382	2,972	565	1,586	7,267	832	1,78,711	44,357
Additions	2,591	41,335	10,574	308	131	298	2,538	241	58,016	25,618
Disposals/Transfers	-	(593)	(26)	(1)	(13)	(2)	(1)	(4)	(640)	(57,999)
Closing gross carrying amount	**10,217**	**1,56,223**	**52,930**	**3,279**	**683**	**1,882**	**9,804**	**1,069**	**2,36,087**	**11,976**
Accumulated depreciation										
Opening accumulated depreciation	-	17,290	2,901	349	105	325	1,890	259	23,119	-
Depreciation charge during the year	-	10,362	1,766	310	82	322	971	191	14,004	-
Disposals	-	-	-	-	-	-	-	-	-	-
Closing accumulated depreciation	-	27,652	4,667	659	187	647	2,861	450	37,123	-
Net carrying amount as at March 31, 2018	**10,217**	**1,28,571**	**48,263**	**2,620**	**496**	**1,235**	**6,943**	**619**	**1,98,964**	**11,976**
Year ended March 31, 2019										
Gross carrying amount										
Opening Gross carrying amount	10,217	1,56,223	52,930	3,279	683	1,882	9,804	1,069	2,36,087	11,976
Additions	4,577	14,948	4,533	146	51	389	1,468	61	26,173	63,393
Disposals / Transfers	-	(133)	-	-	-	-	(8)	-	(141)	(26,178)
Closing gross carrying amount	**14,794**	**1,71,038**	**57,463**	**3,425**	**734**	**2,271**	**11,264**	**1,130**	**2,62,119**	**49,191**
Accumulated depreciation										
Opening accumulated depreciation	-	27,652	4,667	659	187	647	2,861	450	37,123	-
Depreciation charge during the year	-	12,565	2,001	327	83	375	1,068	205	16,624	-
Disposals	-	-	-	-	-	-	-	-	-	-
Closing accumulated depreciation	-	40,217	6,668	986	270	1,022	3,929	655	53,747	-
Net carrying amount as at March 31, 2019	**14,794**	**1,30,821**	**50,795**	**2,439**	**464**	**1,249**	**7,335**	**475**	**2,08,372**	**49,191**

Note

(i) Movable assets are pledged as security

Refer Note 20(a) for information on plant and equipment pledged as security by the company

(ii) Contractual obligations and other commitments

Refer Note 42(a) for disclosure of contractual and other commitments for the acquisition of property, plant and equipment

(iii) Assets under construction majorly consist of Roads & Buildings, Plant & Machinery and corresponding internal development costs. During the year, the Company has incurred capital costs of ₹63,393 on various projects undertaken as part of expansion plans of its manufacturing facilities at Choutuppal (Unit-1) and near Visakhapatnam (Unit-2) and this includes staff cost of ₹41 relating to projects team involved in supervision and monitoring of these projects and cost of power consumed ₹40.

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(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

Note 4: Intangible assets

	Computer Software
Year ended March 31, 2018	
Gross carrying amount	
Opening Gross carrying amount	683
Additions	575
Closing gross carrying amount	**1,258**
Accumulated amortisation	
Opening accumulated amortisation	358
Amortisation charges during the year	245
Closing accumulated amortisation	603
Net carrying amount as at March 31, 2018	**655**
Year ended March 31, 2019	
Gross carrying amount	
Opening Gross carrying amount	1,258
Additions	16
Closing gross carrying amount	**1,274**
Accumulated amortisation	
Opening accumulated amortisation	603
Amortisation charge during the year	266
Closing accumulated amortisation	869
Net carrying amount as at March 31, 2019	**405**

Note 5: Non-Current Investments

	March 31, 2019	March 31, 2018
(Un quoted, fully paid up)		
(a) Investment in equity instruments in other companies (at FVPL)		
12000 Equity Shares of ₹10/- each of Pattan Cheru Enviro Tech Limited	1	1
Total (equity instrument)	**1**	**1**
(b) Investment in Quoted Mutual Funds (at FVPL)		
SBI Magnum Ultra Short Duration Fund - Direct Growth		
13,12,526 Units @ Fair value of ₹4169.4946 per unit	54,725	-
Total (Mutual Funds)	**54,725**	**-**
Total Non-Current investments	**54,726**	**1**
Aggregate amount of unquoted investments	1	1
Aggregate amount of quoted investments and market value thereof	54,725	-
Aggregate amount of impairment in the value of investment	-	-

Notes to Consolidated Financial Statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

Note 6: Non-Current Loans

	March 31, 2019	March 31, 2018
Security Deposits	3,404	3,413
Total Non Current Loans	**3,404**	**3,413**

Break-up of security details

	March 31, 2019	March 31, 2018
Loans considered Good- Secured	-	-
Loans considered Good - Unsecured	3,404	3,413
Loans which have significant increase in credit risk	-	-
Loans - credit impaired	-	-
Total	**3,404**	**3,413**
Less: Loss Allowance	-	-
Total Non Current Loans	**3,404**	**3,413**

Note 7(a): Income Tax assets (Net)

	March 31, 2019	March 31, 2018
Advance Taxes	77,865	1,57,112
Provision for Income tax	(75,937)	(1,56,231)
Total Income Tax assets (Net)	**1,928**	**881**

Note 7(a) (i): Movement in Tax

	March 31, 2019	March 31, 2018
Opening Net Advance Taxes	881	2,766
Add: Advance tax paid including tax deducted at source	49,372	26,855
Less :Others (refund received)	(1,080)	-
Less: Adjustments of current tax for prior period	(55)	-
Less: Current tax provision	(47,190)	(28,740)
Net Advance Taxes	**1,928**	**881**

Note 7(b): Current Tax Liabilities (net)

	March 31, 2019	March 31, 2018
Advance Taxes	-	-
Provision for Income tax	419	270
Total Income Tax assets (Net)	**419**	**270**

Notes to Consolidated Financial Statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

Note 7(b)(i): Movement in Tax

	March 31, 2019	March 31, 2018
Opening Income Tax Liability	270	-
Less: Tax Paid during current Period	(152)	-
Less: Adjustments of current tax for prior period	(123)	-
Add: Current tax provision	424	270
Current Tax Liabilities (net)	**419**	**270**

Note 8: Other non-current assets

	March 31, 2019	March 31, 2018
Capital advances	20,024	8,298
Pre-paid expenses	28	292
Other Receivables including indirect tax refund claims	508	490
Total Other non-current assets	**20,560**	**9,080**

Note 9: Inventories (Valued at lower of cost and net realisable value)

	March 31, 2019	March 31, 2018
Raw materials [including stock in transit of ₹12,875 (March 31, 2018: ₹7,872)]	51,957	39,389
Work-in-progress	92,849	70,419
Finished goods [including stock in transit of ₹7,473 (March 31, 2018: 5,540)]	14,042	10,896
Stock in trade	7,335	2,452
Stores and spares	11,051	11,911
Total Inventories	**1,77,234**	**1,35,067**

Amounts recognised in Profit or loss

Write-down of inventories to net realisable value and provision for slow moving amounted to ₹4,437 (March 31, 2018 - ₹4,575) as at the year end. An amount of ₹138 was credited to profit or loss (March 31, 2018- ₹2,662 was charged to profit or loss) and included in 'Changes in value of inventories of Finished goods, work in progress and Stock-in-trade ' and 'Cost of raw materials consumed' in statement of profit or loss.

Note 10: Current investments

	March 31, 2019		March 31, 2018	
	Units	Amount	Units	Amount
Investment in Quoted Mutual Funds (at FVPL)				
SBI-Magnum low duration fund (Daily dividend plan) fair value @ ₹1,010.94 (March 31, 2018: ₹1,008) per unit	1,38,32,033	1,39,834	1,61,37,146	1,62,662
SBI Treasury Advantage Fund (Direct daily dividend plan) Fair value @ ₹ Nil (March 31, 2018: ₹1,012.33) per unit	-	-	25,94,596	26,266
Total Current investments		**1,39,834**		**1,88,928**
Aggregate amount of quoted investments and market value thereof		1,39,834		1,88,928
Aggregate amount of unquoted investments		-		-

Notes to Consolidated Financial Statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

Note 11: Trade receivables

	March 31, 2019	March 31, 2018
Trade receivables	1,16,706	1,01,614
Less: Loss Allowance	369	178
Total Trade receivables	**1,16,337**	**1,01,436**
Current portion	1,16,337	1,01,436
Non-current portion	-	-

Break-up of security details

	March 31, 2019	March 31, 2018
Trade Receivables considered Good- Secured	-	-
Trade Receivables considered Good - Unsecured	1,16,337	1,01,436
Trade Receivables which have significant increase in credit risk	-	-
Trade Receivables - credit impaired	369	178
Total	**1,16,706**	**1,01,614**
Less: Loss Allowance	369	178
Total Trade receivables	**1,16,337**	**1,01,436**

Note 12: Cash and cash equivalents

	March 31, 2019	March 31, 2018
Balances with banks - in current accounts	1,239	2,505
Cash on hand	61	10
Total Cash and cash equivalents*	**1,300**	**2,515**

*There are no repatriation restrictions with regard to cash and cash equivalents as at the end of reporting period and prior period.

Note 13: Bank balances other than cash and cash equivalents

	March 31, 2019	March 31, 2018
Unclaimed dividend	97	83
Balances with banks to the extent held as margin money (towards margin on Letters of Credit & Bank Guarantees issued by bank etc.)	-	-*
In Fixed Deposits with maturity of more than three months but less than twelve months (pledged towards Overdraft facilities from banks)	10,129	8,648
Total Bank balances other than cash and cash equivalents	**10,226**	**8,731**

* Amount is below the rounding off norm adopted by the company

Notes to Consolidated Financial Statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

Note 14: Current Loans

	March 31, 2019	March 31, 2018
Loans to employees	11	17
Total Current Loans	**11**	**17**

Break-up of security details

	March 31, 2019	March 31, 2018
Loans considered Good- Secured	-	-
Loans considered Good - Unsecured	11	17
Loans which have significant increase in credit risk	-	-
Loans - credit impaired	-	-
Total	**11**	**17**
Less: Loss Allowance	-	-
Total Current Loans	**11**	**17**

Note 15: Other Current Financial assets

	March 31, 2019	March 31, 2018
Export incentive receivable	25	21
Insurance claims receivable	110	927
Total Other Current Financial assets	**135**	**948**

Note 16: Other current assets

	March 31, 2019	March 31, 2018
Indirect Taxes- Input Credits	13,021	10,503
Prepaid expenses (including prepaid gratuity, Refer Note 18)	919	622
Advances to suppliers	5,843	4,320
Other Receivables (includes indirect tax refund claims)	145	425
Total Other current assets	**19,928**	**15,870**

Note: Equity share capital and other equity

Note17 (a): Equity share capital

(i) Authorised equity share capital

	Number of Shares	Amount
As at April 1, 2017	30,00,00,000	6,000
Movement during the year	-	-
As at March 31, 2018	**30,00,00,000**	**6,000**
Movement during the year	-	-
As at March 31, 2019	**30,00,00,000**	**6,000**

Notes to Consolidated Financial Statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

(ii) Movements in paid-up equity share capital

	Number of Shares	Amount
As at April 1, 2017	26,54,68,580	5,309
Movement during the year	-	-
As at March 31, 2018	**26,54,68,580**	**5,309**
Movement during the year	-	-
As at March 31, 2019	**26,54,68,580**	**5,309**

Terms and rights attached to equity shares

- The Group has only one class of equity shares having par value of INR 2 per share. The Company declares and pays dividends in Indian rupees. In the event of liquidation of the Group, the holders of equity shares will be entitled to receive remaining assets of the Group, after distribution of all preferential amounts. The distribution will be in proportion to the number of equity shares held by the shareholders. Every holder of equity shares present at a meeting in person or by proxy, is entitled to one vote, and upon a poll each share is entitled to one vote.

- Aggregate number of Bonus shares issued during the period of five years immediately preceding the reporting date:

  On September 28, 2015, the Group issued 13,27,34,290 equity shares of ₹2 each as fully paid bonus shares by capitalization of securities premium reserve.

(iii) Details of shareholders holding more than 5% shares in the Company

	March 31, 2019		March 31, 2018	
	Number of shares	% holding	Number of shares	% holding
PROMOTERS GROUP				
Dr.Murali Krishna Prasad Divi	75,67,000	2.85%	1,55,67,000	5.86%
Mr. Satchandra Kiran Divi	5,40,00,000	20.34%	4,60,00,000	17.33%
Mrs. Swarnalatha Divi	1,40,00,000	5.27%	1,40,00,000	5.27%
Ms. Nilima Motaparti	5,40,00,000	20.34%	5,40,00,000	20.34%
Other than Promoters				
Reliance Capital Trustee Group Limited	75,11,601	2.83%	1,34,25,419	5.06%

Note 17 (b): Reserves and surplus

	March 31, 2019	March 31, 2018
Securities premium reserve	7,988	7,988
General reserve	1,00,000	1,00,000
Retained earnings	5,61,288	4,71,784
Special Economic Zone Re-investment reserve	20,347	6,476
Total Reserves and surplus	**6,89,623**	**5,86,248**

Notes to Consolidated Financial Statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

(i) There was no movement in Securities premium reserve and General Reserve during the year and previous year. Hence no reconciliation is required to be given.

(ii) Retained earning

	March 31, 2019	March 31, 2018
Opening balance	4,71,784	4,02,542
Net profit for the Year	1,35,274	87,701
Transfer to Special Economic Zone Re-investment reserve	(15,900)	(8,927)
Utilization of Special Economic Zone Re-investment reserve	2,029	22,351
Dividend	(26,547)	(26,546)
Corporate Dividend Tax	(5,457)	(5,404)
Items of other comprehensive income recognised directly in retained earnings:		
- Remeasurements of post employment benefit obligation, net of tax	105	67
Closing balance	**5,61,288**	**4,71,784**

(iii) Special Economic Zone Re-investment reserve

	March 31, 2019	March 31, 2018
Opening balance	6,476	19,900
Transfer from Retained Earnings	15,900	8,927
Utilization of Special Economic Zone Re-investment reserve	(2,029)	(22,351)
Closing Balance	**20,347**	**6,476**

Nature and purpose of reserves:

Securities premium reserve:

Securities premium reserve is used to record the premium on issue of shares. The reserve is utilised in accordance with the provisions of the Act.

General Reserve:

General Reserves represent amounts transferred from Retained Earnings in earlier years under the provisions of the erstwhile Companies Act, 1956.

Special Economic Zone Re-investment reserve:

Under the SEZ scheme, the unit which begins production of Goods/ services on or after April 1, 2005 will be eligible for deductions of 100% of profits or gains derived from export of Goods/ services for the first five years, 50% of such profits or gains for a further period of five years and 50% of such profits or gains for the balance period of five years subject to creation of Special Economic Zone Re-investment out of profit of eligible SEZ Units and utilisation of such reserve by the company for acquiring new plant and machinery for the purpose of its business as per the provisions of the Income Tax Act, 1961. (Refer Note 42(a))

Notes to Consolidated Financial Statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

Note 18: Provisions - Employee Benefit Obligations

	March 31, 2019			March 31, 2018		
	Current	Non-Current	Total	Current	Non-Current	Total
Compensated Absences	111	1,317	1,428	94	1,495	1,589
Gratuity [Refer Note 18(ii)]	-	-	-	-	-	-
	111	**1,317**	**1,428**	**94**	**1,495**	**1,589**

(i) Compensated Absences obligations:

The Compensated Absences covers the company's liability for earned leave which is classified as other long-term benefits.

(ii) Post-employment obligations- Gratuity

The company provides gratuity for employees in India as per the Payment of Gratuity Act, 1972. Employees who are in continuous service for a period of 5 years are eligible for gratuity. The amount of gratuity payable on retirement/termination is the employees' last drawn basic salary per month computed proportionately for 15 days' salary multiplied for the number of years of service. The gratuity plan is a funded plan and the company makes contributions to recognised funds in India through an approved trust administered by Life Insurance Corporation of India.

The amounts recognised in the balance sheet and the movements in the net defined benefit obligation over the year are as follows:

	Present Value of obligation	Fair Value of Plan Assets	Net amount
As at April 01, 2017	**1,714**	**1,675**	**39**
Current service cost	309	-	309
Interest expense/(income)	120	115	5
Amount recognized in Statement of profit and loss	429	115	314
Remeasurements			
Return on plan assets, excluding amounts included in interest expense/(income)	-	-	-
Actuarial (gain) / loss	-	10	(10)
(Gain)/loss from change in demographic assumptions	312	-	312
(Gain)/loss from change in financial assumptions	(312)	-	(312)
Experience (gains)/loss	(84)	-	(84)
Total amount recognized in other comprehensive income	**(84)**	**10**	**(94)**
Total amount recognized in Statement of Profit and Loss	**345**	**125**	**220**
Employer contributions	-	343	(343)
Benefit payments	(24)	(24)	-
As at March 31, 2018	**2,035**	**2,119**	**(84)**

Notes to Consolidated Financial Statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

	Present Value of obligation	Fair Value of Plan Assets	Net amount
As at April 01, 2018	**2,035**	**2,119**	**(84)**
Current service cost	359	-	359
Interest expense/(income)	157	160	(3)
Amount recognized in Statement of profit and loss	516	160	356
Remeasurements	-	-	-
Return on plan assets, excluding amounts included in interest expense/(income)	-	-	-
Actuarial (gain) / loss	-	-*	-
(Gain)/loss from change in demographic assumptions	-	-	-
(Gain)/loss from change in financial assumptions	-	-	-
Experience (gains)/loss	(141)	-	(141)
Total amount recognized in other comprehensive income	**(141)**	**-**	**(141)**
Total amount recognized in Statement of Profit and Loss	**375**	**160**	**215**
Employer contributions	-	561	(561)
Benefit payments	(43)	(43)	-
As at March 31, 2019	**2,367**	**2,797**	**(430)**

* Amount is below the rounding off norms adopted by the company

The net liability disclosed above relates to funded and unfunded plans are as follows:

	March 31, 2019	March 31, 2018
Present value of funded obligations	2,367	2,035
Fair value of plan assets	2,797	2,119
Deficit/ (Surplus) of funded plans*	(430)	(84)

* Included under note 16 'Other current assets'

Significant estimates: Actuarial assumptions and sensitivity

The significant actuarial assumptions were as follows:

	March 31, 2019	March 31, 2018
Discount rate	7.63%	7.71%
Salary growth rate	6%	6%
Attrition Rate	1% to 3% depending on age	1% to 3% depending on age
Retirement Age	60 years	60 years
Average Balance Future Services	29 years	29 years
Mortality Table	IALM(2006-08)	IALM(2006-08)

Notes to Consolidated Financial Statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

(iii) Sensitivity analysis

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is:

	March 31, 2019	March 31, 2018
Defined Benefit Obligation:		
Increase / (Decrease) in Defined Benefit Obligation:	2,367	2,035
Discount rate:(% change compared to base due to sensitivity)		
Increase : +1%	(251)	(217)
Decrease: -1%	301	260
Salary Growth rate:(% change compared to base due to sensitivity)		
Increase : +1%	273	235
Decrease: -1%	(233)	(203)
Attrition rate:(% change compared to base due to sensitivity)		
Increase : +50%	63	58
Decrease: -50%	(74)	(69)
Mortality rate:(% change compared to base due to sensitivity)		
Increase : +10%	3	3
Decrease: -10%	(3)	(3)

The above sensitivity analysis are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions, the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as and when calculating the defined benefit liability recognised in the balance sheet. The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period.

(iv) Defined benefit liability and employer contributions

The company has established a trust to purchase insurance policy to provide for payment of gratuity to the employees. Every year, the insurance company carries out a funding valuation based on the latest employee data provided by the company. Any deficit in the assets arising as a result of such valuation is funded by the company. The company considers that the contribution rate set at the last valuation date is sufficient to eliminate the deficit over the agreed period and that regular contributions, which are based on service costs will not increase significantly.

The Company makes contributions to Defined benefit plans for qualifying employees. These Plans are administered through approved Trust, which operate in accordance with the Trust Deed, Rules and applicable Statutes. The concerned Trust is managed by Trustees who provide strategic guidance with regard to the management of investments and liabilities and also periodic review of its performance. The trust in turn contributes to a scheme administered by the Life Insurance corporation of India to discharge gratuity liability to the employees. The trust has not changed the processes used to manage its risks from previous periods. A large portion of assets consists of government and corporate bonds, although invest in equities, cash and mutual funds. The plan asset mix is in compliance with the requirements of the respective local regulations.

Notes to Consolidated Financial Statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

The major categories of plans assets are as follows:

	March 31, 2019	March 31, 2018
Central Government Securities	687	441
State Government Securities	1,188	961
SCD /Bonds	623	583
Equity	180	43
Fixed Deposits	9	77
Others	110	14
	2,797	**2,119**

Contributions to post employment benefit plan for the year ending March 31, 2020 is expected to be ₹429.

The weighted average duration of the defined benefit obligation is 20.94 years (March 31, 2018 - 20.94 Years). The expected cash flows over the next years is as follows:

	Less than a year	Between 2-5 years	Between 6-10 years	Over 10 years	Total
March 31, 2019					
Defined benefit obligation-gratuity	193	232	513	7,426	8,364
March 31, 2018					
Defined benefit obligation-gratuity	162	164	463	6,500	7,289

(v) Risk exposure

Through its defined benefit plans, the company is exposed to a number of risks, the most significant of which are detailed below:

Interest Rate Risk: The plan exposes the company to the risk of fall in interest rates. A fall in interest rates will result in an increase in the ultimate cost of providing the above benefit and will thus result in an increase in the value of the liability.

Liquidity Risk: This is the risk that the company is not able to meet the short term gratuity pay-out. This may arise due to non-availability of enough cash / cash equivalent to meet the liabilities or holdings illiquid assets not being sold in time.

Salary Escalation Risk: The present value of the defined benefit plans calculated with the assumption of salary increase rate of plan participants in future. Deviation in the rate of increase of salary in future for plan participants from the rate of increase in salary used to determine the present value obligation will have a bearing on the plan's liability.

Demographic Risk: The company has used certain mortality and attrition assumptions in valuation of the liability. The company is exposed to the risk of actual experience turning out to be worse compared to the assumption.

Regulatory Risk: Gratuity benefits is paid in accordance with the requirements of the Payment of Gratuity Act, 1972 (as amended from time to time). There is a risk of change in regulations requiring higher gratuity payouts (eg. Increase in the maximum limit on gratuity.)

Asset Liability Mismatching or Market Risk: The duration of the liability is longer compared to duration of assets, exposing the company to market risk for volatilities/fall in interest rate.

Investment Risk: The probability and likelihood of occurrence of losses relative to the expected return on any particular investment.

Asset Volatility: The plan liabilities are calculated using a discount rate set with reference to bond yields; if plan assets under-perform this yield, this will create a deficit. Most of the plan asset investments are in fixed income securities with high grades and in government securities. A portion of the fund is invested in equity securities and in alternative investments which have low correlation with equity securities. The equity

Notes to Consolidated Financial Statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

securities are expected to earn a return in excess of the discount rate and contribute to the plan deficit. The company has a risk management strategy where the aggregate amount of risk exposure on a portfolio level is maintained at a fixed range. Any deviations from the range are corrected by rebalancing the portfolio. The company intends to maintain the investment mix in the continuing years.

Changes in bond yields: A decrease in bond yields will increase plan liabilities, although this will be partially off-set by an increase in the value of the plan's bond holdings.

(vi) Defined Contribution plans

Employer's Contribution to Provident Fund: Contributions are made to provident fund in India for employees at the rate of 12% of basic salary as per regulations. The contributions are made to registered provident fund administered by the government. The obligation of the company is limited to the amount contributed and it has no further contractual nor any constructive obligation. The expense recognised during the period towards defined contribution plan is ₹1,159 (March 31, 2018- ₹1,032) also refer Note.41(b)

Employer's Contribution to State Insurance Scheme: Contributions are made to State Insurance Scheme for employees at the rate of 4.75%. The Contributions are made to Employee State Insurance Corporation(ESI) to the respective State Governments of the company's location. This Corporation is administered by the Government and the obligation of the company is limited to the amount contributed and it has no further contractual nor any constructive obligation. The expense recognised during the period towards defined contribution plan is ₹287 (March 31, 2018- ₹242)

Note 19(a): Deferred Tax Asset

The balance comprises temporary differences attributable to:

	March 31, 2019	March 31, 2018
Deferred Tax Asset :		
Deferred Tax on intra group adjustments	234	103
Deferred Tax Asset	**234**	**103**

Note 19(b): Deferred Tax Liabilities (net)

The balance comprises temporary differences attributable to:

	March 31, 2019	March 31, 2018
Deferred Tax Liability / (Asset) :		
Property, plant and equipment	23,272	20,594
Employee Benefits	(965)	(1,018)
Others	(189)	(308)
Net Deferred Tax Liabilities / (Asset) net	**22,118**	**19,268**

Notes to Consolidated Financial Statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

Movement in Deferred tax liabilities /(Asset)

	April 01, 2017	Changes through Profit and Loss	Changes through OCI	March 31, 2018
Property, Plant and equipment	17,173	3,421	-	20,594
Employee benefit expenses	(787)	(231)	-	(1,018)
Others including intra-group adjustments	(3,671)	3,260	-	(411)
Net Deferred Tax Liability/(Asset)				19,165
Deferred Tax Asset - Refer Note 19(a)				(103)
Deferred Tax Liability - Refer Note 19(b)				19,268

	April 01, 2018	Changes through Profit and Loss	Changes through OCI	March 31, 2019
Property, Plant and equipment	20,594	2,678	-	23,272
Employee benefit expenses	(1,018)	16	36	(965)
Others including intra-group adjustments	(411)	(12)	-	(423)
Net Deferred Tax Liability/(Asset)				21,884
Deferred Tax Asset - Refer Note 19(a)				(234)
Deferred Tax Liability - Refer Note 19(b)				22,118

Note 20: Current borrowings

	Maturity Date and Terms of Payment	Interest rate	March 31, 2019	March 31, 2018
Loans payable on demand:				
Secured from Banks				
Working Capital Loans from Banks*	Payable on demand	8.65%**	9,470	1,710
Bank Overdrafts*	Payable on demand	8.00%#	1,090	4,601
Total Current Borrowings			**10,560**	**6,311**

*Represents temporary overdrafts

** 8.35% for year ended March 31, 2018

5.25% for year ended March 31, 2018

Secured borrowings and assets pledged as security

Secured by pari-passu first charge on inventories, receivables and other current assets of the company and pari-passu second charge on movable property,plant and equipment of the company , both present and future. The carrying amounts of financial and non-financial assets pledged as security for current and non- current borrowings are disclosed in Note 20(a)

Notes to Consolidated Financial Statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

Note 20(a): Assets pledged as security

The carrying amounts of Company's assets pledged as security for working capital loans from banks:

	March 31, 2019	March 31, 2018
First Charge		
Inventory	1,66,318	1,28,139
Accounts receivables	1,28,224	1,11,211
Other Current Assets	1,70,207	2,16,041
	4,64,749	**4,55,391**
Second Charge		
Movable assets of the company	**1,42,750**	**1,49,049**

Note 20 (b): Net Debt Reconciliation

This section sets out the changes in liabilities arising from financing activities in the statement of cash flows:

	March 31, 2019	March 31, 2018
Cash and cash equivalents	210	(2,086)
Liquid investments	1,39,834	1,88,928
Working Capital Loans	(9,470)	(1,710)
Net Debt	**1,30,574**	**1,85,132**

	Other assets		Liabilities from financing activities	
	Cash and bank Overdraft	Liquid Investments	Current Borrowings	Total
Net Debt as at April 01, 2017	**(426)**	**1,63,072**	**(1,069)**	**1,61,577**
Cash Flows	(1,660)	25,596	(641)	23,295
Foreign Exchange adjustments	-	-	-	-
Interest Expense	-	-	133	133
Interest paid	-	-	(133)	(133)
Fair value adjustments	-	260	-	260
Net Debt as at March, 31, 2018	**(2,086)**	**1,88,928**	**(1,710)**	**1,85,132**
Net Debt as at April 01, 2018	(2,086)	1,88,928	(1,710)	1,85,132
Cash Flows	2296	(49,578)	(7,760)	(55,042)
Foreign Exchange adjustments	**-**	**-**	**-**	**-**
Interest Expense	-	-	(350)	(350)
Interest paid	-	-	350	350
Fair value adjustments	-	484	-	484
Net Debt as at March 31, 2019	**210**	**1,39,834**	**(9,470)**	**1,30,574**

Notes to Consolidated Financial Statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

Note 21: Trade payables

	March 31, 2019	March 31, 2018
Current		
Trade Payables -Micro enterprises and small enterprises -Refer Note 42(c)	-	-
Trade Payables -Others	49,226	41,121
Total Trade payables	**49,226**	**41,121**

Note 22: Other Financial liabilities

	March 31, 2019	March 31, 2018
Current		
Capital creditors	3,973	2,150
Unclaimed dividend	97	83
Accrual for rebates / discounts	2,219	-
Total Other Financial liabilities	**6,289**	**2,233**

Note 23: Other current liabilities

	March 31, 2019	March 31, 2018
Statutory dues payable	342	685
Deferred Revenue Government Grants	35	-
Employee benefits payable	14,785	10,675
Advance from customers	2,908	3,953
Total Other current liabilities	**18,070**	**15,313**

Note 24: Revenue from operations

	For the Year ended March 31, 2019	For the Year ended March 31, 2018
Sale of products	4,79,444	3,79,775
Sale of Services:		-
Contract research fee	938	3,099
Other Operating Revenue:		-
Export incentives	11,691	6,518
Sale of scrap out of manufacturing process	2,553	1,886
Total Revenue from operations	**4,94,626**	**3,91,278**

Notes to Consolidated Financial Statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

Note 24(a): Reconciliation of Revenue recognised with contract price:

	March 31, 2019*
Contract price	4,98,167
Rebates / Discounts	(3,541)
Revenue from operations	**4,94,626**

Note 24(b):Disaggregation of Revenue :

The Group derives revenue from Operations (Sale of Products and services and other operating revenue) at a point of time in the following geographical areas (based on where products and services are delivered):

Region	March 31, 2019		
	Sale of Products and Services	Other Operating Revenue	Total Revenue*
America	1,32,533	-	1,32,533
Asia	59,183	-	59,183
Europe	2,18,791	-	2,18,791
India	56,266	14,244	70,510
Others	13,609	-	13,609
	4,80,382	**14,244**	**4,94,626**

* As permitted under the transitional provisions in Ind AS 115, the disclosures as of March 31, 2018 are not disclosed.

Note 25: Other income

	March 31, 2019	March 31, 2018
Interest income from financial assets at amortized cost	748	435
Dividend income from investments mandatorily measured at fair value through profit or loss	8,406	7,612
Net gain on foreign currency transactions and translations	3,086	2,795
Net gain on financial assets mandatorily measured at fair value through profit or loss	2,625	260
Net gain on sale of investments	97	8
Sale of other scrap	157	231
Provisions / Liabilities no longer required written back	429	3
Insurance claim acknowledged	14	-
Government Grants	1	-
Total Other income	**15,563**	**11,344**

Note 26: Cost of raw materials consumed

	March 31, 2019	March 31, 2018
Raw materials at the beginning of the year	39,389	38,274
Add: Purchases	2,22,957	1,53,972
Less: Raw materials at the end of the year	51,957	39,389
Total Cost of raw materials consumed	**2,10,389**	**1,52,857**

Notes to Consolidated Financial Statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

Note 27: Changes in inventories of finished goods, work-in-progress and stock-in-trade

	March 31, 2019	March 31, 2018
Opening Balance:		
Finished goods	10,896	10,127
Stock-in-trade	2,452	4,579
Work-in-progress	70,419	69,394
	83,767	**84,100**
Closing Balance:		
Finished goods	14,042	10,896
Stock-in-trade	7,335	2,452
Work-in-progress	92,849	70,419
	1,14,226	**83,767**
Total Changes in inventories of finished goods, work-in-progress and stock-in-trade	**(30,459)**	**333**

Note 28: Employee benefits expense

	March 31, 2019	March 31, 2018
Salaries, wages, bonus and other allowances	51,893	43,157
Contribution to provident fund and other funds [also refer note: 41(b)]	1,159	1,032
Contribution to to ESI	287	242
Staff welfare expenses	888	1,175
Total Employee benefits expense	**54,227**	**45,606**

Note 29: Finance costs

	March 31, 2019	March 31, 2018
Interest and finance charges on financial liabilities carried at amortised cost	29	53
Interest on Income tax	183	2
Charges for Letters of Credit / Bank Guarantees	138	78
Total Finance costs	**350**	**133**

Note 30: Depreciation and amortisation expense

	March 31, 2019	March 31, 2018
Depreciation on property, plant and equipment	16,624	14,004
Amortisation of intangible assets	266	245
Total Depreciation and amortisation expense	**16,890**	**14,249**

Notes to Consolidated Financial Statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

Note 31: Other expenses

	March 31, 2019	March 31, 2018
Consumption of stores and spare parts	4,162	3,468
Packing materials consumed	3,991	3,721
Job Work Charges	2,197	1,266
Power and fuel	24,866	22,873
Repairs and maintenance- buildings	1,515	1,823
Repairs and maintenance- machinery	7,854	6,458
Repairs and maintenance- others	118	130
Insurance	601	560
Rates and taxes, excluding taxes on income	860	631
Directors' sitting fees	51	39
Printing and stationery	454	486
Rental charges	874	825
Communication expenses	161	163
Travelling and conveyance	1,403	1,526
Vehicle maintenance	149	75
Payments to Auditors - Refer Note 31(a)	52	43
Legal and professional charges	1,032	5,043
Factory upkeep	250	315
Environment management expenses	1,477	1,373
Advertisement	89	73
Research and development expenses -Refer Note 31(c)	1,060	1,011
Sales commission	747	807
Carriage outward	6,472	5,522
General expenses	3,577	3,244
Provision for doubtful debts [including Write off ₹62 (2018: ₹4)]- Refer Note 35(A)	339	61
Donations	1,248	2
Political Contributions	2,000	-
Corporate Social Responsibility expenses -Refer Note 31(b)	2,837	1,698
Loss on disposal / discard of assets	139	626
Bank charges	118	104
Total Other expenses	**70,693**	**63,966**

Note 31(a): Details of Payments to auditors

	March 31, 2019	March 31, 2018
Payments to auditors		
As Statutory Auditor	30	26
For Quarterly Reviews	19	16
Re-imbursement of expenses	3	1
Total Payments to auditors	**52**	**43**

Notes to Consolidated Financial Statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

Note 31 (b): Corporate Social Responsibility Expenditure

	March 31, 2019	March 31, 2018
Amount required to be spent as per section 135 of the Act	2,824	2,719
Amount spent during the year on :		
(i) Construction/acquisition of any asset	-	-
(ii) On purposes other than (i) above		
- Promoting education	1,205	1,035
- Promoting healthcare	52	98
- Rural Development	1,279	304
- Empowering Women	9	9
- Animal Welfare	4	3
- Safe drinking water	145	64
- Environmental sustainability	71	57
- Promotion of rural sports	9	9
- Swatch Bharat programme	6	34
- Support to Differently abled	16	30
- Livelihood Enhancement	1	20
- Others	40	35
Total Corporate Social Responsibility Expenditure	**2,837**	**1,698**

Note 31 (c): Research and development expenditure*

	March 31, 2019	March 31, 2018
Raw materials consumed	67	51
Salaries, wages, bonus and other allowances	2,317	2,064
Contribution to provident and other funds	72	67
Contribution to ESI	9	7
Staff welfare expenses	31	28
Stores consumed	259	227
Power and fuel	175	163
Repairs to buildings	41	64
Repairs to machinery	400	267
Repairs to other assets	24	143
Rates and taxes, excluding taxes on income	7	42
Printing and stationery	18	19
Communication expenses	1	-
Travelling and conveyance	-	1
Professional and consultancy charges	-	4
Miscellaneous expenses	68	30
Total Research and development expenditure	**3,489**	**3,177**

* Research and development expenditure to the extent of ₹2,429 (2018: ₹2,166) is grouped under employee benefit expenses (consists of Salaries, wages, bonus and other allowances, contribution to provident and other funds, contribution to ESI and staff welfare expenses) and ₹1,060 (2018: ₹1,011) is grouped under other expenses.

Notes to Consolidated Financial Statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

Note 32: Income tax expense

This note provides an analysis of the Group's income tax expense, showing the amounts that are recognised directly in equity and how the tax expense is affected by non-assessable and non-deductible items. It also explains significant estimates made in relation to the group's tax positions.

(a) Income tax expense

	March 31, 2019	March 31, 2018
Current tax		
Current tax on profits for the year	47,614	28,983
Adjustments for current tax of prior periods	(63)	-
Total Current tax expense	**47,551**	**28,983**
Deferred tax	2,682	6,449
Decrease/ (Increase) in deferred tax assets	4	3,028
(Decrease)/ Increase in deferred tax liabilities	2,678	3,421
Total Deferred tax expense/(benefit)	**2,682**	**6,449**
Income tax expense recognised in statement of profit and loss	50,233	35,432
Income tax expense recognised in other comprehensive income	36	27
Total Income tax expense	**50,269**	**35,459**

Entire deferred tax for the year ended March 31, 2019 and March 31, 2018 relates to origination and reversal of temporary differences.

(b) Significant estimates (tax calculation note)

In calculating the tax expense for the current period, the company has treated certain expenditures as deductible and non-deductible based on prior year completed assessments for tax purposes. The Company benefits from the tax holiday available for units set up under the Special Economic Zone Act, 2005. These tax holidays are available for a period of fifteen years from the date of commencement of operations. Under the SEZ scheme, the unit which begins production of Goods/services on or after April 1, 2005 will be eligible for deductions of 100% of profits or gains derived from export of Goods/services for the first five years, 50% of such profits or gains for a further period of five years and 50% of such profits or gains for the balance period of five years subject to creation of Special Economic Zone Re-investment reserve out of profit of eligible SEZ Units and utilisation of such reserve by the company for acquiring new plant and machinery for the purpose of its business as per the provisions of the Income Tax Act, 1961.

(c) Reconciliation of tax expense and the accounting profit multiplied by India's tax rate:

	March 31, 2019	March 31, 2018
Profit from operations before income tax expenses	1,85,507	1,23,133
Tax at the Indian tax rate of 34.944% (March 31, 2018-34.608%)	64,824	42,614
Tax effect of amounts which are not deductible (taxable) in calculating taxable income:		
Expenses not deductible for tax purpose	1,708	614
Income not considered for tax purpose	(15,434)	(10,770)
Difference in Overseas tax rates	(339)	40
Impact on account of differential tax rates	(277)	-
Impact due to changes in the tax rate from previous year	192	-
Adjustments for current tax of prior periods	(63)	-
MAT Credit utilised	-	3,107
Others	(342)	(146)
Income tax expenses	**50,269**	**35,459**

The applicable Indian corporate statutory tax rate for the year ended March 31, 2019 and March 31, 2018 is 34.944% and 34.608%, respectively. The increase in the corporate statutory tax rate to 34.944% is consequent to changes made in the Finance Act, 2018.

Notes to Consolidated Financial Statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

Financial Instruments and Risk Management

Note 33: Categories of Financial Instruments

	Notes	Level	March 31, 2019 Carrying Value / Fair Value	March 31, 2018 Carrying Value / Fair Value
A. Financial assets				
a) Mandatorily measured at fair value through profit or loss				
Investment in mutual funds	5, 10	1	1,94,559	1,88,928
Investment in equity instruments in other companies	5	3	1	1
Total Financial assets			**1,94,560**	**1,88,929**

Note 34: Fair Value Hierarchy

Fair value of the financial instruments is classified in various fair value hierarchies based on the following three levels:

Level 1: Quoted prices (unadjusted) in active market for identical assets or liabilities.

Level 2: Inputs other than quoted price are included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). The fair value of financial instruments that are not traded in an active market is determined using valuation techniques which maximize the use of observable market data and rely as little as possible on entity-specific estimates. If significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

Level 3: Inputs for the assets or liabilities that are not based on observable market data (unobservable inputs). If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3. This is the case with listed instruments where market is not liquid and for unlisted instruments.

Valuation technique used to determine fair value:

Specific Valuation techniques used to value financial instruments include:

- the use of quoted market prices or dealer quotes for similar instruments.
- the fair value of remaining financial instruments is determined using discounted cash flow analysis.

Valuation Process:

The Finance and Accounts department of the group performs the valuation of financial assets and liabilities required for financial reporting purposes, and report to the Board of Directors. The Level 3 inputs for investment in equity shares are derived using the discounted cash flow analysis.

Notes to Consolidated Financial Statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

Note 35: Financial Risk Management

The group's activities expose it to market risk, price risk, liquidity risk and credit risk. The group emphasizes on risk management and has an enterprise wide approach to risk management. The group's risk management and control procedures involve prioritization and continuing assessment of these risks and devise appropriate controls, evaluating and reviewing the control mechanism.

(A) Credit Risk:

Credit risk management

I. Credit risk on cash and cash equivalents and investments is limited as the group generally invests in deposits and mutual funds with nationalised banks, thereby minimising its risk.

II. Credit risk on security deposits, investments and trade receivables are evaluated as follows:

Expected credit loss for security deposits and loans:

Category	Basis for recognition of expected credit loss provision	Asset Group
Financial assets for which credit risk has not increased significantly since initial recognition	Loss allowance measured at 12 month expected credit losses	Security Deposits Loans to employees Other Non-Current Financial assets Other Current Financial assets

Expected credit loss for security deposits and loans:

Asset Group	March 31, 2019			March 31, 2018		
	Gross carrying amount at default	Expected credit loss	Carrying amount net of provision	Gross carrying amount at default	Expected credit loss	Carrying amount net of provision
Security Deposits	3,404	-	3,404	3,413	-	3,413
Loans to employees	11	-	11	17	-	17
Other Current Financial assets	**135**	**-**	**135**	**948**	**-**	**948**

Credit risk is the risk of financial loss to the group if a customer to a financial instrument fails to meet its contractual obligations and arises primarily from trade receivables, treasury operations etc. Credit risk of the group is managed at the group level. In the area of treasury operations, the group is presently exposed to risk relating to investment in mutual funds. The group regularly monitors such investments and all the investments in mutual funds are held with State Bank of India which is a nationalised bank, thereby minimises the risk.

The credit risk related to trade receivables is influenced mainly by the individual characteristics of each customer. The credit risk is managed by the group by establishing credit limits and continuously monitoring the credit worthiness of the customer. The group also provides for expected credit losses based on the past experience where it believes that there is high probability of default. In general, all trade receivables greater than 180 days are reviewed and provided for by analysing individual receivables.

Notes to Consolidated Financial Statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

Following are the Expected credit loss for trade receivables under simplified approach:

	March 31, 2019	March 31, 2018
Gross carrying amount of trade receivables	1,16,706	1,01,614
Less : Expected credit losses (Loss allowance provision)	(369)	(178)
Net carrying amount of trade receivables	1,16,337	1,01,436

Expected credit loss for trade receivables under simplified approach as at March 31, 2019.

Ageing	Not due	Outstanding FOR < 90 days	Outstanding > 90 days & < 180 days	Outstanding FOR > 6 Ms	Total
Gross carrying amount of trade receivables	90,831	23,555	939	1,381	1,16,706
Less: Provision for doubtful debts (Specific)	-	-	-	(354)	(354)
Less: Expected credit losses (Loss allowance provision)	(11)	(4)	-*	-	(15)
Net carrying amount of trade receivables	90,820	23,551	939	1,027	1,16,337

* Amount is below the rounding off norms adopted by the group

Reconciliation of Loss Allowance Provision in respect of trade receivables:

	Amount
Loss Allowance on April 01, 2017	**123**
Change in Loss Allowance	
Add: Current year loss allowance provided	61
Less: Recoveries / Writeback	(1)
Less: Bad debts written off	(5)
Loss Allowance on March 31, 2018	**178**
Loss Allowance on April 01, 2018	178
Change in Loss Allowance	
Add: Current year loss allowance provided	339
Less: Recoveries / Write back	(85)
Less: Bad debts written off	(63)
Loss Allowance on March 31, 2019	**369**

(B) Market Risk:

The group has substantial exposure to foreign currency risk due to the significant exports. Sales to other countries and purchases from overseas suppliers are exposed to risk associated with fluctuation in the currencies of those countries vis-a-vis the functional currency i.e. Indian rupee. The group manages currency fluctuations by having a better geographic balance in revenue mix and ensures a foreign currency match between liabilities and earnings. The group believes that the best hedge against foreign exchange risk is to have a good business mix. The group is very cautious towards hedging as it has a cost as well as its own risks. The group continually reassesses the cost structure impact of the currency volatility and engages with customers addressing such risks.

Notes to Consolidated Financial Statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

(i) **Foreign currency risk exposure:**

	Currency	March 31, 2019		March 31, 2018	
		Amount in Foreign Currency	Amount in ₹	Amount in Foreign Currency	Amount in ₹
Receivables	ACU	6	399	2	160
	CHF	3	193	3	191
	EUR	13	1,011	34	2,716
	GBP	154	13,923	141	13,035
	USD	1,136	78,600	998	64,905
Payable to suppliers and services	USD	(347)	(24,036)	(314)	(20,396)
	EUR	(5)	(396)	(12)	(951)
	JPY	(241)	(150)	-	-
	CHF	-*	-*	(1)	(44)
	CAD	-*	-*	-	-
	GBP	(3)	(246)	-*	(1)
Net Foreign currency exposure Asset/ (Liability)			**69,298**		**59,615**

* Amount is below the rounding off norm adopted by the group

	Impact on profit after tax (Income) / Expense	
	March 31, 2019	March 31, 2018
USD Sensitivity:		
INR/USD -Increase by 1%	(355)	(285)
INR/USD -Decrease by 1%	355	285
ACU Sensitivity:		
INR/ACU -Increase by 1%	(3)	(1)
INR/ACU -Decrease by 1%	3	1
CHF Sensitivity:		
INR/CHF -Increase by 1%	(1)	(1)
INR/CHF -Decrease by 1%	1	1
EUR Sensitivity:		
INR/EUR -Increase by 1%	(4)	(12)
INR/EUR -Decrease by 1%	4	12
GBP Sensitivity:		
INR/GBP -Increase by 1%	(89)	(83)
INR/GBP -Decrease by 1%	89	83
JPY Sensitivity:		
INR/JPY -Increase by 1%	1	-*
INR/JPY -Decrease by 1%	(1)	-*

* Amount is below the rounding off norm adopted by the group

Notes to Consolidated Financial Statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

(ii) Cash Flow and fair value interest rate risk:

Interest rate exposure: The group does not have long term borrowings and interest rate risk is towards short term working capital borrowings and fixed deposits. Below is the sensitivity analysis. The analysis presents the cash flow due to the increase/decrease in the interest rates with all other variables held constant.

	Impact on profit after tax (Income) / Expense	
	March 31, 2019	**March 31, 2018**
Short term Borrowing:		
Interest rate-increase by 100 basis points	69	41
Interest rate-Decrease by 100 basis points	(69)	(41)
Fixed Deposits:		
Interest rate-increase by 100 basis points	(66)	(57)
Interest rate-Decrease by 100 basis points	66	57

(C) Price Risk:

The group is exposed to risk from investments in mutual funds. The group has invested in quoted debt mutual funds with State Bank of India. The group is very cautious in their investment decisions and takes a conservative approach of investing in nationalised banks with minimal risk. The table below summarises the impact of increase/(decrease) in the Net Asset Value(NAV) of these investments

The analysis is based on the assumption that the NAV has (increased)/decreased by 1% with all other variables held constant.

	Impact on profit after tax (Income) / Expense	
	March 31, 2019	**March 31, 2018**
SBI-Magnum low duration fund (Daily dividend plan)		
-Increase in NAV by 1%	(1,398)	(1,627)
-Decrease in NAV by 1%	1,398	1,627
SBI Treasury Advantage Fund (Direct daily dividend plan)		
-Increase in NAV by 1%	-	(263)
-Decrease in NAV by 1%	-	263
SBI Magnum Ultra Short Duration Fund - Direct Growth		
-Increase in NAV by 1%	(547)	-
-Decrease in NAV by 1%	547	-

(D) Liquidity Risk:

Prudent liquidity risk management implies maintaining sufficient cash and the availability of funding to meet obligations when due and to close out market positions. Group's treasury maintains flexibility in funding by maintaining availability under deposits in banks, adequate limits in the current accounts etc.

Notes to Consolidated Financial Statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

(i) Contractual Maturities of financial liabilities:

	March 31, 2019		
	Less than 12 months	Greater than 12 months	Total
Current Borrowings	10,560	-	10,560
Trade payables	49,226	-	49,226
Other financial liabilities	6,289	-	6,289
Total	**66,075**	**-**	**66,075**

	March 31, 2018		
	Less than 12 months	Greater than 12 months	Total
Current Borrowings	6,311	-	6,311
Trade payables	41,121	-	41,121
Other financial liabilities	2,233	-	2,233
Total	**49,665**	**-**	**49,665**

Note 36: Capital Management

(a) The group's financial strategy aims to provide adequate capital for its growth plans for sustained stakeholder value. The group's objective is to safeguard its ability to continue as a going concern, so that it can continue to provide returns for shareholders and benefits for other stakeholders. And depending on the financial market scenario, nature of the funding requirements and cost of such funding, the group decides the optimum capital structure. The group aims at maintaining a strong capital base so as to maintain adequate supply of funds towards future growth plans as a going concern.

Net debt to Equity ratio

	March 31, 2019	March 31, 2018
Net debt	10,560	6311
Total Equity	6,95,715	5,92,480
Net debt to Equity ratio	**0.015**	**0.011**

(b) Dividends:

Dividend paid on Equity shares:

	March 31, 2019	March 31, 2018
Dividends paid:		
Final Dividend	26,547	26,547
Dividend Tax on final Dividend	5,457	5,404
Interim Dividend	-	-

Proposed dividend* not recognised at the end of the reporting period:

	March 31, 2019	March 31, 2018
On Equity Shares of ₹2 each		
Dividend proposed	42,475	26,547
Dividend Tax	8,731	5,457
Dividend per equity share	16	10

*This proposed dividend is subject to approval of shareholders in the ensuing Annual General Meeting

Notes to Consolidated Financial Statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

Note 37: Interest in Other Entities

The Company's subsidiaries as at March 31, 2019 are set out below. Unless otherwise stated, they have share capital consisting solely of equity shares that are held directly by the Company.

Name of the entity	Place of Business/ Country of incorporation	Ownership interest held by the Company		Ownership interest held by Non-Controlling interests		Principal activity
		March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018	
Divis Laboratories (USA) Inc	USA	100%	100%	0%	0%	Manufacturing and Trading of Nutra ingredients
Divi's Laboratories Europe AG	SWITZERLAND	100%	100%	0%	0%	Manufacturing and Trading of Nutra ingredients

Note 38: Segment Information

Description of segments and principal activities

The Chairman and Managing Director has been identified as being the Chief Operating Decision Maker(CODM). Operating segments are defined as components of an enterprise for which discrete financial information is available. This is evaluated regularly by the CODM, in deciding how to allocate resources and assessing the group's performance. The group is engaged in the manufacture of Active Pharmaceutical Ingredients (API's) and Intermediates and operates in a single operating segment.

The amount of revenue from operations by each country (based on where products and services are delivered) exceeding 10% of total revenue of a group and non-current assets broken down by location of the assets respectively are as follows:

	India		USA		Other Countries	
	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018	March 31, 2019	March 31, 2018
Revenue	70,510	56,425	95,293	69,818	3,28,823	2,65,035
Non-current Assets	2,80,403	2,21,525	27	12	26	19

The revenue from transactions with one external customer exceed 10% of the total revenue of the group for each of the two years ended March 31, 2019 and March 31, 2018

Note 39: Foreign Subsidiaries considered for Consolidation

Name of the entity	Place of Business/ Country of incorporation	March 31, 2019	March 31, 2018
wDivis Laboratories (USA) Inc	USA	100%	100%
Divi's Laboratories Europe AG	SWITZERLAND	100%	100%

Notes to Consolidated Financial Statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

Note 40: Related Party Transactions

(a) Key Management personnel(KMP)	: Dr. Murali. K. Divi
	: Mr. N.V. Ramana
	: Mr. D. Madhusudana Rao
	: Mr. Kiran S. Divi
	: Mrs. Nilima Motaparti
	: Mr. K V K Seshavataram
	: Mr. R Ranga Rao
	: Mrs. S. Sridevi (resigned w.e.f 22.06.2017)
	: Dr.G Suresh Kumar
	: Dr Ramesh B V Nimmagadda
	: Dr S Ganapaty
	: Prof. Sunaina Singh (w.e.f 28.03.2019)
(b) Relative of Key Management personnel	: Mrs. D. Swarna Latha
	: Mr. D. Babu Rajendra Prasad
	: Mr. D. Radha Krishna Rao
	: Mr.D. Sri Ramachandra Rao
	: Mrs. D. Raja Kumari
	: Mr. D. Satyasayee Babu
	: Mrs. A. Shanti Chandra
	: Mrs. N. Nirmala Kumari
	: Mrs. N. Chandrika Ramana
	: Mr. N.V.Anirudh
	: Mrs. N. Monisha
	: Mrs. Jhansi Lakshmi Pendyala
	: Mr. N. Prashanth
	: Mrs. L. Vijaya Lakshmi
(c) Other related party	: Divi's Laboratories Employees' Gratuity Trust.

(d) List of Related Parties over which Control / Significant Influence exists with whom the group has transactions :

	Relationship
Divi's Properties Private Limited	Company In Which Key Management Personnel have Significant Influence
Divi's Biotech Private Limited	Company In Which Key Management Personnel have Significant Influence
Divi's Laboratories Employees' Gratuity Trust.	Post employment benefit plan of Divi's Laboratories Ltd*

*Refer Note No. 18(ii) for information on transactions with post employment benefit plan mentioned above.

Notes to Consolidated Financial Statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

(e) Summary of Related Party transactions and balances:

	March 31, 2019		March 31, 2018	
	Amount (Transactions)	Outstanding balance as at March 31, 2019	Amount (Transactions)	Outstanding balance as at March 31, 2018
(i) Managerial Remuneration and short term employee benefits to Key Management Personnel -refer 39(f) (i)	11,061	10,584	7,631	7,173
(ii) Sitting fees to non-executive directors-refer 39(f) (i)	51	-	39	-
(iii) Dividend paid to Key Management Personnel -refer 39(f) (ii)	11,664	-	11,707	-
(iv) Dividend paid to Relatives of Key Management Personnel -refer 39(f) (iii)	1,538	-	1,528	-
(v) Salary and Allowances to Relatives of Key Management Personnel - Mr. Anirudh	13	1	12	1
(vi) Dividend paid to Company in which Key Management Personnel have Significant Influence - M/s Divi's Biotech Private Limited	800	-	800	-
(vii) Lease Rent to a Company in which Key Management Personnel have Significant Influence - M/s Divi's Properties Private Limited	775	-	719	-
(viii) Rent Deposit to a Company in which Key Management Personnel have Significant Influence - M/s Divi's Properties Private Limited	-	319	-	325

(f) Transactions with Related Parties:

	March 31, 2019		March 31, 2018	
	Amount (Transaction)	Outstanding balance as at March 31, 2019	Amount	Outstanding balance as at March 31, 2018
(i) Managerial Remuneration and short term employee benefits to Key Management Personnel				
1. Dr Murali K. Divi	5,881	5,766	4,020	3,906
2. Sri N.V. Ramana	2,990	2,885	2,059	1,955
3. Sri Madhusudana Rao Divi	99	5	99	4
4. Sri Kiran S Divi	2,023	1,925	1,402	1,305
5. Mrs Nilima Motaparti	68	3	51	3
	11,061	**10,584**	**7,631**	**7,173**
Sitting fees to non-executive directors				
6. Sri K.V.K. Seshavataram	10	-	8	-
7. Dr.G Suresh Kumar	12	-	11	-
8. Sri R Ranga Rao	13	-	11	-
9. Smt S. Sridevi	-	-	1	-
10. Dr.S. Ganapaty	7	-	3	-
11. Dr. Ramsh B V Nimmagadda	9	-	5	-
	51	**-**	**39**	**-**

Notes to Consolidated Financial Statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

	March 31, 2019		March 31, 2018	
	Amount (Transaction)	Outstanding balance as at March 31, 2019	Amount	Outstanding balance as at March 31, 2018
(ii) Dividend paid to Key Management Personnel				
1. Dr Murali K. Divi	1,557	-	1,557	-
2. Sri Kiran S Divi	4,600	-	4,600	-
3. Mrs Nilima Motaparti	5,400	-	5,400	-
4. Sri Madhusudana Rao Divi	51	-	58	-
5. Sri N.V. Ramana	56	-	92	-
	11,664	**-**	**11,707**	**-**
(iii) Dividend paid to Relatives of Key Management Personnel				
1. Mr. Babu Rajendra Prasad Divi	3	-	3	-
2. Mr. Divi Radha Krishna Rao	-*	-	-*	-
3. Mr. Sri Ramachandra Rao Divi	-*	-	5	-
4. Mrs. Jhansilakshmi Pendyala	1	-	1	-
5. Mrs. Divi Swarna Latha	1400	-	1400	-
6. Mrs. Divi Raja Kumari	2	-	2	-
7. Mr. Divi Satyasayee Babu	20	-	36	-
8. Mrs. Shanti Chandra Attaluri	53	-	53	-
9. Mrs. Nimmagadda Nirmala Kumari	8	-	8	-
10. Mrs. N. Chandrika Ramana	9	-	-*	-
11. Mr. N. Venkata Aniruddh	12	-	-*	-
12. Mrs. N. Monisha	26	-	15	-
13. Mr. N. Prashanth	4	-	4	-
14. Mrs. L. Vijaya Lakshmi	-*	-	1	-
	1538	**-**	**1528**	**-**

* Amount is below the rounding off norms adopted by the group

(g) Terms and Conditions

Transactions relating to dividends were on the same terms and conditions that applied to other stake holders.

Note 41: Contingent Liabilities:

	March 31, 2019	March 31, 2018
On account of Letter of Credit and Guarantees issued by the bankers.	10,877	11,806
Claims against the Group not acknowledged as debts in respect of:		
(i) Disputed demands for excise duty, customs duty, sales tax and service tax for various periods	782	783
(ii) Income Tax in relation to expenses disallowed in various assessments	18	22

Note: (a) It is not practicable for the Group to estimate the timings of cash flows, if any, in respect of the above pending resolution of the respective proceedings.

Notes to Consolidated Financial Statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

Note: (b) Provident Fund

The Group is in the process of evaluating the impact of the recent Supreme Court Judgment in case of "Vivekananda Vidyamandir And Others Vs The Regional Provident Fund Commissioner (II) West Bengal" and the related circular (Circular No. C-I/1(33)2019/Vivekananda Vidya Mandir/284) dated March 20, 2019 issued by the Employees' Provident Fund Organisation in relation to non-exclusion of certain allowances from the definition of "basic wages" of the relevant employees for the purposes of determining contribution to provident fund under the Employees' Provident Funds & Miscellaneous Provisions Act, 1952. In the assessment of the management which is supported by legal advice, the aforesaid matter is not likely to have a significant impact and accordingly, no provision has been made in these Financial Statements.

Note 42(a) : Commitments

	March 31, 2019	March 31, 2018
Property, Plant and Equipment:		
(i) Estimated amount of contracts remaining to be executed on capital account and not provided for (Net of advances)	46,711	8,803
(ii) Capital commitment towards Special Economic Zone Re-investment Obligation	20,347	6,476
Others:		
(iii) On account of bonds and / or legal agreements executed with Central Excise/ Customs authorities/ SEZ Development Commissioners	24,400	22,400

Note 42(b): Leases

The Company has operating lease for office premise, which is renewable on a periodical basis and cancellable at its option. Rental expenses for operating lease recognised in Statement of Profit and Loss for the year is ₹874 (Previous Year is ₹825)

Divis Laboratories (USA) Inc has entered into lease agreements for its office premises and vehicles. The future minimum lease payments are as below:

	March 31, 2019	March 31, 2018
Not later than one year	17	72
Later than one year but not later than five years	140	45
Later than five years	-	-

Note 42(c): Payables to Micro, Small & Medium Enterprises

There are no dues to Micro, Small and Medium Enterprises as at year end. The identification of Micro, Small and Medium Enterprises as defined under the provisions of "Micro, Small and Medium Enterprises development Act, 2006" is based on management knowledge of their status.

Notes to Consolidated Financial Statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

Note 43: Other disclosures:

(a) Additional Information required by Schedule III

31st March, 2019	Net Assets(Total Assets minus Total Liabilities)		Share in Profit or (Loss)		Share in Other Comprehensive Income		Share in Total Comprehensive Income	
Name of the Entity in the Group	As % of Consolidated net assets	Amount	As % of Consolidated Profit or (Loss)	Amount	As % of Consolidated Other Comprehensive Income	Amount	As % of Consolidated Total Comprehensive Income	Amount
Parent:								
Divi's Laboratories Limited	99.97%	6,97,331	98.29%	1,33,265	100.00%	105	98.29%	1,33,370
Sub-total (A)		**6,97,331**		**1,33,265**		**105**		**1,33,370**
Subsidiaries(Foreign):								
Divis Laboratories (USA) Inc	-*	4	1.09%	1,484	0.00%	-	1.09%	1,484
Divi's Laboratories Europe AG	0.03%	223	0.62%	837	0.00%	-	0.62%	837
Sub-total of subsidiaries (B)		**227**		**2,321**		**-**		**2,321**
Sub-total (A+B)	**100%**	**6,97,558**	**100%**	**1,35,586**	**100%**	**105**	**100%**	**1,35,691**
Adjustments arising out of Consolidation (c)		(1843)		(312)		(140)		(452)
Total (A+B+C)		**6,95,715**		**1,35,274**		**(35)**		**1,35,239**

* Amount is below the rounding off norms adopted by the group

Note 44: Earnings per share

	March 31, 2019	March 31, 2018
(a) Basic EPS		
Basic earnings per share attributable to the equity holders of the company	50.96	33.04
(b) Diluted EPS		
Diluted earnings per share attributable to the equity holders of the company	50.96	33.04

(c) Reconciliation of earnings used in calculating earnings per share

	March 31, 2019	March 31, 2018
Basic earnings per share		
Profit attributable to the equity holders of the company used in calculating basic earnings per share	1,35,274	87,701
Diluted earnings per share		
Profit attributable to the equity holders of the company used in calculating diluted earnings per share	1,35,274	87,701

Notes to Consolidated Financial Statements

(All amounts in Indian Rupees Lakhs, except equity shares and per share data unless otherwise stated)

(d) Weighted average number of shares used as the denominator

	March 31, 2019	March 31, 2018
Weighted average number of equity shares used as the denominator in calculating basic earnings per share	26,54,68,580	26,54,68,580
Adjustments for calculation of diluted earnings per share:	-	-
Weighted average number of equity shares used as the denominator in calculating diluted earnings per share	**26,54,68,580**	**26,54,68,580**

Note 45: Changes in Accounting Policies :

The Group applied Ind AS 115 for the first time using the modified retrospective method of adoption with the date of initial application of April 01,2018. Under this method any cumulative effect of initially applying Ind AS 115 can be shown as an adjustment to the opening balance of retained earnings as at April 01, 2018. The effect on adoption of Ind AS 115 was insignificant and hence, no adjustments were made to opening balance of retained earnings.

Note 46: Events occuring after the reporting period:

Refer Note 36 for the final dividend recommended by the Board which is subject to the approval of shareholders at the ensuing Annual General Meeting.

Note 47: Previous year figures have been regrouped /reclassified to conform to current year classification.

The accompanying notes are an integral part of the Consolidated financial statements

For Price Waterhouse Chartered Accountants LLP
Firm registration number: 012754N/N500016

Sunit Kumar Basu
Partner
Membership number: 55000

Place: Hyderabad
Date: 25-05-2019

For and on behalf of the Board of Directors of
Divi's Laboratories Limited

Dr. Murali K Divi
Chairman and Managing Director
DIN: 00005040

Kiran S Divi
Director
DIN: 00006503

L. Kishorebabu
Chief Financial Officer

P.V. Lakshmi Rajani
Company Secretary

Notice of Annual General Meeting

Notice is hereby given that the Twenty Ninth Annual General Meeting (AGM) of the Members of DIVI'S LABORATORIES LIMITED ('the Company') will be held on Friday, 23 August, 2019 at 10.00 A.M. at Global Peace Auditorium, Brahma Kumaris, Shanti Sarovar, Academy for Better World, Gachibowli, Hyderabad – 500032, Telangana, India to transact the following business:

ORDINARY BUSINESS:

Item No. 1 – Adoption of Financial Statements

To consider and adopt the audited financial statements, including the audited consolidated financial statements, for the financial year ended 31 March 2019 and the reports of the Board of Directors and Auditors thereon.

Item No. 2 – Declaration of Dividend

To declare dividend for the financial year ended 31 March 2019

Item No. 3 – Appointment of Mr. Kiran S. Divi as Director

To appoint a director in place of Mr. Kiran S. Divi (DIN: 00006503), who retires by rotation and being eligible, offers himself for re-appointment.

Item No. 4 – Appointment of Ms. Nilima Motaparti as Director

To appoint a director in place of Ms. Nilima Motaparti (DIN: 06388001), who retires by rotation and being eligible, offers herself for re-appointment.

SPECIAL BUSINESS:

Item No.5 – Appointment of Prof. Sunaina Singh as an Independent Director

To consider and, if thought fit, to pass with or without modification(s) the following resolution as an Ordinary Resolution:

"RESOLVED THAT, pursuant to the provisions of Section 149, 150, 152 and 160 and other applicable provisions, if any, of the Companies Act, 2013 ("Act") and the rules made thereunder, as amended from time to time, read with Schedule IV of the Act, Prof. Sunaina Singh (DIN: 08397250) who was appointed by the Board of Directors as an Additional Director of the Company categorised as Independent Director with effect from 28 March, 2019 and who holds office up to the date of this Annual General Meeting of the Company in terms of Section 161(1) of the Act and the Articles of Association of the Company, being eligible for appointment, be and is hereby appointed as an Independent Director of the Company to hold office for a term of five consecutive years upto 27 March, 2024, not liable to retire by rotation."

For and on behalf of the Board

Dr. Murali K. Divi
Chairman & Managing Director
(DIN: 00005040)

Hyderabad
25 May 2019

Registered Office:
1-72/23(P)/DIVIS/303,
Divi Towers, Cyber Hills,
Gachibowli, Hyderabad – 500 032
CIN: L24110TG1990PLC011854
e-mail: mail@divislabs.com

NOTES:

1. The information required to be provided under the SEBI (Listing Obligations and Disclosure Requirements) Regulations, 2015 (SEBI Listing Regulations) and the Secretarial Standards on General Meetings, in respect of the Directors who are proposed to be appointed/re-appointed and the relative Explanatory Statement pursuant to Section 102 of the Companies Act, 2013, in respect of the business under items 3-5 set out above is annexed hereto.

2. **A member entitled to attend and vote at the meeting, is entitled to appoint a proxy to attend and vote instead of himself and such proxy need not be a member of the Company. The instrument appointing proxy, duly completed, should be deposited at the registered office of the Company not less than forty-eight hours before the commencement of the meeting.**

   A person can act as a proxy on behalf of members not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the Company carrying voting rights. A member holding more than ten percent of the total share capital of the Company carrying voting rights may appoint a single person as proxy and such person shall not act as a proxy for any other member.

3. Corporate Members intending to send their authorized representatives are requested to send a certified copy of the Board resolution or upload it on the e-voting portal, authorizing their representatives to attend and vote at the Annual General Meeting.

4. Members / proxies / authorized representatives are requested to bring the attendance slips duly filled in for attending the meeting.

5. In case of joint holders attending the meeting, only such joint holder who is higher in the order of names will be entitled to vote.

6. Members who hold shares in dematerialized form are requested to write their Client ID and DP ID numbers and those who hold shares in physical form are requested to write their Folio Number in the attendance slip for attending the meeting.

7. Closure of Register of Members and Dividend:

a. Register of Members and Transfer Books will be closed from 17 August 2019 to 23 August 2019 (both days inclusive) for determining the names of the Members eligible for dividend, if approved, on equity shares. In respect of shares held in dematerialized mode, the dividend will be paid on the basis of particulars of beneficial ownership furnished by the Depositories for this purpose.

b. The Board of Directors of the Company at its meeting held on 25 May 2019 has recommended a dividend of ₹16/- per equity share of ₹2/- as final dividend for the financial year 2018-19. The dividend, if declared at the Annual General Meeting, will be paid within a period of 30 days from the date of declaration, to those members whose names appear on the Register of Members as on 16 August 2019.

c. Members may please note that the Dividend Warrants are payable at par at the designated branches of the Bank printed on reverse of the Dividend Warrant for an initial period of 3 months only. Thereafter, the Dividend Warrant on revalidation is payable only at limited centers / branches. The members are, therefore, advised to encash Dividend Warrants within the initial validity period.

8. M/s. Karvy Fintech Private Limited, ('Karvy'), Karvy Selenium Tower B, Plot No 31-32, Gachibowli, Financial Dist., Nanakramguda, Hyderabad–500 032 acts as the Company's Registrar and Share Transfer Agent and all correspondence may be addressed directly to them. In respect of shares held in electronic form, shareholders have to send requests or correspond through their respective Depository Participants.

9. Members are advised to register/ update their address, e-mail address and bank mandates with their depository participants in case shares are held in electronic form; and with the Company's Registrar and Share Transfer Agent, M/s. Karvy Fintech Private Limited in case shares are held in physical form.

10. Bank particulars:

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

    (i) Name of the Sole / First joint holder and the Folio Number.

    (ii) Particulars of Bank account, viz.,

    - Name of the Bank
    - Name of the Branch
    - Complete address of the Bank with Pin Code Number
    - Account type, whether Savings (SB) or Current account (CA)
    - Bank Account Number allotted by the Bank

11. Shareholders holding shares in electronic form may kindly note that their Bank account details as furnished by their Depositories to the Company will be printed on their Dividend Warrants as per the applicable regulations of the Depositories and the Company will not entertain any direct request from such shareholders for deletion or change in such Bank details. Further, instructions, if any, already given by them in respect of shares held in physical form will not be automatically applicable to shares held in the electronic mode. Shareholders are requested to intimate immediately any change in their address or bank mandates to their depository participants with whom they are maintaining their demat accounts; and if the shares are held in physical form to Karvy.

12. Non-Resident Indian Shareholders are requested to immediately inform their Depository Participant in case of demat shares and Karvy in case of shares in physical form:

    a. of the change in the Residential status on return to India for permanent settlement.

    b. of the particulars of the Bank Account maintained in India with complete name, branch, account type, account number and address of the Bank, if not furnished earlier.

13. Members holding shares in single name and physical form are advised to make nomination in respect of their shareholding in the Company. Shareholders desirous of making nominations are requested to send their requests to the Registrar and Share Transfer Agent, M/s. Karvy Fintech Private Limited.

14. Pursuant to the provisions of Section 124 of the Act, the unpaid or unclaimed dividend for the financial year 2011-12 is due to be transferred to the Investor Education and Protection Fund (the IEPF) established by the Central Government. Unclaimed dividend for the year(s) 2011-12, 2012-13, 2013-14, 2014-15, 2015-16 (interim dividend) 2016-17 and 2017-18 are held in separate Bank accounts and shareholders who have not received the dividend/ encashed the warrants are advised to write to the Company or Registrar and Share Transfer Agents with complete details. The details of the unpaid/ unclaimed amounts lying with the Company as on 10 September 2018 (date of last Annual General Meeting) are available on the website of the Company and on Ministry of Corporate Affairs' website.

Pursuant to the applicable provisions of the Act read with Investor Education and Protection Fund Authority (Accounting, Audit, Transfer and Refund) Rules, 2016 (as amended from time to time), equity shares in respect of which dividend has not been paid or claimed for seven consecutive years or more will be transferred to the demat account of IEPF Authority. The Company has already initiated necessary action for transfer of all shares in respect of which dividend has not been paid or claimed by members for seven consecutive years or more. Members are advised to visit the website of the Company to ascertain the details of shares liable for transfer in the name of IEPF Authority.

The shareholders whose unclaimed dividend/ shares are transferred to the IEPF Authority can now claim their unclaimed dividend and shares from the Authority by following the Refund Procedure as detailed on the website of IEPF Authority.

15. The annual report for the financial year 2018-19 is being sent through email to those members who have opted to receive electronic communication or who have registered their email addresses with the Registrar/depository participants as applicable. Physical copy of the annual report has been sent to those members who have either opted for the same or have not registered their email addresses with the Registrar/Depository Participant. Members will be entitled to a physical copy of the annual report for the financial year 2018-19 upon sending a request to the Company. Notice of the 29th AGM and the Annual Report 2018-19 will be available on the Company's website www.divislabs.com.

16. Members who would like to receive all communication including Annual Report, Notices, Circulars, etc., in electronic mode in lieu of physical copy (in order to save paper) and who have not registered their e-mail addresses so far or who would like to update their e-mail addresses already registered, are requested to register/ update their e-mail addresses:

    - in respect of electronic shareholding – through their respective Depository Participants;
    - in respect of physical shareholding – by sending a request to the Company's Registrar and Share Transfer Agent, mentioning therein their folio number and e-mail address.

17. The Securities and Exchange Board of India (SEBI) has mandated the submission of Permanent Account Number (PAN) and bank account details of the members holding securities in physical form. Members holding shares in physical form have to compulsorily furnish the details to RTA/ Company for registration /updation.

    Members holding shares in electronic form are also requested to submit their PAN and bank details to their Depository Participants with whom they are maintaining their demat accounts.

18. All documents referred to in this Notice are open for inspection at the Registered Office of the Company between 11:00 a.m. to 3:00 p.m. on any working day till the date of AGM.

19. In compliance with provisions of Section 108 of the Act read with Rule 20 of the Companies (Management and Administration) Rules 2014, as amended and Regulation 44 of the SEBI Listing Regulations and the applicable Secretarial Standards on General Meetings (SS2), the Company is pleased to provide to the shareholders the facility to cast their vote electronically through e-voting services provided by M/s. Karvy Fintech Private Limited ("Karvy") on all resolutions set forth in this Notice, from a place other than the venue of the Meeting (Remote e-voting).

    The facility for voting through ballot paper will also be made available at the AGM and the members attending the AGM who have not already cast their votes by remote e-voting shall be able to exercise their right at the AGM through ballot paper. Members who have cast their votes by remote e-voting prior to AGM may attend the AGM but shall not be entitled to cast their vote again.

    Process for remote e-voting:

    The Company has engaged the services of Karvy for facilitating remote e-voting to enable the Shareholders to cast their vote electronically.

    A. Members who received the notice through e-mail from Karvy:

    i. Launch internet browser by typing the URL: https://evoting.karvy.com.

    ii. Enter the login credentials (i.e., User ID and password mentioned in your email/sent separately). However, if you are already registered with Karvy for e-voting, you can use your existing User ID and password for casting your vote.

User Id:	For Members holding shares in Demat form:
	a. For NSDL: 8 character DP ID followed by 8 digit Client ID
	b. For CDSL: 16 digit Beneficiary ID/Client ID
	For Members holding shares in Physical form:
	EVEN(E-Voting Event Number) followed by Folio Number.
Password	Your unique password is sent separately/ provided in the email forwarding the electronic notice.
	If required, please visit https://evoting.karvy.com or contact toll free number 1-800-3454-001 for your existing password.

    iii. After entering these details appropriately, Click on "LOGIN".

iv. You will now reach password change Menu wherein you are required to mandatorily change your password. The new password shall comprise of minimum 8 characters with at least one upper case (A-Z), one lower case (a-z), one numeric value (0-9) and a special character (@,#,$, etc.). The system will prompt you to change your password and update your contact details like mobile number, email ID, etc. on first login. You may also enter a secret question and answer of your choice to retrieve your password in case you forget it. It is strongly recommended that you do not share your password with any other person and that you take utmost care to keep your password confidential.

v. After changing password, you need to login again with the new credentials.

vi. On successful login, the system will prompt you to select the "EVENT" i.e. Divi's Laboratories Limited.

vii. On the voting page, enter the number of shares (which represents the number of votes) as on the cut-off date under "FOR/AGAINST" or alternatively, you may partially enter any number in "FOR" and partially in "AGAINST" but the total number in "FOR/AGAINST" taken together should not exceed your total shareholding. If the shareholder does not indicate either "FOR" or "AGAINST" it will be treated as "ABSTAIN" and the shares held will not be counted under either head.

viii. You may then cast your vote by selecting an appropriate option and click on "Submit", a confirmation box will be displayed. Click "OK" to confirm else "CANCEL" to modify. Once you have voted on the resolution, you will not be allowed to modify your vote. During the voting period, Members can login any number of times till they have voted on the Resolution.

ix. Corporate/Institutional Members (i.e., other than Individuals, HUF, NRI, etc.) are additionally required to send scanned certified true copy (PDF Format) of the Board Resolution/Power of Attorney/ Authority Letter, etc. together with attested specimen signature(s) of the duly authorized representative(s), to the Scrutinizer at email ID: bhaskararaoandco@gmail.com, with a copy marked to evoting@karvy.com. The scanned image of the above mentioned documents should be in the naming format "Corporate Name_EVENT NO."

x. Members holding shares under multiple folios/ demat accounts shall choose the voting process separately for each of the folios/ demat accounts.

xi. Voting has to be done for each item of the Notice separately. In case you do not desire to cast your vote on any specific item it will be treated as abstained.

B. In case of Members receiving AGM Notice by Post:

1. Please use the User ID and initial password as provided in the AGM Notice Form.
2. Please follow all steps from Sr.No. i to xi as mentioned in (A) above, to cast your vote.

C. In case of any query pertaining to e-voting, please refer to the Help & FAQ's section and E-voting user manual available at the download section of https://evoting.karvy.com (Karvy e-voting website) or contact Karvy's toll free number 1-800-34-54-001 or phone no. 040 – 6716 2222 for any further clarifications.

D. The remote e-voting facility is available during the following period:

i. Commencement of remote e-voting: From 9.00 a.m. on 19 August 2019

ii. End of remote e-voting: up to 5.00 p.m. on 22 August 2019

iii. The remote e-voting will not be allowed beyond the aforesaid date and time. The e-voting module shall be disabled by Karvy upon expiry of aforesaid period.

20. Once the vote on a resolution is cast by a Member, the Member shall not be allowed to change it subsequently. Further, the Members who have cast their vote by remote e-voting shall not be allowed to vote again at the Meeting.

21. The Board of Directors of the Company at its meeting held on 25 May 2019 has appointed Mr. V Bhaskara Rao, Practicing Company Secretary, as Scrutinizer to scrutinize the remote e-voting and poll in a fair and transparent manner. He has communicated his willingness to be appointed and will be available for the same purpose. The Scrutinizer's decision on the validity of e-voting shall be final.

22. The voting rights for the shares are one vote per equity share, registered in the name of the shareholders / beneficial owners as on cut-off date i.e., 16 August 2019. Members holding shares either in physical form or dematerialized form may cast their vote electronically.

23. Any person who becomes a member of the Company after the dispatch of the Notice of the AGM and holds shares as on the cut-off date i.e., 16 August 2019, may obtain User ID and password in the manner as mentioned below:

(a) If the mobile number of the member is registered against Folio No./DP ID Client ID, the member may send SMS: MYEPWD <space> E-Voting Event Number+ Folio No. or DP ID Client ID to 9212993399.

Example for NSDL: MYEPWD <SPACE> IN12345612345678
Example for CDSL: MYEPWD <SPACE> 1402345612345678
Example for Physical: MYEPWD <SPACE> XXXX1234567890

(b) If e-mail address or mobile number of the member is registered against Folio No./ DP ID Client ID, then on the home page of https://evoting.karvy.com, the member may click "Forgot Password" and enter Folio No. or DP ID Client ID and PAN to generate a password.

(c) Member may call Karvy's toll free number 1-800-3454-001.

(d) Member may send an e-mail request at evoting@karvy.com.

24. A person whose name is recorded in the register of members or in the register of beneficial owners maintained by the depositories as on the cut-off date i.e., 16 August 2019 shall only be entitled to avail the facility of remote- e-voting and poll.

25. The Scrutinizer after scrutinizing the votes cast at the meeting (Poll) and through remote e-voting, will, not later than two days of conclusion of the Meeting, make a consolidated scrutinizers' report and submit the same to the Chairman.

26. Resolutions shall be deemed to be passed on the date of AGM subject to receipt of the requisite number of votes in favour of the Resolutions.

27. The result of the voting along with Scrutinizers' Report will be communicated to the Stock Exchanges and will also be hosted on the website of the Company www.divislabs.com and on Karvy's website (https://evoting.karvy.com) within two (2) days of passing of resolutions.

28. Pursuant to Regulation 44(6) of SEBI Listing Regulations, the Company shall provide live webcast of proceedings of AGM from 10.00 a.m. onwards on Friday, 23 August, 2019. Members can view the proceeding of AGM by logging on to the e-voting website of Karvy at https://evoting.karvy.com using their remote e-voting credentials, where the E-voting Event Number ("EVEN") of Company will be displayed.

29. Members are requested to note that Karvy have launched a new mobile application - KPRISM and website https://kprism.karvy.com for online service to shareholders. Members can download the mobile application, register themselves (onetime) for availing host of services viz., consolidated portfolio view serviced by Karvy, Dividends status and send requests for change of Address, change / update Bank Mandate. Members can download Annual reports, standard forms and keep track of upcoming General Meetings, IPO allotment status and dividend disbursements.

The mobile application is available for download from Android Play Store. Sahreholders can also scan the below QR code or alternatively visit the link https://kprism.karvy.com/app/ to download the mobile application.

Details of Directors seeking appointment/re-appointment at the AGM as required under Regulation 36(3) of SEBI Listing Regulations, Section 102 of the Companies Act, 2013, and the applicable Secretarial Standard on General Meetings:

Item No. 3

Mr. Kiran S. Divi (43 years) is a graduate in Pharmaceutical Sciences from College of Pharmacy, Manipal, Karnataka and holds a post-graduate degree in Pharmacy from Jawaharlal Nehru Technological University (JNTU), Kakinada, Andhra Pradesh.

He joined the Board of the Company on August 10, 2001 and has been designated as Whole-time Director. Mr. Kiran Divi was involved in understanding the markets in USA for active pharma ingredients and intermediates for about two years before joining the Board. Mr. Kiran is responsible for marketing, regulatory affairs and operations of the Company.

Directorships held in other companies

Divi's Biotech Private Limited
Divi's Resorts and Agro Farms Private Limited
Divi's Properties Private Limited

Memberships/ Chairmanships of Committees in other companies

He is neither a Member nor Chairman of Committees of other Companies.

Shareholding in the company

He holds 5,40,00,000 equity shares of the Company.

For details such as number of meetings of the Board attended during the year and remuneration drawn, please refer to the Board's Report and the Corporate Governance Report.

Except Mr. Kiran S. Divi, Dr. Murali K. Divi, Ms. Nilima Motaparti and their relatives, none of the Directors or Key Managerial Personnel of the Company is in any way, concerned or interested in the resolution. The Board commends the Resolution at Item No. 3 for approval by the members.

Item No. 4

Ms. Nilima Motaparti (37 years) has a Master's Degree in International Business from Gitam Institute of Foreign Trade, Visakhapatnam and Masters in International Finance from Glasgow University, U.K. Ms. Nilima has significant international exposure in UK and Scotland for over 5 years before joining the Company and has commercial acumen and familiarity with international environment on material requirement planning and finance.

Ms. Nilima Motaparti joined the Company on July 2, 2012 as Chief Controller (Commercial) in the management cadre of the Company. She joined the Board of the Company on May 27, 2017 and has been designated as Whole-time Director. She oversees the commercial functions comprising procurement as well as finance/accounting/ secretarial, CSR Projects and work towards cost control and compliances in these areas. She has played a key role in helping the Company to implement just-in time inventory management and global procurement practices.

Directorships held in other companies

Divi's Biotech Private Limited
Divi's Resorts and Agro Farms Private Limited
Divi's Properties Private Limited

Memberships/ Chairmanships of Committees in other companies

She is neither a Member nor Chairman of Committees of other Companies.

Shareholding in the company

She holds 5,40,00,000 equity shares of the Company.

For details such as number of meetings of the Board attended during the year and remuneration drawn, please refer to the Board's Report and the Corporate Governance Report.

Except Ms. Nilima Motaparti, Dr. Murali K. Divi, Mr. Kiran S. Divi and their relatives, none of the Directors or Key Managerial Personnel of the Company is, in any way, concerned or interested in the resolution. The Board commends the Resolution at Item No. 4 for approval by the members.

Explanatory Statement

Item No. 5

The Board of Directors of the Company appointed Prof. Sunaina Singh as an Additional Director of the Company categorised as Independent Director with effect from 28 March, 2019, pursuant to the provisions of Section 161(1) of the Companies Act, 2013 ("Act") and the Articles of Association of the Company.

In terms of the provisions of Section 161(1) of the Act, Prof. Sunaina Singh will hold office up to the date of the ensuing Annual General Meeting.

Prof. Sunaina Singh is not disqualified from being appointed as a Director in terms of Section 164 of the Act and has given her consent to act as a Director.

The Company has received a declaration from Prof. Sunaina Singh that she meets with the criteria of independence as prescribed under sub-section (6) of Section 149 of the Act and SEBI Listing Regulations. The resolution seeks the approval of members for the appointment of Prof. Sunaina Singh as an Independent Director of the Company for a period of 5 years up to March 27, 2024 pursuant to Section 149 and other applicable provisions of the Act and Rules made thereunder and she is not liable to retire by rotation.

The Company has received a notice in writing from a member under Section 160 of the Companies Act, 2013, proposing her candidature for the office of Independent Director of the Company.

In the opinion of the Board, Prof. Sunaina Singh fulfills the conditions for her appointment as an Independent Director as specified in the Act and SEBI Listing Regulations. Prof. Sunaina Singh is independent of the management.

Prof. Sunaina Singh (63 years) has a doctorate degree from Osmania university and is presently the Vice Chancellor of Nalanda University, an internationally acclaimed historical university under the Ministry of External Affairs. A distinguished academician and administrator, she also holds the position of the Vice President, Indian Council for Cultural Relations (ICCR); is Member, Governing Council, Association of Indian Universities (AIU); Member Comprehensive Language Policy of India; Academic Advisor, National Cyber Safety and Security Standards (NCSSS) and Governing Board Member, India Foundation, a think tank. She was conferred with many prestigious awards.

Prof. Sunaina Singh does not hold any shares of the Company. She is neither a director nor a Member /Chairman of Committees of other companies.

Copy of the draft letter of appointment of Prof. Sunaina Singh as an Independent Director setting out the terms and conditions is available for inspection by members at the Registered Office of the Company.

None of the Directors or Key Managerial Personnel of the Company and / or their relatives, except Prof. Sunaina Singh to whom the resolution relates, is in any way, concerned or interested, financially or otherwise, in the resolution. The Board commends the Resolution at Item No. 5 for approval by the members.

For and on behalf of the Board

Dr. Murali K. Divi
Chairman & Managing Director
(DIN: 00005040)

Hyderabad
25 May 2019

Registered Office:
1-72/23(P)/DIVIS/303,
Divi Towers, Cyber Hills,
Gachibowli, Hyderabad – 500 032
CIN: L24110TG1990PLC011854
e-mail: mail@divislabs.com

DIVI'S LABORATORIES LIMITED

CIN : L24110TG1990PLC011854
Divi Towers, 1-72/23(P)/DIVIS/303 Cyber Hills, Gachibowli, Hyderabad - 500 032, Telangana, India.
Tel.: +91 40 2378 6300; Fax: +91 40 2378 6460
E-mail : mail@divislabs.com URL : www.divislabs.com

Share Transfer Agent : M/s. Karvy Fintech Private Limited, Karvy Selenium Tower B, Plot No 31-32, Gachibowli, Financial District, Nanakramguda, Hyderabad - 500 032

ATTENDANCE SLIP

Regd. Folio No.	* DP ID :
No. of Equity Shares held	* Client ID :

Name of the Shareholder

Name of Proxy

I/We hereby record my/our presence at the 29th Annual General Meeting of the Company to be held at Global Peace Auditorium, Brahma Kumaris, Shanti Sarovar, Academy for Better World, Gachibowli, Hyderabad – 500 032 at 10.00 A.M. on Friday, 23 August, 2019.

SIGNATURE OF THE MEMBER OR THE PROXY ATTENDING THE MEETING

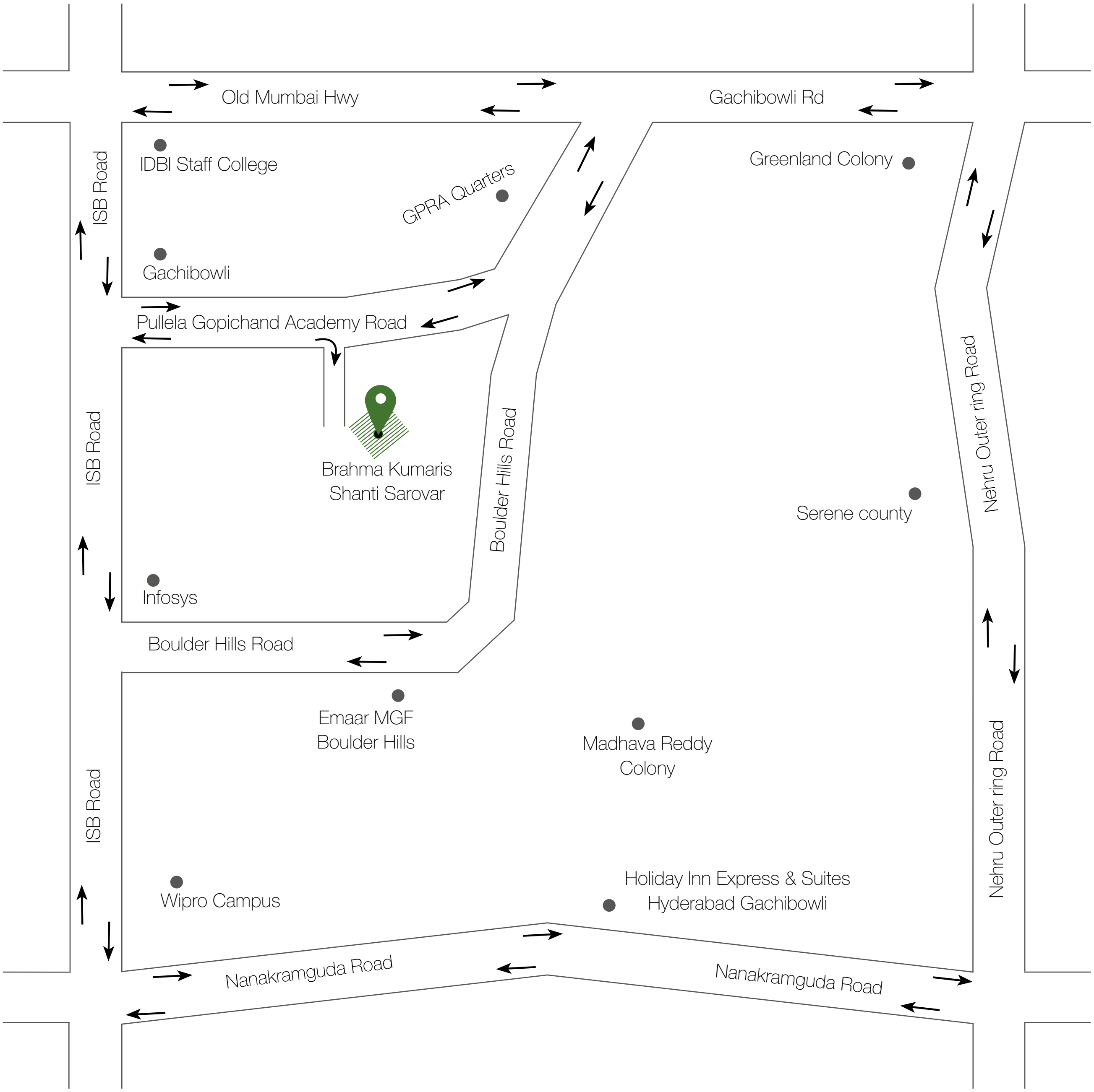
....

If Member, Please sign here   If Proxy, Please sign here

Note : This form should be signed and handed over at the Meeting Venue.

* Applicable for investors holding shares in electronic form.

AGM Venue Route Map



Scan the QR code on your smartphone
for directions on Google Maps

DIVI'S LABORATORIES LIMITED

CIN : L24110TG1990PLC011854
Divi Towers, 1-72/23(P)/DIVIS/303 Cyber Hills, Gachibowli, Hyderabad - 500 032, Telangana, India.
Tel.: +91 40 2378 6300; Fax: +91 40 2378 6460
E-mail : mail@divislabs.com URL : www.divislabs.com

Share Transfer Agent : M/s. Karvy Fintech Private Limited, Karvy Selenium Tower B, Plot No 31-32,
Gachibowli, Financial District, Nanakramguda, Hyderabad - 500 032

PROXY FORM

(Pursuant to section 105(6) of the Companies Act, 2013 and rule 19(3) of the Companies (Management and Administration) Rules, 2014)

Name of the Member(s) ....

Registered address : ....

E-mail id : ....

Folio No./Client ID : ....

DP ID : ....

I/We, being the member(s) of ....shares of the above named Company, hereby appoint

1. Name ....

   Address ....

   E-mail id .... Signature ...., or failing him

2. Name ....

   Address ....

   E-mail id .... Signature ...., or failing him

3. Name ....

   Address ....

   E-mail id .... Signature ....

as my/our proxy to attend and vote (on a poll) for me/us and on my/our behalf at the 29th Annual General Meeting of the Company to be held at Global Peace Auditorium, Brahma Kumaris, Shanti Sarovar, Academy for Better World, Gachibowli, Hyderabad – 500 032 at 10.00 A.M. on Friday, 23 August 2019 and at any adjournment thereof in respect of such resolutions as are indicated below:

** I/We wish my above proxy(ies) to vote in the manner as indicated in the box below :

Resolutions		For	Against	Abstain
1	Adoption of Audited Financial Statements (Standalone and Consolidated) for the year ended 31 March, 2019 along with the Reports of the Board of Directors and Auditors thereon			
2	Declaration of dividend on Equity Shares for the financial year ended 31 March, 2019			
3	Appointment of Mr. Kiran S. Divi (DIN: 00006503), who retires by rotation and being eligible, offers himself for re-appointment			
4	Appointment of Ms. Nilima Motaparti (DIN: 06388001), who retires by rotation and being eligible, offers herself for re-appointment			
5	Appointment of Prof. Sunaina Singh, (DIN: 08397250) as an Independent Director.			

Signed this .... day of .... 2019.

Affix a
revenue
stamp

Signature of shareholder

Signature of first proxy holder **Signature of second proxy holder** **Signature of third proxy holder**

**This is only optional. Please put a '√' in the appropriate column against the resolutions indicated in the Box. Alternatively, you may mention the number of shares in the appropriate column in respect of which you would like your proxy to vote. If you leave all the columns blank against any or all the resolutions, your proxy will be entitled to vote in the manner as he/she thinks appropriate.

Note :

1. This form of proxy in order to be effective should be duly completed and deposited at the Registered Office of the Company, not less than 48 hours before the commencement of the Meeting.
2. A proxy need not be a member of the Company.
3. In case the appointer is a body corporate, the proxy form should be signed under its seal or be signed by an officer or an attorney duly authorized by it and an authenticated copy of such authorisation should be attached to the proxy form.
4. A person can act as proxy on behalf of such number of Members not exceeding fifty and holding in the aggregate not more than ten percent of the total share capital of the Company carrying voting rights. Further, a member holding more than ten percent, of the total share capital of the company carrying voting rights, may appoint a single person as proxy and such person shall not act as proxy for any other Member.
5. Appointing a proxy does not prevent a member from attending the meeting in person if he so wishes.
6. In case of joint holders, the signature of any one holder will be sufficient, but names of all the joint holders should be stated.

Disclaimer

Some information in this report may contain forward-looking statements which include statements regarding Company's expected financial position and results of operations, business plans and prospects etc. and are generally identified by forward-looking words such as "believe," "plan," "anticipate," "continue," "estimate," "expect," "may," "will" or other similar words. Forward-looking statements are dependent on assumptions or basis underlying such statements. We have chosen these assumptions or basis in good faith, and we believe that they are reasonable in all material respects. However, we caution that actual results, performances or achievements could differ materially from those expressed or implied in such forward-looking statements. We undertake no obligation to update or revise any forward-looking statement, whether as a result of new information, future events, or otherwise.

Divi's Laboratories Limited

Registered office:

Divi Towers, 1-72/23(P)/DIVIS/303, Cyber Hills, Gachibowli, Hyderabad - 500 032, Telangana, India
Phone : 040 - 2378 6300, Fax : 040 - 2378 6460, E-mail : mail@divislabs.com, www.divislabs.com